THE PROFILE VOLUME

PHIDIAS PROPFIRM

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The volume profile is an analysis tool.

It consists of volumes at price (for each price) representing the quantity of contracts traded at a given price level, over a defined time scale. Typically it is used on daily time scales, but can be adapted to provide intra-day, monthly, yearly data or to compare the CASH session and the Globex session of your asset.

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SOME PROFILES VOLUMES

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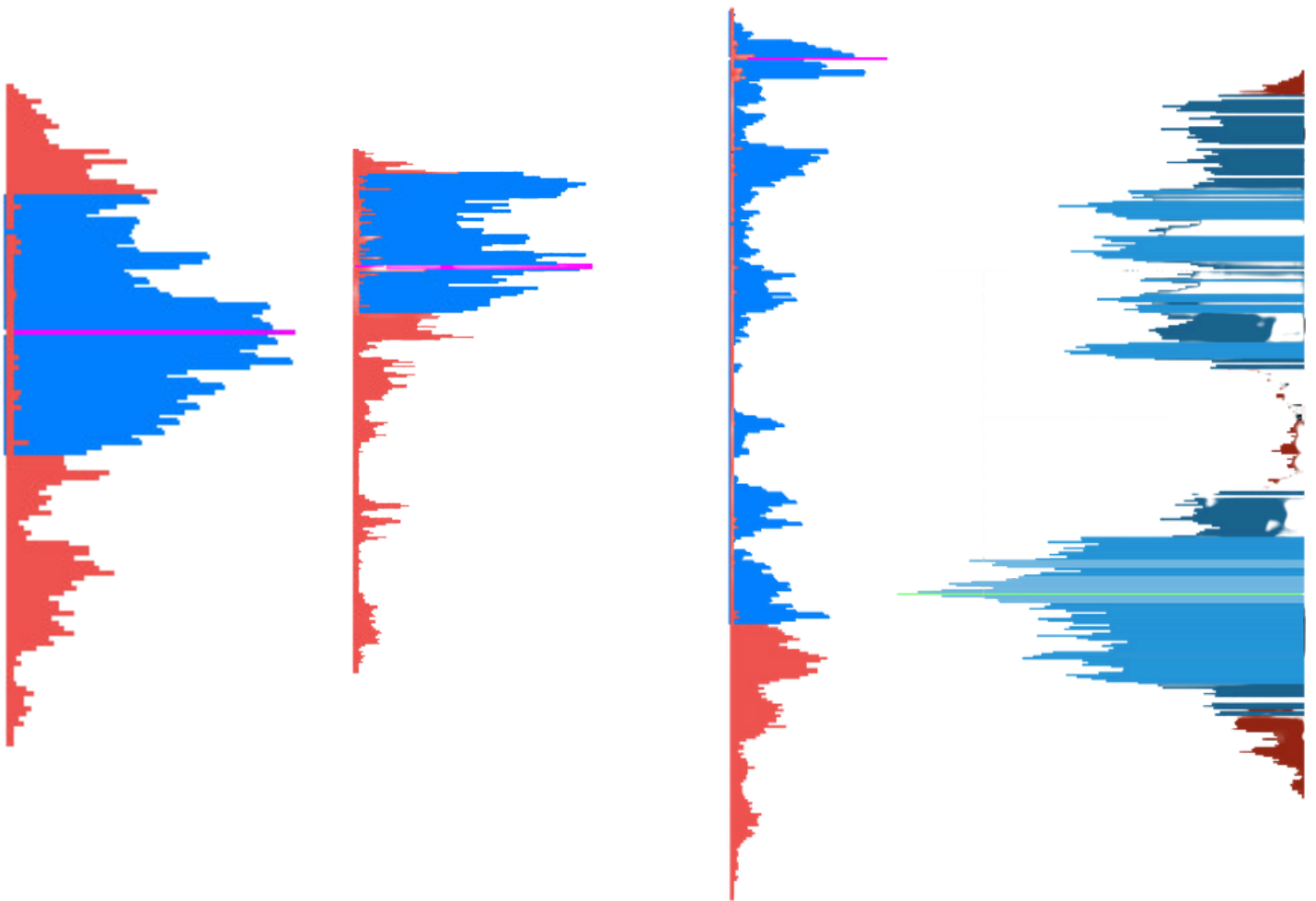
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The volume profile is a powerful analysis and charting tool that will allow you to locate key areas to watch during your trading sessions. It will help you situate current prices in relation to previous price levels and anticipate future movements. Thanks to the volume profile, scenario building is very relevant.

Its major advantage lies in its ability to provide a unique perspective on prices, different from what is found on traditional charts and other tools. The purpose of the volume profile is to list past trades at specific price levels, thus allowing to understand the behavior of market participants at these levels and to highlight highly relevant intervention levels.

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One of the major advantages of the volume profile is that it takes the form of "vertical mountains and valleys" when reduced for an overview. *We will come back to this in the LVN and HVN section.

