

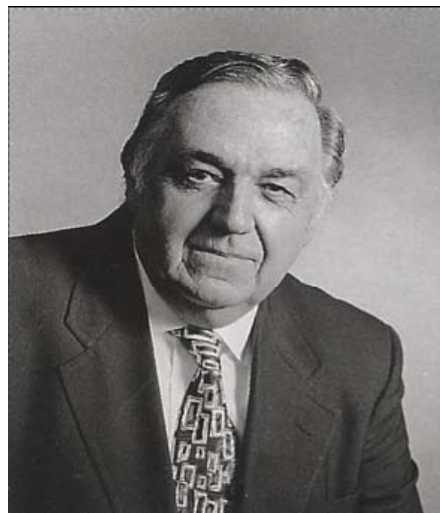


Welcome to the TradeGuider U.S. Mentorship Course

**Class Starts at 6:00am
Chicago (CST)**



Your Presenters



Tom Williams

**Retired Syndicate Trader
and Inventor of VSA**



Gavin Holmes

**Professional Trader,
Author & CEO
TradeGuider Systems**



Mentorship Class Format

- The Mentorship course has two main sessions each day lasting approximately one hour 15 minutes.
- We will take a 10 minute break between sessions.
- Audience participation is highly encouraged.
- No question is a silly question, if you do not understand, ask us.
- We all cannot talk at once, so when you have a question, please type “Question” , and we will address your question.
- It is highly recommended you take notes.



Mentorship Sessions

1. Why do a large percentage of retail traders lose money and how to develop your own plan for success using VSA.
2. Identifying VSA Signs of weakness with trade set ups shown.
3. Identifying VSA Signs of weakness with trade set ups shown.
4. Identifying VSA Signs of strength with trade set ups shown.
5. Identifying VSA Signs of strength with trade set ups shown.
6. Understanding “Smart Money” accumulation and distribution.
7. Trading Upthrusts and Springs at support and resistance.
8. Identifying “Trigger Numbers” using trend lines and channels.



Mentorship Sessions

9. How to identify a market top and a market bottom.

10. Putting it all together – Review and plan assessment.

Live Trading Session with Tom and I.

You all trade LIVE with an Infinity AT simulator in the live market.

Tom and I will be trading our live accounts – You can trade as one group or individually, you decide.



Mentorship Sessions – Times

All times are CHICAGO CST

(pacific 2 hours behind / eastern 1 hour ahead)

Session 1 and 2 – Monday 6th August 1.00pm – 4.00pm

Session 3 and 4 – Tuesday 7th August 1.00pm – 4.00pm

Session 5 and 6 – Wednesday 8th August 1.00pm – 4.00pm

Session 7 and 8 – Thursday 9th August 1.00pm – 4.00pm

Session 9 and 10 – Friday 10th August 1.00pm - 4.00pm



Mentorship Objectives Europe session

- Better timing
- How to cut losing trades quickly and know why
- Learn to trade well for the sake of trading well
- Mental preparation
- Fewer but better trades
- How to deal with the delay on the daily data to set up for the next day.
- Proper stop placement.
- Highest probability entries
- Confidence in reading the market correctly
- Identifying accumulation and distribution
- Learning correct exits
- How to identify absorption volume



Mentorship Objectives

- How to identify when a stock is ready to short or go long.
- To re-enforcement of existing knowledge gained through books.
- Trade Management and Risk assessment
- Creating a Trading Plan
- Learn one VSA high probability VSA set up.
- Build a small account using good risk management.
- How to be the read background correctly.
- How to be a better, disciplined trader using risk management and VSA system.
- How to maximize profits.
- How to identify a high probability VSA sequence.



Mentorship Objectives

- To learn all the VSA principles and then put them into context to include background and trade set ups.
- To learn how to identify the highest probability low risk entries using VSA.
- To learn how to clearly identify professional distribution and accumulation and know where and when to take a trade.
- To learn how to identify market tops and bottoms.
- To understand the “Herd” and “Weak Holders” and how to avoid becoming either of these!
- What is a “Shakeout” and how to recognize and profit from this maneuver by professionals.



Mentorship Objectives Contd

- Understanding the “Upthrust” and where to place a trade after you see this.
- To learn the significance of the range or spread on any individual bar and how to put it in context with the background.
- Understand why the background is vital to placing a trade at the right edge.
- To learn why multiple timeframes are important and how to choose the right timeframe for your chosen market.
- Understanding what is a “Test” and the different types of “Tests” that can be both bullish and bearish.



Chart Reading Mentorship Objectives Contd

- To learn how to identify VSA patterns as they appear and be patient to get the best entry. All VSA patterns seen in hindsight must have been there as they unfolded.
- To get your questions answered about specific issues you are having with your trading/investing and gain confidence in your chart reading ability.
- To understand Supply and Demand and the effect the imbalance has on the chart.
- To know the best place to put a stop loss, market order and buy/sell order above or below price action.
- To learn from other like minded traders.



What Qualities Makes a Good Trader and Investor

- Patience
- Timing
- Confidence
- Study
- Self Discipline
- Mastering VSA
- Do what the VSA Experts Do
- Desire / Will to win
- Focus
- Understanding the game with an open mind



What Qualities Makes a Good Trader and Investor

- BELIEF!!
- Educated
- Has trading plan that works.
- Good risk management.
- Concentration.
- Independent in thought.
- Be contrarian / believe the charts.
- Coping with fear.
- Following the system that you are comfortable with.
- If you are wrong – CLOSE THE TRADE!!!



What is Volume Spread Analysis

The Basic Concept

The Naked Chart



The Major VSA Patterns



VSA Signs Of Weakness With Trade Set Ups



Signs of Weakness

- Up bars, narrow or wide spread, close high, middle or low.
- Volume can be high or low.
- Narrow spread indicates supply.
- This supply “caps” any attempt to move up.
- Ultra high volume up bars (the classic trap of “Smart Money!!)
- Professionals have no interest in the upside – **Low volume.**
- Professionals are selling into the public buying – **Higher volume.**
- High + volume shows supply – public buying – smart money selling.
- Low – volume shows no interest from “Smart Money” so prices will not go higher.



**BEWARE OF ULTRA HIGH VOLUME UP
BARS – THEY ARE USUALLY WEAK
BARS DRIVEN BY NEWS**



SOW – Principle 1 – The End Of A Rising Market

Up-bar on a narrow spread, close middle or low, volume very high or stronger if ultra high. Weakness always appears on an up-bar because professional selling has to sell into a surge of buying. The narrow spread indicates supply. Something has put a lid on the top of the market. Selling, or lack of demand from professional money are the only two things that can do this. If the volume is ultra high this will show a serious sign of weakness. This sign of weakness needs to have the following criteria.



The End Of a Rising Market

- The high or ultra high volume up bar must be into fresh new ground and will have a strong bull run in the background.
- The price range or spread should be NARROW. The example shown, US stock JPM has a very narrow range, in fact it is within \$1.00 for the day in question, 14 October 2009.
- The NEWS will be good and that is to mislead you. You will have the urge to buy because the media, brokers etc will be recommending this as a strong buy when they should in fact be warning you not to buy or indeed sell!!
- If the market is gapped up and is approaching or at previous resistance then this is an even stronger sign of weakness.



14 October 2009 – Great News JPM

[JPMorgan scores big in latest quarter - Oct. 14, 2009](#) - Windows Internet Explorer

[http://money.cnn.com/2009/10/14/news/companies/jpmorgan_chase/index.htm](#)

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[JPMorgan scores big in latest quarter - Oct. 14, 20...](#)

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JPMorgan scores big in latest quarter

Banking giant enjoys rebound in key areas such as investment banking even as consumer credit issues persist.

By [David Ellis](#), CNNMoney.com staff writer
 Last Updated: October 14, 2009: 12:53 PM ET

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NEW YORK (CNNMoney.com) -- JPMorgan Chase delivered its strongest performance since the financial crisis first took hold two years ago, as the company reported earnings on Wednesday that towered above Wall Street's expectations.

The bank's quarterly profits were driven largely by a strong performance in its investment banking division.

And while losses continued to climb in the consumer-related parts of its business, executives at the company suggested that they were starting to see signs of stability.

"I give them a big check mark," said Raymond James analyst

What recession?

The banking giant weathered the recession well, helped by a rebound in investment banking.

Quarter	Earnings (Billions of Dollars)
Q3 2008	0.7
Q4 2008	0.8
Q1 2009	2.2
Q2 2009	2.8
Q3 2009	3.8

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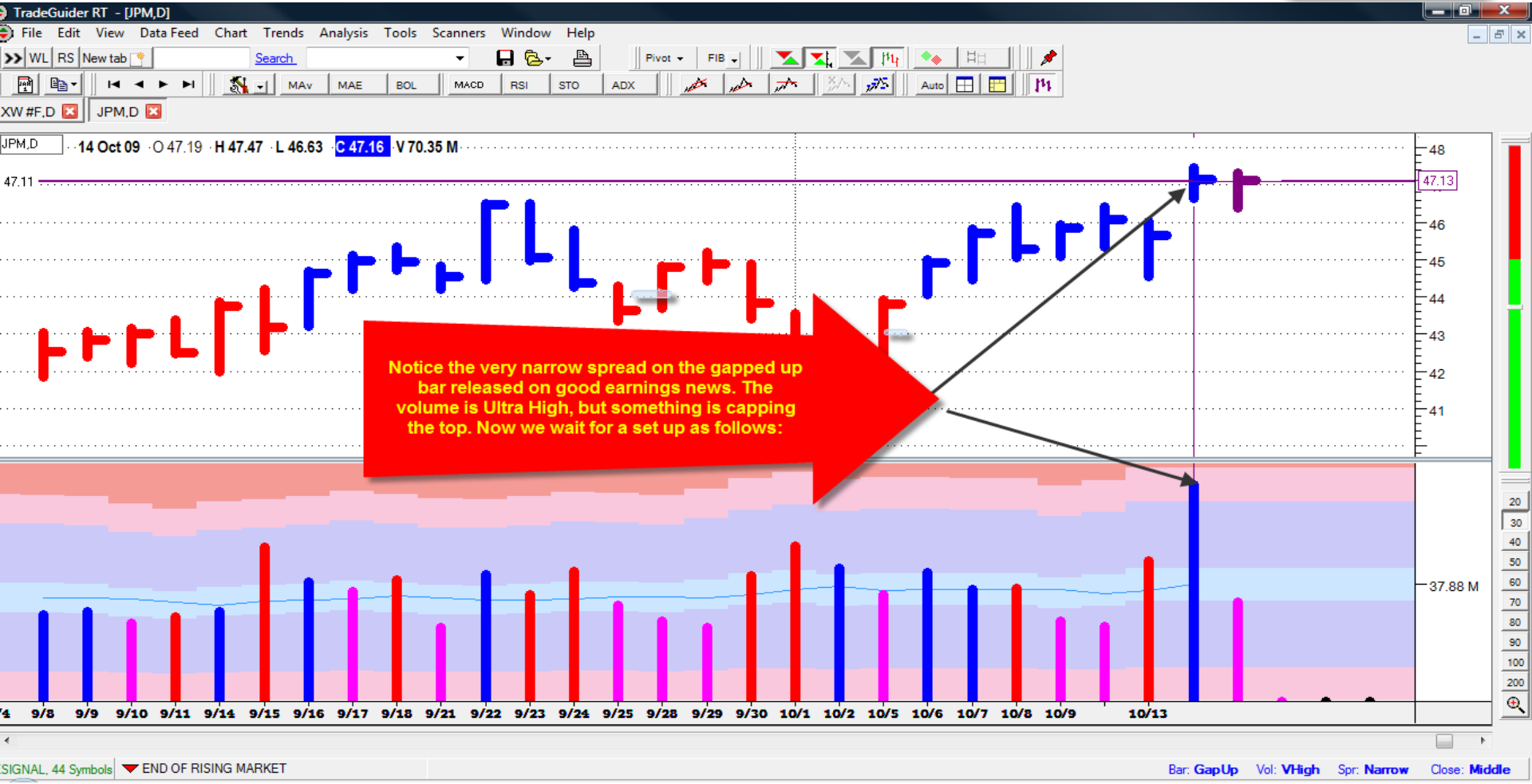
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US Stock JPM 14th October 2009

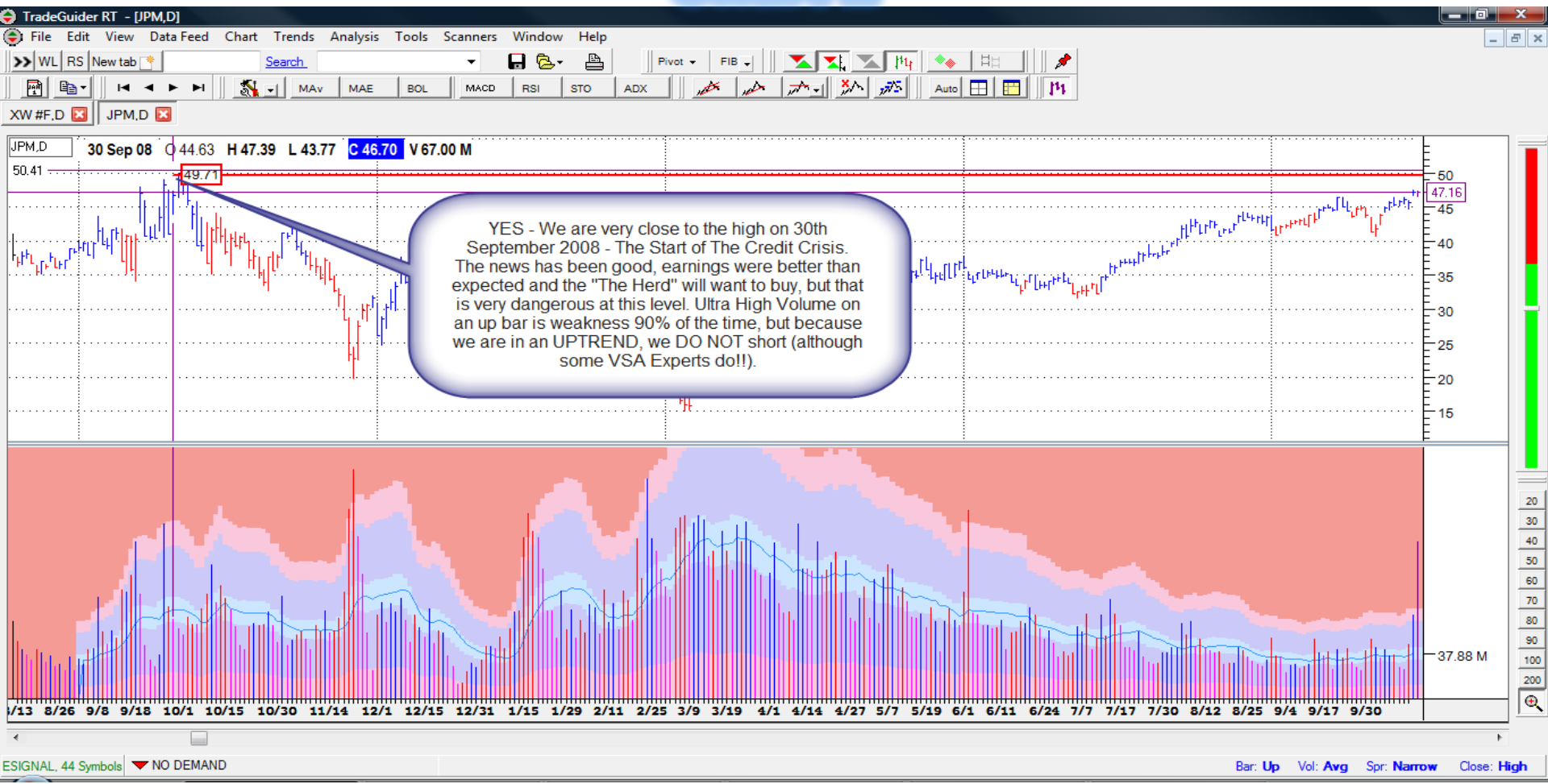
Chart 1





Do we have an old resistance level to the left?

Chart 2





Shorting AFTER you see End Of a Rising Market

- **Wait for the market to ROLL OVER, almost like the top of a mushroom.**
- **We need to see a DOWNTREND forming. Look for the market to make lower high's on the price bar each day.**
- **As the market falls we wait for a NO DEMAND up bar, an UPTHURST on either high or low volume (which we will explain shortly) that is the place to enter a short position.**



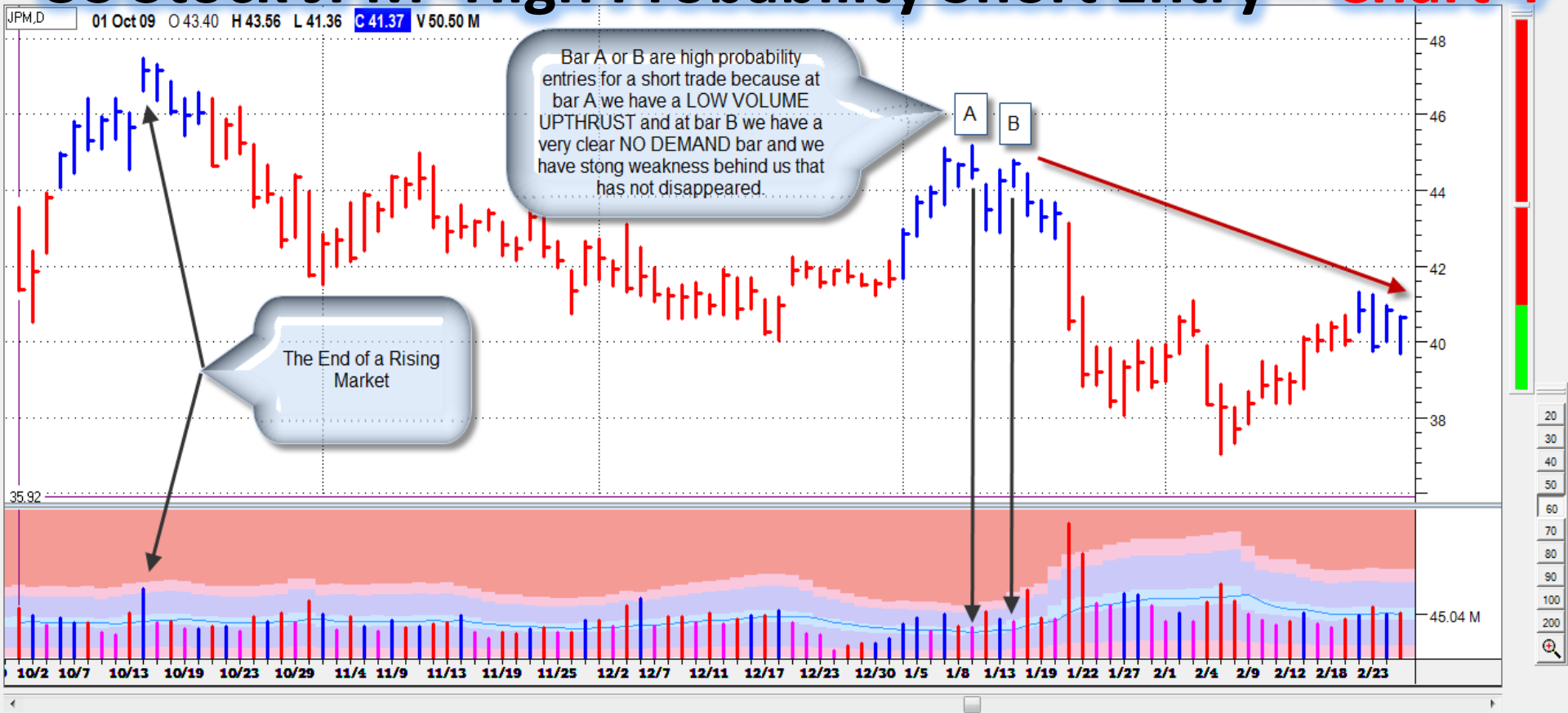
Mushrooming Over = Distribution

Chart 3





US Stock JPM -High Probability Short Entry – Chart 4



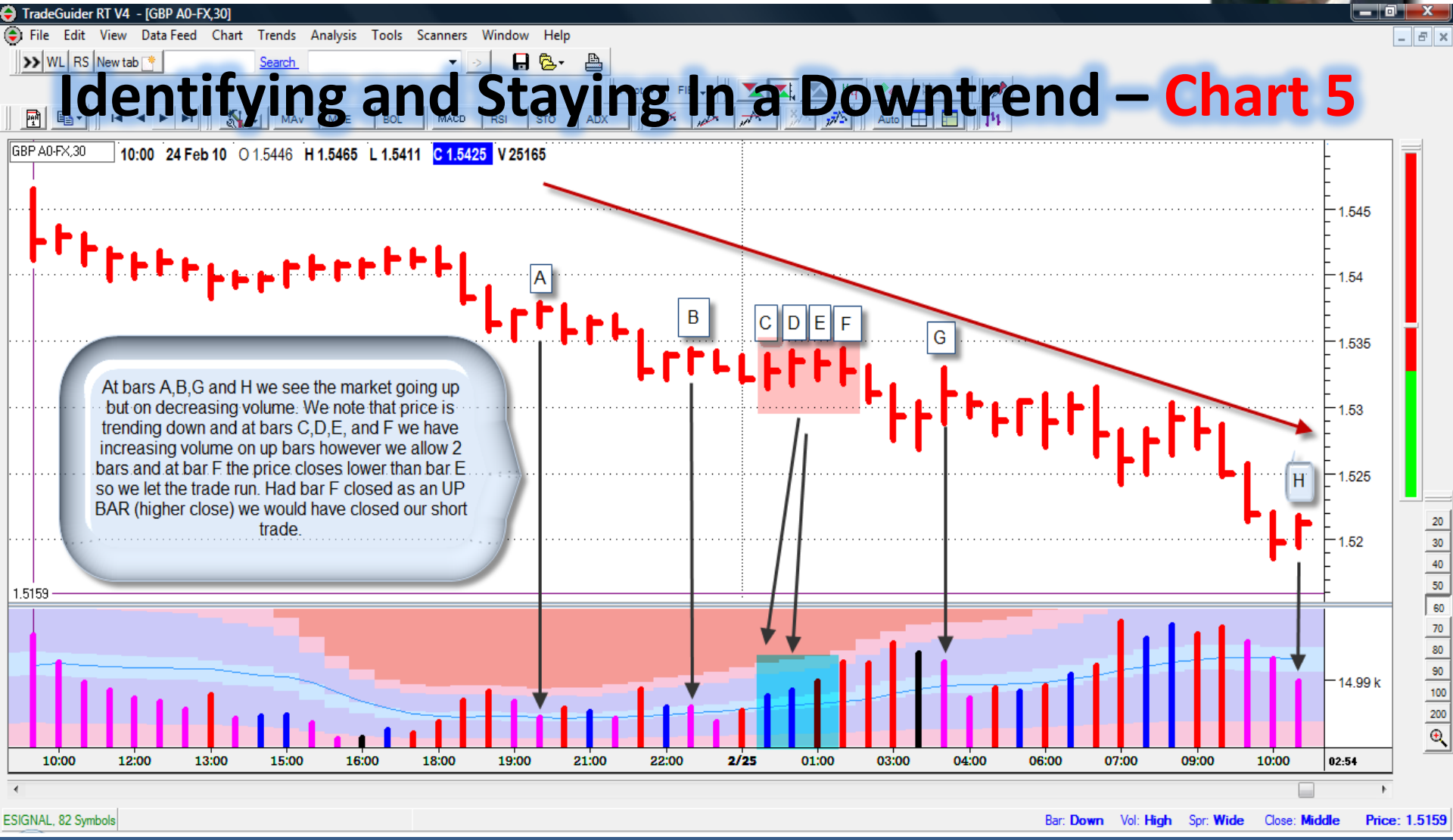


Tom Williams Simple Trending System For Short Trading

- Identify a serious sign of weakness first, such as End of a Rising Market, Buying Climax or Ultra High Volume or Low Volume Upthrusts. These should be followed by NO DEMAND.
- Wait for at least 10 BARS IN ANY TIMEFRAME to see the result of the weakness.
- In a strong downtrend we should see increasing volume (not excessive or ultra high) on down bars and decreasing volume on up bars.
- In a downtrend you can allow for 2 up bars if they are on low volume. Ignore level bars or near level bars, that is a bar that has closed at or near the same price as previous bar.
- The end of the downtrend is often seen by two consecutive up bars followed by a Test or No Supply down bar.

