TradeGuider

That Was the Week That Was

Volume 1

The
Weekly Newsletters

From Tom Williams

A Compilation Spanning November 2010 to January 2012

Originally Published in the TradeGuider VSA Club

From The Home of Volume Spread Analysis

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Forward by the author

This book contains news letters that I wrote every week since 2010, in collaboration with Peter and Rita Offen, who painstakingly typed them out and helped me produce them, for which I thank them.

I wrote them because I wanted to Enhance the VSA club. Chart analysis is a subject I really enjoy doing and using it to give newcomers the way to achieve or enhance their trading ability to read the markets, seemed a good opportunity.

The analysis is based on the S&P 500 because is the cash leader. Very often you are misled to believe the future drives the market. This is not correct, the cash equity actually drives the market because that is where the value is. I also know that traders who are involved with the equity will also be involved with the future.

If you have the appropriate data feed you will see that the cash and the futures do move in tandem. The reason for this is that you have arbitrage traders and there are mathematical formulas where if they get out of line you can buy one and sell the other. This is beyond the reach of the average trader because you need to be trading thousands of contacts at a time.

Without question the markets move on supply and demand. I demonstrate this with practical charts which explain this bar by bar. By supply and demand I mean the *balance* of supply and demand. This balance is dramatically altered by the “Smart Money”, because only professional money is big enough to affect the balance.

You are never told these facts, why, I am not sure? But we can demonstrate the truth in this by looking through the points I make in these newsletters.

In producing these news letters I have built the largest single collection of VSA chart analysis ever compiled. Each chart tells it own story. As you will see the analysis is, for the large part, uncannily accurate.

The first step is to understand what is going on. Like most things in life, things are not necessarily what they appear to be to the untrained eye. Markets can be a dangerous place to be - caused by an inability to understand why a market has moved and is moving. In these examples I show exactly why the market is moving. You can take this information and use it to analyse your own charts going forwards.

I hope these news letters will enlighten you and send you further along the path towards the trading success you desire.

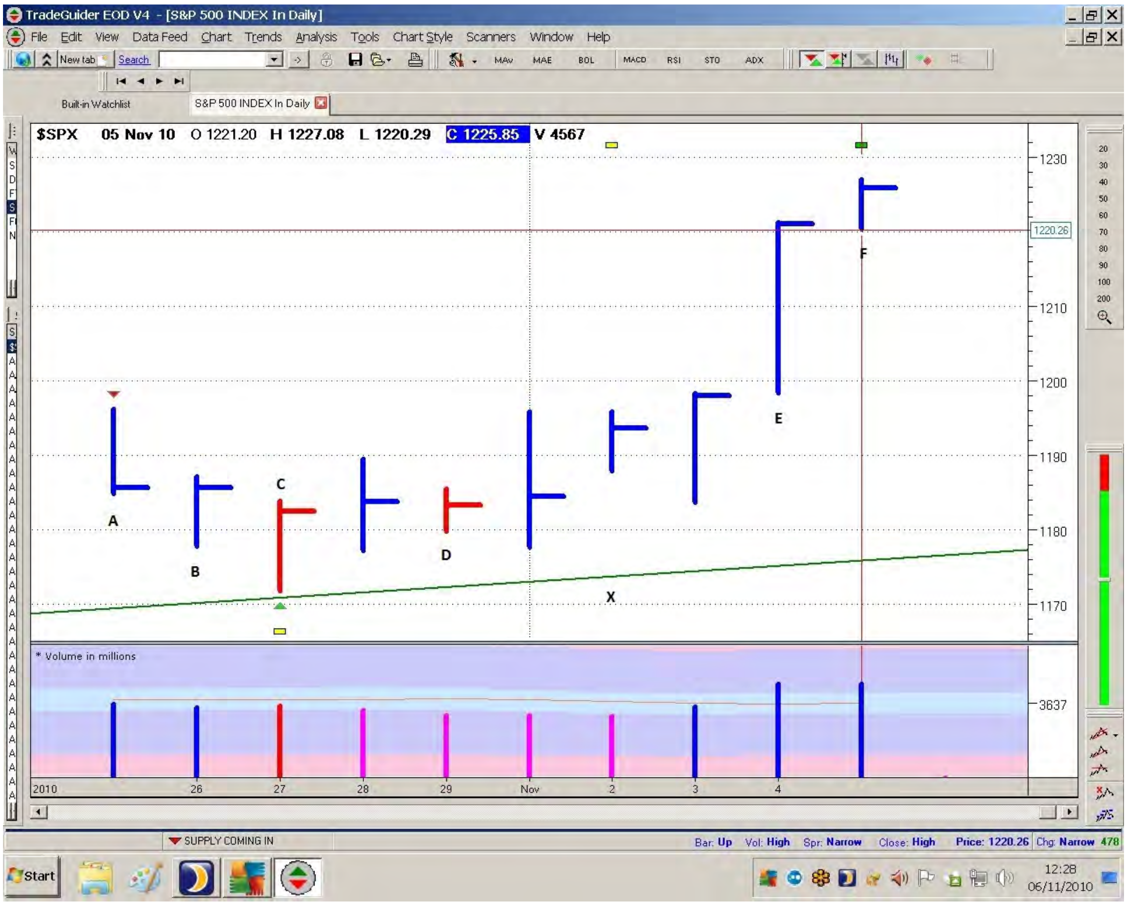
Remember; never believe anything you are told and never hand your money over to someone who says they can make you money, unless they can prove to you they truly understand how the markets really work!

Regards

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 6th November 2010



S&P500 CASH INDEX DAILY CHART

Point A

25th October - Here we saw a clear sign of weakness producing an automatic signal telling us this is an upthrust. Note **Point X** marks the top trendline so we are in fact over-bought.

Point B

26th October - Immediately following this upthrust the next two bars, **Points B and C**, the market is being tested. A test is when the market is marked down only to close on the high and the volume remains not excessive. Note at **Point C** it bounced off this top trendline. Why trendlines work so well is not fully understood, but they do work, and you should pay attention to them.

Point C

There is an automatic sign of strength which we call a test. As I'm always telling Gavin, ignore the signals at your peril.

Point D

Here we have a down-bar but note the spread is very narrow and the volume is low. There is absolutely no selling pressure left in this market. So because the market moves on supply and demand, if there is little or no supply, then you expect higher prices because that is then the path of least resistance.

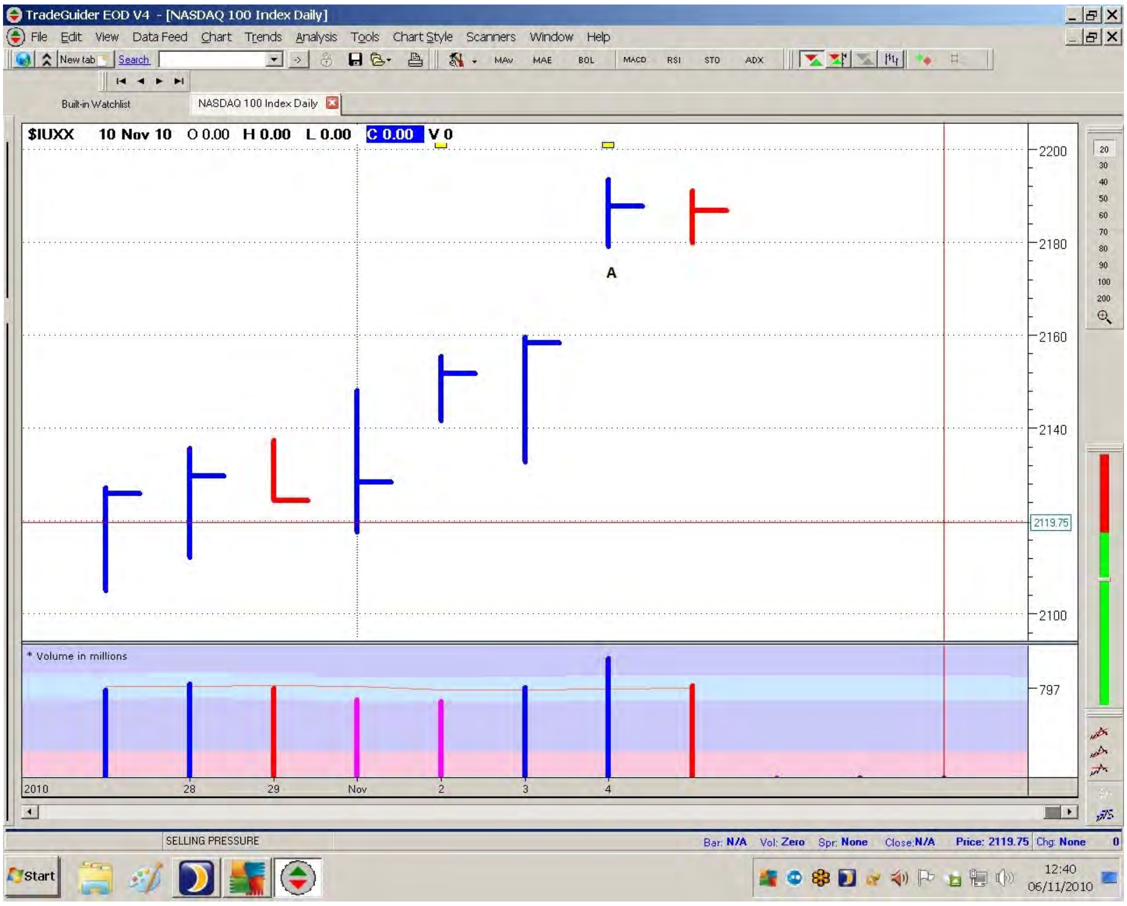
Point E

Here we have a widespread up, closed on the high, with an increase in volume.

Point F

Friday. Here we have an up-bar but the situation has now changed. We have told you many times, markets top out on narrow spread up-bars. I would have liked to see the volume, although high, but much higher, for a positive yes this is the top. The programme has produced an automatic sign of weakness telling us quite rightfully, that supply is entering the market. You would now expect to see more weakness and lower prices, but you do have to be aware, they may try to fool you by having an upthrust at some time.

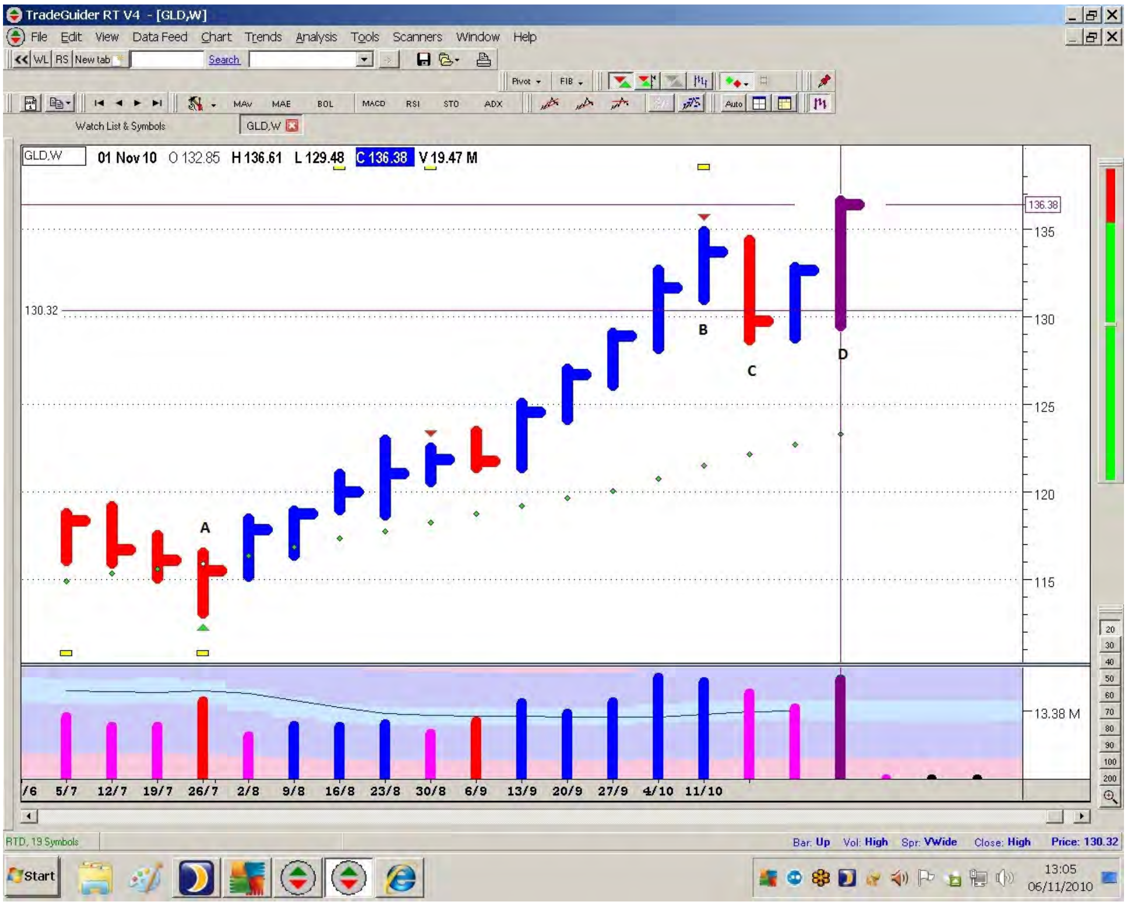
This chart shows the long-term trend of the market, with a trendline drawn through the first two points of support and the first point of supply. Note how we can clearly see we are now over-bought.



NASDAQ 100 INDEX DAILY CHART

Point A

Here at last we have a classic sign of weakness. The market has gapped up where we have a narrow spread on very high volume. This has brought up an automatic sign of weakness - selling pressure. It's almost like the end of a rising market scenario. You would now expect lower prices with this sign of weakness behind you. But always be aware they can catch you with upthrusts and holding the market, even going sideways for some time, to try to convince you the market may still have strength in it.



GOLD WEEKLY CHART

Point A

Here we have a classic test, a down-bar, closing near the high, a slight surge in volume showing there was some buying in there, but keep in mind this is a whole week. The original test would be clearly seen on a lesser time frame. We have an automatic signal. Ignore the signals at your peril. Once you have a long position you can follow the simple trending rules. In a bullish market you will find the closing price will be higher than the close of the previous bar. This works because the professional interest behind this move will support the market to ensure an up-trend continues.

Point B

The market moves up for 11 weeks to **Point B**. Here we do appear to have some supply hitting this market seen in an increase in volume.

Point C

They have seen the weakness so they mark it down but note the low volume. There is no selling pressure in this market at that moment. If there is no selling pressure then it must mean the bulls are still in control and you would expect higher prices. Or in other words, the market will simply follow the path of least resistance. Note we are still trending up.

Point D

Using the simple trending system you do allow for one down-bar and if that is down on low volume then you can rest assured the market is still trending up.

Markets will eventually top out. This is practically always seen on up-bars, gapped up mostly, narrow spreads, very high volume. If it is in new or fresh high ground this inevitably marks the top. However, on saying that, studying supply and demand in the market is almost like doing a weather forecast - fairly accurate for the near future, but can change because other forces can and will move into the market changing the course of supply and demand. But once you learn to read these charts, this should be no problem to you.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 13th November 2010

S&P500 CASH INDEX DAILY CHART

Point A

We identified this as weakness last week (Friday). Whenever you see these up-bars into recent high ground and the spread has narrowed and the volume has increased, this is a sign of weakness in any chart you may see. There was a lot of conflicting News out there on that day - the market is going to shoot up, higher prices etc etc. You must believe the chart and not be influenced in any way by incoming so-called news, tips. Believe the chart first. This bar just spells out weakness, where you would expect lower prices. It doesn't say the market is going to go in to a bear market. It just says you can expect lower prices. You have to read the market as it unfolds day by day. Some days it is very very clear, other days it can be more uncertain.

Point B

Monday. This almost looks like a test in a rising market, a down-bar, narrow spread closed on the high and the volume is low. Now that is fine. However, you have a weak bar immediately behind you and we have a principle in VSA called the failed test which spells out weakness. In other words there was an effort but there is no result. You frequently see this type of bar near or at the tops.

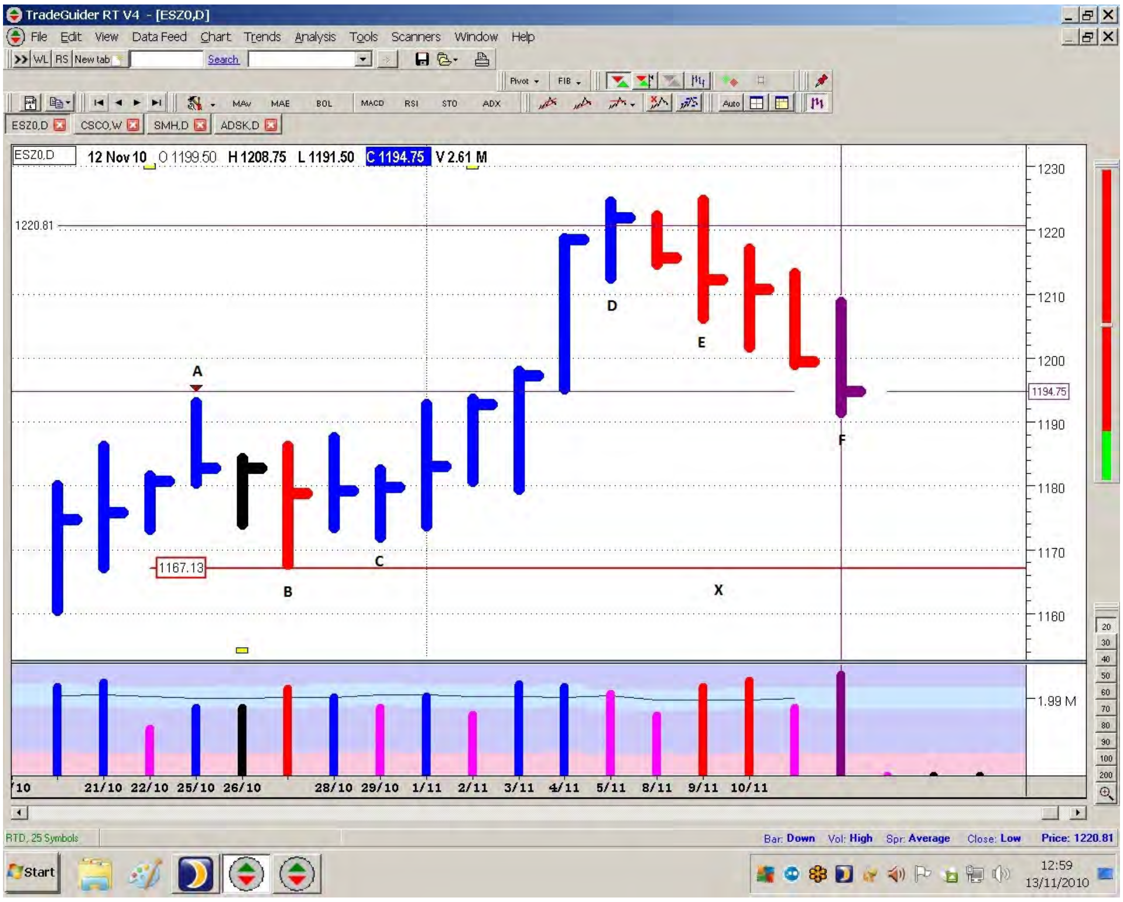
Point C

Here we have a widespread down, closing just off the lows, the volume is just about average, although it is in fact a weak bar. If you look at the high of the bar it has poked up above the close of the previous bar, and if you look at a short timeframe, inevitably you will find that is a no demand area of the bar. In other words they have marked it up and professional interest are not interested in the up-side so it falls flat on its face. They are fully aware of the two previous weak bars.

Point D

Here again we have what looks like a test. The volume could be lower, but in weak markets you do see these, and this has turned out to be a failed test, and that is why the next bar at Point E (Friday) is down.

The market is over-bought. Although we have been in a decline, this does not look like severe distribution so we are not expecting a bear market right at the moment. You can see the top of a trendline below us. Will they mark it down and bounce off that top trendline? If in the future we see up-bars on narrow spreads, volume less than the previous two, then we know this is no demand and a sign of weakness. On the other hand they love to have a shakeout. They mark it down, close on the high, volume is high, usually on some News item. This clears a lot of traders out of the running and allows for some higher prices. So be fore-warned.



S&P500 FUTURE DAILY CHART

Point A

Monday 25th October 2010. Here we do have a sign of weakness. It has even produced an automatic signal. When you see these signs of weakness suddenly appear like this after you've had a bullish up-move you have to be alert to the fact is they may test the market. If there is little or no supply then the path of least resistance is still up. And also remember trends run longer than you think they will.

Point B

Here we have a clear mark down closing top quarter. Note there is a slight increase in volume. There must have been some buying in there for the market to close up in that top quarter. Unfortunately during this week Peter and Rita Offen were in Turkey and I actually had the flu so little or no interest was paid during this week for that very reason. I know it is all easy to see in hindsight, but on saying that it must have been there at the leading edge of the market.

Point C

Here we definitely have another test. It has been marked down closing near the highs. There is a definite decrease in volume. There is little or no supply left. If there is no supply then demand must be greater than supply and the market then follows the path of least resistance which is up. But this whole area will probably play an important part in your analysis at some later date.

Point D

Here we have an up-bar but note how the spread has narrowed. The high is into fresh high ground. Notice the definite decrease in volume spelling no demand. There is no automatic signal on this bar but if you looked at the Cash market there is on this very day. And as the Future has to move with the Cash market surely this is telling you something. You cannot have the cash market going up and the Future going down because you have an army of arbitrages with their automatic and mathematical formulae ensuring that the two run together.

Point E

Here we have a down-bar. The volume has increased slightly. But like we saw in the Cash market - never trust these bars where the high is poking up higher than the previous bar. If you look at a shorter timeframe this must have been no demand warning you of weakness.

Point F

Friday. Here we have a weak looking bar. Why? Look at the high as it has poked up from the close of the previous bar. There must have been no demand built into this high.

Point X

We've drawn a horizontal line from the lows to the left. If the market plummets down to this line and closes on or near the highs, this could easily be a form of a shakeout. If the market drifts down to this line and you see a narrow spread and the volume clearly lower than that volume to the left, then that shows that the selling pressure has disappeared for the moment, and you would expect higher prices. We have to let the market unfold and read it day by day to give us a fairly good idea what is going to happen in the near future. Once you have learnt to do this your skill as a trader will definitely improve and evolve around this information, and you will be head and shoulders above the majority in your ability to analyse the markets.

Look at yesterday's seminar on-line where we basically discussed the 30 minute chart of the mini S&P500. There are some very interesting principles that you should be fully aware of.

PRICE SPREAD

This is the amount between the high of the bar and the low. These narrow spreads are very common occurrences If you see narrow spreads on up-bars after you have seen a bullish move even without looking at the volume too hard, you can be rest assured that weakness is there. What causes the narrow spread on an up-bar is that every time a buy order comes in it is quickly satisfied by the sellers putting a lid on the top end of the price. Somebody is selling into the buying. This is inevitably a sign of weakness. If the volume is high then you can be rest assured this is what is going on. If the volume is low then the floor traders have marked the price up but there is little or no demand to squeeze higher prices out of the move - this is also a sign of weakness. But note this must occur after you have seen a bullish move, and usually marks a top.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 20th November 2010

S&P500 CASH INDEX DAILY CHART

Point A

Last Thursday. We commented on this in last week's Newsletter. At first glance this looks like a test, but what we are after to be positive is a test in a rising market. This is a test in a falling market with weakness behind us. This is what we would call a failed test and a sign of weakness.

Point B

Monday. If you review the Seminar we did last Friday we emphasised that when you see the market rally up only to collapse on its lows, this is what I call a hidden upthrust. In other words, if you check the small timeframes, it must have gone up there on no demand. So with several signs of weakness in the background, plus the failed test behind us, you would expect lower prices. When we talk about lower or higher prices we are discussing the relatively short timeframes. In other words, very similar to a weather forecast - usually pretty accurate for the next day or so, but other forces move in and out of the market that will or can alter the analysis. If you are interested in a real long term trend, it is best to look at a weekly chart and follow our simple trending system where if the close is higher than the close of the previous bar it must be trending up. This works because the professionals involved in that move have to support the market to ensure they don't lose control of the move.

Point C

Tuesday. Here we have a widespread down closing off the lows but there is a slight increase in volume as it penetrates that top trendline that has been drawn for many months. This could easily be a serious sign of weakness but we need further evidence of what is going on.

Point D

The data here can be slightly misleading because we know this is actually a down-bar. We pointed out many times that when you see the market down on a narrow spread closing near the middle and very low volume, less than the previous two bars, this tells you there is absolutely no selling pressure from the professional side of the market which drives these moves. You would expect higher prices on that information.

Point E

Friday (yesterday). This looks like a clear test in a rising market. Note the volume is relatively low. The computer has not coloured this bar pink but it is certainly not far off it. This is an example of a test in a rising market because we have potential strength at Point D. I would be surprised if this market doesn't rally on these signs of strength. Although you've got this apparent strength with you, you still have to be cautious because you've got a lot of weakness, which we've noted, behind you, and you are still over-bought. You have to read the principles as they appear to keep your analysis on track. Any bullish move is not likely to go too far up anyway because there is over-head weakness behind us, so watch out for the market topping out on no demand or upthrust.

MINI S&P500 INDEX 15 MINUTE CHART, FRIDAY 19TH NOVEMBER 2010

Point A

A classic sign of strength appearing, a down-bar, closed top quarter, ultra-high volume, as professional money move into the market buying and covering their shorts etc. An automatic signal has appeared - please read the dialogue box by pressing F1.

Point B

Here we have a classic VSA principle which we see time after time - a down-bar, closed in the middle, spread has narrowed, but look at that volume - supply that was at Point A has now disappeared. If there's no supply it must mean demand must be greater than supply and therefore you'd expect higher prices.

Point C

Widespread up closed on the highs confirms the two bars of strength in the background. This tends to lock out many traders and is done deliberately for this reason. Don't forget, you can always use the simple trending system once you are long. In a bullish move, the close is always higher than the close of the previous bar. You can allow for one down-bar. The reason for this is the professionals involved in this move have to support the market to ensure they don't lose control so you can stay long until you see the high volume coming in on up-bars, especially if they are narrow spreads - you would need to exit your trade. Always remember that weakness, when it appears, will appear on an up-bar. If the volume is high and the spreads are narrow it means they are busy selling into the buying because something has capped the top end of the market. It's the constant selling into every buy order that causes this. If on the other hand it goes up on volume less than the previous two bars, and the spread is narrow, then this is no demand - also a sign of weakness. Remember, you have to have a bullish move behind you for your analysis to be accurate.

CRUDE OIL (CL CONTINUOUS CONTRACT) DAILY CHART

Point A

Thursday 11th November 2010. Here we have a classic sign of weakness. You can see this immediately on the day. Here we have an up-bar on a narrow spread, closing in the lower quarter with volume less than the previous two bars. This spells out no demand after you've seen a substantial bullish move in oil. An automatic signal has been produced giving you all the relevant information of why this spells out as a weak bar. They say you can't catch tops and bottoms but VSA users could argue this point.

Point B

This bar is a widespread down closed near the lows. This is also a classic confirmation of the weakness on the previous bar. Professional traders are fully aware of that previous weakness so the market is marked down on a wide spread as quickly as possible to lock as many traders in or out of the market.

Point C

Here again we have that high higher than the close of the previous bar and yet it has collapsed on the lows. Not all that obvious here but it looks as if that is what has happened - a sign of weakness.

Point D

Here we have a widespread down. Note the increase in volume. Note the automatic signal - demand overcoming supply. Press F1 in your programme for full details in the dialogue box.

Point E

Friday. This bar looks very mundane. However, it is a down-bar, it has closed in the middle and the volume is relatively low. This is a sign of strength because the volume is now considerably less than Point D at the same/similar level to Point D.

Point X

This lower trendline could easily act as resistance to higher prices. You must be fully aware of this.

WIDESPREADS DOWN

It is very common to see a widespread down closed on the low immediately after a sign of weakness. This confirms the weakness because those professionals involved in this move will be fully aware of the weakness in the background. They deliberately mark the market down on this wide spread closed on the low to lock would-be traders in or out of the market, basically knowing how the herd thinks. If you're smart enough to be thinking of shorting, the widespread down tends to prohibit you from shorting as you feel you have missed the move. If on the other time you are caught long, you now immediately become a weak holder, reluctant to take a loss, and sitting there waiting for an up-move to allow you to get out with no loss. If it is a clear bear move they do not allow any sort of up-move which will allow a weak holder to get out of the market without a loss.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 27th November 2010

S&P500 CASH INDEX DAILY CHART

Point A

We looked at this bar in the last Newsletter and to us it looks like a test and we said we would expect higher prices. The word is 'expect'. If a bar like this fails it's a built-in sign of weakness because you would expect higher prices on a bar like that. As a study in hindsight we see it is an up-bar and we see the volume has dropped off. Was no demand built in there? For a very liquid market like the S&P500 they have to build what we call a cause for that market to become really bullish. In other words, it needs to go sideways for some time as it builds up this cause and sorts out the supply and demand differential.

Point B

This is a clear test. The volume is low, it is a down-bar. It has produced an automatic yellow box to come up telling us that a signal will only appear if the next bar is up. In any weak market you often see what looks like a test but these tests fail. It is no good looking into the why's and wherefores as you would be just wasting your time. You will never hear the truth anyway. You just have to go by the action of the volume and on that volume what did the market actually do?

Point C

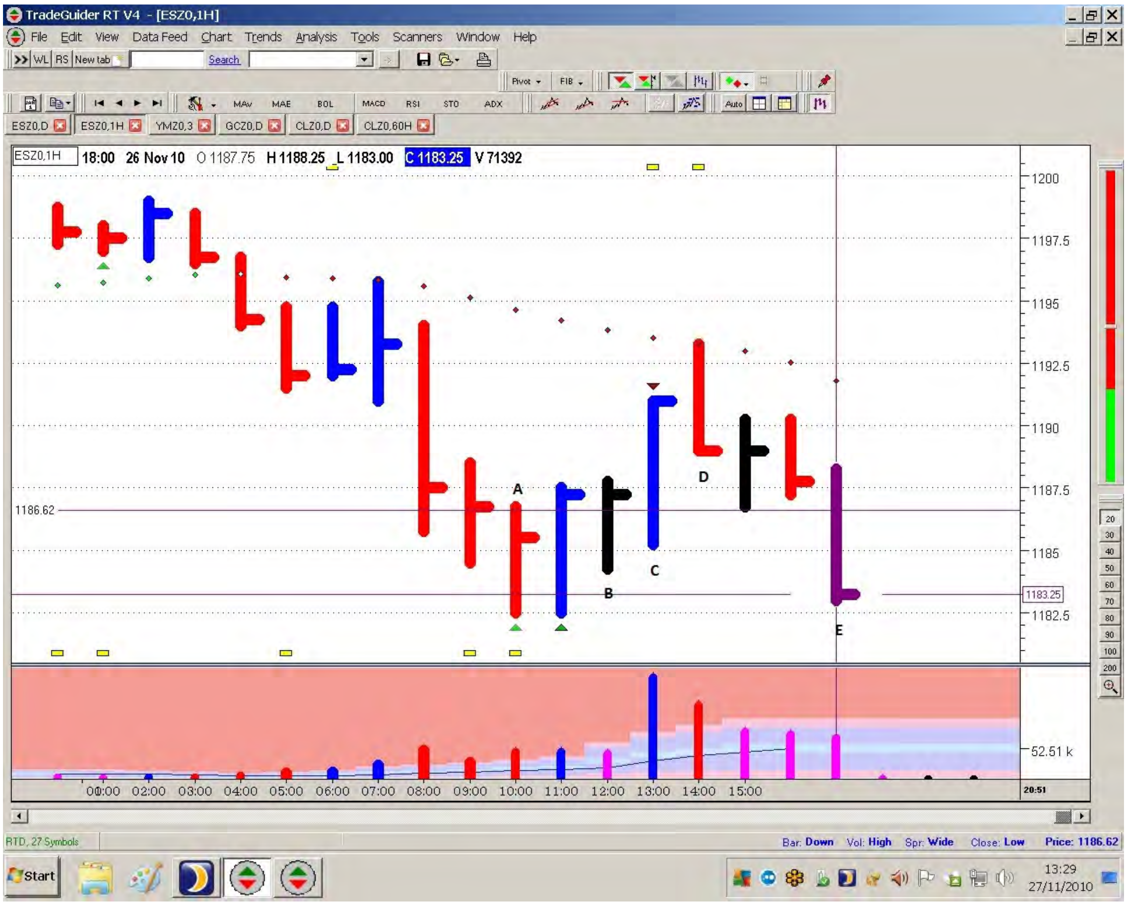
Here we have a widespread down pushing down through the top trendline. The volume is slightly below average. It has closed off the lows so there must have been a little bit of support in there.

Point D

Wednesday. Widespread up, closed on the highs, but notice the volume is definitely lower than the previous two bars, so we have some no demand built into this bar. The following bar is missing (Thursday) because it was Thanksgiving Day and the market was not open.

Point E

Friday. This is a half day and will account for low volume and even the narrow spread on the down-side. If this was a full day's activity then you would say definitely, yes, there's no supply and you would expect higher prices. But we have to sit and wait for the market to unfold with further information.



E-MINI S&P500 INDEX FUTURE ONE HOUR CHART FOR 26TH NOVEMBER 2010

Point A

After a substantial down-move a point will be reached where one or more groups of professional traders will consider supporting the market in anticipation of higher prices. This inevitably shows up on a down-bar. The low must be down into fresh low ground, the spread must be narrow, and usually closed in the middle or high. We do have an automatic signal of strength appearing on this bar.

Point B

This looks like a test. Do we have enough cause built behind us to substantiate an up-move? This is not all that obvious.

Point C

The market shoots up on a wide spread, closing on the high on the back of that test, but of course what is wrong here is the ultra-high volume. Markets do not like ultra-high volume on up-bars. Professional money is selling into this up-bar.

Point D

This is an upthrust. Professional money has seen the weakness in the previous bar with the excessive volume and have engineered an upthrust to catch the unwary. This type of action is not telling us that we are now going into a bear market because true upthrusts occur after you've seen weakness behind you. So we have to proceed with caution.

Point E

Here we have a widespread down closed on the lows, volume is just about average. We have to be cautious here in our analysis because it's a Friday. We know they like to do the opposite Friday to what they really intend to do the following week. This could easily be an attempt to shake the market out. We need more information.

ABBOTT LABORATORY (ABT) STOCK DAILY CHART

This is an example of a stock acting weaker than the Index. There are no bargains in the Stock Market. Just because you see a stock at lower prices like this certainly doesn't tell you it's a bargain. The professional side of the money would be fully aware of this, and there will be a good fundamental reason why they are not supporting this stock at this moment.

ANALOGUE DEVICES (ADI) STOCK DAILY CHART

This is an example of a stock that is acting stronger than the Index. When the Index decides to turn these are the types of stocks that will out-perform others because it is showing it has got professional support.

Point A

Note the gap down, wide spread down, closed near the highs, volume ultra-high. This has to be a shakeout. Press F1 and read the dialogue box carefully. This fully explains what a shakeout is. We now need to see a test to indicate that the high volume that is present on this bar is greatly reduced showing the supply has dried up.

Point B

Here we have a down-bar closing just off the lows, the volume is clearly less or considerably less than the volume at Point A. Supply appears to have disappeared relative to Point A. Note this has to be on a down-bar back down into the area of the shakeout. You would expect higher prices.

Point C

Here we have a widespread up, closed on the highs, volume is very high. We always tell you that the markets don't like high volume on up-bars, but there is an exception and this is an example of one. Note it pushing up through an old high to the left where they are prepared to absorb any built-in selling from those locked in at that old high. You would expect this to be tested.

Point D

Here we have an immediate down-bar closing in the middle and although the volume is still quite high, it is considerably less than the previous bar. This is a sign of strength.

Point E

Notice this has almost gapped up as it hits that top trendline. Note this is Wednesday, the day before Thanksgiving. This probably accounts for the lowish volume or no demand, but we have signs of strength behind us. This is the type of stock that is likely to remain bullish, especially as soon as the Index turns.

FRIDAYS !

We know from past experience that Fridays are often deliberately marked in the opposite direction to the way they know the market is going to go during the following week. It's a good opportunity to influence the media, brokers etc, to give wrong opinions in the general direction of the market, especially dangerous over long holidays. Not only do they mislead you, they mislead the media, Sunday newspapers over the weekend. Generally speaking, the market seems to automatically behave in such a way that it confuses you and puts you on the wrong footing. So always proceed with caution. Don't listen to News, don't listen to advice from others, and learn to become an expert in your own right which is possible.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 4th December 2010

S&P500 CASH INDEX DAILY CHART

Point A

Friday 26th November. A down-bar, narrow spread, closed in the middle, volume extremely low indicates no selling pressure from the professional side of the market on the down-side. Admittedly this is a half day trading but surely it still has to be a sign of strength.

Point B

Monday 29th November. This is a clear test. To mark it down to close near the highs and the volume is low, or relatively low, is a sign of strength.

Point C

Tuesday. Professional money has seen the strength on the previous two bars. They have jumped into the market seen by a down-bar, narrow spread, closed in the middle, and an increase in volume indicating their activity. You have to assume this is buying because of the relative strength in the previous two bars.

Point D

Here we have a widespread up closed near the highs. We see this sort of action time after time after we've seen the strength behind us. This rapid move up locks many traders in or out of the market who feel for various reasons they are unable to take a trade. Note how it is also pushing up through the high directly to the left. Also note the gap up. Note the volume is not excessively high or excessively low. If it was low for example, you could assume there was no demand built into that bar. If it was excessively high we could see that there is supply built into that bar - both poor indications for higher prices.

Point E

Friday. Here we have an up-bar, but note the spread has narrowed which would probably indicate no demand at that level, but we have to be cautious because you could almost say this was a test-like bar which would indicate higher prices. We'll look at the smaller timeframes to see whether we can gather more information on this.

S&P500 CASH INDEX LONGER-TERM CHART

Here we can see we are continuously over-bought, however, the market will have great difficulty in going up through the last top to the left. If it does penetrate this old top then we will have to re-draw the trendlines showing the upward move.

E-MINI S&P500 15 MINUTE CHART FOR FRIDAY 3RD DECEMBER 2010

Point A

Here we have actually three bars showing weakness automatically. You ignore the signals at your peril.

Point B

Professional money love to have a shakeout if possible. This could be on some News. I'm not quite sure because I don't listen to the News very often. It's a favourite ploy to shake the market out after the previous signs of weakness. You can imagine the carnage that a move like this will create.

Point C

Here we have an automatic signal telling us the market appears to be getting strong. The main criteria here is that it is a down-bar and the spread has narrowed. There is some volume activity and on this activity the market closed off the lows. If the market had genuinely been weak after that huge down-bar, you are more likely to see an up-bar on no demand. But to immediately follow that down-bar with the spread relatively narrow closing off the lows, would tend to indicate strength.

Point D

Here we have a down-bar, again the spread has narrowed indicating support on the lows must have come in. The volume is low indicating no selling pressure from the professional side, even closing well off the lows. The market appears to have little or no selling pressure from the professional side. If there is little or no selling pressure then demand must be greater than supply and hence higher prices.

Point E

Here we do have an up-bar, be it not all that clear, telling that this is no demand and has produced an automatic sign of weakness. Professional money is fully aware of this, and three bars later there was a clear test in a rising market. The market was marked down, closed top quarter, spread narrow, testing that potential weakness. This is a successful test in a rising market.

Point F

Closing price Friday there is without question supply hitting these bars. You would expect higher volume at the close Friday as many traders like to not carry trades over the weekend. But despite this, there is supply present. If the market wants to go higher you would expect testing. If the market wants to go lower you will start to see no demand or upthrusts. We wait with bated breath to see what happens next week.

S&P500 CASH INDEX WEEKLY CHART

This is a weekly chart of the S&P500 cash market. Point A is the lower long-term trendline which appears to support this market every time it reaches that area. We have drawn a horizontal line across the top (Point B). This is drawn through the last high and is a serious point of resistance to higher prices. To push up and through this old high is going to require a lot of effort which may include gapping up, and may include further testing.

RESISTANCE

An old high to the left of your chart will always act as a resistance to higher prices as traders will always get locked in and potentially become what we call weak holders. Their main concern is to get out without too much loss. Professional money are fully aware of this and are not interested in buying off these locked-in traders at what may appear to be higher prices to them. A ploy that always appears to work is to gap up through these areas as rapidly as possible. These locked-in traders then look at the higher prices and are now more likely not to sell. A successful gapped-up bar on a wide spread through an old high to the left will need to be tested. If the market is very bullish then the test may appear on the next bar. In other words, a down-bar, spread will be narrow, closed in the middle or high, and the volume will be low relative to the volume on the previous up-bar. If the market is weak you very often see a no demand or an upthrust bar to trap the unwary.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 11th December 2010

S&P500 E-MINI FUTURE DAILY CHART

Point A

This is a down-bar after we've seen a small reaction. When we talk about down-bars, yes, the bar will be coloured red, but note it occurs after we've seen some sort of down-move and the whole body of the bar is certainly well below the previous bar. So this is a down-bar. Note that the down-bar has a huge surge in volume, and on that volume or activity the market has closed in the middle. This is definitely support and buying.

Point B

The market responds upwards on two widespread bars. This is commonly seen as professional people involved in the move want to lock as many traders in or out of the trade as possible by these two rapid wide spreads up. There is an automatic sign of weakness that has appeared which tells us there is no demand. In hindsight it looks like a fairly poor signal, but if we move over to **Point C** we have drawn a green horizontal line showing how the bar is testing that sign of weakness at **Point B**.

Point D

This is the closing bar on Friday. It certainly looks like no demand so we have to be alert to this. In the past we've talked about the simple trending system. If you look back to Point A you will see that the close is always higher than the close of the previous bar. Using this system you allow for one down-bar only. Now this simple trending system works because the professionals who are involved in this move have to support the market on a daily basis to make sure they don't lose control of the move.

S&P500 INDEX CASH DAILY CHART

Point A

This is the opening of the cash market on Monday. Note this is a down-bar on a very narrow spread closing in the middle, and the volume is low. This is telling us that there is little or no selling pressure from the professional side of the market. You would expect to see higher prices.

Point B

This clearly looks like a sign of weakness. It certainly looks like an upthrust or supply overcoming demand. The volume is massive and on that volume it has slumped onto the lows. This is unusual because of the previous day's action which clearly shows there is no selling pressure. Some sort of News or something happened in there to cause this upright bar.

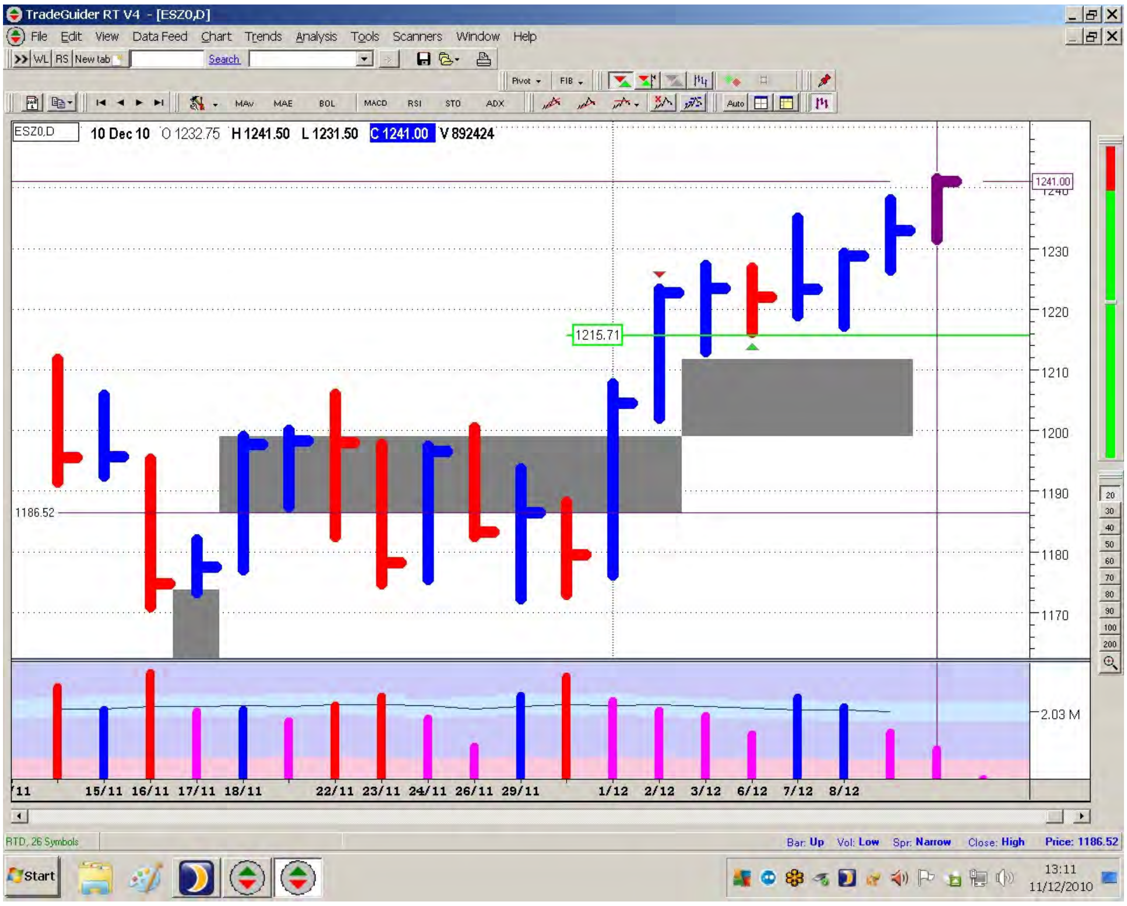
Point C

Note this looks like a test. Although it's an up-bar we can see that the low of the bar has been marked down during the day. The volume is below average. It's not quite clear what's going on from looking at this end of day chart.

Point D

Friday. The market has gone up. The spread has slightly narrowed, the volume is slightly above average which looks a little bit like no demand. If the market is still bullish they will still want to test the amount of volume there at Point B.

TREND CLUSTERS



Here's the mini S&P futures daily chart showing the trend clusters put in by Tradeguider. We don't talk alot about trend clusters, but trend clusters are extremely interesting. Notice how the market bounces off the trend cluster at Point A. There is quite substantial resistance right above us. This causes the market to go into sideways congestion movement (Point B), but once it can break out of that which it does at Point C cluster, it happily shoots upwards. Trend clusters are where old trendlines cross each other - old trendlines that have been drawn previously. It's interesting to make a study of these clusters.

NEWS

Philip Friston is back on board as far as the VSA Club is concerned. We strongly advise you to listen to him as he is a first class trader and certainly understands VSA. He is doing a regular slot every Wednesday and he is willing to answer questions that you may type into the VSA Club. This is an excellent opportunity for you to tap in on the knowledge of a true market professional.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 18th December 2010

S&P500 INDEX CASH DAILY CHART

Point A

Monday 13th December. Here we have a clear upthrust. This is not good news for higher prices and you certainly wouldn't be buying when an upthrust has just appeared. There is a yellow box above the bar telling us that it is an upthrust but it is not producing a real signal because it is waiting for the next bar to be down which in hindsight probably looks correct because the next bar is not down but has struggled to go up. It's this sign of weakness that knocked the market sideways, but not sufficient weakness to cause any serious or obvious bear market, but you proceed with caution.

Point B

We can see we've had an attempt to go up. It failed fairly miserably and closed in the middle, but note the low volume. The volume is less than the previous two bars. We use relative volume, and this attempted to go up on low volume because the volume is less than those previous two bars. So expect the weakness to continue.

Point C

Here we have a fairly widespread down, closed on the lows, the volume is average. There doesn't appear to be a lot of selling pressure going on seen by the average volume. This lack of serious selling pressure allowed the next bar to go up.

Point D

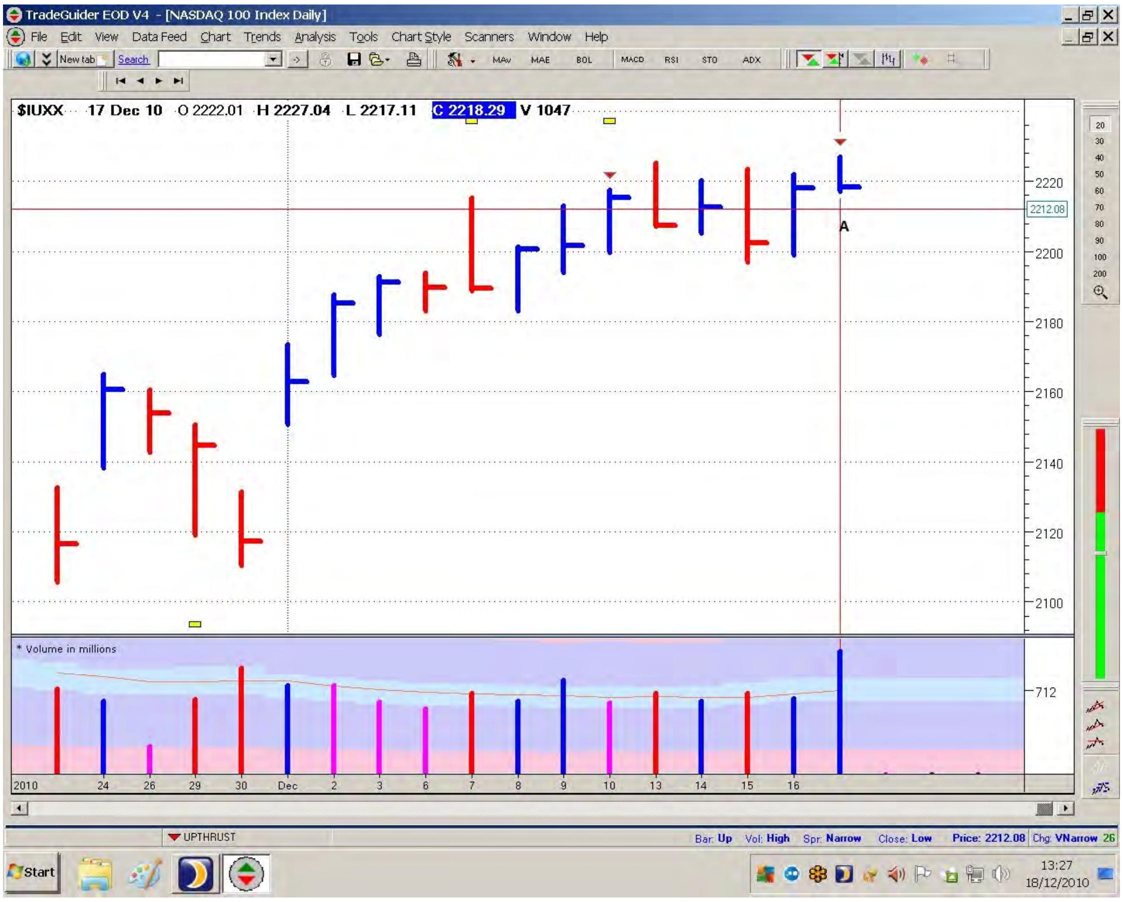
Here we have an up-bar, closed on the highs. There's not a lot we can read into that bar. It has just simply gone up through the lack of selling on the previous bar.

Point E

Friday. This is far more significant because note how the spread has narrowed, and note how it has closed well off the high, but the most important thing is, there's a surge in volume. This has to be weakness. Note it's at a similar level to the upthrust at Point A.

Point X

This is a new trendline drawn using the last two points of support. If and when the data reaches this line, we will be able to analyse this market far more accurately at that point.



NASDAQ 100 INDEX DAILY CHART

Point A

Note how the Nasdaq is behaving in a very similar manner to the previous chart, the S&P500. The big difference is that at Point A we have a very clear sign of weakness which the automatic signal tells us is an upthrust. An upthrust is where they mark the price up to catch as many stops as possible, encourage people to go long, panic those who short to cover. It's a money-making manoeuvre. Note it collapsed on the lows, and note the very high volume. Expect lower prices.

BRITISH PETROLEUM (BP) DAILY CHART

Point A

Tuesday 14th December. This is an up-bar on very ultra-high volume. Markets don't like ultra-high volume on up-bars as it tends to show massive supply hitting the market.

Point B

An up-bar, closed just off the high producing an automatic signal telling us supply is hitting the market. Note these two bars precede the News that the US Government is going to sue BP for damages. This News was announced at **Point C**. Note the data cannot possibly be correct here.

