

TUNTRADER

Trading From Zero to Professional

A complete guide in 67 chapters: from “What is a market?” to reading Auction Market Theory (AMT), Order Flow, the Depth of Market (DOM) and options.

Fundamentals

Why price moves

Auction theory

Order flow

Depth of market

Options & gamma

8 complete setups



By Wajdi Mansour

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Companion book to the TUNTRADER video course — one chapter per episode — written in plain language for someone who knows nothing about trading.

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Trading — From Zero to Professional

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Introduction

How to read this book and get the most out of it

Who is this book for?

This book is written for someone who knows nothing about trading — who doesn't know what a market is, what a candle is, or how gold can be bought from a phone. If that is you, you are in the right place. And if you have been trading for years and losing, this book is for you too, because it will rebuild your understanding from the foundations.

AN HONEST WORD BEFORE WE START

This book will not make you a professional simply by reading it. It gives you the map from which professionalism begins. Professionalism itself comes from screen hours, a trading journal, and discipline.

The book accompanies the TUNTRADER video course, made of 67 episodes. Every chapter here matches one episode. You can watch the episode and then read the chapter, or read first and then watch. Best of all: do both.

THE FIRST RULE OF THIS BOOK

Do not move to a new chapter before you understand the one before it. Every chapter is built on what precedes it — exactly as a house is built floor by floor.

What will you learn?

Seven stages that take you from zero to reading the market with the tools professionals use in banks and investment funds:



The course pyramid: every stage stands on the one beneath it.

The seven stages

1. **Fundamentals:** what a market is, what trading is, the candle, orders, money management, psychology.
2. **Why price moves:** the big players, liquidity, volume, and the move to futures.
3. **Auction Market Theory (AMT):** the market is an auction searching for value; how we read the volume profile.
4. **Order Flow:** we see who is buying and who is selling inside every candle.
5. **Depth of Market (DOM):** we see orders before they are executed.
6. **Options and the big players:** how market makers move every market through gamma.
7. **Professionalism:** the routine, the setup playbook, the journal, prop firms.

Symbols used in this book

Rule	A principle you must memorise and always apply.
TUNTRADER beginner's rule	A discipline rule we set in this course to protect you at the start. It is not a law of the market; with experience and statistics it can be adjusted.
Warning	A common mistake beginners fall into.
Example	A practical application or a story from everyday life.
Exercise	Work you must do before moving to the next chapter.

Three levels of certainty in this book

So that the reader does not leave with false certainty, the book distinguishes between three kinds of sentences: a **fact** about how the market works (for example: it is the aggressive order that moves price); a **reading** used by traders that needs confirmation from context (for example: large volume without movement *may* indicate absorption); and a **TUNTRADER discipline rule**. Whenever you see “may” or “often”, it is a reading, not a fact.

Technical terms are written in plain English; where a term has a common abbreviation (POC, VWAP, DOM), it is given in brackets the first time, because the platforms and software you will work on use those abbreviations.

STAGE ONE

Fundamentals

Understanding the game before we play it — Chapters 1 to 10

What is a financial market, and what is trading?

Let's begin with a market you know well: the vegetable market. You go in the morning and find tomatoes at two dinars. Why exactly two? Because there is someone selling and someone buying, and the two sides met at that price. If a hard frost comes and tomatoes become scarce, the price rises to four dinars, because demand is high and supply is low. If the season is good and the market is flooded, the price drops to one dinar.



THE GOLDEN RULE

When demand is greater than supply, price rises; when supply is greater than demand, price falls. Everything you will learn in this book is built on this one sentence.

The financial market

The financial market is the same idea, but instead of tomatoes people buy and sell other things:

- **Stocks:** a small piece of a company. When you buy a share, you become a small partner in it.
- **Currencies (Forex):** the dollar, the euro, the yen. Exchanging one currency for another, as a money changer does.
- **Commodities:** gold, silver, oil, wheat.
- **Indices:** a basket of a country's large stocks, like the US index that groups 500 companies.
- **Crypto:** such as Bitcoin.

The difference from the vegetable market is that the financial market is open almost 24 hours, with millions of buyers and sellers from all over the world, and everything happens from a phone. Nobody sets the price: it is decided by itself from millions of buy and sell decisions in the same instant — which is why it moves constantly.

Trading

Trading is buying something at one price and selling it at a higher price; the difference is your profit. You buy the dollar at three dinars, and a month later it is worth three dinars and twenty millimes, so you sell it. You made 20 millimes on every dollar.

But trading differs from ordinary commerce in one important point: you can make money even when price falls. How?

EXAMPLE

Imagine your friend owns gold and you are sure the price of gold will fall. You borrow the gold from him and sell it today for one hundred. Gold drops to eighty, you buy it back at eighty and return it to your friend. The difference — twenty — is in your pocket. This is called **short selling**, and the platform is the “friend” who lends to you. Everything happens with the click of a button.

Only two buttons. In trading you have a **Buy** button that makes money if price rises, and a **Sell** button that makes money if price falls. The difficulty is not in pressing the button, but in knowing where price is headed. That is the subject of this whole book.

LET'S BE HONEST FROM THE START

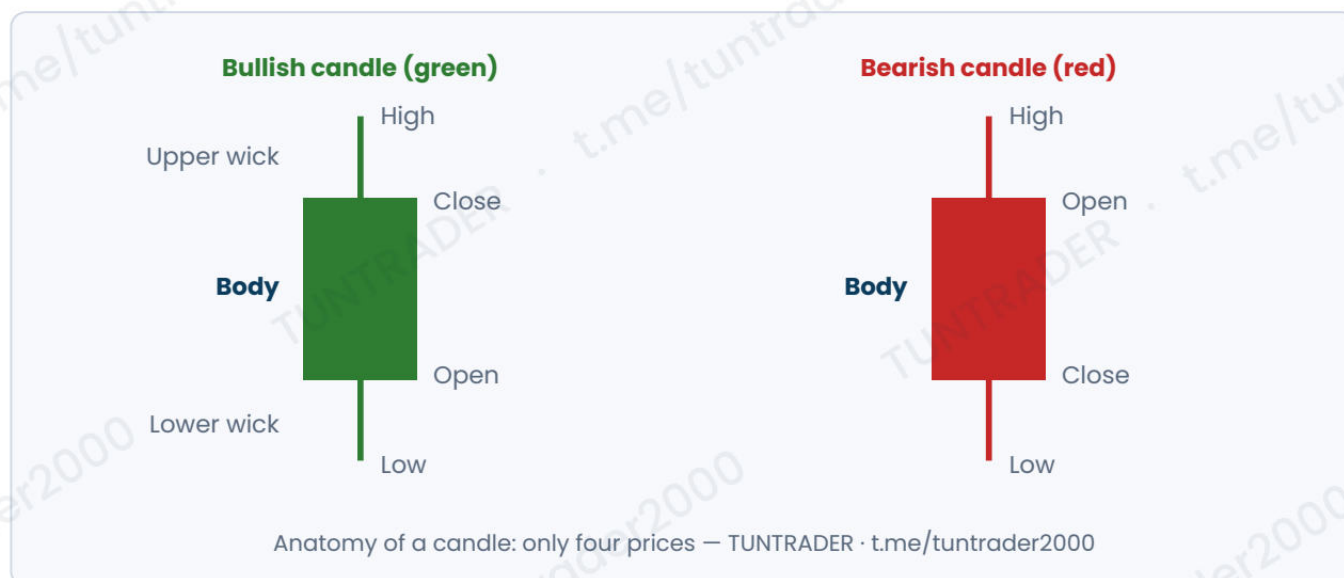
Trading is not a stroke of luck, nor a way to become a millionaire in a week. Anyone who tells you that wants to sell you something. Trading is a skill like driving a car: at first you are afraid and you make mistakes; after the right training it becomes natural.

EXERCISE

Write on a piece of paper three things whose price rises in your country when demand is high, and three things whose price falls when supply is abundant.

The Japanese candle, timeframes and the platform

On every trading screen in the world you will see these green and red shapes. They are called **Japanese candlesticks**, because rice merchants in Japan invented them three hundred years ago to track prices. Each candle tells the story of price during a specific period of time.



A candle holds four pieces of information

1. **Open:** the price at the start of the period.
2. **Close:** the price at the end of the period.
3. **High:** the most expensive point price reached during the period.
4. **Low:** the cheapest point price went down to.

The thick part in the middle is the **body**, from open to close. The two thin lines above and below are the **wicks**. A green candle closed above its open — buyers won during that period. A red candle closed below its open — sellers won.



Long body



Short body



Long lower wick



Doji

Four types are enough to read any candle — TUNTRADER · t.me/tuntrader2000

The candle doesn't just say "up or down" — it says how hard the fight was

- **Long body, short wicks:** one side dominated from start to finish. A match that ended 5–0.
- **Short body:** the two sides roughly equal. A match that ended 1–1.
- **Long wick:** price tried to go somewhere, the market rejected it and pushed it back. A long wick means rejection.
- **Doji:** almost no body. The market is hesitant; nobody wins.

DON'T MEMORISE FIFTY SHAPES

Online you will find people teaching fifty candle patterns, each with a name. Don't memorise them. They all come back to two questions: is the body long or short? Is there a long wick? Whoever understands these two questions can read any candle without memorising a single name.

The candle does not predict the future. It tells you what happened, not what will happen. To know where price is going you must know who was buying and who was selling inside the candle — and that is what you will learn in the advanced stages.

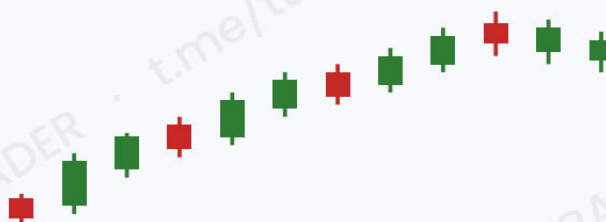
Timeframes

You choose the period a candle represents. Choose "1 minute" and each candle equals one minute. Choose "1 hour" and each candle equals one hour. Choose "1 day" and each candle equals a full day. Same market, different glasses.

One candle on the 1-hour chart



12 candles on the 5-minute chart



The same hour... through two pairs of glasses. One 1-hour candle contains twelve 5-minute candles.

Each timeframe tells the story at a different level: the daily chart tells the big story, the hourly chart tells the story of the day, and the minute chart tells the small details. The beginner mixes them and gets confused. The professional starts from the big and goes to the small.

RULE

At this stage of the course, work on the 1-hour and daily timeframes only. We leave the minutes for the advanced stages.

The platform: where do we see the candles?

There are two kinds of software, and you must understand the difference from the start:

Charting & analysis platform	Execution platform
The most popular in the world: TradingView	The most popular among beginners: MetaTrader 5
Free in its basic version	Given to you by the broker
You see any market in the world, draw and analyse	You actually click buy and sell
To buy and sell you must connect it to a broker	Simpler charts

A step-by-step tour of the analysis platform

1. **Account:** download the app, register with your email. Do not enter any bank card.
2. **Search:** type the market name, for example "gold". You will find the same market under different broker names; pick any of them.
3. **Chart type:** a plain line may appear. Click the chart-type button and choose "candles".
4. **Timeframe:** the small buttons at the top: 1, 5, 15, 60, D. The letter D means day. Choose it.
5. **Drawing tools:** the only tool you need now is the horizontal line. Draw it on the highest point of the last week.
6. **Alert:** click the line and choose "alert". When price reaches the line your phone rings. Don't sit in front of the screen all day.
7. **Watchlist:** the star next to the market name. Add three markets only, not twenty.
8. **Bar Replay:** takes you back to the past and shows the candles forming one by one. You practise a year of the market in an hour — no money, no pressure.

INDICATOR WARNING

The platform has a button called “indicators” with thousands of coloured lines. The beginner adds ten of them and thinks he has become a professional. The result is a chaotic screen where you can’t even see the candle. In this course we read price and volume without classic indicators. Keep the screen clean.

EXERCISE

Open gold on the daily chart. Find three candles: one with a long body, one doji, and one with a long wick. Draw a horizontal line on the highest peak of the last week and set an alert on it.

Where do we trade? Types of markets

Not all markets are alike. Each has its character, its hours, and those who control it. The professional picks one market and specialises in it for years; the beginner jumps between ten markets and understands none of them.

Market	What is traded?	Hours	What sets it apart	Suitable for a beginner?
Stocks	Shares in companies	Local exchange hours	Affected by company news	Yes, for long-term investing
Currencies (Forex)	Currency pairs	24 hours, 5 days	The largest market in the world, but real volume is invisible	Common, but with drawbacks we will explain
Indices	A basket of a country's stocks	Exchange hours + extended sessions	Orderly movement and huge liquidity	The best for serious learning
Commodities	Gold, oil, wheat	Almost continuous	Affected by politics and weather	Gold is suitable for practice
Crypto	Bitcoin and others	24 hours, 7 days	Extremely violent volatility	No, not at the start

The difference between investing and trading

Investing: you buy and hold for years. You care about the company's strength and profits.

Trading: you enter and exit within days, hours or minutes. You care about price movement only. This book teaches short-term trading, but its money-management rules serve both.

RULE

Choose one market. In this course we will use gold and the US index as examples, because they provide the real volume data we need in the advanced stages.

EXERCISE

Add to your watchlist: gold, the US index, and the euro/dollar pair. Watch every day which one moved the most — without opening any trade.

The broker and the demo account

The **broker** is the company where you open your account; it delivers your orders to the market and takes a commission for it. Without a broker you can neither buy nor sell. But not all brokers are equal.

How do you choose a broker?

- **Licence:** is it regulated by a known authority? An unlicensed broker may disappear with your money.
- **Commissions and spread:** the spread is the distance between the buy price and the sell price. The smaller, the better.
- **Deposits and withdrawals:** can you withdraw your money easily? Read other people's experiences.
- **Available markets:** does it offer the market you want?

BEWARE OF

the broker who promises guaranteed profits, or who calls you to convince you to deposit, or who asks for a large deposit "to unlock extra features". A respectable broker does none of this.

The demo account

A demo account is an account with virtual money on the real market. You see the same prices and the same movement, but you lose nothing. This is your training ground for the first months.

TUNTRADER BEGINNER'S RULE — THE THREE MONTHS

Do not put a single real dinar in before at least three months of disciplined demo trading, and before you finish Stage Two of this book.

The real account: the minimum

When the time comes, start with an amount that, if you lost all of it, would not affect your life. Not rent money and not borrowed money. A small amount teaches you discipline without destroying you.

EXERCISE

Open a demo account with a licensed broker. Do not open any trade yet. Just get to know the interface: where the buy button is, where the sell button is, where your balance is.

Types of orders

An **order** is the instruction you give the broker: buy for me, or sell for me, at this price and in this quantity. There are a few types you must master.

