

Advanced Wyckoff Trading Course (AWTC)

January 11, 2016



Outline for today's session:

1. Change of Character Concept, cont'd
2. Homework Review (HD)
3. Q&A session
4. Homework: Wyckoff Labeling

Notes:

Next webinar sessions for **WYCKOFF MARKET STRUCTURE** Series:

January 18 and 25 at 4:00-6:00 pm PST

All recordings and slides will be available to paid participants.

Current AWTC students should email their home works to simplekot@hotmail.com.

Slides for this session will only be available to AWC students. Recording will be posted on "Wyckoff Method" YouTube Chanel.

HeatMap and Research Page on [www.wyckoffanalytics.com/](http://www.wyckoffanalytics.com/heat/)
<http://www.wyckoffanalytics.com/heat/>

Password: wyckoff123

Disclaimer

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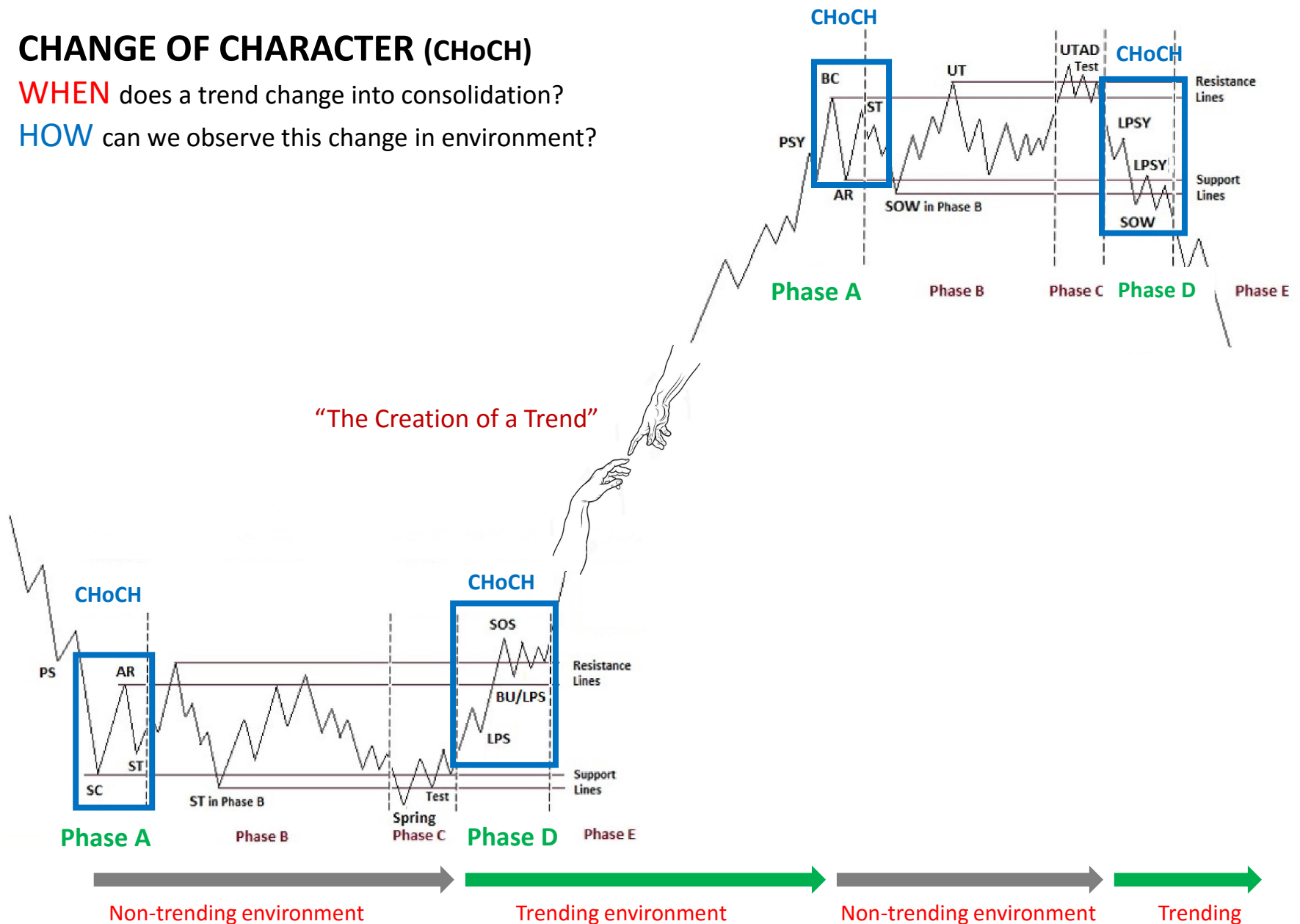
It should not be assumed that the methods, techniques, or indicators presented will be profitable or that they will not result in losses. Past results of any individual trader or trading system published by Presenter are not indicative of future returns by that trader or system, and are not indicative of future returns which will be realized by you. In addition, the indicators, strategies, articles and all other features of Presenter's products are provided for informational and educational purposes only and should not be construed as investment advice. Accordingly, you should not rely solely on the Presenter’s information in making any investment. Rather, you should use the Presenter’s information only as a starting point for doing additional independent research in order to allow you to form your own opinion regarding investments. You should always check with your licensed financial advisor and tax advisor to determine the suitability of any investment.

HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING AND DO NOT INCLUDE BROKERAGE AND OTHER FEES, OR SLIPPAGE. ALSO, IN SIMULATED PERFORMANCE RESULTS NO TRADES HAVE ACTUALLY BEEN EXECUTED, AND THEREFORE THE RESULTS MAY HAVE UNDER- OR OVER-COMPENSATED FOR THE IMPACTS OF A VARIETY OF MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS, IN GENERAL, CAN ALSO BE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN.

CHANGE OF CHARACTER (CHoCH)

WHEN does a trend change into consolidation?

HOW can we observe this change in environment?



Change of Character (from trending to non-trending) -- a move (swing) counter to a current trend with the following traits:

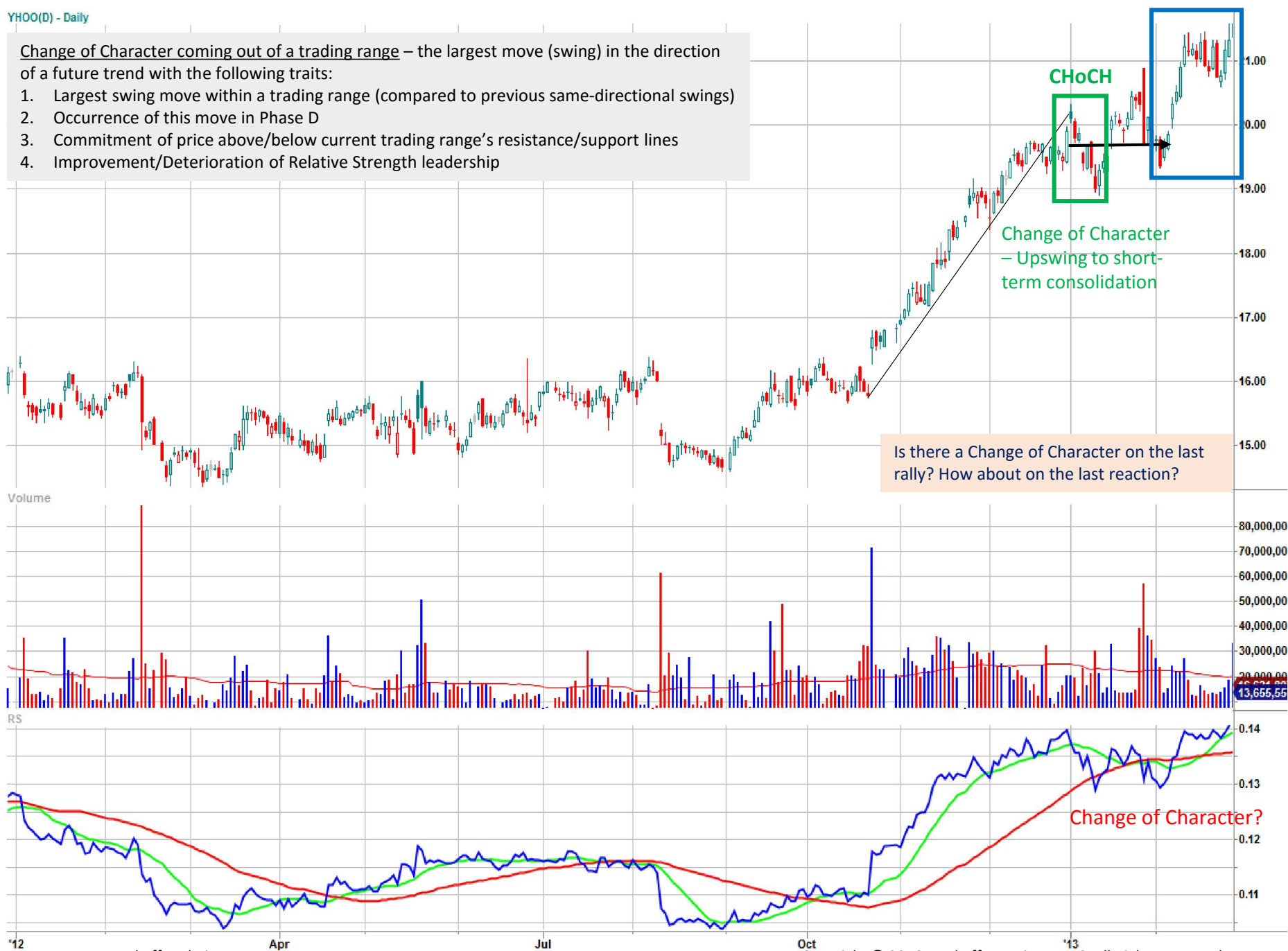
1. Largest counter swing move (e.g., largest reaction in uptrend)
2. Increase of price bar spreads
3. Increase of Supply
4. Break of a current trendline
5. Deterioration of Relative Strength leadership (in leading stocks)

