



Market Profile ©

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Agenda

- Introduction
- The Principle
 - Liquidity Data Bank/CTI Types
- Construction
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 - IBP
 - POC
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 - Volume Histogram
- The Auction Process
 - Initiative vs Responsive Behaviour
 - Tails and Range Extensions
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 - Day Types
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 - Errata
- Case Study
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Introduction

- Market Profile is unlike any other charting method as it organises the data in a very different way to Bars, Candles or Point and Figure, the usual "canvases" that analysts use
- It still uses the principles of organising price and time, but doesn't attempt to give firm buy and sell signals, rather it builds up a picture of how the day is developing, which can then be compared to previous sessions
- In short it gives the trader an indication of the market sentiment at any time whether the Bulls or the Bears are dominating, and what type of trader is active



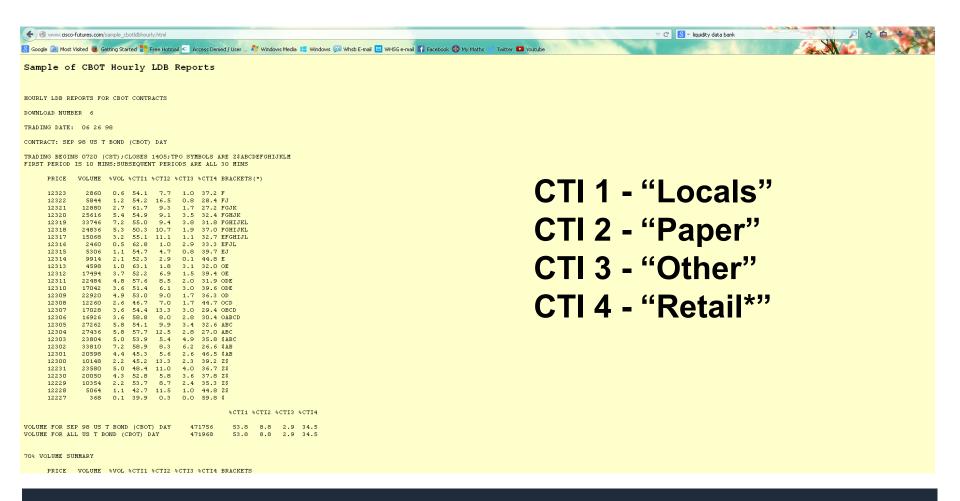
Trader Types - The LDB

- Market Profile (MP) was developed by Peter Steidlmayer, an American Technical Analyst, in the early 1980's. <u>Steidlmayer was a trader on the Floor of the CBOT</u>
 - It's worth pointing this out because Market Profile is based on different types of traders and how they affect the market over the course of a trading session
 - He split trader types into 4 CTI's (Customer Type Indicators)



Trader Types - The LDB







The LDB

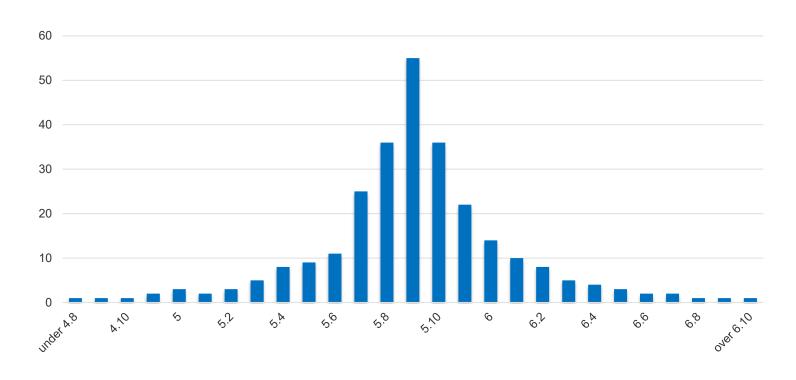
- The Liquidity Data Bank was available on subscription from the CME/CBOT
 - Assumptions can be made based on what trader types were playing at what levels as to whether developing moves have the "legs" to continue
- The "simplified" version of the LDB is the basic Market Profile, which is widely available on professional charting systems such as CQG, Bloomberg and e-signal.
- It doesn't differentiate the trader types, but does give a breakdown of time, price and volume
- Many of the assumptions of Market Profile, as we'll see later, are based on what type of trader is active at any time, hence we've already introduced this idea
- The Profile's make-up and the reading of the Profile is based on the "Statistical Bell Curve"



Market Profile

■ Statistical Bell Curve – "classic" example

NUMBER OF PEOPLE



HEIGHT