

The ABC's of VSA: Distribution Part II

By Lauren Snedeker



Today's Objectives

- Recognize the middle sequence bar
- Recognize market tops & relative volume
- Determine collapse, rise, or sideways based on the indicator and volume
- Learn to be patient! 😊



Review from Part I

- Distribution is also known as the _____ phase by the Smart Money
- Distribution is marked by two things:
 1. _____
 2. _____

Review from Part I

- Distribution is also known as the Selling phase by the Smart Money
- Distribution is marked by two things:
 1. Ultra High Volume
 2. Ultra Wide Spread

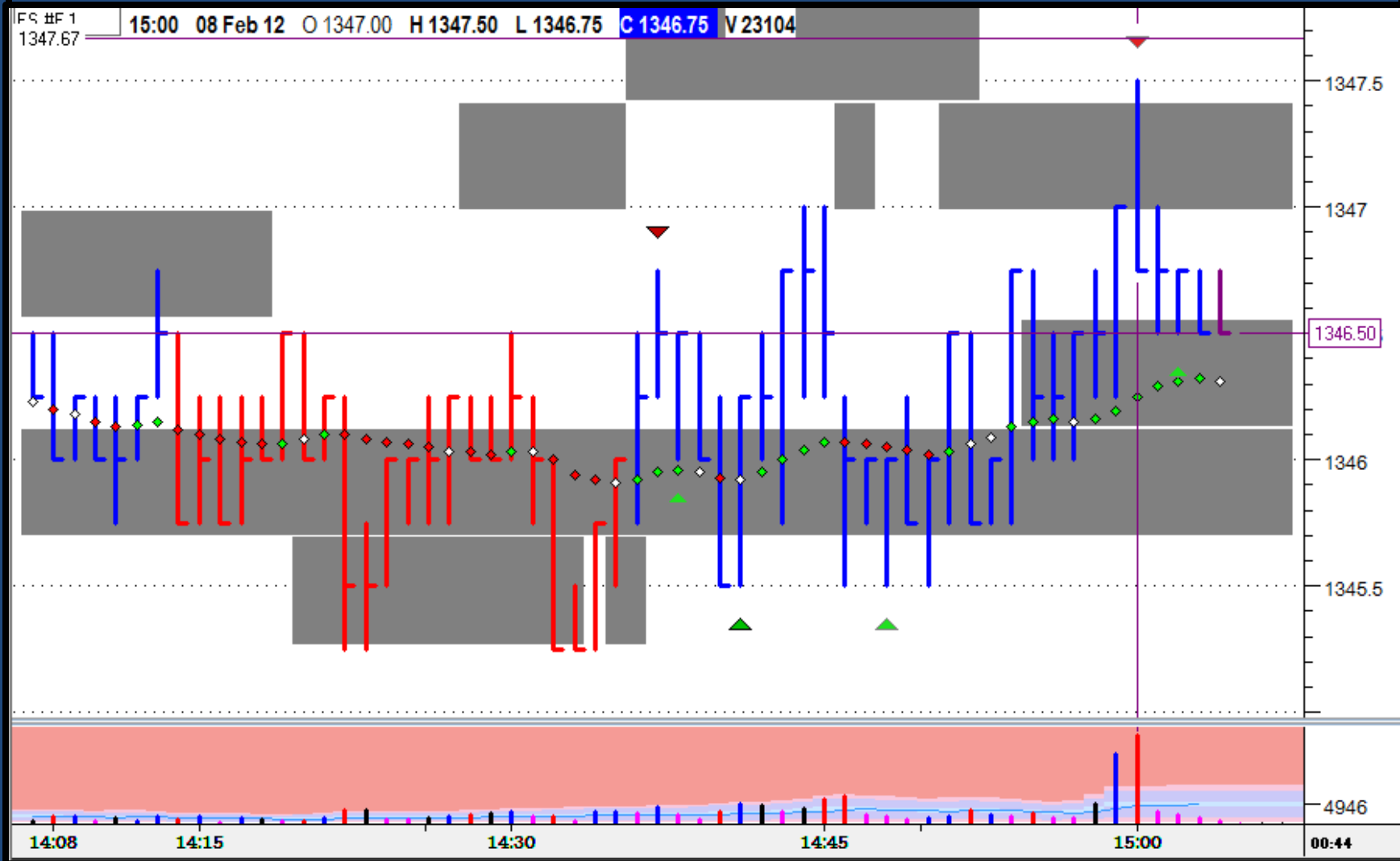
Using Gavin's second book

- 10 Sequences for Shorting include these Middle Signals:
- **Upthrust**
- **No Demand**
- **Supply Coming In (not as common)**

