HiddenGap

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1 Attachment(s)

Since the ES is currently tanking, I will answer a question from a PM with the ES as an example. This was from the day session.
First, the trigger number/level concept comes from Gavin Holmes. The idea is not specifically mentioned in MTM or Undeclared, but it is a logical extension of what comes with some VSA understanding. Gavin's book should be out in a couple of weeks and I hope that will answer a lot of questions. Up until recently, Gavin did not share anything about Trigger Levels outside of the VSA club, so those not in the club were left to fend for themselves on the concept. I am not a member of the club so I can not claim any sort of mastery on the concept. Nevertheless, here are some thoughts.

Again, the first part involved in using the Trigger Levels is not all that new or unique. Many traders have observed that a price bar with a lot of volume seems to be resistance/support going forward. AMT pay particular attention to the price level with the most volume (POCv).

So the first thing to do is identify an Very High to Ultra High Volume bar.

Let's take a look at the chart below.

From my perspective, the first bar marked "Supply" was a Trigger bar once it formed. Three intervals later, however, an even greater Ultra High Volume bar was created. This becomes the new Trigger Level. We need to examine this bar for a second as the bar itself will dictate how we approach the Trigger Level.

This bar is an UP bar (close greater than the previous bar) with its close off the high. So we have an up bar on Ultra High Volume closing off its high with the next bar down. VSA tells us that there must be some selling in this bar. So let's cut to the chase for a minute and then circle back. *IF* this bar contains hidden selling, then we would expect a certain type of reaction when price gets back to this level. In other words, we have an idea of what we are looking for. We are looking for some sign that there was indeed selling on this bar.

Okay, so let's circle back for a minute. After we have identified the Trigger bar, we are looking for something that confirms (or denies) our assumption. For this post we will only be talking about a form of confirmation. You can figure out the opposite.

Since there is a such thing as momentum, we are not surprised to see price continue to move up after the Selling Climax (Trigger bar). What we want to see, is price fall down below the Trigger Level (C) and then we want to see signs of weakness as price attempts to move back into the area of the Trigger Level (C).
Back to the chart.

Price moves up and then falls down. On its attempt to move up, we see an up bar that's high is equal to the close of our Trigger bar, but closes of the high and has volume less than the previous two bars. This is No Demand.

Okay, we assume that the BBs were selling on the trigger bar. Now we see as price moves back into that area from below, they are withdrawing their interest in the market. Bam. They are sending a signal to anyone who can read a chart; "We are not interested in higher prices". Moreover, we came in hard on a buying climax, now we are "defending" that level. In this case, defending takes the form of no activity. But if you saw a squat here or an Up thrust the message would be the same-the path of least resistance is down.

This "pattern" is shown on the right side of the chart.

There are a few more patterns and I hope others will share examples as the see them. However, remember the patterns are simply manifistations of the underlying market dynamics. Learn that and you will not be beholden to patterns. Intel's last post with the chart has some wonderfull understanings of the "what lies underneath".

FF is having problems so I am going to stop this post now. I may revisit later.