Date: 03/01/2018 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2698.25 **LOW:** 2667.75 **CLOSE:** 2676.00

Other levels: res:2698.00, sup:2668.00, sup:2625-26.00, sup:2593.50, sup:2560.00-61.00

Our eyes are drawn immediately to the uptrend channel, where we break the demand line at B, followed by A as we attempt to trade back within the channel (bullish). The channel is not a text book clean example; however it does provide structure that the market is adhering too (3 touches via the demand line – orange highlights) and two touches via the supply line (turquoise highlight) The supply line touches are textbook and very clean – this should provide resistance sometime in the near future. In trading we do on occasion receive crystal clear opportunities and perfect channels, yet more often than not we MUST use a ''best fit approach'' it's important to remember that our method is discretionary and especially with structure we use our ''artistic licence'' it's wise to try and keep from complexity as we want to trade structural points that everyone else see's, as some might say that structure has a self fulfilling prophecy to their creation.

Bar B makes a new all time high before reversing with a fairly weak close, after breaking support and the demand line with a spike in volume - this would be a beautiful intraday trade as it's a daily upthrust. Bar B closes off the lows and holds support (made via C) the market respects this level and buying of sorts would be expected here. However bar A gives an excellent response; it closes firm near the highs of B, wiping out most of the negativity with decent volume, showing no downside follow through. These 2 bars combined show strength. Think of this action logically, after the portrayed weakness via B we would expect a low volume, narrow spread bar indicating no demand, here we get the opposite (indicates demand) In addition, bar B holding support with no downside follow through from A is very bullish behaviour – it says that supply is spent. Ergo odds dramatically favour higher prices for tomorrow. There is no need for smaller timeframe analysis; our key level for tomorrow is to break the confluence area (red circle) we need to watch this area very carefully – need decent demand and a lack of supply to apply long plays

During the overnight sessions both the Asian and European flirt with yesterdays high; we break through and hold in a fairly tight range; in essence we are holding gains - the market is refusing lower prices. The US opens driving up hard through our confluence area (approx 2700.00) and bar A depicts the strength nicely with excellent volume, spread and close. This bar is professional buying (do not forget that this bar is an aberration, the US open and close should have the highest volume for the day) we gain an edge from being able to read the market and understand its intentions, and this hints towards higher prices which is in alignment with our premarket analysis. We must wait patiently for an opportunity to make a long play. The market continues to B, where we react with very little intention. This leads to bar D Entry 1, why? All the strength as stated above along with decent bullish wave structure and most importantly the inability for lower prices – a cluster of closes (orange highlight) illustrates this concept; the market is refusing to react after a strong move up (bullish behaviour) Bars C & D test for supply in the high volume printed via B, they both refuse lower prices and close firm back above local support. An instant buy via the close of D, the other subtlety to note is that bars C & D are exact in nature; the fact that bar D accomplishes the same as bar C with lower volume signifies that selling pressure is waning.

Bar E – Exit ½, the trade hasn't taken off as expected, as E breaks the demand line from our micro channel and the lows of the previous bar, time to liquidate. Odds favour a test of support (+2.25 points)

Bar G – Stopped out. As the reaction incurred high volume from E, stop was moved to 1 tick above entry (cover commission costs) (+0.25 ticks)

For the next 45 mins or so the market trades sideways; in this time we can reassess the conditions and continue to have a bullish bias, why? There is a strong wave up to Z making new all time highs, whilst yesterdays high has served as support, with the reaction to G being bullish, why? All that volume (highlighted purple) we have made very little downside progress, whilst holding support. Bar F is clear Effort vs. Result, (same volume as E yet the spread has halved, only buying can do this) followed by a spring via G. All these pieces of the puzzle equate to strength and we want to be buyers.

Bar H – Entry 2, why? This tests bar G for supply. And how does it do this? Not just by being the lowest volume bar for the day, but the lowest volume DOWNBAR at support; this bar is screaming ''NO SUPPLY'' an instant buy at the close. Ask yourself: does this bar have enough force to break through the support made from bars B, F & G? No; it clearly doesn't. The other subtlety of strength here is the close, buyers managed to hold the close back above support (not needed, but another source of confirmation)

Bar J – Again, no supply at support. If one missed the opportunity at H, J is another valid entry

Bar K – Exit 1/3, first resistance (+2.50 points)

Bar L – market pushed higher with excellent volume, perhaps a little climatic. As the market holds for 30 mins going sideways and breaks the demand line, it's wise to lock in profits (+4.50 points). Stop moved to 1 tick above entry for the remainder of contracts. There have been no signs of supply as yet, just normal workings/dynamics of a bullish intraday market, a pulse/push up, followed by weak volume pullbacks, nothing to concern ourselves with

The market respects a little trend channel from Y that becomes oversold at M, which is also at support (demand confluence) NOTE - the spike in volume. This is VERY common behaviour. Many traders are being wrong footed as it induces sellers to emerge. Being oversold or overbought in channels that have confluence with resistance or support with spikes in volume after some sort of trend (timeframe dependent) are excellent conditions for reversal trades. I cannot stress the importance of these conditions; they occur time and time again and have been mentioned throughout the Chronicles

Bar N – Entry 3, why?(or additional contracts to full clip size) No downside follow through from M, trading is back within the channel, we hold a close back above support and Bar N wipes out any negativity that occurs from M. As we begin to push higher volume increases (bullish). DO NOT forget its supply/the sellers that need to prove themselves, buyers are clearly in control and have been all day. This setup is the classic pullback with upside momentum (trend trade)

Bar O – An unusual bar with very high volume, yet holds support. Stop moved to 1 tick above entry

Bar P – Exit ½, first resistance, close to end of day, hence ½ liquidation (+6.50 and +3.75 points)

Bar R – Full exit, overbought in channel with 10 mins left of the US session (+5.50 points)

Today's trading conditions were set up via our premarket analysis of strength and indeed the bulls had full control, as there was little selling pressure all day. There were many opportunities to jump onboard long plays, although to be honest the market did behave slightly odd by printing a few rogue bars and liked to break structural points (support) by a few ticks here and there. This was due to more testing action being apparent for today; these conditions make for some slightly painful holds whilst in position, BUT as previously stated the sellers never proved themselves, it was just a case of trade management by protecting positions early as possible and riding the trade out. The trick/skill with stop placement is to know where your line in the sand is i.e. an area/place that the market should not cross that proves ones analysis to be incorrect or is an uncomfortable hold due to the amount of exposure. Time to lock in profits and call it a day

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