

Date: 16/08/2017

Market: ES mini

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

News:

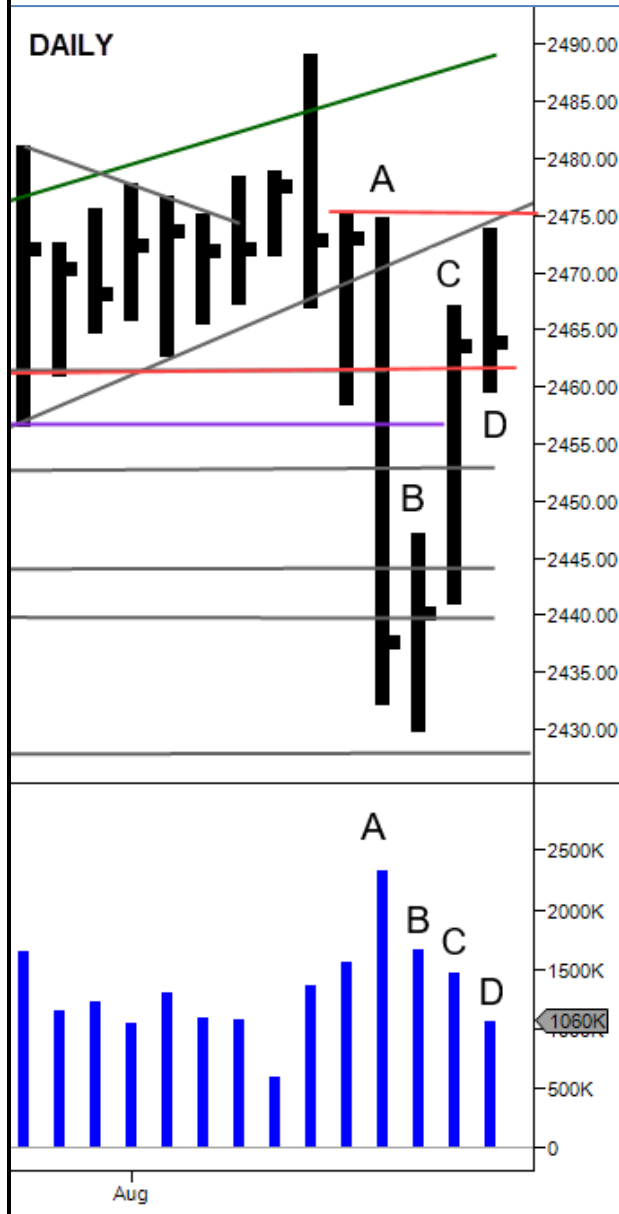
Yesterday:

HIGH: 2473.25

LOW: 2460.00

CLOSE: 2463.75

Other levels: res:2480.50, res: 2474.50, sup:2461.50, sup:2457.00 res:2451.50, res:2440.00, res:2337.00, sup:2428.00,



Bar D is an interesting bar we get follow through from bar C, however sellers emerge near the highs and push the market down. Firstly, negativity is expected at the highs due to the supply line and A resistance (confluence) so of no major surprise. Bar D's close doesn't scream weakness as it closes 1 tick above bar C, technically an up bar. If the market was supremely weak we would close below support.

Bar A - supply overcoming demand, very weak bar

Bar B - demand emerges, volume is large considering the spread. We dip under the lows to reverse and close back over support and the close of A (strength)

Bar C - No downside follow through, rallies hard breaking four levels of resistance and closes firm. This bar is strong, volume declines but price action is king. Professional sellers will recognize the strength at B and anticipate a rally of sorts; knowing this - will sellers wait to see how much demand is left in the market before returning and adding positions at higher prices? An alternative view of bar A is a large shakeout before we rally into new highs, this is a very possible scenario due to the extreme response to D.

The 15m gives a little clarity by holding a daily level of

support 2461.50.

