

## **VALUE RANGE**

The Value Range is a part of Market Profile™, a tool used to study a market that graphically represents market movement with price on the vertical axis and frequency of trade at that corresponding price on the horizontal axis. The graphical representation will often appear similar to Gaussian distributions (bell curves) with the Value Range (value) being the price range where approximately 70% of the trades have taken place. The price action of the previous trading day often will help a trader plan for expected price movement the current day can bring. A market that opens in value will tend to trade in value. When a market opens above/below value, the top/bottom of value becomes support/resistance. If the market penetrates value and builds volume within value, the market will have a tendency to fill the value range. If the market does not penetrate the value range, it will have a tendency to trend away from value. It is at this point the trader should look for common price relation between LASB, Market Momentum and Market Collar levels for exit/entry points.

## **LASB**

The LASB system is a daily pivot trading system that uses the current market level relative to the pivot for the basis of trading long or short in any given market. The system attempts to profit by capturing a portion of the day's expected range in relation to the pivot level. This system provides users with defined levels for trade entry, risk and profit objectives. As with most trading systems the LASB system will go through periods of profit and periods of loss. Users must be disciplined in their use of the system and adherence to risk and profit levels.

The system functions as follows. First the system generates a LASB pivot number and a group of numbers related to the market above and below the daily pivot number. The numbers provided are as follows: The pivot (LASB#) pursuit and risk (P/R) above and below the LASB # and then first, second and third objectives for taking profits.

3 rd 8955

2 nd 8930

1 st 8870

P/R 8820

LASB 8800

P/R 8775

1 st 8730

2 nd 8675

3 rd 8645

Trading multiple contracts tends to maximize the advantage in this system as this allows one to exit from a portion of the first objective and still be capable of participating if the market moves to the second or third objectives. In the following examples we will review trading a position size of 5 contracts in a given market and the procedures for exiting the trade. In this scenario we would take profits on 3 contracts at 1st objective and 1 each at 2nd and 3rd objectives.

For trading examples we will show a trade description for a buy signal and a sell signal. The trading logic is the same regardless of direction.

## **BUY SIGNAL**

Let's say the market is at 8810 (which is above the pivot level of 8800) on the market opening. The trade is to buy up to the pursuit level the number of contracts you are allocating to the system. So we enter an order to pay 8820 or better for 5. We would then enter a stop loss sale just below the risk level below provided (8775) and sell orders for the portion of the position desired at the 1st objective ( 3 at 8870), 2nd objective ( 1 at 8930) and 3rd objective (1 at 8955). If the market moves to the 1st objective, and our sell order is filled, we would then move our stop to just below the P/R above the pivot (8820) and reduce size according to our position, which would now be two contracts. If we are not stopped out or filled at the other profit target levels by the end of the trading day, we would always exit any position at the end of a day.

No trading occurs while we wait for the day to progress except that we can trade the LASB or P/R level above number again if the market pulls back to that level, but we may not want to use the original risk level. That is up to the particular trader. If we enter a trade and get stopped out, we can reverse within the area of the pivot and the other pursuit level and enter a stop just beyond the opposite risk level. If this position gets stopped out, then we would wait until the next day to enter another trade(i.e. no more than two losing trades per day.)

It is important to take profits at the objectives as the system is trying to capture a portion of each day's range.

Should the market open above the pursuit/risk PR levels, then we would look to buy a pull back between the pursuit level and the LASB pivot level. This, again, is a personal decision for the trader to scale into his/her total position down to the LASB level in this scenario.

## **SELL SIGNAL**

The following occurs if the market opening below the LASB level.. Let's say the market is at 8795

(which is below the pivot level of 8800) on the market opening. We would sell down to the pursuit level the number of contracts we are allocating to the system. So we enter an order to sell 5 at 8775 or better. We would enter a stop loss buy just above the risk level below provided (8820) and buy orders for the portion of their position desired at the 1st objective ( 3 at 8730), 2nd objective ( 1 at 8675) and 3rd objective (1 at 8645). If the market moves down to the 1st objective, and our buy order is filled, we would then move our stop to just above the P/R below the pivot (8775) and reduce size according to our position, which would now be two contracts. If we are not stopped out or filled at the other profit target levels by the end of the trading day,

we would always exit any position remaining at the end of a day.

No other trading occurs trades while we wait for the day to progress except that we can trade the LASB or P/R level below number again if the market pulls back to that level. But we may not want to use the original risk level. That however that is up to the individual trader. If we enter a trade and get stopped out, we can reverse within the area of the pivot and the other pursuit level and enter a stop just beyond the opposite risk level. If this position gets stopped out, then we would wait until the next day to enter another trade. (i.e. no more than two losing trades per day.)

