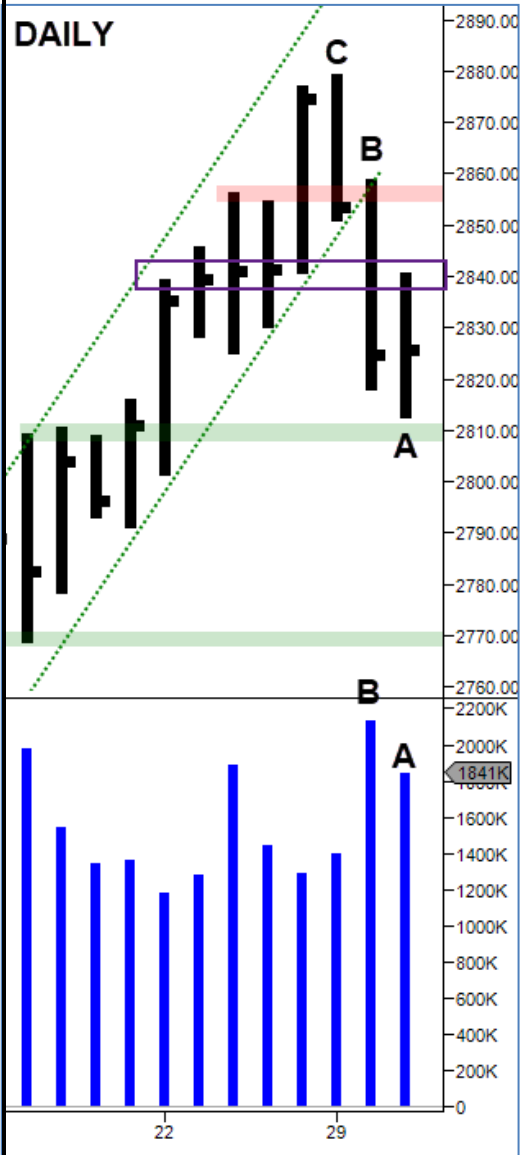


Date: 01/02/2018 **Market:** ES mini **Timeframe(s):** Intraday - 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2839.75 **LOW:** 2813.00 **CLOSE:** 2825.75