Point D

Friday. Here we have a down-bar closed in the middle, the spread is narrow, the volume is relatively about average. If this data is correct there is not a lot of selling pressure now in British Petroleum. Somebody out there must know something about what's going on. But with that very ultra-high volume at Points A and B, at the best, you would expect this stock to go sideways.

PRICE RANGE

Even if the volume is incorrect, the actual price range gives us a huge clue to what's going on. Professionals have to buy on down-bars and if you see a down-bar and the spread is narrow, something must be capping the lower end of the price range for that day. The only thing that can do that is that professional money are absorbing any selling, thereby supporting the lower price and creating a narrow spread. If the bar is an up-bar then the exact opposite is likely to happen. Weakness when it appears, appears on up-bars because professional money has to sell or unload into an up-bar, very often on good News or an artificial mark-up often gapped up. If the gap up on good News sucks in buyers, then these orders are quickly filled from the professional money capping the top end of the market. It's like putting a lid on it. This causes the narrow spread on an up-bar.

On behalf of the Tradeguider team, we wish you a very merry Christmas, and a happy and successful New Year 2011.

Regards,

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Friday 31st December 2010

A very interesting question from Marcovth appeared in the VSA Club forum last week, and after the Christmas period we were able to answer it, and thought it would be good to include it in this week's Newsletter.

The question was as follows:-

"I have noticed that TradeGuider uses E-signal for data feeds.

I don't use TradeGuider (yet), and I don't use E-signal, but I have coding experience with MultiCharts and IQFeed.

With those two I can see the up/down volume per minute, hour or day bar.

I would be really surprised if E-signal wouldn't provide up/down volume as well.

In general, couldn't the up/down volume ratio's make the TradeGuider VSA signals much more reliable?

I understand that a second up bar confirms buying into a wide-spread down bar closing in the high or middle, but if you would use the up/down volume ratio's with this first bar, you would have seen that already.

There are plenty more examples you could think off.

Is there any reason why TradeGuider doesn't use/show the up/down volume ratio's."

Tom Williams' response to Marcovth's question follows:-

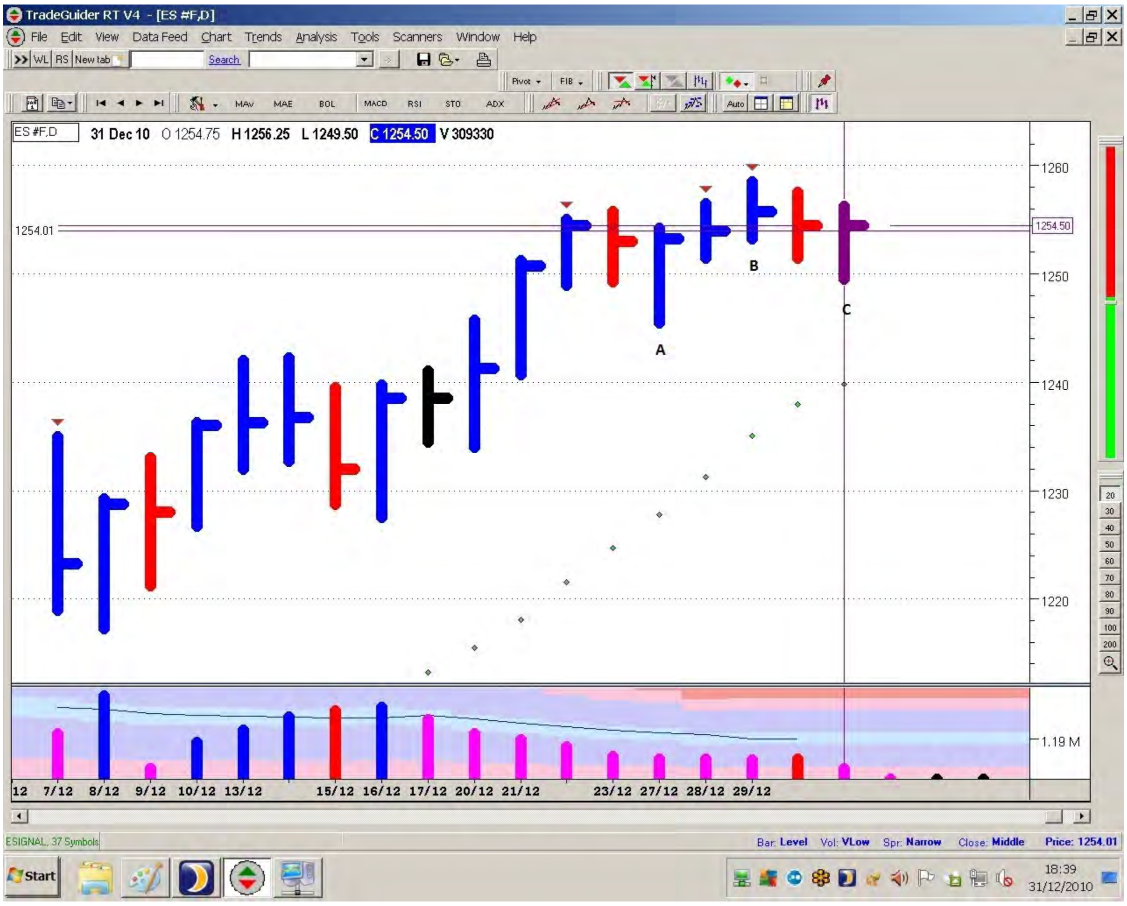
"Hello Marcovth,

Thank you for your observations regarding volume on the upside and downside. When you first hear of this you feel rather excited because you feel you may have stumbled across something perhaps other people have not noticed. I must say we had this provision of upside and downside volume at least 5 or 6 years ago built into a programme that we used called Omniview. I sat down and studied this when it first appeared on the scene for several weeks and all I can say to you is "beware of Greeks bearing gifts" (remember the gift of the Trojan horse). It appears that very rarely you are given information in or about the stock market that is there truly to help the trader. Our analysis is yes, based on volume, but the key to the analysis is that on that volume that occurred on any particular bar you are following, how and what did the market do or respond to that amount of volume. If, for example, you hear one day as you switch on you TV news bulletin that the market has shot up today on very high volume, they assume that because the volume is high and the market has shot up that that volume must represent buying. But as far as we are concerned, yes, the market may have shot up, but exactly what was the price spread during that timeframe you are following. For example, if the market has been gapped up at the opening and the end of the session the spread is narrow and it is on an up-bar, and the volume is ultra-high, then we know this is professional selling into the buying from outsiders. If it has gapped up into fresh or high new ground, then this is, without question, professionals selling into the buying. It's this selling into every buy order that arises in the market that causes a narrow spread on an up-bar - something has put a lid on the top end of that price range and this is caused through all the buy orders that have been sucked into the market, usually on good News, rumours, falsities, misleading statements. We know it is a serious sign of weakness and in most cases will produce an automatic signal of weakness in the software.

What can now confuse the would-be analyst is the market could do exactly the same but on very low volume. This sounds as if we are telling you that the high volume is probably not correct, but with the low volume what is happening is the market has been gapped up because the professional traders know the market is weak, have probably sold out their holdings previously, and now this is what we call no demand. It also has to be on an up-bar.

Conversely, as the market falls, eventually professional money will see an opportunity where they can enter the market and create a rally of some sort. so here, the exact opposite happens at the bottom of the market as to the top. You get high volume on a down-bar but the key observation is the price spread narrow, and the market has declined making the market vulnerable to business opportunities from professional money. Most of these lows are seen on narrow spreads indicating although the volume may be high on the down-bar, that the market has been supported, creating a narrow spread on a down-bar. This in most cases will produce a signal of strength appearing automatically. You may often see also a similar type of down-bar where the volume is very low. If the spread is narrow on the down-bar then the market has got no sellers in there, and that is a sign of strength so the path of least resistance must then be up.

To sum up you must realise that it is the total volume that is the amount of activity that has taken place on any one timeframe you are following. And on that activity, what did the market actually do. We know that at least 80% of that activity is the activity of professional traders. It is their activity that switches the balance of supply and demand which then the market just follows as the path of least resistance until another force enters the market which we can usually observe. It is good to hear you have got coding experience. I recommend people with ideas go to the trouble of testing their theories in a live market, especially if you can compare your results with the VSA programme. I would highly recommend you read the book written by Tom Williams "The Undeclared Secrets That Drive The Stock Market". You can get it at www.geniechartist.com



MINI S&P FUTURE DAILY CHART

Point A

Monday. This is a test. Any down-bar closed on the highs and the volume is less than the previous two, is a clear test, and you would expect higher prices. Not only is it a test, but it doubles up as a small shakeout.

Point B

Here we have a sign of weakness. The automatic signal tells us it is no demand. The market then drops off to Point C.

Point C

This looks like a test. If the chart remains looking like this you would expect higher prices. Trends always run longer than you think they will. So proceed with caution.

NEWS

On behalf of the VSA Club team we wish all our Club members a very happy and prosperous New Year 2011.

Our next Newsletter will appear next Saturday 8th January 2011.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 15th January 2011

S&P500 INDEX CASH DAILY CHART

Point A

Monday. They do appear to do a lot of testing on a Monday. Many of the main players close out all positions over the weekend. They arrive back Monday and basically they want to know what's going on. Now here we have a very clear test following the previous bar which also looks like a test although it being the previous Friday. On Monday the market is marked down, closed near the highs with apparent strength on the previous bar. But look at that volume. It is clearly less than the previous two bars and the computer has coloured it pink to remind you of this fact. This is a clear signal that we expect rising prices.

Point B

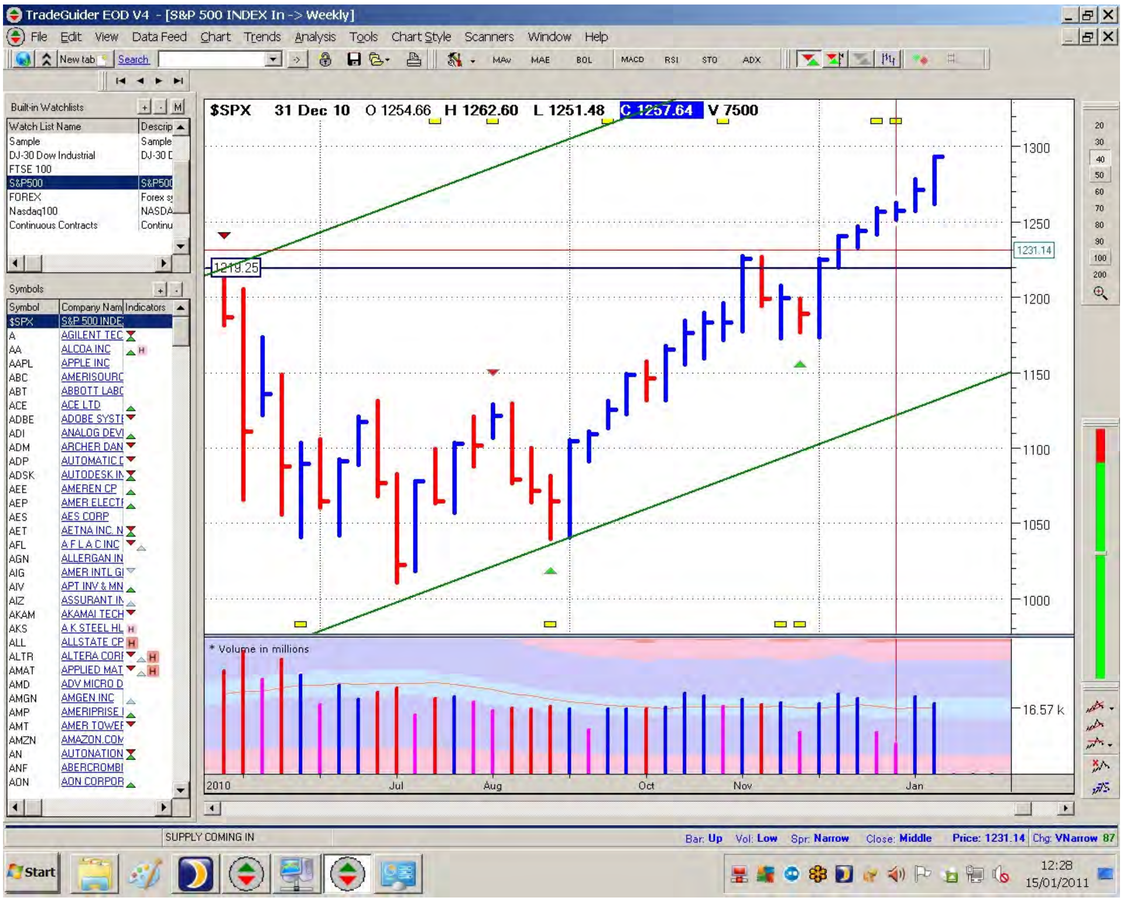
The market has responded bullishly to this test so by Wednesday we see a widespread up, closing near the highs, and the volume is just about average. It's the widespread up that is significant here because it's approaching the trendline, it also wants to push up through the previous high just to the left. This is potentially bullish.

Point C

Thursday. This is another example of a test - a down-bar, look at the narrow spread closing in the middle, volume has been reduced. It's not quite as clear a test as at Point A, but nevertheless it is a test because of the bullish move up on the previous bar. You see this sort of principle frequently. In this case the narrow spread tells us far more than looking at the volume. The market must have been supported on that bar creating or causing a narrow spread.

Point D

Friday. Here we have a widespread up closed right on the highs with a slight increase in volume as it pushes up and through that trendline. This is potentially bullish due to the two tests in the background.



S&P500 WEEKLY CHART

Note if you use the simple trending system where the close is higher than the close of the previous bar the market must be trending up. In other words it is being supported. This ensures that the next bar is higher than the previous bar. A yellow box appeared a couple of bars back, but of course this is Christmas. The computer does not know it is Christmas time.

DOW JONES INDUSTRIAL INDEX DAILY CHART

It's always worth looking at the Dow in isolation because at **Point A** we also have a very nice test that you saw in the S&P500 cash market. But here we have a nice signal appear - strength coming in. Please read the dialogue boxes carefully and relate every word to the chart. This will help you immensely. In other words if there is a sign of strength in the Dow, the S&P future will go up as well because they are all linked.

Point B

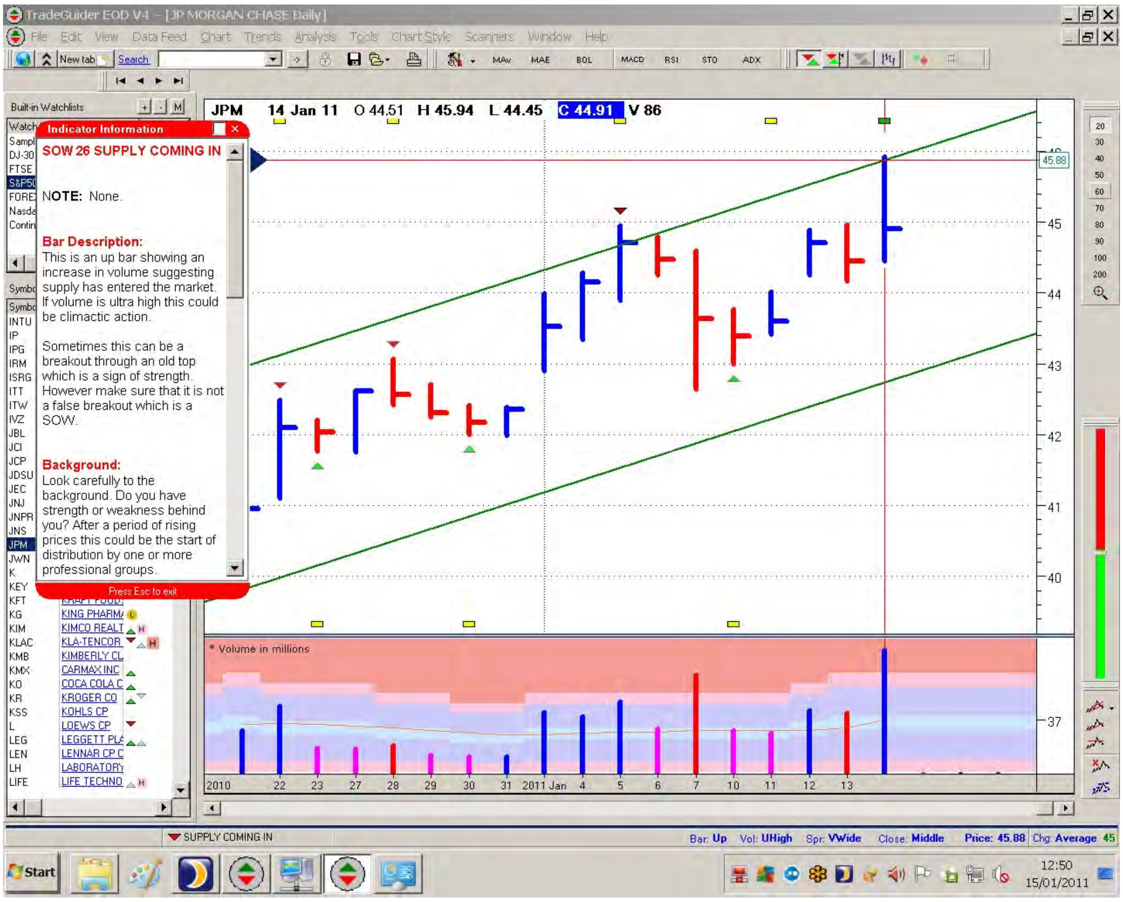
A widespread up, closing top quarter responding to that test on the Monday.

Point C

Thursday. Exactly the same thing has happened in the cash market, a down-bar. Admittedly the volume is not necessarily low in the previous two bars, but we know it is a test because of the narrow spread, and you've got basically two strong signs of strength in the background. You have to assume that when you see this the market is going to go up.

Point D

Friday. Widespread up closed on the high, volume has increased somewhat, but this looks bullish for the moment. Always keep in mind that when we say it looks bullish it will stay bullish until a sign of weakness appears, inevitably seen as an up-bar, spread has narrowed, possibly closing middle or high, volume has increased to ultra-high. That is a sign of weakness. Of course no demand is also a sign of weakness where professional money has seen the up-move but they are not participating in the up-move. The third sign of weakness at these higher prices is when you see what looks like a test, but immediately after the test the market goes sideways for one, two or even three bars. This is a failed test because if the market was really bullish then as soon as they see the test they will jump in and create higher prices. Of course we are only looking at one timeframe here, but if you trawl through a lot of the timeframes you will see all of these principles at work at some time.



JP MORGAN DAILY CHART

News - "JP Morgan reports 47% profit jump". JP Morgan is the first of the big Wall Street banks to report:

"Although we continue to face challenges, there are signs of stability and growth returning to both the global capital markets and the US economy," said chief executive Jamie Dimon."

This is wonderful News and it's issued out free to you. However, we've got to check it out on our chart, and at Point A, which is last Friday, we have a very clear sign of weakness. It's been marked up, hit the top trendline, closed in the bottom quarter, but look at that volume. That was selling. It's produced an automatic signal. Understanding the principles of supply and demand, there is no way you would enter this market at the moment, so always beware of the News - why don't they come out with all of this fantastic News on the lows of these charts? News is used to influence other traders to make mistakes. Admitttedly the stock appears to be acting quite strong, but that is about all it has got going for it. We would be very surprised if this is not an actual top. On saying that, we are not here to give you direct advice, but to try to teach you to read or follow these markets as they unfold.

NEWS

Tonight Gavin Holmes will be talking about the stock JP Morgan. His views will undoubtedly reflect our views, and it is worth attending this seminar, at 1500 hours CST today. You can register via the link under the Webinars tab on the VSA Club website.

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Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 22nd January 2011

S&P500 INDEX CASH DAILY CHART

Point A

Tuesday. The market being closed Monday opened up on Tuesday. Very often the opening day after the weekend or holiday is a crucial day to observe, so much in fact, that I've often thought we should do the Newsletter on the evening of the first day. They seem to want to test the market as they come back from the weekend. Now here is rather a nice example - weakness, when it appears, always appears on an up-bar. The spread will be narrow and the volume will be high. The narrow spread up-bar is caused through professional money unloading much of their holdings onto buyers coming into the market, usually on the back of good News which must have happened here. This caps the top end of the market, in other words they put a lid on it. This is a sign of weakness. Notice also it hit the underside of the trendline which is resistance to higher prices. You would expect lower prices.

Point B

Wednesday. Here again we see confirmation of the previous bar's weakness - widespread down, closed near the lows, the volume is not exactly high but it's the wide spread down immediately following a weak bar - this is done deliberately to lock as many traders in or out of the move. You see this sort of action time after time after seeing weakness in the market.

Point C

There wasn't a great deal of selling pressure on the previous bar - this allows a test-like bar to appear. An automatic signal has appeared. Read the dialogue boxes carefully, relate it to the price action. All these types of principles that we talk about will appear again in the future time after time, but they may come in different intensities, various configurations, but the principle will always be there. Now we have a test-like bar, but, directly behind us we have two serious signs of weakness.

Point D

Friday. Here we have a very clear upthrust. An automatic signal has appeared telling you this. This is a sign of weakness and you would expect lower prices. You could consider the Index a pack leader. If the Index goes up any stock that appears to be fairly strong will respond up with the Index. But this is a sign of weakness.

DOW JONES INDUSTRIAL INDEX DAILY CHART

Point A

The weakness seen on the opening day after the long weekend is fairly clear in the Dow. Note it is an up-bar, note the spread has narrowed, note the volume is very high. It has closed off the high somewhat and here it has produced an automatic signal telling us that supply is overcoming demand. This Index will mirror the S&P500 to some extent.

Point B

Wednesday. A down-bar, closed in the middle, volume is low. There is very little selling pressure in this Index following **Point A**.

Point C

Here we have a test-like bar which we saw in the S&P500. Again there is low volume, it has produced an automatic signal. This time it is almost bouncing off a lower trendline which is a support line.

Point D

Friday. Here we have an up-bar closing in the top quarter, volume is somewhat sluggish which is in keeping with the weakness seen at **Point A**, and sympathising with the S&P500 upthrust. You would expect this market to falter and at best go sideways or down.

EUR/USD DAILY CHART

We have two horizontal trendlines which have been in place for some time.

Point A

We are over-sold, the spread is narrow, the volume is less than the previous two bars, even coloured pink by the computer to warn you of this. There is no selling pressure in that market at this moment.

Point B

Here we have a test-like bar where the volume is definitely increased, closed near the high. Professional money has seen the lack of selling pressure at **Point A**, and have now stepped in taking some long positions.

Point C

Here we have an up-bar closing near the high, a slight increase in volume but not excessive as it deliberately pushes up through the lower trendline. With the background information at Points A and B you have to assume this is bullish.

Point D

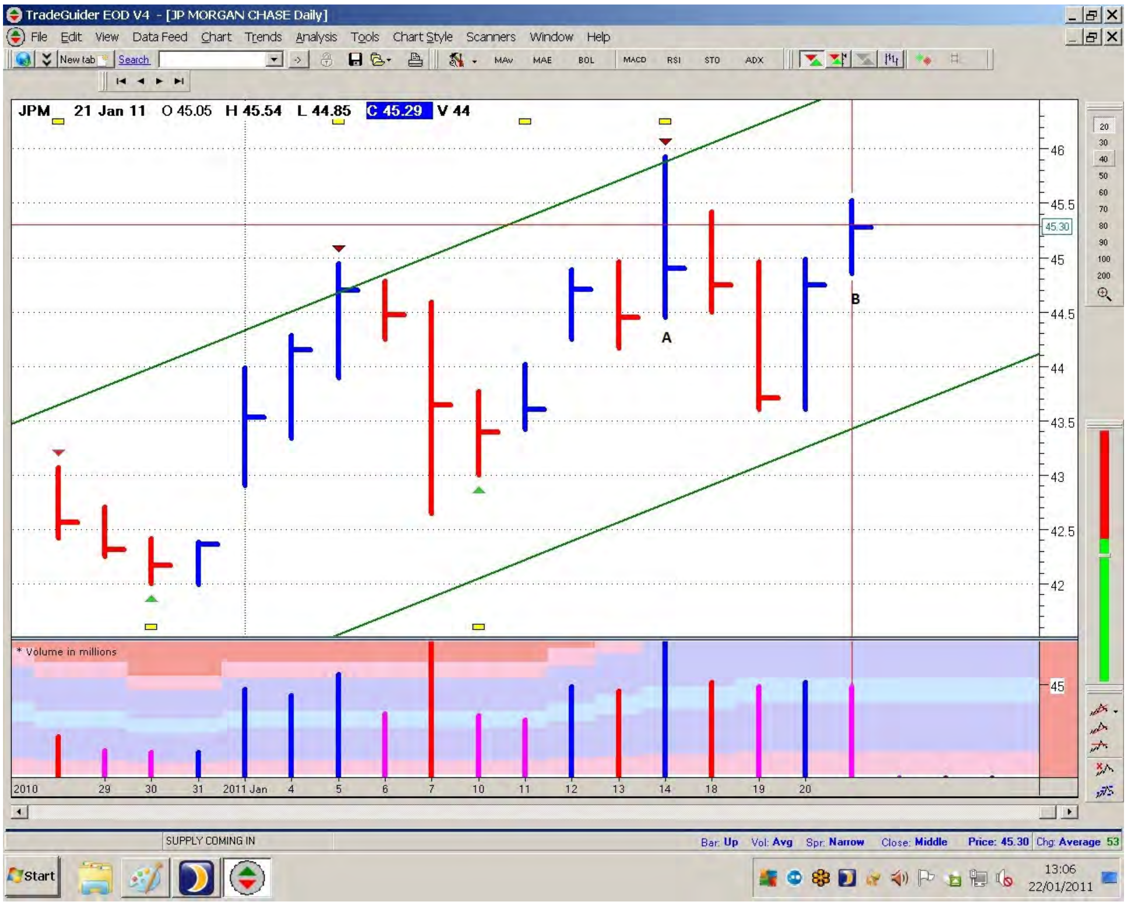
Here we've hit the top trendline and an old high to the left, closing below the halfway point. The volume is showing no demand. This is enough to produce a signal telling us that there is supply coming in which you would expect as it hits the top trendline and there is an old top to the left. Now you see this principle time after time on the next bar - **Point E**.

Point E

This is a test - a test of the weakness on the previous bar. Note the volume is clearly less than the previous two bars. There was no selling pressure in this market at that moment. If the professional market is reluctant to sell, seen by the low volume, then they must be bullish.

Point F

Friday. A widespread up, the volume is low. This is no demand, a point where you would not be interested in taking up bullish positions at that moment.



JP MORGAN DAILY CHART

Point B

Friday. Last week we noted the weakness at **Point A**. We also mentioned that if you see a no demand rally some time in the future, approaching or near that level of the weakness at **Point A**, this will be no demand, an indication of further weakness. You would expect lower prices.

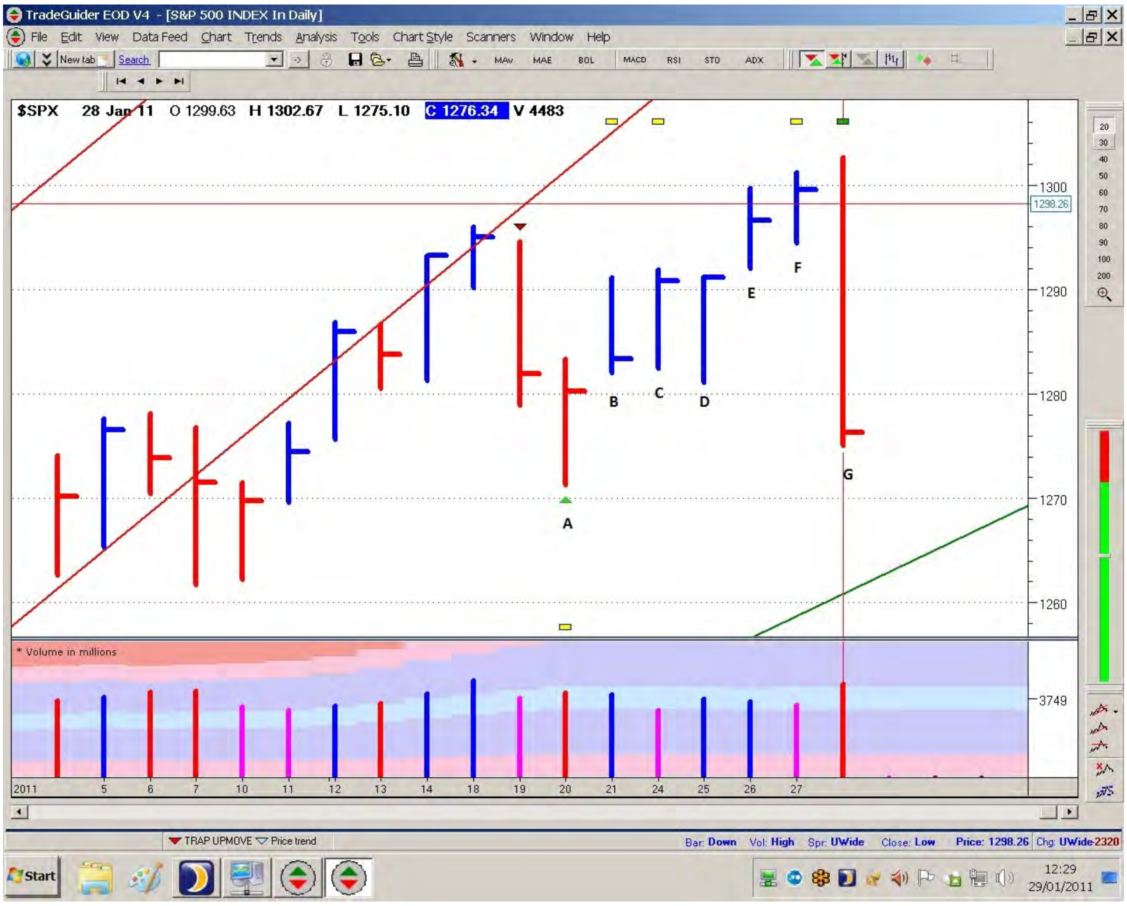
VSA PRINCIPLES

We've noted to you in the past that potential weakness, when it appears, will appear on an up-bar, and true no demand will only appear if you have some very clear weakness in the background, probably at a similar level. This goes for upthrusts as well. In a bull market you may often see what looks like an upthrust but it is not an upthrust because you've got strength right behind you. In many cases the market is so strong, it shoots up and then falls back to rest during the day, but it is not an upthrust unless you have got clear weakness in the background, and initial weakness will also appear on up-bars. This also goes for no demand. Try to visualise what the professional money is seeing. They've seen the weakness, however an up-move starts back up into that original area of weakness. If you are a professional operator you are fully aware of the weakness in the background, and you withdraw your interest in the upside. This is no demand.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 29th January 2011



S&P500 INDEX CASH DAILY CHART

Point A

We've identified this bar last week (20th January). This is a clear test-come-shakeout, bringing up an automatic VSA signal pointing out strength coming in, which is correct.

Point B

This was a week ago last Friday. We identified this as a sign of weakness which is based on the fact that it has gone up high, closed on the low, with volume about average. Also the Dow Jones Index has a sign of weakness on that bar but the overriding influence will be at **Point A**.

Point C

Monday. We have a fairly decent spread up, closed near the high, but look at the volume - it is no demand. But for no demand to be really genuine you need to see weakness in the immediate background. But at **Point A** there is a very obvious sign of strength. Professional money has seen the weakness on the previous bar (**Point B**), therefore they are reluctant to go in and we actually have no demand on this bar.

Point D

Here we have a clear test. The market is marked down, closed on the highs, volume is about average. This is a test in a rising market. The test is there because the two previous bars have weakness embedded in them.

Point E

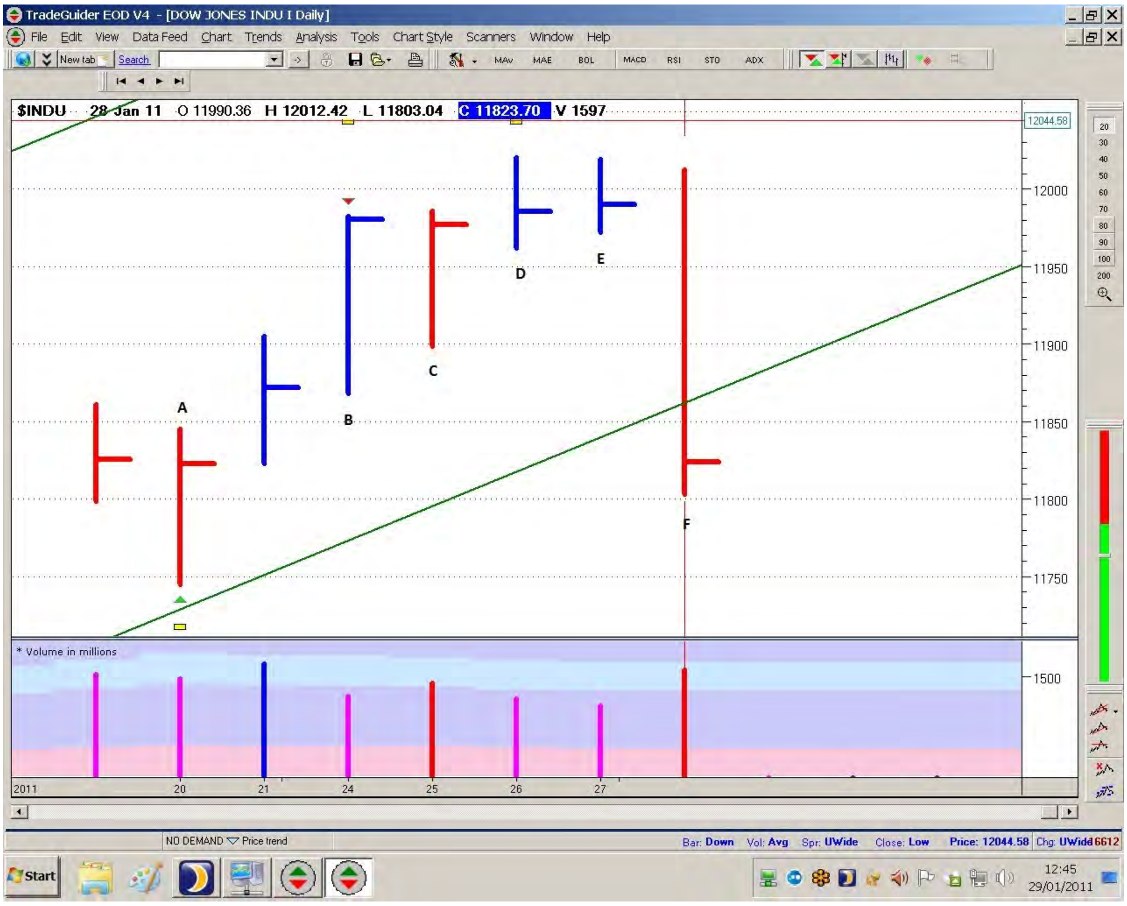
The market has gapped up. Note the narrow spread and note it has closed in the middle, and there is not a lot of volume here driving this market up.

Point F

A very similar type bar to the previous bar, but here we do see no demand. Look at the volume, it is less than the previous two bars. The computer has coloured it pink to remind you of this, and note the spread has narrowed. The market is labouring.

Point G

Friday. We have a widespread down, closed on the low, with an increase in volume. This is a sign of weakness. Any market that has a widespread down closed on the low with increase in volume but not excessive volume, and not low volume, as it approaches a former area of support, is a sign of weakness. On saying that, these markets like to prove you wrong, so don't be surprised if we don't have some sort of bouncing effect in the coming week. If the market is still weak you will see up-bars, narrow spreads, closing in the middle, with clear low volume, ie. less than the previous two bars (no demand).



DOW JONES INDUSTRIAL INDEX DAILY CHART

Point A

The Dow Jones Industrial 30 is obviously closely linked with the S&P500, and we note at **Point A** we have the same automatic sign of strength appearing as we did in the S&P500.

Point B

Here we have a fairly clear sign of weakness, an up-bar, closed near the highs, but look at that low volume. It is clearly less than the previous two bars - that is a sign of weakness - no demand.

Point C

Here we have the same similar test that we saw in the S&P500. It is interesting to see that no automatic signal has appeared, and that is because we have got that weak bar immediately in front of it.

Point D

Here we have an up-bar. Note the narrow spread, closing in the middle, but above all, note the really low volume. The computer has coloured this to remind you of this principle. A yellow box has appeared telling you this is no demand, but for a signal to appear, the next bar needs to be down. A no demand up-bar like this is not a very positive sign after there was an attempted test in the market on the previous bar.

Point E

A very similar type bar, an attempt to go up, closed in the middle, but now the volume is really low. This is calling out loud to you that professional money is not interested in the bullish side of this market at the moment.

Point F

Here we have a widespread down, a slight increase in volume closing on the lows as it pushes down and penetrates through the lower trendline. This is a sign of weakness. If there is some bouncing effect next week, and it hits the underside of that trendline on low volume, this should be a clear sign of weakness.

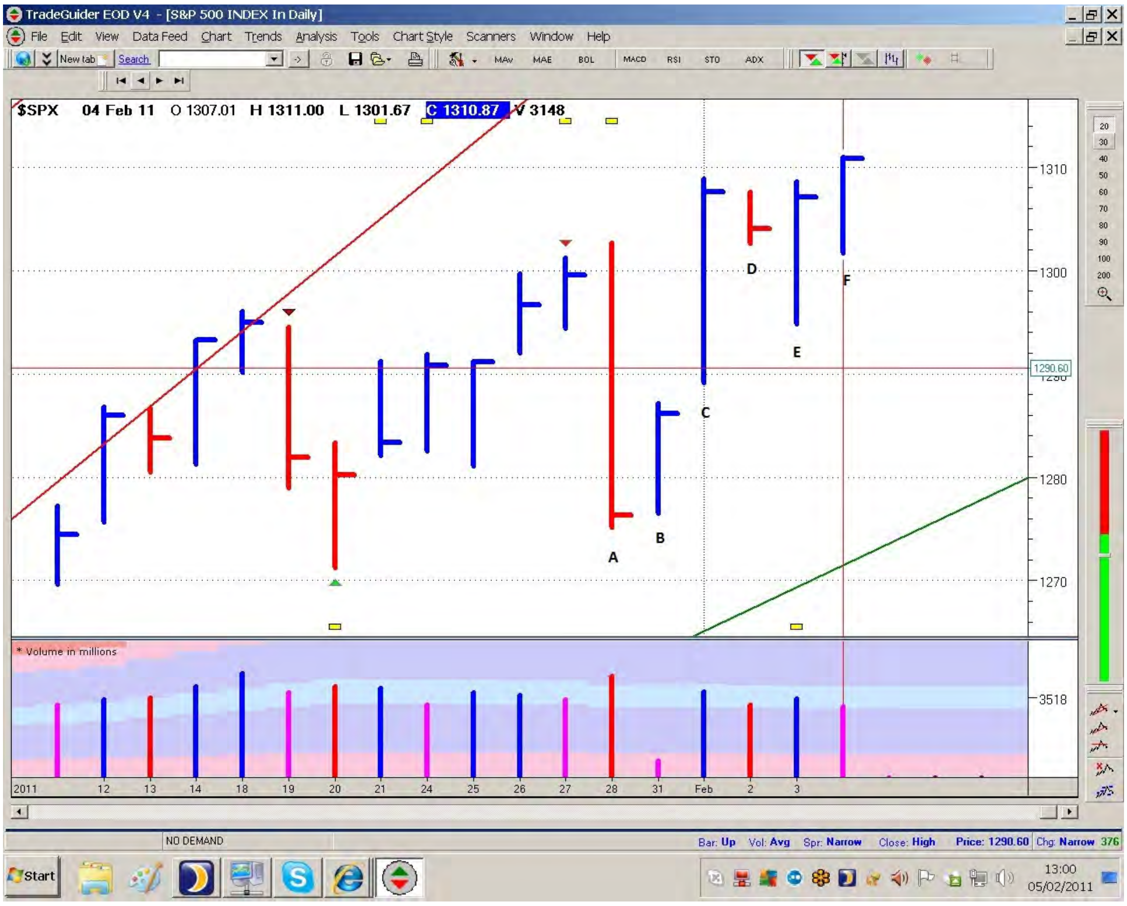
VSA PRINCIPLES

Beginners to the studies of VSA principles can easily get it wrong because they are isolating one particular bar which is fine, but you need to look at the background. For example, true no demand only occurs when you have weakness behind you. That could be two or three, or even ten bars previously. No demand of course is seen by an up-bar, the spread is narrow, usually closing in the middle, and the volume is clearly low. The best way to recognise low volume is if the volume is less than the previous two bars. This works because we look at relative volume which is a huge help to us because there is a lot of skulduggery going on in the markets often revolving around volume figures. So the volume figures could be millions out, but it does not affect our analysis too much, keeping in mind that the price spread is the utmost importance. Weakness when it appears will appear on an up-bar, not a down-bar.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 5th February 2011



S&P500 INDEX CASH DAILY CHART

Point A

Friday 28th January. In hindsight we can clearly see that this was an attempted shakeout of the market. The reason for an attempted shakeout is that there is too much supply in the background. Note some of the up-bars on narrow spreads closing off the highs, a sure sign of supply. Also the volume on that day is substantially high showing that there is supply in the market.

Point B

Monday. Here we have an up-bar which you'd expect as a bouncing up effect of that sharp down-move on the previous bar. Note the very low volume. This volume does not appear to be correct to me because it is far too low. There must be some skulduggery going on with the volume figures. The reason I say this is that if that volume was 100% correct that would represent king-size no demand and that market would have come off immediately.

Point C

Tuesday. Here we have a widespread up, closing near the highs, even gapped up. This is a serious attempt to push up through the recent highs to the left where we noted the narrow spreads and supply present. This is a clear attempt to push up through this resistance level.

Point D

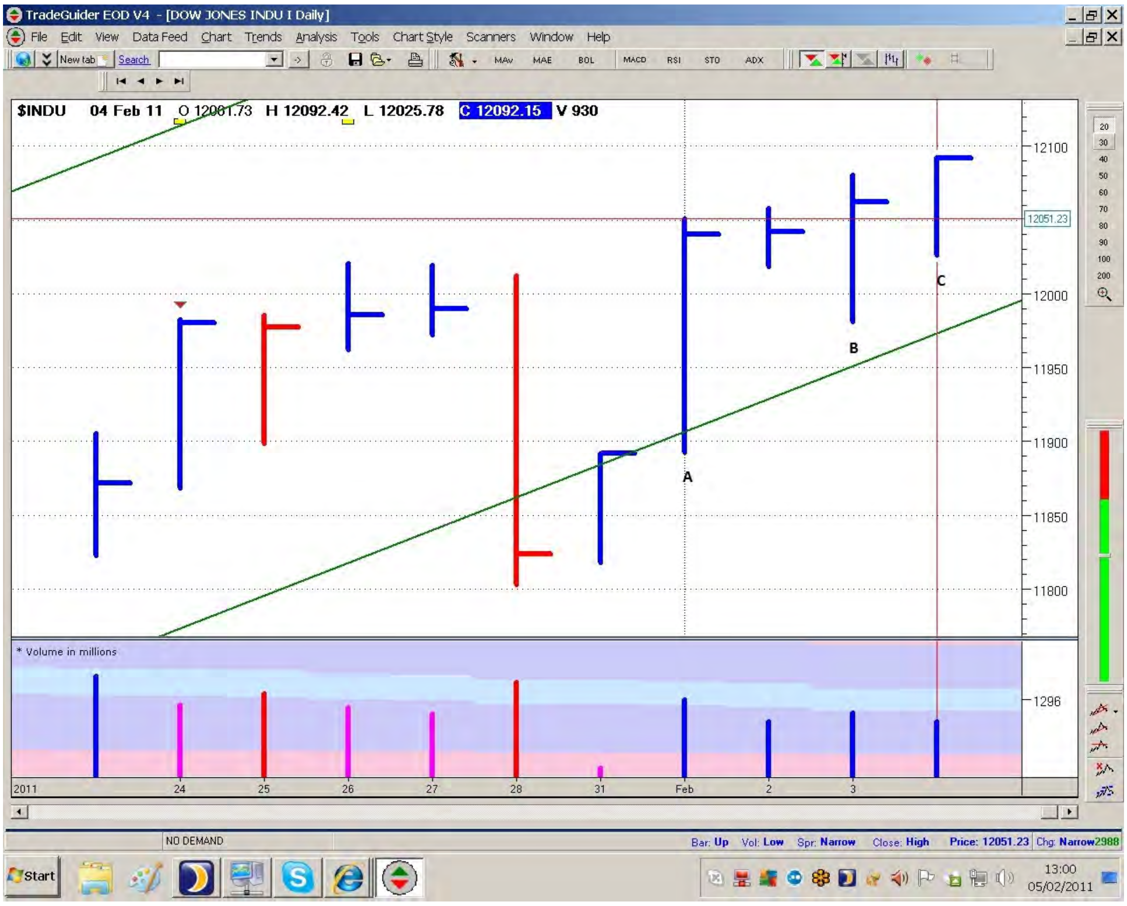
Wednesday. Here we have a down-bar, narrow spread, very low volume. There appears to be no selling pressure in the market on that day. When we say selling pressure, we mean the professional side of the market.

Point E

This is a clear test, a test that you'd expect to see if they are trying to raise prices higher. If you press F1 as the cursor hovers over that bar, you will see a signal has been produced with a dialogue box appearing which tells us we are looking at a basic test. It is important you study these dialogue boxes so that you recognise this when they occur in the future. With a test bar like this you would expect to see immediate higher prices. The professional side of the market will be fully aware of what's going on. The problem appears to be the market is labouring upwards with too much supply present, but note we are slap bang in the middle of a trading range where we can see the upper and lower trendlines. Trends always run longer than you think they will. However, there can be such a thing as a failed test. If the market fails to respond upwards on a clear test like this, then there must obviously be something seriously wrong with the bullish side of the market because, despite the test, serious professional money is reluctant to back the bullish side of the market. Any failure to respond to this test will be a serious sign of weakness.

Point F

Friday. We do have an up-bar on Friday, and this bar looks almost like another small test. Note the low volume. There does not appear to be a lot of interest in either the up-side or down-side. We need to proceed with great caution because we are slap bang in the middle of a trading range. Any up-bars on narrow spreads, clearly low volume will be no demand.



DOW JONES INDUSTRIAL INDEX DAILY CHART

Point A

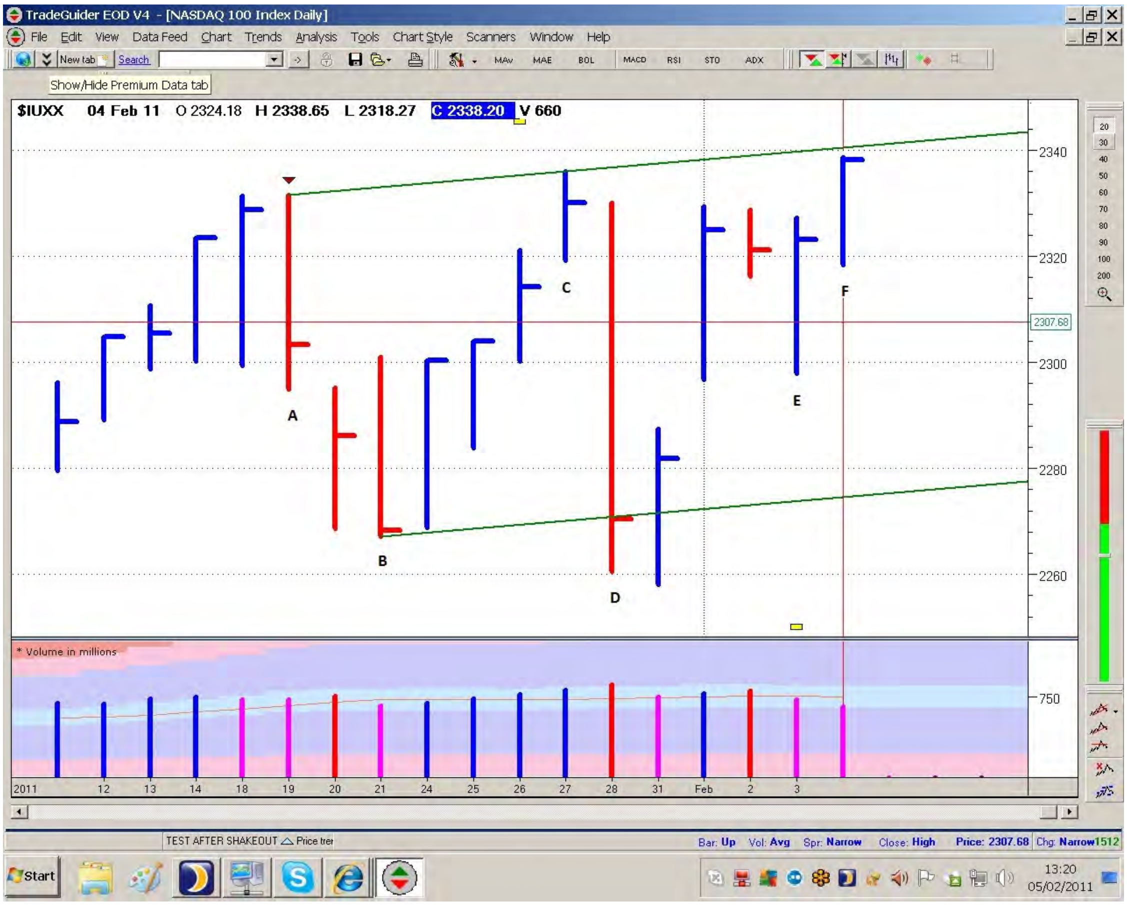
Tuesday. Here we have a widespread up pushing up through that lower trendline as it attempts to push up through that old high to the left where supply was definitely present. These old highs will act as resistance to higher prices. If the market was now going to be bullish you would expect to see some sort of testing as the market unfolds day by day.

Point B

Thursday. The Dow and the S&P are, of course, closely linked, and the test is pretty clear on Thursday. It would be nice to have seen the volume low, that is, less than the previous two bars, but the volume appears to be about average. There is still some supply present in this market. There appears to be a battle going on between the bullish side and the bearish side.

Point C

Friday. Again this bar is similar to the S&P500. It looks as if it is a faint hearted attempt to test the market, and it has closed higher. If the market had been really bullish it would have gapped up and gone up vigorously on that test on the Thursday.



NASDAQ 100 DAILY CHART

Trendlines drawn through the first two high points and the first support tend to show us that the market is drifting in an up-trend.

Point A

Here is an automatic sign of weakness telling us there is little or no interest to the efforts of pushing the market up at that point.

Point B

Note that, yes, this is a down-bar, but there is a VSA principle at work. It's a widespread down, but look at the low volume. The volume is low when it is clearly less than the previous two bars. There is no selling pressure at that moment. This lack of selling pressure results in the next four bars being up.

Point C

We know there is resistance to higher prices on that bar because it has become level with the previous sign of weakness to the left - a narrow spread, closing in the middle, with a very slight increase in volume is an indication of supply present.

Point D

Here we have the attempted shakeout of the market, and note it was on a Friday, so all the bad News will be appended to this over the weekend, misleading as many traders as possible and hopefully ridding the market of the supply that appears to be holding it up.

Point E

Here is a clear test as seen in the S&P500 and the Dow. Note it is a more favourable test because the volume is low, less than the previous two bars.

Point F

Friday. The market is seen as a widespread up, responding to the test on the previous bar. However, on saying that, note the lowish volume. Professional money does not appear to be fully interested in the up-side.

EUR/USD DAILY CHART

Point A

A very important principle at work. Here we have an automatic sign of weakness appear telling us supply is coming in. If you look at the bar, it is an up-bar closing just below the middle, and look at that low volume - volume less than the previous two bars. There is no demand on that day. Now a very important principle can occur. Professional money would have seen some weakness somewhere in the background, so the very next bar is where we have a test in a rising market. It is a down-bar, narrow spread, closing near the middle, but look at the volume - it is less than the previous two - that is low volume, so there is no selling pressure. If there is no selling pressure, then demand must be greater than supply. The market automatically says OK, and up it starts to go.

There is a very simple trending system - if a market is bullish the close of the bar will be higher than the close of the previous bar. This works because the professionals behind the move have to ensure that they do not lose control of the move and will support the market to ensure an uptrend continues. Using this system you allow for one down-bar, and here we see that down-bar at **Point B**.

Point B

We are told that weakness has appeared on this bar, but look at that very low volume - it is less than the previous two bars, so there is not a great deal of selling pressure at the moment.