Volume profile
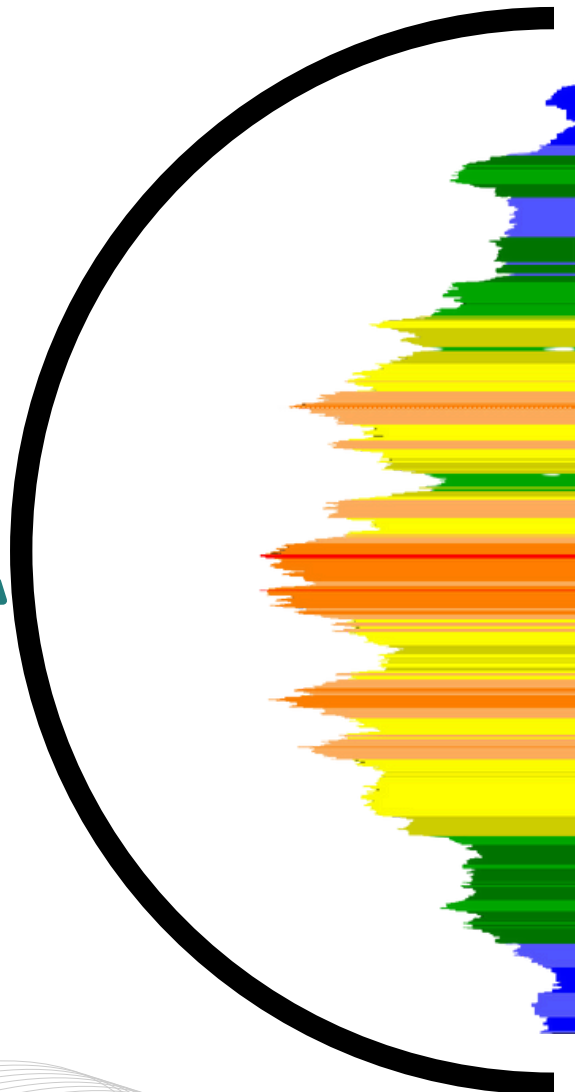
VOLUME PROFILE TECHNIQUES AND STRATEGIES

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The "Value Area" is a key concept in the technical analysis of financial markets, which applies particularly to the volume profile. The VA (Value Area) is also called the "Fair Price Zone" or "Control Zone."
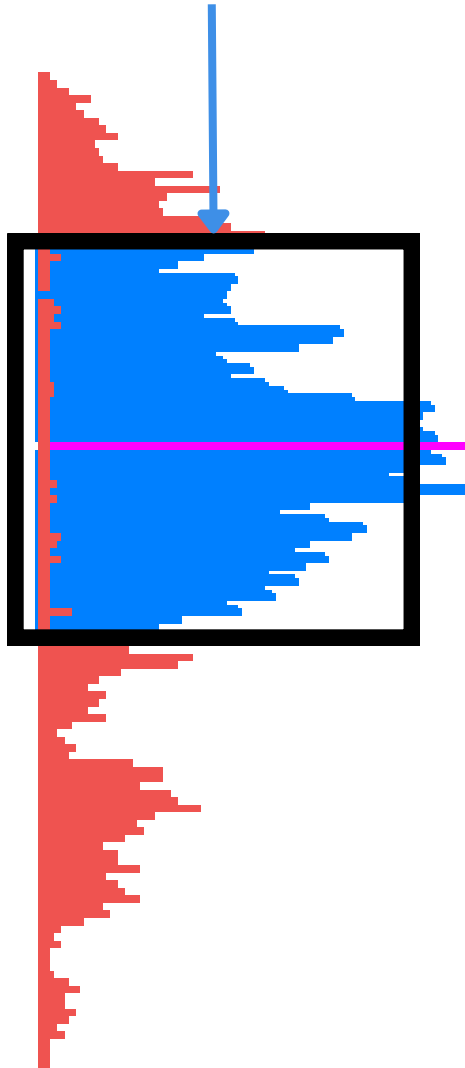
The Value Area represents the price range where the majority of trading took place, or 70% of the total volume. This indicates that the market considers these prices to be the most significant.

Traders use the Value Area to identify key price levels. If the current price of an asset is outside the Value Area, it can indicate pressure in the market. On the other hand, if it is inside the Value Area, it can mean a balance between supply and demand.

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value area

## The Value Area is divided into two essential parts:

The "Point of Control" (or "POC"): this is the price where the volume is the highest within the Value Area, considered the "fair price."

"Value Area Boundaries": These are the prices that delimit the main trading range. These boundaries can act as support and resistance levels, where significant price movements can occur. They are also referred to as Value Area High and Value Area Low (VAH and VAL).

