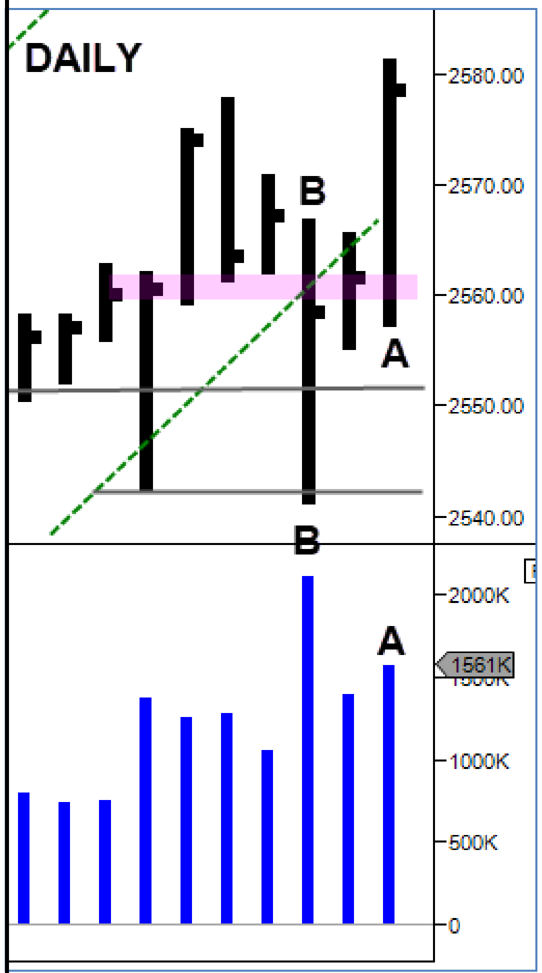
Date: 30/10/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2580.75 **LOW:** 2557.50 **CLOSE:** 2578.50

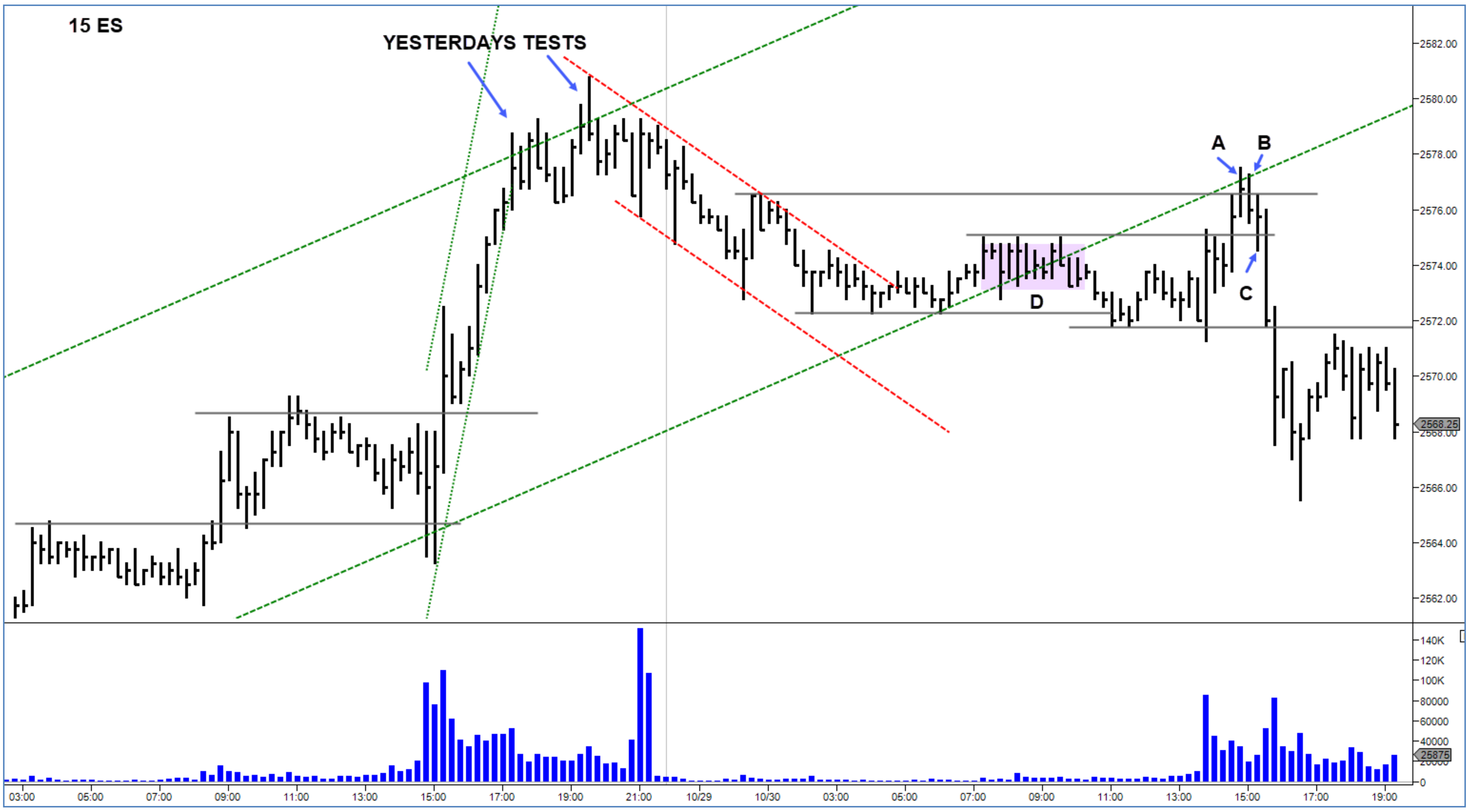
Other levels: res:2618.00, sup:2560.00-61.00, sup:2550.75, sup: 2542.50, sup2538.00, sup:2528.00-29.00, sup:2507.25



