



The ABC's of VSA: Supply & Demand

By Lauren Snedeker



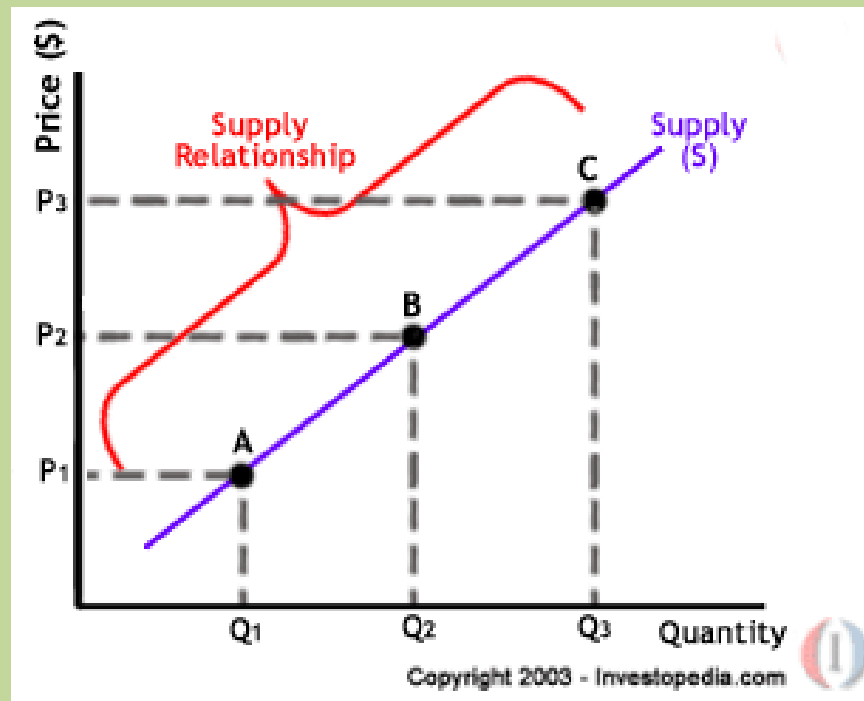
Today's Objectives

- ☐ Understanding the Law of Supply
- ☐ Understanding the Law of Demand
- ☐ Connecting Supply & Demand with Volume
- ☐ Identifying UHV and relative low volume within a trading range



The Law of Supply

- As the price of a good or service **increases**, the quantity of that supply **increases**

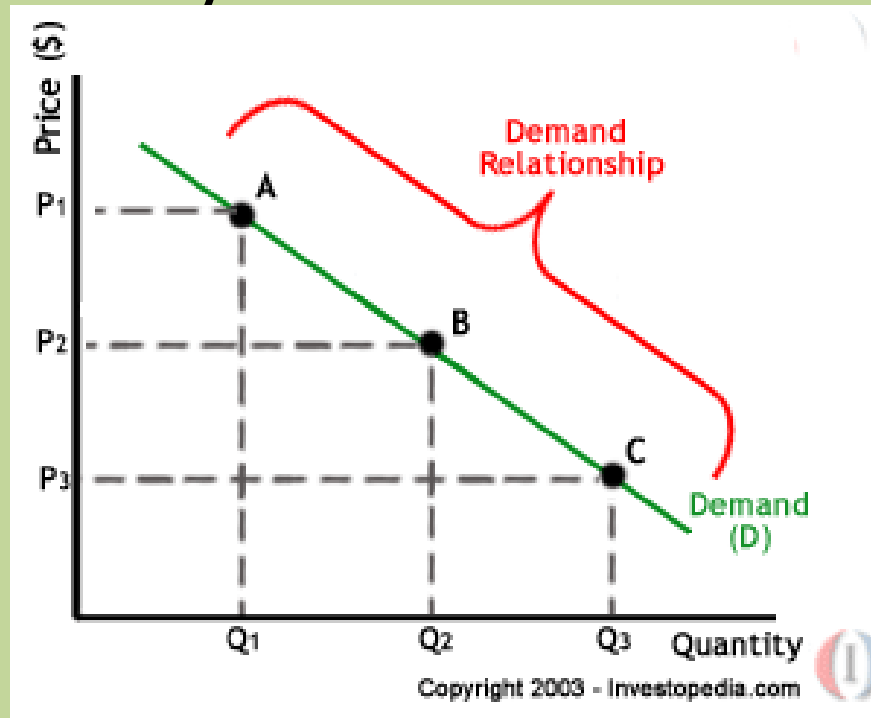


What this means

- Producers supply **more** at **higher** prices because selling more at a higher price is more **revenue**
- Supply & VSA – supply must be present to start a campaign and be exhausted to end a campaign

The Law of Demand

- As the price for a good or service **increases**, the demand by the consumer will **decrease**



What this means

- You will buy **more** units at a **lower** price
 - You will buy **less** units at a **higher** price
- How many TV's do you own vs shoes?



