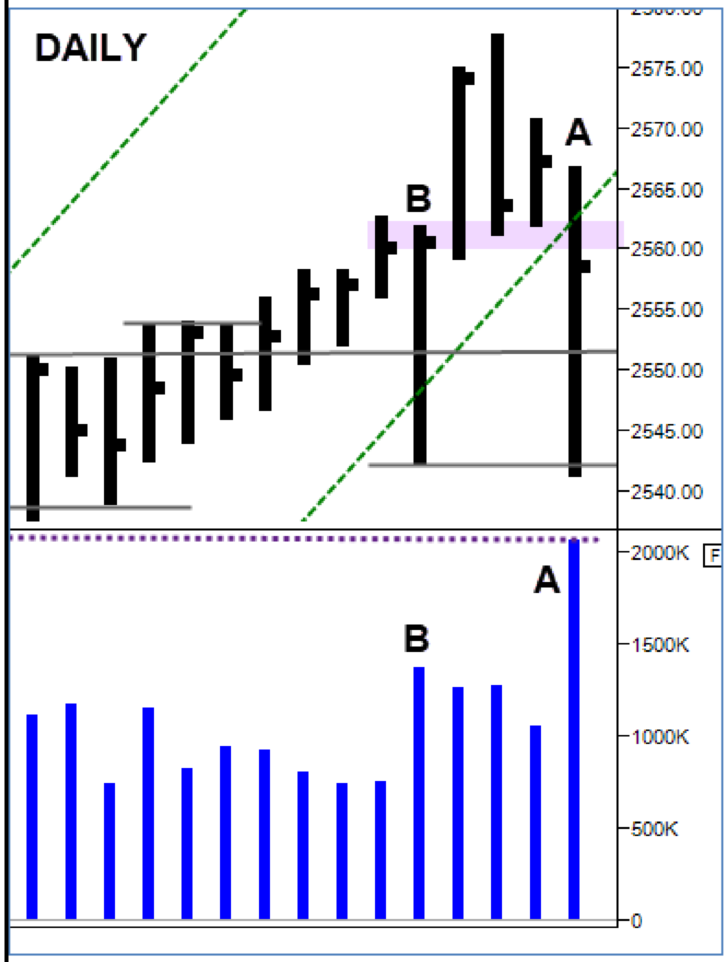
Date: 26/10/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2566.25 **LOW:** 2541.50 **CLOSE:** 2558.50

Other levels: res:2577.25, sup:2550.75, sup: 2542.50, sup2538.00, sup:2528.00 -29.00, sup:2507.25



The S&P's produced a monumental day; the recovery made from the lows was somewhat unexpected, yet luckily due to the nature of our methodology we are able to read the market as it unfolds and managed to lock in profits. The potential break (purple support area) as mentioned in the previous edition would require a great deal of force (this certainly manifested as it produced the highest volume bar since the 5th September) as much trading activity had occurred at this level, now this area should act as some form of resistance and so far this area has managed to contain price. Bar A - although we close fairly firm; it is technically a down bar and we close for first time under the demand line. Combining these elements bar A is not so convincing as a true sign of strength, unlike bar B that accomplishes a great deal more. However we cannot ignore the fact that buying did emerge in a big way from the lows. Difficult to interpret via the daily which is OK, we still have structure to work with

The 15m doesn't offer any clarity, but does offer something unusual that only occurs approximately 15% of the time and that is a ''V spike reversal'' for those who like to trade patterns, here we have an excellent example. In a nutshell price declines at a certain angle of descent and hits support, price bounces (immediately reverses) and is followed by a rally of equal ascent – the channels highlight the nice ''V'' shape. Trading patterns is not a style I would personally recommend, especially V-Spike as it is incredibly hard to trade, although there are subtleties in the price volume relationship to observe.

