

Practical Applications of the Wyckoff Method of Trading and Investing

MoneyShow Presentation
March 17, 2015



In this overview of the Wyckoff Method, Mr. Roman Bogomazov will present practical trading tools originally developed by Richard D. Wyckoff over a century ago. Many successful professional traders approach the market using Wyckoff's timeless principles, which were based on his observations of the activities of large market operators, including the legendary Jesse Livermore and James Keene. Roman will highlight the importance of: (i) stock and industry relative strength analysis, (ii) the positions of a stock and the overall market within a trend, and (iii) supply and demand confirmation of directional bias. In a case study, Roman will illustrate how these techniques can anticipate and identify the beginning of a trend, and will demonstrate modern tools for Wyckoff analysis. Traders of all levels of skill and experience will benefit from this presentation.

Sign up for additional webinars and classes on
www.wyckoffanalytics.com

Disclaimer

Roman Bogomazov (“Presenter”) is not a registered investment advisor or broker-dealer and does not purport to recommend or suggest any securities to buy or sell. You understand and acknowledge that there is a very high degree of risk involved in trading securities. Presenter assumes no responsibility or liability for your trading and investment results.

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.

The Man

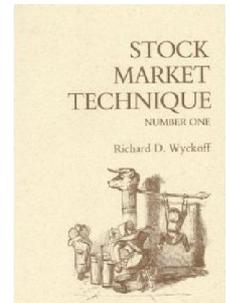
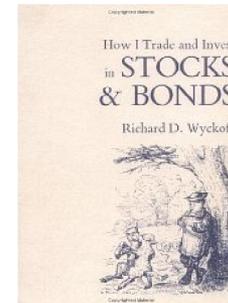
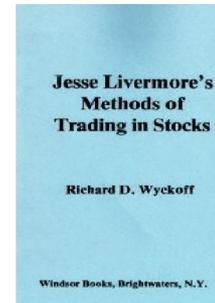
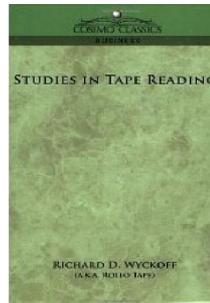
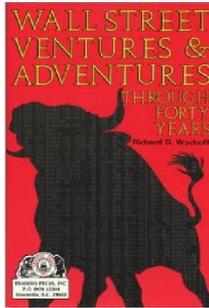


Richard Demille Wyckoff (November 2, 1873 – March 19, 1934) was a stock market authority, founder and onetime editor of the *Magazine of Wall Street* (founding it in 1907), and editor of *Stock Market Technique*.

A pioneer in the technical approach to studying the stock market, Wyckoff was a broker, a trader and a publisher during the classic era of trading in early 20th Century.

He codified the best practices of such legendary traders as Jesse Livermore and others into laws, principles and techniques of trading methodology, money management and mental discipline. Mr. Wyckoff was dedicated to instructing the public about "the real rules of the game" as played by the large interests behind the scenes. In the 1930's he founded a school which later became the Stock Market Institute. His time-tested insights are as valid today as when they were first articulated.

