Trading Plan 2014-10-26

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Important Note

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Table of content

Current objectives

Short Term Objective

Being able to generate 100$ by trading session in the Friday PMs

Mid Term Objective

Being able to replace my daily average income by trading in the Friday PM – 35$*36.5/5 = 255$

Long Term Objective:

Adding a second trading day of trading while reducing my daily job week to 3 days per week

Current risk criterias

Maximum trades per day: 4

Maximum daily risk: 60$

Daily target: 100$

Target risk per trade : 20$ To be manage by getting 100, 200, 300 or even 400 shares

Maximum risk for 100 shares: - 0.20$ per share = 20$
Maximum risk for 200 shares: - 0.10$ per share = 20$
Maximum risk for 300 shares: - 0.07$ per share = 21$
Maximum risk for 400 shares: - 0.05$ per share = 20$

Risk/reward ratio for rotational days: 2 for 1 @ POC is the target. 1.5 for 1 @ POC is the minimum risk reward ratio to be respected

Risk/reward ratio for out of balance / trend days: 3 for 1 at the next logic reference level

Jim Dalton's concepts – Markets in Profiles

The next section will explain in no particular order, some of the concepts that are explained and teached in the book ''Markets in Profile''.

<u>Bracket and balance area on time based chart</u>

In this section I will try to define what is the difference between a bracket an a balance area

When we have difficulty seeing the brackets and the balance areas you have to change the timeframe on your chart. You can go higher of lower, this will allow you to validate who of the markets participants might be in control …

Markets participants

1- Scalpers: In and out within seconds or minutes trying to make 0.01$ per share, even trying to be flat to collect rebate. They provide liquidity to the other market participants

2- Day Traders (I prefer Intraday Trader): They are trader that will be in the market from minutes to hours. They never carry position overnight.

3- Short Term Traders: They will keep position from 1 day to 3-5 days. These guys wants to play the balance areas inside the bracket. They get in at the extreme of a balance area to get out at the other extreme of the same balance area

4-Intermediate term Trader – Swing Trader: They will keep position from 2-3 days to 8-10 days. These guys are playing the entire bracket range.

5-Long Term Investors: These guys are attached to their securities. They will hold for months to years. They do leave big volume print in the market

When more than one market participants are active at the same time it creates volatility. For example, when an extreme of a balance area occurs at the same level as the bracket extreme, 2 groups of market participants will be active, at the same time increasing substantially the volume and the volatility.

Value

Value is the most important idea of the current approach. Value is a price zone (delta Y on the chart) where 70% of the trading time is spent. When price is situated inside that zone it is considered a being at value of fair price. When price is fair there is no opportunity. Each previous day has its value zone that is actually also called Value Area. The most important rule around Value is to stay on the latest value area direction for trading. If the current day has a developing Value Area that is higher than the previous day, then you are allow to take long opportunities only. If the current day has a developing Value Area that is lower than the previous day, then you are allow to take short opportunities only.

One Timeframing

One timeframing to the upside occurs when the low of the previous bar is not taken. And on and on again for the next bars. One timeframing to the downside occurs when the high of the previous bar is not taken. And on and on again for the next bars. It could stay at the same level or go down one tick and the One Timeframing action is not stopped. Actually it takes 2 ticks to stop the one timeframing action.

In Balance or out of balance

When price is outside the most recent Value Area we say that this level or price level is out of balance. From there on, 3 things can happens: 1- price will either accelerates a go away from the value area in search for another area to build a new value zone (bigger trading opportunity) or 2- Price will start building a new value area at this level (overlapping Value Area, smaller trading opportunity) or 3- It will look above or below the balance area and failed to attract new business and will revert to the value area (smaller trading opportunity). This is the one of the 2 most important concept of this approach.

Balance Area

On the upside, a balance area occurs when the latest bar is not able to clear the high of the previous bar. This would give a 2 bar balance. If the 3rd bar is not able to cross bar 1 then you have a 3 bar bar wide balance area. The minute the highest point of the balance area is taken out then you are starting a new leg and the current balance area is ended. You can have balance area that does overlap. Sometimes you will get rejection immediately when going ouside of the balance area. If the next bar is inside the balance area, we should regroup the new balance area with the previous one since actually, it is the same.

Excess

Excess mark the end of an auction and the beginning of another auction. Excess is defined on a TPO profile chart as being at least 2 ticks single print at one extremity of the profile. An auction is completed when you have excess on both extremities of the profile. This is the one of the 2 most important concept of this approach.

Gap

A gap is occurring only if we do open above or below the previous day high or low (entire day range has to be cleared at the open)

Markets are very visual

The only line or mathematical indicator Jim's uses are horizontal lines. Use the structure of the profiles (including anomalies) with horizontal levels

Completed Profile or Auction

A Profile or an auction is completed when you have excess high and low on both side of the profile

Poor high or poor low

When a day closes and at one of either extremities you do not have an excess high or low then this high or low is considered poor. The auction is considered as not completed. A poor low for example means that the market is currently too short. This means that a short covering rally might occurs in the short term prior to complete the auction by taking out the said poor low to create a buying tail (101 40:57)

Overnight Inventory

Overnight inventory can be long or short. When the value area of the overnight inventory is above the previous day close (or settlement) we say that the overnight inventory is long. When the value area of the overnight inventory is below the previous day close (or settlement) we say that the overnight inventory is short. According to Dalton and Stuart, 65% of the time these weak hands position (overnight traders) will be squeezed (return to settlement level) in the first or second 30 minute bar of the day. On the other side (45% of the time), when the squeeze does not occurs another and more important thing might be going on: The market can be very strong (up side) or very weak (down side)

Halfback

Halfback is a day (intraday) timeframe reference level. It is the half way between the current day high and low. Only day and short term traders follows this level. When you can see this level acting as support or resistance, you know you are alone playing with short term and day timeframe players. Intermediate and long term traders does not care about halfback.

30 minutes period

Just watch what it is happening at the end of 30 minute bars. A lot of activity occurs at these moments and this is why it is the first choice of Dalton.

Market Profile

Time is a constant and price is the variable. This is how we organize the data. The Market Profile is based on 3 major concepts: 1- Price which is simply an advertising mechanism. It advertises opportunities. 2- Time regulates all opportunities and 3- volume measures the success or failure of the advertised opportunities.

Anomalies (101 43:00)

Prominent POC is one of the anomalies. It is when the profile is uneven. The odds are god that we will revisit these areas. When there are anomalies in a daily profile, it reduces the odds of the market making a big move the next day.

POC Migration

When the POC migrate into a particular direction it means that smart money is moving the fairest price into their direction.

Prominent POC

When POC starts to be wide we call the POC a Prominent or very Prominent POC. This means that the odds of going away from this area are low while the odds of returning to this area are high.

Reference Levels

Reference level is a visual horizontal line (a price area) on any charts that has the Y axis based on price. Here are the reference levels that I will use:

1- Current high and low of day (HOD and LOD)
2- Previous day's high and low (YHOD and YLOD)
3- Any day POC can be a reference level
4- An all time high or low of the month or week
5- Halfback
6- Current day value area high and low (VAH and VAL)
7- Previous day's or any other day value area high and low
8- Anomalies
9- Yesterday's close which is also Unchanged or the Settlement

Spikes (101 1:01)

They occurs at the end of day and there are rules to trade them

Trend days and rotational days

15% of the time we have trend days while 85% of the time we do see rotational day characteristics (inside day or overlapping day)

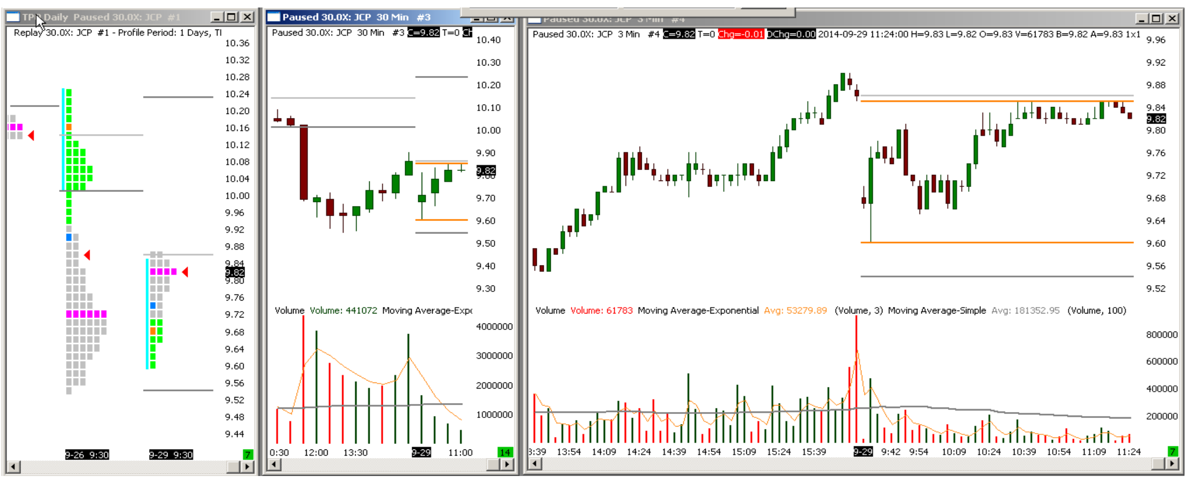
Study 1 - New highs or lows that shuts off activity – leading to return towards value area versus new highs or lows that brings new participants – leading to breakout

This section will try to find examples where we breakout above or below previous day high or low (and assess the volume size required to do so). At the same time, we will observe the opposite (when previous day reference levels) acts against a breakout (or the breakout fails) and leads to a return to the value area. The next screenshots are order over time but not in order over date … For now.

