

Date: 11/08/2017

Market: ES mini

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

News:

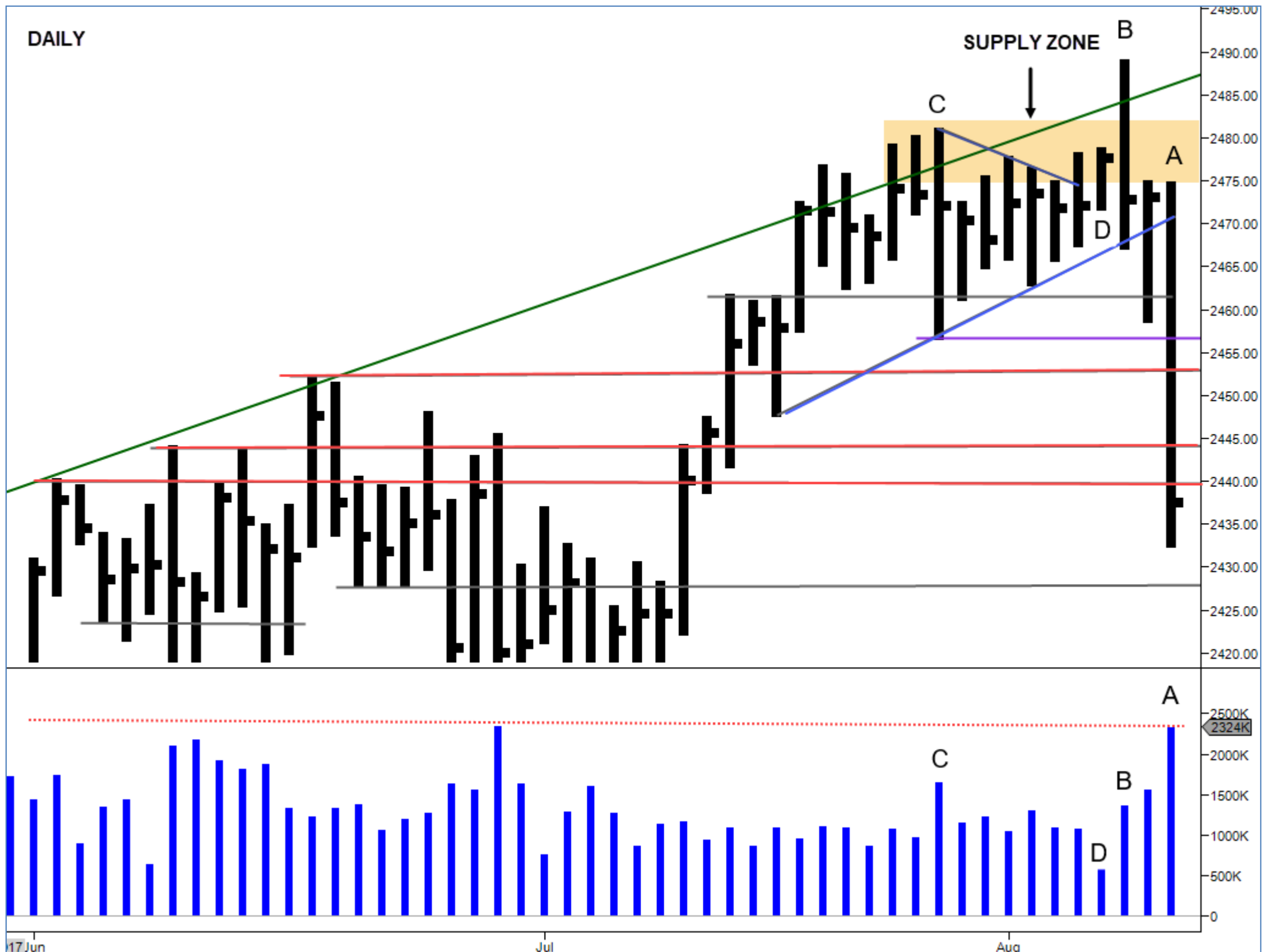
Yesterday:

HIGH: 2488.50

LOW: 2467.50

CLOSE: 2472.75

Other levels: res:2480.50, res:2461.50, res:2457.00 res:2451.50, res:2440.00, res:2337.00, sup:2428.00, 2417.00



