

## INTERVIEW

Trader, Author, Educator, Founder of [Alphatrends.net](http://Alphatrends.net)

# A Conversation With Brian Shannon

*Brian Shannon, CMT, has been involved with Wall Street for over three decades. He began watching the TV show Wall Street Week With Louis Rukeyser with his father before dipping his toe into the market at age 13. At age 15 he saw his money double over a few months when he started stock-picking. That dual experience was instrumental in propelling him into the investment arena.*

*After graduating from Merrimack College with a BA in business management, he worked for a small brokerage firm before landing as a stockbroker at Lehman Brothers in Boston. While at the firm, he was exposed to technical analysis, which he quickly discovered was a valuable tool for analyzing the market and selecting stocks.*

*In 1992, he changed firms to work at Tucker Anthony, and then moved to Denver and switched to Dain Bosworth for four years ending in 1998. Shannon was lead trader and director of research at MarketWise Securities from 1999 to 2006, where his focus was providing technical analysis training and education to individuals. Around that time he began blogging educational posts about trading.*

*Shannon is the author of two books:*

***Did you have any interest in the stock market prior to entering the financial arena as a stockbroker at Lehman Brothers in Boston in 1992?***

Yes, an early interest in

*Technical Analysis Using Multiple Timeframes (2008) and Maximum Trading Gains With Anchored VWAP (2023). Shannon believes that multiple timeframe analysis is one of the keys to finding low-risk, high-probability trade candidates. The other is focusing on price movement using the volume-weighted average price (VWAP) coupled with the anchored VWAP, which is detailed in his latest book. In 2010, he expanded his focus by launching the website [Alphatrends.net](http://Alphatrends.net), providing stock trading education to traders and swing trading ideas to subscribers.*

*Over the years, Shannon has made appearances on broadcast TV, provided educational sessions at industry events, and is a frequent guest on various YouTube channels. He enjoys presenting his approach and advocating for a rules-based approach to trading. His anchored VWAP is currently available on over a dozen platforms including TC2000 and TradingView. Shannon can be reached at [support@alphatrends.net](mailto:support@alphatrends.net).*

*STOCKS & COMMODITIES contributing writer and ETF columnist Leslie N. Masonson interviewed Brian Shannon via email in April 2023*

the stock market was the reason that I got into the career that I did. My interest began when I was about 15 years old and I made my first trade in LoJack stock. The stock doubled in a short period of time, and I was hooked from that point on.



**To make money in the markets, you must understand the cyclical flow of money before doing any other analysis. This is the bedrock of what I do.**

*about his three decades of market experience, his technical trading approach focusing on VWAP and anchored VWAP, his approach to using charts that focus on price, the key psychological aspects of trading, and his books.*

***At Lehman, you learned about technical analysis. Did you have any mentors at the firm?***

Yes, I was fortunate enough to work for the top-producing broker at Lehman. He was successful because he made money for his clients. He



bought the stocks of companies that reported better-than-expected earnings and were backed up by a strong chart pattern.

***After leaving Lehman and working at four other firms, did you continue your fundamental and technical analysis education?***

Of course; I'm still learning to this day. I keep my fundamental analysis very simple. Basically, I want to know two things. First, I want to know if the revenues are increasing, and second, I want to see an increase in earnings as well. With technical analysis, I've pretty much refined my technique. I'm always open-minded to new ideas, but after 32 years of trading, I know what works for me.

***What was your goal in writing Technical Analysis Using Multiple Timeframes in 2008?***

The goal of that book was to help others realize how multiple timeframe technical analysis could be used together for lower-risk, higher-probability trades.

***How do these timeframes complement each other in your work?***

Everything I do is based on the concepts of trend alignment. I need to identify the larger timeframe to find my trade candidates. I use the intermediate-term timeframe to establish my risk-reward plan. The shortest timeframe is used to fine-tune my entry and then to manage risk in the trade.

***What were your biggest trading mistakes in your early years? Have you overcome all of them?***

Early on, my biggest mistake was that I thought the market traded based on logic. I thought that you could simply buy a good company and hold on. Buy and hold is what I was taught. I wish I never learned that. I

would buy a stock expecting it to go higher and if it didn't, I would think the market was wrong, not my opinion of what should happen with the stock. But now, I never argue with the market. As soon as the market gives me feedback that my idea is wrong and I'm losing money, I cut the trade immediately, no questions asked.

