The Law of Supply and Demand
The Law of Effort vs. Results
The Law of Cause and Effect

The Two Goals for Money Management

These are simple yet the absolute, most important mindset every trader must have to be successful.

The first goal is to make a profit on a consistent, worthwhile basis. It is not enough to just make gains, the gains must be worthy of your time, risk, and end with excessive capital. Don't waste your time on a certain winner if the gains will be mediocre.

Hold that capital ready and spend that time finding a better trade. Smart Money (SM) will not move until the conditions are right. They will run tests (more on this later) to determine the market readiness for the move. Don't have your cash and hopes tied up so you miss their signals.

The second goal is the preservation of capital. Manage your risk with stops and never enter a position without a predetermined exit strategy.

The Five Steps to Success

Step 1: Know the trend of your security and how it relates to the general market?

Step 2: Is your security in harmony with the market. That is: in an up-trending market is your security showing strength, in a down-trending market is it showing weakness?

Step 3: Does your security show a cause that will produce an acceptable effect?

Step 4: Is your security ready to move (phase)?

Step 5: Time your trades with a change in the market using the three laws that govern all market behavior.

"A good idea is to include seven steps: visualization for step one, followed by Wyckoff's 5 Step Method, and then some type of after-action review."

The Five Qualities of a Speculator (Richard Wyckoff)

(1) Self-reliance: a man must think for himself, must follow his own convictions. Self-trust is the foundation of successful effort.

(2) Judgment: that equipoise, that nice adjustment of the faculties one to the other is essential to the speculator.

(3) Courage: confidence to act on the decisions of the mind.

(4) Prudence: the power of measuring the danger, together with a certain alertness and watchfulness, is very important. There should be a balance between the two.

(5) Pliability: the ability to change an opinion, the power of revision.

"Habits are safer than rules; you don't have to watch them. And you don't have to keep them, either. They keep you". (Frank Crane)

Finding Weaknesses (looking for reversals and slowdowns in an uptrend)

The bar after the upthrust determines what to do—if the bar is a downbar and has high volume then the trend is reversing and it might be time to close the buy and sell. And if the high of the bar is near the low of the upthrust then that is also a sign of weakness in the uptrend. If the bar after the upthrust is an upbar then the trend is not weakening. Another sign of weakness in the uptrend is when the price has been moving up with high volume and then encounters a downbar downclosing with high volume. Also watch out for No demand bars as they may be another sign of weakness. Upbars with high volume with narrow spread and closing in the middle or low indicates is a possible indicator of weakness as well – look at the later bars to confirm.

Finding Strength (looking for reversals and slowdowns in a downtrend)

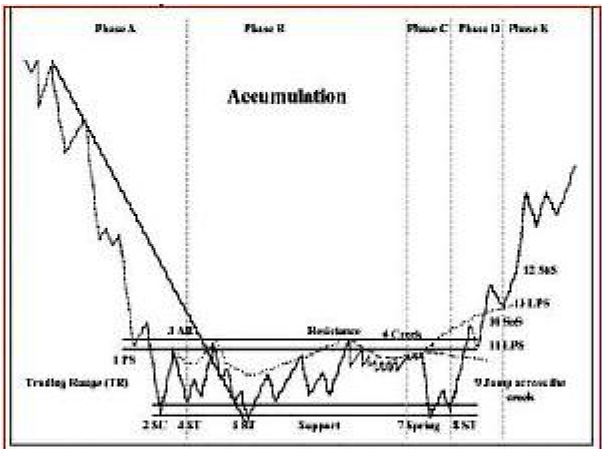
One of the most powerful ways to find indicators of strength is testing for supply. They do this to see if there is still any supply left. They do this by quickly lowering the price—if the price closes near the top and has low volume it indicates that there is no supply. Another big sign of weakness is an absorption volume bar. It indicates that the downtrend will soon stop and either reverse or range. Yet another sign of strength is a reverse upthrust…it means the trend will usually reverse immediately.

