

WYCKOFF

METHOD AND CHEAT SHEET

Richard D. Wyckoff

Richard Demille Wyckoff (1873–1934) was an early 20th-century pioneer in the technical approach to studying the stock market. He is considered one of the five “titans” of technical analysis, along with Dow, Gann, Elliott and Merrill. At age 15, he took a job as a stock runner for a New York brokerage. Afterwards, while still in his 20s, he became the head of his own firm. He also founded and, for nearly two decades wrote, and edited *The Magazine of Wall Street*, which, at one point, had more than 200,000 subscribers.

Wyckoff was an avid student of the markets, as well as an active tape reader and trader. He observed the market activities and campaigns of the legendary stock operators of his time, including JP Morgan and Jesse Livermore. From his observations and interviews with those big-time traders, Wyckoff codified the best practices of Livermore and others into laws, principles and techniques of trading methodology, money management and mental discipline.

From his position, Mr. Wyckoff observed numerous retail investors being repeatedly fleeced. Consequently, he dedicated himself to instructing the public about “the real rules of the game” as played by the large interests, or “smart money.” In the 1930s, he founded a school which would later become the Stock Market Institute. The school's central offering was a course that integrated the concepts that Wyckoff had learned about how to identify large operators' accumulation and distribution of stock with how to take positions in harmony with these big players. His time-tested insights are as valid today as they were when first articulated.

This guide provides an overview of Wyckoff's theoretical and practical approaches to the markets, including guidelines for identifying trade candidates and entering long and short positions, analysis of accumulation and distribution trading ranges. Wyckoff's methods can be applied to any freely-traded market in which large institutional traders operate, including commodities, bonds and currencies.



Five Step Approach to the Market

The Wyckoff Method involves a five-step approach to the market selection and trade entry, which can be summarized as follows:

1 Determine the present position and probable future trend of the market.

Is the market consolidating or trending? Does your analysis of market structure, supply and demand indicate the direction that is likely in the near future? This assessment should help you decide whether to be in the market at all and, if so, whether to take long or short positions.

2 Select currencies in harmony with the trend.

In an uptrend, select stocks that are stronger than the market. For instance, look for stocks that demonstrate greater percentage increases than the market during rallies and smaller decreases during reactions. In a downtrend, do the reverse – choose stocks that are weaker than the market. If you are not sure about a specific issue, drop it and move on to the next one.

3 Select stocks with a “cause” that equals or exceeds your minimum objective

A critical component of Wyckoff's trade selection and management was his unique method of identifying price targets using Point and Figure (P&F) projections for both long and short trades. In Wyckoff's fundamental law of “Cause and Effect,” the horizontal P&F count within a trading range represents the cause, while the subsequent price movement represents the effect. Therefore, if you are planning to take long positions, choose stocks that are under accumulation or re-accumulation and have built a sufficient cause to satisfy your objective.

4 Determine the stocks' readiness to move.

Apply the nine tests for buying or for selling (described below). For instance, in a trading range after a prolonged rally, does the evidence from the nine selling tests suggest that significant supply is entering the market and that a short position may be warranted? Or in an apparent accumulation trading range, do the nine buying tests indicate that supply has been successfully absorbed, as evidenced further by a low-volume spring and an even lower-volume test of that spring?

5 Time your commitment with a turn in the stock market index.

Three-quarters or more of individual issues move in harmony with the general market, so you improve the odds of a successful trade by having the power of the overall market behind it. Specific Wyckoff principles help you anticipate potential market turns, including a change of character of price action (such as the largest down-bar on the highest volume after a long uptrend), as well as manifestations of Wyckoff's three laws (see below). Put your stop-loss in place and then trail it, as appropriate, until you close out the position.

Wyckoff advised retail traders to try to play the market game as the Composite Man played it. In fact, he even claimed that it doesn't matter if market moves “are real or artificial; that is, the result of actual buying and selling by the public and bona fide investors or artificial buying and selling by larger operators.”

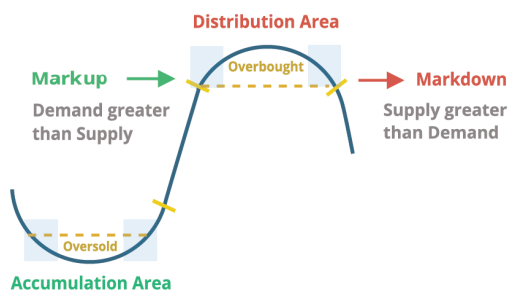
Based on his years of observations of the market activities of large operators, Wyckoff taught that:

▶ The Composite Man attracts the public to buy a stock in which he has already accumulated a sizeable line of shares by making many transactions involving a large number of shares, in effect advertising his stock by creating the appearance of a “broad market.”

▶ One must study individual stock charts with the purpose of judging the behavior of the stock and the motives of those large operators who dominate it.

▶ With study and practice, one can acquire the ability to interpret the motives behind the action that a chart portrays. Wyckoff and his associates believed that if one could understand the market behavior of the Composite Man, one could identify many trading and investment opportunities early enough to profit from them.

Wyckoff Price Cycle



According to Wyckoff, the market can be understood and anticipated through detailed analysis of supply and demand, which can be ascertained from studying price action, volume and time. As a broker, he was in a position to observe the activities of highly successful individuals and groups who dominated specific issues; consequently, he was able to decipher, via the use of what he called vertical (bar) and figure (Point and Figure) charts, the future intentions of those large interests. An idealized schematic of how he conceptualized the large interests' preparation for and execution of bull and bear markets is depicted in the figure below. The time to enter long orders is towards the end of the preparation for a price markup or bull market (accumulation of large lines of stock), while the time to initiate short positions is at the end of the preparation for price markdown.

Three Wyckoff Laws

Wyckoff's chart-based methodology rests on three fundamental “laws” that affect many aspects of analysis. These include determining the market's current and potential future directional bias, selecting the best stocks to trade long or short, identifying the readiness of a stock to leave a trading range and projecting price targets in a trend from a stock's behavior in a trading range. These laws inform the analysis of every chart and the selection of every stock to trade.

①

The law of supply and demand determines the price direction

This principle is central to Wyckoff's method of trading and investing. When demand is greater than supply, prices rise, and when supply is greater than demand, prices fall. The trader/analyst can study the balance between supply and demand by comparing price and volume bars over time. This law is deceptively simple, but learning to accurately evaluate supply and demand on bar charts, as well as understanding the implications of supply and demand patterns, takes considerable practice.

②

The law of cause and effect

It helps the trader and investor set price objectives by gauging the potential extent of a trend emerging from a trading range. Wyckoff's “cause” can be measured by the horizontal point count in a Point and Figure chart, while the “effect” is the distance price moves corresponding to the point count. This law's operation can be seen as the force of accumulation or distribution within a trading range, as well as how this force works itself out in a subsequent trend or movement up or down. Point and Figure chart counts are used to measure a cause and project the extent of its effect.

③

The law of effort

The law of effort versus result provides an early warning of a possible change in trend in the near future. Divergences between volume and price often signal a change in the direction of a price trend. For example, when there are several high-volume (large effort) but narrow-range price bars after a substantial rally, with the price failing to make a new high (little or no result), this suggests that big interests are unloading shares in anticipation of a change in trend.

