SVWAP- PSVWAP

Hi friends,

In this writeup, I shall cover how SVWAP & PVWAP may be used to analyse index or stock Futures, at broader level. I have been using these for around 5 years. Concepts shared below are my observations over the years.

Here you will see, how just 2 lines can help us understand market in much better way. In this document, I have tried to cover application of these concepts through numerous examples.

Definition

SVWAP is current Series' Volume Weighted Average of typical Price. Similarly, PSVWAP is Prior Series' Volume Weighted Average of typical Price.

These act as proxy for *approximate* price at which, total volumes of Futures contracts have been traded in that entire series. In simpler words, the way VWAP works for intraday, SVWAP works for entire series (ballpark)

Brief

Going by the definition above, if current price is below SVWAP then average buyer of that Futures during that series is in loss. Thus, till price goes to SVWAP, these buyers will be under water. As price moves further down, they shall keep covering positions depending on their risk appetite. This would fuel further strong down trend. On other hand, if price breaches above SVWAP then Sellers will be in loss; they shall begin to cover if price goes further up.

Similarly, prior series' VWAP (PSVWAP) approximates level around which entire prior series' volumes took place.

Thus, whenever price approaches SVWAP-PSVWAP, it is likely to react. On contrary, if price hovers around them for few days, indicates neither Buyer or Seller have upper hand. Till either Buyers or Sellers gain edge over other, price will remain in balance. Once price breaks out of balance, if it is backed by good volumes then that gets reflected in SVWAP moving in direction of price. Otherwise, if price breaks out on small volumes, then SVWAP's rise will be shallow or flat.

For those who are aware of concept of Anchored VWAP (AVWAP), understanding SVWAPs would be easier. Here, we just anchor it to beginning of series. Please refer to my Twitter handle @voPAtrader for threads explaining AVWAP

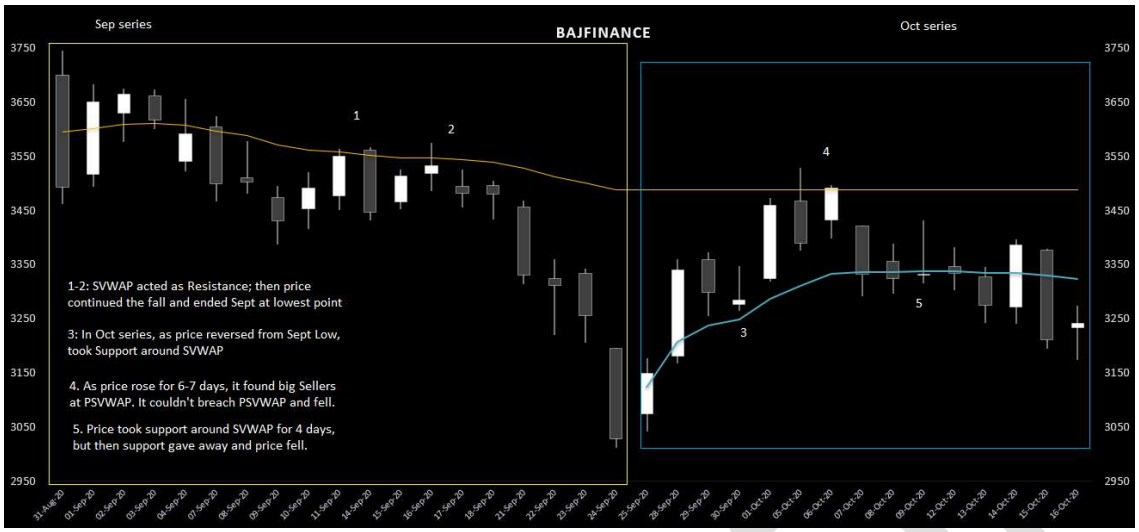
Application of concepts

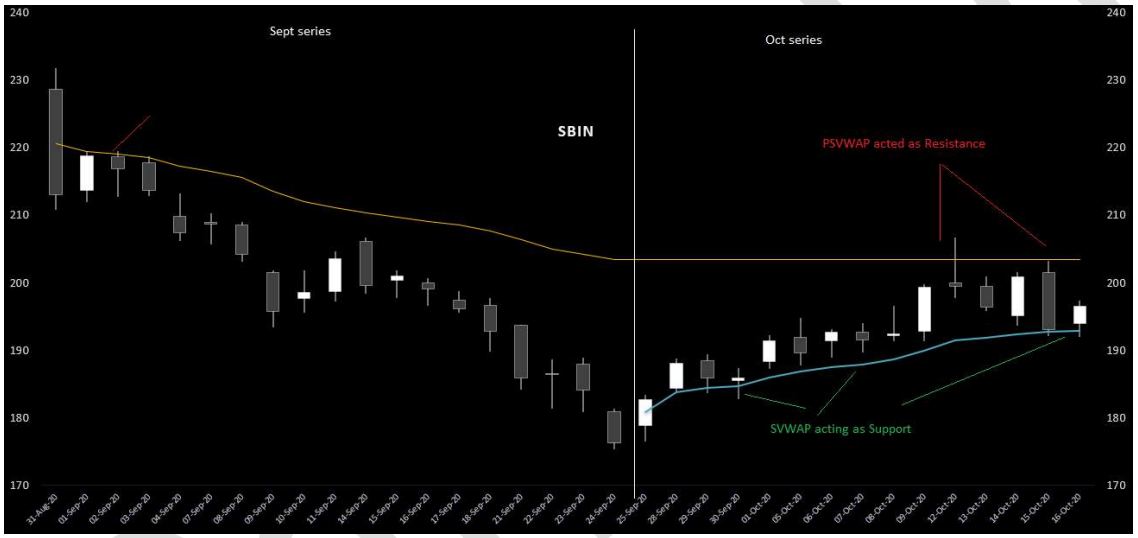
Theory ends here. Let us see how these concepts help in understanding market through examples. Intention is to show how they apply in different market conditions across stocks- indices, thus examples have been cherry picked.

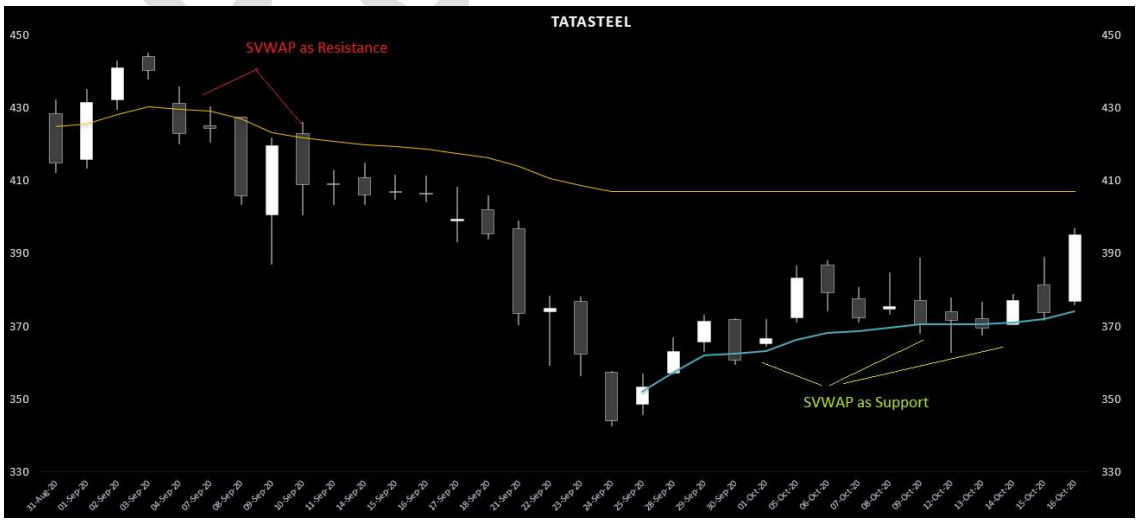
Note: In all charts, Gold line represents PSVWAP & Blue line represents SVWAP.

