



# *Market Profile Day Trading: Profiling the Days for Strategy Alignment*

PRESENTED BY:

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# Webinar Outline

- Introduction and Webinar Goals
- Market Profile History
- Key Concepts
- Market Types & Day Types
- Configure Platforms
- Examples and Usage
- Further Actions for Growth



# Introduction

Name: Jarad Champagne

Trader for 7 years, started trading journey with Options, discovered Day and Swing Trading through time and experience with joining BBT and becoming a moderator.

Begin incorporating Market and Volume Profile Concepts into Engineering the Markets and Day Trading over the past year.



# Webinar Goals

- Cover History and Purpose of Market Profile
- Outline Key Terminology and Components of Market Profile
- Determine Market Structure and Important Levels/Ranges for Session
- Align Day Trading Concepts and Techniques to Market Generated Information
- Know When/Where to Take Actions based on Dynamic Changes in the Auction

# What is Market Profile?

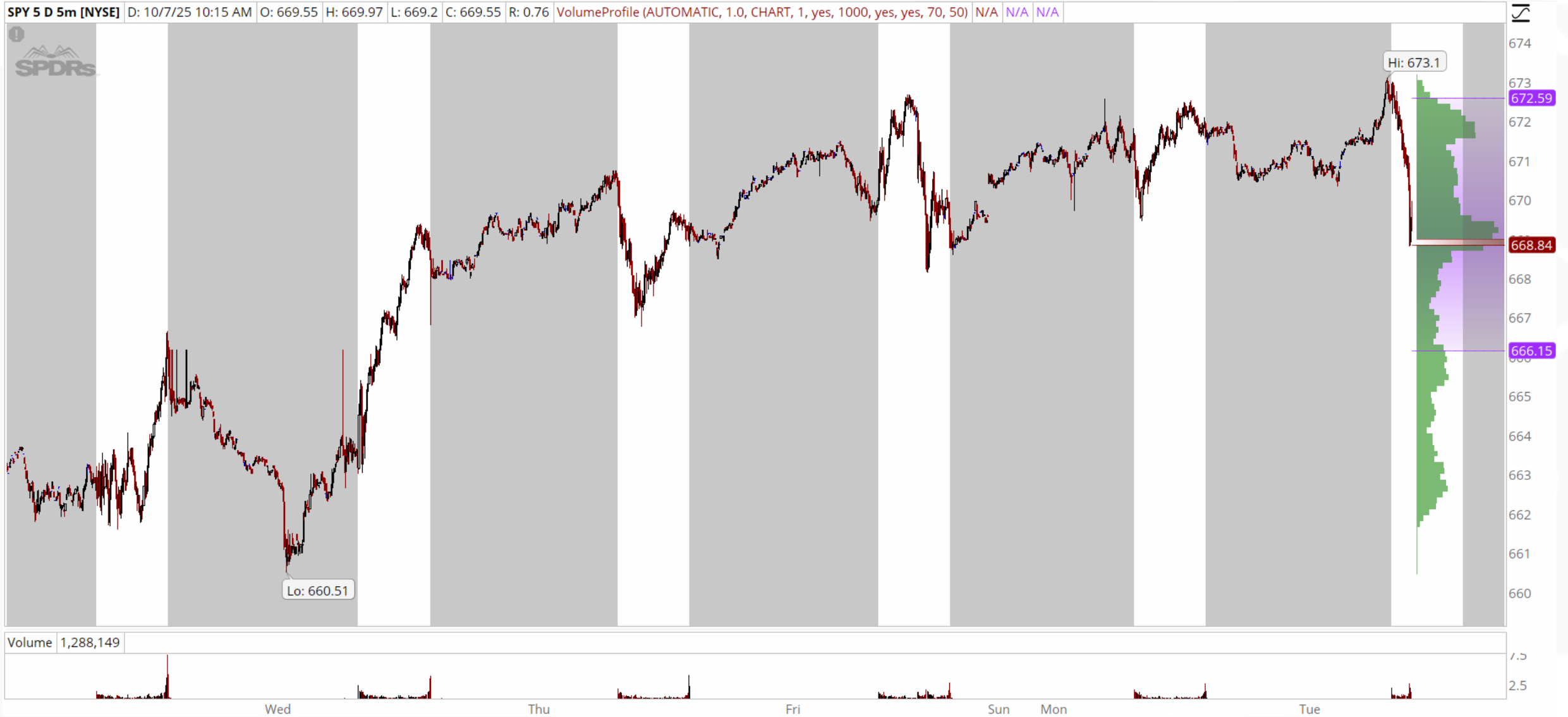
Charting Technique and Analytical Tool used by traders to visualize market activity and gauge market structure concepts using a horizontal dimension.

