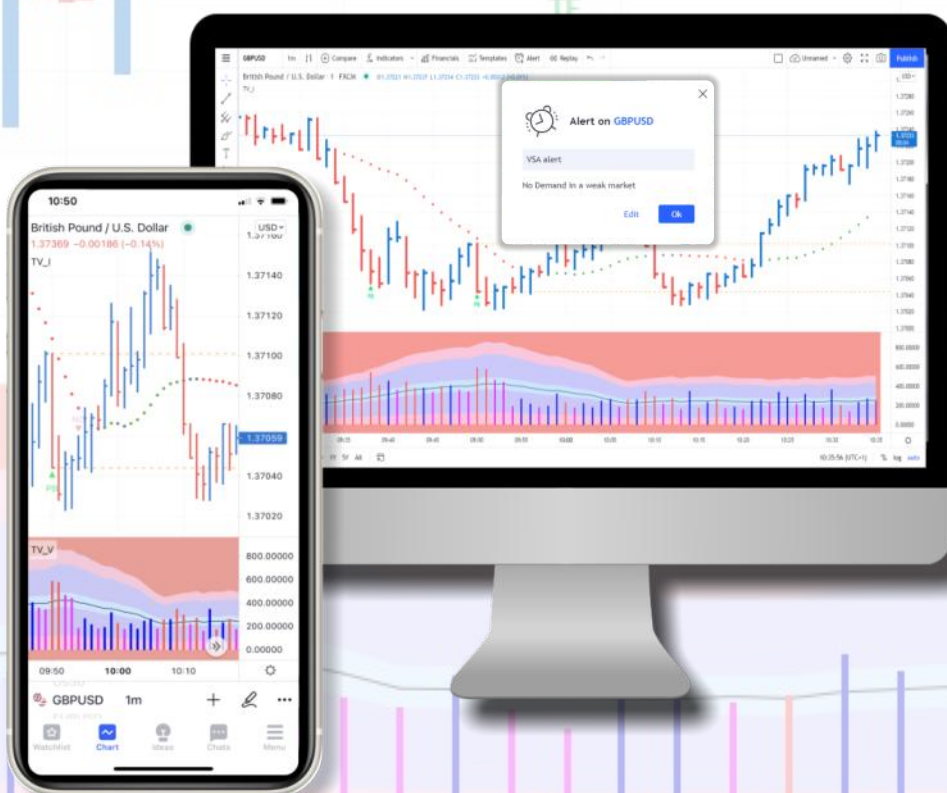


Tradeguides VSA Lite for TradingView

Guide to VSA Lite Alerts



Tradeguide VSA Lite for TradingView

The Guide to VSA Lite Alerts

DISCLAIMER

Tradeguide VSA Lite for TradingView is NOT a buy sell signal system. It is a decision support system to help traders and investors trade the markets in the footsteps of “smart money”.

Trading all markets contains substantial risk. An investor could potentially lose all or more than the initial investment. Risk capital is money that can be lost without jeopardizing ones’ financial security or life style. Only risk capital should be used for trading and only those with sufficient risk capital should consider trading. Past performance is not necessarily indicative of future results.

Hypothetical performance results have many inherent limitations, some of which are described below. no representation is being made that any account will or is likely to achieve profits or losses similar to those shown; in fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk of actual trading. for example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all which can adversely affect trading results.

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Overview

This guide provides detailed information on how to use alerts generated by the **TradeGuider VSA Lite** indicator. It also includes a simple trading strategy as well as basic information about risk/reward and trade management, which is illustrated in the corresponding examples.

General Description

VSA Lite alerts are based on the Volume Spread Analysis methodology introduced by former syndicate trader Tom Williams (1929-2016).

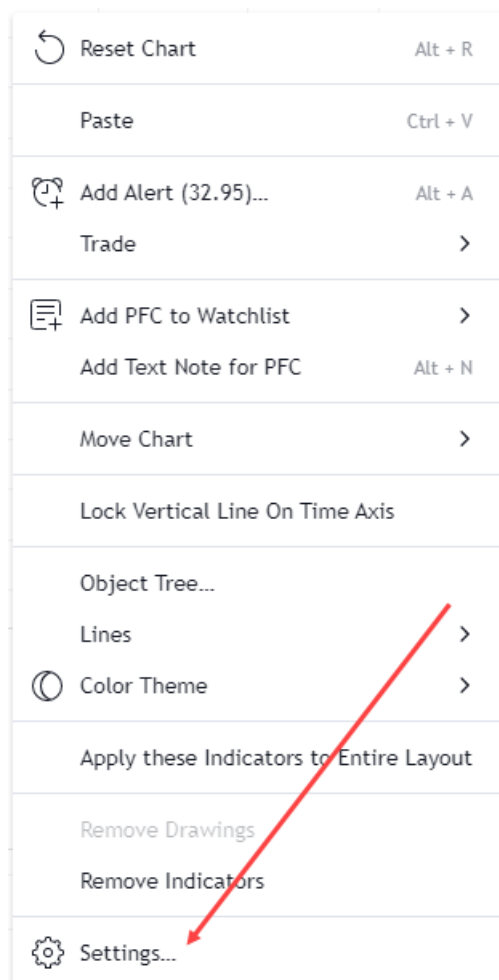
The alerts are not designed for professional trading. They are primarily a tool to help users learn VSA. They may be used to trade markets live, but only after a user has consistently been successful at trading a paper account.

There are five conditions when alerts might be generated by the VSA Lite indicator:

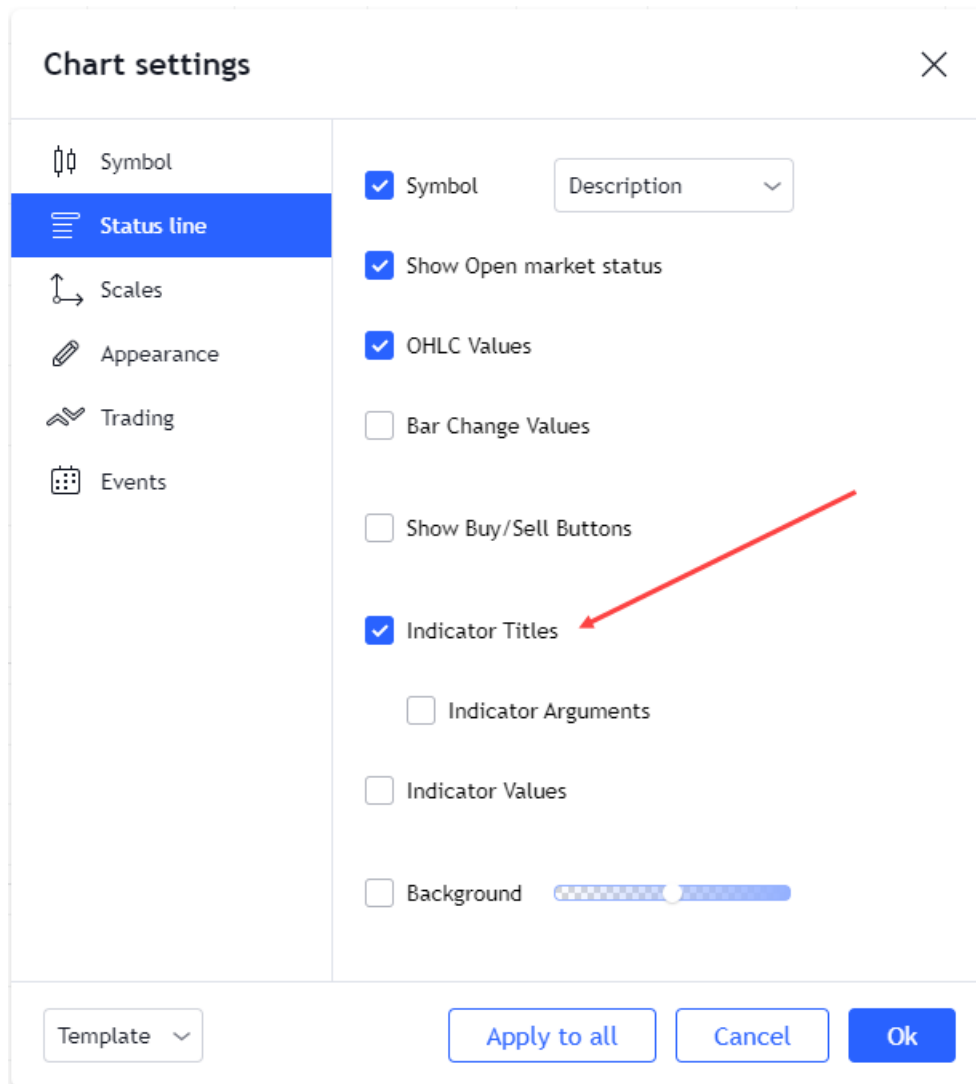
- The appearance of the Trigger Bars (Potential Professional Selling (PS) or Potential Professional Buying (PB))
- The appearance of Tests or No Demands
- The appearance of Shakeouts (SO) or Upthrusts (UT)
- The appearance of Long VSA Setups
- The appearance of Short VSA Setups