Pankaj DP

1.How does SVWAP- PSVWAP act as Support – resistance?

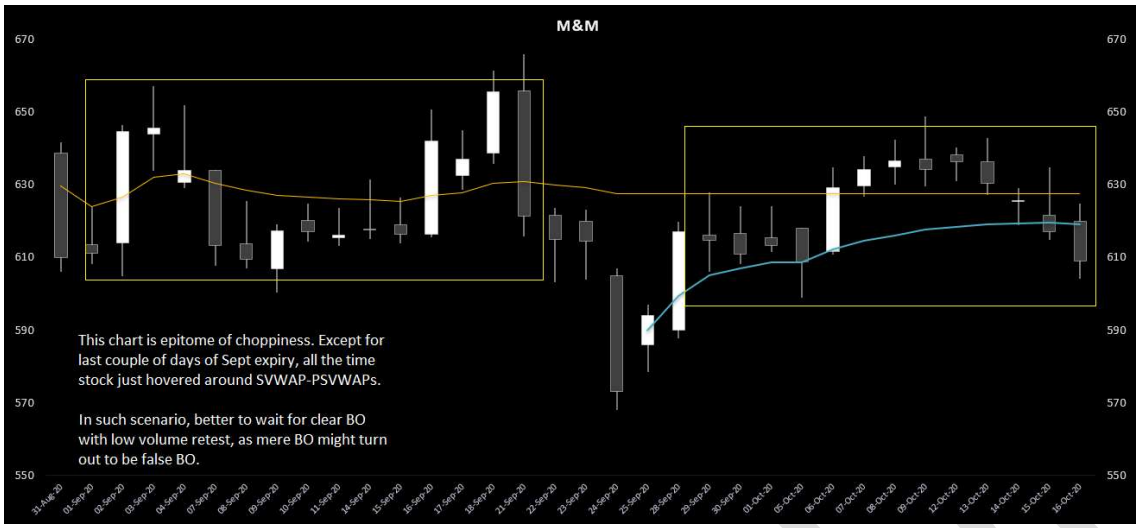


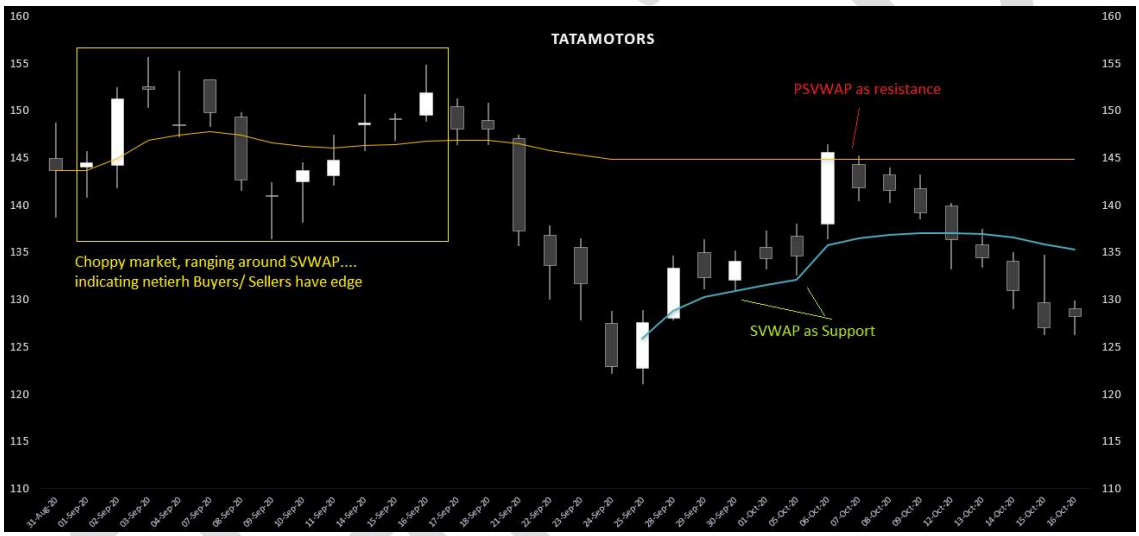


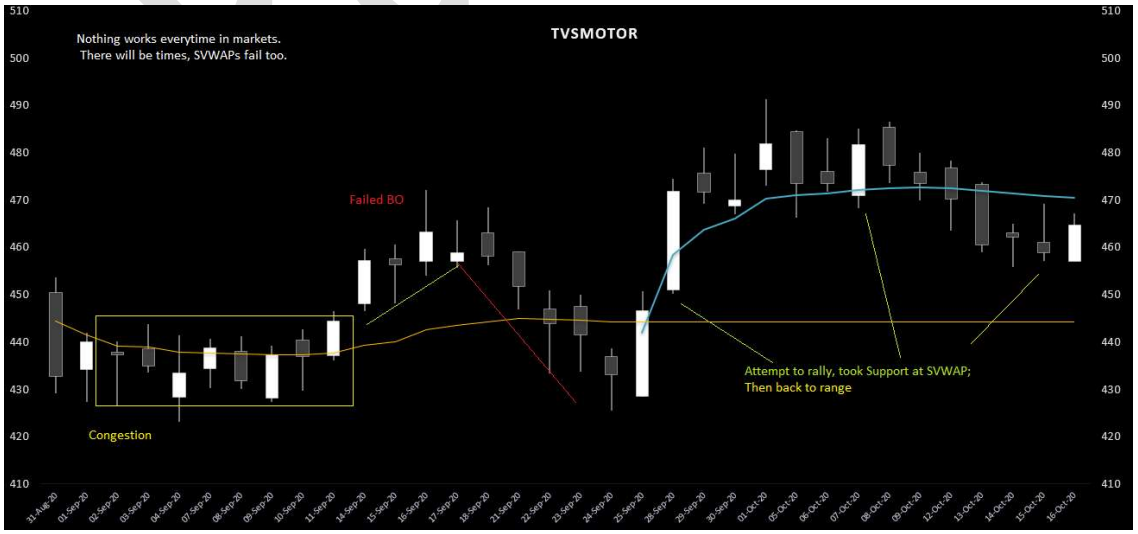


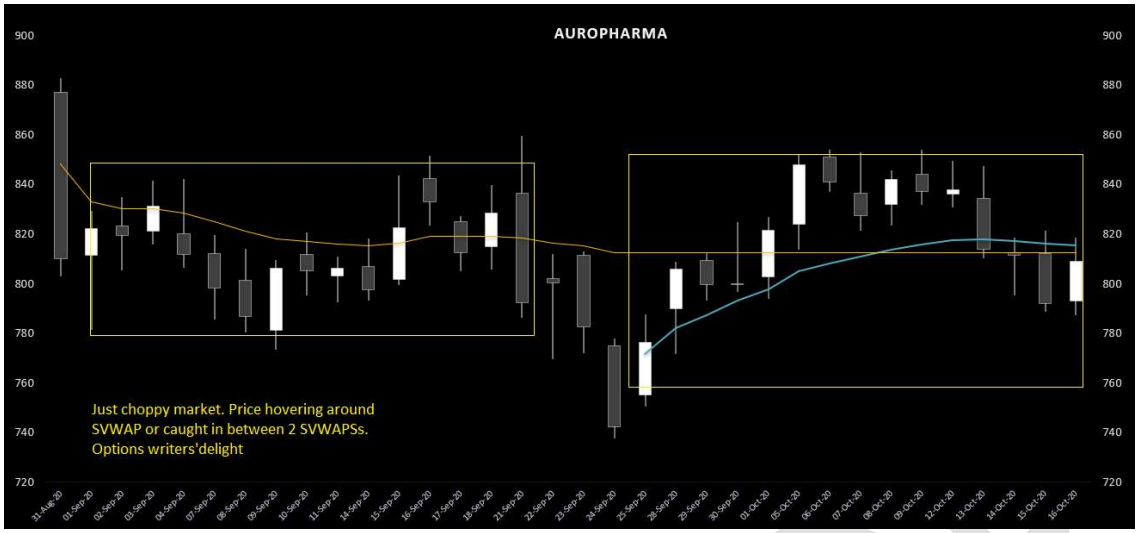
2.How to identify and analyse Trending/ Consolidating market?

