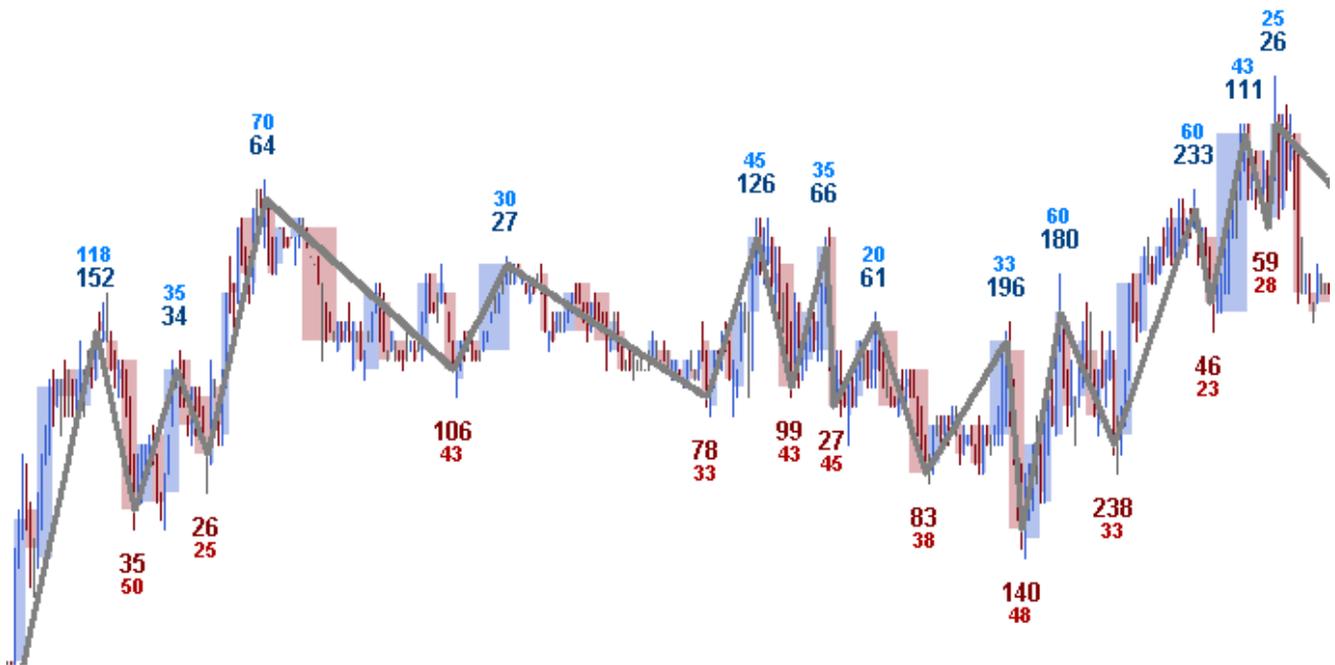


MBoxWave Wyckoff Trading System

Trading Manual



Purpose

The purpose for this for the reader to gain familiarity with the Wyckoff method and how to trade it. The best way to learn is through practice and examples. This text goes through concepts, properties, and trade setups. As I cannot continuously update this ebook, I will be updating material on <http://mboxwave.com> and the [MBoxWave Wyckoff Trading System Facebook Page](#) containing the Trade of the Day. I believe that examples are the best way to learn and also the easiest. After gaining familiarity with the Wyckoff Method and following my website and Facebook Page, one should gain a solid grasp of the Wyckoff Method and how to trade it effectively and safely.

Basic Wyckoff Concepts

The markets are a constant battle of the bulls and the bears. Price moves in an up and down direction like a zig zag or see saw going up down up down, up down, etc.... continuously and without end. These movements can be better described as waves. Wyckoff talked about viewing market movements as a series of waves to better understand its movement.

Wyckoff stated that when buying waves begin to increase in volume, time, length and the selling waves shorten we should watch out for a change in trend. The same applies vice versa.

Viewing market movement as waves filters out a lot of the bar to bar noise and allows one to take a step back and see at a higher level as to what it is going on. In general, we are trying to identify states of market balance and imbalance when considering making a trade.

When the market is in balance (supply and demand are met more or less equally) the market moves laterally. When the market is in imbalance we see great movements.

We will be looking at and analyzing various number of markets to identify trading opportunities, entry points, and exit points.

Some Wyckoff concepts that need to be kept in mind as we study the material are

The Law of Supply and Demand

When there is an excess amount of something (supply) the value of that item is reduced to draw in the demand needed to absorb that supply. Or, if there is a scarcity of something, then the value of that item will increase to create the supply that will meet that demand.

The Law of Cause and Effect

In order for there to be an effect (change in price), there needs to be a cause. The effect will be in direct proportion to that cause. Best price moves occur when there has been enough time to allow for a period of accumulation or distribution (or in other words a cause). A great example is when we see an expansion of box volume, length, and time.

The Law of Effort vs Results

If there is an effort, the result must be in proportion to that effort and cannot be separated from it. An example is when we have a lot of volume on an attempted up/down move. If we see a lot of volume we should see a lot of move. If we don't, we could have an imbalance in the market. These can create great entry points for trades in the market.

