



Wyckoff / Volume Spread Analysis Counter-Trend Trading Strategy



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 TopBot Trading Strategy

Background by Gavin Holmes

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.

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

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

The new Topbot strategy for Smart Center Pro was developed based on a conversation I had with one of our long standing and very valued customers, Mr Nick Cowan, Managing Director of The Gibraltar Stock exchange.

Nick was one of the first users of the Smart Center Pro trading platform and discovered the most important VSA signals include *The End of a Rising Market* (Sign of Weakness) and *Bag Holding* (Sign of Strength).

Before Tom passed away in 2016 he gave me a list of all the counter trend VSA principles and indicators that would mark a major trend change or turning point on multiple timeframes.

When these very important high probability indicators appear on the chart they are the footprint left by “Smart Money” as they begin to accumulate or distribute to the herd and they all have massive or ultra-high volume associated with them which we call “Climactic Action” or as Wyckoff referred to them as Hypodermic price bars.

Unlike our SuperScalper, SharpShooter and Prism strategies which are all *trend* strategies, TopBot is *counter-trend*. The only confirmation needed is on the close of the bar following the appearance of one of the indicators as described below.

Example 1 – End of a Rising Market - price bar immediately after the End of a Rising Market VSA signal must close lower than the close of the End of a Rising Market VSA signal

Example 2 – Bag Holding - price bar immediately after the Bag Holding VSA signal must close higher than the close of the Bag Holding VSA signal.

The TopBot Strategy

The TopBot strategy is a pre-configured strategy which identifies trading opportunities at the tops and bottoms of a market. It is only designed to work with V4.7 Release of the TradeGuider SMART Center VSA software

The Wyckoff VSA TopBot Package is a semi-automated trading system that finally lives up the vision that Tom Williams had.

The system automatically scans multiple markets for trend alignment in multiple time-frames. When it identifies alignment it then scans that particular market for key VSA principles that signify a potential change in market direction. When one is detected the system then analyses that market for certain market conditions which meet specific, proprietary criteria, to identify a VSA confirmation signal.

When a confirmation signal is generated the SMART Center issues an audible and visual alert which highlights a significant trading opportunity.

At this point the trader gets involved and a trade can be taken and managed using the rules laid out in this strategy document.

The system is pre-configured – out of the box and ready to go.

Before going any further

Ensure you have one of the following trading platforms installed:

Infinity AT, MT4, MT5 64-bits, NinjaTrader 7, Sierra Chart, Tradestation

Ensure you have the TradeGuider VSA SMART Center software installed on the trading platform you have chosen.

If you do not have TradeGuider VSA software yet installed, please refer to V4.7 Installation Manual

Once it is installed you can then set up the system with the correct timeframes

The Time-frames

While any timeframe can be monitored for signals, TradeGuider recommends monitoring the following 10 timeframes. Generally, you can expect a bigger move in an instrument when a signal appears on a higher-timeframe chart versus a lower timeframe.

- Weekly chart
- Daily chart
- 240 minute chart
- 60 minute chart
- 15 minute chart
- 5 minute chart
- 4 minute chart
- 3 minute chart
- 2 minute chart
- 1 minute chart

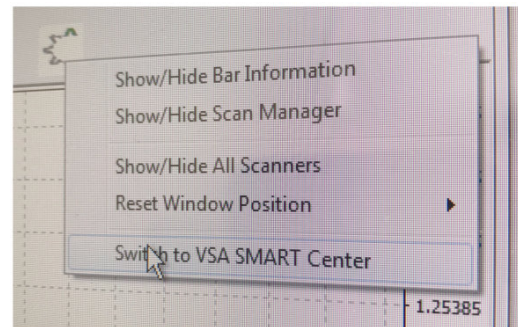
The Trading Process

Step 1

Start up your software and right click the TG Icon



Select the “Switch to VSA SMART Center “ option



The SMART Center display window will appear.