2.A) Choppy or consolidating markets/ weak trend

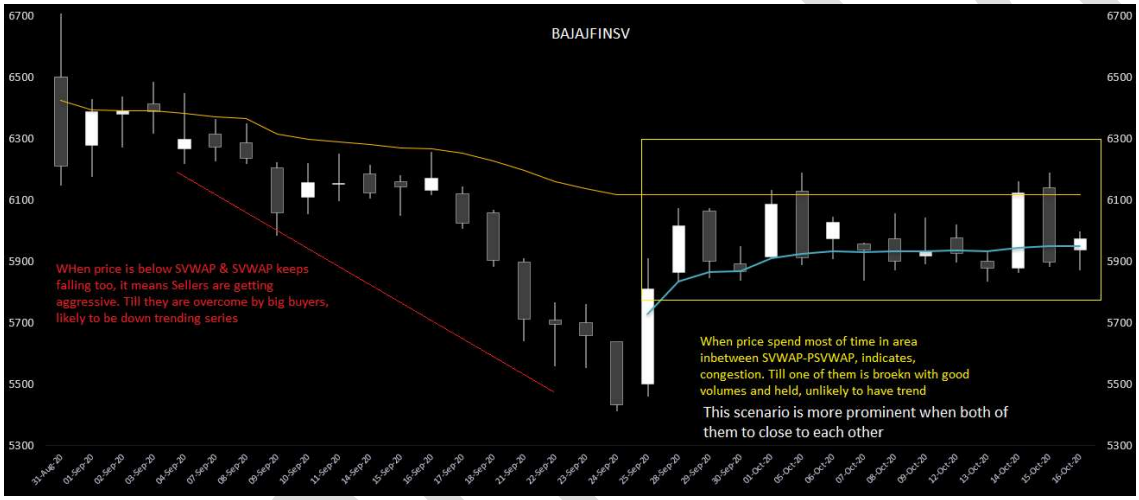


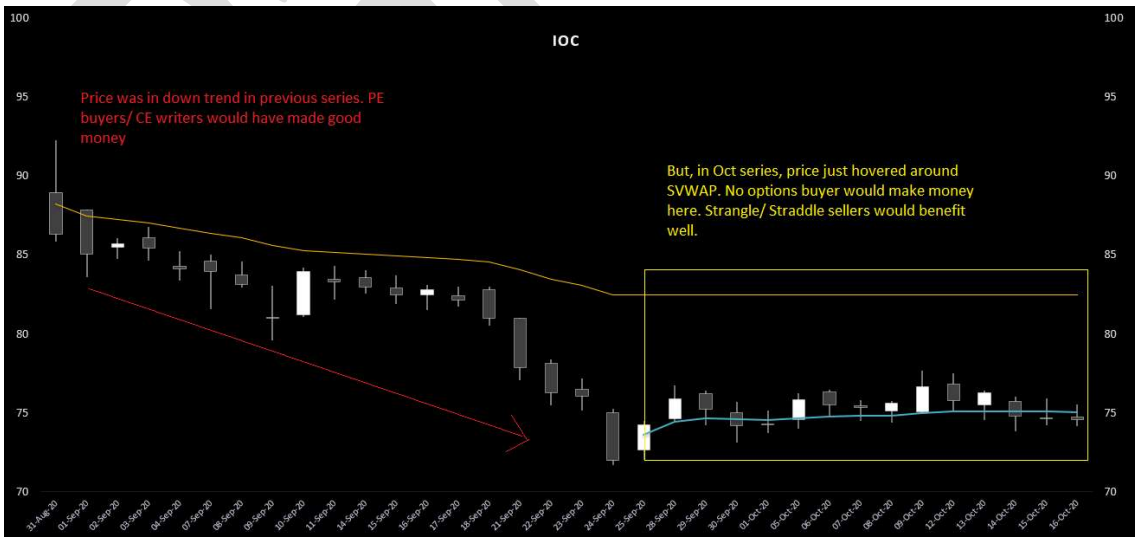


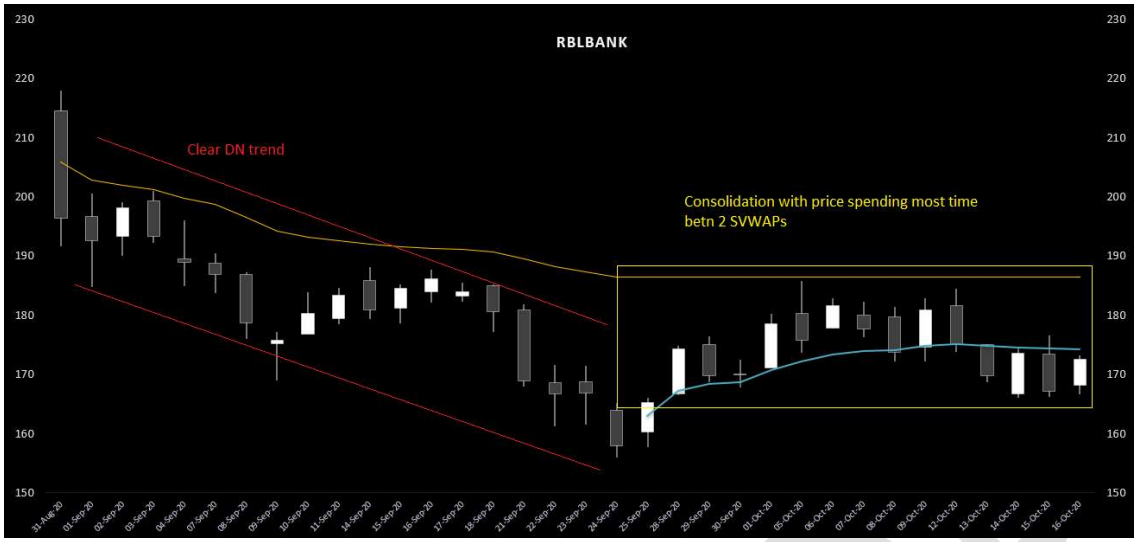


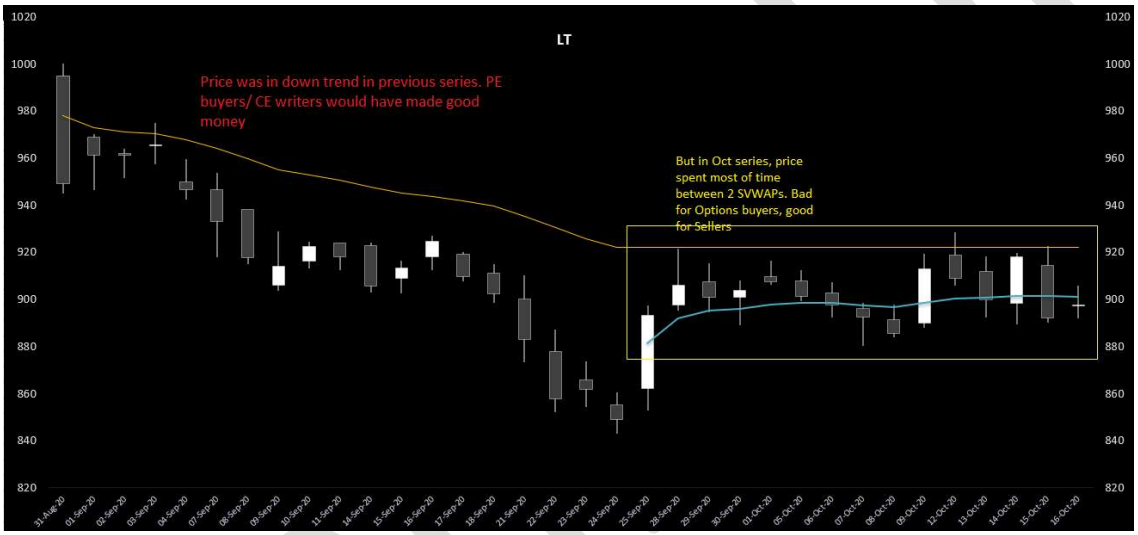


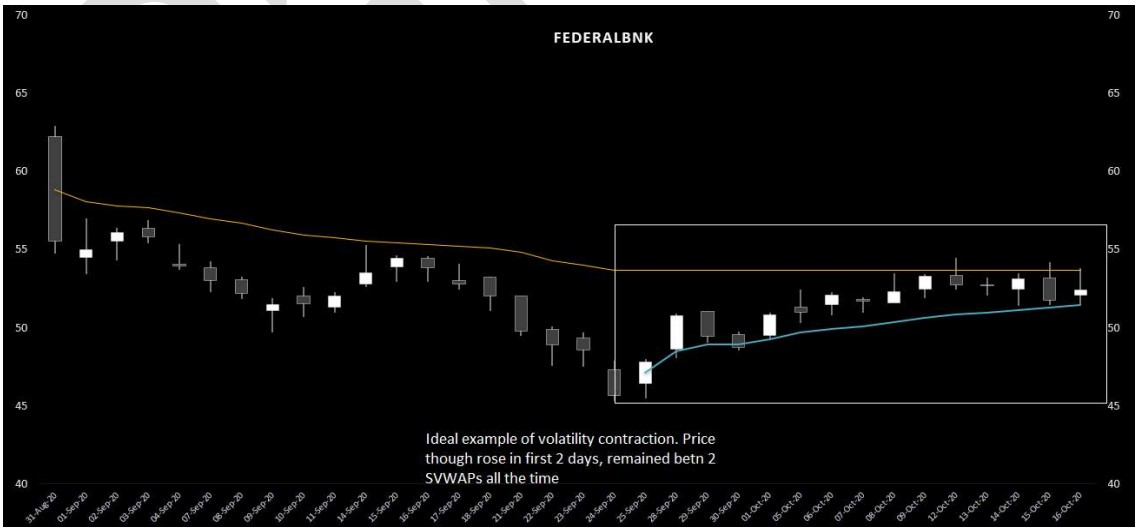
2.B) Trend coming to pause i.e. price enters Consolidation or range contraction