It is important to take profits at the objectives as the system is trying to capture a portion of each day's range.

Should the market open above/below the pursuit/risk PR level, then we would look to buy/sell a pull back between the pursuit level and the LASB pivot level.

This, again, is a personal decision for the trader to scale into his/her total position down to the LASB level in this scenario.

A certain amount of discretion is needed when a market opens at the LASB level. Traders will have a tendency to go in the direction of the last day or two or in the direction of the PTI. Risk levels are changed so we have defined risk, however a look at technical levels may assist in determining exact levels that we will want to risk below or above a the low or high of the last day if it is very close to the risk level. Our experience is that if the market takes out the risk level on either side of the LASB number, than there is about a 70% probability that the market will go to the 1st objective in that direction in that daily time period.

Other considerations: On choppy days the market will often trade P/R to P/R. There is no way of

predicting a choppy day prior to opening, so if one can, one can use these levels. Use of the Value Range levels and the Momentum levels may assist in getting a feel on this. On an opening gap higher or lower some traders fade the opening against the 1st or 2nd objectives looking for a retracement to other system levels. Doing so is not part of the designed system so establishing a risk levels is then up to the individual trader. These traders look for the market to pull back to the P/R level and possibly to the LASB level for profits and actually often they reverse their positions here.

## Market Momentum/ Market Collar

The market momentum and collar levels are developed using our proprietary systems/algorithms. These levels are used to establish trend in a market and where that trend will be slowed or "collared" on a daily basis. When a market moves through the Market Momentum level, it will tend to move towards and be collared at the corresponding Market Collar level. Market movement can be very quick or take time to develop. A rejection of the UM or LM levels will typically be quite fast. Traders need to keep these levels in mind when they are looking for market movement to reach certain levels for say a profit target. Should a market reach the UM or LM level and their profit target levels are beyond these levels they should carefully monitor to see if the UM or LM level is not penetrated or rejected. This may prompt a trader to modify their profit targets or risk levels. As well traders should be aware of the distance between the UM and UMC and the LM and LMC so they are aware of the potential for market movement beyond what might be normally expected in any market. Often times traders are hurt by trying to pick tops on rallies or bottoms on breaks on days when the UMC and LMC are significantly further from the market level even though the market has already moved substantially on a daily basis. These are the days that markets push much further than many traders anticipate

and traders get themselves in trouble by attempting to pick tops or bottoms.

## Synergy Trading

When the levels from the two or three systems correlate, the trader should place more importance on these levels of entry, stop loss, and profit decisions. This type of synergy between systems is what we look for when making trading plans or decisions. If there is no correlation between systems, we will typically hold off from a particular instrument or trade a smaller position than is typical.

When we first look at the levels that are created, we look for existing correlations between our systems' levels. Upon finding correlation, we will take a closer look at the given instrument.

We are, first and foremost, value range traders. We will look to see where the market opens or is trading at relative to the previous day's value range. We will then see if value's high and/or low correlate to the pivot and the P/R numbers. Using our previous LASB example, if the market opens at 8810 and the value range is 8868 H to 8770 L, we will see that the 8870 value low correlates to the lower P/R level of 8875. The value high also correlates to the first target above at 8868. Therefore, these levels will take greater importance in our trading system; and we would be more willing to enter trades in this market because of this correlation. We would, most likely, enter long positions in the market.

If the market proceeds to drop to the P/R level, we would again buy at this level because of the correlation of the value low and the P/R level. We would, however stop ourselves out once the market breaks below the value range and consider reversing at that point--again, because of the correlation between the two systems. We would then treat the 8770-8775 level as resistance and stop ourselves out of any shorts on a move back through this level--again considering flipping our position at this point with a quick stop below the correlating level.

Correlations between the systems add credence to the levels and reinforce our decisions to enter the markets at these points accordingly. We can look for correlations between the value range's high/low(or the P/R and pivot number) with the Momentum or Collar levels as well.

One point to keep in mind is that correlation could be levels that are within 5-10 tics in one market and only 2-3 tics in another. In other words, correlation is relative to the market that one is looking at. If a given market tends to have large ranges, the number of tics between different levels can be greater for us to consider that correlation exists. Conversely, if a given market tends to have smaller ranges (for example the 2 year treasury), then the levels have to match to almost a tic for us to consider that correlation to exist.

We find that correlation between our systems enables us to trade markets with greater confidence. The more systems that line up at a given level, the greater import we place on that level. While this does not guarantee that we will have a profitable trade, we have found that

the Synergy Trading System has greatly increased the odds of this being the case.