To access alert settings of the VSA Lite indicator, do the following:

- In an empty area of the chart click the right mouse button and select **Settings** in the pop-up context menu.



- In the dialog box that appears select **Status Line** tab and ensure that the **Indicator Titles** parameter is checked (selected). This will display the names of the attached indicators in the top left corner of the chart.



- Click **Ok** to close this dialog box.
- Move the mouse pointer over the VSA Lite indicator name in the top left corner of the chart. The corresponding tool bar will appear to the right side of the 'VSA Lite' name.



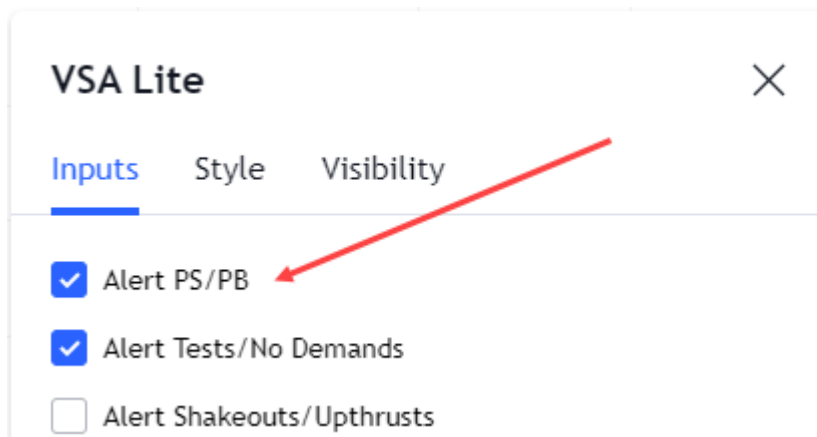
- Click on the cogwheel (as pointed to on the image above) which will open indicator settings where the alert parameters will be presented.

Trigger Bars Alerts

The Trigger Bars play a very important role in VSA methodology, as they show the activity of the smart money. In the VSA Lite indicator, Trigger Bars correspond to Potential Professional Selling (PS) or Potential Professional Buying (PB) VSA principles. In many cases they cause the price to reverse. They also mark the beginning of VSA Setups. Therefore, it can be very useful to be informed as to when such bars appear on the charts.

Upon receiving this alert, traders may review the time frame in which the Trigger Bar was found as well as larger time frames and make a preliminary decision whether to, for example, trade this instrument or not to anticipate what the direction of the trade should be. This may save a lot of time when the VSA Setup alert arrives.

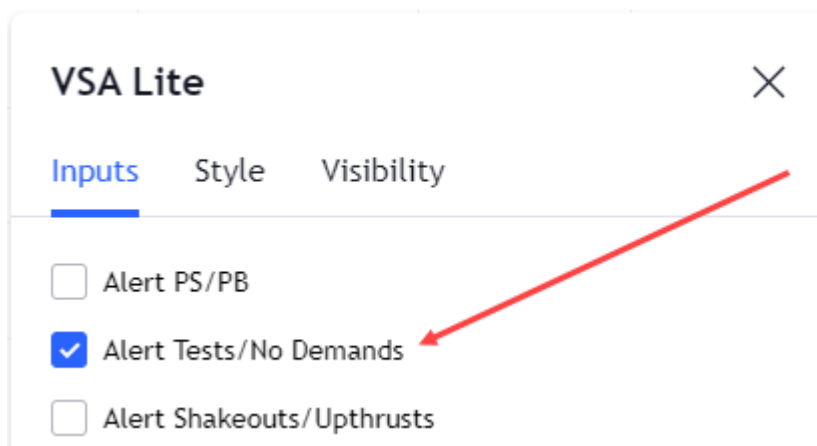
Alerts for identified Trigger Bars are switched off by default, but the user may choose to switch them on by selecting the 'Alert PS/PB' parameter of the TradeGuider VSA Lite indicator



Test and No Demand Alerts

In VSA methodology, Tests and No Demands are very often used as a final confirmation of the completeness of a VSA Setup. In many cases, low volume in areas where a significant volume was observed in the past marks the end of the accumulation or distribution phases and presents a setup with low risk and favourable reward.

Alerts for these principles, when they are the last step in a VSA Setup, are switched on by default when the 'Alert Test/ No Demands' parameter is checked in the TradeGuider VSA Lite indicator. This is in contrast to Tests/No Demands which are not part of the VSA Setups and which will not generate an alert.



In some circumstances, users might want to block these alerts. This can be done by unchecking (deselecting) the parameter 'Alert Test/ No Demands'.

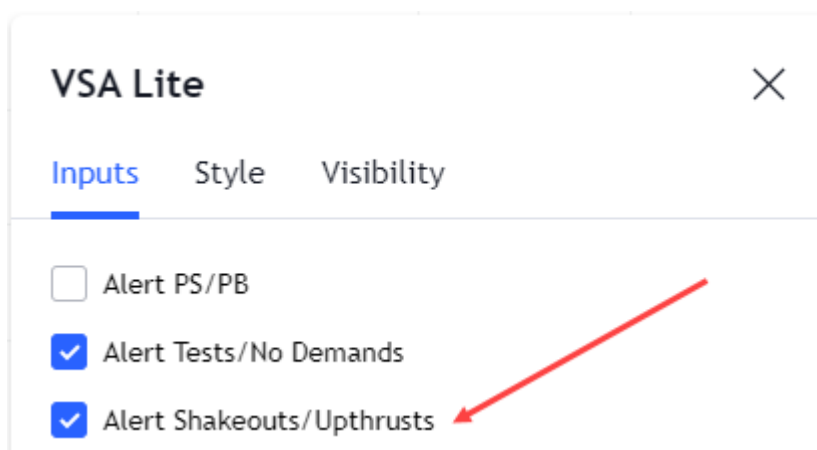
Shakeout (SO) and Upthrust (UT) Alerts

Shakeouts (SO) and Upthrusts (UT) are money-making maneuvers by market makers to catch the stops of those who are long or short respectively, so as to trap the unwary into losing trades. Very often these maneuvers are used by the professionals during the accumulation and distribution phases and sometimes even mark the end of these phases.

If, for example, you see the Potential Professional Buying (PB) VSA principle in the near background followed by one or several Shakeouts in the same price area, this might be another confirmation that smart money is trying to accumulate. Correspondingly, when you see the Potential Professional Selling (PS) VSA principle in the near background followed by one or several Upthrusts at the same price area, this might be another confirmation that smart money is trying to distribute.

In some circumstances it is therefore important to be informed when these VSA principles appear on the chart.

By default, alerts for Shakeouts (SO) and Upthrusts (UT) are switched off, but the user may switch them on by selecting the TradeGuider VSA Lite indicator 'Alert Shakeouts/Upthrusts' parameter.



