

Date: 02/07/18 **Market:** ES mini **Timeframe(s):** Intraday – 5m,15m,60m,3500T
Yesterday: **HIGH:** 2745.50 **LOW:** 2716.75 **CLOSE:** 2721.50
Other levels: res:2807.25, res:2794.25, res:2745.00, sup:2700.50, sup:2668-70.00, sup:2594.50

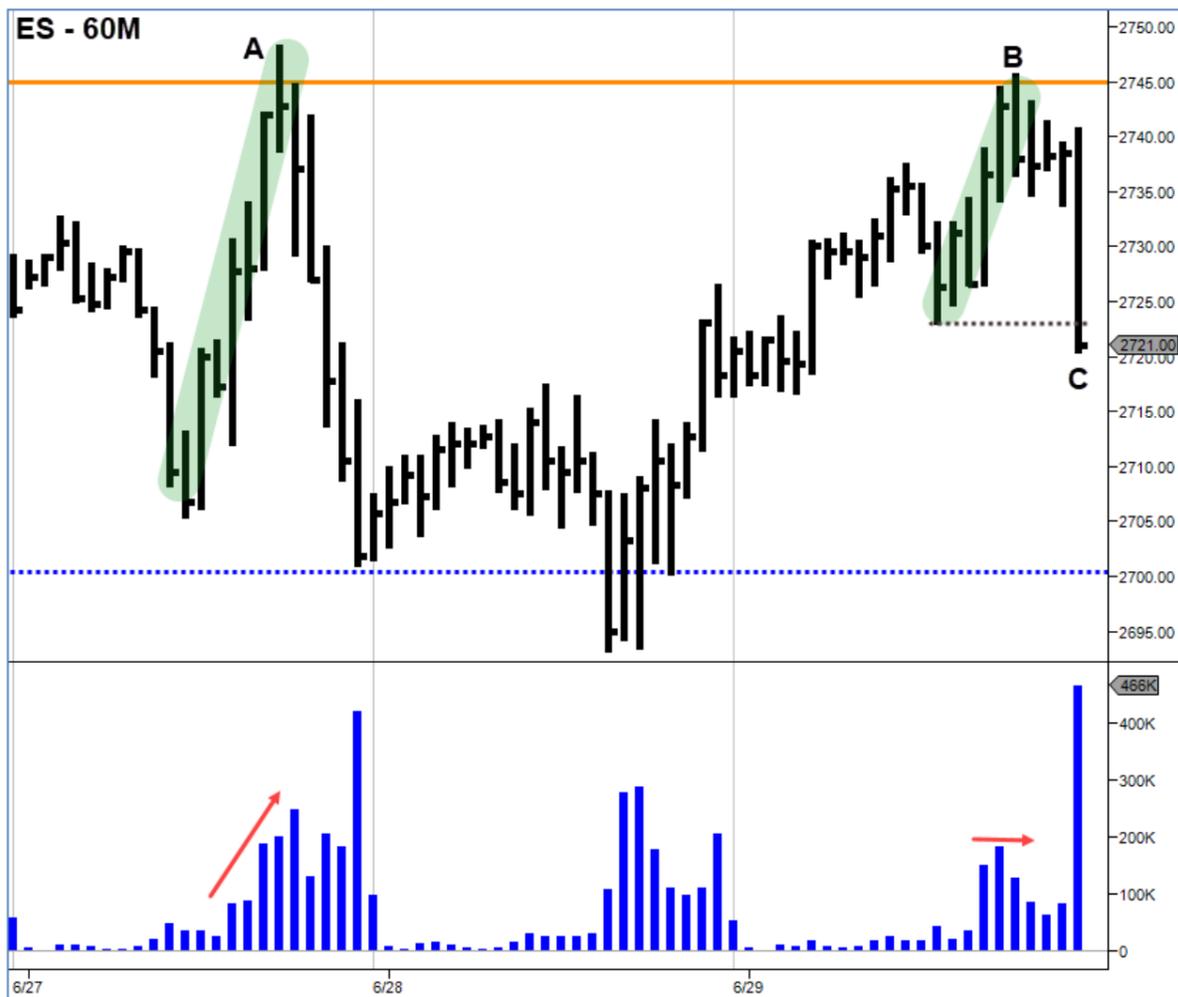


Glad to see that volatility has increased, along with our trading range staying intact. Last edition we spoke of the possibility of this scenario, due to the amount of trading to the left; what's of interest is the volatility, compare the price action from area 1 to area 2, the average spread and volume has increased significantly, a clear battle between the buyers and sellers is evident.

