HiddenGap – Волатильность и Объем

VSA подразумевает анализ спреда свечи, объема на свече и места свечи по отношению к предыдущим свечам, а именно, к high и low предыдущей свечи

NR7: *Narrow Range 7 bar- this bar has the narrowest range of the last 7 bars.*

NR4: *Narrow Range 4 bar-this bar has the narrowest range of the last 4 bars.*

These deal with volatility and are the work of Tony Crable I believe. From a VSA point of view, some of the best ***No Demands, Tests, No Supply bars will also be NR7s or NR4s****. This makes sense as you would have low volume and low volatility on the same bar. Volatility ebbs and flows. Periods of low volatility are followed by periods of high volatility. And vice versa.*

WRB: *Another measure of volatility. Unlike NR7 and NR4, however, Wide Range Body deals with the absolute distance from the close to the open of a bar. Any number can be used, but the minimum number is recommended to be 4. Thus a WRB is a bar with the largest body (C-O) in the last 4 bars.*

KRB: *Key Reversal Bar. There are two main types I look at. The first one will be a selling bar. That is, it will make a lower low and not a higher high than the previous bar/candle. The open will be lower than the previous close but its close will be higher than both its own open and the previous close.*

The second type will also be a selling bar. It will open higher than the previous close, but trade lower and then come all the way back to close higher than its own close and the close of the previous candle/bar.

These type of bars/candles make for good hidden tests when the volume is low and the close is near the high.

Предисловие

Control Bar Analysis (CBA) is a sub-set of Volatility Analysis. Wide Range Body (or Bar) Analysis (WRB) is also a sub-set of Volatility Analysis. Whilst volume can be used in this type of analysis it is not required. Nevertheless, there remains an element of Supply/Demand Analysis inherent in Volatility Analysis.

CBA analysis should be thought of as a unique sub-set of Volatility Analysis rather than WRB analysis because the requirements and use are not the same as the definitive source for WRB analysis which comes from Mark (WRBtrader).

The above quote says to find the "largest range bar", or highest volatility bar. WRB analysis would say all WRBs are increases in volatility but not all WRBs represent key changes in supply and demand. And therefore not all WRBs can be used as WRB Zones. WRB Zones function as support and resistance. However, the more important function (for me), is that they create areas or zones to take entry and exit signals. Simply, WRBs are not trade signals. With WRB analysis, you do not need to look at more than one time frame. Each time frame creates its own key changes in supply and demand. To be sure, some advanced users my choose to look at WRB zones from more than one time frame but it is not necessary.

Information on WRB analysis can be found for free, but I will not post the link here.

As for this thread, knowing what I know about Volatility Analysis in general, I am very much in the "wait and see" camp. As there may well be some interesting and useful information to follow.

I have also attached a chart of my sub-set of Volatility Analysis. Again, it is a sub-set because there are elements I want to see in the WRB itself that are not part of Mark's teaching.

I am not that interested in WRB zones as support and resistance, because support and resistance is NOT a trade signal. WRB zones, or Supply/Demand Delta Zones as I call them, fill one part of the two part equation. ***Seeing what you want to see, where you want to see it.***

There will always be haters, I hope you don't let that deter you. Keep posting. If you find that the path is taking you too far of course, may I humbly suggest you return to the source (pm me for it, if somebody else does not post the link and name of Mark's site).

Before I do that, there are a few things I should make clear. WRB analysis was developed by Mark (WRBtrader). He offers a tutorial that consists of 12 chapters for a fee. However, the first three (3) chapters are free. Therefore, out of respect to him and those who have paid money, I can not talk about anything that is only accessible to paid members. Since chapters 1-3 are free to all, I feel it is okay to discuss some of that information and not be breaking any non discloser agreement. Also I have taken WRB analysis and tried to make it my own. So some of what I might say may not be technically 'right', that is, directly from Mark. But we all trade our belief systems and so I have incorporated my belief system into my understand of WRB analysis.

On a side note, this is why it a fallacy to think that a system or method of trading will lose its effectiveness with wide-spread dissemination. In truth, no two traders will trade a system or method exactly the same because no two traders have exactly the same belief system.

As I said before, WRB Analysis is a sub-set of Volatility Analysis. The base definition of a WRB is a candle body (Open-Close for candlestick users) that is greater than the previous three (3) candle bodies. Yet, that number can be user defined. Therefore 1 trader may use this definition while another trader may choose to use another number like 7. If a traders uses bar charts, then the base definition would be a bar with a range (High-Low) greater than the previous three (3). Unless otherwise stated, I will be talking in terms of WRBs with respect to candles.

WRB Analysis is primarily designed to improve a trader's understanding of the Price Action that occurs prior to any trade signal. A chart will have many WRBs but not all WRBs are equal. The WRBs that are of most importance will be Hidden Gap WRBs. A Hidden Gap involves the interval prior to the WRB and the interval immediately following the WRB. The underlying premise of a WRB Hidden Gap is that they represent where key market participants or Big Boys (BBs) have entered or exited positions and this action has created a change in the supply/demand dynamics in the market. Because some of the BBs have entered and exited in this area, and the BBs know that other BBs have likely entered or exited in this area, the area is watched by all the BBs. So all WRB Hidden Gaps represent changes in the supply/demand dynamic but not all WRB Hidden Gaps represent KEY changes in said dynamic. Those that represent a KEY change are determined by the Price Action after the appearance of the WRB Hidden Gap.

Drifters and Climbers are WRB Hidden Gaps with some specific price action components that I have imposed. Whilst they have nothing to do with VSA, I have imposed the concept of Effort into the definition. One way I define Effort is by looking at the relationship of the body to the range. If the open is in the lower 25% of the range and the close is in the upper 75% of the range, then there was Effort shown on the interval. So not only does the body need be greater than the previous three(3) but also the open needs to be in the lower portion of the range and the close in the upper portion. Effort can also be seen by the midpoint of the range of the candle. If the range of the candle is greater than the High of the previous candle (for a climber) then there is effort. In Bill William's first book this represents a two bar trend. Which, by the way, is also where the terms drifters and climbers come from.

Not surprisingly to those who have read some of my posts, most of my climbers will also be "buying" candles. That is, they will make a higher high and not a lower low than the previous candle. This too shows effort on the buy side and a lack of effort on the sell side.

Lastly, I think of range as showing effort as well. This is where I combine the idea of a Wide Range Body with a Wide Range Bar. So not only is a climber going to have a body (Open-Close) greater than the previous three (3) intervals, but also a range (High-Low) greater than the previous three (3) intervals as well.

Here's the best part. In chapter three of Mark's work, he talks about WRB Zones created by the user's own trade signals. Although climbers and drifters are not trade signals themselves, I think I can use them to create Zones as if they were actual trade signals because they could be.

Actually, the best part may be this: A WRB Hidden Gap only creates a WRB Zone based on the Price Action that follows (meets certain predefined criteria). That is another way of saying Result. So I am looking for Climbers and Drifters which are Effort and then looking for Result (the price action that follows). This ties in nicely with VSA and Wyckoff even without the use of volume.

The nice thing about WRB Analysis is that it is not a trade signal. Any trade signal/method a trader uses can be used in conjunction with WRB Analysis. A trader can use Japanese Candlestick patterns, MACD signals, or any other entry signal method.

The point I was making with my Effort bars was that since I do not know if you have a Supply/Demand Delta Zone until I see the resulting price action, I am basically using the concept of Effort vs Result. Which is a VSA concept. Yet I mentioned nothing about volume in defining the Effort bar (climber or drifter).

There are a couple of ways to determine if you have a KEY change in the Supply/Demand Dynamic and therefore a Supply/Demand Delta Zone.

1. The first way is in the resulting Price Action.

2. The second way is if you see an immediate buy/sell set up within the body of the WRB after it is a Hidden Gap. To be a Hidden Gap, we need to look at the interval prior and the interval following the WRB.

The first chart shows one type of Price action that would qualify the WRB as a KEY change and therefore create a WRB Zone. The two squares would be places to look for an entry signal (again, whatever a traders uses for that).

The second chart shows an immediate entry signal before any Price Action definition that still tells the trader that the WRB was in fact a KEY change. In this particular case, there is both a VSA aggressive entry and an entry based on Japanese Candlestick patterns. The Japanese Candlestick pattern entry is particularly strong because it is a dual pattern. It is both a tweezer pattern and a bullish engulfing pattern.


Price Action that determines
if you have a Supply/Demand
Price Action to enter the market if your trading
method signals a trade .


Exit
Entry
Dual Candlestick
pattern
Supply/Demand
Delta
Zone
Tweezer & Bullish
Engulfing
(Hidden Gap)
Sqt
NS
NS
D
Demand
Shake Out (KRB)

№1 (ищется возможность торговать прорыв низкой волатильности, которая, как правило, наблюдается в зонах высокой волатильности – поддержки и сопротивления)

There is so much that can be said here, I may have to use more than one post. First, I do not use the term WRBs. I use Expansion Body 4s (EB4) and Expansion Body 7 (EB7).

Which brings me to the first idea to cover: Volatility.

Many have heard or seen the terms Narrow Range 4 (NR4), Narrow Range 7 (NR7), Wide Range 4 (WR4) and Wide Range (WR7). These terms are ways of talking about price volatility. To these I add EB4 and EB7. EB7 refers to the width (range) of the open to close rather than the entire width or range (high to low) of the price candle/bar.

The basic idea is that volatility ebbs and flows. Periods of high volatility follow periods of low volatility and vice versa. That is why some traders look for NR4 or NR7 bars and will trade the breakout of that bar expecting to profit from the volatility increase. Conversely, some traders would look to exit on WR7s expecting the volatility (price movement) to lessen.

What does this have to do with VSA?

Well, the ideal no demand or test bars will be NR4s or NR7s with volume less than the previous two candles. Yes, there is a correlation between volatility and volume.

Let's move back to the EB7. Many contend that the distance between the open and the close most accurately displays the actions of the Smart Money. Hence, leaving volume aside for a moment, the wider the range between open and close (the body) the more active are the players that matter most: the Smart Money. Well another way to see this activity is to see it as volatility (price movement).

An EB7 creates a "pocket" of high volatility, measured from the open to the close. We would expect that as price returns to this pocket of high volatility, volatility would decrease. This is a refinement of the low volume signal within the range of a high volume bar. The range has been refined from high to low to mean only the open to close. And volume (for now) has been replaced with volatility. Ultimately we combine both volume and volatility of course. So, we are looking to trade the breakout of low volatility that occurs within a once high volatility area. This is seen on the chart were we have a EB7 whitch is an Effort to Fall followed by sideways movement in price. Price then moves back into the range of the body of our EB7 candle and we see a NR4 bar closing off its highs on volume less than the previous two candles: No Demand. This is our "high probability" trade set up area.

Let's bring some more VSA into the equation. Notice that this EB7 (yellow rectangle) has increasing volume, but the volume is not that high. We know in general that bearish volume is increasing volume on down candles and decreasing volume on up candles. We also note that the close to open range almost encompass the entire candle's range. Plus we note that the midpoint of the candle is lower than the low of the previous candle. All this tells us that this is a bearish bar. Supply enters here. However there was some buying as the next bar is up and prices start to drift sideways.

Now skip ahead to the no demand bar at the top of our zone. As price has moved into an area where there was increasing activity, we now see activity decreasing. If there were a lot of buyers on that Effort to Fall bar, a return into this area of the price chart has not brought them back or brought new ones in. Therefore there has been a change in the Supply/Demand dynamic in the market as evidenced by the candles within this range. The Smart money that were actually selling on the Effort to Fall are still bearish and therefore are not interested in higher prices, so we see little activity on an up bar. Which we call no demand.

We can look for high probability set ups within this area until it is closed. A close both above and below with price action thru it would close the zone. Some zones are special and do not close, for example the zone with the black and green lines is not closed even though price has closed on both sides of it. This zone was created on Tuesday at 14:15 hrs EST............

No demand – бар типа волчок, характеризуется низким объемом в сравнении в объемами предыдущих двух баров (см. рисунок).

№2 (вход осуществляем в рамках «тела» с очень или ультра высоким объемом. Идеальными будут свечи типа EB7, у которых длина «тела» последней свечи будет больше, чем длины «тел» предпоследних 6 - 7 свечей)

Sorry I was a bit tired last night/this morning. Let me try that again, and let's start from a different perspective.

VSA teaches us that the ideal place to initiate a trade is a within the range (H-L) of a very high/ultra high volume candle (technically bar since VSA does not use the open). Using a completely different form of analysis, Expansion body analysis, we can refine this concept in such a way as to define the ideal trade location to be not the entire range, but the body (open to close).

We want our Expansion body to have certain characteristics that detail certain VSA principles and some other principles of price action in general. This affords us a better understanding of the price action prior to the appearance of a signal and thus gives us more confidence in said signal.

This is a VSA thread, so we want to keep things along those lines. But, once we understand the price action and the significant expansion body, we could take any type of signal. In other words, if you used a cross of MAs to enter the market, the ideal entry would be a cross of the MAs within the Supply/Demand Delta Zone. This of course makes sense by definition.

The Ideal Expansion bodies will first be EB7s. That is, the body will be the largest body of the last 7 candles. Again, this relates to volatility and NR4 and NR7 bars.

We also like the bar to be a "buying" or "selling" candle. So if it is an up candle, we do not want it to make a lower low than the previous candle but we do want a higher high. If it is a down candle, we do not want it to make a higher high but we do want a lower low.

Next we would like to see that the body (Open to Close) makes up the majority of the entire candle's range. Hence we like to see the close in the 80,85, or 90% of the range with the open in the lower 20,15, or 10%.

From a VSA perspective, this generally means that an up candle closing at these percentages is showing strength. As volume increases, however, the close hints at supply swamping demand. (more on this in a minute).

As volume increases the requirements for the close ease up. At the base level, volume less than a Moving average of volume, we would want the highest close requirement which is 90%. This is because we would be looking at an "Effort" candle. I also added the additional requirement that such a candle with this amount of volume have an increasing MFI (range/V). This basically shows ease of moment, or the ratio to volume to range. We also use range X volume to determine climatic action.

So let's cut to the chase.

Attached is a 5 min chart of the Euro.

At 10:00 NY time the Fed Chairman begins speaking. As a result we get a Wide Spread up candle on climatic volume (dark blue) closing off its high with the next bar down. VSA tells us that when weakness appears, it appears on up candles. Since the next candle is down, there must have been some selling in that candle. This is the reason markets do not like up candles on ultra high volume. ***We know the Smart Money is active because of the volume AND because of the width of the candle body.***

Taking a closer look at the close. We see that it is off its highs, but it is at least in the 80% of the candle's entire range. Had the volume been less, an 80% close would be seen as bullish. In this case it can not be completely viewed as such because the volume is so high.

So we have a candle with a bit of duality. On the one hand it is an Effort to Rise which is bullish. On the other hand it represents new supply coming into the market from the BBs and is therefore bearish. So there is something going on in the supply/demand dynamic in this candle.

Price does indeed fall. But that is not what we are actually concerned about at this moment. What we are concerned with is the fact that this area now represents an area where changes in the supply/demand dynamic have happened, and therefore should continue to be an area of change until it is closed. In other words, what happens we price enters this area (either from above or below) the next time?

So when we look at this candle we see that there was a change in the supply/demand dynamic. Prices went form moving up to moving down. Will sellers continue to step in at this region and force prices down the next time they reach this level? Or will new demand enter in the form of buyers and push prices up?

That is what the Supply/Demand Delta Zones are all about. They represent the market's own best interpretation of where the current support and resistance can be found. More importantly, and what is actually ment by support and resistance, this is the area where any changes (or contiuation of the current) supply/demand dynamic would show themselves.

As expansion body analysis is independant of VSA, one could define significant EBs thru price action alone. Like swing points (there are many ways to define swing points). That is not what I am doing, however.

№3

I posted a chart and asked if somebody could see a long entry signal on the chart. I got a few responses and am very grateful for them. I have spent most of last night and today looking at that chart. WITH 100% HINDSIGHT I HAVE SEEN SOME THINGS I MISSED IN REALTIME. NOW I HAVE AN UNDERSTANDING I DID NOT HAVE AS THE CHART UNFOLDED. I CALL THAT LEARNING.

I have attached the chart with letters, but will not be leaving any analysis. Those viewing the chart can do the analysis on those bars if they want.

I do not predict the markets. The future is unknown and not knowable. I could not care less where the market will be in 2 hours, 2 days, or 2 weeks. As a trader all I can do is identify high probability set-ups and then take them with discipline.

If people want right edge analysis, then we need live action video. That way we could see the set ups being identified and taken as they occur. This is much more valuable than a guess about where the market may or may not go when it opens. Simply, I don't care if you think the market is going up. I want to see that you have a set up as of the last bar/candle/line on your chart and you are going long on the open Sunday night.

With that said, I believe hindsight analysis IS the best way to learn the principles of VSA or any other method. In real-time, other factors and personal issue muddy the core trading concepts. But if its real time right edge stuff this community desires, let's get a way to share our charts live over the web. Simply, posting charts about what you think the week to come holds has less value than hindsight charts offer for learning set ups.

I am new here and have read the thread. What I find most frustrating is 80 pages of indicators/question about indicators for a price action only method. As far as I am concerned, that takes away from learning to see set ups in real-time more than looking at a hindsight sight chart does.

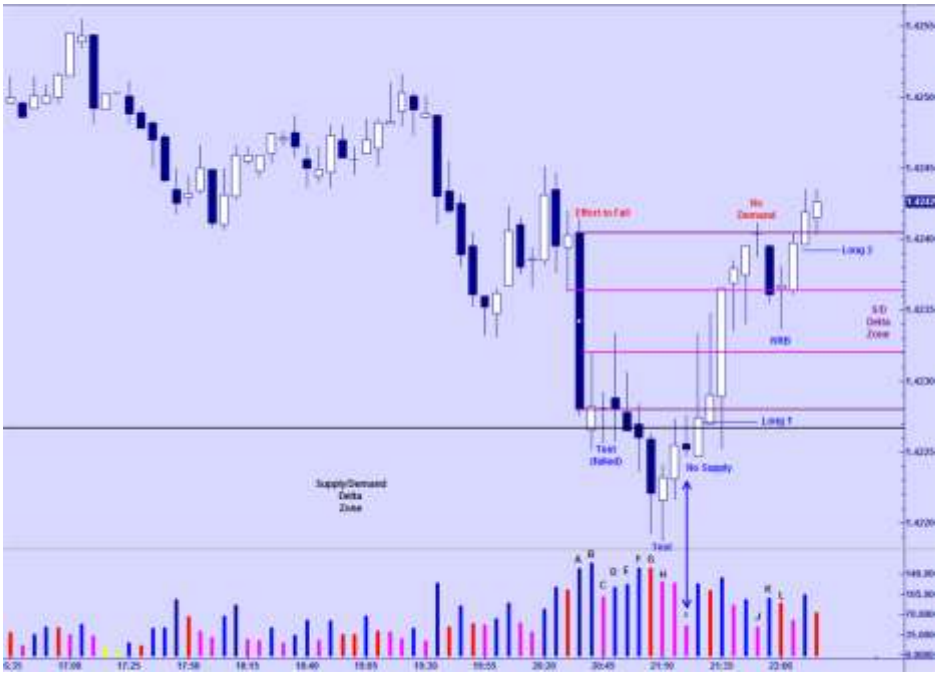
This may not of been my place, and Shamus, I apologize for that. What you have here is great . It is certainly bigger than me. Just had to say my piece.

One last thing: ISN'T THAT WHAT THE CHAT ROOM IS FOR? REALTIME RIGHT EGDE ANALYSIS.

№4

Hope you find some value in this.

Interesting set up in the Euro/USD on the 5 min.



A: Effort to Fall candle. Wide spread down candle on climatic volume that closes slightly off its low with the next candle up. Some Demand (buying) is hidden in this candle. Why else would the next candle be up? However, the sellers were in charge on this interval.

B: Up candle showing that there was some buying on the first candle. Notice that the range is narrower than the first candle and the volume is higher. This is a squat. Also note that the close is in the lower portion of the candle. This is bearish. The long upper shadow shows supply entering this candle as well. Is the supply/demand imbalance on the side of supply or demand? We don't know. So what do we do?

C: We test. Narrow range down candle closing in the upper 1/3 of its range on volume less than the previous two candles. So we have tested. But we need it confirmed.

D: Equal close to the test bar, with a long upper shadow showing some more supply. The candle does not make a lower low and volume increases.

E: This candle is down and closing lower than the close of the test. Our test has failed. We have now seen a candle closing lower on increasing volume after our test. Our test has failed.

F: Down candle on increasing volume, but the close is roughly in the middle of the range. There is buying (demand) on this bar.

G: Down candle on equal volume that again closes off its lows. Here again this candle makes a lower low, but demand steps in and pushes the close off the low. Ultimately we have a down candle on high volume. Generally speaking, increasing volume on down candles is bearish.

Since our test (failed) candle, we have seen 3 candles with lower shadows. In other words, although they have closed lower, they have closed off the lows as volume increased. There had been some buying in them.

H: This is a test. To Japanese candlestick traders this is a hammer. From a VSA perspective. This is a candle on volume less than the previous two candles that makes a lower low but closes higher than the previous candle and in the upper 1/3 of its range. Prices were marked down to look for supply and none was found. If there had been supply in the market, the volume should be higher and the close should be lower in the range.

I: This is a key bar. Note that this is a down candle. We close lower than the previous bar. Since the previous candle was up, our test is confirmed. More confirmation comes here. There is no volume on this down candle. Notice the amount of volume on all the down candles since the first test (failed). Volume on down candles had been increasing or equal, now it is dried up. The supply is gone.

We also note that the next candle is engulfing this down candle. Long at the close of this candle.

J: As the market moves up, we see a narrow range doji on volume less than the previous two candles at the edge of the supply/demand zone. If we look back to the Effort to Fall candle, we see that in the price area where it began and brought in ultra high volume, we are now seeing no volume. Simply, sellers rushed into the market in this area, but are not rushing in to sell again. The BBs are not very active on this bar, just in case.

K: Down candle on increasing volume. One last ditch effort for the sellers to regain control of the market.

L: This is a key reversal candle. The open of the candle is higher than the close of the previous candle and the close is higher than the open and the close of the previous candle. The low is lower than the previous candle, yet the close is in the upper portion of the range. This is not quite a doji but pretty close.

If you viewed this as a test candle, then the volume is not less than the previous two candles and is a bit high. However, this candle is ultimately bullish. Again we see the next candle engulfing and closing up. Another chance to enter or add-on.

I know this is not what most people here want, but I believe there is some value in this chart. Hope it helps. FWIW current price is 1.4250.

№5 (длинные тени являются зонами)

Here is 3 my trades today. All losses ....

If someone can comment - please ;]

Thank You.

Best, Tom


Exit on this canlde close, because
volume increases on down moove
1
2
Entry candle long
1
2


Exit on this canlde close, because
volume increases on down moove
1
2
Entry candle long
1
2

First a couple of thoughts:

1. You are going to be a very good trader. I like how you have taken responsibility for your trades and are not blaming VSA. Many newbies would be cursing VSA and off again on the search for the non-existent holy grail. I truly believe you will be one of the ones who make it.

2. It is no secret that I am a believer in the power of the Supply/Demand Delta Zone. More exactly, in Expansion body and Long Shadow analysis. There are, however, other was to create support/resistance lines, areas, or zones. One of the main benefits to these horizontal lines is that they focus your attention as a trader. It is usually better to be taking a trade on or near a support/resistance line, area, or zone. Most traders should not be taking trades in "air". On your chart, there is a pink line what may be some sort of support/resistance but the trades you show take place nowhere near that line and that is the only line I see.

On to the trades.

TRADE 1- In all honesty, I would of made this trade as well. You can see from the picture I attached, this is in a supply/demand delta zone via a long shadow. ***Candle A is a failed test*** (большой объем). We know that now of course. At the time it looks like a candle of strength. It closes near its high, slightly down from the previous candle, makes a lower low all on high volume. Simply, it does look like stopping volume.

Candle B is an ugly bar for longs. It has ultra high volume and closes in the middle of its range. This looks like a transfer of ownership type of bar. I don't know if you enter on the open or close of this candle. But if it was the close, the candle itself should have given you pause.

Candle C is no demand. It is a narrow range bar closing equal to the previous bar on volume less than the previous two candles. Note that it makes a higher high. The higher high shows weakness. The close in the middle of the range (after making a higher high) is another sign of weakness. On top of that we have our ugly candle at B.

What you did right- You quickly admitted you were wrong and got out of your position. You did not marry yourself to the position and start to hope for a reversal.

Simply, You did not look for the market to prove you wrong, you looked for it to prove you right.

TRADE 2- I do not know why you made this trade. There is one candle (the dark hammer) that shows some strength. It closes in the upper portion of its range on a down candle with high volume. While it is strength, it does not look like stopping volume. Nothing else in the background jumps out at me saying "demand is entering".

