First post, I'll dive right in.
First chart:
A: Wide spread down candle on climatic volume closing off its lows with the next bar up- Demand enters here.

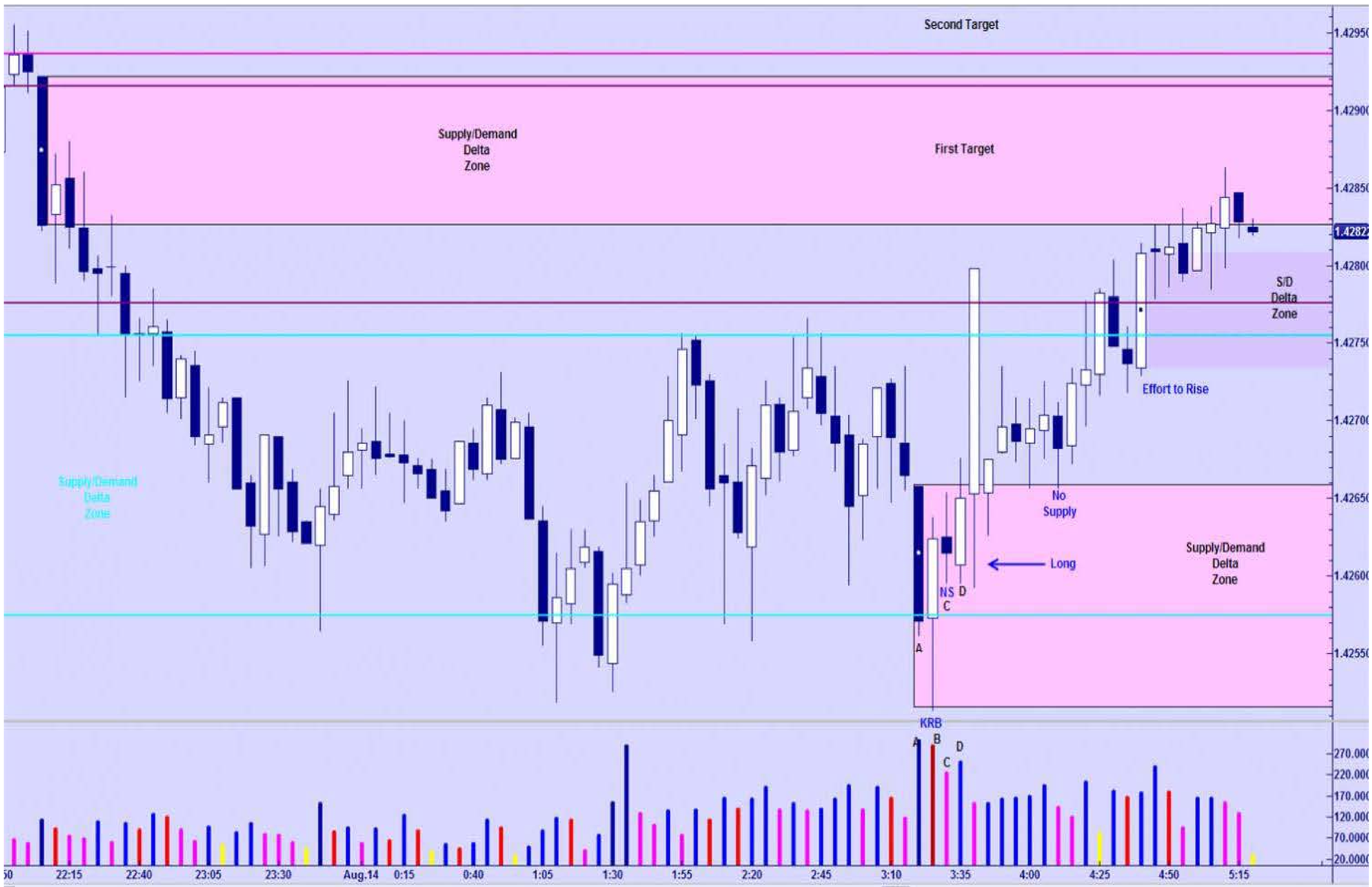
B: Key Reversal Bar: candle makes a lower low, opens higher than the previous close, closes higher than the previous candle and closes higher than it opens. More demand is seen here. Volume is still climatic, but it is lower than the previous bar.

C: We have just seen major signs of strength and the next bar is a down bar on volume less than the previous two bars, on a narrow (NR4) range. This is no supply.

D: Not VSA, but this candle engulfs the body of the no supply candle on increasing volume. This happens in the place we would like to see it- the supply/demand delta zone. Or put another way, within the range of previously high volume, we are now seeing little volume.
This means that the activity triggered by trading into this area (to the down side) has now dried up. The path of least resistance is up. Get long.

Second chart shows some of the key areas for Monday. If you were trading late in the day, there's a great entry/add on at the No demand within the Supply/Demand Delta Zone.

I am going to reveal something that has never been revealed: If you place a Fib retracement tool on the low and use the No demand on the upper left as the top, the 50% line is on that Effort to Fall candle. Put simply, it acts like a "measuring" gap. Some would be afraid to enter hear, but those in the know have reason to believe that the move is only half over.
Attached Thumbnails


Second Target
Supply/Demand
Delta
Zone
First Target
S/D
Delta
Zone
Effort to Rise
No
Supply
Long
Supply/Demand
Delta
Zone
NS
A
B
C
D
KRB
1.4295
1.4290
1.4285
1.4282
1.4280
1.4275
1.4270
1.4265
1.4260
1.4255
270.000
220.000
170.000
120.000
70.0000
20.0000
22:15
22:40
23:05
23:30
Aug.14
0:15
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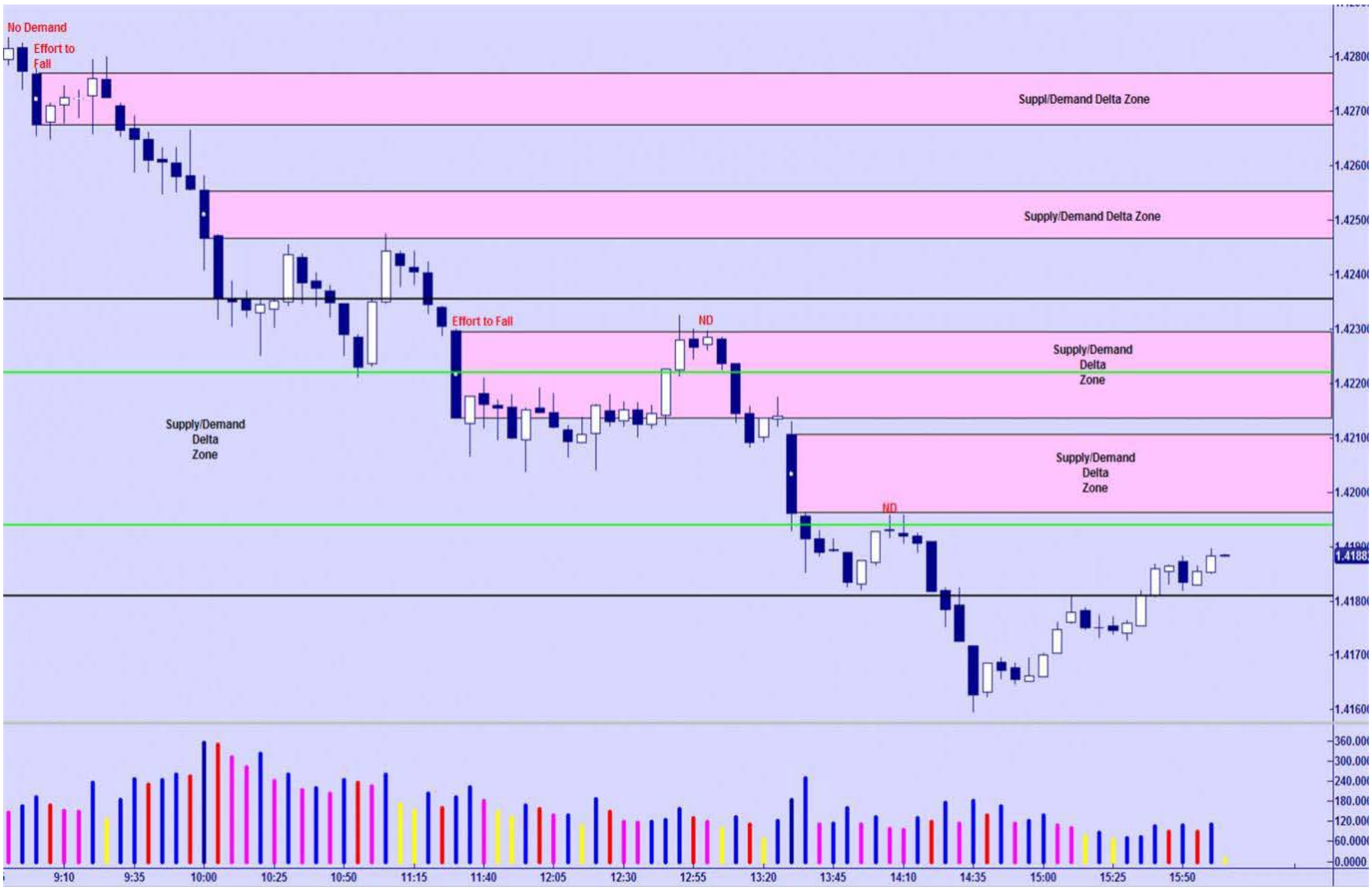
4:25
4:50
5:15

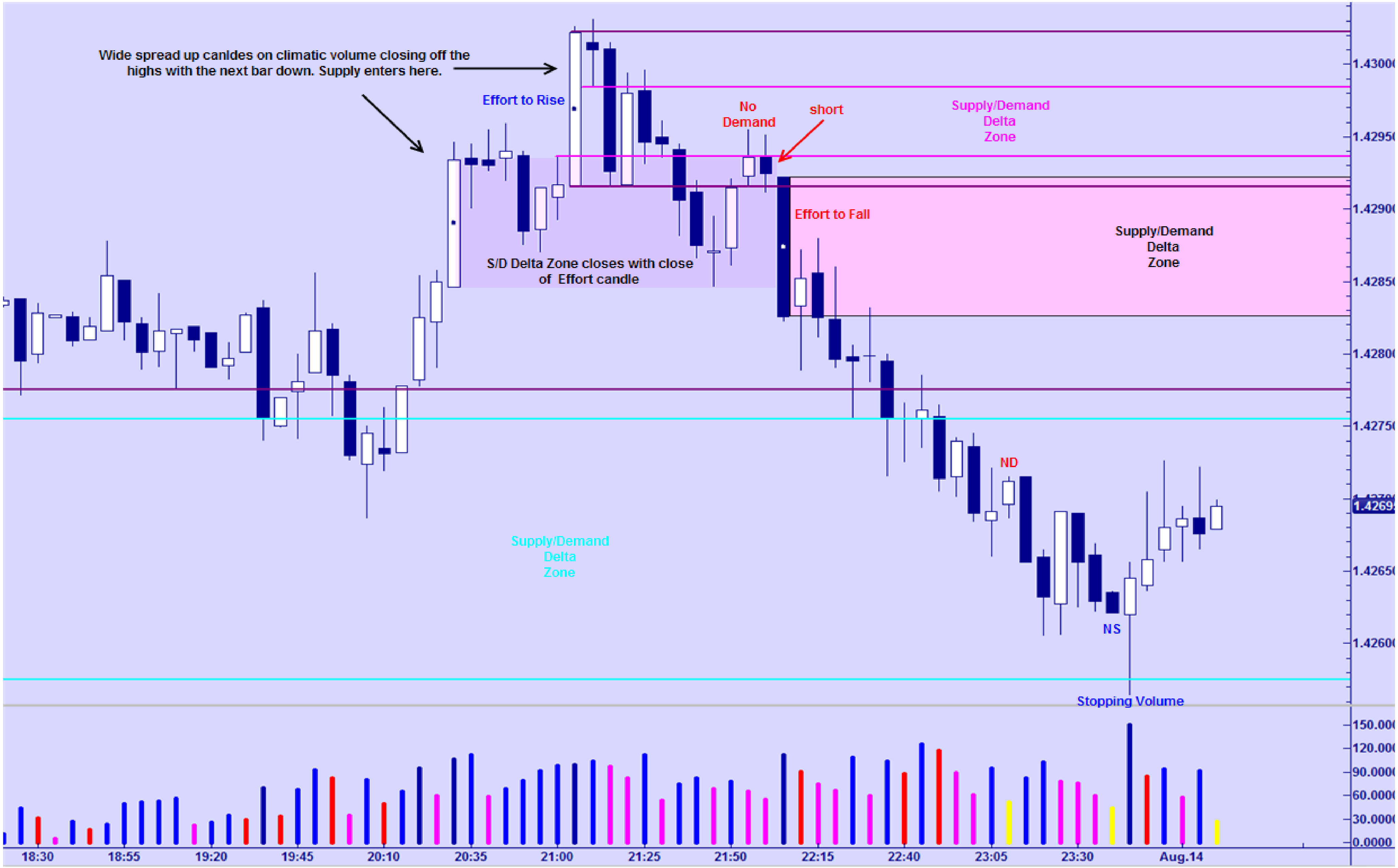

No Demand
Effort to Fall
Suppl/Demand Delta Zone
Supply/Demand Delta Zone
Effort to Fall
ND
Supply/Demand Delta Zone
Supply/Demand Delta Zone
Supply/Demand Delta Zone
ND
1.42800
1.42700
1.42600
1.42500
1.42400
1.42300
1.42200
1.42100
1.42000
1.41883
1.41800
1.41700
1.41600
9:10
9:35
10:00
10:25
10:50
11:15
11:40
12:05
12:30
12:55
13:20
13:45
14:10
14:35
15:00
15:25
15:50

Here's a look at a really nice set up.
First we get a wide spread up candle on very high volume. Markets do not like up candles on high volume because they could contain hidden selling. We note that the next candle is down. If all the volume on the up candle was buying, how could the next candle be down? Supply (weakness) must have entered here.

Momentum takes us higher, then we see a second wide spread up candle on very high volume with the next bar down. More supply entering the market. Note that the next bar in addition to being down, it is a narrow range bar on increased volume: a squat.
We don't enter here. What we want to see is a narrow range up bar on volume less than the previous two bars: no demand. Two bars later we do get an up candle with volume less than the previous two candles, but the range is not really narrow.

The better entry comes 7 candles later. A narrow (NR4) candle on volume less than the previous two bars closing in the lower portion of its range. This candle also makes a higher high and not a lower low. This is the ideal type of no demand bar.

Note that we are now seeing a low volume candle in the range of a previously high volume candle. To the extent that there was buying on that second wide spread candle, we see no return of the buyers as price trades in this area again. The Smart Money is not interested in higher prices at this time. Two candles later, we see a dark candle that is an effort to fall confirming there has been a change in the supply/demand dynamic.


Wide spread up canldes on climatic volume closing off the
highs with the next bar down. Supply enters here.
Effort to Rise
No
Demand
short
Supply/Demand
Delta
Zone
Effort to Fall
Supply/Demand
Delta
Zone
S/D Delta Zone closes with close
of Effort candle
ND
Supply/Demand
Delta
Zone
NS
Stopping Volume
1.42600
1.42650
1.42750
1.42800
1.42850
1.42900
1.42950
1.43000
150.000
120.000
90.0000
60.0000
30.0000
0.0000
18:30
18:55
19:20
19:45
20:10
20:35
21:00
21:25
21:50
22:15
22:40
23:05
23:30
Aug.14

Quote:

Originally Posted by **daffy**
Great posts there, HiddenGap, some stuff to learn there for everyone. Could you elaborate a bit more on the demand/supply delta regions? Is that based on wide range bar open and closes acting as support and resistance? WRBs are on my reading list, but as yet, I haven't checked them off the list.

Thank you for the kind words.

There is so much that can be said here, I may have to use more than one post. First, I do not use the term WRBs. I use Expansion Body 4s (EB4) and Expansion Body 7 (EB7).

Which brings me to the first idea to cover: Volatility.

Many have heard or seen the terms Narrow Range 4 (NR4), Narrow Range 7 (NR7), Wide Range 4 (WR4) and Wide Range (WR7). These terms are ways of talking about price volatility. To these I add EB4 and EB7. EB7 refers to the width (range) of the open to close rather than the entire width or range (high to low) of the price candle/bar.

The basic idea is that volatility ebbs and flows. Periods of high volatility follow periods of low volatility and vice versa. That is why some traders look for NR4 or NR7 bars and will trade the breakout of that bar expecting to profit from the volatility increase. Conversely, some traders would look to exit on WR7s expecting the volatility (price movement) to lessen.

What does this have to do with VSA?

Well, the ideal no demand or test bars will be NR4s or NR7s with volume less than the previous two candles. Yes, there is a correlation between volatility and volume.

Let's move back to the EB7. Many contend that the distance between the open and the close most accurately displays the actions of the Smart Money. Hence, leaving volume aside for a moment, the wider the range between open and close (the body) the more active are the players that matter most: the Smart Money. Well another way to see this activity is to see it as volatility (price movement).

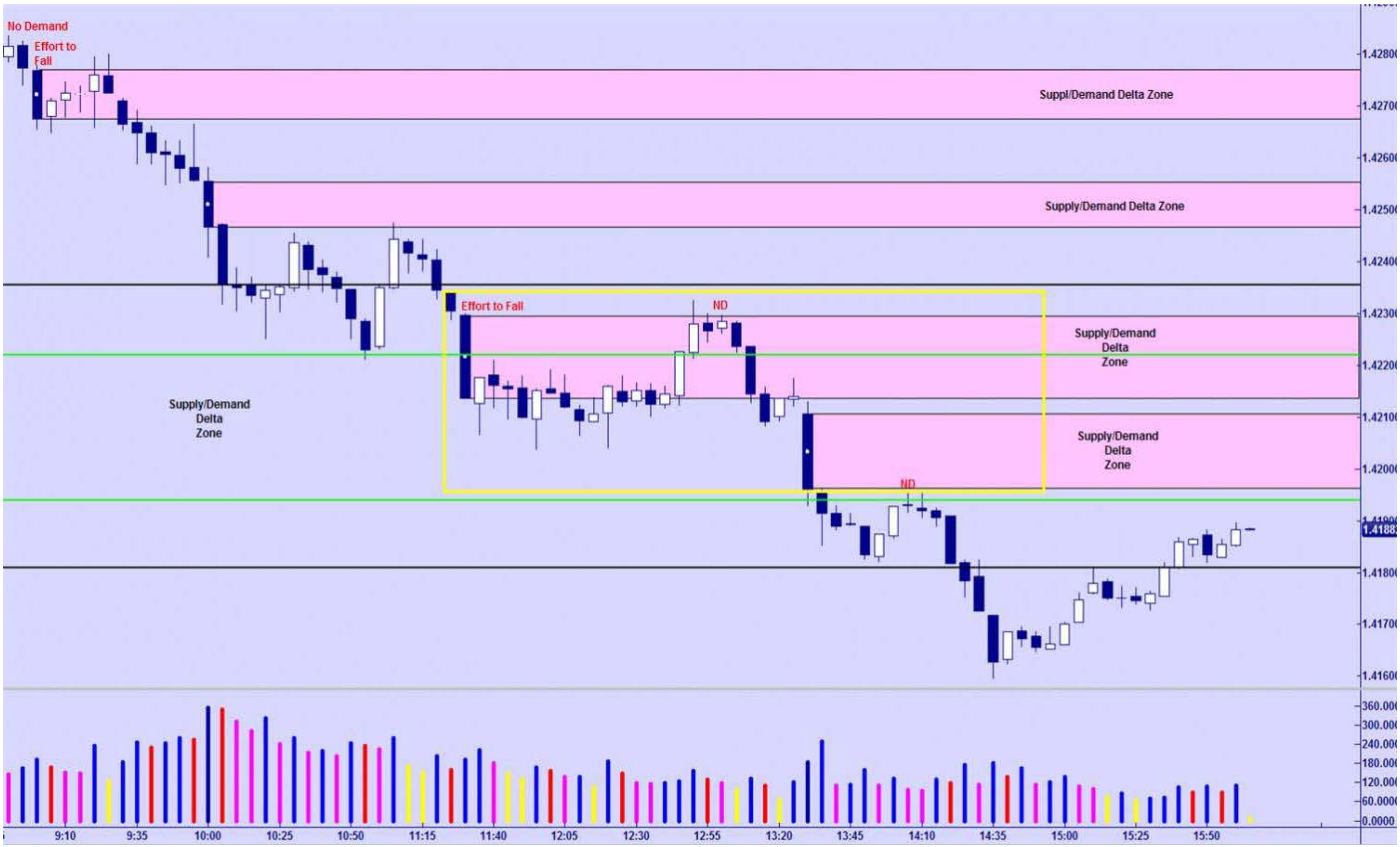
An EB7 creates a "pocket" of high volatility, measured from the open to the close. We would expect that as price returns to this pocket of high volatility, volatility would decrease. This is a refinement of the low volume signal within the range of a high volume bar. The range has been refined from high to low to mean only the open to close. And volume (for now) has been replaced with volatility. Ultimately we combine both volume and volatility of course. So, we are looking to trade the breakout of low volatility that occurs within a once high volatility area. This is seen on the chart were we have a EB7 whitch is an Effort to Fall followed by sideways movement in price. Price then moves back into the range of the body of our EB7 candle and we see a NR4 bar closing off its highs on volume less than the previous two candles: No Demand. This is our "high probability" trade set up area.

Let's bring some more VSA into the equation. Notice that this EB7 (yellow rectangle) has increasing volume, but the volume is not that high. We know in general that bearish volume is increasing volume on down candles and decreasing volume on up candles. We also note that the close to open range almost encompass the entire candle's range. Plus we note that the midpoint of the candle is lower than the low of the previous candle. All this tells us that this is a bearish bar. Supply enters here. However there was some buying as the next bar is up and prices start to drift sideways.

Now skip ahead to the no demand bar at the top of our zone. As price has moved into an area where there was increasing activity, we now see activity decreasing. If there were a lot of *buyers* on that Effort to Fall bar, a return into this area of the price chart has not brought them back or brought new ones in. Therefore there has been a change in the

Supply/Demand dynamic in the market as evidenced by the candles within this range. The Smart money that were actually selling on the Effort to Fall are still bearish and therefore are not interested in higher prices, so we see little activity on an up bar. Which we call no demand.

We can look for high probability set ups within this area until it is closed. A close both above and below with price action thru it would close the zone. Some zones are special and do not close, for example the zone with the black and green lines is not closed even though price has closed on both sides of it. This zone was created on Tuesday at 14:15 hrs EST............



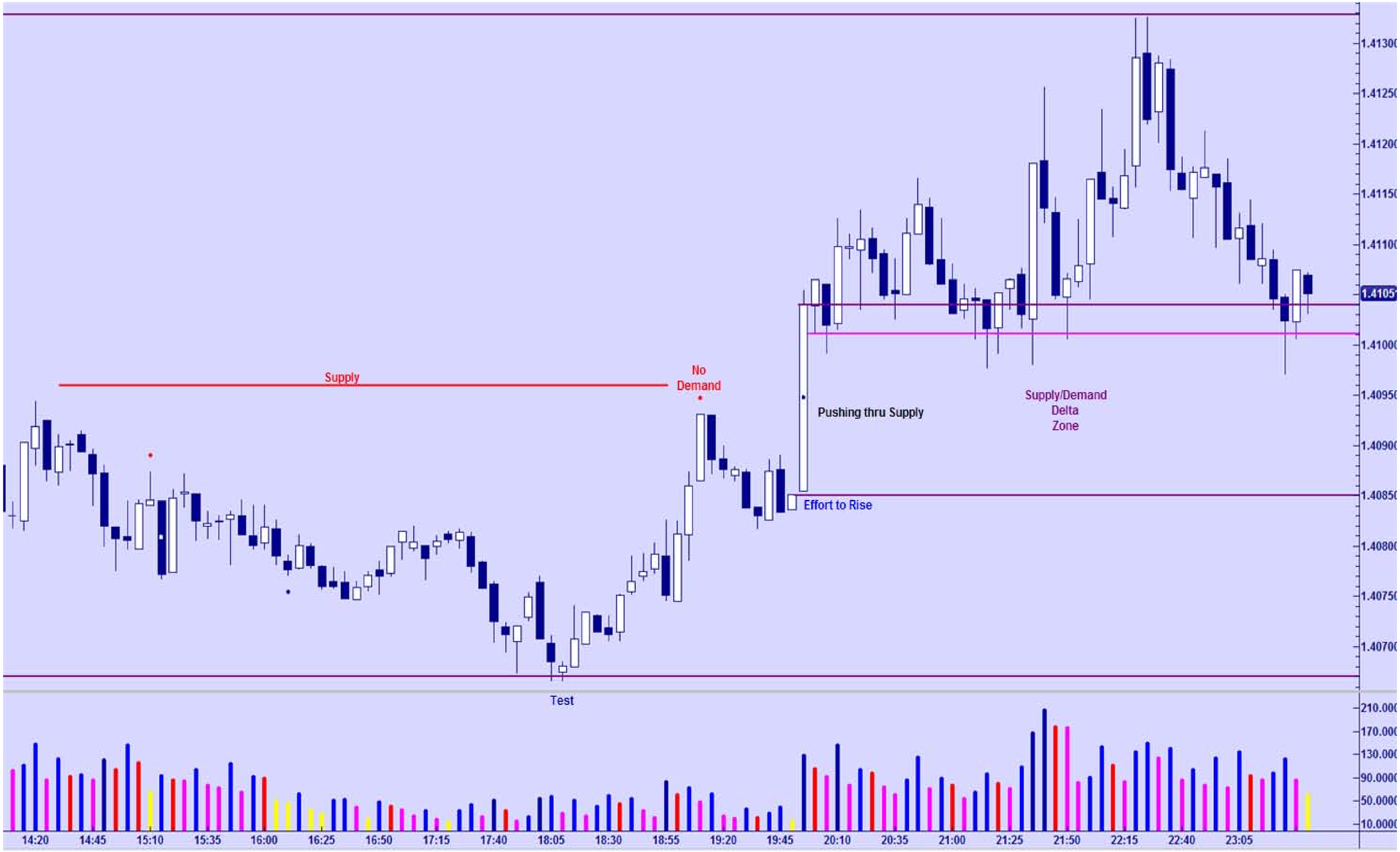
No Demand
Effort to Fall
Suppl/Demand Delta Zone
Supply/Demand Delta Zone
Supply/Demand Delta Zone
Effort to Fall
ND
Supply/Demand Delta Zone
Supply/Demand Delta Zone
ND
1.42800
1.42700
1.42600
1.42500
1.42400
1.42300
1.42200
1.42100
1.42000
1.4188
1.41800
1.41700
1.41600
360.000
300.000
240.000
180.000
120.000
60.0000
0.0000
9:10
9:35
10:00
10:25
10:50
11:15
11:40
12:05
12:30
12:55
13:20
13:45
14:10
14:35
15:00
15:25
15:50

Hello ladies and gents.

First quick look at the Euro/USD (5 min.):

The BBs pushed thru supply on a wide spread (EB7) candle with very high volume. This candle was also an Effort to Rise candle and also tells us that there has been a change in the supply/demand dynamic in the market.

Edit*:
Markets don't like high volume up candles, because they could contain hidden selling. Sometimes, however, high volume up bars mean strength. If we look to the left and see tops and see an immediate test after the up candle, it is more likely strenght not weakness. Absorbption volume.


Supply
No
Demand
Pushing thru Supply
Supply/Demand
Delta
Zone
Effort to Rise
Test
1.4105
14:20
14:45
15:10
15:35
16:00
16:25
16:50
17:15
17:40
18:05
18:30
18:55
19:20
19:45
20:10
20:35
21:00
21:25
21:50
22:15
22:40
23:05

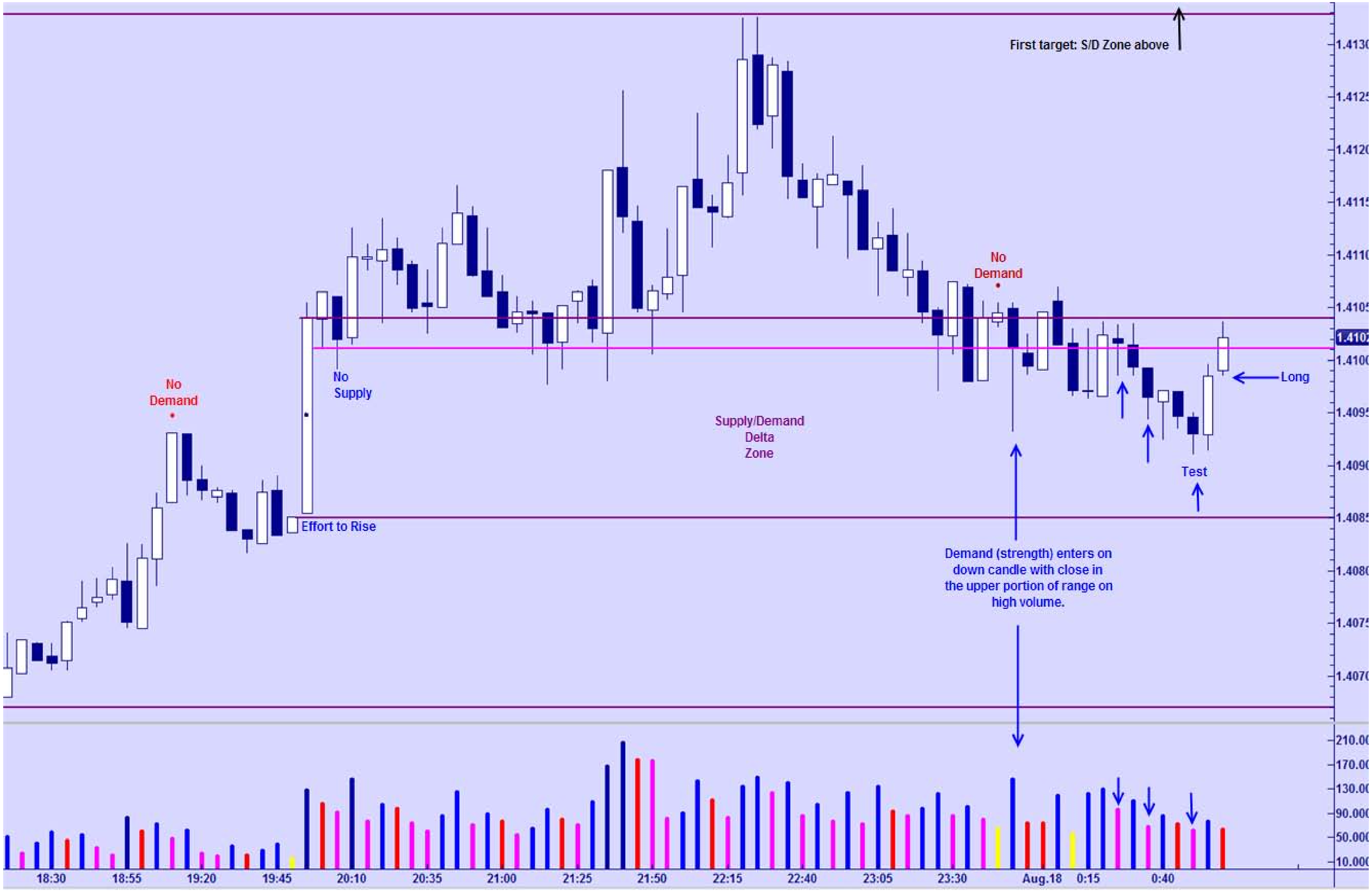
Same chart as before, but with a some more reasons to enter.
Of course we start with the background.

We have seen a wide spread (EB7) candle on very high volume push thru supply. This is strength. When weakness enters, it enters on up bars. This up bar is strength, however, and we see an immediate no supply bar confirming this.

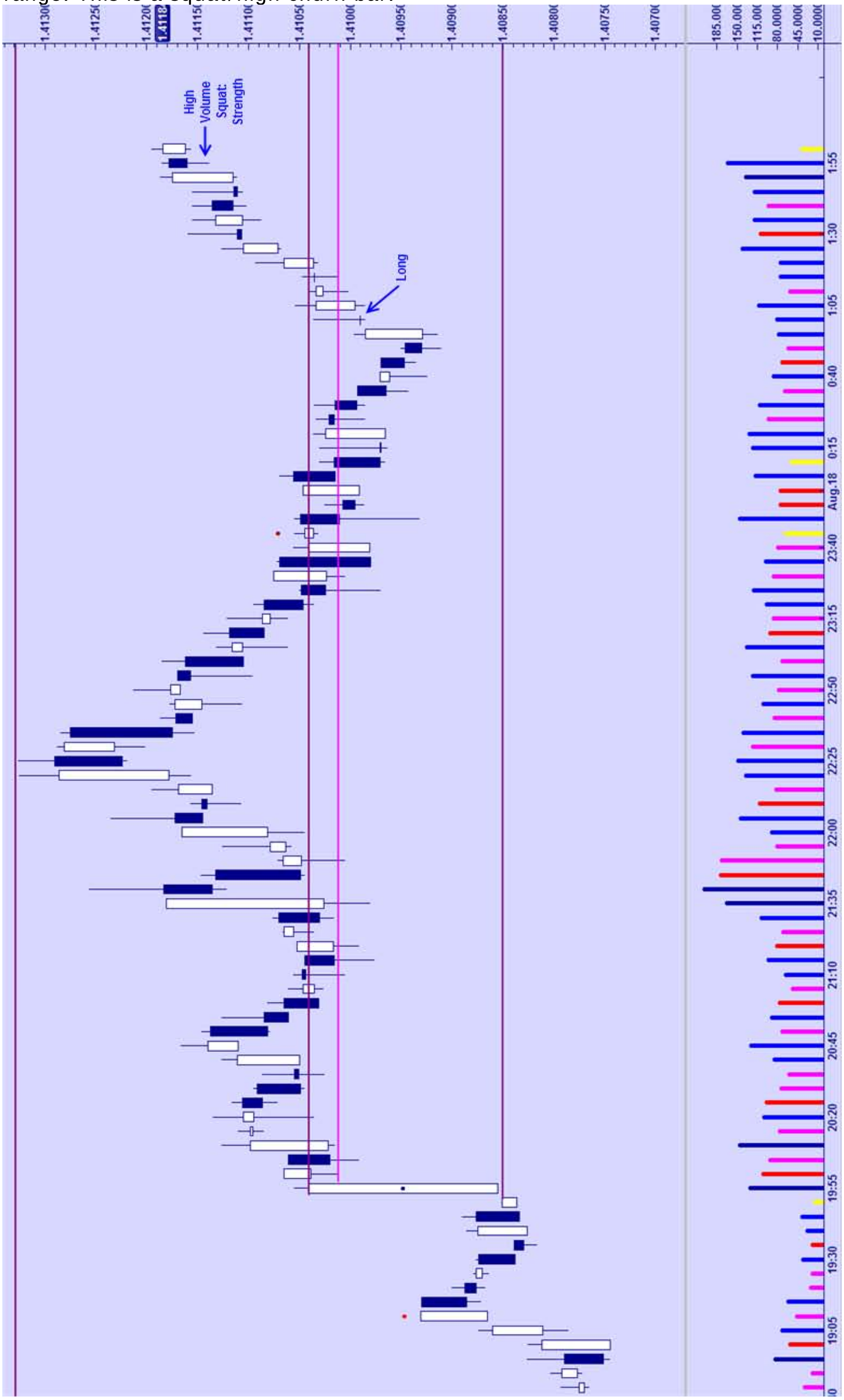
The thing we notice is a wide spread down candle that closes in the upper portion of its range, creating a long shadow in the process. Buyers stepped in and pushed price up. We know strength, when it enters, enters on down bars. If this bar had been weakness, then the close should be lower in the range. All the volume represents Big Boy (BB) support.

Next look at the series of there blue arrows. Each is a form of test/No supply. Notice how with each on the volume decreases. Simply, sellers become more and more disinterested.

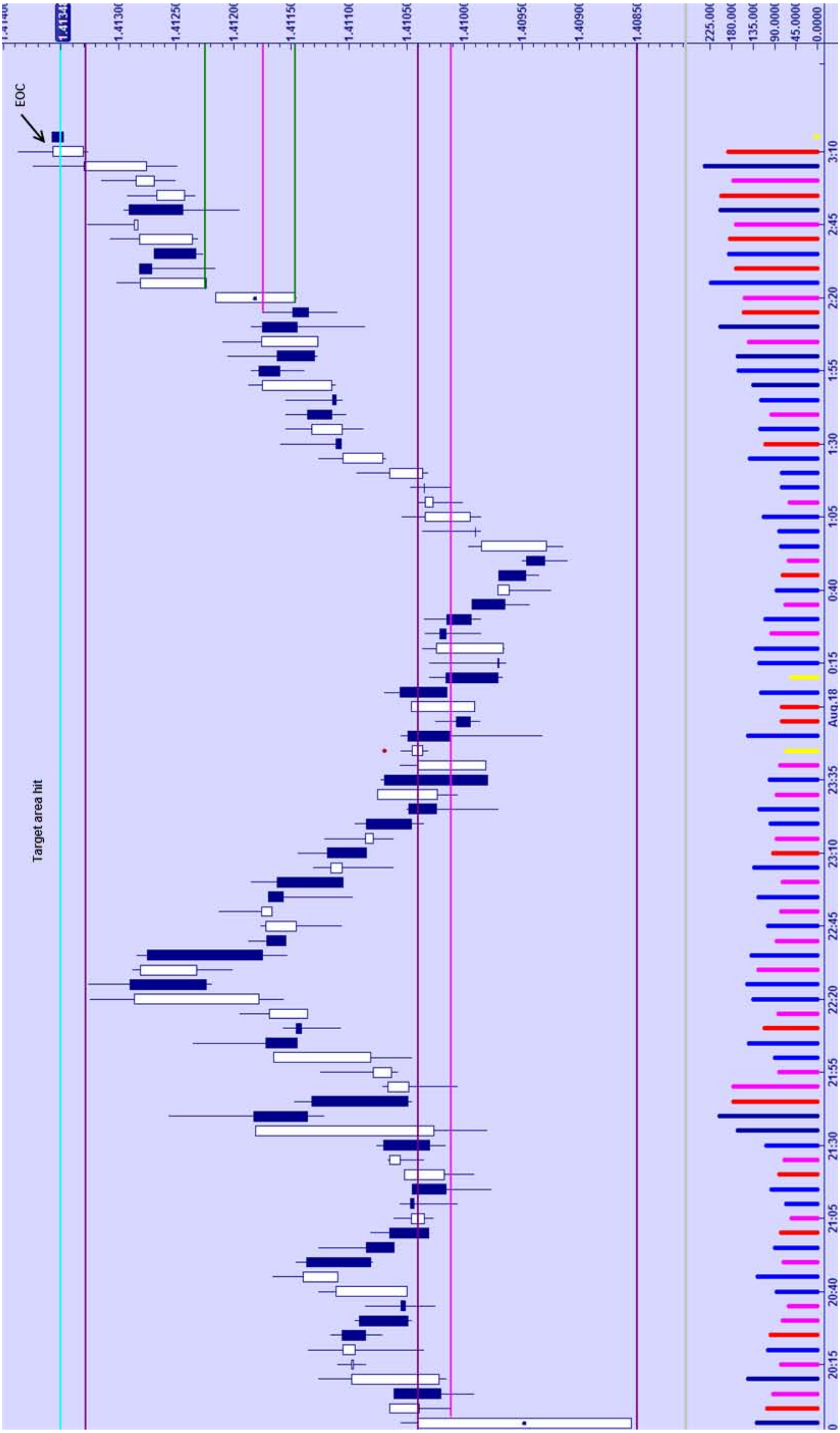
Our last clue (not vsa), the last test bar is basically engulfed by a white candle with increasing volume. From a pure VSA perspective, it is an up candle closing near its highs on higher volume following a test: Strength.


First target: S/D Zone above
No
Demand
No
Supply
Effort to Rise
Supply/Demand
Delta
Zone
No
Demand
Demand (strength) enters on
down candle with close in
the upper portion of range on
high volume.
Test
Long
18:30
18:55
19:20
19:45
20:10
20:35
21:00
21:25
21:50
22:15
22:40
23:05
23:30
Aug.18
0:15
0:40

Looks like more strength entered here. Climatic action on the white candle but the next candle had increased volume with a narrow range closing in the upper portion of its range. This is a squat/high churn bar.



Target area hit.



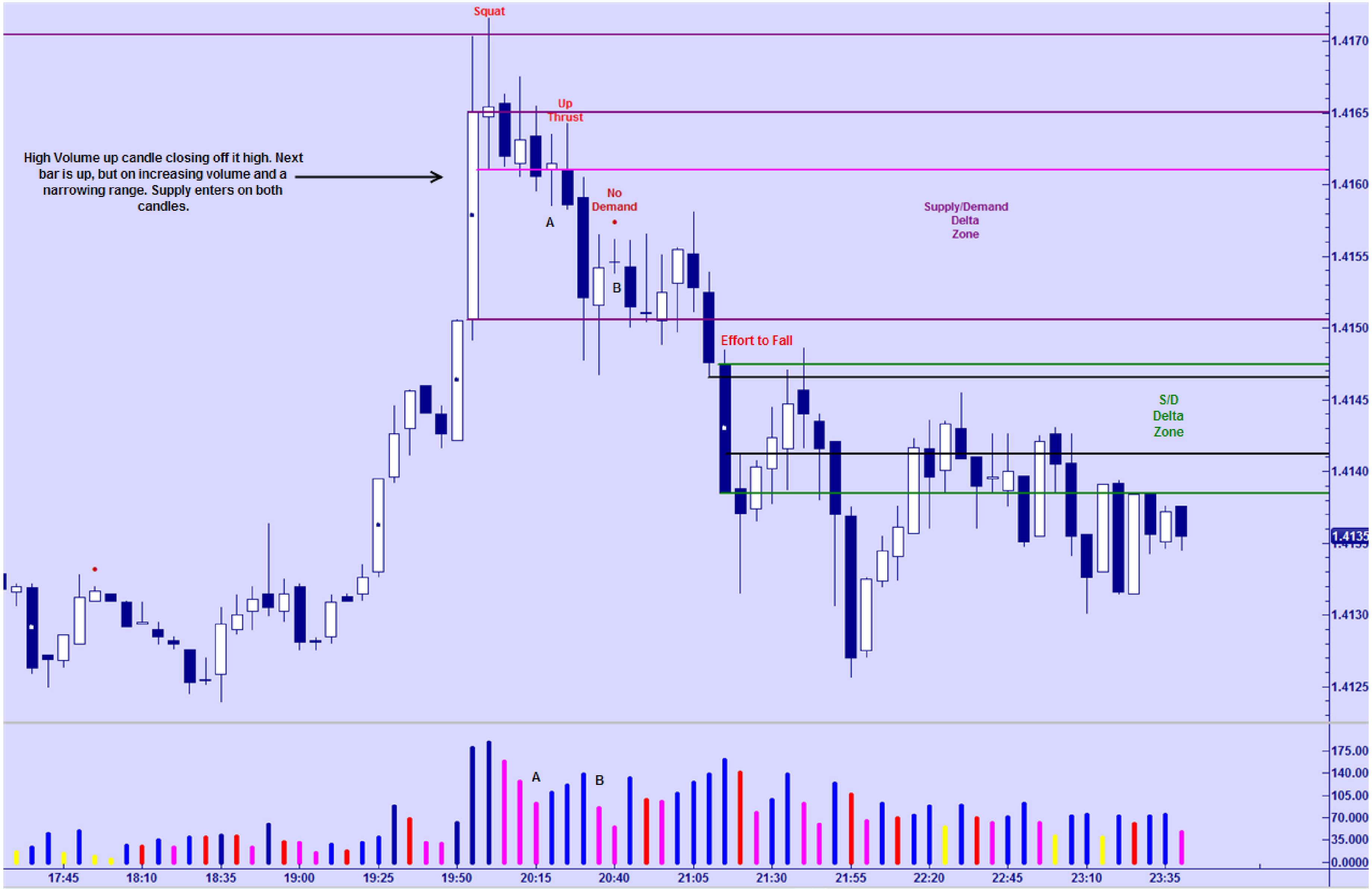
Here's a chart of the Euro (5 min).

Just wanted to compare and contrast two candles.

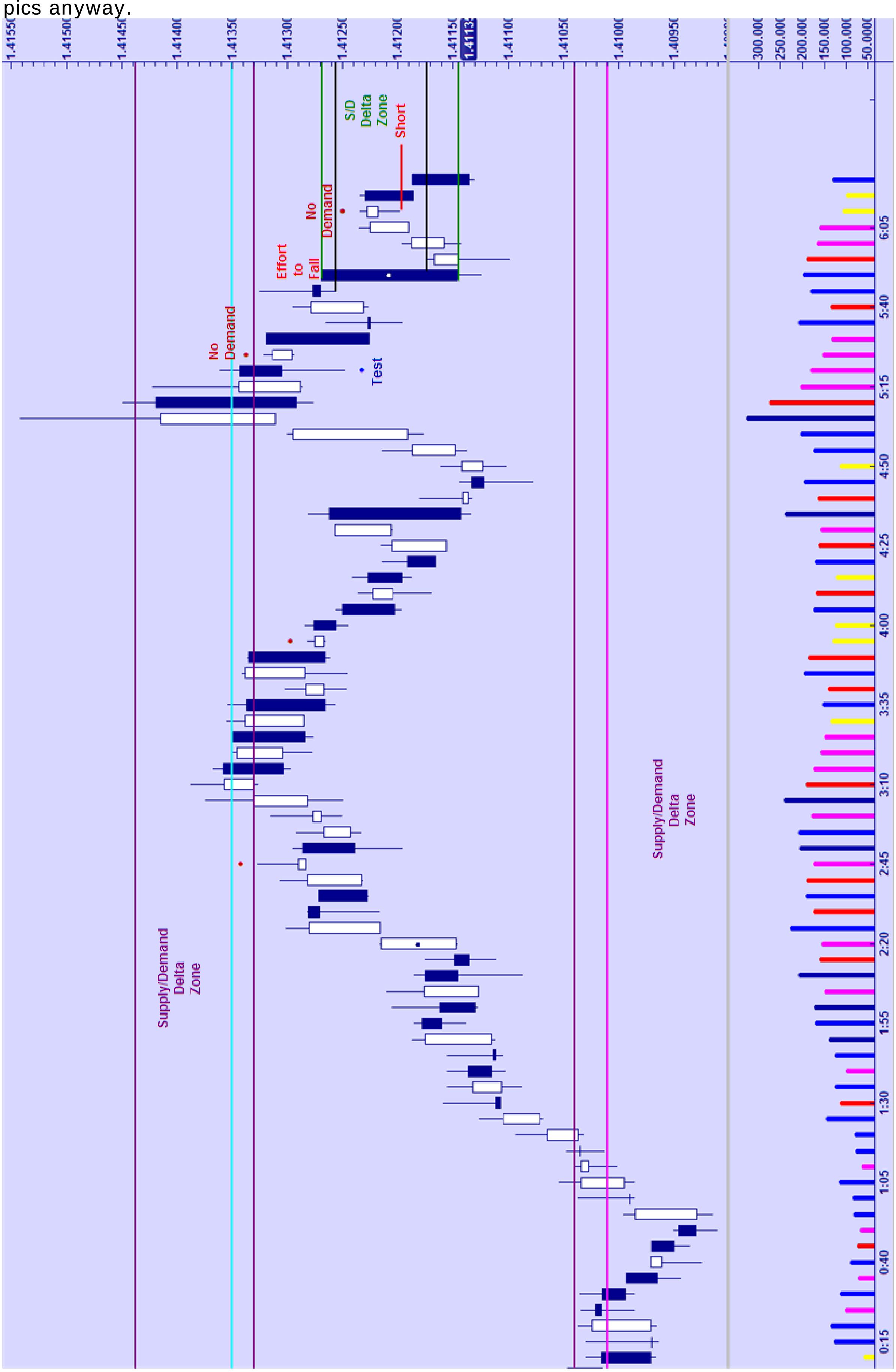
A: Narrow range up bar on volume less than the previous two candles. The close is off of the high, which shows weakness. But notice the low. It is lower than the previous candle and the close is up from there. Support enters the market here causing the candle to move off its lows.
The next bar is an Up Thrust, which goes to confirm the overall weakness in the market.

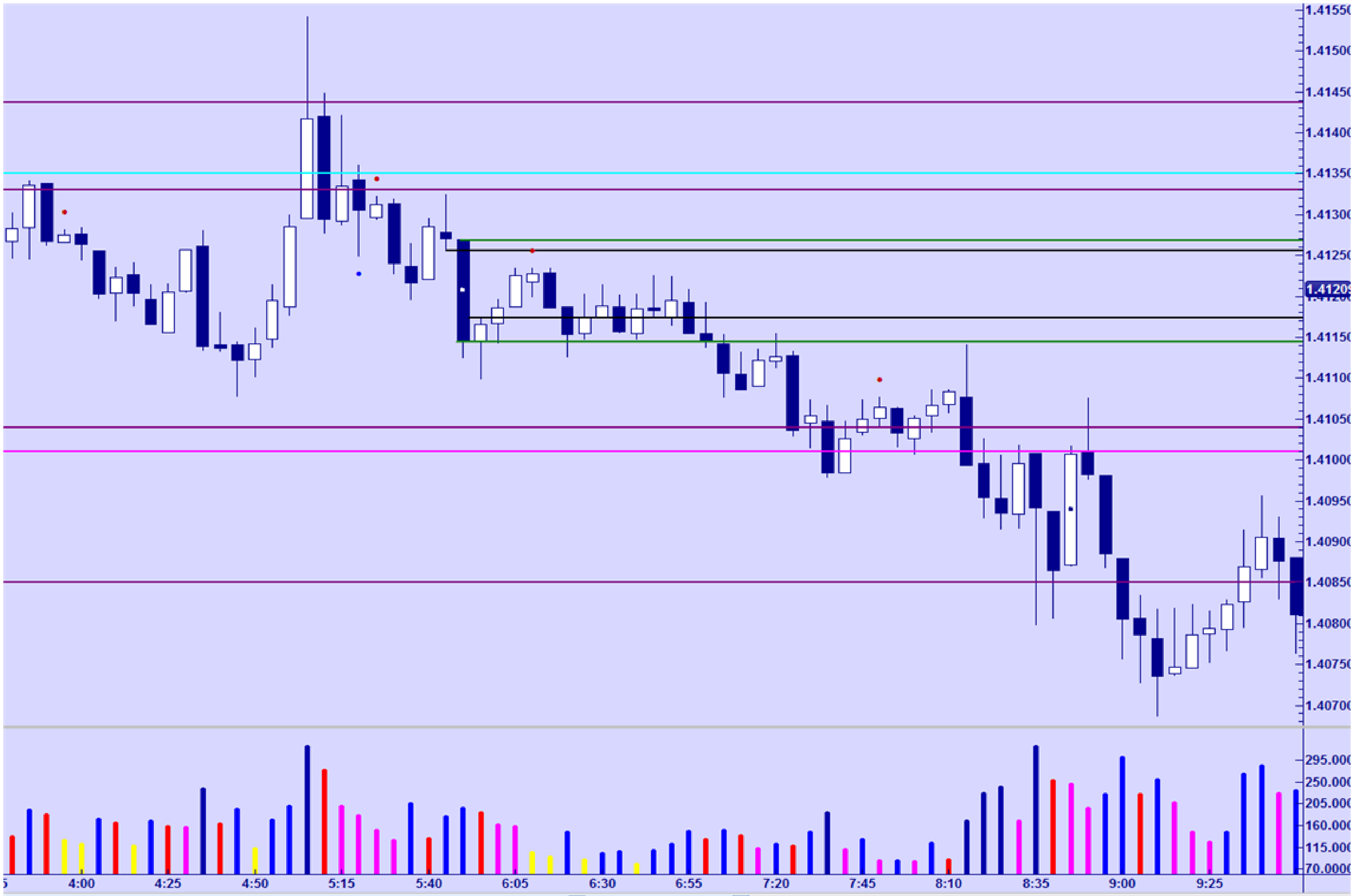
B: In my opinion, this is the best place to take a short. We see a narrow (NR7) candle closing near its low on volume less than the previous two candles. This no demand turns out to be a Doji. Knowing that is not VSA, but it does make add extra weight. Since we know Dojis are signs of indecision. We also note that this candle is an inside bar. Making a lower low, would not be good, making a higher high would be best, but making neither is also good.

The point: Not all up candles on volume less than the previous two candles are created equal. Obviously, A gets you a few more pips, but we can give a few pips for increased probability.


Squat
Up Thrust
High Volume up candle closing off it high. Next bar is up, but on increasing volume and a narrowing range. Supply enters on both candles.
No Demand
A
B
Supply/Demand Delta Zone
Effort to Fall
S/D Delta Zone
1.4170
1.4165
1.4160
1.4155
1.4150
1.4145
1.4140
1.4135
1.4130
1.4125
175.00
140.00
105.00
70.000
35.000
0.0000
17:45
18:10
18:35
19:00
19:25
19:50
20:15
20:40
21:05
21:30
21:55
22:20
22:45
23:10
23:35

I was going to do a "bar by bar" analysis on the first chart and then show the result on the second. I' m feeling a little tired and don't know if it is even wanted. Well, here's the pics anyway.




1.4155
1.4150
1.4145
1.4140
1.4135
1.4130
1.4125
1.4120
1.4115
1.4110
1.4105
1.4100
1.4095
1.4090
1.4085
1.4080
1.4075
1.4070
295.000
250.000
205.000
160.000
115.000
70.0000
4:00
4:25
4:50
5:15
5:40
6:05
6:30
6:55
7:20
7:45
8:10
8:35
9:00
9:25

This is being discussed currently in chat:

Test: an ideal test will be a narrow range candle that closes lower and in its middle or high on volume less than the previous two candles. It is confirmed with a higher close in one of the next two candles. Ideally, a test will make a lower low than the previous candle. As the BBs are probing lower to find supply (Sellers). They can however, be inside candles: not making either a higher high or lower low.

A: This is a test. It is a narrow range bar (NR7). It does not close near the high of its range, however. It also does not make a lower low.

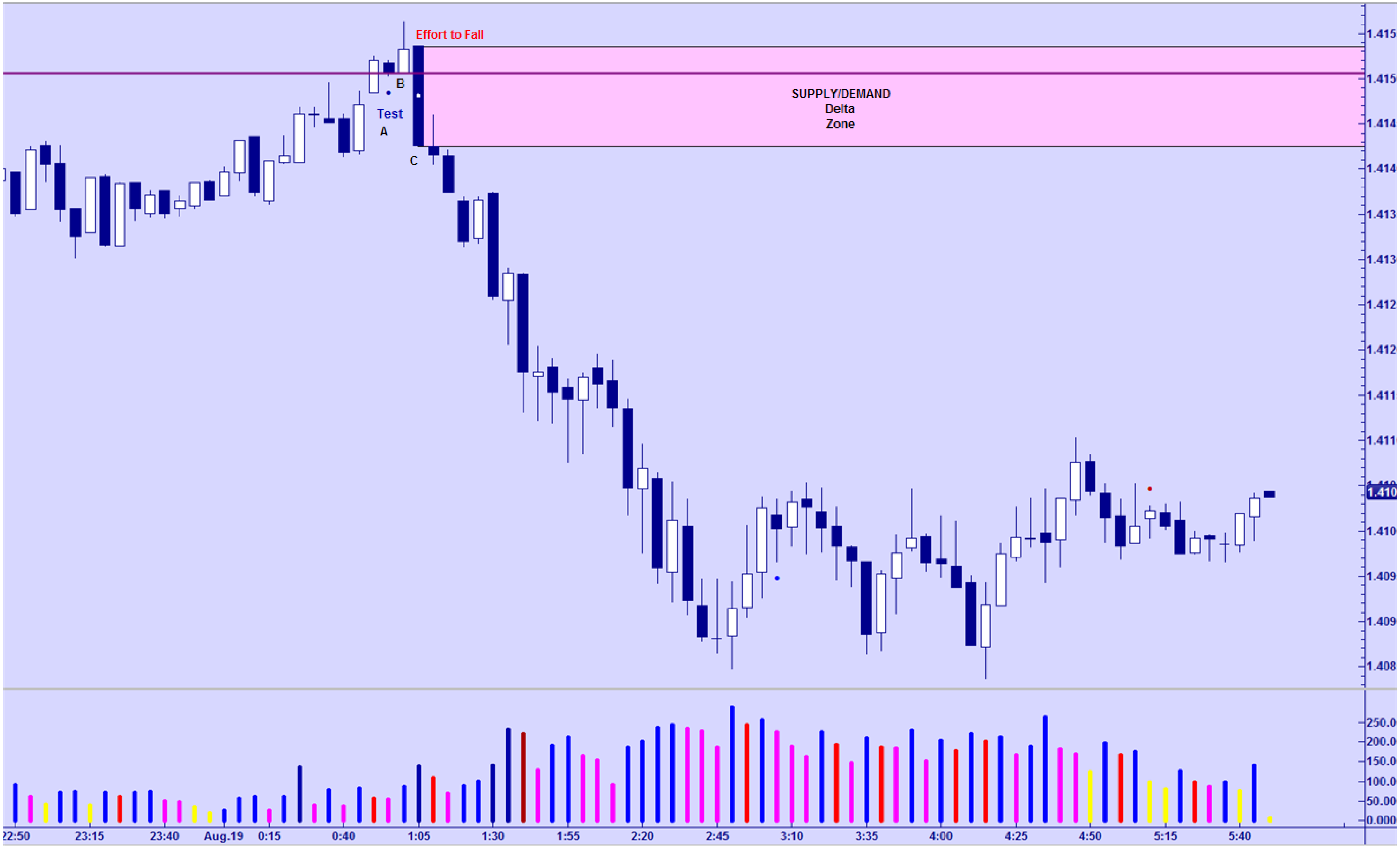
B: Up bar on increased volume closing off the highs and in the lower portion of its range. The up close confirms the previous bar as a test. The increased volume with a close in the lower portion, however, shows weakness.

C: Wide spread candle that closes below the low of the test bar. This is NO RESULT FROM A TEST. There are two way a test can fail:

1. no up close in the next one or two bars
2. Volume can be too high.

What we see here is a positive test, but no result. Once we see the up candle we know the test was good. Once we see the effort to fall close lower than the low of the test, we know we are not getting the results we should from a successful test.

We bring a little Japanese Candlestick analysis in and note that the VSA effort to fall candle is also engulfing the test candle and the up candle. Serious weakness.


Effort to Fall
SUPPLY/DEMAND
Delta
Zone
B
Test
A
C
1.415
1.415
1.414
1.414
1.413
1.413
1.412
1.412
1.411
1.411
1.410
1.410
1.409
1.409
1.408
250.0
200.0
150.0
100.0
50.00
0.000
22:50
23:15
23:40
Aug.19
0:15
0:40
1:05
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50
5:15
5:40

Euro/USD had been range bound.

That doesn't mean there weren't a few pips available. As I write this, it we have just seen a strong sign of strength followed by a test that last S/D zone so am looking for prices to rise.

But let's take a look back. 2 trades here to the long side.

Trade 1 :

A: Narrow Spread on a down candle that closes in it upper 1/3 on increased volume. This is a squat. Strength (demand) enters here.

B: Wide Spread (EB7) that closes up but off its highs with the next candle down. Volume is not that high, so although the close off the high and the next candle down signal some weakness, we know there was more strength in the candle. Markets don't like up candles on very high volume, because there could be hidden selling within them. However, bullish volume would be increasing volume on an up candle (and decreasing volume on a down candle). It changes when the amount of volume reaches relatively high levels.

C: First place to look for an entry. Narrow spread down bar on volume less than the previous two candles. We have strength in the background and now we see no supply.

