



# *Market Profile Day Trading: Steps for Pre-Market Preparation*

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# Webinar Outline

- Introduction and Webinar Goals
- Market Profile Review
- Key Concepts
- Premarket Activities
- Market Types & Day Types
- Morning Trade Plan Outlines
- 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

- Review Market Profile Concepts and Terminology for Analysis
- Align Day Trading Concepts and Techniques to Market Generated Information
- Determine Market Structure and Important Levels/Ranges for Session
- Know When/Where to Take Actions based on Dynamic Changes in the Auction

# Market Profile Review

In the context of trading, the Market Profile is a unique charting tool developed by J. Peter Steidlmayer in the 1980s that organizes price, time, and volume into a visual distribution (often resembling a bell curve). It provides insights into market structure and the "auction process" that drives price movement, offering more information than traditional candlestick charts.

Traders use Market Profile charts to identify support and resistance levels, spot market trends, gauge sentiment, and manage risk by understanding where the market is finding value versus where it is rejecting prices.

In this Webinar, we will build the steps and processes to do our Premarket Analysis using the tools of Market Profile and concepts around Market Auction Theory.

# Key Concepts in Market/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

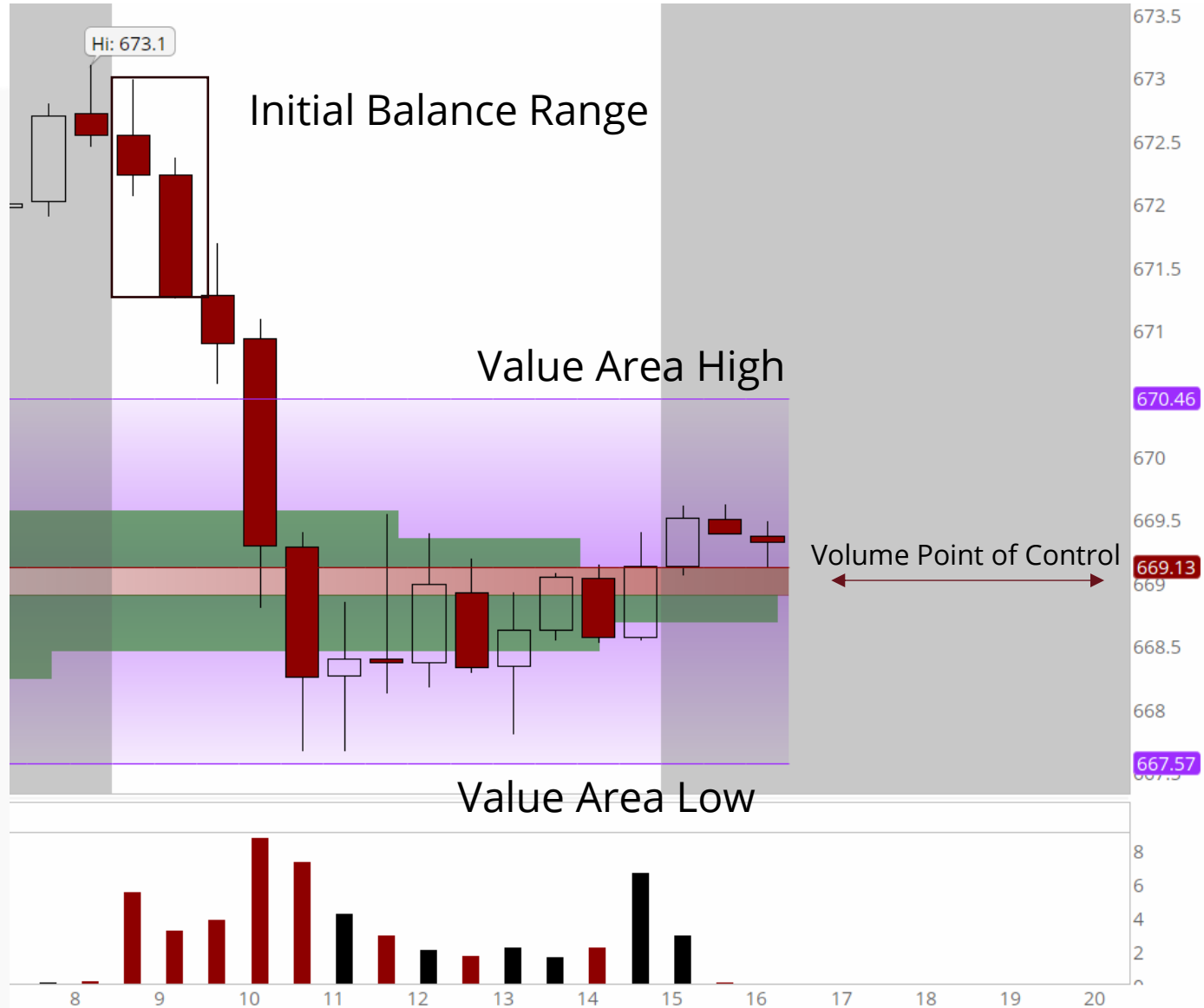
Volume Point of Control (**VPOC**): Price which marks the highest concentration of volume transacted – “Fair Price”