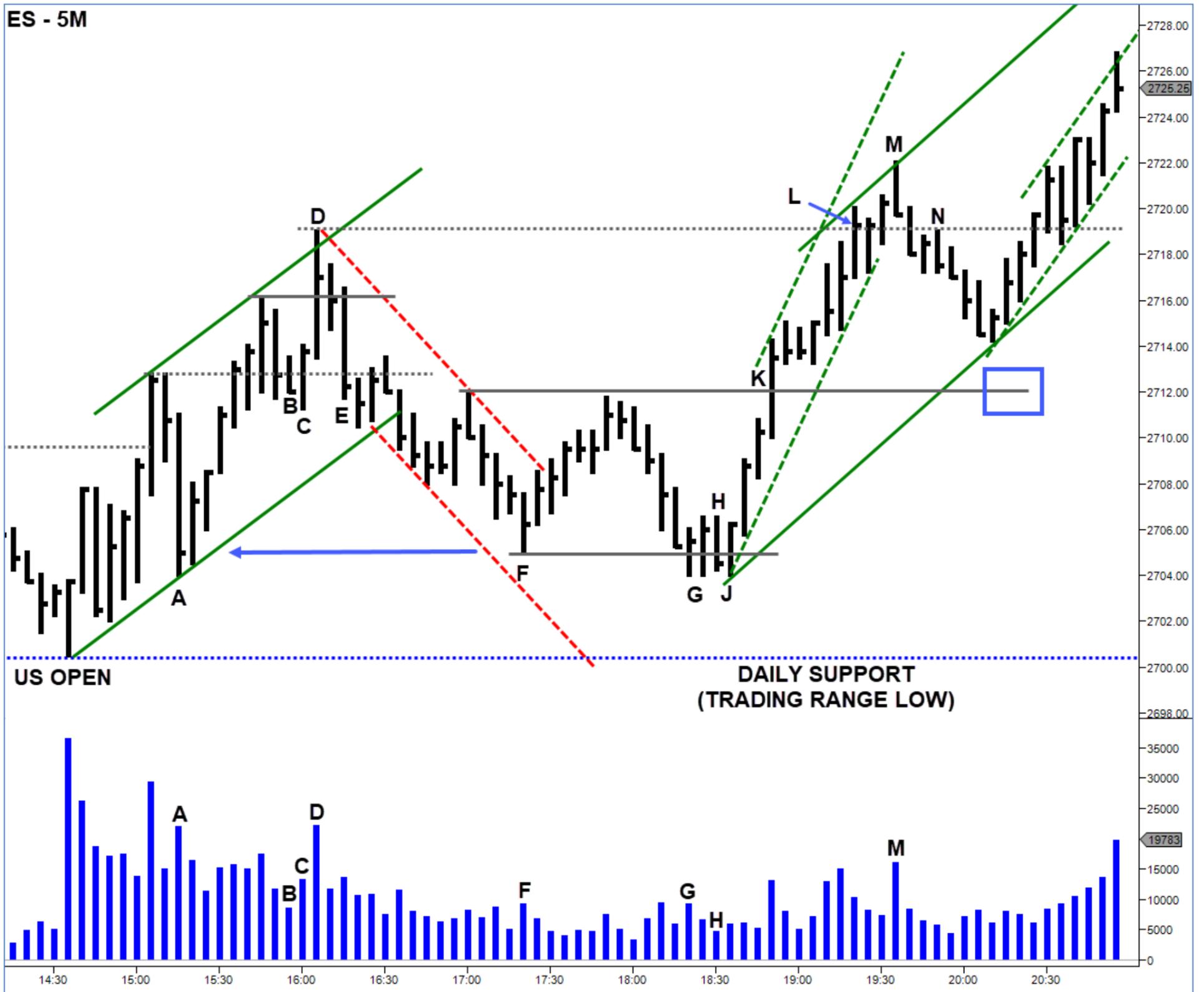
Bar A – Looks weak as the highs have been rejected via resistance from our trading range (2745.00) plus we're unable to test the highs from B. However, bar A is technically an up bar. If we compare the nature of A to B, we're in the same location, yet the spread and volume has declined from that of B. By using our comparative and relative analysis; supply/the sellers do not look as strong as they once did at B. Due to the characteristics of normal market behaviour we would expect a test of support (2700.50) as the highs have recently been rejected via A, normal mechanics of trading ranges, due to the volatility