D: Price moves up a bit and then starts to fall slightly. On D we see another no supply. Again, volume is less than the previous two candles and the range is narrow (NR7). The next candle, however, is not up. This might be a place to enter, if you enter without confirmation. But if you were entering on a breach of the high, it did not happen on the next candle.

Note that the volume on D is yellow: lowest volume bar in the last 20 bars. No desire for lower prices here.

E: Wider spread candle that opens lower than the previous bar and makes a lower low then closes on it highs and higher than the previous close on increasing volume. Professional support (for higher prices) enters here.
We also note that this candle engulfs not only the previous candle but the no supply candle which is two candles back from E.

If you are not yet long, this is it. Prices are likely to move up to the S/D zone above us, so we have a price target in place……

Trade 2:

1: We see a very wide spread (ER7) down bar on ultra high volume that is also and Effort to Fall. The close is off of the lows and the next candle is down. So we know that some buying must be hidden in this down candle. This is a candle of strength.

2: A narrower candle that closes near its highs and closes down from the previous bar on increased volume. This is a squat. The Long Shadow tells us that buyers stepped in as prices fell. If this bar was bearish, the close should be on the low of the candle, not in the upper portion.

3: This candle is down. The volume is less than our squat candle and the close is off of the low with the next candle up. This is a sign of strength. It's a bit tricky but what weakness this candle shows is not yet enough to swamp the strength we have just seen.

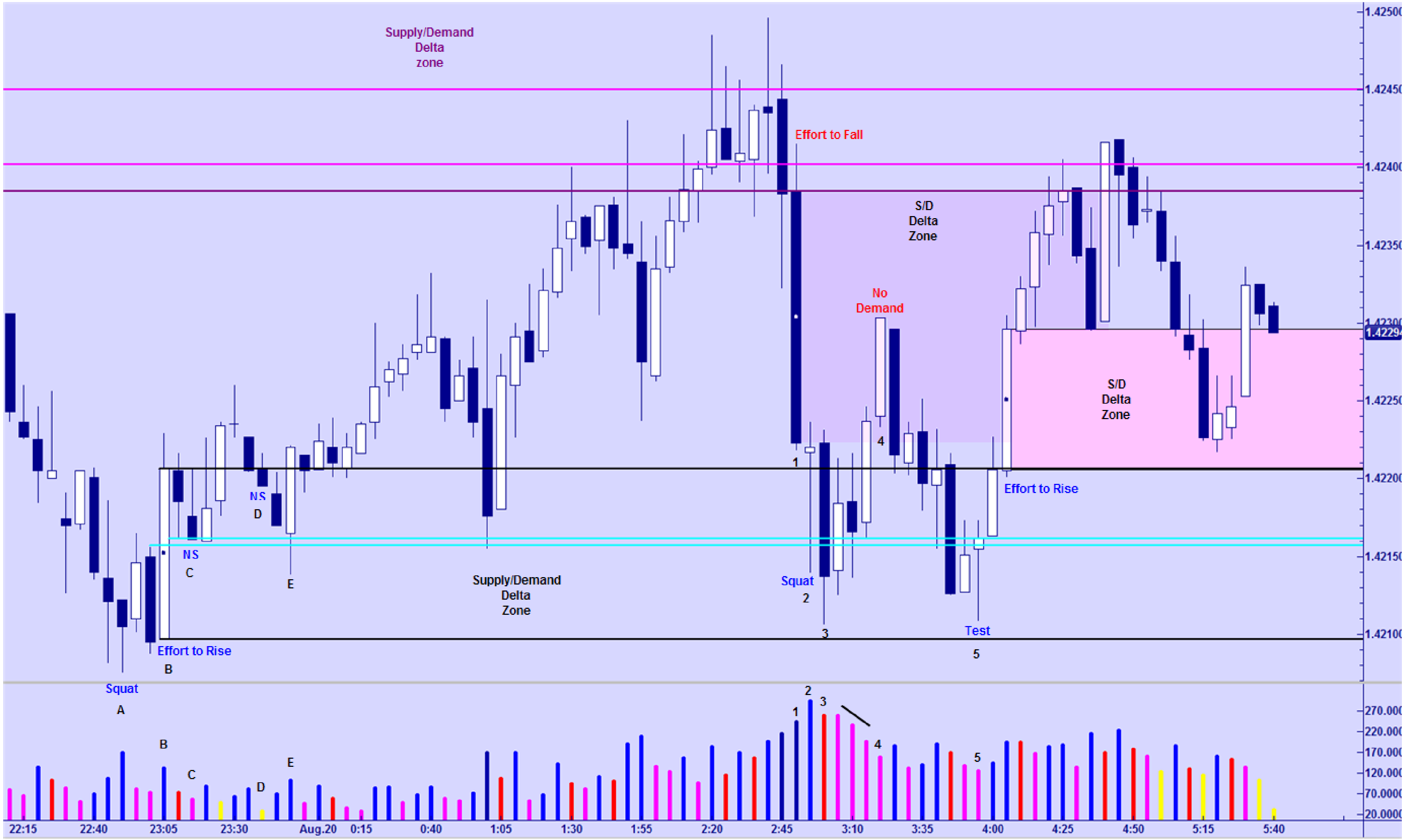
4: Things get even trickier. 4 is a no demand within a S/D zone created by the Effort to Fall. In addition, notice that the candles leading up to 4 all have decreasing volume as they rise. This signals that there is not a lot of interest in the up side just yet. However, it still appears that there is more strength than weakness.

One would be justified in taking a short here, regardless of outcome.

5: This is a key reversal candle and a test all in one. From a "test" point of view, we have a candle with volume less than the previous two candles that is marked down and then marked back up to close off its lows and in the upper 1/3 of its range. Making a lower low than the previous candle, but closing higher signals that support came in at the lows and pushed prices up.

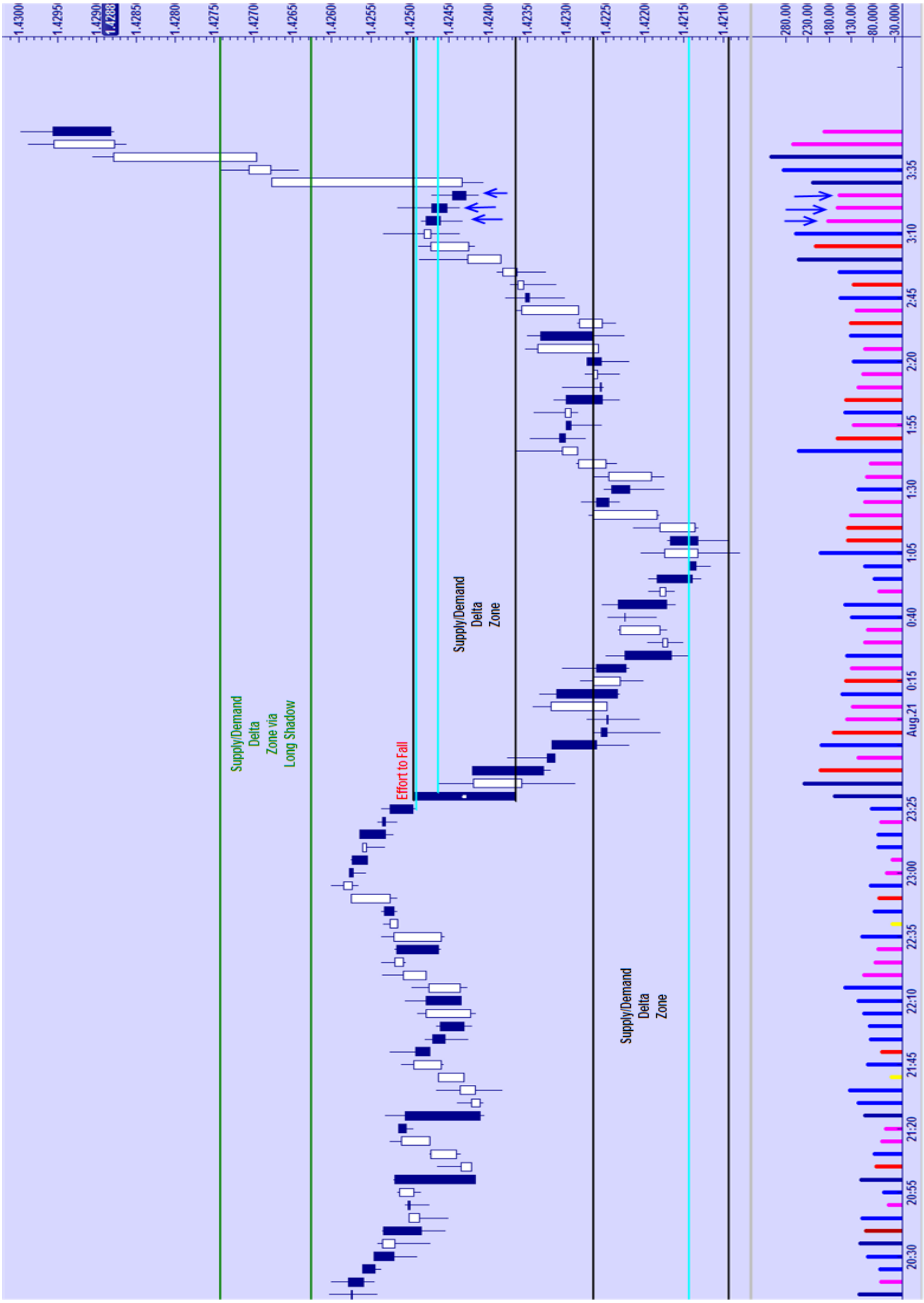
From a key reversal candle standpoint, we have a candle that makes a lower low, opens above the close of the previous candle and close higher than both its open and the previous candles close. And off of its high.
If you got short the no demand, time to stop and reverse. If you saw the strength and ignored the no demand, now you have confirmation of that strength. Get long.

Two candles later, we have an Effort to Rise candle (EB7) confirming the change in the supply/demand dynamic in the market. Our target, the same Delta zone as the first trade.


Supply/Demand
Delta
zone
Effort to Fall
S/D
Delta
Zone
No
Demand
S/D
Delta
Zone
Effort to Rise
NS
D
NS
C
E
Supply/Demand
Delta
Zone
Squat
2
1
3
4
Test
5
Effort to Rise
B
Squat
A
1.42500
1.42450
1.42400
1.42350
1.42300
1.42294
1.42250
1.42200
1.42150
1.42100
270.000
220.000
170.000
120.000
70.0000
20.0000
22:15
22:40
23:05
23:30
Aug.20
0:15
0:40
1:05
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50
5:15
5:40

> Originally Posted by **D-ramon**
> *wow it took off like a bat out of hell!!!!!*

Sure did. But not without giving a "second chance" entry. Three consecutive down candles on volume less than the previous two candles.



Quote:

> Originally Posted by **hoichoi**
> *hiddengap*
> *It is prob the 3rd time i'm asking how do u define the S/D zone...*
>
> *thanks*

Must of missed those posts.

The S/D zones I am primarily concerned with have BOTH a price action component and a volume component.

1:The first price action component, as previously discussed, is that the candle/Bar be an expansion body 7 (EB7). That is to say, the absolute range of the body (open to close) most be the largest in the last 7 periods. Please note that Expansion bodies have nothing to do with Japanese candlesticks, and therefore they can be seen on a regular OHLC bar chart. These large bodies represent the activity of the Smart Money. They are also indicative of increased volatility in the market.

2:The next price action component has to do with the intervals prior and immediately after the appearance of the EB7. Take a look at the chart from my previous post. What do you notice about those two cyan lines?

3:Next we want our EB7s to also be either buying or selling candles. A buying candle makes a higher high and not a lower low, while a selling candle makes a lower low and not a higher high. (At least for the type currently being discussed)

4:This varies with the amount of volume, but we want the close to be either in the upper 80,85,or 90% of the range and the open to be in the lower 20,15, or 10% of the range for white EB7s (Close>Open). The opposite would be true for dark (Close<Open) EB7s.

5:The mid point of the range (H-L) should be greater than the high of the previous candle or less than the low of the previous candle depending on whether it is an up candle or a down candle. This coupled with 4 and 3 and volume tell us we have "Effort" bars.

6. Unless volume is climatic, it should be increasing. Which is another sign of Big Boy activity in the market. And as has been noted before, generally speaking increasing volume is bullish on up bars and bearish on down bars. It's when the volume gets excessive that this relationship changes.

7. When volume is not climatic, MFI (Market Facilitation Index) should be increasing. This is another way of saying there should be "ease of movement of price".

Take another look at the chart from the previous post. You will notice that the volume on the candle marked "Effort to Fall" is both large and dark blue. Dark blue means it is climatic action (as defined by better volume: highest volume x range in the last 20 intervals). Something must be going on in a bar like that. Range increasing, volume increasing, closing on its lows. Opening near its highs. Making a lower low and not a higher high than the previous bar. This candle is indicative of BB activity.

Simply, this is candle represents a key change in the supply/demand dynamic in the market. The area to be most concerned with will be the area of the body (open to close) of the interval. In this instance we can see something very clearly.

Where there were once sellers creating an Effort to Fall, we now see no sellers as prices close down on volume less than the previous two bars for three consecutive periods. The supply/demand dynamic has changed.

With all that said, one can come up with his or her own rules to define the significant EB.

One does not have to use 7 or 4. I explained the logic behind both of these numbers but any number greater than 4 would work. One can simply look for EB4s, for example, that are 1 of the 5 bars in a fractal pattern. The real key comes from the relationship of the previous and immediately following periods. News events are another way. EB7s with the proper price action prior and after that are the direct result of a news event or data point release (like GDP) also define significant changes in the supply/demand dynamic and therefore ultimately become idea areas to look for entry signals regardless of method used to enter. But isn't that something we already know from VSA?

I'm pretty tired tonight, so sorry if I haven't answered the question. I would be glad to revisit it again later.

> Originally Posted by **hoichoi**
> *hiddengap*
> *It is prob the 3rd time i'm asking how do u define the S/D zone...*
>
> *thanks*

Sorry I was a bit tired last night/this morning. Let me try that again, and let's start from a different perspective.

VSA teaches us that the ideal place to initiate a trade is a within the range (H-L) of a very high/ultra high volume candle (technically bar since VSA does not use the open). Using a completely different form of analysis, Expansion body analysis, we can refine this concept in such a way as to define the ideal trade location to be not the entire range, but the body (open to close).

We want our Expansion body to have certain characteristics that detail certain VSA principles and some other principles of price action in general. This affords us a better understanding of the price action prior to the appearance of a signal and thus gives us more confidence in said signal.

This is a VSA thread, so we want to keep things along those lines. But, once we understand the price action and the significant expansion body, we could take any type of signal. In other words, if you used a cross of MAs to enter the market, the ideal entry would be a cross of the MAs within the Supply/Demand Delta Zone. This of course makes sense by definition.

The Ideal Expansion bodies will first be EB7s. That is, the body will be the largest body of the last 7 candles. Again, this relates to volatility and NR4 and NR7 bars.

We also like the bar to be a "buying" or "selling" candle. So if it is an up candle, we do not want it to make a lower low than the previous candle but we do want a higher high. If it is a down candle, we do not want it to make a higher high but we do want a lower low.
Next we would like to see that the body (Open to Close) makes up the majority of the entire candle's range. Hence we like to see the close in the 80,85, or 90% of the range with the open in the lower 20,15, or 10%.

From a VSA perspective, this generally means that an up candle closing at these percentages is showing strength. As volume increases, however, the close hints at supply swamping demand. (more on this in a minute).

As volume increases the requirements for the close ease up. At the base level, volume less than a Moving average of volume, we would want the highest close requirement which is 90%. This is because we would be looking at an "Effort" candle. I also added the additional requirement that such a candle with this amount of volume have an increasing MFI (range/V). This basically shows ease of moment, or the ratio to volume to range. We also use range X volume to determine climatic action.

So let's cut to the chase.

Attached is a 5 min chart of the Euro.
At 10:00 NY time the Fed Chairman begins speaking. As a result we get a Wide Spread up candle on climatic volume (dark blue) closing off its high with the next bar down. VSA tells us that when weakness appears, it appears on up candles. Since the next candle is down, there must have been some selling in that candle. This is the reason markets do not like up candles on ultra high volume. We know the Smart Money is active because of the volume AND because of the width of the candle body.

Taking a closer look at the close. We see that it is off its highs, but it is at least in the 80% of the candle's entire range. Had the volume been less, an 80% close would be seen as bullish. In this case it can not be completely viewed as such because the volume is so high.

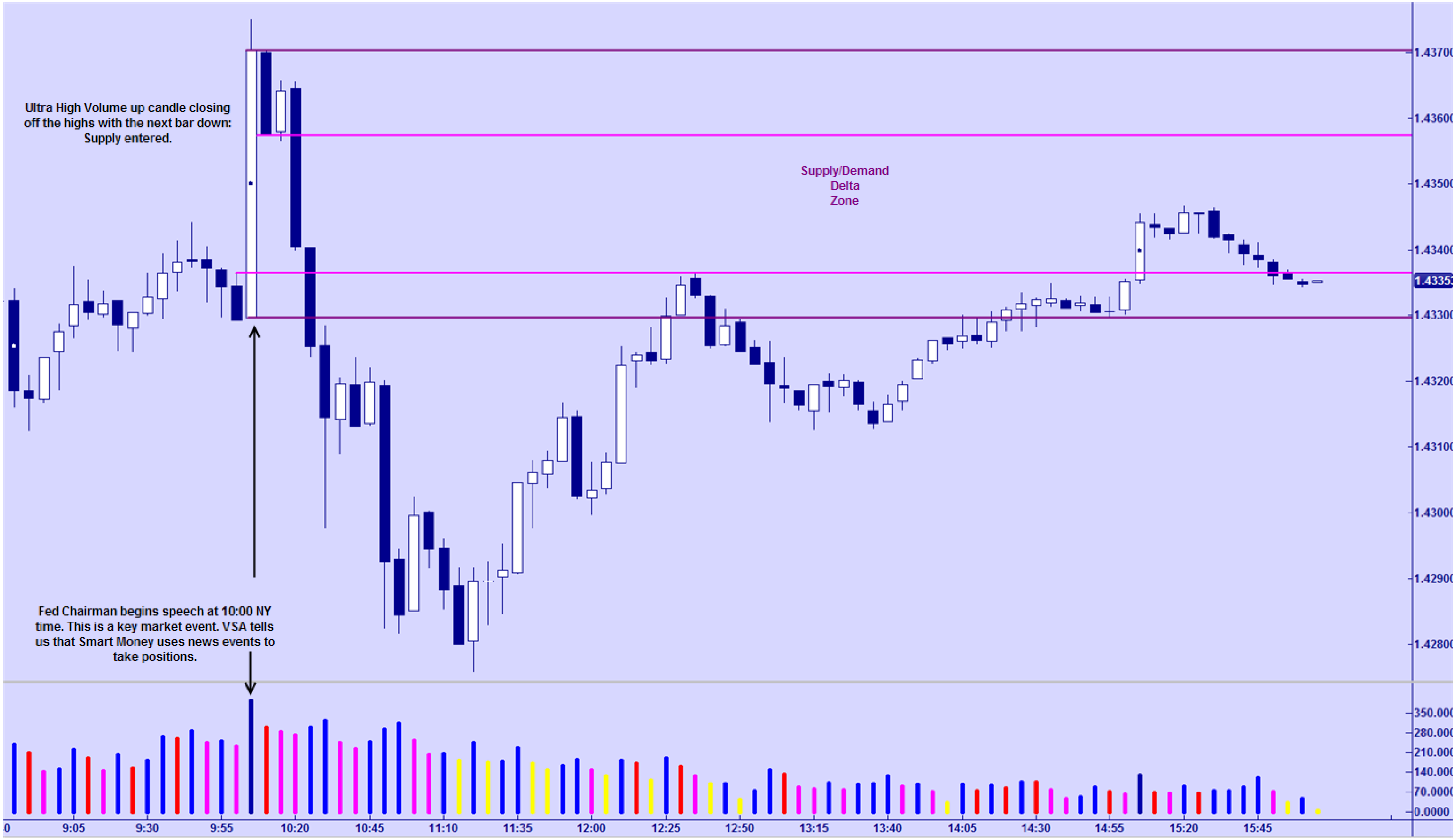
So we have a candle with a bit of duality. On the one hand it is an Effort to Rise which is bullish. On the other hand it represents new supply coming into the market from the BBs and is therefore bearish. So there is something going on in the supply/demand dynamic in this candle.

Price does indeed fall. But that is not what we are actually concerned about at this moment. What we are concerned with is the fact that this area now represents an area where changes in the supply/demand dynamic have happened, and therefore should continue to be an area of change until it is closed. In other words, what happens we price enters this area (either from above or below) the next time?

So when we look at this candle we see that there was a change in the supply/demand dynamic. Prices went form moving up to moving down. Will sellers continue to step in at this region and force prices down the next time they reach this level? Or will new demand enter in the form of buyers and push prices up?

That is what the Supply/Demand Delta Zones are all about. They represent the market's own best interpretation of where the current support and resistance can be found. More importantly, and what is actually ment by support and resistance, this is the area where any changes (or contiuation of the current) supply/demand dynamic would show themselves.

As expansion body analysis is independant of VSA, one could define significant EBs thru price action alone. Like swing points (there are many ways to define swing points). That is not what I am doing, however.


Ultra High Volume up candle closing off the highs with the next bar down: Supply entered.
Supply/Demand Delta Zone
Fed Chairman begins speech at 10:00 NY time. This is a key market event. VSA tells us that Smart Money uses news events to take positions.
1.43700
1.43600
1.43500
1.43400
1.4335
1.43300
1.43200
1.43100
1.43000
1.42900
1.42800
350.000
280.000
210.000
140.000
70.0000
0.0000
0
9:05
9:30
9:55
10:20
10:45
11:10
11:35
12:00
12:25
12:50
13:15
13:40
14:05
14:30
14:55
15:20
15:45

TWOBUCKCHUCK

> Originally Posted by **lumesh**
> *.....let's see how far it goes.*

I'd be careful using futures volume on the lower timeframes, it can be deceiving.

Here's my take on what happened. I agree it was a possible markup on the higher timeframe's but the 5m chart did hint that it was going to go up. I could be way off the mark, but there was no way I would have shorted until point H.

A) Here's a typical 2 bar shakeout. The volume on the 2nd bar was a healthy increase pushing through resistance as we had an old high to the left. This is bullish.

B) Suspect, a lower spread up bar on higher volume. There is no weakness in the background as yet so we have to wait and see what the following bars do. A lot of short covering perhaps as it was pushing through the old high on the previous bar. Notice how it failed to close down back below the old resistance now support line.

C) This confirms that the previous bar was more than likely short covering. This bar also has hidden potential selling, but it was tested immediately after and there was no supply (selling pressure). If you follow the bars along until the next move up through the old top, you'll see that the supply was abolished before it continued up.

D) That's potential selling on the up bar, but we also get potential buying immediately after. The buying was confirmed again by the no supply bars that followed.

E) Same as point D.

F) This is an upthrust yes, but we don't have the weakness behind us as of yet. It's also a down bar, which indicates strength as there is no weakness behind us to call it a true upthrust. We would want a test of that area again to confirm that there is no demand (buying pressure). You'll notice just before point G, it did test this area but the demand was just too high.

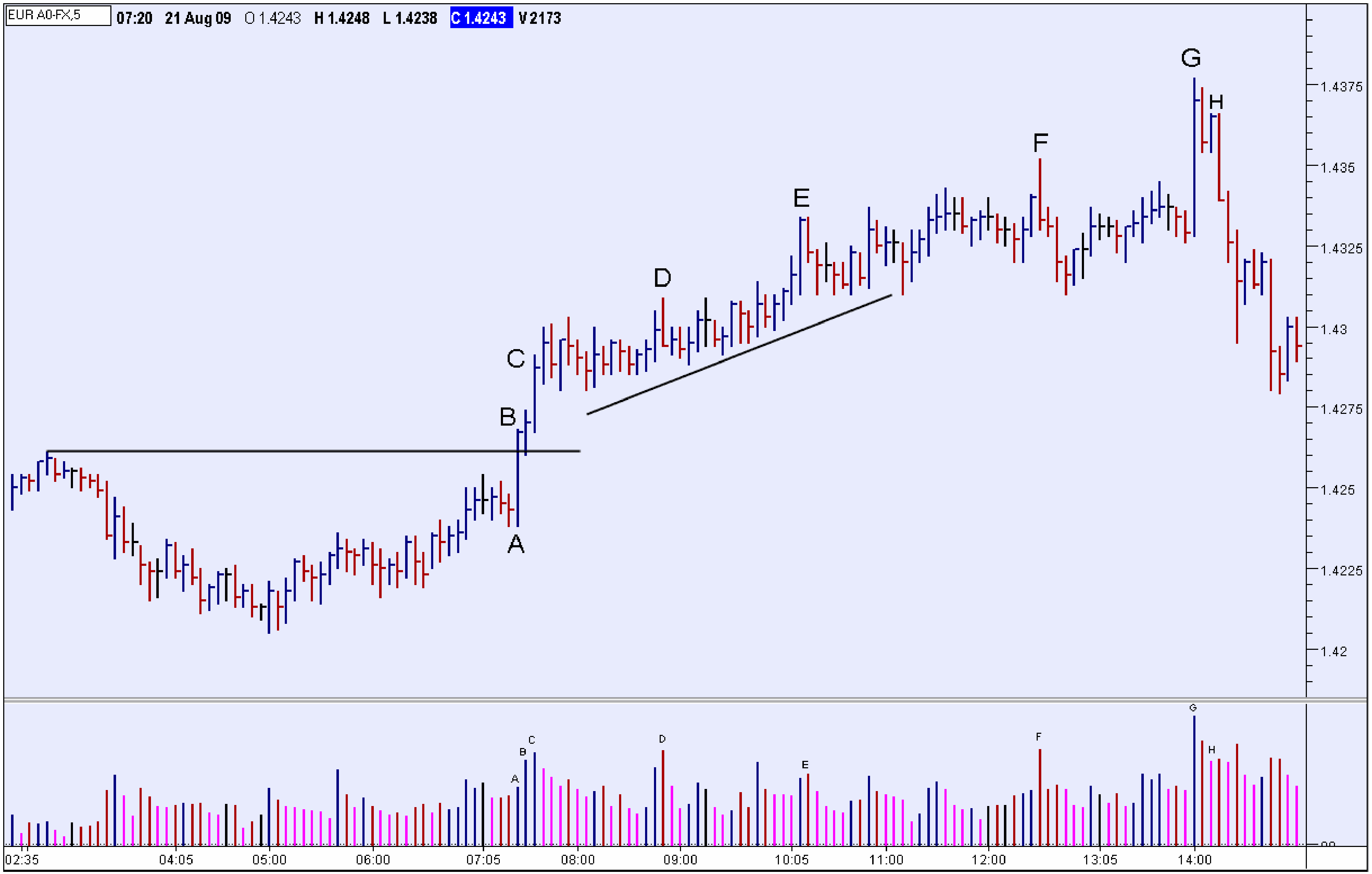
G) This is our first sign of true weakness, volume is ultra high and the spread is ultra wide. The close is not the most important, **preferable** if it closes in the middle to low, but it's not required. The spread and more importantly the very high volume is what we are concerned about. Yes it's pushing through an old top to the left, but the volume is not healthy, it's just way too high.

H) Here's our no demand confirming that the previous point was in-fact weakness. The volume is still a bit high for my likings so it will probably be tested again. Still good for a scalp though, tight stops as the SM will want to ensure the demand has diminished before going down longer term.

The no demands you pointed out were a bit high on the spread, but it's the relative volume we are concerned about, relative to the past few bars. They were technically no demand bars but we didn't have enough background to make them significant. The close is not the be-all-end-all. It is only **preferable** that the close in the middle to low. Same with the hidden potential selling/buying. It's the relative volume and the spread we're most concerned about. At least that's what Todd and Tom indicate in the VSA boot camp CD's.

I try not to get all wound up in the exact terminology of each bar. Want we want to do is think of it all in terms of supply and demand. No supply = price up, no demand = price down. Don't use this on only two bars either, it's the background that matters and we can't determine if there is no supply or demand with one no supply/demand bar alone.

You will also notice that the slow incline from point C to F had way to much demand on the moves up and very little supply on the moves down. We want the demand to diminish before considering shorts, and there was no major sign of weakness at the time either.


EUR A0-FX,5
07:20 21 Aug 09 O 1.4243 H 1.4248 L 1.4238 C 1.4243 V 2173
A
B
C
D
E
F
G
H
1.4375
1.435
1.4325
1.43
1.4275
1.425
1.4225
1.42
02:35
04:05
05:00
06:00
07:05
08:00
09:00
10:05
11:00
12:00
13:05
14:00

Originally Posted by **chalk54**
I thought that was what VSA was all about. Right, that we have to be able, based on VSA to predict where the trade will/may go. There is just too much historical analysis here for my taking. I appreciate the fact that some are adding future volumes to their analysis. To be true to myself, I did not get anywhere untill I added future volumes and MP (my style) to my analysis.

Lets try to VSA any chart at the very right hand edge and maybe some of us would learn something new if not making our lean purses a daint heavier in the proccess.

Weekend...

While Chalk is quoted above, this response is not directed at him. These are my thoughts for whatever they may be worth.

I posted a chart and asked if somebody could see a long entry signal on the chart. I got a few responses and am very grateful for them. I have spent most of last night and today looking at that chart. **WITH 100% HINDSIGHT I HAVE SEEN SOME THINGS I MISSED IN REALTIME. NOW I HAVE AN UNDERSTANDING I DID NOT HAVE AS THE CHART UNFOLDED. I CALL THAT LEARNING.**

I have attached the chart with letters, but will not be leaving any analysis. Those viewing the chart can do the analysis on those bars if they want.

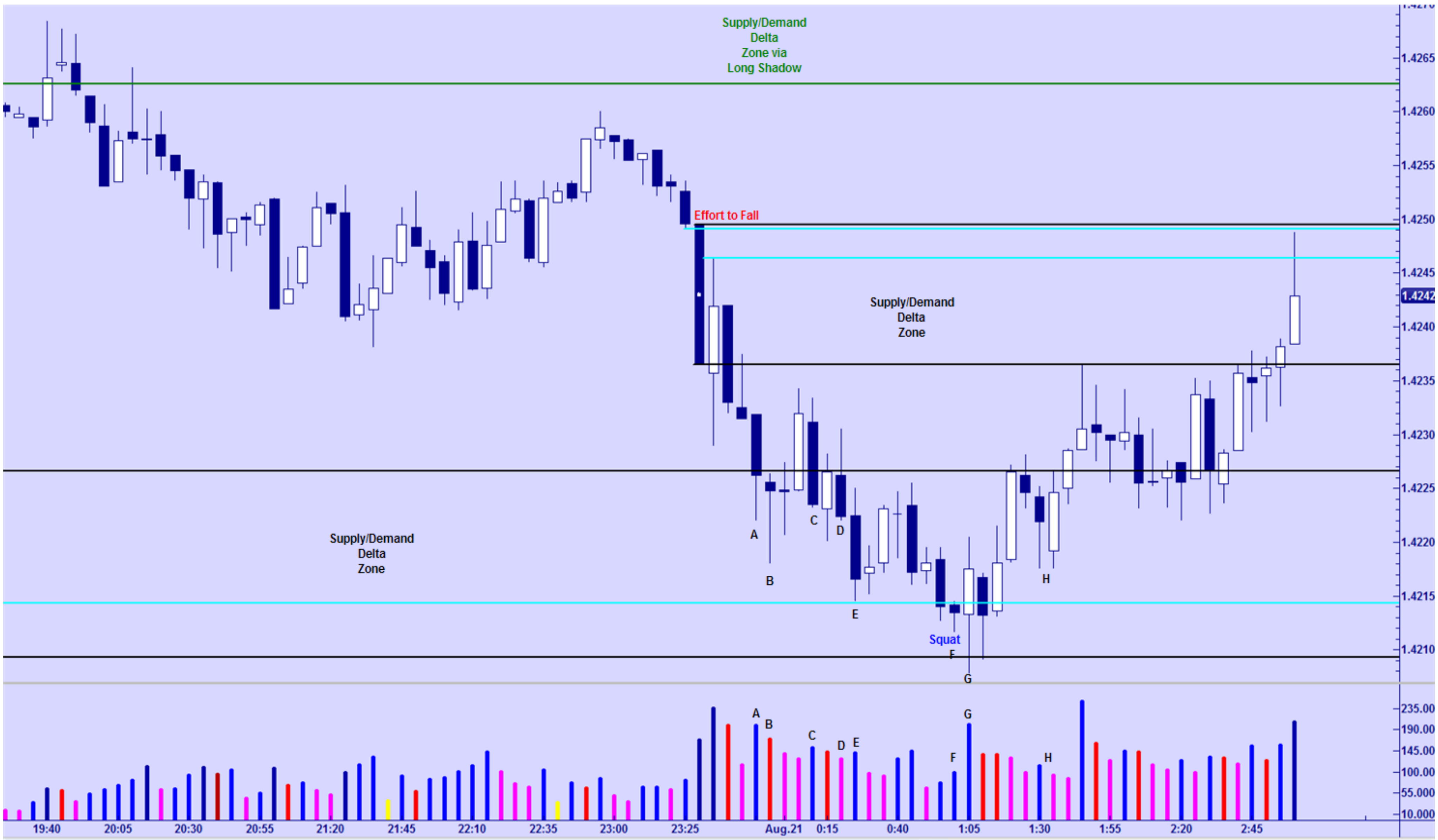
I do not predict the markets. The future is unknown and not knowable. I could not care less where the market will be in 2 hours, 2 days, or 2 weeks. As a trader all I can do is identify high probability set-ups and then take them with discipline.

If people want right edge analysis, then we need **live action video.** That way we could see the set ups being identified and taken as they occur. This is much more valuable than a guess about where the market may or may not go when it opens. Simply, I don't care if you think the market is going up. I want to see that you have a set up as of the last bar/candle/line on your chart and you are going long on the open Sunday night.

With that said, I believe hindsight analysis ***IS*** the best way to learn the principles of VSA or any other method. In real-time, other factors and personal issue muddy the core trading concepts. But if its real time right edge stuff this community desires, let's get a way to share our charts live over the web. Simply, posting charts about what you think the week to come holds has ***less*** value than hindsight charts offer for learning set ups.

I am new here and have read the thread. What I find most frustrating is 80 pages of indicators/question about indicators for a price action only method. As far as I am concerned, that takes away from learning to see set ups in real-time more than looking at a hindsight sight chart does.
This may not of been my place, and Shamus, I apologize for that. What you have here is great . It is certainly bigger than me. Just had to say my piece.

One last thing: ***ISN'T THAT WHAT THE CHAT ROOM IS FOR? REALTIME RIGHT EGDE ANALYSIS.***


Supply/Demand
Delta
Zone via
Long Shadow
Effort to Fall
Supply/Demand
Delta
Zone
Supply/Demand
Delta
Zone
A
B
C
D
E
Squat
F
G
H
1.4265
1.4260
1.4255
1.4250
1.4245
1.4242
1.4240
1.4235
1.4230
1.4225
1.4220
1.4215
1.4210
235.00
190.00
145.00
100.00
55.000
10.000
19:40
20:05
20:30
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21:20
21:45
22:10
22:35
23:00
23:25
Aug.21
0:15
0:40
1:05
1:30
1:55
2:20
2:45

Quote:

> Originally Posted by **headfake**
> *Hey Malcolm*
>
> *Just to offer a contrarian point of view and put a spanner in the works, On your first sign of weakness, I've always called that strength, reason being its a breakout bar thru res and held which means its a leg up....the bar that you marked as attempt at distribution is in fact a mark down thru that supp range to suck in the weak shorts and is bought up by the pros, hence another leg up, just a few thoughts......*

Very nice first post.

I have attached a shoot of Malcolmb's chart.

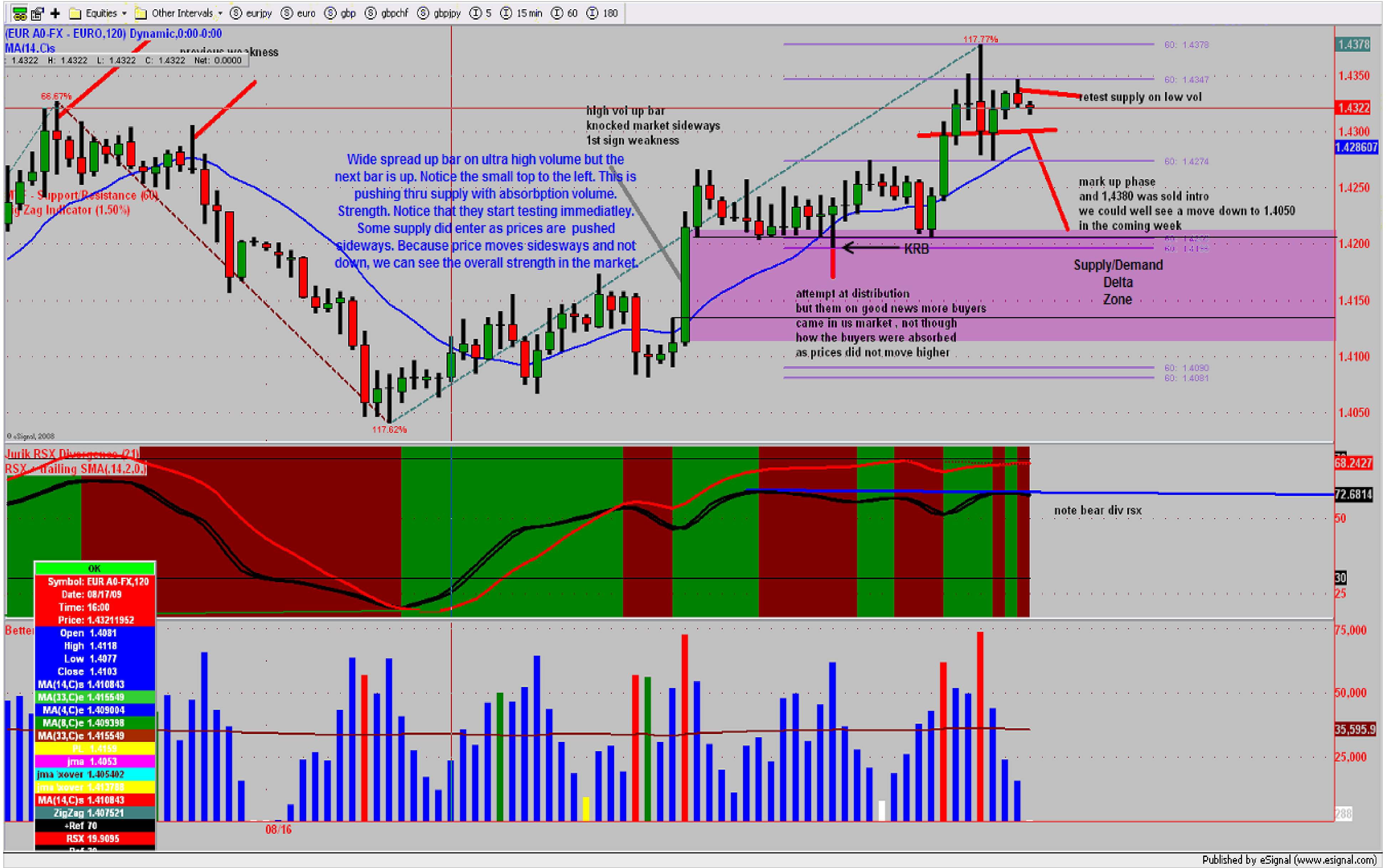
I would agree that the wide spread up candle on ultra high volume is Strength. While markets do not like up bars on ultra high volume, in this case it is "pushing thru supply". The heavy volume represents a willingness of the BBs to buy at higher prices. If the BBs are willing to buy at high prices they must be expecting EVEN HIGHER prices.

Note that this EB7 creates a Supply/Demand Delta Zone and note how price has reacted as it has tried to move into it. Clearly a change in the supply/demand dynamic happened on that EB7.

To be sure, some supply did enter on that candle. However note that the supply only moves the market sideways. The fact that it moves the market sideways and is not able to move it down, bespeaks of an underlying strength in the market.

The bar marked attempt at distribution is a "Key Reversal Bar" type. Notice that it makes a lower low than the previous bar. Opens higher than the previous close and closes higher than the previous bar, and higher than its open. This is bullish. In this case there is not down move to reverse from, but it still shows the strength.

Once again, headfake, nice work. Looking forward to many more charts and analysis from you.



(EUR A0-FX - EURO,120) Dynamic,0:00-0:00
MA(14,C)s
previous weakness
high vol up bar
knocked market sideways
1st sign weakness
Wide spread up bar on ultra high volume but the next bar is up. Notice the small top to the left. This is pushing thru supply with absorbption volume. Strength. Notice that they start testing immediatley. Some supply did enter as prices are pushed sideways. Because price moves sidesways and not down, we can see the overall strength in the market.
retest supply on low vol
mark up phase
and 1,4380 was sold intro
we could well see a move down to 1.4050
in the coming week
KRB
Supply/Demand
Delta
Zone
attempt at distribution
but them on good news more buyers
came in us market , not though
how the buyers were absorbed
as prices did not move higher
note bear div rsx
Symbol: EUR A0-FX,120
Date: 08/17/09
Time: 16:00
Price: 1.43211952
Open 1.4081
High 1.4118
Low 1.4077
Close 1.4103
08/16
Published by eSignal (www.esignal.com)

Hope you find some value in this.

Interesting set up in the Euro/USD on the 5 min.

A: Effort to Fall candle. Wide spread down candle on climatic volume that closes slightly off its low with the next candle up. Some Demand (buying) is hidden in this candle. Why else would the next candle be up? However, the sellers were in charge on this interval.

B: Up candle showing that there was some buying on the first candle. Notice that the range is narrower than the first candle and the volume is higher. This is a squat. Also note that the close is in the lower portion of the candle. This is bearish. The long upper shadow shows supply entering this candle as well. Is the supply/demand imbalance on the side of supply or demand? We don't know. So what do we do?

C: We test. Narrow range down candle closing in the upper 1/3 of its range on volume less than the previous two candles. So we have tested. But we need it confirmed.

D: Equal close to the test bar, with a long upper shadow showing some more supply. The candle does not make a lower low and volume increases.

E: This candle is down and closing lower than the close of the test. Our test has failed. We have now seen a candle closing lower on increasing volume after our test. Our test has failed.

F: Down candle on increasing volume, but the close is roughly in the middle of the range. There is buying (demand) on this bar.

G: Down candle on equal volume that again closes off its lows. Here again this candle makes a lower low, but demand steps in and pushes the close off the low. Ultimately we have a down candle on high volume. Generally speaking, increasing volume on down candles is bearish.
Since our test (failed) candle, we have seen 3 candles with lower shadows. In other words, although they have closed lower, they have closed off the lows as volume increased. There had been some buying in them.

H: This is a test. To Japanese candlestick traders this is a hammer. From a VSA perspective. This is a candle on volume less than the previous two candles that makes a lower low but closes higher than the previous candle and in the upper 1/3 of its range. Prices were marked down to look for supply and none was found. If there had been supply in the market, the volume should be higher and the close should be lower in the range.

I: This is a key bar. Note that this is a down candle. We close lower than the previous bar. Since the previous candle was up, our test is confirmed. More confirmation comes here. There is no volume on this down candle. Notice the amount of volume on all the down candles since the first test (failed). Volume on down candles had been increasing or equal, now it is dried up. The supply is gone.

We also note that the next candle is engulfing this down candle. Long at the close of this candle.

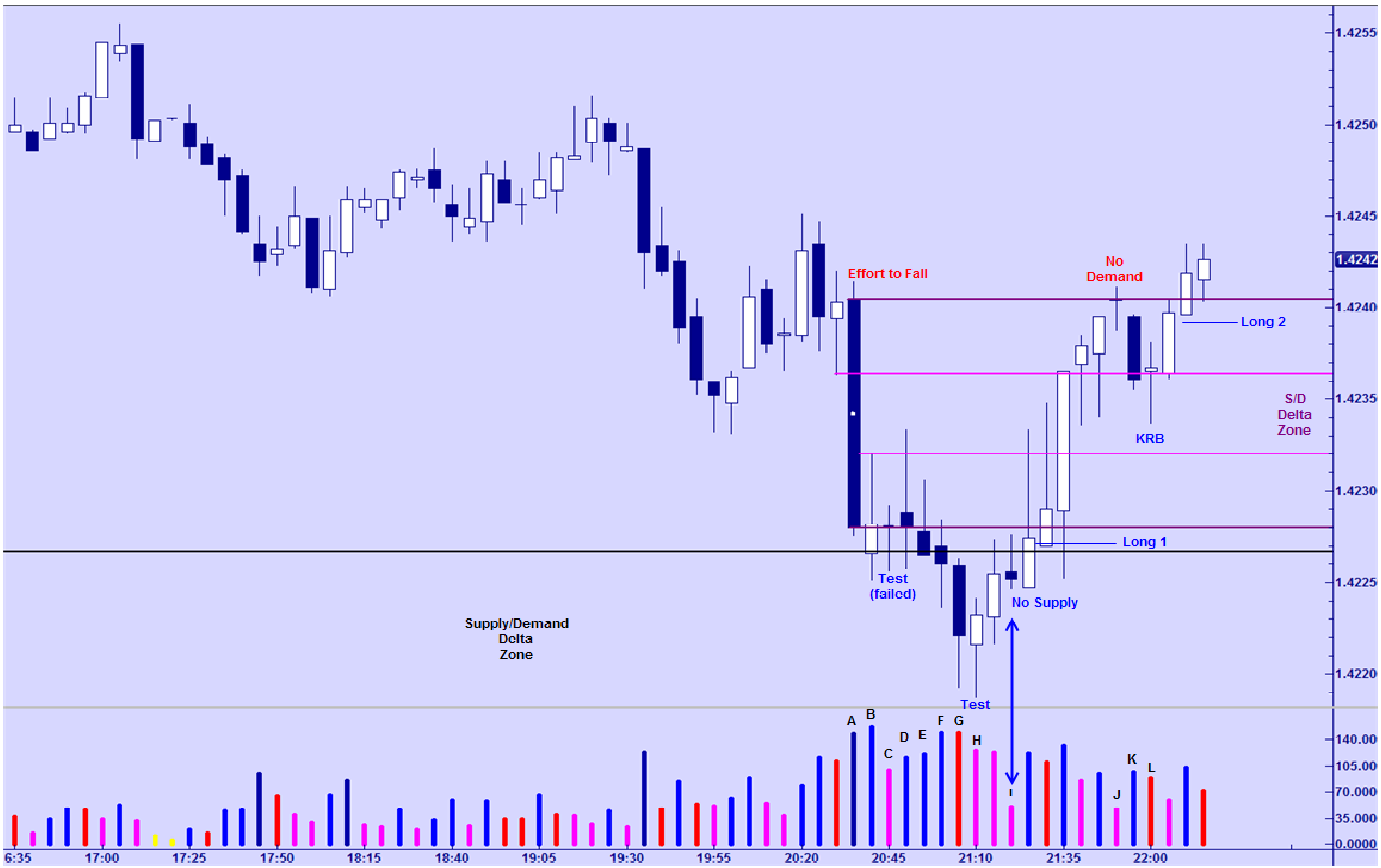
J: As the market moves up, we see a narrow range doji on volume less than the previous two candles at the edge of the supply/demand zone. If we look back to the Effort to Fall candle, we see that in the price area where it began and brought in ultra high volume, we are now seeing no volume. Simply, sellers rushed into the market in this area, but are not rushing in to sell again. The BBs are not very active on this bar, just in case.

K: Down candle on increasing volume. One last ditch effort for the sellers to regain control of the market.

L: This is a key reversal candle. The open of the candle is higher than the close of the previous candle and the close is higher than the open and the close of the previous candle. The low is lower than the previous candle, yet the close is in the upper portion of the range. This is not quite a doji but pretty close.

If you viewed this as a test candle, then the volume is not less than the previous two candles and is a bit high. However, this candle is ultimately bullish. Again we see the next candle engulfing and closing up. Another chance to enter or add-on.

I know this is not what most people here want, but I believe there is some value in this chart. Hope it helps. FWIW current price is 1.4250.



Effort to Fall
No
Demand
Long 2
S/D
Delta
Zone
KRB
Long 1
Test
(failed)
No Supply
Supply/Demand
Delta
Zone
Test
A
B
C
D
E
F
G
H
I
J
K
L
1.4255
1.4250
1.4245
1.4242
1.4240
1.4235
1.4230
1.4225
1.4220
140.00
105.00
70.000
35.000
0.0000
6:35
17:00
17:25
17:50
18:15
18:40
19:05
19:30
19:55
20:20
20:45
21:10
21:35
22:00

TFFLYER

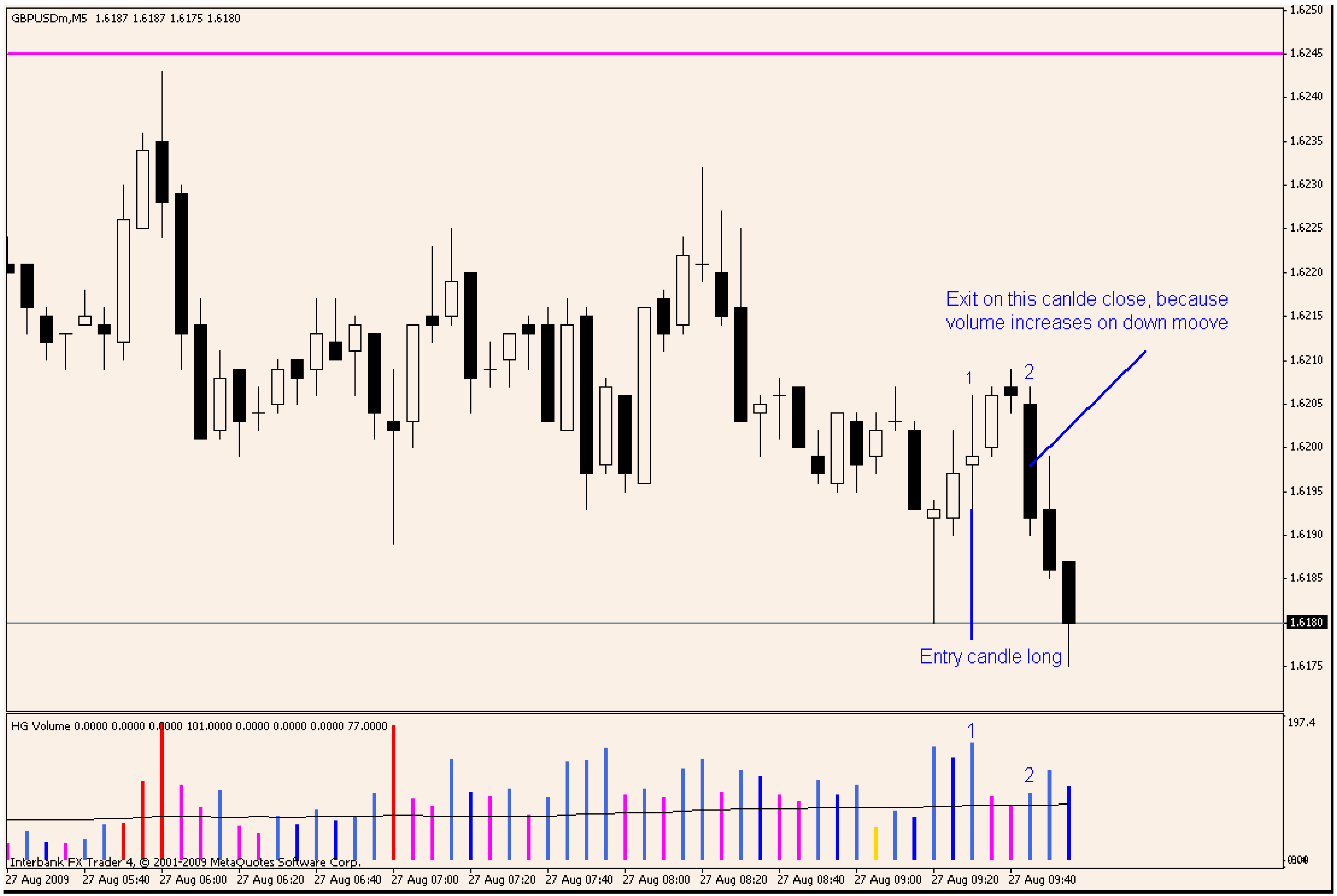
Here is 3 my trades today. All losses ....

If someone can comment - please ;]

Thank You.

Best,

Tom


GBPUSDm,M5 1.6187 1.6187 1.6175 1.6180
Exit on this canlde close, because
volume increases on down moove
1
2
Entry candle long
1.6250
1.6245
1.6240
1.6235
1.6230
1.6225
1.6220
1.6215
1.6210
1.6205
1.6200
1.6195
1.6190
1.6185
1.6180
1.6175
HG Volume 0.0000 0.0000 0.0000 101.0000 0.0000 0.0000 0.0000 77.0000
197.4
1
2
Interbank FX Trader 4, © 2001-2009 MetaQuotes Software Corp.
27 Aug 2009
27 Aug 05:40
27 Aug 06:00
27 Aug 06:20
27 Aug 06:40
27 Aug 07:00
27 Aug 07:20
27 Aug 07:40
27 Aug 08:00
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27 Aug 09:00
27 Aug 09:20
27 Aug 09:40


GBPUSDm,M5 1.6176 1.6179 1.6175 1.6176
Exit on this canlde close, because
volume increases on down moove
Entry candle long
1
2
HG Volume 0.0000 0.0000 0.0000 0.0000 0.0000 47.0000 0.0000 79.0000
1
2
Interbank FX Trader 4, © 2001-2009 MetaQuotes Software Corp.
27 Aug 2009
27 Aug 06:45
27 Aug 07:05
27 Aug 07:25
27 Aug 07:45
27 Aug 08:05
27 Aug 08:25
27 Aug 08:45
27 Aug 09:05
27 Aug 09:25
27 Aug 09:45
27 Aug 10:05
27 Aug 10:25
1.6240
1.6235
1.6230
1.6225
1.6220
1.6215
1.6210
1.6205
1.6200
1.6195
1.6190
1.6185
1.6180
1.6176
1.6175
192.15


GBPUSDm,M5 1.6181 1.6182 1.6179 1.6181
Entry candle long
Some action here on higher vol on downbars..
1
Entry candle SHORT
2
Exit on this canlde close, because
volume increases on UP MOOVE
Confirms previus action
1.6240
1.6235
1.6230
1.6225
1.6220
1.6215
1.6210
1.6205
1.6200
1.6195
1.6190
1.6185
1.6181
1.6180
1.6175
1.6170
1.6165
HG Volume 0.0000 0.0000 0.0000 63.0000 0.0000 0.0000 0.0000 78.0000
1
2
173.25
Interbank FX Trader 4, © 2001-2009 MetaQuotes Software Corp.
27 Aug 2009
27 Aug 08:25
27 Aug 08:45
27 Aug 09:05
27 Aug 09:25
27 Aug 09:45
27 Aug 10:05
27 Aug 10:25
27 Aug 10:45
27 Aug 11:05
27 Aug 11:25

Originally Posted by **tfflyer**

Here is 3 my trades today. All losses ....

If someone can comment - please ;]

Thank You.

Best,
Tom

First a couple of thoughts:

1. You are going to be a very good trader. I like how you have taken responsibility for your trades and are not blaming VSA. Many newbies would be cursing VSA and off again on the search for the non-existent holy grail. I truly believe you will be one of the ones who make it.

2. It is no secret that I am a believer in the power of the Supply/Demand Delta Zone. More exactly, in Expansion body and Long Shadow analysis. There are, however, other was to create support/resistance lines, areas, or zones. One of the main benefits to these horizontal lines is that they focus your attention as a trader. It is usually better to be taking a trade on or near a support/resistance line, area, or zone. Most traders should not be taking trades in "air". On your chart, there is a pink line what may be some sort of support/resistance but the trades you show take place nowhere near that line and that is the only line I see.

On to the trades.

TRADE 1- In all honesty, I would of made this trade as well. You can see from the picture I attached, this **is** in a supply/demand delta zone via a long shadow. Candle A is a failed test. We know that now of course. At the time it looks like a candle of strength. It closes near its high, slightly down from the previous candle, makes a lower low all on high volume. Simply, it does look like stopping volume.

Candle B is an ugly bar for longs. It has ultra high volume and closes in the middle of its range. This looks like a transfer of ownership type of bar. I don't know if you enter on the open or close of this candle. But if it was the close, the candle itself should have given you pause.

Candle C is no demand. It is a narrow range bar closing equal to the previous bar on volume less than the previous two candles. Note that it makes a higher high. The higher high shows weakness. The close in the middle of the range (after making a higher high) is another sign of weakness. On top of that we have our ugly candle at B.
What you did right- You quickly admitted you were wrong and got out of your position. You did not marry yourself to the position and start to hope for a reversal.

Simply, You did not look for the market to prove you wrong, you looked for it to prove you right.

TRADE 2- I do not know why you made this trade. There is one candle (the dark hammer) that shows some strength. It closes in the upper portion of its range on a down candle with high volume. While it is strength, it does not look like stopping volume. Nothing else in the background jumps out at me saying "demand is entering".

TRADE 3- Let me say again, you will be a good trader. Your willingness to take two losses and then listen to the market and change trade direction is the sign of a good trader. While this trade does not go your way, being able to go from trading long to trading short as the market tells you that the path of least resistance is to the down side

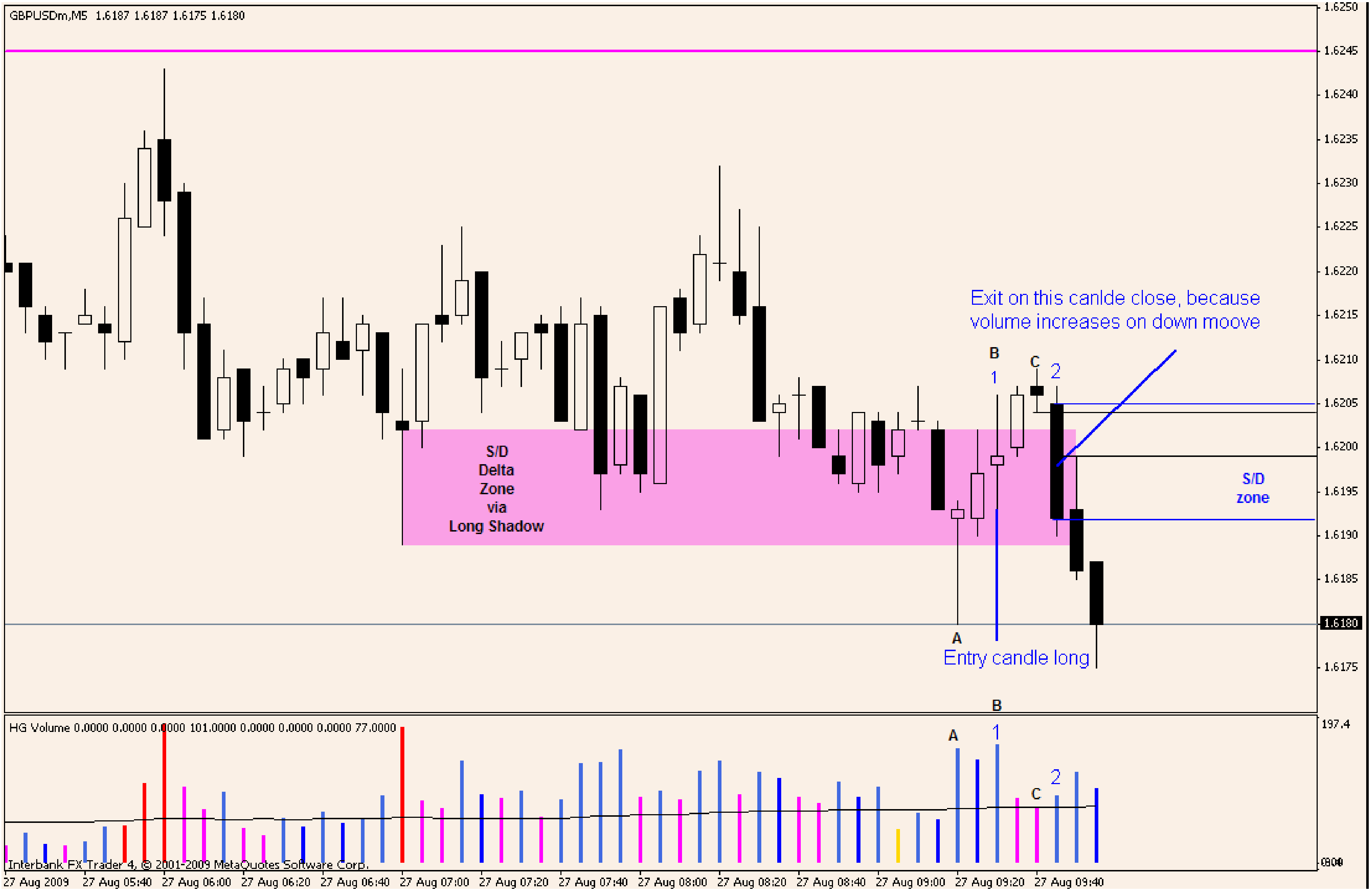
is an essential skill.
With that said, what in the background makes this seem like a good trade?