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Photo poc, VAH, VAL and value area limit

WEIGHT

FEW

VAL

ADDITIONAL INFORMATION

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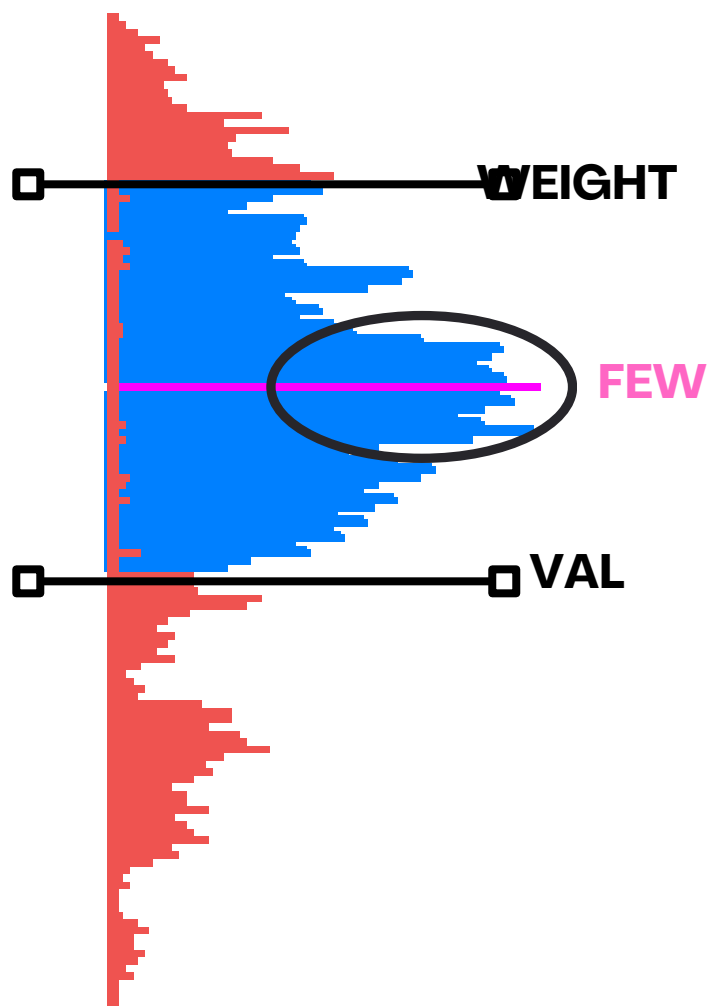
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Additional information

LVN (Low Volume Node)

Refers to an area characterized by low trading activity, suggesting a marked lack of interest from market participants, usually because prices have not maintained prolonged stability.
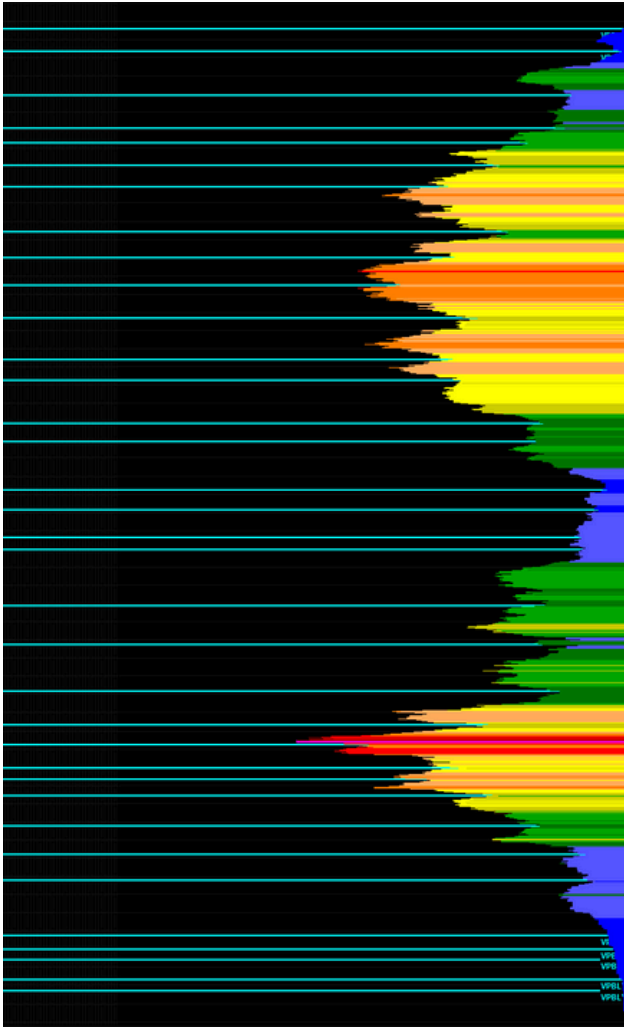
HVN (High Volume Node)