Supply ----- Demand

$\frac{\text{Demand}}{\text{Supply}}$ = **Prices Rise**

$\frac{\text{Supply}}{\text{Demand}}$ = **Prices Fall**

Distribution Phase

- The selling phase by the Smart Money (SM)
- They mark up the price to attract Buyers (the herd)
- They sell their supply to the willing Herd
- As these orders come in one after another, it creates the Ultra High Volume you see
 - Let's see an example!

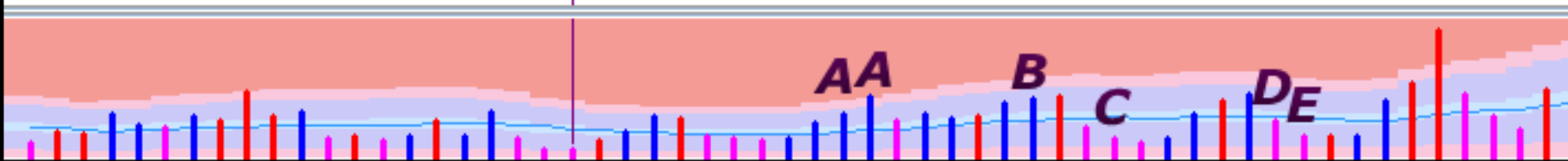
C,1H 12:00 09 Jan 12 O 28.9500 H 29.1412 L 28.9500 C 29.0800 V 2.18 M

TradeGuider

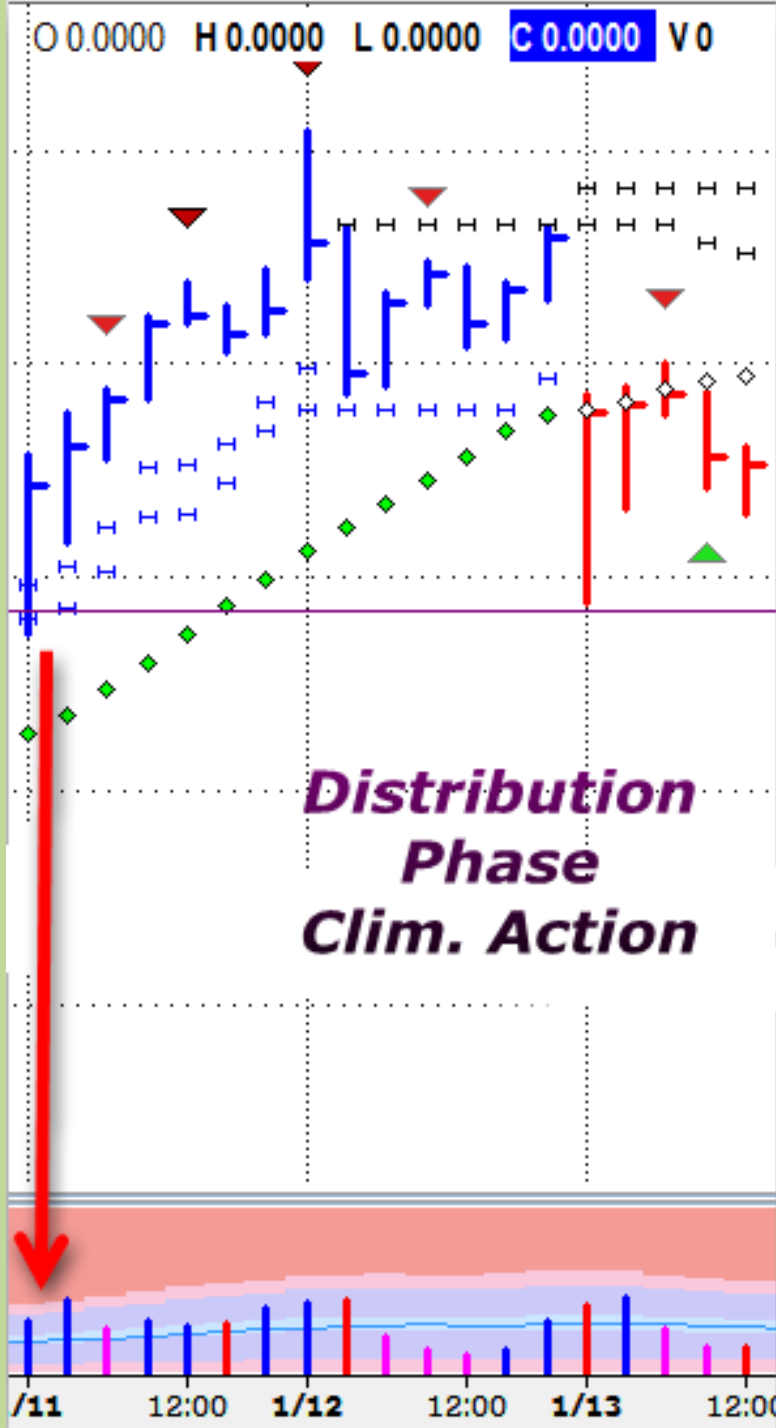
A = Climactic Action
B = UpThrust
C & D = No Demand
E = No Supply

