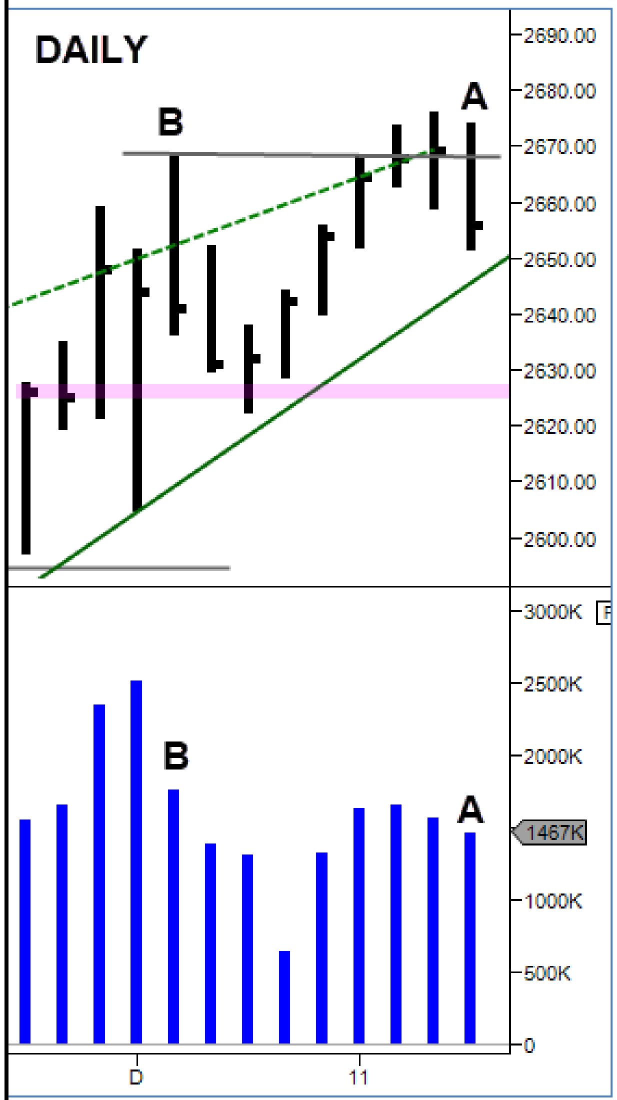
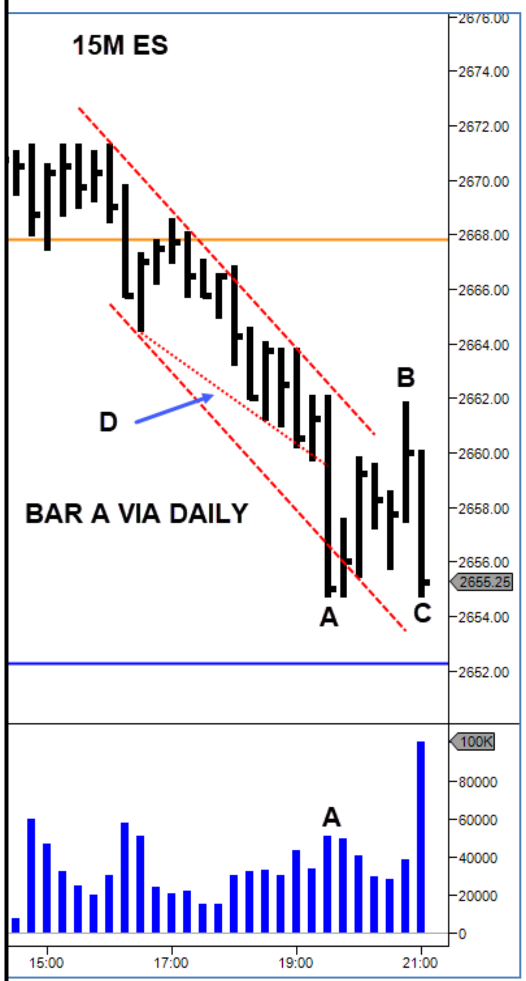
Date: 15/12/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