Point C

Here we have an automatic sign of weakness telling us that supply is overcoming demand. This is quite clever if you think about it. The computer is just purely looking at the facts available to it. It does not listen to the News, it does not read the Sunday newspapers, it does not consult with any other parties, and it is just looking at the pure facts.

Point D

Here we have a widespread down closing on the lows responding to that supply overhead. They are attempting some sort of shakeout. Note the volume is quite low. In other words, there is little or no selling pressure accompanied with this down-move. The rule of these wide spreads down, closing on the lows, as it approaches any former area of support to the left, is bearish if the volume has increased. Here it has not increased.

Point E

Friday. Here we have a down-bar closing off the lows, a sign of strength has appeared where the automatic indicator tells us it is a test. So in this market you would expect higher prices for the immediate future.

READING THE CHARTS

In reading a chart you are reading a language spelt out to you within the high, low, close and volume. All the information is there, even if you haven't picked it up at the time. It's obviously easy in hindsight, but these various signs of strength or weakness could be on a timeframe you are not looking at. Reading these charts can be similar to the weather forecast - usually fairly accurate for the near future, but can change with other forces entering the equation. That's why reading charts is an ongoing reading process. Your skill as a trader will develop around this knowledge which will put you head and shoulders above most other traders. It's well worth the effort, and this knowledge will be with you for the rest of your life.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 12th February 2011

S&P500 INDEX CASH DAILY CHART

Point A

Monday. Here we have a gapped-up bar closing off the highs and the volume is about average. This is a positive move and due to two previous bars in their attempt to test.

Point B

Here we have an up-bar. It has come up with an automatic indicator telling us it is no demand. If you look at the volume you can see the no demand. No demand is an up-bar, and the volume is less than the previous two bars. The computer has coloured it pink to warn you of this. We have a rule that marks no demand and that is, to be effective you have to have signs of weakness behind you. Here we don't. Here we have signs of strength behind us, so we assume this is just a resting period.

Point C

Wednesday. Here we have a down-bar, closing just above the middle. Volume is only about average, so we know there is certainly not a lot of selling pressure in this market at that moment.

Point D

Thursday. Here we have a clear test of the weakness seen at **Point B**. Any bar which is marked down only to close on the highs, volume is slightly increased but nothing to worry about, is a test in a rising market. An automatic signal is produced.

Point E

Friday. Widespread up, closed near the highs, volume is about average. This is a positive expected move from the test on the previous bar. The market looks bullish at the moment.

Note we are slap bang in the middle of a trading range. This is not a good place to make major decisions, as you can be whipsawed easily. You need to make your major decisions at the edges of the trading ranges. A market top will eventually be seen and this is usually hallmarked by very high volume on an up-bar. If it has gapped up on a narrow spread into fresh high ground, it will certainly mark the top.

NASDAQ 100 DAILY CHART

Point A

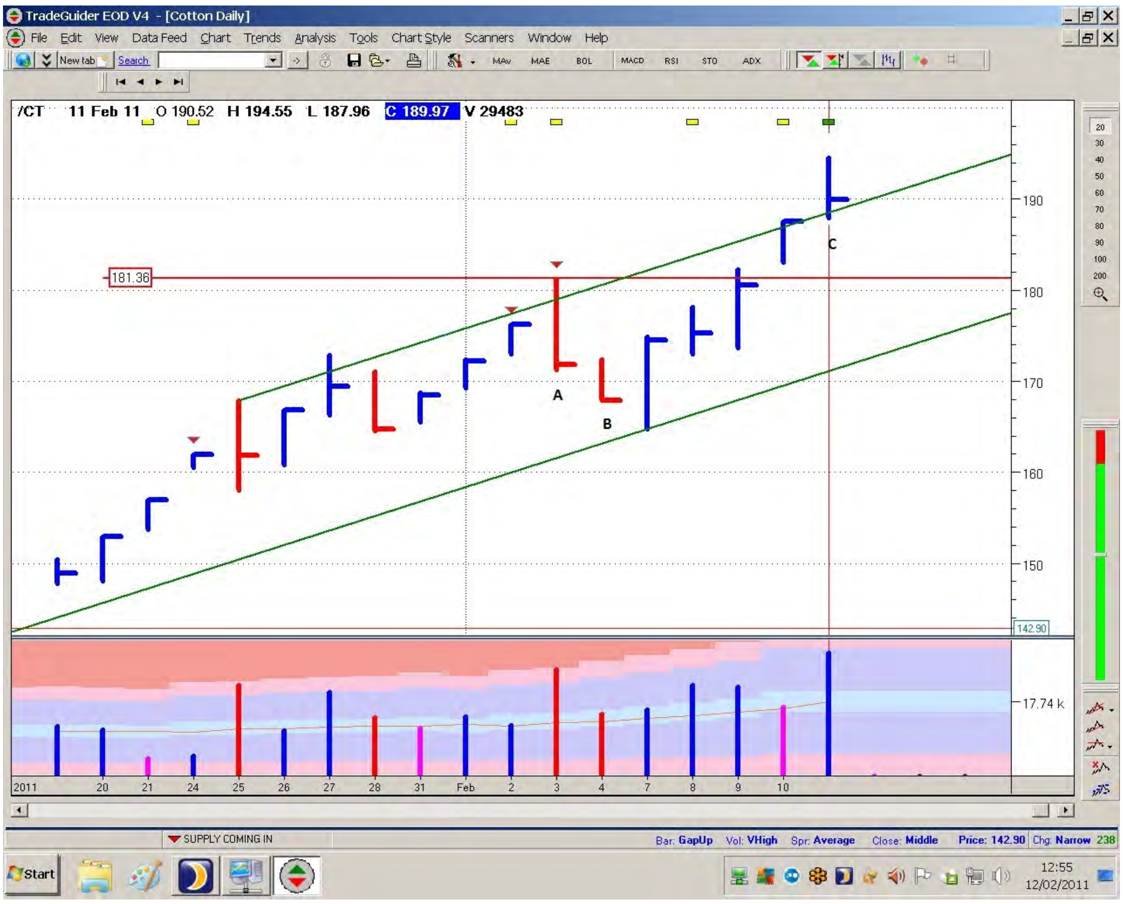
Monday. The market rapidly moves up to the top trendline. Note the volume is low, so there is a certain amount of lack of enthusiasm to the up-side. You are now technically over-bought.

Point B

Thursday. The market moves sideways to Thursday reacting to the no demand at **Point A**. The market tests, but look at that terrific high volume. That is not a good sign for higher prices. There is supply in this market, so you have to proceed with great caution.

Point C

Friday. The market is marked up, volume is only about average. There are now two negative points in your analysis. Firstly, the very ultra-high volume at **Point B**, the test, and the fact is we are now over-bought. If this market is to become bullish you'd expect to see them testing the area of that extremely high volume at **Point B**.



COTTON DAILY CHART

Cotton has been in a long trend up. Sooner or later professional money involved in this up-move will be looking to take profits.

Point A

There is an automatic sign of weakness appear created by high volume, and even on the previous bar there is no demand. Now we can see in hindsight that the market has gone up since that event, but it may play an important role some time in the future because there were definitely signs of weakness on those two bars.

Point B

Immediately following there is a very narrow spread down-bar on low volume. There was absolutely no follow-through on the weakness. The down-bar, narrow spread shows there is no professional pressure in the market on lower prices, despite the two bars previously showing weakness. We have drawn a horizontal line from the top of the previous bar where the weakness occurred, into the future. This could prove a very important level for future development.

Point C

Friday. Here we have a serious sign of weakness. Volume appears to be ultra-high. An up-bar, closing on the lows, we are over-bought, and you've got weakness in the background. An automatic signal has appeared telling us quite correctly that supply is present. Even on the previous bar a signal has appeared telling us it is no demand. You'd expect this market to fall off, but if it reaches that level where we've drawn the horizontal line a closer analysis will be required.

GBP/USD DAILY CHART

Point A

Here we have an automatic signal telling us that weakness has appeared. It's usually not particularly bullish when you fail or are unable to reach the top trendline. This almost emphasises the weakness.

Point B

Here we have an up-bar, narrow spread, closed in the middle, volume less than the previous two. This is a classic no demand after weakness. You would expect lower prices at that moment.

Point C

Friday. Here we have a widespread down pushing down through the support line. We have now become over-sold and vulnerable to the continuation of the up-trend for the time being. That is, until another force moves in to stop any up-move. You are reading a language written to you by the market using the high, low, close, and volume (activity). There is nothing obvious on that particular last bar to indicate higher prices or even lower prices, but you do have weakness in the background which will not just disappear.

GAPPING UP/DOWN

Recently in several markets we've seen gapping up or gapping down. This is done basically for the benefit of the professional players. It's certainly not there for your benefit. Gapping up through old tops to the left on quite high volume is only bullish if it stays above the highs and you start seeing down-bars on low volume, especially if they are testing, in other words, down-bar, closed on the highs, on volume less than the previous two. That would strongly indicate that they've gapped the market up deliberately in an attempt to prevent traders locked in at the old highs to the left from selling into their up-move. They do not want to buy at what to them is now high prices. They are not all that worried about these people making a profit, they will probably get locked in again at some higher price. If a market gaps up and is immediately followed by a widespread down-bar, this then shows the move was artificial, and can almost finish up as an upthrust. At the top of many markets the market is gapped up, but here the spread will probably be narrow. If the volume is ultra-high, if you are into fresh high ground, then you can be rest assured that you are seeing a market top.

We've also seen recently, markets that gap down (huge wide spreads down). This will be done on bad News, poor earnings and alike. The bad News would have been no secret to the professional money involved, as very often just before the fall you see a lot of no demand up-bars. It is best to leave these stocks alone until they sort themselves out, which can take months, even years.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 19th February 2011

S&P500 INDEX CASH DAILY CHART

Point A

Here we have an up-bar, however the spread has narrowed somewhat, and the volume is less than the previous two bars which means it is low, and it has produced an automatic signal which tells us it is no demand, which is correct. However, on saying that, true no demand appears after you've seen signs of weakness. Now in this case we've got signs of strength behind us - a test and a huge widespread up as it pushes through a top to the left. So it is not a serious sign of weakness but it is no demand. And also, with true no demand, the bar is up yes, but it usually has the low of the bar higher than the close of the previous bar, and might even be gapped up. Note that the close of the bar is higher than the close of the previous bar. This is our simple trending system telling us that the market is in fact trending up. Using this system you allow for one down-bar and any level bars you ignore.

Point B

Tuesday. Here we have a down-bar, narrow spread, closed well in the middle. This is a test in a rising market, and they've tested the market because of that initial little bit of weakness on the previous bar. Now if you look at the Dow Jones it is a very similar action but there is an automatic signal that has appeared on that version showing you strength - test in a rising market. Whenever you see this set-up you expect higher prices.

Point C

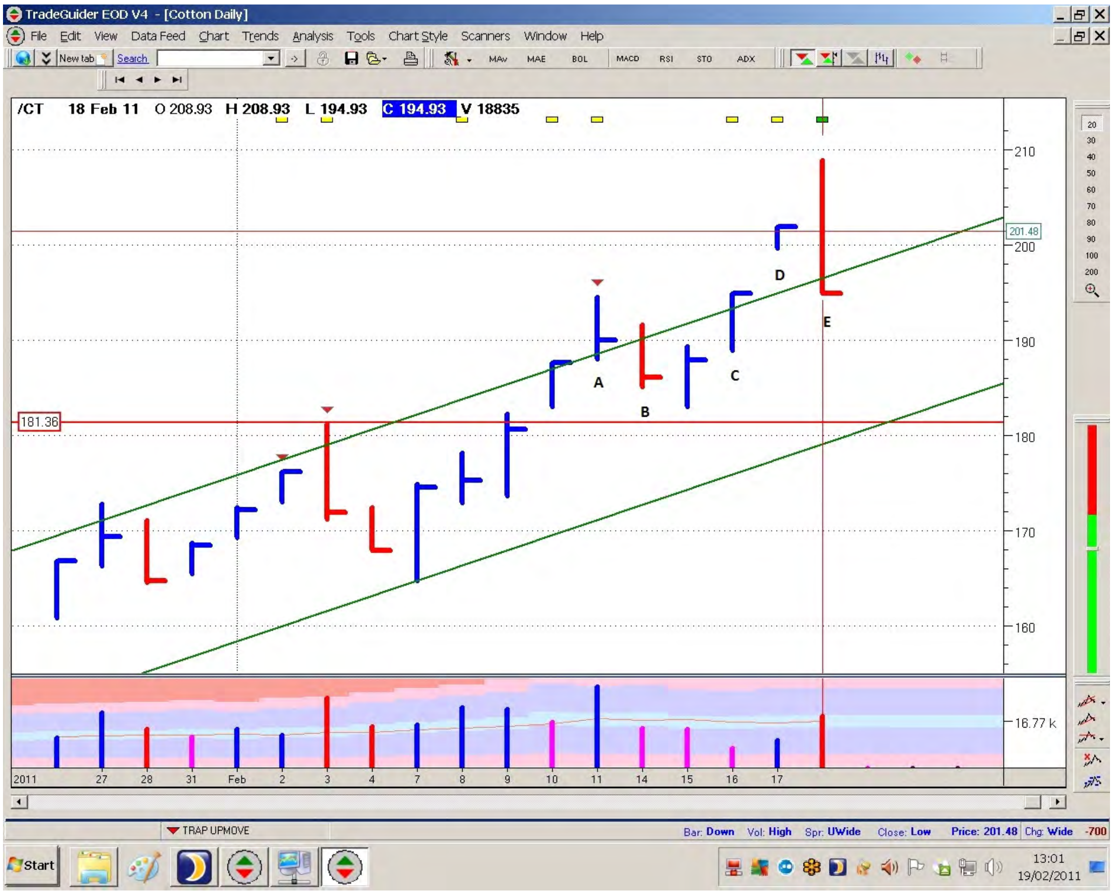
Here we have an up-bar responding fairly vigorously, even attempted to gap up, responding to the clear test the professionals would have seen straight away.

Point D

Again we have an up-bar, and note our simple trending system is still saying we are trending up, but note what I would call the bottom tail - there is clearly action that has taken place below the close of the previous bar, and I'm sure if you look at the intra-day charts you'd see testing.

Point E

Friday. Again we have an up-bar, but here the spread has definitely narrowed. The volume is just about average so it is not no demand and it is not heavy supply. But note we are still trending up, and we are still slap-bang in the middle of a trading range. As trends run longer than you think they will, it is quite a possibility that we may eventually go up to this top trendline.



COTTON DAILY CHART

Point A

We identified this last Friday as a serious sign of weakness which is still a correct analysis, even though the market we can see has gone up.

Point B

Monday. Here we have a down-bar, narrow spread, immediately following the previous

Friday's sign of weakness, but look at that low volume. This is a successful test in a rising market. The low volume is telling you loud and clear that right at that moment professional money is not interested in the down-side of this market seen by their lack of interest, ie. low volume.

Point C

Here we have a gapped up bar but look at the low volume. There is no demand at the moment and that is due to the sign of weakness at **Point A** where supply was present.

Point D

They've gapped it up again on a narrow spread and the volume is again low. This is no demand again and the market is over-bought. There is an automatic signal telling us that the market is weak. You ignore these signals at your peril. Read the dialogue boxes carefully and you will get to know what we know.

Point E

Friday. Again this is a serious sign of weakness. It has produced an automatic signal and the dialogue box tells us we are in a trap up-move. In other words, the previous bar has been gapped up. This present bar is a widespread down to lock as many traders in or out of the market as possible. But note this bar is also an upthrust. They drove it up to catch as many stops as possible, to mislead as many traders as possible, and then to reverse and close on the low, so it is really an upthrust. What reinforces this is that it is an upthrust after a sign of weakness which we saw at **Point A**. You'd expect lower prices.

NASDAQ 100 DAILY CHART

Point A

Monday. Here we have an up-bar, but note the spread is narrow, and note it closed slightly off the high, and also note that the volume is less than the previous two bars, ie. low volume, no demand. Press F1 and see the dialogue box will tell you all about it.

Point B

Very similar action to the S&P500. This is a test. Whenever you see a sign of weakness followed by a down-bar, spread is reasonably narrow, closing near the highs, in this case, volume average, this is a sign of strength. Press F1 and immediately the computer will tell you a similar story.

Point C

A gapped-up bar responding to the test, the volume is just above average which apparently looks bullish, except in really bullish markets they don't normally gap the bars up for reasons better known to the floor traders in the cash market.

Point D

Here we have another clear test, a down-bar, closed near the highs, and the volume is clearly low. You would expect higher prices at that moment.

Point E

Friday. Here we have a down-bar closing inthe middle, volume is average. This makes the previous bar's test a failed test. Professional money would be fully aware that the market tested on that previous bar. The fact is that if they didn't respond in a bullish way to that there must be weakness in the market, and also note our trending system is suddenly broken because now we have two down-bars. We are over-bought. You would expect this market, at the best, to drift sideways, but you have to follow the market as it unfolds.

ANALYSING THE MARKETS (Part 1)

How does VSA arrive at any sort of analysis? To the newcomer the market can be absolutely confusing because at any one moment during the trading day there could be hundreds of thousands of people, some buying, some selling, some holding, some have losing positions and trying to get out, some have quite good positions and are making money. So how on earth can we make sense of all this? This is not so difficult as it sounds because every trade that takes place is registered in the Exchange that's relative to that instrument that you are looking at. So that means that if you look at your chart, the vertical up-line at the bottom is the recorded volume that is taking place during the formation of the live market price. So in other words we are looking at the amount of activity that is taking place at any one moment. We know that at least 80%, or even more, of this activity is created by professional traders, so if the volume or activity is ultra-high or average or even very low we know exactly the amount of interest and activity seen by this volume. We also know that the market is driven by supply and demand. In other words, if there is more supply than demand the market is going to fall, if supply is not present then the market is likely to rise. And if we see surges of demand suddenly entering the market, we anticipate higher prices. Now the whole analysis then revolves around the question "what did the market actually do on that amount of activity or volume you are looking at?".

Part 2 will continue next week.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 26th February 2011

S&P500 INDEX CASH DAILY CHART

Point A

This refers to a week last Friday. We always note that they will try to mislead you, and therefore they put Friday up deliberately, even perhaps to give the impression the market may be bullish. Now I know it's easy in hindsight, especially in this instance, but we've told you many many times that an up-bar with the high into fresh high ground and the spread narrow with low volume, is a potential sign of weakness. We've also got at least two fairly obvious signs of weakness in the background with automatic signals on them.

Point B

The market is closed Monday and re-opens Tuesday with a widespread down closing near the lows. The volume has increased. These types of wide spreads down are engineered deliberately to lock as many traders in or out of the trade as possible.

Point C

Wednesday. Demand has arrived, seen as a down-bar closing in the middle, volume high. An automatic signal has been produced. Click the yellow box and it tells us that strength is coming in.

Point D

Just as we would expect, a thrust down in the morning actually penetrating the lower trendline briefly, only to close near the highs. Note the volume - it is less than the previous two bars. The computer has coloured it pink telling us that it is low volume, less than the previous two bars. This tells us that there is no supply in the market so we would expect higher prices.

Point E

Friday. The market responds with a widespread up closed on the highs due to the lack of supply on the previous bar. This does not mean we are now bullish, it is just that we are probably churning sideways as normally you would expect at some time a down-bar, back into the area of **Point C**. We have drawn a horizontal line through the close at **Point C**. Now it does not have to do this, but the word is 'if'. If it happens you will be well armed to take a good long position, but that is the key word - 'if'. We'll read the bars as the market unfolds and hopefully our skill as a trader will have developed enough to make profitable trades.

DOW JONES DAILY CHART

Point A

Thursday week. Here we have an up-bar on no demand. An automatic signal has appeared with a yellow box telling us it's no demand. To produce an actual arrow the next bar needs to be down, not up.

Point B

A week yesterday. Here we have a fairly robust up-day just to let you know that you are not so clever as you think you are, so despite the no demand on the previous bar we are now showing an up--bar. Note the volume is not backing this move. It's not exactly less than the previous two, but it is not far off it.

Point C

Tuesday. On the opening after the long holiday we have a widespread down as it rushes down and through the lower trendline on increase in volume. This is bearish.

Point D

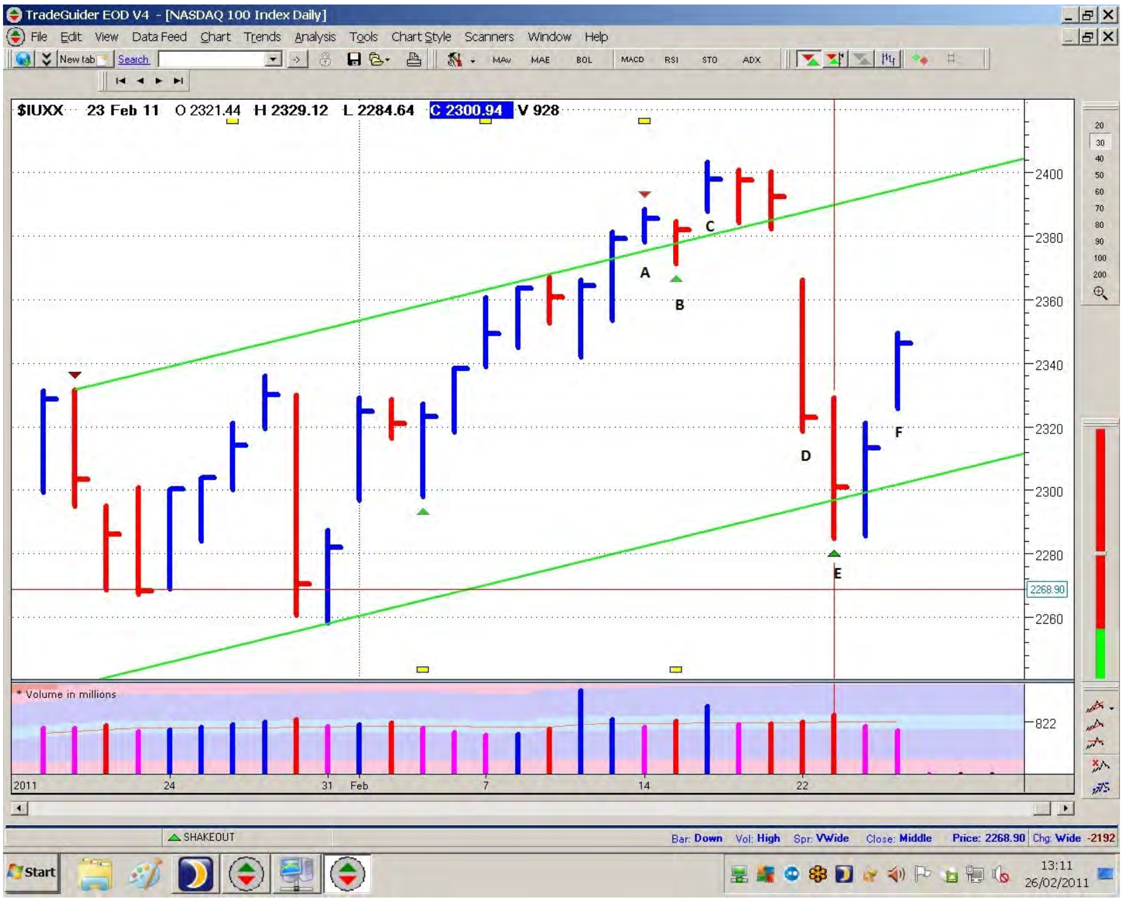
Wednesday. Here we have a down-bar closed off the lows, volume is high. An automatic signal of strength has appeared telling us we have potential stopping volume.

Point E

Here we have a mark down in the morning only to close in the middle. Note the volume is less than the previous two bars. This is telling us that supply has dried up because on the previous bar there is high volume. Now it has been marked down and the volume is less than the previous two bars. This is telling us that there is no selling pressure from the professional side of the market.

Point F

Here we have an up-bar responding to the previous bar's indication that there is little or no supply from the professional side of the market. However, note it's up on no demand which is a very negative analysis for higher prices.



NASDAQ DAILY CHART

Point A

We are told we have no demand in the market. Professional money would have seen this and tested the market on the very next day (**Point B**).

Point C

The market responds to the test by even gapping up the next day on this bar. It has closed slightly off the high and the volume has increased. But why did they have to gap this bar up? We are over-bought and if the market's gapped up then they are obviously trying to squeeze out higher prices.

Point D

Tuesday. Here we have a widespread gapped down bar closed near the lows, volume is about average. These widespread down bars like this have to be analysed as a weak market at that moment.

Point E

Here we have a down-bar, closed in the middle as it bounces off the lower trendline. There is a slight increase in volume so there must have been some buying to allow that market to close near the middle which means some strength has appeared. The automatic signal tells us it's a shakeout.

Point F

Friday. Here we have two up-bars. Friday has even gapped up. But look at the low volume. It is going up on no demand. This is not a healthy sign for higher prices at the moment. For higher prices we need to see a down-bar back into the area at **Point E**. If the volume is clearly less than the volume on that bar then this will be telling us loud and clear that supply has dried up and you would expect higher prices. Markets do not have to do this or do that. The word is 'if' you see that happen then you will be ready as an expert to jump into the market.

ANALYSING THE MARKETS (Part 2)

Continuing our analysis of volume, we now know that when we look at the vertical lines below which they call volume, we are looking at a consensus of opinion amongst the professional money. These traders are all unrelated to each other. As they say, there are no friends in the stock market, and that certainly goes for the professional side of the market. So as all these trades are grouped together, that is why we call it the composite trader. By following this line, very often you know more about the market than even some of the professionals. Now the next step forward is you have to ask yourself "what did the market actually do on that volume during that timeframe you are looking at?". It's useful to understand the professional money have to sell on up-bars as they do not want to mark the price down against their own selling because the orders are so large, so they have to sell when there is a surge of buying from the public and uninformed traders. This is why we have such accurate signals very often right on the market tops. These signals appear automatically without the intervention of any human being. An example of selling and a potential market top will often be seen after you've seen an up-move of some sort.

But as far as buying is concerned, professional money have to buy or enter the market as the market is falling (on a down-bar). The computer can usually pick this up, as you can see the surge of activity appearing after the market has fallen. On this surge of activity the spread may become narrow or even close in the middle or high. It's unusual if we don't have an automatic sign of strength appear. Very often the bar is gapped up, the spread is narrow, and the volume is very high, even ultra-high, and often into fresh high ground. In other words, there is little or no trading to the immediate left. This is often done on good News. A gap up, together with the good News, is designed to suck in as many traders as possible thinking that the market is still bullish. The ultra-high volume is caused through professional money satisfying all the buy orders as they arrive. This will tend to cap the top end of the market, almost like a lid has been placed on the market. Now very often the market will fall a bar or two, and may even start crawling back up. However, now if you see the volume is low, especially as it enters that area of high volume that appeared to the left, and the volume is now less than the previous two bars, then this is an example of no demand. That is, no demand from the players that matter. If this is happening there is no way a market can push up through the heavy volume to the left. In most cases it will produce an automatic signal. In our future software we are planning to have what we call set-ups where the programme will automatically alert you in some way when these set-ups to either short the market, or buy the market, have appeared, in hundreds, if not thousands of your database. If we can make that work properly then it would be very surprising if you don't make substantial sums.

Any questions, please put them into the VSA Club forum where we will do our best to answer them.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 5th March 2011

S&P500 INDEX CASH DAILY CHART

Point A

Thursday last week. We have already mentioned about this bar in the previous Newsletter. It's a fairly obvious sign of strength. You can see the bar has plummeted down, penetrated the lower support trendline, only to close up in the top quarter and the volume is low showing as the market plummeted down there was no selling pressure from the professional side of the market. The market responded readily to this sign of strength to go up to **Point B** which was last Monday. I know it's easy to recognise in hindsight, and there is actually no signal on this bar, but note how the spread has narrowed indicating there must be some supply or lack of demand creating this narrow up-bar, and we also said in last week's Newsletter we expect the market to churn up and down as it generates a cause for the next move. We would also be expecting to test at some time at **Point A**. This is a very frequent occurrence, this scenario.

Point C

Tuesday. Here we have a deliberate widespread down, closed on the lows as it hits the bottom trendline. They deliberately do these wide spreads down in an attempt to shake as many people out of the market as possible and mislead many other traders in going short. But we have not forgotten the support in the area at **Point A** and note the volume on this down-bar is considerably less than the area around **Point A**, and there has been a green horizontal line drawn to reinforce this view. As far as we are concerned in our analysis, this is telling us that supply at that level has been greatly reduced. As the market moves on supply and demand, if it moves back down into an area or level when once there was supply seen by the high volume, and the volume is now considerably lower, then this tells us the path of least resistance must be up. So we are not expecting lower prices at that moment.

Point D

Wednesday. Here we have a fairly narrow spread, but note the volume is less than the previous two bars. That's low volume, so we assume as they dip the market down on the lows, professional money selling has disappeared. This is a strong indication of higher prices.

Point E

A widespread up, closed on the highs, even gapped up slightly, a positive response to the previous two bars showing lack of selling pressure from the professional side of the market. Now we come to Friday at **Point F**.

Point F

We can see we have a down-bar closing in the middle but the volume indicates there was buying, yes, but at the same time there is too much supply present, or still present. Do not be surprised if Monday they mark this market down into the area of the horizontal green line, or even lower in an attempt to shake the market out and test the supply. If the volume is clearly low or less than the previous two bars, that would be a bullish sign.

DOW JONES DAILY CHART

Notice very similar behaviour to the S&P500. This is not surprising because they are very closely linked. Several of the huge stocks are in both Indexes. The big difference of course, is that we are clearly over-sold. We appear to have a top reversal hovering over us at **Points A and B**, not to mention the lower trendline if the market reaches that point.

Point A

The first leg of the top reversal. Note how it closes right on the highs.

Point B

Whenever you see these huge wide spreads down closing near the lows, and the low being much lower than the low of that previous bar at **Point A**, with that very high volume, that marks a top reversal and a sign of weakness. Any attempt by the Dow Jones Index to go up and penetrate that top reversal will meet serious resistance.

NASDAQ 100 INDEX DAILY CHART

Point A

When you see these huge gapped down bars closing on the lows it's inevitably a serious sign of weakness and probably a serious attempt to shake as many people out of the market as possible and to wrong-foot them in their trades.

Point B

Similar to the S&P and the Dow Jones, strength or support on the lower trendline which is normal. The volume is only slightly above average. However, we have a sign of strength appear that tells us it is a shakeout which is probably correct.

Point C

Thursday. The market has enthusiastically gapped up responding to several signs of strength in the background. The volume is only about average so there is not a lot we can read into that volume.

Point D

Friday. Here we have a down-bar closing in the middle. As these Indexes are all closely related and we know that Mondays they like to test the market, do not be surprised if this market is not marked down to hit that bottom trendline. If the volume is clearly low, less than the previous two, that is a strong sign of strength.

ASX100 (AUSTRALIAN INDEX) DAILY CHART

This is only a study, as unfortunately the data we have on the Australian Index finishes at the end of December 2010. But we thought we'd include it because it includes some interesting VSA principles. Note the no demand at the end of the chart.

Point A

Here we have an up-bar, a yellow box has appeared telling us that we are seeing supply coming into the market. It's not really all that obvious, the high supply, to us, but the computer seems to have seen something which is reassuring.

Point B

The professional money have noted the weakness. We've had an up-move behind us with a sign of weakness in the background, and it has been deliberately gapped up, probably on some good News.

Point C

Here we have a clear no demand up-bar. Press F1 and it tells us it is no demand. Please read the dialogue boxes carefully. You will then know what we know.

Point D

Here we have a down-bar, even gapped down, but the thing is, the spread is narrow. We are told by the computer this is a shakeout which is looking at the previous widespread down-bar as well. In other words, a sign of strength. We've drawn a horizontal green line to mark the low of the bar. The idea of this is to alert us if sometime in the future we in fact see a down-bar into this area, and if the volume is considerably lower, we will see that as a sign of strength.

Point E

Here's the bar we have been looking for - a low back down into the area at **Point D**, almost hitting the green horizontal line. We can clearly see the volume is lower than the volume at **Point D**, telling us loud and clear that this is a sign of strength because supply has disappeared. We have an automatic signal telling us it is a test of supply, and of course the supply it is testing was the high volume at **Point D**. This scenario is very common, so please embed this principle in your mind as it occurs very frequently.

Point F

Here we have a gapped up widespread up-bar caused by professional money immediately seeing the strength that we've noted. They also want to push through any supply to the left at a similar level.

Point G

Here we have an up-bar. The computer has noted there is lack of volume on the up-side, or no demand. But remember, our brains are far more clever than a computer, and no demand is only a true analysis when you have weakness in the background. Here we have multiple signs of strength behind us.

Point H

Here we see a down-bar, but note it is down on a narrow spread and note the volume is low. This is a test bar caused by the weakness on the previous bar. Whenever you see a red arrow on a bar in an up-move and the very next bar is tested and the volume is low, this is a very strong sign of strength. But, we've now hit no demand which is a sign of weakness at **Point I** (23rd December 2010).

TRENDLINES

As you can see, trendlines are of great interest to us as they do appear to work. If you see a bull move occurring, the first two points of support, and the first point of supply, will show you an up-trend. If the market is going sideways, the first two points of supply, and the first point of support even in a sideways moving market. In a downtrend or bearish market, first two points of supply and first point of support. Trendlines are a great help to us as you will see. It's difficult for me to by-pass a chart without drawing trendlines on it.

Gavin Holmes has been working here for the past two weeks and he's well into writing his book which he read out a couple of chapters, and I was quite surprised how good it was, in fact, very surprised, for the quality of his observations and remarks, and certainly recommend you reading it when it eventually appears.

Any questions, please put them into the VSA Club forum where we will do our best to answer them. Any specific questions about the FTSE100, Philip Friston is the expert on that Index, and even collates his own volume figures. He is also an expert in analysing bonds and gilts.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 12th March 2011

S&P500 INDEX CASH DAILY CHART

At **Point X** we have drawn a fresh trendline because the market appears to be trending down at the moment. But we've left the old support line in of the previous longer-term trendlines as they may prove useful in the future. In a falling market, draw your trendlines with the first two points of supply and the first point of support. Trendlines do work and it's a very useful tool.

Point A

Monday. A widespread down, closed just off the lows, the volume is low. An automatic sign of strength has appeared telling us strength has entered the market. Note the green horizontal line that we drew last week indicating an area where if the volume was low you would expect support.

Point B

Widespread up closed just off the highs in response to the apparent strength on the previous bar. The volume is about average.

Point C

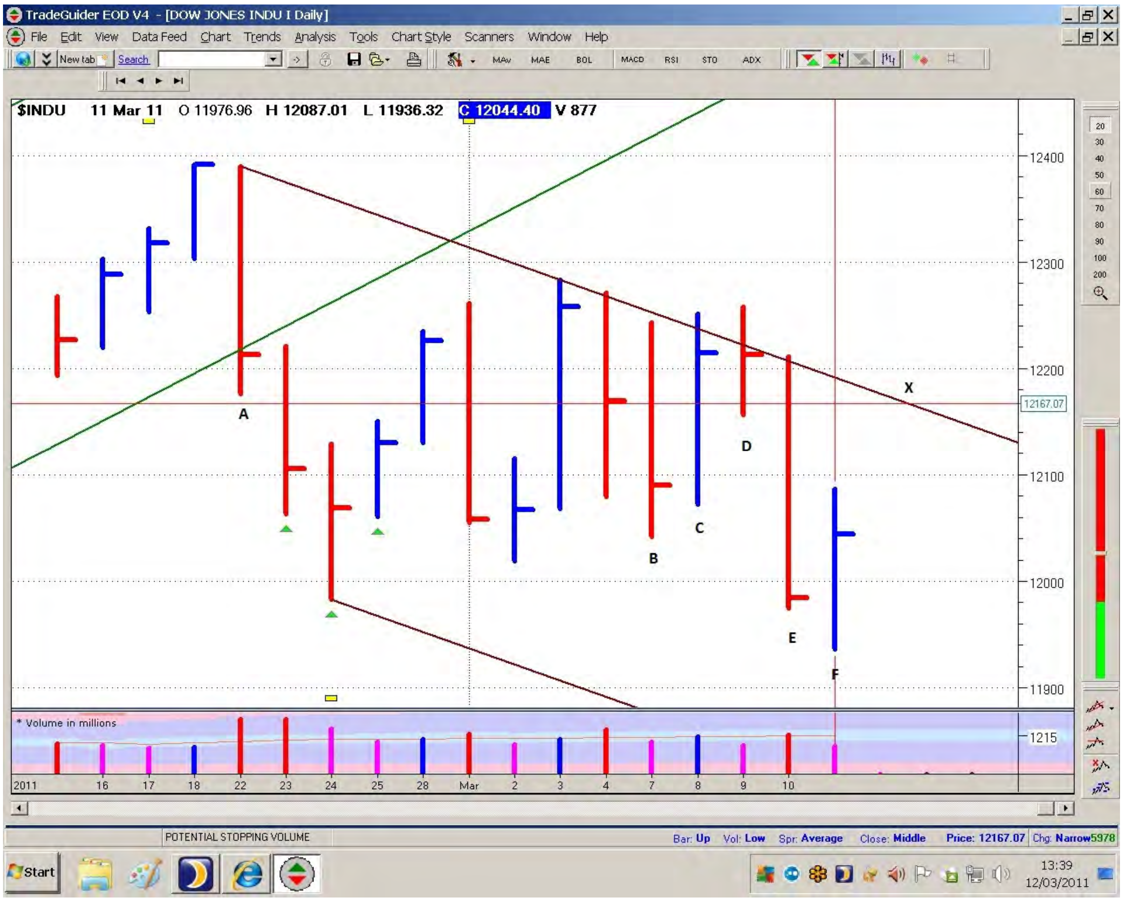
This looks very much like a test and a sign of strength, although no automatic signal has appeared. We are pointing out these principles as they unfold. We know the market has fallen heavily after this test which could now be described as a failed test and a sign of weakness. Wherever you see a sign of strength appear and the market fails to respond and actually goes the opposite direction, can be a serious sign of weakness.

Point D

A huge wide spread down closed on the lows, the volume is just slightly above average. Seeing we have several signs of strength in the background, you have to ask yourself, is this a shakeout?

Point E

Friday. Here we have a turn around - an up-bar, closing top quarter, but the volume is alarmingly low. Is this no demand? You can see we are right in the middle of a trading range. You're extremely vulnerable to be wrong-footed in a position like this. Although Friday was a no demand up-bar, I could still visualise the Index still going up to at least that top trendline next week. If you see no demand as it nears that top trendline at **Point X**, especially if the spreads are narrow, especially if it closes in the middle, and especially if the volume is clearly less than the previous two bars, you would then expect lower prices.



DOW JONES DAILY CHART

Point X

We have drawn a new trendline as the market appears to be trending down at the moment - the first two highs and the first point of support.

Point A

We identified this in the previous Newsletter. This is what we call a top reversal and is potentially a serious sign of weakness. We have that hovering in the background.

Point B

A widespread down, closed just off the low, volume is low. This action is potentially a sign of strength because the low volume is indicating that supply is not present. Now when we talk about supply we are talking about supply from the professional or smart money. When the volume is low on these down bars it shows they are not active.

Point C

A widespread up closed near the highs in response to the apparent sign of strength on the previous bar. However, it has hit the fresh top trendline. The volume has slightly increased and it has closed in the top quarter.

Point D

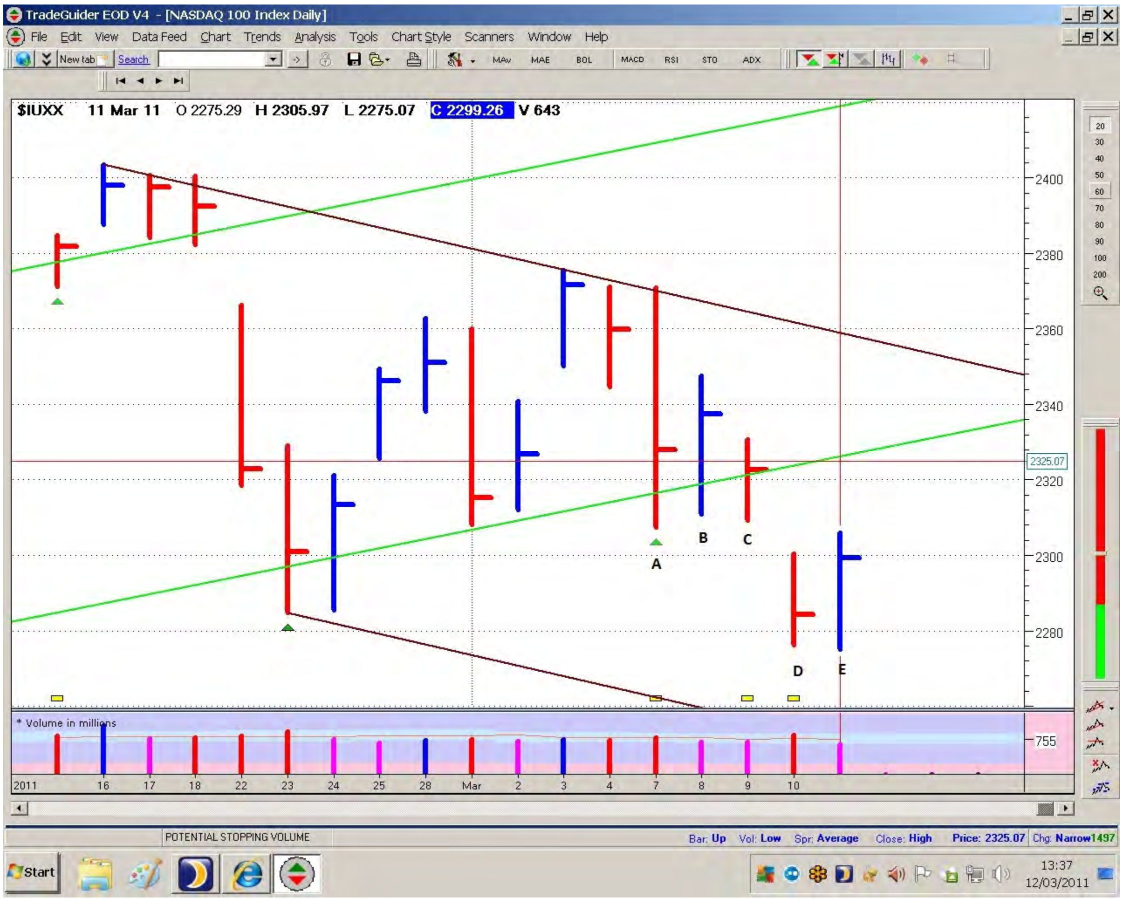
Here we have an odd-looking bar. It appears to have tried to go up, tried to go down, and closed in the middle. If you look at the volume it is very low, so as it hit that top trendline we have to assume this is no demand and a sign of weakness.

Point E

A very widespread down closed on the lows, the volume is slightly above average. Is this a potential shakeout?

Point F

Friday. Here we have an up-bar responding to the apparent lack of selling pressure on the previous bar. However, the volume is low and we've closed in the top quarter. This looks like no demand but no demand bars don't actually look like this - they don't have a tail sticking down into fresh low ground. You would expect this Index to at least rally up to that new trendline drawn at **Point X**. Again if it hits that on a narrow spread, closed in the middle, volume less than the previous two bars, then that would definitely be no demand and you would expect lower prices. Whatever happens next week, you must keep in mind the serious weakness at **Point A**. It is **Point A** that is causing this market to fall like this.



NASDAQ 100 INDEX DAILY CHART

Point A

Here we have a widespread down closing off the lows, the volume is average and it has produced an automatic sign of strength telling us that strength is coming in. It's also hitting the well-established lower trendline where you would expect some support.

Point B

An up-bar closing top quarter, but alarm bells are ringing. Look at that low volume. This is no demand and is not a good sign for higher prices.

Point C

Again we have an odd-looking bar which could easily be taken for a test. The volume is even low. But we do have a no demand bar directly behind us which, as we know, is a sign of weakness.

Point D

Here we have a gapped down bar closing just off the lows, the volume has increased, but for this bar to be a true sign of strength we need to see very high volume or even ultra-high volume.

Point E

We have an up-bar closing just off the highs and it would appear to be definitely no demand. However, on saying that, the market could easily move up to that green trendline. If again it reaches there and the spread is narrow, closed in the middle, volume less than the previous two bars, that could be a serious sign of weakness.

QUESTION IN THE FORUM

I received the following question in the VSA Club forum from Robert, and thought I'd include it here in the Newsletter as it is a good question and one that other members may be asking.

Question:-

I watched the S&P for weeks. Yes, I saw the narrow spread several weeks ago, but I do not see any major weakness. What am I missing? How can there be a major top without major weakness?

My response:-

I agree with you, the weakness in the cash market is not all that obvious, but on saying that, if you look at my Newsletters, or comments on those old highs, I have mentioned frequently that the market appears to be weak, which can be disconcerting when you make the statement and the following week it goes up, which it did, but there is weakness embedded in that whole area. What is probably the best idea is to look at intra-day charts of, say the hour, for example, and you will see there are frequent bouts of very high volume on up-bars showing that supply is around. I'm sorry it is not a very satisfying answer, but you are quite right, the weakness is not all that obvious.

Thank you for sending this question in.

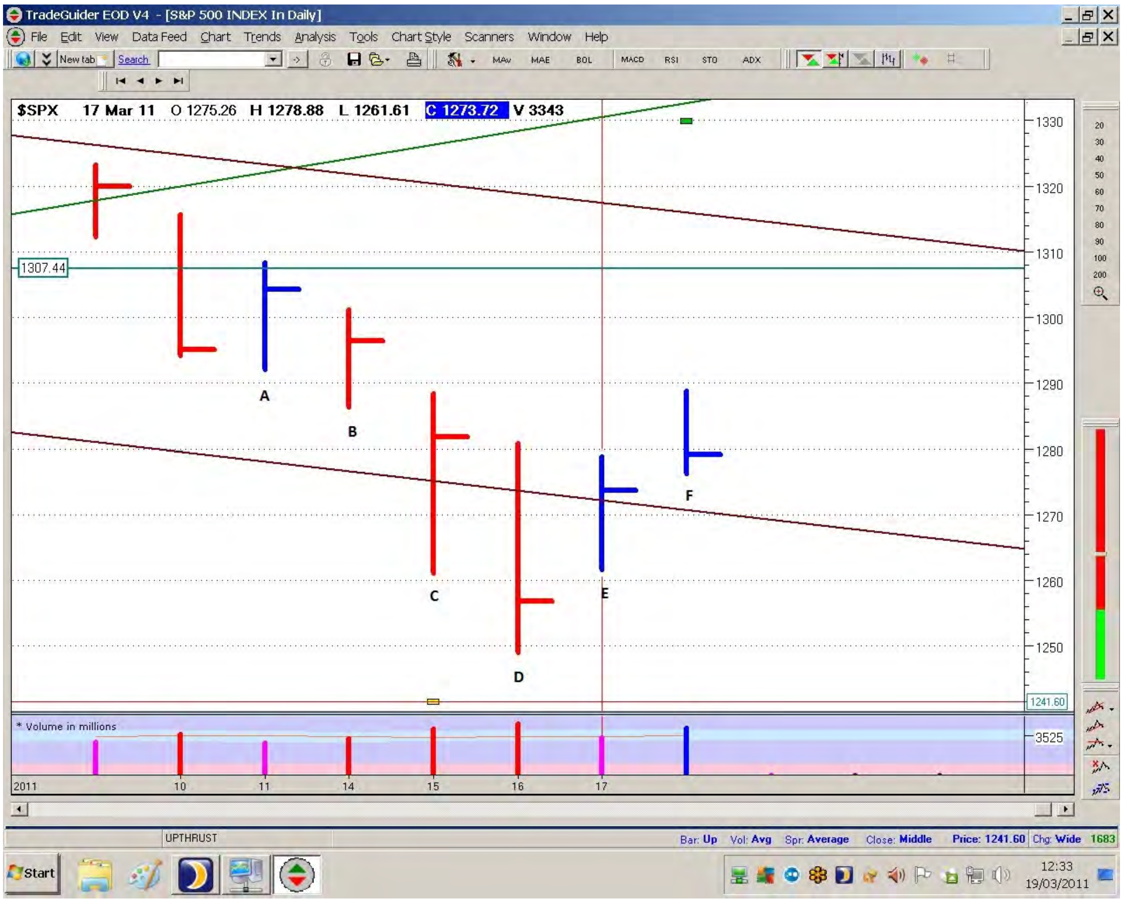
SIMPLE TRENDING SYSTEM

Frequently people tell me they have got a nice position on the lows, but sold out too early, only to see the market go a lot higher. One of the best ways to overcome this is to follow the simple trending system we recommend. If the close of any bar is higher than the close of the previous bar, then the market must have been supported and you will see that markets in a bull move behave that way. The professional smart money behind the move have to ascertain they keep control of the move by ensuring the market is supported. Failing to do this bouts of selling can easily occur which will destroy their bullish move. Using this system you allow for one down-bar and ignore bars that are level. The true top will surely appear showing surges of high volume on up-bar, or even no demand or a signal appearing indicating supply is overcoming demand.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 19th March 2011



S&P500 INDEX CASH DAILY CHART

Point A

Friday last week. We analysed this bar last week. It has gone up on no demand. We said at the time don't be surprised if it doesn't drift up to that top trendline despite the no demand appearing on that bar. This in a way illustrates that you must believe the charts first, and not allow any general view you may be holding which is based on just a feeling you might have. Believe the charts first. No demand is clearly telling you it has been marked up which they love to do on a Friday to mislead as many people as possible, but the professional money is not participating in the up-move, hence the low volume.

Point B

Monday. This is a down day, confirming the fact that it was truly no demand on the Friday. This bar looks suspiciously like a test, and the volume is even low, so normally you'd expect the market to drift up on this. However, we do have a no demand bar directly behind us, which is weakness. The trendline is still further down lower and of course the News from Japan is bad, and is even getting worse, as one commentator said. Now the News itself is not responsible for any down-bars, but as we know, professional money use the News to mark the market down in an attempt to shake traders out and wrong-foot them.

Point C

Tuesday. Here we have a widespread down closed in the top quarter as the lower part of the bar becomes over-sold. This has brought up a warning signal telling us this is a basic test. Technically it is not a test, it is a shakeout. But also note that this down-bar makes the previous bar, which looked like a test, a failed test. In other words the market is weaker than you think it is.

Point D

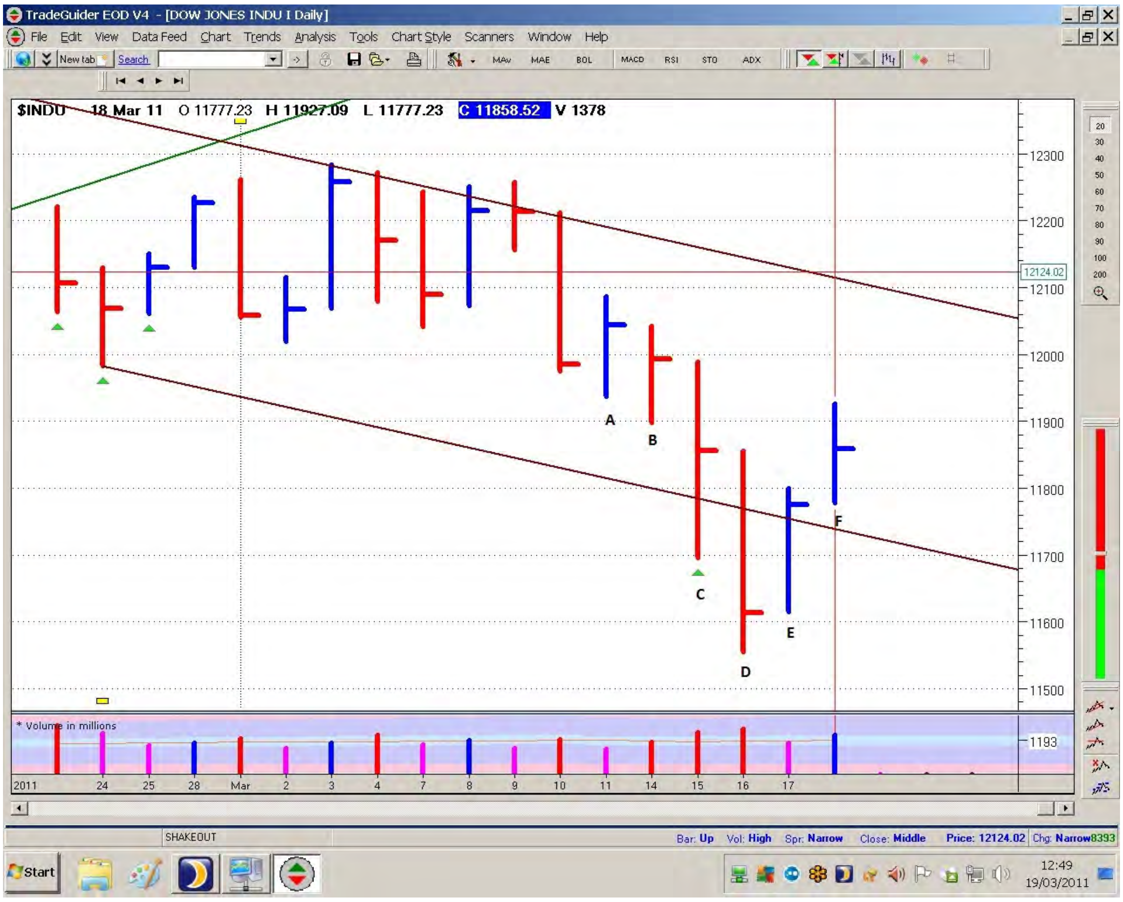
Here we have a widespread down closed lower quarter, but note there is a slight surge in volume (or activity). We are over-sold at this point making us exposed to some buying from professional money which is seen in the increase in volume, and closing in the lower quarter.

