

THAT WAS THE WEEK THAT WAS

Welcome to our Newsletter for Saturday 11th December 2010



S&P500 E-MINI FUTURE DAILY CHART

Point A

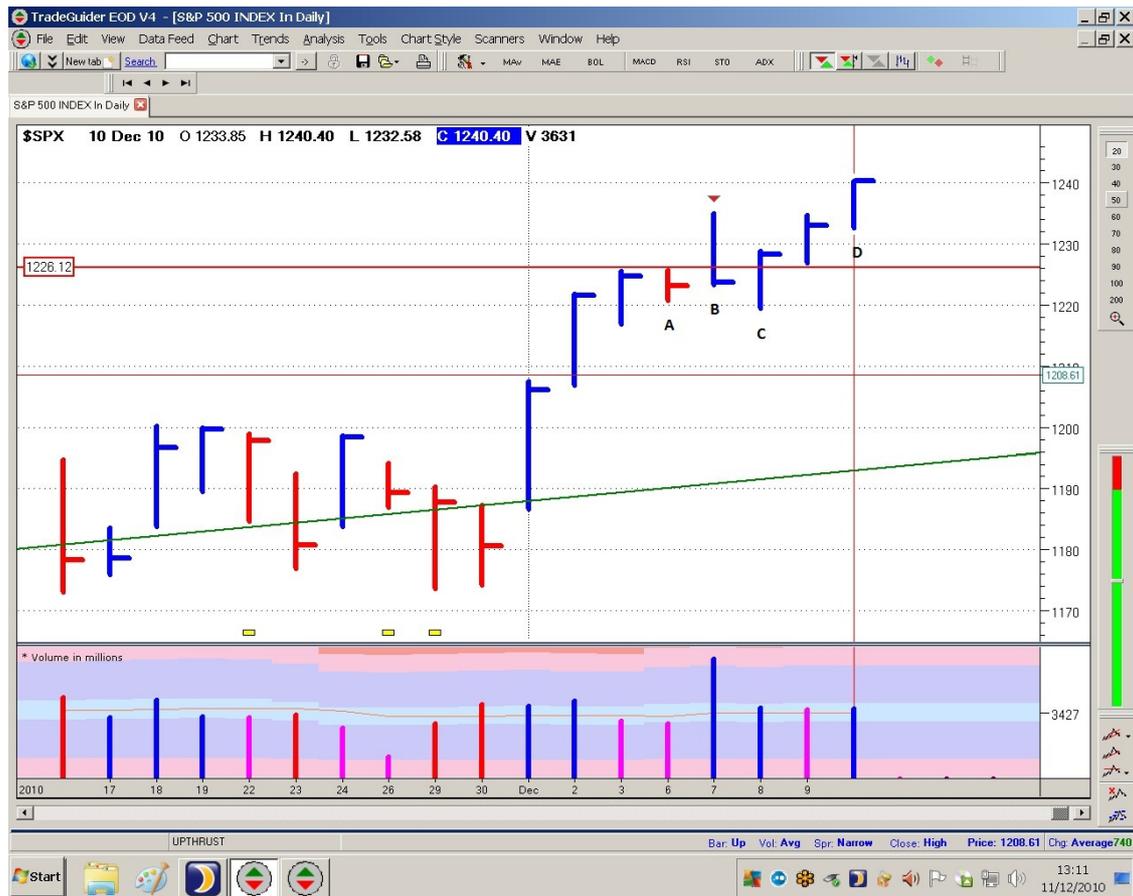
This is a down-bar after we've seen a small reaction. When we talk about down-bars, yes, the bar will be coloured red, but note it occurs after we've seen some sort of down-move and the whole body of the bar is certainly well below the previous bar. So this is a down-bar. Note that the down-bar has a huge surge in volume, and on that volume or activity the market has closed in the middle. This is definitely support and buying.

Point B

The market responds upwards on two widespread bars. This is commonly seen as professional people involved in the move want to lock as many traders in or out of the trade as possible by these two rapid wide spreads up. There is an automatic sign of weakness that has appeared which tells us there is no demand. In hindsight it looks like a fairly poor signal, but if we move over to **Point C** we have drawn a green horizontal line showing how the bar is testing that sign of weakness at **Point B**.

Point D

This is the closing bar on Friday. It certainly looks like no demand so we have to be alert to this. In the past we've talked about the simple trending system. If you look back to Point A you will see that the close is always higher than the close of the previous bar. Using this system you allow for one down-bar only. Now this simple trending system works because the professionals who are involved in this move have to support the market on a daily basis to make sure they don't lose control of the move.



S&P500 INDEX CASH DAILY CHART

Point A

This is the opening of the cash market on Monday. Note this is a down-bar on a very narrow spread closing in the middle, and the volume is low. This is telling us that there is little or no selling pressure from the professional side of the market. You would expect to see higher prices.

