

# Trading With VWAP



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## What Is VWAP?

Volume-weighted average price (**VWAP**) is a trading tool that can be used by all traders **to ensure they are getting the best price.**

This tool is used most frequently by short-term traders.

VWAP is the **average price a security has traded** at throughout the day, **based on both volume and price.**



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## Understanding VWAP

VWAP only looks at one day at a time due to its intraday calculation.

VWAP is used to **calculate the price average that uses volume which provides a much more accurate snapshot of price action.**

The indicators act as a **gauge if they had good execution or poor execution on their order.**











CODE	LAST	VWAP
ANZ.ASX	38.6600	39.1427

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## Where to view VWAP

The VWAP is available in the **watchlist**, look for the **VWAP column** to see the value for the day.

CODE	⇅		LAST	VOLUME	VWAP
ALL.ASX			40.7400	60,699	40.4849
ANZ.ASX		  	24.8400	881,626	24.8354
BHP.ASX		 	45.9600	700,918	45.8901
COL.ASX			15.4700	85,433	15.4723
CSL.ASX			253.4000	37,761	254.1518
FMG.ASX			24.0500	639,556	23.9521
GMG.ASX			22.8700	238,008	22.9020

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## Calculating VWAP

VWAP is important because it provides traders with **insight into both the trend and value of a security.**

The VWAP calculation is performed by charting software and displays an overlay on the chart representing the calculations. This display takes the form of a line, like other moving averages.



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## Calculating VWAP cont

VWAP will provide a running total throughout the day. Thus, the **final value of the day is the volume-weighted average price for the day.**

For example, if using a one-minute chart for a particular stock, there are 390 (6 hours X 60 minutes) calculations that will be made for the day, with the last one providing the day's VWAP price.

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## General Strategies

When a security is trending, we can use VWAP to gain information from the market. If the price is:

- **above VWAP**, it is a **good intraday price to sell**
- **below VWAP**, it is a **good intraday price to buy**.

On upward trending days, traders can attempt to buy as prices bounce off VWAP. Alternatively, they can sell in a downtrend as price pushes up toward the line.

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## The Bottom Line

At the end of the day, if securities were **bought below the VWAP**, the **price attained was better than average**.

If the security was **sold above the VWAP**, it was a **better-than-average sale price**.

On trending days, attempting to capture pullbacks toward the VWAP can produce a profitable result if the trend continues.

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