Point E

Here we have an up-bar responding to what appears to be some buying on the previous bar. It is slightly gapped up as it attempts to push up through the lower trendline back into the trading range, but note the low volume. This is no demand so we do not expect any serious bull move at this point.

Point F

Friday. Here we have an up-bar, again slightly gapped up, but note the narrow spread. Note the slight surge in volume, but above all, note it closed near the lows. Strong markets do not look like this. An automatic signal has appeared. The computer is calling it an upthrust so we are not expecting higher prices immediately.



DOW JONES DAILY CHART

Point A

This Index is closely related to the S&P500, and they will tend to move in close harmony with each other. But it appears to be well worthwhile checking on the various Indexes for an overall view. Note the distribution cap directly over us. If you've learnt to analyse what we call strong or weak bars, you will note that there are more weak bars than strong as the market tends to mushroom over slightly during the distribution phase. But like the S&P500 we noted that there is clear no demand, and here you are right in the middle of the trading range which clearly exposes you to lower prices.

Point B

Monday. Like the S&P500, this looks like a test, but it is not a test because a true test has to have strength in the background, not a no demand bar immediately before it, and a distribution cap above us. A true test tests the market with strength in the background, not weakness.

Point C

A widespread down becomes over-sold on the lows. There is a slight surge in volume (activity). This causes the market to close in the middle and actually produces a signal which it calls a shakeout which surely must be true. Keep in mind the News is horrific from Japan all through this area which is an ideal climate for them to shake the market out as much as possible. However, if this was true stopping volume, you'd expect the volume to be ultra-high, but all we see is a moderate increase in volume. There's some buying there.

Point D

Here we have a widespread down closing well off the lows. There is a slight increase in volume, but again, not high enough to say professional money has vigorously moved in, but there is some buying.

Point E

The market has moved up in response to some buying on the previous bar as it pushes up through the lower trendline, but note the low volume. Again there is little or no interest from the professional side of the market, seen with the low activity on this up-move.

Point F

Friday. We are always warned about the activity on a Friday. They will, if possible, mislead you, confuse you, and do anything else possible to better their positions. Note here the spread has somewhat narrowed, it has closed well off the highs, but the most important thing is, look at the volume. The activity is low. This means that professional money is not participating in this up-move. On this evidence you would not expect higher prices.

GBP/USD DAILY CHART

Point A

Friday last week. Here we can see a down-bar below the lower trendline only to close virtually on the highs. The volume is average. But if you studied this on an intra-day chart you would see that there is no selling pressure as it hit that low point on this bar, causing the market to rally on this daily chart to close on the highs. We have an automatic signal telling us it is a test after a shakeout, which is about right.

Point B

A widespread down closed in the middle. There is a slight increase in volume. There must have been some support on that bar to cause this. Ideally we would like to see a down-bar where the volume is clearly low.

Point C

Here we have a widespread down, volume is slightly above the average line. We'd like to see clearly lower volume showing there is little or no selling pressure left in this market.

Point D

Here we have a widespread up closing near the highs. An automatic signal has appeared telling us it is stopping volume. Now this is a two-bar signal, and the actual stopping volume occurred on the previous bar, be it not all that obvious. But the widespread up closing above the high of that previous bar is really like a two-bar reversal and is normally a sign of strength.

Point E

Friday. Here we have a widespread up closing near the highs responding to that signal on the previous bar. Now the volume is low. However, in this case, note that this bar has what we call a bottom tail. That bottom tail must have represented a test of some sort, which can be seen on lower timeframes. If there's no selling as the market dipped down in the early stage of that bar, this could account for the low volume. This market looks strong at the moment, but look out for testing to take a good position on the long side.

Tom Williams

MY TRADING EXPERIENCES (by Rita Offen)

Tom normally writes this slot in the Newsletter, but he asked me to say something this week about my experiences, which he feels could be useful to those of you who may be very new to VSA.

I have been studying and practicing VSA for just over two years now. I studied Tom’s book ‘The Undeclared Secrets That Drive The Stock Market’ thoroughly and have read it three times since, and also ‘Master The Markets’. I have also regularly listened to and watched VSA experts in the VSA Club for nearly two years now. I have dedicated a lot of time to this because I love it and there’s nothing else that really interests me as much as trading. I can finally say that I believe I have a fairly good understanding of VSA and am now finding consistency in my trading.

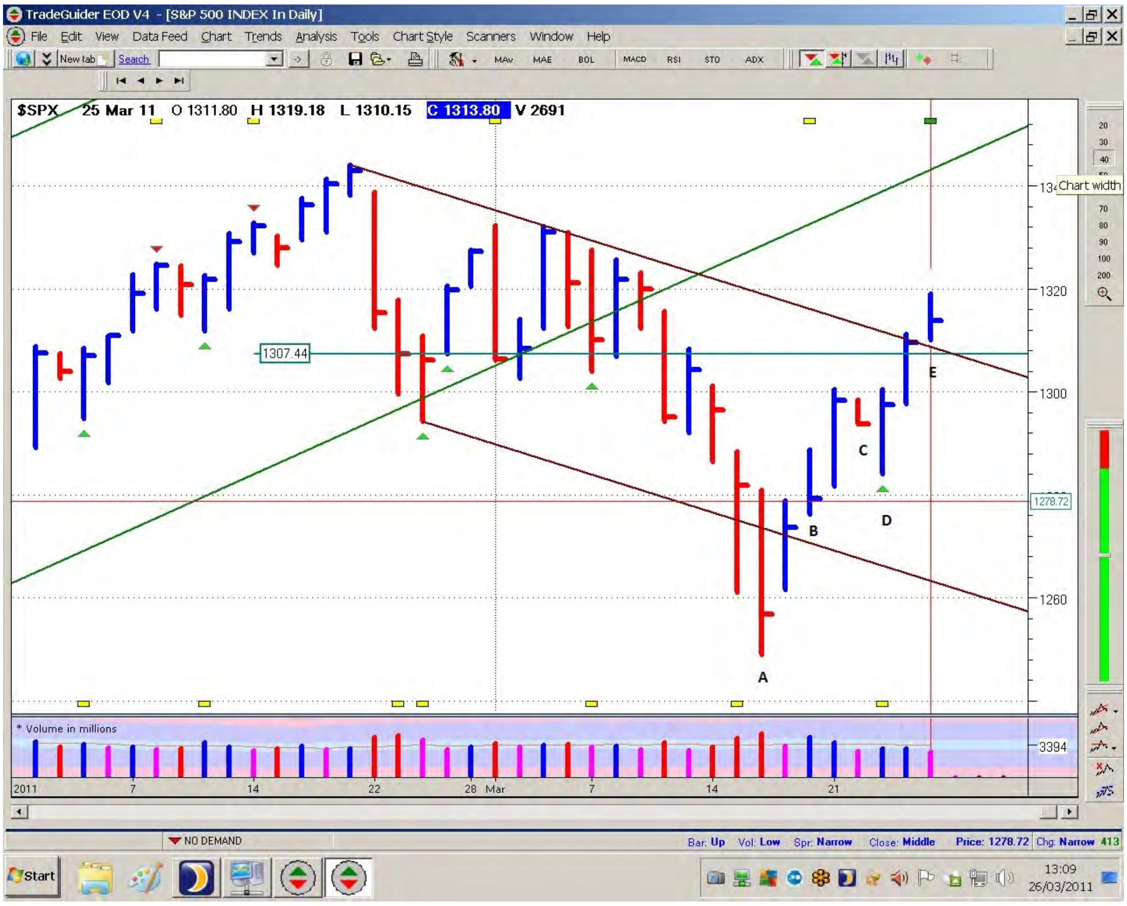
However, the most important point I must make is that, two years ago, when I was told, when first learning, to practice trading on a demo account/paper trading at first until I knew I had a winning strategy, I wish I had done what I was told. Instead I started trading with real money too early, and of course, lost a lot of money over the years. Losing money consistently caused me to build a fear of trading which, today, I am having to overcome. In fact, learning the VSA principles was much easier than it has been to overcome the fear of trading. Fear causes the trader to place stops too close, and to close out too early. I found I was doing this. And I also found that, if I had taken the time to analyse my trades afterwards, I would have found that I was correct in my analysis, and been able to adjust my behaviour.

So my biggest lessons have been to paper trade at first until the VSA principles are clear to me and I have a winning trading plan, and to analyse all winning and losing trades so I can learn from them. Of course this involves patience and discipline, but it is patience and discipline which is needed to be a successful trader, and the market is unrelenting in teaching us this.

Rita Offen

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 26th March 2011



S&P500 INDEX CASH DAILY CHART

Point A

We identified this last week as a potential sign of strength. The market is severely over-sold.

Point B

A slightly confusing bar. It is a Friday bar. There was definitely some weakness in there, but with that strength immediately behind us, this is not an upthrust. True upthrusts only occur after you have seen weakness. Here we have strength immediately behind us, not weakness.

Point C

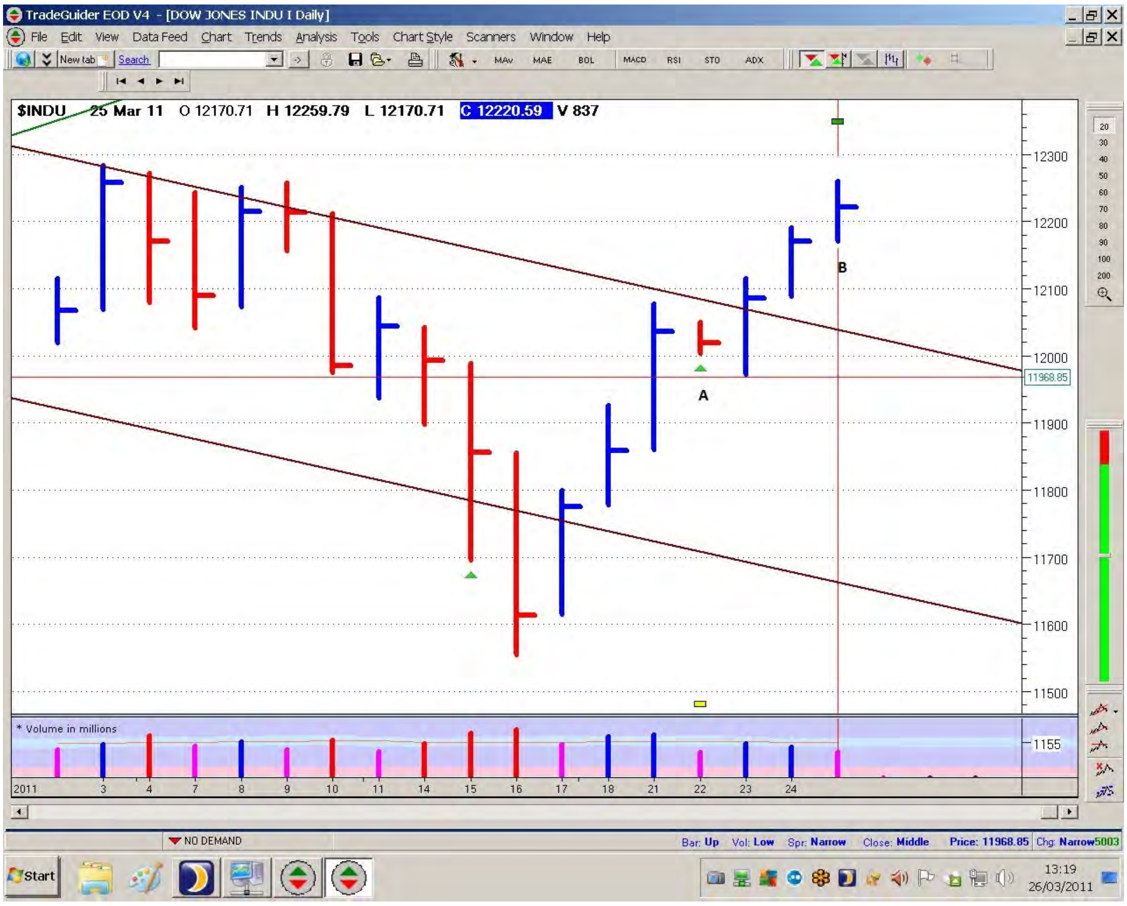
Tuesday this week. Here we have a down-bar, very narrow spread, but look at that volume. It is very low. There is little or no selling pressure in this market at the moment.

Point D

This is a very clear test in a rising market. It has produced an automatic signal telling us so. Note the low probed down into the area of **Point B**, testing what did appear as a weakish looking bar, so a successful test is a fairly marked-down move, usually at the opening, only to close on the highs, and the volume is less than the previous two bars, showing that there was absolutely no selling pressure from the professional side of the market. This would indicate higher prices. Note also you are right in the middle of a trading range.

Point E

Friday. Here we have a definite sign of weakness appear. It appears to be telling us we have a clear no demand in the market. An automatic signal appeared telling us so. An up-bar on a narrow spread, closing in the middle, after we've seen an up-move, and the volume is clearly low, telling us loud and clear professional money are not interested at this moment in higher prices. Also note, we are over-bought.



DOW JONES DAILY CHART

Point A

Tuesday. The Dow Jones 30 will closely follow the S&P500, and here we see a down-bar, narrow spread, volume clearly less than the previous two bars, producing an automatic signal telling us it is a test. But here again, like the S&P500 there is absolutely no interest in the down-side of the market. If there's absolutely no interest in the down-side, then they must still be bullish.

Point B

Friday. Here we have an up-bar, narrow spread, closing in the middle, with volume less than the previous two bars. This is without doubt a no demand up-bar and a sign of weakness. Note we are over-bought. You would not expect these markets to be bullish, but seeing they are out to trap you, you might possibly see an upthrust which is an up-move in a weak market to trap the unwary, catch stops, and mislead as many traders as possible. I emphasise again, this may not necessarily happen, but we use the word IF. IF it does that, then you will recognise it, and your skill as a trader can then come in for a successful trade to the short-side.

NASDAQ 100 INDEX DAILY CHART

Point A

Tuesday. Here again we have a very clear down-bar, narrow spread, closed in the middle, volume clearly less than the previous two bars. The computer has coloured it pink to remind you of this. There is no selling pressure at the moment from the professional side of the market.

Point B

Here we have another very clear test. They know perfectly well the market is strong by the action on the previous bar, so they gun the opening down, catch as many stops as possible, mislead as many traders as possible, only to turn around and close near the highs. This is a test in a rising market and a strong sign of strength.

Point C

Thursday. A widespread up, even gapped up, closed on the highs in response to the two previous bars' signs of strength. The volume is only about average so there is not a great deal of information built into that.

Point D

Friday. Like all the other markets that are linked to the S&P500, here we have an up-bar, narrow spread, this time closing near the lows as it bounces off the top trendline. The volume is average, but the main information here is the fact it is an up-bar on a narrow spread after there has been an up-move as it hits that top trendline. This surely is a sign of weakness. This market appears to be drifting in a down-trend.

GBP/USD DAILY CHART

Point A

Who said you can't pick tops and bottoms? Here we have an up-bar hitting a top trendline, volume is clearly low. The computer has coloured it pink to remind you of this. It has closed in the middle, an automatic signal has appeared telling us it is no demand. The market immediately fell down Wednesday, Thursday and Friday, to **Point B**.

Point B

We are over-sold, the market has closed off the lows, but look at the volume. It is clearly less than the previous two bars. There is no selling pressure in the Pound. Note the volume is less than the previous two bars. We have drawn a line horizontally from the lows to the left, and also note that this volume is far less than any volume in that area. This is a very bullish sign. Markets clearly work on supply and demand. If there's no supply at a level where previously there was, seen by the high volume, then demand must be greater than supply, and you would expect higher prices.

AUTOMATIC SIGNALS

Automatic signals produced by the software are of course automatic, without the intervention of any human beings, and it amazes most people how they seem to occur in any timeframe with such accuracy. How we recommend you use these signals is not to rush to the bank to buy and sell on them, but to study the parameters that produce them, understand the underlying logic, and you soon will be able to read these charts with or without signals appearing, because basically signs of weakness all fall into the same family, and signs of strength also fall into signs of their family, which we have explained to you many times over the past years.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 2nd April 2011

S&P500 INDEX CASH DAILY CHART

Point A

In yesterday's session a member suggested we drew new fresh trendlines . I wasn't sure at the time, but looking at it this morning, it is not a bad idea, and we have used, as you can see, two lows and the first high, which you draw in a bull move.

Point B

This was a week ago last Friday. We identified this bar at that time as weak which was correct at the time. But come Monday morning, at **Point C**, the weakness was tested, and look at that low volume. The computer has coloured it pink to remind you it is very low volume, so the professional market saw the weakness on the previous Friday and tested. There is absolutely no selling pressure at all from the professional side of the market. They are simply not interested in the bear side of this market.

Point D

Here we have a widespread up, closed on the highs, responding to the previous down bar on low volume. Note how the low of this bar has been marked down at the opening, a nice crafty way to catch stops and to mislead as many traders as possible in the process.

Point E

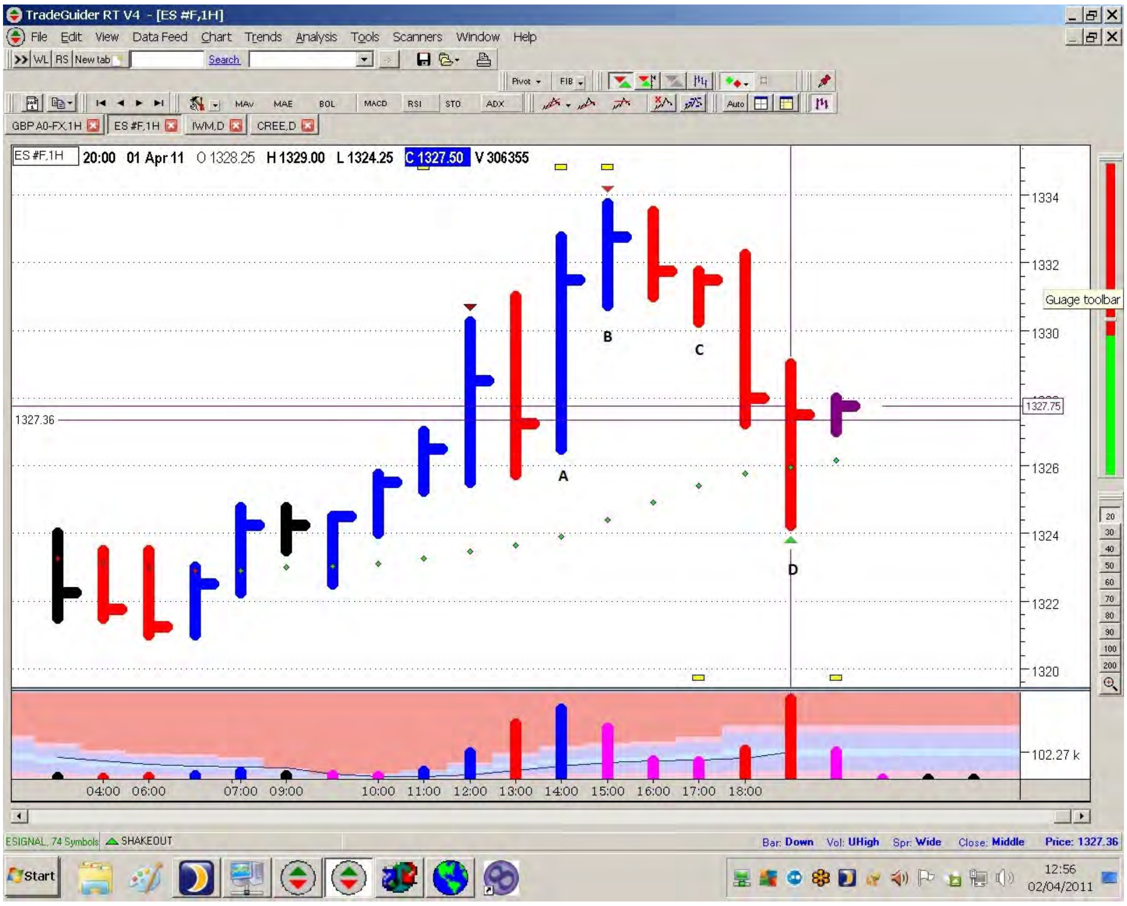
Here we have a gapped-up bar. Note it has closed just above the middle and note the spread has narrowed. The volume is just about average. For a more detailed analysis of these bars you need to study the intra-day charts. There must have been some weakness in that bar.

Point F

Here we have a down-bar on a narrow spread. Volume is still only about average so there is nothing too obvious here. You would still need to look at the intra-day charts to get more information on these bars like this.

Point G

Friday. This looks suspiciously like a weak bar so you would expect them to do some testing Monday if the market was still bullish. But note the simple trending system that we recommend is still in play and is still bullish. If the close of any bar is higher than the close of the previous bar, it must be an up-bar coloured in blue. You allow for one down-bar and ignore the level bars. This works because professional traders behind the move will need to support the market on a daily basis to keep control of the move.



MINI S&P500 FUTURE HOURLY CHART CONTINUOUS CONTRACT - FRIDAY

We don't have intra-day charts for the cash market available to us. However, on saying that, because of the arbitrage traders, the future will closely follow the cash market and this is an example of what we said previously - if you see a difficult day to analyse, look at the intra-day chart, and this is an example here. We can see there has been some weakness at the top, but some buying has come in on the low.

Point A

A widespread up, closed just off the highs, but look at that surge of volume. This is enough to bring up a yellow box telling us supply is present. But it won't produce an actual arrow unless the next bar is down.

Point B

Here we have another up-bar but note this time it is up on a narrow spread closing off the highs, but look at that low volume, coloured in pink. This is enough to bring up an automatic signal which tells us that supply, or no demand, is present. So you know there is some definite weakness present.

Point C

This suspiciously looks like a test, but if you'd been listening to what we have been telling you, a true test only appears after signs of strength, not weakness which we have in this case, so we are not surprised if the market falls yet again down to **Point D**. Admittedly this is getting near the close of the market, and automatically many professional traders will close everything out with no positions at all. But this also looks like stopping volume - high volume closing near the high is a sign of strength, producing a signal which tells us this is a potential shakeout. Even if the market was still bullish, you'd expect a test of this volume, especially if the market goes up a few bars and then falls back down into that area of **Point D**. If the volume is obviously less than the volume at **Point D**, at a similar level, it is telling you loud and clear that professional money is not selling, therefore they must be bullish. You need to read the market as it unfolds. But this is just an example of how you can look at an intra-day chart if the daily is not all that clear at times.

NASDAQ 100 DAILY CASH CHART

Point A

It's almost mirror imaging the S&P500. Here we see the down-bar which is really a test of supply on the Monday, testing the weakness that appeared on the previous Friday.

Point B

A widespread up closing on the highs as it pushes up through the top trendline. Note the low of this bar was initially marked down to catch stops and mislead as many traders as possible. The volume itself is not all that great but the power of the widespread up closed on the high is giving it momentum.

Point C

Here we have two up-bars on narrow spreads, volume just about average. There does not seem to be a lot of interest in the market at that moment.

Point D

This suspiciously looks like an upthrust and a sign of weakness. Note we are over-bought and there is an old trendline immediately above us, seen in green. It is an old support line, but once the markets fall below these old support lines, any attempt to go up and through them will meet resistance. On saying all of this, the trending system is still up, so we need to proceed with great caution. Markets are not there for your benefit. They are there to confuse you, mislead you, and it seems to work against your natural gut feeling of what the market should be doing. Now I know you are all fully aware of these principles, so I'm sure you will proceed with great caution.

READING THE MARKETS

It is no good being too clever when reading the markets. You can probe these markets looking for advice, hoping to find valuable tips, but alas, you will be very lucky if you ever found anything. Keep in mind that even the Directors of companies usually have very little idea why their stock is in a bull move or a bear move. If you ask them directly, they will say we've got no idea. We've been in a bear market for a few months, and yet the company is exactly the same as it was a year ago. They don't understand the underlying accumulation phases followed by a distribution phase, which is the basic strategy of the trading syndicates. Floor traders and specialist traders can see the flow of supply and demand happening live in front of them and will usually take full advantage of this information, not hesitating, not having any sympathy at all for any other trader, as long as they can show a profit in their dealings. The truth always lies in the chart itself because this is something they have difficulty in hiding. For example, with forex markets, the actual banks withhold volume which, when you think about it, is quite logical, because they don't want to let their competitors know the amount they are trading, and when. And even with commodities, you seem to have to wait for the next day for the volume, which surely has to be done deliberately in these days of instant electronic communications.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 9th April 2011

S&P500 INDEX CASH DAILY CHART

Point A

This is a week last Friday which we identified last Saturday as a weak bar. I don't trust markets that have been gapped up at the opening to have a widespread up and collapse to finish in the middle, and the volume is average. But the bar certainly looks weak.

Point B

This is Monday. This is an up-bar, but has closed in the middle. Look at that low volume which the computer has coloured pink to remind you it is in fact low. There's no interest in the up-side at the moment. This is spelling out no demand which, as we know, appears on up-bar, and remember we have a weak bar right behind us, as seen at **Point A**.

Point C

Here we have a red down-bar. The volume is about average. But when you see a top tail like this they must have gone up there, seen on lower timeframes on no demand, portraying the weakness in the market.

Point D

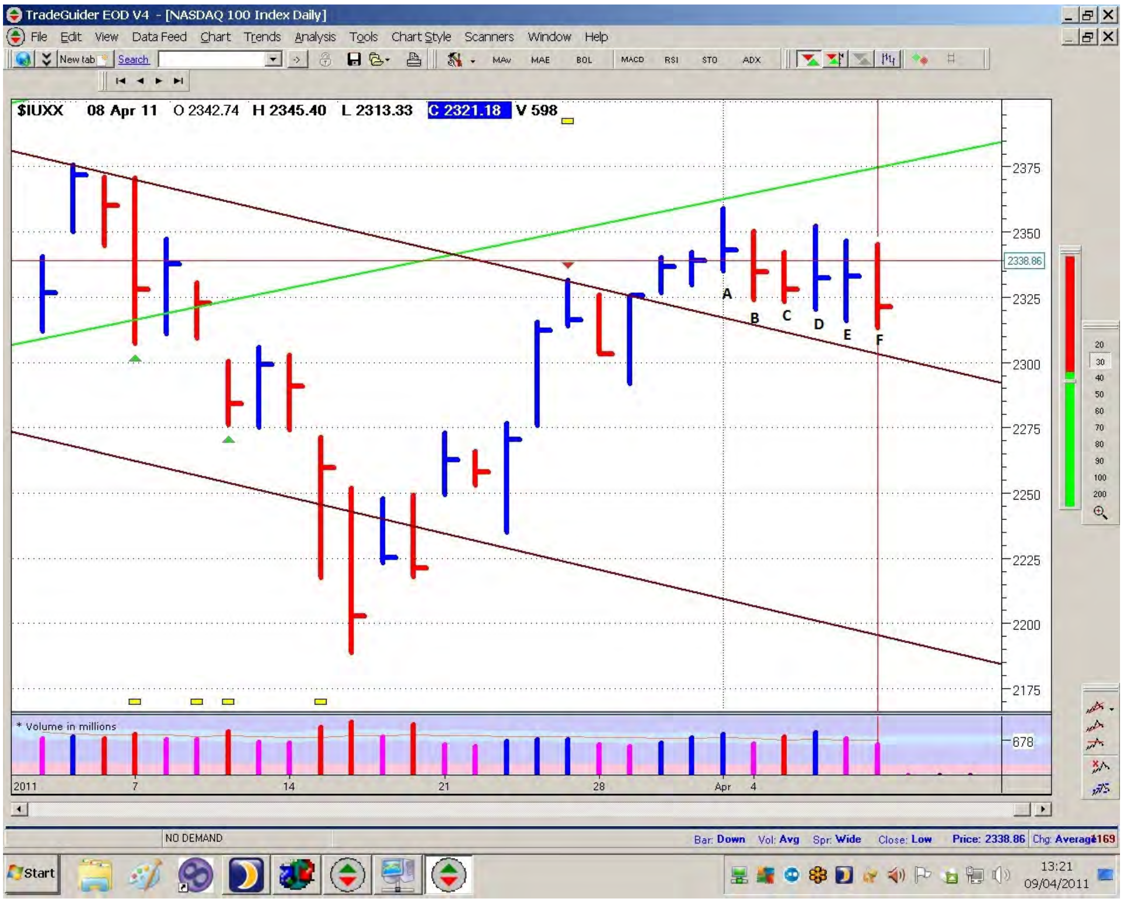
Here we have an up-bar, but it has closed well off the highs. There is a slight increase in volume. No automatic signals have appeared mainly because there is not enough variation in the volume to give a clear analysis. But the market is crawling almost sideways ignoring the support trendline that we can see running up.

Point E

Here we have a down-bar. There is a slight increase in volume, and on that activity it has closed in the middle. There may be some suggestion that somebody has attempted to buy that is nowhere near clear.

Point F

Here we have a down-bar closing well off the lows. Note the low volume. There is not a lot of selling pressure. During the past week we are obviously struggling to show any bullish moves. There has been a little bit of support but on this Index there is no clear sign of strength or weakness we can act on.



NASDAQ 100 DAILY CASH CHART

Point A

We analysed this bar a week last Friday and identified this as a potential sign of weakness. Some people might call it an upthrust but what it really is is supply overcoming demand. It was marked up only to collapse below the halfway mark which shows you that supply must have hit this market.

Point B

Monday. They seem to test the market every Monday because many traders go home holding no positions whatsoever, so on their return Monday they have to do testing to determine what positions they might take. Now this is a down-bar, the volume is very low, there is not a lot of selling pressure at all, that's why the market closed up almost in the middle. But we do have this sign of weakness hovering over us from last Friday.

Point C

Tuesday. Here we have a down-bar closing just off the lows. Note the spread has narrowed somewhat. There is not a lot we can read into this bar.

Point D

Wednesday. Now we do have an up-bar, but this is really a weak bar for it to go up like that with that wide spread and then to collapse back down into the middle. The volume has increased a little, so it's a mixture on this bar. There must be no demand as it tried to go up and some support seen by a slight increase in volume.

Point E

This bar has tried to go up, tried to go down, closed in the middle, note the volume is low. This tells us there is little or no buying and little or no demand as it tried to go up. That's why it has closed in the middle and almost level with the previous bar.

Point F

Here we have a red down-bar closed off the lows, the volume is very low. Again there is little or no selling pressure. This can make the market very vulnerable to some sort of trap up-move, so tread with caution.

DOW JONES INDUSTRIAL DAILY CHART

Point A

I know it's very easy to see all these principles at work in hindsight, but they must have been there at the live edge, and here is a principle - widespread up, closed near the highs, slight increase in volume as it pushes up through that trendline. Now immediately on the following bar it is tested. This is a test in a rising market. Note it is down on a narrow spread, closed in the middle, and look at that low volume coloured in pink - volume less than the previous two bars is low volume. That's a sign of strength.

Point B

Here we have an up-bar which produces a signal telling us it is no demand. However the same principle appears to be at work as it was at **Point A**. The sign of weakness is immediately tested on the following bar. Here we have a very clear down-bar (in red), the spread is narrow, the volume is lower than the previous two bars. This again is a test in a rising market.

Point C

Last Monday. It has been marked up but note it is up on a narrow spread and the volume is less than the previous two bars, coloured in pink to tell you this, and it has produced a sign of weakness - no demand. Note we have drawn a horizontal line from the old high, coloured turquoise. This is a resistance level to a previous high. This is the main reason why the market is faltering. To break up and through this line which Gavin would call a trigger point, you would need a substantial shakeout or test.

Point D

Here we have an up-bar. It has attempted to push up through that horizontal line, but note the spread is rather narrow and note it has closed well off the highs, and there is a slight increase in volume. Supply has hit this market.

Point E

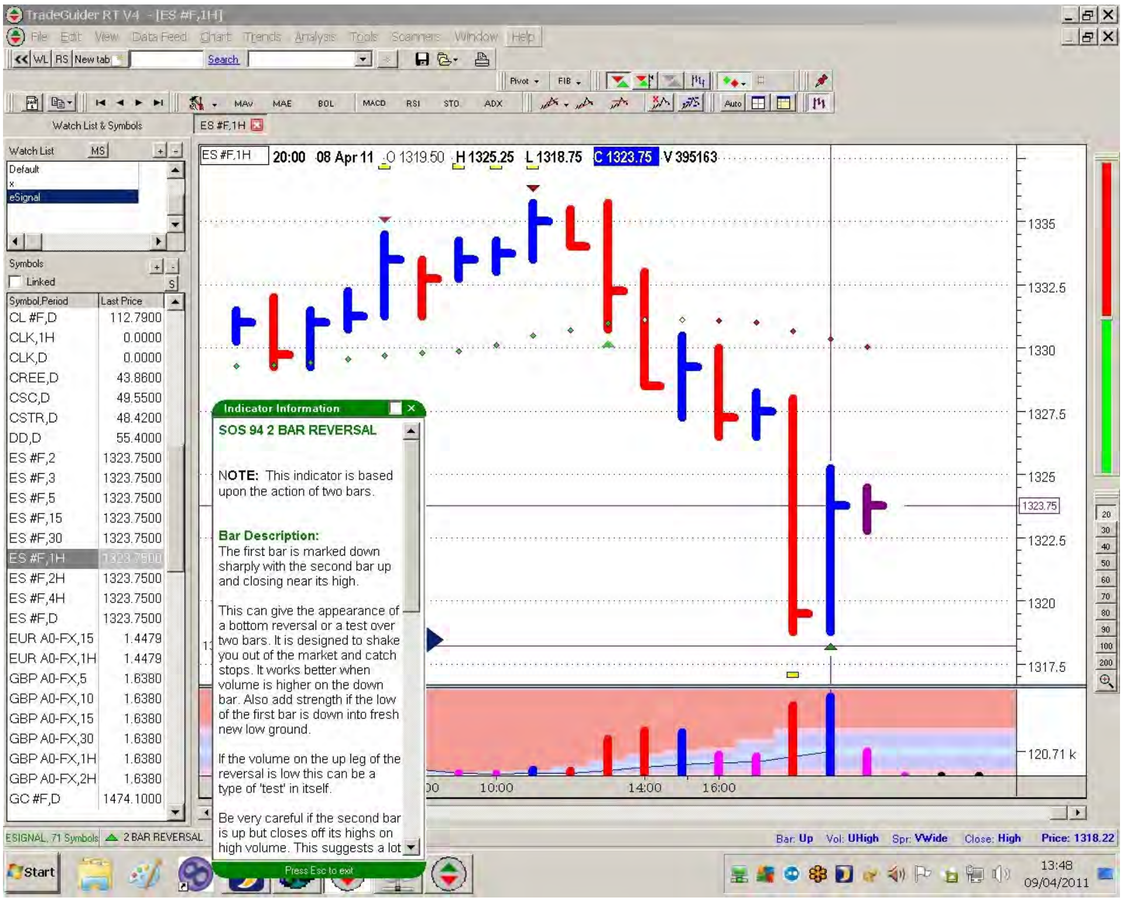
This looks like an attempt to test the market. To be marked down during the day, to close in the top quarter like that, is an attempt to test the market. Note the volume is just above average. On a test the volume needs to be clearly low, at least less than the previous two bars.

Point F

Friday. Here we have a down-bar closing in the middle, and look at that low volume. There is little or no selling pressure in this market at that moment. On saying that, you do have a lot of weakness during the last seven days preventing higher prices, but today's action could easily result in higher prices. We just have to sit and read the market as it unfolds.

TWO BAR REVERSALS

We've had a question in the VSA Club to explain top and bottom reversals. There appear to be more of them in the intra-day charts. See the example below of a bottom reversal. Basically it's a ploy to mark the market down rapidly after you've already seen a down-move. If the News is bad and getting even worse, this will make their job easier to mark the market down like this. It closes on the low only the next bar has a widespread up closed on the highs. It's really a two-bar shakeout. The principle is to catch as many stops as possible, mislead as many traders as possible on the first down-bar, a rapid reversal to the upside, which sends a lot of traders in or out of the market. This is inevitably a sign of strength. If there is a test, that is, a down-bar, some time in the future back down into the area of the first down-bar, and the volume is clearly less than the volume during that two-bar reversal, then the test of the market is a clear sign of strength.



Example - E-MINI S&P500 INDEX FRIDAY 8TH APRIL 2011 - Bottom reversal

Example - GBP/USD - Top reversal

Point A

You get the widespread up closing off the high, increase in volume, note, after an up-move has taken place, probably marked up on some good News.

Point B

A sudden rapid reversal with the low clearly lower than the low of the previous bar. This is an example of a top reversal.

Point C

We are looking for no demand to confirm the weakness to our left. Here we have an up-bar, but note how narrow the spread is, closing in the middle. There is a very slight surge in volume. This shows you there is heavy supply in this market, confirming the weakness to the left.

These are examples of top and bottom reversals. They won't all appear exactly the same, but the principles are explained. You will soon start identifying these reversals.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 16th April 2011

S&P500 INDEX CASH DAILY CHART

Point A

Monday. Here we have a down-bar. We do appear to have low volume, but when you see these bars with what we call top tails, in other words, the high is obviously higher than the close of the previous bar, the low volume that came in there was probably no demand, which you can see on lower timeframes. The S&P500 is not the easiest of indexes to analyse because of its massive liquidity. However, you will see signals which give you a chance to make a profitable trade.

Point B

Here we have a down-bar, with an automatic signal telling us that demand is beginning to overcome the supply. The volume only appears to be just above the average so it's not a huge amount of support here.

Point C

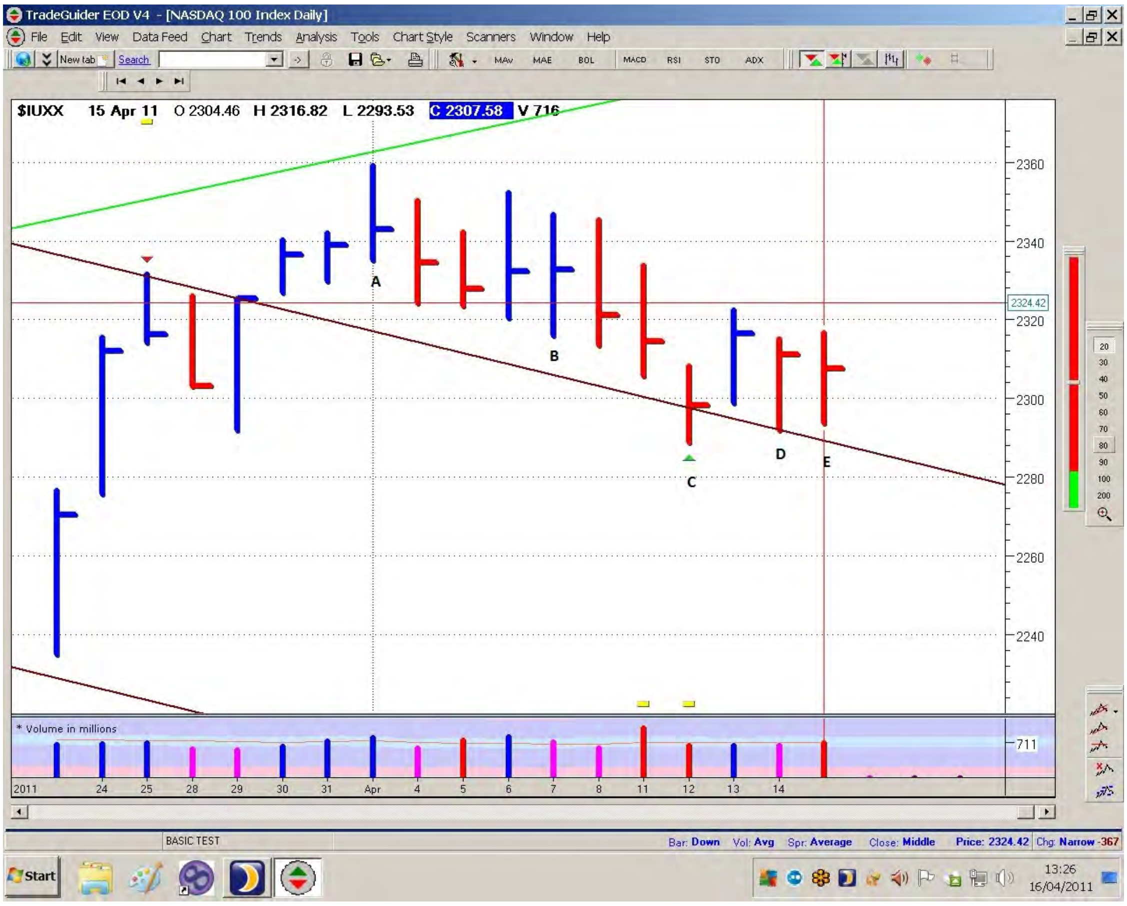
This bar is up but it has really closed in the middle so it's not telling us a great deal at that moment.

Point D

At last we have a clear indication of strength appearing. This is clearly a test-come-shakeout. For it to be marked down like that, to close near the highs, is definitely a sign of strength. The automatic signal tells us we have seen a test. You would definitely expect the next bar to be up.

Point E

Friday. Here we have an up-bar responding to the test on the previous bar. There is a slight increase in volume, the spread has slightly narrowed. We have drawn a green support line through the first positive indication of support at **Point B**. We need to keep this in mind because if this market is going to be bullish you'd expect to see the price come down and hit that green line, the spread will be narrow, and if the volume is less than the previous two bars, that would indicate higher prices. We are not saying the market has to do this. It's that word 'if'. If it happens then we'll recognise it and be poised to take a long position. The chart is a language that you will eventually be able to read easily, and as the following bars materialise you have a very good insight into what the market is going to do.



NASDAQ 100 DAILY CASH CHART

Point A

Here we have a very obvious upthrust, to be marked up, to fall rapidly and close in the low quarter. Note the resistance of that green upper trendline as well. The volume is just above average, but it is without question an upthrust and a sign of weakness.

Point B

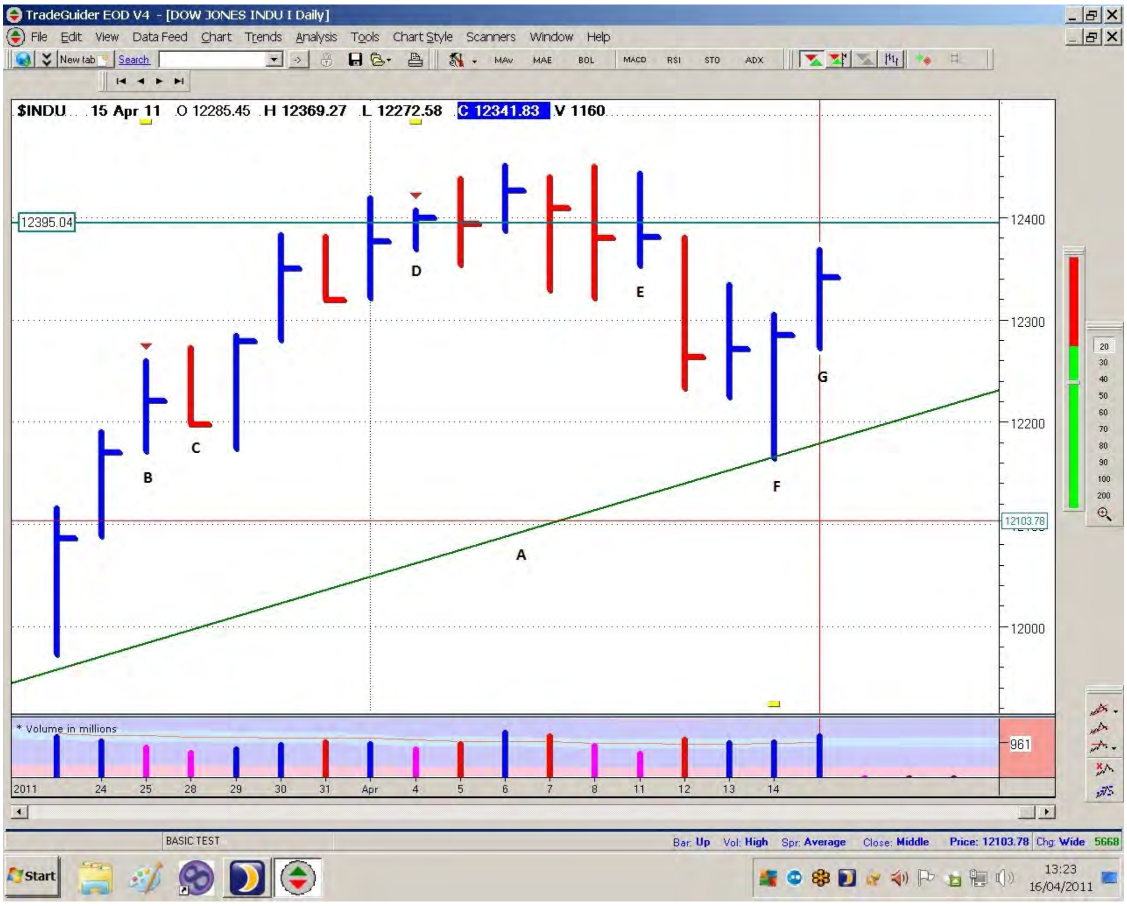
Here we have an up-bar. We know that in weak markets we get no demand up-bars. That means although the market's been marked up, here it has closed more or less in the middle, but the volume is clearly low, that is, it is less than the previous two bars, and the computer has coloured it pink to emphasise this. This observation is very important to you because of the upthrust at **Point A**.

Point C

Tuesday. Here we have a down-bar. Note the narrow spread, closing in the middle, down into fresh low ground. Note the volume is low. This is telling us that at that moment there is little or no selling pressure from the professional side of the market.

Point D

Here we have a clear test, very similar to the test we've just seen in the S&P500. Now that is a clear test, and you would normally expect higher prices. However, keep in mind, there is such a thing as a failed test. A failed test is when the test doesn't result in immediate higher prices. The reason is professional money would see that potential sign of strength immediately and would normally jump in long positions. Now if this does not happen immediately then we call this a failed test and it can easily become a potential sign of weakness, so we have to follow this Index with interest.



DOW JONES INDUSTRIAL DAILY CHART

Point A

This is a lower trendline which has been in position for some time. Always draw trendlines on a chart if possible as it gives you a much clearer idea of the trend of the market.

Point B

Here we have an automatic sign of weakness which tells us it is no demand. Now this is a good example because the very next bar (**Point C**) is down, testing that no demand. Note the very low volume - volume less than the previous two bars is emphasising it is low. In other words, despite the apparent weakness on the previous bar, there is absolutely little or no selling pressure from the professional side of the market. This will give you higher prices.

Point D

Here we have an up-bar, narrow spread, but look at that volume. It is low - less than the previous two bars. The computer has coloured it for us to remind us of this fact. Now note the next bar is down, but the volume is greater than the previous two bars, not lower like on the previous example, so we do appear now to have a genuine sign of weakness.

Point E

At **Point E** we have a clear upthrust-type bar coupled with the no demand appearing five bars back. The fact is the market is rounding over. This is confirmation of a weak market. Keep in mind we are analysing a daily chart, but I'm sure if you looked at lower timeframes many of these principles will become more obvious.

Point F

Here we have a test-come-shakeout mirror imaging the S&P500. The automatic signal tells us it is a basic test, but really it's a test-come-shakeout. Note how it bounced off the lower trendline. If the market was still bearish at that moment you'd expect to see the widespread down but closing on the lows with a slight increase in volume showing there's pressure to push the market down and penetrate that trendline. But of course in this example we have the exact opposite which gives us a sign of strength.

Point G

Friday. Here we have an up-bar responding to the test. The spread is somewhat narrow closing just off the highs and the volume is slightly above average. So the market at this point does not look as if it is enthusiastically bullish. If the market is bullish you would expect it to test at some time because the area at the top that we looked at will represent serious resistance levels to higher prices.

TESTING

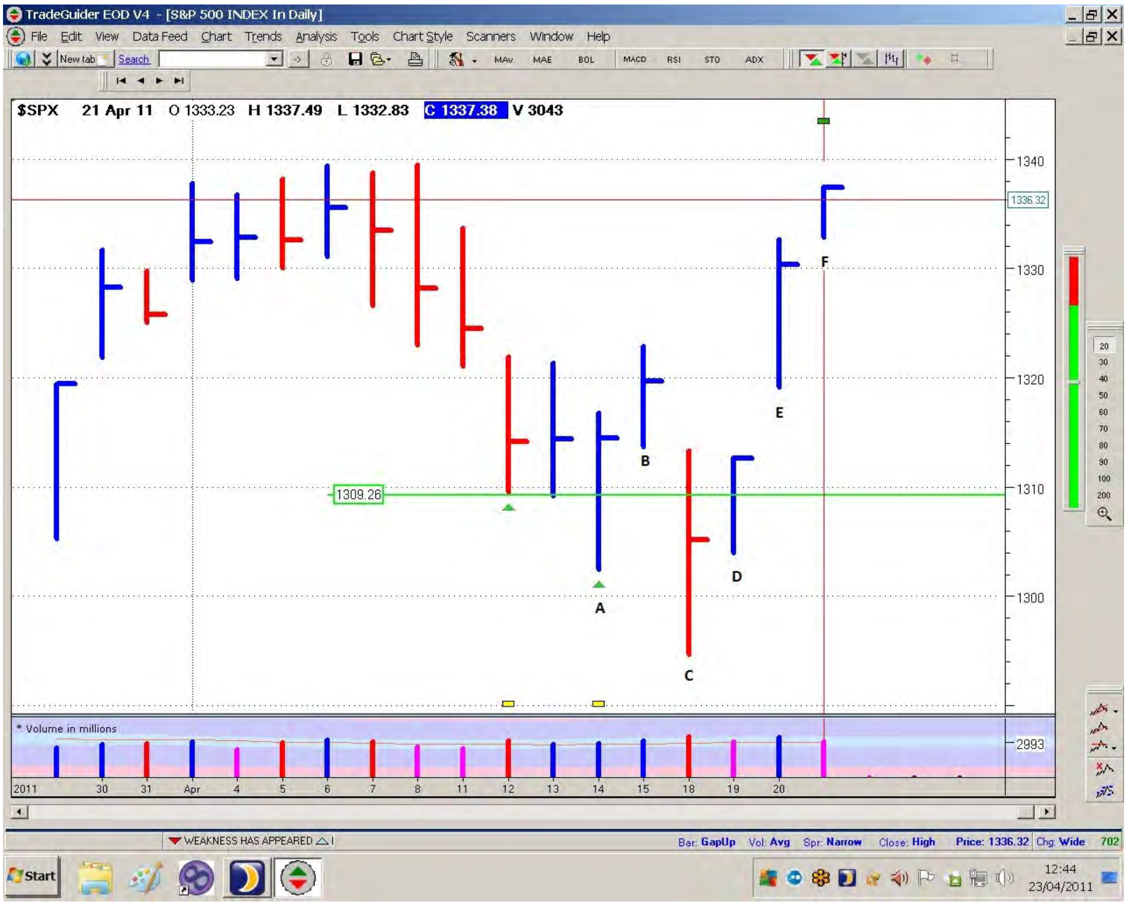
We have many requests to explain testing. The principle of a test is very simple. All markets move on supply and demand. Professional money will find it difficult to mark up an instrument they are interested in until they are sure that during their mark up it will not be swamped by supply or selling coming in which will cost them dearly. So one of the best ways to check this is to mark the market down which will normally encourage those that would want to sell, to sell. However, if the volume is low, especially when the spread is narrow, probably closing in the middle, it tells the professional operator that at that moment in time there is no selling to worry about. You see this testing very frequently and it can often give you a great opportunity to go long. Testing will always initially happen on a down-bar. It has to be on a down-bar to tempt any trader that is going to sell, to sell. On saying that, you will see many tests on up-bars. Now the reason for this is that initially on a smaller timeframe the test was in fact on a down-bar, but as the professional people saw there was no supply coming in, they jumped in on the trade going for higher prices. Now if you come along using a higher timeframe, then because of the surge of buying on the lower timeframe, the market has actually rallied up, giving the impression that the test is on an up-bar, but even on an up-bar it will have the characteristic signs of a test.

