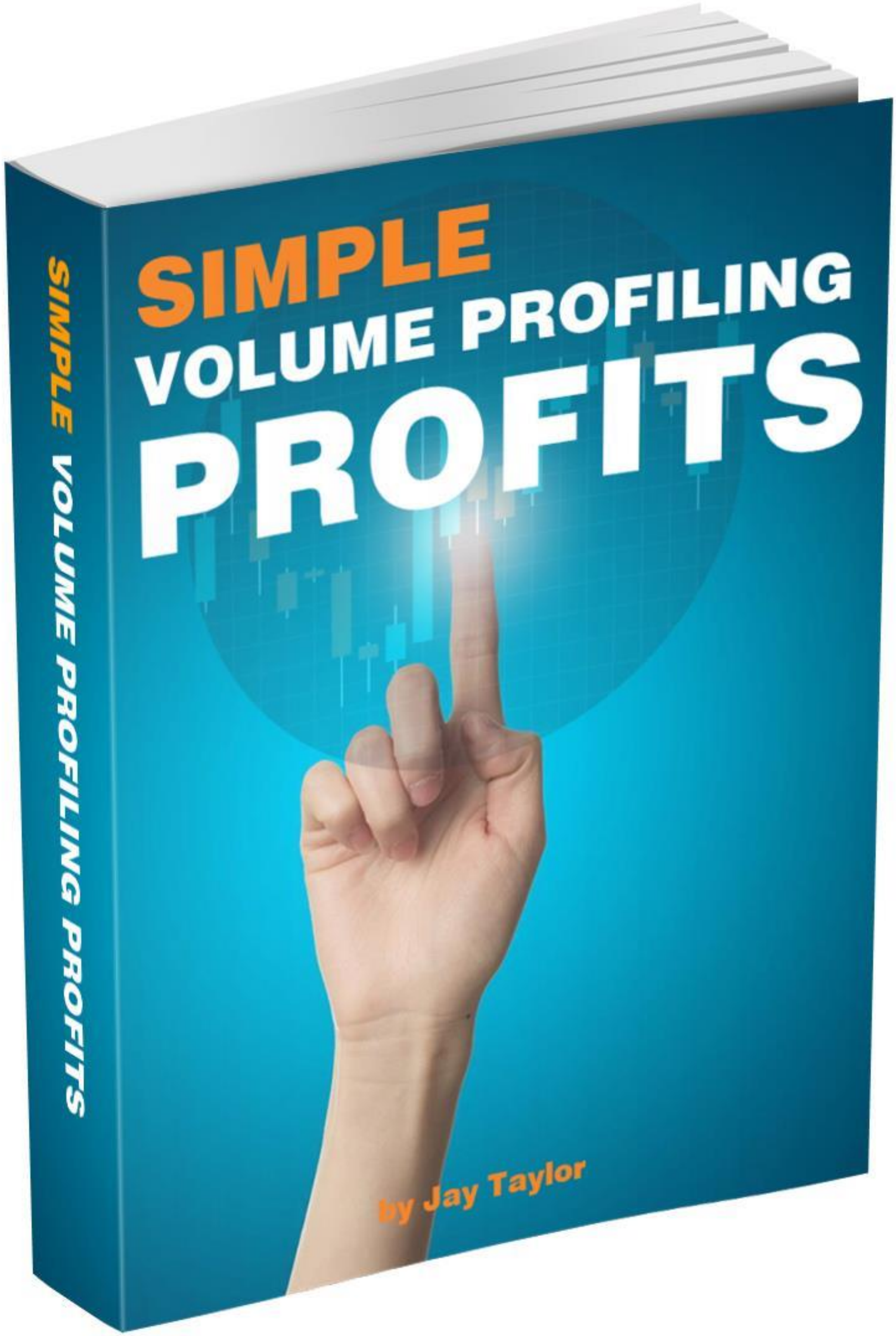
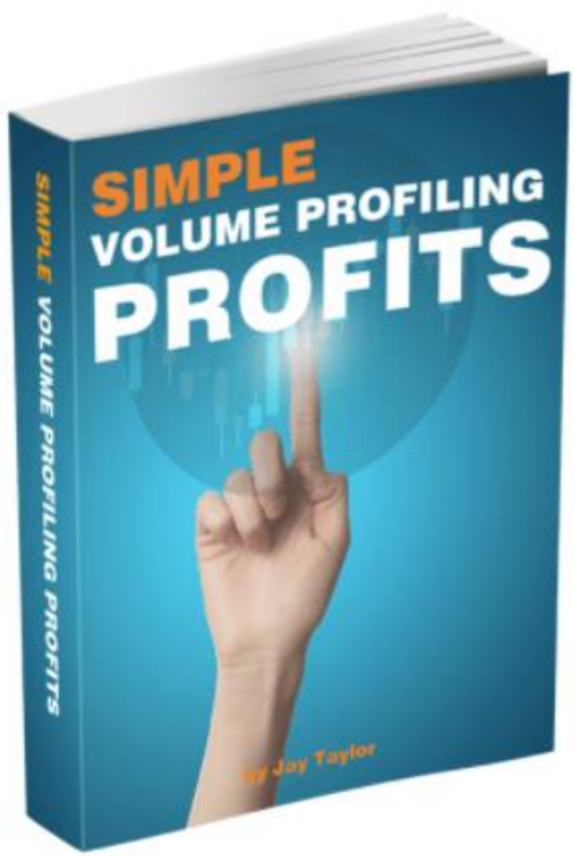

