

Date: 13/06/18 **Market:** ES mini

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

Yesterday: **HIGH:** 2794.00

LOW: 2782.25

CLOSE: 2788.25

Other levels: res:2807.25, res:2788.00, res:2748-50.00, sup:2741.25, sup:2700.50-2704.50, sup:2668-70.00, sup:2594.50



The S&P's has encountered a large supply area, which of course is of no surprise (as mentioned in the previous edition). We are in the area of the original break down bar that drove the market down over 300 points, resistance from 26th Feb (1) and resistance from 13th March (2), the market is clearly struggling. Bar B has an increase in volume over the previous bar, yet closes mid bar and the spread has narrowed, sellers are present and manage to close it back under resistance. Bar A, similar volume as B, and again no ability to drive higher, sellers are clearly capping upside progress. Are we absorbing any selling pressure? Possible, however all the volume from B & A with no genuine upside progress is somewhat worrying if bullish. Bar A is an inside bar, so if we encompass A into B, the volume is over 3 million contracts with a narrow spread mid close bar, in an area of supply, one would must assume that sellers are present.

All of this action is normal market behaviour; when we encounter a large area of supply, it takes time and effort (volume) to resolve the imbalance between the forces of supply and demand. As we know it takes equal or greater volume to break a previous area of support or resistance. The market can

achieve this in many ways; either with one large high volume bar (this has not occurred) or perhaps many attempts to break that will slowly chip away at the residual supply, or by absorption. Not only will we have sellers defending their positions, there will also be new support and resistance traders adding liquidity and perhaps some long covering (savvy traders locking in profits) again adding to the liquidity. Lateral, sideways movement is very common and can provide some sloppy trading, the key is to analyse the reactions from resistance and see supply diminish (if we're going to break to the upside) alternatively if we upthrust or print a 2 bar top reversal in this area, we must sell as we are in a supply area (potential to be an excellent trade). This is our game plan; we must think of possible scenarios that may unfold. We KNOW selling will be in this area, the question is how much? How deep will our pullbacks be? How is the quality of the buying thereafter?

