Orderflows Inner Circle Weekly Webinar #13

EXTREME POC

Stopping Levels In A Move

In several of the other webinars I discussed POC and touched on what I call "extreme POC". I have been getting some questions about Extreme POC so I have decided to devote an entire presentation on it, why it happens and its importance.

I have said it before – It is one of my favorite trade setups.

However, some traders have written to me saying they aren't seeing it on their charts.

It is more for short term traders not longer term traders.

Basics:

Every bar, every time frame has a POC.

The POC is the price level in the bar with the most volume.

POC can appear at any level.

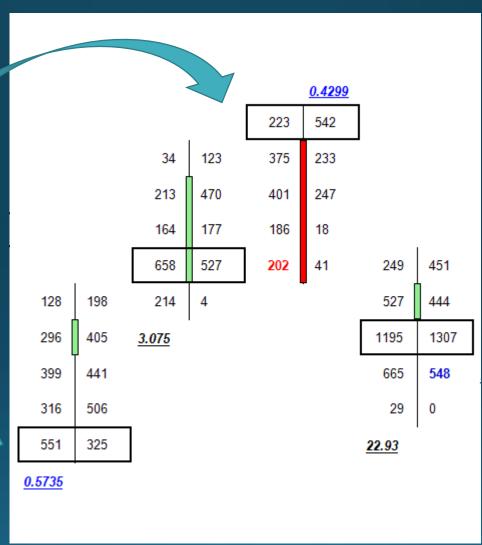
Generally POC in the middle of the bar is neutral, that is where it is expected to be.

When POC appears at the extreme of a bar it can be significant.

What is Extreme POC?

At the top of red bars.

At the bottom of green bars.

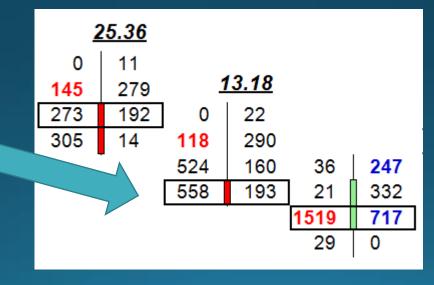


What is **NOT** Extreme POC?

At the top of green bars.

174	593			8	195
2363	3085	47	377	270	303
1021	1148	165	187	421	165
491	45	36	297	2	0
163 0					
<u>0.2209</u>					

At the bottom of red bars.



Extreme POC don't appear very often on minute based charts because of the nature of the chart. Minute charts don't rotate around price. A new bar forms when the time says to form a new bar.

Range bars take into account the market's rotation, it is not dependent on time. Rather it focuses on how price moves from price level to price level.

Extreme POC have a lesser chance of appearing on longer duration charts. You are trying to find areas of defense where price reacts quickly from. If you are using a 10 range chart you are missing part of the move and the market may put in a POC at the other end of the bar even though you may have had an extreme POC at the bottom or top of the bar.

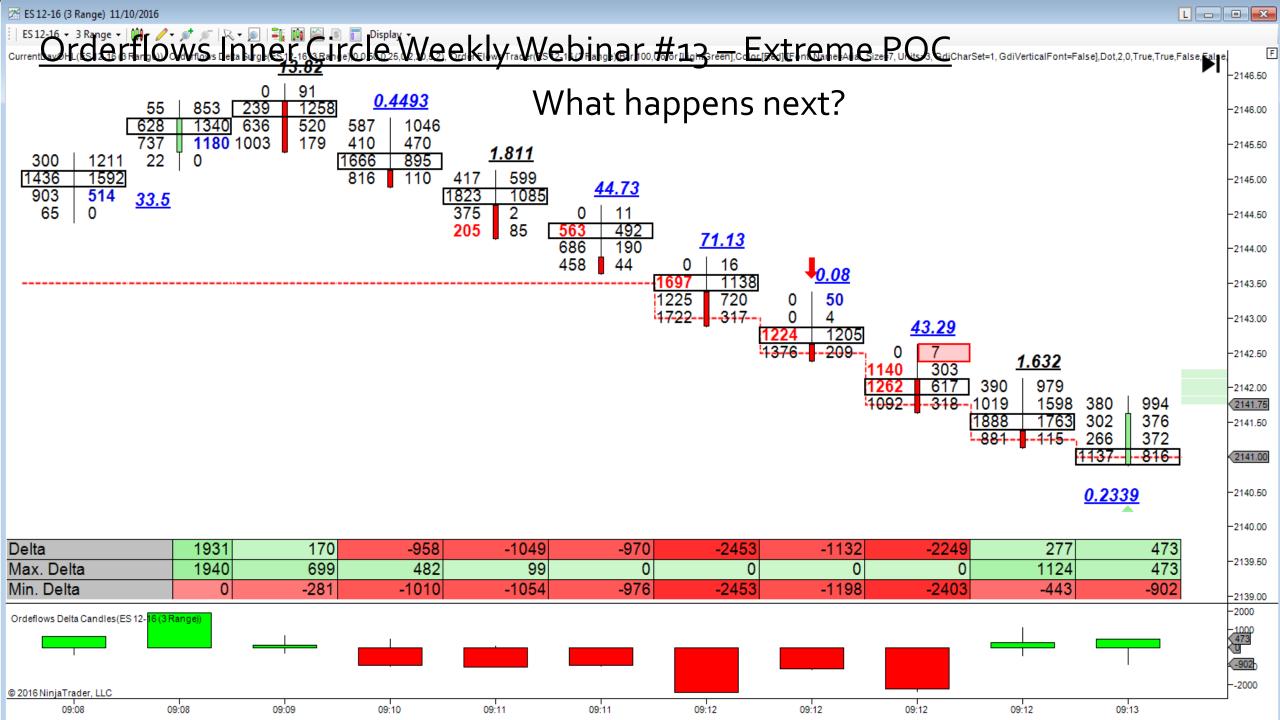
For example, it might not appear on an eight or ten range chart for two weeks, but on a three or 5 range chart it can appear several times a day.