29.4629

28.5365



Supply in the Volume= Amount of Selling by the Smart Money



Supply Enters the Market

The Selling off of the product by the Smart Money

Supply = Volume = the amount to sell by the SM

Demand = interest by the SM in higher prices

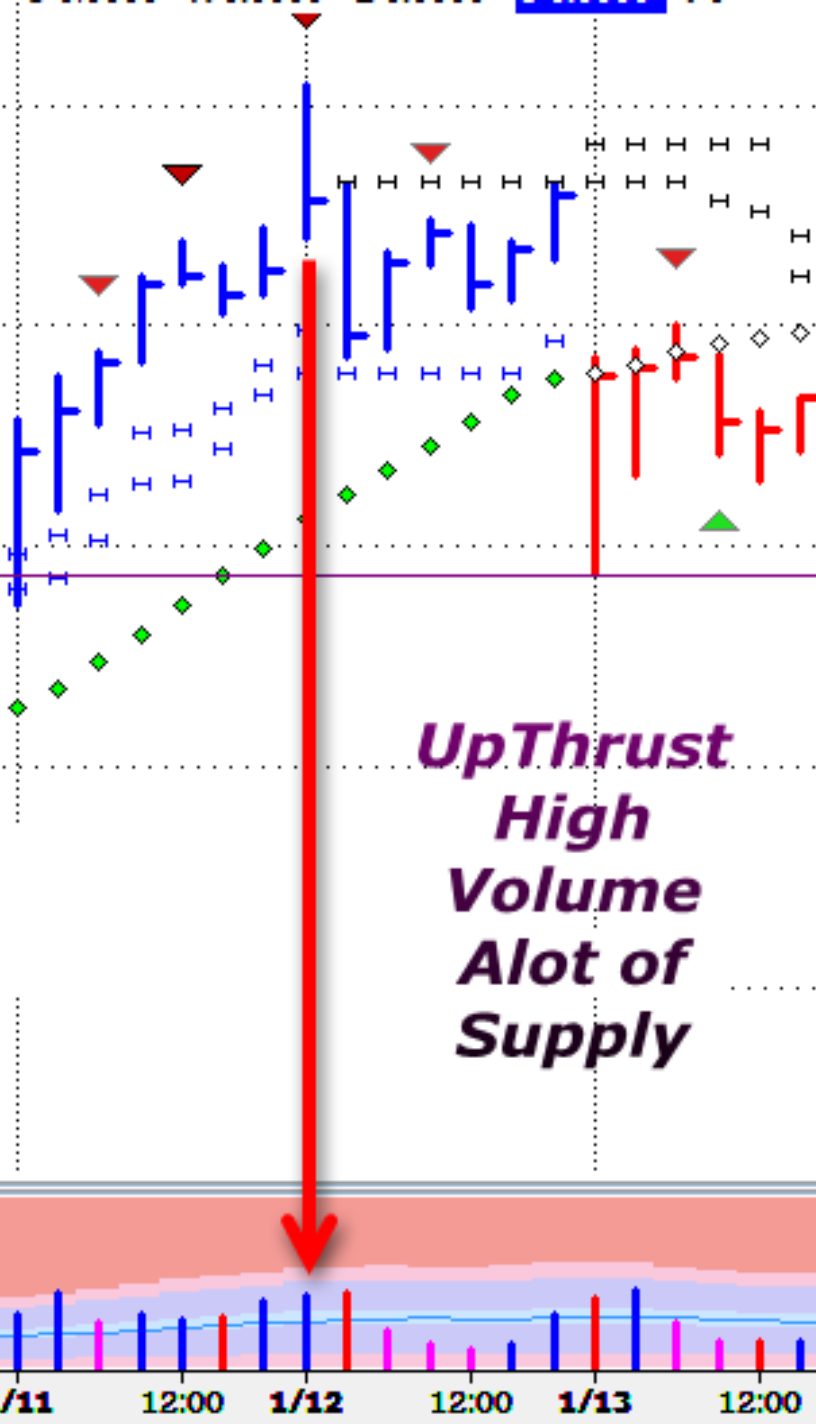
The UpThrust

Designed to do 2 things:

1. Trap unwary buyers into going long – prays upon the Fear of missing out
2. Preparation stage for bringing the price down

Volume