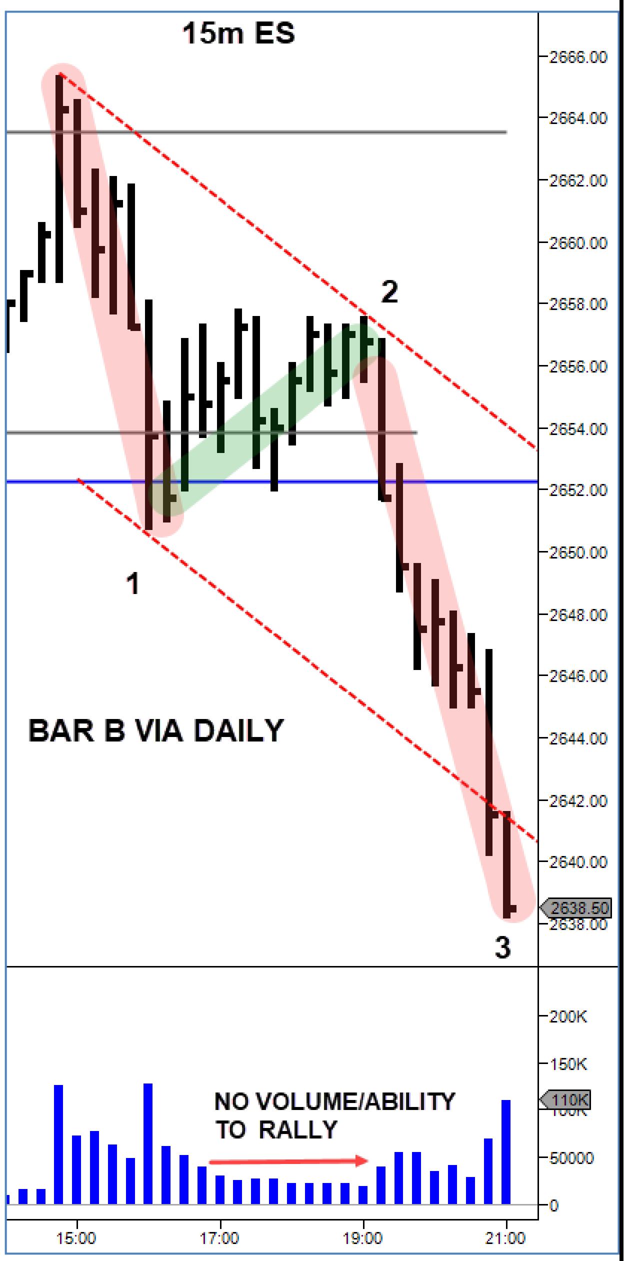
Yesterday: **HIGH:** 2673.50 **LOW:** 2651.75 **CLOSE:** 2656.00

Other levels: res:2675.50, sup:2625-26.00, sup:2593.50, sup:2560.00-61.00, sup:2550.75, sup:2542.50, sup2538.00



An interesting area for the S&P's; Bar A is a down bar, with a lower high, lower low and close, and we achieve this with the lowest volume for 4 sessions. Resistance is holding via B, and from price action terms we would expect some follow through to the downside. However we have a great deal of volume from bars C to A, and the market has only lost 8 points in total, not a great deal considering. Bar A we have encountered selling in the same area as B, yet we hold a higher low and close in comparison. In a nutshell the quality of selling has diminished and why has it taken 4 bars for the market to react? It doesn't scream overt weakness; think about this action logically, if price has approached a previous area of selling, we would expect the market to react and prices to fall i.e. sellers to emerge. The question we ask ourselves: is the volume/activity from bars C to A demand or supply related? It is very difficult to read, from price action alone we would expect lower prices, add volume into the mix and the story of weakness is not so evident





The 15m chart illustrates the finer movements within bars A & B via the daily. It's evident to see the difference in quality of selling between the two. The first chart is A via the daily, and price adheres to a small channel, kind of grinding down. The channel provides a reverse use via D, where the sellers either ran out of steam or buyers start to emerge early (bullish tone). Price continues to hold, yet buyers are unable to break through to the upside. Bar A then prints, breaking the support line to become oversold (note the lack of volume, no real force of selling). Instantly we return back within the channel and test the supply line via B and return to the lows of the day via C. Odds favour lower prices. Comparing this selling to that of bar B via the 15m are worlds apart. We get a good wave down to 1 with decent spreads and volume. The market stalls at support and is unable to rally with low volume to 2, followed by another good wave down to 3, with increasing volume, wide spreads and weak closes.

