

# READING THE LANGUAGE OF THE MARKET WITH MARKET PROFILE

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MANAGEMENT, INC.





# Structure Perception

**What we think  
determines what  
we see**

# Organize Market



**Data Representation  
that best captures  
what you are trying  
to see**

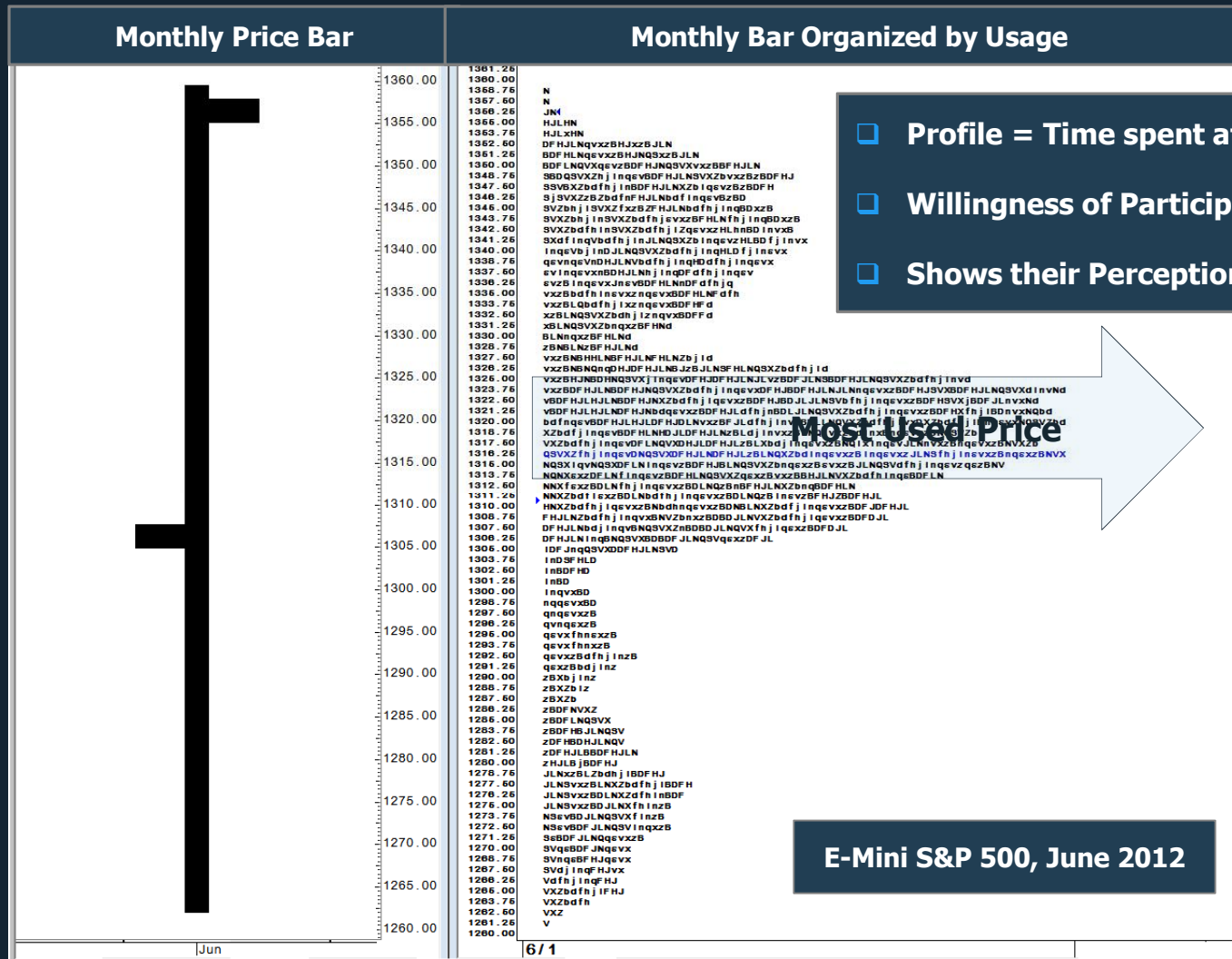
# Data Representation: Price Bar



Chart Source: CQG, Inc. © All Rights Reserved



# Data Organized to Show Usage of Price and Perception of Value



- Profile = Time spent at Price
- Willingness of Participants to USE Price
- Shows their Perception of Value