TRADE 3- Let me say again, you will be a good trader. Your willingness to take two losses and then listen to the market and change trade direction is the sign of a good trader. While this trade does not go your way, being able to go from trading long to trading short as the market tells you that the path of least resistance is to the down side is an essential skill.

With that said, what in the background makes this seem like a good trade?

If the trend is down, then you want an up candle on low volume to enter. Or a narrow range up candle on high volume. But take a look at the second chart. Notice that every candle that is making a lower low has decreasing volume after the second one (dark hammer). So each push lower is done with less and less enthusiastic sellers. Demand is entering at each point.

Candle A is a candle of strength. It is a narrow range down candle closing near the middle of its range on increasing volume. It looks like a failed test, but the next bar is up. If this was a test on high volume, we would expect the market to come back down and re-test since the volume is high. That's what the market did.

Take a look at the candle prior to candle B. Again this candle makes a lower low than the other candles with the double arrows. Note how much lower the volume is compared to those others. B is a narrow range equal close candle on volume less than the previous two candles. This is a test with good volume (low).

№6

This trade was made live in chat.

First we note the wide spread down candle. Although it closed on its lows, the next candle is up. Some demand (buying) entered on this candle. Volume is down from the previous bar, but it is still high.

Also note that the purple and pink lines are the lower lines of a larger Supply/Demand Delta Zone created by an expansion body from yesterday's large move.

The set-up

A: Narrow (NR7) range down candle closing in the upper 1/3 of its range, but the volume is high. This is a failed test. Price can rise from a high volume test, but the rise is usually muted and likely to come back down an test again.

B: Tricky candle here. This candle makes a lower low on volume less than the previous two candles, closes down and closes in the upper 1/3 of its range. Could be another test. This makes sense as the previous candle (test) failed due to high volume. Some aggressive traders might enter on a breach of this candle's high.

C: Increasing range on a down candle with volume less than the previous two candles. This is no selling pressure. Two things of note here. First, it closes lower than the two previous tests candles. Second, it does not make a lower low. It does 1 & 2 on lower volume. This tells us that the BBs are not interested in lower prices at this time.

The market starts its charge upward (at this point without me).

D: Gaps are filled. This candle fills the gap. It is a down candle on volume less than the previous two candles and closes in the middle of its range. Both the volume and the close are bullish signs. Note that the volume on D is lower than the volume on C. Down candles are coming on decreasing volume at this point.

E: This candle breaks the down volume trend. It is a wide spread candle on increasing volume with the close in the middle of its range. ***VSA teaches us that high volume candles closing in the middle of their range and down are signs of strength***. Notice the lower low. Support (demand) came in here and pushed price back into the middle of the range.

The herd sees the lower close on increasing volume and thinks selling. VSAers know better.

F: Back to low volume down candles. This candle does close near its lows but again the volume is low. Also note that the range narrows and it does not make a lower low than the previous candle. There is a correlation between volume and range and here both show little signs of Smart Money enthusiasm for lower prices.

Witness that price had re-entered the Supply/Demand Delta Zone and is now just barely peeking back out. Ideally, our test candle would be completely inside the zone. We don't get that.

G: What we do get is a narrow range down candle that closes equal to its open on volume less than the previous two bars that makes a lower low and not a higher high. This is a test. Note that the high of the candle is within the zone. Note also that the low, while lower than the previous candle, is no where near the low of the high volume down candle at E.

This is it: the price action we want to see, occurring pretty much where we want to see it. The first test at A failed. Price has moved up, but can only go so high without a re-test. Price did not need to fall all the way back down into the area of A to do this, however.

It "dipped" its toe just out of the support area and looked for sellers. None were found. The green light for higher prices was given.

Enter on next candle with a break of the high of our test candle.

Our target price is the Supply/Demand Delta Zone above us. Looking to our left, we can see the expansion body Effort to Fall that created this zone. We can also see how the prior down move came out of this zone.

Simply, it looks like a reasonable target area. Price shoots up and the trade is exited near the top of the Zone.

№7

First, let me say that following everything malcolmb says and does is a sure way to prosper with VSA and in the market in general.

What this post is about, will not net you those 200+ pips that malcolmb garnered on Monday. (I officially have my first man-crush).

This post is about an alternative way to put some pips in your pocket when the market proves you are in tune with it.

Let's first consider a couple of things about expansion bodies:

1. EB7s represent changes in volatility. Specifically spikes or increases in volatility.

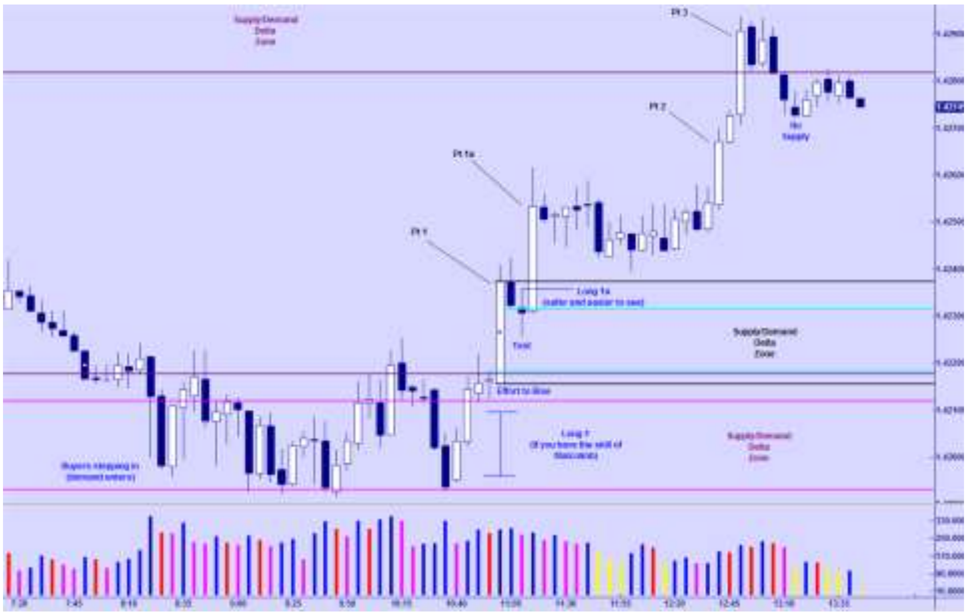
There is an ebb and flow to volatility. High periods follow low periods and vice versa.

2. EB7s represent key changes in the underlying supply/demand dynamic in the market. This is one reason thy make good places to look for trade set-ups. Markets move on supply and demand. Targeting entries in those areas, or zones, where there is a change in that supply/demand relationship only makes sense.

If you believe 1&2, then something else naturally comes in to play.

Once in a trade, we could use the appearance of an expansion body as a place to scale out of some of our position. After all, if an expansion body appears, #2 tells us that there may be a change in the supply/demand dynamic. #1 tells us that increased volatility has occurred and we might soon see a decrease in volatility. Two reason we might want to lock in some profits.

Take a look at the chart below.



Again, this post is not about entering the market. It is about ONE way to manage a trade for those who like to scale out.

But first, we do have to say something about entering this trade.

Notice how price moves down into a Supply/Demand Delta created by a significant EB7. We see buyers stepping in and price moves sideways. I am sure malcolmb would see an entry somewhere in this area. I have noted the area as long1. If you see an entry, more power to you (please post it).

The clearer entry point to me is on the test that happens as price pushes thru supply on an effort to rise candle. This entry is labeled long 1a. Gavin would call this the "safer" entry as the trend is up when the test appears. Or at least the evidence is to that fact.

On to the scale outs.

With the appearance of an EB7, one can exit a partial piece of the position.

Pt 1: first partial exit, if you entered below.

Pt 1a: If you entered on the breach of the high of the test candle, then this is your first partial exit. Note that the same candle that brings you into the market also takes a partial out.

Also note in this case, what followed: Volatility decreased. In point of fact, volatility decreased after the effort to rise which set up the long entry 1a. But here it is does so even more. This decrease in volatility does not mean change in trend. It just means price for the moment is not going anywhere fast.

Pt 2: Following the natural ebb and flow, volatility picks up again after the contracting period. The close of this candle is another place to partial out.

Pt 3: This EB7 is interesting. Not only is this an EB7 which would trigger a third scale out, it closes within the Supply/Demand Delta Zone of another EB7.

Another way to scale out or exit completely is to target the nearest overhead (in this case) Supply/Demand Delta Zone. So those who entered at either Long 1 or Long 1a could be targeting this area as an exit point anyway.

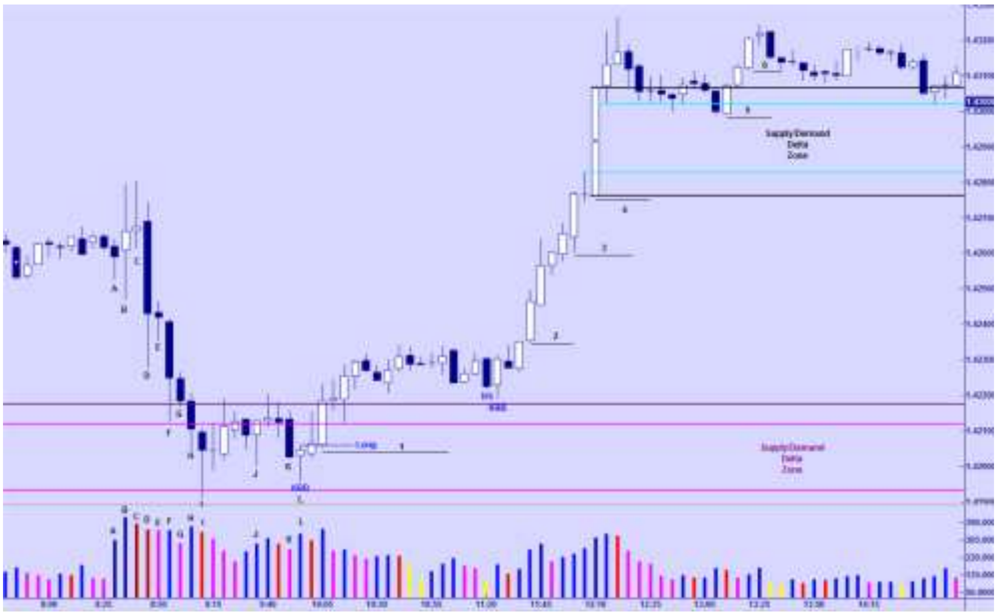
There is more than one way to skin a cat. For those who do like to scale out, expansion bodies offer a unique and market driven way to do it. In fact, you don't actually have to believe 1&2 to use them this way. 1&2, however, are about the "why".

edit*

To be clear, if you enter at Long 1 then there are 4 pts available. So Pt 1a is actually Pt 2, and Pt 2 is Pt 3, and Pt 3 is Pt 4.

№7

Beautiful trade.



"The downfall of most traders is to believe that the purpose of trading is to predict the future; rather than to identify trade set-ups within the context of their trading methodology."

News trading is a bit of a fool's game for the retail trader. VSA teaches us that the SM uses the news to their advantage. Many tops occur on good news and many bottoms are created when the news is at its bleakest.

That is why VSAers attempt not to focus on the reaction to the news, but instead the reaction to the reaction of the news.

Take a look at the chart below. This was a pretty interesting trade set-up that started on the NFP release. There was no need to know what a "good" number was or what a "bad" number was. All that was needed was an understanding of volume, range (spread), and close. Add to that a "place" where you would like to see what you are looking for and then you can pull the trigger.

A: This candle ends at 0830 hrs. The time of the release. Note that this candle already has very high volume. It closes down and makes a lower low than the previous candle. However, the close is in the upper portion on the range. There is demand (Strength) in this candle.

B: Things change. This candle has a wider range. It is an outside candle, making both a higher high and a lower low than the previous candle. Volume spikes up to ultra high. While the close is up from the previous candle it is well of the high of the range. Supply enters here. What is likely happening here is some SM bought into the report and are taking profits on the next candle.

C: While volume is still climatic and very high, it is down on this candle. But the range is narrowing. This candle makes a higher high, then price is pushed down to close below the midpoint of the range (although still up from previous candle). the BBs are selling on this candle: weakness.

D: Supply swamped demand on the previous interval and prices now fall. We see a wide spread down candle. Note that the volume is actually decreasing and the close is well off the low. The close tells us that there is likely some buying "hidden" in this down candle.

E: The BBs see this, so what do they do? They test. A narrow range down candle closing in its upper 1/3 on volume less than the previous two candles is a test. Although volume is less than the previous two candles, it is still relatively high. Which is one reason this test ultimately fails.

F: Down candle with increased range and volume. The range and the volume are only 2/3s of the picture, however. Look at the close. Here again we see a close that is well off of its low. Even as price is falling, demand is entering.

G: Another narrow range down bar with volume less than the previous two bars. This is another test. This time, the close is near the low of the range. Thus the problem with this test is the close.

H: Increasing range and increasing volume on this candle. Yet again, we have to look at the close. And again, we see that the close if off of the low.

I: This is an interesting candle. Volume is lower than the previous candle, but the candle makes a lower low. In fact, this candle makes the lowest low thus far. That is key. It's key because, while it makes the lowest low so far, it closes in the upper portion of its range more so than any of the previous candles. In other words, more support (strength) can be found in this candle even as it makes a lower low.

Even with 6 straight dark (close<Open) and down candles, we have seen buyers (strength) stepping in. This is our background.

J: Up candle closing on its high on increased volume. Here again we see a large wick. As before the wick shows buyers stepping in. Unlike before, however, the close is up and the candle is white. This is a place for a very aggressive entry.

K: Wide spread down candle closing near its lows on volume less than the previous two candles. This is no selling pressure. The supply has been taken out of the market now. If this candle was truly bearish, the volume would be higher. As VSA tells us, generally speaking***, bullish volume is increasing volume on up bars and decreasing volume on down bars.*** This is an example of the latter.

J: Key Reversal Bar. This candle makes a lower low. But the open is higher than the close of the previous candle and the close is higher than both the open and the close of the previous candle. And this is done on increasing volume.

We have seen signs of buying as prices fell and now within the supply/demand delta zoned we see signs that the supply/demand dynamic has changed. This is our signal to get long.

*********************************** *********************************** *****************

In my previous post I mentioned using expansion bodies for partial exits. Here I have shown an alternative method for those who like to trail their stop.

As we see expansion bodies in the direction of our trade, we move our stop to just below the low of that candle. So once we see #2 we move our stop to #1. After #3 is formed, we move our stop to #2. and so on.

The key is that each successive expansion body must be making a higher high.

At #6, therefore, we have moved our stop to #5. But no more expansion bodies close higher than #6. Price meanders sideways and then moves down enough to take us out at #5.

№8

This is in response to a PM I received. I am answering it here, because I think many people may benefit.

* Expansion body analysis (aka WRB analysis) is independent of both candlestick analysis and volume spread analysis. Therefore expansion body analysis can be done with OHLC bars and without regard to volume. One can define significant EBs and the resulting Supply/Demand Delta Zones thru price action alone. Expansion body analysis is a form of volatility analysis. Volatility is correlated to volume. In fact, some say volatility is better than volume and you can "see" volume in expansion bodies.

I disagree with that. So most of the ones I am concerned with have a volume component in their definition. One sub-group has climatic volume as one of its requirements.

* I spent most of yesterday watching Tradeguider webinars on the site and at Youtube. Gavin repeatedly said, "the best place to take a short is on a no demand (or low volume signal) within the range of a high volume bar".

Expansion bodies and the resulting supply/demand delta zones are a refinement of the range. The body is the O-C of a bar/candle. VSA does not look at the open.

Take a look at the chart below. This is not a great trade, but that is not the point. But I will say this about the trade itself (not taken); Time of day on a Holiday should be reason enough not to take it.

We see a wide spread up candle on high/climatic volume. We know the volume is climatic because of the color of the volume bar. This candle is an Effort to Rise. The very next candle is a reversal after an Effort to Rise. We know markets don't like high volume up candles because there could be "hidden" selling within them. This must be the case here, otherwise the next bar would not be down.

Let's skip to candle #1: prices have fallen and now begin to move back up. This candle is a narrow range up candle on volume less than the previous two candles. Note also that it is yellow (extremely low volume). This is No demand. Note that this candle is not contained by either the Supply/Demand Delta Zone nor the range of the candle itself. In either case, it does close within those areas and is close enough.

Again, According to Gavin, this is the best place to short after a sign of weakness.

However, the next candle,#2, does not close down confirming #1 as No Demand. But let's assume you were looking to go short on a breach of the low of #1. Candle #2 does not make a lower low so you are not brought into the market.

#2 is an increasing spread candle closing up and near its high on decreasing volume that is both less than the previous two and extreme. This is No Buying Pressure. We note that we have moved "deeper" into both the range of the candle and the body(supply/demand delta zone). In this case, the supply/demand delta zone and the range are almost identical.

This is another and better low volume signal within the range of a high volume candle.

#3 is the confirmation candle as it closes down. If you looked to enter at a breach of the low of #2, this candle brings you into the market. Note also that if you were still looking for a breach of candle #1, that comes as well on candle #3.

While in this example the range (H-L) and the body (O-C) are almost identical, the point is that use of an expansion body and the resulting supply/demand delta zone is just a refinement of range.

№9

First, welcome.

Hopefully, you will get a few responses here to your question so we all can learn.

Let's start off by saying you don't have to completely disregard any analysis techniques just because you use VSA. VSA is "stand alone" but if other analysis techniques help you make pips, the true end game, then by all means use them.

On to the chart:

I have attached a copy of your chart with a few observations. And want to point to a few candles.

The area of the ellipse is the second ideal place to look for a trade entry. The first of course is within the Supply/Demand Delta Zone. But as this zone is also a support/resistance zone, we can look for trades finding support or resistance just outside the zone.

#3: You are correct that this is an up thrust. This is weakness.

A: The very next candle is a test. Why test? Because the previous bar showed weakness in the form of an up thrust. The SM is trying to see if there is indeed supply in the market, or supply ready to enter the market at these price levels.

The test is good as the next candle is up.

B: After one up candle (4), the market tests again. The SM seems weary to take prices higher at this time. And we are pushing up against resistance.

The next candle is up, which confirms our test.

C: Things change quickly.

C is a wide spread dark (open>close) and down candle that engulfs both the test at A and B and closes lower than them. We now are seeing no results from a test(s). This is your first entry point to the downside.

It is not all that easy to see, but again, your other analysis techniques were pointing in this direction anyway. VSA confirms what you are already seeing.

D: This is a No Demand and many traders would enter the market here. This would be considered the "safe" entry point on the appearance of our old friend No Demand. If you're already in, this is an ideal add on set-up. One might also want to move the stop to just above this candle once it is confirmed.

№10

Expansion body analysis is about an understanding of the price action but generally speaking, it does not dictate trade direction. So a white candle (open<close) does not necessarily mean you look to take longs. And a dark candle (open>close) does not necessarily mean you look to take shorts.

Simply, the zones themselves are neither bullish nor bearish. A zone may be created after bullish price continuation price action, but the zone itself in not necessarily bullish.

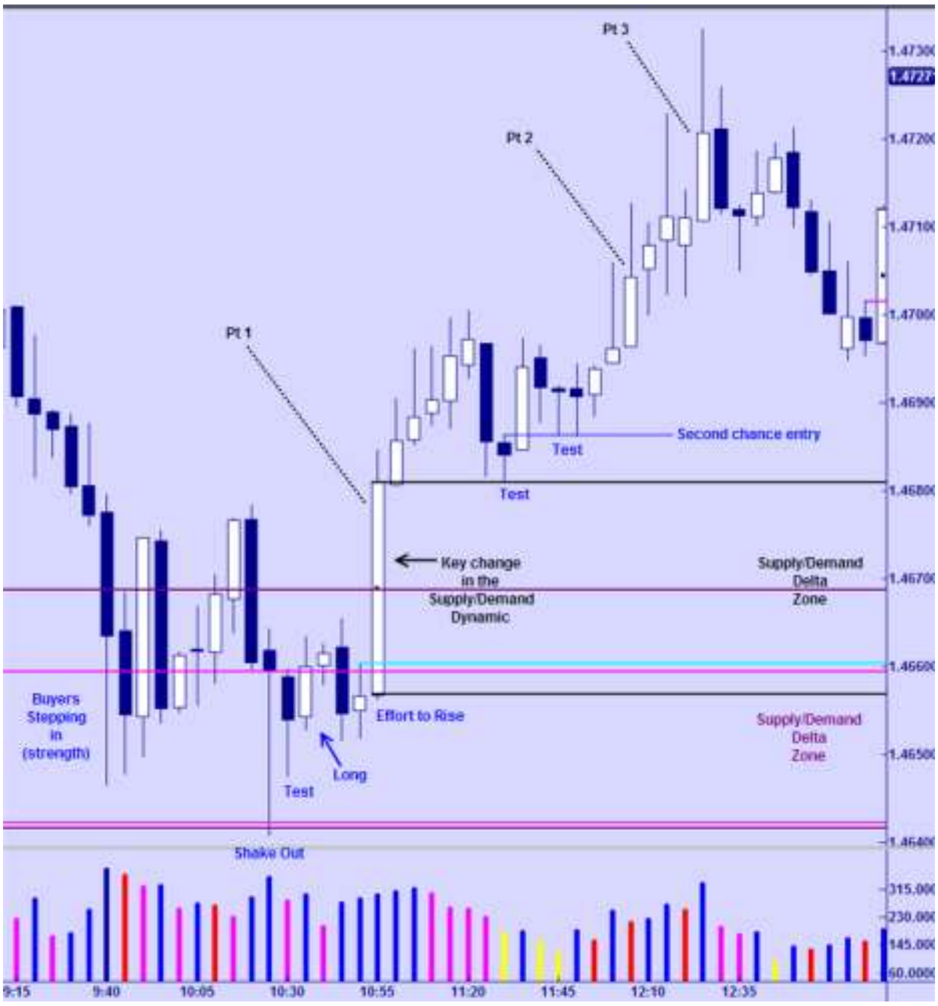
Although expansion body analysis is independent of VSA, I have included VSA concepts into my definition of significant. Basically, the sub group I am talking about will be "effort" candles. This does allow for one to be predisposed to a particular direction at times.

Take a look at the chart below.

The effort to rise candle comes after strength AND the volume on the candle itself is not high nor climatic. This tells me that a long set up is more probable here. Yet, as this zone remains open, the next time price comes into it, either direction is possible.

Understanding the price/volume action is key. So in this case, the test candle up against the zone is an ideal place to go long if you are not long already. In this case, longs were favored. But the next time price enters this zone there is no real reason to be predisposed to the long side.

This is a key area of change in the supply/demand dynamic and thus we want to see trade set ups here. Direction is about what happens prior and inside the area itself.



№11

If it always worked, we would all be rich.

Pretty nice set up here. The result, not so much.

Take a look at the chart below.

A: Climatic Action down candle closing in the upper portion of its range. The high volume and close hint that buyers are stepping in. When strength appears it appears on down candles.

B: Volume falls off a bit as this candle closes down. The close is in the lower portion of the range, but VSA teaches us that in general decreasing volume on down candles is bullish.

C: Interesting candle here. We make a lower low and not a higher high than the previous candle. The volume is less than the previous two candles and the close is almost in the middle of the range. Making a lower low and then closing off the low shows some demand entering to support price.

D: ***No Selling Pressure (NSP). Wide spread down candle closing on the low but with volume less than the previous two candles.*** If the SM was bearish then the volume should be higher. 80-90% of the volume bar represents the SM and from the volume here we don't see their active participation. If they are not interested in lower prices, they might be interested in higher prices.

E: This is Stopping volume. Wide spread candle on climatic volume closing near its high. The long shadow shows Sm support coming in and demand swamping supply.

The signs of strength seem to be in place.

F: ***Key Reversal Bar (KRB).*** Here again we see a candle make a lower low than the previous candle, but this one closes near its high. It also opens higher than the previous close and closes higher than it opens. Note also that the low doesn't trade into the shadow of our stopping volume candle. Looks like a shake out.

We can look to put a long entry on just above the high of this candle and a stop loss a couple of pips below it. The very next candle brings us into the market as it makes a higher high. It also closes down. However, the volume is less than the previous two candles so this looks like no supply. The candle after this, closes up on less volume on a narrower range. This is no demand. Not what we want to see.

Eventually, price moves down and stops us out.

Edit**

Please feel free to comment on what you see and why you would or would not have taken this trade.

№11

This was not a trade taken but I wanted to get back to the VSA. One question first: What caused that spike?

Actually, that question of what caused an ultra wide spread candle or ultra high volume is something everyone should be asking themselves.

Anyway, what we see here is a few very basic VSA concepts in action:

1. When weakness appears, it appears on up candles.

2. Markets do not like wide spread up candles on ultra high volume because they could contain hidden selling.

3. The ideal place to short is a low volume signal within the range of a high volume candle.

Many people would be look at the ultra high candle as strength. ***VSAers know that the ultra high volume candle closing off its high with the next candle down is weakness.*** Supply is swamping demand on this candle. The place to get short would be on an up candle with volume less than the previous two candles-no demand.

VSA tells us we should be getting short on up candles and getting long on down candles. There are a lot of exceptions to this rule however.

