

Date: 12/06/2017

Market: ES mini

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

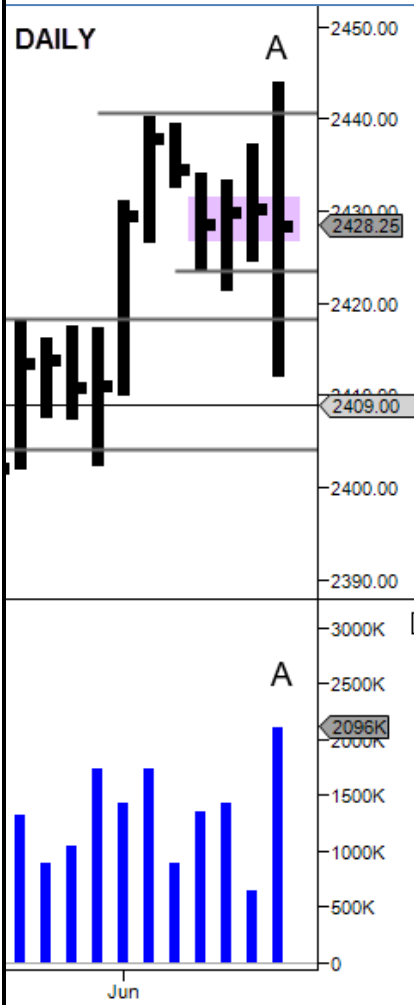
News:

Yesterday: **HIGH:** 2443.50

LOW: 2412.50

CLOSE: 2428.25

Other levels: res: 2471.75 (weekly supply line), sup: 2429.50, sup: 2417.75, sup: 2403.75 (multiday)

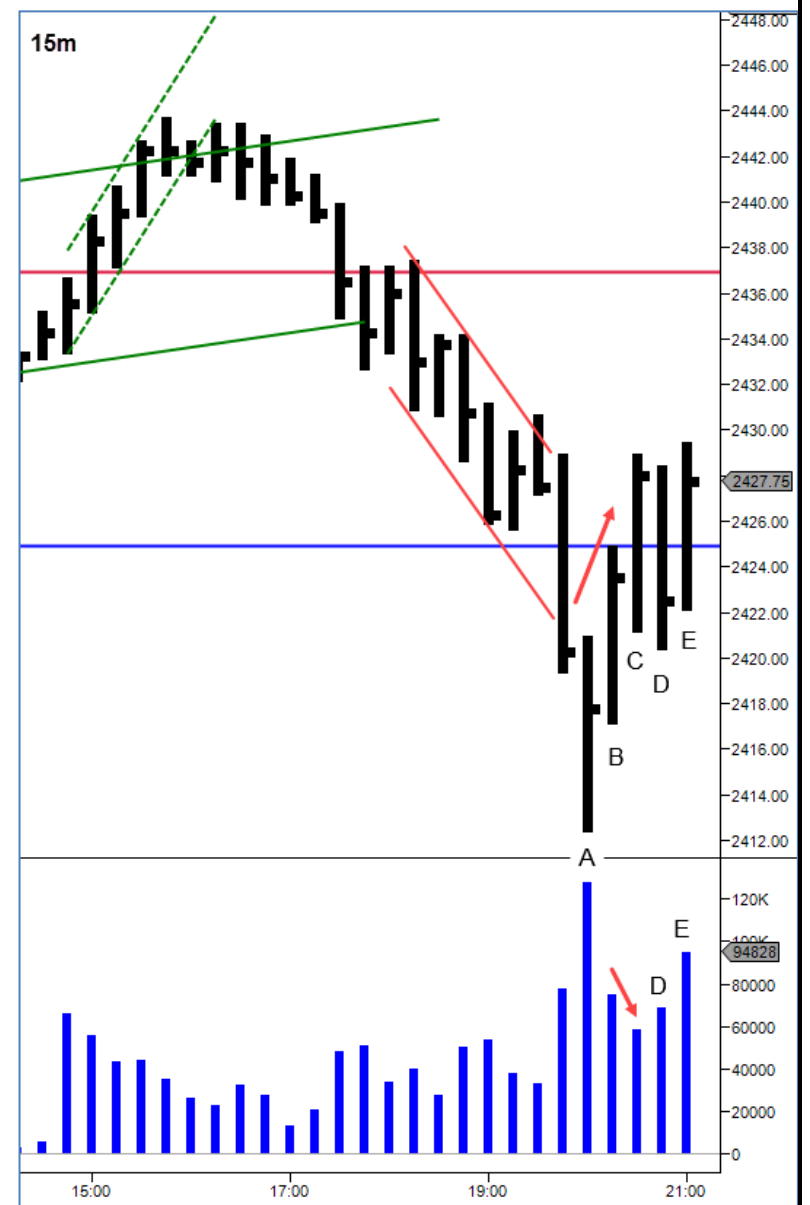


The S&P had some erratic behaviour on Friday. Rolling over the futures contracts can provide trading opportunities for the nimble, skilled trader, due to new positions being placed and liquidity imbalances etc. There are specialists whom excel in these conditions - we don't need to concern ourselves with this. The market gave readable info that we could extract, interpret and trade using our own methodology.

