

A background image of a candlestick chart with red and blue bars and green and red triangles. A red dotted line with a downward curve is overlaid on the chart.

TrendSetter Trading Strategy

A complete rules-based trading strategy
for trading any market using
Wyckoff Volume Spread Analysis

A nighttime aerial view of a city skyline with numerous illuminated skyscrapers and buildings.

The TrendSetter Strategy

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 100 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:

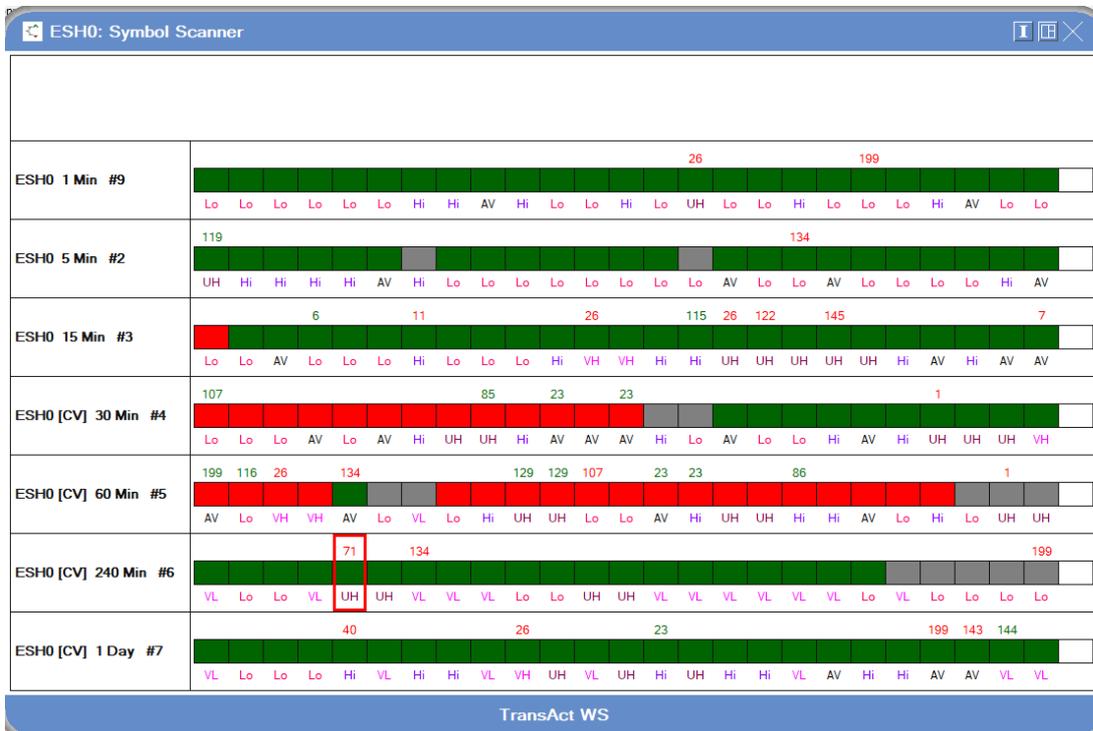
www.forexfactory.com/calendar.php#closed