There is something else I wanted to show. I do not believe that it has been mentioned here before. Tom uses a unique trade management technique. When he is short, he allows for no more than two up candles , otherwise he exits.

In the below chart, notice that after the entry we see two up candles (1&2). Since the next candle is down, all is well and the trade continues. After the down candle another up candle appears (1). The next candle is actually a level (equal close) candle. So we are still in the trade. A few candles later we see another lone up candle (1).

Assuming you miss the two candle reversal as an exit signal, after on more down candle we get three consecutive up closes. We would exit on the close of the third up close.

This technique wont get you Malcolmb type pips, but for some it may help with what to do when actually in the market.

№13

VSA teaches us to be mindful of the news. The BBs use the news to position themselves against the herd. The news usually generates high volume and the BBs need to be active when volume is high, so they don't push price up or down against themselves.

When thinking about the news, we should break it down into two broad categories:

1. General news. This is a broad category and encompasses many things. Things like CBS evening news doing stories on "oil supplies are tight and many analysts see prices going to $200.00 a barrel". Or the cover of Newsweek proclaiming dollar weakness.

VSA tells us that we should be contrarians in such situations-When The cover of Time says the bull is back, it probably means a top is near. The oil market in '08 gave a nice End of a Rising Market signal even as many analysts were in the news prognosticating "super spikes" in the price.

2. News reports. Here we are talking about those scheduled releases like Durable goods, Non farm payrolls, GDP, Trade balances, Fed minutes and consumer confidence to name just a few.

With such news reports, the "bullishness or bearishness" of the report matters little. We are not looking to trade the report, but the reaction to the report.

Take a look at the first chart below.

Since we know the BBs use such reports to take their positions, we can pretty much assume that we are dealing with a key change in the supply/demand dynamic. At 0830 jobless claims were released.

We see a wide spread up candle on climatic volume closing off the high with the next candle down. This is weakness. Did the report come in less than expected? Don't know. Don't care. The SM is selling on this candle whatever the case may be. Therefore we should be looking to get short.

With a bit of momentum, price moves up. It knocks up against some resistance (a prior supply/demand delta zone) and then rolls over. As price enters the zone created by the news release candle, we are looking for our low volume sign. Price is now making lower lows and lower highs. From a candle perspective, we are seeing dark (close<open) candles.

Then our old friend shows up: a narrow range up bar on volume less than the previous two candles-No Demand. Ideal trade location. After climatic action and after a change in trend.

Now take a look at the second chart.

Again, we have a news release at 0830 hrs. This time it is Durable goods. On the report we see a wide spread down candle on climatic volume closing off the low. However, the next candle is down. But take a look at that next candle. The volume is lower and the close is in the upper 1/3 of the range. This is a strong candle and tells us there must have been some buying in the first candle. And more buying came in on this candle as it makes a lower low, but closes so high within its range.

Did the report exceed expectations? Don't know. Don't care. What we do care about is the fact that the BBs are buying.

Price begins to move up on low volume (volume less than the previous two), but we have seen strength in the background. These no demand candles (by definition) represent merely a pause and are not signs to go short.

Eventually we see a nice Key Reversal Bar (KRB). This candle makes a lower low, opens higher than the previous close, and closes higher than both its open and the previous candle's close. Note it also closes slightly off its high, which is a good thing for this particular reversal bar type. An aggressive trader could get long here. A better place to get long occurs two candles later when we see a narrow range down candle that makes a lower low and closes in the upper portion of its range on volume less than the previous two candles-a Test.

By the time we see this test, the market has made a swing point. In other words, the trend is now up. So we have seen climatic action and a change in trend followed by a test. This is our low volume signal within the range of a previously high volume candle.

When dealing with category 1, the prudent trader should beware of the news.

When dealing with category 2, the prudent trader should be aware of the news (release).


News:
Jobless claims
S/D
Zone
ND
Start
Key Change
in the
Supply/Demand
Dynamic
Key Change
in the
Supply/Demand
Dynamic
Supply/Demand
Delta
Zone
Pt 1
Pt 2


Pt 2
Pt 1
Effort to Fail
Long
Key Change
in the
Supply/Demand
Dynamic
News:
Durable
Goods
Test
Supply/Demand
Delta
Zone

№14

Just a few things. You want to pay more attention to the background.

There were many signs of strength prior to your short entry. As you pointed out, #5 shows demand (buying). In fact, on the chart below it is labeled a squat and is a good place to enter long. The following candle is an engulfing candle which is a nice non-vsa confirmation sign.

Let's take a closer look at the left side.

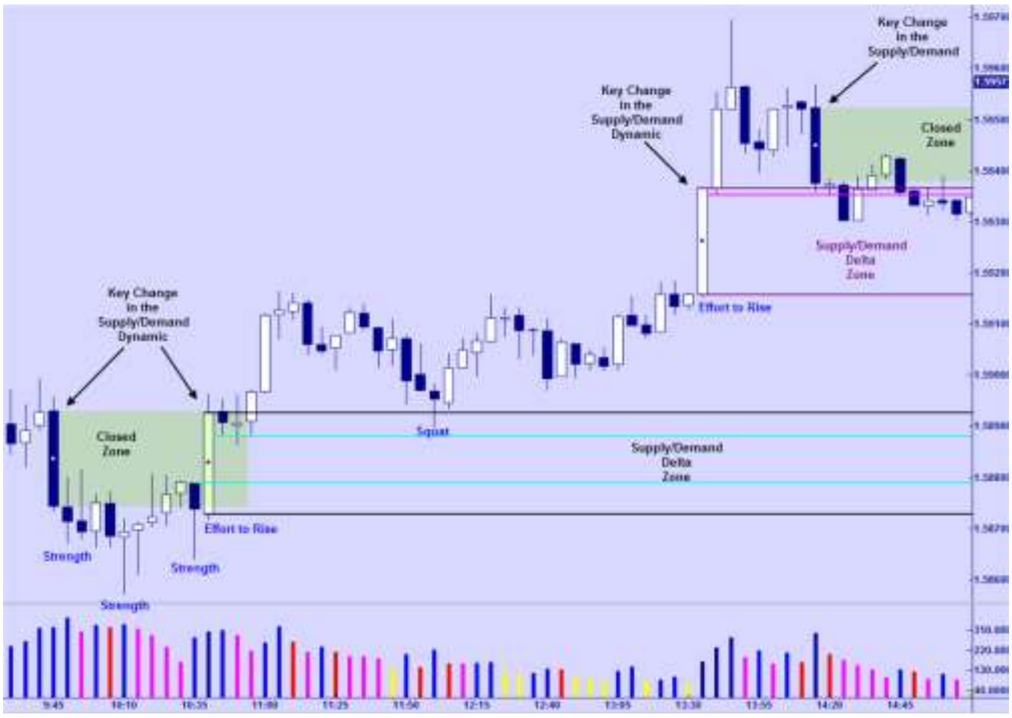
Strength candle 1 (from the left): A narrow range down bar on increasing volume that closes off its low. This is a squat and shows some support (buying) entering.

Strength candle 2 (from the left): Up candle on increasing volume closing near its high. Note that this candle makes a lower low. The long lower shadow here is a sign of buyers entering. One might call this candle a Shake Out.

Before we get to the last marked candle, let's look at the up candles leading up to it. While they all have volume less than the previous two candles, we have to be aware of two things. First, we have seen strength in the background. Second, these candles are not being confirmed as no demand because there are no down closes after them. Note also that we are making higher lows (higher lows is bullish).

Now we get to Strength candle 3 (from the left): Here we do get a down close and lower lows, but this is another Shake Out type candle. The volume is increasing and the close is in the upper 1/3 of the range. Here again, the long lower shadow shows support (buying). The next candle is a nice engulfing candle as well.

Simply, a look at the background should prompt you to be looking for longs and not shorts in the first place. If you were going to look for a counter trend short, you should be looking for a high to ultra high climatic action volume type candle to start off with.



№15

"The market takes the stairs up and the elevator down"....

There is a reason for this and Tom explains it in MTM. This post is not so much about that, but the concept can be plainly seen in the chart below. I just wanted to highlight this in light of the fact that today is the anniversary of black Monday.

On to this really nice set up.

Like most of the truly best VSA set ups, this one starts with climatic action. Here we have a wide spread down candle closing near its high on ultra high volume. This candle is stopping volume. The market is plummeting down then the BBs step in and become buyers. Whilst the close is down from the previous close, it is in the upper 80% of its own range. Simply, if all the volume was selling the candle could not close so high.

The next candle is down. This, however, is not confirmation of selling on the previous candle. In fact, if you look at the volume on this candle you see that it is less than the previous two candles. This is No Supply.

We have to be careful here. The really aggressive might want to enter here. There is a better enter. Despite the fact that the volume on the stopping volume candle is bullish, we know that it MUST BE TESTED as all high volume is tested. Therefore, we are waiting for the test. Some might want to wait for a confirmed sign of a trend change as well. This is where Gavin would be saying look for a change in the color of the diamonds.

As expected the next candle is up. But we have not missed anything here. The market begins to meander sideways to slightly down for a bit. 5 intervals later, we get an interesting candle. It is a dark (open>close) candle on increasing volume closing on its low. For those using WRB Analysis, this sets up a "fading volatility opportunity". From a VSA perspective, this candle is not as bearish as it looks. Why? Well, the close is not lower than our No Supply candle. So while the volume is increasing on a down candle, the market is failing to make a lower low than an area that found no supply.

The next candle is what we have been looking for. This is a test. not an ordinary test, however, a hidden test. Why is it hidden? Well the close is up and the candle makes a lower low on volume less than the previous two candles. And we are not only within the Supply/Demand Delta Zone, we are also within the shadow of our stopping volume candle. Note how this candle does trade lower than the No Supply candle's low, but it gets rejected closing up and near its high. A breach of the high of this candle is the entry.

The next candle brings us into the market. This candle happens to close down, but the range is narrow with increasing volume. This candle is a squat. The narrowing range as price tries to fall, shows that there is support from the BBs in this candle.

Stops are personal. With that said, I think the ideal place to put the initial stop is a few ticks under the low of the Stopping Volume candle. If this candle was not lower than the low of the S/D Zone, I would place the stop just below the low of the Zone.

Another personal issue now comes into play: managing the trade. Some will look for a profit target. Some will take partials and some will trail a stop. Still others will use a combination of two or all three. There will also be those that will only look to exit upon the appearance of a signal in the opposite direction. No method is perfect but the choice is the traders to make.

I guess I will end this post as it began. Note how easily (quickly) the market seemed to fall on the left side and how much more time it took for the market to get back to the level of the lower Delta Zone. There are VSA reasons for this phenomenon and all VSAers should be aware of this. Keep reading MTM people. It's not a Holy Grail but it certainly is our Bible.

№16

Been slow around here of late. All the VSAers must be making too much money to post.

Here's a trade from a couple days ago.

There are some interesting things here. Let's take a look at the chart.

A. I know I have said it many times before, but it bars repeating. The best place to start with is an ultra high/ high volume climatic action candle. This is what we have here. Note that it closes off the high but the next candle is up. VSA tells us that markets don't like high volume up candles. Because they may contain "hidden" professional selling. This one did. Our first clue is the close. If volume represents effort, then the result is the close and in this case it doesn't match what we would expect with respect to the effort involved.

B. The next candle is up and making a higher high. Yet the range narrows and the close this time is in the lower half of the candle's range. Volume is decreasing here as well. The low close here shows supply swamping demand in the upper region of the range. This candle is an Up Thrust, although it is not an ideal example. We would prefer a lower close but the location (after an uptrend and after a climatic action candle are enough to signal that this is an UpThrust).

C. Here the range narrow further and the close remains in the lower portion of this candle, but this time the volume is less than the previous two candles. This is No Demand.

Since we have seen climatic action (effort to rise) we have seen two up candles both on decreasing volume. The market can't be strong as the BBs are withdrawing from the upside. We know they are withdrawing because volume is decreasing.

An aggressive trader might enter here on the breach of the low of the No Demand candle.

There is another, "Safer", entry still to come.

1. After seeing three straight dark (open>close) candles closing lower, see this narrow range up candle closing on its high with volume less than the previous two candles. This is No Demand. We do not get confirmation as the next candle is up.

2. As stated this candle is up. The range is narrow and the volume continues to decrease. This is another No Demand candle. Like the previous candle, it too does not confirm.

3. Three is the No Demand of consequence. Unlike the previous two it does confirm with the next candle down. From my perspective this is the better short, because not only is this candle within the supply/demand delta zone, it is also within the body of A-our high volume climatic action candle that started it all off. And we have seen the turn in trend.

1a.-3a. Show the first series of three (3) consecutive higher closes with lower lows and higher highs. Even though 3a has volume less than the previous two candles and is the lowest volume in 20 (yellow), this is the place to get flat. Especially since profit has already been taken on at least two (2) EB7s.

№16

There is no point in trying to predict the market. The future is unknown and not knowable. The better question to be asking (yourself) is, "What do I need to see to get either long or short?" Once you can answer that the question becomes, "Where do I need to see it?"

I don't trade off a weekly chart, nor do I trade cable. I have taken a quick look at the chart and it is pretty interesting.

From a non vsa point of view, I am first struck by where price is now and what it is doing within this area. It looks to be consolidating in an area where there previously was a key change in the supply/demand dynamic. Another word or words for this consolidation would be accumulation or distribution. We can see both up candles and down candles on volume less than the previous two candles. This is typical during this type of market phase.

THE BULLISH CASE:

Notice the NS (no supply) candle at the bottom of the WRB zone. While the volume is less than the previous two, it is a bit high. If we skip all the way to the last candle, we see a down candle closing near its low on volume less than the previous two candles. This is No Selling Pressure. Note that the volume not only less than the previous two candles but also less than the aforementioned no supply candle. IF the market is bullish, we want to see a down candle on volume less than the previous two candles that closes on or near its high. This would be a test.

THE BEARISH CASE:

Notice there is an Up Thrust in the background as price made a move up. The high of this Up Thrust is a lower high. If the market is making lower highs, it can't be in an up trend. The Second to last candle is an up candle closing in the middle on volume less than the previous two candles-No Demand. So we have No Demand following an Up Thrust and the up candle, which is the No Demand is failing to make a higher high than the Up Thrust. The next candle confirms the no demand but volume drops off. IF the market is bearish, we could see a down candle on increasing volume. After which we would be looking for an up candle on low volume (another no demand). Or we could see a failed test. This test would have High volume telling us that there is supply underneath the market which would be bearish.

As this is a U.S. Holiday shortened week, we have to be careful. Again, no prediction here, just some things you ought to be looking for in the price action. Rather than focusing on what price might or should do, focus on what price is doing. Ultimately, the market is building a cause for its next move whichever way that may be.

№17

No Demand (ND) is defined as a narrow range up candle/bar with volume less than the previous two candles/bars. It is confirmed if and only if the next bar is down.

But let's back up for a second. What does the low volume (less than the previous two) tell us? It tells us that the SM is neither active nor interested in the movement on that interval. In other words, the candle/bar is going up but the BBs are not participating in the movement.

So if the next candle/bar which confirms the No Demand has even less volume than the No Demand itself, doesn't that mean that the BBs are even less active and interested than they were on the prior candle/bar?

Take a look at the chart below.

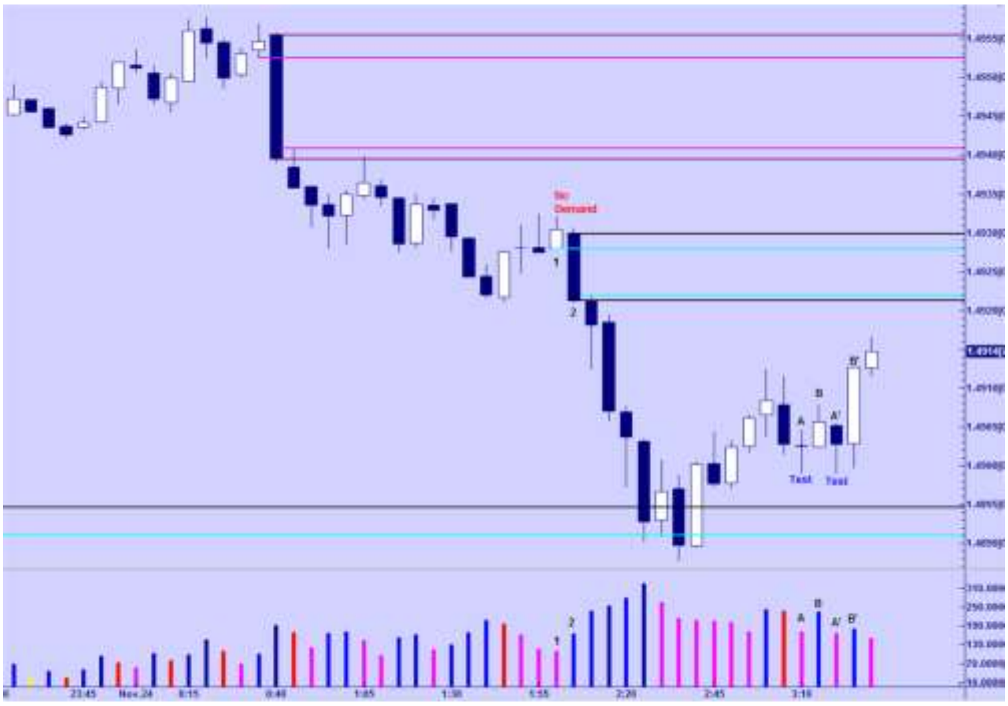
#1 is a classic No demand. it is a narrow (NR4) range up candle on volume less than the previous two candles closing off its highs.

#2 confirms that #1 is No Demand as it closes lower. But look at the volume. Along with the range, it has increased. This tells us that while the BBs were not active on the previous candle, they are more active here. This would of course make sense. They were not interested in higher prices because they knew the market was weak. Once they see an up candle on low volume they are sure that path of least resistance is down. We would expect volume to increase (effort) in the direction of the path of least resistance.

The opposite is true of a test.

A. is a very nice example of a test. The following candle confirms the test candle and has increasing volume. Again, if a test is "good" then volume would be low. This shows little supply underneath the market. It also shows little professional activity as the price is marked down. On the next candle we want to see that professional activity return in the form of increased volume.

A' and B' are yet another example.



№18

I have a couple of issues with your pic, however:

1. No Demand should be on a narrow range candle. It can be equal in range to the previous but it is prefered that it is narrower. When the range is increasing, it is not no demand.

2. As I look at the volume, I fail to see two consecutive candles where both have volume less than the previous two. No demand has volume less than the previous two candles. For the next candle to have less volume it too must have volume less than the previous two candles.

With that said, it is true that a no demand can be followed by a down candle on even less volume and the market can still go down. But look at the picture of cable that started this discussion and then look at a current chart. Cable is up. Why? Well, I don't know why. But I do know that the no demand was followed by a down candle with even less volume.

If volume is activity, then the SM was less active AFTER the no demand than on it. That can't be good if you are looking for prices to fall......

BTW, the left side only proves my point. Prices did rise on decreasing volume but the move was suspect. That's why price was near a top. If that move was to be trusted, we would want volume to increase in the direction of the move- up candles on increasing volume.

Let's go back to MTM:

Bullish volume is increasing volume on up bars. Or decreasing volume on down bars.

Bearish volume is increasing volume on down bars. Or decreasing volume on up bars.

№19

I'll take a shot at a couple of them.

First let me say that your personal trading style matters. You really need to know what it is you are looking for and where it is you want to see it.

plume square: From my perspective the first thing to note is there is a key change in the supply/demand dynamic via a WRB. I want to see certain things within (primary) or around (secondary) this area.

Now suppose I used a MA. I would love to see price find support or resistance at that MA. Moreover, I would like that support or resistance to be coming on low volume. That is to say, I would like to see No Demands, Tests, or No Supply candles at the MA. This is the case here. The double arrow points to a really nice No Supply candle just slightly off the MA. The next candle closes up (confirming the no demand) and has increased volume. It trades lower and hits the MA but closes on its high.

If you are looking for signal around the MA, then it was indeed there.

orange square: From your post, it appears that you do notice that the white candle is pushing thru a resistance, or supply, area. VSA tells us that a move thru a resistance area usually will need to come on increasing volume as it did here. The high volume will, however need to be TESTED. The double arrow here points to a test. Note that this test is back on the resistance line, which has now become support. In truth, some may see this test as no supply. Either way, the volume is low as price falls and hits the prior resistance line. This is a screaming buy.

Note that the next candle makes a slightly lower low and not a higher high. It appears to trade up but closes in its middle on volume less than the previous two candles. This would be the hidden test.

olive square: Again, trading style is key. I say this because the important price action happens below the MA. The question becomes do you take buy signals when price is blow the MA, or only when price is above?

The arrow points to a low volume candle hitting the support line. Generally speaking, this is what one wants to see at a support line-volume drying up as price hits the line means the SM is not actively trying to push price thru the area. This means the area is much more likely to hold.

In this particular case we see no selling pressure. The very next candle engulfs it on increasing volume (I could be wrong the candles are a bit small). This action is happening where one might want to see it-a support line.

From a VSA point of view, it may not be the best entry. In my opinion, the best entry from a pure VSA perspective is in the orange square. This is because it starts with high volume. Even though markets usually don't like high volume up candles, the volume here is bullish. Since volume is activity, we can see that the SM is active and bullish as they push price thru supply and the bullish of the market is confirmed on a low volume down bar and a hidden test.

№20

May I conclude strength of a bar is read by what happens to the next bar, so reading is 1 bar behind ?

This is the eternal question. It stymies newbies and fuels the fire of detractors.

There are two sides of this question to look at. The first has to do with the interpretation of the bar/bars, and the other has to do with how to trade them.

Let's look at defining or interpretting the candle/candles. In the picture below I have marked up some recent price action in the Euro 5 min. As the market moves into a Supply/Demand Delta Zone, we begin to see some signs of the market's intent. The Candle marked UpThrust only needs one interval to be defined. That is, once this candle closes we know we have an UpThurst.

That's because all we need to know is the close in relation to the range, the volume, and sometimes the close in relation to the previous close-ideal UpThrusts actually close up.

Skip three candles ahead to the NoDemand. To define a NoDemand, we need actually only need one candle. However, we also need the next candle to CONFIRM it. So as we are looking at this chart, as soon as we see the narrow range (NR4) on volume less than the previous two (and as it happens the lowest volume candle in the last twenty (yellow)) that is closing up from the previous bar and making a higher high, we can define this candle as No demand. In addition, this is appearing where we would want to see it. We have an UpThrust in the background followed by an dark engulfing candle. Yet, if this is truely a NoDemand, the next bar would be down. No Demand implies that the BBs are not interested in higher prices. If the BBs are not supporting higher prices, price must fall. Therefore, the next candle confirms the NoDemand only when it closes lower than the NoDemand candle.

The older versions of Tradeguider would not even put an triangle on a NoDemand unless it was confirmed. That is, one bar after. This has lead many to think Tradeguider/VSA lags but it does not. In many ways it is like some Japanese candle patters. There are some hammer patterns that can only be confirmed on the candle after the actual hammer. There is only a hammer line (interval) until the next candle completes the pattern. Only then can the hammer transverse from a line into a pattern.

But what about real-time trading?

Looking at our chart example again, once we see the narrow range (NR4) up candle on volume less than the previous two candles and in the correct place with volume in the background, we can look to enter on the next candle. We can place an order to enter if the low of this candle is breached on the next interval. Therefore we will be entering PRIOR to the confirmation. Because the confirmation is dependant on a down close. Therefore, one of the first things we want to see after we enter is the candle close down and confirm the previous bar as NoDemand. If we enter the trade and the candle ultimately closes up, we are a bit uncomfortable about our position from the get go.

Hope this helps.

№21

Take a look at the chart below:

A. This is the essential candle. ***As we know, the first place to start looking when analyzing the market is an ultra high volume candle.*** That candle is even more relevant when it is a news/report candle. Here we have an ultra high volume ultra wide spread candle created on the release of the NFP report. While we do not want to trade the news, we do know that this is the very type of event the Big Boys use to take their positions. Said positions are usually against the herd and contrary to popular opinion.

Put another way, they are usually taking a position opposite to common wisdom or the initial reaction would have you believe. Such is the case here. Some people have talked about the demise of the Euro lately. Others are talking about Euro/USD parity. Ultimately, either or both may prove to be correct, but currently they add fuel to the negative sentiment along with the situations in places like Greece and Spain.

The stage was set: newfound dollar bull sentiment is on the rise (just a few months back everyone was talking about the death of the greenback) and a "better than expected" NFP report.

As for the actual candle, we see an Ultra high volume, ultra wide spread candle that closes off the low. Now we do want to see the next candle. If it is up, then we can be sure there was hidden demand (buying) in this candle. However, it reasonable to conclude this candle contains hidden demand (buying) just based on the relation of the close to the volume used ON a news candle where we are predisposed to expect certain actions by the Smart Money.

