

# BO Alliance BUSINESS OPPORTUNITIES

## VOLUME TRACKING SYSTEM – VTS



Written by Jose Jacome - Head Trader/ Investment Portfolio Manager

BOALLIANCE Founding Partner

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## FRAMEWORK

General belief about investing in the stock market or in any other asset or derivative, is that price movement depends on the underlying economic situation, policy and variables, and that it is explained by the existing fundamental information at the time. Although it cannot be denied that the economic environment plays a significant role in explaining asset fluctuation, it is in our opinion, more of a catalyst for the actions and investment decisions executed in the market.

What really moves the markets and has a decisive and direct impact in prices, are the forces of demand and supply, therefore the true "activity" of investors.

The end product of this activity is quantified and is known as "Negotiated Volume" and constitutes the accumulation of operations carried out on an asset for a given period.

As we will explain later, when evaluating the "Negotiated Volume", it is imperative to discern the volume that generates a "significant variation" in price movement, from that which does not imply greater variation. We will refer to this type of volume as "SIGNIFICANT VOLUME".

## OBJECTIVE

Create a profitable investment methodology based on the evaluation and discernment of "Significant Volume", identifying the real intention and direction of the market, which is the end product of buying and selling activity.

## HYPOTHESIS

If operator's "activity" is what really moves market prices, the TRACKING, EVALUATING AND DISCERNING of "Significant Volume", should provide the most accurate guideline and clarity over market behavior. If we understand the true intention within the "Significant Volume" activity, we will be able to make investments in accordance with buyer or seller sentiment and ultimately be rightly aligned with market direction.

## METHODOLOGY

### Summary

The methodology consists of tracking "Significant Volume" over buying and selling activity, to understand the true intention behind market activity and to be able to trade in harmony with the volume flow of buying or selling activity. Likewise, to identify specific levels where there is accumulation of distribution activity or lack of it, thus, finding optimal levels or zones to execute trades.

### Premises

In order to correctly understand the basis of our methodology, we must take into account some observations:

- **Reactive Methodology – Non Predictive:** We do not seek to assess economic conditions or anticipate news impact on price markets, rather, our exercise is solely focused on evaluating and calculating the operator's response to such information and quantifying actions taken by them. Simply, this approach should be considered reactive, since it focuses on evaluating the response and actions taken as a consequence of news events or economic conditions. The exercise focuses on evaluating, quantifying and discerning the "Significant Volume", product of the collective actions taken by the operators. It is not a matter of predicting a price fluctuation, instead, market activity is registered and consequent adjustments are taken.
- **Market Participants:** It is vital to understand who the market participants are. Simplifying things, we can identify two types of participants based on the volume traded. Rather than to classify them as professionals (Institutional) or as non-professionals (Retail), assessing their capacity or competence, we focus on the volume they manage in their investments. At the end of the day, huge investment funds, syndicates or investment banks are considered as Institutional Investors, "Smart or Professional Money". These participants manage and invest large sums of money. On the other hand, there is the small investor, Retail

or even known as “Dumb Money”, who manages tiny amounts of money and who represents liquidity and opportunity for institutional investors.

It is a fact and a reality, that the volume managed by any investor, necessarily conditions the way in which he executes his investments.

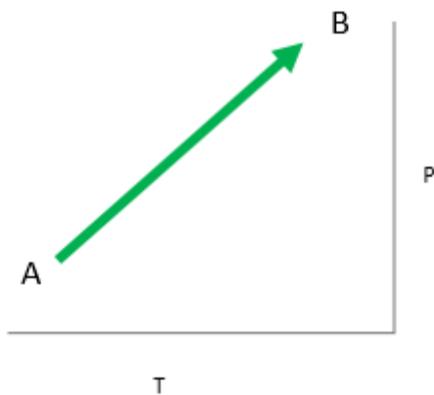
- Retail Investor

A Retail investor has limited resources and therefore the transacted volume will be low. Although this may seem to be a restriction or perceived as a weakness, it is the way this type of investor conducts his transactions, that is of interest to us.

Under normal conditions, the Retail investor can enter and exit any transaction at any time WITHOUT creating a greater impact or VARIATION on the price of an asset, since the size and liquidity that the market provides is more than enough to accommodate his transactions.

Taking into account the above mentioned, if a Retail investor decides, by way of example, to buy a specific asset since he considers that it could rise in price, he can directly execute his order or transaction in the market without significantly modifying or impacting the price of the asset that he is buying, since there is enough supply to fulfill his order without inconvenience and price variation.

