Reading Current Market Conditions Using Volume and Price

PRESENTED BY:

Thor Young

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Thor Young

History Prior to Trading:

Over a decade in the IT Industry. Specializing in migrating older server systems to newer systems focusing on small to medium business. Worked for an options trading platform as a server technician and customer support specialist.

Trading History:

4 Years Trading and consistently profitable for over 3. I am a full time Day Trader and use it as my primary source of income. I specialize in growing small accounts and developing new and advanced traders. I'm excited to have recently published a book titled, "A Complete Day Trading System" which is now available on Amazon.

Trading Edges:

Very strong at reading market movement and order flow. Focusing heavily on Tape Reading, VPA, and Pivots. I employ a Where, When, and How trading methodology.

Hobbies:

I am a season pass holder for the Jaguars. Absolutely love taking my gorgeous wife to games and enjoying some good sport. I have two beautiful children and enjoy taking them to the beach as often as possible.

Objectives

Advanced VPA - Tape Reading

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Introduction

Before I hit the main concept. I wanted to take a moment to highlight a very specific topic. That topic is the “When.” Every trade you take must have 3 vital components. A Where, a When, and a How. Where you look for a trade, When you take the trade, and How you manage the Trade. Each component is vital and must be mastered individually before you can bring them together to create a consistently winning strategy. In this Trifecta of trading none is more critical that the “When”. The T&S or as we refer to it nostalgically as the “Tape” is, along with your Level 2 or Order Book, the key to knowing when it’s time to pull the trigger on your Trade.

Tape Reading is more than a technique, it’s an artform. Surviving the test of time, there is no tool that better exposes the intentions of the big players. But it will take time to master as many concepts taught around this subject are confusing and not explained well. Only after reading multiple books, watching countless videos, and having a multiple conversations with a professional market makers did this truly start to click for me. My hope is to save you some of that effort by compiling it all into this presentation. What I won't be able to save you time on however, is the “Saddle time” needed to get the feel for this. We will talk more about “Traders Intuition” later.

Introduction of Concept

Let me paint a mental picture for you. Since we are in Florida how about a surfing analogy. When you are surfing, like stock trading patience is a vital personality characteristic. You can't just hop up on any wave. You need a good wave and in the instance of a contest. You need the best wave. It doesn't matter how skilled the surfer is or how long they have been a surfer. If they don't catch a good wave, they aren't going anywhere. The Surfer must wait until they have a large enough wave with enough power behind it. If you jump up to early you miss, if you jump up to late you miss. Timing in surfing like Day Trading is huge!

You will constantly hear my boss Andrew talk about not liking a stocks Order Flow. "It's not moving, or I don't like it's not going anywhere." He is a master at catching the wave at the right time. He waits till a stock as a lot of volume and moves in a direction on high order flow. This skill makes him one of the most dynamic and impressive momentum traders in the game.

Like a Pro Surfer Andrew no longer needs to overly analyze the conditions of the water he's in. He can feel the conditions change and he knows when the wave is about to come.

The Struggling Trader

Very often a trader talks to me about not having consistency in their trades. The story is always very similar. Something like, "I always seem to have the right idea, but I wasn't sure when to take the trade", or "I got in, but I got stopped out, then the trade did exactly what I thought it would do."

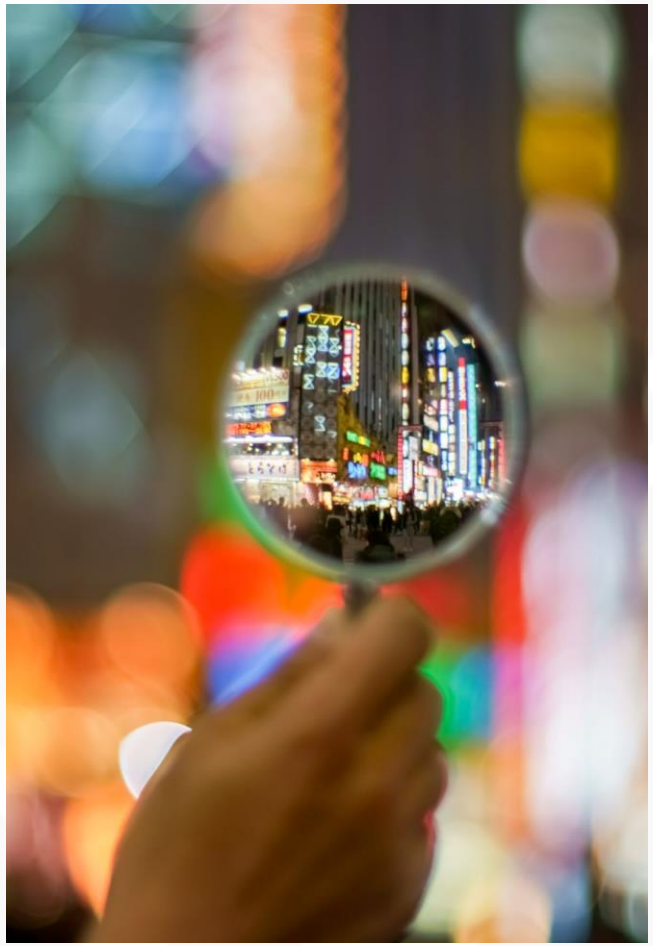
These are symptoms of trading with a "Where" but not a "When". Lots of different indicators offer you a "Where." MA's, Daily Levels like PDC, Camarilla Pivots, Patterns, and even volume spikes.

But none of these items can tell you "When" it's time to trade. This is why we use volume and the Tape. The indicators display the moves of the Market's Large Players. Since all Transactions must be recorded on the tape. There is no where to hide. This tool is again very simple in implementation, but every single order will pass though it. Meaning with it you can see "When" those large players are buying/covering or selling/shorting.

As a trader you must be like the surfer. Waiting for that wave. The wave is the Large Participants. When they move the price moves with them. Without them the price goes no where. We must wait for the wave they create if we want a wave that's worth riding.

The only “live” indicator

I want to take a moment before we start getting into a little history to make one last point about the relevance of the tape and why it’s critical to nailing consistent trades. I want to briefly talk about the 3 Major types of Indicators.



1. Predictive – These are indicators like Daily Levels, Pivots, Retracements, New Highs, or new lows. These indicators are a “Where” by not a “When”. They are hugely important. A trader must decide within their system where they are going to be looking at a stock to get into a trade. However, that doesn’t mean they take the trade.
2. Lagging – These are indicators like Moving Averages, VPOC, VWAP, and RSI. These offer you some analytical value, and in some instances a “Where”. None of these tools will help you get into a trade. Even if you use the cross of one of these as your entry signal. Why this cross and why this time? You still don’t have a trigger.
3. Live – These are indicators like L2 and T&S. This is where the “When” arrives. These indicators are of the few indicators that show you exactly what is happening. In L2 there are some concerns of manipulation but even that is a clue to what will happen if we can see it occur. But on the T&S there is no manipulation. Just pure data. When they buy we can see it, and when they sell we can see it. All you need is a Where to focus on so you have a starting point. Then read the tape and see what they decide to do.

So, let’s talk a little bit about the tape and how it all came to be.

The Historical Tape

The Street

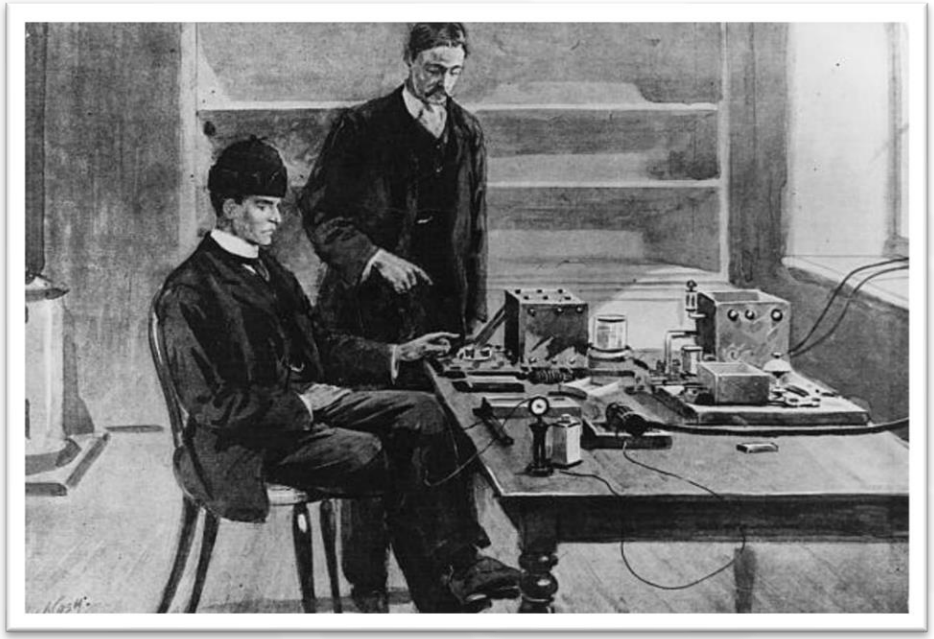
Back in the hay day of the early market you had to be on Wall Street at the exchange to be able to trade well. Although the wire was available and ticker tapes were in wide use. In order to really be in the mix you need to be near the exchange. But near is not on the exchange. As one point in time in the early 1900's massive office buildings were being constructed around the exchange. Stock traders would read the tape and use floor runners to "Run their order" from their office down to the exchange and hand it to the market maker. Seriously running down wall street and in the front door of the floor. This is the main reason the Floor opens directly to the street.

Quite often the trader would already know his order was filled because it would print on the ticker tape before his runner could get back. Being a floor runner was a sought-after, entry-level position that many aspiring traders used to get their foot in the door of some of the nations most prestigious firms.

The Historical Market

Wall Street, 1889: The Telegraph Ramps Up Trading Speed

It Takes Less Than 30 Seconds for the Price of the Latest Trade to Travel Between Boston and the NYSE



Trading from Home:

With the wire, telegraph, and the Ticker Tape you could effectively judge the market but the mood was difficult to judge. So how did so many great traders make their fortunes this way? They had those same simple concepts that would work time in and time out. They would take the Ticker information and plot their own charts. Looking for any nuance that would indicate if there is some unusual buying. Seeing an unusual increase in volume was always a quick way to spot a stock with a catalyst. A couple quick phone calls to verify the news. And then you could send in your order via telegraph. It took much longer to get filled as it had to be sent to your broker and taken down to the floor. Once filled you would get a wire back and you were now in a position. At this point its time to sit back and watch the tape.

The Historical Market

ABC	ABC	ABC
1s37.31	79s37.50	100s37.61

The Ticker Tape

This is a more modern version of a ticker tape so it's a little easier to read. This was the main tool of the trade for these traders. It didn't give them much but it gave them everything they needed.

With this information they could log the tape on any ticker they were following and look for any changes. Took a lot of work to be a trader. Miss a day and you could miss it all.

In the diagram to the left you can see a version of the ticker tape. The tape starts with the ticker and last price. On this example the price is at 37.31.

Next item is the ticker and a transaction showing 7900 shares were purchased at 37.50 showing a .19 increase in price. Notice to save space they are using lots. Substituting an "s" for the zeros.

The next item shows the ticker followed by 100s at 37.61. This is now showing an additional 10,000 shares being bought at an additional .11 higher. This stock is on the move price wise and a lot of shares are being purchased.

This price action would certainly gain some attention.

This is a slight variation on the oldest tapes and is a more modern version from around the 50's. However even though the format changed slightly this is about all the information you were getting.

fun fact

Used ticker tape was used as confetti, to be thrown from the windows above parades either cut up into scraps or thrown as whole spools, primarily in lower Manhattan; this became known as a Ticker Tape Parade. Ticker tape parades generally celebrated some significant event, such as the end of World War 1 and World War 2, or the safe return of one of the early Astronauts.

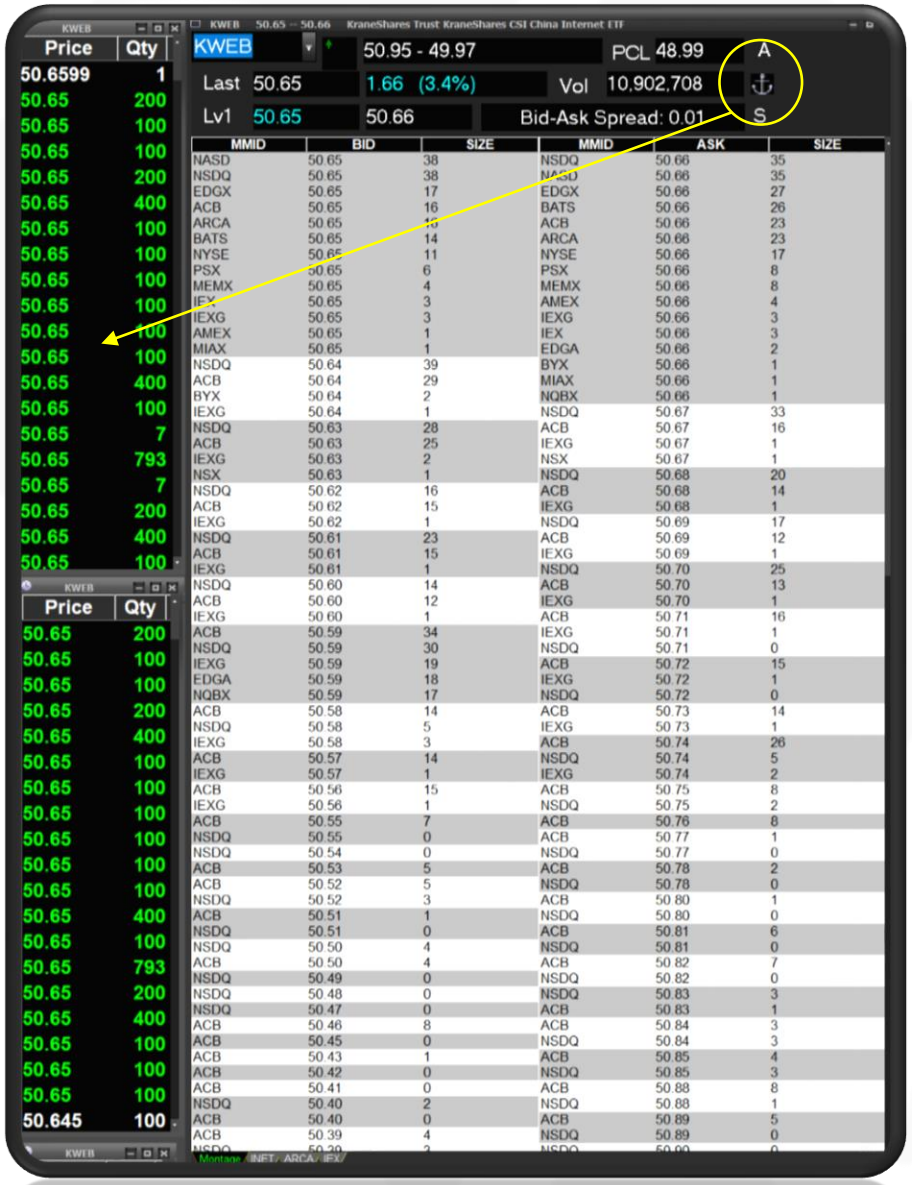
Setup Time and Sales

To get your Time and Sale to display quotes from your Montage you will need to anchor it to your montage. This is a very simple procedure.

First open a new T&S by going to Quotes>Time and Sales. Once the window pops up you will notice it is blank.

Now using your mouse <Click and Drag> the Anchor Icon from your montage to the blank area on your T&S and release the mouse.

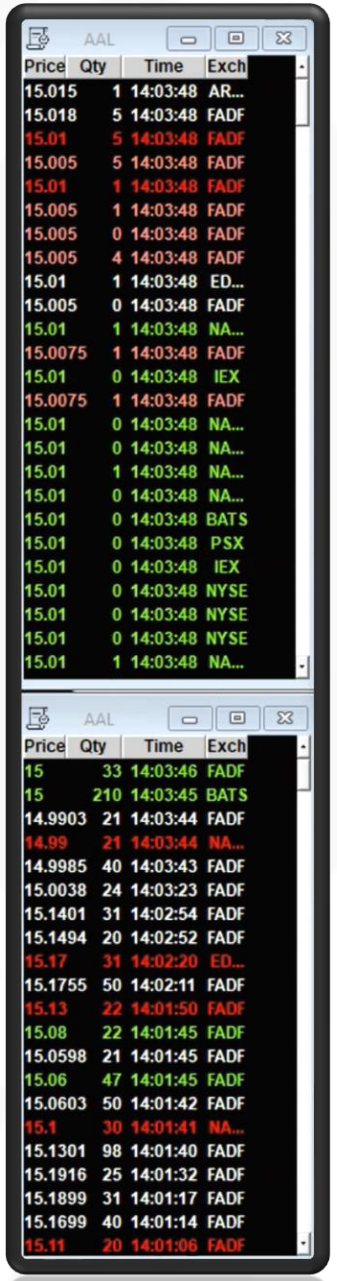
If the market is open, you should immediacy see quotes start coming in.



Time and Sales – Color Coding

In order to read the tape, you need to understand how the Time and Sales is color coded. You can change these colors yourself as I have, to colors you prefer to use. For this webinar I am using the industry standard colors.

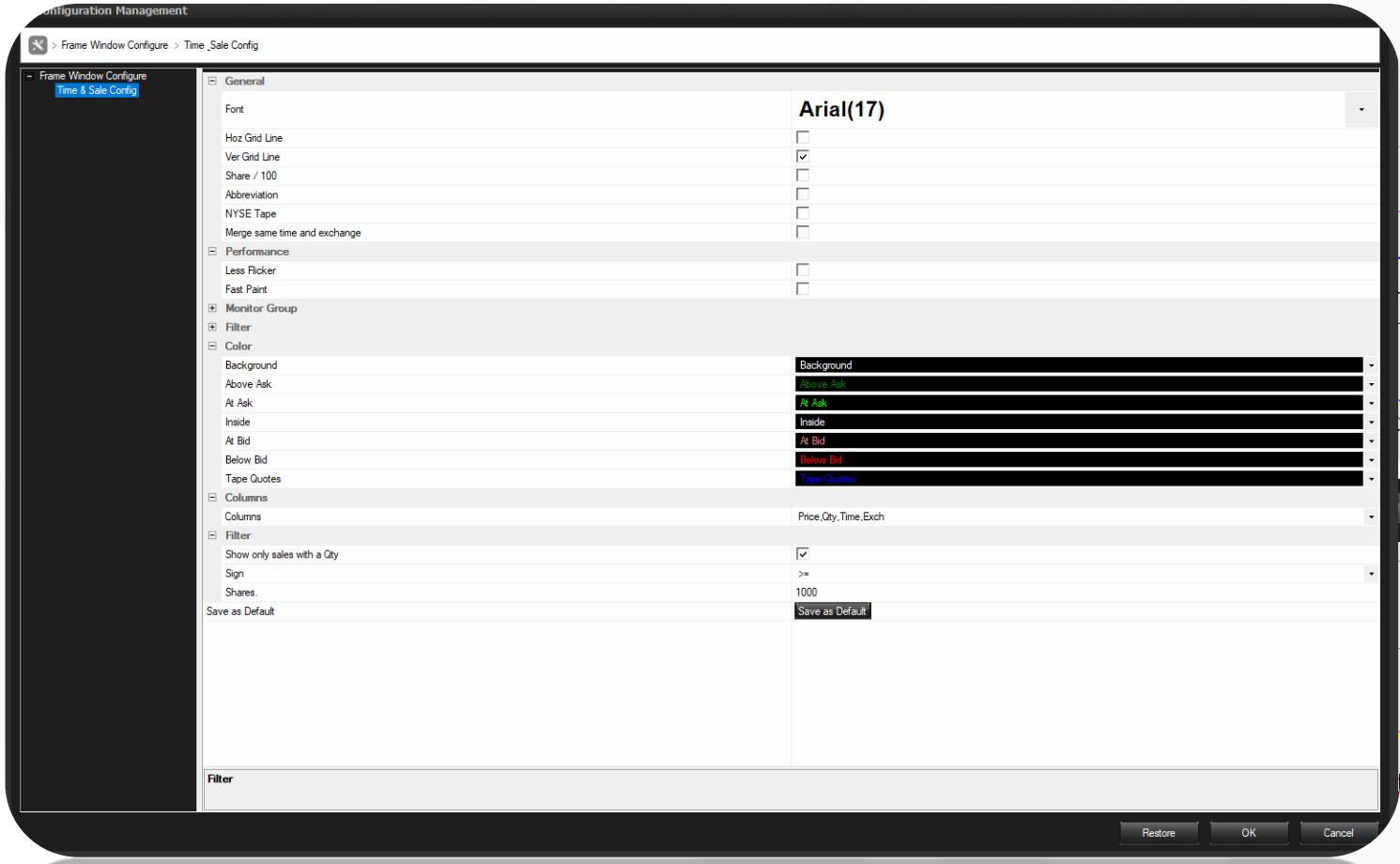
- Remember all transactions are a buy and a sale happening at the same time. The only relevance is the relationship of that transaction to the current price on the market.
- Lime Green – Orders in this color are occurring above the ask price. This shows enthusiasm as buyers are willing to pay slightly more than what the stock is currently worth.
- Green – Means normal buying is occurring and the stock is moving.
- White – Means the transaction occurred within the spread. Most often white orders are fractional orders like $24.512. It can also be an indication the stock you picked has a large spread.
- Red – Shows sellers are giving up and are willing to sell for less than the current ask price and are now selling on the bid. This demonstrates a lack of demand.
- Pink – Shows sellers are in a panic to sell and have started selling below the bid. You see this a lot less often but when it starts I wouldn't be in a long position.
- Keep in mind when reading time and sales that all orders are both a buy and sale at the same moment. Sometimes we focus on the green. But remember on SSR a big flood of green just might be traders going short not long.



Setup Time and Sales – Filtering Share Sizes

How I configure time and sales:

- Filter for Large order > 1000
- I have 3 time and sales.
  - 1st is filtered to only show orders under 100
  - 2nd is filtered to show orders above 100
  - 3rd is filtered to show orders equal to or above 1000.
- With this I can spot the larger orders. This helps me focus on what the big buyers are doing and not getting overwhelmed by all the small buyer volume.
- A quick note: Don't assume that because the time and sales flashes green the price is going up. In fact, if a stock is gapping down many of the transactions will happen above the price cause a green trail as the price falls. We need the L2 to be strong, the price moving up, and green prints in the right position.



The MM's Transaction Log

When looking at the tape you must first think about what you are seeing. You are not seeing the buys and sells between traders and other traders. You are seeing the transaction log of each trader's interaction with the market makers. This is a very important distinction because with this we can isolate out certainly players and what they are trying to accomplish. We will talk more about the MM's role but for the meantime let's just say it's to provide order flow. But in order to do that they need participation from the market.

As you watch the tape you must put yourself in the Market Makers chair. I often think as if I am watching it from a 3rd person point of view. How much demand am I currently seeing? Do I need to start accumulating for a move up or do things still look weak? There are lots of orders coming in. Which direction and where are they coming in at?

