

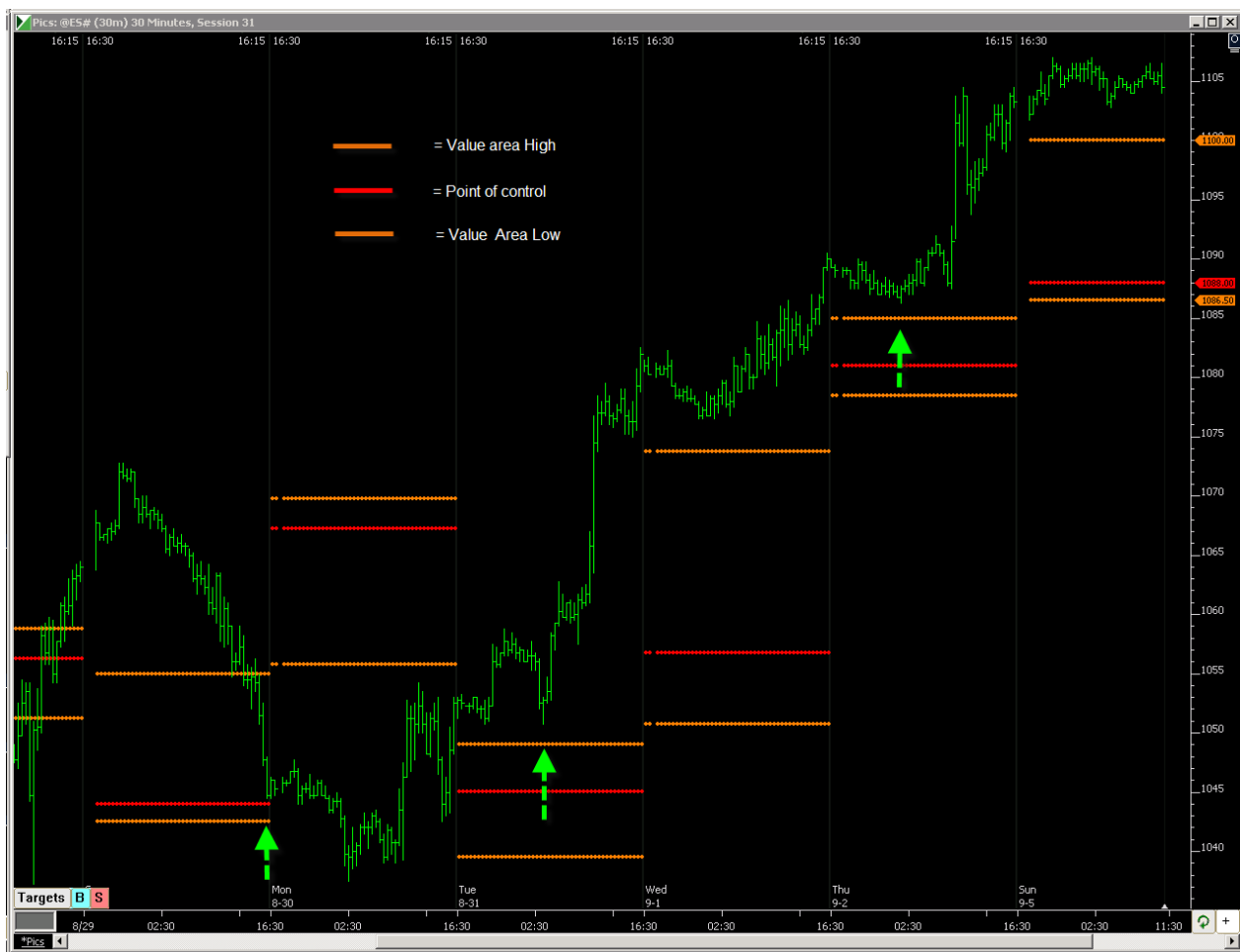
# Market /Volume profile And its limitation.

Most traders have heard about Market Profile Or a Volume profile, they are widely talked about with in the trading industry.

However how does one use the information to day trade from and get real tangible levels that actually mean something.

Common Market Profile or volume profiles are drawn over a day session which give the basic value Area of the prior days trading.

This can be seen by the following chart.



This is a TPO chart which means time price opportunity

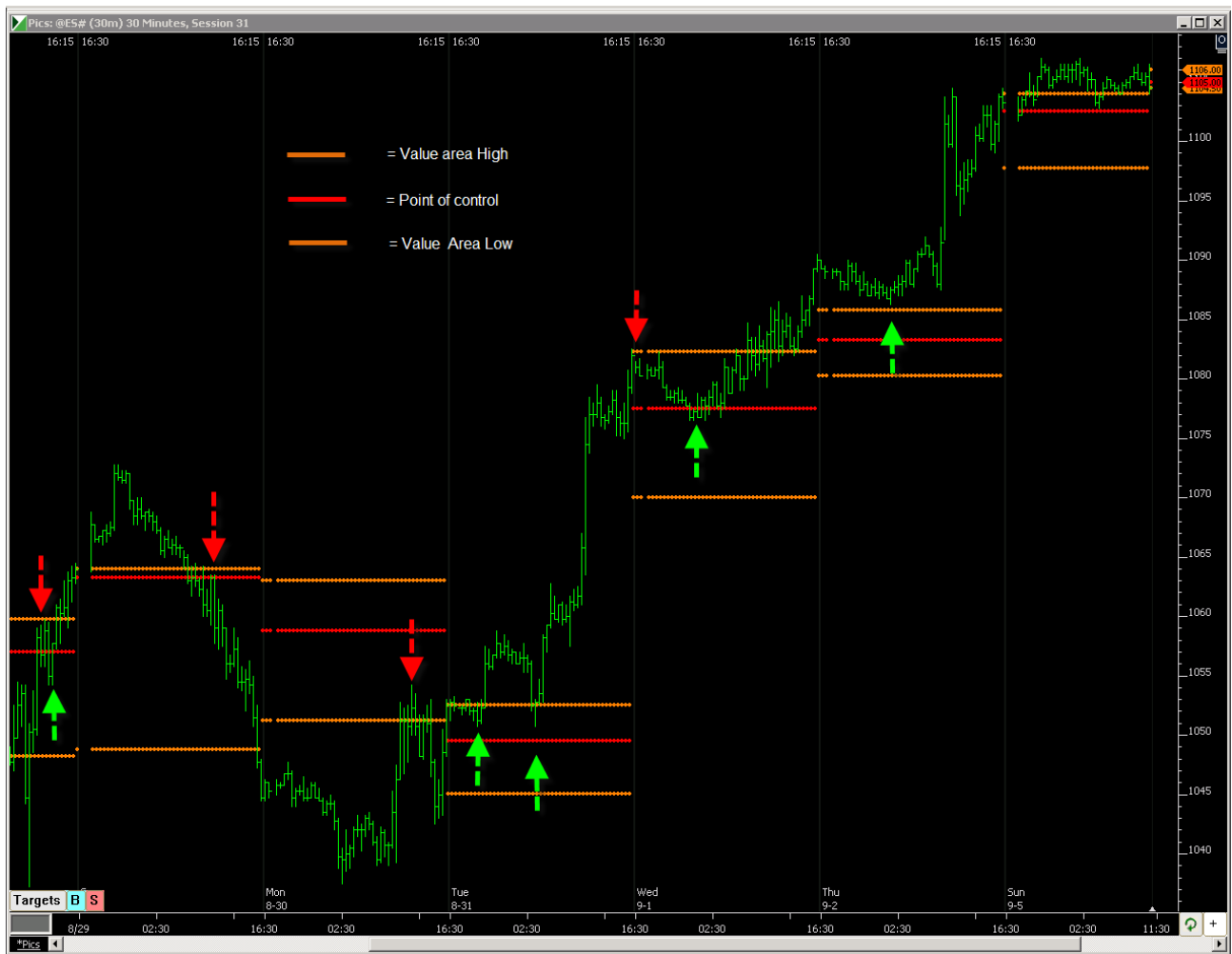
This simply means the Value area is based on the amount of TIME that the market spent at any given price.

So here the value area shows where 70% of the prior days activity was based on the amount of time price traded there during the day.

However To me volume is more important than time, so the chart below shows the value area drawn based on volume rather than time.

A volume value area is defined as the area that contains 70% of the days trading volume

So here the value area shows where 70% of the prior days volume was printed.



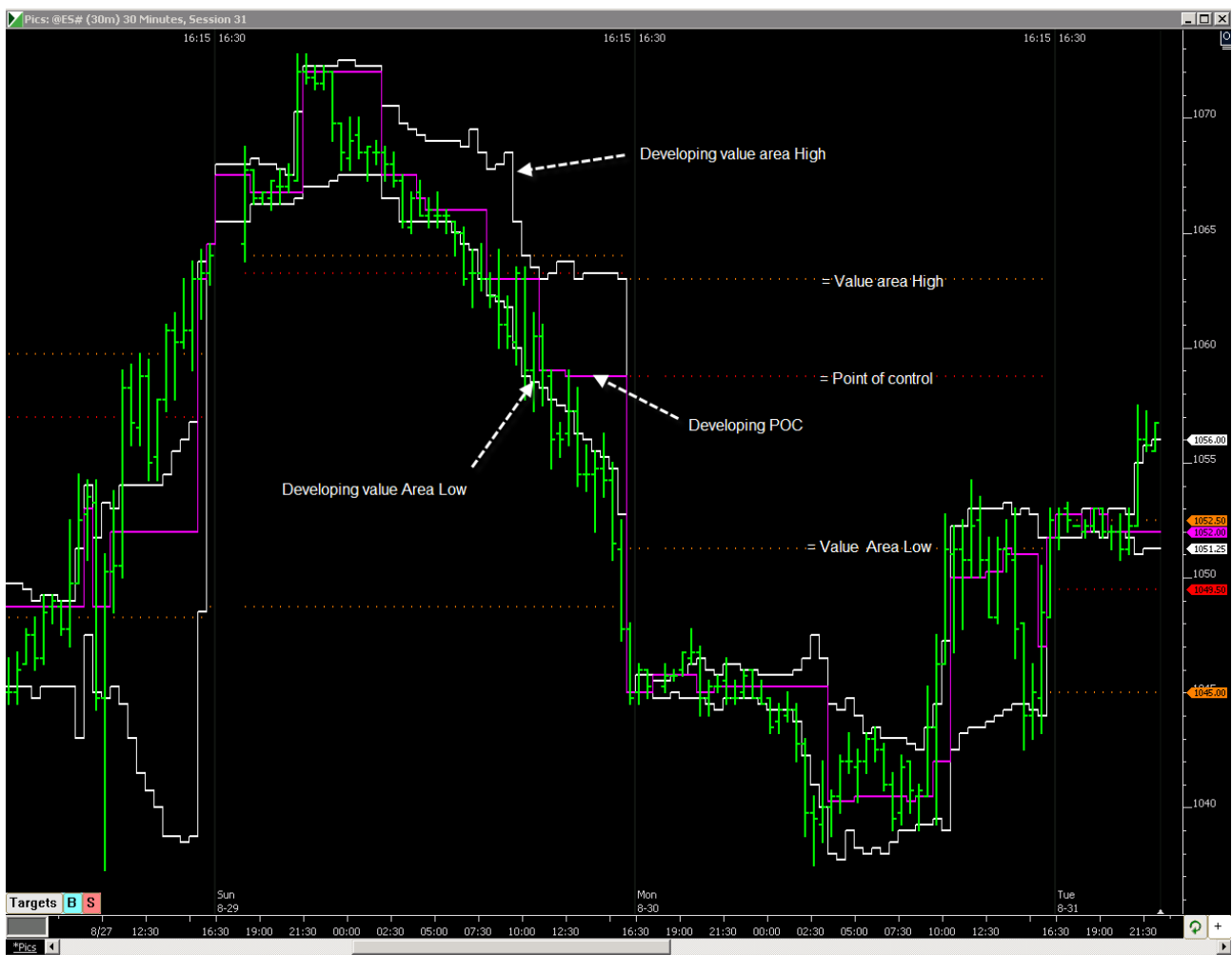
As you can see volume shows a much better picture of support and resistance.

No can we use this during the intra day time frame.. well yes,, most traders including me will look for these areas to be traded during the day and trade off them accordingly.

But can this information be used in other ways to help us trade the intra day time frame.

Again yes and very effectively when you know how to use it.