SIMPLE
VOLUME PROFILING
PROFITS
by Jay Taylor
SIMPLE VOLUME PROFILING PROFITS



[Chapter 1]

Welcome to the Money Room.

Fresh blood always welcome.

[Chapter 2]

What they always seem to know.

Almost as though they can see your cards.

[Chapter 3]

The market's tell.

When to walk away, and when to run.

[Chapter 4]

Entering with swagger.

Because the market has tipped its hand.

[Chapter 5]

Counting your money.

When you're sittin' at the table.

[Chapter 1]

Welcome to the money room.

(Fresh blood always welcome.)

In any market, if you don't know who the sucker is... well then you're probably the sucker.

For $50,000 you can buy into an exclusive game in the VIP room at the Viper. Otherwise known as the ‘money room’, you’ll find yourself seated with Tobey Maguire, Ben Affleck and Leonardo DiCaprio… for starters.

The stakes are high, the company is rarified and they’re always looking for fresh meat to fleece. No cameras, table stakes only and crybabies should stay at home. Like institutional traders, they’re not interested in hanging out or being friends.

They’ve come for your money. How you fork it over is entirely up to you.

Whether you realize it or not, the VIP room at the viper isn’t that different from any futures market you’ve ever looked at. Swap out the velvet curtains for trading platforms and charts. And just yank DiCaprio from his seat and put an institutional trader in his place. The results will be the same.

Every second of every day, in every futures market - a retail trader walks straight into an institutional buzz saw. With stars in their eyes and a big pot of profits on their mind - they haplessly make entries that have no shot of winning.

Just like the star-struck suckers that find themselves in the ‘money room’, retail traders have no idea what’s happening as their account is drained right before their very eyes.

> ***Every second of every day, a retail trader walks straight into an institutional buzz saw.***

Those swings? They’re not real. The support and resistance levels you’ve been looking at? Forget about them, they’re not real either. If it gives you any comfort, just about everything you’re looking at on your chart to qualify an entry is wrong.

And the institutional trader, sitting across the table from you with that smirk on their face? They know it.

If you’ve hand more than a few perfectly good trade set-ups go wrong, you’re in good company. There are millions of retail traders out there wondering exactly what an institutional trader knows that they somehow don’t.

Well it’s very simple. And it’s completely overlooked by 95% of the retail trading public.

[Chapter 2]

What they always seem to know.

(Almost as though they can see your cards.)

