

P R I S M Strategy

for trading & investing stocks



Written By Gavin Holmes

Head Trader Wyckoff / Williams Investment Portfolio

Author "Trading in the Shadow of the Smart Money"

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The Wyckoff / VSA PRISM Strategy for trading and investing stocks

Background

When I first met Tom Williams in the year 2000 and began to take an interest in the financial markets, Tom made a statement I will never forget.

He said, “Gav, the fact that you know absolutely nothing about trading and investing and have no pre conceived ideas will make you an excellent student for me to teach and one day you will be a great success in this business”.

Looking back, it has been a great journey and it continues to be so, but before Tom passed away in 2016 he had a wish.

He said, “The biggest danger to a Human Being trading and investing in the markets is actually themselves. We need to create an automated trading system that takes much of the analysis away from the Human Being and let the computer do the work. A computer does not have flaws in its logic”.

Tom was describing to me what was in his mind. An automated Volume Spread Analysis trading system that found trade set ups based on the key principles of Wyckoff and computerized by Tom.

For further details on the Volume Spread Analysis methodology go to Appendix one.

This trading system would intuitively trade alongside and in harmony with the “Smart Money” players who move and manipulated all markets.

For further details on Market Manipulation and the “Smart Money” go to Appendix two.

It was during 2016 that our Head of Technology, Grigory Margolin, showed me the latest development of a product to be used in our hedge fund, called SMART Center Pro.

The concept was simple. Find trade set ups based on Wyckoff / Volume Spread Analysis that are in harmony with the trend of multiple time frames using the proprietary tools in the TradeGuider software toolset.

At the launch of SMART Center Pro, live at The CME Group Headquarters (Chicago Mercantile Exchange) in downtown Chicago in October 2016, we were able to demonstrate live trading using the system using timeframes starting with

weekly charts, daily charts, four hour charts, hourly charts, fifteen, five and one minute charts.

This was by far the most successful launch of any TradeGuider software product in the 16 years since we started the business.

The new stocks strategy that has been developed by our team was based on feedback from customers, many of whom traded or invested stocks.

The Trading Concept

This trading strategy is built around the TradeGuider core trading process: SCAN – CONFIRM – TRADE/INVEST WITH PRISM

The process starts with a scan of the sectors that make up the index or indexes you are analysing, followed by a stock scan of the parent index and its constituents to find stocks that are in the strongest sector and acting stronger than the index (for buying and investing or using CALL Options) and stocks that are in the weakest sector and acting weaker than the index (for selling short or using PUT Options).

The sectors are the grouping of stocks by industry type and very often we see sector rotation throughout the year due to seasonal changes as well as other factors.

For example, in the FTSE 350 London market there are 37 sectors and there will be individual constituents in each sector.

One of the most important things taught to us by legendary traders such as W D Gann and Richard D Wyckoff is not to fight the trend, especially the big trend seen on the monthly and weekly charts.

Initially, the first Wyckoff / VSA sector scans all the sectors against the parent index and produces a set of results that show the strongest sectors and weakest sectors. In this example we can see a scan of the S&P 500 sectors.



The second scan is now performed against the constituent stocks in the sectors identified against the parent index.

So for instance, if the overall FTSE 350 (which will use as an example but this will apply to all worldwide markets) is in a bull move and clearly rising, and certain sectors fail to rise with the index or in fact fall as the index rises would be seen as very weak sectors. The scanner would then identify the stocks that are the weakest in the weak sector and highlight these as potential short trade opportunities, or use a PUT option strategy.

The next time we have a downward correction in the parent index these stocks will lead the fall because they clearly have no support from "Smart Money".

Now the opposite takes place for strong stocks. These stocks move up in a bull move and when any corrective move to the downside happens these stocks refuse to fall with the parent index or if they do have a corrective move the volume is now very low, suggesting no selling pressure on the stock because "Smart Money" are supporting the stock.

So the scanner will identify the top 5 strongest sectors and the bottom 5 weakest sectors and then identify the stocks in the strongest sectors to buy and the weakest stocks to short in the weakest sectors.

The scanner uses wave counts against the index from a setting of one to 5, and the setting that was used by the late Tom Williams and now used by Fund Manager and Author, Gavin Holmes, is two wave counts.

Here is an example of a stock scan of the S&P 500 showing us the top 10 strongest and weakest stocks.



Scan Confirm Trade – The Concept

- To scan your chosen market or markets using the Wyckoff / VSA stock and sector scanner that is built into the TradeGuider EOD software using Metastock datafeed.
- To locate the strongest and weakest sectors in the index or indexes you have scanned.
- To then locate the stocks in the sectors that are acting stronger or weaker than the index.
- To identify trading opportunities by finding unusually high volume on a chart (climactic action) followed by low volume (No Demand or No Supply) at the same price level or when a trend has begun.
- To show visually clear trend alignment in multiple timeframes.
- To alert the trader/investor when a major VSA principle has been found in any timeframe being monitored by the system.