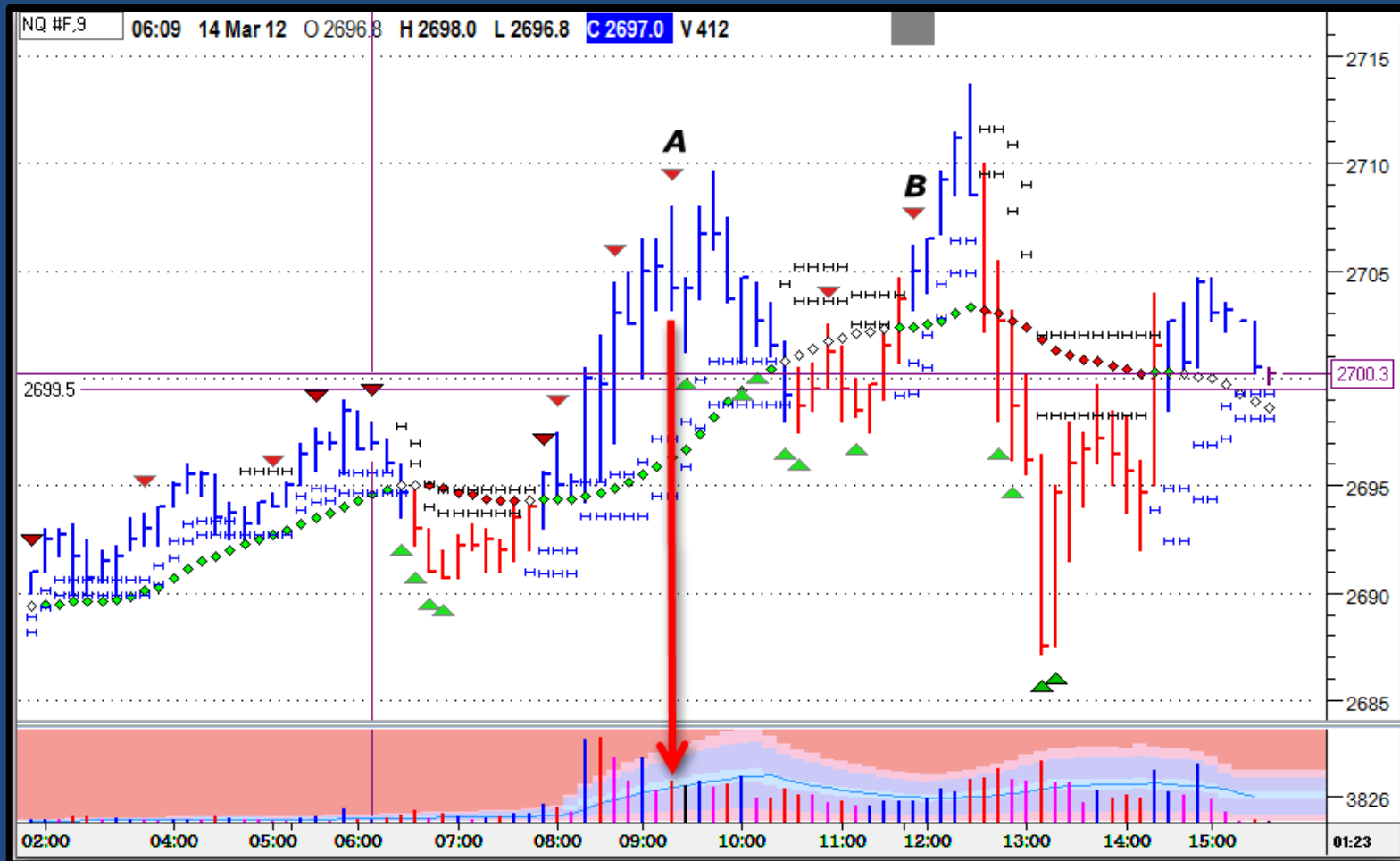
The Upthrust

- Most common middle signal
- You have weakness behind you
- You approach an old top and close on the low
- The bar should have a higher high than the bar(s) behind it
- Closes on the low (looks like an L)
- Next bar should close down

