

Date: 22/09/2017

Market: ES mini

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

News:

Yesterday:

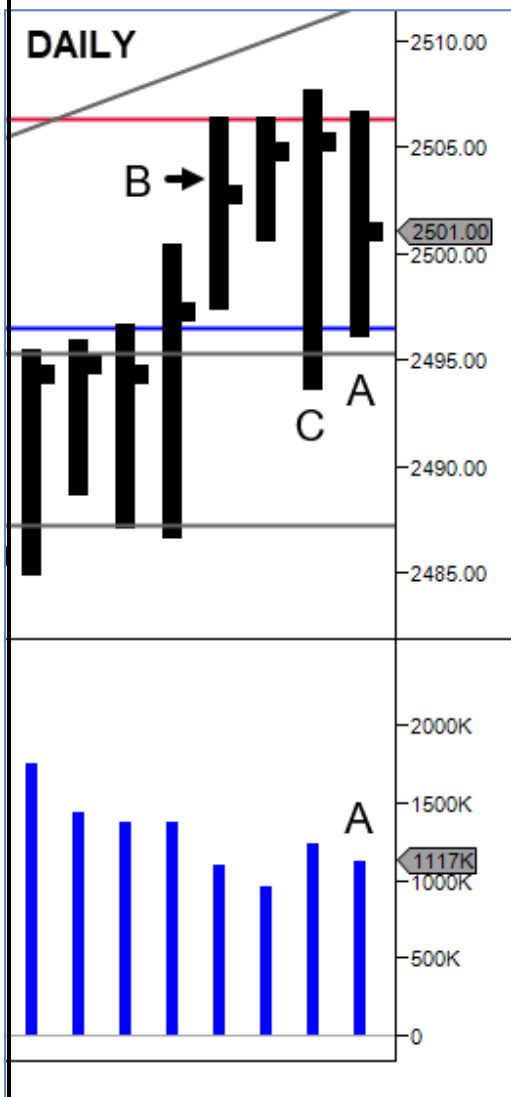
HIGH: 2506.25

LOW: 2496.50

CLOSE: 2501.00

Other levels:

res:2511.50, res:2507.25, sup: 2495.00, sup:2486.75, sup:2477.50 - 79.00, sup:2461.00, sup:2457.00



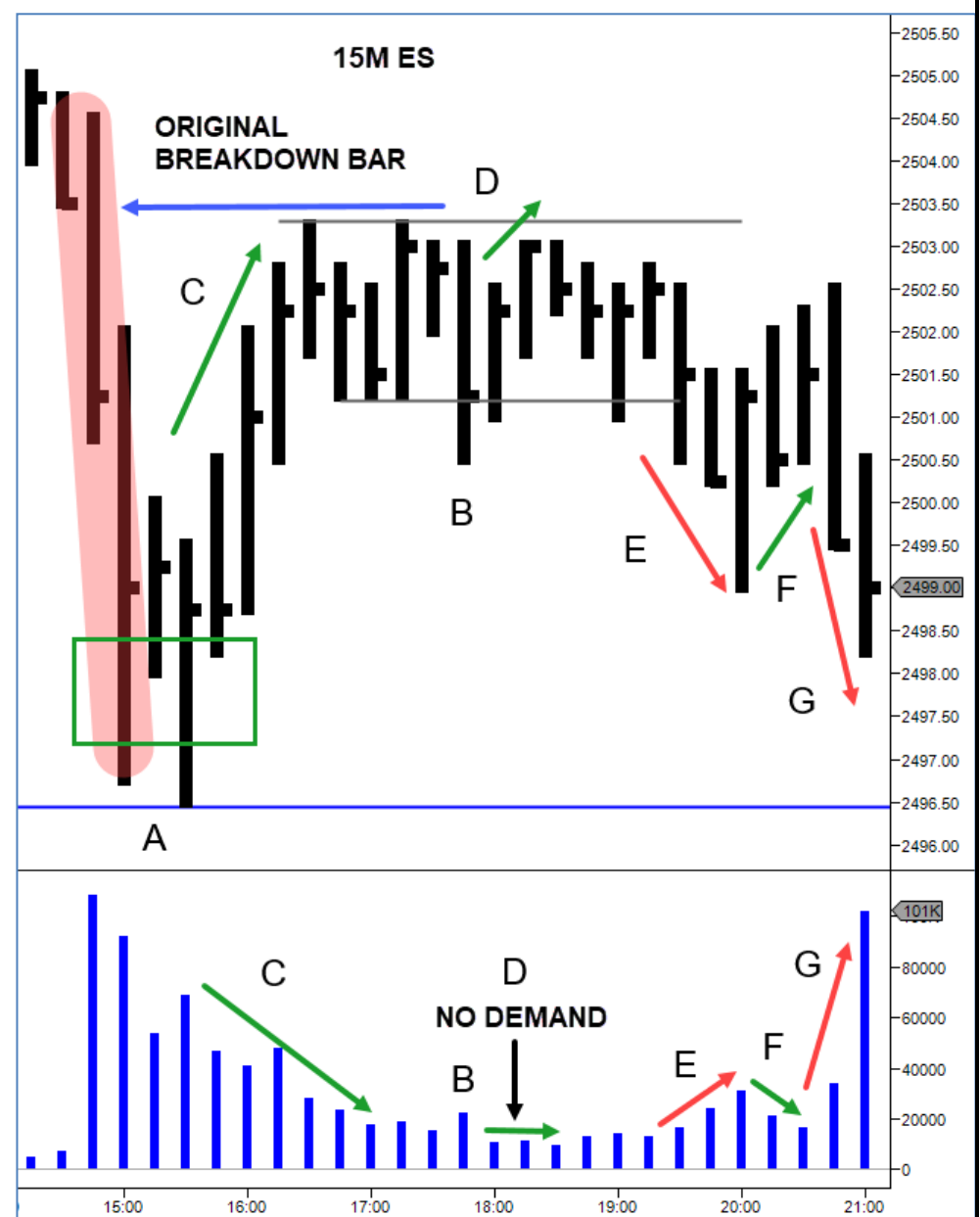
The S&P's for the first time in over a fortnight has closed with negative price action. Bar A is a down bar with the sellers having managed to close it under the previous 3 closes (weakness). This is the fourth consecutive bar unable to close above resistance (weakness). Bar C we would perceive as a strong bar and would expect higher prices, however bar A tests C and fails, as it draws out supply (we should have low volume with a narrow spread, whilst holding a higher low) this bar tells us that supply is in the market - sellers are active. There is a little buying off support (2495.00) due to the close, but this action is to be expected. The volume is relatively high, so the real question we must ask ourselves; is this volume, supply or demand related?