Order type	What does it do?	When do we use it?
Market order	Executes immediately at the current price	When we want in now and a small price difference doesn't matter
Limit order	Waits until price reaches a level we set, then executes	When we want to buy cheaper or sell higher than the current price
Stop order	Waits for a level to break, then enters with the direction	When entering after the break of an important level
Stop loss	Closes the trade automatically at a set loss	In every trade, without exception
Take profit	Closes the trade automatically at a set profit	When we set a target in advance



A complete trade: entry, stop loss and take profit — TUNTRADER · t.me/tuntrader2000

RULE

No trade without a stop loss. The stop loss is your seat belt. Whoever trades without it will lose the whole account on one bad day. Not "maybe" — "certainly".

The important difference between a limit order and a stop order

A limit order buys cheaper than the current price (it waits for a dip). A stop order buys higher than the current price (it waits for a breakout). The reason will become clear in Stage Four, when you understand who is “passive” and who is “aggressive” in the market.

EXERCISE

In the demo account, open one buy trade on gold with a market order, place a stop loss 50 points below price and a take profit 100 points above. The result doesn't matter. What matters is learning to place the three orders.

The point, the contract size, and calculating profit and loss

Before risking real money you must know exactly how much you make and how much you lose on every movement of price. This is simple arithmetic, but ignoring it destroys accounts.

The point / pip

The smallest unit price moves by. In the euro/dollar pair, the pip is the fourth digit after the decimal point: from 1.1000 to 1.1001 is a one-pip move. In gold, the smallest move is 0.1 dollar. In US index futures you must distinguish two words: the **tick**, the smallest possible move, equal to 0.25; and the **point**, equal to 1.00, i.e. four ticks. On the micro contract one point equals 5 dollars and a tick 1.25 dollars; on the full contract one point equals 50 dollars.

Contract size / lot

The quantity you buy. In currencies, the standard lot (1 lot) equals 100,000 units of currency. The mini lot (0.1) equals 10,000, and the micro lot (0.01) equals 1,000. The larger the lot, the larger the value of a pip.

Lot size	Approximate value of one pip (EUR/USD)
1.00	10 dollars
0.10	1 dollar
0.01	0.10 dollar

EXAMPLE

You bought EUR/USD with a size of 0.10 at 1.1000. Price rose to 1.1050, i.e. 50 pips. Your profit = $50 \times 1 \text{ dollar} = 50 \text{ dollars}$. Had the size been 1.00, the profit would have been 500 dollars — and had price fallen 50 pips, the loss would have been 500 dollars.

RULE

Before every trade ask: if price hits my stop loss, how much exactly will I lose in dollars? If you can't answer with a single number, don't open the trade.

EXERCISE

Calculate: a sell trade on gold with size 0.05, pip value 0.5 dollar, stop loss 80 pips away. What is the maximum loss? (Answer: 40 dollars.)

Leverage: a double-edged sword

Leverage is a loan the broker gives you so that you trade with more than your balance. Leverage of 1:100 means every dinar in your account lets you trade with a hundred dinars.

EXAMPLE

Your balance is 1,000 dollars and your leverage is 1:100. You can open a position worth 100,000 dollars. If price moves 1% in your favour, you make 1,000 dollars — you doubled your account. If it moves 1% against you, you lose 1,000 dollars — the whole account.

This is why most beginners lose everything within days: they use full leverage, so a small, perfectly ordinary move is enough to wipe out their account. Leverage does not change the market, but it magnifies your results in both directions.

Margin and margin call

Margin is the amount the broker locks from your balance as collateral for the trade. When your losses reach a certain limit, the broker closes your positions automatically to protect itself. This is called a margin call, and it is the moment the beginner discovers his account is at zero.

RULE

Leverage is a tool, not a goal. The professional uses a very small part of the available leverage. Your position size is calculated from risk (next chapter), not from maximum leverage.

EXERCISE

Calculate: balance 500 dollars, leverage 1:500. What is the maximum position you can open? And what percentage move is enough to lose the whole account? (Answer: 250,000 dollars, and only 0.2%.)

Money management

This is the most important chapter of Stage One. You can be an excellent analyst and lose all your money through bad management, and you can be an average analyst and win over the long run through good management.

The one-percent rule

Never risk more than 1% of your current balance on any trade. Balance 1,000 dollars? Maximum loss on a single trade: 10 dollars. And because the 1% is calculated from the remaining balance every time, the risked amount shrinks as the balance shrinks, and a losing streak becomes less destructive: after twenty consecutive losses you will have lost about 18%, not 20%.

How do you size a trade from risk?

1. $\text{Balance} \times 1\% = \text{the amount you accept to lose. } (1,000 \times 1\% = 10 \text{ dollars})$
2. The distance between entry and stop loss, in pips. (say 50 pips)
3. $\text{Amount} \div \text{pips} = \text{the pip value you are allowed. } (10 \div 50 = 0.2 \text{ dollar per pip})$
4. Choose the lot size that gives this value. (in currencies: size 0.02)

Risk-to-reward ratio

Throughout this book we write this ratio in one form: risk to reward. "1 to 3" means you risk one to win three. If you risk ten dollars to win ten (1 to 1), you need to be right on more than half your trades to profit. But if you risk ten to win thirty (1 to 3), being right on a third of your trades is enough to come out ahead.

Risk to reward	Win rate needed to break even
1 to 1	50%
1 to 2	33%
1 to 3	25%

TUNTRADER BEGINNER'S RULE

Don't enter a trade whose ratio is below 1 to 2 (risk one to win two). This is not a mathematical law (a strategy with a 65% win rate may be profitable at a lower ratio), but the beginner doesn't yet know his win rate, and this rule protects him until statistics build up in his journal.

Drawdown

Drawdown is the largest drop in your balance from a peak to a trough. If you lose 50% of your account, you need a 100% gain to get back to where you started. This is why we keep drawdown small: protection matters more than profit.

EXERCISE

Your balance is 2,000 dollars. A trade on gold, stop loss 40 pips away, pip value for size 0.01 is 0.1 dollar. What is the correct position size? (Answer: 0.05.)

Psychology: why do eight out of ten lose?

Brokers' official statistics say that between 70% and 85% of retail traders lose. The reason is not a lack of intelligence or a lack of information, but three enemies that live inside every human being.

The first enemy: fear

It makes you close a winning trade early "before it turns", and stops you from entering a correct trade "because the market is scary". The result: small profits and missed opportunities.

The second enemy: greed

It makes you double the position size after a win, move the take profit further and further until the profit turns into a loss, and open trades that are not part of your plan.

The third enemy: revenge

After a loss you feel the market "wronged" you, so you jump straight back in with a bigger size to get the money back. This is the fastest way to destroy an account, and the number-one cause of large losses.

DANGER SIGNS

You opened a trade without a written plan. You moved the stop loss further away. You doubled the size after a loss. You are trading while angry or tired. If any of these happens, close the platform for the day.

The solution: the written plan

A decision taken in front of the screen under pressure is an emotional decision. A decision written calmly in the morning is a rational one. This is why the professional writes his plan before the session: which setup he is waiting for, where the entry is, where the stop is, where the target is, and how much he risks. Then he only executes the plan. We will build this plan together in the final stage.

TUNTRADER BEGINNER'S RULE

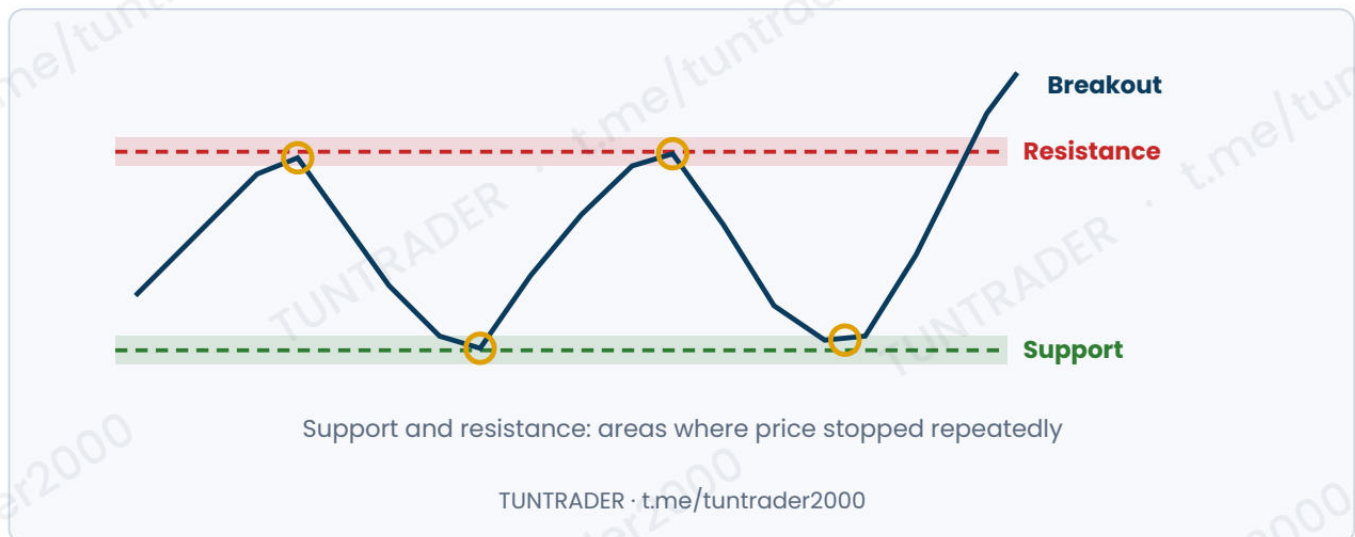
After two consecutive losses in a day, stop. No third trade. Tomorrow is a new day.

EXERCISE

Write down the last three times you took a financial decision driven by fear, greed or anger — in trading or in life. Awareness is the first step.

Classical analysis: what works and what doesn't

Classical technical analysis is what most beginners learn: support and resistance, trend lines, patterns and indicators. Some of it is useful and some of it is a waste of time. This chapter sorts one from the other.



What works

- **Support and resistance:** levels where price stopped many times. They work because a lot of money is waiting there. But remember: they are areas, not precise lines.
- **Trend:** higher highs and higher lows mean an uptrend. The trend is a fact that must be respected.
- **Equal highs and equal lows:** very important — you will understand the real reason in the liquidity chapter.

What doesn't work

- **Lagging indicators:** such as moving averages and the relative strength index. They are all computed from past price, so they tell you what happened after it happened. They add no new information.
- **Patterns with strange names:** head and shoulders, the cup, the triangle. They work sometimes and fail sometimes, and nobody knows why, because they describe the shape without explaining the cause.

THE DIFFERENCE BETWEEN SHAPE AND CAUSE

Classical analysis says “price bounced off support”. This book teaches you to say “price bounced because large buyers absorbed the selling at this level — and I saw them”. The first is a guess; the second is sight.

From here on we leave classical analysis and begin the journey of understanding why price moves. That is Stage Two.

STAGE ONE EXERCISE

Review the ten chapters, then answer on paper: What is the golden rule? What are the four prices in a candle? What is the one-percent rule? What are the three enemies? If you answered all four, move on to Stage Two.

STAGE TWO

Why does price move?

The bridge between the beginner and the professional — Chapters 11 to 18

Who really moves the market?

When you buy a small gold contract, do you move the price? No. You are a drop in an ocean. Price is moved by those who buy and sell in billions of dollars: the big banks, investment funds, hedge funds, large corporations and market makers. We call them the big players, or the institutions.

How does a big player work?

Imagine a fund that wants to buy a billion dollars of gold. If it pressed the buy button once, price would jump immediately because of the size of the demand, and the fund would buy at a bad price. So it does the opposite: it buys in small batches, in areas where sellers are plentiful, and tries not to be seen. This is called **accumulation**. When it wants to sell it does the same thing in reverse: **distribution**.

WHY DOES THIS MATTER TO YOU?

Because the big player cannot completely hide his footprint. His trading volume shows up in the data. In the advanced stages you will learn to read this footprint, so that you move with him instead of being the side that sells to him at a bad price.

Types of participants

Participant	Goal	Effect on price
Central banks	Monetary policy	Huge, but rare
Commercial banks and investment funds	Long-term profit and hedging	Sets the big trends
Market makers	Profit from the spread and provide liquidity	Present at every moment on both sides of the market
High-frequency algorithms	Very small profits at enormous speed	Moves price moment to moment
Retail traders (you)	Short-term profit	Barely noticeable

RULE

Don't try to beat the big players. Try to see what they are doing and walk with them.

Real supply and demand

In Stage One we said price rises when demand increases. Now we understand it more precisely: price moves when one side is in more of a hurry than the other.

The passive participant and the aggressive participant

At every moment there is someone waiting with a **limit order** at a set price: this is the **passive** participant. And there is someone who enters immediately with a **market order** and takes whatever price is available: this is the **aggressive** participant. Price only moves when the aggressive participants consume all the passive orders at a given price, so that it moves to the next price.

EXAMPLE

At price 100 there are 50 passive sellers waiting. An aggressive buyer arrives wanting 80 contracts. He takes the fifty at 100 — they run out — and takes the remaining thirty at 101. This is how price “rose” from 100 to 101. It did not rise because somebody decided so, but because aggressive demand consumed passive supply.

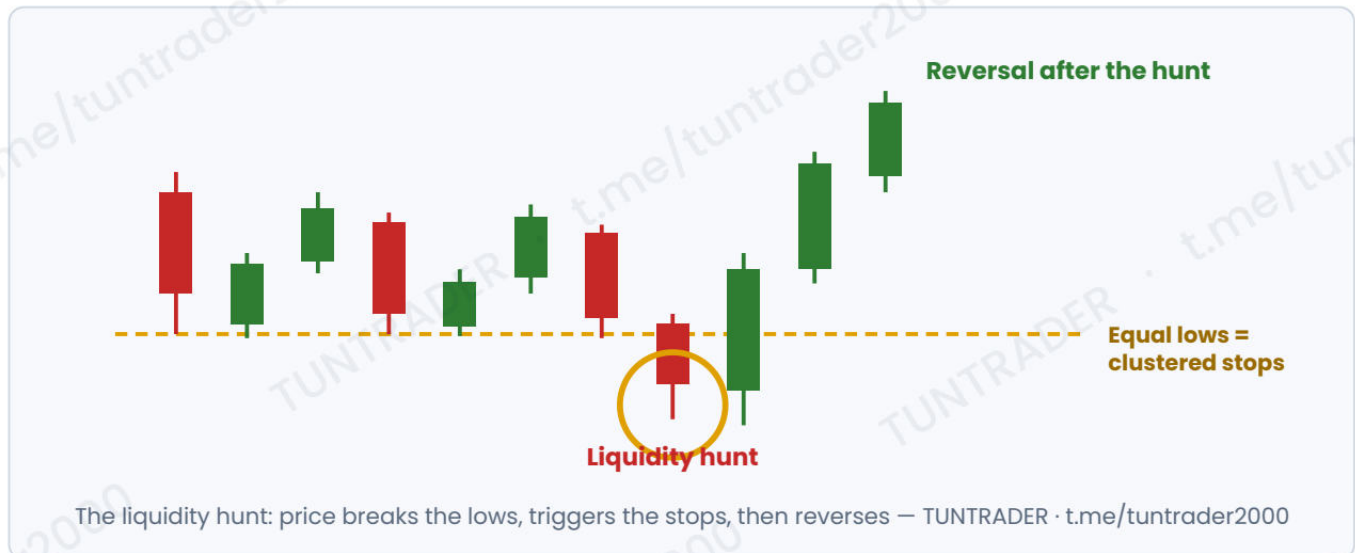
THE MOST IMPORTANT IDEA IN THIS STAGE

Where a lot of money is waiting, price tends to slow down or stop; where there is no money, price passes through quickly. This is a very useful reading, but it is not a law that predicts direction: an area rich in liquidity may stop price, and it may be consumed and broken through.