It represents an area of high trading activity, signaling substantial interest from market participants, often accompanied by a large number of transactions.
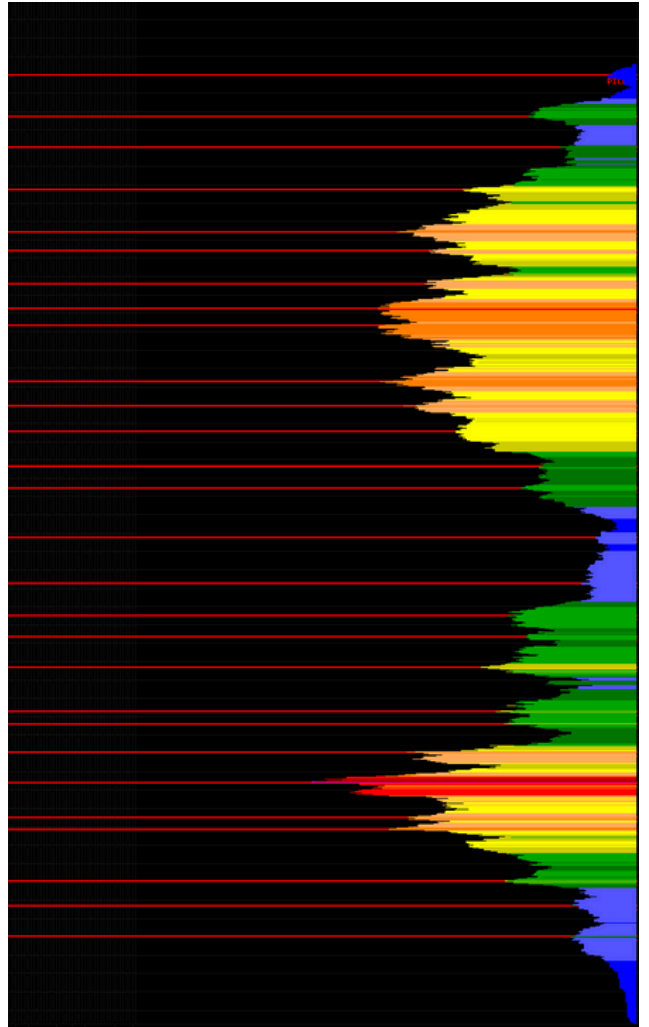
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LVN
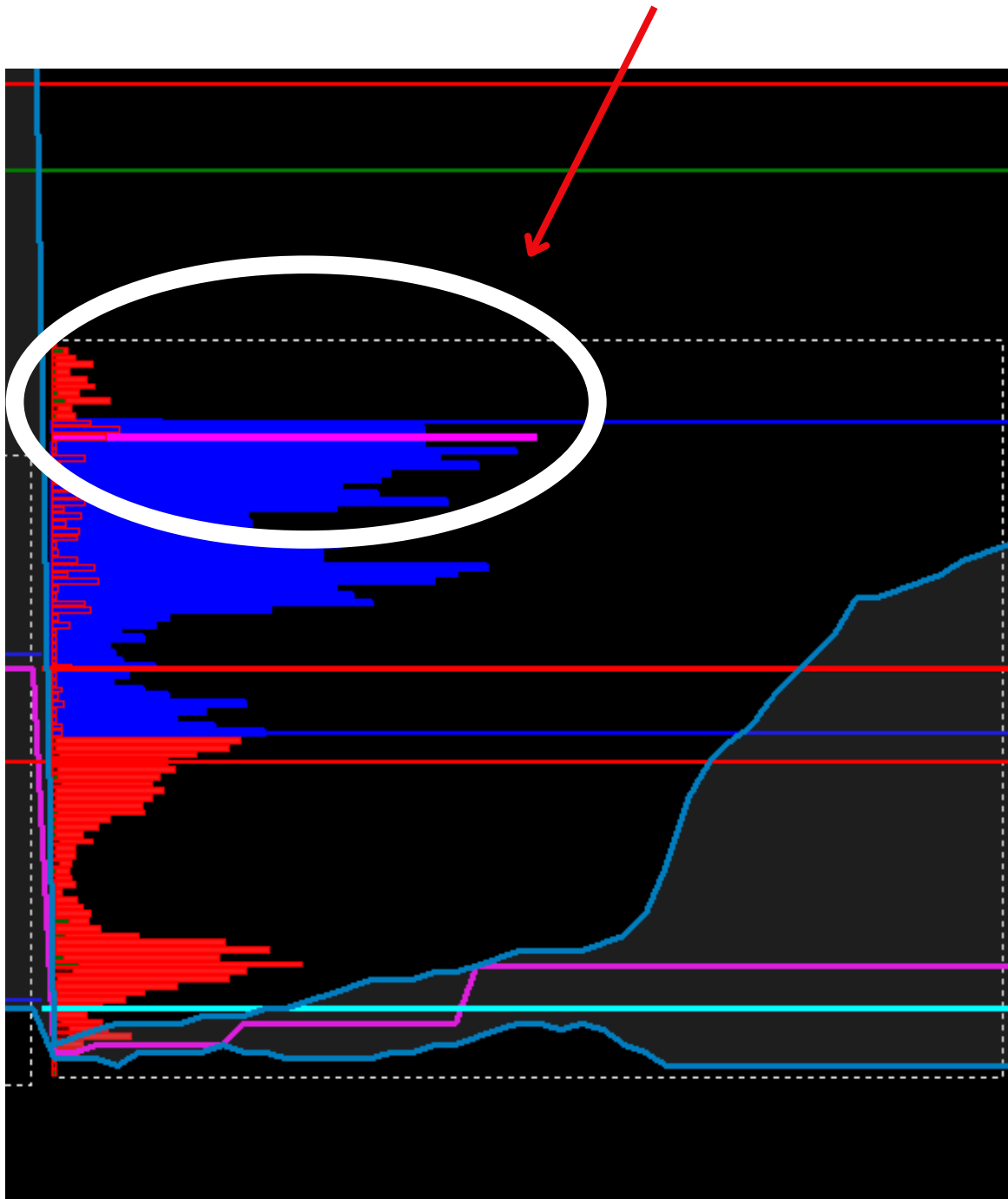
HVN