- To allow the trader/investor to monitor and scan hundreds of charts at one time so the system is “sniffing” out trading opportunities for the trader to then analyse on the charts.
- To show when the market is in congestion using the proprietary trading tools developed by TradeGuider Systems International.
- When the scanner is misaligned in multiple timeframes, no trade.
- When the scanner is aligned in multiple timeframes, possible VSA trade set up.
- Visual and audible alerts in when trade set up located.
- Bar information window for bar by bar VSA analysis.
- Each VSA indicator has a number and a detailed description of market conditions that caused the indicator to appear.
- Provide the ability for email alerts when charts give a VSA trade set up.

The Time-frames

Timeframes being monitored and scanned by system.

- 15 minute
- 60 minute chart
- 240 minute chart
- Daily chart
- Weekly chart
- Monthly chart

6 timeframes total in PRISM stock investing strategy.

Before going any further

Install TradeGuider EOD software with Metastock EOD datafeed for your chosen market / markets to enable sector scans, stock scans and indicator scans to be performed.

Ensure you have one of the following intraday trading platforms installed:

NinjaTrader, Sierra Chart or Tradestation with intraday data for stocks.

Ensure you have the Wyckoff VSA PRISM stock trading software installed on the trading platform you have chosen.

Don't have it installed yet?

Once the purchase is made go to the Tradeguiders website at www.tradeguiders.com and log in to the Customer area using the login tab on the menu bar. The installation guide and software download is available here.

The Trading Process

The PRISM Strategy process consists of 2 stages:

- VSA Sector Scanning and stock scanning Process
- PRISM Trading Process

For each stage there are key rules and steps

VSA Sector Scanning Process

Overview

TradeGuider Systems International together with Metastock are pleased to present to you a new trading tool - Wyckoff / VSA Sector Scanning Process (WVSSP) - to select high probability stock trading candidates that are showing strength or weakness.

WVSSP is a twostep process based on the selection of appropriate Sectors, followed by analysis of stocks in those Sectors using trend and VSA Methodology. The steps are

1. To find the strongest Sectors and Weakest Sectors in comparison to the parent index.
2. To scan the constituent stocks in the list of Sectors found under Step 1 identified against the parent index and find there strong and weak stocks.

See above screenshot examples.

The two stop step process is easy once the data has been downloaded by the Metastock downloader.

Rules and Steps

PRISM Trading Process

Step 1 – Sector Scan followed by Stock Scan

Perform the sector and stock scan as detailed above using WVSSP to identify your stock trading candidates ready to input into the PRISM strategy.

Rule 1.

LIVE ACCOUNTS

We recommend you do not trade a live account until you have made 50 trades on a trading simulator, recorded the results and taken screenshots of each trade with risk amount, profit target and actual results achieved.

TRADING STEP 1

Input the stocks that have been identified by WVSSP and input them into your chosen charting software supported by PRISM (TradeStation, Sierra Chart, Ninjatrader). The example below is TradeStation. Note we have two folders, strong and weak stocks identified by WVSSP.



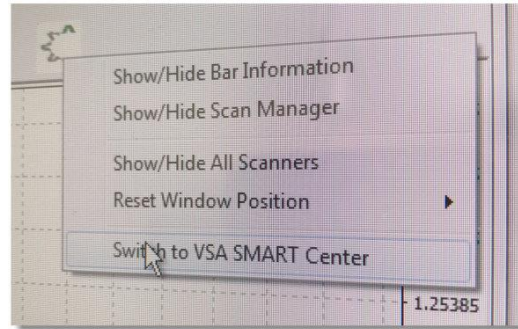
TRADING STEP 2

SCAN

Start up your software and right click the TG Icon



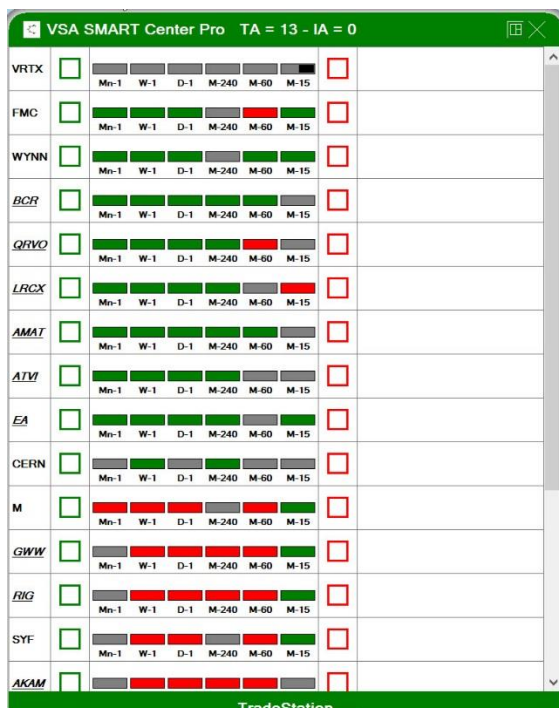
Select the “Switch to VSA SMART Center “ option



