

TradeGuider Systems International

VOLUME SPREAD ANALYSIS MENTORSHIP PROGRAM

With Tom Williams and Gavin Holmes



VSA Signs Of Strength with Trade Set Ups



Signs of Strength

- Down bars, narrow spread, close middle or low.
- Volume can be high or low.
- Narrow spread indicates no professional selling.
- This buying prevents any attempt to move down.
- Ultra high volume down bars (the classic trap of “Smart Money!!”)
- Professionals have no interest in the downside – **low volume.**
- Professionals are buying into the public selling – **Higher volume.**
- High + volume shows demand – public selling – smart money buying.
- Low – volume shows no interest to the downside from “Smart Money” so prices will not go lower.

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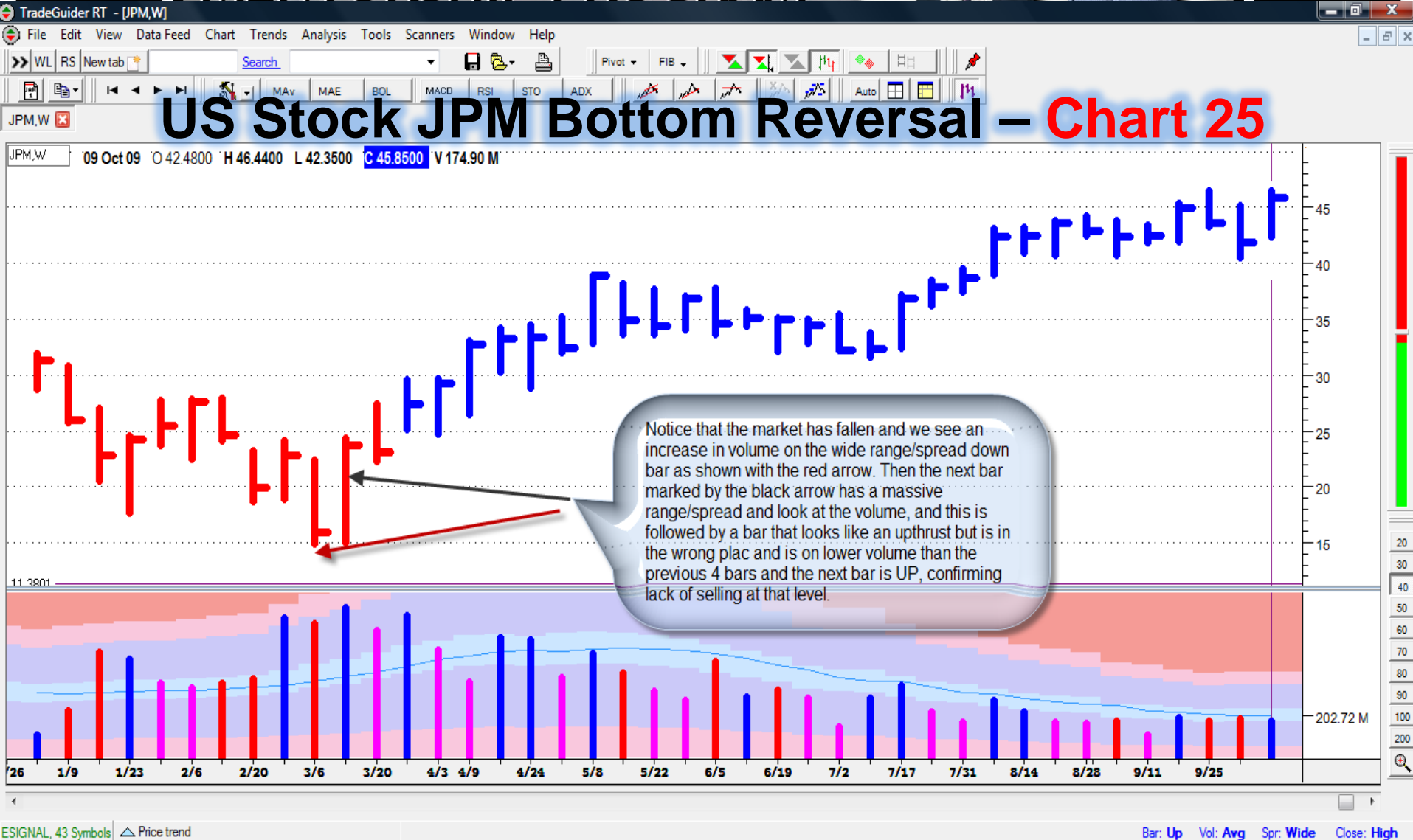
SOS – Principle 1 – Bottom Reversal

Bottom reversal. A wide spread down bar closing on the low. The low and the close is lower than the previous four bars. Followed by an up bar on a wide plus spread closing on the highs. This arrives in a variety of versions but basically the first down bar is a shake-out usually on so called bad news. The second bar is rapidly marked up to lock traders in (if you shorted) or out of the market if you wanted to buy the market. (people hesitate buying because it now appears expensive to the earlier price.)

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US Stock JPM Bottom Reversal – Chart 25



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TradeGuider RT V4 - [AMAT,D]

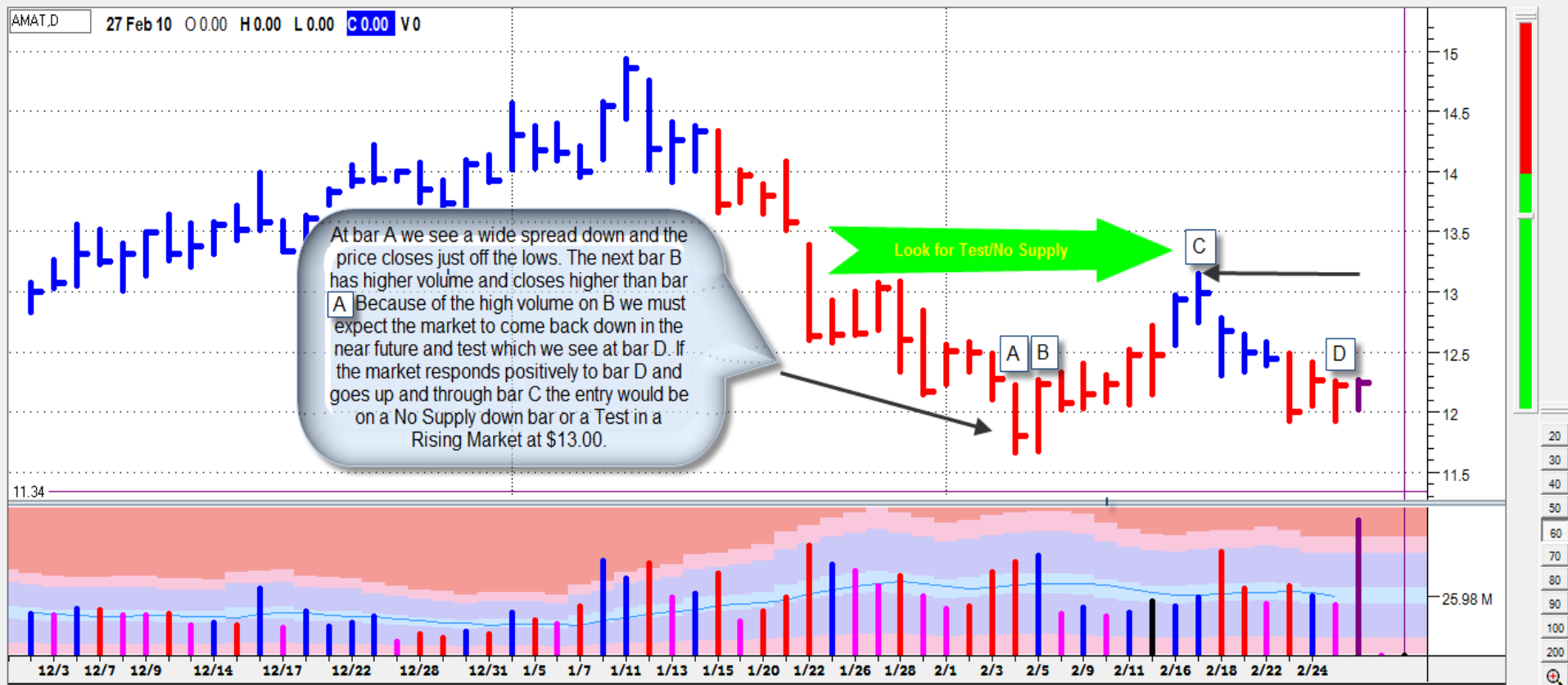
File Edit View Data Feed Chart Trends Analysis Tools Scanners Window Help

>> WL RS New tab Search WG-LON,DWG-LON,D

US Stock AMAT - Bottom Reversal - Chart 26

MRK,D BARC-LON,D AMAT,D BLND-LON,D MSFT,D CPG-LON,D TLW-LON,D ES #F.5

AMAT,D 27 Feb 10 O 0.00 H 0.00 L 0.00 C 0.00 V 0



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Going Long AFTER you see a Bottom Reversal

- When this sign of strength appears, there will be a down trend in place. This can often mark the bottom or turning point. Wait to make at least 3 higher lows on the bar, meaning price action is moving up, then look to enter on a low volume down bar, a Test, No Supply or preferably a Test in a Rising Market

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Tom Williams Simple Trending System For Long Trading

- Identify a serious sign of strength first, such as a Bottom Reversal, Selling Climax or Ultra High Volume or Low Volume. Look out for Shakeouts. These should be followed by a Test or No Supply.
- Wait for at least 10 BARS IN ANY TIMEFRAME to see the result of the strength.
- In a strong uptrend we should see decreasing volume (not excessive or ultra high) on down bars and increasing volume on up bars (again, not excessive or ultra high)
- In a uptrend you can allow for 1 down bar if they are on low /average volume. Ignore level bars or near level bars, that is a bar that has closed at or near the same price as previous bar.
- The end of the uptrend is often seen by two consecutive down bars followed by a NO DEMAND up bar

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SOS – Principle 2

Stopping volume. To stop a down move demand has to overcome the supply. As a market falls day after day a point will be reached when the herd cannot stand the losses so they all tend to panic at a similar time. If the price levels reached are now attractive to professional money they will step in and start buying. This activity causes a surge in volume as they buy and cover their short positions.