***In 2010 you started Alphatrends.net. What were the goals you had in mind?***

My goal with launching Alphatrends.net was to help other traders avoid many of the mistakes that I had made and teach them how to objectively identify trade candidates. We also help traders establish a risk-reward plan and to follow through on that plan.

***Initially, your site focused solely on financial education, but it has evolved to provide swing trade ideas and twice-a-day market commentary. Do you have plans to add any more content to the website? And who are your typical subscribers?***

Alphatrends has always been educationally focused and continues to be so. My goal is to help others develop the strategies that make the most sense for their personality. It is never my intent to tell people what to do but instead to help them be better at what comes natural to them. The typical subscriber has had success in a different area of business and wants to conquer the challenge of the stock market.

***On your website you provide about a dozen tickers of swing trade ideas; however, after reviewing multiple days of recommendations, I haven't noticed any ETFs. Is that because you only focus on stocks and not ETFs?***

When it comes to laying out a trade plan I focus on the action of the

individual stocks. I do daily analysis of ETFs but do not provide specific detailed trade plans for them. The reason is that I want to encourage investors to use the educational concepts I provide for the ETFs and to trade them in the timeframe they prefer. Once in a while, when an ETF shows up as a strong setup, I do provide swing trade ideas.

***Do you personally trade regular or leveraged ETFs in your own account?***

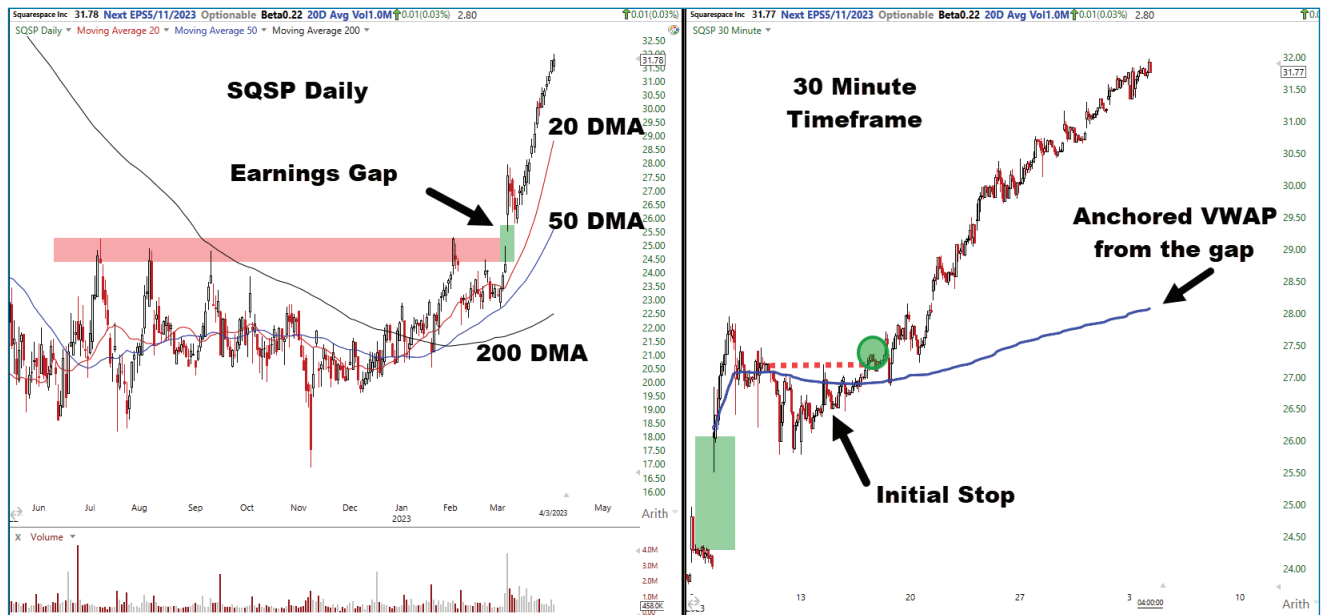
Yes, I trade both, mostly when the market is in a downtrend because I find it easier and less stressful to gain short exposure with the ETFs than through individual equities.