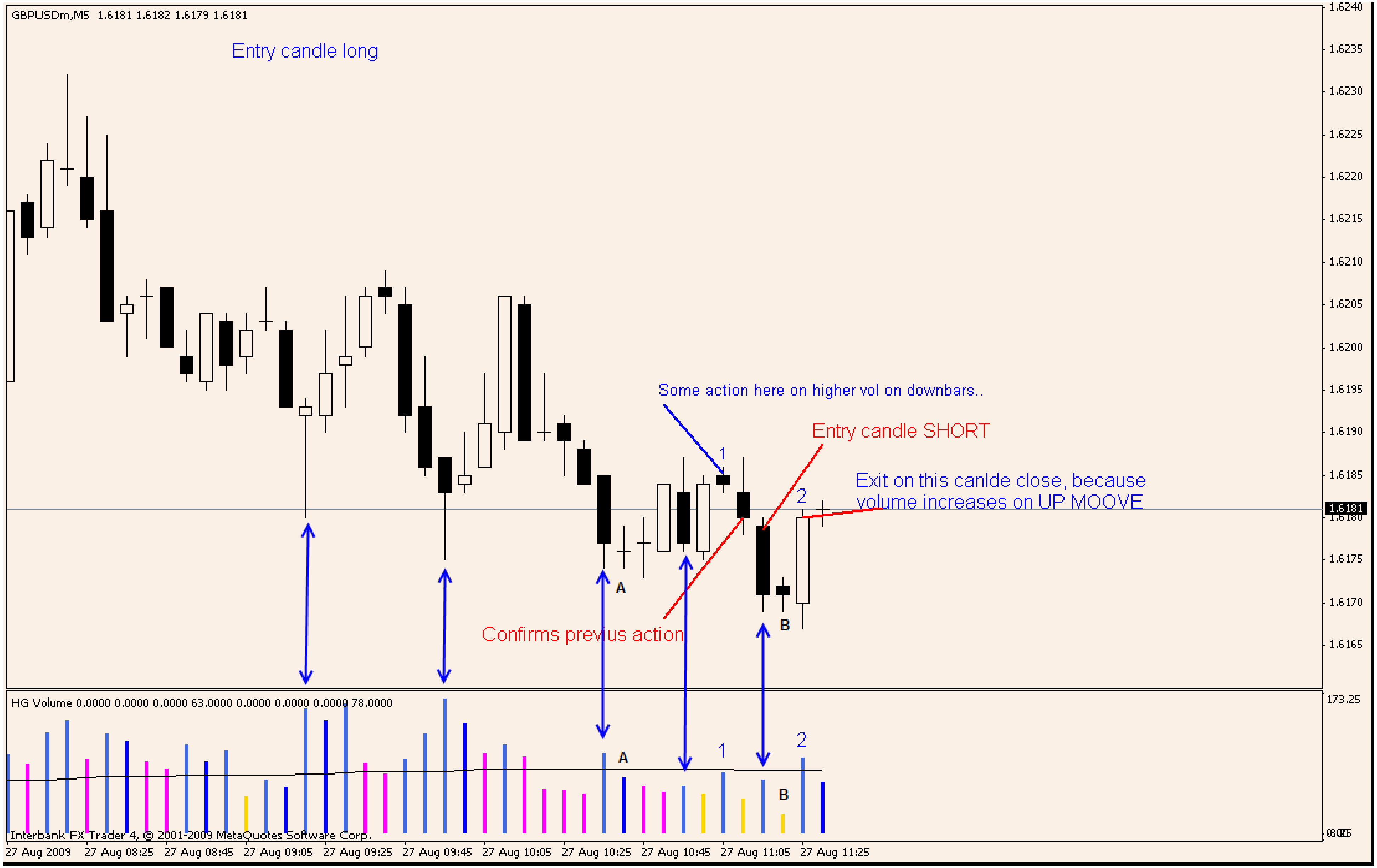
If the trend is down, then you want an up candle on low volume to enter. Or a narrow range up candle on high volume. But take a look at the second chart. Notice that every candle that is making a lower low has decreasing volume after the second one (dark hammer). So each push lower is done with less and less enthusiastic sellers. Demand is entering at each point.

Candle A is a candle of strength. It is a narrow range down candle closing near the middle of its range on increasing volume. It looks like a failed test, but the next bar is up. If this was a test on high volume, we would expect the market to come back down and re-test since the volume is high. That's what the market did.

Take a look at the candle prior to candle B. Again this candle makes a lower low than the other candles with the double arrows. Note how much lower the volume is compared to those others. B is a narrow range equal close candle on volume less than the previous two candles. This is a test with good volume (low).

Hope this helps.


GBPUSDm,M5 1.6187 1.6187 1.6175 1.6180
S/D
Delta
Zone
via
Long Shadow
Exit on this canlde close, because
volume increases on down moove
B
1
C
2
S/D
zone
A
Entry candle long
HG Volume 0.0000 0.0000 0.0000 101.0000 0.0000 0.0000 0.0000 77.0000
Interbank FX Trader 4, © 2001-2009 MetaQuotes Software Corp.
27 Aug 2009
27 Aug 05:40
27 Aug 06:00
27 Aug 06:20
27 Aug 06:40
27 Aug 07:00
27 Aug 07:20
27 Aug 07:40
27 Aug 08:00
27 Aug 08:20
27 Aug 08:40
27 Aug 09:00
27 Aug 09:20
27 Aug 09:40
1.6250
1.6245
1.6240
1.6235
1.6230
1.6225
1.6220
1.6215
1.6210
1.6205
1.6200
1.6195
1.6190
1.6185
1.6180
1.6175
197.4


GBPUSDm,M5 1.6181 1.6182 1.6179 1.6181
Entry candle long
Some action here on higher vol on downbars..
Entry candle SHORT
Exit on this canlde close, because
volume increases on UP MOOVE
Confirms previus action
1
2
A
B
HG Volume 0.0000 0.0000 0.0000 63.0000 0.0000 0.0000 0.0000 78.0000
173.25
Interbank FX Trader 4, © 2001-2009 MetaQuotes Software Corp.
27 Aug 2009
27 Aug 08:25
27 Aug 08:45
27 Aug 09:05
27 Aug 09:25
27 Aug 09:45
27 Aug 10:05
27 Aug 10:25
27 Aug 10:45
27 Aug 11:05
27 Aug 11:25
1.6240
1.6235
1.6230
1.6225
1.6220
1.6215
1.6210
1.6205
1.6200
1.6195
1.6190
1.6185
1.6181
1.6175
1.6170
1.6165

Anatomy of a trade set up

This trade was made live in chat.

First we note the wide spread down candle. Although it closed on its lows, the next candle is up. Some demand (buying) entered on this candle. Volume is down from the previous bar, but it is still high.

Also note that the purple and pink lines are the lower lines of a larger Supply/Demand Delta Zone created by an expansion body from yesterday's large move.

<u>The set-up</u>

A: Narrow (NR7) range down candle closing in the upper 1/3 of its range, but the volume is high. This is a failed test. Price can rise from a high volume test, but the rise is usually muted and likely to come back down an test again.

B: Tricky candle here. This candle makes a lower low on volume less than the previous two candles, closes down and closes in the upper 1/3 of its range. Could be another test. This makes sense as the previous candle (test) failed due to high volume. Some aggressive traders might enter on a breach of this candle's high.

C: Increasing range on a down candle with volume less than the previous two candles. This is no selling pressure. Two things of note here. First, it closes lower than the two previous tests candles. Second, it does not make a lower low. It does 1 & 2 on lower volume. This tells us that the BBs are not interested in lower prices at this time.
The market starts its charge upward (at this point without me).

D: Gaps are filled. This candle fills the gap. It is a down candle on volume less than the previous two candles and closes in the middle of its range. Both the volume and the close are bullish signs. Note that the volume on D is lower than the volume on C. Down candles are coming on decreasing volume at this point.

E: This candle breaks the down volume trend. It is a wide spread candle on increasing volume with the close in the middle of its range. VSA teaches us that high volume candles closing in the middle of their range and down are signs of strength. Notice the lower low. Support (demand) came in here and pushed price back into the middle of the range.

The herd sees the lower close on increasing volume and thinks selling. VSAers know better.

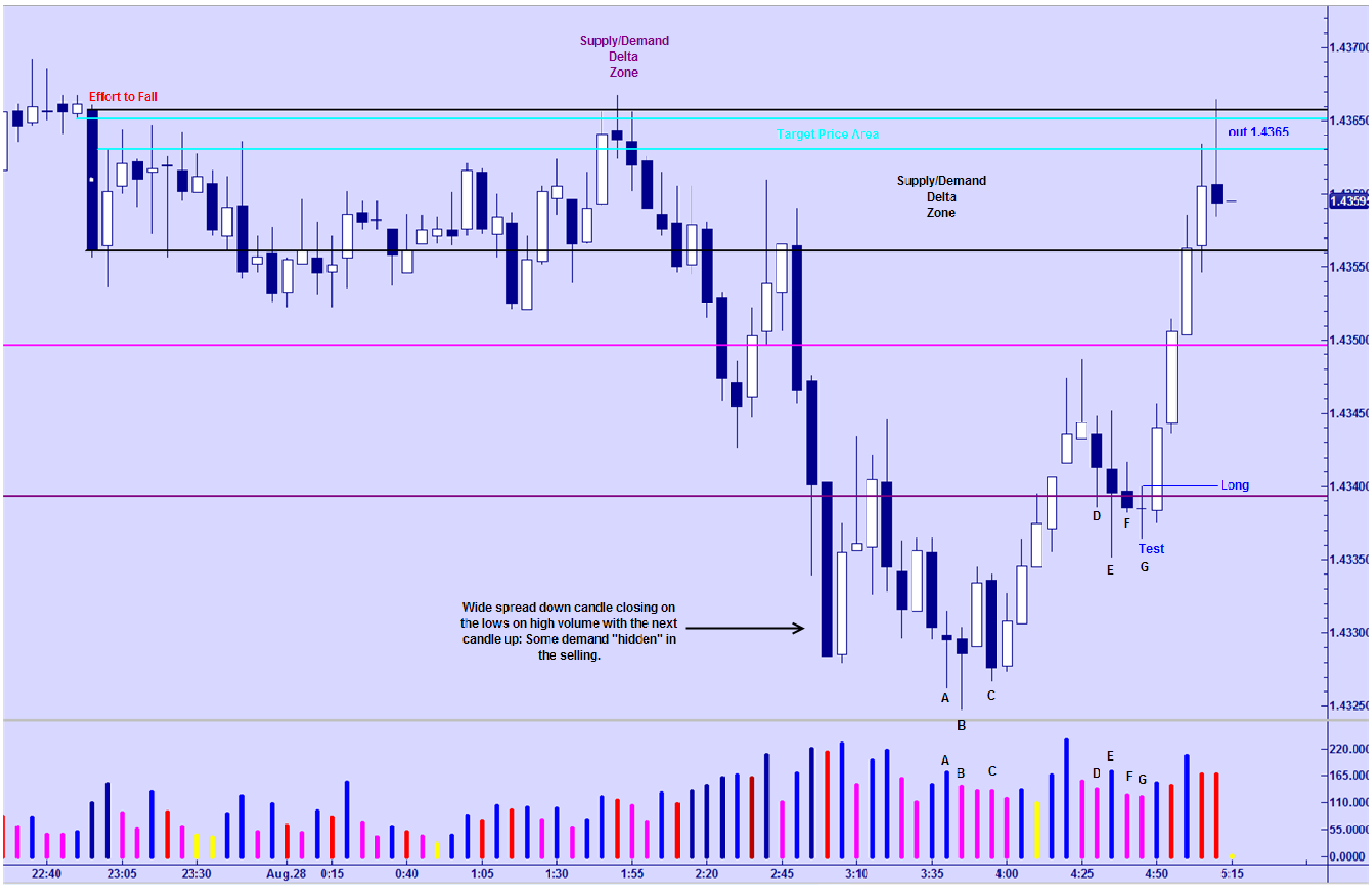
F: Back to low volume down candles. This candle does close near its lows but again the volume is low. Also note that the range narrows and it does not make a lower low than the previous candle. There is a correlation between volume and range and here both show little signs of Smart Money enthusiasm for lower prices.

Witness that price had re-entered the Supply/Demand Delta Zone and is now just barely peeking back out. Ideally, our test candle would be completely inside the zone. We don't get that.

G: What we do get is a narrow range down candle that closes equal to its open on volume less than the previous two bars that makes a lower low and not a higher high. This is a test. Note that the high of the candle is within the zone. Note also that the low, while lower than the previous candle, is no where near the low of the high volume down candle at E.
This is it: the price action we want to see, occurring pretty much where we want to see it. The first test at A failed. Price has moved up, but can only go so high without a re-test. Price did not need to fall all the way back down into the area of A to do this, however.

It "dipped" its toe just out of the support area and looked for sellers. None were found.
The green light for higher prices was given.
Enter on next candle with a break of the high of our test candle.

Our target price is the Supply/Demand Delta Zone above us. Looking to our left, we can see the expansion body Effort to Fall that created this zone. We can also see how the prior down move came out of this zone.
Simply, it looks like a reasonable target area. Price shoots up and the trade is exited near the top of the Zone.



Supply/Demand
Delta
Zone
Effort to Fall
Target Price Area
Supply/Demand
Delta
Zone
out 1.4365
Long
Test
Wide spread down candle closing on the lows on high volume with the next candle up: Some demand "hidden" in the selling.
A
B
C
D
E
F
G
1.43700
1.43650
1.43550
1.43500
1.43450
1.43400
1.43350
1.43300
1.43250
220.000
165.000
110.000
55.0000
0.0000
22:40
23:05
23:30
Aug.28
0:15
0:40
1:05
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50
5:15

> Originally Posted by **gez40**
> *Hi All,*
>
> *Great thread with very heplfull chart examples, could you please look at attached chart and confirm if this would be stopping volume.*
>
> *Thanks.*
>
> *Gez.*

Yes absolutely that is stopping volume.

We have a narrow (narrower than the previous candle) on increasing and ultra high volume closing making a lower low and closing up and near its high.

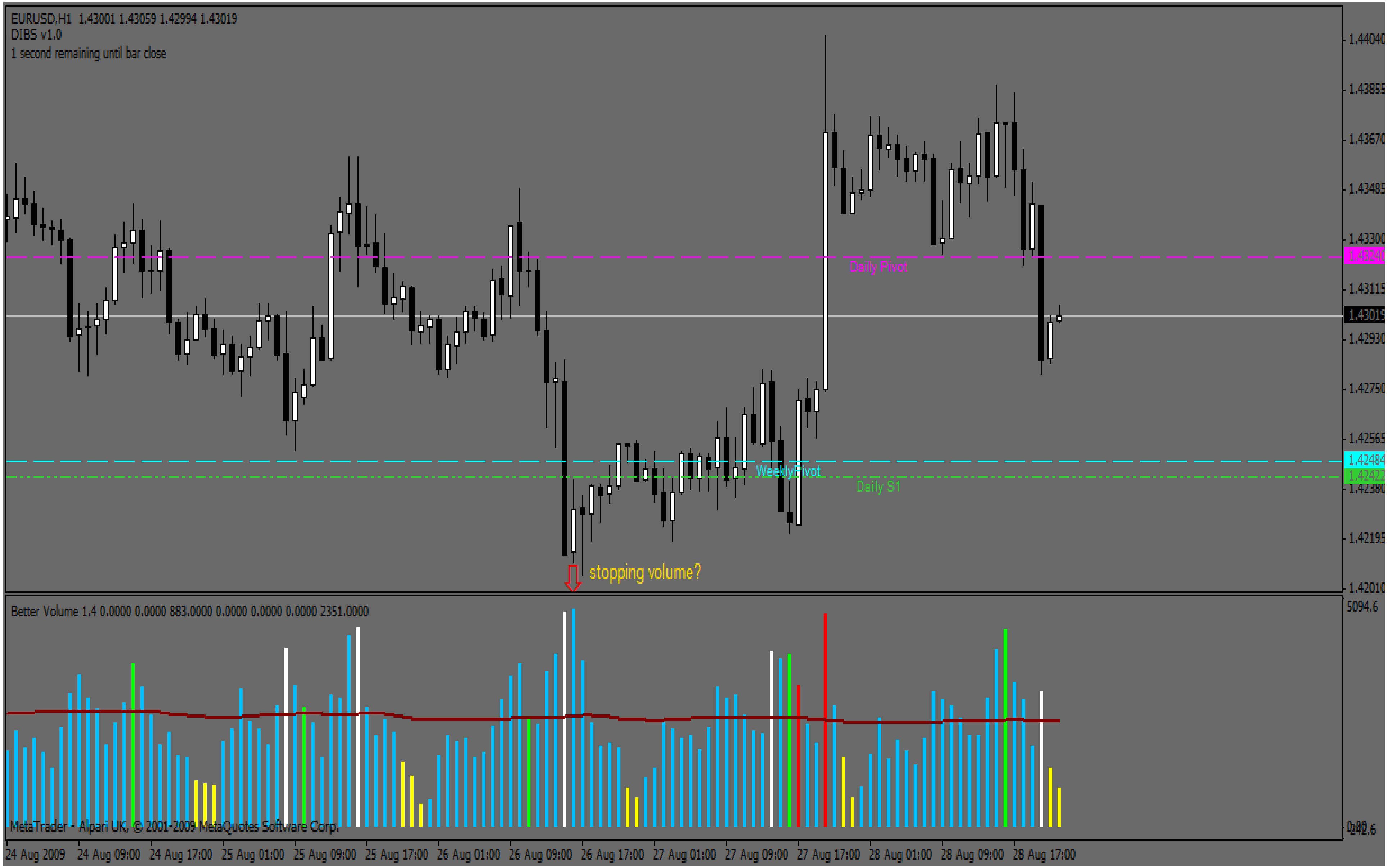
While the dark expansion body closes on its low, the next candle being up (the candle in question) shows that there was some demand entering on all that volume.

Demand swamps supply in the next candle creating stopping volume.

Now check out the very next candle. It makes a lower low, closes down but in the upper portion of its range and on volume less than the previous two candles. Volume is still high and the range is a bit high for a test, but this is a bullish candle.

Looking at the two previous candles together, we can see as the third candle trades down into the same areas, there are a lot less selling(supply).

But I digress. Yes, the candle in question is most certainly stopping volume.



EURUSD,H1 1.43001 1.43059 1.42994 1.43019
DIBS v1.0
1 second remaining until bar close
Daily Pivot
WeeklyPivot
Daily S1
stopping volume?
Better Volume 1.4 0.0000 0.0000 883.0000 0.0000 0.0000 0.0000 2351.0000
MetaTrader - Alpari UK, © 2001-2009 MetaQuotes Software Corp.
1.44040
1.43855
1.43670
1.43485
1.43300
1.43115
1.43019
1.42930
1.42750
1.42565
1.42484
1.42380
1.42195
1.42010
5094.6
24 Aug 2009
24 Aug 09:00
24 Aug 17:00
25 Aug 01:00
25 Aug 09:00
25 Aug 17:00
26 Aug 01:00
26 Aug 09:00
26 Aug 17:00
27 Aug 01:00
27 Aug 09:00
27 Aug 17:00
28 Aug 01:00
28 Aug 09:00
28 Aug 17:00

Quote:

> Originally Posted by **malcolmb14**
> *....40 pips versus 150 pip .... who was right ans who was wrong ? reaction to action . The weakness on this one was simple to see . I played gj off 153.50*

Volume Spread Analysis is a methodology, it is not an indoctrination into some cookie cutter approach to the markets.

Individual personalities and trading styles differ with respect to how VSA is used.

Some traders are happy to hit singles and doubles, while others only want to hit homeruns.

40 pips versus 150 means nothing.
Let's assume this was the Euro/USD:
40 pips at 4 lots (mini)= (40X1.00)X4= 160.00
150 pips at 1 lot)(mini) = 150.00
The 40 pip trade makes more money.

The Point: If you want to make more money, you can increase the number of lots traded. You don't simply have to increase the number of pips per trade.

Your 150 pip trade is awesome, but it can only be viewed in a vacuum. Note every trader wants to hold positions as long as you. Not every trader is able to be in front of the screen as long as you.

Some may share your analysis methodology, but that does not mean they posses your desires and personality traits.

For you, one 150 pip trade is a success.
For others, 5 trades at 30 pips each is a success.

Keeping the baseball analogy going, teams are made up of both homerun hitters and hitters that do not hit many home runs, but constantly get on base.

What you add here is much appreciated and valued. But that does not mean everyone will be targeting the same amount of pips as you.

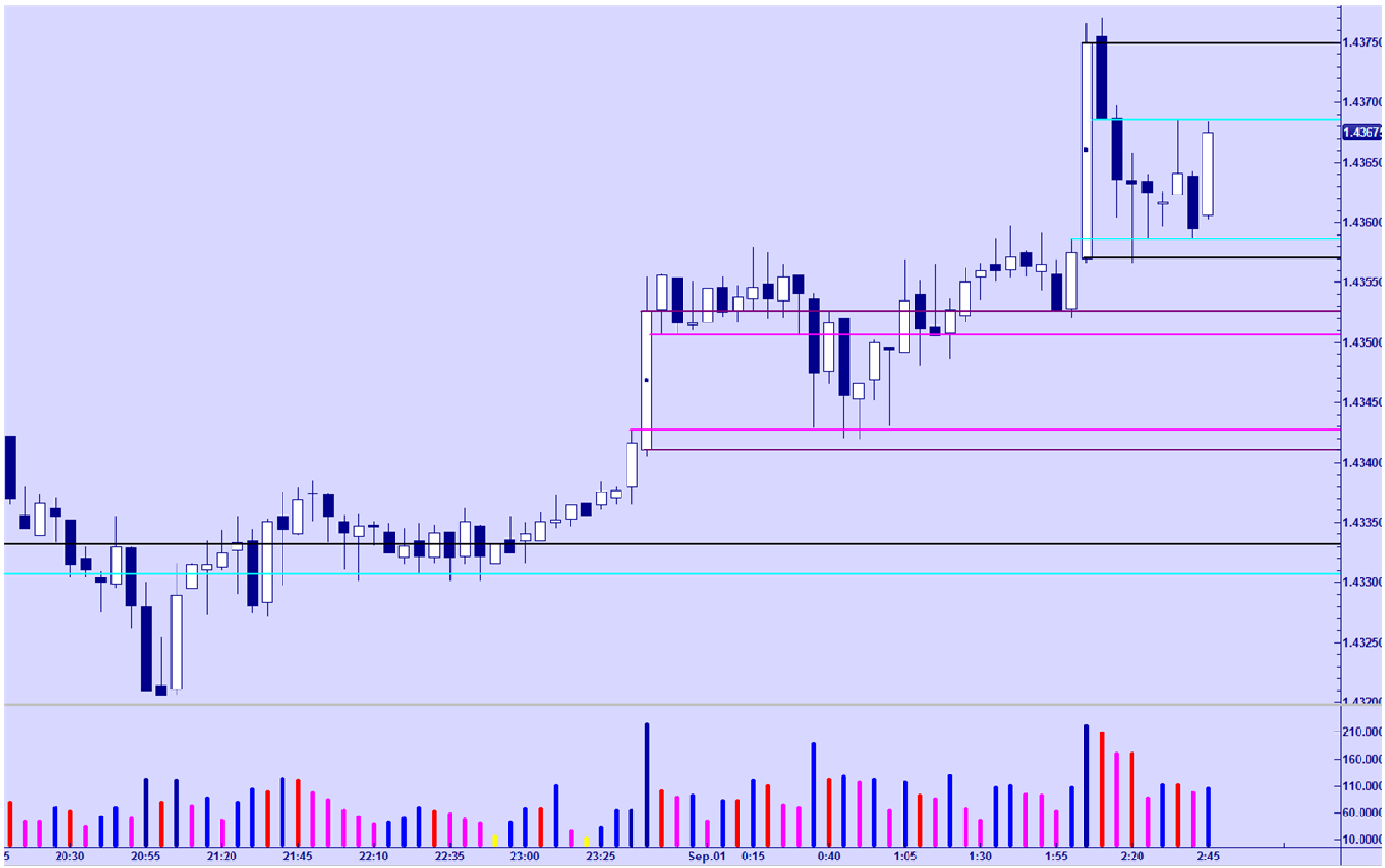
More traders will fail trying to copy that, than will succeed trying to copy your analysis itself.

So yes, you are both right.

And as I said, I agree that the trade was risky at that point. It is nevertheless valid for **his** trading plan. Even if it was not for yours or mine.

____

We had a test, followed by a squat and then a no supply all in our supply/demand delta zone. Looks like we go higher.


1.4375
1.4370
1.4367
1.4365
1.4360
1.4355
1.4350
1.4345
1.4340
1.4335
1.4330
1.4325
210.000
160.000
110.000
60.0000
10.0000
20:30
20:55
21:20
21:45
22:10
22:35
23:00
23:25
Sep.01
0:15
0:40
1:05
1:30
1:55
2:20
2:45

Quote:

> Originally Posted by **Scottstone**
> *.......I'm really interested in learning about EB4's and EB7's in combination with volume spread analysis. I've been searching for some good info on learning about them but haven't found much, at least not the way HiddenGap talks about them....*

First, let me say that following everything malcolmb says and does is a sure way to prosper with VSA and in the market in general.

What this post is about, will not net you those 200+ pips that malcolmb garnered on Monday. (I officially have my first man-crush).

This post is about an alternative way to put some pips in your pocket when the market proves you are in tune with it.

Let's first consider a couple of things about expansion bodies:

1. EB7s represent changes in volatility. Specifically spikes or increases in volatility. There is an ebb and flow to volatility. High periods follow low periods and vice versa.

2. EB7s represent key changes in the underlying supply/demand dynamic in the market. This is one reason thy make good places to look for trade set-ups. Markets move on supply and demand. Targeting entries in those areas, or zones, where there is a change in that supply/demand relationship only makes sense.

If you believe 1&2, then something else naturally comes in to play.

Once in a trade, we could use the appearance of an expansion body as a place to scale out of some of our position. After all, if an expansion body appears, #2 tells us that there may be a change in the supply/demand dynamic. #1 tells us that increased volatility has occurred and we might soon see a decrease in volatility. Two reason we might want to lock in some profits.

Take a look at the chart below.

Again, this post is not about entering the market. It is about ONE way to manage a trade for those who like to scale out.
But first, we do have to say something about entering this trade.
Notice how price moves down into a Supply/Demand Delta created by a significant EB7. We see buyers stepping in and price moves sideways. I am sure malcolmb would see an entry somewhere in this area. I have noted the area as long1. If you see an entry, more power to you (please post it).

The clearer entry point to me is on the test that happens as price pushes thru supply on an effort to rise candle. This entry is labeled long 1a. Gavin would call this the "safer" entry as the trend is up when the test appears. Or at least the evidence is to that fact.

On to the scale outs.

With the appearance of an EB7, one can exit a partial piece of the position.

Pt 1: first partial exit, if you entered below.

Pt 1a: If you entered on the breach of the high of the test candle, then this is your first partial exit. Note that the same candle that brings you into the market also takes a partial out.

Also note in this case, what followed: Volatility decreased. In point of fact, volatility decreased after the effort to rise which set up the long entry 1a. But here it is does so even more. This decrease in volatility does not mean change in trend. It just means price for the moment is not going anywhere fast.

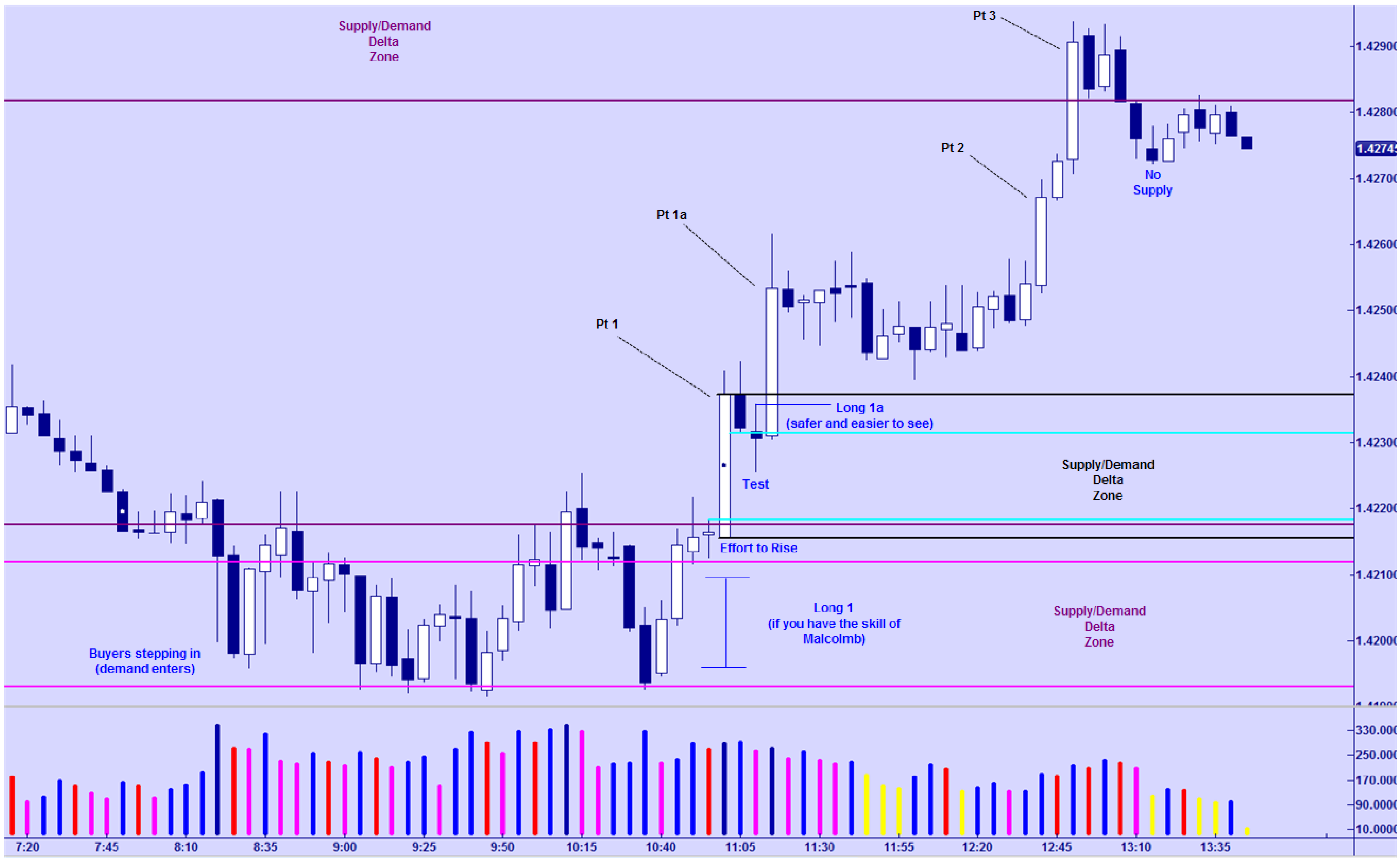
Pt 2: Following the natural ebb and flow, volatility picks up again after the contracting period. The close of this candle is another place to partial out.

Pt 3: This EB7 is interesting. Not only is this an EB7 which would trigger a third scale out, it closes within the Supply/Demand Delta Zone of another EB7.

Another way to scale out or exit completely is to target the nearest overhead (in this case) Supply/Demand Delta Zone. So those who entered at either Long 1 or Long 1a could be targeting this area as an exit point anyway.

There is more than one way to skin a cat. For those who do like to scale out, expansion bodies offer a unique and market driven way to do it. In fact, you don't actually have to believe 1&2 to use them this way. 1&2, however, are about the "why".

edit*
To be clear, if you enter at Long 1 then there are 4 pts available. So Pt 1a is actually Pt 2, and Pt 2 is Pt 3, and Pt 3 is Pt 4.



Supply/Demand
Delta
Zone
Pt 3
Pt 2
Pt 1a
Pt 1
No
Supply
Long 1a
(safer and easier to see)
Test
Supply/Demand
Delta
Zone
Effort to Rise
Long 1
(if you have the skill of
Malcolmb)
Supply/Demand
Delta
Zone
Buyers stepping in
(demand enters)
1.42900
1.42800
1.42745
1.42700
1.42600
1.42500
1.42400
1.42300
1.42200
1.42100
1.42000
330.000
250.000
170.000
90.0000
10.0000
7:20
7:45
8:10
8:35
9:00
9:25
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11:05
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12:45
13:10
13:35

Beautiful trade.

"The downfall of most traders is to believe that the purpose of trading is to predict the future; rather than to identify trade set-ups within the context of their trading methodology."

News trading is a bit of a fool's game for the retail trader. VSA teaches us that the SM uses the news to their advantage. Many tops occur on good news and many bottoms are created when the news is at its bleakest.

That is why VSAers attempt not to focus on the reaction to the news, but instead the reaction to the reaction of the news.

Take a look at the chart below. This was a pretty interesting trade set-up that started on the NFP release. There was no need to know what a "good" number was or what a "bad" number was. All that was needed was an understanding of volume, range (spread), and close. Add to that a "place" where you would like to see what you are looking for and then you can pull the trigger.

A: This candle ends at 0830 hrs. The time of the release. Note that this candle already has very high volume. It closes down and makes a lower low than the previous candle. However, the close is in the upper portion on the range. There is demand (Strength) in this candle.

B: Things change. This candle has a wider range. It is an outside candle, making both a higher high and a lower low than the previous candle. Volume spikes up to ultra high. While the close is up from the previous candle it is well of the high of the range. Supply enters here. What is likely happening here is some SM bought into the report and are taking profits on the next candle.

C: While volume is still climatic and very high, it is down on this candle. But the range is narrowing. This candle makes a higher high, then price is pushed down to close below the midpoint of the range (although still up from previous candle). the BBs are selling on this candle: weakness.

D: Supply swamped demand on the previous interval and prices now fall. We see a wide spread down candle. Note that the volume is actually decreasing and the close is well off the low. The close tells us that there is likely some buying "hidden" in this down candle.

E: The BBs see this, so what do they do? They test. A narrow range down candle closing in its upper 1/3 on volume less than the previous two candles is a test. Although volume is less than the previous two candles, it is still relatively high. Which is one reason this test ultimately fails.

F: Down candle with increased range and volume. The range and the volume are only 2/3s of the picture, however. Look at the close. Here again we see a close that is well off of its low. Even as price is falling, demand is entering.

G: Another narrow range down bar with volume less than the previous two bars. This is another test. This time, the close is near the low of the range. Thus the problem with this test is the close.

H: Increasing range and increasing volume on this candle. Yet again, we have to look at the close. And again, we see that the close if off of the low.

I: This is an interesting candle. Volume is lower than the previous candle, but the candle makes a lower low. In fact, this candle makes the lowest low thus far. That is key. It's key because, while it makes the lowest low so far, it closes in the upper portion of its range more so than any of the previous candles. In other words, more support (strength) can be found in this candle even as it makes a lower low.

Even with 6 straight dark (close<Open) and down candles, we have seen buyers (strength) stepping in. This is our background.

J: Up candle closing on its high on increased volume. Here again we see a large wick. As before the wick shows buyers stepping in. Unlike before, however, the close is up and the candle is white. This is a place for a very aggressive entry.

K: Wide spread down candle closing near its lows on volume less than the previous two candles. This is no selling pressure. The supply has been taken out of the market now. If this candle was truly bearish, the volume would be higher. As VSA tells us, generally speaking, bullish volume is increasing volume on up bars and decreasing volume on down bars. This is an example of the latter.

J: Key Reversal Bar. This candle makes a lower low. But the open is higher than the close of the previous candle and the close is higher than both the open and the close of the previous candle. And this is done on increasing volume.

We have seen signs of buying as prices fell and now within the supply/demand delta zoned we see signs that the supply/demand dynamic has changed. This is our signal to get long.

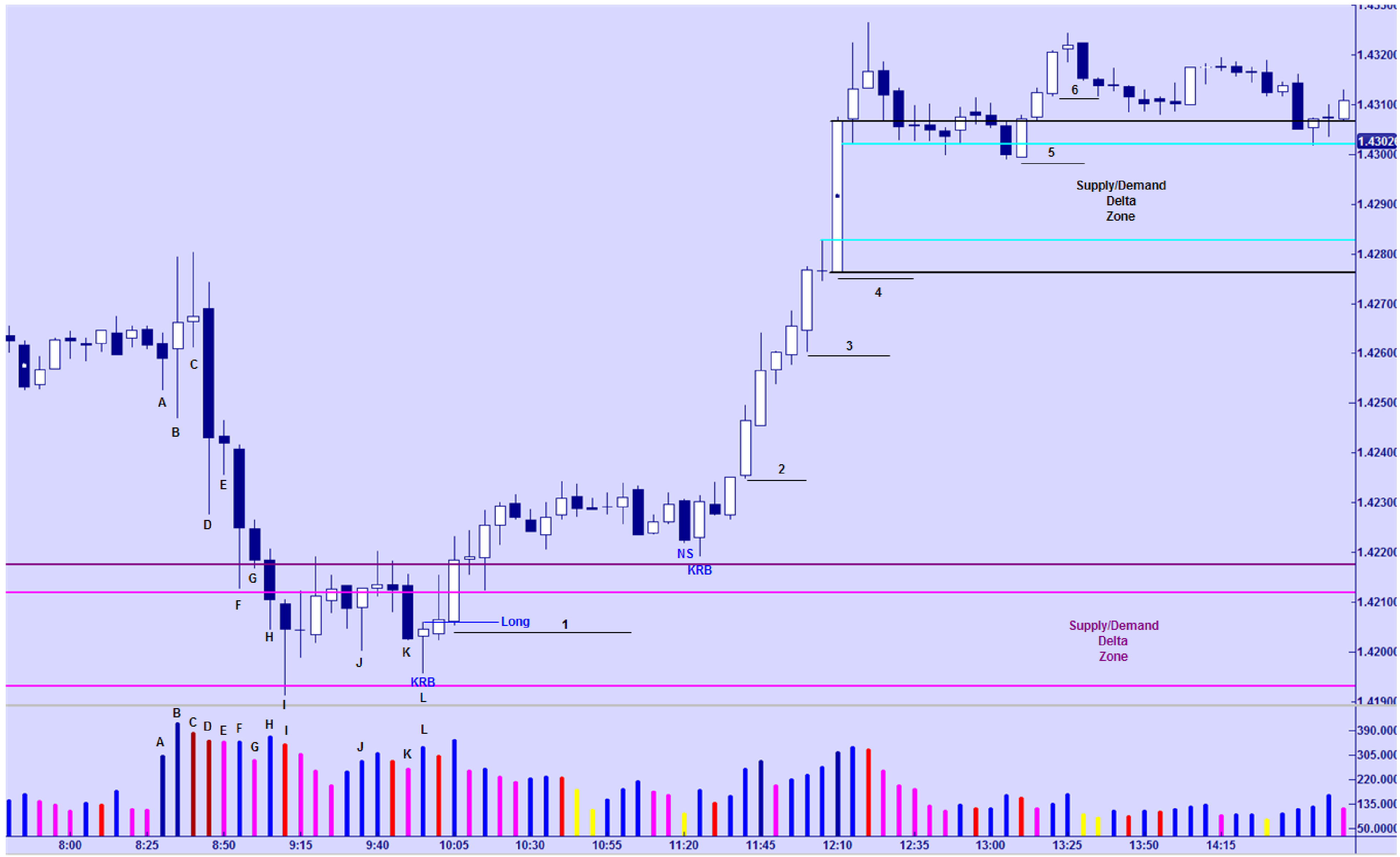
********************************* **********************************
****

In my previous post I mentioned using expansion bodies for partial exits. Here I have shown an alternative method for those who like to trail their stop.

As we see expansion bodies in the direction of our trade, we move our stop to just below the low of that candle. So once we see #2 we move our stop to #1. After #3 is formed, we move our stop to #2. and so on.

The key is that each successive expansion body must be making a higher high.

At #6, therefore, we have moved our stop to #5. But no more expansion bodies close higher than #6. Price meanders sideways and then moves down enough to take us out at #5.



Supply/Demand
Delta
Zone
Supply/Demand
Delta
Zone
Long
NS
KRB
KRB
1.43020
1.43200
1.43100
1.43000
1.42900
1.42800
1.42700
1.42600
1.42500
1.42400
1.42300
1.42200
1.42100
1.42000
1.41900
390.000
305.000
220.000
135.000
50.0000
8:00
8:25
8:50
9:15
9:40
10:05
10:30
10:55
11:20
11:45
12:10
12:35
13:00
13:25
13:50
14:15

Quote:

Originally Posted by **rockk**
Hi Hiddengap,
now back to work,
can we consider bar (L) in your chart,post 3210, as test bar?

From a strictly VSA point of view, the answer is yes.

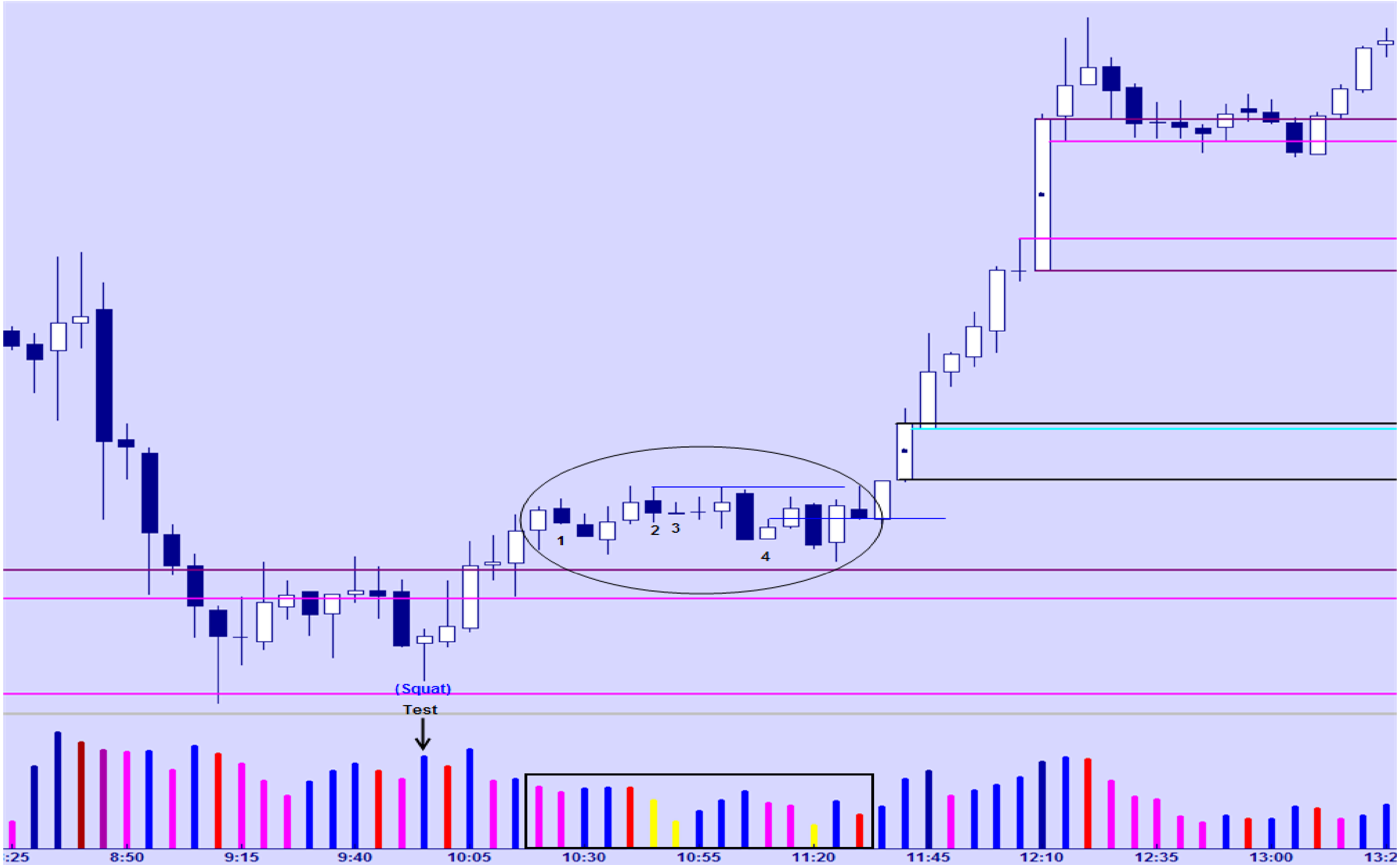
Tests fail for two reasons: 1. volume is too high (showing supply still present) 2. neither of the next two bars close higher than the close of the test candle.

Markets, however, can go up on a high volume test. The move is expected to be muted and to be re-tested.

This is what happens here. After the test , which we also note is a squat, prices rise slightly and then meander sideways. We see a few test like candles here, where a trader might look to enter.

In my opinion, #4 is the best test there. #2 for example, fails to produce a higher close on either of the next 2 candles. Plus, its high is not breached for some time. But #4 is not perfect either. Note how 2 candles later we get a down candle that closes lower than the close of #4.

That dark candle, however has extremely low volume (yellow) and is followed by another KRB. Both noted in the original pic.


1
2
3
4
(Squat)
Test
:25
8:50
9:15
9:40
10:05
10:30
10:55
11:20
11:45
12:10
12:35
13:00
13:2

ZOLI

Hi all, and Hg. A beautiful chart and post indeed.
Many pairs did similar thing on Friday. I was looking the USDCHF pair and noticed than more often than not it is quite the mirror of EU-to some degree.
The same trade could have been made to the opposite direction as you analysed on the EU - I learned a lot from that.

So my question is, using this correlation, is it a good hint to read both markets and look for clearer signals knowing that they tend to move to the opposite directions? (Hedging is also in question but I do not think it is subject to this thread.)

Thanks for the question.

This is a very advanced question, and I do not think we can look to VSA for the answer. Many people using VSA will look to multiple timeframes to assist in trade entry signals.

But as to what you are referring, I am not aware of this type of thing in VSA teachings.

With that said, you are referring to a PRICE ACTION principle used by some called "sister trading". If you are trading the Euro, you can look for signals in another market that is highly correlated to it. That correlation can be either positive or negative. In other words, it can move up as the Euro moves up or move down as the Euro moves up. And vice versa.

There is a certain price action trader that uses this sister trading idea a lot. You can do a search of sister trading at elitetrader for more information on this. You can also Google "trading hammers revisited".

Personally, I do like the idea of looking at a 5 min. Swiss franc to help trade the 5 min. Euro, rather than looking at a 15 min. Euro and 30 min. Euro to trade the 5 min. Euro. Another possibility is the dollar index itself.

Of course there will be times when the markets "decouple". And you would have to define for yourself "high correlation".

To be clear, I am not talking about taking the signal in which ever market has the "best" or "cleanest" signal. I am talking about having one market as the trading vehicle (the Euro), but using the other (CHF-the sister) market's signals to produce trades in the trading vehicle(the Euro).

If this is an area you do pursue, please post some examples for all to see and learn from.

Quote:

Originally Posted by **fxspain**

Hi all. I am new to VSA and I have reading you for a while. I have a doubt, maybe a silly one, but I need to clear this point before going on with my VSA studying. Well, when you say "supply are present", what are you referring to?.

Maybe that there are people going SHORT or that there are people closing their positions (longs and shorts previously taken).

The same doubt when you say "demand is present", what are you referring to?.

Maybe this means that people is going LONG or this is including people going SHORT too.

In resume, from...

VSA is based on the teachings of Richard Wyckoff. Wyckoff was a stock trader. In stocks, there is an actual supply-the amount of shares available for trading.

Many people today trade currencies or indexes. There is not a true supply as a contract is "made" at every transaction.

When Wyckoff, and later Tom Williams, said supply is entering. This meant actual contracts coming into the marketplace. The SM was **selling** what they had. Demand meant they were **buying** contracts. They could be selling and buying to take profits, but the actual supply would be effected in either case.

With the advent of "naked short selling", one could sell what they don't actually have, but they have to buy it as some point. Preferably at a lower price than they originally sold it. Here again, with stocks we are still talking about actual amounts of tradable shares-supply.

In today's parlance:

Supply is present=selling=short=possible profit taking=weakness.
Demand is present=buying=long=possible profit taking=strength.

This means the words are interchangeable. In spot currencies, supply doesn't change so we can use the word weakness. But many still use the word supply. Obivously, the supply of money (M1, M2,M3,M4 does change, but that is not what we are talking about here when we say supply increases. We mean more sellers are present.

This is in response to a PM I received. I am answering it here, because I think many people may benefit.

* Expansion body analysis (aka WRB analysis) is independent of both candlestick analysis and volume spread analysis. Therefore expansion body analysis can be done with OHLC bars and without regard to volume. One can define significant EBs and the resulting Supply/Demand Delta Zones thru price action alone. Expansion body analysis is a form of volatility analysis. Volatility is correlated to volume. In fact, some say volatility is better than volume and you can "see" volume in expansion bodies.

I disagree with that. So most of the ones I am concerned with have a volume component in their definition. One sub-group has climatic volume as one of its requirements.

* I spent most of yesterday watching Tradeguider webinars on the site and at Youtube. Gavin repeatedly said, "the best place to take a short is on a no demand (or low volume signal) within the **range** of a high volume bar".

Expansion bodies and the resulting supply/demand delta zones are a refinement of the range. The body is the O-C of a bar/candle. VSA does not look at the open.

Take a look at the chart below. This is not a great trade, but that is not the point. But I will say this about the trade itself (not taken); Time of day on a Holiday should be reason enough not to take it.

We see a wide spread up candle on high/climatic volume. We know the volume is climatic because of the color of the volume bar. This candle is an Effort to Rise. The very next candle is a reversal after an Effort to Rise. We know markets don't like high volume up candles because there could be "hidden" selling within them. This must be the case here, otherwise the next bar would not be down.

Let's skip to candle #1: prices have fallen and now begin to move back up. This candle is a narrow range up candle on volume less than the previous two candles. Note also that it is yellow (extremely low volume). This is No demand. Note that this candle is not contained by either the Supply/Demand Delta Zone nor the range of the candle itself. In either case, it does close within those areas and is close enough.

Again, According to Gavin, this is the best place to short after a sign of weakness.

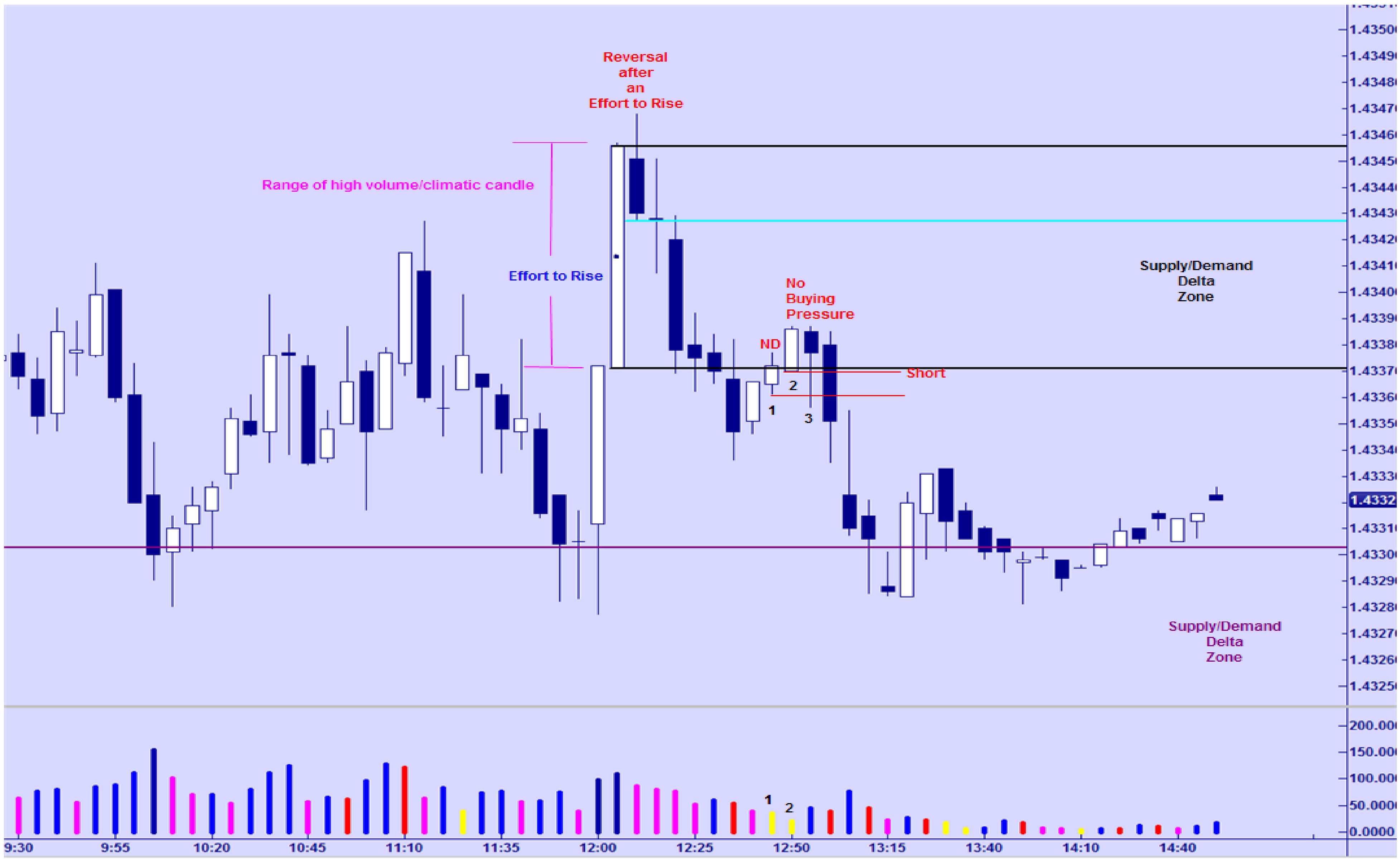
However, the next candle,#2, does not close down confirming #1 as No Demand. But let's assume you were looking to go short on a breach of the low of #1. Candle #2 does not make a lower low so you are not brought into the market.

#2 is an increasing spread candle closing up and near its high on decreasing volume that is both less than the previous two and extreme. This is No Buying Pressure. We note that we have moved "deeper" into both the range of the candle and the body(supply/demand delta zone). In this case, the supply/demand delta zone and the range are almost identical.

This is another and better low volume signal within the range of a high volume candle.

#3 is the confirmation candle as it closes down. If you looked to enter at a breach of the low of #2, this candle brings you into the market. Note also that if you were still looking for a breach of candle #1, that comes as well on candle #3.

While in this example the range (H-L) and the body (O-C) are almost identical, the point is that use of an expansion body and the resulting supply/demand delta zone is just a refinement of range.



Reversal after an Effort to Rise
Range of high volume/climatic candle
Effort to Rise
No Buying Pressure
ND
Short
1
2
3
Supply/Demand Delta Zone
Supply/Demand Delta Zone
1.4350
1.4349
1.4348
1.4347
1.4346
1.4345
1.4344
1.4343
1.4342
1.4341
1.4340
1.4339
1.4338
1.4337
1.4336
1.4335
1.4334
1.4333
1.4332
1.4331
1.4330
1.4329
1.4328
1.4327
1.4326
1.4325
200.00
150.00
100.00
50.000
0.0000
1
2
9:30
9:55
10:20
10:45
11:10
11:35
12:00
12:25
12:50
13:15
13:40
14:10
14:40

I broke this up into two post, because some might not want to read this non-vsa stuff. I hope they don't view this as padding posts .

Obviously, there is a bit more going on with expansion bodies that result in significant changes in the supply/demand dynamic in the market. What qualifies any expansion body as significant?

As I have said before, significant expansion bodies can be identified thru price action alone, volume alone, a combination of price action and volume, and some other esoteric criteria.

Before I explain one sub-group, a word on the esoteric criteria. It is perfectly reasonable for a trader to define significant expansion bodies as the first expansion body after the hour. So the clock turns to 0300 hrs and the first expansion body after that is viewed as *the* significant expansion body that might create a supply/demand zone. I say might because regardless of definition something must be true about the interval prior and the interval after the expansion body.

There are much better definitions to be sure, but this could be used. The point here is that one should not get caught up in definitions used by me or someone else. There are many sub-groups and often times a significant EB (as defined by me) will also be a significant EB as defined by another.

Take a look at the chart from the my previous post.

The reasons this is a significant expansion body:

1. EB7: the body is the largest body (O-C) of the last 7 bodies.
2. It is a "buying" candle. That is, it makes a higher high than the previous candle and not a lower low.
3. The close is in the upper 80% of the candle's range.
4. The open is in the lower 20% of the candle's range.
5. The midpoint of the range (H-L) is greater than the high of the prior candle.
6. volume is climatic, as defined by better volume (greatest V*range for last 20 intervals).
7. MFI is greater than the previous interval. MFI measures v/range. This is akin to an ease of movement calculation.

8. undisclosed. This has to do with the intervals immediately prior and following the EB7. The answer is on all my charts. Take a look at any chart where there are 4 (hint) lines in the supply/demand delta zone. What do the two inner (pink or cyan) lines represent?

From a VSA point of view, the above definitions (1-7) result in Effort to rise candles. Of course, VSA does not look at the open so some don't count. For me this is defined as a climatic volume expansion body.