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TradeGuider RT - [YM #F,D]

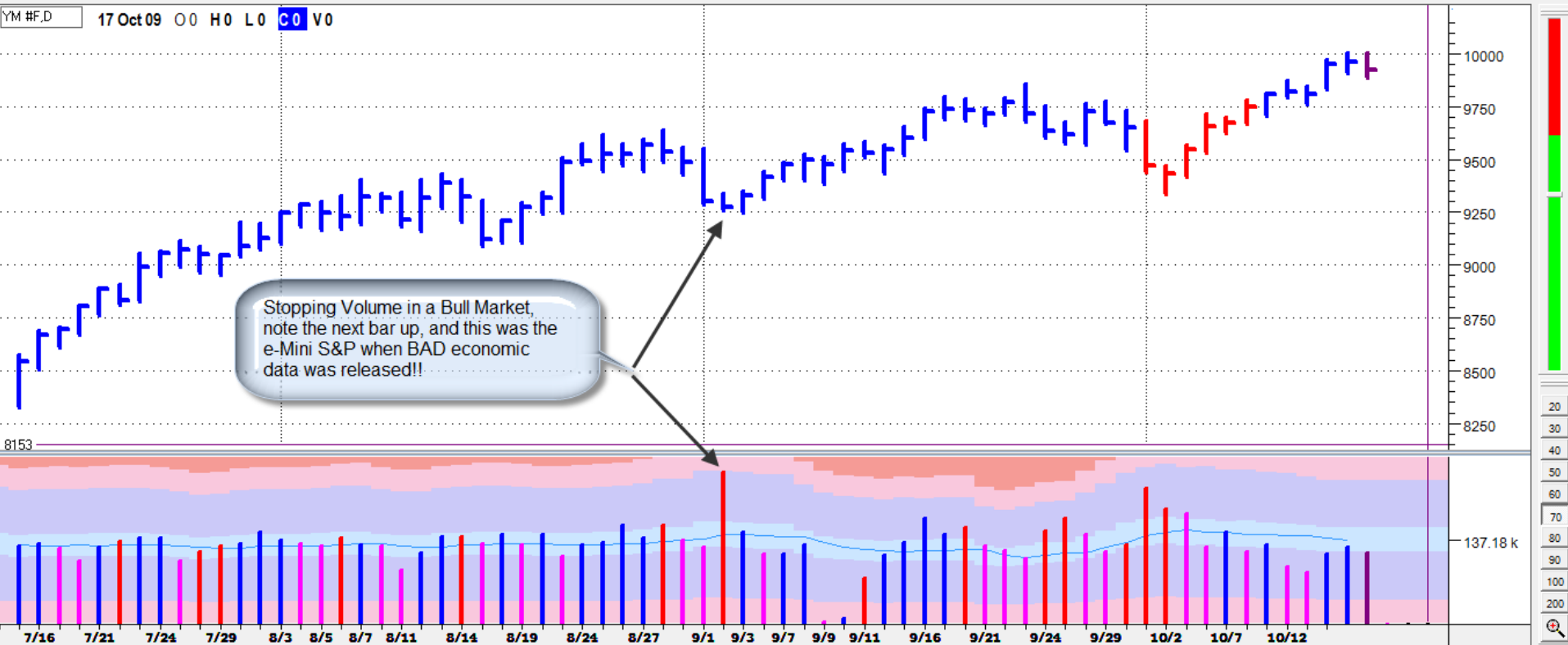
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>> WL RS New tab Search

YM #F,D

YM #F,D

17 Oct 09 00 H0 L0 C0 V0



SIGNAL, 43 Symbols

Bar: N/A Vol: Zero Spr: None Close: N/A

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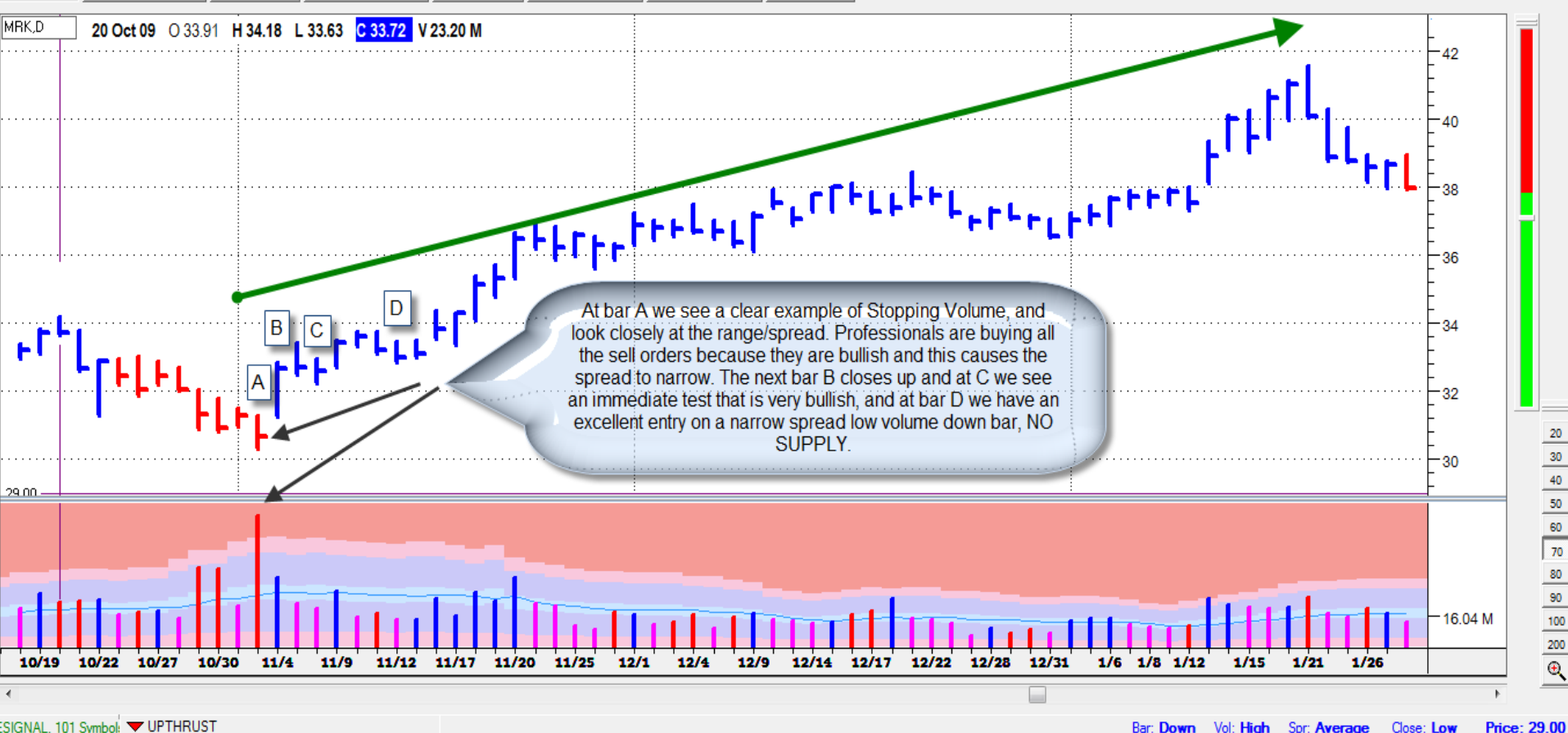
TradeGuider RT V4 - [MRK,D]

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>> WL RS New tab Search WG-LON,DWG-LON,D

US Stock MRK - Stopping Volume - No Supply - Chart 28

MRK,D BARC-LON,D AMAT,D BLND-LON,D MSFT,D CPG-LON,D TLW-LON,D ES #F,5



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TradeGuider RT V4 - [C,D]

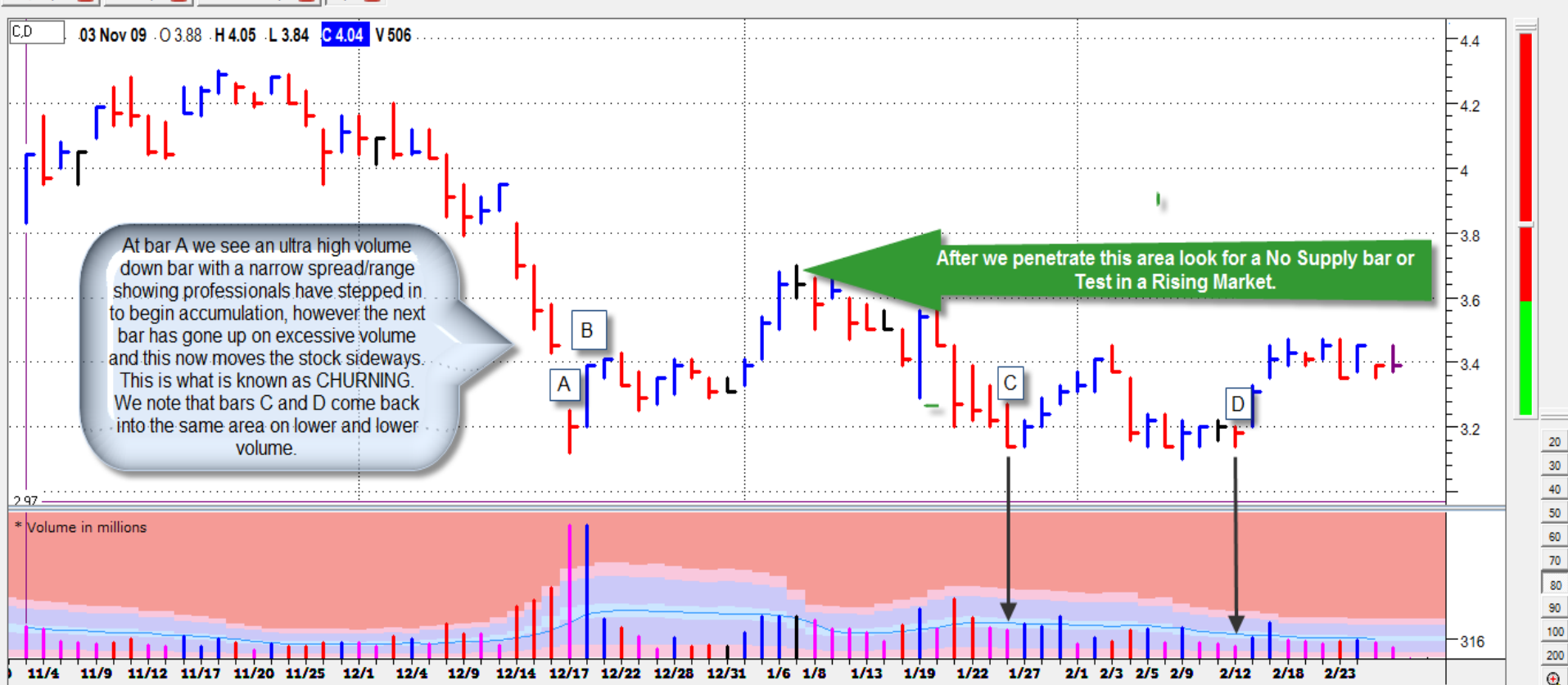
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>> WL RS New tab Search

US Stock Citigroup Stopping Volume and Churning – Chart 29

NQ #F,15 AMAT.D BLND-LON.D C.D

NQ #F,15 AMAT.D BLND-LON.D C.D



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Going Long AFTER you see stopping volume

When “Smart Money” or Professionals accumulate you will see it beginning on high volume down bars, but the accumulation phase takes time. Do not try to buy the bottom, after seeing stopping volume wait for the market to drift up then come back down into the area of stopping volume on LOW VOLUME, the LOWER THE BETTER. If the spread is narrow and the market makes two higher lows within 25 bars this confirms the long position, enter on any low volume down bar after this, place an a buy order above the low volume down bar, let the market come to you. This is called a successful test.