There is what we call a longer-term test of supply. You often see support coming into a market which may be stopping volume, climactic action. The market rallies somewhat, arches over, and slowly drops back down into the area where the initial signs of strength seen as stoppiong volume or climactic action were seen. Now as the market falls back down into an area where to the left there was high volume, the volume is now low, then that is telling you that the supply has in fact been absorbed and the market is now ready for a bull move. This is seen very frequently. Because we don't use mathematical formulas in any way, this testing we've even seen on the next two or three bars, or it can be fifty bars, you have to understand the principle and recognise it if and when it appears. You can then trade with confidence knowing you can rely on the principle. Always keep in mind a test is a very neat way to catch stops that have been put too close to the market and will mislead or wrong-foot many traders.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 23rd April 2011



S&P500 INDEX CASH DAILY CHART

Point A

We identified this last Thursday as a test and a sign of strength. We do have an automatic signal on this bar.

Point B

Here we have an immediate response to the test on the previous bar. Although the action at **Point A** we described as a test, it is really a shakeout.

Point C

Monday. Here we have a gigantic down-move only to close in the middle. This looks truly like a severe shakeout. This is a ploy to generate higher prices as it triggers off thousands of stops, shakes the market out, so you'd expect higher prices on that action.

Point D

Tuesday. Here we have an up-bar closing on the high responding to the shakeout. Note the volume is low which in this case is probably caused from them having a reach up to buy stock which is probably in short supply due to the severe shakeout on the previous bar. True no demand has to have weakness in the background, not strength.

Point E

Here we have a widespread gapped-up bar closing on the highs. This is a huge effort to create a bull move. Shakeouts like we saw at **Point C** will give a momentum for this widespread up like this gapped-up bar. You would expect higher prices.

Point F

Thursday. Again we have a gapped-up bar, but note the spread is very narrow and note the volume is clearly less than the previous two bars. This is no demand. The automatic signal tells us weakness has appeared. We have now reached a holiday period which may account for the lack of volume. We have to sit and wait for further developments to analyse this market further.

NASDAQ 100 DAILY CASH CHART

Point A

Here we have a gigantic shakeout. Note the low is well over-sold only to close on the highs. We have an automatic signal telling us it is a shakeout. You would expect higher prices on these shakeouts.

Point B

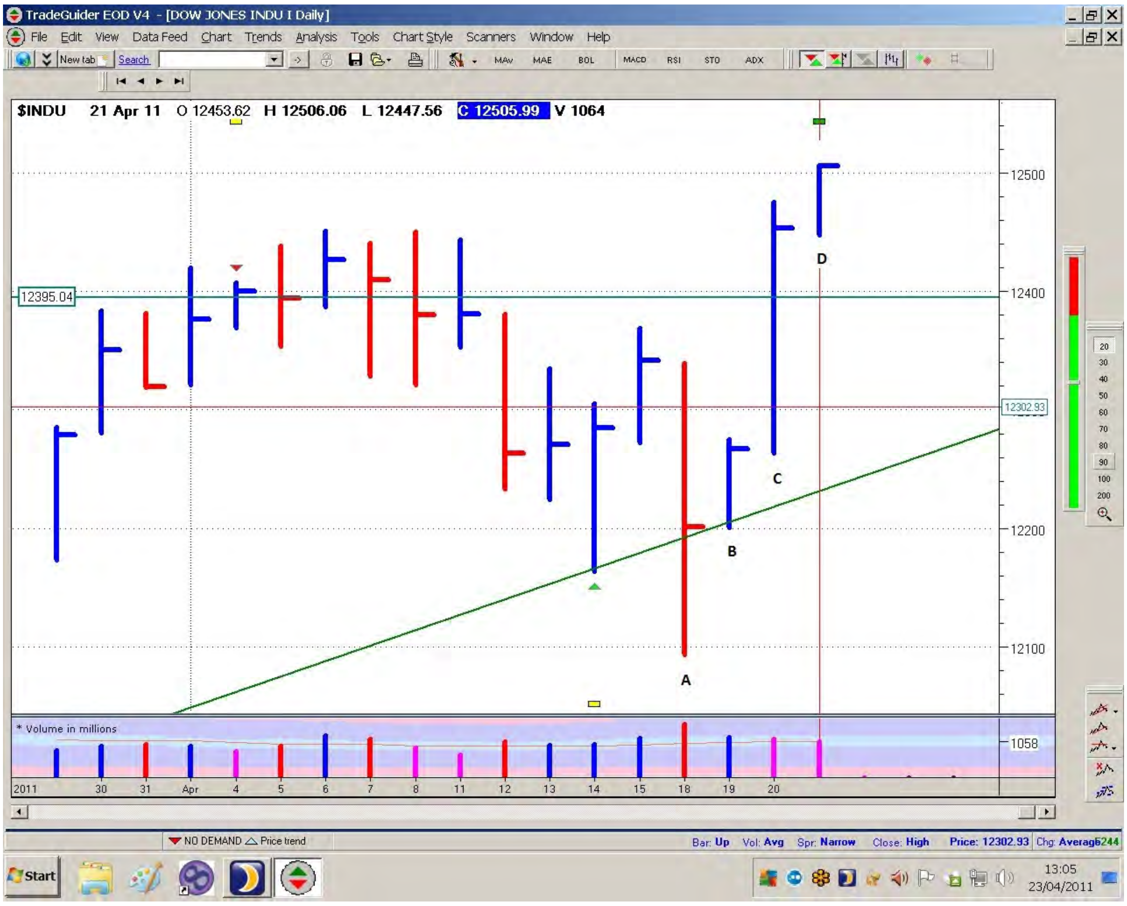
Tuesday. An immediate response to the shakeout - an up-bar closed on the highs.

Point C

Here we have a large gapped-up bar. Note it is pushing up through the highs to the left. The idea behind a move like this is to prevent hundreds of thousands of traders locked in at the recent highs to the left from selling into their up-move. This type of move tends to quieten down all those traders who have been locked in at those highs into doing nothing. So you would expect higher prices.

Point D

Thursday. Here again we have a gapped-up bar, the spread is narrow. The volume is about average. Although this bar is marked with a sign of weakness, for this market to remain bullish, you would expect a test of some sort to occur during the next week. If you see a down-bar, narrow spread, probably closing in the middle, and the volume is clearly less than the previous two bars, then that would be a test and you would expect higher prices. Note it was the shakeout at **Point A** that enabled the market to have this rapid gapped-up move. We have a long weekend ahead of us which will give the News media plenty of time to create stories on why this market has suddenly shot up.



DOW JONES INDUSTRIAL DAILY CHART

Point A

Monday. The Dow Jones will closely follow the S&P500. They are closely linked. So at **Point A** we have the shakeout. Note the low is clearly over-sold. We can also see the test on the previous two bars which bounced off the trendline. So we are expecting higher prices.

Point B

Here we have an up-bar closed on the high responding to the shakeout.

Point C

A huge widespread up-bar closing on the highs as it pushes up and through the previous top to the left. Note the green horizontal line as well, also represents a high to the left, so these widespreads up through these areas of resistance are done deliberately to encourage those traders that were locked in and are potentially weak holders, now to encourage them not to sell their holdings. Professional money needs to buy on the shakeouts on the lows. They don't want to buy at what appears to be high prices to them.

Point D

Thursday. Here we have an up-bar. Note the spread has narrowed, note the volume has dropped off. This is no demand. It is the start of a long weekend holiday so we have to be patient and wait to see where they test the market or even mark it up again on no demand.

EUR/USD DAILY CHART

Point A

We've had a customer ring up telling us that he shorted on an upthrust. Now admittedly upthrusts do look exactly like this, but the problem the way we see it is we have to look at the background, and right below us we have a fairly clear shakeout, even producing an automatic signal telling us that strength has appeared. As we saw in the previous charts, these shakeouts produce higher prices. Now a true upthrust only appears after we have weakness, but we have strength here behind us, so we definitely can't call this a true upthrust. We do have a signal on this bar telling us there is in fact some selling pressure built within the bar, but with a shakeout in the background we have to be very wary of any short positions at **Point A.**

BREAKOUTS TO THE UPSIDE

This is a common sign of strength, but you have to be wary because they can have a false breakout, and the market can quickly reverse and fall. But generally speaking, they are signs of strength, and they are usually pushing up through some resistance to the left of the chart, which is usually a previous high. This is a ploy to try to prevent locked-in traders at these old levels from selling. Professional money like to buy at the lows, not at these higher prices. If a breakout is bullish you would expect the market to go sideways a few bars and then test. This will be a down-bar, narrow spread, closed in the middle or high, volume clearly low, that is, less than the previous two bars. This is telling all the professional traders that the breakout has been successful to the up-side and any selling that occurred on that move up has been absorbed and now with the test shows that the supply has in fact disappeared. Markets, as you know, work on supply and demand. If there is no supply displayed as a down-bar with low volume, then the path of least resistance must be up, and you would then expect higher prices.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 30th April 2011

S&P500 INDEX CASH DAILY CHART

Point A

Here we are looking at the previous Thursday before the long holiday. We have a sign of weakness which is no demand, an up-bar, narrow spread, closed near the highs, volume less than the previous two bars. It is no demand. Note it has even gapped up, and produced an automatic signal of weakness.

Point B

The market re-opens on the Monday after the long weekend, and lo and behold, we have a very very clear test - a down-bar, narrow spread, closed in the middle, volume less than the previous two is telling us there is no selling pressure in the market. So this is a sign of strength. These opportunities should not be missed. Whenever you see a test like this, on the Monday especially, you should not hesitate but immediately go long because we know the professionals will be fully aware of this and will mark the following day up rapidly as possible to lock people in or out of the market.

Point C

Here we have a widespread up closed near the highs which we know is a direct result of that test on the previous bar. These rapid wide spreads up will tend to lock many would-be traders in or out of the market, and it is a ploy we see very frequently either in a strong market or a weak market where it is marked down heavily again to lock traders in or out.

Point D

A continuation of the up-move, the market is still very bullish from that test on Monday.

Point E

Here we have an up-bar, but note the spread has definitely narrowed somewhat. The volume is just about average. Note how the simple trending system will help to keep you in a long trade, usually far longer than you normally would. If the close of the bar is higher than the close of the previous bar it will colour the bar blue. You ignore level bars, allow for one down-bar. So ever since the low, which was a shakeout, we have been trending up.

Point F

Here we have an up-bar, but look how narrow the spread is, and there is a slight increase in volume, so there must have been some supply on that bar, and a potential sign of weakness.

NASDAQ 100 DAILY CASH CHART

Point A

This is a very clear shakeout that we have noted previously. Whenever you see these shakeouts like that, it gives a tremendous boost to the bullish side. The automatic signal tells us that it is a shakeout, which is correct.

Point B

Here we have an up-bar, the spread has somewhat narrowed, and the volume has fallen off, but the market has been driven up by the shakeout at **Point A**. Keep in mind that genuine signs of weakness like no demand or upthrusts occur after you've seen weakness, where here we have strength behind us - the shakeout at **Point A** and the rapid gap up bars caused by that shakeout. So these are signs of strength.

Point C

Here we still have an up-bar. It has hit the top trendline shown in green. It has closed in the middle. This green trendline will act as a resistance level. This is not the area where you contemplate taking new long positions. You have to recognise the shakeouts on the low of this chart for your trades.

Point D

This looks like a test. It is a down-bar, very narrow spread, closing near the highs, and the volume is clearly less than the previous two. If the market was genuinely bullish, on seeing a test like this, professional money would immediately mark the market up, but we do have such a thing as what we call a failed test, and this would tend to mark a potential weakness in the market for that very reason. Professional money has not opted to mark the market up on that test.

Point E

Here we have a down-bar. Note this is breaking the simple trending system. We now have a failed test on the previous bar. On this down-bar there is quite high volume. This could easily be buying in anticipation of higher prices. The market could easily be vulnerable to having an upthrust. This is a ploy to catch thousands of stops placed above the market, panic those traders that are short, and encourage traders to go long in a potential weak market. This may not happen, but I still use the word 'if'. If it happens we will be ready and aware of it.

DOW JONES INDUSTRIAL DAILY CHART

Point A

Monday. The Dow follows the S&P500 very closely, and here on Monday we have a test checking the weakness on that previous bar. Whenever you see a test like this immediately following a sign of weakness it is usually a very strong indication of immediate higher prices.

Point B

Here we have the expected widespread up, closed on the highs. This is done deliberately and ensures that as many traders as possible are locked in or out of the market.

Point C

Friday. Here we have an up-bar, narrow spread, a somewhat increase in volume. This is an indication of weakness. They seem to like to test the markets on the following Monday, so we have to pay particular attention to Monday's action, but we need to be warned that there is some weakness in this bar.

SILVER (SLV) DAILY CHART

Point A

Trendline. Draw from the first two points of support and the first point of supply - gives us a decent trendline. Note how the simple trending system works throughout this trend. This allows you to stay in a long trade with confidence, far longer than you normally would. You can very easily be shaken out of a decent long trade.

Point B

We are now over-bought, that is, above the trendline. We have an automatic signal telling us that there is supply present, but note we are still trending up.

Point C

Now we do have an automatic sign of weakness, and note the volume has increased considerably. There is definitely supply present at the moment.

Point D

Here we have a definite test-like bar. It has even been gapped down testing the two previous signs of weakness at Points B and C. Note the spread is narrow, note it has closed in the middle. The volume is low although it would be nice to see the volume lower than the previous two bars. It hits the top trendline which we know will give support as the trendlines are resistance levels.

Point E

Here we have the expected widespread up, closed on the highs. As we noted before, these widespread up-bars following a test confirm that the test is correct, and will lock as many traders in or out of the market as possible.

Point F

Here we have an up-bar. There is an increase in volume. It has closed well off the highs. We have an automatic sign of weakness appear telling us that supply is coming in. It is essential you read and study these dialogue boxes.

Point G

Friday. Here we do have a down-bar, the volume has considerably fallen off. I don't really like these so-called test bars appearing that have these top-tails to them. In other words, there has been action over the close of the previous bar, because you are not quite sure what happened when it went up there - was that no demand? A really good test you will see that the whole bar is lower than the close of the previous bar, then you know that any volume or lack of it, is related to that down-bar. We are over-bought. This market could easily now falter in its up-move.

THE BACKGROUND

One of the most important things in your analysis is to look at the background. A genuine sign of weakness, like an upthrust, or no demand, will occur after you've got weakness in the background. But if you have got a shakeout or a test in the background, then you don't have weakness, you've got strength, and your analysis will probably fail due to that. If you read last week's Newsletter, a user excitedly went short on what appeared to be an upthrust in the Euro/USD. But as we pointed out, that could not possibly have been a genuine upthrust because you had a shakeout on the previous bars. A genuine upthrust will only occur after you've seen weakness, so it is very important not to concentrate on one bar in isolation, but to place that bar in the overall context of the chart.

If you have any un-answered questions, please enter them into the VSA Club, and we will do our best to answer them.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 7th May 2011

S&P500 INDEX CASH DAILY CHART

Point A

This was a week ago last Friday and if you read the comments we made on that day, it is telling you that this bar looks weak. Please read last week's comments for more information on that.

Point B

This is Monday. This is a very clear sign of weakness. It has produced an automatic signal saying there is no result from effort to go up, and is reflecting on the weakness on the previous bar at **Point A**. Each Monday you should carefully scrutinize this end of day chart because most of the traders go home over the weekend holding no live positions, so on the Monday when the market opens they need to test the market to decide how they are going to trade. Whenever you see an up-bar like that that is sticking up like a telegraph pole, only to close on the lower quarter, and the volume is less than the previous two bars, this is a sign of weakness and you would expect lower prices. Note how it just clipped the top trendline.

Point C

Here we have a down-bar. It has closed in the top quarter. Without checking the volume first you might say this looks like a test, but it is going to be a failed test because the volume is far too high in relationship to the previous bar which we can see is no demand. If the next bar is down then this portrays a failed test and you'd expect lower prices.

Point D

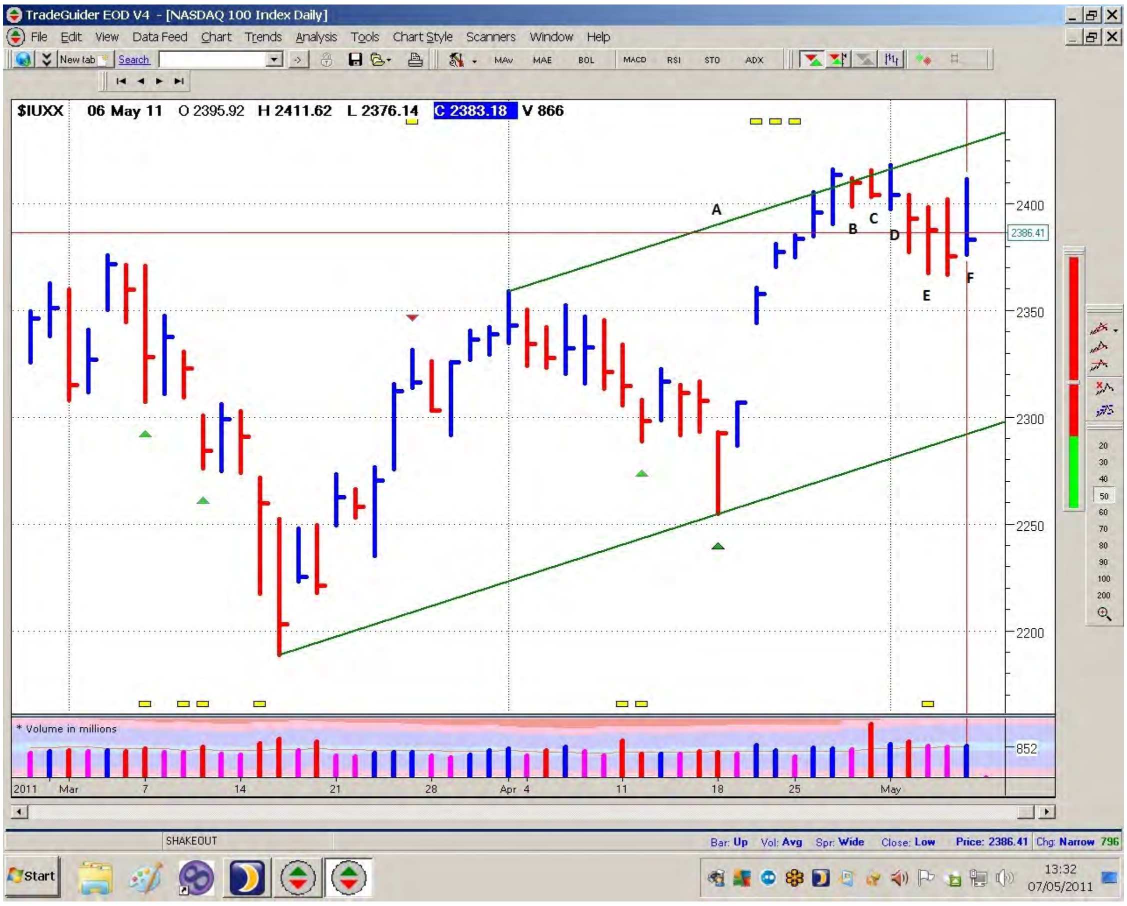
Here we have another down-bar, closed lower quarter. The volume is just above the average, so it is certainly no sign of stopping volume and still high enough to see that there is supply still in the market.

Point E

Here we have a down-bar closing in the lower quarter but the volume is less than the previous two bars. Selling pressure has diminished. The computer has picked this up as potential strength arriving.

Point F

Friday. The slight sign of strength on the previous bar allowed them to mark the market up only to collapse on the bottom quarter, and look, the volume is really now low. This is really a no demand upthrust and you certainly would not be expecting higher prices. Note you can see the lower trendline. The market will hit this lower trendline some time next week. Notice how the trending system works. Every down-bar is coloured red. This is because the close of the bar is lower than the close of the previous bar. You can ignore level bars if they occur and allow for one up-bar. Remember that they like to test the market every Monday, so if the market is weak, which it certainly looks like, you are really looking for no demand up-bars, especially if they are up on narrow spreads, closed in the middle, and the volume is clearly less than the previous two, which indicates weakness.



NASDAQ 100 DAILY CASH CHART

Point A

This is the current trendline drawn between the first two points of support and the first point of supply as seen on the chart. Always draw your trendlines as something will happen as it nears or approaches or penetrates a trendline.

Point B

Previous Thursday. This looks like a test in a rising market. The volume is even low. However you are hitting the top trendline. You would expect higher prices on a test looking like this. However, if the next bar is down this tells us that what we are looking at on this bar is a failed test. This is a sign of weakness because professional money would be fully aware of this test. If they haven't immediately taken advantage of this and marked the market up, then it must show that they are bearish, not bullish which is a warning sign of weakness.

Point C

This is a down-bar, so the previous bar was a failed test and a warning to you.

Point D

Monday. This is an upthrust. The price has been marked up, bounced off the top trendline, closed in the lower quarter, and the volume is about average. This is a sign of weakness. You could check the other Index, the S&P500 where the upthrust is far more clear on that Monday.

Point E

Some minor support seems to have entered the market seen in the pink volume below showing that selling pressure has dropped off, and at the same time the market closed near the top quarter.

Point F

Here we have a down-bar also showing some strength which has appeared on the lack of selling pressure, in other words the volume is less than the previous two.

Point G

Friday. Here we can see the market has been marked up only to fall in the lower quarter. This is a sign of weakness and you would expect lower prices. Note that this upthrust was allowed to happen because of the lack of selling pressure on the previous two bars. Look for a test next Monday. If the market is still weak you'd expect to see a no demand up-bar.

DOW JONES INDUSTRIAL DAILY CHART

Point A

A week last Friday. We recognised this at the time as a potential sign of weakness. Please read last week's Newsletter for details. An automatic signal has been produced telling us there is selling pressure on this bar. Professional money will be fully aware of this.

Point B

Monday. As we know they are highly likely to use Monday as a testing day. They are fully aware of the weakness on the previous bar. Here we have a clear automatic sign of weakness which tells us there is no result from effort to go up. It has hit the top trendline and is technically over-bought with weakness on the previous bar. We are given a clear sign of weakness.

Point C

Tuesday. Here we have what looks like a test, but the fact is it is hitting the top trendline, we've got two weak bars behind us, and the volume is far too high to be analysed as a successful test.

Point D

Here we have a down-bar so that confirms that the previous bar is a failed test and an ongoing sign of weakness.

Point E

Here we have a down-bar closing off the lows but the volume has fallen off. That's indicating that selling pressure has dropped off which is a potential sign of strength. An automatic signal has appeared telling us this looks like a test.

Point F

Friday. Here we have an up-bar, the lack of selling pressure has allowed them to mark it up quite high only to fall in the lower quarter. This certainly looks like a weak bar and you would expect lower prices.

QUESTION IN THE FORUM

We have had an interesting question put to us in the VSA Club forum and thought it would be good to answer it here in the Newsletter.

The question was:-

"I'm not a winning trader but I have done my best to put the studies in. When you or Gavin are doing webinars the principles are clear and I cannot think of any questions to ask, but when I'm alone its one mistake after another.

Could you give us 2 or 3 questions you ask yourself before entering a trade?"

Answer:-

Making frequent mistakes can be a common occurrence to the would-be trader. First of all, try specialising in only one or two instruments so you really get to know their personality and how they basically behave. We can see the principles involved very clearly in hindsight so they must have been there at the live edge of the market. Try to avoid listening to other people's advice, listening to News, especially on television, thinking you are going to be informed in some positive way because the mis-information supplied by the media will develop a gut feeling of which way the market is going to go, which inevitably will be wrong. Never expect any positive advice from the exchanges or media or so-called stock experts. You need to study and learn the principles involved and how to recognise them as they appear. Remember you cannot trust anybody in the stock market to help you. You cannot even trust yourself, usually because of all the mis-information that your mind is absorbing, consciously or unconsciously, affecting your judgement. Try practising on the simulated trading system on the Infinity dom (Infinity Futures Dom) until you get it right.

Some questions to ask yourself: Have I got my analysis right and have I got enough confidence to go in and trade it? What is the background? Is it strong or weak? Do I have confirmation of that strength/weakness? Am I on or near the top/bottom trendlines? Has my 'bus' come along, ie. is this the right moment to enter - is it a recognised VSA principle?

Tom Williams' Workshop

I am planning, with the help of Peter and Rita Offen, to hold a live full day workshop weekly here in Worthing, West Sussex, England, (possibly on a Tuesday to take full advantage of the Monday testing) with a live datafeed running, and trading live as the opportunities present themselves. Here we'll show you how to trade using the Infinity Dom, how to analyse the market, how we write this Newsletter and come to our conclusions, and much more. Peter Offen is a computer expert and can demonstrate anything that is needed. These workshops have nothing to do with Tradeguider although we do have their full backing. For further information contact me via ritaoffen@yahoo.co.uk. You will be receiving more information on this when the dates are set, but can register your interest with us now.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Monday 16th May 2011

We apologise for the delay with the Newsletter this week, but Rita who we rely on to type was in London this weekend.

S&P500 INDEX CASH DAILY CHART

Point A

A week last Friday. We identified this bar as an indication of weakness. It looks very much like an upthrust but it is not what we know as a genuine upthrust because a genuine upthrust will have clear signs of weakness in the background. There is actually a potential sign of strength on the previous bar, even coming up with a signal telling us that strength is coming in. Nevertheless, a strong market will not have bars looking like the bar at **Point A**.

Point B

Monday. Here we can see we've got an up-bar, and look at that low volume. It is coloured pink because the volume is low, so this is clearly a no demand up-bar. On saying that, with these no demand up-bars, when you do have some potential strength in the near background, will often go up two bars on no demand.

Point C

Tuesday. Here we have an up-bar, it has closed just off the highs, volume is less than the average line, so we are not expecting any bull move at the moment.

Point D

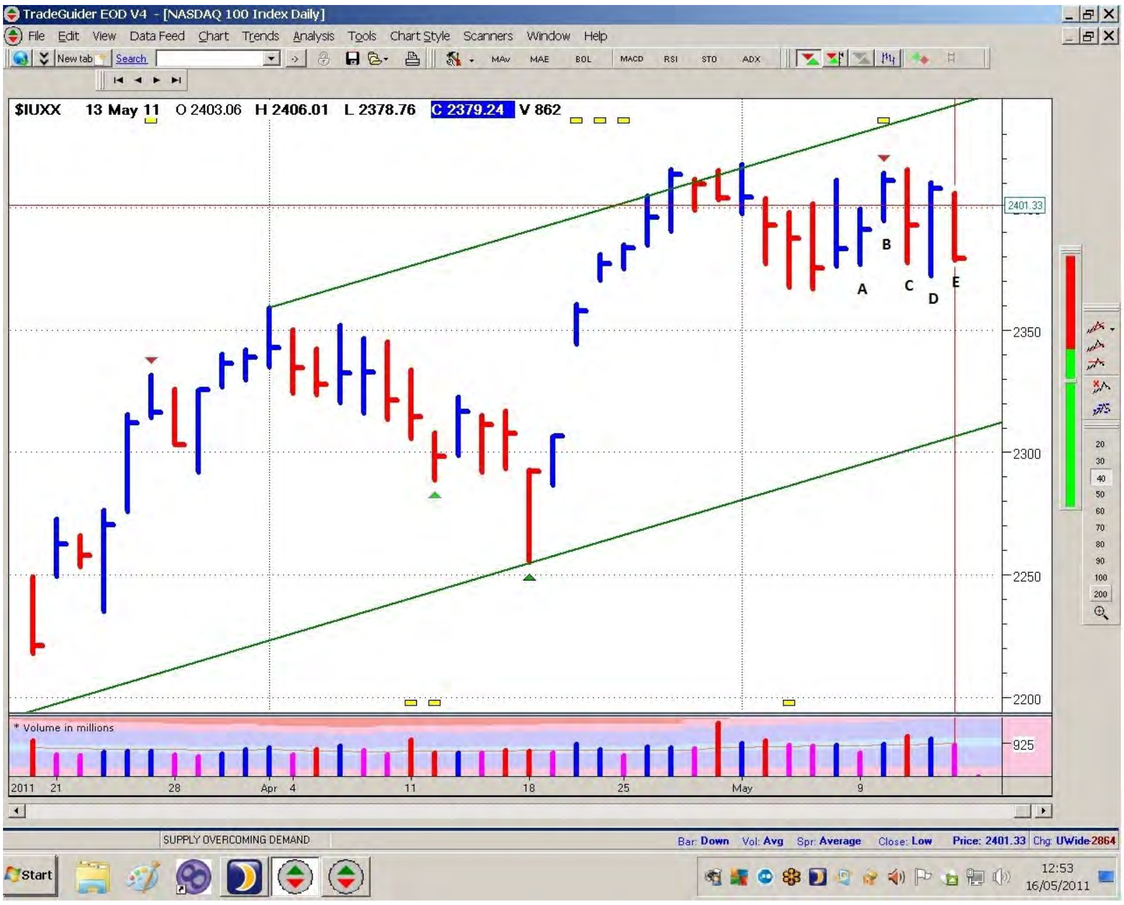
Here we have a gapped down bar closing in the low quarter, volume is about average. There is nothing special you can read into this bar, and the lower trendline is obviously coming into view.

Point E

Here we have an up-bar, the volume is struggling to break the average line, so we are not expecting the market to go very far at the moment on that bar.

Point F

Friday. Here we have a down-bar closing low quarter, volume is now clearly less than the previous two bars, so there is not a lot of selling pressure in the market at the moment. It would be unusual if the market doesn't bounce off that lower trendline Monday. We look to the other two Indices, the Dow and the Nasdaq for further information to help our analysis.



NASDAQ 100 DAILY CASH CHART

Point A

Monday. Like the S&P500 Index, we have a no demand up-bar. Although we call this a no demand up-bar, true no demand for shorting purposes appear at the top of markets on the upper trendlines, after we've seen obvious signs of weakness.

Point B

Here we have an up-bar. Note it was actually gapped up. This is a common ploy in a basically weak market. They've seen the no demand on the previous bar, gapping it up, doing their best to mislead as many traders as possible. On saying that, it has not fooled the computer which has produced an automatic signal telling us that supply is overcoming demand. It is not all that obvious to the human eye, but the main weakness is on the previous bar showing no demand up-bar.

Point C

Wednesday. Here we have a down-bar closing just below the half-way, and the volume has increased somewhat, so it appears to be some support in this market.

Point D

Here we have an up-bar responding to the small amount of buying on the previous bar.

Point E

Friday. Here we have a down-bar. Note the volume is lower so there is not a lot of selling pressure in the market at the moment. Note we are more or less in the middle of a trading range. It's not a good idea to make guesses when you are in the middle of a trading range. You need something obvious to predict the market. Trendlines do work. You would expect lower prices.

DOW JONES INDUSTRIAL DAILY CHART

Point A

This is a new trendline drawn using the last two lows and the first high. We will call this the intermediate trendline, but we do not ignore the original trendline seen with the signs of weakness at **Point B**.

Point C

Monday. Here we have an up-bar closing well off the highs. Again we have an up-bar on no demand seen by the low volume. Low volume is when we see volume is less than the previous two bars, and the computer has coloured it pink. So we know at that point the market is not bullish.

Point D

Here we have an up-bar, but the professional players are fully aware of the weakness on the previous bar, and although the market is up, note that the volume is relatively low and note that relatively to the previous bars the spread is narrow.

Point E

Here we have a down-bar closing low quarter, volume is relatively low which is indicating there is no obvious buying at this moment.

Point F

Here we have an up-bar. Note this bar has what we call a bottom tail. It must have probed down there at the opening only to find there is no selling pressure. This produced the automatic signal seen by the yellow box. To read this place the cursor over the box and click. It tells us it is a test but wait for the next bar for confirmation.

Point G

Friday. Here we have a down-bar. Note the volume is less than the previous two bars. The computer has coloured it pink. There was little or no selling pressure at that moment.

Gavin Holmes' new book is due from the printers some time this week. I've read most of it and was very surprised of how good it is and I certainly recommend that you read this book as it gives great insight into how a trader enters the market as a winner. Gavin Holmes has become an excellent trader in his own right and I must say that potential traders that enter the market with no previous experience whatsoever seem to do very well and often far quicker than traders that enter the market that have had previous experience using all of the information, books, mathematical formulas that they would have originally been introduced to. So a trader that enters the market with an unpolluted mind will see the VSA principles and recognise how they are working, and his skill as a trader then develops around this knowledge. Most traders do not understand volume implications and how important it is in their analysis of any of the markets in any timeframe. Basically you have hundreds of thousands of traders constantly trading, some long, some short, some holding, some waiting to get into the market, some already in profitable positions, some even in losing positions. So how on earth can we possibly make sense of this? It's not so difficult as you might think because whenever a trade is entered the appropriate exchange registers this as volume on a continuous ongoing basis. So to us volume represents activity. What is the exact amount of activity taking place in relation to the bar on your chart? The activity must bear the reason why the chart is behaving the way it is. You then need to realise that at least 80% or even more of that volume or activity will be professional money. In other words, traders that are trading large amounts of money and contracts, in fact large enough to alter the direction of a market. For example, an up-bar into fresh high ground on your chart, but you see the spread is narrow, and the volume is very high, will produce an automatic sign of weakness in the VSA software. The reason for this is professional money has to sell as the market is going up, and the narrow spread up-bar is caused by them satisfying every buy order that comes into the market, in other words, capping the top end of the market. It is like putting a lid on it. This produces a narrow spread on up-bar. If the activity is very high then this can only tell you that professional money is taking their profits and this will make the market a weak one. Very often it will be difficult for you to see this because inevitably the News will be good News, and it may be difficult for many to understand that you need to sell on good News.

Most traders will, by their very nature, consider themselves to be quite intelligent, and previous success in life will show this. So you have to ask yourself a question, why is it so difficult to predict market behaviour? All your skills that have served you well during your life never seem quite good enough, so why is this? I would say the reason for this is that all the information, and I mean all, that's pouring into your mind cannot be the correct information, and it's this deluge of this mis-information that is making it difficult to predict market behaviour on a regular reliable basis. This book will go a long way to satisfying your understanding of exactly of what's going on, and you can only benefit from this information - information that will be with you for the rest of your life.

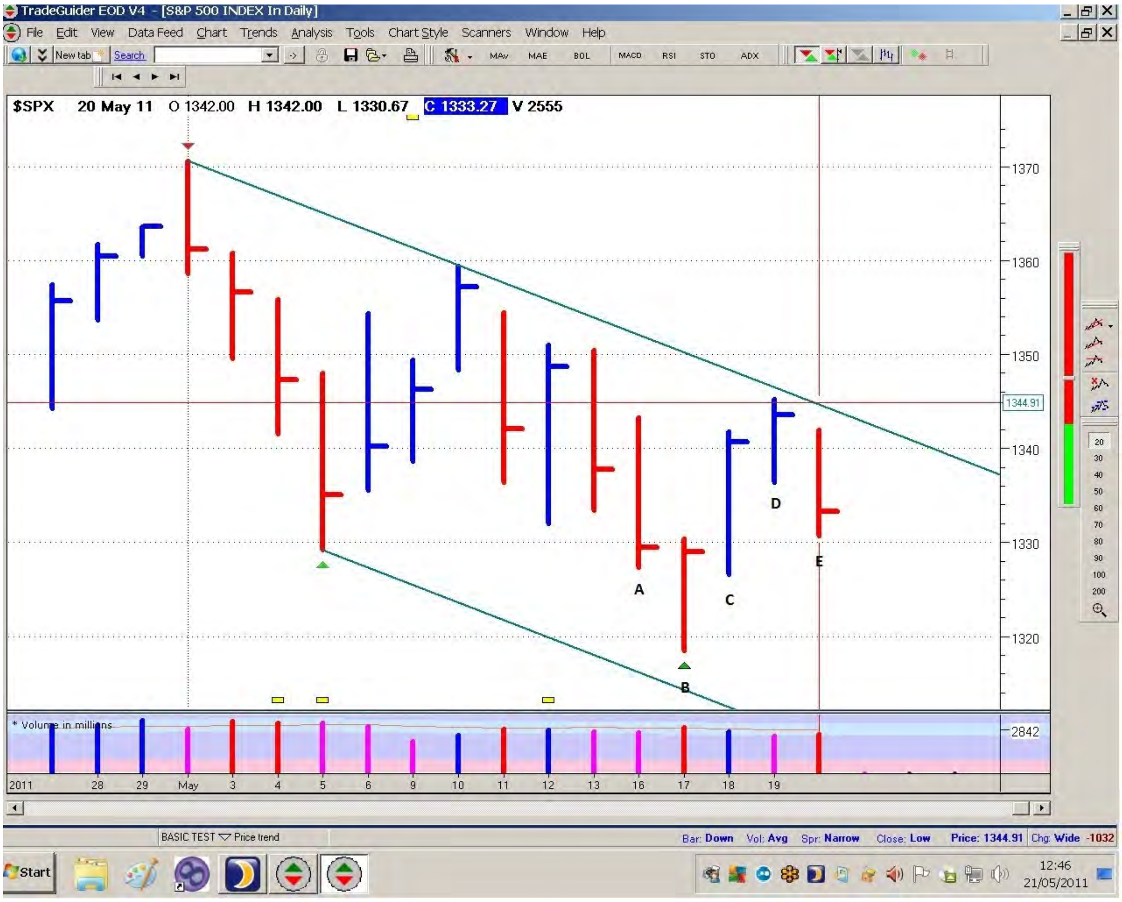
Tom Williams' Workshop

We are now pleased to announce we have firm dates for our workshop, which will be held every Tuesday throughout the Summer months on a regular ongoing basis, starting on 5th July 2011. The venue will be the Ardington Hotel, Worthing, UK, the day will commence 8am through to 5 or 6pm, and the cost will be £200 per day. More information to follow. If you haven't already done so, and would like to register for the event, you can do so by emailing ritaoffen@yahoo.co.uk.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 21st May 2011



S&P500 INDEX CASH DAILY CHART

Point A

Monday. Widespread down, closed near the lows showing weakness is still present. We've changed the trendlines which were shown last week which was showing an up-trend. As the market now appears to be trending down we have re-drawn the trendlines as seen on the chart.

Point B

Tuesday. Here we have what appears to be a shakeout, although the automatic signal dialogue box tells us it is stopping volume. For true stopping volume I'd like to see the volume much higher than what it is displaying at the moment. It is certainly a shakeout, and a very positive indication of higher prices. Because the S&P500 is so liquid there's not a lot of variation in the volume which does not exactly help our analysis, but there are times when indications of strength and weakness are very clear in this Index, and an opportunity for you to make a profitable trade. This is one point where you can go long with confidence. They don't come along all that often, but when they do you should take full advantage of them.

Point C

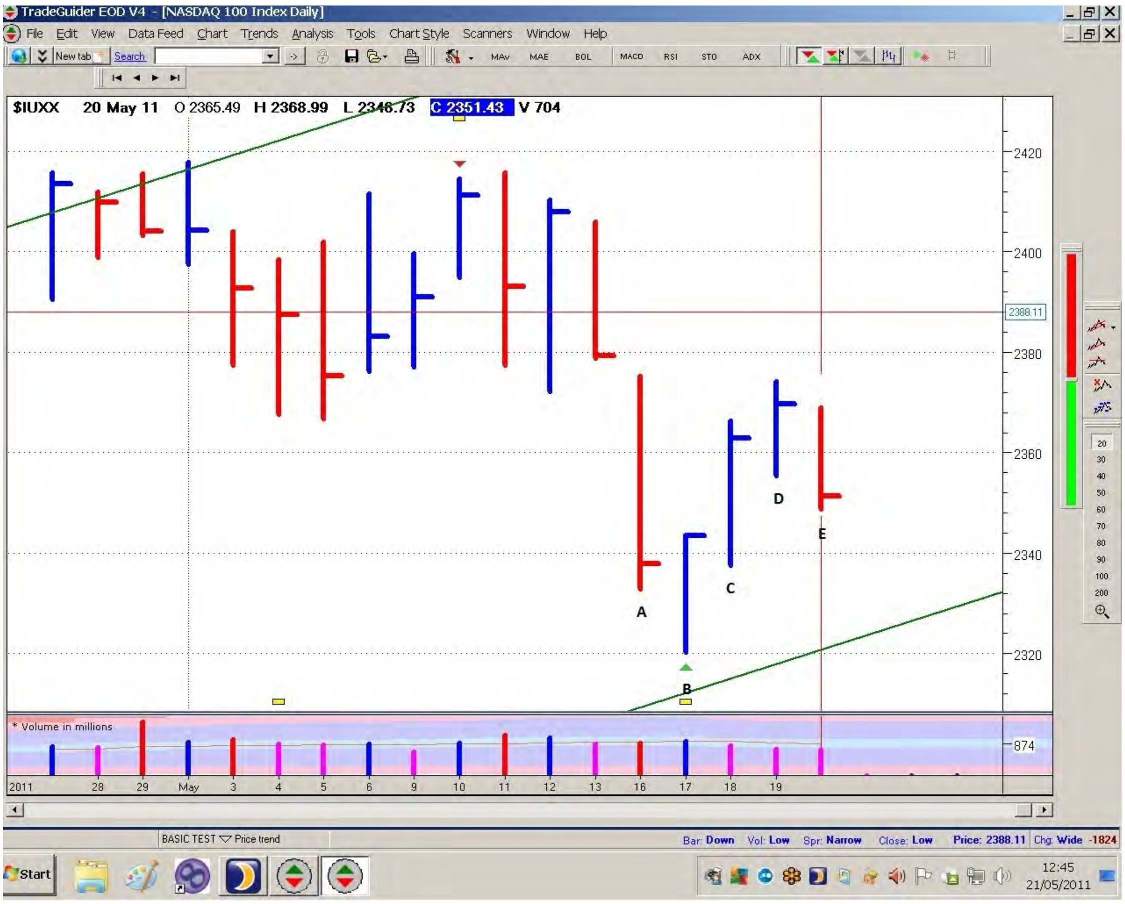
A widespread up, closed near the highs responding to the strength on the previous bar.

Point D

Here we have an up-bar as it hits the top trendline, but look at that low volume. The computer has coloured it pink to remind you it's low, and note how the spread has narrowed somewhat. Any market is highly unlikely to go up through that top trendline on no demand.

Point E

Friday. Here we have a widespread down closing just off the lows, volume is slightly below the average line. If the market falls in the coming week and the volume is clearly low, especially as it falls back into the area of the shakeout, you would expect the market to turn around and go up. If on Monday the market goes up on no demand as it tries to penetrate that top trendline you would then expect lower prices.



NASDAQ 100 DAILY CASH CHART

Point A

Monday. Here we have a widespread down bar, in fact it has gapped down. This is basically a sign of weakness.

Point B

Tuesday. Here we have a shakeout. The automataic signal from the software is telling us it looks like a test, but whichever way you look at it, you'd expect higher prices. An ideal test or shakeout would be all on a down-bar, but here there has been some bullish response which has caused it to be a slight up-bar, which is why the computer has coloured it blue. But I'm sure if you looked at intra-day charts, you will see the actual shakeout or test was initiated on a clear down-bar.

Point C

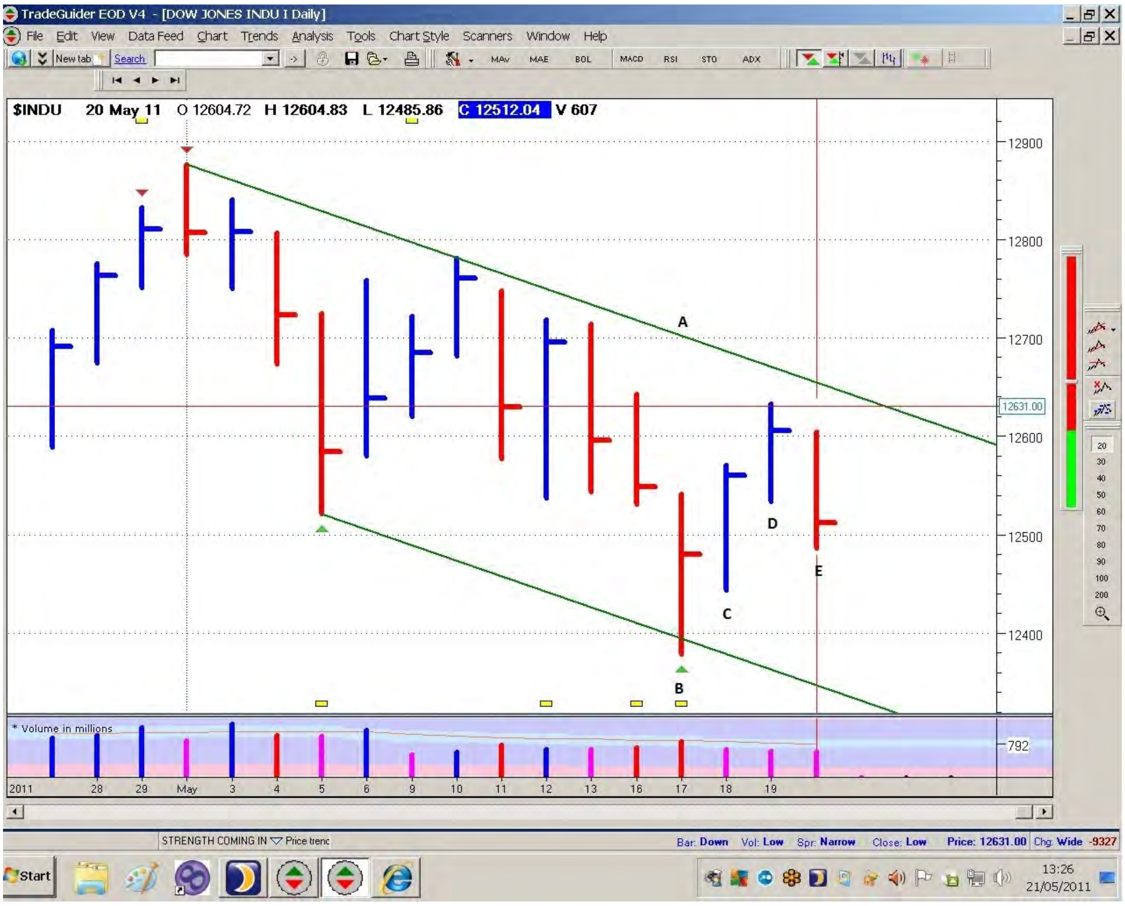
Here we have a widespread up, closed near the highs, but there's something wrong. Look at the low volume. The computer has coloured it pink to remind you of this. Strong markets do not rally up on low volume (or excessive volume), so we have to proceed with great caution.

Point D

Almost a mirror image of the S&P500 chart, we have an up-bar, the spread has narrowed, and now the volume is really low. Volume less than the previous two bars is telling us this because we look at relative volume - that is, volume relative to the previous volume.

Point E

Friday. Here we have a down-bar closed near the lows, the volume is not giving us any real clear indications of what's behind this down-bar. We are really in the middle of no man's land. To the left at **Point B** we have a strong sign of strength, and yet on the previous bar we have a sign of weakness, so we have to let the market unfold. Don't be surprised if that bottom trendline's not hit some time next week. You need to learn to recognise the basic principles of supply and demand as we try to explain to you to a point where you immediately recognise them, then your skill as a trader jumps in and will determine your success.



DOW JONES INDUSTRIAL DAILY CHART

Point A

We've re-drawn the trendlines as the market appears to be trending down, where we draw the line through the first two highs and the first low, is a traditional way to draw these lines.

Point B

Here we have a shakeout bar closing in the middle, bouncing off that lower trendline, volume is just slightly on average. The computer tells us it is a test after a shakeout, which in a way is perfectly true, but for us it is still a shakeout done deliberately to shake the market out, catch stops, etc. In other words they are out there to mug you.

Point C

An up-bar closing near the highs, but note the low volume. This is indicating no demand and a potential sign of weakness. However, with that shakeout on the previous bar you would anticipate a higher price on the next bar.

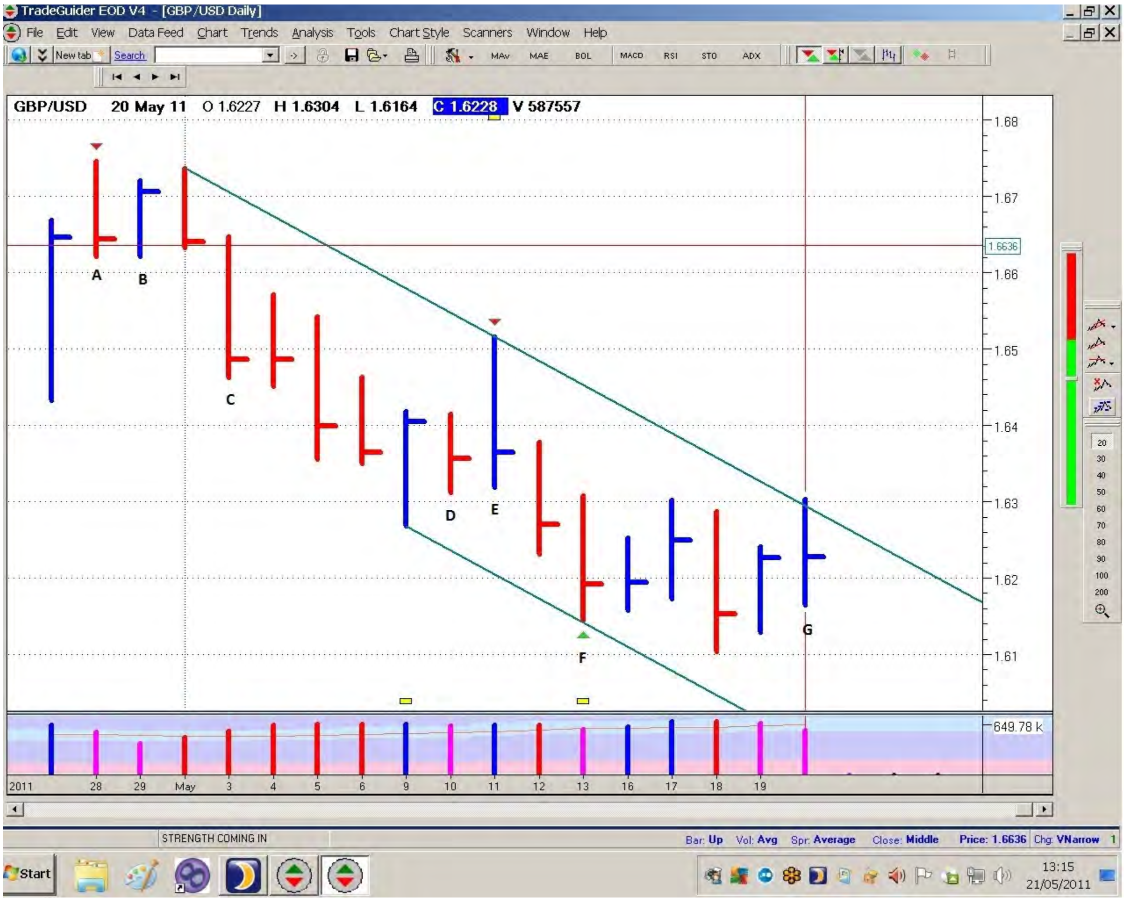
Point D

Here we have an up-bar closing well off the highs, the spread has narrowed somewhat as it approaches that top trendline. This is no demand. Professional money has seen weakness and is not interested in higher prices at the moment. Note this is a mirror image of the previous two

Indices (S&P and Nasdaq).

Point E

Friday. Here we have a down-bar, volume remains low so there is not a great deal of selling pressure, and the strength at Point B is indicating strength in the background, so we must not jump to a conclusion too soon, especially as we are right in the middle of a trading range.



