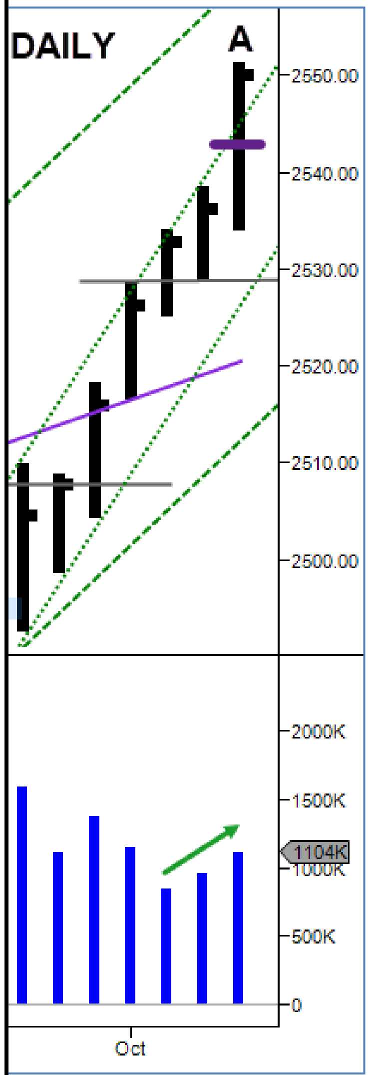
Date: 06/10/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2550.75 **LOW:** 2534.50 **CLOSE:** 2550.00