Bar A is interesting - the spread is large, volume is high. The market was active. We broke both the extremes of the trading range and with all that effort we end up closing mid bar. Buyers stepped in drove into new highs, couldn't sustain the buying, sellers step in and slam it down hard, buyers then step in again at the lows and we close mid bar. Thinking deep about the action the sellers had control as they had momentum on their side, the reaction from the highs at 2443.50 to 2412.50 is 31 points. That's a significant down move. The bears had an opportunity to take this market lower and didn't capitalise. This bar could be a shakeout - it's difficult to tell at this stage. Note the closes, all clustered, the market is indecisive, no real value can be extracted.

On the 15m chart, Bar A - Climatic - we become way oversold in our channel,

knives right through. Looking at price action we can see it's overextended. Volume is very high and close well off the lows only buying can do this. Compare A to the previous bar, volume 40% higher, spread slightly smaller, yet we close much firmer on bar A. If bar A was all selling we would have a larger spread with a weaker close. As we rally to C volume declines. Bar D a down bar, volume increases slightly. Bar E - end of the week, it has high volume and closes firm - there would be a lot of short covering as people lock in profits for the day and week. If bar D was a test, it failed as it drew out high volume. I would expect some testing action of bar A, high volume areas like to be tested by the well funded traders, if indeed they want higher prices, supply has to be eradicated and tested. It's very plausible we could be set for a trading range via the daily due to the cluster of closes. If we get further downside action and sellers begin to take control, we could be set for a large reaction first target 2403.75.



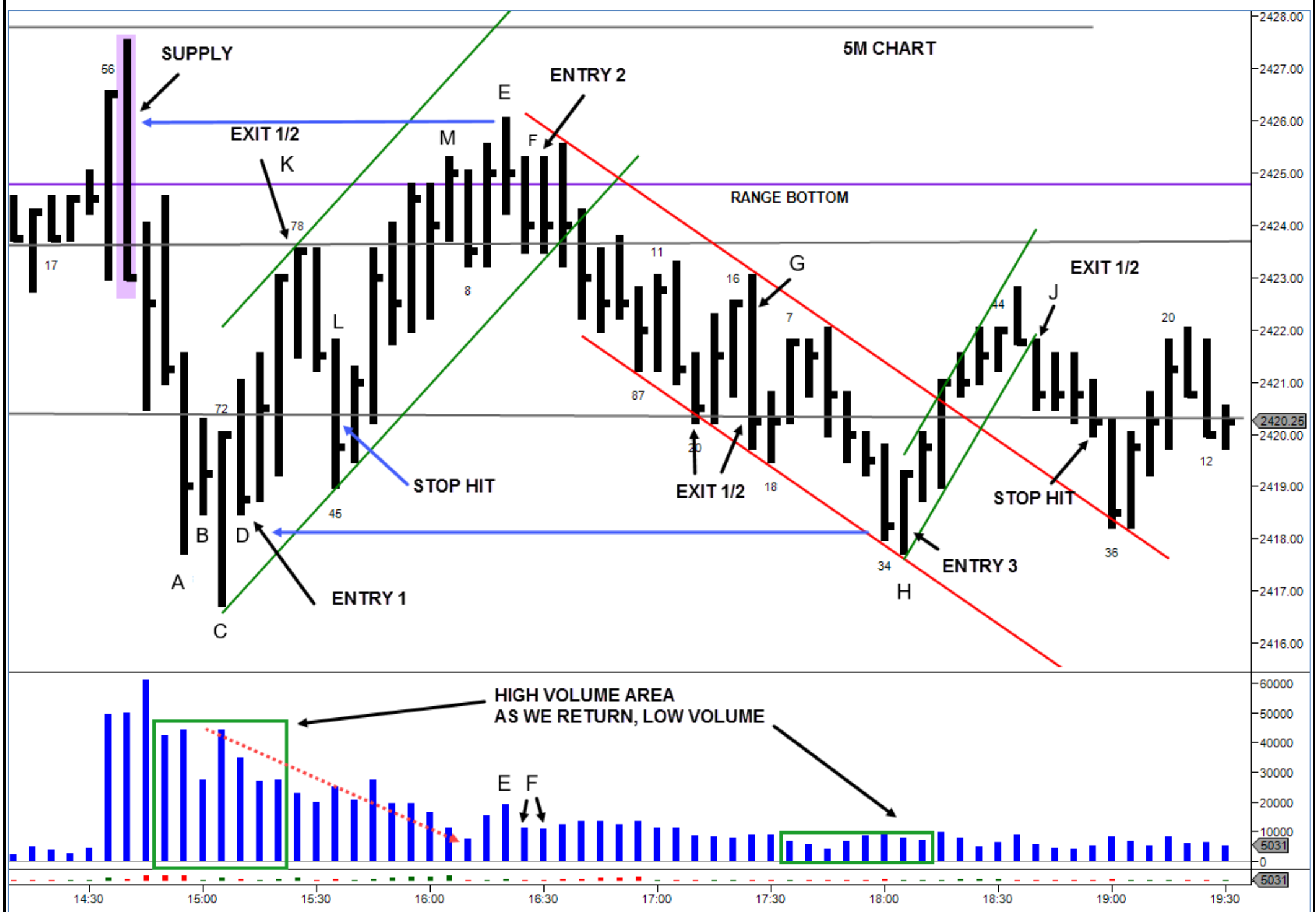
Game plan: Scenario 1 - lows made first; we want supply to dry up somewhere in Bar A region (the close is usually good for high volume bars) for testing purposes, see demand emerge and apply long setups