If the Market Maker starts encountering a significant amount of buy volume then they will recognize that the demand for the stock is increasing. Knowing that they need to start to warehousing they will start moving the price up and down. Each time they get to a certainly level you will see their volume spike and a large set of transactions. Once the Market Maker is ready, they will initiate the upward movement. If there is a proper amount of participation the stock will move and a traverse to new value will begin.

If you are watching the tape you can begin to recognize when those moves are beginning and ending by paying attention to the order flow and quantity.

The Market Makers Job

A mentioned in the prior slide the MM's main role is to provide order flow. In many regards they get a bad rep on Social Media, but the reality is they are a vital component to how the market functions. Without them the market would be chaos. Think of a cattle auction without and auctioneer. It would be almost impossible to establish a clear value and generate fair trade.

In the market making process they only raise or lower price as demand requires it. In order to maintain order flow the market maker will move the price up and down in order to encourage participation. When the price goes down longs take profit and shorts come in. When the price goes up the Bulls come in and the shorts cover. Anytime the Market Maker moves the price there are decisions made by the market participants.

If you ever play a stock that is really choppy and tends to have a wide spread. You are likely looking at a stock with little participation. Because of the lack of participation order flow generation is made more difficult. This will cause the Market Makers to move the price action in a more erratic fashion as they fulfill requests.

A lot of traders confuse these points because they over complicate the MM's ability and their intentions. Market Makers make money by providing order flow and only move the price when we the participants provide the conditions and catalyst that signals them it's time to facilitate trade.

How the Market Maker get's Paid

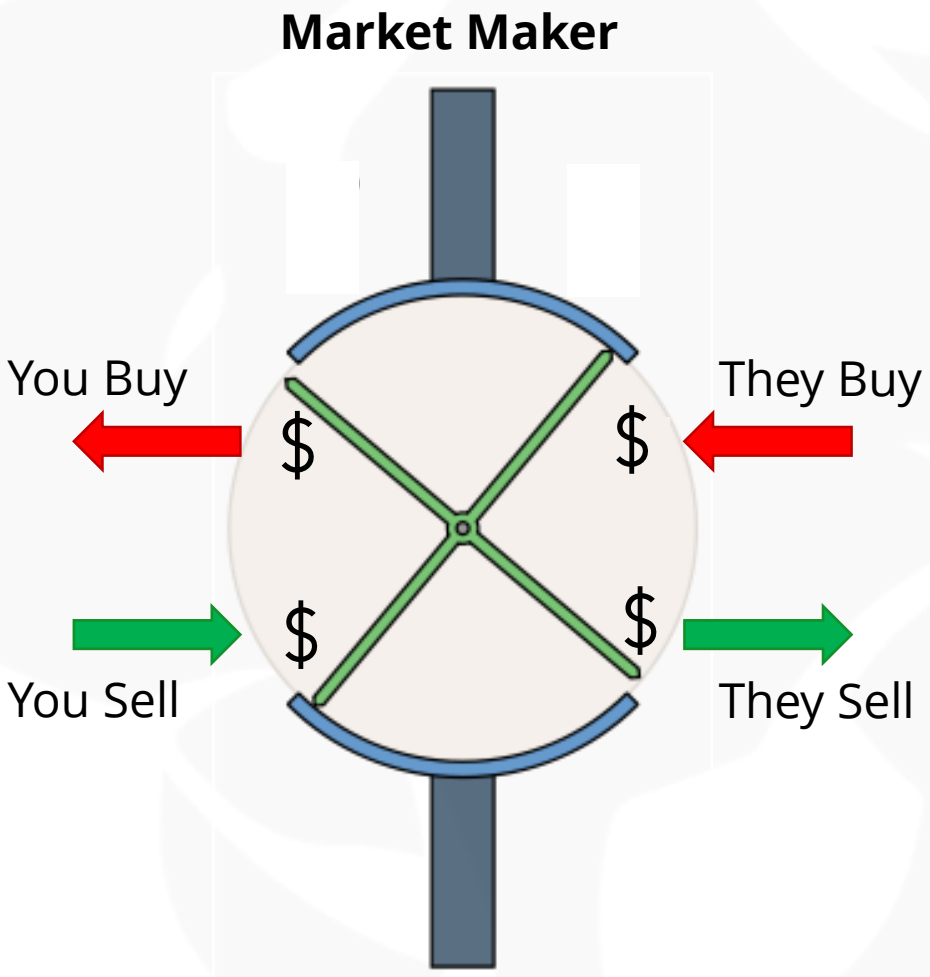
A market maker is not concerned with the price of the stock. Think of them like your broker. When you short and cover you get to keep the difference. Your broker doesn't really care that the price is lower or higher because they were intending to hold those shares indefinitely. Rather they actually get to make a little money off the commission charges you will incure while doing the transaction. Which is more money then they would've made otherwise.

The Market maker in similar fashion isn't trying to make money by holding shares and selling them higher. The market maker makes money on the commissions and fees that will be generated by the 1000s if not 1000000s of transactions they can perform on a stock that's in play.

To the right is an image of a revolving door. This is a good visual for how this profiting works. The Maket Maker is buying and selling shares on demand. Always revolving through. When you sell shares they will come in on the bid. At the same time someone else will be buying shares and as they do it will be on the ask. The Market Maker will make money both ways on this transaction. They are selling shares they bought lower and will sell your shares when they move higher. They will always win in this arrangement because they are never at risk. They have unlimited capital and can bag hold as much or as little as they want. They can naked short to help them balance inventory, and they can hold the price to allow them to adjust their balance.

Where they will make money is in that spread. Constantly selling and buying. You pay them to take your shares and then you pay them to give you shares back. The advantage will always be there's.

Now that we've talked about that I want to adjust our perception of this. Market markers are not competition they are a utility. Think of them more of as your power company. You're never mad at your power company because they provide you a utility you need power. Market Makers utility is providing us with order flow. Understanding their function is key to reading "When" it's time to take a trade on the tape.



When MM's Move

If MM's aren't concerned with the price then why do they move? The answer falls into their core purpose. They move to facilitate order flow. They can see the entire order book. And with that they can tell where the market wants them to go. Remember they aren't concerned with the price. They just move so that we will keep trading. If the price never moves there is no reason to buy or sell. So they move. When they move we take trades and they make money. But don't lose sight of how they operate. If they can make money exchanging shares at a single price level they will. They don't care about price. Someone else is still buying or selling which means they are doing transactions. So they are getting paid. It is only when the market signals to the Market Maker that the demand is higher that they will move.

Here is an example in a bullish concept:

A large amount of volume starting to hit the ask which signals to the market maker that demand is coming in. If the Level 2 has orders to sell up the ladder, then the market maker will begin to run the ladder. There MUST be orders on the ladder to the topside. As the price moves up previous buyers will sell, which will allow the market maker to buy and replenish inventory. They will then sell that back to new buyers coming in looking for continuation. As the price continues to rise short sellers will begin covering. This will come in as increased buying demand. This will encourage the market maker to move up even faster to cause more selling. This will continue until the market maker runs into an order that is large enough to exhaust their inventory forcing them to halt and consolidate.

When MM's Move

If there is no potential for order flow to the topside then the market maker will recognize the demand has lowered. But they still want order flow and now need to accumulate shares. Remember they don't care about the price. Once Large Participants recognize the Market Maker has stalled on a large sell order. The short sellers will start going to work. As short sellers come in they start shorting which forces the MM to take on even more shares. This causes an imbalance that the MM will need to rectify. Then Bulls will recognize the struggle and start taking profit which puts even more pressure on the MM. The Market Maker is now over loaded with shares. They need to sell them and are forced to start distributing. The market maker will start to lower the bid to try and entice bulls buy shares from them. But that this range it won't work. So Short sellers will start putting profit targets below. Eventually the MM will drop to those orders to distribut shares. As the shorts cover(buying back) shares. The MM will start to empty out. However until they can empty out well enough then they will keep dropping price. Shorts will cover more buying back shares to their broker at a lower price. "MM's love that." And new short sellers will come in helping to continue. Eventually like before a large cover order will empty out the warehouse causing the MM to stall. Bulls will recognize that the MM now needs to accumulate and will start buying. This will force the MM to start to naked short to handle the buy orders. With all the buying demand coming in the MM will start to raise the ask. This will squeeze shorts and bring in more bulls. As this happens the MM will use the sells on the book to fill the shorts and the bulls. This can often create a very fast upward movement since the MM need to accumulate while on the move. This will continue until the maket maker runs out of inventory again.

Now the MM will be forced to stall again this time into an accumulation. These are often lower volume and takes the MM a little bit longer to do. The level 2 will go into balance and the stock will become difficult to trade. You are now waiting for a signal it's time to move again. Once the MMs are ready and if the demand still appears higher they will start to run the ladder forcing a large cover by short sellers and bulls rush in. This moment can be spotted on the tape. This is how the market moves over and over again.

Now that we know the basic process they go through. Let's talk about how to distinguish which participants are involved. The large participants are who the MMs follow. So, we need to follow them.

Types of Participants on the tape

There are really only 3 major types of participants. Although you can break them down into sub categories. We will just keep them in their major groupings. Some of this will likely seem rather obvious by the time I'm done but very few watch the tape in this way.

1. Participant group 1 is highlighted on our small tape. Trading normally share sizes under 100. This is our retail/speculator group. This tape will likely show orders from you and me most of the time. Most robinhood traders, WSB players, and mom and pop traders at home will be coming in on this tape.
2. Participant group 2 is highlighted on our second tape. Using order over 100 but still under 1000 shares. This puts us into our larger retail traders, props, and firms. We are getting some buying power here but nothing that will generically sway the market.
3. Participant group 3 is highlighted on our final tape. Orders always larger than 1000 these are our big dogs. This group contains large props, hedges, insiders, DMMs, and institutions.

When you are reading the tape you are mainly going to by using it to identify what type of participation we have. If the price is struggling and there are no large orders you will notice the lack of participation. This should keep you from trading the ticker. The key here is to wait for them. It takes some patience at times. But it will save you from a lot of stop outs and put you into much better moves.

Interpreting the Tape

Now that we understand how the Time and Sales is configured let's start looking out how to interpret what we are seeing.

The main thing we are going to be looking for is shifts in balance, stalls in flow, and contrary movement. If we are down trending, then we are going to be looking for large buy orders signal bears covering or bulls starting to buy. I know that explanation sounds simple but its harder than you'd think. There is a lot of random noise on the T&S lots of orders that don't make much difference in the order flow. We are going to be looking for specific sizes of orders in certain locations.

A big part of knowing "When" to take the trade is just simply waiting. Sometimes this can be very difficult because you are constantly fomo'ing. Thinking the price is going to move away without you. But I assure you without proper initiation the price isn't going anywhere. Just keep waiting

And keep your eye on the tape.

Buying/Covering

When we are looking at the time and sales always remember that we are looking at the MM's transaction log.

Whenever you are seeing green or light green on the tape you are seeing buying. This buying can be for any number of reasons. Shorts may be covering or bulls may be coming in. Either way to the MM they are hitting the ask and we are seeing that as green prints.

As we focus on the tape if we are looking for an advance in price then we expect buyers to be coming in heavy and shorts covering bring in even more buying. This will encourage the MM to raise the price in order to satisfy the demand.

Reading time and sales isn't just about seeing when buying happens. You need to pair that will what you are seeing happen with other indicators. But buying at a key level might be just what you are looking to spot.

If the green prints start coming in but the price doesn't move see what kind of prints you are seeing. If they are all on the retail tapes then there's a chance you could be getting trapped. Watch your order book if it flips heavy you could be exhausting.

Selling/Shorting

In opposite fashion to the prior slide here we are seeing red prints on the tape.

When someone wants to sell the MM is going to fill them on the bid. Filling on or below the big comes in as red orders. There are multiple reasons to see sells one of which is short sellers coming in quickly to help push the price. They know if enough sell volume comes in the MM will likely drop price to encourage buyers and short covering. This can cause quick drops even on the strongest of stocks.

If you are seeing a lot of selling near a particular level pay attention to the L2. If your topside ladder is broken you maybe on the edge of a reversal.

Remember if red prints come in and the price immediately drops then there is a really could chance these are short sellers. Short sellers will more likely come in on Market orders cause the price to move as they come in. I similar fashion profit taking is more often done with limits. That an important distinction. If you see a lot of red but the price doesn't drop could chance the is just profit taking from Longs with limit orders. If the red comes in and the price drops with it. Then again you either have shorts coming in or elevated profit taking using market orders. Either way time to make a decision.

Held Bids and Offers AKA Icebergs

A held bid or offer happens very often near critical support and resistance areas.

You can often see these coming a mile a way. Normally you see a large lot size on the L2 and you start moving towards the price. Per usual that order will gravitate the price as the MM prepares to fill it.

We often call these orders Iceburgs. Massive orders with what sometimes feels like an endless amount of demand at that level. We don't always make it through the orders.

Seeing a lot of contrary pressure on the time and sales can give you a little heads up that the MM may not make it through on this attempt. This can provide some tight reversal and scalping opportunities as the price fails off these walls or large orders.

Always check your mirrors here. L2 should have NO topside ladder if you are expecting this stock to stuff and fail whatever breakout it's attempting. If you are running into a held offer or bid but there is still a strong L2 be very careful with shorting as the most likely course is the continuing of the move up the ladder as the bull still seems to interested in buying and moving the price higher.

Rate of Volume

When we talk about time and sales we are always watching the order flow. But more than that we are watching the "Rate of Volume" How fast are the orders coming in. Are they coming in large bursts or in a consistent flow.

Bursts – When participants start making decisions you will begin seeing short bursts of high volume. This is some retail profit taking combined with Large participants making decisions. To much volume at any one time and the market can turn faster than expected so in the beginning these bursts are what will give you an idea the move is getting ready to start.

Constant – When the stock is in transition you get a constant flow of orders. The flow will slow down as you consolidate and then increase as the advance continues. The flow will remain consistent with only occasional bursts.

Stagnant – When the order flow stalls and completely stops red flags should be going off. If a stock is advancing in price without order we are likely topping out. This can make the stock a little volatile and choppy. Without proper order flow the spread will widen and risk management will be much more difficult.

Here's a little tip: When you are watching the tape movement on the tape should equal movement in price. If you see the tape moving a lot but your price is stagnant then there's a good chance you may be headed in the other direction. For example, you are down trending and hit a certain level and you see a large burst of green orders. But the price doesn't bounce. It hits and stays. This is not likely a buyer coming in but rather a short seller covering. A buyer normally comes in with a market order to ensure fill. Profit taking normally happens with limits which will control the recoil. The key will be the response. You see the burst of green orders. What comes next? More red orders or more green orders. More red will mean continue selling is likely.

Real Estate Analogy

In the next section I'm going to talk about the Order book. The Order book or Level 2 gives us the ability to read the current balance of supply and demand across the market. Remember each stock is its own auction creating its own market being regulated by its own market makers. Although tickers do often trend together, especially ones listed on the same exchange or in a similar sector. A ticker with a specific catalyst will move independently of the market.

Strong Market: In the real estate market you can tell that it's strong because there are lots of houses for sale and lots of people willing to buy at the price the sellers are asking. No one is worried about what they buy it for because the market is so strong, and the confidence is high that the value will at least inevitably be worth more. This is our bullish market.

Balanced Market: For most of us today we are seeing this in the current housing market. There are some houses for sale but there isn't very much buying. Confidence of higher value has been shaken and participants are waiting to see what happens before making decisions.

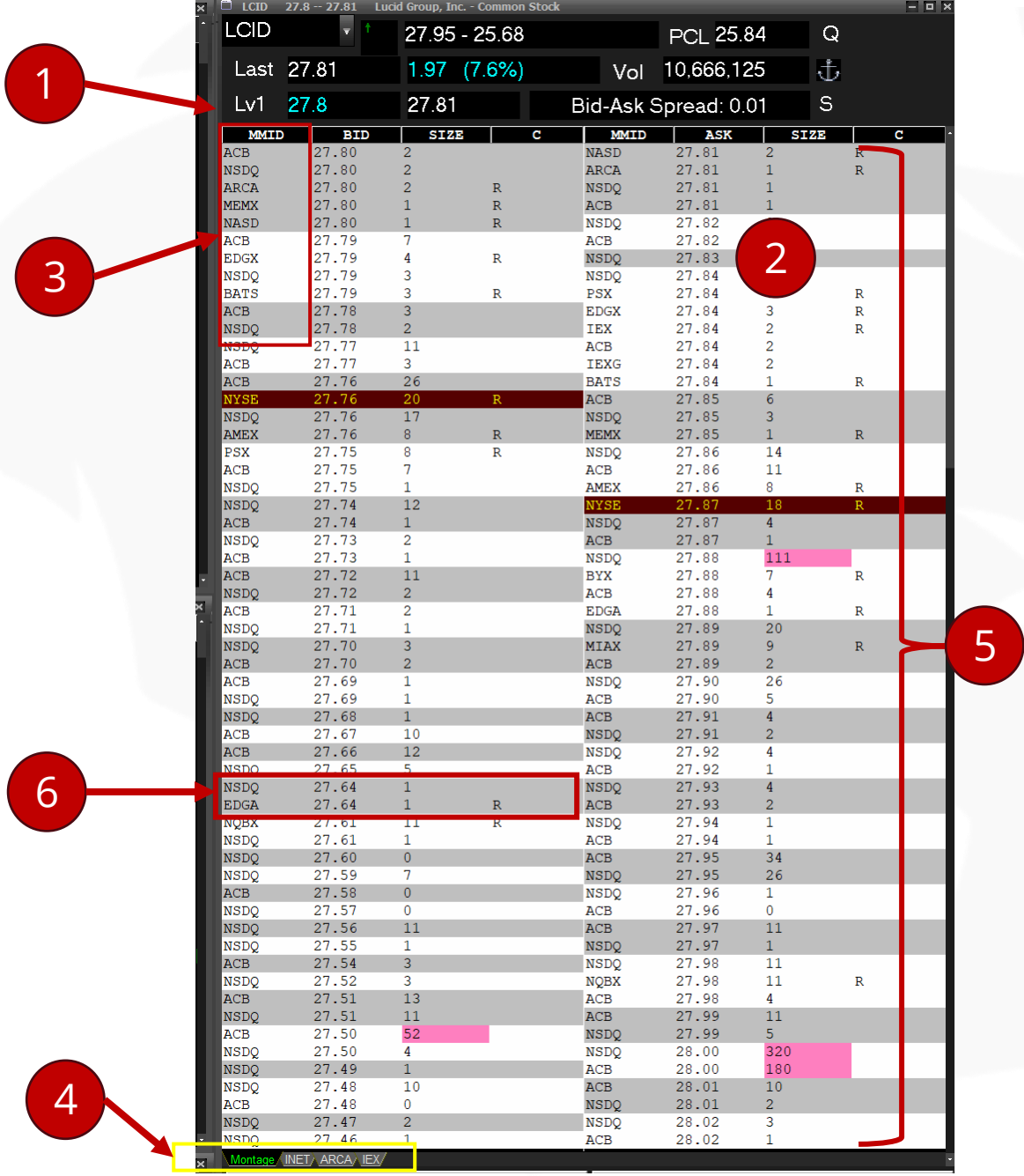
Weak Market: Inventory is coming off the market in a high rate and at the current price. Sellers are willing to sell at an extreme discount to entice buyers. We are not here yet on today's housing market but it's happened before and will likely happen again at some point.

Unlike the housing market we also have short sellers. Short sellers will load the bid side of the order book bringing extra demand below the price and addition selling at the best bid. This is one of the many attribute that's allow for the additional volatility we day traders enjoy.

L2 Layout

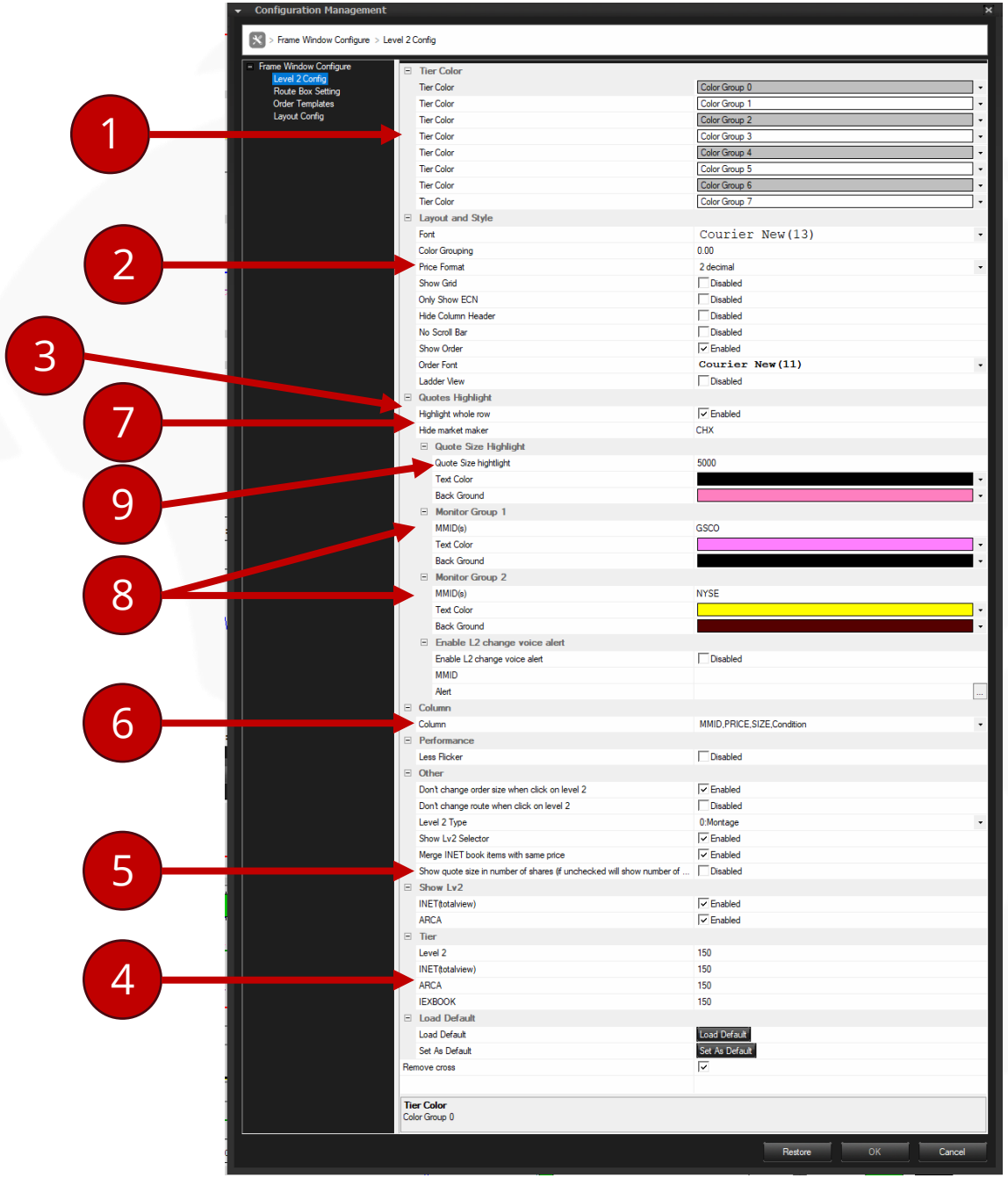
To the right is the L2 for LCID. You can see how it breaks down into the various parts.