This idea is the key to all the coming stages: auction theory shows where liquidity has gathered, order flow shows who is aggressive right now, and the depth of market shows the passive orders before they are executed.

Liquidity: where does the money gather?

Liquidity is the quantity of orders available at a given price. A liquid market means there is always someone buying and someone selling. But liquidity has a second meaning that matters more to us: where do stop-loss orders gather?



Why does the market hunt stop losses?

Millions of traders place their stop loss in the same places: under the last low, above the last high, and at round numbers. The stop loss of a buy trade is in reality a market sell order waiting for its level to be touched. When thousands of them gather under one low, they become a block of selling ready to explode. As soon as price touches that level they all turn into market orders at once, volume jumps, and the large buyers waiting with limit orders find abundant liquidity to buy from — so price bounces. No “person” needs to push price deliberately; it is enough that the level is near and the orders are clustered.

THIS IS NOT A CONSPIRACY AGAINST YOU

and there is no single player “manipulating” every high and low. It is a mechanism: clusters of stop orders turn into market orders when the level is touched, and big money exploits these moments because they provide the liquidity it needs.

Where does liquidity usually gather?

- Under equal lows and above equal highs.
- At round numbers (2000 in gold, 5000 in the index).
- At the previous day's high and low, and the previous week's high and low.
- At the edges of the value area (you will learn it in Stage Three).

RULE

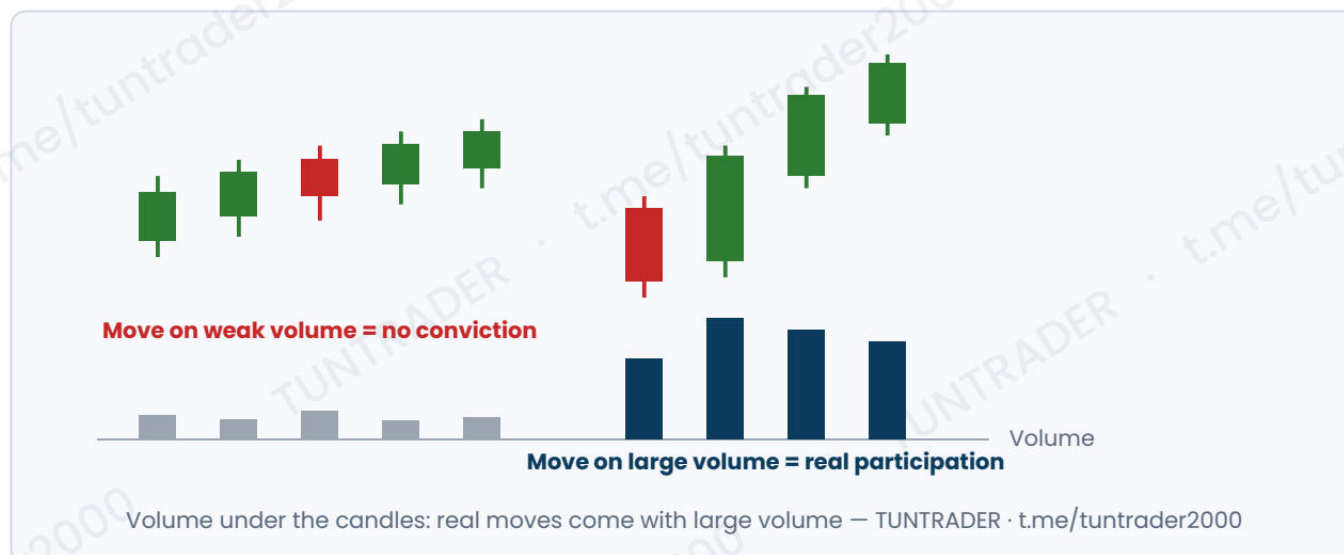
Don't place your stop loss where everyone places it. Put it behind the area where everyone will be hunted, or wait until the hunt happens and enter after it.

EXERCISE

Open gold on the 1-hour chart. Find three times when price broke a clear low by a little and then reversed strongly. That is the liquidity hunt. Mark them.

Volume: the evidence of real participation

Volume is the number of contracts or shares actually traded during a period. Price can move on very small volume (when nobody is in the market), but a move that happens on large volume is a move with real money behind it.



How do we read volume with price?

Price	Volume	Meaning
Rising	Large	Healthy rise, real participation
Rising	Weak	Rise without conviction, may collapse
Not moving	Very large	A big battle at this price; someone big is absorbing
Collapsing	Huge, at the low	Selling climax; the bottom may be near

RULE

A candle without volume is half the story. Volume tells you the strength of participation in the move. But it is read, not memorised: the same large volume may be the start of a move or its end, and context (level and trend) is what decides.

A big problem in Forex

The currency market is decentralised: there is no single exchange recording every trade. So the “volume” you see on Forex platforms is only your broker’s volume, or the number of price changes — not real volume. This is a fundamental reason why professionals move to futures, which is the subject of the chapter after next.

Forex versus futures

A **futures contract** is an agreement to buy or sell something at a set price on a future date. It is traded on a regulated central exchange, the most famous being in the United States. What matters to us is not delivery, but that it gives us what Forex does not.

Feature	Forex through a broker	Futures through an exchange
Real volume	Not available	Available and accurate
Order book	Not available	Available
Who is the counterparty?	Often the broker itself	Other traders on the exchange
Transparency	Weak	High and regulated
Contract size	Very flexible	Micro contracts available for beginners
Ease of starting	Very easy	Needs a specialised broker

Why do professionals move?

Because all the tools you will learn in Stages 3, 4 and 5 (volume profile, order flow, depth of market) depend on real data that only central exchanges provide. Learning order flow on Forex is like learning to swim in an empty pool.

MICRO CONTRACTS

Futures used to be reserved for the big players, but today there are micro contracts on the indices and on gold that let a beginner trade with very small risk, while getting exactly the same complete data.

RULE

Start learning on Forex or gold if that is easier, but plan from now to move to futures when you enter Stage Three.

The professionals' platforms

The analysis platform you learned in Chapter 2 is excellent for charting and following the market. But to read order flow and the depth of market you need a specialised platform connected directly to exchange data.

What do you look for in a specialised platform?

- **Volume profile:** a horizontal chart showing volume at every price.
- **Footprint candle:** you see the buying and selling inside every candle.
- **Depth of market (DOM):** the ladder of pending orders.
- **Cumulative delta (CVD):** the running total of the difference between aggressive buying and selling.
- **Heatmap:** liquidity across time, in colours.

Choosing

Several respectable platforms offer these tools; some are free with delayed data and some by subscription. The name doesn't matter; what matters is that it offers the five tools above and is connected to real exchange data. In this course we will use these tools directly on screen, and what you learn applies to any platform.

DON'T BUY A PLATFORM NOW

Complete Stage Two first on the free analysis platform. At the start of Stage Three you will know exactly what you need.

The order book: an introduction

The **order book** is the list of all passive orders waiting in the market right now: who wants to buy, at what price and in what quantity; and who wants to sell, at what price and in what quantity.

Order book		
Ask: sellers	180	4512.50
	95	4512.25
	240	4512.00
	60	4511.75
		Spread
	4511.50	70
	4511.25	150
	4511.00	210
	4510.75	90
		Bid: buyers

Ask at the top, bid at the bottom, and the spread between them — TUNTRADER · t.me/tuntrader2000

The terms

- **Bid:** the best price offered by passive buyers. Whoever sells now with a market order sells at this price.
- **Ask:** the best price offered by passive sellers. Whoever buys now with a market order buys at this price.
- **Spread:** the distance between the bid and the ask. In liquid markets it is one tick.
- **Depth:** the quantities pending at each level above and below price.

CONNECT THE IDEA

The aggressive buyer takes from the ask. The aggressive seller hits the bid. When all the quantity at a level is consumed, price moves to the next level. This is Chapter 12, made visible in numbers.

This is only an introduction. In Stage Five you will learn to read the book live and directly, along with the tricks the big players play in it.

Review of Stages One and Two

Before climbing to auction theory, make sure the foundation is solid. Answer the following questions in writing without going back to the book, then correct your answers.

TWO-STAGE TEST

1. What makes price rise? (precisely: who is aggressive and who is passive?)
2. What is the difference between a limit order and a stop order?
3. Why must you never risk more than 1%?
4. What are the three psychological enemies?
5. Why does price break clear lows and then reverse?
6. Why is Forex volume unreliable?
7. What is the difference between the bid and the ask?
8. Balance 1,500 dollars, stop 30 pips, pip value for size 0.01 is 0.1 dollar. What is the correct size?

What should you have done in practice?

- Opened a demo account and learned its interface.
- Executed at least 20 demo trades with a stop loss and take profit, recorded in a notebook.
- You can size a trade from risk automatically.
- You read the candle and volume together, without indicators.

RULE

If you answered seven questions out of eight and completed the practical work, you are ready for Stage Three. If not, redo the chapters you got wrong. There is no shame in that; the shame is in rushing.

STAGE THREE

Auction Market Theory (AMT)

The market is an auction searching for value — Chapters 19 to 31

What is Auction Market Theory?

Auction Market Theory says something simple and deep: the market is not a random machine, but a continuous two-way auction. The auction's only job is to facilitate trade — to find the price at which the largest number of buyers and sellers agree to transact.

How does the auction work?

When price rises it attracts new sellers and drives buyers away, until it reaches a point where demand stops, and it reverses. When price falls it attracts buyers and drives sellers away, until supply stops, and it reverses. Between these two extremes there is a price most participants agree on: this is the fair price for that period.



The two-way auction: high prices attract sellers, low prices attract buyers, and the middle is value — TUNTRADER · t.me/tuntrader2000

AN AUCTION AT THE CAR MARKET

The dealer offers a car for twenty thousand and nobody comes. He drops to fifteen and many buyers arrive and compete. He raises to seventeen: some stay and some leave. The price at which the most deals were done that day is "value" in the market's eyes. The financial market does this thousands of times a day.

Why does this theory change everything?

Because it turns the question from "will price go up or down?" into a better question: "is price now at value or far from it? And does the market accept this price or reject it?" When you answer that question, the direction becomes clear.

THE THREE PRINCIPLES OF THE AUCTION

(1) The market moves to facilitate trade. (2) The market alternates between balance (rotating around value) and imbalance (searching for new value). (3) Price moves away from value to test participants' opinion: either it is accepted and value migrates, or it is rejected and price returns.

Price versus value

Here lies the first difference between the ordinary trader and the trader who understands the auction. Price is not value. Price is the number on the screen right now. Value is the area where the market traded most of its time and most of its volume.

Price is the advertisement; value is the sale

Price moves fast and reaches distant places, but it is like the auctioneer's call: "who buys at a thousand?" If nobody comes, that price is not value, and it will come back. Value is where deals were actually done — where volume and time gathered.

Situation	Meaning	What we expect
Price above value	The market is testing whether buyers are willing to pay more	Either acceptance (new, higher value) or rejection (return)
Price inside value	The market agrees; nothing new	Rotation around the point of control
Price below value	The market is testing whether sellers are willing to sell cheaper	Either acceptance (new, lower value) or rejection (return)

RULE

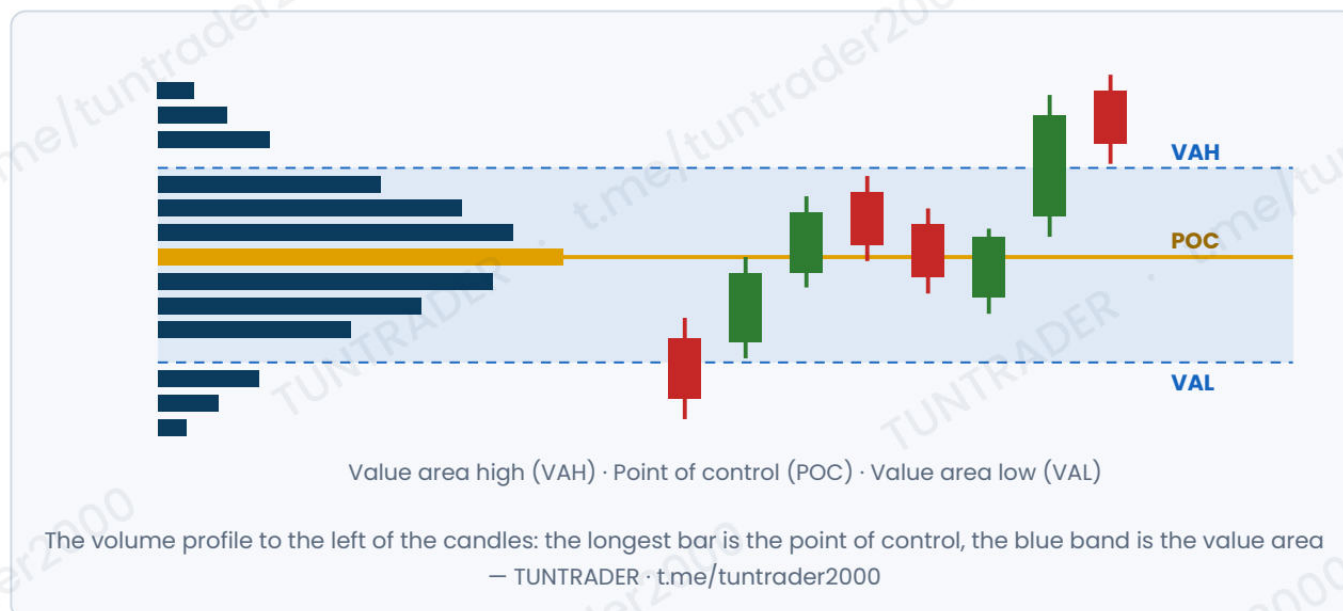
Price far from value in a balanced market is an opportunity to return to value. Price far from value in an imbalanced market is an opportunity for continuation. The difference between the two cases is the subject of the coming chapters.

