



Volume and price analysis for Tuesday 6th October 07

By Sebastian Manby

A; This bar appears to be an Upthrust, but we have strength in the background, so you should be careful of shorting on this bar with a test on the previous bar, you should have high volume on up bars in the background first, which in this case is at 14:30 on the chart.

B; No demand, Bar A has enough weakness for this bar to be weak, and next bar down confirms that bar A was supply swamping demand enough to turn the market down.

Ba; Because prices are closing off the lows, we have to assume that support is coming in to the market, else we would see a close on or near the low.

C; Is a selling climax, if you are familiar with Tom's book 'The undeclared Secrets' you will know what a buying climax is, a down bar close near the high on ultra high volume is bullish, also if you notice, after high spikes in the volume, the market will change direction, and in this case from down to up.

D; A test of supply of bar C, this shows that most of the supply has been removed from the market, however it may not go up straight away, you have to use your common sense to decide the best entry point for you.

E; Another test, or no supply this bar shows that the sellers are exhausted and the market is unlikely to decline much further, and the smart money are waiting for the right moment to mark prices up.

F; A down bar close on the lows will show that prices are supported here and the next bar is up on an increase in volume. If you notice that the volume is lower than at point D & C, this will tell you that there is no interest in pushing prices below point C, and this is bullish. The next bar is up on an increase in volume, but closing in the middle, you would have to be on guard at this point.

G; Another test of supply on the previous bar, there is no selling pressure from the previous bar, and it appears that the smart money were willing to absorb the small lot traders desperate to get out. The next bar is up of which there is some supply present, and the market drifts sideways for a few bars.

H; Possibly no demand, but no high volume on up bars in the background, and I would be cautious about shorting. The market could be resting at this point, look for a test.

I; No supply on this bar confirms that you should not be short as the market is still primed for an up move, look how low the volume is.....

J; A down bar with a decrease in volume, this bar is showing strength and the market is liable to rally, one to watch out for.

K; Possibly no demand, but no high volume on up bars in the background. I would be cautious about shorting, as the market could be resting at this point, look for a test

L; No supply on this bar confirms that you should not be short as the market is still primed for an up move, look how low the volume is.....

M; this bar appears to show weakness, but the volume is average and the next bar is up, do not short unless you have weakness in the background.

N; This bar does show weakness, it has a narrow spread. And the volume is significant, what I call a danger bar.

O; This bar is a test of the weakness of the previous 2 bars which must show that there was supply at those levels, but because we have a test here, there is little selling pressure and prices can rally from here..

P; A wide spread up and look how high the volume is. This is very bearish, and I expect to see this weakness Wednesday, followed by 'No demand' at point Q I think we will see lower prices tomorrow.

Outlook: As I said yesterday, prices were bulled up and then marked down rapidly, then there was a shakeout where a lot of traders were punished, this meant that most of the small lot traders were vanquished via their stop losses, and the market was primed for an up move. Today we had a good rally on strength, but with high volume coming in before the close I would be cautious about a rally

tomorrow, we also have news tomorrow and it may be ugly looking at the action of today in the market, we shall see.