Small Waves (MBox)

The MboxWave Wyckoff Trading System (MBW for short going forward) allows us to view market movements as a series waves, as Wyckoff suggests doing. We will begin to define waves and their properties.

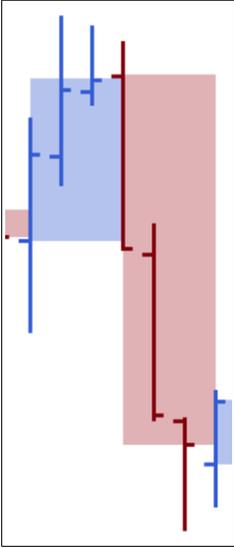
MBox

The MBox shows the smallest wave possible. It shows continuous up movement or continuous down movement. As soon as the direction changes, the box changes. In the example below (Fig 1.1), we clearly see that there are more big red boxes than blue boxes and the price change caused by the red boxes has made a down trend. This correlates to what Wyckoff said about as the selling waves increase in volume, time, length and the buying waves shorten watch out for a change in trend.

Fig 1.1



MBox - Properties



Box Height – The box height always corresponds to the length of the box. It is a great way to visually show the price change that has occurred in this box, and subsequently the result of the movement.

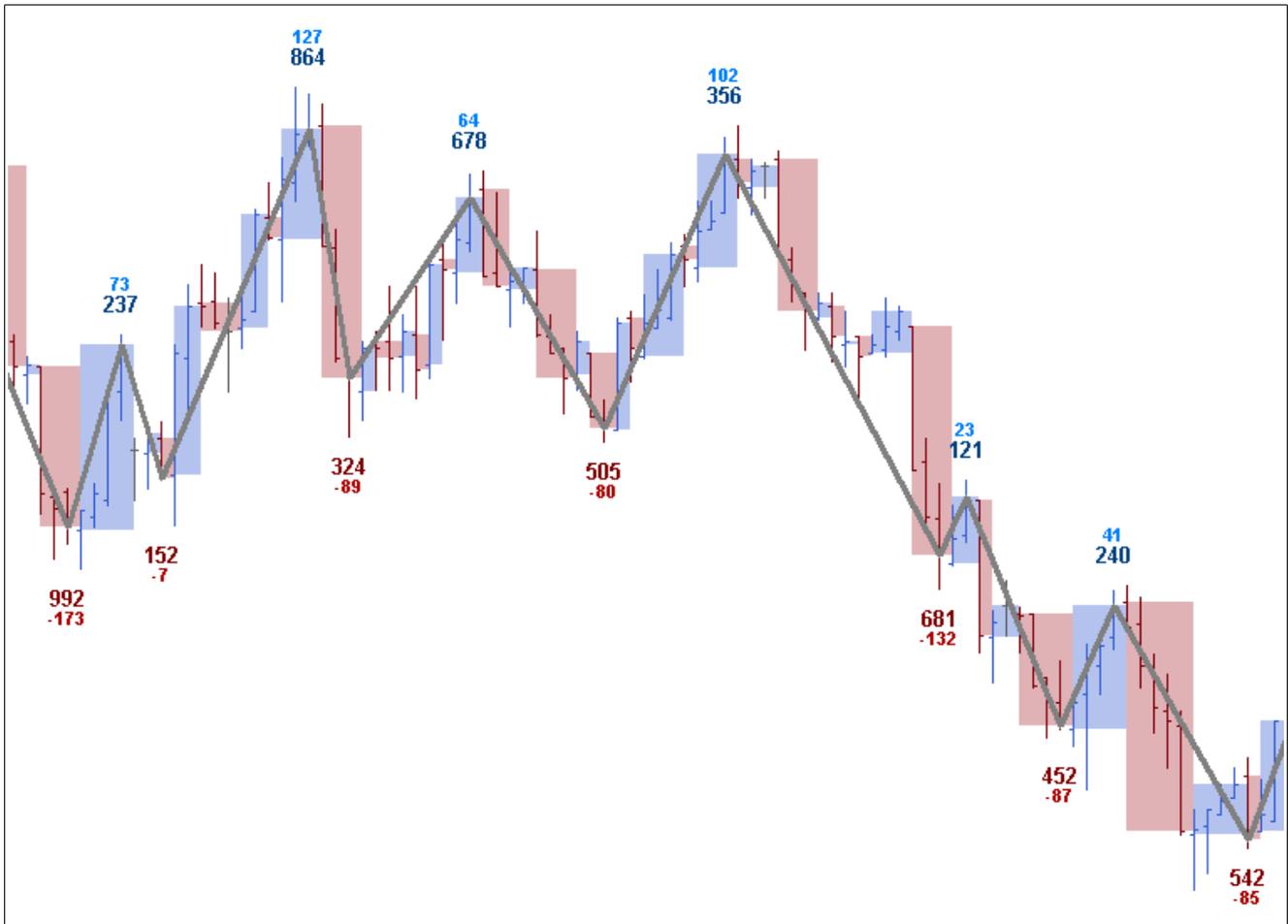
Box Width – What the box width shows depends on the type of chart you are looking at. If its a time chart, the width shows time. If its a volume chart, it shows volume, if its a tick chart, then it shows the number of trades.

Visually looking at the boxes already tells us really good information.

