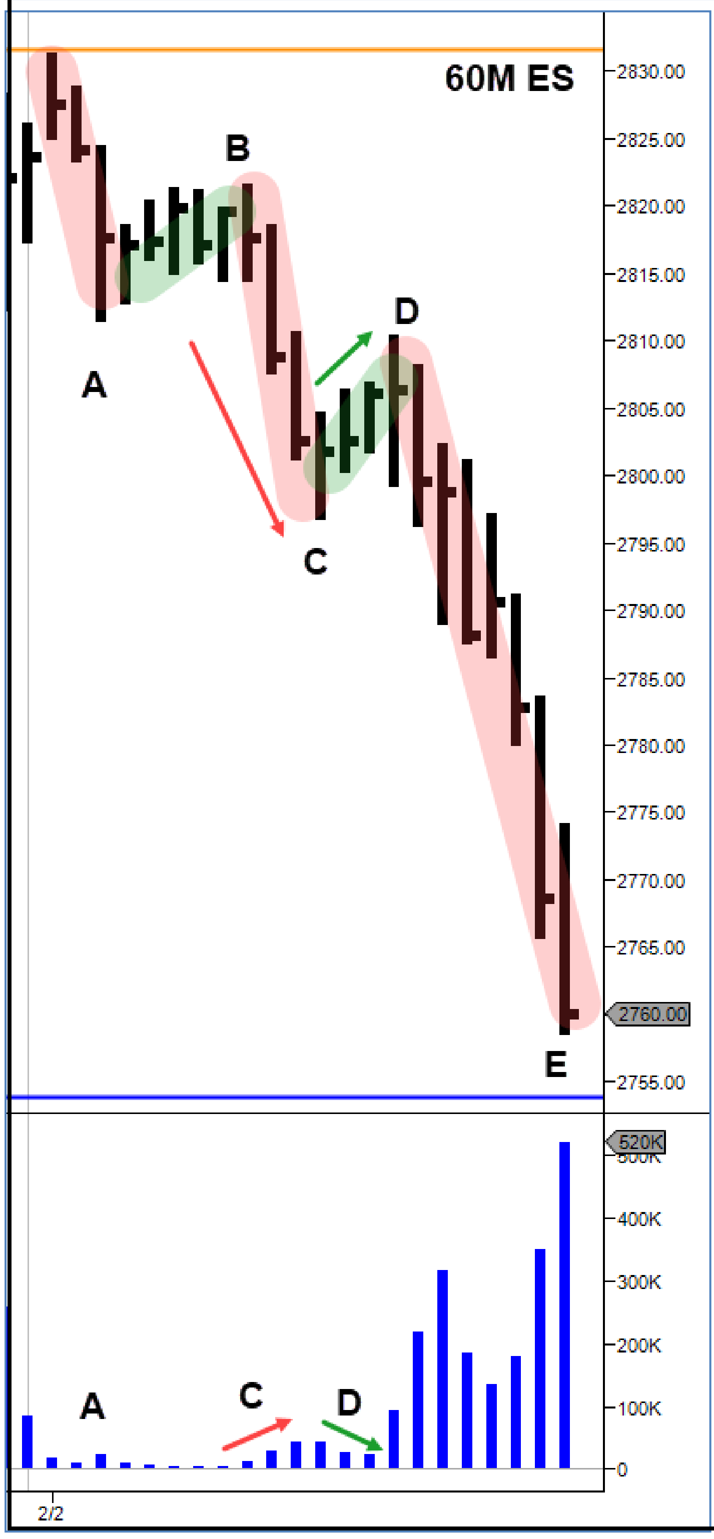
Date: 05/02/2018 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2826.50 **LOW:** 2755.25 **CLOSE:** 2756.75

Other levels: res:2855-57.00, res:2810.00, res:2770.00?, sup:2749-51.00, sup:2736.50, sup:2698.00, sup: 2668.00

Bar A is genuine supply that has entered the market. Very high volume with the widest spread and weakest close this market has seen for months. NOTE how it knifes through support with ease, this bar has decent ease of movement to the downside. One can gage the weakness from D; we break the demand line that has held from the beginning of this year with high volume, a good spread and a weak close; and importantly for the first time the market hasn't instantly reacted with positivity (a change of behaviour). Bars C & B try to hold, however there are subtleties of weakness with lower highs, lower lows and lower closes being made. Bar A is unable to test the highs of Bars B & C and slams right down. Considering the close, ease of movement and the way it has knifed through support we would expect lower prices. There maybe a slight bull relief rally, if so, we look for weak buying and short play opportunities. By analysing the next attempt to rally will give us vital info for market sentiment