The "extreme limits"

Volume Profile patterns can form Poor Low // Poor High patterns. This pattern often indicates many stop orders placed beyond these levels. Extra vigilance is required, especially in contrarian trading (contrary to the inherent strength movement of the market at that time).

The market will find itself in a directional extension phase and may display a lot of inertia in one direction or the other, with possible trend reversals or, on the contrary, strong aggression to continue the trend.

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Example of poor high on UB

POC volume

The POC "point of control" is a particularly interesting point in the volume profile. It symbolizes the place where the largest volume of contracts was traded during the session. This point tends to exert an attraction on prices and reveals the preferred direction of market participants. If the current price is above the POC, it is essential to carefully monitor the market reaction if sellers seek to bring prices back to the POC and vice versa. Old POCs, whether already reworked or blank (not reworked) from past days, are also of interest for trading setups.

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POC Volume
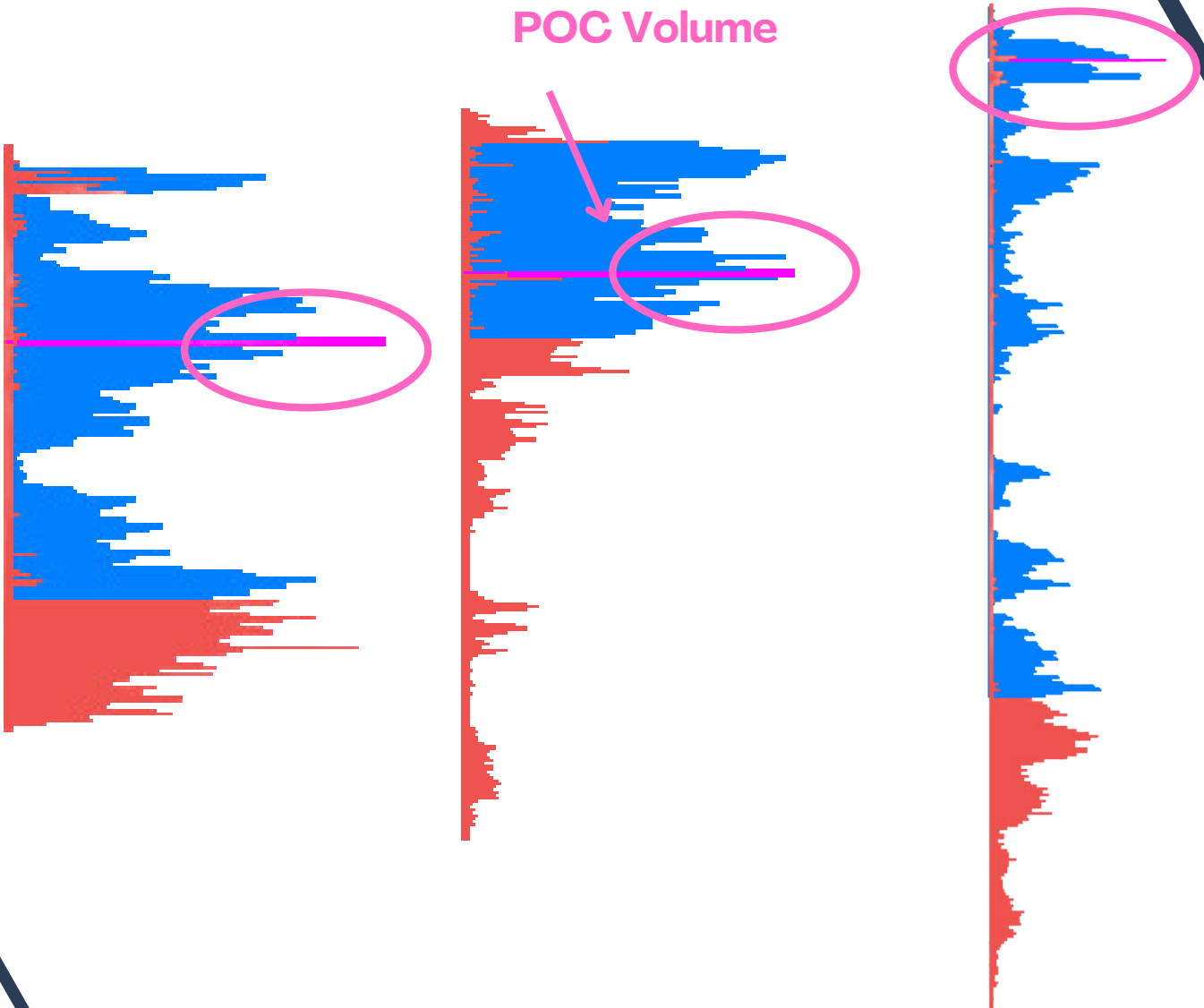
Volume Profile vs TPO Profile