Big Waves (MWave)

MWave

The MWave also shows waves (like MBox) but can show bigger waves. The parameter for how big the wave is can be set in the indicator settings. It shows the up down up down movement in the markets. At the end of each wave is a label that shows 2 pieces of information about the wave. This can be specified. In the example below the big number is showing total volume, and the small number is showing delta volume (ask volume – bid volume).



Indicator Settings

There are 4 main indicators part of the MBoxWave Wyckoff Trading System.

They include:

MBoxChart – This shows the smallest waves as boxes.

MBoxHistogram – This shows the accumulation of a chosen wave property for MBox.

MWaveChart – This shows bigger waves as zig zag lines.

MWaveHistogram – This shows the accumulation of a chosen wave property for MWave.

The indicator settings for all the indicators are explained in great details on the corresponding indicator settings page depending on the platform:

MetaTrader

<http://mboxwave.com/metatrader-indicator-settings>

NinjaTrader

<http://mboxwave.com/ninjatrader-indicator-settings>

Sierra Chart

<http://mboxwave.com/sierra-chart-indicator-settings>

These settings need to be studied for the rest of this manual to be properly understood!

Note about wave reversal amount. You will see this on the indicator settings page. This is the amount a wave needs to exceed before it forms a new wave. Sometimes there is confusion about this. For example if you set a wave with reversal amount of 3 ticks, it needs to reverse greater than 3 ticks before forming a new wave. This means it needs to be 4 ticks or greater to form a new wave.

Wave Properties

Each MBox and MWave has wave properties. They show the accumulation of any of the following information:

Total Volume:

This shows the accumulation of volume

Bid Volume:

This shows the accumulation of bid volume

Ask Volume:

This shows the accumulation of ask volume

Delta Volume:

This shows the accumulation of (Ask Volume – Bid Volume)

Delta Percent:

This shows the accumulation of (Ask Volume – Bid Volume) / Total Volume

Length

This shows the length of the wave

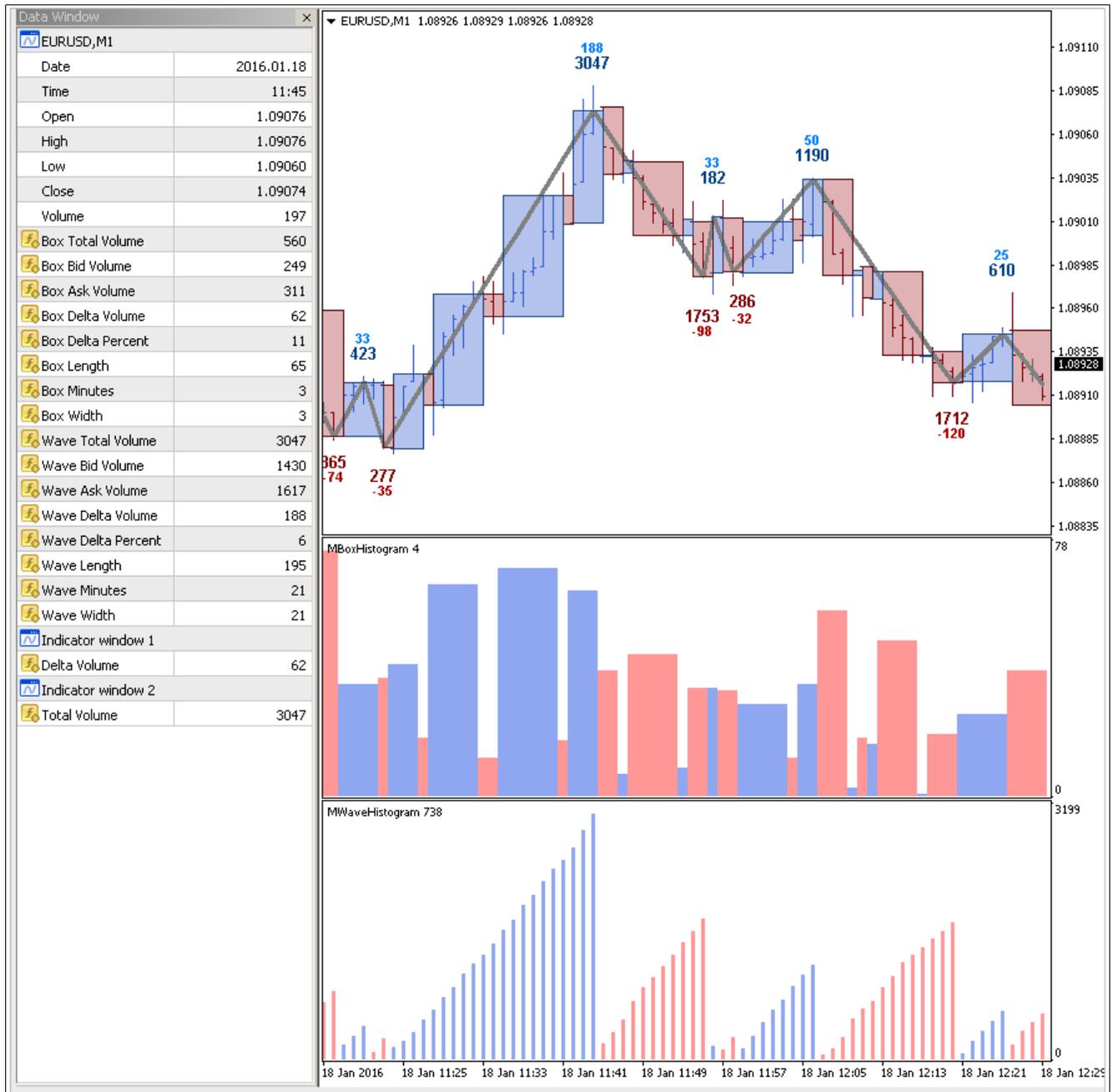
Time

This shows how much time it took to complete the wave

Width

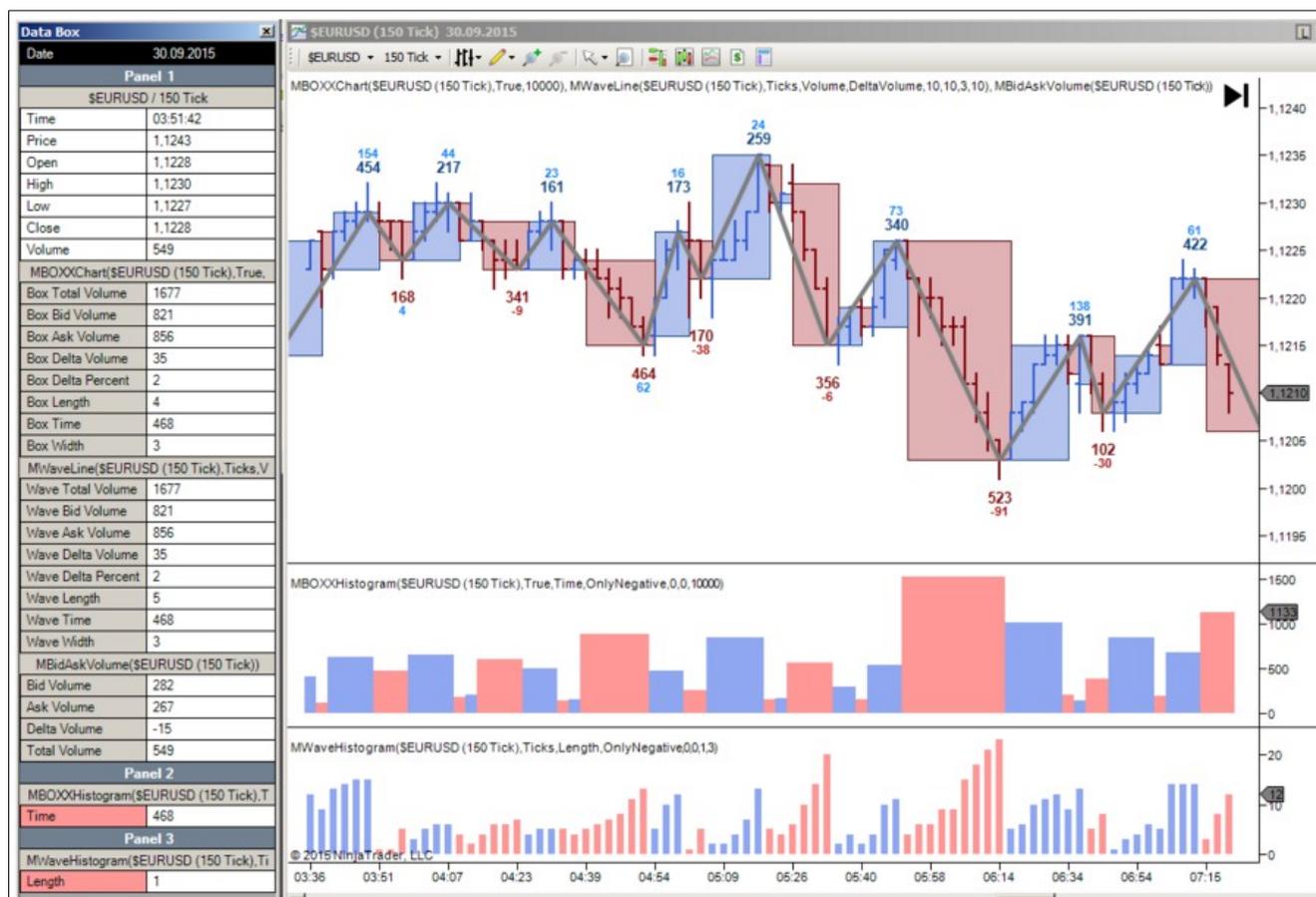
This shows the width of the wave

Viewing Wave Properties in MetaTrader



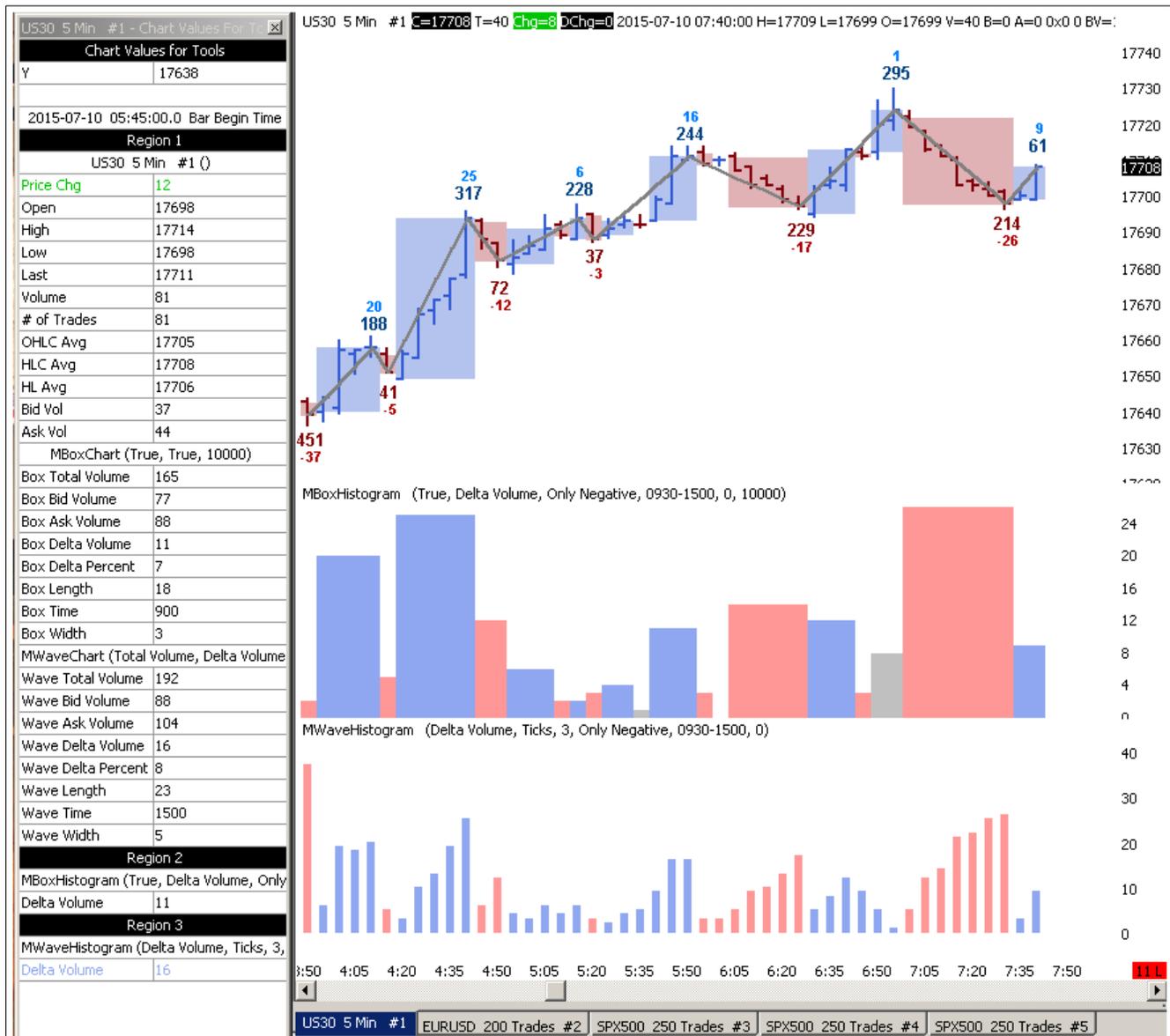
This shows all the indicators loaded for MetaTrader. The Data Window on the left shows the wave information when you hover over an MBox (small wave) or MWave (big wave). The numbers above and below the zig zag lines show total volume (big number) and delta volume (small number). This can be changed to show any of the wave properties. The MBoxHistogram is showing delta volume in block view and the MWaveHistogram is showing total volume.

Viewing Wave Properties in NinjaTrader



This shows all the indicators loaded for NinjaTrader. The Data Box on the left shows the wave information when you hover over an MBox (small wave) or MWave (big wave). The numbers above and below the zig zag lines show total volume (big number) and delta volume (small number). This can be changed to show any of the wave properties. The MBoxHistogram is showing time in block view and the MWaveHistogram is showing length.

Viewing Wave Properties in Sierra Chart



