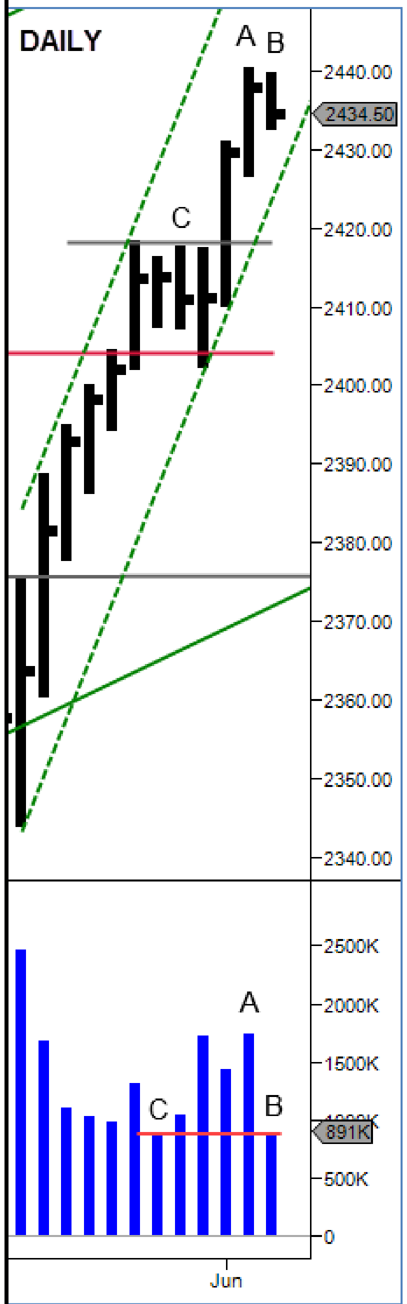
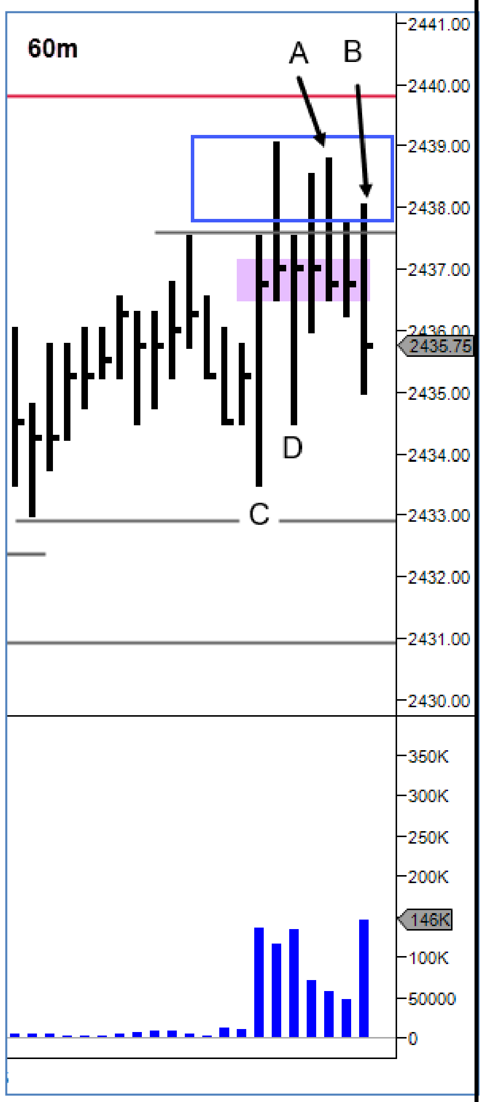
Date: 06/06/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2439.00 **LOW:** 2433.00 **CLOSE:** 2434.50

Other levels: res: 2466.00 (weekly supply line), sup: 2431.00, sup: 2417.75, sup: 2403.75 (multiday), sup: 2375.00



The S&P reacted as we thought. The pullback was interesting - firstly it was unable to test the highs, producing a LH (weakness). This has the weakest close on the chart since the uptrend began 20th May. Wyckoff used to always compare and contrast the nature/character of bars in similar situations, we only have one other down bar on the chart (C) and contextually they are different. It's possible to say we have a COB, it's something new. Bars B & C have similar volume (one of the lowest day's volume for the year) although the spread is slightly larger via C, I would presume it to be more bullish, why? We were at resistance and expect some selling, it came to the previous day's low held the lows and closed higher. Bar B unable to test the previous bars high, closed weaker, although the volume was equal we could say that some buying occurred as it closed weak, was this absorbed? We need to look deeper into the chart via a smaller timeframe, and ask ourselves, is this down bar the lack of demand, or the presence of supply? It's not overt supply otherwise we would have large spread down bar. Technically VSA terms this could be considered a test, lower volume than the previous 2 bars, closing on the lows (ideally mid bar or highs), but there is one characteristic missing, we don't have a sign of strength behind us, if this occurred after the breakout bar (between A & C) this would be ideal, but we have recognized the presence of supply at A (shortening of the thrust) and Effort vs Result, we have to dismiss the this idea.