Doyle Brunson, one of the world's most celebrated poker players has everything you'd hope for in a gambling icon. To start, there's the 10-gallon cowboy hat. Just under the brim, an expressionless dead stare that you'd admire if it wasn't so intimidating.

6%!!!??? Those are the exact odds an institutional trader wants you to take into a trade. Because you can't see what they see.

He even has an opening hand named after him, the 10-2 - which he rode to two championships. If you're thinking that 10-2 is a crappy hand to lead off with - you're right. Your odds of winning are less than 10%.

Yet, those are pretty much the odds that most retail traders enter with. Why? They're looking at candles and price. Their indicators are *also looking at price*, with a red or green arrow at the ready. Many simply believe that if they can capture even the smallest of price moves, they'll profit. The chances of that happening consistently?

> *An institutional trader would never take those odds... they're watching something that gives them a sense of what price is GOING to do.*

Somewhere south of zero.

An institutional trader would never take those odds, much less contemplate that type of trade. This is because they're looking for completely different entry conditions. Sure, they keep an eye on price, but they don't dwell on it - that's just the current score.

Instead, they're watching something that gives them a far better sense of *what price is going to do.* It's the very element that shapes a market and effectively gives the institutions x-ray vision.

It's not iron or plutonium. You won't find it on the elemental chart. But it's the *one thing that precedes price.* Volume. And not just any volume, the market market's volume profile, detailing exactly what it's preferences are at each price level.

Think of it as the market's very own 'tell'. An indication of when it will be going all in, or essentially folding when it reaches a price zone, or even a specific level.

This is *exactly* what the institutional guys across the table are watching for.

[Chapter 3]

The market's tell.

(When to walk away, and when to run.)

Allegedly, World Series of Poker champ Jamie Gold nearly lost his entire bankroll at the Viper in the money room game. Either he lost a step, or someone saw something that he hadn't. In any event, he couldn't have been an easy mark.

Not the case for the millions of retail futures traders that unknowingly enter the market, not having any idea where they are, the game they're stepping into - or what the stakes are. Talk about easy pickings.

If you know what to look for, volume will reveal the market's hand, well in advance.

There are no complicated algorithms involved. You don't need a PhD in anything to spot it. In fact, once you know the conditions to look for, you can literally watch as the market sweats and fidgets in front of you.

Like an amateur poker player with a royal flush or a high schooler on prom night - it will be impossible to miss what's on the market's mind. Sure, the institutional traders are smart - but they're not superhuman. They simply know what to look for and what specific price levels to stalk.

> *… like a high schooler on prom night – it will be impossible to miss what's on the market's mind.*
>
> --
>
> *Sure institutional traders are smart – but they're not superhuman.*

Why? Because volume is a direct indication of value. When the market perceives a decent value - volume goes up. When it thinks conditions are getting oversold or overbought volume goes down. It's that simple.

It it's gone 'all in' in the past at a specific price level, there's an excellent chance it will do it again, when it revisits that price level. If it's backed away from the table and headed for the restroom at a different price level - guess what, odds are good that it will do it again.

95% of the retail trading public tries to *predict these moments*, with little or no visibility as to where they are or when they'll take place.

Institutional traders? Well… they can see them… wait for them… and trade them.

[Chapter 4]

Entering with swagger.

(Because the market has tipped its hand)

If you're an amateur, fear is a very difficult emotion to conceal. The outward physical signs are impossible to miss. Your heart rate starts to increase, there may be visible sweating, shortness of breath, trembling. Not the best condition to be in if you're entering, or trying to manage a trade.

Imagine the weight that would be taken off your shoulders if you no longer had to guess where you should be entering. If you could visualize the market like an institutional trader, simply by looking at the market's profile. This is the key to making high probability entries.

When an institutional trader sizes up a trade, they are waiting on market extremes. Specifically, moments when value reaches frothy, overbought conditions or ice cold oversold conditions. They do this by monitoring the value zone - the price range where 70% of the volume is taking place.

