

First off Sorry for being so long winded yet again... 😊

So here is my mark ups to the “test” chart I posted on Thursday night. There were a few takers and some said they would short and some said not enough weakness and they thought the market would go up. No one actually said yes or no to trading the ND up at the day’s high...

Tgwhbb actually noticed that the bar was an up bar and down bar at the same time when compared to the previous bar (nice catch) but in reality it was such as a direct result of huge volume surge on that bar... it was in fact a new release bar with a couple of high impact US new releases 30 minutes after NY open... so SM will of course do 2 things;

1. SO both weak longs and shorts and trap as many traders as they can
2. They will use this news release to most likely set the tone for the rest of the NY/London session (many times price will range between NY and NYSE opens as we see in this example)

The problem with US news is that good data can send the EU up or down as can bad US news. It all comes down to risk appetite. SM understands herd mentality better than the herd does and this is how they profit off our mistakes. The saying that weakness appears in up bars and strength in down bars is very, very true. SM sells into up bars and buys into down bars so they can control the movements better... if they did the opposite the markets would fall and rise uncontrollably.

Now I have removed everything left of the news bar as this really is what my test was trying to focus on. This major surge in volume (almost double anything seen that day so far) represents SM action... what action? What are they doing? As VSA traders we are a bit like hunters tracking our prey (SM) following them around in the wild (charts) watching for the signs that they leave behind... they are there on every chart we just need to know where to look.

Now to the chart, I have analyzed the same section of bars shown on the test chart and then continued down a bit further on the drop off.

1. This was the news bar. This bar was more of a SO bar than a buying climax as it is not into any fresh new high but with the next bar being a down bar we do see some hidden selling in that volume surge. Not time to sell by any means but a possible SOW none the less. **(One thing to note is that the news was bad and SM didn’t really SO too hard to the downside... normally if they plan on heading higher they will SO, so they can buy back in lower and trap the herd short and wipe out the weak long holders... this time that did not happen and I wonder now in hindsight if this was actually a clue that they weren’t interested in going any higher?)** I marked the H,L and C trigger levels of this Ultra High volume bar making a trigger zone.

2. This bar shows us that there is still some buying. I like to call this bar SM opening the door to the weak bulls slaughter pen...

3. I have marked 4 cases where prices tested and found support along the High Trigger showing that some demand was still present. Now a low volume test into this or one of the other 2 trigger levels would have been a SOS and a possible nice long entry but that does not happen.

4. Now this bar could be consider a possible buying climax as we have high volume, a mid close and are into some new high ground. SOW.

5. UT right after a buying climax followed by a down bar is another SOW but with the volume being so high I would expect this to possible be re-tested. The volume is higher than the previous bar... a re-test into this new high with a low volume UT (upside down test) or a ND would be what I would like to see now.

6. I marked this bar as it was a surge in volume on a down bar followed by another down bar so we are still seeing possible SOW.

7. Now here we have two bars back to back with the first one being an UT into new high ground but unable to close above the previous swing high. The next bar is high volume a looks like another possible buying climax making another new high and a higher close. This could look like a SOS to the herd causing the break out traders to blow up their computers hitting the buy button. The next bar was down making this another possible SOW as we are seeing sellers. This down bar closed below the close of the previous bar but still back above that previous swing high...???

Now I didn't number it but in the circle was the ND right at the day's high and right after another SOW. The ND touched to the pip the high of the buying climax bar and the dropped off the close on a major drop in volume. Would anyone have been brave enough to pull the trigger?

8. This bar is another SOW as it is an effort to rise with its high right into the close trigger of the bar 7 buying climax, next bar down.

9. Another SOW with yet another effort to rise this time with the high right into the previous swing high, next bar down.

So this is where my original test chart ended...

Would I have shorted that ND right at the high? I really don't know. The old saying that in a strong uptrend UT's and ND's are basically worthless but in this case the uptrend had petered off and we were just drifting & ranging sideways. Plus there were quite a few SOW's behind it... still I don't know. If I had shorted I would have been wary of that trigger zone below as we had seen some (not much) demand at it on the previous 4 visits...

10. Bar 10 is an increased volume down bar into the trigger zone but closed above it. If the next bar had been up then the volume increase would have shown so buyers again but the next bar was down and closed into the trigger zone... in fact it closed as a NS/test bar but the high was never taken out so it becomes a bar of no importance.

11. Now here is the matching bar to bar 2... this is SM now closing the doors to the slaughter house after finishing off the last of the weak bulls. The entire move up after the news bar ended up being a trap move. **The neat thing about this bar is that it is a SOW also as it is a sign that demand at the trigger zone high has been removed.** Surge in volume on bar 10 and then we moved down with ease through the trigger zone.

So now we range along the bottom of the trigger zone testing it as would be expected before carrying on downward...

I marked in blue the 1min bar that closed out the 15min down bar which completed a 2bar top reversal. They took it down fast and hard off the high and if one was only following the 15min chart no short entry was offered, if one had switched to the 5min from the 15min an entry off a ND could have gotten you in for 50 or so pips. Personally after I saw how far and fast the 15min fell I dropped right to the 1min and entered off the ND marked which got me in 20+ pips sooner.

That is actually why I created this test chart for others to look at... after I saw how far down I got in I wanted to see the make-up of the move and if something else was there.

For anyone who is still reading thanks for sticking in there! 😊

Attached Image (click to enlarge)