we could achieve this in one session. The key therefore is to analyse the strength of selling on the decline and if we manage to test support, the quality of buying.

The 60m timeframe shows the story of weakness, odds highly favour lower prices. Note the quality of buying to A and that of B, spreads have narrowed, upside volume has declined (not increasing as we saw previously to A) Price rejects the highs (B) with selling of good quality via C, supply dominates the day's trading, we close under the US and European lows with one sharp move



During the European session (far left, not shown) we spring support, rally 10.00 points, come back to test via the US open. Once again at support, we find demand that propels the market 12.00 points, then bar A prints; a wide spread down bar that spikes in volume and closes weak, looks very negative and would expect lower prices, at least to test support, yet price immediately responds, reverses and we drive into highs - this therefore is a "shakeout". An ordinary shakeout is designed to wrong foot the market and therefore a bullish bar. As we push into new highs, bar B prints – "no supply" an extremely narrow bar with the lowest volume since the US session opened. Decent buying in the background along with a shakeout – an instant buy (ideally we would like the close above support, however due to the volatility we can make an exception)



Bar C – Reversal action with a spike in volume, additional entry point

Bar D – Exit 1/3, oversold in channel, huge surge in volume, close off the highs. This behaviour is not good for our position (+6.50 points)

Bar E – Stop hit, bar D feels a little climatic, perhaps we're not ready for mark up (+3 ticks)

Bar F – Pop in volume, closes off the lows (buying) slap bang at the lows of the shakeout bar. Markets do test shakeout bars on occasion, however rarely at the lows. On the decline, volume is low, price action is sloppy - no selling of good quality (especially compared to the previous buying)

The market revisits local support at G, with two decent spring bars, with the first having a pop in volume. An aggressive trader would take a long play here

Bar H – A no supply bar, volume declines yet the spread is not particularly narrow; if the spread was smaller (half) this would be an immediate buy. Need further confirmation

Bar J – More reversal action, 3 spring bars with no supply in between, buy on the close with a tight stop under the lows. Let the market prove us wrong. A must trade

Bar K – Exit 1/3, first resistance (+5.75 points)

Bar L – Exit 1/3, next resistance (+13.00 points)

Bar M – Huge surge in volume, doesn't achieve a great deal; this action must be noted

Bar N – Full exit, essentially we have upthrusted the highs. Price has the right to test support at 2712.00 (over 6.00 points away) unwilling to give back profits (+11.25 points)

Today's trading provided readable price action that produced a couple of decent trades. As previously stated it's fairly unusual behaviour for shakeouts to be tested, especially via the lows. The nature of a shakeout is to get rid of the weak longs before mark up; however the market had other ideas and wanted to test down in this area. The S&P's produced four lovely bars for our second entry. I am fairly confident that most experienced Wyckoffian traders would have jumped onboard this trade in one form or another. It's unfortunate that the S&P's kept on grinding higher, but we never know how the market will unfold. The blue square marked on the chart is where I expected the market to test (a natural area) for a potential long play, this didn't occur and that's OK, there is always another trade - time to lock in profits and call it a day

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