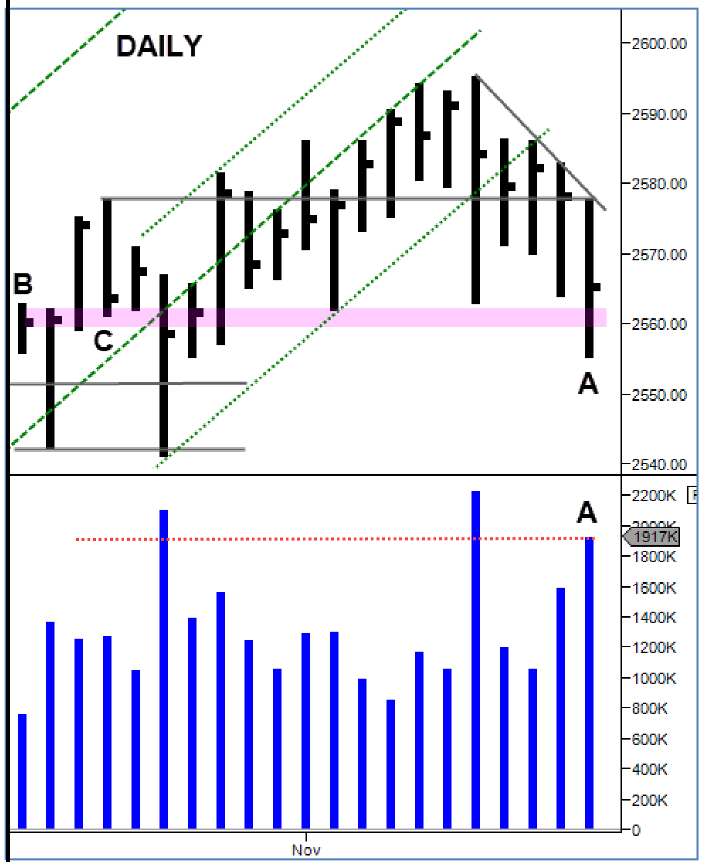
Date: 16/11/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

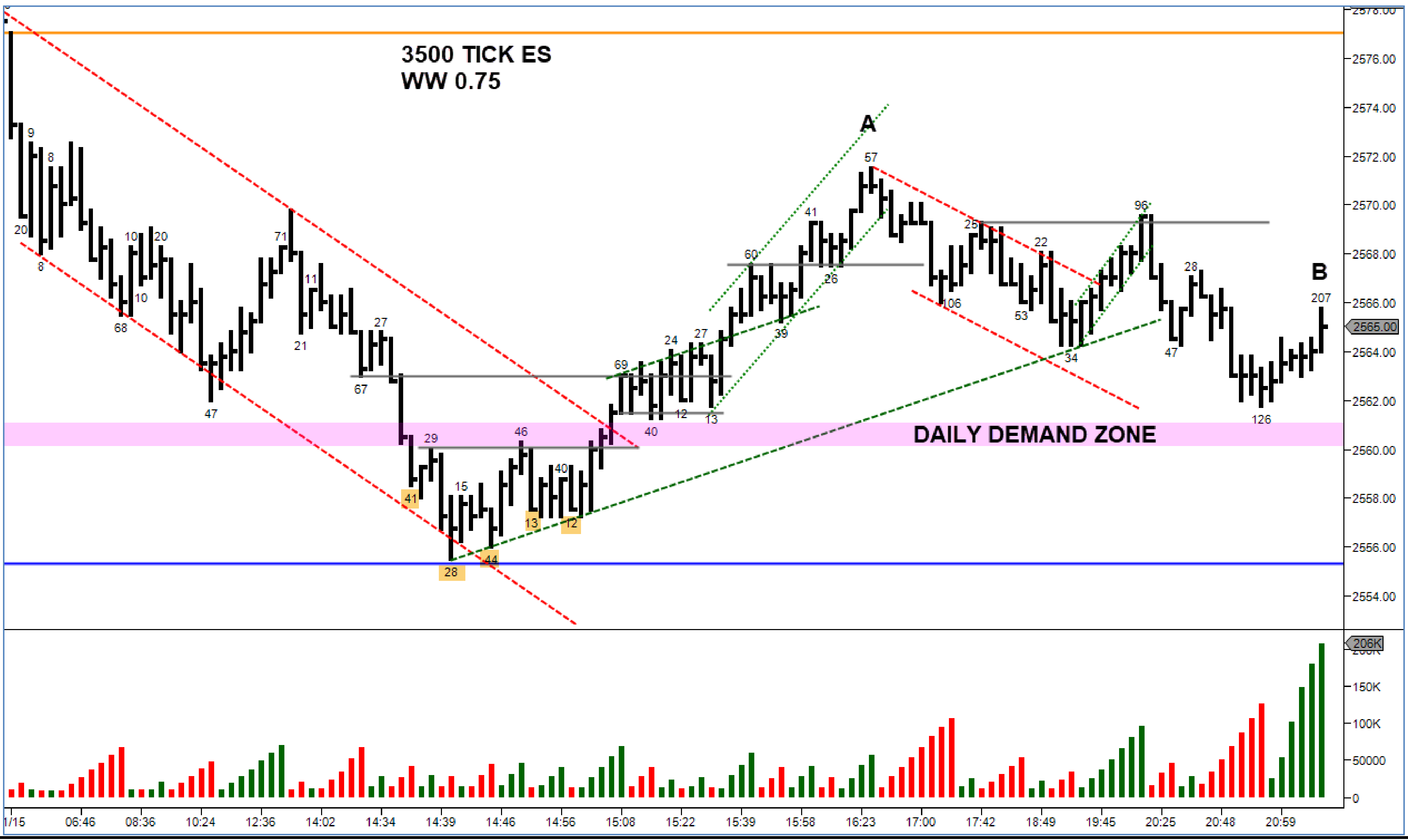
Yesterday: **HIGH:** 2577.00 **LOW:** 2555.50 **CLOSE:** 2565.00