Unlike Candlestick and Volume by Time Charts used by most Technical Traders, Market Profile Charts will display Volume by Price. Market Profile uses Time Price Opportunities (TPOs) to show where the market has spent the most time and at which prices trading has been most active.

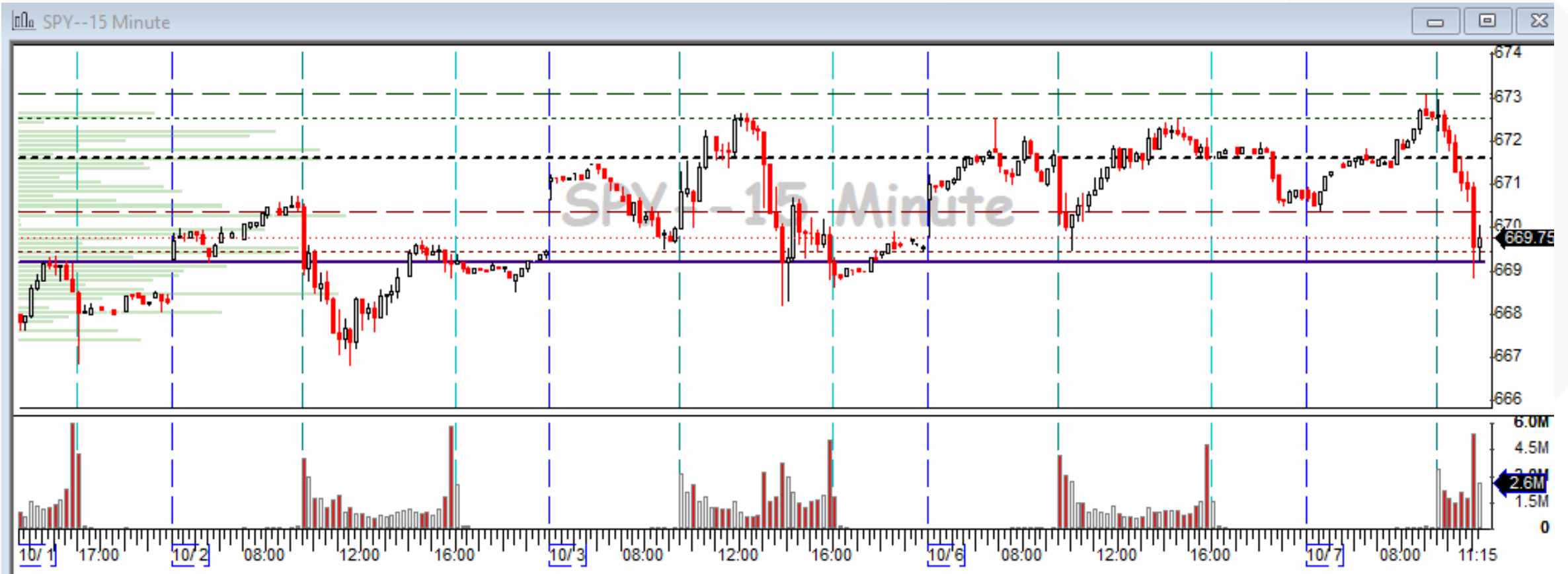
J. Peter Steidlmayer – a trader with the Chicago Board of Trade (CBOT) – was seeking a way to determine and to evaluate market value as it developed in the day time frame. The concept was to display price on a vertical axis against time on the horizontal, and the ensuing graphic generally is a bell shape - fatter at the middle prices, with activity trailing off and volume diminished at the extreme higher and lower prices. – Wikipedia

Given scope of today's webinar, we'll be focused on Volume Profile exclusively.