www.financialjuice.com/

www.bloomberg.com/markets/economic-calendar

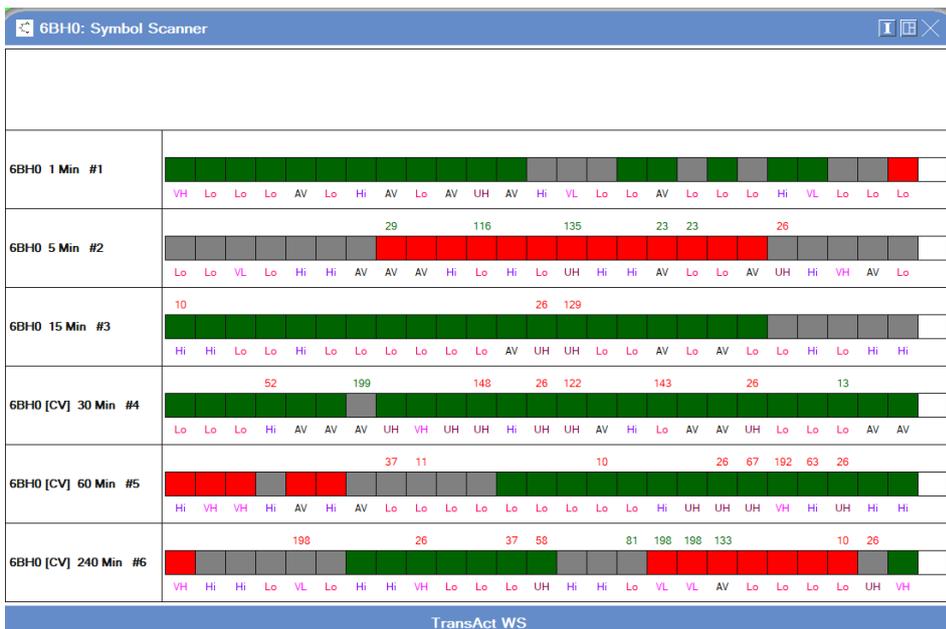
Example of an UpTrend

In this example, you are in a trend alignment to the upside in 5 of 7 timeframes. There is a higher probability potential for trade set ups with this strong downtrend in place.



Example of Congestion

Here you can see that the timeframes are a mix of red, gray, and green. There is no clear trend in place and therefore no potential trade set up.



3.3: Wait for the VSA indicator to confirm, which typically requires the next bar to populate. The software shows confirmed indicators in dark red for signs of weakness and in dark green for signs of strength. You can also hover over the indicator in the symbol scanner and it will show if it is confirmed or unconfirmed.

In larger timeframes, such as the hourly chart, instead of waiting an additional hour for confirmation, look at lower timeframes for trend alignment and similar trade set ups to be confirmed.

Rule 4: CONSULT THE CHECK LIST FOR TRADE ENTRY

4.1: Consult the Check List for Going Short (Appendix 1)

When you receive a Sign of Weakness email notification, you will consult the chart to see where in the Distribution Phase you are.

There are 3 stages of the distribution phase

Stage 1 – Pre Rollover

Stage 2 – Top of the Market

Stage 3 - Rollover

Stage 1 – Pre Rollover

You may be at the beginning of the Distribution Phase, and be notified of a Climactic Action bar to wait for a trade set up.

In which case only the first few checklist items will be met:

- Are you into fresh high ground when distribution starts?
- Is there a trading range to the left? (old market tops)
- Is there a lot of GOOD NEWS about this particular market, or is there a news event that triggered this activity?

In this example, the Climactic Action bar or bar 1 populates with a trading range to the left.



You must wait.

Why? Because the start of the Distribution Phase takes place in an *uptrend* and you're looking to go *short*. You want to trade in harmony with the Smart Money. So this is a potential trade set up but is not yet ready to execute. In other words, this SOW is an early indication of a potentially weak market.

Stage 2 – Top of the Market

You may be notified of a reversal or top of the market signal to wait for the market to roll over or mushroom over.

In which case only a few more checklist items will be met:

- Are you approaching a new high and it's falling off on lower volume?
- Have you seen a rollover and is the market in early stages of downtrend or is it still in an uptrend?

In this example, you are way above any trading range to the left. No Demands appear as the prices rise but the volume is falling.



You must wait.

Why? Because the market has not yet turned over. It may just be pausing before it continues an up move. You want a confirmed Sign of Weakness and for it to turn over. If in a higher timeframe, look for the rollover in smaller timeframes and confirmed signs of weakness. Rising prices on falling volume on narrow spreads are signs of a weak market. **Just wait for it to turn.**

