

MARKET NAVIGATION & STRATEGY

1. The philosophy

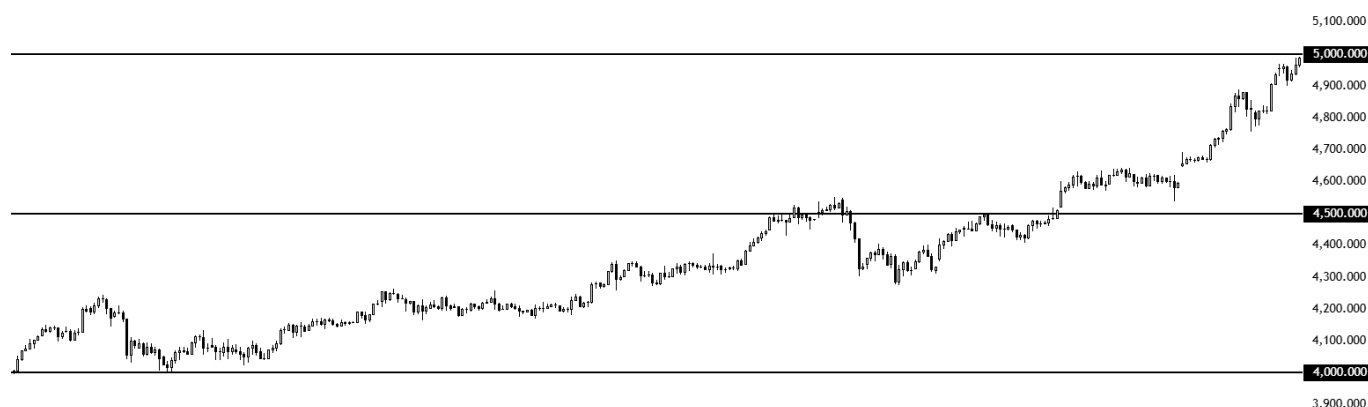
Price action is the result of the interaction between market participants (passive & active)
The continuous interaction between participants produces market behavior, context, and intention.
Market (price) structure is the result of the interaction.
The relation between price and volume produces value.

2. The basis for analysis

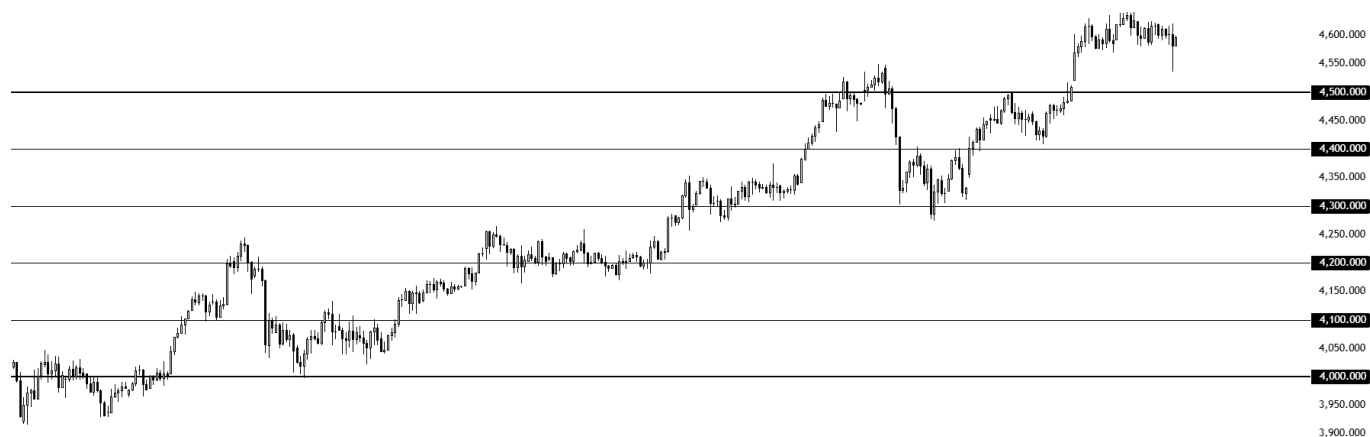
A. Key prices and price ranges

a.) Depending on the characteristics of a market (average price fluctuations, volatility, liquidity, etc.), find prices that the market accepts and reacts to as major support or resistance levels (being major round numbers), the difference of which forms a fixed \$ range that is applicable indefinitely; for example, if \$10, \$20, \$30, etc., establish major support/resistance in a market, we consider the range of \$10 as the amount for the primary price range, applied indefinitely within that market.

Example: Spot Gold – 4H – \$500 range

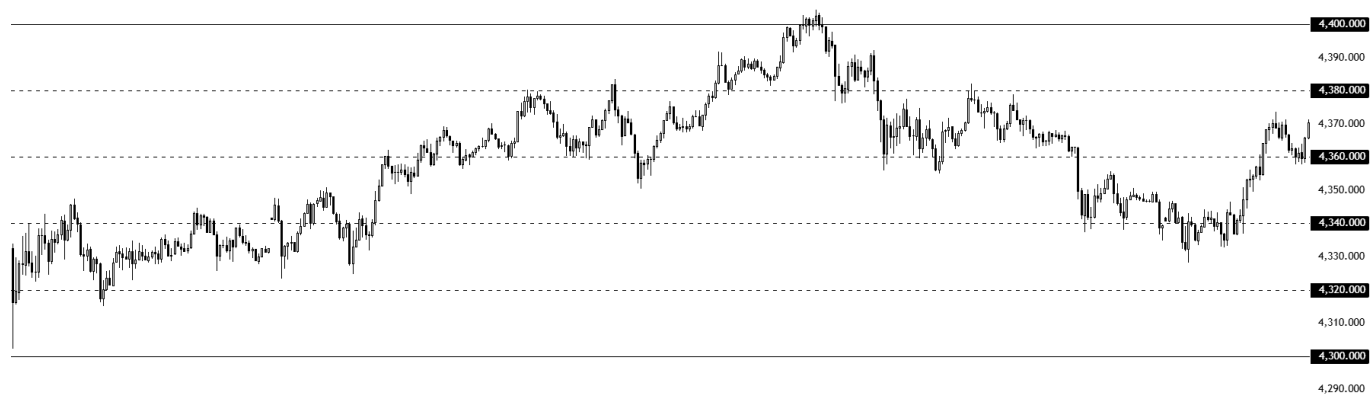


b.) Divide the primary range into five equal sections by marking major round prices within the range, which are, therefore, considered as secondary key prices that form secondary ranges.



