

Date: 18/10/2017

Market: ES mini

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

News:

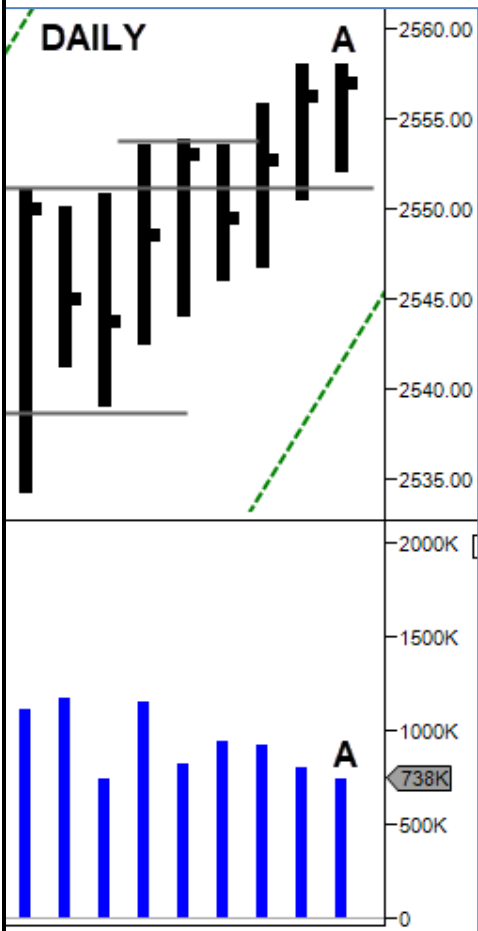
Yesterday:

HIGH: 2557.50

LOW: 2552.25

CLOSE: 2557.00

Other levels: sup:2550.75, sup:2538.00, sup:2528.00 -29.00, sup:2507.25, sup: 2494.25 - 2495.25, sup:2488.50



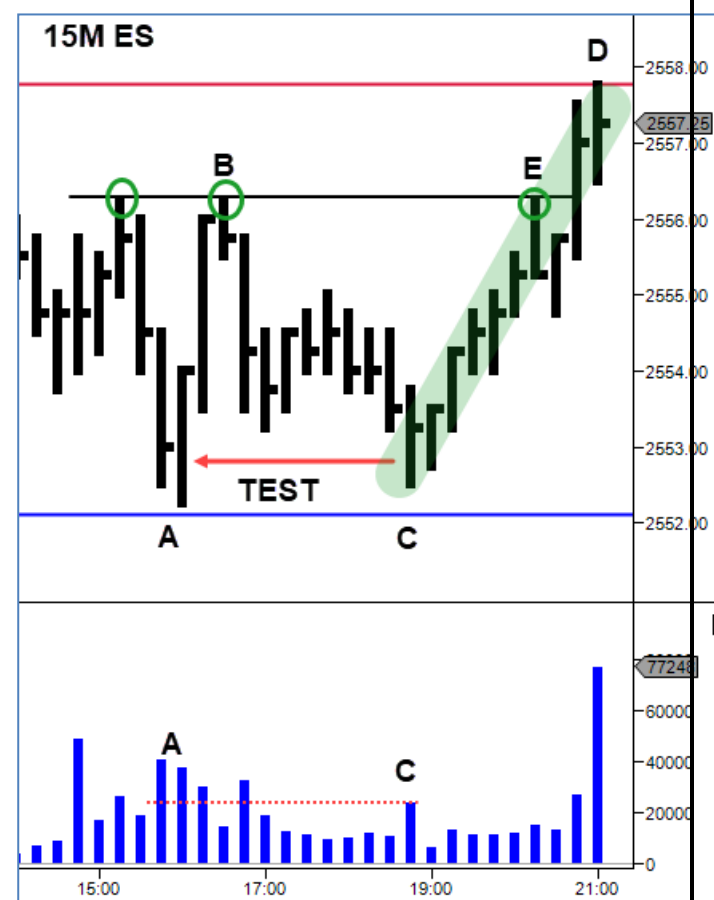
The S&P's has continued to grind on higher, the word grind is used purposefully - there is no buying of decent quality. Yet we cannot argue with price; yesterday we have made the highest close of all time for this market along with the 7<sup>th</sup> consecutive higher low, the lows are rising very nicely, this action is not weak. Volume has declined but nothing out of the ordinary, no alarm bells ringing. It appears that the market simply has a lack of willing sellers, if there is no active selling, any mild force (in this case buying) can easily drive the market higher. However we have a lack of volatility, spreads have narrowed, volume has eased off, the average true range for the last few days is 8 points or so (including the overnight action) which is low; as traders we have to be aware of these conditions and slightly adjust our trading. With this methodology we read the market as it unfolds and shouldn't concern ourselves too much, but we have to be aware none the less

