

SHARP SHOOTER

Wyckoff / Volume Spread Analysis

In-Trend Trading Strategy



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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 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 scalping strategy that has been developed by our team was based on feedback from customers, many of whom traded in smaller timeframes and like me, observed that accumulation and distribution has to begin in the smaller timeframes first and would then be obvious in the bigger timeframes, but waiting for the big timeframes to align with the smaller timeframes often meant a large part of the move in the market was underway before the trend alignment system triggered a trade. Whilst this could be changed in SMART Center Pro to use smaller timeframes, we realised that a specific strategy that was tested for specific markets with written rules and less requirement to learn all the VSA signals may prove to be a winner, and so the strategy below was developed.

Gavin Holmes CEO TradeGuider Gibraltar Ltd

BEFORE YOU BEGIN TRADING

To use the Wyckoff VSA strategy outlined below, you must have completed the following steps:

1. You have successfully installed the software and it is working properly
2. You have finished the *ABCs of VSA* Core Course

Though not required, we highly recommend

3. You have read *Master the Markets* by Tom Williams and/or *Trading in the Shadow of the Smart Money* by Gavin Holmes.

Rule 1: PRACTICE THE STRATEGY IN DEMO MODE FIRST

Do not trade a live account until you have made many trades on a trading simulator, recorded the results and taken screenshots of each trade with risk amount, profit target and actual results achieved. This is to ensure you are comfortable with the strategy and have fine-tuned it to your personal risk tolerance and style.

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. It really does pay to be patient. The trend often starts days after a big announcement such as the Bank of England or Federal Reserve 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 recommends you use a reliable economic calendar / news feed.

For example:

www.forexfactory.com/calendar.php#closed www.financialjuice.com/
www.bloomberg.com/markets/economic-calendar

Rule 3: SCAN CONFIRM TRADE

The Sharpshooter trade strategy is considered an in-Trend strategy for any market and any timeframe. In-trend means the alerts are following the VSA principles for trading in harmony with the Smart Money.

The following timeframes were tested in the following markets for scalp/intraday trading:

<u>FOREX</u>	<u>Futures</u>	<u>Intraday Stocks</u>
60 minute chart	30 minute chart	240 minute chart
30 minute chart	15 minute chart	60 minute chart
15 minute chart	9 minute chart	30 minute chart
5 minute chart	7 minute chart	15 minute chart
1 minute chart	5 minute chart	5 minute chart
	3 minute chart	3 minute chart

The following timeframes were tested in both the FOREX and Futures markets for super scalp trading:

5 minute chart
4 minute chart
3 minute chart
2 minute chart
1 minute chart

Although these were tested by the TradeGuider team, please feel free to create timeframes that fit your trading style.

SCAN

The Smart Center trading system follows a continuous, automated three- step scanning process at the end of which produces an audible alert if all requirements have been met.

First, when 60% of the timeframes you've chosen (from largest to smallest) are moving in the same direction or are in trend alignment, the system will mark the green box for alignment to the upside or mark the red box for alignment to the down side. There is an option to have an audible alert for trend alignment. If selected, the audible alert will say "Trend alignment to the upside has been found" or "Trend alignment to the downside has been found."

Indicator	Alignment	M-3	M-240	M-60	M-30	M-15	M-5	M-1	Alert
YMU0	<input type="checkbox"/>	Green	Green	Grey	Grey	Grey	Green	Green	<input type="checkbox"/>
<u>NQU0</u>	<input checked="" type="checkbox"/>	Green	Green	Grey	Green	Green	Green	Green	<input type="checkbox"/>
<u>GCZ0</u>	<input checked="" type="checkbox"/>	Green	Green	Green	Green	Green	Green	Green	<input type="checkbox"/>
ESU0	<input type="checkbox"/>	Green	Green	Red	Grey	Grey	Green	Green	<input type="checkbox"/>
6SU0	<input type="checkbox"/>	Green	Green	Red	Red	Grey	Red	Red	<input type="checkbox"/>
<u>6NU0</u>	<input checked="" type="checkbox"/>	Green	Green	Grey	Green	Green	Green	Green	<input type="checkbox"/>
6EU0	<input type="checkbox"/>	Green	Green	Red	Red	Green	Grey	Red	<input type="checkbox"/>
<u>6BU0</u>	<input checked="" type="checkbox"/>	White	Green	Green	Green	Green	Grey	Red	<input type="checkbox"/>
6AU0	<input type="checkbox"/>	Green	Green	Grey	Grey	Green	Green	Grey	<input type="checkbox"/>