Most Used Price

E-Mini S&P 500, June 2012

Chart Source: CQG, Inc. © All Rights Reserved

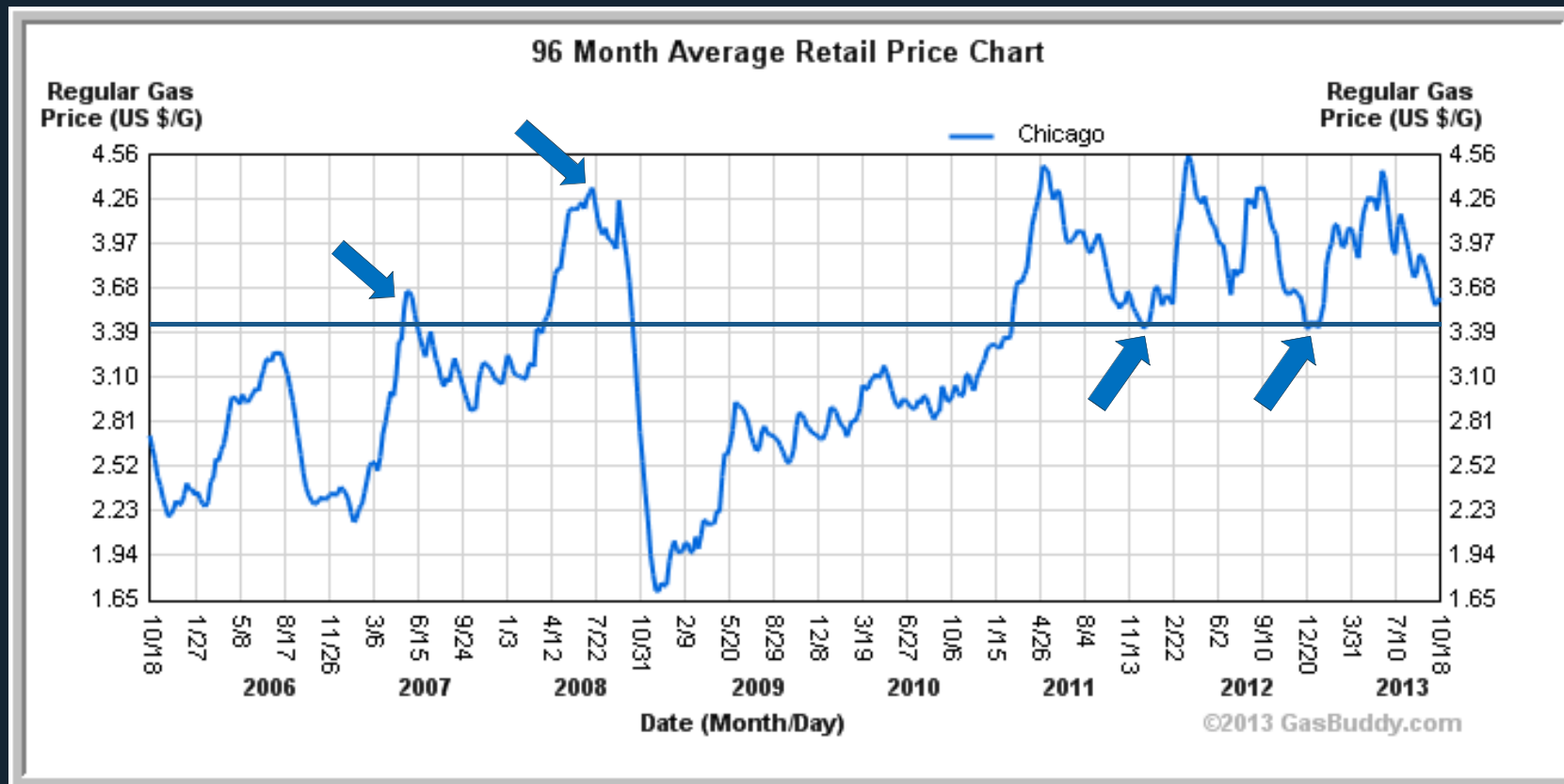


# Usage of Price/Time

**The more we “Use”  
price, the more we  
come to accept that  
price as fair value**

Usage of Price/Time

# Usage Shifts Perception of Value

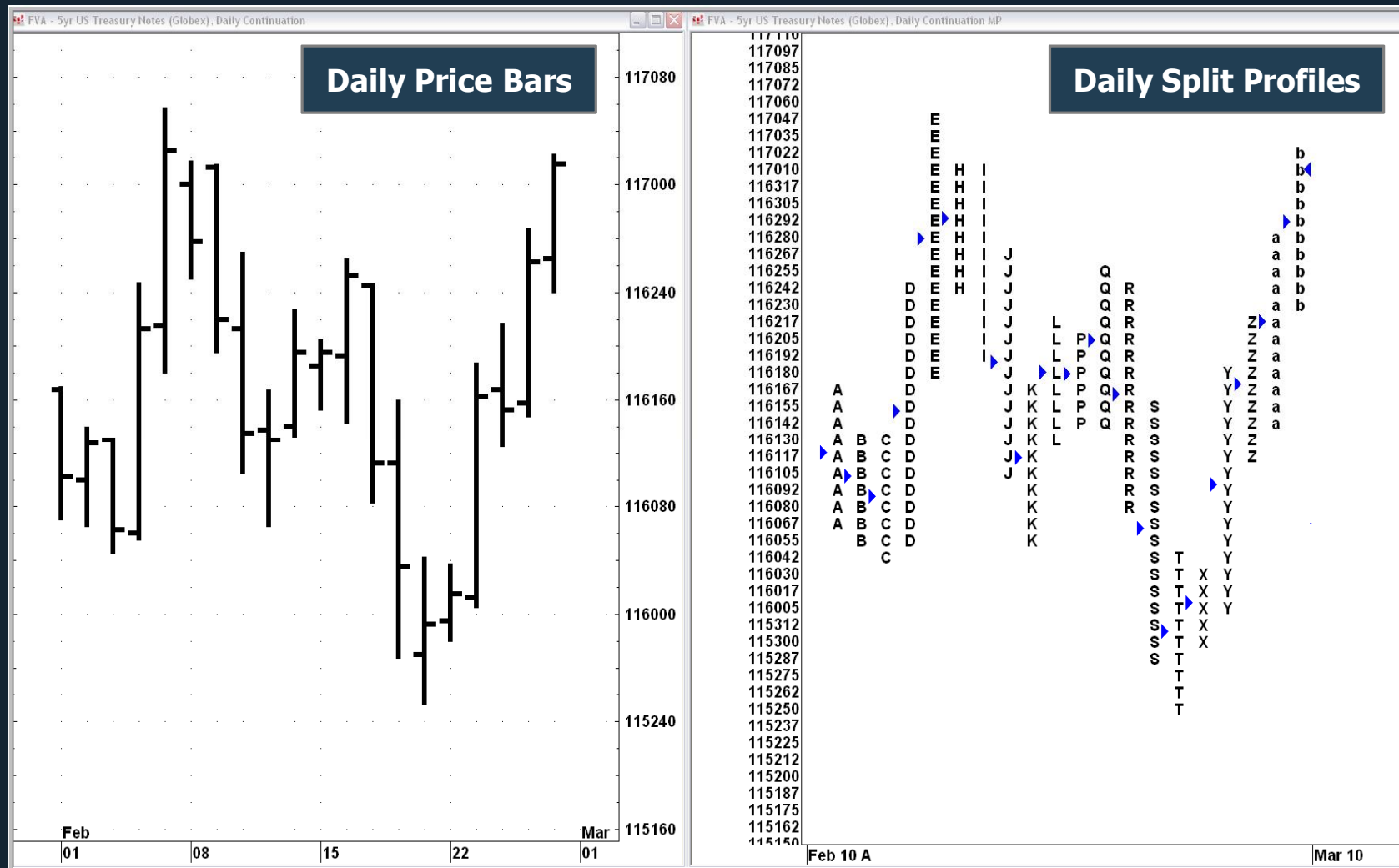


Chicago Area Gas Prices Per Gallon 10/2005 to 10/2013

# Market Profile

- ❑ Market Profile is a **visual display** that accounts for price and how much time is spent at price.
- ❑ Market Profile is a way to track the Progression of Price becoming accepted as value through Usage.
- ❑ **Usage** is the DNA of the Market – it's the transmitter of market psychology that determines continuation or change in the Market.

