

Date: 25/09/2017

Market: ES mini

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

News:

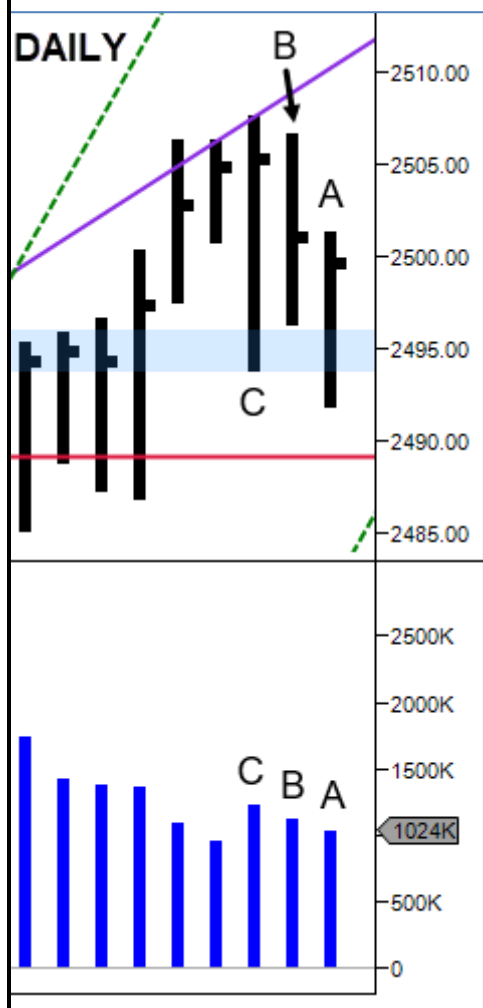
Yesterday:

HIGH: 2501.00

LOW: 2492.00

CLOSE: 2499.50

Other levels: res:2511.50, res:2507.25, sup: 2494.25 - 2495.25, sup:2488.50, sup:2477.50 - 79.00, sup:2461.00,



The S&P has found a buying a zone (blue) First it was resistance via the cluster of closes, as we break through decisively it naturally turns to support, which is evident by bars A to C. Bar A is technically a down bar, the last time we have encountered two successive down bars was the 28th August (and this was only by 3 ticks). Bar A appears strong; we dip under C into the cluster of closes find demand and subsequently reverse to close firm. However the bulls were not able to close it higher than the previous close and volume has declined, the last time we had this action via Bar C we bounced off the buying area, rallied strong and closed above the previous bars high, resulting in an up bar - this buying is of better quality than we have at A, where we make a lower low, a lower high and a lower close with lower volume, when we break this bar down, it doesn't scream strength. It's by comparing to bar C that the weakness emerges with clarity, where is the buying we had seen previously?

The 60m chart highlights the difference in buying very nicely. Bar A relates to the trading of C via the daily; look at the ease of

movement up to A, two very strong bars. The market then halts; trades sideways and breaks with supply at B, begins to round over and breaks again at C resulting in a new low. We spring the low of A (wave up) and rally during the overnight. The US opens and it struggles to move higher at D, followed by bar E that encounters supply - which is of no surprise as we have supply to the left (B & C). After the strength at A the market shows a lack of demand and we see the emergence of supply (bars B & C), the market tries to rally but can't muster enough force to push up higher. NOTE - during this action the market is making lower highs and lower lows, the beginnings of a downtrend. By disconfirming demand at D, we get the confirmation of supply, the first logical area to test would be the buying zone, then major support at 2488.50 and the demand line via our channel at 2486.50.



We must remember context: although odds favour lower prices, we are using daily market direction for intraday trading only, when I state that we have the beginnings of a downtrend via the 60m this is only applicable to a 5m chart for trading opportunities. This doesn't mean the S&P is going to fall out of bed; we are very bullish in all other higher timeframes (monthly and weekly). If we were swing trading we would be looking for long opportunities in this market. In a nutshell - The daily timeframe gives us direction, the 60m is used for structural purposes and the 5m is used for entry and exits.

A – Entry 1, why? During the overnight we upthrust yesterdays high via 1, that results in a large downwave. The market tries to rally yet is unable to test yesterdays high, making a lower level of resistance. The US opens after a few hours of being range bound; we proceed to grind higher trying to break local resistance with higher volume (green highlight 68k) yet unable to do so. The volume is two and three times higher than the previous 2 attempts to break via 2 (33k and 30k contracts) this stands to reason that we must have a case of Effort vs. Result (hidden selling). The price action associated is also extremely weak; we become overbought in our channel and have a failed break of local resistance (supply confluence) Unable to hold price above this level, we begin to sell off. On our reaction we break the demand line (channel) and support. NOTE – the grey highlight, price is unable to close back above support, every time we pop up, sellers step in and close it back under - with all that weakness behind us as bar A breaks the local lows the market pulls me in. This set up is an upthrust with inclusion of Effort vs. Result. The story of weakness is evident:

Upthrust, downwaves are larger than the upwaves, lower level of resistance, Effort vs. Result, supply confluence, demand line breaks, support breaks and finally price is unable to rally from support, more than enough reasons to short



B – Exit 1/3, first support (+2.25 points)

C – Exit 1/3, we hit multiday support. New to intermediate traders may be thinking why not exit via the demand line in our channel? Two reasons: 1 - The wave volume behind us is very large, sellers are in complete control. 2 - Being so close to multiday support odds favour this level being hit, the nature of the markets is to seek areas of demand and supply, supply being in control as dominate as it is, needs to source demand in logical areas, strong structural areas act like magnets and more often than not, will be tested. Taking profit via the demand line is perfectly fine (+6.00 points)

D – Full exit, first close above our supply line that has held very well with multiple touches, odds now favour a rally of sorts (+6.00 points)

E – Entry 2, why? We have sellers in control, a huge down wave behind us (240k contracts). The market has every right to test resistance (yesterdays low) and it does so with weak volume (29k contracts) and is approx the 50% retracement level from the swing high to low. As E breaks the local lows and the demand line after rejecting resistance on low volume, the market pulls me in on the close. This is a classic Wyckoff setup ‘rally back to ice’ (testing newly formed resistance after a

break of support) Although we must note that some demand is in this market as we print an upwave with 95k, we could write some off the buying off as short covering (short traders liquidating their positions)

F – Exit 1/3, multiday support (+2.50 points), G – Exit 1/3, hit a demand line confluence both minor and major trend channels (+5.00 points), H – Full exit, we are holding and trading back within the major trend channel (not a good sign for the bears) and in-turn break our mini supply line and resistance (+0.50 points). As we rally to this point we can see that supply volume has declined, it appears that that the multiday level of support (purple line) is holding

There is a potential trade at J; however the signals were not clear, wave volume was fairly large with 91k contracts (purple highlight); in an ideal world we would want to see a weak pullback with low volume to apply bullish positions. As price holds and begins to rally we have our trend channel, supply line and yesterdays lows (resistance to deal with) in addition upside wave volume is weak there are too many obstacles obstructing upside progress for taking a position for this time of day. Due to trading with one screen (laptop as travelling, hence the intermittent postings) perhaps the 5m chart could have provided a clear entry, no matter there is always another trade, time to lock in profits and call it a day

Email: feibel@yahoo.com