Using Market Profile As A Basis for A Trading Plan

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Live Presentation Starts at 3:30 PM Chicago Time
The Market Profile Based Trade Plan

1. It provides a statistically valid concept
2. It provides a depth and breadth of information other methodologies cannot
3. It provides more consistently accurate support and resistance information than any other methodology
4. It helps determine, in an objective manner, the potential risk/reward of taking a trade at any given level during the trading day
5. It is logical and is based on natural market development
The Market Profile Based Trade Plan

1. It makes for more objective, relaxed trading
2. It enables the identification of trades with the greatest potential
3. It helps cure the overtrading tendency so many traders have
4. It is robust across time frames and markets
5. It is based on market generated information and simplifies the decision making process at the execution level.
The Ultimate Reason to Use Market Profile

It Works
What is Different about a Market Profile Chart?

It is multi-dimensional:

Time
Price
Volume
Critical Concept:

Time + Price = Volume (VALUE)
Value: Two Phases

1) Balance = Horizontal Development (consolidation)

2) Imbalance + Vertical Development (trend)
Composite Profile: 7/14-7/18
(3 trade days)
Balance

7/15

Imbalance

2:20 - 3:50
Market Development

Constant process of cycling in phases from Imbalance to Balance.

This creates consistent inflection points that help define market condition and helps to identify and quantify trade opportunity.
Market Profile Charts Market Development

Market Structure gives clues to the present state of market development.

Market Structure provides areas of potential resistance and support.

Market structure enables one to objectively evaluate the risk/reward equation of taking a trade.
Understanding Market Development Provides Certain Useful Statistical Tendencies of Value to a Trader

Markets spend more time consolidating (Horizontal Development) than trending (Vertical Development)

The tendency of the market is overwhelmingly statistically in favor of rotation
Inflection Points = Key Reference Areas

- KRAs are based on Value (or lack thereof) in the market.

- Remember: Price + Time = Volume (VALUE)
Composite Profiles

Help to define Value outside the day timeframe

This can help us make better trade decisions while trading the present day timeframe.

Each day is merely a piece of larger market development.
Key Reference Areas

KRAs in the present day timeframe can be “lined-up” with KRAs of developing market structure to help define trades – location and risk/reward.
VAH to POC = 30 points

VAH to Composite Extreme = 86 points

Composite Extreme

109.09

VAH = 108.23

POC = 107.93
Benefits of Trading Market Structure

- Helps remove randomness from trade decisions
- Provides an objective means to quantify risk AND reward
- Allows for more structured, less stressful trading
Benefits of Trading Market Structure

- Provides important context for “entry gimmicks” at the execution level
- Makes understanding short-term market internals even more valuable and practical
  - tp use – volume, TlCK, breadth, intra-market divergences
Free Newsletter with an emphasis on education and practical, tradable analysis

Seminars: Atlanta, August 12-14; San Diego, Sept. 30-Oct. 2

Mentoring
Q&A / Contact Information

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