# Market Profile: Data Representation

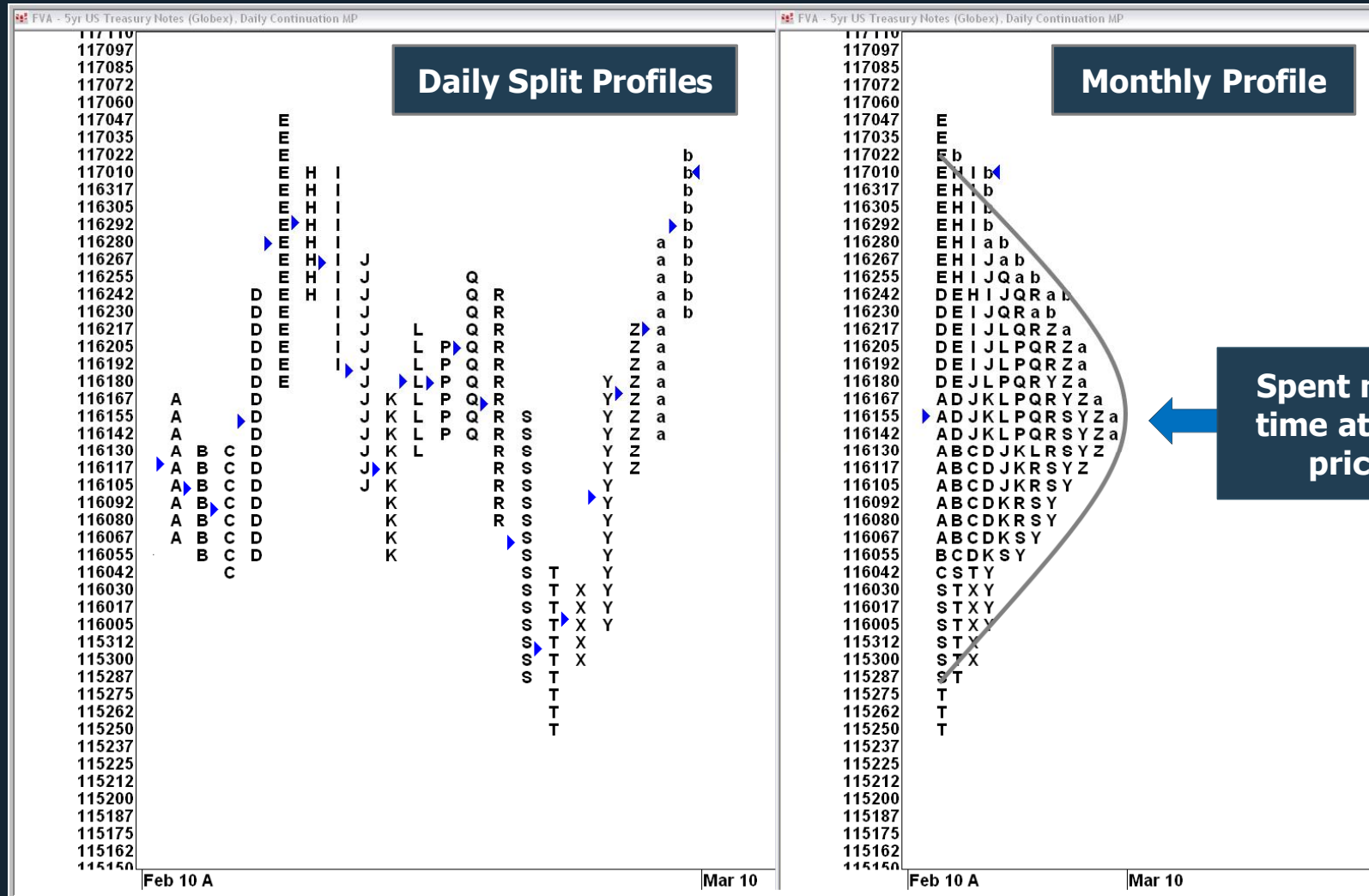


5-Year T-Notes, Feb. 2010

Chart Source: CQG, Inc. © All Rights Reserved



# Market Profile: Data Representation