If price rises, demand/buying power/buying pressure is greater than supply/selling power/selling pressure.

If price falls, supply/selling power/selling pressure is greater than demand/buying power/buying pressure.

If price doesn't move, then demand/buying power/buying pressure and supply/selling power/selling pressure are more or less equivalent.

Wyckoff Phases of Accumulation



Source: The Anatomy of a Trading Range" by Jim Forte CMT, Market Technicians' Association Journal, Issue 19, 1994

Phase A — In phase A, supply has been dominant and it appears that finally the exhaustion of supply is becoming evident. The approaching exhaustion of supply or selling is evidenced in preliminary support (PS) and the selling climax (SC) where a widening spread often climaxed and where heavy volume or panicky selling by the public is being absorbed by larger professional interests. Once these intense selling pressures have been expressed, and automatic rally (AR) follows the selling climax. A successful secondary test on the downside shows less selling that on the SC and with a narrowing of spread and decreased volume. A successful secondary test (ST) should stop around the same price level as the selling climax. The lows of the SC and the ST and the high of the AR set the boundaries of the trading range (TR). Horizontal lines may be drawn to help focus attention on market behavior.

It is possible that phase A will not include a dramatic expansion in spread and volume. However, it is better if it does, because the more dramatic selling will clear out more of the sellers and pave the way for a more pronounced and sustained markup.

Where a TR represents a reaccumulation (a TR within a continuing up-move), you will not have evidence of PS, SC, and ST. Instead, phase A will look more like phase A of the basic Wyckoff distribution schematic. Nonetheless, phase A still represents the area where the stopping of the previous trend occurs. Trading range phases B through E generally unfold in the same manner as within an initial base area of accumulation.

Phase B — The function of phase B is to build a cause in preparation for the next effect. In phase B, supply and demand are for the most part in equilibrium and there is no decisive trend. Although clues to the future course of the market are usually more mixed and elusive, some useful generalizations can be made.

In the early stages of phase B, the price swings tend to be rather wide, and volume is usually greater and more erratic. As the TR unfolds, supply becomes weaker and demand stronger as professionals are absorbing supply. The closer you get to the end or to leaving the TR, the more volume tends to diminish. Support and resistance lines usually contain the price action in phase B and will help define the testing process that is to come in phase C. The penetrations or lack of penetrations of the TR enable us to judge the quantity and quality of supply and demand.

Phase C — In phase C, the stock goes through testing. It is during this testing phase that the smart money operators ascertain whether the stock is ready to enter the markup phase. The stock may begin to come out of the TR on the upside with higher tops and bottoms or it may go through a downside spring or shakeout by first breaking previous supports before the upward climb begins. This latter test is preferred by traders because it does a better job of cleaning out the remaining supply of weak holders and creates a false impression as to the direction of the ultimate move.

A spring is a price move below the support level of a trading range that quickly reverses and moves back into the range. It is an example of a bear trap because the drop below support appears to signal resumption of the downtrend. In reality, though, the drop marks the end of the downtrend, thus trapping the late sellers, or bears. The extent of supply, or the strength of the sellers, can be judged by the depth of the price move to new lows and the relative level of volume in that penetration.

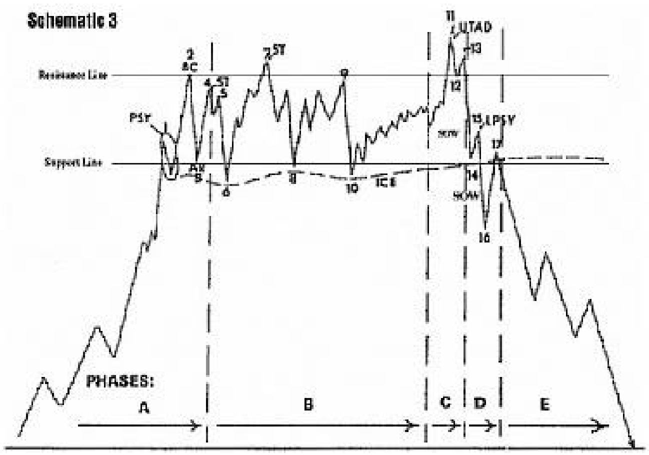
Until this testing process, you cannot be sure the TR is accumulation and hence you must wait to take a position until there is sufficient evidence that markup is about to begin. If we have waited and followed the unfolding TR closely, we have arrived at the point where we can be quite confident of the probable upward move. With supply apparently exhausted and our danger point pinpointed, our likelihood of success is good and our reward/risk ratio favorable.