This is where the power of multiple time frame analysis comes into play - the 60m shows clear weakness. We come from an uptrend find resistance (overnight high, made in the Euro session), as we get to A every time we break above resistance sellers step in and close it back under, we get a clustering of closes. Bar A we pop above the previous bars high (trying to find buyers/stop hunting) reverse to close weak making a lower close, Next bar unable to rally, pops it head above, reverses to close weak. Bar B, pops its head above reverses falls sharp, closing weak deep into the demand bars where we saw previous buying. NOW we know that odds favour some downside progress for tomorrow, this is the bar that sellers show their hands. The blue box, is a selling zone (minor distribution) when the buyers push it up, sellers step in and slam it down, sellers are capping the market. We could argue that we have an area of demand from bars C & D, bar B's close negates this thought process. If it was a buying area, we should find buying and close higher. The clustering of closes is a very important price action concept that should be studied and applied - it tells us in advance that the market is struggling to continue in the direction of the trend. To the trained eye you can see it slip down, and on occasion a waterfall effect - a powerful tool.

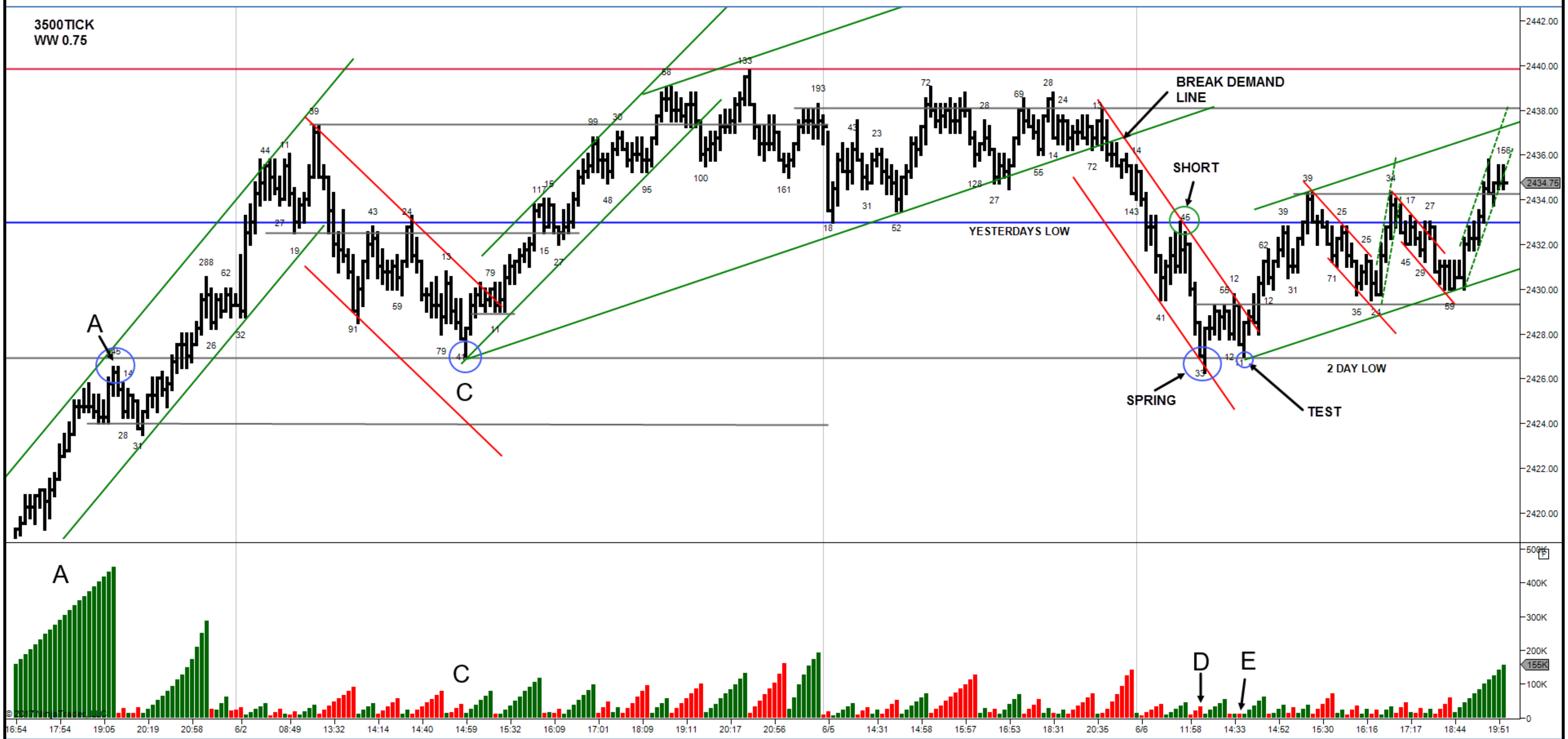
Taking on board the additional insight from the 60m, we would expect some downside progress. It wasn't that supply emerged and took full control it just stopped the progress of the buyers. It has taken a whole days trading to do this - it's important to remember that markets don't turn a dime we've been in a strong uptrend. Bar B did eventually show that sellers were in control from that moment. We have been confined to a trend channel (daily) that has held (5 touches). Due to the nature of yesterdays small spread (market contracted) we would expect a larger spread for today (market expands). This would test our demand line that has been in play from the 20th May. The market has risen fast netting + 100 points since then; we are due a more complex pullback or is this the beginnings of a new trading range? We have key structural points, yesterdays low, demand line (trend) 2431.00, which is near the 2 day low 2427.00 these should be the initial areas, we place focus on.