EXERCISE

Open the US index on the 30-minute chart for yesterday. Identify by eye the area where price spent most of its time. That is roughly value. Notice how price behaved at its edges.

The volume profile: how do we read it?

The **volume profile** is the tool that makes auction theory visible. Instead of drawing volume under the candles by time, it is drawn on the side by price: at every price level a horizontal bar whose length equals the volume traded at that price.



What does the profile show?

- **Where money gathered:** the long bars are prices the market accepted and traded at heavily.
- **Where the market refused to stay:** the short bars are prices that price passed through quickly with hardly any trading.
- **The shape of the day:** was the day balanced or trending? It will become clear in the chapter on shapes.

Types of profile by period

Type	Period	Use
Session profile	One day	Today's and yesterday's levels — the foundation
Composite profile	Several days or weeks	The big areas the market respects
Visible-range profile	Whatever is on screen	Quick analysis of any period

RULE

The profile does not predict; it describes precisely where value was. And the market remembers old value areas and reacts to them.

The point of control (POC)

The **point of control** is the price at which the largest volume traded during the period — the longest bar in the profile. It is the “fairest” price in the market’s eyes for that period, because the largest number of buyers and sellers agreed on it.

How does price treat it?

- **A magnet:** when price moves away from the point of control within a balanced day, it tends to return to it.
- **Support and resistance:** a previous day’s point of control acts as a level price reacts to when it comes back.
- **The day’s scale:** if the point of control is at the top of the range, buyers are stronger; if it is at the bottom, sellers are stronger.

The naked POC

A point of control from a previous day that price has not yet returned to. These are strong levels, because the market “left unfinished business” there and usually comes back to test it in the following days.

EXAMPLE

On Monday the index’s point of control was at 5,200. On Tuesday the market opened at 5,240 and began to drift lower. The trader who knows auction theory waits for 5,200 as the first natural target, because price tends to return to the last fair price.

RULE

Put yesterday’s point of control on your screen every morning. It is the first level in your daily plan.

The value area and its edges

The **value area** is the price zone in which 70% of the trading volume took place around the point of control. Its upper edge is called the **value area high (VAH)** and its lower edge the **value area low (VAL)**. Outside this zone only 30% of trading took place: prices the market did not accept for long.

The edges are decision zones

At the edge of the value area the market decides: does it accept leaving, or reject it? That is why the value area edges — for today and for yesterday — are the day trader's most important levels after the point of control.

Price behaviour at the edge	Meaning	Action
Leaves and returns quickly inside the area	Rejection	Trade the return to the point of control
Leaves and stays outside on volume	Acceptance	Wait for the retest, then trade continuation
Opens inside and rotates	Balanced day	Sell at the upper edge, buy at the lower edge

RULE

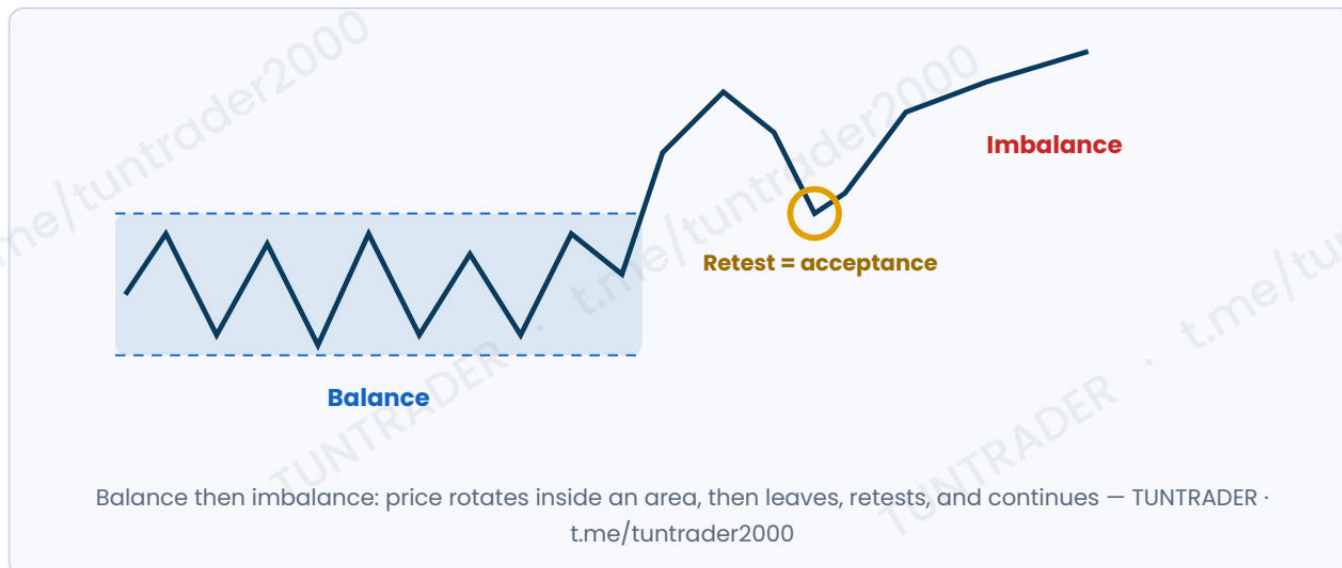
The value area is "home". Price outside the home is either a temporary visitor who returns, or a migrant building a new home. Your job is to tell them apart by volume and time.

EXERCISE

For five consecutive days, draw every morning: the point of control, the upper edge and the lower edge of yesterday's value area. Record how price reacted to each level.

Balance and imbalance

The market lives in only two states, and alternates between them forever.



Balance

Buyers and sellers agree on value. Price rotates around the point of control between the two edges of the value area. The profile takes the shape of a bell. In this state: we buy at the bottom and sell at the top, and we don't chase breakouts.

Imbalance

One side dominates. Price leaves the value area and moves away quickly, searching for new value. The profile becomes long and thin. In this state: we trade with the trend only, buying pullbacks in an uptrend and selling bounces in a downtrend.

How do we know which state we are in?

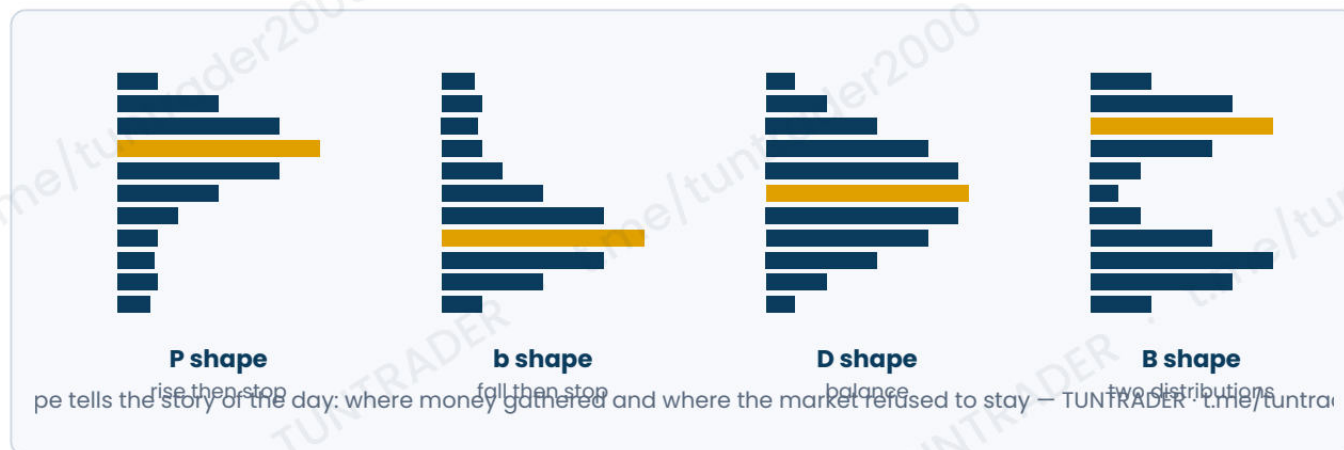
- Price inside yesterday's value area and the open inside it: most likely balance.
- Price leaves the area on large volume with long candles and does not return: imbalance has begun.
- Imbalance ends when price stops and volume begins to gather again at some level: a new balance is forming.

THE FATAL MISTAKE

Trading balance as if it were imbalance (chasing every small breakout and getting hunted), or trading imbalance as if it were balance (selling the top of a strong rally and getting crushed). Identify the state first, then choose the strategy.

Profile shapes

The shape of the volume profile at the end of the day summarises the whole story of the day. There are four basic shapes, and each has a meaning and an expectation for the next day.



The four shapes and the story of each

Shape	What happened during the day	Meaning	Expectation
D	Balanced trading around the middle	Agreement, no trend	Balance usually continues until a clear breakout happens
P	Fast rise, then a stop and accumulation at the top	Buyers dominated then stopped. May be short covering	If the upper value is accepted, the rise continues; otherwise a reversal
b	Fast fall, then a stop and accumulation at the bottom	Sellers dominated then stopped. May be long liquidation	The mirror image of the P shape
B	Two separate distributions	Value migrated during the day from one area to another	The area where price closed is the new value

RULE

Yesterday's profile shape is the first thing you look at in the morning. It tells you the state of the market (balance or imbalance) before the session opens.

Acceptance and rejection

This chapter is the heart of auction theory. Every important level (point of control, value area edge, high or low) confronts price with a question: is it accepted or rejected?

Signs of acceptance

- Price stays above or below the level for a while (several candles on the 5-minute chart or higher).
- New volume forms at the new level — the profile begins to build bars there.
- When price returns to test the level, it bounces from it on the new side.

Signs of rejection

- Price breaks the level, then returns within one or two candles.
- The candle leaves a long wick at the level and little volume beyond it.
- The profile shows a very thin bar beyond the level: nobody wanted to trade there.

EXAMPLE

Yesterday's value area high is at 5,250. Price breaks to 5,262 on a big candle, then three small candles follow above 5,250 and volume gathers at 5,255. This is acceptance: value is migrating higher and we look to buy on a retest of 5,250. But if price returned below 5,250 on the very next candle, leaving a long wick, that is rejection and we look to sell towards the point of control.

RULE

Never trade the breakout itself. Wait for the verdict: acceptance or rejection. Then trade the verdict. This alone eliminates half of beginners' losses.

Market Profile and the time letters

Market Profile is the historical origin of the volume profile. Instead of volume, it uses time: it divides the day into 30-minute periods, gives each period a letter (A for the first, B for the second, and so on), and writes the letter at every price that price touched during that period.

What does it add to the volume profile?

- **The development of the day:** you see by the letters when price reached each level, so you know whether the breakout came at the start of the day or at its end.
- **The initial balance:** the range of the first hour (letters A and B). A day that leaves the initial balance strongly tends to be a trend day, and a day that stays inside it tends to be balanced.
- **Single prints:** only one letter at a level, meaning price passed quickly and did not return. They show clear rejection areas or aggressive moves, and price usually comes back to fill them later.
- **Buying tail and selling tail:** single letters at the bottom of the profile mean buyers strongly rejected the low prices — and the opposite at the top.

A QUICK READ

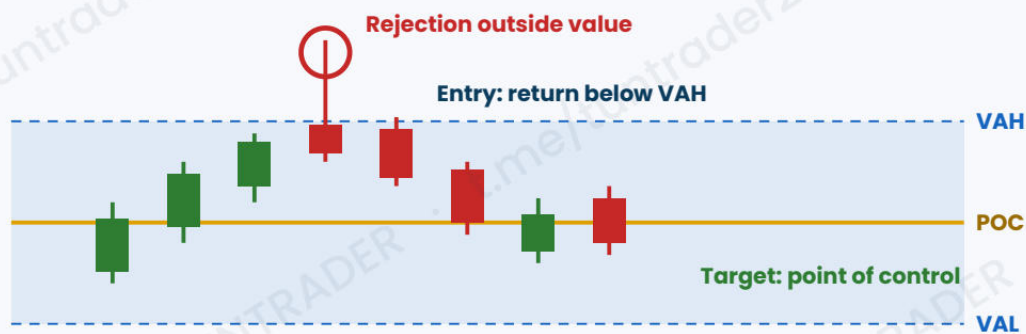
A profile whose day starts with letters A and B at the bottom, then C, D and E climb upward and the last letters gather at the top: an up-trend day that closed at its high, and value migrated higher. Tomorrow starts with an expectation of continuation unless the open is rejected.

RULE

The volume profile tells you “where”, and Market Profile tells you “when”. Use both together: volume for levels, time for understanding the story of the day.

Setup 1: the return to the value area

This is the first complete setup in the book, and the most frequent on balanced days. The idea: price leaves the value area, is rejected, and returns to value. We trade the return.



Rejection above the value area, entry on the return below the edge, target the point of control — TUNTRADER · t.me/tuntr

Conditions before entry

1. **A balanced day:** yesterday's profile shape is D, and the open is inside yesterday's value area or close to it.
 2. Price moves above the upper edge (or below the lower edge) of the value area.
 3. **Clear rejection:** a candle with a long wick outside the area, or weak volume outside it, and a return inside within two or three candles (5-minute chart).
- **Entry:** at the close of the first candle inside the value area after the rejection. Sell if the rejection was above; buy if it was below.
 - **Stop loss:** a few points behind the wick that rejected price (behind the high or low the rejection created).
 - **First target:** the point of control. **Second target:** the other edge of the value area.
 - **The setup is invalid if:** price stays outside the area for more than 30 minutes or builds new volume outside it (that is acceptance, not rejection).
 - **Don't take the trade if:** it is a major news day, or yesterday was a strong trend day (P or b shape), or the ratio is below 1 to 2.

EXAMPLE

Yesterday's value area for the index is between 5,180 and 5,220, with the point of control at 5,200. Today price rose to 5,231 on a candle with a long upper wick and weak volume, then the next candle closed at 5,216 inside the area. Sell entry at 5,216, stop at 5,234, first target 5,200 (16 points against a risk of 18: less than 1 to 1, not acceptable on its own) and second target 5,182 (34 points, about 1 to 2). We take the trade with the lower edge as the target, and secure part of it at the point of control.

Setup 2: the breakout from balance

The opposite of the first setup. Here price leaves a balance area, but this time the exit is accepted, so we trade the start of the imbalance. Patience is everything in this setup: we wait for acceptance, then we wait for the retest.

