

## RULES for MARKET PROFILE TRADING

### TOP 3 TREND SET-UPS USING MARKET PROFILE

#### Establish Market Direction – KEEP to ONE side of the bias until the MA's change

Use 50 MA (magenta) and 20 MA (white) on 5 min MP chart.

1. The slope of the 50 MA (magenta) determines the direction; it can be up, down or sideways. The 20 MA (white) cross confirms the move.
2. Trend Market – 50 MA will be angled up/down at 35 – 45 degrees with spread between moving averages (looks like car tracks). The larger the spread, the harder the trend.
3. If 50 MA hard down, then no long trades, if hard up, then no short trades
4. Once a bias has been established, keep to that bias until the trend changes (MA's).
5. If 50 MA moving horizontal with very little to no spread between the moving averages then we are in a range or chop market between the HVA and LVA.

#### TREND TRADES: #1, #2 and #3 (can be taken from the 5 min MP chart or 5 min Volume Chart)

After you establish a trend, always ask yourself where are the #1, #2 and #3 trades?

1. #1 and #2 are the strongest trades because by the time #3 sets up the order flow has been taken out. The #1, #2 and #3 are all top tier trades.
2. #1 is a retrace into the trend
3. #2 is a continuation of the trend. Once it breaks the HVA or LVA, the market goes from balanced to unbalanced, thus picking up speed and has the greatest chance of picking up the most ticks.
4. #3 is a retest of the #2 continuation of the trend. Is most successful when the #2 picked up a lot of speed. #2 speed usually equals #3 continuous. You will get stopped out on more #3 trades than the #1 or #2. For #3's to work you must see an explosion of #2 - a big 5 min bar. It is more aggressive to take a second #3 and NEVER take a third.

#### 3 SET-UPS for a DOWNTREND (never take a long trade)

**#1 and #2 are the strongest trades because by the time #3 sets up the order flow has been taken out.**

##### 1. #1 TRADE: SELL HVA –on FIRST TEST ONLY

If the magenta was hard down earlier on the 5 min MP chart, then market qualifies as a DOWNTREND even if the magenta is currently flat or if the white just crossed above.

Also, take the first short off the HVA even if the 50 MA starts to cross above the 20 MA.

After that first test, then change your bias due to MA cross.

Sell HVA on the first test on the 5 min MP chart with the entry on the 89 tick chart. If it does not come up to hit HVA, that means the market is weak and look for a #2 set-up.

You can also use the 5 min Volume Chart to establish the HVA. Once a new HVA prints, then you can again look for a new #1 trade.

- a. Entry: When price hits HVA for the first time on the 5 min chart, then look for a red bar reversal on the 89 tick chart to enter. Look for a spinning top or doji right at that level and preferably with the supply/demand indicating divergence

before the red reversal bar. Some people enter a few ticks before the HVA or you could wait until it hits the HVA, use your discretion.

- b. Ultimate target 5 min roller. However, take first profit at the first set of blue symmetry dots and then next profit at the next set of blue symmetry dots. At this point 75% of profit should be taken. Last target is 5 min or 2 min roller (5 min more important because it is a larger time frame). You can scale in on a 2 min roller if it is there. Typically a trader will have an automated 8-10 tick first target, then the symmetry dots.
- c. Stop 13-15 ticks

## **2. #2 TRADE: SELL LVA BREAK w/89 Tick Symmetry Dot Entry**

Both MA's must be in a DOWNTREND, the magenta must be down and the white has to have had crossed below the magenta.

Short the LVA break-down on 5 min chart using the 89 tick symmetry dots for the entry. This trade usually has a lot of speed because there is a giant hole in the market below the LVA. There is a gap with no orders, no support in the market, therefore, you have to just let your runner run until your target is hit on the 5 min chart.

- a. The body of the 5 min candle must go below the LVA and get the orders that are waiting there. While that candle is still forming, look to the 89 tick chart for entry.
- b. For entry, symmetry dots on the 89 tick chart need to be at or below the 5 min LVA by a maximum of 5 ticks. If they are a couple of ticks above LVA, the trade is a little more aggressive.
- c. Candle on 89 tick chart must close with 2/3 of candle body below the symmetry dots. Enter on the open of the next candle.
- d. Ultimate target is the 5 min roller. Take first profit at the first set of blue symmetry dots and then next profit at the next set of blue symmetry dots. At this point 75% of profit should be taken. Last target is 5 min or 2 min roller (5 min more important because it is a larger time frame). You can scale in on a 2 min roller if it is there.
- e. Stop 13 – 15 ticks or less if it goes through resistance.