An Effort to rise expansion body has these rules:

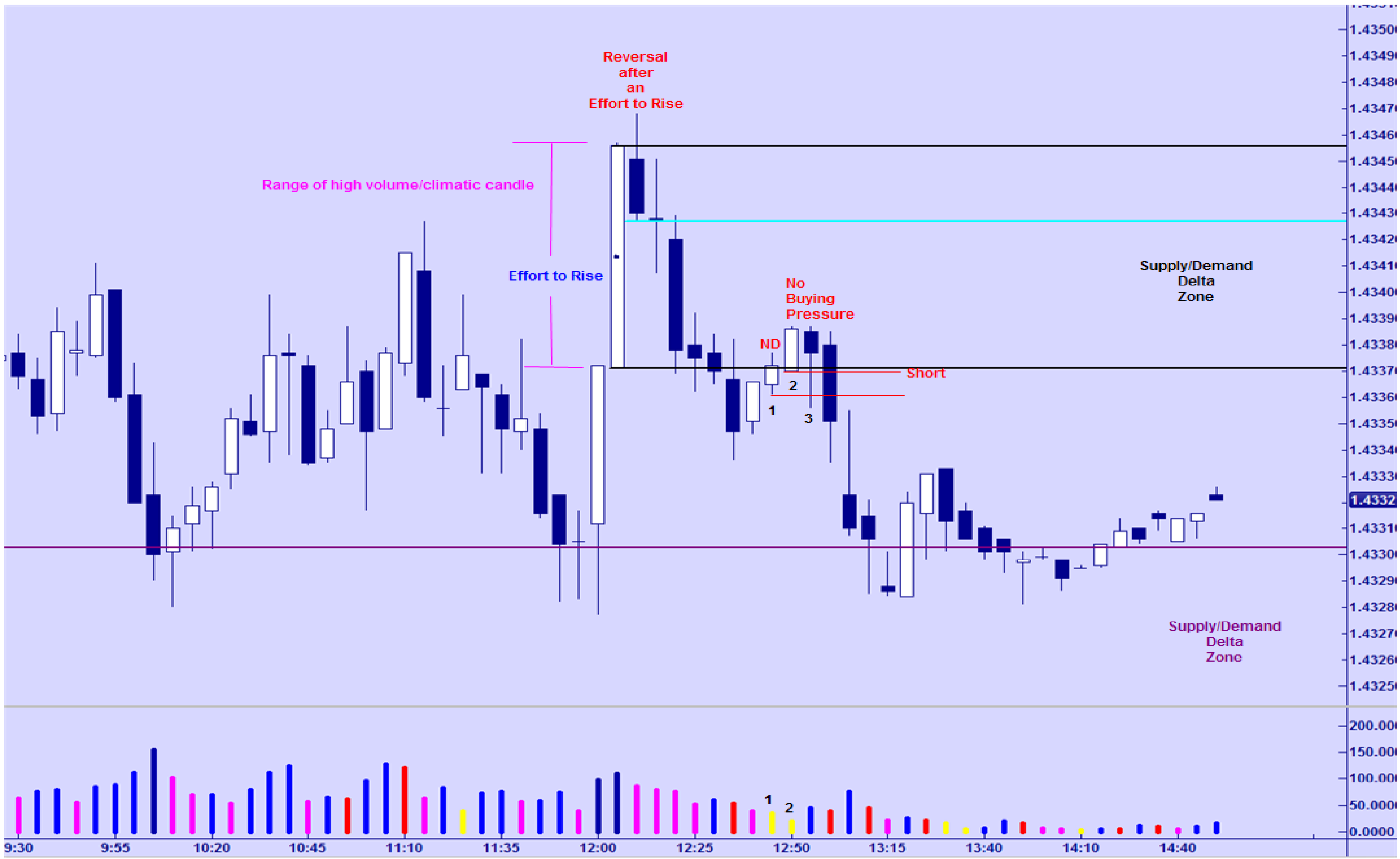
1. same as above
2. same as above
3. The close is in the upper 85% of the range
4. The open is in the lower 15% of the range
5. same as above
6. Volume is increasing and greater than average.
7. Same as above
8. undisclosed (same as above)
9. the candles range is greater than the previous interval.

Notice that in this case, both sub-groups define that candle as a significant expansion body.

The opposite is true of course for a down candle. The midpoint should be lower than the low of the prior interval. and the open an close change positions. And we would be looking at a "selling" bar. So the candle should make a lower low and not a higher high.

If someone want to try and code it, there you go. PM and I will assist that way. There are a couple more Sub-groups which bring price action into play I'll give those definitions as well.

*** Now still looking at the candle from the previous post. One could define the significant EBs in relation to price action. For example one could look at a fractal pattern as part of the definiton. If the EB7 is part of that 5 candle fractal pattern it is considered signifcant. Same destination. Different road.****



Reversal after an Effort to Rise
Range of high volume/climatic candle
Effort to Rise
No Buying Pressure
ND
Short
1
2
3
Supply/Demand Delta Zone
Supply/Demand Delta Zone
9:30
9:55
10:20
10:45
11:10
11:35
12:00
12:25
12:50
13:15
13:40
14:10
14:40

Originally Posted by **tfflyer**

Hello HiddenGap
WHY Bar Nr.4 is test bar ?
As i see volume is less than previus two and also lower high and narrow range and its up bar.
Or, if we have seen weakness in background - then we call such bars as test bars ?

Thanks.

Best,
Tom

It is true that the ideal test bar will close lower than the previous bar, but it is possible for tests to close higher. The background is littered with strength, which predisposes you to look for tests rather than no demands. A no demand would be a "polar bear in Hawaii".
If you viewed it as no demand, the next bar fails to close down and confirm. The bar after that does close lower but on even less volume than 4.

It doesn't alway work out like this, but also note that 4 does not close nor trade higher than the midpoint of the privous interval.

Quote:

Originally Posted by **supremeChaos**

volatility is brought about by (either presence &/or lack of) volume, isn't it?
volatility is intertwined with volume. they cannot be separated....

Many times you will see a wide and increasing spread candle on decreasing volume.

Volatility is increasing while volume is not. Therefore you can't (always) "see" volume in the range or spread of the candle.

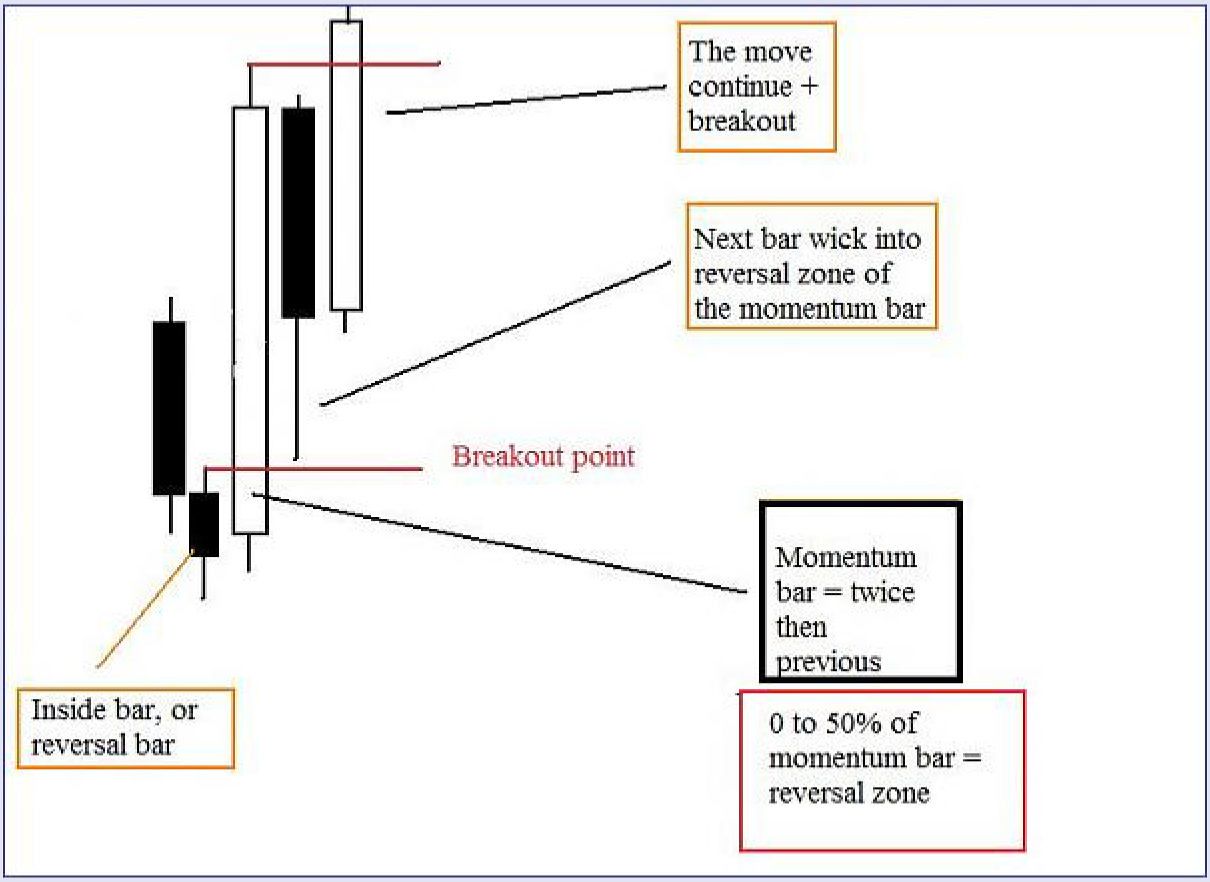
The opposite is true. An end of a rising market will have ultra high volume but the spread will be narrow. Viewing volatility and seeing volume as a function of range, misses this type of bar.

In some ways, this is the essence of VSA.

Originally Posted by **Inzider**
May i sugggest you to consider expension body as momentum bar witch equal 2 times the previous bar.

Momentum bar = x2 previous bar.

Those happen on reversal and act often as a engulfing candle, and as you said, "delta zone" could be consider 0-50% from opening of the bar = reversal area, witch is wicked most of the time before next move in the same direction as momentum bar.



Later!

In one of my first posts on expansion bodies I talked about volatility. I spoke of the significant EB7 creating a pocket of high volatility where one could look for a low volatility signal.

The best low volatility signal would be a no demand that is either a NR4 or NR7. NR4 or NR7 refers to narrow range 4 or 7. These definitions come from Street Smarts by Linda Bradfrod Raschke and Larry Connors. The opposite would be WR4 and WR7, where WR is Wide Rang (spread).

Rather than focusing on the spread, I am focusing on the body (open to close). This is because the body is a better representation of the SM.

With all that said, you could do whatever you wanted to do. Although using just 2 bars in not recommended.

No matter how you define an expansion body, the ones that represent key changes in supply/demand **must** be ___________. Something must be true with the prior interval and the immediately following interval.

This is why I say it doesn't matter how one chooses to define significant. All significant expansion bodies must be __________. Therefore two traders defining significant bodies in two different ways are ultimately still looking at the same sub-set of expansion bodies.

> Originally Posted by **euro_dude**
> *Hi all:*
>
> *I've been struggling with VSA this week as I can't seem to see many clear setups. This has prevented me from entering some trades that turned out to be winners. A perfect example is shown below on EURJPY.*
>
> *Prior to studying VSA, I would have analysed it this way:*
> *- Downtrend*
> *- Pullback to prior support now predicted to be resistance*
> *- Short after bearish engulfing candle. Note, I would have preferred to see a weak candle like a doji or spinning top before the bearish engulfing candle.*
>
> *After studying VSA, I analysed it this way:*
> *1,2....*

First, welcome.

Hopefully, you will get a few responses here to your question so we all can learn.

Let's start off by saying you don't have to completely disregard any analysis techniques just because you use VSA. VSA is "stand alone" but if other analysis techniques help you make pips, the true end game, then by all means use them.

On to the chart:

I have attached a copy of your chart with a few observations. And want to point to a few candles.

The area of the ellipse is the second ideal place to look for a trade entry. The first of course is within the Supply/Demand Delta Zone. But as this zone is also a support/resistance zone, we can look for trades finding support or resistance just outside the zone.

#3: You are correct that this is an up thrust. This is weakness.

A: The very next candle is a test. Why test? Because the previous bar showed weakness in the form of an up thrust. The SM is trying to see if there is indeed supply in the market, or supply ready to enter the market at these price levels.

The test is good as the next candle is up.

B: After one up candle (4), the market tests again. The SM seems weary to take prices higher at this time. And we are pushing up against resistance.

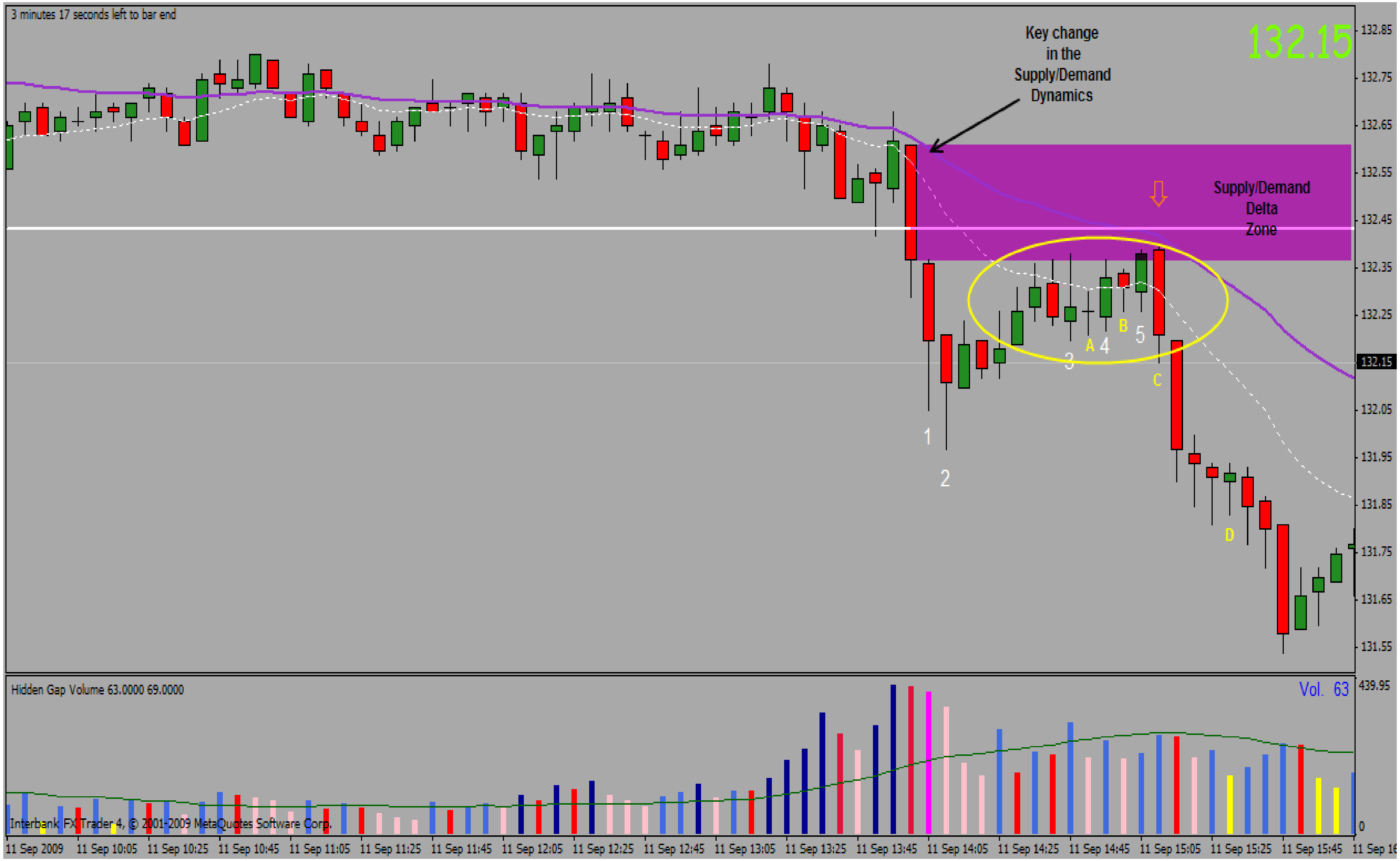
The next candle is up, which confirms our test.

C: Things change quickly.

C is a wide spread dark (open>close) and down candle that engulfs both the test at A and B and closes lower than them. We now are seeing no results from a test(s). This is your first entry point to the downside.

It is not all that easy to see, but again, your other analysis techniques were pointing in this direction anyway. VSA confirms what you are already seeing.

D: This is a No Demand and many traders would enter the market here. This would be considered the "safe" entry point on the appearance of our old friend No Demand. If you're already in, this is an ideal add on set-up. One might also want to move the stop to just above this candle once it is confirmed.



3 minutes 17 seconds left to bar end
Key change in the Supply/Demand Dynamics
132.15
Supply/Demand Delta Zone
1
2
3
A
4
B
5
C
D
132.85
132.75
132.65
132.55
132.45
132.35
132.25
132.15
132.05
131.95
131.85
131.75
131.65
131.55
Hidden Gap Volume 63.0000 69.0000
Vol. 63
439.95
0
Interbank FX Trader 4, © 2001-2009 MetaQuotes Software Corp.
11 Sep 2009
11 Sep 10:05
11 Sep 10:25
11 Sep 10:45
11 Sep 11:05
11 Sep 11:25
11 Sep 11:45
11 Sep 12:05
11 Sep 12:25
11 Sep 12:45
11 Sep 13:05
11 Sep 13:25
11 Sep 13:45
11 Sep 14:05
11 Sep 14:25
11 Sep 14:45
11 Sep 15:05
11 Sep 15:25
11 Sep 15:45

I mentioned this once before, but I thought I show it again here. This doesn't always happen of course, but often we see something very interesting happen when an effort to rise occurs. More specifically, an effort to rise that also is a key change in the supply/demand dynamic in the market.

The effort to rise candles we are concerned with here are going to be expansion bodies 7 and something is true with respect to the prior interval and the immediately following interval (big hint coming).

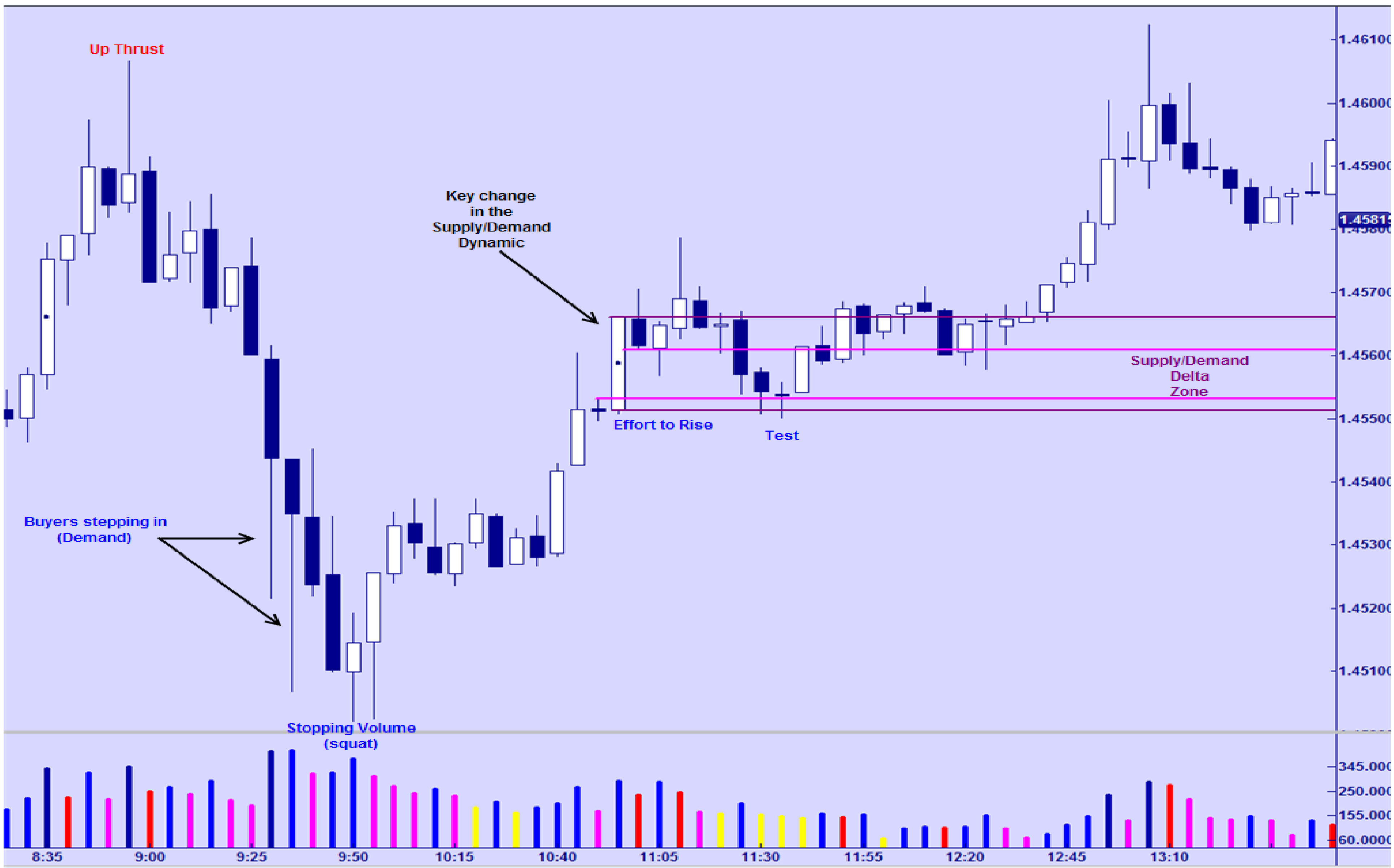
This effort to rise candle sometimes acts like a "measuring gap (huge hint)".

Take a look at the two charts. The first chart shows a test entry after we have seen strength in the background. We have seen stopping volume which followed two ultra wide spread down candles on ultra high volume. While both closed down, the closed in the upper 1/3 of their respective ranges.

Is there an entry soon after the stopping volume? Well, yes for some. But if you missed it, all is not lost. Because the market gives a great entry later once a significant EB7 (the effort to rise) appears. We don't know this with absolute certainty, but often this effort candle marks the midpoint or 50% of the move. Hence the term measuring.

The second chart includes a fib from the low of the stopping volume to the high of the ensuing move. Notice that in the middle of the two pink lines is a blue line which reads 50%. So our significant EB7, which must be a _____ ___, is acting like a measuring gap (hint).

The real key for me is that one does not have to feel like its chasing to enter on this test. There is a good chance that half the move is left to come.



Up Thrust
Key change in the Supply/Demand Dynamic
Supply/Demand Delta Zone
Effort to Rise
Test
Buyers stepping in (Demand)
Stopping Volume (squat)
1.46100
1.46000
1.45900
1.45700
1.45600
1.45500
1.45400
1.45300
1.45200
1.45100
345.000
250.000
155.000
60.0000
8:35
9:00
9:25
9:50
10:15
10:40
11:05
11:30
11:55
12:20
12:45
13:10

Euro_Dude;

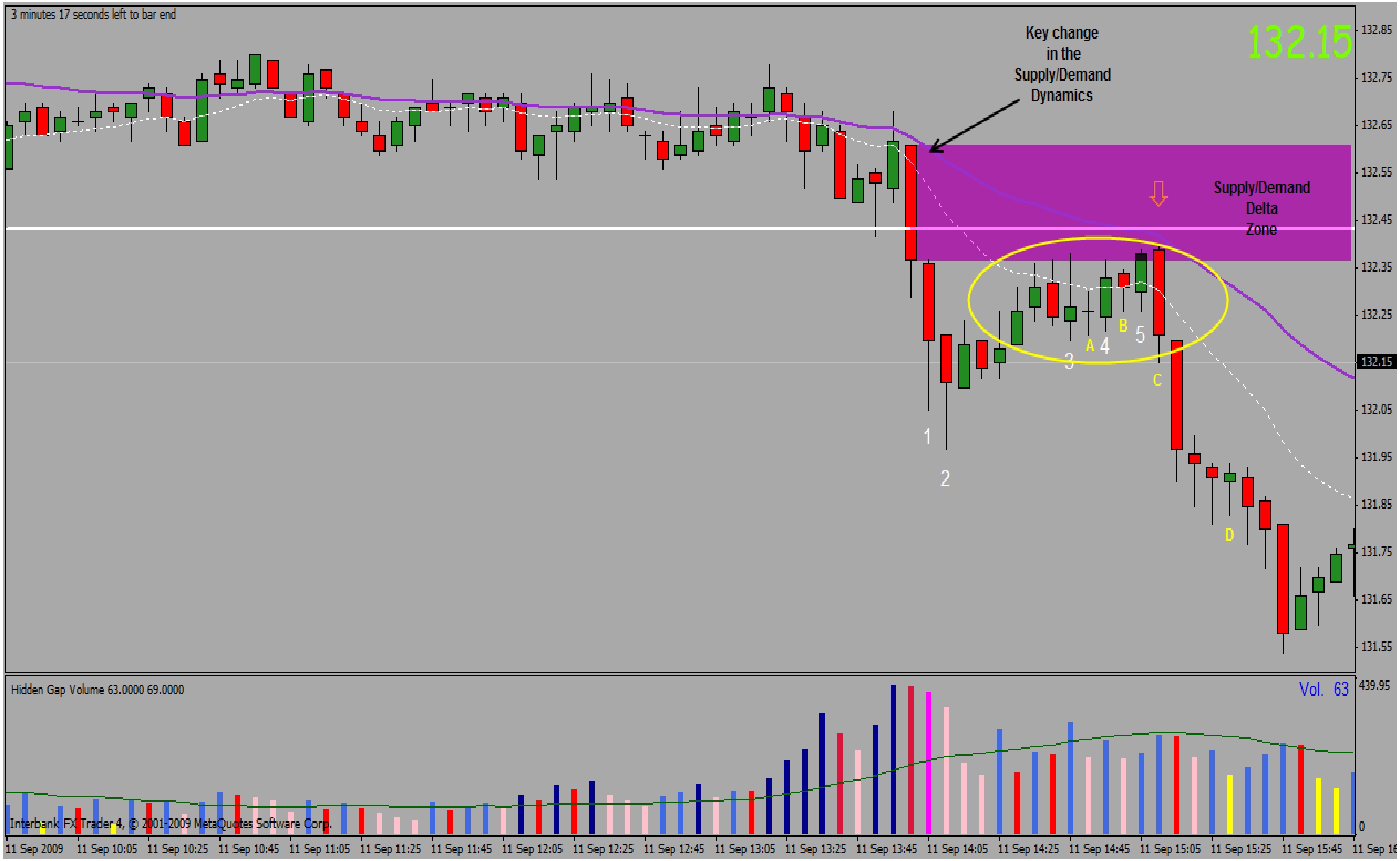
The two tests are bullish in and of themselves. However, as soon as you see a wide spread down candle that both engulfs and closes lower than the tests, this is no result from a test(s). This is weakness.

With no demands, it is more important that they are narrow on volume less than the previous two than where the actual close is within the range.

Not all up thrusts are created equal. Generally speaking the wider the better.

In fact, if you go by the book definition an up thrust closes on or near the low, but CLOSES UP. Unfortunately, the market is not so black and white.

____



3 minutes 17 seconds left to bar end
Key change in the Supply/Demand Dynamics
Supply/Demand Delta Zone
132.15
1
2
3
4
5
A
B
C
D
Hidden Gap Volume 63.0000 69.0000
Vol. 63
Interbank FX Trader 4, © 2001-2009 MetaQuotes Software Corp.
132.85
132.75
132.65
132.55
132.45
132.35
132.25
132.15
132.05
131.95
131.85
131.75
131.65
131.55
439.95
0
11 Sep 2009
11 Sep 10:05
11 Sep 10:25
11 Sep 10:45
11 Sep 11:05
11 Sep 11:25
11 Sep 11:45
11 Sep 12:05
11 Sep 12:25
11 Sep 12:45
11 Sep 13:05
11 Sep 13:25
11 Sep 13:45
11 Sep 14:05
11 Sep 14:25
11 Sep 14:45
11 Sep 15:05
11 Sep 15:25
11 Sep 15:45

> Originally Posted by **hoichoi**
> *Hii*
> *Based on the S/R Zone i did take short that didn't work out.. can u tell what mistake i'v made?..*

Please post where you took the short. I have attached a chart with what I see. Remember volumes may vary here and it is possible that your trade was a valid entry that just didn't go your way. That happens sometimes.

It appears that you understand something about expansion bodies. All expansion bodies that have something true with respect to the prior interval and the immediately following interval represent some type of change in the supply/demand dynamics in the market. Individual traders can define which of this sub set they want to define as significant.

On to the chart:

A: Wide spread down candle on climatic (high) volume closing off its low. The close off the low tells us some buying (demand) entered here. This is a strong candle therefore.

B: This candle is down slightly form the previous candle. The spread remains wide and volume is a bit lower. However, the close is in the middle of the range or above. The lower shadow tells us that buyers stepped in this candle. This is effort. The close is our result. A down bar closing in the middle or upper portion of the range is strength. First to candles we see are strong. Why would you want to be looking to take a short?

C: A narrower range on a up candle with volume less than the previous two candles. Looks like no demand. Problems here though. While the range is smaller than the previous candle, it is still wide. And we have just seen strength in the background.

If you interpret this as no demand, then you would want to enter when the next candle brakes the low. (More on this).

D: A narrow range up candle on volume less than the previous two candles. Here again, we have seen strength in the recent back ground, so it is not the correct place to see no demand.

If you do interpret this as no demand, then you would want to enter when the next candle brakes the low.

Notice that the next candle does not make a lower low, not close down. So D does not confirm nor bring you into the market. If you were looking to enter at the low of C, you are again not brought in.

E: This is a strong candle. The range is increasing as the volume increases and the close is in the upper 1/3 of the range.

F: This candle shows some weakness as volume is increasing on a down candle. However, the initial strength still remains.

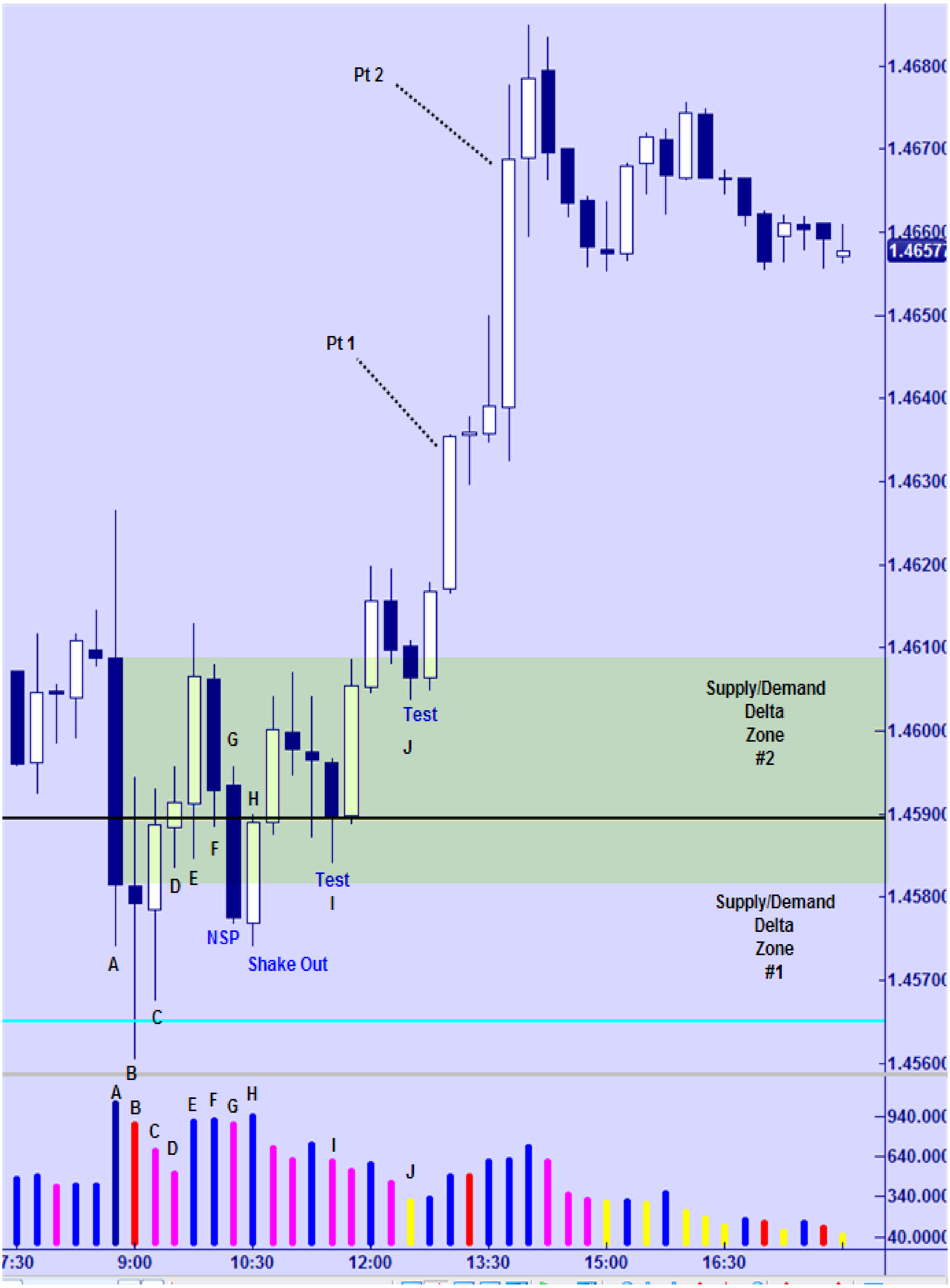
G: No Selling Pressure (NSP). The market falls on a wide spread down candle with volume less than the previous two candles that closes near its low. If this was a bearish candle, then the volume should be increasing not decreasing. Volume is activity. Activity is therefore decreasing. Hence, the BBs are not participating in this down candle. They can't be bearish then.

H: This is a shake out. Increasing volume on a wide spread candle that makes a lower low and closes near its high. Kudos if you catch this candle and get long. We know this is a bullish candle once we see that the next candle is up.

I: Skip a few candles to I. A narrow range down candle closing in the middle of its range on volume less than the previous two candles. This is a test. Notice that the low of this candle trades down into the area of our shake out. We know markets don't like up candles on high volume. Even though it was a shake out, it needs to be tested because of the high volume. A breach of the high of our test candle brings us into the market.

J: The market can be kind at times. This is a very nice second chance entry. The range is narrow and the close is down. But look at the volume. It is extremely low (lowest in 20 intervals) and of course less than the previous two candles.

One more thing about D. It takes us until the appearance of G for there to be a lower low. This is three candles later. Many traders would not wait more than two before re-analyzing the desire to go short. Simply, if the market makes two consecutive higher lows after the would-be no demand, the market is strong not weak.



Quote:

Originally Posted by **hoichoi**

Hii

Hiddengap what i was trying to say is .. that BIG down bar you market as S/R delta 2 zone is a down bar.. so if price move back up to zone you would look for short right? but yes ofcourse Pure VSA wise that bar indicator the strenght is in the market. thats what I'm asking...

A bullish Candle S/R zone is for bullish setup

> *A berish Candle S/R Zone is for berish setup*
>
> *I may be wrong but is this the right way of using it?*
>
> *thanks*

I was afraid you would say this.

Expansion body analysis is about an understanding of the price action but generally speaking, it does not dictate trade direction. So a white candle (open<close) does not necessarily mean you look to take longs. And a dark candle (open>close) does not necessarily mean you look to take shorts.

Simply, the zones themselves are neither bullish nor bearish. A zone may be created after bullish price continuation price action, but the zone itself in not necessarily bullish.

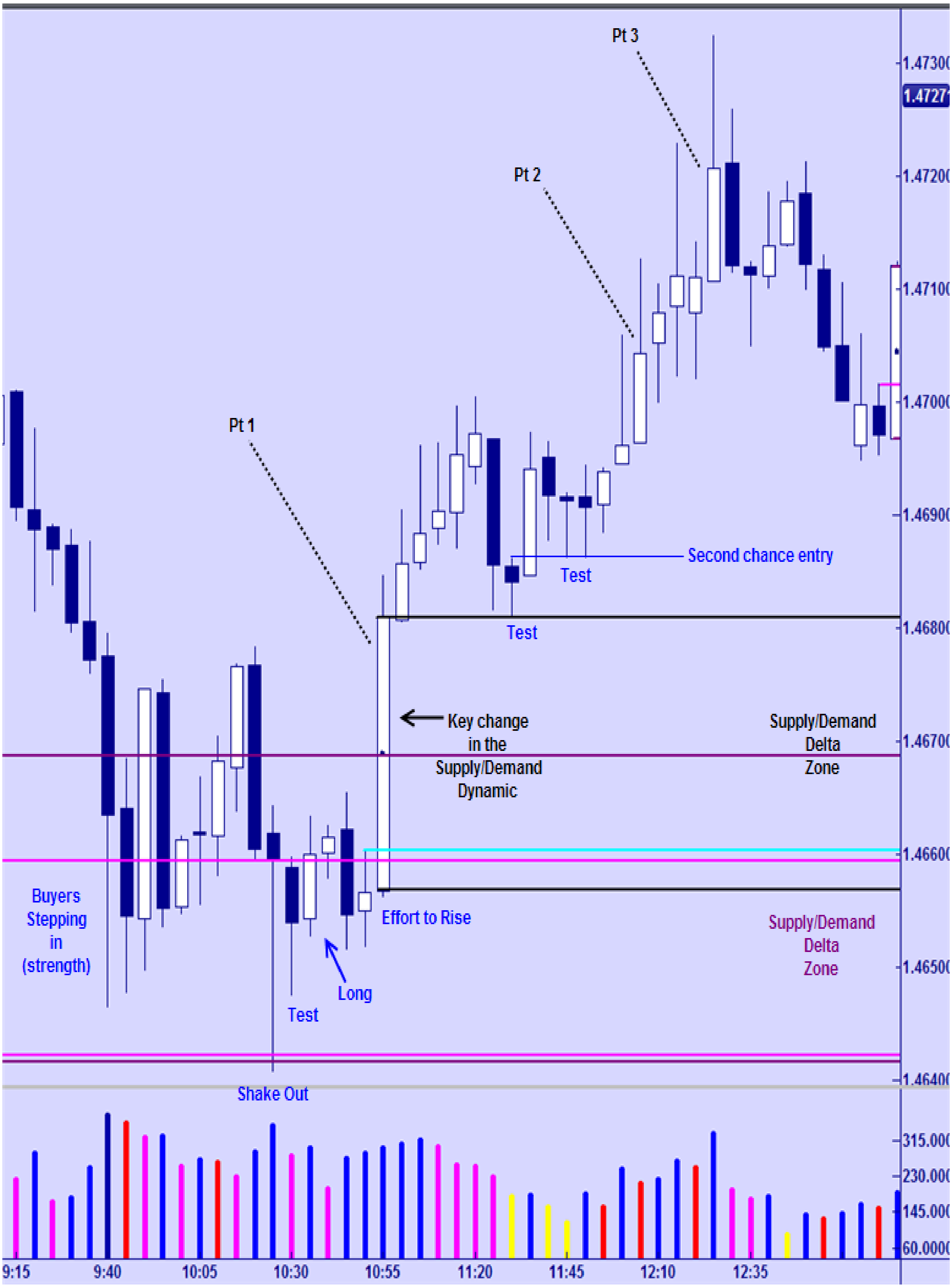
Although expansion body analysis is independent of VSA, I have included VSA concepts into **my** definition of significant. Basically, the sub group I am talking about will be "effort" candles. This does allow for one to be predisposed to a particular direction at times.

Take a look at the chart below.

The effort to rise candle comes after strength AND the volume on the candle itself is not high nor climatic. This tells me that a long set up is more probable here. Yet, as this zone remains open, the next time price comes into it, either direction is possible.

Understanding the price/volume action is key. So in this case, the test candle up against the zone is an ideal place to go long if you are not long already. In this case, longs were favored. But the next time price enters this zone there is no real reason to be predisposed to the long side.

This is a key area of change in the supply/demand dynamic and thus we want to see trade set ups here. Direction is about what happens prior and inside the area itself.


Pt 3
Pt 2
Pt 1
Second chance entry
Test
Test
Key change
in the
Supply/Demand
Dynamic
Supply/Demand
Delta
Zone
Buyers
Stepping
in
(strength)
Effort to Rise
Long
Test
Supply/Demand
Delta
Zone
Shake Out
1.47300
1.4727
1.47200
1.47100
1.47000
1.46900
1.46800
1.46700
1.46600
1.46500
1.46400
315.000
230.000
145.000
60.000
9:15
9:40
10:05
10:30
10:55
11:20
11:45
12:10
12:35

> Originally Posted by **hoichoi**
> *Thanks hidden gap for your explanation.. btw how long would u hold the S/R Zone ... is there any specific time period ?*

I keep them open until there is a close above , a close below and some price action thru the zone. Therefore if you get a close below and then an actual gap that closes above, the zone is still open.

However, some traders choose to keep them open longer.

There are some who will only take trades when the zone is open, but continue to use the closed zones as profit/price targets.

I think it starts to muddy up the charts if you do either of those things.

SHREEM

VSA setup in a previous WRB S/R zone

Quote:

> Originally Posted by **HiddenGap**
> *I was afraid you would say this.*
>
> *Expansion body analysis is about an understanding of the price action but generally speaking, it does not dictate trade direction. So a white candle (open<close) does not necessarily mean you look to take longs. And a dark candle (open>close) does not necessarily mean you look to take shorts.*
>
> *Simply, the zones themselves are neither bullish nor bearish. A zone may be created after bullish price continuation price action, but the zone itself in not necessarily bullish.*
>
> *Although expansion body analysis is independent...*

Hello Dear HiddenGap and thanks for this great post. This post, as all others you write, is very helpful in using WRB as a great tooL for spotting great S/R zones that are more in relation with what price is doing.

On the attached chart, the zone that you see, is the exact same zone that you posted in the quote above. Price did travelled down through that zone and we did get close inside the zone and close below the zone. The only missing equation for negating the zone was a close above the zone which we got after the long trade being already initiated.

On the attached chart:

1. We get a down candle closing on the low on relatively high volume but not ultra hight volume. This is and effort to fall candle. This is a WRB7 or EB7. This candle tell us to be alert as there could be a change in the supply/demand dynamic in the future. Potential sign of weakness. However, next candle close off its low and with higher volume. This effort to fall is not backed up with the corresponding result. First warning of potential change in the current downtrend.

2. This candle closed on the low and this time volume is very high. We could certainely be in the presence of stopping volume. Also, again, this candle is a WRB7 or EB7. Again, another sign that supply/demand dynamic could be changing. Potential sign of strenght here and second warning of potiental change in the current down trend.

3. This candle close on the upper portion of its range and volume is also very high but less then the stopping volume candle. We are in the presence of a shakeout and this gives us a 3rd warning of a change in the supply/demand dynamic of the current down trend.

4. Candle tried to go up but closed lower then previous candle close and closed in the lower portion of its range. Volume is less than previous 2 candle. Here, we have no supply and a test. This is our confirmation that sellers are no more interested in the previous current down trend and a confirmation candle to go long on open of next candle.

5. This is our entry candle after the no supply/test candle.

What does this chart and VSA teach us? It tells us that using previous WRB as a S/R zone is a great idea as this zone does really represent a change in the supply/demand dynamic. Looking for a VSA setup inside that zone is a great idea as we will be looking to trade in a zone where the market did try to tell us (when that WRB was formed) that this zone could (in the future) shows an important area that will be revisited by price and a new decision of either continuing the current trend direction or changing it will be made.

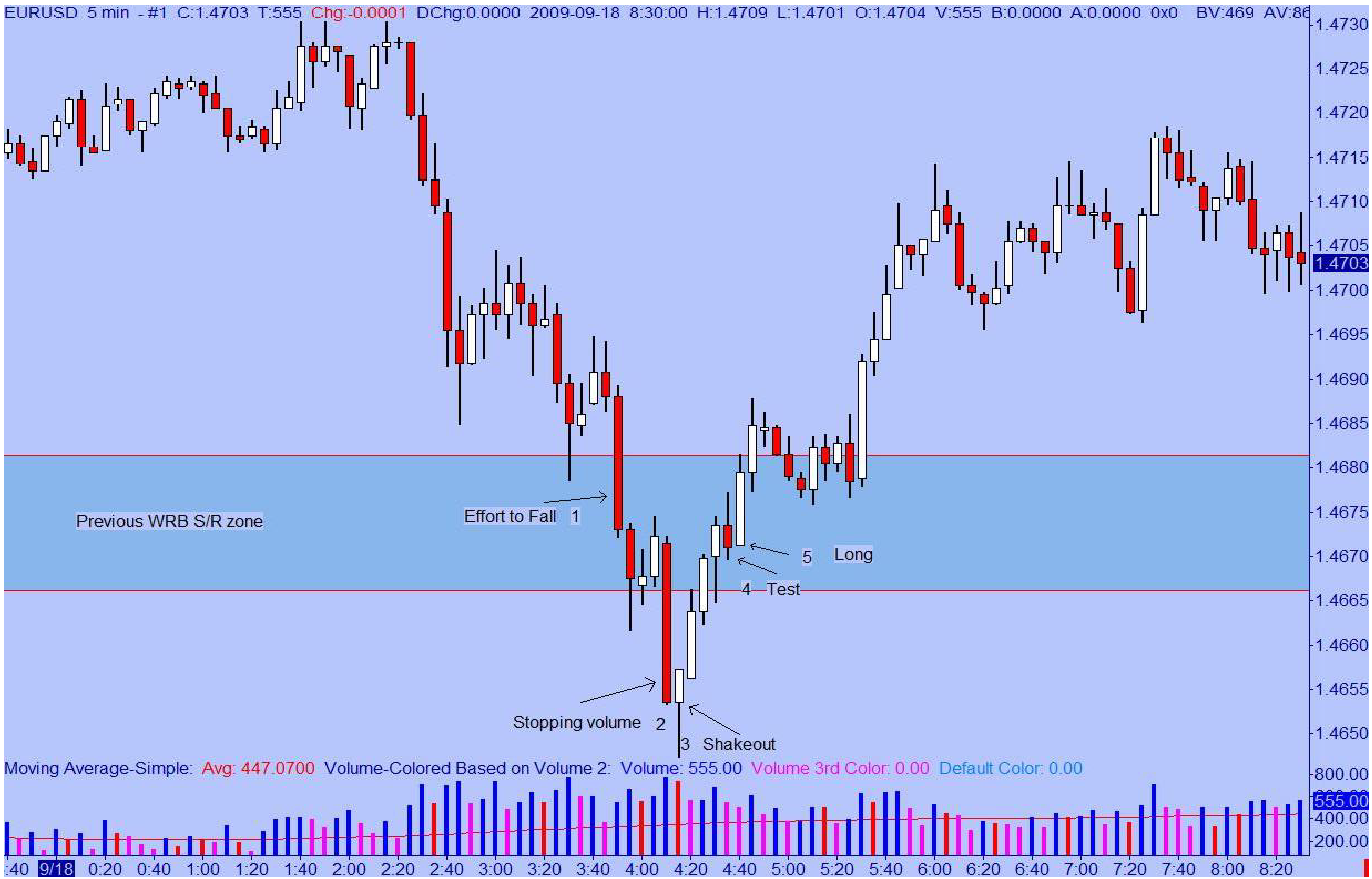
I am all saying that because, after having tried to study all kind of support and resistence technics, using the WRB S/R zone is the one that make most sense to me.

Also, HiddenGap, I do agree that once we get a close above, inside and below the zone, the zone is not really any more valid as price did showed us what was its intend when entering, staying and exiting that zone.

Hope that post was helpful.

Sincerely

Shreem



EURUSD 5 min - #1 C:1.4703 T:555 Chg:-0.0001 DChg:0.0000 2009-09-18 8:30:00 H:1.4709 L:1.4701 O:1.4704 V:555 B:0.0000 A:0.0000 0x0 BV:469 AV:86
Previous WRB S/R zone
Effort to Fall 1
Stopping volume 2
3 Shakeout
4 Test
5
Long
Moving Average-Simple: Avg: 447.0700 Volume-Colored Based on Volume 2: Volume: 555.00 Volume 3rd Color: 0.00 Default Color: 0.00

Nice post Shreem.

I have attached a shot of what I saw. First, you are correct about that zone. It is not shown on my chart as it is closed and I do not remember the numbers. There was another zone that overlapped it and that zone remains open.

There was a nice short prior to the trade you showed.

Take a look at the chart. Zones 1,2, and 3 (shaded green areas) are closed as they all have closes below, closes above and action thru them. Zone #2 is a very interesting zone. We see our low volume signal within the range. of a high (climatic) volume candle. Of course for me it is not the range but rather the body that is key. We have weakness in the background which started with a climatic up candle closing off its high with the next bar down. Things get interesting with the candle just prior to the first effort to fall. It is either a no demand or a failed test. Either way it speaks of weakness and is immediately followed by a bearish candle in the form of effort to fall.

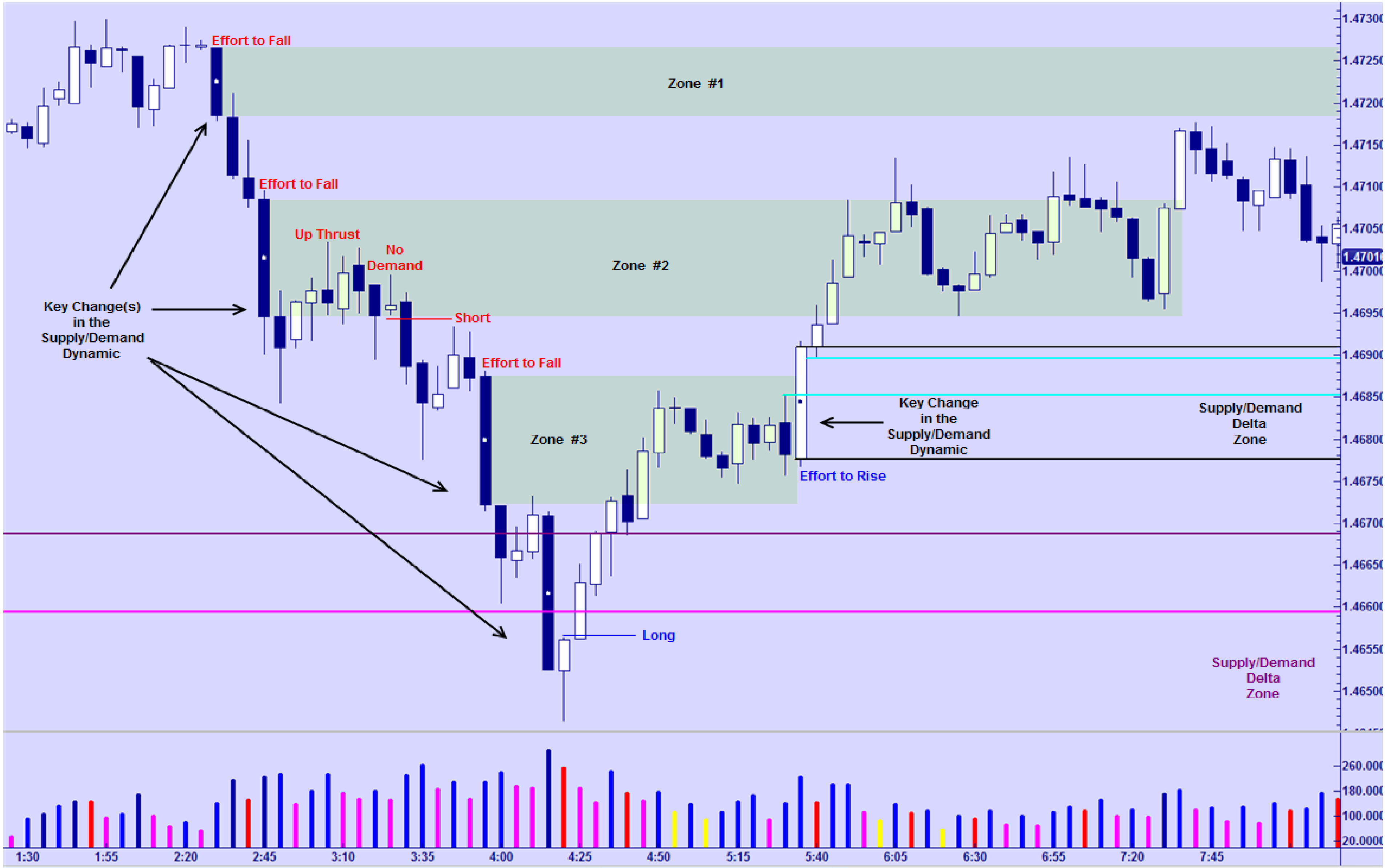
3 down (and dark) candles later we see another effort to fall candle on climatic volume. While the close is off the low, the next candle is down. Having seen 4 down (and dark) candles, the price action is showing strong downside momentum. This is more background weakness. Zone #2 is created by this effort candle. Within the zone we see an Up Thrust followed shortly by an NR7 up candle closing near the low on volume less than the previous two candles. No Demand.

How an individual trader manages a trade is up to him or her. So some might be out by the time the long trades sets up (yours or mine). Some might choose to stop and reverse. Some might simply use the long signal to exit the short.

The long entry shown on my chart is a bit aggressive for many. In truth I prefer your entry. As luck would have it, your entry doesn't set up on my platform as the test is not less than the previous two candles.

The aggressive entry was aided by recognition of a candle pattern formation. That's one of the "powers" of Supply/Demand Delta Zones. They are ideal places to look for trade set ups whatever a trader's trade methodology may be.

Going back to Zone #2, notice the action as price re-entered the zone from below (right side of chart). Of course Supply/Demand Delta Zones don't always act like this, but it is clear that something changed in this area when the effort candle first appeared.



Effort to Fall
Zone #1
Effort to Fall
Up Thrust
No Demand
Zone #2
Key Change(s) in the Supply/Demand Dynamic
Short
Effort to Fall
Zone #3
Key Change in the Supply/Demand Dynamic
Supply/Demand Delta Zone
Effort to Rise
Long
Supply/Demand Delta Zone
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50
5:15
5:40
6:05
6:30
6:55
7:20
7:45

If it always worked, we would all be rich.

Pretty nice set up here. The result, not so much.

Take a look at the chart below.

A: Climatic Action down candle closing in the upper portion of its range. The high volume and close hint that buyers are stepping in. When strength appears it appears on down candles.

B: Volume falls off a bit as this candle closes down. The close is in the lower portion of the range, but VSA teaches us that in general decreasing volume on down candles is bullish.

C: Interesting candle here. We make a lower low and not a higher high than the previous candle. The volume is less than the previous two candles and the close is almost in the middle of the range. Making a lower low and then closing off the low shows some demand entering to support price.

D: No Selling Pressure (NSP). Wide spread down candle closing on the low but with volume less than the previous two candles. If the SM was bearish then the volume should be higher. 80-90% of the volume bar represents the SM and from the volume here we don't see their active participation. If they are not interested in lower prices, they might be interested in higher prices.

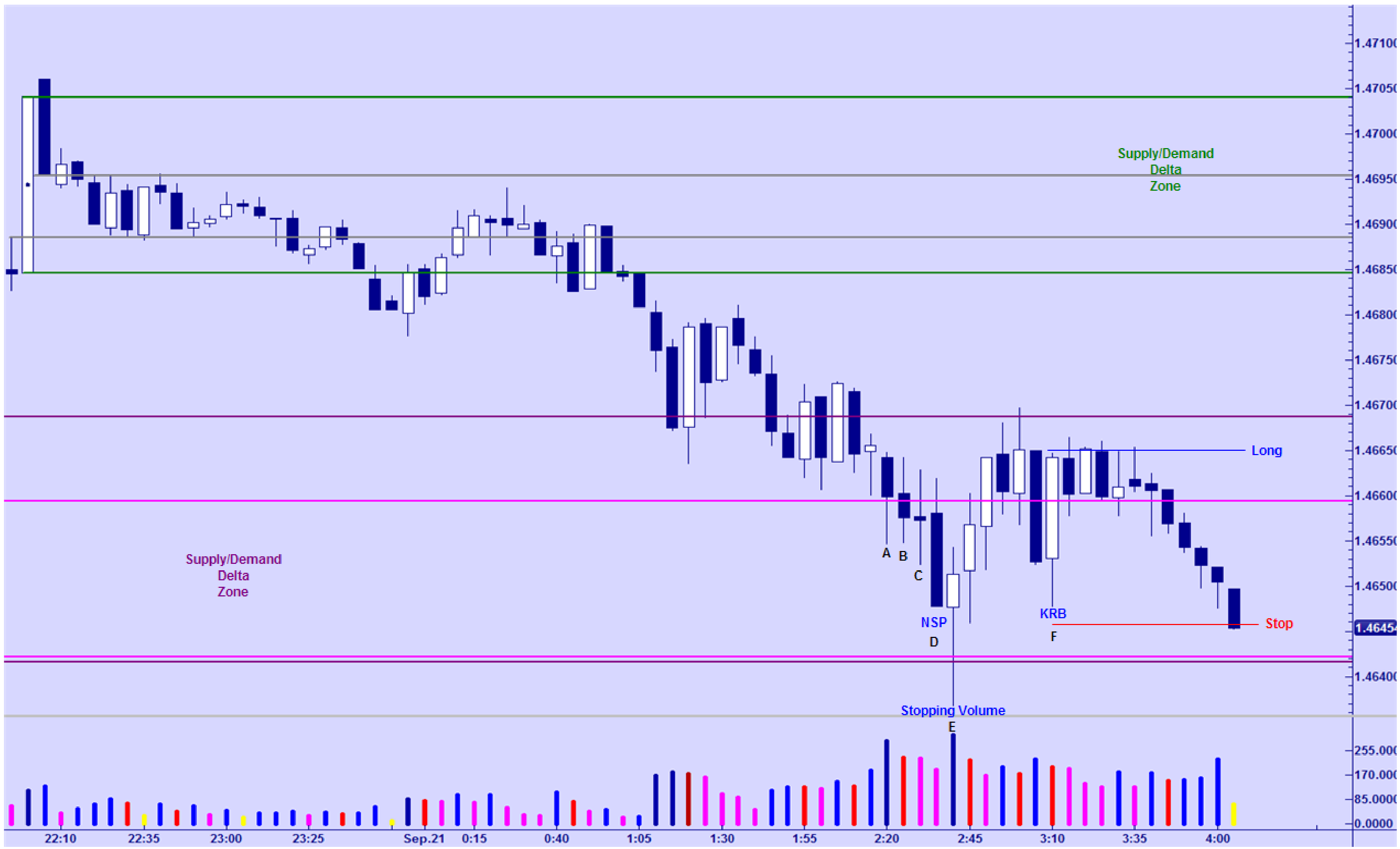
E: This is Stopping volume. Wide spread candle on climatic volume closing near its high. The long shadow shows Sm support coming in and demand swamping supply.
The signs of strength seem to be in place.

F: Key Reversal Bar (KRB). Here again we see a candle make a lower low than the previous candle, but this one closes near its high. It also opens higher than the previous close and closes higher than it opens. Note also that the low doesn't trade into the shadow of our stopping volume candle. Looks like a shake out.

We can look to put a long entry on just above the high of this candle and a stop loss a couple of pips below it. The very next candle brings us into the market as it makes a higher high. It also closes down. However, the volume is less than the previous two candles so this looks like no supply. The candle after this, closes up on less volume on a narrower range. This is no demand. Not what we want to see.

Eventually, price moves down and stops us out.

Edit**
Please feel free to comment on what you see and why you would or would not have taken this trade.


Supply/Demand
Delta
Zone
Supply/Demand
Delta
Zone
A
B
C
NSP
D
Stopping Volume
E
KRB
F
Long
Stop
1.47100
1.47050
1.47000
1.46950
1.46900
1.46850
1.46800
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1.46700
1.46650
1.46600
1.46550
1.46500
1.46454
1.46400
255.000
170.000
85.0000
0.0000
22:10
22:35
23:00
23:25
Sep.21
0:15
0:40
1:05
1:30
1:55
2:20
2:45
3:10
3:35
4:00

Quote:

> Originally Posted by **MasterBlaster**
> *HiddenGap,*
>
> *Where do you stand in regards to high volume long wicked candles? See the attached screen shot for an example. The candle on the right that is highlighted by the ellipse is the one I am referring to. Would you consider this a Supply/Demand Delta Zone? And if so, would it be only the wick of the candle that would form the upper/lower boundaries or the entire candle itself?*

Yes, long shadows represent changes in the supply/demand dynamic and form a Supply/Demand Delta Zone.