Long VSA Setup Alert

The 'Test in a strong market' long alert is generated when the following conditions are found on the chart:

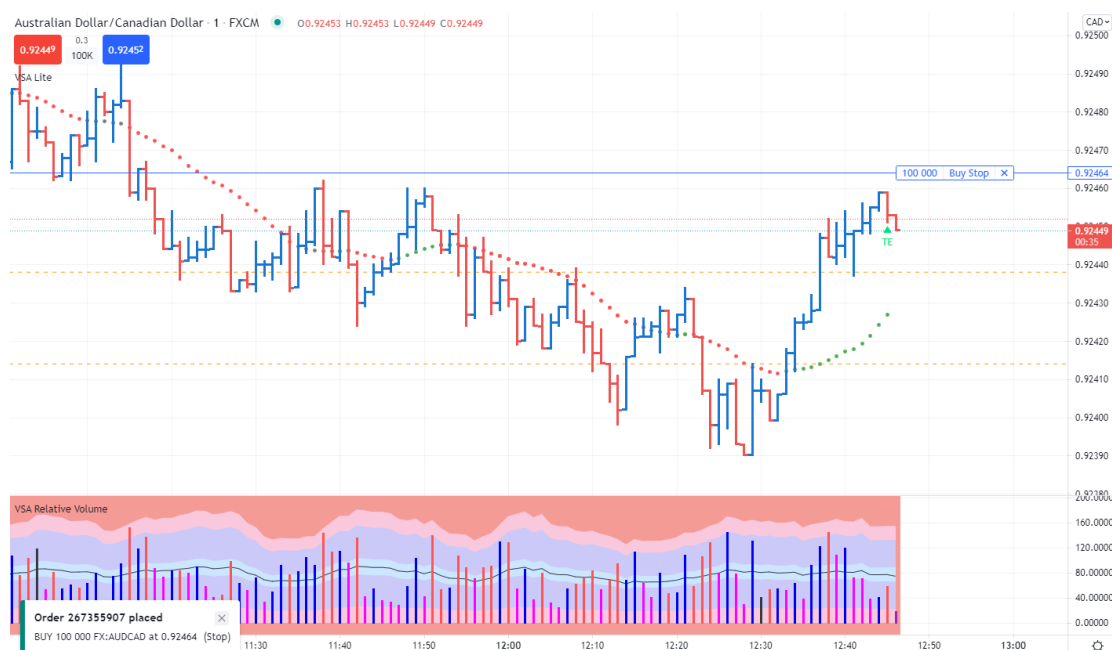
- A Trigger (Climactic) Bar, such as Potential Professional Buying (PB) or in some cases Potential Professional Selling (PS), is found in the background.
- The price has risen above the high of the Trigger Bar.
- Price behavior has changed to the upside (the Short Term Trending Tool is changing color from red to gray or green).
- A Test is identified.

This set of conditions informs the user that strength is presented on that particular chart at the current moment.

It must be noted that the presence of a Long VSA Setup on one chart might not be enough for the price to continue in the alert direction. The user will need to decide if there is enough strength to move the price higher, based, for example, on the trend and/or the balance between supply and demand on other time frames.

If the decision is affirmative, you may paper trade it using either your strategy or by doing the following:

1. After the 'Test in a strong market' alert arrives, place a resting buy-stop order a few ticks above the high of the bar with the Test. If another alert in the same direction arrives before your resting order is triggered, move your buy-stop order down so that it is a few ticks above the new Test Bar.



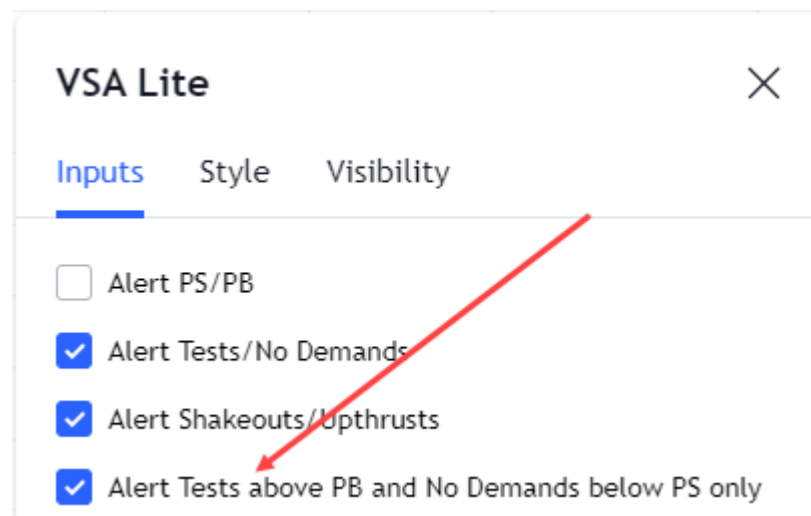
2. Remove the resting buy-stop order if you either see three consecutive down bars below the low of the last-alerted Test or when the price breaks the low of the Trigger Bar (the lowest trigger line).
3. If the resting order was triggered, place the stop loss in accordance with your risk management rules. You can learn more about risk management principles in [Appendix 1. The Basics of Risk Management](#).
4. Manage the trade by following your trade management rules. If you are new to trading, you can learn more about trade management principles in [Appendix 2. The Basics of Trade Management](#) and use the Fixed Stop Loss and Fixed Profit Target technique.

Note 1: Always remember the bid/ask spread. Long trades are open based on the ASK price and closed on the BID price.

Note 2: There is a higher probability of a successful long trade if a Test Bar appears around the top of the Trigger Bar (the higher trigger line), rather than after the price has moved away from the Trigger Bar.

Note 3: The stronger the trend is, the higher the probability is that the correction will take place and, therefore, there is a lower probability that the trade will be successful.

Note 4: To switch on alerts for Long VSA Setup after a Potential Professional Selling (PS) VSA principle, uncheck the TradeGuider VSA Lite indicator 'Alert Tests above PB and No Demands below PS only' parameter.



Short VSA Setup Alert

The 'No Demand in a weak market' short alert is generated when the following conditions are found on the chart:

- A Trigger (Climactic) Bar, such as Potential Professional Selling (PS) or in some cases Potential Professional Buying (PB), is found in the background.
- The price has moved below the low of the Trigger Bar.
- Price behavior has changed to the downside (the Short Term Trending Tool is changing color from green to gray or red).
- A No Demand is identified.

This set of conditions informs the user that there is weakness on that particular chart at the current moment.

It must be noted that the presence of a Short VSA Setup on one chart might not be enough for the price to continue in the alert direction. The user will need to decide if there is enough weakness to move the price lower, based, for example, on the trend and/or the balance between supply and demand on other time frames.

If the decision is positive, you may paper trade it using either your strategy or by doing the following:

1. After the 'No Demand in a weak market' alert arrives, place a resting sell-stop order a few ticks below the low of the bar with the No Demand. If another alert in the same direction arrives before your resting order is triggered, move your sell-stop order up so that it is a few ticks below the new No Demand bar.



