

Date: 15/09/2017

Market: ES mini

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

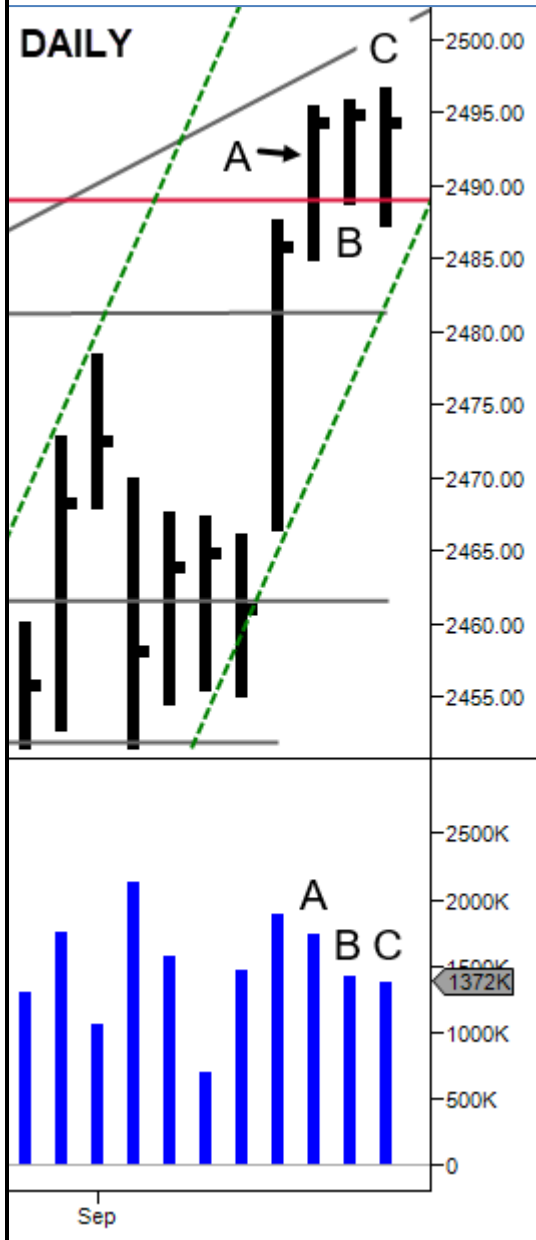
News:

Yesterday: **HIGH:** 2496.25

LOW: 2487.50

CLOSE: 2494.25

Other levels: res:2501.50, sup:2488.50, sup:2480.50, sup:2461.50, sup:2451.50, sup:2440.00