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SOS – Principle 3 – The Test and Types of Tests

The Test. This is a very common Sign of Strength frequently seen just before an up move. You must have strength in the background. A test is doing exactly what it says, it is testing something, it is testing for supply. Too much supply the market will fall, if there is no more supply the market must go up. If there is still too much supply a test can fail and if you see a failed test in a weak market it confirms that the market will continue to fall. Tests need TWO BARS to confirm strength. A test can FAIL so we wait for the next bar to be up to confirm strength but we MUST have strength in the background. If you have weakness in the background and you see a test and the next bar is DOWN, this is a strong sign of additional weakness and is called a FAILED TEST.

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TradeGuider RT - [GS,D]

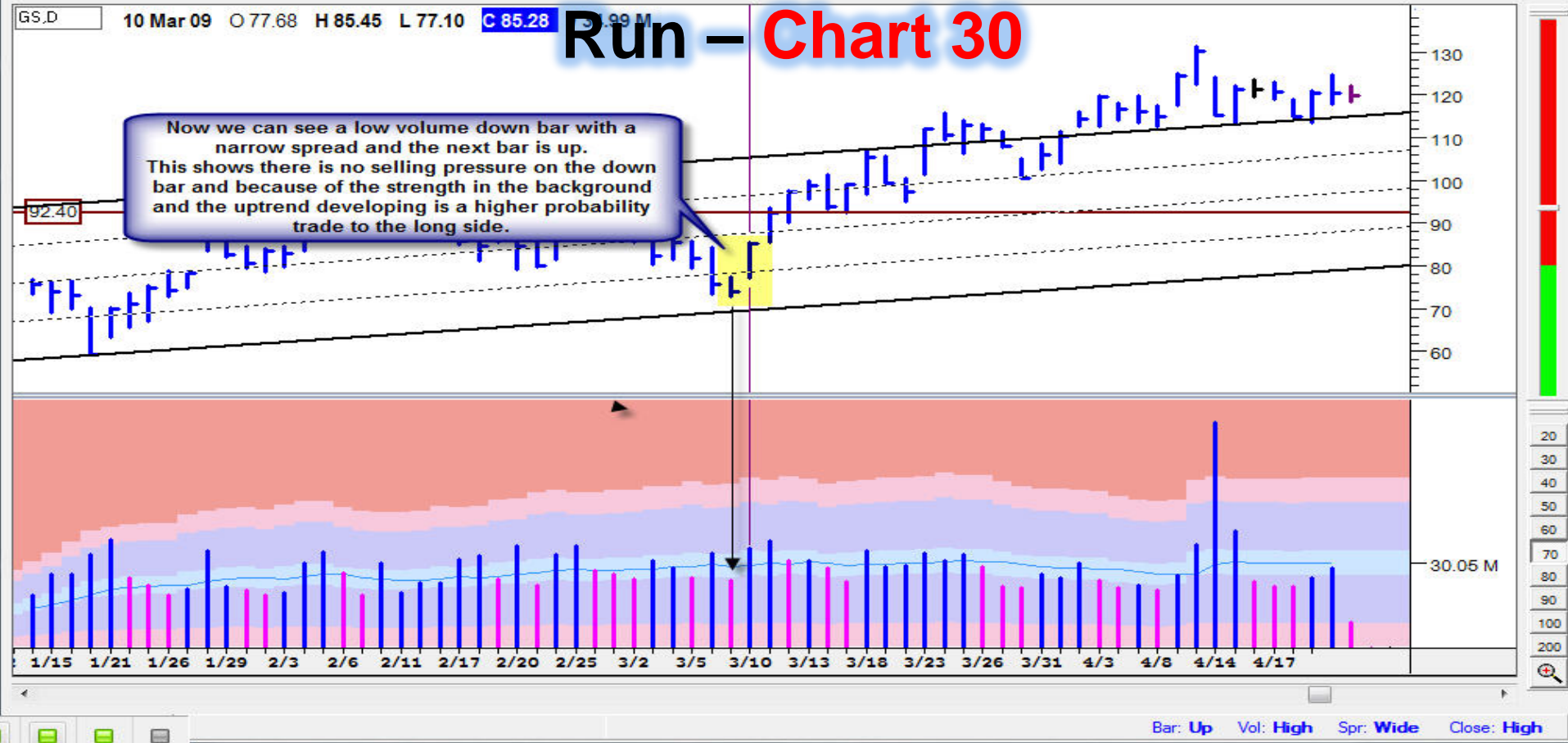
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Pivot FIB

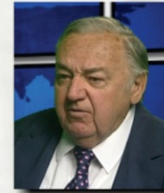
US Stock Goldman Sachs - The Test in a Bull

Run - Chart 30

Now we can see a low volume down bar with a narrow spread and the next bar is up. This shows there is no selling pressure on the down bar and because of the strength in the background and the uptrend developing is a higher probability trade to the long side.



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TradeGuider RT - [ES #F.8]

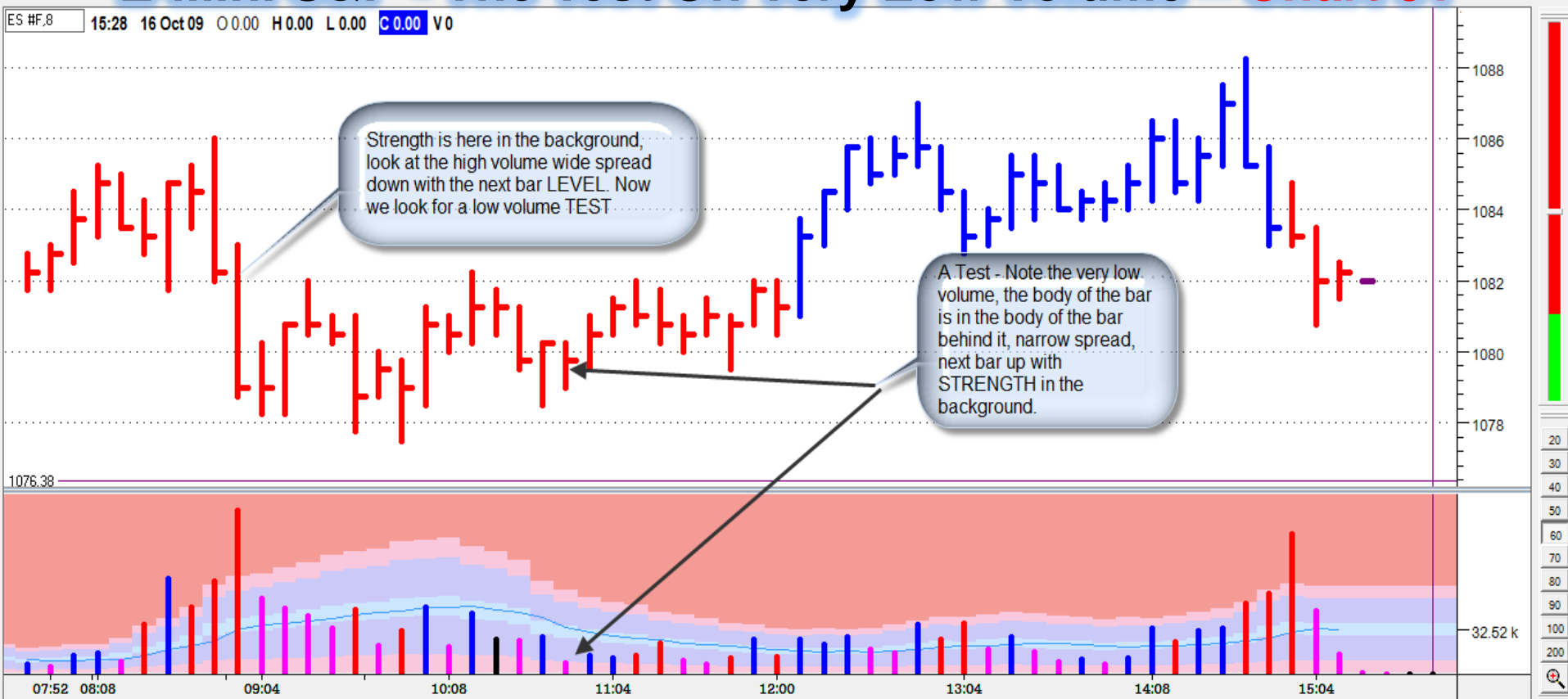
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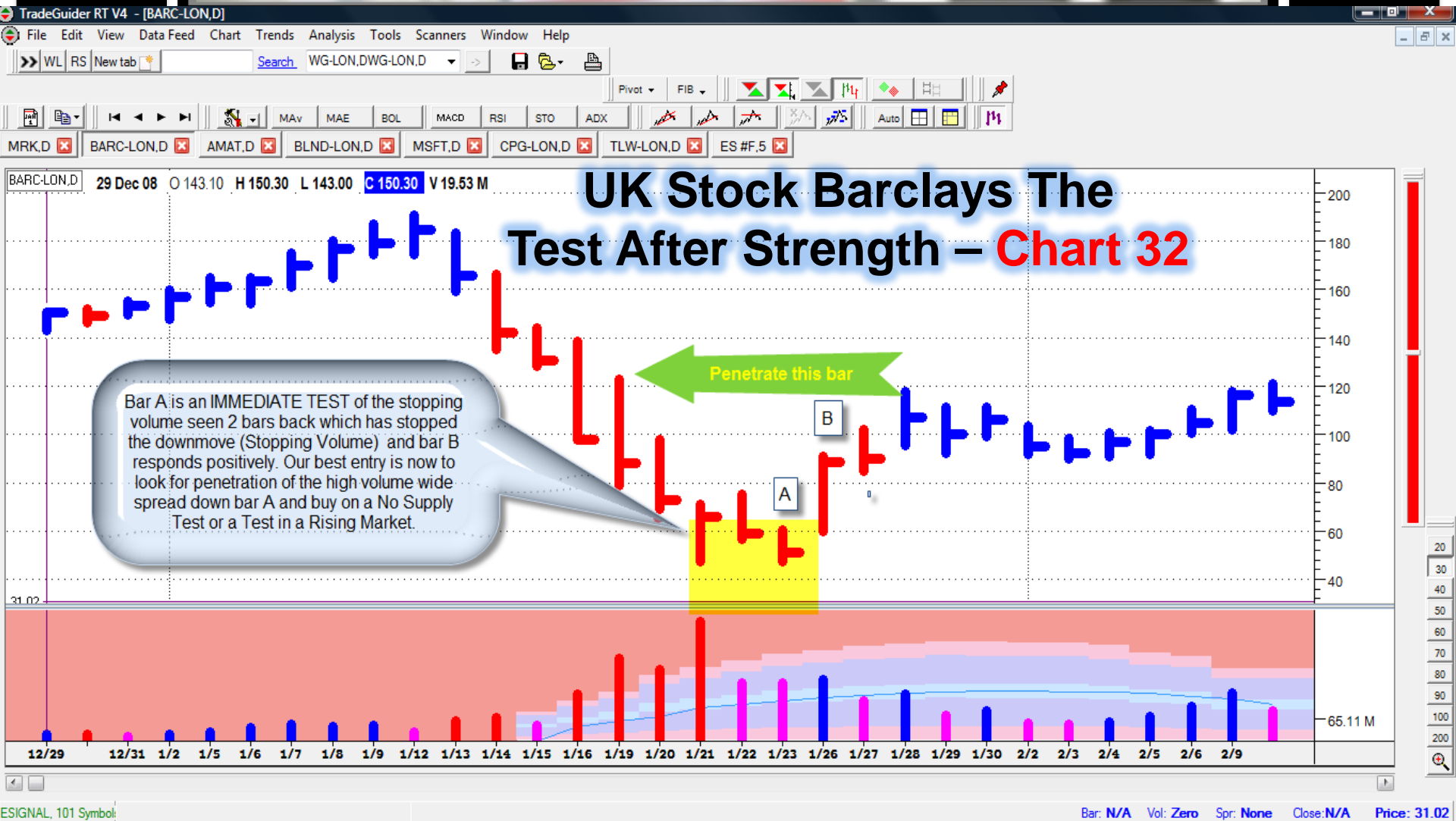
ES #F.8