Analyses of Trading Ranges

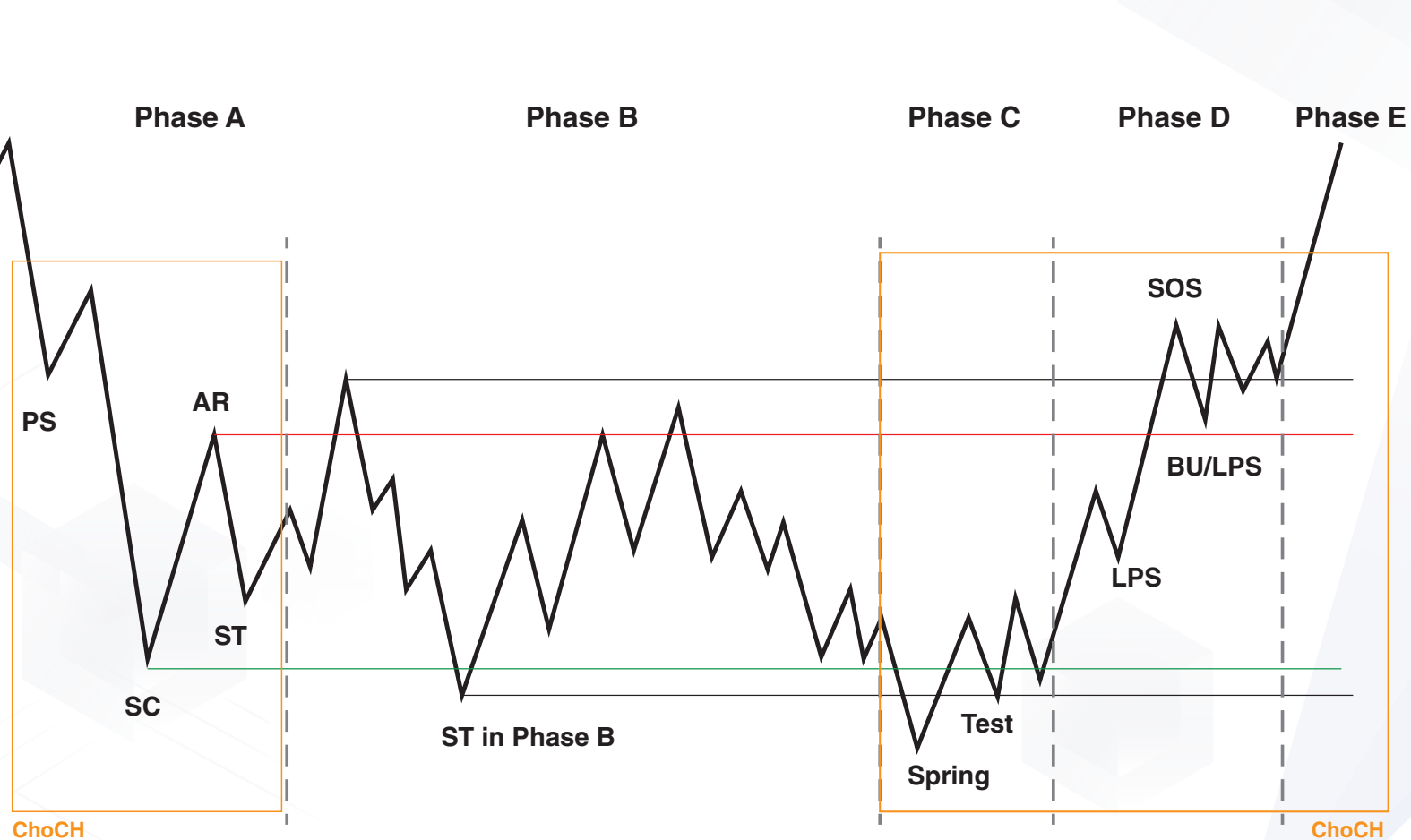
One objective of the Wyckoff method is to improve market timing when establishing a position in anticipation of a coming move where a favorable reward/risk ratio exists. Trading ranges (TRs) are places where the previous trend (up or down) has been halted and there is relative equilibrium between supply and demand. Institutions and other large professional interests prepare for their next bull (or bear) campaign as they accumulate (or distribute) shares within the TR. In both accumulation and distribution TRs, the Composite Man is actively buying and selling - the difference being that, in accumulation, the shares purchased outnumber those sold while, in distribution, the opposite is true. The extent of accumulation or distribution determines the cause that unfolds in the subsequent move out of the TR.

Wyckoff Schematics

A successful Wyckoff analyst must be able to anticipate and correctly judge the direction and magnitude of the move out of a TR. Fortunately, Wyckoff offers time-tested guidelines for identifying and delineating the phases and events within a TR, which, in turn, provide the basis for estimating price targets in the subsequent trend. These concepts are illustrated in the following four schematics; two depicting common variants of accumulation TRs, followed by two examples of distribution TRs.

Analyses of Trading Ranges

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Wyckoff Events

PS—preliminary support , where substantial buying begins to provide pronounced support after a prolonged down-move. Volume increases and price spread widens, signaling that the down-move may be approaching its end.

SC—selling climax , the point at which widening spread and selling pressure usually climaxes and heavy or panicky selling by the public is being absorbed by larger professional interests at or near a bottom. Often price will close well off the low in a SC, reflecting the buying by these large interests.

AR—automatic rally , which occurs because intense selling pressure has greatly diminished. A wave of buying easily pushes prices up; this is further fueled by short covering. The high of this rally will help define the upper boundary of an accumulation TR.

ST—secondary test , in which price revisits the area of the SC to test the supply/demand balance at these levels. If a bottom is to be confirmed, volume and price spread should be significantly diminished as the market approaches support in the area of the SC. It is common to have multiple STs after a SC.

Test— Large operators always test the market for supply throughout a TR (e.g., STs and springs) and at key points during a price advance. If considerable supply emerges on a test, the market is often not ready to be marked up. A spring is often followed by one or more tests; a successful test (indicating that further price increases will follow) typically makes a higher low on lesser volume.

SOS—sign of strength , a price advance on increasing spread and relatively higher volume. Often a SOS takes place after a spring, validating the analyst's interpretation of that prior action.

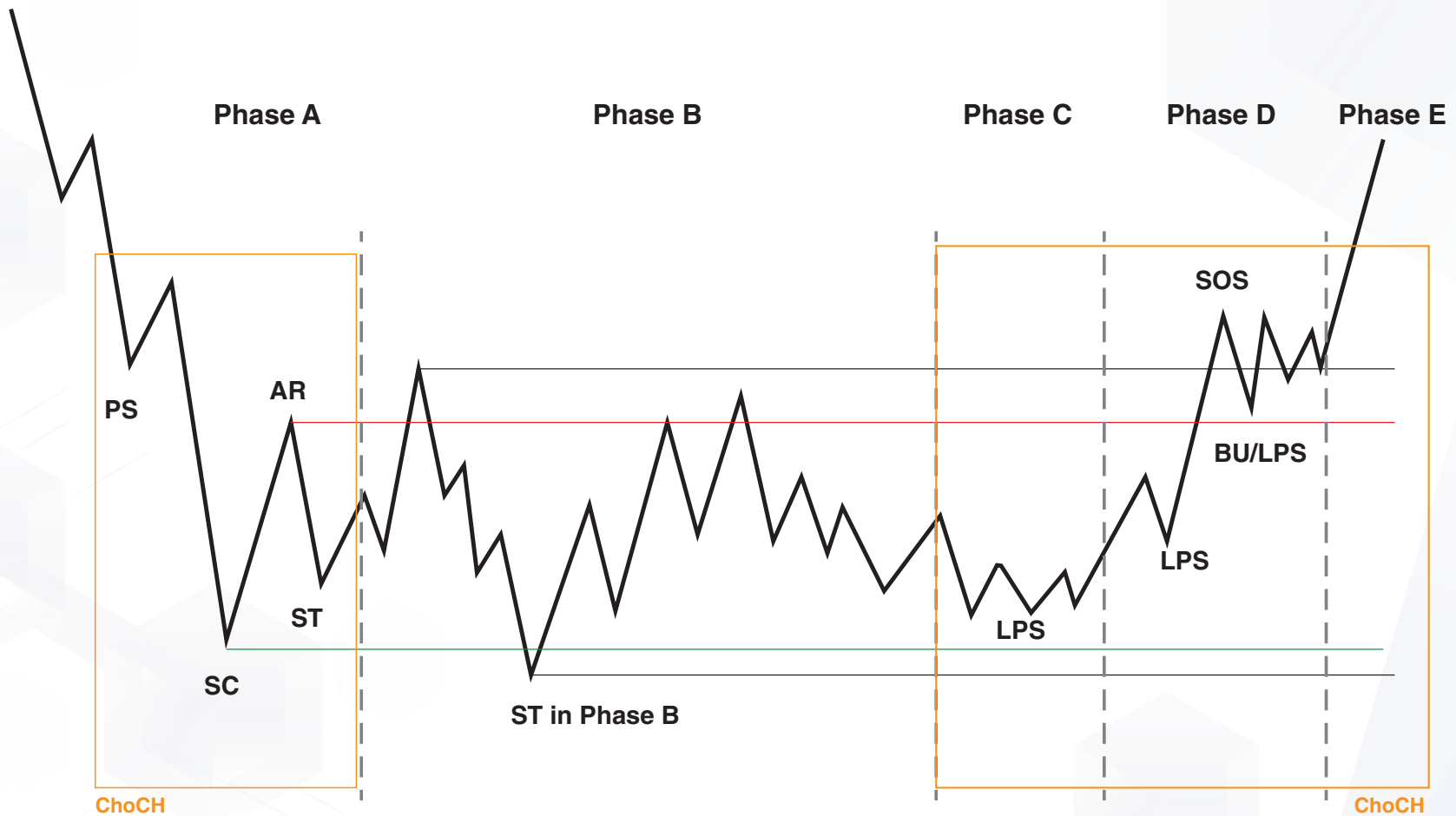
LPS—last point of support, the low point of a reaction or pullback after a SOS. Backing up to an LPS means a pullback to support that was formerly resistance, on diminished spread and volume. On some charts, there may be more than one LPS, despite the ostensibly singular precision of this term.