This shows all the indicators loaded for Sierra Chart. The Chart Values Tools Window on the left shows the wave information when you hover over an MBox (small wave) or MWave (big wave). The numbers above and below the zig zag lines show total volume (big number) and delta volume (small number). This can be changed to show any of the wave properties. The MBoxHistogram is showing delta volume in block view and the MWaveHistogram is showing delta volume.

Important concepts

Waves Within Waves

When combined, MBox + MWave present a very powerful trading system. One of the secrets of success is viewing waves within waves. MBox gives us a closer look at the market by analyzing the smallest waves, while overlaying MWave on top gives us a broader look. By carefully looking at what the smaller waves are doing (MBox) it is easier to predict when the larger waves (MWave) will turn. We will see this in the trade setups and examples going forward. This is a very important concept to keep in mind.

Volume & Time vs Length

The length property of a wave is the only property that shows result. Volume and Time properties can be seen as forces, while the length shows the result. That is why length should ALWAYS be paid attention to. Volume & Time are important and are valuable. You can analyze how much volume and time was spent in a move and then see where it went. It should always be remembered that price is the most important factor.

Support / Resistance / Trend Lines

You should always analyze wave properties at support and resistance lines carefully. At these levels they give clues as to continuation of market direction or the start of a reversal. NEVER forget about support, resistance, and trend lines when making your analysis.