Is there a Change of Character on the last reaction?



Change of Character coming out of a trading range – the largest move (swing) in the direction of a future trend with the following traits:

1. Largest swing move within a trading range (compared to previous same-directional swings)
2. Occurrence of this move in Phase D
3. Commitment of price above/below current trading range's resistance/support lines
4. Improvement/Deterioration of Relative Strength leadership



Is there a Change of Character on the last rally? How about on the last reaction?

Change of Character?

Change of Character (from trending to non-trending) -- a move (swing) counter to a current trend with the following traits:

1. Largest counter swing move (e.g., largest reaction in uptrend)
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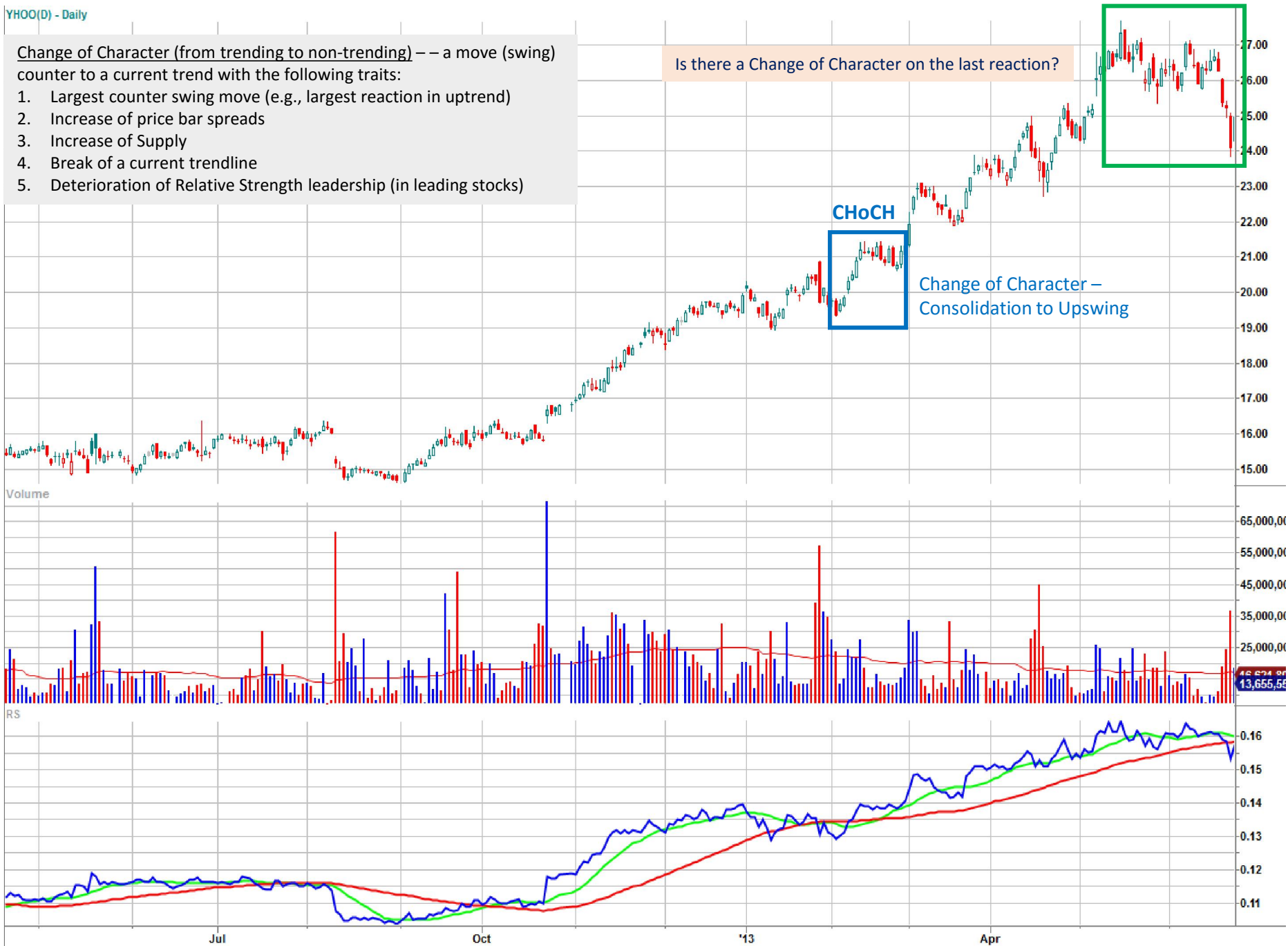
Is there a Change of Character on the last reaction?

CHoCH

Change of Character –
Consolidation to Upswing

Volume

RS



Change of Character coming out of a trading range – the largest move (swing) in the direction of a future trend with the following traits:

1. Largest swing move within a trading range (compared to previous same-directional swings)
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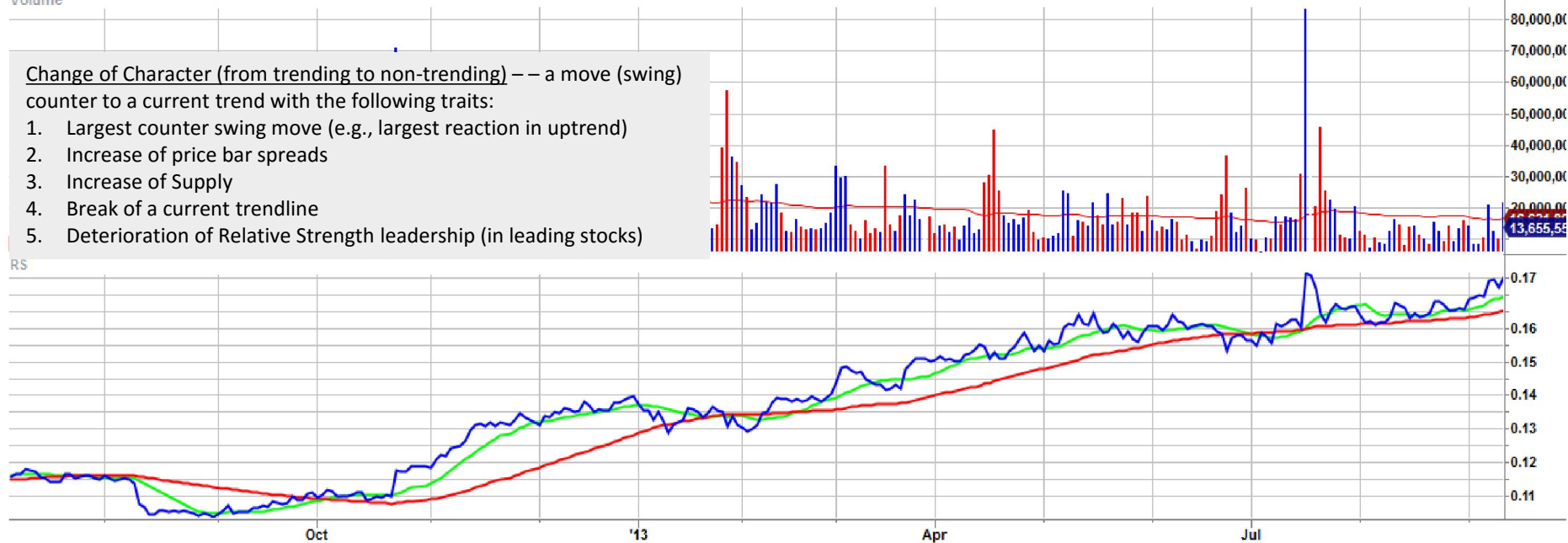