For an intraday basis, the same rule is applied to the secondary range for intraday key prices and ranges.

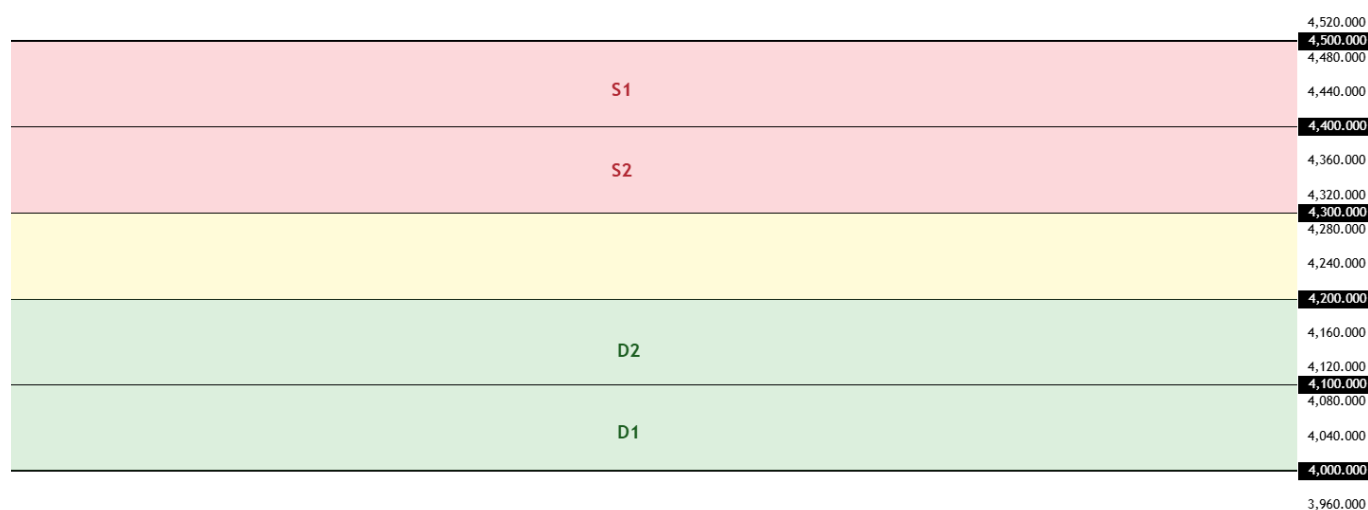
Spot Gold – 5m



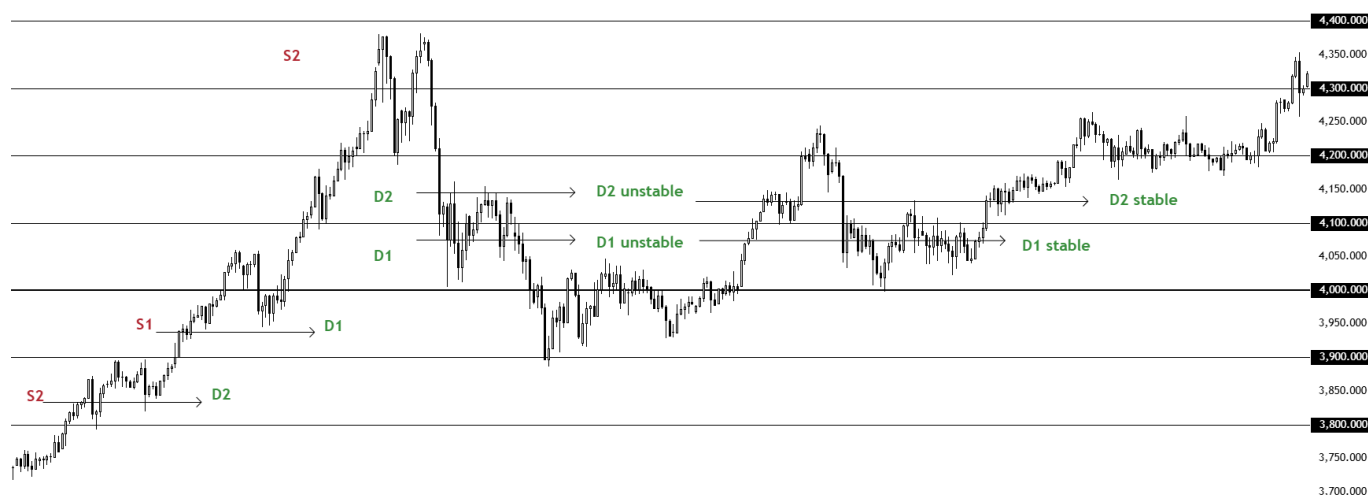
B. Demand/support and supply/resistance dynamics

a.) We look at the first two sections at the bottom of a primary range as demand/support, the last two sections at the top of the range as supply/resistance, while the middle section is viewed as a passage or bridge between demand and supply.

The first area of demand or supply (D1/S1) is the first section from the price of the primary range. We view D1/S1 as areas of deep liquidity, since they act as the discount and premium of the range; in other words, they carry significant interest and stronger reactions if the conditions are met. This is of course a general rule since it depends on the market context, so that D2/S2 may become of equal significance if the market shows the corresponding interest.