BU—"back-up". This term is short-hand for a colorful metaphor coined by Robert Evans, one of the leading teachers of the Wyckoff method from the 1930s to the 1960s. Evans analogized the SOS to a "jump across the creek" of price resistance, and the "back up to the creek" represented both short-term profit-taking and a test for additional supply around the area of resistance. A back-up is a common structural element preceding a more substantial price mark-up, and can take on a variety of forms, including a simple pullback or a new TR at a higher level.

NOTE:

Springs or shakeouts usually occur late within a TR and allow the stock's dominant players to make a definitive test of available supply before a markup campaign unfolds. A "spring" takes price below the low of the TR and then reverses to close within the TR; this action allows large interests to mislead the public about the future trend direction and to acquire additional shares at bargain prices. A terminal shakeout at the end of an accumulation TR is like a spring on steroids. Shakeouts may also occur once a price advance has started, with rapid downward movement intended to induce retail traders and investors in long positions to sell their shares to large operators. However, springs and terminal shakeouts are not required elements: Accumulation Schematic 1 depicts a spring, while Accumulation Schematic 2 shows a TR without a spring

Analyses of Trading Ranges



Wyckoff Phases

Phase A: Phase A marks the stopping of the prior downtrend. Up to this point, supply has been dominant. The approaching diminution of supply is evidenced in preliminary support (PS) and a selling climax (SC). These events are often very obvious on bar charts, where widening spread and heavy volume depict the transfer of huge numbers of shares from the public to large professional interests. Once these intense selling pressures have been relieved, an automatic rally (AR), consisting of both institutional demand for shares as well as short-covering, typically ensues. A successful secondary test (ST) in the area of the SC will show less selling than previously and a narrowing of spread and decreased volume, generally stopping at or above the same price level as the SC. If the ST goes lower than that of the SC, one can anticipate either new lows or prolonged consolidation. The lows of the SC and the ST and the high of the AR set the boundaries of the TR. Horizontal lines may be drawn to help focus attention on market behavior, as seen in the two Accumulation Schematics above.

Sometimes the downtrend may end less dramatically, without climactic price and volume action. In general, however, it is preferable to see the PS, SC, AR and ST, as these provide not only a more distinct charting landscape but a clear indication that large operators have definitively initiated accumulation.

In a re-accumulation TR (which occurs during a longer-term uptrend), the points representing PS, SC and ST are not evident in Phase A. Rather, in such cases, Phase A resembles that more typically seen in distribution (see below). Phases B-E generally have a shorter duration and smaller amplitude than, but are ultimately similar to, those in the primary accumulation base.

Phase B: In Wyckoffian analysis, Phase B serves the function of “building a cause” for a new uptrend (see Wyckoff Law #2 – “Cause and Effect”). In Phase B, institutions and large professional interests are accumulating relatively low-priced inventory in anticipation of the next markup. The process of institutional accumulation may take a long time (sometimes a year or more) and involves purchasing shares at lower prices and checking advances in price with short sales. There are usually multiple STs during Phase B, as well as upthrust-type actions at the upper end of the TR. Overall, the large interests are net buyers of shares as the TR evolves, with the goal of acquiring as much of the remaining floating supply as possible. Institutional buying and selling imparts the characteristic up-and-down price action of the trading range. Early on in Phase B, the price swings tend to be wide and accompanied by high volume. As the professionals absorb the supply, however, the volume on downswings within the TR tends to diminish. When it appears that supply is likely to have been exhausted, the instrument is ready for Phase C.

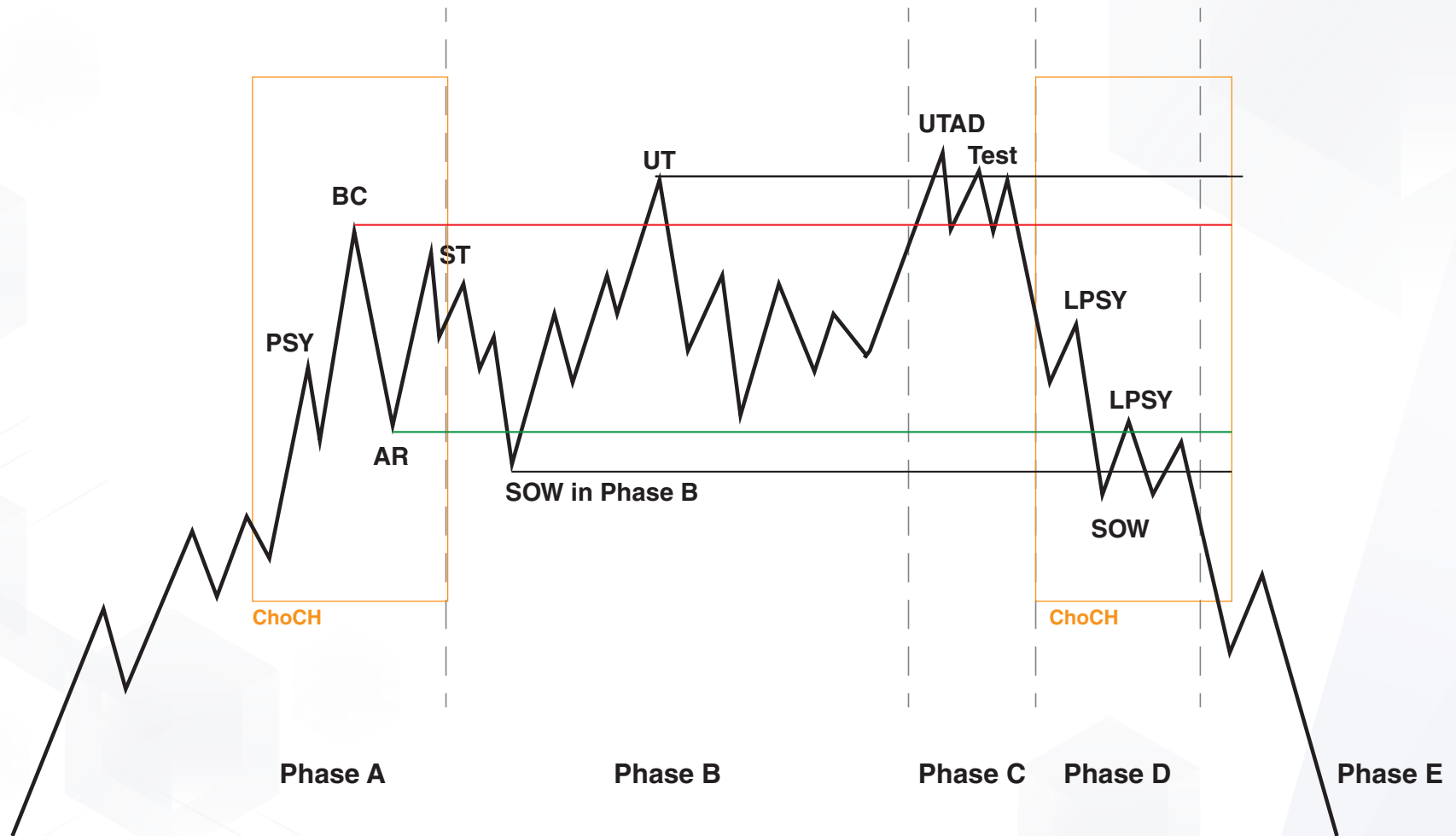
Wyckoff Phases

Phase C: It is in Phase C that the instrument price goes through a decisive test of the remaining supply, allowing the “smart money” operators to ascertain whether the stock is ready to be marked up. As noted above, a spring is a price move below the support level of the TR (established in Phases A and B) that quickly reverses and moves back into the TR. It is an example of a bear trap because the drop below support appears to signal resumption of the downtrend. In reality, though, this marks the beginning of a new uptrend, trapping the late sellers (bears). In Wyckoff's method, a successful test of supply represented by a spring (or a shakeout) provides a high-probability trading opportunity. A low-volume spring (or a low-volume test of a shakeout) indicates that the stock is likely to be ready to move up, so this is a good time to initiate at least a partial long position. The appearance of a SOS shortly after a spring or shakeout validates the analysis. As noted in Accumulation Schematic #2, however, the testing of supply can occur higher up in the TR without a spring or shakeout; when this occurs, the identification of Phase C can be challenging.

Phase D: If we are correct in our analysis, what should follow is the consistent dominance of demand over supply. This is evidenced by a pattern of advances (SOSs) on widening price spreads and increasing volume, as well as reactions (LPSs) on smaller spreads and diminished volumes. During Phase D, the price will move at least to the top of the TR. LPSs in this phase are generally excellent places to initiate or add to profitable long positions.

