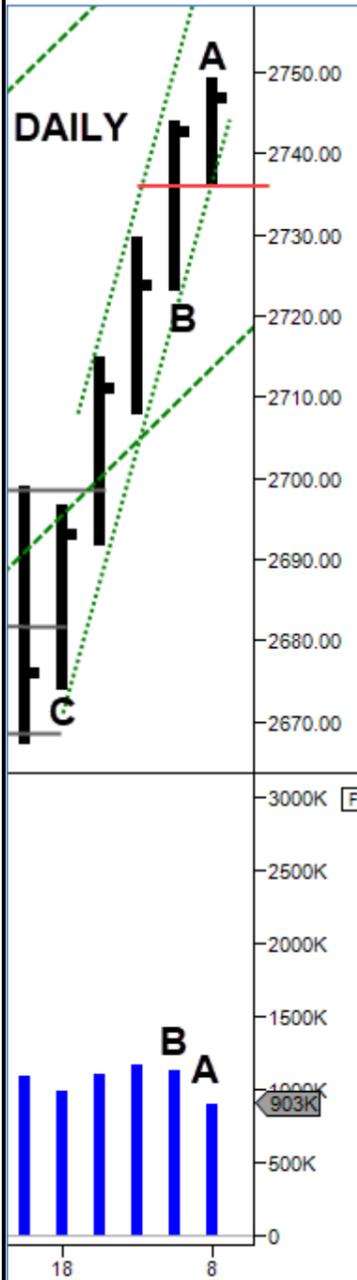


Date: 09/01/2018 **Market:** ES mini **Timeframe(s):** Intraday - 5m,15m,60m,3500T **News:**

Yesterday: **HIGH:** 2748.50 **LOW:** 2736.50 **CLOSE:** 2746.75

Other levels: sup:2723.75? sup:2698.00, sup:2668.00, sup:2625-26.00, sup:2593.50, sup:2560.00-61.00

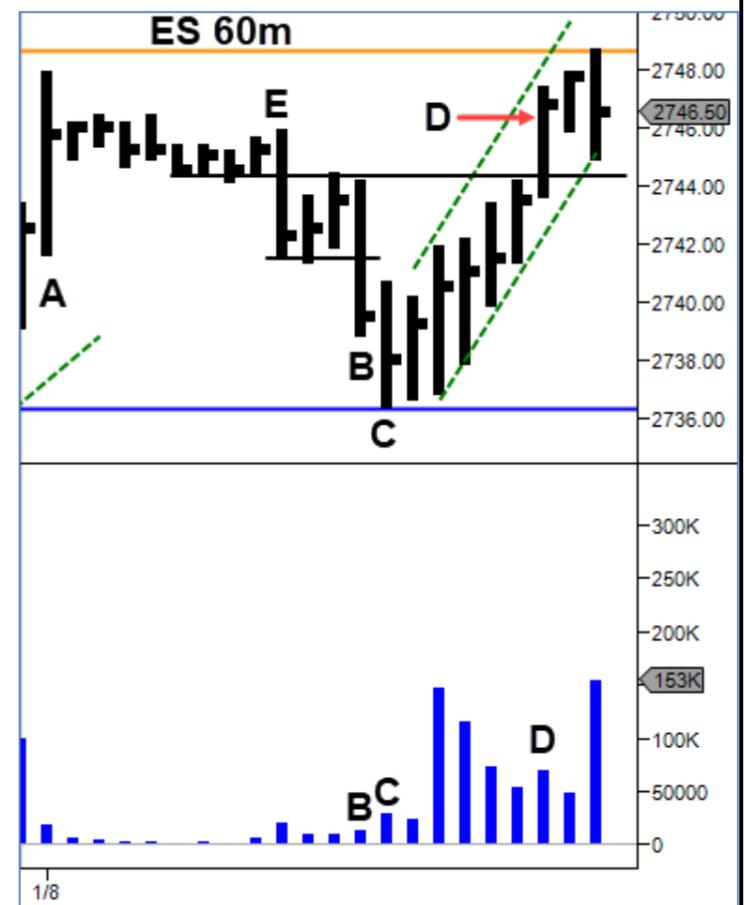


Yet again the S&P's are relentless and keeps on driving up, shrugging off any signs of negativity. It needs to be said that many well funded position traders initiate positions early on in the year and we have had 5 straight days up, with ease of movement, decent volume and firm closes. More often than not this can set the tone for the year, is it possible that we have another bullish year in our hands...? Time will tell, but odds are favouring this bullish mentality, for a real grasp we need to evaluate the strength of the next pullback, the line in the sand is 2768.00 (approx) if the market holds above this level, we are set for another strong year.