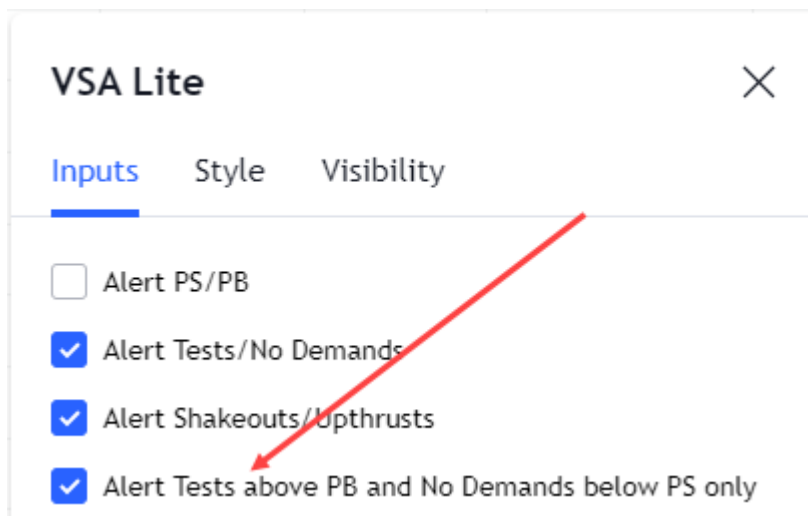
2. Remove the resting sell-stop order if you either see three consecutive up bars above the high of the last-alerted No Demand or when the price breaks the high of the Trigger Bar (upper trigger line).
3. If the resting order was triggered, place the stop loss in accordance with your risk management rules. You can learn more about risk management principles in [Appendix 1. The Basics of Risk Management](#).
4. Manage the trade by following your trade management rules. If you are new to trading you can learn more about trade management principles in [Appendix 2. The Basics of the Trade Management](#) and use the Fixed Stop Loss and Fixed Profit Target technique.

Note 1: Always remember the bid/ask spread. Short trades are open on the BID price and closed on the ASK price.

Note 2: There is a higher probability of a successful short trade if a No Demand appears around the bottom of the Trigger Bar (the lowest trigger line), rather than after the price has moved away from the Trigger Bar.

Note 3: The stronger the trend is, there is a higher probability of a correction and, therefore, a lower probability of trade success.

Note 4: To switch on Short VSA Setup alerts after a Potential Professional Buying (PB) VSA principle, uncheck the TradeGuider VSA Lite indicator 'Alert Tests above PB and No Demands below PS only' parameter.



Appendix 1. The Basics of Risk Management

Before placing an order, the trader must understand how much they could lose (risk) on the trade and how much they could profit (reward) from it. The greater the value of the ratio between reward and risk is, the more profitable the trader could be in the long term. If the total loss is bigger than the total profit, the account size gets smaller and may finally end up at zero, completely disappointing the trader. Vice versa, if the total profit is bigger than the total loss, the account size increases and the trader will benefit. Every trader has both winning and losing trades. Therefore, managing the value of the reward/risk ratio on the portfolio and on every particular trade becomes extremely important. This is why risk management is one of the key elements of successful trading.

Your risk management strategy will depend on many factors, for example your account size, account leverage, style of trading (scalping, intraday, swing, investment) or the profitability of the trading strategy. It is very closely linked to another key element of successful trading - trade management.

There are many risk management techniques, but we will show you a few of the common ones, most often used with VSA trading.

Note 1: In this document we use the term 'reward/risk' instead of the traditional 'risk/reward' to avoid any confusion between the ratio name and the standard formula used for the calculation, which is the potential reward divided by the potential risk.

Note 2: In order to keep the following descriptions simple, we are not considering some aspects, for example the average price of the open position, commissions paid by the trader, slippage, etc.

The Rule of One Percent

This rule specifies that the risk per any single trade must not be more than 1% of your capital.

For example, if your current account value is £100,000 then in every single trade your maximum risk is 1% of £100,000, equal to £1000. Knowing this value and the place of your stop loss, you can calculate the optimal lot size for that trade. On the other hand, if you know the lot size you are planning to trade, and the price of one tick of the instrument, you can calculate the price level of the stop loss.

Depending on your account size, style of trading and your personal preferences, the risk per trade percentage could generally vary from between 0.2 to 3% of your capital.

Let's assume your current account value is \$100,000, you are planning to trade XYZ stock, the expected open price of the position is \$145.00 and your stop loss is at the level \$130.00, then the lot size will be calculated as follows:

(Risk per Trade) / (Expected Open Price – Stop Loss Price) => (\$100 000 * 1%) / (\$145 - \$130) = 66 shares.

In classic VSA methodology, the stop loss is usually placed behind the bars with very significant Ultra High Volume, therefore the calculation shown above is most common for VSA trading.

Another example: you are planning to open a short trade on the EUR/USD currency pair with 1 lot. Your account value is \$10,000, tick value is \$1, tick size (minimal price change) is equal to \$0.0001 and the expected open price of the position is \$1.1800. The place of the stop loss can be calculated as follows:

Expected Open Price + ((Risk per Trade) / Tick Value) * tick size => $1.1800 + (((\$10\,000 * 1\%) / \$1) * 0.0001) = 1.1800 + 0.01 = \1.1900

If you are opening a long trade, you would use the following formula:

Expected Open Price – ((Risk per Trade) / Tick Value) * tick size => $1.1800 - (((\$10\,000 * 1\%) / \$1) * 0.0001) = 1.1800 - 0.01 = \1.1700

It must be noted that none the above formulas include the bid/ask spread, which might be useful to consider especially for those instruments where it is generally big.

Some traders also add other parameters to this rule. The most common one is that the total risk in all running trades cannot exceed a certain percentage of your capital. This value usually varies between 6% and 10%.

For example, if you have 2% risk per trade and 6% of the total risk, you can have up to 3 trades running simultaneously.

This technique is mostly used for an intraday trading style.

Hedging

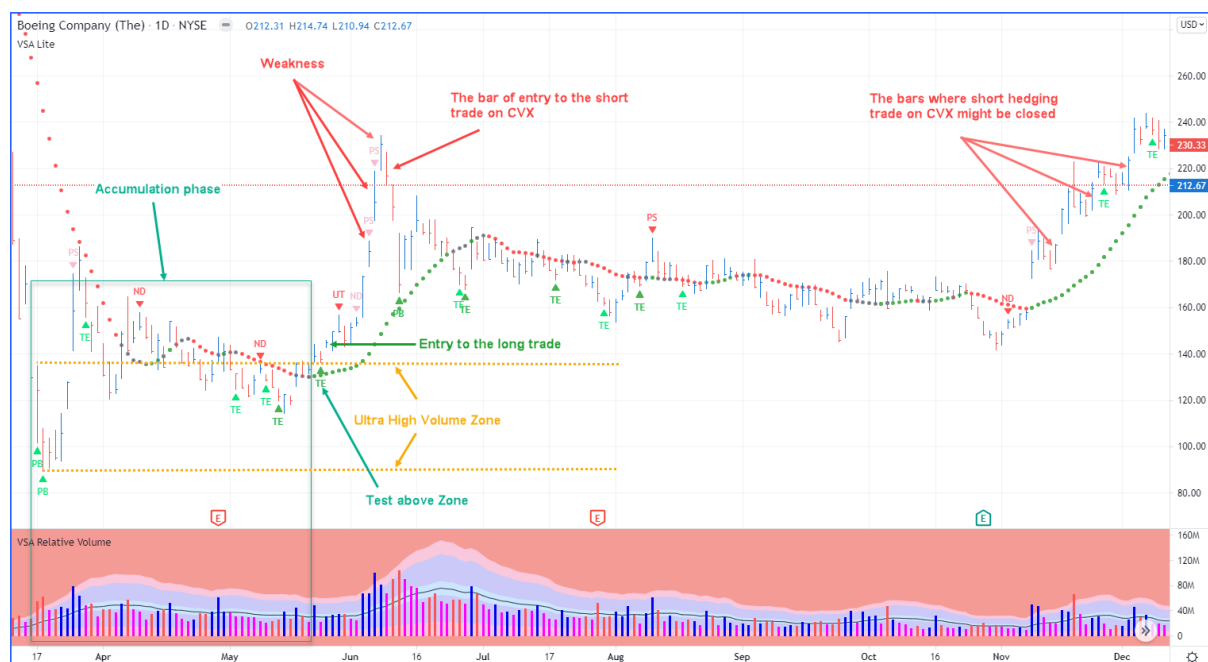
In trading, hedging is a technique that minimizes risk in case of adverse market moves. Similar to insuring a car against an accident, hedging 'insures' the trader against losses they can't afford or sometimes even protects the profit.