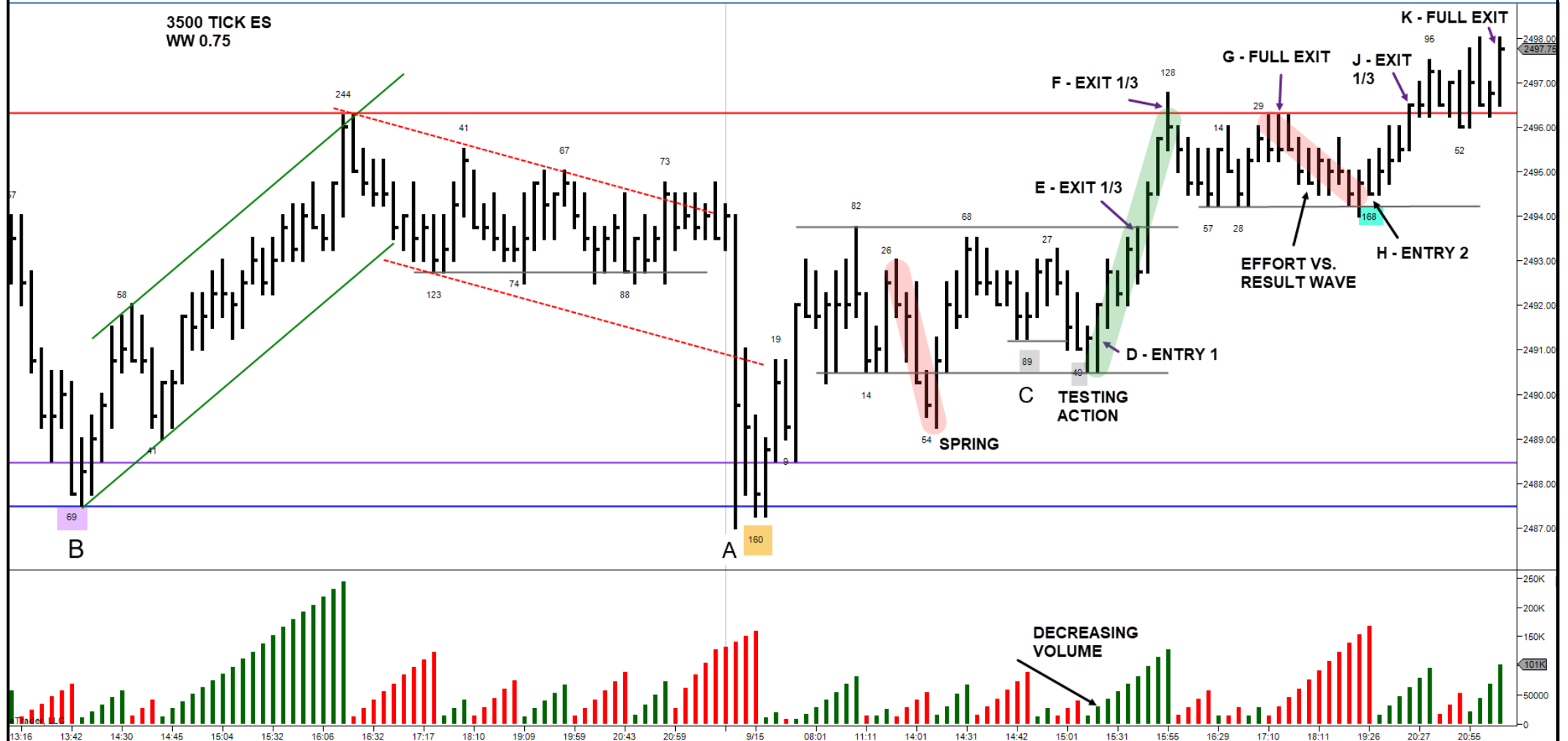


The S&P's has made new all time highs once again for the third day in a row, albeit in small increments. Bar C - we dip under B, reverse to close firm yet make a weaker close to the previous day, so technically a down bar, again more contradiction. Volume is sustained and we're holding above a support level, we have evidence of buying and selling as progress to the upside is also capped resulting in a firm resistance level. In a nutshell until the market says otherwise we are range bound, this type of action is very typical of the churning nature that we would associate with trading ranges, a battle between the buyers and sellers and notoriously difficult to read, especially at market highs. Smaller timeframes give no additional insights, we have to use the data given to us via the daily, and the bars are holding firm above a support level, via bar C we would expect another new high to be made and the nature of C is more bullish than bearish. Although price is not giving many clues, we have structure to work with; if we break to the downside tomorrow under support and the demand line with a close in the 2475.00 area we would have an upthrust via the weekly timeframe, this would put us in a bearish situation for future trading. This scenario is a possibility but unlikely, however it's always useful to think of all the possible scenarios and timeframes so we are prepared for future events that may or may not occur

During the overnight we get an extremely sharp reaction that holds at our dual support level (A), we gain one vital piece of information coming into today's US session. NOTE - the volume (orange highlight) 160k contracts, last time we were at this level it held with 69k contracts (purple highlight, B) with an additional 100k contracts we can't break to make lower lows? This price action is an aberration and doesn't make sense, therefore we know there must be a great deal of hidden buying in this wave down and the lows are being supported, does this action make sense? Yes; it's the old all time high that price has been flirting with for the last few days and is now a firmly established support level. We had every opportunity for lower prices right here at A and sellers didn't capitalise, odds now favour a test of the highs at least, being armed with this new insight going into the US session we want to be buyers.

Bar D - Entry 1, why? A superb story of strength - We have established that demand is in the market by disconfirming supply at support (A) by doing this we get the confirmation of demand, a core component of Wyckoffian thinking. In the immediate background we spring local support (strength) holding a higher level of support is additional strength. The reaction to C is Effort vs. Result; we know that buyers were present due to the previous down wave that produced 54k contracts as we get better flow to the downside with lower volume. At C (grey highlight) with 89k contracts we make less downside progress, only buying can do this - hence the effort to go down is more significant (higher volume), yet the result is worse (less downside progress) again this action is strength. The market comes back to test local support with 40k contracts (half the volume) basically no supply (the wave volume on the chart has been marked with decreasing volume for a visual reference) When bar D breaks the previous bars high, the wave volume has flipped and the market pulls me in. This whole move down is testing action, merely testing the spring for supply before mark up and it was successful

Bar E – Exit 1/3, first resistance (+2.25 points), Bar F – next resistance, (our key target) (+5.00 points), Bar G – Full exit, two weak attempts to break the highs (14k and 29K) I thought a more complex reaction was on the cards, in price action terms we have two bars unable to break and close weak (+4.00 points)



Bar H – Entry 2, why? This is an excellent text book case of "Effort vs. Result" the wave down is 168k contracts (green highlight) compare this to the previous upwave to F with 128k contracts and so the story unfolds. With 128k we net 6.00 points to the upside, yet with higher volume at 168k we only net 2.00 points to the downside, ergo this downwave is full of hidden buying, its absorbing any selling pressure left in the market and quite aggressive in doing so, this is very blatant behaviour. It has the exact same principles we saw earlier at A & B - with 168k contracts why can't we break local support that initially held with 57k and 28k?