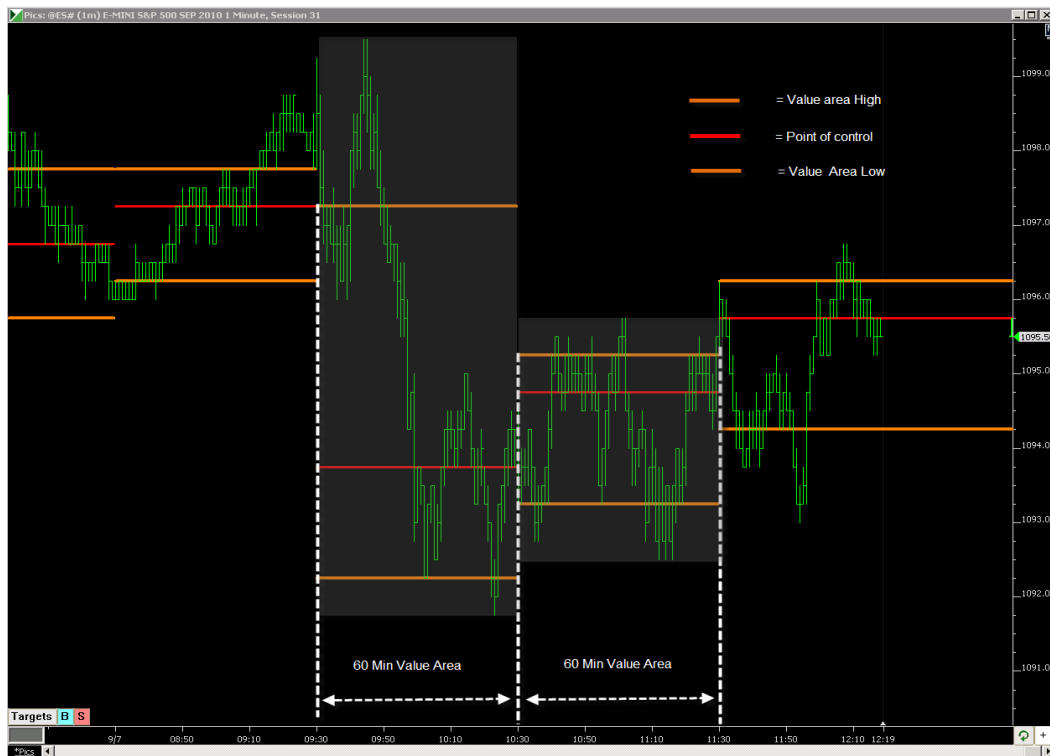
Most profile traders will plot the developing value area which is what it says, its the current day value being plotted as it develops .



This is OK but can be very lagging

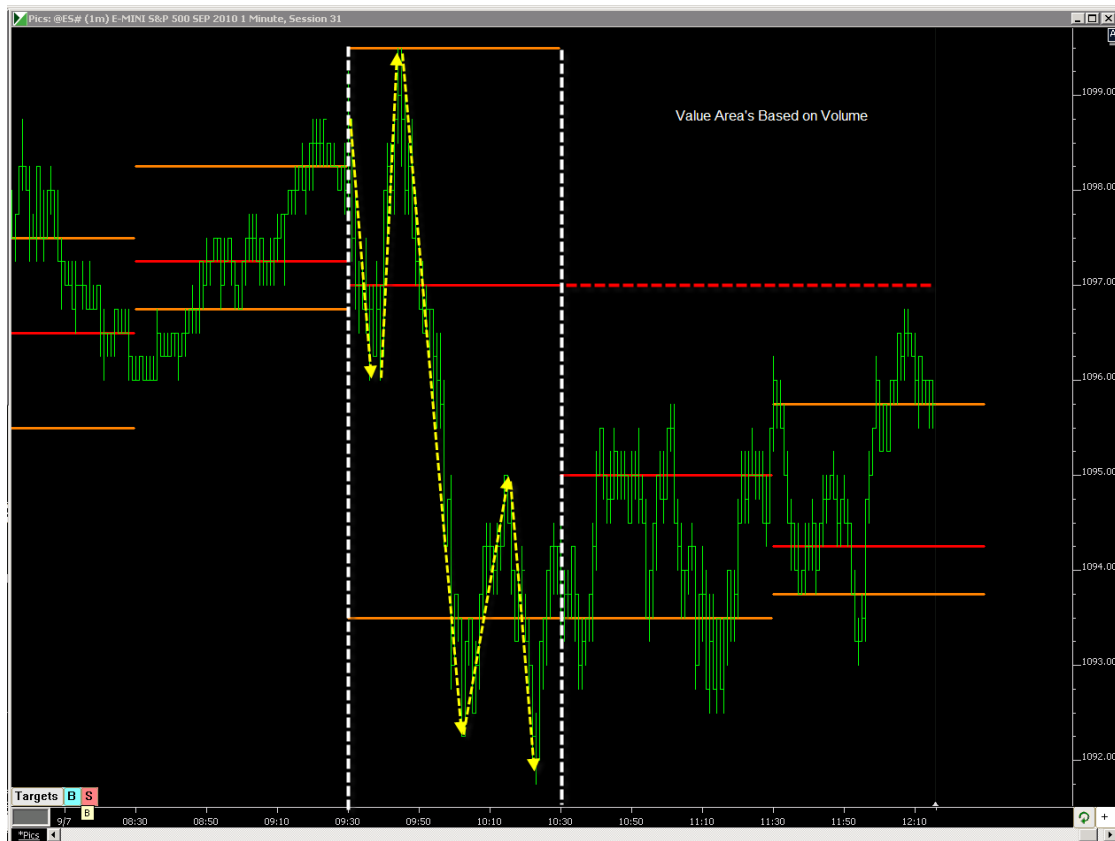
So to help with this some traders use intra day value areas, by setting the value area to plot every 60 minutes or 30 minutes.

As you can see by the chart on the next page this is a lot better and does show good areas of support and resistance



This is a 1 minute chart with the values areas set to plot every 60 minutes.

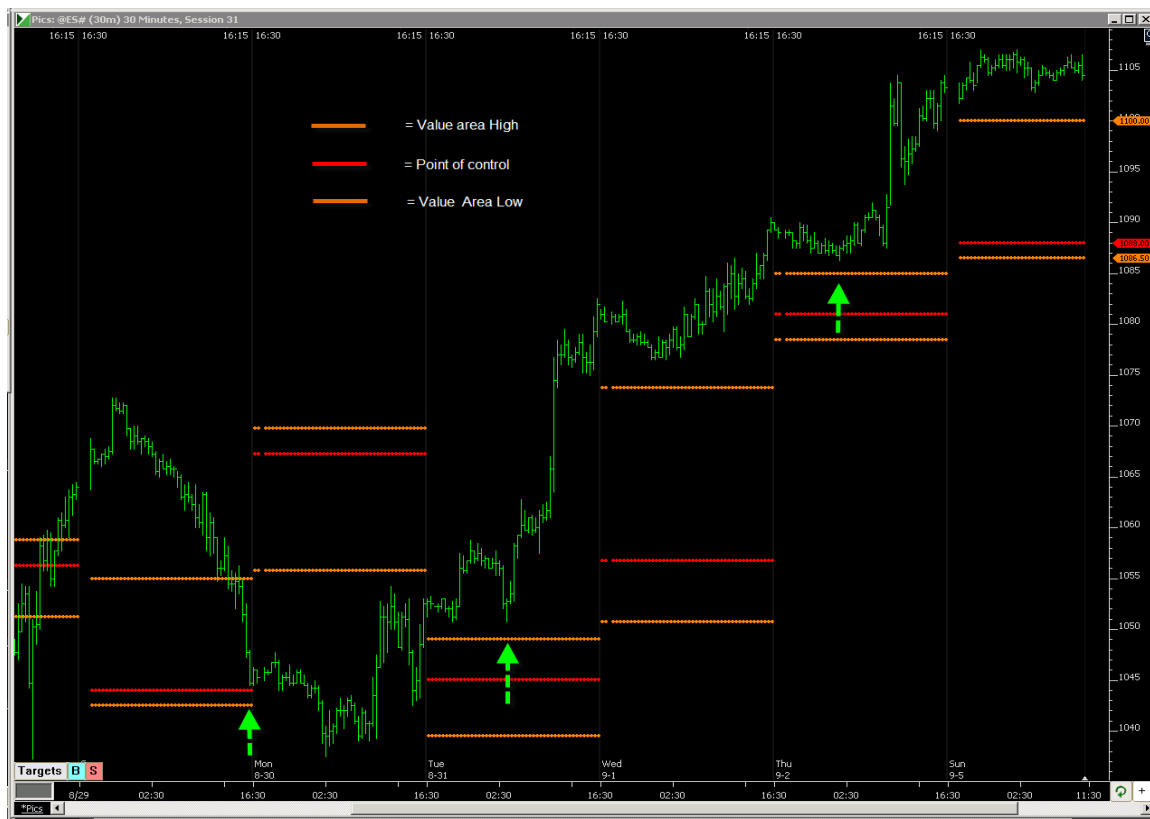
So this shows where value was in that 60 minute period  
the chart above is based on time but lets have a look at a volume and see if that's any better.



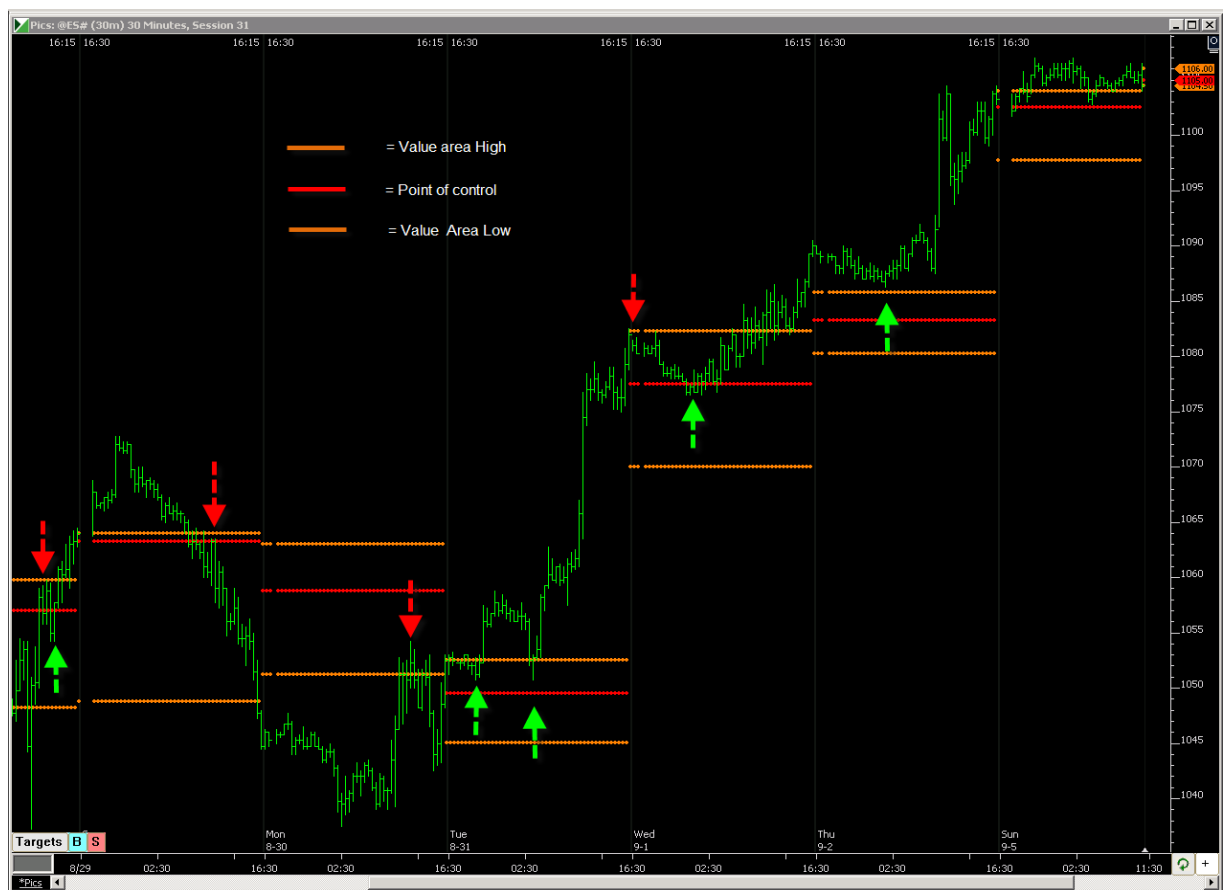
You can see that the areas on the volume value areas act better as support or resistance.