E-Mini S&P - The Test On Very Low Volume – Chart 31

ES #F.8 15:28 16 Oct 09 O 0.00 H 0.00 L 0.00 C 0.00 V 0



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TradeGuider RT V4 - [BARC-LON,D]

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>> WL RS New tab Search WG-LON,DWG-LON,D

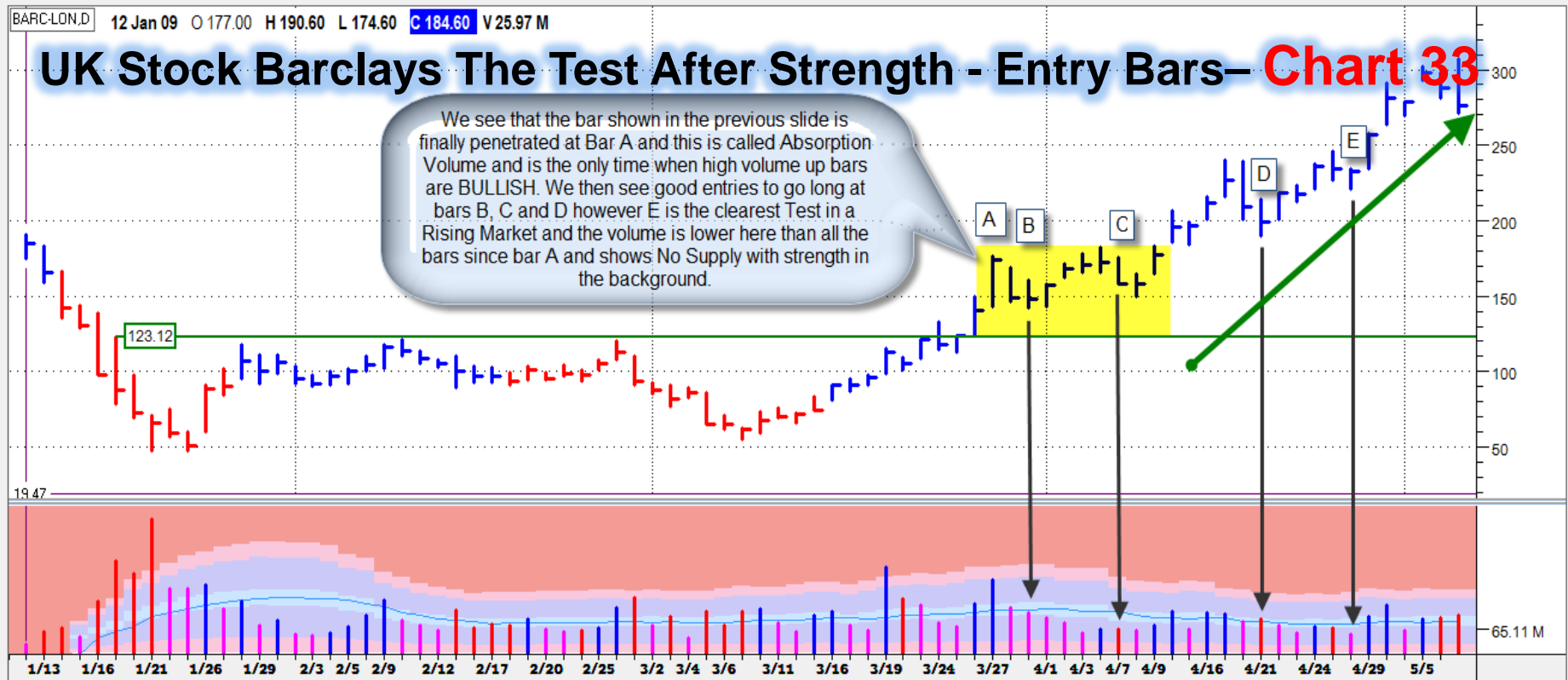
Pivot FIB MAv MAE BOL MACD RSI STO ADX Auto

MRK,D BARC-LON,D AMAT,D BLND-LON,D MSFT,D CPG-LON,D TLW-LON,D ES #F,5

BARC-LON,D 12 Jan 09 O 177.00 H 190.60 L 174.60 C 184.60 V 25.97 M

UK Stock Barclays The Test After Strength - Entry Bars— Chart 33

We see that the bar shown in the previous slide is finally penetrated at Bar A and this is called Absorption Volume and is the only time when high volume up bars are BULLISH. We then see good entries to go long at bars B, C and D however E is the clearest Test in a Rising Market and the volume is lower here than all the bars since bar A and shows No Supply with strength in the background.



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Going Long AFTER you see a test

- **YOU MUST** have strength in the background, such as stopping volume or climactic action. Place a stop under the low of the climactic bar and place a buy order above the test bar. A test can fail and you can re-test an area several times before the market moves up, so placing an order above the test lets the market come to you. If the test fails you are not in the position.

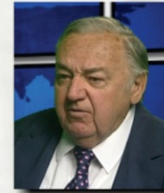
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SOS – Principle 4 – Absorption Volume

A wide spread up bar closing on the highs pushing up and through an old top to the left. This is demand and an effort to go up. After this event the market usually rests or starts to react, you are now looking for indications of strength to confirm the strength.

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TradeGuider RT - [GBP A0-FX,4H]

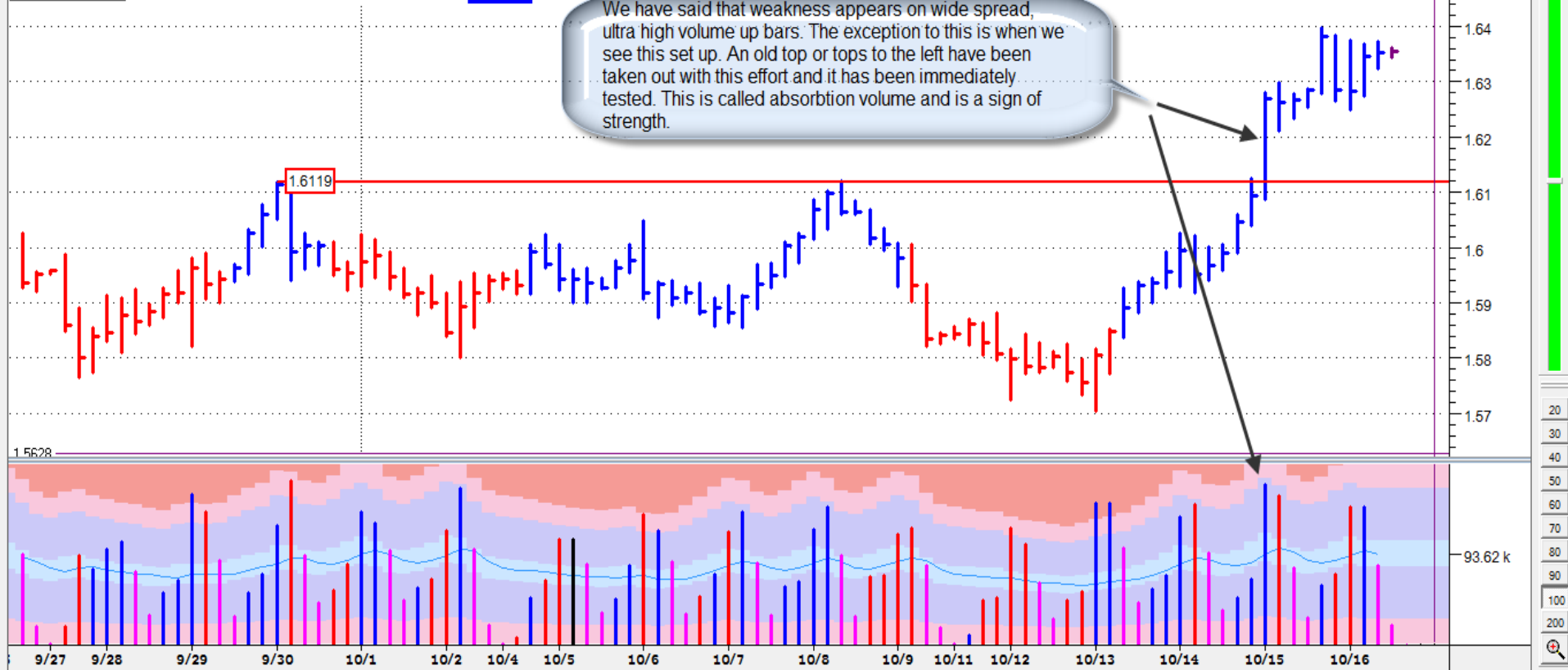
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Pivot FIB

GBP A0-FX,4H

GBP A0-FX,4H 18:00 16 Oct 09 O 0.0000 H 0.0000 L 0.0000 C 0.0000 V 0



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Going Long AFTER you see absorption volume

- **WAIT** – You are looking for a test of this volume. Placing a buy order above the absorption bar close is the safest place to enter.

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SOS – Principle 5

This is a variation of stopping volume which has arrived on 2 bars rather than on 1 bar. On the first bar supply was so heavy that professional money was unable to absorb all the stock dumped onto the market. This allows the market to fall on the next bar usually on so called 'bad news'. This can be gapped down on the opening causing the panic. However, to close in the middle or highs indicates demand has overcome the supply.