The Books



The Times



J.P. Morgan



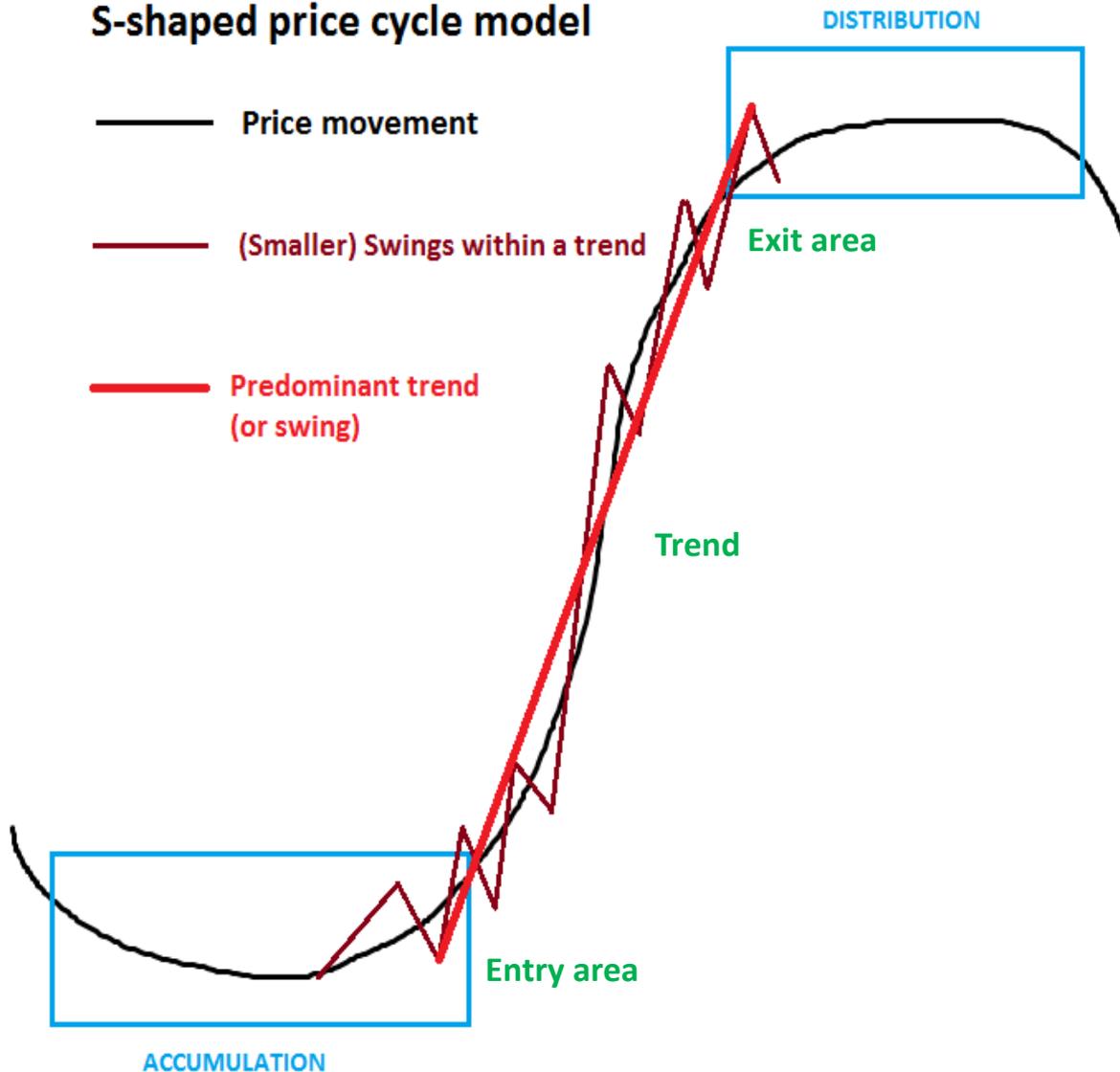
James Keene



Jesse Livermore

WYCKOFF ANALYSIS: CONCEPT ONE – Price Cycle

S-shaped price cycle model



WYCKOFF SELECTION FILTERS:

1. MARKET DIRECTIONAL FILTER helps to identify the overall direction of the market
2. STRUCTURAL FILTER helps to identify stocks in a trading range ready for the price mark up/down
