VWAP Strategy

THE विSHESH TRADER

DEFINE:-

- VWAP stands for Volume Weighted Average Price
- It is an indicator that shows the average price of a security over a trading session based on VOLUME and PRICE, it appears as a single line on an intraday chart
- One of the most powerful intraday indicators, used by professional traders

FORMULA:-

VWAP = Cumulative Typical Price x Volume/Cumulative Volume

Where Typical Price = High price + Low price + Closing Price/3

Cumulative = total since the trading session opened

HOW TO USE VWAP:-

- Go to your charting platform, (eg.tradingview,investing.com , gocharting ,e.t.c)
- Go to indicators , type in Vwap
- Since VWAP is an intraday indicator, choose a timeframe of your chart below one day
- We prefer **15/30/60 minute** timeframe because higher time frame helps in managing the market volatility better.

Strategy:

Point to note and assume -

- If the price of the security is above the vwap line, the sentiments of the day for the particular security is **POISTIVE**.

- If the price of the security is below the vwap line, the sentiments of the day for the particular security is **NEGATIVE**

Entry Criteria:-

- *BULLISH CRITERIA* - We enter a buy trade a) when we get a candle crossover above the vwap line from the downside b) when we see a bullish candle on the vwap line in the pullback move in the markets
- *BEARISH CRITERIA* - We enter a sell side trade a) when we see a bearish candle crossing the vwap towards the downside b) when we see a negative candle or price rejection near the vwap when price pulls back to the average line.

Stop loss Criteria :-

- The position taken should be exited if the price breaches the high/low of the candle in the opposite side of the trade executed
- The position should also be exited if the price of the security moves past the vwap line against the direction of the trade taken.