Same applies to the daily Value areas

This is a time based value chart

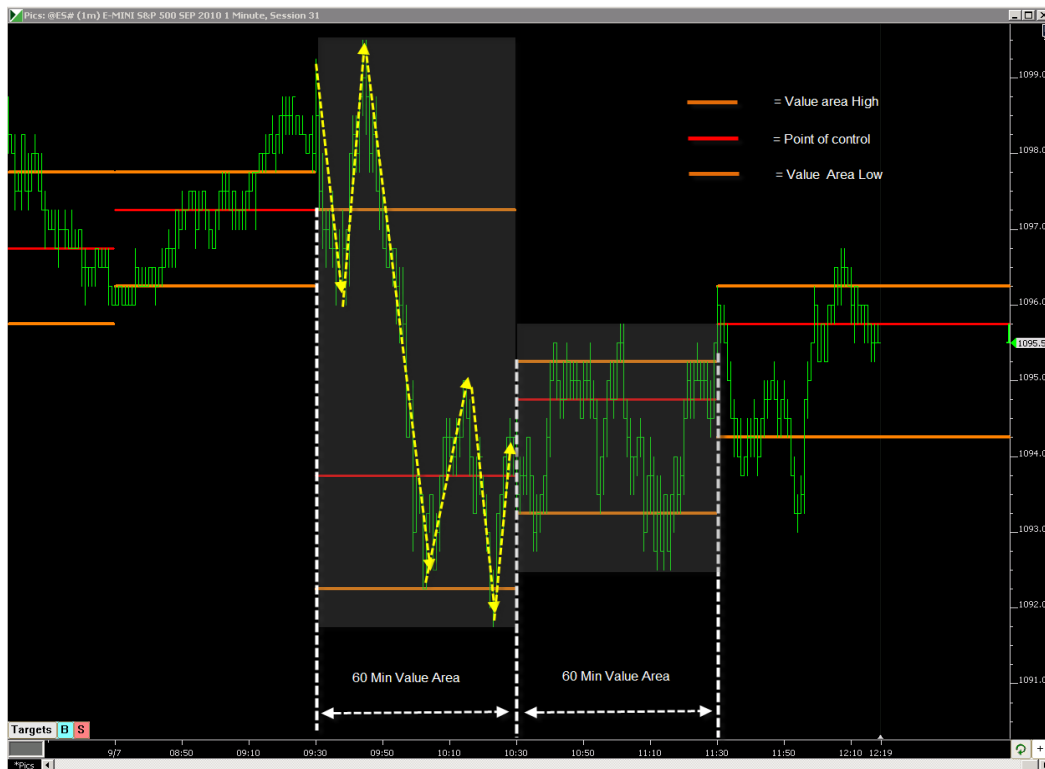


And this is a volume based value chart

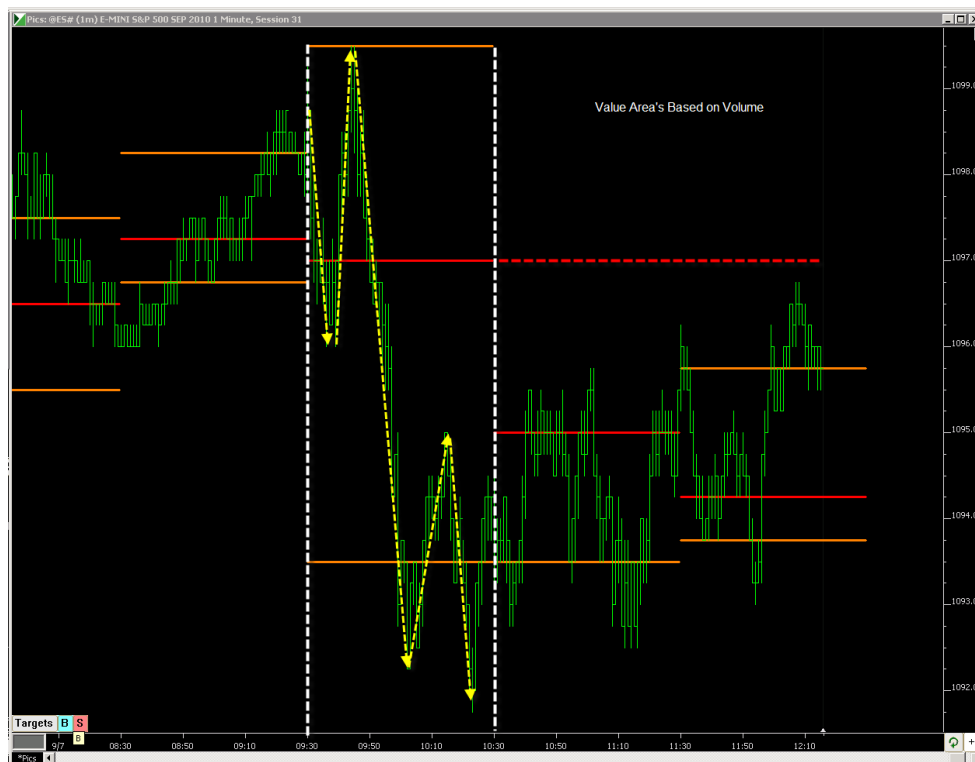


see how the volume charts shows better areas of support and resistance

But with all these types of value areas there is one major flaw. Each value area is static, by that I mean its fixed to the time frame you set it at. So as you can see in the chart below by setting this to a fixed time period will have the value area showing the value based on all the swings with in that time zone.



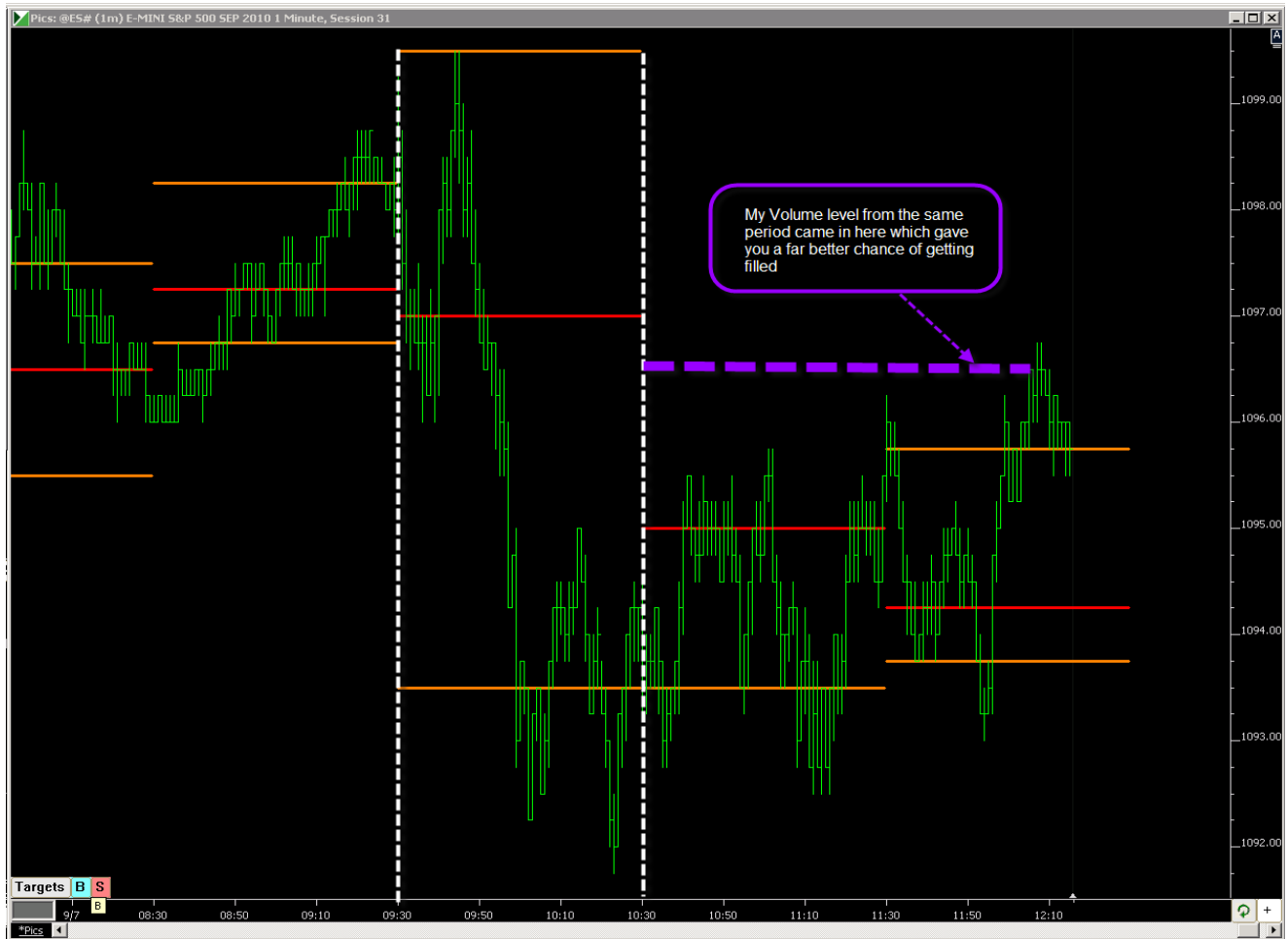
From a intra day point of view this is no good we need to be concentrating on each auction and where buyer and seller initiate trade from. Yes by changing the 60 minute value area to a volume based one will help give a better indication of where volume was with in the time period



But for me there is a much simpler way as is less messy and keeps my charts cleaner.

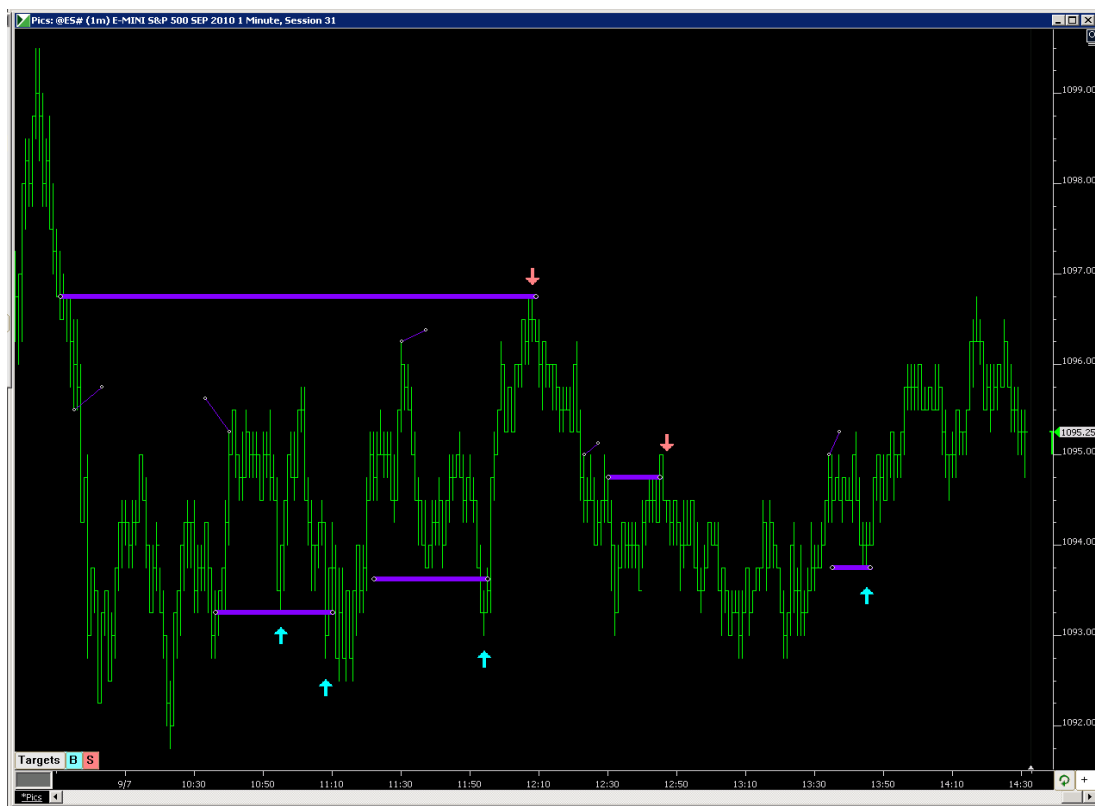
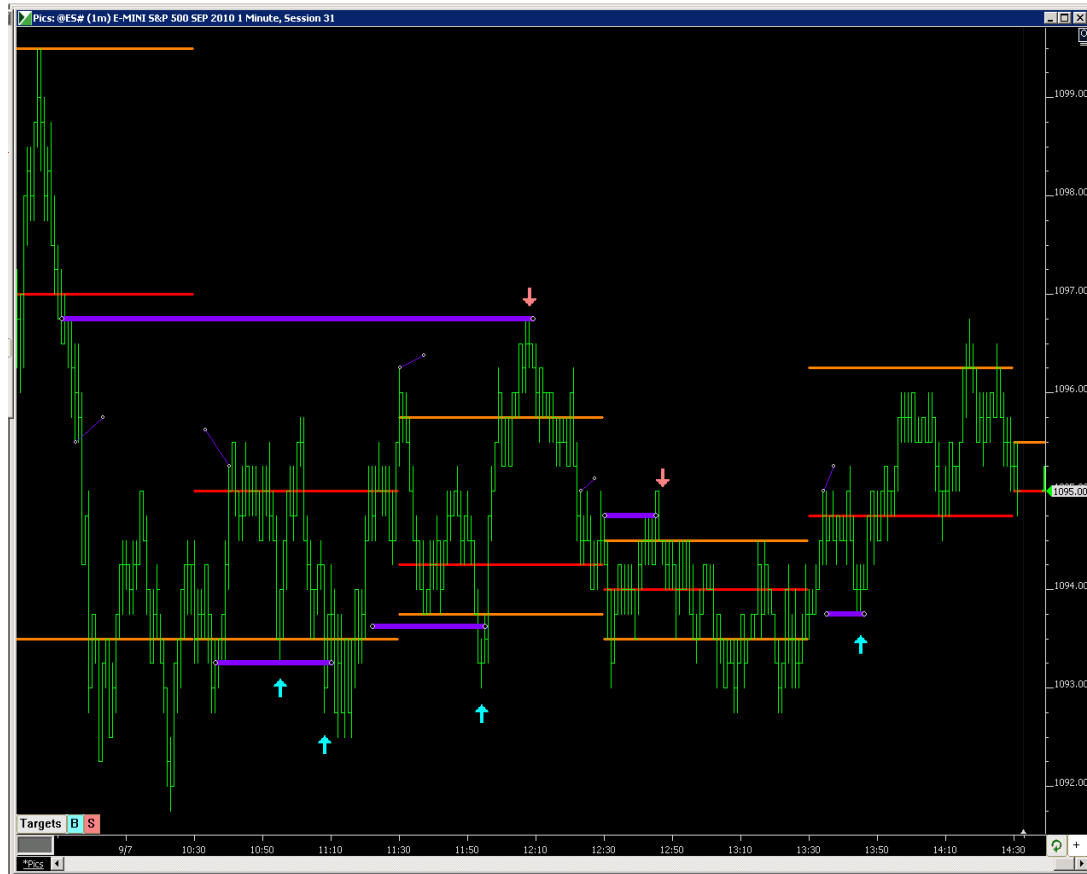
As you can see in the last chart the high lighted 60 minutes shows the POC just before the break down,, remember this is taking into account the volume from the first down and up swing before this break down happened, so was that a true point of high volume that could be used as resistance , will the seller defend that price??

below is a chart with my simple tool drawn on and you can see how it better defines the area that the seller should start defining there positions.