Second, the system will be looking for the trigger bars. A trigger bar is a climactic action bar, meaning it has unusually high volume and most often changes the direction of the trend. The entire range of the trigger bar is important, because price in relation to this trigger bar will determine the probability of your trading success. Above the trigger bar, you will be alerted for signs of strength to go long. Below the trigger bar, you will be alerted for signs of weakness to go short. The scanner will also check for trigger bars in higher timeframes for trading in harmony with the higher timeframes. The following are VSA Indicators that are scanned and identified as Trigger Bars.

Signs of Weakness Trigger Bars

Potential Buying Climax, End of a Rising Market, Supply Swamping Demand, Potential Climactic Action, Possible Hidden Selling, Reversal after Effort to Rise

Signs of Strength Trigger Bars

Bag Holding, Climactic Action/Shakeout, Potential Climactic Action/Shakeout, Potential Selling Climax, Potential Climactic Action, Potential Professional Buying

Above and below them are areas for potential trade set ups. It is highly encouraged you draw a horizontal line across the top and bottom of these bars to help you visualize the potential trade set up, as the software does not draw these lines for you.

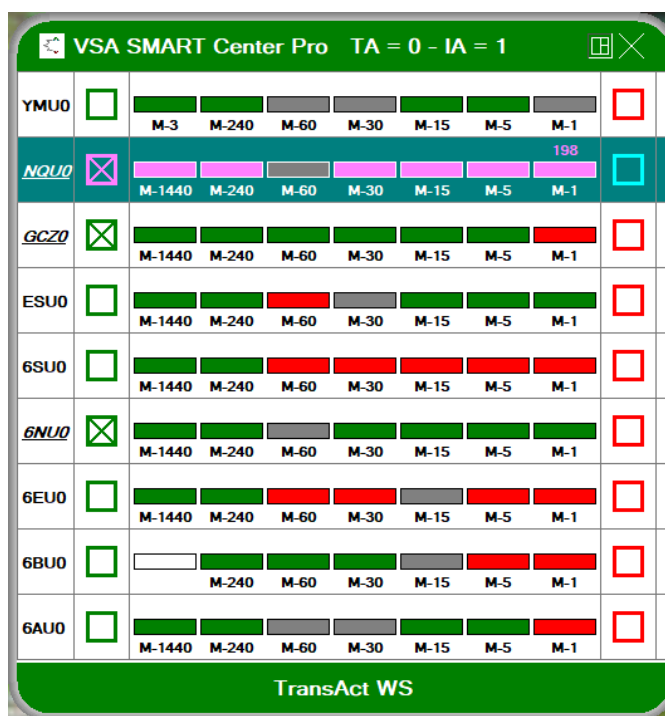
See the example below on the NQ 5M Futures chart. The Trigger Bar is highlighted in yellow and a line has been drawn on the top and bottom of the bar. The system will be looking for a test or no supply above this bar.



Third, the system will alert you when a confirming signal *in harmony with the trend* arrives. In an uptrend, an alert will be triggered for any kind of test closing above the trigger bar. In a downtrend, an alert will be triggered by a no demand closing below the trigger bar.

The alert is audible and will say “sign of strength has arrived” or “sign of weakness has arrived.” The indicator number will appear above the corresponding timeframe and the entire row will flash. In other words, if you are in front of your computer you will not miss an alert.

