

Date: 20/10/2017

Market: ES mini

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

News:

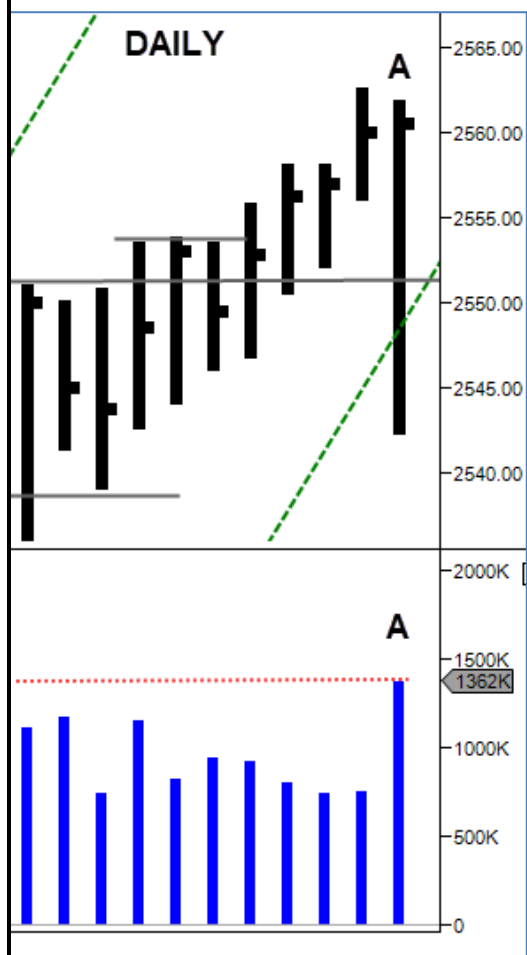
Yesterday:

HIGH: 2561.50

LOW: 2542.50

CLOSE: 2560.50

Other levels: sup:2550.75, sup:2538.00, sup:2528.00 -29.00, sup:2507.25, sup: 2494.25 – 2495.25, sup:2488.50



Finally we have some resolve, bar A is extremely strong in every sense of the word. For the past few days we have mentioned the rise on low volume and this occurred due to the lack of supply. Bar A has a sharp sell-off, very aggressive in nature as it breaks the closes of the past 10 bars, during which a support level is compromised along with the demand line via our channel being weakened. NOW bar A reverses and closes firm back above the previous close resulting in an up bar, this action is extremely strong, there is a huge surge in volume giving this bar validity, yet not too high. This bar eradicates any supply that was left in the market, we have stated that the market has risen on low volume, so for tomorrow's trading we want to be buyers as there should be no upside friction, there is potential for decent follow through.

Bar A would be classified as a shakeout; the purpose of this bar is to eradicate weak longs (already positioned) that get scared from the price action, in addition it induces further selling (think of all the contracts placed under support at 2550.00 and others under the demand line via the channel) don't forget the professionals are privy to far more information