***Can you briefly explain when you were introduced to volume-weighted average price (VWAP) and how it is calculated?***

In 2003 I noticed a chart setting for the VWAP on Realtick software. I didn't know what this indicator was but after a short while it made sense. The calculation is similar to dollar cost averaging. It is the total dollars traded for each transaction (price × volume) divided by the total shares traded. It builds from the first trade of the day and continues through the close.

***Are institutions heavy users of VWAP?***

In his testimony to the US Congress in February of 2021 during the hearing on trading in GameStop, Ken Griffin stated that, "Virtually all trades executed by institutional investors are in the form of program trades, such as VWAP and other algorithm trades." Griffin's firm, Citadel Trading "...executes approximately 35% of all US-listed retail volume, making us the industry's top wholesale market maker." In 2023 Ken Griffin made \$4.1 billion, the most of any hedge



**FIGURE 1: VOLUME-WEIGHTED AVERAGE PRICE (VWAP).** A daily and 30-minute chart of Squarespace are shown with the VWAPs clearly displayed. The green dot shows where the ideal purchase would be made as it breaks above the consolidation zone.

fund manager in history. I will take his word for it!

*Figure 1 shows a VWAP chart of Squarespace. Can you explain what we're seeing in the chart?*

The company reported earnings in early March 2023 and the stock gapped up on strong volume. This move took the stock past resistance that had been in place for the prior eight months. The chart using 30-minute candles on the left is constructed with daily candles and on the right is the reaction from the earnings gap.

On the daily chart there are three simple moving averages (SMAs): 20 (red), 50 (blue), and 200 (black). When the stock cleared resistance and all these moving averages, it indicated buyers had taken control of the longer-term trend. Of course, there was no way to know if they would maintain in control, but it is the type of stock to take a closer look at.

The 30-minute chart shows the price action after the earnings were released. The stock gapped up, and anytime there is a large supply/de-

mand shock like this, it is a valuable place to set an anchor, particularly with a fundamental event. After the first couple days of volatility, the stock settled under anchored VWAP (AVWAP) from the earnings (blue line). The green dot shows where the ideal purchase was made as it broke above the consolidation zone and made a higher high above the earnings AVWAP. Once in the trade, the initial stop goes under the “most recent and relevant higher low” indicated by the black arrow. As the stock progressed higher, the job is to raise stops up under the successive higher lows.

*Did you perform any backtests on VWAP to see if its performance over time compares well to other indicators or moving averages?*

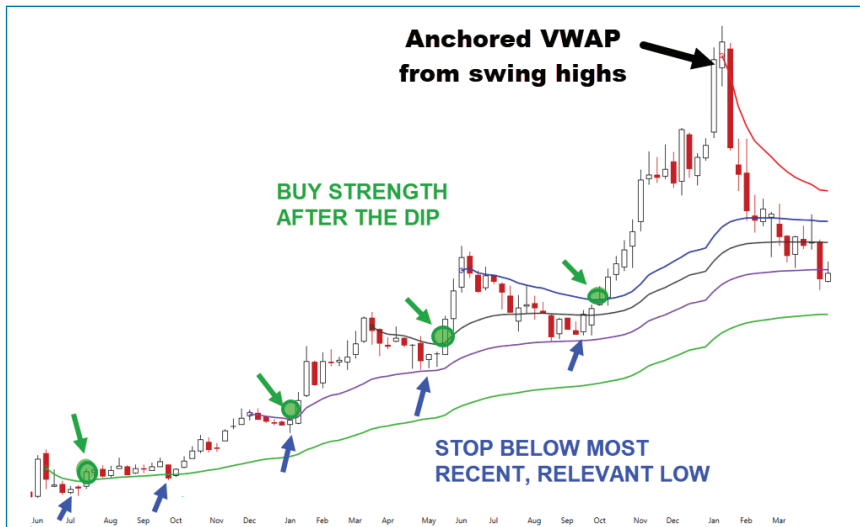
All my experience with VWAP/AVWAP comes from real-life trading. I do not have the mindset of a backtester, and with the subjective nature of where to anchor the VWAP, it does not always lend itself well to backtesting. I personally find comfort in that because it shows the need for

human involvement to really succeed with the tool. I am sure there are some programmers out there who could test various VWAP strategies. I have seen firsthand how well they help identify key levels in the market; a backtest would not increase my confidence.