I once read somewhere that long shadows represent the effect of higher timeframe players on the timeframe being traded. Of course, this begs the question, "what is a long shadow?".

Long shadows are related to expansion bodies. At some point during the interval, a long shadow **was** an expansion body. So logically, if one is looking at EB7s (or whatever number is used) where the body is the largest body in the last 7 intervals, the long shadow should also be larger than the bodies of the last 6 and larger than the body of its interval.

But you have to compare it to the previous shadows as well. Therefore, the lower shadow of our long shadow would have to be the longest shadow in the last 7 (or whatever number is used) intervals as well.

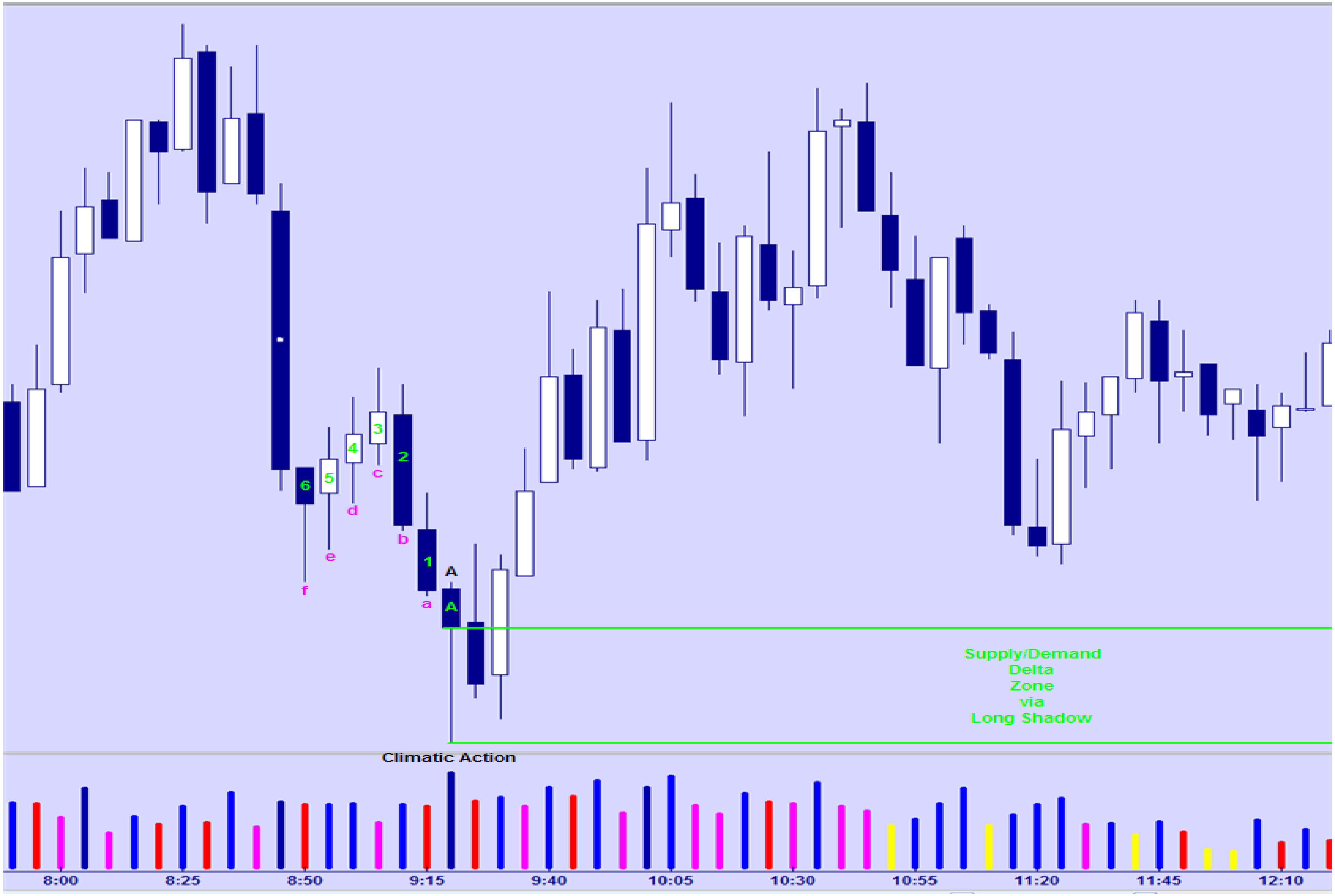
One also has to look at the upper shadow of the candle in question. Here again, the lower shadow would need to be larger than the upper shadow.

In a nutshell, we can think of three parts to the candle:

1. The upper shadow (or wick)
2. The body (open to close)
3. The lower shadow

A long shadow (lower) would be larger than both 1&2. It would also be greater than 1+2. If we are talking about a long shadow upper the opposite would be true.

I am only interested in them when the volume is climatic and the zone is the length of the shadow only.


6
5
4
3
2
1
A
A
f
e
d
c
b
a
Supply/Demand
Delta
Zone
via
Long Shadow
Climatic Action
8:00
8:25
8:50
9:15
9:40
10:05
10:30
10:55
11:20
11:45
12:10

This was not a trade taken but I wanted to get back to the VSA. One question first: What caused that spike?

Actually, that question of what caused an ultra wide spread candle or ultra high volume is something everyone should be asking themselves.

Anyway, what we see here is a few very basic VSA concepts in action:

1. When weakness appears, it appears on up candles.
2. Markets do not like wide spread up candles on ultra high volume because they could contain hidden selling.
3. The ideal place to short is a low volume signal within the range of a high volume candle.

Many people would be look at the ultra high candle as strength. VSAers know that the ultra high volume candle closing off its high with the next candle down is weakness. Supply is swamping demand on this candle. The place to get short would be on an up candle with volume less than the previous two candles-no demand.

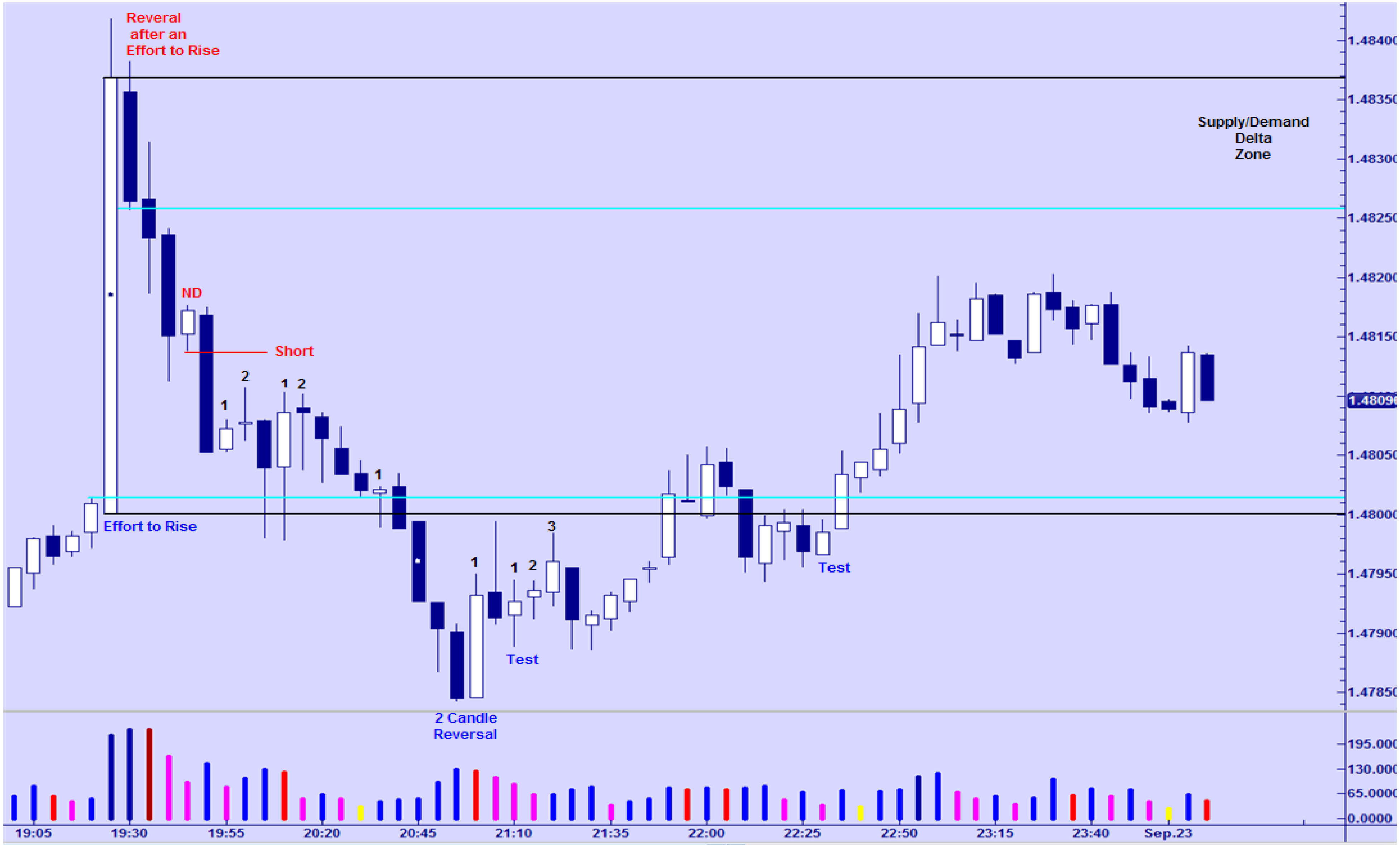
VSA tells us we should be getting short on up candles and getting long on down candles. There are a lot of exceptions to this rule however.

There is something else I wanted to show. I do not believe that it has been mentioned here before. Tom uses a unique trade management technique. When he is short, he allows for no more than two up candles , otherwise he exits.

In the below chart, notice that after the entry we see two up candles (1&2). Since the next candle is down, all is well and the trade continues. After the down candle another up candle appears (1). The next candle is actually a level (equal close) candle. So we are still in the trade. A few candles later we see another lone up candle (1).

Assuming you miss the two candle reversal as an exit signal, after on more down candle we get three consecutive up closes. We would exit on the close of the third up close.

This technique wont get you Malcolmb type pips, but for some it may help with what to do when actually in the market.



Reveral
after an
Effort to Rise
ND
Short
Effort to Rise
2 Candle
Reversal
Test
Test
Supply/Demand
Delta
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1.48400
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21:35
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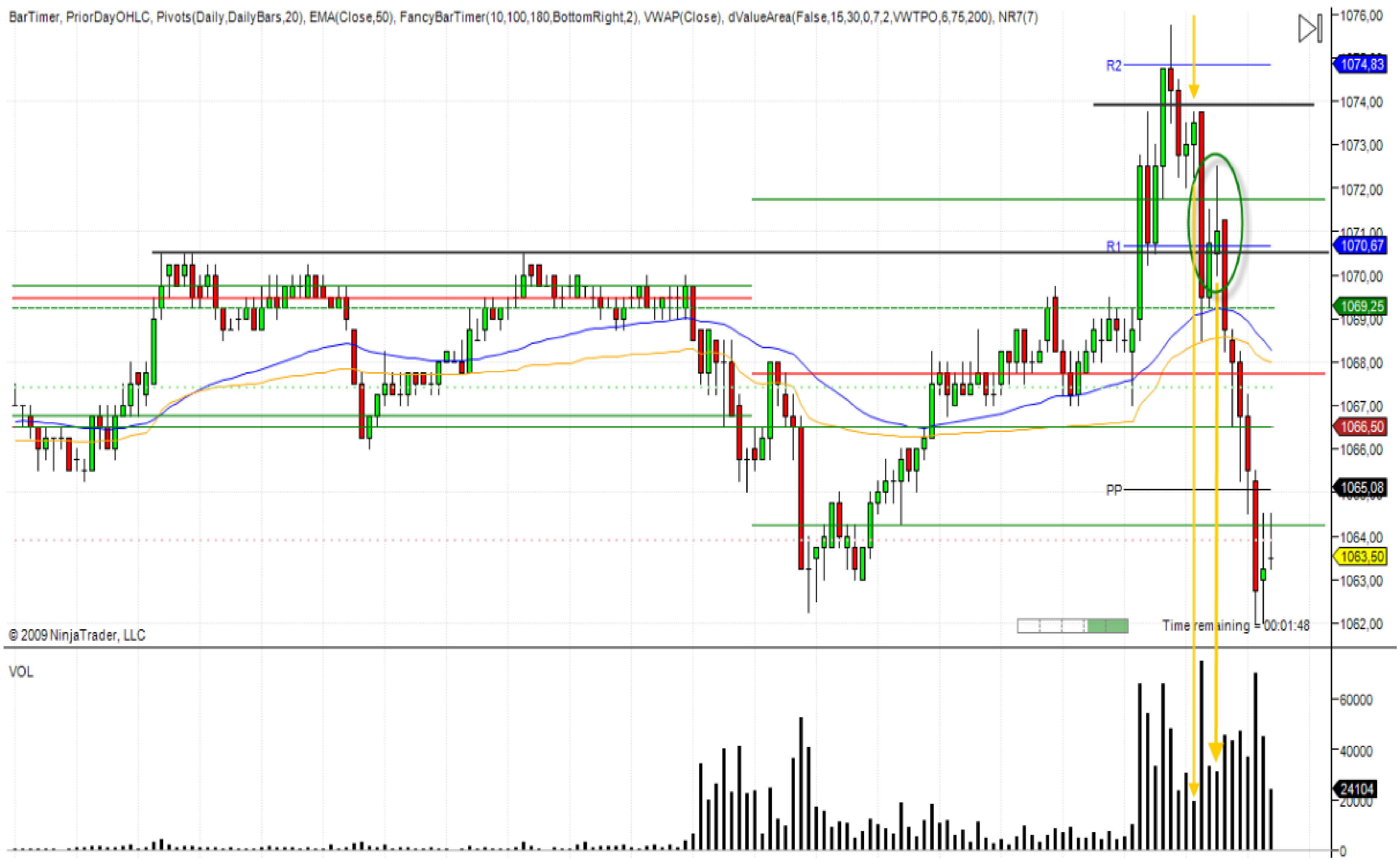
23:15
23:40
Sep.23

DR GEPPYNIOUS
before every reversal we see a climax and this is what we saw here by excessive acitivity. 2 pretty safe entries. just apply the "allow for 1 bar against the trade" rule and see what happens. we are short and if we have a second green bar (CLOSE!) then we are out. the second entry which i took would net big points when this stopping rule is applied. i failed to apply it...

u begin to develop a sense of when such action is preparing a countermove...like i smelled here. you must develop a sense of thinking "here might come the pop to short"

importance on the screenshot: on the entry bars the market HAD already turned into our desire direction by making lower lows/ lower highs and this is the time to look for such bars. such bars and upthrusts in upmoves/trends are meanignless and can rapidly be taken out.



BarTimer, PriorDayOHLC, Pivots(Daily,DailyBars,20), EMA(Close,50), FancyBarTimer(10,100,180,BottomRight,2), VWAP(Close), dValueArea(False,15,30,0,7,2,VWTPO,6,75,200), NR7(7)
R2
R1
PP
1074,83
1070,67
1069,25
1066,50
1065,08
1063,50
1076,00
1074,00
1073,00
1072,00
1070,00
1068,00
1067,00
1066,00
1064,00
1063,00
1062,00
Time remaining = 00:01:48
© 2009 NinjaTrader, LLC
VOL
60000
40000
24104
0

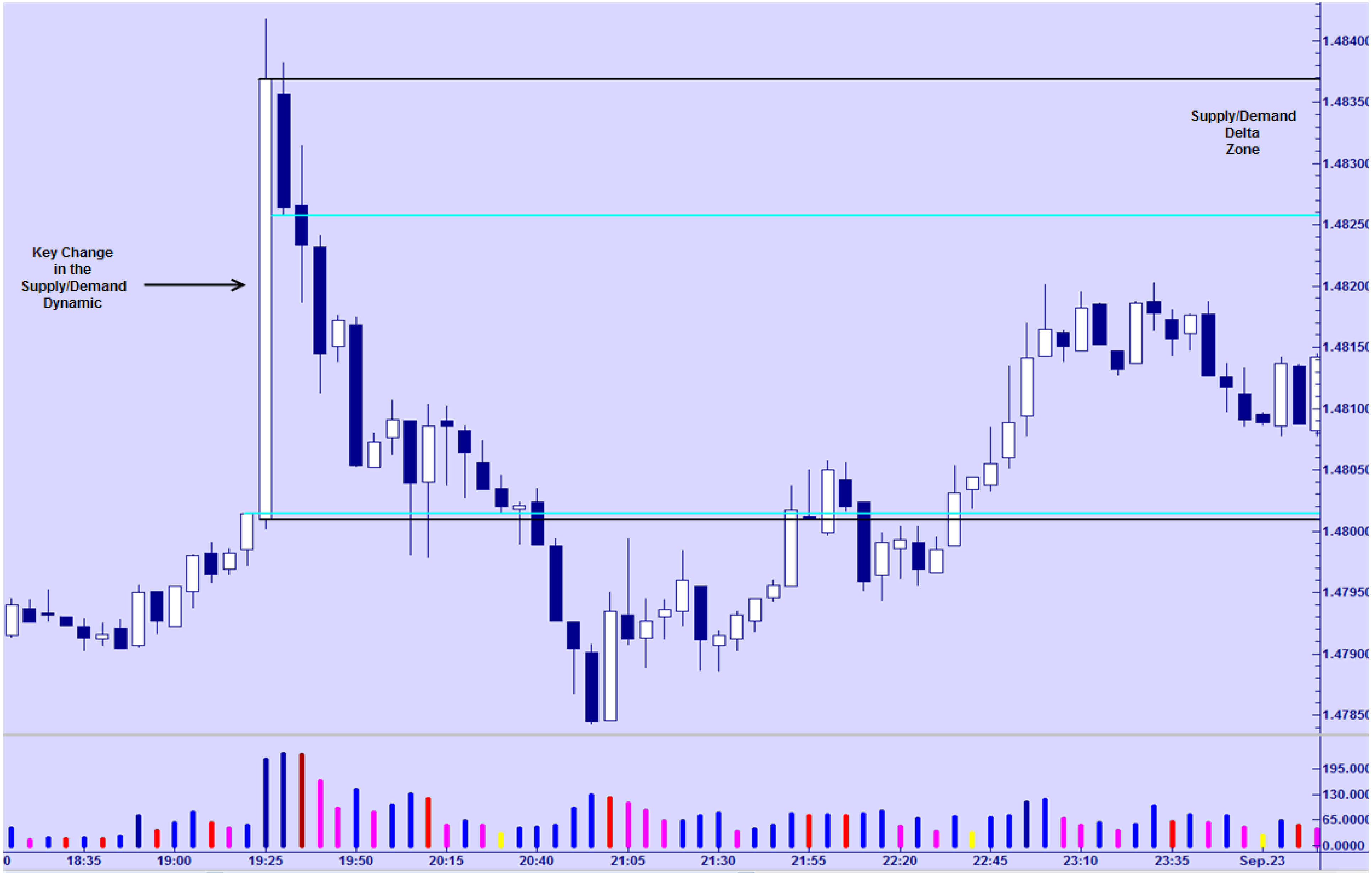
Just an extension of the Dr.'s brilliant post.

The first sign of a Climax actually came in (5 min.) last night. We get the ultra high volume ultra wide spread up candle that is a key change in the supply/demand dynamic. The zone created here is the zone shown in both charts.

The next really significant climax candle comes on the release of the Fed news. As I noted in chat, the next candle is an up thrust.

As the good doctor points out, the ideal place to get short would be AFTER we begin to see lower lows and lower highs. Simply, after the trend has changed. Notice the low volume up candle two intervals after the Up thrust. This is an agressive entry as we have not yet seen the change in trend. Plus the candle is increasing in range, not decreasing.

The market gives two narrow range up bars on volume less than two for entry points.


Key Change
in the
Supply/Demand
Dynamic
Supply/Demand
Delta
Zone
1.48400
1.48350
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Sep.23

Today was a VSAer's dream day.

There was a news release that was perceived to be good (bullish). Volume surged as prices jumped to the upside. The herd is thinking "here we go Dow 1100".

VSAers know that the market does not like high volume up candles (bars). VSA was saying this could be weakness as there may be hidden selling within these up candles. Plus, one has to look at the close and ask the question, "what did the market actually do on all that volume?" Volume is the effort, the close is the result.

In the Euro, we saw a high volume up candle that closes well of its high with the next candle down. There must of been selling or the next candle should not be down. Speaking of the next candle, more volume entered here yet the close is near the low of the range. A range which did make a higher high than the previous interval. Selling entered as price rose and thus pushed price down. This is weakness.

In the Indecies or in the Euro, seemingly good news that pushes prices up on ultra high volume actually purport lower prices. The SM uses such as opportunities to postion themselves against the herd. It is the reaction to the action that matters most.........

Quote:

> Originally Posted by **tfflyer**
> *Yuppie,*
> *thanks for chart..*
>
> *I see that i have problem with this kind of setup - Last up bar - low volume, narow spread.. closing in middle - please, explain how to look on them.. Or someone other.. Because i see that kind of bar like NO DEMAND.. But i know that ND can be only in downtrend....*

If you are speaking of the candle I think you are, then it is a Hidden Test.

Like no demands, a hidden test is an up candle/bar. However a hidden test will often make a lower low and not a higher high. As is the case here. More importantly, there will be strength in the background not weakness.

The technical definition of No Demand is:

A narrow range up bar on volume less than the previous two bars.
That's it.

From the base definition, therefore, we can see No Demand anywhere. The problem arises when a trader tries to short a No Demand in an uptrend.

In fact, Tom Williams and Gavin only started emphasizing the weakness in the background aspect because many people were trying to short No Demands in the wrong place. Today, Tom would not call a narrow range up bar on volume less than the previous two bars No Demand (technical definition), if it appeared in an uptrend. But that's because too many newbies would try and short it. NOT because it doesn't meet the actual definition of No Demand.

Volume less than the previous two bars tells us that the SM is not very active on that interval. Volume less than the previous two bars with weakness in the background not only shows inactivity, it also shows disinterest in higher prices.
Simply, whether it is No Demand is based on range, close and volume. Whether it is suitable to short a No Demand is based on background weakness.

VSA teaches us to be mindful of the news. The BBs use the news to position themselves against the herd. The news usually generates high volume and the BBs need to be active when volume is high, so they don't push price up or down against themselves.

When thinking about the news, we should break it down into two broad categories:

1. General news. This is a broad category and encompasses many things. Things like CBS evening news doing stories on "oil supplies are tight and many analysts see prices going to $200.00 a barrel". Or the cover of Newsweek proclaiming dollar weakness.

VSA tells us that we should be contrarians in such situations-When The cover of Time says the bull is back, it probably means a top is near. The oil market in '08 gave a nice End of a Rising Market signal even as many analysts were in the news prognosticating "super spikes" in the price.

2. News reports. Here we are talking about those scheduled releases like Durable goods, Non farm payrolls, GDP, Trade balances, Fed minutes and consumer confidence to name just a few.

With such news reports, the "bullishness or bearishness" of the report matters little. We are not looking to trade the report, but the reaction to the report.

Take a look at the first chart below.

Since we know the BBs use such reports to take their positions, we can pretty much assume that we are dealing with a key change in the supply/demand dynamic. At 0830 jobless claims were released.

We see a wide spread up candle on climatic volume closing off the high with the next candle down. This is weakness. Did the report come in less than expected? Don't know. Don't care. The SM is selling on this candle whatever the case may be. Therefore we should be looking to get short.

With a bit of momentum, price moves up. It knocks up against some resistance (a prior supply/demand delta zone) and then rolls over. As price enters the zone created by the news release candle, we are looking for our low volume sign. Price is now making lower lows and lower highs. From a candle perspective, we are seeing dark (close<open) candles.

Then our old friend shows up: a narrow range up bar on volume less than the previous two candles-No Demand. Ideal trade location. After climatic action and after a change in trend.

Now take a look at the second chart.

Again, we have a news release at 0830 hrs. This time it is Durable goods. On the report we see a wide spread down candle on climatic volume closing off the low. However, the next candle is down. But take a look at that next candle. The volume is lower and the close is in the upper 1/3 of the range. This is a strong candle and tells us there must have been some buying in the first candle. And more buying came in on this candle as it makes a lower low, but closes so high within its range.

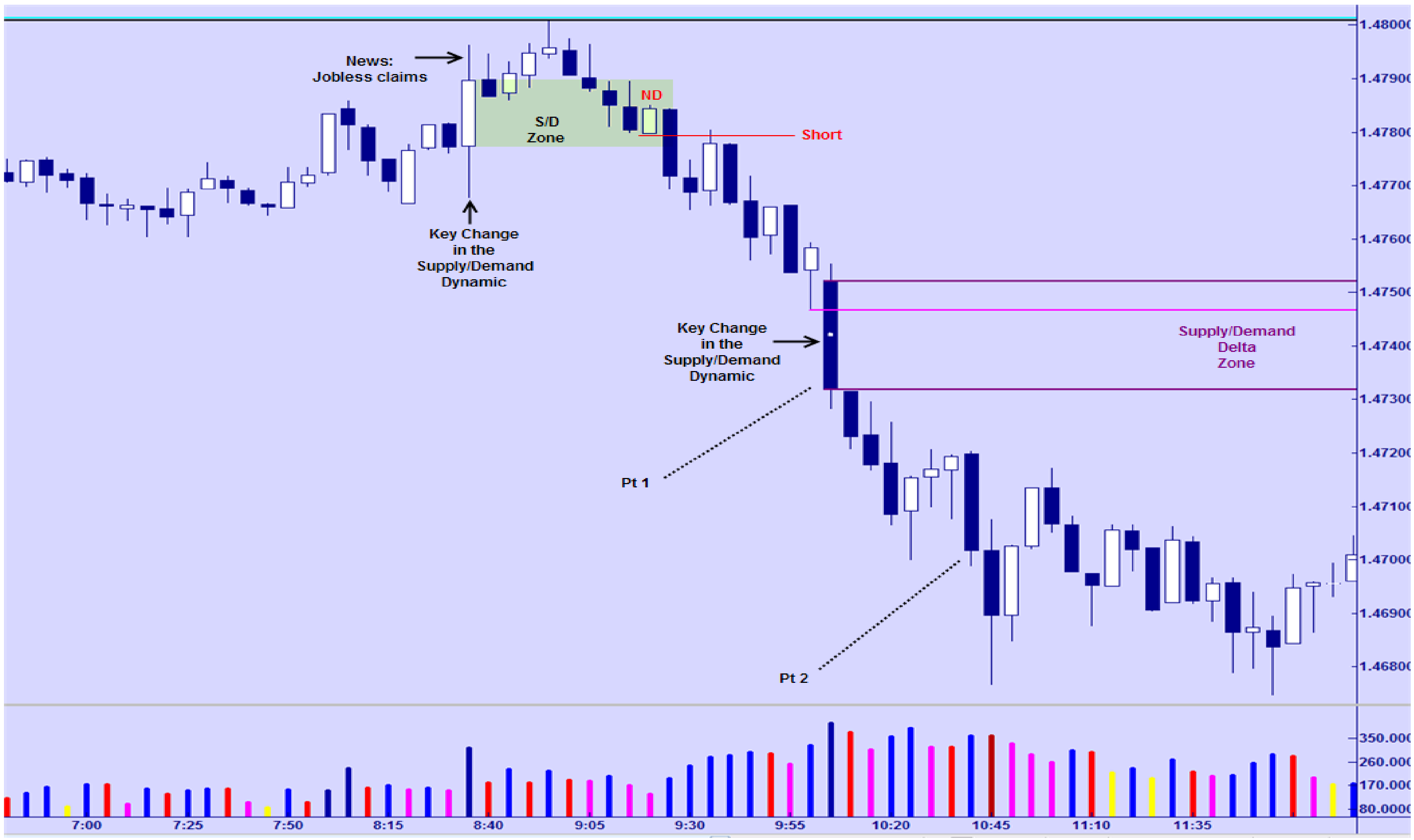
Did the report exceed expectations? Don't know. Don't care. What we do care about is the fact that the BBs are buying.

Price begins to move up on low volume (volume less than the previous two), but we have seen strength in the background. These no demand candles (by definition) represent merely a pause and are not signs to go short.

Eventually we see a nice Key Reversal Bar (KRB). This candle makes a lower low, opens higher than the previous close, and closes higher than both its open and the previous candle's close. Note it also closes slightly off its high, which is a good thing for this particular reversal bar type. An aggressive trader could get long here. A better place to get long occurs two candles later when we see a narrow range down candle that makes a lower low and closes in the upper portion of its range on volume less than the previous two candles-a Test.

By the time we see this test, the market has made a swing point. In other words, the trend is now up. So we have seen climatic action and a change in trend followed by a test. This is our low volume signal within the range of a previously high volume candle.

When dealing with category 1, the prudent trader should beware of the news.
When dealing with category 2, the prudent trader should be aware of the news (release).


News:
Jobless claims
S/D
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170.000
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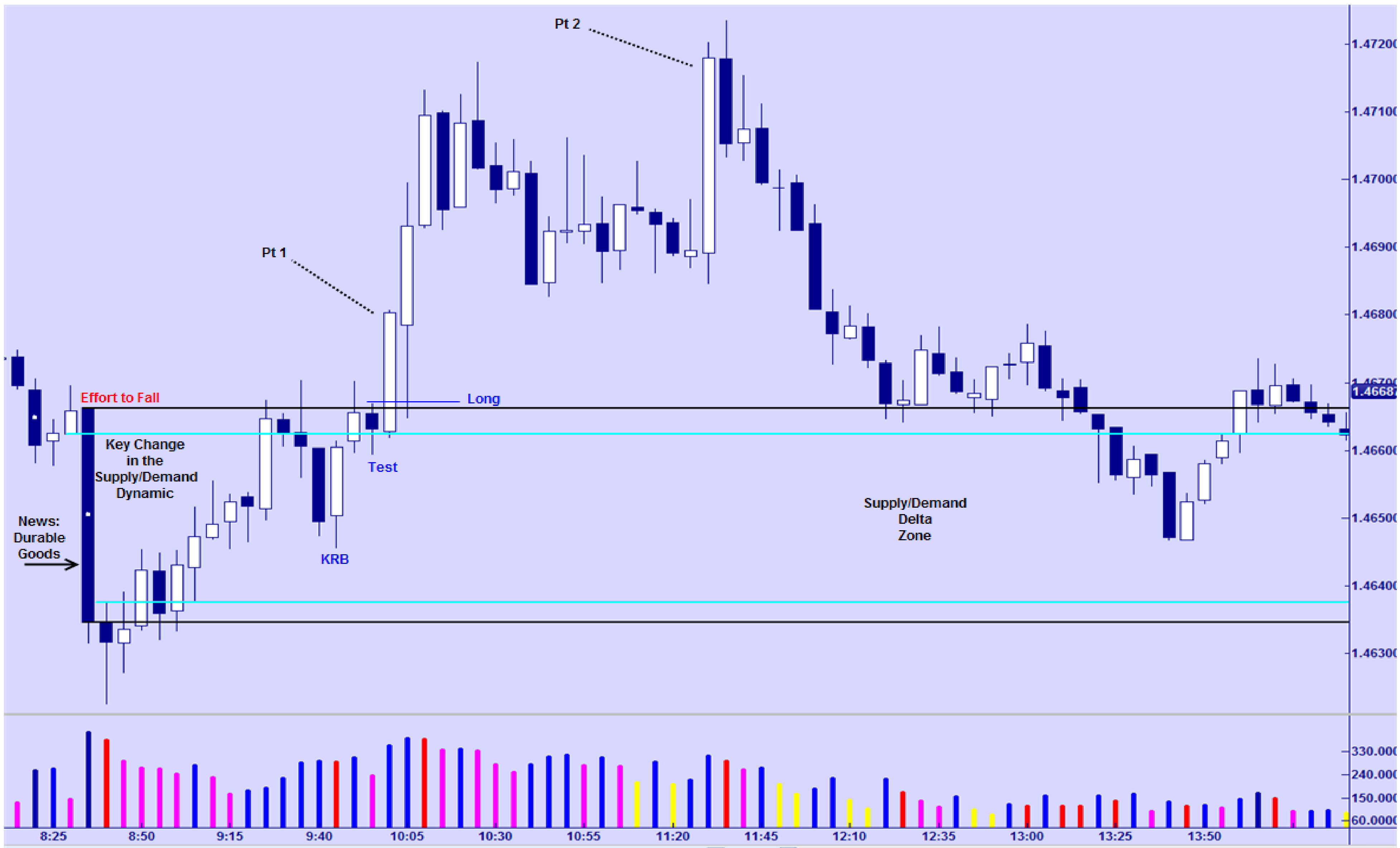
Pt 2
Pt 1
Effort to Fall
Long
Key Change
in the
Supply/Demand
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Test
News:
Durable
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Supply/Demand
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1.46800
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330.000
240.000
150.000
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8:25
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9:40
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10:55
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11:45
12:10
12:35
13:00
13:25
13:50

Quote:

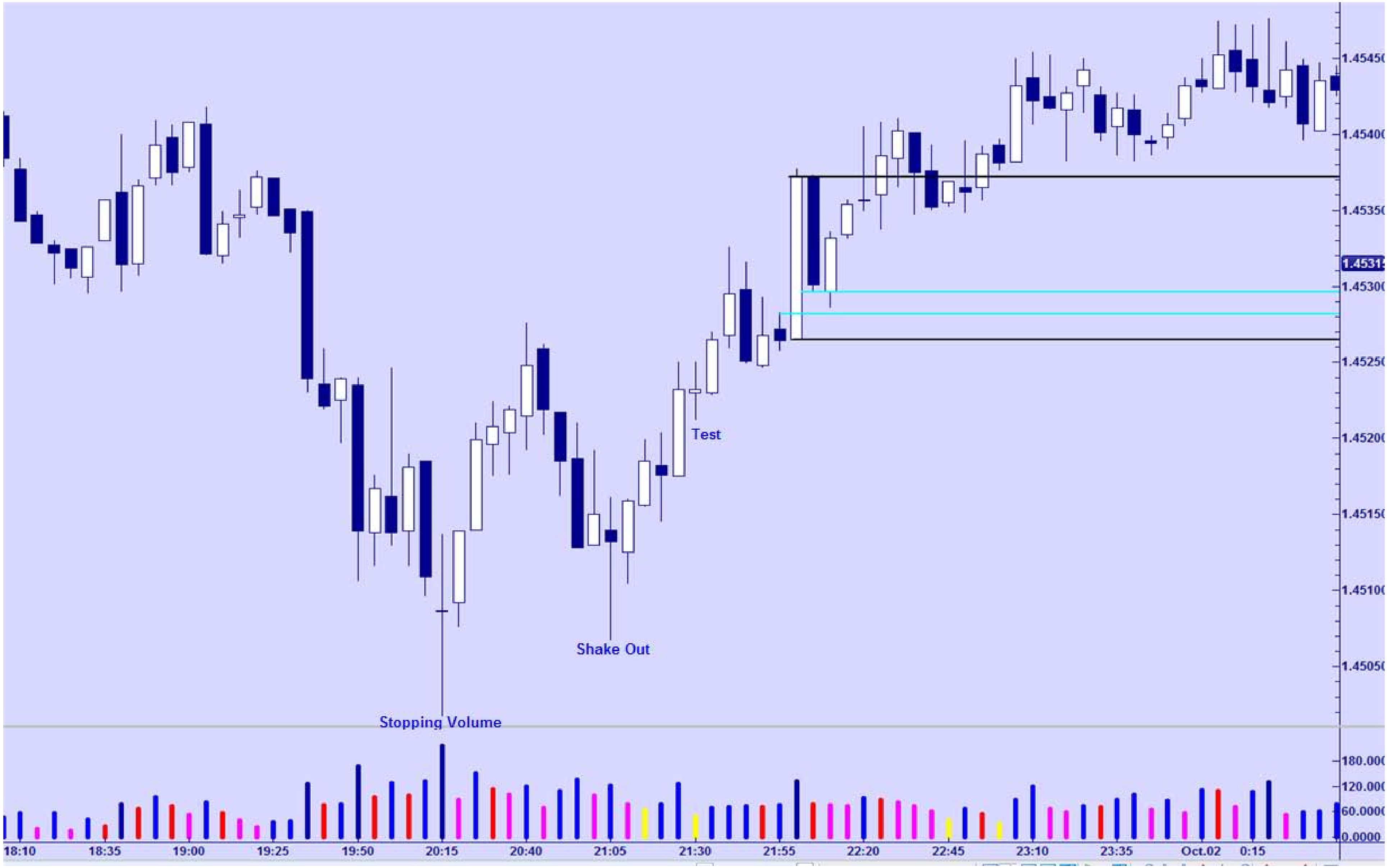
> Originally Posted by **Srikanth**
> *Could anybody explain me what is the meaning of this bar in the below chart?*

Quote:

> Originally Posted by **zoli**
> *Hi,*
>
> *that is to me a Stopping Volume. You should expect the market being knocked at least sideways and, if the Stopping Volume was successful, even rise - after a bit of consolidation and potential revisit of the low area on Volume ideally less than this.*
> *You could look for a down bar accompanied by much less Volume than this one is.*
>
> *Good trading!*

Yes, this was a nice example of Stopping Volume. Demand is swamping supply on this candle.

A few candles later, there is a Shake Out. Notice that the low of the Shake Out dips into the lower shadow of the Stopping Volume candle and then gets rejected. Volume is increasing, but is much lower than the Stopping Volume candle.


Stopping Volume
Shake Out
Test
1.45450
1.45400
1.45350
1.45315
1.45300
1.45250
1.45200
1.45150
1.45100
1.45050
180.000
120.000
60.0000
0.0000
18:10
18:35
19:00
19:25
19:50
20:15
20:40
21:05
21:30
21:55
22:20
22:45
23:10
23:35
Oct.02
0:15

Quote:

> Originally Posted by **tfflyer**
> ***Hidden Gap,***
>
> *You said that Tom Williams is using 2 bar close technicue for exiting..*
> *I have question regarding it.*
>
> *Lets say, we got long... Volume 10.*
>
> *First bar down - close at the lows, lower volume (Volume 8)*
>
> *Second bar - close at the lows, lower volume (Volume 7)*
>
> *Third bar - close in the midle and high volume (Volume 15)*
>
> *My question is - Third bar mainly would suggest to me that there was demand, but from Tom Williams trailing method, it also says we need to close this long trade because we got 3 down closes.....*

Good question Tfflyer. I can always count on you to keep things interesting.

As I said, I do not use this particular technique. The way I understand it, the focus is on the close and not the volume. That is to say, if you are short and the third close is a narrow range up bar on volume less than the previous two candles, you would exit. Not withstanding the fact that this candle is No Demand.

As a trader becomes more comfortable with volume, I would make sense that exception would be made when the volume is "screaming" stay in the trade.

In your example, the third bar could indeed be a sign of further strength. If you recognize this, then maybe you don't exit the entire position, but only a partial.

The good Dr. mentioned that he would exit prior to the formation of all the up candles is he saw climatic action. So if one does have a certain level of understanding, deviations of the idea are to be expected.

____

The last time I made a post like this, it set off a firestorm.

I hope we don't get a repeat.

News trading has a special place in VSA. However, VSA is not about trading the news. It is about a fundamental concept. Indeed, a "first principle".

The Smart Money uses news releases to take positions against the herd. They need such news releases because the usually increased volume surrounding them allows the SM to get into a positions cheaply. Because the Sm trades in such size, they run the risk of bidding up (or down) price against themselves on a typical candle.

Therefore, a news release is the ideal opportunity for the SM to show their true intentions and is almost always a key change in the supply/demand dynamic.

Currencies are especially good in this way.

Take a look at the chart below:

On the NFP report, we see ultra high volume on a down candle closing off its low with the next candle up. This is clear strength. The report was worse than "expected" and would seem to be bearish. We can debate what the true Smart Money knew and when they knew it, but the candle speaks for itself- THEY WERE BUYING.

The next candle is on volume less than the previous two and the range is increasing. The volume should not fool you. We have just seen strength, this can't be a no demand worth shorting. It represents a pause. The SM is taking a breath if you will.
Then we get the candles in the yellow ellipse.

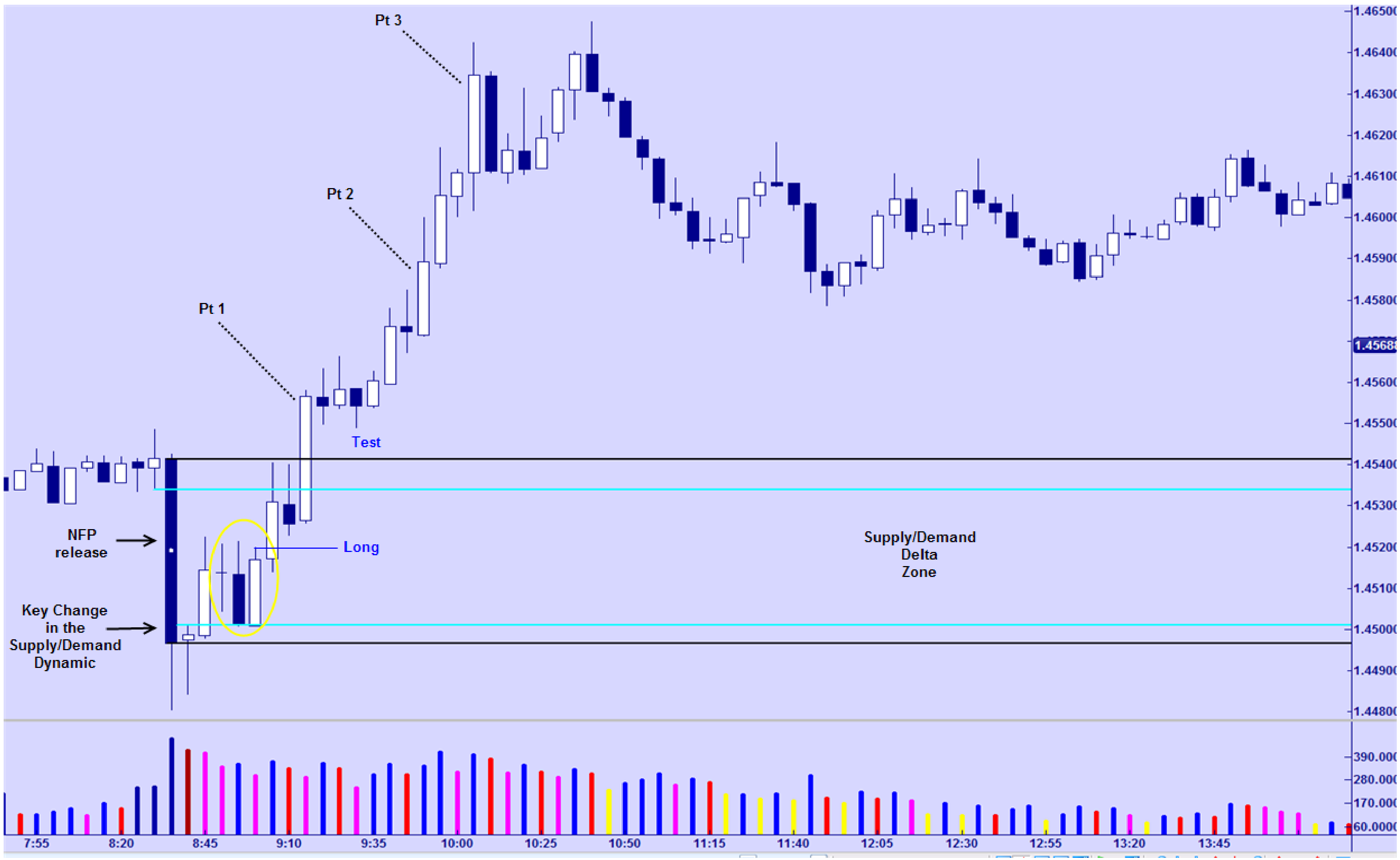
The first candle is a narrower range candle on volume less than the previous two candles and a slightly lower close. This is a Test. The aggressive trader could be looking to get long on a breach of the high on the next interval.

The next interval makes a slightly higher high, which may bring in the aggressive. However, the interval is down. The down close does not confirm the test. But check out the volume. It is lower and less than the previous two candles. This is No Selling pressure.

The third candle confirms the Test and the No Selling Pressure candles. Remember, for a Test to be valid we need 1 of the next 2 candles to close higher. This candle in conjunction with the prior candle forms a 2 candle reversal pattern. Again, we are seeing bullish price action. Now we can look to get long on a breach of the high of this candle.

For those who need more proof, we do get a nice Test bar where a reasonable entry could take place. Note how the candle marked Pt1 is actually a No Buying Pressure candle as it has an increasing range on volume less than the previous two and closes up and near its high. Now note that the Test is testing the validity of this candle. If there was no buying pressure, than there must a reason. That reason might be residual supply in the market. So the SM tests for that residual supply and finds none. Off to the races.

Reaction to Action.
The news candle is the action. The reaction is a rejection of lower prices as the SM was buying into the news.



Pt 3
Pt 2
Pt 1
Test
NFP
release
Long
Key Change
in the
Supply/Demand
Dynamic
Supply/Demand
Delta
Zone
1.46500
1.46400
1.46300
1.46200
1.46100
1.46000
1.45900
1.45800
1.45600
1.45500
1.45400
1.45300
1.45200
1.45100
1.45000
1.44900
1.44800
390.000
280.000
170.000
60.0000
7:55
8:20
8:45
9:10
9:35
10:00
10:25
10:50
11:15
11:40
12:05
12:30
12:55
13:20
13:45

This could be a useful thread for many. Before it gets too large I just wanted to add my 2 pips.

* Support & Resistance are better thought of as Zones or Areas rather than single lines.

* Support & Resistance in and of themselves are not trade signals.

Support & Resistance represent areas where there has been a change in supply/demand. An area of resistance is where sellers (supply) swamp buyers (demand) which may lead to a change in price direction from up to down. It may, just may, lead to a change in price direction, it is felonious therefore to use them as trade signals. Simply, just because price is moving up towards a resistance area, that is not a reason to get short.

Once price reaches the area in question, what price actually does needs to be taken into account. Price may do something or it may do nothing. The key is ***why*** might price do something. Because the area has already been established as an area where a change took place. And the Big Boys remember such areas. What is needed to effectively trade these areas is an entry signal method.

With an entry signal method, a trader can then test the effectiveness of the support/resistance areas used. In other words, one can test trade results taken in areas of support/resistance versus same signal trades taken in "air".

Take a look at the first chart.

This is of the Euro 5 min. There are a few key changes in the supply/demand dynamic represented on the chart. However, at least for me, no entry signals are present. Understanding when and where things change in the market is important in and of itself. These changes are by definition areas of support & resistance as they represent changes in the supply/demand dynamic.

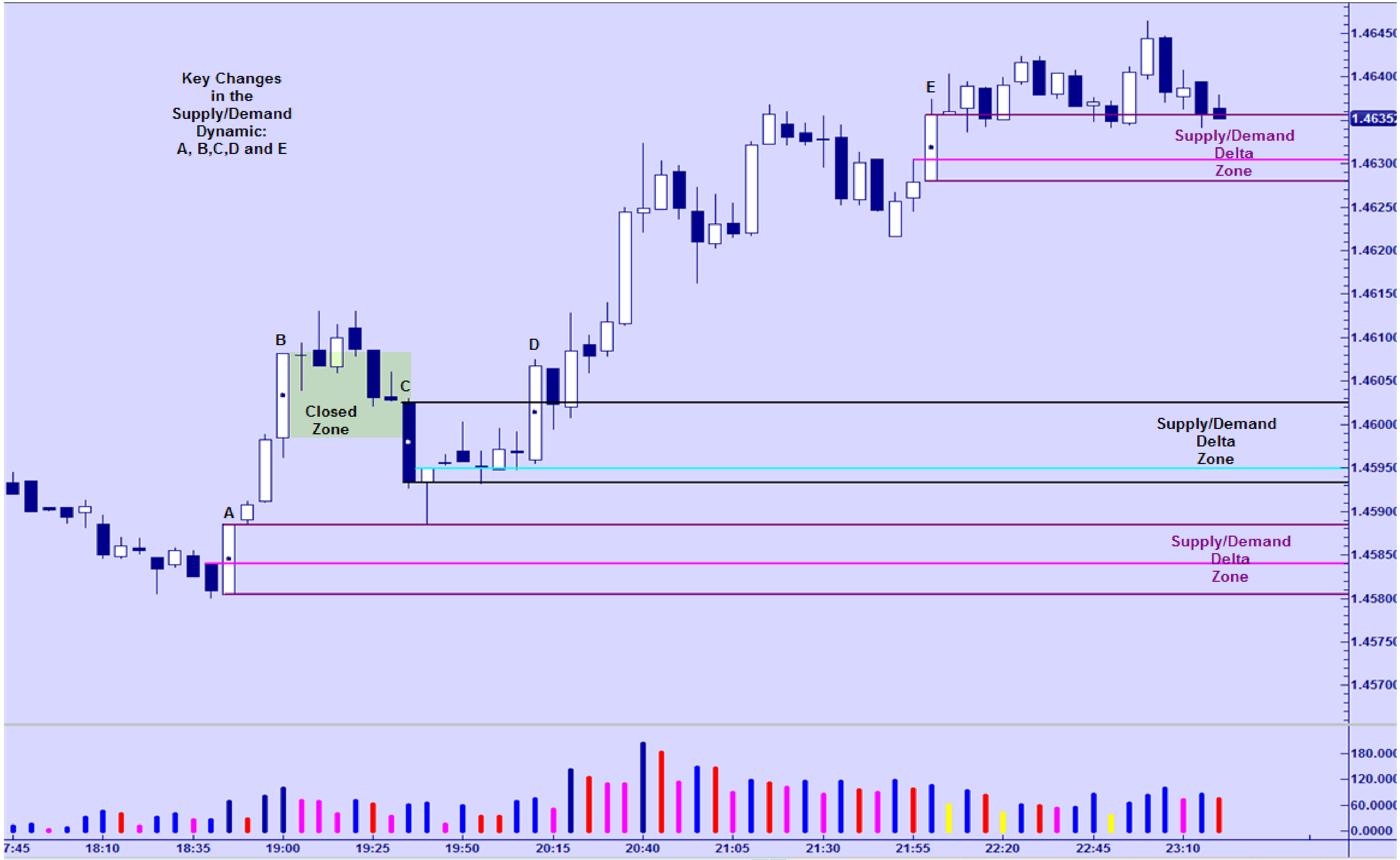
Now look at the second chart.

This is a 5 min Swiss Franc chart. I have removed the volume (as a VSAer this kills me) and the entry method shown is a Japanese candlestick pattern.

What it all comes down to is: Seeing what you want to see (entry signal method), where you want to see it (areas of change in supply/demand).

Don't just go short because price is moving up towards a Naked POC.

This is not a post about which method of defining support & resistance is better. Rather this is a clarification of WHAT support & resistance actually is and is not. Once you understand what it is not, then one can seek to develop an entry signal method to exploit what it is........


Key Changes
in the
Supply/Demand
Dynamic:
A, B,C,D and E
A
B
C
D
E
Closed
Zone
Supply/Demand
Delta
Zone
Supply/Demand
Delta
Zone
Supply/Demand
Delta
Zone
1.46450
1.46400
1.46352
1.46300
1.46250
1.46200
1.46150
1.46100
1.46050
1.46000
1.45950
1.45900
1.45850
1.45800
1.45750
1.45700
180.000
120.000
60.0000
0.0000
7:45
18:10
18:35
19:00
19:25
19:50
20:15
20:40
21:05
21:30
21:55
22:20
22:45
23:10

Quote:

Originally Posted by **tfflyer**

Hello,
here is chart attached.

DR Gep., HiddenGap, Malcom and maybe some other PRO *could take a look and say - what is the things, which would say - DO NOT GO LONG.*

Because, as soon as i see such climatic bars - I am looking only longs..

EDITED: Ofcourse, i am not looking to go long immediately after such climatic bar. Just trying to find some clues after that like Tests, etc. and then go long.

EDITED: I am sure many are with me on this question.

Thank You.

Best,
Tom

The first candle we see here is a climatic action candle indeed. It is ultra wide with ultra high volume closing off the low. The close off the low tells us that there is some demand (buying) within this candle.

VSA would say, ***if*** the next candle is ***up*** then there must have been demand (buying) in the climatic action candle.

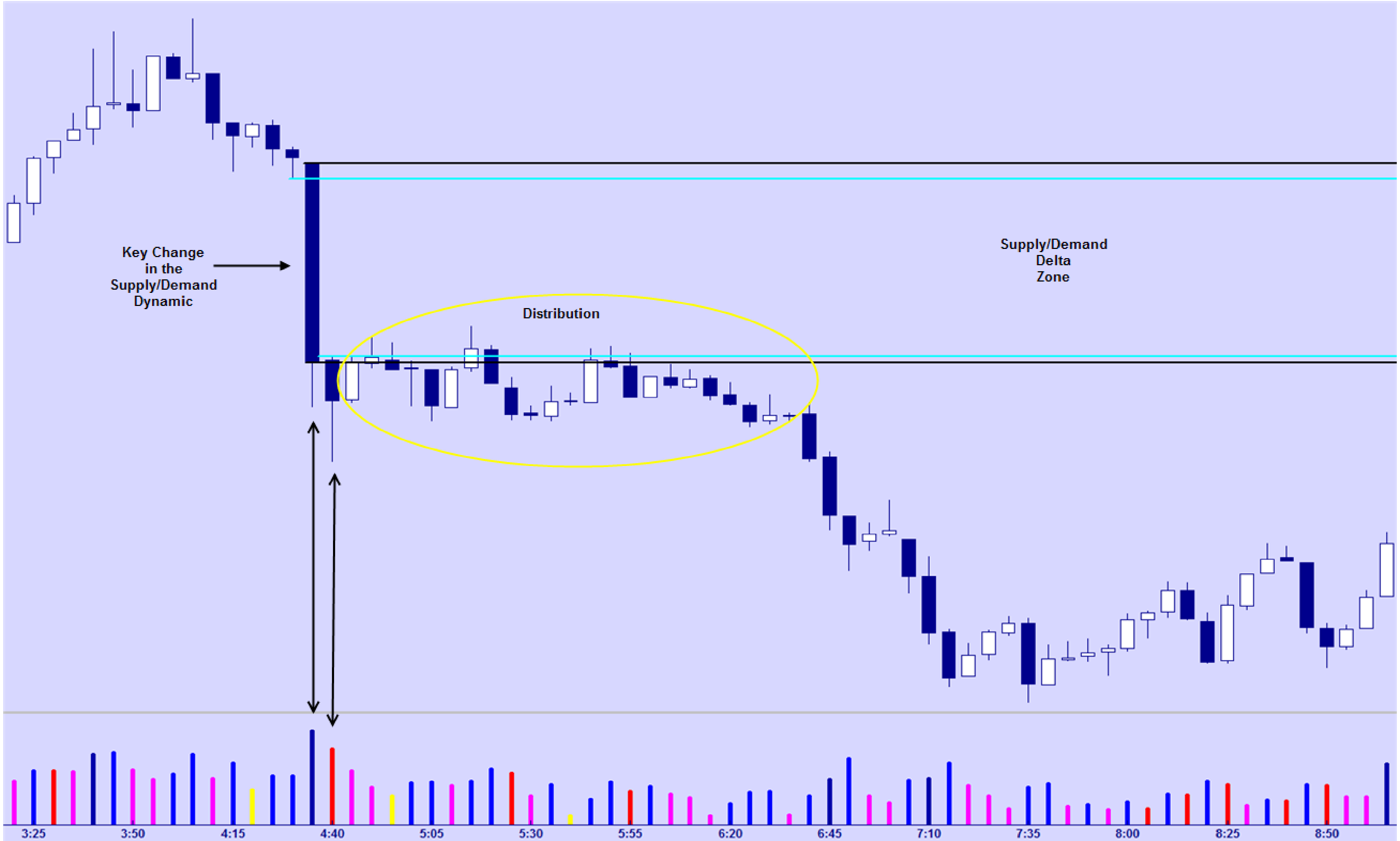
Here we see that the next candle is ***down.***

If the next candle had been down with a narrower range on increased volume, then that would be evidence of strength (buying) both on the second candle and on the first.

As the chart shows, the volume is decreasing on this next candle. While the close is higher than the middle of the range, the candle is not all that bullish.

Ultimately what the market does after that climatic action candle is consolidate/distribute. Notice all the up candles on volume less than the previous two candles. There are tests that fail, and tests that show no result. We see narrow range up candles on increased volume, which are sings of selling (squats).

But our big clue has to do with the candle that immediately follows the climatic action candle.


Key Change
in the
Supply/Demand
Dynamic
Distribution
Supply/Demand
Delta
Zone
3:25
3:50
4:15
4:40
5:05
5:30
5:55
6:20
6:45
7:10
7:35
8:00
8:25
8:50

TFFLYER
My analys of trade how i was thinking when folowing trade...

I would like to hear any comments from expierence traders.
Thank You.
Best,
Tom

1. Lack of demand
2. ND
3. Short on this bar
9. Higher vol, close of the highs-i choose not to close trade.
10. Closed here trade - BE - Was starting to hope .. etc.. etc
8. Some demand, but cant close above previus bar.
7.ND ? I dont know.. Will wait next bar.
4. Demand swamping supply.
6. Confirmation from previus bar analys.
5. Some demand came in.
This is place where i started to think to close trade.. But..
.....GREED...
1.5935
1.5925
1.5915
1.5909
1.5905
1.5895
1.5885
1.5875
1.5865
1.5855
1.5845
1.5835
238.35
7 Oct 13:35
7 Oct 13:55
7 Oct 14:15
7 Oct 14:35
7 Oct 14:55
7 Oct 15:15
7 Oct 15:35
7 Oct 15:55
7 Oct 16:15

Quote:

> Originally Posted by **tfflyer**
> *My analys of trade how i was thinking when folowing trade...*
>
> *I would like to hear any comments from expierence traders.*
>
> *Thank You.*
>
> *Best,*
> *Tom*

Just a few things. You want to pay more attention to the background.

There were many signs of strength prior to your short entry. As you pointed out, #5 shows demand (buying). In fact, on the chart below it is labeled a squat and is a good place to enter long. The following candle is an engulfing candle which is a nice non-vsa confirmation sign.

Let's take a closer look at the left side.