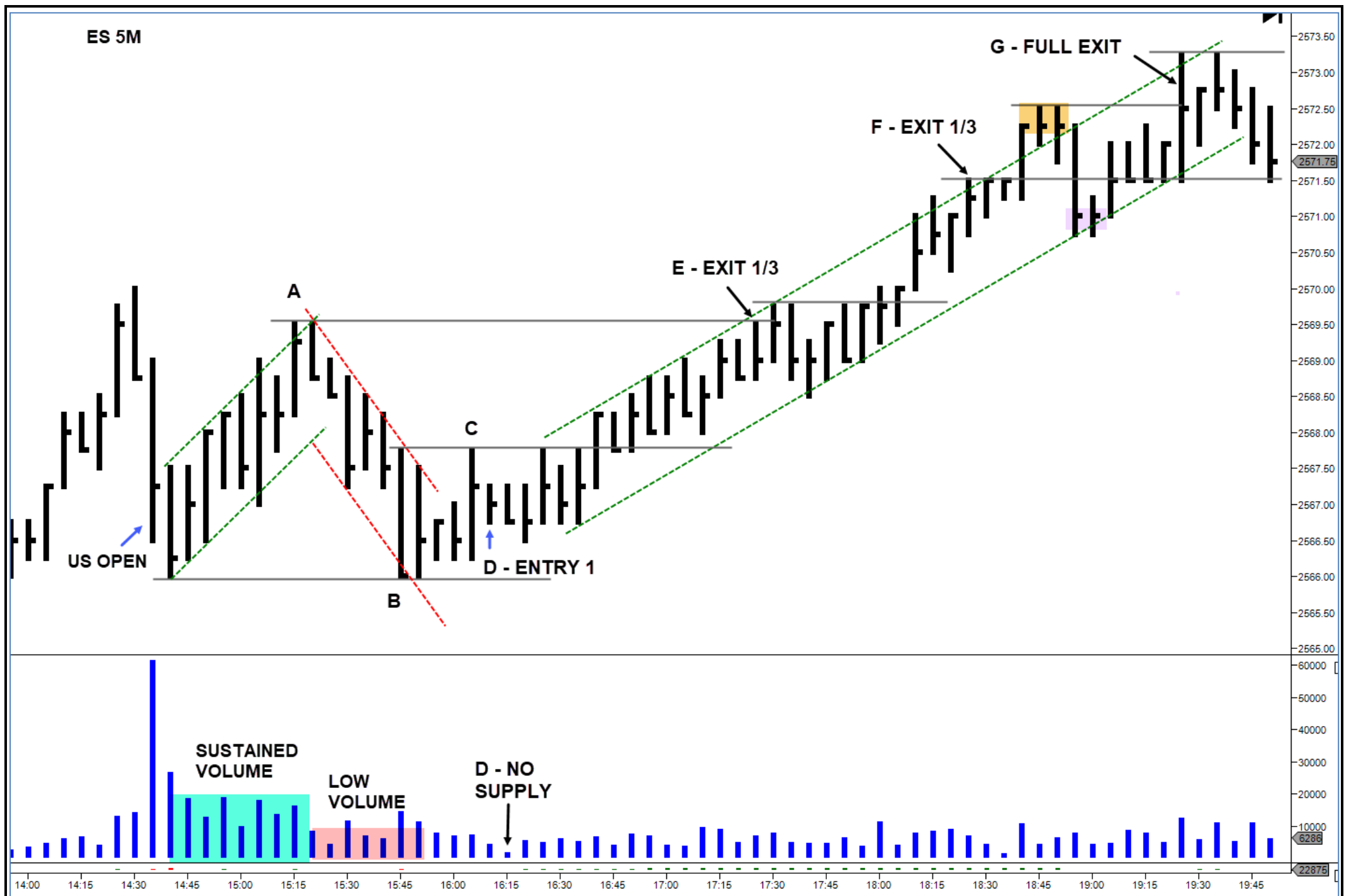
and data then we can obtain, and can see where the blocks of sell orders are. The professionals add many contracts to their inventory, plus they have cleared the way for higher prices.

From a personal perspective it truly amazes me how the market can be manipulated by preying on the weak mindset of the uninformed retail traders - all driven by the emotions of fear and greed. Hopefully the Chronicles are beginning to unveil the mystery of the markets, in-turn creating a level playing field or at least to recognize the behaviour and be able to ride their coat tails

There is no need to consult the smaller timeframes for additional insights, bar A speaks volumes.

During the overnight the market rallies netting 12+ points to the upside. The US opens and we fall into congestion (4 hours of tight trading to the left of the chart at this level) the market holds and rallies to A, followed by a pullback to B. The rally to A has sustained volume; whereas the reaction to B has much lower volume (no supply). Bar C is a decent up bar with a firm close, which setups bar D our entry bar – a test bar, clear no supply, the lowest volume of the day after we have an established support level and strong price action behind us. The volume doesn't need to be overt, why? Because supply shouldn't be present, it can move higher with little effort. In 99% of all the technical books in publication we should expand in volume with higher prices and this is generally true, however if we have a confirmed lack of supply as we have mentioned (shakeout bar) the market will rise on low volume. Low volume grinding moves are difficult trading conditions and notoriously hard jumping onboard, regardless of methodology. Luckily the market produced an entry point early on, as I can't see a valid entry until the purple highlight, which of course is too late in the day and we have missed the best chunk the trend.

Bar E – Exit 1/3, First resistance (+2.75 points), Bar F – Exit 1/3, this level was the overnight high, the resistance line was deleted for clarity reasons (+4.75 points) Bar G – Full Exit, an erratic bar touching both extremes of the channel closing mid bar (in candlesticks terms this would be a long legged doji) the price action is not with line with slow grinding move we have seen previously (+5.75 points).



Today's trading was very difficult and if wasn't for our early entry it would have been hard to establish a position, this can be very frustrating and lead to poor trading decisions. From my experience if we have confirmed strength and a lack of supply, NEVER trade against trend and we must be very aggressive in trying to jump onboard; use the trend channels and supports via small pullbacks to jump in. Side note – I find it beautiful how well the market respects channels on slow grinding days. The orange highlight we become overbought with a couple of closes above our supply line, yet unable to go anywhere (cluster of closes) we then reverse and trade back inside and test the demand line (purple highlight) which of course the market should do, picture perfect. Due to the markets being fractal in nature this behaviour can occur and does occur on all timeframes, there's a sense of rhythm and beauty that I admire in structure and price action, how can one argue its validity? Time to lock in profits, have a long weekend and call it a day

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*the term professionals, I refer to large Funds, syndicates, perhaps some institutions (although unlikely as they are not the best of traders, as many use old simplistic strategies)