

Date: 23/10/2017

Market: ES mini

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

News:

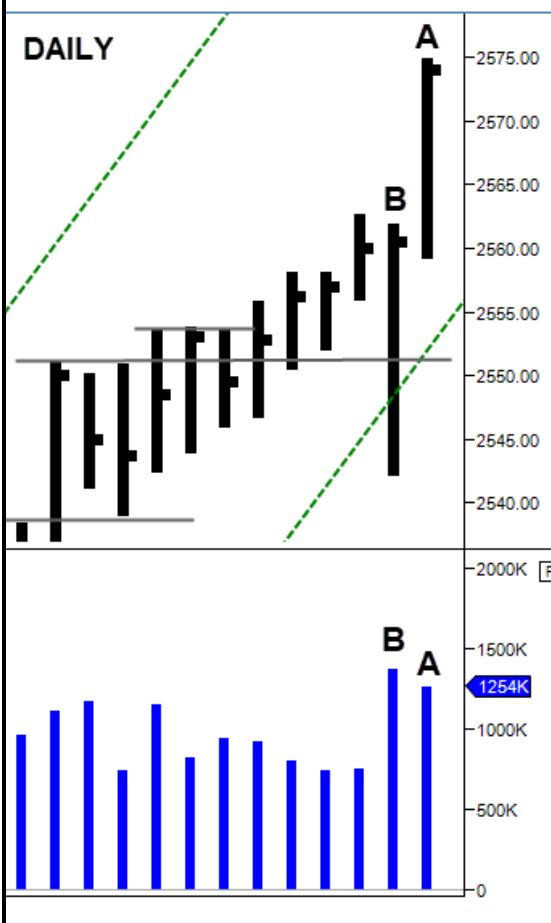
Yesterday:

HIGH: 2561.50

LOW: 2542.50

CLOSE: 2560.50

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 driven firmly into new highs, with a decent spread, close and volume with no retracement into the previous bar. There is no reason to suggest lower prices via the daily chart, the only counter argument one could make is the possibility that we have risen too fast too soon (Wyckoff uses the term parabolic). Comparing the last couple of bars to the previous price action, there is a sense of logic behind this thinking, we must note that volatility is increasing as we break into new highs

The 60m chart although not overt strength we would still have to hand it to the bulls