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

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 from Volume Profile Example



# 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

# Market Generated Information

**Market generated information (MGI)** refers to data and insights derived directly from the activity of market participants, such as price, time, and volume data. This information is crucial for traders because it provides a context for market movements, helping them identify valuable trading areas and make informed decisions.

The primary importance of MGI is that it allows traders to cut through market noise and make objective, probability-based trading decisions by observing actual market behavior rather than relying solely on lagging indicators. Day traders often rely almost exclusively on MGI because fundamental information is too slow for their short-term needs.

We've discussed a few MGI topics, let's look at a few more we can use.

# MGI Key Concepts

**Market High and Low:** The highs and lows provide levels for the market to test and determine if changes in prices will be accepted or rejected.

**Market Open and Close:** The opening and closing prices can provide context about the day's sentiment and direction.

**Volume-Weighted Average Price (VWAP):** A trading benchmark that represents the average price an asset traded at throughout the day, based on both price and volume.

**Untested VPOCs:** Markets in transition may be unable to 'test' prior session VPOC, leading to eventual poor structure and imbalances that can be fixed in later sessions.

# Identifying Prior Day's Profile Type

## 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)

# Premarket Steps to Analysis

1. Ensure Prior Day's Levels are marked
  - Previous Day High/Low, Previous Day Open/Close
2. Identify Profile Day Type from Prior Day's Session
  - Balanced or Imbalanced? Ensures expectations are part of Market Context.
  - Where is Value Area/VPOC? Provides Edges of Trading Range and Value for Entry/Stops
3. Does Premarket offer a True Gap? (Premarket Activity completely outside Previous Day's Range)
  - If Premarket Price Range is Outside the Previous Day's Price Range, mark Premarket High/Low for targets.
  - If Premarket Price Range is Inside the Previous Day's Price Range, keep Previous Day markings for targets.
4. Define scenarios based on most probable setups
  - Range Expansion, Inside Days, High/Low across Value Area Range, etc.
  - Price Action suggestions from Premarket (Price Acceptance or Rejection, esp. Outside Previous Day's Range)
  - Imbalanced Areas if Breakouts occur in Local Ranges.

# Balance Rules

When a market is in balance (two or more days between the same range), then balance rules apply. Balance Rules are a framework of scenarios that prepare us to take action when the outcome presents itself.