Phase E: In Phase E, the instrument leaves the TR, demand is in full control and the markup is obvious to everyone. Setbacks, such as shakeouts and more typical reactions, are usually short-lived. New, higher-level TRs comprising both profit-taking and acquisition of additional shares (“re-accumulation”) by large operators can occur at any point in Phase E. These TRs are sometimes called “stepping stones” on the way to even higher price targets.

Analyses of Trading Ranges



Wyckoff Events

PSY—preliminary supply, where large interests begin to unload shares in quantity after a pronounced up-move. Volume expands and price spread widens, signaling that a change in trend may be approaching.

BC—buying climax, during which there are often marked increases in volume and price spread. The force of buying reaches a climax, with heavy or urgent buying by the public being filled by professional interests at prices near a top. A BC often coincides with a great earnings report or other good news, since the large operators require huge demand from the public to sell their shares without depressing the stock price.

AR—automatic reaction. With intense buying substantially diminished after the BC and heavy supply continuing, an AR takes place. The low of this selloff helps define the lower boundary of the distribution TR.

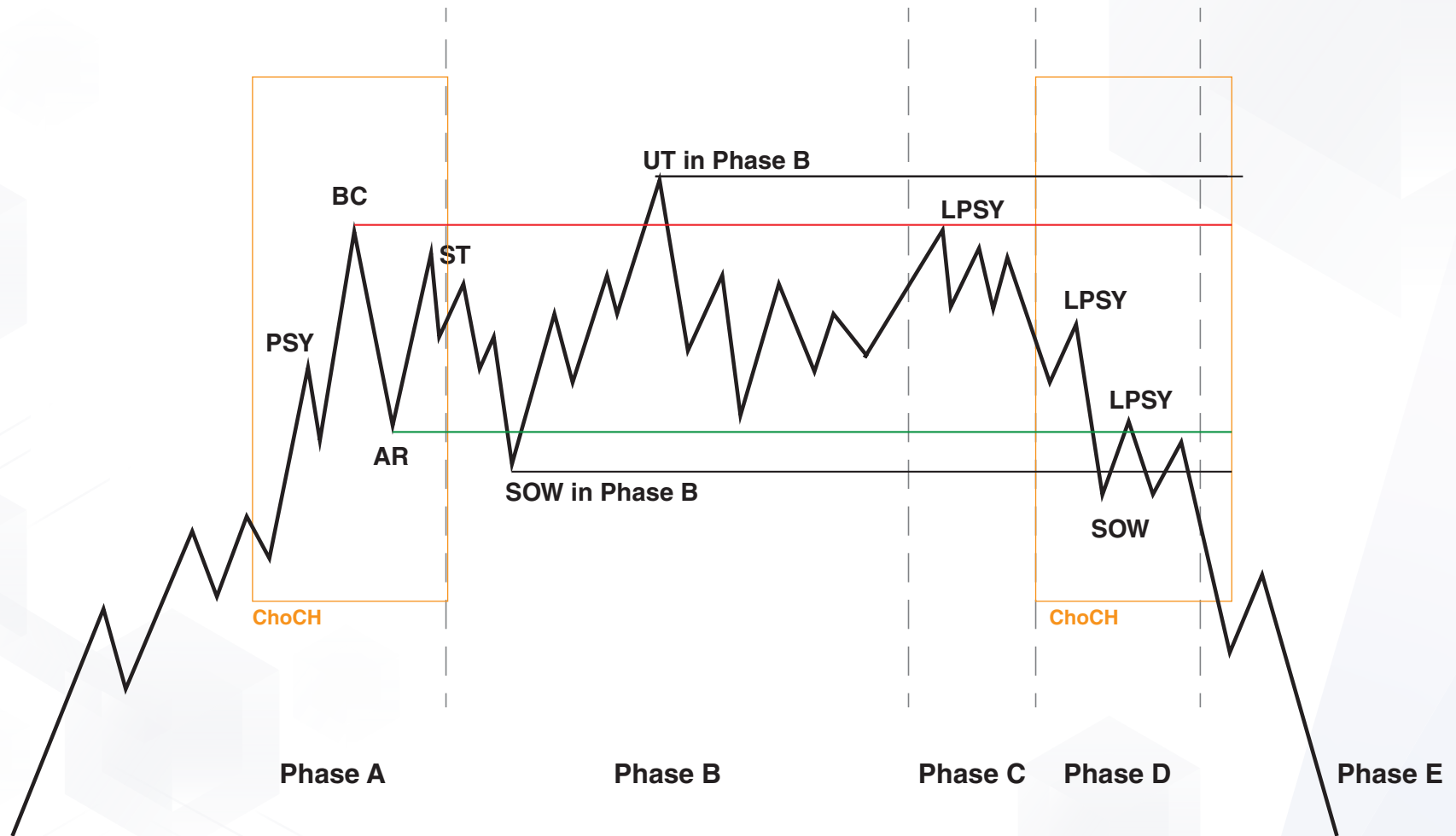
ST—secondary test, in which price revisits the area of the BC to test the demand/supply balance at these price levels. For a top to be confirmed, supply must outweigh demand; volume and spread should thus decrease as price approaches the resistance area of the BC. An ST may take the form of an upthrust (UT), in which price moves above the resistance represented by the BC and possibly other STs before quickly reversing to close below resistance. After a UT, price often tests the lower boundary of the TR.

SOW—sign of weakness, observable as a down-move to (or slightly past) the lower boundary of the TR, usually occurring on increased spread and volume. The AR and the initial SOW(s) indicate a change of character in the price action of the stock: supply is now dominant.

LPSY—last point of supply. After testing support on a SOW, a feeble rally on narrow spread shows that the market is having considerable difficulty advancing. This inability to rally may be due to weak demand, substantial supply or both. LPSYs represent exhaustion of demand and the last waves of large operators' distribution before markdown begins in earnest.

UTAD—upthrust after distribution. A UTAD is the distributional counterpart to the spring and terminal shakeout in the accumulation TR. It occurs in the latter stages of the TR and provides a definitive test of new demand after a breakout above TR resistance. Analogous to springs and shakeouts, a UTAD is not a required structural element: the TR in Distribution Schematic #1 contains a UTAD, while the TR in Distribution Schematic #2 does not.

Analyses of Trading Ranges



Wyckoff Phases

Phase A: Phase A in a distribution TR marks the stopping of the prior uptrend. Up to this point, demand has been dominant and the first significant evidence of supply entering the market is provided by preliminary supply (PSY) and the buying climax (BC). These events are usually followed by an automatic reaction (AR) and a secondary test (ST) of the BC, often upon diminished volume. However, the uptrend may also terminate without climactic action, instead demonstrating exhaustion of demand with decreasing spread and volume; less upward progress is made on each rally before significant supply emerges. In a redistribution TR within a larger downtrend, Phase A may look more like the start of an accumulation TR (e.g., with climactic price and volume action to the downside). However, Phases B through E of a re-distribution TR can be analyzed in a similar manner to the distribution TR at the market top

Phase B: The function of Phase B is to build a cause in preparation for a new downtrend. During this time, institutions and large professional interests are disposing of their long inventory and initiating short positions in anticipation of the next markdown. The points about Phase B in distribution are similar to those made for Phase B in accumulation, except that the large interests are net sellers of shares as the TR evolves, with the goal of exhausting as much of the remaining demand as possible. This process leaves clues that the supply/demand balance has tilted toward supply instead of demand. For instance, SOWs are usually accompanied by significantly increased spread and volume to the downside.

Phase C: In distribution, Phase C may reveal itself via an upthrust (UT) or UTAD. As noted above, a UT is the opposite of a spring. It is a price move above TR resistance that quickly reverses and closes in the TR. This is a test of the remaining demand. It is also a bull trap—it appears to signal the resumption of the uptrend but in reality is intended to “wrong-foot” uninformed break-out traders. A UT or UTAD allows large interests to mislead the public about the future trend direction and, subsequently, sell additional shares at elevated prices to such break-out traders and investors before the markdown begins. In addition, a UTAD may induce smaller traders in short positions to cover and surrender their shares to the larger interests who have engineered this move. Aggressive traders may wish to initiate short positions after a UT or UTAD. The risk/reward ratio is often quite favorable. However, the “smart money” repeatedly stops out traders who initiate such short positions with one UT after another, so it is often safer to wait until Phase D and an LPSY. Often demand is so weak in a distribution TR that price does not reach the level of the BC or initial ST. In this case, Phase C's test of demand may be represented by a UT of a lower high within the TR.