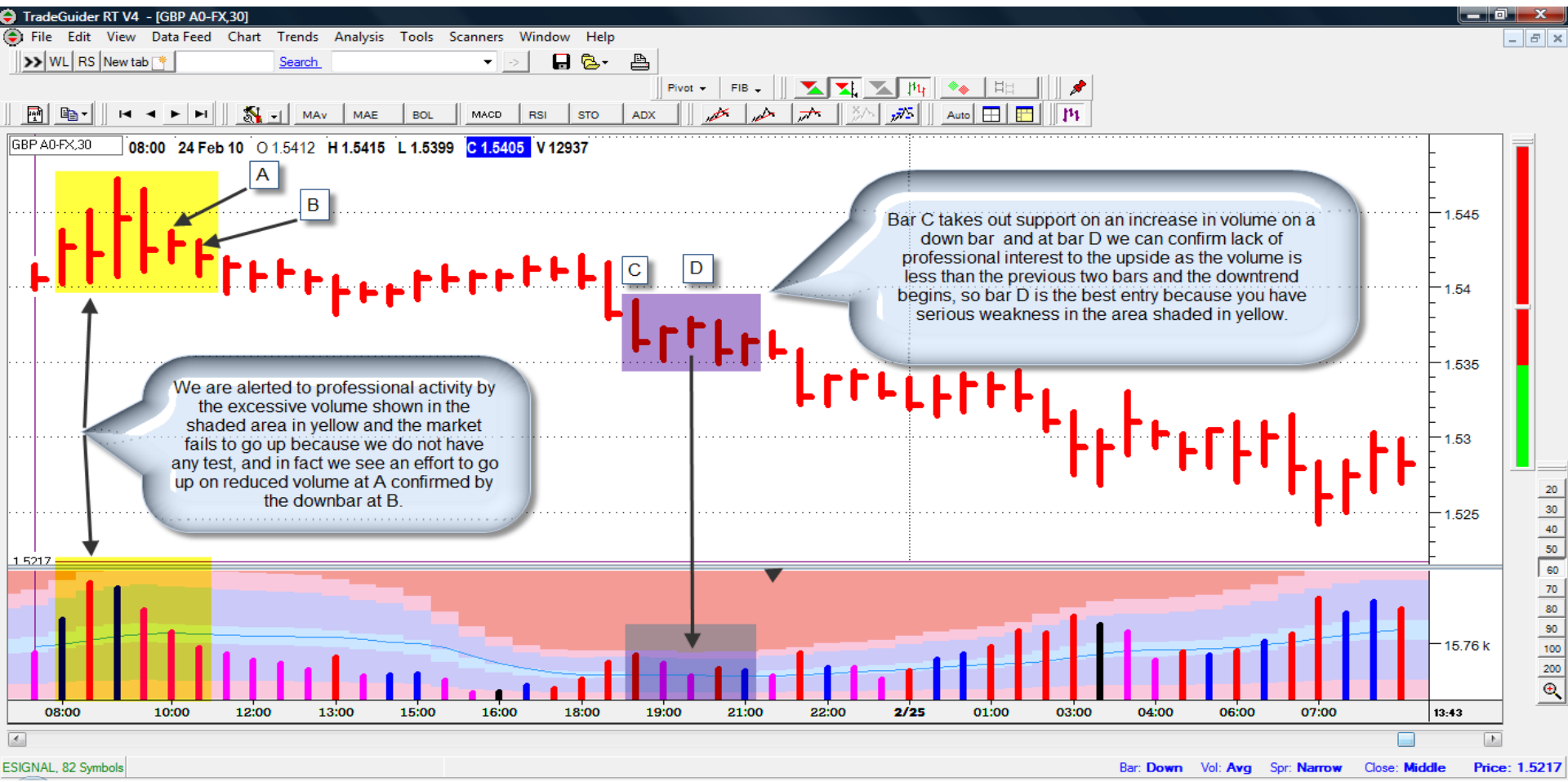


Identifying and Staying In a Downtrend – Chart 5





GBP/USD FOREX Trade Entry To Short in a downtrend **Chart 6**





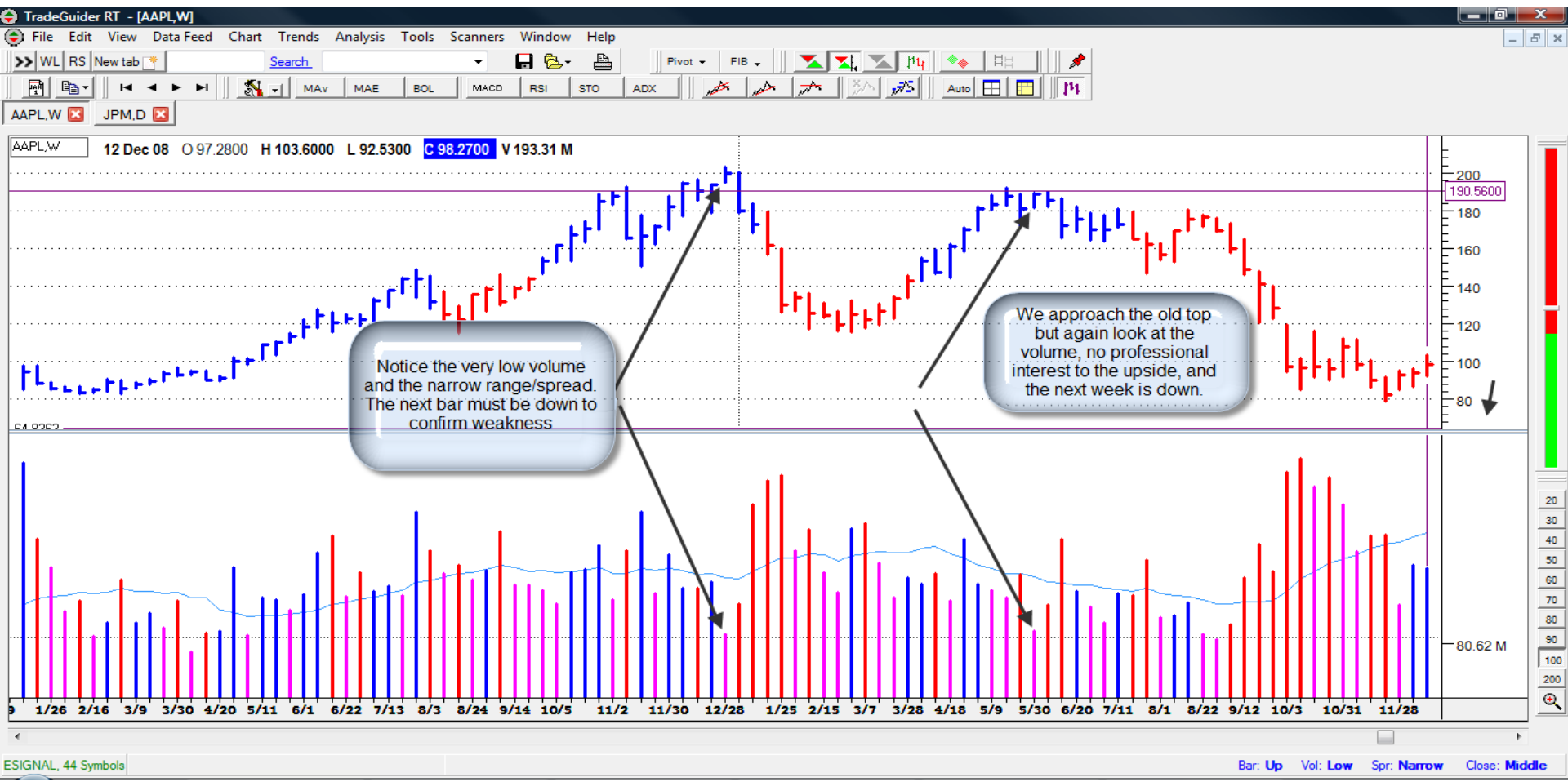
SOW – Principle 2 – No Demand at Market Top

Markets are constantly being traded. A sudden down move will lock many traders into poor positions as they wait and hope for a rally to get out with little or no loss. If after a reaction the market then starts to go up, then any old resistant level will require effort to go up and through these old highs because they have to overcome the selling from these locked in traders. To approach an old high on low volume and narrow spreads indicates that the old highs are not going to be penetrated because there is no demand. A market will not rise when there is no professional interest to the upside.



US Stock Apple - No Demand at a Market Top

Chart 7





And We Have an Old Top to the Left

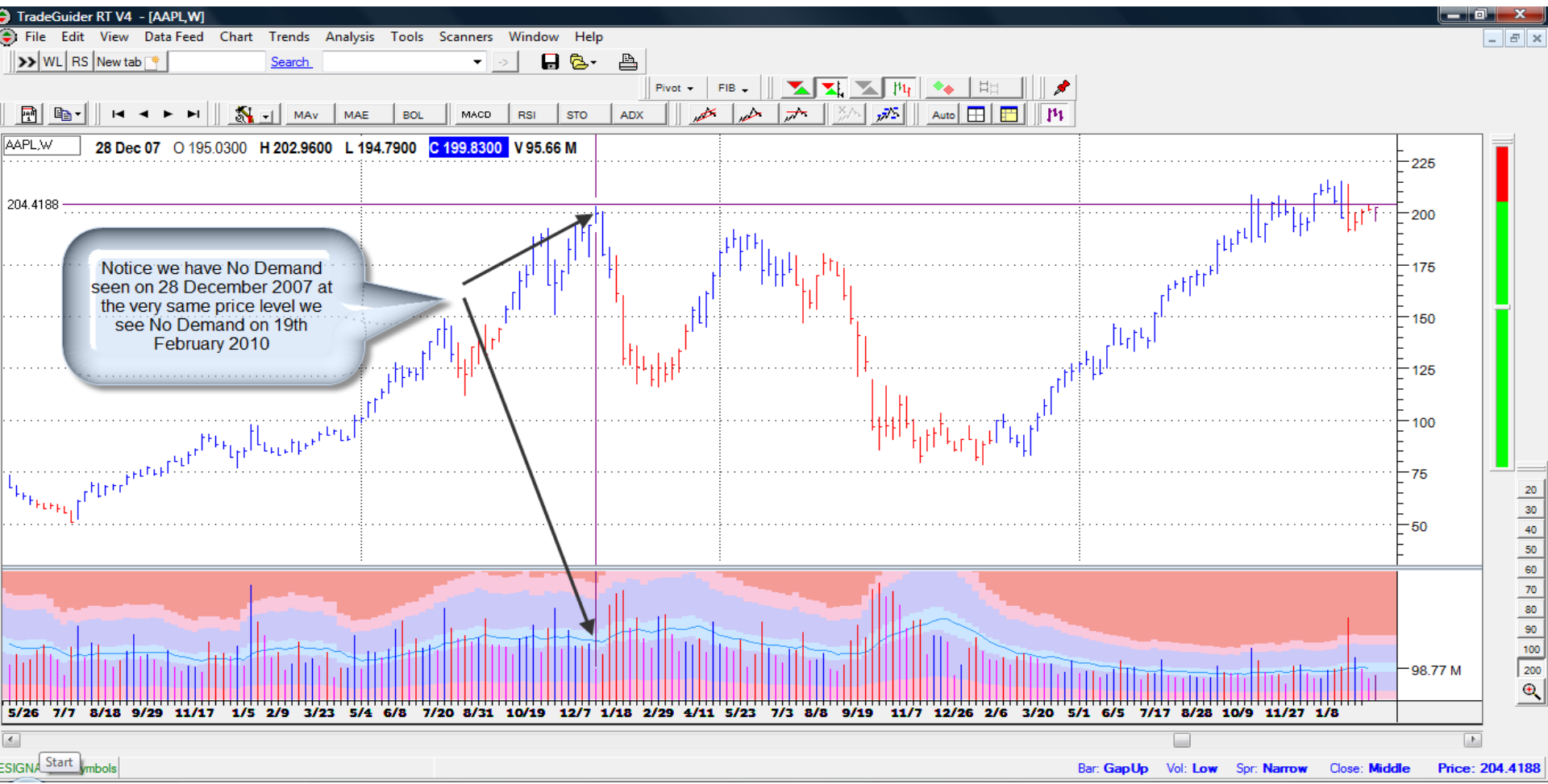
Chart 8





Apple No Demand December 2007

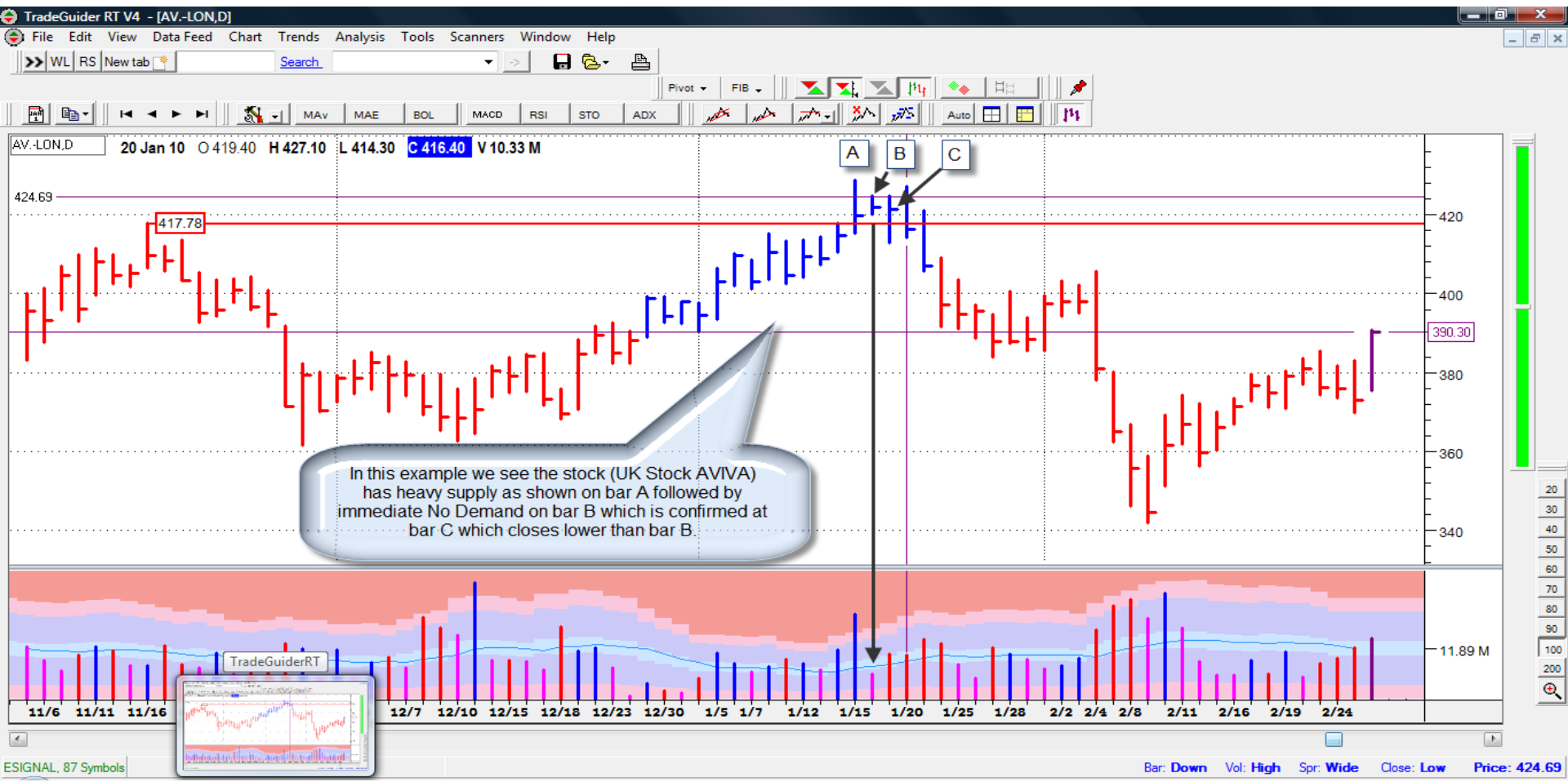
Chart 9





UK Stock AVIVA - No Demand at Market Top

Chart 10





Shorting AFTER you see No Demand at a Market Top

- **Wait for the market to ROLL OVER, remember, we do not know if this is the actual top until we see a change in trend.**
- **Do not go short on No Demand bars like this if there is an UPTREND still in place. Be patient.**
- **These bars are far more powerful places to short when you have a serious sign of weakness in the background, such as a Buying Climax or End of a Rising Market.**



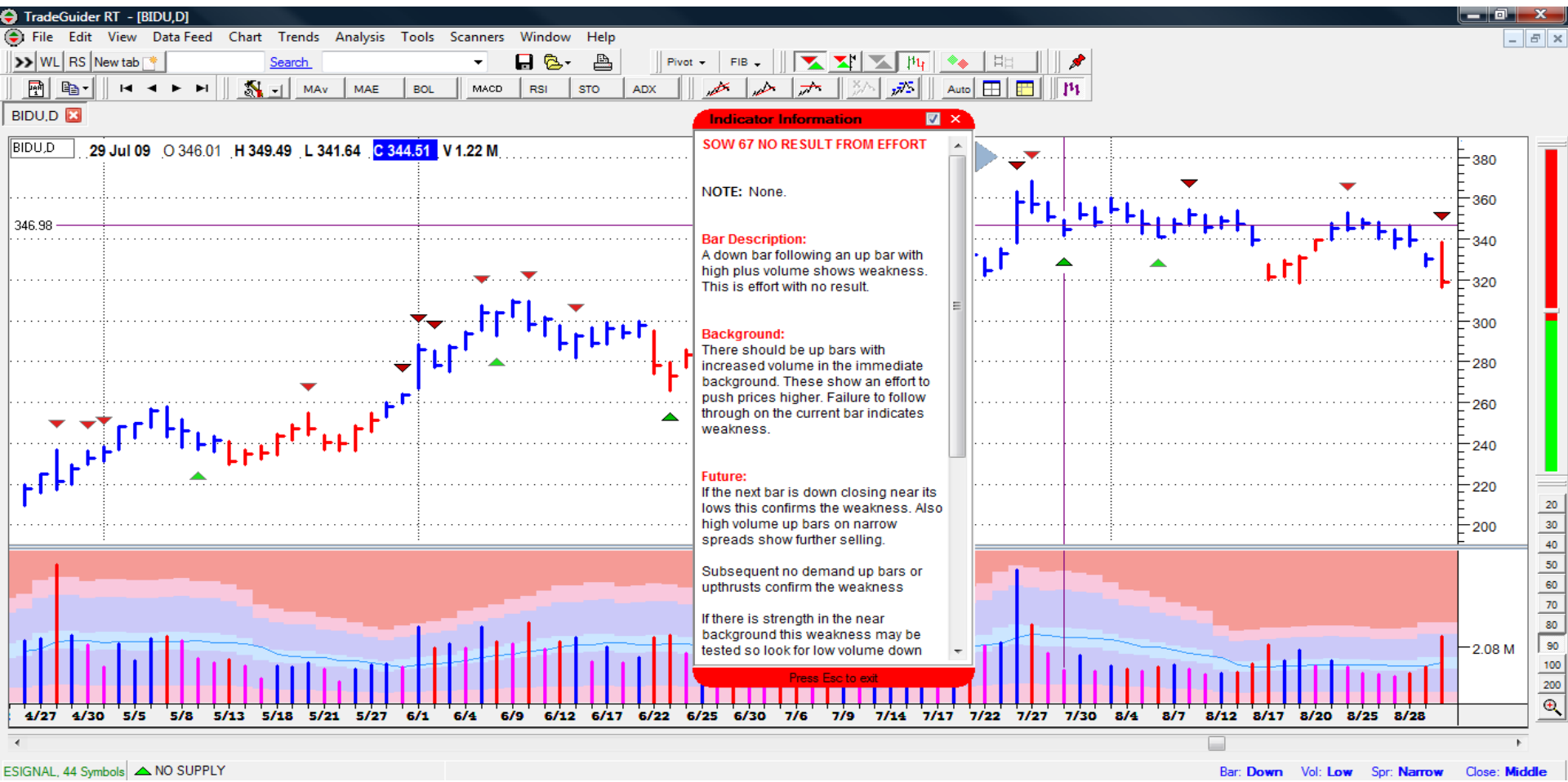
SOW – Principle 3 – No Result From Effort

This is known as no result from effort. Any indication of strength in an uptrend you should expect a strong market. If the next bar is down on a wide spread closing on the lows and the low and the close is lower than the previous bar this is a countermanding signal. You do not fight the market but you have to assume that there has been no result in an effort to rise therefore the market must be weak at that time. If the original indication was genuine SOS then professional money would immediately move into the market giving higher prices not lower.