Other levels: res:2594.50, sup:2560.00-61.00, sup:2550.75, sup: 2542.50, sup2538.00, sup:2528.00-29.00, sup:2507.25



The S&P's is in a precarious position; bar A is a down bar with a lower high, lower low and close, however it dips into our demand area, reverses a little to close back above support and the previous low, there is a subtlety of strength to this price action and we achieve this with very high volume; therefore we know due to the spread/volume relationship - there must be buying in this bar. The question we need to ask ourselves; who has the upper hand, the buyers or the sellers? Sellers managed to push the market lower, yet the buyers held the market and drove it back up and over support, so both have been active. Let's look to lower timeframes for additional data.

The 3500 tick chart was used to hopefully illustrate the importance of the following concepts using the power of multiple timeframes. We have been using the purple highlight via the daily (demand zone) since bar C, this is when it became fairly significant, and bar B is the first bar that our demand zone originated. In the previous edition of the Chronicles we mentioned the buying behaviour from the professionals (how they drive price up in the morning and withdraw in the afternoon) hence they were accumulating at the lows. If we look to the tick chart, the demand zone from the daily has been highlighted purple. As price breaks underneath this area, what do you notice? No supply, look at all the weak pushes down (highlighted orange) also note how price has clustered under this level, its unable to fall further, there literally is no supply (don't forget this is DAILY support) and we have rising lows (additional strength) From here we drive up with decent demand to A. It's at this point that we could assume that the professionals have flushed the lows/support area. This action would eradicate weak longs and also induce a bear trap and in-turn, add more contracts to their inventory. Via B there is a huge upwave with 207k contracts (it is the US close), but in context of the background conditions this is bullish behaviour, as we would assume that this case of Effort vs. Result is in the positive, as buyers are absorbing any selling that occurs, it's a very good way of hiding positions (this has been covered in depth in a previous edition)



In a nutshell; the professionals have been accumulating, they then flush the lows, (where we see no supply) market drives higher showing that buying exists (in a known area of demand) and then ends with a huge Effort vs. Result upwave where potentially supply has been absorbed. From here we would expect a decent drive up; in addition we have a tightening of price (wedge formation) structurally via the daily. When the market flushes the lows on any timeframe, we would expect higher prices; that is the purpose of the flush - it's the final move before the ACTUAL move. These concepts are very hard to understand and does take time and practice, I am not sure if speaking about professional activity and how they operate will confuse matters. BUT as I always say, regardless of why or how, it's the price action of rejecting the lows (via daily) being able to see the aggressive buying beforehand (accumulation) and to tie all the pieces of the puzzle together to see great strength; is the real value.

This behaviour is EXACTLY what I look for when using swing trading strategies; rejection of higher time frame structure points (daily, weekly, monthly) and using the smaller timeframes (30m, 45m or 60m charts) for entry, and of course using Wyckoff, VSA to apply our edge

