



MarketWebs

"Have you ever said to yourself, wow I wish I had bought at X price? Or why is X price significant?" That X very likely was a high-volume price in the market. These offhanded thoughts are rooted in and created by this market memory. The Marketwebs allows us to map it all out on the fly.

Many traders and investors analyze volume as a function of time in the sense that they look at volume on a given day or volume confirming a breakout or breakdown. This is the common use and can be found on a study below a price chart. However, ***what about looking at volume at price, and displaying that inside a chart? Why would this be important?*** I know from **my institutional trading experience that investors "care" at a certain price.** For example, many hedge funds may "care" or "value" a company at a particular price and want to buy or sell if the price gets to that level. They in turn give an order to their executing broker to buy/sell when price gets to a certain level. The time of this transaction may be secondary, they are more motivated by price vs time. By measuring where volume occurs at price can provide information on whether a company, sector, index is trading with a range or breaking out / down. This is the reasoning behind volume at price.

Taking this a step further, profiling all the volume in a given period can provide us with a volume distribution where the majority (say 1 standard deviation) of volume has occurred at price. This ~ 1 standard deviation around volume at price in a period can be graphically laid out to display what we will refer to as the **Point of Control (POC)**, where the majority of volume has occurred at price, the **Top of Value (TOV)**, the upper end of 1 standard deviation profile, and the **Bottom of Value (BOV)**, the lower end of 1 standard deviation profile. The significance of this display is that it can provide excellent support and resistance levels to watch and trade. Watching how price behaves around these levels can help determine breakouts or when a company is range bound, that we may refer to as "chop".

