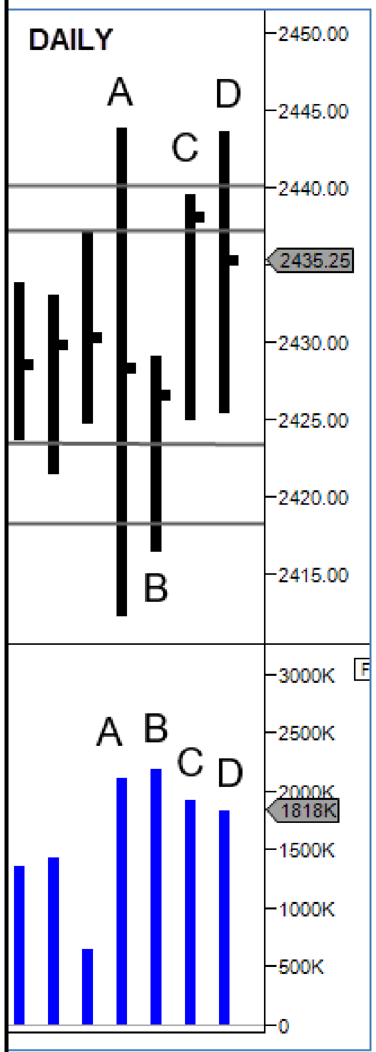
Date: 15/06/2017 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T **News:** Philly FED, Jobs

Yesterday: **HIGH:** 2443.25 **LOW:** 2425.75 **CLOSE:** 2435.25 Ind prod, Housing

Other levels: res: 2471.75 (weekly supply line), res: 2436.75, sup: 2443.50, sup: 2417.75 sup: 2403.75



The S&P had a chance to go higher yesterday (1 tick away). We encountered some early selling pressure and then the FOMC drove the market down to the bottom of our trading range (2424.75). The market found buyers and we end up closing mid bar. Looking at the close, its back under resistance and the close of C, this tells us that the market is having trouble and that supply is indeed present. It had the ability to drive down 20 odd points or so. This action alone we would expect lower prices.

Looking deeper into yesterday's action via the 15m we gain additional insight. We have previously discussed that Wyckoff analyzed the market in terms of waves:

Wave 1 - we reject the highs and react with sustained volume - 9 points.

