

Here is an example of using the Bar-by-Bar method to read the market based on its own actions via Wyckoff Method of Market Analysis. This example shows how to integrate background conditions or market structure, trend lines, multiple time frames, and the individual bars as it unfolds on the chart. This is from the S&P e-mini market on 3 and 15-minute time frames. The method is applicable in *any market on any time frame*.

(Charts 1 & 2 follow the text)

## Chart 1

**Background** - Price rallied after the open, and then spent an hour reacting in a slow drift down. Volume was less on the reaction than the volume on the rally off the AM lows (seen by the red line). Spreads were also generally narrower on the reaction, and as the reaction progressed, volume receded. A Higher Low (HL) was put in, and the market begins to rally.

After an earlier, failed attempt to break above resistance at 1, price held its gains at 2 on light volume (no supply) and also held the Demand Line YY drawn previously. All of this is bullish.

Note the emphasis placed on the background. **We always start with the background conditions.**

A - Price pushes through the resistance area (red line) on high volume.

B - Next bar has sustained volume, but the spread is narrowed and the close is in the middle – potential selling is coming into the market.

C - This bar is up, but the volume has dropped off precipitously. This tells us in advance that the Supply Line ZZ is unlikely to be broken.

D - Supply enters where expected. D is a down bar, closing on its lows on heavy volume.

E - An up bar, closing on its highs after dipping below D indicates another rally will be attempted. However, the narrow spread and low volume indicate that buyers have withdrawn, so the rally is unlikely to go very far.

F - Volume increases and the spread widens a bit showing activity at the top of the trend channel, but the result is a close on the lows. This Hidden UpThrust indicates supply.

## Chart 2

**More Background: Combining Multiple Time Frames** - Support and resistance are important in trading. Look at the Chart 1 in relation to the higher time frame, 15-minute chart (Chart 2). We are currently (arrow) just above yesterday's close and, more importantly, in the area which offered support yesterday morning and early afternoon, but which is now likely to offer resistance (red line). **Thus, the background conditions from yesterday are joining with the immediate supply conditions seen on the 3-minute Chart 1 for a nice short set-up.**

**Back to Chart 1**

G - The market reacts to the previous low at E and rallies, but does the move up on G is on a narrow range bar with very low volume. Demand is lacking; buyers just aren't interested in chasing prices higher.

H - A Hidden UpThrust that closes below the close of G on an increase in volume. The market now starts to fall.

Good locations to initiate shorts were at F & H

I - As the market falls, volume increases. Bar I is a down bar closing on its lows. The increase in volume and poor close tells us in advance that the support levels from the trend line at YY and the horizontal support line (red line) are unlikely to hold.

J - Tells basically the same story as Bar I – sellers are firmly in control (down bar, increased volume, increase in range, and close on its low) and price will likely break the support line and fall farther.

K - The bar after J is narrow range or spread, close in the middle and volume is fairly high. The next bar is up. Some buying came in here, but K swamped whatever buying existed with a wider spread down bar. It closes below the previous two lows on an increase in volume indicating significant supply.

L - The swelling volume that came in between J and K knocked the market sideways to L. Note the spreads and the volume. Spreads (or ranges) are narrow and volume is low and receding as the market attempts to rally. The two bars immediately before L show little buying interest/no demand. L is a Hidden UpThrust on an increase in volume closing on its lows. The market has a lackluster rally into the morning session high at X. This is another good location to initiate a short or add to shorts already taken earlier. The last bar on the chart is wide spread down bar with an increase in volume, closing on its lows. Supply is in full control.

This is an example of bar-by-bar reading of the market by its own actions via Wyckoff Method of Market Analysis. It incorporates the all-important background conditions, multiple time frames, properly drawn trend lines, and an understanding of how supply and demand – sellers and buyers – reveals itself on the charts.