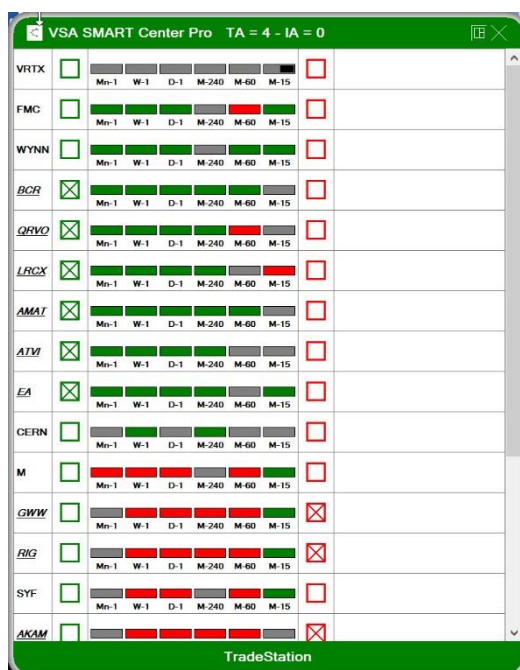
The SMART Center Pro display window will appear.

Now you wait until you get an audible alert saying “trend alignment to the up / down side has arrived”.

Remember the ideal candidate to trade has trend alignment in all the timeframes being scanned.



Now you have received a trend alignment alert the system will begin flashing BLACK to show trend alignment has been detected in at least 4 of the 6 timeframes being monitored. Click in the centre of the black box and PRISM immediately begins “sniffing” Wyckoff / VSA trade set ups as you will see by the automatic placement of a cross in either the green box (now sniffing for signs of strength) or the red box (now sniffing for signs of weakness).



Rule 3.

THE TREND IS YOUR FRIEND.

This strategy is optimised for trend alignment in multiple time frames that are set for investment trades, swing trade positions or longer term trading strategies.

The strategy identifies the beginning of big accumulation and big distribution caused by the “Smart Money” or flat trading and congestion (designated by grey boxes in the scanner), when no trades should be taken.

Note that the Sharp Shooter strategy is finding trend trades not market turning points. However the 8 key principles that will mark a market top or a bottom are included in this strategy and you should pay attention when these signals appear:

Signs of Weakness

End of a Rising Market

Buying Climax

Trap up-move

Possible hidden selling

Signs of Strength

Bag holding

Shakeout

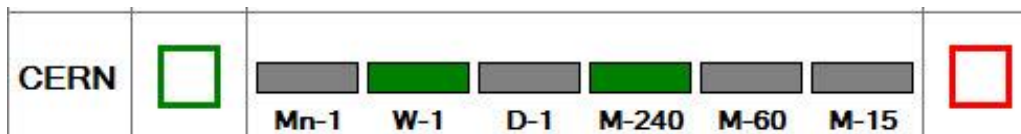
Demand overcoming Supply

Potential professional buying

Rule 4.

CONGESTION

When the scanner is showing grey boxes or a mix of green and red boxes, this indicates congestion so no trade as we have no alignment, so ensure that as many of the boxes as possible are the same colour and not as shown below which indicates no trade yet.