Dalton is repeating all over his book and all over his webinars that new highs or lows has to attract new participants in order to generate breakouts. On the other hands he also specifies that new highs with volume declining (not attracting new participants – nobody responding the advertisement of new prices) will lead to a return to the previous balance area or value area or even to the other extreme of the last balance or value area. This is also call as responsive buyers or sellers that likes to play the bracket or the balance area. On both situations, a certain amount of volume is coming into play. What he never shows is what is a good volume sample size of "new participants" versus "responsive volume". We do know that "new participants" volume is bigger than "responsive" volume but by how much ? The next section will try to make light on this volume assessment …

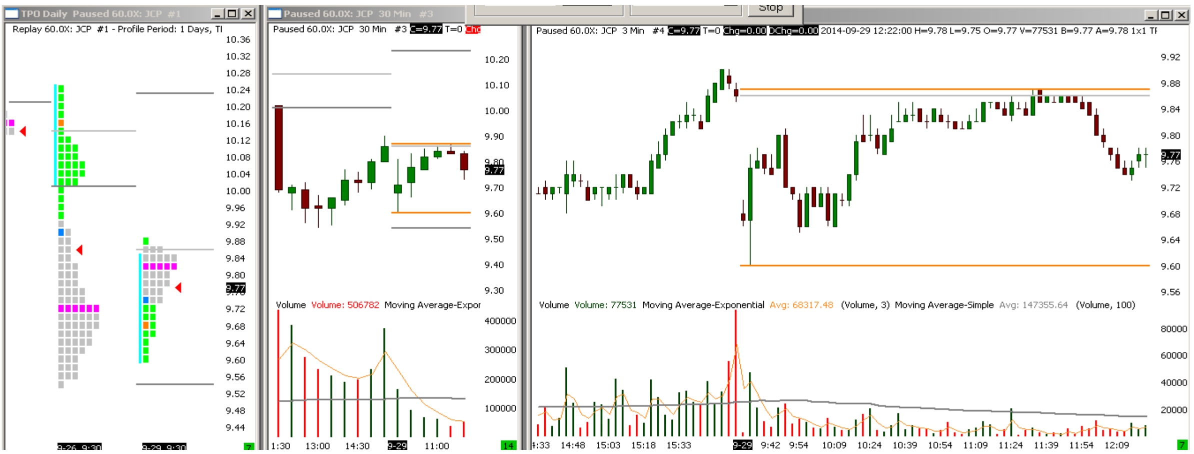
A daily profile made of 30 minutes bar with a 3 minute time based candlestick chart will be used for our little study. Volume will be on the lower section of the 3 minute chart with a reference level line at 200 000 shares. The previous day high, low and close will also be reference line levels on the 3 minutes chart

September 29th, 2014

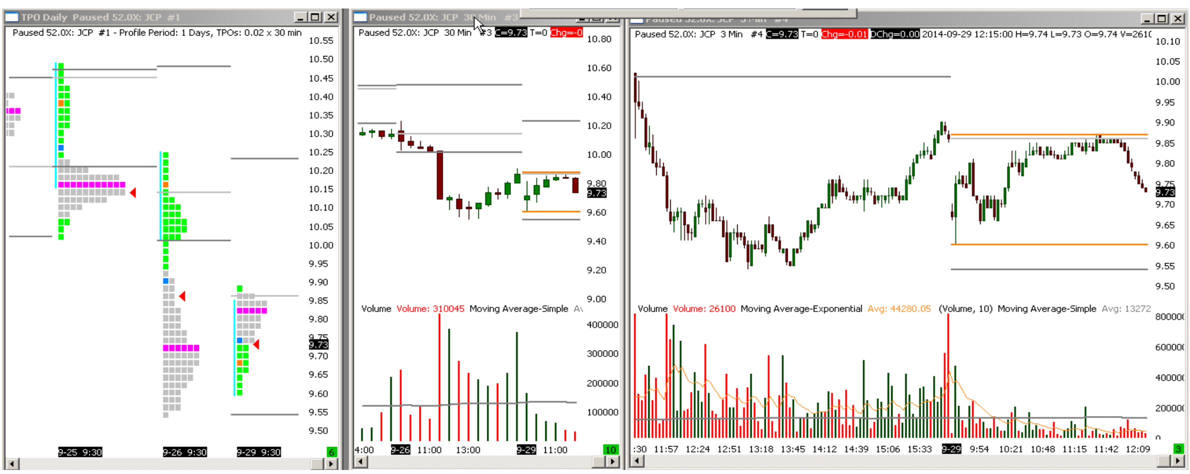


On September 26th (previous day) we can see that 2 auctions occurred during the day. The range from 9.92 to 10.00 with a balance areas above and below is clearly telling us that 2 auctions we in place on that day. The 5 squares between 10.00 and 9.92 also indicates that it could be excess on both profile since you need only 2 square to have an excess and 5 included 2 times 2 squares … I will have to figure out what a square mean in term of value (0.01$, 0.02$ or whatever) but I will leave that for later. Gray lines on the 3 charts are previous day high low and close (lighter gray is the close) while orange line on the 30 and 3 minute charts are the current day high and low. The Profile value area blocks or squares in gray are the value area while the green blocks means outside value area. The orange block is the open while the pink blocks (line) is the point of control line. The red arrow is the close.

We did went through HOD around 10:24 on some volume increasement (went from an average of 90 000 from the previous 4-5 bars) to 195 000 for the 2 bars the broke HOD. Then we pushed near the previous day close (1 tick below) and stayed below that reference for about 15 bars with an average light volume of 75 000. The price being near these 2 levels are definitively not attracting any volume at all for that period.

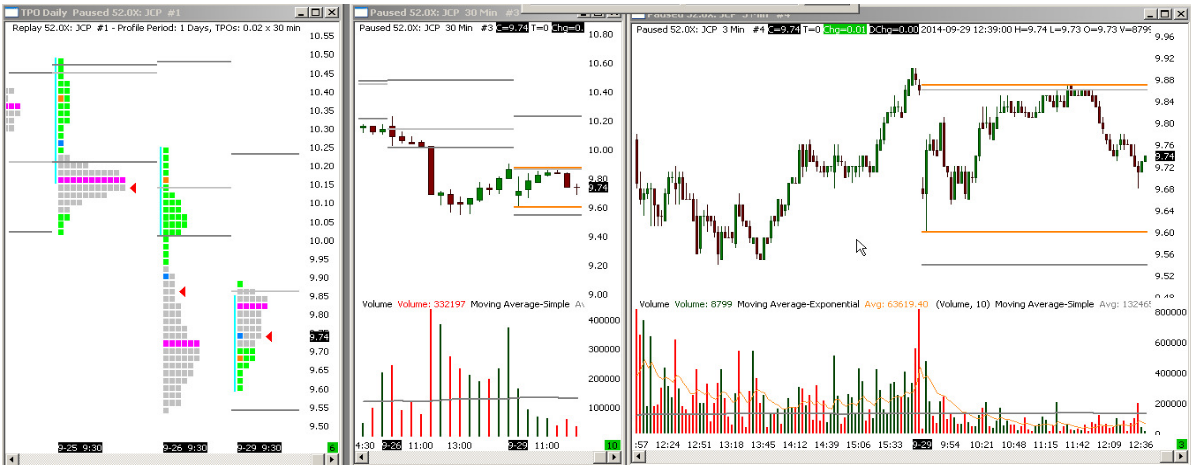


Then, at exactly 11:33 a single print green block appears on the daily profile at the same time than crossing the previous day close and pushing the current HOD. 5 to 7 bars from 11:39 to 11:54 with ultra thin volume (average of 35 000 for these 5-7 bars). Small return to the other extreme of the value area a 0.10$ move … The profile is an inside day while current VA is situated in the higher portion of the previous day VA and the POC of today is higher the one in the previous day … Conflicting information here …