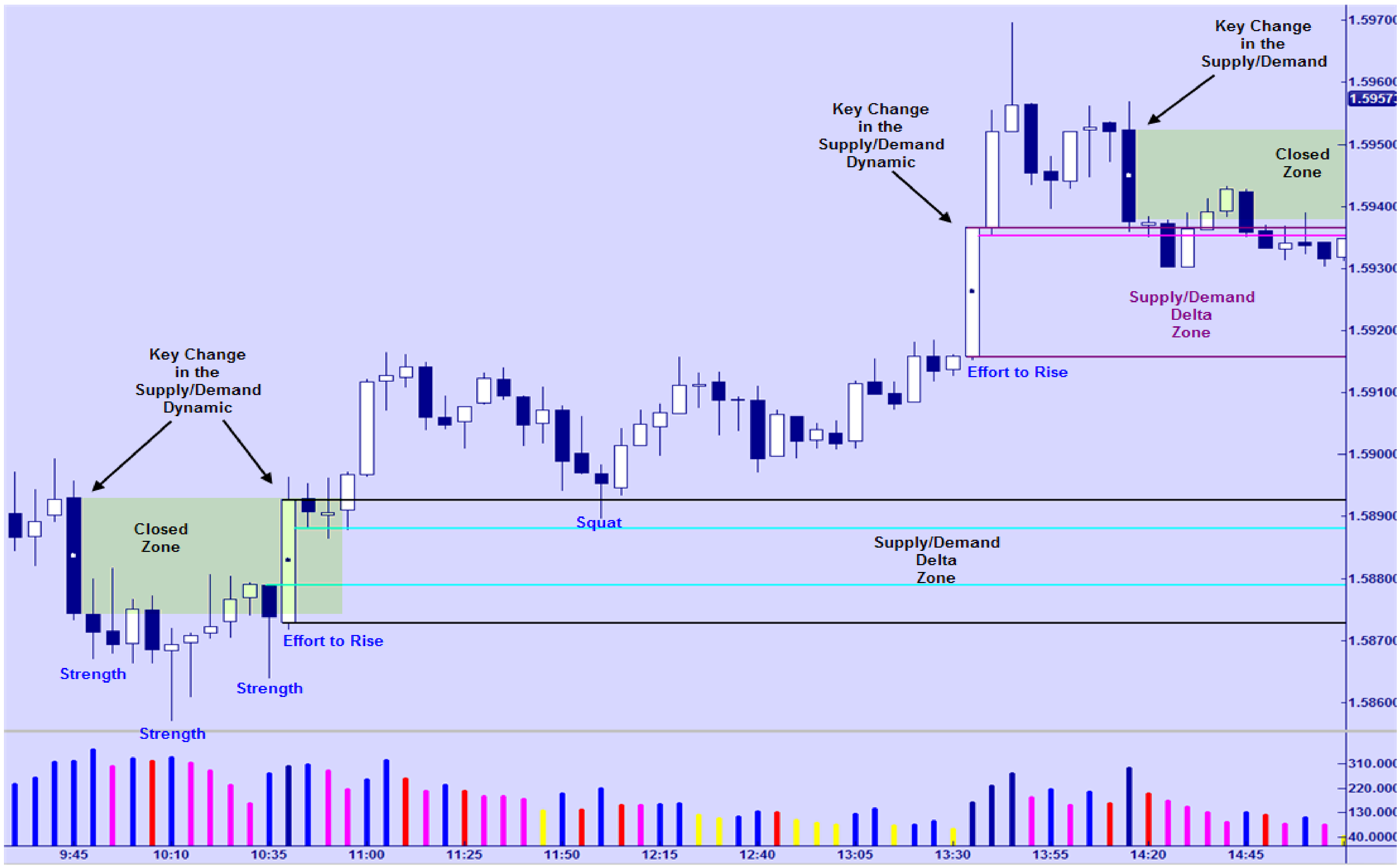
Strength candle 1 (from the left): A narrow range down bar on increasing volume that closes off its low. This is a squat and shows some support (buying) entering.

Strength candle 2 (from the left): Up candle on increasing volume closing near its high. Note that this candle makes a lower low. The long lower shadow here is a sign of buyers entering. One might call this candle a Shake Out.

Before we get to the last marked candle, let's look at the up candles leading up to it. While they all have volume less than the previous two candles, we have to be aware of two things. First, we have seen strength in the background. Second, these candles are not being confirmed as no demand because there are no down closes after them. Note also that we are making higher lows (higher lows is bullish).

Now we get to Strength candle 3 (from the left): Here we do get a down close and lower lows, but this is another Shake Out type candle. The volume is increasing and the close is in the upper 1/3 of the range. Here again, the long lower shadow shows support (buying). The next candle is a nice engulfing candle as well.

Simply, a look at the background should prompt you to be looking for longs and not shorts in the first place. If you were going to look for a counter trend short, you should be looking for a high to ultra high climatic action volume type candle to start off with.


Key Change
in the
Supply/Demand
Dynamic
Closed
Zone
Strength
Strength
Strength
Effort to Rise
Squat
Supply/Demand
Delta
Zone
Key Change
in the
Supply/Demand
Dynamic
Effort to Rise
Key Change
in the
Supply/Demand
Closed
Zone
Supply/Demand
Delta
Zone
9:45
10:10
10:35
11:00
11:25
11:50
12:15
12:40
13:05
13:30
13:55
14:20
14:45

Quote:

> Originally Posted by **tfflyer**
>
> *As i understand from Your explanation - any new climatic action brings "fresh air" on charts and the old ones is not for use.*

From a VSA point of view this is incorrect. The actions on the left don't disappear just because a new climatic action candle appears. If that was the case, then we would of expected prices to fall after the third climatic action candle on the chart. Price falls slightly but eventually moves up. That is because the volume associated with the cause (on the left side) **is** still there.

These things happen in different intensites.

Quote:

> Originally Posted by **tfflyer**
> *Because i tough from Sebastians (TG) video that he was mentioning quite the same situation and what he said was - Look what caused this up move and compare volumes at bottom and at this markup - volume is still more climatic at the bottom. (The same situation what we discuss - at least i see it the same, but its ok - i am mainly all time wrong*

Seb is the man and you should listen to him.

My point is this: If you look at the left side of the chart, only one volume bar is dark blue-the Effort to Rise after the Shake Out type candle. This is because the ranges and volumes are greater during this time of day.

After a period of extended low volume , we begin to see dark blue volume bars. Again, better volume is only looking 20 bars back. The look back can be changed, however, if you prefer a larger amount of intervals. But with a lookback of 20 we start to see "climatic action" volume bars even though the volume is less than the volume bars on the left in absolute terms.

____

Not a lot of activity here, maybe due to the Holiday.

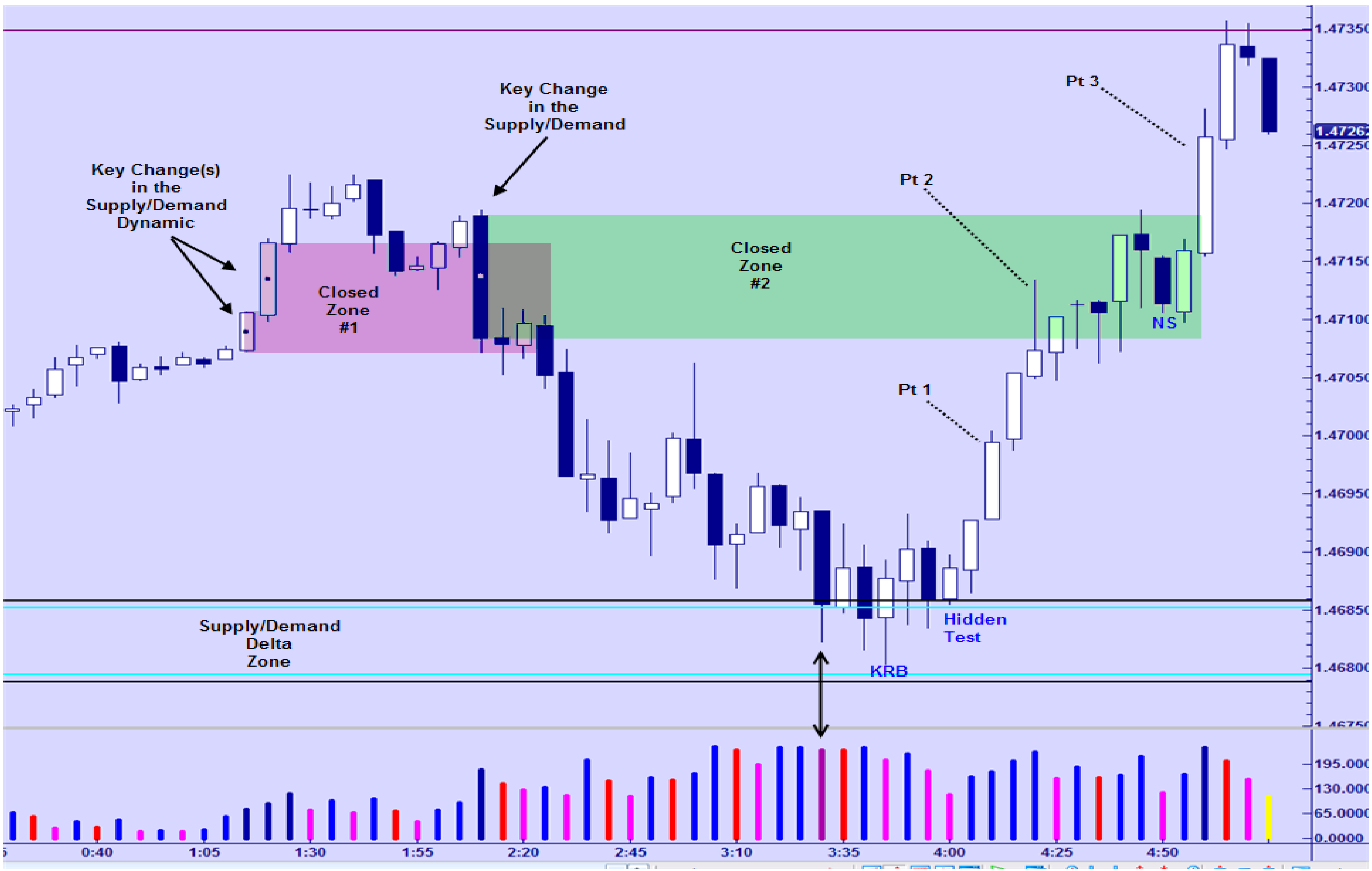
Here's a chart of a trade just taken.

The market gave an interesting "tell" that we don't see much. Take a look at the double arrow. This candle is a wide spread down candle closing off its low with the next candle up on volume less than the previous two candles. But the volume is also climatic. So we are dealing with climatic action candle with volume less than the previous two candles. If we couple that with the close off the low and the next candle down, we know we are dealing with no real selling pressure here.

Technically, we want a close on or near the low for no selling pressure, but what else can be going on here?

3 intervals later, we get a nice Key Reversal Bar (candle). It makes a lower low than the previous candle, opens higher than the close of the previous candle and closes above both the previous close and its open. Entered long on the next candle.

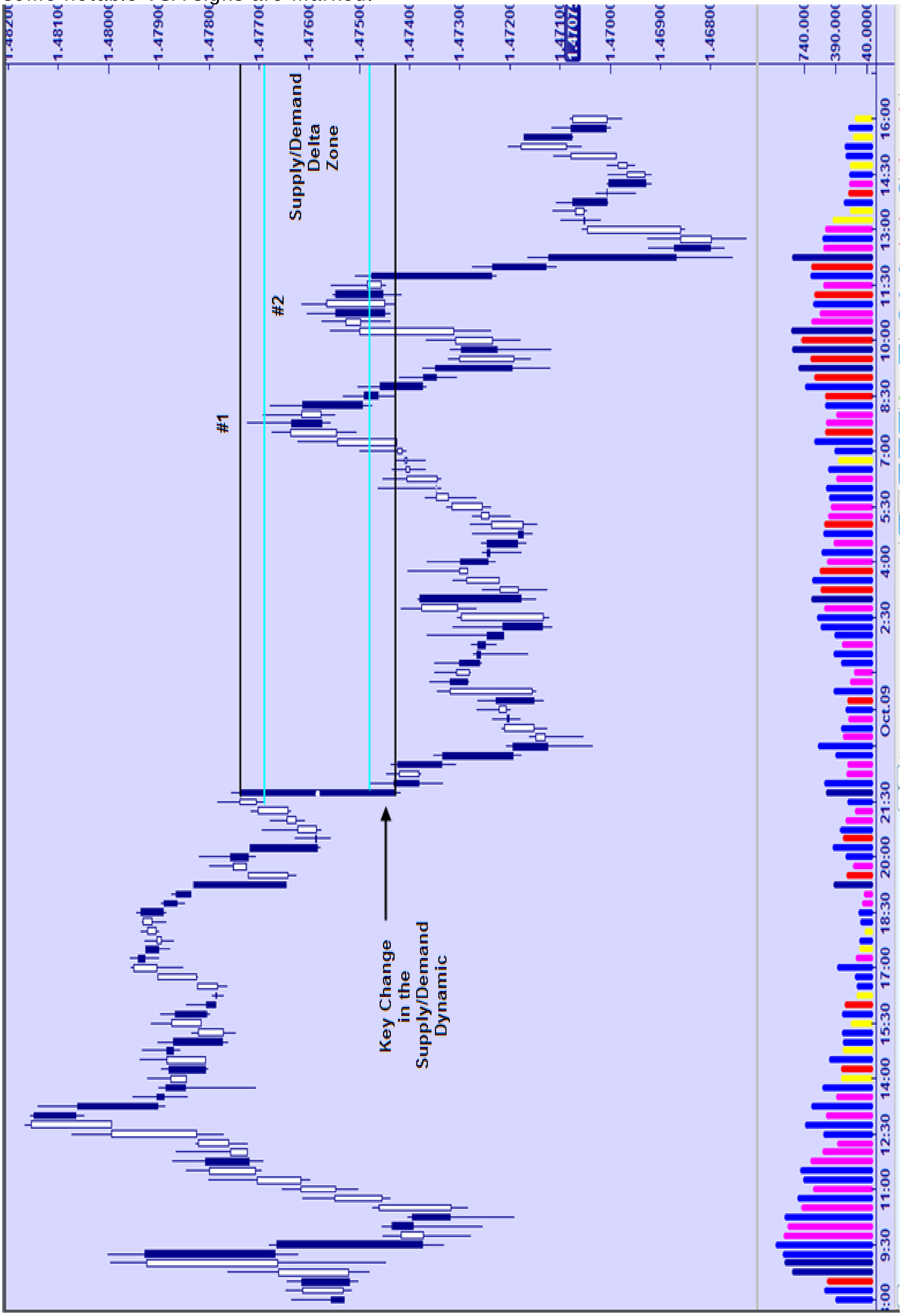
If that entry was missed, there was another opportunity as a hidden test appears 3 intervals later just before the price surge.

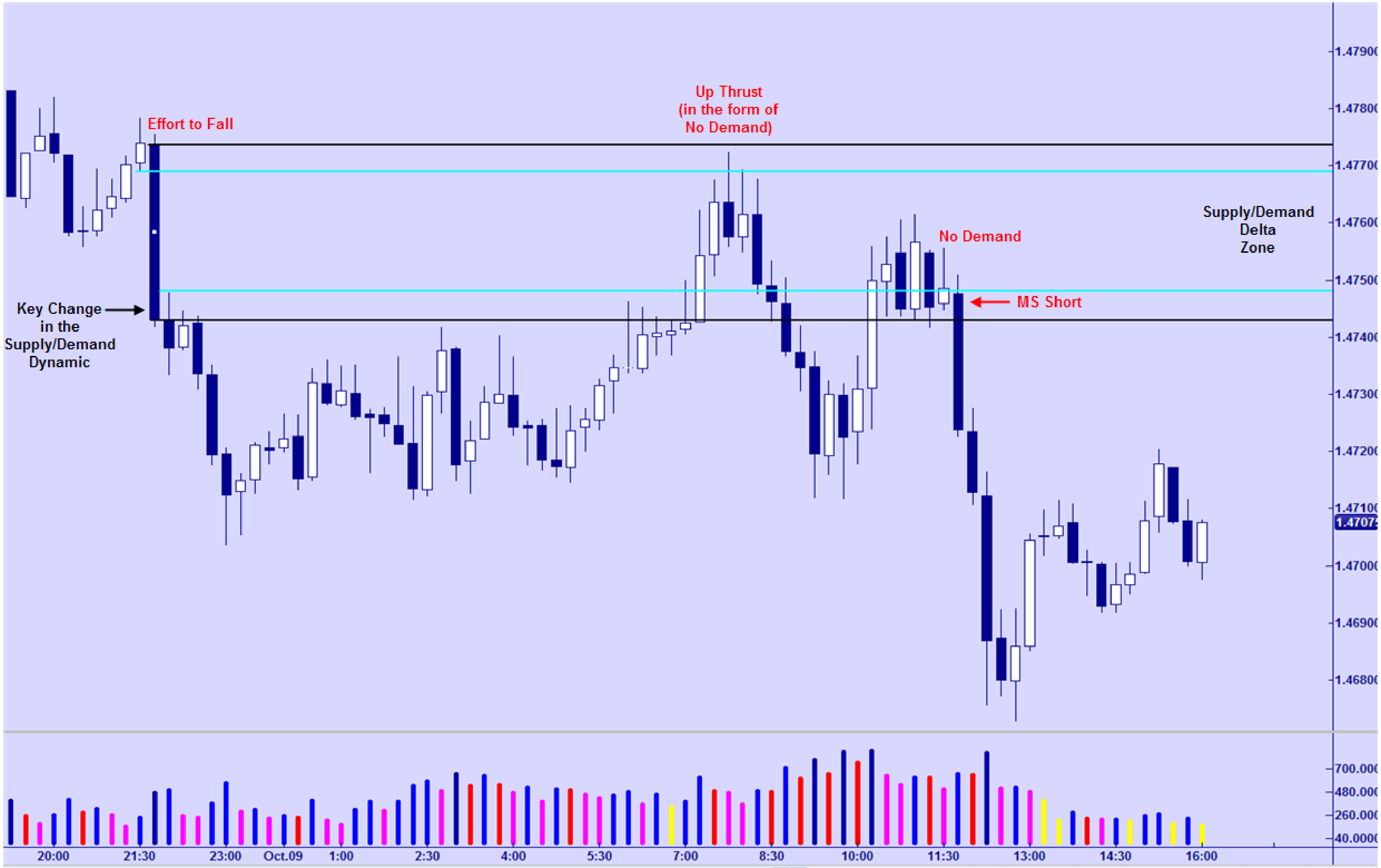


Key Change(s)
in the
Supply/Demand
Dynamic
Key Change
in the
Supply/Demand
Closed
Zone
#1
Closed
Zone
#2
Pt 3
Pt 2
Pt 1
NS
Hidden
Test
KRB
Supply/Demand
Delta
Zone
1.47350
1.47300
1.47263
1.47250
1.47200
1.47150
1.47100
1.47050
1.47000
1.46950
1.46900
1.46850
1.46800
195.000
130.000
65.0000
0.0000
0:40
1:05
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50

Just wanted to post these two pics.

The first one the forest and the second one is the trees. From the forest, we get the market structure. We see that the trend is down and we see the market making lower highs within a supply/demand delta zone. On the second chart, which is just zoomed in, some notable VSA signs are marked.




Effort to Fall
Key Change in the Supply/Demand Dynamic
Up Thrust (in the form of No Demand)
No Demand
MS Short
Supply/Demand Delta Zone
1.47900
1.47800
1.47700
1.47600
1.47500
1.47400
1.47300
1.47200
1.47100
1.47000
1.46900
1.46800
700.000
480.000
260.000
40.0000
20:00
21:30
23:00
Oct.09
1:00
2:30
4:00
5:30
7:00
8:30
10:00
11:30
13:00
14:30
16:00

Quote:

Originally Posted by **tfflyer**

HiddenGap,
i just relooked to Your picture - i have question regarding hidden test.
Shouldnt hidden test be atleast of the lows when closing ?

Thanks.

Best,
Tom

A hidden test closes up and is often mistaken for a misplaced no demand.

Ideally, a hidden test makes a lower low and then closes up. In the case you are asking about, it does not make a lower low but is an inside bar: neither a lower low nor a higher high.

A normal test will close down or equal to the previous close.

Simply, it's the up close that makes it hidden.

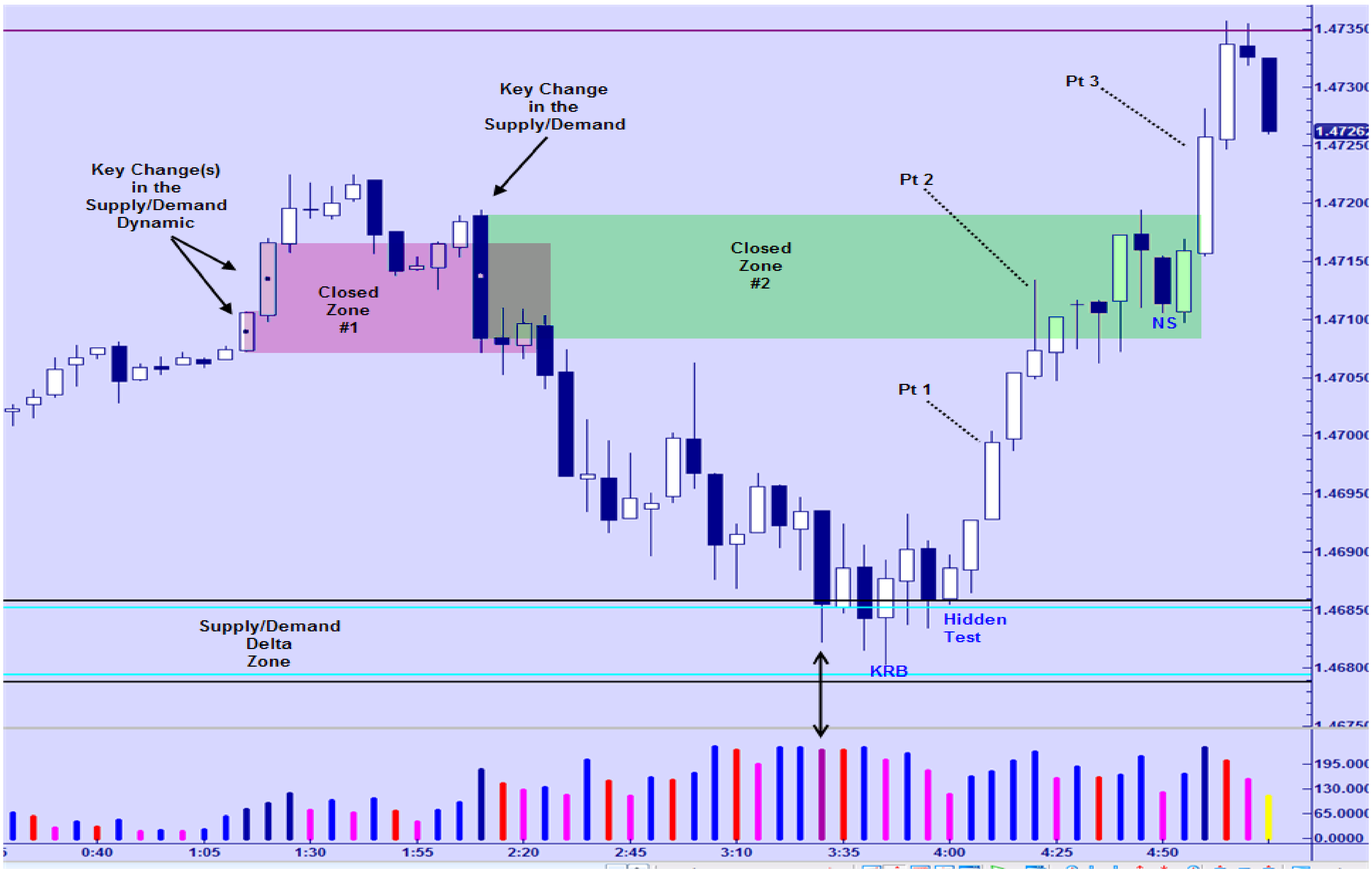
Quote:

> Originally Posted by **rockk**
> *Hi HG,*
> *sorry I have to comment. I was reading your post untill you said 3 interval later we get a nice Key Reversal bar.*
> *can we say that this is a KEY reversal bar? specailly it closed below the both the high and the open of the previous bar(the previous bar was a down bar)*

The candle marked KRB did not close down, it closed up.

The definition of Key Reversal Bar being used here, makes no reference to the high. The candle needs only to make a lower low (for bullish reveral), open higher than the previous close, and close higher than both the previous close and its open. If the close is slightly off the high that is good too.

This definiton comes from various "price action" trading sites and obviously is not a VSA definition as it employs the open which VSA does not.


Key Change(s)
in the
Supply/Demand
Dynamic
Closed
Zone
#1
Key Change
in the
Supply/Demand
Closed
Zone
#2
Pt 2
Pt 1
Pt 3
NS
Hidden
Test
KRB
Supply/Demand
Delta
Zone
1.47350
1.47300
1.47262
1.47250
1.47200
1.47150
1.47100
1.47050
1.47000
1.46950
1.46900
1.46850
1.46800
195.000
130.000
65.0000
0.0000
0:40
1:05
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50

There was a question about closed zones.

I consider a zone open until there is a close below, a close above and some price action thru the zone. Once a zone is closed, it is no longer a valid area to enter a trade. Some traders do continue to use closed zones for profit targets. And some very advanced traders do continue to use closed zones for signals.

Once a zone is closed, I remove the lines to help keep the chart clutter to a minimum.

The below chart just shows what happens in this particular zone AFTER it has had price action on both sides but no close above. Some traders close the zone at point A. But requiring a close above and not just price action above tells a different story. For whatever reason, this area is important to the market and continues to act as upside resistance.

Key Change
in the
Supply/Demand
Dynamic
A
Supply/Demand
Delta
Zone

"The market takes the stairs up and the elevator down"....

There is a reason for this and Tom explains it in MTM. This post is not so much about that, but the concept can be plainly seen in the chart below. I just wanted to highlight this in light of the fact that today is the anniversary of black Monday.

On to this really nice set up.

Like most of the truly best VSA set ups, this one starts with climatic action. Here we have a wide spread down candle closing near its high on ultra high volume. This candle is stopping volume. The market is plummeting down then the BBs step in and become buyers. Whilst the close is down from the previous close, it is in the upper 80% of its own range. Simply, if all the volume was selling the candle could not close so high.

The next candle is down. This, however, is not confirmation of selling on the previous candle. In fact, if you look at the volume on this candle you see that it is less than the previous two candles. This is No Supply.

We have to be careful here. The really aggressive might want to enter here. There is a better enter. Despite the fact that the volume on the stopping volume candle is bullish, we know that it MUST BE TESTED as all high volume is tested. Therefore, we are waiting for the test. Some might want to wait for a confirmed sign of a trend change as well. This is where Gavin would be saying look for a change in the color of the diamonds.

As expected the next candle is up. But we have not missed anything here. The market begins to meander sideways to slightly down for a bit. 5 intervals later, we get an interesting candle. It is a dark (open>close) candle on increasing volume closing on its low. For those using WRB Analysis, this sets up a "fading volatility opportunity". From a VSA perspective, this candle is not as bearish as it looks. Why? Well, the close is not lower than our No Supply candle. So while the volume is increasing on a down candle, the market is failing to make a lower low than an area that found no supply.

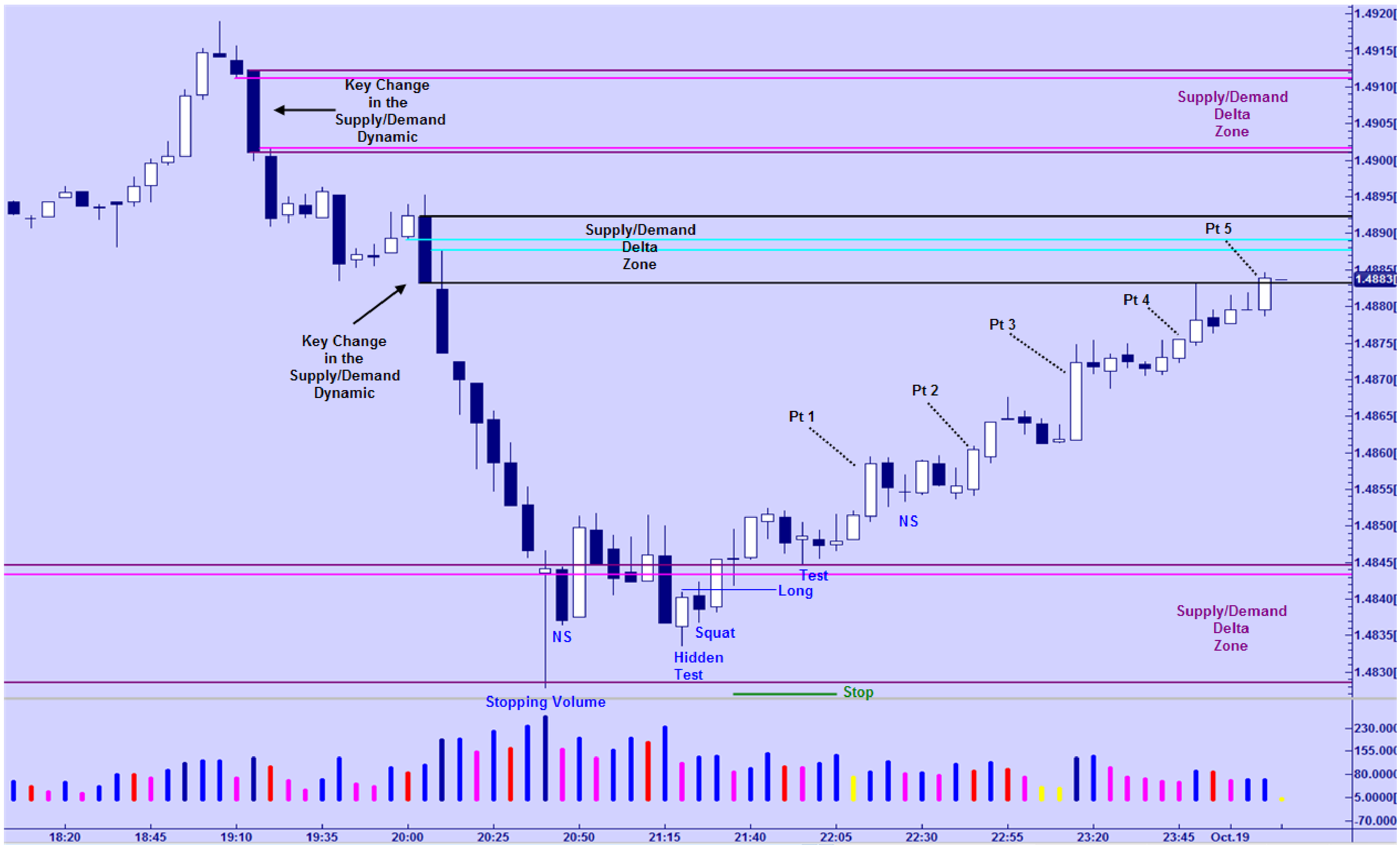
The next candle is what we have been looking for. This is a test. not an ordinary test, however, a hidden test. Why is it hidden? Well the close is up and the candle makes a lower low on volume less than the previous two candles. And we are not only within the Supply/Demand Delta Zone, we are also within the shadow of our stopping volume candle. Note how this candle does trade lower than the No Supply candle's low, but it gets rejected closing up and near its high. A breach of the high of this candle is the entry.

The next candle brings us into the market. This candle happens to close down, but the range is narrow with increasing volume. This candle is a squat. The narrowing range as price tries to fall, shows that there is support from the BBs in this candle.

Stops are personal. With that said, I think the ideal place to put the initial stop is a few ticks under the low of the Stopping Volume candle. If this candle was not lower than the low of the S/D Zone, I would place the stop just below the low of the Zone.

Another personal issue now comes into play: managing the trade. Some will look for a profit target. Some will take partials and some will trail a stop. Still others will use a combination of two or all three. There will also be those that will only look to exit upon the appearance of a signal in the opposite direction. No method is perfect but the choice is the traders to make.

I guess I will end this post as it began. Note how easily (quickly) the market seemed to fall on the left side and how much more time it took for the market to get back to the level of the lower Delta Zone. There are VSA reasons for this phenomenon and all VSAers should be aware of this. Keep reading MTM people. It's not a Holy Grail but it certainly is our Bible.


Key Change
in the
Supply/Demand
Dynamic
Supply/Demand
Delta
Zone
Supply/Demand
Delta
Zone
Key Change
in the
Supply/Demand
Dynamic
Pt 5
Pt 4
Pt 3
Pt 2
Pt 1
NS
NS
Test
Long
Squat
Hidden
Test
Supply/Demand
Delta
Zone
Stopping Volume
Stop
1.4920
1.4915
1.4910
1.4905
1.4900
1.4895
1.4890
1.4885
1.4883
1.4880
1.4875
1.4870
1.4865
1.4860
1.4855
1.4850
1.4845
1.4840
1.4835
1.4830
230.000
155.000
80.0000
5.0000
-70.000
18:20
18:45
19:10
19:35
20:00
20:25
20:50
21:15
21:40
22:05
22:30
22:55
23:20
23:45
Oct.19

Quote:

Originally Posted by **kermut**

Hello HG,

Many thanks for your detailed explaination.

From everything I have read in this thread, it seems that when we sit down to trade, we are basically looking for a move to develop, for it to continue, and then looking for signs that the move is exhausted and the reversal of themove is in play. From your chart in this post, there are pretty much clear signs about the move back up, including non-vsa patterns.

What I would like to know is how to analyzes to take that train south on the left....

Unless otherwise stated my charts are of the 5 min. timeframe.

There is a very nice, but advanced short entry there. Followed by a second entry involving our good friend: no demand.

I do not have access to my charts at this time, but if you bare with me I will talk you through it. Just refer to the chart in the previous post.

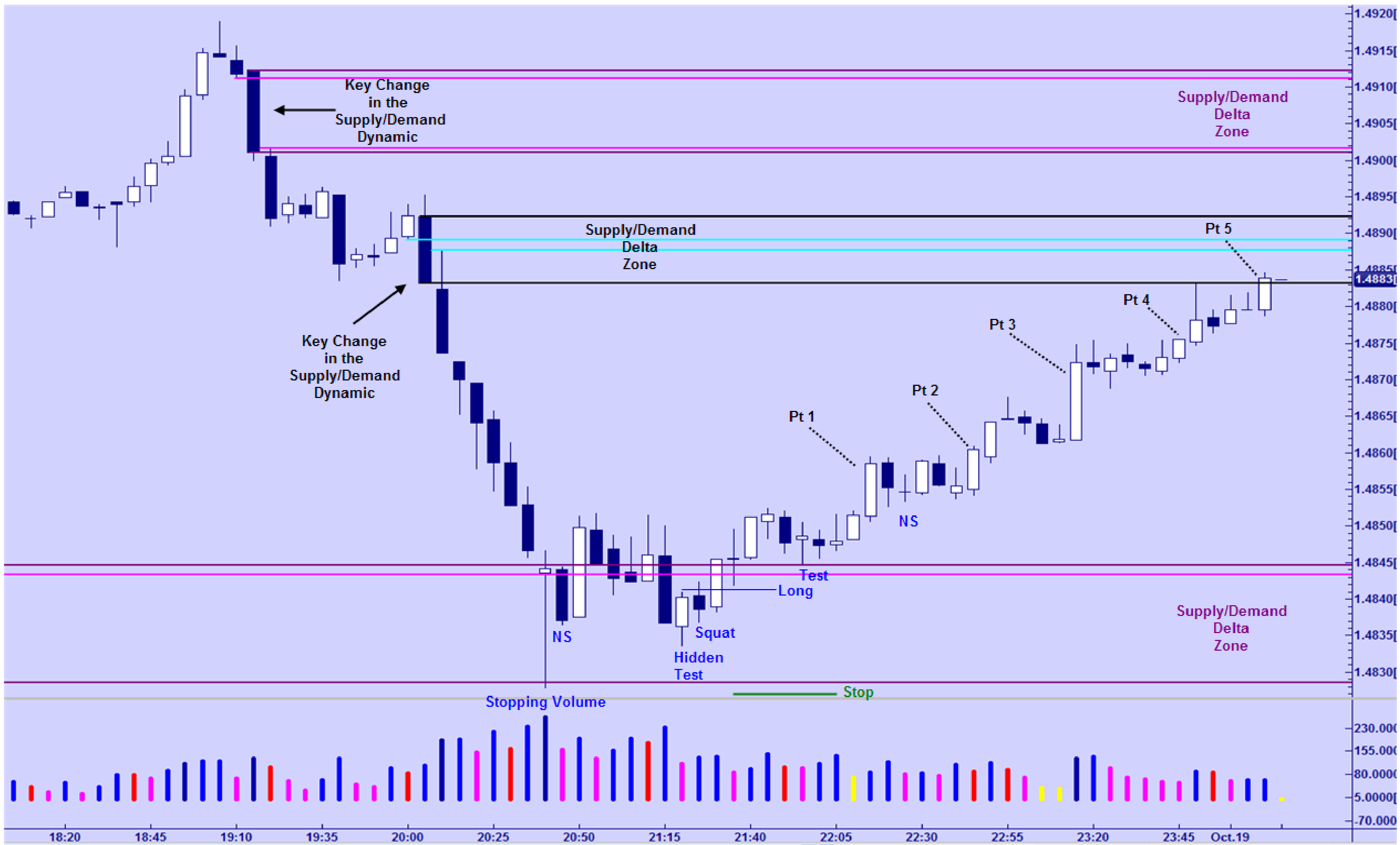
Counting 11 intervals from the left, we see a climatic action up candle with the next candle up. Although the next candle is up, we know markets do not like up candles on high or ultrahigh volume. Because they may contain "hidden" selling. The next candle is the tip off.

The next candle, while closing up, has a narrower range and increasing volume. This is a squat. So we know there is selling on this second candle and likely some selling (supply) on the first candle.

The very next candle makes a higher high but closes down and on its low on increasing volume as well. This is an UpThrust. So have seen three consecutive weak candles culminating in an UpThrust. This is an entry Tom Williams would take. Others at a high degree of skill might take this also.

Now look at the first up (and white) candle just below the top S/D Zone. It has a narrow range and volume less than the previous two candles after a change in trend. That's no demand. This is the "safer" entry signal. Whilst the next candle is down confirming the no demand, we don't get a lower low to bring us in to the market. That comes three interval later.

____



Key Change
in the
Supply/Demand
Dynamic
Supply/Demand
Delta
Zone
Supply/Demand
Delta
Zone
Pt 5
Pt 4
Pt 3
Pt 2
Pt 1
Key Change
in the
Supply/Demand
Dynamic
NS
Test
Long
NS
Squat
Hidden
Test
Supply/Demand
Delta
Zone
Stopping Volume
Stop
1.4920
1.4915
1.4910
1.4905
1.4900
1.4895
1.4890
1.4885
1.4883
1.4880
1.4875
1.4870
1.4865
1.4860
1.4855
1.4850
1.4845
1.4840
1.4835
1.4830
230.000
155.000
80.0000
5.0000
-70.000
18:20
18:45
19:10
19:35
20:00
20:25
20:50
21:15
21:40
22:05
22:30
22:55
23:20
23:45
Oct.19

Been slow around here of late. All the VSAers must be making too much money to post.

Here's a trade from a couple days ago.

There are some interesting things here. Let's take a look at the chart.

A. I know I have said it many times before, but it bars repeating. The best place to start with is an ultra high/ high volume climatic action candle. This is what we have here. Note that it closes off the high but the next candle is up. VSA tells us that markets don't like high volume up candles. Because they may contain "hidden" professional selling. This one did. Our first clue is the close. If volume represents effort, then the result is the close and in this case it doesn't match what we would expect with respect to the effort involved.

B. The next candle is up and making a higher high. Yet the range narrows and the close this time is in the lower half of the candle's range. Volume is decreasing here as well. The low close here shows supply swamping demand in the upper region of the range. This candle is an Up Thrust, although it is not an ideal example. We would prefer a lower close but the location (after an uptrend and after a climatic action candle are enough to signal that this is an UpThrust).

C. Here the range narrow further and the close remains in the lower portion of this candle, but this time the volume is less than the previous two candles. This is No Demand.

Since we have seen climatic action (effort to rise) we have seen two up candles both on decreasing volume. The market can't be strong as the BBs are withdrawing from the upside. We know they are withdrawing because volume is decreasing.

An aggressive trader might enter here on the breach of the low of the No Demand candle.

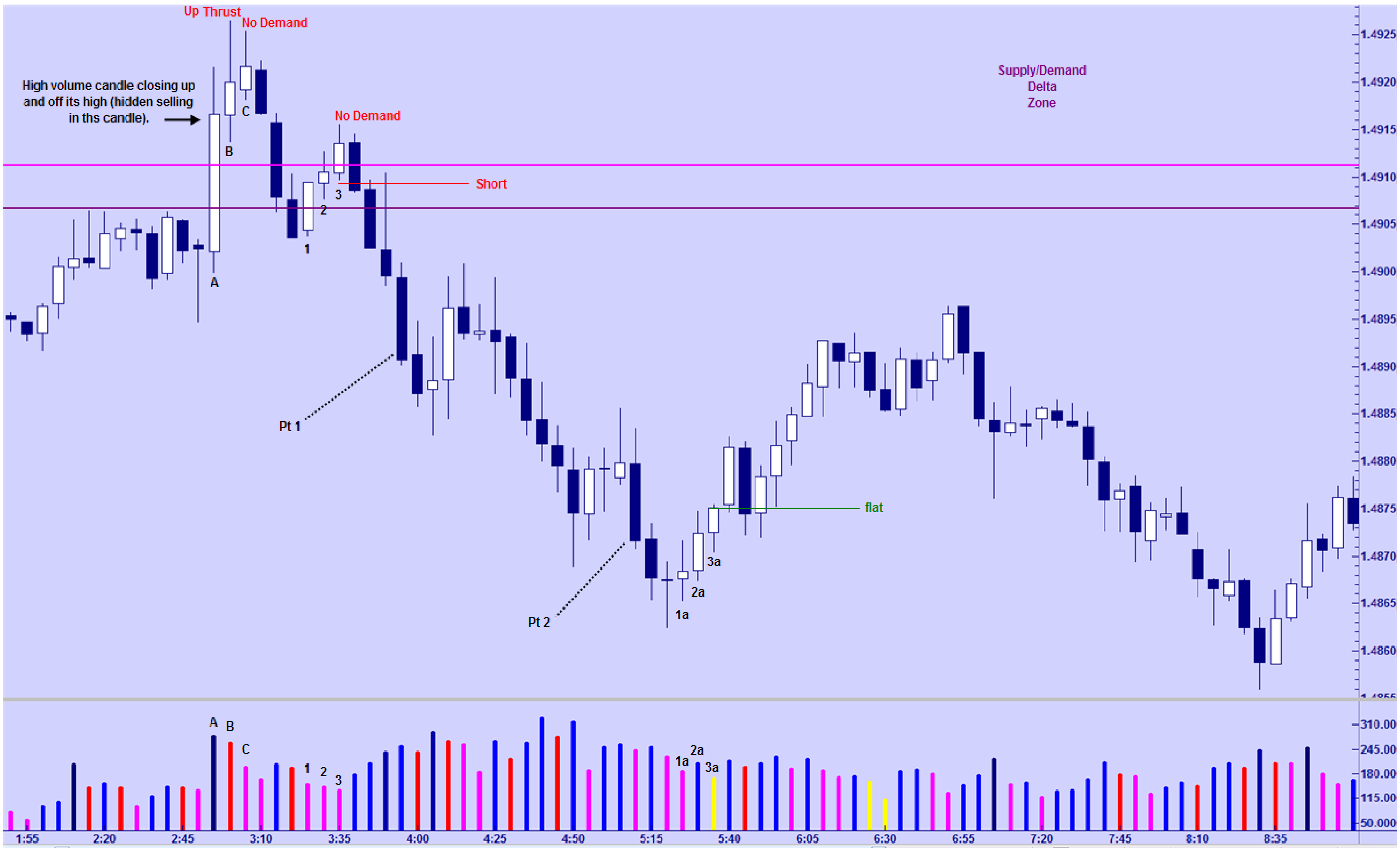
There is another, "Safer", entry still to come.

1. After seeing three straight dark (open>close) candles closing lower, see this narrow range up candle closing on its high with volume less than the previous two candles. This is No Demand. We do not get confirmation as the next candle is up.

2. As stated this candle is up. The range is narrow and the volume continues to decrease. This is another No Demand candle. Like the previous candle, it too does not confirm.

3. Three is the No Demand of consequence. Unlike the previous two it does confirm with the next candle down. From my perspective this is the better short, because not only is this candle within the supply/demand delta zone, it is also within the body of A-our high volume climatic action candle that started it all off. And we have seen the turn in trend.

1a.-3a. Show the first series of three (3) consecutive higher closes with lower lows and higher highs. Even though 3a has volume less than the previous two candles and is the lowest volume in 20 (yellow), this is the place to get flat. Especially since profit has already been taken on at least two (2) EB7s.



Up Thrust
No Demand
High volume candle closing up
and off its high (hidden selling
in ths candle).
A
B
C
No Demand
1
2
3
Short
Supply/Demand
Delta
Zone
Pt 1
Pt 2
1a
2a
3a
flat
1.4925
1.4920
1.4915
1.4910
1.4905
1.4900
1.4895
1.4890
1.4885
1.4880
1.4875
1.4870
1.4865
1.4860
310.00
245.00
180.00
115.00
50.000
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50
5:15
5:40
6:05
6:30
6:55
7:20
7:45
8:10
8:35

Here's my perspective:

I don't like no demands that make lower lows. In Hindsight, I would call that candle a Key Reversal Bar/Hidden Test that fails.

As a KRB, it makes a lower low, opens higher than the previous candle's close, closes higher than the previous close and its own open and closes slightly off the high. I would be looking to enter on the next candle on a breach of the KRB's high, which does not happen.

As a Hidden Test, it makes a lower low, closes up and near its high, and has volume less than the previous two candles. Again, the next candle does not make a higher high to bring us into the market. More importantly, we do not get confirmation on the next two candles with closes higher than the close of the hidden test candle.

At the time, I think I was too concerned with looking for the No Demand to see the obvious weakness that was presenting itself.

Quote:

> Originally Posted by **tfflyer**
> *Thank You for reply.*
>
> *But then i have next question :*
>
> *If first candle after the test breach high of test candle and NEXT (2nd) candle is NOT closing above test - That would mean re-evalute the situation and perhaps to exit ?*
>
> *Best,*
> *Tom*

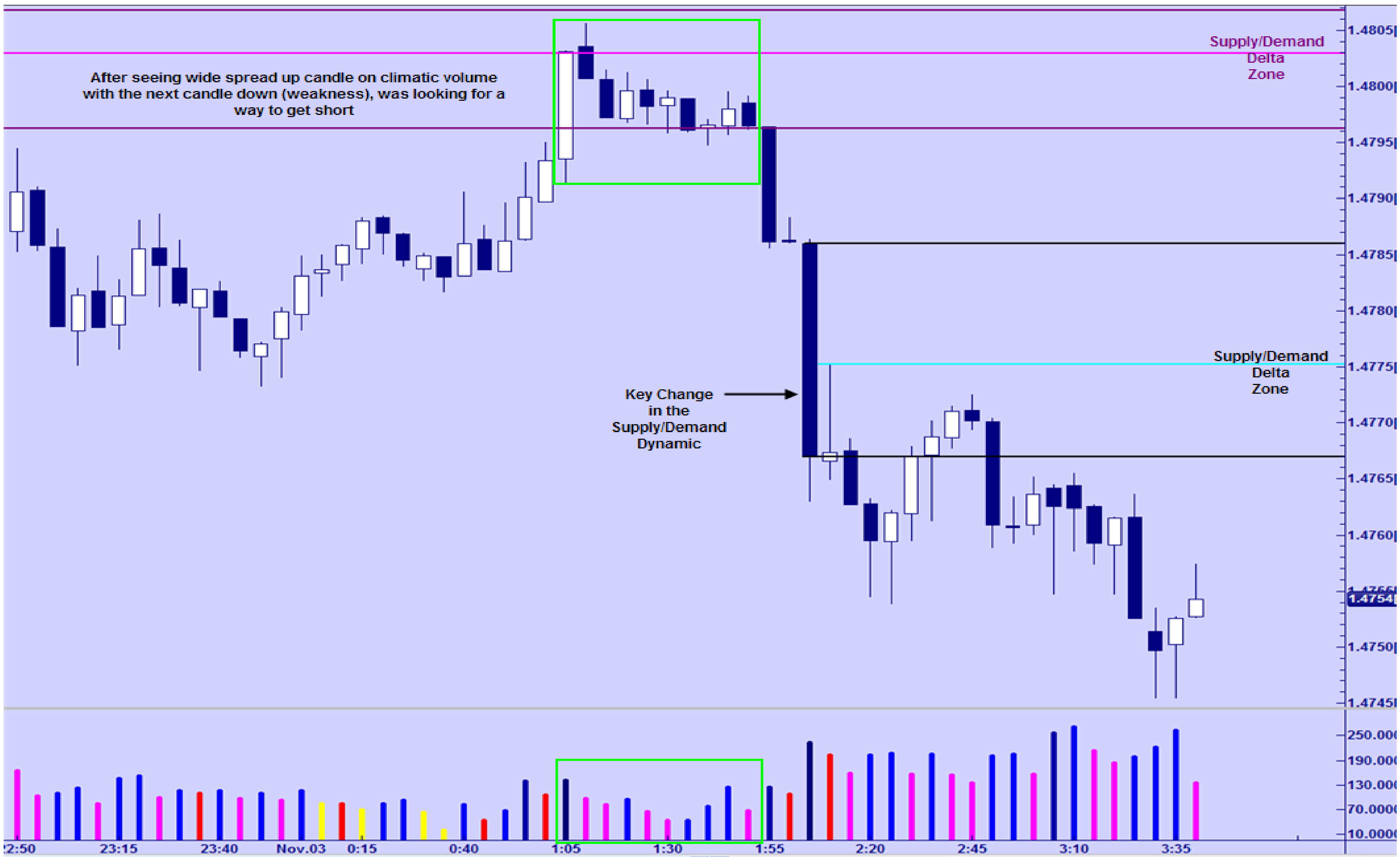
Let's clarify the situation:

1. The next candle makes a higher high, which brings us into the market, but closes lower than the close of the test candle.

2. The second candle fails to make a higher close than the test candle.

Well, that would mean the test failed since neither of the two following candles made a higher close than the test candle. A failed test implies residual supply (weakness) in the market and we are seeing this after we have gotten long. Yes, we would want to re-evalute the situation. (If the market is actually strong, we would expect an immediate re-test. Volume this time will be lower than the volume on the prior test.)

An immediate exit of the position may or may not be in order. That's a personal decission.


After seeing wide spread up candle on climatic volume with the next candle down (weakness), was looking for a way to get short
Supply/Demand Delta Zone
Key Change in the Supply/Demand Dynamic
Supply/Demand Delta Zone
1.4805
1.4800
1.4795
1.4790
1.4785
1.4780
1.4775
1.4770
1.4765
1.4760
1.4754
1.4750
1.4745
250.000
190.000
130.000
70.000
10.000
2:50
23:15
23:40
Nov.03
0:15
0:40
1:05
1:30
1:55
2:20
2:45
3:10
3:35

Quote:

Originally Posted by **denverdude**
HG, Malcom or other VSA experts:
Trying to find if/when there were any VSA entries on this E/$ M5 chart.

In the attached image, I've circled two areas that I was watching after the news release.

I'm wondering if VSA signaled any entry at those points. I'd appreciate if there was or if there wasn't.

Also, whenever we are looking for a low-volume test, are we looking for the "yellow" volume bar
or
is it just a relative low volume compared to, say, the last 4-5 bars?

Many times I find myself looking for that low volume test and waiting...

I have to start out by saying that the VSA signs have not been as crisp and clear lately. I hope this is not an indication that the good Dr. is right.

I have attached my chart. There is a lot to see here. Before we begin, let's remember that there was a news release. Not just any news release, but one of the more important ones: NFP.

VSA tells us that such news releases are used by the Smart Money to take positions against the herd, and usually in the opposite direction of the initial reaction. We always want to keep that in mind.

Now the chart:

A. NFP comes out at 0830 hrs. This is the candle that starts at 0830 and ends at 0835, thus this is our news candle. We can see that the previous candle has climatic volume as well, but is of little import to us. This candle, is an ultra wide spread down candle closing well off its low on ultra high climatic volume.

If all the volume here is negative, then the close should not be off the low and certainly not in the middle of the range. The long shadow represents support (buyers entering). This is a strong candle. We should note that the initial reaction of the news is a down candle.

B. This candle closes up from A. If A was truly weak, then B should not close up. This candle also has a long lower shadow showing support (demand entering) even as it makes a lower low than the previous candle. Volume decreases but is still high. This is a shake out type candle.

C. Skip ahead two candles to C. This is an ultra wide spread down candle closing on its low, but with volume less than the previous two candles. This is no selling pressure. The Smart Money is not selling on this candle. In other words, they are disinterested in lower prices at this time. If the SM is not interested in lower prices, they must expect prices to rise. That would be the path of least resistance, and price always moves in the path of least resistance.

D. A narrower range candle closing off its low and in the upper portion of its range on increased volume. This is a Squat. Note that while this candle makes the lowest low of all candle we've seen since 0835, it does not close lower than the previous lows.

If we step back for just one minute we see an interesting thing. The previous candle, C, closes within the long shadows of A and B, but had LESS volume than either candle. Candle D also closes within the shadows but the volume is higher than C yet still LESS than either A or B. But since the volume is increasing as the range decreases, we know that something must be supporting the market-demand.

From a non-vsa perspective, the next candle after the squat is engulfing and offers an entry signal to some.

E. High volume up candle that closes off its low with the next candle down. Markets do not like up candles on high to ultra high volume. While the volume is a bit high here, we must note that the market is pushing into an area of support. VSA tells us that volume needs to increase when price pushes thru support/resistance. So this in itself is not a signal to short. To know if this high volume is weakness or strength pushing thru support, the SM needs to test.

F. This is a narrow range up candle on volume less than the previous two candles. It does not make a higher high nor a lower low, it is an inside candle and a hidden test. Not easy to see. The previous candle had volume less than the previous two and a closed down but off its low. This candle showed no supply as it also closed in the middle of its range.

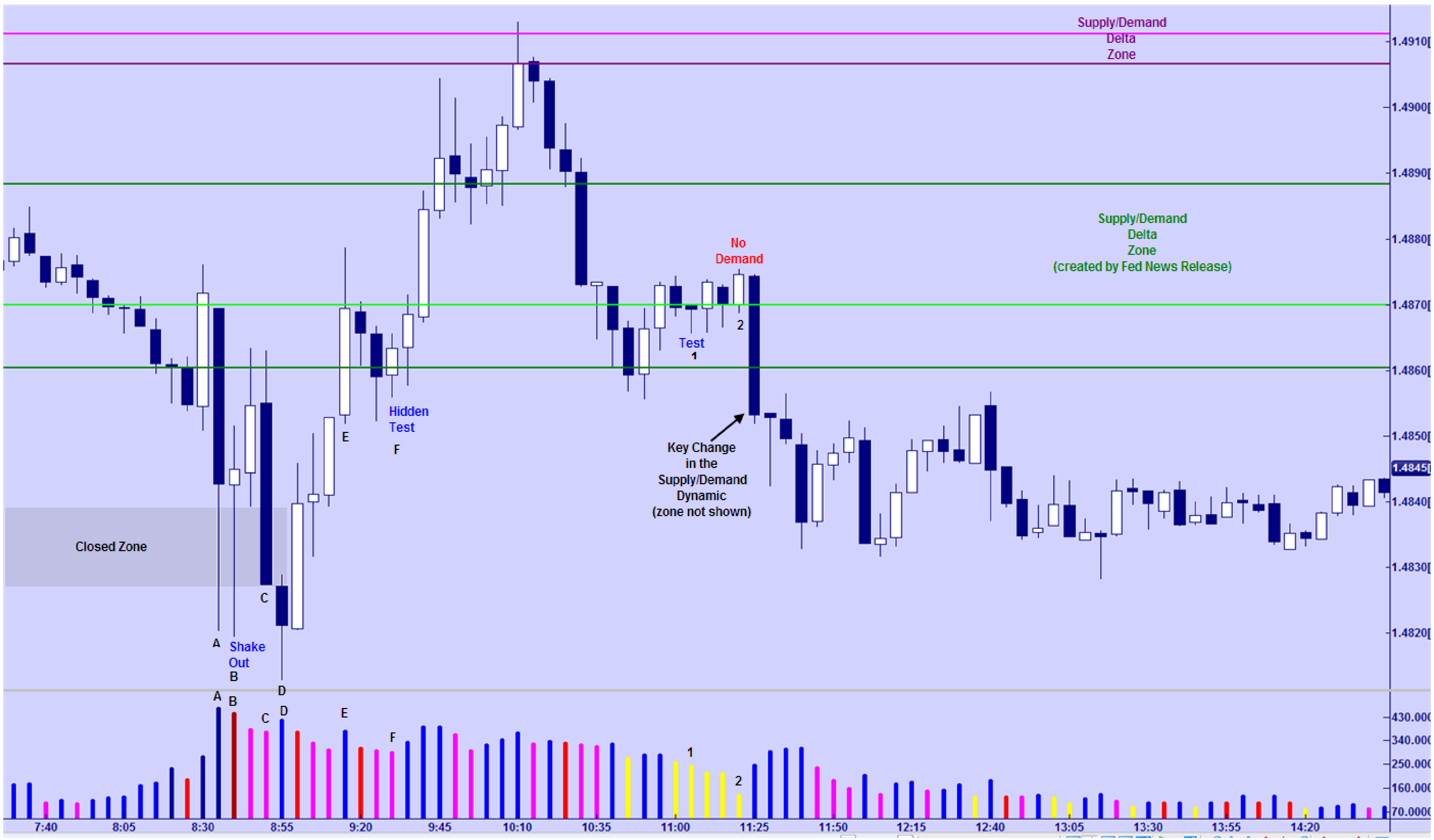
F has even less volume.

We know the market is strong. The background is littered with strength. Even E is not truly weak. So with strength all around and a hidden test, we can get long on the breach of the high of our hidden test.

Therefore there is an entry where you were looking. Low volume is defined as volume less than the previous two volume bars. It does not need to be yellow.

As for the second circled area on the right. The entry is a bit more suspect. However there is a good test at 1. We get no results from this test however. Just prior to the large dark candle, we get a No demand. Notice here that there is a series of yellow candles. The no demand has the least volume of all the yellow candles.

This side is much harder(subtle) to see, but you were already looking in this area so you might have been able to pick it up.


Supply/Demand
Delta
Zone
Supply/Demand
Delta
Zone
(created by Fed News Release)
No
Demand
Test
1
2
Hidden
Test
E
F
Key Change
in the
Supply/Demand
Dynamic
(zone not shown)
Closed Zone
A
Shake
Out
B
C
D
1.4910
1.4900
1.4890
1.4880
1.4870
1.4860
1.4850
1.4845
1.4840
1.4830
1.4820
430.000
340.000
250.000
160.000
70.000
7:40
8:05
8:30
8:55
9:20
9:45
10:10
10:35
11:00
11:25
11:50
12:15
12:40
13:05
13:30
13:55
14:20

Quote:

> Originally Posted by **egkid**
> *Can you tell what do you read from this weekly chart G/U,Where are we going?*

There is no point in trying to predict the market. The future is unknown and not knowable. The better question to be asking (yourself) is, "What do I need to see to get either long or short?" Once you can answer that the question becomes, "Where do I need to see it?"