*When and why did you develop the anchored VWAP?*

I did not develop the anchored VWAP; the credit goes to the late Paul Levine. His work began with it in 1992. My personal experience began in 2003 when I had access to the standard VWAP (one-day) on RealTick software. I learned how to manipulate the software so I could see it for more than one day, but it was cumbersome. In 2015, at a trade show, I spoke to Michael Thompson of TC2000. We discussed using their software in my YouTube videos. I told him that if TC2000 could create a point-and-click anchored VWAP that I would switch to their program. A couple of weeks later, they showed me a beta version and it was flawless! This is when I could finally use AVWAP on my charts with ease. In





**FIGURE 2: ANCHORED VOLUME-WEIGHTED AVERAGE PRICE (AVWAP).** This daily candle chart covering 1.5 years shows several AVWAPs from significant swing highs in the stock's uptrend. The buy point is indicated by the green dots. The purchase is made when buyers are back in control. A logical place for setting a stop is below the most recent higher low, indicated by the blue arrows.

the next year of using AVWAP on TC2000, I learned more about how it works than I did in the 12 prior years on RealTick.

***What are the most common anchor points, and is any one more important than any other one?***

I describe the best anchor points as areas where there is a clear shift (often sudden) in the supply and demand dynamics for a stock or market being studied. Some of the best anchor points occur when there is a fundamental catalyst such as an earnings report or a Federal Reserve meeting. Some of my other favorite anchor points are the first trade of an IPO, price gaps, swing highs and swing lows. I also like time-based anchors such as week-to-date, month-to-date, and year-to-date.

***Could you provide another chart example, this time with a few different AVWAPs and how to interpret them?***

Figure 2 is constructed with daily candles for a period of approximately one and a half years. We have all heard the mantra “buy the dip” but

that has always bothered me because it assumes the stock will continue higher. Further, it does not allow us to have a logical exit level if the stock does not reverse. When you buy the dip, it exposes the account to too much risk.

It is better to buy strength *after* the dip. The chart shows several AVWAPs from significant swing highs in the stock's uptrend. Up until the last pullback, the dip buyers would eventually have been correct, but they would have to experience large drawdowns unless they were somehow lucky enough to purchase the exact low.

Rather than buy during the uncertainty while prices declined, it is better to buy when we know with 100% certainty that buyers had regained control. When the stock is able to climb back above the AVWAP from the prior peak, it tells us the average buyer, since that high is now in a winning position. At the same time, the average short seller is in a losing position. This shows the supply/demand shift has taken place and we then want to buy at the cross point (as long as it is not extended as it

reaches that level.) This buy point is indicated by the green dots. Because we purchase when buyers are back in control, we then have a logical place for our stop, below the most recent higher low, indicated by the blue arrows.


This purchase allows us to eliminate the guesswork of when buyers are in control. A purchase here puts us in a position of strength from the start. A purchase at this level also gets us in ahead of the “breakout” buyers who wait for the prior high to be overcome.

***Isn't the volume data represented on a chart only a portion of the actual volume traded, as there are many exchanges that handle transactions?***

There are rules about reporting all data to the primary exchange so eventually it is all represented in the chart. The bottom line is, we never know for sure how people are positioned in the market—they may be hedged with options, convertibles, swaps, or whatever... If you have a data package with the composite tape, then you have the same information that other people make their decisions on, so it is the best resource available. Nothing is infallible, which is why risk management is the cornerstone of any profitable market approach.

***I understand that you don't use volume as a timing tool but rather more as confirmation or rejection of price direction. Is that right?***

For me that is true. The typical pattern we want to see for volume is for it to expand in the direction of the trend, peak at near-term turn points, and then diminish on retracements. The AVWAP takes the subjective relationship between price and volume and tells me with 100% certainty who has control from a certain start point. This helps make more objec-



## I am a trend trader, so I want to be certain that the trend is in my favor in all timeframes.

tive decisions about the timing, which ultimately leads to more profitable trade results.