GBP/USD DAILY CHART

Point A

Here we have one of our favourite signs of weakness, an upthrust. This is why professionals tend to specialise in only a limited number of instruments. This is the reason shown on the GBP/USD. We have seen a substantial up-move. There has been a widespread up on the previous bar, the volume is high. Without intra-day charts we are not quite sure what is going on on that bar, but the professional money at **Point A** know perfectly well what's happening, and we've got a classic sign of weakness which for convenience we will call an upthrust.

Point B

This is why you clearly need to know the habits your specialised currency will behave, or be likely to behave. We've seen weakness on the previous bar (**Point A**). This weakness is immediately confirmed, which I must say is very helpful to us, because here we have a clear no demand up-bar, so the professional money know perfectly well there's weakness present. It has been marked up, and there is absolutely no response from professional money. This is weakness.

Point C

A widespread down-bar closing near the lows. This is done deliberately to lock as many traders as possible in or out of the market. This also confirms the weakness seen on the top, Points A and B.

Point D

Here we have a down-bar closing well off the low on a narrow spread, and the volume is low. This could normally be considered as a test, but it's not a test because there is nothing we can see to the left to indicate any buying has come into that market at all. But what has happened here, because of the no selling pressure on that down-bar, it has allowed them, on the next bar, to have a trap up-move. They know perfectly well the market is overall weak.

Point E

Here we definitely now have a clear upthrust. This is a genuine upthrust because we have very little in the background indicating any strength, so the lack of selling pressure on the previous bar they probably orchestrated deliberately to enable them to have an upthrust.

Point F

Here we've hit the lower trendline. An automatic indicator tells us some strength is appearing. This allows the market to go sideways for five bars up to Friday (**Point G**). This looks suspiciously like a sign of weakness as it hits that top trendline, and you would expect lower prices.

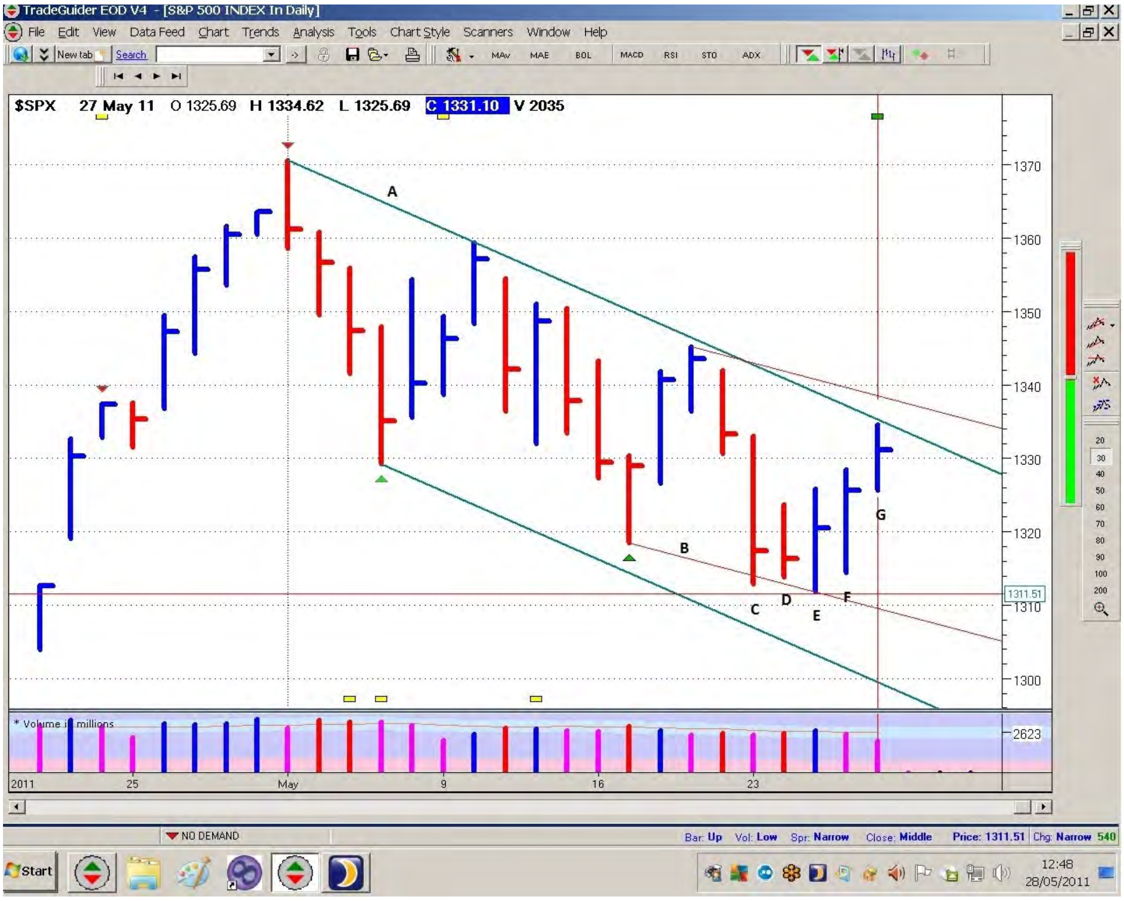
SHAKEOUTS

Frequently you might hear the word 'springboard', which is indicating there has been a shakeout. Now I personally have never used the word springboard for the reason being that the word 'springboard' sounds as if it is legitimate and a decent thing to do. But in fact this is not true. A springboard is really indicating clearly that you and many other traders have been mugged. It's a ploy to trick as many traders as possible out of a legitimate position, catch stops, panics those people that are long, even to reverse positions if short, and will affect many traders and the market creating losing positions, and is a very profitable manoeuvre for the professional money.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 28th May 2011



S&P500 INDEX CASH DAILY CHART

Point A is the major trendline previously drawn.

Point B

This is a temporary trendline which could prove very useful to us.

Point C

Monday. Here we have a widespread down, closing near the lows, the volume has fallen off slightly, so you still have a mixture of strong or weak here built into this bar. The low volume on this bar created some support. The fact that the market was unable to hit the lower trendline shows that there must have been a little bit of support in there.

Point D

Here we do have a down-bar but this still has to be a weak looking bar. It's weak because you have what we call a top-tail to it. In other words, there's far more of the bar higher than the close of the previous bar than below. On a lesser timeframe it would have to have been no demand as it tried to go up.

Point E

Wednesday. Here we have an up-bar, but notice how the bottom tail bounced off that trendline we drew from the previous two support bars. This would indicate that there was at least some strength in the market because when you see those bottom tails like this bar, they are really tests. The professional money is fully aware of the long holiday approaching and certainly would like to mislead you as much as possible over that holiday period. So that's why we are expecting the market to rally up at least to that higher trendline.

Point F

Thursday. Here we have an up-bar, but look at that low volume. It's less than the previous two bars. The computer has coloured it pink to remind you of this fact. This is no demand, and you certainly wouldn't be happy with long positions when you see no demand coming into these markets.

Point G

Friday. Here we have an up-bar. Note the spread has considerably narrowed, closing well off the highs and look at that low volume - it has also produced an automatic signal telling us it is no demand. Now come next Tuesday when the markets re-open and we know they like to test, don't be surprised if you don't see some sort of failed up-move hitting that new temporary trendline marked as **Point B**. You would expect lower prices, but beware, they are out to mug you if possible.

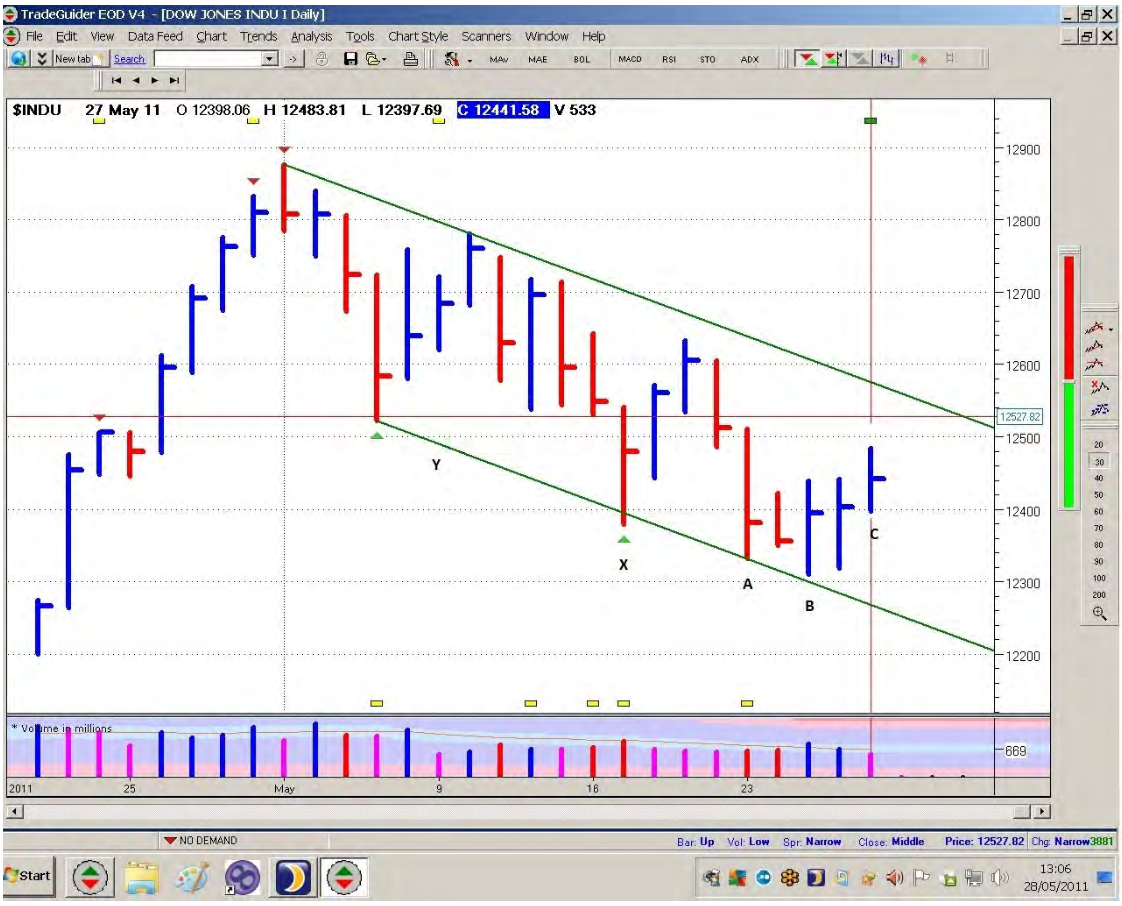
NASDAQ 100 DAILY CASH CHART

Point A

Monday. Here we have a startling gap down as the market opened up Monday. It has produced a yellow box signal which tells us the computer thinks it might be a test after a shakeout. Now the shakeout was at **Point X**, but with these massive gaps down like this, and the volume is not low, just below average, has to be a sign of weakness. This gapping down will create an over-sold position, and the market can easily drift up purely because it is over-sold, but any bar that gaps down like that through the lower trendline is a serious sign of weakness.

Point B

Friday. Here we have an up-bar, but note the spread is very narrow. It hits that major lower trendline. But look at that very low volume. This is no demand and there's no way a market can penetrate that lower trendline on no demand. Note the automatic signal has appeared confirming this opinion. You would expect lower prices.



DOW JONES INDUSTRIAL DAILY CHART

Point A

Monday. A widespread down hitting that lower trendline, closing lower quarter. Whenever you see a widespread down as it rushes towards a previous area of support is potential weakness. Of course we have two areas of support - **Point X** and the lower trendline (**Point Y**).

Point B

Here we have that shakeout on the low which is only really visible on a smaller timeframe. This gives the market enough momentum to go up for the next two bars to **Point C**.

Point C

Friday. Here we have our up-bar. Note the spread has narrowed closing almost in the middle. But look at that low volume. This is no demand. You would expect lower prices. On saying that, we are right in the middle of a trading range and vulnerable to a trap up-move to misinform you, mislead you, catch stops in a weak market.

FEEDER CATTLE COMMODITY

Don't forget, the commodities also work very well with VSA principles. You can see how this has trended down since 1st April 2011. This is hi-lighted by a no demand up-bar (**Point A**) which the programme has hi-lighted. The trendline is drawn from the first two highs and the first low, and you can see how well some of these markets trend. When you look at this chart you can see the reason why professional people specialise in these various commodities. The personality can be considerably different to many other instruments, and you need to be aware of its personality, in other words, what it is likely to do or not to do. But the principles of Volume Spread Analysis work very well in commodities because these are without question driven by professional interest.

Point B

Here we have a widespread down pushing through the support of the previous eight bars. This is a potential sign of weakness, but on saying that, the market will be over-sold and vulnerable to the bouncing up effect.

Point C

Note we have a down-bar, but notice the narrow spread, and note the volume has increased somewhat. There is an attempt at some buying here. It's this bar that causes the next three bars to rally up, seen in blue.

Point D

Here, note the very narrow spread closing near the lows, and also note the volume is very low. The computer has coloured it pink reminding you of this fact. This means this market is still going to come off at this point. We eventually fall down to **Point E**.

Point E

Without question, support has arrived. We have an automatic signal telling us it is a test after a shakeout. The shakeout is on the previous bar.

Point F

Here we have a gapped up bar in response to the strength on the previous two bars. The volume is well above the average line so this is not no demand.

Point G

Friday. Here we have two down-bars, and look at the low volume. This is a VSA principle at work. We are now falling back into the area to the left where we saw stopping volume. Now the volume is considerably less. This is a bullish indication because the supply that was present has now disappeared, and as the markets work on supply and demand, if there is no supply at a level where previously there was, then the market follows the path of least resistance, which is up. As we are still in the low part of the trading range, don't be surprised if there is not some sort of shakeout or test. But this market now appears to be strong.

TOM WILLIAMS' WORKSHOPS

As mentioned in our recent Friday webinar, I will be running weekly workshops, live, in Worthing, UK, my home town. The workshops will be held every Tuesday throughout the Summer months on a regular ongoing basis, starting on Tuesday 5th July 2011. Subsequent dates will be 12th, 19th and 26th July, and 2nd, 9th, 16th, 23rd and 30th August 2011, with the anticipation we will continue on throughout September.

To find out more and to book your place please go to http://volumespreadanalysis.co.uk, click on the link and specify your preferred date/dates.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 4th June 2011

S&P500 INDEX CASH DAILY CHART

Point A

Tuesday, the first day of trading after the long holiday. Here we have a widespread up pushing up through both of our trendlines. However, we noted on the previous Friday that the market was weak, and there is a great possibility that they are out to throw you off course, mislead you, and do everything in their power to wrong-foot you. If you look at the intra-day charts you will see a lot of weakness in that bar.

Point B

Here we have a huge widespread down closing right on the lows. This is what we call a top reversal, or even a two bar upthrust. It's also worth noticing that any widespread down on a slight increase in volume as it rushes towards a former area of support which also includes that new trendline we drew last week (**Point Y**), is a potential sign of weakness.

Point C

Here we have a down-bar closing in the middle, volume is just about average. If that was buying then the volume would be a lot higher than that, assuming professional money had stepped into the market, but the volume is not high enough to say that has happened on that bar, and the volume is not even low to say there's no selling pressure. But you've got a serious sign of weakness right behind you, so you are not expecting higher prices at the moment.

Point D

Friday. Here we have a down-bar, closing near the low. Here the volume has dropped off considerably. Despite this, you have the weakness at **Points A** and **B** hanging over you. I would expect this market to at least hit that bottom trendline.

NASDAQ 100 DAILY CASH CHART

Point A

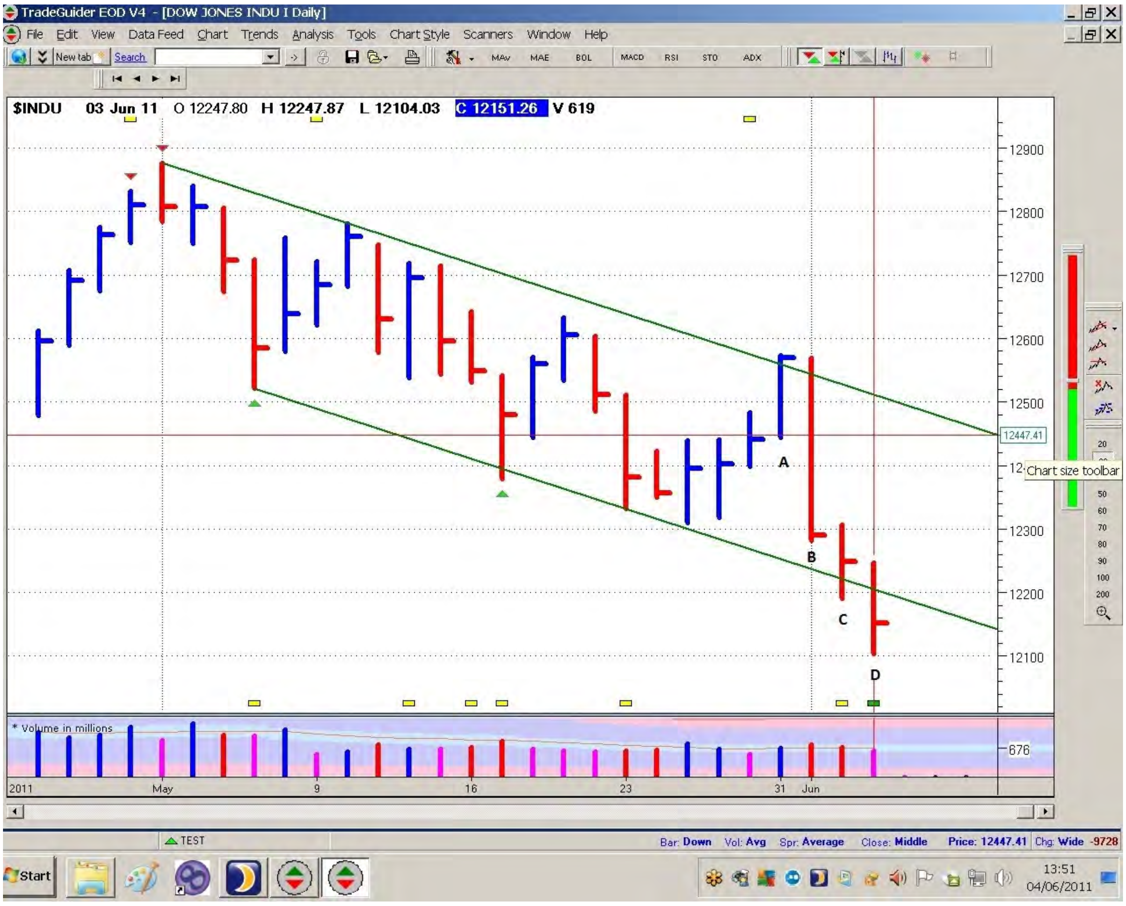
Tuesday after the long weekend. Professionals know the market is basically weak so it has gapped up, widespread up closed on the highs, volume is just above average. Study the intra-day charts on that bar and you will see the weakness. Professionals know the market is weak. If we can spot it, as noted on the previous Friday, you can be rest assured they certainly can. The more they can confuse you, trick traders to go the wrong direction, and much much more. Then the sudden reverse at **Point B**, a widespread down closed on the lows, locks as many traders in or out of the move as possible. This is a sign of weakness and is known as a top reversal.

Point C

Here we have a blue bar to show it is up, but they can't hide too much from us because it has closed in the middle immediately after the sign of weakness, and look at that low volume. This is no demand because the bar is up and a continuous sign of weakness.

Point D

Here we have a widespread down closing very near the low. The volume is just about average. This market looks weak, and you would expect lower prices. But on saying that, the Nasdaq does appear to like to follow trendlines, so you could easily have a bouncing effect as it hits that trendline.



DOW JONES INDUSTRIAL DAILY CHART

The Dow Jones is closely related to the S&P500, so you'd expect similar action on both Indices.

Point A

Here at **Point A** we have a mark up which we were anticipating hitting the top trendline. The volume is just slightly above the average. To analyse this bar properly, look at the intra-day charts.

Point B

A widespread down, closed on the lows, very slight increase in volume. Any widespread down closing on the low with a slight increase in volume as it rushes towards a former area of support is bearish, so we expect lower prices at this point.

Point C

Here we have a down-bar closed in the middle. Volume is only about average. The closing in the middle will be caused by that lower trendline giving some sort of support to the market, ill-conceived as far as we're concerned, because of the serious sign of weakness on the two previous bars.

Point D

Friday. Here we have a down-bar closing well off the lows and the volume is low. This indicates there is lack of selling pressure at the moment in that market. We are over-sold so the market could easily bounce up, but certainly not indicating any real bullish move yet.

FEEDER CATTLE COMMODITY

We thought for a change we'd show how commodities work on VSA. Most of the principles are picked up but admittedly there's room for improvement as far as we're concerned.

Point A

We are expecting this up-bar because we appear to have accumulation volume starting at Point X shown by the horizontal line, and the previous bar to this is down on very low volume, so there is absolutely no selling pressure at all in this market. This market now appears potentially bullish.

Point B

Here we have a widespread down-bar only to close on the highs. Note how the low of this bar tests the area at **Point X**, and we note that the volume, although high, is considerably less than the volume at **Point X**. This is bullish and you can see pretty easily this is a shakeout of that market and is a bullish sign. On saying that, there is a possibility they may want to test again, but if you see a test, that is, a down-bar closing on the highs and the volume is clearly less than the volume at **Point X** or **Point B**, that would confirm that there is no supply left in this market, and is the all-clear to mark this commodity up.

Point C

This looks like a test, and look, the volume is clearly less than the previous two bars, so is low volume. Tests normally occur on down-bars, but keep in mind this is a daily chart and the earlier test will have been on a down-bar. This is a bullish indication.

Point D

Friday. Here we have an up-bar hitting the top trendline. Note there's no real volume available. This is amazing they can get away with this in today's computerised data. They withold the volume on all sorts of excuses because they know how important volume is to the trader, and they are not there to help anybody. But this market looks like it wants to go into a bullish move.

TOM WILLIAMS' WORKSHOPS

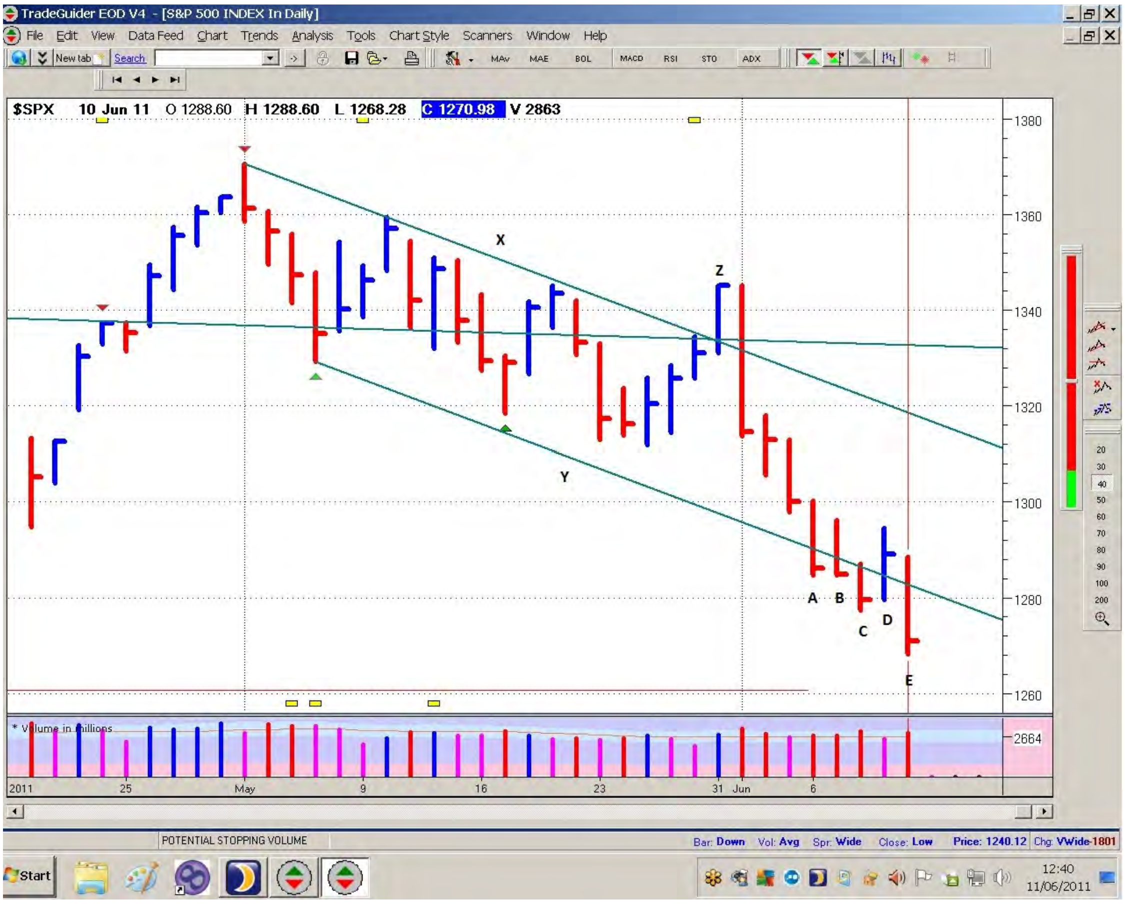
As mentioned in our Friday webinar, I will be running weekly workshops, live, here in Worthing, my home town, over the Summer months. The first workshop will take place on Tuesday 5th July 2011, and subsequent dates will be 12th, 19th and 26th, and running on into August. We plan to run the workshops on an informal basis, covering the VSA principles and set-ups, but also watching the markets running live and allowing you to ask your questions as they arise. This will help you pinpoint your accuracy in analysing the markets. The number of places will be kept to a minimum allowing you personal attention and mentoring from myself.

To book your place please go to http://volumespreadanalysis.co.uk, click on the link and specify your preferred date/dates.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 11th June 2011



S&P500 INDEX CASH DAILY CHART

Point A

Monday. Here we have a widespread down closing on the low as it pushes down through the support trendline. This type of action is weakness, not strength because the volume is very slightly above average. If it was stopping volume we'd want to see high or very high volume. If it was no selling pressure we'd expect to see low volume. Because of the support trendline there will be some automatic support, and at **Point B** we see a down-bar but the tail is considerably higher than the close. This is what I used to call a hidden upthrust. In other words, it has been marked up, there has been no demand and it has collapsed back on the low. Strong markets don't do this.

Point C

Here we have a down-bar. Note that we are now technically over-sold. That is, below the trendline. There is a certain amount of demand seen by the spread narrowing and the volume has slightly increased, but that's about all.

Point D

Here we have an up-bar. It has closed well off the high, but look at that low volume. This market is not going anywhere all the time that is no demand volume.

Point E

Friday. Here we have a widespread down closing on the low. There is an increase in volume. Now this market has fallen like this as a direct result of the no demand seen yesterday (Thursday). We are now clearly over-sold, but overall the market still looks weak. Note the way the simple trending system has worked since the high of the top reversal eight days ago (**Point Z**).

S&P500 DAILY CHART SHOWING LONG-TERM TRENDLINE

We've drawn this long term trendline. The market could easily drop down to that lower trendline, but you have to read the market as it unfolds.

DOW JONES INDUSTRIAL DAILY CHART

Point A

Monday. Here we have a down-bar. Note the spread has narrowed closing slightly off the low. There is a slight increase in volume so there has been a little support on this bar which you will get when the market is over-sold. But it doesn't indicate any bullish move because the volume is not great enough. If you want to see an up-move you have to see stopping volume. This market is falling, or trending down, because of that serious sign of weakness four or five bars previously which was a top reversal.

Point B

Tuesday. Here we had a slight attempt to go up but the top of the bar hit the underside of that trendline where there would be no demand, (*ou can check this on your intra-day charts), and it then collapsed onto the low. This is weakness.

Point C

Here we have a down-bar, the spread has narrowed, closing slightly off the lows. There is a slight increase in volume, but like the previous bar, we'd like to see clear stopping volume to indicate any attempt to rally.

Point D

Exactly like the S&P500 cash, here we have an up-bar clearly on no demand. The computer has coloured that bar pink indicating low volume, exactly like the S&P500. This is a no demand up-bar, and you're not going to get higher prices on bars looking like that.

Point E

Friday. Here we have a widespread down closing near the low with a slight increase in volume. You may get an up-bar come next Monday, but overall this market looks weak, and note, it is trending down, seen by the persistent red bars.

ALCOA INC DAILY CHART showing end of a rising market on 6th April 2011

We had a question requesting a description on what an end of a rising market looks like, and at **Point A** we see a solid example of the end of a rising market. Note how it has gapped up. This is done deliberately to suck as many buyers in as possible. The narrow spread is then caused through the professional money behind the move busy selling in to all the buying as it comes in. This caps the top end of the market giving you a narrow spread. The end of a rising market signal will only appear after you've had a substantial up-move in the background. You are then vulnerable to groups of professional traders who are behind the move deciding now's the time to take profits and stop supporting the market. Once this has happened, they are fully aware that the market is now weak. So at **Point B** they mark it up at the opening, catching all the stops, misleading as many traders as possible, reassuring all those traders that are still long, that they need not worry about their position, but this is an upthrust after weakness. The following rapid down-bars are also done deliberately to lock as many traders as possible in or out of the move and, of course, is a sign of weakness.

TOM WILLIAMS' WORKSHOPS

As mentioned in our Friday webinar, I will be running weekly workshops, live, here in Worthing, my home town, over the Summer months. The first workshop will take place on Tuesday 5th July 2011, and subsequent dates will be 12th, 19th and 26th, and running on into August. Please see the information below.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 18th June 2011

S&P500 INDEX CASH DAILY CHART

Point A

Monday. It's a slightly up-bar, and that is why the computer coloured it blue, but at the opening it probed down and there would be little or no selling pressure, and that is why it closed up. The volume is about average. We are over-sold, so vulnerable to the market wanting to go up.

Point B

Here we have a widespread up closing top quarter, volume is just about average. We have little in the background to say we are going up very far. To stop these persistent down-moves we need to see stopping volume, and probably a clear down-bar on a narrow spread which we have yet to see.

Point C

Wednesday. A very widespread down-bar closing near the lows. This is a sudden reversal which is certainly a sign of weakness.

Point D

Again we have a similar looking bar to **Point A**. It probed down at the opening, closed up near the middle, volume is just about average. Keep it in mind we are over-sold so we have a built-in bias to want to go up.

Point E

Friday. Here we have an up-bar, but this bar looks very weak, and remember we have that reversal at **Point C** which will be still there affecting the market. You would expect lower prices.

DOW JONES INDUSTRIAL DAILY CHART

Point A

Tuesday. Here we have the anticipated up-bar at the start of the week, but unlike the S&P500, this was unable to go up and through that lower trendline.

Point B

Here we have a widespread down, closed near the lows. This is a sudden reversal which indicates the overall weakness in these Indexes. Note the volume has increased slightly, and closing just off the lows, there was probably some buying going on. Keep in mind we are over-sold, that is, below the trendline. This leaves the market vulnerable to go up. But you wouldn't expect any bull move because of the weakness at **Points A** and **B**.

Point C

Friday. Here we have an up-bar closing below the halfway point, with a very slight increase in volume. This shows there must have been some selling present. You would expect lower prices.

NASDAQ100 DAILY CHART

This Index is certainly over-sold. It's acting weak in harmony with the S&P500 and the Dow.

Point A

Monday. The spread is narrow, it is a slight up-day. We were predicting the market would go up early in the week, simply because it is over-sold when the market has this built-in tendency to want to go up.

Point B

Note this is a gapped-up bar, note the spread is narrow, and note it has almost closed in the middle. But the significant thing is the volume is low, that is, less than the previous two bars. We immediately know that this market is weak and is certainly not going anywhere up at that moment.

Point C

Here we have a reversal bar - a widespread down, closed near the lows. This is a built-in sign of weakness. There is a very slight increase in volume. There is a saying that when you see a widespread down with a slight increase in volume as it pushes down through a previous area of support, it is a sign of weakness. Here this bar certainly fulfills that prediction.

Point D

Thursday. Here we have a down-bar closing in the middle with volume about average. But because it has dipped down into fresh low ground, closing in the middle, and because we are definitely over-sold, it has produced a yellow box telling us this could be a test after a shakeout.

Point E

Friday. Here we have a down-bar, the volume has increased a little, but what makes this bar look weak is that it has a top-tail (circled).

CL CONTRACT - CRUDE OIL DAILY CHART

We've been asked to look at light crude oil.

Point A

There was some stopping volume appeared here, that is, very high volume on down-bars. There must have been some support here on this volume.

Point B

Here we have what appears to be a test-come-shakeout. Volume is just slightly below average. We would like to see the volume register low, that is, volume less than the previous two bars, and the computer's coloured it pink, indicating any supply has completely dried up. We can see by the following bars the market was reluctant to go up. Supply must be present.

Point C

Here we eventually see what appears to be a serious sign of weakness. It is almost like a two-bar upthrust. The signal informs us that we've seen a reversal after an effort to rise.

Point D

Here we have a widespread down-bar. The professionals have seen the no demand on the previous bar (note the narrow spread). They know this market's weak so they have a widespread down, locking as many traders as possible in or out of the market. Overall, this market appears to be weak and is trending down.

This week a great quote was sent to us from Marauder in forum which we'd like to share here in the Newsletter:-

Tom continues to talk about how Rita and Gavin are successful because they came to the VSA table without any baggage. Here is a quote that might help you.

"Here is the end result: I came to understand that the ability to unlearn everything you know, or have learned, or you think is important, is the only skill you need to start the process of trading success. The horror of giving up everything you know is what most people don't really want to face".

Art of the Trade by Jason Alan Jankovsky

We have had a request in the VSA Club forum for us to cover the Russell in the Newsletter. At present we do not have the data for this, but will have it by next week, and will certainly cover it in next week's Newsletter.

We are very much looking forward to our weekly workshops which are about to commence on Tuesday 5th July 2011, and ongoing every Tuesday throughout the Summer. To book your place please go to http://volumespreadanalysis.co.uk, click on the link and specify your preferred date/dates.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 25th June 2011

S&P500 INDEX CASH DAILY CHART

Point A

Monday. We looked at the previous bar and to us it looked as if it was weak, but the market loves to prove you wrong. Here at **Point A** we have an up-bar closing just off the highs as it pushes through that lower trendline. But look at the volume - the volume is decidedly low, so although the market has gone up, professional money is aware that there is still too much supply in this market.

Point B

Tuesday. Here we have a widespread up, closed near the highs, but there is little to indicate why this is going on from this daily chart. The volume is just about average.

Point C

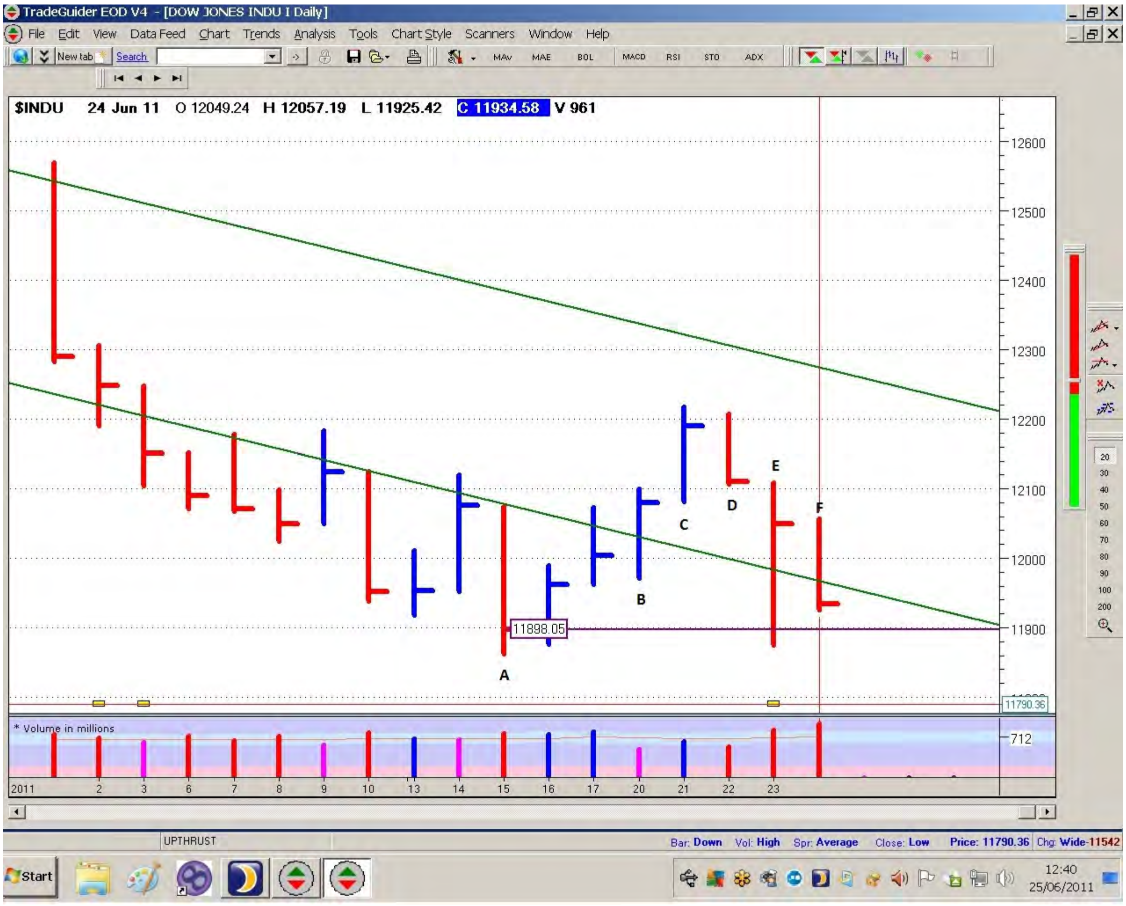
Here we have a down-bar, the volume is just about average. Again, there's not a lot of information here as to why this is going on on this chart.

Point D

Thursday. Here we have a huge widespread down closing near the highs. This is a serious attempt to shake the market out and to test the market. So there must be a lot of supply in this market for them to do that. What is particularly wrong here is the volume is too high, and this amount of volume is indicating supply is present. A market cannot become bullish unless that supply is seen to have disappeared.

Point E

Friday. Here we have a down-bar closing near the lows, but again the volume is far too high to say this market is now acting bullish, and this makes the previous bar a failed test which is seen as a sign of weakness.



DOW JONES INDUSTRIAL DAILY CHART

Point A

Here we have a widespread down closing near the lows and we can see that the market, from that low, rallies for four bars. The reason why we've drawn a horizontal line across the chart is because we know from experience that when the market is really bullish it very often falls back down into this area and if we see volume considerably less than at **Point A**, then we know supply has disappeared, and we would expect higher prices. So you need to draw that line in advance to remind you of this important principle.

Point B

Monday. Here we have an up-bar closing near the highs, but note we are warned of no demand seen by that low volume. Low volume is volume less than the previous two bars, so we certainly have a warning there.

Point C

Here we have a fairly vigorous up-bar closing off the highs. There is a slight increase in volume. Of course this move will be the Dow's principle of following the S&P500 cash market. It's certainly not easy to analyse this particular bar, except we do have no demand on the previous bar. We'd have to probe into intra-day charts to see exactly what went on on this bar.

Point D

Here we have a down-bar closing near the lows. Again there is little evidence to go on on this bar.

Point E

Here we have a widespread down straight into the horizontal line that we drew on the chart from **Point A**, rebounding and closing in the top quarter. There was enough activity on this bar to produce an automatic signal which informs us that strength is coming in. However, on saying that, note the volume. It really needs to be less than at **Point A**. This is why we drew that horizontal line in the first place.

Point F

Here we have a down-bar closing near the lows. The volume has increased somewhat. If the market was bullish at this point, the volume would be low, that is, you'd expect it to be less than the previous two bars. The market appears to be continuously slipping down, unable to hold any gains. This is caused through supply present in the markets.

NASDAQ100 DAILY CHART

Point A

The low of the market at that point. Again we have drawn a horizontal line in anticipation of the market testing that area for supply.

Point B

Monday. Here we have a narrow spread up-bar closing off the highs, but note the low volume. There appears to be no demand on this bar, but keep in mind that we've got that sign of strength at **Point A**, so this is not technically a serious sign of weakness because we have strength in the background. Serious no demand up-bars mean weakness has appeared previously, not strength.

Point C

A similar looking bar to the S&P500 and the Dow, but we have run into the lower trendline which will act as resistance, so to be bullish it has to power its way up and through these areas of resistance.

Point D

Here we have a down-bar on a narrow spread with low volume and showing lack of supply. You would expect higher prices.

Point E

Here we have our widespread down closing on the highs. There is a slight increase in volume. This certainly looks like a shakeout.

Point F

Friday. Here we have a down-bar closing near the lows and the volume has increased to well above the average. You would not expect this sort of bar with apparent strength on the previous two bars, so it has become a failed test or shakeout. Will this market go down to that horizontal line of resistance we've drawn from **Point A**? If the market touches that and the volume is obviously very low, then that will make this market a bullish market. When we say a bullish market, that means it is going to go up until a sign of weakness appears which will over-ride any strength in the background.

RUSSELL 1000 INDEX DAILY CHART

Point A

We have drawn a long-term trendline starting at **Point A**. The market is obviously trending down, so we use the first two points of supply seen at **Point A** and **Point B**, and the first low seen at **Point C**. Note how the computer picks signs of strength and weakness very well.

Point B

Note at **Point B** we have a top reversal. This seems to be very common in individual stocks and is a serious sign of weakness. A widespread up-bar closing on the exact high only to have a complete reversal on the next bar where the close of this bar is lower than the low of the previous bar. The automatic signal tells us that there has been a reversal after effort to rise. Please study these dialogue boxes carefully. Relate them to the actual bars and volume on the chart, and the messages will get through to you automatically given time. Once you've embedded these principles in your mind they will be part of your learning curve towards reading these charts. Remember, a chart is a language written in the high, low, close and volume, talking to you. The truth lies in the chart despite the volumes of inaccurate information pouring out from the media.

Point D

Here we have a down-bar. Note the spread is narrow, note it has closed in the middle. The volume is about average. This is enough evidence to trigger an automatic signal from the computer telling us it is a test after a shakeout. For an even more positive signal, I'd like to see the volume ultra-high rather than just average. We have drawn again a horizontal line because we know if in the future the market touches that line on a down-bar and the volume is clearly low relative to the volume at **Point D**, then that will make the market a bullish market. We are over-sold. This makes us vulnerable to the market wanting to go up anyway.

Point E

Here we have what we definitely call a test. An automatic signal has appeared. Tests are always down-bars on a narrow spread closing in the middle. It's not a perfect test because the volume is too high. The volume needs to be less than the previous two bars. Note it's an up-bar coloured blue, but this is because it is a daily chart. The test would have occurred on a down-bar initially, seen in the lesser timeframes, but this is not a bullish test because the volume is not low enough.

Point F

Here we have a widespread up closed near the highs attempting to push through the lower trendline which will act as resistance. Note the no demand on the previous bar.

Point G

Here we have a widespread down. Note the low has bounced off that horizontal line we drew. If the market is going to be bullish we need to see that volume low. It's not low here. The computer is calling it high volume. For a clear bullish indication the volume needs to be less than at **Point D**. It is now actually higher, not lower.

Point H

Friday. Here we have a widespread down. Note the increase in volume. The market continues to show weakness. There is too much supply present.

TOM WILLIAMS' WORKSHOPS

We are very much looking forward to our weekly workshops which are about to commence on Tuesday 5th July 2011, and ongoing every Tuesday throughout the Summer. To book your place please go to http://volumespreadanalysis.co.uk, click on the link and specify your preferred date/dates.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 2nd July 2011

S&P500 INDEX CASH DAILY CHART

Point A

A week Thursday. We discussed **Point A** in the last Newsletter, and I apologise for getting this analysis completely wrong, although in hindsight it is easy to see. Whenever you see these down-bars closing near the highs, bouncing off a lower trendline, and a slight increase in volume, this has to be professionals testing the market. We identified that OK, but the problem arose when the next bar was down making the previous bar look like a failed test. Now what we wanted on the second bar down (**Point B**) was to see lower volume which is there but you've got to look at the intra-day charts to see it, which in this case I think we over-looked. And it was those two bars that created the following five up-bars. The current trendline we were using looks rather obsolete now, so we will remove that.

Point C

Friday. Here we have a widespread up closed near the highs. However, look at the low volume. This is potentially no demand and probably the reason for no demand is it has hit a major trendline (**Point X**). It is highly unlikely the market will go higher trying to push up through that major trendline on low volume.

S&P500 INDEX CASH DAILY CHART 2 SHOWING LONGER TERM TRENDLINE

Major trendline drawn through the first two highs and the first low.

DOW JONES, NASDAQ AND RUSSELL 1000

The Dow Jones, Nasdaq and Russell 1000 we are skipping this week because they are virtually identical to the S&P500.

GOLD CONTRACT (/GC) WEEKLY CHART

We have drawn a trendline from the first two highs and the first low (**Point X**).

Point A

Here we have an up-bar closing well off the high. There is some increase in volume. Note there was a no demand up-bar on the previous bar. Professional players would have spotted that immediately.

Point B

Here we have a widespread down, closed near the lows and the volume has increased to very high. There is supply present. On saying that, these markets inevitably drift sideways or start crawling up despite the weakness in the background. This is probably done deliberately, but what we are looking for is no demand to verify the weakness in the background.

Point C

Here we have an up-bar at a similar level to the two weaknesses we saw at **Points A and B**. Note the spread has narrowed. Don't forget we are talking about volume spread analysis. When the spread narrows on an up-bar into a previous area of weakness we must assume that is also weakness at that point.

Point D

Here we have a widespread down-bar closed on the lows. Volume is just above average. But note the high of this bar is actually really a hidden upthrust. It has been marked up in the early part of the trading day to catch stops and mislead as many traders as possible. Note we have drawn the trendlines between the first two highs and the first low. Expect this market to at least fall to that lower trendline. Any subsequent rally back up will show no demand if the market is to continue weak.

SUGAR CONTRACT (/SB) DAILY CHART

Point A

This is a classical stopping volume come selling climax. The computer claims this is a test, but this is stopping volume or climactic action because you can see it is a down-bar into fresh low ground, the spread has narrowed, closing in the middle, and the volume has become very high – all this after a substantial down-move..

Point B

Markets will test and a test is a very common sign of strength if you have strength in the background. It's really a test in a rising market.

Point C

Here we have a widespread up, but look at that no demand. We are vulnerable for a top to form because we've had such a substantial bull move behind us. Professional money will want to take profits. Note the no demand on the previous bar as well.

Point D

A severe down-bar closing on the highs. There is an increase in volume so this would indicate there must have been some buying there, but there is supply present as well, but we don't like that gap down from the high of **Point C**. Strong markets don't do this.

Point E

Here we have a test and a successful test because look at that low volume – volume less than the previous two bars, where the computer has coloured it pink, shows very low volume.

Point F

Here we have a widespread up closing top quarter. Volume has increased. This move up is due directly to the test on the previous bar.

Point G

Friday. Here we have an up-bar. However there is no demand in this bar. No demand comes into its own when you have weakness in the background like at **Point C** followed by the gap down. This market looks like it is under distribution. But we have to let the market unfold before we see a positive sign of weakness we can trade on.

We are dealing with sugar contract here, where there has been in the past a lot of skulduggery, so do not get mislead by any stories or things you are told. I remember looking at this sugar contract about a year ago and they were saying that there was going to be a desperate shortage of sugar and the candy manufacturers were concerned that it would impact their business. One African sugar grower later said "well, they said there was a shortage and yet we've got far too much sugar here to sell". So keep all this in mind if you are bombarded with News events.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 9th July 2011

S&P500 INDEX CASH DAILY CHART

Point A

We analysed this a week Friday and noted there was some no demand in the bar as it was penetrating a major top trendline.

Point B

Tuesday. (The market was closed Monday). Professional money was fully aware of the no demand and so they were busy testing the market as the market re-opened. There is certainly little or no selling pressure on this bar. So at least it is telling us the market was not going to fall at that moment.

Point C

Wednesday. Here is a more positive-looking test, strong enough to produce a signal which tells us this is a test and a sign of strength.

Point D

An up-bar, closed top quarter, volume about average responding to the test on the previous bar.

Point E

Friday. Here we have a fairly clear down-bar closing in the middle, the volume is now low. The low volume coupled with the fact it has closed in the middle would indicate there was no selling pressure at the moment at all. You would expect at least higher prices, or at the worst, floating sideways, this following week.

We've re-drawn the trendlines as this market is still trending up slowly, so we have drawn the trendlines through the recent last two lows and the first high. We should be fully aware of these trendlines because usually they work and take you by surprise when the market suddenly goes up to the higher trendline, and seeing we appear to have testing without any serious bouts of high volume selling, this is a distinct possibility.

DOW JONES INDEX DAILY CHART

Point A

A week ago last Friday. We analysed this as somewhat no demand. This has slowed the market up as we can see. Professional money would be fully aware of the no demand.

Point B

Here we have a very small test. However, it is a down-bar, it has closed in the middle, and the volume is clearly less than the previous two bars. In other words it is low. There is no supply on the down-side. If there is no supply then the market will want to go up.

Point C

Here we have an up-bar responding to the test on the previous bar. The volume is about average.

Point D

Here we have fairly vigorous up-bar closing near the highs and the volume is about average. This up-bar is responding to the test at Point B.

Point E

Here we have a down-bar with very similar action to the S&P500 because they are closely linked. There is no selling pressure at all seen by the low volume. The bar has closed in the middle. There is little or no selling pressure in this market. You would expect this market to go up during the following week.

Note there is a higher trendline and note we are technically still trending up.

NASDAQ 100 DAILY CHART

Point A

Tuesday, market opening after the holiday. Here we have an up-bar. Note the narrow spread, but above all, note the low volume. There is little or no demand on that bar. However, this Index will respond to the S&P500 and the Dow which are showing tests.

Point B

The market is struggling to go up caused by the no demand. You would expect this market to respond to any strength or weakness in the S&P500 and Dow.

Point C

Here we have a vigorous up-bar. Note it has gapped up. This can easily show weakness. Not only that, it has hit the top trendline, so we know right on that bar the market is not going to go up.

Point D

Friday. Here we have a classic test in a rising market – a down-bar, closing near the highs, volume is low relative to the previous two bars. This is a potential sign of strength and you would expect higher prices. Note how the simple trending system, seen by the blue bars, has kept us in the market probably a lot longer than you would have normally done. The trending system works because the professional money behind the move has to support the market on a daily basis so that they do not lose control.

When an actual low appears on your charts seen after usually a substantial down-move, we can see fairly easily where it bottomed out – down-bar, narrow spread, fresh low ground. The problem for the trader is that you are not ready psychologically or even thinking very bullish at that moment. Why should you be? The market has fallen, the News is probably bad, nobody seems interested in the up-side. So it is only natural you are not going to be interested. The only way you can get around this is try to specialise more and to know what the market does normally on these lows. If you see stopping volume, that is, high volume on a down-bar with narrow spreads, then you would expect to see a test of that supply. This means the market will dip back into that level and the volume will be low showing that the supply that must have existed at the point of stopping volume has been absorbed and because the market works on supply and demand, demand then must be greater than supply, and you will get higher prices. If you look back to Feeder Cattle (/FC) you will see this principle clearly at work which we picked up at the time. But these principles repeat themselves time after time. They may arrive in different intensities, but the principles will be there.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 16th July 2011

S&P500 INDEX CASH DAILY CHART

Point A

Monday. A widespread down closed on the lows, volume is just below average. This sudden down-move was totally wrong to my prediction on the previous Newsletter, where I thought the market might hold or even go up. So there is obviously something I missed in the background. However you do not dwell on wrong predictions. Immediately I recognised the market was weak on the intra-day chart as the market opened Monday. Dwelling on a mis-prediction is like holding on to a losing trade. Always close out a losing trade immediately as the markets are designed in such a way not to give you any respite.

Point B

A down-bar, slight increase in volume, but this is classed as a weak bar, and that is because it has a top-tail to it. A top-tail is part of the bar that is higher than the close of the previous bar. You see, when genuine buying comes in you don't see that.

Point C

Here we have a small attempt to go up. This is also a very weak bar because again it has what we call a top-tail, and note the low volume. This is very clearly no demand.

Point D

Thursday. Here we have a down-bar, volume is just slightly above average. Again this is a weak bar. Again it has a top-tail to it, not quite so prominent, but nevertheless it is there. This market is sliding down.

Point E

Friday. Here we have an up-bar. The volume is just slightly above the average line, but note the spread is narrow indicating little or no demand on the up-side. These daily charts are very important to analyse because the whole market will move in harmony with this Index.