Volume

Change of Character (from trending to non-trending) – a move (swing) counter to a current trend with the following traits:

1. Largest counter swing move (e.g., largest reaction in uptrend)
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3. Increase of Supply
4. Break of a current trendline
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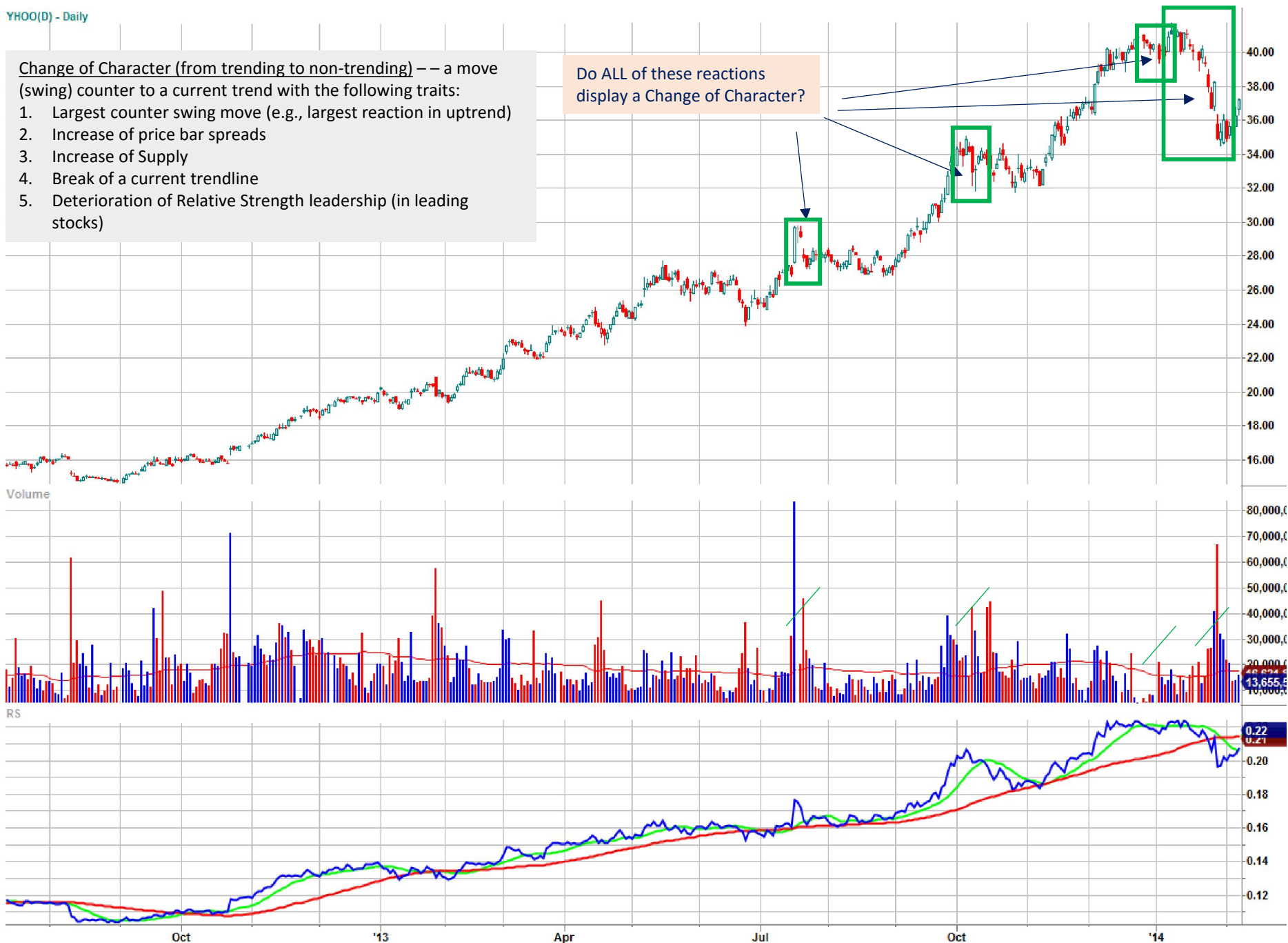
RS



Change of Character (from trending to non-trending) -- a move (swing) counter to a current trend with the following traits:

1. Largest counter swing move (e.g., largest reaction in uptrend)
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Do ALL of these reactions display a Change of Character?



STOP!

Conversation:

How does a Reaccumulation trading range differ from an Accumulation and/or Distribution trading range?

Example of short and long-term stepping stone trading ranges (AAPL)

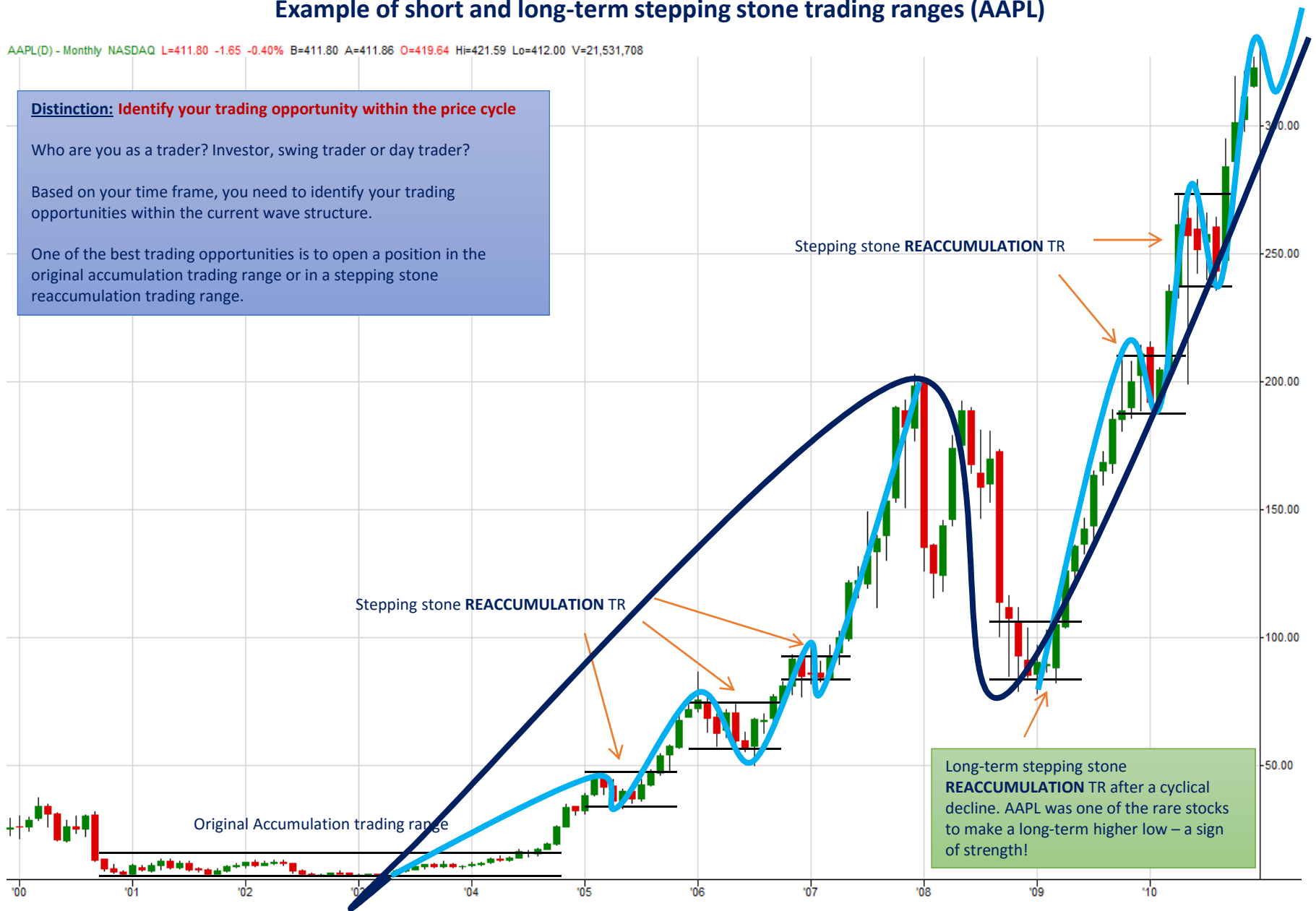
AAPL(D) - Monthly NASDAQ L=411.80 -1.65 -0.40% B=411.80 A=411.86 O=419.64 Hi=421.59 Lo=412.00 V=21,531,708