On the next couple of pages I have shown the difference between using out dated analysis and using simple logic to shows the most logical areas that are based on the auction that matters.

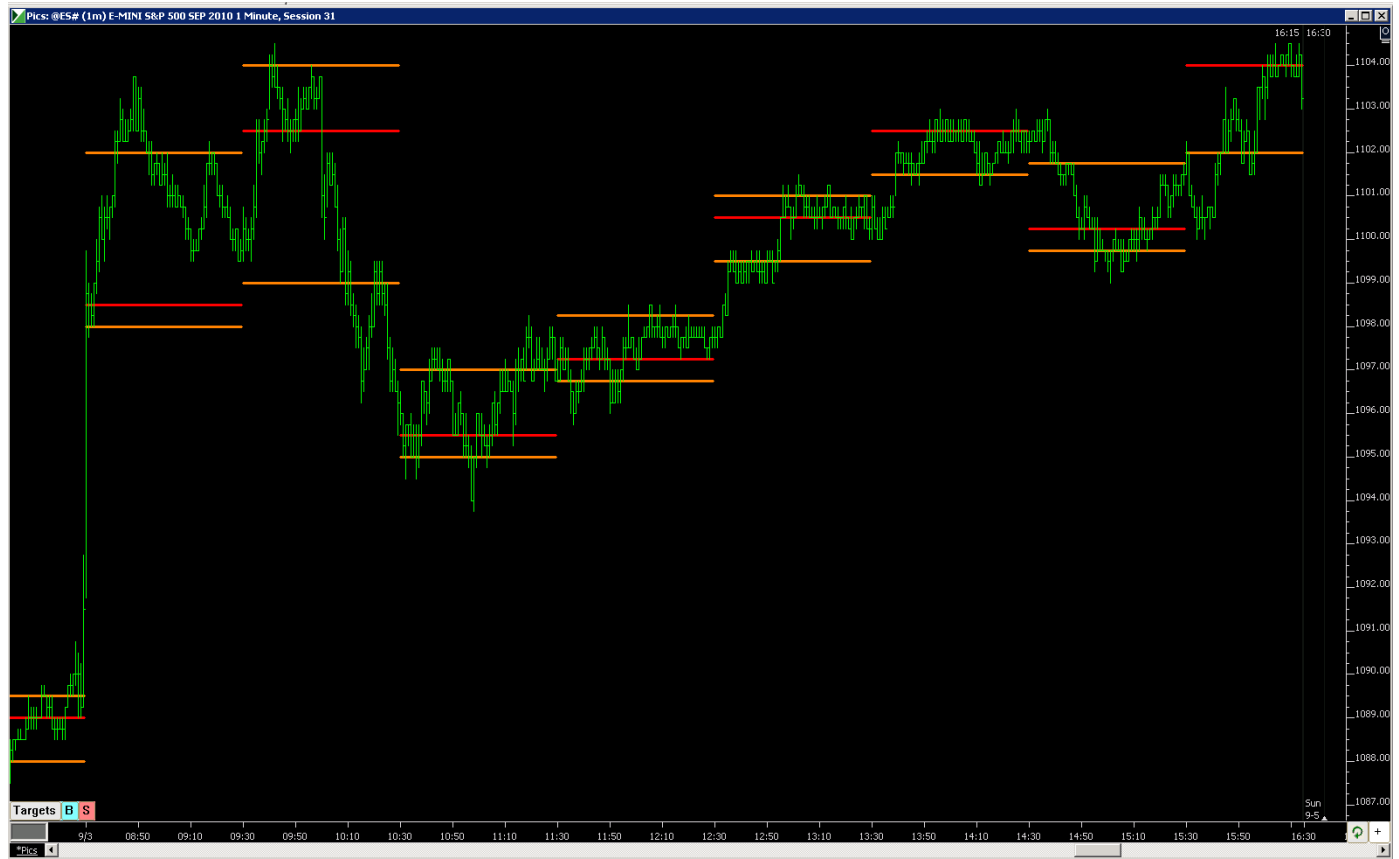
This is a chart with the 60 Minute value areas and POC and the purple lines show my area's



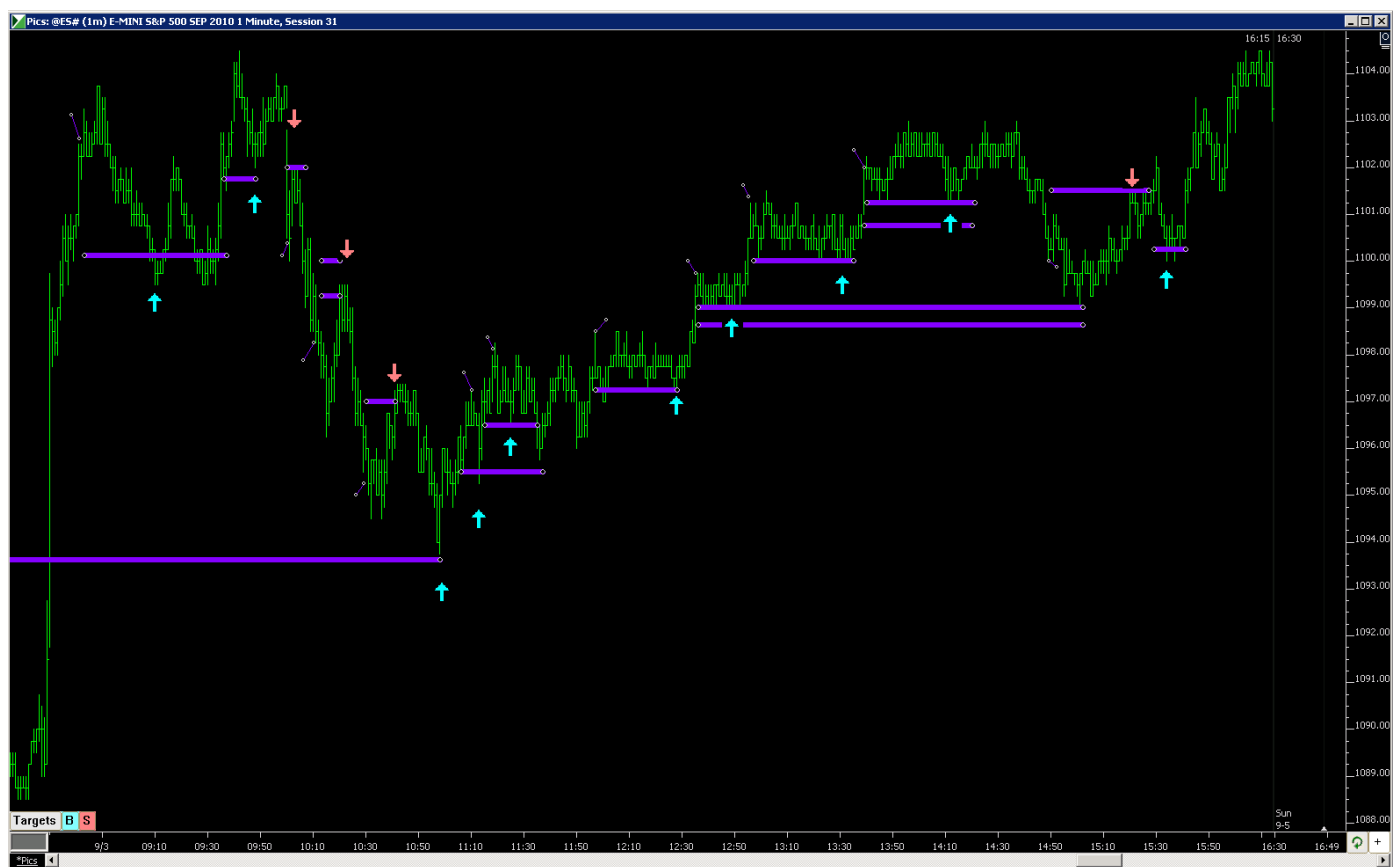
You can see how much better the market respects My areas and how much cleaner the chart looks, Note: the little thin purple lines show at what point the level was calculated so you are not having to wait for each 60 minutes period to finish plotting.



## 60 Min Value areas and POC



## My Levels

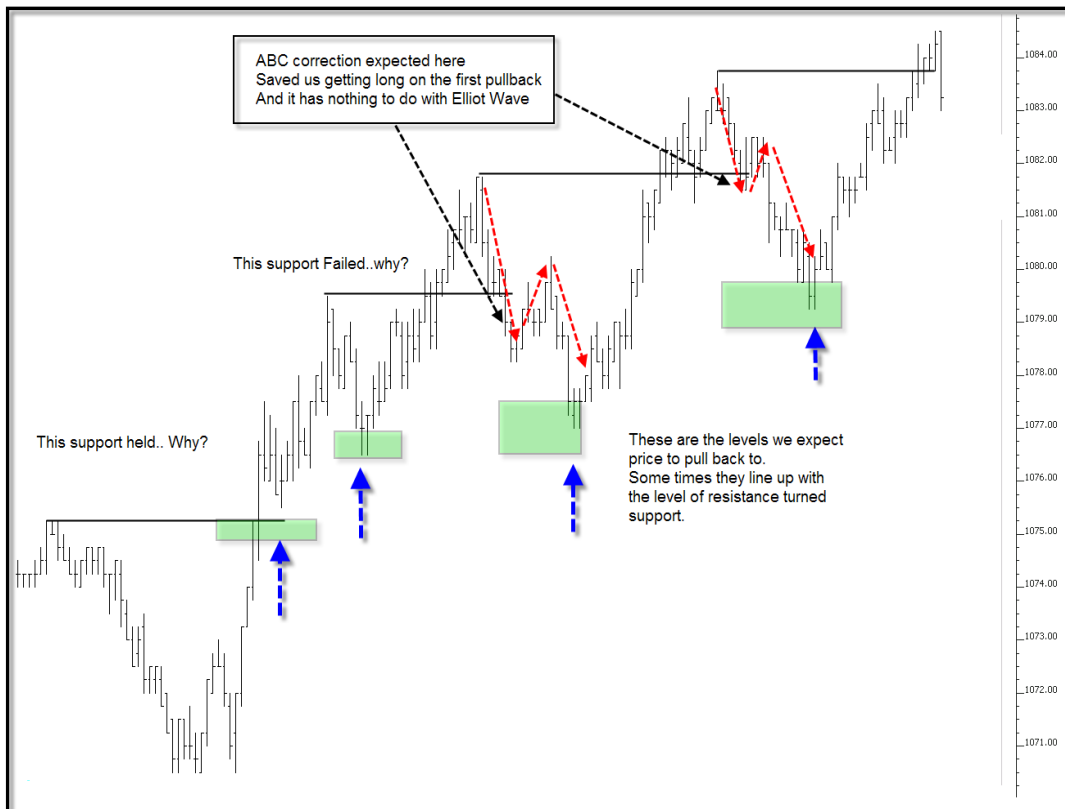


The 60 Minute value areas does OK but my levels have better location and will give you better fills, and lets face it the better the fill the less heat we have to take.

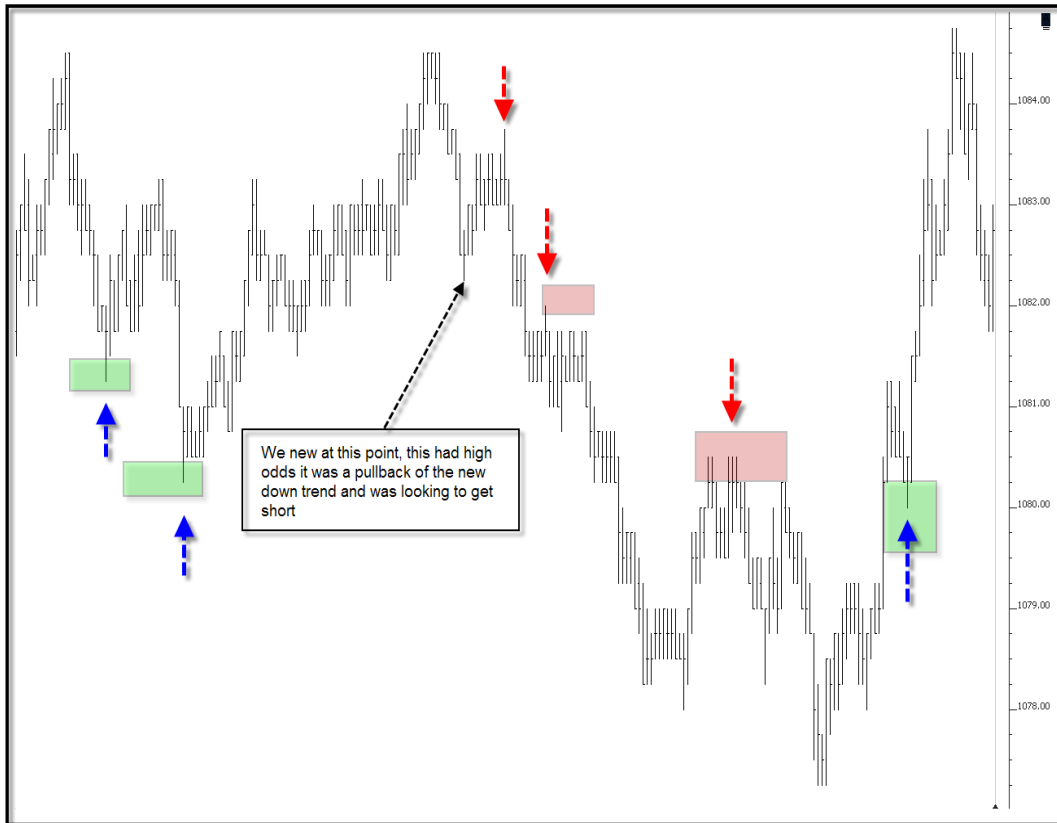
You've heard the term 'Support turns to Resistance' or 'Resistance turns to Support'

As as you may well know the market does in fact follow these rule!!! sometimes!! However sometimes is not good enough we need to know where and when the market will stop.