I said earlier that Extreme POCs don't appear often on minute based charts, but let me explain. When you are looking at shorter time frames like 1 minute, I don't recommend trading anything less than 1 minute charts, although I know some of you do, you have to use it in market context.

Extreme POC does occur on 1 minute charts with good frequency, meaning several times a day, but you have to take into account the price swings. There will be quiet minute time frames and there will be volatile minute time frames.

With longer duration minute charts, the occurrence of an Extreme POC is rare.

Lets take a look at some examples and walk through them so you can understand Extreme POC better.



Market go up, they go down, they go sideways.

The key is to recognize the market is going sideways.

My rule of thumb is if the market hasn't moved in my favor after 4 or 5 bars, the expectancy of the move happening is diminished.

Does it always work? No. If I only showed you occurrences where and when it works I would be doing a disservice to you.

Here are times it failed. But lets see why it failed.

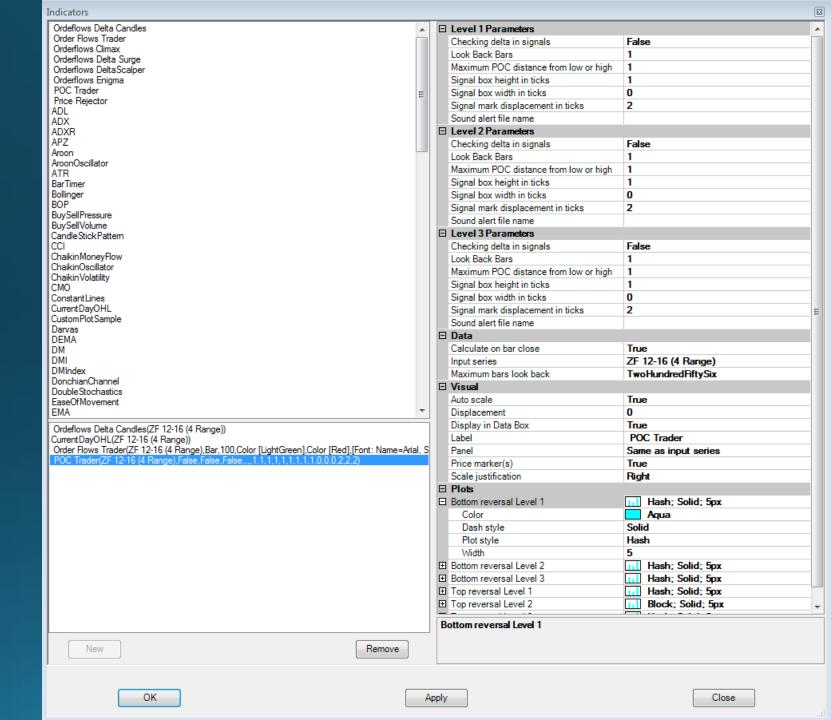
When any form of trading, whether it is technical analysis or fundamental analysis you have to use it in context of the market.

Minute based charts can be used but on shorter durations.

A question has also come up? How do I set up POC Trader to highlight Extreme POC.

Personally I think Extreme POC is easy to see by itself, but I do realize that when you are watching several markets it is easy to overlook.

Settings on POC Trader for Extreme POC



I hope you understand now what I mean by Extreme POC and how you can possibly add it to your own style of trading. Unfortunately I don't think it will suit all styles of trading. It is more of a short term tool than for longer term swing traders.

Next week I am hoping that The Flip indicator will be ready for release. I made a slight change to the coding so it has taken the programmer a little longer than expected. But when you see it in action it will be worth the wait.

Thank You!