tradeguider

P R I S M Strategy

for trading & investing

For medium / longer term investment

For the Wyckoff Williams VSA Investing Club

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Before Going Any Further

1. Ensure you have one of the following intraday trading platforms installed with intraday data for stocks:
    a. NinjaTrader
    b. Sierra Chart
    c. Tradestation
2. Ensure you have the SMART Center or SMART Center Pro trading software installed on the trading platform you have chosen.

Don’t have it installed yet?

Once the purchase is made go to the Tradeguider website at https://www.tradeguider.com/index.asp and log in to the Customer area using the Login tab on the menu bar. The installation guide and software download is available there.

Set your package to scan in these time-frames

(Values given in the full version)

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

The Trading Process

The Prism strategy process consists of 2 stages:

- Stock selection
- Prism trading process

For each stage there are key rules and steps.

Overview of the VSA Sector Scanning Process
Once you have decided what markets to focus on, the next stage is to select the stocks you wish to monitor for trade setups.

There are 2 ways of doing this:

1. Use your own existing stock selection process.

2. Use a stocks selection process such as the Tradeguider Stock Scanning service which provides daily and weekly scans on stocks in many of the major indexes worldwide via 3 different scans. It scans over 40,000 stocks each day.

    a. The Index Scan looks for the 10 stocks out-performing the index and the 10 stocks most under-performing the index.
    b. The Sector Scan (US markets only) what looks for the top 10 over and under-performing stocks in a sector.
    c. The VSA Indicator scan what looks for Climactic Action indicators on all the scanned stocks.

    Go to https://www.tradeguider.com/stock_scanners.asp for more details

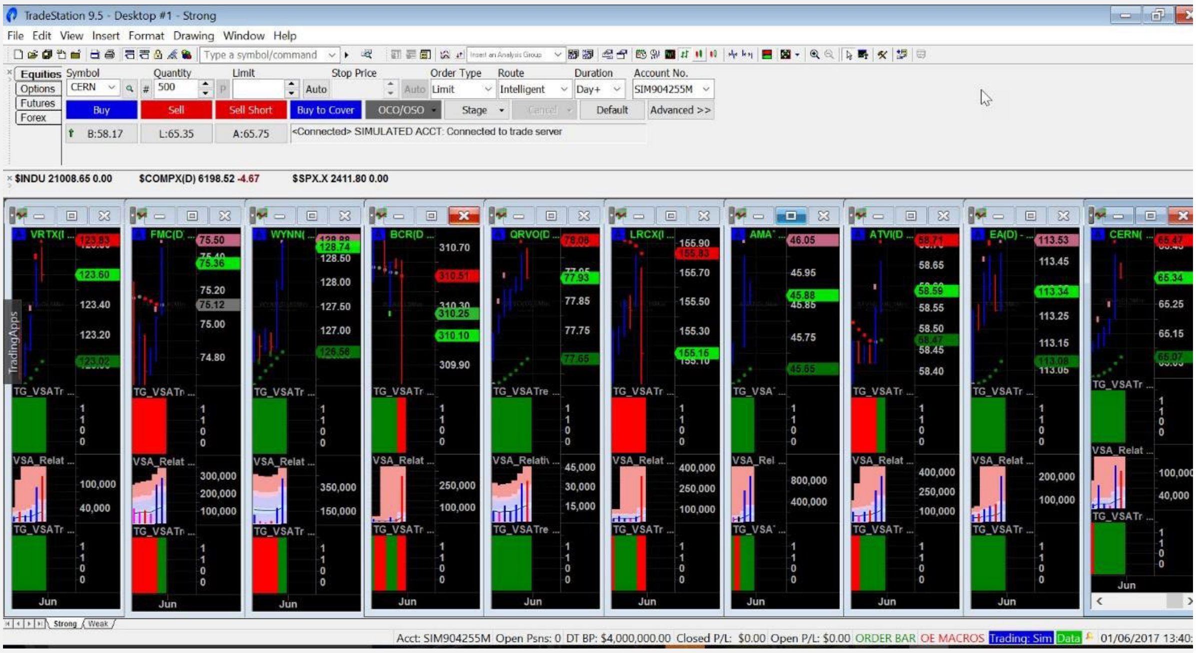
Once you have selected your stocks you can begin the Prism trading process

Rules and Steps for the Prism Trading Process

Rule 1: Live Accounts
Do not trade a live account until you have made 100 successful trades on a trading simulator, recorded the results and taken screenshots of each trade with risk amount, profit target and actual results achieved.

Step 1: Stock Selection

Input the stocks that you have selected into your chosen charting software supported by Prism (TradeStation, Sierra Chart, Ninjatrader).The example below shows TradeStation.