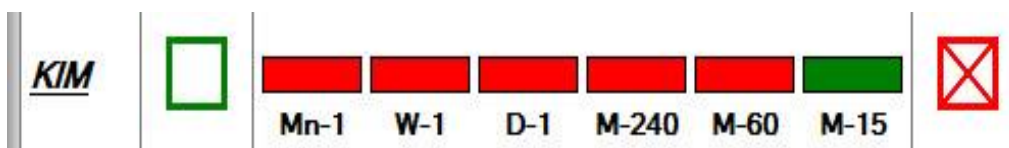


TRADING STEP 3

CONFIRM

For a short trade

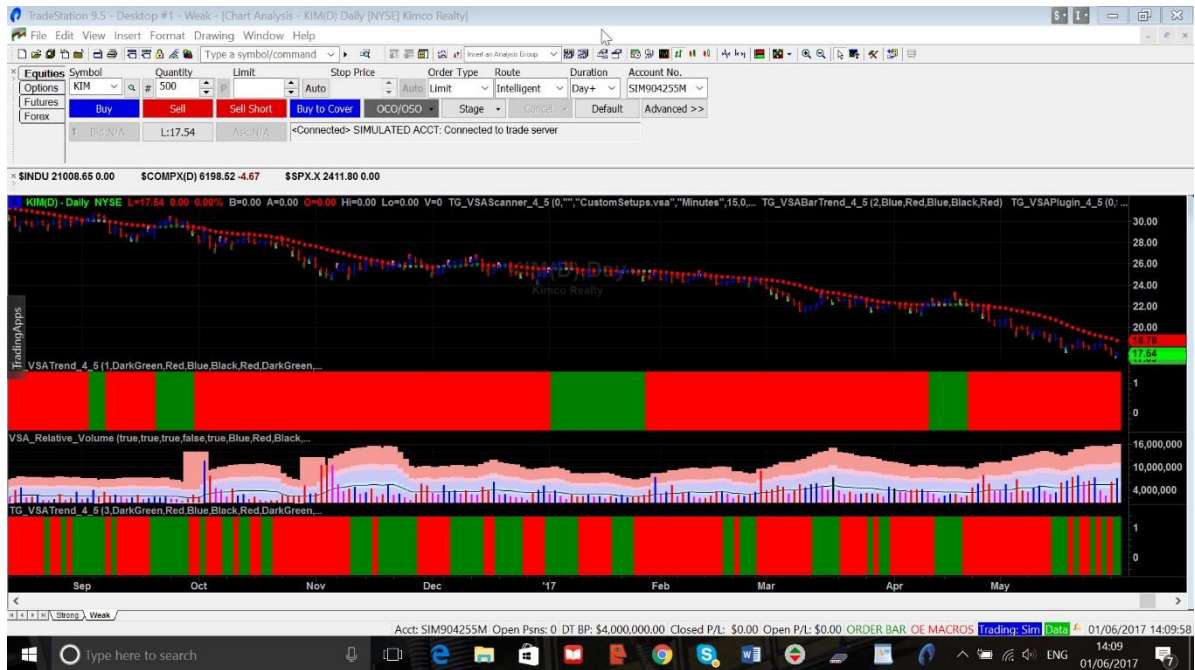
Wait for a VSA Confirmation signal alert. You will get an audible message saying "Sign of Strength / weakness has arrived". The SMART Center Pro box will be flashing pink with an audible alert confirming a VSA indicator has appeared in the trend. This should now be considered as a serious trading opportunity.



When you get a confirmation signal, follow these rules:

The confirmation signal will be above the particular time-frame bar.

Next, go to the chart the confirmation signal has appeared in. Note the trend is clearly down. You can also see this clearly in the TradeGuider EOD software as well.



Rule 5.

The bigger the timeframe the Volume Spread Analysis signal appears in the bigger the move is likely to be.

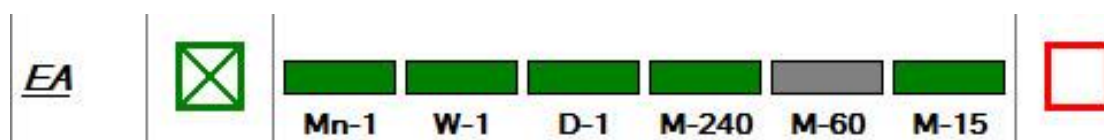
Remember for a signal to be confirmed the next bar needs to close below the close of the bar on which the signal has appeared

If it is not confirmed the set up has not been triggered and you need to look for the next trade.

If it is confirmed you can place your trade.

For a long trade

Wait for a VSA Confirmation signal alert. You will get an audible message saying "Sign of Strength / weakness has arrived". The SMART Center Pro box will be flashing pink with an audible alert confirming a VSA indicator has appeared in the trend. This should now be considered as a serious trading opportunity.



When you get a confirmation signal, follow these rules:

The confirmation signal will be above a particular time-frame bar.

Next, go to the chart the confirmation signal has appeared in.

Note the trend is clearly up. You can also see this clearly in the TradeGuider EOD software as well.



Rule 6.

ULTRA HIGH VOLUME BARS

Pay particular attention to your analysis to any ULTRA HIGH VOLUME bars. Start with a 15 minute timeframe and use 200 price bars. Visually identify Top, Bottom and Closing price on these bars and WHEN PRICE ACTION REACHES THESE SAME AREAS AS YOU ARE TRADING NOW OR IN THE FUTURE watch how the market reacts. REMEMBER, ULTRA HIGH VOLUME IS ACTIVITY OF THE

SMART MONEY. Ignore these past areas of price action at your peril (the words of Tom when he was teaching me).

Rule 7.

LOW or VERY LOW VOLUME BARS

Pay particular attention to your analysis to any LOW or VERY LOW VOLUME bars at or near to the same price level as the ULTRA HIGH VOLUME bars. This can cause price direction to change and be a trigger for Sharp Shooter as it moves.

This may sound contradictory to rule 7 but it the most important lesson I EVER LEARNED from Tom.

