

Date: 10/10/2017

Market: ES mini

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

News:

Yesterday:

HIGH: 2550.50

LOW: 2539.25

CLOSE: 2543.75

Other levels: res:2564.00, res:2550.75, sup:2528.00 -29.00, sup:2507.25, sup: 2494.25 - 2495.25, sup:2488.50



There isn't a great deal of data we can obtain from yesterday's trading, if anything it shows the lack of supply as volume has dropped off significantly. Don't forget demand is in control and it's the sellers that need to prove themselves. Technically bar A is a down bar and appears to move the market with ease due to the lack of volume and the spread being over average, yet isn't convincing; look how the buyers have managed to push the market up from D, sellers have been given an opportunity and we're not reacting, we're holding gains (giving nothing to the downside), the lows of A bounce off the 3 day high and the demand line via our micro channel and closes well off the lows, although the volume was light we need to dissect on lower timeframes to see whether the volume is supply or demand related.

The 15m gives an interesting feel to yesterday's trading and although doesn't answer our question about the volume being either demand or supply related, we do receive one vital piece of info - we are in a spring position via the close. The US opens and we fall sharply to A, a little buying is present as the close is off the lows, we try to rally via B and the effort is lacklustre; volume depletes to the upside. Via H the reaction is also lacklustre, no selling of decent quality price action is sloppy with no real volume - neither supply or demand is present. Bar C the market falls and is technically a down bar, yet the close is firm and shows that demand is in the market.

Bar's C to G we could view as mini accumulation:

C - Preliminary support

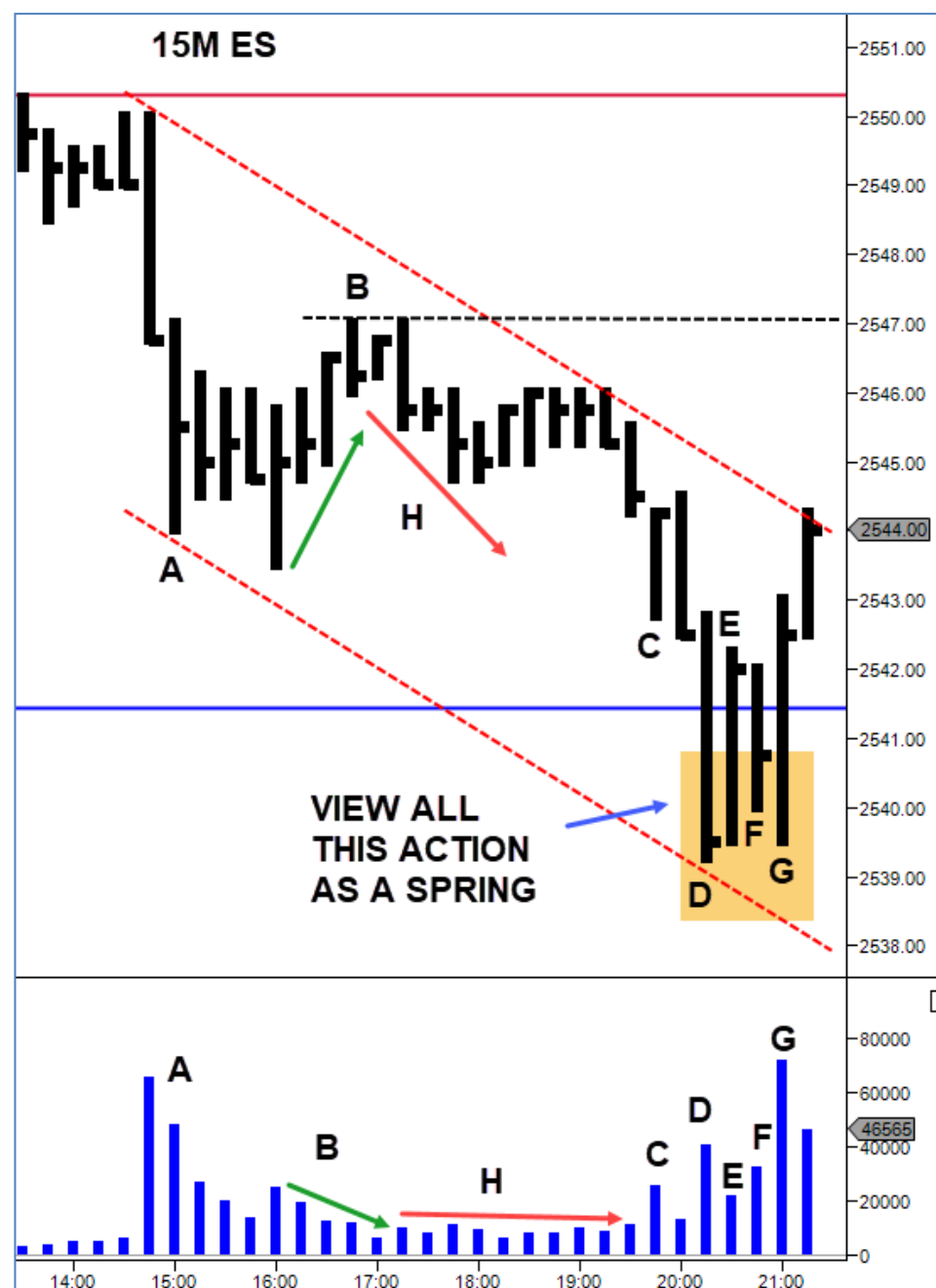
D - Selling climax

E - Automatic rally

F - Secondary test

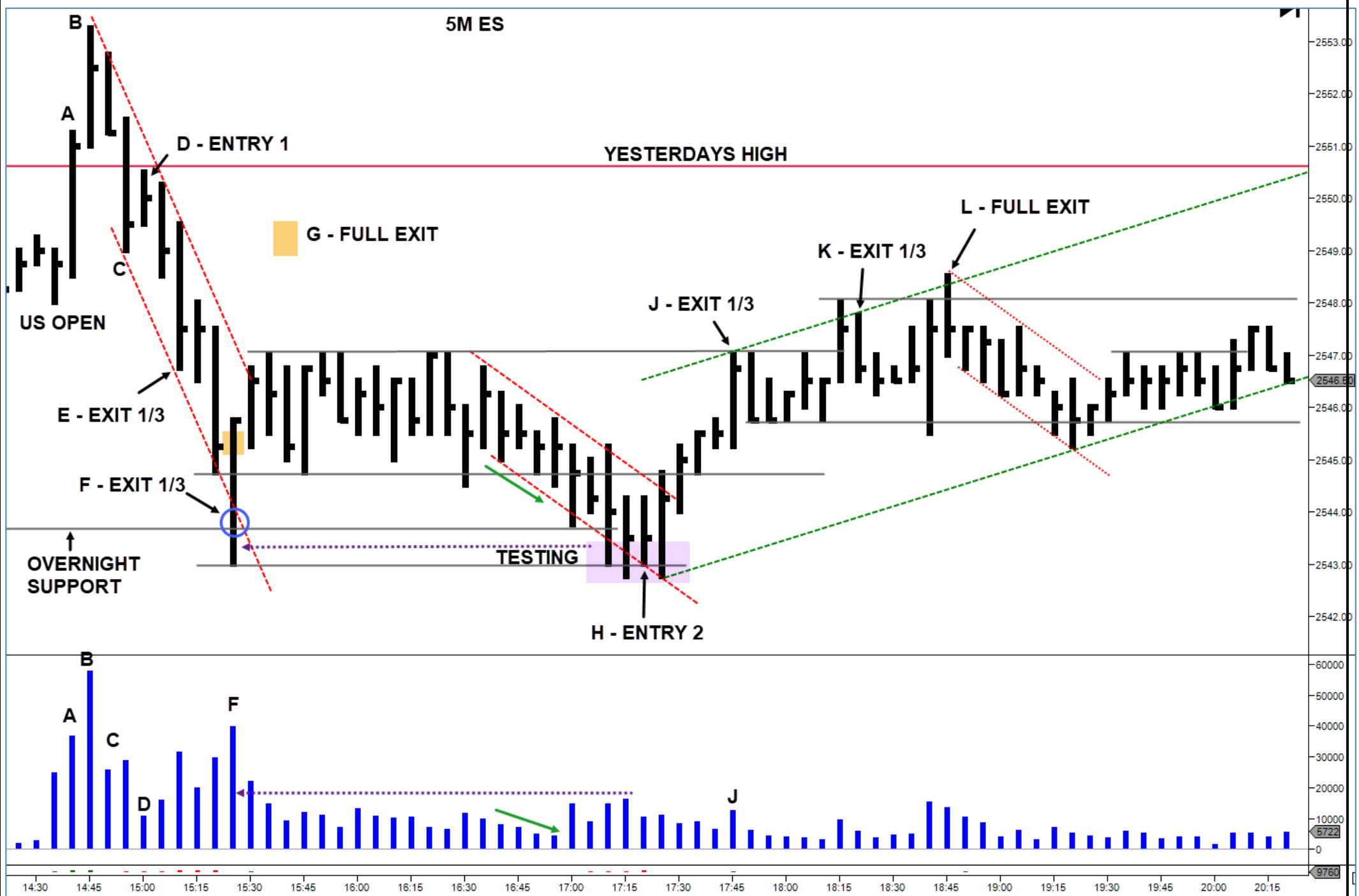
G - Sign of strength

Most people would view this analysis as a far stretch, but the important aspect to take is not the labelling BUT the action of the market; bars D to G eradicate supply with demand emerging at G wiping out all the previous selling with a huge surge in volume, this occurs at a support level (yesterday's low). This results in a spring, which of course is a bullish setup and a sign of strength in itself, especially in the current context of the market. Taking this into consideration we would expect higher prices for tomorrow. The first level price must break is the supply line, then the high at B (black line) and lastly yesterday's highs. The very nature of a successful spring is break the last swing high, if this occurs we have the potential for a new all time high



During the Asian and European session the market responds well to the spring netting 10 points to the upside from the lows of yesterday – unfortunate as we would have liked to jump onboard the move. The US opens, followed by a strong bar via A that breaks yesterday’s high into fresh new ground closing firm. Then we get bar B, a huge surge in volume that closes off the highs with a smaller spread; this bar is climatic in every sense of the word and is a great example of Effort vs. Result, this bar is full of supply. With higher volume than A upside progress is capped with a weaker close, only the presence of supply cause this. The proceeding bars show weakness with increasing volume and weak closes – this price action confirms the climatic nature of bar A.

This leads to Bar D – Entry1, why? We have the perfect no demand setup; confirmed weakness behind us with a climatic bar at B, follow through at C, and then a classic VSA no demand bar at resistance (a narrow spread up bar with volume less than the previous two bars) in an ideal world no demand bars should follow a sign of weakness - if new to the method and not sure with terms of climatic bars, we can view this price action as a simple upthrust. This is a fine example of the no demand setup and would highly recommend printing off for further study and storage