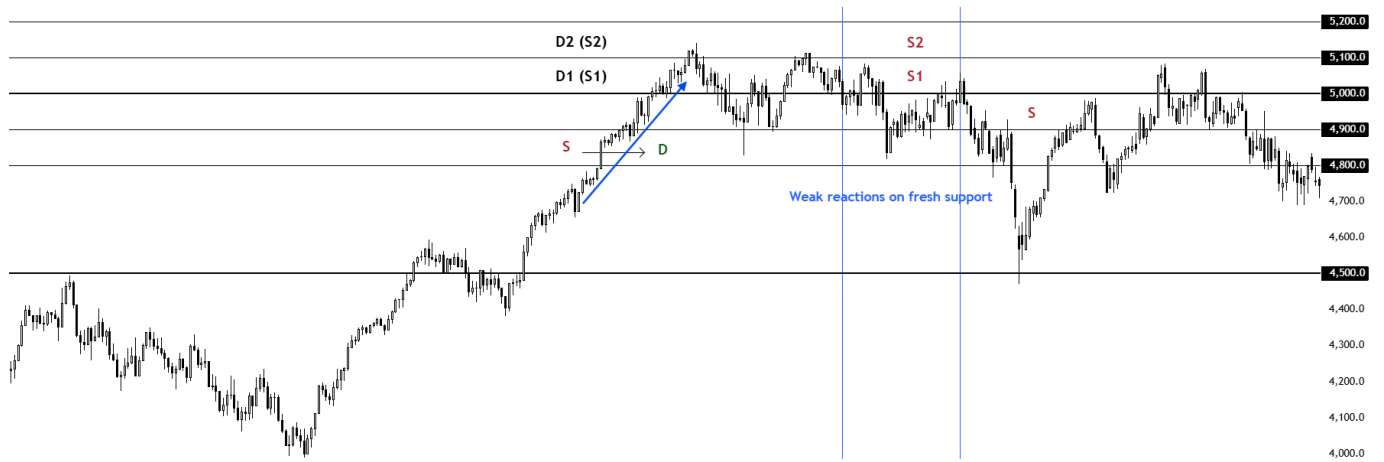


b.) Support/resistance dynamics apply to areas: a broken demand becomes supply and vice versa, so that the market may neglect current areas of supply or demand in order to test the change, in which case the current areas of supply or demand are not considered broken but unstable until tested, since they may or may not become supply or demand.



c.) We look at the next D1/D2 as a potential S1/S2 if the market rallies or slices through the supply areas of the current primary range and fails to find interest in or defend fresh support.