VOLUME IS ACTIVITY

Volume is the activity of “Smart Money”. Massive volume at a price then followed by low volume in the future at the same price is a massive signal from the Professional “Smart Money” players. Wyckoff recognised it as vitally important, Williams recognised it as vitally important and Sharp Shooter has been developed to find these key areas of professional activity and alert you to the opportunities available at these levels.

TRADING STEP 5

Take the trade and follow these rules:

Rule 8.

MANAGE YOUR MONEY

When it comes to managing and growing a trading or investment account this is one of the most important and often least understood topics for a trader and investor, especially if you are just starting out.

TRADING INVOLVES RISK OF LOSS AS DETAILED AT THE BEGINNING – BELOW ARE THE RULES THAT I FOLLOW BUT YOU MUST ADAPT TO THE ACCOUNT SIZE YOU TRADE.

When you fund your trading and investment account one of the first things you must understand is the nature of RISK.

I could write a whole book on this subject but fortunately an excellent book on this very subject, called “Against The Gods – The Remarkable Story of Risk” by

Peter L Bernstein is where I learnt much of what I apply to our Hedge Fund today. In addition of course to the remarkable knowledge imparted to me by the late, Tom Williams, Inventor of Volume Spread Analysis and a former syndicate trader.

One of the key takeaways from Bernstein's bestselling book is that in today's modern world there are some remarkable tools available to us all which can help us mitigate risk to the best of our ability.

So when I am asked by a new trader or investor to summarize what I mean by money management, I tell them that this is simply the preservation of your capital investment in the market or markets you are trading or investing in. To be supported by a written trading plan, a strategy or strategies that have been tested in simulation mode and a detailed analysis of each trade or investment.

Keeping a track of your equity curve and knowing when things are working well and when they are not working well allows you to adjust to market conditions and to diversify if required.

A written and committed trading plan is vital in my opinion and in the thousands of online and live seminars I have hosted I always ask who has a written trading plan and I am always surprised how few people have taken the time to write one.

Trading is a business not a hobby. Fail to plan, plan to fail. You are going to be participating in one of the biggest businesses in the world, trading and investing, so be prepared.

Rule 9.

STOP LOSS

Use a stop loss and remember there is no guarantee that the stop loss you put in will get filled especially during very volatile market conditions. Speak to your broker about this if you have any concerns.

The strategy does not suggest exact stop placement because of the many markets it is capable of analysing and the thousands of customers trading different account sizes with different personal tolerances.

Suggested stop loss strategy

For long trades

On the first spike of high volume move the stop to the bottom of the price bar, repeat until you get stopped out.

For short trades

On the first spike of high volume move the stop to the top of the price bar, repeat until you get stopped out.

Examples explained on You Tube

<https://www.youtube.com/watch?v=ICiv4KELD1I&t=1141s>

<https://www.youtube.com/watch?v=dtwilGr78vw&t=66s>

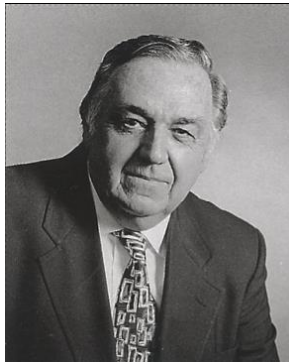
<https://www.youtube.com/watch?v=FJw6f9RNMrI&t=9s>

APPENDIX 1 – VSA Explained

General Background to the Wyckoff Method and Volume Spread Analysis

I would like to dedicate this trading strategy to the Master's & Creators of the Wyckoff Method & Volume Spread Analysis

Inventor VSA - Tom George Williams - January 4th 1929 – November 7th 2016

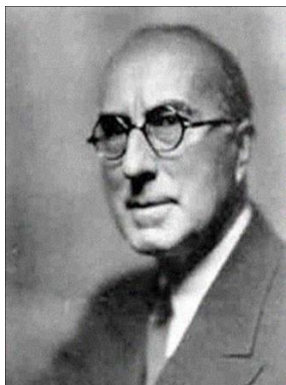


" If you can read a chart correctly, you will understand the markets do not move randomly but are moved by the "Smart Money" and you can see their intention at support and resistance levels by looking for the tell, tale footprints hidden in the volume and price, and you have a chance to profit by following their footsteps.

Volume is vital in your analysis, which is why the self regulated exchanges around the world will not release true volume figures until the day after trading took place!!

Tom Williams, 2016

Richard Demille Wyckoff (November 2, 1873 – March 19, 1934)



"...Thousands of those who operate in the markets now recognize the fact that the market momentarily indicates its own immediate future, and that these indications are accurately recorded in the market transactions second by second, and therefore those who can interpret what transactions take place second by second or moment by moment have a distinct advantage over the general trading public...."

Richard D Wyckoff, 1914

This is a brief explanation of the underlying methodology of Volume Spread Analysis. We will be showing examples of how professional activity is clearly visible in all markets and in all timeframes, if you know what you are looking for.