The S&P's rallied hard due to the positive earnings within the techsector; it may take a couple of days to digest the new data and fall back to true market sentiment. Bar A is a strong up bar making the highest close of all time for this instrument with decent price action (volume and spread) and occurs after rejecting the lows from our demand zone (purple line) From a daily perspective we would expect higher prices.

The 15m chart; not so convincing. There is a working trend channel with 6 previous touches (pink highlights) proceeded by a solid up wave (green opaque) then the market starts to halt at the supply line (2 orange highlights, 7 & 8) The second attempt to break at 8 the market prints an upthrust (sign of weakness its own right) that results in trading back within the channel; as we try to rally the volume declines (red arrow). There is a story of weakness emerging; the market cannot break at 7, prints an upthrust at 8, followed by a weak rally and all this occurs at the supply line over a 4 hour period, why can't we break into new highs? The price action associated with this behaviour is NOT absorption, it's the exact opposite - volume should increase on advances and decline on the pullbacks. Taking into consideration the nature of trend channels, price should now test the demand line and if that's the case, lower prices are expected

The 15m chart provides the foundations for our first trade. We have previously discussed the merit/validity of the 15m trend channel. From yesterday's test of the supply line, price does indeed react and in-turn breaks our demand line at D (purple highlight) this adds additional weakness to our story; the demand line should act as demand, buying should emerge. Price then revisits the demand line via A (verified trend channels work in the exact same manner as support and resistance, once price has broken support or the demand line, this level should now act as resistance) a very important concept to understand, many traders do not use the flip reverse, however from my experience working, valid channels that have had multiple touches 7+ (higher the better) often provide additional areas of structure to work with, to trade against



A – Price hits the newly formed supply line and closes mid bar (selling is present)