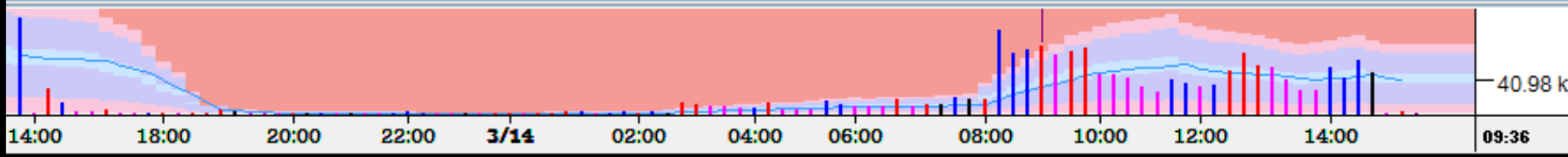
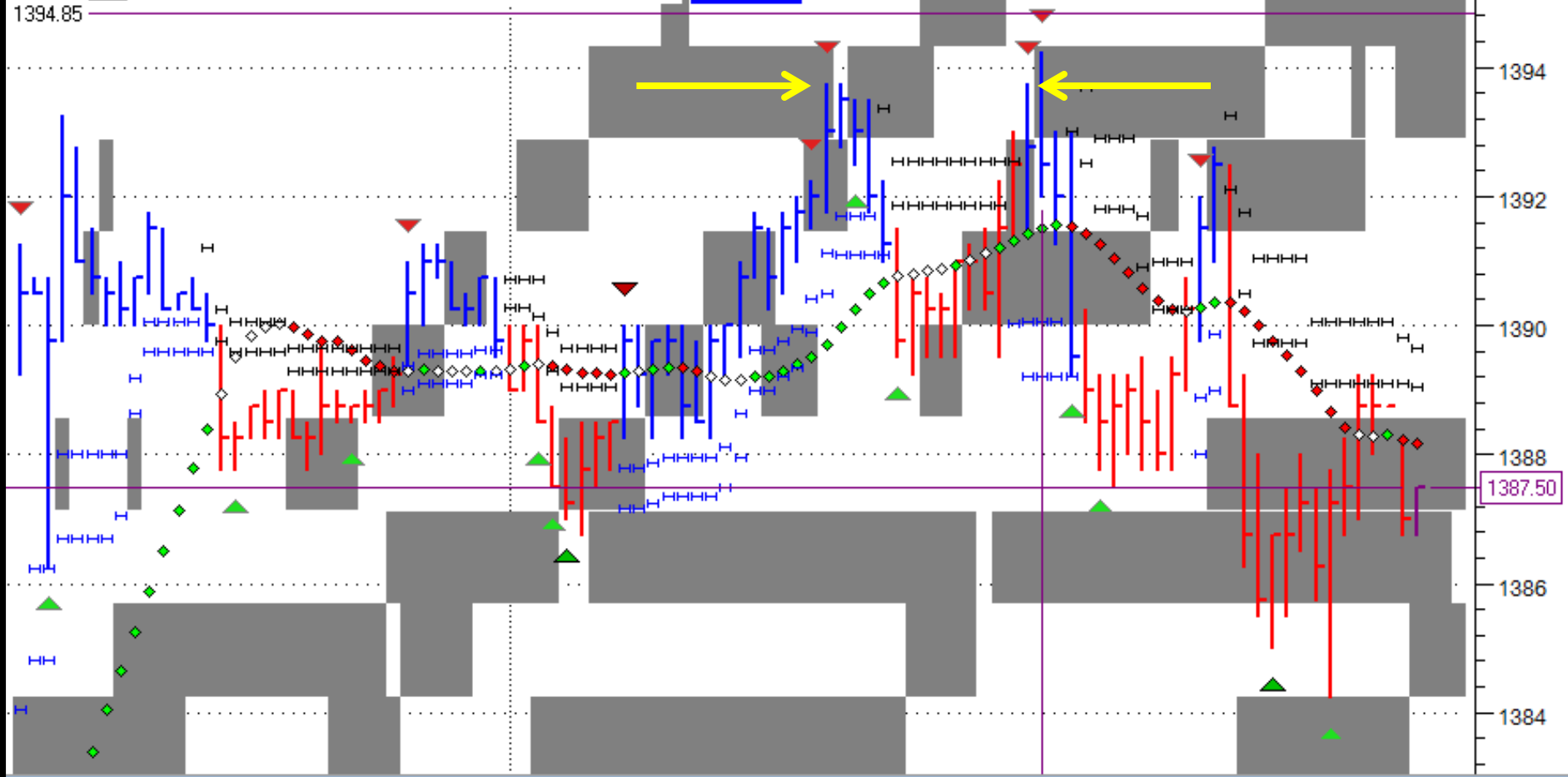
Upthrust on High Volume