3. COMPARATIVE (RELATIVE) STRENGTH FILTER helps to identify stocks that are outperforming or under-performing the market and/or peers
1. SUPPLY AND DEMAND FILTER helps to confirm a Springboard position for a stock before a major trend

HD(D) - Monthly

Trading Ranges (Consolidation Areas) under our review



WYCKOFF ANALYSIS: Step-by-step selection and trading processes based on the Wyckoff Methodology

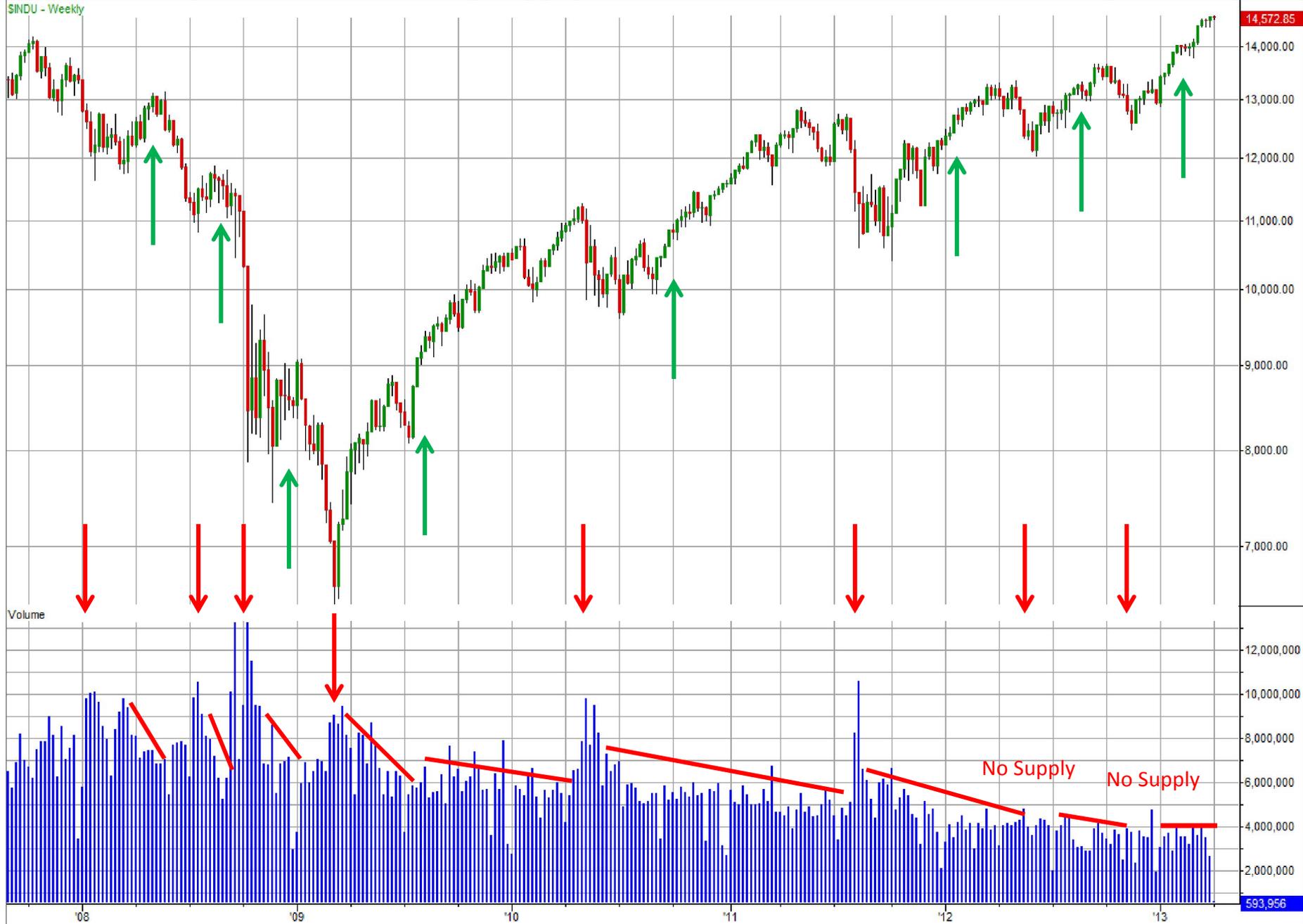
Filters:

1. Market's directional bias
2. Relative and/or Comparative Strength Analysis
3. Structural Analysis of a Trading Range (TR)
4. Supply and Demand Analysis

Trading Tactics:

5. Initial Point of Entry (POE) and Stop-loss (SL)
6. SL management and Exit

Case study: INDU – Decreasing Supply/Demand takes the market to new highs

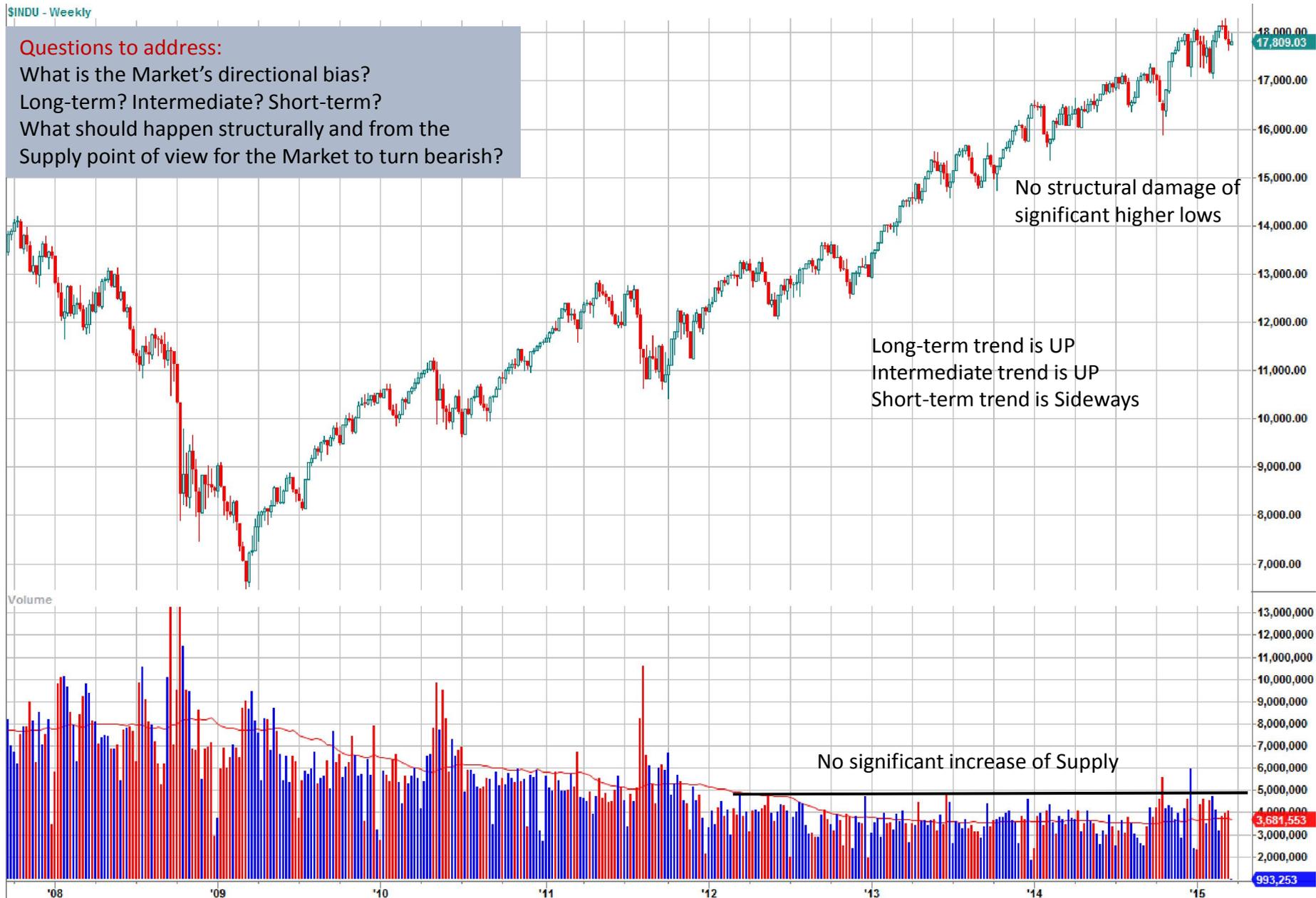


Current Market Analysis

SINDU - Weekly

Questions to address:

What is the Market's directional bias?
Long-term? Intermediate? Short-term?
What should happen structurally and from the Supply point of view for the Market to turn bearish?



HD(D) - Monthl

RELATIVE AND COMPARATIVE ANALYSIS: How Wyckoff selected the strongest (weakest) stocks

SPY(D) - Monthly

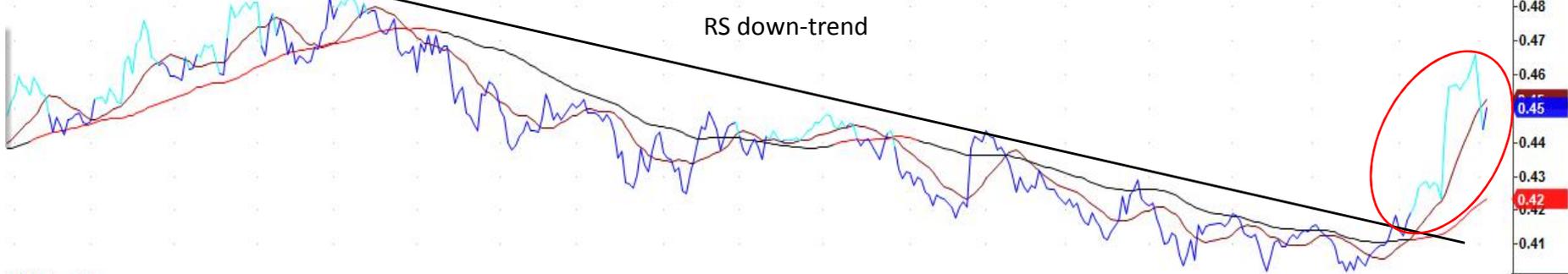


HD(D) - Daily

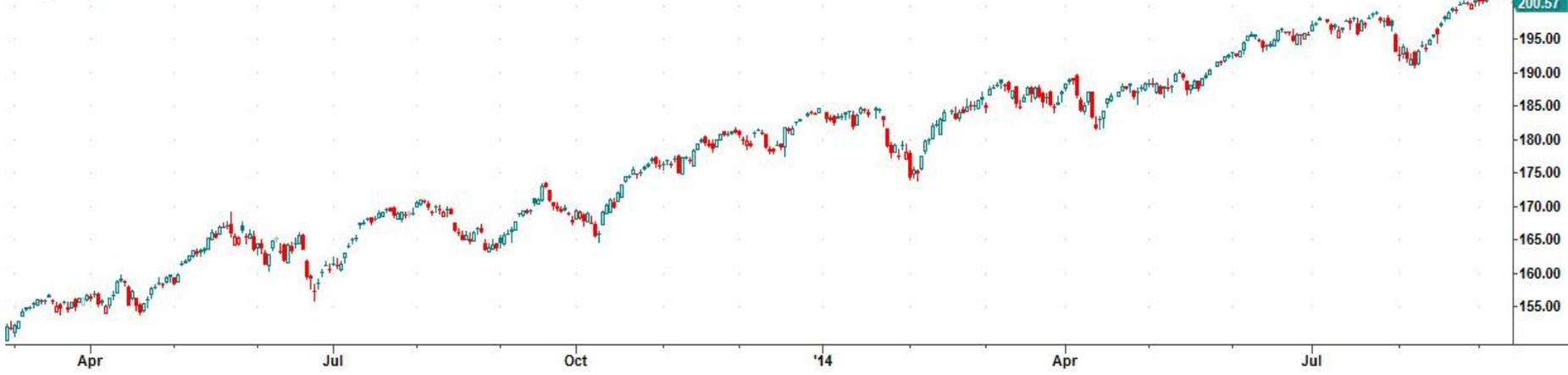
Relative Strength (RS) and Comparative Strength (2013-2014 TR)



#RS



SPY(D) - Daily



HD(D) - Daily

RS and Comparative Strength (2002-2003 TR)