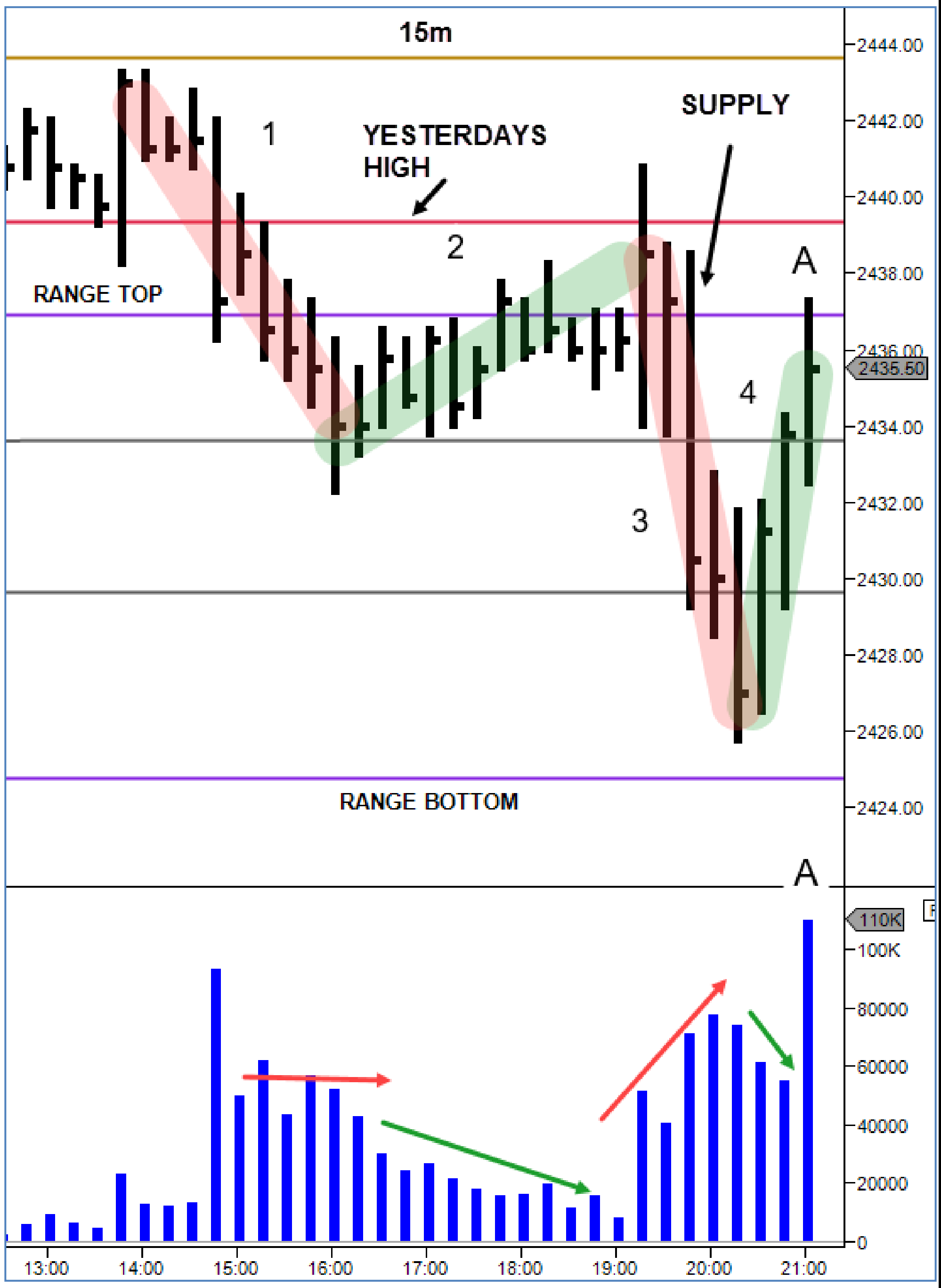
Wave 2 – we rally on decreasing volume and only net +4 points in 3 hours. This is buying of poor quality the market is finding it hard to push on higher.

Wave 3 – we react from yesterdays high (acting as resistance) on increasing volume, selling of good quality. We have supply enter the market after we have seen no ability to rally. This was a 15 point drop.

Wave 4 – found some support from the bottom of our range (to be expected) and we rally with decreasing volume.

From this simple analysis of watching the market unfold in buying and selling waves with the accompanied volume - we would have to say that sellers have the edge. This is a very important concept that goes deep into the Wyckoff teachings - it's very powerful and can give clarity to charts (on any timeframe) that maybe somewhat difficult to interpret.

Bar A – is the US close, these bars are notoriously difficult to read as there are various types of traders involved and thus tricky to interpret. BUT with all that volume (over double the previous bar) with a smaller spread and a mid bar close, this bar would appear to be weak. A great deal of selling has occurred. If all that was buying volume we would have broken yesterdays high at least. This is a good example of 'Effort vs. Result' a governing principle of Wyckoff. Think deep about the price action. Is that the correct result for all that effort (volume)?



Our trading range has been the focal point for many of our trades the past week or so. Yesterday we broke decisively via wave 3. With all that volume at A unable to break would suggest that this should now act as strong resistance. If so, bar A would be a potential lower high and we have a new down trend in play (for the smaller time frames). If that's the case the first logical place to test for demand would be 2424.75 (range bottom). As we expect another leg down we have a minimum target of 2424.75. If this breaks the next area is 2417.75. This would the limit due to the average true range of the daily bars

Game plan: Scenario 1 – highs first; break yesterdays high with ease, wait for weak pullback and apply bullish setups. First target all time highs

Scenario 2 – highs made first; upthrust yesterdays high, on our way back through the 2437.00 look for a weak rally and apply bearish set ups (unlikely)

Scenario 3 – lows made first; support holds at 2424.75, look for a weak reaction and apply bullish setups. We could spring support.