Phase D — If we are correct in our analysis and our timing, what should follow now is the consistent dominance of demand over supply as evidenced by a pattern of advances (SOSs) on widening price spreads and increasing volume, and reactions (LPSs) on smaller spreads and diminishing volumes. If this pattern does not occur, then we are advised not to add to our position but to look to close out our original position and remain on the sidelines until we have more conclusive evidence that the markup is beginning. If the markup of your stock progresses as described to this point, then you'll have additional opportunities to add to your position.

Your aim here must be to initiate a position or add to your position as the stock or commodity is about to leave the TR. At this point, the force of accumulation has built a good potential as measured by the Wyckoff point-and-figure method.

In phase D, the markup phase blossoms as professionals begin to move into the stock. It is here that our best opportunities to add to our position exist, just as the stock leaves the TR.

Wyckoff Phases of Distribution



Phase A — In Phase A, demand has been dominant and the first significant evidence of demand becoming exhausted comes at preliminary supply (PSY) and at the buying climax (BC). It often occurs in wide price spread and at climactic volume. This is usually followed by an automatic reaction (AR) and then a secondary test (ST) of the BC, usually upon diminished volume. This is essentially the inverse of phase A in accumulation.

As with accumulation, phase A in distribution price may also end without climactic action; the only evidence of exhaustion of demand is diminishing spread and volume.
Where redistribution is concerned (a trading range within a larger continuing down-move), you will see the stopping of a down-move with or without climactic action in phase A. However, in the remainder of the trading range (TR) for redistribution, the guiding principles and analysis within phases B through E will be the same as within a TR of a distribution market top.

Phase B — The building of the cause takes place during phase B. The points to be made here about phase B are the same as those made for phase B within accumulation, except clues may begin to surface here of the supply/demand balance moving toward supply instead of demand.

Phase C — One of the ways phase C reveals itself after the standoff in phase B is by the sign of weakness (SOW). The SOW is usually accompanied by significantly increased spread and volume to the downside that seem to break the standoff in phase B the SOW may or may not "fall through the ice," but the subsequent rally back to a "last point of supply" (LPSY), is usually unconvincing for the bullish case and likely to be accompanied by less spread and/or volume.

Last point of supply gives you your last opportunity to exit any remaining longs and your first inviting opportunity to exit any remaining longs and your first inviting opportunity to take a short position. An even better place would be on the rally that tests LPSY, because it may give more evidence (diminished spread and volume) and/or a more tightly defined danger point.

An upthrust is the opposite of a spring. It is a price move above the resistance level of a trading range that quickly reverses itself and moves back into the trading range. An upthrust is a bull trap — it appears to signal a start of an uptrend but in reality marks the end of the up-move. The magnitude of the upthrust can be determined by the extent of the price move to new highs and the relative level of volume in that movement.

Phase C may also reveal itself by a pronounced move upward, breaking through the highs of the trading range. This is shown as an upthrust after distribution (UTAD). Like the terminal shakeout in the accumulation schematic, this gives a false impression of the direction of the market and allows further distribution at high prices to new buyers. It also results in weak holders of short positions surrendering their positions to stronger players just before the down-move begins. Should the move to new high ground be on increasing volume and relative narrowing spread, and price returns to the average level of closes of the TR, this would indicate lack of solid demand and confirm that the breakout to the upside did not indicate a TR of accumulation, but rather a formation of distribution.

