

The Anatomy of the CBOT[®] Market Profile[®] Graphic

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 - The Normal Distribution, or Bell Curve
 - TPO's – the Profile's Building Blocks
- Structural Development of the Market Profile[®]
 - Primary Elements of the Market Profile[®]
 - Multiple Ways to Display Profiles

The Anatomy of the CBOT® Market Profile® Graphic

CBOT® Market Profile® Terminology
based on 'Mind over Markets'
by Dalton, Jones, and Dalton

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Informational Graphics

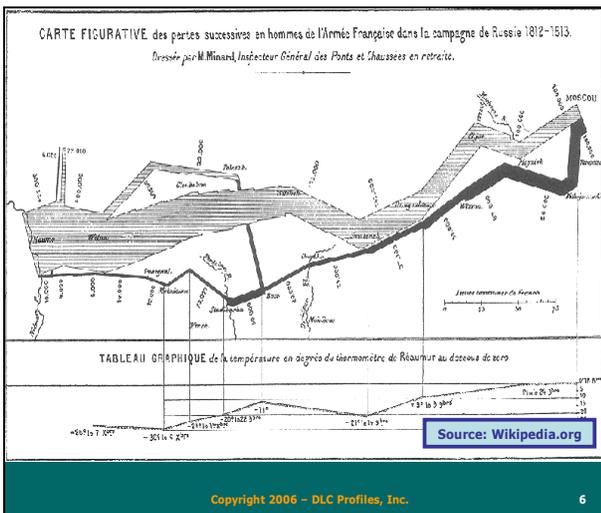
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Graphics capture and visually display complex relationships

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Classic Informational Graphic

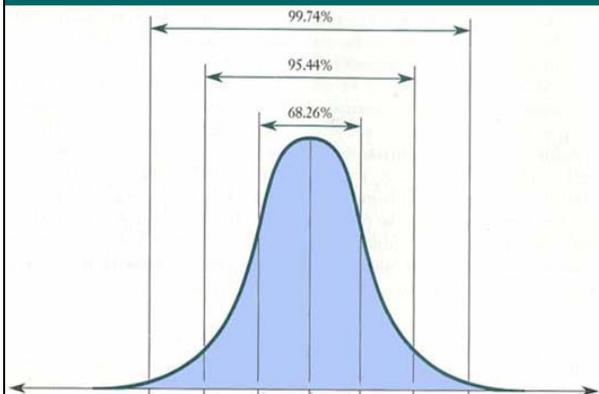
In a two-dimensional image, Charles Minard's classic graphic captured four variables that helped explain the losses suffered by Napoleon's army in the Russian campaign of 1812.

- The army's direction of travel
- The location the troops passed through
- The size of the army as troops died
- The temperatures they experienced

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The 'Bell Curve'



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The purpose of the distribution curve is to organize and display data

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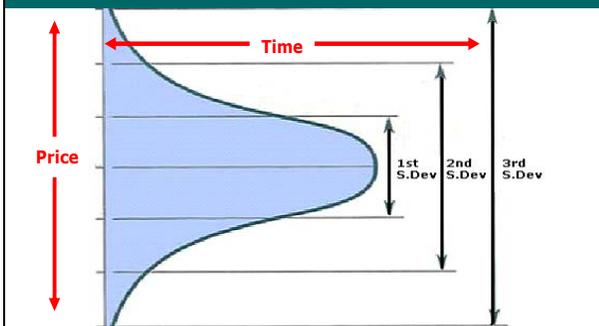
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The primary elements of the distribution curve measure a constant against a variable

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A Distribution Curve and Its Axes



Time = the Constant / Price = the Variable

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TPO's: Time-Price Opportunities

The Market Profile's® building blocks are "TPO's," or "Time-Price Opportunities."

Each 30-minute period of the trading session is designated by a letter; whenever a certain price is traded during a given 30 minute period, the corresponding letter, or TPO, is marked at that price.

