

The S&P Chronicles – Q&A

Recently many private emails have been received regarding the term “smart money” or “professional activity” in regards to how do I know this or that? To be honest I don’t, no-one knows exactly, it’s merely an interpretation of the markets.

Example: At resistance, react back to support that penetrates a couple of points before reversing back above support. Think of a spring.

The “professionals” view point: resting supply were noticed in large quantities under support (say 20,000 contracts) they mark price down, which may only take 3000 contracts (the process is irrelevant and I may discuss at length in the near future) it only takes 3000 contracts to initiate a move into an area where a potential 20000 contracts lay, resting, waiting to be sold. They may exert another 2000 contracts along the way to induce momentum and prevent any upside progress; once in the area they will match all the sell orders with buying. After they have absorbed all the selling they have a net total of 15000 contracts, think logically about the behaviour; the PROFESSIONALS were the ones that initiated the move, they know that higher prices are on the cards (the underlying instrument is undervalued) It’s very cleverly orchestrated. If the resting sell orders were only 3000 contracts and it takes 5000 to exert the force, they wouldn’t bother. There are many well funded traders that only use market orders for this very reason (as they don’t appear on the exchange). Large resting orders that are placed by many institutions, act as magnet to the professionals, like honey to a bear

Alternative view point: demand diminishes at resistance and sellers emerge, forcing prices down. Now the market needs to find buyers, and will move accordingly until a force (buying) is present, (logical place being support) Buyers were slightly overwhelmed by the sellers (momentum carried it a little further) by breaking support, however demand emerged and now buyers are overcoming supply, this action reverses price to close back above support, producing a spring.

Both versions are valid; it’s down to personal interpretation, there is no right or wrong way. There are many, many ways to view and interpret market behaviour, this is dependent on methodology. People tend to get “stuck” on labelling certain behaviours, this is unimportant, the most crucial element is to understand the price action, not the why, to be able to read the strength or weakness as the market unfolds.

Using the “professional” label helps to tell a compelling story about the forces of demand or supply - nothing more or nothing less, find a way/interpretation that YOU are comfortable with, label unimportant, understanding the price action and what it achieves, is the real value

Another interesting recurrence is that the Wyckoff method is unable to predict future price movement. Can any single methodology? All we do as traders is to make informed decisions by stacking the odds in our favour by evaluating the strength of demand and supply at key structural locations. However, as seen in the Chronicles the use of trend channels for exits has been extremely useful (predicting future price) and of course the law of cause and effect – higher the cause, greater the effect, one can create a P&F chart if desired (a classic Wyckoff component)

There are excellent Wyckoff threads in forums across the world and from my view point most are just regurgitating Wyckoff, and provide nothing of real value that is new and current. The Chronicles as stated is an amalgamation of Wyckoff, VSA and price action, it combines/fuses together important concepts that have been cherry picked - I am not trying to emulate Wyckoff, I am evolving his works by incorporating how my individual mind works, that’s the most important aspect - all our minds work differently. In the early stages of my working career before trading, I had a talent for streamlining and simplifying complex procedures within various organisations, ranging from banks to private charter airlines and many technological companies.

At some point during my travels I had discovered the wonderful world of trading and within a couple of weeks I instantly knew that following the macro view of the markets, the "flow of money" from inter-market analysis was extremely tedious - fundamentals had zero appeal. It was the humble price chart that instantly became of interest, the way price can trend in a stair stepping motion adhering to a trend channel fascinated me beyond belief, I found this (and still do) beautiful, there is something soothing about the organic nature of price, a good days trading can leave a footprint (bars) of almost uncanny beauty, almost like a sheet of classical music. When you peel the layer off trading and understand its driven by fear and greed which are human emotions, it makes sense that some days it will have an organic feel and unfold in a lovely rhythm, as both fear and greed have found an equilibrium of sorts (a good flow between the force of buying and selling) Suffice to say I'm definitely from the technical analysis school of thought, and believe that the majority of fundamentals are priced in the chart, so why concern myself with anything outside of price? This approach merely suits my psychological makeup, this is not to say that fundamentals are not a valid way of trading, of course it is, just not for me.