Successful understanding and analysis of a trading range enables traders to identify special trading opportunities with potentially very favorable reward/risk parameters. When analyzing a trading range, we are first seeking to uncover what the law of supply and demand is revealing to us. However, when individual movements, rallies, or reactions are not revealing with respect to supply and demand, it is important to remember the law of effort versus result. By comparing rallies and reactions within the trading range to each other in terms of price spread, volume, and time, additional clues may be discovered as to the stock's strength, position, and probable future course.

It will also be useful to employ the law of cause and effect. Within the dynamics of a trading range, the force of accumulation or distribution gives us the cause and the potential opportunity for substantial trading profits. The trading range will also give us the ability, with the use of point-and-figure charts, to project the extent of the eventual move out of the trading range and will help us determine if those trading opportunities favorably meet or exceed our reward/risk parameters.

Phase D — Phase D arrives and reveals itself after the tests in phase C show us the last gasps or the last hurrah of demand. In phase D, the evidence of supply becoming dominant increases either with a break through the ice or with a further SOW into the trading range after an upthrust.

In phase D, you are also given more evidence of the probable direction of the market and the opportunity to take your first or additional short positions. Your best opportunities are at rallies representing LPSYs before a markdown cycle begins. Your legging in of the set of positions taken within phases C and D represents a calculated approach to protect capital and maximize profit. It is important that additional short positions be added or pyramided only if your initial positions are in profit.

Phase E — Phase E depicts the unfolding of the downtrend; the stock or commodity leaves the trading range and supply is in control. Rallies are usually feeble.

Price Analysis

Principle One:

The herd will panic after substantial falls and start to sell usually on bad news.

> *"Are the trading syndicates and market makers prepared to absorb the panic selling at these price levels? (must be on a down bar). If they are, then this is a strong sign of strength ."*

Principle Two:

The herd will at some time after substantial rises as seen in a bull market become annoyed at missing out on the up-move and will rush in and buy, usually on 'good news'. This includes traders that already have long positions, and want more.

> *"Are the trading syndicates and market makers selling into this buying? (must be a up-bar) If so, then this is a strong sign of weakness."*

Volume Analysis

VSA teaches that *weakness* comes in on up moves and *strength* comes in on down moves.

> **1. Bullish volume** is increasing volume on up-moves and decreasing volume on down-moves.
> **2. Bearish volume** is increasing volume on down-moves and decreasing volume on up-moves.

To Smart Money *"accumulate means to buy as much of the stock as you can, without significantly putting the price up against your own buying, until there are few, or no more shares available at the price level you have been buying at. This buying usually takes place after a bear move has taken place in the stock market as a whole...The lower prices now look attractive."* [TW]

This is a good time to incorporate Williams perspective on **The Path of Least Resistance**:

1. It takes an **increase of buying** (demand), on up-days or bars, to force the market up.

> The appearance of no Demand (low volume) on an up-move, shows little or no buying. Which means, if there is no trading going on in one direction, the path of least resistance is generally in the opposite direction.

2. It takes an **increase of selling** (supply), on down-days or bars , to force the market down.

> The appearance of no Supply (low volume) on a down-move shows little or no selling pressure. Which means, if there is no trading going on in one direction, the path of least resistance is generally in the opposite direction.

VSA is the combination of analyzing volume to price spread in the context of the background which includes the general market and multiple time-frames. It is within the context of the background that volume shows it's weight in the final analysis:

"It [volume] is often looked at for confirming evidence of price trend and price reversal patterns. For patterns such as triangles that are the product of a period of indecision or consolidation in stock price, volume is usually light during the formation of the pattern and increases on a breakout from the pattern. For any pattern or trendline penetration, a breakout with increasing volume is more an indication that prices will continue in the direction of the breakout than a breakout on low volume."[Trade10.com]

Market Forces of Supply and Demand

Markets move off of the imbalance of supply and demand. This is what VSA identifies so clearly on a chart: An imbalance of supply and the market has to fall; an imbalance of demand and the market has to rise.

