

Date: 15/11/2017

Market: ES mini

Timeframe(s): Intraday - 5m,15m,60m,3500T

News:

Yesterday:

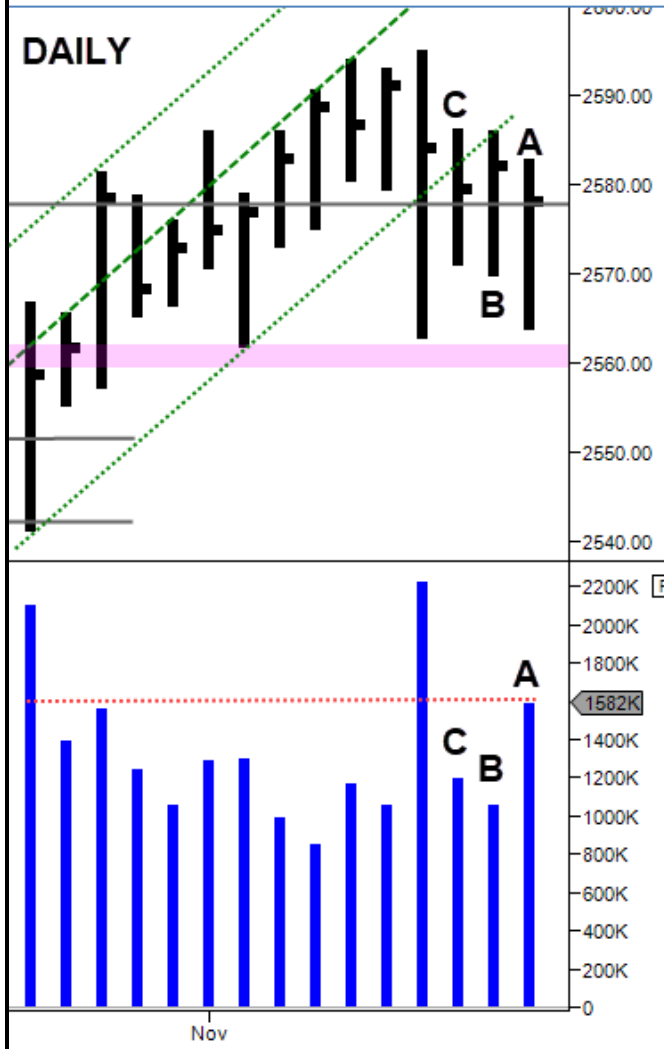
HIGH: 2582.25

LOW: 2564.25

CLOSE: 2578.00

Other levels:

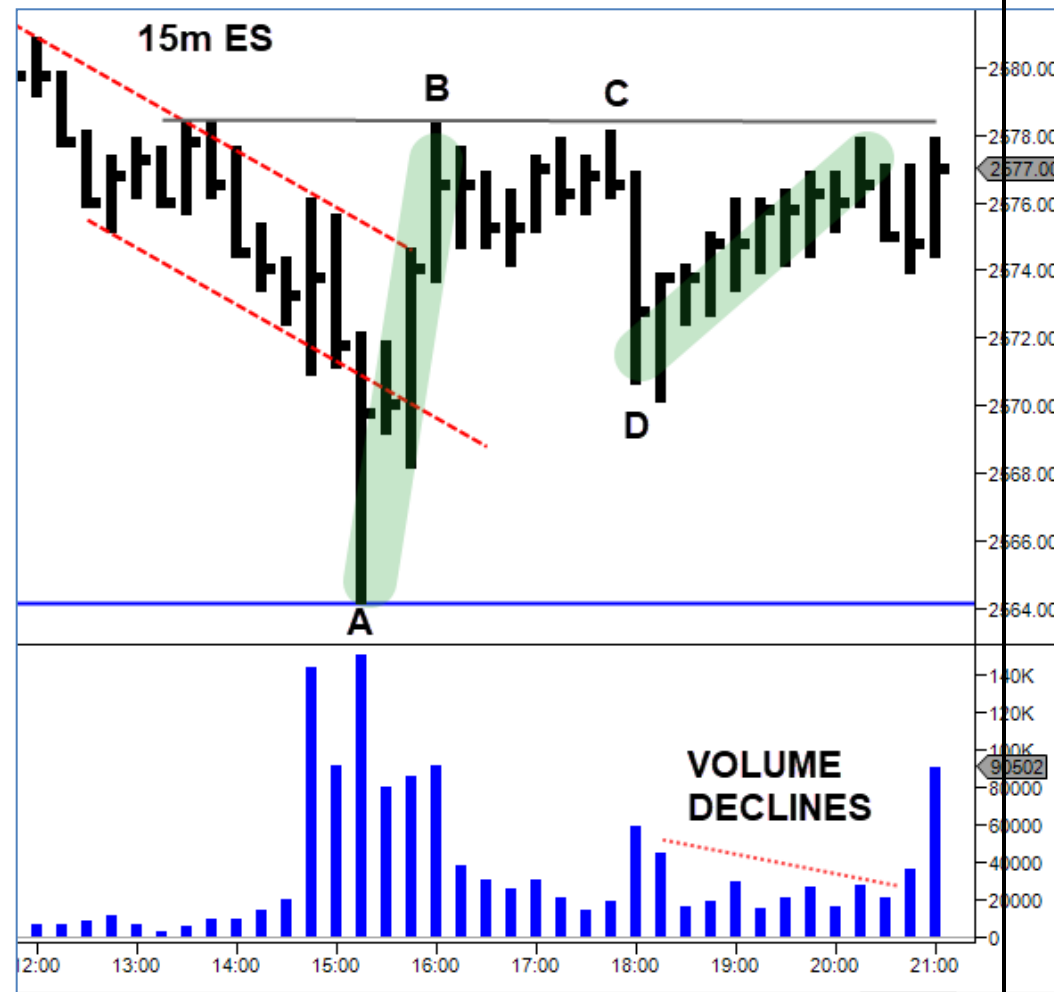
res:2594.50, sup:2560.00-61.00, sup:2550.75, sup: 2542.50, sup:2538.00, sup:2528.00-29.00, sup:2507.25