- a. if it's on low volume, the supply as been absorbed or bought by the Herd and prices should come down soon
- b. If it's on high volume (like this example), there is still more supply left to sell off and it will take a little more time to disguise their actions.



No Demand

The Smart Money has artificially held the price up until all the supply has been unloaded

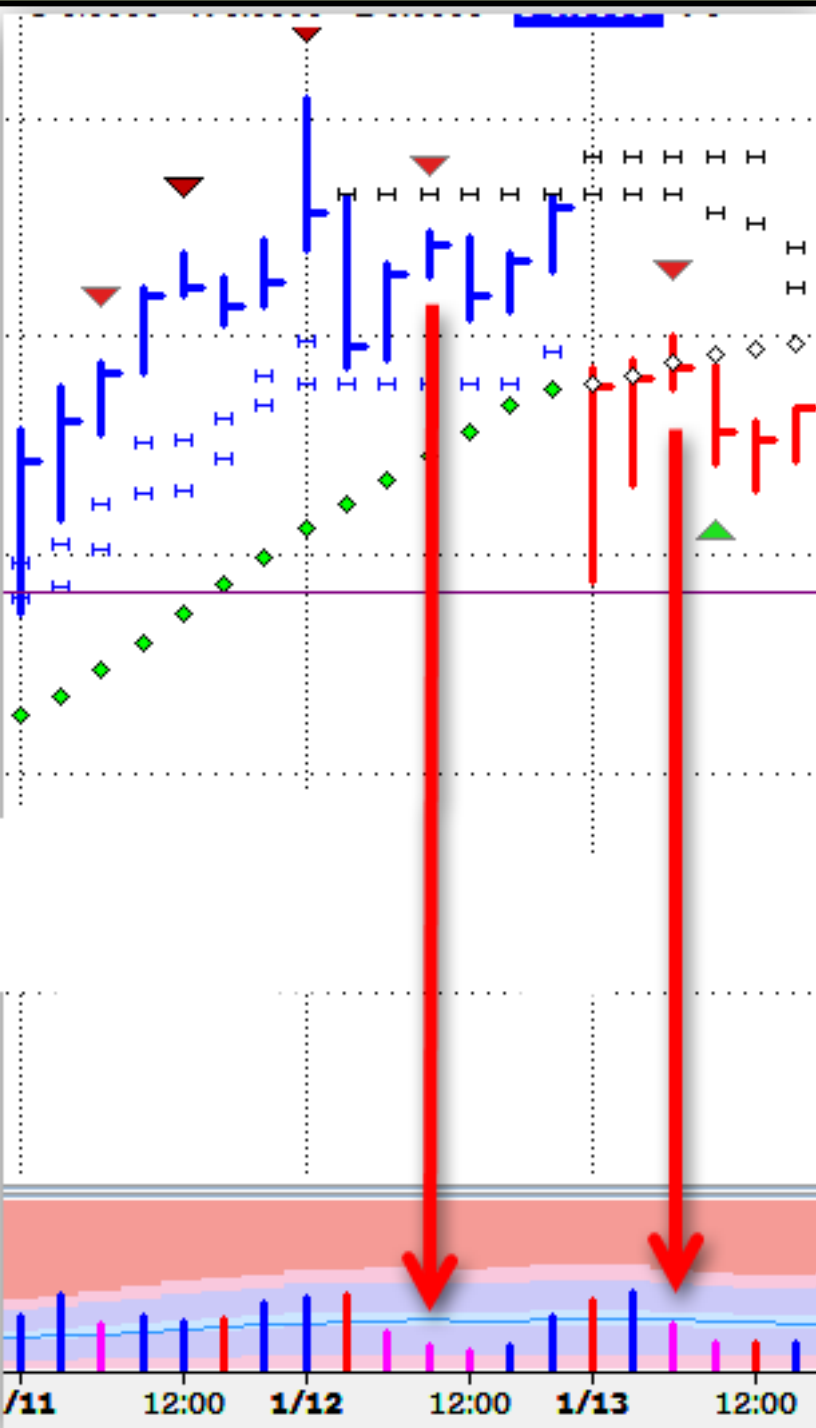
The low volume = no more supply left to sell by the SM