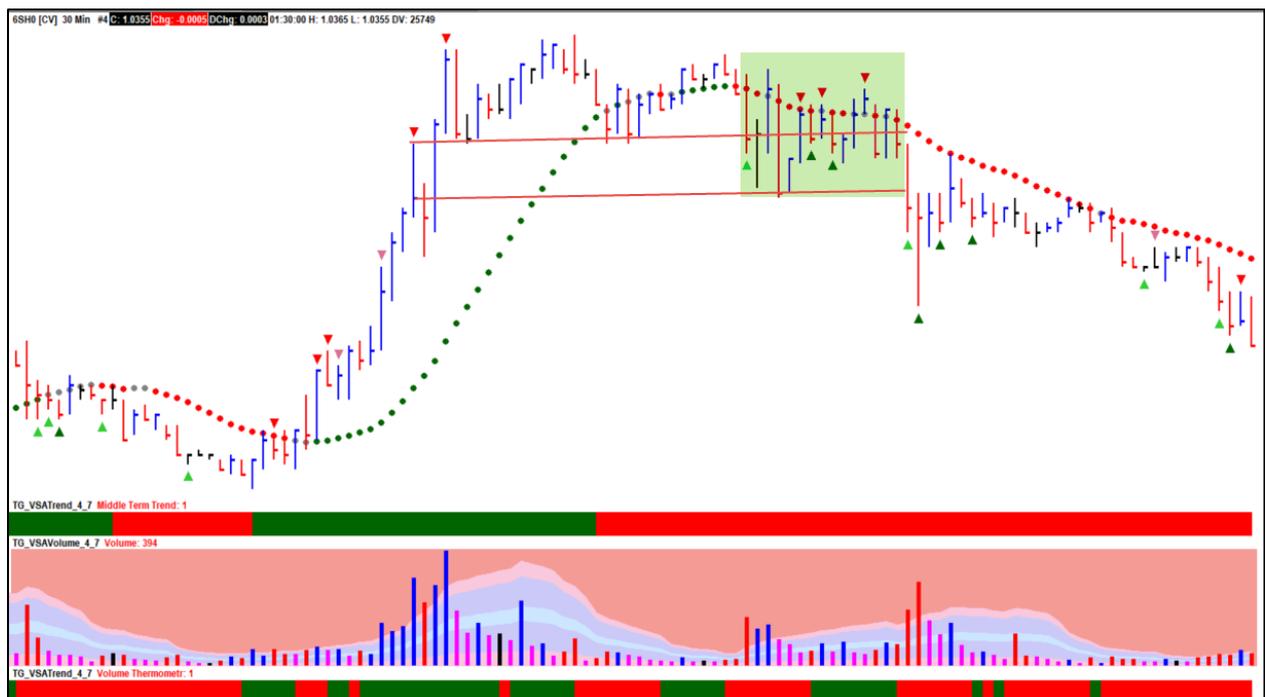
Stage 3 - Rollover

You also could be notified of a confirming signal after the market has rolled over and it goes back up for testing before falling.

In which case, the rest of the checklist items have been met:

- Is the market falling with no professional support? (You can clearly see no professional support when you have widespread down bars closing on or near the lows on average to high volume, with the next bar closing lower. If you see very high volume narrow spread bars closing in the middle or high, this would indicate professional support coming in if the next bar closes higher).
- Are you in a downtrend? In other words, 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)
- Is the market in trend alignment to the downside? (consider the rule of 3: 3 or more red dots in 3 or more timeframes; can allow for less dots in larger timeframes)
- Is there a similar trade set up in a smaller timeframe?
- Has this sign of weakness indicator closed below the Climactic Action bar to the left?

In this example, you have the market mushrooming over on narrow spreads, lower volume. Your medium term trend and your volume thermometer have gone red before your short term trend has. The signs of weakness you see here are below the market top, below the mushrooming over and come back down into the area of Climactic Action to the left. Trade entry options: 1) shorting after the confirmed SOW on or below the top red line, which is the bottom of the UHV up bar. Such trade is riskier because the market has not yet turned over but the size of the stop loss is much less. 2) shorting after the confirmed SOW on or below the bottom red line. This has cleared the furthest climactic action bar to the left. Potentially a stop loss would be placed at the top of the Climactic Action bar at the market top on both cases.



You may meet these additional checklist items, though they are not required:

- Has the medium term trend turned red?
- Has the volume thermometer turned red?
- Are there trend clusters appearing above the price action?
- Are there any unconfirmed or failed signs of strength?

A high probability short trade is when you have a confirmed Sign of Weakness, you are in a downtrend in that timeframe and in at least two other timeframes, and you have met the checklist criteria for going short.

4.2: Consult the Checklist for Going Short (Appendix 2)

When you receive a Sign of Weakness email notification, you will consult the chart to see where in the Accumulation Phase you are.

There are 3 stages of the Accumulation Phase

- Stage 1 – Pre Rollover
- Stage 2 – Bottom of the Market
- Stage 3 - Rollover

Stage 1 – Pre Rollover

You may be at the beginning of the Accumulation Phase, and be notified of a Climactic Action bar to wait for a trade set up. In which case only the first few checklist items will be met:

- Are you into fresh low ground when accumulation starts?
- Is there a trading range to the left?
- Is there a lot of BAD NEWS about this particular market, or is there a news event that triggered this activity?