US Stock BIDU No Result From Effort

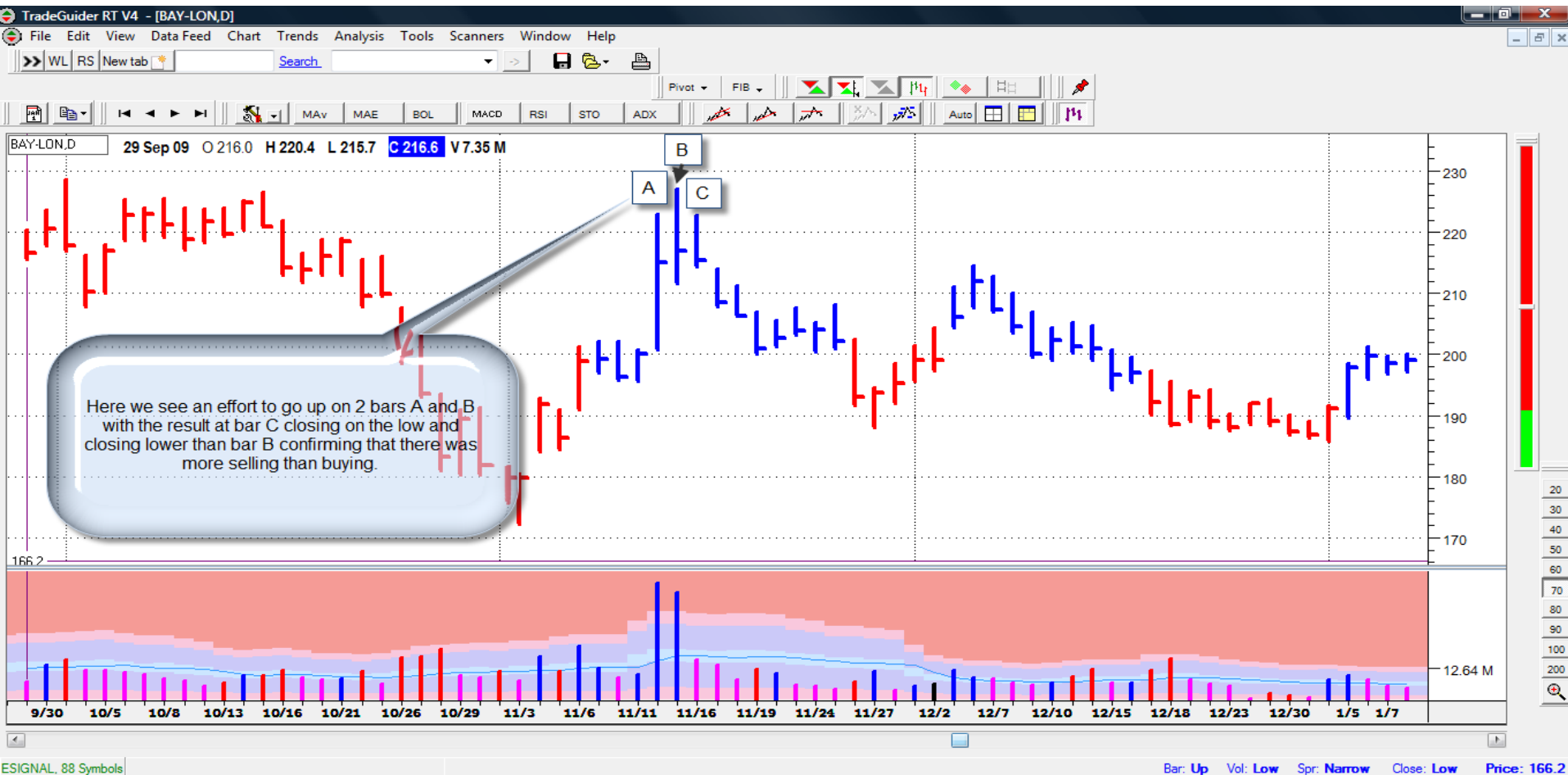
Chart 11





UK Stock British Airways -No Result From Effort

Chart 12





Shorting AFTER you see No Result From Effort

- **This will usually appear in an uptrend but is a far more powerful short in a downtrend.**
- **Do not short in an uptrend, if the market is weak it will roll over and you will see further signs of weakness.**
- **This is a powerful short when there is a downtrend in place and you see this at the TOP of the downtrend channel.**

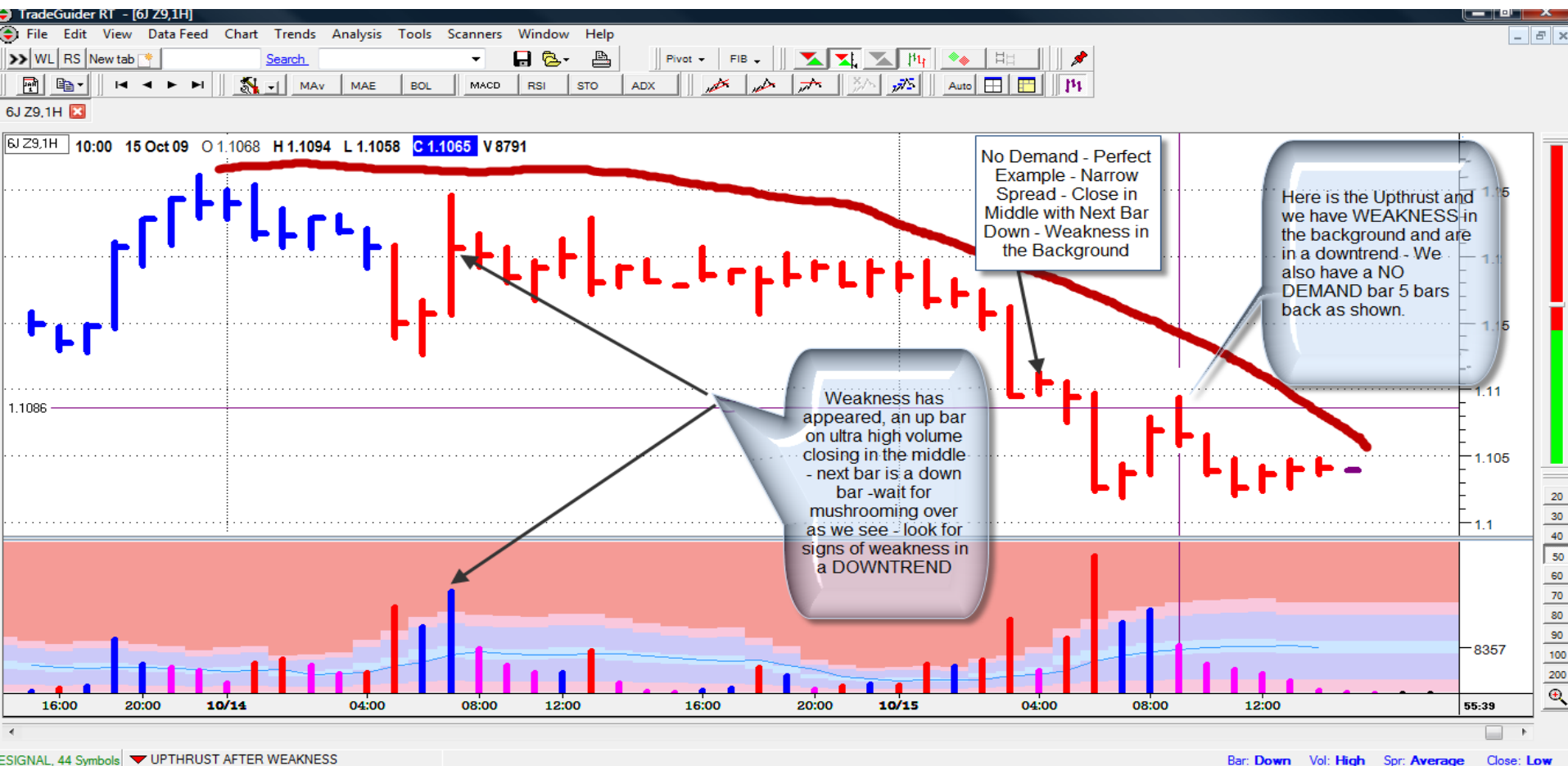


SOW – Principle 4 – The Upthrust

The Up-Thrust. Up-thrusts are there for a very good reason and that is to trigger stops in a weak market. However, many chart patterns look like Up-Thrusts but fail to live up their promises. The Up-Thrust has to look right. It has to be in the right place. Many are created in a strong market by gapping up at the opening then falling off for a rest only to carry on up. The genuine ones are easy to see. Basically you should have SOW in the background not SOS.



JPY/USD FOREX The Upthrust – In The Right Place – **Chart 13**





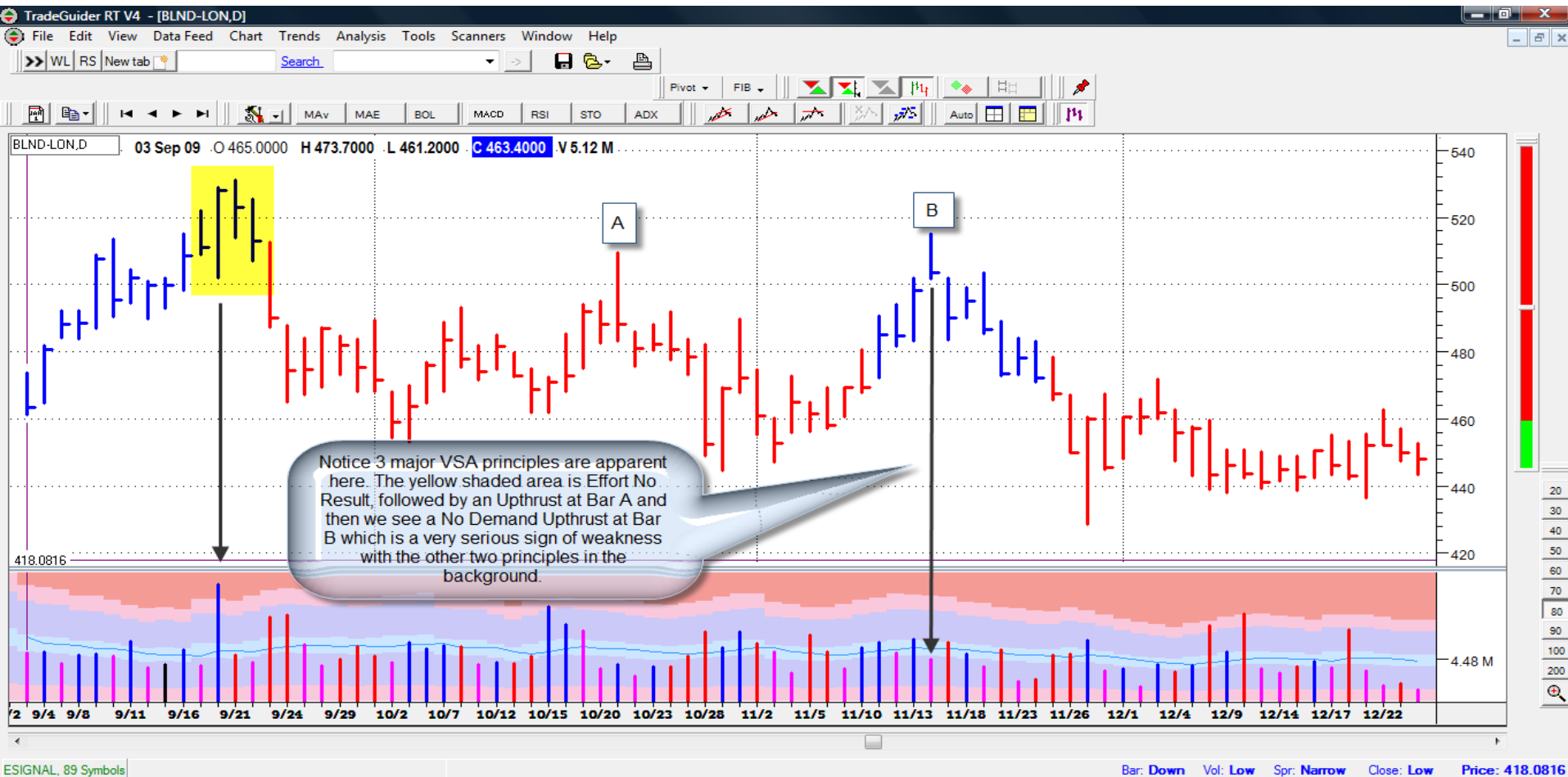
Gold Futures -Upthrust in Down Trend with Ultra High Volume - **Chart 14**





UK Stock British Land -The NO DEMAND UPTHrust

Chart 15





Shorting AFTER you see an Upthrust

- **This can and does appear in an uptrend but it is not a genuine upthrust because you are in an uptrend, but is a far more powerful short in a downtrend. Do not short an upthrust in an uptrend, it is in the wrong place.**
- **This is a powerful short when there is a downtrend in place and you see this push through the TOP of the downtrend channel.**
- **Look for signs of weakness in the background.**



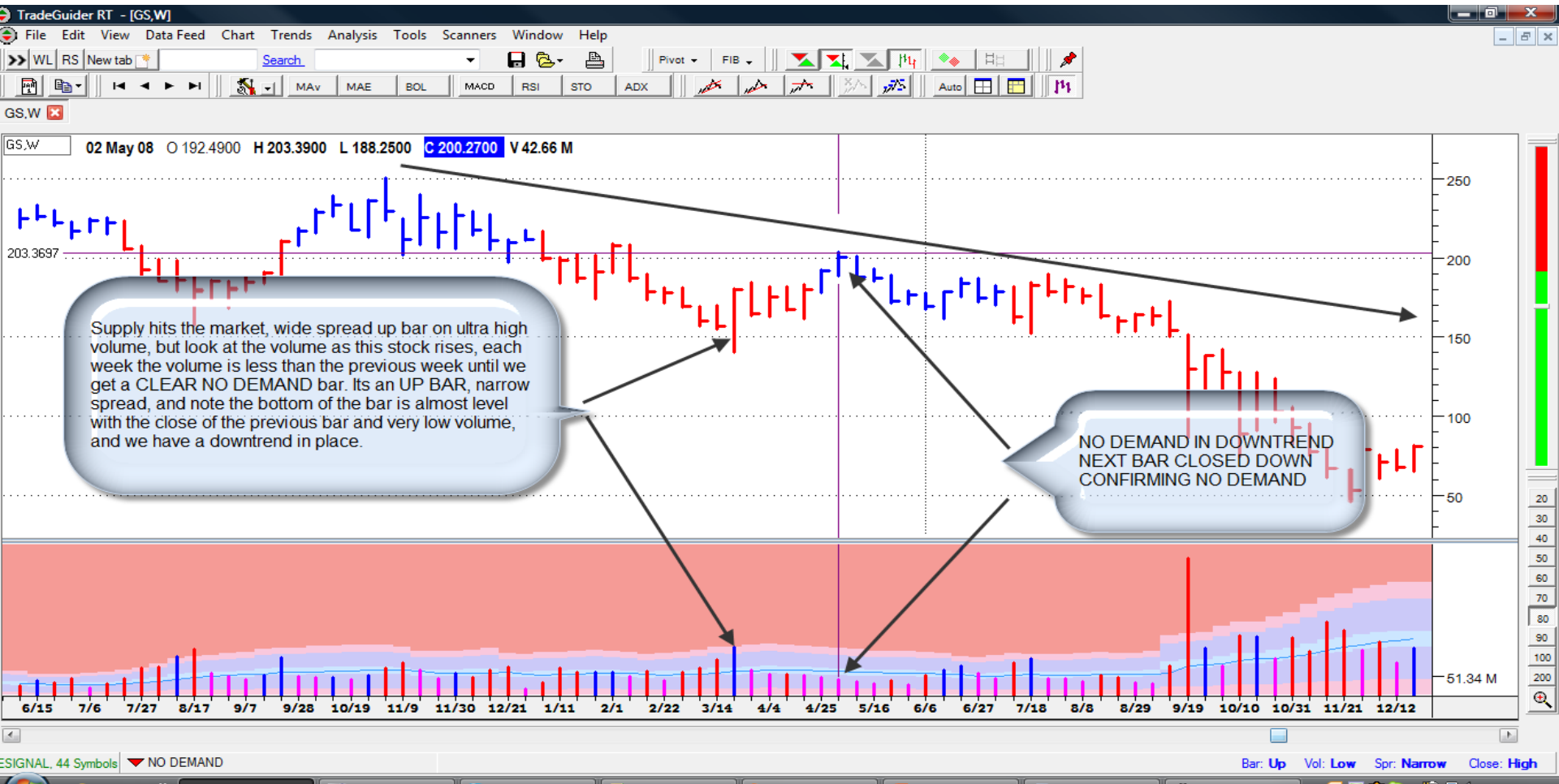
SOW – Principle 5 – No Demand in a Downtrend

Up bar on volume less than the 2 previous bars. This indicates lack of demand from professional money. It is important that this principle, called No Demand, is on an UP BAR, a bar closing higher than the bar behind it, and for the best short it should appear AFTER a MAJOR SIGN OF WEAKNESS and in a DOWNTRENDING MARKET. After seeing a No Demand bar, do not sell at market but place a sell stop below the bottom of the No Demand bar.