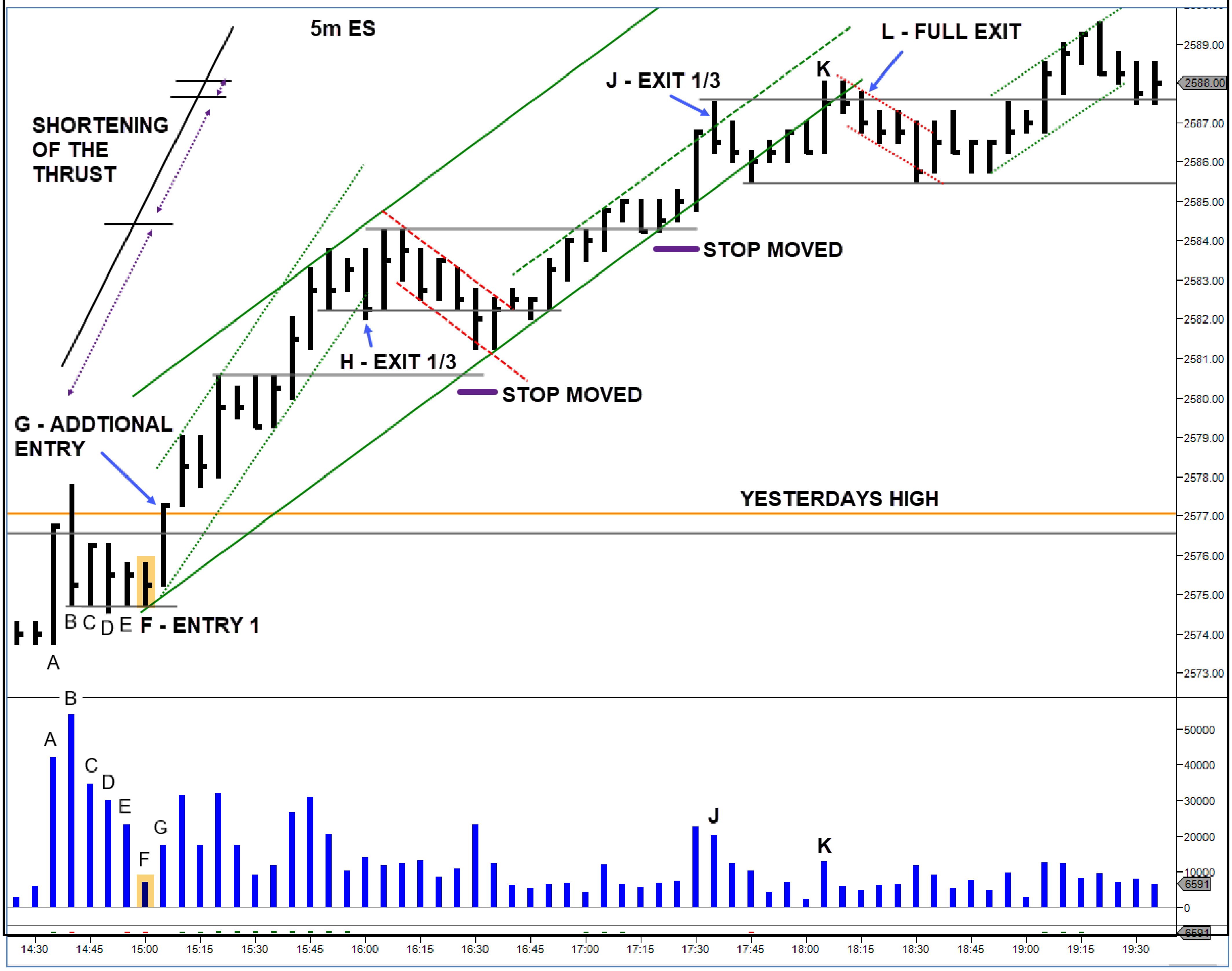
During the overnight we rally 14.00 points and end up flirting with yesterdays high, this is the perfect response (shows strength in both Asian and European sessions). This leads on to our first trade. Bar F – Entry 1, why?

Bar A – US open drives up to 1 tick under yesterdays high

Bar B – We upthrust the high with a surge in volume (weakness), however a close under A would give this bar a more negative tone. It is still very weak....

Bar C – No downside follow through, firm close with very decent volume

Bar D – Again no downside follow through, volumes declines a little and closes mid bar



Bar E – No follow through to the downside once again, volume declines a little. These bars are Effort vs. Result; how comes with all that volume (combined) after the weakness via bar B can we not make lower prices? In fact we are holding a higher close and a local level of support. This is strength, one could use the term ‘’bag holding’’, the waning supply yet still holding firm closes, can only mean one thing - we are absorbing supply

Bar F – No supply bar, volume has dropped off significantly, still holding local support, there is no supply left in the market; bars C to E have eradicated all selling pressure - an instant short with a stop under bar A. It’ as at this point we use Wyckoff’s thinking ‘’through disconfirming supply we get the confirmation of demand’’, a very powerful concept to understand

Bar G – Excellent response and an additional entry if missed the entry via bar F, plus we have the added bonus of a close above resistance with an increase in volume

Bar H – Exit 1/3, first close that breaks the demand line (+7.00 points)

Bar J – Exit 1/3, Price is unable to test the supply line (weakness) plus we’re hugging the demand line (weakness) although we are grinding up - this is where the use of trend channels pay for themselves, they keep you in the trade much longer than you would expect. Bar J, breaks the micro supply line only to reverse and close weak, back inside the channel with a surge in volume, odds favour a pullback (+11.25 points) Stop was moved (purple line)

Bar L – Full exit, bar K looks strong with decent price action and volume (although the close is pushed back under resistance) yet the next couple of bars reject resistance, price is unable to hold the highs, plus we decisively break the demand line and of course we have ‘’shortening of the thrust to the upside’’ (each successive wave higher is making less and less progress) this hints towards a more complex pullback as either demand is drying up or supply is emerging. Either way, both are bad for long positions. From yesterday’s lows we have had a stellar rally (35.00 points) the market is well overdue for a pullback, especially for this timeframe (+11.50 points)

The market has been very kind of late producing some excellent trading; very simple setups with minimal risk have appeared multiple times the last few days, with various opportunities to jump onboard. Time to finish early, lock in profits and call it a day

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