## **3. #3 TRADE: RETEST LVA on 5 min for short continuation.**

A #3 trade can only occur after a trade #2 set-up. Even if the #2 did not set up perfectly for an entry (i.e. symmetry dots did not align), it still qualifies. #3 is a retest of LVA for a short into a continuation of the downtrend. Take the FIRST #3 trade, it is more aggressive to take a second #3 but NEVER take a third #3.

- a. When price bounces back up from the #2 and hits LVA on the 5 min, look for a red bar reversal on the 89 tick and enter when this candle closes.
- b. Profit Target: Make sure you scale out of the #3 quickly because all the order flow was at the #2 breakout. Typically a trader will have an automated 8-10 tick first target, then the symmetry dots.
- c. Stop 13-15 ticks

### **3 SET-UPS for an UPTREND (never take a short trade).**

**#1 and #2 are the strongest trades because by the time #3 sets up the order flow has been taken out.**

#### **1. #1 TRADE: BUY LVA – on FIRST TEST ONLY**

If the magenta was hard up earlier on the 5 min MP chart, then market qualifies as an UPTREND even if the magenta is currently flat or even if the 20 MA just crossed below. Also, take the first long off the LVA even if the 50 MA starts to cross below the 20 MA. After that first test, then change your bias due to MA cross.

Buy LVA on the first test on the 5 min MP chart with the entry on the 89 tick chart. If it does not come down to hit LVA, that means the market is strong and look for a #2 set-up. You can also use the 5 min Volume Chart to establish the LVA. Once a new LVA prints, then you can again look for a new #1 trade.

- a. Entry: When price hits LVA for the first time on the 5 min chart, then look for a green bar reversal on the 89 tick chart to enter. Look for a spinning top or doji right at that level and preferably with the supply/demand indicating divergence before the green reversal bar. Some people enter a few ticks before the LVA or you could wait until it hits the LVA, use your discretion.
- b. Ultimate target 5 min roller. However, take first profit at the first set of red symmetry dots and then next profit at the next set of red symmetry dots. At this point 75% of profit should be taken. Last target is 5 min or 2 min roller (5 min more important because it is a larger time frame). You can scale in on a 2 min roller if it is there. Typically a trader will have an automated 8-10 tick first target, then the symmetry dots.
- c. Stop 13-15 ticks

#### **2. #2 TRADE: BUY HVA BREAK w/89 Tick Symmetry Dot Entry**

Both MA's must be in an UPTREND, the magenta must be up and the white has to have crossed above the magenta.

Buy the HVA break-out on 5 min chart using the 89 tick symmetry dots for the entry.

This trade usually has a lot of speed because there is a giant hole in the market above the HVA. There is a big gap with no orders, no support in the market, therefore, you have to just let your runner run until your target is hit on the 5 min chart.

- a. The body of the 5 min candle must go above the HVA and get the orders that are waiting there. While that candle is still forming look to the 89 tick chart for entry.
- b. For entry, symmetry dots on the 89 tick chart need to be at or above the 5 min HVA by a maximum of 5 ticks. If they are a couple of ticks below HVA, the trade is a little more aggressive.
- c. Candle on 89 tick chart must close with 2/3 of candle body above the symmetry dots. Enter on the open of the next candle.
- d. Ultimate target is the 5 min roller. Take first profit at the first set of red symmetry dots and then next profit at the next set of red symmetry dots. At this point 75% of profit should be taken. Last target is 5 min or 2 min roller (5 min more important because it is a larger time frame). You can scale in on a 2 min roller if it is there.

e. Stop 13 – 15 ticks or less if it goes through support.

**3. #3 TRADE: RETEST HVA on 5 min for long continuation.**

A #3 trade can only occur after a trade #2 set-up. Even if the #2 did not set up perfectly for an entry (i.e. symmetry dots did not align), it still qualifies. #3 is a retest of HVA for a long into a continuation of the uptrend. Take the FIRST #3 trade, it is more aggressive to take a second #3 but NEVER take a third #3.

- a. When price falls back down from the #2 and hits HVA on the 5 min, look for a green bar reversal on the 89 tick and enter with this candle close.
- b. Profit Target: Make sure you scale out of on #3 quickly because all the order flow was at the #2 breakout. Typically a trader will have an automated 8-10 tick first target, then the symmetry dots.
- c. Stop 13-15 ticks

**SET-UPS FOR NON-TRENDING MARKET - for Range or Chop**

Moving averages are flat with little or no spread between them. Also, MA's can continue to cross each other.