US Stock Goldman Sachs No Demand – In The Right Place

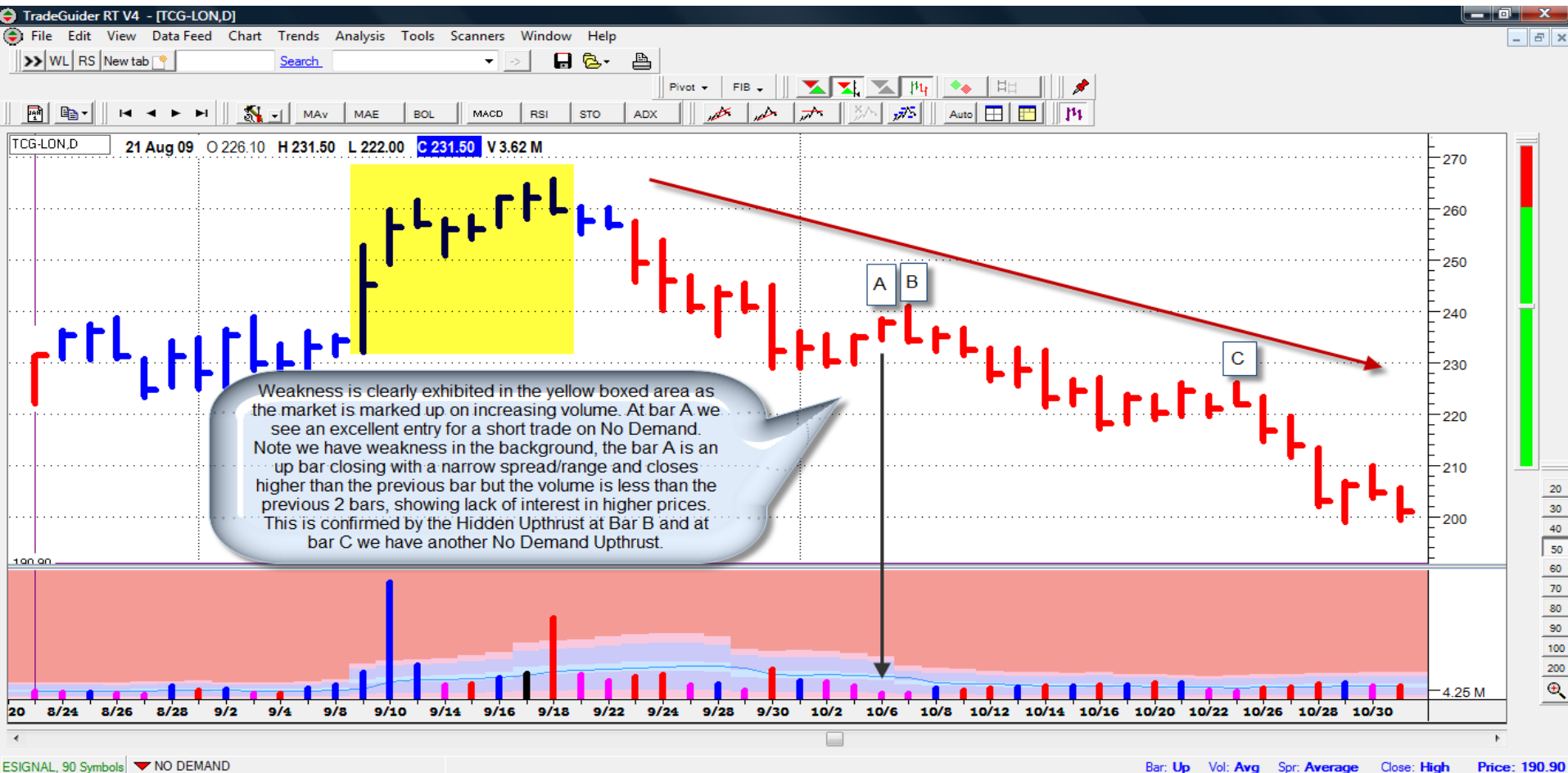
Chart 16





UK stock Thomas Cook No Demand – In The Right Place

Chart 17





Shorting AFTER you see No Demand

- **This can and does appear in an uptrend but is a far more powerful short in a downtrend. Do not short an No Demand in an uptrend, it is in the wrong place.**
- **This is a powerful short when there is a downtrend in place and price goes up to the top of the downtrend channel on No Demand.**
- **Look for signs of weakness in the background, this is particularly powerful when seen AFTER a Buying Climax or End of a Rising Market.**



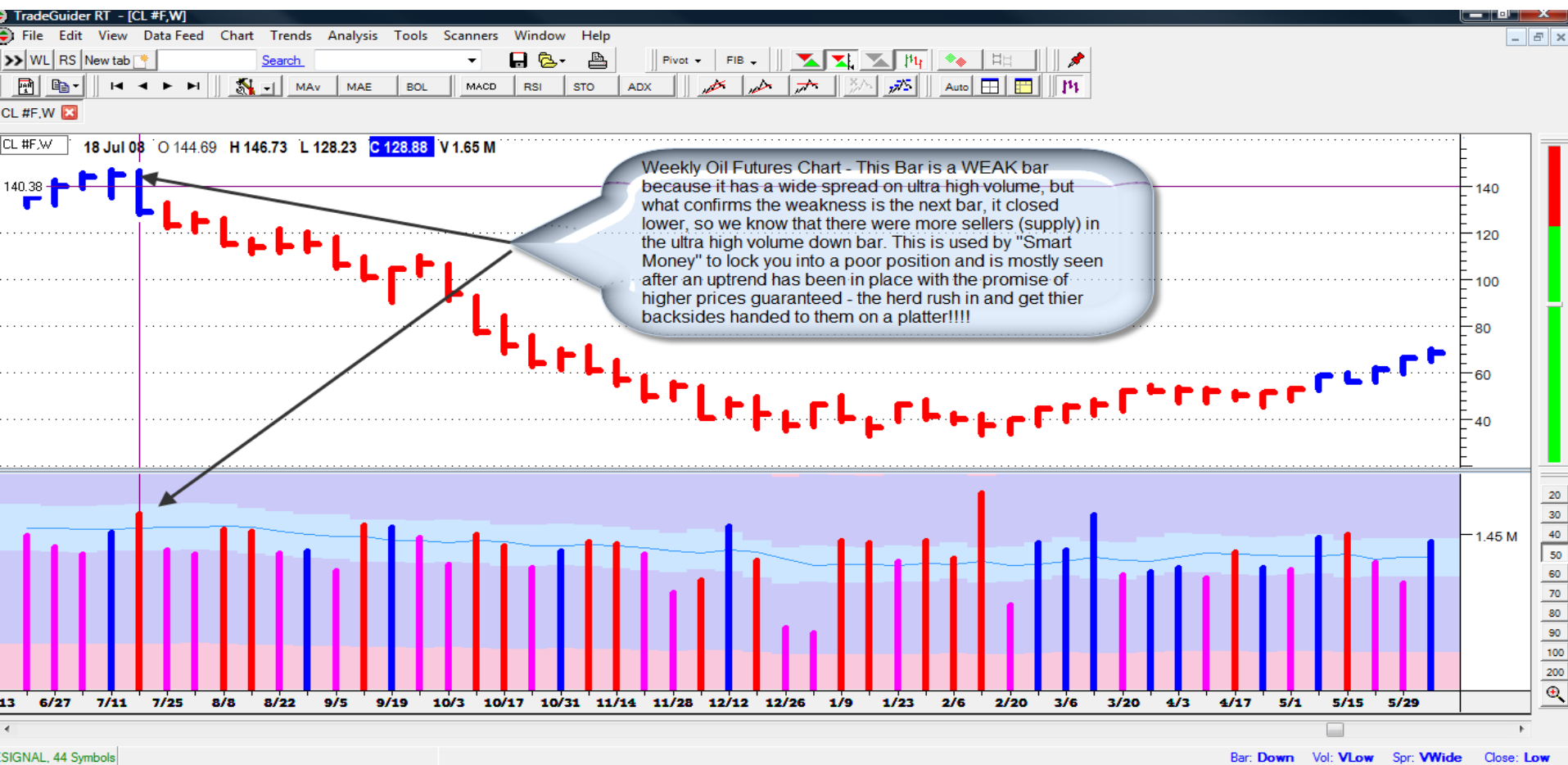
SOW – Principle 6 – Wide Spread Down Bar Through Previous Support.

A down bar on a wide spread and closing on the low pushing down and through a previous support level with the next bar down. You should have had some up move behind you, and this price action is used to lock you into a poor long trade. You will see No Demand after this to confirm the weakness.



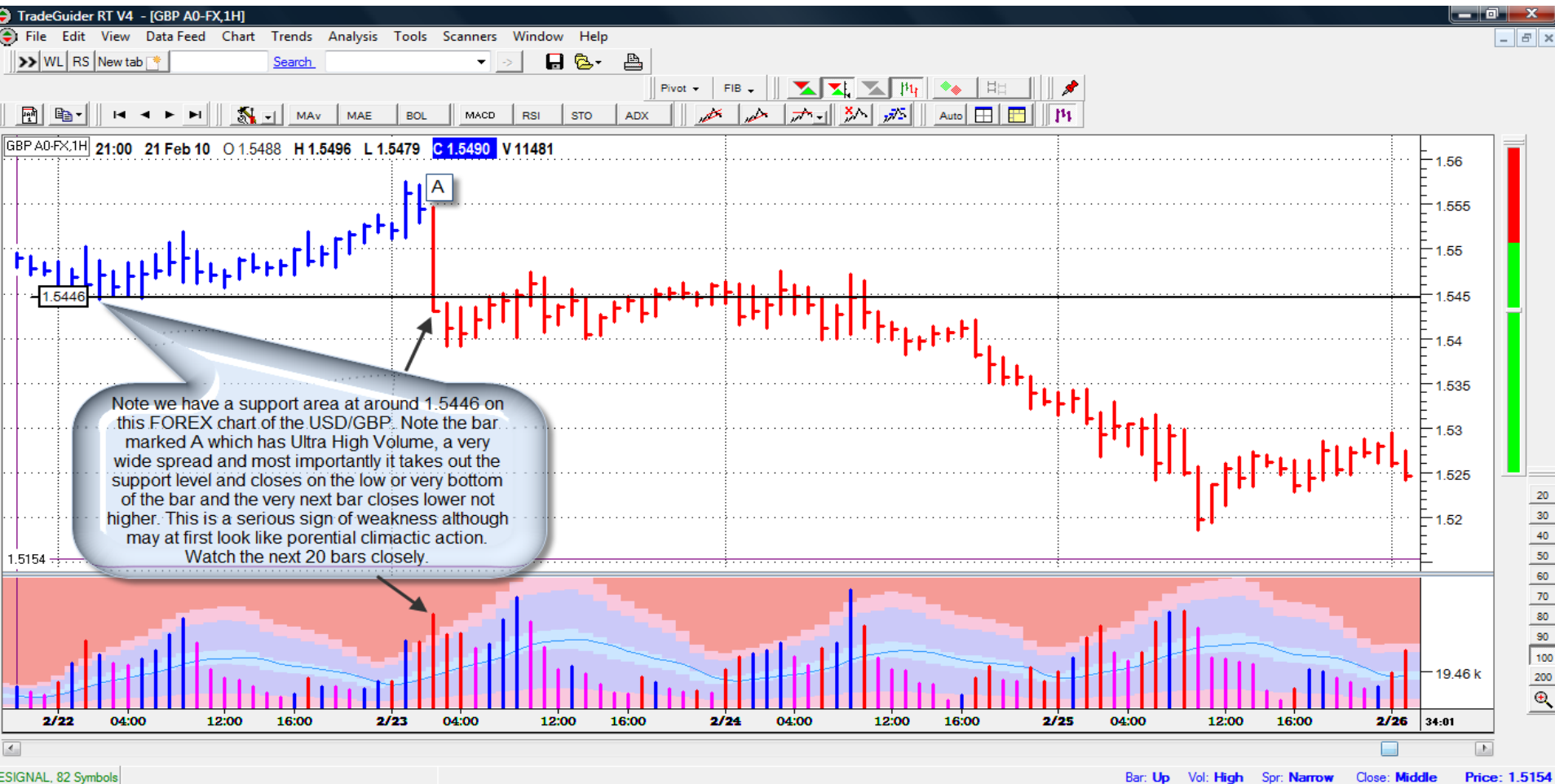
Oil Weekly 2008 News is Good – GOTCHA IF YOUR LONG!!

Chart 18





GBP/USD FOREX - Wide Spread Down Chart 19





Sugar Shortage – Prices Must Go Higher

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Thursday, August 13, 2009

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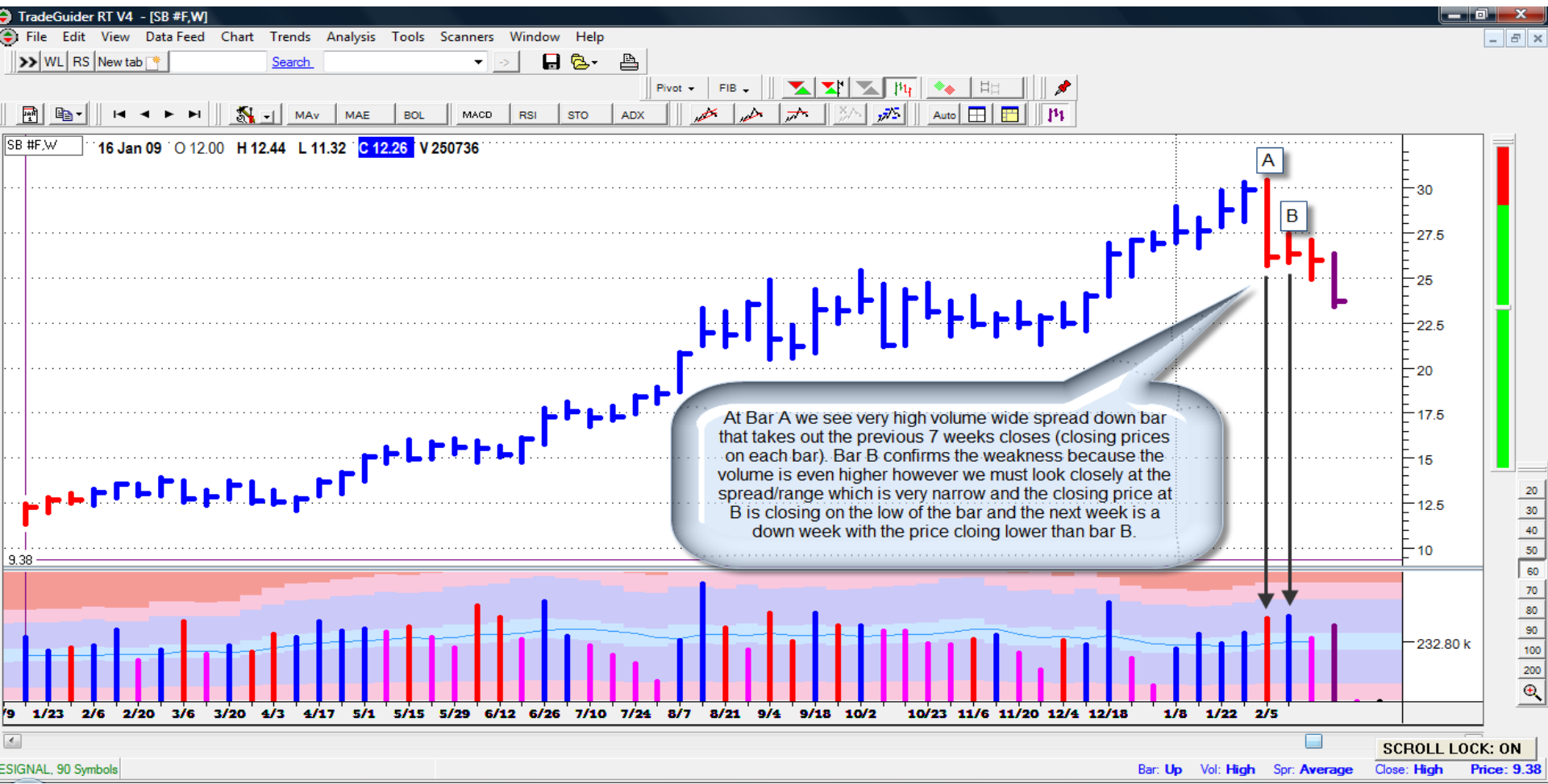
BY SCOTT KILMAN, CAROLYN CUI AND ILAN BRAT

S M L XL



Sugar Weekly – Locking In Longs

Chart 20





Shorting AFTER you see a Wide Spread Down Bar through previous support

- After you see this sign of weakness, it is confirmed as major weakness if the next bar after it is also a down bar or if it is an up bar it should look like our chart example number 17.
- Make at least TWO lower highs to confirm the start of a downtrend.
- Enter a short trade on a No Demand Up Bar or an Upthrust on high or low volume.



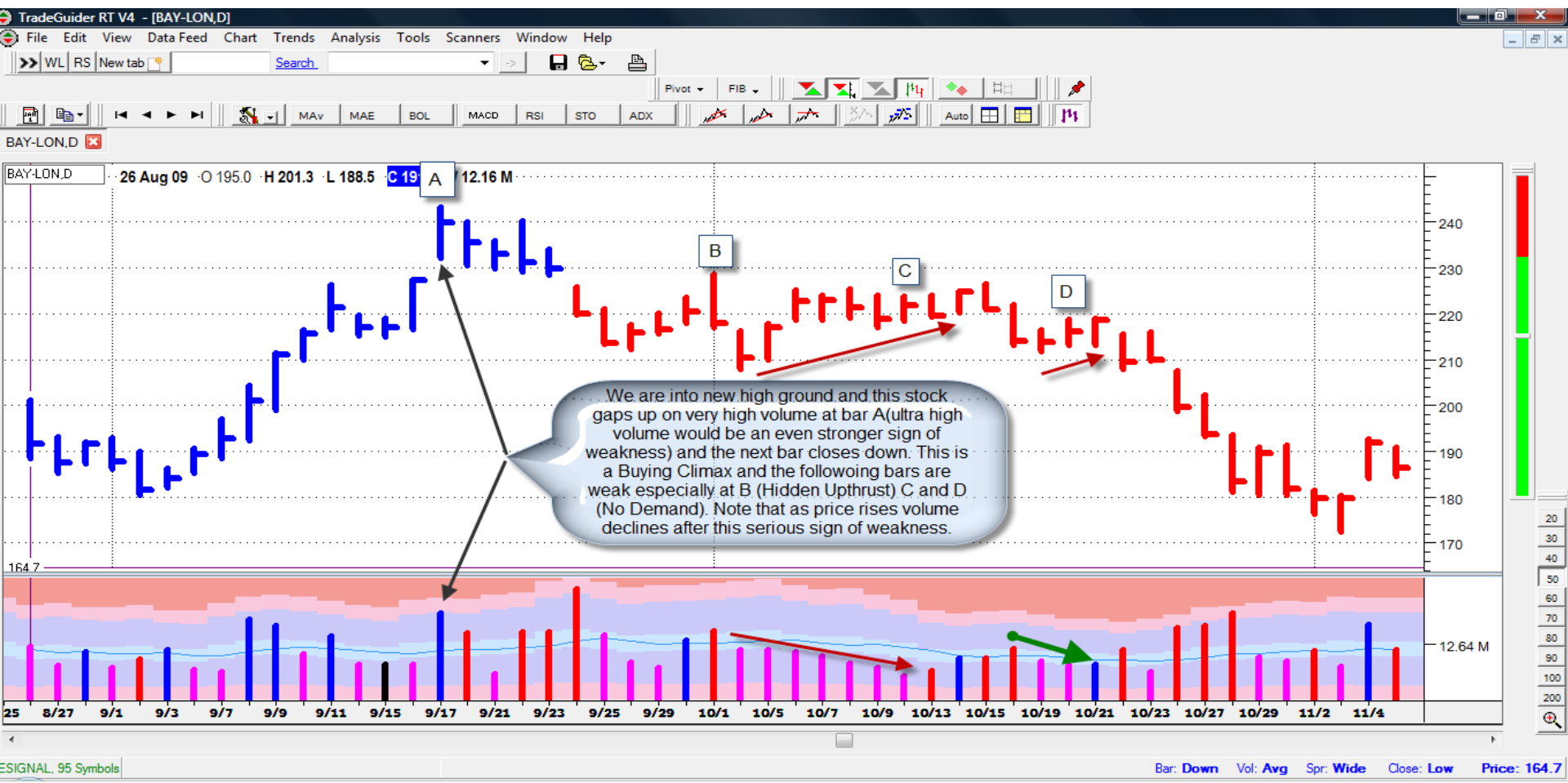
SOW – Principle 7 – Buying Climax

Buying climax. Up bar with wide spreads closing middle or low on ultra high volume. Very powerful SOW if there are no old tops to the left. As a market keeps on going up day after day a point will be reached at some time when many traders that have sold prematurely or those that are not in the market cannot stand the constant higher prices and frenzy gives the trading syndicates and market makers a golden opportunity to unload large amounts of stock at a high price without their activity resulting in lower prices. This marks the high point of the market.



UK Stock British Airways - Buying Climax

Chart 21





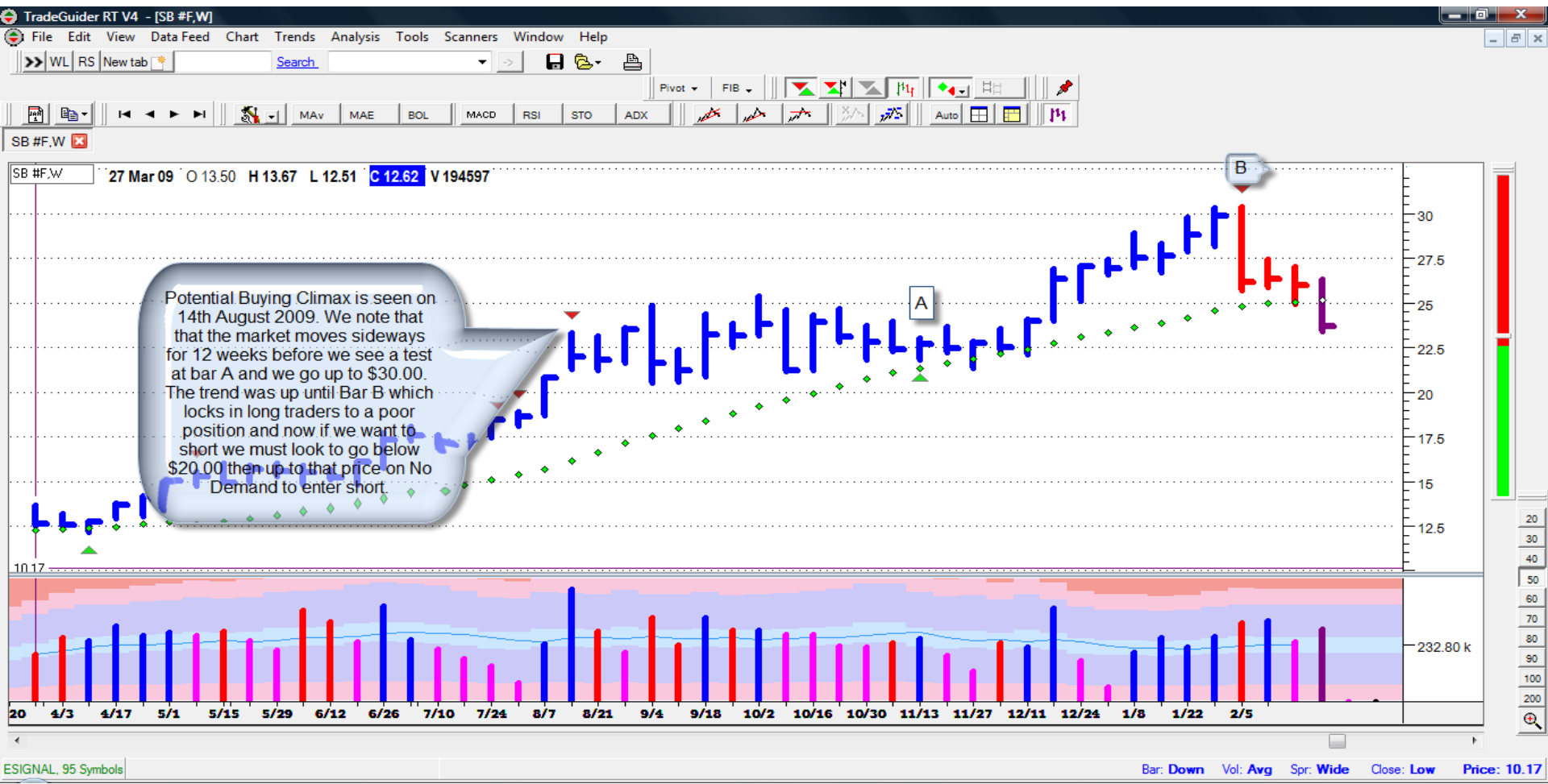
Shorting AFTER you see a Buying Climax

- **Be cautious, because of the momentum of the uptrend the market may drift up for several bars or shoot up on an upthrust. A short trade entered as the bottom/low of the buying climax bar has been broken and then price goes up to that area on No Demand is the best short.**



Sugar Daily- Buying Climax and a Test

Chart 22





SOW – Principle 8 – Top Reversal

Top reversal. This is a common sign of weakness. The first bar is marked up rapidly, closing on the highs (usually on good news). The volume can be high (supply swamping demand) or low (no demand). The next bar rapidly reverses down, on a wide spread, closing on the lows. If the low and the close is lower than the first bar this adds to the weakness. As with all these indications, it is important to read the following bars for confirmation of continued weakness. This sign of weakness is very powerful if you have a strong bull move up behind you.



