



Morning notes

Thursday, July 18, 2019



INFO and LTF -> As written yesterday: “grinding higher on low volume and bearish divergence, than it is just a matter of time, when we are going to get a bigger liquidation break” *and Stay alert for change of market environment.* **TIMING** for this is not always easy, since the real selling came **late** in the US session. When you have such late selling, or late rally – that is always suspicious, and prone to retrace. So first move the next day is usually in opposite direction. Why is that?

Because big players do not wait for the last hour to press buy/sell button, they do that from the open. And we can again get the inventory correction, since now (around 7:35 am CET) **DAX** is ~120 points away from prev. cash close. Again – lack of strength and will to TRY to fill part of such a gap is confirmation of weakness, and signal that sellers from Asian session are right. So first move after open could be up to first resistance, and then selling into 12,200. Key level a.k.a. “basement door” is now 12,200. IF that cracks – we will see 12k fast. *Observe the additional charts* – Gap down on futures AND 240 min chart with potential H&S formation – and we know from my videos that left shoulder and head have a bearish divergence on daily chart. So, IF this formation is good, and confirmation of that is decisive breakdown below 12,200 – than targets are 12k and lower. But, as said – first pullback is usually bought, and if big brother SPX manage to negate this, and goes back above ATH – game over for bears. Bears need lower high, and even better – lower high with bearish divergence, AND a decisive b/down of 2950-60 area. DAX is weaker, and lagging index for many years. It can go down by itself, but IF SPX also goes down... then we could get a really good increase in volatility and daily range. More opportunities. We shall see.

News: G7 Meetings, US Philly Fed Manufacturing Index at 14:30 CET and FOMC Member Williams Speaks at 20:15 CET.

Market movers Earnings today: **SAP SE – biggest DAX component today before the open**, THIS can move market. In US, we have **Microsoft** in the afterhours, very important release. Netflix had a big subscriber miss last night, and was -12% in afterhours.

DAX Zones - For trading futures, adjust zones for CFD/futures difference.

Zone changes – Seven changes – two levels added, and five zones are adjusted from 12,260 to 12,477
(Small ▲ symbol is on the zones that were updated/adjusted or new)

TRADING PLAN -> **Main zones are Main S zone /12,050-070/ and Main R /12,290-310/.** Reaction is expected on both Main zones. **Bias is neutral-bearish below 12,300.**

Observe that futures gap, that could act as resistance. First resistance zone of interest is /12,260-275/ with the unfilled gap at 12,271 – cash index gaps are not filled in premarket session, so we could get a inventory correction to fill this one. Keep an eye on the **SAP earnings release** and general sentiment of [DAX components](#). Bounce into **Main R /12,290-310/** is likely to be sold. Above that we have Y low reference level at 12,324 and prev. cash close at 12,341. Weak market will not go there, and the “Line in the sand” zone for bears – for today – is **/12,350-365/**, a zone that they must defend.

Fading down move and long trades – only from best zones, upon an exhaustion move. Buyers can use **LTF S /12,190-210/** to try to go higher from the open. June 25 low at 12,175 is a reference level for possible false break of 190-210 – market in case of false break should not go lower. **Real breakdown below 12,200** would lead to lower zones, like minor zone /12,145-160/, better zone /12,120-135/, and **Main S /12,050-070/**. Lower prices than this require trend down day.

Choose your entry points carefully, and plot premarket low/high reference lines after the open.