1. Level 1 –a type of trading display used in stock trading that displays the best bid-offer-volume quotes in real time
2. Level 2 – Level II will show you a ranked list of the best bid and ask prices from each of many different market makers and participants. When orders are placed, they are listed here, giving you detailed insight into the price action.
3. Market Maker ID – ID that let's you know which Market Maker and order is coming through on.
4. Books – An order book is an electronic list of buy and sell orders for a security or other instrument organized by price level.
5. Tiers – The number of buy and sell orders that can be displayed simultaneously and grouped in order by price.
6. Color Groupings – Every order from all MMID's grouped by price and highlighted by color to help focus on the grouping or stack.



Configure the L2 layout.

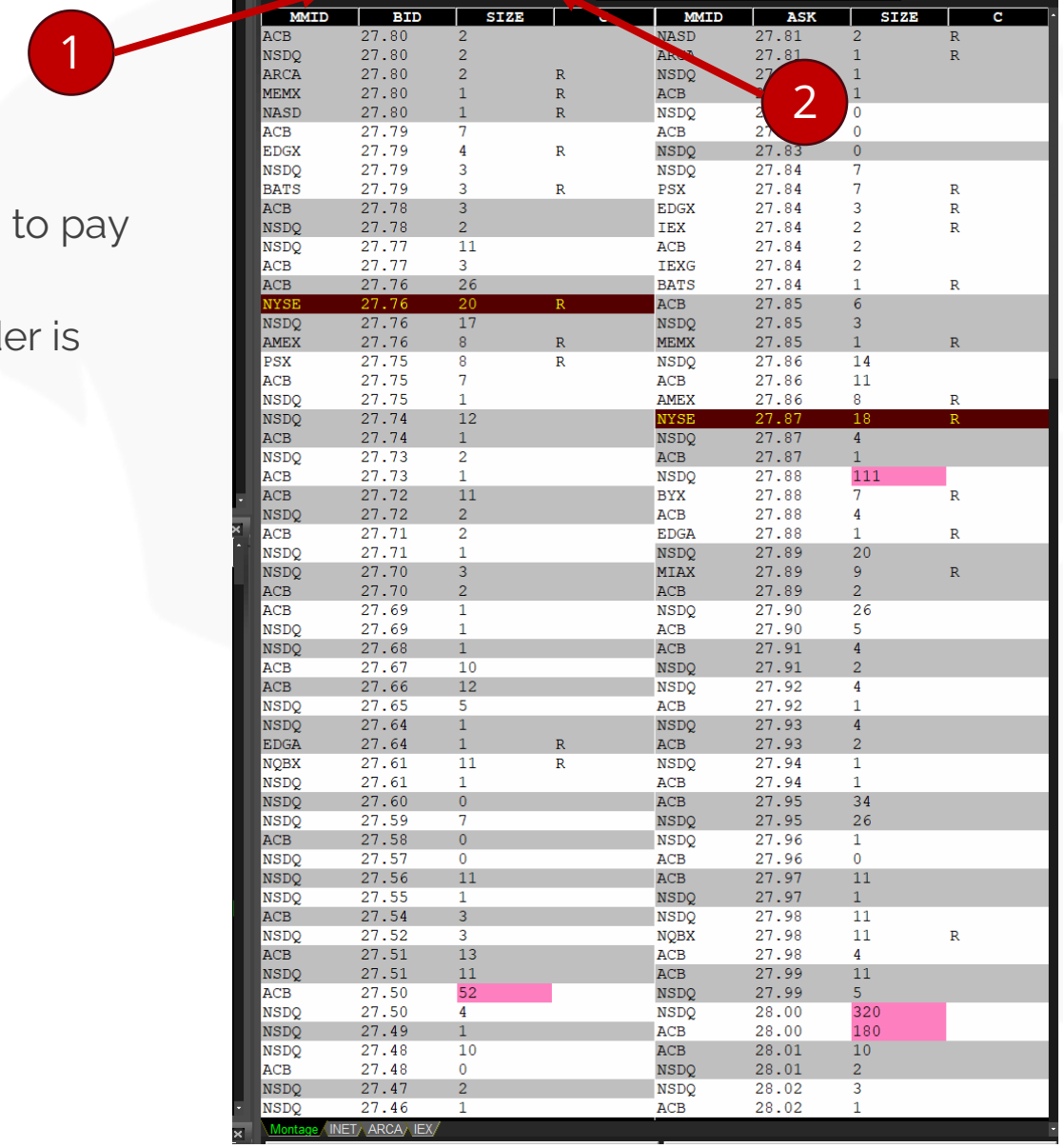
1. Tier Color – Each Price tier for up to 7 groups is given a color to help you focus on larger groupings of multiple lots of orders from different MMIDs.
2. Price Format – switching to 2 decimal can really help clear up the display and with trading mid and high floats you don't need to worry about the fractions.
3. Highlight Whole Row – As you'd imagine
4. Tier Settings – Set all tiers to 150 at minimum. This will give you 150 tiers and fill the tiers with the top 150 quotes from each order book sorted by price.
5. Lots verse quote size – Uncheck this box if you'd like to see lots over quotes. I find lots a lot easier to see and it cleans up the display a lot.
6. Keep it simple – I only have 4 columns showing MMID, Price, Size and Condition. This information moves quickly. No need to have too much of it. A lot of this config is to filter down the information to only see what we really need.
7. Hide MMID – Hide an MMID entirely. I find the MMID "CHX" always seem to only be a large NITF out of range, so I don't want it constantly grabbing my attention.
8. Monitor Group – Allows you to monitor a specific MMID. For instance, NYSE often puts orders out that drop of at the open.
9. Quote Size Highlight – One of the best features in DAS. This tool we use to high light large lots to draw our attention quickly to high value areas. You can select any color you'd like.



What is the Bid and Ask?

The Level1 “Lv1” shows you the current bid and the current ask.

1. The **bid** price represents the highest price an investor is willing to pay for a share.
2. The **ask** price represents the lowest price at which a shareholder is willing to part with their shares.



MMID	BID	SIZE	C	MMID	ASK	SIZE	C
ACB	27.80	2		NASD	27.81	2	R
NSDQ	27.80	2		ARCA	27.81	1	R
ARCA	27.80	2	R	NSDQ	27	1	
MEMX	27.80	1	R	ACB	[illegible]	1	
NASD	27.80	1	R	NSDQ	2	0	
ACB	27.79	7		ACB	27	0	
EDGX	27.79	4	R	NSDQ	27.83	0	
NSDQ	27.79	3		NSDQ	27.84	7	
BATS	27.79	3	R	PSX	27.84	7	R
ACB	27.78	3		EDGX	27.84	3	R
NSDQ	27.78	2		IEX	27.84	2	R
NSDQ	27.77	11		ACB	27.84	2	
ACB	27.77	3		IEXG	27.84	2	
ACB	27.76	26		BATS	27.84	1	R
NYSE	27.76	20	R	ACB	27.85	6	
NSDQ	27.76	17		NSDQ	27.85	3	
AMEX	27.76	8	R	MEMX	27.85	1	R
PSX	27.75	8	R	NSDQ	27.86	14	
ACB	27.75	7		ACB	27.86	11	
NSDQ	27.75	1		AMEX	27.86	8	R
NSDQ	27.74	12		NYSE	27.87	18	R
ACB	27.74	1		NSDQ	27.87	4	
NSDQ	27.73	2		ACB	27.87	1	
ACB	27.73	1		NSDQ	27.88	111	
ACB	27.72	11		BYX	27.88	7	R
NSDQ	27.72	2		ACB	27.88	4	
ACB	27.71	2		EDGA	27.88	1	R
NSDQ	27.71	1		NSDQ	27.89	20	
NSDQ	27.70	3		MIAX	27.89	9	R
ACB	27.70	2		ACB	27.89	2	
ACB	27.69	1		NSDQ	27.90	26	
NSDQ	27.69	1		ACB	27.90	5	
NSDQ	27.68	1		ACB	27.91	4	
ACB	27.67	10		NSDQ	27.91	2	
ACB	27.66	12		NSDQ	27.92	4	
NSDQ	27.65	5		ACB	27.92	1	
NSDQ	27.64	1		NSDQ	27.93	4	
EDGA	27.64	1	R	ACB	27.93	2	
NQBX	27.61	11	R	NSDQ	27.94	1	
NSDQ	27.61	1		ACB	27.94	1	
NSDQ	27.60	0		ACB	27.95	34	
NSDQ	27.59	7		NSDQ	27.95	26	
ACB	27.58	0		NSDQ	27.96	1	
NSDQ	27.57	0		ACB	27.96	0	
NSDQ	27.56	11		ACB	27.97	11	
NSDQ	27.55	1		NSDQ	27.97	1	
ACB	27.54	3		NSDQ	27.98	11	
NSDQ	27.52	3		NQBX	27.98	11	R
ACB	27.51	13		ACB	27.98	4	
NSDQ	27.51	11		ACB	27.99	11	
ACB	27.50	52		NSDQ	27.99	5	
NSDQ	27.50	4		NSDQ	28.00	320	
NSDQ	27.49	1		ACB	28.00	180	
NSDQ	27.48	10		ACB	28.01	10	
ACB	27.48	0		NSDQ	28.01	2	
NSDQ	27.47	2		NSDQ	28.02	3	
NSDQ	27.46	1		ACB	28.02	1	

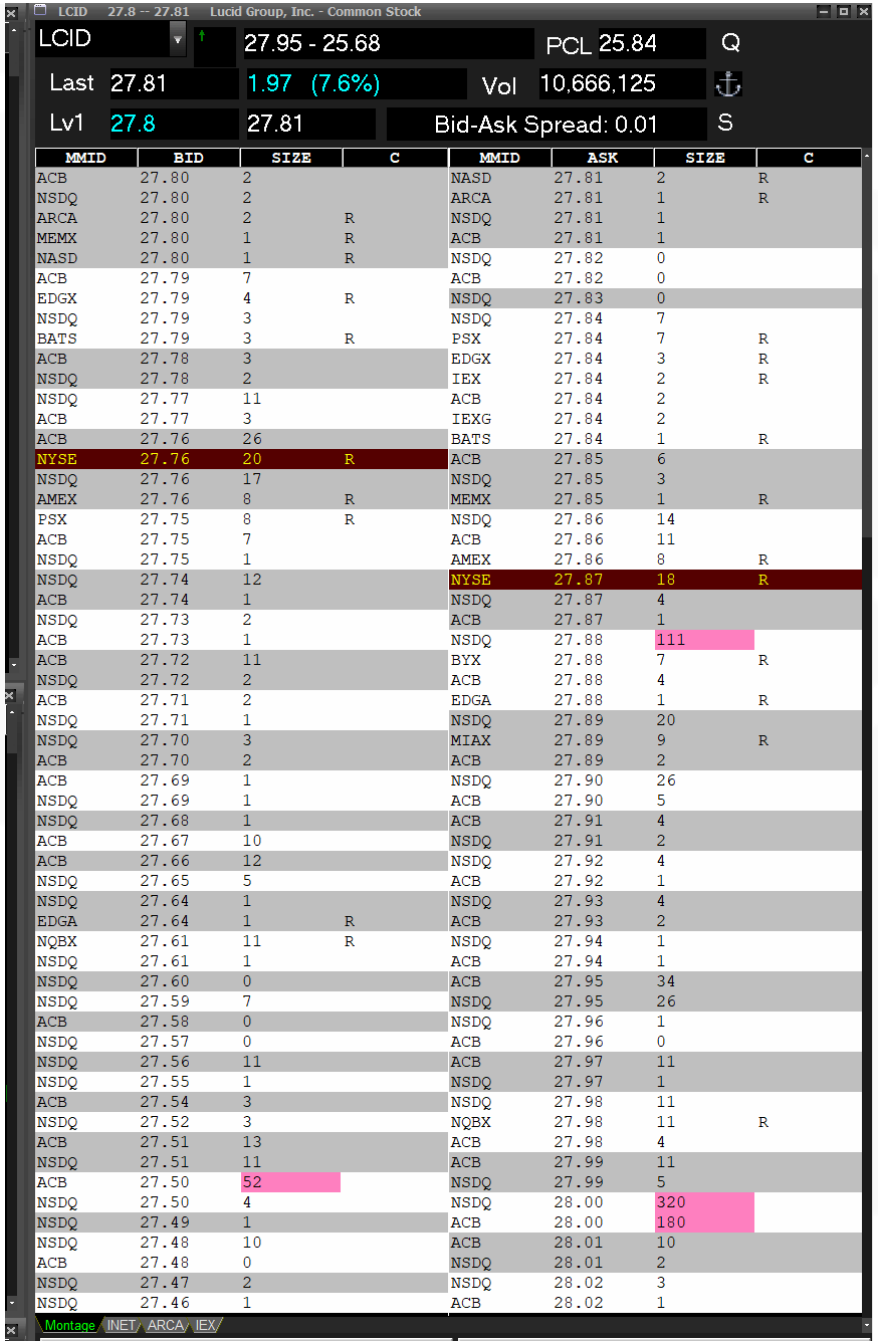
What is the Spread and why is it important?

The **Spread** refers to the difference between the **ask** price and the **bid** price. If the **ask** price for a share of $*ABC* stock is $25, and the **bid** price is $24.75, then the spread for ABC stock is $.25. In the example on the right you can see the ticker $LCID and it has a .01 spread.

The **Spread** is an incredibly important variable in stock trading and should not be underestimated. In risk management a large **spread** can equate to massive slippage if not properly accounted for. Imagine getting in a position on a stock with a .05 spread. When you stop out you will most likely do so using a market order. This means you can get filled wherever demand dictates rather than a specific price. Since the bid is .05 away at best you get filled for .05 slippage. Well, if you were only risking .10 this is going to add an extra 1.2 loss.

I recommend playing stop orders in front of another order. If the spread is wider, pick a price that is near a tier with orders. Even though the spread is .05 you can make it .01 by placing your stop in the correct spot. Also, if you get trigger the market order will likely fill in your favor slightly reducing loss.

When selecting a stock, you can quickly whittle down your list by using **spread** and price as qualifier. Most mid-price stocks in play with good volume will have a **spread** that is tighter. Some higher price stocks will as well although once you are above 100 tickers spread start to naturally widen.

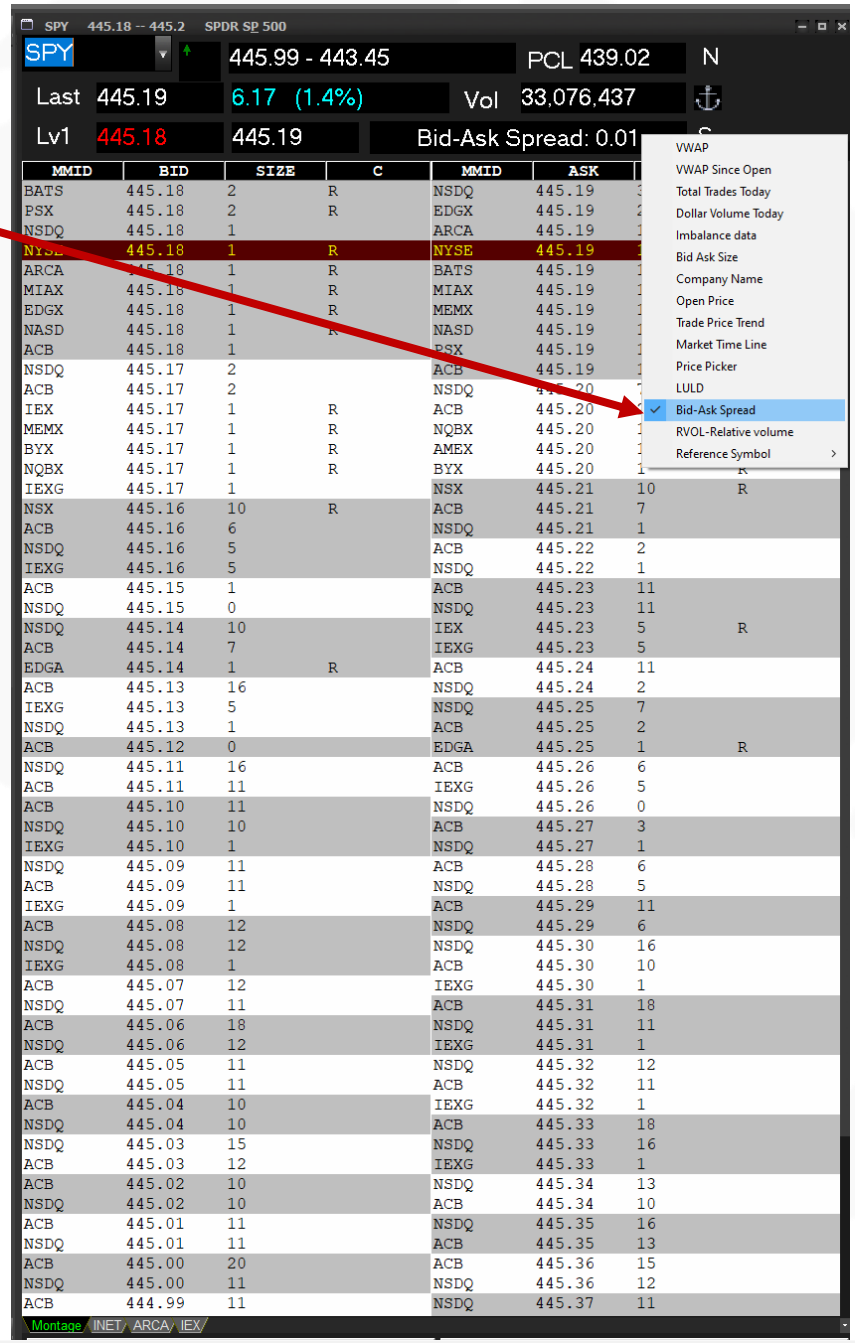


MMID	BID	SIZE	C	MMID	ASK	SIZE	C
ACB	27.80	2		NASD	27.81	2	R
NSDQ	27.80	2		ARCA	27.81	1	R
ARCA	27.80	2	R	NSDQ	27.81	1	
MEMX	27.80	1	R	ACB	27.81	1	
NASD	27.80	1	R	NSDQ	27.82	0	
ACB	27.79	7		ACB	27.82	0	
EDGX	27.79	4	R	NSDQ	27.83	0	
NSDQ	27.79	3		NSDQ	27.84	7	
BATS	27.79	3	R	PSX	27.84	7	R
ACB	27.78	3		EDGX	27.84	3	R
NSDQ	27.78	2		IEX	27.84	2	R
NSDQ	27.77	11		ACB	27.84	2	
ACB	27.77	3		IEXG	27.84	2	
ACB	27.76	26		BATS	27.84	1	R
NYSE	27.76	20	R	ACB	27.85	6	
NSDQ	27.76	17		NSDQ	27.85	3	
AMEX	27.76	8	R	MEMX	27.85	1	R
PSX	27.75	8	R	NSDQ	27.86	14	
ACB	27.75	7		ACB	27.86	11	
NSDQ	27.75	1		AMEX	27.86	8	R
NSDQ	27.74	12		NYSE	27.87	18	R
ACB	27.74	1		NSDQ	27.87	4	
NSDQ	27.73	2		ACB	27.87	1	
ACB	27.73	1		NSDQ	27.88	111	
ACB	27.72	11		BYX	27.88	7	R
NSDQ	27.72	2		ACB	27.88	4	
ACB	27.71	2		EDGA	27.88	1	R
NSDQ	27.71	1		NSDQ	27.89	20	
NSDQ	27.70	3		MIAX	27.89	9	R
ACB	27.70	2		ACB	27.89	2	
ACB	27.69	1		NSDQ	27.90	26	
NSDQ	27.69	1		ACB	27.90	5	
NSDQ	27.68	1		ACB	27.91	4	
ACB	27.67	10		NSDQ	27.91	2	
ACB	27.66	12		NSDQ	27.92	4	
NSDQ	27.65	5		ACB	27.92	1	
NSDQ	27.64	1		NSDQ	27.93	4	
EDGA	27.64	1	R	ACB	27.93	2	
NQBX	27.61	11	R	NSDQ	27.94	1	
NSDQ	27.61	1		ACB	27.94	1	
NSDQ	27.60	0		ACB	27.95	34	
NSDQ	27.59	7		NSDQ	27.95	26	
ACB	27.58	0		NSDQ	27.96	1	
NSDQ	27.57	0		ACB	27.96	0	
NSDQ	27.56	11		ACB	27.97	11	
NSDQ	27.55	1		NSDQ	27.97	1	
ACB	27.54	3		NSDQ	27.98	11	
NSDQ	27.52	3		NQBX	27.98	11	R
ACB	27.51	13		ACB	27.98	4	
NSDQ	27.51	11		ACB	27.99	11	
ACB	27.50	52		NSDQ	27.99	5	
NSDQ	27.50	4		NSDQ	28.00	320	
NSDQ	27.49	1		ACB	28.00	180	
NSDQ	27.48	10		ACB	28.01	10	
ACB	27.48	0		NSDQ	28.01	2	
NSDQ	27.47	2		NSDQ	28.02	3	
NSDQ	27.46	1		ACB	28.02	1	

Configure Montage to Show Spread

While trading you can easily configure your montage to show the spread

Simply right click on the option drop down on the montage and select Bid-Ask Spread.