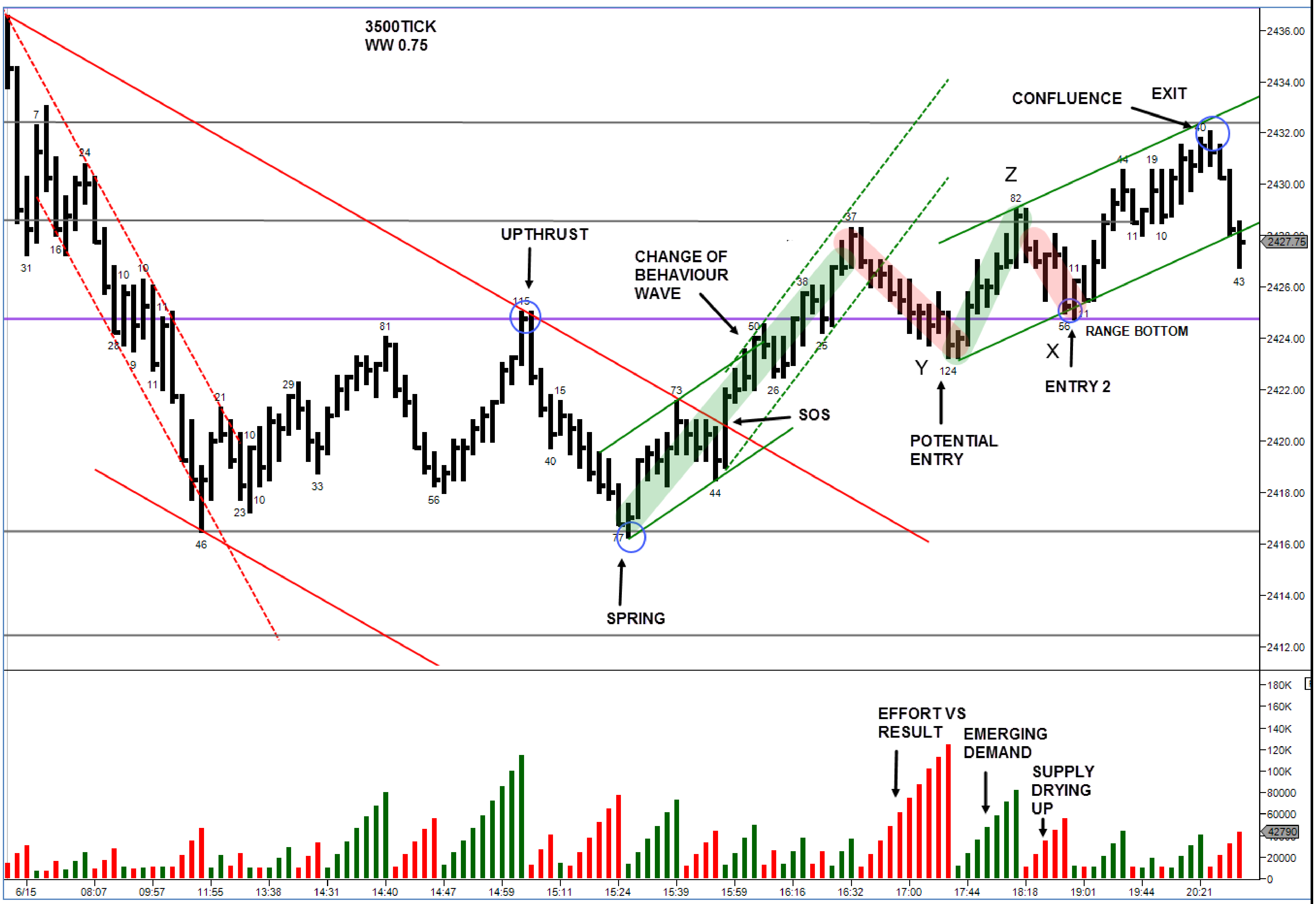
Scenario 4 – Lows made first; if we knife through support, we would want a weak rally back to newly formed resistance and apply bearish setups. Play for this would be to old support level 2417.75

