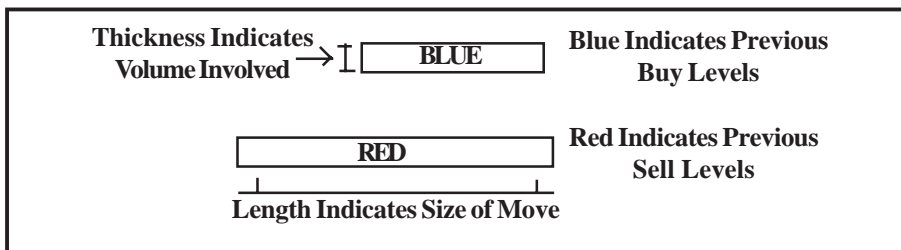


CHAPTER 26 Trade Profile

Trade Profile is another new study we have added. The software scans the data and finds levels where the market started significant Buy or Sell swings in the past. These levels are categorized based on the amount of volume involved and the actual price movement. For stocks, actual volume is used; for futures, the tick volume is used.

Once these levels are identified, the trader can monitor the price reaction when these levels are tested again.



As a trader, you should focus on the levels that are thick (high volume) and/or long (large price move). When prices trade to a previous Sell level, you would look for selling to continue. Likewise, when prices are near a previous Buy level, you would look for buying to continue. This is one of the patterns provided by the Trade Profile.

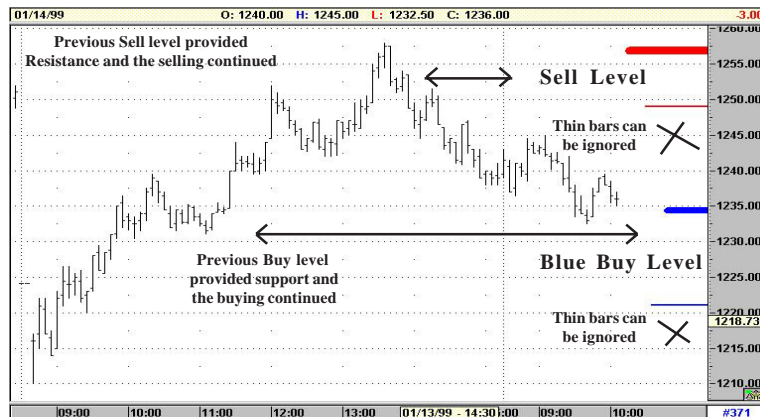


Figure 26-1: Trade Profile

The Trade Profile study can be used on Daily charts or any time frame. The study works well on Stocks also (see Figure 26-3, below).