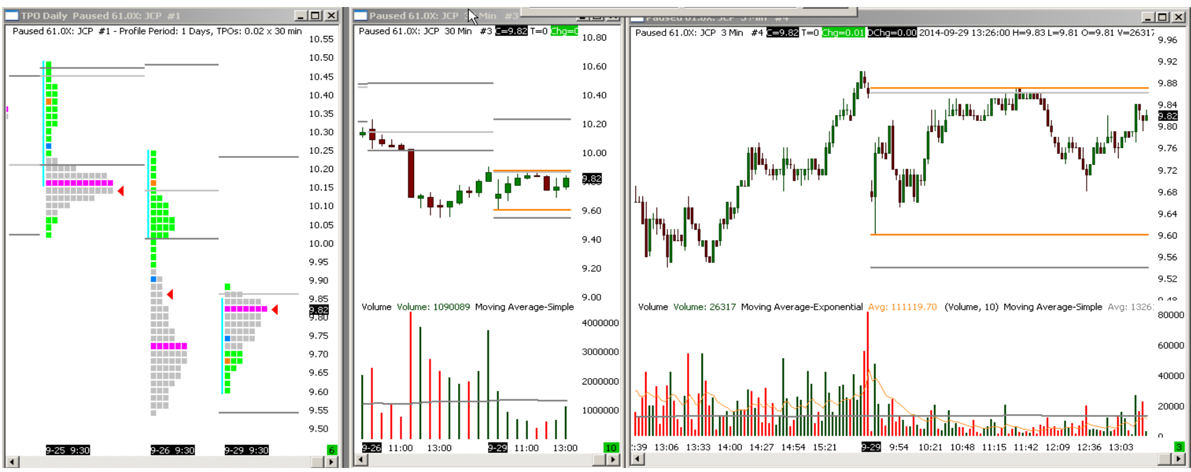


This is the next move. I did some adjustment on the volume moving averages on my 3 minute chart. I took the 30 minute SMA100 volume line and transferred it on my 3 minute chart (which gave me a SMA1000 on the 3 minute chart) for a better long term moving average (LTMA). This will give me a straighter line for future volume assessment. Also, I did fix the volume range from 0 to 800 000 on the 3 minute chart in order to keep a constant visual reference of market participants activity. We are outside the current day VA at the previous day POC level.

7



Then a candlestick with a tail and volume about 1.5 time higheg than average at the current open level and yesteday's POC. Price are still in the low portion of the daily profile far from the POC



This was enough to push price back to the POC level with some volume response at the 9.82 level, volume again around 1.5 times the LTSMA.

It has been now 2 study session that I spend trying to search for the answer to my question and I think it is more related to instant volume size than relative to a moving average or specific volume size. Unfortunately for me, the answer to my question is not that obvious and simple to find out. The next charts will show reference levels acting as resistance and being broken in not particular order. Then, I will try to make a recap and separates the breakout from the failed breakout and assess relative volume to current instant or close relative bars in the past.

September 30th, 2014

The profile is showing higher value than the previous day and now we are breaking 3 reference levels – YHOD, YC and LOD. Lets add some bars …

Volume for all bars that did cross the YC and YHOD and pushed down LOD were average to 1.2 time the average size when comparing to previous volume bars.

And here is the final result. We are at the other end of the value area, time to get out.

Ok, another example later in the day:

We are going through yesterday's reference while today LOD is not reached yet. But volume did not attract anything at all … And the profile is on the LVA.

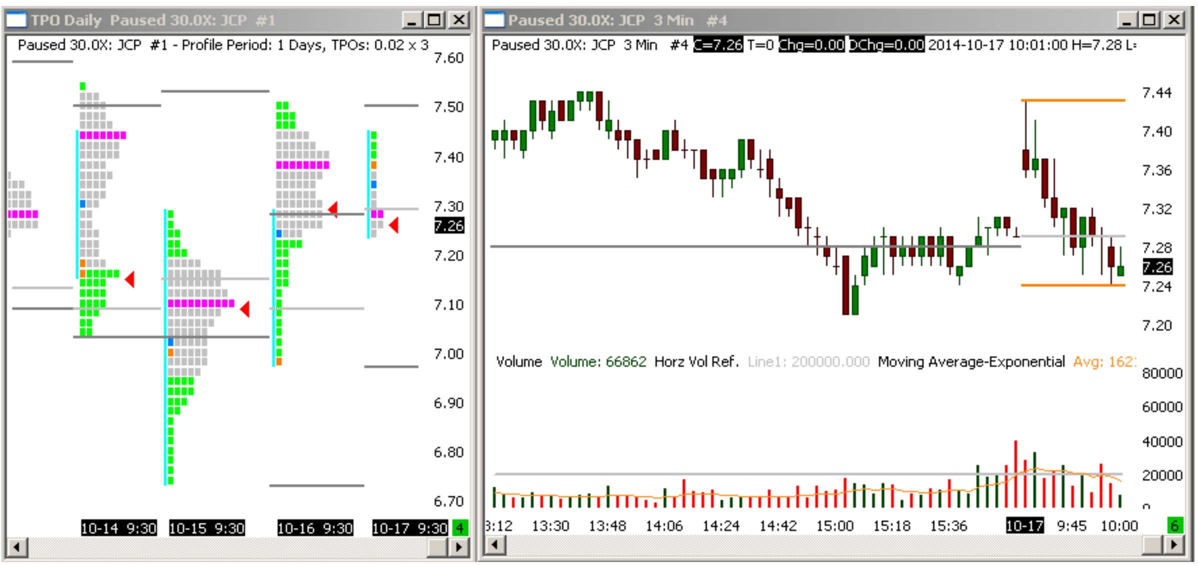
Now 5 bars later still lower volume and still in the LVA of the profile … And then …

Price went above yesterday references, added some volume and you and the profile is now at VAH … All on thin volume, way below the 200 000 volume gray line. Let's watch another day now.

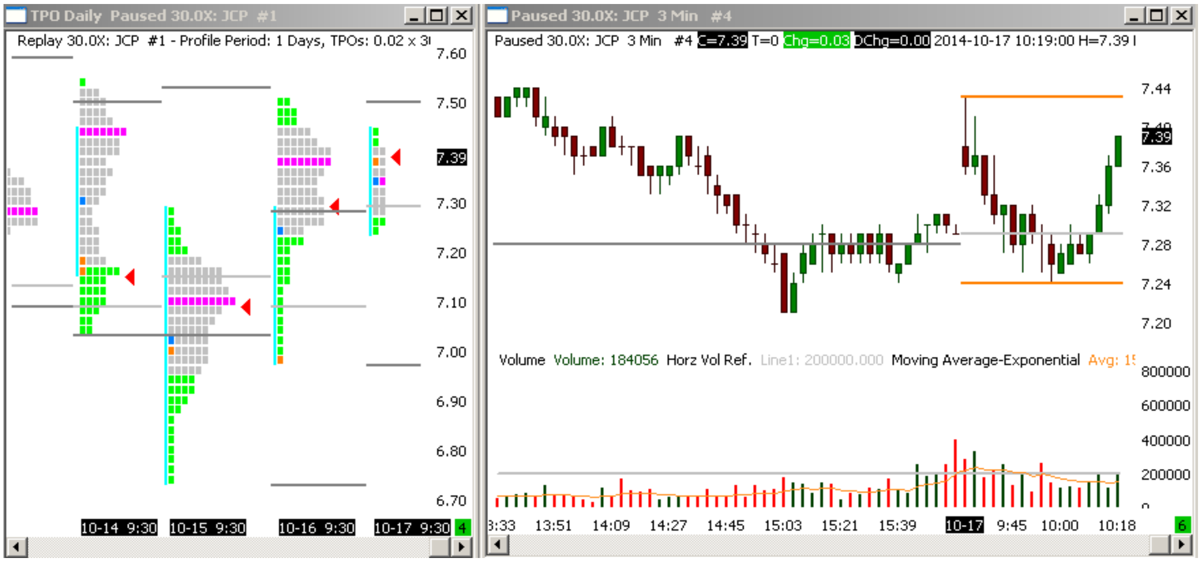
October 17th, 2014

11

We are definitely inside the previous day and inside yesterday VA. We are now at LOD and YC with volume declining en comparing to the open



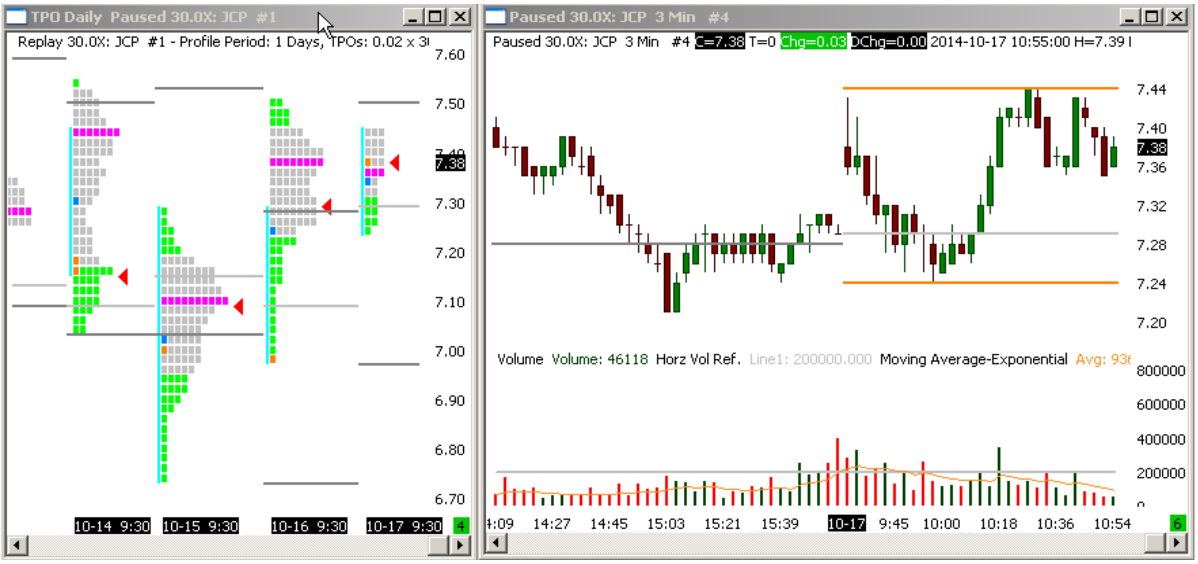
LOD is pushed a little bit more while showing 2 candlesticks with tail all on light volume.