Distinction: Identify your trading opportunity within the price cycle

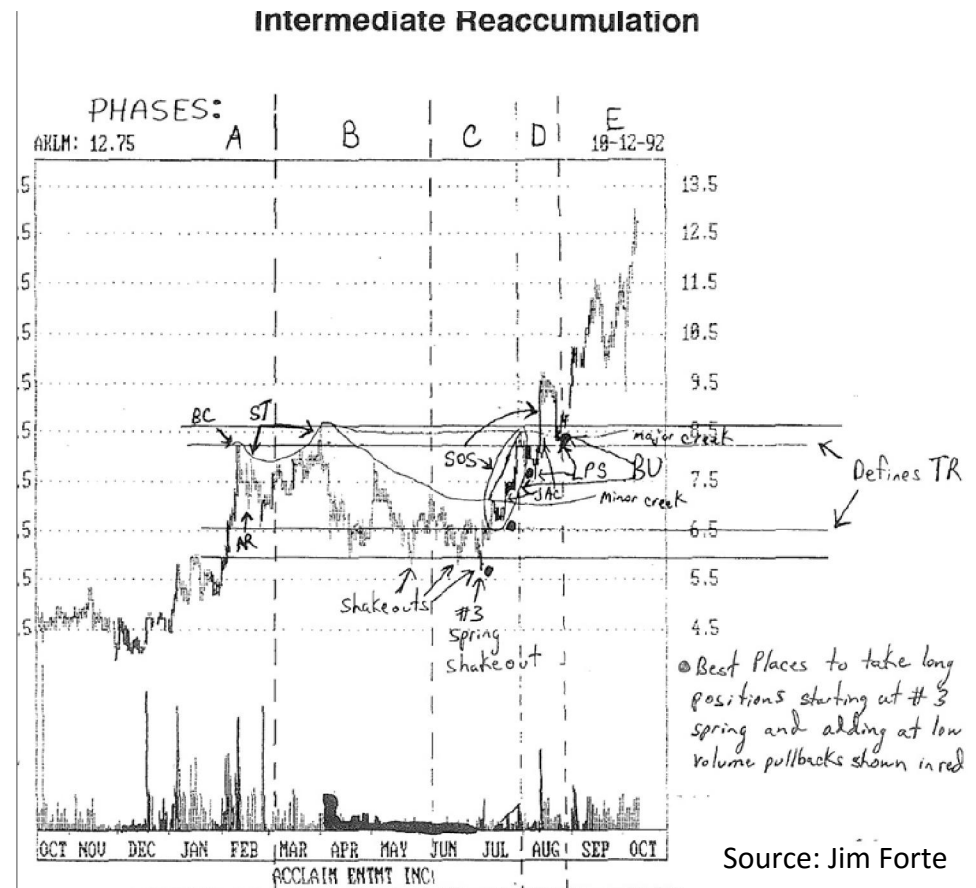
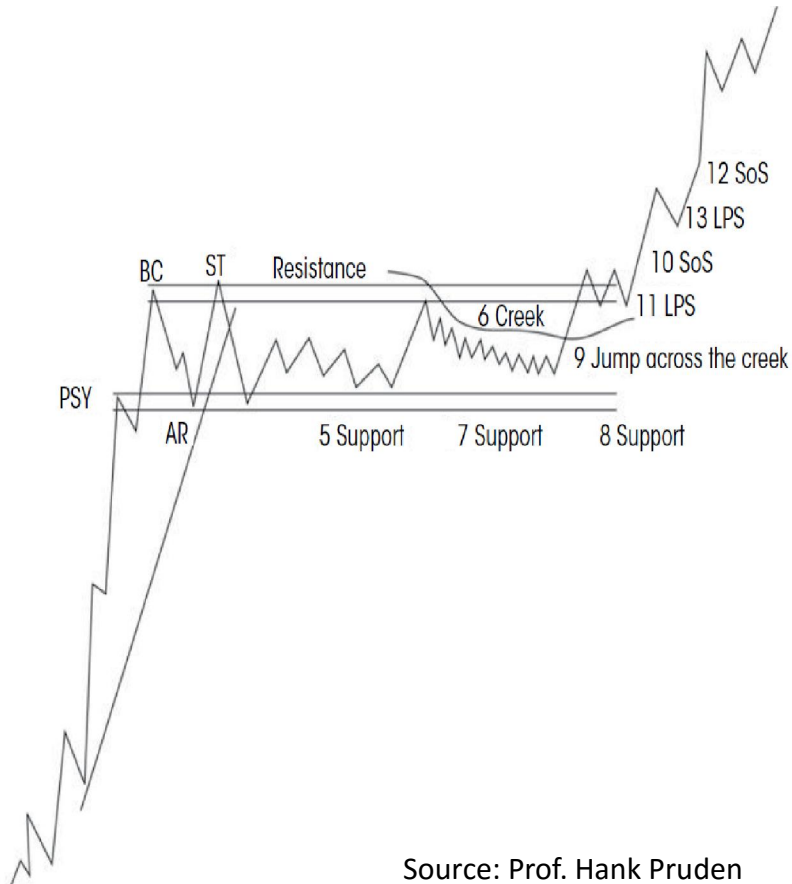
Who are you as a trader? Investor, swing trader or day trader?

Based on your time frame, you need to identify your trading opportunities within the current wave structure.

One of the best trading opportunities is to open a position in the original accumulation trading range or in a stepping stone reaccumulation trading range.



Conventional labeling of Wyckoff Reaccumulation TR:



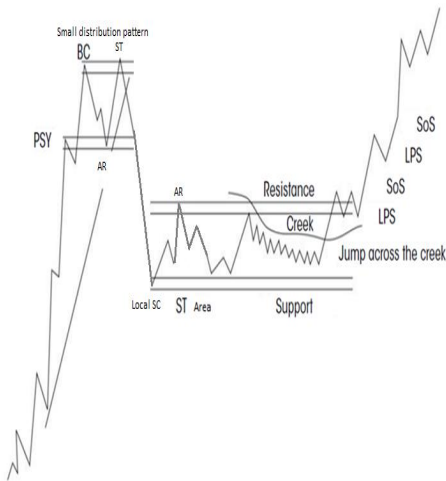
Questions:

What is Reaccumulation? Should labeling of Wyckoff events be different for Reaccumulation vs Accumulation?

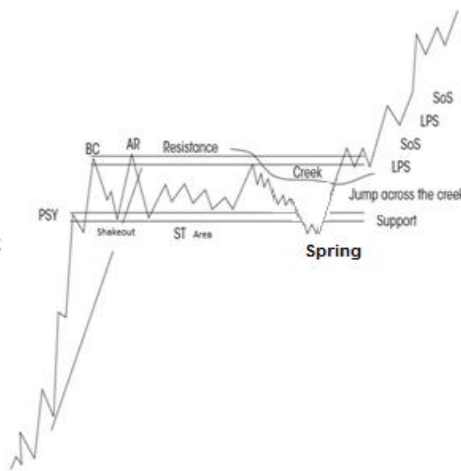
Distinction: Reaccumulation Trading Range and its characteristics

- Reaccumulation is a trading range within a continuing uptrend
- Four+ types of Reaccumulation TRs: Reaccumulation after a decline, Reaccumulation with Spring action, Reaccumulation after a shakeout, and Reaccumulation with an uprising structure
- Reaccumulation with an uprise is the strongest and has higher highs / higher lows
- Usually, any shakeout and/or decline action before Reaccumulation will have a local smaller distribution pattern (cause and effect)
- Initial Shakeout/Decline is less pronounced during Reaccumulation than before Accumulation
- Volume: Reaccumulation usually has less supply than Accumulation
- The maximum swing of TR (highest to lowest point): Reaccumulation TR is usually tighter compared with an Accumulation TR