Conditions before entry

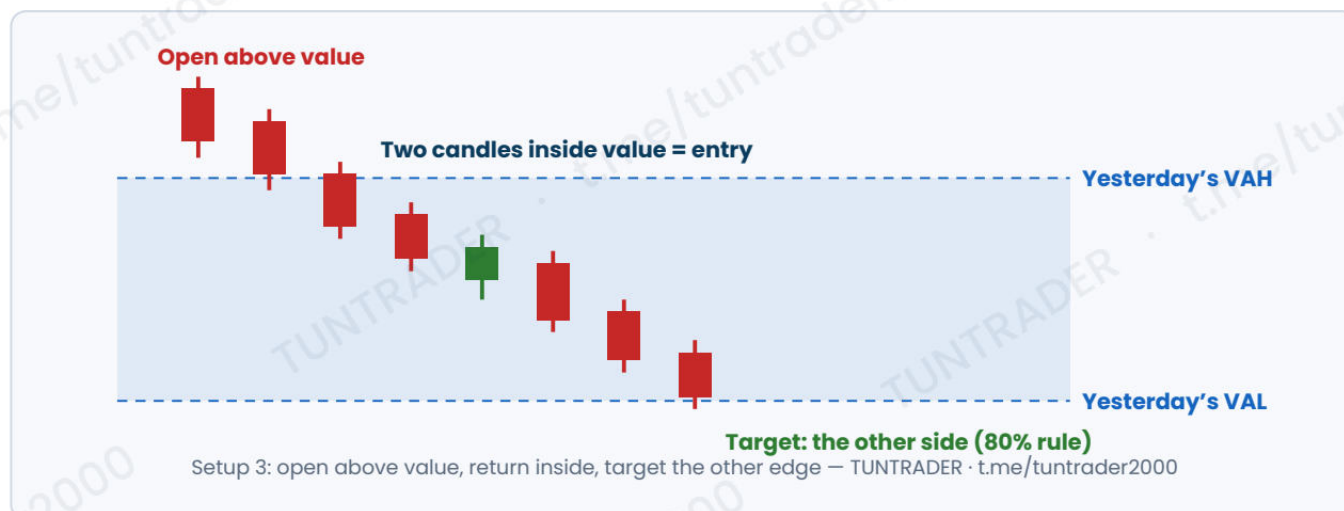
1. A clear balance area (at least two hours of rotation, or a full day's value area).
 2. A break of the edge on a candle with a long body and volume clearly above average.
 3. **Acceptance:** price stays outside the area and builds new volume there (at least three 5-minute candles).
 4. **Retest:** price returns to the broken edge of the area and bounces from it.
- **Entry:** on the bounce from the retest, with the direction. Confirmation is a candle closing away from the edge.
 - **Stop loss:** inside the old balance area, behind the old point of control if possible, or behind the low of the retest for a buy.
 - **First target:** a distance equal to the width of the balance area, measured from the broken edge. **Second target:** the nearest naked point of control or previous value area edge in the direction of the move.
 - **The setup is invalid if:** price returns inside the balance area and closes there (it has turned into rejection, and perhaps into Setup 1 in the opposite direction).
 - **Don't take the trade if:** the breakout is in the last hour of the session, or on weak volume, or price broke straight into a strong nearby level (a naked point of control a few points away).

THE COMMON TRAP

Entering with the breakout itself. Half of breakouts fail and turn into liquidity hunts. Acceptance and the retest separate the real breakout from the trap.

Setup 3: the open outside value

One of the most famous auction-theory setups, sometimes called the 80% rule. When the market opens outside yesterday's value area and then returns and enters it, the probability rises that it will cross it to the other side. The number 80% is a historical name, not a guaranteed statistic; you must measure the real rate in your market from your journal.



Conditions before entry

1. The open is outside yesterday's value area (above the upper edge or below the lower edge).
2. Price returns, enters the area and closes two consecutive 30-minute candles inside it (or the equivalent in time).
3. No major scheduled news in the coming hour.

- **Entry:** after the close of the second candle inside the area, in the direction of the other side.
- **Stop loss:** a few points behind the edge price entered from, or behind the high or low of the open.
- **Target:** the other edge of the value area. Secure part at the point of control.
- **The setup is invalid if:** price leaves again through the edge it entered from and closes outside it.
- **Don't take the trade if:** the open is very far from the area (a huge gap means a real change in value), or yesterday was a strong trend day in the same direction.

WHY DOES THIS SETUP WORK?

Because the open outside value was an “advertisement” for a new price. Price returning inside value means the advertisement failed; the market goes back home, and usually visits every room of the house. The traders who bought at the high open become forced sellers, and they push price across the area.

The complete plan with auction theory

You now have three setups. The question is: which one do you wait for each morning? The answer comes from reading the open.

Types of open

Type of open	Description	Suitable setup
Open inside value	Price opens inside yesterday's value area	Setup 1 at the edges, and rotation between the two edges
Open outside value and return	Opens outside and comes back inside	Setup 3
Open outside value and accepted	Opens outside and builds new value	Setup 2 on the retest of the edge
Open-drive	Opens and drives strongly in one direction without returning	We don't chase it. We wait for the first pause and a small balance to form, then Setup 2

The auction trader's morning routine

1. Draw yesterday's levels: point of control, upper edge, lower edge, high and low.
2. Identify yesterday's profile shape: balance or trend?
3. Mark the naked points of control from previous days.
4. Watch the first 30 minutes without a trade: identify the type of open.
5. Choose the setup that fits the type of open, and write the trade plan: entry, stop, target, size.
6. Wait for all the conditions to be met. If they are not met, no trade today – and that is a success, not a failure.

TUNTRADER BEGINNER'S RULE

One good setup a day is better than five average trades. The professional trader rejects more than he accepts.

STAGE THREE EXERCISE

For ten consecutive trading days, apply the morning routine on the demo account. Record the type of open, the setup chosen, and the result. The goal is not profit but correct execution of the plan. Ten days of correct execution open the door to Stage Four.

STAGE FOUR

Order Flow

We see who is buying and who is selling inside the candle — Chapters 32 to 45

What is order flow?

Auction theory told us where value is and where the levels are. **Order flow** tells us what is happening right now at those levels: who is aggressive, who is absorbing, and who is getting tired. It is the move from reading the map to watching the battle.

The basic idea

Every trade in the market happens between an aggressive side (who used a market order) and a passive side (who was waiting with a limit order). The exchange records every trade with its direction: did it happen at the ask price (an aggressive buyer) or at the bid price (an aggressive seller)? Order flow is simply reading this record.

The trade happened at	Who was aggressive?	We call it
The ask price	The buyer pressed the instant-buy button	Aggressive buying
The bid price	The seller pressed the instant-sell button	Aggressive selling

Why is it the aggressive side that moves price?

Because the passive side waits and pushes price nowhere. The aggressive side is the one that consumes the passive orders and forces price to move. But — and here is the subtlety — the aggressive side does not always win: if there is a big player on the passive side absorbing everything that comes at him, the aggressive traders exhaust themselves and price does not move. That is what we will learn to see.

THE FOUR TOOLS OF THIS STAGE

The footprint candle, delta, cumulative delta (CVD), and volume at price inside the candle. All of them are built from the same record.

The footprint candle: the first reading

The **footprint** candle is an ordinary candle opened up from the inside. At every price the candle touched, you see two numbers: how many contracts were sold at the bid (aggressive selling) and how many were bought at the ask (aggressive buying).

Footprint candle: what happens inside the candle

Sold at the bid

Bought at the ask

35	4512.00	120
80	4511.75	95
140	4511.50	60
210	4511.25	40
95	4511.00	30
40	4510.75	55

$$\text{Delta} = 400 \text{ bought} - 600 \text{ sold} = -200$$

Coloured cell = imbalance: one side beat the other by three times, diagonally — TUNTRADER · t.me/tuntrader2000

How do we read it?

- **The number on the bid side:** contracts sold with market orders (aggressive sellers).
- **The number on the ask side:** contracts bought with market orders (aggressive buyers).
- **The largest number in the candle:** the price that saw the biggest battle; it usually acts as a level later.
- **The numbers at the top and bottom:** tell you who was present at the extremes of the candle. Few buyers at the top means the rise has lost its fuel.

A QUICK READ OF A GREEN CANDLE

A candle closed above its open, but at its top we find weak aggressive buying (small numbers on the ask side) and larger aggressive selling. Meaning: buyers pushed price, but at the top sellers began to appear. The candle is green in shape, weak in substance.

DON'T READ THE FOOTPRINT IN A VACUUM

The footprint is read at the levels defined by auction theory. A footprint candle in the middle of nowhere means nothing. At a naked point of control or a value area edge it means everything.

Delta

Delta is the difference between aggressive buying and aggressive selling in a candle. Positive delta means buyers were more aggressive; negative delta means sellers were more aggressive.

THE CALCULATION

A candle with 1,200 contracts bought at the ask and 800 contracts sold at the bid. Delta = $1,200 - 800 = +400$. The aggressive buyers won by four hundred contracts.

Delta is not read alone, but together with price movement

Candle	Delta	Meaning
Long green	Large positive	Normal and healthy: buyers pushed and price responded
Long green	Negative	Abnormal: sellers were aggressive and yet price rose. May indicate a large passive buyer absorbing the selling; needs confirmation from the level and the context
Long red	Positive	Aggressive buyers attacked and lost. May indicate a large passive seller absorbing; needs confirmation from the level and the context
Small (doji)	Very large (either direction)	A big battle without result. The aggressive side exhausted itself. A possible reversal against it

RULE

Normal delta (agreeing with the candle's colour) confirms the move. Abnormal delta (contradicting the candle's colour) is a strong hypothesis that a big player is on the passive side — but it remains a hypothesis until confirmed by three things: an important auction level, larger-than-usual volume, and the price response afterwards.

Cumulative delta (CVD)

Cumulative volume delta is the sum of the delta of every candle since the start of the period. It is drawn as a line under price. If the line is rising, aggressive buyers have dominated since the session began; if it is falling, aggressive sellers are the ones dominating.

First use: confirming the trend

Price making higher highs and cumulative delta making higher highs: the rise is backed by real aggression. The trend is sound.

Second use: revealing weakness

Price makes a higher high, but cumulative delta makes a lower high: price rose without enough buying aggression. This is called **divergence**, and we will devote a full chapter to it.

Third use: revealing absorption

Cumulative delta falls strongly (heavy aggressive selling) but price does not move, or moves only a little: someone is buying everything that is sold. A large buyer on the passive side. We will devote a chapter to this too.

BEWARE

of comparing cumulative delta values between days. The absolute value doesn't matter. What matters is the shape of the line compared with the shape of price within a single session.

EXERCISE

Open the index on the 5-minute chart with cumulative delta. For three days, mark every time the shape of delta differed from the shape of price. What happened afterwards?

Imbalances inside the candle

An **imbalance** in the footprint candle is a diagonal comparison: we compare the aggressive buying at a price with the aggressive selling at the price immediately below (because the buyer takes from the ask, and the ask is one step above the bid). If one of the two numbers is three times the other or more, we call it an imbalance and colour it.

Type	Comparison	Meaning
Buy imbalance	Buying at a price is much larger than the selling at the price diagonally below	Aggressive buyers clearly won at this level
Sell imbalance	Selling at a price is much larger than the buying at the price diagonally above	Aggressive sellers clearly won at this level

Why do imbalances matter?

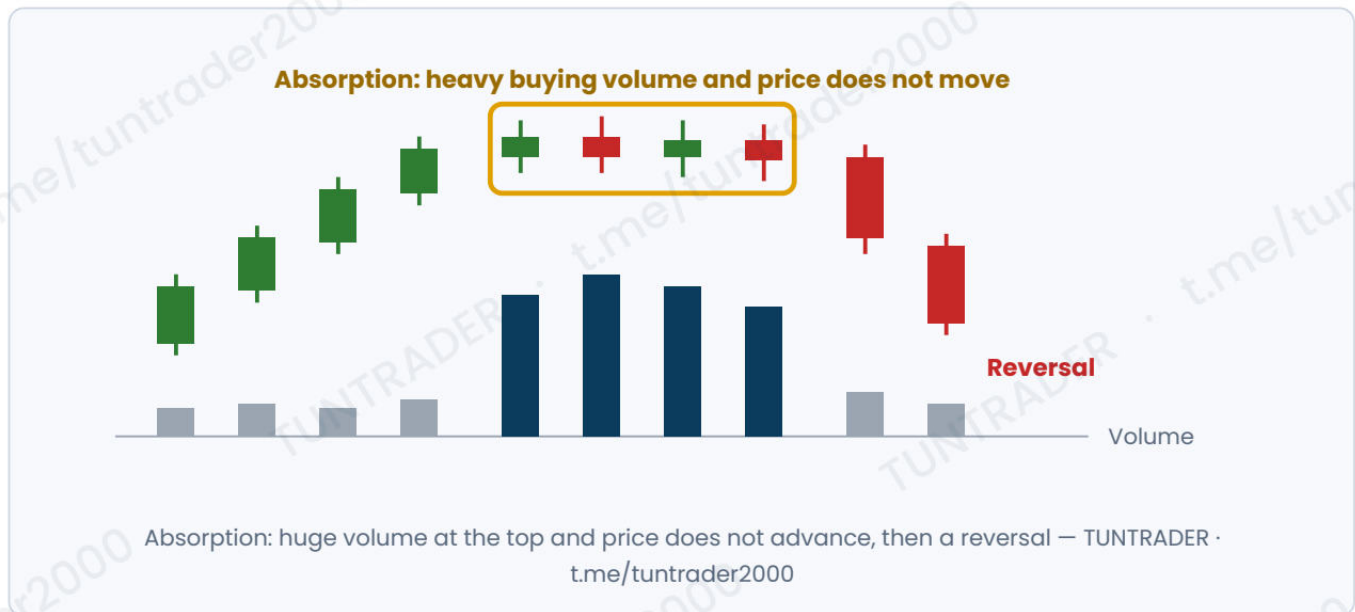
- **An imbalance creates a level:** the price at which one side settled the battle is usually defended later. Buy imbalances act as support when price returns to them.
- **Imbalances at the top of a rising candle followed by a failure to continue:** buyers attacked at the top and lost. A strong sign of reversal.
- **Consecutive imbalances in one direction (stacked)** show real pressure, and are the basis of Setup 6.

RULE

A single imbalance is a weak signal. An imbalance at an auction-theory level is a good signal. Three stacked imbalances at an important level are a strong signal.

Absorption

Absorption is the most important concept in order flow. It is the way the big player stops the market's movement without you seeing him — unless you know where to look.



What does it look like?