The SMART trading system now follows a continuous, automated 2 step process at the end of which it will provide a trading signal. For a detailed description of this process please see appendix 1.

Whilst you are waiting for a trading signal to be detected you are free to do other things.

Rule 1.

LIVE ACCOUNTS

Do not trade a live account until you have made 100 trades on a trading simulator, recorded the results and taken screenshots of each trade with risk amount, profit target and actual results achieved.

Rule 2.

BEWARE OF THE NEWS – BE A PREDATOR AND NOT THE PREY.

Do not trade at or near major news events unless you want to do so. The big volume happens at the events, whip saws the markets and catches stops. Be clever and wait. You are paid to be patient. The trend often starts days after a big announcement such as the BOE or FED announcement, but not always, so watch the charts, the CHARTS DON'T LIE.

Check the major news bulletins and stories connected to the markets you are interested in. The strategy would recommend you use a reliable economic calendar / news feed. We would recommend the following:

<https://www.financialjuice.com/>

<https://www.bloomberg.com/markets/economic-calendar>

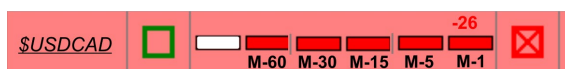
Step 2.

You receive an audible alert

For a short trade

When all conditions are aligned, you will get an audible message saying "Sign of Weakness has arrived".

The SMART Center window will be flashing pink, showing VSA confirmation principle above the timeframe it is found



This alert should now be considered as a serious trading opportunity. Remember, the bigger the timeframe the signal has appeared in the likelihood of a bigger move can be expected.

When alert is triggered go to the chart the confirmation signal has appeared in

For a long trade

When all conditions are aligned, you will get an audible message saying

"Sign of Strength has arrived".

The SMART Center window will be flashing pink, showing VSA confirmation principle above the timeframe it is found



This alert should now be considered as a serious trading opportunity. Remember, the bigger the timeframe the signal has appeared in the likelihood of a bigger move can be expected.

When alert is triggered go to the chart the confirmation signal has appeared in

Rule 3

Look for the confirmation

Remember for a signal to be confirmed you need to check the following:

Closed around its Top above the Close price of previous bar on safe (Average or High) volume (long trades)

Closed around its Bottom below the Close price of previous bar on safe (Average or High) volume (short trades)

Rule 4.

LOW or VERY LOW VOLUME BARS

Pay particular attention in 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 quickly so be aware of low volume bars as the market moves in your favour.

Bearish volume is increasing but not massive volume on down moves and low volume on temporary up moves.

Bullish volume is increasing but not massive volume on up moves and low volume on temporary down moves.

Rule 5.

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.

Neither does the strategy focus on take profit or risk-reward ratios as these decisions are for individual traders bearing in mind trading plans, account sizes and attitude to risk.

Rule 6

MANAGING THE TRADE

For long trades

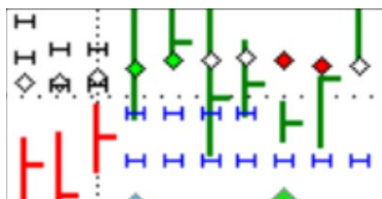
On the first spike of high volume move the stop to the bottom of the price bar, repeat until you get stopped out.

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.

The software has two important tools to assist you in the placement of stops.

The first tool is called the H Stops and are switched off in the default settings when you install the software. To set them to show on your charts, follow instructions at www.youtube.com/tradeguider and watch the video in the Techbytes area of the channel.