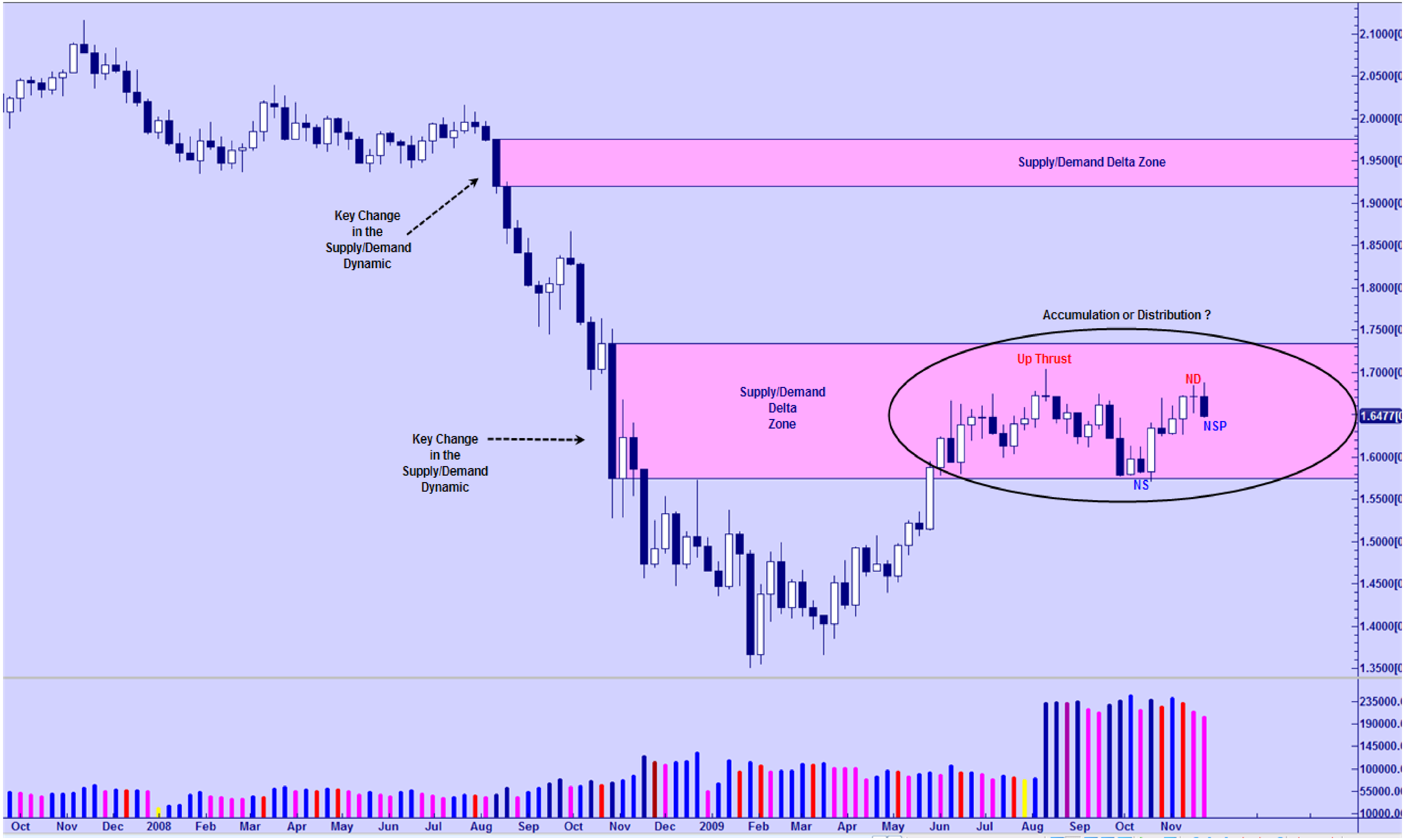
I don't trade off a weekly chart, nor do I trade cable. I have taken a quick look at the chart and it is pretty interesting.

From a non vsa point of view, I am first struck by where price is now and what it is doing within this area. It looks to be consolidating in an area where there previously was a key change in the supply/demand dynamic. Another word or words for this consolidation would be accumulation or distribution. We can see both up candles and down candles on volume less than the previous two candles. This is typical during this type of market phase.

THE BULLISH CASE:
Notice the NS (no supply) candle at the bottom of the WRB zone. While the volume is less than the previous two, it is a bit high. If we skip all the way to the last candle, we see a down candle closing near its low on volume less than the previous two candles. This is No Selling Pressure. Note that the volume not only less than the previous two candles but also less than the aforementioned no supply candle. IF the market is bullish, we want to see a down candle on volume less than the previous two candles that closes on or near its high. This would be a test.

THE BEARISH CASE:
Notice there is an Up Thrust in the background as price made a move up. The high of this Up Thrust is a lower high. If the market is making lower highs, it can't be in an up trend. The Second to last candle is an up candle closing in the middle on volume less than the previous two candles-No Demand. So we have No Demand following an Up Thrust and the up candle, which is the No Demand is failing to make a higher high than the Up Thrust. The next candle confirms the no demand but volume drops off. IF the market is bearish, we could see a down candle on increasing volume. After which we would be looking for an up candle on low volume (another no demand). Or we could see a failed test. This test would have High volume telling us that there is supply underneath the market which would be bearish.

As this is a U.S. Holiday shortened week, we have to be careful. Again, no prediction here, just some things you ought to be looking for in the price action. Rather than focusing on what price might or should do, focus on what price is doing. Ultimately, the market is building a cause for its next move whichever way that may be.


Supply/Demand Delta Zone
Key Change
in the
Supply/Demand
Dynamic
Accumulation or Distribution ?
Up Thrust
ND
NSP
NS
Supply/Demand
Delta
Zone
Key Change
in the
Supply/Demand
Dynamic
Oct
Nov
Dec
2008
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2009
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov

Originally Posted by **tfflyer**
Hello HG,

after ND there is down bar and You marked it as NS bar.

But, isnt it result (down bar) versus effort (ND) ?

Or, ND is valid ONLY if there is down bar with INCREASE volume?

Thank You.

Best,
Tom

No Demand (ND) is defined as a narrow range up candle/bar with volume less than the previous two candles/bars. It is confirmed if and only if the next bar is down.

But let's back up for a second. What does the low volume (less than the previous two) tell us? It tells us that the SM is neither active nor interested in the movement on that interval. In other words, the candle/bar is going up but the BBs are not participating in the movement.

So if the next candle/bar which confirms the No Demand has even less volume than the No Demand itself, doesn't that mean that the BBs are even less active and interested than they were on the prior candle/bar?

Take a look at the chart below.

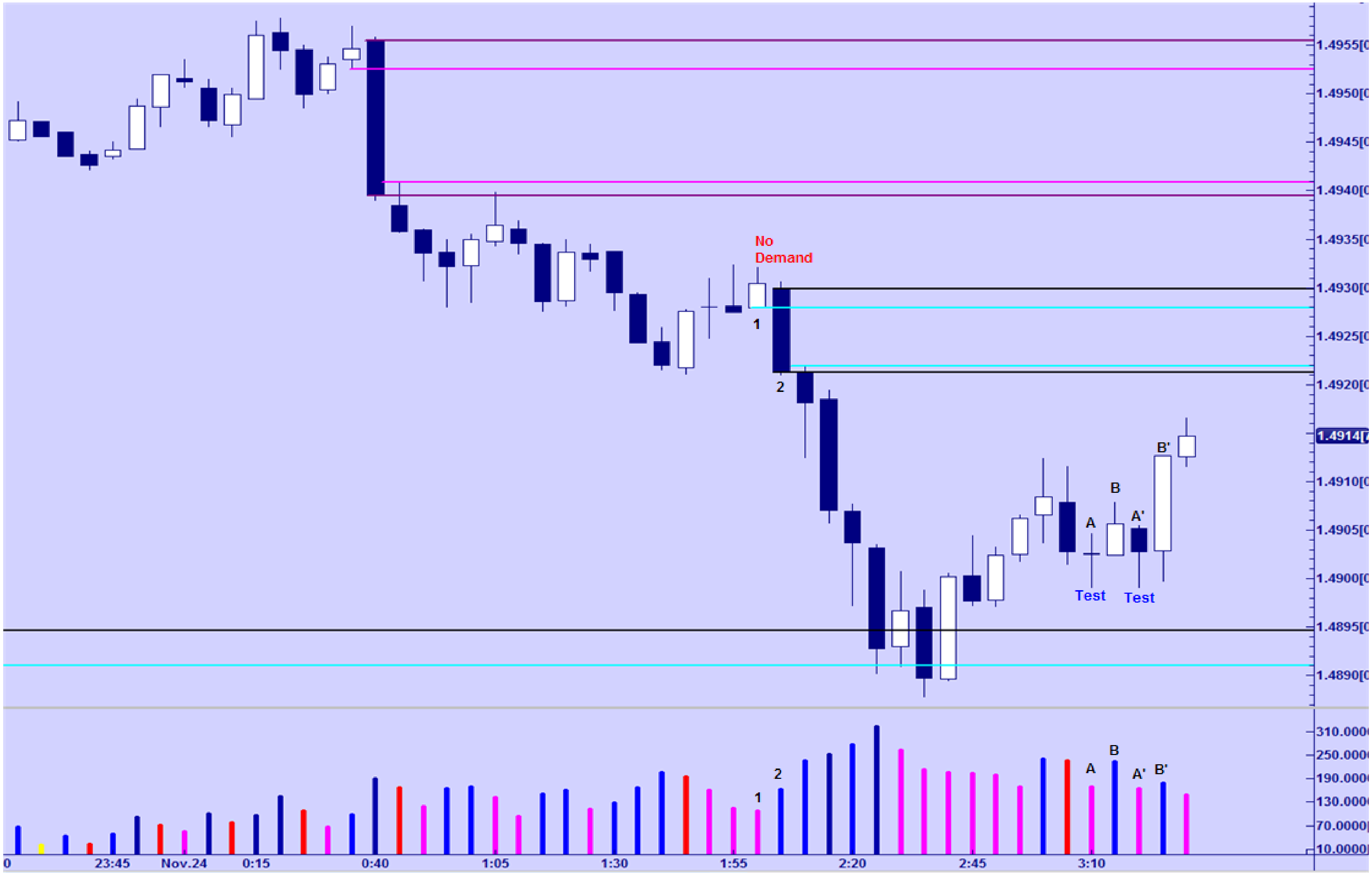
#1 is a classic No demand. it is a narrow (NR4) range up candle on volume less than the previous two candles closing off its highs.

#2 confirms that #1 is No Demand as it closes lower. But look at the volume. Along with the range, it has increased. This tells us that while the BBs were not active on the previous candle, they are more active here. This would of course make sense. They were not interested in higher prices because they knew the market was weak. Once they see an up candle on low volume they are sure that path of least resistance is down. We would expect volume to increase (effort) in the direction of the path of least resistance.

The opposite is true of a test.

A. is a very nice example of a test. The following candle confirms the test candle and has increasing volume. Again, if a test is "good" then volume would be low. This shows little supply underneath the market. It also shows little professional activity as the price is marked down. On the next candle we want to see that professional activity return in the form of increased volume.

A' and B' are yet another example.



No
Demand
1
2
A
B
A'
B'
Test
Test
1.4955
1.4950
1.4945
1.4940
1.4935
1.4930
1.4925
1.4920
1.4914
1.4910
1.4905
1.4900
1.4895
1.4890
310.000
250.000
190.000
130.000
70.0000
10.0000
0
23:45
Nov.24
0:15
0:40
1:05
1:30
1:55
2:20
2:45
3:10

Quote:

> Originally Posted by **denverdude**
> *HG,*
> *As always, thanks for your detailed explanation.*
>
> *I thought this chart might help with the low volume ND and even lesser volume confirmation candle.*
>
> *Today's $CHF M5 chart.*

Thanks Denver. I have a couple of issues with your pic, however:

1. No Demand should be on a narrow range candle. It can be equal in range to the previous but it is prefered that it is narrower. When the range is increasing, it is not no demand.

2. As I look at the volume, I fail to see two consecutive candles where both have volume less than the previous two. No demand has volume less than the previous two candles. For the next candle to have less volume it too must have volume less than the previous two candles.

With that said, it is true that a no demand can be followed by a down candle on even less volume and the market can still go down. But look at the picture of cable that started this discussion and then look at a current chart. Cable is up. Why? Well, I don't know why. But I do know that the no demand was followed by a down candle with even less volume.

If volume is activity, then the SM was less active AFTER the no demand than on it. That can't be good if you are looking for prices to fall......

BTW, the left side only proves my point. Prices did rise on decreasing volume but the move was suspect. That's why price was near a top. If that move was to be trusted, we would want volume to increase in the direction of the move- up candles on increasing volume.

Let's go back to MTM:

Bullish volume is increasing volume on up bars. Or decreasing volume on down bars.

Bearish volume is increasing volume on down bars. Or decreasing volume on up bars.

____


Price going up on lower volumes after climax high
Example of ND on low volume (#1) and confirmation candle on lesser volume (#2)
1.00

Quote:

Originally Posted by **s21**

hi, can you please help me find which of the follow situations provide a good entry in eur/usd, 15 min chart. i did'nt find a valid entry and i'm curious about your opinion.

blue square it's first attempt to break the resistance; high vol/narrow spread and next candles make higher highs at narrow spread/lower vol => no demand;
olive square it's the second attempt we have a buying climax(i think...) but the next candle who suppose to confirm had very high vol wich made me worry..
orange square it's the attempt to break the...

I'll take a shot at a couple of them.

First let me say that your personal trading style matters. You really need to know what it is you are looking for and where it is you want to see it.

plume square: From my perspective the first thing to note is there is a key change in the supply/demand dynamic via a WRB. I want to see certain things within (primary) or around (secondary) this area.
Now suppose I used a MA. I would love to see price find support or resistance at that MA. Moreover, I would like that support or resistance to be coming on low volume. That is to say, I would like to see No Demands, Tests, or No Supply candles at the MA. This is the case here. The double arrow points to a really nice No Supply candle just slightly off the MA. The next candle closes up (confirming the no demand) and has increased volume. It trades lower and hits the MA but closes on its high.

If you are looking for signal around the MA, then it was indeed there.

orange square: From your post, it appears that you do notice that the white candle is pushing thru a resistance, or supply, area. VSA tells us that a move thru a resistance area usually will need to come on increasing volume as it did here. The high volume will, however need to be TESTED. The double arrow here points to a test. Note that this test is back on the resistance line, which has now become support. In truth, some may see this test as no supply. Either way, the volume is low as price falls and hits the prior resistance line. This is a screaming buy.

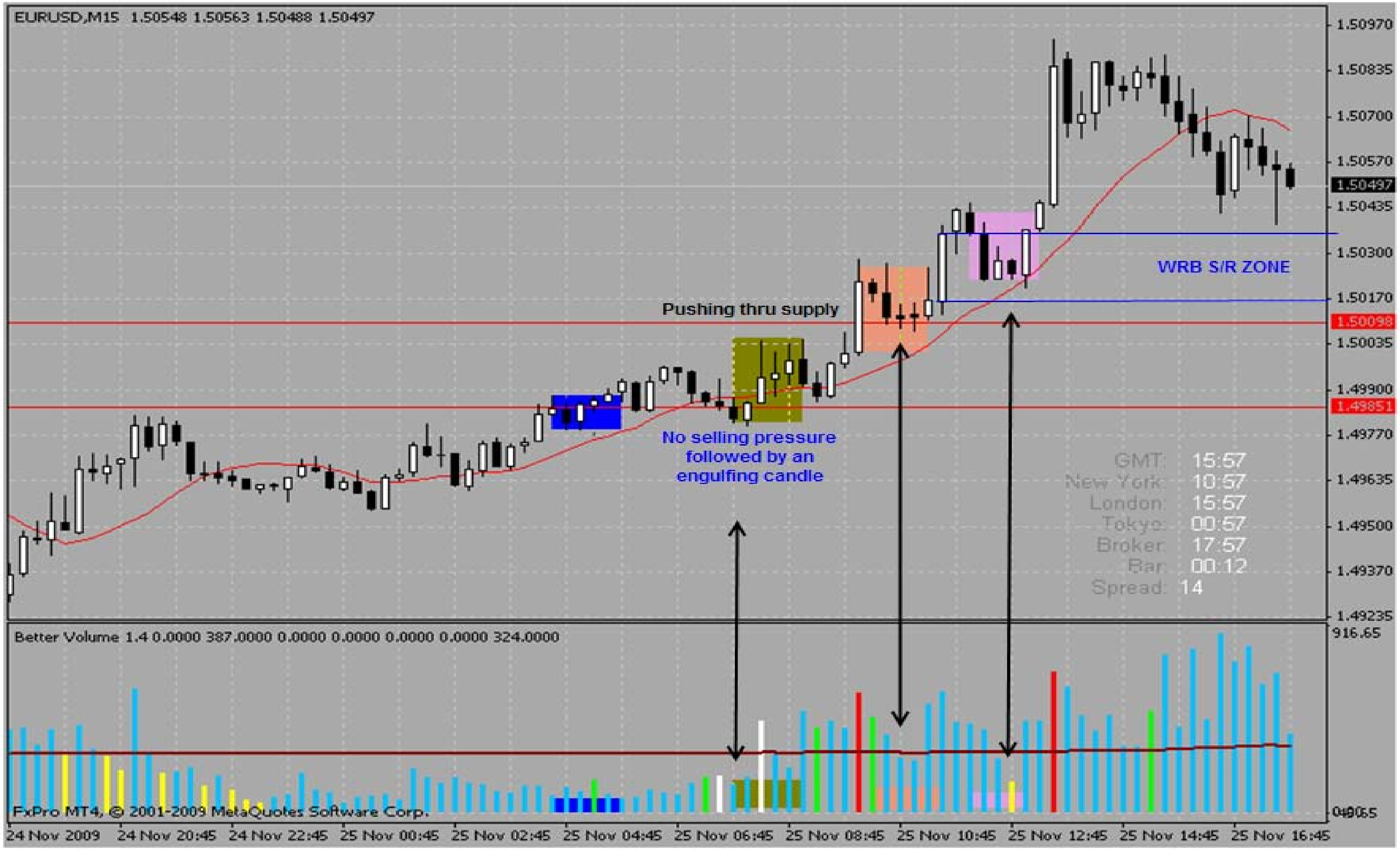
Note that the next candle makes a slightly lower low and not a higher high. It appears to trade up but closes in its middle on volume less than the previous two candles. This would be the hidden test.

olive square: Again, trading style is key. I say this because the important price action happens below the MA. The question becomes do you take buy signals when price is blow the MA, or only when price is above?

The arrow points to a low volume candle hitting the support line. Generally speaking, this is what one wants to see at a support line-volume drying up as price hits the line means the SM is not actively trying to push price thru the area. This means the area is much more likely to hold.

In this particular case we see no selling pressure. The very next candle engulfs it on increasing volume (I could be wrong the candles are a bit small). This action is happening where one might want to see it-a support line.

From a VSA point of view, it may not be the best entry. In my opinion, the best entry from a pure VSA perspective is in the orange square. This is because it starts with high volume. Even though markets usually don't like high volume up candles, the volume here is bullish. Since volume is activity, we can see that the SM is active and bullish as they push price thru supply and the bullish of the market is confirmed on a low volume down bar and a hidden test.


EURUSD,M15 1.50548 1.50563 1.50488 1.50497
1.50970
1.50835
1.50700
1.50570
1.50497
1.50435
1.50300
1.50170
1.50098
1.50035
1.49900
1.49851
1.49770
1.49635
1.49500
1.49370
1.49235
WRB S/R ZONE
Pushing thru supply
No selling pressure
followed by an
engulfing candle
GMT: 15:57
New York: 10:57
London: 15:57
Tokyo: 00:57
Broker: 17:57
Bar: 00:12
Spread: 14
Better Volume 1.4 0.0000 387.0000 0.0000 0.0000 0.0000 0.0000 324.0000
916.65
FxPro MT4, © 2001-2009 MetaQuotes Software Corp.
24 Nov 2009
24 Nov 20:45
24 Nov 22:45
25 Nov 00:45
25 Nov 02:45
25 Nov 04:45
25 Nov 06:45
25 Nov 08:45
25 Nov 10:45
25 Nov 12:45
25 Nov 14:45
25 Nov 16:45

Quote:

> Originally Posted by **halfstep**
> ***fosgate_r,*** *there is aboslutely NO DOUBT in my mind that candlesticks works, that is if you know how to read them.*
>
> *the thing is candlesticks below H4 are unreliable. and if you are ever to rely on signals from such small time frames you will be setting yourself up for LOTS of fakeys.*
>
> *I recommend looking at candlesticks from H4 +.*
>
> *and part 2 will be uploaded soon*

This is a fallacy. Timeframes don't determine the reliability of candle patterns; it's the patterns themselves that determine reliability. The typical "out of the book" candle pattern tends not to be as reliable as the more advanced patterns used by many successful Japanese candlestick traders. And many of these traders trade small timeframes (i.e. 2 min S&P).

A valid hammer pattern can be just as reliable on a 3 min chart as on a 4 hour chart. The problem is most people think in terms of a hammer line rather than a valid hammer pattern. In other words, a hammer line is just a hammer. What comes before it and or after it can cause it to traverse from just a hammer line into a hammer pattern. Understanding this difference is key to successfully trading hammer regardless of timeframe and market.

Halfstep;

I should have posted this in my original post: The problem most candlestick traders have with candle pattern reliability stems from the erroneous belief that the candle pattern defines the price action. Where as in truth, it is the price action that defines the candle pattern.

Ex:

<u>Trader 1</u> sees a white (Close>Open) hammer line as bullish and further concludes that the price action leading up to the hammer must be bullish as well.

<u>Trader 2</u> studies the price action and concludes it is bullish. From this bullish price action a white (Close>Open) hammer line appears. Trader 2 further concludes that because the hammer was created from/during bullish price action it is also bullish.

All things being equal (i.e. account size, risk tolerance, skill, etc), Trader 2 will tend to find candle patterns more reliable than Trader 1 regardless of timeframes used or markets traded.

Quote:

> Originally Posted by **rbumbalough**
> *...I'm confused on what a failed test would look like or appear as. Any VSA guru that cares too describe failed tests for demand and supply will earn a bit of gratitude from me......*

The pic below shows two tests.

The basic, or ideal test, will be a narrow range down candle closing in the middle or near the high of its range on volume less than the previous two candles. A and A' are two examples of this.

To be confirmed, one of the next two candles should close up and close higher than the high of the close of the test. B and B' confirm their respective test candles.

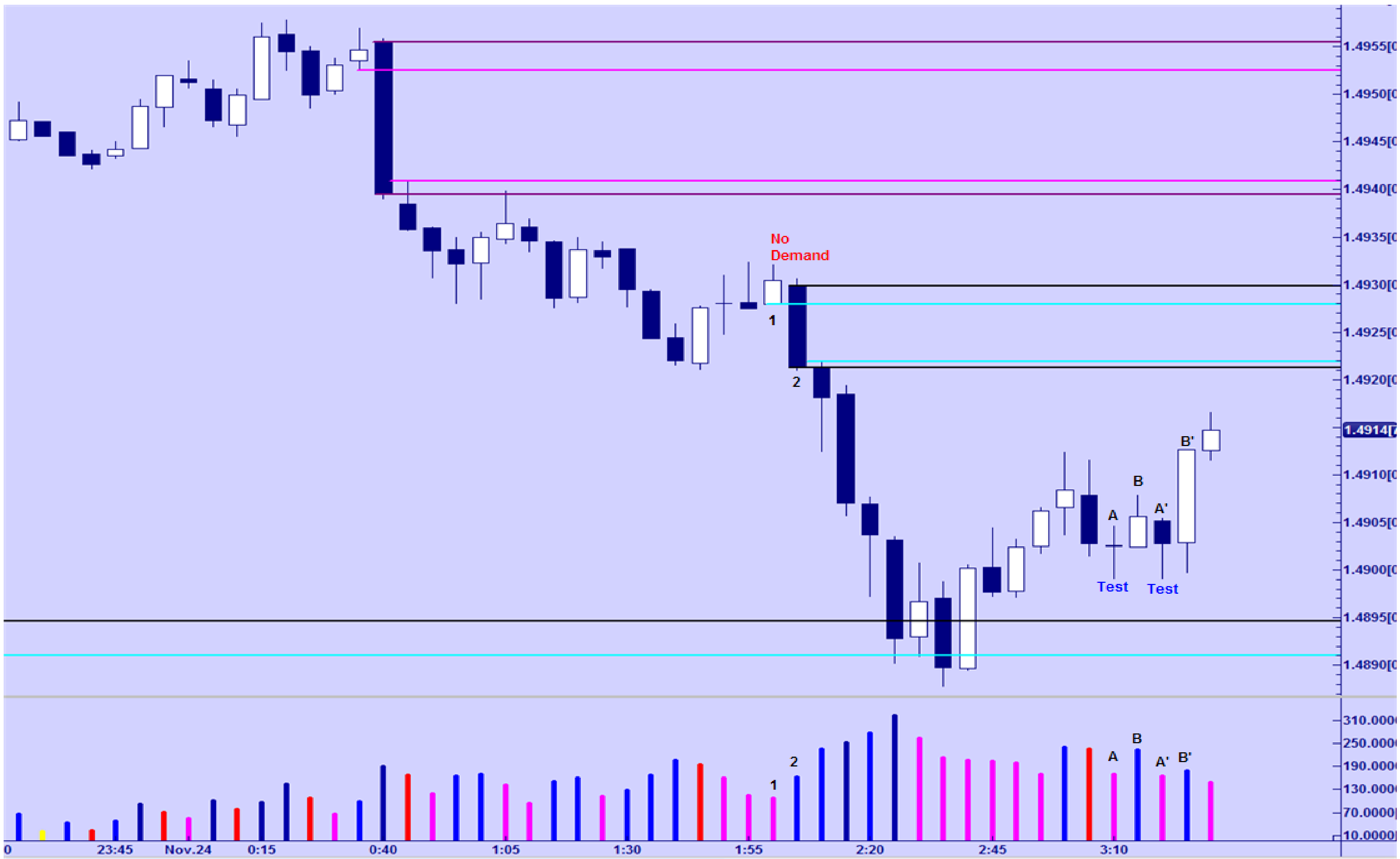
THERE ARE TWO MAIN WAYS A TEST CAN FAIL:

1. Volume can be high on the test candle/bar. Again, ideally volume will be less than the previous two. If volume is increasing and high then there is still residual supply and the market is likely to go down. IF the market goes up, the move will usually be muted and a then fall back down into the area of the test and re-test. This second test to be successful will have volume less than the previous two candles and the previous test as well.

2. If neither of the next to candles/bars after the test are able to close higher than the test candle, the test has failed.

*** If the candle immediately following the test is up and does not make a lower low than the test candle, then the test is good. If the candle after that closes lower than the test candle, we would be looking at a good test but with no result. Or simply no results from a test.***

P.S. The above pic is not a test nor a failed test.


No
Demand
1
2
A
B
A'
B'
Test
Test
1.4955
1.4950
1.4945
1.4940
1.4935
1.4930
1.4925
1.4920
1.4914
1.4910
1.4905
1.4900
1.4895
1.4890
310.000
250.000
190.000
130.000
70.0000
10.0000
0
23:45
Nov.24
0:15
0:40
1:05
1:30
1:55
2:20
2:45
3:10

EFFORT vs. RESULT

This is a key concept in VSA. One might go as far as to say it is *THE* key concept in VSA.

Trying to qualify effort his very important. To answer one of the questions I was pm'd, understanding effort and incorporating it into what constitutes a significant WRB is where I depart from Mark (the creator of WRB Analysis). WRB Analysis is independent of VSA. However, I believe that Tom would have gotten to it if he included the open in his analysis.

Understanding effort is important in defining a potential significant WRB. I use the word potential, because we need to see results to know if it is a key change in the supply/demand dynamic. In other words, the price action after the appearance of the effort WRB candle must do something (result) to confirm that there was effort.

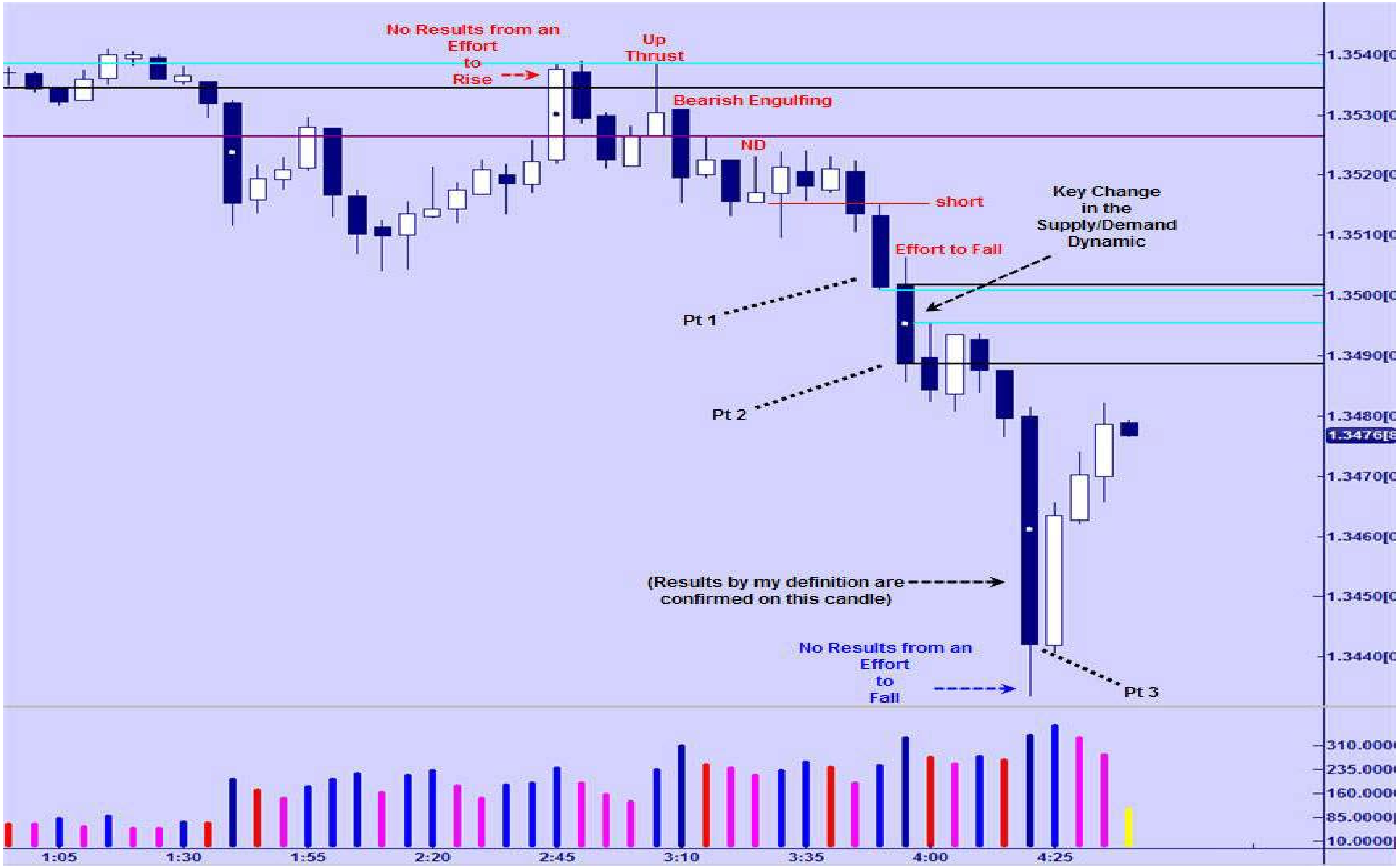
Take a look at the chart below.

Again, WRB Analysis is independent of VSA. I am just trying to meld them together in a logical coherent fashion. So putting some parts of VSA aside for a minute, notice that the change in the supply/demand dynamic is created with the appearance of effort with result.

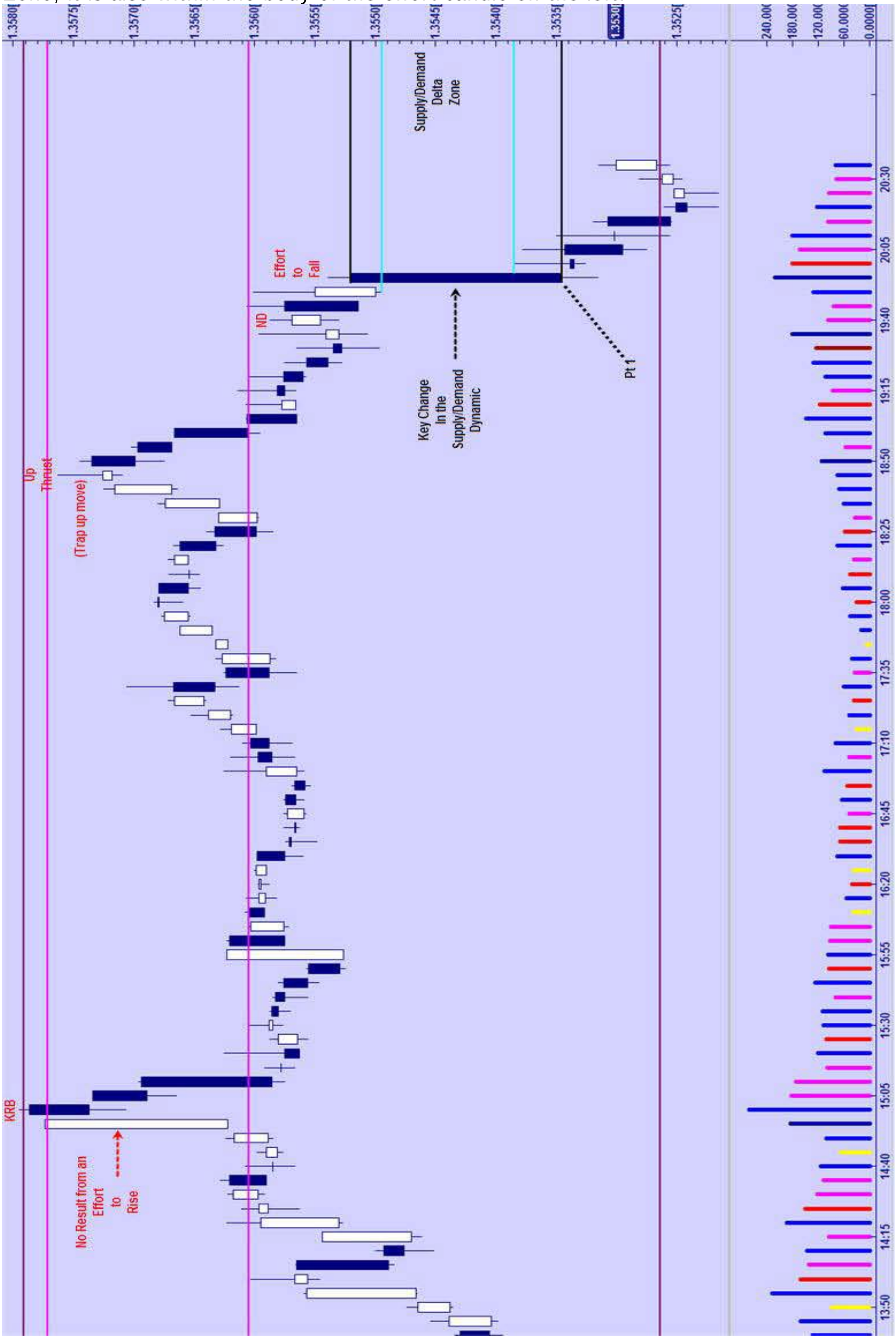
This is different from the VSA concept that would say a key change come on the last dark (open>close) candle marked no result from an effort to fall. This is a down candle closing off its lows with the next candle up on climatic volume. There is buying by the big boys going on in this candle. Therefore it would seem to represent some change in the Supply/Demand Dynamic. Moreover, the fact that it stops the move (stopping volume) would suggest a key change. This is true.

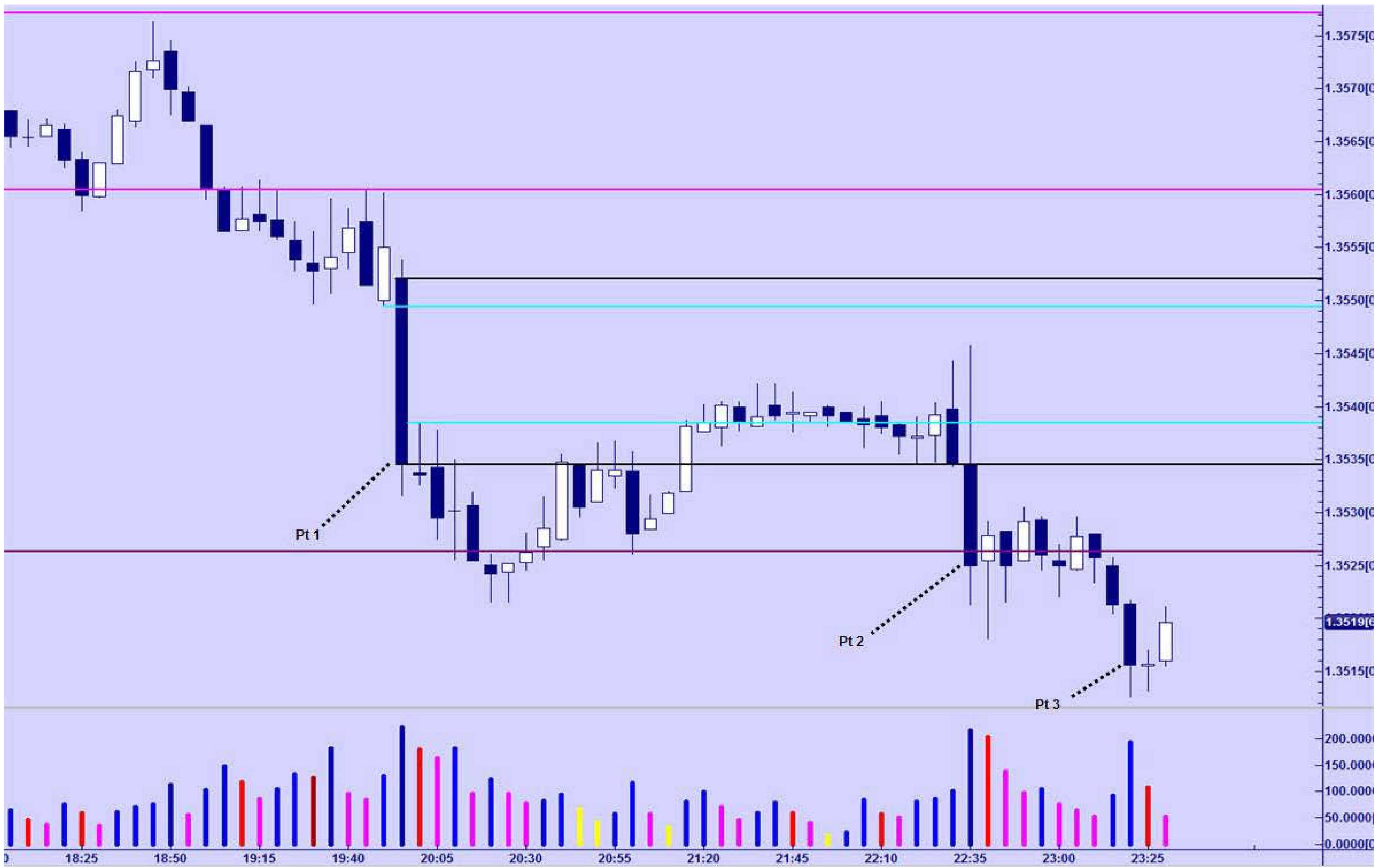
However, from my interpretation of WRB Analysis, a key change in the Supply/Demand Dynamic will have strong continuing action in the direction of the effort. Or simply put, result. We can then ask the question, "What does the market do when it returns to the area (Body) of the effort"?

On the chart below, we see that as price moves back into the Supply/Demand Delta Zone effort appears (white candle). The next bar is down telling us there was some selling in that candle. 4 candles later we see a beautiful UpThrust. Another sign of weakness. The very next candle is an engulfing candle on climatic volume. The BBs appear to want to take the market down. While its possible to entry on the UpThrust or the Engulfing candle, we can wait for our good friend to appear. Our good friend, No Demand, shows up three candles later. This candle is closing up from the previous candle, so we are heeding Tom's advice to only sell on up candles.


No Results from an Effort to Rise
Up Thrust
Bearish Engulfing
ND
short
Key Change in the Supply/Demand Dynamic
Effort to Fall
Pt 1
Pt 2
(Results by my definition are confirmed on this candle)
No Results from an Effort to Fall
Pt 3
1.3540
1.3530
1.3520
1.3510
1.3500
1.3490
1.3480
1.3476
1.3470
1.3460
1.3450
1.3440
310.000
235.000
160.000
85.0000
10.0000
1:05
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25

Some may be wondering about the background in my previous post. These two charts are from earlier in evening. The first sign of weakness come a bit before the all important UpThrust. Note that the UpThrust is not only within the Supply/Demand Delta Zone, it is also within the body of the effort candle on the left.




1.3575
1.3570
1.3565
1.3560
1.3555
1.3550
1.3545
1.3540
1.3535
1.3530
1.3525
1.3519
1.3515
200.000
150.000
100.000
50.0000
0.0000
Pt 1
Pt 2
Pt 3
18:25
18:50
19:15
19:40
20:05
20:30
20:55
21:20
21:45
22:10
22:35
23:00
23:25

Quote:

> Originally Posted by **malcolmb14**
> *also the ways pros work at resitance levels is if they want higher prices they break to upside fast , so they lock in traders that might otherwise sell into their efforts to buy. Then those that miss the original break out wait for the nice retrace and buy , adding fule to the fire.*

You the man.

Wide spread up bars on high volume at resistance are used to Lock traders in, not to keep new traders out.

You can find more nuggets from malcolmb in the VSA thread. Come on in and join the learning.

Quote:

Originally Posted by **nico28**
thankyou hg for your reply.

i have another chart on GBPCHF 30min TF.
On the left, i believe its a Stopping Volume. On the right, the market went sideway, and all those marked in vertical red, i believe are the test.

Question is :

Are there any further conditions we have to look out for the valid test before go long ? It seen from the example, market actually sideway for long time before start to move up a little.

The ideal test will have the following properties:

1. Narrow (NR4 or NR7) range candle
2. The close will be down from the previous candle
3. The close will be in the middle or upper portion of the candle's range
4. The candle will make a lower low than the previous candle
5. Volume will be less than the previous two candles
6. There will be signs of strength in the background. If it is a "test in a rising market", then the fact that the market is rising is all the strength needed.
7. The test will appear within the range of a high volume candle. In other words, where there once was an abundance of selling, now there are few sellers. That's the whole purpose of a test-to find this out.
8.*A successful test must have either the next candle closing higher than the close of the test candle or the candle after that. So one of the next two candles should be up and higher than the close of the test to validate it.*

Just eyeballing your chart, it looks like the first 5 of the red lines you have there are not "ideal" tests candles. More importantly, none seem to be confirmed. This fact is a sign of weakness in itself.

Redline 6 shows a no supply/test that does confirm. However note that the volume while low (as defined by less than the previous two), is still higher than average.

7,8 & 9 are better. Now these tests are within the lower shadow portion of the range of our stopping volume candle. Plus the volume are both less than the previous two and lower than average.

Note that if this market was going to make a "v" shape, a strong (valid) test would come closer to the stopping volume candle.
____

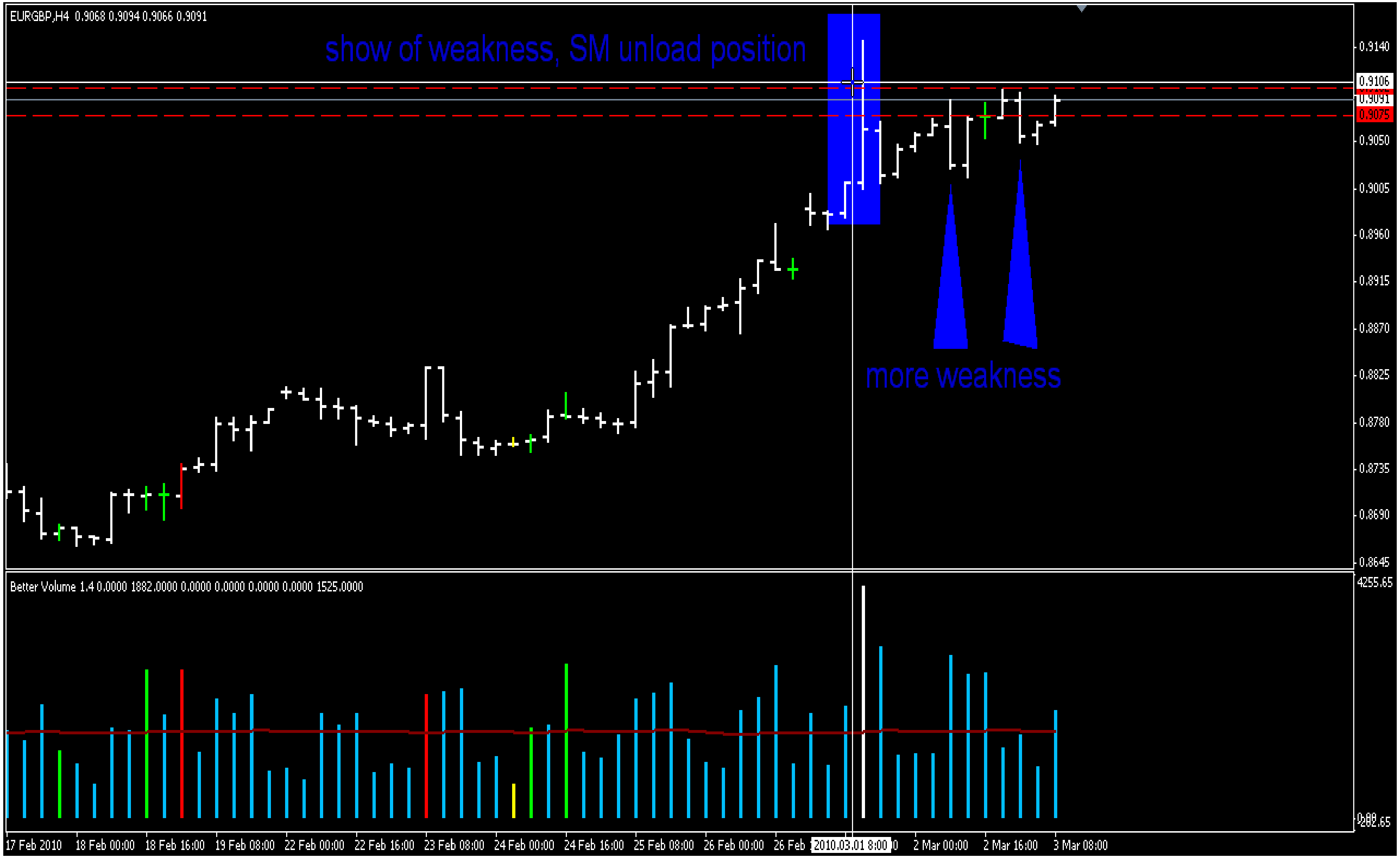
Quote:

> Originally Posted by **nico28**
> *Hi HG,*
>
> *thankyou. Could you correct me if i wrong with this analysis on EURGBP.*
>
> *A wide bar where closed at the middle = SM is selling = Weakness*
> *the 2 more bars on the left lock out some weak hands = Weakness*
> *wait for no demand bar to sell .*

Hopefully we can get some others to chime in here.

From my perspective, the first bar is weak. We see a ultra high volume up bar closing well of its high with the next bar down. The first bar marked weakness, however, is actually strength. The bar closes down on high volume with the next bar up. If there was selling in that bar, then the next bar should not be up. The second bar is strength as well. It has less than average volume. Moreover, it has volume less than the second bar marked weakness (incorrectly). Yet it is not trading lower than that second bar. So volume to the downside is drying up and so is the markets ability to move to new low ground. In fact the very next bar looks like a hidden test. Another sign of strength.

I think the bias is to the upside. Please post a chart to show what happened.
____


EURGBP,H4 0.9068 0.9094 0.9066 0.9091
show of weakness, SM unload position
more weakness
Better Volume 1.4 0.0000 1882.0000 0.0000 0.0000 0.0000 0.0000 1525.0000
0.9140
0.9106
0.9091
0.9075
0.9050
0.9005
0.8960
0.8915
0.8870
0.8825
0.8780
0.8735
0.8690
0.8645
4255.65
17 Feb 2010
18 Feb 00:00
18 Feb 16:00
19 Feb 08:00
22 Feb 00:00
22 Feb 16:00
23 Feb 08:00
24 Feb 00:00
24 Feb 16:00
25 Feb 08:00
26 Feb 00:00
2010.03.01 8:00
2 Mar 00:00
2 Mar 16:00
3 Mar 08:00

Quote:

> Originally Posted by **Dutchy**
> *Hi HG*
>
> *May I conclude strength of a bar is read by what happens to the next bar, so reading is 1 bar behind ?*
>
> *Cheers, Dutchy*

This is the eternal question. It stymies newbies and fuels the fire of detractors.

There are two sides of this question to look at. The first has to do with the interpretation of the bar/bars, and the other has to do with how to trade them.

Let's look at defining or interpretting the candle/candles. In the picture below I have marked up some recent price action in the Euro 5 min. As the market moves into a Supply/Demand Delta Zone, we begin to see some signs of the market's intent. The Candle marked UpThrust only needs one interval to be defined. That is, once this candle closes we know we have an UpThurst. That's because all we need to know is the close in relation to the range, the volume, and sometimes the close in relation to the previous close-ideal UpThrusts actually close up.

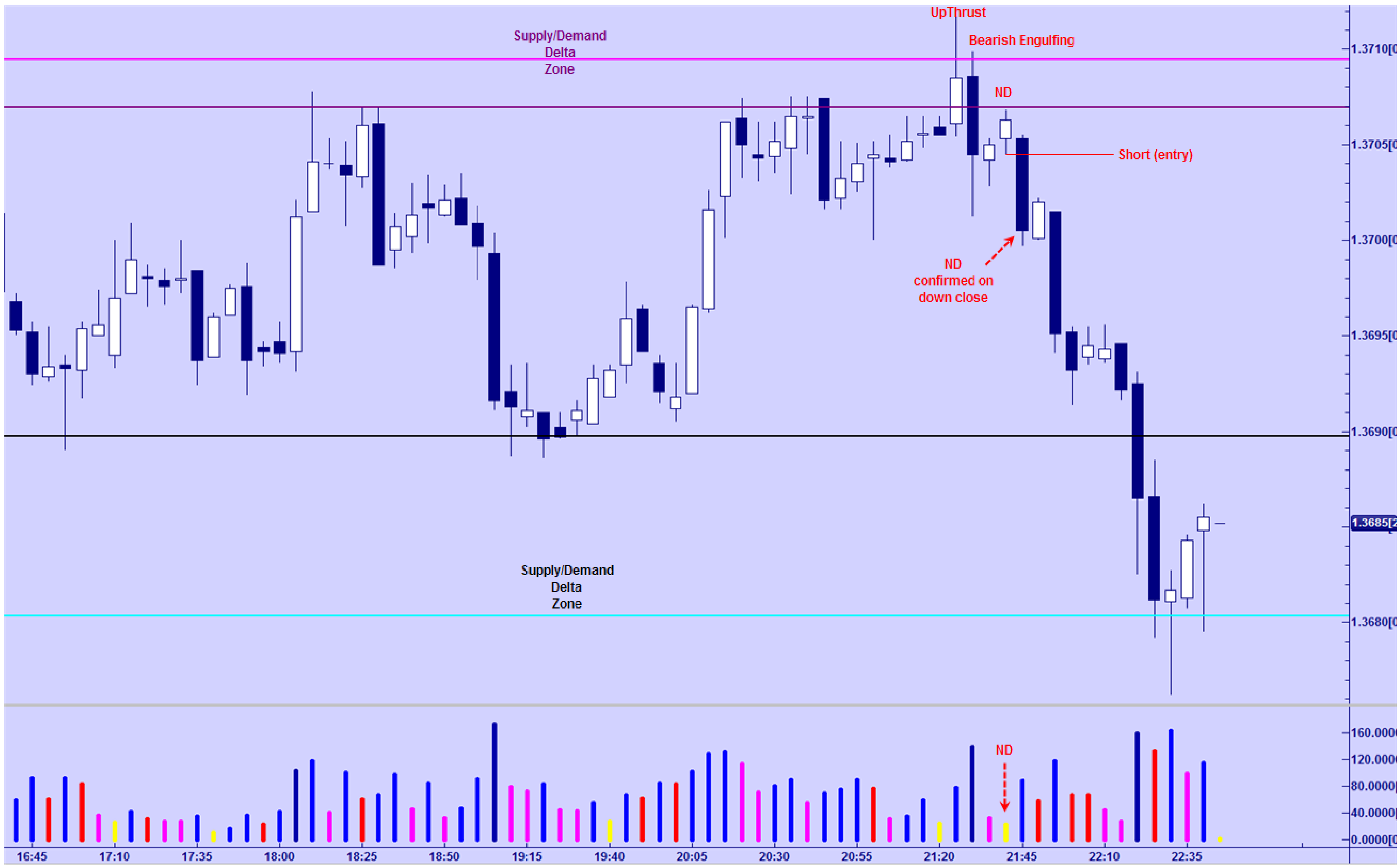
Skip three candles ahead to the NoDemand. To define a NoDemand, we need actually only need one candle. However, we also need the next candle to CONFIRM it. So as we are looking at this chart, as soon as we see the narrow range (NR4) on volume less than the previous two (and as it happens the lowest volume candle in the last twenty (yellow)) that is closing up from the previous bar and making a higher high, we can define this candle as No demand. In addition, this is appearing where we would want to see it. We have an UpThrust in the background followed by an dark engulfing candle. Yet, if this is truely a NoDemand, the next bar would be down. No Demand implies that the BBs are not interested in higher prices. If the BBs are not supporting higher prices, price must fall. Therefore, the next candle confirms the NoDemand only when it closes lower than the NoDemand candle.

The older versions of Tradeguider would not even put an triangle on a NoDemand unless it was confirmed. That is, one bar after. This has lead many to think Tradeguider/VSA lags but it does not. In many ways it is like some Japanese candle patters. There are some hammer patterns that can only be confirmed on the candle after the actual hammer. There is only a hammer line (interval) until the next candle completes the pattern. Only then can the hammer transverse from a line into a pattern.

But what about real-time trading?

Looking at our chart example again, once we see the narrow range (NR4) up candle on volume less than the previous two candles and in the correct place with volume in the background, we can look to enter on the next candle. We can place an order to enter if the low of this candle is breached on the next interval. Therefore we will be entering PRIOR to the confirmation. Because the confirmation is dependant on a down close. Therefore, one of the first things we want to see after we enter is the candle close down and confirm the previous bar as NoDemand. If we enter the trade and the candle ultimately closes up, we are a bit uncomfortable about our position from the get go.

Hope this helps.


UpThrust
Bearish Engulfing
Supply/Demand
Delta
Zone
ND
Short (entry)
ND
confirmed on
down close
Supply/Demand
Delta
Zone
ND
1.3710
1.3705
1.3700
1.3695
1.3690
1.3685
1.3680
160.000
120.000
80.0000
40.0000
0.0000
16:45
17:10
17:35
18:00
18:25
18:50
19:15
19:40
20:05
20:30
20:55
21:20
21:45
22:10
22:35

Unlike Silverwhite1, I had issues yesterday.

Take a look at the chart below:

A. This is the essential candle. As we know, the first place to start looking when analyzing the market is an ultra high volume candle. That candle is even more relevant when it is a news/report candle. Here we have an ultra high volume ultra wide spread candle created on the release of the NFP report. While we do not want to trade the news, we do know that this is the very type of event the Big Boys use to take their positions. Said positions are usually against the herd and contrary to popular opinion.

Put another way, they are usually taking a position opposite to common wisdom or the initial reaction would have you believe. Such is the case here. Some people have talked about the demise of the Euro lately. Others are talking about Euro/USD parity. Ultimately, either or both may prove to be correct, but currently they add fuel to the negative sentiment along with the situations in places like Greece and Spain.

The stage was set: newfound dollar bull sentiment is on the rise (just a few months back everyone was talking about the death of the greenback) and a "better than expected" NFP report.

As for the actual candle, we see an Ultra high volume, ultra wide spread candle that closes off the low. Now we do want to see the next candle. If it is up, then we can be sure there was hidden demand (buying) in this candle. However, it reasonable to conclude this candle contains hidden demand (buying) just based on the relation of the close to the volume used ON a news candle where we are predisposed to expect certain actions by the Smart Money.

B. This candle closes down, but let's take a closer look. It has a narrower range than the previous candle, closes near the middle of its range and has only slightly less volume than the previous candle. Again, the position of the close tells us that there is some demand on this bar. More telling is the range. The range is being kept Narrow because price is being supported. More exactly, any selling (by the herd) is easily being matched due to an abundance of buying (by the BBs).

As MTM tells us, we can tell the bullishness/bearishness of those that can see both sides of the market through the size of the spread (range). If the BBs were in fact bearish, not only should the close be on the low, the spread of the candle should be wider.

At this point we can conclude that the BBs have been BUYING on the last two candles. As VSA teaches, when strength appears, it appears on down candles. Strength has appeared. This is the basis of our background. We know that the high volume on the first candle will need to be tested. A successful test will be good place to get long.

C. This is an interesting candle. The volume is less than the previous two candles, the close is lower and the range is narrow. In fact the range is the smallest range in the last 7 candles (NR7). This is a No Supply candle. To confirm we want the next candle up.

Here's where the issues arise for me. I would prefer a Test to enter- a narrow range candle closing down on volume less than the previous two candles and a close in the middle or upper portion of the range. But there is nothing wrong with using a No Supply. The place to enter is on a breach of the high. Note that the next candle does not come close to the high.

D. This candle, as just stated, does not trade higher than the previous high. It makes a lower low and not a higher high. It closes up and near the middle of its range on volume less than the pervious two candles. So volume is decreasing from the previous candle. This candle is Both a hidden test and a key reversal candle (bar). Notice that it opens lower than the previous candle, but closes higher.

Now here's the rub. As a test (hidden) it needs to be confirmed by one of the next two candles closing higher. The very next candle does not close higher. It actually closes lower than the low. This is not a good sign for me. In fact, if this next candle had been an EB7 (WRB), then I would say we have a failed test. So while it is not an EB7 it is nevertheless closing lower than the low on increased volume and bringing me pause.

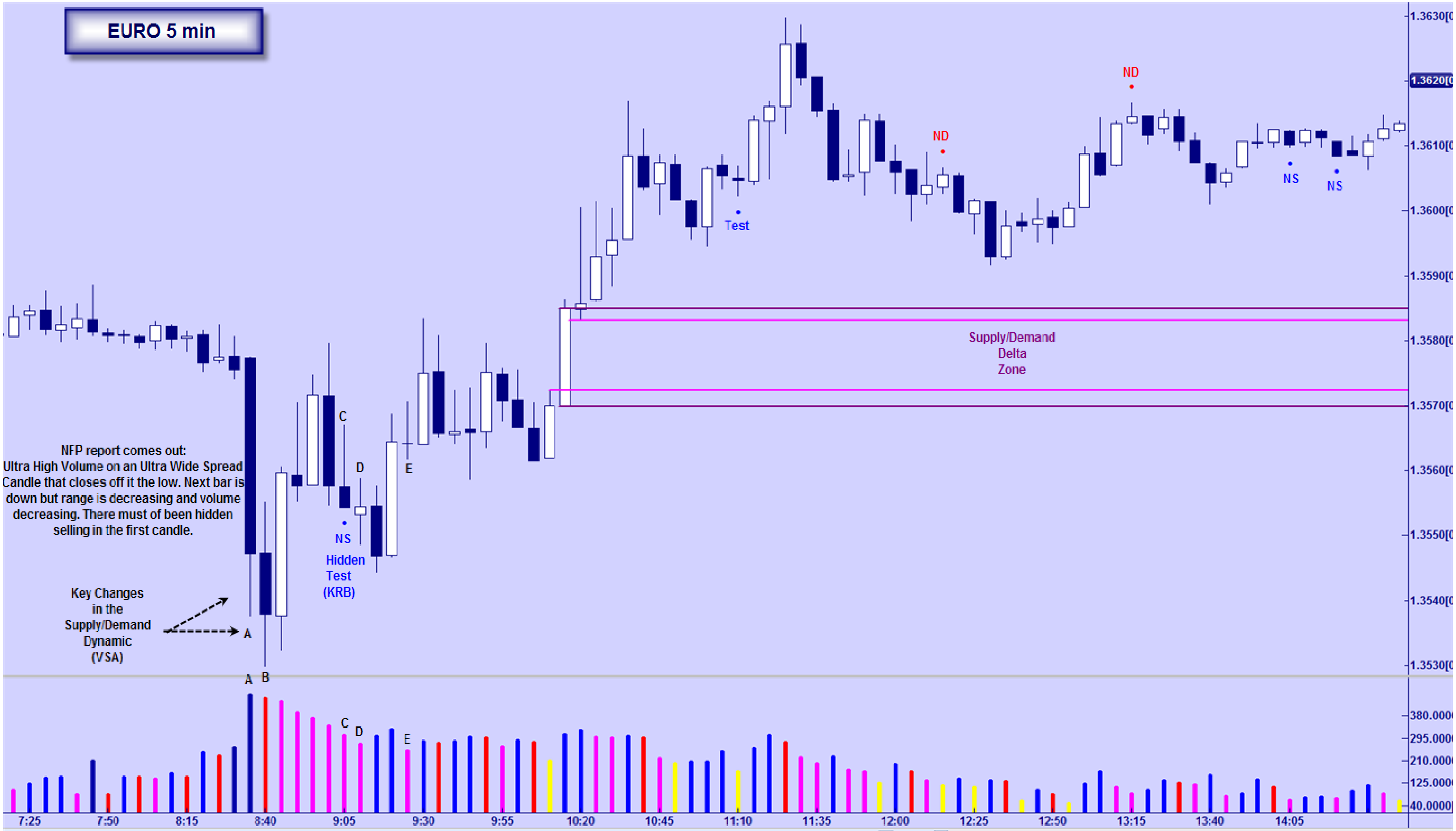
At this point the entry is still a breach of the high of the hidden test candle and the next candle does not do this either.