Why? Because when price breeches a value zone either at the top or the bottom, price has a habit of pulling back and/or retreating. These are the reversal moments that consistently profitable swing traders are looking for.

To illustrate, check out the ES chart to the right. Notice the reversals that seemingly come out of nowhere? If you're reading chart patterns, chasing candle tails or leaning on a lagging indicator - these are missed opportunities. Or potentially huge losses in the making.

Ever wonder where those reversals come from? It's not magic... it's volume!

Sure, you could 'look left' as a lot of old school educators would tell you. Or you could evaluate volume performance by looking at a market profile.

Look at the same chart with a 45-day market profile applied. The same exact market just had the covers pulled back. You now know in an instant what price levels are too expensive, dying for a sell - and what price levels are too cheap - begging for buyers to come in.

Why pay attention to volume? Well, 90% of it is driven by institutional traders. When they back away or come in - you'll want to know the price levels they're interested in. From this perspective, you can start to see why price suddenly becomes a footnote.

Once you know where the buzz saw is, you can steer clear of it. But you can ALSO spot ideal entry points to wait on!

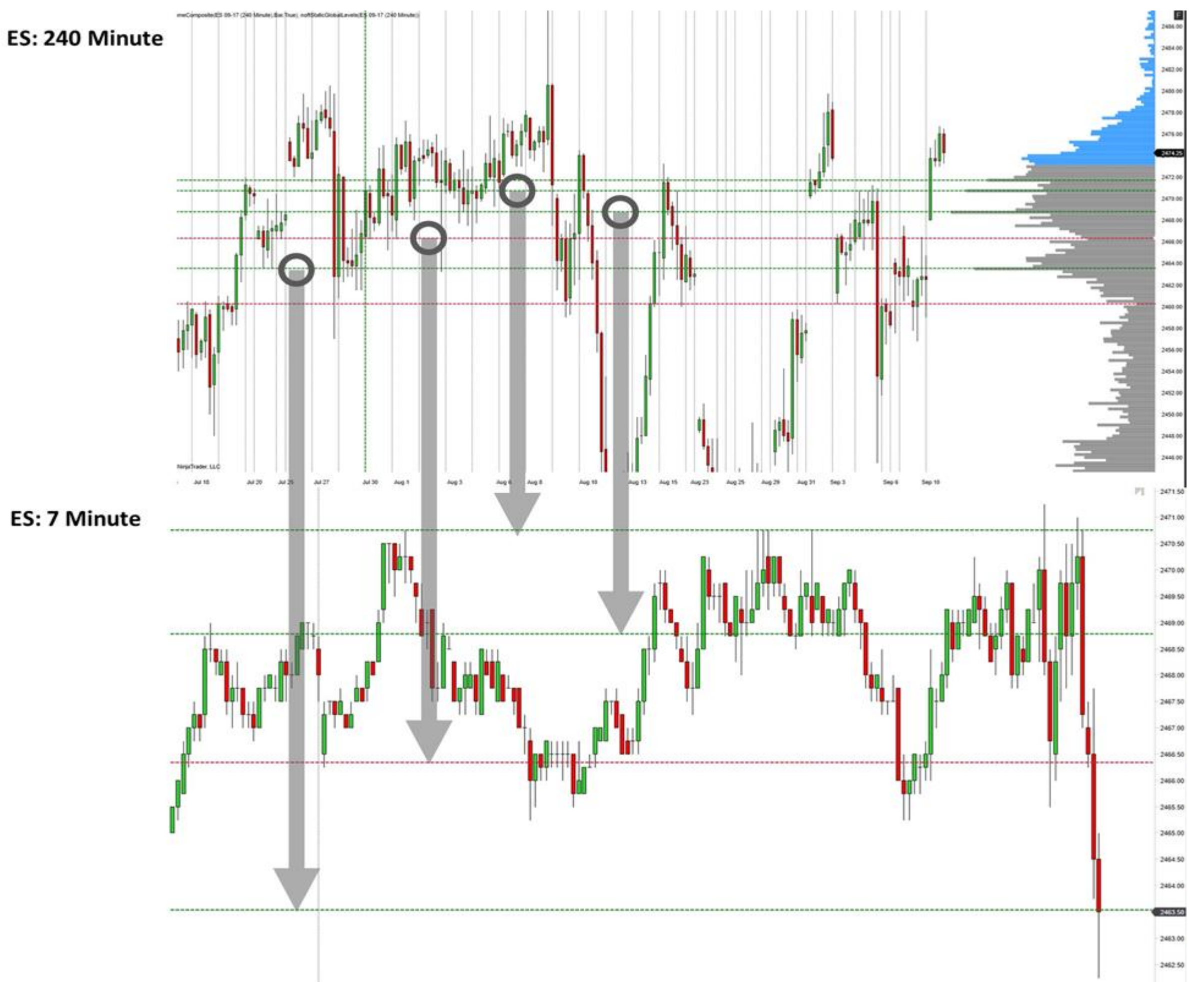
Instead, you're now watching to see where volume picks up and drops off. That middle portion of the profile that's gray? That's the value zone - where 70% of the volume takes place - otherwise known as the 'sucker zone'.