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Developing Market Structure (Periods 1-2)

Initial Balance:

The first two time periods (first hour) for most contracts

Start	720	750
End	750	820
Periods	y	z
11106	y	y
11105	y	y
11104	y	y
11103	y	y
11102	y	yz
11101	y	yz
11100	y	yz
11031	y	yz
11030	y	yz
11029	y	yz
11028		
11027		
11026		
11025		
11024		
11023		
11022		
11021		
11020		

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Developing Market Structure (Periods 1-5)

Start	720	750	820	850	920
End	750	820	850	920	950
Periods	y	z	A	B	C
11106	y	y	y	y	y
11105	y	y	y	y	y
11104	y	y	y	y	y
11103	y	y	y	y	y
11102	y	yz	yz	yzB	yzB
11101	y	yz	yz	yzB	yzB
11100	y	yz	yz	yzB	yzBC
11031	y	yz	yzA	yzAB	yzABC
11030	y	yz	yzA	yzAB	yzABC
11029	y	yz	yzA	yzAB	yzABC
11028					C
11027					
11026					
11025					
11024					
11023					
11022					
11021					
11020					

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Developing Market Structure (Periods 1-7)

Start	720	750	820	850	920	950
End	750	820	850	920	950	1050
Periods	y	z	A	B	C	D / E
11106	y	y	y	y	y	y
11105	y	y	y	y	y	y
11104	y	y	y	y	y	y
11103	y	y	y	y	y	y
11102	y	yz	yz	yzB	yzB	yzB
11101	y	yz	yz	yzB	yzB	yzBDE
11100	y	yz	yz	yzB	yzBC	yzBCDE
11031	y	yz	yzA	yzAB	yzABC	yzABCDE
11030	y	yz	yzA	yzAB	yzABC	yzABCE
11029	y	yz	yzA	yzAB	yzABC	yzABCE
11028					C	CE
11027						E
11026						E
11025						
11024						
11023						
11022						
11021						
11020						

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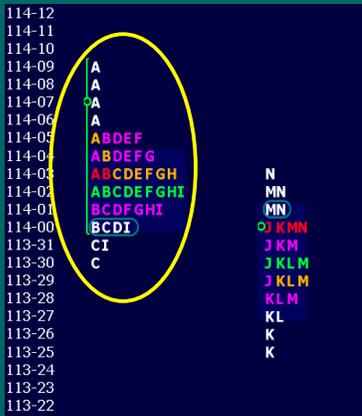
Developing Market Structure (Periods 1-5)



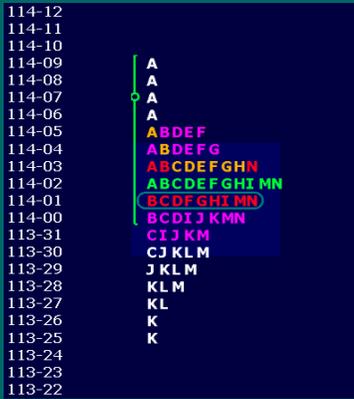
Developing Market Structure (Periods 1-7)



Developing Market Structure (Periods 1-9)



Completed Market Structure (Periods 1-13)



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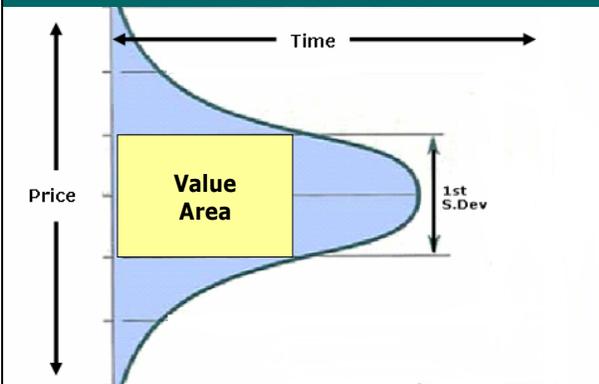
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Primary Elements of the Market Profile®

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Bell Curve - First Standard Deviation



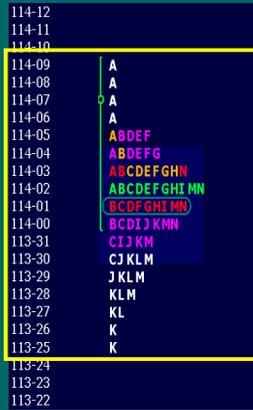
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Market Profile® Range

Range:

The entire height of the Profile – from the TPO at the highest price to the TPO at the lowest price