***In your recently published book Maximum Trading Gains With Anchored VWAP, you cover in detail the workings of and benefits of using AVWAP. What benefit do you expect the average reader to gain by reading your clearly written, heavily illustrated book with easy-to-read color charts?***

1. To understand why the anchored VWAP is the most objective and powerful measurement of supply and demand from any point.
2. To learn why and how institutions use AVWAP programs to gain confidence in the supply/demand clues they leave.
3. To provide specific strategies that will help them to make better timed entries into trends; to determine where to set stops on a trade to protect initial capital and lock in profits.
4. To provide examples where trades did not work and how to handle them. Most books focus only on winning trades; I wanted to show that losing trades are a part of the business and that you need to plan for them as much or more than for the winners.

***In 2016 you were talking about writing a book on anchored VWAP. How long did it take to write such a comprehensive book?***

Yes, it took a long time. Fortunately, I wasn't writing every day. I wanted to make sure it was a definitive guide to trading with anchored VWAP, and that goal was met. Most of what I have written about came as a result of me using

these techniques every day with my own money. Writing a book is a long-term project, which is in stark contrast to my preferred swing trade timeframe for trading. Therefore, I had to develop a more patient mindset to get it done.

***In a six-page appendix in the book, you mention the four stages of market structure that are based on Stan Weinstein's stage analysis technique. How is that integrated into your analysis?***

To make money in the markets, you must understand the cyclical flow of money before doing any other analysis. This is the bedrock of what I do. I am a trend trader, so I want to be certain that the trend is in my favor in all timeframes. Briefly, I use a longer term (weekly or daily timeframe) to identify the primary trend. I then look to a 65- or 30-minute timeframe to prepare my trade plan, taking into account my assessment of risk-reward. The final timeframe is the short term, and it is not always the same. If I can find clarity on a 15-minute timeframe, then I will use that, and buy more liquid names. Moreover, I might go down to a 2- or 5-minute timeframe to fine-tune my entry.

***Anchored VWAP is now available on at least a dozen platforms. Doesn't that validate your work on its real value for market analysis?***

Absolutely. TC2000 was the first to add "anchored VWAP by Alphatrends" in 2015 and since then, most of the major charting platforms have

included the anchored VWAP in their program. I am humbled to say that many of them refer to it as the "Alphatrends anchored VWAP" as a nod to my work in helping show the value of the tool (and because I constantly badgered them to add it.)

***On your website and in your YouTube videos and Twitter posts, you use only a single chart style over a few timeframes with a few moving averages, volume, VWAP and AVWAP. Why have you not added another chart style with more traditional technical indicators such as Bollinger or Keltner bands, MACD, RSI, stochastics, or ADX to use as confirming indicators?***

I am a big proponent of each person doing what works best for them. I like to remind people to "make the trade your own!" I have looked at all the popular oscillators and indicators over the course of my career and what always makes sense for me is simplicity. Someone once told me, and I completely agree, "Simplicity is the market's greatest disguise." My simplicity comes from looking at the three most important variables in the market, price, time, and volume. It is no coincidence that the AVWAP is determined by these three components.

***Price***—the final arbiter; only price pays!

***Volume***—gives us clues about the urgency of buyers and sellers.

***Time***—the subjective element in AVWAP. The key is to identify the times where supply and demand shocks occur so that crowd behavior is measured and price memory is determined.

***Your focus is primarily on price action and then secondarily on volume. Is the reason you don't use too many indicators because they***

***mostly lag price?***

Everything is lagging, including AVWAP; there is nothing that can predict the future accurately. Fundamental analysis and technical analysis share this trait; it is all backward-looking. We make projections, anticipate how other participants will act at key inflection points, and then wait for price to confirm our thesis before we buy or sell. After that, the focus switches to risk management, protection of capital base, and locking in profits along the way.

***You provide a Monday webinar to subscribers providing market insights on the major indexes and trade ideas. How useful have subscribers found that market insight?***

Many members tell me it is the most important part of their subscription because the real focus of that session is not only on the markets and action of individual stocks, but education. These sessions are designed to clarify any concepts that might not be clear and to get live feedback with real market examples. It is an opportunity to make the learning more personalized one on one at a time.