JPY/USD FOREX Two Bar Reversal with Failed Test

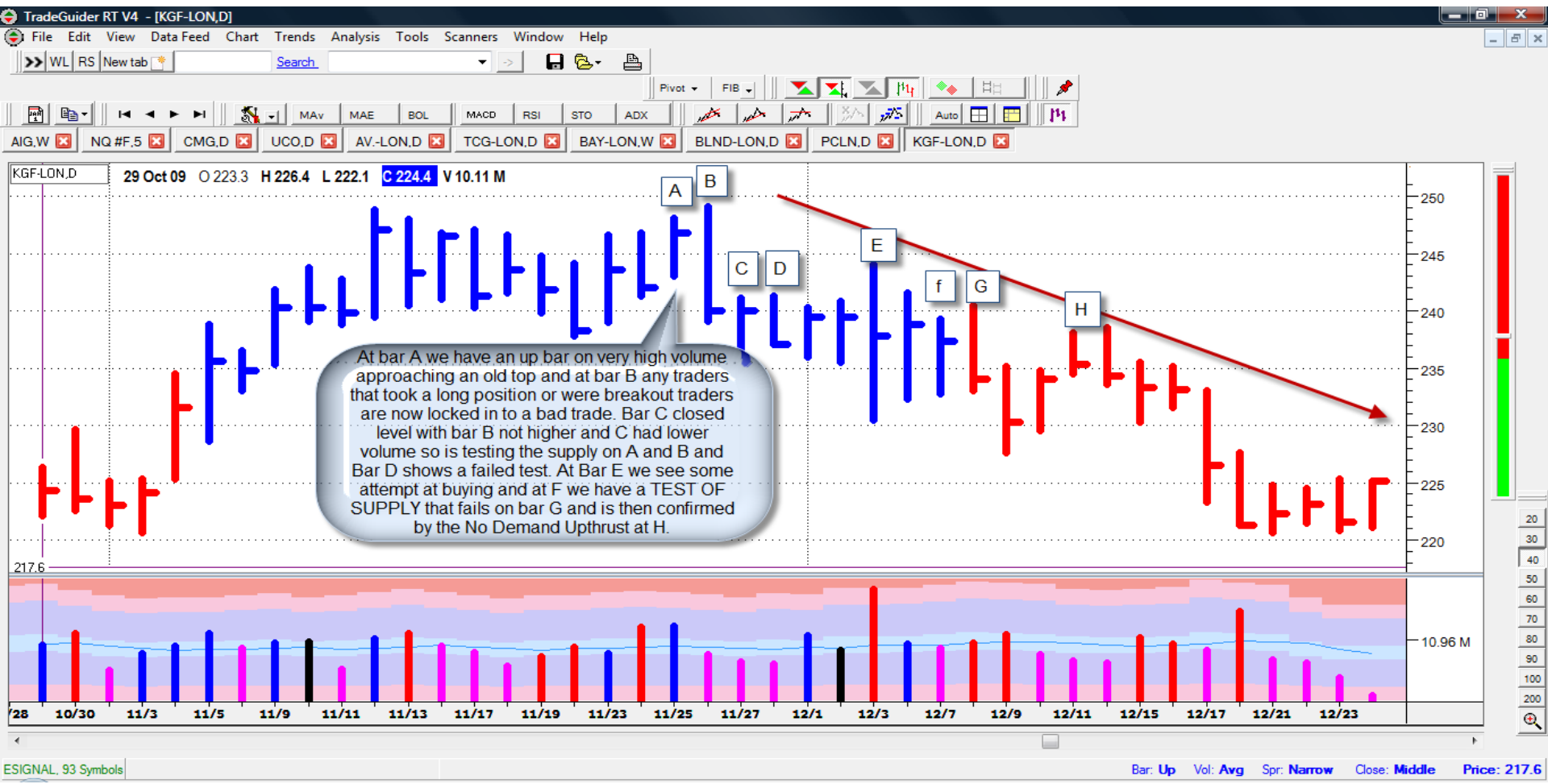
Chart 23





UK Stock KGF Two Bar Reversal

Chart 24





Shorting AFTER you see a Two Bar Reversal

- **After you have seen this VSA set up which will often mark a top you should wait for the market to trend down, entering a short trade when you see a clear No Demand Entry or Upthrust on either low or high volume as the market trends down.**



Before taking a short position

- Have you seen a rollover and is the market in early stages of downtrend or still in an uptrend?
- Is the market falling with no professional support?
- Is the low of each bar lower than the previous bar? (you may allow 1 up bar for every 2 down bars for a downtrend)
- Are you into fresh high ground when distribution starts?
- Is there a trading range to the left?
- Is there lots of GOOD NEWS about this particular market?
- Is the market in an overbought area of the trend channel?
- Is there End Of A Rising Market / Buying Climax in the background?
- Are you entering on a down bar – remember weakness appears on up bars?



Commodity Futures Information

Commodity/Future										
Index	Exchar	Symbo	Tick	Tick Value	Size Value	MONTHS	Electronic Market Times (CST)	Day Trading Margin	Overnight Margins	
Metals (NYMEX ON CME)										
Gold	COMEX	GC	0.1	\$10.00	100 oz	G, J, M, Q, V, Z	5pm-4:15pm	\$1,500.00	\$6,075.00	Month
Copper	COMEX	HG	0.0005	\$12.50	25,000 lbs	ALL	5pm-4:15pm	\$1,500.00	\$6,413.00	January F
Platinum	NYMEX	PL	1	\$5.00	50 troy oz	F, J, N, V,	5pm-4:15pm	\$1,500.00	\$6,075.00	February G
Silver	COMEX	SI	0.005	\$25.00	5,000 oz	F, H, K, N, U, Z	5pm-4:15pm	\$2,500.00	\$10,463.00	March H
Meats (CME)										April J
Live Cattle	CME	LE	0.00025	\$10.00	40,000 lbs	J, J, K, M, N, Q, V,	9:05am-1:55pm	\$1,080.00	\$1,350.00	May K
Lean Hogs	CME	HE	0.00025	\$10.00	40,000 lbs	G, J, M, N, Q, V, Z	9:05am-1:55pm	\$1,418.00	\$1,485.00	June M
Grains (CME)										July N
Corn	CBOT	ZC	1/4 cent	\$12.50	5,000 bu	H, K, N, U, Z	6pm-6am & 9:30am-1:15pm	\$2,000.00	\$2,025.00	August Q
Soybeans	CBOT	ZS	1/4 cent	\$12.50	5,000 bu	F, H, K, N, Q, U, X	6pm-6am & 9:30am-1:15pm	\$2,000.00	\$4,725.00	September U
Wheat	CBOT	ZW	1/4 cent	\$12.50	5,000 bu	H, K, N, U, Z	6pm-6am & 9:30am-1:15pm	\$2,000.00	\$4,050.00	October V
Soybean Oil	CBOT	ZL	1	\$6.00	60,000 lbs	H, K, N, Q, U, V,	6pm-6am & 9:30am-1:15pm	\$2,000.00	\$2,025.00	November X
Soybean Meal	CBOT	ZM	1	\$10.00	100 tons	H, K, N, Q, U, V,	6pm-6am & 9:30am-1:15pm	\$2,000.00	\$2,700.00	December Z
Softs (ICE)										
Cotton	ICE	CT	0.01	\$5.00	50,000 lbs	H, K, N, U, Z	2:30am-1pm	\$1,100.00	\$2,100.00	
Cocoa	ICE	CC	1	\$10.00	10 tons	H, K, N, U, Z	2:30am-1pm	\$1,300.00	\$1,960.00	
Sugar #11	ICE	SB	0.01	\$11.20	112,000 lbs	H, K, N, U, Z	2:30am-1pm	\$1,600.00	\$2,520.00	
Coffee	ICE	KC	0.05	\$18.75	37,500 lbs	H, K, N, U, Z	2:30am-1pm	\$1,850.00	\$3,080.00	
Energies										
Crude Oil	NYMEX	CL	0.01	\$10.00	1,000 bbl	ALL	5pm-4:15pm	\$2,000.00	\$5,400.00	
Natural Gas	NYMEX	NG	0.1	\$10.00	10,000 mmBtu	ALL	5pm-4:15pm	\$2,000.00	\$6,750.00	
Heating Oil	NYMEX	HO	0.01	\$4.20	42,000 gal	ALL	5pm-4:15pm	\$2,000.00	\$6,750.00	
E-Mini Crude Oil	NYMEX	QM	0.025	d	500 bbl	ALL	5pm-4:15pm	\$2,000.00	\$2,362.00	
E-Mini Natural Gas	NYMEX	QG	0.5	\$12.50	2,500 mmBtu	ALL	5pm-4:15pm	\$2,000.00	\$2,952.00	
RBOB GAS	NYMEX	RB	0.01	\$4.20	42,000 gal	ALL	5pm-4:15pm	\$2,000.00	\$4,498.00	



VSA Signs Of Strength with Trade Set Ups



Signs of Strength

- Down bars, narrow spread, close middle or low.
- Volume can be high or low.
- Narrow spread indicates no professional selling.
- This buying prevents any attempt to move down.
- Ultra high volume down bars (the classic trap of “Smart Money!!)
- Professionals have no interest in the downside – **low volume.**
- Professionals are buying into the public selling – **Higher volume.**
- High + volume shows demand – public selling – smart money buying.
- Low – volume shows no interest to the downside from “Smart Money” so prices will not go lower.



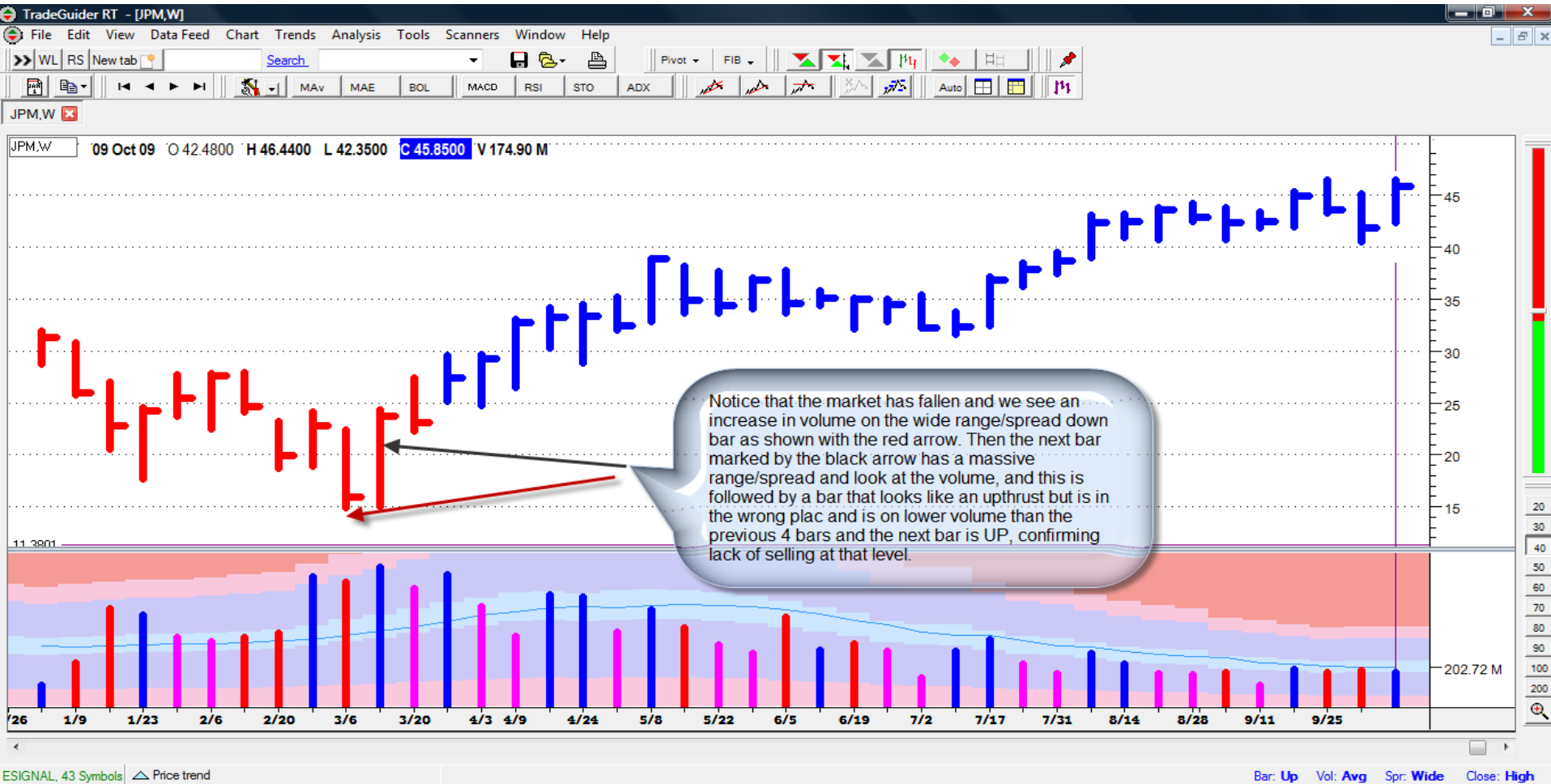
SOS – Principle 1 – Bottom Reversal

Bottom reversal. A wide spread down bar closing on the low. The low and the close is lower than the previous four bars. Followed by an up bar on a wide plus spread closing on the highs. This arrives in a variety of versions but basically the first down bar is a shake-out usually on so called bad news. The second bar is rapidly marked up to lock traders in (if you shorted) or out of the market if you wanted to buy the market. (people hesitate buying because it now appears expensive to the earlier price.)



US Stock JPM Bottom Reversal

Chart 25





US Stock AMAT - Bottom Reversal

Chart 26





Going Long AFTER you see a Bottom Reversal

- When this sign of strength appears, there will be a down trend in place. This can often mark the bottom or turning point. Wait to make at least 3 higher lows on the bar, meaning price action is moving up, then look to enter on a low volume down bar, a Test, No Supply or preferably a Test in a Rising Market



Tom Williams Simple Trending System For Long Trading

- Identify a serious sign of strength first, such as a Bottom Reversal, Selling Climax or Ultra High Volume or Low Volume. Look out for Shakeouts. These should be followed by a Test or No Supply.
- Wait for at least 10 BARS IN ANY TIMEFRAME to see the result of the strength.
- In a strong uptrend we should see decreasing volume (not excessive or ultra high) on down bars and increasing volume on up bars (again, not excessive or ultra high)
- In a uptrend you can allow for 1 down bar if they are on low /average volume. Ignore level bars or near level bars, that is a bar that has closed at or near the same price as previous bar.
- The end of the uptrend is often seen by two consecutive down bars followed by a NO DEMAND up bar



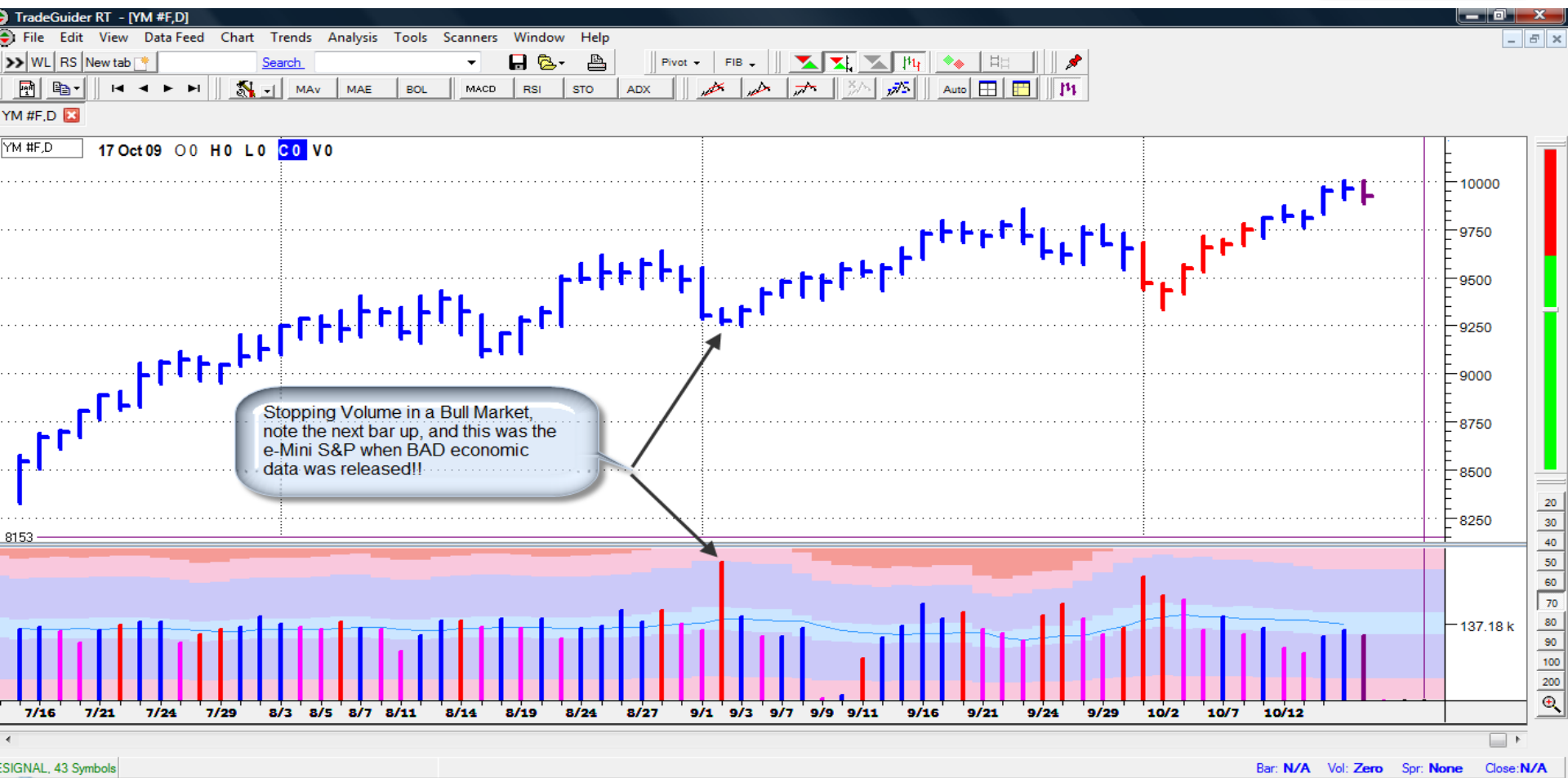
SOS – Principle 2

Stopping volume. To stop a down move demand has to overcome the supply. As a market falls day after day a point will be reached when the herd cannot stand the losses so they all tend to panic at a similar time. If the price levels reached are now attractive to professional money they will step in and start buying. This activity causes a surge in volume as they buy and cover their short positions.



Stopping Volume on BAD NEWS in a Bull Market

Chart 27





US Stock MRK -Stopping Volume - No Supply

Chart 28





US Stock Citigroup Stopping Volume and Churning - Chart 29





Going Long AFTER you see stopping volume

When “Smart Money” or Professionals accumulate you will see it beginning on high volume down bars, but the accumulation phase takes time. Do not try to buy the bottom, after seeing stopping volume wait for the market to drift up then come back down into the area of stopping volume on LOW VOLUME, the LOWER THE BETTER. If the spread is narrow and the market makes two higher lows within 25 bars this confirms the long position, enter on any low volume down bar after this, place an a buy order above the low volume down bar, let the market come to you. This is called a successful test.