B. This candle closes down, but let's take a closer look. It has a narrower range than the previous candle, closes near the middle of its range and has only slightly less volume than the previous candle. Again, the position of the close tells us that there is some demand on this bar. More telling is the range. The range is being kept Narrow because price is being supported. More exactly, any selling (by the herd) is easily being matched due to an abundance of buying (by the BBs).

As MTM tells us, we can tell the bullishness/bearishness of those that can see both sides of the market through the size of the spread (range). If the BBs were in fact bearish, not only should the close be on the low, the spread of the candle should be wider.

At this point we can conclude that the BBs have been BUYING on the last two candles. ***As VSA teaches, when strength appears, it appears on down candles. Strength has appeared.*** This is the basis of our background. We know that the high volume on the first candle will need to be tested. A successful test will be good place to get long.

C. This is an interesting candle. The volume is less than the previous two candles, the close is lower and the range is narrow. In fact the range is the smallest range in the last 7 candles (NR7). This is a No Supply candle. To confirm we want the next candle up.

Here's where the issues arise for me. I would prefer a Test to enter- a narrow range candle closing down on volume less than the previous two candles and a close in the middle or upper portion of the range. But there is nothing wrong with using a No Supply. The place to enter is on a breach of the high. Note that the next candle does not come close to the high.

D. This candle, as just stated, does not trade higher than the previous high. It makes a lower low and not a higher high. It closes up and near the middle of its range on volume less than the pervious two candles. So volume is decreasing from the previous candle. This candle is Both a hidden test and a key reversal candle (bar). Notice that it opens lower than the previous candle, but closes higher.

Now here's the rub. As a test (hidden) it needs to be confirmed by one of the next two candles closing higher. The very next candle does not close higher. It actually closes lower than the low. This is not a good sign for me. In fact, if this next candle had been an EB7 (WRB), then I would say we have a failed test. So while it is not an EB7 it is nevertheless closing lower than the low on increased volume and bringing me pause.

At this point the entry is still a breach of the high of the hidden test candle and the next candle does not do this either.

The next candle, two candles after the hidden test, closes higher than the close of the hidden test and makes a higher high. The close confirms the test.

The breach of the high of the hidden test bar SHOULD have brought me in. But the fact that the previous candle closed lower than the low of the hidden test candle has me perplexed and unable to pull the trigger.

I find myself on the sideline as the market moves up. Note that E is a down candle on volume less than the previous two. I don't like it as it makes a higher high than the previous candle. Making a higher high, then closing near the lows is usaully a sign of weakness, not strength.

№22

This is in response to a question I was pm'd. The last time I tried, I could not put an attachment in a pm, so the answer is here. It is a much oft asked question so everyone seeing this should at least further the discussion.

How much background is needed?

On the one hand, what one needs as evidence to enter a trade is really personal. On the other, sometimes it takes awhile for the market to set up properly. A basic tenant of markets is that the longer it moves sideways (builds a base) the greater will be the eventual break out when it occurs. In VSA we speak of building a cause for the next movement. So the greater the cause the greater the movement (or result).

Take a look at the chart below.

Note that the first sign of weakness comes in at 0520 and the #2 entry doesn't appear until 0800 and #3 doesn't come until 0935 hrs. That's more than 4 hours later. But as previously state, each individual may find his or her own entries and supporting evidence.

Building the cause:

In full disclosure, this was not a trade taken but merely an example to answer the question (and maybe ramble on). For me the ideal entry is #2. This is because it has a No Demand (Up thrust in the form of No Demand to be exact) that makes a higher high than the previous candle. As far as background goes, the entire background is weak and complete at this candle as well.

Take a look at the test candle prior to entry#1. We can see that at this point we have had a couple of UpThrusts and Squats and a No Supply that lead to an UpThrust. The market has moved more sideways than up since the Effort to Rise was followed by a narrow range bar on increased volume (squat). This is a sure sign that weakness has entered the market.

But what of this test? Note that the next candle is up confirming the test. However the market fails to go anywhere. Tests should result in immediate price movement, this does not. Moreover, if you move one candle past the candle marked #1 you will see a

EB4 (WRB) that engulfs the body and closes lower than the low of the test candle. This is no result from a test and another sign of weakness. And the cause is complete.

Again, #1 is your basic narrow range up candle on volume less than the pervious two candles which we call No Demand and is a valid entry. Yet it still comes a bit more than two hours after the initial sign of weakness.

Entry#3 comes much later. With this entry one not only has a VSA no demand, but also supporting evidence in the form of market structure. The market has just made a LH, so we can conclude the tend is now down. The market can't be in a downtrend and making lower highs. I prefer my No Demands make higher highs as opposed to lower lows than the previous candle, but that's just me.

By the way, the very same information presented in the background can be used to NOT take entry #1L. This is a very nice Test. The close is down and is near the high, the volume is less than the previous two candles and the candle makes a lower low. As you can see we get a small little blip up in price after this test. However there is too much weakness in the background. The trend has changed.

To totally contradict myself, look at the post on Friday's NFP. There are really just two candles that make up the background. This is not actually a contradiction but rather evidence of the importance of certain news releases and the emphasis the BBs put on them. Simply put, the more active the BBs are the more immediate is the effect on the market (or background). And certain news events/reports allow for a much swifter action in terms of positions for the BBs.

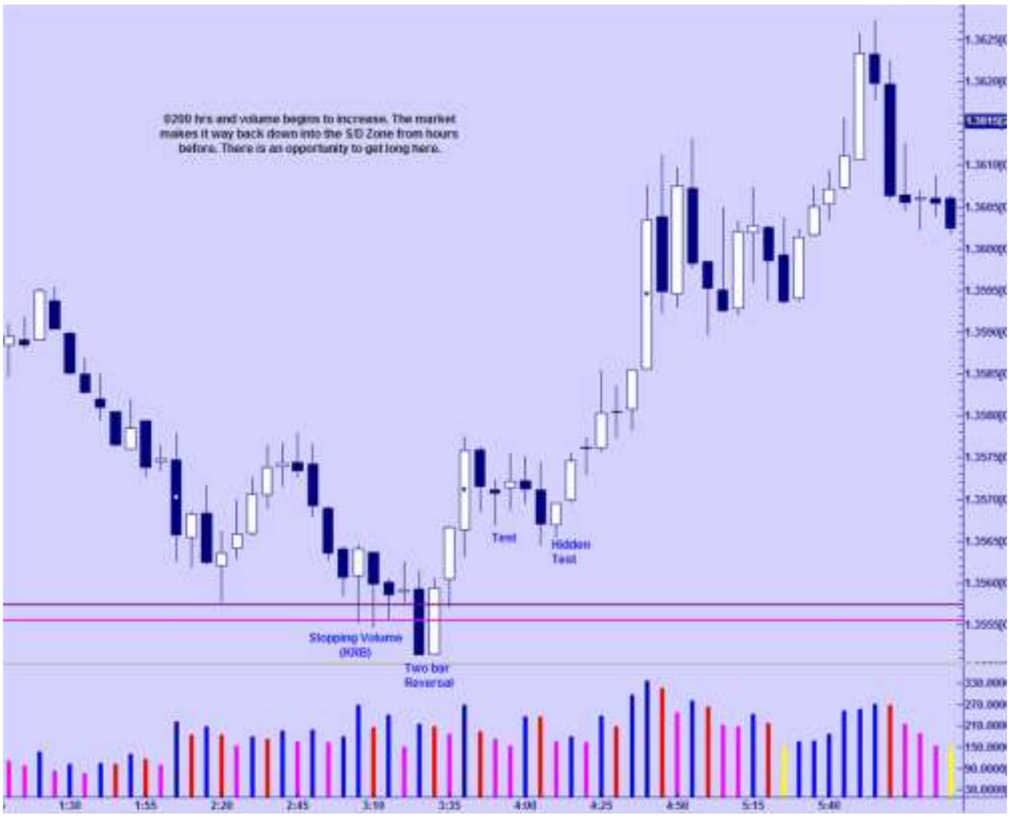
№23

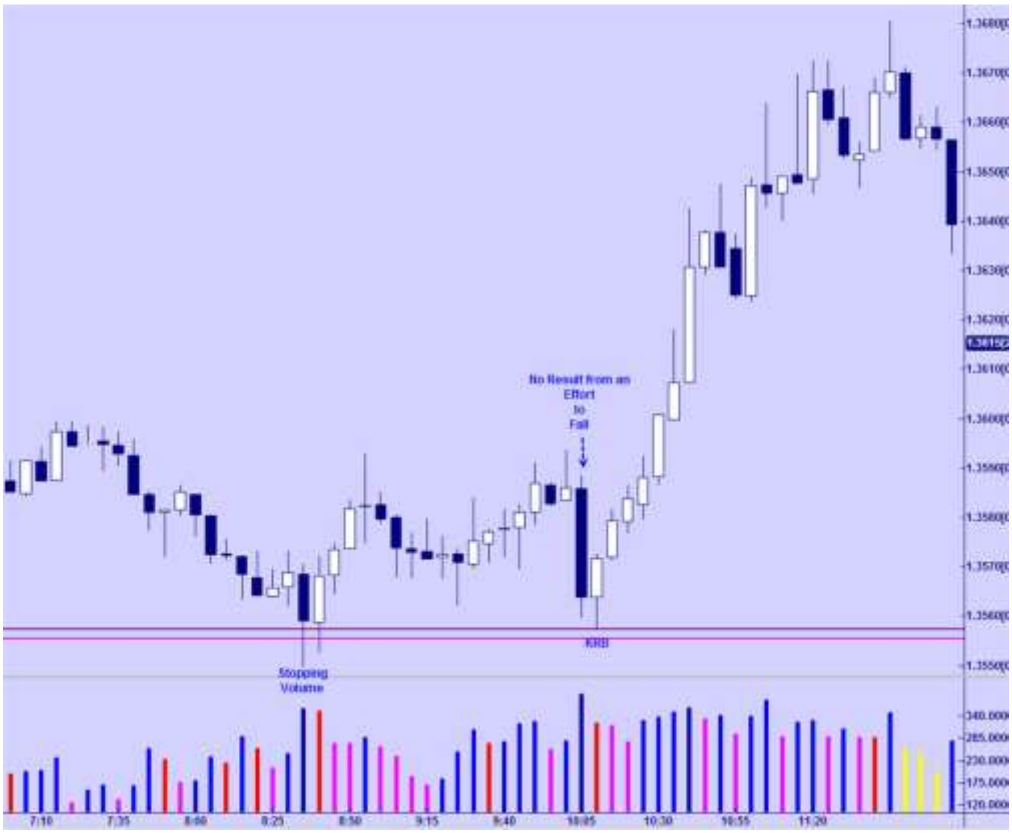
I don't like to think in terms of Support/Resistance lines, but rather in terms of a Supply/Demand Delta Zone. What is a Supply/Demand Delta Zone? It's a zone or area where selling swamps buying causing prices to fall or buying swamps selling causing prices to rise. In other words, as price moves down into an area, buyers become more enthusiastic and become more and more willing to enter the market. Demand increases and overwhelms the supply in the market and price therefore rises. The opposite would be true if price was rising into this area-sellers enter en mass saturating the market with supply and causing price to fall as there is now more supply than there is demand. That's how I would define a Supply/Demand Delta Zone and ultimately I think that's how one defines support and resistance.

I have attached three pictures of a Supply/Demand Delta Zone created by an effort to rise candle that is a WRB. This represents a change in the supply/demand dynamics in the market. So what we want to ask ourselves is, "what does the market do the next time it comes back into this area where a change in the supply/demand dynamic already took place?". What we want to ultimately see are entry signal opportunities in this area. The market bouncing off this zone (or within it) is nice, but if you can't get into the market to take advantage of the bounce, what's the point?

The fourth attachment is another picture to give a broad view. This one is not related to the previous three. BTW I just happen to have those three pics so they were not specifically taken for this post. Hope the idea still comes accross.

While I have labeled the highs as 1 and 2, note that a nice 123 top is made when you consider the low in between.


0200 hrs and volume begins to increase. The market makes it way back down into the S/D Zone from hours before. There is an opportunity to get long here.
Test
Hidden Test
Stopping Volume (KRB)
Two bar Reversal
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50
5:15
5:40


No Result from an
Effort
to
Fall
KRB
Stopping
Volume
7:10
7:35
8:00
8:25
8:50
9:15
9:40
10:05
10:30
10:55
11:20

Porkpie said

This is where the method I use differs. I concentrate on the consolidation or pivot areas (not pivot points) as this is where price broke out, the flash point of the move down that created the supply/demand zone in the first place. What troubles me about hidden gap's zones are that they are too far from the original source for an entry point when price returns. However, on the flip side when price doesn't quite make my previous consolidation areas on return (although I have a 10 pip entry from the zone) hidden gaps zones make a lot more sense. HG,...

Interesting Porkpie. I would love to know more. Please post some more examples and the underlying logic if you would.

I should have stated this previously because I believe it to me so fundamentally important:

SUPPORT/RESISTANCE is NOT a trade signal. One needs a method to determine where support/resistance are and then another method to take advantage of this knowledge.

So one should not enter long just because price is falling and nearing a support number. But rather as the price falls towards the support number, one should begin looking for entry signals that are independently created of support and resistance. This is the only way to test the validity of support and resistance levels. If your entry methods yields good results when trades are taken in "air", but yields better results when taken at support/resistance than clearly the best situation is to only take those trades that occur at support and resistance.

№24

You can trade any number of ways using Volume Spread Analysis. If you want to scalp, you can scalp. If you want to counter trend trade, there is nothing in the VSA dogma that says you can't.

From my perspective, it looks at worst as you're trying to catch the top; and at best like you're trying a counter trend trade. I always thing in terms of "what do you want to see? And where do you want to see it?". So if you can answer those two questions, more power to you.

Assuming this was a place where I wanted to see it, what I would want to see is price roll over and give an Upthrust followed by a No Demand. If you pulled the trigger on that narrow range up candle on increased volume, a squat (looks like a buying climax), you did make money. But I would argue the set-up is more suspect than the direction of the trade.

VSA is about market analysis, it is not a strict set of rules that must be followed without deviation. Gavin trades off a 15 min chart, Tom off a different timeframe. This trader trades with the larger trend, and that one likes to counter trend trade. Yet all are still using VSA.......

EDIT:

I consider this a slam dunk. Note that we start off with No Result from an Effort to Rise. Then we get an UpThurst. Finally we get our old friend No Demand.-a pattern that repeats often. Might the market ultimately go up? Sure, but there was some room to make a nice short here.

P.S. For those interested, there's a bonus on the chart.

№25

I realize this thread could be entitled Malcolmb's minions, but I'd like to make a post anyway . The truth and the irony is that there are a million ways to make money in the markets, the hard part is finding one.

There's a lot I could talk about, but I think I will just focus on our Better Volume indicator (I hate that word). I know, Better Volume is not technically VSA. Skip to the next post if you are bothered by that fact. On the other hand, if you are about reading price & volume Better Volume is an invaluable tool totally consistent with the underlying principles of Volume Spread Analysis.

The value of climatic action candles. Climatic action candles are the place to begin any analysis. Our definition of climatic action according to Better Volume is the highest volume*range in the last 20 intervals. This differs slightly from straight VSA, as a climatic action bar in VSA would be defined purely by volume. Therefore, the Shake out shown on chart 3 is a climatic action bar from the VSA perspective as the volume is so high. Better volume does not paint it dark blue, so it is not climatic action. As a trader this distinction must be noted. One has to be able to see both. But I am getting a little ahead of myself.

Let's take a look at chart 1.

Again I think the best place to start looking for entries into the market, ***is going to be either a climatic action candle or an ultra high volume candle. Most of the time they will be the same candle.***

One type of WRB I look at that may turn into key changes in supply/demand appear only on climatic volume, but that's not what is being discussed here. Look at the right side of the chart.

1. We see a very high volume candle with on a narrow range. An underlying principle of VSA is that volume = activity= effort. And effort should be seen in the size of the range of a candle. Simply put, there is a positive relationship between volume and range: they should be increasing together.

In this case, they are not. The question is, "Why is the range being kept narrow as the volume increases?". The answer is the range is narrow because supply is swamping demand. Those that can see both sides of the market are not bullish at the moment. If they were, the range would be wide. Why are they not bullish? Well, they can see both sides of the market and they can see the supply overhead.

"So by simple observation of the spread (range) of the bar, we can read the sentiment of the market-makers; the opinion of those who can see both sides of the market". Tom Williams, Master the Markets, p 28.

It would appear that the BBs are not bullish here but rather bearish. Okay great, but no reason to enter the market based just on one candle. I should note that this candle is an up candle. As we know, when ***weakness appears it appears on up candles.***

Добавлено примечание ([CB1]): ***weakness appears it appears on up candles***

2. Two candles later, we get a different picture. This time our climatic action candle is on a down candle with a wide spread. We also note that the next candle is up. A down climatic action candle on a wide spread closing slightly off the low with the next candle up is a sign of strength. This follows a sign of weakness only two interval prior. Again no real hint of what the market wants can be ferreted out at this point.

I would note that this candle is engulfing the previous two candles. This means it is engulfing candle #1. Not VSA in the least, but still telling and worthwhile.

Let's skip to chart 2.

This is where the action is. Take a look at the volume. Note that there are three (3) climatic action bar in a row. Clearly something is afoot here. A quick glance to the left reveals that these three candles have less volume than the previously discussed candles at 1 & 2. This is important. Pure VSA might miss this as the volume is not considered climatic or ultra high. However, Better Volume, using both volume and range to calculate climatic does.

A. ***Decreasing climatic volume on a wide spread candle that closes off its low with the next candle up. There is hidden buying going on in this candle.*** If this was a truly bearish candle then the close should be lower and the next bar should be down. Also as Tom says, " Bullish volume is increasing volume on up bars and decreasing volume on down bars". MTM, P. 19.

B. The volume increases on this candle. Note that the candle opens lower than the previous candle, makes a lower low, then closes up and off of its high. This is a Key Reversal Bar (KRB). This is obviously a bullish sign. An aggressive entry is a long just above the high of this bar. A less aggressive play is to wait for a low volume (volume less than the previous two) no supply or test candle and enter after that.

C. Are you paying attention to what the market is telling you? Or are you listening to the dogma? We see a wide spread down candle closing on its low with volume less than the previous two candles. This is No Selling pressure.

"***For a market to drop, selling pressure needs to be evident, which normally shows itself as wide spread down on high volume***." MTM, P. 166. Here the spread is wide but the volume is low. The BBs are not actively selling on this candle. If they are not actively selling, they must not be interested in lower prices. If they are not interested in lower prices, they must believe price is about to rise.

D. While the volume on this candle is not climatic, it is increasing. When you combine candle D and candle C, you get a bottom reversal on increasing volume. It's time to get long. Note that if you were aggressive, candle C does make a higher high than B and would bring you in. But the less aggressive waiting for the no demand, now see no selling pressure and a bottom reversal.

Normally we want to buy on down candles and sell on up candles, but the two candle pattern here completes with an up candle by definition.

Chart 3

This just shows what happens next. How one manages the trade dictates how many pips and how long a person is in the trade.

a. Note that we have increasing volume on a climatic action candle. The key here is that we are not always talking about reversal, but sometimes we're talking about continuation.

b. This is a Shake Out. Notice the volume is blue, but we know that this is a climatic action bar because we study VSA.

None of Gavin's dogma. No mutli timeframes, no bars changing colors, no diamonds. Just out of the book (MTM) reading of volume, spread, and price analysis coupled with Better Volume.

№26

WRB analysis and VSA are independent of one another. Although I think they can be melded into a cohesive and synergistic understanding of the supply/demand dynamics in the market.

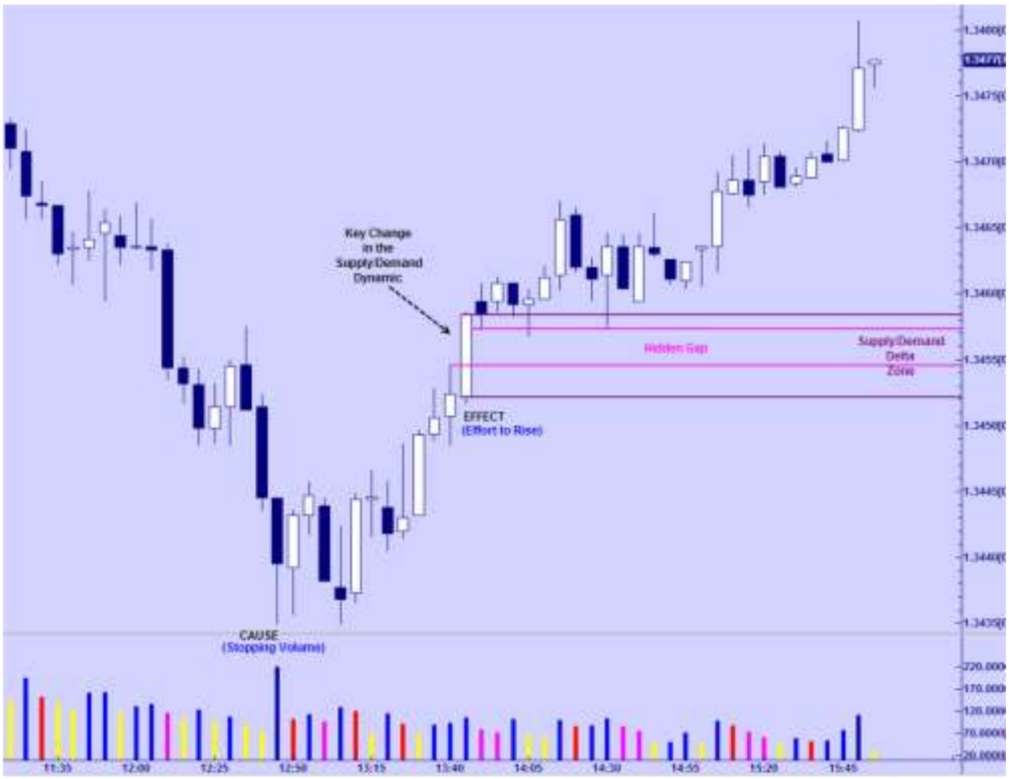
Pure WRB analysis does not need volume. Pure WRB analysis doesn't need multiple timeframes. While some more advanced users might try to use the WRB zones of one timeframe to trade another, it is not necessary and is actually a bit difficult to do.

My personal take on WRB analysis adds a volume component as you know. Take a look at the chart below. The thing about this chart is that there is a cause and an effect. The stopping volume candle represents the cause and the WRB that comes later is the effect. What this means is that the area of the Key Change in the supply/demand dynamic that is marked on the chart becomes the very best place to look for signals.

So if this was a key change in supply/demand on this timeframe, you don't need another timeframe if you are taking your trade within this zone. The traders responsible for the change, know this area. How they feel about this area, will be reflected in how price acts within it. With that said, WRB analysis is not a trade signal. One still needs a method, VSA or otherwise, to get into a trade.

Ultimately WRB analysis gives an understanding of the price action prior to any trade signal. Going back to the chart. One would have a better understanding of the price action and therefore be more able to take a trade if it appeared within this zone. Think of it as the "second" wave of BB demand and the stopping volume as the first. From this chart you have an idea of what price area matters to the BBs on this timeframe and why a trade signal in this area carries more weight.

In conclusion, if one wanted to take a trade signal on the 5 min. within a WRB zone created on the 15 min., it could be done. However, it is a bit difficult. Using multiple timeframes to say, look for a trade entry within the zone of a 5 minute chart and then confirming it with a signal(s) within a zone on another timeframe(s) is not the proper use of WRB analysis.



№27

Posted by dvarrin

Hi, How do we trade using VSA on this chart, particularly in the blue rectangle? The first bar is the rectangle fails to close below the channel bottom line. Then the next bar is closing at the top, with high volume, indicating strength.Then 3 bars later, we have 2 successive bars closing at the bottom, maybe indicating weakness. Can we go long after those 2 bars? The problem is that right after, there is a high volume bar closing at the top. Is it a sign of strength? And after there is a breakout downwards. What do we do in a case like this?

Recently I have been vacillating between the use of VSA and Price Action as my way of using volume doesn't meet VSA criteria-I use one timeframe and a 5 minute timeframe at that. Anyway, I still drop in from time to time to see what's up. I saw this as an interesting question and a way to "practice my skills". Therefore understand that this is all after the fact and its value is up to the individual reader.

There is a lot of weakness in this area. ***When weakness appears, it does not simply disappear one or two candles (bars) later.*** On to the chart.

One thing I would say that I have said before, Better volume is a very valuable tool even if it is not technically VSA. Everything that follows can be seen on your chart, but it pops on my chart because of Better Volume.

A: The first place to start as always is with a Climatic Action candle. This is your typical high volume up candle on very high volume. We know markets do not like high volume up bars. Why? Because they can contain hidden selling. This candle closes on its high and the next candle is up. These indications would seem to make this bar bullish, but if it were bullish, it would be tested immediately.