IF

Volume = supply = activity of the SM,

THEN

Low Volume = no supply = end of the SM campaign



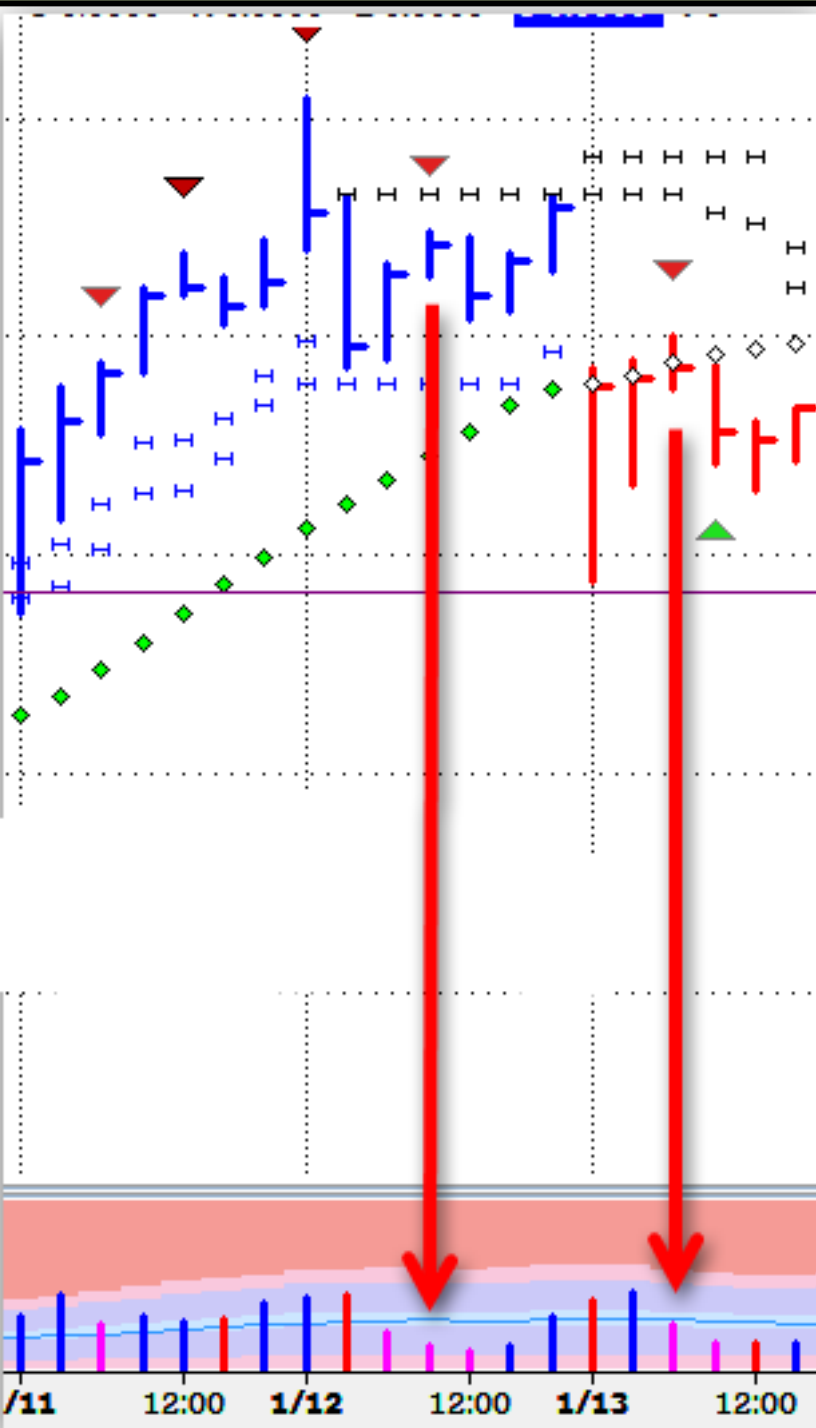
No Demand

The 1st No Demand was a “test of supply”
– still in an Uptrend

There was so much volume in the
UpThrust, it needed to be tested and
marked up to exhaust or unload the supply