The volume profile becomes even more interesting when combined with the TPO profile (Market profile.). *More info in our TPO profile (Market profile) explanation PDF (Put a picture of the VP and TPO profile side by side) explaining that long term VPs are also called composite volume profiles due to their nature of wrapping a lot of volume history by price.

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Volume Profile vs TPO profile


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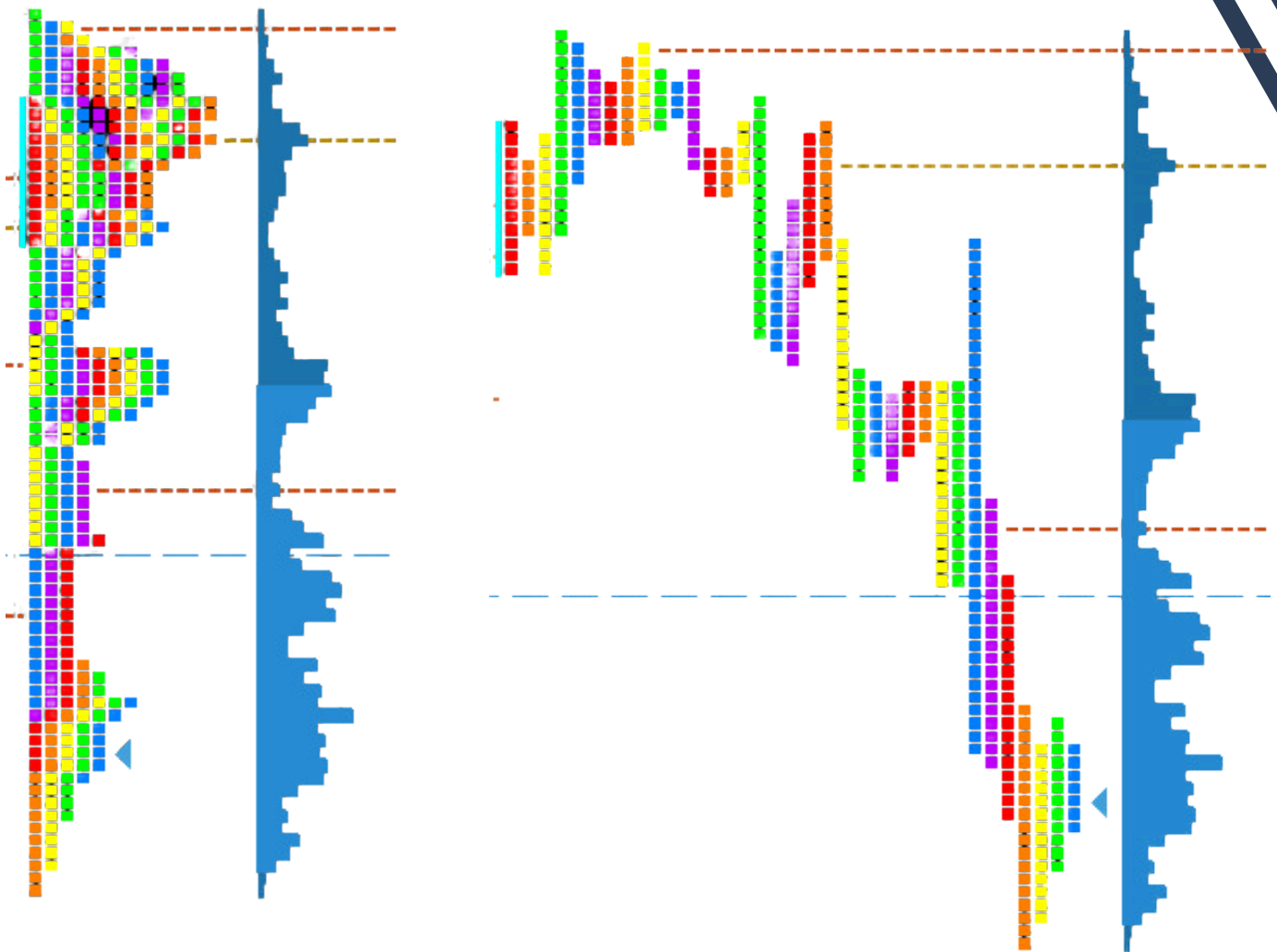
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Composites profiles