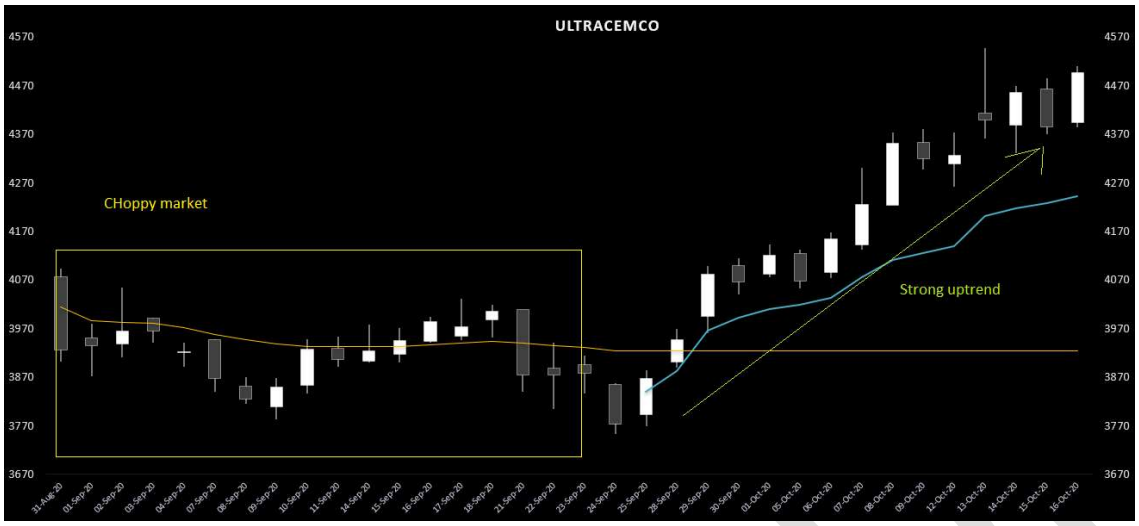


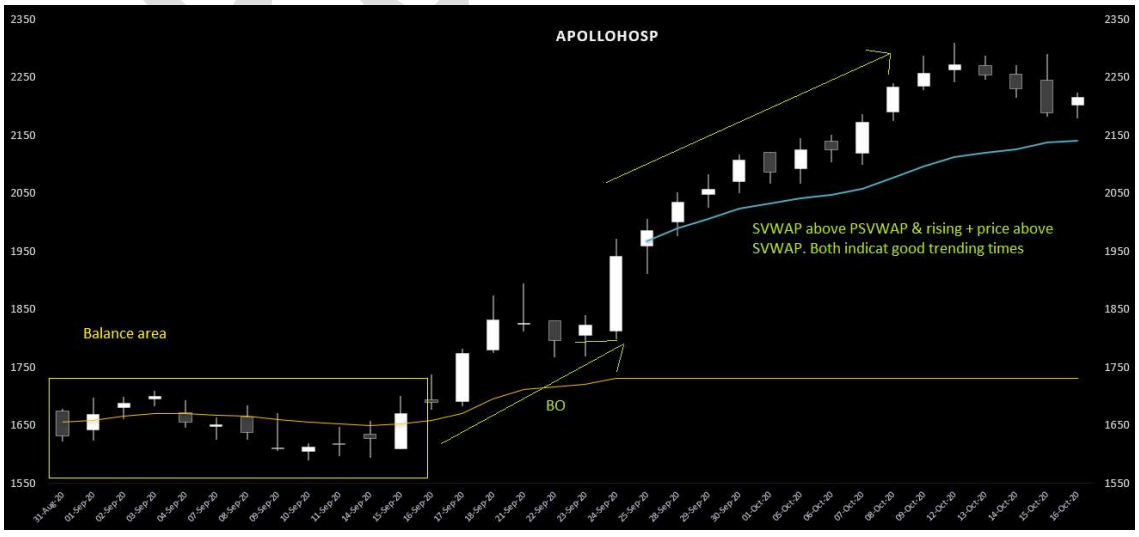

RBLBANK
Clear DN trend
Consolidation with price spending most time betn 2 SVWAPs


LT
Price was in down trend in previous series. PE buyers/ CE writers would have made good money
But in Oct series, price spent most of time between 2 SVWAPs. Bad for Options buyers, good for Sellers