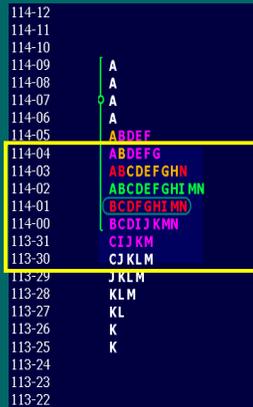
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Market Profile® Value

Value

$$\text{Price} \times \text{Time} = \text{VALUE}$$



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Market Profile® Value Area

Value Area:

One standard deviation (67%) of the TPO volume beginning at the point of control



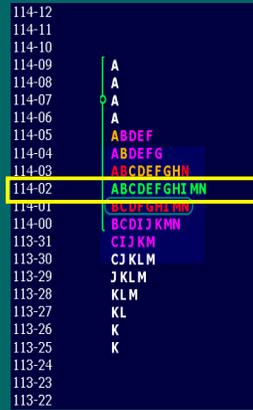
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Market Profile® Point of Control

Point of Control:

Longest row of
TPO's closest to
the center of
the range



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Market Profile® Initial Balance

Initial Balance:

The range set
in the first two
time periods
(first hour)
for most contracts



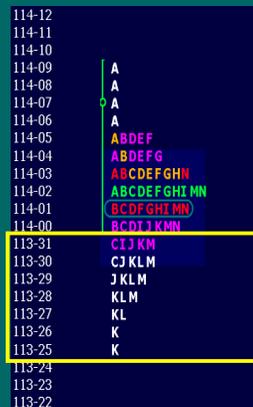
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Market Profile® Range Extension

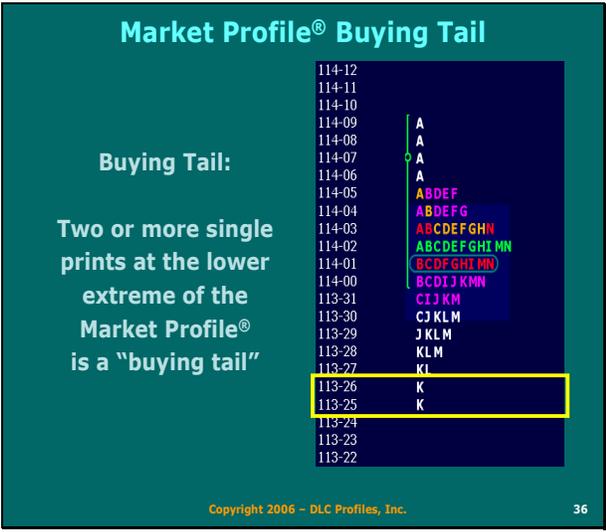
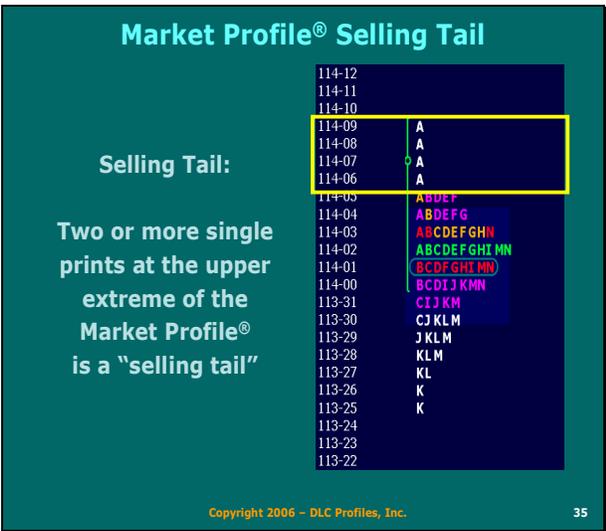
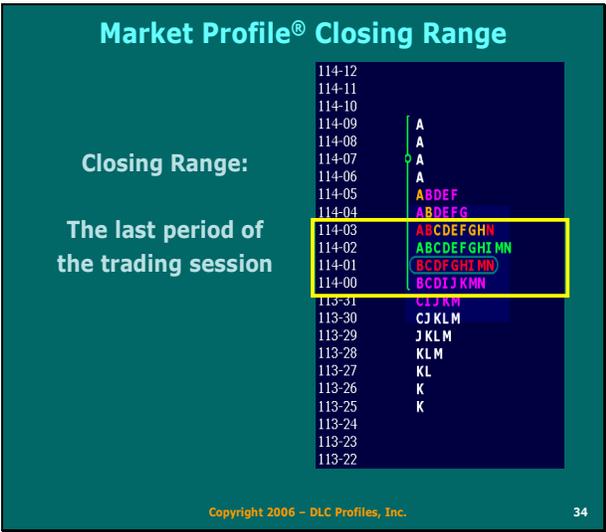
Range Extension:

All market activity
above and/or below
the range of the
initial balance



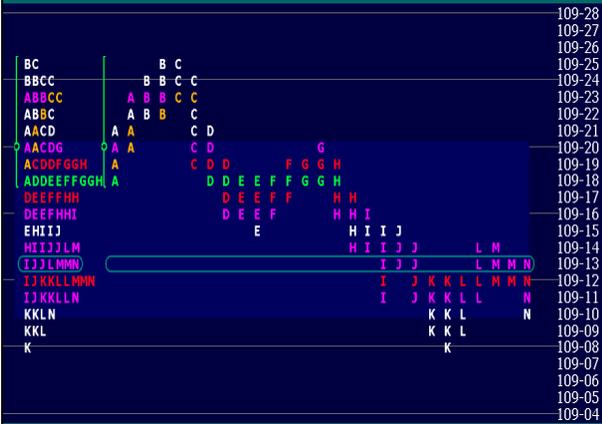
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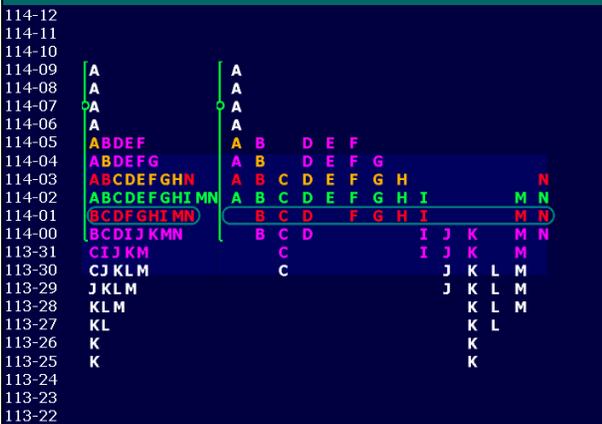


Multiple Ways to Display Profiles

Optional Timeframes (Example: 15 min)



Collapsed & Segmented Profiles



The following is an overview of some of the potential benefits that can be realized from using the Market Profile®.

They are presented with the caveat that their EFFECTIVE interpretation and application will only be achieved through one's commitment to on-going education, consistent study, and deliberate practice.

Potential Benefits of Using the CBOT® Market Profile® in Your Trading and Investing

The Benefits of the Market Profile®

The Market Profile®—a real-time evolving database—records, organizes and displays auction-generated information.

That information, once displayed, becomes both a conduit for listening to the market and a decision-support tool.

Market Profile® Graphic Benefits

The Market Profile® enables you to:

- View the structure of the market
- View the market 'contextually'
- Compare one day's structure to another
- View relationships between price and value

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Market Profile® Graphic Benefits

The Market Profile® Graphic's value area represents the *mean* of the distribution.

Using the value area as a reference point along with volume, you can assess the odds of price moving away from value, or regressing to the mean.

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Sid Meir, designer of the classic *Civilization* computer games, says games are:

“...a series of meaningful choices.”

Question:

What is trading if it isn't a series of meaningful choices?

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Successful traders . . .

- Are mentally flexible—they see multiple choices in any context.
- Make choices based on their own analysis and research.
- Understand the risk associated with each choice they make.
- Continually reassess the risks inherent in each choice they've made while the market is constantly bombarded with new information.

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Successful Traders . . .

- Understand markets, their opponents, and themselves.
- Are life-long students of the market and themselves.
- Are open-minded and perpetually inquisitive.

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An Anatomy of the CBOT® Market Profile®

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this Presentation of
The Anatomy of the
CBOT[®] Market Profile[®] Graphic**

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Market Profile, please visit us at**

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