Here it's turned around to see how the market moves on ***No* Demand** or ***No* Supply**. There are two ***Low-Volume Tests*** SM uses, before turning a market, that are somewhat easy to spot.

The first test here illustrates **weakness** before a bearish move, that is, weakness in an uptrend ("weakness appears on up bars," TW). This is called the **No Demand Bar**: a narrow spread UpBar with low volume that Closes in the lower half of the price-bar.

The No Demand Bar shows there is very little activity from the SM. It is this "no demand" from SM that causes a market to reverse on the tops. The low volume shows that their participation is limited in the up move because they know the market is weak. Their campaign will include giving the move an extra nudge to clear any stops. In the end, triggering stops is a very profitable manouver for them. This is one of the times they will trade away from the true value of the market to cause confusion - then panic, when the market turns.

Those traders who were anticipating the top and took short positions with stops in that area are forced to cover away from the true value then get them back at a lower price. At this time, the news is talking up the bull market day - if the reporters haven't done it on their own, there is always an analyst (manipulating SM) calling in.

Trend Range and Zones

This is like Bolinger Bands or Stochastics on steroids. The bottom trend line is the support line and the top line as the supply line. In the bottom *Trend Zone* SM finds strength developing as *Resistance to Supply* and the opposite for the upper zone – weakness developing as *Resistance to Demand*.

In the chart below it can be seen how Tom Williams (TW) divides a Trend Range into upper quarter and lower quarter - the battleground. It is in these resistance Zones where potential *breakouts* or *reversals* are most likely to occur.

While the market moves towards a trend line it is in the *Path of Least Resistance*. When it penetrates a zone special conditions come into play. If the market is heading up within the *Trend Range* it will require *Effort* to push through as will be seen in higher *volume* ("It will take professional activity, money and effort to change this trend.") or no effort to reverse. The exact opposite works for invasion into the lower Trend Zone. If their is to be a breakout it can often come as a Gap.

Effort versus Result
A wide spread up bar on an increase in volume, punching up and through a trend line, while the next day/bar is level or even higher. You are now expecting higher prices. On any low volume down day/bar will confirm this view. Down bars on low volume, especially on narrow spreads shows that there is little selling pressure on the market, confirming that the market is a strong one. However, is the following bars are seen to be up on low volume, narrow spreads, even closing in the middle or low then the market is a weak one. There is no effort to go up. [TW]

[Source: VSA - Basics by Karthik Marar]

