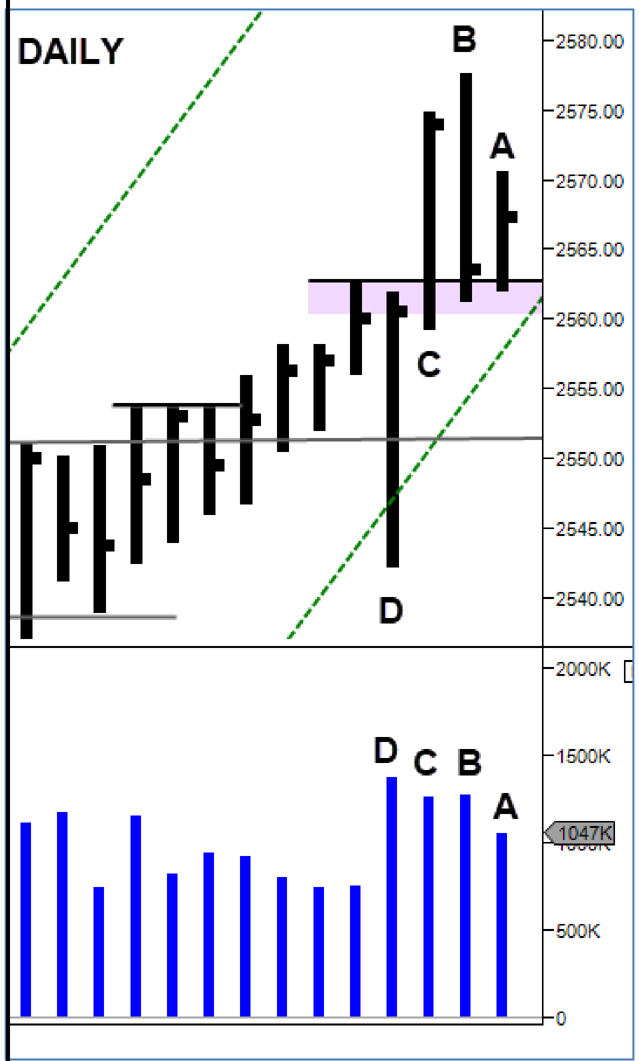
Date: 25/10/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2561.50 **LOW:** 2542.50 **CLOSE:** 2560.50