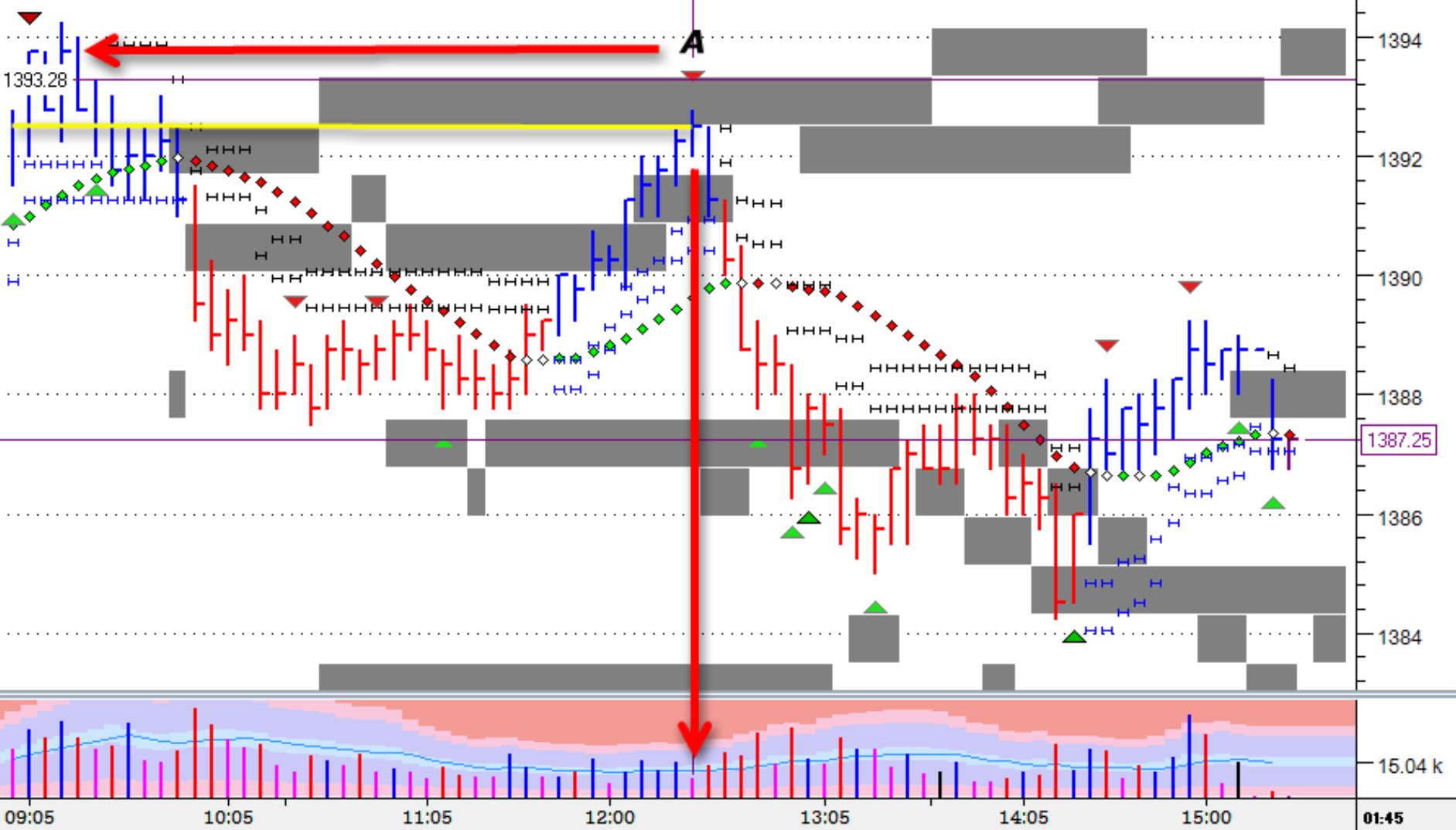
UpThrust on Moderate Volume



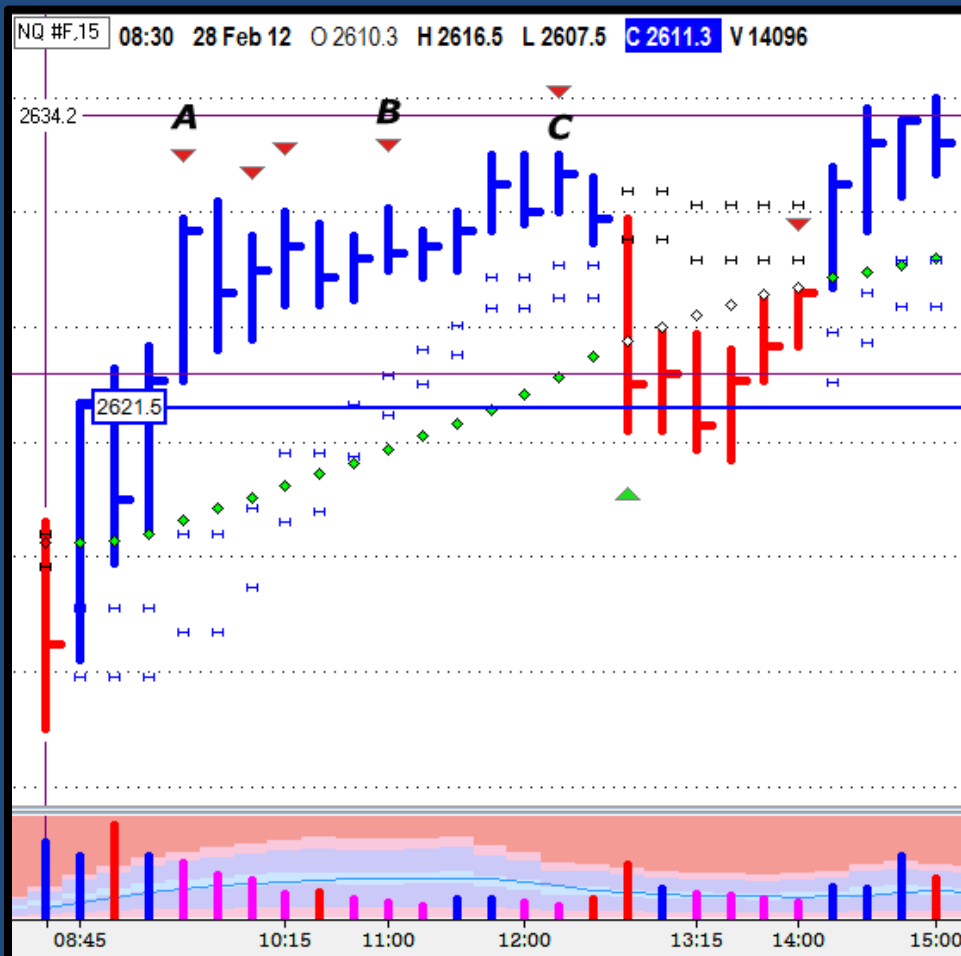
ES #F,15 09:15 14 Mar 12 O 1393.00 H 1394.25 L 1392.00 C 1392.50 V 78668



