

**Peter Steidlmaier Presents:
Volume: The Key to Understanding Today's Markets**

Monday, June 25, 2012

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Introduction

1. The issue going forward is not inflation or deflation, but the futile value of savings in any passive format.

- **No real return now or in the future**
- **The only option is to use the money for personal needs**
 1. Consume it
 2. Trade it
- **The functionality of the exchange was and is to slow down price by adding time to price which allows representation of all types of users inside a fair price range which thus reduces the singular concentration that is the foundation of zero sums.**

1. The issue going forward is not inflation or deflation, but the futile value of savings in any passive format. (Continued)

- **Internal market leverage (time/price) is much greater than the price leverage allowed by margin ratio. It's naturally occurring in the market today and hardly anyone understand why it's there and it represents the biggest current advantage to traders**
- **Time because its missing and volume because it's there are the only objective reads in the market today**

2. The trading industry today is very similar to being in a POW camp for a very long time to a point where all quit trying to escape

- **Exchanges, vendors, news services, academic world are not interested in change; and we as traders are captive of our own minds. My job this summer is to begin to show escape routes. You must make the effort to learn to trade by yourself, for yourself**

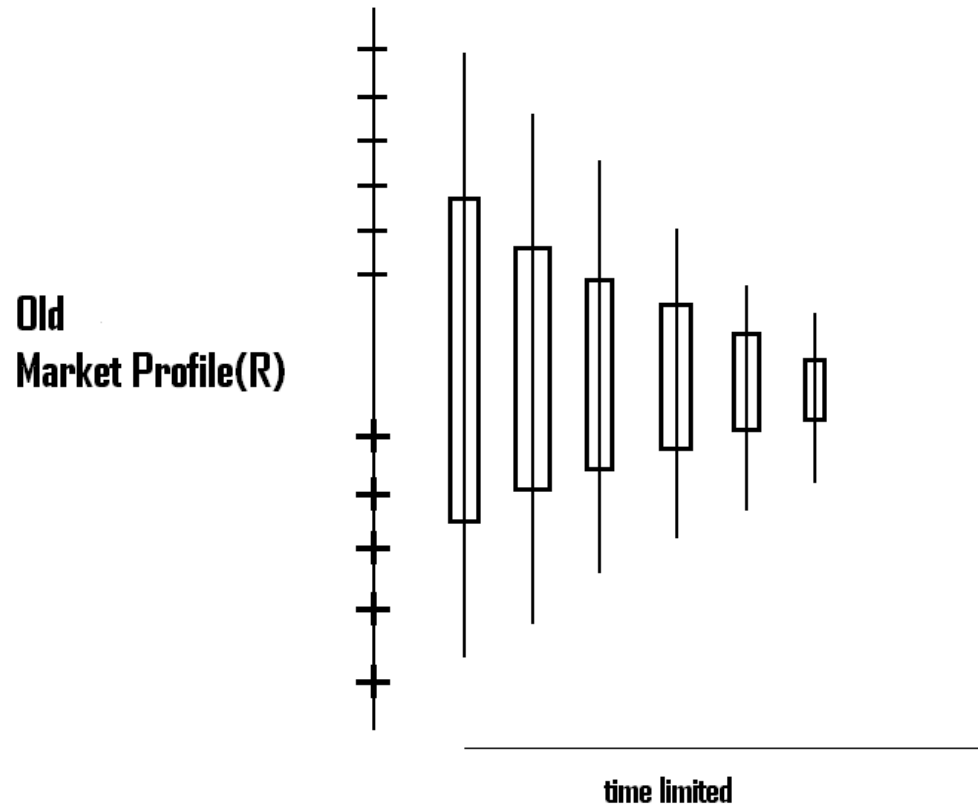
3. Market functionality -- past – issue of servicing inelastic nature of supply

- **Exchanges introduced time to price which created a price/time relationship and produced objective output that could be measured in a relative sense (compared to itself).**
 1. Allowed equilibrium to develop which created a two dimensional atmosphere – equilibrium is defined as $\text{Price} + \text{Time} = \text{Volume}$ (note - traders needed to create a one dimensional format so that they could extend their timeframes forward and they did that by accepting draw downs within price stability)
 2. The addition of time slowed price movement allowing for liquidity to develop
 3. Allowed the pricing scale to be defined by itself as high/low, up or down
 4. Most importantly allowed a definition of price to be moving towards or away from ones own reference
 5. The largest positions had the most time tolerance which lead to stability

3. Market functionality -- past – issue of servicing inelastic nature of supply (continued)

- **Mechanics for the addition of time**
 1. Bid / Ask prices
 2. Timeframes
 3. Exchange hours
 4. Competitive timeframe price discovery
 5. Equilibrium
 6. Concentration of volumes of efficient prices (value area)

3. Market functionality -- past – issue of servicing inelastic nature of supply (continued)



4. Zero sum elimination

- **Buying and selling within timeframes gave competitiveness to price yet retained separation for traders**
- **Exporting efficient price to timeframes allowed for that timeframe to work independently of price efficiency**