In this example, an alert came in for a SOS 198 on the 1M chart of the NQ



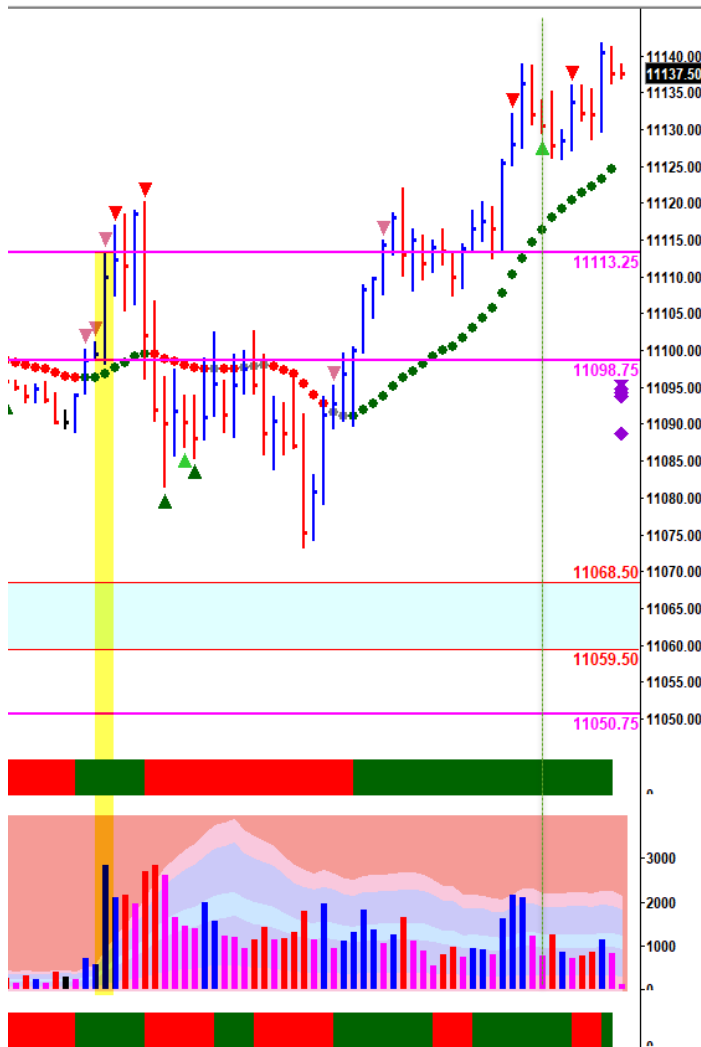
Please note: the reason these alerts are not emailed to you is because they are trade set ups for the near future and if emailed, you are more likely to have missed the move.

CONFIRM

Once the scanner has alerted you to a potential trade set up, go to the chart for the timeframe where the VSA Principle has appeared. Now you must wait for confirmation of that indicator. This means a second bar must populate before the indicator can be confirmed.

With tests, the next bar needs to be an up bar closing near the highs on safe volume. With a no demand, the next bar must be a down bar closing near the lows on safe volume. Safe volume is average or high volume. If confirmed, the indicator will turn dark green on tests and turn dark red on no demands.

Please note: a level bar or black colored bar, may be considered confirmed in that the color of the indicator triangle will turn dark green or dark red, but you should wait for an additional bar to be truly confirmed.



In this example, the Trigger Bar has been highlighted in yellow and the top and bottom of the bar have been marked with horizontal lines. The alert that came in for a SOS 198 or No Supply is marked with the vertical green line. In this case, the indicator did not confirm, as the next bar closed down. The triangle remained light green.

Why *safe* volume? The reason we stress safe volume is because if the next bar after a test or no demand were to be ultra high volume that would indicate likely professional activity to the opposite direction, and low volume would indicate lack of professional interest in that direction.

TRADE

If the alert has been confirmed, you are in a high probability trade set up because you have trend alignment across 60% of your higher timeframes, an unusually high volume VSA indicator has appeared on the charts and you have a test or no demand in the right place. For a trade entry, the following conditions should be met:

Criteria for going long:

- The test closes above the trigger bar on low volume
- The next bar closes up near the highs on safe volume
- The short term trend is green
- Lower timeframes are green

Be patient. A test or no supply is a pull back, a down bar which pauses the market. It is designed to check for any supply in the market before an up move can resume. Often at the time of the test bar, the volume thermometer will show red. If the next bar closes up near the highs and then the market moves above any old top or weakness to the left on increasing volume, the volume thermometer should turn green.

Placing your entry above the test, above the old top or weakness will give you a high probability of a successful long trade.

Be careful if there are trend clusters appearing closely above the price as that shows resistance to higher prices and the market is unlikely to move upwards without considerable volume.