1. Sell first test of the HVA with a red reversal bar on the 89 tick chart.
2. Buy first test of the LVA with a green reversal bar on the 89 tick chart.
3. Look for Breakout at HVA or LVA and a direction established in the MA's.

**ADDITIONAL INFORMATION FOR TRADING**

1. **Rejections** – Rejections are KEY for the big breakouts. A rejection level is a price area that was previously tested and rejected, the market was unable to break through that level. Rejections can be found on the 89 tick chart at the symmetry dots before the break or even better on the 5 min chart. For example, if the market is in a hard uptrend and we are looking for a #2 breakout and the market rejects that level, when it finally breaks on the 2<sup>nd</sup> or 3<sup>rd</sup> test it has potential for a lot of speed. This is referred to as a 3<sup>rd</sup> test breakout. It is great to see rejections at the next key levels and then break. The 89 tick will sometimes reject price at the symmetry dots and then will break on the next test and gain speed due to the order flow from the rejected area.
2. **Resting Stops** – Are just below LVA on a short #2 and just above HVA on a long #2. Once these stops are taken out it becomes a self-generating trade and picks up speed.
3. **Symmetry Dots** – They give us the entry signal at key support/resistance. When symmetry dots are broken the market becomes unbalanced and stop orders are typically hit, thus creating a trading signal. They are only used as entry of the breakdown at LVA in a downtrend and the breakout at HVA in an uptrend (#2 breakout trades only, not #1 or #3 retracement trades). Symmetry dots are also used to scale out of trades.
4. **Rollers** – Trade with trend only. They show us where the gap or hole is in the market.
  - a. Rollers are great as final targets for trades.
  - b. Can do a Roller Retest with trend. The key is that you want the whole candle body (does not matter what color) to be below the roller for a short or above for a long before the retest of the roller. Then when it retests the roller, look to the 89 tick chart for the reversal candle to enter.

- c. Can trade #2 off the roller if it is the last line of defense and there is a major hole in the 5 min chart with no support or resistance in the way.
- 5. **Hedge Fund** - Can be used as a #1 trade with trend
- 6. **Magenta MA** - Should never be used by itself to take a trade but as a confluence of Jay's top set-ups if in same area. The best time to look at the 2 min or 5 min magenta MA is its first retest after an MA cross.
- 7. **Thick Red/Green Bars** on 89 Tick Chart – Long term support and resistance. Use them for retest longs and shorts just like phod or plod with 5 min trend only. For example, if market is in a hard downtrend, wait until they break the retest those levels for a short. They also can be used to scale if in a #1, #2 or #3 trade.
- 8. **Divergence** – Look to see if there is divergence between supply/demand and price. Big yellow dots on the chart indicate divergence.
- 9. **Wicks** - Do not count, only use candle bodies

## OTHER INFORMATION

### Times

- 1. Best trading time 7:45 – 10:45 and 1:30 – 2:30 EST. Only trade with trend from 7:45 - 10:45, after 10:45 can do counter trend trading. To have the edge we must jump on the early #1 and #2 trades that present themselves after 7:45.
- 2. Lunchtime is low volume - dead time – you are taking more risk.
- 3. New HVA's and LVA's set up every 4 hours on 5 min MP chart beginning at 6:00 am EST.
- 4. New #1 trades can be taken every time there is a new HVA/LVA on either the 5 min MP chart or the 5 min Volume Chart.

### Charts

- 1. Key is the 5 min chart! Must master the 5 min chart to trade the system. Just have to trade order flow.
- 2. After establishing a trend, ask yourself where are the #1 and #2 trades? Continually ask yourself where are the #1, #2 and #3 trades? Plan your entries in advance.
- 3. Volume Chart can be used for #1, #2 or #3 set-ups.
- 4. 5 min chart or higher can be used for swing trades.
- 5. 2 min chart is used for:
  - a. Its rollers to scale targets
  - b. Use as confluence with the 3 top indicators on the 5 min if they overlap
  - c. The first test of the magenta MA for continuation into the trend

### Other

- 1. HVA = Supply (Short Supply in a Downtrend)
- 2. LVA = Demand (Buy Supply in an Uptrend)
- 3. Balanced Market is between HVA and LVA. Volume is accumulating trying to figure out which way to break.
- 4. When we go from Balanced to Unbalanced we pick up Speed
- 5. Speed = Opportunity
- 6. Speed = Less Risk, Potential 40 – 60 tick reward with 15 tick stop