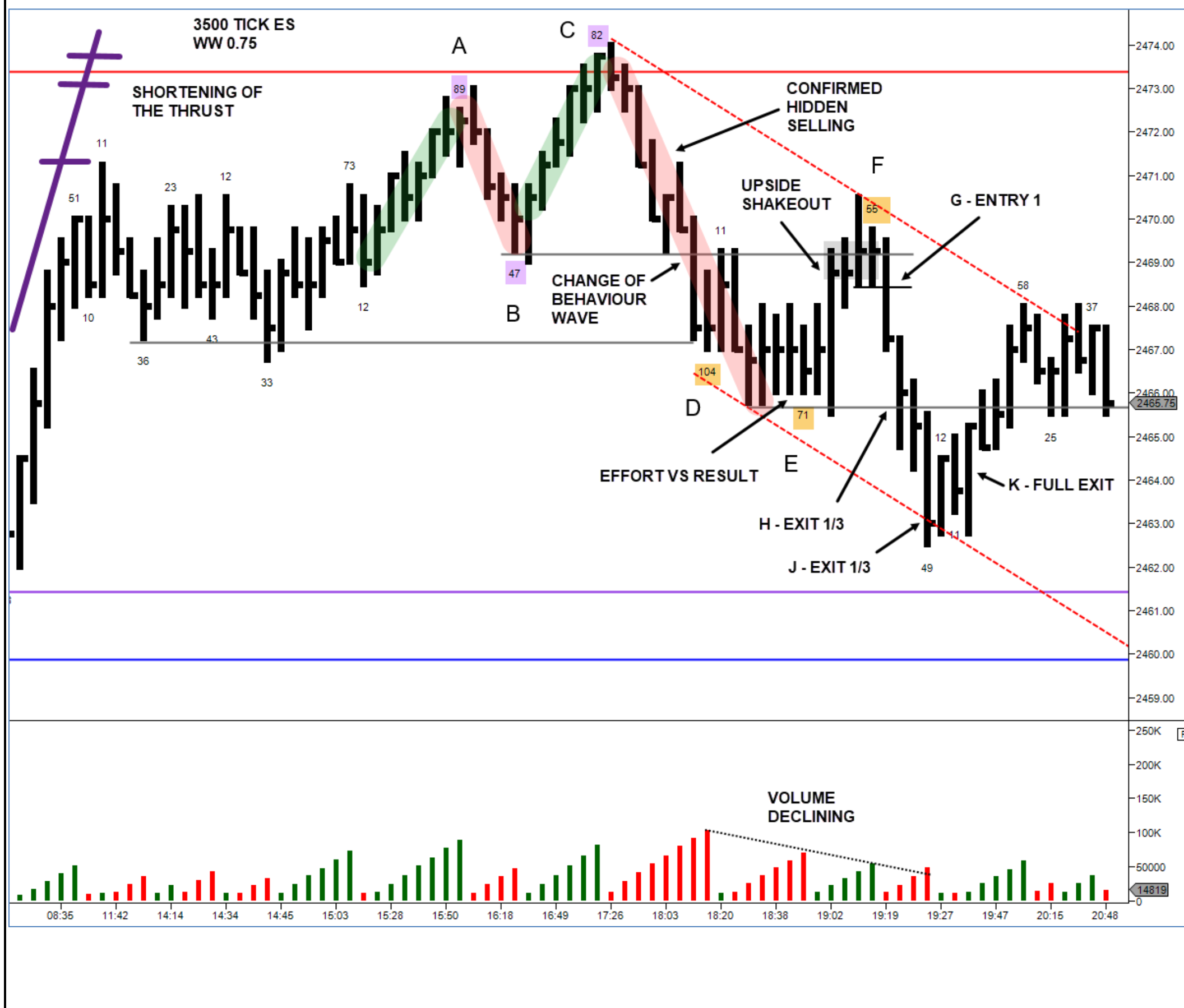
The market drops to A and is unable to close under support for the whole session (strength) By all rights if the market was weak we should have follow through from bar A. Yet the next 2 bars (pink highlight) lower prices are rejected on increasing volume. Price action moves sideways for a couple of hours before a weak rally to resistance. Bar B is printed and we test support with a decent bar, increase in volume, closes well off the lows and importantly volume is lower than the bars at A, a form of testing. From here we rally with a larger wave up. Bar C throws a spanner in the works, as I have previously mentioned volume via the US close is very difficult to interpret as many types of traders are active. From this price action alone we would expect a test of support, our previous analysis still holds strong until the market tells us otherwise - one bar doesn't undo the whole session of trading, where we couldn't break support. The key is to analyse the next few bars



During the Asian session we test support, hold, to slowly drift up for the remainder and throughout the European session, netting 12 points to the upside. The US opens, hold a local level of support and drive up to A testing yesterdays resistance. The market is strong with decent demand behind us 73K followed by an 89k contracts upwave. We naturally find some supply at resistance and react to B with 47k, we rally back to resistance (C) and price halts (82k contracts) before reversing. What's of

interest is the pullback with 47k, why? Comparing B to upwaves A and C, we have the same distance travelled in waves, yet both of the upwaves have twice the volume – we gain critical info, this tells us that the market has ease of movement to the downside, good flow and that both of the upwaves must contain hidden selling. Although C upthrusts yesterday's highs it's very hard to trade as the hidden selling isn't confirmed until 2471.00 give or take.

Bar G – Entry 1, why? First of all we have shortening of the thrust to the upside, followed by a change of behaviour wave down breaking two levels of support with the highest volume of the day 104k followed by 71k; the second wave is Effort vs. Result as with all that volume we net no downside progress (a couple of ticks) – a rally is expected. With this action combined with the hidden selling at Waves A & C we have background conditions of weakness. Now we're looking for a weak rally to apply bearish setups. We get a super strong bar (upside shakeout) this should have rallied to the moon, yet the next 3 bars we make no progress (grey highlight) the closes are tight, spreads have narrowed etc. As we break the local level of support the market pulls me in with a sell stop. As we break the wave volume flips to 55k, much less than our previous downwaves. In addition (a big plus) we held resistance. This setup is picture perfect; a change of behaviour with weakness in the background (hidden selling), followed by a weak rally to resistance which we upthrust. Many Wyckoff components working together to create setups are extremely powerful (the upside shakeout although looks very strong, what does price achieve there after? The majority of the volume associated the upwave is actually selling)



Bar H – Exit 1/3, first support (+2.75 points), Bar J – Exit 1/3, oversold in our channel (+5.75 points) Bar K – Full exit, a strong bar near resistance, odds favour a rally, unwilling to hold as the only trade of the day, wise to bank profits only 90mins to the US close (+3.25 points) NOTE – that supply volume is declining last wave being 49k, selling pressure is easing

Today's trading required much patience as a position wasn't established until 19:20pm, 5 hrs or so from the US open. But we had principles in play and it was just a matter of time for the market to unfold providing further data. Shortening of the thrust, confirmed hidden selling, we then wait for a change of behaviour, a weak rally etc.

The trend channels provide excellent exit locations, it still amazes me to this day the lack of proper use and understanding of these key structural points, often neglected by many professional traders - we all have our beliefs and interpretation of the markets; I like to keep things as simple as possible, no candlesticks, no funky colours, no patterns, no other indicators, just price and volume; of course this is discretionary, a mere personal preference there is no right or wrong way to trade if profitable. Time to lock in profits and call it a day

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