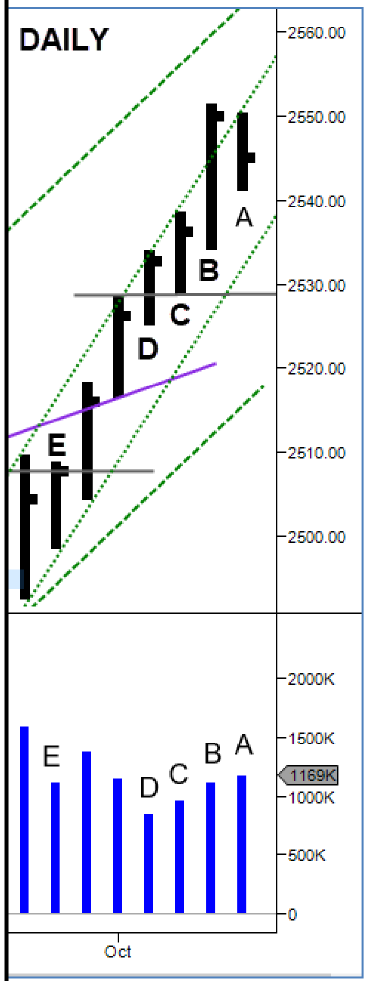
Date: 09/10/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

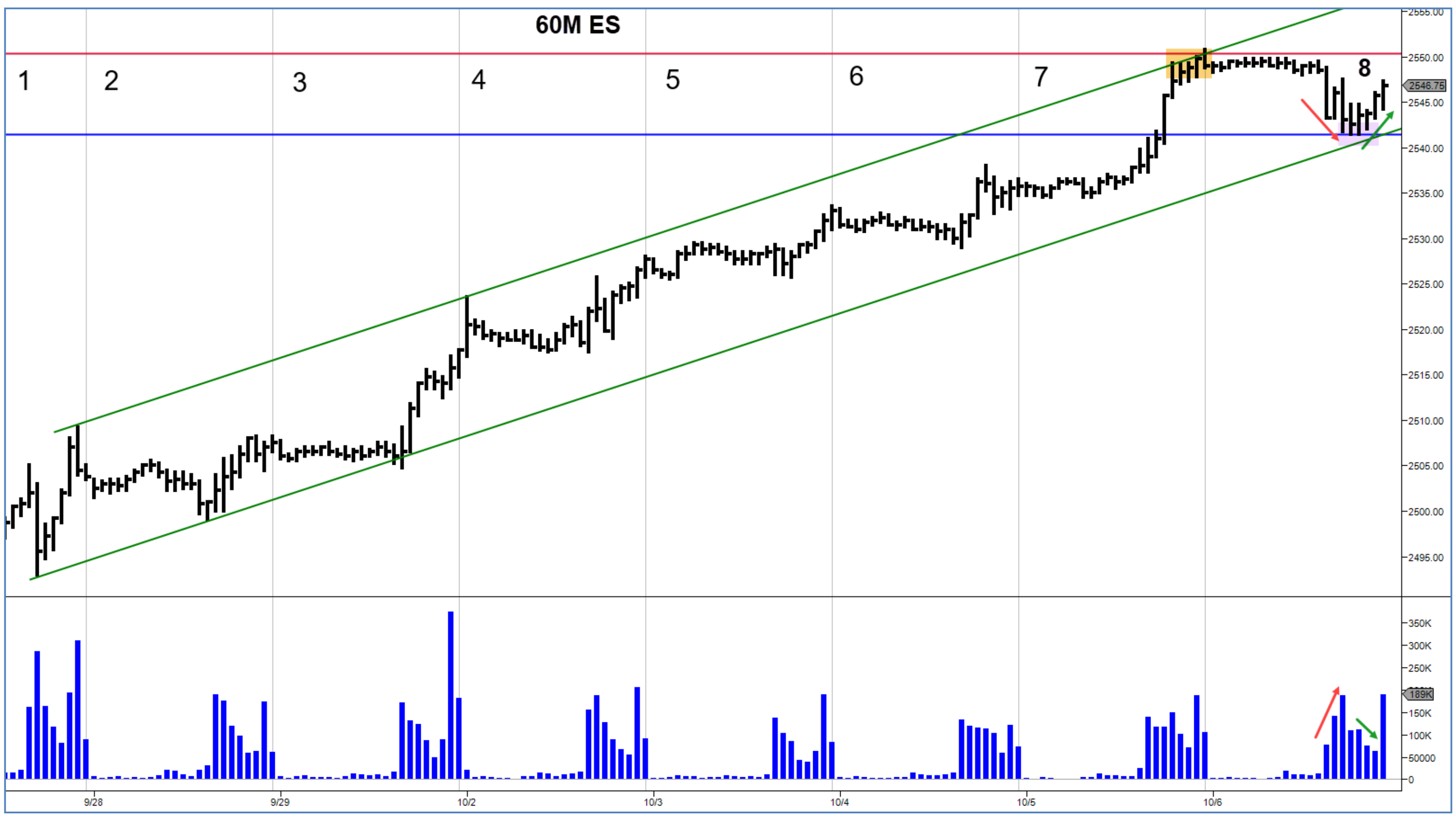
Yesterday: **HIGH:** 2549.75 **LOW:** 2541.50 **CLOSE:** 2545.00