# Volume Profile Chart Examples



# Volume Profile Chart Examples



# Key Concepts in Volume Profile

Value Area: Price Range where Buyers/Sellers have shown Price Acceptance

- Often defaulted to approx. 70% of all trade activity to reflect roughly one Standard Deviation
- Value Area High/Low: High and Low Price that marks the Range of the Value Area

Volume Point of Control (VPOC): Price which marks the highest concentration of volume transacted – “Fair Price”

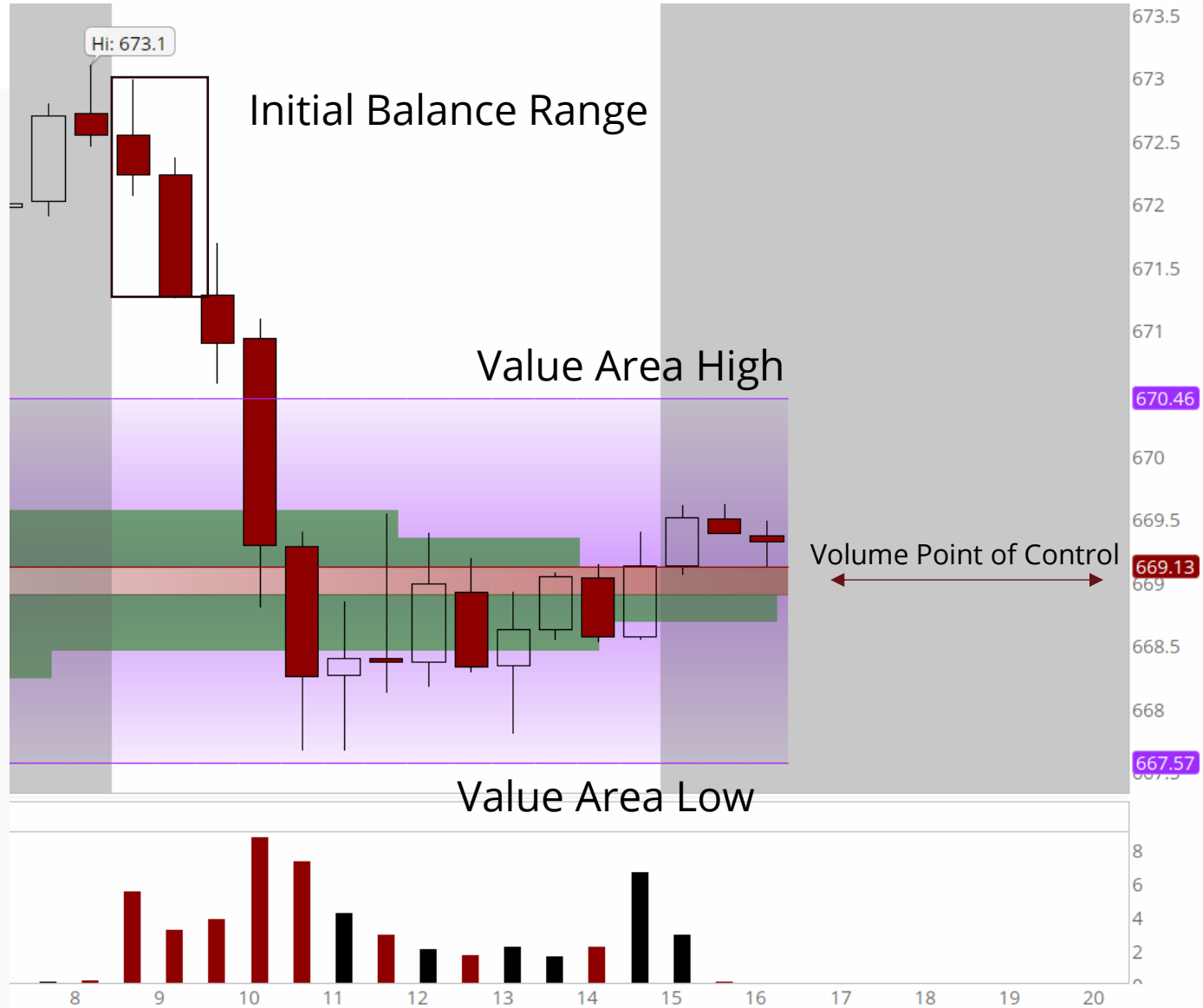
- High Value/Volume Node: Price node where high volume transacts in the profile. A VPOC will always be a High Volume Node.

For Day Trading, we'll want to incorporate the Initial Balance Range (IBR) as well

Initial Balance Range (IBR): Price Range formed in the first hour of trading

- Provides a context for the rest of the day and can indicate the potential for a Trending or Balanced Market based on how Price moves from/around the IBR.

