Auction Theory Advanced Checklist

Signal Pilot Education Hub

🔨 Auction Theory Advanced Trading Checklist

Lesson 30: Auction Theory Advanced

This checklist helps you use Market Profile, Volume Profile, and auction theory to identify high-probability trade locations based on value and price discovery.

📋 Pre-Trade Auction Analysis

Volume Profile Setup

- [ ] **Identify POC (Point of Control)** - Price level with most volume (fair value)
- [ ] **Mark Value Area (VA)** - 70% of volume (acceptance zone)

- [ ] **Mark VAH (Value Area High)** - Top of value (resistance in uptrends)

- [ ] **Mark VAL (Value Area Low)** - Bottom of value (support in downtrends)

- [ ] **Identify HVN (High Volume Nodes)** - Support/resistance at high-volume areas

- [ ] **Identify LVN (Low Volume Nodes)** - Gaps = fast-move zones (breakout targets)

Market Profile Analysis

- [ ] **Check profile shape** - P-shaped (trending), b-shaped (reversal), D-shaped (normal)

- [ ] **Identify initial balance (IB)** - First hour's range (reference for breakouts)

- [ ] **Look for single prints** - Gaps in TPO chart (unfilled value, potential magnets)

- [ ] **Check for poor highs/lows** - Single TPO at extremes (weak, likely to retrace)

Auction Context

- [ ] **Determine auction type** - Rotational (ranging) vs. Directional (trending)

- [ ] **Check price location vs. value** - Above VA = premium, below VA = discount

- [ ] **Look for failed auctions** - Price tried to move but rejected back to value

- [ ] **Identify excess** - Price extremes with immediate sharp reversal (exhaustion)

Trade Setup Identification

- [ ] **Value area retest setup** - Price leaves VA, returns for retest (buy low/sell high)

- [ ] **POC rejection setup** - Price hits POC and bounces (magnetic level)

- [ ] **Poor high/low fade** - Trade against weak extremes (single prints)

- [ ] **IB breakout setup** - Price breaks initial balance with volume (directional move)

🎯 During Trade Execution

Entry Confirmation

- [ ] **Wait for acceptance at level** - Price must close multiple candles at support/resistance

- [ ] **Confirm with volume spike** - Breakouts need volume, reversals show exhaustion vol

- [ ] **Enter at value edge retest** - Buy at VAL, sell at VAH (mean reversion)

- [ ] **Use limit orders at key levels** - Place limit buy at POC/VAL for better fills

Position Management

- [ ] **Place stop beyond poor high/low** - Stop just outside single prints (invalidation)

- [ ] **Stop below/above value area** - If trading from value edge

- [ ] **Size based on risk (1-2% max)** - Calculate: (Acct × 2%) / Stop distance

- [ ] **Set target at next HVN or LVN** - HVN = resistance, LVN = fast-move target

Monitoring

- [ ] **Watch for re-auction** - Is price being accepted or rejected at new level?

- [ ] **Check if volume supports move** - Volume declining = move losing steam

- [ ] **Monitor return to value** - Most moves eventually return to POC (mean reversion)

- [ ] **Look for new poor high/low** - If formed opposite direction, consider exit

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📊 Post-Trade Auction Review

Trade Analysis

- [ ] **Did price respect value area?** - Did VAH/VAL act as support/resistance?

- [ ] **Was POC magnetic?** - Did price return to point of control?

- [ ] **Did poor high/low play out?** - Single prints filled as expected?

- [ ] **How accurate was profile shape prediction?** - P-shape = trend continuation?

Auction Performance

- [ ] **Which setup worked best?** - Value retest, POC bounce, IB breakout, or poor high/low?

- [ ] **Time of day impact?** - Did initial balance breakout occur in morning or afternoon?

- [ ] **Volume confirmation accuracy** - Did volume spikes confirm directional moves?

- [ ] **Mean reversion vs. trend** - Did price return to value or trend away?

Lessons Learned

- [ ] **Which auction patterns most reliable?** - Rotational vs. directional accuracy

- [ ] **Did I wait for acceptance?** - Or entered too early before price confirmed?

- [ ] **How well did I read profile shape?** - P, b, D shapes predict correctly?

- [ ] **Next improvement** - Practice identifying poor highs/lows faster, read real-time TPO

💡 Pro Tips

Auction Theory Mastery

- **Combine with order flow** - Volume profile + footprint = institutional confirmation

- **Use multi-timeframe VA** - Daily VA provides macro context for intraday trades

- **Watch overnight inventory** - If price gaps outside value, expect return move

- **Monitor composite profiles** - Build multi-day profiles to see bigger picture value

Common Mistakes to Avoid

- ❌ Trading without checking where price is vs. value (context is everything)
- ❌ Fading strong directional auctions (don't fade trends, trade with them)
- ❌ Ignoring poor highs/lows (these are gift setups, don't miss them)
- ❌ Entering before acceptance (wait for price to stabilize at level)

Auction-Based Strategy Selection

- **Rotational auction (ranging):** Trade value edges (buy VAL, sell VAH)
- **Directional auction (trending):** Trade breakouts from value, trail stops
- **Failed auction:** Fade the move, target return to POC/value
- **Excess at extremes:** Enter counter-trend immediately (exhaustion reversal)

Volume Profile Quick Reference

- **Price above VA:** Premium area (sellers have edge, look for shorts)
- **Price below VA:** Discount area (buyers have edge, look for longs)
- **Price at POC:** Fair value (wait for directional break)
- **HVN zones:** Consolidation likely (support/resistance)
- **LVN zones:** Fast moves likely (targets for breakouts)

📚 Related Resources

- **Lesson 28:** Institutional Order Flow (combine footprint with volume profile)

- **Lesson 29:** Market Regime Recognition (auction type changes by regime)

- **Recommended Tools:** TradingView (Volume Profile), Sierra Chart, NinjaTrader (Market Profile)

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Remember: Markets auction to find fair value. Your edge is trading from value extremes or with directional acceptance. Don't fight the auction process.