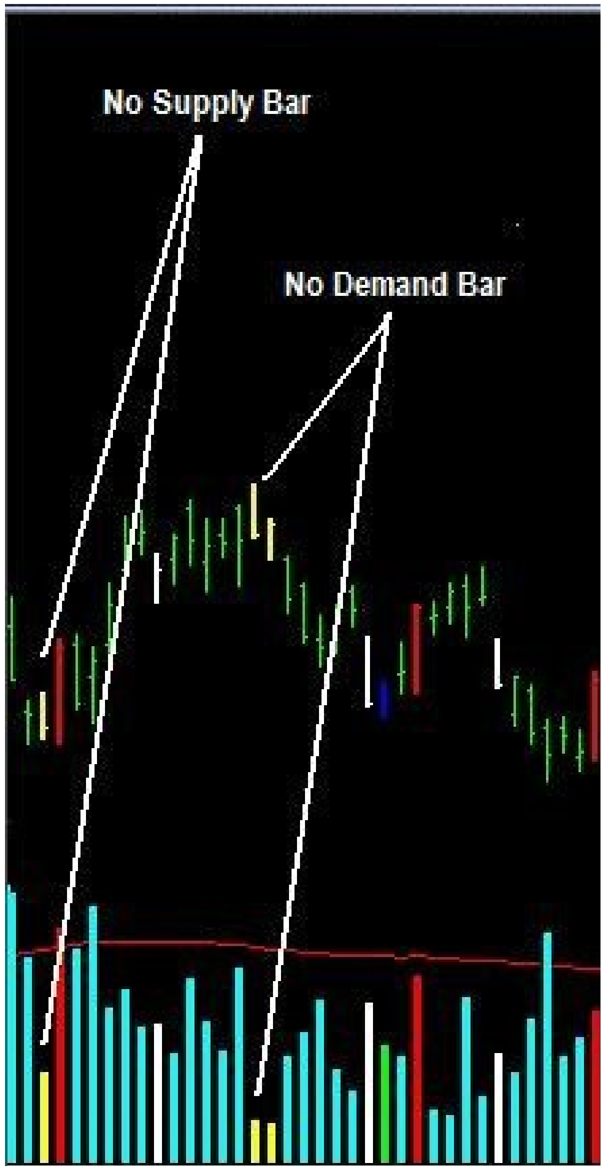
Trend Clusters

TW's *Trend Clusters* are the creation of an automatic trend line system for the VSA5 computer program he developed (later to become TradeGuider), that automatically draws trend clusters on his charts. Technically, these are not trendlines but what is commonly referred to as *Support and Resistance* lines showing where price reacted in the past either by consolidating for a period or bouncing.

I don't have the platform so the usual s/r lines will have to do. But, TW's approach to Trend Clusters can still, IMO, power up these areas. As he puts it:

"As you will see, professional traders want to test or to cross resistance with the least effort to them. To cross resistance will cost the marketmaker money which they would like to avoid. Note how the highs and lows may be testing the resistance, but the closing price tends to avoid the clusters.

To penetrate old resistance there might be a sudden wide spread down on high volume, punching through, or a gap down [this is like jumping the hedge]. You may see a drift sideways, then amble through the zone, or a snap move down through a gap. Why this should happen is always open to discussion. The professionals in the markets are aware of resistance levels, not through some complex theoretical analysis, but because they have the orders on their books and they can see both sides of the market as the orders from around the world arrive. They will also see when it becomes difficult to attract business at certain prices [no demand]. What we can be sure of is that resistance to price movement is a reality whether upwards or downwards."



The Tests:

No Demand Bar
The first Test here illustrates **weakness** before a bearish move, that is, weakness in an uptrend ("weakness appears on up bars," TW). This is called the **No Demand Bar**: a narrow spread UpBar with low volume that Closes in the lower half of the price-bar. If there is a NO DEMAND bar, it is an up bar that has less volume that the two previous bars.

No Supply Bar
The **No Supply Bar** is another narrow spread DownBar with low volume that closes in the lower half. It is used to find strength in a downtrend ("strength appears on down bars," TW). Here we're looking to establish the cause of certain price movements. The "cause" is quite simply the imbalance between supply and demand in the market, which is created by the activity of SM or volume. The effect is a change in price. Volume is the SM indicator. These low volume bars indicate SM is mostly inactive, watching their tests for strength or weakness to unfold.

VSA teaches that strength comes in on down bars and weakness comes in on up bars. Strength is buying (demand) and weakness is selling (supply).

There are two tactics that are used when a Trend is about to reverse: the ***Selling Climax*** and ***Buying Climax***.

An important point here is to know the tactics of retracements versus reversals? Retracements have: a lack of volatility; small Spreads; and decreased Volume. Reversals, on the otherhand, have: increased Volatility; large spreads; increasing volume. To see this on a chart simply draw arrows for the stock movement and the volume. In retracements the arrows are in the same direction; in reversals the arrows will be in opposite directions.

The Beginning of a Down Trend
Markets do not like very high volume on up bars because something big is happening. Either you have seen a Buying Climax which will mark the end of a rising market. Or professional money is prepared to buy stock from old locked in traders from the last previous high. This is not charity work by the money men but absorption because they are still bullish and are anticipating even higher prices. [TW]

A buying climax in an individual stock is usually easy to recognise. The stock has already been in a bull move, but suddenly the price starts to rocket up. The news is good, in fact very good. The Herd gets excited on all this activity and starts buying.