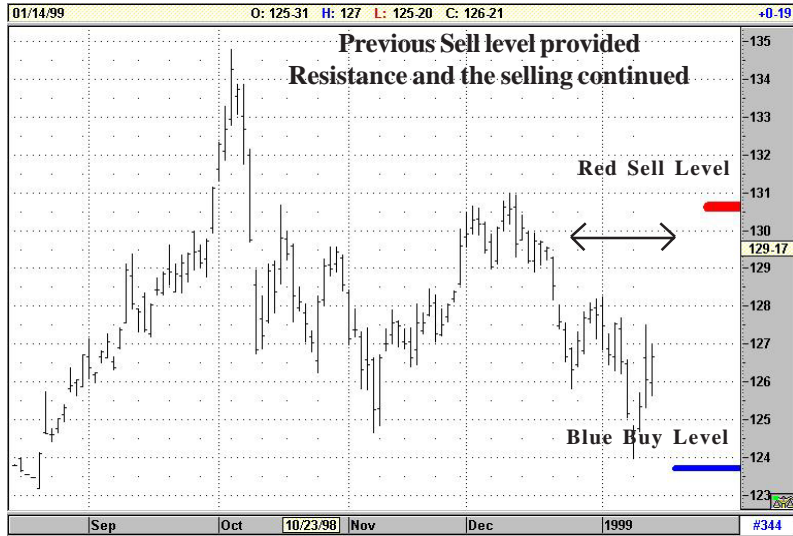


Figure 26-2: Daily Chart, U.S. Bonds

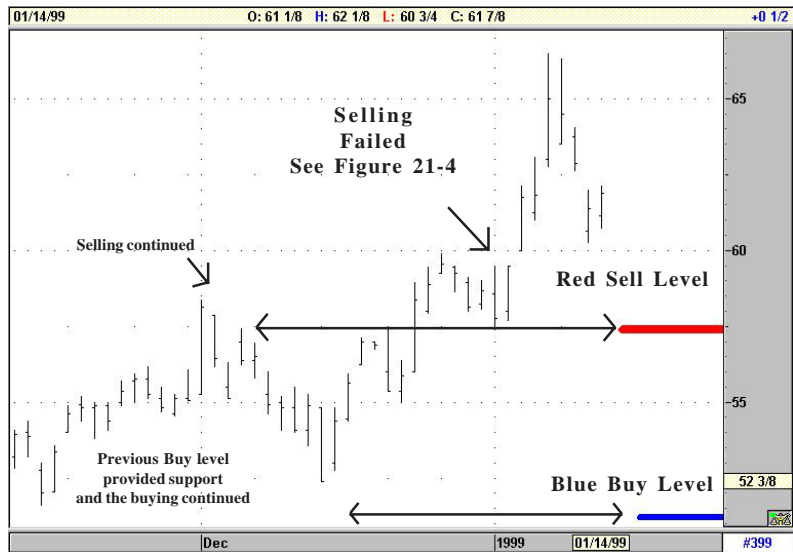


Figure 26-3: Daily Chart, Ford

When prices trade to a previous Sell level, the normal pattern continues selling, as in Case A (see Figure 22-4, below).

Roughly 40% of the time, a Case B pattern can be seen.

Here, the previous Sell level failed to hold the rally. Either the previous shorts are no longer selling, or more buying is coming in. Either way, the Sell level fails to hold the rally.

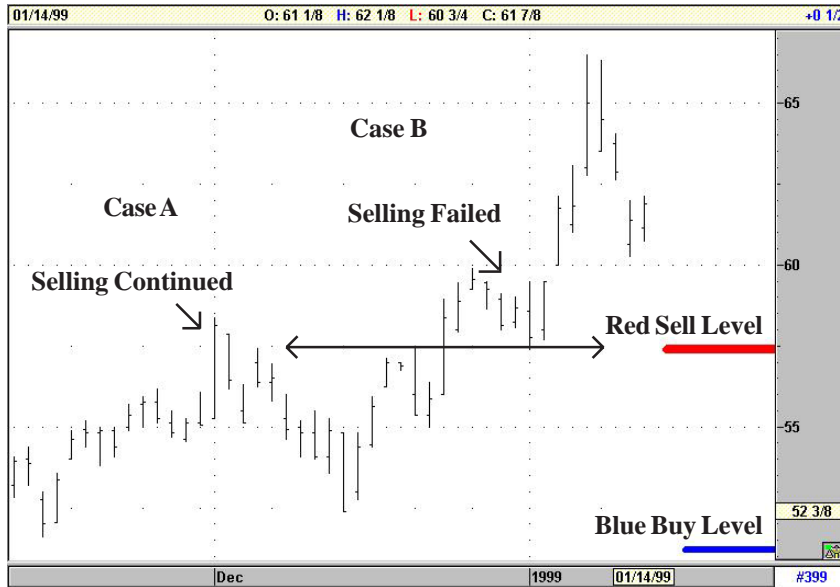


Figure 26-4: Daily Chart, Ford

Another theory is that traders who were short at this Sell level may be stopped out of their short position. This could further fuel the rally. Bottom Line: If the prices fail to hold at previous Sell levels, then the previous Sell level could become support and create a base for further rallies.

Likewise, if prices fail to hold at previous Buy levels, then the previous Buy level could become resistance and create a base for further declines.

Notes