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

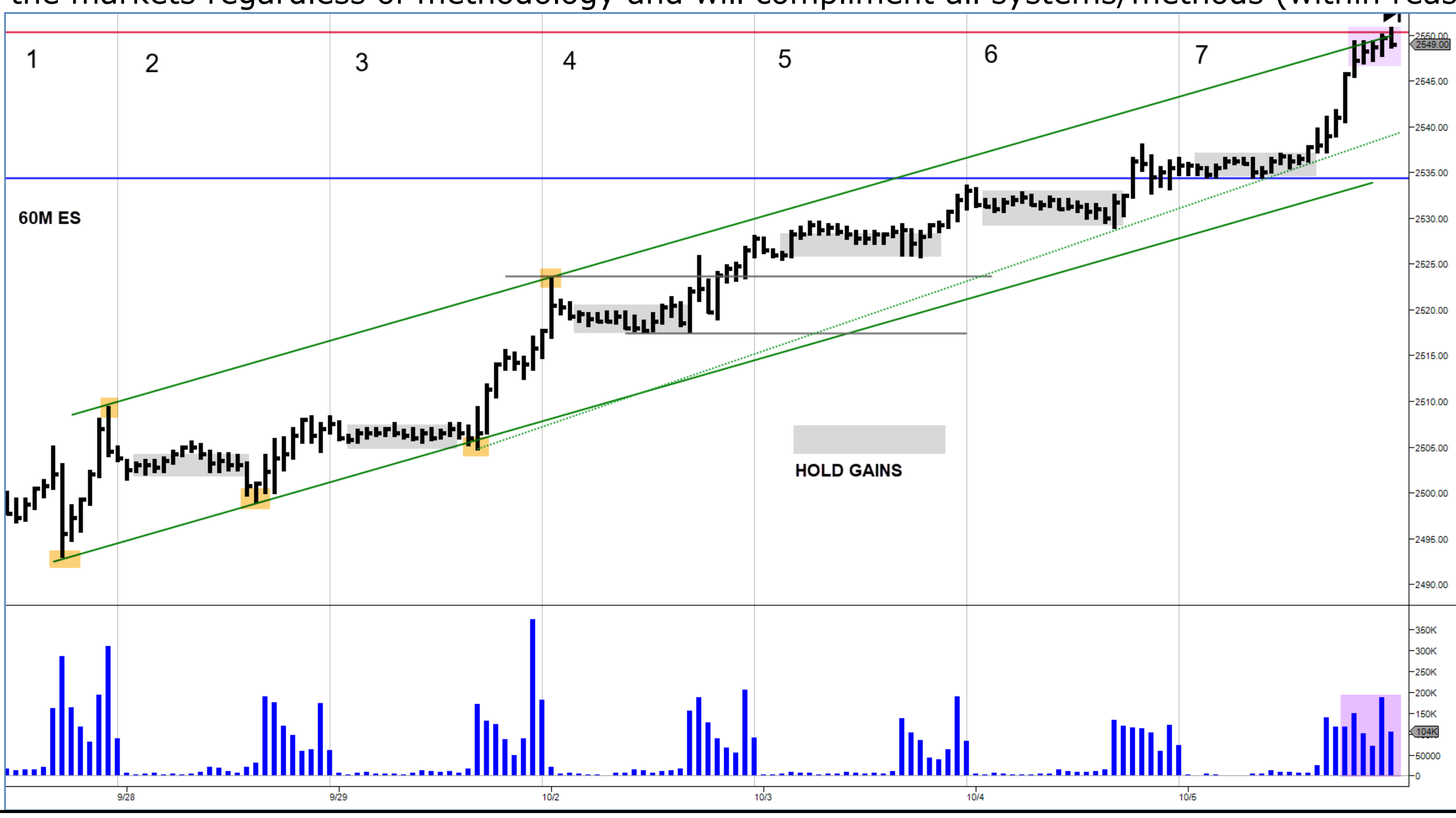


The S&P's had made the 7th consecutive high in a row and finally we get a bar of interest, we break the micro channel and close in an overbought condition. It's natural for price to respond and trade back within the channel. Trend channels are not as reliable as horizontal support or resistance, however in this case we have a lack of structure as there is no other guidance for price to bounce/react/interact with. The micro channel has had 7 touches giving this structural element validity. We have the larger channel in play (macro) with resistance being 2564.00, most unlikely to be tested for tomorrows trading, why? Bar A is overextended, has a climatic feel whilst being in an overbought condition, the price action isn't in sync with the previous 6 days, a subtle price action aberration.

From a daily perspective if we trade back within the channel the purple line would be the first obstacle which is the 50% retracement line (2442.75) if the market is super strong we could easily bounce off this level, but in all fairness the market has every right to test the demand line: 2534.00 or the support area between 2528.00 & 29.00 and still be in an extremely bullish scenario

The 60m chart compliments our thinking via the daily. We have a beautiful trend channel that has held since the beginning (7 days). Every time the market hits either the demand or supply line (orange highlights) we react and bounce off in accordance as we should. We can visually see the bulls being aggressive and not allowing the demand line to be tested, holding higher levels of support (green dotted line illustrates the aggressive nature). The price action via the purple highlight caps upside progress, with all that volume we are unable to break the supply line, for 6 hrs this level has held, no reason for the market to halt here as there is no other trading to the left of the chart. One could argue that the market is unwilling to let price slip down and were holding gains, which is a fair argument, but we cannot ignore the overall price action via the daily of being overbought and over extended, in addition the higher timeframe structure always trumps lower timeframes

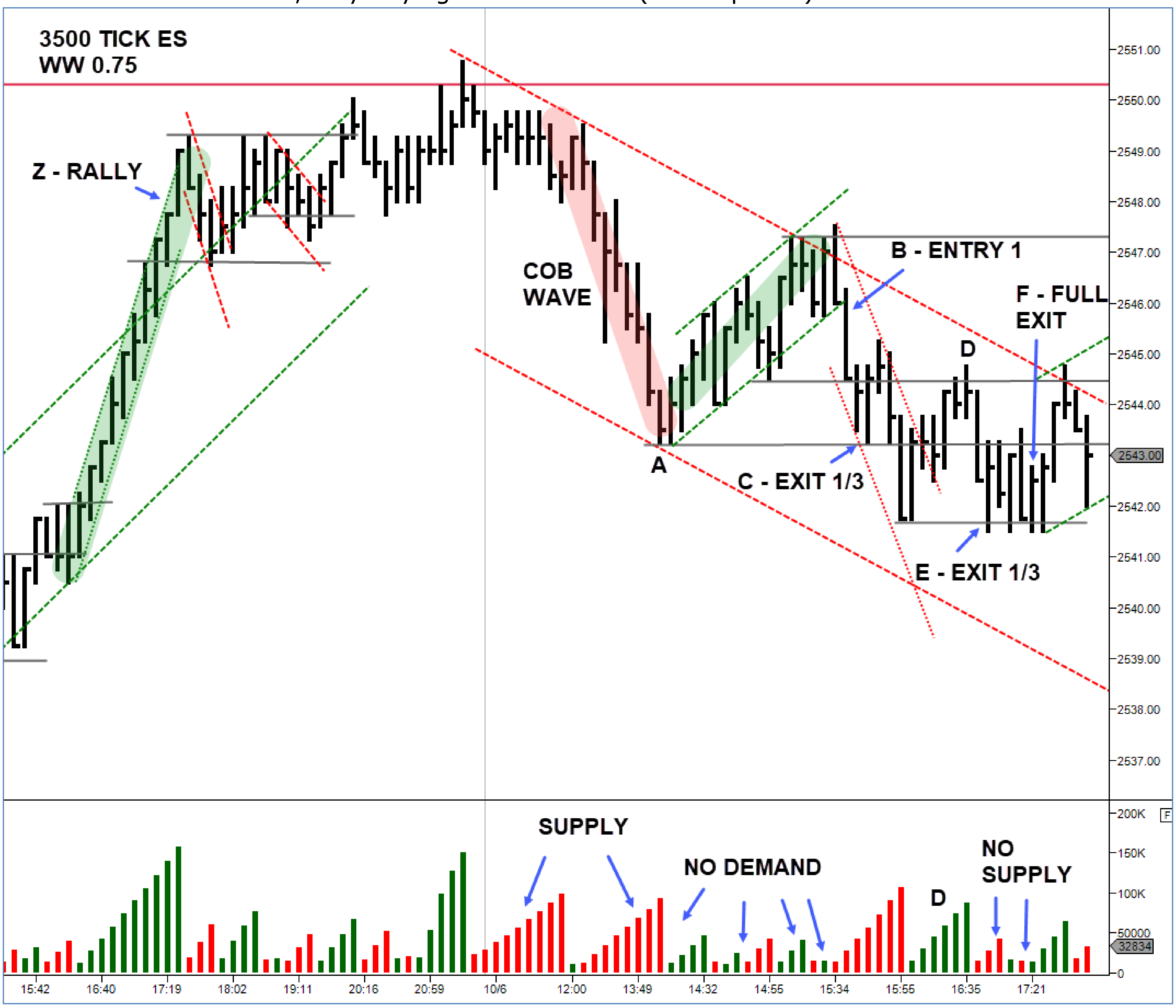
How traders can ignore trend channels and the power of structure is beyond my thinking; using structure correctly and understanding the interaction between demand and supply at key levels is all we really need to do as traders, all the rest is smoke and mirrors. Structural understanding can open up the markets regardless of methodology and will compliment all systems/methods (within reason)