Bar A, somewhat of a difficult bar to interpret. It dips under the lows of bars B & C to reverse and close firm back above the support level (approx 2580.00) usually we would give this bar a bullish tone. However, Bar A is technically a down bar - making a lower high, a lower low and a lower close with a huge surge in volume. First thing we ask ourselves; why with all that volume (if bullish) can we not close above the highs of B & C? The volume is significant (3rd highest on this chart) and with all that activity we do not accomplish anything to note of.... If bar A closed above the highs of B & C there would be a clear bullish bias; hopefully a deeper look using the lower timeframes might offer some clarity

The 15m: instantly we can see that the market struggles for higher prices from 6pm onwards. From A to B the market is strong with decent price action, price then halts for 2 hrs unable to break into new highs and we react from C to D, volume increases on the pullback so we know there is some supply in the market or is it a shakeout? From D we rally and volume declines, spreads narrow, but do close fairly firm - price is grinding higher. Using the compare and contrast analysis the buying quality between the two upwaves

(green opaque highlights) are worlds apart. This is very interesting behaviour, why? This is the exact same price action as yesterday, we drive up hard in the morning, followed by sloppy weak buying in the afternoon, what does this mean? The professionals are buying early on from the US open, hence the high volume and wide spread bars, then withdraw their activity; this is shown by the spreads narrowing and volume declining (dramatically). The professionals are accumulating and only active near the lows, this action makes sense as we have a buying zone underneath us. NOW we have established this behaviour, we need to pay close attention to price around the demand zone (purple highlight via the daily) because we don't know how long they will continue to accumulate. Please bear in mind this accumulation (cause) will give an appropriate result (effect) and this has been witnessed via a 15m timeframe. This is one of Wyckoff's core principles, the law of "cause and effect" This topic has been covered multiple times in depth within the Chronicles.



However, we could alternatively view the price action as mere aggressive buying at the lows/support area. Typically genuine accumulation has a lot of pumping and churning with multiple testing, there are many variations of "demand/buying zones" As previously mentioned the labelling and process is unimportant, the action, which is the "buying" is the real value and what we should pay attention to

During the overnight both the Asian and European sessions sell off, and price is confined to a trend channel. Price tests yesterday's low at Z and we spring to Y with decent demand. The market pulls back to test the area again to only fall a bit further to A, yet as we react supply volume declines (orange highlights 67, 41 and 28k contracts) each successive wave down is making less progress to the downside this is called "Shortening of the Thrust" - in a nutshell supply is drying up. As we rally to B there are two decent up waves, and C there are two no supply waves, volume is very low, where is the selling we have previously from the US open? BUT we have already noted that supply has diminished and NOW the last two up waves are larger than the previous 4 down waves. Demand is starting to emerge and supply has dried up. Then boom we get a change of behaviour wave to D, it's larger than any downwave on the chart and it accomplishes a great deal as it breaks the supply line and does so with decent price action and volume. That's our signal to look for longs, we need to be patient and wait for a weak pullback to apply long positions. The market produces two picture perfect no supply waves via E (12 and 13k contracts) As price is very close to yesterday's low (resistance) I let the market pull me in with a break via bar F

Bar G - Exit 1/3, local resistance (+3.25 points) Bar H - Full exit, hits major swing high (Y) upthrusts and breaks the demand line, all signals hint towards a pullback of sorts (+5.25 points)



To the 5m chart. Bar B, entry 2, why? As we react from H volume declines (apart from the rogue down bar) price is hugging the supply line and not able to test the demand line - this is a sign of strength (not enough selling force). Bar A we see demand, a pop in volume with a firm close at support. More importantly the last time we were at this area via bar F (to the left in purple) note the volume is very high, giving validity to the break. As Wyckoff states "it takes equal or greater volume to break a previous area of support or resistance", as we approach and test via bar A, volume is less than a 1/3 of that via F. Plus another major element for this setup is the triple demand confluence area via the tick chart, a rarity and when this does occur, take notice

Bar B - A test bar (no supply) at support. This was the entry bar

Bars C - Both positive in price action and the latter bar C, is a potential entry point

Bar D - The perfect test bar (no supply) narrow spread and very low volume. A picture perfect entry

Bar E - Another entry point, dips under D reverse to close firm above the previous highs.



The market has provided four opportunities to jump onboard this long play and they all occur at a major support level. The entry via B may appear aggressive, however from experience and being able to read the strength of price along with structure it was a complete no brainer. Saying that, the perfect entry was bar D, but we never know this will print

Bar G – Exit 1/3, first resistance (+3.25 points) Bar H – Exit 1/3, resistance via tick chart and a supply confluence via the 5m (resistance and supply line) (+4.50 points) Bar J – Full exit, as we break support and the demand line, odds favour a pullback (+3.00 points)

Today’s trading provided two excellent setups that were easy to read. The market gave 4 or 5 opportunities to jump onboard entry 2, which is very rare; this enables the trader to add additional contracts (if not all in) or jump onboard if missed the first couple - plus we also get the added confirmation that the trade is solid.

From a personal perspective its trading days like these that really show the power of this method and I find the process highly enjoyable. Trading for the most part can be very tedious as much patience and discipline is required; so when days come along where you can read literally every bar and understand the market, all its subtleties, the ebbs and flows, its highly rewarding - not in terms of points, but the mere satisfaction of the near perfect game. Time to lock in profits and call it a day

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