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TradeGuider RT - [AAPL.D]

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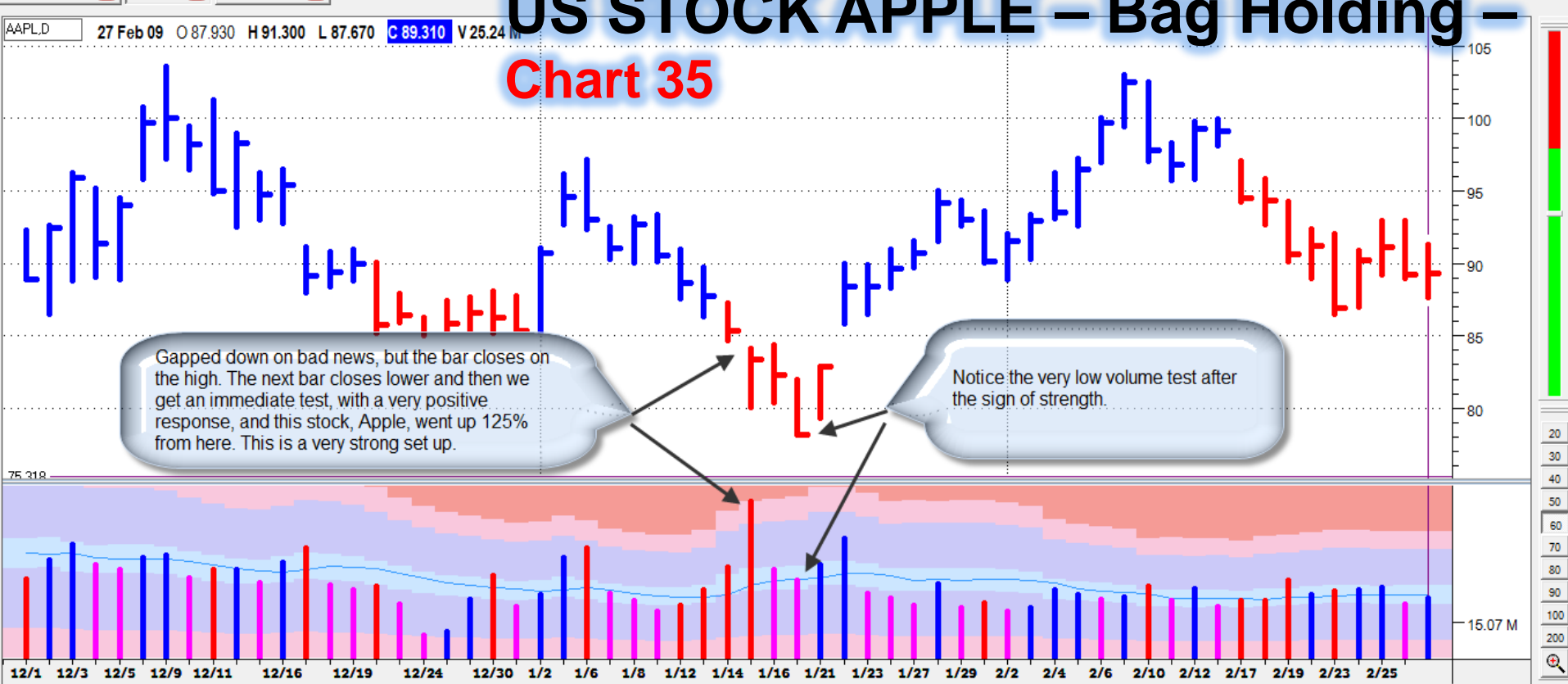
BARC-LON.W AAPL.D RBS-LON.D

AAPL.D 27 Feb 09 O 87.930 H 91.300 L 87.670 C 89.310 V 25.24 M

US STOCK APPLE – Bag Holding – Chart 35

Gapped down on bad news, but the bar closes on the high. The next bar closes lower and then we get an immediate test, with a very positive response, and this stock, Apple, went up 125% from here. This is a very strong set up.

Notice the very low volume test after the sign of strength.



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Going Long AFTER you see Bag Holding

- This is a serious sign of strength and often if not always marks the bottom. Look for the first test bar and enter a buy order above the test.

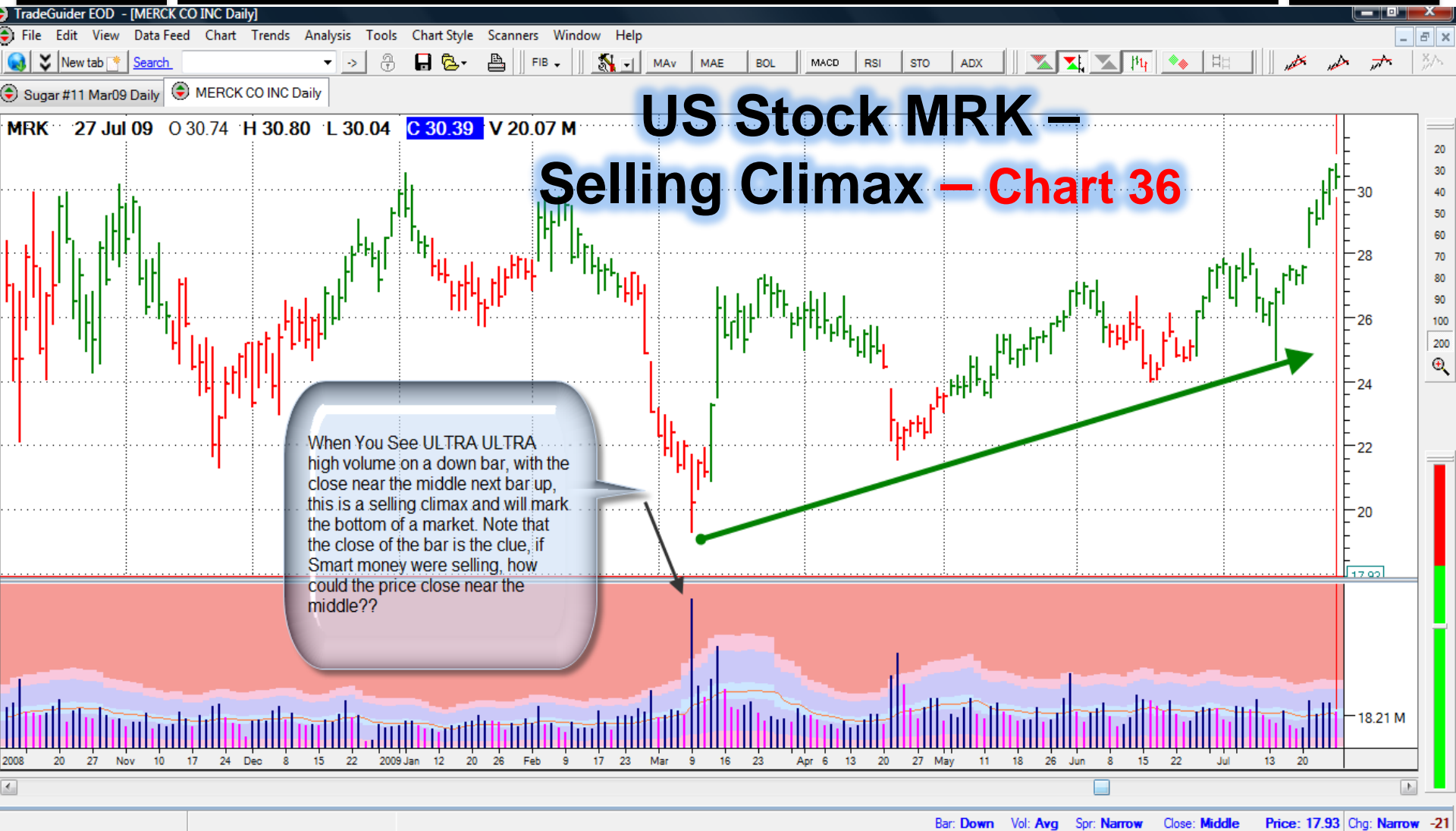
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SOS – Principle 6

Selling climax. Wide spread down closing in the middle or high after a substantial down move has already taken place. The volume is ultra high. As a market falls day after day a point will be reached when traders will start to panic and encouraged by bad news will start to dump stock onto the market. If the market closes in the middle or high then professional money must have decided that the lower prices now looked attractive and will start to buy into the panic selling. The activity will cause the volume to be ultra high. This marks the low point of the market.

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Going Long AFTER you see a selling climax

- This is a serious sign of strength and often if not always marks the bottom. Look for the first test bar and enter a buy order above the test, same as for bag holding.

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SOS – Principle 7 – The Shakeout

The Shakeout - Wide spread down closing on the middle or low. Most often seen after a strong down move. Volume can be high or ultra high. If this is seen in an uptrend it is a very strong buy opportunity. “Smart Money” have to buy at lower prices and will do anything to get the price down to buy more of the instrument they are accumulating. This will nearly always be seen on bad news and will often mark the next leg up of a trend.

A shakeout can also be seen at market bottoms and is especially powerful if you have a selling climax in the background.

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TradeGuider RT V4 - [MSFT,D]

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Pivot FIB MAv MAE BOL MACD RSI STO ADX Auto

NQ #F,15 AMAT,D BLND-LON,D MSFT,D

MSFT,D 30 Dec 08 O 19.0100 H 19.4900 L 19.0000 C 19.3400 V 43.22 M

US Stock Microsoft – The Shakeout - Chart 37



ESIGNAL, 97 Symbols

Bar: N/A Vol: Zero Spr: None Close: N/A Price: 13.7244

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TradeGuider RT V4 - [MSFT,D]

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Pivot FIB MAv MAE BOL MACD RSI STO ADX Auto

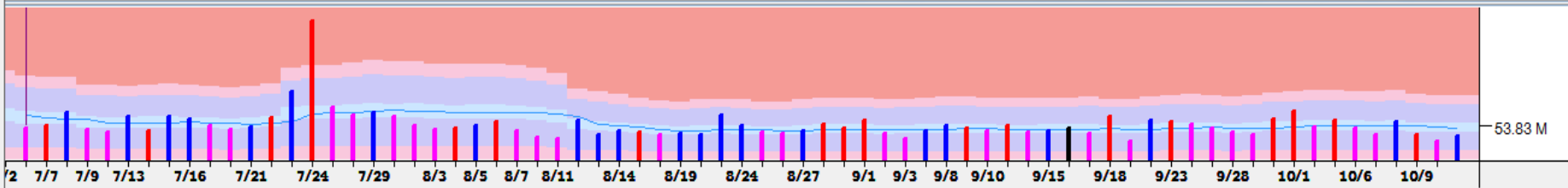
NQ #F,15 AMAT,D BLND-LON,D MSFT,D

MSFT,D 06 Jul 09 O 23.2100 H 23.2800 L 22.8700 C 23.2000 V 48.95 M

At bar A we see a gap down bar on a wide spread with ultra high volume. We would expect the next bar to be up however it is a down bar on very reduced volume and is followed by an immediate test that is confirmed by the next bar up. We see tests at C and D and then a strong No Supply at E, and that is the entry to go long.