The 2nd No Demand is the last ditch effort
by the SM to see if there is any more
buyers out there

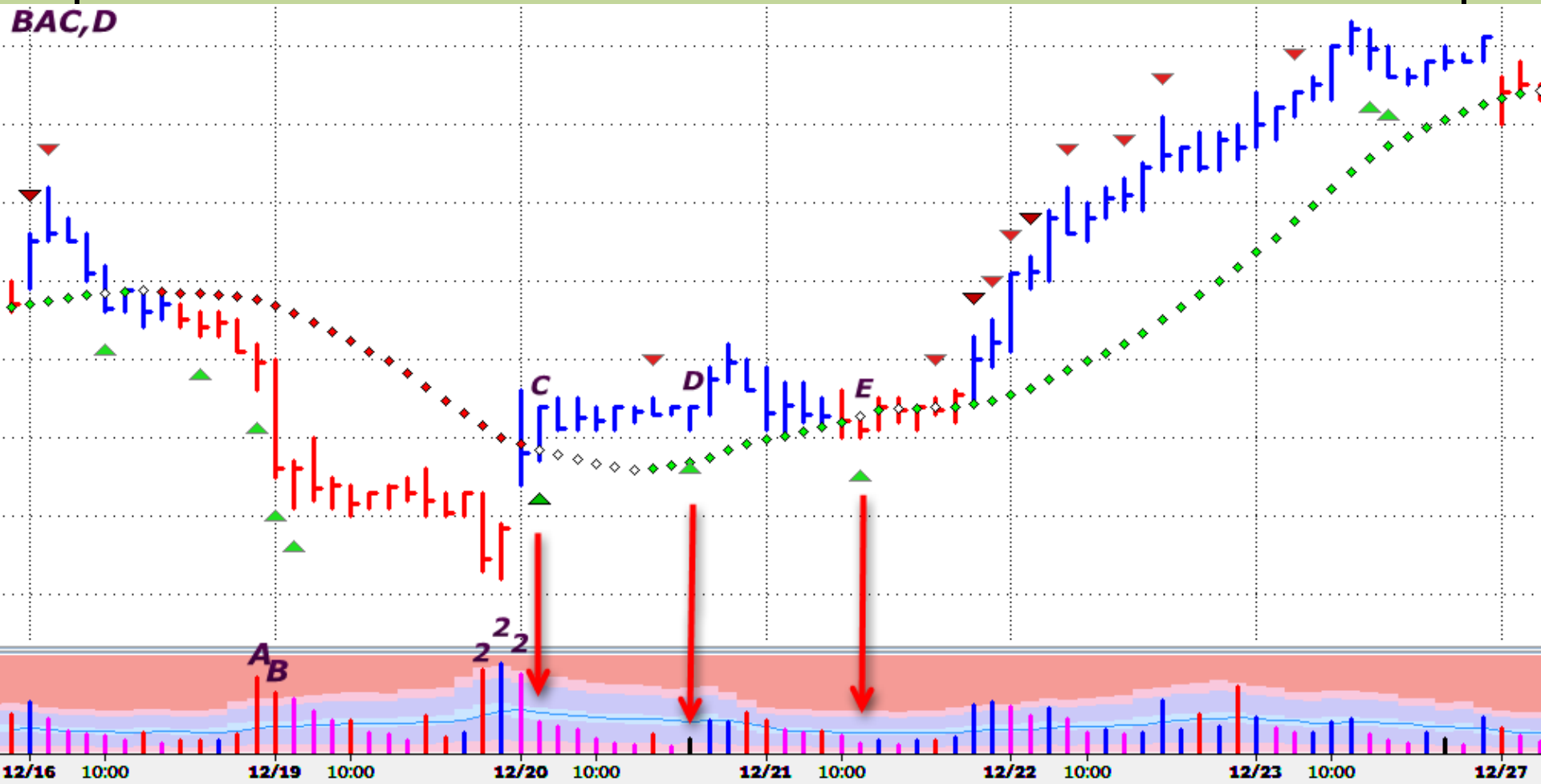
- ✓ Downtrend in place – red bars, H stops
- ✓ Next bar down confirms
- ✓ Even lower volume
- = No more interest in higher prices