Other levels: res:2564.00, res:2550.75, sup:2528.00 -29.00, sup:2507.25, sup: 2494.25 – 2495.25, sup:2488.50



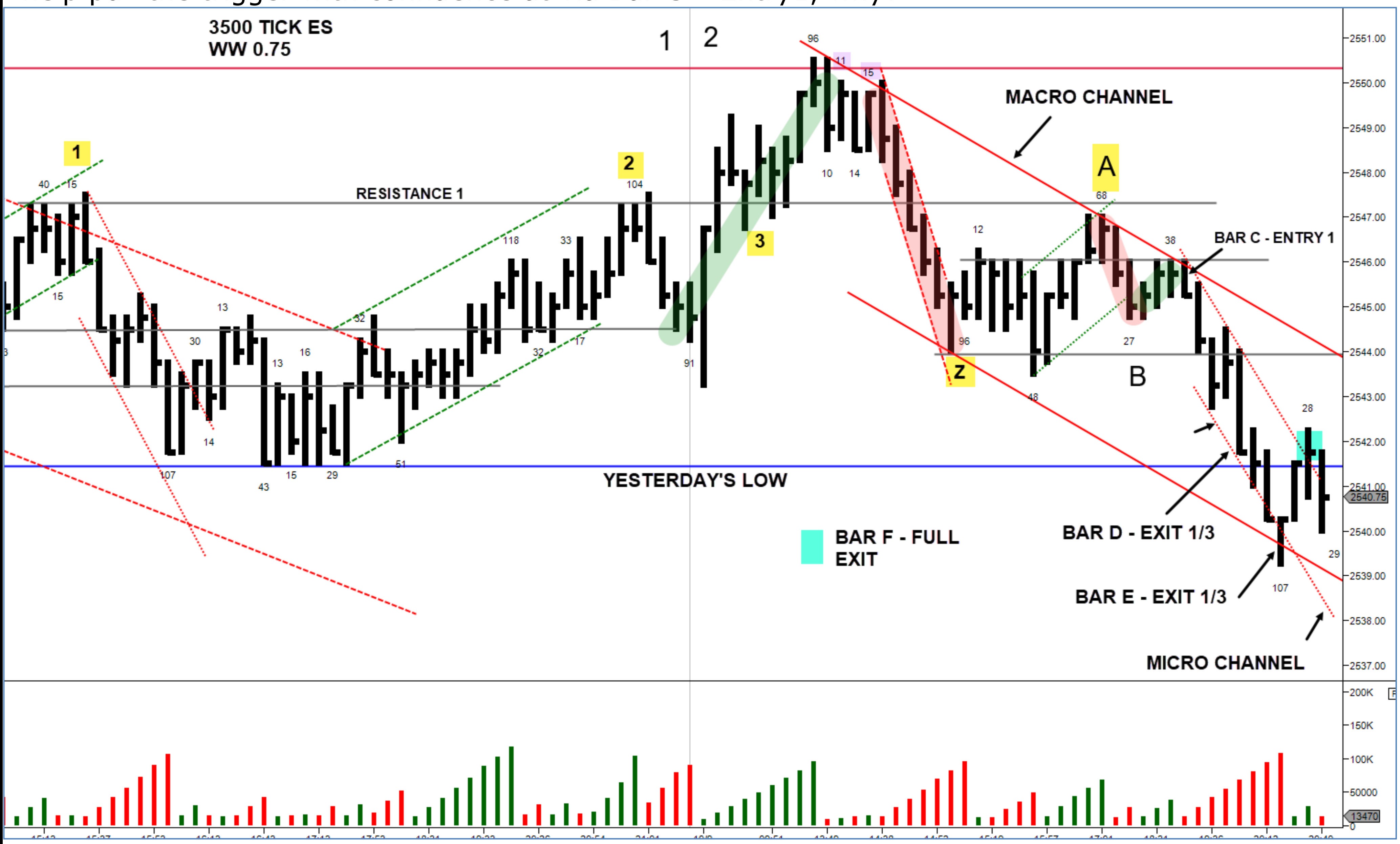
Finally the S&P gives way and the market prints a down bar; not surprising as we established the overbought level before hand, it's the perfect response as price reverses and starts to trade back within the channel. How do we view this action? It has higher volume than the previous bar, yet the spread has halved, therefore is a case of Effort vs. Result - now we ask ourselves is it positive or negative? If we viewed bar E as strength and A as a test (for supply) it has failed, too much volume has been extracted, a test should have minimal volume (that is relative to other local bars) Comparing to other similar spread bars via C & D, we push the market up with ease on lower volume making higher highs and closes, yet with an increase in volume at A we make a lower high and close, this we would have to interpret as supply. But we must take into consideration that buying was also present, otherwise the spread would be larger testing support around 2530.00.