MMID	BID	SIZE	C	MMID	ASK		
BATS	445.18	2	R	NSDQ	445.19	1	
PSX	445.18	2	R	EDGX	445.19	2	
NSDQ	445.18	1		ARCA	445.19	1	
NYSE	445.18	1	R	NYSE	445.19	1	
ARCA	445.18	1	R	BATS	445.19	1	
MIAX	445.18	1	R	MIAX	445.19	1	
EDGX	445.18	1	R	MEMX	445.19	1	
NASD	445.18	1	R	NASD	445.19	1	
ACB	445.18	1		PSX	445.19	1	
NSDQ	445.17	2		ACB	445.19	1	
ACB	445.17	2		NSDQ	445.20	1	
IEX	445.17	1	R	ACB	445.20	1	
MEMX	445.17	1	R	NQBX	445.20	1	
BYX	445.17	1	R	AMEX	445.20	1	
NQBX	445.17	1	R	BYX	445.20	1	R
IEXG	445.17	1		NSX	445.21	10	R
NSX	445.16	10	R	ACB	445.21	7	
ACB	445.16	6		NSDQ	445.21	1	
NSDQ	445.16	5		ACB	445.22	2	
IEXG	445.16	5		NSDQ	445.22	1	
ACB	445.15	1		ACB	445.23	11	
NSDQ	445.15	0		NSDQ	445.23	11	
NSDQ	445.14	10		IEX	445.23	5	R
ACB	445.14	7		IEXG	445.23	5	
EDGA	445.14	1	R	ACB	445.24	11	
ACB	445.13	16		NSDQ	445.24	2	
IEXG	445.13	5		NSDQ	445.25	7	
NSDQ	445.13	1		ACB	445.25	2	
ACB	445.12	0		EDGA	445.25	1	R
NSDQ	445.11	16		ACB	445.26	6	
ACB	445.11	11		IEXG	445.26	5	
ACB	445.10	11		NSDQ	445.26	0	
NSDQ	445.10	10		ACB	445.27	3	
IEXG	445.10	1		NSDQ	445.27	1	
NSDQ	445.09	11		ACB	445.28	6	
ACB	445.09	11		NSDQ	445.28	5	
IEXG	445.09	1		ACB	445.29	11	
ACB	445.08	12		NSDQ	445.29	6	
NSDQ	445.08	12		NSDQ	445.30	16	
IEXG	445.08	1		ACB	445.30	10	
ACB	445.07	12		IEXG	445.30	1	
NSDQ	445.07	11		ACB	445.31	18	
ACB	445.06	18		NSDQ	445.31	11	
NSDQ	445.06	12		IEXG	445.31	1	
ACB	445.05	11		NSDQ	445.32	12	
NSDQ	445.05	11		ACB	445.32	11	
ACB	445.04	10		IEXG	445.32	1	
NSDQ	445.04	10		ACB	445.33	18	
NSDQ	445.03	15		NSDQ	445.33	16	
ACB	445.03	12		IEXG	445.33	1	
ACB	445.02	10		NSDQ	445.34	13	
NSDQ	445.02	10		ACB	445.34	10	
ACB	445.01	11		NSDQ	445.35	16	
NSDQ	445.01	11		ACB	445.35	13	
ACB	445.00	20		ACB	445.36	15	
NSDQ	445.00	11		NSDQ	445.36	12	
ACB	444.99	11		NSDQ	445.37	11	

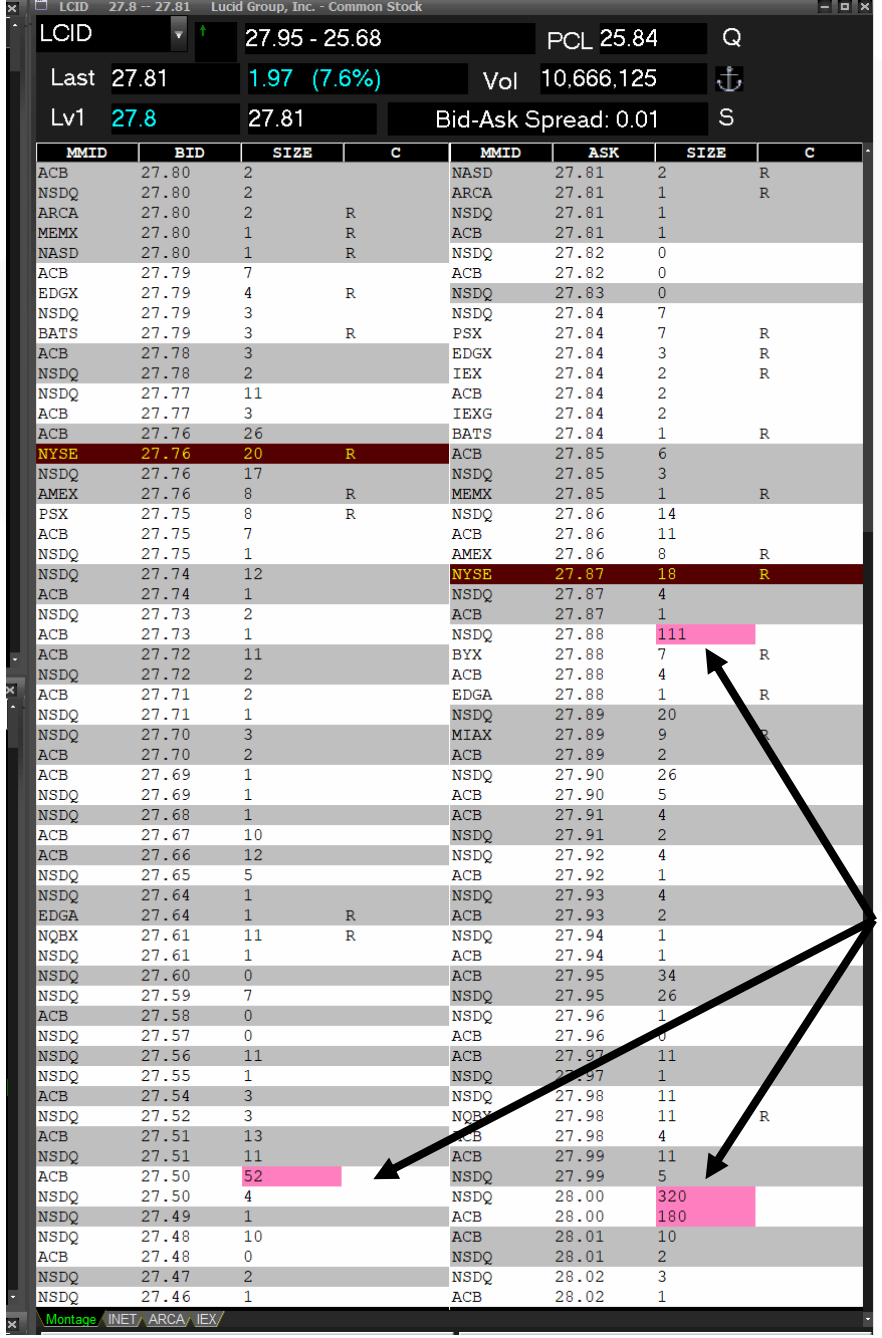
How to read the L2

What are Lots?

A lot is a grouping of all orders on a particular MMID at a particular price. Rather than see every single order that's out on the L2 we use lots. We also use lots to lower the number of digits we have to read. Each lot represents 100x that size. So, for instance at 28.00 you can see the stack of NSDQ with a lot of 320, and ACB with a lot of 180. With a total lot of 500 which equates to 50,000 shares.

This does not always mean there is a very large seller at that level waiting to exit a position. Rather its every order from that MMID at that price grouped together in a lot. This way we can see the market more as a whole rather than get bogged down with too many individual orders.

I know in this instance in the grand scheme you think 50,000 shares isn't a bunch. However, I assure you of 2 thinks. 1. that there are more orders there at that level. 2. That even 50,000 shares that come through on a .01 spread can tip the scale and imbalance the market makers.



MMID	BID	SIZE	C	MMID	ASK	SIZE	C
ACB	27.80	2		NASD	27.81	2	R
NSDQ	27.80	2		ARCA	27.81	1	R
ARCA	27.80	2	R	NSDQ	27.81	1	
MEMX	27.80	1	R	ACB	27.81	1	
NASD	27.80	1	R	NSDQ	27.82	0	
ACB	27.79	7		ACB	27.82	0	
EDGX	27.79	4	R	NSDQ	27.83	0	
NSDQ	27.79	3		NSDQ	27.84	7	
BATS	27.79	3	R	PSX	27.84	7	R
ACB	27.78	3		EDGX	27.84	3	R
NSDQ	27.78	2		IEX	27.84	2	R
NSDQ	27.77	11		ACB	27.84	2	
ACB	27.77	3		IEXG	27.84	2	
ACB	27.76	26		BATS	27.84	1	R
NYSE	27.76	20	R	ACB	27.85	6	
NSDQ	27.76	17		NSDQ	27.85	3	
AMEX	27.76	8	R	MEMX	27.85	1	R
PSX	27.75	8	R	NSDQ	27.86	14	
ACB	27.75	7		ACB	27.86	11	
NSDQ	27.75	1		AMEX	27.86	8	R
NSDQ	27.74	12		NYSE	27.87	18	R
ACB	27.74	1		NSDQ	27.87	4	
NSDQ	27.73	2		ACB	27.87	1	
ACB	27.73	1		NSDQ	27.88	111	
ACB	27.72	11		BYX	27.88	7	R
NSDQ	27.72	2		ACB	27.88	4	
ACB	27.71	2		EDGA	27.88	1	R
NSDQ	27.71	1		NSDQ	27.89	20	
NSDQ	27.70	3		MIAX	27.89	9	R
ACB	27.70	2		ACB	27.89	2	
ACB	27.69	1		NSDQ	27.90	26	
NSDQ	27.69	1		ACB	27.90	5	
NSDQ	27.68	1		ACB	27.91	4	
ACB	27.67	10		NSDQ	27.91	2	
ACB	27.66	12		NSDQ	27.92	4	
NSDQ	27.65	5		ACB	27.92	1	
NSDQ	27.64	1		NSDQ	27.93	4	
EDGA	27.64	1	R	ACB	27.93	2	
NQBX	27.61	11	R	NSDQ	27.94	1	
NSDQ	27.61	1		ACB	27.94	1	
NSDQ	27.60	0		ACB	27.95	34	
NSDQ	27.59	7		NSDQ	27.95	26	
ACB	27.58	0		NSDQ	27.96	1	
NSDQ	27.57	0		ACB	27.96	0	
NSDQ	27.56	11		ACB	27.97	11	
NSDQ	27.55	1		NSDQ	27.97	1	
ACB	27.54	3		NSDQ	27.98	11	
NSDQ	27.52	3		NQBX	27.98	11	R
ACB	27.51	13		ACB	27.98	4	
NSDQ	27.51	11		ACB	27.99	11	
ACB	27.50	52		NSDQ	27.99	5	
NSDQ	27.50	4		NSDQ	28.00	320	
NSDQ	27.49	1		ACB	28.00	180	
NSDQ	27.48	10		ACB	28.01	10	
ACB	27.48	0		NSDQ	28.01	2	
NSDQ	27.47	2		NSDQ	28.02	3	
NSDQ	27.46	1		ACB	28.02	1	

Large Lots

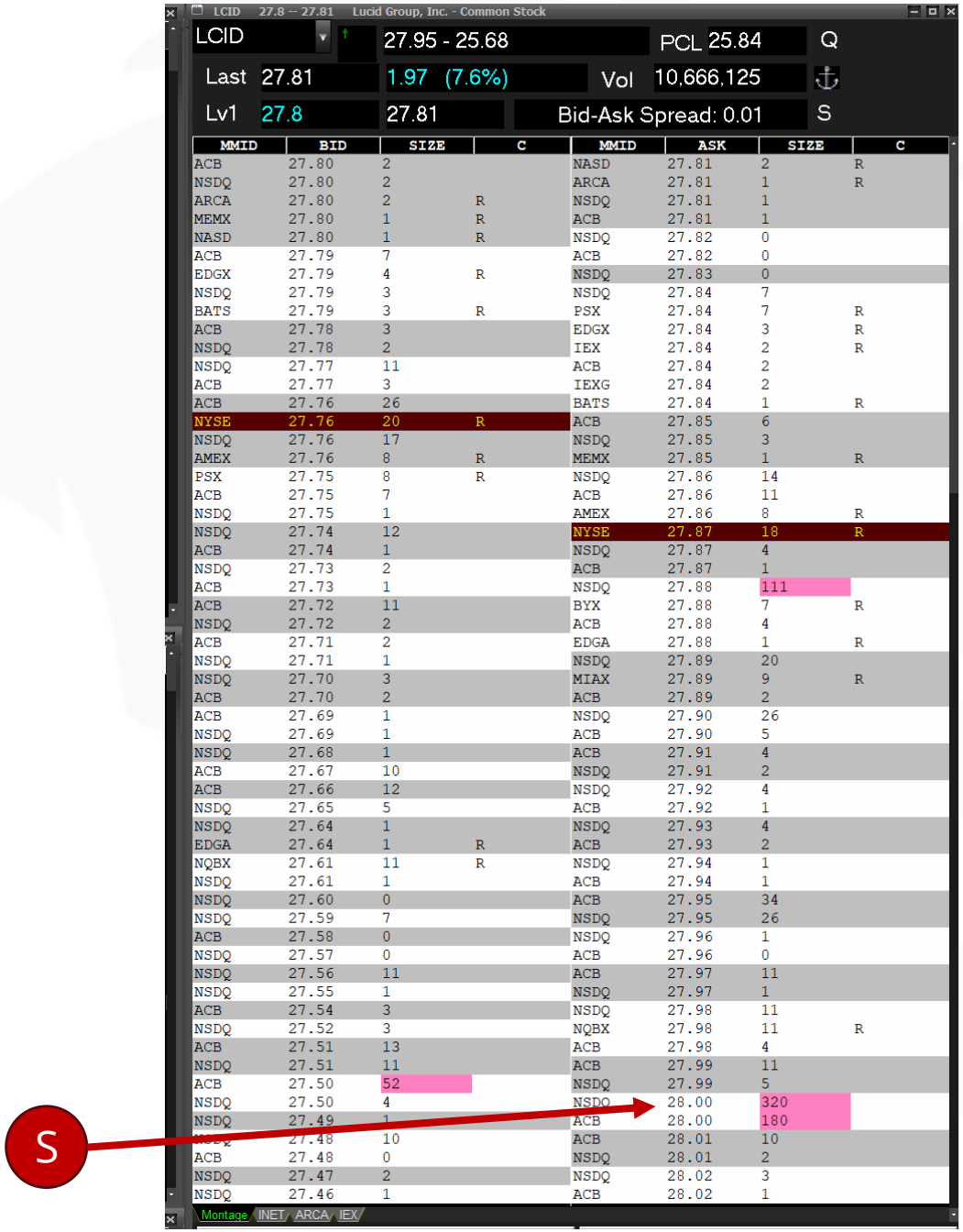
How to read the L2

What are stacks?

A stack is a grouping of lots on the L2. When a bunch of sellers or buyers start to congregate at a particular level it will start to stack up.

We will often call this out as, “The ask is stacking at $28.00”. What we are saying is there are a lot of orders starting to pile up. Remember not everyone uses the L2 or even has access to it. So, this is something that we can see that many others can not. Giving us an edge. Notice on the example to the right you see at 28.00 as quite a few orders are starting to stack up.

The more orders stacking at a level the larger the draw.



MMID	BID	SIZE	C	MMID	ASK	SIZE	C
ACB	27.80	2		NASD	27.81	2	R
NSDQ	27.80	2		ARCA	27.81	1	R
ARCA	27.80	2	R	NSDQ	27.81	1	
MEMX	27.80	1	R	ACB	27.81	1	
NASD	27.80	1	R	NSDQ	27.82	0	
ACB	27.79	7		ACB	27.82	0	
EDGX	27.79	4	R	NSDQ	27.83	0	
NSDQ	27.79	3		NSDQ	27.84	7	
BATS	27.79	3	R	PSX	27.84	7	R
ACB	27.78	3		EDGX	27.84	3	R
NSDQ	27.78	2		IEX	27.84	2	R
NSDQ	27.77	11		ACB	27.84	2	
ACB	27.77	3		IEXG	27.84	2	
ACB	27.76	26		BATS	27.84	1	R
NYSE	27.76	20	R	ACB	27.85	6	
NSDQ	27.76	17		NSDQ	27.85	3	
AMEX	27.76	8	R	MEMX	27.85	1	R
PSX	27.75	8	R	NSDQ	27.86	14	
ACB	27.75	7		ACB	27.86	11	
NSDQ	27.75	1		AMEX	27.86	8	R
NSDQ	27.74	12		NYSE	27.87	18	R
ACB	27.74	1		NSDQ	27.87	4	
NSDQ	27.73	2		ACB	27.87	1	
ACB	27.73	1		NSDQ	27.88	111	
ACB	27.72	11		BYX	27.88	7	R
NSDQ	27.72	2		ACB	27.88	4	
ACB	27.71	2		EDGA	27.88	1	R
NSDQ	27.71	1		NSDQ	27.89	20	
NSDQ	27.70	3		MIAX	27.89	9	R
ACB	27.70	2		ACB	27.89	2	
ACB	27.69	1		NSDQ	27.90	26	
NSDQ	27.69	1		ACB	27.90	5	
NSDQ	27.68	1		ACB	27.91	4	
ACB	27.67	10		NSDQ	27.91	2	
ACB	27.66	12		NSDQ	27.92	4	
NSDQ	27.65	5		ACB	27.92	1	
NSDQ	27.64	1		NSDQ	27.93	4	
EDGA	27.64	1	R	ACB	27.93	2	
NQBX	27.61	11	R	NSDQ	27.94	1	
NSDQ	27.61	1		ACB	27.94	1	
NSDQ	27.60	0		ACB	27.95	34	
NSDQ	27.59	7		NSDQ	27.95	26	
ACB	27.58	0		NSDQ	27.96	1	
NSDQ	27.57	0		ACB	27.96	0	
NSDQ	27.56	11		ACB	27.97	11	
NSDQ	27.55	1		NSDQ	27.97	1	
ACB	27.54	3		NSDQ	27.98	11	
NSDQ	27.52	3		NQBX	27.98	11	R
ACB	27.51	13		ACB	27.98	4	
NSDQ	27.51	11		ACB	27.99	11	
ACB	27.50	52		NSDQ	27.99	5	
NSDQ	27.50	4		NSDQ	28.00	320	
NSDQ	27.49	1		ACB	28.00	180	
[illegible]	27.48	10		ACB	28.01	10	
ACB	27.48	0		NSDQ	28.01	2	
NSDQ	27.47	2		NSDQ	28.02	3	
NSDQ	27.46	1		ACB	28.02	1	

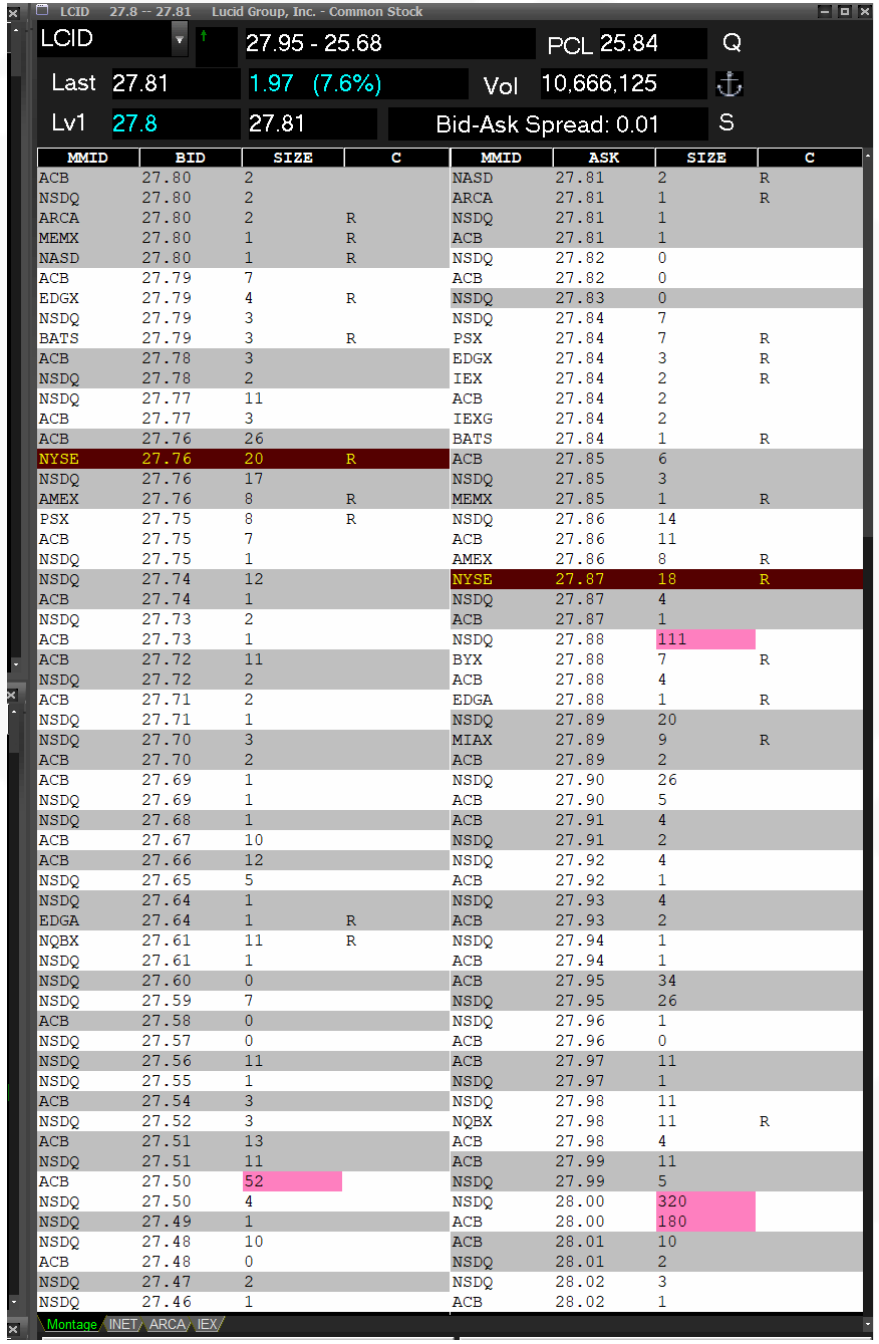
S

How to read the L2

Why not the colors?

What we are trying to do is group similar orders together so we can get a feel for the over all condition of the stock. We have lots to group similar orders at a price on a specific MMID. We have colors to help us more easily identify stacks of lots from multiple MMIDs. However, I personally feel that to many colors can make it very difficult to focus on the Large orders. Rather I want to highlight the large orders. I leave the colors and alternating grey at each tier to make it a lot easier to read.

In the example to the right you see at the bid you have lots from NSDQ, ARCA, MEMX, NASD, and ACB. Being grouped by the grey color makes it much easier to identify that they are all at the same price.