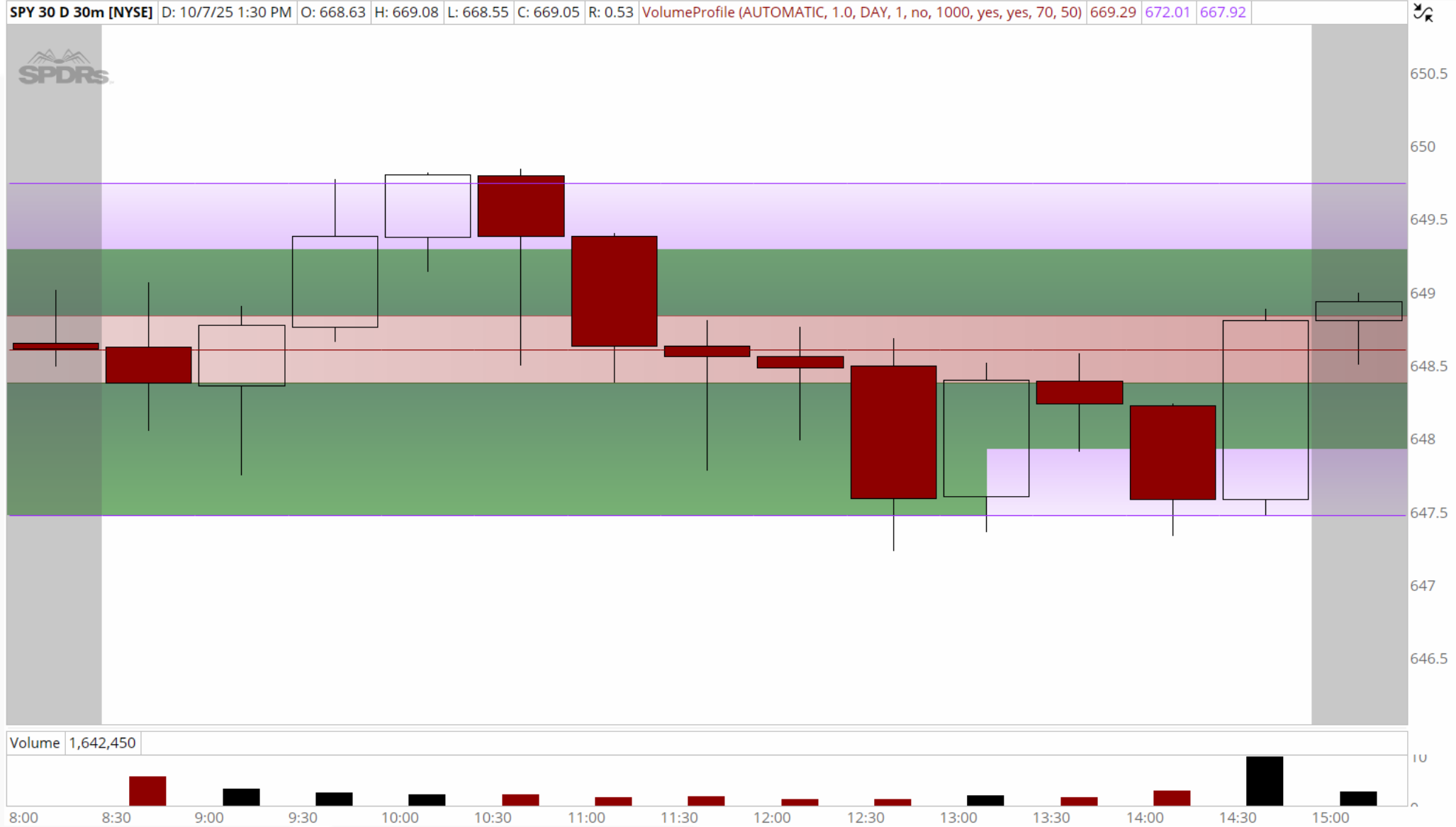
The possible outcomes and how to trade them are:

1. Look above and go. Prices move above the high of balance and find acceptance and continue higher. The target should be double the balance area.
2. Look above and fail. Prices move above the balance high but fail to find acceptance and reverse back into the balance area. This is now a short with a stop above the high just outside of balance that was recently made, with a target to the opposing low end of the balance area.
3. Look below and go. Prices move below the low of balance and find acceptance and continue lower. The target should be double the balance area.
4. Look below and fail. Prices move below the low of balance but fail to find acceptance and reverse back into the balance area. This is now a long with a stop below the low just outside of balance that was recently made, with a target to the opposing high end of the balance area.
5. Remain in balance. Prices remain within the confines of the balance area. Responsive trade is in play; look for smaller counter-trend moves against the extremes of balance and/or technical/market profile nuances. These trades work well when a market is in balance.