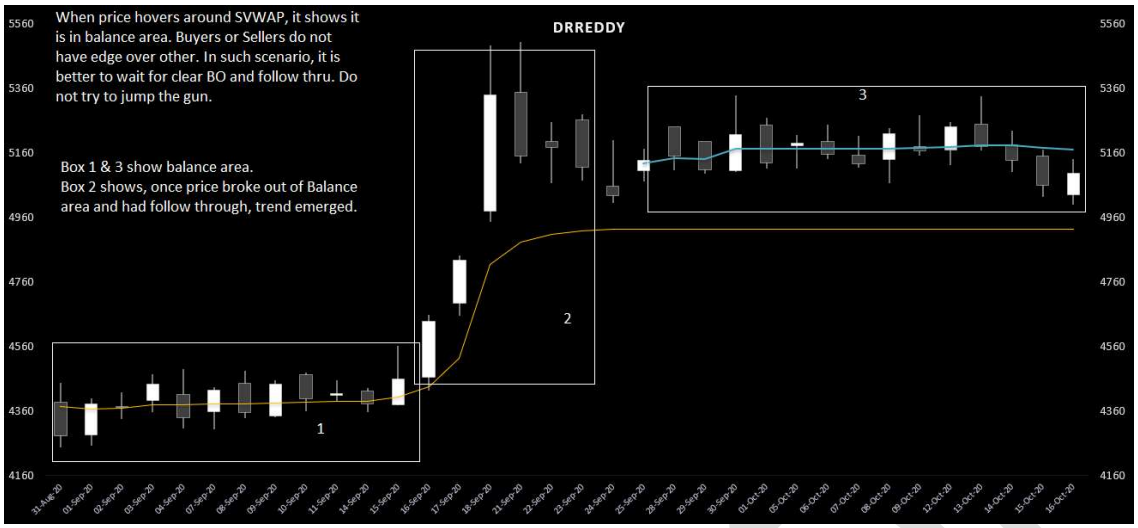

FEDERALBNK
Ideal example of volatility contraction. Price though rose in first 2 days, remained betn 2 SVWAPs all the time

2.C) Congestion – BO – Trend or Range expansion

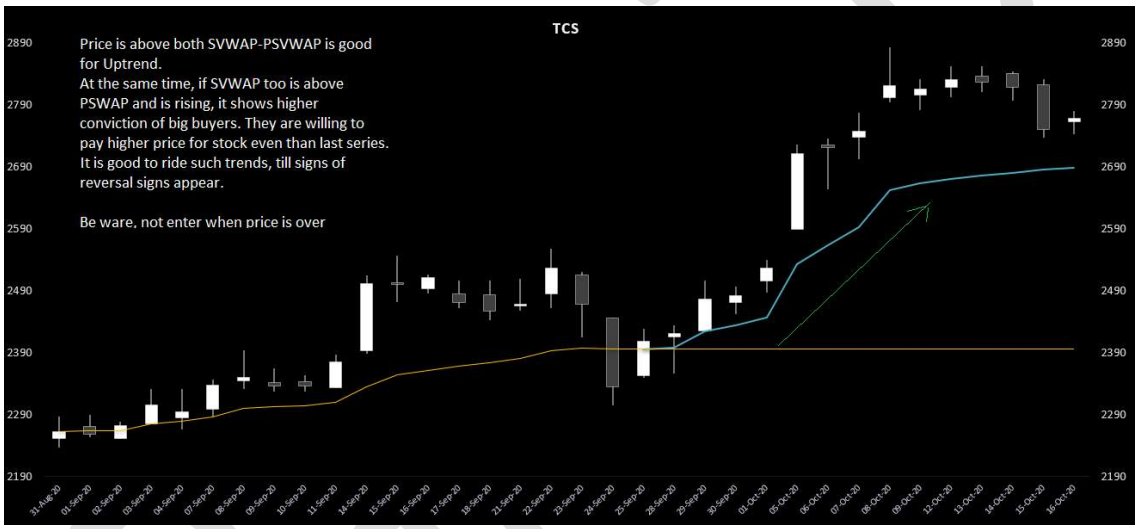


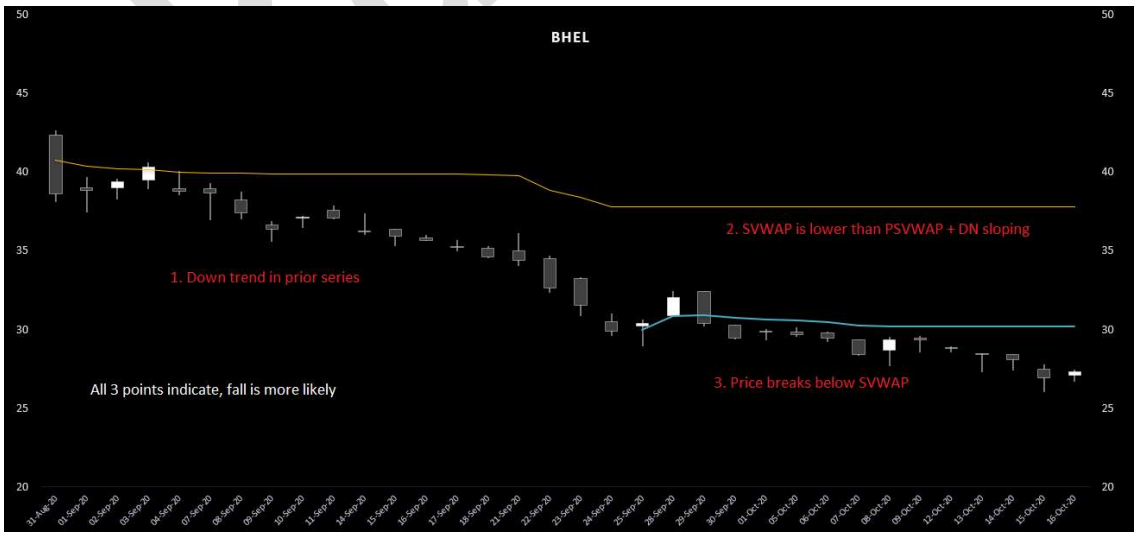


2.D) Consolidation – BO - Consolidation



2.E) Strong trending market (or Trend continuation)



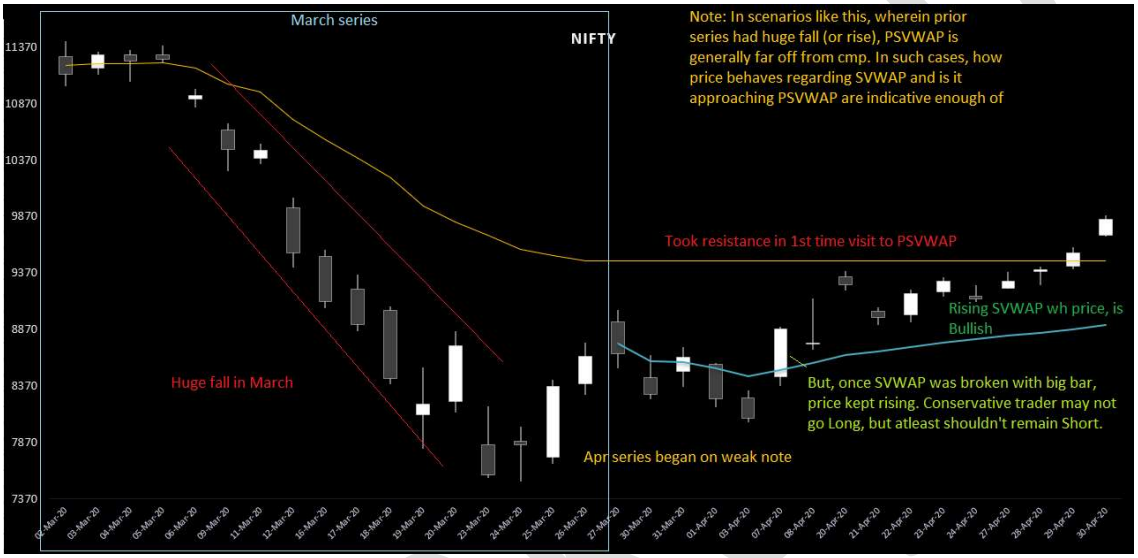


Above section was about regular markets, all examples were taken from current (Oct'20) and prior series (Sep' 20).