Most commonly, traders use derivatives (specifically options and futures) to protect their trades or portfolio, but in some circumstances, they may also trade the same or very closely linked (correlated) assets in an opposite direction.

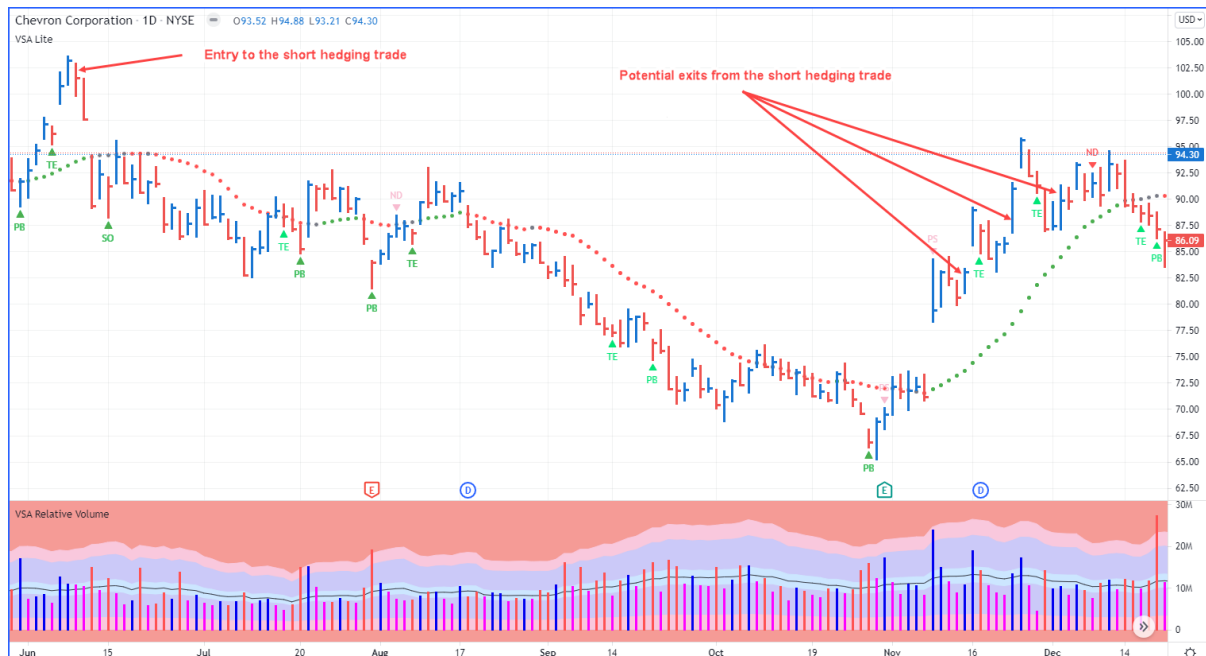
It must be noted that the trader must think carefully before implementing this kind of risk management, because hedging can be even more risky, time consuming and cost more than simple risk management strategies.

Let's look at a few examples:

Assuming an accumulation in the near background followed by Low Volume testing around the top of the Ultra High Volume zone, on the 26th of May 2020 the trader purchases some Boeing Company stock shares (ticker: BA-NYSE) at the price of \$143.00. The price rises till the 8th of June, but serious weakness is observed on the 6th, 7th and 8th of June.



Expecting the stock to correct or reverse, and with the knowledge that another stock, Chevron Corporation (ticker: CVX-NYSE) highly correlates with Boeing, the trader sells CVX on the 9th of June at \$101.80. If Boeing's stock price continues to rise above \$234.20, they will close the losing CVX trade, but will cover that loss by the corresponding profit on the BA stock. If the price starts to fall, the loss from the Boeing trade will be compensated for by the profit on the CVX stock.



If the price of Boeing collapses below \$89.00 (the bottom of an Ultra High Volume zone), both trades might be closed, and the losses on the Boeing trade will be compensated by the profit on the CVX trade. There is also the option of closing only the BA trade and keeping CVX running.

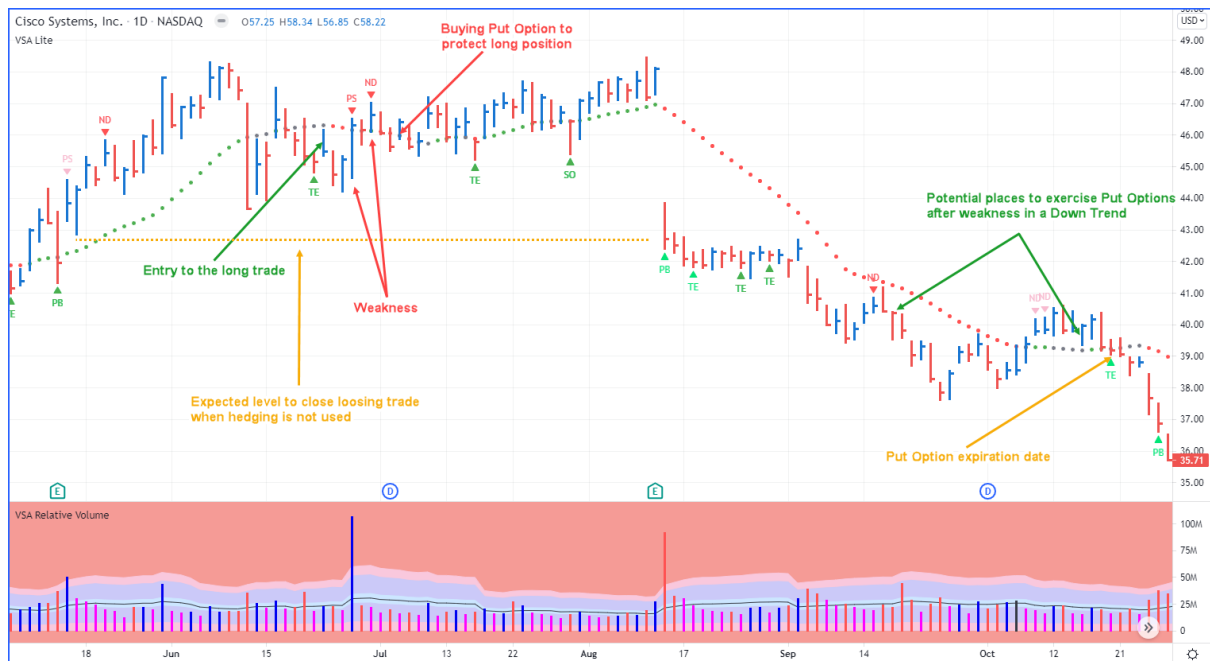
When the Boeing correction ends and the initial trend recovers, depending on how cautious the trader is, they could have several options to close the hedging trade. In this example it can be on the 13th or 23rd of November or on the 2nd of December where the price breaks the top of the previous Test Bar on the BA chart. In this example, in addition to the profit on BA stock they will also gain some profit on the CVX trade.

The biggest risk in this strategy is that two instruments may decorrelate for some time and move in opposite directions. In this case, the trader will have to decide either to close both trades or to wait until the correlation recovers.

Another example:

After the Test in an uptrend, on 23rd of June 2020, the trader purchases 500 shares of Cisco Systems (ticker: CSCO - NASDAQ) at the price of \$45.55 per share and expects to close the trade at the level of \$42.73 if the price goes against the trade. A week later the two VSA principles Potential Professional Selling (PS) and No Demand appear on the chart. Thinking that this weakness can temporarily turn the stock down, they change their mind and instead of closing the position at \$42.73, decide to hedge their investment. To do so they can buy put options.

Note: Options offer a possibility, but not an obligation, to exercise the underlying asset (the instrument it is based on) by or on the expiration date at a fixed level called the strike price. To buy an option, the trader has to pay a price which is termed a premium. One option contract covers 100 shares. Call options can be bought on a higher price expectation of the underlying asset and become profitable when the price of the underlying asset rises above the strike price plus premium. Put options might be purchased with the expectation that the price of the underlying asset will decrease. They become profitable when the price of the underlying asset collapses below the strike price minus premium.