B: ***After the first candle, we have another up candle. Again, had this candle been down then we could easily conclude that A had hidden selling. In this case the candle is up. But note that the volume has remained the same as the first candle yet the range of the candle is smaller. If A was strength, then B should have an equal or increasing range on the same volume as A. This is very subtle, but what comes next is not.***

C: Increasing volume on a bar that closes down and lower than the previous candle after making a higher high. This candle completes a 2 bar up thrust pattern. In the ideal pattern the volume on the second candle (bar) is greater than the volume on the first. That is the case here. Now we can be sure that A was weakness and not strength. I hesitate to add this but, for those Japanese candlestick users, this candle is also engulfing the previous candle.

D: We follow the 2 bar up thrust with two down candles and then we see our first up candle (D). The range is narrow and the volume is less than the previous two candles. This is No Demand. Bingo. Weakness in the background in the form of hidden potential selling followed by a 2 bar up thrust. Then the market follows up with No Demand. Unfortunately, things are not so easy as the no demand does not confirm. That is to say, the following bar does not close lower. But let's not forget the actual definition of No Demand: Narrow range up candle (bar) on volume less than the previous two candles. That's it. In other words, we meet the definition of no demand despite the fact the preceding price action does not confirm it.

Yet let's think about how to trade it (this will become important later). The way to trade it is to look to enter on a breach of the low of the No demand candle. So we enter PRIOR to confirmation as we do not wait to see if the next candle actual closes lower. One reason this is done is because the market will often give us an Up Thrust following a No Demand (hint).

E: As previously stated, this candle closes up and thus does not confirm the no demand. It also does not make a lower low than the previous candle so it does not bring you into the market. Note also that the volume is increasing.

F: Volume continues to increase as this candle closed down. Not just down but lower than the previous candle and on its low. That's right. Another 2 bar Up Thrust. The market is weak. Now an entry signal can be placed at the low of this candle minus one pip. This becomes entry point number 1 as you would be brought into the market on the next candle. But lets assume you did not enter here.

G: Tricky candle. First thing we must remember is that weakness does not simply dry up after one or two candles. This candle opens lower than the previous candle, but closes higher. It also makes a lower low than the previous candle and closes just slightly off its high. All on increasing volume. Simply, this is a beautiful example of a Key Reversal Bar (KRB) a sign of strength. We can't ignore the background weakness, but this shows some demand entering the market.

H: VSA 101. Narrow range up candle on volume less than the previous two candles is No Demand. Sure some buyers (demand) entered on the KRB, but the overall immediate background was weak. This candle confirms that the BBs are not interested in higher prices. There must be a reason for this. If they are not interested in higher prices, it must be because they are expecting lower ones.

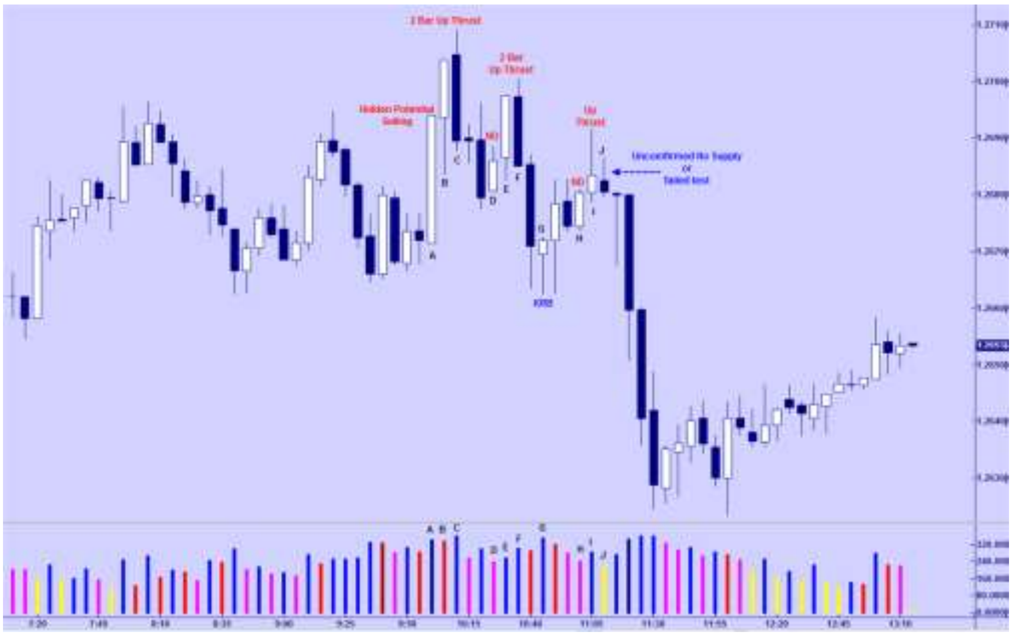
Again, if we did not enter the market short yet, here is a no demand in the correct place. As previously stated, we look to enter on a breach of the low. One reason we do this is because the next candle often times is an up thrust....

I: These things repeat all the time in the market! After the No Demand we see an up candle that closes in the lower portion of its range after making a higher high on increased volume. This is an Up Thrust. Our No Demand does not confirm, but it is followed by an Up Thrust which confirms the overall market weakness if not the No Demand itself. Now is the time to look to enter short on a breach of the low of the Up Thrust.

J: J does not bring you into the market even though it is a down candle. What is of note is the low volume. In fact, the volume is the lowest in the last 20 candles, hence the yellow color. Don't be confused. This is not a sign of strength. The background is littered with weakness. If this was actually strength then the next candle would not be lower. Therefore at best this is an unconfirmed no supply/failed test, or, it is simply a low volume down bar at the beginning of a down move. The latter is actually not all that uncommon and is what we have here.

Even if you mistake for a Test or No Supply, the fact that the next candle makes a lower low and does not close higher should signal confirmed weakness and not strength.

Is the move enough to let you retire in the Cayman Islands? No. Then again how many contracts do you trade? Currently the price is 1.2628 and the issue becomes how one manages the trade.



I actually mentioned F as the first place to enter. The reason I like F is because by that time we have seen "the big three"- a hidden potential selling candle, an Up thrust (over 2 bars) and a No Demand candle. This is a pattern Gavin used to talk about and certainly made famous by Tom and Todd in the original boot camp.

If you are really aggressive, you could enter after C. ***I just like waiting for the no demand or the second up thrust whichever comes first***. Another problem with entering on the candles after C is that they are down candles. Whenever possible I like to follow Tom's rule of entering short on up bars and long on down bars. Admittedly this rule gets a bit fuzzy, but I do keep it in mind. That's why I would be looking for a no demand (up bar by definition).

> ***But back to F for a minute. You will note that the up thrust at (I) is actually an attempt to "shake out" the shorts that can't take any heat on their trades. The BBs know there are some who can read a chart, so they don't want to make things too easy for them.***

If you missed F, then an entry on the breach of the up thrust at (I) is your next entry point.

№28

I have attached a chart of the GBP/JPY.

Before I get into that let me say that there will always be moves that are missed. It is a fool's game to try and catch every turn and every pip of a chart. You can narrow your focus a bit and you will still find that while there are missed moves, opportunity continually presents itself.

On to the chart:

The area you marked as A, I do not see as stopping volume. To be sure, it stops a down move, but I would not call that candle a true stopping volume candle. I could be wrong.

Area (B): Here we do not have a 2 bar up thrust. For a 2 bar up thrust you want to see the second bar close below the close of the first bar. Ideally, you would like the second bar to have more volume than the first, but that does not always happen. Could the second bar (candle) be a 1 bar up thrust? Well, it is Up thrust-like. True up thrusts come on UP bars. But that is not the real issue here. The real issue here is there is no weakness in the background to form the context of an Up thrust.

In other words, this really isn't a tradable up thrust. The background is not weak. We have not seen any climatic action up bars like a buying climax or end of a rising market or hidden selling potential. It is true that the market is rising on increasing volume and markets don't like up bars on high volume, but there hasn't been any climatic volume.

Area (C): The key to this area is the climatic up candle that comes before we get to the circled area. As I have stated before, the place to start is with a climatic action candle and or an excessively large volume candle. Notice that the next candle has increasing volume and a decreasing range. This is a squat. Something is putting pressure on price as it rises. That "something" is a large amount of sell orders from the BBs.

The next candle (1) has even more volume and is an Up Thrust. The close in in the middle of the range so we know this bar can't be bullish. With all that volume if it was bullish, then the close could not be in the middle of the range.

The next candle (2) is tricky. It is an up candle on volume less than the previous 2 candles with a range narrower than the previous candle. That is the definition of no demand. But the volume is still high. In fact this volume bar is higher than the volume bar on the climatic action candle and certainly higher than average. Simply, this is not the best amount of volume to see on a No Demand.

But it was there and some could take it, which disproves your point about this area. I, however, do not like it as much as (3). On (3) volume has dropped off and is lower than many of the previous candles including the climatic action candle that we start from.

Area (D): Wow. Beautiful. Weakness in the background a single candle up thrust on climatic volume. Tom has said he would enter here. Malcolmb would enter here. Note that this IS an up bar and the ideal type of Up Thrust. Also note that this Up Thrust makes a lower High than the previous Up Thrust.

The best place to short, according to Gavin, comes at (4). This is your No Demand after the up thrust and after the change in trend.

So (D) does not have to be missed in this case. If it is, opportunity presents itself anew at (4).

Posted by dvarrin

> ***How do we know when there is some kind of VSA signal that the trade is going to last for sometime or in contrary will be very short?***

I would argue that you never do, as the future is unknown. With that said, I know Tom Williams says the longer the accumulation or distribution phase, the longer the up move or down move respectively.

Posted by dvarrin

I would like to ask the VSA masters here if they are using VSA only or if they are using trading lines and considering VSA signals only when approaching those lines?

You're in my wheel-house now. LOL. First let me say I echo Shamus in that neither would I be so bold as to suggest myself a master. And if I claim to be a wise man, that surely means that I don't know.

I Think that this is where Gavin has a lot of problems with me. This is despite the fact that I constantly say that WRB Analysis is not VSA. I would argue there is a symbiotic relationship and have put much effort into melding the two ideas. But the fact remains, they are different.

For me it all comes down to "seeing what you want to see, where you want to see it". The where you want to see it part, for me, is within the body of a significant WRB also know as the Supply/Demand Delta Zone.

I have attached 3 charts.

The first chart is the GBP/JPY chart I used to answer a question posed in the thread by F451. We can see some nice price action/ VSA set-ups happening. Yet this is only half the equation.

The second chart shows the same area, but I went back and placed some of the Supply/Demand Delta Zones on the chart. Note that the price action/volume spread analysis we saw in the previous chart actually occurs in the correct place. In other words, as price move back into this area, I'm looking for something to happen. At the very least, I know I need to pay more attention to the chart at this time.

The Third chart goes further back to the left. This shows the appearance of the WRB that was the key change in the supply/demand dynamic that created the zone the subsequent trades appeared. I consider this to be a key change in the supply/demand dynamic because it is the first effort to fall candle after a no demand which is in the correct place and concludes a signal. If you jump back to chart two, you will note that a key change in the supply/demand dynamic happens when we get the first Effort to Fall candle after the Up Thrust. There are other reasons why a candle would be considered a significant WRB, but I wont get into them at this time. I really wanted to make the point about "what you want to see, and where you want to see it". You should note that most of the traders here do have some sort of horizontal lines on their charts. Malcolmb has MM and Value Area (I think). Shamus, Volume Based Support and Resistance. The Chief, high volume areas. The means differ but the end remains the same: ferret out the higher probability trades as those trades that occur in the ideal place as definite by the method used to draw the lines.


162
C
B
162


Supply/Demand Delta Zone
Key Change in the Supply/Demand Dynamic
Key Change in the Supply/Demand Dynamic

№29

Posted by malcolmb14

In vsa for trends to change there are typically three major set ups that one could look for.

for uptrend ending

1) No demand bar .

2) UPthrust with very high volume

3) Buying climax very wide spread bar on high volume.

for down trend ending:

1) climatic action , a down bar on ultra high volume closing on lows

2) shake outs

Absolutely spot on. I would add "***end of a rising Market***" and "***bag holding***" repectively. Both are rare, but incredibly powerfull.

№30

Somebody sent me a message with a question and an attachment. I still haven't figured out how to add an attachment to a pm, so I am posting it here. I hope the sender doesn't mind.

To be honest distribution and accumulation are a bit hard for me as well. That's why my overall focus would be a little different.

In the chart you sent, that first area has a Shake Out and not a buying climax. Notice that the Shake Out makes a lower low than the previous bar and closes on its high with the next bar even or up. This is one of the cases where high volume on an up bar is actually strength and not weakness. Never the less the market moves sideways indicating that some selling did appear on the Shake Out. Once you recognize the Shake Out, then the No Demands are out of place. In fact the second red bar after the two bars marked No Demand is a narrow range down bar on increasing volume closing in the middle of its range. This is a strong bar.

I don't know what the dotted white line means, but here you have strength right on that line. That should be a tip for you that the market is strong and not weak. That is, after all, why the line is there in the first place.

Let's back up for a second. I have recently had the best couple of weeks of trading in a really long time. One of the reasons has been the addition of the Dynamic Balance Point Line (based on Drummond Geometry((thanks Gavin))/Robert Kruse/Chaos). This line is similar to TG's diamonds. Now, like Gavin, I would only be looking to get long in this case when prices are above the DBPL. Therefore the low down bars PRIOR to the Shake Out offer ideal places to enter this market. SEE attached chart. So I would already be in this market and not looking for reasons to get short. If I wasn't in, I would still only be looking for ways to get in on the long side. Therefore I would not be concerned with re-accumulation or redistribution.

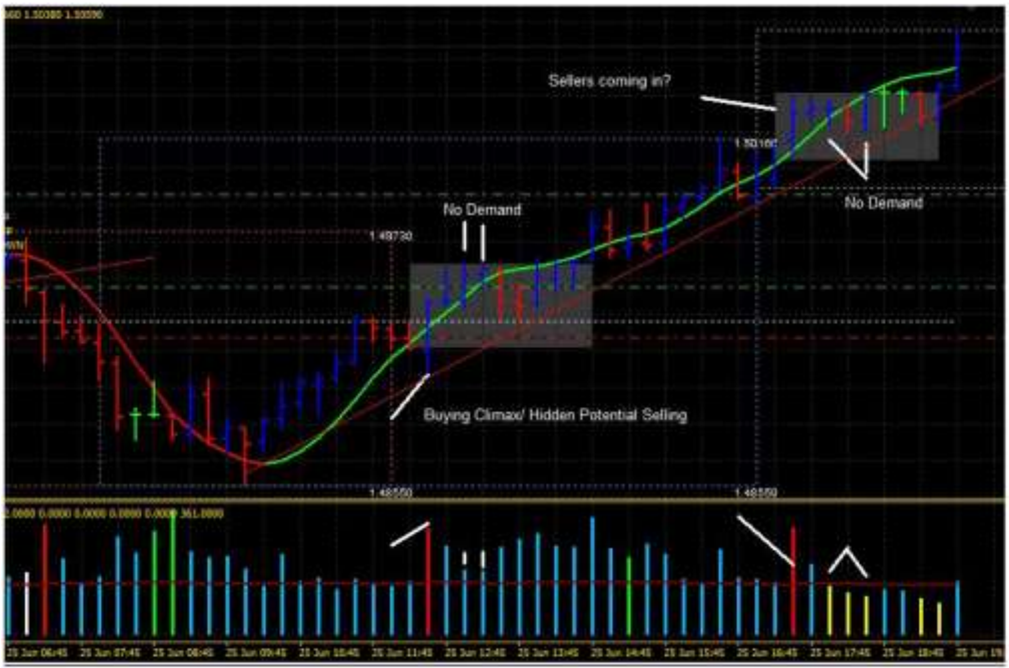
I believe Mal would focus on the fact that the hull (if that is indeed a hull) remains green. So he would not be looking to get short or anticipate any type of distribution at this point. Once the hull changes direction and color, then he goes back to see if there are visible VSA signs as to why the hull has changed. But I don't want to put words in his mouth.

I know this is an after the fact chart but I don't see any reason that you would want to be bearish. Since that average remains green. This is not VSA, but if you are going to use that tool learn to use it to your advantage. I suspect that any topping or bottoming phase would have that line turning green for a few bars and then red and then green again. When you see that, then you can look to the left and ask Why?

Now, whilst in the trade and above the line (in this case) any high volume up candle closing of its high and especially if the next candle is down, gets my attention. This is where supply has likely entered the market. Is it the top? Don't know don't care. I not looking to get short until the trend has changed. For me this means price is below the DBPL. And then I still need to see a No Demand-narrow range up candle on volume less than the previous two (and less than average). If the market moves sideways and forms a mushroom shape, then you can be sure that it is in a distribution phase. This is also known as build a cause. Let the market build its cause and look to enter on the result. Which would be when the down trend starts and then you see the BBs withdraw on up bars.

As far as the second shaded area goes, the story is the same. Supply does indeed enter on the bar you marked. It moves prices sideways. The fact that price moves sideways rather than down is a sign of the underlying strength. Again, your MA stays green. That has got to keep you bullish otherwise why do you color it? Based on your chart the red bar 3 bars later is a test. A signal of strength. Here again, the two low volume up bar are ignored by me as price is above the DBPL. Thus, I don't have to figure out if the market is re-accumulating or distributing at this point. My only focus need be on the fact that the test is in the right place-the trend is up and we have moved slightly down into the range of the high volume candle and found no supply (what the market is "testing" for).

... All of that just to say, I am really the wrong person to ask.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No Demand
Buying Climax/ Hidden Potential Selling
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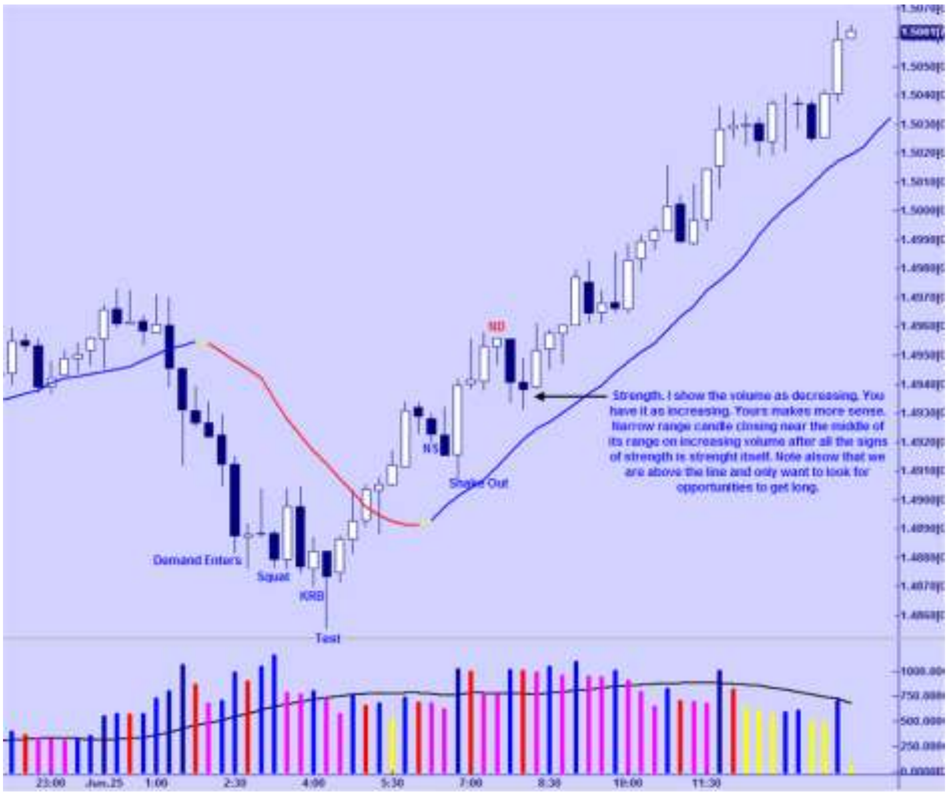

ND
NS
Shake Out
Demand Enters
Squat
KRB
Test
Strength. I show the volume as decreasing. You have it as increasing. Yours makes more sense. Narrow range candle closing near the middle of its range on increasing volume after all the signs of strength is strenght itself. Note alsow that we are above the line and only want to look for opportunities to get long.

№31

I used to have a major problem with Gavin and Malcolmb. "They call themselves VSA traders yet they have indicators on their charts",I would say to myself. What I have come to understand is that while they have indicators on their charts, they are not indicator traders. They merely use indicators to indicate trend. Gavin does not go long simply because his bars turn green and his diamonds turn green. Mal does not go short simply because the Hulls cross or turn red. Both in fact are skillfully reading the chart to determine the relationship of supply and demand and then entering trades that are in harmony with the trend. Simply, they are TREND TRADERS.

That's right. Even though VSA "signals" weakness at the top or strength at the bottom, they both are only looking to enter the market when the trend is on their side. The trend is your friend may be a trite phrase, but that does not mean it is not true. Tom Williams, the father of VSA, may be able to call the turn and enter aggressively, but most other traders help themselves by not trying to top and bottom pick, but rather by "wanting what the market wants" as defined by its trend.

The best trends tend to come only after the market has built a cause. Put another way: (Generally) The longer the distribution phase, the stronger the resulting fall. (Generally) The longer the accumulation phase, the stronger the resulting rise.

Take a look at the chart below.

Before getting into the individual candles, let's think big picture for a moment: the market at any onetime is in one of four phase-bull (uptrend), bear(downtrend),accumulation or distribution. The market may jump from bull to bear, but as previously stated, most of the time there is a causal relationship between the length of the distribution phase and the resulting bear phase. As retail traders, our ability to make money is in direct proportion to our ability to identify and take advantage of the bull and bear phases, not the accumulation and distribution phases.

Don't get me wrong. Properly identifying accumulation and distribution is important, but our entries come once the EFFECT of the accumulation or distribution occurs. That is, when the new trend emerges.

The chart below shows three distinct phases. We start off in a bull phase. Followed by a distribution phase and then a bear phase.

Note that evidence of a change in supply/demand (weakness) comes as price is rising and the trend is up. Yet the best places to get short come as price is rising (on low volume) and the trend is down. Therefore, the No Demand we want to see will come after the change in trend.

A: Climatic up candle closing off its high with the next candle down. This is a sign of weakness. We know we are in an uptrend. Price is above the BPL and above MeanSwing. Moreover we know one candle does not a mean get short.

B: Tricky but it does not have to be. Up candle on volume less than the previous two candles-No Demand. Two clues hear make it less tricky. The trend is up (above the BPL and MeanSwing). The volume while lees then the previous two is still higher than average. This is my least favorite type of No Demand candles because it makes a lower low and not a higher high. I really like NDs that make a higher and not a lower low on volume less than the previous two candles. The herd know this type of candle as a "buying candle". That is of course not true and only further sucks the herd into the wrong side of the market. The other reason I don't really like this type of ND is that if the next candle had been up, then it would be a Hidden Test.

C: NFP release. We know from VSA 101 that the BBs love to use news releases to take their positions. The larger volume on the release helps enter a position without moving the price against themselves. Here we have Ultra High volume (Yao Ming) on an ultra wide spread closing off the high. Supply must have entered hear. If not then the close should be on the high. VSA tells us that when weakness appears, it appears on up candles. This candle is up and weakness appeared.

How cares what the news was? All we need to know is what price did on all that volume.

D: If this candle had been down than there would be absolutely no doubt that (C) had selling. On this candle the close is up, but in the lower half of its range on increasing volume and a smaller range than the previous candle. This is an Up Thrust. The appearance of this Up Thrust is further evidence of weakness on (C) even though the close is up.

But we can't short this market yet. We are still in an uptrend.

Note the candle 2 candles later. This candle closes up on volume less than either (C or D) with the next candle down. Volume on the up candles is dwindling. "It takes an increase of buying, on up-days (or bars), to force a market up".-Tom Williams, MTM, p40. The path of least resistance is changing.

E,F&G: All the previous weakness has caused the market to move sideways. We see further signs of weakness in the form of Up Thrusts, Up thrusts over 2 bars, and 2 bar reversals.

The market has now entered a distribution phase. Our key here need be that we see weakness in the background and price is beginning to trade on either side of the BPL. We know that we only want to take longs when we are above it and shorts when we are below. We also know with the weakness in the background we should only be targeting shorts. We also know that the path of least resistance is also defined by what side of MeanSwing we are on. Prices remain above it so we can't yet get short.

H: Aggressive "intuition" entry. We have a narrow range up candle on volume less than the previous two candles. Note that the volume is yellow so not only is it less than the previous two, but the lowest volume in the last 20 candles. This candle is partially within the range of the long shadow of our Up Thrust at (D).

It is below the BPL which tells us the trend is down. We have gone from a bull phase to a distribution phase and now have entered a bear phase. It closes just slightly above the MeanSwing so it is not ideal but if you have an itchy trigger finger there is plenty of evidence to take a short here.

I: The better entry. Here price is below the MeanSwing and below the BPL. The candle itself is making a higher high and not a lower low as it closes up on volume less than the previous two candles with a narrow range (NR4).