Why does the market pull-back further than it should, why does the support or resistance level not hold. Why when you enter a trade does the market stop you out then carry on in the direction of you trade.



All these questions are covered in my trading model.



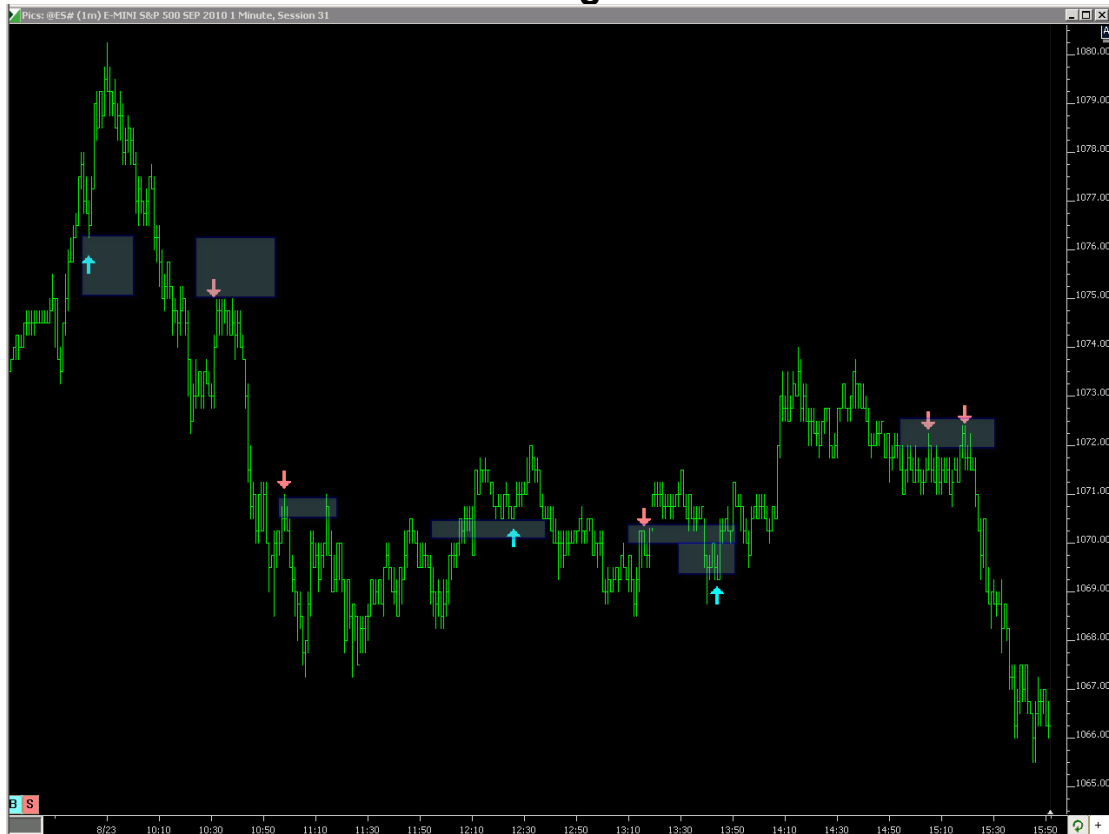
Know when to take pull-backs and when to stay away.  
Know when a trend will continue.

Know at what level price is more likely to bounce.  
These techniques have nothing to do with Elliot wave, Gan, Fib's.  
Its all based on simple market structure.

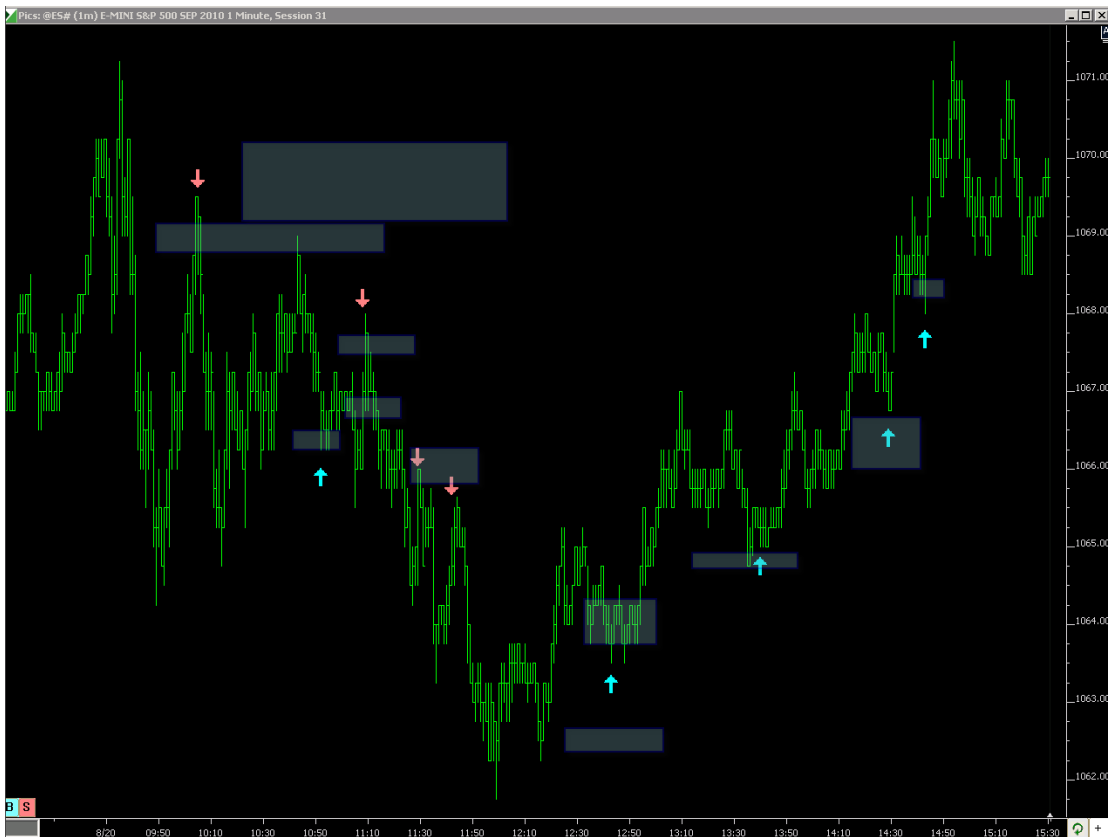
Once the trading model shows where price should stop then its just a case of using one of the 3 triggers I use.

The first is based on market internals and will have you entering at a prime location and does not leave you waiting for confirmation.  
The next is based on order flow, and the last trigger is my second chance entry which I use just in the of chance that I miss a signal or one does not appear.