And now at the other end of the VA and near the HOD, still on volume below the 200 000 bars

Now and near HOD, one green bar is putting a 380 000 volume bar. This is probably what Dalton calls Responsive volume …

13



And now, HOD is pushed up by one tick on thin volume and a second try is attempted all on declining volume (look at the MA of the volume, the orange line …)

Now on the low side of the profile in the green section still on light volume, might be time to get out if you entered short … POC is now lower than YPOC. So, even the VA seems to be in the same section, at least the POC comparaison tells us lower value …

14

Still pushing the LOD towards YLOD on 100 000 volume as average.

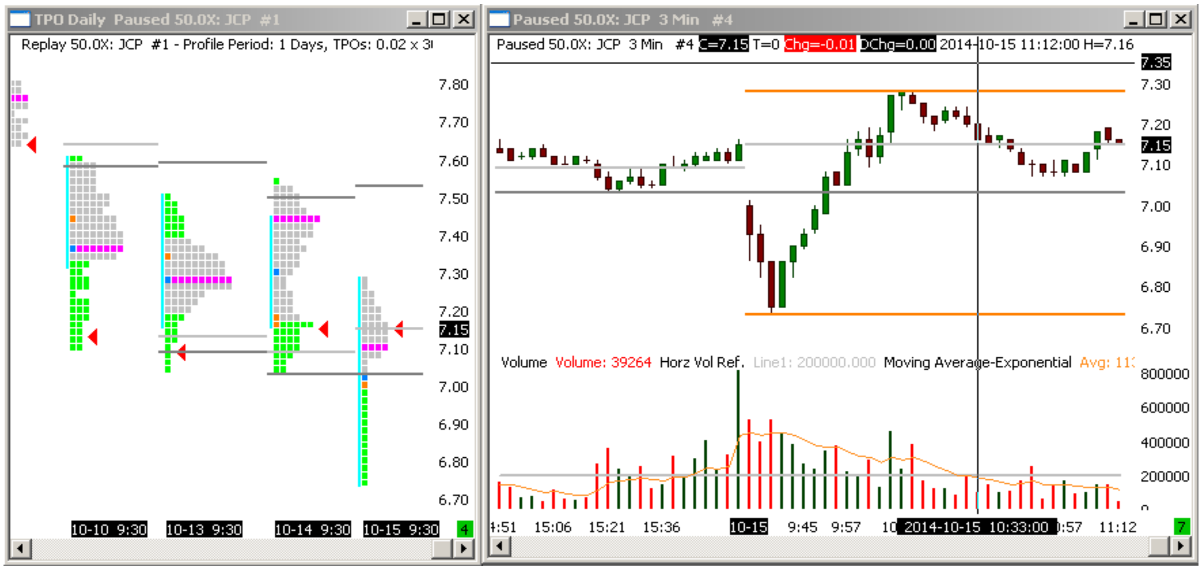
It did stopped there and went back near the pevious day's close, all on light volume. LOD was pushed be light volume.

October 10th, 2014

15

VA and PC is now lower than yesterday. Even if the POC was higher it would still be lower than previous day POC. Volume is clearly going down by looking at the MA and we crossed yesteday's close and we are pushing the HOD. Not a good sign that we are attracting new participants … And one volume bar at 450 000 showing response …

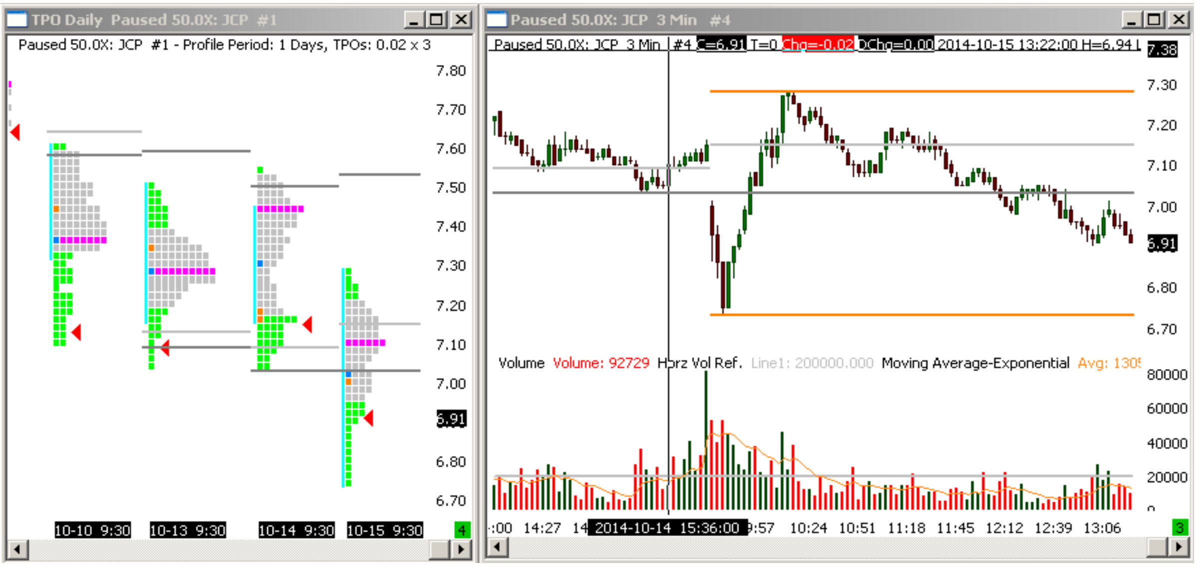
Now a second volume burst around 395 000



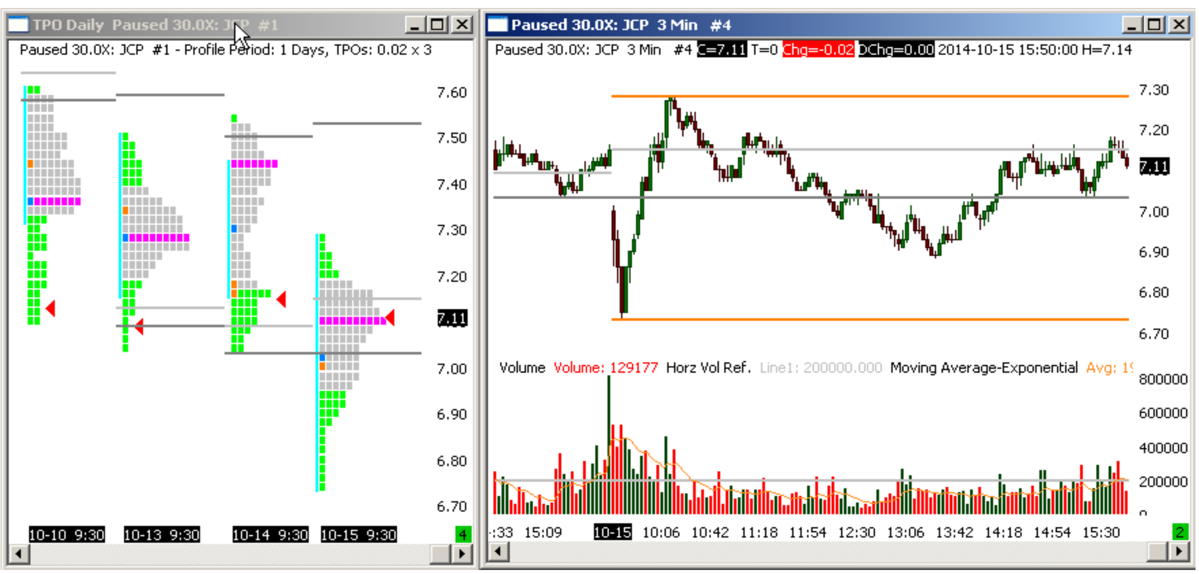
Now our profile has a P shape which is bearish. Lets wait because YLOD is at the same level than the 2 other previous day … And VA and POC are clearly showing lower value when comparing to yesterday … Also, the slope of the VA is also bearish …

We went below YLOD with not that much of volume but when it moved back above look at the so thin volume like if nobody was there to move it back … And the profile is building a lower VA … Finding acceptance base on time, no rejection of the zone …