Let's assume that on the 6th of July 2020, when the trader decides to hedge their position, five put option contracts with the strike price of \$45.00 for \$1.5 per share and an expiration date of the 20th of October 2020 are available. To cover all CSCO shares, the total price they pay to buy them is:

$$(\$1.5 * 100) * 5 = \$750.$$

If the CSCO price stays above the strike price by the expiration date, the put options will not be exercised and become worthless. The trader will lose the \$750 they invested in it. They will also need to decide what to do with the stock trade: close it at the current market price (when, for example, the price is below the open price of the position plus premium) or to keep it running (when the price is above the open price of the position plus premium) and benefit from the potential price gain.

On the 13th of August 2020 the price gaps down, closes significantly below the strike price at \$42.72, and continues to drop further. From that moment the trader may exercise put options at any point of time. For example, they could do it on the weakness in a downtrend (when the price breaks the bottom of the No Demand bars on the 17th of September or 19th of October 2020) or on the day the put options expire. In all cases, while the price stays below \$43.50 (\$45.0 - \$1.5), the total loss will be the same:

$$(\$45.55 - \$45.00 + \$1.5) * 500 = \$1025.$$

Just to compare, if the trader doesn't change their mind and closes the position at \$42.73 as initially planned, their loss would be:

$$(\$45.55 - \$42.73) * 500 = \$1410.$$

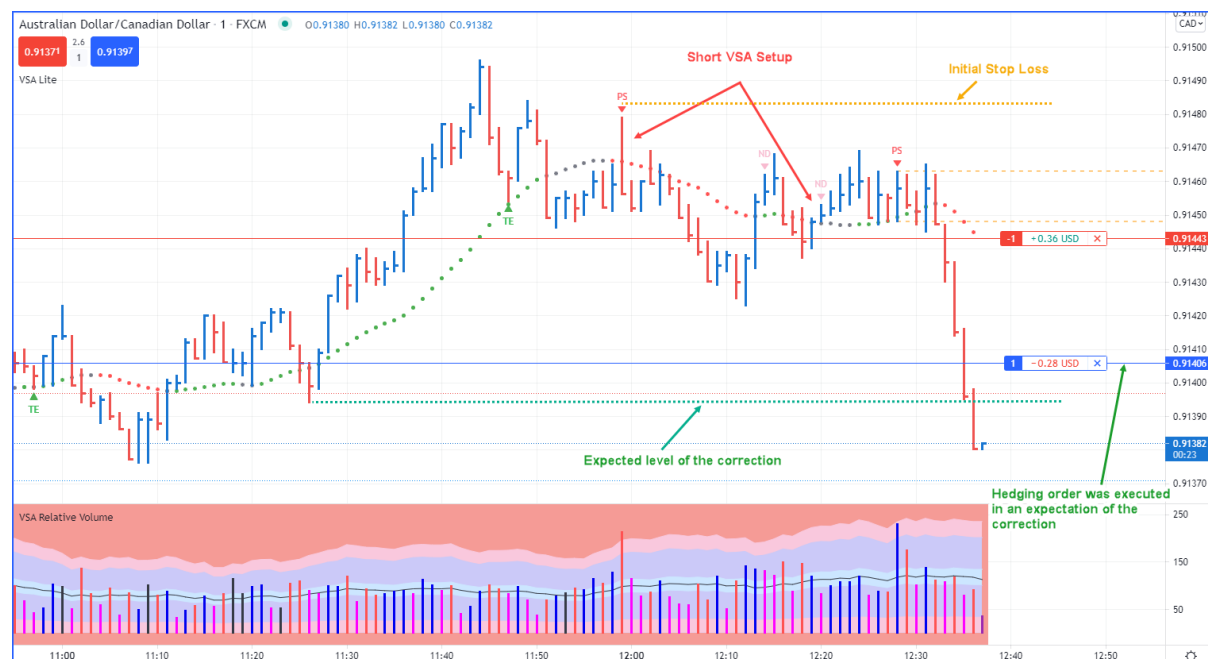
It must be noted that this value might be significantly bigger if there are opening gaps or very fast price moves.

Another example applies to the hedging trading accounts provided mostly by Forex brokers. It uses a similar technique to that in the first example, but the difference is that hedging is performed on the same asset.

In contrast to netting types of trading accounts where only one running position per instrument can be presented at any point of time, hedging accounts accept one or several positions in the same or even different directions on the same instrument.

With an expectation that during the day the AUD/CAD currency pair might tank, the trader decided to wait for a short trade. On the 23rd of August 2021, they were alerted about a Short VSA Setup on the 1 minute time frame and placed a resting sell-stop order below the low of the No Demand VSA principle. The order was triggered at 12:33:15, the short position was opened at the price C\$0.91443 and they placed the stop loss at C\$0.91481. Within the next few bars the price came closer to the level where the trader was expecting the correction which might have moved the price to, or be even higher than, the entry level. They therefore removed the stop loss order and at 12:36:30, placed a resting buy-stop order at C\$0.91401 which was executed a few seconds later and created another position on the same instrument with the same size, but in a different direction at the level of C\$0.91406.

Again it must be noted that such an operation is only possible on a hedging trading account. On a netting account, it will close the initial short position and record the profit in the trading history.



By doing this, the trader has protected that part of their profit that equals C\$0.08 or 3.7 pips. Until both positions are in, the account balance will not significantly be impacted by price moves in any direction.

If the AUD/CAD price goes lower, the trader may close the long position, restore the stop loss at the same or even a lower level and benefit from the down move. Otherwise, if the currency pair goes above C\$0.91443, they can close the short position, set the stop loss below the current price and benefit from an up move.

This hedging strategy eliminates one of the risks we saw in the first example whereby traded instruments may temporarily decorrelate.

It should be noted that when the broker uses a dynamic bid/ask spread or when positions are rolled over to the next day, the changes in spread and swap commissions may impact protected profit. Therefore, the trader must carefully study the pros and cons of this technique before using it.

Appendix 2. The Basics of Trade Management

Trade management is another key part of successful trading. It governs how a trader can run their trades to minimize risk and maximize the reward. It should be noted that even if a trade is profitable, it does not mean that in some circumstances (for example, opening gaps, news events) it will not become a losing trade. Smart money puts a lot of effort into confusing traders and tricking them into unprofitable positions. Closing the position or moving a stop loss at the right time to the right place are the main objectives of trade management.

Fixed Stop Loss and Fixed Profit Target

This is the simplest technique which in fact does not require any trade management. When the trader opens the trade, they set their stop loss and take profit to predefined levels and never touch them while the position is running. Sooner or later one of the orders will be executed. If the price goes against the trade direction, the position is closed on the stop loss and the trader loses money. Otherwise, it is closed on the profit target and the trader increases their capital.