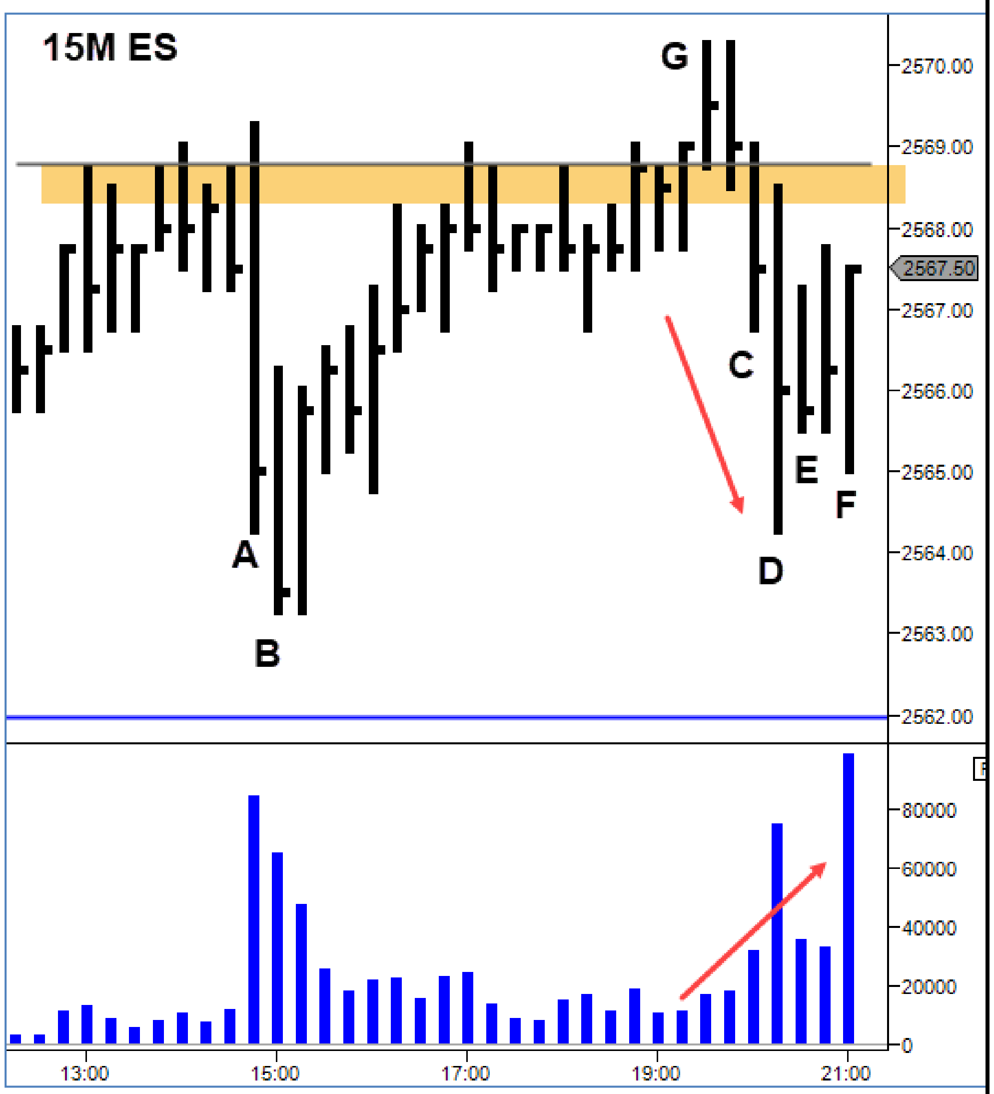
Other levels: sup:2550.75, sup2538.00, sup:2528.00 -29.00, sup:2507.25, sup: 2494.25 – 2495.25, sup:2488.50



An interesting time for the S&P's; in the last edition we had mentioned the monthly time timeframe and the structural relevance of price. Price has adhered to a working trend channel that has been in play since 2009 and hit the upper boundaries (being the supply line) ergo selling was to be expected. The market responded well resulting in bar B: a significant down bar that reverses the buying at bar C and ends closing weak on its lows. Bar B is the weakest bar we have seen since the 17th August, suffice to say a fair while. We MUST take this data into consideration plus the importance of the higher frame structure (monthly being the most senior of timeframes, comes with the adage of having the most respect)

Bar A is an up bar, that closes off the highs with relatively large volume considering the size of the spread, a case of Effort vs. Result. The question we must ask ourselves has supply overcome demand or has demand overcome supply? A closer look deeper into the bar via smaller timeframes is needed. However; we must take note of the purple support zone, this is a fairly significant support area, why? We have two daily highs, 2 possibly 3 daily lows and 2 possibly 3 closes all in this area (dependent on the area you wish to draw) this is how areas of demand and supply are made - its measured by the amount of trading activity, there are 5 days worth of trading around this area (all at significant highs, lows and closes) Plus if we come down to test the support area we have the demand line via our channel; ergo a confluence of demand. Although this appears strong from a daily perspective, don't forget that the market is currently reacting to a larger time frame (monthly) If there is any downside progress, and we try to break support will require force (supply) due to the confluence area, the force required will be high, we know this in advance due to the great deal of volume between bars A to D. Wyckoff states ''it will take equal or greater volume to break a previous area of demand or supply''