Rule 2: The Trend is Your Friend

This strategy is optimized 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

- Details in the full version

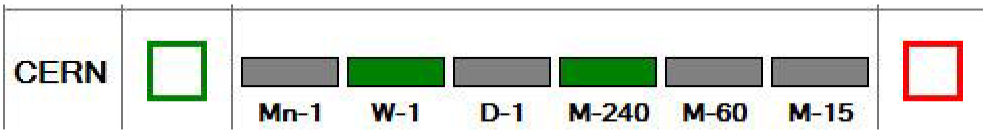
Signs of Strength

- Details in the full version

Rule 3: Dealing with Congestion

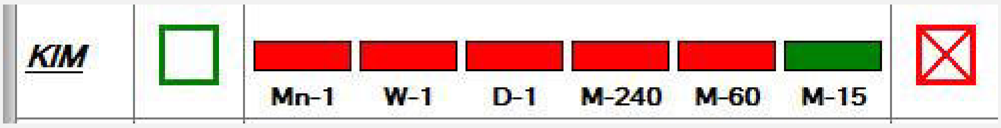
As a rule you should avoid trading in congested chart areas.

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



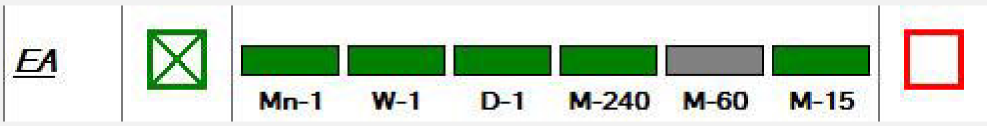
Step 3: Confirm

For a Short Trade
Wait for a VSA confirmation signal alert. You will get an audible message saying **Sign of 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 a serious trading opportunity.



The confirmation signal will be below the particular time frame bar. Go to the chart the confirmation signal has appeared in to confirm it is clearly down.

For a Long Trade
Wait for a VSA confirmation signal alert. You will get an audible message saying **Sign of Strength 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 a serious trading opportunity.



When you get a confirmation signal, follow these rules:

The confirmation signal will be above a particular time frame bar. Go to the chart the confirmation signal has appeared in to confirm it is clearly xxx.

Note the trend is clearly up.

Rule 4: The Bigger the Time Frame the Signal Appears in, the Bigger the Move is Likely To Be

For a Signs of Weakness signal to be confirmed the next bar needs to close below the close of the bar on which the signal has appeared.

For a Signs of Strength signal to be confirmed the next bar needs to close above the close of the bar on which the signal has appeared.

- If it is not confirmed the setup has not been triggered and you need to look for the next trade.
- If it is confirmed you can place your trade.

Rule 5: Ultra-High Volume Bars

Pay particular attention to your analysis to any **Ultra-High Volume bars**.

- Start with a 15-minute time frame and use 200 price bars. Visually identify the top, bottom and closing price on these bars and *when the price action reaches these same areas as you are trading now or in the future watch how the market reacts. Remember, ultra-high volume represents the activity of the smart money.* Ignore these past areas of price action at your peril (the very same advice Tom gave me when he was teaching me). Details in the full version

Rule 6: 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 Prism as it moves.

This may sound contradictory to the rule itself but it is the most important lesson I ***ever learned*** from Tom.

Volume is Activity

Volume is the activity of smart money. If you see massive volume at a certain price which is then followed by low volume in the future at the same price, it is a massive signal from the professional smart money players, at first that they are active and then that they are not. Low volume bars are a sign that the professionals aren't active. Wyckoff recognised it as vitally important, Williams recognised it as vitally important and Prism has been developed to find these key areas of professional activity / inactivity tand alert you to the opportunities available at these levels.

Step 4

Take the trade following all of the rules in this strategy.

Rule 7: 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.

Note: 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 topic exists called 'Against The Gods – The Remarkable Story of Risk' by Peter L Bernstein. This 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. It is 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 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. 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 8: Stop Losses

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 analyzing and the wide variation in attitudes to risk amongst the traders that use it.

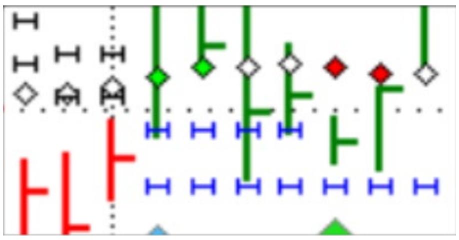
Rule 9: Managing the Trade

Suggested Stop Loss Management 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. Details in the full version

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. Details in the full version

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

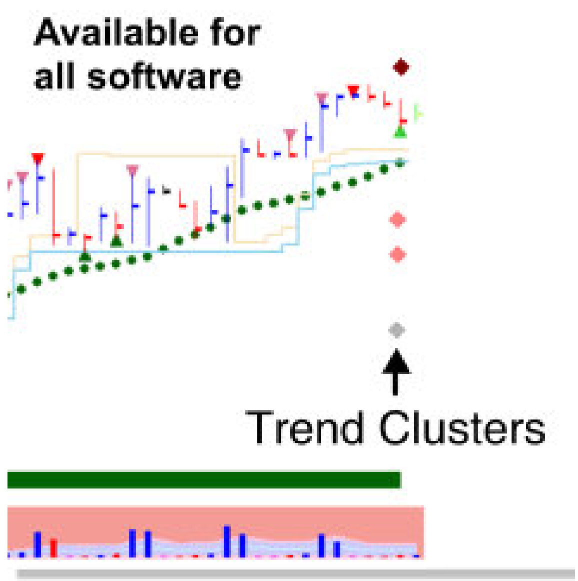
1. The first tool is called the H-Stops which are switched off in the default settings when you install the software.