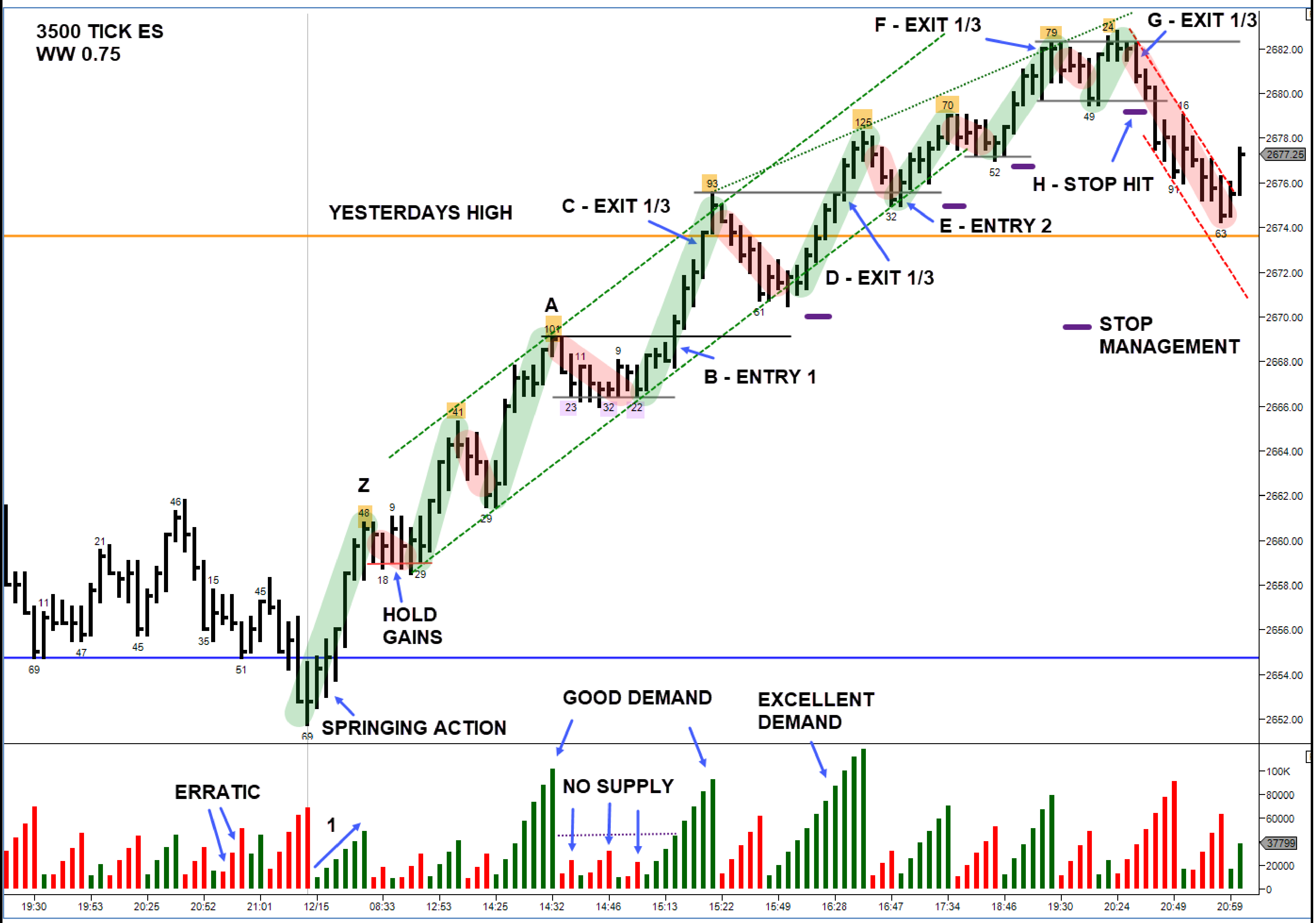
This form of analysis is typical of Wyckoff; he often used a logical approach by comparing and contrasting individual bars, waves, interactions at support or resistance etc. We can obtain a great deal of info. It doesn't always give a clear, definitive answer, but more often than not it helps to piece together the story of either strength or weakness (the imbalance of demand and supply) if not in the immediate, but the not too distant future. From a personal perspective it's one of the most important concepts or tools of analysis, providing a huge edge to the overall method. Once you become proficient in the compare and contrast style of analysis, it will open up the charts, even notorious trading ranges become readable and one is able to take positions at the edge where risk is least (not via the breakout, which is the common mistake made by most)