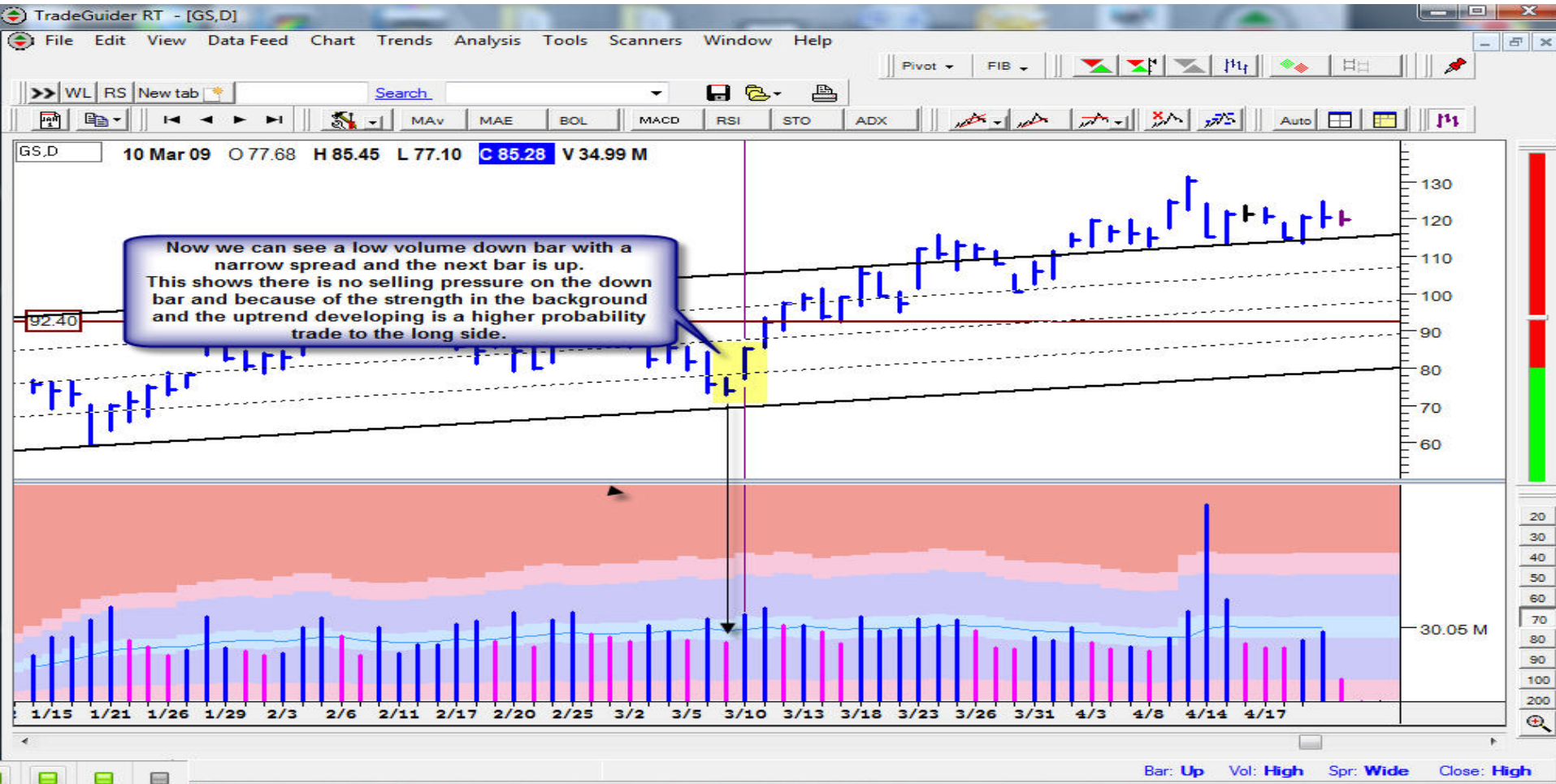


SOS – Principle 3 – The Test and Types of Tests

The Test. This is a very common Sign of Strength frequently seen just before an up move. You must have strength in the background. A test is doing exactly what it says, it is testing something, it is testing for supply. Too much supply the market will fall, if there is no more supply the market must go up. If there is still too much supply a test can fail and if you see a failed test in a weak market it confirms that the market will continue to fall. Tests need TWO BARS to confirm strength. A test can FAIL so we wait for the next bar to be up to confirm strength but we MUST have strength in the background. If you have weakness in the background and you see a test and the next bar is DOWN, this is a strong sign of additional weakness and is called a FAILED TEST.



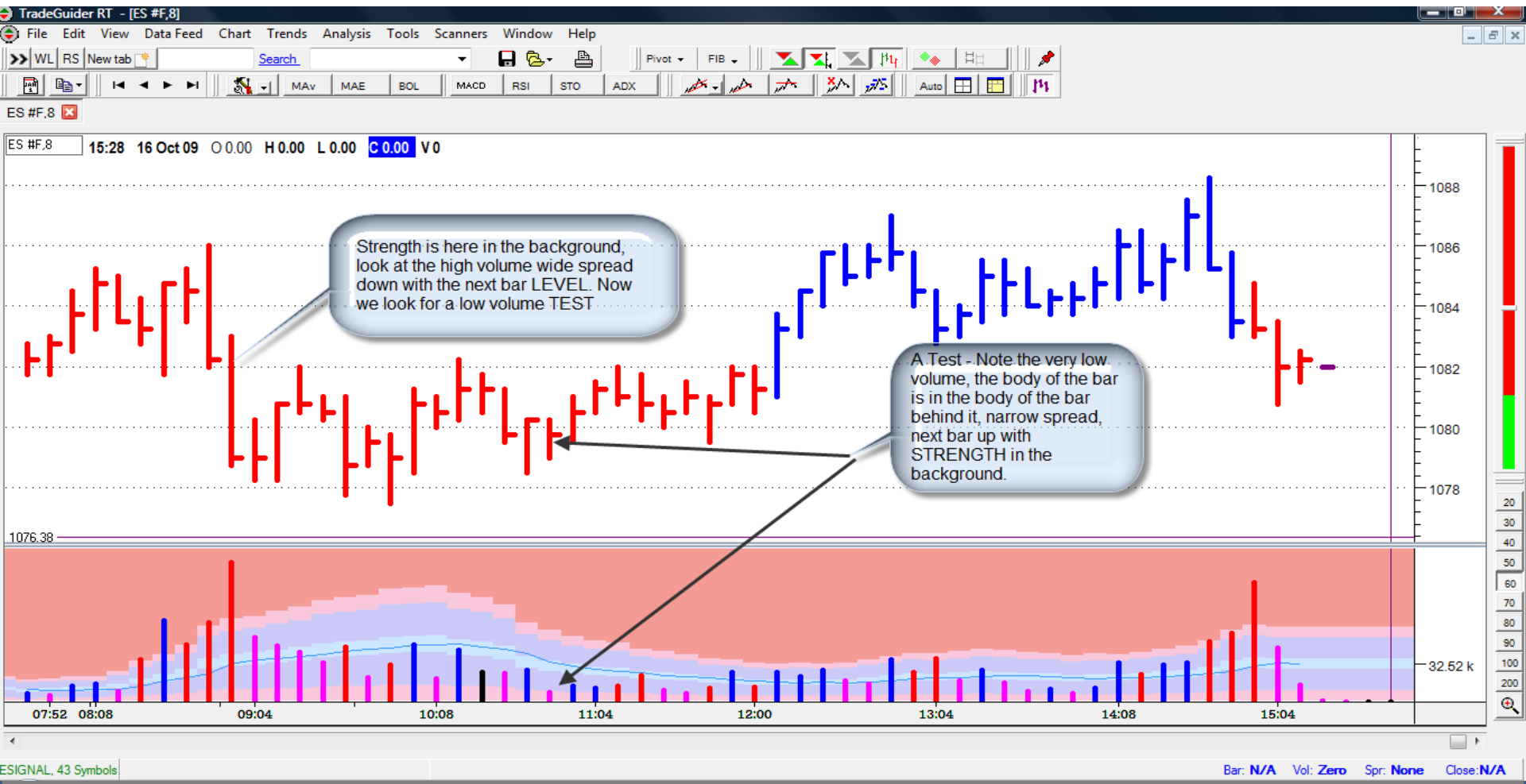
US Stock Goldman Sachs – The Test in a Bull Run – Chart 30





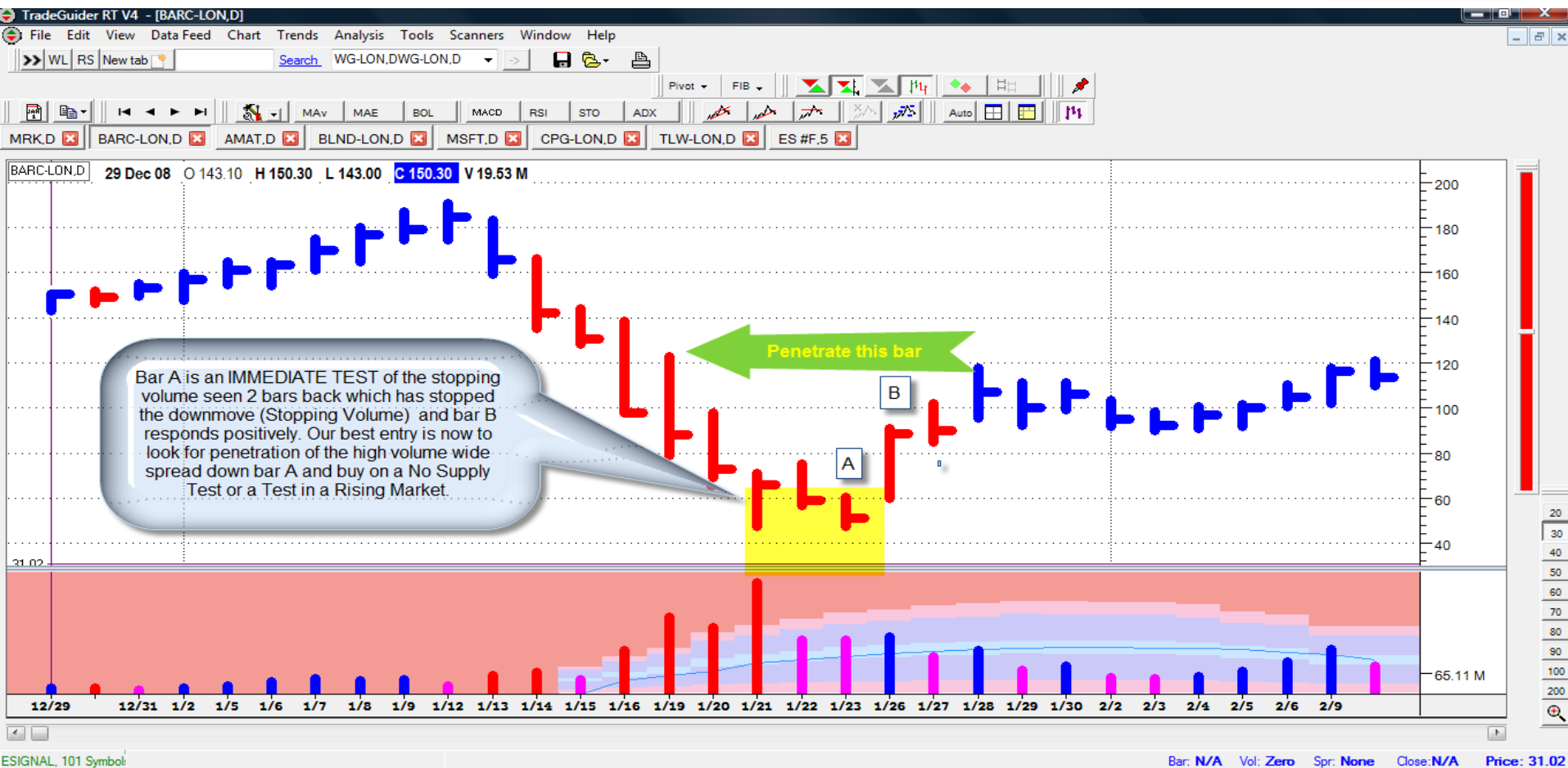
E-Mini S&P - The Test On Very Low Volume

Chart 31





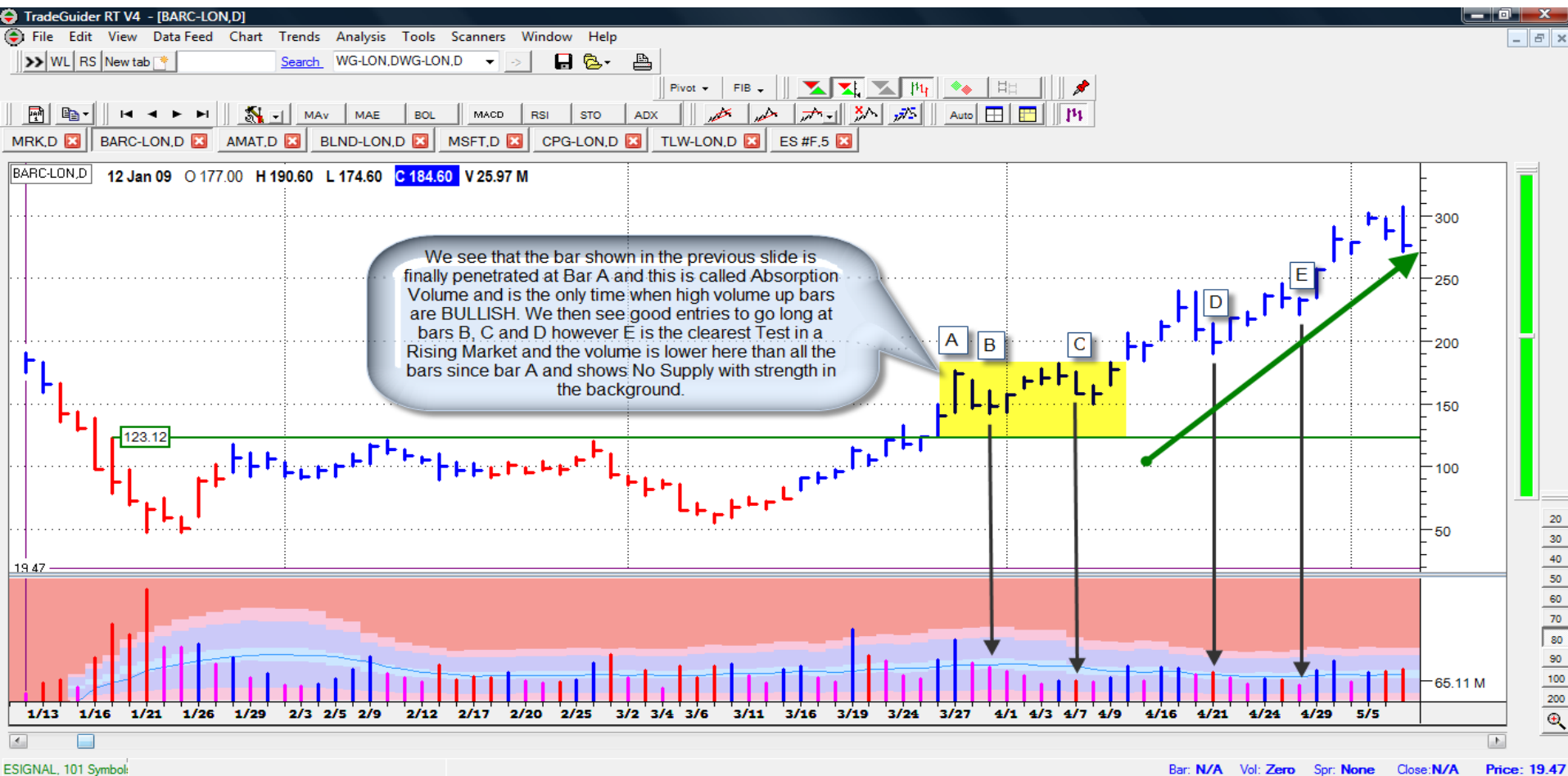
UK Stock Barclays The Test After Strength – **Chart 32**





UK Stock Barclays The Test After Strength - Entry Bars

Chart 33





Going Long AFTER you see a test

- **YOU MUST** have strength in the background, such as stopping volume or climactic action. Place a stop under the low of the climactic bar and place a buy order above the test bar. A test can fail and you can re-test an area several times before the market moves up, so placing an order above the test lets the market come to you. If the test fails you are not in the position.



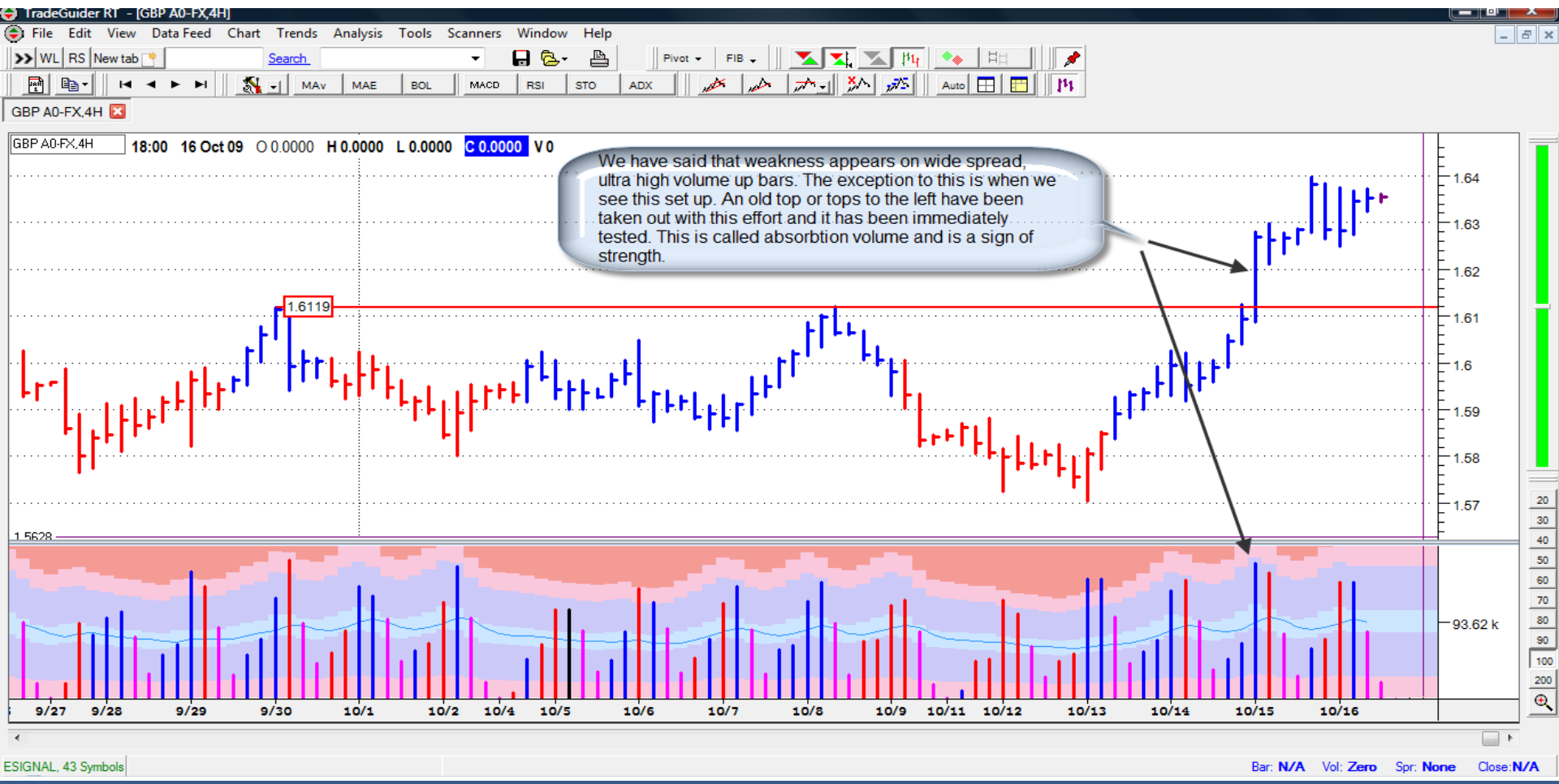
SOS – Principle 4 – Absorption Volume

A wide spread up bar closing on the highs pushing up and through an old top to the left. This is demand and an effort to go up. After this event the market usually rests or starts to react, you are now looking for indications of strength to confirm the strength.