The next candle, two candles after the hidden test, closes higher than the close of the hidden test and makes a higher high. The close confirms the test.

The breach of the high of the hidden test bar SHOULD have brought me in. But the fact that the previous candle closed lower than the low of the hidden test candle has me perplexed and unable to pull the trigger.

I find myself on the sideline as the market moves up. Note that **E** is a down candle on volume less than the previous two. I don't like it as it makes a higher high than the previous candle. Making a higher high, then closing near the lows is usaully a sign of weakness, not strength.

Comments?


EURO 5 min
NFP report comes out:
Ultra High Volume on an Ultra Wide Spread Candle that closes off it the low. Next bar is down but range is decreasing and volume decreasing. There must of been hidden selling in the first candle.
Key Changes in the Supply/Demand Dynamic (VSA)
A
B
C
D
E
NS
Hidden Test (KRB)
Test
ND
ND
NS
NS
Supply/Demand Delta Zone
1.3630
1.3620
1.3610
1.3600
1.3590
1.3580
1.3570
1.3560
1.3550
1.3540
1.3530
380.000
295.000
210.000
125.000
40.000
7:25
7:50
8:15
8:40
9:05
9:30
9:55
10:20
10:45
11:10
11:35
12:00
12:25
12:50
13:15
13:40
14:05

This is in response to a question I was pm'd. The last time I tried, I could not put an attachment in a pm, so the answer is here. It is a much oft asked question so everyone seeing this should at least further the discussion.

How much background is needed?

On the one hand, what one needs as evidence to enter a trade is really personal. On the other, sometimes it takes awhile for the market to set up properly. A basic tenant of markets is that the longer it moves sideways (builds a base) the greater will be the eventual break out when it occurs. In VSA we speak of building a cause for the next movement. So the greater the cause the greater the movement (or result).

Take a look at the chart below.

Note that the first sign of weakness comes in at 0520 and the #2 entry doesn't appear until 0800 and #3 doesn't come until 0935 hrs. That's more than 4 hours later. But as previously state, each individual may find his or her own entries and supporting evidence.

Building the cause:

In full disclosure, this was not a trade taken but merely an example to answer the question (and maybe ramble on). For me the ideal entry is #2. This is because it has a No Demand (Up thrust in the form of No Demand to be exact) that makes a higher high than the previous candle. As far as background goes, the entire background is weak and complete at this candle as well.

Take a look at the test candle prior to entry#1. We can see that at this point we have had a couple of UpThrusts and Squats and a No Supply that lead to an UpThrust. The market has moved more sideways than up since the Effort to Rise was followed by a narrow range bar on increased volume (squat). This is a sure sign that weakness has entered the market.

But what of this test? Note that the next candle is up confirming the test. However the market fails to go anywhere. Tests should result in immediate price movement, this does not. Moreover, if you move one candle past the candle marked #1 you will see a EB4 (WRB) that engulfs the body and closes lower than the low of the test candle. This is no result from a test and another sign of weakness. And the cause is complete.

Again, #1 is your basic narrow range up candle on volume less than the pervious two candles which we call No Demand and is a valid entry. Yet it still comes a bit more than two hours after the initial sign of weakness.

Entry#3 comes much later. With this entry one not only has a VSA no demand, but also supporting evidence in the form of market structure. The market has just made a LH, so we can conclude the tend is now down. The market can't be in a downtrend and making lower highs. I prefer my No Demands make higher highs as opposed to lower lows than the previous candle, but that's just me.

By the way, the very same information presented in the background can be used to NOT take entry #1L. This is a very nice Test. The close is down and is near the high, the volume is less than the previous two candles and the candle makes a lower low. As you can see we get a small little blip up in price after this test. However there is too much weakness in the background. The trend has changed.

To totally contradict myself, look at the post on Friday's NFP. There are really just two candles that make up the background. This is not actually a contradiction but rather evidence of the importance of certain news releases and the emphasis the BBs put on them. Simply put, the more active the BBs are the more immediate is the effect on the market (or background). And certain news events/reports allow for a much swifter action in terms of positions for the BBs.

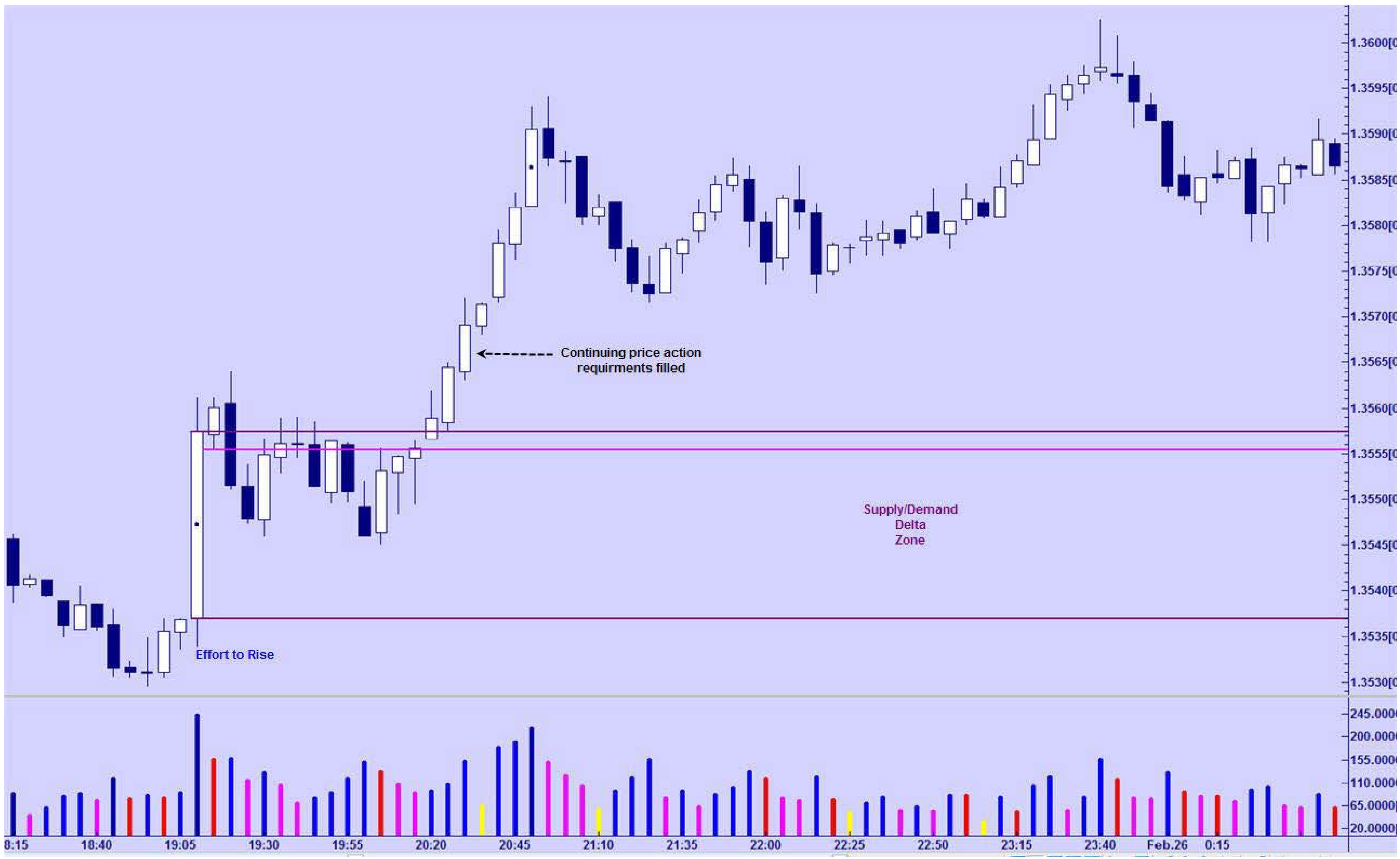
Squat
Squat
Up Thrust (squat)
Up Thrust (in the form of No Demand)
LH
ND
#1
#2
NS
Test
Effort to Rise
Test
#1L
ND
#3
1.3690
1.3680
1.3670
1.3660
1.3650
1.3640
1.3630
1.3620
1.3610
1.3600
350.000
290.000
230.000
170.000
110.000
4:05
4:30
4:55
5:20
5:45
6:10
6:35
7:00
7:25
7:50
8:15
8:40
9:05
9:30
9:55

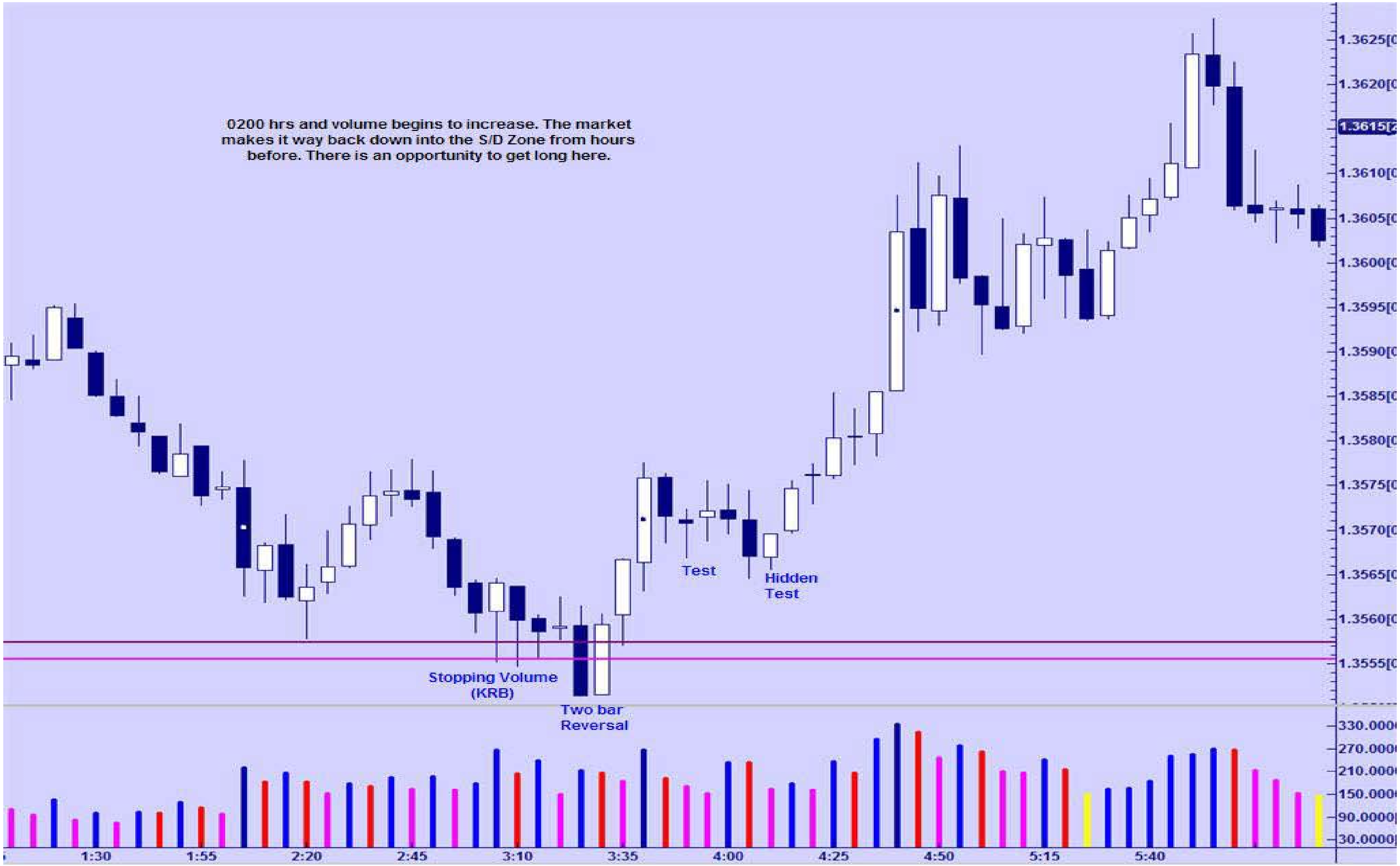
don't like to think in terms of Support/Resistance lines, but rather in terms of a Supply/Demand Delta Zone. What is a Supply/Demand Delta Zone? It's a zone or area where selling swamps buying causing prices to fall or buying swamps selling causing prices to rise. In other words, as price moves down into an area, buyers become more enthusiastic and become more and more willing to enter the market. Demand increases and overwhelms the supply in the market and price therefore rises. The opposite would be true if price was rising into this area-sellers enter en mass saturating the market with supply and causing price to fall as there is now more supply than there is demand. That's how I would define a Supply/Demand Delta Zone and ultimately I think that's how one defines support and resistance.

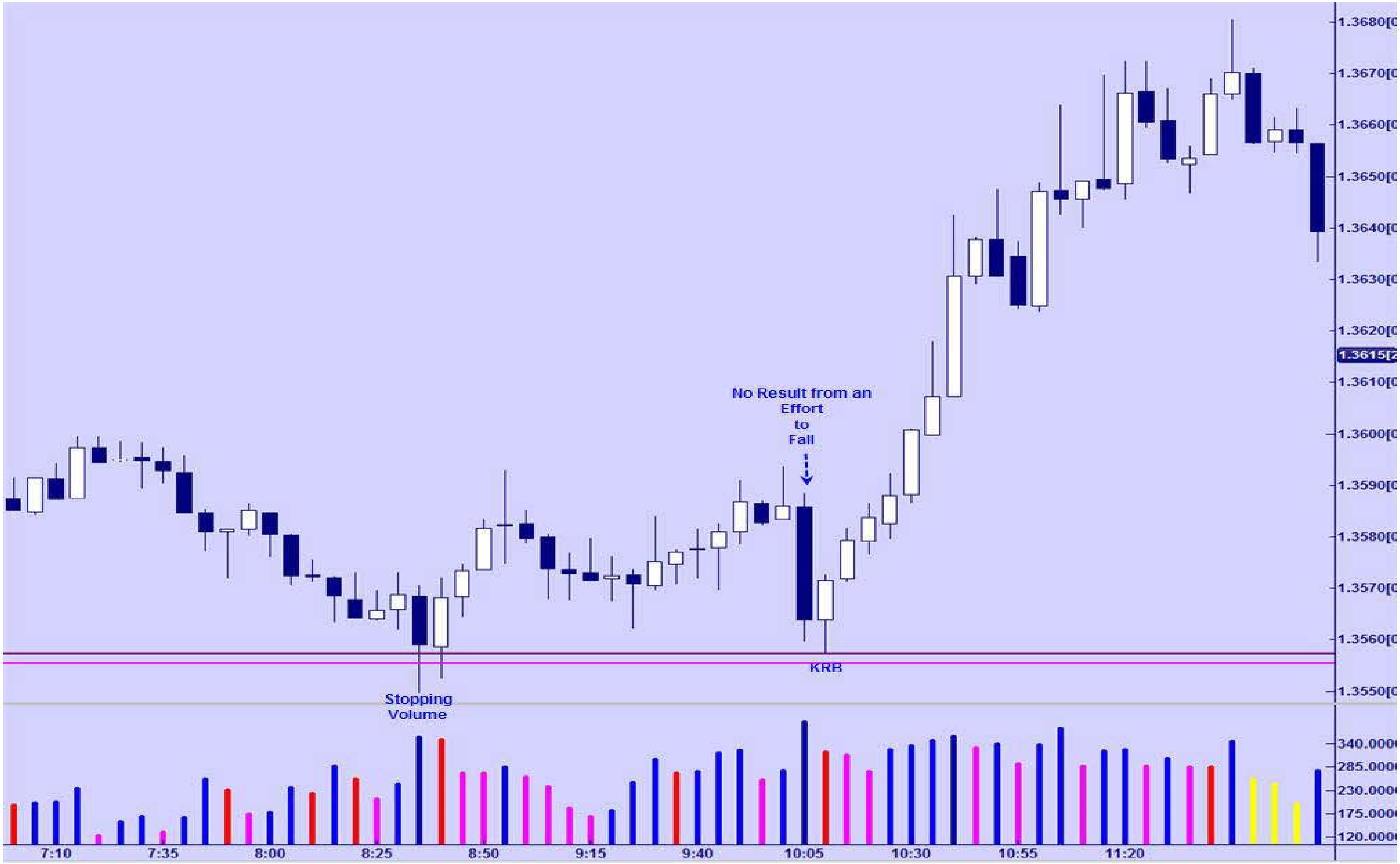
I have attached three pictures of a Supply/Demand Delta Zone created by an effort to rise candle that is a WRB. This represents a change in the supply/demand dynamics in the market. So what we want to ask ourselves is, "what does the market do the next time it comes back into this area where a change in the supply/demand dynamic already took place?". What we want to ultimately see are entry signal opportunities in this area. The market bouncing off this zone (or within it) is nice, but if you can't get into the market to take advantage of the bounce, what's the point?

The fourth attachment is another picture to give a broad view. This one is not related to the previous three. BTW I just happen to have those three pics so they were not specifically taken for this post. Hope the idea still comes accross.

While I have labeled the highs as 1 and 2, note that a nice 123 top is made when you consider the low in between.


Continuing price action
requirments filled
Supply/Demand
Delta
Zone
Effort to Rise
1.3600
1.3595
1.3590
1.3585
1.3580
1.3575
1.3570
1.3565
1.3560
1.3555
1.3550
1.3545
1.3540
1.3535
1.3530
245.000
200.000
155.000
110.000
65.0000
20.0000
8:15
18:40
19:05
19:30
19:55
20:20
20:45
21:10
21:35
22:00
22:25
22:50
23:15
23:40
Feb.26
0:15


0200 hrs and volume begins to increase. The market makes it way back down into the S/D Zone from hours before. There is an opportunity to get long here.
Stopping Volume (KRB)
Two bar Reversal
Test
Hidden Test
1.3625
1.3620
1.3615
1.3610
1.3605
1.3600
1.3595
1.3590
1.3585
1.3580
1.3575
1.3570
1.3565
1.3560
1.3555
330.000
270.000
210.000
150.000
90.0000
30.0000
1:30
1:55
2:20
2:45
3:10
3:35
4:00
4:25
4:50
5:15
5:40


No Result from an Effort to Fall
KRB
Stopping Volume
1.3680
1.3670
1.3660
1.3650
1.3640
1.3630
1.3620
1.3615
1.3610
1.3600
1.3590
1.3580
1.3570
1.3560
1.3550
340.000
285.000
230.000
175.000
120.000
7:10
7:35
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8:25
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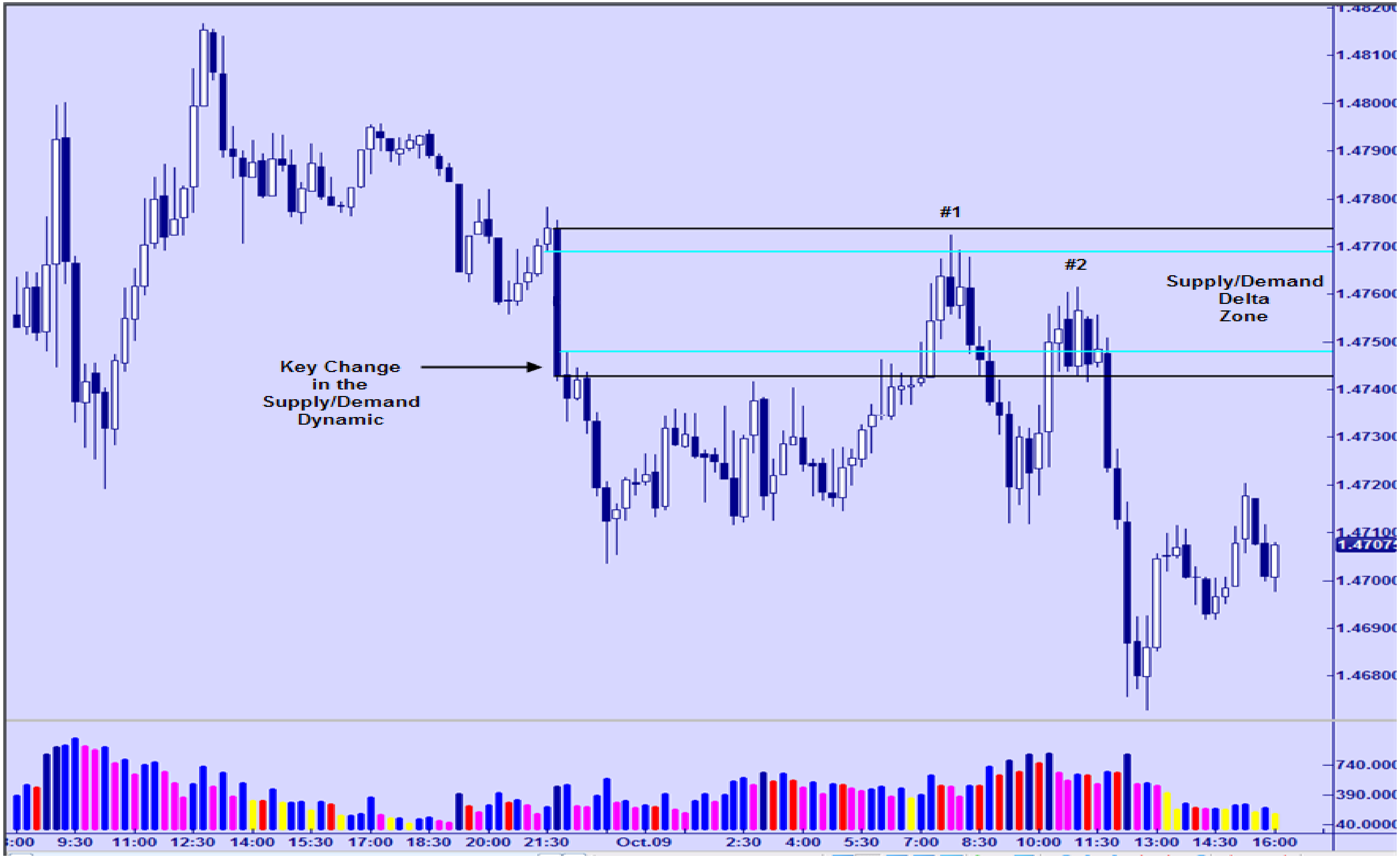
11:20


#1
#2
Supply/Demand
Delta
Zone
Key Change
in the
Supply/Demand
Dynamic
Oct.09

Originally Posted by **Dutchy**
.......1a: does the same hold for higher volume ?........

Great question. I am a bit frustrated that nobody took a stab at this one. Partially because I am not sure of the answer and would like to know myself.

I am not sure but this is what I have come up with. Caveat emptor.

The first things we need to consider are two VSA tenets.

1. Bullish volume is INCREASING volume on UP bars and DECREASING volume on DOWN bars. Bearish volume is INCREASING volume on DOWN bars and DECREASING volume on UP bars.

2. 85% of a volume bar is the Smart Money. I have seen then number anywhere from 80-90% so I have split the difference. I do not want to get into the validity of this claim. But I will say that VSA is not a house of cards that collapses if this particular tenet happens to be false.

Now let's look at volume moving up. If volume is increasing as price is increasing this is healthy. Why? Because more and more professional money is entering the market. You can do the math yourself, but obviously if the first bar has 85 % SM involvement and the next bar is greater, it must have a greater number that represents 85%.

However, increasing volume is only healthy to a point. At some point the volume will be increasing but the results of the volume will be negative. That is to say, closes will not be on the high (for an up bar) and the next bar will be down. Now we know that the high volume masks hidden selling by the professionals.

So volume greater than the previous two should be healthy and not considered extreme or high.

This brings me to a point I should clear up from the last post about volume. VSA looks at volume in two (2) dimensions.

The first is relative to the previous bars. Is today's volume bar higher (or lower) than the previous bar? Or the bar 3 days ago. Or the bar 25 days ago? All these are just comparisons and are done by sight rather than actual number where possible.

The second dimension is about relative comparisons to an average and its corresponding standard deviations. So we can look at today's volume and SEE if it is higher or lower than a moving ave of volume. We can also judge it's size by standard deviations. In TG, for example, the stds are represented by different colors. Any volume bar that is in the salmon color is said to be ultra high or extremely high. I believe that the salmon color is 3 std from the average maybe less. The real key is this- You really don't need to know the actual number of the std or the actual number of tics/contracts. If it is in the salmon color area it is ultra high volume.

Basically, you could remove the volume scale from your charts because you never really care about the actual volume number, only its relative comparison to either previous volume bars or the average and its standard deviations. So while it is true that a volume bar less than the previous two is considered low (on one dimension) it can still be considered high if it is above the volume average. That is why the optimal No Demands will both be less than the previous two bars AND less than average.

Quote:

> Originally Posted by **Porkpie**
> *This is where the method I use differs. I concentrate on the consolidation or pivot areas (not pivot points) as this is where price broke out, the flash point of the move down that created the supply/demand zone in the first place. What troubles me about hidden gap's zones are that they are too far from the original source for an entry point when price returns. However, on the flip side when price doesn't quite make my previous consolidation areas on return (although I have a 10 pip entry from the zone) hidden gaps zones make a lot more sense. HG,...*

Interesting Porkpie. I would love to know more. Please post some more examples and the underlying logic if you would.

I should have stated this previously because I believe it to me so fundamentally important:

SUPPORT/RESISTANCE is NOT a trade signal. One needs a method to determine where support/resistance are and then another method to take advantage of this knowledge.

So one should not enter long just because price is falling and nearing a support number. But rather as the price falls towards the support number, one should begin looking for entry signals that are independently created of support and resistance. This is the only way to test the validity of support and resistance levels. If your entry methods yields good results when trades are taken in "air", but yields better results when taken at support/resistance than clearly the best situation is to only take those trades that occur at support and resistance.

Quote:

> Originally Posted by **Porkpie**
> *..HG, do you aim for an entry near to the previous consolidation as much as possible (although I see you use VSA so base your entry on that within your zones)?*

The ideal situation is a trade within the zone itself. Secondarily a trade just above or below the outside of the zone would also be considered. Trades within the zone would be trades within the body of the significant WRB. Which, as you know, is akin to the VSA idea of looking for trades within the range of the previous high volume candle/bar.

Two disclosures before we begin:

1. This was not an actual trade taken. A bit early for me. It just contains at least one worthwhile element for discussion.

2. This falls into the "trade what you see" category because if the gap does not exist on your platform or it is corrected later on mine, the principles remain intact. I may look like a fool if the gap turns out to be a laps in data, but gaps do occur and we can use them.

Really nice market movement since the open today (Sunday night). I haven't said much about this, but ACTUAL GAPS (hint) can be used as Supply/Demand Delta Zones. This fact should be obvious if you have looked at past charts showing Supply/Demand Delta Zone created by WRBs.

The saying is that gaps are filled. Gaps are filled. But sometimes before they get filled, they offer excellent areas to look for trades. That is what we have here. The market gapped open moved up slightly and then returned not to close the gap, but to take off.

Take a look at the chart below:

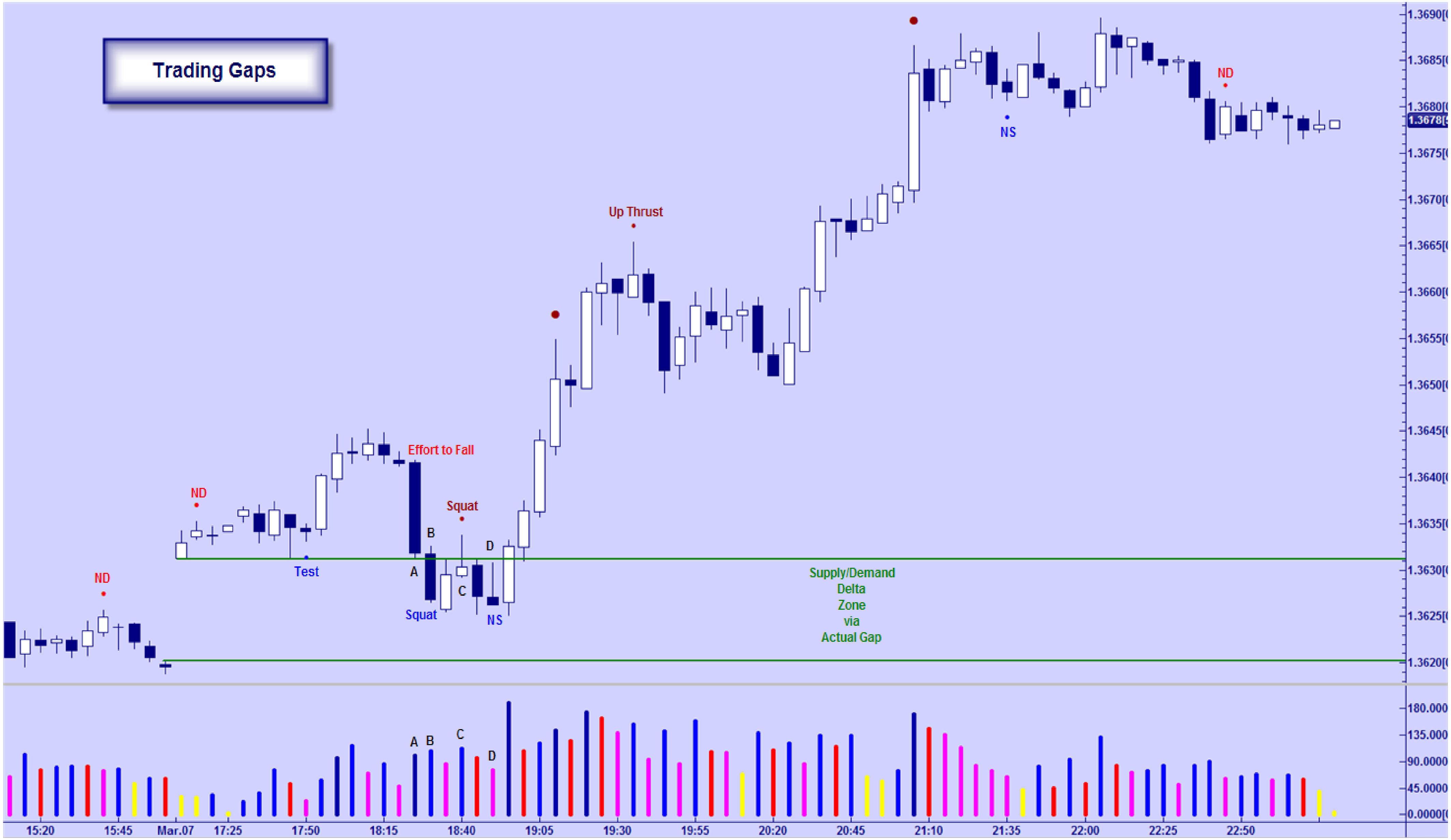
A. This is a wide spread down candle on very high volume. Note that the close is slightly off the low. This is an effort to fall. This is to be expected, as we expect the market to "back and fill" the gap. Whilst the next candle is down, there is actually some demand (buying/strength) in this candle.

B. Here the range of the candle decreases as the volume is increasing. A squat. A sign that the BBs are keeping the range narrow as demand swamps supply. We don't as of yet have No Result from an Effort to Fall (**A**) but it looks like that is a real possibility. Note that the next candle is up confirming that some buying happened on the previous candle.

C. The candle prior to C has volume less than the previous two candles. It is not No Demand however. In fact, low volume is common at the beginning of a nascent trend move. C would be an Up Thrust if it was in the correct place. With strength in the background, it is merely a narrow range up candle closing near the bottom portion of its range on increased volume. A squat.

D. This is the key candle. First note that the low of D is roughly even with the low of candle B. Yet, the volume is lower. In addition, the low of D fails to trade lower than the low of the candle prior to it. That previous candle did trade lower but close well off the low. Back to D. D is a narrow range down candle on volume less than the previous two candles. It is No Supply. While I like when No Supply candles make a lower low than the previous candle, the fact that this does not is actually a sign of strength. Especially when you consider it closed on its low. Making a lower low and closing on it would be somewhat bearish.

The bulls rush in on the next candle and the market is off to the races. This post is really about where the action happens-within an actual gap. By definition a gap is an area where there has been a change to the supply/demand dynamics in the market. When you are long from below a gap or short from above, gaps can make good profit targets because they do get filled. Yet there will be times when they create trading opportunities prior to being filled.   WRB Analysis is a form of Gap Analysis...........



Trading Gaps
ND
ND
Test
Effort to Fall
Squat
Squat
A
B
C
D
NS
Up Thrust
NS
ND
Supply/Demand
Delta
Zone
via
Actual Gap
1.3690
1.3685
1.3680
1.3678
1.3675
1.3670
1.3665
1.3660
1.3655
1.3650
1.3645
1.3640
1.3635
1.3630
1.3625
1.3620
180.000
135.000
90.0000
45.0000
0.0000
A B C D
15:20
15:45
Mar.07
17:25
17:50
18:15
18:40
19:05
19:30
19:55
20:20
20:45
21:10
21:35
22:00
22:25
22:50

Quote:

> Originally Posted by **tarco**
> *A slam dunk.*

You can trade any number of ways using Volume Spread Analysis. If you want to scalp, you can scalp. If you want to counter trend trade, there is nothing in the VSA dogma that says you can't.

From my perspective, it looks at worst as you're trying to catch the top; and at best like you're trying a counter trend trade. I always thing in terms of "what do you want to see? And where do you want to see it?". So if you can answer those two questions, more power to you.

Assuming this was a place where I wanted to see it, what I would want to see is price roll over and give an Upthrust followed by a No Demand. If you pulled the trigger on that narrow range up candle on increased volume, a squat (looks like a buying climax), you did make money. But I would argue the set-up is more suspect than the direction of the trade.

VSA is about market analysis, it is not a strict set of rules that must be followed without deviation. Gavin trades off a 15 min chart, Tom off a different timeframe. This trader trades with the larger trend, and that one likes to counter trend trade. Yet all are still using VSA.......

EDIT:

I consider this a slam dunk. Note that we start off with No Result from an Effort to Rise. Then we get an UpThurst. Finally we get our old friend No Demand.-a pattern that repeats often. Might the market ultimately go up? Sure, but there was some room to make a nice short here.

P.S. For those interested, there's a bonus on the chart.

Key Change in the Supply/Demand Dynamic
Up Thrust
ND
ND
Supply/Demand Delta Zone
Effort to Rise
Test
Squat
1.3665
1.3660
1.3655
1.3650
1.3645
1.3642
1.3640
1.3635
1.3630
160.000
120.000
80.0000
40.0000
0.0000
Sub Group-
Bearish Reversal:
1. An EB7 the meets the qualifications of an Effort Candle.
2. Either the EB7 or one of the immediately following two (2) intervals forms the swing high.
3. There is no close above the EB7 prior to the EB7 qualifying as a Key change in the Supply/Demand Dynamics
4. A minimum series of three (3) consecutive dark lines closing lower than each other and making lower highs where the last in the series closes lower than the low of the EB7 Effort candle prior to the next swing or three (3) consecutive white lines.
OR
5. A minimum series of three (3) dark lines closing lower than each other and making lower highs where the last in the series closes lower than the low of the EB7 Effort candle prior to the next swing or three (3) consecutive white lines.

The correct application of Japanese Candlestick patterns INVOLVES an understanding of the price action prior to and or within the Japanese Candlestick occurs.

Most traders who fail with Japanese Candlesticks, fail because they don't focus on price action and instead believe it's only about pattern recognition.

Simply, your statement infers that Japanese Candlesticks and Price Action are mutually exclusive, they however are not. This is despite the fact that most learning sources for Japanese Candlestick analysis teach it as such.

Quote:

> Originally Posted by **domino**
> *here this is price action*
>
> *the waves really make price action*
>
> *not the fact a pin bars high gets taken out...*
>
> *Price action trading flows like this*
>
> *Price is at Support...*
> *Price created a failed new low and offers the potential to reverse...*
> *Price has broken out...*
> *Price must not take out the low for the reversal to hold...*
> *Price makes another failed new low and a trend is forming off of support...*
> *This new low must not be taken out for trend to hold...*
> *..repeat until low off of resistance is taken out.*
>
> *Risk Reward is market defined and is...*

There is more than one way to skin a cat........

I view price action only trading (no indicators) differently. Take a look at the chart below. This is an example of a Bearish Engulfing pattern (not the generic patterns found in books or most internet sites). From my perspective, what really brings this particular pattern to life is an understanding of what caused it. That is to say, the price action surrounding it.

I like volume. Although apparently one can not trade off of one timeframe or be a scalper and trade VSA, I use some of it in viewing price action. :

A. Wide Spread up candle on increased and climatic volume. Markets do not like high volume on up candles. Note that we closed well off the high of the candle. IF all the volume associated with this candle was buying, then the candle should not close of the high.

B. The next candle is up. This does not mean, however, that there was not hidden selling in the previous candle. Moreover, note that in this candle we again close well off the high. We close in the lower 1/3 of the range of this candle. The long upper shadow shows supply (selling) entering the market. This is an Up Thrust.

C. Bearish Engulfing dark candle. Whilst the volume is less than the previous two candles, it is nevertheless bearish. A+B+C all together create the valid bearish engulfing pattern. A alone is merely an candle line. As are B and C, but together they transform from independent candle lines (intervals) to a valid candle pattern.

D. Another candle with volume less than the previous two candles. But let's think about the context. We have seen supply enter on two up candles (close greater than the previous candle's close) and now we see an up candle with DECREASING volume. The Smart Money is not interested in higher prices at this time. In VSA parlance, this is No

Demand.

VSAers can't take this trade because they need to look at 6 different timeframes and talk about background from 3 days ago. As a true price/volume action trader that incorporates Japanese Candlestick Patterns into the mix, the stage is set.

I believe this is how price action flows..........

You misunderstand. Price Action and Japanse Candlesticks are not separate.

You can take the miopic view a candle pattern, like a hammer. But those that simply trade hammers will fail because they do not look at the context inwhich the hammer was formed-the price action.

Also no mention of Market Profile was made by me. Volume is not market profile.
____

Whilst the thread title says "daily", I trade off of much smaller time frames. I also don't predict markets-I trade them.

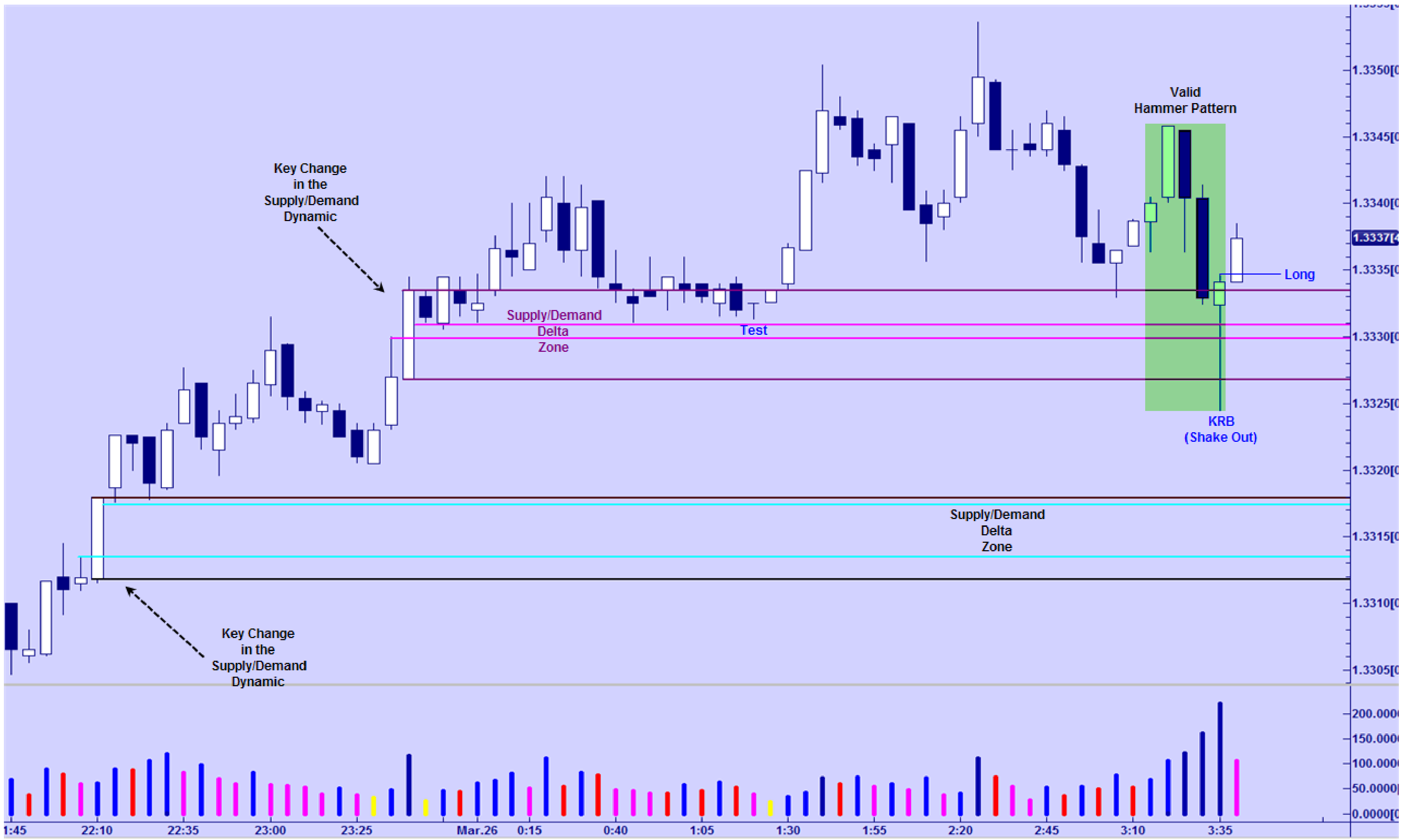
I am of the camp that traders fail with candles for two reasons:

1. They use generic candle patterns like those found in books or most internet sites.

2. They don't understand or pay attention to the price action within which the pattern is occurring. The pattern does not define the price action; the price action defines the pattern.

Anyway, I wanted to post this last night as it happened, but I find myself a poster without a thread (I don't want to start one because I do not want to feel obligated to keep it going.) So I dug this one up and here it is:

A valid (Bullish) Hammer Pattern where I would want to see it. Get long. No multiple time frames. No background information from 3 days ago. Just an immediate understanding of price/volume action prior to and leading into the pattern. And of course, the pattern itself.


Valid
Hammer Pattern
Key Change
in the
Supply/Demand
Dynamic
Supply/Demand
Delta
Zone
Test
Long
KRB
(Shake Out)
Supply/Demand
Delta
Zone
Key Change
in the
Supply/Demand
Dynamic
1.3350
1.3345
1.3340
1.3337
1.3335
1.3330
1.3325
1.3320
1.3315
1.3310
1.3305
200.000
150.000
100.000
50.0000
0.0000
1:45
22:10
22:35
23:00
23:25
Mar.26
0:15
0:40
1:05
1:30
1:55
2:20
2:45
3:10
3:35

> Originally Posted by **Fuzzyzc**
> *........This a thread for learning how to trade with candle sticks and price action........*

If that's the case, I may have found my new home.

Japanese candlesticks are not very reliable on their own. One needs to understand the price action that creates them. Focusing on a hammer line will be less reliable than focusing on the price action the hammer line is within. Under certain conditions, a hammer line with limited reliability can traverse to much more reliable hammer pattern.

Many traders that say candles do not work on small timeframes, tend to be neglecting the context, or price action the candles are within.

BTW, price is continuous. Therefore it is true that an interval based on time, or contracts, or ticks, ultimately is arbitrary. But man is finite and therefore temporal. This doesn't have anything to do with what I have to say, but I wanted to address it as it was brought up earlier.

I have attached a screen shot of the Euro/USD. The timeframe is daily, but as I said I trade off of smaller timeframes. I was looking to show a particular pattern and I found one on the daily. The pattern is a Low Close Doji Pattern. John Pearson talks a lot about high/low close dojis. In fact, there is a CME presentation by him on the subject. He uses a very generic pattern that is not that reliable. A more reliable pattern is shown in the chart.

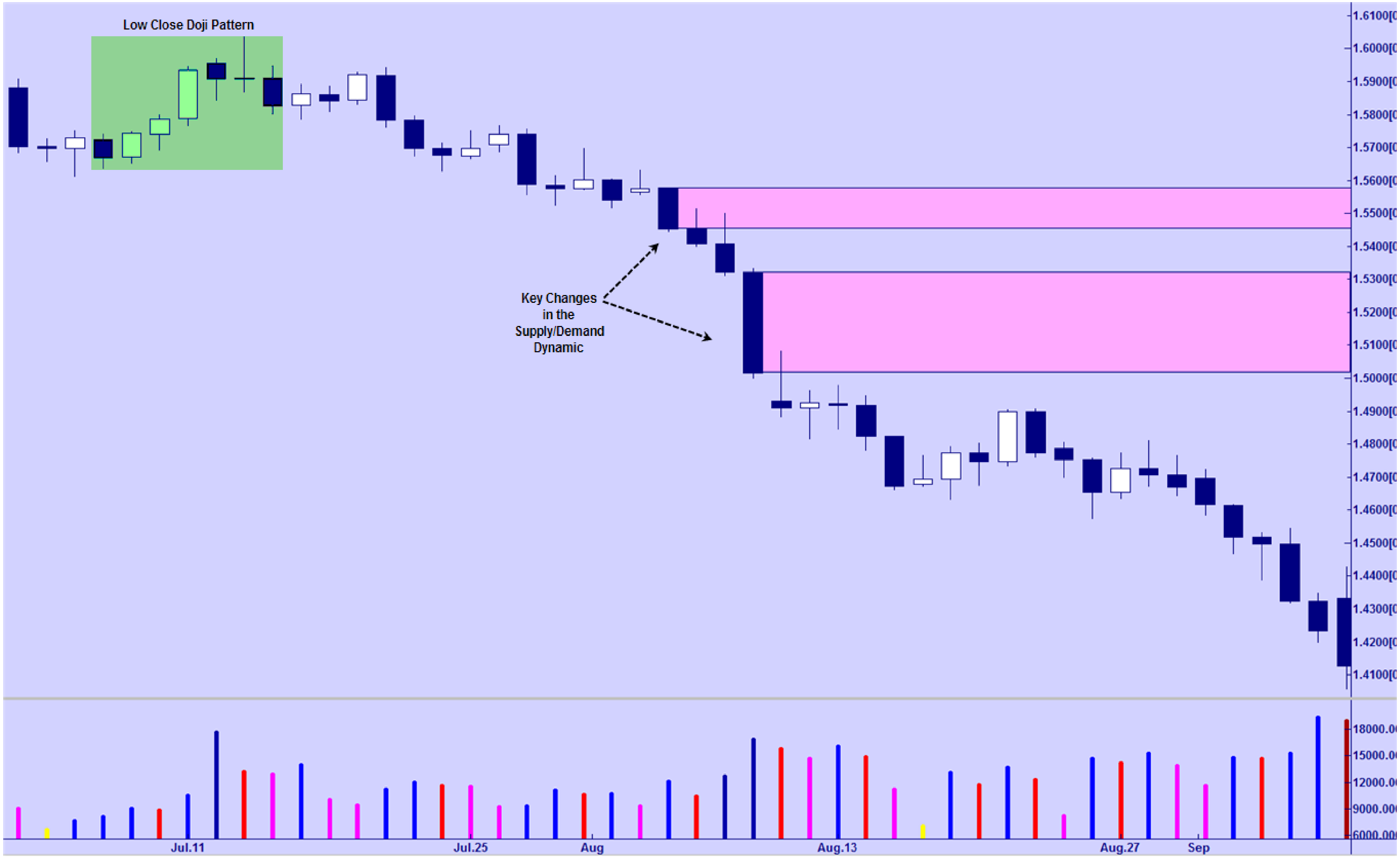
Things to notice:

1. Long upper shadow of the Doji is larger than the upper shadows of the other candles in the shaded area.
2. Long upper shadow of the Doji is larger than the bodies of all the candles in the shaded area, except the EB4 (expansion body).
3. The high of the Doji is higher than any of the candles in the shaded area.
4. The candle after the Doji closes lower than the low of the Doji, does not make a higher high and slightly engulfs the body of the doji. (in a Doji, the body is simply a line as open=close).
5. The open and close of the Doji is in the lower third (1/3) of the range.

Whilst volume is not important for the pattern, I like to look at volume. From a VSA standpoint, the EB4 is a wide spread candle with climatic volume with the next candle down. The fact that the next candle is down shows that there must have been some selling on the previous candle. The Doji itself, makes a higher high and not a lower low on volume less than the previous two candles. This is an Up Thrust in the form of No Demand. Another sign of weakness.

But again, volume is not needed to validate the pattern. I personally think it helps.

I would actually only want to take this trade if it occurs within a Supply/Demand Delta Zone. But for now, we can just focus on how this doji line traverses into a valid Low Close Doji Pattern.



Low Close Doji Pattern
Key Changes in the Supply/Demand Dynamic
Jul.11
Jul.25
Aug
Aug.13
Aug.27
Sep

Quote:

Originally Posted by **pipmutt**
That kind of demonstrates what I was saying earlier about people (subconsciously) expecting to lose, you consider 'not losing' as success. Don't get me wrong, if you're breaking even or better still turning a profit then you're doing better than most, but is that really what could be called success? If it is then not trading at all could be called successful, if you see what I mean!

I am reminded of a story of a young brash trader. Let's call him Trader Joe. Trader Joe landed a job as a floor trader in Chicago and was psyched to become one of the cabal. Surely riches would ensue. He was young, attractive and going to be wealthy. The world was certainly his oyster.

Upon arriving in the Pits in Chicago, what was the first thing he was taught? Some magic indicator only floor traders are privy too? A set of mystical numbers sent down from the mount on high? No. Trader Joe was taught to get out of a losing trade 100 times out of 100.

In other words, Trader Joe was taught losses are to trading what air is to breathing. Success would not be measured in how well he managed the winners. Those take care of themselves. Success comes from managing the losers.

Should one expect to lose? Maybe a bit, but not so much as to make it a self fulfilling prophecy. But one must certainly know what to do when a loss is occurring.

Trader Joe summed up his first lesson like this; " I am less concerned with the return **ON** capital and more with the return **OF** capital".

Ultimately, the Big Boys are not the Big Boys because they win more, but rather because they lose better.............

____

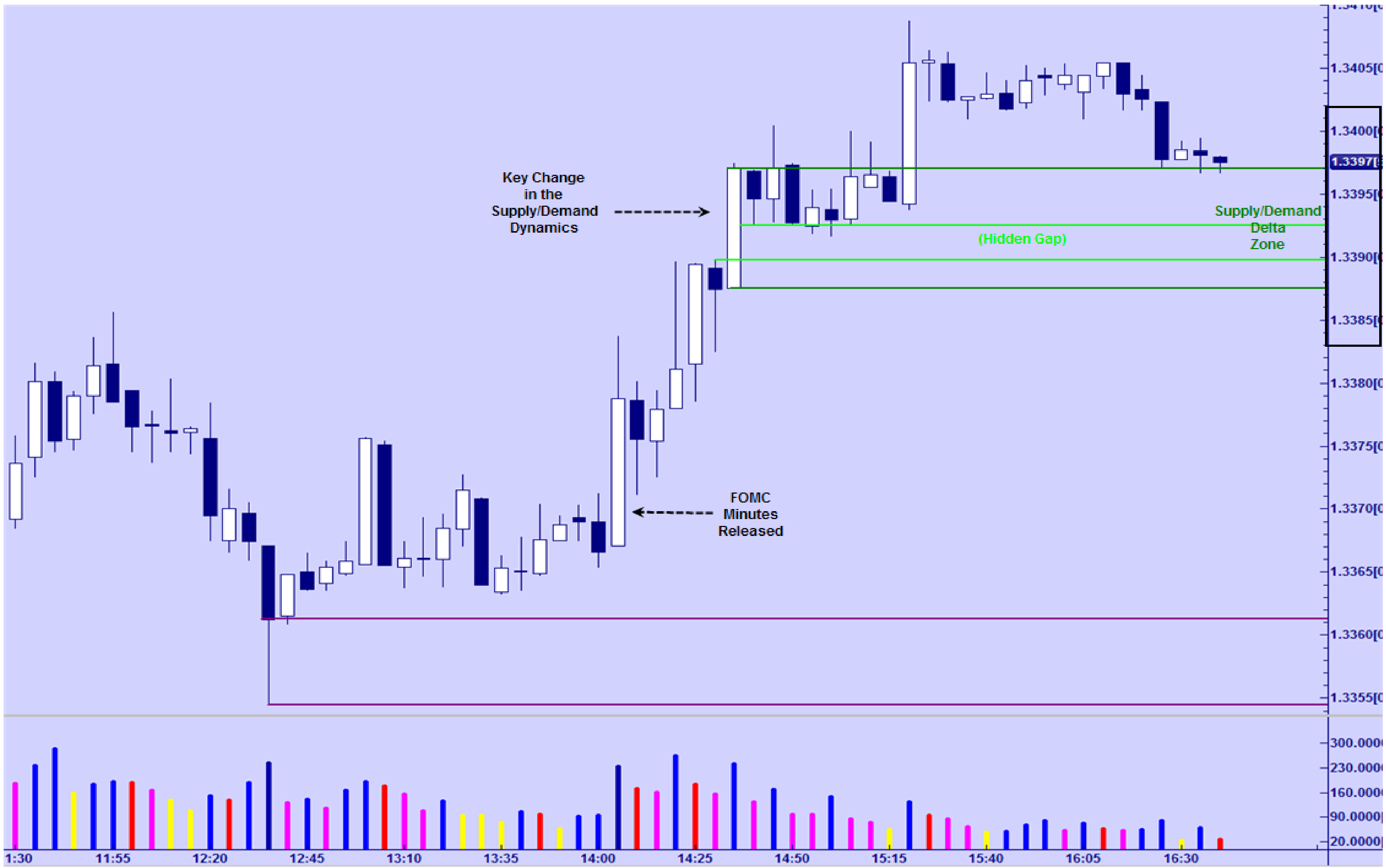
Quote:

Originally Posted by **malcolmb14**
..........Check out 4 hour eu , looks like a nove long off 1.3400 is developing for London

You may be right. I don't know nor do I care to predict markets. But if you learn to read ***a*** chart, there is no need to look at ***multiple*** ones.

Having an understanding of the price action ***prior*** to any trade signal is the key. From the chart below note that a Supply/Demand Delta Zone is created when we have a key change in the supply/demand dynamic. This change is the direct result of new information in the market: The release of the FOMC minutes.

This area means something to the BBs. It brought enough of them in to create a change in the supply/demand dynamics of the market. What price does in this area therefore will potentially be significant. As ***traders*** this means an entry signal in or around this zone should produce good results versus an entry signal taken somewhere else. Regardless of what is happening on another timeframe. Like Master The Markets says, there are professionals acting on ***all*** timeframes. Due to the fractal nature of markets, it is possible for one set of pros to be going long on the 3 minute and another set to be going short on the 15 minute , and for both sets to be right.


Key Change
in the
Supply/Demand
Dynamics
FOMC
Minutes
Released
Supply/Demand
Delta
Zone
(Hidden Gap)
1.3405
1.3400
1.3397
1.3395
1.3390
1.3385
1.3380
1.3375
1.3370
1.3365
1.3360
1.3355
300.000
230.000
160.000
90.0000
20.0000
1:30
11:55
12:20
12:45
13:10
13:35
14:00
14:25
14:50
15:15
15:40
16:05
16:30

Quote:

Originally Posted by **nasir.khan**

So whats the difference between opening a trade and predicting a move?

I mean when you predict you say X will go down.

And when you open a short trade the reason is that X will go down.

Or are you saying that we can predict direction of the move but we cannot predict the exact parameters of this move.

No sarcasm just a question.

.

There are basically 3 phases a trader goes through.

Phase 1: Predictive Discovery.

This is the first stage and here a trader makes assumptions about what he/she sees and future events. In other words this is the "I have noticed that if price does A,B,C, and D price goes up." "If RSI is over 80 and the mixiplix oscillator turns red, price falls". This initial stage seeks to either go from cause to effect or from effect to cause. In this stage, there is a predictive element as future outcomes are attempted to be ferreted out from current and past events.

Phase 2: Predictive Qualification / Quantification.

This is the back test/forward testing stage. Here the trader looks at mass amounts of data, and asks "what percentage of times that A,B,C, and D exist does price rise?" Or, "If I sold every time the RSI was over 80 and the mixiplix oscillator turned red, how many times would I be right (about future price direction)?" This stage has all sorts of inherent problems like curve fitting, but it is a vital stage.

Phase 3: Transformational Logic.

There must be a fundamental shift in one's thinking at this point. Prediction must be thrown out the window. No longer is it buy because you think prices will rise since A,B,C, and D are present. It is now buy because you have observed that A,B,C, and D are sufficient conditions to enter long based on your work in the previous two phases. Clearly on does not buy with the hope that price will fall. If one does then they have some underlying issues beyond trading. But the notion that buying constitutes a prediction of future direction is gone. Buying becomes an admission of trust. Trust of the work done in the previous two phases.

Phase two told you that 85% of the time that A,B,C, and D are present on the chart, price rises. At phase three, the trader is merely saying, " I trust that the conditions I am looking for (A,B,C, and D) are present and represent an opportunity to get long. 85% of the time this is the correct option. This individual trade will work or it wont, but I trust in this set up. I trust in me".

Whatever happens will be. The future is unknown and not knowable. Thankfully successful trading does not need it to be.

____

> Originally Posted by **Sauron**
> *Where is actually the difference between 2 and 3?......*

Phase 2 is back testing, forward testing/sim trading. Phase 3 is actual money on the line.

In phase 2 one can not take the trade because of "feel" and pat himself or herself on the back if the trade goes in the wrong direction. Or slap him or herself it the trade would have gone in the correct direction.

In phase 3, to not take a trade is to call oneself a liar. A trader believes in his or her set ups by this point. Outcomes can't be predicted, but success can be measured by how a trader uses discipline. And discipline means taking trades as they come. This is not about prediction of the future but a recognition of present conditions. By this point seeing A,B,C,and D should register as necessary and sufficient conditions to take a trade.

____