

Date: 27/11/2017

Market: ES mini

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

News:

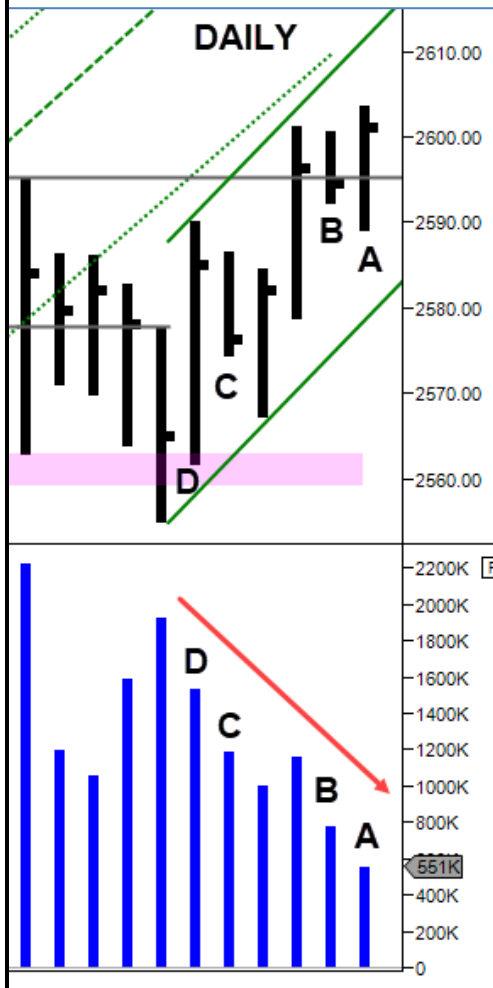
Yesterday:

HIGH: 2603.00

LOW: 2589.50

CLOSE: 2601.00

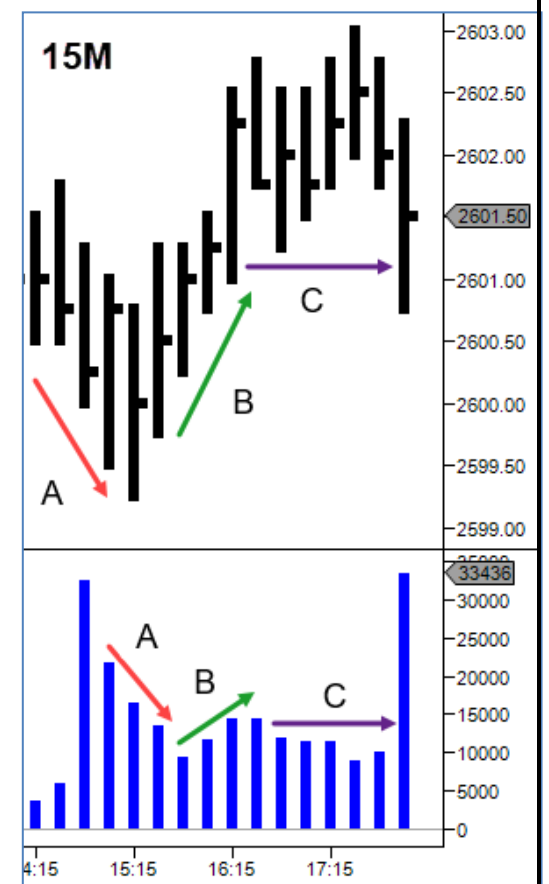
Other levels: sup:2594.50, sup:2560.00-61.00, sup:2550.75, sup: 2542.50, sup2538.00, sup:2528.00-29.00, sup:2507.25



First thing we must take into consideration is the nature of the rally from D to A. Volume has declined dramatically, not a healthy trait for the bulls, however, we are in a powerful bull market that shrugs off any inclination of weakness. As the buyers are in control, it's the sellers that need to prove themselves, if we analyze the down bars (B & C) they have small spreads and the relative volume (compared to the previous 2 bars) has declined; this we interpret as a lack of selling pressure. Although bar A has a lack of volume and has all the characteristics of a no demand bar, it still accomplishes a great deal; dips under B to reverse and close above resistance making the highest close of all time for this instrument and achieves this on low volume (due to the US holiday). The question we ask ourselves; is bar A no demand, or does it show the lack of selling pressure? From the daily perspective we would have to assume the lack of sellers as we have the strength of D and bars C & B (test bars)