- Price reaches an important level (naked point of control, value area edge, previous high).
- Volume jumps to very large levels at this price.
- Delta is large and positive (heavy aggressive buying) and yet price does not advance. Small candles or dojis on huge volume.
- Cumulative delta rises strongly, and price is flat.

What is actually happening?

A large seller has placed huge limit sell orders at this level. Every aggressive buyer who comes finds someone to sell to him. The buyers drain their ammunition thinking they are pushing price, but price does not move because the other side is “absorbing” everything. When the buyers tire, nobody is left to push, and price collapses.

EXAMPLE

Gold rises towards a naked point of control at 2,350. Three 5-minute candles at 2,349 and 2,350 on twice the average volume and strong positive delta, and the high does not exceed 2,351. The fourth candle starts to fall. This is sell absorption at an important level: sell on the break of the low of the absorption candle, stop above 2,351.

RULE

Large volume + strong delta + price not moving = probable absorption. It only becomes a signal at an important level and after the first opposite response from price. Then go with the absorber, not with the aggressor.

Exhaustion

Exhaustion is the other face of absorption. In absorption there is a large passive side stopping the move. In exhaustion, nobody stops it: the aggressive side simply runs out of fuel and stops by itself, so nobody is left to push price.

What does it look like?

- After a strong move, the candles get smaller and smaller.
- Volume decreases candle after candle in the direction of the move.
- In the footprint candle, the numbers at the top of the move are very small: nobody is buying at the top.
- The delta of the last candle is much smaller than the delta of the previous candles, even though price is still advancing a little.

	Absorption	Exhaustion
Volume at the top	Huge	Weak
Delta	Strong with the trend, and price not moving	Fades gradually
Who stopped the move?	A large passive player	Nobody — the aggressors got tired
Speed of reversal	Usually fast and sharp	Usually slow, then accelerating

RULE

Exhaustion does not mean an immediate reversal; it means the move is over. Wait for the first aggressive candle in the opposite direction before entering.

The failed auction and the tails

A **failed auction** is price attempting to test a new level (a high or low) and failing to attract participants there, so it returns quickly. In the footprint candle it appears as very small numbers at the extremes of the candle; on the chart as a long wick; and in Market Profile as single prints.

The tail tells you the truth

When price rises to 5,275 and then returns to close at 5,262 within the same candle, the wick between 5,262 and 5,275 tells you the market rejected those prices in a very short time. The footprint numbers in the wick are tiny: zero, one or two. Nobody wanted to trade there.

How do we trade it?

- A failed auction at a previous high or a value area edge strongly reinforces Setup 1.
- The tail gives you an excellent place for the stop loss: just behind the end of the tail. If price returns there, your reading was wrong.
- Repeated failed auctions at the same level (three attempts) show the level is very strong, and when it is finally broken on large volume, the break is usually real.

THE DIFFERENCE FROM THE LIQUIDITY HUNT

A liquidity hunt usually comes with large volume at the break and then a reversal (the big players filling their orders). A failed auction comes with weak volume at the break (nobody is interested). Both reverse, but reading the volume tells you which is which.

High-volume and low-volume nodes

Looking at the volume profile we find thick areas (heavy trading) and thin areas (scarce trading). Each has predictable behaviour.

The high-volume node (HVN)

A large gathering of volume at a group of nearby prices. It is an old value area the market agreed on. When price enters it, it slows down and rotates inside it, because many participants have positions there. It acts as a broad support and resistance area, and a natural target for moves.

The low-volume node (LVN)

A gap in the profile: prices that price passed through quickly without trading. When price returns to a low-volume node, it either crosses it quickly (because nobody stops it) or bounces sharply from it (because it was a rejection area). In both cases it does not stay there long.

	High-volume node (HVN)	Low-volume node (LVN)
Price behaviour	Slows down and rotates	Passes quickly or bounces sharply
Use	A target for the trade, an accumulation area	The entry place on the bounce, and the stop-loss place (behind it)
Danger	Entering in the middle of it = a trade without direction	Expecting price to stop inside it = a mistake

RULE

Enter at the edges of low-volume nodes and target high-volume nodes. Price tends to pass quickly where there is no money and slow down where there is — a tendency to be measured, not a law to be guaranteed.

Divergence between price and delta

Divergence is the clearest sign that the current move has no real support. Price says one thing and cumulative delta says another.



Bearish divergence: price makes a higher high and cumulative delta makes a lower high — TUNTRADER · t.me/tuntrader2000

Types of divergence

Type	Price	Cumulative delta	Meaning
Bearish divergence	Higher high	Lower high	The last rise happened with less buying aggression. Buyers are tiring
Bullish divergence	Lower low	Higher low	The last fall happened with less selling aggression. Sellers are tiring
Absorption divergence	Flat	Moving strongly	A big player is absorbing all the aggression

The conditions that make a divergence tradable

1. It happens at an auction-theory level, not in a vacuum.
2. It is confirmed by a footprint candle showing weakness at the extreme (exhaustion) or huge volume without movement (absorption).
3. It is followed by the first aggressive delta in the opposite direction.

BEWARE

A divergence in a strong trend can persist for a long time. On a clear imbalance day you will see many divergences on the small timeframes and then price continues. Don't sell the top of a strong uptrend because of one divergence. Wait for a balance to form first.

Setup 4: absorption at the level

The first order-flow setup, and it combines everything you have learned so far: an auction level, absorption in the footprint, and confirmation from delta.

Conditions before entry

1. Price reaches an important, pre-defined level: a naked point of control, a value area edge, a high-volume node, or a previous day's high or low.
 2. At the level: volume more than twice the average in two or three consecutive candles (5-minute chart or lower).
 3. Delta is strong in the direction of the current move, and price does not advance more than a few points.
 4. Cumulative delta makes a clearly higher high (or lower low) than price (absorption divergence).
- **Entry:** against the direction of the current move, on the break of the low (or high) of the last absorption candle, or on the first candle with aggressive delta in the opposite direction.
 - **Stop loss:** a few points behind the extreme price the absorption candles reached. If price breaks that level, the absorber has lost or withdrawn.
 - **First target:** the nearest high-volume node or point of control in the opposite direction.
Second target: the other edge of the value area.
 - **The setup is invalid if:** price continues beyond the absorption level on a full-bodied candle with agreeing delta (the absorber withdrew and let it through).
 - **Don't take the trade if:** the day is a strong imbalance day in the direction of the move, or the absorption happened far from any level, or the whole day's cumulative delta is strongly in the same direction without any slowdown.

EXAMPLE

The index falls towards yesterday's value area low at 5,180. From 5,182 to 5,179, three 2-minute candles on three times the average volume, strong negative delta, and price does not break 5,178. Cumulative delta makes a lower low while price is flat. The next candle is green with positive delta. Buy at 5,181, stop at 5,176, first target the point of control at 5,200, second target 5,218. The ratio is about 1 to 4.

Setup 5: exhaustion with delta divergence

A reversal setup that relies on the aggressive side getting tired rather than being absorbed. It usually appears at the end of intraday trending moves, and after fast drives.

Conditions before entry

1. A clear trending move (at least three consecutive candles in one direction on the 5-minute chart) towards an important level.
 2. **Divergence:** price makes a new high (or low), and cumulative delta does not.
 3. **Exhaustion in the footprint:** the numbers at the extreme of the last candle are very small, and volume decreases candle after candle.
 4. **Confirmation:** the first candle with aggressive delta in the opposite direction closes inside the range of the previous candle.
- **Entry:** at the close of the confirmation candle, against the move.
 - **Stop loss:** a few points behind the extreme point of the move.
 - **First target:** the start of the last drive (where the three candles began). **Second target:** the day's point of control.
 - **The setup is invalid if:** new aggressive delta appears in the original direction on large volume (the trend has resumed).
 - **Don't take the trade if:** there is no confirmation candle at all (entering on the divergence alone is a common mistake), or the exhaustion is at the edge of a strong daily imbalance.

THE MOST COMMON MISTAKE IN THIS SETUP

Rushing. A divergence can persist for three consecutive highs before the reversal. The confirmation candle is not optional.

Setup 6: stacked imbalances

A continuation setup, unlike the two previous ones. We trade with the trend after an aggressive side has clearly proven its dominance, and we wait for price to return to the imbalance area to enter with it.

Stacked imbalances: three consecutive cells in one direction

20	4513.00	140
25	4512.75	160
30	4512.50	150
60	4512.25	70
80	4512.00	50

Aggressive buyers won three times in a row = sustained pressure, and we expect continuation

Three consecutive buy imbalances: an area buyers will defend when price returns — TUNTRADER · t.me/tuntrader2000

Conditions before entry

1. The market is in imbalance (trending) or has just left a balance with acceptance (Setup 2 has been fulfilled).
2. Three or more consecutive imbalances appear in the direction of the move inside one or two candles, on large volume.
3. Price then moves away from the area (confirming the imbalances were real).
4. Price returns to test the stacked-imbalance area.

- **Entry:** when price returns to the imbalance area and the first aggressive delta appears in the direction of the original trend (for a buy: the first candle with positive delta bouncing from the area).
- **Stop loss:** a few points below the lowest imbalance in the group (for a buy). If the area is broken, the buyers who created it have lost.
- **First target:** the high (or low) the first move created. **Second target:** the nearest auction level in the direction of the move.
- **The setup is invalid if:** the imbalance area is broken by a full-bodied candle with opposite delta.
- **Don't take the trade if:** the imbalances are in the middle of the candle rather than at its base, or the market is in clear balance (imbalances inside balance get hunted a lot).

RULE

Stacked imbalances show that aggressive buyers clearly won at this level. The common reading is that they may defend it when price returns, but the data doesn't tell us who they are or what their intention is. That is why we only enter on the return after new aggression appears in their direction.

Managing the trade with order flow

The entry is only half the trade. What you do after entering decides whether you are a winner or a loser over the long run. Order flow gives you live information to manage the trade intelligently.

When do you exit early (before the stop)?

- Absorption appears against you at a level before your target: someone is stopping your move. Exit or secure.
- Cumulative delta has reversed strongly against the direction of your trade even though price has not reached the stop yet.
- Stacked imbalances against you at an important level.

When do you scale in?

- Only in a trade that is already winning, and only on a retest of the entry area with agreeing delta.
- Adding must not make the total risk exceed 1% of the balance. Move the stop first.

When do you scale out?

- At the first target: close half the trade and move the stop to the entry point. Now the trade can no longer lose.
- At any high-volume level on the way: secure part, because price will slow down there.

When do you exit now?

When something happens that was not in your plan: sudden news, a giant candle against you on unusual volume, or you discover that your reading of the level was wrong. Escaping with a small loss is better than waiting for the stop with a full loss.

TUNTRADER MANAGEMENT RULES

(1) The stop loss is only ever moved towards profit. (2) A losing trade is never added to. (3) The target is set before entry and is not moved out of greed. (4) Securing half the trade at the first target is a beginner's rule; with statistics you may find that holding the full position is better for a given setup.

STAGE FOUR EXERCISE

Twenty demo trades using Setups 4, 5 and 6 only, each with a screenshot of the footprint and delta at entry, and a short note: why you entered, where the stop was, and how you managed the trade. Review them at the end of the week.

STAGE FIVE

Depth of Market (DOM)

We see orders before they are executed — Chapters 46 to 52

What is the depth of market? The ladder

Order flow shows the trades that were done. The **depth of market** shows the orders that are waiting: the pending limit orders above and below price. It is usually displayed as a **ladder**: a column of prices in the middle, bid quantities on one side and ask quantities on the other.

Depth of market ladder (DOM)

Ask	Price	Bid
412	4513.00	
180	4512.75	
95	4512.50	
◀ Huge order 1850	4512.25	
120	4512.00	
	4511.75	210
	4511.50	340
	4511.25	95
	4511.00	160
	4510.75	280

Numbers = contracts pending at each price, changing every fraction of a second — TUNTRADER · t.me/tuntrader2000

The DOM ladder: pending quantities at each price, and the huge order shows clearly

What do you see in the ladder?

- **Best bid and best ask:** the two adjacent rows in the middle. This is where trading happens right now.
- **Depth:** the quantities at the farther levels. They tell you where the money is waiting.
- **Huge orders:** a noticeably large number at a single level. It may be real, and it may be a trick (Chapter 48).
- **Movement:** the numbers change every fraction of a second. Orders are added and pulled constantly.

THE LADDER IS NOT FOR BEGINNERS

nor for anyone who has not mastered Stages Three and Four. The numbers move at a frightening speed and most of what you see in it is noise. It only becomes useful at the levels you defined in advance, at the moment price reaches them.

Reading the live ladder

Reading the ladder is a skill acquired through hours in front of the screen, not through reading. But there are basic patterns you must know in order to understand what you see.

The basic patterns

What you see	Probable meaning
The bid at the best price is consumed quickly and constantly refilled	A large passive buyer refilling his orders: absorption seen live
The ask shrinks level after level without being consumed	Sellers are pulling their orders: the way up is being cleared. Expect a rise
A huge order appears three levels above price	Either a real seller (a ceiling) or a trick to push the small traders into selling
Price approaches the huge order and the order does not move	Usually real. Expect a slowdown or a bounce
The huge order is pulled the moment price reaches it	It was a trick, and the way is open: expect a fast pass-through

Speed matters more than size

In the ladder, what matters most is not the number but the speed at which it changes. A bid of 200 contracts consumed in one second and coming back as 200 again means someone is defending this level enthusiastically. A bid of 2,000 contracts sitting still far from price and then vanishing as price approaches may mean nothing.

RULE

Read the ladder only at your levels, and only to confirm what you saw in the footprint and delta. The ladder is a confirmation and timing tool, not an independent decision tool.

Spoofing

A spoof is a huge order placed in the ladder with no intention of executing it, to deceive others. The small traders see a huge wall of selling above them and rush to sell, price falls, and the spoofer buys at a cheaper price and then pulls his order. This practice is illegal on regulated exchanges, but it happens in clever forms.

How do you recognise a spoof?

- It appears far from price, then is pulled or moves away whenever price approaches it. A real order stays in place.
- It appears and disappears repeatedly in the same place.
- Nothing of it is executed when price arrives: it vanishes completely before being touched.
- It appears on one side only while the real move goes in the opposite direction.

EXAMPLE

The index is at 5,210. A sell offer of 1,500 contracts appears at 5,212. The small traders see the “ceiling” and sell. Price drops to 5,207. Suddenly the 5,212 order disappears. Then large aggressive buying appears from 5,207 and price jumps to 5,215. Whoever placed the spoof sold the small traders the illusion and bought the reality from them.

RULE

Never take a decision based on a pending order that has not been executed. Pending orders are intentions; executed trades (the footprint) are facts. Trade the facts and use the intentions only for caution.