GBP/USD FOREX Absorption Volume

Chart 34





Going Long AFTER you see absorption volume

- **WAIT – You are looking for a test of this volume. Placing a buy order above the absorption bar close is the safest place to enter.**



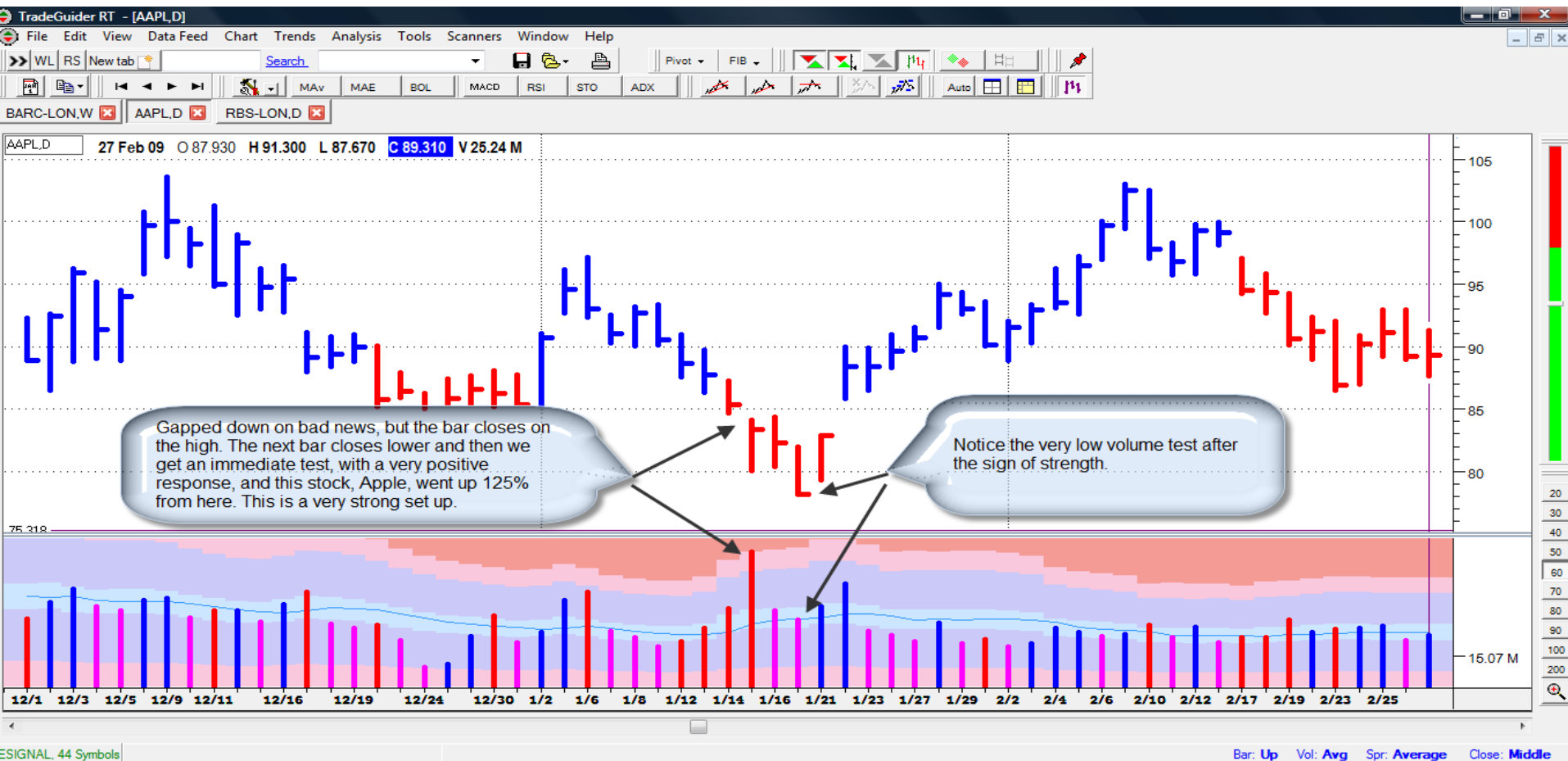
SOS – Principle 5

This is a variation of stopping volume which has arrived on 2 bars rather than on 1 bar. On the first bar supply was so heavy that professional money was unable to absorb all the stock dumped onto the market. This allows the market to fall on the next bar usually on so called 'bad news'. This can be gapped down on the opening causing the panic. However, to close in the middle or highs indicates demand has overcome the supply.



US STOCK APPLE – Bag Holding

Chart 35





Going Long AFTER you see Bag Holding

- **This is a serious sign of strength and often if not always marks the bottom. Look for the first test bar and enter a buy order above the test.**

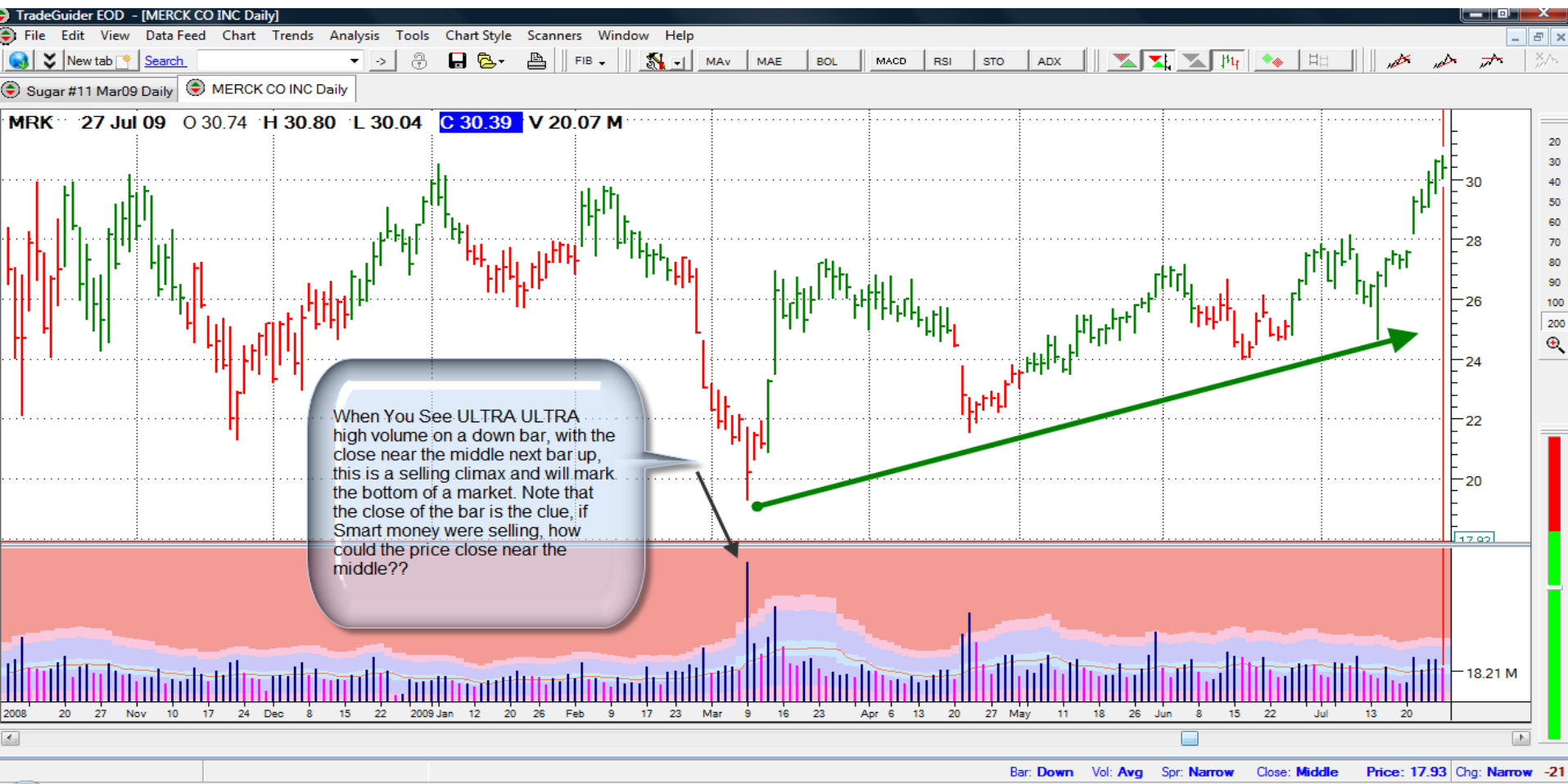


SOS – Principle 6

Selling climax. Wide spread down closing in the middle or high after a substantial down move has already taken place. The volume is ultra high. As a market falls day after day a point will be reached when traders will start to panic and encouraged by bad news will start to dump stock onto the market. If the market closes in the middle or high then professional money must have decided that the lower prices now looked attractive and will start to buy into the panic selling. The activity will cause the volume to be ultra high. This marks the low point of the market.



US Stock MRK – Selling Climax – Chart 36





Going Long AFTER you see a selling climax

- This is a serious sign of strength and often if not always marks the bottom. Look for the first test bar and enter a buy order above the test, same as for bag holding.



SOS – Principle 7 – The Shakeout

The Shakeout - Wide spread down closing on the middle or low. Most often seen after a strong down move. Volume can be high or ultra high. If this is seen in an uptrend it is a very strong buy opportunity. “Smart Money” have to buy at lower prices and will do anything to get the price down to buy more of the instrument they are accumulating. This will nearly always be seen on bad news and will often mark the next leg up of a trend.

A shakeout can also be seen at market bottoms and is especially powerful if you have a selling climax in the background.

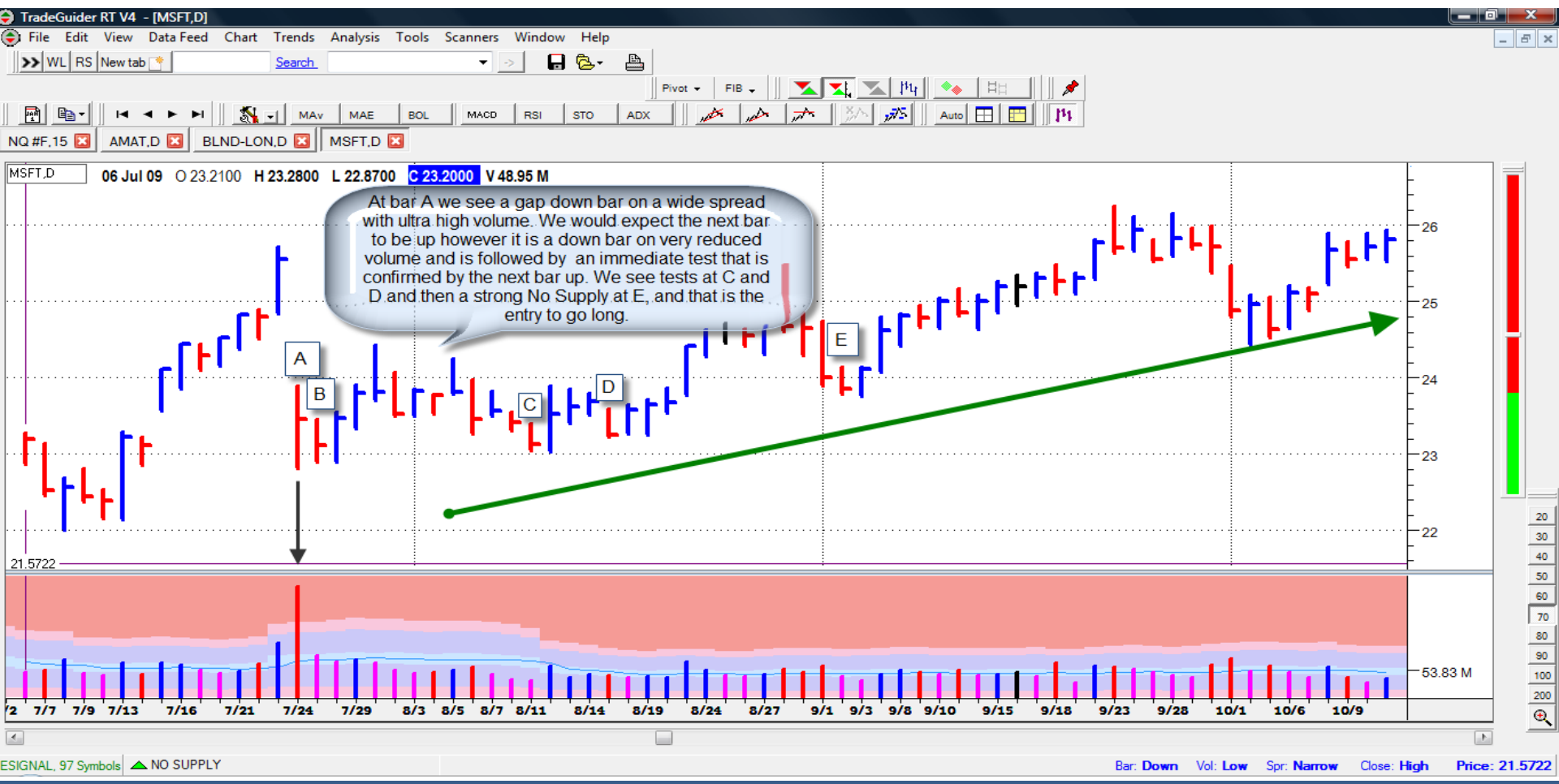


US Stock Microsoft – The Shakeout - Chart 37





US Stock Microsoft – The Shakeout - Chart 37





US Stock Goldman Sachs The Shakeout

Chart 38






The Shakeout



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US STOCKS-Wall St sinks on weak retail sales, Goldman offering

Tue Apr 14, 2009 4:30pm EDT

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MARKET NEWS

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- * Financials slide after Goldman's \$5 bln

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NEW YORK, April 14 (Reuters) - U.S. stocks fell on Tuesday as a surprising drop in retail sales dented hopes the recession was abating and financial shares slid on fears that Goldman Sachs' (GS.N) share offering could prompt others to follow suit.

Retail sales in March snapped two months of increases and sparked selling across the board, with the stocks of retailers, big manufacturers and energy companies among the casualties. The S&P retail index .RLX fell 2.5 percent.

But the financial sector, which had recently led the stock market's 5-week rebound from 12-year lows, took the biggest beating by far, with the KBW Bank index .BKX falling 8.1 percent and the S&P financial index .GSPF dropping 7.7 percent.

"There is fear that other banks wanting to pay back government funds may want to raise cash by issuing shares," said Ryan Detrick, senior technical strategist at Ohio-based Schaeffer's Investment Research.

The gloomy news on retail shows that "maybe the economy hasn't turned around as the last 5-week bounce suggested."

The Dow Jones industrial average .DJI dropped 137.63 points, or 1.71 percent, to 7,920.18. The Standard & Poor's 500 Index .SPX fell 17.23 points, or 2.01 percent, to 841.50. The Nasdaq Composite Index .IXIC declined 27.59 points, or 1.67 percent, to 1,625.72.

Among consumer-oriented plays, department store operator Macy's (M.N) tumbled 7.3 percent to \$11.99, while shares of Wal-Mart Stores

AT&T

3. US STOCKS SNAPSHOT-Futures extend losses after M.Stanley results
4. Dow, S&P drop as Morgan Stanley renews bank worries | [Video](#)
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Going Long AFTER you see a shakeout

- When you see a shakeout on a bad news in an up trending market it is a strong buy opportunity, but wait for the next bar to be up before entering. If you are more cautious wait for a test. Place a buy order above the test.

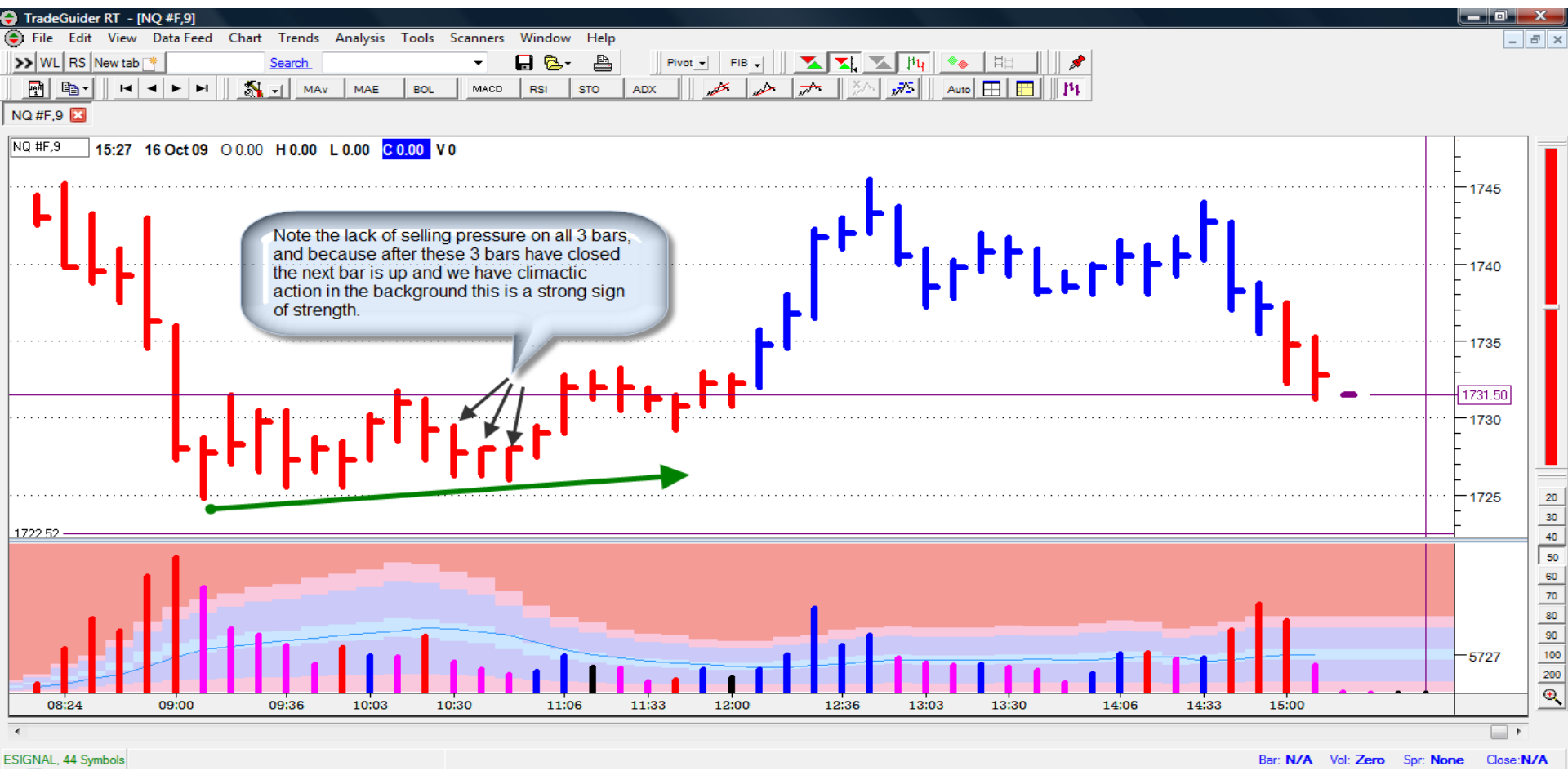


SOS – Principle 8 – No Supply / Test in a Rising Market / No Selling Pressure

No Supply / Test in a Rising Market / No Selling Pressure -
A Down Bar on volume lower than the previous two bars shows lack of selling pressure as the market falls. The background is important here, this is only a entry to the long side if you have strength in the background, not weakness. This is a higher probability entry to the long side when you have an uptrend in place, do not enter long in a downtrend on this set up.



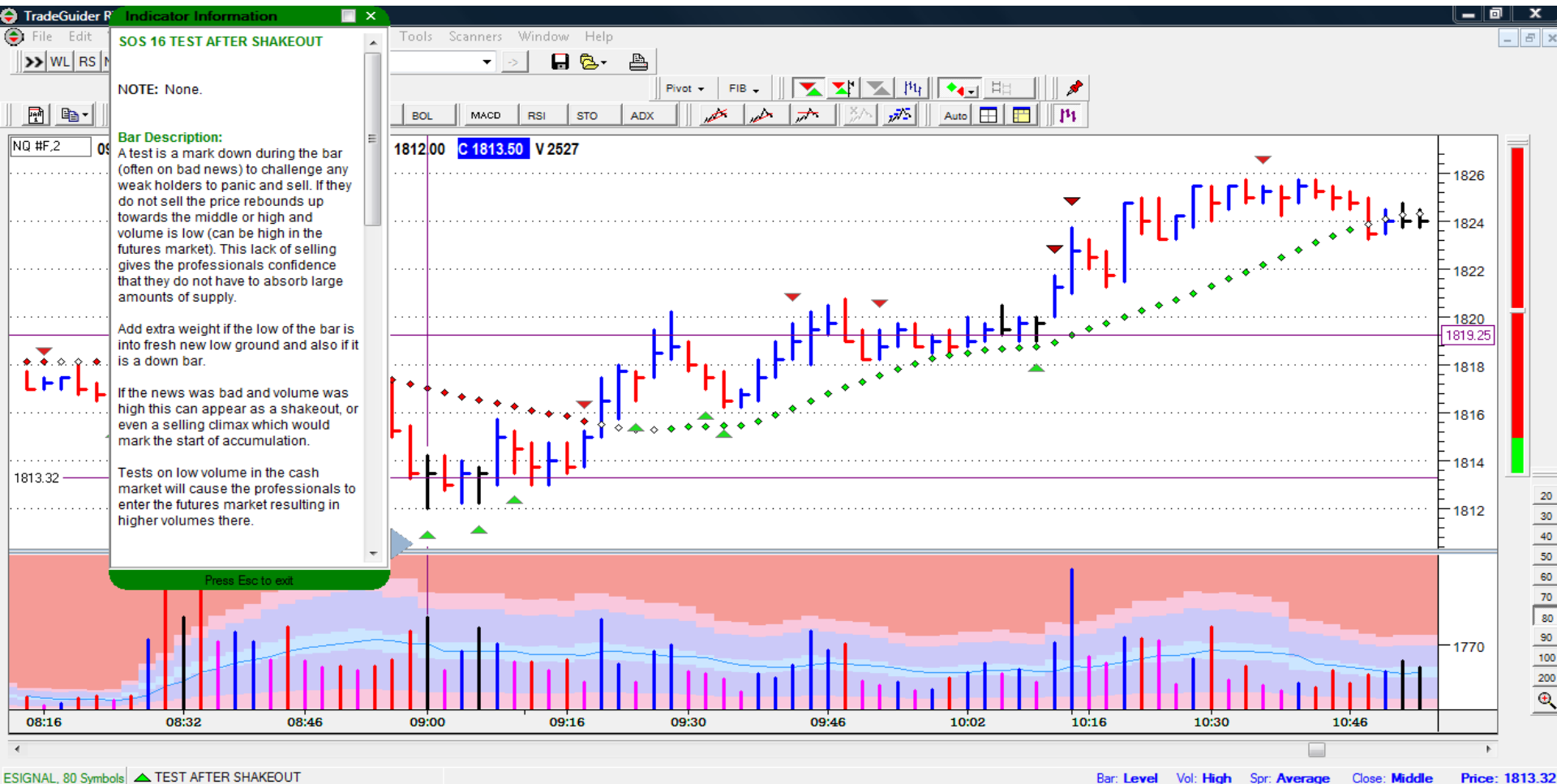
Nasdaq - No Supply No Selling Pressure – Chart 39