17



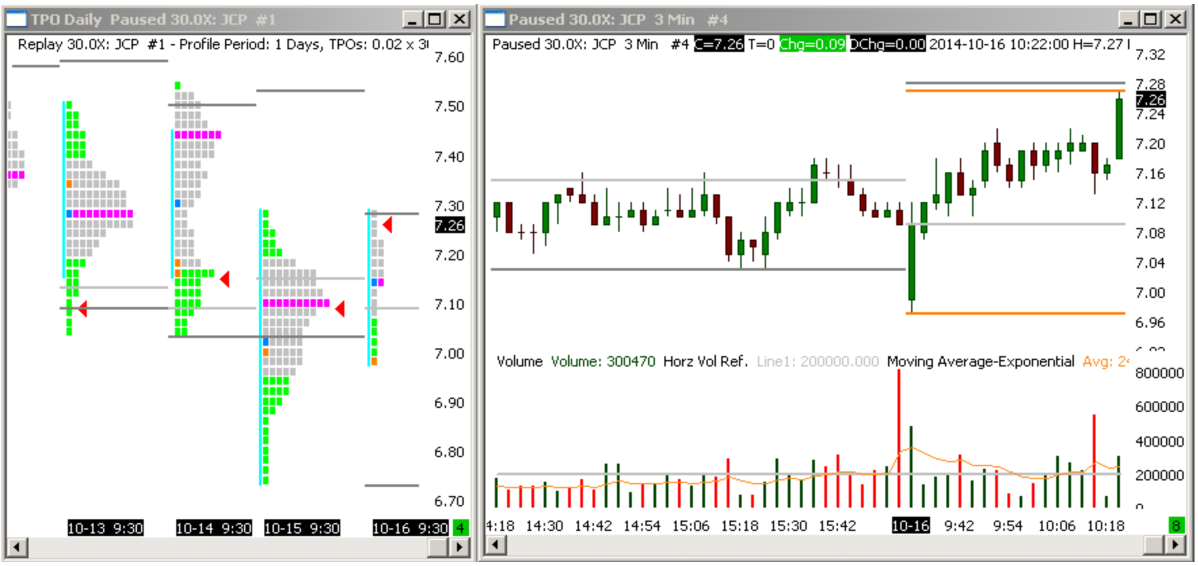
Look at the profile. It did enlarge its VA towards the bottom while some volume really kicked only around 13:06. Now in the green on the profile



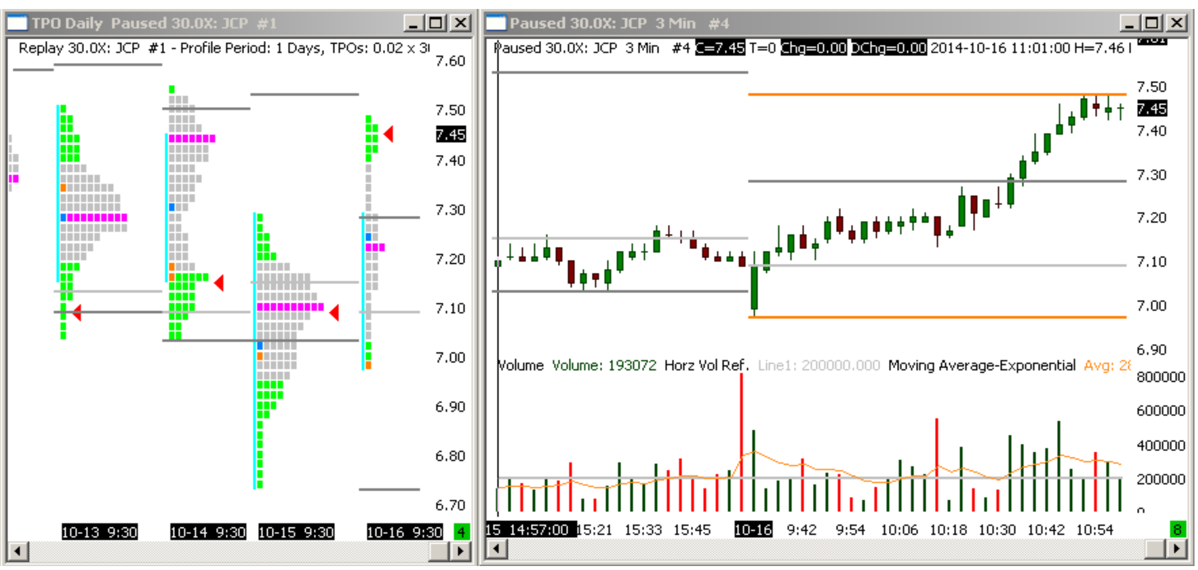
And on the 13:06 volume at no particular level (except for the fact the were outside the profile VA on the low side) the stock did reverse to the up side
Ok I do have one with more volume for a breakout example.

October 16th, 2014

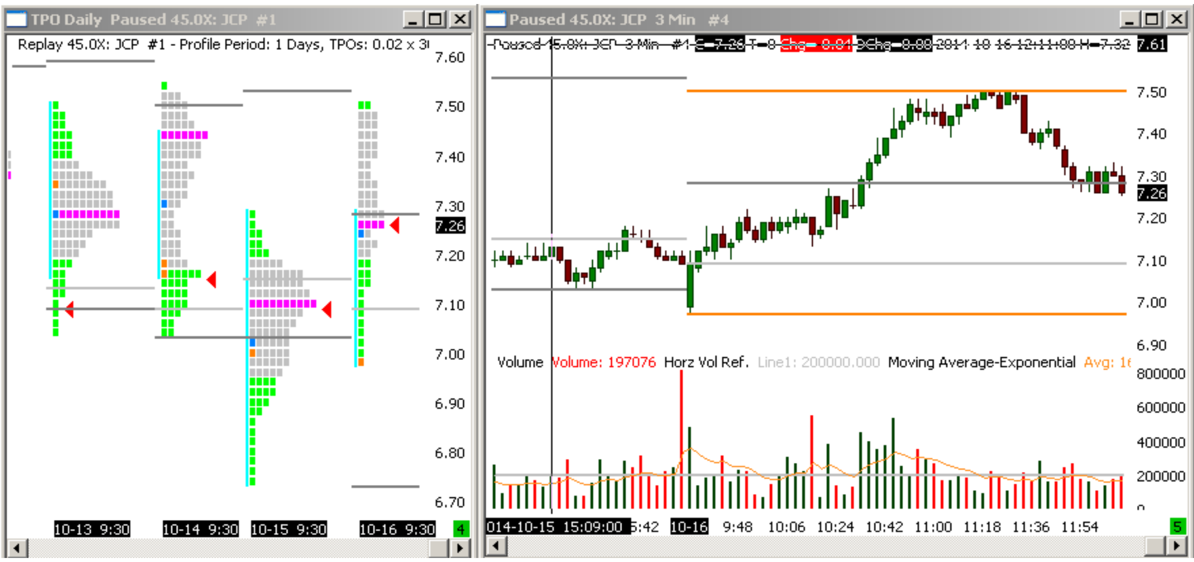
18



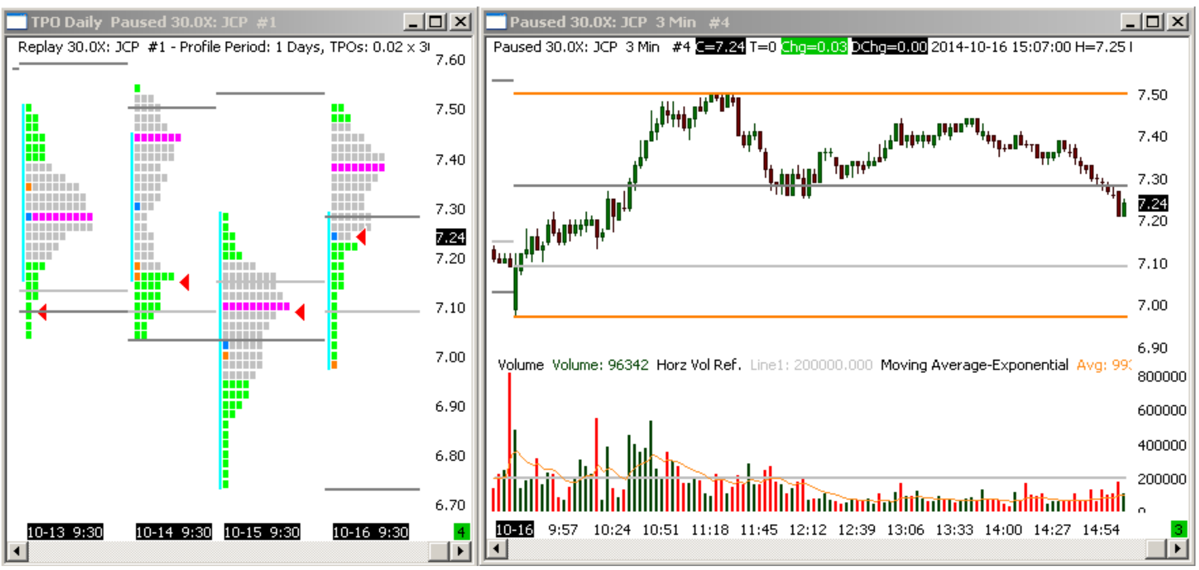
First, the volume of the previous days close bar (913 000) is totally engulfed by the 1st two bars at the open on smaller volume (about 600 000) which result in the YC being support. Then some volume at HOD and finally, a big one (600 000) on a red bar at 10:12. The bar after barely made 100 000 while staying at the low. The last bar on this chart is going to YHOD while pushing HOD on a 325 000 volume bar. Lets see what happens next …



Now numerous bars (between 10:33 to 10:42) above 400 000 did pushed JCP to crossed the YHOD to start building a higher VA.