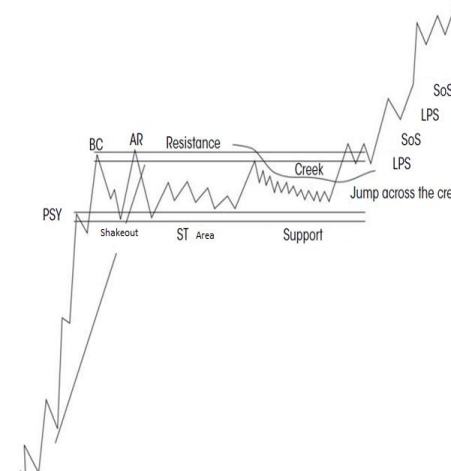
Alternative labeling of Wyckoff Reaccumulation TRs and examples:



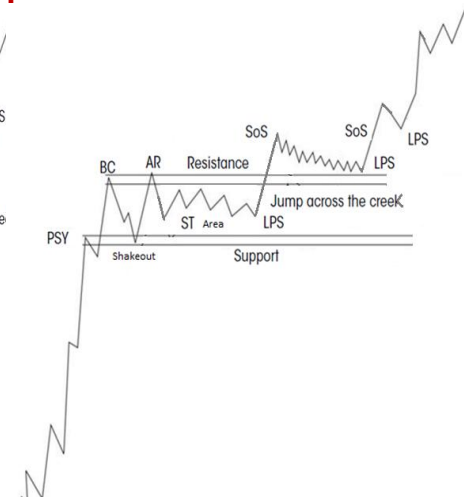
Source: Roman Bogomazov



Source: Roman Bogomazov



Source: Roman Bogomazov



Source: Roman Bogomazov

Distinction: Reaccumulation after decline

- Weakest among reaccumulation types
- Decline usually starts from a small local distribution pattern
- It can have different variations of the TR (see the structure of the next 3 formations)

Distinction: Reaccumulation with Spring action

- Flat or sloping down formation
- It can potentially have a few lower lows with a spring being the lowest point of the TR
- Leading stocks can exhibit short-term weakness after strength in this formation

Distinction: Reaccumulation after shakeout

- Absorption of supply happens in the TR without violation of support
- Usually and depending on a position of the market, this pattern exhibits strength

Distinction: Reaccumulation with uprise

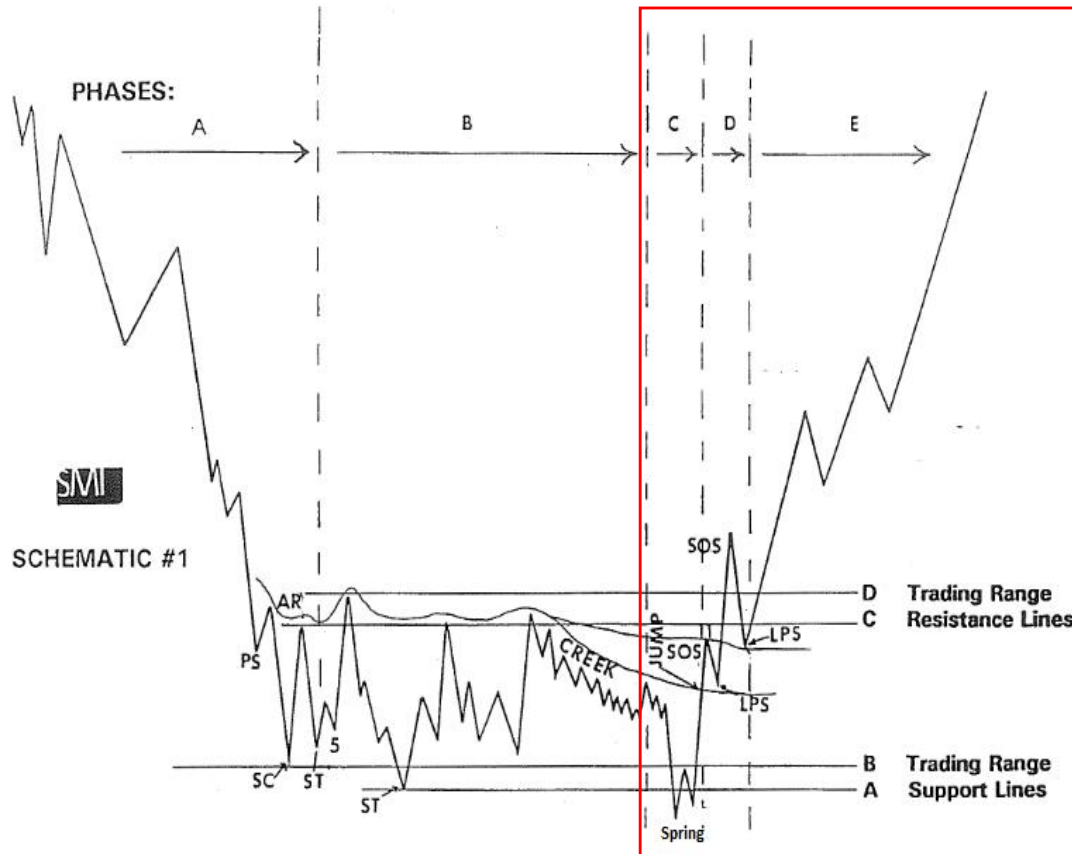
- Strongest among reaccumulation types
- This structure will exhibit higher highs / higher lows
- Sometimes can be confused with a topping TR

AAPL(D) - Weekly NASDAQ L=411.50 -1.95 -0.47% B=411.45 A=411.68 O=419.64 Hi=421.59 Lo=412.00 V=21,572,493



CHEAT SHEET

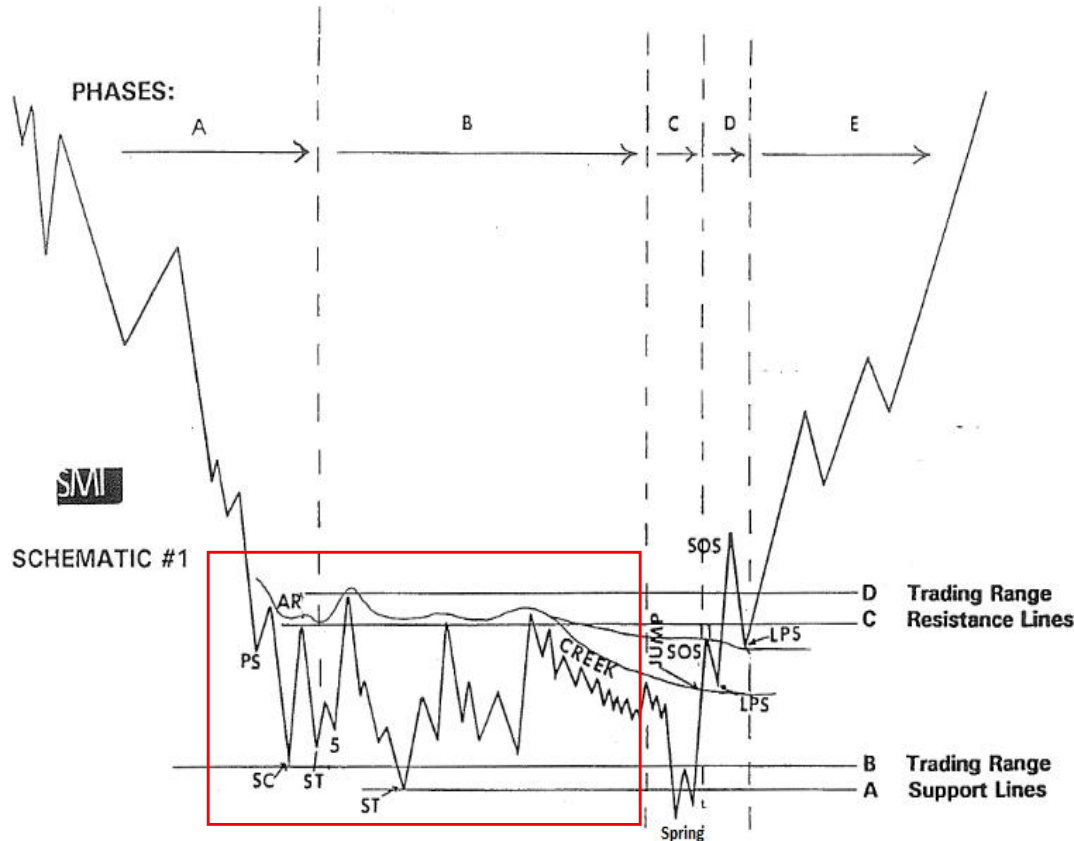
(Accumulation: Phases C, D and E)



