



Analysis for Tuesday 20th November 07

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A; Low volume on a down bar before the open indicates higher prices at the open of the US session, the range is average and the close is slightly off the low.

B; This bar is supposed to be a low volume down bar, but because the market was bullish it ended up as an up bar on a narrow spread, this could be interpreted as bearish, but the next bar is up on an increase in volume.

Bullish market are composed of: increasing volume on up bars, once strength has appeared, with decreasing volume on down bars, and bearish markets are composed of: Increasing volume on down bars with decreasing volume on up bars once weakness has appeared.

C; This bar has a narrower range between the high and the low, and the volume is quite high, this will tell us that the market is struggling to maintain the upwards direction, and as you can see the next bar is down, but look at the volume, the volume is reduced on the following bar to C.

D; This bar is a low volume down bar with a very narrow range, the volume is very low as you can see, and the close is way off the low, even though the market was looking weak two bars back, this bar will tell you that there is very little selling by the professional money, they are still bullish or have not completed the distribution phase, with the next bar up.

E; An up bar with the close off the high, and a substantial increase in volume, this shows that sentiment has turned and only professional operators can liquidate with that kind of volume, have you noticed that the market falls after an up bar with a narrow spread? The professional operators have to support the market to bring in the small lot traders who see rising prices and cannot stand missing out, so they pile in, giving the operators the opportunity to unload at a profit. The following bar appears to have a bullish tone, it is a down bar with a narrow range, with very low volume, this could be bullish as there is a lot of supply around on up bars.

F; As prices rally off the previous bar, this bar F struggles to maintain the upward direction. But look, something has capped the top of the market, prices have fallen back from the top on an increase in volume, supply is swamping demand and the market is now looking vulnerable.

G; This is the bar that I have been waiting for, a low volume up bar, with a very narrow spread. We call this a no demand up bar because there are no professional buyers in the market here, they can see the weakness and withdraw from the market. With no support, the market can only fall locking in the small lot traders who were fooled but the rising prices at point E. The market now trends down to point H.

H; This is another no demand up bar, the volume is low and the market is not supported by those who matter, the previous bar looks as though strength maybe trying to contain the down move, but this bar H shows that there is only one direction, and that is down.

I; The same story as H, the market is still weak and no interest in the upside, as you can see it is an up bar close off the high and the volume is very low, the market cannot rise very far with no support.

J; A down bar close off the low near the open on high volume is a sign that professional money is starting to close shorts, demand is starting to swamp supply else the range would be wide and down, we now need to have a shakeout of the market followed by low volume down bars, the next bar is down, and look how low the volume is? This is a bullish sign that demand is now growing.

K; No demand up bar, with a narrow spread indicates that the professionals are not interested in higher prices at this point because they have withdrawn from supporting the market and if I were long I would be bringing in my stop very tight on this bar.

L; This would have been a test, but the high is higher than the high of the previous bar, this bar is a down bar with a narrow range, and low volume, but for the high being higher, this would have indicated strength in the market.

M; The Fed minutes, the shakeout process has begun, prices are rammed down very hard, and as a result the volume is very high, there must be thousands of stop losses triggered on this move, a lot of traders long at point J must now have been liquidated at this level. This is a bullish move and we should look for a low volume down bar to confirm strength.

N; We call this bar 'No demand' because it shows a lack of interest in the upside, the market is not supported, there is too much supply around and the market needs to be dragged lower to catch stops and create shorts who will later help the up move when they have to cover when they are caught.

O; At this point, prices have fallen again, but now we have a down bar with a narrow range, and the volume is average, demand is stronger than supply, else the close would have been on the lows, the next bar closes on the low, but with low volume, prices have been rammed down, but there are few short sellers, this tells the professional money that the path of least resistance is up.

P; Supply is swamping demand on this bar, we have had a good rally from point O, and now the net longs are closing out and selling short. Else the close would have been at the high, not near the low. Volume is ultra high and as we know the market does not like high volume on up bars as this shows supply is in the market.

Q; A down bar with a wide spread, close off the lows is bullish, the market was bearish on the previous bar, but it appears that the market is not allowing the market to fall, a true conflict of opinion in this Democratic market, next bar is another 'No demand' .

Outlook: The market was squeezed before distributing an hour into the open, then the market was weak throughout the trading session, with support entering before the Fed minutes, the market was expecting lower interest rates, which the stock markets like, with supply swamping demand at the close, if you look at the daily chart, today is an up day with 3m contracts, this is bearish and will not go away, I expect the market to rally to test the low of 14th November 1470.00 before coming off, and with Thanks giving in the States, it will be quiet for Friday.