***Do you recommend that investors and traders use hard stop-losses to limit their losses? If so, where do you suggest the stops be placed?***

Absolutely! Risk management is always job number one. For me, as a trend trader, it is simple to identify where to set my stop. It is always based on the definition of trend. I raise my stops up under “the most recent and relevant higher low” for my timeframe in long trades. For shorts, it is the opposite: The stop gets set above “the most recent and relevant lower high” for the timeframe I am engaged in.

***As a trader, how do you prepare******for the unexpected event to occur?***

I always have a risk management plan in place, which includes setting stop-loss orders and using proper position sizing. Additionally, I stay informed about news events and market developments that could impact my trades, so that I am able to react quickly and make informed decisions.

***In 2013, you received the Chartered Market Technician designation. Why did you find the need to take that exam, as you were established at that point and well-known?***

The CMT Association is the largest and most widely respected technical analysis organization. It was my intent to rise to the top of this field and the designation provided me with a professional recognition that I value. I believe that learning about the market is a continuous process and earning the CMT designation was an opportunity for me to further enhance my knowledge and skills in the field. I want to challenge myself and stay up to date with the latest developments in the industry.

***What specific market conditions must line up for you to recommend going long?***

1. The stock must be in an uptrend on the daily and weekly timeframes. That is defined as being above the rising 50- and 200-day moving averages, at a minimum.
2. The stock has pulled back from a recent leg higher and begins to digest the gains through sideways consolidation. This is when I prepare for my purchase.
3. When the stock is just about to make a higher high above

**Traders need to be open-minded to immediate price feedback from the market and a willingness to accept being wrong.**

a flat/advancing 5-DMA I get ready to buy. I set alerts on the stock just ahead of the price that I think I want to own it at, and when the alert is triggered, I watch it closely on a shorter timeframe.

4. I then purchase the stock as it makes a short-term higher high above the consolidation zone (not the prior high) if the stock did not have to expend a lot of energy to get to that breakout point.
5. I set my initial protective stop based on the definition of trend. It goes under the most recent and relevant higher low.
6. Once the stock begins to move, I will look for a place to reduce my risk by selling one-third of the position.
7. I continue to hold the stock if the definition of trend for my timeframe still exists. I manage this by raising the stop up under the higher lows as the short-term trend develops.

***Which charting software and screening platforms do you currently use?***

There are so many good ones out there to choose from. My main charting software is TC2000. They were first to implement the anchored VWAP as a point-and-click tool, and they continue to make improvements to their already excellent program. For a “fundo-technical” approach, I like to use Market Smith from In-



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investor's Business Daily. Their charts include key fundamental data that I can look at quickly to help me with position sizing.

*I don't see any relative strength analysis or moneyflow in your work. Is that because you feel they do not offer useful information?*

I look for absolute strength. To me it makes sense to take each trade on its own merits. When you look at as many charts as I do each day (several hundred), the good ones reveal themselves before they become relative strength leaders. I want to anticipate where buyers will go and then when that is confirmed, I participate and then manage risk.

*You describe yourself as discretionary momentum-based trend trader. Can you explain what that means?*

The market is always changing and morphing in very subtle ways. It is important to have some basic rules of engagement and to know when to stay away from the market. I use technical analysis to identify trends in the market but I also make my decisions based on my judgment and experience.

*You are a big believer of having a well-thought-out trading plan. What are the key components of that?*

A trading plan should be simple. It should identify what the primary

trend is for the targeted stock, as well as the trend of the market (for position sizing). It should also include a clear identification of the expected timeframe for the trade. The plan should include a well-defined entry and exit plan that includes the possibility of a loss.

Once in the trade, there needs to be a clearly defined way to manage the stops to ensure profits are not allowed to slip away.

*What are your rules for avoiding big drawdowns and staying on the right side of a bear market?*

I accept that it is more difficult (for me) to make money in a bear market. I trade smaller and keep very high cash balances. I tend to keep my timeframes shorter than when the market is bullish. I just find bear markets difficult to have conviction in, so I try not to tempt fate and play a strong defense.