Effort / Result (Follow through or lack thereof)

Waves should be constantly compared to each other to find market imbalance. For example if up wave A spent 100 volume, 20 minutes, and achieved a length of 50 points, while down wave B also spend 100 volume, 20 minutes, but achieved a length of 25, this is something that you should pay attention to! Wave B exerted twice the work and achieved half the length (result).

At the same time if you see a large wave in a certain direction, wait to see what the follow through is. If it fails to continue it most likely was a trap for longs or shorts. Watch out for these tricks.

Change in Market Behavior

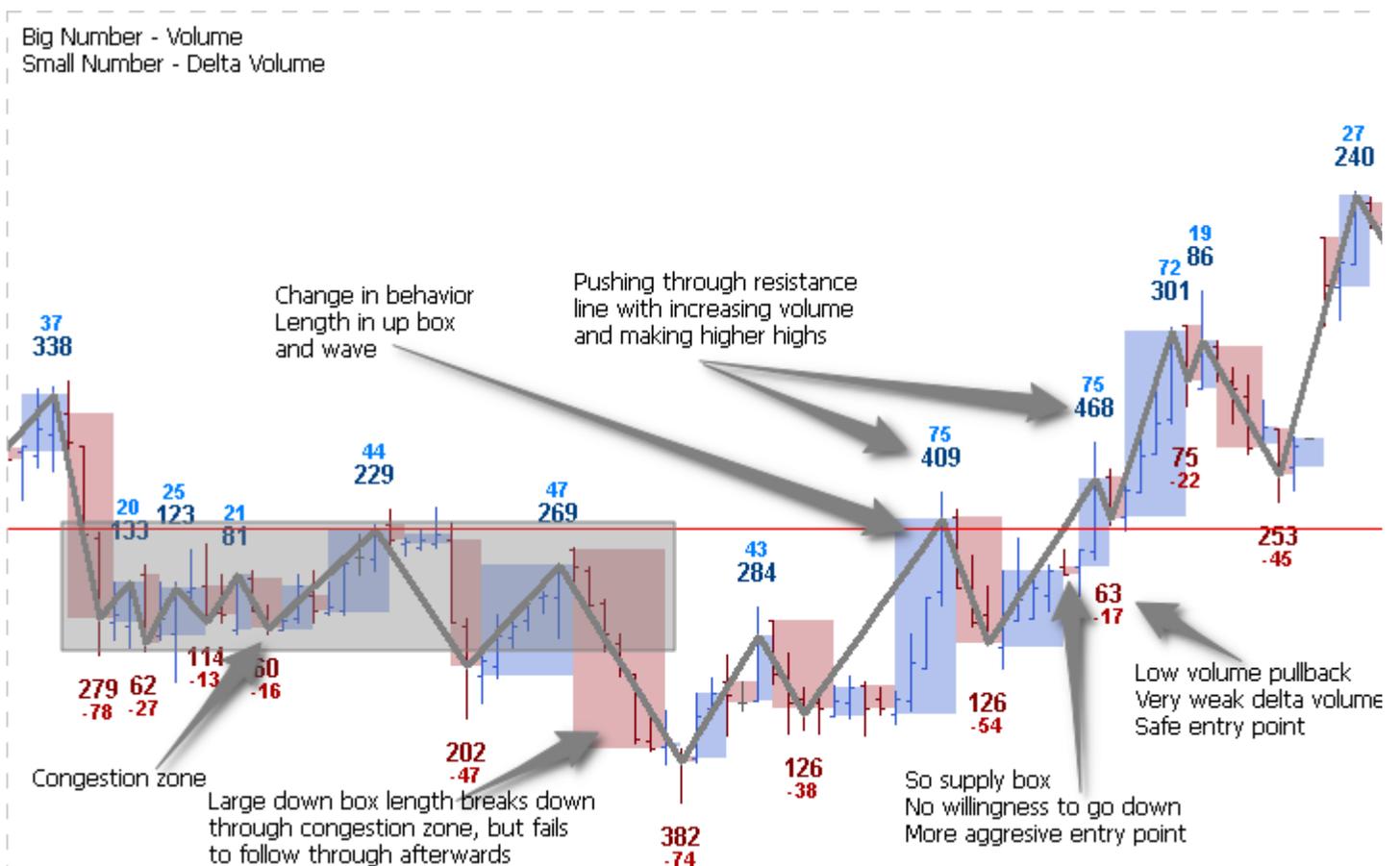
When we are in a trend, always be on the look out for a change in market behavior. This could mark the end of a trend or a start of a new one. If we had big down waves and small up waves trending down and now suddenly you see a large up wave, the largest you've seen in a long time, it needs to be accounted for and adjusted for.

Trade Setups

In this section we will go over trade setups, so that you have some rules to go by for identifying trade situations and entering trades.