Point B

This clearly looks like a sign of weakness. It certainly looks like an upthrust or supply overcoming demand. The volume is massive and on that volume it has slumped onto the lows. This is unusual because of the previous day's action which clearly shows there is no selling pressure. Some sort of News or something happened in there to cause this upright bar.

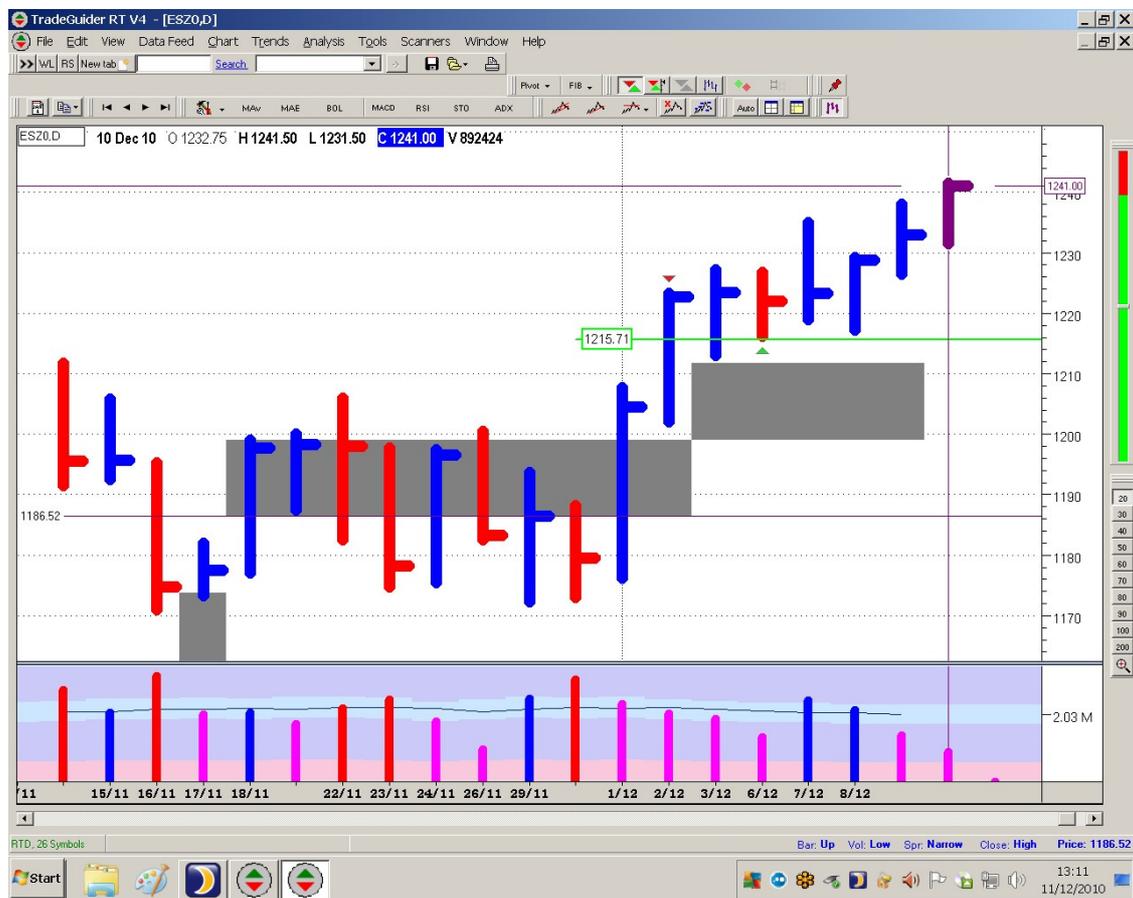
Point C

Note this looks like a test. Although it's an up-bar we can see that the low of the bar has been marked down during the day. The volume is below average. It's not quite clear what's going on from looking at this end of day chart.

Point D

Friday. The market has gone up. The spread has slightly narrowed, the volume is slightly above average which looks a little bit like no demand. If the market is still bullish they will still want to test the amount of volume there at Point B.

TREND CLUSTERS



Here's the mini S&P futures daily chart showing the trend clusters put in by Tradeguidr. We don't talk alot about trend clusters, but trend clusters are extremely interesting. Notice how the market bounces off the trend cluster at Point A. There is quite substantial resistance right above us. This causes the market to go into sideways congestion movement (Point B), but once it can break out of that which it does at Point C cluster, it happily shoots upwards. Trend clusters are where old trendlines cross each other - old trendlines that have been drawn previously. It's interesting to make a study of these clusters.

NEWS

Philip Friston is back on board as far as the VSA Club is concerned. We strongly advise you to listen to him as he is a first class trader and certainly understands VSA. He is doing a regular slot every Wednesday and he is willing to answer questions that you may type into the VSA Club. This is an excellent opportunity for you to tap in on the knowledge of a true market professional.

Tom Williams