The 60m confirms that selling has emerged. Towards the end of day 7 we encounter the supply line that holds (orange highlight) during the overnight we are unable to rally or test yesterday's highs, this action is not negative as we have held gains previously during all prior overnight action. As the US opens we break to the downside with increasing volume (red arrow) and as we try to rally volume declines (green arrow) both of these behaviours are not a good sign for the bulls – we now have a change of behaviour in a uptrend that is pretty long in the tooth, an 8 day upside channel via the 60m chart is quite considerable for this timeframe. The last bar is the close and is difficult to interpret as many different types of traders are active, but as its stands odds favour a test of sorts to the upside. We have more or less bounced off support (purple highlight) to be expected as were in a working channel, so the key level is the multiday high (day 7 & 8) around 2550.00, for all intents and purposes the real level to be tested is the supply line, so analysing the price action at an earlier level of potential resistance is key. If we break decisively to the upside this level could act as support; we would wait for a weak reaction and apply bullish setups, alternatively resistance could hold and this would open up a bearish scenario for many reasons. Taking into consideration the immediate price action of days 7 & 8 and the daily we have a story of weakness emerging, bearing in mind that the demand line of the channel would be close to 2550.00 (producing a tight environment for price) odds would favour a break. As traders when we analyze the market and make predictions it isn't about being right or wrong, its knowing how to react when the market unfolds in a certain way; having a game plan for both bullish and bearish scenarios is extremely valuable, even more so for



intraday trading. Of course with swing trading and using higher timeframes, direction has much more importance for obvious reasons

During the premarket activity we get a superb hint from the market; we try to break resistance with 96k contracts and hold, followed by two no demand rallies (11k and 15k, purple highlight). Sellers recognize the weakness and take advantage producing a down wave with selling of decent quality and volume, compare to the previous upwave; 6 bars to the downside (red opaque) wipes out 13 bars of buying (green opaque), look how price action flows to the downside; no price bar overlap. The wave down after rejecting resistance and not being able to test the supply line (via 60m chart) is our change of behaviour – we have confirmed weakness. NOW we look to the market and try to apply short setups. We push up to A unable to test yesterday's resistance level (1) this level would be classed as an axis line: (yellow highlights) it acts as resistance at 1 & 2, support at 3, we knife through this level at Z and now should act as resistance at A; an upthrust or no demand at this level would have been ideal, and unfortunately didn't occur. However this action gave additional data to help pull the trigger with confidence at via Bar C – Entry1, why?



We have a story of weakness in higher timeframes that is recently apparent in the 5m. We have a change of behaviour wave to the downside at Z, and two levels of structure in place to trade against: local resistance and the supply line (a supply confluence) This was the additional data that the missed opportunity via A provided, an anchor point for the trend channel – This process of thought is how we manage to stack the odds in our favour by producing a story of strength or weakness and then look to apply either short or long setups. We have other subtleties to work with, A to B we get ease of movement down with 27k contracts, the following rally is slight Effort vs. Result with 38K, price action is capped and produces a small upwave right at the supply confluence level, a picture perfect setup.

Bar D, Exit 1/3, oversold in our channel at support (+3.75 points), Bar E, oversold in both micro and macro channel with a firm bar closing back in the channel (+5.25 points), Bar F – Full exit, we became oversold in 2 areas (some buying was inevitable) yet price closed back above support (yesterdays low) and broke the micro supply line, hinting at a possible test of the macro supply line (and has every right to do so), hence the full liquidation (+3.75 points)

Today's trading was self explanatory and highlights the necessity for multiple timeframe analysis, this element of trading should not be overlooked, time to lock in profits and call it a day

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