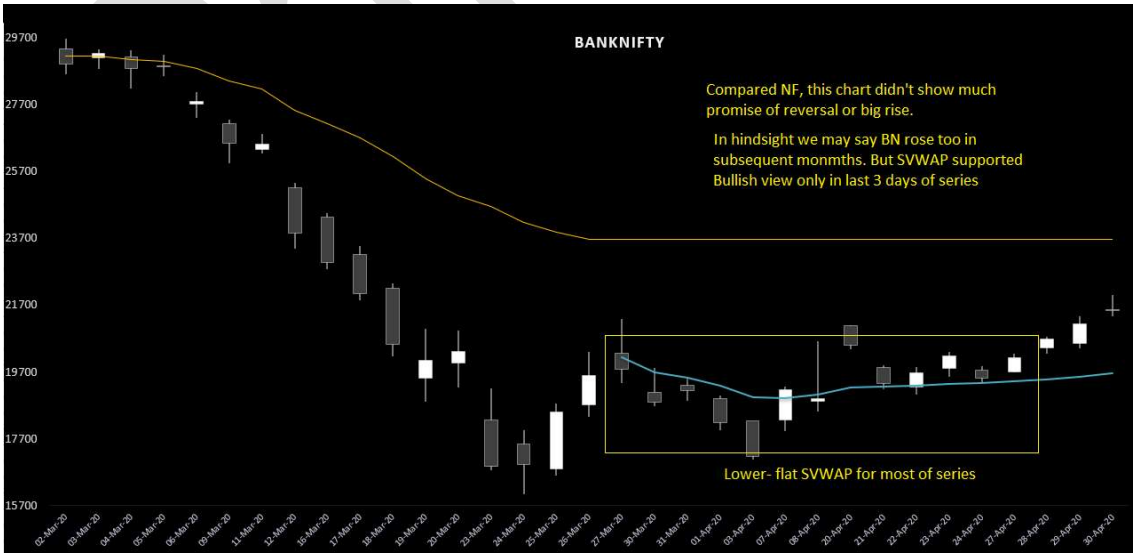
Now, let us see how effective these 2 siblings are when there is mayhem in markets?

In below section, I have taken examples from March- April series, period when Nifty and many stocks fell big, bottomed and subsequently rallied (few faltered). Here, you will understand, despite same global factors how individual stocks/ index behaved differently, as shown by 2 SVWAPs.