Bar A - first thing we notice is shortening of the thrust in closes (note how we drive up from close to close from C). From B to C the progress made is minimal, comparatively speaking. The spread has shortened, volume declined and importantly it's the deepest pullback into the previous bar we have seen (red line) look how far under the previous close bar A has retraced (comparatively to others in the up move) Yet bar A makes a higher high, close and low, so what does all this mean? Demand is tiring or at least drying up a little, which is to be expected as price has gained 80 points in 5 days, but momentum is still with the buyers as supply has yet to show its hands, there is no evidence of selling. Logically we still expect higher prices, although we must be a little cautious as selling could emerge due to the tiring demand

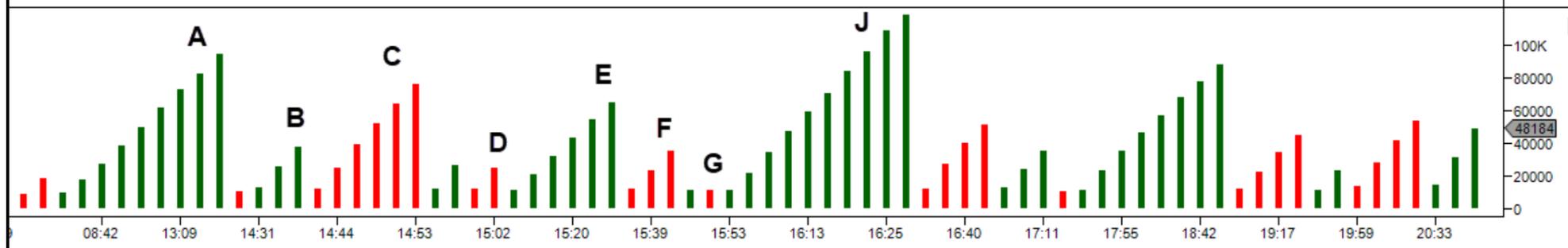
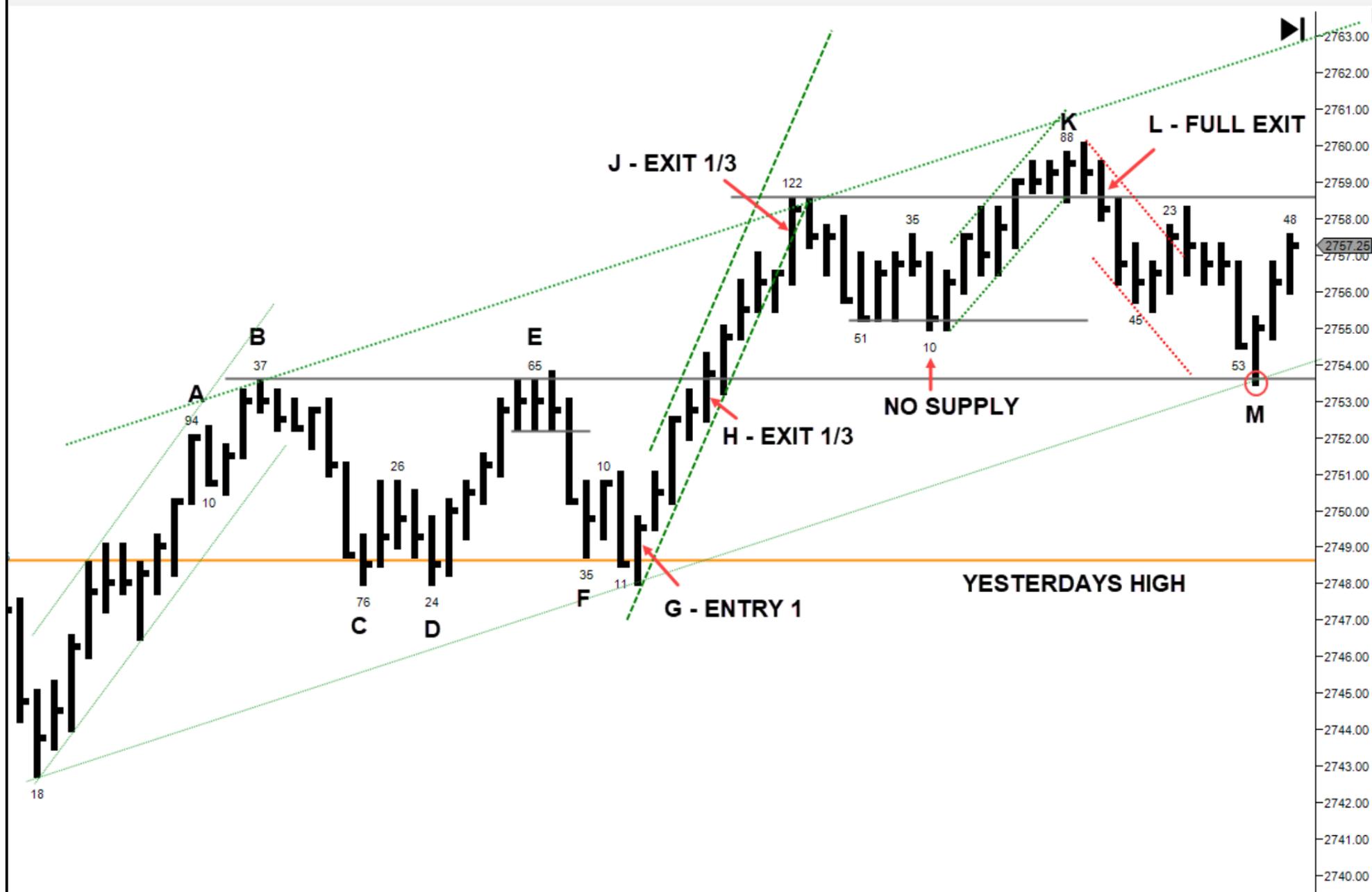
The 60m chart gives us confidence for higher prices as the bullish tone is much more obvious.