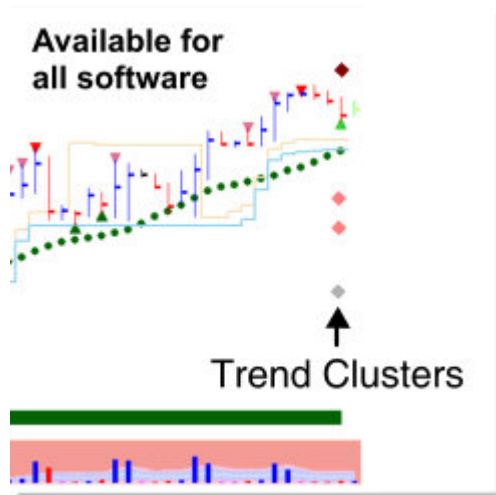


The H Stop system follows price up or down depending on whether you are long or short. There are 2 levels on each bar – either above the bar for short trades or below for long trades. If the stops straddle the bar then the chart is in congestion.

The Stops further from the bar is more conservative and has less risk than the H-Stop nearest the bar. The H-Stop system is very effective when used on a 5 minute chart.

PLEASE NOTE: THE H-STOP TOOL CAN ONLY BE USED IF ITS LINES ARE ABOVE (FOR THE LONG) OR BELOW (IF THIS IS BELOW) THE ORDER OPEN PRICE. H_STOPS CAN NOT BE USED TO SET UP INITIAL STOP.

The second tool which utilises previous support and resistance is called Trend Clusters, which are significant points of Support/Resistance



When these appear the software has picked up intersecting trend lines and channels either above the price action, showing resistance to higher prices, below price action, which shows support below price action, or straddling above and below price action which often indicates congestion as price bounces of both the upper and lower trend clusters. On the right edge of the chart you will see a maximum of 10 Clusters on with up to 3 different severity levels

For more detailed information about Trend Clusters please visit
[Http://www.tradeguides.com/trendclusters.asp](http://www.tradeguides.com/trendclusters.asp)

APPENDIX 1 – The 2 step semi-automated trading system explained

The Trading Process

SMART Center performs all necessary checks in the background and informs the User by audio as well as by visual alert (if not configured otherwise) when:

1. A major VSA principle appears signalling a potential top or bottom of the market
2. Confirmation VSA Principle is found (TESTS in an UP Trend or NO DEMANDS in a Down Trend)

APPENDIX 2 – Key source of information

General background of Wyckoff Volume Spread analysis:

<http://www.volumespreadanalysis.com>

General background on Market Manipulation

<http://www.marketmanipulation.com>

Information on Money Management

<https://www.amazon.co.uk/Against-Gods-Remarkable-Story-Risk/dp/0471295639>

Appendix 3 – My Money Management regime

Money Management

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.

Here are my money management guidelines:

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

Signs of Weakness giving short opportunities – 9 VSA Principles 19 VSA Set Ups

VSA Signal number -1 Potential Buying Climax
VSA Signal number -5 End of a Rising Market
VSA Signal number -14 End of a Rising Market
VSA Signal number -21 End of a Rising Market
VSA Signal number -22 End of a Rising Market
VSA Signal number -23 End of a Rising Market
VSA Signal number -24 End of a Rising Market
VSA Signal number -30 End of a Rising Market
VSA Signal number -54 Supply Swamping Demand
VSA Signal number -58 Trap Upmove
VSA Signal number -71 End of a Rising Market
VSA Signal number -90 Possible Hidden Selling
VSA Signal number -96 Upthrust After Weakness
VSA Signal number -97 Reversal after Effort to Rise
VSA Signal number -121 Weakness Has Appeared
VSA Signal number -129 Upthrust after Supply
VSA Signal number -142 Weakness Has Appeared
VSA Signal number -148 Weakness Has Appeared
VSA Signal number -159 Supply Overcoming Demand

Signs of Strength giving long opportunities 5 VSA Principles 9 VSA Set Ups

VSA Signal number 36 Bag Holding
VSA Signal number 52 Climactic Action
VSA Signal number 53 Climactic Action
VSA Signal number 74 Climactic Action
VSA Signal number 83 Potential Selling Climax
VSA Signal number 102 Potential Climactic Action
VSA Signal number 122 Potential Professional Buying
VSA Signal number 137 Potential Climactic Action
VSA Signal number 147 Demand Overcoming Suppl