The Disciplined Investor Podcast – Guest Interview Summary

Guest: Brian Shannon
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Teenage LoJack Investment Success Story

Andrew and Brian Shannon discussed Brian's early investment success story with LoJack stock. Brian explained how as a teenager, he invested $500 from caddying and busboy work into LoJack at $5 per share, leveraging his father's money to control 1,000 shares. The stock doubled within three months, allowing Brian to make a $5,000 profit and question the need for traditional work.

VWAP Trading History and Evolution

Andrew and Brian discussed the history and evolution of Volume Weighted Average Price (VWAP) in trading. Brian explained that VWAP originated in 1988 as an institutional benchmark to help investors assess the fairness of their order execution, allowing them to compare different brokers. They discussed how institutions developed algorithms around VWAP, breaking trading into time slices to gradually execute large orders while staying close to the average price. Brian also mentioned discovering a way to use VWAP for multi-day analysis by changing chart settings, observing patterns in stock price behavior around earnings reports.

VWAP Technical Analysis Approach

Brian explained his approach to using volume-weighted average price (VWAP) as a technical analysis tool, demonstrating how it can indicate market control with 100% certainty when priced above or below the anchor point. He described three categories for determining appropriate anchor points: market events (like IPOs, earnings, or Federal Reserve meetings), swing highs and lows, and time-based measurements (daily, weekly, monthly). Brian emphasized that while VWAP provides objective data, the choice of anchor point involves discretionary judgment based on what the market considers significant, rather than treating it as definitive support or resistance levels.

Trading Discipline and Market Indicators

Brian and Andrew discussed the importance of discipline in trading, emphasizing that "only price pays" and the need to evaluate actual market support rather than relying on arbitrary technical levels. They highlighted the dangers of breaking discipline by gradually lowering stop-loss levels as a stock continues to decline. Brian shared his preference for using the five-day moving average as a key indicator, particularly on intraday charts, stating that stocks should only be considered for purchase when they heal above a declining five-day moving average.

Trading Strategies and Market Analysis

Brian and Andrew discussed trading strategies and market analysis, focusing on chart simplification and volume-weighted average price considerations. Brian explained that he uses a simplified approach with price, moving averages, and volume-weighted average price, while largely ignoring traditional volume metrics. They analyzed the current market situation, noting that the NASDAQ has experienced multiple declines and is approaching key support levels around 7%, with earnings season potentially impacting individual stock performance.

Market Strategies and Risk Mitigation

Andrew and Brian discussed market behavior and trading strategies, with Brian explaining how he uses options strategically for risk mitigation rather than complex trading. Andrew acknowledged Brian's contribution to technical analysis, particularly his development of the anchored VWAP concept, which Brian attributes to TC2000's implementation. Brian emphasized that his primary focus remains making money in his own account while helping others, maintaining a balanced approach to feedback and recognition.

Market Timing and Moving Averages

Brian explained his 65-minute timeframe calculation, which is derived from the market being open from 9:30 to 4:00, creating 6.5 hours with 7 hourly bars, and using 390 minutes as the daily divisor for even bar lengths. He discussed the differences between simple moving averages and exponential moving averages, noting that simple moving averages give equal weight to all periods while exponential moving averages give more weight to recent data. Brian expressed a preference for simple moving averages because they allow him to better understand the momentum and direction changes in the data.

Trading Strategies and AI Tools

Andrew and Brian discussed trading advice, emphasizing the importance of cutting losses at predetermined levels and ignoring emotional responses to news. They discussed how AI tools can assist traders by providing simplified information about companies and potential catalysts, though both agreed these tools should be used as enhancements rather than replacements for human judgment. The conversation also covered how media personalities and analysts often provide dramatic predictions that may not be accurate, and they shared personal experiences about avoiding over-reliance on complex trading indicators or extensive research reports.