The reward/risk ratio in this case is calculated as follows:

Long side:

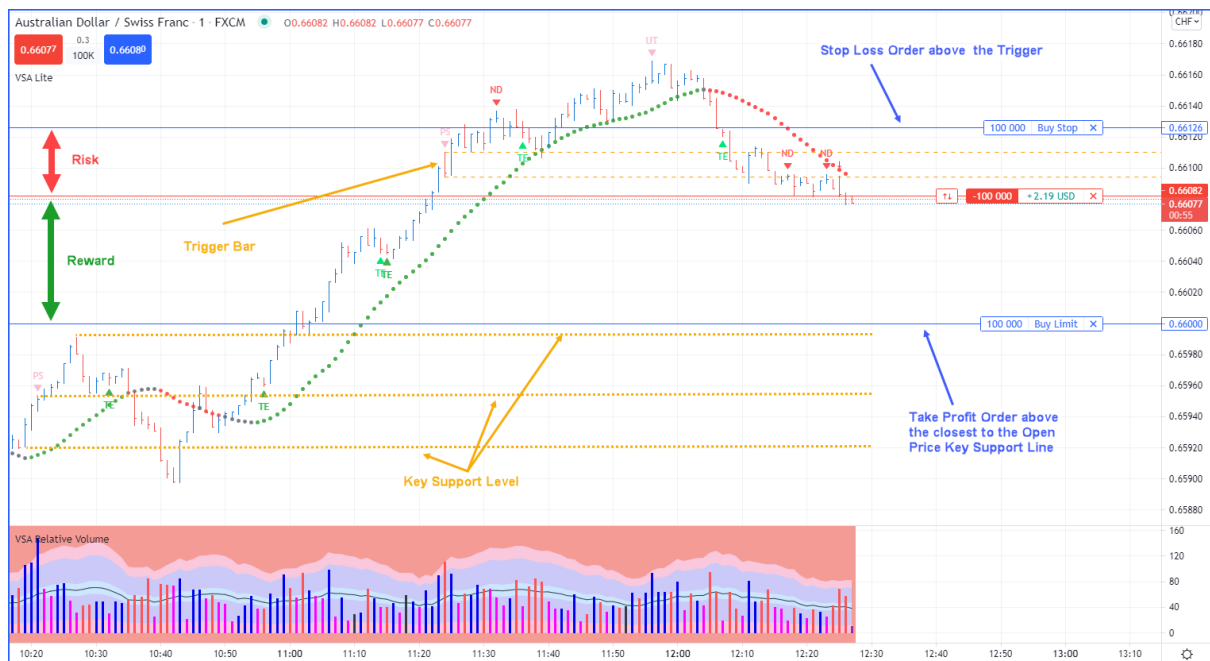
$$(Take\ Profit\ Price - Position\ Open\ Price) / (Position\ Open\ Price - Stop\ Loss\ Price)$$

Short side:

$$(Position\ Open\ Price - Take\ Profit\ Price) / (Stop\ Loss\ Price - Position\ Open\ Price)$$

It is obvious that to become profitable, a trader must follow the rule that the reward is always bigger than risk or, in other words, the value of the reward/risk ratio should be bigger than 1.

In VSA methodology, the stop loss and the take profit are usually set around the top and the bottom of the Trigger Bar or around the closest key support/resistance levels. Then, knowing the position of the stop loss and using the Rule of One Percent the trader can define the lot size they are planning to trade.



In the example on the image above, following a VSA Lite alert, the trader opens a short trade below the No Demand bar at 12:25 and places the stop loss above the Potential Professional Selling (PS) VSA principle at the price of 0.66126. They also set the take profit above the closest support level at 0.66000.

This technique can be used both with hedging and netting account types but has one drawback. If the price continues to change in the direction of the trade after the position is closed on the profit target, the trader will get a smaller profit than was theoretically possible.

Multi-Stop Loss

This technique might be useful when the trader can see potential for a trade in the longer term but cannot achieve an acceptable reward/risk ratio in the short term.

The size of the trade can be calculated based on the Rule of One Percent. Then this size is divided into several parts, for example, three. The first stop loss is set in the same way as for a Fixed Stop Loss and a Fixed Profit Target strategy and is called an initial stop loss. The remaining stop losses are distributed between the open price and the initial stop loss preferably around the minor support/resistance levels.



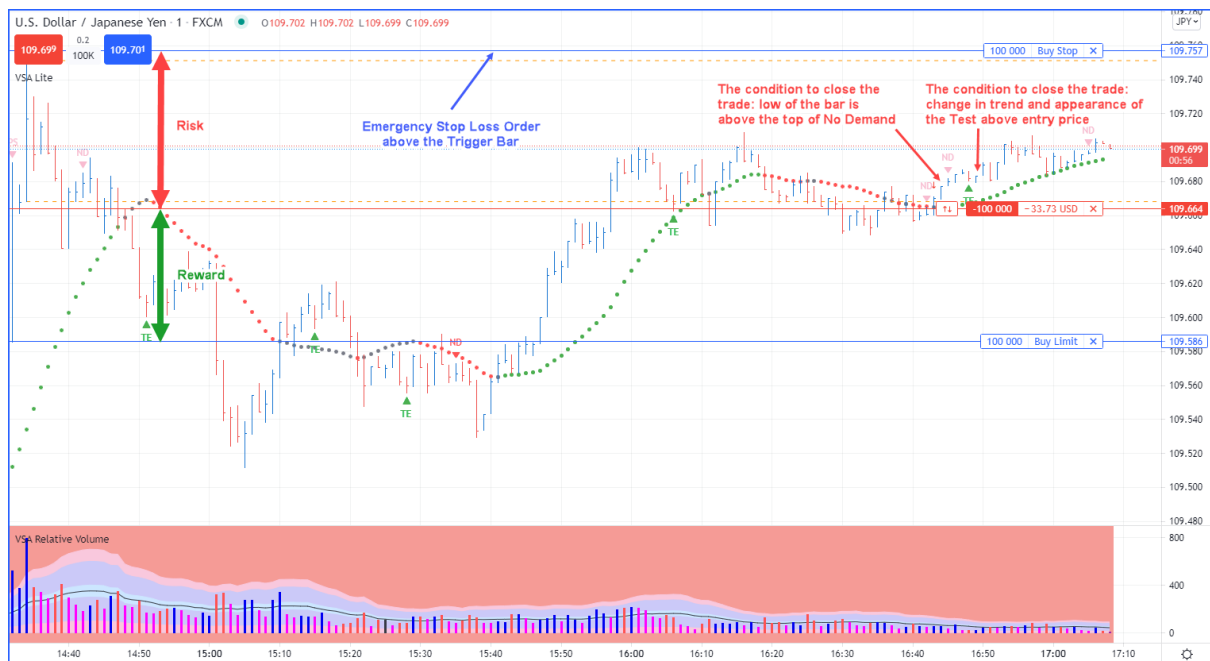
On one hand this technique decreases risk, but from the other it has very serious drawbacks.

First, it is time consuming as before opening the trade, the trader will need to perform a complicated calculation of the total risk. For scalp and intraday trades, it may delay entry significantly enough to decrease profits or even miss the trade.

Secondly, the majority of trading platforms don't support such order handling with OCO (One Cancels Other) orders, therefore the trader will need to set all stop losses manually and then later, if the profit target is reached, remove them all. This creates the risk of a 'forgotten order' which may result in an unexpected trade.

To eliminate obstacles, instead of using intermediate stop losses, the trader may manually close a losing position on specific conditions before the initial stop loss is triggered.

In this case, the initial stop loss will be executed if there are fast sharp moves against the trade and is sometimes called an emergency stop loss.



In VSA, some specific conditions to close the trade might be, but are not limited to:

- A Long Trade
 - The appearance of a bar on increasing volume with its high lower than the low of the Test on which an entry has taken place.
 - The appearance of a bar with Very High or Ultra High Volume closed on its bottom and below an open price of the position.
 - A change of the trend to the short side and a Sign of Weakness (SOW) appearing.
- A Short Trade
 - The appearance of a bar on increasing volume with its low higher than the high of the No Demand (ND) on which an entry has taken place.
 - The appearance of a bar with Very High or Ultra High Volume closed at its top and above an open price of the position.
 - A change of the trend to the long side and the appearance of a Sign of Strength (SOS).

This strategy is mostly used in scalping and intraday trading but might also be applied to swing trading.

Dynamic Profit and Trailing Stop

One way to increase the profit of a trade is not to use a fixed profit target. This means that after opening a position, the trader wouldn't need to pre-set the place where it closes with a preliminary calculated gain, but, instead, they follow the price moves and close the trade dynamically when, from their point of view, the market can reverse or deeply correct.