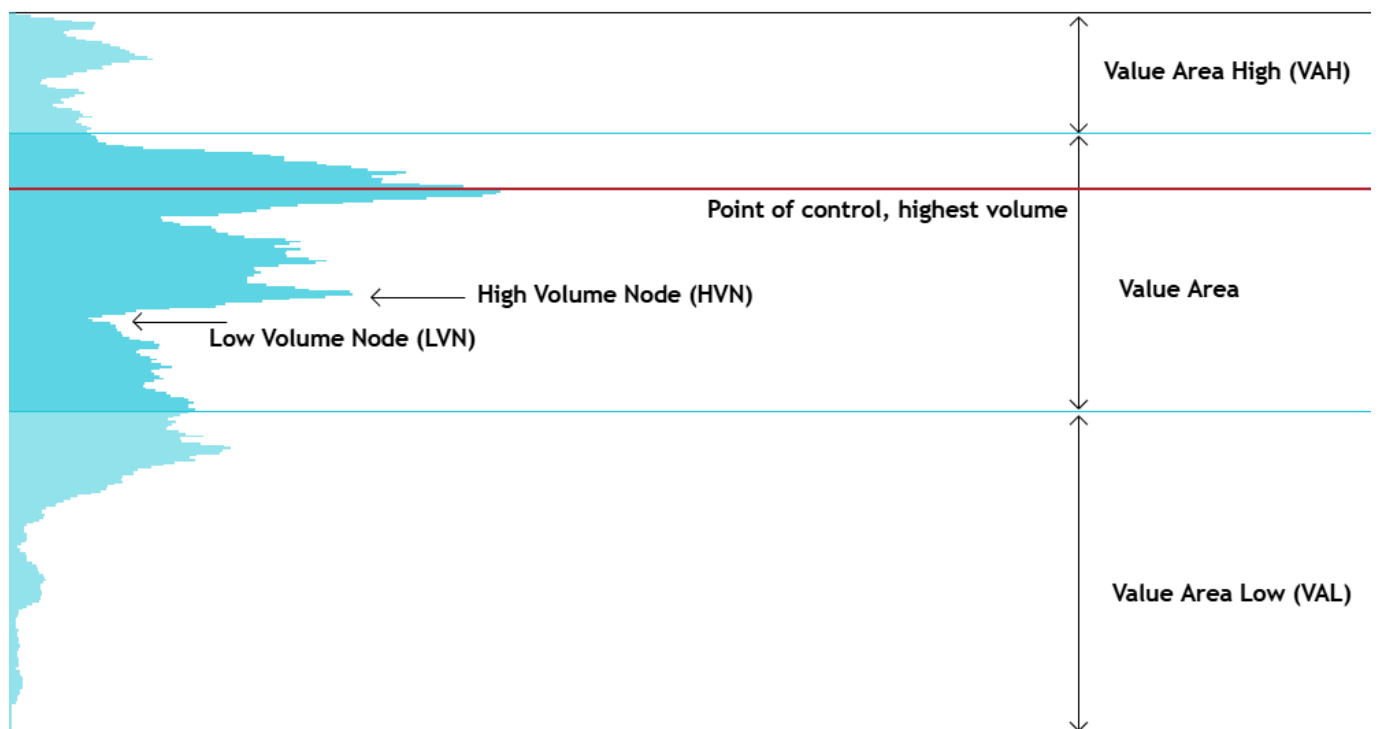
Example: EU50 – 1D – \$500 range



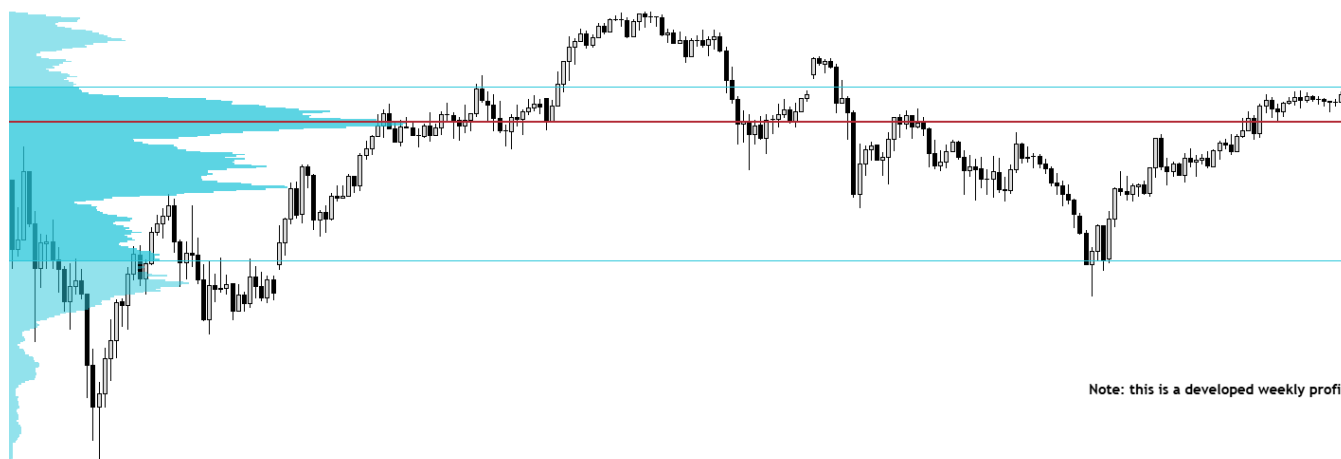
Ca. Volume Profile and VWAP

We combine the tools to look for confluences, validate confidence, and anticipate probability.

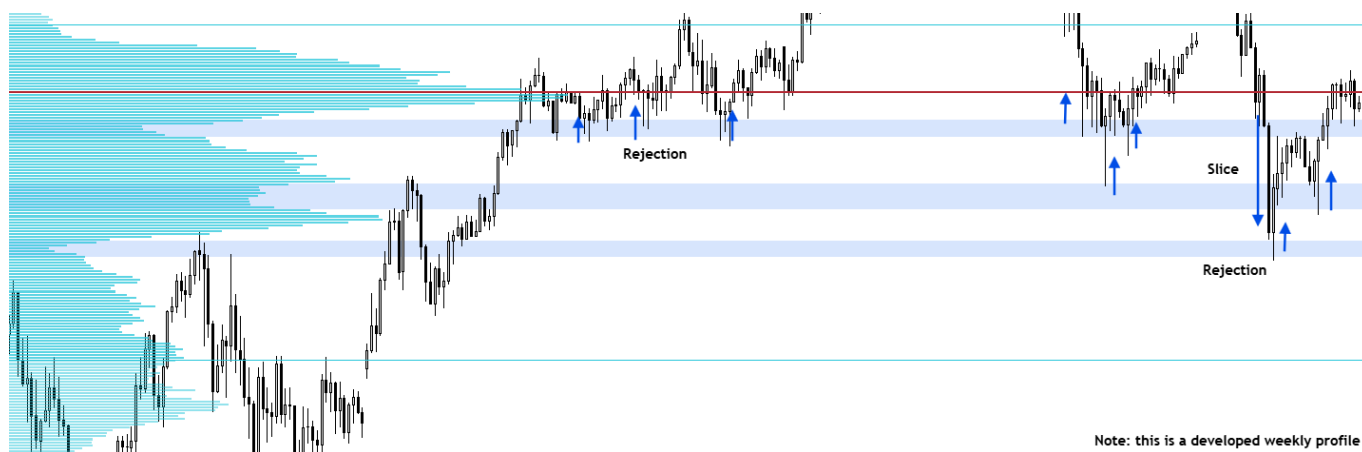
aa.) The anatomy of a volume profile:



ab.) We look at the VAH as an area of supply/resistance, and the VAL as an area of demand/support if the market accepts and reacts accordingly. The reaction on the support or resistance of those areas is, in reality, a rejection of imbalance since the market is trading outside of the value area (balance). However, we consider those areas as demand/supply because deep liquidity is often present.

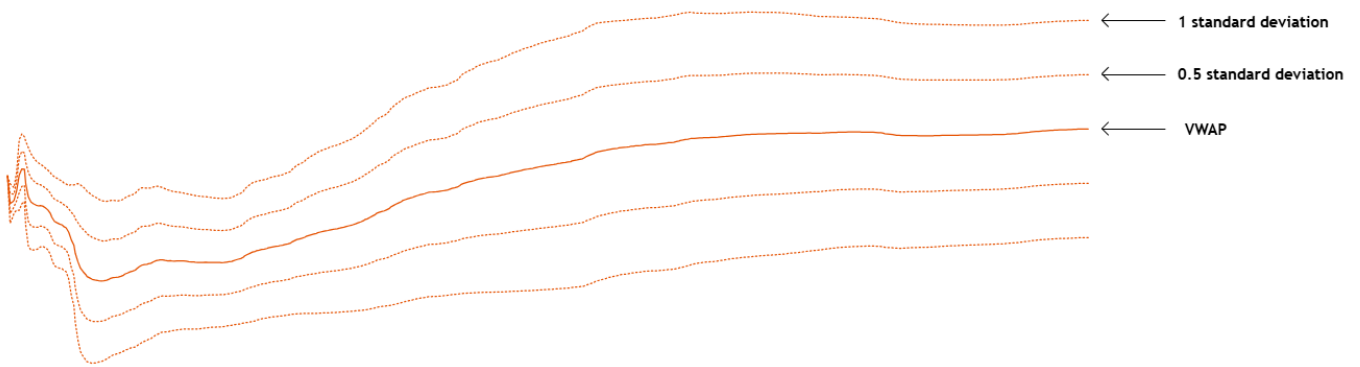


ac.) We look at LVN's as areas of low friction, higher volatility, since they show low interest. The market will either reject an LVN aggressively or slice through aggressively, that is, the market spends very little time in an LVN because of the low interest in that particular area.