During the overnight we get a change in behaviour, we have been holding gains during all other premarket sessions yet coming into today's trading we have 2 large down waves and net 8 points to the downside, the is the first time this behaviour has occurred since the beginning of the uptrend – ergo a ''change of behaviour'' Isn't it fascinating how all the elements are coming together to provide our first potential short setup, by piecing the data via the individual timeframes we are producing a story of weakness.

The market reacts to A which is two ticks off our 50% retracement level (incredible), finds support and begins to rally, and we do so with no demand providing our first trade: Bar B – Entry 1, why? All of the above, plus note the quality of buying; we have ease of movement to the downside (red opaque) and our rally is choppy (green opaque) with price bar overlap, compare this to the previous rally at Z, worlds apart and is the perfect example. We have local resistance overhead a working supply line, so as we print a hidden upthrust and break the mini channel the market pulls me in. This trade has everything going for it.

Bar C – Exit 1/3, first support (+3.00 points), Bar E – Exit 1/3, support (+4.25 points), stop was moved to breakeven on the rally to D, however price was unable to break and hold a close above resistance. Bar F – Full exit, clearly there is demand left in this market at seen by D, the last 2 pullbacks supply completely dries up, odds favour a rally, plus we are not making it back down to the demand line in our channel, only buying can cause this (+3.50 points)



Bar F – Entry 2, via the 5m chart, why? The market provided mini Accumulation which is classic Wyckoff - if you can understand this concept, recognize the behaviour and trade on higher timeframes (along with Distribution) are the only skills of understanding you require to be successful in the markets. If the process of accumulation or distribution is built with enough cause, trades can literally be held on for years (the effect) and excellent strategies for investment portfolios. Previous Chronicles have covered this extensively