The Buying Climax
There are two types of buying climactic action seen in the indices with only one major distinction. After a substantial bull move has already taken place, the market moves even higher on wide spreads up. Good news, excitement, elation abounding. You observe the volume is Ultra-high. This indicates that you may have seen a buying climax. [TW]

Those traders that have been waiting to buy start buying - afraid they will miss out on a bigger move up. Even traders that already have positions, buy more. This gives the SM a chance to unload huge amounts of their holdings in this stock, bought at lower levels, without moving the price down against their own selling. After this Buying Climax they sell the stock short, knowing that there is no support or demand at these high prices. This process guarantees huge profits.

Finding Strength in a DownTrend
One of the most powerful ways to find indicators of strength is testing for supply. They do this to see if there is still any supply left. They do this by quickly lowering the price—if the price closes near the top and has low volume it indicates that there is no supply. Another big sign of weakness is an absorption volume bar. It indicates that the downtrend will soon stop and either reverse or range. Yet another sign of strength is a reverse upthrust… t means the trend will usually reverse immediately. [VSA Quick Guide]

As can be seen in the chart below at first there is high volume to stop the trend - SM is over-matching the new Demand of the late-comers with a high volume of Supply. The market could move sideways while SM absorbs the remaining supply and runs tests. When SM is convinced there is no supply left they will use an UpThrust Trap to lock-in the Herd. Their judgement is clouded by the rapid mark-up with its accompanying good news, and the anticipation of even higher prices.

Climactic action is hall-marked by wide spreads up on very high volume, but the price does not respond upwards. A good trader will now be looking to short the market or sell calls on any low volume up-move (no demand). [TW]

The Beginning of an UpTrend
To create a major up trend you need to see the extremes of this process at work. This is known as a Selling Climax and will mark the low point of the trend. The Selling Climax phenomenon occurs when there has been a major transfer of stock from weak holders, that is -traders, who have been locked-in at higher prices suffering the fear and pressure of losses which cannot be tolerated any longer,

decide to sell. [TW]

The Beginning of an UpTrend starts before the down trend ends. It is the last phase of the down trend the herd has liquidated their long positions and possibly are taking short positions. The major move to change the trend will come when SM unloads most of their holdings.

Finding Weakness in an UpTrend

The bar after the upthrust determines what to do—if the bar is a downbar and has high volume then the trend is reversing and it might be time to close the buy and sell. And if the high of the bar is near the low of the upthrust then that is also a sign of weakness in the uptrend. If the bar after the upthrust is an upbar then the trend is not weakening. Another sign of weakness in the uptrend is when the price has been moving up with high volume and then encounters a downbar downclosing with high volume. Also watch out for No demand bars as they may be another sign of weakness. Upbars with high volume with narrow spread and closing in the middle or low indicates is a possible indicator of weakness as well – look at the later bars to confirm.[VSA Quick Guide]

The Selling Climax

The news will definitely be 'bad' This, together with the pain of previous falls will panic the herd into selling. This will give professional money the opportunity to place substantial amounts of money into the market at bargain prices. Ultra wide spreads down, with exceptionally high volume, usually closing on or near the highs of the day. If the price action does not close on the highs but on the lows and the next day is up closing on the high, this can be regarded as similar action. Add more bullishness if the news is really bad. [TW]

The classic characteristics of a selling climax:

- Abnormally large volume
- Wide spreads
- An acceleration of the downtrend

In the chart above there is a *Test* for supply (2nd bar in red box), then only light volume and a *Spring Trap*. This was the go-ahead for the rally to begin.