Something interesting happens here. The proper entry method is to look to enter on a breach of the low of the ND candle. It is not a confirmed ND until the next candle closes down. But we may already be in the market before the next interval closes if it trades lower than the possible ND's low. In this case the next interval makes a lower low, which brings us into the market, but the close is higher than the previous candle. This means the ND candle is not confirmed yet we are brought into the market. The market immediately turns down and goes lower. This sequence can confuse some traders so I wanted to point it out. Technically No Demand is an up candle on volume less than the previous two candles. Confirmation comes when the next candle is down. We enter prior to confirmation because of the technical definition.

To sum it up: We all trade our own personalities. Trend trading may not be in your make-up. It does have its advantages for the retail trader. It is not antithetical to VSA. Find a comfortable way to define the trend and then trade in harmony with the Smart Money.

№32

My two cents on this one.

Before we look at the chart, I will skip ahead to the concept. There are two types of entries. The VSA non-aided entry and the VSA aided entry. Aided vs. Non aided refers to something beyond just price action. More exactly it refers to the use of an additional tool/technique beyond simple VSA. Mal uses Hulls. I use the DBPL. These are tools used to help define trend and if used correctly dictate when and where one can enter a trade. Simply put, Mal and I are in the trend traders camp. Mal can speak for himself, but I believe the trend is truly the only advantage the retail trader has. I was drawn to currencies originally because of the currencies propensity to trend.

On to the chart.

Intel already covered this. Here's my take:

A. Wide range down candle on climatic volume with the next candle up. Whilst the close is near the low, the fact that the next candle is up tells us that some buying was happening on this candle.

B. Volume increases from the previous candle. It is ultra high as the candle closes in the upper portion of its range after making a lower low. Note that the open is lower than the close of the previous candle and the close of this candle is higher than both its own open and the previous close. This is a KeyReversalBar (KRB). In VSA terms, this is a Shake Out.

C. Stopping Volume. Here we have a narrow range down bar on increasing volume that closes in the middle of its range. In fact, the range is less than the previous 3 candles making this a NR4 candle. With volume greater than the previous candle on a decreasing range from the previous candle, we know this is also a down squat.

D. There is No Selling Pressure here. We are making a lower low and the range of the candle is increasing, but the volume is less than the previous two candles. Something telling here: every lower low since the shake out candle has come on decreasing volume (less than the shake out). That is not a sign of weakness.

E. Test. VSA non aided entry signal. Weakness in the background and now we have a narrow range low volume down candle closing in the middle of its range. That is also a Dunnigan candle.

Technically since the No Selling Pressure candle we have stopped making lower lows and started making higher highs. That means the trend is up. So from a pure price action standpoint, E is not a counter trend trade or reversal trade but rather a tend trade.

F. 2 bar/candle reversal. The first candle closes near its low and the next candle has an increasing range and closes in the upper portion of its range and higher than the high of the first candle. Notice that the second candle is closing ABOVE the DBPL. That is by definition a sign of an uptrend. Now we can enter as this VSA sign of strength is aided by the trend tool.

Is (E) more risky than(F)? Again, this is personal because (E) is actually a trend trade as well. Trade offs are made in trading and the use of a trend tool falls into that category.

№33

Absolutely beautiful chart of so many VSA principles.

The best entry on this chart is not the entry that Gavin, or Mal, or myself would take. It is one Tom or Intel would....

Take a look at the chart below.

A. We see an increasing range candle on climatic volume. The close is in the upper portion of its range and the next candle is up. This is an Effort to Rise. For whatever reason this price area has brought in demand (this will be key later). Note the top to the left, this appears to be absorption volume/pushing through supply. Both signs of strength. If it was, however, we would expect an immediate test to make sure the sellers are gone. Selling is resistance to any up move. That's why the BBs test before moving prices up.

B. Increasing range on an up candle but the volume is less than the previous two candles. There is No Buying Pressure on this bar. The BBs are not actively participating on this candle's move. If the BBs are not interested in higher prices, they must expect prices are going lower.

C. No Demand. A narrow range inside candle with volume less than the previous two candles and with the next candle down.

D. Pay attention: We see a dark (open>close) WRB that is closing lower than the low of the Effort to Rise candle. This is NO RESULT for an EFFORT TO RISE. The market has taken out the low of the high volume candle this is very important.

E. BINGO. This is the candle. This is the absolute best place to get short from a VSA non aided standpoint. After price has closed lower than the high volume up candle it move back into the range of that high volume up candle and now does it on volume less than the previous two candles. The range is narrow and the close is in the middle. This is No Demand.

Whatever it was that brought in demand the first time in this price area, is no longer there. If it were, we would see an increase in volume on an up candle like this. Simply, the effort we saw once is now gone.

Now here's the rub. If you use diamonds, or hulls or DBPL, you can not enter here. Price is on the wrong side of DBPL in this example. But from a pure VSA standpoint this IS what you look for to get short. This pattern repeats time and time again. Here again, price action is saying a trend change has happened as we are making lower lows and lower highs at this point. Tom, the father of VSA, and Intel might well enter here.

F. Price is below the DBPL and we see a narrow range (NR7) up candle on volume less than the previous two candles. In fact, the volume is less than the previous 20 candles. The BBs are certainly not interested in higher prices at this time. From Gavin's point of view, this is the best place to short the market.

E. Advanced entry. This is the type of entry that you add to your arsenal after low volume up bars/candles. ***This is a nice Up Squat. Notice that the range is narrow. It has the narrowest range in the last 6 candles, which means it is a NR7. It makes a higher high than the previous candle and not a lower low.*** This means it is a Dunnigan candle, or a "Buying bar". However, we know buying bar is a misnomer. Because the close is in the lower 1/3 rd of the range on increasing volume and volume greater than average. That can not be buying with such a close on that amount of volume. Supply must be swamping demand. The narrow range tells all.

Here too, the close is below the DBPL and therefore a valid entry for those using a trend tool like the DBPL.

№34

On to the chart.

A. ***A narrow range down candle closing in the middle of its range on volume less than the previous two candles***. This is a test. ***This test as opposed to the previous chart's test, comes on volume less than the previous two and volume less than average.*** Many will like this test better-and recognize it easier.

Again note that we are around the DBPL. BUT note also that the test closes below the DBPL. Therefore we really don't want to take this test.

The next candle increases in volume and range (which is the opposite of what happens on the other chart) and close higher. ***The higher close confirms the test as successful. The RESULT of a successful test should be higher prices.***

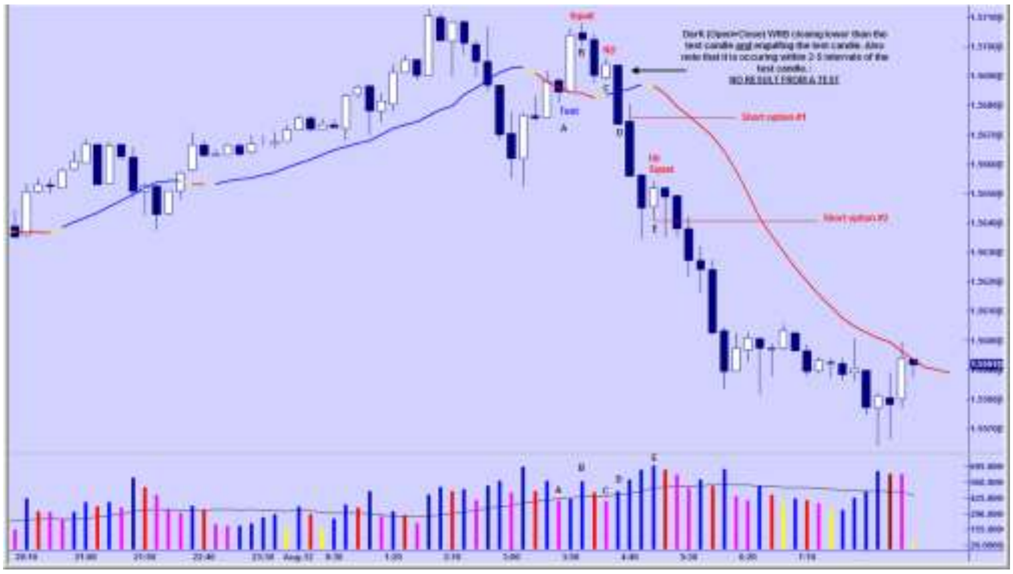
B. A narrow range down candle on increasing volume. Whilst the close is down, it does make a higher high and not a lower low. Making a higher high but closing near its low on increasing volume are signs that supply is swamping demand. Especially if the range is narrow.

This is a Squat.

C. No Demand. It is pretty clear by this point that the BBs are not truly interested in higher prices. Price moves in the path of least resistance. If up was the path of least resistance, then the up candles would be on increasing, but not excessive, volume.

We are on the wrong side of the DBPL to take a trade at this point. If we are out, we certainly don't want to be thinking of getting long after this candle. If we are long, we do have a contingency plan......

D. Yatzee. A dark (Open>Close) WRB that in this case not only closes lower than the low of the test candle, but also engulfs it. Again, not entirely VSA as we are using candles, but this is akin to a wide spread down bar closing lower on increased volume. Using candles does add another dimension though.



Notice that the dark WRB does come within the window of 2-5 intervals after the test. Also note that the WRB closes below the DBPL. If we are below the DBPL, we are certainly not in an uptrend per our definition of uptrend. Moreover, we can see that the market is making lower highs. The high of the squat candle is lower than the high to the left. A market by definition is in a downtrend if it is making lower highs and lower lows. The lower lows are on the way.

Because this candle signals no results from a test and is engulfing the test candle, it is a legitimate candle to get short on. It is a down candle which makes it an exception to the rule but it remains a viable option nevertheless. On the other hand, if you only wanted to get short on an up candle........

E. Up Squat. Check out the volume on this candle. Very high volume on a candle with a range less than the last three candles. Making this a NR4 candle. Whilst the close is in the upper portion of the range, the narrow range on that amount of volume is a clear sign of weakness. Low volume up candles are nice and easy, but we do need to expand the arrows in our quiver.

This is a slight variation of the previous post but the underlying theme remains the same: Effort vs. Result.

№35

I have attached a copy of my chart. Yes, there are a couple of indicators. But I don't trade the indicators. I trade the price action using VSA and use the indicators to do one thing-indicate trend.

I would not go short if price is above the DBPL and Williams %R36 is above the "zero" (-50) line. Is there some weakness in the area you show? Yes but as long as price is above the DBPL and R36 is blue, I only want to be long. I would therefore be looking for low volume down candles (No Supply or Tests).

Take a look at the second chart.

This is a 5 minute Euro/USD. This is, in my humble opinion, the effective way to trade VSA. The prior trend was to the upside. Things get interesting for us at around 3:00 am est.

Price begins to fall below the DBPL. But look at the volume. It is less than the previous two candles. That means this first candle with the double arrow is No Selling Pressure. Next candle, more of the same. Down candle on decreasing volume less than the previous two. Another example of No Selling Pressure.

The next candle does not make any sense. It is an up candle on decreasing volume less than the previous two. It closes in the lower portion of its range and is an inside candle. It looks like No Demand.

The next candle confirms the No Demand by closing lower, but it has even less volume than the previous candle. In fact, this candle has volume that is now lower than average in addition to being less than the previous two. Clearly there isn't any supply in this market. **Note if you had placed an order to get short at the low of the out of place No Demand, you were NOT brought into the market as this next candle did not make a lower low. At this point you would definitely have to re-evaluate the situation.***

The true strength of the market shows itself on this next candle. A narrow (NR4) candle that closes in the upper portion of its range on increasing volume which is greater than average. This is a Down Squat. The narrow range tells us that the BBs are not interested in lower prices as the range is being capped. The reason for the this is because demand is swamping supply at this level. Otherwise the range would be larger on this amount of volume.

But I would not enter here............

I need for the trend to change. Once price moves above the DBPL and R36 turns blue, I start looking for ways to get long. Now I have the trend in my favor and I am trading in Harmony with the Smart Money. Four intervals after price moves above the DBPL, I get a narrow range down candle on volume less than the previous two candles: No Supply. Not the bottom but a high probability entry.

Now jump to the candle Marked No Demand. Why would I want to even think about going short here? The trend is up and there is no real background weakness.

№36

Since we are at the beginning of this thread, I think it is a good time to offer my perspective.

"It is the intermediate trend that is of the greatest use when combined with VSA charting techniques". Tom Williams, MTM,p. 54.

It is a bit ironic that while Volume Spread Analysis is so adapt at defining turning points, it is most effective (and easiest) when used to trade trends. As retail traders, trends represent our edge. The Trend is not just our friend, it is our lover. Most traders gravitate to Volume Spread Analysis seeking following that siren's song: Buy Low and Sell High. A much more effective way to trade is to Buy high and Sell higher. What these traders fail to understand is the importance that VSA places on the concept of:

The path of least resistance :

**** It takes an increase of buying, on up-days (or bars), to force the market up.***

**** It Takes an increase of selling, on down-days(or bars), to force the market down.***

**** If Selling has decreased on any down-move, the market will want to go up (No Selling Pressure).***

**** If Buying has decreased on any up-move, the market will want to fall (No Demand).***

Couple this with an understanding of trend and we can keep it simple as we trade in harmony with the Smart Money.

Take a look at the chart below:

A1-A3: We call these candles "our old friend" in VSA because they are so telling and power when seen in the right place. Let's look at A1. It is a narrow range up candle on volume less than the previous two candles. The lack of volume tells us that the Smart Money is not interested in higher prices. If they are not interested in higher prices it must be because the expect prices to fall. From the perspective of the path of least resistance, if volume (activity) is decreasing as price rises then the path of least resistance must be down. We now know one reason that ***weakness when it appears, usually appears on up candles (bars).***

Once we have defined the trend as down, then we can start to look for up candles on low volume.

B: Here we have a narrow range up candle on volume higher than the previous candle with price closing just above middle of the range. This is a Squat. The two keys here are the range and the close in relation to the volume. Note that volume is above average and increasing. With all that volume, how can the candle have such a narrow range? Something must be compressing the range. ***That something is the supply of the professional side of the market. Simply, supply must be swamping demand.***

Whilst there is a buyer for every seller, this candle is telling us that a large amount of sell orders are in this area (this is where VSA has a bit of ORDER FLOW analysis in it).

As for the close, a bullish close would be higher in the range with the amount of volume seen. If we think of volume as effort, then the close does not represent to type of result we would expect to see.

On a side note, the term Squat comes from Bill Williams (Trading Chaos) and is therefore not VSA. The actual logistics of the candle's creation is pure VSA however. Bill Williams says all trends in with a squat as one of the last 1-5 intervals. I do not know if this is true. But one of the most powerful signs of weakness in VSA is End of a Rising Market. By definition, End of a Rising Market is a narrow range up candle(bar) on increasing volume preferable into new fresh territory. End of a Rising Market, therefore, is a squat.

C: Technically not an up close but an even close. Nevertheless, this is an nice example of an Up Thrust. It has an increasing range, makes a higher high than the previous two candles, has increasing volume, and closes near the low of its range. Clearly this candle cannot be strength with such a low close on that amount of volume (effort) no less. This was a stop catching maneuver. Note that the high of the Up thrust does not get as high or higher of the No Demand candle.

Most traders would benefit from letting go the their egos and trading with the trend rather than trying to be the one to pick the top or bottom...

"We have indicated already that if you are going to become a good trader, which then leads to making money in the (stock) market, you must trade with the consensus of professional opinion and not against it. This means once a move is in progress you must be able to identify the underlying trend in price movements and go with the flow..." Tom Williams, MTM, P. 50.

№37

Okay, I wanted to try something different that I hope can benefit a lot of the newbies.

We are going to start out with a couple of definitions. These definitions are important and will be key to how we proceed. Obviously there are slight variations that show up in the real market, but these text book definitions are our starting point.

UP THRUST: A Wide Spread up bar (closes higher than the previous bar) that makes a higher high and not a lower low than the previous bar, closes on or near the low if its range and has increasing volume.

HIDDEN UP THRUST: A Wide Spread down bar (Closes lower than the previous bar) that makes a higher high and not a lower low than the previous bar, closes on or near the low of its range and has increasing volume.

UP THRUST OVER 2 BARS: This is 2 bar pattern. The first bar closes up (higher than the previous bar), closes on or near its high and has increasing volume. The second bar, will close lower than the first bar. It should in fact close lower than the low of the first bar and be on or near the low of its range on increasing volume. Please note that the second bar often closes lower than the low of the bar prior to the first bar in a this two bar pattern.

NO DEMAND: A narrow range up bar (closes higher than the previous bar) that makes a higher high and not a lower low, closes in the middle or high of its range, and has volume less than the previous two intervals.

No demands can also be inside bars. That is, not make a higher high or a lower low than the previous bar.

Okay, there is something that we need to clear up right now. Notice that none of the above definitions say anything about being in the right place. An Up Thrust is an Up Thrust no matter where it occurs. A No Demand bar (note I did not say signal) is a No Demand bar no matter where it occurs. This does not mean you can go short on any and every No Demand you see however. The reason Tom and Gavin have "refined" the definitions to include "in the right place", is because people would simply see a No Demand and try to short it. It does not work that way. Background matters for the trade. It doesn't matter for the definition, however.

Don't be confused. The way we are going to read (and eventually trade) the chart is by looking left-the background. But we are going to start out by looking for these bar definitions in a vacuum.

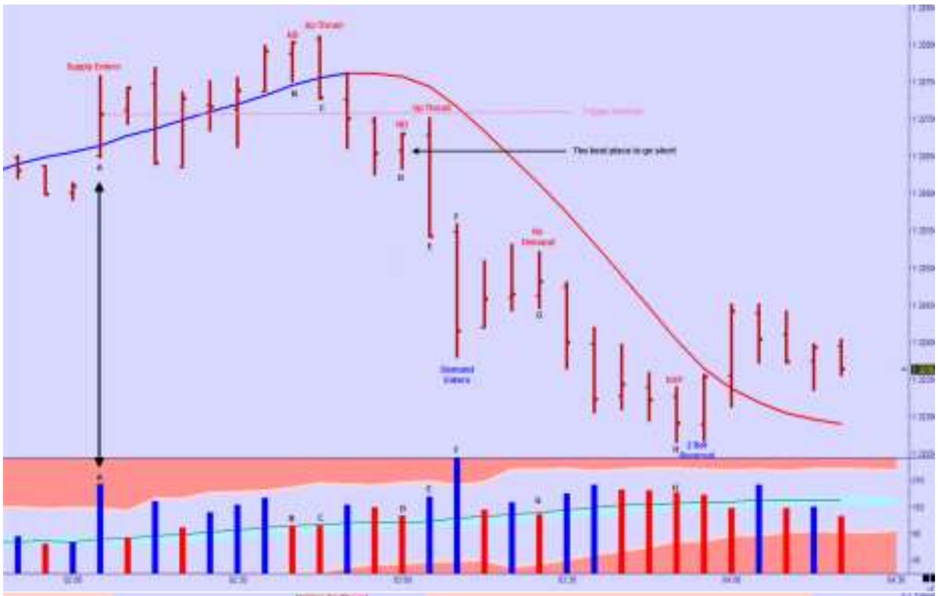
Take a look at the chart on the left.

The most important bar is the one labeled Hidden Up Thrust. Why HiddenGap? Because it marks the top? No. We only know that after the fact. In real time we know that a hidden up thrust is a sign of weakness. As soon as we recognize this bar, the question becomes "what has come before it?". *** I am skipping a step that I will go back to at the end****

As soon as we see this hidden up thrust which we have an unambiguous definition for, we can start to look left. The first thing we want to do is start looking for high volume up bars on a wide spread. We know the market does not like these types of bar because they can contain hidden selling (weakness). In this example, 5 interval prior we have a wide spread up bar in increasing volume closing off its high with the next bar down. If the volume was bullish, then the next bar should not be down. Therefore some supply must have entered here.

We move back and find our key or , Yao Ming, bar. The volume is ultra high the spread is wide and the close is off the high. The next bar is up rather than down. But take a closer look at that bar. It is a narrow range up bar that makes a higher high and not a lower low, closes in the middle or high of its range and does it on volume less than the previous two intervals. This is No Demand. True enough, price falls slightly from the No Demand. Since we are looking back, we can see that price moves sideways after the Yao Ming bar and then inertia/momentum take price higher.

We now know a lot about the state of the market. We have a "trigger" number which is set at the close of the Yao Ming bar. And we know what we would like to see to get short. Price close below the trigger line and then attempt to move back up towards it but on less volume.



If you have read some of my posts, you may recall that I said I like to see that No Demand after the Up thrust when looking to enter. In this example that No Demand does appear. Notice that it attempts to close above the trigger number but fails. Again we note that the bar itself is a narrow range up bar closing on or near its high with volume less than the previous two intervals. It is an inside bar so it does not make a higher high, but we have already stated inside bars can be No Demands.

This is where we want to get short. This is the best place to get short. Note that we are not in at the Hidden Up Thrust which forms the "top". We are not trying to catch tops and bottoms even if we can identify them.

There is a second chance entry on the Up Thrust that follows the No Demand. Some may note that this Up Thrust is within the body of a WRB, but you need either an open hash of candles to see this. This entry is of course supported by the fact that price is below the Price Attractor Line and that line is falling (red) and the fact that the hull average is falling (pink background).

Which brings me to the step I skipped previously. We got here from a pure VSA non-aided point of view thus far. The VSA aided point of view would add this step. You don't have to recognize the Hidden Up Thrust as it happens. In fact only after the hull changes direction (color) do you have to then go back and ask yourself, "why?". I believe Malcolm said he has an alert that goes off when the hull changes color. That’s when he starts to look at the chart for SOS or SOW. In this example, we have 20 minutes to analyze the chart after the Hull turns the background pink before the close of the No Demand bar.

Most of the time when we show charts we do start at the left edge and work our way right, but in real-time we can actually start at the right edge and work our way left.

№38

Just wanted to show a compare and contrast post for everyone. Intel's chart is a good example of what I call VSA non-aided trading. He is brilliant at it.

The second chart is my VSA aided trading approach. I employ a couple of indicators -to indicate trend. From my perspective, the ideal entry comes later than Intel's, but I am trading in tune with the market when I get in. My "late" entry is made up by the fact that I trail the stop using the Price Attractor Line. Being right and sitting tight. That's where the money is.

By the way, I am a huge fan of Intel, but I would have to quibble about one thing. That is not a true No Demand because it makes a lower low. It is a hidden test (closes up) that fails which shows weakness. Of course, the most important thing is the over all understanding of what is going on and not necessarily bar names.

№39

I had a discussion with a trader friend over the weekend. His question to me was where would I recommend he start his VSA journey? That got me thinking about the easiest way to begin down the VSA path.

The two charts below are designed to show VSA's dirty little secret. VSA can and does pick (or alert traders to) tops and bottoms. VSA is best used, however, to trade trends. The second part of the secret is that while VSA can Cleary be done looking at a naked chart-just look to Intel. Using indicators not as an entry signal method, but as a VSA method set up system is far easier and superior.

A lot of traders a drawn to VSA after trying indicator trading and finding it very lacking. I would certainly agree that indicator based trading has its faults. Method based trading (in this case VSA) with indicators can be highly profitable. Tactical Trader has some great insights on this and expresses them far better than me. Check it out.

One of VSA's first principles is that when Weakness appears, it appears on UP bars. And when Strength appears, it appears on DOWN bars. There are of course, exception to this rule. But for now let's focus on the principle in its pure form. We must conclude from the pervious principle that the time to get short a market is when it is rising-price moving up. Does that mean therefore that we should be trying to catch the top? On the contrary. We do only (mainly) want to be shorting on up bars, but we want up bars IN AN ESTABLISHED DOWN TREND.

This is where we can use indicators to our advantage. We can use indicators to define trend only. Whereas an indicator trader would also use them to define entry points.

Take a look at the charts below.

The chart on the right is mine and the one on the left is a TG chart from Mal. The instrument is the Euro on a 60 min/1 hour basis.

The "Top" is clearly identified by TG (VSA to be more exact). On the TG chart there is an indicator based set-up on the first red bar with red diamonds. Note this is the only indicator based set-up on the chart. If you miss it you're out of luck. Note that this is not an up bar. The first "identified" up bar is the No Demand that comes a bit later. This is a beautiful entry bar. The trend is down and price is moving up on low volume.

Okay, Jump over to my chart. That same No Demand interval is marked with the black arrow. The reason for an entry is the lack of professional activity on an up bar(This is the Method part of the set-up) in a market that is moving(trending) down.

How is trend defined? There are a couple of ways it is defined. Before getting to them individually, let's take a step back. If you are seeing a pink background, a falling Price Attractor Line (red), price below the PAL, momentum tone down and momentum flow down, why would you want to even attempt a long? It's the same thing on the TG chart. You have red bars, red diamonds , price below the diamonds, and Tone, Lock and Fire not shown but most assuredly to the down side. Why tempt fate and try and get long? Those green triangles may give you some pause, but they are certainly a siren's call to catch a falling knife. We all know what happened to the sailors that followed the siren's call; they ended up on the rocks.