Current picture



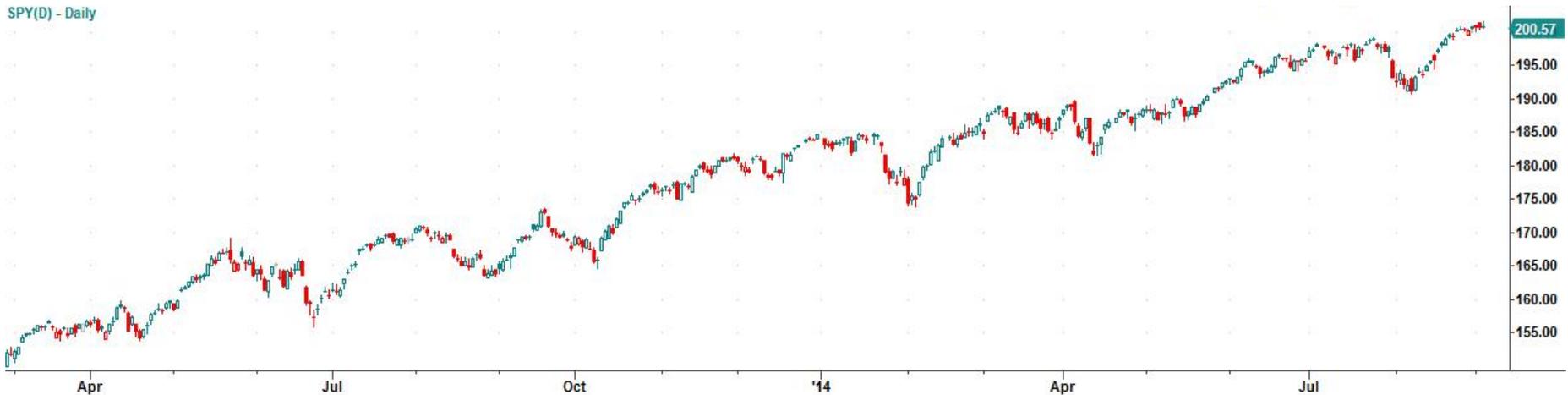
#RS

	10/17/2014	10/10/2014	10/3/2014	9/26/2014	9/19/2014	9/12/2014	9/5/2014	8/29/2014	8/22/2014	8/15/2014	8/8/2014	8/1/2014	7/25/2014	7/18/2014	7/11/2014	7/4/2014	6/27/2014	6/20/2014
Home Improvement Retail	6	3	5	6	8	15	10	9	9	33	29	65	94	107	118	114	119	132
HD	8	4	6	7	9	18	10	7	9	30	32	47	56	68	77	67	68	79
LOW	11	6	12	13	12	15	11	18	14	27	22	44	63	65	74	75	81	93

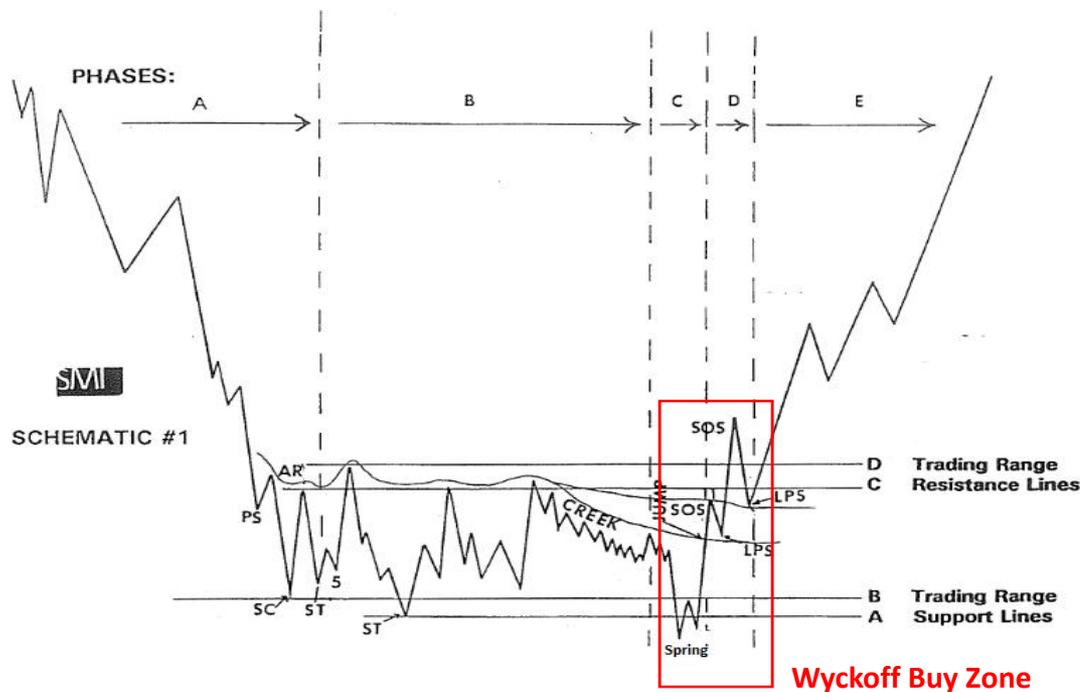
Industry and Stock Filtering based on Relative Strength:

1. Industry is improving
2. Stock is improving
3. Peers are confirming

SPY(D) - Daily



STRUCTURAL ANALYSIS: What are Wyckoff Events?