In this example, the Climactic Action bar or Bar 1 populates with a trading range to the left. Two bars later it is tested again, within the body of that weak bar to the left and the market begins to turn red in both the short and medium term trends as well as the volume thermometer.



You must wait.

Why? Because the start of the Accumulation Phase takes place in a *downtrend* and you're looking to *go long*. You want to trade in harmony with the Smart Money. This is a potential trade set up but is not yet ready to execute. In other words, this SOS is an early indication of a potentially strong market.

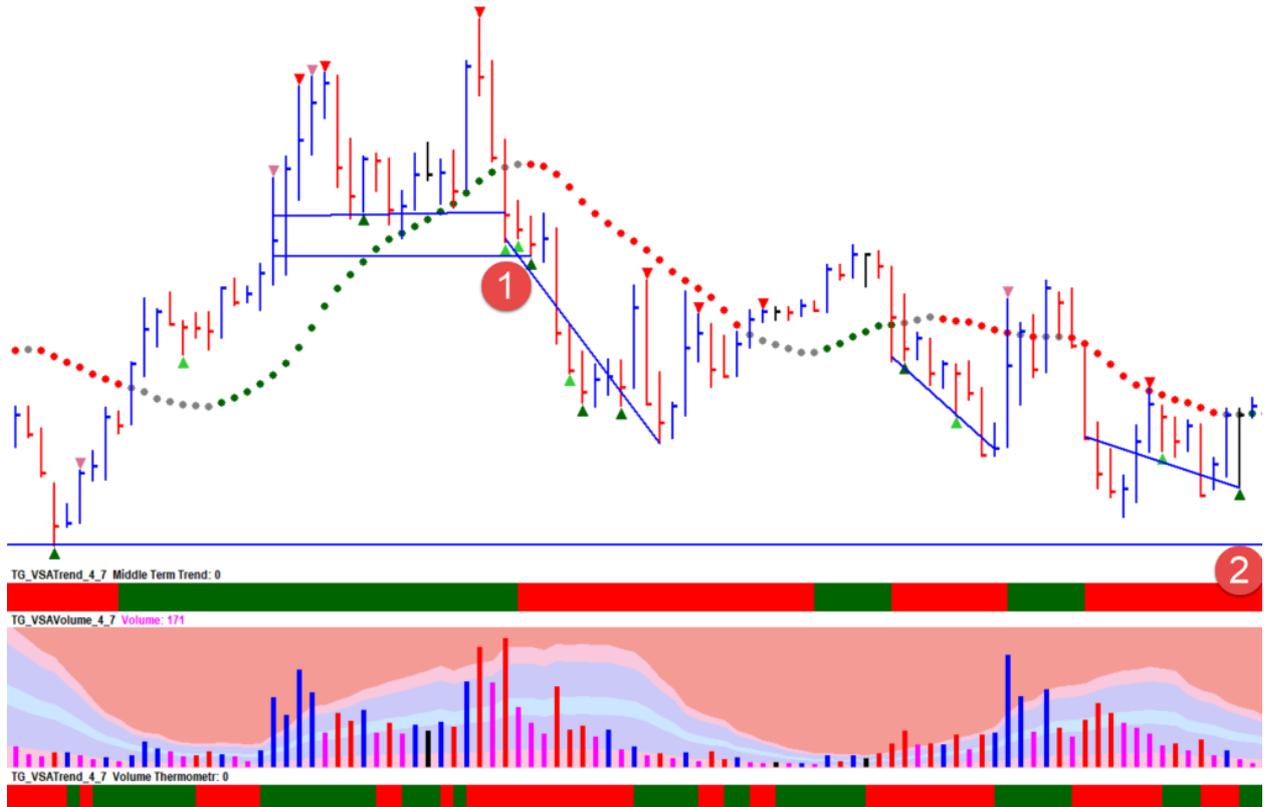
Stage 2 – Bottom of the Market

You may be notified of a reversal or bottom of the market signal to wait for the market to roll over or form a saucer shape.

In which case only a few more checklist items will be met:

- Is the market in early stages of an uptrend or still in a downtrend?
- Has the market turned over yet?