Wyckoff Phases

Phase D: Phase D arrives after the tests in Phase C show us the last gasps of demand. During Phase D, price travels to or through TR support. The evidence that supply is clearly dominant increases either with a clear break of support or with a decline below the mid-point of the TR after a UT or UTAD. There are often multiple weak rallies within Phase D; these LPSYs represent excellent opportunities to initiate or add to profitable short positions. Anyone still in a long position during Phase D is asking for trouble.

Phase E: Phase E depicts the unfolding of the downtrend; the stock leaves the TR and supply is in control. Once TR support is broken on a major SOW, this breakdown is often tested with a rally that fails at or near support. This also represents a high-probability opportunity to sell short. Subsequent rallies during the markdown are usually feeble. Traders who have taken short positions can trail their stops as price declines. After a significant down-move, climactic action may signal the beginning of a re-distribution TR or of accumulation.

RESUME

The pioneering work of Richard D. Wyckoff in the early twentieth century was centered around the realization that instruments price trends were driven primarily by institutional and other large operators who manipulate prices in their favor. Many professional traders today use Wyckoff's method, but his overall approach is still not widely-followed among retail traders, even though his educational efforts were intended to teach the public the “real rules of the game.” Nonetheless, his stock selection and investment methodology has stood the test of time, largely due to its thorough, systematized and logical structure for identifying high-probability and highly profitable trades. The discipline involved in this approach allows the investor to make informed trading decisions unclouded by emotion. Using Wyckoff's method, one can invest in any instrument by capitalizing on the intentions of the large “smart money” interests, rather than being caught on the wrong side of the market. Attaining proficiency in Wyckoff analysis requires considerable practice, but is well worth the effort.

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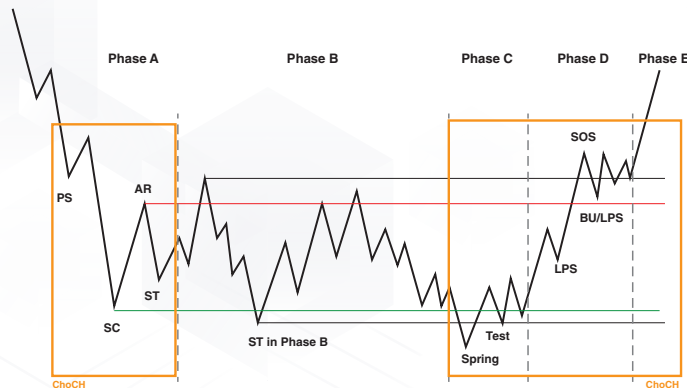
StockCharts.com.

CHEAT SHEETS

CHANGE OF CHARACTER (ChoCH)

When does a trend change into consolidations?
How can we observe this change in enviroment?

“The Creation of a Trend”

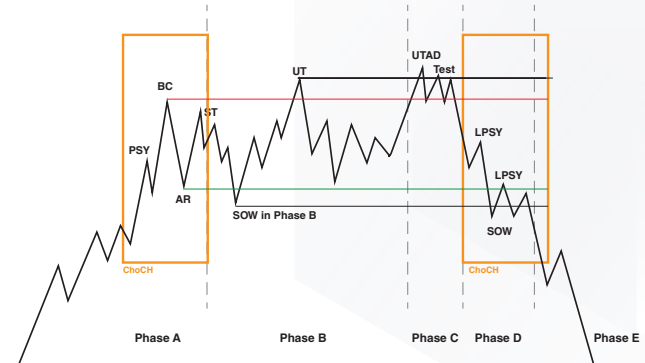


Non-trending enviroment

Trending enviroment

Non-trending enviroment

Trending enviroment



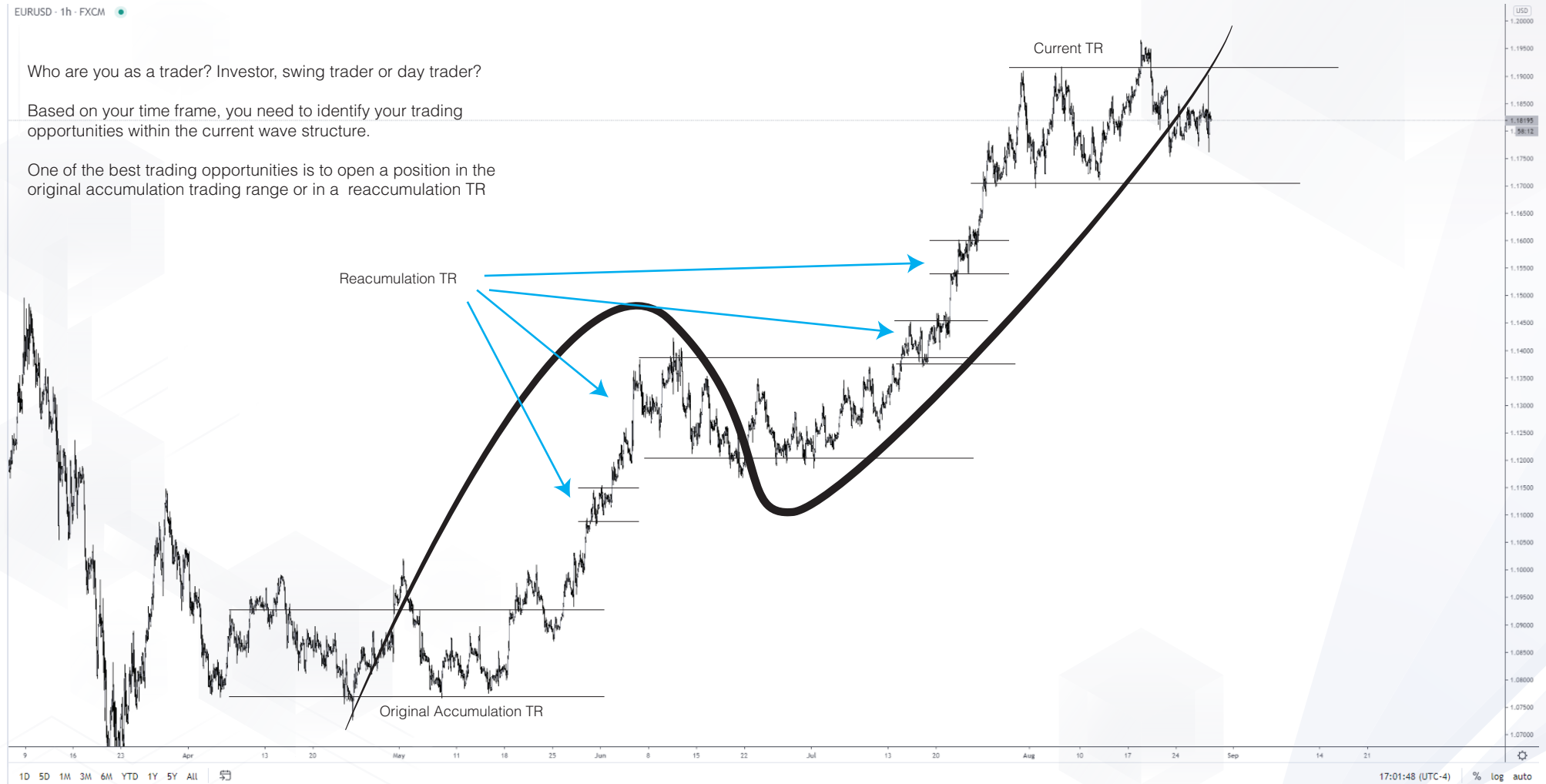
CHEAT SHEETS

Distinction: Identify your trading opportunity within the price cycle

Who are you as a trader? Investor, swing trader or day trader?

Based on your time frame, you need to identify your trading opportunities within the current wave structure.