The New York Traders Expo Challenge Trade Explained

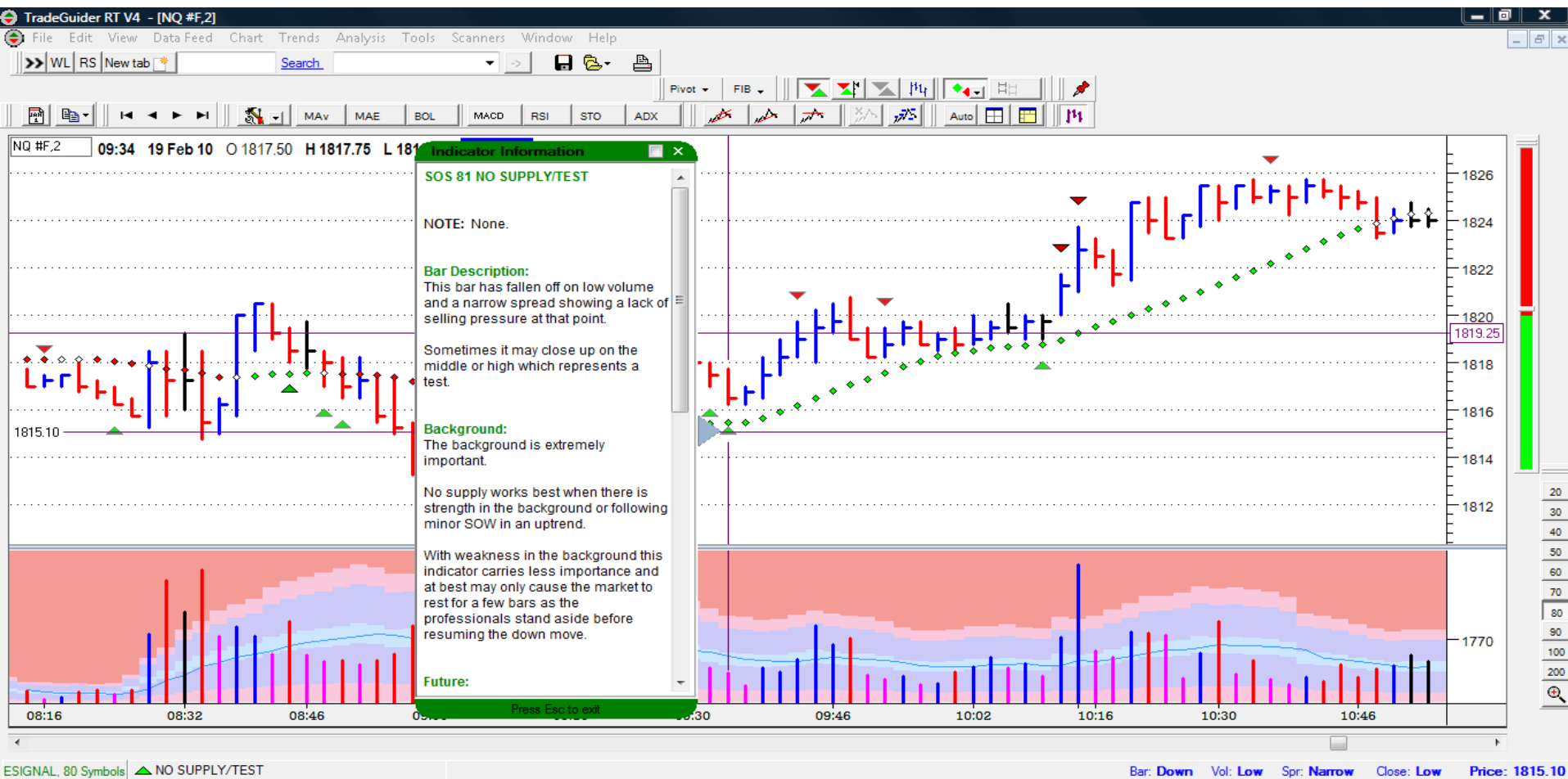
Chart 40





The New York Traders Expo Challenge Trade Explained

Chart 41





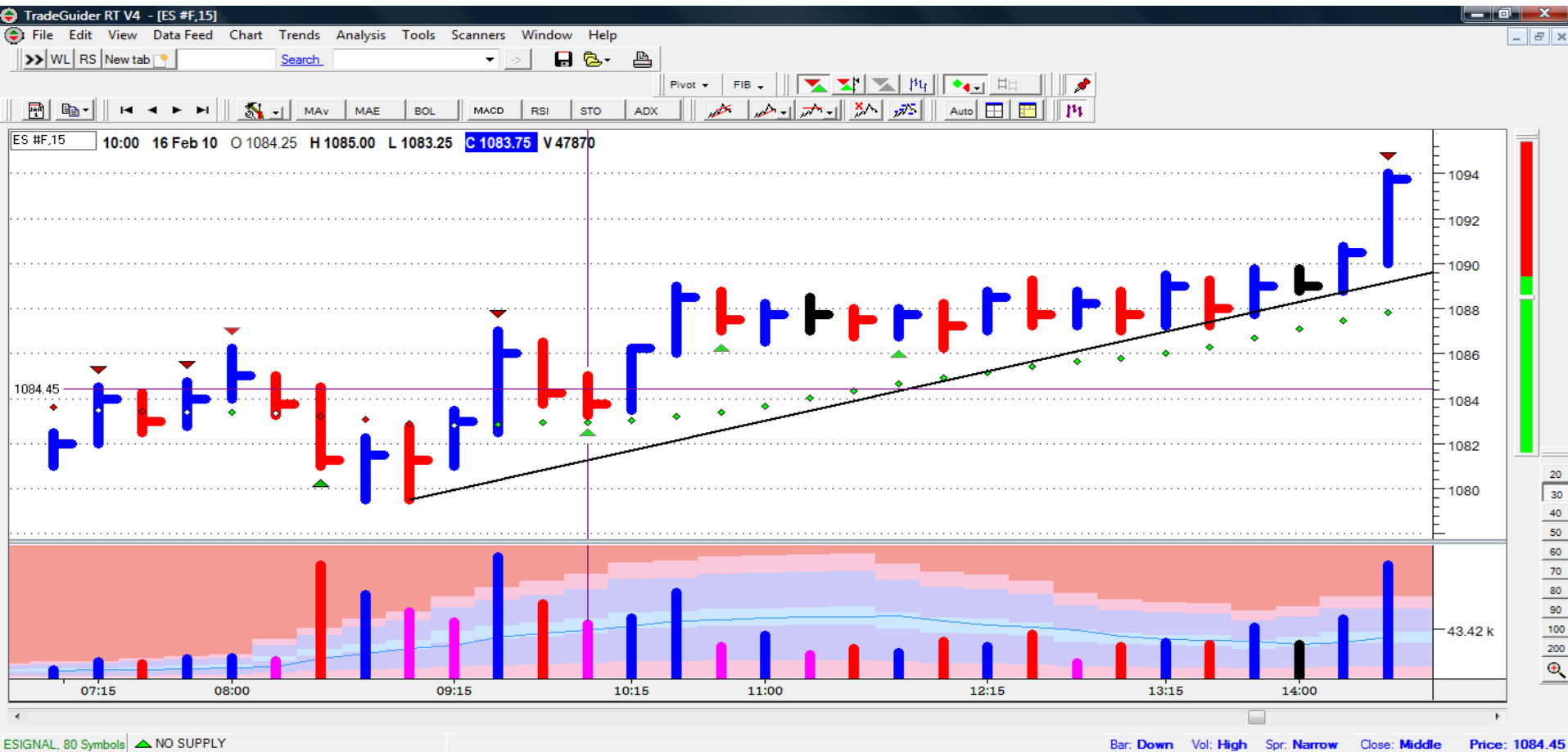
The New York Traders Expo Nasdaq Trade Explained

Chart 42





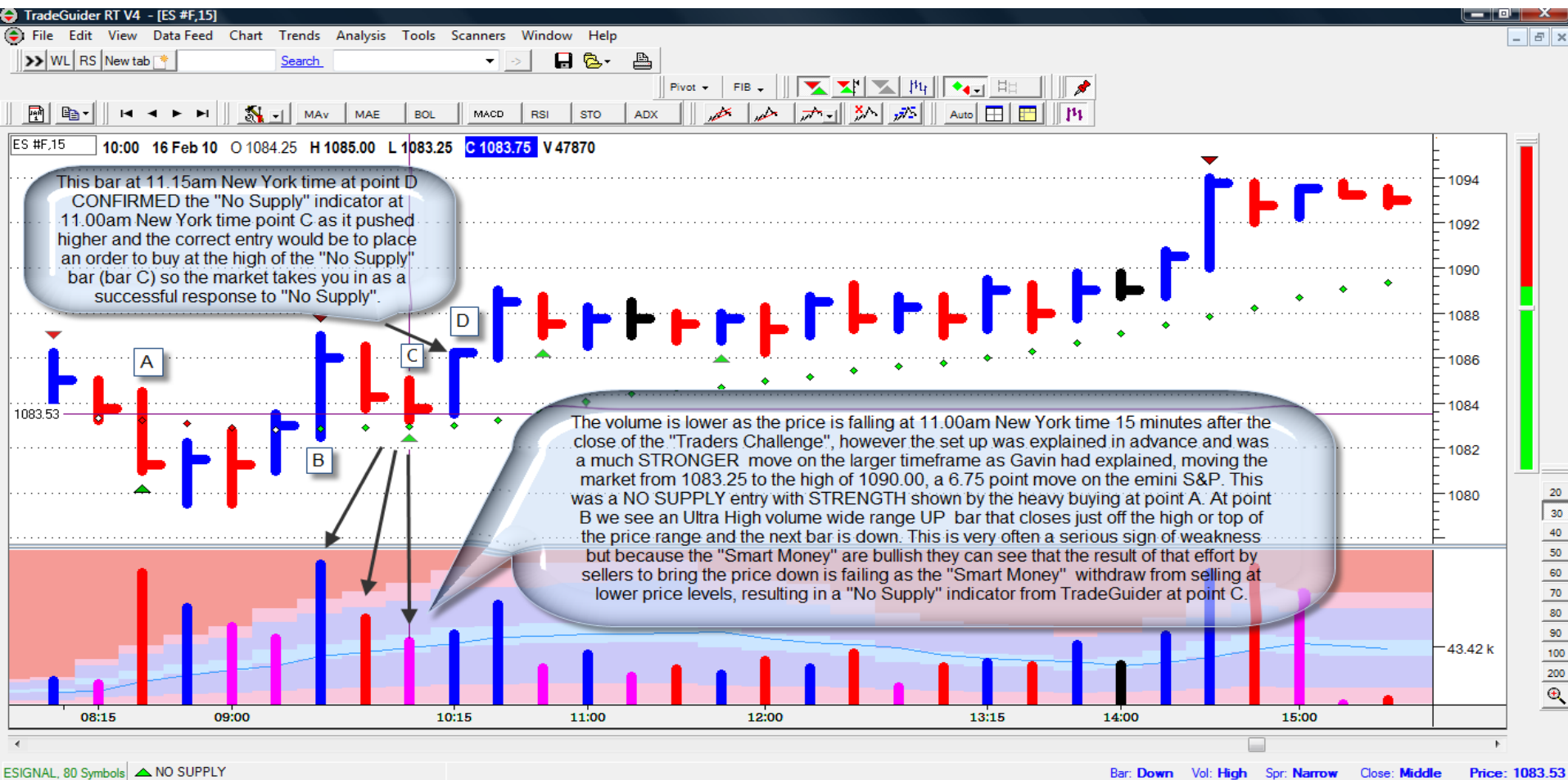
The New York Traders Expo S&P Trade Explained Chart 43





The New York Traders Expo S&P Trade Explained

Chart 44





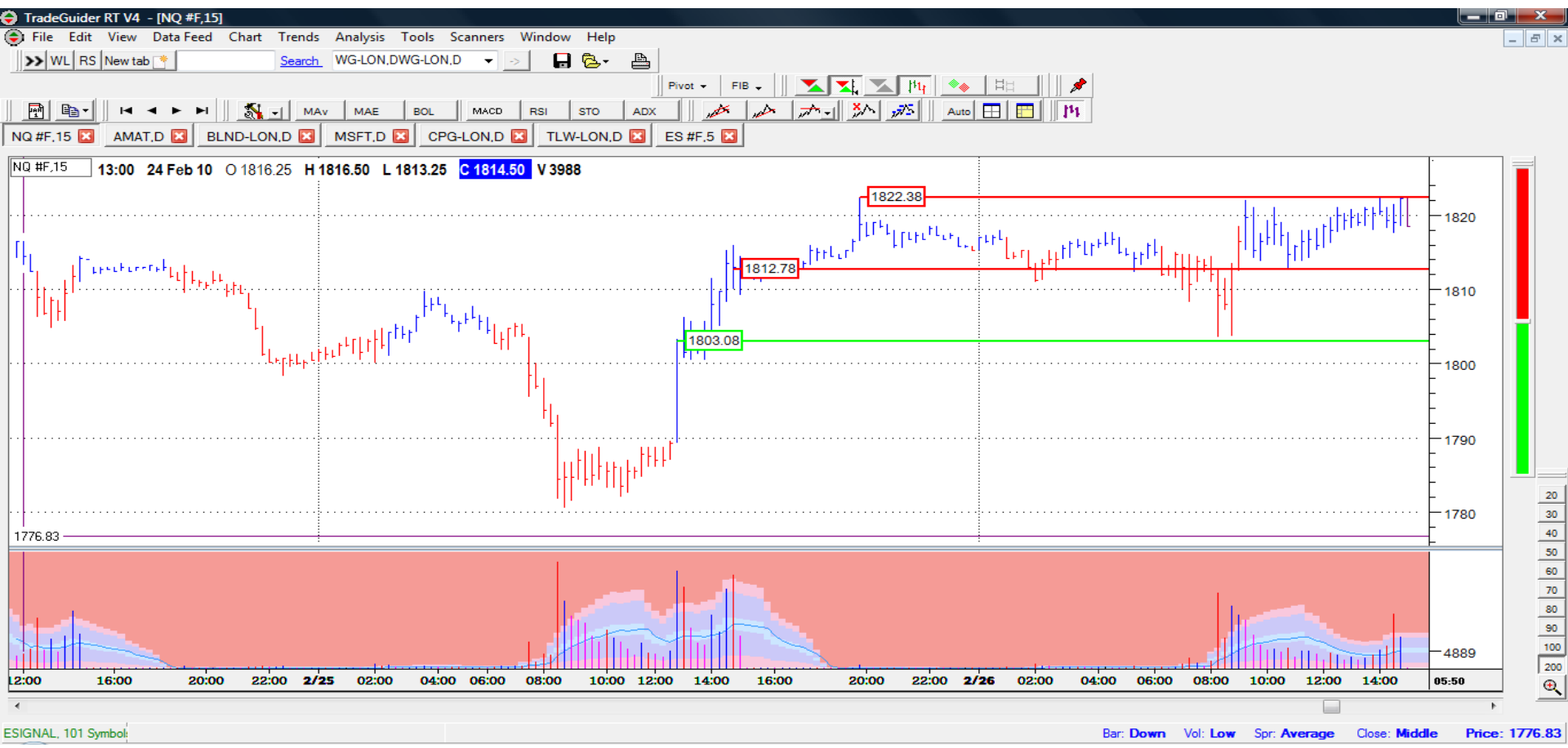
Going Long AFTER you see No Supply or a Test in a Rising Market

- When you see No Supply with climactic action in the background this indicates higher prices so enter a buy order above the high of the no supply bar.



Identifying Trigger Numbers – Nasdaq

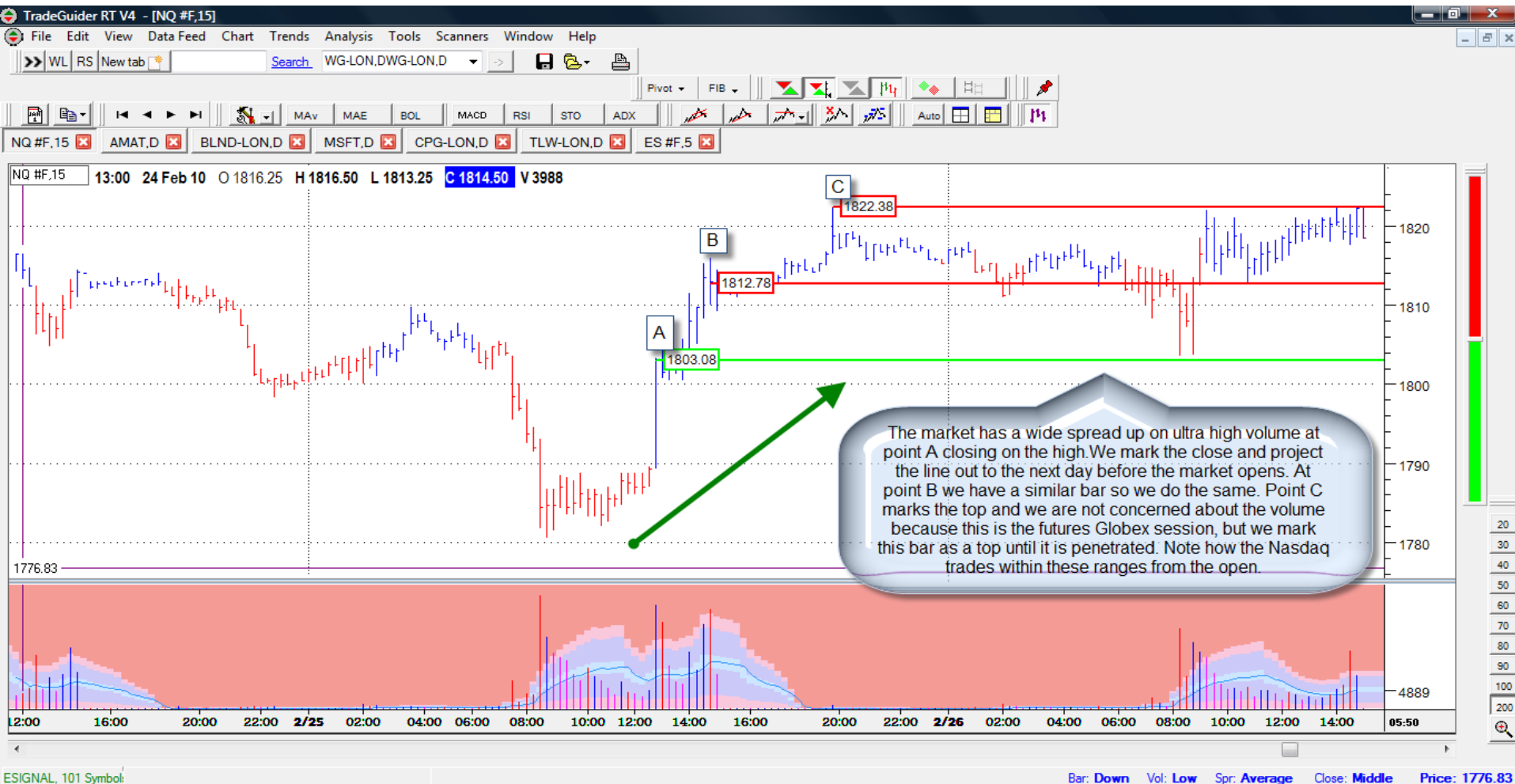
Chart 45





Identifying Trigger Numbers Nasdaq

Chart 47





Before taking a Long position

- Is the market in early stages of uptrend or still in an downtrend?
- Is the market rising with no professional support?
- Is the high of each bar higher than the previous bar? (you may allow 1 down bar for every 2 up bars for an uptrend)
- Are you into fresh low ground when accumulation starts?
- Is there a trading range to the left?
- Is there lots of BAD NEWS about this particular instrument?
- Is the market in an oversold area of the trend channel?
- Is there a Buying Climax in the background?
- Are you entering on a up bar – remember strength appears on down bars?



Summary

- Each of us are unique. We have different account sizes, loss tolerance levels, experience levels, different ways of viewing things (two people can look at the same mountain from the same place and see entirely different perspectives), and different levels of self discipline.
- These strategies are a guide but must be adapted to your style of trading and personality. Only YOU can do that for yourself.
- VSA principles apply to all markets where there is volume available and in all timeframes. We will be looking at stocks but we could easily have looked at the same patterns in Futures, Commodities, Spot FOREX, etc.
- KISS – Keep It Simple Stupid. Nothing here is rocket science. VSA is very logical and is based on principles that have been around for decades.
- Take a holistic approach to your chart analysis.
- Definition of Holistic -
 - Emphasizing the importance of the whole and the interdependence of its parts.



Points To Remember

- Strength will appear on down bars.
- Weakness will appear on up bars.
- The background analysis of the chart is vital.
- Has the strength or weakness appeared at the top or bottom of a channel?
- Is this a major trend reversal or a retracement?
- Is the news good or bad??
- Is demand overcoming supply?
- Is supply overcoming demand?



Points To Remember - Continued

- All patterns seen in the past will be there at the right edge of your chart, but they will come in different intensities.
- VSA is a discretionary methodology that still requires discipline and money management.
- VSA is much more effective when used with support and resistance and with Elliot Wave analysis. (Used by Wyckoff).
- You must use more than one timeframe to see the bigger picture.
- If you listen to news, have a very contrarian view of the contents when taking a position.
- The chart never lies, rely on your charting skills.



END OF SESSION – Q AND A