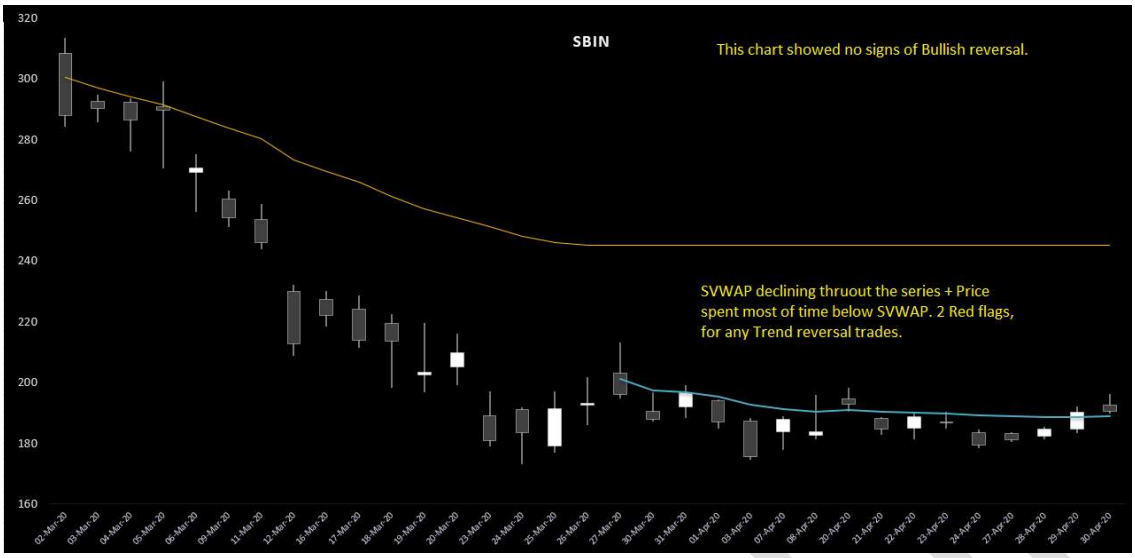
Nifty



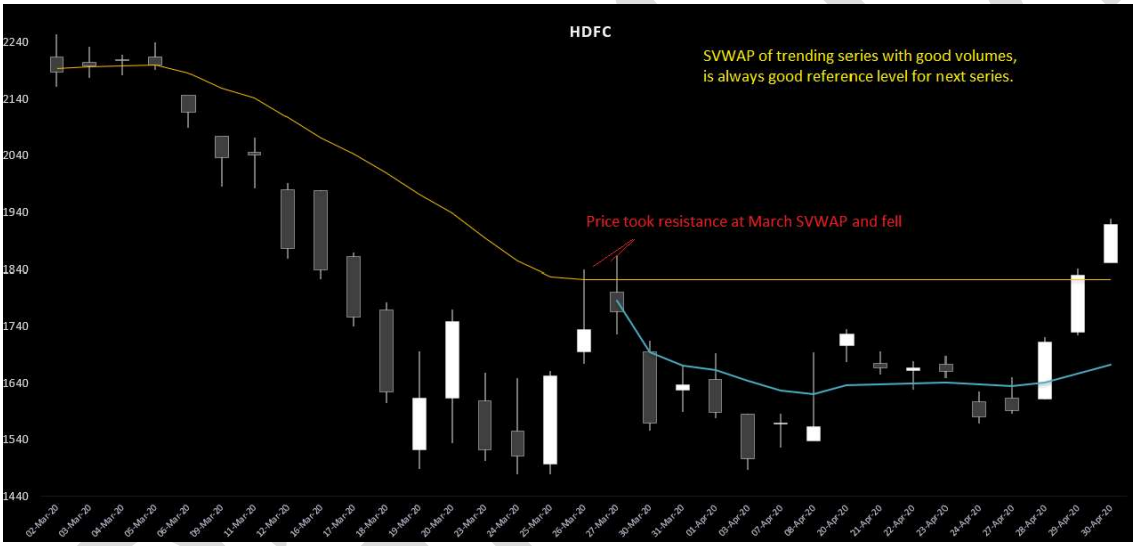
Banknifty



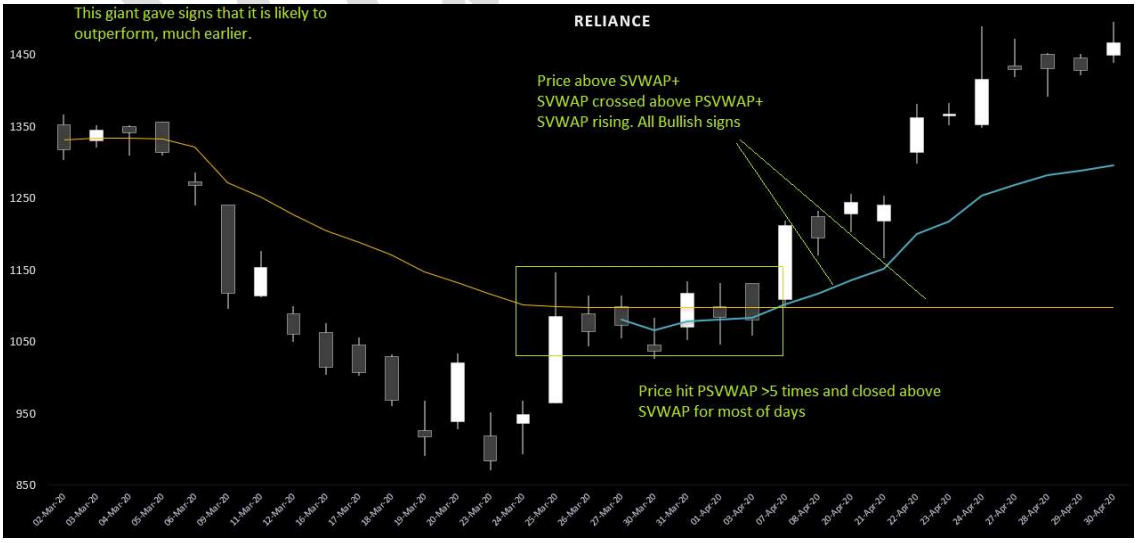
SBIN



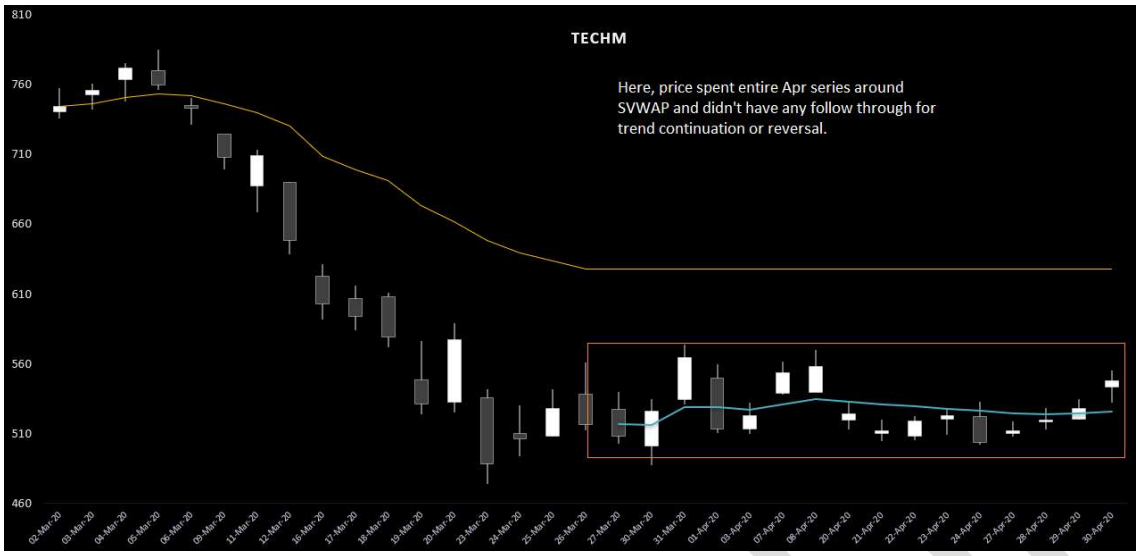
HDFC



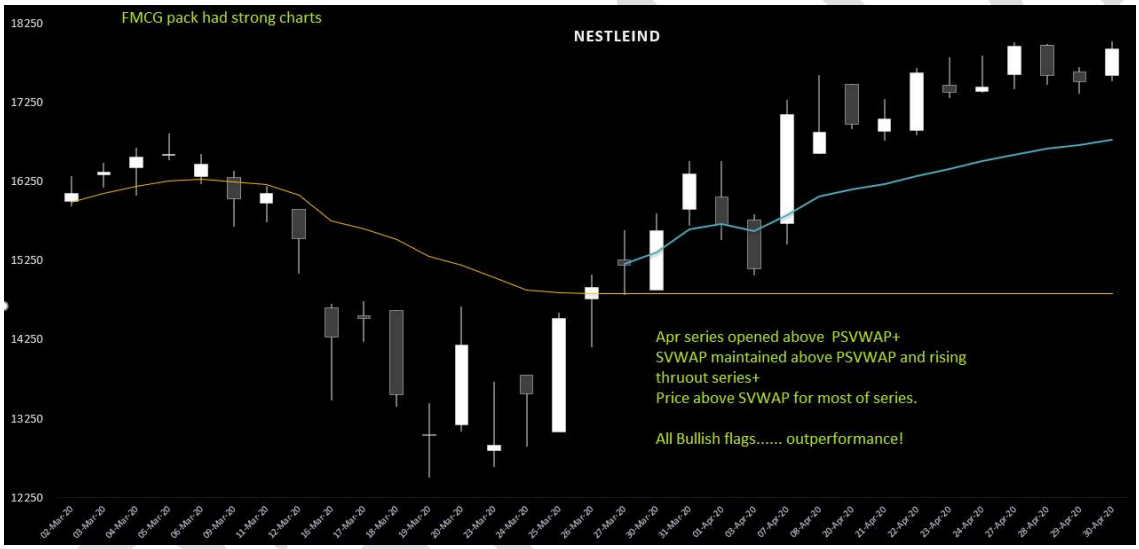
Reliance



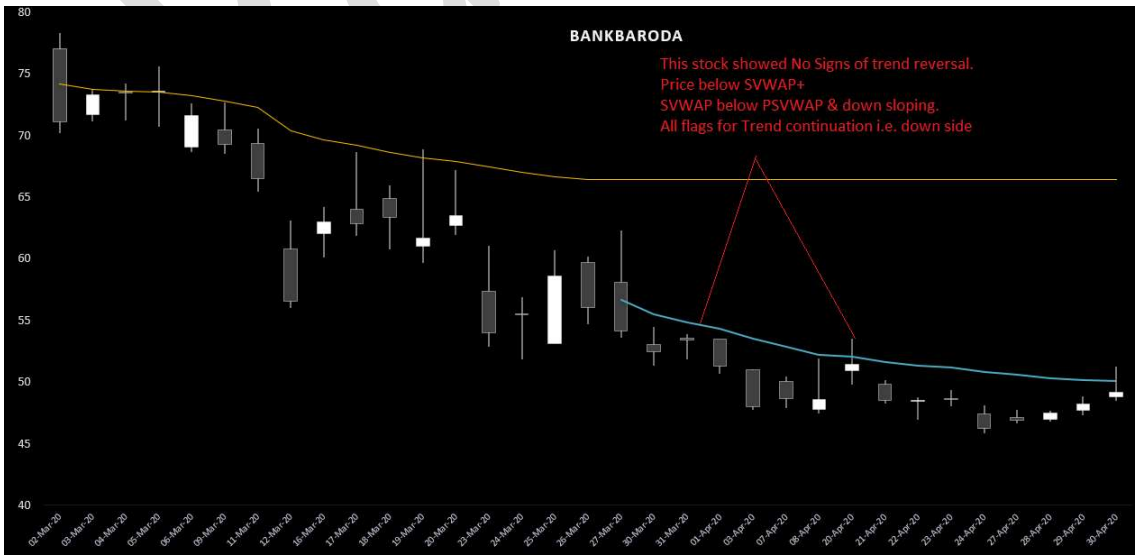
TechM



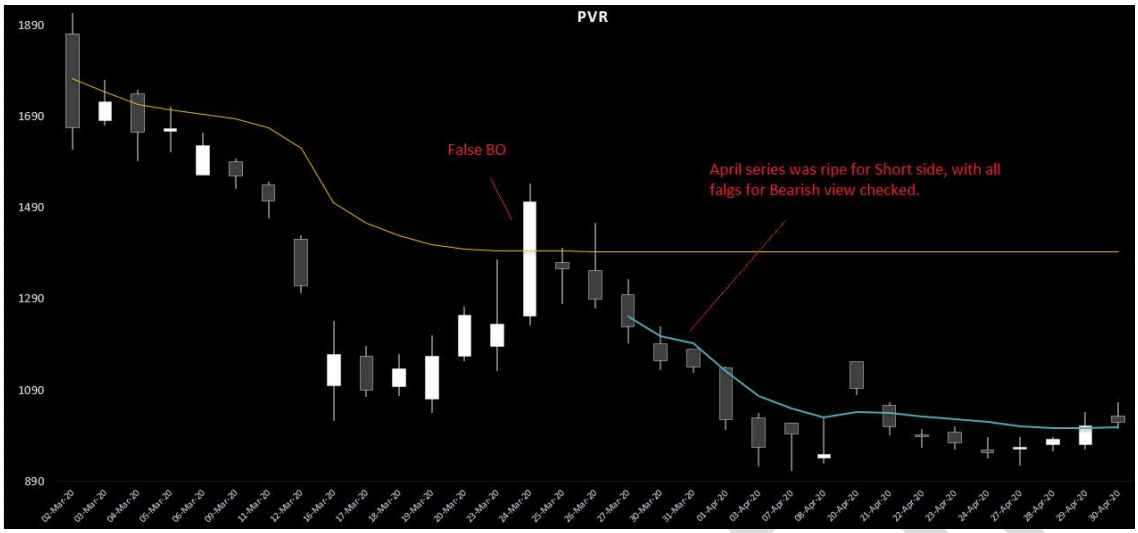
Nestle



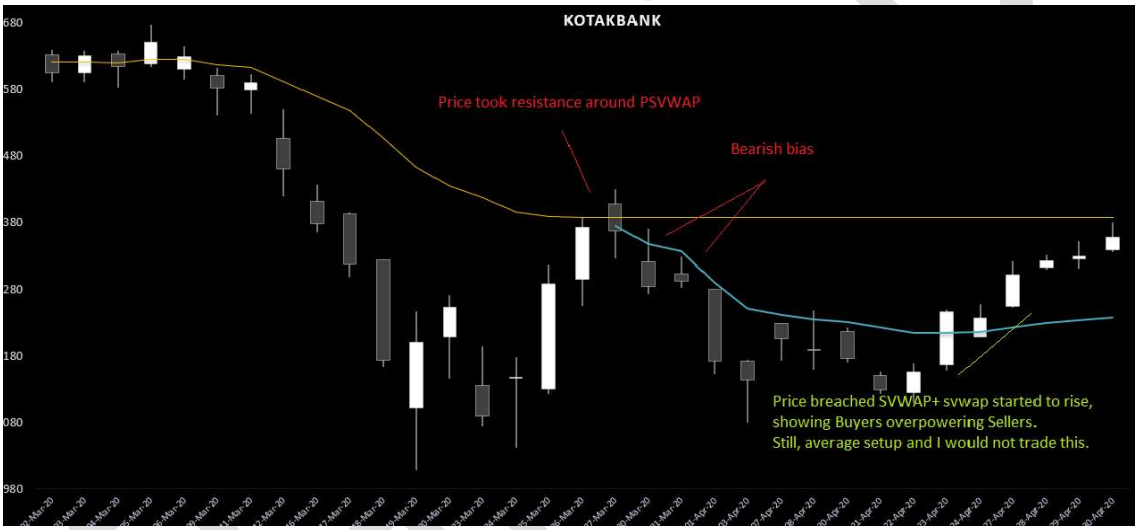
BoB



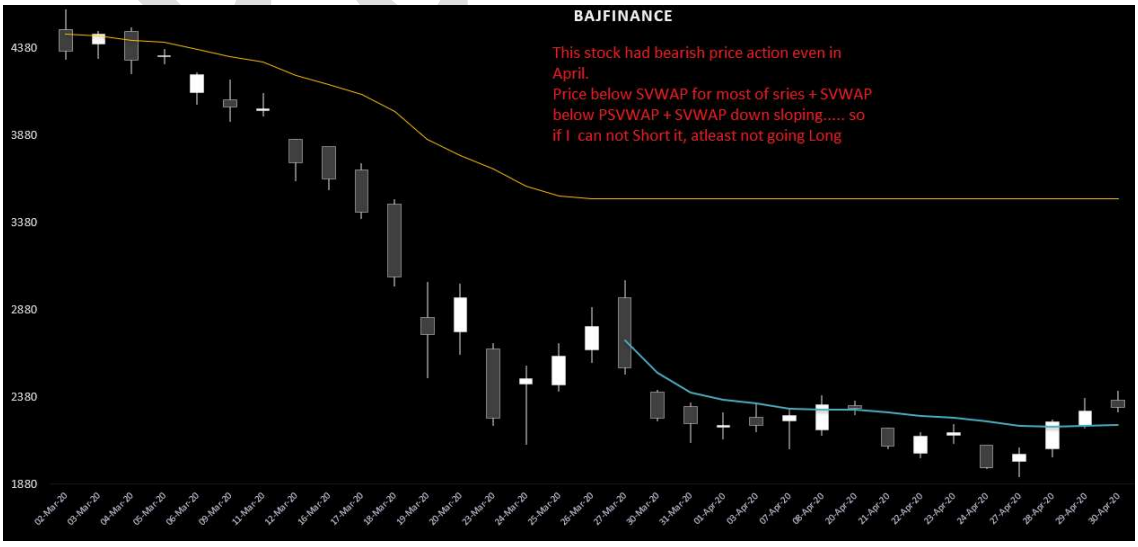
PVR



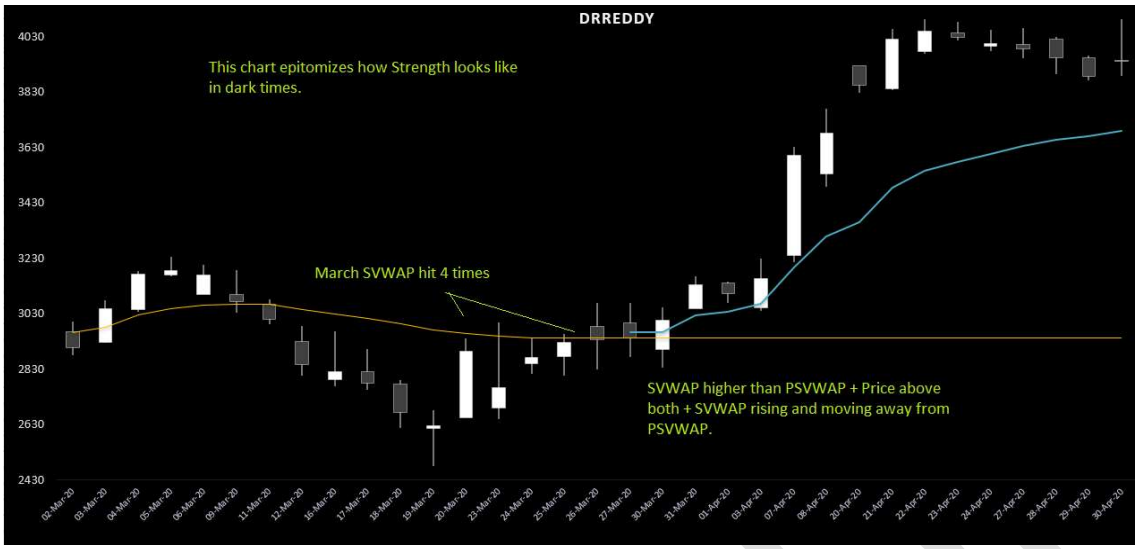
Kotakbank



Bajfinance



Finally, Drreddy…



With this, we come to end of the write-up. I hope it will help you understand concept of SVWAP- PSVWAP and their use in different market conditions. *All above charts are based on Excel, with F&O Bhav copy data as input.* If you have any queries feel free to reach me out on my twitter handle **@voPAtrader**.

THANK YOU!!

Disclaimer : This write-up is only for educational purpose. None of the examples or theories discussed should be construed as any trading or investing advice.

Pankaj D