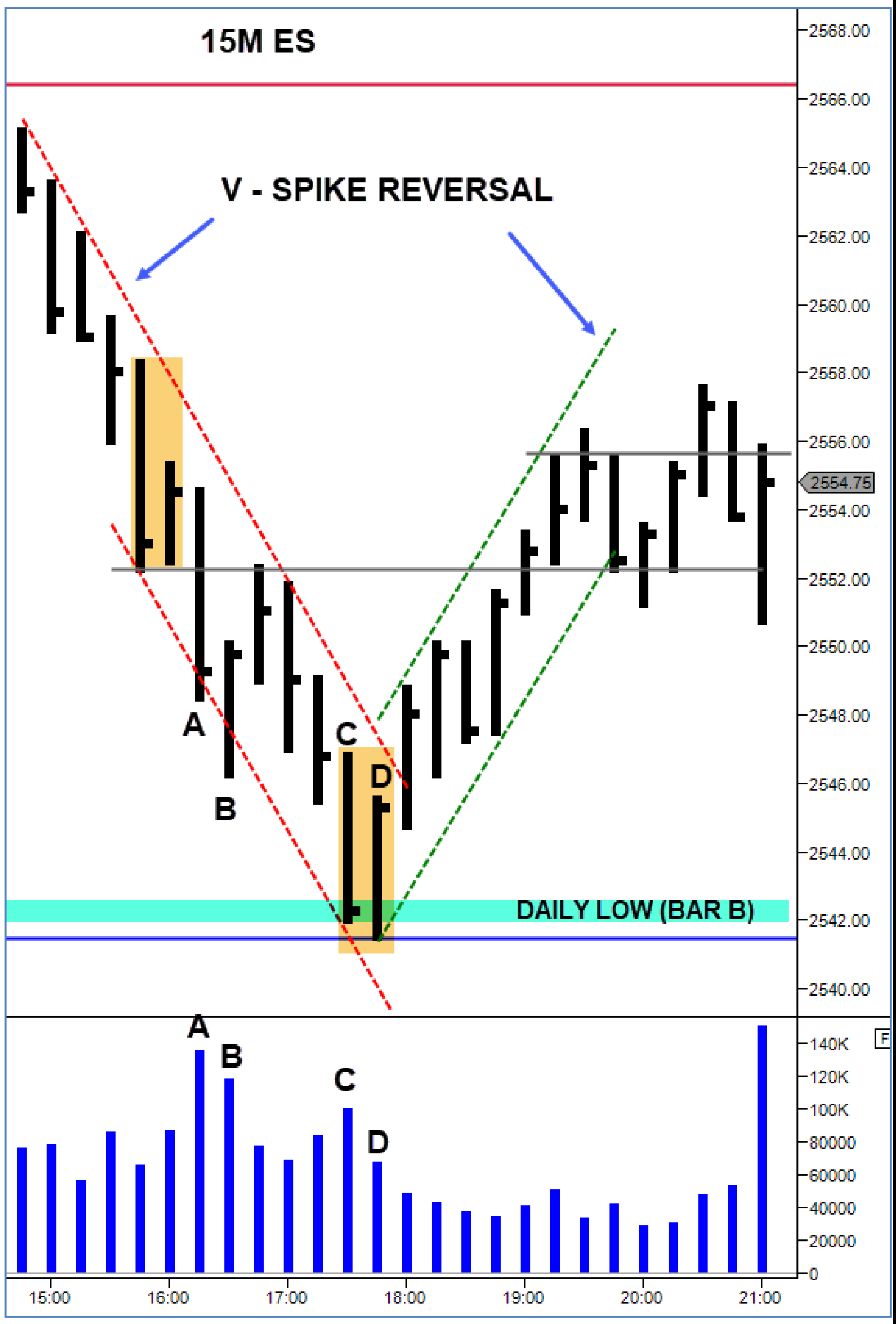
Bar A – Down bar, good volume, closes weak

Bar B – Up bar, volume still high, the spread tightens and manages a close just a couple of ticks above A's close.

