

Date: 12/10/2017

Market: ES mini

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

News:

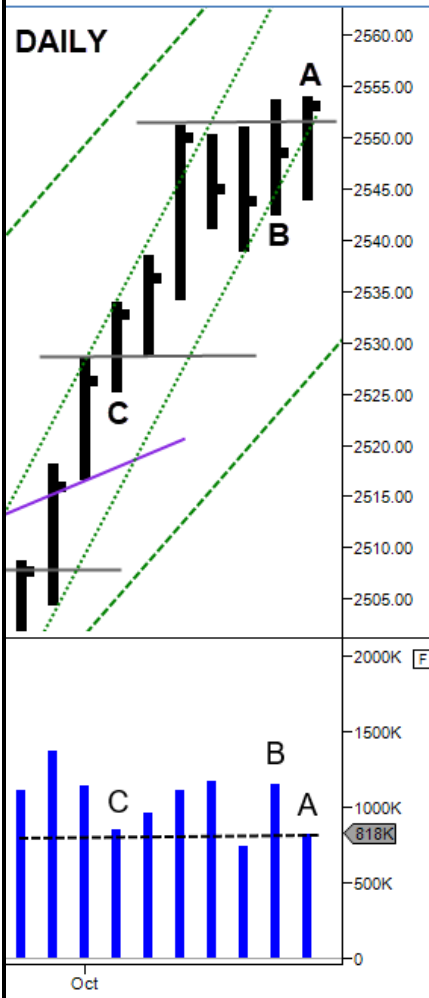
Yesterday:

HIGH: 2553.50

LOW: 2544.25

CLOSE: 2553.00

Other levels: res:2564.00, sup:2538.00, sup:2528.00 -29.00, sup:2507.25, sup: 2494.25 - 2495.25, sup:2488.50



The S&P's had made the highest close off all time above resistance, yet the price action is not screaming overt strength. We have the lowest volume up bar we have seen since the uptrend has begun, plus we have severely weakened the demand line via our micro channel, however the buyers managed to close Bar A back above resistance and within the channel resulting in a higher high, higher low and higher close - there is a conflict of data, yet as we are still in an uptrend we must give the advantage to the buyers; although rising on lower volume whilst making all new time highs is something we must note, and take precaution for tomorrows trading

The 60m chart provides no clarity; the first thing we observe is that higher prices were made netting more or less 10 points to the upside, yet the price action throws a spanner in the works, we have no buying of decent quality (wide spreads, increasing volume and firm closes) although we push up, the market is finding it incredibly hard - note the closes are all off the highs closing mid bar or on their respective lows, all except