Long-Term Volume Profiles, also known as Volume Profile Composites, derive their name from their ability to encapsulate a vast amount of historical volume by price. These tools provide a holistic and in-depth perspective on market dynamics by aggregating a large amount of data on volumes traded at different price levels over an extended period of time. The result is a consolidated view of market activity that can be extremely useful for long-term analysis and forecasting.
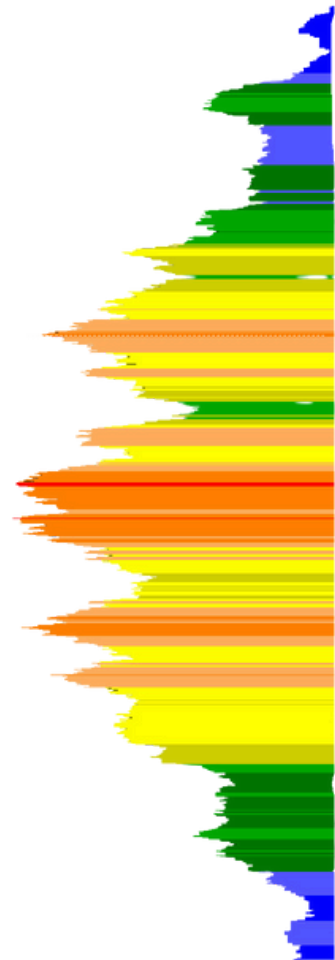
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Composite volume profile
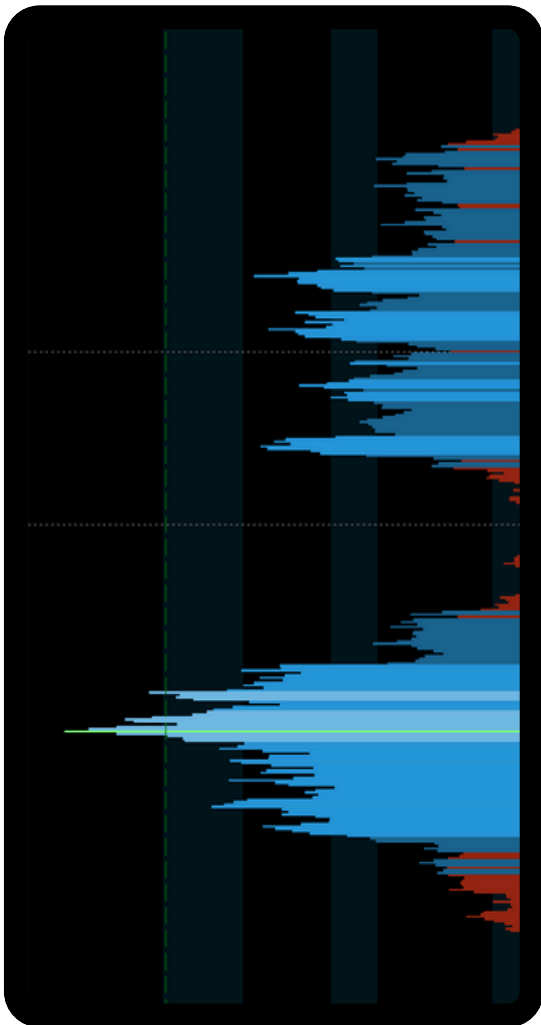
ES volumes over 30 days

ES volumes over 15 years

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THE DIFFERENT TYPES OF DAY VISIBLE WITH THE PROFILE VOLUME
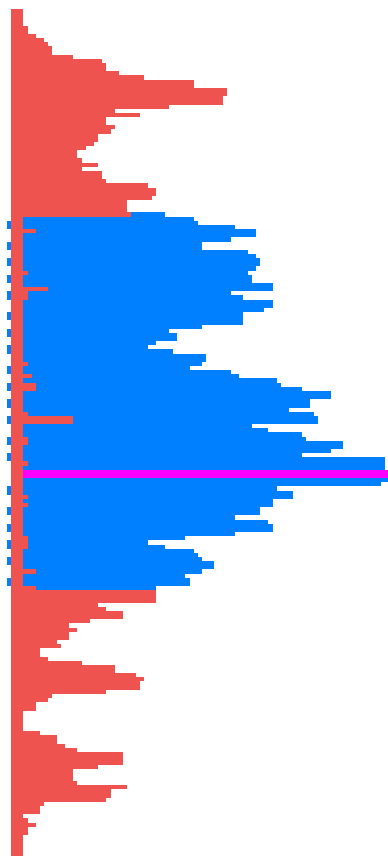
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Normal Day in the shape of a "D" (normal Day)

Often in response to early-session news, with moderate volumes. The market spends the rest of the day distributing within the profile, which encompasses the two extremes of the day.