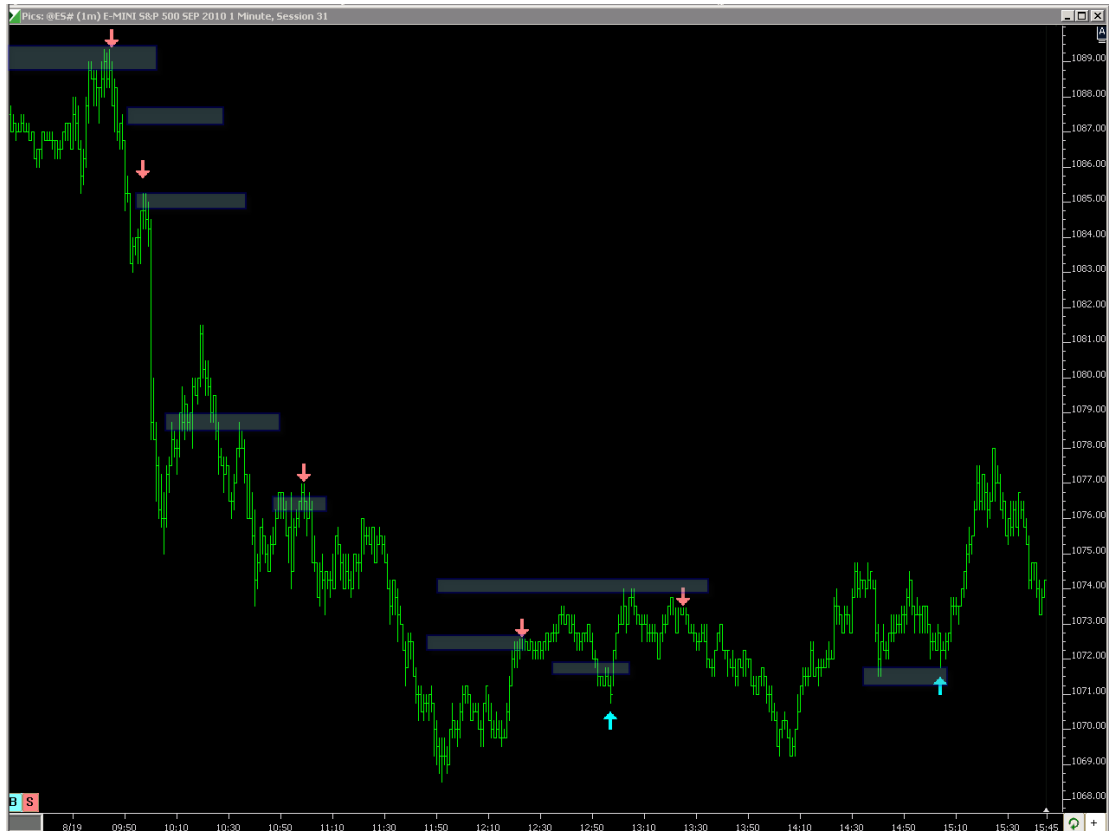
23<sup>rd</sup> August



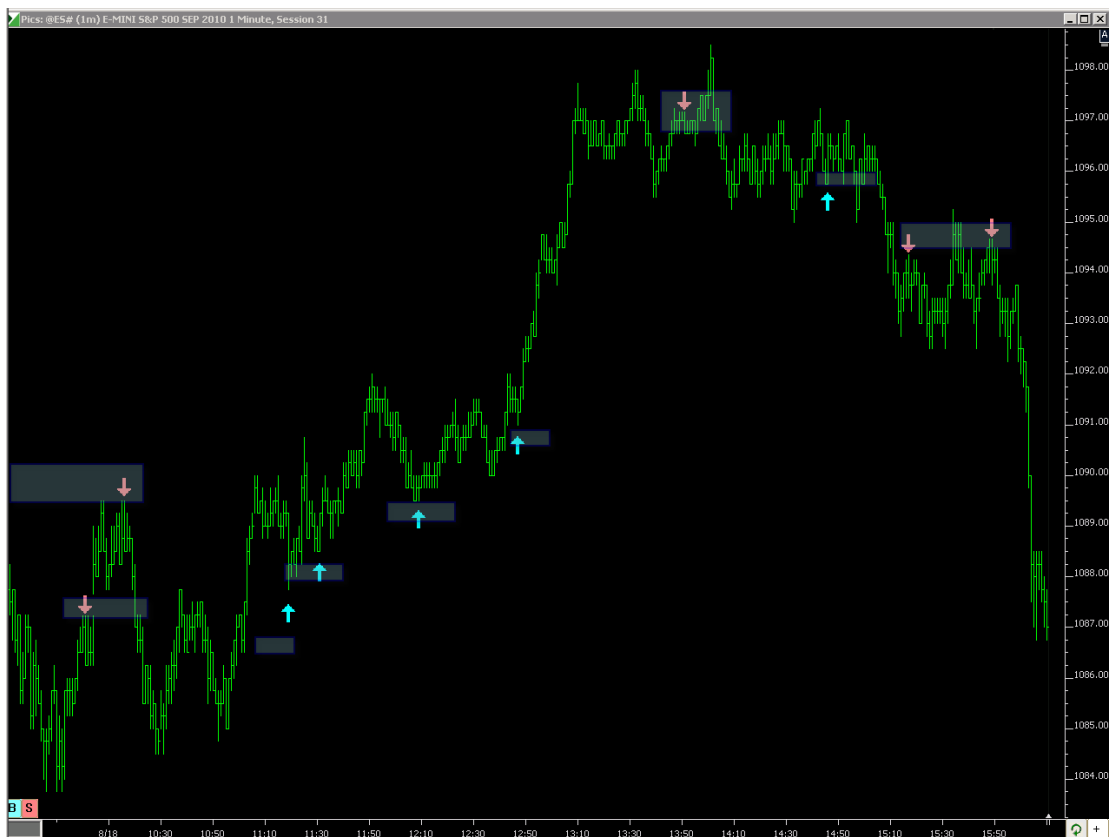
20<sup>th</sup> August



19<sup>th</sup> August



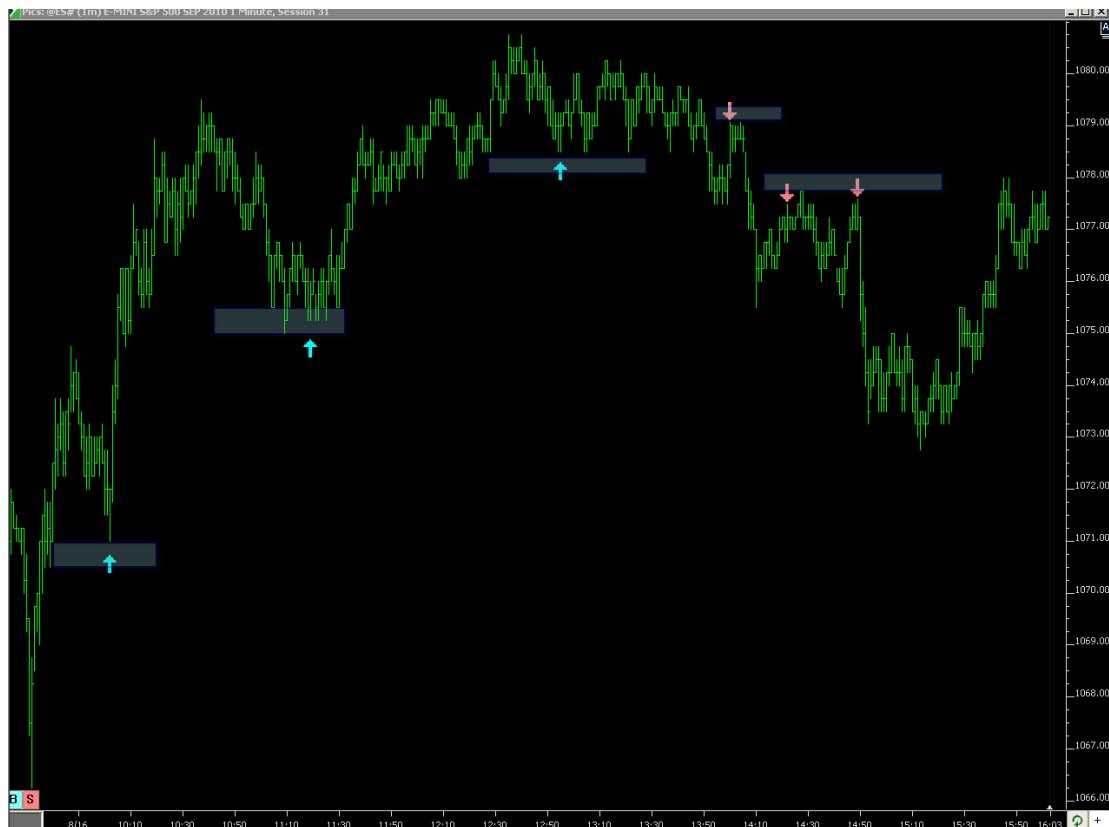
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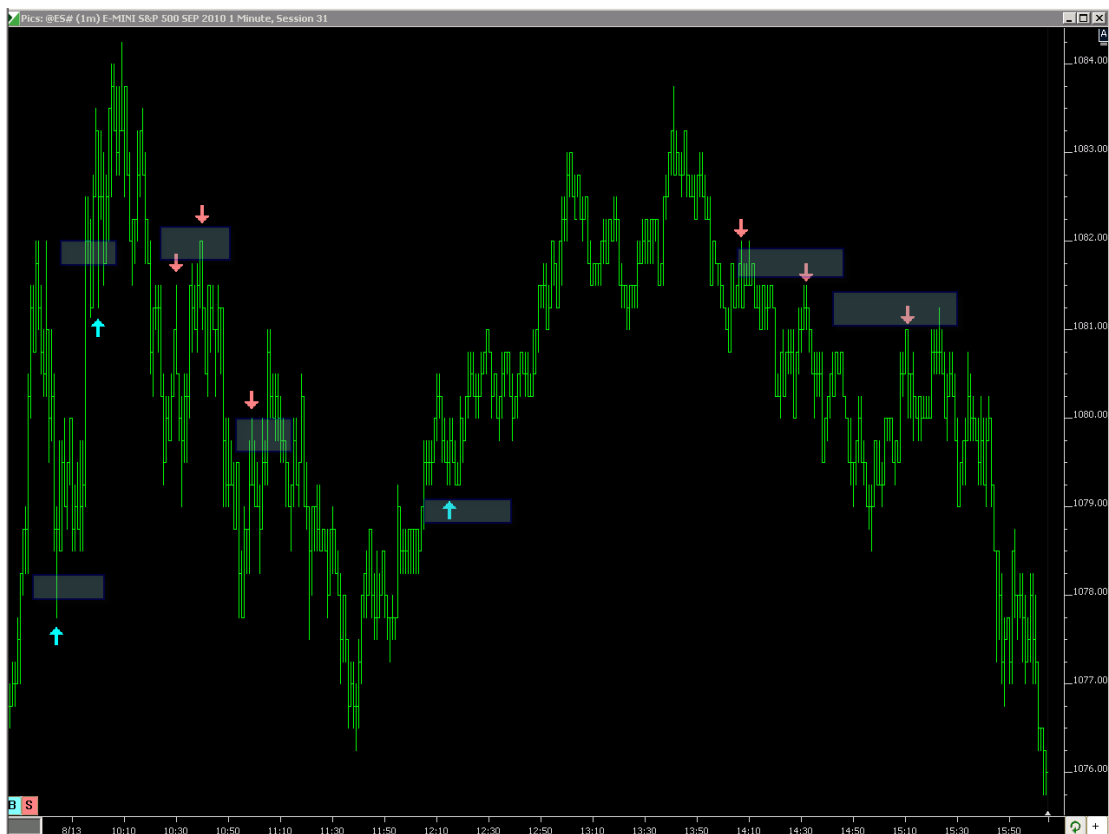
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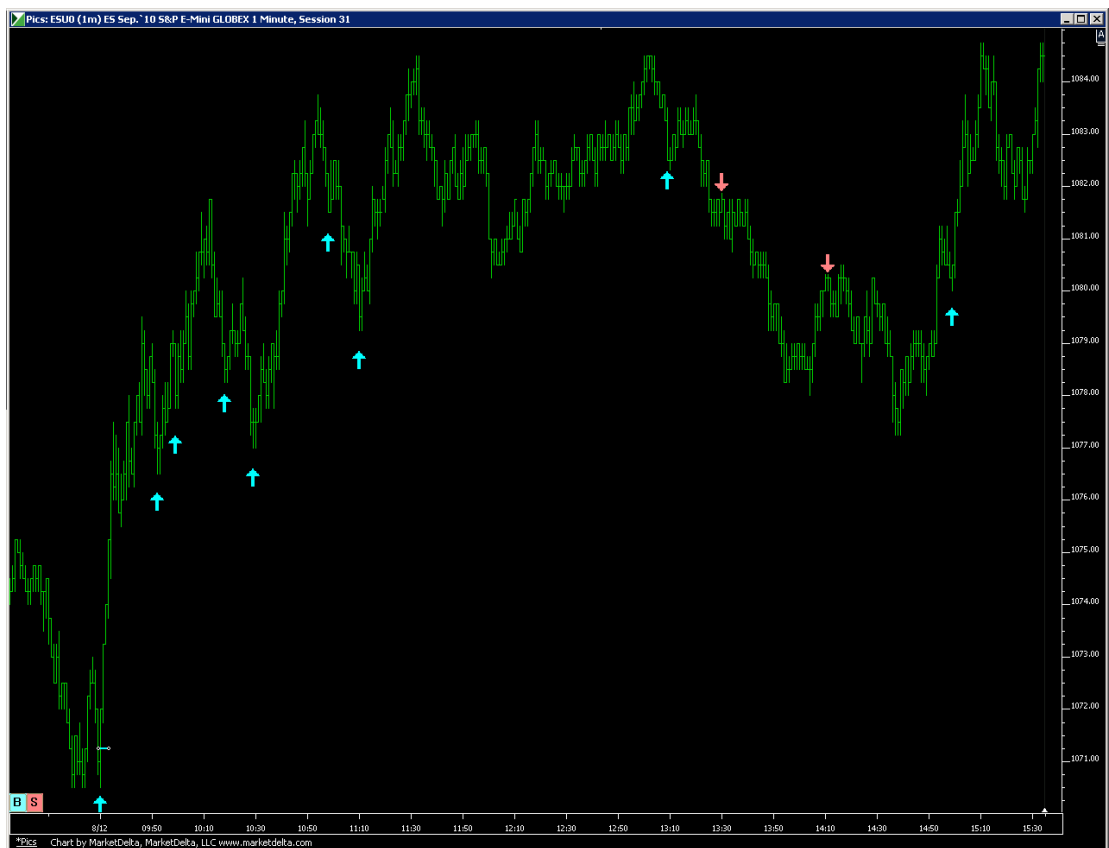
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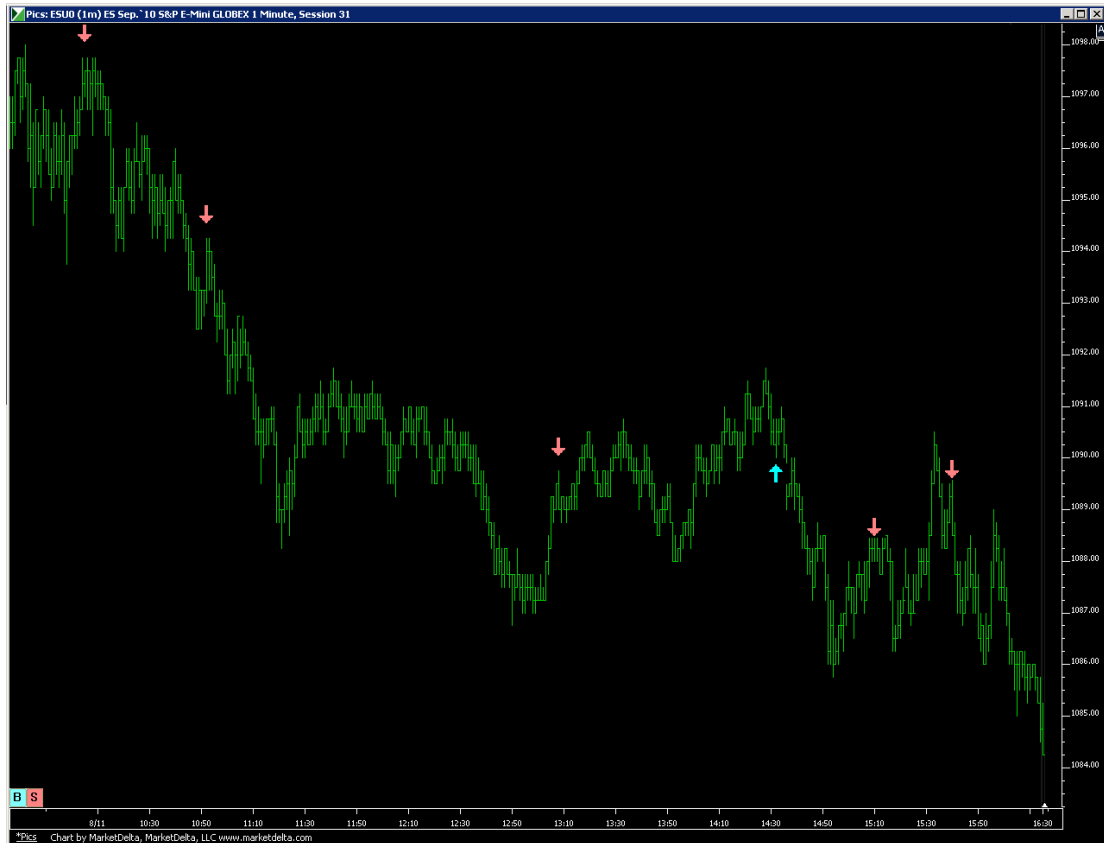
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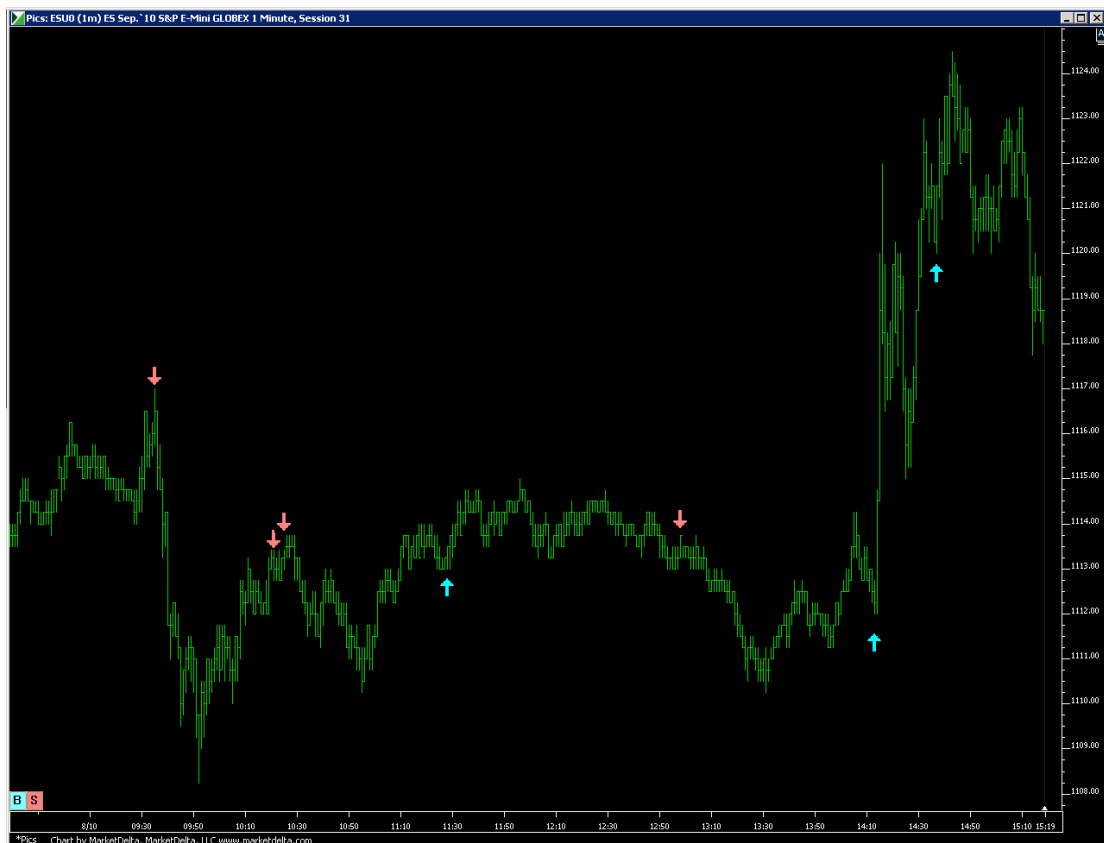
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11<sup>th</sup> August