The 15m chart is stuck within a tight 4 point range, offering no additional insights. As we pullback (A)

volume declines, as we rally (B) volumes expands (both bullish signs) Later on as we drift sideways, volume is sustained. Due to the tightness and lack of volume it's very hard to interpret, however from face value we would expect higher prices. BOTH timeframes suggest this, although there are no overt signals for direction, we do have a lack of selling pressure, ergo higher prices are on the cards



From the US open (5m chart) we drive to A (around 5 points) with decent volume and spreads.

Then bar B prints; we have shortening of the thrust to the upside and clear Effort vs. Result (compare the spread and volume to bar A, with only a sixth less volume, the spread is roughly a 1/3) all that extra volume must be supply, it has to be otherwise we would have produced another decent bar like A.

Bar C confirms that B was indeed hidden selling, an excellent response; sustained volume with a wide spread and close right at the low. Nothing to do here, we just wait for an opportunity for to apply short plays

Bar D - market produces a hidden upthrust (an upthrust on smaller timeframes), we break local resistance and reverse to close weak on the lows wiping out any possibilities of strength that may have appeared from bar Z. What's important about this bar, it's that it tests supply to the left (bars B & C) and it does so successfully

Bar E - Entry 1, a no demand bar; lowest volume for the day and it's an up bar with supply to the left from D, C & B. This shows no ability to rally, an instant short play via the close. This may appear aggressive but if we use our tick chart analysis, we have overt Effort. Vs Result in waves. Wave B has a decent stride to the upside and breaks local resistance with 73k, via wave C we have higher volume and the market tightens, we are unable to rally. With higher volume than wave A (around 50k contracts) price cannot penetrate. The green opaque waves illustrate the nature of the Effort vs. Result very clearly. We know that wave C contains a lot of supply and with our 5min chart we have seen no demand; no demand in an Effort vs. Result wave is picture perfect



Bar F – Exit 1/3, first support (+4.25 points) usually I would liquidate partial profits via the demand line, but taking into consideration the weakness via the 5m chart, it's wise to hold as odds favour lower prices (no signs of buying) Bar F although a down bar is not a good sign for our shorts, comparing the spread and volume to the previous bar we another case of overt Effort vs. Result, this bar has a lot of buying. Stop (purple line) immediately moved to the high of this bar