Volume Spread Analysis (VSA) is a proprietary market analysis method which was conceived by Tom Williams (Chairman of TradeGuider Systems). VSA is used to analyze any liquid market by observing the interrelationship between volume, price and spread of the price bar (often known as the range of a price bar). This method is particularly good at highlighting imbalances of supply and demand.

Despite the fact that few retail traders and investors are aware of this analysis method this is not a new concept, and Tom Williams, who invented VSA was once himself a professional syndicate trader who could see that the markets were being manipulated and that the key to unlocking the truth lay in the relationship between the volume, the range or spread of the bar and the closing price. Tom spent many years studying the concepts of Richard Wyckoff.

Richard Wyckoff was a trader during the 1920 and 30's. He wrote several books on the Market, and eventually set up the "Stock Market Institute" in Pheonix. Richard D Wyckoff (born November 2, 1873; died March 19, 1934) was a stock market authority, founder and onetime editor of the *Magazine of Wall Street* (founding it in 1907), and editor of *Stock Market Technique*.

Wyckoff implemented his methods in the financial markets, and grew his account such that he eventually owned nine and a half acres and a mansion next door to the General Motors Industrialist, Alfred Sloane Estate, in Great Neck, New York (Hamptons).

As Wyckoff became wealthier, he also became altruistic about the public's Wall Street experience. He turned his attention and passion to education, teaching, and in publishing exposés such as "Bucket Shops and How to Avoid Them", which were run in New York's *The Saturday Evening Post* starting in 1922.

Continuing as a trader and educator in the stock, commodity and bond markets throughout the early 1900s, Wyckoff was curious about the logic behind market action. Through conversations, interviews and research of the successful traders of his time, Wyckoff augmented and documented the methodology he traded and taught. Wyckoff worked with and studied them all, himself, Jesse Livermore, E. H. Harriman, James R. Keene, Otto Kahn, J.P. Morgan, and many other large operators of the day.

Wyckoff's research claimed many common characteristics among the greatest winning stocks and market campaigners of the time. He analyzed these market

operators and their operations, and determined where risk and reward were optimal for trading. He emphasized the placement of stop-losses at all times, the importance of controlling the risk of any particular trade, and he demonstrated techniques used to campaign within the large trend (bullish and bearish). The Wyckoff technique may provide some insight as to how and why professional interests buy and sell securities, while evolving and scaling their market campaigns with concepts such as the "Composite Operator".

Wyckoff was thorough in his analysis of the trading range. One tool that Wyckoff provides is the concept of the "Composite Operator." Simply, Wyckoff felt that an experienced judge of the market should regard the whole story that appears on the tape as though it were the expression of a single mind. He felt that it was an important psychological and tactical advantage to stay in harmony with this omnipotent player. By striving to follow his foot prints, Wyckoff felt we are better prepared to grow our portfolios and net-worth.

"At its core, Wyckoff's work is based on the analysis of trading ranges, and determining when stocks are in "basing," "markdown," "distribution," or "markup" phases. Incorporated into these phases are the ongoing shifts between "weak hands" (public ownership) and "composite operators", now commonly known as "Smart Money".

For more about Richard Wyckoff, see these books:

How I Trade and Invest in Stocks and Bonds by Richard D Wyckoff

Stock Market Technique, No. 2 by Richard D Wyckoff

Tom came back from Beverley hills in the early 1980's and began to investigate if it was possible to computerize the system he had learnt as a syndicate trader, and so began the evolution of Volume Spread Analysis. Together with an experienced computer programmer Tom carefully studied many thousands of charts to recognize the obvious patterns that were left when professional or smart money was active. This methodology although simple in concept took many years to write and is now taught as a methodology combined with the software called TradeGuider.

Volume Spread Analysis seeks to establish the cause of price movements. The 'cause' is quite simply the imbalance between Supply and Demand or strength and weakness in any liquid market, which is created by the activity of professional operators or "Smart Money".

The significance and importance of volume appears little understood by most non-professional traders. Perhaps this is because there is very little information and limited teaching available on this vital part of technical

analysis. To use a chart without volume is similar to buying an automobile without a gasoline tank.

For the correct analysis of volume, one needs to realize that the recorded volume information contains only half of the meaning required to arrive at a correct analysis. The other half of the meaning is found in the price spread. Volume always indicates the amount of activity going on, the corresponding price spread shows the price movement on that volume. Many traders believe you cannot analyze volume in the FOREX markets because it is unavailable, but we will show during this seminar that is not true.

Some technical indicators attempt to combine volume and price movements together. Rest assured that this approach has limitations, because at times the market will go up on high volume, but can do exactly the same thing on low volume. Prices can suddenly go sideways, or even fall off, on exactly the same volume! So, there are obviously other factors at work.

Further information available at www.volumespreadanalysis.com

Appendix 2 – Market Manipulation and the “Smart Money” Manipulators

Who is the “Smart Money”?