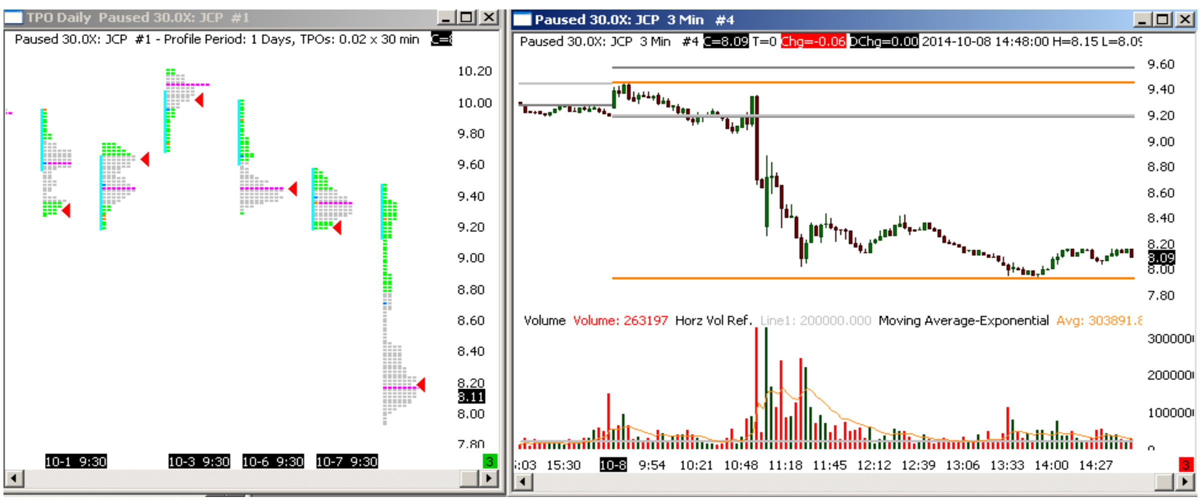
Now at the level that took 5 bars of 400 000 volume each (YHOD) but the profile is not in the green. But it is in its lower portion while POC is in there too … We do have a huge tail on the profile with a poor high at the top, 2 bullish factor, with higher value than yesterday, with all that and a retrace to the reference level maybe being in the low portion of the profile is enough …



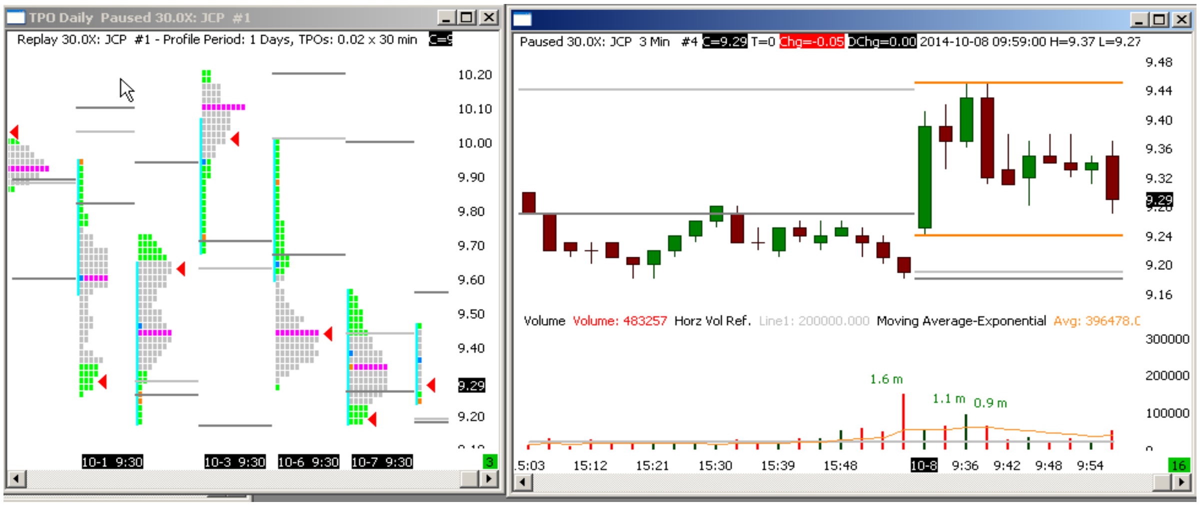
Ok not waiting to be in the green section of the profile would not have make anything good, it did not went to HOD … But now we have another opportunity and we are in the green. On thing against us is the P shape but all other fact are bullish …

Now the profile is building acceptance lower … A sign that our P shape might have more power than all others … And the day is over. At least it would not have been a looser

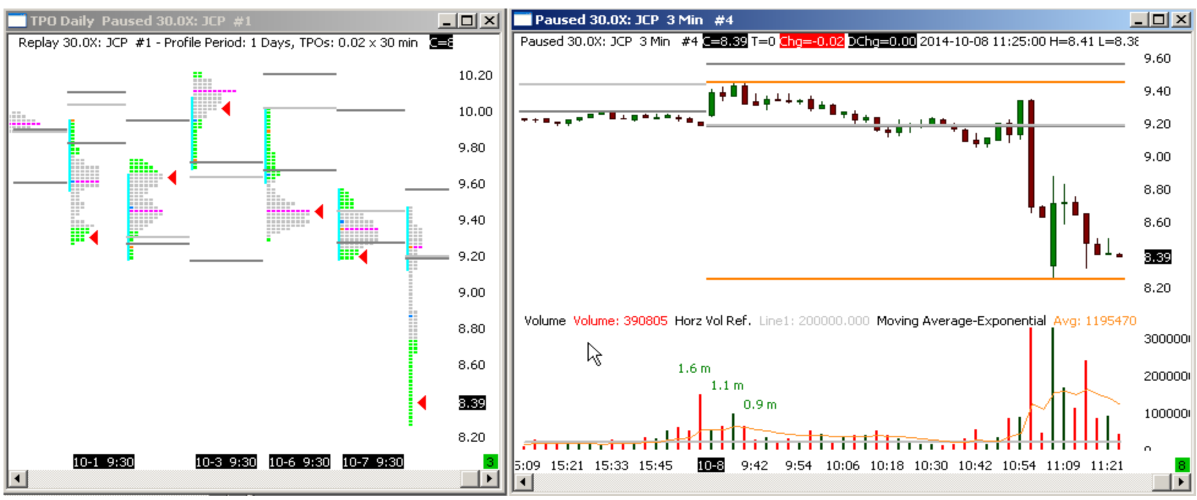
October 8th 2014



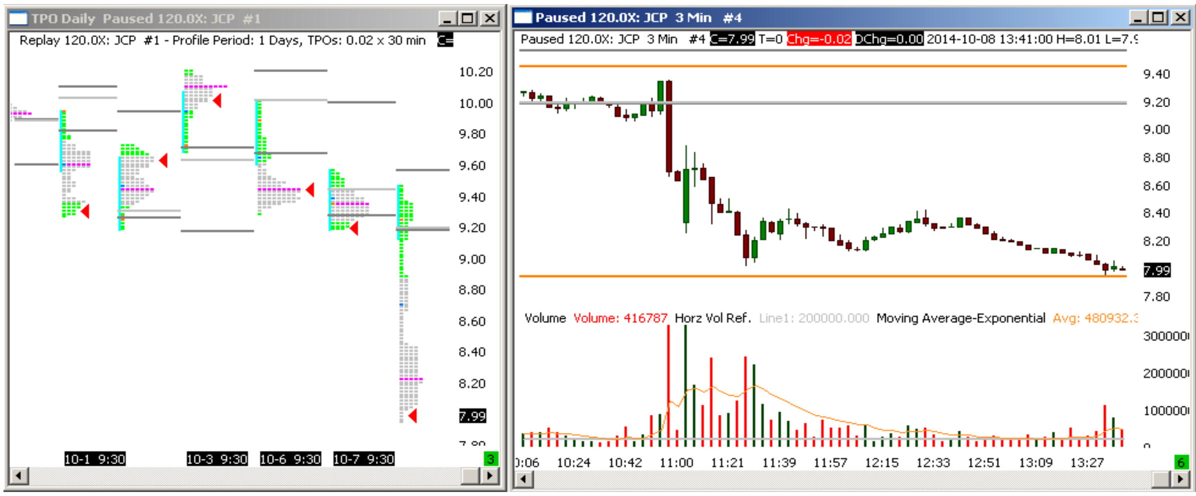
This is the entire day on October 8th. I had to change the scale on the volume section by more than 4 times … On all other days I had a fixed scale of 800 000 shares per 3 minutes bars. On that day, I had to move the top of my scale to 3 600 000 … So on this chart I think we do have a nice opportunity of seeing price advertisement that is bringing a lot of new participants while at the same time and seeing a responsive volume that act as resistance … Lets evaluate the open …



