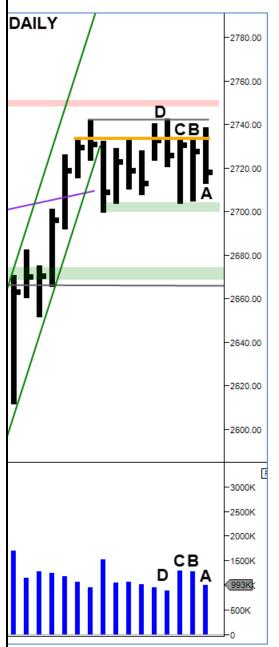
Date: 29/05/18 Market: ES mini Timeframe(s): Intraday – 5m,15m,60m,3500T

Yesterday: HIGH: 2737.75 **LOW:** 2713.75 **CLOSE:** 2718.25

Other levels: res:2788.00, res:2748-50.00, res:2741.25, sup:2700.50-2704.50, sup:2668-70.00, sup:2594.50



One could argue that the S&P's is going through a process called "absorption" being an advanced Wyckoffian process. There are many characteristics that are in place: notably supply to the left and price holding a tight trading range in this area, with supply waning within the trading range. However bar A being printed after bars B & C is somewhat suspect. For those familiar with absorption, volume should increase towards the end with rising lows etc (as both bars B & C illustrate) lows should continue to rise and consequently price breaks to the upside, bar A should not occur in the process of absorption. Bar A reverses price after attempting to break into new highs and ends up closing weak, under 10 of the last 11 closes, needless to say this is very weak behaviour. The volume has increased, the spread has increased (compared to previous down bars, D area) this is NOT indicative of absorption. Taking this on board, are lower prices on the cards? If we analyse the mini trading range, there is one subtlety of weakness; price cannot close above 2732.50 (orange line), even with all the volume from bars B & C, why is that? Sellers emerge at this level and they do so in force. Logically thinking; if price has rejected resistance (being the highs of our trading range) it's natural for the market to test support 2700.50 to 2704.50. If the market manages to penetrate this level, suffice to say the spread should increase along with volume; this would be due to the cause being built via the tight mini trading range

The market has an extended weekend due to Memorial day in the US, reflected by the small trading that occurred on the 28th (as seen), however this day did provide our original anchor point for our trading channel that proved invaluable for our days trading ahead. From the highs we continue south breaking the previous day's lows (of active trading) to Z, with a significant move of 25 points. From here one would be patiently waiting for a weak rally back to yesterdays low for a short play. This never occurred, that's OK, we gain vital data – the market is weaker than expected as supply emerged earlier than expected.

Bar B – Entry1, why? Not only do we have downside momentum, the market is unable to test newly formed resistance (blue line) supply is emerging earlier or should I say pressing the market. Upside volume has declined as illustrated, with evidence of supply making an impact by breaking support to A. By comparing the movement to A and that of the movement and volume via Y, we have a case of Effort vs. Result; clear as day (this upwave must be riddled with selling). Importantly we have structure via the supply line that has held five times prior to this test. Bar B is a hidden upthrust; for over 15m price cannot break the local highs, as we attempt to break we touch the supply line, price reverses and closes back under resistance – an instant short, as this is an extremely high odds setup

Bar C – Exit 1/3, first support (+9.75 points)

Bar D – Exit 1/3, breaks supply line (+19.75 points)

Bar E – The market was hinting for higher prices (breaking channel, supply volume declining) odds favour a test of resistance, being a further 5 points away, it's wise to lock in profits. Full exit (+15.50 points)

Bar F – Entry 2, why? A supply confluence; horizontal support and supply line via our channel, in addition we break the demand line from our micro up channel. Importantly we are trading with the flow, today's market is weak



Bar G - Exit 1/3. Demand confluence (+8.75 points)

Bar H - Exit 1/3. Support (+14.25 points)

Bar J – Full exit, stop was hit as broke the supply line (+4.50 points)

Today's trading provided two clear setups, both using the same supply line. The best trade was Entry 2, as it's a test of newly formed resistance, along with additional structure. For the purists; this is the Wyckoffian 'Rally Back to Ice" setup. Trade management proved a little difficult as price was unable to test the demand line from our major channel, most of the trading is in the upper half of the downtrend channel, never a good sign as it's natural for price to test the demand line from a channel after rejecting the supply line. The fact we don't, tells us that perhaps things aren't as weak as they appear..... For these reasons alone it's time to lock in profits and call it a day

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