Source: Pruden, Hank, *The Three Skills of Top Trading*, John Wiley and Sons, 2007.

ELEVEN WYCKOFF TRADING RANGE EVENTS (Accumulation)

1. PS – preliminary support, where substantial buying begins to provide pronounced support after a prolonged down-move. Volume and the price spread widen and provide a signal that the down-move may be approaching its end.

2. SC – selling climax, the point at which widening spread and selling pressure usually climax, and heavy or panicky selling by the public is being absorbed by larger professional interests at prices near the bottom. At the low, the climax helps to define the lower level of the trading range.

3. AR – automatic rally, where selling pressure has been exhausted. A wave of buying can now easily push up prices, which is further fuelled by short covering. The high of this rally will help define the top of the trading range.

4. ST – secondary test, price revisits the area of the selling climax to test the supply/demand at these price levels. If a bottom is to be confirmed, significant supply should not resurface, and volume and price spread should be significantly diminished as the market approaches support in the area of the SC.

5. The “Creek” is a wavy line of resistance drawn loosely across rally peaks within the trading range. There are minor lines of resistance and a more significant “creek” of supply that will have to be crossed before the market’s journey can continue

onward and upward.

6-7. “Springs” or “shakeouts” usually occur late within the trading range and allow the dominant players to make a definitive test of available supply before a markup campaign will unfold. If the amount of supply that surfaces on a break of support is very light (low volume), this indicates that the way is clear for a sustained advance. Heavy supply here usually means a renewed decline. Moderate volume here may mean more testing of support and that this is a time to proceed with caution. The spring or shakeout also serves the purpose of providing dominant interests with additional supply from weak holders at low prices.

8. “Jump” – continuing the creek analogy, the point at which price jumps through the resistance line; a bullish sign if the jump is achieved with increasing speed and volume.

9. SOS – sign of strength, an advance on increasing spread and volume, usually over some level of resistance

10-11. BU (back-up)/LPS (last point of support), the ending point of a reaction or pullback at which support was met. Backing up to an LPS means a pullback to support that was formerly resistance, on diminished spread and volume after an SOS. This is a good place to initiate long positions or to add to profitable ones.

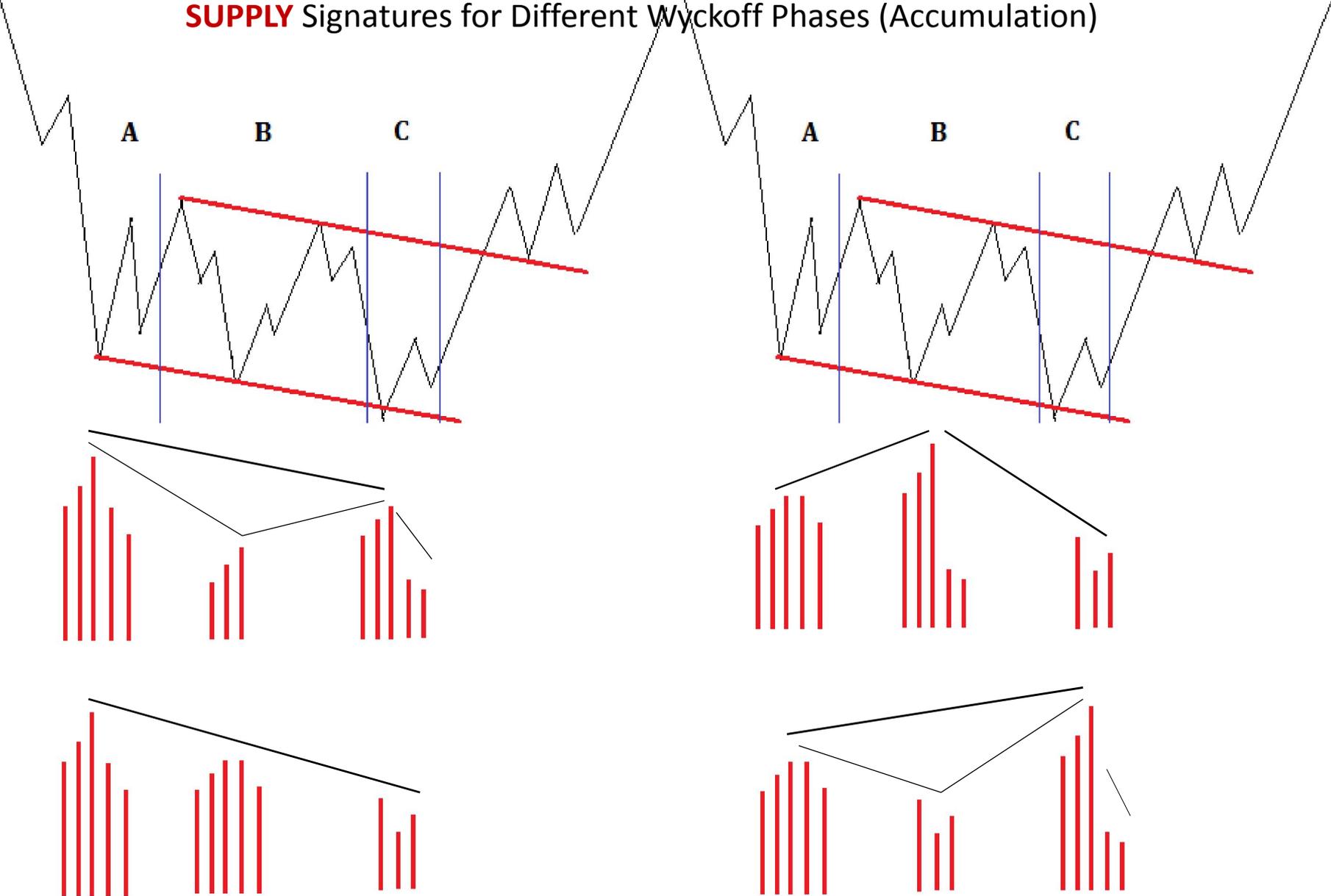
STRUCTURAL ANALYSIS OF HD (2013-2014 Trading range)