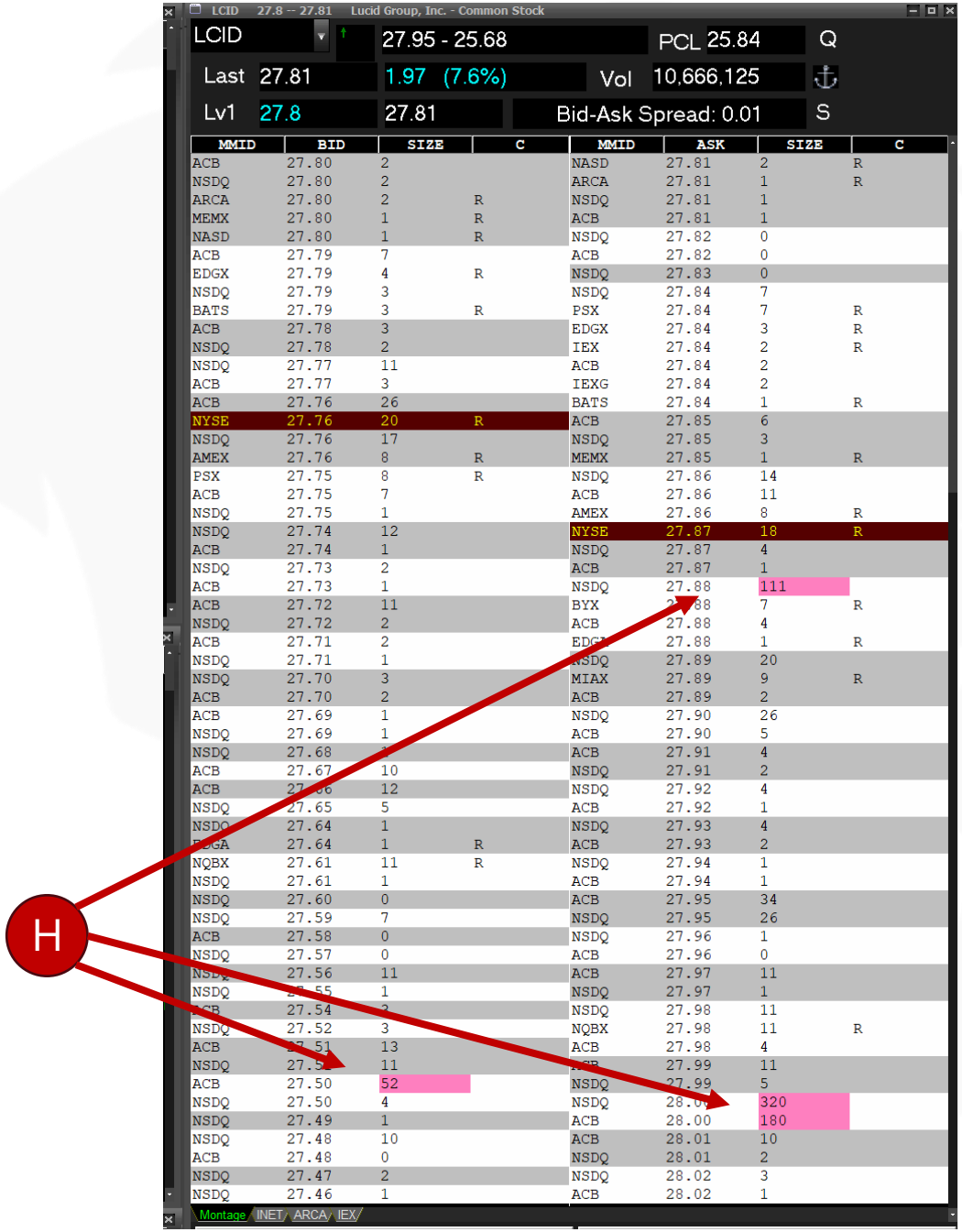
MMID	BID	SIZE	C	MMID	ASK	SIZE	C
ACB	27.80	2		NASD	27.81	2	R
NSDQ	27.80	2		ARCA	27.81	1	R
ARCA	27.80	2	R	NSDQ	27.81	1	
MEMX	27.80	1	R	ACB	27.81	1	
NASD	27.80	1	R	NSDQ	27.82	0	
ACB	27.79	7		ACB	27.82	0	
EDGX	27.79	4	R	NSDQ	27.83	0	
NSDQ	27.79	3		NSDQ	27.84	7	
BATS	27.79	3	R	PSX	27.84	7	R
ACB	27.78	3		EDGX	27.84	3	R
NSDQ	27.78	2		IEX	27.84	2	R
NSDQ	27.77	11		ACB	27.84	2	
ACB	27.77	3		IEXG	27.84	2	
ACB	27.76	26		BATS	27.84	1	R
NYSE	27.76	20	R	ACB	27.85	6	
NSDQ	27.76	17		NSDQ	27.85	3	
AMEX	27.76	8	R	MEMX	27.85	1	R
PSX	27.75	8	R	NSDQ	27.86	14	
ACB	27.75	7		ACB	27.86	11	
NSDQ	27.75	1		AMEX	27.86	8	R
NSDQ	27.74	12		NYSE	27.87	18	R
ACB	27.74	1		NSDQ	27.87	4	
NSDQ	27.73	2		ACB	27.87	1	
ACB	27.73	1		NSDQ	27.88	111	
ACB	27.72	11		BYX	27.88	7	R
NSDQ	27.72	2		ACB	27.88	4	
ACB	27.71	2		EDGA	27.88	1	R
NSDQ	27.71	1		NSDQ	27.89	20	
NSDQ	27.70	3		MIAX	27.89	9	R
ACB	27.70	2		ACB	27.89	2	
ACB	27.69	1		NSDQ	27.90	26	
NSDQ	27.69	1		ACB	27.90	5	
NSDQ	27.68	1		ACB	27.91	4	
ACB	27.67	10		NSDQ	27.91	2	
ACB	27.66	12		NSDQ	27.92	4	
NSDQ	27.65	5		ACB	27.92	1	
NSDQ	27.64	1		NSDQ	27.93	4	
EDGA	27.64	1	R	ACB	27.93	2	
NQBX	27.61	11	R	NSDQ	27.94	1	
NSDQ	27.61	1		ACB	27.94	1	
NSDQ	27.60	0		ACB	27.95	34	
NSDQ	27.59	7		NSDQ	27.95	26	
ACB	27.58	0		NSDQ	27.96	1	
NSDQ	27.57	0		ACB	27.96	0	
NSDQ	27.56	11		ACB	27.97	11	
NSDQ	27.55	1		NSDQ	27.97	1	
ACB	27.54	3		NSDQ	27.98	11	
NSDQ	27.52	3		NQBX	27.98	11	R
ACB	27.51	13		ACB	27.98	4	
NSDQ	27.51	11		ACB	27.99	11	
ACB	27.50	52		NSDQ	27.99	5	
NSDQ	27.50	4		NSDQ	28.00	320	
NSDQ	27.49	1		ACB	28.00	180	
NSDQ	27.48	10		ACB	28.01	10	
ACB	27.48	0		NSDQ	28.01	2	
NSDQ	27.47	2		NSDQ	28.02	3	
NSDQ	27.46	1		ACB	28.02	1	

How to read the L2

High Light Large Orders on the L2

When we are trading using the L2 volume is key. We understand that large orders assert value on the market. Because of that the Market Maker will be drawn to these large orders. Naturally they are going to make a bunch of money filling those orders so why leave them behind. As long as the demand isn't to strong in the opposite direction this will be the market makers targets.

These large pockets of liquidity or supply can be easily identified using the highlight orders feature in DAS. This allows us to see order stacking up more easily. An on a grey background they stand out nicely. I like to highlight mine pink so they really pop. Remember the mirrors here. NEVER trade against your L2. If it's bearish 9 out of 10 times its gonna run bearish.



MMID	BID	SIZE	C	MMID	ASK	SIZE	C
ACB	27.80	2		NASD	27.81	2	R
NSDQ	27.80	2		ARCA	27.81	1	R
ARCA	27.80	2	R	NSDQ	27.81	1	
MEMX	27.80	1	R	ACB	27.81	1	
NASD	27.80	1	R	NSDQ	27.82	0	
ACB	27.79	7		ACB	27.82	0	
EDGX	27.79	4	R	NSDQ	27.83	0	
NSDQ	27.79	3		NSDQ	27.84	7	
BATS	27.79	3	R	PSX	27.84	7	R
ACB	27.78	3		EDGX	27.84	3	R
NSDQ	27.78	2		IEX	27.84	2	R
NSDQ	27.77	11		ACB	27.84	2	
ACB	27.77	3		IEXG	27.84	2	
ACB	27.76	26		BATS	27.84	1	R
NYSE	27.76	20	R	ACB	27.85	6	
NSDQ	27.76	17		NSDQ	27.85	3	
AMEX	27.76	8	R	MEMX	27.85	1	R
PSX	27.75	8	R	NSDQ	27.86	14	
ACB	27.75	7		ACB	27.86	11	
NSDQ	27.75	1		AMEX	27.86	8	R
NSDQ	27.74	12		NYSE	27.87	18	R
ACB	27.74	1		NSDQ	27.87	4	
NSDQ	27.73	2		ACB	27.87	1	
ACB	27.73	1		NSDQ	27.88	111	
ACB	27.72	11		BYX	[illegible]	7	R
NSDQ	27.72	2		ACB	27.88	4	
ACB	27.71	2		EDGX	27.88	1	R
NSDQ	27.71	1		NSDQ	27.89	20	
NSDQ	27.70	3		MIAX	27.89	9	R
ACB	27.70	2		ACB	27.89	2	
ACB	27.69	1		NSDQ	27.90	26	
NSDQ	27.69	1		ACB	27.90	5	
NSDQ	27.68	[illegible]		ACB	27.91	4	
ACB	27.67	10		NSDQ	27.91	2	
ACB	[illegible]	12		NSDQ	27.92	4	
NSDQ	27.65	5		ACB	27.92	1	
NSDQ	27.64	1		NSDQ	27.93	4	
EDGA	27.64	1	R	ACB	27.93	2	
NQBX	27.61	11	R	NSDQ	27.94	1	
NSDQ	27.61	1		ACB	27.94	1	
NSDQ	27.60	0		ACB	27.95	34	
NSDQ	27.59	7		NSDQ	27.95	26	
ACB	27.58	0		NSDQ	27.96	1	
NSDQ	27.57	0		ACB	27.96	0	
NSDQ	27.56	11		ACB	27.97	11	
NSDQ	[illegible]	1		NSDQ	27.97	1	
ACB	27.54	[illegible]		NSDQ	27.98	11	
NSDQ	27.52	3		NQBX	27.98	11	R
ACB	[illegible]	13		ACB	27.98	4	
NSDQ	[illegible]	11		[illegible]	27.99	11	
ACB	27.50	52		NSDQ	27.99	5	
NSDQ	27.50	4		NSDQ	[illegible]	320	
NSDQ	27.49	1		ACB	28.00	180	
NSDQ	27.48	10		ACB	28.01	10	
ACB	27.48	0		NSDQ	28.01	2	
NSDQ	27.47	2		NSDQ	28.02	3	
NSDQ	27.46	1		ACB	28.02	1	

How to read the L2

This next section is likely the most important thing you gain from tape reading. And that is the ability to see the auction as it is occurring right in front of you. Unlike a chartist you aren't waiting for some level. You are waiting for a change in the way the price is auctioning. If you recall from Market Auction Theory we have 4 primary cycles. Value, Balance, Excess, and Imbalance. Each of these phases will occur during the auction but only one of them is a phase we want to trade.

Value is Price and wherever the market is willing to perform the most transactions is where it will set value. Value is most often marked in beginning by an unusually large transaction on the L2 followed by elevated volume into the large transaction set. Eventually as the market agrees on value the price will move into a period of balance.

In Balance you will have an evenly distributed L2. Just like in an auction, balance will reflect when the sentiment for buying matches that for selling. If the bulls and bears have agreed that this is a good price. Then business will occur here and have no reason to move. This can show up as an empty L2 or a overly Full L2.

As balance maintains, eventually excess will begin to build on the L2. Pockets of liquidity and supply will start to appear as participants begin making decisions. Over time those pockets will congregate and form large stacks of orders and MMIDs in a specific direction. Once there is enough excess. The price will move in the direction of the orders as volume comes in.

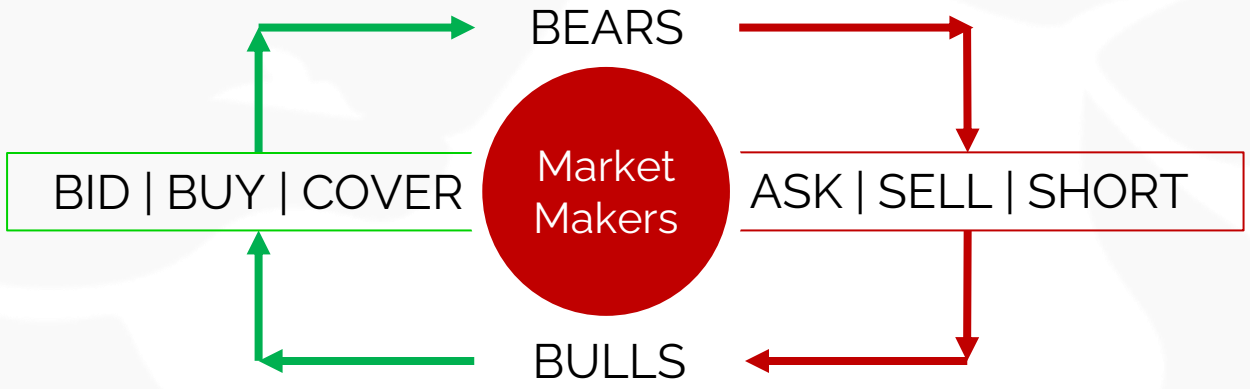
As the volume comes in excess turns into imbalance. This is the phase we are trying to trade. As imbalance sets in the stock will go back into auction and start searching for new value. The price once in transition will most often run the L2 in the direction of the excess until a large order attempts to set value. If the market agrees, the process starts all over.

How to read the L2

The Market is about the balance between buyers and sellers. As participants they are constantly making new choices that move the price in one way or the other. But to much demand in any single direction and the Market Makers becomes imbalanced and must move in a direction. Here is a diagram I put to try and illustrated that.

Some claim that tape reading is useless because it's changing all the time. But that's the point. Participants are making decisions every second. Decisions that have nothing to do with the pattern you want to see appear. They are choices made around fear and greed. They can happen randomly at a moments notice.

The main point here is to have perspective on what is happening. If you are seeing green on the tape who is participating. Are bears covering or are bulls buying? Both come in green, but one can be a profit target on a continuation down. Where the other may be reversal beginning.



Example of a Good L2

Here is an example of a good L2:

In a good L2 the main thing you are looking for is overall structure.

You want stacks of orders at various levels and obvious action on the stock.

You want an even distribution of the price down to those orders. Notice that each tier is incrementing down by .01 which fits since the stock has a .01 spread. You don't want to see large gaps in the price because this will show potential inconsistency in the price action.

We will get into reading the L2 more in a bit. But for now, we will start here.

LCID 27.8 -- 27.81 Lucid Group, Inc. - Common Stock

LCID | 27.95 - 25.68 | PCL 25.84 | Q

Last 27.81 | 1.97 (7.6%) | Vol 10,666,125

Lv1 27.8 | 27.81 | Bid-Ask Spread: 0.01 | S

MMID	BID	SIZE	C	MMID	ASK	SIZE	C
ACB	27.80	2		NASD	27.81	2	R
NSDQ	27.80	2		ARCA	27.81	1	R
ARCA	27.80	2	R	NSDQ	27.81	1	
MEMX	27.80	1	R	ACB	27.81	1	
NASD	27.80	1	R	NSDQ	27.82	0	
ACB	27.79	7		ACB	27.82	0	
EDGX	27.79	4	R	NSDQ	27.83	0	
NSDQ	27.79	3		NSDQ	27.84	7	
BATS	27.79	3	R	PSX	27.84	7	R
ACB	27.78	3		EDGX	27.84	3	R
NSDQ	27.78	2		IEX	27.84	2	R
NSDQ	27.77	11		ACB	27.84	2	
ACB	27.77	3		IEXG	27.84	2	
ACB	27.76	26		BATS	27.84	1	R
NYSE	27.76	20	R	ACB	27.85	6	
NSDQ	27.76	17		NSDQ	27.85	3	
AMEX	27.76	8	R	MEMX	27.85	1	R
PSX	27.75	8	R	NSDQ	27.86	14	
ACB	27.75	7		ACB	27.86	11	
NSDQ	27.75	1		AMEX	27.86	8	R
NSDQ	27.74	12		NYSE	27.87	18	R
ACB	27.74	1		NSDQ	27.87	4	
NSDQ	27.73	2		ACB	27.87	1	
ACB	27.73	1		NSDQ	27.88	111	
ACB	27.72	11		BYX	27.88	7	R
NSDQ	27.72	2		ACB	27.88	4	
ACB	27.71	2		EDGA	27.88	1	R
NSDQ	27.71	1		NSDQ	27.89	20	
NSDQ	27.70	3		MIAX	27.89	9	R
ACB	27.70	2		ACB	27.89	2	
ACB	27.69	1		NSDQ	27.90	26	
NSDQ	27.69	1		ACB	27.90	5	
NSDQ	27.68	1		ACB	27.91	4	
ACB	27.67	10		NSDQ	27.91	2	
ACB	27.66	12		NSDQ	27.92	4	
NSDQ	27.65	5		ACB	27.92	1	
NSDQ	27.64	1		NSDQ	27.93	4	
EDGA	27.64	1	R	ACB	27.93	2	
NQBX	27.61	11	R	NSDQ	27.94	1	
NSDQ	27.61	1		ACB	27.94	1	
NSDQ	27.60	0		ACB	27.95	34	
NSDQ	27.59	7		NSDQ	27.95	26	
ACB	27.58	0		NSDQ	27.96	1	
NSDQ	27.57	0		ACB	27.96	0	
NSDQ	27.56	11		ACB	27.97	11	
NSDQ	27.55	1		NSDQ	27.97	1	
ACB	27.54	3		NSDQ	27.98	11	
NSDQ	27.52	3		NQBX	27.98	11	R
ACB	27.51	13		ACB	27.98	4	
NSDQ	27.51	11		ACB	27.99	11	
ACB	27.50	52		NSDQ	27.99	5	
NSDQ	27.50	4		NSDQ	28.00	320	
NSDQ	27.49	1		ACB	28.00	180	
NSDQ	27.48	10		ACB	28.01	10	
ACB	27.48	0		NSDQ	28.01	2	
NSDQ	27.47	2		NSDQ	28.02	3	
NSDQ	27.46	1		ACB	28.02	1	

Montage INET ARCA IEX

Example of a Bad L2

Here is an example of a bad L2:

On the left is an L2 that is bad because there are just way too many orders. Trying to read an L2 that is this congested is very difficult since spotting the imbalance is very difficult.

On the one to the right, you'll notice here there are very little asks to the top side or bottom side. Also notice the spread is 3.87!! As you look down the ladder of tiers you can see massive price gaps. This stock is very dangerous and one bad trade on it could ruin your month.

MGI 10.6 -- 10.61 Moneygram International, Inc. - Common Stock

MGI | 10.71 - 10.5 | PCL 8.95 | Q
Last 10.67 | 1.72 (19.2%) | Vol 70,837,758
Lv1 10.67 | 10.68 | Bid-Ask Spread: 0.01 | T.S

MMID	BID	SIZE	C	MMID	ASK	SIZE	C
MEMX	10.67	141	R	MEMX	10.68	606	R
PSX	10.67	73	R	EDGX	10.68	131	R
NSDQ	10.67	22		NSDQ	10.68	123	
NASD	10.67	22	R	NASD	10.68	123	R
EDGX	10.67	9	R	ACB	10.68	73	
ACB	10.67	8		ARCA	10.68	73	R
ARCA	10.67	8	R	BYX	10.68	64	R
BATS	10.67	4	R	BATS	10.68	53	R
MIAX	10.67	2	R	MIAX	10.68	40	R
AMEX	10.67	1	R	IEX	10.68	17	R
BYX	10.66	134	R	IEXG	10.68	17	
NSDQ	10.66	96		NYSE	10.68	14	R
ACB	10.66	54		EDGA	10.68	8	R
EDGA	10.66	47	R	NQBX	10.68	5	R
NYSE	10.66	11	R	PSX	10.68	3	R
NSX	10.66	8	R	NSX	10.68	1	R
IEX	10.66	4	R	NSDQ	10.69	80	
NQBX	10.66	4	R	ACB	10.69	47	
IEXG	10.66	4		IEXG	10.69	4	
ACB	10.65	159		NSDQ	10.70	162	
NSDQ	10.65	143		ACB	10.70	131	
IEXG	10.65	4		IEXG	10.70	12	
NSDQ	10.64	128		AMEX	10.70	4	R
ACB	10.64	67		NSDQ	10.71	111	
IEXG	10.64	4		ACB	10.71	61	
NSDQ	10.63	144		IEXG	10.71	4	
ACB	10.63	50		NSDQ	10.72	115	
IEXG	10.63	4		ACB	10.72	52	
NSDQ	10.62	148		IEXG	10.72	4	
ACB	10.62	40		NSDQ	10.73	97	
IEXG	10.62	4		ACB	10.73	38	
NSDQ	10.61	1422		IEXG	10.73	4	
ACB	10.61	24		NSDQ	10.74	94	
IEXG	10.61	4		ACB	10.74	12	
NSDQ	10.60	61		IEXG	10.74	4	
ACB	10.60	54		NSDQ	10.75	69	
IEXG	10.60	4		ACB	10.75	11	
NSDQ	10.59	133		IEXG	10.75	4	
ACB	10.59	32		NSDQ	10.76	22	
IEXG	10.59	4		ACB	10.76	11	
NSDQ	10.58	56		IEXG	10.76	4	
ACB	10.58	16		NSDQ	10.77	52	
IEXG	10.58	4		ACB	10.77	26	
NSDQ	10.57	25		IEXG	10.77	4	
ACB	10.56	262		NSDQ	10.78	14	
NSDQ	10.56	78		ACB	10.78	10	
NSDQ	10.55	62		IEXG	10.78	4	
NSDQ	10.54	185		NSDQ	10.79	20	
ACB	10.54	44		NSDQ	10.80	88	
IEXG	10.54	4		ACB	10.80	11	
ACB	10.53	542		NSDQ	10.81	1	
NSDQ	10.53	49		NSDQ	10.82	20	
NSDQ	10.52	373		ACB	10.82	0	
ACB	10.52	82		NSDQ	10.83	30	
NSDQ	10.51	689		ACB	10.84	20	
ACB	10.51	32		NSDQ	10.85	218	
ACB	10.50	224		ACB	10.85	4	

Montage INET ARCA IEX

GOOG 2720.02 -- 2722.05 Alphabet Inc. - Class C Capital Stock

GOOG | 2758 - 2717.45 | PCL 2706 | Q
Last 2721.11 | 15.11 (0.56%) | Vol 541,342
Lv1 2720.02 | 2722.05 | Bid-Ask Spread: 2.03 | S

MMID	BID	SIZE	C	MMID	ASK	SIZE	C
IEXG	2720.45	0		NSDQ	2721.42	0	
ACB	2720.44	0		NSDQ	2721.78	0	
NSDQ	2720.36	0		NSDQ	2721.87	0	
NSDQ	2720.14	0		NSDQ	2721.98	0	
NSDQ	2720.12	0		ACB	2722.04	0	
NSDQ	2720.05	0		NSDQ	2722.04	0	
NSDQ	2720.02	1		NSDQ	2722.05	1	
NASD	2720.02	1	R	NASD	2722.05	1	R
ACB	2720.02	0		ACB	2722.05	0	
NSDQ	2719.99	0		NSDQ	2722.09	0	
NSDQ	2719.97	0		NSDQ	2722.17	0	
ACB	2719.88	0		NSDQ	2722.30	1	
ACB	2719.87	1		NSDQ	2722.31	0	
ARCA	2719.87	1	R	ACB	2722.40	0	
ACB	2719.75	0		NSDQ	2722.47	0	
NSDQ	2719.48	0		ACB	2722.76	0	
NSDQ	2719.32	0		NSDQ	2722.77	1	
ACB	2719.30	0		ACB	2722.78	0	
NSDQ	2719.08	0		NSDQ	2722.81	0	
ACB	2718.89	0		NSDQ	2722.83	0	
NSDQ	2718.71	0		NSDQ	2722.90	0	
ACB	2718.70	0		ACB	2722.91	0	
NSDQ	2718.70	0		NSDQ	2723.16	0	
NSDQ	2718.69	0		NSDQ	2723.17	0	
IEXG	2718.69	0		NSDQ	2723.28	0	
NSDQ	2718.54	0		NSDQ	2723.29	0	
ACB	2718.44	0		NSDQ	2723.30	0	
NSDQ	2718.17	0		NSDQ	2723.45	1	
NSDQ	2718.09	0		NSDQ	2723.51	0	
ACB	2718.00	0		NSDQ	2723.56	0	
NSDQ	2718.00	0		PSX	2723.79	1	R
NSDQ	2717.95	0		NSDQ	2723.93	0	
ACB	2717.62	0		ACB	2723.97	0	
PSX	2717.49	1	R	NSDQ	2723.98	1	
BYX	2717.11	1	R	ACB	2724.00	0	
EDGX	2716.95	1	R	NSDQ	2724.07	0	
NSDQ	2716.95	0		NSDQ	2724.09	0	
NSDQ	2716.65	0		NSDQ	2724.19	0	
NSDQ	2716.64	0		BYX	2724.31	1	R
ACB	2716.45	0		NQBX	2724.70	1	R
ACB	2716.44	0		ACB	2725.20	0	
ACB	2716.14	0		ACB	2725.23	0	
ACB	2716.10	0		ACB	2725.44	0	
NSDQ	2716.00	0		NSDQ	2725.53	0	
NQBX	2715.95	1	R	ACB	2726.00	0	
NSDQ	2715.79	0		EDGX	2727.00	1	R
BATS	2715.69	1	R	ACB	2727.26	0	
ACB	2715.44	0		ACB	2727.57	0	
NSDQ	2715.10	1		BATS	2727.97	1	R
ACB	2715.00	0		EDGA	2728.53	1	R
NSDQ	2715.00	0		NSDQ	2728.53	1	
NSDQ	2714.47	0		ACB	2728.83	0	
NSDQ	2714.39	0		NSDQ	2729.30	1	
ACB	2714.15	0		ACB	2729.65	0	
ACB	2714.10	0		ACB	2729.99	0	
ACB	2714.00	0		ARCA	2730.00	1	R
NSDQ	2713.43	0		ACB	2730.00	0	

Montage INET ARCA IEX

What is a Bullish or Bearish L2

Bullish (strong) L2

To the right is the Ticker $LI. This ticker is known for having a very obvious imbalance to it's ladder. Notice the stock is currently in SSR so although it must have been down within the past couple days we are obviously looking at a rally of some sort.