ES #F.5 12:25 14 Mar 12 O 1392.25 H 1392.75 L 1392.00 C 1392.50 V 8214



No Demand near Market Top

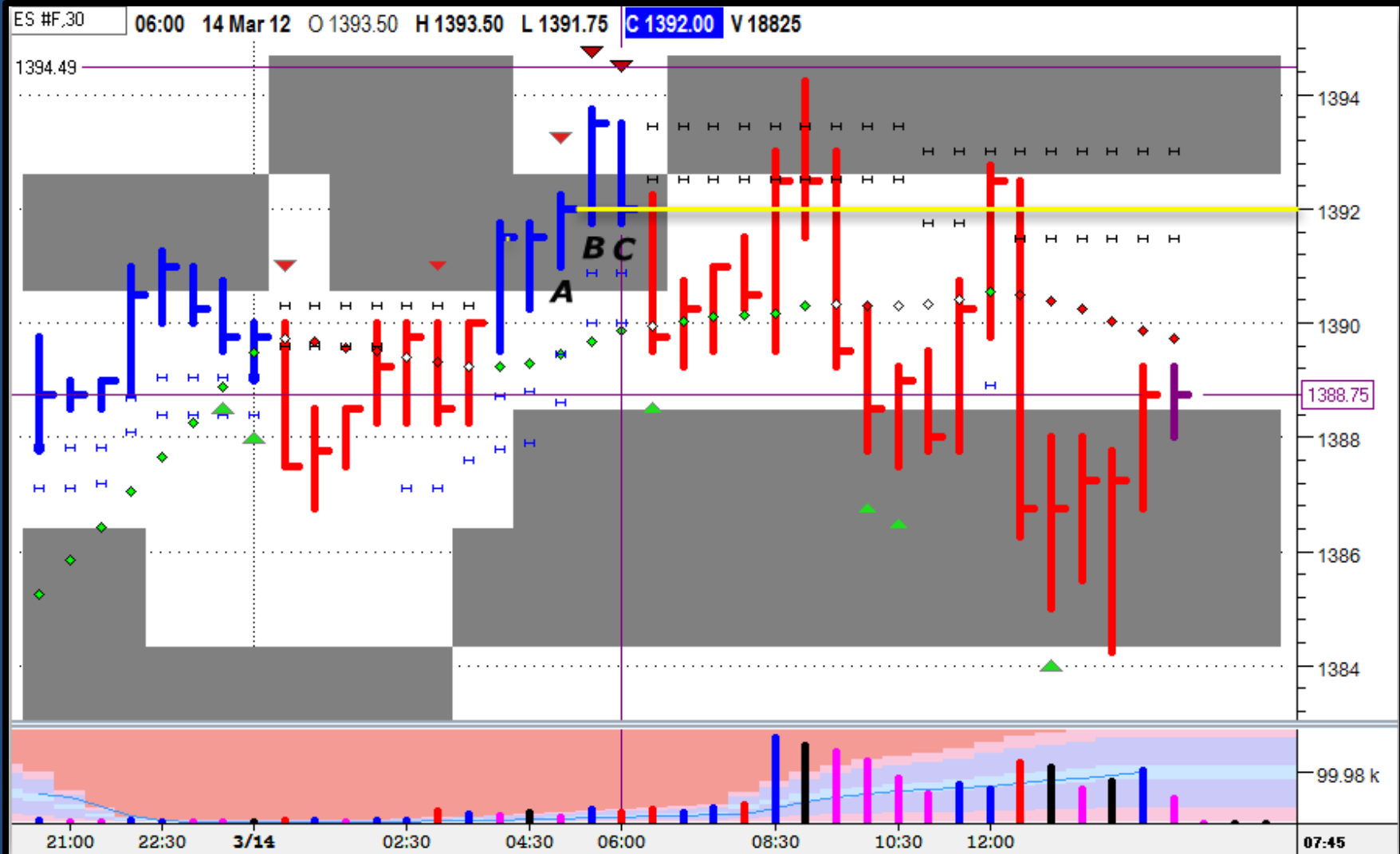


- Approaches an old top
- Far less volume
- Sideways movement before
- Next bar closes down
- Gaps back down to Climactic Action area

