

TRADING TERMS

Accumulation – ranging market characterized by low volume, narrow spread/range. The volume should shrink near a support line and expand near a resistance line. The SM is trying to buy up as much of the currency as possible.

Look at how the market was before it was ranging...if it was going up then it's probably going to go up again after the accumulation. If it was going down then it might go down again...also look at main trend.

After the accumulation phase is over, smart money tries to get ready for the Mark up phase by moving prices up. This is characterized by wide spread upbars that close near the top and also increased volume. Sometimes this will happen then the next bar will be a high volume bar downclosing indicating lowered demand. These bars are called **Effort without Result** bars and are signs of weakness before the start of the uptrend.

Mark up – characterized by rising lows. Prices are getting higher on lower volumes because of a lack of supply. In this phase, the price will shoot up with some high volume. Sometimes it doesn't need to go through the mark up phase...it'll just shoot up after accumulating. Here, a 150% increase in volume and a close near the top = a successful breakout. The breakout is just the beginning. Then the stock moves up in stages. Each stage would be an advance at higher volumes and a retracement at lower volumes. The retracement is mainly due to short term traders booking their profits. The SM also starts the distribution during the retracement. The points at which these retracements stop become important. These should be above the previous retracement stops. We will also see sideways movement during the up move which would be congestion areas. We need to pay lot of attention to these congestion areas for this could be final distribution areas before the mark down begins. Also it pays to give attention to volume during retracement and congestion areas. Increasing volumes near support line and low pivots indicate problem. If the increase is dramatic then it is time to re-evaluate your position.

Distribution – the smart money is trying to sell while making it look like the market's still going up. Hard to spot this phase because sometimes there is no ranging period. Here the volume starts to diminish and the ranges narrow. Watch out for the volume increasing and price going up too steeply, it makes the price drop too unpredictable.

Mark down – Price drops, price range widens.

Upbar – Close of the bar is higher than the close of the previous bar

Upclose – bar closes in the upper 30%

Downbar – Close of the bar is below the close of the previous bar

Downclose – bar closes in the lower 30%

Midclose – bar closes between 30%-70%

Wide spread bar – If the spread (range) is $\sim 1.8x$ the average spread

Narrow spread bar – if the spread (range) is $\sim 0.08x$ the average spread

Upthrust bar – wide spread bar with a high volume and closing down (in an uptrend). Its high is higher than the previous bar's high. An upthrust bar usually appears after a wide spread upbar with high volume. The upthrust bar is a sign of weakness in an uptrend.

No demand bar – a narrow spread upbar with low volume that closes in the lower half. It shows that there is no support from the smart money (SM). Used for finding weakness in an uptrend.

No supply bar – another narrow spread downbar with low volume. It closes in the lower half. It is used to find strength in a downtrend.

Watch out of no supply/demand bars occur after test bars.

Absorption volume – in a downtrend, when you see a downbar with high volume close near the top...indicates the SM is going to start accumulating again so they can get the price moving up once more.

Reverse upthrust – in a downtrend, a wide spread bar with high volume and closing up near the top. Its low is entering lower territory.

FINDING WEAKNESSES (looking for reversals and slowdowns in an uptrend)

The bar after the upthrust determines what to do—if the bar is a downbar and has high volume then the trend is reversing and it might be time to close the buy and sell. And if the high of the bar is near the low of the upthrust then that is also a sign of weakness in the uptrend. *If the bar after the upthrust is an upbar then the trend is not weakening.* Another sign of weakness in the uptrend is when the price has been moving up with high volume and then encounters a downbar downclosing with high volume. Also watch out for No demand bars as they may be another sign of weakness. Upbars with high volume with narrow spread and closing in the middle or low indicates is a possible indicator of weakness as well – look at the later bars to confirm.

FINDING STRENGTH (looking for reversals and slowdowns in a downtrend)

One of the most powerful ways to find indicators of strength is testing for supply. They do this to see if there is still any supply left. They do this by quickly lowering the price—if the price closes near the top and has low volume it indicates that there is no supply. Another big sign of weakness is an absorption volume bar. It indicates that the downtrend will soon stop and either reverse or range. Yet another sign of strength is a reverse upthrust...it means the trend will usually reverse immediately.