Within each of the value zones that volume defines, there are price levels where the market has gone all in - and others where they've backed away from the table. A detailed market profile reveals this with high and low volume nodes. Like a poker player that's grinning inside, or about to lose his lunch, you can spot them easily as long as you know what to look for.

In this case it's simply a matter of looking for extremes as noted with the same ES chart below. High volume nodes will spike out and low volume zones or nodes will create depressions or dips in the profile.

Volume nodes are the market's tell at each price level. When they spike or when they dip - get ready for action.

If you're wondering how these nodes translate to intraday locations… look below. In each instance, you'll see that price has a *healthy* respect for the volume that's preceded that level.



Start with the macro and work your way in to intra-day. Note how the high and low volume nodes translate DIRECTLY to daily price action.

Simply being able to this gives you the ability to enter with Doyle Brunson-like confidence. Instead of bluffing, you can patiently wait on price to approach these levels and make your move.

Now all you just need to exit.

[Chapter 5]

Counting your money.

(When you're sittin' at the table)

If by now you're humming The Gambler, by Kenny Rogers, you're probably thinking about the exit. That's right, knowing when to 'fold 'em, walk away or run'. If making an informed entry is enough of a challenge, targeting the right exit can seem downright impossible for many traders.

For most, the idea of 'letting profits run' is a fantasyland concept that has no real place in a place like the ES, 6E or even the CL. Every second of every session, exits are often made far too early, or well after crushing losses have been incurred. Hardly ever at the right moment.

This is where institutional traders, looking at a market profile shine. They have the benefit of seeing and knowing exactly where the high probability exits are. This is because they've plotted high and low volume nodes in advance.

Never enter without knowing exactly when you're going to exit. Use the volume profile to plot multiple exit points - regardless of timeframe!

Why do they watch and jealously hold these keep these levels to themselves? Because it's where price has a habit of bouncing. If price breaks through, they watch for the next high or low volume node and again plot their next target for an exit.

It's like being able to sit at a poker table and know exactly which player is going to fold or call - well before they even look up from their cards. If you're attempting to manage your trade without knowing these levels - you might as well toss your hard-earned profits out the window.

Going back to our ES, now on a 7-minute chart, you can see how price respects these levels - and how they can be used to plot your exit.

Leave the guessing and the worrying to the millions of traders willing to give their profits back. Stalk these levels with confidence, and if you're entering with multiple contracts - know exactly where and when you're going to take money off the table.

When price legitimately breaks through a volume level - target the next. Manage your risk and take your profits confidently along the way.

A professional poker player never heads to the table without a plan and the patience to execute. Likewise, never head into a market without knowing:

- What the long-term profile looks like and where the value zone is.
- Where the high and low volume extremes (nodes) are.
- What high probability entries you'll patiently wait for.
- When and where you'll exit based on volume.

And forget what Kenny Rogers says. Count your money when you're sitting at the table.