US opens and rewarded with an upthrust at A. We're in a downtrend (upthrusts in downtrends are most favourable). We have decent supply at B (weakness) the rally to A volume declines (weakness) The upthrust bar itself; breaks the supply line, tests resistance, reverses to close weak back under the confluence and previous close with increasing volume (extremely bearish) A text book upthrust, trade with full clip. Exit half at support (+5.50 points). As were approaching support volume was increasing, odds favoured a break, yet as bar C closed stop was immediately moved above the previous bars high. Why? This could be a potential spring, I wanted to see a clean break and it didn't occur. Stop hit (2.75 points). All the while I am aware that we have a major support level via the daily at 2417.75, the market gave an opportunity via the upthrust and traded it so. The real trade here was the spring as it uses the higher time frame as support (which is always more powerful than an intraday level). However it's incredibly hard to trade this - in a down trend, we react with pretty good volume to support etc. There is an entry via bars D & E, testing bars both indicating the lack of supply.

Every fibre in my body wanted to execute but my trading plan would have been compromised, it required a stop of over 3 points and the trade is the middle of a range, structurally incorrect. On this occasion the trade moved with ease and would have gained a few points, that's OK. What's important as traders is to adhere to our trading plan and our rules, non-compliance will end in disaster. Psychologically this can affect new traders as they view this action as profits lost and may revenge trade or result in other forms of negative behaviour; to the contrary this is a positive outcome, sticking to ones trading plan is of great importance - we must come to conclusion that this is one trade out of 1000's, just one, we cannot waste any energy on the thought of unrealized profits or let it affect our mental state, there is always another trade.

The market drives up, breaking our infamous channel (bottom of our range) to J, although the buying quality wasn't clear. As we react to F there is a potential trade opportunity as volume decreases on the pullback, but the important part of the information given to us, are the cluster of closes - as it reaches newly turned support we can't break, price is holding and all the while supply is drying up. We create a local support level, look carefully, every time we dip under we bob back up closing back above the support level, this is a subtle sign of strength, indicating no supply. As we break we get a lovely confirmation bar with a decent spread and spike in volume. Through disconfirming supply we get confirmation of demand. No trade as had a lunch appointment.

Bar G, our second entry. A lovely little trade - via the 5m we spring a local support level and at the same time test support, whilst being in an oversold position, confluences are one of my preferred entries. We know there was a lot of trading to the left at F and held, adding to our picture of strength, look how we broke resistance to get here (orange HL), decent strong bars with high volume, odds favour support will hold. This trade was a tough hold, it never moved with any alacrity as we break the swing high to form a mini trading range, stop is moved. Exit at H - much to my surprise this trade kept on grinding higher, this kind of movement in price action is sluggish, hard to get onboard, if wasn't for holding a position I would of called it a day. Why exit at H? The first bar to break a previous low for 40m, we also break a local support level (+ 5points)



Using the tick chart it gives a different perspective confirming entry 2. Why? We get a change of behaviour via the up wave - it achieves a great deal, rallies for 10 points, breaks the supply line from a channel that has held for near 10 hrs and also breaks resistance (being the low of our range) this is strong behaviour. The wave down has 124k contracts (Y) looking at the volume via the histogram it eclipses any other wave volume on the chart we should have smashed through support. With all that effort we make little progress – hence effort vs. result. Buyers are clearly present. The proceeding wave up (Z) has 82k and we make a higher high, this shows ease of movement to the upside. Going deep into the price action, the wave down (Y) used 14 bars to print and 124k contracts, the up wave (Z) used 7 bars and 84k contracts (50% less volume) we have ease of movement to the upside, we revisit the same area at wave X with a mere 56k contracts, we know this level will hold. The SOS bar (sign of strength) I thought was a beautiful piece of price action, as we break the supply line the spread increases (as this is a tick chart that we know that large orders were placed) so it gives validity to the use of trend lines support & resistance levels.

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