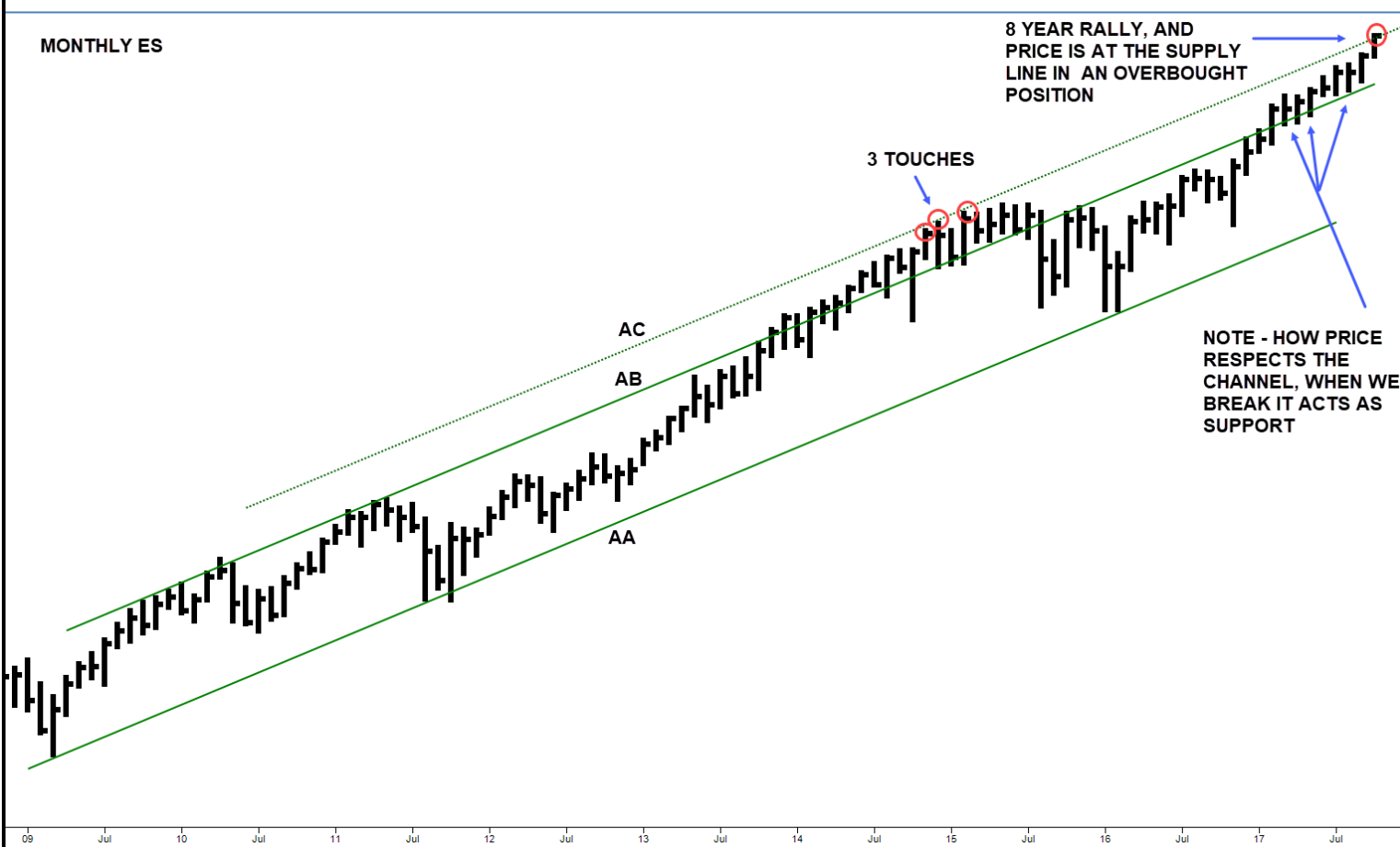
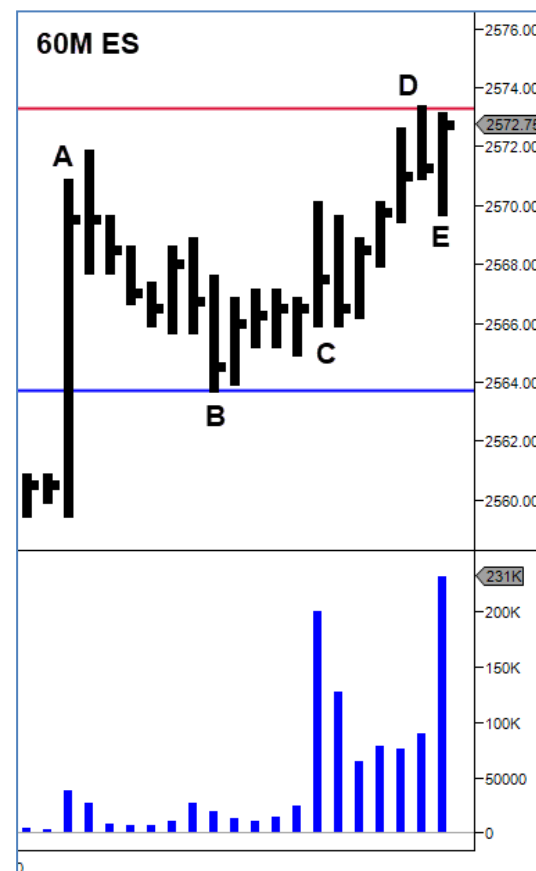
A - Huge move during the Asian session

B - A mild reaction, retraces fairly deep into A, but the price action is not particularly weak, spreads narrow, volume declines

C - The US opens with a little negativity for 2 hours upside progress capped as we close weak

D - Market drives up to new highs, encounters selling, hence the closes

E - Is the US close, difficult to interpret due to the many types of traders being active, yet even harder with a tighter spread, however price dips under the previous 2 bars at D to reverse and close firm. This action is strong. If price managed to close above the highs of D (resistance) we would have a much stronger picture, why with all that volume can we not break into highs? Is there hidden selling?