US Stock Microsoft – The Shakeout - Chart 37

21.5722



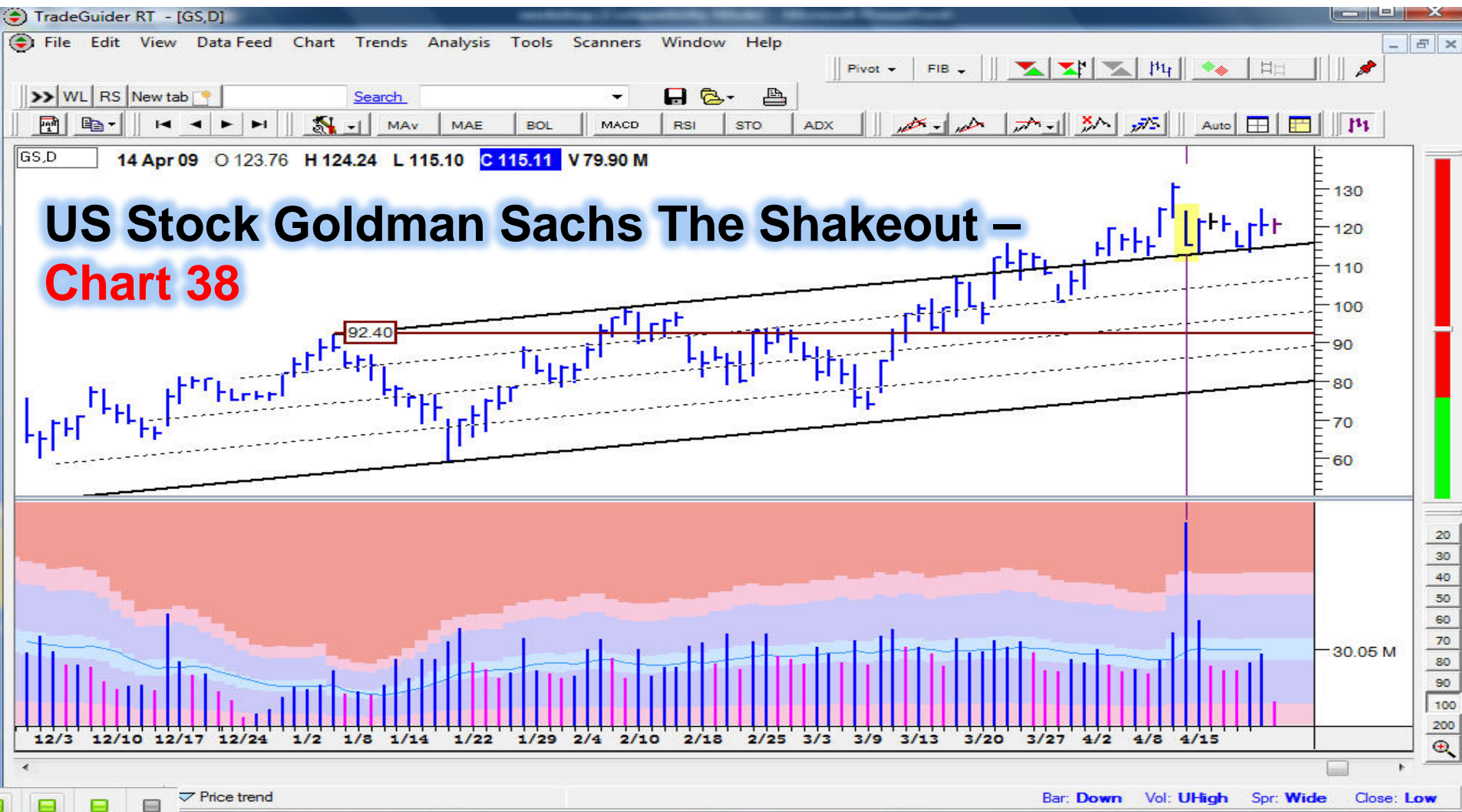
ESIGNAL, 97 Symbols NO SUPPLY

Bar: Down Vol: Low Spr: Narrow Close: High Price: 21.5722

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The Shakeout



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US STOCKS-Wall St sinks on weak retail sales, Goldman offering

Tue Apr 14, 2009 4:30pm EDT

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The Shakeout

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NEW YORK, April 14 (Reuters) - U.S. stocks fell on Tuesday as a surprising drop in retail sales dented hopes the recession was abating and financial shares slid on fears that Goldman Sachs' (GS.N) share offering could prompt others to follow suit.

Retail sales in March snapped two months of increases and sparked selling across the board, with the stocks of retailers, big manufacturers and energy companies among the casualties. The S&P retail index .RLX fell 2.5 percent.

But the financial sector, which had recently led the stock market's 5-week rebound from 12-year lows, took the biggest beating by far, with the KBW Bank index .BKX falling 8.1 percent and the S&P financial index .GSPF dropping 7.7 percent.

"There is fear that other banks wanting to pay back government funds may want to raise cash by issuing shares," said Ryan Detrick, senior technical strategist at Ohio-based Schaeffer's Investment Research.

The gloomy news on retail shows that "maybe the economy hasn't turned around as the last 5-week bounce suggested."

The Dow Jones industrial average .DJI dropped 137.63 points, or 1.71 percent, to 7,920.18. The Standard & Poor's 500 Index .SPX fell 17.23 points, or 2.01 percent, to 841.50. The Nasdaq Composite Index .IXIC declined 27.59 points, or 1.67 percent, to 1,625.72.

Among consumer-oriented plays, department store operator Macy's (M.N) tumbled 7.3 percent to \$11.99, while shares of Wal-Mart Stores

AT&T

3. US STOCKS SNAPSHOT-Futures extend losses after M.Stanley results
4. Dow, S&P drop as Morgan Stanley renews bank worries | [Video](#)
5. UPDATE 1-Sun's largest shareholder sells stake
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Going Long AFTER you see a shakeout

- When you see a shakeout on a bad news in an up trending market it is a strong buy opportunity, but wait for the next bar to be up before entering. If you are more cautious wait for a test. Place a buy order above the test.

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SOS – Principle 8 – No Supply / Test in a Rising Market / No Selling Pressure

No Supply / Test in a Rising Market / No Selling Pressure - A Down Bar on volume lower than the previous two bars shows lack of selling pressure as the market falls. The background is important here, this is only a entry to the long side if you have strength in the background, not weakness. This is a higher probability entry to the long side when you have an uptrend in place, do not enter long in a downtrend on this set up.

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TradeGuider RT - [NQ #F,9]

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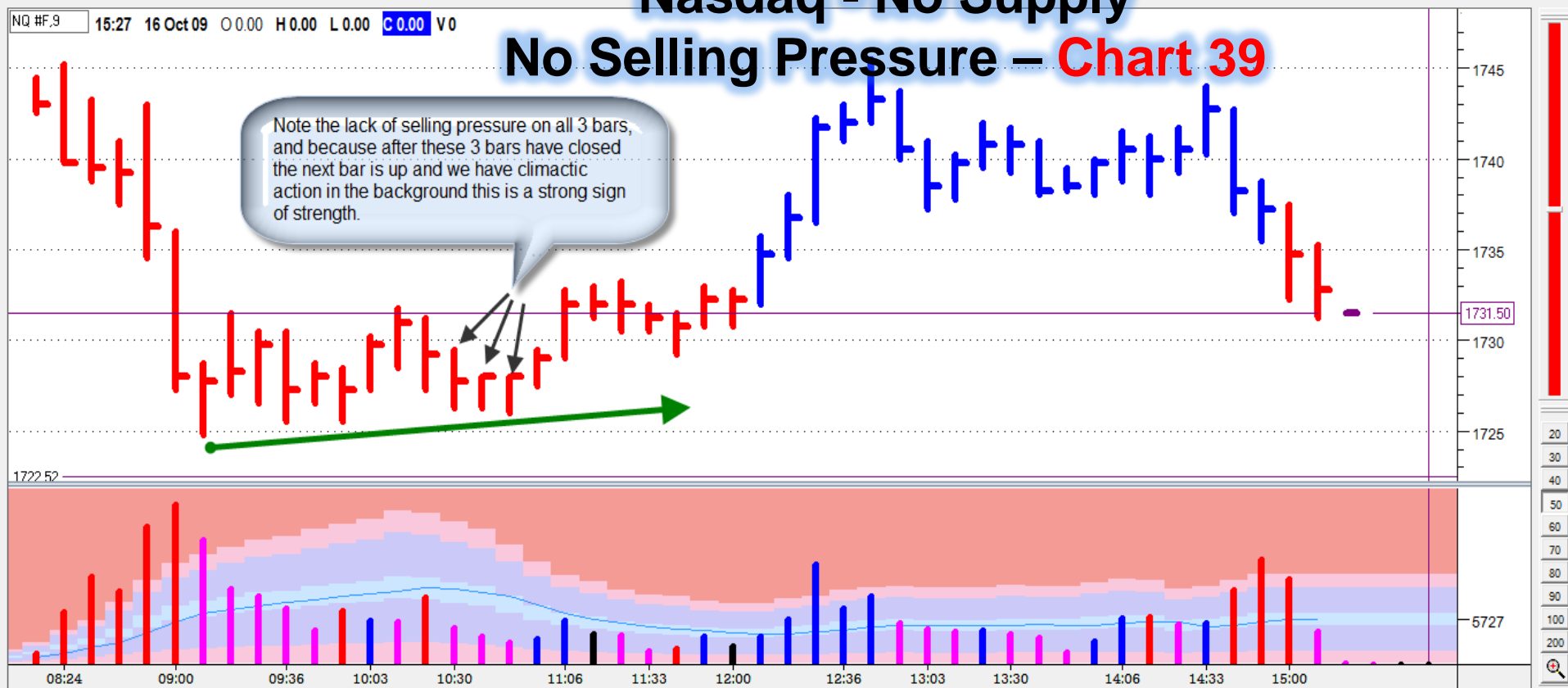