Iceberg orders

The exact opposite of the spoof. A hidden order, or iceberg, is a real huge order whose owner shows only a small part of it in the ladder. Every time the visible part is executed, a new part of the same size appears. You only see the tip of the iceberg; the whole mountain is under water.

How do you detect it?

- **In the ladder:** a small quantity (say 50) at one price is consumed and comes back as 50, many times in a row.
- **In the footprint:** huge executed volume at that exact price, far larger than what was showing in the ladder.
- **In price:** it does not move despite all this execution. This is the absorption you studied in Chapter 37, and now you see its mechanism.

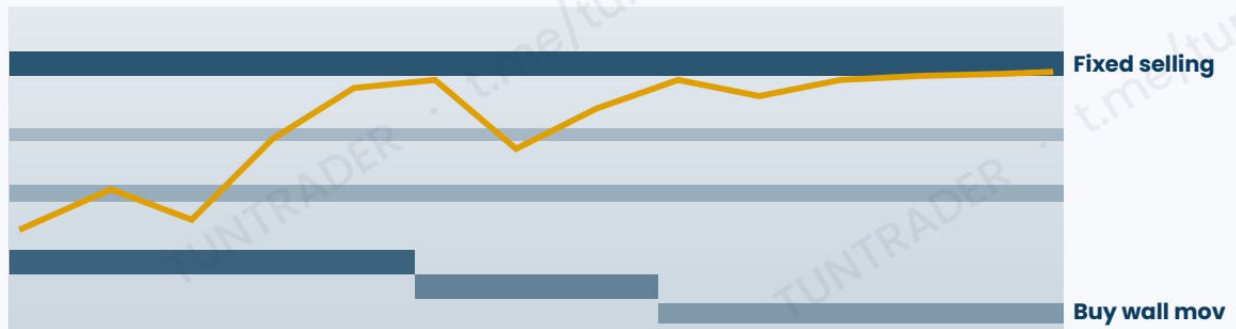
	Spoof	Iceberg
Visible size	Huge	Small
Real size	Nothing (it is pulled)	Huge
Is it executed?	No	Yes, repeatedly
Intention	Deceive the direction	Execute without moving price
Your action	Ignore it or trade against it carefully	Trade with it: it is the big player

RULE

An iceberg at an auction level strongly reinforces the absorption hypothesis, but it needs confirmation from actual execution (the footprint) and from the price response before entering. Then enter in its direction with a stop behind its level.

The heatmap

The ladder shows the pending orders now. The heatmap shows them across time: at every moment a column of colours is drawn, dark where orders are many and light where orders are few. The result is a picture that shows where liquidity was, how it moved, and when it was pulled.



Light = little liquidity, dark = large pending orders. Gold line = price — TUNTRADER · t.me/tuntrader2000

The heatmap: liquidity walls appear as dark horizontal lines, and price reacts to them

What does the heatmap reveal that the ladder doesn't?

- **Fixed walls:** a dark horizontal line that persists for a long time = a large order that stayed in place. Its stability makes it more credible than a moving order, but it is not considered real until execution actually begins from it.
- **Moving walls:** a dark line that moves away from price whenever price approaches = a spoof, now seen with your own eyes.
- **The void:** a light area above price = little pending liquidity. If price is pushed into it, it may pass quickly, but the void alone does not push price; aggression does.
- **Sudden disappearance:** a dark wall vanishing the moment price arrives = the ceiling has been removed, and the drive becomes easier if aggression continues.

READING A FULL DAY

A clear sell wall at 2,360 in gold since the morning. Price rises to it three times and bounces. The fourth time, the footprint shows huge aggressive buying and the wall begins to shrink — not vanish: it is actually being consumed. The moment it is fully consumed, price jumps 8 dollars in a minute. That is the real breakout, and you saw it form.

Setup 7: the large fixed order on the ladder

A scalping setup that exploits real large orders. Small targets, short durations, and strict discipline. It is not for everyone, and is not recommended until the six previous setups have been mastered.

Conditions before entry

1. A huge order (at least three times the neighbouring orders) at a level that agrees with an auction-theory level.
 2. The order is fixed: it has not moved or been pulled as price approached (confirmed by the heatmap).
 3. When price reaches it: execution begins from it (you see it in the footprint) and price does not break through it.
 4. Aggressive orders appear in the direction of the bounce (aggressive buying at a buy wall).
- **Entry:** in the direction of the bounce, the moment the first aggressive buying appears after the wall is tested (for a buy at a buy wall).
 - **Stop loss:** very tight: two or three levels behind the wall. If the wall is broken, the idea is over immediately.
 - **Target:** 6 to 10 points in the index (or the equivalent), or the nearest high-volume node. No more.
 - **The setup is invalid if:** the wall is pulled or begins to shrink quickly without execution (pulled, not consumed).
 - **Don't take the trade if:** the wall is far from any auction level, or it is news time, or you have not practised on the ladder for at least 40 hours on demo.

BEWARE

Scalping destroys accounts through commissions and small repeated mistakes. If your win rate on this setup is not above 60% on demo, do not use it with real money.

Putting it together: footprint, ladder and profile on one screen

You have reached the point that sets the professional apart: you don't use one tool — you make the tools talk to each other. Each tool answers one question.

Tool	The question it answers	Time
Volume profile and auction theory	Where are the important levels? What state is the market in?	The past, from yesterday until now
Footprint and delta	What happened at the level? Who was aggressive and who absorbed?	The recent present, the last minutes
Ladder and heatmap	What is waiting at the level? Is the wall real?	Now and the coming moments

The complete decision sequence

1. **Morning, the profile:** I define the levels, the type of day and the possible setups.
2. **The approach, the heatmap:** is there liquidity at my level? Fixed or moving?
3. **The arrival, footprint and delta:** what kind of reaction? Absorption, exhaustion, imbalances?
4. **The entry, the ladder:** timing the entry on the first aggression in my direction and the stability of the wall.
5. **Management, cumulative delta:** is the side I entered with still in control?

A COMPLETE TRADE WITH EVERY TOOL

The profile shows a naked point of control at 5,190 from two days ago. The heatmap shows a fixed buy wall at 5,188 since the morning. Price falls to it. The footprint shows huge aggressive selling at 5,189 and 5,188 and price does not break (absorption). The ladder shows the 5,188 bid being consumed and refilled repeatedly (an iceberg). Cumulative delta makes a lower low while price is flat (divergence). First candle with positive delta: buy at 5,191, stop 5,185, target 5,215 (yesterday's value area edge). Every tool confirmed the other.

RULE

A trade confirmed by all three tools is rare, and it is the one that deserves full size. A trade confirmed by one tool does not deserve an entry.

STAGE SIX

The options market and the big players

How market makers move every market — Chapters 53 to 60

What is an option?

An **option** is a contract that gives you the right — not the obligation — to buy or sell something at a set price before a set date. For this right you pay a small amount called the **premium**.

AN EXAMPLE FROM LIFE

You want to buy a flat for one hundred thousand, but you are not sure. You pay the owner two thousand for the right to buy it at one hundred thousand within three months. If flat prices rise to one hundred and twenty thousand, you buy it at one hundred thousand and profit. If they fall, you don't buy and you lose only the two thousand. The two thousand is the premium, the hundred thousand is the strike price, and the three months is the option's duration.

Why does it matter to a trader who doesn't trade options?

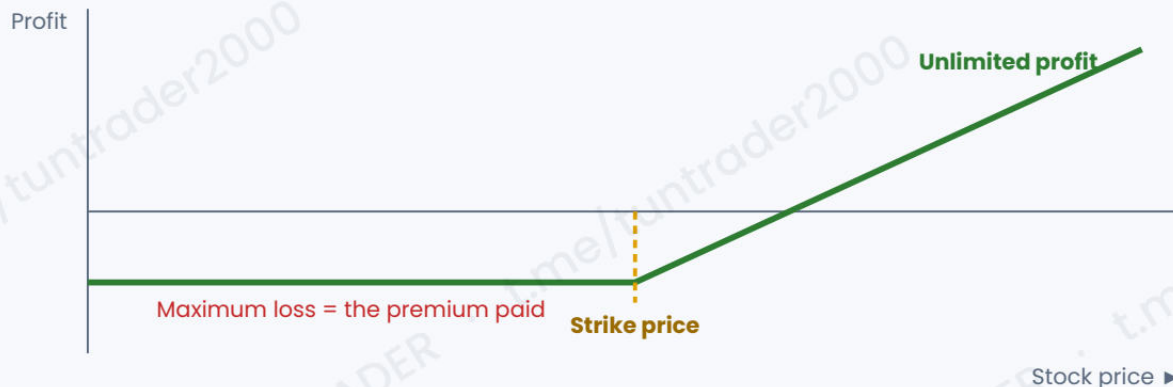
Because the options market on the US indices has become so huge that it moves the underlying market itself. Those who sell options (the market makers) are forced to buy and sell futures and stocks to protect themselves, and these purchases and sales make up a large part of the volume you see in the footprint and the ladder. If you don't understand options, you don't understand a large part of order flow.

THE GOAL OF THIS STAGE

Not to teach you to trade options, but to teach you to read their effect on the market you trade. This is what almost nobody teaches beginners.

Basic options terms

Profit of a call option at expiration



Call option profit: loss limited to the premium, and profit growing above the strike price — TUNTRADER · t.me/tuntrader2000

Term	Simple meaning
Call option	The right to buy at a set price. Profits if the market rises
Put option	The right to sell at a set price. Profits if the market falls. Used as insurance against a decline
Strike price	The price set in the contract
Expiration	The last day the right can be used. After it the option is worthless
Premium	The price of the option, paid by the buyer and received by the seller
In the money	The option has value if exercised now
Out of the money	The option is worthless if exercised now, but may gain value
Zero days to expiration (ODTE)	Options that expire the same day. They have become the most traded and the most influential on the day's movement

Why do people buy put options?

Usually as insurance. A fund holding a billion dollars of stocks buys put options to protect itself from a crash, just as you buy insurance on your car. Who sells it this insurance? The market maker. And here the real story begins.

Who buys and who sells options?

In the options market there are two sides that are completely different in nature:

	The buyer (funds and individuals)	The seller (market maker / dealer)
Why?	Insurance or speculation	Collects the premium and provides liquidity
The risk	Loses only the premium	Theoretically unlimited risk
What does he do after the trade?	Waits	Must protect himself immediately

The market maker does not bet

This is the most important point of the whole stage. The market maker does not want to profit from the market going up or down. He wants to collect the premium and stay neutral. But when he sells you a call option, he becomes exposed to a loss if the market rises. So what does he do? He buys a quantity of futures or stocks to offset this exposure. This is called **hedging**.

THE SEQUENCE OF EVENTS

A fund buys put options on the index for insurance. The market maker sells them to it. The market maker now loses if the market falls, so he sells futures to protect himself. This selling appears in the footprint as aggressive selling – with no connection to anyone's opinion about the market. It is mechanical hedging.

RULE

A large part of the volume you see every day is not an "opinion" but automatic hedging by market makers. Whoever understands when and where they hedge knows where a large part of the pressure comes from.

Hedging: how an option becomes real orders

Hedging is not a one-time operation. The market maker's exposure changes with every move in price, so he is forced to adjust his hedge constantly: buying more or selling more. This continuous adjustment is what moves the market.

The complete example

1. The market maker sold call options on the index with a strike price of 5,300.
2. The index is at 5,200. The probability that the option ends up in the money is low, so the market maker hedges by buying a small quantity of futures.
3. The index rises to 5,280. The probability has risen a lot. The market maker must buy more contracts to stay neutral.
4. This buying pushes price higher, which raises the probability further, which forces him to buy more.

Notice what happened: the market maker bought on the way up and will sell on the way down. This amplifies the move. In other cases the opposite happens: he sells on the way up and buys on the way down, which calms the move. Which of the two cases are we in? That is what gamma answers in the next two chapters.

HEDGING AFFECTS EVERY LINKED MARKET

Index-option hedging is done through index futures, and these affect the large stocks, the dollar, gold, and even crypto, because the big funds manage all these assets together.

Option delta and option gamma

Now the two words that frighten beginners, explained simply.

Option delta

How much the option's price moves when the market moves by one dollar. An option with a delta of 0.5 rises half a dollar for every dollar the market rises. What matters most to us: delta tells the market maker how many contracts he needs to hedge. An option with a delta of 0.5 needs a hedge of half a contract. A delta of 0.9 needs a hedge of nine-tenths of a contract.

ATTENTION

Option delta is completely different from the order-flow delta you studied in Chapter 34. Same name, different meaning.

Option gamma

How much delta changes when the market moves by one dollar. Gamma is "the speed at which the need to hedge changes". High gamma means every small move in the market forces the market maker into a large adjustment of his hedge. Low gamma means he can wait.

Situation	Gamma	What does it mean for the market maker?
Market far from the strike	Low	His hedge is stable; little adjustment needed
Market near the strike	High	Every point forces him to buy or sell large quantities
Near expiration and near the strike	Very high	The most violent effect: the cause of expiration-day volatility

RULE

Gamma tells you where the move will be violent, and when. The prices where many options are concentrated and close to expiration are high-gamma areas — areas of violent hedging.

Positive and negative gamma

This is the chapter that explains why some days are calm and boring and others violent and frightening. The answer lies in the sign of the market makers' total gamma.

Positive gamma: calm, sticks to levels



Market maker sells rallies and buys dips

Two completely different market regimes depending on the sign of gamma — TUNTRADER · t.me/tuntrader2000

Negative gamma: fast, moves expand



Market maker buys rallies and sells dips

Positive gamma

Market makers as a whole have bought more options than they sold (because people sold them options — for example funds selling calls to collect income). In this case, when the market rises they sell to hedge, and when it falls they buy. Their hedging goes against the move, so it tends to calm the market. The usual result: lower volatility, price tends to stick to levels, and bounces from the edges succeed more often. A tendency, not a guarantee: strong news breaks any gamma regime.

Negative gamma

Market makers as a whole have sold more options than they bought (people bought a lot of insurance with puts). Now when the market rises they buy to hedge, and when it falls they sell. Their hedging tends to amplify the move. The usual result: higher volatility, breakouts continue further, and moves can accelerate in both directions.