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

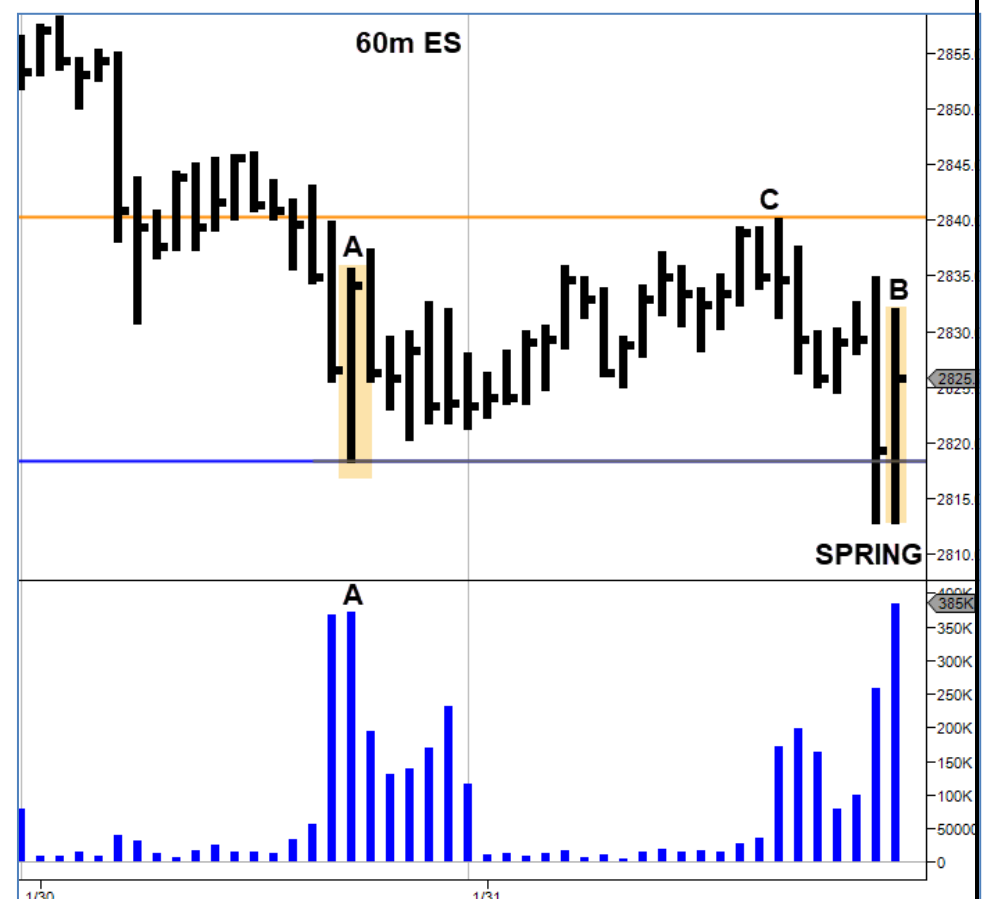


Finally the S&P's has had continuation from potential negativity. Bar C is not quite a top reversal (hidden upthrust) and is weak; pops over the highs of the previous bar (buyers couldn't muster enough force to hold) before reversing to close on its lows; importantly under the local resistance level, there's a subtlety of weakness to this behaviour. Bar B breaks the demand line and does so decisively with a wide spread and high volume - this is supply after potential negativity and confirms the weakness. Bar A is more or less a mid close and in alignment with the previous close, we can't obtain a great amount of data, yet support holds and would expect it to (short covering, S&R traders become active etc) To the upside we have an area of interest (purple box) support and resistance levels work best when there are areas of potential interest; these come in the form of closes, daily highs and lows; here we have 3 closes, one daily high and one daily low, this is significant, much trading has occurred at these levels and bar A has respected this level. Nothing but a mere observation, although if price encounters this level tomorrow, it's definitely area we would watch closely for a potential short. For a bullish bias we would also watch support (green opaque) weak supply and buying to emerge.

This is the first pullback we have had from this monumental bull rally totalling 222 points, bear in mind Wyckoff stated that the market has every right to retrace approx 50% of the previous move (bullish or bearish) to

maintain its bullish sentiment. If the market holds a higher level of support (retracement is smaller) say 25% (55 points) we gain additional info that the market is strong and the bulls are eager to hold to drive this market higher. A 50% retracement level is 111 points approx 2779.00; it's unlikely that the market will drop this far for tomorrow, if at all, just an area that must be noted. We can apply the retracement analysis further to encompass the whole bull rally from 2009; this would lead to a large retracement, although not needed for intraday trading.

The 60m chart has conflicting data; bar A springs a low from the 24th Jan; and doesn't rally. Springs in nature should at least break the previous swing high; here we have a very weak rally (C) no buying of good quality. Does this action disconfirm demand? We come back and spring the spring via B, this is the US close bar with very high volume, almost double the US open volume, very different to yesterday's volume, where we opened with the highest volume of the day. For tomorrow considering the nature of bar B, we would expect higher prices, analysing the movement and the interaction at yesterday's high will be critical, if we fail to break resistance (purple box) this would result in two failed springs; considering the amount of volume associated with the springs, this would lead to suspicious behaviour, is there potential hidden selling involved?



Bar A – Entry 1, why? The market has kindly printed a readable apex with bullish characteristics. Personally I like to incorporate the swing highs to lows and read the demand/supply equation within the apex at key structural locations in a bar by bar format; this is the key to reading an apex. The supply bars (S) that achieve something (test support or break) have smaller volume in comparison to the buying bars (B). B1 breaks resistance and holds newly turned support, B2 tests the high volume bar whilst also holding support. By merely eyeballing the B and S bars, it's clear to see that the buying bars draw out more volume with wider spreads (bullish behaviour) As S1 breaks support, volume depletes; there is no force behind the break. Bar E1 follows which is bullish, a case of Effort vs. Result, spread is slightly smaller yet double the volume; all that extra volume is hidden buying. This occurs at E2, much easier to see as the spread has halved with the same volume, in addition we close back above local support.

