

# ANCHORED VWAP

## THE PERFECT COMBINATION OF PRICE, VOLUME, & TIME

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**Brian Shannon**  
Alphatrends.net



# DO YOU VWAP?

Found 100000 strategies

	Filter	Code	Description	% of Strategies
1		Price	Price	78.3%
2		TV	Volume Today	43.7%
3		RV	Relative Volume	37.5%
4		FCP	Change from the Close	24.0%
5		Vol1	Volume 1 Minute	18.4%
6		Vol	Average Daily Volume (10D)	17.4%
7		Vol5D	Average Daily Volume (5D)	16.2%
8		Vol5	Volume 5 Minute	15.0%
9		Float	Float	14.2%
10		Vol3M	Average Daily Volume (3M)	12.1%
				11.1%
				9.3%
		EPS		9.2%
				7.0%
		#		6.6%
16		VWAP	Distance from VWAP	6.4%



**Brian Shannon, CMT** @alphatrends · 21h

Do you use VWAP as an analysis tool?

51% Yes

49% No

736 votes · 2 hours left

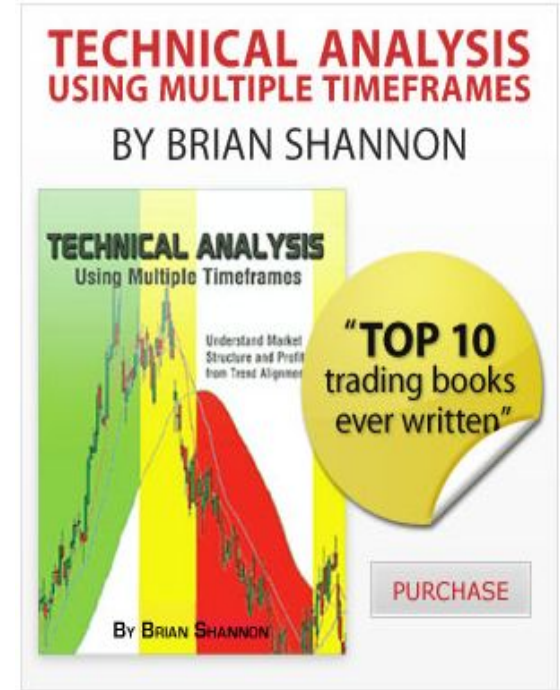
13

1

12



# CHASE THE GAP, OR WAIT FOR VWAP?



# WHAT WE WILL COVER?

- Explain Volume Weighted Average Price (VWAP)
- ***Explain Alphas Trends Anchored Volume Weighted Average Price (AVWAP)***
- Investor Behavior/ Anchoring Bias
- Anchored VWAP from:
  - Key Dates and Swing Levels
  - Gaps
  - Intraday
  - Year to Date (YTD)
  - Initial Public Offerings (IPO)

# Understanding Moving Averages



- **Simple** - Most commonly used, each period being averaged receives same weighting. **TIME** weighted.
- **Exponential** - Calculated by applying percentage of today's closing price to yesterday's MA value. Places more weight on recent prices. **TIME** weighted.
- **Volume Weighted** - Total dollars traded divided by the total shared for the period studied. **Dollar Average**

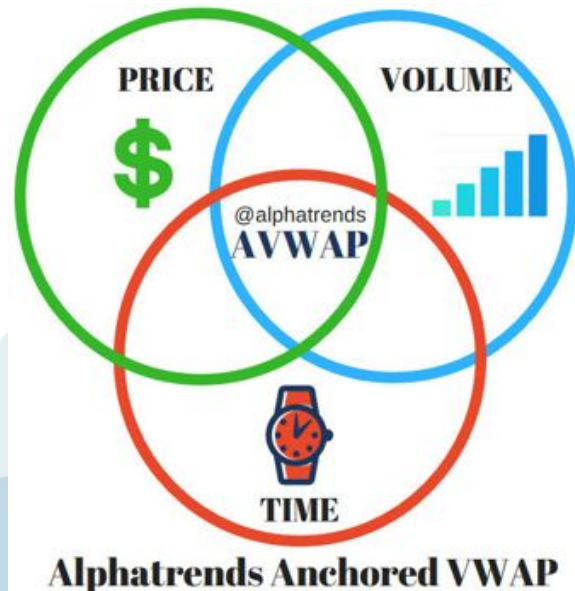
# Volume Weighted Average Price (VWAP) Calculation