	Positive gamma	Negative gamma
Market tendency	Tends to calm and rotate around levels	Tends to violence and overshooting levels
Suitable setups	Setups 1 and 3, and absorption (reversal)	Setup 2 and stacked imbalances (continuation)
Stop size	Tight	Wider, or a smaller position size

The gamma exposure measure (GEX)

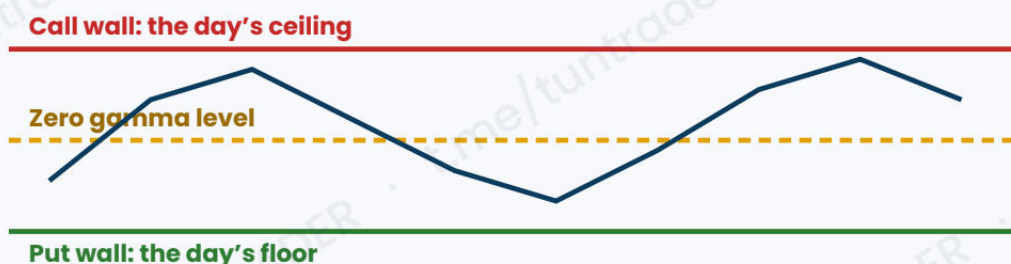
Gamma exposure is a number calculated from all the open options in the market, and it tells you whether market makers in aggregate are in positive or negative gamma, and by how much. Specialised sites and services provide it every morning. You don't need to calculate it yourself, only to read its sign and its size.

RULE

Before every session, know the gamma regime. Reversal setups tend to succeed more in positive gamma, and continuation setups in negative gamma. This one piece of information tilts your choice of setup every day, and your journal is what establishes the real rates in your market.

The levels that govern the day

From options data, specific levels can be extracted that the market reacts to noticeably, because hedging concentrates at them. These levels are added to the auction-theory levels every morning.



Call wall at the top, put wall at the bottom, zero gamma level in the middle — TUNTRADER · t.me/tuntrader2000

BEFORE THE TABLE

These levels are calculated by different analysis services in different ways, and their numbers may differ from one provider to another. They are all potential reference levels, not guaranteed support or resistance. Their strength lies in their agreement with the auction levels and in order-flow confirmation at them.

Level	What is it?	Price behaviour at it (a tendency, not a guarantee)
Call wall	The strike where the largest quantity of open call options is concentrated	Tends to act as a ceiling on positive-gamma days, because hedging at it is selling. Broken on negative-gamma days
Put wall	The strike where the largest quantity of open put options is concentrated	Tends to act as a floor on positive-gamma days, because hedging at it is buying. Broken on negative-gamma days
Zero gamma level	The price at which gamma flips from positive to negative	Above it the market tends to calm, below it to violence. Breaking it downward may open the door to acceleration, and may be a false break like any level
The highest-volume same-day strike (ODTE)	Where the same-day options concentrate	A magnet in the last hour of the session, especially on expiration days

Why are Fridays and monthly expirations different?

At expiration, huge quantities of options expire, so the hedging linked to them is unwound all at once. This sometimes creates large moves in the last two hours, and sometimes a “pinning” of price at a certain strike until the close. The third monthly expiration of every quarter is the biggest.

RULE

The call wall, the put wall and the zero gamma level are added to the auction levels every morning as reference levels. We never trade a gamma level alone; we trade it when it coincides with an auction level and order flow shows real rejection at it.

The effect on other markets, and Setup 8

US index-option hedging does not stay in the index. The funds that buy the insurance manage huge portfolios that include everything, and market makers hedge through multiple instruments. That is why you find:

- **Index futures:** the first hedging instrument. Everything you have studied applies to them directly.
- **The large stocks:** they move with the index because they are its components, and the hedging passes through them.
- **The dollar and gold:** on days of violent declines, money often flees to the dollar, and sometimes to gold. But this relationship changes with interest rates, the type of shock and the general economic situation: in some periods gold falls with stocks (general liquidation), and in others it rises (safe haven). Don't memorise the direction; watch the reaction in order flow.
- **Crypto:** in many periods of extreme volatility it moved with the US index because common funds hold it, but this correlation strengthens and weakens across periods.

READING A DAY (A SCENARIO, NOT A RULE)

Gamma is negative, and the index breaks the zero gamma level downward in the morning. The gold trader knows this day may bring volatility to his market too, so he widens his stop or reduces his size, and watches in the footprint whether gold is being sold with stocks or bought as a haven — without assuming the answer in advance. The Forex trader watches the dollar the same way. Everyone reads the same event in different markets, and leaves the last word to volume.

Setup 8: the bounce from the gamma wall

Conditions before entry

1. A positive-gamma regime (the market respects levels).
 2. A call wall or put wall that coincides with an auction-theory level (within a few points).
 3. Price reaches the wall with signs of rejection in order flow: absorption, exhaustion or a failed auction.
 4. No major news in the coming hour, and it is not the last hour of an expiration day.
- **Entry:** against the direction of arrival at the wall, on the first opposite aggressive delta.
 - **Stop loss:** behind the wall by a distance equal to the range of a normal 5-minute candle. In positive gamma a break of the wall is rare, and if it happens the reading was wrong.
 - **First target:** the day's point of control. **Second target:** the opposite wall or the zero gamma level.
 - **The setup is invalid if:** the gamma regime flips during the day (a break of the zero gamma level), or price breaks the wall on large volume with acceptance.
 - **Don't take the trade if:** gamma is negative (walls are broken easily), or the wall does not coincide with any auction level, or no rejection appears in order flow.

THE UNIFYING RULE

Options tell you the day's regime and its levels, the auction tells you value, and order flow tells you the moment of entry. The three together are the highest level of market reading.

STAGE SEVEN

Professionalism

From learner to trader — Chapters 61 to 67

The professional trader's daily routine

The difference between the professional and the amateur is not only knowledge, but routine. The professional does the same things every day in the same order, leaving no room for emotion.



The professional trader's daily routine: four fixed stages every day — TUNTRADER · t.me/tuntrader2000

Before the open (30 to 45 minutes)

1. The day's scheduled news: is there a big event? When?
2. Yesterday's levels from the profile: point of control, edges, high and low, naked points.
3. Yesterday's profile shape and the expected type of day.
4. The gamma regime and its levels: the walls and the zero level.
5. Writing the plan: which setups I am waiting for, at which levels, and with what size.

The first 30 minutes of the session

Watch only. Identify the type of open. No trade unless Setup 3 is clear.

During the session

Trades from the playbook only. TUNTRADER beginner's rules: after two consecutive losses stop; after reaching the day's target stop; and no trading in the last 15 minutes except to exit.

After the close (20 minutes)

Record the trades in the journal with screenshots. Evaluate the execution, not the result: did you follow the plan? Prepare the initial levels for tomorrow.

RULE

If you haven't done the pre-open work, don't trade today. A day without a plan is a day of gambling.

The journal and the statistics

What is not measured does not improve. The **trading journal** is the only tool that turns your experience into knowledge. Without it you repeat the same mistakes for years.

What do you record for every trade?

Field	Why?
Date, time and market	To discover the times and markets where you succeed
Setup number (1 to 8)	To know which setup wins for you and which loses
Type of day and gamma regime	To link results to market conditions
Entry, stop, target, size	To make sure risk was respected
Result in risk units (R)	+2R is better than "I made 40 dollars", because it is comparable
Screenshot at entry and exit	Memory lies; the picture doesn't
Plan-adherence score (1 to 5)	The most important number in the journal
Psychological note	Fear? Greed? Tired? Confident?

The weekly statistics

- **Win rate:** number of winning trades ÷ total trades.
- **Average profit in risk units:** sum of results ÷ number of trades. If it is positive, you are winning over the long run.
- **Drawdown:** the largest losing streak and its effect on the balance.
- **Performance per setup:** stop a setup that loses after 30 trades, and focus on the best.
- **Plan adherence:** the proportion of trades that followed the plan. Target above 90%.

RULE

Review the journal for a full hour every week. The biggest improvement in trading comes from this hour, not from a new book.

News and economic events

Scheduled economic news causes violent moves within seconds. The professional does not predict the news; he knows when it comes and decides in advance how to handle it.

The most important events

Event	Frequency	Effect
US interest-rate decision and central-bank speech	8 times a year	The biggest effect on every market
US jobs report	First Friday of the month	Very violent in the first 15 minutes
Inflation (consumer price index)	Monthly	Changes rate expectations
Large-company earnings	Seasonal	Moves the index through the large stocks
Geopolitical events	Unscheduled	Sudden, and gold is the first to react

The rules

- No new trade in the 15 minutes before major news.
- No trade in the first 5 minutes after it: the spread widens and orders are filled at bad prices.
- After the news, the tools work excellently: the first drive creates stacked imbalances and clear absorptions. Wait for the first small balance, then apply the setups.
- If you are in a trade before the news: secure or close. Don't bet.

THE NEWS DOESN'T SET THE DIRECTION; THE REACTION TO IT DOES

"Good" news lifts the market and then it collapses if everyone had already bought (selling the news). What you read in the footprint after the news is more truthful than the news itself.

Prop firms

A prop firm gives you an account with large capital to trade in exchange for a share of the profits, after you pass a test that proves your discipline. This is the fastest way to trade with more money than your own, but it has strict rules that must be understood.

How does the model work?

1. You pay a subscription fee for the test.
2. You trade on a demo account and must reach a profit target (say 8%) without exceeding the daily loss limit and the total loss limit.
3. On success you get a funded account and share the profits (usually 80% for you).
4. The payout is made periodically according to the firm's conditions.

What do most people fail at?

- **The daily loss limit:** they forget it is calculated on the open balance, so a winning trade that gives back its profit hits the limit.
- **Rushing:** they try to reach the target in a week with large size, and lose.
- **Changing the plan:** they trade the test in a way different from their usual way.

RULE

Don't attempt a prop-firm test before three months of consistent demo results with the same plan. The test is passed with the same routine, the same setups and the same size — not with a special style.

CHOOSE THE FIRM CAREFULLY

Check the firm's reputation for actually paying out, its years in business, and the clarity of its rules. Very low fees and big promises are a danger sign.

The complete playbook

This is the page of the book to print and keep beside the screen. The eight setups in one place.

#	Setup	Type	Core condition	Entry	Stop	Target	Best environment
1	Return to the value area	Reversal	Rejection outside the edge on a balanced day	First close inside the area	Behind the rejection wick	POC, then the other edge	D day, positive gamma
2	Breakout from balance	Continuation	Break on volume + acceptance + retest	Bounce from the retest	Inside the old balance	Width of the balance, then nearest level	Negative gamma
3	Open outside value	Crossing	Open outside yesterday's value and return inside	After two candles inside the area	Behind the edge entered from	The other edge	Small-gap open
4	Absorption at the level	Reversal	Huge volume + strong delta + flat price at a level	Break of the absorption candle	Behind the absorption extreme	HVN, then POC	Any day, at a level
5	Exhaustion with divergence	Reversal	New high without delta + fading volume + confirmation candle	Close of the confirmation candle	Behind the extreme of the move	Start of the drive, then POC	End of trending moves
6	Stacked imbalances	Continuation	3 consecutive imbalances + return to them	First agreeing delta on the return	Below the lowest imbalance	High of the first move, then level	Imbalance, negative gamma
7	Large fixed order	Scalp	Fixed wall at a level + execution from it	First aggression in the bounce direction	Two levels behind the wall	6 to 10 points	Ladder + auction level
8	Bounce from the gamma wall	Reversal	Positive gamma + wall matching a level + rejection	First opposite delta	Behind the wall	POC, then the opposite wall	Positive gamma only

Which setup for which day?

State of the day	Most suitable setups	Forbidden setups
Balance + positive gamma	1, 3, 4, 8	2, 6
Imbalance + negative gamma	2, 6, 5 (with care)	1, 8
News day	4 and 6, 15 minutes after the news	All of them before the news
Options expiration day	8 in the morning, nothing in the last hour	7 in the last hour

BEWARE

The eight setups are not yet statistically proven for you. They are readings used by auction and order-flow traders, and their success varies from market to market and trader to trader. Each setup needs 30 recorded trades in your journal before you judge it.

RULE

Eight setups are a lot for a start. Choose two you understand better than the others and specialise in them for three months. Add one setup every month after that.

The fatal mistakes and the fix

Ten mistakes that kill even those who know everything in this book. For every mistake, one practical fix.

#	Mistake	Fix
1	Trading without a stop loss "because I'll close manually"	The stop is placed with the entry in the same order, always
2	Moving the stop further away as price approaches it	The rule: the stop only moves towards profit. Write it on the screen
3	Doubling the size after a loss (revenge)	A limit of two losses a day. The third is technically forbidden: close the platform
4	Entering on the breakout itself	No trade before the verdict: acceptance or rejection
5	Reading the footprint in a vacuum	The footprint is read at levels only. No level, no reading
6	Ignoring the gamma regime	The gamma regime is the first line of the morning plan
7	Too many trades (boredom)	TUNTRADER beginner's rule: a maximum of 3 trades a day. Quality, not quantity
8	Changing strategy after a bad week	No evaluation before 30 trades of the same setup
9	Moving to real money too early	Three months of demo with plan adherence above 90%
10	Trading while tired, angry, or after a personal event	A question before the session: am I in a state that allows decisions? If not, today is a day off

THE ELEVENTH MISTAKE, THE MOST DANGEROUS

Thinking you have outgrown these mistakes. Professionals fall into them too, but they have rules that stop them before they turn into a disaster. The rules protect you from yourself.

The final test and the next step

You have reached the end of the book. But the end of the book is the beginning of trading. Before you say you have completed the course, check the following.

The theory test (answer in writing)

1. What is the difference between price and value? And how do you tell a balance day from an imbalance day?
2. Explain absorption and exhaustion, and how you distinguish them by volume and delta.
3. What is the difference between a spoof and an iceberg? And which do you trade with?
4. Why do market makers calm the market in positive gamma and amplify it in negative gamma?
5. Name the eight setups with one core condition for each.
6. Balance 5,000 dollars, a stop of 8 points in the index on a micro contract whose point is worth 5 dollars. How many contracts respect the one-percent rule? (Answer: $50 \div 40 = \text{one contract}$)

The practical test

1. Three months of demo trading recorded in the journal.
2. At least 60 trades from the playbook.
3. Plan adherence above 90%.
4. A positive average profit in risk units over the whole period.
5. A drawdown that did not exceed 6% of the balance.

The next step

1. **The first month after the book:** two setups only on the demo account with the full routine.
2. **The second and third months:** add one setup each month. Start with very small real money if the practical-test conditions are met.
3. **The fourth to sixth months:** a prop-firm test with the same routine.
4. **Always:** a weekly hour reviewing the journal. Re-read one chapter of the book every week.

THE LAST WORD

The market does not reward the clever, but the disciplined. Every tool in this book serves one goal: to see what big money is doing and walk with it, with a calculated size, a defined stop, and a written plan. This is not a race. The one who arrives is the one who does not stop.

TUNTRADER — from zero until you read the market like the professionals

TUNTRADER

Keep learning with us

Join the TUNTRADER channel on Telegram

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