Bar B is negative as we close weak with a decent spread breaking local support. Bar C is strength, as the spread has narrowed, close is off the lows with over double the volume, ONLY with buying can we achieve this. From here the market rallies all day, not spectacularly, but we make higher highs, lows and closes all day, except the US close. One could make an argument that the volume is declining and this is weak behaviour; we must remember the daily is strong with no signs of supply, the sellers need to prove themselves not the buyers they are all ready established and driving this market higher. In addition bar D is excellent confirmation of demand as it breaks resistance and closes higher than the original break down bar E, and we do this with a pop in volume - indicates buying of good quality



Bar G – Entry 1, why? This was lovely little trade that was thoroughly enjoyable which kept me on my toes to the point of execution. 95% of this trade was pure wave based. Each individual wave was analysed in terms of demand and supply and the relative strength or weakness associated with the corresponding wave.

The market drives up to A with good demand (94k contracts) breaking yesterdays high decisively. We then push to B where volume has dropped off by two thirds; sellers see this and take advantage with a decent push down to C with 76k contracts. This is a change of behaviour (COB) as it's the largest down wave we have seen in this uptrend and it breaks the demand line from our channel, however it does hold support; a solid genuine change of behaviour should accomplish more than this and break the support and then we wait for a weak rally back to newly formed resistance for a short play, so is this a possible shakeout scenario?.....



For long positions we wanted to see a weak pullback from B; wave C is strong and the fact we didn't break support and held gives conflicting data, the real play here is to wait and do nothing. There is another attempt to push down at D and volume has declined by 2/3 (24k). Every fibre in my body wanted to enter a long position, but the previous up wave was only 26k - the lowest for any upwave after a COB via C, again we have conflicting data. The right play is to wait, but we must note that supply has dried up at support. There is a good drive to resistance via E (66k), holds for a while and then reacts down to support with 35k contracts. The way we drive down hard to support is bearish as there is ease of movement, literally 2 bars wipes out 5 bars of buying via the advance made to E, yet supply is 1/2 of that of the previous up wave and via the down wave to C. NOTE - If bar F dipped under the previous bars lows and closed exactly where it has, it would be an instant buy.

Not to worry it isn't long until we get our entry; bar G dips under all the price action to reverse firm with the weakest down wave volume the market has printed 11k, and this occurs at support. Looking from left to right at support we can see that supply declines on every test (C, D, F and G) plus demand emerged via E, there is enough bullish cause for a long play. We are using Wyckoffian logic: "through disconfirming supply, we get the confirmation of demand" Please do not forget that our higher timeframe (daily chart) is extremely bullish and price has rejected yesterdays high; a major support level (for intraday traders)

Bar H – Exit 1/3, first resistance (+4.25 points)

Bar J – Exit 1/3, overbought in channel (+8.75 points)

Bar L – Full exit, price as we break resistance is unable to rally (K area) and then closes weak back under, not a healthy sign for long positions (+8.50 points)

Where no supply is marked (10k) one could enter for long play or add additional contracts, as there is great demand in this market as proved via wave J. Unfortunately I was busy with another instrument

Today's setup was enjoyable to trade as there was conflicting data which led to a lot of back and forth in analysis. I have tried to show the thought process of how I approached each move (wave) as it unfolded, hope this helps. It was the demand via E that gave the green light. An aggressive entry via F is valid, if price action showed narrow, small spreads, closing off the lows I would have entered. Therefore the movement via F is actually a shakeout; a swift move down eradicating weak longs before the advance and very cleverly engineered it was. Bar M is a long play as we have a demand confluence of the working trending channel and support, this combined with price action is a decent trade setup. However, it was time to call it day and lock in profits

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