*What personality traits do you believe that a self-directed investor needs to be successful?*

Investors should be curious about new techniques but confident when they find something that works for their mindset. They need to be open-minded to immediate price feedback from the market and a willingness to accept being wrong. Discipline is a much-talked-about attribute for traders and that means knowing when to be patient enough to wait for opportunities as much as it means following rules.

*Do investors and traders today suffer from having too much information coming at them, especially on the internet, compared to a decade or two ago?*

It can be easy to get caught up in the hype and frenzy of the markets,

but successful trading requires a level head and a good bullshit detector. The abundance of information allows people to find more specialized information that can help them be better at techniques. The real problem might not be the availability of so much information, but a lack of wisdom on the part of both the provider and consumer of the information.

*Do you believe that the average investor should use exchange traded funds instead of trying to pick stocks, since there is now a universe of 3,000 ETFs that provide a wide array of choices and provides more diversification?*

ETFs are one of the most important financial products invented. They can be useful tools for those who are new to investing or prefer a more hands-off approach. ETFs offer a low-cost way to gain exposure to a broad range of stocks, bonds, or other assets, which reduces the impact of an individual stock on a portfolio.

Some investors (and traders) prefer the potential for higher returns from individual stocks. It is fun to do the work of picking a winning stock! There is room for both ETFs and individual stocks in the accounts of traders and investors.

*You've been in the markets since 1991. What are the deadliest mistakes investors keep making?*

When they fight the primary trend and buy a stock because they think it is "down too much" or short a stock because it is "up too much." The other one is to hold onto losing trades because their ego will not allow them to accept they were wrong about the stock. They might hold onto a stock because they think the company is a good one, but a good company is not always a good stock.

*Do you believe that the market is*

***more difficult to trade successfully in the past decade compared to earlier periods?***

No, just the opposite! One of the most difficult periods for me in the markets was approximately 2010–2011, which was about the height of the race to zero in the program traders’ search for speed latency for HFT programs. That was a frustrating time.

The one thing that has helped me make more sense of the market moves is the evolution of the anchored VWAP. Being able to point-and-click anywhere and know with 100% certainty who has control of the trend makes my job much easier. I am now in my fourth decade of full-time trading, so my experience makes it easier too.

***What accomplishments are you most proud of?***

I am most proud of the impact I have had on the trading community through educating tens of thousands of traders about the value of the anchored VWAP, helping them avoid fighting market trends and introducing them to the concept of multiple timeframe analysis. I have also helped people realize the importance of using equal time periods of study on their charts (such as the 65-minute timeframe versus 60 minutes). With AVWAP and the five-day moving average, I have seen traders improve their performance and profitability through my teachings. That is a great

source of satisfaction and motivation for me.

***We’re in early April 2023; do you believe that we are in a cyclical bear market in the context of a secular bull or in the beginning of a new bull run?***

I don’t really care for any of those classifications. My interest is to correctly listen to the message of the market, so that I can consistently identify and trade the lowest-risk, highest-probability trades I overall trend. I employ a strict “bottom-up” approach to stock trading and I believe each trade should be taken on its own merits. During periods of heightened market uncertainty, I respond with smaller position sizes and sit with high cash balances.

***Living in Denver since 1992, what activities do you enjoy engaging in when not focusing on the markets?***

I like to take advantage of all the outdoor activities with my wife and dog. Backcountry skiing has been my favorite activity the last few years. I also like to hike, flyfish, bike, and go to concerts at Red Rocks and other venues.

***Brian, thank you for sharing your trading insights, your technical trading methodology, and above all, your unique contributions related to VWAP and anchored VWAP.***

**I’m always open to new ideas, but after 32 years of trading, I know what works for me.**

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*S&C Contributing Writer and ETF columnist Leslie N. Masonson is president of Cash Management Resources, a firm focusing on ETF strategies. He is an active NASDAQ futures and ETF trader, and the author of six books, including Buy—Don’t Hold: Investing With ETFs Using Relative Strength To Increase Returns With Less Risk, and All About Market Timing (two editions). He can be reached at lesmasonson@yahoo.com or 845 323-7276.*

#### **FURTHER READING**

Shannon, Brian [2008]. *Technical Analysis Using Multiple Timeframes: Understand Market Structure And Profit From Trend Alignment*, Alphatrends Publishing, LLC.

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