The S&P's has finally broken giving confirmation that bar C was weakness and not a shakeout. The no demand bar closing in the supply area contextually is a price action aberration, adding another layer to the story, followed by the weakness of bar B (daily upthrust). Right from the get go bar A started a decline during the overnight and continued to liquidate for the whole session resulting in the largest bar on the chart with the highest volume closing weak, supply has made itself present; the last time we encountered a bar supply of this magnitude was May 17th, however there is one difference - Bar A occurred with subtleties of weakness (minor cracks) before the sell off (bars B, C and D) breaking many levels of support, where as May 17th bar was a shakeout bar. Odds favour lower prices with supports at 2417.00 and the key level to keep the bull trend in tact 2400.00 a close under this level would be significant. A macro perspective of the daily chart (above) is to showcase the power of structure via our key support and resistance levels, they were vital for entry and exit locations from yesterday's trading. No additional insights via smaller timeframes

Bar E - Entry 1, why?

Bar A - US open, good demand

Bar B - Weakness

Bar C - No follow through from B, dips under the low to reverse and close firm back above local support. Volume the same as B, this bar contains selling, however rejects lower prices (strength)

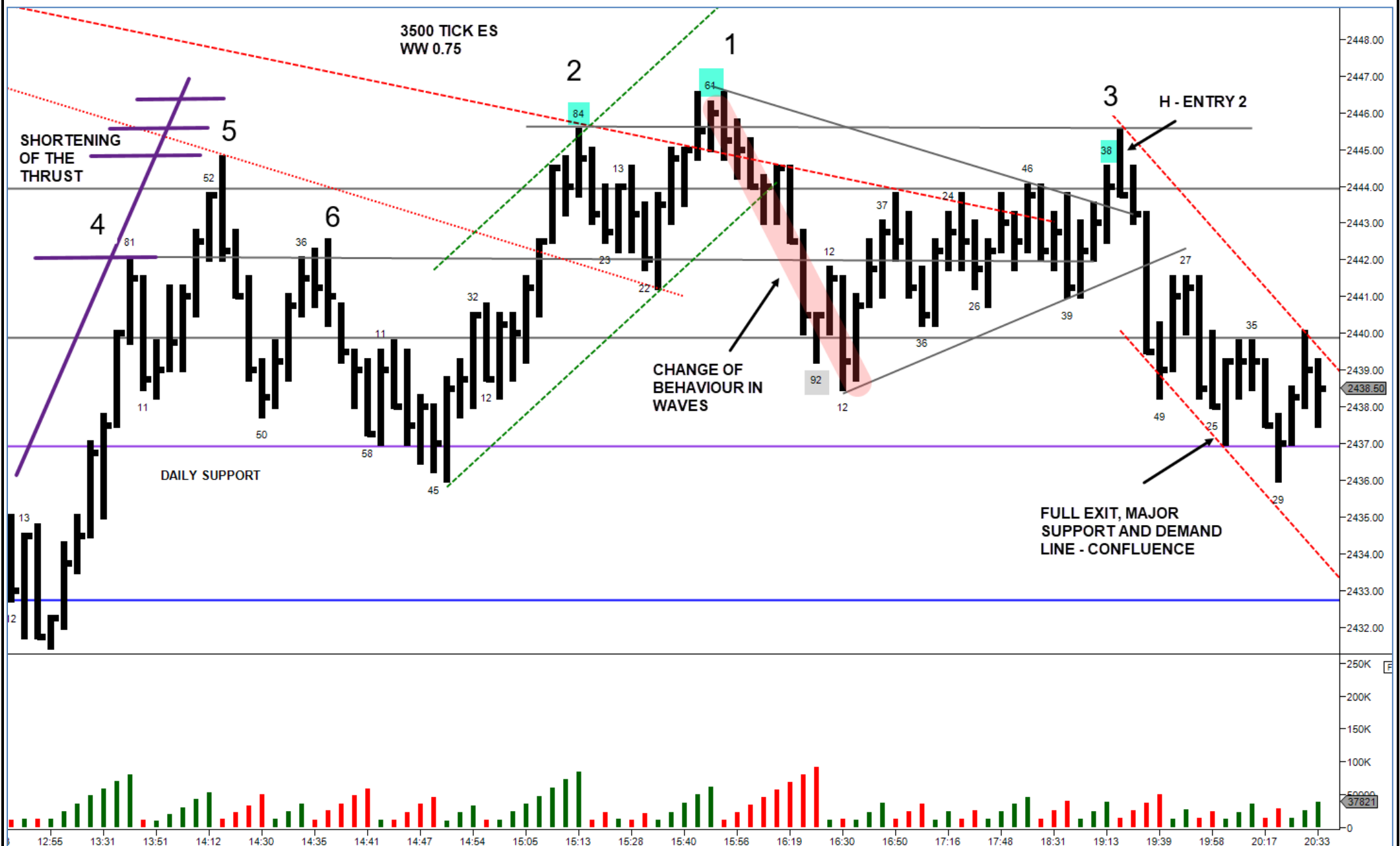
Bar D – No upside follow through, dips under C into daily support (2437.00) Buyers emerge and we close back above support and the low of C. It is a down bar and looks negative, yet achieves a great deal for the bulls. True supply looks like bar B; we only net a point to the downside at most with all that volume (comparing the bars gives clarity). The very next bar we close firm above bars C & D with lower volume. This signifies a lack of supply, as we have flow to the upside, little effort to push the market higher. We had 3 opportunities for lower prices at bars B, C and D, sellers did not capitalise. Does this action make sense? Yes, we're flirting with a multiday support level. The orange cluster of closes shows no ability for lower prices, every time we dip lower price bobs back up, to close back above another daily support level (2440.00). The last bar in the trio (orange cluster) is on the springboard ready to explode. We have discussed these terms in previous editions of the Chronicles. In a nutshell, we're in an apex, with the lows being rejected at support after 3 attempts, the last 3 bars are refusing to go down, we are slap bang in the middle. Odds massively favour a break to the upside. As bar E breaks the highs of the local bars, I let the market pull me in with a buy stop. There are many local resistance levels, the cause was minimal (energy built) and due to major weakness in the background, contracts were limited (adjust clip size accordingly)