One of the best trading opportunities is to open a position in the original accumulation trading range or in a reaccumulation TR

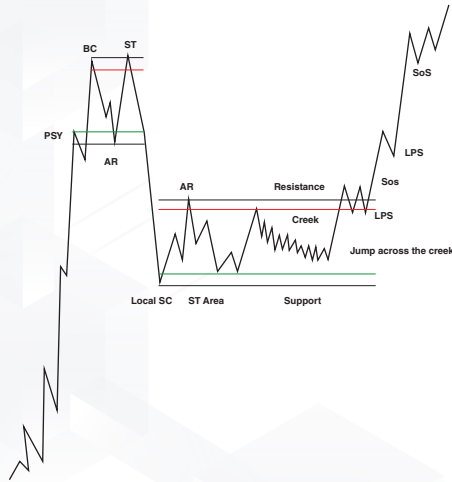


CHEAT SHEETS

Distinction: Reaccumulation TR and its characteristics

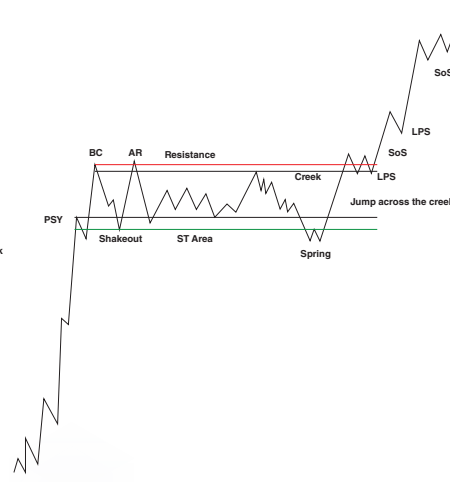
- Reaccumulation is a trading range within a continuing uptrend
- Four+ types of Reaccumulation TRs: Reaccumulation after a decline, Reaccumulation with Spring action, Reaccumulation after a shakeout, and Reaccumulation with an uprising structure.
- Reaccumulation with an uprise is the strongest and has higher highs / higher lows
- Usually, any shakeout and/or decline action before Reaccumulation will have a local smaller distribution pattern (cause and effect)
- Initial Shakeout/Decline is less pronounced during Reaccumulation than before Accumulation
- Volume: Reaccumulation usually has less supply than Accumulation
- The maximum swing of TR (highest to lowest point): Reaccumulation TR is usually tighter compared with an Accumulation TR

Alternative labeling of Wyckoff Reaccumulation TRs and examples:



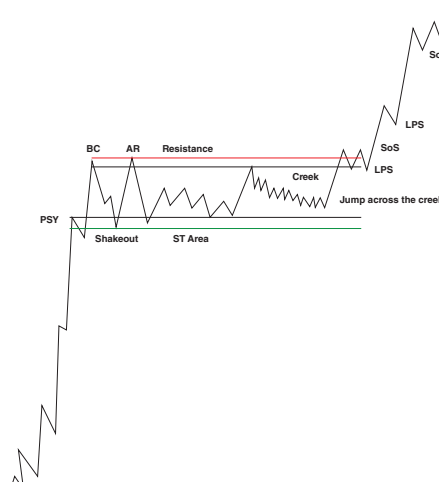
Reaccumulation after decline

- Weakest among reaccumulation types
- Decline usually starts from a small local distribution pattern
- It can have different variations of the TR (see the structure of the next 3 formations)



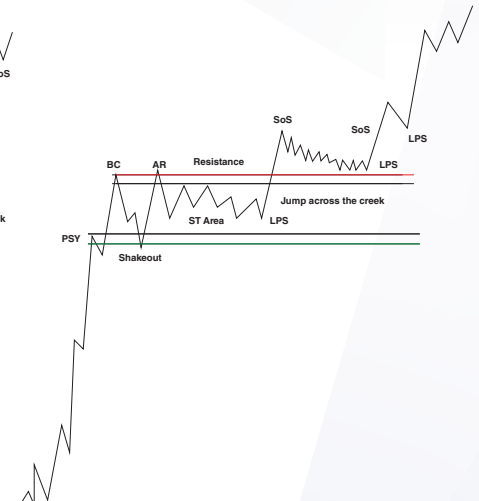
Reaccumulation with Spring action

- Flat or sloping down formation
- It can potentially have a few lower lows with a spring being the lowest point of the TR
- Leading stocks can exhibit shortterm weakness after strength in this formation



Reaccumulation after shakeout

- Absorption of supply happens in the TR without violation of support
- Usually and depending on a position of the market, this pattern exhibits strength