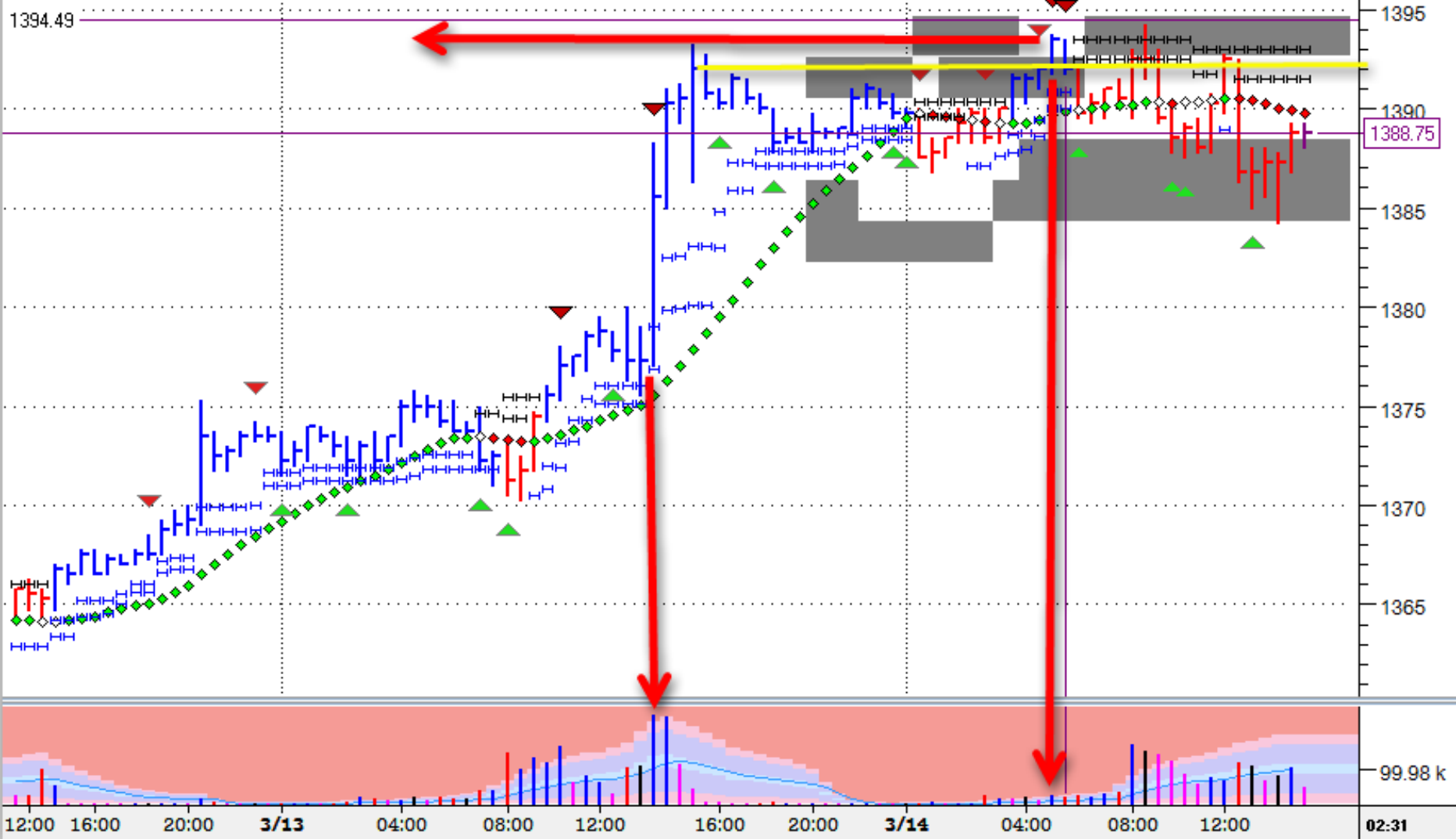
Supply Coming In

- A True Breakout: breaks through an old top on High Volume and will be tested within 2 bars ideally
- A False Breakout: (in this case) is a Serious SOW – the more supply present the greater the future drag on prices and the need for testing of that supply