I have to admit that this I was very much in the anti-indicator camp. But look at how much easier things are this way. The only thing one has to look for is No Demands or Up thrusts whilst the trend is down. As one advances in understanding one can add things like failed tests, 2 bar reversal and many more. But the key here is that the "secret" is one does not have to abandon his indicators in an attempt to call tops and bottoms. But rather one can use the squiggly lines to define the market trend and then simply look for narrow range up bars (in a down trend)- No Demand.

We all may strive to trade with the precision and beauty of Intel, but many would actually benefit by simply doing less. Rather than going from indicator based traders to naked traders, simply go from an indicator based trader to a Method based trader that uses indicators.

№40

Anyway, there are some specific rules to defining a SD Zone and I really am not able to discuss them. What I was trying to do is incorporate volume in the definition. If you look at the chart below, you can see that the SD Zone is based on ***an Long Shadow created on Ultra High Volume***. It is not unlike the trigger number/level idea. The trigger number idea uses the close or the low or the high, the SD Zone is the body of the WRB or the shadow of a Long shadow candle.

Once you define them, the key is to look for trades within them in the future. There are some posts on the old thread you can look at for more info.

The idea is that the higher probability trades will set up within or right around the SD Zone. If you take a step back, then you can see that if you have the discipline, it will help you from over trading-the more zones the more opportunities to trade, the fewer zones the fewer opportunities. As with most things in trading, of course, there is a trade off. You will see very nice VSA set-ups occur nowhere near a Zone and you will not be able to take advantage of them.

As for the trade shown, I think Intel did a more than adequate job in explaining it. I would add that from a Non VSA perspective, that the Key Reversal Bar (KRB) type 1 is a great entry. It happens to be an engulfing candle after we have seen down candles on low volume. Personally, I don't like the fact that they make higher highs, but they do close down on obviously low volume.

Question #2: Yes, I have to admit that there is a beauty and simplicity in a chart like this. You don't have to know how to program (save for the volume) which means you can more easily change platforms if need be. I did watch the videos and it was a bit disturbing. While I would not call the traders shown, syndicate traders, it is true that they all were using candles and no Indies. I believe Gavin would say that the TG charts are not designed to mimic the charts of the Smart Money, but rather ferret out their intentions.

This is clearly a response to my previous post. The key there was that a new VSA trader could do one thing: look for no demands in a down trend. Where the down trend was defined not by price but by his or her favorite Indies or squiggly lines. In other words, before you get to a naked chart like Intel's you can transition slowly. You don't have to immediately clear your chart of everything and start trying to catch falling knives.

№41

There are many reasons that people are drawn to Volume Spread Analysis. One of the biggest is probably a reaction to the failings of various other methods and indicators in particular. The "dirty little secret" or irony that I was trying to point out is that a newbie doesn't actually have to reject the Indies and squiggly lines and start trading naked. He or she can actually continue to use those things but look for a few simple VSA bars (principles is a better term).

I used to have a big problem with TG. With its bars changing colors and diamonds and "H stops", it was clear that they used indicators. Well, Kwik*pop uses indicators too and I found that lacking (although kind of pretty). I wanted to trade PRICE/VOLUME ACTION like the pros. And the pros certainly don't have Indies on their charts. I don't know if that is true or not, but I do know that the two best traders on this thread use them (like I have to add this: Mal and the DR.)

The chart below is more of an evolution. It is not where the newbies should start. And it is not necessarily where they need end up.

This is a duel chart method. Mal has spoken poetically about the need to use more than one time frame. Well, it may not be multiple but it is more than one. We are going to look left to trade right.

We start out by looking at the 15 minute chart on the left. At 0600 hrs there is a wide spread down candle that closes off its low on Ultra High Volume. The next candle is down, but with that much volume on the candle and to close off its low, we can assume some demand entered. Let's jump to the 5 min. We see that the 15 minute candle is made up of a very nice Shake out. Okay, we are not going to jump in long but we are much more hesitant to take a short.

Back to the 15. At 0630 hrs we see a wide spread down candle on volume less than the previous two. Whilst we are still making lower lows, we are doing it on decreasing volume. The next interval, 0645 is a KRB. In VSA terms, it is a Hidden Test.

Jumping back to the 5, we see a No Supply candle form at 0645 hrs. This is the first aggressive entry. The market has not yet built a cause for an up move, but some would test the waters here nevertheless. I should note that ideally I prefer the KRB to close higher in its range.

Looking left again, we see that the test does not confirm on the next candle as it is down. However, this candle has volume less than the previous two so it is No Supply (0700 hrs). In fact, the volume is now less than average. At this same time on the 5, we see a No Supply followed by another KRB (Hidden Test). Entry option #2. As previously stated, I would rather the close of the test bar be in the middle or higher in the range. Yet the market has begun to build a cause and this is therefore a less aggressive entry. Intel is probably in here already .

At 0730 hrs on the 15 we see another No Supply candle. Here again, the volume is not only less than the previous two but less than average also. Our trading chart is gives us a nice No Selling Pressure candle at this same time. Like its 15 minute counterpart, this too has volume less than average.

The very next 5 candle is the best entry. Finally we get a KRB candle where the close is in the upper portion of the range. The volume here is increasing and an obvious sign of strength. We enter on the 5 min at 0735 hrs. On the 15 min at 0745 we see the same exact bullish KRB candle, but we are already in.

By the way, there was a good number of thread members that saw this in real time. Kudos. That's just a testament to the quality of the members we have here. I am honored and it is my pleasure to be a part of this community. Nice work ladies and gents.

№42

I started out with the intention of showing a few things to Alexone, but I have gone another way. To Alexone, I would say don't get too caught up in the name game. I have used different names on some of the same bar/candles, but nomenclature matters less than the concept.

With that said, the first one was a squat. A test should either close on or near the high or in the middle. On my chart, the close is too low for a test so I see it as a squat. There is another test that fails that you do not have marked. Then we get the big one. This is a test as it makes a lower low than the previous candle/bar. In fact, it makes a lower low than the previous two candles (bars). It fails because the market does not make a higher close on the next interval. That next interval is actually engulfing the body of the test bar (not VSA) and that is a clear sign that the test has failed.

Now the really cool stuff is on the 5 min.

I don't trade the Swiss franc but it offered some beautiful entries on the 5 min. chart using the 15 min. for background support.

It all starts of with that ultra high volume up squat which some would call "end of a rising market". Check out that volume. An up candle closing off its highs on a narrow range with so much volume cannot be buying. Especially when the next candle is down. Also note that the previous wide spread up candle came on volume less than the previous two candles-No Demand. Just added evidence that the Smart Money is not interested in the upside.

Okay, let's get this out of the way now. The Trigger number/level can be in any of three points: the close, the high, the low. When a trader should use one versus the others is not yet fully explained. The best way may in fact be to let the market dictate as we shall see.

Aggressive entry: The very aggressive might notice that we have an Up Thrust in the form of No Demand that appears at 0430 hrs (all times EST). Notice that the close of this candle fails to get higher than the close of our Up Squat (trigger number at the close). I think it is aggressive because we haven't yet seen enough weakness on the 15.

Short entry 1: As I have said before, I like the No Demand after the Up Thrust after the signs of weakness as an entry. This No Demand fits that bill. Notice also that it fails to close higher than the low of our "end of a rising market" candle. So, one could say that the market is telegraphing that the trigger level to use is the low. Let's back up 6 intervals. We have a test that fails. The key thing to pick up is that this test comes just below the low of the Trigger level. Hey, I'm not making this stuff up . It's all right there. Since the market has turned this test is the first interval that has its complete range below the low of the trigger bar. You think that means something?

Well the test fails as the next two intervals are both down. And the next time the market attempts to move into this level, we see the No Demand which is our entry.

Short entry 2: Here again we have our old friend No Demand. What makes this entry so "powerful" is that it happens @ 0615 hrs. But before I say more on that, note that this No Demand is again moving up to but not closing higher than the low of our Trigger Level (L). Nor is it as high as the first No Demand.

If we look left to the 15 min. chart, we can see that at this same time there is a Squat that forms. This squat appears after the failed test and does not trade higher than the high of the Hidden Up Thrust. Now we have some good evidence of weakness on the 15 minute and coincidental signs of weakness on the two charts.

Short entry 3: This entry is more advanced. This entry uses VSA and non VSA concepts. It starts out with a Test. The Test is good as the next candle is up. This is normally a sign of strength. But there is another VSA principle known as "Effort versus Result". After we get 4 up candles we get a WRB that engulfs the bodies of not only the 4 up candles but of the test candle as well. While this observation is not VSA, the conclusion is: this is No Result from a Test.

Again let's jump over to the 15 minute. At the same time we see an engulfing candle coming right after a Test candle. This means the test has failed. So on the big time frame we have a failed test at the exact moment we have No Result from a Test on the 5. It's poison's nature to kill, if we choose to swallow. And it's a chart's nature to speak, if we choose to listen.

№42

I know I said that this is not the thread for **Auction Market Theory (AMT)**, but I had to post this.

This was never intended to make its way on this thread, but rather if was for my trading journal. Yesterday brought an very nice short set-up when the VSA and AMT came together. We saw price trade to an "unfair high". We know it's "unfair" because of the little time spent there.

At the same time VSA was showing a wide spread up candle/bar on Ultra High Volume that closed off its high with the next candle/bar down. We know markets do not like wide spread up bars on Ultra High Volume because they can contain hidden selling.

Price moves down a bit and then we get a nice Up Thrust. This Up Thrust is in the right place as there is weakness in the background. 2 intervals later, we get a nice squat. I would prefer a No Demand, but this squat shows weakness too. The volume is increasing as the range is being compressed. Something is keeping the range narrow: Supply.

Backing up for a second, note that as price closed below the close of the wide spread candle/bar, we do not get another close above. The first place to assume the trigger level is going to be is the close (we all know the importance of the close in VSA). Our Up Thrust trades above that level but closes well below. As price attempts to move up to this level again, we see a squat.

From an AMT standpoint, we know that if price trades outside of the value area and then comes back into the value area, there is an 80% chance that it will trade all the way to the other side of the vale area.

So that is the non-VSA idea to take advantage of when the VSA signal appears.

Just one note: this was using the developing profile so you do have to wait for the areas to be established. Usually, you want to be using the prior days levels.

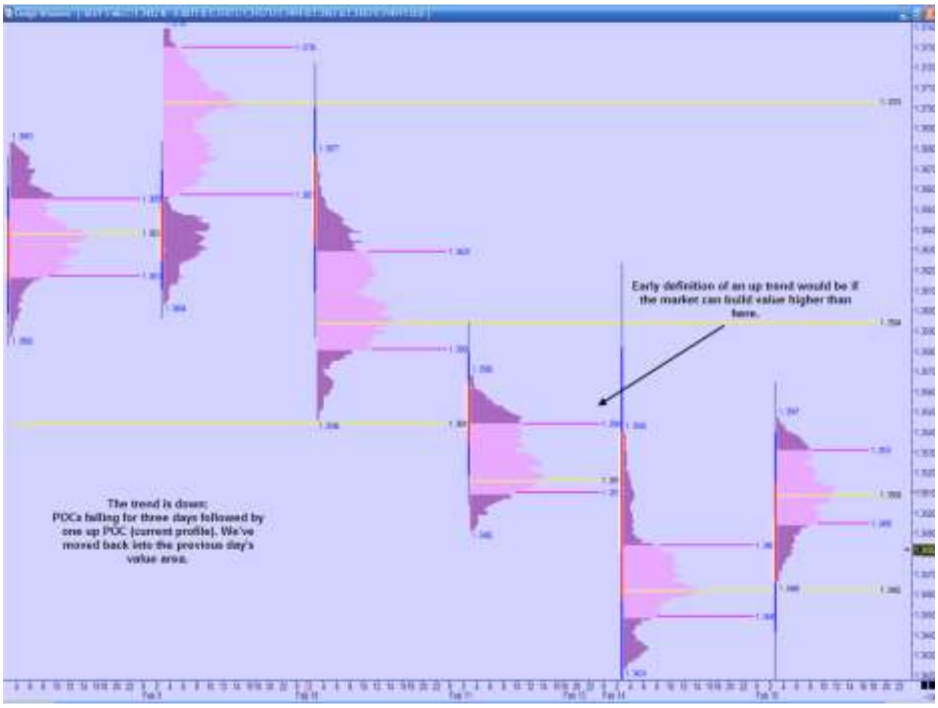
№43

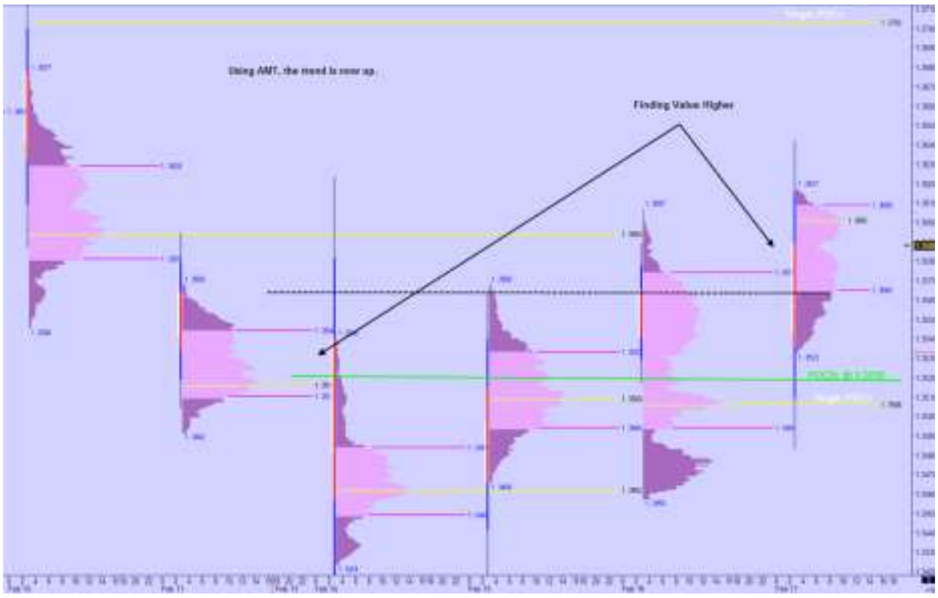
Day types matter. If the day is a P you can look for longs with the day trend or shorts against the day trend. If the day is a b you can look for shorts with the day trend and longs against the day trend. If the day is a Normal Distribution day (bell curve), then the market is rotational and you can play both sides. Simply, remember to trade what you see.

The first chart was posted earlier. I noted what we would need to see to define the trend as up. Well, today's profile (although not yet complete) meets the requirements. The trend is now up.

I have placed a 5 day average POCv level (including the current profile) on the chart. It's not the same thing as the weekly POCv but it give an approximation of where the POCv has been for the last week (last 5 trading days).

Note that we are not near the 3 rising POCvs definition of an up trend. That definition may not be the best. I think increasing balance areas (value areas) is.


Early definition of an up trend would be if the market can build value higher than here.
The trend is down; POCs falling for three days followed by one up POC (current profile). We've moved back into the previous day's value area.


Using AMT, the trend is now up.
Finding Value Higher

№44

Please indulge me, those expecting to be fed fish just scroll down. Those seeking to learn how to fish, read on.

Been looking a some old brilliant post from Seb Mamby on elitetrader....

Without further a dew, let's get to the chart. This is a 5 min ES chart.

1. As always, the place to start is with Very High to Ultra High Volume. This bar has Ultra High Volume on an up bar that closes off its high. We know ***markets do not like Ultra High Volume up bars, because they can contain hidden selling***. If this bar was buying, then we should ask ourselves, "***why is the close off the high?***". ***This bar will be our "trigger" bar. I have placed the trigger level on the high rather than the close, the reason will be explained later. But for now, assume the trigger level is the close.***

2. ***The next bar is down. This confirms that there was selling on the first bar.*** So the first bar closes off its high and the next bar was down. ***No doubt that there was selling in bar (1). Bar (2) has volume less than the previous two so we know that the BBs are not ready to take the market down, but the first sign of weakness has made an appearance.***

3. The market continues up and then we get a narrow range up bar that also closes off its high on increasing volume. This is a squat. Had this bar had ultra high volume on this spread, we would call it End of a Rising Market.

Bill Williams tells us that all trends end in a squat as one of the last 1-5 intervals. He goes on to tells us that while all trends end in a squat not all squats are the ends of trends.

Back to the pure VSA perspective. The close off the high tells us that there must be supply swamping demand on this interval.

4. *This bar is down again its on volume less than the previous two bars. This is not strength with the weakness in the background. But the Smart Money is not yet ready to take the market down.*

5. Interesting bar. The bar is wide and the volume is a bit above average. Normally, increasing volume on up bars in an up trend would be bullish. However, let's take a closer look. This bar is the fifth up bar (starting from (1)) taking us to a new high but the volume is actually the least of all the previous up bars. In other words, the market is moving up on decreasing volume. This is a sign of weakness.

The herd would like this type of bar and you would expect to see some herd buying on a bar like this.

6. The GOTTCHA bar. The BBs don't trade to make friends, they trade to make money. This wide spread down bar on high volume that closes on its low is designed to lock traders in the market that are long. Where as we might normally see a wide spread down bar on very high volume as strength, it is a sign of weakness in this case.

This bar has to change your view of the market if you were long biased.

7. Our old friend. Narrow range up bar on volume less than the previous two bars, No Demand. Note that this bar appears in the range of the "Gottcha bar"-there are no accidents.

Now this is actually your first place to get short.

8. A few bars later we have a "squat" type bar. Technically, a squat should have a narrower range than the previous bar and increased volume. This one has an equal range and increased volume. The concept remains the same. Volume is increasing as the range is being compressed. Every buy order is immediately being match with a sell order from the Smart Money. Thus resulting in a narrow range. Weakness.

Okay, Note that the high of this bar is equal to the high of the Trigger Level (H). You just have to be paying attention to catch this fact. This, however, is not the only reason to move the trigger from the close to the high.....

9. the next bar is a hidden Up thrust. The bar makes a higher high than the previous bar but closes lower and on its low. Supply is swamping demand on the high of the bar which causes the down close as the BBs gun for stops at this level. What's so special about this level? Well its the high of the initial sign of weakness. We would of liked it to be the close, but again, the underlying dynamics matters more than the pattern.

If you did not enter on (8), then you would most definitely want to enter on this bar. You have a weakness in the background and the market is making lower lows and not higher highs

10. Bar (10) is the second of two consecutive up bars. But the volume is less than the previous two, so you would not exit your short at this point.

The high volume down bar that appears a few intervals later is your alert to at leas be on the look out for an exit.

Doing exercises like this will get us to where we want to be rather than simply taking trades based off of Mal's calls. After all, what are we going to do when he buys his private island and denounces all technology?

№45

This is part 2 or the second post dealing with this chart (I'm actually doing this one first though). I wanted to begin by discussing stops, as I believe this is an area where most traders go wrong.

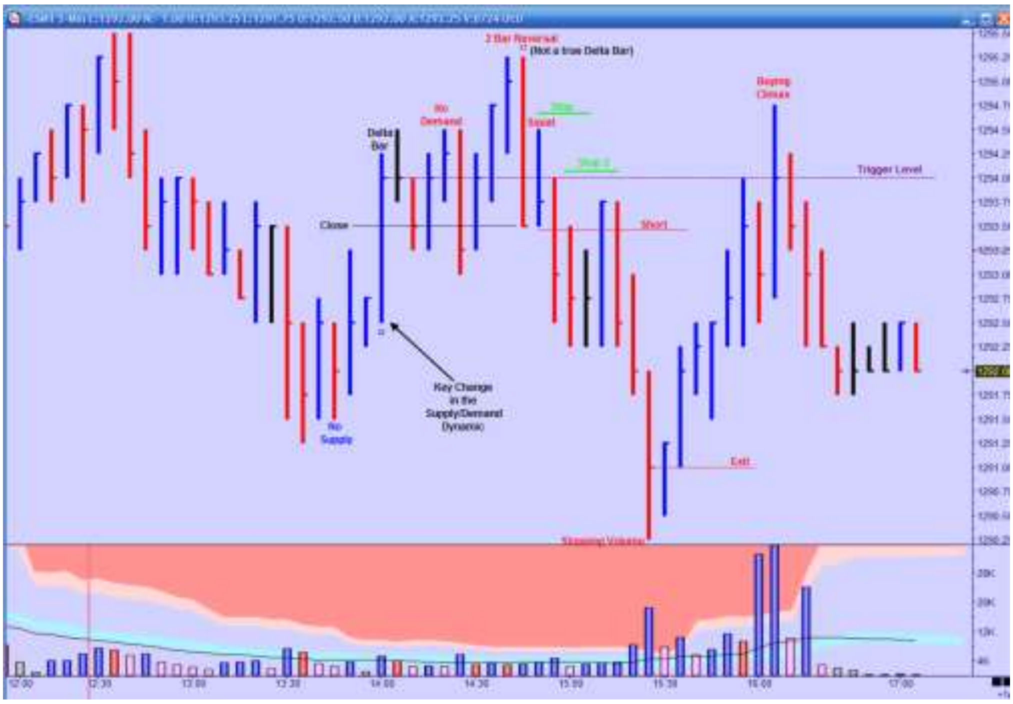
Whilst the chart is of the ES, for this post we will be using a fictional market as I hope that will make the subject more relatable. In this market, the minimum tick size is 1 and that's $1/tick.

Okay, again I am saving the price action/vsa analysis for the next post, but we need to look at our entry signal bar-the squat.

We see a narrow range up bar on increasing volume. Note that the close is well off the high and in the lower 1/3 of the range. We have to be able to see that supply swamped demand on this bar. If this bar had been strength, then the close would be high in the range. The other thing we need note is that the close is below the trigger level.

We place our entry 1 tick below the low of the entry signal bar (squat). Being the disciplined traders that we are, we want to place a stop. The question is, where do we want to place it?

As I have said before, the market does not care about the size of our account. The best place to put our stop is based on market generated information. In this case, a tick or two above the squat. We will pretend that that level is 20 ticks above our entry, or $20.



Why here? There are two things that we know about this level:

(1) Supply swamped this level before and therefore the BBs are likely to defend this level again. If they don't, then we don't want to be short.

(2) The move up on the squat bar was artificial and designed to suck in the retail trader. If it was marked up artificially, we would have to assume any move back into this level and above is NOT.

So we place our stop just above the high of the squat bar. The next bar brings us in and into the black. The next interval does not disappoint as price continues down. We want to reduce our exposure by moving our stop again. But where? Break Even (BE)? No. This is where most traders go wrong. Moving our stop to BE and then subsequently being stopped out, tells us nothing about the condition of the market. With our initial stop level, we knew something. If our stop was hit, we did not necessarily want to be long, but we did not want to be short.

At BE what do we know? Nothing. We don't even know if we are wrong on timing, because BE is not a time based stop. It's just a level where we can say we are in "free" trade. Yet the market is all about information and sometimes information comes with a cost.

Still, we want to reduce the cost of that information. Suppose we move our stop to just above the trigger level. In our hypothetical example, this level is 10 ticks above our entry. So what do we have here? We have reduced our risk from $20 to $10 but here's the rub. We are able to get roughly 2/3 the amount of information at the trigger level as we were able to get a the high of the squat. In other words, we can risk 1/2 as much and only get 1/3 less the information. Unlike a BE stop, we know what it means for the market to trade back above the trigger level.

Our next goal is to let the market tells us where the next stop level should be. In the case of this example, we have to recognize the wide spread down bar that closes near its middle on Ultra High Volume. This is the highest volume bar for some time. A clear exit signal.

In this example, it is true that a BE stop would have been hit while the trigger level stop was not. That, however, is of no importance. The concept is what matters here. BE almost never gives you any information about the condition of the market, so why place a stop there? The ideal stop level will minimize risk while maximizing market information.

№46 УСТАНОВКА ТРИГГЕРНОГО БАРА

(если следующий за баром вниз с большим объемом идет бар вверх, то готовимся к движению вверх (были покупки в фоне), если следующий за баром вниз с большим объемом идет бар вниз, то ожидаем продолжение движения вниз (были действительные продажи в фоне)

Seeing what you want to see, where you want to see it.

This is great chart that I took to answer a question from a PM. Unfortunately, I deleted the PM so if this doesn't answer that question just PM me again.

As it happens, this is also a great follow up to my previous post.

Take a look at the chart below.

Before going further, Let's repeat our mantra. It's all about seeing what we want to see, where we want to see it.

Okay, the first thing we need is our trigger bar. How one determines the trigger bar is up to him or her. The most obvious would be very high to ultra high volume bars. I like Herd bars as well, but I am not going to get into them here. ***The key with the trigger bar is this: if the next bar is up then you would be long biased. If the next bar is down, then you would be short biased.***

Now this is nothing new. VSA 101 tells us that an up bar on very high volume followed by a down bar must mean that there was some selling on the up bar. Otherwise the second bar should not be down. So, I have stated something new about trigger bars, but it is not something that has not been stated before. In other words, I haven't added any complexity. Clarification, yes. Complexity, no.

Back to the chart.