Bar C – Down bar, volume less than A and hits daily support

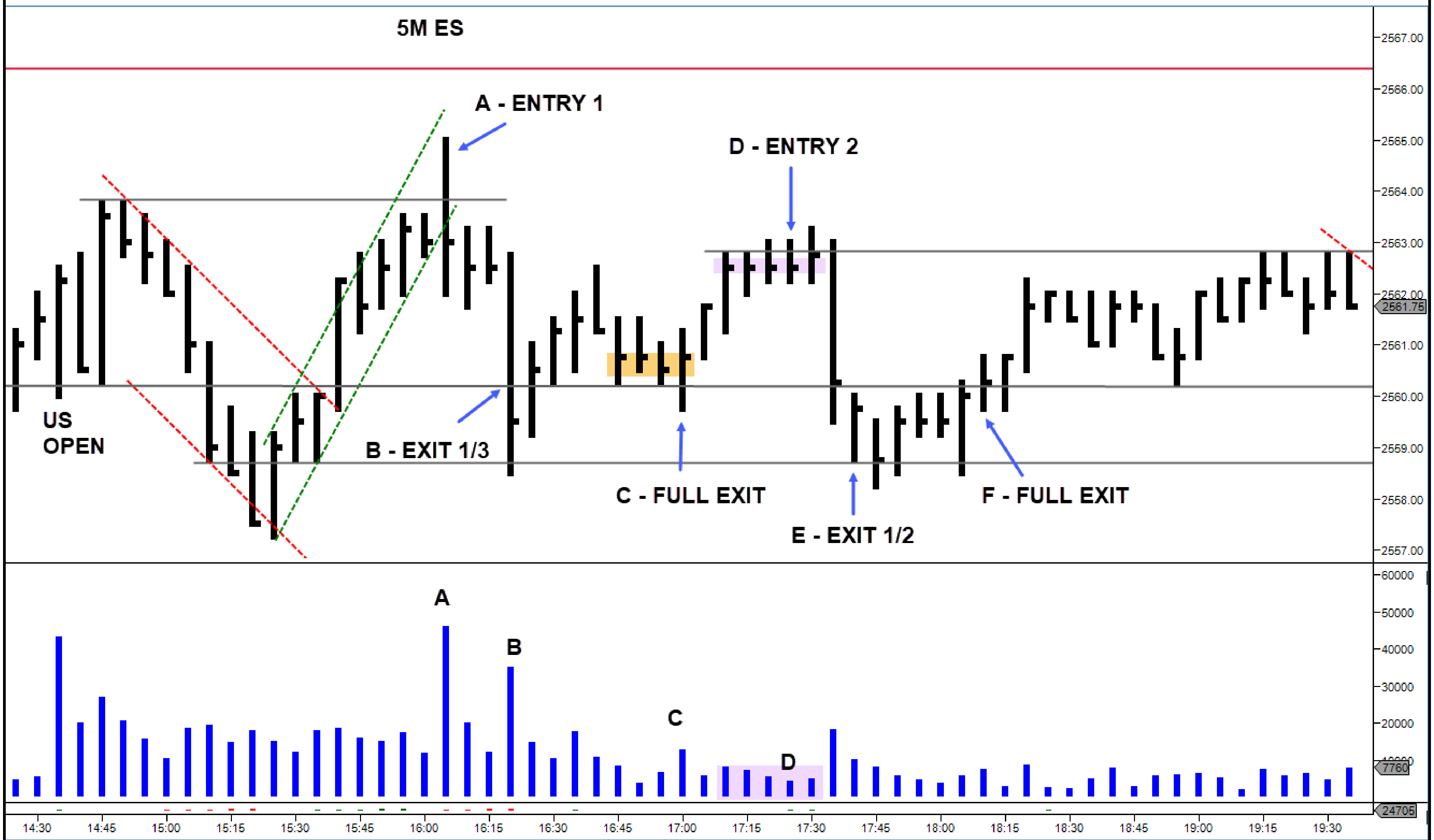
Bar D – Up bar, closes deep into bar C with roughly a 1/3 to 1/4 less volume.

Consider both pairs (A & B) and (C & D) to be reversal patterns. At C (supply bar) we react with lower volume than A and the bullish bar (D) manages to close deep into C, (much higher than B's attempt) the progress made via (D) with lower volume shows ease of movement to the upside after hitting a major support level. By comparing the nature of both reversal patterns reveals strength. The orange highlights should hopefully clarify the subtlety of strength. However, there is not enough of a story to warrant a bullish trade - from a Wyckoffian view point we would observe the behaviour, take partial profits, fully liquidate or wait for a weak rally to apply short setups, as the immediate trend was in decline



The US opens, we pullback, find some support and begin to rally. This is when we pay close to attention to price action, waiting patiently for a test of yesterdays high as this our first structural area to evaluate the strength of demand and supply. Yet Bar A prints - an instant short, why? It's an extremely strong upthrust; we break the last swing high, become a little overbought in our channel and reverse to close back under support whilst breaking the demand line with a huge surge in volume (highest volume for the day and its supply). NOTE – that supply came in earlier, we didn't get to test resistance, suggesting that sellers are eager (additional weakness)

Bar B – Exit 1/3, overnight support level (+2.75 points), Bar C – Full exit, we have a cluster of closes holding at support (orange highlight) Bar C dips under and reverses to close firm (hidden spring) and it does this on increasing volume. This tells us in advance that the market will attempt to rally, it's a judgement call; odds favour a test of bar A due to the high volume, I am firm believer that we can always re-enter a position and giving back potential profits is never a good idea. Although dependent on context some trades we have to let run and give them more breathing space (most applicable to trending conditions)



Bar D – Entry 2, why? Price does indeed come back to test the high volume at A, there are 4 reasons why this was easy short:

1 – Volume declines in a previous area of supply – Look to the left of the chart we are in the same area as A. Does the volume associated with the cluster of closes (purple highlight) seem significant enough to break through the volume via A? NO

2 – Cluster of closes, price is unable to rally higher

3 – Spreads narrow, smallest for the day

4 – The market has created a lower level of local resistance; it's an instant short via the close of D

Bar E – exit ½, support level reached (+3.75 points), Bar F – full exit, although sellers are having an effect and in control, we're not taking off to the downside and price is still trading (more or less) within the first hours trading, for this to occur this time of day odds favour a tight trading day. The line in the sand was a close above the resistance (+2.25 points)

Today’s trading provided 2 clear cut short opportunities. The upthrust setup (at the moment of execution) I thought was going to take off to the downside; however the market unfolds as it will inevitably do and provided evidence to the contrary. We never know how the market will unfold, but using the skills of the price bar/volume relationship we are able to make informed decisions in real time that helps with the trade management process, not many methodologies have this advantage, time to lock in profits and call it a day

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