# Key Concepts Example



# Tips and Tricks

- Overlapping Values Areas over multiple days can create a Balanced Composite Profile, allowing traders avoid price traps at the edges of the Profile and better understand Areas of Inflection in the Range.
- Low Volume Areas (Pockets/Voids) could be targeted as place to 'repair' in future sessions, where price discovery can occur and generate quick directional moves.
  - Gap Fill Concepts – Market in search of Higher Volume Areas before changing direction
- Reviewing the Composite Profile and the Initial Balance Range can help traders determine the best strategies to deploy and where to look for Higher Timeframe Participants who may want to move the market.
- It'll assist with better target in the Session Range and in other Daily Profiles, holding through Low Volume Areas with conviction once triggered, and exiting with precision once achieved.

# Balanced vs Imbalanced Markets

Understanding whether the market being analyzed is Balanced or Imbalanced, both from the prior day's session and how the market is looking to Open, can give clues as to what to expect on the day and how to take trade opportunities throughout the day.

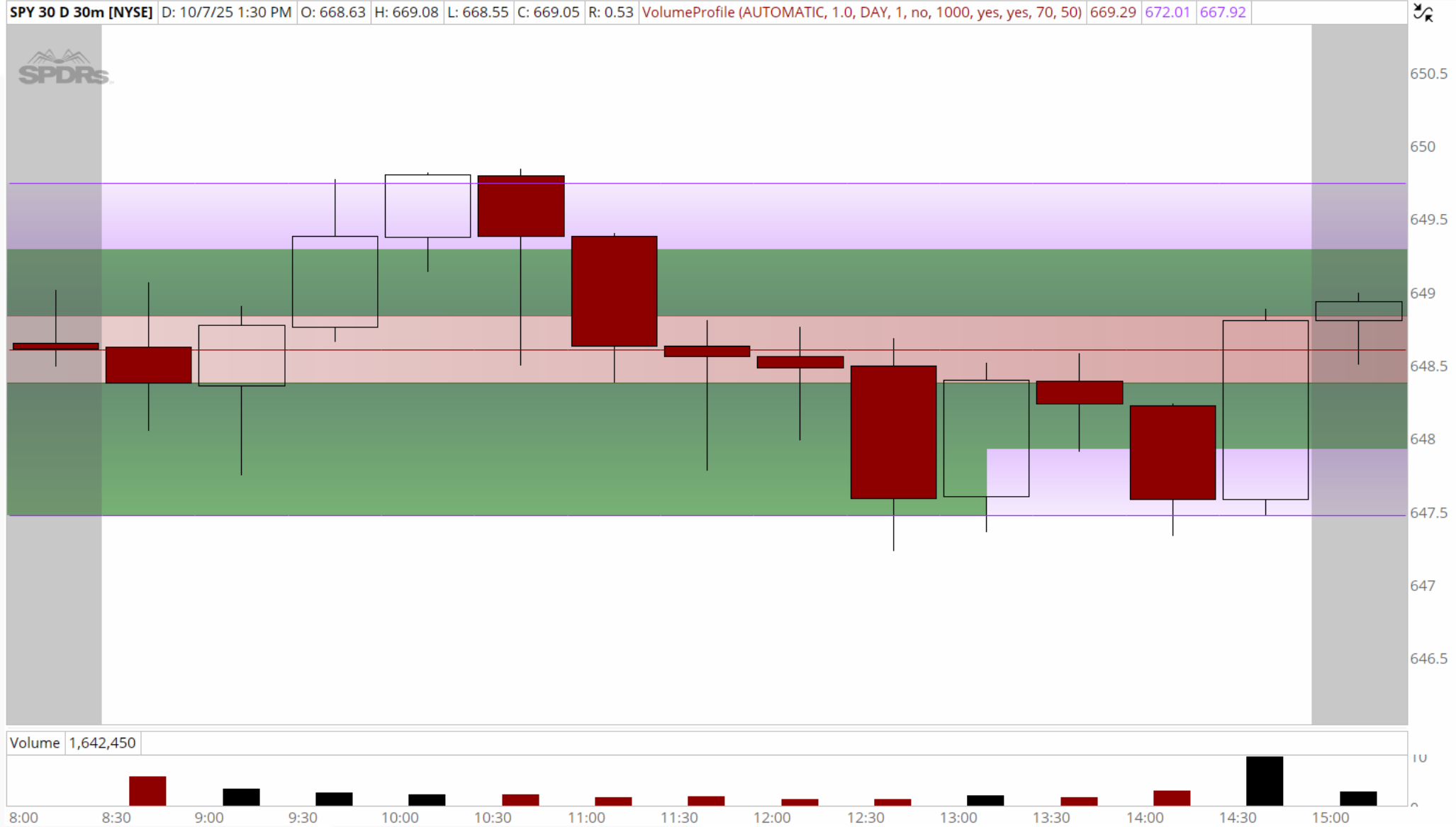
**Balanced market:** A symmetrical, bell-shaped profile indicates a market in balance, where prices are rotating around the Point of Control.

