Agenda

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• Theory & Key Terms
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  • The VAP Indicator
  • VPOC, HVAs and LVAs

• Application
  • Basic VPOC Guidelines
  • Qualifying the Setups
  • VP Trend Analysis
  • VP Composite Analysis
What is Volume Profiling?

Volume Profiling is the use of volume distribution analysis to identify areas of value and non-value.

- Helps you SEE where market participants are putting their money to work
- Helps you identify important areas of interest, and non-interest
- Helps you anticipate potential market movement
- Has become very popular
VP vs. MP

**Volume Profiling**
- Volume-Based, market-generated information
- Tells you HOW MUCH traded at a certain price
- Not restricted by time, it’s built in
- Helps identify value, overbought, and oversold conditions
- Leading information; zero lag
- Allows for an array of analytical methods

**Market Profiling**
- Price-Based, market-generated information
- Does NOT tell you HOW MUCH traded at a certain price
- Is restricted by time (TPOs)
- Helps identify value, overbought, and oversold conditions
- Leading information; zero lag
- Allows for an array of analytical methods
Why is VP Powerful?

• Visually appealing; easier to “read” the market

• Helps easily identify value, and over/undervalued areas

• Helps forecast future prices

• Great for trend analysis

• Powerful for confluence

• Great for multiple timeframe analysis
Who Can Use VP?

• EVERYONE!

• Novice traders, experienced traders, and traders with and without prior VP experience

• VP is market-generated information, so it can be used on ALL timeframes - perfect for day, swing, position traders

• It works on any chart with volume action - perfect for stocks, ETFs, and futures

• No fancy add-ons required; only requires access to a Volume at Price indicator
Theory & Key Terms
Auction Market Theory

- The market operates solely to facilitate trade
- Price is a tool used to advertise value
- Price auctions up to motivate sellers, and down to motivate buyers
- Price auctions higher until the last buyer has bought, and auctions lower until the last seller has sold
- When buyers/sellers find an agreeable price, they trade in large volume; establish “value”
The Volume at Price Indicator

- The Volume at Price (VAP) indicator plots a horizontal histogram of the cumulative volume traded at each price level.
Standard Volume vs. VAP

Standard volume plots the amount of volume that traded during a particular bar (period of time), whereas VAP displays **how much volume traded at specific price levels.**
The Volume Point of Control

The price level where the most volume traded for a given period of time.

- VPOC is similar to MP’s POC, but is purely volume-based
- Identifies the fairest price to both buyers and sellers; signifies fair value
- VPOC can remain an important reference point for many days (even weeks)
1. The market establishes value at $70.71

2. Market seeks new value; establishes VPOC at $69.18

3. Market eventually returns to prior area of established value
VPOC as a Point of Reference

The market will often ‘test’ VPOC before price discovery occurs.
HVAs and LVAs

High and Low Volume Areas can be used as reference points that allow a trader to anticipate market behavior and identify areas of acceptance and non-interest.

- Help you identify market sentiment, and anticipate price behavior

- Help identify areas of acceptance (value), and areas that are unfairly priced

- These areas can both attract and repel price; act as both support and resistance
High Volume Areas (HVAs)

- HVAs are the “fat” part of the VP distribution
- Identifies prices that are the most accepted by traders
- This area offers the best facilitation of trade; the market will gladly trade within this price area for a while
- Price will gravitate to HVAs in order to facilitate trade
From one HVA to the Next

1. Once fair facilitation of trade has been found, the market can trade in this area for a while.

2. Price will auction from one HVA to the next in order to find fair facilitation of trade.

3. If price levels are seen as unfair, price will auction back to prior value (HVA).
Low Volume Areas (LVAs)

- LVAs are the “skinny” part of the VP distribution
- Identifies areas that traders view as unfairly priced
- This area does NOT offer a good facilitation of trade
- Price will usually trade quickly thru LVAs in order to reach the next area of acceptance (HVA)
- LVAs also serve as stern resistance
LVAs are Support/Resistance

1. LVA serves as support

2. A VERY swift move usually occurs when an LVA is penetrated; price heads to next HVA

3. Price is rejected by LVA, remains within HVA. Later, price auctions back to HVA after reaching prior LVA
Naked/Virgin VPOCs

Naked VPOCs are areas of value that went “untouched” during their session of origin.

- Naked VPOCs are treated like unfilled gaps, which are usually seen as needing to be “filled”, or tested
- Tend to have a high “fill” rate
- Are used as excellent targets
- Become less important the longer price stays away from the naked level
Naked VPOCs: Creation/Filling

Naked VPOCs tend to be created during trending markets.