Game plan: Scenario 1 - Lows made first, break yesterdays low, look for a weak rally and apply short setups. This is very close to the demand line (trend channel) we have to be very nimble and aware. If conservative we could wait for a break of both yesterdays low and the demand line, and then apply short setups. This would require a larger average true range for a quality trade.

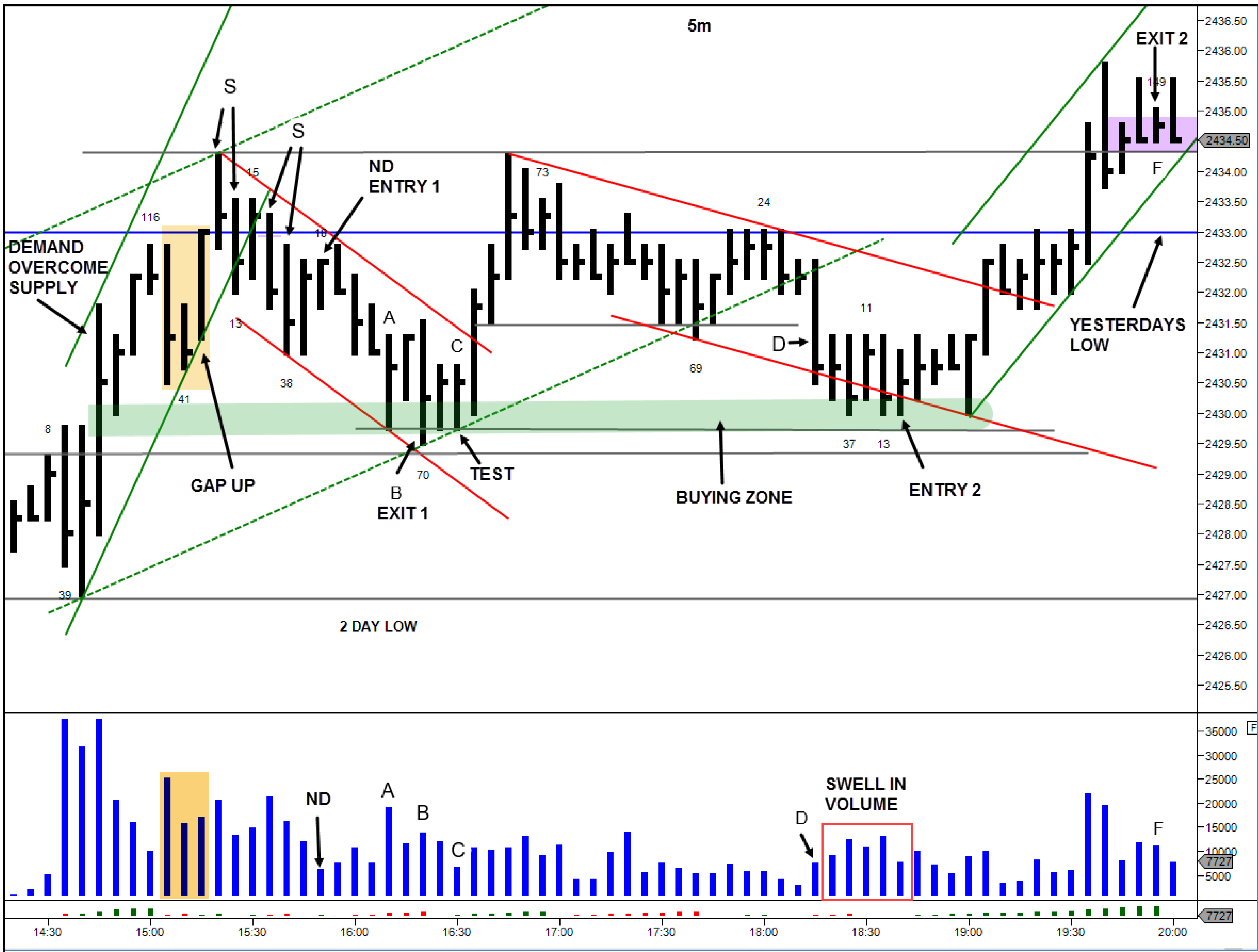
Scenario 2 - Lows made first, market holds demand line, look for weak supply and demand emerge.