Bar E – Exit 1/3, oversold in our channel (+3.25 points), Bar F – Exit 1/3, demand confluence; overnight support and oversold in our channel (+5.00 points) Bar G – Full exit, the same bar as F, however the close and volume are shouting strength, a rally of sorts is on the cards, an instant sell literally just before the close (+4.75 points)

Bar H – Entry 2, why? After 2 hours of sideways action we try to react and volume declines (green arrow) this indicates no genuine supply, then as we react further all the bars have a pop in volume and close off their lows, mid bar, there is buying at this level (purple highlight) does this action make sense? Yes, look to the left we have established buying of magnitude via Bar F, as we revisit this area supply has dried up and demand has emerged - this whole action we would view as testing. Wyckoff states – “It takes equal or greater volume to break a previous area of support or resistance” odds favour this level to hold.

Bar H has a demand confluence consisting of the overnight low and the demand line from the micro channel, with the addition of a subtle tell that we are trading back within the channel. This setup is technically a spring as it breaks the lows of F, to reverse and close firm

Bar J – Exit 1/3, First resistance (+3.50 points), Bar K – Exit 1/3, potential upthrust (+4.00 points), Bar L – Full exit, price action is whacky and difficult to read, no surprise as we have supply to the left (original wave down from B) (+4.00 points)

The rest of the session is poor price action with low volume, unfavourable trading conditions for my trading style, although eyeballing price and the trend channel holding with demand in the background, higher prices are to be expected

Today's trading provided very simple classic setups that offered half decent trades. Ordinarily when the market produces a wave down like we saw from B to F, we want to find a weak rally to apply another short setup, however due to the extremity and strength of bar F we simply had to wait for the market to unfold for further data, and the longer we go sideways within a small trading range the higher the odds of a trend reversal, this helped to focus the mind towards bullish scenarios. Time to lock in profits and call it a day

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