The Asian and European sessions will be closely monitored prior to the open as bar A is significant, a 70 odd point drop and the manner it has occurred along with the background conditions suggest weakness

Via the 60m chart; there is no evidence of any climatic behaviour, shortening of the thrust, price action aberrations etc; no strength anywhere is this chart. Often after a large move we may encounter a relief rally (profit taking or the force in control easing up, taking foot of the gas) No signs here, just weak, weak, weak. The Asian session drops 15 points to A with decent price action, followed by a no demand rally to B, price is unable to push up, clear as day. During the London session we continue south to C, with increasing volume, as we rally to D, demand volume decreases. In essence we have buying of poor quality and selling of good quality. NOTE how both Asian and London session open up with good selling (red opaque), followed by weak attempts to rally (green opaque) this subtlety is important; both markets are opening with a surge in selling, will the same occur in the US? Yes, in a big way, we drive straight down to E with no ability to rally, sellers are in FULL control. Both time frames are in alignment, lower prices expected

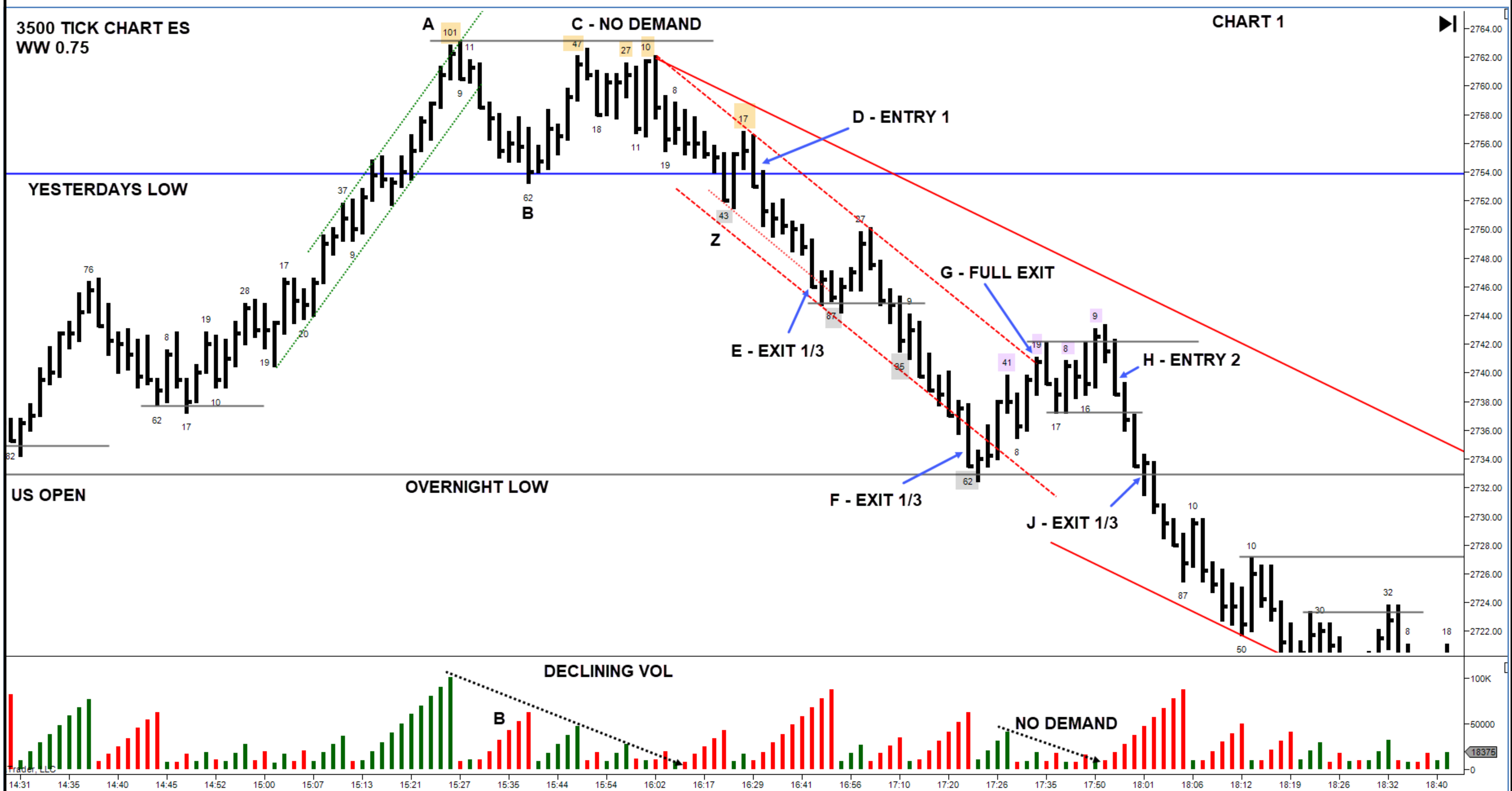
Bar D – Entry 1, why? We drive up to yesterdays lows and break via A with decent demand (101k) for all intents and purposes a long position can be initiated via B, the pullback to support, however due to our premarket analysis and yesterdays action, we want to be sellers. The market revisits the highs made via A at C with each attempt to break, demand declines (47k, 27k and 10k, orange highlights) there is no force of buying. The market reacts to Z with 43k, higher volume than the previous three up waves, this is proceeded by another attempt to rally with a mere 17k, as bar D rejects resistance the market pulls me in. The key aspect to this trade is to try and think in multiple time frames; primarily the daily bar. This action is a weak rally above yesterday's low (Bar A – via daily chart) price was unable to hold the break (buyers ran out of force) we revisit and price NOW rejects higher prices, with no demand. The market is screaming for lower prices. Why? The S&P's has every right to retrace 50% of the previous bar and still remain bearish; here it's more like 5% after rejecting a rally above yesterdays low, the only place we can go is down. This analysis provides a HUGE edge, by disconfirming demand at a key structural location (with background conditions of extreme weakness this market hasn't seen for months)