Scenario 2 - lows made first; breaking support at 2417.75, if we break decisively wait for a weak rally back to newly formed resistance and apply short setups. Alternatively, if we break and find no further supply and reverse back above support, apply bullish setups

Scenario 3 - highs made first; expect resistance at 2437.00 if demand is weak, apply bearish setups. Alternatively if we break decisively wait a weak pullback and apply bullish setups. Bear in mind the limitations of this trade and the average true range of daily bars

A trade was placed at D due to the nature of the 3 bars previously. Bar A – some buying off the lows, bar B – no ability for lower prices, no follow through, we have a higher low and close. Bar C – we dip down, flush the lows reverse to close firm above the previous 2 closes. The sellers had a chance for lower prices on this bar. From this 3 bar configuration we know the market wants to go higher. The entry for this trade was difficult, buying the close had a stop of 3.25 points (under C) for this trade and its aggression that was unacceptable, I placed a limit order (1/3 clip size) in the cluster of closes and was filled at 3419.00. This trade I would not recommend, it was extremely aggressive going against trend. From reading the price action I knew a rally of sorts was on the cards. My thinking was as we broke the bottom of the range we should go back to test. Exit half contracts at K (+4.25 points), as we reacted down (bar L) stop moved to just under support, stop hit (+1 point)

Entry 2 short (1/2 clip size), as we rally from C note the volume declining and the price action from M - very choppy, overlapping bars, the market is finding it difficult to make upside progress. We have shortening of the thrust from K to E – this alone tells us that the market is running out of steam. There are 2 strong reasons for this trade. We have weakness behind us via the UT at E - a pop in volume with a mid close, this indicates supply (ideally the bar should close on its lows back under resistance), does this action make sense? Yes, to the left were in a previous area of supply. The 2 bars at F have tried to rally on both occasions yet end up closing weak on their lows back under resistance. Short the close, stop above E. Exit half at first target support 2420.25 (+3.25 points), as we rally back up the stop is moved to 1 tick outside to cover commission costs. Bar G - as it reverses liquidate the remainder at the same price as exit 1 (+3.25 points)



Bar H; entry 3 – easiest trade of the day (3/4 clip size) Why the short? We're oversold in the channel and have buying to the left. Using the volume histogram we can see the amount of volume and activity that has occurred at the lows. Compare to the volume as we approach now, it's extremely poor. Odds favour this level will hold and this action was merely testing for supply (bars A & C) and finally via price action it's a decent 2 bar reversal, not picture perfect, but good none the less. Exit 1/2

at J as we break the demand line - the volume is very low on the advance giving no indication of strength for our trade, apart from the fact we broke the supply line is the only positive we can take. As we see the market about to turn, exit (+3 points) stop moved to under support for the remainder, it was hit. (+1.25 points)

The market doesn't always produce home runs - by locking in profits little and often it can become a worthwhile day. Due to the nature of today's trading and its sloppy price action, I felt it necessary to reduce clip size. This is discretionary of course - this works best for my style of intraday trading (not swing trading, hopefully in the future I can share those experiences)

Today's trading was tricky, we opened a little volatile with an 8 point swing and the trading since has been contained. Very sluggish grinding moves that are difficult to get onboard, note the volume from 530pm to 730pm (GMT) minimal at best. It's possible the move of the day has yet to come, but in my experience if we haven't take off by now in either direction, the volume has dried up and price is moving at a snail's pace. Call it a day.

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