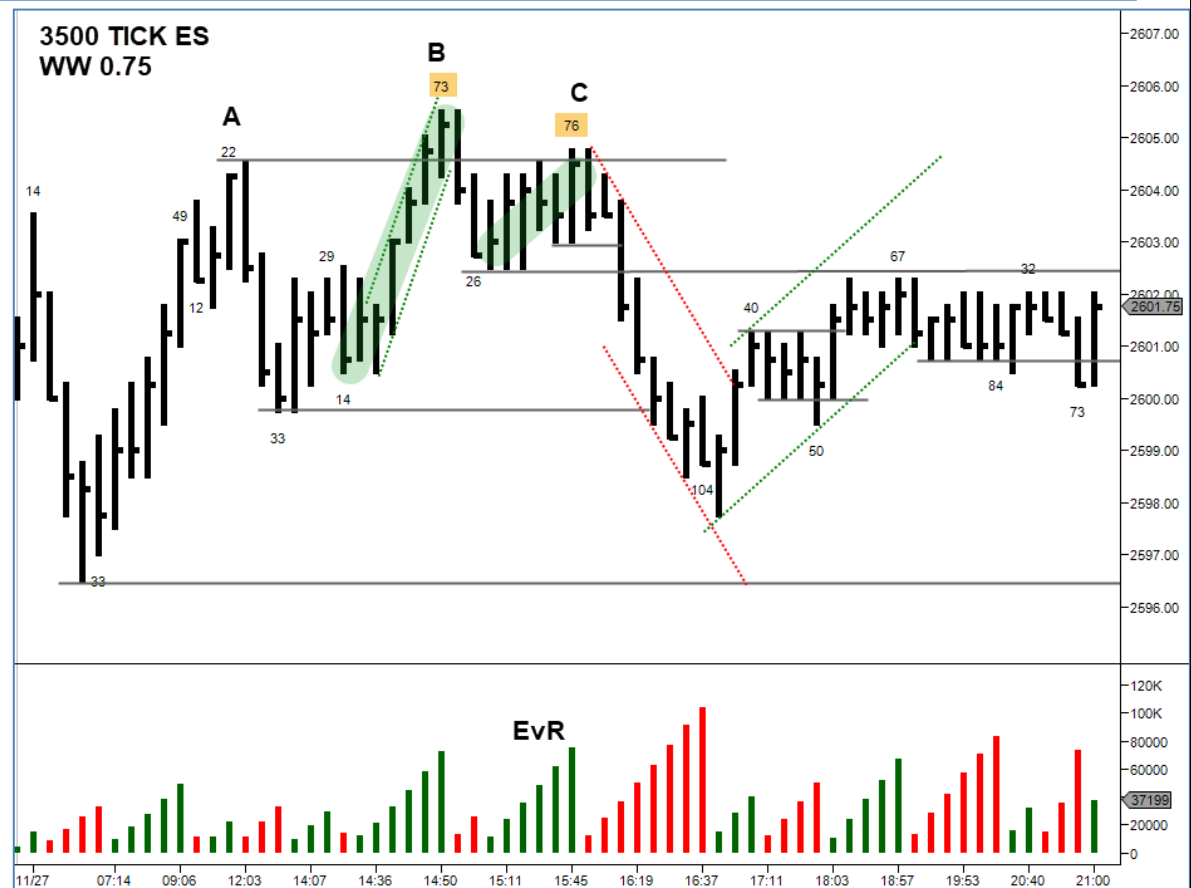
Bar G – Exit 1/3, next support (+6.00 points)

Bar H – Full exit, the first bar that has not made a lower high since the downtrend has began. Considering the potential strength we witnessed bar F, trade management and stops haven been tightened (no breathing room) (+4.75 points)

Bar K – Entry 2, why? The two bars at Y have tested bar F and held, followed by bar J that gaps up (showing that demand has overcome supply) followed by K a test; the lowest volume of the day and it's a down bar in a previous area of demand (F) it's an instant long. This trade is limited due to the supply above us and the erratic nature of today's price action. High volume stopping action at either ends of the daily range tell us that large operators are not in play, adjust clip size accordingly

Bar L – Exit 1/3, price has held support for 25mins unable to rally and this bar has produced a lower high. Stop moved to 1 tick above entry to cover commission costs (+0.50 point)

Bar M – Exit 1/3, hit local resistance (1.50 points)



Bar N – Stopped out, price broke the demand line from the channel and local support (+0.25 points)

Today's trading was difficult, although it did produce a semi advanced setup within the first hour. In previous editions of the Chronicles it has been mentioned many a time that sudden spikes in volume that cause a turn in the market that provide the daily ranges (highs and lows) often mean tight trading conditions and often have no influence from genuine large operators, more sharks with large clip sizes. We must be careful in these conditions as odds favour an equilibrium type of day, more of reversion to the mean type of trading (which is a typical days trading)

Entry 2 brings an interesting question to the table, although the trade had upside limitations, when the market is clearly showing an imbalance/or a clear setup for any methodology, risk reward from my point of view is more than often irrelevant, (controversial I know) people tend to forget the *probability* of the setup; this from my standpoint should be held in a higher regard than risk reward. Of course this is discretionary and down to the individual, however with the methodology we have in the Chronicles we have the advantage of being able to read the market as it unfolds, enabling us to exit gracefully (in most scenarios) if the trade goes against us, time to lock in profits and all it a day

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