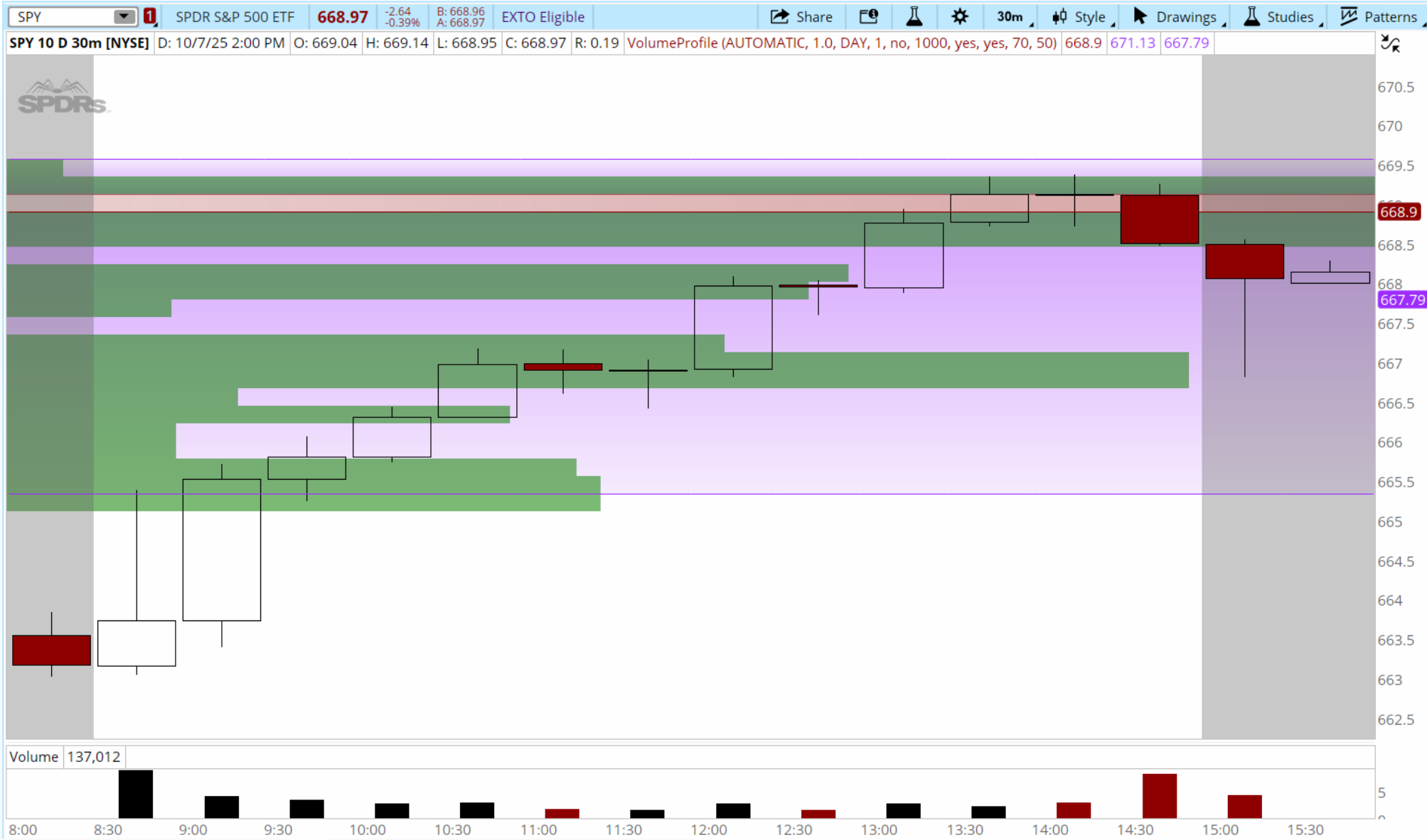
# Tips and Tricks

- 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 Market Example



# Imbalanced Market Example



# Next Steps

## **Market Profile Glossary**

- Define the Terminology used by Market Profile Traders, removes ambiguity and improves context

## **Watchlist Scenarios**

- Create Trade Scenarios using Morning Watchlist Stocks
- Provide Market Profile Overview in Premarket from Prior Day to assist with Trade Plans



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