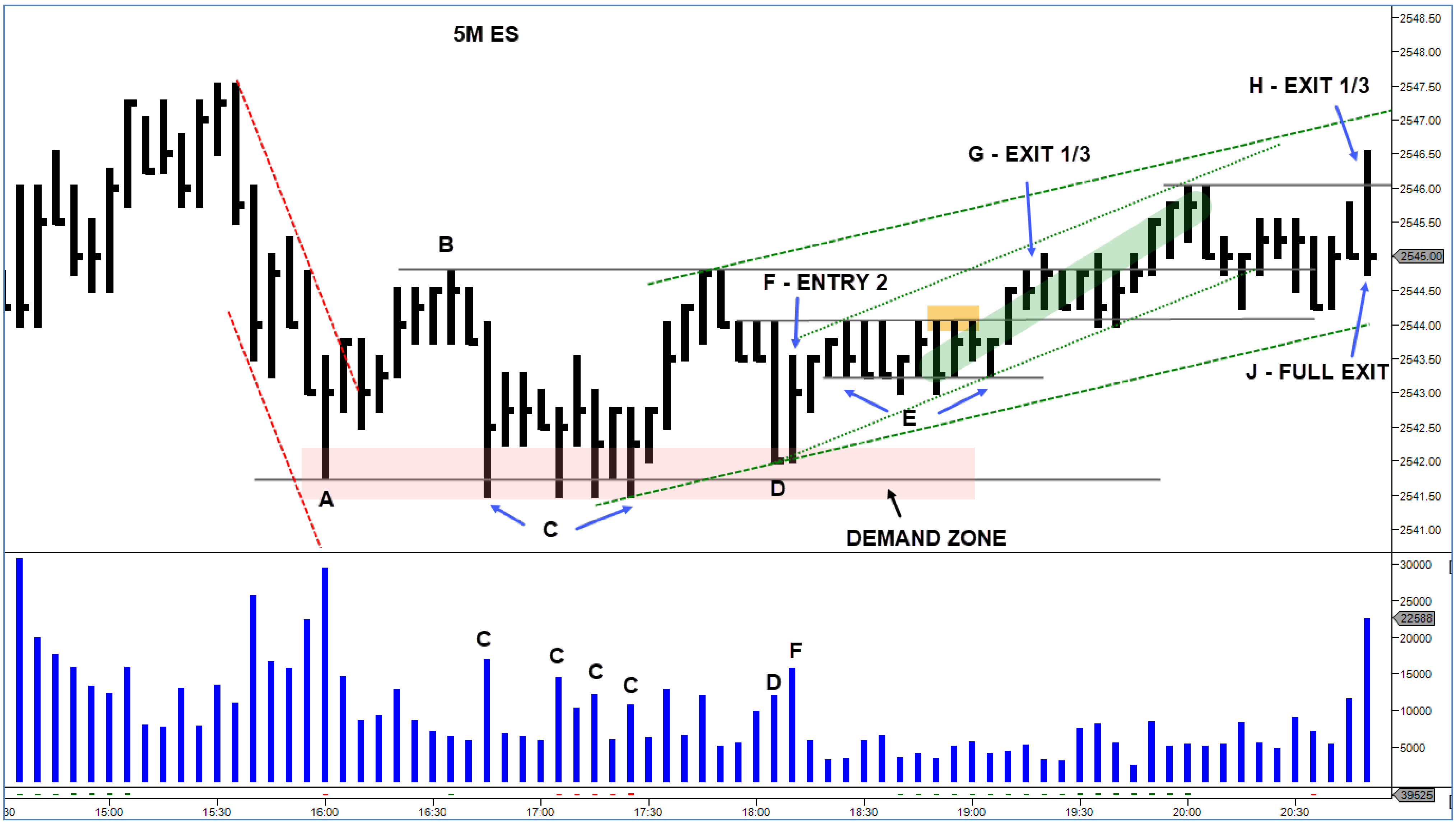
A – Selling Climax

B – Automatic Rally

C – Secondary Tests (note the closes and spikes in volume, this is buying)

D – Secondary Test

E – Absorption (picture perfect, supply to the left of the chart and rising lows with increasing volume)



The green wave is our sign of strength and jump across the creek. The market hasn't taken off and is back for more testing, which we would call in Wyckoffian terms ''Back up to the Edge of the Creek'' (BUEC). Here we would be looking for long opportunities ordinarily

Back to the setup – after acknowledging the potential for Accumulation its apparent we have a demand area (red opaque) Bar D is weak and appears as if we going to smash through our buying zone, yet we receive no downside follow through and reverse to close firm on higher volume, this was an instant buy. The process of Accumulation is all we need for a story of strength; we must wait patiently for entry points. Buying the close of F may appear to be aggressive, but with a stop under the demand zone a mere 1.50 points away, we enter with the mentality of ''let the market prove me wrong'' wise words from David Weis. As the Bars at E unfold we have confirmation of absorption and can buy any of the last three bars (orange highlight)

Bar G – Exit 1/3, resistance (+1.75 points), Bar H – Exit 1/3, resistance (ordinarily would hold on but we are near the US close and the market is testing a great deal) (+2.75 points). Bar J – Extremely weak bar, the market has every right to test (BUEC) it's near the US close and unwilling to hold (+2.00 points)

Today's trading provided excellent setups showcasing extremely important Wyckoffian principles, some would say unfortunate that the trades never got going to provide stellar returns, but that's not the case - being traders we never know what the market will provide and when the market gives an opportunity to enter we are grateful, we then sit back, watch the market unfold and manage our trades accordingly. There is always another trade, time to lock in profits and call it a day

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