No matter what the pattern looks like remember the mirrors. Never trade against a ladder that has obvious imbalance to it. There is no where for this stock to even pull back so it's likely going to run straight up the ask.

Notice how the largest Congregation of orders is at the even number 31.50. This is not by accident. It's a price target. For profit taking this is the perfect play to put your order. Right in front by a .01 or .02.

LI 30.98 -- 30.99 Li Auto Inc. - American Depositary Shares

LI	31.58 - 28.85	PCL 30.28	Q	
Last 30.99	0.71 (2.3%)	Vol 10,527,431		
Lv1 30.98	30.99	Bid-Ask Spread: 0.01	SSR.S	

MMID	BID	SIZE	MMID	ASK	SIZE
NASD	30.98	3	NSDQ	30.99	4
NSDQ	30.98	3	NASD	30.99	4
ARCA	30.98	2	NSDQ	31.00	42
MEMX	30.98	2	EDGX	31.00	9
EDGX	30.98	2	ACB	31.00	2
ACB	30.98	2	ARCA	31.00	2
BATS	30.98	1	PSX	31.00	2
IEXG	30.98	0	BATS	31.00	1
NSDQ	30.97	3	NSDQ	31.01	12
NSDQ	30.96	2	NSDQ	31.03	1
IEXG	30.96	0	NSDQ	31.05	11
NSDQ	30.95	3	ACB	31.06	16
NSDQ	30.94	12	NSDQ	31.06	1
ACB	30.94	1	NSDQ	31.07	7
PSX	30.91	3	NYSE	31.08	13
NSDQ	30.91	1	NSDQ	31.10	84
NSDQ	30.90	9	NQBX	31.10	6
NSDQ	30.89	11	ACB	31.10	4
NSDQ	30.88	2	ACB	31.11	11
NSDQ	30.87	1	BYX	31.12	6
NYSE	30.86	11	NSDQ	31.12	2
NSDQ	30.84	1	EDGA	31.12	1
NSDQ	30.83	0	NSDQ	31.13	1
ACB	30.82	1	ACB	31.15	6
NSDQ	30.81	1	NSDQ	31.15	5
NSDQ	30.80	2	NSDQ	31.20	101
ACB	30.79	11	ACB	31.20	3
NSDQ	30.79	1	IEX	31.20	1
NSDQ	30.78	5	IEXG	31.20	1
NSDQ	30.77	2	NSDQ	31.23	0
NSDQ	30.76	1	ACB	31.24	0
BYX	30.70	6	NSDQ	31.25	6
NQBX	30.70	6	NSDQ	31.26	0
EDGA	30.69	1	NSDQ	31.28	0
NSDQ	30.61	5	NSDQ	31.30	85
NSDQ	30.60	1	ACB	31.30	7
NSDQ	30.57	1	NSDQ	31.31	7
ACB	30.53	5	NSDQ	31.32	61
NSDQ	30.53	1	NSDQ	31.33	10
NSDQ	30.50	1	ACB	31.33	10
NSDQ	30.49	1	NSDQ	31.35	6
NSDQ	30.47	1	ACB	31.35	4
NSDQ	30.40	9	NSDQ	31.37	0
NSDQ	30.39	0	NSDQ	31.38	28
ACB	30.39	0	ACB	31.38	16
IEX	30.37	1	NSDQ	31.39	9
IEXG	30.37	1	MEMX	31.39	6
ACB	30.35	0	NSDQ	31.40	81
NSDQ	30.33	1	NSDQ	31.41	4
NSDQ	30.30	1	ACB	31.42	1
NSDQ	30.27	5	NSDQ	31.43	0
ACB	30.26	0	NSDQ	31.45	55
NSDQ	30.25	1	ACB	31.45	0
ACB	30.25	0	NSDQ	31.46	1
NSDQ	30.22	5	NSDQ	31.47	30
NSDQ	30.21	0	NSDQ	31.48	31
NSDQ	30.20	5	ACB	31.48	0
ACB	30.20	0	ACB	31.49	1
NSDQ	30.18	0	NSDQ	31.49	0
NSDQ	30.15	2	NSDQ	31.50	288
ACB	30.15	0	ACB	31.50	51
NSDQ	30.13	1	NSDQ	31.51	1
NSDQ	30.11	1	ACB	31.51	0
ACB	30.10	15	NSDQ	31.52	20
NSDQ	30.10	2	ACB	31.52	0
NSDQ	30.09	3	ACB	31.53	6
NSDQ	30.08	11	NSDQ	31.53	1
NSDQ	30.05	2	NSDQ	31.54	1

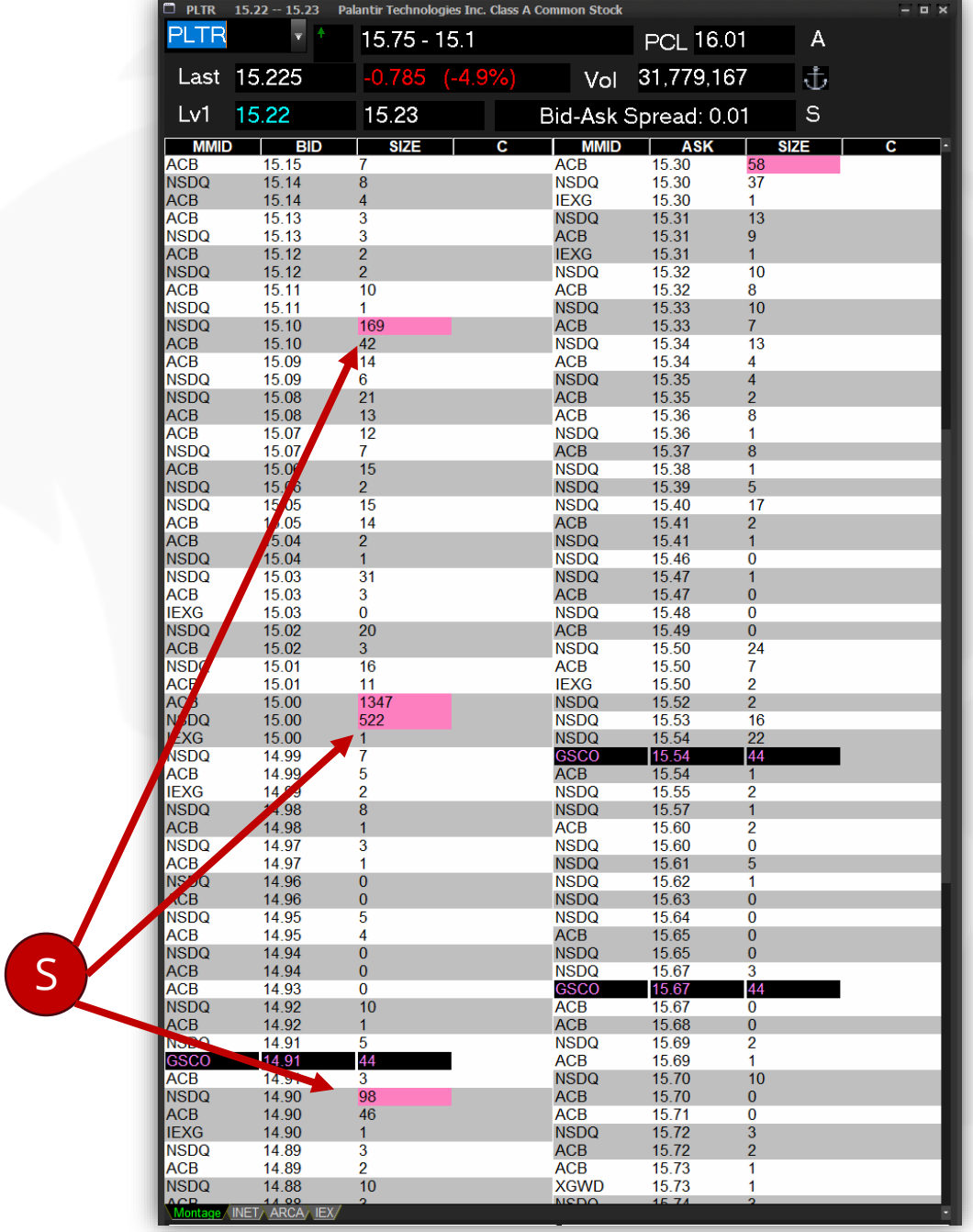
What is a Bullish or Bearish L2

Bearish (weak) L2:

In the example to the right. You can see a Bearish L2. Unlike the prior example you can see stacks (a) and large lots (b) to the low side on the bid. Forming liquidity zones below the current price. This demonstrates a lack of enthusiasm and an overall need for the price to lower to start bringing in new buyers.

Notice this time the asks don't have many stacks away from the price Just some large lots pretty far away. (c) Rather all the sellers are rushing in to cover at the price (d). A short seller will see this as an opportunity to sell. Buying back into those liquidity zones below the price and scalping some easy gains while everyone else loses money.

Again, the obvious congregation of orders at the whole number.



MMID	BID	SIZE	C	MMID	ASK	SIZE	C
ACB	15.15	7		ACB	15.30	58	
NSDQ	15.14	8		NSDQ	15.30	37	
ACB	15.14	4		IEXG	15.30	1	
ACB	15.13	3		NSDQ	15.31	13	
NSDQ	15.13	3		ACB	15.31	9	
ACB	15.12	2		IEXG	15.31	1	
NSDQ	15.12	2		NSDQ	15.32	10	
ACB	15.11	10		ACB	15.32	8	
NSDQ	15.11	1		NSDQ	15.33	10	
NSDQ	15.10	169		ACB	15.33	7	
ACB	15.10	42		NSDQ	15.34	13	
ACB	15.09	14		ACB	15.34	4	
NSDQ	15.09	6		NSDQ	15.35	4	
NSDQ	15.08	21		ACB	15.35	2	
ACB	15.08	13		ACB	15.36	8	
ACB	15.07	12		NSDQ	15.36	1	
NSDQ	15.07	7		ACB	15.37	8	
ACB	15.06	15		NSDQ	15.38	1	
NSDQ	15.06	2		NSDQ	15.39	5	
NSDQ	15.05	15		NSDQ	15.40	17	
ACB	15.05	14		ACB	15.41	2	
ACB	15.04	2		NSDQ	15.41	1	
NSDQ	15.04	1		NSDQ	15.46	0	
NSDQ	15.03	31		NSDQ	15.47	1	
ACB	15.03	3		ACB	15.47	0	
IEXG	15.03	0		NSDQ	15.48	0	
NSDQ	15.02	20		ACB	15.49	0	
ACB	15.02	3		NSDQ	15.50	24	
NSDQ	15.01	16		ACB	15.50	7	
ACB	15.01	11		IEXG	15.50	2	
ACB	15.00	1347		NSDQ	15.52	2	
NSDQ	15.00	522		NSDQ	15.53	16	
IEXG	15.00	1		NSDQ	15.54	22	
NSDQ	14.99	7		GSCO	15.54	44	
ACB	14.99	5		ACB	15.54	1	
IEXG	14.99	2		NSDQ	15.55	2	
NSDQ	14.98	8		NSDQ	15.57	1	
ACB	14.98	1		ACB	15.60	2	
NSDQ	14.97	3		NSDQ	15.60	0	
ACB	14.97	1		NSDQ	15.61	5	
NSDQ	14.96	0		NSDQ	15.62	1	
ACB	14.96	0		NSDQ	15.63	0	
NSDQ	14.95	5		NSDQ	15.64	0	
ACB	14.95	4		ACB	15.65	0	
NSDQ	14.94	0		NSDQ	15.65	0	
ACB	14.94	0		NSDQ	15.67	3	
ACB	14.93	0		GSCO	15.67	44	
NSDQ	14.92	10		ACB	15.67	0	
ACB	14.92	1		ACB	15.68	0	
NSDQ	14.91	5		NSDQ	15.69	2	
GSCO	14.91	44		ACB	15.69	1	
ACB	14.91	3		NSDQ	15.70	10	
NSDQ	14.90	98		ACB	15.70	0	
ACB	14.90	46		ACB	15.71	0	
IEXG	14.90	1		NSDQ	15.72	3	
NSDQ	14.89	3		ACB	15.72	2	
ACB	14.89	2		ACB	15.73	1	
NSDQ	14.88	10		XGWD	15.73	1	

What is a Book Flip

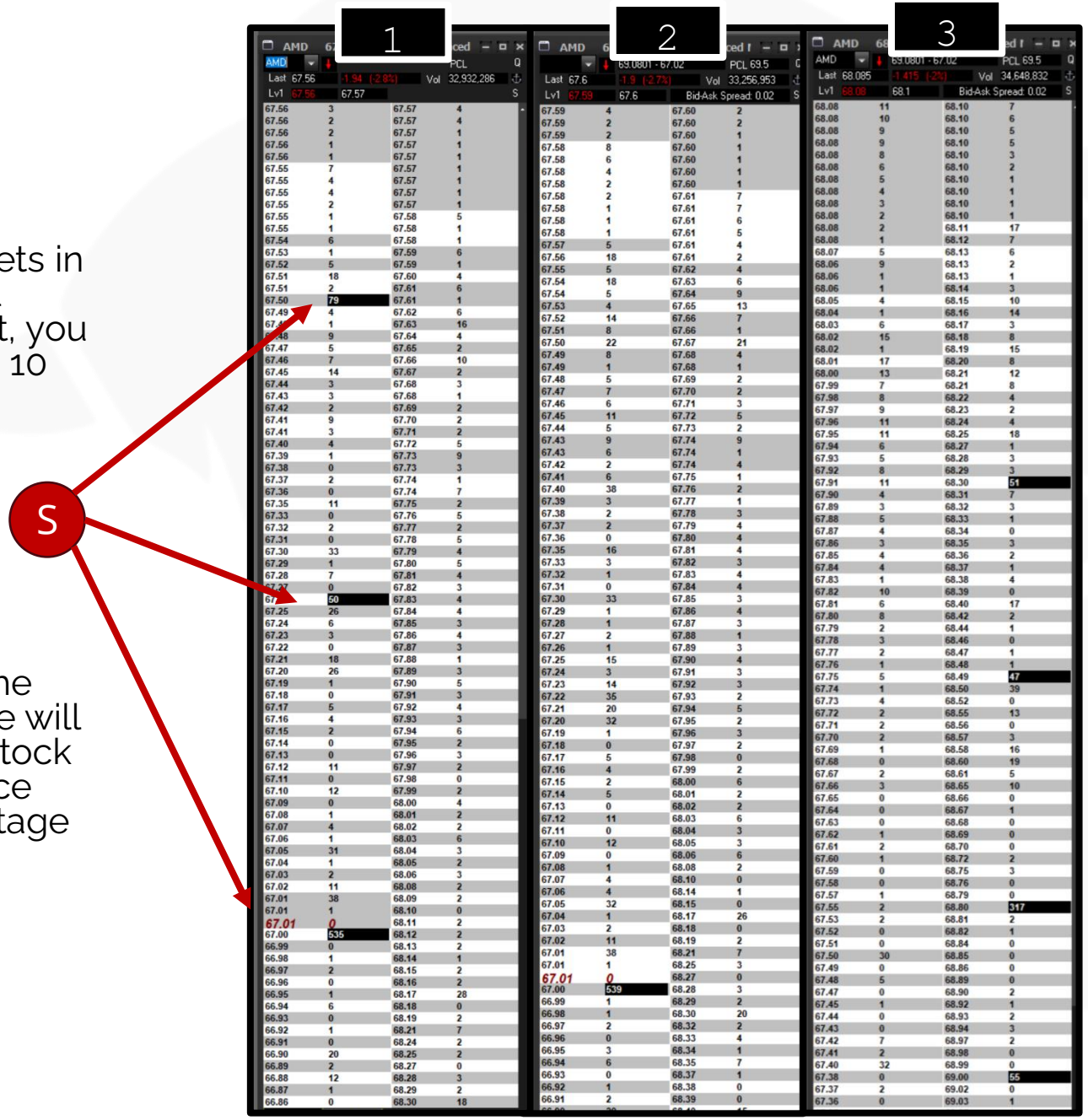
A book flip occurs as the order book changes bias over the course of time :

As the participants start to make decisions and imbalance sets in excess will appear in a particular direction indicating overall market bias on a particular ticker. In the example to the right, you can see the L2 from AMD. These shots were all taken within 10 minutes of each other.

1. An L2 with a bearish bias
2. An L2 with a balanced or neutral bias
3. An L2 with a bullish bias

S are the larger orders being highlighted to make the read.

The book flipping is a major reversal indicator and is often the easiest way to see if you're trading into a wall or if your trade will run. The order book is the reason breakouts fail. When the stock struggles to much profit taking causes a pull back. If the price struggles enough the opposing participants will take advantage of the situation taking positions and loading the book in the opposite direction to entice the market maker.



Wall Verses a Run

Liquidity and supply Levels:

When reading the Level 2 one of the main things we are looking for are Liquidity levels. As we try and judge if the price is going to move up or down having these levels are critical to continued movement up. When you play an ABCD pattern or a price breakup what you are often doing is playing the movement from one liquidity level to another. As the liquidity at the lower levels starts to run out the price will move up or down to the next level. Many consolidations happen at these levels where large order can be exchanged by big players.

What exactly are Levels?

For big institutions and traders with a need to fill large orders, finding pockets of enough liquidity is essential unless you have a dark pool.

A market's liquidity has a big impact on how volatile the market's prices are. When these big players take positions in the market, they obviously aim to be filled at the best possible price. However, given the size of their positions, they need to find enough counter-forces to fill their orders, and here is the key, with the minimal amount of slippage. If a big player were to enter the market at an area of low liquidity, the volatility it would create would have a negative impact on the average price it gets. Lower liquidity usually results in a more volatile market and cause prices to change drastically; Alternatively, if the same trader were to enter a trade at an area of much higher liquidity, it usually creates a less volatile market in which prices don't fluctuate as drastically, therefore ensuring a better average price for the entire position aimed to enter. These pockets of liquidity are often seen as chop or consolidation areas.

So, if you get the target of this. What we are looking for on the L2 is locating the zones and as the price moves from one zone to the next, we will take a position as it rises or falls. We see it as a pattern with candlesticks. What is really going on is the delicate balance between supply and demand as large funds try and move money around for the best price possible. As a retail trader this is where we can capitalize.

Wall Verses a Run

Liquidity Levels in a thermal map provided by "Bookmap™":

The shot was taken around 1:30pm est.

On the bottom you can see a thermal map provided by Bookmap™. This map also has L3 access and historical L2. What you can see easily is the large orange and red bars identifying heavy supply areas.

Around Mid Day $FB began a rally. As you can see on this book map there are heavy sellers camping at 218 and 218.52.

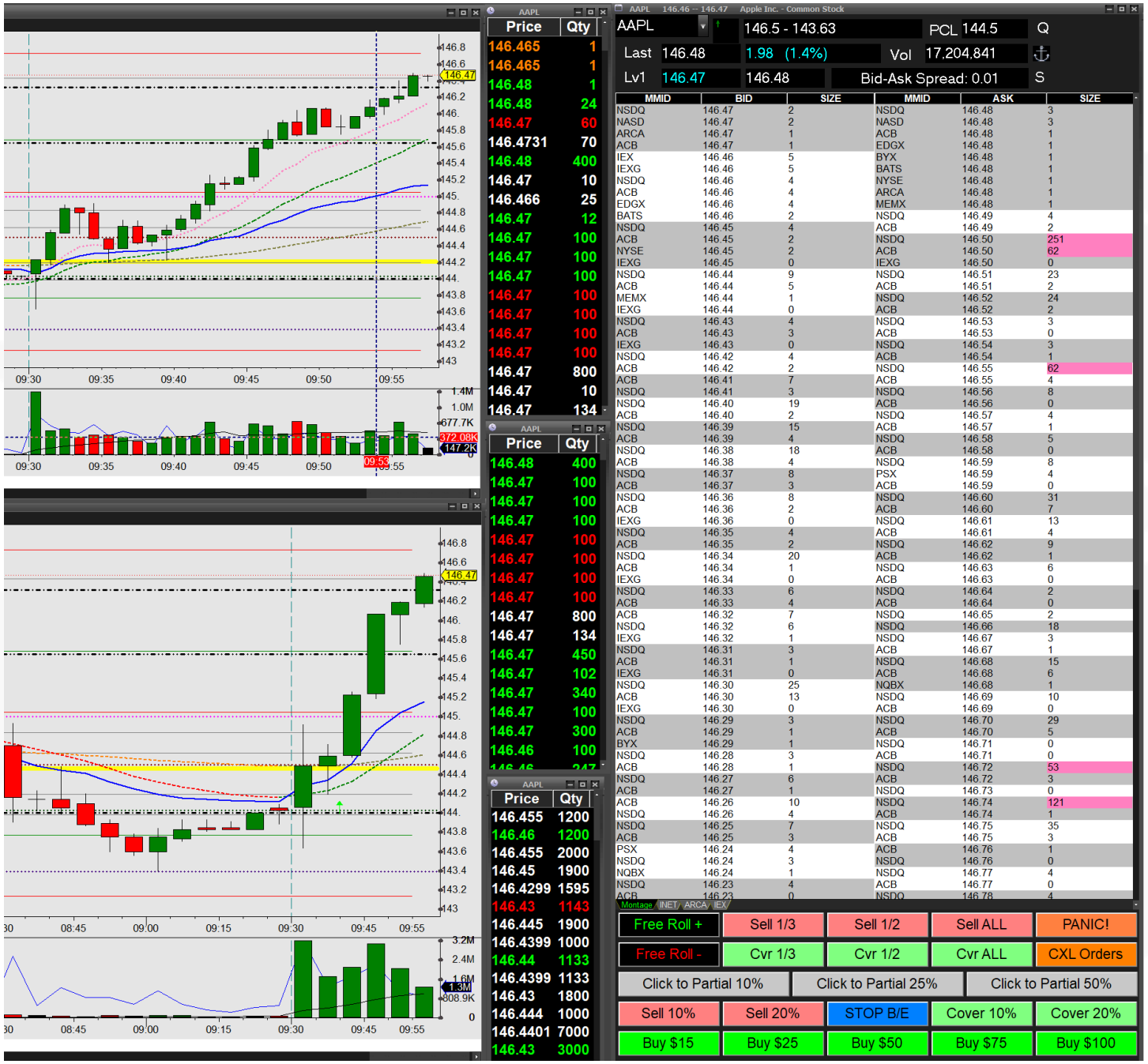
In the chart above you can see FB has no problem going through all of those orders. This is why this is a run. Because had had obvious imbalance to the topside. Look below the price on BM almost no liquidity. This means the bears are out and the bulls are in. No matter what pattern you see this stock is a long unless the L2 changes.