1. **INTENTIONS** behind Phases C, D and E:
 - i. Phase C: TEST
 - ii. Phase D: MARKUP in TR
 - iii. Phase E: MARKUP outside of TR
2. **WYCKOFF EVENTS:**
 - i. Phase C: Spring/shakeout, failed spring, test of a spring, LPS
 - ii. Phase D: LPS, SOS, BUC
 - iii. Phase E: up trend
3. **SPRING:**
 - i. Testing of Phase A and B lows
 - ii. Will either fail or reverse (down or up)
 - iii. Different types: 1-2-3
4. **FAILED SPRING (Roman):**
 - i. Spring action that fails to reach the lows of the range
 - ii. This is a sign of strength!
 - iii. It could be also labeled as an LPS, but the principle is that of a spring
 - iv. The high of AR defines the resistance line of a trading range
5. **SHAKEOUT:**
 - i. Sharp decline on big spread and volume.
 - ii. Deep penetration of support level
 - iii. Quick recovery
 - iv. Requires a test to act upon
6. **SOS:**
 - i. Traveling to higher levels of the range on bigger spread and increasing volume (usually)
 - ii. New higher highs, higher lows
 - iii. Penetration of the resistance level of a range
7. **LPS:**
 - i. Higher low
 - ii. Inability to go lower – SOS
 - iii. There could be quite a few LPS(s)
8. **BUC:**
 - i. Last big reaction before the Markup
 - ii. No more than 50% price reaction is preferred

CHEAT SHEET

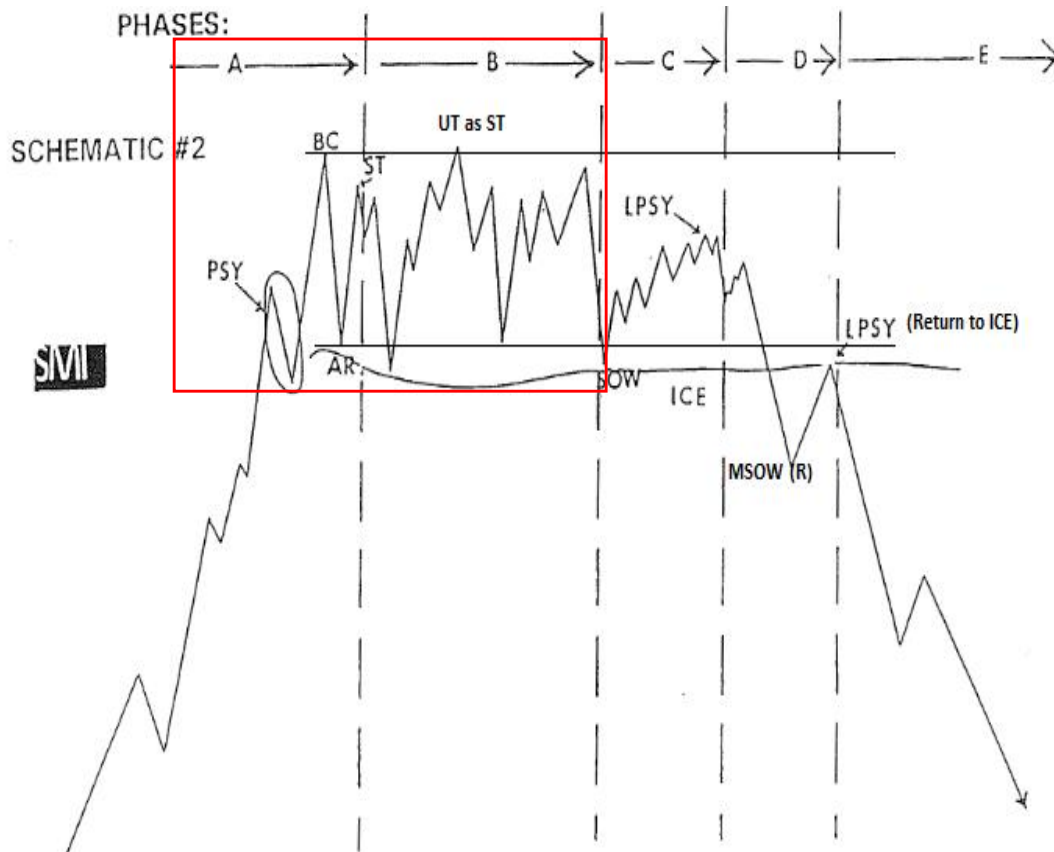
(Accumulation: Phases A and B)



1. **INTENTIONS** behind Phases A and B:
 - i. Phase A: STOP
 - ii. Phase B: SUPPLY/DEMAND
2. **WYCKOFF EVENTS:**
 - i. Phase A: PS, SC, AR, ST
 - ii. Phase B: UT, ST and ST as SOW
3. **PRELIMINARY SUPPORT:**
 - i. First attempt to stop a decline
 - ii. It always fails as price goes lower to SC low
4. **SELLING CLIMAX:**
 - i. Big spread / big volume
 - ii. Exception 1: Contracting supply on continuous lower SC actions
 - iii. Exception 2: SC ACTION can take a period of time to develop and the lowest bar might not be the biggest and with highest volume
 - IV. The low of SC defines support line of a TR
- iv. **AUTOMATIC RALLY:**
 - i. It could take 1-2 days or a period of time
 - ii. Exhaustion of supply creates an initial rally off SC low, which is continued later by short covering at higher prices
 - iii. The high of the AR defines the resistance line of a trading range
5. **SECONDARY TEST:**
 - i. ST can be a local event to SC+AR
 - ii. It can occur later as a bigger confirmation
 - iii. It can create a small trading range as a testing action
 - iv. In Phase B, a lower ST can be interpreted as a potential SOW which indicates more retesting or more consolidation
6. **UP THRUST:**
 - i. NOT only in distribution! (Think unconventionally and in terms of functionality)
 - ii. It leaves a trading range above resistance and quickly comes back – failure and supply

CHEAT SHEET

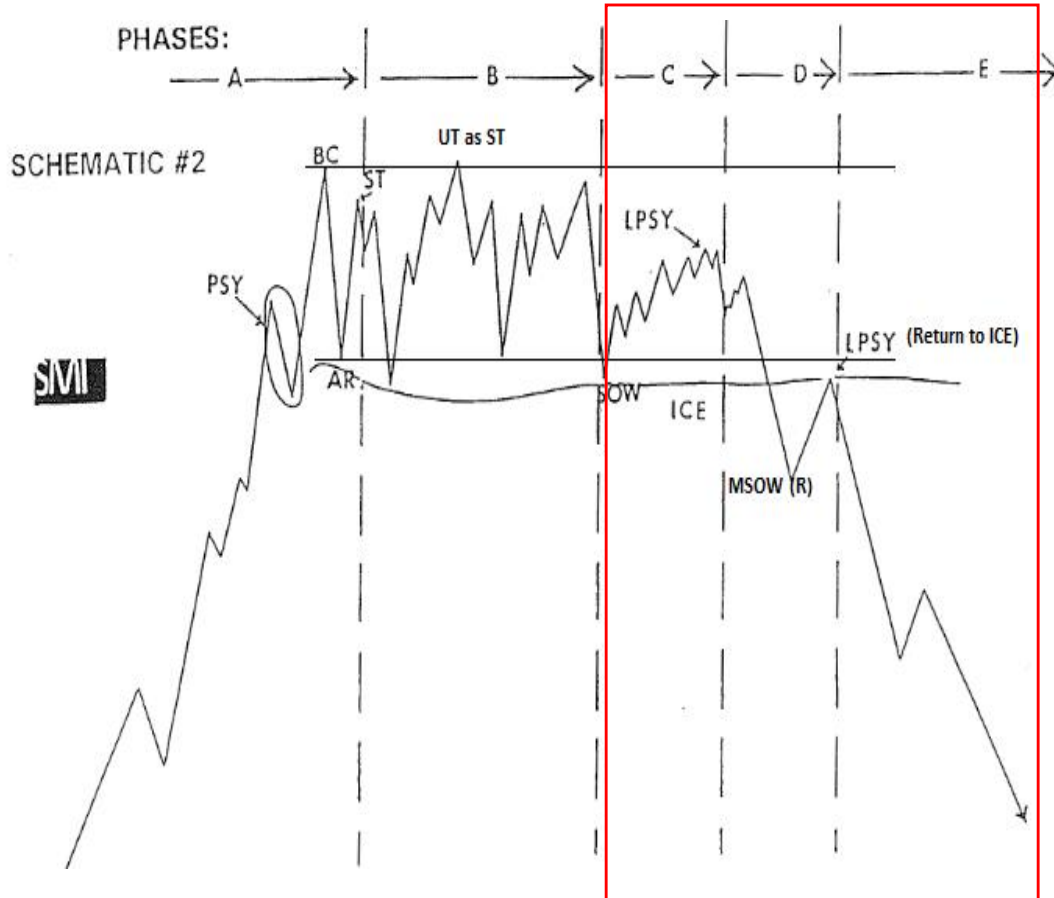
(Distribution: Phases A and B)



