SHARP SHOOTER

Wyckoff / Volume Spread Analysis

Scalping Strategy for FOREX

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The Wyckoff / VSA Sharp Shooter Scalping Strategy For FOREX

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 one 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 on 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 with 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 developed by our team was based on feedback from customers. They 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. 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 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.
The Trading Concept

This trading strategy is built around the Tradeguider core trading process: SCAN – CONFIRM – TRADE

The Concept

Scan

- To show visually clear trend alignment in multiple timeframes.
- To allow a trader 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.

Confirm

- To alert the trader when a major VSA principle has been found in any timeframe being monitored by the system.
- 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.
- Visual and audible alerts 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.

Trade

- Stop management techniques for managing the trade through to the close position.
The Time-frames

Timeframes being monitored and scanned by system.

- 60 minute chart
- 30 minute chart
- 15 minute chart
- 5 minute chart
- 1 minute chart

5 timeframes total in FOREX strategy.

Before going any further

Ensure you have one of the following trading platforms installed:
Infinity AT, MT4, NinjaTrader, Sierra Chart, Tradestation

Ensure you have the Wyckoff VSA Sharp Shooter trading software installed on the trading platform you have chosen.

Don’t have it installed yet?
Go to the Tradeguider website and log on to the Customer area using the login tab on the menu bar.

The Trading Process

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.
TRADING STEP 1

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

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.

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 of the up / down side has arrived”. This could take up to an hour to appear depending on markets conditions.

Whilst you are waiting you are free to do other things.
When you hear the trend alignment alert left click the flashing black box.

When you do, the box will disappear and a cross will appear either in the green box on the left or the red box on the right:

If the cross appears in the green box we are looking for a long trade to set up, on the red a short trade is expected.

Now you have received a trend alignment alert. You need to follow these rules:
Rule 3.

THE TREND IS YOUR FRIEND.

This strategy is optimised for trend alignment in small time frames rather than 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 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, so ensure that as many of the boxes as possible are the same color.

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 a particular time-frame bar.

Next, go to the chart the confirmation signal has appeared in (the example shown above a 1 minute chart has identified sign of weakness 26 in a down trend.)
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 (the example shown above a 5 minute chart has identified sign of strength 11 in an up trend.)
Rule 6.

ULTRA HIGH VOLUME BARS
Pay particular attention in your analysis to any ULTRA HIGH VOLUME bars. Start with a 30 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 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 and be a trigger for Sharp Shooter as it moves. This may sound contradictory to rule 6 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.

**TRADING STEP 6**

Exit the trade

**Examples explained on You Tube**

https://www.youtube.com/watch?v=lCiv4KELD1I&t=1141s
https://www.youtube.com/watch?v=dtwilGr78vw&t=66s
https://www.youtube.com/watch?v=FJw6f9RNMrl&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 Masters & 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 Phoenix. 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 is 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:

**IN A DOWN-TRENDING MARKET WITH WEAKNESS IN THE BACKGROUND**
- No demand in a downtrend
- Upt thrust in a downtrend
- Trap upmove at resistance followed by no demand
- Weakness has appeared in a downtrend
- Hidden upt thrust in a downtrend
- Supply coming in in a downtrend

**THE KEY SIGNS OF WEAKNESS THAT HAPPEN AT MARKET TOPS ARE:**
- Potential buying climax
- End of a rising market
- Hidden potential selling

**IN AN UP-TRENDING MARKET WITH STRENGTH IN THE BACKGROUND**
- No supply in an uptrend
- Stopping volume in an uptrend
- Shakeout at support followed by tests
- Strength has appeared in an uptrend
- Test in a rising market in an uptrend
- Test in an uptrend successful

**THE KEY SIGNS OF STRENGTH THAT HAPPEN AT MARKET BOTTOMS ARE:**
- Potential selling climax
- Bag holding
- Demand overcoming supply
- Shakeout