DOW JONES INDEX DAILY CHART

Point A

Here we have a down-bar closed right on the lows, volume is just slightly below the average. But like the S&P500 this is a weak bar because it has a top-tail to it. You will find strong bars, when they appear in the future, are down-bars, but lacking this top-tail as you see in this and in the following two bars (**Points B and C**). All three have top-tails.

Point D

Friday. Here we have a very narrow spread up-bar. Note the volume has increased somewhat. This must be selling contained within that bar. The increase in volume shows selling because we have a narrow spread and immediately previous we have three weak bars. So this whole phase looks weak.

NASDAQ 100 DAILY CHART

Point A

A week last Friday. This certainly looks like a test bar of the weakness on the previous bar which makes your analysis incorrect in this case. You would expect prices to be level or higher with a bar looking like this. On saying that, the previous bar has been gapped up – narrow spread – so you can be rest assured that the weakness was quite considerable on that bar.

Point B

Monday. Here we have a widespread down closed near the lows, the volume is just about average. This immediately makes the previous bar a failed test and a sign of weakness. However, the intra-day charts quickly alerted you to the fact that the market was weak at the opening Monday.

Point C

Here we have that classic weak bar seen by first the low volume which certainly indicates no demand, and second the top-tail – strong bars do not look like this.

Point D

Here we have a widespread down closing near the lows, the volume has now increased. But again this bar has a bit of a top-tail which indicates weakness is present. The whole market seems to be sliding down.

Point E

Friday. We have a narrow spread up-bar. The volume is in fact slightly higher than average, but note how they gapped it up. With all the weakness in the background you have to assume this bar is also weak. The fact it was gapped up, the fact is the spread is fairly narrow, and the fact is there is an increase in volume. Supply will do all of these things. The gapped up bar is of course done deliberately to mislead as many traders as possible.

Gavin Holmes is here with me for the next three weeks. He's one of the few people I've met who can do four things all at the same time. We both traded exceedingly well yesterday, which I'm sure he will be talking about in his seminars. To trade successfully is a game of concentration, understanding the underlying logic, and the principle involved, and it's never a good idea having people standing on the sidelines watching you or giving you advice. If you've got it wrong you must close out immediately and then go back and study why your trade has gone wrong. The principle will surely be there. If you can't see it yourself put the question into the VSA Club.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 30th July 2011

S&P500 INDEX CASH DAILY CHART

Point A

Here we have a down-bar. It has in fact closed in the middle, and the volume is low. These bars are not all that easy to analyse because, with a down-bar with volume low like that closing in the middle, you would expect the market to at least go sideways. Now the previous bar also looks like a test. Now that's the only clear inference we can put because, if that's a test, then the next bar should not be down. If it is down, it's a failed test and a sign of weakness. It's easy to see in hindsight, but not that easy while you are running live. That's assuming that the data that makes up this chart is correct.

Point B

A down-bar, nothing too exciting appears to be happening.

Point C

Whenever you see a huge widespread down closing on or very near the low, with a slight increase in volume as it rushes towards a former area of support, is usually considered a bearish sign.

Point D

Here, although we have a down-bar, it has got what I call a top-tail, which is a built-in sign of weakness, because intra-day, the market must have gone up there to the high, either on no demand, or hit high volume – most likely no demand. Strong markets don’t look like this.

Point E

Here we have a down-bar closed in the middle. It is into fresh low ground. The computer has picked it up as a shakeout, which I suppose is correct. However, the whole market looks to be on very thin ice. We have hit the lower trendline where you would expect some support. For a market to become bullish you need to see stopping volume arriving. This will show up as very high volume on a down-bar. We have not seen that yet. But please note we have a major trendline lower (**Point X**). Now, will they shake the market out Tuesday on the News of the American financial crisis? Remember, the News does not necessarily move the market. It’s the professional money moving the market around on the News to benefit their accounts and shake as many people out as possible. Markets can only work if you have more losers than winners.

DOW JONES INDEX DAILY CHART

The big difference between this chart and the S&P500 is that we are now over-sold and very vulnerable to one or more professional groups moving into the market, but note the major trendline that still exists further down (**Point X**)

Point A

Here we have a widespread down closed on the low with a slight increase in volume as it pushes down through that support trendline. Traditionally this tells you the market is still weak.

NASDAQ100 DAILY CHART

Point A

Monday. Note this bar is a down-bar, but the previous bar was clearly over-bought which makes the market vulnerable to one or more professional groups wanting to unload holdings they bought lower down.

Point B

Note this bar is gapped up. This is a ploy often used to entice people into the market when the professional money knows the market is weak. It's an up-bar on a narrow spread, closing in the middle with very little volume to back this move up.

Point C

Here we have a widespread down closing on the low with an increase in volume. Note how it has gapped down. This confirms the weakness on the previous two bars. This type of move ensures that there are many traders now locked in at higher prices. Whenever you see this sort of bar after weakness it in fact confirms the weakness.

Point D

Here we have what I call a hidden upthrust. Although it is a blue up-bar, note that far more of the body is above the close than below. To accomplish this it must have been marked up during the day on low volume (no demand) because the floor traders can clearly see this market is weak.

Point E

Friday. Here we have a down-bar closed in the middle. There is a slight increase in volume. But with the four previous bars all looking weak, you assume this bar must also be weak. And note, there is a major trendline far lower.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 6th August 2011

S&P500 E-MINI FUTURES MARKET

We are using the Future rather than the Cash market because the volume implications seem clearer. The trouble with the S&P Cash market, 500 stocks tends to dilute the volume activity and makes it far more difficult to read correctly.

Point A

Monday. Here we have a down-bar, but it is what we call a weak-looking bar. They've marked it up at the opening only to fall down into the low quarter. It looks something like a no demand bar only it has closed on the low. Weak bars look like this.

Point B

A simple down-bar closed on the low reflecting the weakness on the previous bar.

Point C

Here we see a blue bar and an attempt to go up but the spread is very low. Little enthusiasm for the up-side. A green arrow has appeared telling us it is a shakeout, but I'm afraid shakeouts do not look like this. If it was a shakeout the next bar must be up, which obviously it isn't.

Point D

Widespread down-bar closed near the low, the volume has increased, but this is not stopping volume yet because the spread is too wide.

Point E

Friday. Here we have a down-bar closed in the top quarter. Now the volume is very high. There must have been some support in the market Friday. But the market cannot respond bullishly to just one bar of strength. We also know that markets love to shake everybody out if possible, so you would sit and wait for developments. If you do see a violent down-bar closing near the highs and the volume is ultra-high, then you can assume that we do have a shakeout, and this will make the market bullish. You have to give them time to accumulate and test the high volume levels before you can expect an actual up-move.

If you look at the Cash market (Chart below) there is support at 1173 which would account for a lot of this stopping volume, but proceed with great caution.

S&P500 INDEX CASH DAILY CHART

DOW JONES INDEX DAILY CHART

Point A

This is an attempt to test the market, but you will see attempts to test the market in a weak market, and when the next bar (**Point B**) has a widespread down like that it confirms that you are looking at a failed test – a sign of weakness.

Point C

Friday. It has been marked down at the open, volume is very high, so there must have been buying on that bar. But it has closed slightly up. This probably shows that there is selling within the bar. You'd have to study the intra-day charts to see this. But this Index will follow the S&P500 Cash market. So it is highly likely to expect a shakeout somewhere along the line, where you see a widespread down, closing top quarter, volume ultra-high, on bad News. The market then still has to accumulate and test the high volume at those levels before any substantial up-move can take place.

NASDAQ100 DAILY CHART

Point A

Friday. The Nasdaq appears to follow the trendlines very nicely for us. We have now hit the lower trendline where you would expect some support despite the horrific News. On Friday we saw a down-bar closed top quarter, volume is very high. We have an automatic signal telling us this is a shakeout. This could very well be accurate, as it hits the bottom trendline where you would normally expect some support anyway. The fact is the volume is ultra-high closing well up. There must have been support buying in that bar. But you have to be patient and wait for the market to unfold, and a clear VSA principle appears. One of the most positive principles is, yes, you see stopping volume like this, the market goes up two or three bars, and falls back down into the level of the high volume, and the volume is seen to be low. Then you reach a point where you consider to go long. We are not saying that is exactly what will be happen, but if these things happen, you will recognise it immediately, and your skill as a trader will then come into play.

As we are all fully aware, the News is bad, and it appears to be getting worse, as one reporter on the News Channel said. Professionals will use this bad news as opportunities to shake as many traders out of the market as possible, allow them access to the markets at bargain prices. But always keep in mind, markets can show strength in really bad News as long as you realise what the professional money is probably doing in the background.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 13th August 2011

MINI S&P500 FUTURES ONE HOUR CHART 11TH/12TH AUGUST 2011

Point A

This is the close Thursday 11th August. This is a very very obvious sign of weakness – an up-bar, closed on the lows, with ultra-high volume as the market closed – a very serious sign of weakness, and, may I say, fairly obvious.

Point B

This is a blue up-bar, but note the low volume. This is volume less than the previous two bars as the market tried to go up. This is no demand and confirmation of the weakness.

Point C

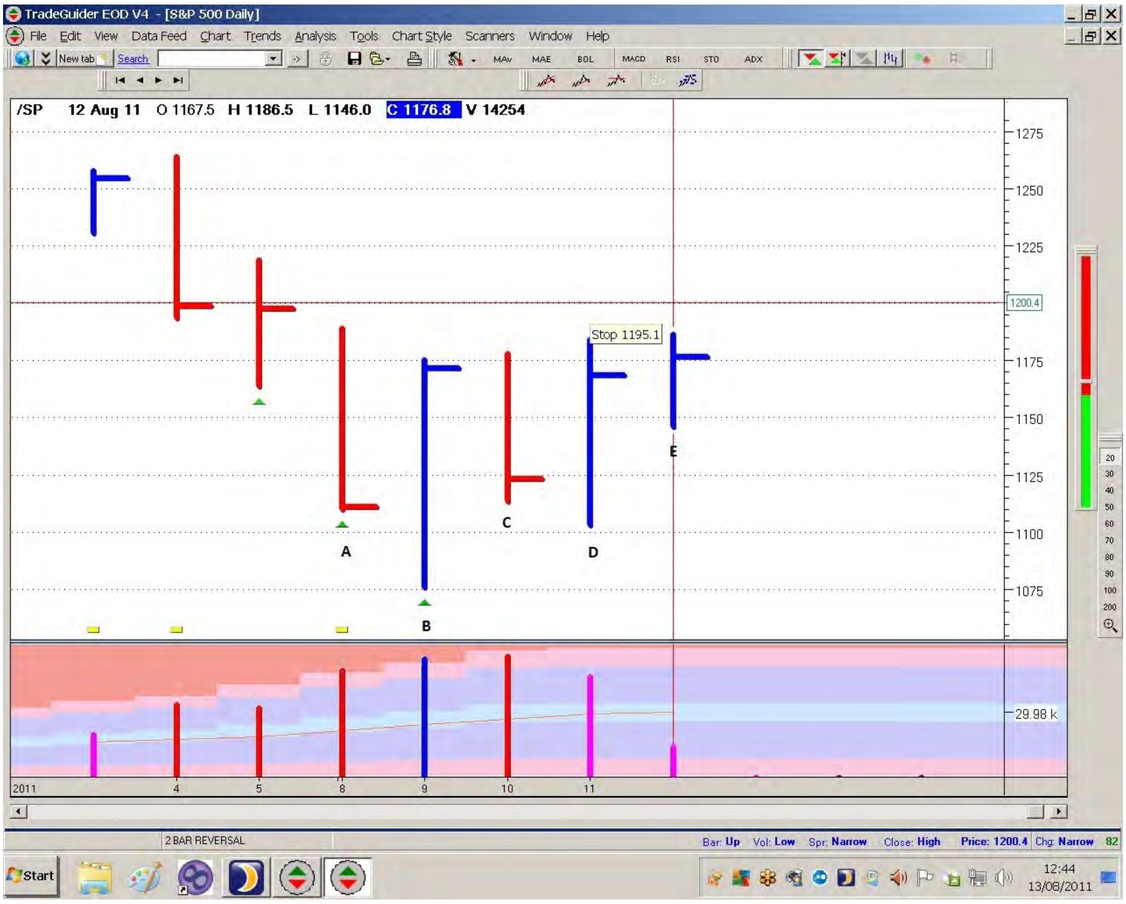
Here we have a blue bar, not particularly very exciting, but look at that very low volume – there is absolutely no interest at all in the up-side at that moment. Note how the red bars show the persistent down-move. This encourages weak holders who have been caught in a losing position not to sell.

Point D

This is the exact opposite to the weakness seen at **Point A**. The market is rammed down, closes top quarter with a slight increase in volume. This is a shakeout. This is a sign of strength which is just as obvious as the sign of weakness at **Point A**.

Point E

Supply has hit the market. An automatic signal tells you so. This is the opening of the S&P trading in the US. The volume continues to be very high for the next two bars, even so at **Point F** – the volume is high. Note technically it is no demand because it is less than the previous two bars and the computer has coloured it pink to remind you of this. This weakness carried on to the close of the day. As these principles appear, as a skilled analyst, you need to recognise this more or less instantly, ignoring all else, ignoring News, ignoring rumours, tips. Go by your charts.



S&P500 FUTURES CHART CONTINUOUS CONTRACT

We've looked at the continuous contract on the S&P500 futures as there appears to be a slightly clearer variation in the volume which will help in the analysis.

Point A

A widespread down-bar closing on the lows to put as much fear as possible into the market. Note the automatic signal which tells us it could be potential climactic action, although I'd like to have seen the volume much higher for true climactic action.

Point B

A widespread up closed on the highs producing an automatic signal which tells us it is a two bar reversal, which is a sign of strength. But of course the market has to build a cause, especially after these substantial bear markets, and this could take time. But it is certainly a sign of strength, rather than weakness.

Point C

Here we have a red down-bar with an increase in volume closing slightly off the lows, and note the spread has narrowed slightly. This shows strength rather than weakness.

Point D

Here we have an up-bar closing top quarter, but note the no demand – the volume is less than the previous two bars. This would indicate there is little or no demand at the moment from the professional traders. There are various stories coming out about four major countries in Europe banning short sales. Whether it is generally or just banking stocks, I'm not quite sure. I don't really listen to the News as such. But you listen to the News by all means, but remember, it's all there to mis-foot you, confuse you, to get you to trade wrong or badly.

Point E

Not a clear day to analyse by any means. You have what looks like a test, and yet the volume is abnormally low, and yet it is an up-bar. We have shown you an hour chart so you can delve into the details more of that bar, and this looks weak to us. Markets need to build a cause, shake as many people out as possible, and they have to see along the way that supply has dried up.

DOW JONES INDEX ONE HOUR CHART FRIDAY 12TH AUGUST 2011

Point A

Here we have the shakeout which has been identified quite easily on the other charts. Whenever you see that sort of action, it is fairly certain that will make the market bullish. It is a shakeout to catch stops, encourage people to go short in a strong market etc. Note how, once you get a strong sign of strength in the market, using a simple trending system will keep you in a trade a lot longer than you normally would do, as it is very easy to get shaken out of a good trade. But if the bars stay blue it means that the close is higher than the close of the previous bar. This works because the professional interest wants to maintain control of that up-move. You allow for one down-bar, ignore level bars until some obvious sign of weakness appears, which appeared six hours later at **Point B**. Markets don't like high volume on up-bars, especially when they close in the middle. Supply has hit the market at the opening of the US market.

Point C

Professional money has seen the supply hitting the market so this bar is a widespread up closed near the highs. This bar is designed to mislead you as much as possible, but if you look at the volume, you see it is going up on no demand – that is volume less than the previous two bars, after you've seen the weakness at **Point B**.

Point D

Here we have an up-bar. We are fully aware of the weakness behind us, therefore we know this has to be no demand after weakness. An automatic signal appears telling us that this is in fact no demand.

Point E

This looks like an attempt to test. The volume is high, therefore there must be supply there.

Point F

If all this data is correct, this looks like a sign of weakness at the end of the day.

I will be holding my next VSA Workshop here in Worthing, England, on Tuesday 20th September 2011. For further details about the day and how to book, go to http://www.volumespreadanalysis.co.uk

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Monday 5th September 2011

DOW JONES INDUSTRIAL INDEX DAILY CHART

Point A

8th August 2011. We are looking at the Dow Jones 30 Industrial cash market rather than the S&P500 because the volume appears to be slightly more accurate. What these charts really need is genuine tick volume, which we don't have. In these bear markets, as prices fall, there will be a level reached where professional money will consider it now a good buy and will step into the market. This always appears on a down-bar. The first sign of this was at **Point A**. The automatic signal tells us it is potential stopping volume. It can't be anything else but stopping volume because professional money, when they buy, they have to buy on a down-bar, hopefully on bad News. This allows them easy access to the market.

Point B

Here we have confirmation of the strength that appeared at **Point A**, a widespread down, straight back down into the area and below, and look at that low volume – supply that appeared at **Point A** has now dramatically decreased. This means that the supply at **Point A** must have been absorbed and well and truly catered for. It is no good being too clever trying to analyse it in any other way. Supply has dried up. That means you would expect higher prices.

Point C

Here we have an up-bar which I think we noted in the very last Newsletter we did. It looked like weakness coming in appearing as no demand on an up-bar. This is where the markets are out to confuse you, mislead you, and get you going the wrong way. There is weakness there, seen by no demand, but with the huge strength at **Points A** and **B**, this will not disappear. It's there embedded into the market. However, this weakness was enough to allow the market to fall back down to **Point D**. This is a VSA principle at work. At **Point D** we've fallen back down into the area where originally there was high volume. We have drawn a green horizontal line from the original **Point A** where there was stopping volume, so now as the market touches this green line it is looking at the amount of supply in the market and we see the volume is relatively low. If there's no selling pressure then you would expect higher prices.

Point E

This is clearly what appears to be a test-come-shakeout in a rising market. Note how they wait for a Friday to do this. The market has been marked down at the opening, and look at that very low volume, coloured in pink. There is absolutely no selling at that level. You would expect higher prices to continue. Note how well the trendlines are working, drawn through the first two points of support and the first high in a rising market. Always draw accurate trendlines if possible. This will be a big help to you.

Point F

Friday. Quite a widespread down closing near the lows, and note the volume is low. There is not a lot of selling pressure in this market. You've got at least three major signs of strength behind you at **Points A, D and E**. They will happily tell you on TV that the News is bad. We are slap bang in the middle of a trading range which makes it fairly difficult to accurately analyse except it certainly looks more bullish than bearish.

I apologise for this Newsletter being shorter than usual, but I am slowly getting back on track. I miss talking to you and hope these Newsletters help you along the way.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 17th September 2011

S&P500 CASH DAILY CHART

We always need to analyse the cash market which will give us a very strong indication of which way the intra-day charts are likely to go.

Point A

Here at **Point A**, a week last Friday, it seemed to have some weakness in that bar, but on saying that we have several strong signs of strength in the background which we have mentioned earlier. We noted on that Friday that they love to shake the market out if possible.

Point B

Monday. Here we do have what strongly looks like a shakeout. It has plummeted down early morning, virtually bounced off the lower trendline, only to close on the high. Volume is about average. We have an automatic signal of strength appear. Please read the dialogue boxes carefully. So at **Point B** we now have a strong sign of strength.

Point C

Tuesday. Here we have an up-bar responding to the strength on the previous bar. There is a lot of negative News around which is tending to dampen enthusiasm for the up-side, but we do have strength in the background.

Point D

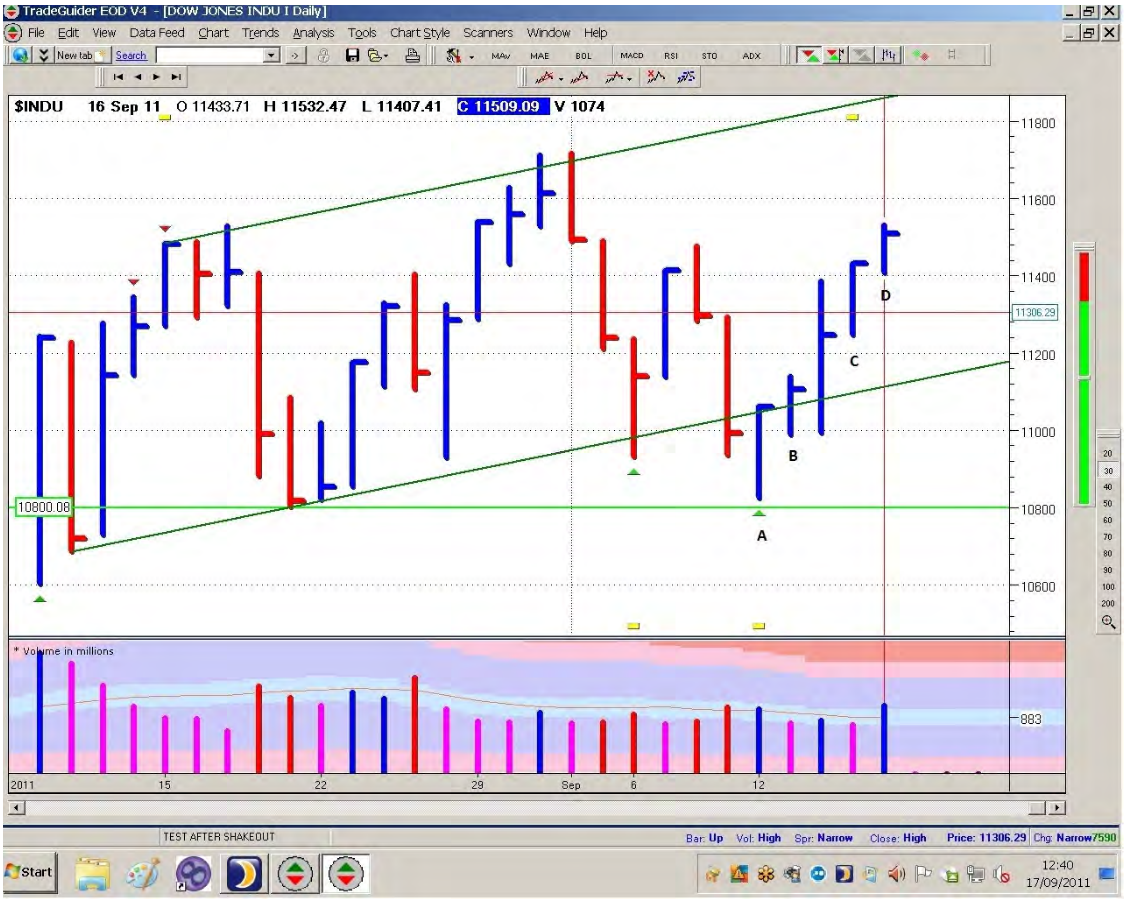
Here we have a widespread up closing top quarter, the volume just slightly higher than average. No serious sign of weakness has appeared yet.

Point E

Here we have an up-bar. Note the spread has narrowed slightly and the volume has fallen off. It almost looks like no demand, but the market is still trending upwards.

Point F

Friday. Now here we have a far more positive sign of weakness. Note the spread has definitely narrowed, and note the volume has increased considerably. This would indicate supply has hit this market. It has also hit the top trendline. So we do have a potential sign of weakness.



DOW JONES INDUSTRIAL CASH INDEX DAILY CHART

Here we have the Dow Jones Industrial 30. It's showing a slightly different picture to the S&P due to the fact is that we are slap bang in the middle of a trading range where the S&P500 is hitting the top of the trading range.

Point A

Here we are technically over-sold, that is, below the trendline. It's a pretty obvious shakeout to start the week off. It plummets down at the opening, catching stops, misleading as many traders as possible, only to close on the high. The volume is just about average. We have a nice clear signal appear – test after shakeout. Please read the dialogue boxes carefully. Everything we know about the markets is in these dialogue boxes. Study them carefully and you will know what we know.

Point B

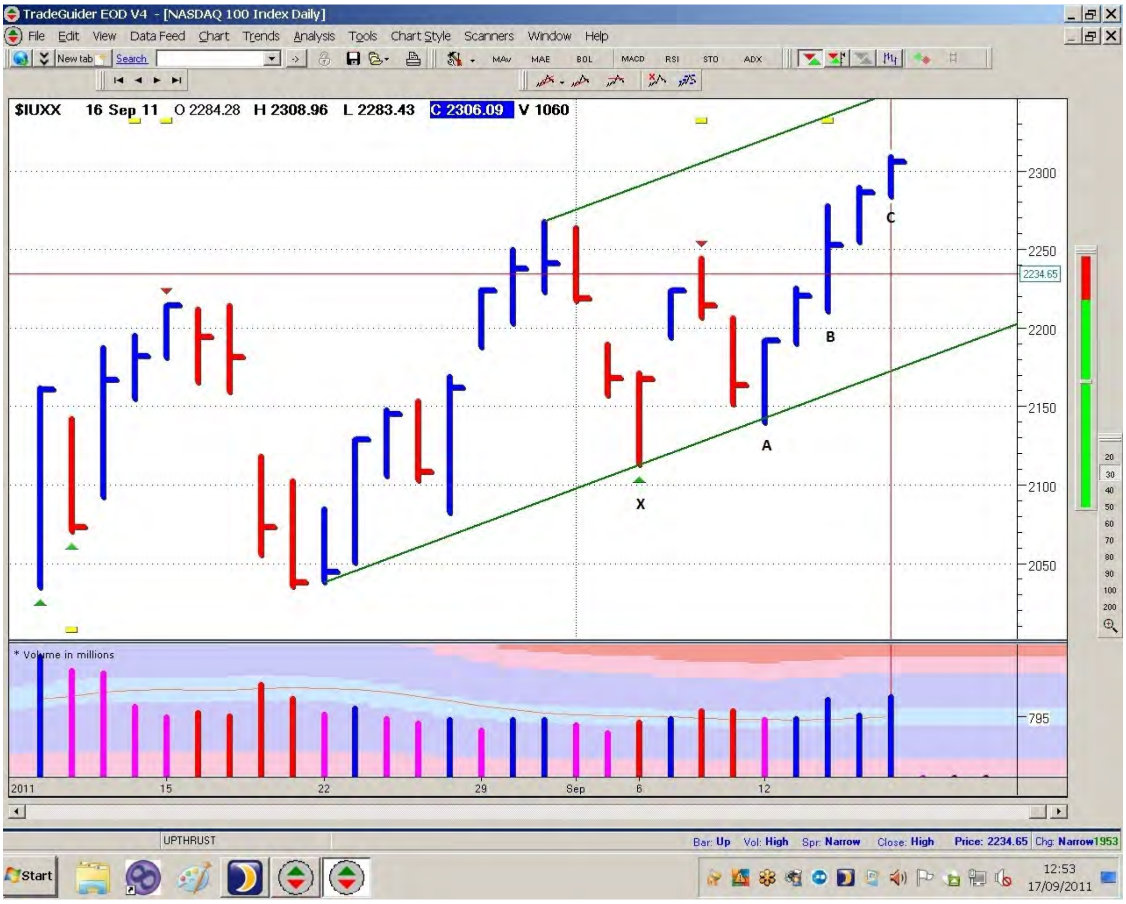
We do have an up-bar here, but note the volume is very low. This is not no demand because at some time during the day they have marked it down and there was no selling pressure at all. This accounts for the low volume. They then turn it around to close near the high. We have a very strong sign of strength on the previous bar so there is no way this can be no demand.

Point C

Here we continue in up-bars although the volume has dropped off, similar to the S&P500, so any enthusiasm for the up-side is fading.

Point D

Friday. Here we have an up-bar. Note the spread has definitely narrowed. There is not a lot you can read into the volume, but there is an increase in the volume. This would suggest supply has hit this market. You are slap bang in the middle of a trading range which is always a risk to your judgement or analysis at that point. But the market, at this moment, appears weaker than stronger. But on saying that, keep in mind you are in an up-trend and you've got multiple signs of strength in the background.



NASDAQ100 INDEX CASH DAILY CHART

Point A

Monday. Note how the Nasdaq appears to be acting stronger than the S&P500 or the Dow. Here we have an up-bar, but note it did hit the lower trendline. The market is responding vigorously to the strength in the previous two Indices, and the obvious shakeout/test four days previously (**Point X**).

Point B

Now here we have an up-bar, but it has closed well off the high, and notice the volume has increased considerably. This on the surface looks like supply, but on saying that, we have an old top right to the left at the same level. If they're bullish they will quite happily absorb any selling from this old high which could easily account for the increase in volume and the closing off the high. But we do have all these signs of strength in the background.

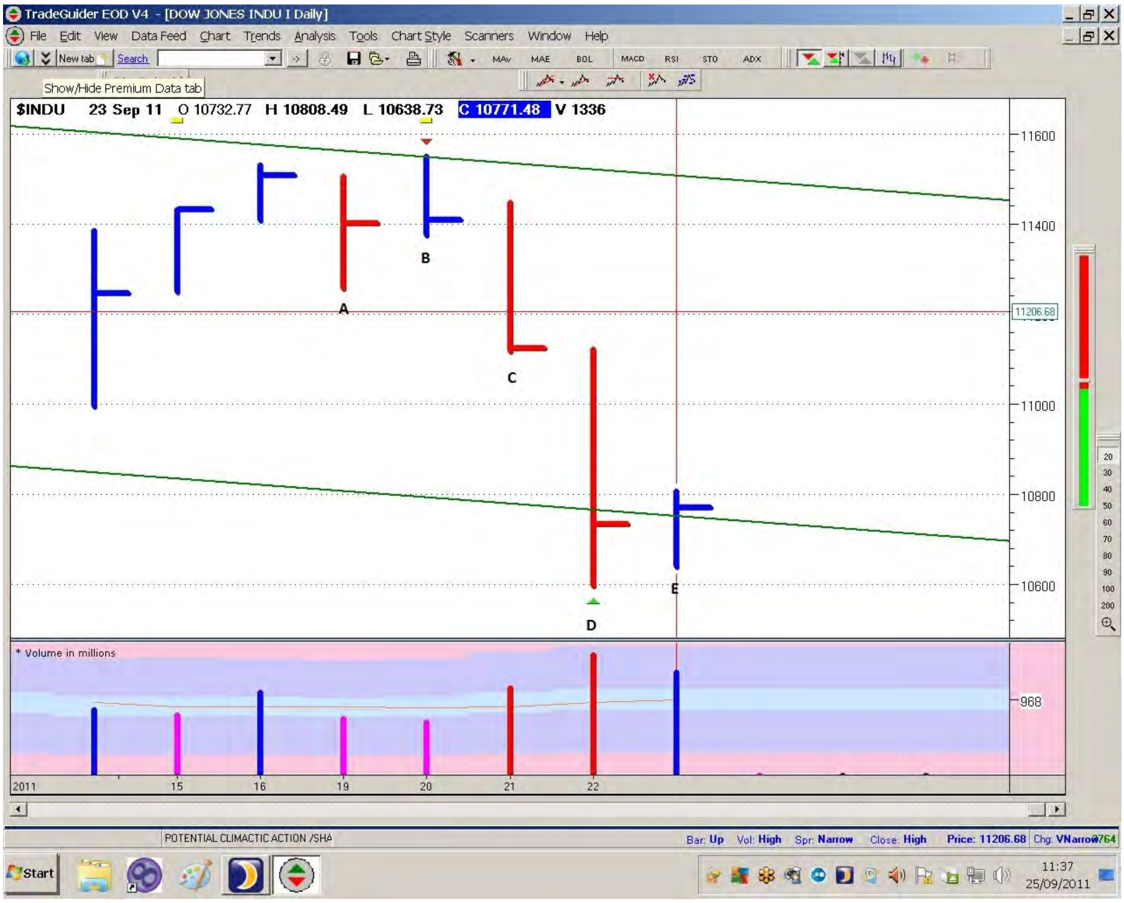
Point C

Friday. Here we have an up-bar. Note how narrow the spread has become, and note the increase in volume. This is a sign of weakness. This would also coincide with the weakness seen in the S&P500. But in these bullish markets signs of weakness are usually short-lived where, yes you'll get a sign of weakness and the market may come off one, two or even three bars, unlike the bear markets where you get a more substantial fall following these signs of weakness.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Sunday 25th September 2011



DOW JONES INDUSTRIAL CASH INDEX DAILY CHART

Point A

Monday 19th September. Here we have a down-bar closed in the middle, and we can see the volume is low, so there is not a lot of selling pressure despite the sign of weakness we saw on the previous bar which was Friday. Any up-bar on a narrow spread with an increase in volume would indicate supply is overcoming demand.

Point B

Tuesday. Here we have an up-bar responding to the lack of supply on the previous bar. However, we've closed on the low and if you look at the volume, it is in fact slightly less than the volume on the previous bar, so this has to be no demand. The computer has spotted it and has thrown up an automatic sign of weakness, which in fact it calls no demand. So you are not expecting higher prices on this type of action.

Point C

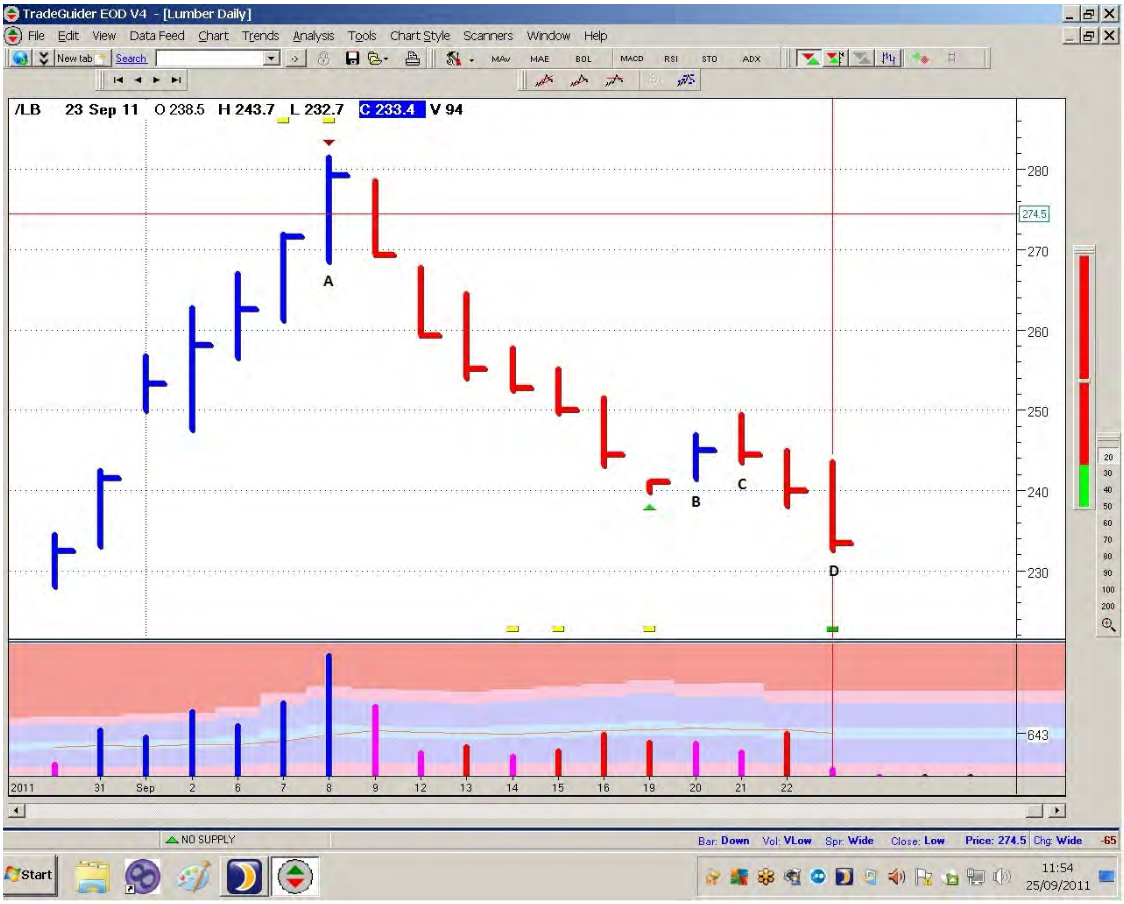
A widespread down closed on the lows, volume is about average. These widespreads down immediately after you've seen signs of weakness are a commonly used ploy to lock as many traders in or out of the market as possible.

Point D

Thursday. Here we have a very widespread down. However, it has hit the bottom trendline, volume is quite high, and it has closed well off the lows. There must have been some buying in there, or support, to do this. The automatic signals have picked it up as a potential shakeout.

Point E

Friday. Here we have a narrow spread up-bar. It does not give much information away as to the true state of the market. It has a small tail to it, so it could be a test, or because it is up it could be no demand, so we have to wait to see how the market unfolds. But there would appear to be definitely buying on the previous bar. For this market to be bullish we now have to see the market going sideways with one or two up-bars perhaps, but with one bar falling back down into the area of **Point D** and the volume clearly low. If this happens then that market will go up. Do not take any action unless you see a positive VSA sign of strength, or even weakness, which would be seen as no demand or upthrusts. There is a tremendous amount of so-called bad News about, and certainly very negative News. It is difficult not to form a so-called gut feeling listening to all of this. But the markets can easily move in a different direction to this overall gut feeling you have. You must wait for a clear principle to appear before you do any trade.



LUMBAR (/LB) DAILY CHART

This chart shows you how commodities can also be analysed. A vast number of the commodities have fallen severely, and I wonder if this will finish up in lower prices. Somehow I doubt this.

Point A

Markets do not like ultra-high volume on up-bars after you've already seen a bullish move up. At some point professional money will want to unload holdings bought at low levels, and this is inevitably seen eventually on an up-bar on ultra-high volume. Note how commodities can often have a completely different personality to stocks or even Indexes. The volume hits the top and immediately it falls into a bear move. So it is no good hanging around waiting for upthrusts or no demand up-moves to confirm the weakness.

Point B

Note how the market persistently falls day after day to **Point B**. There was absolutely no support in the market once you'd seen the sign of weakness at the top. They don't want any opportunity for potential weak holders to get out of lumbar. In a weak market you inevitably see the up-bars on absolutely no demand, narrow spread, absolutely no interest in the up-side.

Point C

Here we have a crafty little upthrust which confirms the no demand on the previous bar.

Point D

Here we have a widespread down, closed on the lows, but it is amazing how they can hold back the volume. That low volume is obviously not correct. The inside traders will be fully aware of the volume, but in commodities they know how important this information is, especially to other traders, and they withhold it, which is almost unbelievable these days.

FEEDER CATTLE (/FC) DAILY CHART

Point A

We have a nice top reversal. Note how the previous bar has even gapped up to throw you off as much as possible. The market falls to **Point B**.

Point B

This is a down-bar and the volume appears to be high. It is not quite clear exactly what this means because we usually need a substantial fall before the professional money is willing to step in. Also note the high of the bar is slightly higher than the previous bar. A bar showing true buying rarely does this.

Point C

Here we have an up-bar, but look at that high volume, and look at it closing on the low. This is a potential sign of weakness.

Point D

Friday. It is difficult to analyse this bar properly because, again, they have withheld the volume. They withhold it because they are fully aware of the valuable information if you can read the volume.

QUESTION IN THE FORUM

A good question came up in the VSA Club forum, from Pawel, and I thought I'd include it in the Newsletter as it will be useful for others to see.

Question:-

Hallo Tom!

At the start I would like to thank You for writing your books, they are really eye opening ones for any new people to the markets.

I bought a VSA plugin to Infinity AT charts and I'm trying to read futures markets everyday.

I have a question about bar by bar analysis.
If we have a wide spread down bar closing on the lows on large volume and next bar is up with a narrow spread on low volume closing in the middle.

How should we interpret that situation?

First interpretation is that there must be some buying on the first bar because the market didn't go down on the following bar.
There was an effort to go down which has failed. So this interpretation is rather positive.

Second interpretation is that the second bar which is up on narrow spread is a sign of weakness because there is no demand also with narrow spread following wide spread down bar which is effort to go down. So this interpretation is rather negative.

I hope you know what I mean.

Again thank You Tom for all your help for all uninformed traders.

Answer:-

Hello Pawel,

Your analysis is very good. I really like to see the whole chart to come to a more positive conclusion, but as you describe it, a wide spread down-bar closing on the low with high volume, keep in mind that the volume represents buying, yes, but it also represents supply as well. And according to where you are in the trading range, you may get a bouncing effect, in other words the next bar can be up. If it's up on low volume then the market is not going to respond bullishly right at that moment. If there is genuine buying on the previous bar you'd expect the market to go sideways for some time with a test, in other words, a down-bar back down into the area where you saw the first high volume, and on the test the volume is clearly low. Then you can positively say that that first down-bar contained more buying than selling. Congratulations on your ability so far. Keep at it. Don't trade unless you see a clear principle appear, and you will have this knowledge with you for the rest of your life.

TOM WILLIAMS' WORKSHOP

Last Tuesday 20th September we held a very successful workshop here in Worthing at the Ardington Hotel. Feedback was very good, and participants reported that they learned a lot and appreciated the informal atmosphere which facilitated lots of questions and discussion. Another workshop may be planned for the future and we will let you know if so and when.

THIS COMING WEEK

This coming week I will be joining Gavin Holmes for two online webinars, the first being Tuesday 27th at 0800 CST – Live Trading Using VSA For CME Futures, and the second being Wednesday 28th at 0900 CST. And of course, 1130 CST on Friday I will be running my usual 'Live on Friday' session in the VSA Club. I do hope you can join us.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 1st October 2011

S&P500 INDEX DAILY CHART

Point A

We identified this down-bar which penetrated the lower trendline as some definite buying has taken place. High volume with the market closing well off the low, this can only be caused by professional money stepping in with block trades. This buying resulted in a rapid move up to **Point B**.

Point B

Here we have a weak-looking bar as it tried to go up but closed in the middle with little or no enthusiasm in the volume, resulting in just average volume.

Point C

Here we do have a widespread down, but here the volume has considerably dropped off, so there does not appear to be a lot of selling pressure on the down-side. But, on saying this, if the market is really bullish you'd expect to see a down-bar back into the high volume area at **Point A**.

Point D

Here we do have a blue up-bar. The low hit the lower trendline. It is a somewhat confusing bar and difficult to analyse.

Point E

Friday. Here we do have a widespread down closed on the low as it pushes down through the lower trendline. The volume is average. So what we are really looking for is a down-bar with obviously low volume back into that area at **Point A**. If we do see this, then you would expect an up-move to follow.

GOLD (/GC) DAILY CHART

We had a request to look at gold in our Friday webinar but did not have time to cover it, so thought we'd include it in this week's Newsletter. This is a chart of gold continuous contract.

Point A

The market has been bearish for some considerable time which we identified at the tops earlier on. But at some time you will see a down-bar, the volume is high, or the activity is high, the market will close well off the lows. If we're down into recent low ground then the only thing that can do this is professional players have stepped in with their block trading. It is very easy to miss many of these lows after a substantial down-move because mentally you're simply not geared up to suddenly accept that what you're following has been so bearish has now potentially become strong. If this market has a potential up-move you'd expect this volume to be tested some time in the future.

Point B

A blue bar, we've got an up-move immediately following the strength on the previous bar, but it is not going anywhere right now. We can see that because this is a no demand up-bar. No demand is just telling us that they like to test that volume on the previous bar.

Point C

Here we do have what appears to be a test, a down-bar, narrow spread, closing in the middle, and the volume is clearly less than the previous two bars and certainly less than the volume seen at Point A. You would expect to see an up-move on this analysis.

Point D

There is little or no evidence of what is going on on this bar. Being a Friday you're at the mercy of the professional trader who's not there to help you in any way at all. The volume can be extremely unreliable in these commodity markets on the day. They're not there in any way to help you in your analysis, and you will probably find that the News is still negative as far as gold's concerned. You can't help absorbing all this News, reports, lies, rumours that surround these markets, and you can easily miss what we have just told you.

MENTORSHIP PROGRAMME

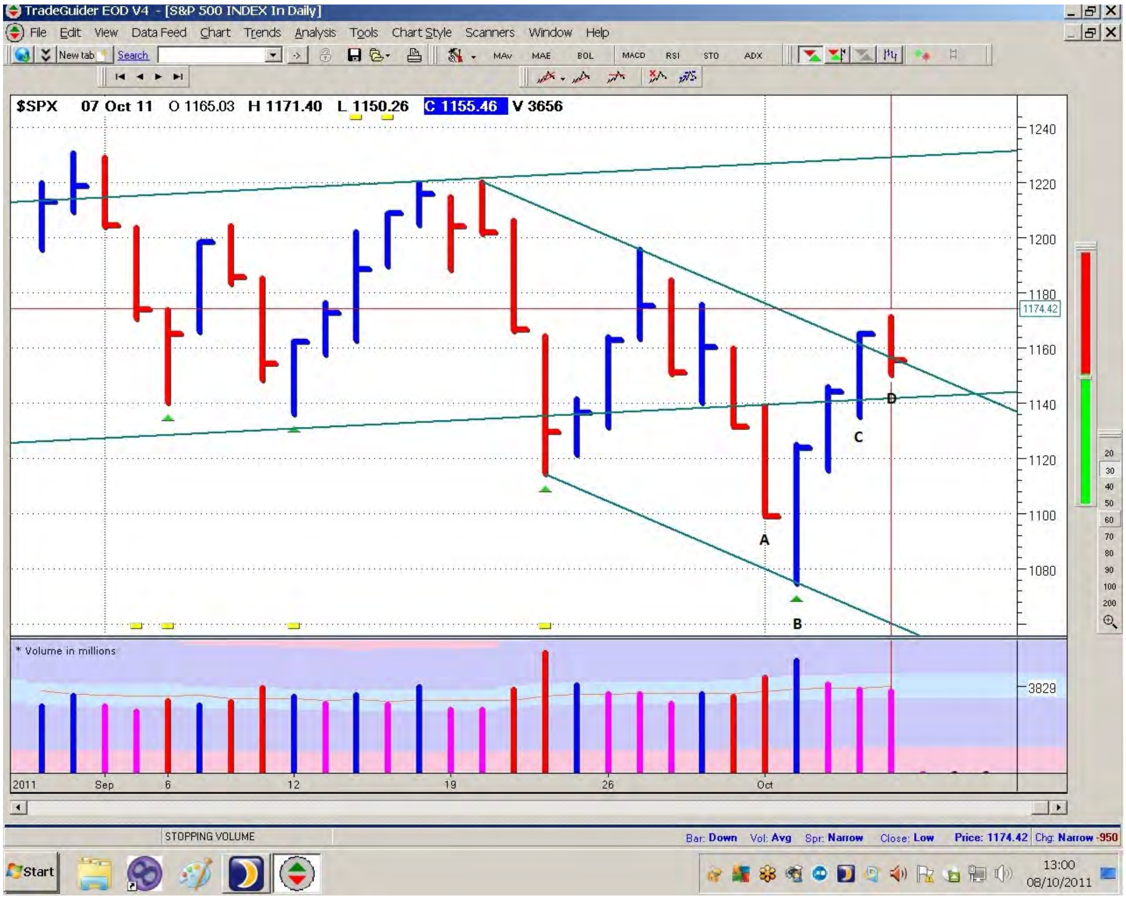
We are running a VSA mentorship programme via skype with myself and Gavin Holmes commencing 24th October (for our Australian customers) and 31st October for US and European customers. There are just 10 seats available for each session as this is a live, interactive event enabling you get 10 full hours of direct education on Volume Spread Analysis and the best practices in making yourself a consistent and succesful trader or investor directly from myself and Gavin Holmes. For more information call (855) 848-4337, or email darrenh@tradeguider.com.

Have a good week.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 8th October 2011



S&P500 INDEX CASH DAILY CHART

Point A

Monday. Here we have a widespread down closed on the low, volume is above average but not excessively high.

Point B

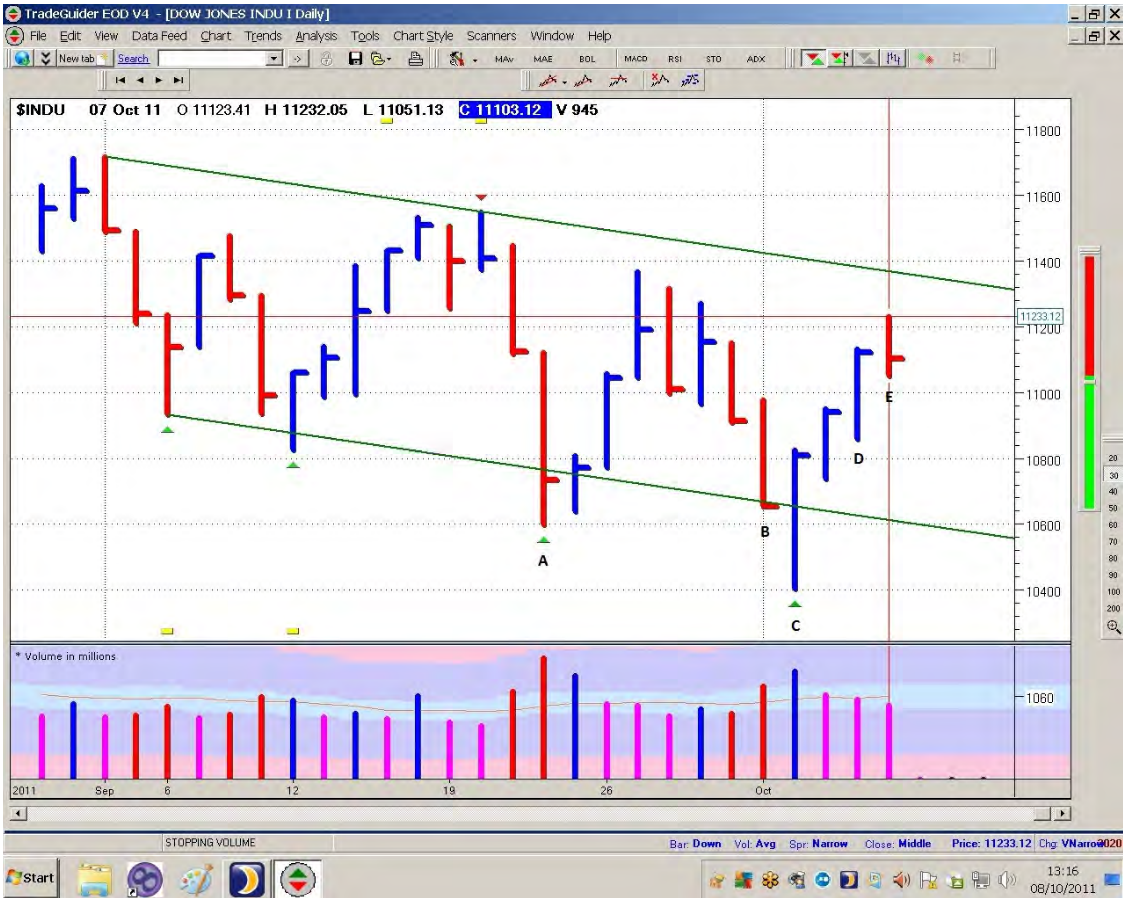
We have drawn fresh trendlines indicating we appear to be in a down move. The first two highs and the first low are used and projected into the future, so come Tuesday it's not a surprise to see the market plummet down at the opening and bounce off the lower trendline. Note the now increase in volume and on this increased activity the market closed in a clear up-move. This is a test or shakeout in anybody's language. Even your dumb computer has picked this up. You always expect higher prices when you see this type of action. It doesn't say it is going into a bull move, just that it is going up for a few bars which is all the information we need to put in a successful short-term trade.

Point C

Here we have an up-bar closing on the high, hitting the top trendline. Now look at that volume. It is clearly low volume. That is, the volume is less than the previous two bars. A market is not going to go higher on volume falling off like this, especially as it hits the top trendline which is a resistance area.

Point D

Friday. We do have a narrow spread down-bar. The volume is in fact low. If you look at the intra-day chart there appears to be weakness built into the hour. There is nothing all that obvious to give a firm prediction except we are in a down-trend and we do have no demand on the previous bar.



DOW JONES INDUSTRIAL 30 CASH DAILY CHART

Point A

Previously we noted this down-bar on this very high volume. For this market to become really bullish we need to see this volume tested, and by testing we mean the market falls back down into that area and the volume is obviously low. This will then give us higher prices. But because there's built-in weakness we saw three up-bars which ended up in no demands.

Point B

Monday. Here we have a widespread down-bar closing on the low. Note it is falling back down into the level of area A where we saw the very high volume. Now although the volume is somewhat lower, it is not anywhere near low enough to indicate a strong market. Supply is present, and this is causing the down-trend that we can see fairly clearly on this chart.