- EXECUTING ACTIVITY OF A RETAIL INVESTOR IMPLIES A ONE-WAY ACTION: A - B - C  
Trajectory



(Specific case of a buy: A buy is executed at A and a sell is executed at B)

**We assume, that the Retail investor can carry out his investment execution in a “One-way” action, since he can simply enter the market, with the expectation that the market moves in the desired direction, SINCE HIS ORDER DOES NOT CONSTITUTE “SIGNIFICANT VOLUME”.**

- Institutional Investor

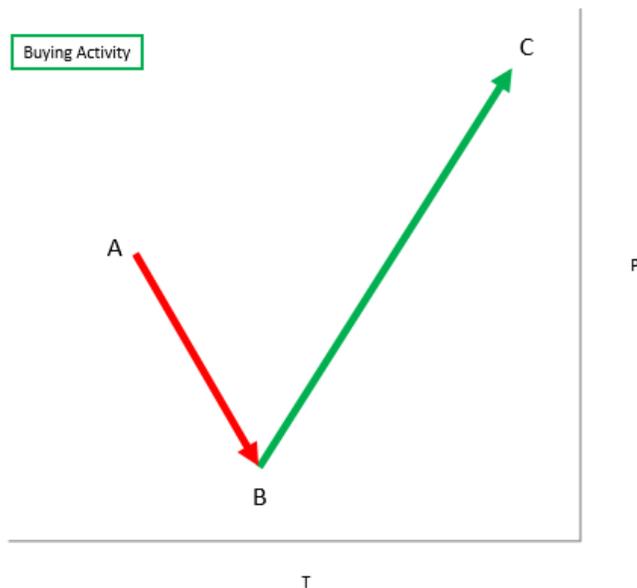
On the other hand, an Institutional investor has ample resources and his transactions are characterized by significant volumes. Likewise, although this condition seems to be an advantage, what interests us most is how this type of investor interacts with the market or how it carries out his proposed transactions.

The Institutional investor cannot enter and exit a transaction at any time WITHOUT creating a significant impact or VARIATION on the asset price. Even though in the vast majority of cases the market has sufficient liquidity to accommodate and comply with the transaction, due to the volume being transacted, the negotiated asset will register a significant variation in its price before the Institutional investor can enter or exit the market and its orders are executed.

In the case of a buying transaction, if the Institutional investor decides to enter the market with large quantities of volume in his purchase, the orders that will notably exercise upward pressure on the asset price, forcing the Institutional Investor to buy consistently at higher prices or leaving his orders unexecuted. Consequently, he will be forced to execute his transactions in a falling market, where he won't be wrestling negative price movements and sufficient supply will available to accommodate his transaction.

**We assume, that the Institutional investor is conditioned to carry out his transactions in a “Two-way” action, when the market initially registers an opposite directional movement contrary to his final expectation, SINCE HIS ORDER CONTITUTES “SIGNIFICANT VOLUME”.**

- EXECUTING ACTIVITY OF AN INSTITUTIONAL INVESTOR IMPLIES A TWO-WAY ACTION:  
A - B - C Trajectory



(Specific case of a Buy Transaction: Buy orders are executed in the A-B range and the sell transactions are executed on the B-C range)

(As a caveat, we assume that an institutional investor is always looking to maximize his profit.)

## TECHNOLOGICAL TOOL - VTS (Volume Tracking System)

We have developed a tool capable of tracking Institutional Significant Volume in real time, identifying true “Market Sentiment” behind Institutional trading activity. It also tracks and identifies “Critical market Price Levels”, where buying (Accumulation) or selling activity (Distribution) is subsiding and where market direction will resume.

This tool is able to track any asset in any time frame.

### Features

#### 1. Market Sentiment or Institutional Activity

Understanding or identifying if an asset is being bought or sold by institutional activity bears more relevance than trying to determine its current trend or market direction.

Trend identification is a difficult process, where many assumptions need to be made and most conclusions will be subjected to interpretation. Any up or down trend can end or resume without notice, registering sharp or unexpected market movement that could lead to misleading conclusions.

Identifying if an asset is being accumulated or distributed by institutional activity will ultimately ensure that it will appreciate or depreciate over a period of time, logically resulting in uptrend or downtrend movements.

By identifying the underline Institutional activity or market sentiment, ultimate market direction can be expected and trading decisions adjusted accordingly.

The VTS system will track past and present volume activity in real time, by going back more than 500+ periods and evaluating relevant traded volume to assess if an asset is currently being accumulated or distributed.