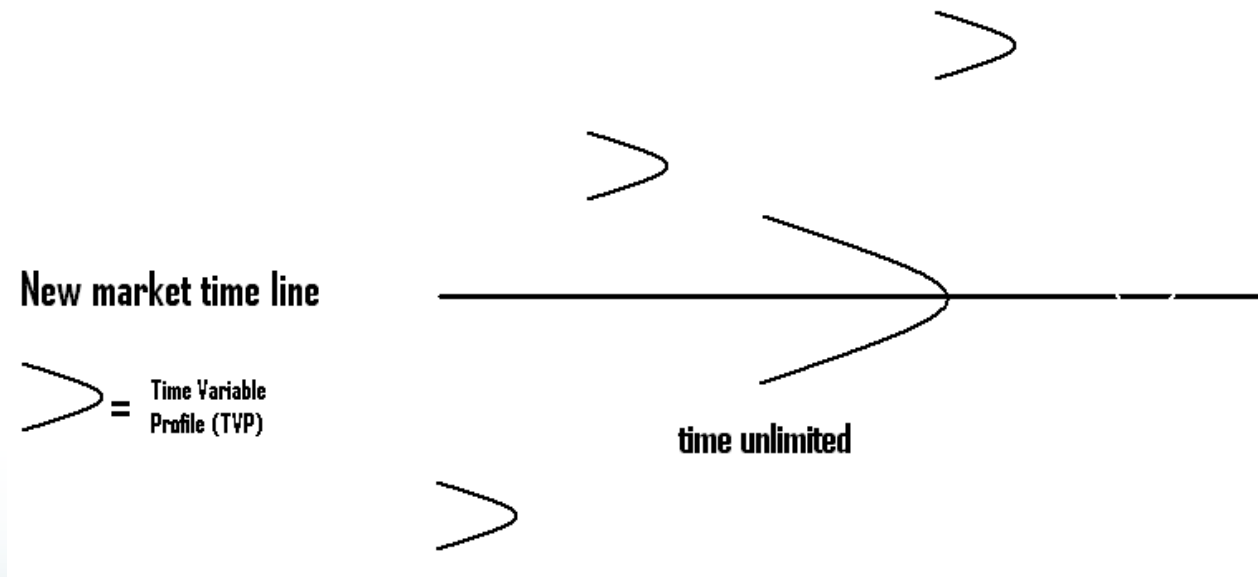
5. Market functionality – present

- Far less time constraint on price, this allows price to roam freely thus making it mostly one dimensional
- Extended hours removed expected concentrations of volume and trade
- Timeframe collapse has taken away pricing scale stability
- Time being the missing ingredient means that it is imperative that the trader finds it before price and it's just as easy to find
- Time and volume are synonymous thus the fundamental equation for market definition has changed to: Time/Volume to Price
- Time is an objective read because it's missing and volume is objective because it produces time by slowing price activity

5. Market functionality – present (continued)

- **Market stability**

1. Large holders do not hold thus eliminating price scale integrity (example on board)
2. This means one can not extend timeframes forward beyond their original definition which was an advantage to traders



5. Market functionality – present (continued)

- **Voluntary liquidity**

1. Price induced by extending price to outside extremes which attracts new activity to the market. Remember, this takes time as it's not immediately available in the market as the counter activity is not immediately available.

6. Traders approach

- Trade new order flow
- More use of cancels as that defines price moving towards or away instead of using absolute prices
- Any past reference used should be close and should be time rather than price
- Adhere to timeframe discipline, do not extend

6. Traders approach (Continued)

- Trade time or volume, not price as the lead instrument in trading decisions.
- Reduce selection and instead just take a chance as the market is more one dimensional today which allows for minimum losses and maximum gains
- Vary volume
- Examples of finding time

7. New programs/availability

- **Use of time in price array program – available in T4**
- **Use of Time Variable Profile (TVP) – limited to Steidlmayer Software, Inc. and Trading Technologies. Available for licensing to other vendors**
- **Defining Volume Concentrations**
 1. Steidlmayer Volume Strips – currently available in T4 and will license to other front end vendors
 2. Volume Iterator – available at Steidlmayer Software, Inc. and through licensing to the vendor community

Final thoughts that you need to reflect upon

- **Market Profile® today is totally subjective having lost its objectivity mainly through the extension of trading hours.**
- **Time as an element can not retrace and therefore the Time Variable Profile (TVP) is a requirement today as changes will be produced out forward and defined in that timeframe rather than in the past.**
- **Time is not part of the past.**

Conclusion

- If you are interested in Capflow32, Time Variable Profiles (TVP), Steidlmayer Volume Strips, or the Volume Iterator, please contact:

steve@profiletrading.com or 312-360-9466

- For more information about CME Group and educational materials about our products, please visit:

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