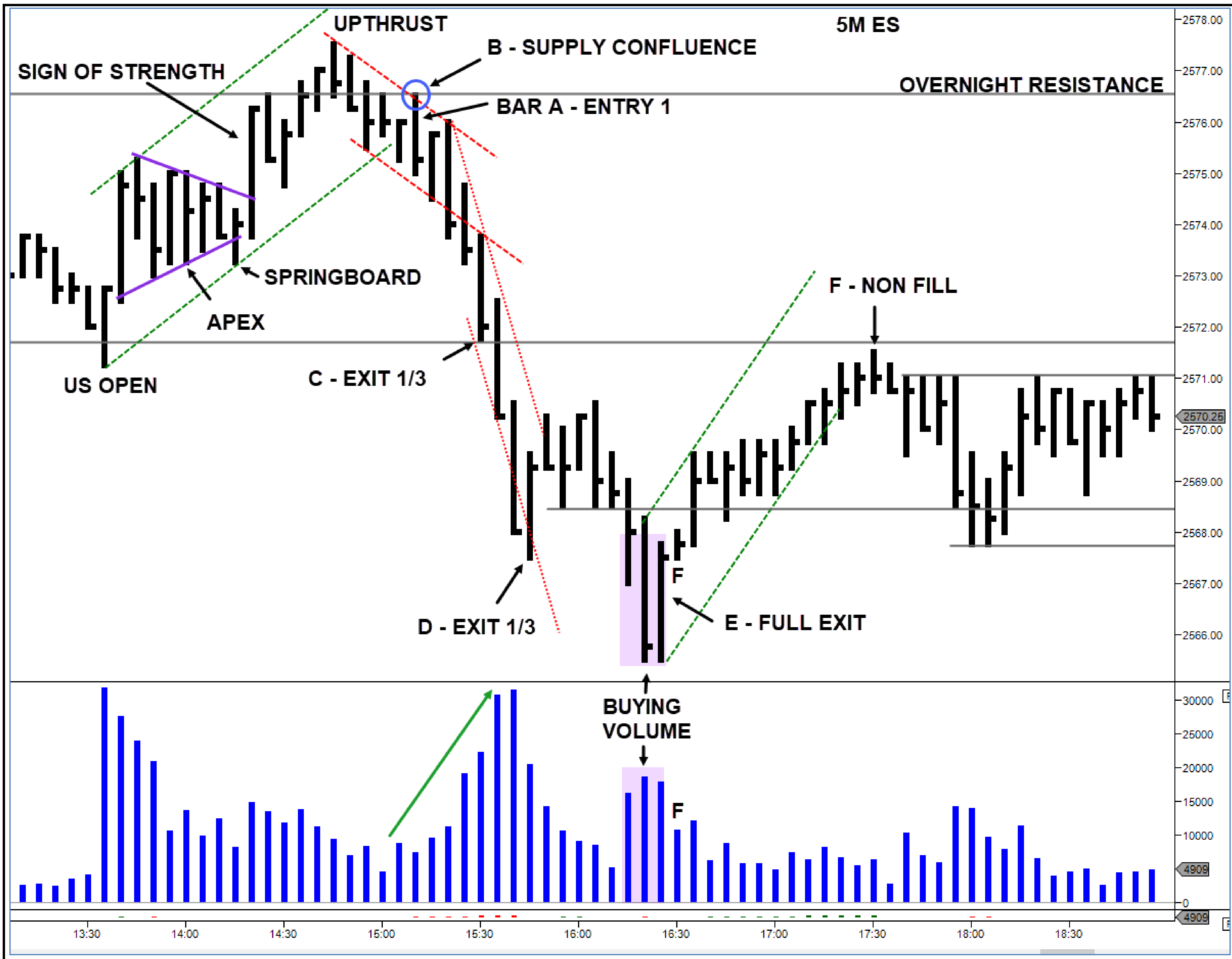
B – There is no upside follow through, breaks the lows of A and closes weak. Price action via the 15m has upthrusted the overnight highs and has also tested the supply line by rejecting higher prices, we have a supply confluence with a story of weakness in the background and weak price action. NOW we look for short opportunities

Bar C - we want to short any weak rally via the smaller time frame (5m)

Back to the 5m chart. Interesting market behaviour; right from the get go the market creates an apex, with a perfect springboard bar followed by the infamous sign of strength bar. However, price upthrusts the overnight highs via the 5m and 15m (as explained above) there is no upside follow through, ergo we have a fake break. One could make an argument that the cause created in the apex had the appropriate effect, but I think the nature of an apex is to build a cause for a specific reason and this apex doesn't accomplish anything. More often than not apex's form under resistance (or above support) to build enough cause for a clean break (the effect) they absorb all the supply (or demand) in the market whilst simultaneously increasing contract/position size

As price holds at resistance, breaks the demand line via our 5m up trend channel and rejects the confluence area via B, it's an instant sell via bar A, as all timeframes are in alignment.

The importance of multiple frame analysis and trading is a vital skill that will elevate ones trading to the next level; I understand that the concepts are difficult to understand especially in written format. Try to think of the 15m (in this scenario) as the higher timeframe direction and the 5m price action is used for a tighter entry. The price action at the point of execution is interlinked between timeframes.



Bar C – Exit 1/3, first support (+4.00 points), Bar D – a reversal after being oversold, odds favour a rally (+6.25 points), Bar E – Full exit, the purple highlight represents buying volume within those 3 bars and via a higher timeframe this representation would be a spring, ergo full exit (+7.75 points)

Bar F – an odd bar, with all that volume the market prints a very small spread clearly a case of Effort vs. Result, as the market makes upside progress we know for fact that the bar contained hidden buying, this makes it's difficult to look for a weak rally to short for further downside continuation.

There was a read at resistance via F for a short play, which wasn't filled. Due to the nature of the trade (risk) I wanted a specific entry that took onboard the limitations of the trade, a non-fill is OK, there is always another trade

Today's trading has provided a few price action aberrations; a fake break via the apex, Bar F (Effort vs. Result), ultra high volume via D (for the time of day) and the non-fill is creating a little ambiguity, never a good sign for trading - when this occurs it's time to lock in profits and call it a day

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