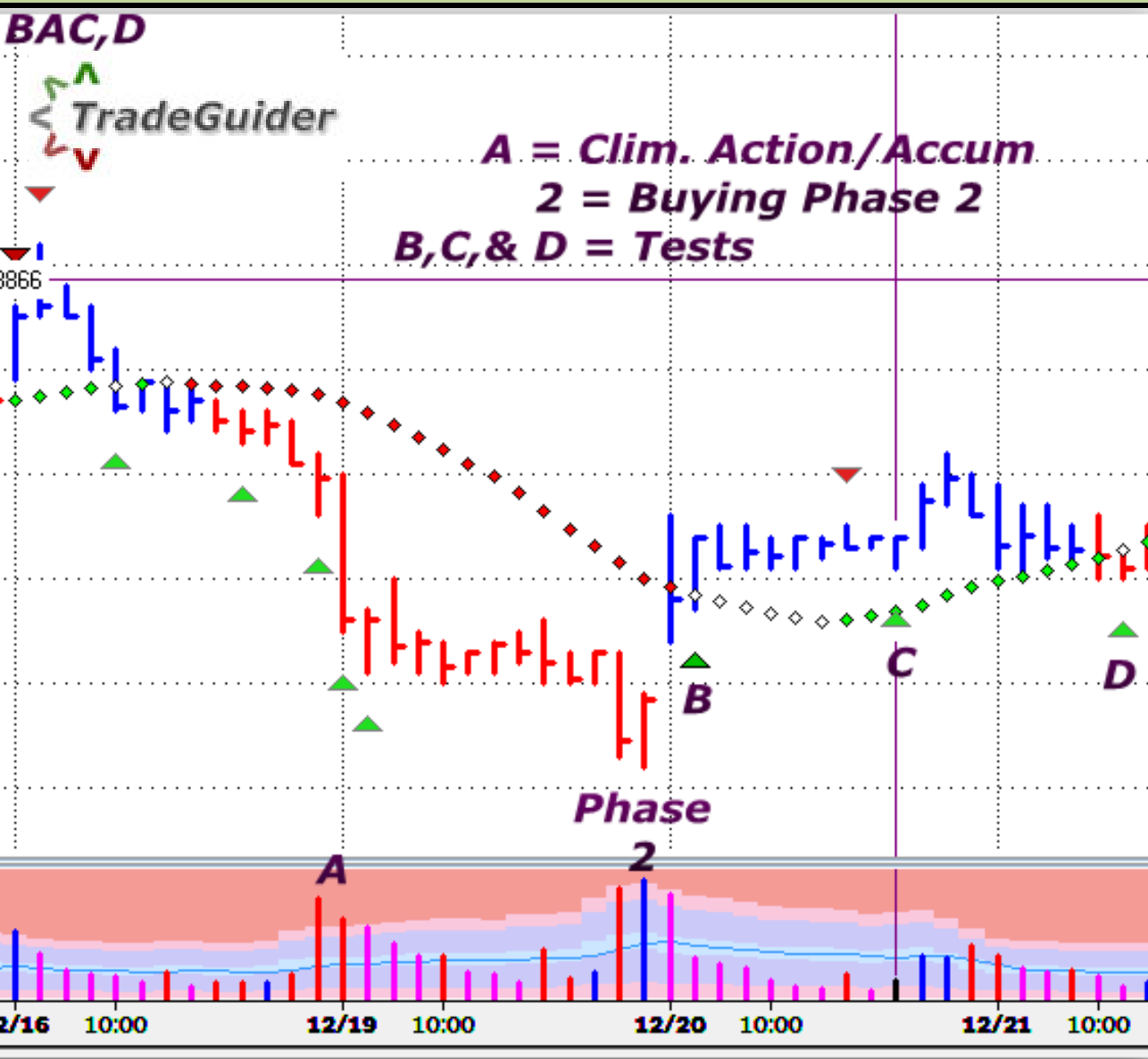


Accumulation Phase

- The Buying Phase by the Smart Money (SM)
- After prices have fallen, the SM buys from the panicked sellers (the Herd)
- As the orders come in one after another, it creates the Ultra High Volume you see
- **If** volume = supply = activity of the SM,
- **Then** UHV = SM buying the supply in the mkt

