

Date: 14/09/2017

Market: ES mini

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

News:

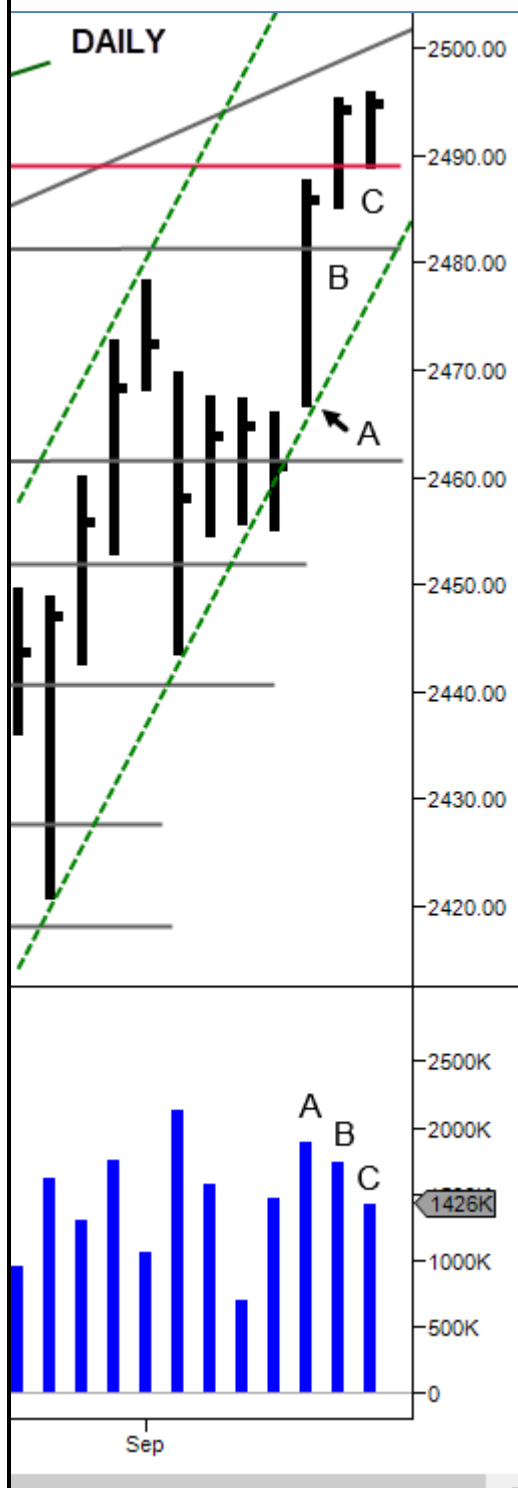
Yesterday:

HIGH: 2495.50

LOW: 2489.00

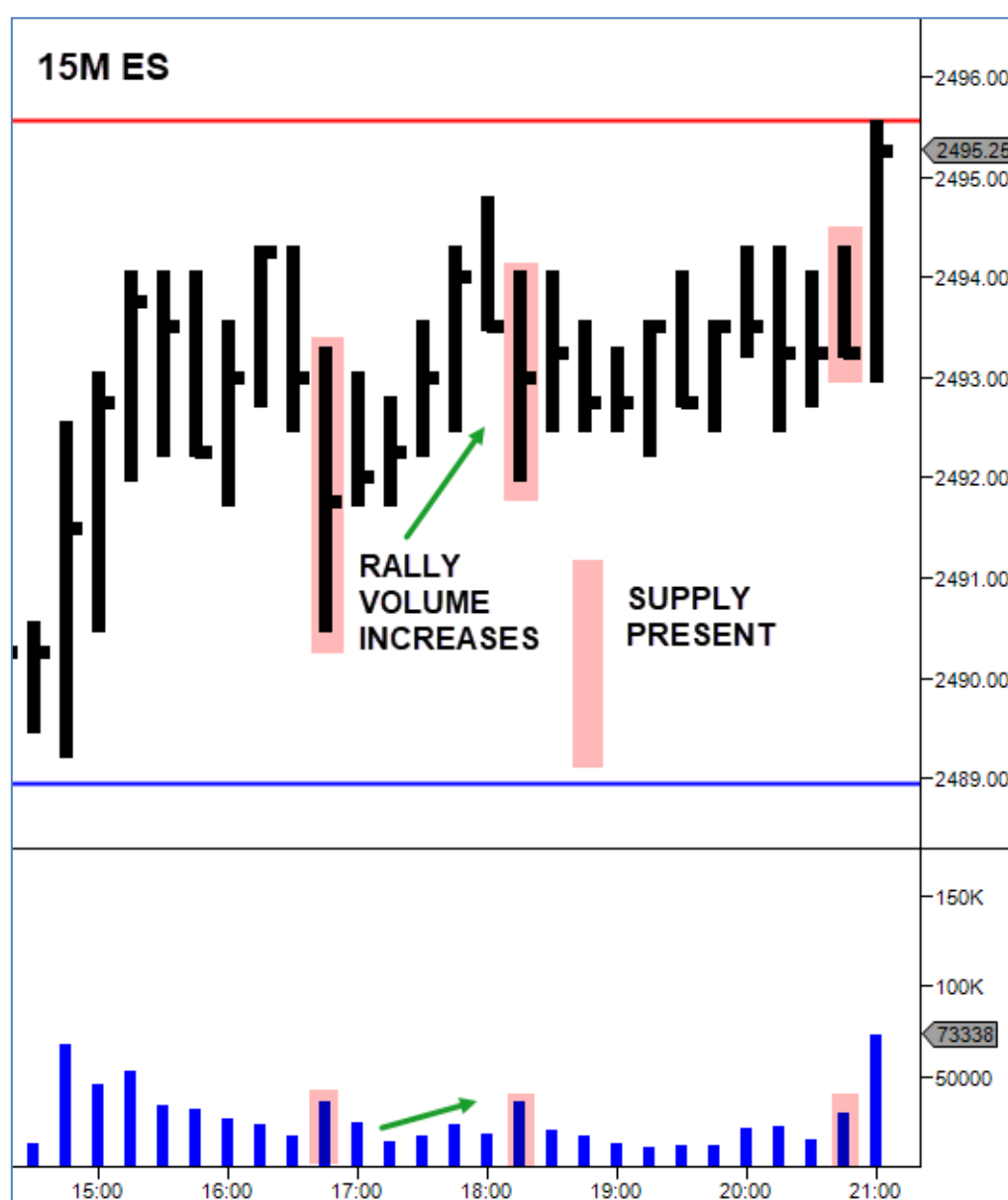
CLOSE: 2494.75

Other levels: res:2501.50, sup:2488.50, sup:2480.50, sup:2461.50, sup:2451.50, sup:2440.00



The S&P's has produced another all time high (barely). Bar C makes a higher high, higher low and a higher close, whilst holding a level of support. Volume is still fairly high therefore we know that supply is present. We have shortening of the thrust to the upside from bars A to C, each successive bar is making less and less progress to the upside, the question we ask ourselves, is this demand absorbing the selling pressure, or are sellers positioning themselves? Via the daily we have conflicting data for tomorrow's movement, which is OK; we still have structure in place to build trades around. The support at 2488.50 (old all time high) and yesterday's high, these are the key levels we analyse for the presence of either weak supply/demand or strong demand/supply, saying that the market could easily produce some lateral movement to build a trading range

The 15m gives conflicting data, although we do obtain one vital piece of information - supply is present, the pink highlighted bars show that sellers have an effect, the pops in volume are all supply related. Yes it's true that buyers have stepped in to hold the market, but if the professionals want higher prices they need to see



lower levels of supply, why? Less absorption of selling activity = higher profits, less friction to the upside. The logical place for testing would be nearby support, yesterday's low/old all time high of 2488.50. We get a little tell of demand from the US open and appear to run out of steam for the duration of the day, we do get a little rally and volume increases which is a healthy sign for the bulls, it's tricky trading which is to be expected when trading into brand new highs

It's unfortunate as the best setup for today was premarket at either bars A or B. As we try to break the confluence of supports, volume declines (red dotted line via volume histogram), bar A prints and shouts NO SUPPLY, an instant buy - ask yourself: where is the selling that we have previously seen from 1 to 2? A conservative trade would be to buy the close of B, as we're back above 2 support levels with decent price action and a pop in volume - we would classify all this action under daily support a spring. The market has rejected the lows and sprung a confluence of supports, we would like to be buyers. The US opens and drives down to test support, unable to give a clean entry for a long position. Bar D rallies hard yet closes mid bar indicating supply, if we look to the left the story makes sense as we have the original break down, supply bar (1). The market was a little frustrating as we get no clean entries and we watch the market rally, nothing to do but sit on our hands.

Bar E – Entry 1, why? We become oversold in our channel at a very strong resistance level, printing an upthrust with a surge in volume, for a picture perfect set up the close would be under the previous bars low, however it was still an instant sell. We must be nimble as its counter trend, lock in profits aggressively

Bar F – Exit 1/2 first support (+2.00 points), Bar G – Full exit, it's the third attempt for lower prices that has resulted in a spring type situation with a close back above a local support level (+1.50 points)

Bar K – Entry 2, why? We are making subtle lower highs and lower lows from our swing points, technically in a downtrend, the buyers are unable to push up and test resistance.

Bar H - is climatic (Effort vs. Result) huge surge in volume yet the spread is relatively the same; ergo this bar is full of supply

Bar J - a no demand bar in a previous area of supply (to the left, 3 areas)

Bar K – as we break the lows of J with increasing volume, this confirms the weakness



By combining price action with the understanding that were in a down trend (unable to push higher) is a sound setup and a thoroughly enjoyable trade. This trade is not Wyckoff based, more of price action combined with fundamental market principles, although does use elements (VSA no demand, climatic bar etc.) This 3 bar formation/pattern occurs quite frequently and if found on larger timeframes can yield excellent results. The main filter is to make sure that a downtrend is in play, these 3 bar formations in uptrends are less reliable

Bar L – Exit 1/2, first support, (+1.75 points) NOTE – as we react volume increases, healthy sign for our shorts. Bar M – Full exit (+0.25 points) Bar L is a little climatic and would expect a little rally of sorts, stop moved to break even and hit at bar M. This market feels weak, 3 lower highs have been put in with waning demand, if we break local support at 2492.75, we have clean air to the support confluence beneath us 2488-89.00 area

Yet again the trading has been very difficult, 3 days in a row now. Being professionals we have to be patient and make no rash decisions, it pays to sit our hands and conserve capital. I understand it's very hard when the market contracts in volatility, traders can feel unconstructive, waiting for hours on end and may not even pull the trigger. This can lead to negative thought processes that manifest themselves into unfavourable trades, this behaviour should be avoided at all costs. Time to lock in profits and call it a day

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