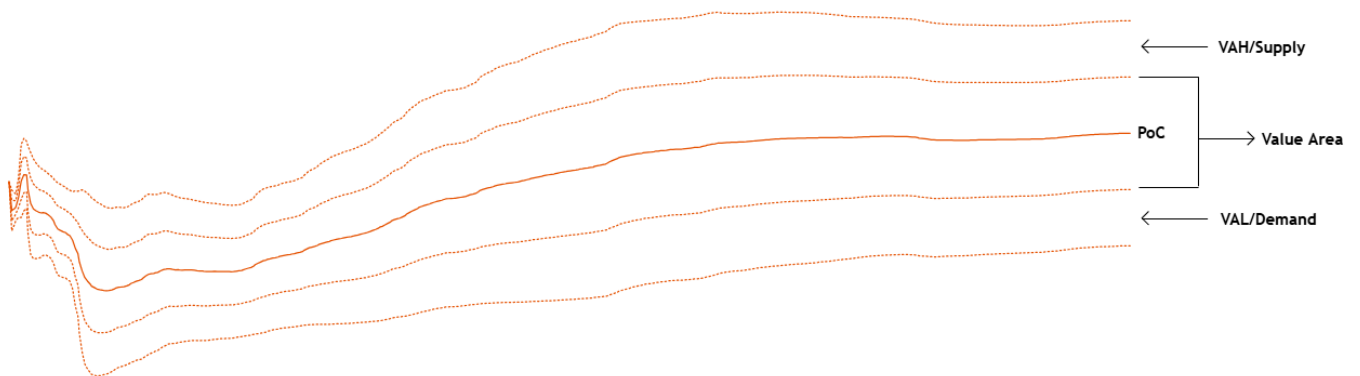


Each HVN is a balance or area of high interest; therefore, if an LVN that is above or below an HVN is rejected, we read this behavior as a rejection of lower or higher value, since the market doesn't want to revisit the prior area of interest; but if the market wants to test the prior value before continuation, it will slice through the LVN and test the value as support/resistance for confidence. HVN's are tricky areas to trade because the market will often search for stop liquidity in near LVN's, therefore we look at HVN's as strong areas of support/resistance but trade the LVN's.

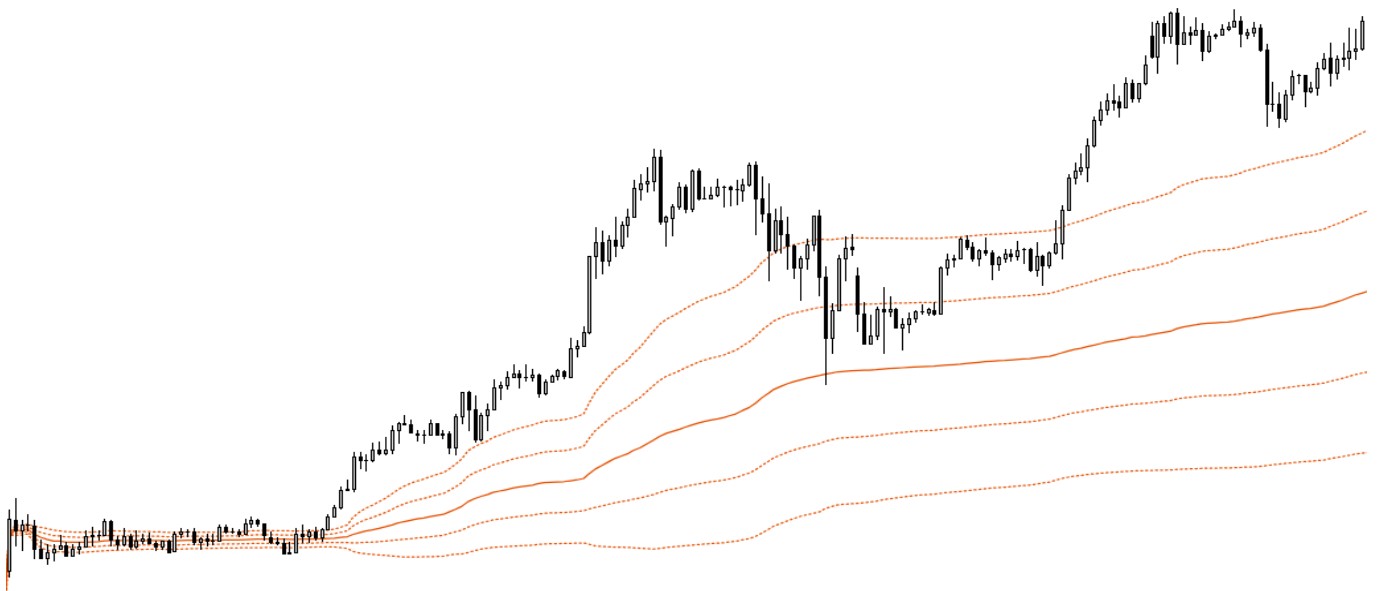
ba.) The anatomy of a VWAP:

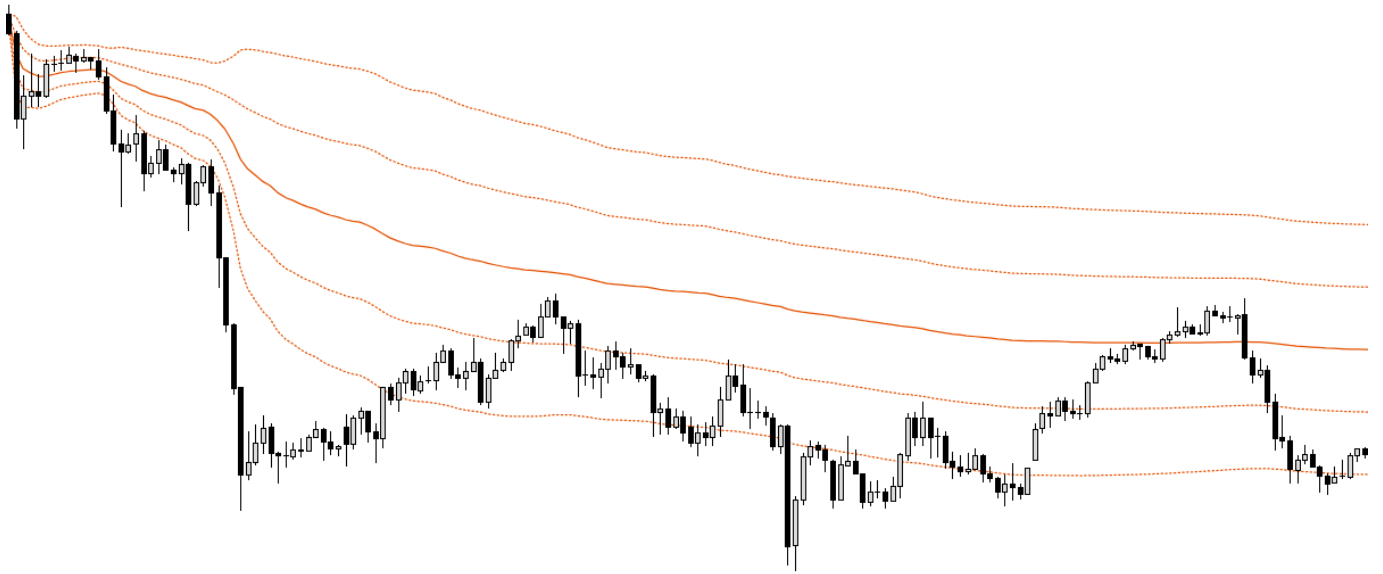


We look at VWAP in the context of flowing value where support/resistance dynamics apply.