NQ #F,9

NQ #F,9 15:27 16 Oct 09 O 0.00 H 0.00 L 0.00 C 0.00 V 0

Nasdaq - No Supply No Selling Pressure – Chart 39

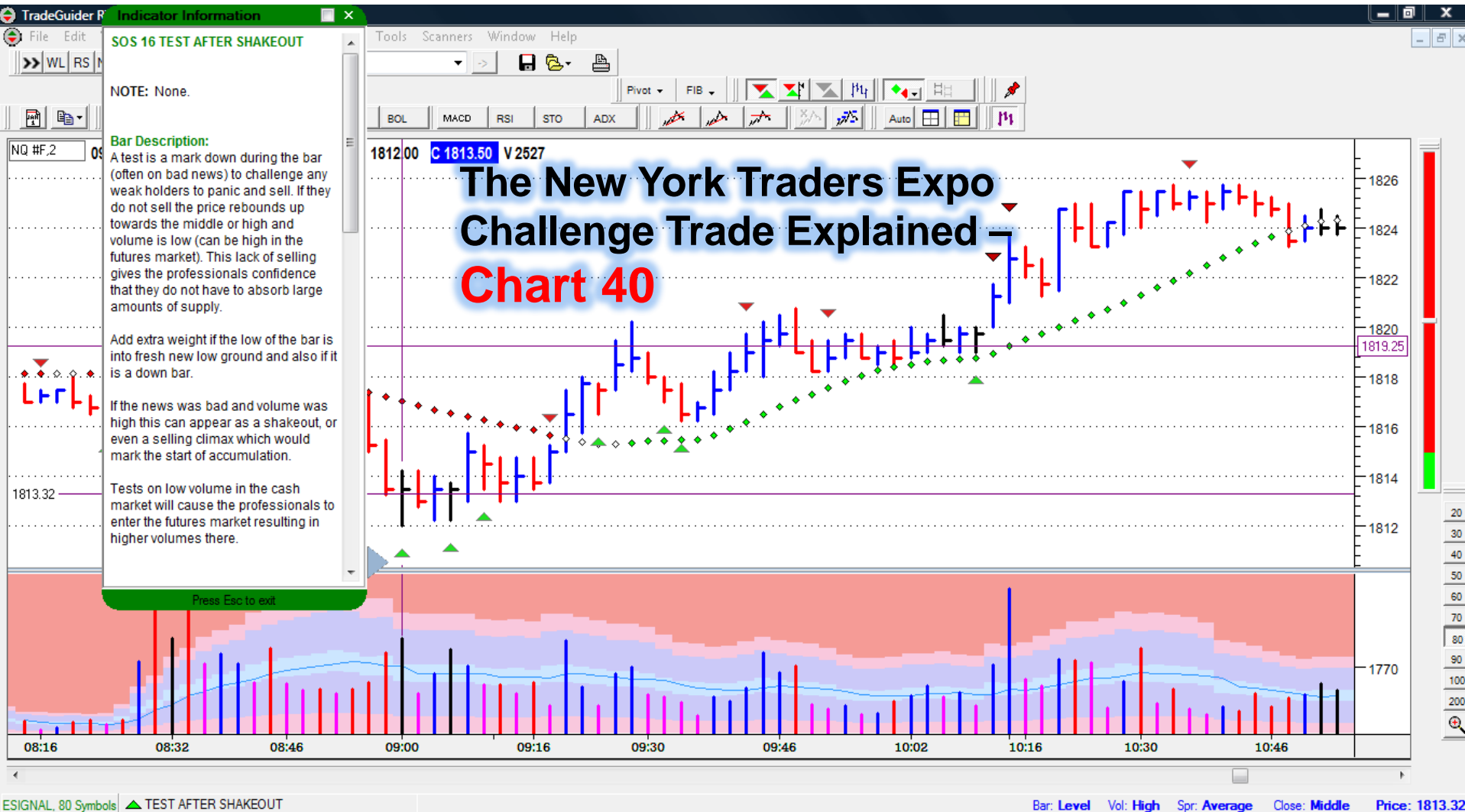
Note the lack of selling pressure on all 3 bars, and because after these 3 bars have closed the next bar is up and we have climactic action in the background this is a strong sign of strength.



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TradeGuider RT V4 - [NQ #F,2]

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>> WL RS New tab Search

Pivot FIB MAv MAE BOL MACD RSI STO ADX Auto

NQ #F,2 09:34 19 Feb 10 O 1817.50 H 1817.75 L 1817.50

Indicator Information

SOS 81 NO SUPPLY/TEST

NOTE: None.

Bar Description:

This bar has fallen off on low volume and a narrow spread showing a lack of selling pressure at that point.

Sometimes it may close up on the middle or high which represents a test.

Background:

The background is extremely important.

No supply works best when there is strength in the background or following minor SOW in an uptrend.

With weakness in the background this indicator carries less importance and at best may only cause the market to rest for a few bars as the professionals stand aside before resuming the down move.

Future:

Press Esc to exit

The New York Traders Expo Challenge Trade Explained – Chart 41

ESIGNAL, 80 Symbols ▲ NO SUPPLY/TEST

Bar: Down Vol: Low Spr: Narrow Close: Low Price: 1815.10

VOLUME SPREAD ANALYSIS MENTORSHIP PROGRAM



TradeGuider RT V4 - [NQ #F,15]

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Search

Indicator Information

SOS 30 TEST IN A RISING MARKET

NOTE: None.

Bar Description:

A test is a mark down during the bar (often on bad news) to challenge any weak holders to panic and sell. If they do not sell the price rebounds up towards the middle or high and volume is low (can be high in the futures market). This lack of selling gives the professionals confidence that they do not have to absorb large amounts of supply.

Add extra weight if it is a down bar.

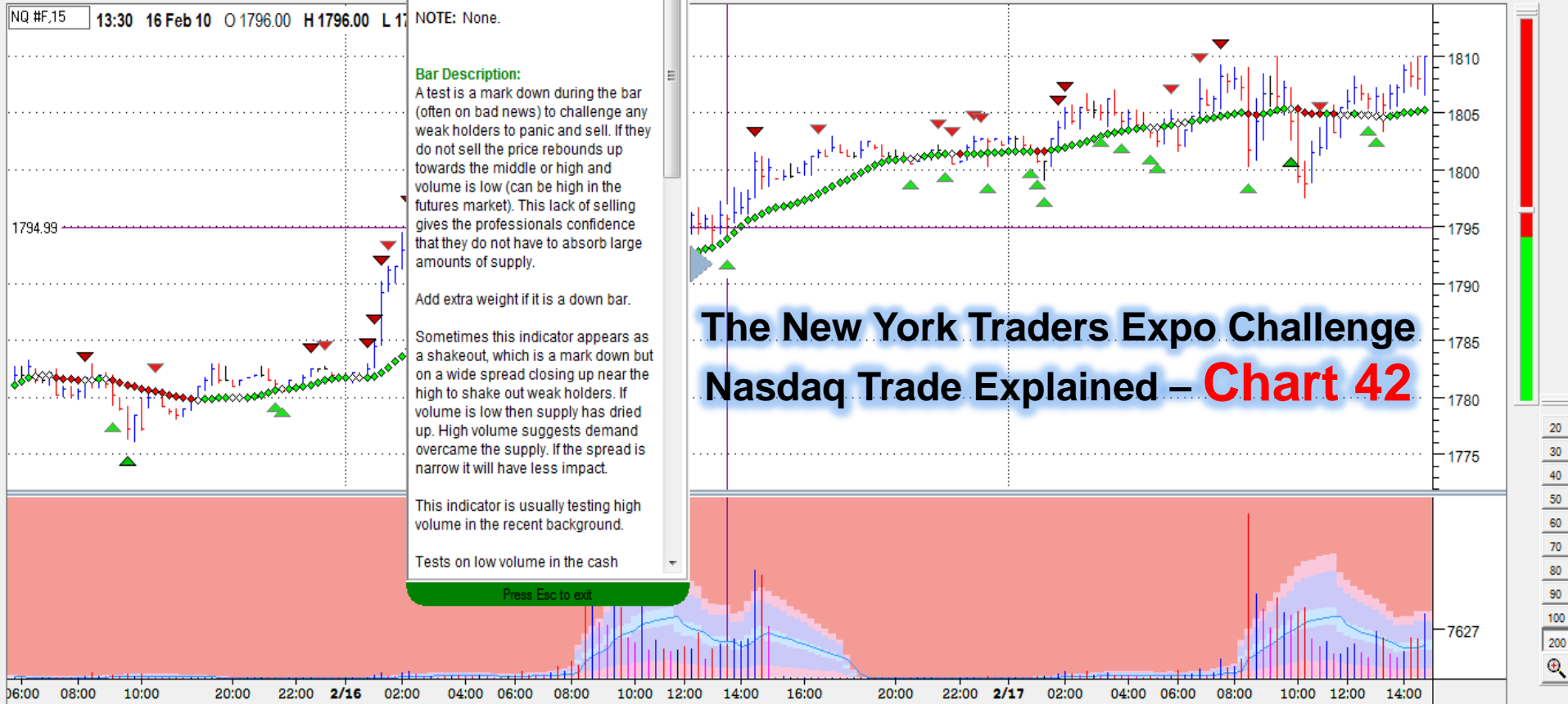
Sometimes this indicator appears as a shakeout, which is a mark down but on a wide spread closing up near the high to shake out weak holders. If volume is low then supply has dried up. High volume suggests demand overcame the supply. If the spread is narrow it will have less impact.

This indicator is usually testing high volume in the recent background.

Tests on low volume in the cash

Press Esc to exit

The New York Traders Expo Challenge Nasdaq Trade Explained – Chart 42



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TradeGuider RT V4 - [ES #F,15]

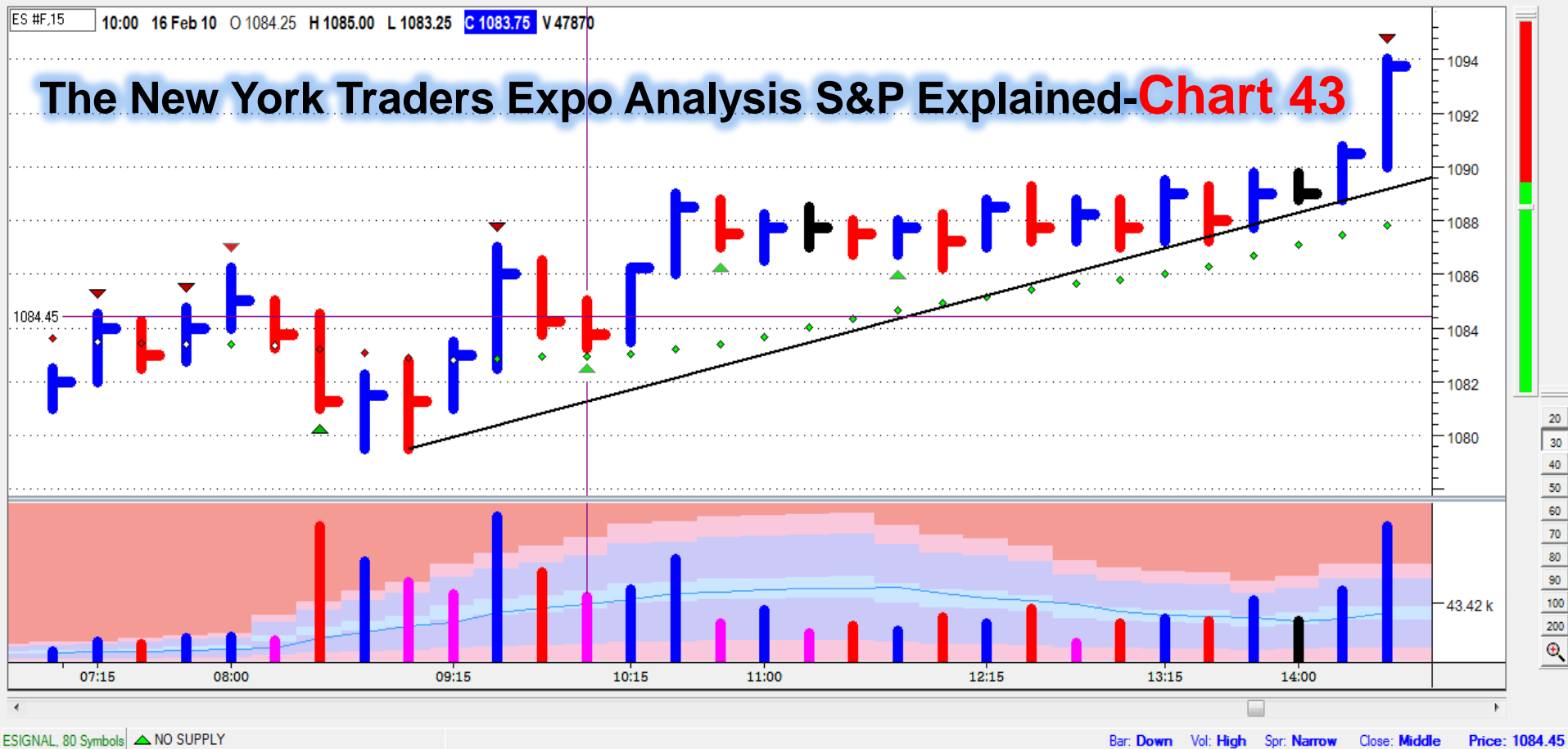
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>> WL RS New tab Search