First of all you have to realize and accept that the “Smart Money”, “Composite Operator” or “Professional money” are very active in all the financial markets. “Smart Money” as we shall refer to it here, can be trading syndicates, individual traders with huge capital, large financial institutions, certain funds such as ‘The Quantum Fund’ operated by George Soros, and large institutional banks.

These individuals or organizations are very secret in their dealings, as they do not want others to know what they are doing.

Remember when in 1992 George Soros massively shorted the British Pound forcing the Bank Of England to eventually withdraw from the European Exchange Rate Mechanism, well, this is one very well known example of “Professional Money” having a dramatic effect on a particular market, in this case the FOREX market. This type of activity happens every day, with differing degrees of intensity, you just need to know what to look for.

All financial markets are dominated by the big professional players

The banks, institutions, syndicates and the specialists have all the financial resources to move prices up or down. Trillions of dollars are exchanged daily across the world's stock, currency and commodity markets. Hundreds of millions are spent analyzing crop reports, business sectors and economic figures. All other activity, including the combined trades of thousands of individuals like you and me, represents only a tiny fraction of the money and resources flowing in and out of the market on a daily basis. You may think that's pretty obvious. But ... **Markets don't react to professional activity the way you expect them to.**

In every market, there's an undeclared understanding amongst professional traders. It alerts them to what the big money is doing. It's based around observations surrounding volume activity and the effect this has on the price and the spread.

To us outside observers this activity normally goes unnoticed - an insignificant and unexplainable blip lost amongst the 'noise' of the markets. If you've ever watched the ASX, Dow, FTSE, S&P, Nasdaq or an individual stock price over any period of time, you'll know that prices can fluctuate wildly. But there is logic behind all this chaos and the professionals know exactly how to profit from it.

They know what the volume signals mean, yet only a tiny minority of non-professionals know what's really going on.

As you'll see in graphic detail later, knowing how to read the market will allow you to take the professional's lead and boost your profits. Understanding professional moves will allow you to uncover the true market sentiment. It will give you a clear indication of which markets you should hold positions in - whether buying or selling stocks, or going long or short on futures or trading currencies, FOREX or commodities.

The professionals can never hide their true intentions if you can learn to analyze a chart like they do. They may be leading the market, but they leave tell-tale signs for anyone with the right knowledge to follow. The only truly important consideration for you is what the professional money is doing - that is the only thing that matters, and then you follow in their footsteps.

By using and understanding TradeGuider and the Volume Spread Analysis methodology you will learn:

How to identify profitable situations when massive volume spikes appear followed by low volume.

How to read any market like a professional.

How to tell if a market is strong or weak.

How you are manipulated by the professionals to make the wrong decisions.

What you should consider to become a full time trader.

Powerful trading tips to improve your performance and boost your profits.

How to react to news driven events.

How to avoid "Herd" mentality.

Further information available at www.marketmanipulation.com

Appendix 3 – My Money Management regime

Money Management

I will not risk more than 2.5% of my capital in any one account in any one trade

I will not risk more than 6% of my capital in any one account in multiple trades.

I will close a losing trade quickly and treat it as a cost of doing business in the market.

I will never take a loss personally.

I will never get angry because a trade went against me.

I will learn from the losing trade but will not dwell on it.

If I make three consecutive losing trades I will cease trading and re-examine my plan.

I will never revenge trade.

I will allow a winning position to run using the chandelier stops and H stops in Sharp Shooter on 5 minute chart.

My key objective is to get my stop to break even then small profit without getting stopped out.

I will use a minimum of a 2:1 risk reward ratio

I will evaluate my trades every Saturday and will identify high probability set ups for the following week.

Appendix 4 – The best trades for this strategy

The best trades for this strategy can be described as follows:

Checklist for longs

- Have you seen Bag Holding on any time frame? Give more weight to the bigger timeframe. If seen on four hour, daily or weekly chart this is a very significant VSA signal.
- Are at least 3 timeframes aligning green and all in a row in the VSA scanner?
- Is there an ultra high volume bar in the background near this price level?
- Has price gone above the high of the ultra high volume bar (trigger number)?
- Is volume thermometer bullish on biggest timeframe?
- Is volume bullish (increasing volume on up bars and decreasing volume on down bars)?
- If you have taken a position and you observe three consecutive down bars in the timeframe that is in the middle of those being monitored, (for example a four hour, daily and weekly chart) use the daily chart to monitor up or down bars. Three down bars in a row close trade. The market is being marked down.
- Is price action making higher highs on biggest timeframe being analysed?
- Do you have any Bag Holding, Shakeout or Climactic Action being identified by the scanner? These are very key VSA principles of STRENGTH in the market.
- Are there any successful tests present?
- Do you have SOW 30 Test in a Rising Market Present in any timeframe? This is a very powerful type of test if seen in a clear uptrend.
- Is there any clear support or resistance levels formed by trend clusters and pivots close to entry point?
- Any No Supply, Two Bar Reversal or successful test with low volume should trigger a trade if trend is up on biggest timeframe.
- Give special attention to ultra high volume down bars (a down bar is a price bar that has closed lower than the close of the previous bar) with a very narrow spread and next bar closing higher in any timeframe, this indicates buying. Look for an upmove followed by a clear No Supply / Test to go long.