In this example, a period of re-accumulation has occurred three times between Bar 1 and Bar 2 when the email notification is triggered. Note the market bottom to the far left of the screen, drawn as a horizontal line.



You must wait.

Why? Because it has not yet turned over. It may just pause before continuing a down move, which is what happened after the first down move. As the market tries to go back up, the volume has severely decreased, showing lack of professional support for higher prices. You want a confirmed Sign of Strength, a change in volume, and for it to turn over.

Stage 3 - Rollover

You also could be notified of a confirming signal after the market has rolled over and it goes back down for testing before rising.

In which case, the rest of the checklist items have been met:

- Is the market rising with no professional support? (Is the market rising on an increase in volume on the up bars and decrease in volume on the pullback or down bars? If so this defines a strong market. You do not want to see UHV on the up bars especially on narrow spreads).
- 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)
- Is the market in trend alignment to the upside? (consider the rule of 3: 3 or more green dots in 3 or more timeframes; can allow for less dots in larger timeframes)
- Do I see a similar trade set up in a smaller timeframe?
- Has this sign of strength indicator closed and confirmed above the Climactic Action bar to the left?

In this example, Bar 3 is a confirmed test in an uptrend. Following the dotted green line from the close of Bar 3 backwards, notice it hits the top of the third accumulation phase, is tested and retested in this area and is back into the far left blue bar that started a market rally. First trade entry after this test would be to enter two or three ticks above the blue bar to the left of Bar 3, so entering at that failed SOW. Second trade entry would be to enter on the next down bar, getting brought in 4-5 bars later. A third trade entry would be to wait until price moves up through the green band, when accumulation first began, wait for another confirmed sign of strength and go long.



You may meet these additional checklist items, though they are not required:

- Has the medium term trend turned green?
- Has the volume thermometer turned green?
- Are there trend clusters appearing below the price action?
- Do I have any unconfirmed or failed signs of weakness?

A high probability short trade is when you have a confirmed Sign of Weakness, you are in an downtrend in that timeframe and in at least two other timeframes, and you have met the checklist criteria for going short.

Appendix 1 - Checklist for Going Short:

Stage 1 – Pre Rollover

- Are you into fresh high ground when distribution starts?
- Is there a trading range to the left?
- Is there a lot of GOOD NEWS about this particular market, or is there a news event that triggered this activity?

Stage 2 – Top of the Market

- Are you approaching a new high and is the volume decreasing? Are the spreads narrowing?
- Have you seen a rollover and is the market in early stages of a downtrend or is it still in an uptrend?

Stage 3 – Rollover

- Is the market falling with no professional support? (you can clearly see no professional support when you have widespread down bars closing on or near the lows on average to high volume, with the next bar closing lower. if you see very high volume narrow spread bars closing in the middle or high, this would indicate professional support coming in if the next bar closes higher).
- 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)
- Is the market in trend alignment to the downside? (consider the rule of 3: 3 or more red dots in 3 or more timeframes; can allow for less dots in larger timeframes)
- Do I see a similar trade set up in a smaller timeframe?
- Has this sign of weakness indicator closed at or below the Climactic Action bar to the left?

Though not required, these criteria can help increase the probability of success

- Has the medium term trend turned red?
- Has the volume thermometer turned red?
- Are there trend clusters appearing above the price action?
- Do I have any unconfirmed or failed signs of strength?

If satisfied, take the trade and enter below the confirmed SOW based on your risk tolerance and trading style.

Appendix 2 - Checklist for Going Long:

Stage 1 – Pre Rollover

- Are you into fresh low ground when accumulation starts?
- Is there a trading range to the left?
- Is there a lot of BAD NEWS about this particular market, or is there a news event that triggered this activity?

Stage 2 – Bottom of the Market

- Is the market in early stages of an uptrend or still in a downtrend?
- Has the market turned over yet?