HD(D) - Weekly NYSE L=116.35 1.54 1.34% B=0.00 A=0.00 O=115.33 Hi=116.61 Lo=115.32 V=4,820,315

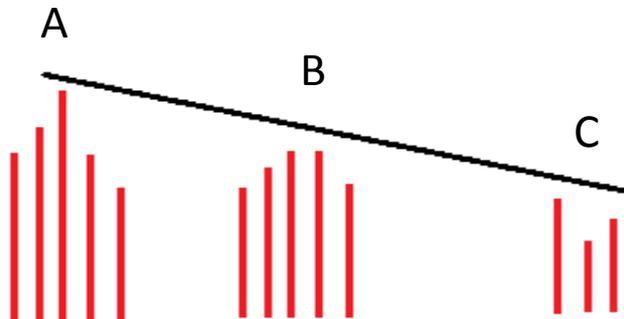
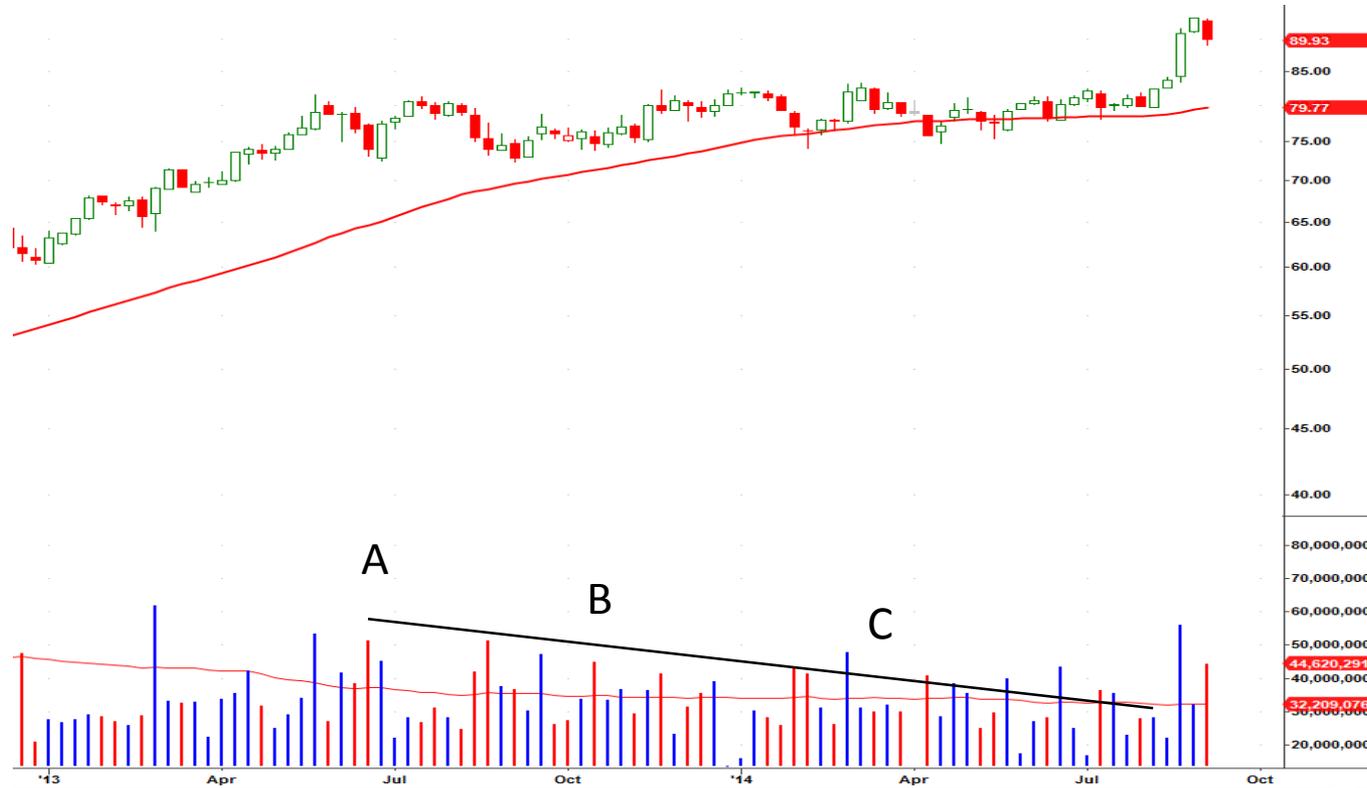