Checklist for shorts

- Have you seen End of a Rising Market on any timeframe? Give more weight to the bigger timeframe. If seen on four hour, daily or weekly chart this is a very significant VSA signal.
- Are at least 3 timeframes aligning red all in a row in the VSA scanner?
- Is there an Upthrust after a serious sign of weakness, such as Hidden Selling, a Buying Climax or End of a Rising Market?
- Is there an ultra high volume bar in the background near this price level?
- Has price gone below the low of the ultra high volume bar? (trigger number)
- Is volume thermometer bearish on biggest timeframe?
- Is volume bearish (increasing volume on down bars and decreasing volume on up bars)?
- If you have taken a position and you observe three consecutive up bars in the timeframe that is in the middle of those being monitored, (for example a 15 minute, 60 minute and 240 minute chart) use the 15 minute chart to monitor up or down bars. Three up bars in a row close trade. The market is being marked up.
- Is price action making lower lows on biggest timeframe being analysed?
- Do you see SOW 126 on any timeframe? This is a Two Bar Reversal and is a serious sign of a weak market.
- Do you have any End of Rising Market or Climactic Action being identified in scanner? Are there any failed tests present?
- Is there any clear support or resistance levels formed by trend clusters and pivots close to entry point?
- Any Upthrust, Two Bar Reversal or Trap Upmove with ultra high volume should trigger a trade if trend is down on biggest timeframe.
- Give special attention to ultra high volume bars with a very narrow spread and next bar closing lower in any timeframe, this indicates selling. Look for a down move followed by a clear No Demand bar to go short.
- After a Trap Move (SOW 58), look for a No Demand bar. If a Trap Upmove is identified on a large timeframe such 240 minute or 60 minute, go to smaller timeframes for confirmation indicators, such as No Demand and Upthrusts.

Appendix 5 – Further details on the 2 step sector scan process

The sectors are the grouping of stocks by industry type and very often we see sector rotation throughout the year due to seasonal changes as well as other factors.

For example, in the FTSE 350 London market there are 37 sectors and there will be individual constituents in each sector.

One of the most important things taught to us by legendary traders such as W D Gann and Richard D Wyckoff is not to fight the trend, especially the big trend seen on the monthly and weekly charts.

Initially Wyckoff / VSA sector scanner scans and analyses all the sectors against the parent index and produces a set of results that show the top 5 strongest sectors and the bottom 5 weakest sectors.

The second scan is now performed against the constituent stocks in the sectors identified against the parent index.

Each stock exchange has a number of Indexes computed from the prices of selected stocks. Each stock is attached to the corresponding economical Sector. The Sectors are the grouping of stocks by industry type. Therefore, in one Stock Index we can find several Sectors.

Very often, we see Sector rotation throughout the year (moving money from one Sector to another) due to seasonal changes or other factors what means money are shifted from one industry to another.

It is always better to trade an instruments with bigger liquidity and WVSSP will help you to find such instruments.

On each step, we are using our TradeGuider End of Day Scanner powered by data from Metastock to identify stocks that are strong or weak, and we then input these stocks into the SCP scanner in TradeStation, Sierra Chart or NinjaTrader.

For instance, let's assume overall FTSE 350 (which we will use as an example only, but could apply to all worldwide markets) is in a bull move and clearly rising. When certain Sectors fail to rise together with the Index or, in fact, fall as the Index rises, such Sectors would be seen as weak Sectors. On the next

stage, the Scanner would then analyse the Stocks that are the weakest (fall faster than the Sector) in the weak Sector and highlight these as a potential candidates for short trade opportunities, or for use of PUT option strategy if weakness is present or CALL option strategy if strength is present. (For more detailed information on this strategy please read "Supercharge Your Trading and Investment Account With Wyckoff / Volume Spread Analysis by Danny Younes.)

When we will have a downward correction in the Parent Index, these Stocks will lead the fall because they clearly have no support from "Smart Money".

The opposite takes place for strong Stocks. These Stocks move up in a bull move faster than Parent Index and, if any corrective move to the downside happens, they refuse to fall or, the volume on the correction is very low, suggesting no selling pressure, because "Smart Money" are supporting the stock.

To compare Parent Index with Sectors and Sectors with Stocks, the Scanner uses proprietary VSA waves. A maximum five last waves could be compared. The late Tom Williams and now Fund Manager and Author, Gavin Holmes, is using two wave counts.