Criteria for going short:

- The no demand closes below the trigger bar on low volume
- The next bar closes down near the lows on safe volume
- The short term trend is red
- Lower timeframes are red

Be patient. A no demand is a pull up, an up bar which pauses the market. It is designed to check for any supply in the market before a down move can resume. Often at the time of the no demand, the volume thermometer will show green. If the next bar closes down near the lows and then the market moves below any strength to the left on increasing volume, the volume thermometer should turn red.

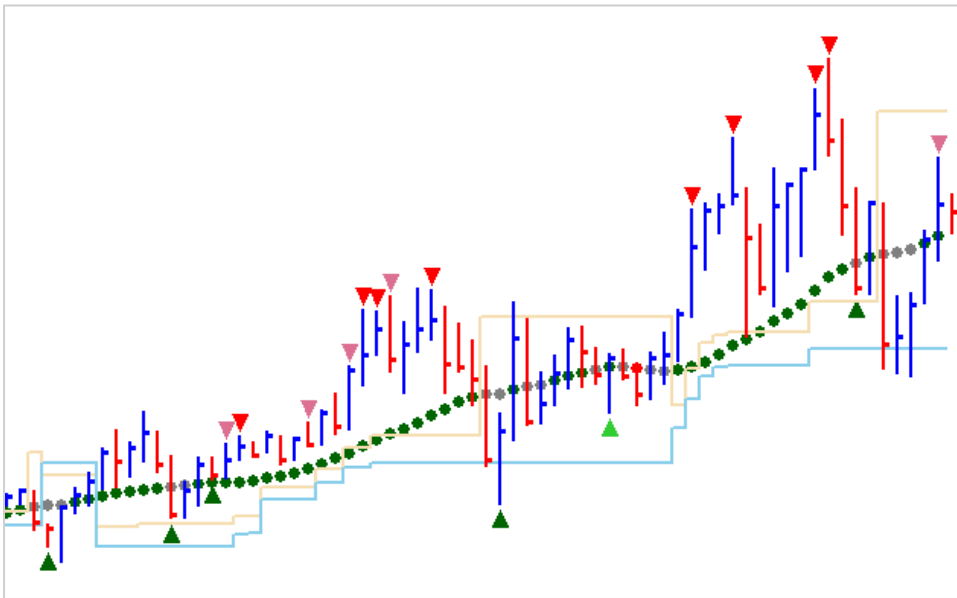
Placing your entry below the no demand, below any strength will give you a high probability of a successful short trade.

Be careful if there are trend clusters appearing closely below the price as that shows support for higher prices and the market is unlikely to move downwards without considerable volume.

MANAGING THE TRADE

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

Short trades: On the first spike of low volume, move the stop to the top of that price bar, repeat until you get stopped out.



The H stop system follows price up or down depending on the trend. If they are above and below the price bars, the chart is in congestion. The stops further from the bar are less conservative, near to the bar are more conservative. These are turned off by default but can be turned on and adjusted in your settings.

See the knowledgebase under Support for more information.

RISK VS REWARD

Every time you enter a trade, you must consider how much you're willing to risk if the trade moves against you and how much you stand to gain if the trade moves in your favor. A good way to understand your risk vs your reward is to consider support and resistance areas.

Support/Resistance areas can be defined in three ways: market tops and bottoms, trigger bars, and trend clusters.

Market tops and bottoms show where price has reversed itself, often several times in the same areas. Trigger bars marked by horizontal lines not only help you place trades above and below them but also help you see where the price has revisited these levels in the past. Trend clusters appear at the far right of the screen during the live price action to show current areas of support or resistance in three colors of severity – purple being very strong, orange being strong, and gray being normal.

In most cases, it will take a lot of volume to break through levels of support and resistance. If you see narrow spreads on low volume, price cannot sustain that momentum and will at the very least pause the direction of the market.

When you place your trade, make the assumption that price will move to the next area of support or resistance – the next market top or bottom or the next trigger bar. Then use that as your reward or initial profit target. Your risk should never be more in distance than your reward. A 1:2 Risk:Reward ratio is ideal but no lower than 1:1; otherwise, in all probability your trading account will be at a loss.