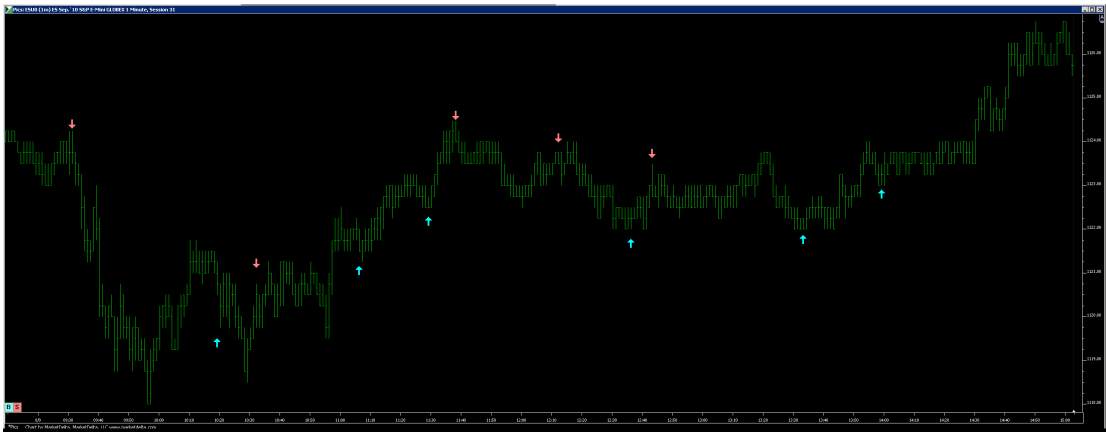


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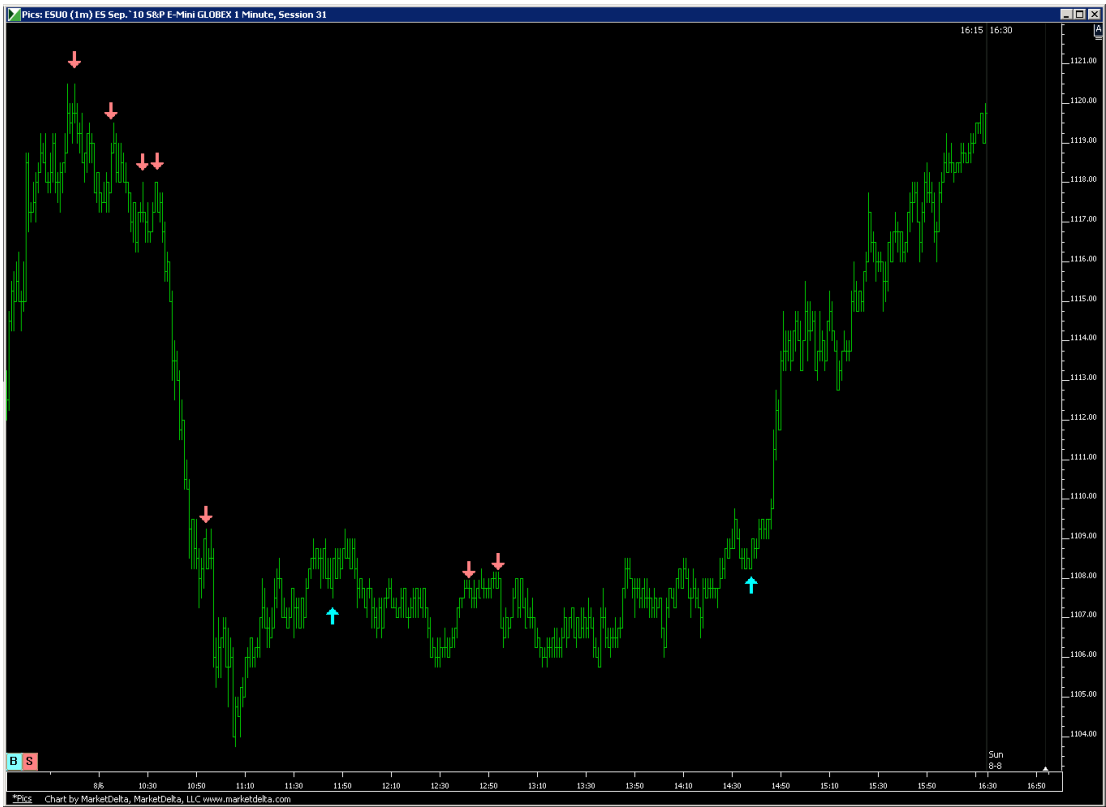




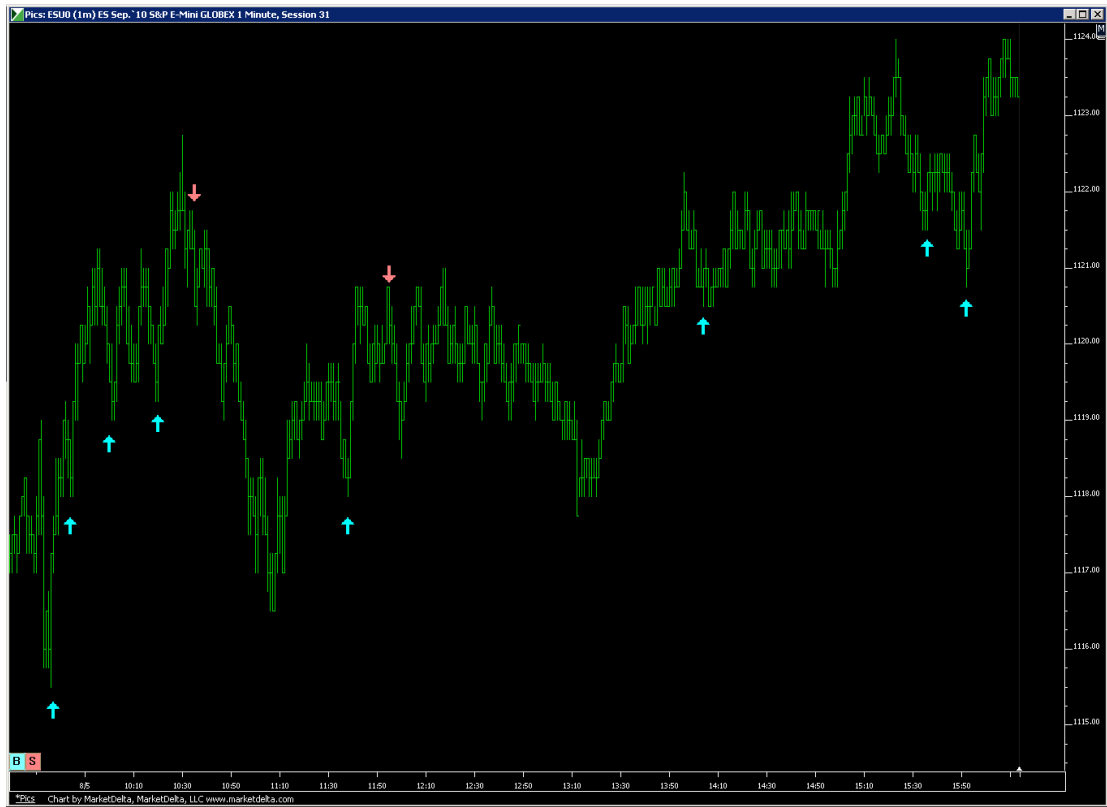
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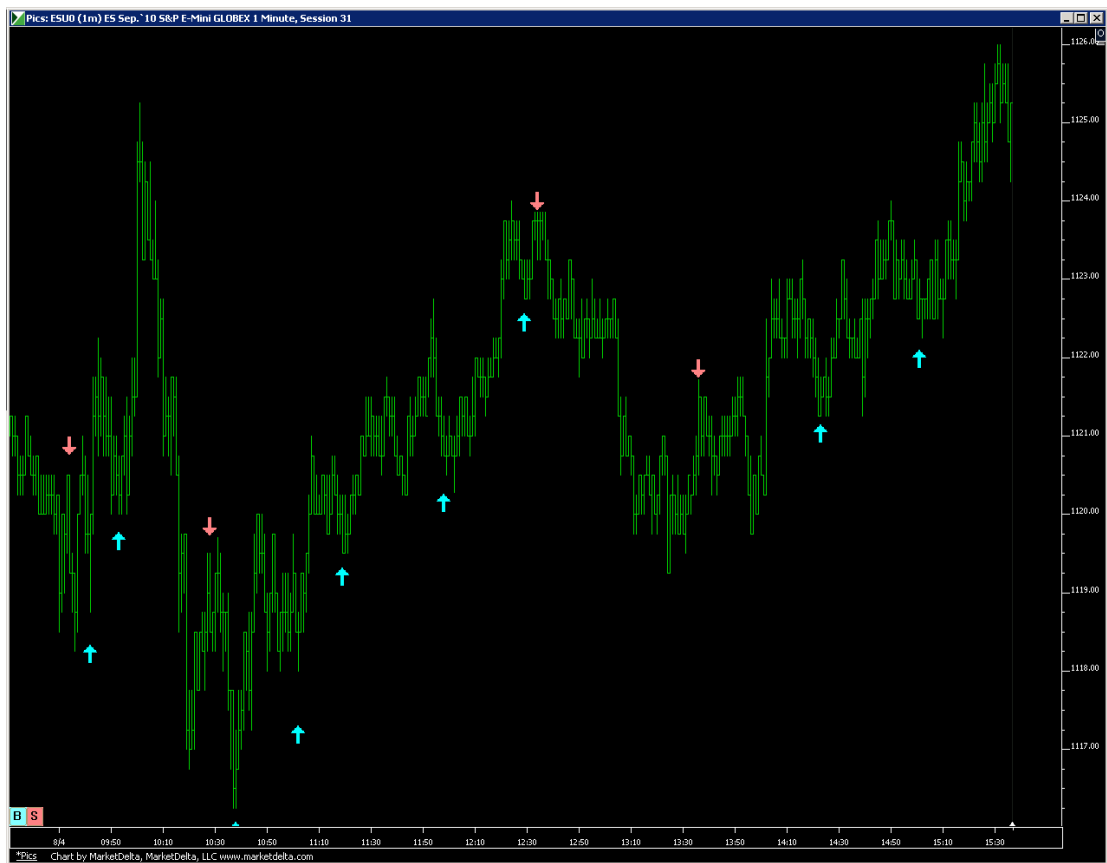
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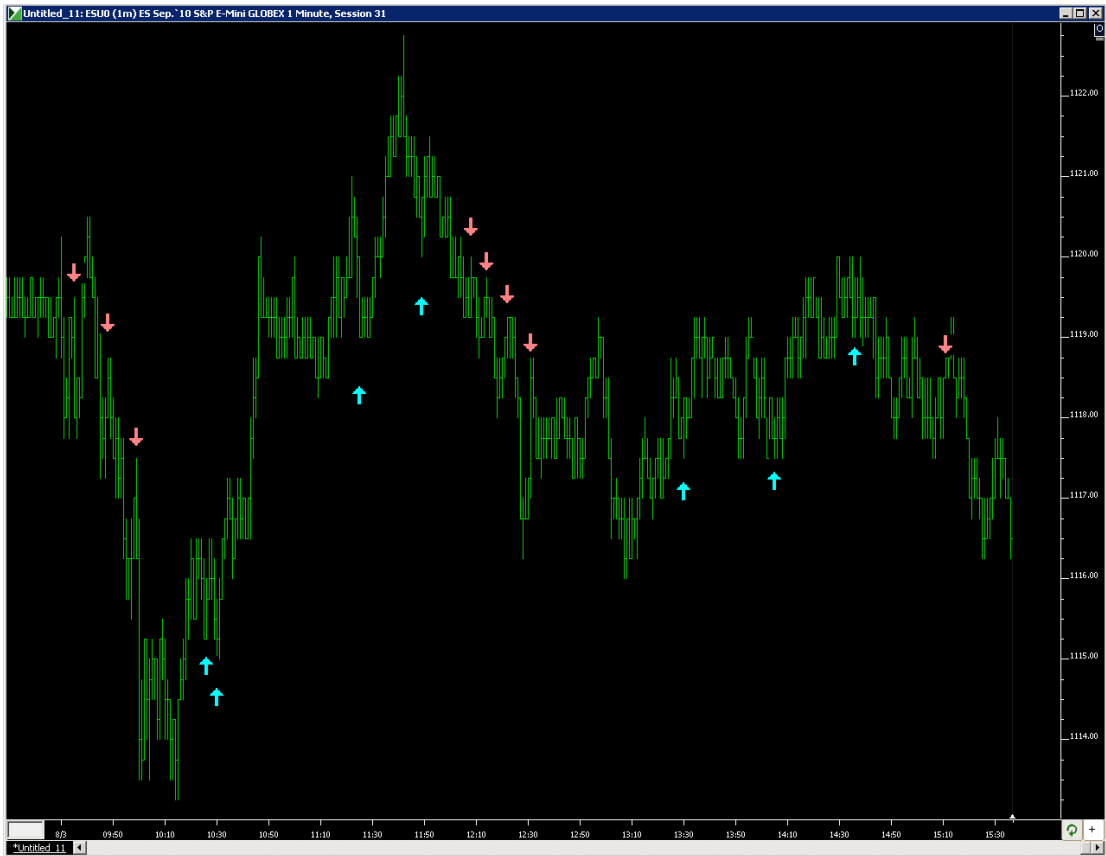
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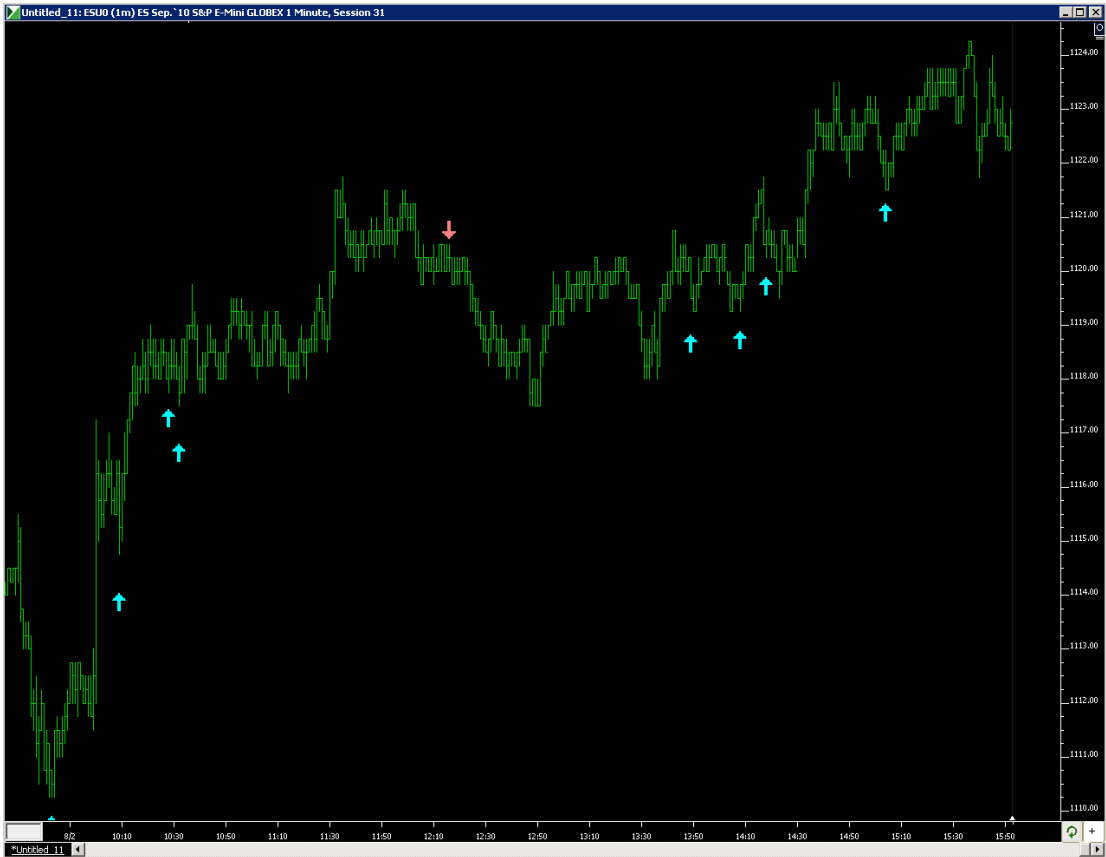
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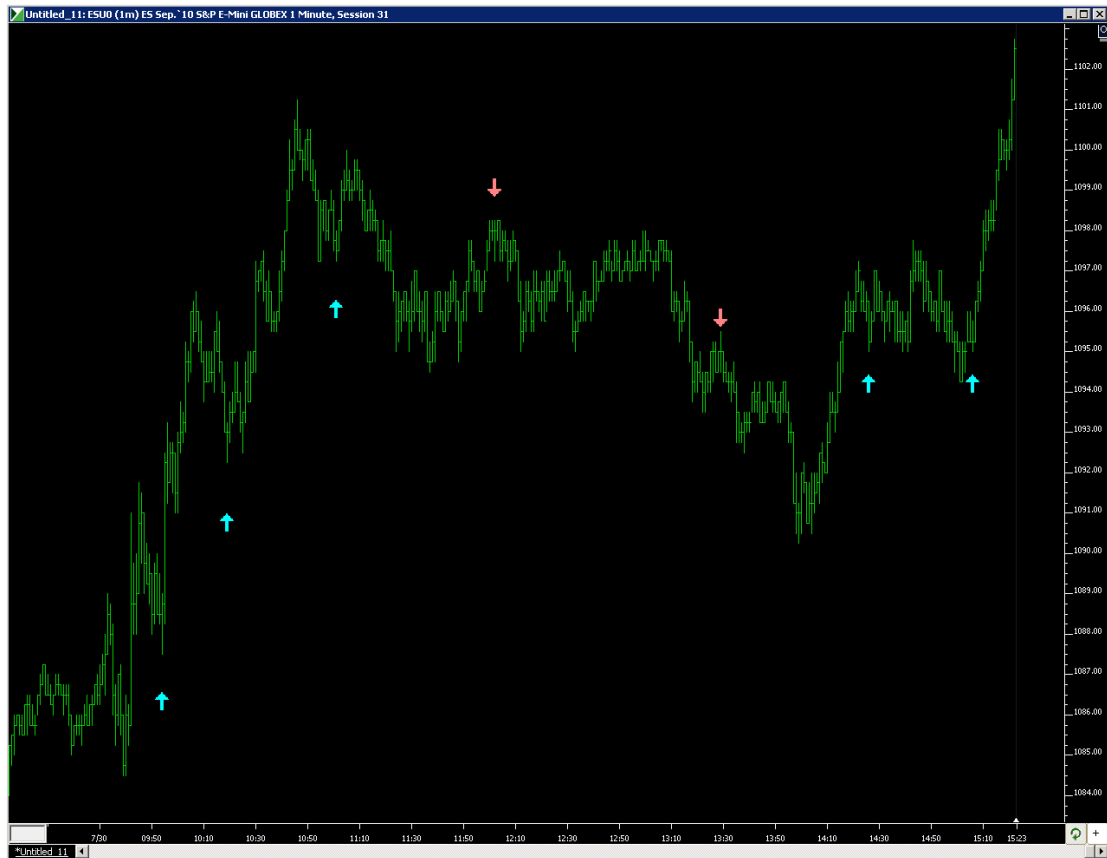
3<sup>rd</sup> August