Going deeper into the charts using the 15m chart we get a concrete answer: the volume is supply related. The US opens and proceeds to fall sharply losing 8.00 points. We get a mini buying zone (green box) a rally is expected, yet as we advance volume declines and the bulls are unable to muster enough force to test the overnight highs, does this action make sense? Yes - look to the left, we are in the original break down area (supply bar) Wyckoff states: "it takes equal or greater volume to break a previous

area of support or resistance" Here we are left to churn in a trading range for 3hrs or so. Within this range are a couple of subtle tells; Bar B has the highest volume and is a supply bar (weakness), this is followed by a no demand rally (D) (weakness) - where was the buying we had previously seen? (C's advance) The lowest volume of the day is buying related after sellers have proved themselves via the US open (weakness). As we break the mini trading range at E volume increases (weakness) we try to rally at F, volume declines (weakness); sellers are in control, this is text book volume analysis. G (incorporating the US close) also suggests lower prices, the first area of support being the lows at 2496.50

The 15m paints a bearish picture; if we had seen buying at the lows with 2 or 3 attempts to break and the market holds, resulting in the close that we have via the daily (Bar A) this would create a bullish tone. Here we get the opposite; buyers are unable to break to the upside and the sellers are defending their positions they have taken via the original entry point (supply bar) it would stand to reason that if the sellers found this area of value before, once we return it would make sense that they would add positions/contracts to their bearish inventory, they do this within the trading range

Breaking down the price action into smaller timeframes does not always produce valuable insights, but is well worth the practice and on occasion can provide clarity for the following days trading