The 15m chart gives a more optimistic view regarding yesterday's action. We react to A that's results in a bottom reversal and

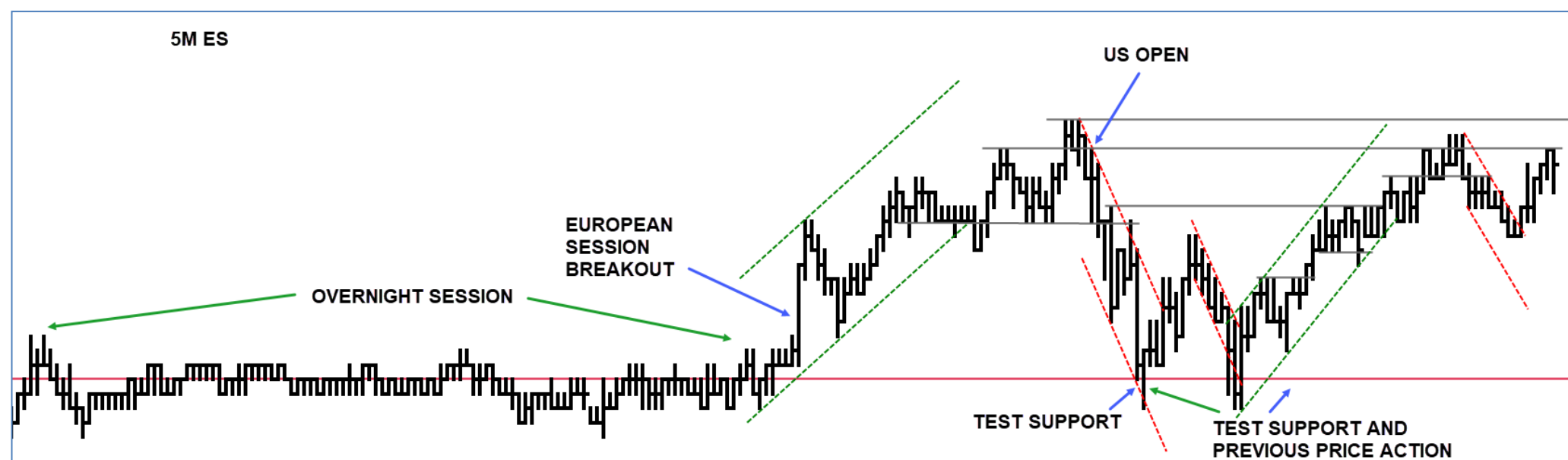
continues north to B, where we test the US open highs; price is rejected and we react to the lows. We encounter Bar C that has a spike in volume which leads to a fairly firm close, although technically a down bar, this bar is in-fact strong for three reasons:

- 1 - Price action
- 2 - We test the supply at A and again we are met with buying
- 3 - Volume is lower; odds favour the level to hold. The blue line is where the majority of trading occurred via the 2 day support level (Wyckoff states, "it takes equal or greater volume to break a previous area of support or resistance")