Pivot FIB MAv MAE BOL MACD RSI STO ADX Auto

ES #F,15 10:00 16 Feb 10 O 1084.25 H 1085.00 L 1083.25 C 1083.75 V 47870

The New York Traders Expo Analysis S&P Explained-Chart 43



VOLUME SPREAD ANALYSIS MENTORSHIP PROGRAM



TradeGuider RT V4 - [ES #F,15]

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>> WL RS New tab Search

Pivot FIB MAv MAE BOL MACD RSI STO ADX Auto

ES #F,15 10:00 16 Feb 10 O 1084.25 H 1085.00 L 1083.25 C 1083.75 V 47870

This bar at 11.15am New York time at point D CONFIRMED the "No Supply" indicator at 11.00am New York time point C as it pushed higher and the correct entry would be to place an order to buy at the high of the "No Supply" bar (bar C) so the market takes you in as a successful response to "No Supply".

The New York Traders Expo Analysis S&P Explained Chart 44

The volume is lower as the price is falling at 11.00am New York time 15 minutes after the close of the "Traders Challenge", however the set up was explained in advance and was a much STRONGER move on the larger timeframe as Gavin had explained, moving the market from 1083.25 to the high of 1090.00, a 6.75 point move on the emini S&P. This was a NO SUPPLY entry with STRENGTH shown by the heavy buying at point A. At point B we see an Ultra High volume wide range UP bar that closes just off the high or top of the price range and the next bar is down. This is very often a serious sign of weakness but because the "Smart Money" are bullish they can see that the result of that effort by sellers to bring the price down is failing as the "Smart Money" withdraw from selling at lower price levels, resulting in a "No Supply" indicator from TradeGuider at point C.

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Going Long AFTER you see No Supply or a Test in a Rising Market

- When you see No Supply with climactic action in the background this indicates higher prices so enter a buy order above the high of the no supply bar.

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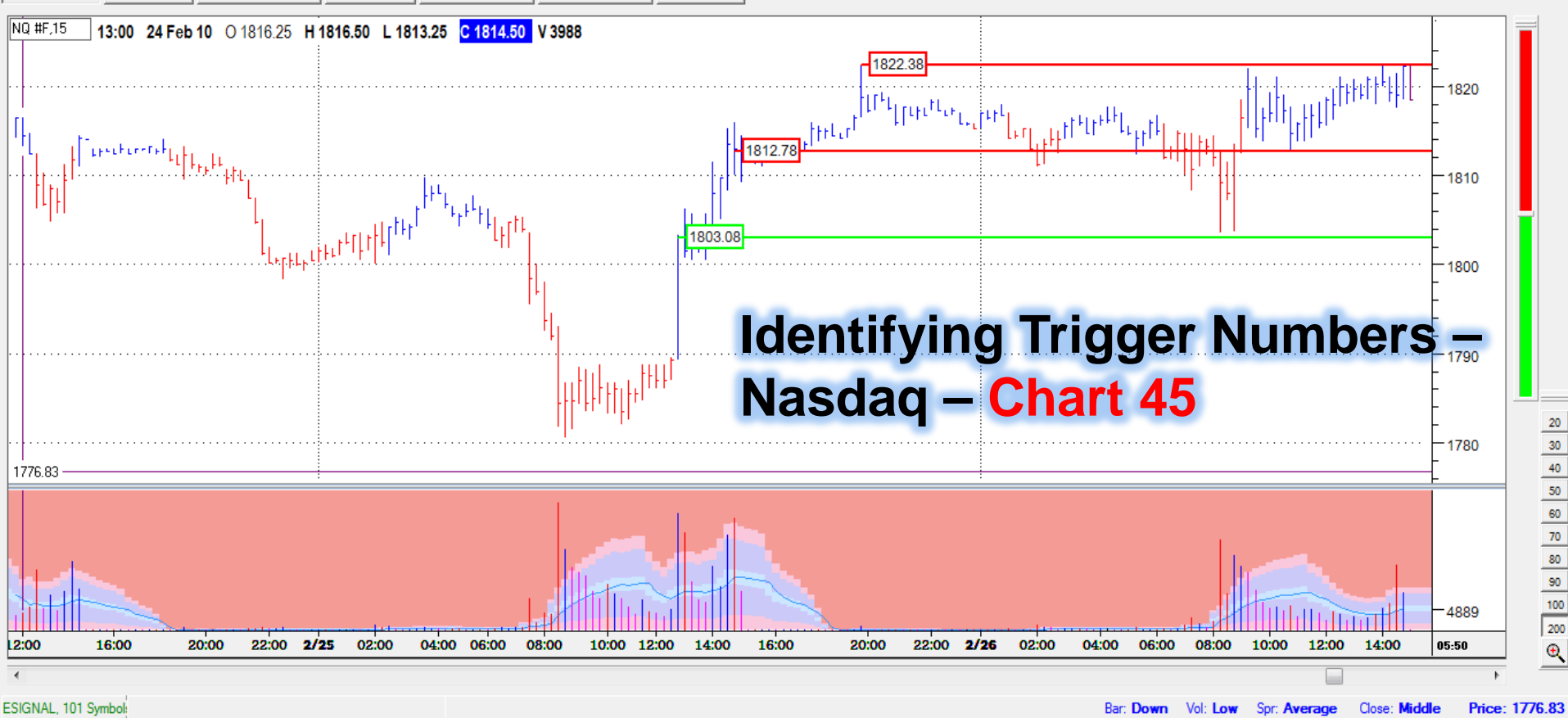
TradeGuider RT V4 - [NQ #F,15]

File Edit View Data Feed Chart Trends Analysis Tools Scanners Window Help

>> WL RS New tab Search WG-LON,DWG-LON,D

Pivot FIB MAv MAE BOL MACD RSI STO ADX Auto

NQ #F,15 AMAT,D BLND-LON,D MSFT,D CPG-LON,D TLW-LON,D ES #F,5



ESIGNAL, 101 Symbol

Bar: Down Vol: Low Spr: Average Close: Middle Price: 1776.83

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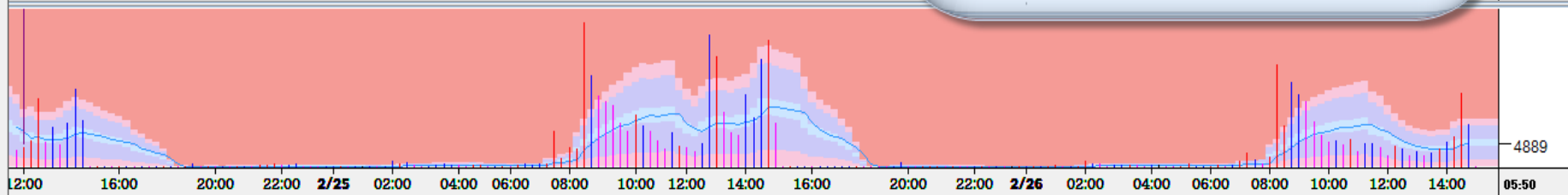
NQ #F,15 AMAT,D BLND-LON,D MSFT,D CPG-LON,D TLW-LON,D ES #F,5

NQ #F,15 13:00 24 Feb 10 O 1816.25 H 1816.50 L 1813.25 C 1814.50 V 3988

Identifying Trigger Numbers Nasdaq – Chart 47

The market has a wide spread up on ultra high volume at point A closing on the high. We mark the close and project the line out to the next day before the market opens. At point B we have a similar bar so we do the same. Point C marks the top and we are not concerned about the volume because this is the futures Globex session, but we mark this bar as a top until it is penetrated. Note how the Nasdaq trades within these ranges from the open.

1776.83



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Before taking a Long position

- Is the market in early stages of uptrend or still in an downtrend?
- Is the market rising with no professional support?
- Is the high of each bar higher than the previous bar? (you may allow 1 down bar for every 2 up bars for an uptrend)
- Are you into fresh low ground when accumulation starts?
- Is there a trading range to the left?
- Is there lots of BAD NEWS about this particular instrument?
- Is the market in an oversold area of the trend channel?
- Is there a Buying Climax in the background?
- Are you entering on a up bar – remember strength appears on down bars?

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Summary

- Each of us are unique. We have different account sizes, loss tolerance levels, experience levels, different ways of viewing things (two people can look at the same mountain from the same place and see entirely different perspectives), and different levels of self discipline.
- These strategies are a guide but must be adapted to your style of trading and personality. Only YOU can do that for yourself.
- VSA principles apply to all markets where there is volume available and in all timeframes. We will be looking at stocks but we could easily have looked at the same patterns in Futures, Commodities, Spot FOREX, etc.
- KISS – Keep It Simple Stupid. Nothing here is rocket science. VSA is very logical and is based on principles that have been around for decades.
- Take a holistic approach to your chart analysis.
- Definition of Holistic -
 - Emphasizing the importance of the whole and the interdependence of its parts.

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Points To Remember

- Strength will appear on down bars.
- Weakness will appear on up bars.
- The background analysis of the chart is vital.
- Has the strength or weakness appeared at the top or bottom of a channel?
- Is this a major trend reversal or a retracement?
- Is the news good or bad??
- Is demand overcoming supply?
- Is supply overcoming demand?

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Points To Remember - Continued

- All patterns seen in the past will be there at the right edge of your chart, but they will come in different intensities.
- VSA is a discretionary methodology that still requires discipline and money management.
- VSA is much more effective when used with support and resistance and with Elliot Wave analysis. (Used by Wyckoff).
- You must use more than one timeframe to see the bigger picture.
- If you listen to news, have a very contrarian view of the contents when taking a position.
- The chart never lies, rely on your charting skills.

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END OF SESSION – Q AND A