SUPPLY AND DEMAND ANALYSIS: Supply, Supply, Supply

SUPPLY Signatures for Different Wyckoff Phases (Accumulation)

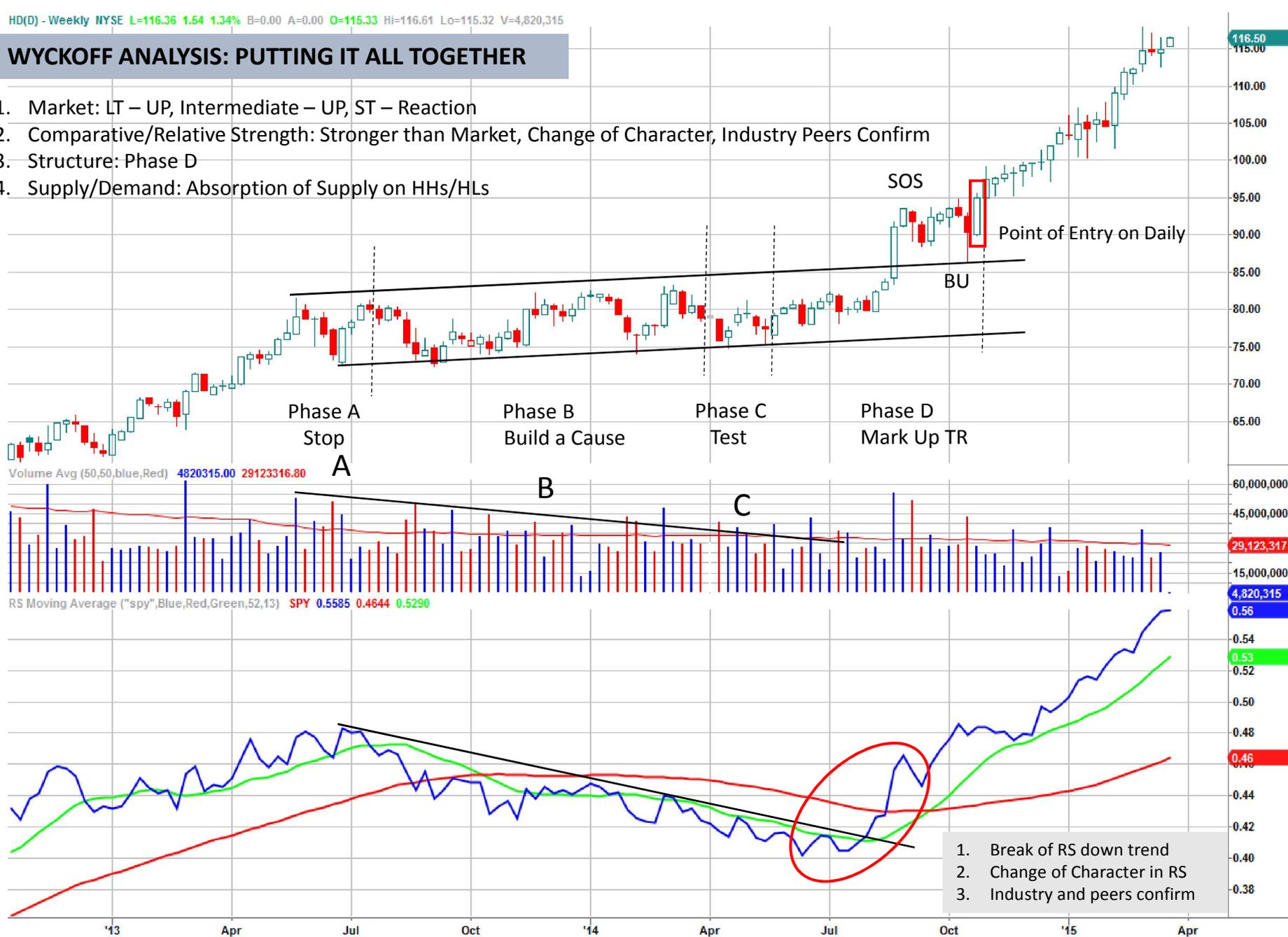


Supply Signatures in Trading Ranges – III (2013-2014 Trading Range)



WYCKOFF ANALYSIS: PUTTING IT ALL TOGETHER

1. Market: LT – UP, Intermediate – UP, ST – Reaction
2. Comparative/Relative Strength: Stronger than Market, Change of Character, Industry Peers Confirm
3. Structure: Phase D
4. Supply/Demand: Absorption of Supply on HHs/HLs





Practical Applications of the Wyckoff Method of Trading and Investing

MoneyShow Presentation

Sign up for additional webinars and classes on
www.wyckoffanalytics.com

THANK YOU!