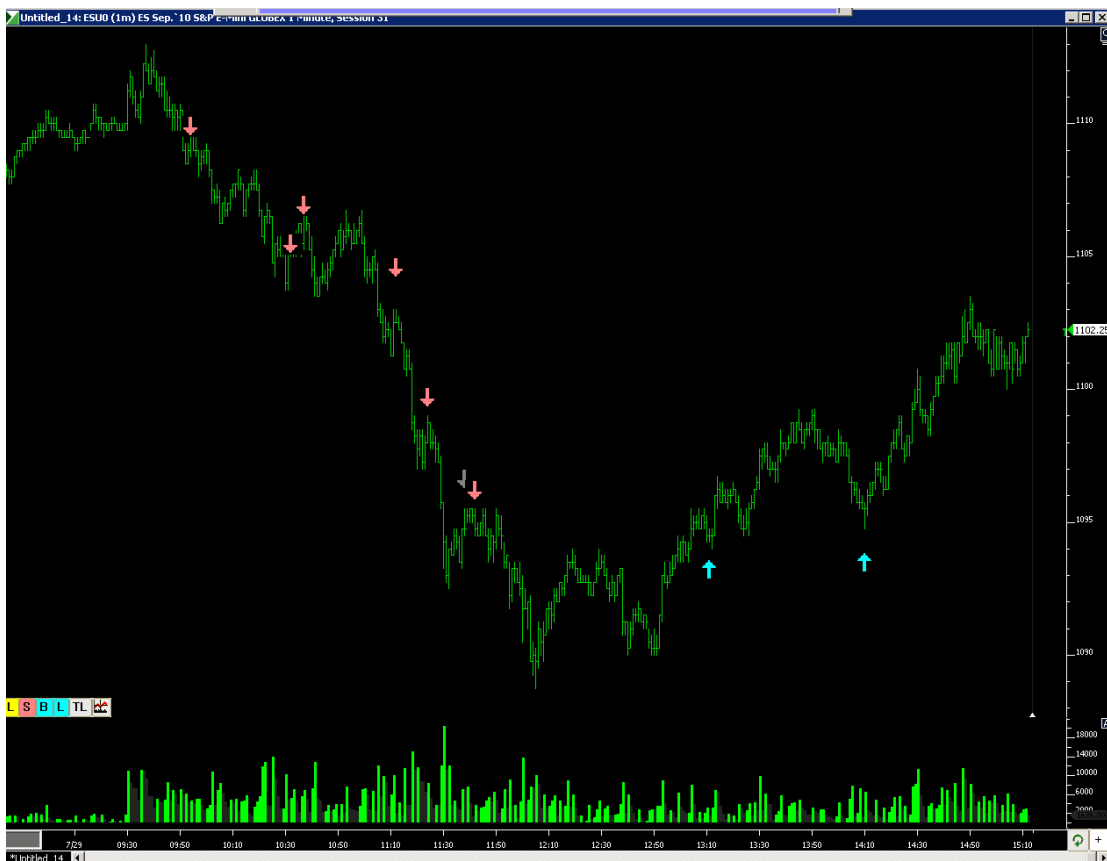
2<sup>nd</sup> August



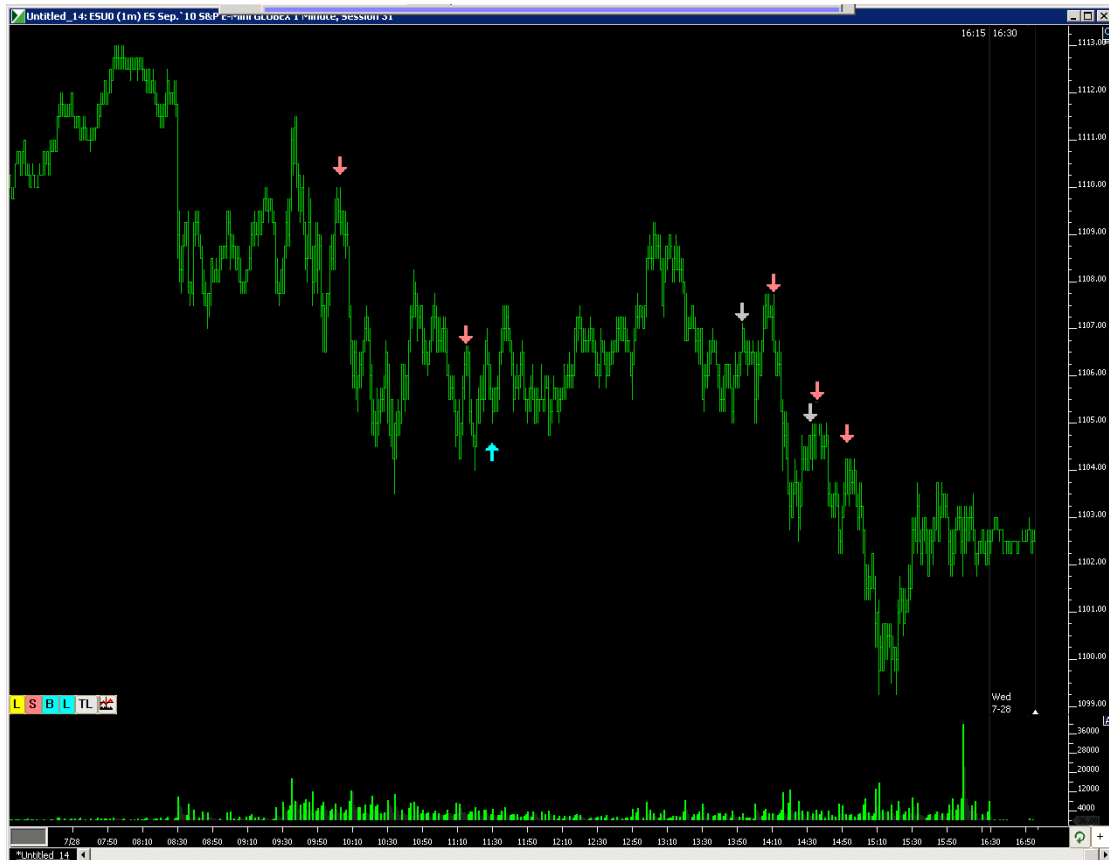
30<sup>th</sup> July



29<sup>th</sup> July



28<sup>th</sup> July



27<sup>th</sup> July