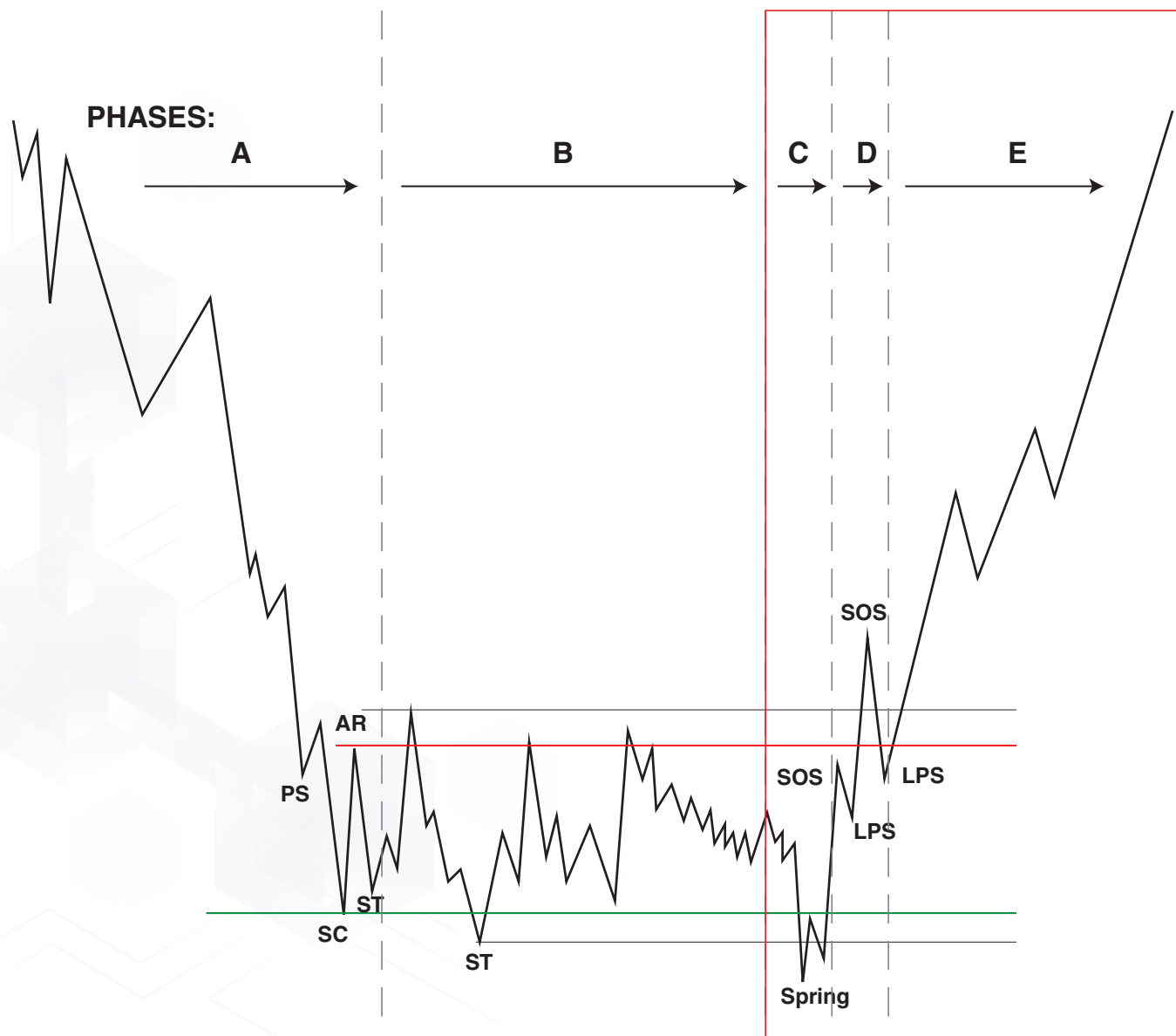


Reaccumulation with uprise

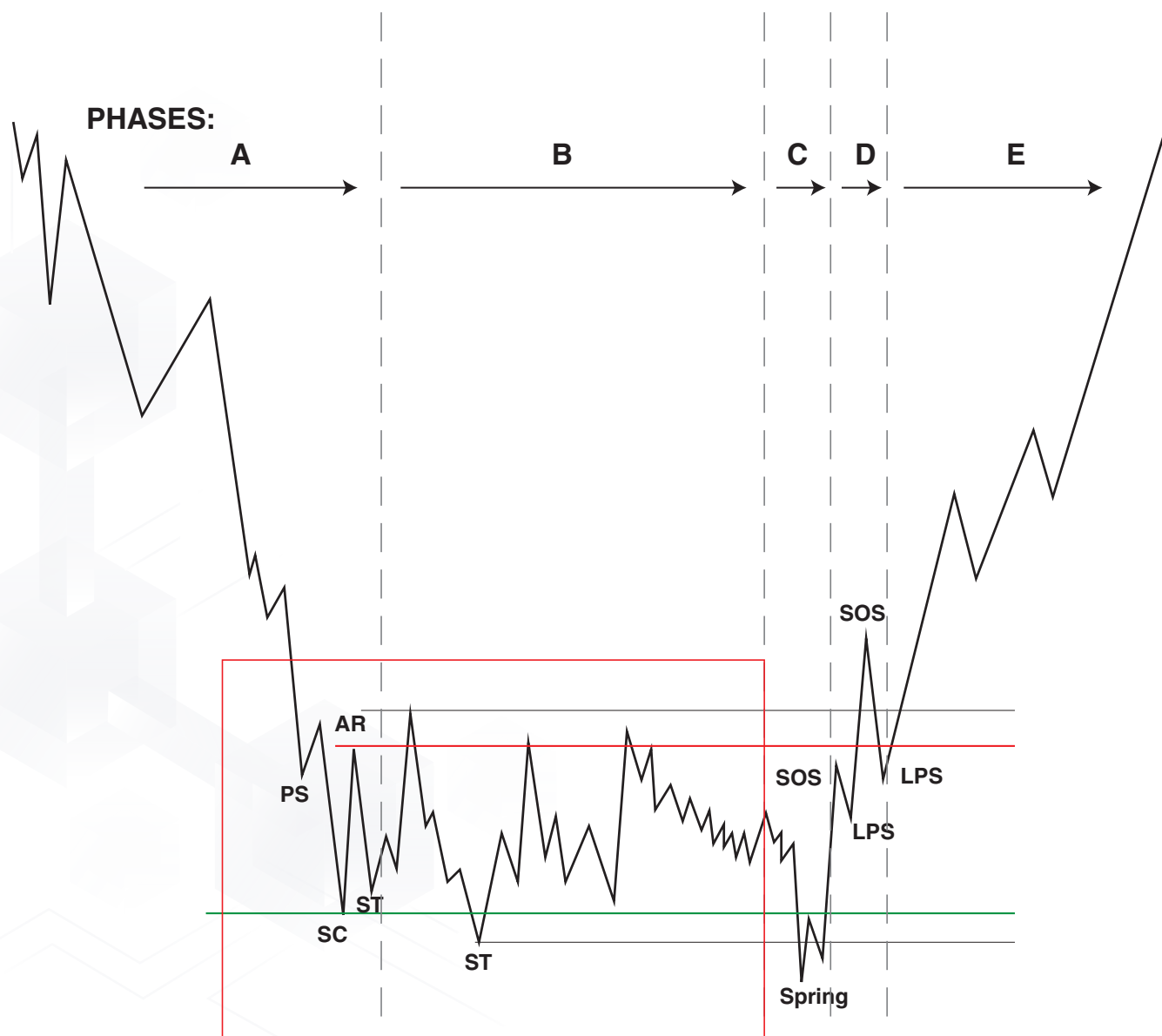
- Strongest among reaccumulation types
- This structure will exhibit higher highs / higher lows
- Sometimes can be confused with a topping TR

CHEAT SHEETS

Accumulation: Phases C, D and E)



1. INTENTIONS behind Phases C, D and E:
 - i. Phase C: TEST
 - ii. Phase D: MARKUP in TR
 - iii. Phase E: MARKUP outside of TR
2. WYCKOFF EVENTS:
 - i. Phase C: Spring/shakeout, failed spring, test of a spring, LPS
 - ii. Phase D: LPS, SOS, BUC
 - iii. Phase E: up trend
3. SPRING:
 - i. Testing of Phase A and B lows
 - ii. Will either fail or reverse (down or up)
 - iii. Different types: 1-2-3
4. FAILED SPRING
 - i. Spring action that fails to reach the lows of the range
 - ii. This is a sign of strength!
 - iii. It could be also labeled as an LPS, but the principle is that of a spring
 - iv. The high of AR defines the resistance line of a trading range
5. SHAKEOUT:
 - i. Sharp decline on big spread and volume.
 - ii. Deep penetration of support level
 - iii. Quick recovery
 - iv. Requires a test to act upon
6. SOS:
 - i. Traveling to higher levels of the range on bigger spread and increasing volume (usually)
 - ii. New higher highs, higher lows
 - iii. Penetration of the resistance level of a range
7. LPS:
 - i. Higher low
 - ii. Inability to go lower – SOS
 - iii. There could be quite a few LPS(s)
8. BUC:
 - i. Last big reaction before the Markup
 - ii. No more than 50% price reaction is preferred

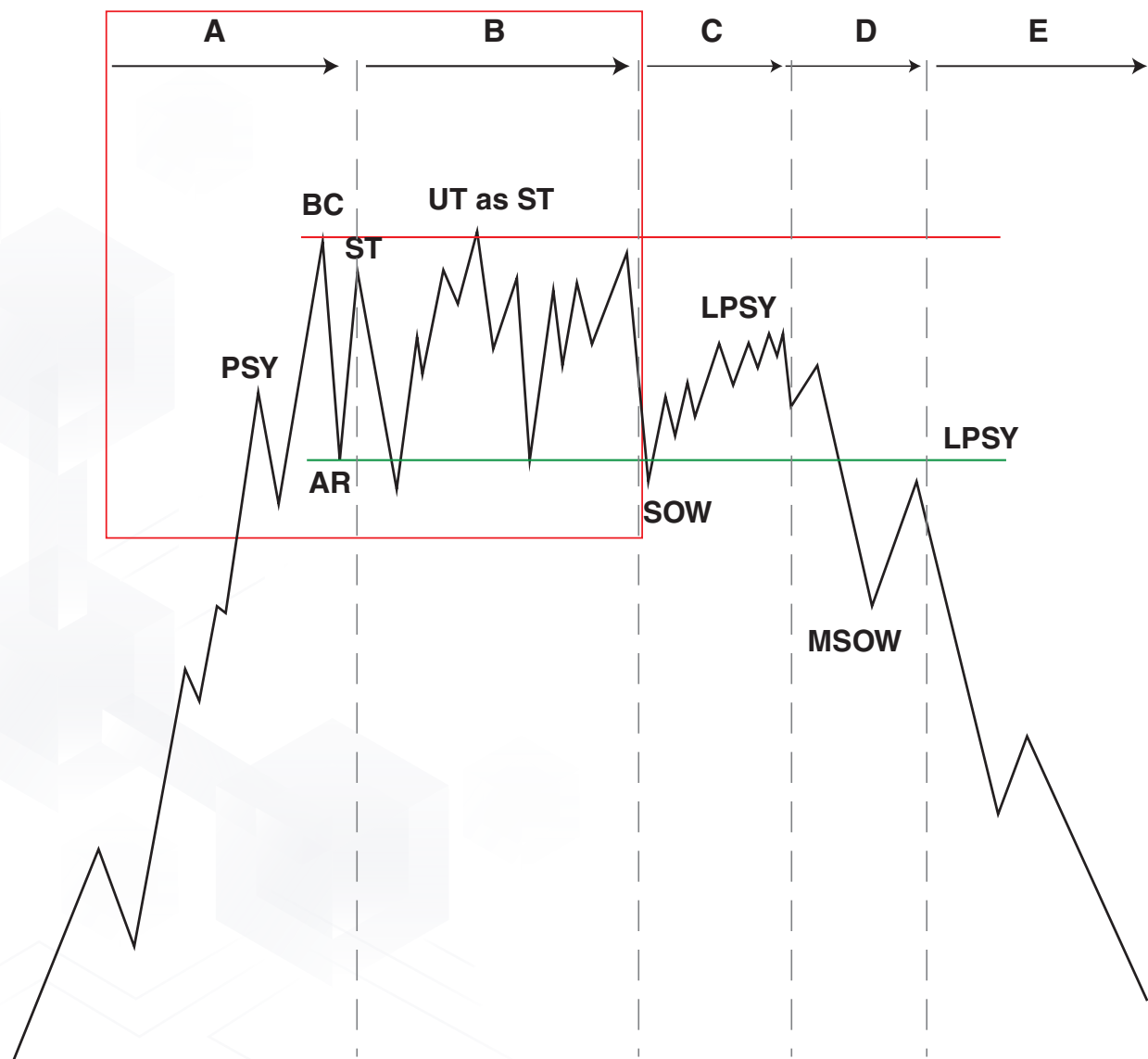


1. INTENTIONS behind Phases A and B:
 - i. Phase A: STOP
 - ii. Phase B: SUPPLY/DEMAND
2. WYCKOFF EVENTS:
 - i. Phase A: PS, SC, AR, ST
 - ii. Phase B: UT, ST and ST as SOW
3. PRELIMINARY SUPPORT:
 - i. First attempt to stop a decline
 - ii. It always fails as price goes lower to SC low
4. SELLING CLIMAX:
 - i. Big spread / big volume
 - ii. Exception 1: Contracting supply on continuous lower SC actions
 - iii. Exception 2: SC ACTION can take a period of time to develop and the lowest bar might not be the biggest and with highest volume
 - IV. The low of SC defines support line of a TR
- iv. AUTOMATIC RALLY:
 - i. It could take 1-2 days or a period of time
 - ii. Exhaustion of supply creates an initial rally off SC low, which is continued later by short covering at higher prices
 - iii. The high of the AR defines the resistance line of a trading range
5. SECONDARY TEST:
 - i. ST can be a local event to SC+AR
 - ii. It can occur later as a bigger confirmation
 - iii. It can create a small trading range as a testing action
 - iv. In Phase B, a lower ST can be interpreted as a potential SOW which indicates more retesting or more consolidation
6. UP THRUST:
 - i. NOT only in distribution! (Think unconventionally and in terms of functionality)
 - ii. It leaves a trading range above resistance and quickly comes back – failure and supply