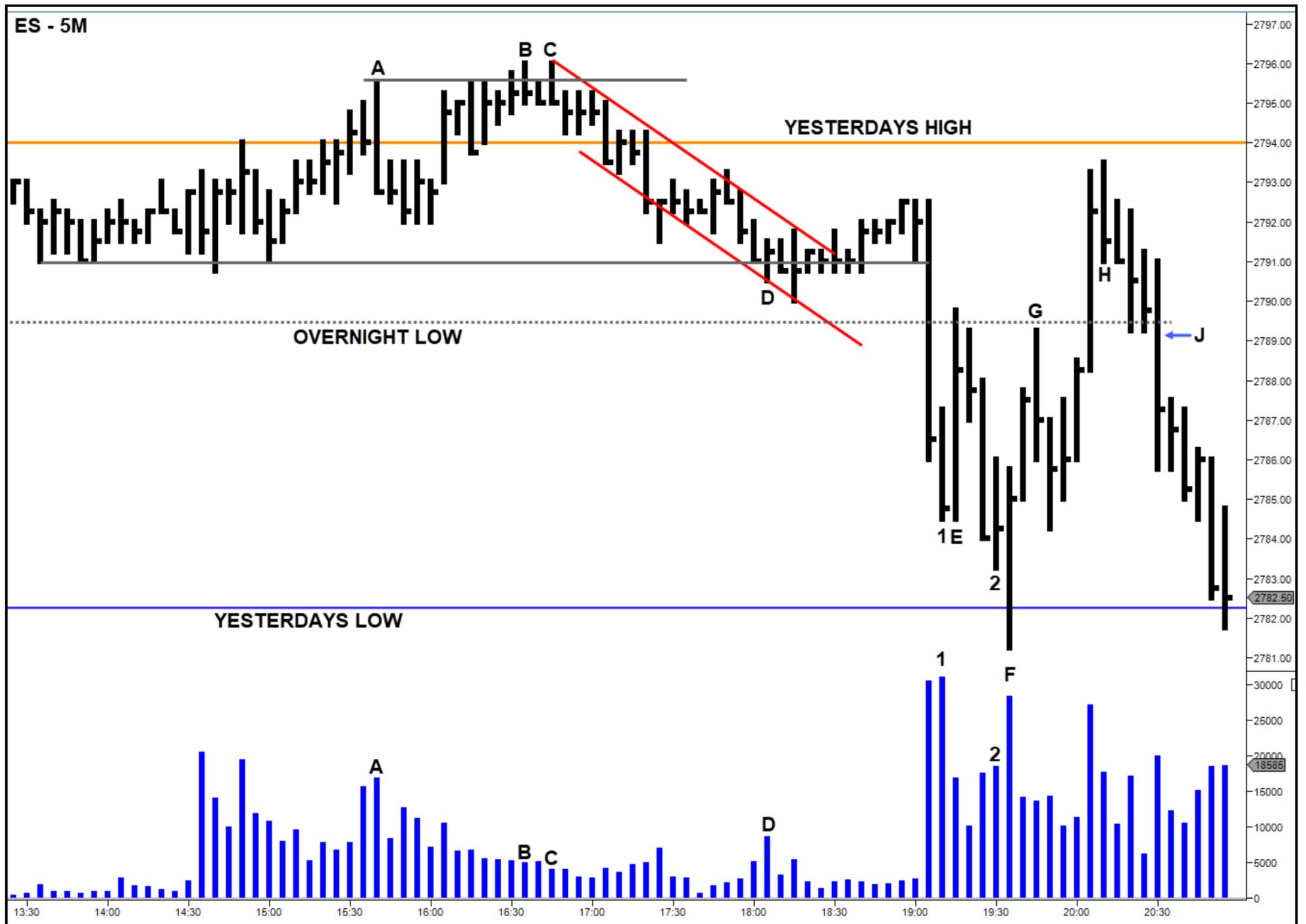
From a daily perspective it's hard to gauge tomorrows direction; albeit sellers are clearly present that have managed to cap upside progress after a fairly strong 6 day rally. Sellers are actively defending this area due to the closes of bars A & B, so either more sideways movement or lower prices as odds are against higher prices. Due to the nature of bar A being an inside bar, we should expect some form of resolve tomorrow either way.

By 430pm and only trading within a 5.00 point trading range, it was mighty clear that the market was waiting for the FOMC meeting (to be expected) occasionally large players can give a heads up prior to data releases and position themselves early on (another story for another day).

Yesterdays high has been rejected by B, our first entry. Supply has entered via A, with a 2 bar top reversal, we revisit with very low volume in comparison, ask yourself; is there enough buying force (volume) to break? No, the market is kind and gives 15m to enter, C is also a valid entry.

Bar D – Exit 3/4, demand has entered at support, volume has increased significantly. Being this close to the FOMC, it's unwise to hold a significant position as anything could happen (+4.00 points)

Bar E – Full exit, previous bar bullish Effort vs. Result, exit as we break the previous bars high (+7.50 points)



Bar F – Entry 2, why? We spring support (yesterdays low) with conviction; there are background conditions of strength with 2 cases of bullish effort vs. Result (bars 1 & 2).

Bar G – Exit 1/3, first resistance (+4.50 points)

Bar H – Exit 1/3, price unable to reach resistance before reversing (+6.50 points)

Bar J – Stop hit, as we break previous bars low (+4.25 points)

Today's trading was very sloppy with slow price action (unfavourable trading conditions for the methodology) Opportunities did present themselves by understanding the dynamics/importance of yesterdays daily highs and lows, however it does take great patience to sit back and watch the market unfold on days like these, especially if you only trade one instrument. Apart from Crude moving (oil inventories) it has been a pretty flat day all around, but that's OK, there is always another trade, another day - time to lock in profits and call it a day

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