Bar E – Exit 1/3, oversold in channel, (+7.00 points)

Bar F – Exit 1/3, oversold in channel via overnight support, a demand confluence (+19.25 points)

Bar G – Full exit, price has bounced well off support and broken the supply line, all instincts were to hold the final position as the market was heavily liquidating, but we can always re-enter. Unwilling to give back further profits (+12.50 points)

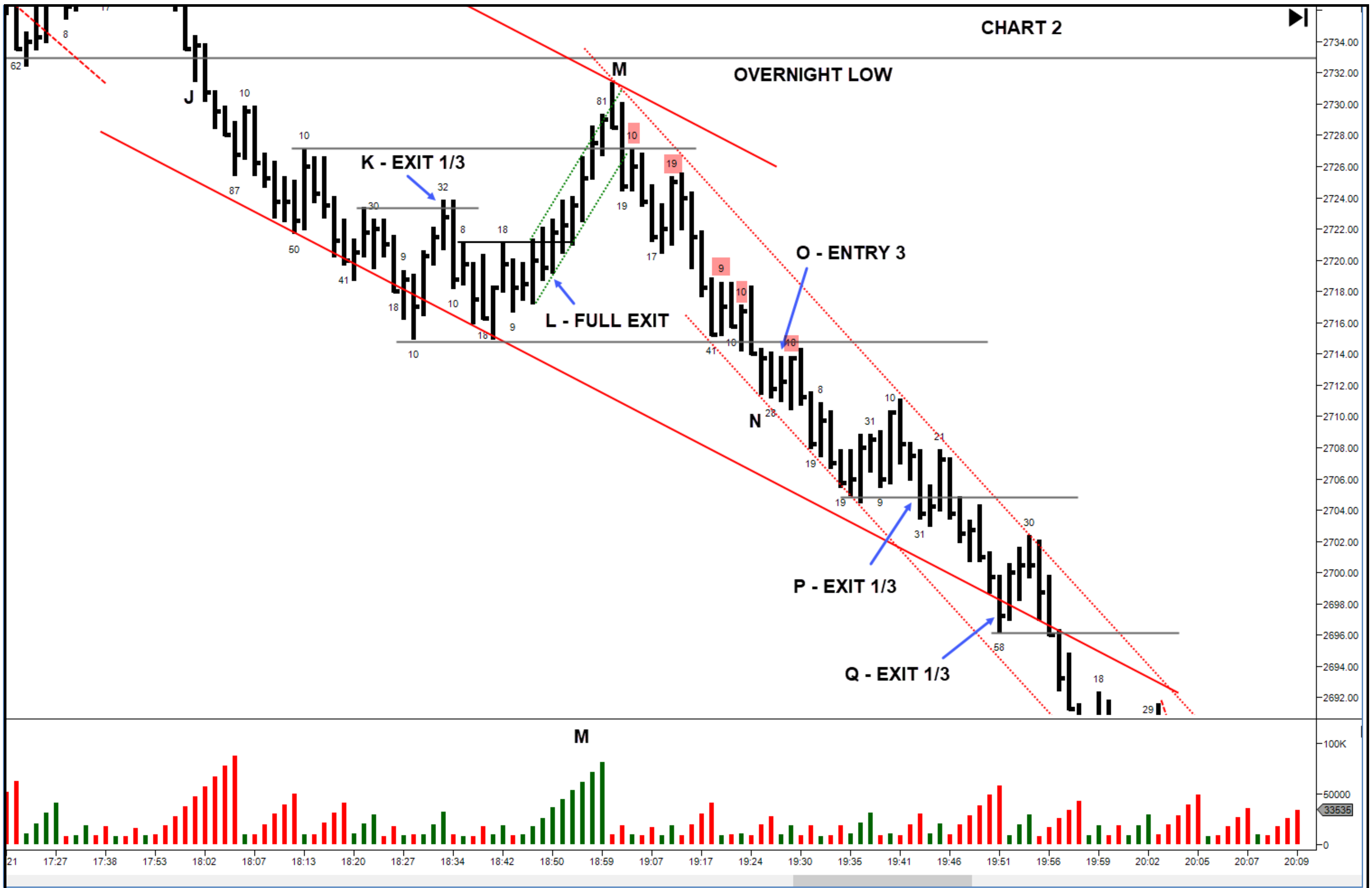
Bar H – Entry 2, why? Supply in complete control with the force of down wave selling (43k, 87k, 35k and 62k, grey highlights). The bounce of support has been contained fairly tight, with demand drying up completely at local resistance (41, 19, 8 and 9k, purple highlight). The trade looks fairly close to support, but is 7.00 points away, an ordinary day and this would be considered a decent trade, plus with the market hinting towards a test of this level, we must execute