Wall Verses a Run

Run:

To the right you can see the incredibly bullish L2 AAPL is showing at this moment. AAPL had been in a major bull rally for the prior 30 minutes and had shown no signs of a major slow down. Since we have orders stacking up to the topside, we must assume for the moment the bulls are still in control of the price and we are advancing well. We will most likely continue like this until we hit a large order to assert value and stall the price.

Always remember the more a stock moves the more it can move. Don't assume because a stock has moved a lot that its going to reverse and come back. This is about demand and participation. If buyers want it and sellers are keeping the price high. We will run indefinitely until something changes.



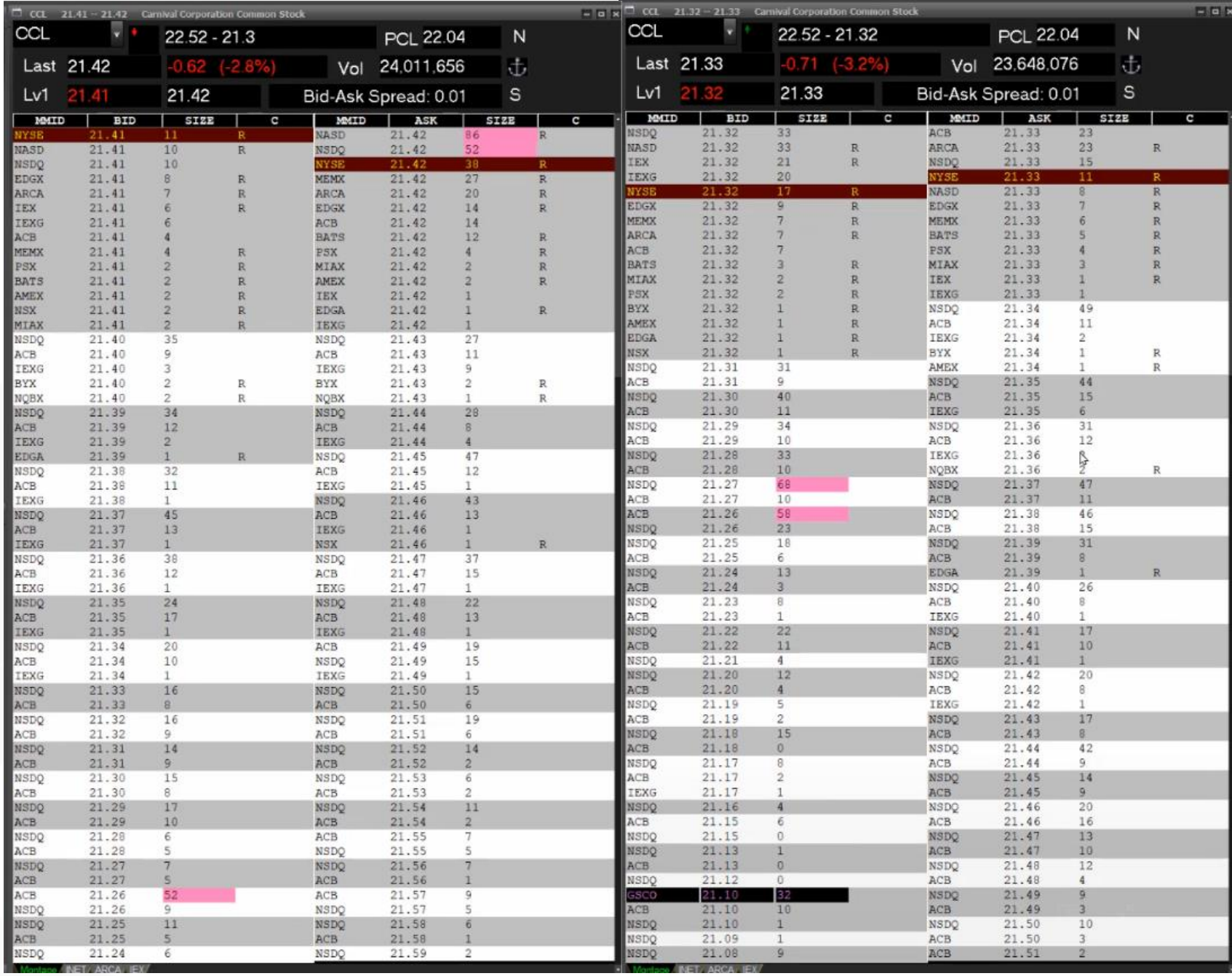
Wall Verses a Run

Wall:

Now that we've defined most of the concepts, let's show how to use that idea to help us judge if the stock will move up or if it's going to bounce.

As the stock is moving up or down you will start to notice a large stack of orders. The main thing you will notice is there aren't a lot of orders above or below them.

As the price approaches the wall other sellers and shorts will come out in front of the large stack of buyers. Everyone else gets filled leaving the held bid.



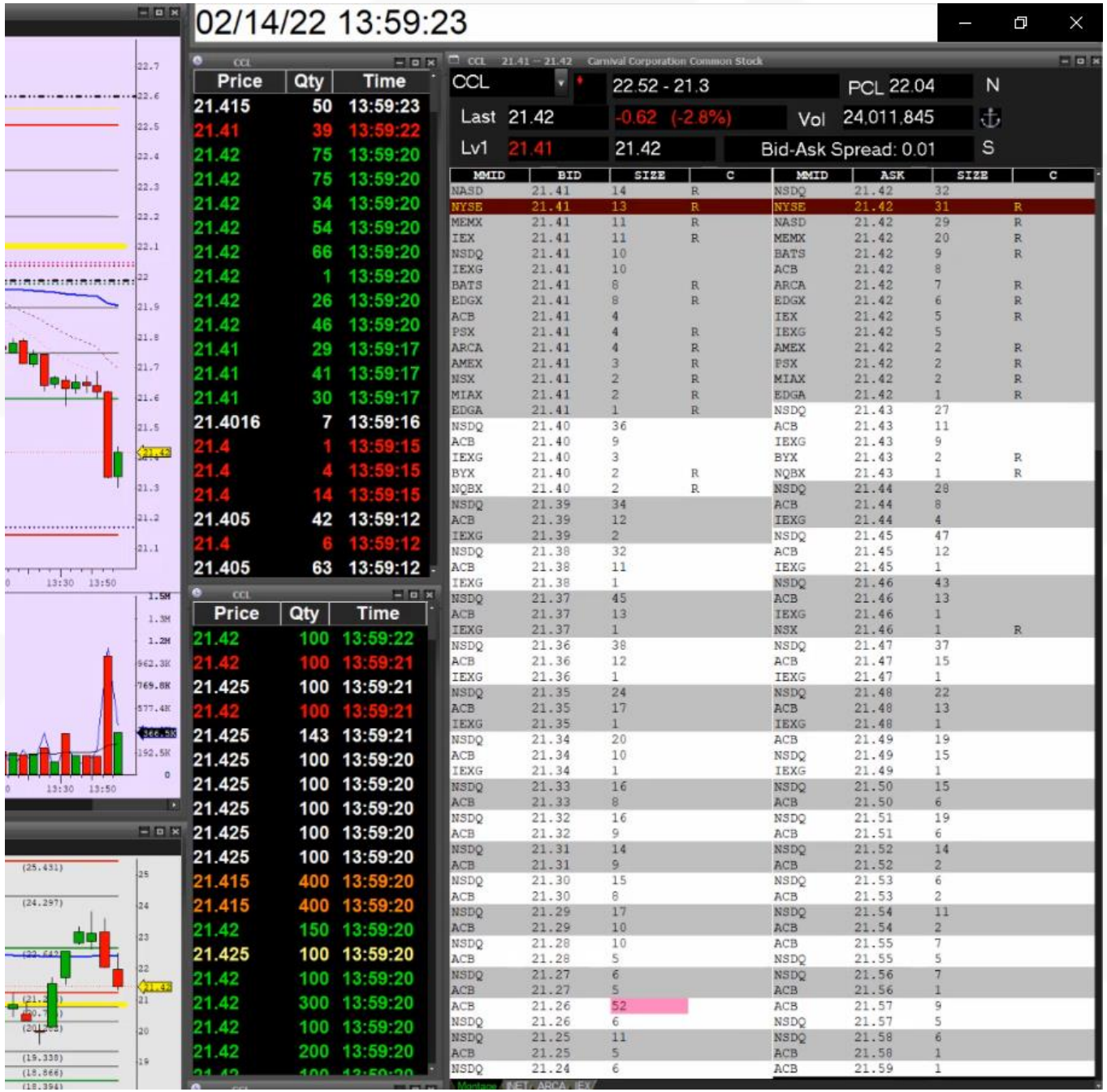
Wall Verses a Run

Wall:

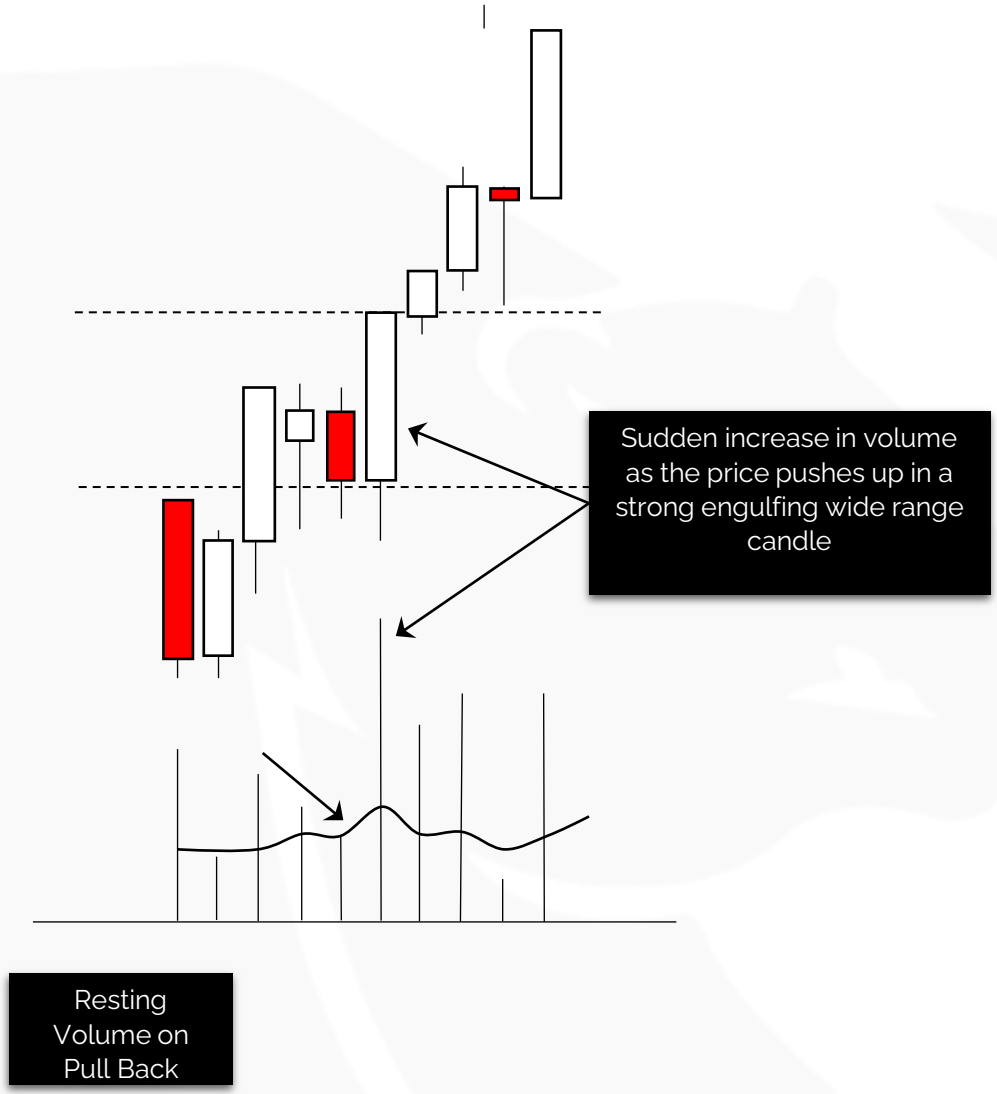
The assumption is that it takes a large amount of orders to be a stopping point. And that's not accurate. You see what stalls the price is a lack of imbalance. Large orders create that quickly but if the market is struggling and obvious lack of liquidity or supply can create a reversal point.

Eventually if not enough momentum can be gained the large order will drop off and everyone will start covering in front. Leaving this held bid stranded. Eventually if the L2 starts to load to the topside showing enough imbalance we may be able to run this the other direction.

I have a trade example at the end of this presentation that shows exactly that.



Advancing Volume

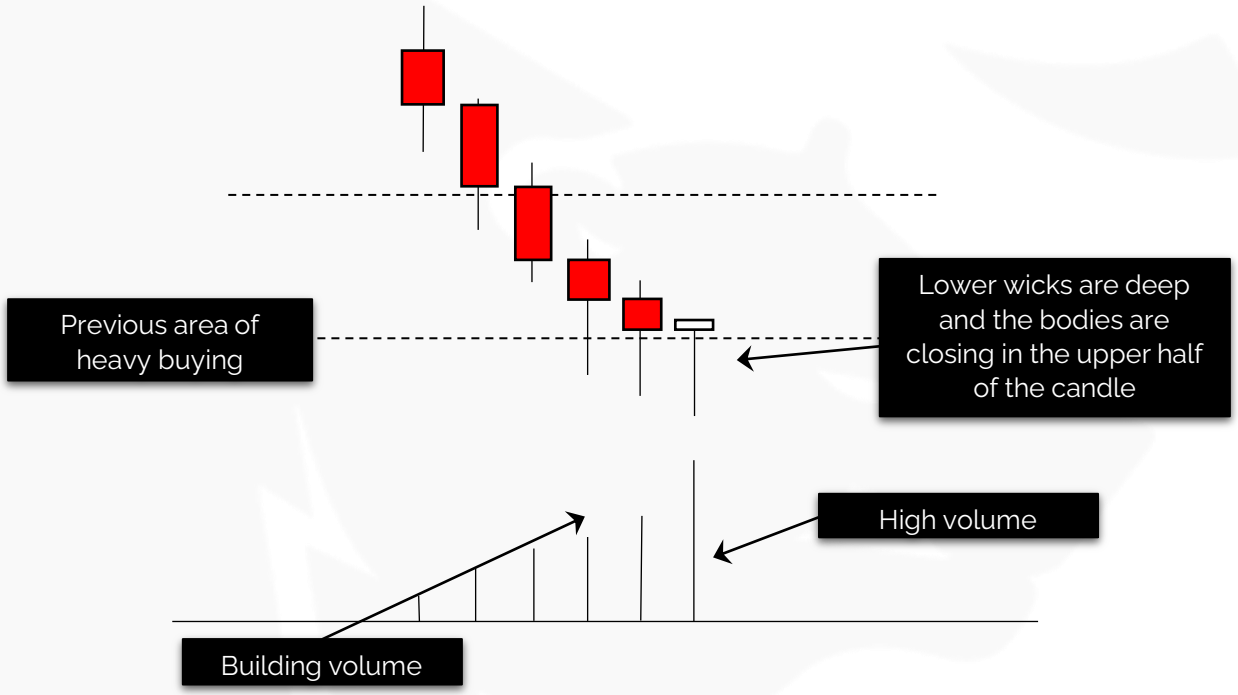


Bullish Trend

Here we see an example of Advancing volume. When the stock consolidates the volume lowers and as the stock makes new highs the volume comes in with it. The shows that bulls are very confident and really hitting the ask. As they keep buying prior bulls are taking profit. This give the MM the perfect conditions to advance the price. Since the order flow is good and buying and selling is advancing all the MM needs to do is raise the price. No need to even pull back at this point.

We will continue to advance until a demand imbalance shows on the tape and in the VPA.

Stopping Volume



AKA Fireworks, Tails, Tweezers

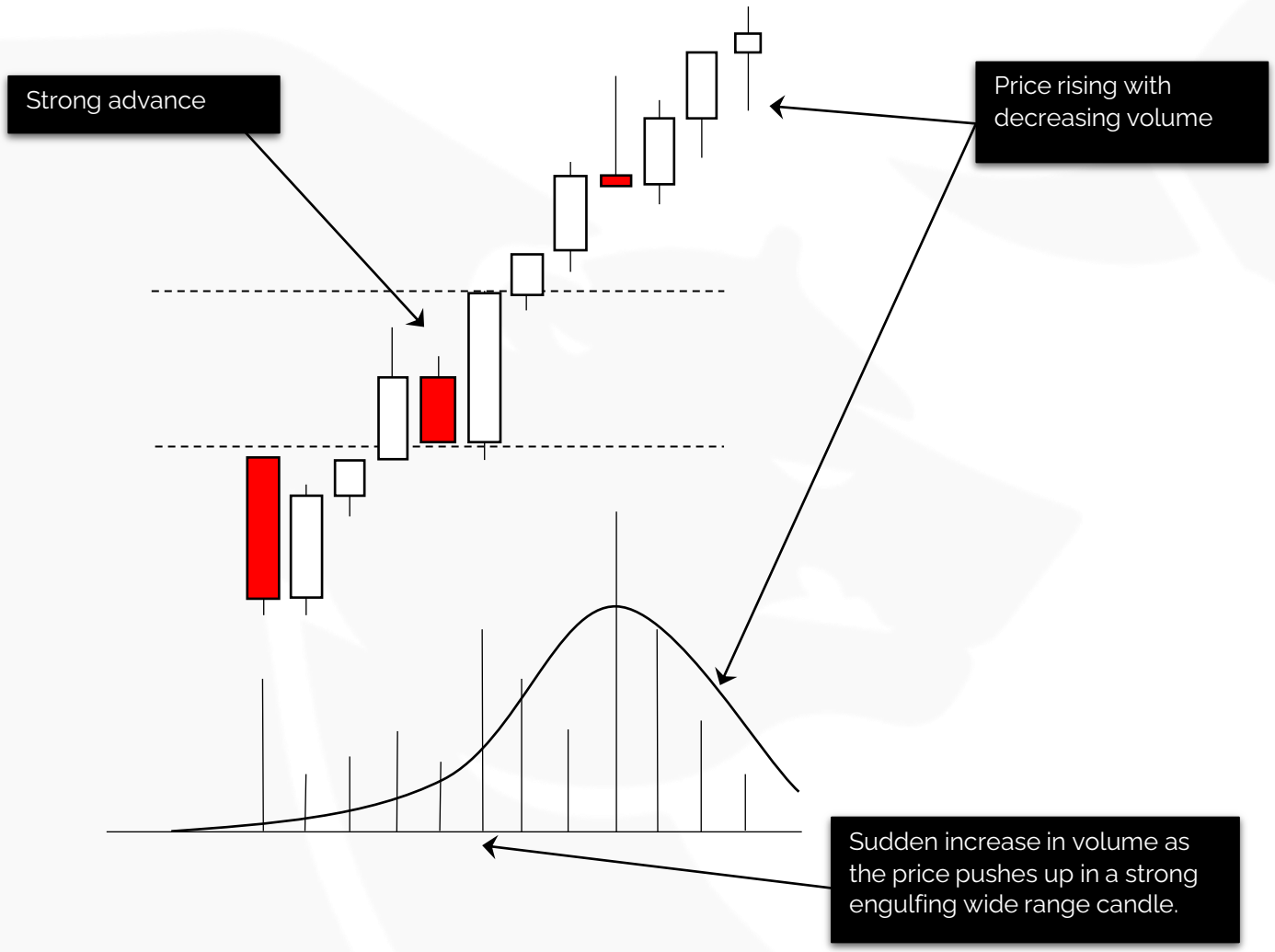
Here we see an example to the left of Stopping volume.

As the price moves down into a high value area bears start to cover and bulls start to take long positions in response to the covering.

This is classic VPA here. As you attempt to move lower through a level the stock price buys right back up. If the conditions are right the shorts may start to cover out causing a squeeze.

Your eye here will be on the tape looking for a responsive position. A new major candle high pair with high volume on the tape is all you will need to take a position here.