Scenario 3 – Lows made first, break yesterdays low and demand line, the next logical target being the 2 day low at. We look for the presence of demand and weak supply for a long setup. Or we break this decisively, wait for a weak rally and apply short setups.

The overnight and pre-market produced the best trading opportunities. As soon as we break yesterdays demand line we fall quite sharply, knifing through yesterdays low decisively in doing so we have a bearish change of behaviour, as we rally back to resistance short. We then get a text book spring via tick chart, why? In a down channel that becomes over extended and climatic whilst being oversold, as we approach the lows, volume is extremely low (D volume) now if we look to the left we have another successful hold at C, BUT the key here is the demand volume at A, ask yourself, is there enough downside volume to break through that demand? Wyckoffian logic states that it takes equal or greater volume to break through a previous area of demand or resistance. We get a test of the spring from the US open with even less volume, another entry point. Unfortunately I was away from my desk for the first 20m of trading.



Entry 1 – A no demand, this trade combines some VSA and price action. No demand trades should be after a sign of weakness – here we broke the trend channel, we see supply at the highs (as indicated by ''S'') and the disconfirmation of demand. The disconfirmation of demand is highlighted in orange. We see supply enter on the first bar, however volume appears a little suspect, the next bar the we have no downside follow through with relatively high volume, then we gap up which is strength – these 3 bars combined you would expect the market to take off, instead 4 out of the next 5 bars all showed supply. For all these reasons the market is due some sort of pullback, (probably to test the large up bar, where demand overcomes supply). And the no demand bar at resistance, presents an opportunity. This is an aggressive trade, with limited downside potential it's very unlikely to test the lows as we have tested pre market (spring) and at the open. Clip size a 1/3 of normal contracts, exit at B. Bar A we a see a pop in volume, it halts the market – (stopping volume), bar B as we react back down, volume decreased dramatically, again close off the lows. Exit (+2.50 points)



Bar C as is a test, note the low volume, does this make sense? YES, we have a large up bar with high volume where demand overcomes supply, we come down at A, volume pops and we close firm, same with B. We have a buying zone and C is testing for supply (high volume bars like to be tested and 9/10 have a tight demand area, dependent on time frame). It was a successful test look at the following bars price action. Due to my trading plan I was unable to execute this trade, supply line was too close followed by resistance (yesterdays low) 1.50 points later. Entry 2 was an excellent little trade with a very tight stop. Bar D we break the demand line and see a little selling, (volume not that overt) for the next 30mins the market goes sideways, we have a swell in volume and its unable to go lower, with 6x the volume as bar D we can’t go any lower does this make sense, YES, we’re right back into the buying zone, testing once again with even less volume then A & C. The market is clearly being supported. Place a long with full clip size. Exit at 2, we break the day’s high, then print an up thrust on good volume, followed by a cluster of closes highlighted in purple and bar F; an unusual bar, it’s an up bar with very high volume and a small spread, (must contain hidden selling). For all these reasons a reaction is due, exit trade (+4.50 points). Calling it a day

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