We are in a precarious position within the S&P's, we have a working channel that originated back in 2009, and currently we are testing the supply line that has been respected 3 times back in 2015. By all intents and purposes we should encounter supply of sorts, there will be active S&R traders and partial profit taking. There are numerous scenarios that could play out - here's a few. There

is potential to print an upthrust or if the supply line holds (AC) and rejects higher prices the logical place to test is the demand line (AA) and that is a 600 point move (as the crow flies) but due to the meandering nature of price a realistic figure is around the 400 point mark, which is significant. But we cannot ignore the first obstacle, and this would be flipside reverse use of channel AB, that has acted as support many a time, however not as strong/valid as AA.

Bar G – Entry 1, why? The market makes new all time highs at A with 248k contracts, we revisit this area at B & C with decreasing volume 49k and 11k contracts respectively, demand has clearly dried up, the force of buying has diminished – also we were unable to test the highs at A, even though its only by one tick, it’s a subtlety of weakness. The market reacts to support (yesterday’s high) via D with an increase in downside volume (72k) the selling waves are now larger in size and volume than the up waves we have “a bearish change of behaviour”. Now we need to look for a weak rally to short. Bar E is an opportunity, but being so close to support it’s a dangerous entry, NEVER sell into established support especially as it held at D. The market reacts from E to produce F; a down wave with increasing volume (91k) whilst making lower lows, then boom a weak rally with a mere 28k contracts, an instant sell via the close. The consecutive down waves (D & F) are 2 and 3 times the size of the up waves (C & E) after we have seen demand dry up via A to C - supply is firmly in control. What makes this an excellent trade is market structure, the grey highlight illustrates that the market is unable to close back above support (resistance is holding) plus we have the supply line above, stop above the high of E is a mere 1.50 point stop, let the market prove us wrong, we have enough of a bearish story to be confident with the setup, full clip size.

During the Chronicles I have spoken many a time regarding morning reversals between the 45 to 60 min mark from the US open, and today we have rejected yesterday’s highs in a very obvious manner at the perfect time; the market is now primed to seek buyers (need to go lower) and the natural place to test for buying is support, the first being yesterday’s low (our first main target) If one missed the opportunity at G, bar H is an excellent entry as we have an Effort vs. Result wave (66K) previously, the market is refusing to go higher



Bar J – Exit 1/3, Oversold in our channel (+4.25 points), Bar K – Exit 1/3, oversold in channel, Bar K had the potential to be a hidden spring, plus were holding the demand line (can't close under), the logical place to test to the upside was 2570.50 which is four points against our trade, it's always best to lock in profits if in doubt (+5.50 points), Bar L – Full exit, price adhered nicely to the purple channel, we became oversold at our main target being yesterdays low (+9.00 points) The market followed through another couple of points, that's OK, our game plan was yesterdays low, the limit offer was placed 2 ticks above and filled, plus we are near the US close, how much further can the market give? Never concern yourself with the thoughts of missed profits, it was the right play

Today's trading provided clean readable setups in wave format giving 3 opportunities to jump onboard. There would be a few traders who would short the close of C; it is pretty clear that demand had diminished and is a valid entry. Although very aggressive in nature the trader would have read that the market has ran out buyers at the highs and is banking on the fact that supply will emerge and take the reins, if this was executed one would need to be nimble and read the market as it unfolds very closely. However with the setup via G, supply was confirmed and the price paid for this confirmation was roughly 3 points, the methodology is discretionary and of course is down to the individual trader. Time to lock in profits and call it a day

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