In this example we see that the next bar is up so we are long biased. All we are looking for now is a Test or a No Supply at the trigger level which is the close. We always start with the trigger level at the close.

As far as the Test and No Supply go, there are two main ways we would like these bars to appear. One, the low of the bar would not breach the low of the trigger level. And two, the low may breach the trigger level but the close closes on the trigger level. Pretty simple.

The market has other ideas.

We notice that the market begins to trade within a channel. We are also seeing No Demands on some of the up bars. This is a clue that the market does not want to go up at this time. Recognizing a channel is Price action 101 and not exclusive to VSA. Don't blame VSA for the fact that some reasoning skills are involved in trading.

Let's look at the failed test. Here's the rub, you don't actually have to be able to pick this up. In truth, it's subtle and could be missed by many. But what is obvious is what happens after. *Price breaks down and closes below the low of the channel. We also note that this is the first close below the low of our trigger bar. We know have to be thinking that this is a downside breakout. We have seen supply come in and evidence on no professional activity on up bars, so the background is weak. In fact, this is a small consolidation period or distribution period.*

But we don't just jump in on the short side. We need to see something. Well, ***to go long we wanted to see Tests or No Supply, to go short we want to see No Demand or Up Thrusts.***

Now this is where it gets "complex". Not really. We can see that the trigger level did support the lows of many bars. However the low of the trigger bar supported a number of the closes. Support once broken often becomes resistance (again not VSA and I hope not too complex). Thus we can shift the trigger level from the close to the low.

Bingo. We get a narrow range up bar that closes below the trigger level but its high is at the trigger level. Also note that its close is on the channel low.

I don't think this is difficult. You do need to be willing to use your brain and reason. Then it all comes down to seeing what you want to see, where you want to see it.

Again, the original intent was to answer a PM about trigger levels, I hope I answered that. If not please PM me again. I promise not to delete it a second time.

№47 SQUAT

ASK = DEMAND = СПРОС (BUYERS, ПОКУПАТЕЛИ)

BID = SUPPLY = ПРЕДЛОЖЕНИЕ (SELLERS, ПРОДАВЦЫ)

DEMAND (ASK) SWAMPED SUPPLY (BID) – СПРОС ПОГЛАТИЛ ПРЕДЛОЖЕНИЕ, СПРОСА БОЛЬШЕ, ЧЕМ ПРЕДЛОЖЕНИЯ, ЦЕНА ИДЕТ ВВЕРХ.

SUPPLY (BID) SWAMPED DEMAND (ASK) – ПРЕДЛОЖЕНИЕ ПОГЛАТИЛО СПРОС, ПРЕДЛОЖЕНИЯ БОЛЬШЕ, ЧЕМ СПРОСА, ЦЕНА ИДЕТ ВВНИЗ.

ЧТО ПОГЛАЩАЕТ СПРОС ИЛИ ПРЕДЛОЖЕНИЕ МОЖНО ВИДЕТЬ В КЛАСТЕРНОМ АНАЛИЗЕ НА ТОМ ЖЕ ВРЕМЕННОМ ИНТЕРВАЛЕ, ЧТО И В СВЕЧНОМ АНАЛИЗЕ

Тестирование продолжается до тех пор, пока все продавцы на этом ценовом уровне не продадут свои активы, иными словами, маркет-мейкеры «вымывают» (выкупают) все предложение на этом уровне, добиваясь состояния NO SUPPLY, поскольку наличие предложения на данном ценовом уровне является препятствием (сопротивлением) к движению вверх. Это сопровождается снижением объемов при движении вниз.

Сопротивление возникает из-за того, что если на этом ценовом уровне остаются желающие продать (избавится) от актива, маркет-мейкеры вынуждены выкупать это предложение, чтобы им никто не мешал двинуть цену вверх. Этот процесс, растянутый во времени, называется накоплением актива или аккумуляцией.

Обратный процесс, происходит на вершине рынка, с той лишь разницей, что здесь маркет-мейкеры не заинтересованы в дальнейшем повышении цен. Наступает процесс распределения актива или дистрибуции.

Именно по этой причине первые признаки бычьей силы появляются на нисходящих барах, образованием теней вниз, а признаки медвежьей слабости на восходящих барах с образованием теней вверх. Наверху образуются NO DEMANDы и UPTRUSTы, внизу SO SUPPLYи и TESTы.

НЕОБХОДИМО СМОТРЕТЬ ОБЪЕМЫ В СРАВНЕИИ С ПРЕДЫДУЩИМИ ДВУМЯ БАРАМИ !!!!!!!!!!!!!!!!!!

НЕОБХОДИМО СМОТРЕТЬ HIGH & LOW ПОПАРНО ТЕКУШИЙ БАР В ПРЕДЫДУЩИМ !!!!!!!!!!!!!!!!!!!!!

Posted by pres78

... I mean look at that volume... demand swamped the hell out of the supply and killed it right at the trigger. Entry at the high of the squat IMHO would have been a nice safe entry....

Absolutely. That is a clear signal to get long. We would love that bar to have made a lower low and not a higher high but this is not bad. The thing to recognize is that the bar closes down (when strength appears it usually appears on down bars), but the close is above the midpoint of the bar whilst the range is narrowing and the volume increasing. The fact that it made a higher high and came off does show some supply but the close tells us it was swamp by demand.

Once again our mantra is ***"what we want to see, where we want to see it"***.

Well let's generalize a bit and not talk about the trigger level per se but the inflection point that line represents. The wide spread up bar on increasing volume is bullish and what we expect to see as resistance/support is taken out. Once it is taken out, we would expect there to be a "Test" or No Supply. Both of these would be low volume signs of strength. This would be the basic level of entry. This is the level Gavin teaches in his webinars.

We are able to take it up a notch here, however. We realize that a high volume bar (squat) can be just as effective as an entry when seen in the right place. Why? Because we understand the underlying dynamics of the supply/demand relationship that manifests itself in the bar.

Remember, squats appear all over the charts based on the two definitions. (1) MFI decreasing and Volume increasing or (2) "short hand": narrow range on increasing volume. Bill Williams did not talk about the close of the bar (up, down or level) or the relationship of the close within their range when speaking of squats. These things, however, are important to us as Volume Spread Analysis (VSA) traders.

The squats we like to see will show us that supply is swamping demand or that demand is swamping supply. So our "Up" squats will have closes in the 50% or lower portion of the bar's range. While our "Down" Squats will have closes in the 50% or greater portion of the bar's range.

Okay, now let's take a look at the chart below.

Before we get started, please understand that these are not necessarily trade signals. The purpose here is to understand the language of the market.

Let's start at the very left hand side of the chart.

Although the first squat is equal in range to the previous bar we note that volume has increased and that the bar has closed in the lower 1/3 of its range. From the perspective of the range, we are getting the same result on increased effort. This is negative (negative does not mean bearish). The close is up but in the bottom portion of the range. Supply must have been present on the bar otherwise the close would be higher in the range. What we want to focus on here, however, is what happens on the next interval. It does close up, but it is a narrow range bar on volume less than the previous two bars. It is our old friend No Demand.

If supply just swamped demand on the previous interval, it would be natural to see the BBs withdraw if price rose again. After all, supply is resistance to any up move. The market does indeed fall.

Okay, let's move to the next squat. This type of squat has not yet been discussed fully. This squat is on an increasing range bar. The MFI on this bar (range/volume) is lower than the previous interval while the volume is increasing-the technical definition of a squat. Note that the close is down but the close is in the middle of the bar's range. As VSAers, we know what a close in the middle of the range means.

So after this bar where demand swamped supply the market does not immediately go up. What it does do is Test. Again this has to make sense to us. Demand swamped supply on one interval, but before the BBs move in to the upside, they want to "test" for sellers. The Test fails as the next bar closes level (and the bar after that closes down below the close of the Test bar). Note that the first bar was supply swamping demand as the bar closed well of its high on increasing volume.

Let's skip the next squat and move to the one after that. No here we have a squat that makes a lower low but closes up and closes on its high. Clearly, demand swamped supply as the interval started and caused the close to be on the high. Surprisingly (or maybe not), the next bar is a down bar on volume less than the previous two bars-a Test. As it turns out, this Test fails also. I hope you are starting to see why Tests happen and what they are testing for.

The next squat is another one of those increasing range technical squats. It is a Shake Out or Reverse Up Thrust type bar.

I am not going to say much about the next squat, except that it is followed by a 2 bar inversion.

The next squat is an equal range up bar that closes in the middle of its range. This bar is weakness. One the very next bar the market is tested. This test fails as the next bar is down. But that next bar has increasing volume and closes off its lows. There must be some demand (buyers) in this bar. We know there had to be some buyers because the next bar is up. And that up bar turns out to be another squat where we see supply swamping demand giving us a close in the middle of the range.

The proceeding bar is not a test for once, LOL. It is a wide spread bar that closes lower and closes on its low on volume less than the previous two bars. It is No Selling Pressure. So there was some SM traders willing to step in and push price down on the squat bar. But the move down on the next bar did not bring in any new sellers. Thus we've learned what we would have learned from a test.

Our last squat is a shows more supply swamping demand. Why doesn't the market fall? Because they market is tested on the very next bar. Sound familiar?

If you're still reading this, thank you. I hope you have a better understanding of the notes that make up the music of the market.

№48

Some very interesting answers, thank you. It's always good to get a sense of what others see-once the now moment has passed.

There was a reason I asked about this chart:

During the live TradeGuider webinar today this is what happened. Dr. Gary Dayton took a short on the first No Demand that showed up after supply entered just after the open. Gavin did not.

For the rest of the session, Gavin did not take a trade. Part of his justification was that NO VSA SINGALS appeared on the chart. Forget about the fact that they are indications and not signals. Anyway, Tom had said that he saw weakness and No Demand in this area. Plus price was finding resistance against his Fib level (Yea Pres).

I "called" the entry on the second No Demand, but did not take the trade as I was in the webinar and do not trade while in webinars. Gavin did not acknowledge the call.

To be fair to Gavin, it is very hard to properly watch the market and do a webinar at the same time. I don't know how people here are able to post and trade. For me, trading takes total concentration. I was a bit disappointed by his justification and told him that there were VSA Signals in that area and Tom had said so. Gavin back away a bit by saying there was no demand.

After the webinar, the "best" entry came as there was an Up Thrust that was resisted on the upside by the trigger level. This trigger level has shown itself to be resistance for some time. The next bar is a No Demand on volume that is not only less than the previous two but less than the last 20 periods. Notice that I said "saw". I did the worst thing a trader can do and let the opinions of others (in this case Gavin) influence me. I should have only been listening to the Market...........

SUPPLY (BID) SWAMPED DEMAND (ASK) – ПРЕДЛОЖЕНИЕ ПОГЛАТИЛО СПРОС, ПРЕДЛОЖЕНИЯ БОЛЬШЕ, ЧЕМ СПРОСА, ЦЕНА ИДЕТ ВВНИЗ.

№49 BACKGROUND

И СНОВА ТРИГГЕР.

ВНИМАНИЕ !!!

ТРИГГЕРНЫМИ УРОВНЯМИ ЯВЛЯЮТСЯ УРОВЕНЬ ЗАКРЫТИЯ И ЭКСТРЕМАЛЬНЫЙ УРОВЕНЬ КЛИМАКСНОГО БАРА !!!!!

Looking left to trade right. In Volume Spread Analysis we use the term BACKGROUND.

I am not going to argue over whether the background means multiple time frames or not. I will let the reader make up his or her own mind on that one. I will, however, say that I believe that a chart never lies. If a chart never lies, then we can say that any chart is telling the truth. Well if any chart is telling the truth, why do we need to look at more than one?

The Background.

Take a look at the chart on the left. What you do not see here is what was happening on CNBC. The CNBC anchors were all smiles as if the world was nothing but rainbows and lollipops because the S&P was up in the pre-market (prior to S&P cash open). Never mind that this is a zero sum game, which means that for every winner there is a loser. Never mind therefore that when the market is down, there are still people making money. Bill Williams is fond of saying, "CNBC stands for Can Never Be Correct". And as VSAers, we know to ignore the news. Bill and Tom have more in common than just a last name (more on that later).

I am going to talk about the trigger zones in another post, but for now I will say that I still hate lines on my charts but they do seem to help.

To begin our looking left to trade right, we are going to start with what happens in the After Hours/Pre-Market.

1. Ultra High Volume on an Ultra Wide Spread up bar that closes off its high. This bar comes after an uptrend and is a Buying Climax. If all that volume was bullish, then the close should not be off the high. Moreover, the next bar should not be down. This is a clear sign of weakness and it will set the scene for our understanding of what is going on.

Again, note that the Buying Climax is coming amid "bullish news". This will become important later.

2. We see a 2 Bar Inversion. The first bar is of particular import. It is an equal range bar on increasing volume. Now from the technical definition we know that any bar with increasing volume is either a green or squat bar. We are not interested in green or go bars, so for us, any bar with increasing volume is potentially a squat.

Did I just blow your mind? That Buying Climax takes on a whole new meaning. We can see that any VSA SOW or SOS that comes on an increasing volume bar is potentially a squat. Like I said, Bill and Tom have much more than a name in common.

Note that the close of this first bar is equal to the close of the Buying Climax, our trigger level (c).

3. This is a very interesting and subtle bar. It is a narrow range bar with an equal close that closes on the low of its range with volume less than the previous two intervals. It is No Demand. This interval does not make a higher high and closes equal rather than up. That makes it a bit hard to see. But look at the bar's construction. The only way this bar can be formed is for it to first trade up and then close to be pushed down to its low. In other words, supply would have to swamp demand on the upper portion of the bar and push price down to the low. It did not take a lot of supply because there was even less demand. Hence the volume remains low.

Note also that the high of this bar is no higher than the close of our Buying Climax.

Because of the time of day, this is not a good entry signal. Any other time of day it would be. Rather then telling us to get short, it is telling us that the market is weak.

4. Price did fall but has come back into the range of the Buying Climax and now we see the second of two Tests. This Test does prove to be valid as the next bar is equal and the bar after that is up and neither of those bars make a lower low than the Test bar.

The key here, however, is that the Supply on the Buying Climax doesn't just simply disappear. That is, the market is still being "ruled" by the weakness on that interval.

5. Another important Squat. Notice that this bar closes in the middle and the volume is greater than average. So whilst this bar is confirming the Test, it is show us that more supply is actually entering the market.

How can this be? What is going on here? Are you trying to play both sides? No.

The Test has a purpose that will be fully evident once the cash market opens. For those paying attention to the background, we see weakness. We don't predict the market; we react to it. Our bias, however, is for further weakness.

Take a look at the next chart.

6. Okay, the news is bullish, and there seems to have been a good test. The herd hears the good news and is ready to jump aboard on the long side. Those that can read a chart but ignore the background see only a test and are ready to get long as well.

The opening bar is an outside bar. Meaning it makes a higher high and a lower low than the previous bar. These bars are a bit harder to read. But look at the close. We close in the middle of the range. Whilst we expect volume to increase on the RTH open, we know it can't all be bullish volume. Especially since the next bar is down. Also note that the high of this bar did not exceed the high of the Buying Climax. This is important. We can not be in an uptrend, if we are not making higher highs.

7. Wide Spread down bar that confirms the hidden selling on the first bar. So the BBs were selling into the artificial bullishness that was created by both the news and the test bar.

This bar again fails to make a higher high than the Buying Climax. But take a look at the low and the close. It not only trades lower than the Buying Climax, but it trades lower and closes lower than the two previous Test bars. Therefore, where there was once no sellers now there are. We might even call this bar a Trap Up Move. Since it is 2-5 intervals after the Test, it is also No Result From a Test. Simply put, it's weakness.

8. A narrow range up bar on volume less than the previous two bars. This is No Demand. Although the volume is still high, it is nevertheless, less than the previous two intervals. Unfortunately, this bar makes a lower low and not a higher high but it is still No Demand after we have seen weakness.

Upon father inspection, a few interesting things come into view. First, the close is equal to the High of our high volume trigger zone from yesterday's opening range (Initial Balance), and also equal to the low of the first Test bar. The high of the No Demand is equal to the close of that same Test bar.

9&10. These two bars are interesting as the relate to the "2 Bar Entry Rule" concept of my last post. #9 is a nice narrow range up bar on volume less than the previous two bars. If you placed an entry just below the low of this bar, #10 does not bring you in. It closes equal to #9 confirming it as No Demand. However, #10 does make a higher high. It is not uncommon for No Demands to be preceded by Up Thrusts, so this should not be of much concern. Tests don't have as many Reverse Up Thrusts after them as No Demands have Up Thrusts. So when the interval after a Test trades lower, it may mean more than when the interval after a No Demand trades higher.

Ultimately, #10 did not do anything to change our opinion of the market. In fact, we can actually move our limit order up a bit and consider the next interval the first interval of 2. That next interval would bring us in.

The key to this whole thing is the weakness we saw on the Buying Climax. Amidst the Bullish reporting and the natural tendency for the market to move up, we were able to look at the background and detect the true intentions of the BBs. This market was not going up and if you had looked left to trade right, you would have known that.

It's all about the background.

№50 ПРОСТО КАРТИНКА – И ЭТО НА ДНЯХ

№51

Please indulge me here a bit. I had a hard time seeing this today so I am trying to "walk" myself through it. If you have any insights please feel free to add them.

I am going to try and put down what I was thinking then and now so it might be a bit jumbled. Plus it's way past my bedtime.

Okay take a look at the first chart.

The place to begin is with the first No Demand.

A. No Demand: Not VSA, but rather Wyckoff Candle Volume: the real body is smallish signifying no momentum to the upside. The Selling Shadow is equal to the Buying Shadow suggesting a neutral interval. Next candle is down confirming the No Demand.

We're not in a zone so no trade should be taken. Plus with no early morning news event is may make more sense to wait until the cash market opens.

B. No Demand: Okay, The previous No Demand was a "Buying Bar". That is, it made a higher high and not a lower low (this will become important later). This ND is an inside bar-it does not make either a higher high or lower low. It does have a narrow range and close up on volume less than the previous two.

With the Effort to Rise in the background and no major signs of weakness, this could be a test. The market is always testing. Nevertheless, my first thought is that this is No Demand. If it is a test, however, it fails. Which is a sow in its own right. The next interval confirms the No Demand or causes the test to fail either way, the market is weak.

C. Squat: This candle causes some confusion. From a Wyckoff Candle Volume perspective, the Selling Shadow and the Buying Shadow are equal. Again, this hints at a neutral interval. The real body is small suggesting that to the extent that the bulls "won" the period, it was not a strong victory. Notice the size of the real red body in the previous period.

This candle makes a lower low and closes higher. Does this mean that demand swamped supply? At this point I have no idea what the market is telling me.

D. Supply: Here again the Shadows are equal. The real body has increased. VSA tells us that markets do not like Ultra High volume up bars/candles because they can contain hidden selling. Well this candle does close off its high with the next interval down suggesting there was indeed selling.

E. ?: This one is the hardest one of all for me. The first thing to note is that the volume is less than the previous two intervals. So it is low volume.

This candle makes a lower low and not a higher high so it is a "Selling Candle". Now we know that that name is a misnomer but here's the rub. Do we really want a No Demand to trade lower and then close up? That sounds more like the action of a Test. This interval is a bit large to be either of those but it could be a Low Volume Shake Out.

With the weakness in the background, No Demand is most likely. But again, the candle is not narrow and has a large Buying Shadow. Coupled with the fact that the next bar is up. That would seem to make either the Test or Shake Out more appropriate definitions.

F. Up Thrust (In The Form Of No Demand): This is really the key bar. We note the Large Selling Shadow. This Selling Shadow is larger than any of the Selling Shadows for some time. More importantly it is larger than the Selling Shadows of the prior 3-5 bars. And it is larger than the bodies of the prior 3-5 intervals (WRB excluded). Note that the high of this candle is equal to the close of the supply candle. So we are not making higher highs. We can't be in an uptrend if we are not making higher highs.

The real body has decreased. This suggests that the result of the bullish effort is diminishing from the previous interval. We also note that the Buying Shadow has decreased.

Okay, it's late and I'm tired. Please tell me what you see and what I have wrong. I have a clear open mind when looking at the market (free from opinions and prejudice), so I was not looking to be a seller based on Malc's prognostications-however good they may be. Insights now would be most helpful and appreciated.

№52 **News Trading**

The appropriate thing to do in regards to the news is to not try and trade the news itself, but rather the reaction to the news. It does not matter whether the number is above consensus or below consensus. It does not matter what a positive number "means", or what a negative number "means". What matters is how price reacts to the news.

Take a look at the chart below.

This is really VSA 101 here:

1. ***When weakness appears it usually appears on UP bars/candles. Markets do not like high volume UP bars/candles because they can contain hidden selling.***

2. ***The SM uses news releases to wrong-foot the herd. More basically, the SM uses the increased activity of a news release to take their positions because they need the added liquidity due to the size they trade.***

A. The Jobs report comes out. We see a wide spread up bar on Ultra High Volume that closes well of its high. In fact, its roughly in the middle of the range. If all the volume (activity) on this interval is demand (buying), then how can price close so far off the high? It couldn't. There must be some supply (selling) on this bar therefore.

CNBC is reporting that although the "headline" number is below expectations, the revisions to last months numbers makes the overall report "better than expected". The SM is selling on good news, just as the herd is gaining some confidence due to the good news.

B. First we note that this interval is up. Since it is up it does not confirm the weakness of interval A in that aspect. It does, however, confirm the weakness of A in others. This range should not be narrow and closing even lower within its range if the previous bar was all buying. Taking a closer look at this interval itself, we see a narrow range up bar that closes in its lower 1/3 on decreasing but still Ultra High Volume. What is of note is that it makes a higher high than the previous bar making it a misnamed "buying bar". This mark up into somewhat fresh new territory and then fall on high volume is indicative of an Up Thrust.

C. This interval completes the sequence. Narrow range up interval on volume less than the previous two intervals that closes in the middle of its range-this is No Demand.

Let's back up a couple of intervals for a quick second. Notice that after price moved down below A, there was a move back into the price range of A. This attempt was on a wide spread bar with volume less than the previous two intervals. This was No Buying Pressure. If this was a strong bar, then why would the activity (volume) be decreasing? Bearish volume is increasing volume on down bars and decreasing volume on up bars (more on this later).

If we take a look at the interval just prior to the No Demand (C), this interval is also moving up on volume less than the previous two intervals. In truth, it is a No Demand interval itself that does not confirm with the next interval down. That next interval of course turns out to be C. Whilst we want to focus on VSA and VSA does not look at the open, it is noteworthy that this interval is a Doji.

D. As previously stated, bearish volume is increasing volume on down bars and decreasing volume on up bars. The opposite is true for bullish volume. That is to say, bullish volume is increasing volume on up bars and decreasing volume on down bars. After the ND, we get an slight increasing range down interval but on decreasing volume. Think about the logic here. If the ND means that the BBs were not active nor interested in higher prices, why then are they still not active as price falls? If the Smart Money was not buying on the up interval because they were bearish, then shouldn't they be selling on the down interval for the very same reason? This interval is No Selling Pressure.

E. If the Smart Money was not active on the up interval (No Demand) and were even less active on the following down interval (No Selling Pressure), then we need some additional information to find out their true intent. How is that done? It's done through a Test. Those interested in taking prices higher, will first mark price down to cause any bears to show themselves. One way the bears show themselves is through a failed test. A test fails if the next bar is down. This is the case with E.

They key here, is that we need to understand what is being tested when we see an interval that looks like a test. And as I have said before, this is why Tests are different than No Demands.

№53 NO DEMAND

Let's start with the basic definition of No Demand (ND). Our basic definition of No Demand is a narrow range UP bar that closes in the middle or low on volume less than the previous two intervals.

Take a look at the chart below.

#1 is No Demand by our base case definition. It is a narrow range up bar closing in the lower portion of its range on volume less than the previous two. Now, I have left off something that you will hear a lot when people define No Demand. That being, "in the right place". Being in the right place actually has nothing to do with whether the interval is No Demand or not. It does however, have everything to do with said No Demand being a viable trade entry or not.

In this case, you can see that this No Demand is in the right place. There is weakness behind us. Both in the form of specific VSA indications like an Up Thrust and a Squat, and in the form of an overall down trend.

I don't want to confuse the issue by talking about "being in the right place", but we need to think about that in order to clearly understand #2.

#2 is also No Demand. We can see that the interval is up and the range is narrow. These are two parts of our base definition. The close here is in the upper portion of the range. This is okay. In fact, a close in the upper portion of the range should "fool" more of the herd than a close in the middle or low. That is, an interval closing up and closing on its high should be seen as strength by most (uniformed) people. Add to that the fact that it is making a higher high and not a lower low. Which makes this what the herd incorrectly term a "Buying bar". And you can see how this would appear as strength to the uniformed.

Now let's take a look at the volume. It is decreasing but not less than the previous two. But look at how close it is to being less than the previous two. And note that this volume is actually less then the volume on #1, our base definition of No Demand. Again, when we place this interval into context, it must be seen as No Demand.

Another thing to remember: Unlike Tests, No Demands will never come on increasing volume.