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normal day a D

Normal variation of a Normal Day in the form of a "p" or a "b" (normal Variation of Normal Day)

A day with more strength and conviction that comes to distribute in one of the two extremes without however seeking to extend the range of the day much. A day in a trend in the shape of an "I." (trend Day): recognizable with significant volumes that shift the market. The market evolves in a trend throughout the day, not letting the distribution stabilize in a specific zone.

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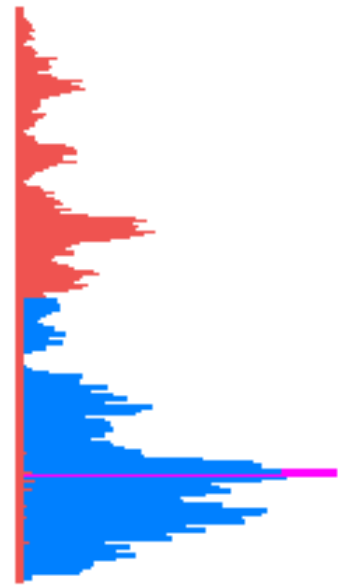PHIDIAS PROPFIRM

p-shaped

shape of a "b"

Double Distribution Trend Day in the shape of a "B":

The market trades in a range at the start of the session, forming an initial distribution, then it breaks out of this distribution (often in response to news or due to lack of interest from traders) to establish a new distribution elsewhere.

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shape of a "B"
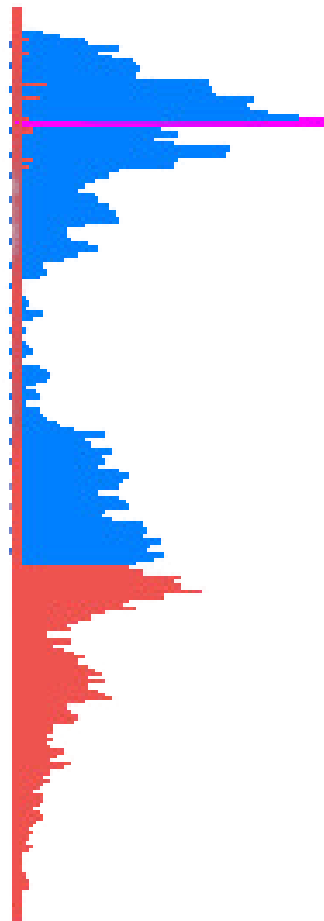
Non-Trend Day

The market lacks conviction due to the expectation of important news or is on the eve of holidays. Major players are absent.

IN CONCLUSION

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This is a tool that really takes time to master. If you want to use and include the volume profile in your trading, you will find it available in different versions in the Phidias PropFirm store and ready to be incorporated into your favorite trading platform.

Please do not hesitate to contact us if you encounter any difficulties in understanding and using these tools.

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VOLUME PROFILE FAQ

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What is volume profile?
Volume profile is an analysis tool that represents the quantity of contracts traded at different price levels over a given time frame. It provides a unique perspective on prices and the behavior of market participants.

What time scale is volume profile typically used on?
The volume profile is typically used on daily timescales, but it can be adapted for intraday, monthly, yearly timescales or to compare the CASH session and Globex session of an asset.

How can volume profile be useful in trading?
The volume profile helps to locate key areas to watch during trading sessions, situate current prices in relation to previous price levels, and anticipate future movements. It helps to develop relevant scenarios.

What is the "Value Area" in the volume profile?
The Value Area represents the price range where the majority of trading took place, or 70% of the total volume. This indicates that the market considers these prices to be the most significant.

How do traders use the Value Area?
Traders use the Value Area to identify key price levels. If the current price is outside the Value Area, it may indicate pressure in the market. On the other hand, if it is inside the Value Area, it may mean a balance between supply and demand.

What is the "Point of Control" (POC) in the volume profile?
The POC is the price where the volume is highest within the Value Area. It is considered the "fair price" and tends to exert a pull on prices, revealing the preferred direction of market participants.

How does the volume profile compare to the TPO Profile (Market Profile)?
The volume profile becomes even more interesting when combined with the TPO Profile (Market Profile), providing a comprehensive perspective of market activity. Long-term VPs are also called composite volume profiles due to their ability to wrap large amounts of volume history.

What is Long Term Volume Profile (Volume Profile Composites)?
Long-Term Volume Profiles, or Volume Profile Composites, aggregate a large amount of historical volume by price, providing a holistic view of market dynamics. They are useful for long-term analysis and forecasting.

What types of days are visible with the volume profile?
The volume profile allows to distinguish different types of days, including normal days, normal variations, trend days, double distribution days, and non-trend days.

IF YOU HAVE ANY QUESTIONS OR NEED MORE INFORMATION, PLEASE DO NOT HESITATE TO CONTACT US. WE ARE HERE TO HELP YOU PROGRESS IN YOUR TRADING. TO STAY UP TO DATE WITH OUR LATEST NEWS, TIPS AND PROMOTIONS, FOLLOW US ON OUR SOCIAL NETWORKS.

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