

Wyckoff Stock Market Institute

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Primary Selling Opportunities - Part 1 Upthrusts

The Wyckoff approach is not just for the bulls and for advancing markets. It also identifies primary selling opportunities for the bears in declining markets. These are places in the action of a market or an individual issue where the price becomes unusually vulnerable to down side progress. One of these places is when the price enters an up thrust position.

A potential up thrust position develops when the price penetrates a resistance level that was defined by the top of a previous advance. These advances can be short term rallies, intermediate term swings or major moves. The Wyckoff trader anticipates a response to a potential up thrust that is proportional to the significance of the up thrust. Potential up thrusts that develop after the price has been in a trading range for some time are the most interesting because the time spent in the trading range prior to the up thrust provides measurable down side potential to fuel the anticipated decline.

Not every penetration of an established resistance level is an up thrust. As with all Wyckoff concepts, how the action unfolds is as important as the fact that the penetration is occurring. When the price passes through a resistance level on wide price spread and increasing volume leading to a strong close and repeats this type of action for several days, that is not an up thrust. In those cases, the price is breaking out into new high ground. These are very bullish developments and not ones that should be considered for taking action on the short side.

The penetration that is of greatest interest to the Wyckoff trader looking for an opportunity on the short side is one that unfolds on narrowing price spread. or at least on spreads that are similar to those just prior to the penetration. This is important because it indicates to the trader whether the bulls or the bears are in control of the action at that critical point when the price moves into new high ground. If the bulls are in control, the price spread widens on the move into new high ground as the demand to be positioned on the long side swells. If the price spread does not widen in new high ground or narrows, the indication to the trader is that either the demand that is present is of poor quality or that supply is in control of the situation. Making a judgment as to who is in control of the action requires an examination of the level of volume as the penetration of the resistance level is made.

If the price moves into potential up thrust position on declining volume in combination with narrowing price spreads or spreads that do not widen, the indication is that the demand is lacking at a point where it should be abundant and that the quality of the demand that is present is poor. The lack of quality demand at that critical point in the action tells the Wyckoff trader that up side progress is not likely to be sustained and that the price is likely to respond to the up thrust position with a move back below the resistance level. If the price moves into new high ground on

narrowing spreads or spreads that do not widen and volume is high, the indication is that supply is in control and that up side progress is not likely to be sustained. Here again, the anticipation is for a response to the up thrust position that takes the price to lower levels.

The response that the price makes to an up thrust position is expected to be proportional to the amount of potential put in place prior to the up thrust. The full measure of the decline that follows an up thrust seldom unfolds in one sustained move. It is normally spread over a series of declines and corrective rallies. Some of these thrusts and corrections may also develop into primary selling opportunities. The Wyckoff trader who establishes a position with the price in an up thrust is entering at a danger point. Therefore, defensive measures should always be taken at the same time that a short position is established to provide protection against the unforeseen. Barring the unforeseeable, a trade opened on an up thrust position has the potential to be the most rewarding.