First of all, there was an abnormal volume at the previous day close (1.6 million shares traded on the last 3 minute bar of the day). The previous day profile was symmetric with slope showing that the value area was migrating lower. The biggest volume of the day occurred at 9:36 on a bar that did push HOD. The immediate bar that followed did completely engulfed the higher volume bar of the day with a smaller volume. Then, 5 bar averaging 200 000 of volume followed by a 550 000 bar. Let see what happens next …



When arriving at the previous day close (which is the level where 1.6 m shares were traded at the close) we find some responsive volume in the 400 000 shares area that did brought the stock above the said reference level line. And then suddenly, 2 bars near 1 M shares and one huge 3 M share red bar …



Here we see LOD being pushed with volume near doubling the recent volume but not as big as the break down volume. And probably at least 3 to 4 time smaller than the break down volume. Look at the position of price in the profile …

And now see what happens next, return to the center of the VA and at the POC level. Being against the major trend and all factors (lower POC, lower VA than previous day) I think that reaching POC is fair enough … 9.97 would have been a nice entry while POC was at 8.16, not a bad trade …

What can we say now about volume assessment when approaching key reference levels ? First, it is clear to me that there is no reference number that can be used like the horizontal line I did draw at 200 000 shares on my 3 minute chart. I will keep my line at 200 000 but I am saying that I cannot use it to reference volume level when it is time to figure out if we are in presence of responsive volume versus new participant volume. Also, trying to follow a MA for volume is also difficult and did not lead to add any major edge. Volume assessment has to be done with the context of the current and near past volume size bars. This is what I did learn. Volume has to be compared to the open, previous day close and current day volume. In order to get a feel as for volume size, you will have to look at the prior day close volume, then at the next important volume spike (which will occurs within the first 30 minutes usually) and deal with that size to evaluate if this sample size did act as resistance of key reference levels or did act as a breakout. From there and only from that moment on that day you do have a volume size as reference. If the 1st important size did act as not being able to break, then this would become your responsive volume size reference number (for example 300 000 shares) for that day and a way bigger volume size would have to come in order break on that day. On the other hand, if you see near same size volume sample (same as initial volume size) at another reference level (or at the same) you can assess that this is responsive volume that will lead to return to value area. I will try to develop an approach that will measure that initial volume size for the day . That initial volume size would either be a responsive volume size (volume that did act as a no breakout) or a volume size that would be a breakout volume size (volume that did act as breakout volume). And from this initial volume size we will be able to reference new volume size that will come later during the day to evaluate if they can be breakout or responsive volume …

Volume Assessment

This section will define how I do measure volume based on the previous section conclusion.

Initial Volume Sample Size or IVSS: The SMA3 of volume will be used in order to measure this metric. At the close of bar 3 of the day (9:39) this information can be collected.

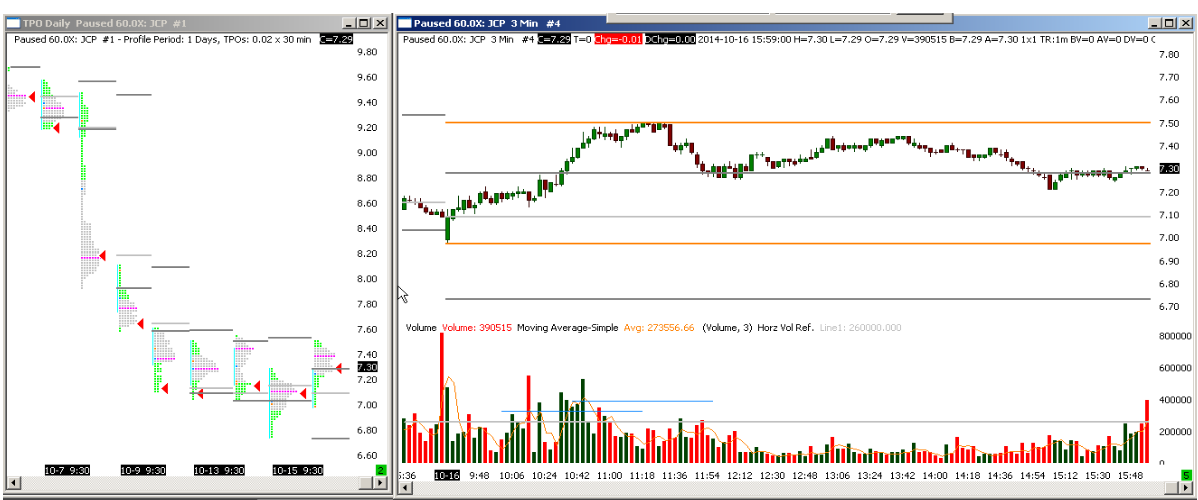
Highest Volume Sample Size: The initial Volume Sample Size can be replace at any time during the day if the SMA3 of volume is challenged to the upside. From this moment, the IVSS will be replaced by the Highest Volume Sample Size or HVSS. If the VSS is at least 150% of the most recent VSS, then the type of VSS will automatically switch to Attracting new participants.

Volume Sample Size HWM: A horizontal line will act as high water mark on the volume histogram to show the IVSS or the HVSS.

Volume Sample Size Type or VSST: The Volume Sample Size (initial or highest) could be of 2 types: 1- Responsive or 2- Attracting new participants. The type responsive will be applicable when prices are returning to previous day value area section or when returning to current day VA or POC. The type Attracting new participants will be applicable when price are heading against the previous day VA and towards the YHOD or YLOD or even above or below it.

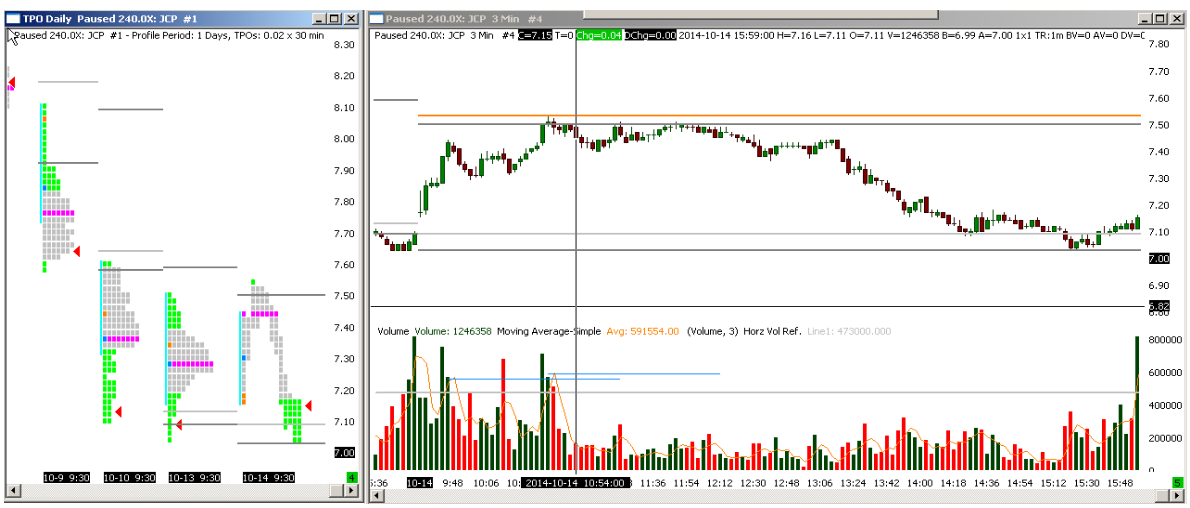
Let's look at October 17th, 2014:

We can see @ 9:39 that price were heading back towards the previous day's close. This information assesses type of the VSS which is of type Responsive. The SMA3 of volume (orange thin line on the volume histogram) was @ 260 000 at the end of bar 3 which gives us our first reference volume sample size of the day (IVSS). This level was never challenge at anytime during that day. 390 000 would have been the number to reach (150% of 260 000) in order to call a VSS type change on that day which, clearly, did not occurred. Ok, let's check October 16th, 2014.



We can see @ 9:39 that price are attempting to escape from yesterday's value area by rejecting value below the close. So our VSST is of type Attracting new participants. Our IVSS is @ 250 000 (gray horizontal line). Around 10:15, our said IVSS level of 250 000 is pushed up to 331 000 giving us our first HVSS of the day. Since the type was already Attracting new participants, it will stay the same since we are reaching new daily high volume size. Then around 10:42 our HVSS of the day is pushed again at a new VSS high of 390 000. The VSS type stays of type Attracting new participants. Ok Ocober 16th now

This is an interesting one. At 9:39 I have to call it a IVSS of 520 000 with a type of Attracting new participant. Then no later than 5 bars later, price were back above the previous day low and the current open which seem to act as an attracting pole … This is the action of responsive traders …. On this case we have to change or IVSST to Responsive, it is pretty clear. Then a volume spike of 400 000 (below our IVSS) above yesterday's close while pushing the current HOD. It would have take a volume spike of at least 780 000 to switch to a HVSS of type Attracting New Participants. I know I am going backwards here, maybe I will re-organize later. Ok, October 14th now



Another interesting one. I did split the current day profile into single 30 minute bars for a better understanding of the open. First we open around the previous day VAL for heading immediately towards yesterday POC which is Resonsive type. IVSS is at the grey line around 430 000. Then around 9:48, volume burst that creates the first HVSS of the day @ 552 000, not enough to switch the type to Attracting new participants (150% of 430 000 is 615 000). Then around 10:42, volume burst that creates the second HVSS of the day @ 590 000, not enough to switch the type to Attracting new participants. Now the difficult question would be do we use 150% of the the IVSS or of the HVSS ? To be on the safe side we should take 150% of HVSS … I like that. So in this 2nd case, it would have take 150% of 552 000 which is 828 000 to switch the HVSS type to Attracting new Participants … And looking at the chart I think that our volume assessment method is still working well after 4 days of study … Let's test another one. Otober 13th 2013

I did enlarge the profile section to see it better. We did open right on yesterday POC which is near YLVA. After bar 3 we were heading toward's yesterday's high with a IVSS around 610 000. Going away from yesterday's POC gives us a IVSS type of Attracting new Participant. 4 bars later and on lighter volume we did cross the current open and we are back near YC and YLOD. The initial attempt did clearly failed so we have to switch our IVSS type to responsive. The 610 000 level was never challenge at all for the rest of the day.