Back to Wyckoff: *"Abnormally large and swift volume expansion marks a turning point."*

The Traps:

UpThrust Trap
The first Trap illustrated comes during a Re-Distribution in the Mark-Down Phase in a downtrend. SM has accumulated more supply and is ready to sell. The *UpThrust Trap* (aka: Bull Trap). This is a wide spread UpBar with an increase in volume, punching up through a trend line.
Price has rallied into the *Supply-Line Resistance*. SM begins the *UPThrust Trap* and quickly buys on higher volume causing a Spike in the price spread. Bulls jump in at the higher price level. Then, just as quickly, SM sells. The Herd is trapped. The smarter ones will sell while the price is falling, thereby, cutting their losses short; the dumber ones will hold longer hoping for a miracle reversal to save them from their rapidly growing losses.

Spring Trap
The above chart shows the *Spring Trap* (aka: *Bear Trap*) as the reverse of the *UPThrust Trap*, though less volume was needed for SM to achieve their goal. The herd's short sell triggers are hit and they panic as price turns against them. As can be seen in the blue boxes, this is not the first time these suckers have fallen for this setup, nor the last! These are head-fakes (aka: *False Breakouts*) by SM and, as can be seen, easily readable in a chart when the setup is understood.

Nine Buying Tests

1. ***Downside objective accomplished***
2. ***Activity Bullish (volume increases on rallies and decreases on reactions)***
3. ***Preliminary supply***
4. ***Average of stock stronger than the market (more responsive on rallies and more resistant on reactions***
5. ***Downward stride broken. (supply line penetrated)***
6. ***Higher supports (daily low)***
7. ***Higher tops (daily high prices rising)***
8. ***Base forming (horizontal price line)***
9. ***Estimated profit is at least three times the indicated risk***

Nine Selling Tests

1. ***Upside objective accomplished***
2. ***Activity bearish (volume decreases on rallies and increases on reactions)***
3. ***Preliminary supply***
4. ***Average of stock weaker than market (more responsive on reactions and sluggish on rallies)***
5. ***Upward stride broken (supply line penetrated)***
6. ***Lower tops (daily high prices falling)***
7. ***Lower supports (daily low prices falling)***
8. ***Crown forming (lateral movement)***
9. ***Estimated profit is at least three time the risk***

Resistance

In VSA Trend lines only represent resistance: either *resistance to supply*, or *resistance to demand*. Remeber: Markets move off of the *imbalance of supply and demand*. An imbalance of supply and the market has to fall; an imbalance of demand and the market has to rise.

The traps covered here in relation to the trends of supply and demand will be *Springs* and *Upthrusts*. A Spring is a false breakout through the resistance provided by the Supply-Line: a false breakout because prices suddenly spring back. An upthrust is the opposite: a false breakout above the resistance of the Demand-Line only to retreat almost immediately after.

Therefore: an imbalance of Supply is a Down-Trend where the trend is running under the ***Supply-Line Resistance***. The market is being Marked Down as SM Accumulates (buys) more and more of the market's supply at lower and lower prices.

The opposite is true of the UP-Trending market. The trend is running over ***Demand-Line Resistance*** as the market is being Marked UP. SM is Distributing (selling) to the market's Demand-Line Resistance at higher and higher prices.

At anytime during a market phase SM might find they are over/under supplied and need to accumulate/distribute their holdings. Naturally when these circumstances present themselves SM is going to setup certain situations to acheive better prices that market.

The first Trap illustrated comes during a Re-Distribution in the Mark-Down Phase in a downtrend. SM has accumulated more supply and is ready to sell. The chart below shows the ***UpThrust Trap*** (aka: *Bull Trap*). This is a wide spread UpBar with an increase in volume, punching up through a trend line.

The above chart shows the ***Spring Trap*** (aka: *Bear Trap*) as the reverse of the *UPThrust Trap*, though less volume was needed for SM to acheive their goal. The herd's short sell triggers are hit and they panic as price turns against them. As can be seen in the blue boxes, this is not the first time these suckers have fallen for this setup, nor the last! These are head-fakes (aka: ***False Breakouts***) by SM and, as can be seen, easily readable in a chart when the setup is inderstood.

A definitive case of *Effort* getting *Results*.