Here is a check list new and not-so-new folks might find helpful. This comes from Tom William's excellent book, The Undeclared Secrets that Drive the Stock Market along with my personal notes and observations. Note the order. The order is important.

1. What phase is the market in? Markets move in phases. The basic phasing of the market is accumulation, mark-up, distribution, and mark-down. A basic way to think about this is that the market moves from consolidation phases with low volatility to trending phases with high volatility. This simpler way of thinking is often useful because accumulation and distribution can be hard to identify.

   Use a 60-minute or 180-minute chart to determine phases. Do this **the night before** so you are prepared for the next day. Is it trending or consolidating, or has it just broken out of a consolidation? Note trend lines and trend channels, as well as important points of S/R and overbought/oversold areas. These are places trades often set up. Knowing the phase and the market structure (S/R, trend lines, etc.) is a part of knowing the background.

2. What is the background on the current chart? Look for spikes in volume, wide spread bars with closes in the middle. This is the ideal key to current background conditions and what we look for in finding reliable VSA setups. You may not see this on the current chart, however, so you look for other background conditions. Is the market making higher highs and higher lows? Was there an impulse move to the downside and the current rally is on receding volume? Is the current chart range-bound? Phase and Background are always the first considerations when reading a chart. Now we can get to the current bars.

3. What is the relative volume on this and the last several bars? Note that we first focus on volume, not the price bar. Compare the volume to the prior bars. Is it higher, lower or about the same? You are looking at activity here. Is it significant or not? Is it picking up, sustained, or dying off? Once the relative volume has been determined, you now consider how the market responds to the volume.

4. Look at spread. What is the relative spread on this volume? Again, compare the current spread with prior bars. Is the relative spread on this bar wide, about the same, or narrow? From this, we now have a sense of how the market responded to the volume. For example, did we get a wide spread on increasing volume - the market is moving price. Was the spread fairly wide, but the volume dying off - possible change in trend, or maybe a false picture. Or, did we get a narrow spread on high volume - lots of activity, but it didn't move price, an indication of capping the market.

5. Look at the close. This gives you the direction of the spread and volume. Remember, spread is also an indication of activity in its own right—the wider the spread the greater the activity. So, by the close we know whether the direction of the activity contained in the spread and the volume was up (on or near the high of the spread), down (on or near the low of the spread), or flat (in the middle).

6. What is the movement of price relative to the preceding close? The close tells us how price has moved relative to the last close. Has it closed up from the last close, down, or level.

You now take your observations about the close and add your other observations about background (always, always the first consideration), relative volume, relative spread, and price direction. You can now make an informed judgment about whether or not a VSA indication has set up and whether or not this is a trade to take.

This process is a little counter intuitive; our eyes naturally go to the current price bars. But, this process is a better way to orient both your reading and your interpretation of the chart via VSA.