Bar F – Exit half, first resistance (+3.50 points), a textbook response we expect from an apex.
 Bar G – Full exit, as we reacted from F volume decreased (healthy for our long positions) followed by good buying at bar Z, but as we break the highs of F the market stalls and price starts to slowly round over back under resistance (note closes purple highlight) an instant full liquidation. If the market was strong we should be making higher highs from an apex. Eyeballing price action we get a fair result from the apex in terms of effect, as previously mentioned the cause was minimal. The market proceeds to move sideways for a few hours in a slow grinding up move with low volume, note the choppy, overlapping bars - this kind of price action is untradeable, although if we turn to our tick chart a trade set up is unfolding



To the tick chart we get shortening of the thrust to the upside, each successive up wave is making less progress, this is due to tiring demand or the presence of supply. Either or, its negative behaviour. 1 is an upthrust that results in a change of behaviour, the largest down wave (92k grey highlight) with the highest volume on the chart breaking three levels of support in the process and the demand line from our channel. All this action is very negative. We now wait patiently for a weak rally to apply bearish setups. H is the entry point, we have had three attempts to break the highs at 1,2 & 3, with decreasing volume 84k, 64k and lastly 38k contracts, as price reverses back under support we print an upthrust/2bar top reversal. It's a picture perfect trade combining many Wyckoff elements, SOT, COB, UT's, for additional clarity compare the rally to H to previous rallies (1,2,4,5 & 6) worlds apart it couldn't be any clearer, buying of poor quality in comparison. Use full clip size as upthrusts in nature as a minimum should break the previous swing low

Bar J – Exit 1/3, first support (+3.75 points), Bar K – Exit 1/3, major support (+7.00 points), Bar L – full exit (+6.25 points), dinner reservations



We have to mention how excellent volume aided our trade (Entry 2) as we react from H, volume increases, via J we try to rally and volume declines, pullback to K volume increases, we try to rally volume declines, this action is beautiful, perfect in every sense of the word. This setup and the way it unfolded is in the top ten for me from the Chronicles, not in terms of points gained, but rather its beauty through understanding market behaviour and amalgamating principles that are over 100 years old. These are the types of trades that are used for larger timeframes on a swing trading basis. Time to lock in profits and call it a day

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