

From CQG website

Q: Is the opening higher or lower than the previous close?

A: If the opening price is higher or lower than the close it signals a change in sentiment overnight. The greater the difference in price the more significant the change.

Q: Is the opening higher or lower than the previous day's value area?

A: This is more significant because what was considered fair value yesterday is no longer considered fair value today. It's important especially if the price has previously been balanced, for example, price has been in a narrow range and moving sideways.

Q: Did opening price match, exceed, or fail to meet the opening call level?

A: It's important to get the opening call so you know exactly how bullish or bearish the opening was, i.e., price has opened 10 ticks higher than yesterday's Value area, but was due to open 20 ticks higher. The opening can be regarded as a failure on the upside if price never reaches 20 ticks higher in the first time period.

Q: Was yesterday's close at one extreme of the day's range?

A: The current day's opening determines if the previous extreme close was caused by short term traders forced to liquidate or by long-term traders entering the market. If the opening is higher, and the initial balance remains higher, this confirms the close and we can expect a trend-up day. If the price breaks above the initial balance, or support is found when the price returns to the previous day's high or value area high, this indicates an uptrend. If the open is lower than the previous close, this suggests a potential for price reversal.

Q: Was yesterday's close within its Value area?

A: This suggests the market ended with the day balanced. It's important to see if there were any spikes or rejections of value as these might point the way to the next trend.

Q: Where was the highest level of volume?

A: This provides an area of support or resistance indicated only with Market Profile, an important consideration when placing stops.

Q: Where was the control point?

A: The control point is the highest volume of trade at a price, or prices, in a close range. The control point indicates fair value and aids in placing stops.

Q: Are there any zones of support and resistance on the previous day's extremes of Value areas?

A: Value Area highs and lows prevent poor stop placements, but also provide low risk entry points against the short-term trend. These trades work especially well in broad sideways markets, but can also be used as profit taking points. The following FAQs apply to the first hour after the market opens.

Q: Is the Initial balance Range much smaller than normal?

A: If so, it is highly likely that price will break out in one direction or another, or possibly both directions. Typically, in the absence of any news event that may drive a price, a breakout is not regarded as a directional move.

Q: Has the first letter created a tail (spike) that has not been touched by the second letter?

A: This suggests the opening was regarded as unfair value and often precedes a directional trend move. It's crucial to know the opening trading range.

Q: Was yesterday a trend day, a balanced day, or a neutral test day?

A: Balanced days, where the open is near the close, have similar properties to Japanese Candlestick Dojis, and indicate potential turning points. A neutral test day occurs when price distributes in one direction outside the initial balance, then reverses and distributes in the other direction. This is often caused by news events. Generally, short-term traders are caught on the wrong side and the reverse can often be swift and violent. Neutral test days indicate nervousness and a possible change in trend and can be compared to key and hook reversals, as well as Japanese Candlestick engulfing patterns.

From various websites

(Category 1)

Trading Methods For Market Profile

Only trade in the direction of the trend (Trend is determined by a rising or falling Point Of Control/POC)

Trade setup #1a: In a down trending market, when the current session opens below the previous day's Value area/VA enter a short trade at the previous day's lower VA and again at the previous day's POC/HVL placing a protective stop for both trades 1.5 points above the previous day's upper VA.

Trade setup #1b: In an up trending market, when the current session opens above the previous day's VA enter a long trade at the previous day's upper VA and again at the previous day's POC/HVL placing a protective stop for both trades 1.5 points below the previous day's lower VA

Trade setup #2a: In a down trending market, when the current session opens within the previous VA enter a short trade at the upper VA placing a stop 1.5 points above the Day Before Yesterday's/DBY POC or High Volume Level/HVL (the open price must be at least 2 points below the previous days upper VA)

Trade setup #2b: In an up trending market, when the current session opens within the previous days VA enter a long trade at the lower VA placing a stop 1.5 points below the DBY's POC/HVL (the open price must be at least 2 points above the previous days lower VA)

Trade setup #3a: In a down trending market, when the current session opens above the previous days upper VA and below the DBY's lower VA enter a short trade at the DBY's lower VA and again at the DBY's HVL placing a stop for both trades 1.5 points above the DBY's upper VA (if stopped out on this setup and price remains above the stop level, change directional bias for all category 2 trade setups for the remainder of the day)

Trade setup #3b: In an up trending market, when the current session opens below the previous days lower VA and above the DBY's upper VA enter a long trade at the DBY's upper VA and again at the DBY's HVL placing a stop for both trades 1.5 points below the DBY's lower VA (if stopped out on this setup and price remains below the stop level, change directional bias for all category 2 trade setups for the remainder of the day)

Trade setup #4a: In a down trending market, when the current session opens above the DBY's lower VA and below the DBY's POC enter a short trade at the DBY's POC and again at the DBY's upper VA placing a stop 1.5 points above the DBY's High Of the Day/HOD (if stopped out on this setup and price remains above the stop level, change directional bias for all category 2 trade setups for the remainder of the day)

Trade setup #4b: In an up trending market, when the current session opens below the DBY's upper VA and above the DBY's POC enter a long trade at the DBY's POC and again at the DBY's lower VA placing a stop 1.5 points below the DBY's Low Of the Day/LOD (if stopped out on this setup and price remains below the stop level, change directional bias for all category 2 trade setups for the remainder of the day)

Profit targets for all trades should be in consideration of the risk of each respective trade and should be placed in consideration of the previous days POC, VA or HVL

(Category 2)

Trading Methods For Market Profile

Category 2 trades are based off the current sessions VA, HVL and POC with profit targets of approximately 2 points (they will generally setup after steps 1 and 2 have occurred in the market profile's development)

When a Category 2 trade's entrance level matches up with a previous days HVL It is referred to as a Category 2+ trade (category 2+ trades are generally good for 3 or more points)

Step 1 being vertical movement of price and step 2 being the capping of step 1

Step 1 will generally takes place during the Initial balance/IB period of the day (the first 60 minutes) Step 2 often occurs during the IB period as well

Step 3 is when the market begins to move more in a horizontal direction than vertical direction and the bell curve begins to take shape

Step 4 is when the bell curve is becoming fully developed and its POC tries to drift towards the center of the IB, if it is not already in the center (occasionally steps 3 or 4 do not fully develop and the market enters step 1 again, this is known as minus development)

Minus development is very helpful in showing the direction of the market.