Average price per share traded during the time studied

Price	Shares	\$Value
20.05	6,000	120,300
20.15	2,500	50,375
20.20	1,500	30,300
20.65	1,000	20,650
<b>20.26 avg</b>	<b>11,000</b>	<b>221,625</b>
<b>VWAP</b>	<b><math>221,625 / 11,000 = 20.14</math></b>	

# Anchored VWAP is the perfect combination of Price, Volume and Time

- **Price** is how we keep score, it is at the end of the day, that only thing that really matters in trading & investing.
- **Volume** allows us to gauge the emotional level of commitment to price movement.
- **Time** is a relative study, which is highly subjective.
- **Anchor** point determination is more of the 'art' than the science of trading.



# Understand Investor Behavior

## The Anchoring Bias

Cognitive biases refer to tendencies to think and act in certain ways.

Bias	Description
Anchoring	The tendency to be over-influenced by the earliest information presented to us when making decision thus allowing oneself to be driven to a decision or conclusion that is biased towards that initial piece of information (the "anchor")

Price has memory



*"A person begins with a first approximation (anchor) and then makes incremental adjustments based on additional information." ~Daniel Kahneman*



# Volume Weighted Average Price (VWAP)

- Institutional Benchmark
- Basis For Algorithmic Trades
- Balance of Power Determination, who has control?  
Great reference point “since the event”
- Can Be Used On Any Timeframe
- Represented as Moving Average
- Acts as “Hidden” Support and Resistance
- Another Critical Piece of a Very Complicated Puzzle
- More responsive to volume than price



# TIME ANCHOR

## Moving Average Psychology

**Why do moving averages tend to offer support in up trends and resistance in down trends?**

**“Self-fulfilling” Nature**

**In uptrend- Pullbacks to a rising 50 DMA**

- Sellers slow as price approaches 50 DMA
  - Shorts start to cover near rising 50 DMA
  - Sideline cash starts to purchase
- This is a simple picture of MORE DEMAND & LESS SUPPLY

**In down trend- Rallies to a declining 50 DMA**

- Buyers slow down in anticipation of resistance
  - Sellers more active as resistance is expected
  - Shorts offer supply at expected resistance
- This is a simple picture of MORE SUPPLY & LESS DEMAND



# Intraday (One Day) BULLISH VWAP

Anchored to  
beginning  
of the day.

Notice how  
responsive the  
AVWAP is earlier  
in the day.



# Intraday (One Day) **BEARISH** VWAP

Anchored to  
beginning  
of the day.

Notice how  
responsive the  
AVWAP is earlier  
in the day.



# Anchored VWAP "From an Event"

Anchor from key  
swing levels and  
dates (YTD)



# Anchored VWAP "From an Event"

A VWAP from a significant event often act as "hidden" support and resistance levels





# Intraday Analysis Shows Emerging In IBB And Then Support Failure



# YTD VWAP Can Reveal Important Levels of Support & Resistance

## Resistance at VWAP

Right now the Qs seem to be finding resistance at the daily Volume Weighted Average Price (VWAP) which can be loosely interpreted as the sellers have control of the session as the average price Qs have traded at is higher than current levels.