Point C

Although this is an up-bar they push the market down at the open to catch as many stops as possible and to mislead as many traders as possible, only to close on the high. An automatic signal has appeared which tells us this is stopping volume. Please read and study these dialogue boxes carefully, then you will know what we know, because these principles appear time after time. It is sometimes difficult to see because the News is usually contradictory to any up-move.

Point D

Here we have an up-bar closing on the high, but note the low volume. This is no demand, but we do have a trendline sitting above us which may easily represent a target for any up-move.

Point E

Here we have a very weak-looking bar, but we are still in the middle of the trading range area. This market could easily be marked up to hit that top trendline. Keep a sharp eye out on your intra-day charts which very often give you a clue as to what it is going to do.

NASDAQ 100 INDEX CASH DAILY CHART

We've drawn a fresh pair of trendlines because the market appears to be falling – first two points of supply, first point of support. It's very difficult for me to look at a chart and not draw trendlines on it. As you can see they are definitely a great help in your analysis.

Point A

Monday. Here we have a widespread down, close on the low, volume is slightly above average. There's nothing all that obvious in this bar except it has hit that lower trendline, and we know properly-drawn trendlines work, and it is quite likely to bounce off and go up a few bars in a potentially weak market.

Point B

The market was marked down at the opening only to bounce up to close on the highs. This is a sign of strength. There is no automatic sign of strength but there is on the S&P and Dow, and as these markets all tend to move together you would expect higher prices on this type of action.

Point C

Here we have an up-bar closing on the high. Note the spread has narrowed somewhat. But the most important thing here is it's no demand seen by the lack of volume on the up-side. Professional money does not appear to be interested in any up-move.

Point D

Friday. A very narrow down-bar on substantially low volume which appears to indicate no selling. But we're always a bit wary and cautious about Friday's action as they will do their utmost to mislead you as much as possible, so over the weekend the media will be pumping out information which inevitably will mislead you. Always keep in mind you probably know more about the market than any of these writers for television, newspapers or magazines.

Question in the Forum

Hari posed the following question in the forum which I think will be of interest to others, so I thought we would include it in this week's Newsletter:-

Hello Tom,

Hope you're well.

I've tried to understand the Volume thermometer, and its role in VSA. But I've not been able to get a handle on its patterns. Is it possible for you to explain how this indicator is to be used in VSA ?
Thanks a lot
Hari

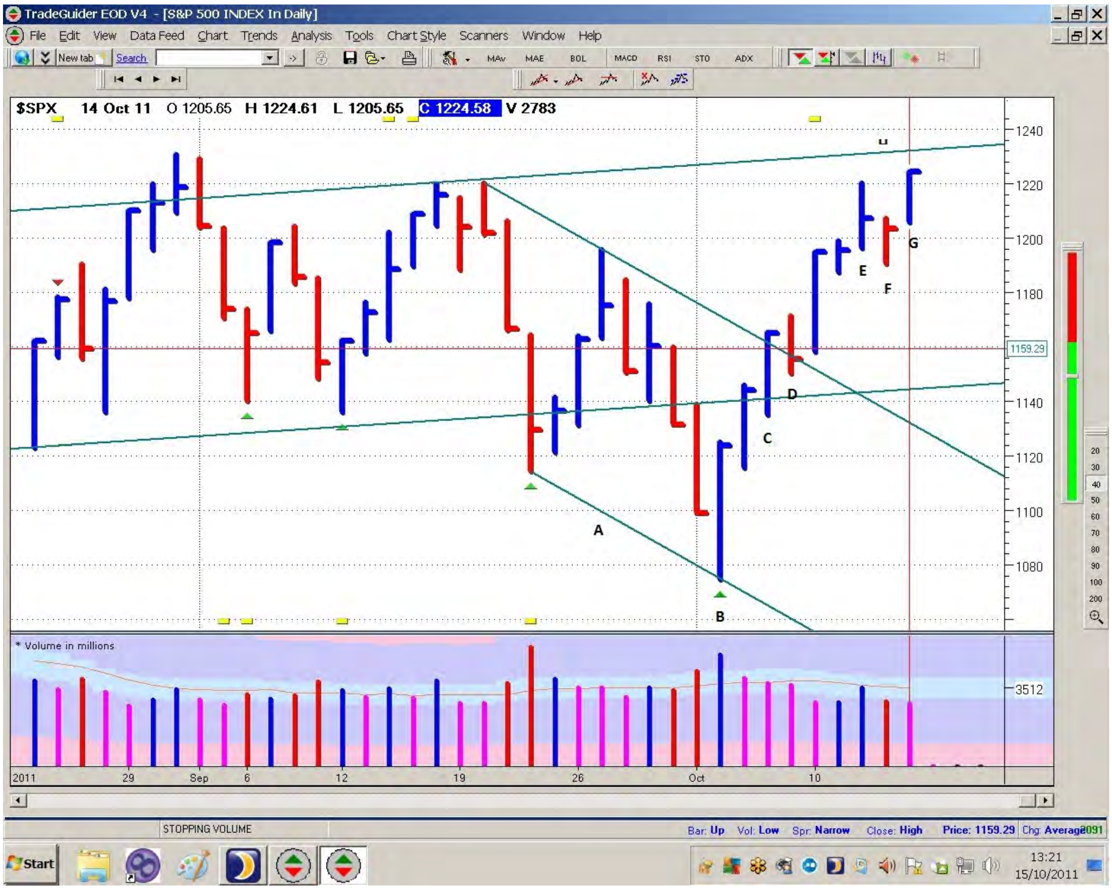
Answer:

Richard D Wyckoff told us 100 years or more ago that bullish volume was increasing volume on up-bars while decreasing on down-bars. Bearish volume was the exact opposite – increasing volume on down-bars while decreasing on up-bars. It's almost impossible for the human mind to see these subtle changes in the volume and price action because we are not good at handling long continuous strings of data whereas computers love it. Now the volume thermometer will tend to show you this in action. It was originally put into the programme to demonstrate this principle at work, but it is not the sort of tool you can trade with. It's really there as a scientific interest. It's also averaged over two or three bars which I dislike anything that's averaged as it tends to cloud the issue. So don't worry too much about analysing this, but if you put the cursor in an area of distribution before a fall and move the bar forward bar by bar, you will see the red increasing as the bearish volume hits in. It seems to work best hovering around that central line. You need to experiment with it yourself. The increasing volume on up-bars in a bullish market while decreasing on down-bars is the reason why we have tests which indicate a level of supply, but this is best picked up from observation on your chart. While in a bearish move, and increase in volume on down-bars while decreasing on up-bars gives us our well-known no demand move in a weak market. Again, this is best picked up by your own observations and reading and studying the chart.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 15th October 2011.



S&P500 CASH MARKET DAILY CHART

Point A

The lower support line of the trend which appeared to be down.

Point B

Here we have a violent down-move hitting the lower trendline and we have an automatic signal appear telling us it is stopping volume. In hindsight you can clearly see this is what happened, so congratulations to the computer who's only doing what it has been told to do. A computer's not listening to the News. It doesn't have any built-in so called gut feeling. It's just following instructions that have been programmed in many years ago. However, on saying all that, the majority of non-professional traders, when the market hits the lower trendline an automatic signal appears, and note we are also severely over-sold, is simply not mentally tuned into the fact this is in fact a shakeout. And because the News and everything is so horrific they will tend to sit there and look at it, and that's the reason why we have these wide spreads up on the bar or immediately after the bar to ensure the majority of these traders still sit there looking at it because they now think they've missed it – in other words they've been locked out of a good trade by the wide spreads up. Human beings are reluctant to go to a market and buy when, on the previous bar, the price was considerably lower.

Point C

Here we have a widespread up closed on the high as it rushes up towards that higher trendline. Note there is a little bit of no demand in there so it would not be unreasonable at this point to think the market might come off.

Point D

This is a down-bar and the volume is less than the previous two. In other words this is a test. This now gives you a whole new picture. Keep in mind that you've got the shakeout at **Point B**. That has made the market a strong market, and the fact is now you have a test on low volume showing that there's no professional selling. You are rapidly forced into this conclusion on this bar because of the shakeout at **Point B**.

Point E

Here we do have an up-bar. Although not exactly no demand, it definitely appears to look weak by attempting to go up, closing in the middle. Professional money would have seen this and immediately test on the next bar which is **Point F**. Again, we see a down-bar, narrow spread, closing on the high, volume does look like no selling pressure. On these successful tests you expect higher prices.

Point G

Here we have an up-bar closed on the high, rapidly responding to the test on the previous bar. Note the volume is now clearly becoming no demand. The upper trendline, which is a resistance level, is very close, and the market's highly unlikely to go up through this resistance line on no demand, so it is quite possible that in the coming week they will hit this trendline, but unless you see a clear test or a shakeout it will still probably follow the slow upward trend seen by the two major trendlines.

The trendline we drew showing a temporary down-move is now invalid, but proves useful on the shakeout at **Point B**, but we will now remove that line for the future.

DOW JONES 30 INDEX CASH MARKET DAILY CHART

Point A

Monday. Here we have a widespread up closing on the high attempting to push up through that top trendline, but it is going to have trouble because it's going up on no demand. But like the S&P500 the market has been potentially made strong because of that shakeout right on the last low. Professional money would immediately see this and on the Tuesday, at **Point B**, this is clearly a test – a down-bar closed middle, and the volume is low. This is showing us that there is little or no selling pressure from professional money at this point.

Point C

Here we have an up-bar responding to that test on the previous bar, but very similar to the S&P500 chart, this bar looks weak. It has attempted to go up and closed in the middle. There is a slight increase in volume which shows there must have been a little bit of supply in there. Again, at **Point D** professional money would have seen this on the previous bar, and they are testing the market again – a down-bar closing near the high, and the volume is low/below average. So again there is little or no selling pressure in this market. But we are over-bought making us vulnerable to falling prices.

Point E

Friday. Here we have an up-bar closing on the high, and here we do appear to have no demand. They often mark the market up like this on a Friday to mislead as many traders as possible, encourage the Newspapers and the media to come out with misleading statements and opinions. But note that the market has reached this point basically because of that shakeout on the lows.

WAL MART DAILY CHART

You must have heard about the trader who was put in jail for 11 years for insider trading. As far as we are concerned (VSA users), it only goes to show lack of knowledge surrounding the stock market. Yes, it is against the Law to buy or sell on so-called inside information. But as a VSA user we know that this information is also built into many of the charts automatically. In other words, as the S&P and Dow fall, you will see that there are certain stocks that are reluctant to fall, or are even going in the opposite direction (up). Now the only possible reason this can happen is that the professional money who would have done fundamental analysis in great detail know a lot more than you do. And this reflects on the support that an individual stock gets in a weak market. For example, this is a chart of Wal Mart. Now every housewife in America knows the fundamentals of this Company, and they will all tell you it is a good strong Company, and this reflects on the price. If you look at these two dates (27th September and 4th October) the S&P has fallen. Now look at the same dates on Wal Mart (WMT). This is just one example but there are many in the portfolio. Note that during these dates Wal Mart is reluctant to fall, it is actually creeping up. This stock is acting stronger than the Index. These sorts of stocks are the stocks we have waiting to be bought when clear signs of strength appear in the Index, but please note, that there is a severe sign of weakness has appeared right at the top of this chart. This is a sign of weakness, and if you are a short-term trader a warning to you that there is something radically wrong with the up-move.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Sunday 23rd October 2011

DOW JONES 30 INDEX CASH MARKET DAILY CHART

Point A

Here we have a widespread down, closed on the lows, volume is below average. This down-bar is a direct result of the no demand seen on the previous bar (see last week's Newsletter). The market appears to be churning sideways because on every red down-bar there appears to be a small amount of supply. But the frequent blue bars show some demand.

Point B

Here we have an up-bar. Note the increase in volume and note it has closed off the high. There appears to be some supply present which is quite understandable as we seem to be hitting the top trendline. But also notice what we call the tail on this bar. They must have gone down to the lower point intra-day and found no selling pressure, and that is why it popped up to close in top quarter, so we have a real mixture here of a fight going on between supply on the one hand and demand on the other. For greater details on exactly what's going on during the day you need to study intra-day charts. Persevere along these lines and you will slowly develop expertise enabling you to analyse these markets surprisingly well.

Point C

Here we have a down-bar. Notice it is a down-bar on a narrow spread and the volume appears to be just about average. All this is telling us is that there is still not a great deal of selling pressure.

Point D

Here we have a blue up-bar, but this is a very clear test-come-shakeout, and a sign of higher prices. To plummet down like that, and the volume is less than the previous two bars, and the computer has coloured this pink to remind you of this, only to turn around and close near the highs, this is clearly a test. Although we do not have a computer signal on this, try to burn this into your memory, as these principles will appear time after time.

Point E

Here we have a very widespread up closed on the highs, the volume has increased to just above average. This is a direct result of the test-come-shakeout on the previous bar. We are now clearly over-bought. On saying that, prices are likely to be higher next week.

NASDAQ100 INDEX DAILY CHART

Point A

Monday. Here we have a down-bar. Note the low volume coloured in pink, and there is an automatic signal telling us that there is little or no supply.

Point B

Here we have a very similar looking bar to the Dow. It appears to be a combination of lack of supply which allowed it to rally up to the top quarter where it hit some supply. Note we are over-bought.

Point C

Here we have a simple down-bar, volume is about average. Note they gapped it down but we do have some strong bars in the background, and some weak bars, so we are not expecting a massive change in direction at the moment.

Point D

This is the first clear bar that we can read. As we know, they love to have shakeouts if possible, which is also a test, which also triggers off thousands of stops and will encourage many traders to short, forcing them into losing positions. An automatic signal has appeared which tells us strength has appeared. This is why it is important to look at several Indices for a better analysis of what exactly is going on.

Point E

Friday. Here we have an up-bar closing top quarter. Note it was gapped up responding to the previous test-come-shakeout on the previous bar. The volume is average. This action does not strike me as being particularly strong anticipating a bull move. The reason you study these end of day charts is that very often they will give you a fairly clear idea of which direction the market wants to go in, which will in turn help you in your trading. A study of these Indices will help you to trade short-term intra-day futures and help to pick out stocks acting stronger or weaker than the Index.

WAL MART (WMT) DAILY CHART

This is a chart of Wal Mart who we said was acting stronger than the Index last week. We mentioned this because a trader in New York had been jailed for 11 years for so-called insider information. On saying that, if you can read the charts properly, you have inside information at your fingertips, perfectly legal. An example here, Wal Mart.

Point A

We have an automatic signal of weakness, so we know at **Point A** there was some profit-taking going on, but it is still weakness.

Point B

We've told you time after time that if you ever see a red arrow in a rising market, especially in a stock acting stronger than the Index, if you see a test within the next few bars, this is a bullish sign and you'd expect higher prices. Now at **Point B** we have such a test – a clear red down-bar, narrow spread, and look at that low volume. The computer has coloured it pink to let you know this. This is testing the weakness at **Point A**. There is no supply and that results in higher prices. The weakness at **Point A** will most likely come into your analysis some time in the future.

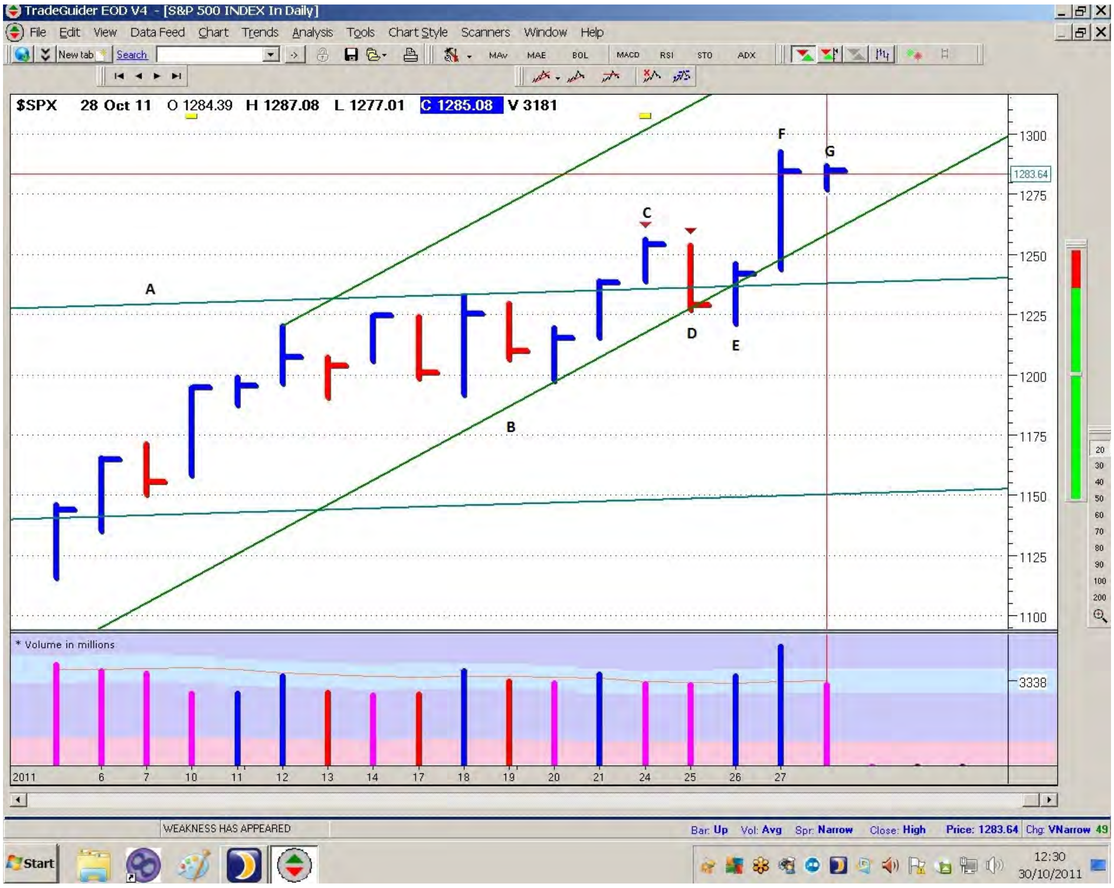
HOW TO RECOGNISE SUPPORT

Keep in mind you are looking at the actions of professional traders who can put large orders or blocks into the market. But they will only do this if they think they can make prices go higher at a later date. Now it stands to reason, if the market has fallen, especially if it has fallen down to a lower trendline, or is obviously over-sold, you can detect professional buying for the simple reason is, they have to buy on down-bars and you will see a down-bar appearing on a narrow spread on very high volume. The narrow spread is caused through them buying at the potential low point. In other words, a floor has appeared under the price level. This principle will appear in most markets, but with a variation according to which market you are looking at, ie. Currencies can behave differently to futures or the cash market. On seeing this what we call stopping volume, expect to see a test at some time in the future, that is, a down-bar back down into the level that we first saw the stopping volume. If the volume is now low compared to the stopping volume, then that means that supply has been absorbed, and if there's no supply then demand must be greater than supply and you would expect higher prices.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Sunday 30th October 2011



MINI S&P500 FUTURE DAILY CHART

Point A is marking trendlines that have been running for the last three months.

Point B

This is a new short-term trendline we've drawn through the first two lows and the first high, which may or may not prove useful.

Point C

Monday. Although we have an up-bar, it is not a very enthusiastic bull move as you can see. Note the spread has narrowed. Note the volume has fallen off, and it has produced an automatic signal telling us there is little or no demand on that day. But always keep in mind you've got that test-come-shakeout we spoke about last week, two bars previously.

Point D

Here we do have a red down-bar with a signal reminding us that weakness is present. However, because our observations are better than a computer, note the volume is actually less than the previous two bars, so this is telling us there is little or no major professional selling on the down-side.

Point E

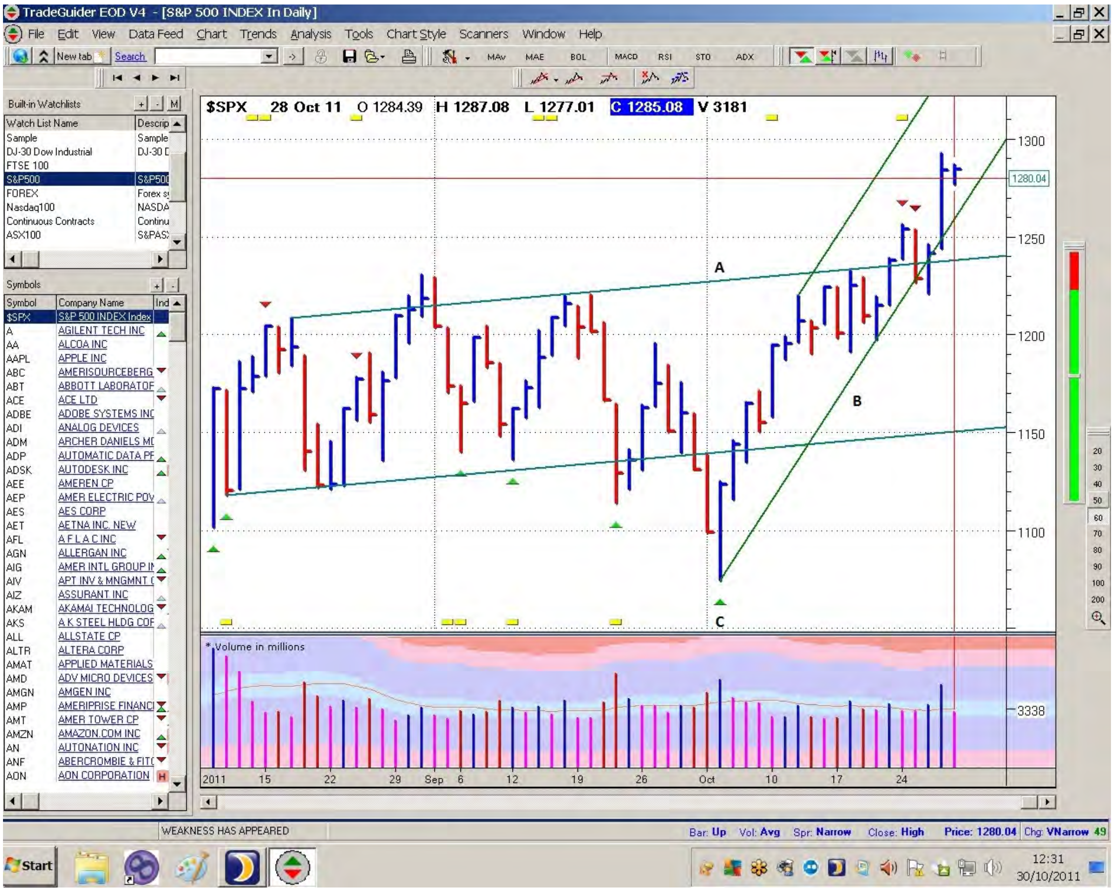
This bar suspiciously looks like there is a hidden test in there somewhere. We need to check the Dow Jones and the Nasdaq to see if we can gain more information on that particular day.

Point F

A widespread up-bar closing near the highs with increase in volume. This bar looks very positive to the up-side as it could easily be a breakout to the up-side pushing through the last high. If this widespread up is bullish we would be looking for a test to confirm the positive up-side.

Point G

Friday. This bar appears to be a test telling us that they want higher prices. But because we know the market is so devious and cunning and misleading, will they have a test-come-shakeout Monday before a rally up to that top trendline?

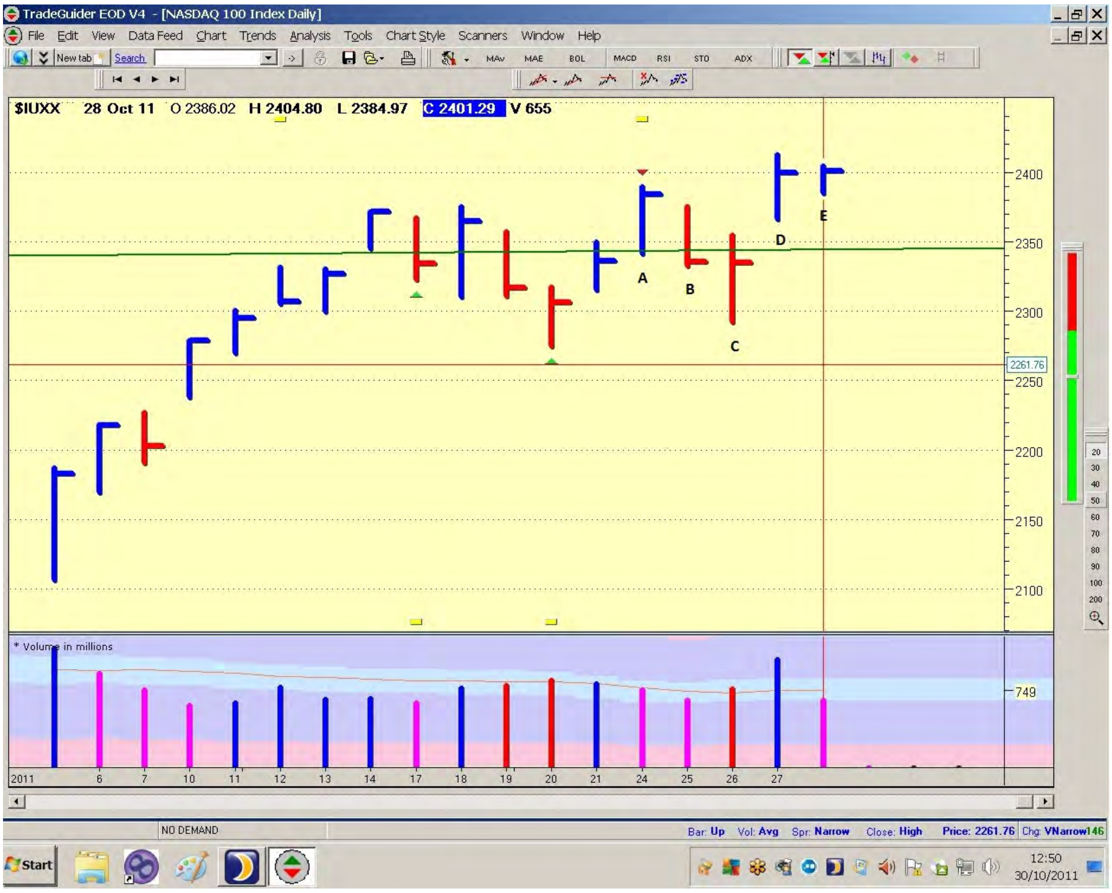


MINI S&P500 CHART 2 – SHOWING LONGER-TERM TRENDLINE

Point A shows the longer-term trendline as mentioned above.

Point B shows the short-term trendline.

Point C is a shakeout which has given us our recent up-move. Note that during the recent up-move seen with the new minor trendlines – throughout this move the News has been extremely negative, but the market has ignored the News and persistently wants to go up. Surely this is a warning to you to realise there's no News in good News, and the market usually trends against the overall sentiment. But on a daily basis they are liable to whipsaw the market on so-called good or bad News at your expense.



NASDAQ100 INDEX DAILY CHART

It pays to check each of the three main Indices in the US market as very often you'll get a much clearer view of what's going on.

Point A

Yes, we have an up-bar which is marked as being weak, ie. No demand. Look at that low volume, volume clearly less than the previous two bars – the computer has coloured it pink to remind you of this. However, we are fully aware of the strength on the low with the clear shakeout-come-test which we noted in the previous Newsletter. This is a powerful indication of strength in the market.

Point B

Here we have a red down-bar. Note the volume has fallen off on the down-side so there is little or no pressure on the market from professional players.

Point C

Here we do see we have a clear test-come-shakeout. Whenever you see this type of action you would expect higher prices.

Point D

Here we have a gapped-up bar following the test-come-shakeout.

Point E

Friday. Here we have what looks like a test. You would expect to see higher prices on this type of action. But again, like the S&P500, because they are so devious and cunning, you may see a test-come-shakeout on Monday, so be warned. For a much clearer picture on how these daily bars are made up check your intra-day charts as they contain a lot of information for your analysis.

GOLD (GLD) DAILY CHART

We've had several enquiries to look at Gold.

Point A

You must keep in mind that you are most likely to be the weakest link. Although here we have an automatic signal telling us plainly that strength is appearing in the gold market, and the computer comes to this conclusion because it has been gapped down for bearish impact. However the spread is narrow, closing near the high, with a definite increase in volume. This is buying from the professional blocks. But the reason that we point out that you are the weakest link is because it's almost certain that on that very day you are simply not geared up mentally to become bullish. You are simply not expecting higher prices, even though the computer has told you so. To be successful you have to recognise these points as bullish in face of all the negative and so-called bad News that will surround these markets.

Point B

Here we have an up-bar, volume has dropped off giving us a no demand signal, but clearly in hindsight, this is not no demand. We've got a very strong indication on the low of strength. The following two bars have been gapped up enthusiastically. Note the diamond system is showing white. This example is one of the strong reasons you need to specialise in your vehicle that you are trading, as gold will certainly have its peculiarities due to the large participation of non-professionals.

Point C

A widespread up closed near the highs as it pushes up through the last top to the left, and in this case, the top trendline. This is potentially bullish. To confirm this potential bullishness we would like to see a test over the next four or five bars. However, an upthrust on high volume will show potential weakness.

Point D

Here we have an up-bar closing near the high, but we note that the volume is low. That is, it's less than the previous two bars, so relatively speaking, compared to those two previous bars, the volume is low.

Point E

Friday. Whether this is correct complete data I am not sure, but it looks like a test which means the market wants to go higher. Note how the simple trending system works which is a very good way to keep you in a trade longer than you normally would. The simple trending system shows up as blue bars from an obvious point of strength. If the close is higher than the close of the previous bar the market must have been supported to the upside, which they will do as they do not want to lose control of the up-move. You allow for one down-bar and ignore level bars or near level bars. You will find this will keep you in a trade a lot longer because it's very easy to be shaken out of a trade where you are making money.

Congratulations to Gavin Holmes who won the first leg of the competition with Infinity Brokerage. His next effort is on Tuesday next. We are fairly certain he will do well as without question he is an excellent trader and analyst.

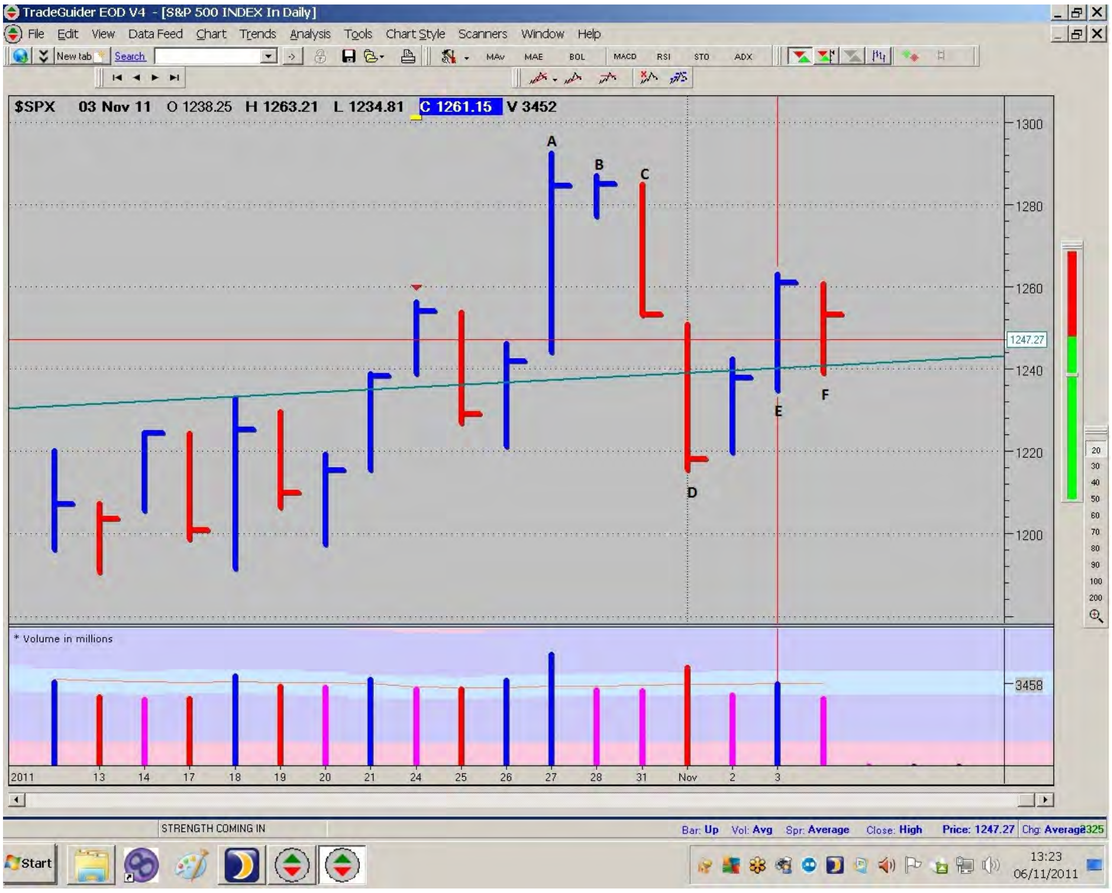
Next Friday's webinar – Live on Friday with Tom Willams

Please note I will be away next Friday so there will be no Friday webinar, but will resume the following Friday.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Sunday 6th November 2011



MINI S&P500 FUTURE DAILY CHART

Point A

Last Thursday. Here we have seen an up-bar on a very widespread closing close to the high. Note the volume is high and we are actually over-bought. So we now know this bar must contain some weakness.

Point B

Last Friday. It's difficult to get this bar accurate because to me it looks as if the data is not complete. Very rarely do you get a narrow spread like that on the S&P500. Whether this is done deliberately to throw your analysis remains to be seen because it could be construed on the one hand as a small test, on the other hand it could easily have been a no demand up-bar, especially with the low volume.

Point C

Monday. Here we have a widespread down closed right on the low. The volume is not high, so there is not a lot of selling pressure on this bar. But of course the News around the world is still very negative.

Point D

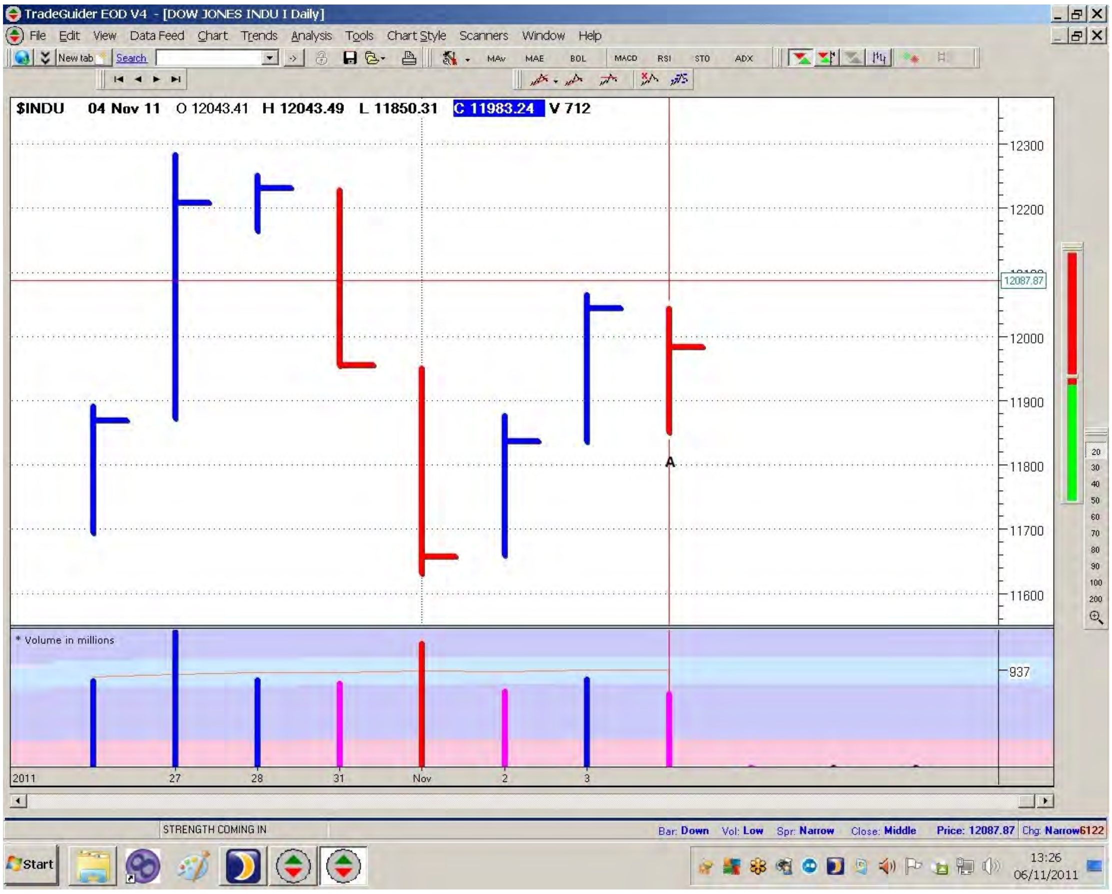
Here we have a down-bar closed on the lows, the volume has definitely increased. If the next bar is up we must assume that the increase in volume represented buying.

Point E

Here we have an up-bar. We've pushed through the trendline closing near the high. Volume is about average. Nothing too obvious at this stage, so we need to wait for the market to unfold.

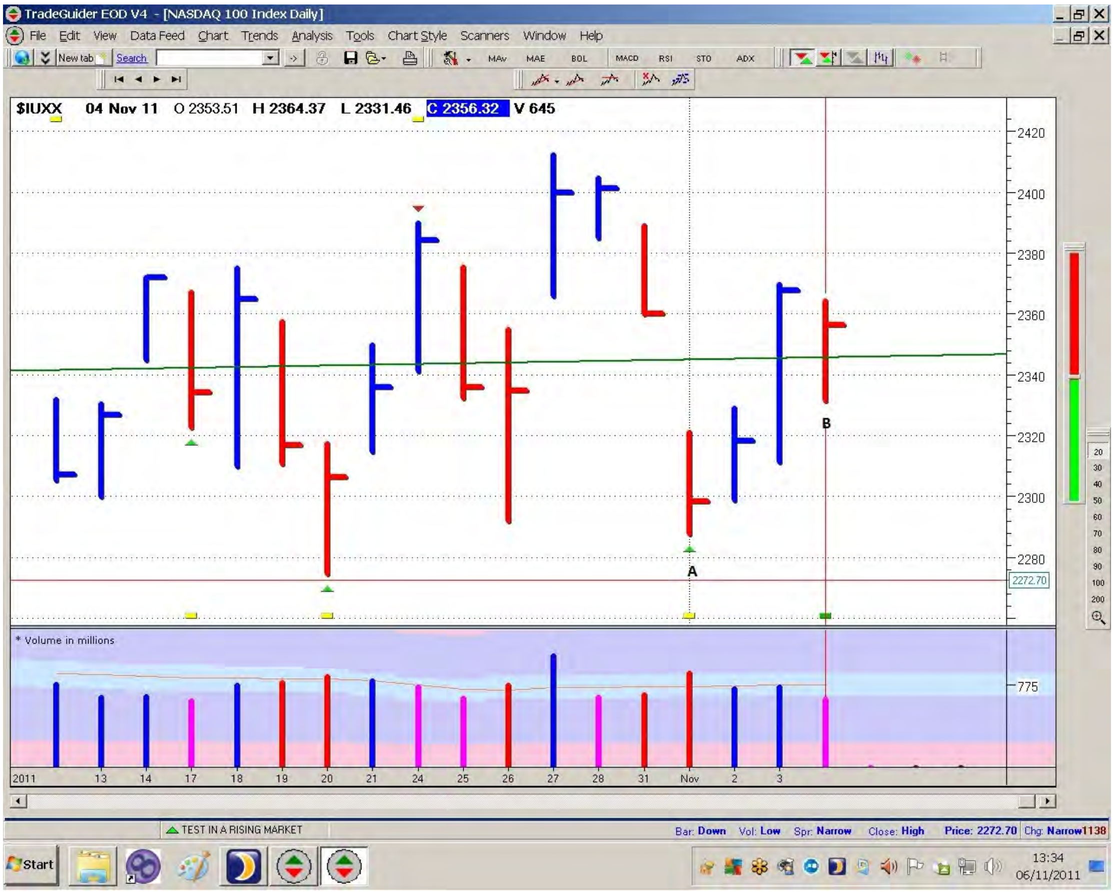
Point F

Friday. Here we have a down-bar closing in the middle and the volume is clearly low. This looks like a test and you would expect higher prices on the back of a test like this.



DOW JONES INDUSTRIAL DAILY CHART

The Dow Jones will naturally follow the S&P500 closely. On saying that, at **Point A** (Friday), the test appears to be far far clearer. You would definitely expect higher prices.



NASDAQ100 DAILY CHART

Point A

Here we have a gapped-down bar with slightly over average volume, closing off the lows. It has actually produced an automatic signal telling us strength is coming in. Notice the low is at a similar level to two previous other supports. If the next bar is up then this confirms that this bar was probably a shakeout and basically designed to trap and trick traders into a wrong analysis of the direction of the market. It will also catch many stops below the market.

Point B

Friday. This clearly looks like a test. A down-bar closing in the top quarter. The volume is clearly low. There is little or no selling pressure in that market. We have an automatic signal which tells us it is a test in a rising market, which is actually correct, thanks to the good old computer that is not listening to the News, not being influenced in any way at all. It is just portraying the facts that are presented to it with the high, low, close and volume.

ADOBE SYSTEMS (ADBE) DAILY CHART

This is an example of a stock acting stronger than the Index.

Point A

A clear sign of weakness has appeared. A gapped up bar, volume very high, probably gapped up on some bad News because we actually have a sign of strength on the previous bar, so something is amiss here. The market falls to **Point B**.

Point B

Here we have a very clear sign of strength. Notice the very low volume on the previous red down-bar. There is absolutely no selling pressure in this stock. Professional money will spot this immediately so they mark it down only to close on the highs with a slight increase in volume as they are buying.

Point C

Here we have an up-bar, the spread has narrowed slightly, and the volume has fallen off. We have an indication of no demand. Professional money was fully aware of this and test it two bars later (**Point D**). This is a test of the weakness and has given us the OK for higher prices.

Point E

Here we have an up-bar closing just off the highs, but look at that very high volume. Serious supply has hit this stock. They test this supply on the very next bar (**Point F**). The volume is extremely high, so there is supply in this stock, although this stock is acting stronger than the Index, and with this upward momentum, despite the supply, the stock has pushed up to **Point G** (Friday). Here we see the spread has narrowed, the volume is definitely low. This is no demand, so this is not the time to buy this stock. We have an automatic signal telling us what we have already observed – no demand.

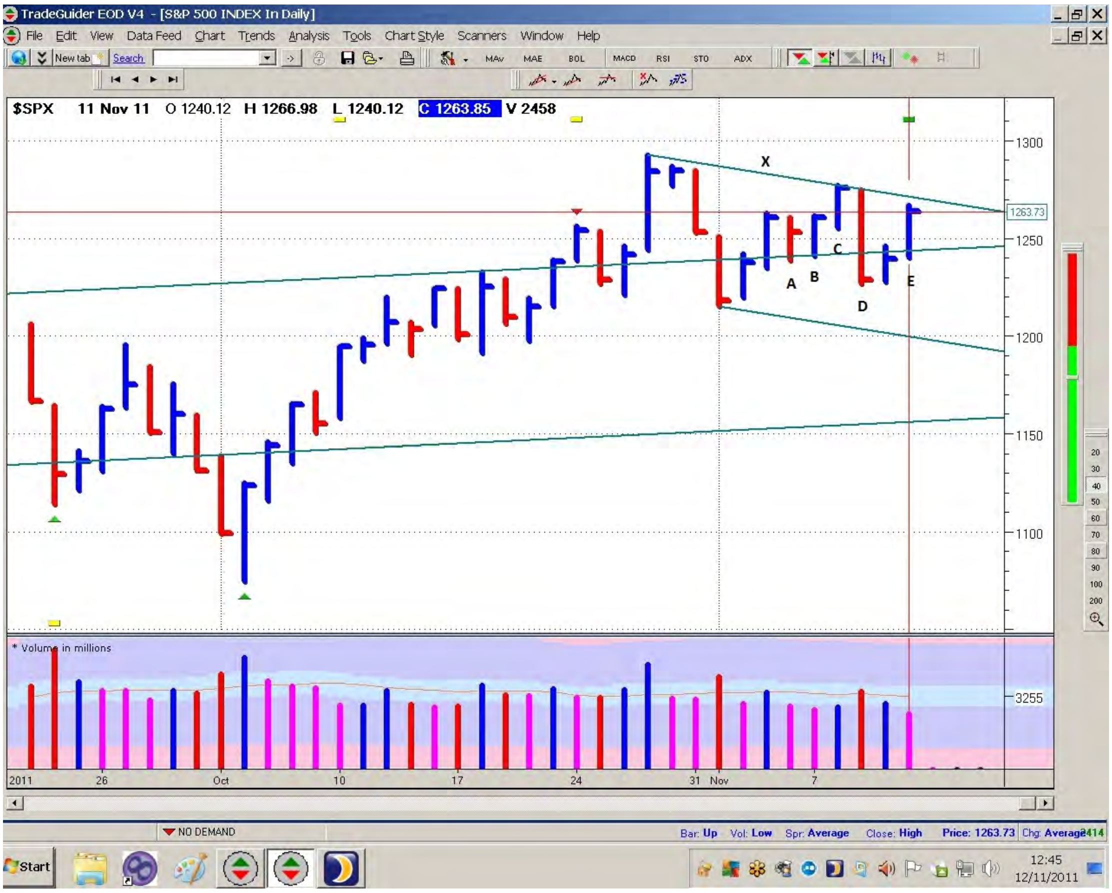
Gavin Holmes has been in my house in Worthing working very hard for almost two weeks. He is doing his trading competition, the second leg, next Tuesday, with Infinity Brokerage, so we wish him good luck. To be quite honest, I expect him to win because there's just a huge advantage, having the skill to read the chart as VSA teaches you.

If you have any questions, do put them in the VSA Club forum and we are only too pleased to answer them.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 12th November 2011



MINI S&P500 FUTURE DAILY CHART

Point X

We've drawn a short-term trendline indicating the potential weakness in the market, so we've drawn through the first two points of supply and the first point of support. The main trendline is still seen in the background. It has been running for some time. Trendlines do work, and help you in your analysis when the data reaches the area of the top trendline or the lower trendline.

Point A

This was a week last Friday where we identified what looked like a test come shakeout where you would expect higher prices on seeing this type of action.

Point B

Monday. Here we have an up-bar responding to the test come shakeout on the Friday. Note that the low did fall and test that old trendline before going up. You need to view an intra-day chart to see this.

Point C

Here we have a widespread up closed on the high. Note the volume is below average so there's not a great deal of enthusiasm for any type of bull move despite that test come shakeout on the previous Friday.

Point D

Here we have a widespread down closed on the low. This type of bar is done deliberately to trap as many traders as possible into poor positions. This type of action is frequently seen after some sort of sign of weakness. It's almost a confirmation bar.

Point E

Friday. Here we have a blue up-bar closing near the highs, but look at that low volume. Even the computer's seen it and brought up a sign of weakness – no demand. Very frequently on Fridays, or just before holidays, they will endeavour to mislead your thinking, and this type of action will surely produce buoyant News over the weekend in the Newspapers and television.

NASDAQ100 DAILY CHART

Point X

We have drawn a temporary trendline across the first two highs showing supply and the first point of support. Trendlines are always very useful because they are the best way of giving an indication of which direction the market is likely to move in.

Point A

Monday. Here we have an up-bar responding to the apparent test and sign of strength on the previous Friday. Note the volume is low so again there's little enthusiasm in the market for any serious bullish move.

Point B

A widespread up closing on the highs, volume is slightly below average. So there is still not a great deal of enthusiasm to the upside. To analyse these types of bars you need to look at the intra-day charts which will give you a lot more information. There must have been weakness built in there, giving us one of the highs for our down-trend.

We've drawn a red horizontal line from the close where supply seen by the high volume definitely hit this market eight bars back (**Point Y**). Now when you look at it from that point of view, here we have a no demand up-bar (**Point B**) trying to push up through a level where in the past there was supply which is clearly seen in hindsight.

Point C

A gapped down bar with a wide spread closing lower quarter. There is a small increase in volume. This sort of action, which is really a shakeout of some sort, has brought in a few buyers.

Point D

Here we have a red down-bar. There is an old saying in the market – when you see a bar try to go up, try to go down, but close in the middle, something is about to happen. The volume is average. It looks like a mixed bag of weakness and some strength, so you can only let the market unfold, and you wait until there's some obvious VSA principle at work before you would entertain trading this.

Point E

Here we have a gapped-up blue bar. Notice the spread has slightly narrowed. It has closed top quarter, but look at that low volume. And also note you are in the middle of a trading range where you are very vulnerable to being whipsawed on any News events.

There will be no webinar 'Live on Friday' next Friday as I am away, but will resume the following Friday.

If you have any questions, do put them in the VSA Club forum and we are only too pleased to answer them.

Tom Williams

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Friday 30th December 2011

MINI S&P500 CASH MARKET DAILY CHART

Point A

Friday 16th December. We identified this bar as weakness and would expect lower prices.

Point B

Here we have a widespread down but note the volume. There is little or no selling pressure on that down-bar. Now to examine this particular bar, see the breakdown of the analysis on the hourly chart as shown below. Traditionally, you do seem to get what we call a Christmas rally. I'm not very keen on following these sayings because next Christmas it will probably fall. The market does not like being predicted. But here on this bar you can clearly see by looking at the hourly chart that some serious buying came into the market.

Point C

A widespread up closed on the highs. This is done deliberately to keep as many people out of the market, or locked into a poor trade.

Point D

This is a very good example of a test in a rising market. Note the market plummeted down. The volume is average, in other words there is no panic selling as the market fell, on that test, and that is why it closed on the high. When you see these tests you definitely expect higher prices.

Point E

The market has rallied, but note how the spreads are narrowing, note how the volume is falling off, and note it has hit the top trendline. These are all signs of weakness, so you would be expecting lower prices.

MINI S&P500 1 HOUR CHART FOR 19TH DECEMBER 2011

Point A

It's always a good idea to check your intra-day chart. Here we have an hourly chart. On the previous Friday Newsletter we pointed out there was weakness and to expect lower prices, so in anticipation of weakness we look at the hourly chart and, sure enough, there are several bars there with weakness. Note **Point A**. So on that weakness the market does fall.

Point B

This is an up-bar. It appears to have closed in the middle and there's certainly not a lot of demand on that up-bar which will tend to confirm the weakness anticipated.

Point C

Something's happened on this bar. A sudden surge in volume as the market falls. We do have a signal which alerts to us that it may be stopping volume. In any accumulation phase you get what they call preliminary buying, so we need to keep that in mind, especially as the next two bars (**Point D**) are up on no demand which means the market could still fall in a potential shakeout.

Point E

Here we have a down-bar, but note the volume is now very high and on that high volume, or activity, it closes well off the lows. This coupled with the preliminary stopping volume seen at **Point C** will certainly alert us to professional money appearing to be buying. Note how the blue bars which are the trending system are working well. Following these bars will keep you in a trade a lot longer than you normally would do. So although we've got weakness in the background an intervening force has arrived in the opposite direction which is all too clear to see if you check on these intra-day charts.

Happy New Year to you all. Please trade carefully and safely, and only trade when you see a clear principle.

Gavin will be here in the UK in January with me at my home, so expect lots of seminars.

Tom Williams

Veteran Syndicate Trader Tom Williams.

Toms professional experience gained a great impetus several years ago when reading what Richard D Wyckoff had to say on the subject of volume reading in the early thirties.

Tom further developed Wyckoff's methodologies whilst trading with the "Smart Money" in a Beverly Hills Syndicate, to develop his own more potent methodology - Volume Spread Analysis - regularly referred to as "Wyckoff on Steroids!"

Tom Williams has been energetically applying his unique methodologies for the last 30 years to the Stocks, FOREX, Commodities and Futures markets.

He retired from professional trading to take up a number of commercial ventures. However, Toms real ambition was to help traders operate in a more informed way, and this idea formed the basis of his software development company he set up 14 years ago.

Tom has spent many years refining the signals in the TradeGuider range of Software Systems. Tom is the inventor of Volume Spread Analysis and Honorary Chairman of TradeGuider Systems.

To receive Tom's current weekly newsletter, become a member of the TradeGuider international trading community by joining the VSA Club. Membership offers weekly live educational events, forums, blogs and the largest VSA educational library in the world!

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