On one hand, this kind of trade management offers a possibility of maximizing profitability. On the other hand it has a few serious issues:

1. Without a profit target it is impossible to calculate the reward/risk of the trade which may lead to an overall loss.
2. Where the profit from several trades is small, it might be wiped out by one losing trade. As an example, let's say that over the day a trader has made four successful trades profiting £5, £3, £6 and £4. Later they lose one for £20. Their total profit over the day will then be negative: $£5+£3+£6+£4 -£20 = -£2$.

To overcome those drawbacks, the trader may define the price of the profit target in a similar way to the Fixed Stop Loss and a Fixed Profit Target technique, but instead of placing an order there, they can save that price level in their mind or just draw the line on the chart. This place (price) will be called the initial profit target.

When the price reaches the initial profit target, depending on the market situation, the trader can either close the position, keep the position open or even close part of it leaving the remaining part running. If the trade is still ongoing, they can move the initial stop order in the direction of the trade to limit potential losses or to lock in some profit.

A stop order which follows the price changing in favor of the open position is called a trailing stop. From its definition, a trailing stop should not be moved against the trade direction. If you draw lines on the chart through all the levels of the trailing stop over time, it will look like stairs going up (for a long trade) or down (for a short trade).

Placing a stop loss at the open price of the position or a few ticks away from it in the direction of trade is called a breakeven stop or just breakeven.

Breakeven is widely used in trading as, after it is placed, the risk of losing money significantly decreases, though does not completely disappear. At the same time, the trader must use it very carefully as many trades with zero or small profit may lead to negative total profit in the long term.

Most trading platforms provide automatic trailing stop orders with different parameters, but in some situations, the trader may still need to handle them manually.

There are many ways to decide when to move trailing stops. The most common ones are:

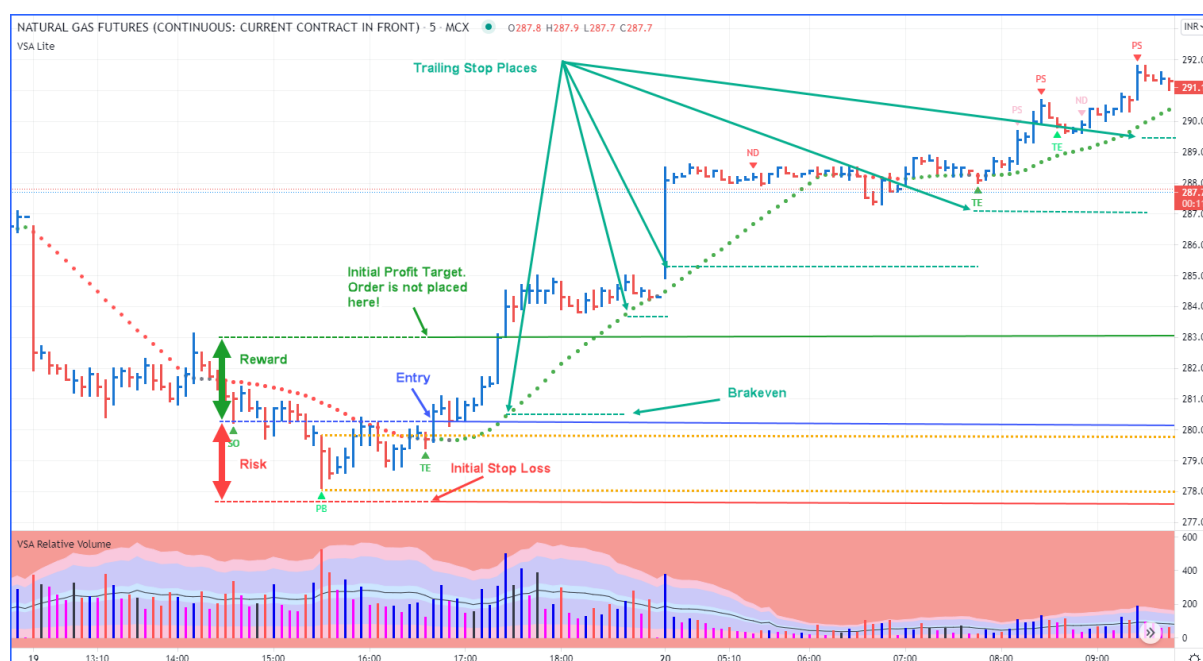
- Use the fixed value of the price change. For example, when the price has changed by 10 pips in the trade direction, the trailing stop is moved.
- Use the percentage value of the price change. For example, when the price has changed by 2% in the trade direction, the trailing stop is moved.
- Use the specific market conditions as listed later in this document.

After the decision to change the trailing stop has been made, the trader needs to understand where to place a new stop. There are also many ways to decide its location. For example, when the price

moves by 10 pips or 2%, the trailing stop is moved by the same value of 10 pips or 2% respectively in the trade direction.

When a trader is using VSA, they can consider the following specific conditions as to when and where to move a trailing stop:

- After a bar with Ultra High or Very High Volume appears, a trailing stop can be moved a few ticks below the low (for a long trade) or above the top (for the short trade) of that bar.
- After the countertrend VSA principle appears, a trailing stop can be moved a few ticks below the low (for a long trade) or above the top (for a short trade) of that bar.
- After the bar with Ultra or Very Wide Spread (range) appears, a trailing stop can be moved a few ticks above the low (for a long trade) or a few ticks below the high (for the short trade) of that bar.
- When the price moves sideways for a long time (relative to the time frame in which it is being looked at), a trailing stop can be placed a few ticks below the lowest low (for a long trade) or above the highest high (for a short trade) of that move.
- When a market correction has ended and the trend of the instrument has recovered and is in the direction of the trade again, a trailing stop can be placed a few ticks below the lowest low (for a long trade) or above the highest high (for the short trade) of that correction.



In the image above, upon receiving the 'Test in a strong market' VSA alert, the trader sees a potential trade. On one hand the price may rise to the closest key resistance level (283.0) while on the other an initial stop loss might be placed below the trigger line (the low of a Potential Professional Buying (PB) VSA principle) at 277.8. Considering that the position might be open above the top of the VSA Setup confirmation Test at 280.2 and initial profit target at 283.0, they estimate the reward/risk ratio to be 1.17 $[(283.0 - 280.2) / (280.2 - 277.8)]$ and open the trade at 16:40 at the expected level. Immediately after an order is executed, they place the initial stop loss order at 277.8. At this point they have an order in one place only: at the initial stop loss level.

After the price breaks the line of their initial profit target (283.0), at 17:25 the trader decides to keep the full position running and moves the initial stop loss to the breakeven at 283.3.

At 17:40 a sideways move starts and, because it is taking too much time, at 18:40 the trader decides to protect their profit by placing a trailing stop at 283.7. The sideways move ends in the direction of the trade with an Ultra Wide Spread bar on Ultra High Volume, and the trader moves the trailing stop again above the low of that bar to 285.2.

At 4:35 another sideways move starts and around 7:45 the trader moves the trailing stop higher to 287.0. Later, after the next correction has ended at 9:20, they change it again to 289.5.

This process continues until the price moves against the trade and triggers the trailing stop at its last place. We can see that even if the position closes later at 289.5, the profit gained on the trade will be three times greater than when using a fixed profit target.

Revision History

<i>Data</i>	<i>Version</i>	<i>Creator</i>	<i>Changes</i>
25/08/2021	0.0	Grigory Margolin	Initial document created
27/08/2021	0.1	Arthur Robinson	Document edit
29/08/2021	0.2	Grigory Margolin	Document edit
2-3/09/2021	0.3	Elizabeth Biddlecombe	Proof reading
08/09/2021	0.4	Grigory Margolin	Document edit
12/09/2021	0.5	Jean Loftus	Document edit
14/09/2021	0.6	Grigory Margolin	Document edit
15/09/2021	0.7	Elizabeth Biddlecombe	Final Proof
16/09/2021	1.0	Grigory Margolin	First edition
17/09/2021	1.1	Elizabeth Biddlecombe	Last queries