During the overnight we spring yesterdays low with a decent result to Z, wide spreads, firm closes and decent volume. Note the wave volume is non-erratic, builds nicely with no surges or spikes (1), this is healthy and one of the many nuances one can take from reading wave volume. The market pushes on higher to A (near the US open) with 101k contracts, again with decent spreads, closes and demand volume. As we react the market holds a local level of support and supply dries up with three weak pullbacks (23k, 32k and 22k) plus there is decent demand behind us from A and 2 further upwaves that originated from a spring – we have story of strength. If price has rejected yesterday's lows, odds now favour a test of yesterday's highs (standard workings of the market). As B breaks resistance the market pulls us in for a long play. NOTE – the upwave volume at this point is already higher than the previous 3 down waves (purple line)

C – Exit 1/3, first resistance (+4.50 points)

D – Exit 1/3, next resistance, this area has already rejected higher prices. Locking in profit was mainly due to being near yesterday's highs, and the previous downwave produced the largest volume we have seen since this uptrend has began 61k (+6.50 points)

E – Entry 2, by far the best trade on the chart. Why? Demand has established itself since the emergence of the spring. The prior upwave has produced 125k contracts and the heaviest volume for the day. The following pullback is weak with approx a ¼ of the volume to that of the upwave, whilst holding on top of a swing high support and yesterday's high being directly underneath (major support). NOT only we do have these structural elements, we are using the demand line from our channel. In a nutshell - Demand behind us with buyers in full control, a weak pullback into a confluence of 3 demand areas, good solid waves up (green opaque) and weak attempts for lower prices (red opaque). It's a very powerful setup, using the natural structure of the market. This setup is a typical trend trade that can be applied to all timeframes. Occurring most frequently on daily timeframes (for those who swing trade)



F – Exit 1/3, we have weakness appearing, price is unable to reach the supply line, hence the reverse use (green dotted line) as price touches this line it's wise to lock in profits. In addition, the demand line has broken and the upside wave volume although still strong, has certainly diminished (+12.75 points) and (+6.25 points)

G – Exit 1/3, downside volume is sustained with 52k and 49k contracts respectively, as we break the mini trio of lows upside volume has diminished with 24k, the lowest we have seen in this context (+5.25 points)

H – Stop hit, if price cannot hold this local level, odds favour a test of the next major support and that's yesterdays high which is below our entry point (+3.25 points)

Today's trading has been completely one sided right from the get go - the spring and of course the US open. The wave structure illustrates nicely how the buyers have had dominance for the day (upwaves are larger than the downwaves, in terms of price, volume and time).
Entry 2, although wasn't as fruitful in terms of points gained, it was certainly the better trade and had a much higher probability of success rate as the background conditions at this point were of complete strength, demand was in FULL control, we never know what the markets will give, all we can do is to trade what we see as the market unfolds, time to lock in profits and call it a day

Appreciate the feedback and support, and again apologies for the lack of email responses and daily Chronicles. Recently my wife and I have had the pleasure of expanding our family unit with a beautiful baby boy. A routine is now forming and I have plans to incorporate many more Wyckoffian/VSA concepts with various instruments, timeframes and other forms of social media, including YouTube videos. Thank you for the patience and understanding

Email: feibel@yahoo.com

Twitter: @feibel_trading (Twitter should be up and running soon, for FX markets)