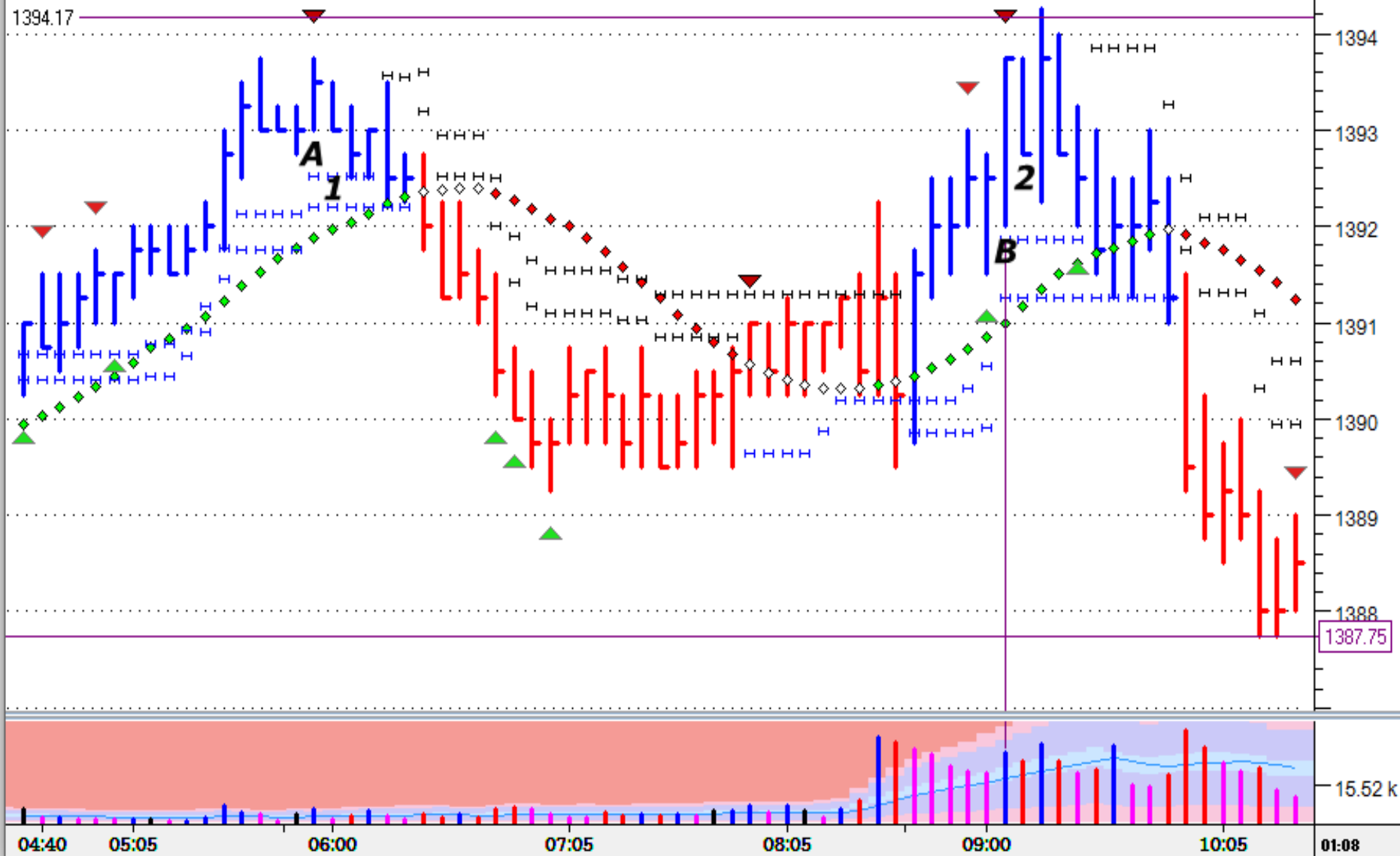
Supply Coming In - SOW



ES #F,30 06:00 14 Mar 12 O 1393.50 H 1393.50 L 1391.75 C 1392.00 V 18825



ES #F,5 09:05 14 Mar 12 O 1392.25 H 1393.75 L 1392.00 C 1393.75 V 28760



Middle Sequences

- They are **not confirmation** signals the market is going to fall
- They are alerting you to **exit your long position**
- They are alerting you to **watch the volume**
- They are alerting you to **look at old tops**
- You need confirmation **ALWAYS**

Putting it all together

- The start of distribution in place
- You approach an old top
- You watch the volume
- You determine how weak the market is
- You wait for confirmation