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 stop furthest 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.

Note: The H-Stop tool can only be used if its lines are above (for the short) or below (for the long) the order open price. H-Stops cannot be used to set up the initial stop – employ your trade management skills for this – but can be used for subsequent stops.



2. The second tool which utilizes previous support and resistance is called Trend Clusters, which display the historic levels of support and resistance as indicators on the chart.

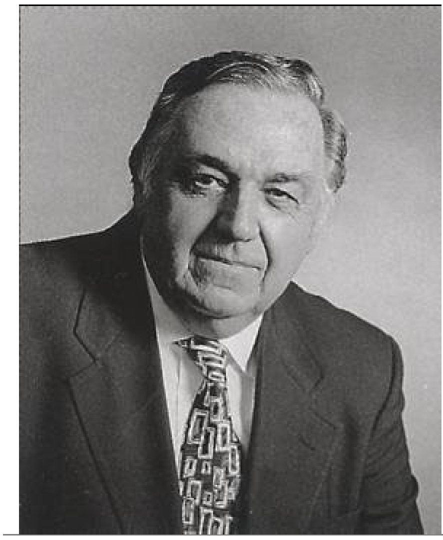
When these appear the software has picked up intersecting trend lines and channels either above the price action, showing resistance to higher prices, below price action, which shows support below price action, or straddling above and below price action which often indicates congestion as price bounces 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.

To set them to show on your charts, watch the *Trading Wyckoff VSA with SMART Trend Clusters Support and Resistance* video in the Technical Webinars playlist on the channel (https://www.youtube.com/watch?v=uDGKlSnZe3U).

Appendix 1 – VSA Explained

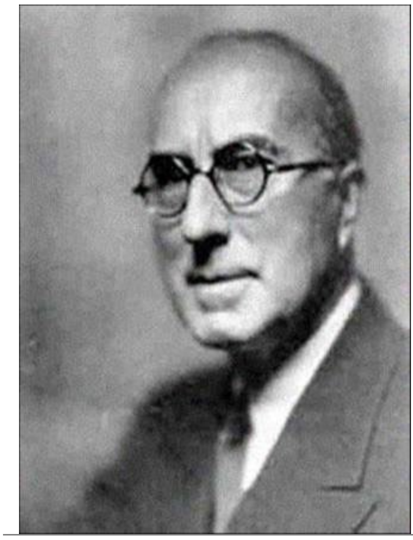
A - General Background to the Wyckoff Method and Volume Spread Analysis

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

Inventor: Wyckoff Methodology: Richard Demille Wyckoff (November 2nd, 1873 – March 19th, 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

B – The Connection between the Wyckoff and VSA underlying Methodology

We will be showing examples of how professional activity is clearly visible in all markets and in all time frames, if you know what you are looking for.

Volume Spread Analysis (VSA) is a proprietary market analysis method which was conceived by late Tom Williams (Chairman of TradeGuider Systems). VSA is used to analyze any liquid market by observing the inter-relationship 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 1920s and 30s. He wrote several books on the market, and eventually set up the Stock Market Institute in Pheonix. Richard D Wyckoff (born November 2, 1873, deceased 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 a substantial estate in the Hamptons – where his neighbours were the great business magnates of 19th and 20th America.

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: 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. Wyckoff's concept of the Composite Operator is a useful tool. Simply, Wyckoff felt that an experienced judge of the market should regard the whole story that appears on the ticker 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 its 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' and Stock Market Technique, No. 2 both by Richard D Wyckoff.

Tom came back from Beverley hills in the early 1980s and began to investigate if it was possible to computerize the system he had learnt as a syndicate trader., 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 compile 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 actually we can still use tick volume and because we are using relative volume – the volume on one bar compared to the next – we don't need to see the total volume. We know that typically 90% of all volume is smart money activity. When you compare a spot FOREX chart with the same currency futures chart, there is a strong correlation between the two.

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 is 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 smart money, composite operator or professional money are very active in all the financial markets. Smart money as we 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.

Khow to read the market will allow you to take the professionals' 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.

Further information is available at www.marketmanipulation.org.

Appendix 3 – My Money Management Regime

- Details in the full version

Appendix 4 – The Best Trades for this Strategy

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

Checklist for Longs

Details in the full version

Checklist for Shorts

Details in the full version