The 15min we receive clarity; supply has overcome demand on this chart. Right from the US open we fall sharp printing a wide spread down bar with high volume closing on its lows (A), followed by a little follow through at B. Don't forget the background conditions are weak, sellers have emerged from the touch via our monthly structural point, ITS DEMAND THAT NEEDS TO PROVE ITSELF. From B we rally to test the highs and price action is poor; with over lapping bars, volume declines etc. Note all the closes are weak of their respective highs (orange highlight) sellers are capping upside progress, defending this area. At G two bars try to break, both have weak closes and no volume, a feeble attempt. As we react via bars C & D notice the selling is decent, volume increases and spreads widen. We now have the confirmation that sellers are still in control, more importantly active. Tomorrow should be an interesting day; odds favour a test of the support area and to break it will require much force



During the premarket sessions we hold a 4 point range above yesterdays low for approx 11 hours, we are at support unable to rally – something to note.

From the US open we start to fall and break support at A, both with increasing volume. Bar B breaks local support made by A with increasing volume, we now have confirmed weakness, sellers in control. In our premarket analysis we have deciphered that supply is in control, but we still need confirmation to take a trade. NOW we look for short opportunities. Bar C prints looks fairly strong BUT it's only one bar, perhaps we may rally, then boom bar D prints a ''no demand bar'' - sticks out like a sore thumb, lowest volume for the day with the narrowest spread right into weakness of bar B which is full of supply. Take a quick look at bar D, ask yourself, what looks stronger the attempt to rally at Bar D? Or the attempt for lower prices via B? Take into account the spreads and volume – clearly sellers are in control. An instant sell via the close of D; one could wait for the confirmation (bar Z) by breaking the local support level made by B, however on this occasion I was fairly confident due to the current price action and the background conditions of weakness via all timeframes

Bar G – Exit 1/2, we become oversold in our channel, had two attempts to break yet price is holding and pushed back inside the channel. Plus bar F was a scare for the short position, stop was placed above the resistance and supply line (purple line) we do have a decent supply confluence but the volume was the highest for the day and is an odd bar, hence 1/2 liquidation (+8.75 points)

Bar H – Entry 2, why? This was a continuation trade in co-ordination with the trend using structure as an entry. Odds favoured a trend day to the downside, we have no reason to think otherwise. As we decline volume increases (1 & 2) a healthy sign that sellers are in control. The orange highlight was of concern, volume is huge for those 4 bars around G and we only net a point to the downside for all that activity, but we were oversold at the time and it's natural for some demand to emerge. Back to the entry; Bar H, the spreads narrow at resistance plus we have the supply line directly above making a supply confluence, volume dropped off right into the supply bars (E & Y) an instant short (additional contracts via the close). This setup is a classic Wyckoff rally back to Ice

Bar J – Exit 1/3, first support (+11.00 points & +4.00 points)

Bar K – Exit 1/3, this was a good read; as we react from H notice that we hug the supply line (not ideal) signifies supply is not as overt. As we make the lows we have a major support area, the lows of bar D via the daily - it's the only landmark structural piece we have. However as we react volume increases (3), but the grey highlight is where we start to hold and the closes cluster plus price is unable to test the demand line like we had done previously via E & G. These subtleties combined are indicating demand of sorts, a rally is due hence the exit (14.75 points & 7.75 points).

Bar L – full exit, we break the supply line and break resistance, instant full liquidation unwilling to give back further profits (+3.75 points)

At this point I was looking for a weak rally to short from K, and as we rally via 4 the volume declines, which was a healthy sign, then we chop for 30 odd minutes and then rally on increasing volume with tight narrow spreads and mid closes. Far from the price action that is suitable for my style of trading.

An important observation to note - looking deep into the charts we start with the classic stair stepping down trend from A to H, then from H it all changes, price sticks to the supply line (should bounce off) then we're unable to test the demand line like we had done previously – ‵′we have a slight change of behaviour′′ these are the subtleties that in time and practice will make all the difference between being a good, or an excellent trader. Time to lock in profits and call it a day

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