Bar J – Exit 1/3, potential spring at support (+6.75 points)

Bar K – Exit 1/3, first bar that breaks previous swing high (+16.50 points)

Bar L – Full exit, clear shortening of the thrust to the downside (each successive move lower is making less progress), hugging the demand line, and price is forming a mini trading range after being overbought, first break of local resistance (+18.75 points)



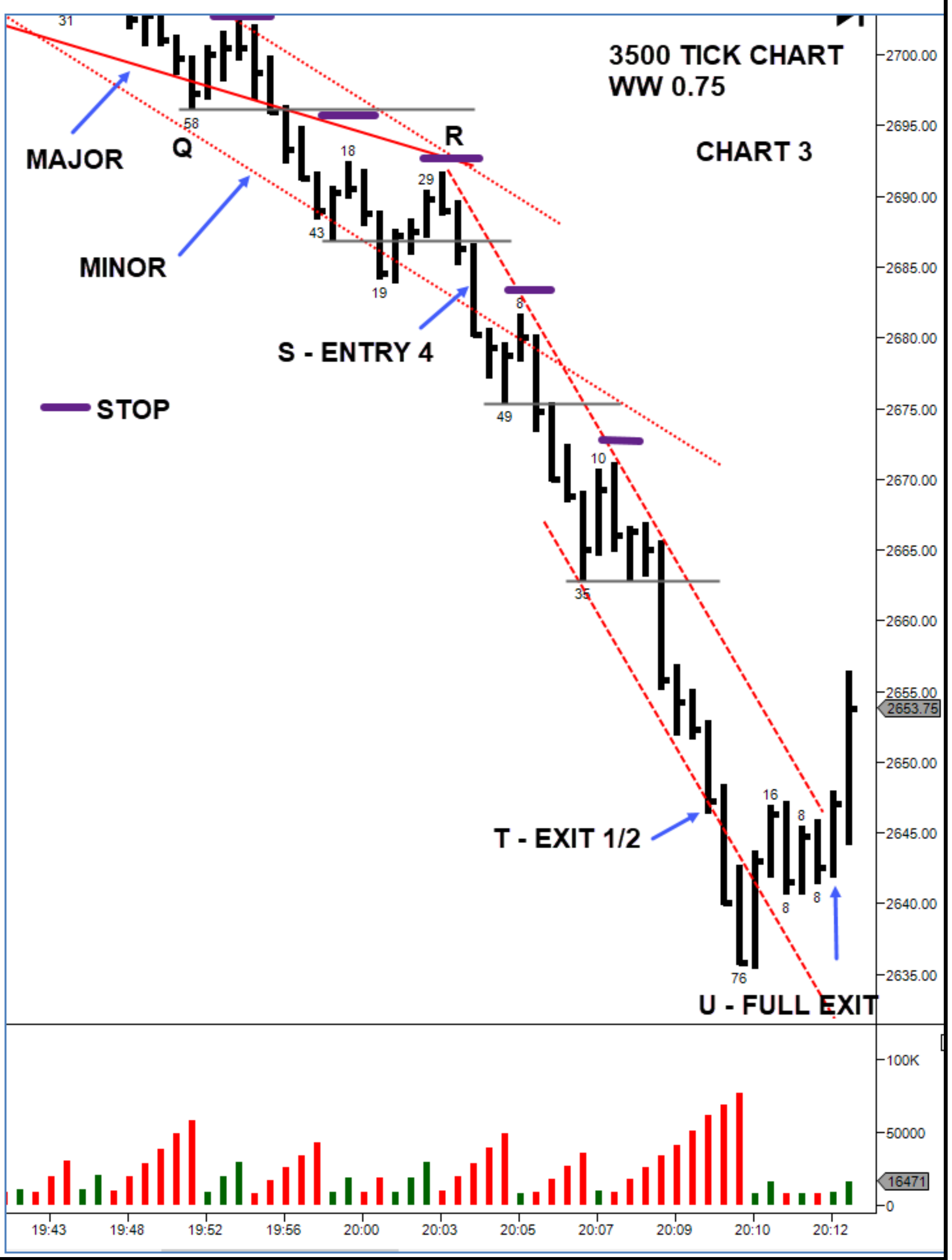
A little demand enters the market via M, good solid buying, however unable to break the overnight low, as we react to N there is no demand, upwave volume is spent (pink highlights). Supply still in control.