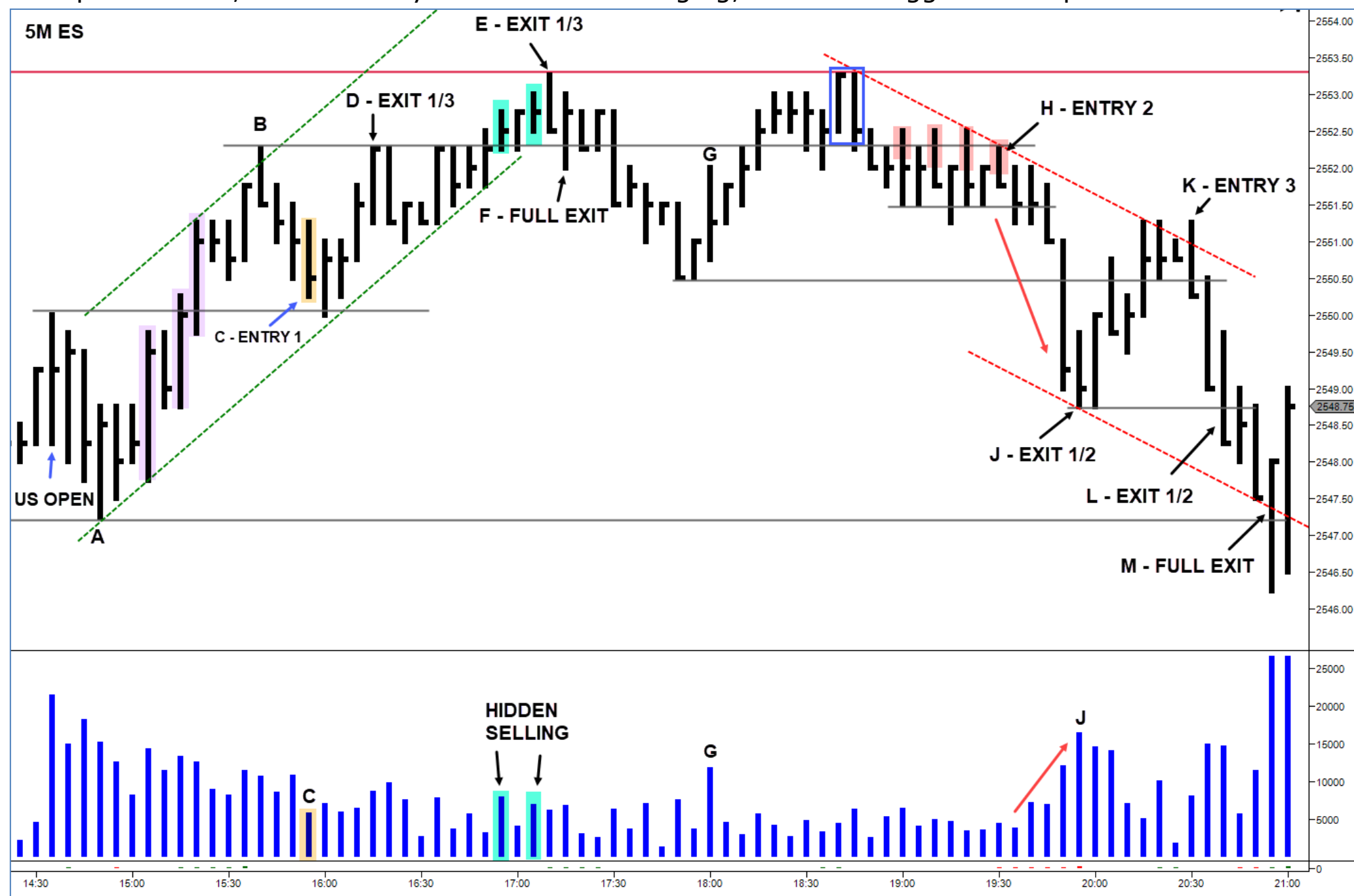


the US close which has closed at a supply confluence (supply line and horizontal resistance, blue circle). The last time we were at this level supply emerged (red circle) with a 10 point pullback. Although we have no clear indication we still have structure and levels to work with, the first being our supply confluence area, how will price react? Due to the extremity of the selling that occurred last time we were at this level, combined with the lacklustre rally and the supply confluence, odds favour a retracement of sorts

Bar C - Entry 1, why? After some churning via the US open we get a good drive up from A to B, the buying is good quality; with wide spreads closing firm and decent volume. As we react from B the spreads narrow, closes are off the lows (indicates buying, struggling to go down) and Bar C is the lowest volume bar, that is a down bar on top of support and near the demand line (demand confluence) in a nutshell we have no supply at support - an instant buy. This is a weak pullback after a strong wave up. Compare the selling from B to the buying (purple highlights) worlds apart. Being able to read these subtleties confidently takes time and effort, especially when it comes to pulling the trigger live in the markets, but hopefully throughout the Chronicles your beginning to see the same patterns and behaviours time and time again, granted the flavour is slightly different and in an ideal world bar C would have a smaller spread and lighter volume for it to be picture perfect; however it's a down bar on top of support with the lowest volume since the US open with strength in the background (good solid drive up) it has to be bought. The following bar could also be traded as we spring support and close firm into the next bar

Bar D - Exit 1/3, first resistance (+1.75 points), Bar E - Exit 1/3, major resistance (+2.75 points), Bar F, full exit, as we break under support (1.50 points) Usually I would let the trade breathe a little and not be so strict with the exits, however on the approach we have indications of supply at resistance. The turquoise highlights both have spikes in volume with small spreads and mid closes,

while the up bars are lower in volume – ergo both of these bars contain hidden selling, along with the upthrust at E, there is story of weakness emerging, hence the aggressive liquidation of bar F



Bar H – Entry 2, why? In the background we have a story of weakness emerging, along with G which is an obscure bar for this time of day (US lunch) as the close is well off the highs with a huge surge in volume, there is a lot of selling in this bar. We manage to grind higher and test resistance printing a top reversal that starts a reaction (blue box). At this point we notice we have much less demand via the tick chart with 46k (orange highlight) compared to the previous upwave of 254k contracts. NOW if we look to the left of the chart, yesterday’s trading produced our level of resistance with 171k contracts, yet with more volume (an extra 83k) we can’t break the highs, this can only mean one thing – supply was present capping upside progress, sellers were establishing themselves and we have a confirmed case of Effort vs. Result. We have already witnessed the hidden selling via the 5m chart; by piecing the elements of the story together we can now look for a short opportunity.



Back to the entry of H; sellers are showing their hands at resistance, as they are dominating this level as they cap any upside progress (pink highlights), via the close of H we have a supply confluence (horizontal resistance and the supply line) holding, it’s an instant short

Bar J, Exit 1/2, shortening of the thrust and Effort vs. Result (+2.75 points) Stop was moved to breakeven at this point, however we get another entry via Bar K, why? Via the 5m chart we reverse back into the channel after a brief break and we close back under support (weakness) Via the tick chart the previous wave down produced 96k, the market rallies with 51k (half the volume) breaking both resistance and the supply line, yet the very next bar we reverse back into the channel and break support, both charts work together to provide the same setup which is the "Rally Back to Ice" Wyckoff setup. (Ice is support that we decisively break and then rally to test, which holds)

Bar L, Exit 1/2, first support (+1.50 points and 2.75 points), Bar M – demand confluence (support and demand line) (+3.00 points)

Today's trading provided some clean setups; although not necessarily pure Wyckoff (more price action and VSA based) we can still thank Wyckoff for the introduction of the price bar and volume relationship that has led to the evolution of trading that we have before us in the Chronicles.

With a daily range of approx 7 points, taking a couple of 2.75 point and a 3.00 point trades equates to approx 50% of the daily range. On larger time frames this will of course provide greater profits, we never know how much the market will give, all we can do is read the market as it unfolds and act accordingly, whilst being forever thankful for any opportunities the markets provides, time to lock in profits and call it a day

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