The Weak Pullback

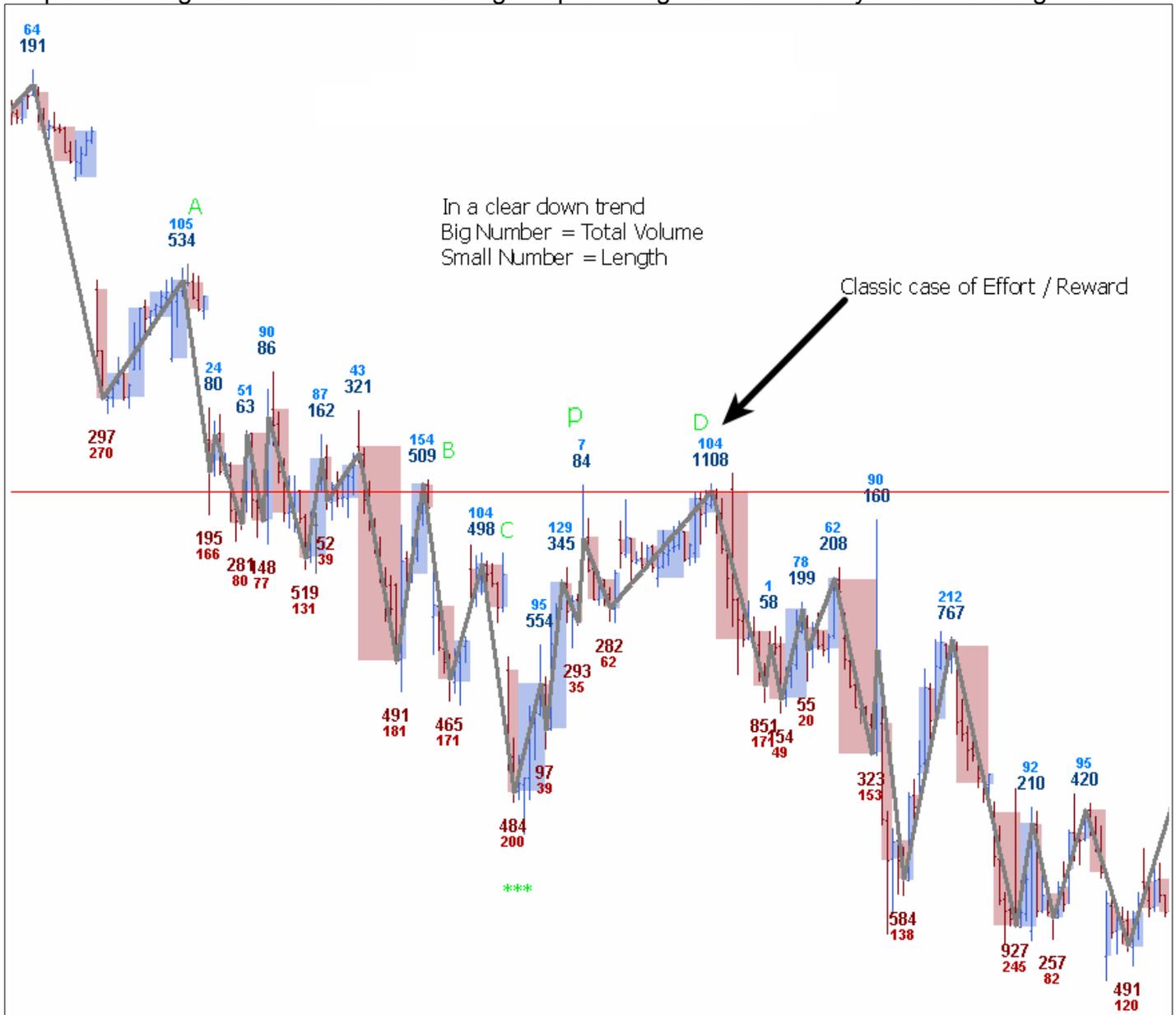
This is a classic setup that happens over and over again in short term and long term periods. After a move down, on the left we enter a congestion period. Congestion directly correlates to Wyckoffs law of cause and effect. The congestion is the cause. The more the congestion, the more of an effect, or movement to follow.



As we see, the large down box at first seems to break down through the congestion, but afterwards fails to follow through and instead traps new shorts. Shortly after we see a change in behavior in box length and wave length along with breaking through the resistance line with increasing up wave volume (409). It pulls back and then again breaks through the resistance line with more increasing up wave volume (468). Then followed by a low volume pullback (63) and very weak delta volume (-17). At this point we are confident in the change of direction and enter with a long.

