Welcome to our Newsletter for Saturday 10th April 2010

On yesterday's Friday Live with Tom Williams session, a VSA user asked us to look at Mastercard, a constituent of the S&P500. It was fairly obvious there was a serious sign of weakness four days previously (Point A), seen by the ultra-high volume, closed well off the highs, next bar down. This weakness will not just disappear. After the daily download of Friday's action (Point B), we have a fairly vigorous up-bar. People not in the know, or who do not understand how to read volume, will be quite completely unaware of the events taking place. If you look at the bar, it is slightly narrow, it has closed well off the high, but look at the low volume. This is no demand, and this is the sort of analysis that you should be looking for. This would be a low risk area to short this market.
S&P500 INDEX DAILY CHART

Point A

There's a mark-up, closed on the high. They are doing their best to mark the market up, but look at the volume. There is little professional interest in the up-side on that day. We do not expect it to suddenly start going up in the next few bars.

Point B

Here we have a down-bar, but note it has closed almost in the middle, and look at that surge in volume. There was definitely some professional buying at that point.

Point C

The market has gone up, responding to that buying, but if you look at the lows of this bar on intra-day charts, they clearly had a shake-out which will help in the bullish side of the market.

Point D

Friday. A substantial mark-up, the volume is only about average. Always remember, trends run longer than you think they will. To stop this market going up you need to see ultra-high volume on an up-bar. If you are up into fresh or new high ground, and the spread is narrow, this will likely be the end of a rising market signal, but even then they will probably want to distribute, which can take time. We have to wait for VSA principles to unfold, and then take advantage of these principles.
As we are going to talk more and more about selecting individual stocks, one of the most important things is that you pick a stock for a bullish move from a sector acting as strong or stronger than the Index. Here we have a sector (Health Care) which is clearly acting weaker than the Index, so you will not be persuaded by anyone to buy a stock for a long position in this at the moment.
This is an example of a sector acting as strong as the Index (XLB - Materials).

If you want to make a selection, you need to select stocks out of these groups that are acting stronger than the Index. There are exceptions to this which we will show you on the next chart.
Here's an exception to the rule. This sector is obviously acting even stronger than the Index, but what we don’t like is the very high volume at Point A. Seeing we are in new high ground, this certainly adds to the bearish nature of this high volume, and also note that Friday was up on no demand. It’s all very well having a sector acting stronger than the Index, but markets don’t like very high volume on up-bars.

**NEWS FROM THE VSA CLUB TEAM**

This week:-

This Educational Monday 12th April, 1400 CST Phillip Friston will be discussing Support and Resistance. Phillip has more than 20 years experience in VSA coupled with a great deal of knowledge and a clarity of thought which makes him the perfect person to explain VSA and answer your questions. Support and resistance play an important part in the charts and this webinar is highly recommended.

Tuesday, you are welcome to join Dr Gary Dayton in his trading room. Dr Gary is a psychologist as well as an experienced VSA trader. He has much wisdom to pass on to us with regard to trading and the psychology of trading - a big factor in the decisions we make from minute to minute, day to day.

You are welcome to attend the Forex trading room and Futures trading rooms, both with Gavin Holmes.
Friday - Tom Williams is back, 0830 CST, watching the opening of the market and ready to answer your questions.

For this event, as for all events, log in to the website and register by clicking the link as usual.

To our newest members who are very new to VSA, please feel free to ask questions of the panellists during the seminars. It is natural for us to withhold our questions because we think they may seem silly, but there is no such question. All questions are valid, and your question may well be the one others want answered. Asking your question will help others also.

Have a great trading week.

VSA Club Team
Peter Offen
Rita Offen