Struggling Volume



Bullish Trend

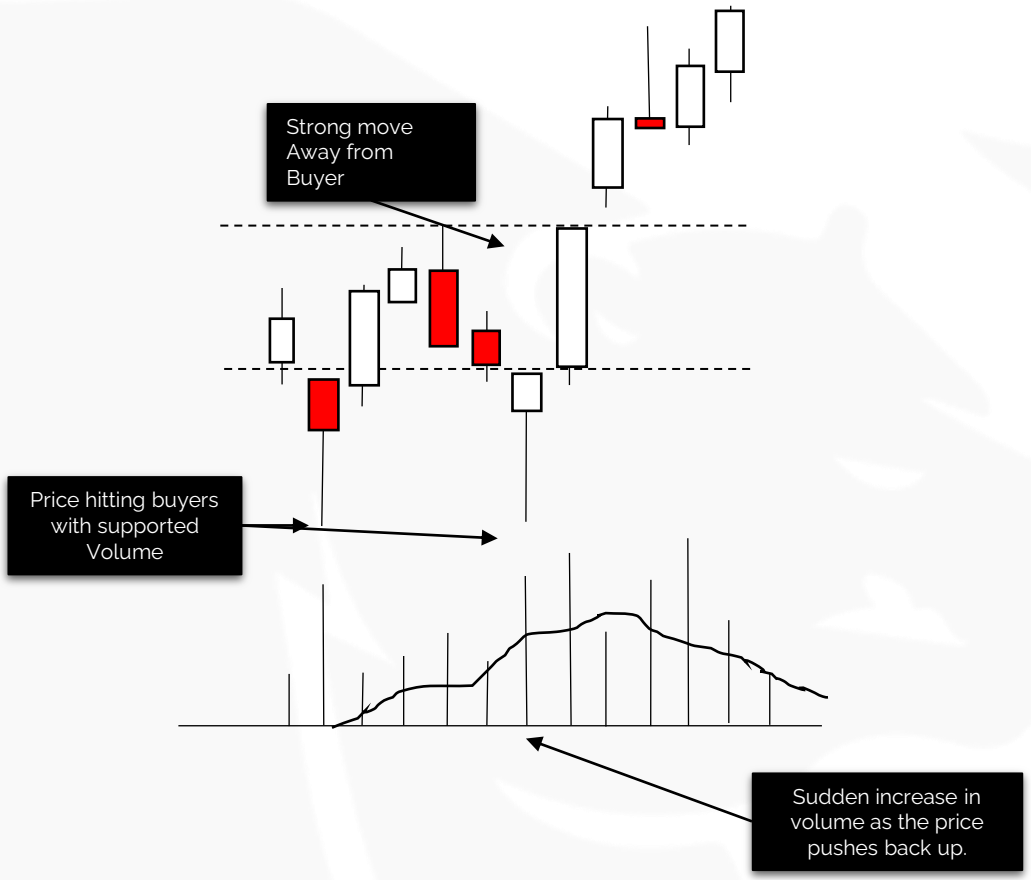
Here we see an example of Struggling Volume.

There are to major ways to see a reversal coming. One is to see a large volume spike in volume. This shows a larger imbalance has just been created which will cause the MM to stall and accumulate.

However sometimes we don't hit a huge order we just lose momentum and interest. When this happens, the MM will need to lower the price to try and entice bears to come in and push the price back down to an area where bulls are more interested.

This is signaled by a rising price on lowering volume. Back to the VPA here. We know if the price is advancing, we need building volume with it. Yet here we don't have that. We have an advance with no volume. Keep an eye on the tape here. If you see lots of sell orders coming in at this level with a heavy L2 starting to form, you may catch a move back to value or a large level like PDC.

Trends of Transactions



This is one of the main things we are using when looking for bias. Either continuation or reversal we need to pay attention to the Trend that is forming within that consolidation. We always talk about trends during a move. But we don't often think about the trend that is forming within a consolidation.

For instance, you've been up trending a while and have hit a large seller. This stalls the price. When the price drops a bit, you see large buys on the tape. The price moves up a bit but comes back down and you again see large buys. We move up again and back down and yet again large buys. Now your VolumebyPrice is starting to show volume building at that price and you are seeing supported buying on the tape. It appears the big money is buying. All you need to do is wait for the volume to come in and for the rate of the volume to increase with more large bidding on the tape.

Same scenario accept after hitting that seller that stalls the price you see a lot of selling. The price drops and rallys back up but on lower volume. Again you run into heavy selling at that level. This time as the price rallies we can't even return to the sellers. Suddenly large bursts of orders start hitting the book on the sell side. Short sellers are coming in. With momentum shifting bulls start to cover and bears coming in stronger. This causes large amounts of selling on high volume as the price begins to fall.

A Traders Intuition

Byron V @VPAallDay · 4h
Replying to @ThorYoung
That gut feeling your get which is a by-product of taking thousands of trades. Intuition comes with experience.
2

Geoff @Big_Tall_Geoff · 17h
Replying to @ThorYoung
Intuition is the culmination of experience with a specific set of circumstances which triggers your subconscious to recognize what's happening.
2

Serial# @Serial90415236 · 17h
Replying to @ThorYoung
nonconscious pattern recognition
2

I struggled a lot this week trying to figure out exactly how to try and explain a trader's intuition. Many just call it "Saddle time." Playing the market so much that you start to get a feel for how it ebbs and flows. There is a certainly element to this process that just requires good ole fashioned experience. To try and give some perspective I went to twitter. Here's some fun answers I got!

stockoperator @DeLevashov · 18h
Replying to @ThorYoung
(Knowledge + practice)x100 = experience(intuition)
5

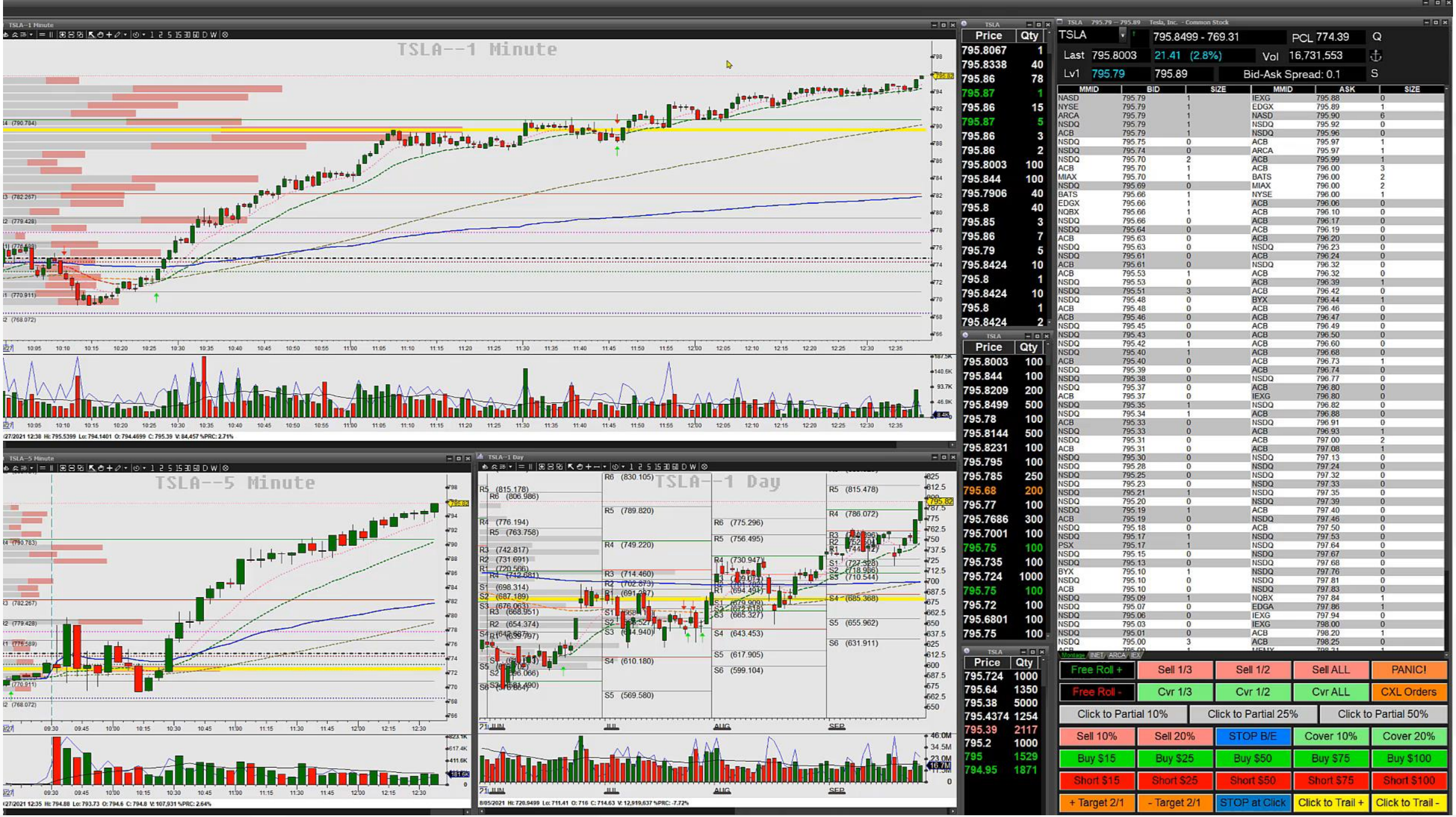
Mike Dhall @mike_dhall · 16h
Replying to @ThorYoung
Best traders intuition is how his brain manages the risk. When to enter, what stop loss and when to exit is all based on risk management. Intuition is nothing but risk management.
1

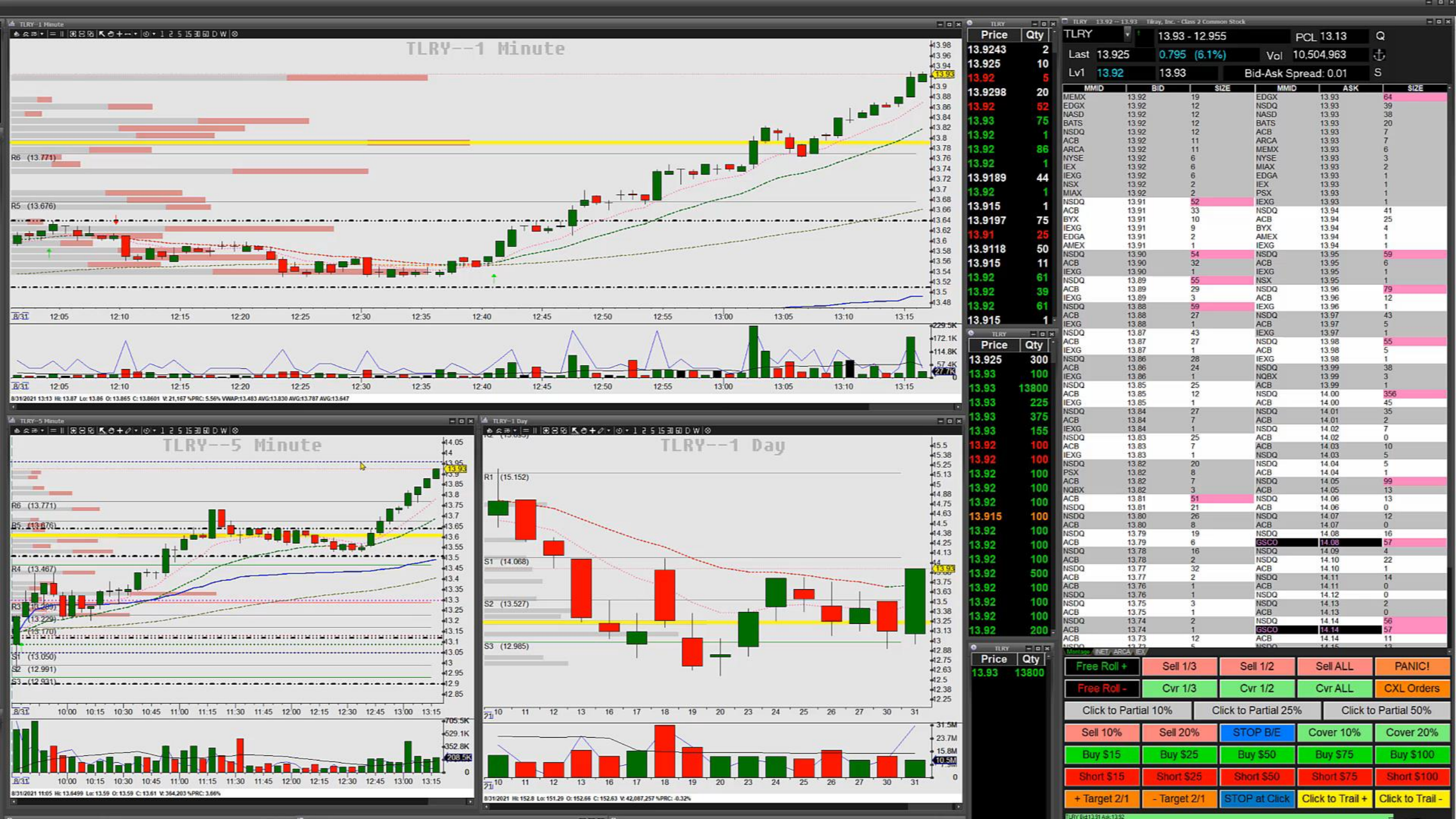
Del The Day trader @DelTheDayTrader · 16h
Replying to @ThorYoung
- trained subconscious !

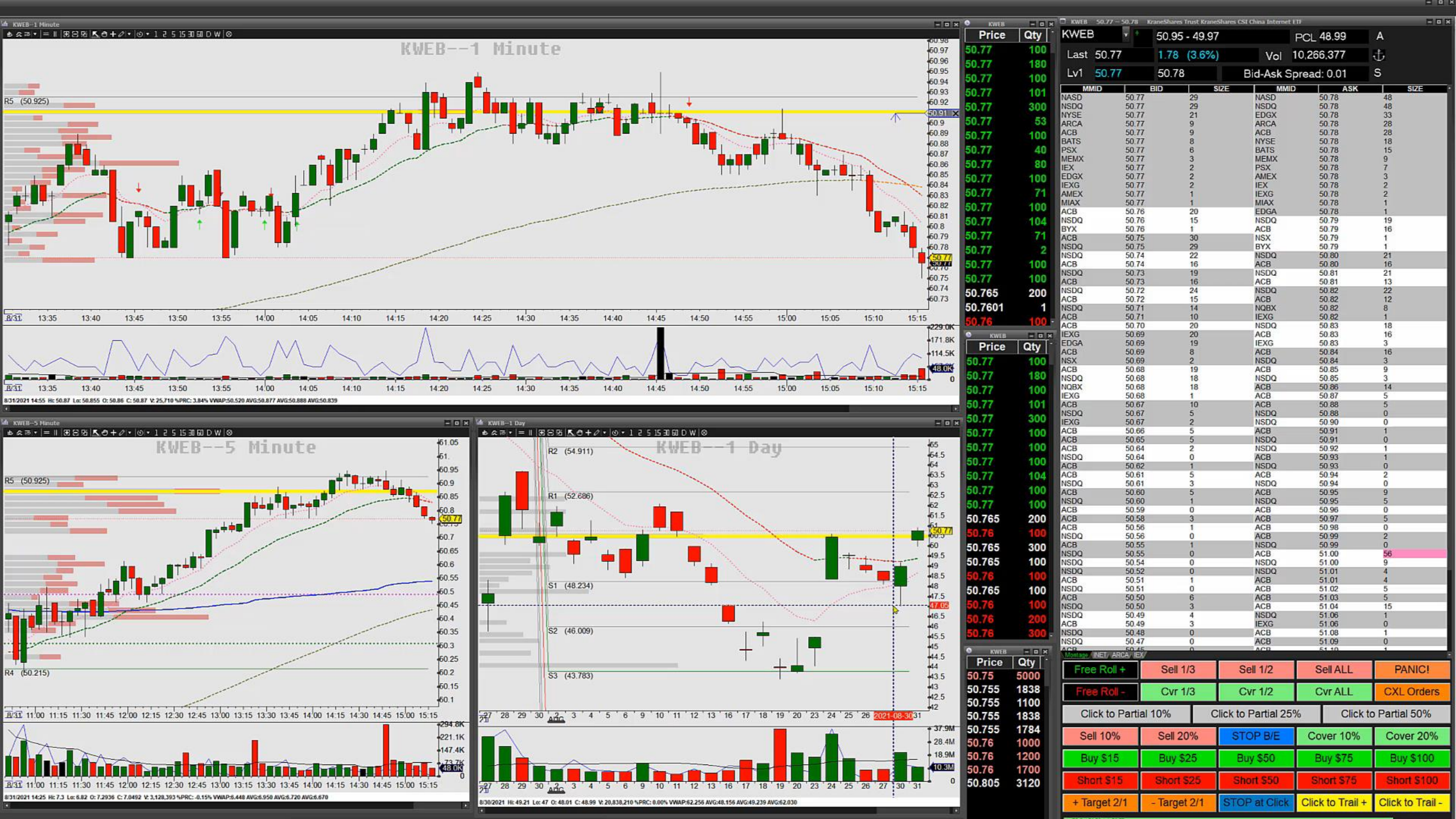
- Rule based emotions

- inability to describe what is in your brain during trading activities

Trade Example on SPY


TSLA--1 Minute
TSLA--5 Minute
TSLA--1 Day
TSLA 795.8499 - 769.31 PCL 774.39 Q
Last 795.8003 21.41 (2.8%) Vol 16,731,553
Lv1 795.79 795.89 Bid-Ask Spread: 0.1 S
Price Qty
Free Roll + Sell 1/3 Sell 1/2 Sell ALL PANIC!
Free Roll - Cvr 1/3 Cvr 1/2 Cvr ALL CXL Orders
Click to Partial 10% Click to Partial 25% Click to Partial 50%
Sell 10% Sell 20% STOP B/E Cover 10% Cover 20%
Buy $15 Buy $25 Buy $50 Buy $75 Buy $100
Short $15 Short $25 Short $50 Short $75 Short $100
+ Target 2/1 - Target 2/1 STOP at Click Click to Trail + Click to Trail -


TLRY--1 Minute
TLRY--5 Minute
TLRY--1 Day
TLRY 13.92 -- 13.93 Tilray, Inc. - Class 2 Common Stock
TLRY 13.93 - 12.955 PCL 13.13 Q
Last 13.925 0.795 (6.1%) Vol 10,504,963
Lv1 13.92 13.93 Bid-Ask Spread: 0.01 S
Free Roll + | Sell 1/3 | Sell 1/2 | Sell ALL | PANIC!
Free Roll - | Cvr 1/3 | Cvr 1/2 | Cvr ALL | CXL Orders
Click to Partial 10% | Click to Partial 25% | Click to Partial 50%
Sell 10% | Sell 20% | STOP B/E | Cover 10% | Cover 20%
Buy $15 | Buy $25 | Buy $50 | Buy $75 | Buy $100
Short $15 | Short $25 | Short $50 | Short $75 | Short $100
+ Target 2/1 | - Target 2/1 | STOP at Click | Click to Trail + | Click to Trail -


KWEB--1 Minute
R5 (50.925)
KWEB--5 Minute
R5 (50.925)
R4 (50.215)
KWEB--1 Day
R2 (54.911)
R1 (52.686)
S1 (48.234)
S2 (46.009)
S3 (43.783)
KWEB
Price Qty
50.77 100
50.77 180
50.77 100
50.77 101
50.77 300
50.77 53
50.77 100
50.77 40
50.77 80
50.77 100
50.77 71
50.77 100
50.77 104
50.77 71
50.77 2
50.77 100
50.77 100
50.765 200
50.7601 1
50.76 100
50.765 300
50.765 100
50.76 100
50.765 100
50.76 100
50.76 200
50.76 300
50.75 5000
50.755 1838
50.755 1100
50.755 1838
50.755 1784
50.76 1000
50.76 1200
50.76 1700
50.805 3120
KWEB 50.77 – 50.78 KraneShares Trust KraneShares CSI China Internet ETF
KWEB 50.95 - 49.97 PCL 48.99 A
Last 50.77 1.78 (3.6%) Vol 10,266,377
Lv1 50.77 50.78 Bid-Ask Spread: 0.01 S
MMID BID SIZE MMID ASK SIZE
NASD 50.77 29 NASD 50.78 48
NSDQ 50.77 29 NSDQ 50.78 48
NYSE 50.77 21 EDGX 50.78 33
ARCA 50.77 9 ARCA 50.78 28
ACB 50.77 9 ACB 50.78 28
BATS 50.77 8 NYSE 50.78 18
PSX 50.77 6 BATS 50.78 15
MEMX 50.77 3 MEMX 50.78 9
IEX 50.77 2 PSX 50.78 7
EDGX 50.77 2 AMEX 50.78 3
IEXG 50.77 2 IEX 50.78 2
AMEX 50.77 1 IEXG 50.78 2
MIAX 50.77 1 MIAX 50.78 1
ACB 50.76 20 EDGA 50.78 1
NSDQ 50.76 15 NSDQ 50.79 19
BYX 50.76 1 ACB 50.79 16
ACB 50.75 30 NSX 50.79 1
NSDQ 50.75 29 BYX 50.79 1
NSDQ 50.74 22 NSDQ 50.80 21
ACB 50.74 16 ACB 50.80 16
NSDQ 50.73 19 NSDQ 50.81 21
ACB 50.73 16 ACB 50.81 13
NSDQ 50.72 24 NSDQ 50.82 22
ACB 50.72 15 ACB 50.82 12
NSDQ 50.71 14 NQBX 50.82 8
ACB 50.71 10 IEXG 50.82 1
ACB 50.70 20 NSDQ 50.83 18
IEXG 50.69 20 ACB 50.83 16
EDGA 50.69 19 IEXG 50.83 3
ACB 50.69 8 ACB 50.84 16
NSX 50.69 2 NSDQ 50.84 3
ACB 50.68 19 ACB 50.85 9
NSDQ 50.68 18 NSDQ 50.85 3
NQBX 50.68 18 ACB 50.86 14
IEXG 50.68 1 ACB 50.87 5
ACB 50.67 10 ACB 50.88 5
NSDQ 50.67 5 NSDQ 50.88 0
IEXG 50.67 2 NSDQ 50.90 0
ACB 50.66 5 ACB 50.91 1
ACB 50.65 5 NSDQ 50.91 0
ACB 50.64 2 NSDQ 50.92 1
NSDQ 50.64 0 ACB 50.93 1
ACB 50.62 1 NSDQ 50.93 0
ACB 50.61 5 ACB 50.94 2
NSDQ 50.61 3 NSDQ 50.94 0
ACB 50.60 5 ACB 50.95 9
NSDQ 50.60 1 NSDQ 50.95 5
ACB 50.59 0 ACB 50.96 0
ACB 50.58 3 ACB 50.97 5
ACB 50.56 1 ACB 50.98 0
NSDQ 50.56 0 ACB 50.99 2
ACB 50.55 1 NSDQ 50.99 0
NSDQ 50.55 0 ACB 51.00 56
NSDQ 50.54 0 NSDQ 51.00 9
NSDQ 50.52 0 NSDQ 51.01 4
ACB 50.51 1 ACB 51.01 4
NSDQ 50.51 0 ACB 51.02 5
ACB 50.50 6 ACB 51.03 5
NSDQ 50.50 3 ACB 51.04 15
NSDQ 50.49 4 NSDQ 51.06 1
ACB 50.49 3 IEXG 51.06 0
NSDQ 50.48 0 ACB 51.08 1
NSDQ 50.47 0 ACB 51.09 0
Free Roll + | Sell 1/3 | Sell 1/2 | Sell ALL | PANIC!
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Short $15 | Short $25 | Short $50 | Short $75 | Short $100
+ Target 2/1 | - Target 2/1 | STOP at Click | Click to Trail + | Click to Trail -

Conclusion

To close out this session I'd like to leave with a quote from Humphrey.

"Unless we who make up the public have a thorough knowledge of why the professional exists and how he operates, we cannot hope to win in our engagement with him."

This is why we must educate ourselves and understand every facet of the market even at times the parts that don't directly pertain to us. In order to be able to Day Trade you still need to understand the goals and processes of the larger players. If you can understand what they are trying to accomplish. Then you will be successful. Because they aren't going to lose. Make sure you are with them, not against them, and ride that wave.

I hope everyone has a great evening and humbly I thank you!

The End