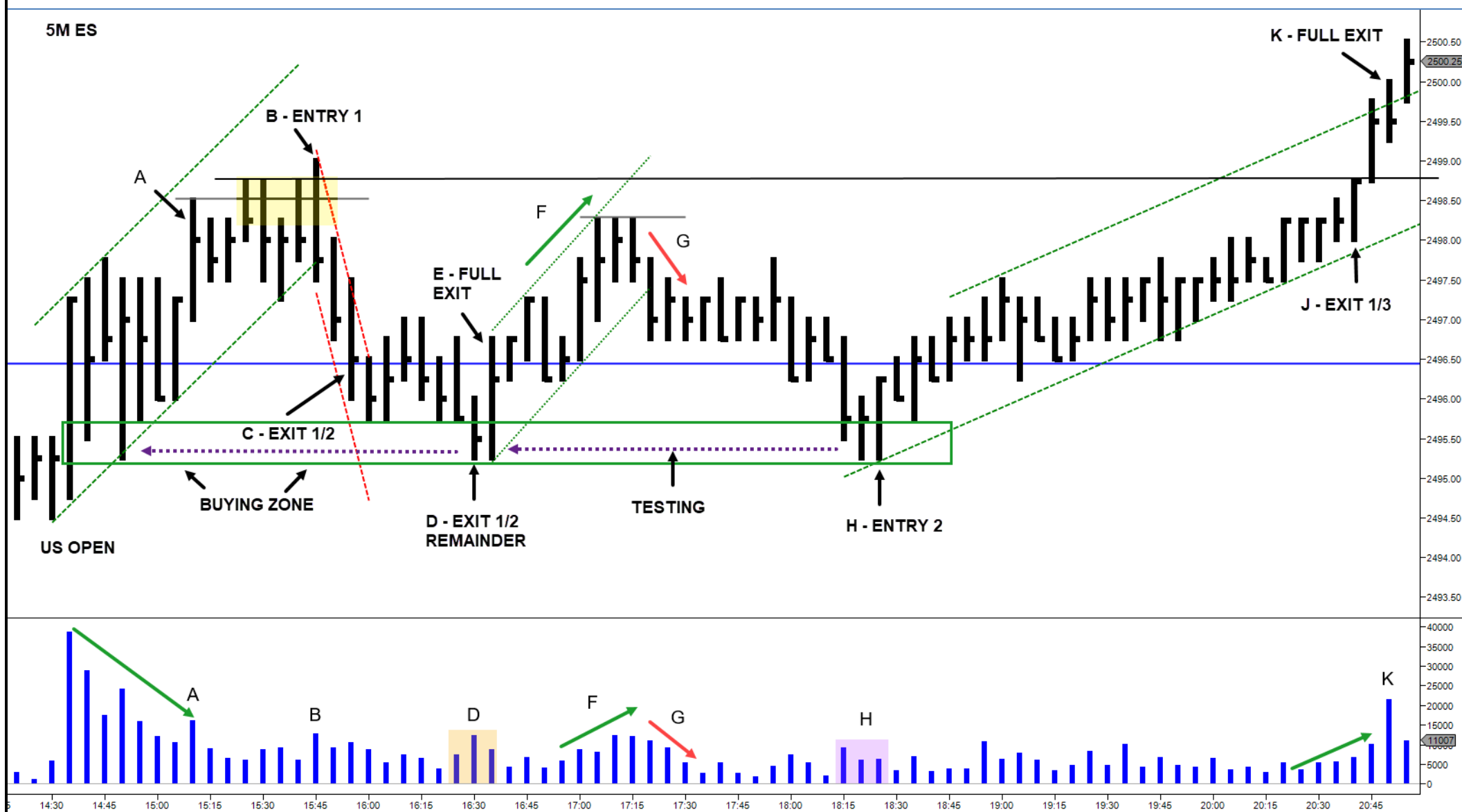
During the Asian session we break to the downside netting 8.00 points, breaking support in the process with the lows being made at 2492.00, then via the European trading we retrace all the way back to the US close to around 2500.00 – the market has already fulfilled our game plan and has shown a sign of strength by retracing 100%, these aren't the actions of a weak market

The US opens and stalls for 45mins going sideways, nothing to do here but sit on our hands, there is evidence of buying but no clear cut long position to trade.

Bar B – Entry 1, why? As we rally volume declines, potential mini climax via Bar A (pop in volume), for the next 40 odd minutes we go sideways and price is unable to close above the climatic bars high (textbook behaviour) illustrated by the yellow highlight. As bar B breaks the cluster of closes after reversing the highs (hidden upthrust) the market pulls me in for a short position. This is a counter trend trade, clip size must be adjusted accordingly and be very nimble in trade management, this trade has limited potential. This setup is not advisable for beginners of Wyckoff/VSA as chart reading and trade execution must be on point (VSA hidden upthrust setup)

Bar C – Exit 1/2, first support (+1.50 points), Bar D – Exit 1/2 remainder, this bar could be construed as mini bag holding; for this occasion we will use Effort vs. Result as the volume has increased yet the spread has narrowed, only buying can do this - however we have just broken yesterday's low perhaps this is genuine supply (+2.50 points) Bar E – Full liquidation, no downside progress from D, reverses to close firm, not the price action we want to see if holding shorts (+1.75 points)

As the market advances (F) after closing back above support, volume increases, and as we react volume declines (G) this behaviour is positive. NOW, if we look to D we can see this action was testing the congestion area from the US open, there was much trading in here; 45mins from the US open is a long time to be pumping up and down, there is clearly supply in this area yet as we come back to test, volume declines (showing a lack of sellers which is positive market behaviour)



Bar H – Entry 2, why? All of the above, in addition we come back to test on lower volume (compare the orange and purple highlights) At H we have positive price action, every time we dip into the buying zone, the lows are rejected and we close firm. Odds now favour a larger rally of sorts, why? It's the third time we have tried to break the lows (support) and buyers have stepped in, we now need to test the highs for supply. NOTE – the only close in this area (D) is immediately reversed with a wide spread bar. Being able to read these subtleties will help to unlock the forces of supply and demand and help gain an edge as in to who has the upper hand, as in this case the buyers. Price

action and chart reading at this level is advanced and not needed for most pure Wyckoff setups, but as one becomes experienced and spends the time to practice it is of course inevitable - today was a tough days trading as the best move occurred overnight, which is OK, there is always another trade

Bar J – Exit 1/3, first resistance, (+2.50 points), Bar K – Full Exit, large surge in volume at an overbought position in our trend channel, with the addition of weak price action (+3.50 points)

The trading provided very little for today with not so evident setups. Holding the second trade (H) was extremely hard as demand never really got going, no buying of decent quality; spreads were narrow, volume was low, much price bar overlap, if it wasn't for the early entry, trading would have ceased much earlier as these conditions are least favourable for my style, time to lock in profits and call it a day

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