# The More Times The VWAP is Tested, The More Likely it is to Fail



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# VWAP From The IPO

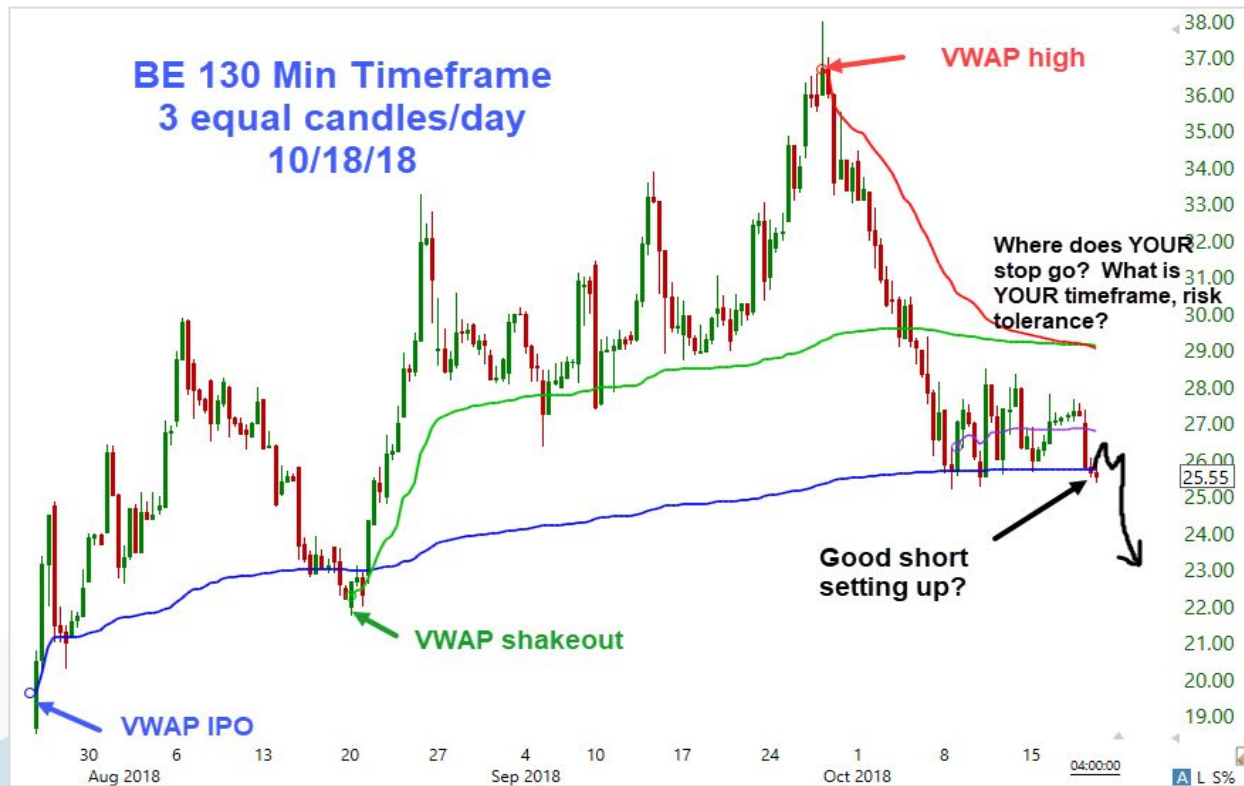
VWAP allows a clear view of where buyers regained and maintained control of the trend in BABA.



# VWAP From The IPO



# VWAP From The IPO



# VWAP 2 Timeframes Noble Corp (NE)



# Dominant Moving Average (VWAP)



- A rising VWAP indicates positive price action
- A declining VWAP indicates negative price action
- Rallies with a declining VWAP are treated as bounces which are likely to fail
- Be more aware of the direction of the VWAP than whether it closes above or below it for a session or two
- Like any support or resistance level, the more times they are tested, the more likely they are to fail

# What Have We Learned?

Volume Weighted Average Price can be useful for market participants of **all timeframes**.

VWAP is a quick & easy way to visualize who is in control, buyers or sellers.

Trading in the direction of VWAP will keep you on the right side of the trend.

VWAP “From the Event” helps us understand the emotional disposition of participants.

Breakouts / Breakdowns

Federal REserve  
Announcements

FDA Reports

Where short sellers will  
feel pain

Open of trading day

Earnings

Year to date

Gaps

Any significant event you  
can imagine, have fun and  
profit with it!



# Thank You for Attending!



Follow Brian on Twitter @alphatrends for VWAP insights and more!

**Technical Analysis Using Multiple Timeframes Book  
by Brian Shannon is available exclusively on Amazon.com**