Stage 3 – Rollover

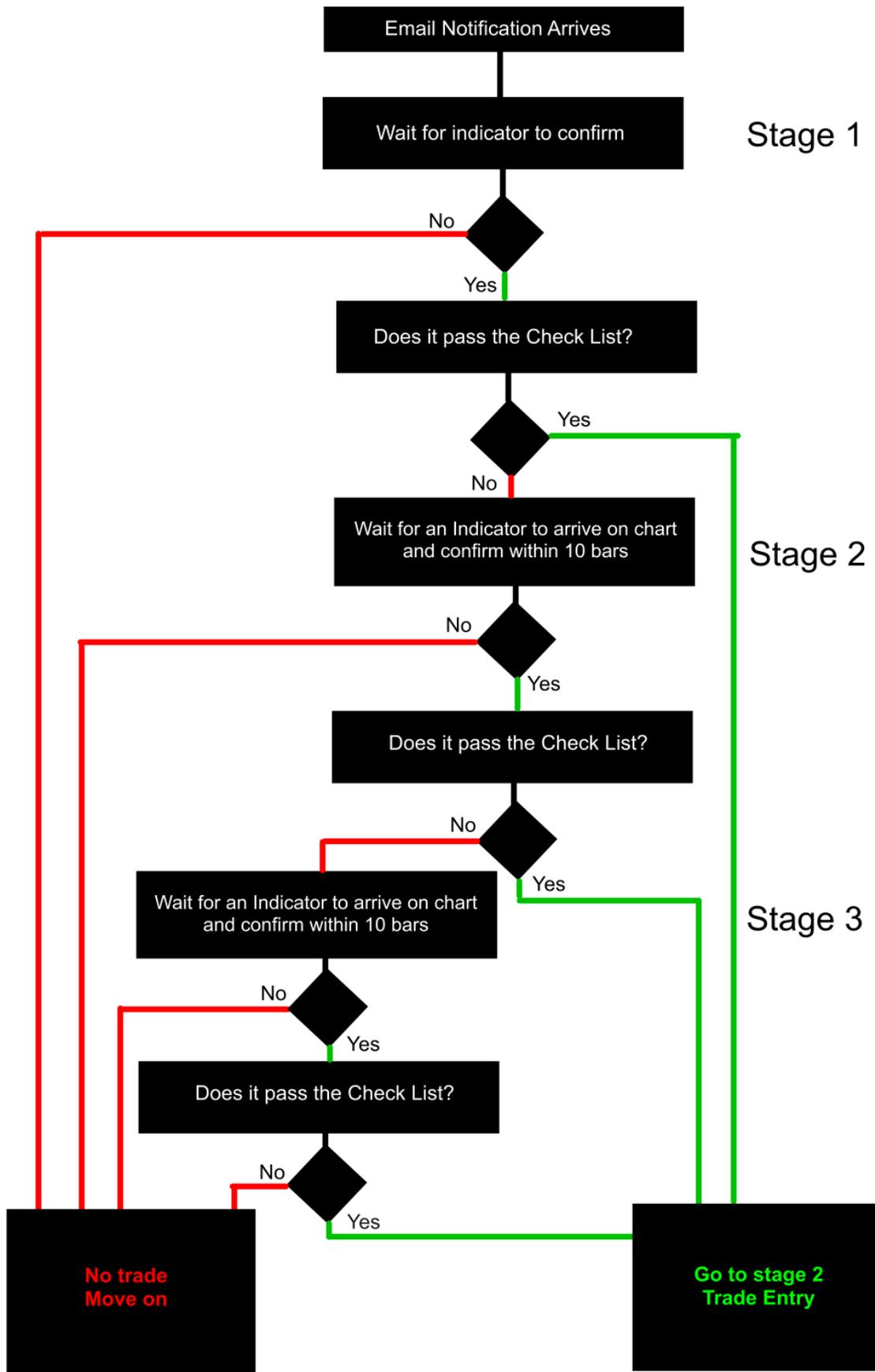
- Is the market rising with no professional support? (Is the market rising on an increase in volume on the up bars and decrease in volume on the pullback or down bars? If so this defines a strong market. You do not want to see UHV on the up bars especially on narrow spreads).
- Is the high of each bar higher than the previous bar? (you may allow 1 down bar for every 2 up bars for an uptrend)
- Is the market in trend alignment to the upside? (consider the rule of 3: 3 or more green dots in 3 or more timeframes; can allow for less dots in larger timeframes)
- Do I see a similar trade set up in a smaller timeframe?
- Has this sign of strength indicator closed above the Climactic Action bar to the left?

Though not required, these are helpful and can increase probability of success

- Has the medium term trend turned green?
- Has the volume thermometer turned green?
- Are there trend clusters appearing below the price action?
- Do I have any unconfirmed or failed signs of weakness?