Early on in the process of becoming a trader, Wyckoff was mentioned in many written articles that also led on to VSA, naturally using my talent of simplifying complex procedures, I applied the same to both of these methods. VSA for example has around 20-30 test variants, this is too much and became a headache, so literally I use the powerful little VSA "no demand" and "no supply" bars that you see in the Chronicles regularly, the rest were disregarded as it was of little value. This approach has been used throughout the works of both and here we lead to the trading we see in the Chronicles. I can take no credit whatsoever, I have literally stood on the shoulders of giants and merely extracted what I deem to be the important principles. Of course its natural as you spend 1000's of hours in front of the charts you gain many nuances/additional insights.

NOW, the major factor is to establish whether you gel with the method, if it creates doubt or doesn't resonate with you, that's ok, we all think and work in different ways just leave the method and take from it what you will, if anything. However if the method makes sense and your knowledge is increasing (you can tell by being a better chart reader; you begin to notice, absorption, springs, tests, shakeouts, overbought/sold positions etc; you are on the right path) avoid all other methods (extremely important) and only read anything Wyckoff/VSA related, everything else will throw a spanner in the works. Then it's just a matter of practice, practice and more practice. If one can perfect these methods, there is no need for any other information, data, indicators etc, this was one of the most important discoveries that I had learned during my development, it was the main source of motivation, I knew that if I put my head down, have tunnel vision, work smart and work hard it's just a matter of time, so the question isn't about the methodology, it's down to the effort of the individual. Now trades present themselves across various instruments every single day.

This leads onto the question of trading plans - why the importance? One main reason; it highlights weaknesses, after enough sample size regarding an individual setup you can obtain vital information, the more data you put into the setup the better the post trade analysis, it's that simple. When trading springs for the first time, success rate was around 50% and is currently in the late 80's; this was achieved by making small adjustments in my trading plan and then implemented into the following next batch of 50 spring setups, then to repeat the process again, again, and again - these small increments implemented over a duration of time has increased the odds of the setup dramatically, the less ambiguity you have in an individual setup, the higher the odds of success. There is no other way of improving, I can't see it, I am a firm believer in evolving, never be stagnant, always try to improve to become the best version of YOU within the market place and pay no attention to what others are doing or achieving, it is only a distraction - have tunnel vision and only be focussed on what you can control and that's your work ethic and the ability to work smart. Unfortunately most traders will not put in the extra effort required, yet still have the nerve to complain; only the individual knows how much effort they put in to their daily pursuit of becoming an excellent trader

Lastly, I receive many emails stating that I make trading look "easy" (thank you for the compliment) and yes, looking from the outside perspective, you open up a PDF and it says "sell here", "buy there" in your head your thinking this makes sense etc, however this is far, far, from the truth, it has taken years to cement the knowledge into muscle memory and more importantly the ability to execute efficiently, the trader aspect is much more challenging than the ability to read a chart (my experience) but that's a whole different story, one we may address in the near future.

As of now you know I like simplicity, I think in simple terms, trade in a simple way and write in a simplistic manner, I am far from an author, which is ok, I am a trader first and foremost, I just hope that the key elements I try to convey/put across are beginning to open up the charts and to hopefully build the belief that it is indeed possible, that's it, in a nutshell "belief" – there is so much scare mongering and smoke and mirrors in the trading world that I wanted a positive thread, this led to the Chronicles we have before us

Going forward I will introduce a new daily Spot FX trade, that will be sent out via Twitter, hopefully within the next week or two (due to the 100's of requests) It will contain the main Wyckoff/VSA principles written on the chart, no in-depth coverage, its more for the seasoned trader or for those that have followed the Chronicles and understand the core concepts.

Thank you for all the support and messages (apologies for the late replies, I will respond to all questions) It's very humbling to have had such a response from traders all over the world, appreciate all the questions and feedback, it makes the effort put into the Chronicles all the more worthwhile, I am an active trader and on average trade 8 different instruments on a day to day basis, along with the swing trading portfolio the workload on occasion is rather high, so please bear with me.

All the best,

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