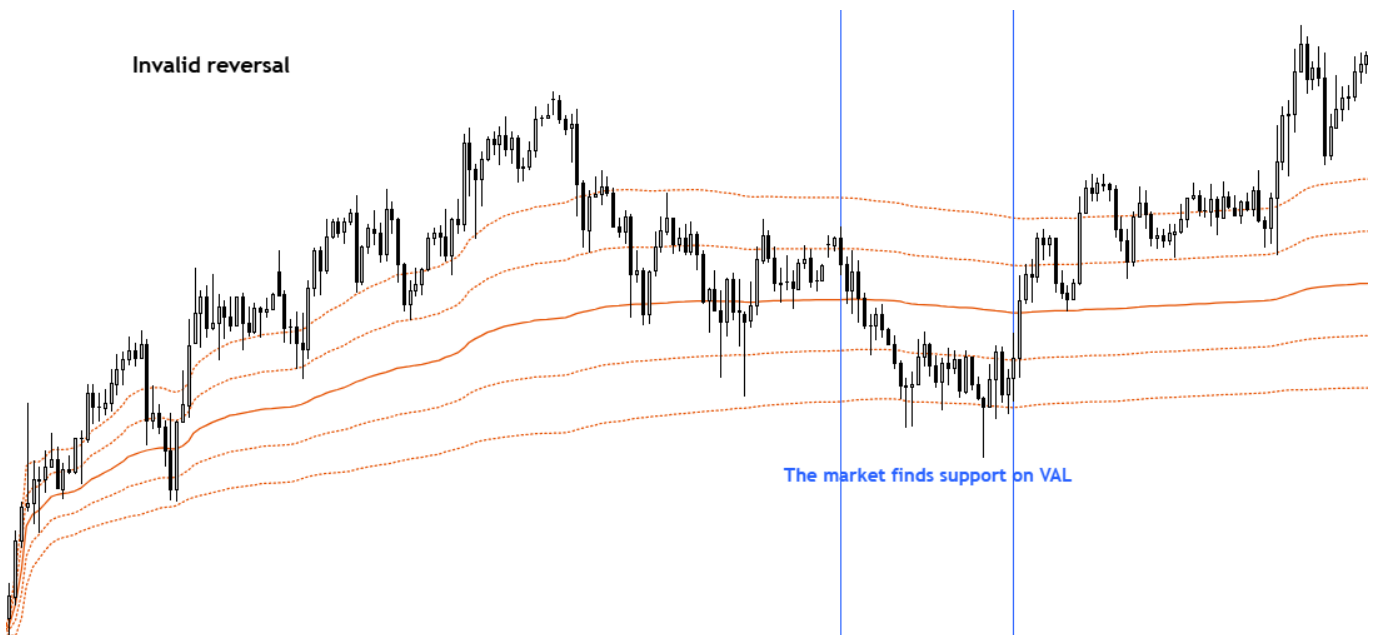


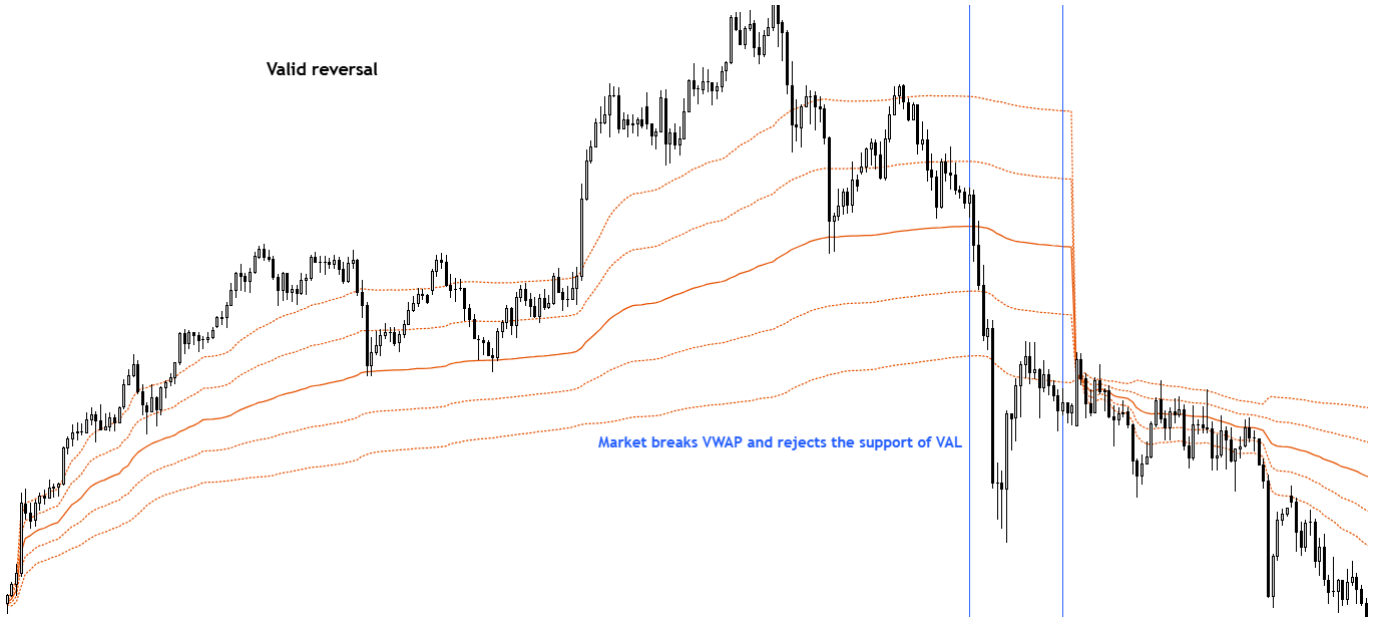
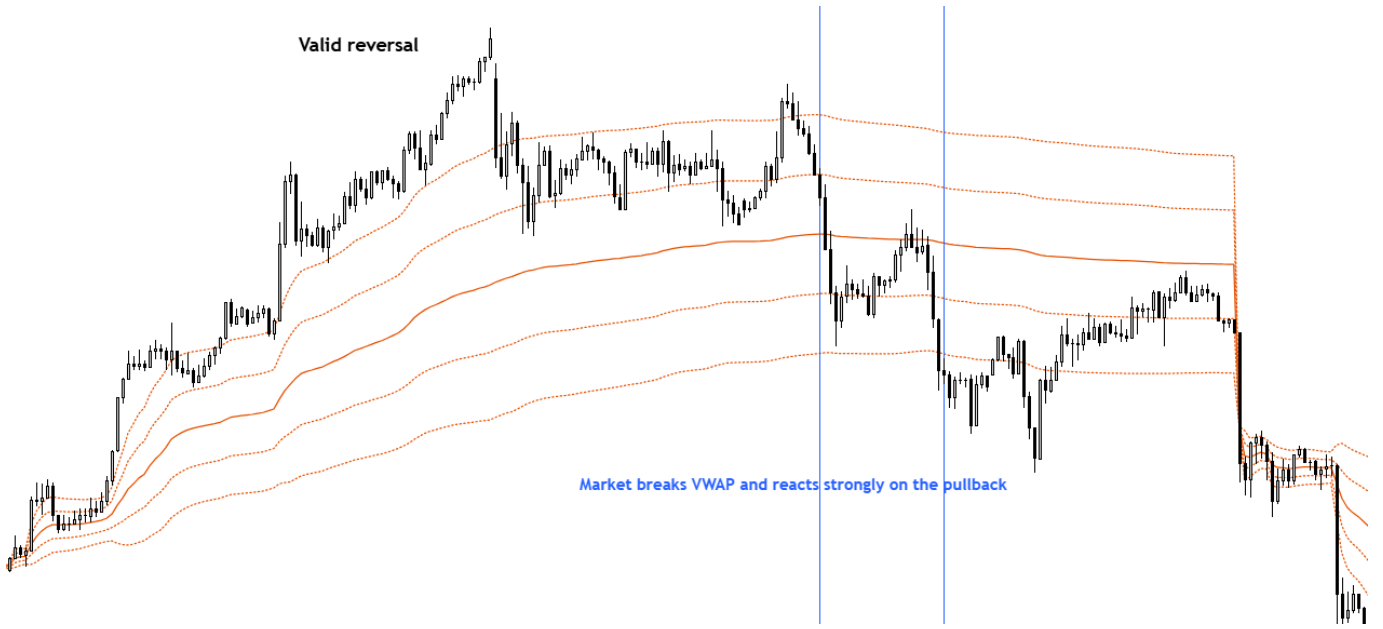
bb.) In a strong uptrend, the VWAP and its value area are rejected and the VAH becomes demand/support; if the market loses momentum and returns to the value area and VWAP, we consider support for the current trend but the VAH returns to its original form until tested otherwise. The same rule applies to a strong downtrend.