Being well aware of the potential effort vs. result via the tick chart, it was the 5m chart that provided the entry, in real time we don't know how deep the reaction will go and could potentially get a change of behaviour wave to the downside, but this clearly isn't; we are holding gains, yes it has high volume but we need to see a down wave larger than the one to F (green opaque)

Via the 5m chart we can dissect the price action:

A – Volume too high for the supply bar, it's a mini climax (indicates buying)

Bars B & C – we get supply bars, but volume is decreasing and support is holding

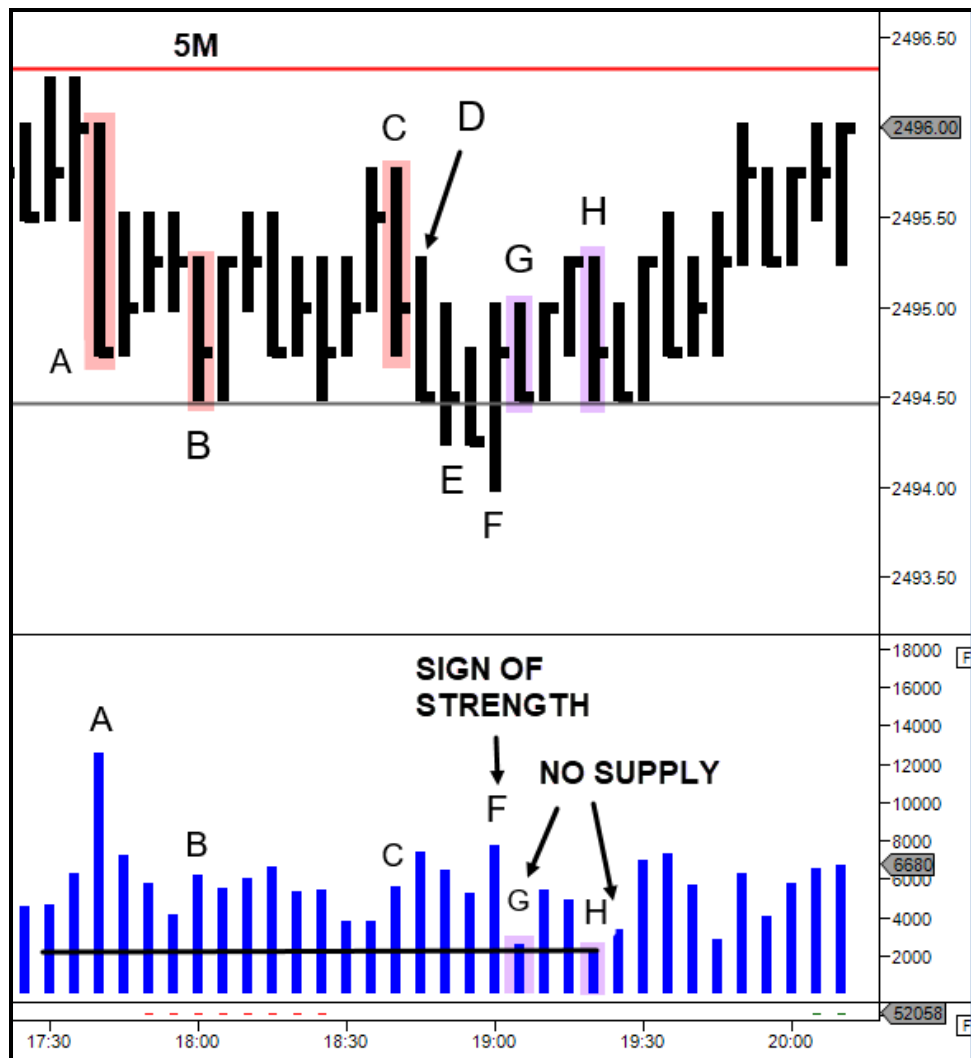
Bar D – Effort vs. Result, higher volume than C, progress is thwarted (hidden buying)

Bars E – The following bars are unable to break local support, the spreads are narrowing and volume is slightly receding, which indicates that buyers are present

F – We spring support, dip under all the bars find no further selling, reverses to close firm back above support, with a surge in volume, aggressive Wyckoff traders would enter here

G – A classic no supply test, and the perfect entry, it's the lowest volume of the day, that proceeded a sign of strength (spring bar). Its picture perfect

H – If we have no positions, the market prints another test bar on even lower volume – the question you need to ask yourselves, where is the supply we saw at bars A, B & C? It's been completely wiped out from the action via bars A to F



Bar J (tick chart) - Exit 1/3, first resistance (+1.75 points), Bar K - Full exit, 20 seconds from the US close, it's in my trading plan to never hold intraday positions overnight (although every fibre in my body expects higher prices) (+3.25 points)

Today's trading provided textbook, clean price action and core Wyckoff and VSA principles, a much needed day after the past few sessions. The pre market analysis set us up for the whole days trading which is rewarding when it occurs. The Effort vs. Result at H (168k down wave) truly is blatant behaviour by the professionals: the bulls were very, very aggressive in nature and absorbing any selling activity. I prefer this kind of action to a shakeout, although both suggest higher prices, it's much easier to trade and much less risk, there is no need to test Effort vs. Result waves as all selling pressure is absorbed, shakeouts can be tested and stop placement is trickier and usually

larger. If unfamiliar with the concept of testing and Effort vs. Result it's advisable to print this chart and study the price action/principles in extreme detail - for the record, today's chart has been printed and filed for my own records. Time to lock in profits and call it a day

Email: feibel@yahoo.com