Institutional activity will be identified at all times by a “Buying Activity”, “Selling Activity” or “None” Box, located at the upper left corner of the screen.

It identifies the true intention of the “Significant Volume”, displaying a signal box in the upper left corner of the screen, stating whether the market is in a buying (accumulation) or selling (distribution) situation, thus allowing the operator to know whether he should be buying or selling alongside “SIGNIFICANT VOLUME”.



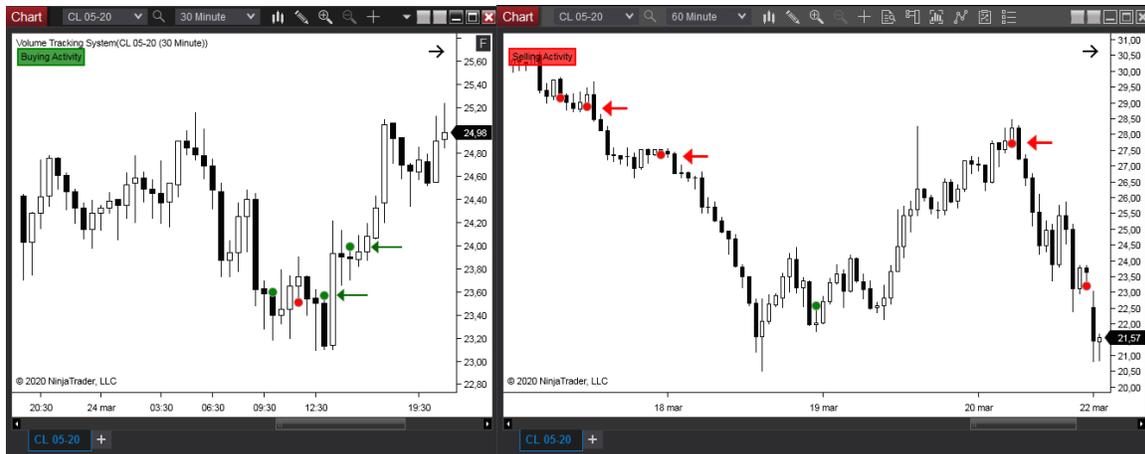
## 2. Critical Levels

Institutional interest in any particular asset can be evaluated by the process or accumulation or distribution being performed. If there is appetite for it, it will undergo an accumulation process that will extend over a certain period of time. If there not much interest, the asset will be distributed. The extent of those cycles will depend on the time frame evaluated.

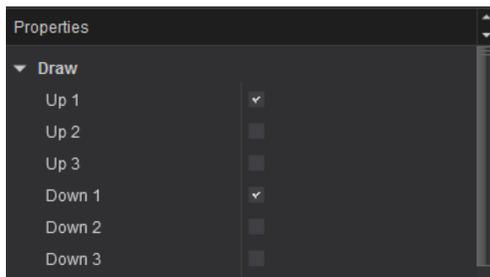
The Critical Levels identified by the VTS system, indicate “thresholds” or “inflection prices”, beyond where buying or selling activity is subsiding or has concluded and where market direction will resume accordingly. If there is an accumulation process in place, the asset will likely display upward movement above or once the threshold level has breached to the upside. Naturally, in the case of a distribution process, the asset will likely display downward movement below or once the threshold level has breached to the downside.

These levels will be identified by painted “Dots” on the chart, and will relate to a specific market level.

Above or below these “Dots”, the market should display bullish or bearish behavior, since above or below these identified levels, the accumulation or distribution by the Institutional Investor has concluded. The circles show a specific level and are updated according to the real time according to market activity.



3. It includes three parameter or “degrees” to demonstrate the aforementioned levels, which vary from conservative, medium and aggressive, according to the level of confirmation of the accumulation or distribution cycle.

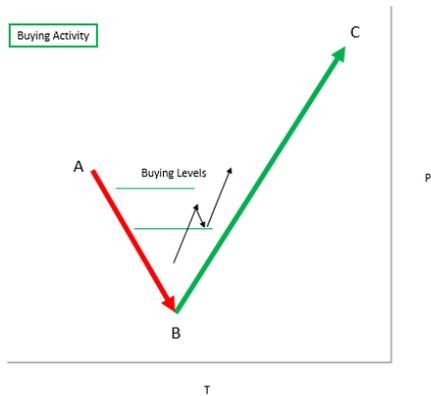


## Process

Once the tracker is active, it will provide us with a market reading, where we will be able to detect if the registered activity is truly “Buying Activity” or “Selling Activity” box. Likewise, it will provide us with the specific levels for purchases or sells where we should execute our transactions.