Supply over Demand

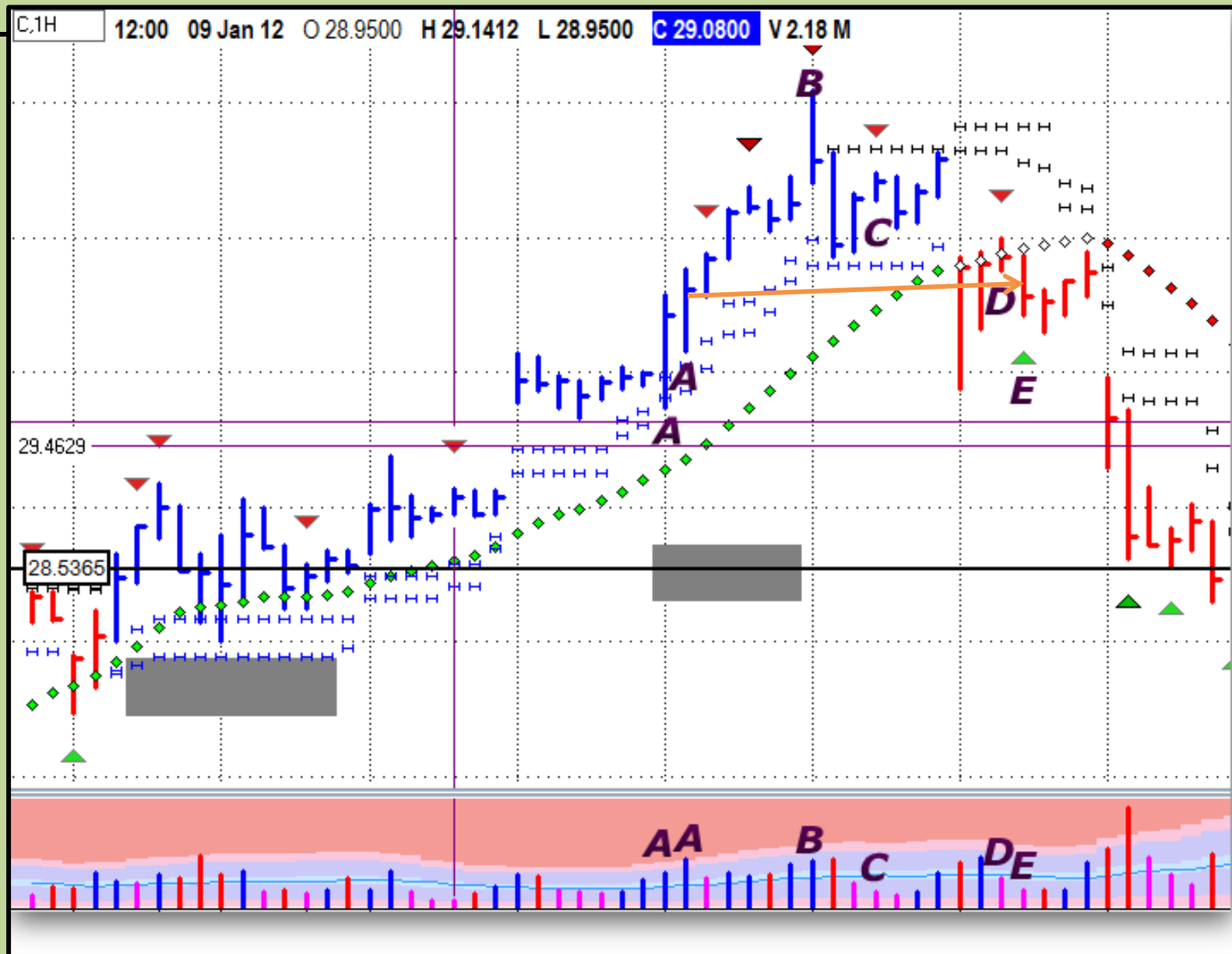




Buying

- A = three bars of buying by the SM & Selling by the Herd
- 2 = phase 2 of buying
- Volume = supply = activity of the SM
- C & D – Testing for Supply in the Market
- Testing for anything left to buy before bringing the price up

Volume and Trading Range



Volume and Trading Range



Trade Entries

- ❖ A No Demand in a downtrend (confirms)
- ❖ A No Supply/Test in an uptrend (confirms)
- ❖ Lower volume than the Climactic Action
- ❖ No Demand = no interest in higher prices
- ❖ No Supply = nothing left to buy

Follow Up

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