- Range Bound/Bracketed Market
- Lack of conviction among other timeframe participants; two-way auction within the range
- Objectives are to the edge of the range and to the mean value of the distribution, usually VPOC

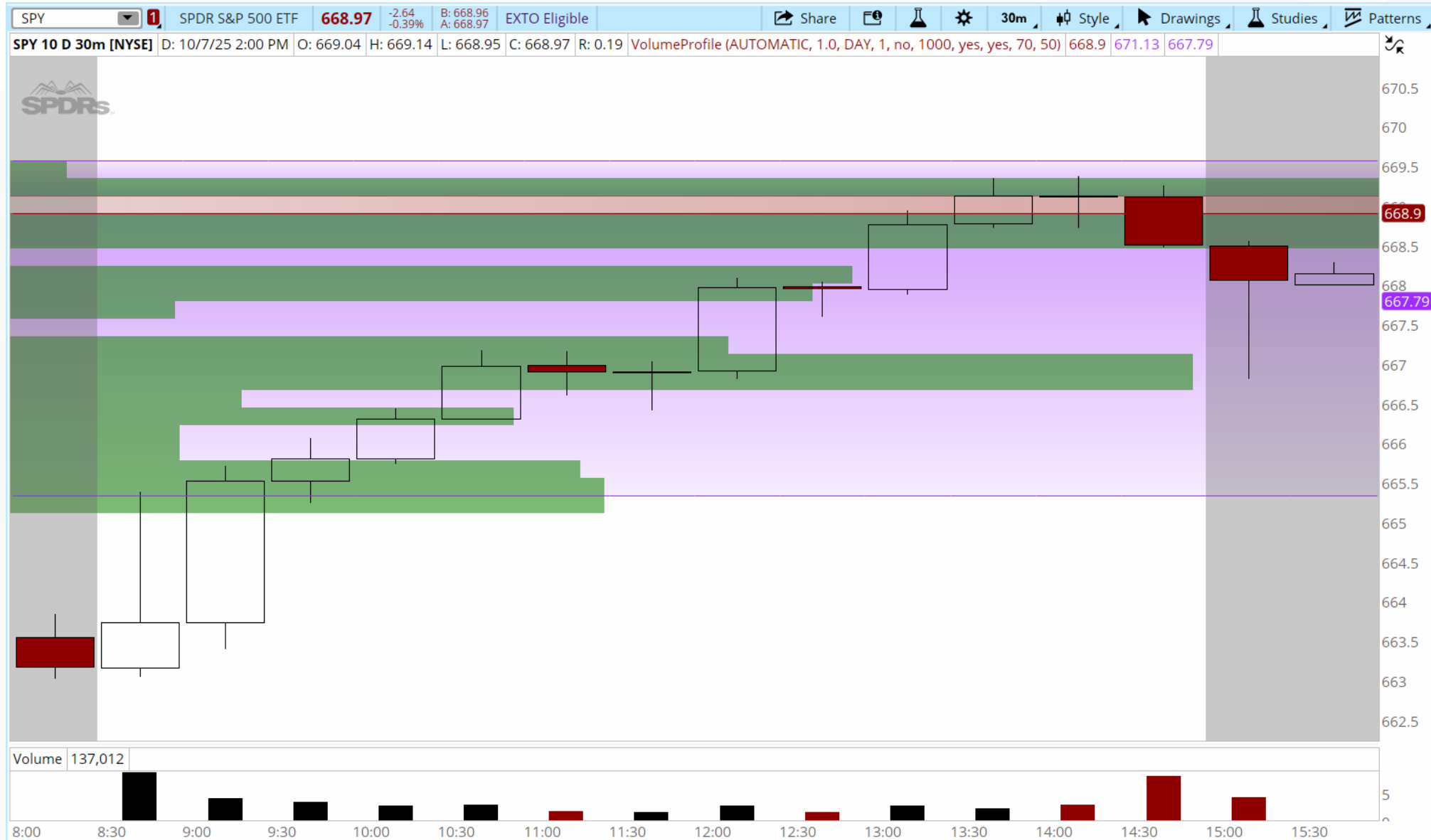
**Imbalanced market:** A lopsided or extended profile can signal a directional trend and a market moving out of its perceived value.