CHEAT SHEETS

Distribution: Phases A and B

PHASES:

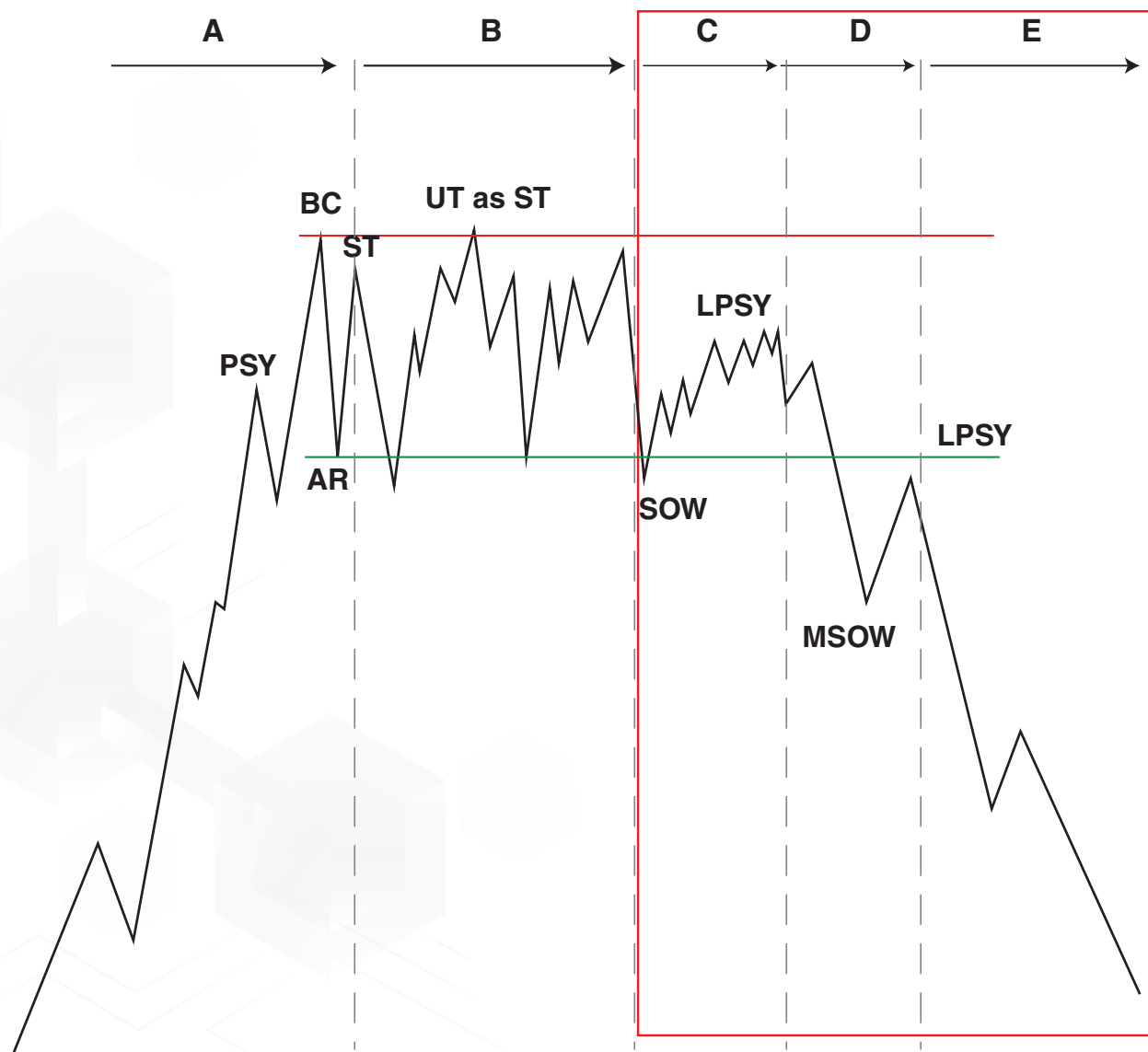


1. INTENTIONS behind Phases A and B:
 - i. Phase A: STOP
 - ii. Phase B: SUPPLY/DEMAND
2. WYCKOFF EVENTS:
 - i. Phase A: PSY, BC, AR, ST
 - ii. Phase B: UT and SOW
3. PRELIMINARY SUPPLY:
 - i. First attempt to stop an advance
 - ii. It always fails as price goes higher to BC high
4. BUYING CLIMAX:
 - i. Big spread / big volume
 - ii. Exception1: Series of consecutive up bars, but not necessarily on big spread and higher volume
 - iii. Sometimes BC action is more visible on higher time frame (Daily-Weekly-Monthly)
 - iv. The high of BC defines resistance line of a trading range
- iv. AUTOMATIC REACTION:
 - i. It could take 1-2 days or a period of time
 - ii. Exhaustion of demand creates an initial decline off BC high
 - iii. which is continued later by covering of long positions at lower prices
 - iv. The low of AR defines the support line of a trading range
5. SECONDARY TEST:
 - i. ST can be a local event to SC+AR
 - ii. and can occur later as a bigger confirmation
 - iii. It can create a small trading range as a testing action
6. UP THRUST:
 - i. It leaves a trading range above resistance and quickly comes back – failure and supply
7. MINOR SOW:
 - i. Indication of potential supply
 - ii. Possible retest of lows in the future

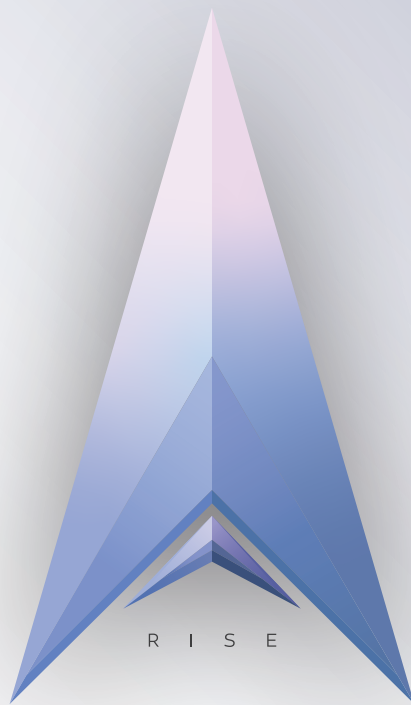
CHEAT SHEETS

Distribution: Phases C, D and E

PHASES:



1. INTENTIONS behind Phases C, D and E:
 - i. Phase C: TEST
 - ii. Phase D: MARKDOWN in TR
 - iii. Phase E: MARKDOWN outside of TR
2. WYCKOFF POINTS:
 - i. Phase C: UTAD, Failed UT, test of UTAD, high LPSY
 - ii. Phase D: LPSY, MSOW
 - iii. Phase E: downtrend
3. UPTHRUST AFTER DISTRIBUTION:
 - i. Test of the upper boundaries of a range
 - ii. Price travels out of the range and can stay there for some time
 - iii. Draws a lot of public following
4. Test of UTAD:
 - i. Failed rally after UTAD
 - ii. It looks like a healthy pause in a rally, but fails right afterwards
5. Failed UT (Roman):
 - i. Upthrust action with an intention to create UTAD
 - ii. Always fails to advance above the higher range point – SOW
 - iii. It can have a test as UTAD
 - iv. It can be also labeled as high LPSY
7. MAJOR SOW:
 - i. One of the characteristics for high probability Wyckoff setup
 - ii. It can be identified by increasing volume, spread, velocity and price penetration
 - iii. Usually will produce a new lower low
 - iv. It could be a second, third or fourth attempt to break the ice and it is the most successful one
8. LPSY:
 - i. Failed rally and lower high
 - ii. Lower volume and decreasing spread
 - iii. It can occur at different levels in a range signifying strength or weakness



WYCKOFF

METHOD AND CHEAT SHEET

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