The orange highlighted area has characteristics of absorption (very bullish) rising lows with increasing volume and supply to the left. Note the firm closes, all off the lows (strength) Within the mini trading range between 1A and E2, the supply bars (1) all decline in volume from resistance, another subtle tell of strength. For all these reasons as bar A closed, it's an instant buy. 1B are both valid entries and better positions and literally are 'no supply' the lowest volume down bars on the chart with a story of strength behind us; but you never know these are going to print in real time. The apex wasn't the cleanest to draw, but none the less price was coiling (building cause) as illustrated via the opaque highlights, selling waves are getting smaller and smaller. If you were segment the waves all the volume comes in to the upside

NOTE – the power of the Effort vs. Result bars. E1 halts the market that results in a 16 point rally, E2 holds a higher level of support resulting in a 13 point rally. Truly amazing that the market can produce such readable action through bars and volume, and for the trained eye, provide an edge that most traders do not possess

Bar B – Exit 1/3, breaks demand line (+8.50 points)



Bar C – Exit 1/3, clear evidence of some selling, after breaking the demand line. We want to try and keep some of our position on due to the nature of the background conditions. Highly unlikely we should test the apex back at support (2826.00) this does occur but rare (+10.75 points)

Bar F – Full exit, why? Supply declines along local support, which is excellent, bar D demand enters (although odd to have a bar like this mid trading range, accomplishes nothing) still healthy none the less. Bar E, halts upside progress and closes back under resistance with the same amount of volume. Another 20 minutes pass with volume diminishing, there is no follow through from the demand at D; price is unable to close above resistance. If we pay attention to the daily timeframe we are back in the purple box area and we are seeing no ability to rally via the 5m, we have to exit.

Bar G – Entry 2, we have no demand at the highs in a known area of DAILY resistance. This was a very difficult trade to take as I had a bullish bias and in a long position. Reversing a position is one of the hardest decisions a trader makes, especially if onside, but they must be executed. This setup is much more powerful than the previous trade due to the higher timeframe structure (HTF). As price breaks the previous lows at support, the market pulls me in. NOTE - volume begins to increase on the decline, a healthy sign.

Bar H – Exit 1/3, first support (+6.00 points)

Bar J – Exit 1/3, oversold in our channel (+12.75 points)

Bar K – Full exit, buying emerged via J, confirmed via K, a good strong bar. Odds favour a rally (+9.00 points)

There is another potential setup (highlighted red), shortening of the thrust to the upside, a reverse use of trend line (purple dots) not enough buying power to test the supply line (weakness) plus we are at resistance with price beginning to roll over with lower highs, lows and closes, all negative behaviour.

Today's trading gave fruitful opportunities; although apex's are notoriously difficult to trade, our chart reading skills and being able to read the supply/demand imbalance along with other bullish subtleties via the great works from Wyckoff gave us a clean read. Not sure how other professional traders would attempt the apex, more than likely a buy or sell stop above and below the apex structure (purple line)

Bar G – Entry 2, was a gift in terms of points, never expected the market to fall that far due to the apex. Again by the reading the market as it unfolded bar by bar enabled a decent trade. What gave this trade power was the higher time frame structure; very close to yesterdays high and in the area of previous high activity. In hind sight a clean reversal trade should have occurred via bar F or entered via the following bar. This wasn't executed due to the bullish bias and being onside (as previously mentioned) The entry via G was not a good entry, one should never sell support (unless one has an extremely good read, and in this case it was the HTF structure) the correct trade is at resistance where risk is least, the stop on this trade was 4.50 points, outside of my comfort zone, contracts were reduced due to exposure. Regardless, profits were made and locked in, time to call it a day

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