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*There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits*

Friday, June 8, 2012

## VWAP Strategy

VWAP is the Volume Weighted Average Price of a security. It shows the average price of the positions traders carry at the moment. In NOW terminal it is shown as ATP . Today, Market gave a very profitable opportunity to use this strategy. But unfortunately I could not capitalize. I just froze during the final up move

*I learned this from smart trade, the Moderator of Traderji Forum. Long back he had made a post in Traderji which I copied and kept . I do not have the link to the original post, hence reproducing it below.*

This is one trading technique which I use very regularly and I wanted to share the same with all. At 2:40 -45 I was long in Nifty Futures and the market was looking strong. I had to take a decision whether to book some profits there or wait till the end.

We play on simple technique that find out which is a side which is trapped and how much are they under water. At 2:45 the weighted average of Nifty future was showing 5035-40 whereas NF was quoting at 5085....a clear gap of 40-45 points. This means that the market is heavy at the bottom or lots of trades have happened below 5035 .....and the longs are comfortable but shorts are now feeling the heat. They will come for covering their short positions.....also at 3:10 the brokerages will square off all losing positions which are not covered by margins. So here instead of booking profits add on every dip .....the bears are dieing to cover their short positions.

After 3:10-3:15 there is panic in bear camp.....the die-hard bears come to cover after 3:20 and it is adding fuel to the fire. We just have to watch market going up like a rocket.....last 20 min give us a very quick move up.....and we get best price when the bears say "damn.....cover at any price...." and that is where we liquidate our long position built up anticipating this to happen.....it is a fun to trade this move....

*PS. Recently there was an allegation that I am posing as "smart trade" and misleading the readers. Kindly read the anonymous comment and my reply [here](#)*

This is the screen shot of NOW terminal at 3.20 PM today Notice the LTP and ATP

Symbol	Expiry D...	Last Traded Price	Best Buy R...	Best S...	Percen...	ATP
NIFTY	28Jun2012	5071.20	5071.20	5071.55	0.83	5009.12

Posted by SMART Trader at 4:53 PM



## 7 comments:



**Trekking or Tracking** February 13, 2013 at 12:49 PM

can wap be plotted on metastock along with price line taking in daily price and volume  
Reply



**SMART Trader** February 13, 2013 at 7:26 PM

TOT

No Idea. I have not used Metastock.

ST

Reply



**SMART Trader** July 13, 2013 at 6:38 AM

Smart analysis of WAP. When do you think WAP is significant? is it only at days end when price is too far from its WAP or is it that we wait for the difference in CMP and WAP to near its ATR?

Reply



**SMART Trader** July 13, 2013 at 10:04 PM

Lawrence

I do not use WAP as a stand alone system. But it can give some clues about traders getting trapped and forced to exit. Usually this happens near the close of the session

ST

Reply



**SMART Trader** August 12, 2014 at 3:47 PM

Rajesh,

Thanks for this post.  
Excellent information for trading at the end of every session !  
Thanks once again !  
With Kind Regards,

Reply



**SMART Trader** September 7, 2014 at 4:18 PM

Dear ST,  
Found the link to the post: <http://www.traderji.com/day-trading/49521-thoughts-day-swing-trading-49.html>

Thanks to google.

BR,Tarak

Reply

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**SMART Trader** September 7, 2014 at 7:25 PM

Tarak

Thanks  
ST

Reply

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