- Trending/Extending Market
- Active conviction of other timeframe players; one-sided directional auction in the direction of price
- Objectives are extensions of prior range, usually measured, and/or to previous areas of note

# Balanced Market Example



# Imbalanced Market Example



# Profile Day Types

## What are the Different Types of Profile Structures?

### Balanced Types

- Non-Trend Day (Narrow IBR)
- Normal Day (Wider IBR)
- Neutral Day Center (Smaller than Normal IBR)
- Neutral Day Extreme

### Imbalanced Types



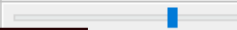
- Normal Variation Day (Range Extension)
- Trend Day (Single Timeframing)
- Double Distribution Day (Two Price Rotations)
- P-shape profile (Short Covering)
- b-shape profile (Long Covering)

# Configure Study in DAS




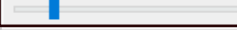
Study Configure: Volume By Price (StudyVolumeByPrice)

General

Volume By Price Config Chart Configure

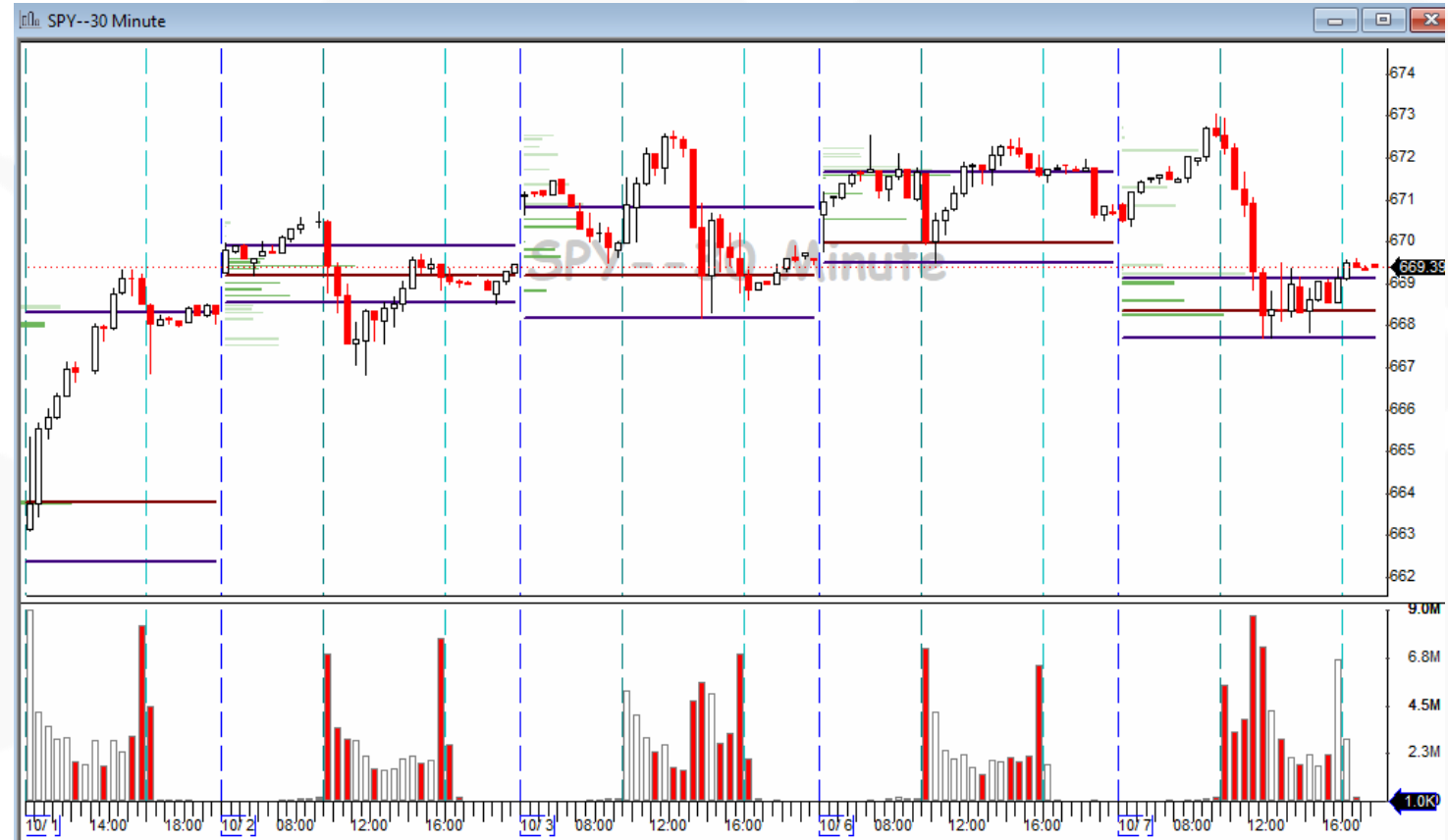
Bar Color		98,177,78
Number of Bars(maximum 50)	50	
Display down volume	<input type="checkbox"/>	
Down Volume Color		255,0,0
Transparency		
Draw in daily interval	<input checked="" type="checkbox"/>	