If satisfied, take the trade and enter above the confirmed SOS based on your risk tolerance and trading style.

Appendix 3 – Distribution / Accumulation Schematic



Appendix 4 - Signals

The following dialogue boxes are considered **Confirming Signals**. This means they are the final indicator in a sequence email notification, and they also serve as a confirmation of the end of distribution or accumulation and confirm trade entries.

The key to these Confirming Signals is where they are on the chart. It is after the change in behavior and after the change in volume that they become the strongest or highest probability of a trade entry.

Before taking any trade, make sure you have met the checklist criteria and one of these confirming signals has turned dark green or dark red to prove successful.

Test

(a test of any kind by any name has the same dialogue box)

Bar Description: A test is a mark down during the bar (often on bad news) to challenge any weak holders to panic and sell. If they do not sell the price rebounds up towards the middle or high and volume is low (can be high in the futures market). This lack of selling gives the professionals confidence that they do not have to absorb large amounts of supply.

Add extra weight if the low of the bar is into fresh new low ground and also if it is a down bar. Tests on low volume in the cash market will cause the professionals to enter the futures market resulting in higher volumes there.

Background: The background is extremely important. Tests work best when there is strength in the background or following minor SOW in an uptrend. With weakness in the background this indicator carries less importance and at best may only cause the market to rest for a few bars as the professionals stand aside before resuming the down move.

Future: Following a test expect higher prices. Failure to do so is a sign that the market is not yet ready to go up. If volume was too high for a reliable test you need to decide whether the market makers are prepared to absorb that supply and take prices higher. If there is strength in the background and the test bar is back down into the area of buying a successful test is a strong indication of strength showing supply has disappeared. If you are in an uptrend and the test follows some minor signs of weakness you would anticipate the up move to continue. Supply appearing after an up move is often tested. If the supply is sufficient to stop the up move expect any subsequent test to fail which in itself is a sign of weakness. Give extra weight to a second test in a bullish phase if the second test has lower volume than the first.

Be cautious if the test is followed by low volume up bars, upthrusts or high volume up bars closing in the middle especially on a narrow spread.

Remember you need to look at the overall picture not just the individual bars.

No Demand

Bar Description: An up bar on a narrow spread closing in the middle with low volume or volume lower than the last two bars. It can be a down bar if the high is higher than the previous bar. This shows the professional money is not interested in higher prices at this time. If the price spread is greater than narrow this can still show weakness.

Background: Pay particular attention to the background. With strength in the background this indicator may only cause the market to rest for a few bars as the professionals stand aside before resuming the up move. If there has been a major shakeout in the near background or heavy buying the next bar can be a low volume up bar meaning prices are marked up with minimum resistance as there is little immediate supply. If there is weakness in the background this SOW becomes more important.

Future: The next bar should be down to confirm this indicator. With strength in the background expect testing or an up bar on increased volume to push through this SOW (effort). If there are other SOW in the background expect lower prices. The professionals have noticed this weakness and are not interested any longer in the up move. Further SOW such as upthrusts will confirm the weakness. If you are at or near an old top to the left it is highly unlikely that a market will go up through this old top on no demand. Be cautious if following no demand you see a down bar with a narrow spread with volume lower than the two previous bars. This shows lack of selling pressure. Also if you see down bars on high volume closing off the lows with the next bar up this shows potential strength. This would need to be tested.

Upthrust

Bar Description: The bar is marked up but falls off rapidly to close on or near its low normally with an average to wide price spread. The upthrust is a money making manoeuvre by the market makers to catch stops of those who are short and trap the unwary into buying. Prices are marked up at the open often on good news. High volume shows selling by the professionals while low volume shows their lack of interest in the upside. The bar resembles a telegraph pole.

Background: Be very careful here. True upthrusts appear when you have WEAKNESS in the background. This would be characterised by high volume up bars closing in the middle and no demand up bars. If there is strength in the background be very cautious. It is likely to be tested or may be a false upthrust.

Future: Following a true upthrust expect lower prices. Further SOW e.g. no demand adds to the weakness. Be wary of a test with SOW in the background as it may well fail. Be cautious if following the upthrust you see a down bar with a narrow spread with volume lower than the two previous bars. This shows lack of selling pressure. Also if you see down bars on high volume closing off the lows with the next bar up this shows potential strength. This would need to be tested.