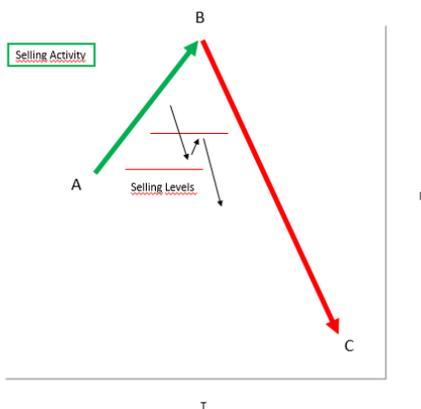
## Buy Scenario

1. The indicator registers “Buying Activity” in the upper left box.
2. The indicator displays the “Green Dots” Levels, indicating a price level above which buying transactions should be made. It is advisable to execute the buying transactions as close as possible to the levels of purchasing activity identified by the tracker, seeking to minimize the risk associated with each transaction.
3. Although a specific entry type is not recommended, all types of entry strategies can be validated if backed by the tracker analysis.



### Sell Scenario

1. The indicator registers “Selling Activity” in the upper left box.
2. The indicator displays the “Red Dots” Levels, indicating a price level below which selling transactions should be made. It is advisable to execute the buying transactions as close as possible to the levels of purchasing activity identified by the tracker, seeking to minimize the risk associated with each transaction.
3. Although a specific entry type is not recommended, all types of entry strategies can be validated if backed by the tracker analysis.



## Benefits

- “Institutional Activity Box”
  - Complement any trading strategy by incorporating or confirming with the “Institutional Activity” reading feature.
  - The “Institutional Activity” reading feature will enable you to position on the right side of the market, or if you will in the path of least resistance.
  - Confirm any given investment opportunity by corroborating the “Institutional Activity” reading bias with the intended investment.
  - Maximize upside potential and Minimize Risk by using the “Critical Dots” feature as Support and Resistance Thresholds.
  - Use the “Institutional Activity” reading feature as a confirmation to evaluate any investment if the sentiment is aligned. It will help you maximize and hold on to profits.
  - Use the “Institutional Activity” reading feature as a warning to evaluate any investment if the sentiment is not aligned.
  - Minimize exposure in any investment by using the “Critical Dots” feature as Thresholds limit, to be in alignment with the Institutional Activity.
  - The “Institutional Activity” reading feature will have great impact on your psychological fortitude by giving you de confidence to deal and overcome the negative impacts associated with losses, drawdowns and similar hurdles inherent to any investment strategy.
- “Critical Levels Dot or Lines”
  - Maximize profit potential and minimize associated risk using this feature as support or resistance thresholds.

## Suggestions

- Although it is perfectly feasible to trade analyzing only one time frame, it is advisable to perform analysis on the larger periods looking for alignment regarding the institutional activity readings.
- It is recommended not to execute buy trades below the tracker critical levels marked by dots or lines. In the case of a buy trade, if the price is below the critical level, the market can continue to fall resuming its buying or accumulation institutional activity, which can be prolonged and exceed the risk tolerance of the investor. The opposite holds true for sell trades.
- When dealing with several critical levels, it is advisable to carry trades as close to each of them as possible, seeking to minimize the associated risk of each execution.

## Observations

- Our VTS system automatically adapts to market conditions as it only tracks price and volume. No matter what kind of conditions arise, the system will independently execute the same precise process. It does not need calibration of any kind.
- Readings provided by the system will cover both high and low volatility conditions, accurately recording investment opportunities in any scenario.

- The behavior of the tracking system is statistically homogeneous and has been certified on several occasions by auditing firms.
- Market direction and sentiment are critical notions for disposing and allocating investment capital. The VTS system displays the real intention behind Institutional providing the appropriate frame work to execute investment decisions.
- The VTS system IS NOT A TREND INDICATOR AND SHOULD NOT BE CONFUSED OR IMPLEMENTED AS SUCH. This tracker discerns the “Significant Volume” and displays whether an Institutional accumulation or distributing activity is underway.
- The Tracker does not require calibration.
- The Tracker's behavior is statistically homogeneous and has been certified on several occasions by auditing firms.

#### RISK DISCLOSURE

**Risk Disclosure:** Futures and forex trading contains substantial risk and is not for every investor. An investor could potentially lose all or more than the initial investment. Risk capital is money that can be lost without jeopardizing ones' financial security or life style. Only risk capital should be used for trading and only those with sufficient risk capital should consider trading. Past performance is not necessarily indicative of future results.

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