Effort / Result

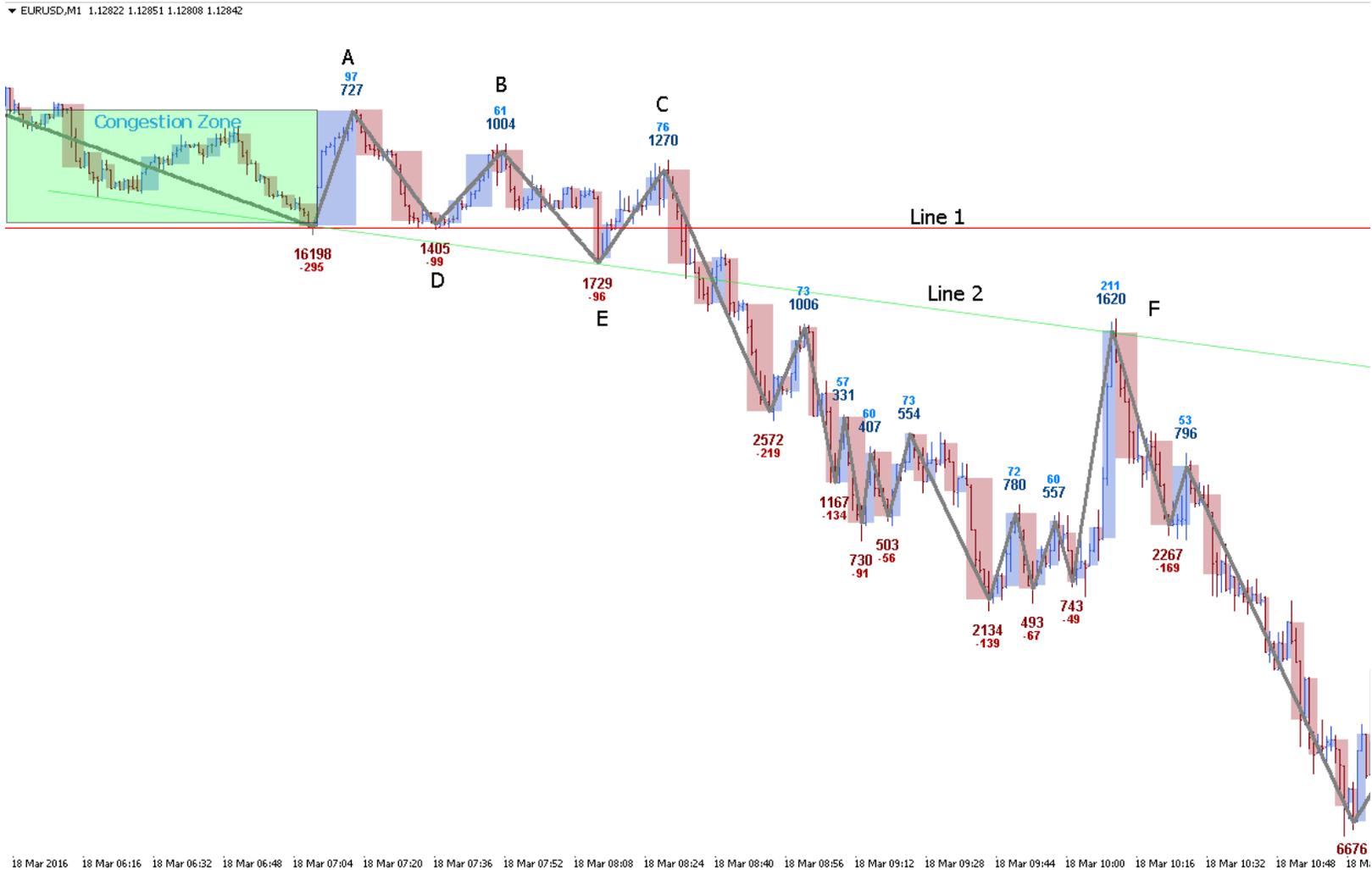
This setup shows Wyckoff's Law Effort / Result in play. We are in a clear down trend with price moving further down. Where is a good place to get in? Let's analyze the following chart.



Wyckoff's law states that the result must be in proportion with the effort. Points A B C D all show upwaves in an overall downtrend. Waves A B C all exert around 500 volume and achieve a length of over 100. From point "****" we see an onslaught of buying happening, could this be a change in trend? We get to Wave D, which exerts 1108 volume and achieves a length of 104. How does this compare to Waves A B C? They all achieved over a length of 100 with half the volume, or in this case, half the effort. Also the angle of Wave D shows us that it is ascending with greater difficulty. At Wave D we reach a point of resistance Wave B banged on and the high where Wave p hit. At Wave D we see this increasing Volume of 1108, and then get slammed by a red box going down. At this point, the case of effort / result is confirmed. You can safely place a short after and ride the move as the trend continues lower.

Banging on Lows (or Highs)

This is a 1 minute chart of the EURUSD on March 18, 2016 on MetaTrader. The figure below shows a good example of multiple Wyckoff concepts coming into play. You always want to study charts as if you are reading a story. Look for enough evidence to support a further downward or upward movement before taking a trade. If there is not enough evidence do not take the trade! In this chart the big number shows total volume, and the small number shows delta volume.



The action to the left of this image is that we are coming from a down trend. The green rectangle on the left of this image denotes a congestion zone (remember cause). The blue box up at point A seems to have resolved the congestion in a strong and well paced move up. However, what follows tells us differently. At points B and C we see lower highs. At point C there is more volume than point B, but we fail to make a new high. At points D and E we see lower lows and increasing down wave volume as we bang on the support "Line 1". Why did I draw a support at "Line 1" is the obvious question. First reason is that there are 2 points that hit it, the start of the box of point A and the close of point D. Also at point A we had this nice upward movement which should have produced more buying, but it did not. It is worth it to take note of price level when we see strong or unusual moves, as support and resistance lines often form around these areas. Finally, after point C, in one box the market easily slices through the Support "Line 1". On this red box there is a lot of volume. Following this red box we have a tiny tiny no demand blue box up. Once we turn down again we can enter with a short and place a stop slightly above the high of the no demand box. As we see, later on at point F our "Line 2" which was previously a support line becomes resistance. This happens all the time: support becomes resistance and vice versa.