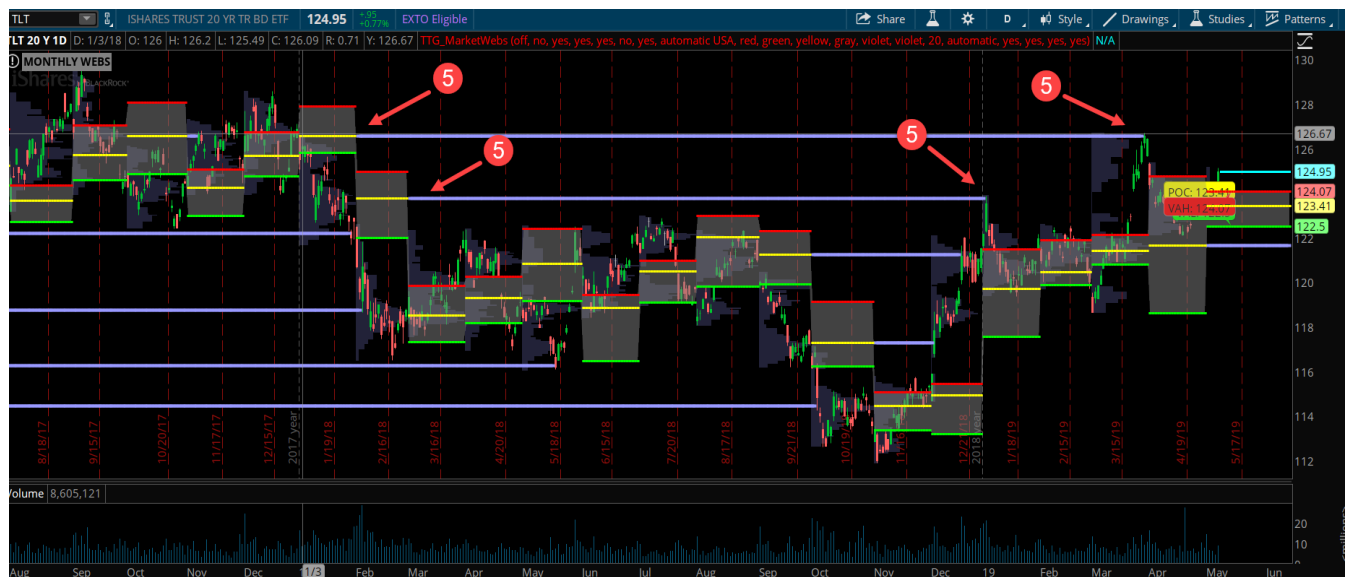
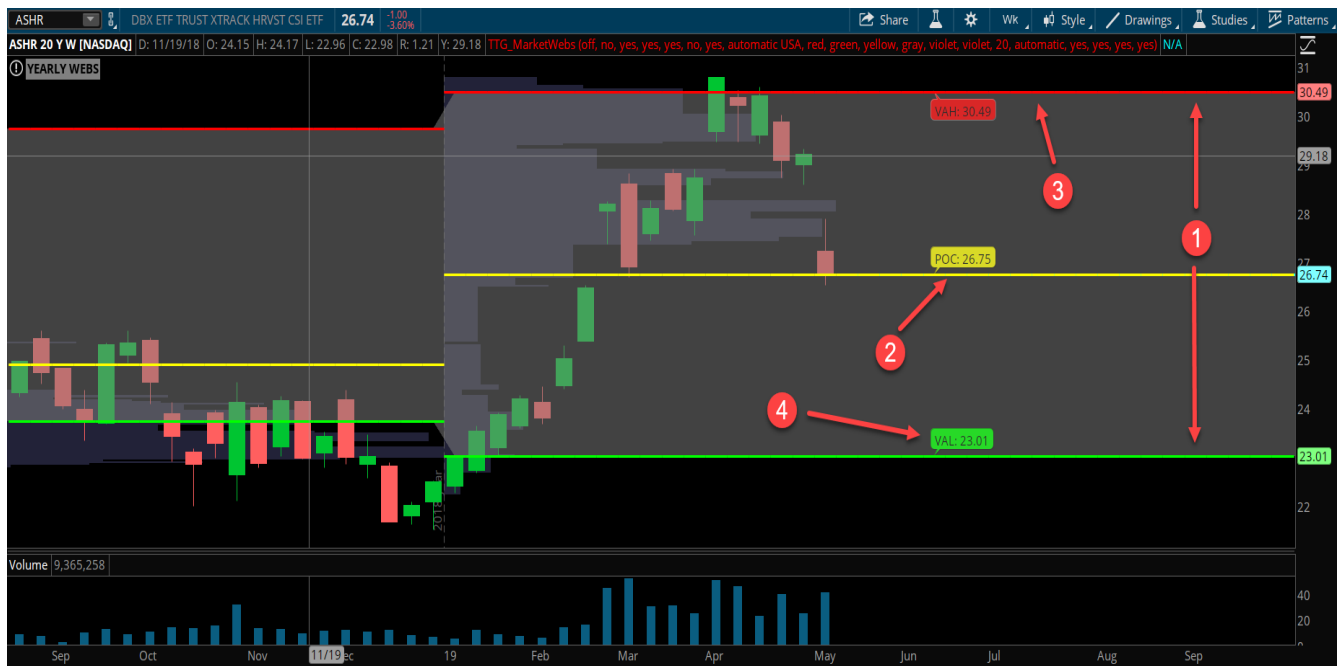
MarketWebs definition:

A study that weights price, volume, and time graphically on a chart display. The study identifies key support and resistance zones and translates them into a decision support system with the goal of simplifying the trading system.

MarketWebs Definitions:

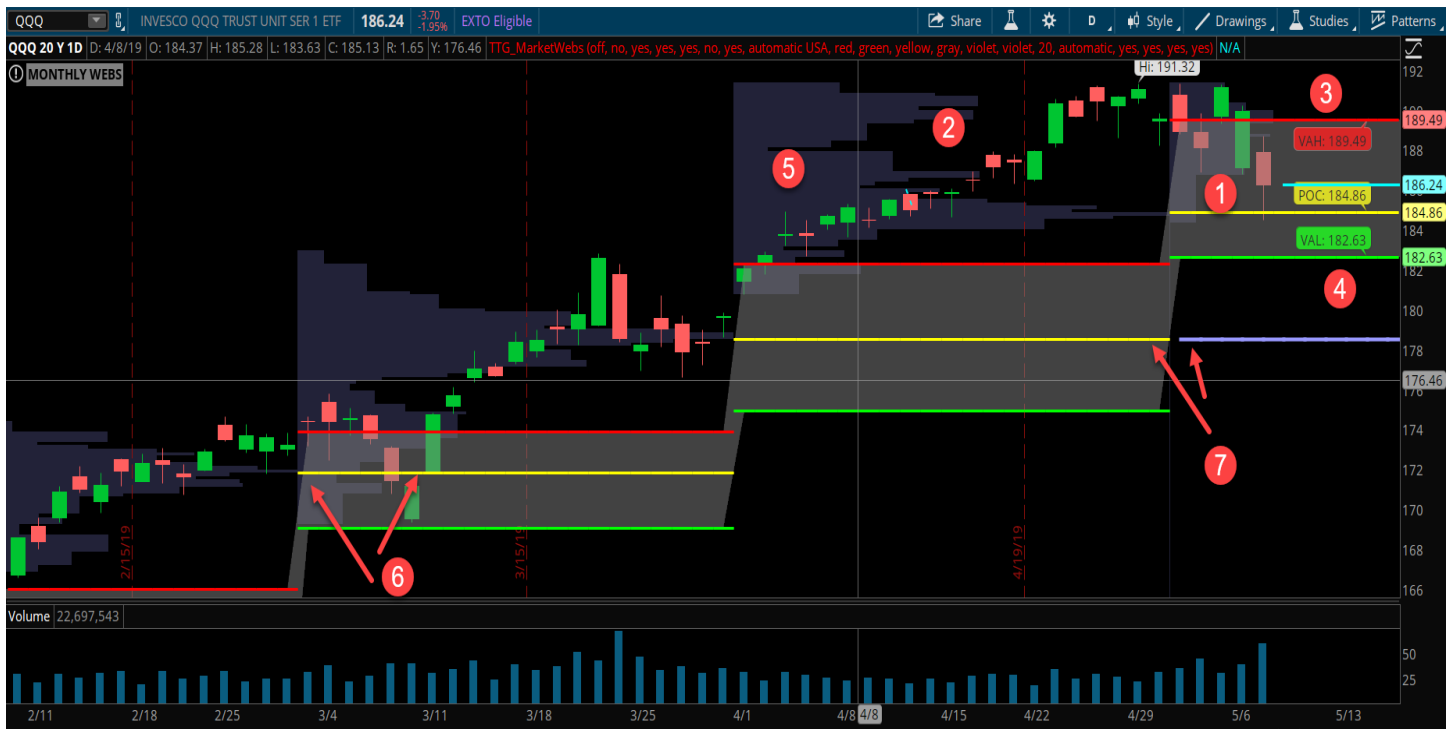
- 1.Value Area:** where the majority of price action has taken place in a give time period.
- 2. Point of Control (POC):** where the majority of volume has occurred at price in a given period
- 3.Top of Value (TOV):** the upper band of 1 standard deviation volume profile in a given period
- 4.Bottom of Value (BOV):** the upper band of 1 standard deviation volume profile in a given period
- 5.Virgin Point of Control (VPOC):** A Point of Control that has never been revisited or touched. These can act as memory points and can be significant when price is outside of value.

Time Periods: Monthly, Weekly, Daily, 1hr, 5 min. There will be a Value Area for each Time Period or timeframe



MarketWebs Points:

1. When price is inside value for a period it is range bound and not trending
2. When price has climbed above or fallen below value is out the recent range (value) and has begun to trend
3. When price is inside value, the top of value will act as resistance or a pivot level. Once price climbs above value, that pivot level will become support
4. When price is inside value, the bottom of value will act as a pivot support level. Once price falls below value, that pivot level will become resistance.
5. If price starts a new period above (or below) value, it is trending.
6. The point of control will often act as a magnet or “base” because there is a heavy concentration of volume there.
7. If price never visits its point of control in a period, that point of control will become a VPOC (Virgin Point of Control)
8. Once price enters a value area (and has established itself inside value) it has an 80% chance of passing from one side of value to the other. This is known as “the 80% rule”. Important to note that A) during the current period price should have established itself outside of value before entering, B) that the value area must not have already been explored 100%
9. Frequent timeframes that are used for charting are:
 - 5m provides a value area for the day
 - 1hr provides a value area for the week
 - Daily provides a value area for the month
 - Weekly provides a value area for the year
10. Once a time period is over, a new value area is created. Note past value areas are still relevant
11. Historical VPOCs (Virgin Point of Control) will often act as a magnet once price leaves value in the given period.



More on the Volume Profile:

http://www.r-5.org/files/books/trading/charts/market-profile/CBOT-Market_Profile-EN.pdf

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