Bar O – Entry 3, why? This market is very weak, one little relief rally via M, however; this action is immediately wiped out via N. The key to this trade is to analyse the ease of movement from the selling to N to the buying via M (less price bar overlap) Bar O is the first pullback after the break, price prints two negative bars, in market like this we expect further downside. As we have a trend day on our hands

Bar P – Exit 1/3, support comes in a little earlier than the demand line (local support formed) as we retest, exit (+7.50 points)

Bar Q – Exit 1/3, become oversold in our major channel (+13.75 points)

Bar S – Entry 4, why? Market is heavily liquidating, still no signs of demand, it's more or less free falling. As traders these conditions are ultra rare and must take advantage, however we still need reasons to enter, this comes in the form of structure via R, a supply confluence, the reverse use of the demand line from our MAJOR channel has acted as resistance, and the supply line from our smaller channel. As price breaks local support, the market pulls me in. There is no need to worry about the minor demand line as the supply confluence (one being the major reverse use) has more value, therefore stronger



Bar T – Exit ½, become overbought and have the urge to lock in profits. Stops were moved to the last swing highs (purple line) an excellent tool for these conditions (and in general) this helped to keep the trades in play (+65.50 points) and (+38.00 points)

Bar U – Full exit, first time for over 70 points, the market has shown the evidence of no supply, two down waves both with 8K, plus price breaks the demand line. To be honest, this market has liquidated so heavily, become way, way oversold; it will be very difficult to pinpoint the next level of resistance, for that reason alone, its best to lock in profits (+37.00 points)

Today's trading has been a monumental sell off, and could never be predicted. In the Chronicles we have previously mentioned that when she blows the sell off will be hard and fast, but today exceeded those expectations. Trading in these conditions can be very tough; especially if one has no position, when you see the market falling hard it can lead to very sloppy trading as the urgency to jump onboard compels you, I have been there, as most of you may have encountered at some point during your career.

For the first couple of trades contracts were reduced due to the volatility and amount of exposure, however as profits were realised, full contracts resumed and resulted in the second best intraday trade for the S&P's I have had (7th overall). This is not to blow my own trumpet, but to merely point out that these kinds of conditions and trades are extremely rare.

Days like today are not enjoyable from a personal perspective as the market has no kind of harmony, one feels forced to take positions (still using our methodology and not clicking blindly) however as a skilled trader we must adapt to these market conditions. For many world class traders they make 90% of their money within 2% of their trades, something to think about..................
Time to lock in profits and call it a day

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