After Bar C prints we never look back. Bar E we would expect some negativity as we have a resistance level in play (green circles) but the very next bar we reverse (a subtlety of strength) followed by a breakout into new all time highs with a pop in volume, we produce a good wave up (green opaque) after rejecting the lows of the day, this action is strong



From the daily we see no evidence of supply, ergo no lower prices, and via the 15m higher prices are on the cards with some form of continuation to the upside. Combining both timeframes we would want to be buyers, until the market tells us otherwise



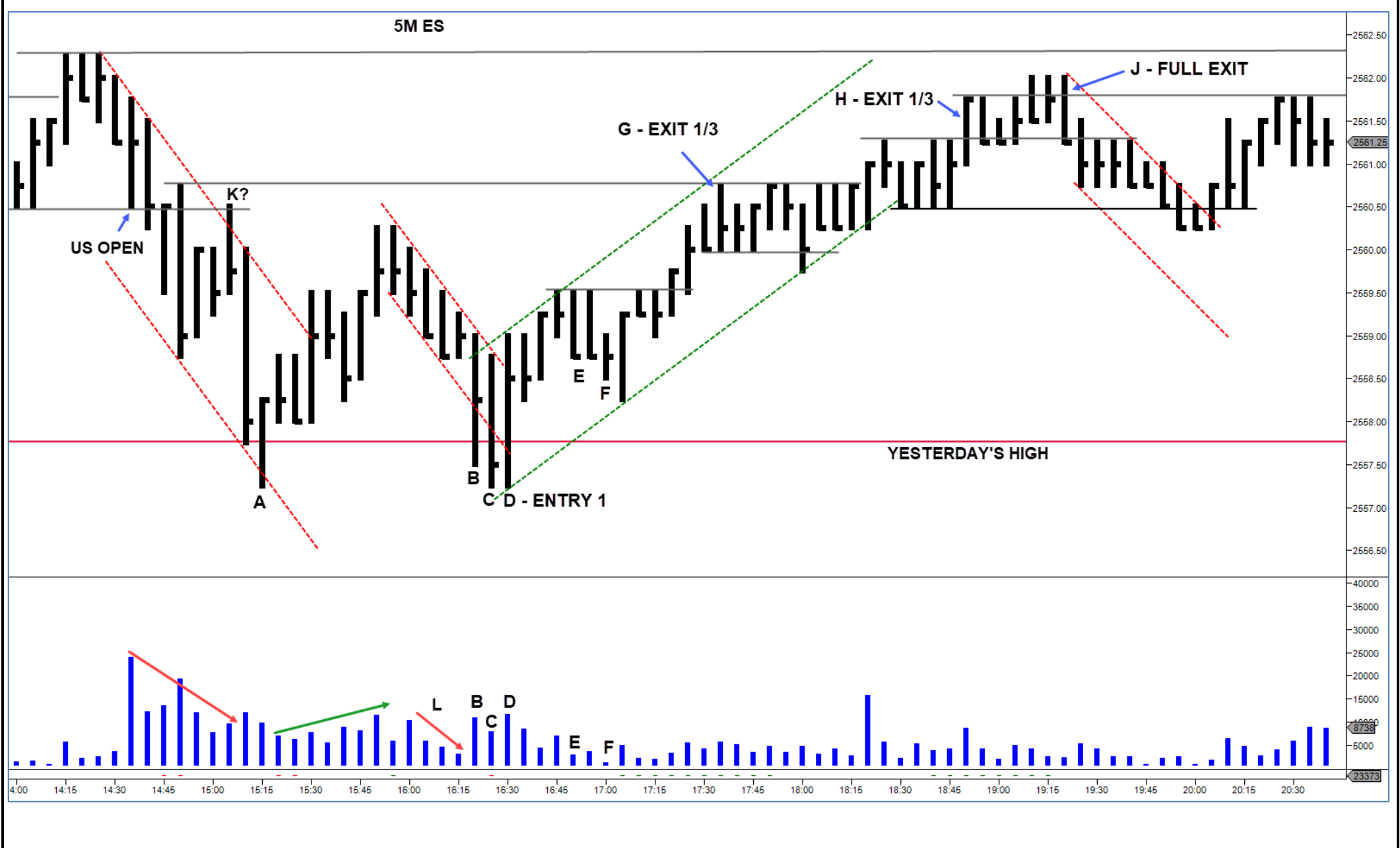
Using the chart above its evident to see that the market held gains from yesterday's close. During the overnight we trade for many hours at this level in a very tight range. In the back of our minds we recall that demand proved itself yesterday via the 15m chart, and there is a lack of supply via the daily, it's the sellers that need to prove themselves. Holding the US close is a subtle sign of strength; the market is unwilling to give back any ground. Buyers muster some force, breaking to the upside during the European session with decent price action and continue to push up for the rest of the day, until the US open. It's at this point we recognize that support is only 3.50, 4.00 points away - the essence of the markets in its simplest form is to seek willing buyers or sellers, bouncing between levels of support and resistance until one force is dominant; if demand overcomes supply we rise, if supply overcomes demand we fall. Support areas that have had much trading/activity around the level are often tested, these areas act like magnets and draw price towards them (especially daily lows and highs) as we start to react shortly after the US open odds favoured a test of support, unfortunately no clean entry was present. There was potential at K, yet with the target being 2.00 points away and slightly ambiguous price action, the short play was scrapped, there is always another trade (although an ideal trade if scalping for a few ticks).

