Simple? Yes. Without thought? No.

1 Attachment(s)

Seeing what you want to see, where you want to see it.

This is great chart that I took to answer a question from a PM. Unfortunately, I deleted the PM so if this doesn't answer that question just PM me again.

As it happens, this is also a great follow up to my previous post.

Take a look at the chart below.

Before going further, Let's repeat our mantra. It's all about seeing what we want to see, where we want to see it.

Okay, the first thing we need is our trigger bar. How one determines the trigger bar is up to him or her. The most obvious would be very high to ultra high volume bars. I like Herd bars as well, but I am not going to get into them here. The key with the trigger bar is this: if the next bar is up then you would be long biased. If the next bar is down, then you would be short biased.

Now this is nothing new. VSA 101 tells us that an up bar on very high volume followed by a down bar must mean that there was some selling on the up bar. Otherwise the second bar should not be down. So, I have stated something new about trigger bars, but it is not something that has not been stated before. In other words, I haven't added any complexity. Clarification, yes. Complexity, no.

Back to the chart.

In this example we see that the next bar is up so we are long biased. All we are looking for now is a Test or a No Supply at the trigger level which is the close. We always start with the trigger level at the close.

As far as the Test and No Supply go, there are two main ways we would like these bars to appear. One, the low of the bar would not breach the low of the trigger level. And two, the low may breach the trigger level but the close closes on the trigger level. Pretty simple.

The market has other ideas.

We notice that the market begins to trade within a channel. We are also seeing No Demands on some of the up bars. This is a clue that the market does not want to go up at this time. Recognizing a channel is Price action 101 and not exclusive to VSA. Don't blame VSA for the fact that some reasoning skills are involved in trading.

Let's look at the failed test. Here's the rub, you don't actually have to be able to pick this up. In truth, it's subtle and could be missed by many. But what is obvious is what happens after. Price breaks down and closes below the low of the channel. We also note that this is the first close below the low of our trigger bar. We know have to be thinking that this is a downside breakout. We have seen supply come in and evidence on no professional activity on up bars, so the background is weak. In fact, this is a small consolidation period or distribution period.

But we don't just jump in on the short side. We need to see something. Well, to go long we wanted to see Tests or No Supply, to go short we want to see No Demand or Up Thrusts.

Now this is where it gets "complex". Not really. We can see that the trigger level did support the lows of many bars. However the low of the trigger bar supported a number of the closes. Support once broken often becomes resistance (again not VSA and I hope not too complex). Thus we can shift the trigger level from the close to the low.

Bingo. We get a narrow range up bar that closes below the trigger level but its high is at the trigger level. Also note that its close is on the channel low.

I don't think this is difficult. You do need to be willing to use your brain and reason. Then it all comes down to seeing what you want to see, where you want to see it.

Again, the original intent was to answer a PM about trigger levels, I hope I answered that. If not please PM me again. I promise not to delete it a second time.