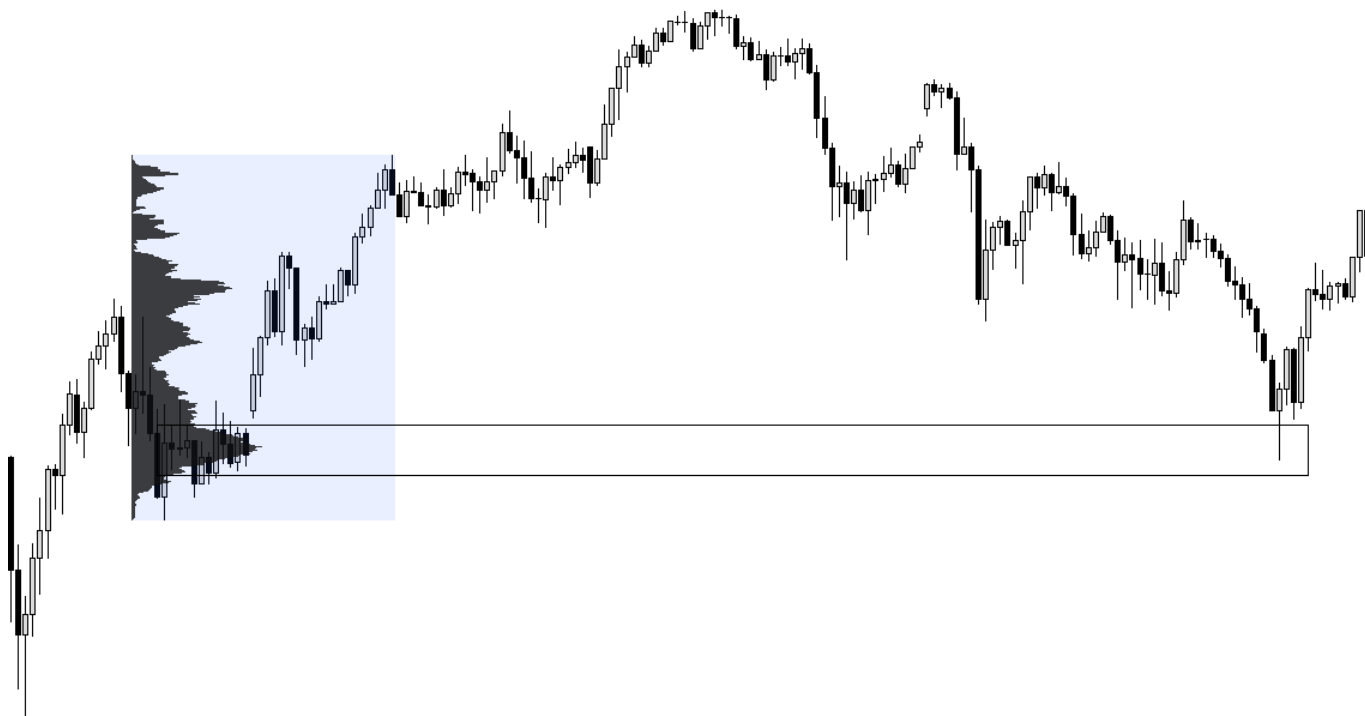
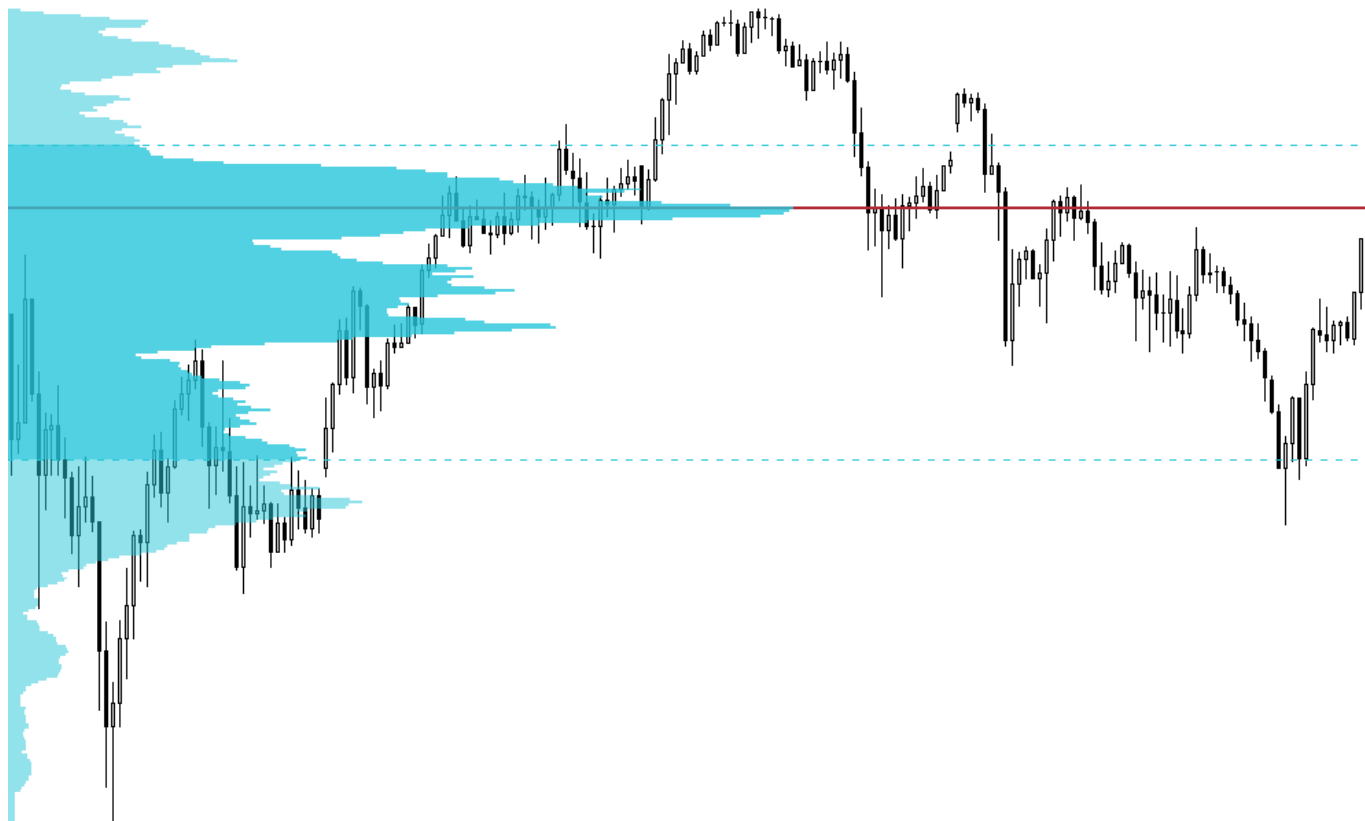
bc.) In order for a reversal to be valid, price must break the support/resistance of the VWAP and either react strongly on the pullback before continuation or reject the VAH/VAL immediately, otherwise the market finds support/resistance on the VAH/VAL.





Cb. Fixed/Anchored VP and VWAP

aa.) We use a fixed range volume profile to analyze specific areas of which volume distribution is otherwise lost or hardly visible in the noise of a larger profile. This is useful because the market often revisits and tests volumes or value areas from which it initiated a direction.



ab.) We use the anchored profile when we want to see how the volumes develop from a specific point in the market; e.g. from a swing low/high, news event, reversal point, breakout, etc.

b.) We use the anchored VWAP to anticipate dynamic support/resistance from a specific point in the market; e.g. from a swing low/high, news event, reversal point, breakout, etc. This is useful because the market will often search for an immediate or nearest support/resistance in a strong move.