The market does indeed react to yesterday's high (red line) at A we manage to halt any downside progress and reverse the short term trend - NOTE, as we fall to A volume declines and the rally from A volume increases; a healthy bullish sign that coincides with our premarket analysis of strength. NOW we are looking for reasons to go long. Even though we had the game plan for long positions, we don't just randomly buy, we NEED reasons; build the story of either strength or weakness for the trade

Bar D - Entry 1, why? All of the above, plus the addition of the weak declining volume (L) combined with individual price action of bars B to D

Bar B - Fall's sharp out of the mini channel, bounces of support and closes back within the channel with a mid close and surge in volume, this bar is strength in every sense of the word, it's a mini climatic bar for this time frame

Bar C - Breaks the channel and closes under support even though the volume declines, we would still expect some sort of downside follow through.



Bar D – instantly reverses the negativity via bar C, closes firm and even manages to break the highs of C wiping out all the selling – an instant buy. Using the price action of these 3 bars alone is screaming strength along with our other insights makes it easy to pull the trigger. If missed the opportunity of D the market gives a couple of other entry points via bars E & F; no supply bars, both have the lowest volume of the day, and being down bars in an area of demand – in a nutshell “testing bars”

Bar G – Exit 1/3, first resistance (2.25 points), Bar H – Exit 1/3, next resistance (+3.25 points) this level was a swing high seen in the first chart. It was deleted in main chart for clarity reasons.

Bar J – the most negative bar we have seen for over 3hrs that rejects resistance and closes under local support (+2.75 points)

Today’s trading provided one clear setup that could have been entered on 3 different occasions. By creating our story strength in the higher time frames and the lower timeframes confirming strength at a major support level (via a higher timeframe) is picture perfect. Multiple timeframe analysis is an advanced concept that does take time and practice, however once mastered will open up a new layer to ones trading, the secret is to always to think in multiple time frames e.g. the 3 bars at B to D, would represent a spring via a 15m timeframe.

We never know what the market will give; with today’s trading being very tight (4.75 point range) we managed to bank a 3.25 point trade which is capturing near on 70% of the move, this is a very high percentage and although not much in terms of points we should be forever grateful for any points banked - time to lock in profits and call it a day

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