1. INTENTIONS behind Phases A and B:
 - i. Phase A: STOP
 - ii. Phase B: SUPPLY/DEMAND
2. WYCKOFF EVENTS:
 - i. Phase A: PSY, BC, AR, ST
 - ii. Phase B: UT and SOW
3. PRELIMINARY SUPPLY:
 - i. First attempt to stop an advance
 - ii. It always fails as price goes higher to BC high
4. BUYING CLIMAX:
 - i. Big spread / big volume
 - ii. Exception1: Series of consecutive up bars, but not necessarily on big spread and higher volume
 - iii. Sometimes BC action is more visible on higher time frame (Daily-Weekly-Monthly)
 - iv. The high of BC defines resistance line of a trading range
- iv. AUTOMATIC REACTION:
 - i. It could take 1-2 days or a period of time
 - ii. Exhaustion of demand creates an initial decline off BC high
 - iii. which is continued later by covering of long positions at lower prices
 - iv. The low of AR defines the support line of a trading range
5. SECONDARY TEST:
 - i. ST can be a local event to SC+AR
 - ii. and can occur later as a bigger confirmation
 - iii. It can create a small trading range as a testing action
6. UP THRUST:
 - i. It leaves a trading range above resistance and quickly comes back – failure and supply
7. MINOR SOW:
 - i. Indication of potential supply
 - ii. Possible retest of lows in the future

CHEAT SHEET

(Distribution: Phases C, D and E)



1. INTENTIONS behind Phases C, D and E:
 - i. Phase C: TEST
 - ii. Phase D: MARKDOWN in TR
 - iii. Phase E: MARKDOWN outside of TR
2. WYCKOFF POINTS:
 - i. Phase C: UTAD, Failed UT, test of UTAD, high LPSY
 - ii. Phase D: LPSY, MSOW
 - iii. Phase E: downtrend
3. UPTHRUST AFTER DISTRIBUTION:
 - i. Test of the upper boundaries of a range
 - ii. Price travels out of the range and can stay there for some time
 - iii. Draws a lot of public following
4. Test of UTAD:
 - i. Failed rally after UTAD
 - ii. It looks like a healthy pause in a rally, but fails right afterwards
5. **Failed UT (Roman):**
 - i. Upthrust action with an intention to create UTAD
 - ii. Always fails to advance above the higher range point – SOW
 - iii. It can have a test as UTAD
 - iv. It can be also labeled as high LPSY
7. **MAJOR SOW:**
 - i. One of the characteristics for high probability Wyckoff setup
 - ii. It can be identified by increasing volume, spread, velocity and price penetration
 - iii. Usually will produce a new lower low
 - iv. It could be a second, third or fourth attempt to break the ice and it is the most successful one
8. LPSY:
 - i. Failed rally and lower high
 - ii. Lower volume and decreasing spread
 - iii. It can occur at different levels in a range signifying strength or weakness

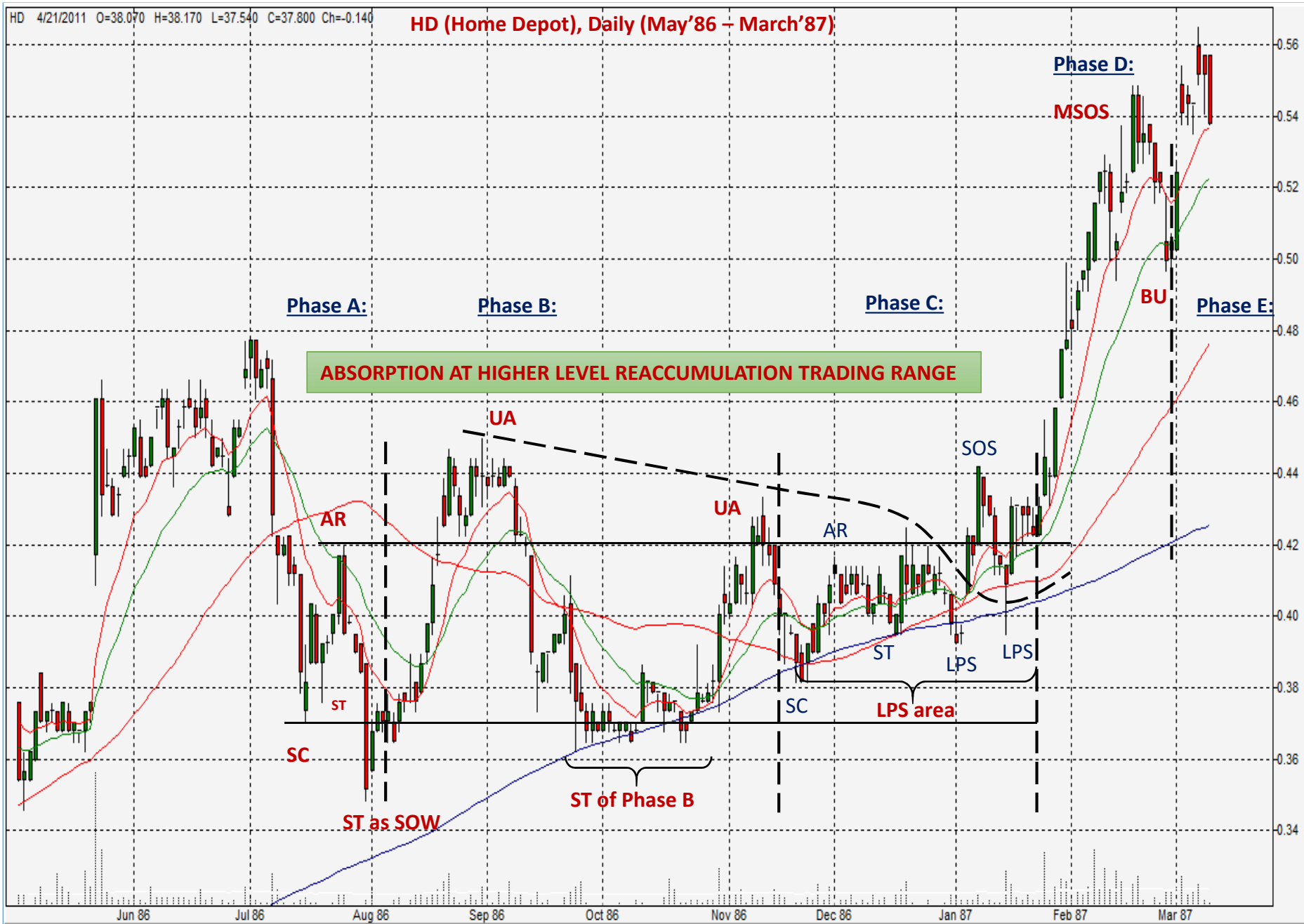


Homework Review

Exercise:

Stock: HD

Assignment: Label Wyckoff trading ranges



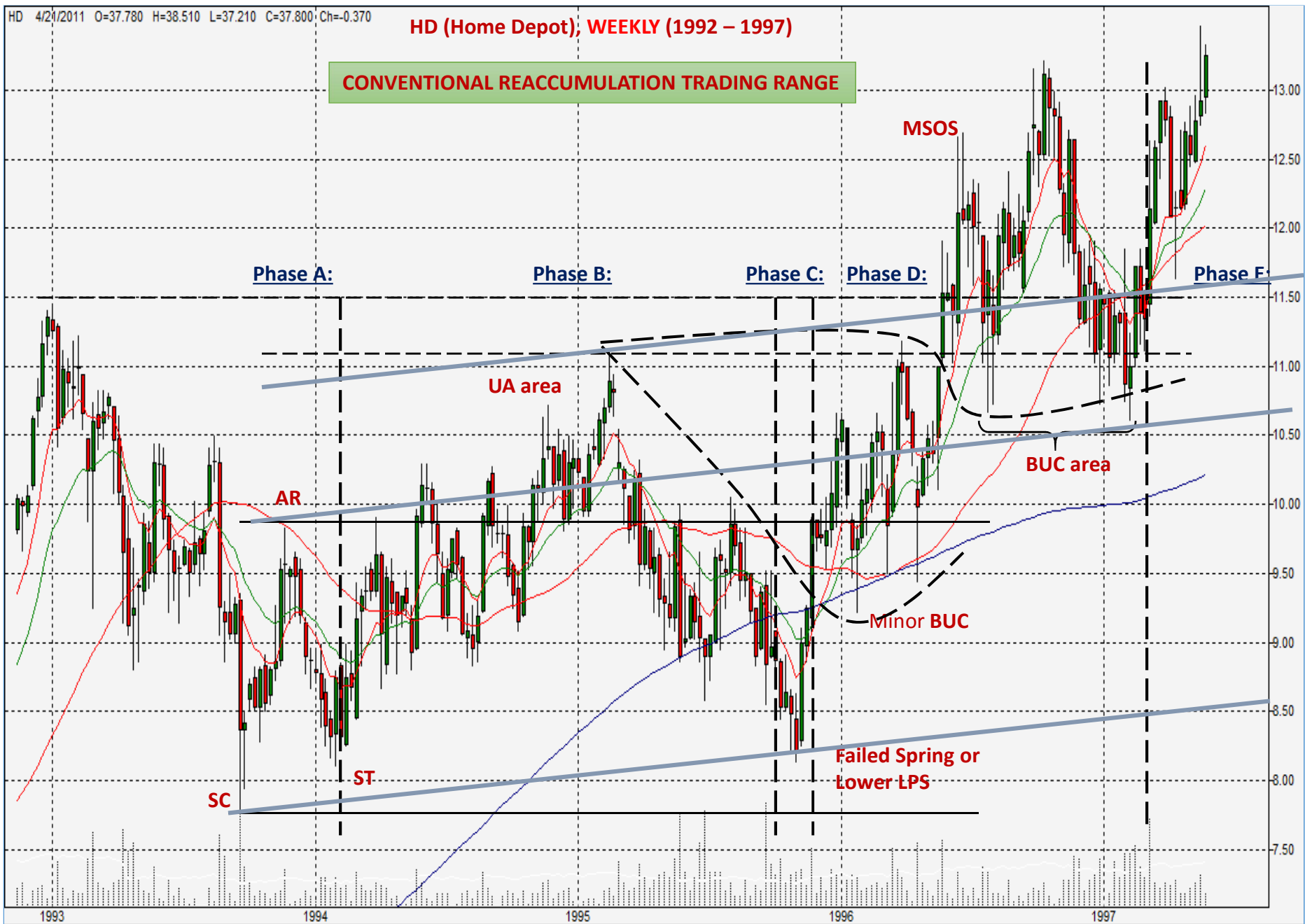






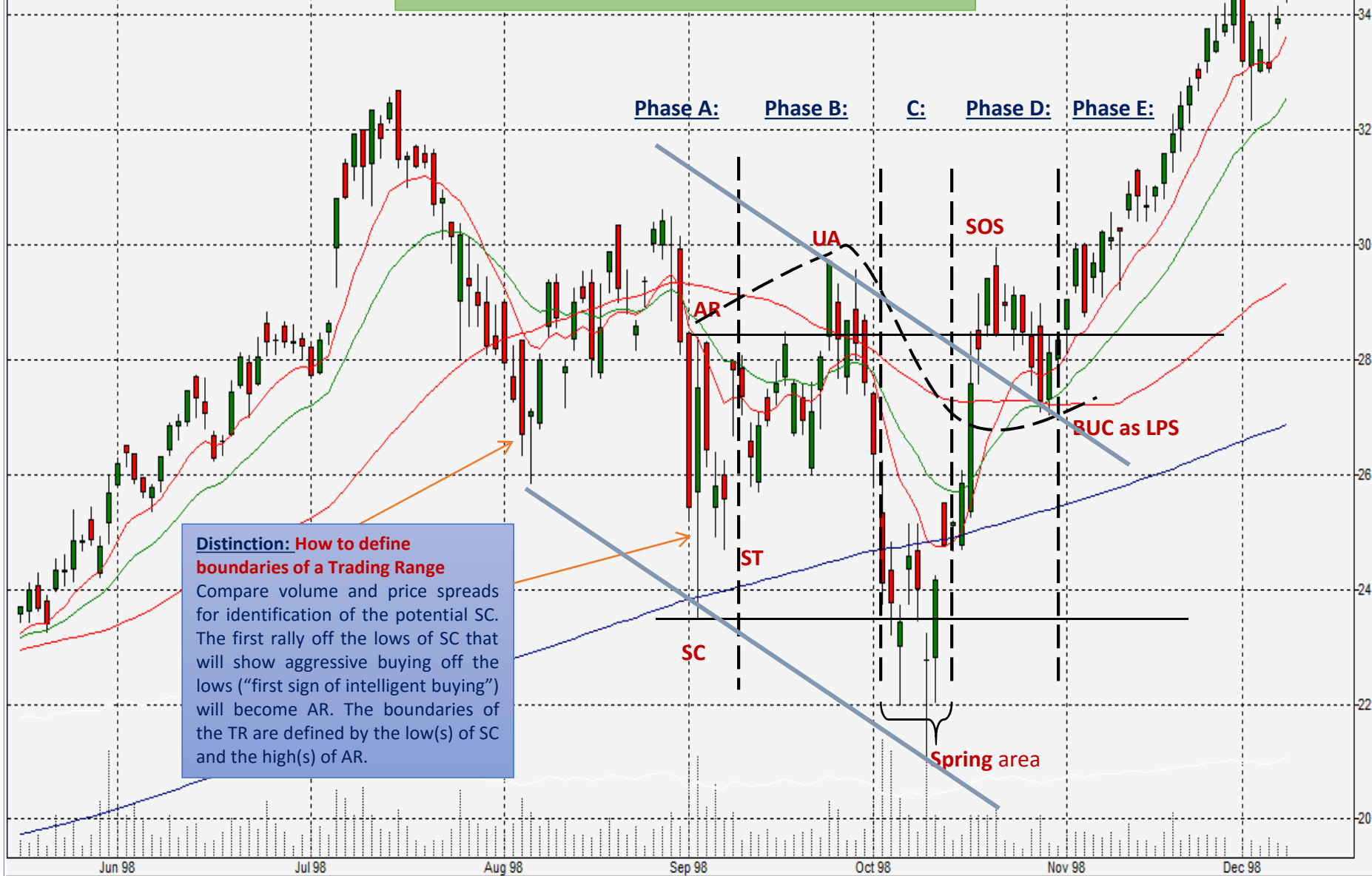


HD 4/21/2011 O=37.780 H=38.510 L=37.210 C=37.800 Ch=-0.370

HD (Home Depot), WEEKLY (1992 – 1997)**CONVENTIONAL REACCUMULATION TRADING RANGE**



HD 4/21/2011 O=38.070 H=38.170 L=37.540 C=37.800 Ch=-0.140

HD (Home Depot), Daily (May'98 – Dec.'98)**CONVENTIONAL REACCUMULATION TRADING RANGE**



Homework:

due on January 18, 2016

1. Watch recording of January 11th session again and make NOTES
2. **Exercise #1:** Distribution Labeling
Assignment: Label trading ranges with Wyckoff Phases and Events AND CHOCH going in and out of a TR

Email your home work directly to Roman at simplekot@hotmail.com

HOMEWORK: Examples of distribution

SA ELY(D) - Weekly NYSE L=6.76 -0.12 -1.74% B=0.00 A=0.00 O=6.92 Hi=6.96 Lo=6.75 V=200,376 Strategy (false,1)



HOMEWORK: Examples of distribution



HOMEWORK: Examples of distribution

SA YHOO(D) - Daily NASDAQ L=15.21 -0.09 -0.59% B=0.00 A=0.00 O=15.37 Hi=15.42 Lo=15.18 V=15,516,149 Strategy (false,1)



HOMEWORK: Examples of distribution



HOMEWORK: Examples of distribution