Eventually, the market will want to “fill” the naked VPOCs before new business can be done.
Application
Application

- Basic VPOC Guidelines
- Qualifying the Setups
- VP Trend Analysis
- VP Composite Analysis
Basic Guidelines for VPOC

VPOC is considered fair value. Price levels above VPOC are considered overvalued, and undervalued below it.

**Trending**

- In a bullish market, look to buy at or below VPOC
- In a bearish market, look to sell at or above VPOC
- Target objective is a new high/low within the trend

**Range**

- In a trading range market, look to sell above VPOC
- In a trading range market, look to buy below VPOC
- Target objective becomes VPOC, and opposing S/R
Qualifying the Setups

• Note where price closes prior day in relation to price range and value

  • Where price closes session gives bias for upcoming day

• Note where price opens the day in relation to price range and value

  • Where price opens the session gives overnight bias and confirmation/rejection of prior bias
Noting the Open and Close

Higher Value scenario indicates more strength ahead, especially with prior Close and current Open above value.
Noting the Open and Close

Prior Close confirms Higher Value scenario, but bearish Open rejects this theory.
Noting the Open and Close

Prior Close confirms Lower Value scenario, but bullish Open rejects this theory.
VP Trend Analysis

VP Trend Analysis forces you to become disciplined to the trend by buying HVAs in an uptrend, and selling HVAs in a downtrend.

- Buy at support (HVA) in a bull trend
- Sell at resistance (HVA) in a bear trend
- Keeps you disciplined to the trend
- Keeps focus on higher probability opportunities
VP Trend Analysis: Bull

Buy at Support (HVA) in a bull trend
VP Trend Analysis: Bull

Buy at Support (HVA) in a bull trend
VP Trend Analysis: Bull

Buy at Support (HVA) in a bull trend
VP Trend Analysis: Bear

Sell at Resistance (HVA) in a bear trend
VP Trend Analysis: Bear

Sell at Resistance (HVA) in a bear trend
VP Trend Analysis: Bear

Sell at Resistance (HVA) in a bear trend
VP Composite Analysis

VP Composite Analysis allows you to view cumulative volume distribution for multiple days/months at a time.

- Macro composites allow for long term analysis
- Micro composites allow for short term analysis
- Helps you identify important areas of interest/non-interest
- Helps you identify areas of confluence
Guidelines for VP Composites

- Consider only the most relevant data for the timeframe you are analyzing
  - Micro: include latest data for most recent price action (days)
  - Macro: include latest data for most recent price action (months)
- Identify and mark the most significant HVAs and LVAs
- Overlay key levels onto the chart you will be trading

Marked closest section of LVA from Macro composite onto intraday chart.
VP Comps: MCZ1

Macro LVA also coincides with Micro LVA at 860, making this level extremely important for a breakout or reversal.
The 860 LVA has been major resistance, leading to swift reversals and a significant breakout. Study price behavior around significant LVAs to anticipate a rejection or breakout.
This 10-day VP Comp helps identify the significant LVAs and HVAs for the day.
VP Comps: ESZ1

This 175-day VP Comp helps identify the Macro LVAs and HVAs
This 188-day VP Comp helps identify the Macro LVAs and HVAs.
This 11-day VP Comp helps identify the Micro LVAs and HVAs, with Macro levels already marked.
Trading Reversals at LVAs

The Pros look to buy at established LVAs...

...and look to hand off the position at a prior value area.
Trade with Confidence

“Scared money don’t make money.”

• Do your homework

• Use VP levels to identify important areas of interest and non-interest

• Identify potential setups ahead of the opening bell

• Let the market prove or disprove your theory

• Trade with confidence and execute your plan
“...the best Trading book!”

“I have read hundreds of trading books, and yours is by far the best!” – Lawrence G.

“I read your book Secrets of a Pivot Boss and it is by far the BEST TRADING BOOK I have read!” – Mitesh P.

“I came upon your book by chance and was amazed by what I was reading. Your book is brilliant!” – Al C.
EDUCATION

Advanced Profiling Techniques

Powerful course utilizing Market Profile levels for analysis and triggers.

Volume Profiling Techniques

Designed to give you a professional approach to using market-generated, Volume Profile information.

The ADR Method

Designed to help you identify high-probability targets like the Pros.

Use Coupon Code “AAFT” for 20% off!
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