



Morning notes

Tuesday, October 1, 2019



INFO and LTF -> Once upon a time, 10 years ago, while trading with “Mister B.” he used to say “triple top produce a drop”. That always made me smile. But the reality is that triple tops are very rare. **Now we have one** on daily charts on **DAX**. Premarket session on **DAX** and on US indices so far is very weak, without any will to bounce. **SPX is hugging the ~2940**. Back to Sep 23rd when we had that bad German Manuf. PMI -> first pullback was sold, and we got two down days first, then market shrugged that away. It is hard, very hard, to ignore bad news immediately, but at the end, market can shrug a lot of bad news before making next move. Logical conclusion would be: **First pullback is likely going to be sold**. And then we are going to see what next. US PMI affects ALL markets, since anything that have impact on S&P 500, will make impact on other stock markets as well. If you trade US markets - keep an eye on small cap index, Russell 2000 – RUT. It had a very bad day yesterday – not an easy thing to recover from 2% drop. Asian markets are down (Shanghai will open on Tuesday), with ASX 200 and KOSPI currently the biggest losers.

First economic release today comes at **14:15 CET** -> **ADP Non-Farm Employment Change**, then Crude Oil Inventories at 16:30, and FOMC Member Williams will speak at 16:50 CET. So, everything is in the afternoon.

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

Zone changes – Five changes: four zones adjusted and one new zone from 12,300 to 12,445. Some labels changed. (Small ▲ symbol is on the zones that were updated/adjusted or new)

TRADING PLAN -> **Main zones for today are: Main Support /12,145-160/ and Main Resistance /12,320-335/**. Reaction is expected on both Main zones. **Small time-frame Bias is neutral-bearish below 12,335.**

After large moves, next day could be:

1. **Consolidation** - neutral, market digesting the move
2. **Continuation**
 - a) caused by some news and you get multiple huge days to one side (usually downside)
 - b) move was technical break of important level and market goes same direction for a while on inertia
3. **Complete reversal** - that would require hitting major S/R

Prev. cash close is at 12,264. Premarket session hovering slightly below this. First resistance is **R /12,285-300/**, where sellers can react on the first test. **Main R zone /12,320-335/** comes at the area where first decent pullback could be, and presents IMO, automatic short entry for us. The question is, will market have strength to go above 12,300 or not. IF we get a move above Main R, sellers can react on R /12,345-355/, and **unlikely** to see market moving all the way up to test the breakdown area **R /12,385-405/** today.

Very weak market will not go above 12,300 and first pullback can end there, or at Main R zone. Down move should not be faded. Many inexperienced traders got run over yesterday AFTER the breakdown of 12,400 occurred. Never fade strong momentum in the early phase. First support zones, like /12,220-235/ and /12,185-200/ likely will not stop market, IF we get another strong down move. Use these zones as targets, or entry on a pullback – broken S can act as R and vice-versa. First decent support is **Main Support /12,145-160/**. Buyers can react there on the first test. Below we have unfilled gap at 12,127 and then another decent support at **/12,080-12,100/**, which would also be 100% expansion of the 12,300-500 range to the downside. Another trend down day would be required to go all the way down to 12k, where expectation is that buyers will defend.

Expectation for today – sideways-down activity, or another strong down day. Low odd to see market above ~12,350.

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