Volume Area Settings

Show Point of Control	<input checked="" type="checkbox"/>
Point of Control Line Style	
Show Volume Area High	<input checked="" type="checkbox"/>
Volume Area High Line Style	
Show Volume Area Low	<input checked="" type="checkbox"/>
Volume Area Low Line Style	
Show Volume Area	<input checked="" type="checkbox"/>
Volume Area %	70
Volume Area Transparency	
Percentage of chart area width taken	50

General

Restore OK Cancel



# Configure Study in ToS

VolumeProfile Customizing

Save as default    Reset to factory default

▼ Inputs and Options

Inputs:

- price per row height mode: AUTOMATIC
- custom row height: 1.0
- time per profile: DAY
- multiplier: 1
- on expansion: No
- profiles: 1000
- show point of control: Yes
- show value area: Yes
- value area percent: 70
- opacity: 50

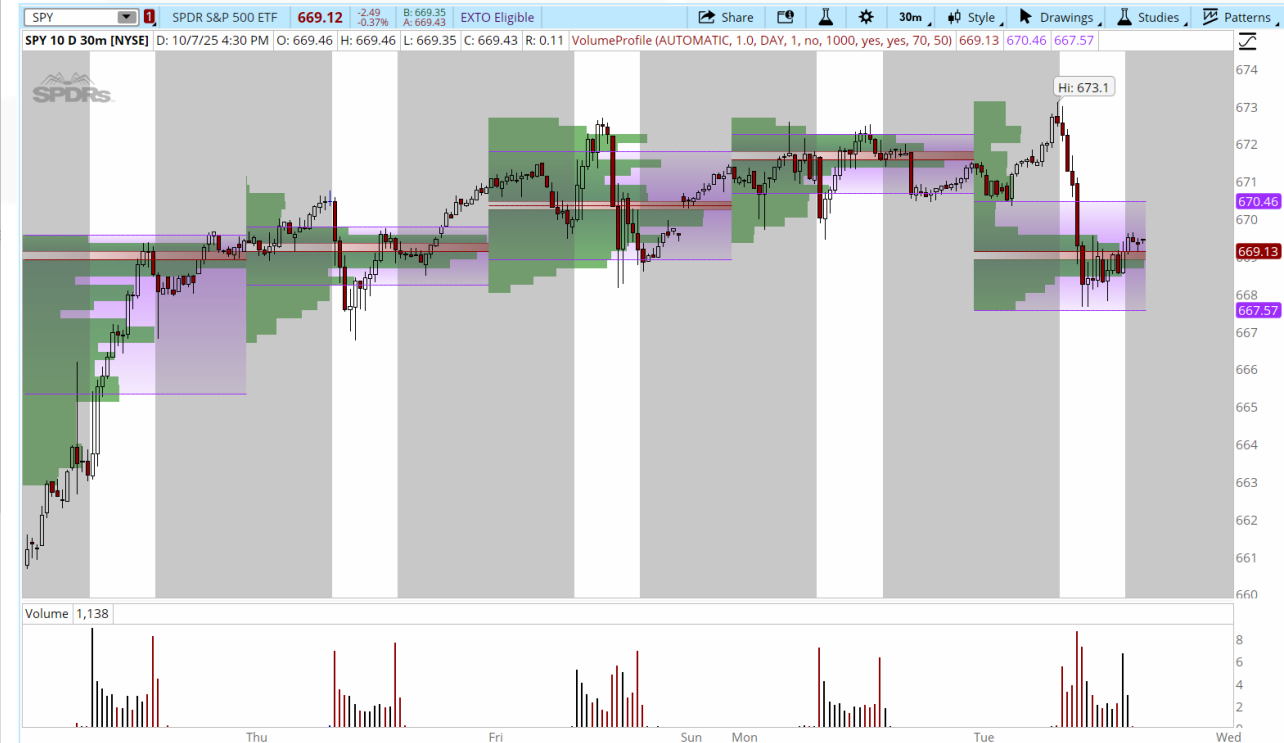
Options:

- Show study
- Show plot names
- Show input names
- Left axis

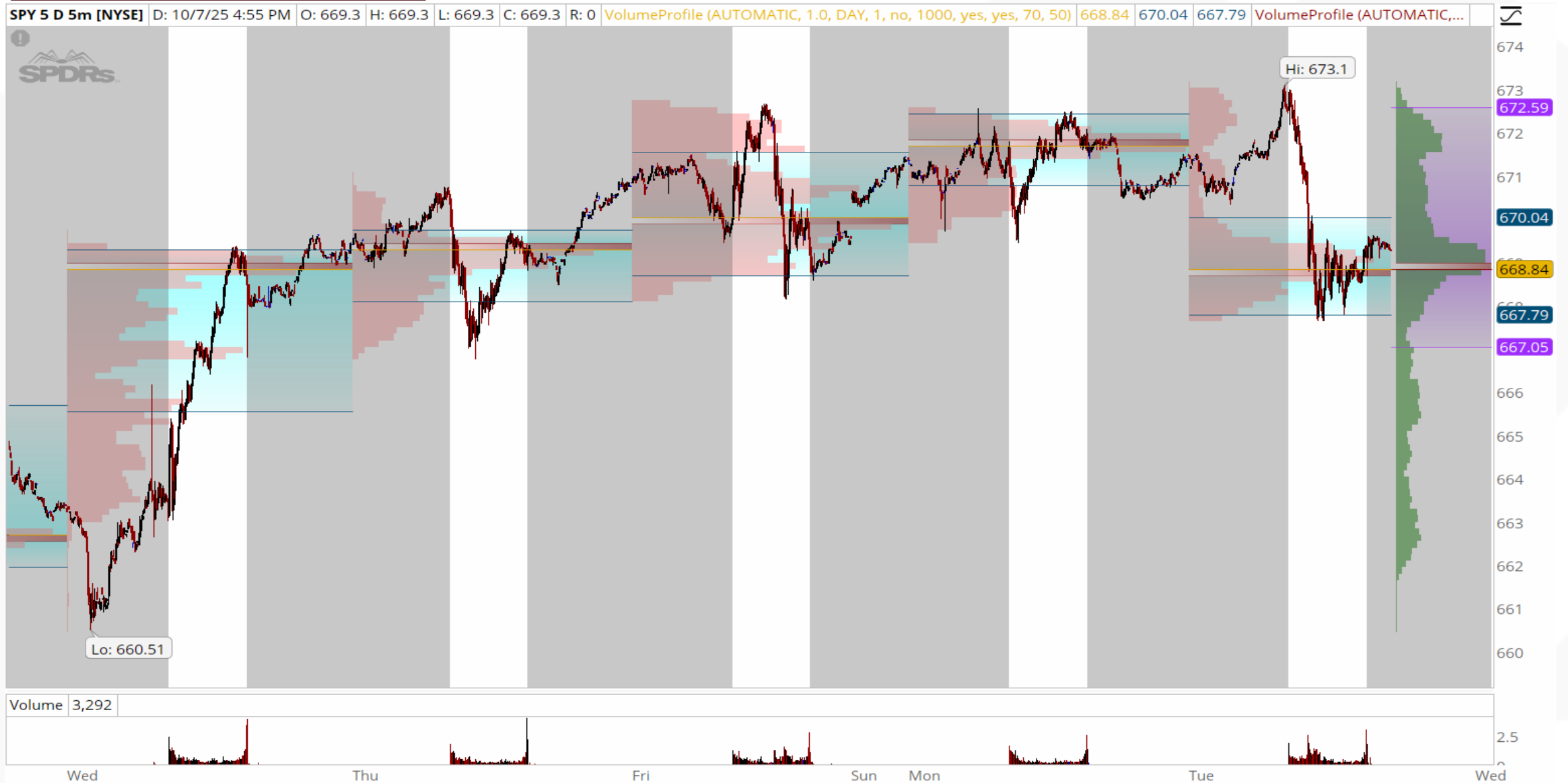
▼ Plots

POC   ProfileHigh   ProfileLow   VAHigh   VALow

OK   Cancel



# Relationships with Composite and Day Profiles





## Email

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