My stock universe

These are the only stocks I am allowing myself to trade. They are stocks that I like to trade and they do have a minimum of 10 million shares traded in average every day. The short term tick size has been selected for each of these symbol based on high activity day – not extra high volume day but good trading day. From these days, the short term tick size is selected to get a minimum of 45 seconds per bars in average from 9:30 to 10:30. If the day is very active and your minimum tick size is too fast, increase your tick size to get your 45 second target. The opposite – lowering your tick size if your chart is too slow – is totally interdicted. If you have to lower your tick size it is because y€ou are in front of a non active trading day for that particular trading instrument and you do not want to trade stocks when it is not active.

I will have to add POC migration to the TPO chart … Not available on Sierra I think … Can be figure out by replaying market

101 1:07

Symbol	ST Tick Size	Sector
ABX	300	Gold
CSCO	700	Hardware
DAL	100	Major Airlines
FB	600	Internet
GG	200	Gold
GRPN	250	Internet
JCP	800	Retail
JPM	400	Banking
LCC	100	Major Airlines
MSFT	800	Software
POT	200	Chemicals
QCOM	150	Telecom
QQQ	100	NASDAQ
SPY	800	SP500
YHOO	300	Internet

Day Trading Preparation

This section will define the preparation and study of the market prior to engage in a trade. It will be a market assessment that will be done during the doldrums since my trading period is in the PM.

Preparation task 1: Evaluate if you are in a trend or rotational day

Preparation task 2: Evaluate if Value is up or down comparing to the previous day. 2 things needs to be in place for this rule to be valid: the center of the VA and the POC of the current day has to be both either higher of lower than the center of the VA and the POC of the previous day. If these 2 metrics disagree, then you have no direction.

Preparation task 3: Volume Assessment. Mark the HOD and LOD volume size to get a volume assessment reference size. Draw an horizontal gray line on the bigger one and a short blue line for the other opposite of the day

Preparation Task 4: Mark your reference levels on all charts. Current and previous day high and low, Unchanged, Halfback, recent Prominent POC

Trading Rules

This set of rule will be divided in 2 parts: Rotational days and Trend Days. Also this set of rules are to be apply for my trading period which for now, is in the PM

<u>Rotational Day's rules</u>

Rule 1: Risk/reward ratio. Refer to risk/reward ratio section for exact numbers

Rule 2: Daily Value and POC migration. If value is higher than the preceding day I do allow myself to go long only. If value is lower than the preceding day I do allow myself to go short only. 3 things needs to be in place for this rule to be valid: the center of the VA and the POC of the current day has to be both either higher of lower than the center of the VA and the POC of the previous day. If these 2 metrics disagree, then stay out. The 3rd is that POC migration has also to be in the direction of the Daily Value. If the POC migration disagree with the Daily Value direction stay out.

Rule 3: Value Area. Wait to be outside of the value area (in the green section of you profile). Being on the last line of the VA is also acceptable if other signals are strong. By other signals I mean responsive volume, reference level is reached, excess is clearly visible

Rule 4: Reference Levels. On the top of the VAH or VAL reference levels, one other reference level is required to take a trade. Other reference level can be current HOD or LOD, halfback, Unchanged, YHOD or YLOD, yesterday's POC or anomalies

Rule 5: Responsive volume. First, a responsive volume size is required. A near or above the previously marked volume assessment size is required (gray or blue horizontal line draw in the above preparation section). Then we need a form of excess that will show us the the current short term auction is over. And finally, we need an engulfing situation showing that the responsive volume level is either below us to go long or above us to go short.

Rule 7: Excess. Then we need a form of excess that will show us the the current short term auction is over. A topping tail or bottoming tail on your 3 minute is required.

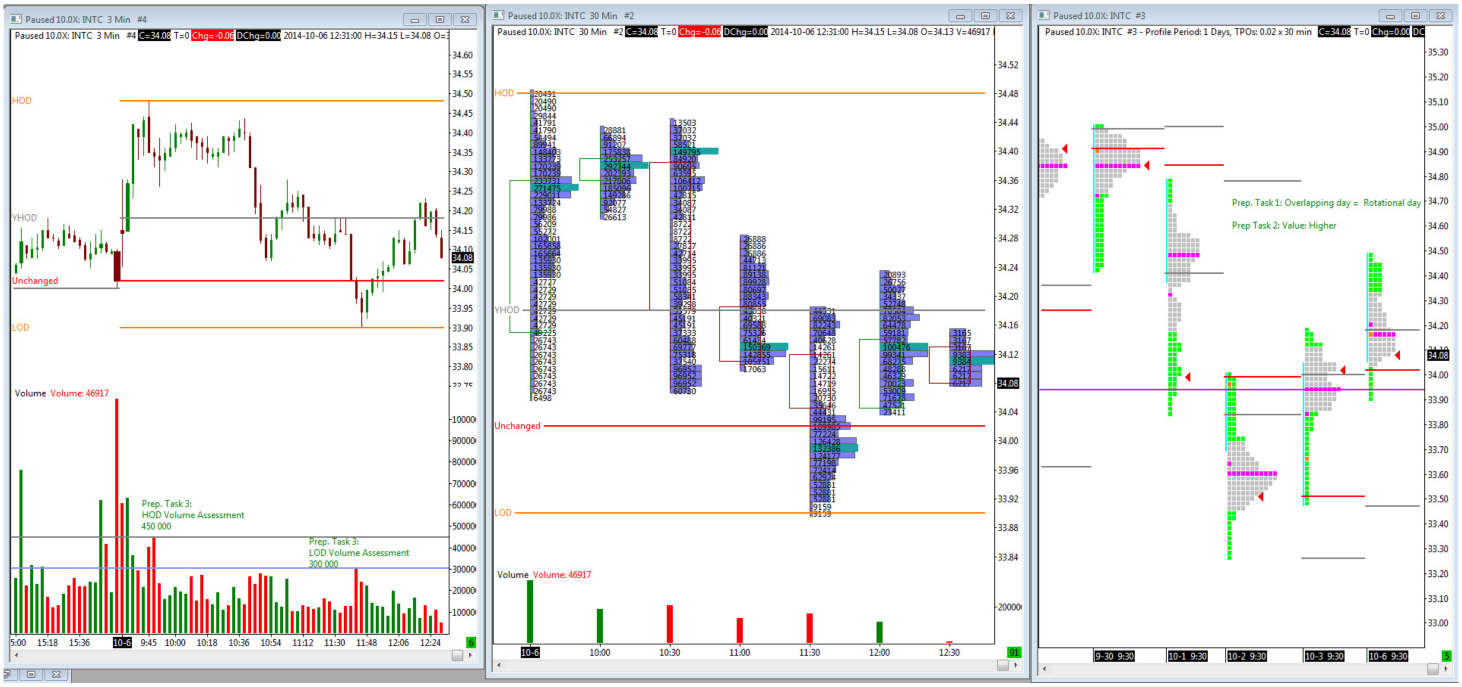
Rule 8: Responsive Volume engulfment. In order to be sure that the volume is of type responsive, we need to be above the big volume level to go long or below to go short.

Rule 6: Security Stop-Loss. Place your stop 1 or 2 tick above or below the short term excess identified at rule 5.

Rule 7: Target. Place your target exit at the other extremity of the VA. Make sure you are inside the VA (in the 15% of the target area
Rule 8: Monitoring. Monitor volume for any change. If volume size near or above the responsive identified at rule 5, get out. There is something wrong. This type of volume is supposed to come at the other extreme of the VA, not inside. If so, something changed and it is not in your favor.

Rotational Day Example

I will start trading around 12:30. Here is the portrait of the situation around 12:45. Note that the Preparation Task are labeled in green on the chart:



This has been a chosen example, so it is not a real time discovery but anyhow, it has all the rules in a clear way.

A checklist will be build based on these 5 rules

<u>Trend Day's rules</u>

To come later

Important Note

This is my personal trading method. The goal of publishing this document is to share trading concepts and ideas with other forum members. This document is not intended to give to others a trading methodology or trading advices. The author of this document is not responsible for any loss or profit that might occur by using the content of this document. Refer to a professional (which I am not) to validate your own trading skills, strategies or methods.

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28