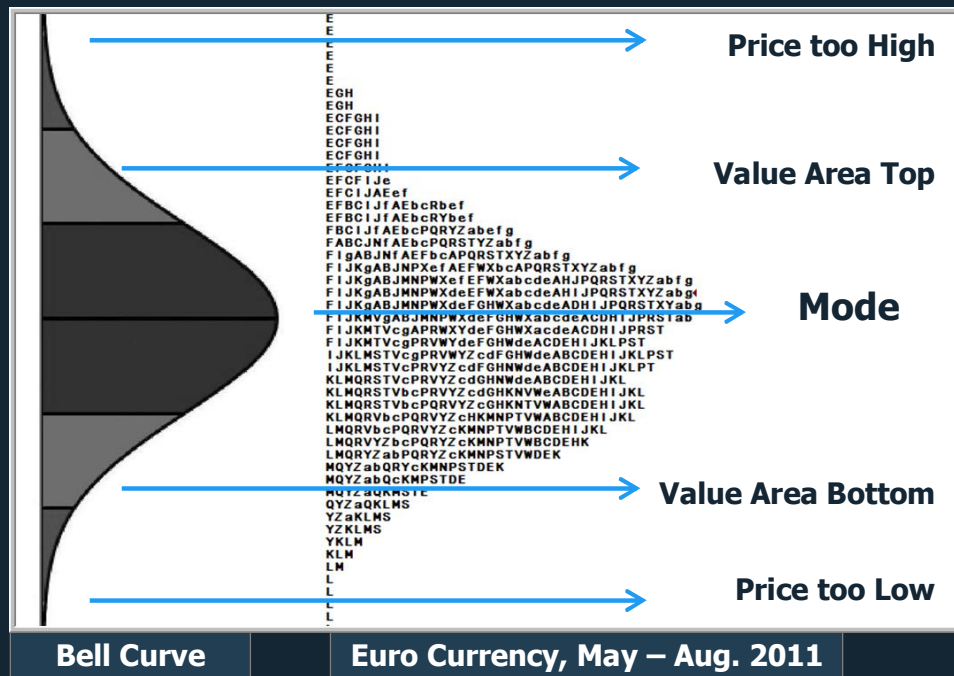


5-Year T-Notes, Feb. 2010

Chart Source: CQG, Inc. © All Rights Reserved



# The process of building Price Acceptance naturally organizes into a Bell Curve



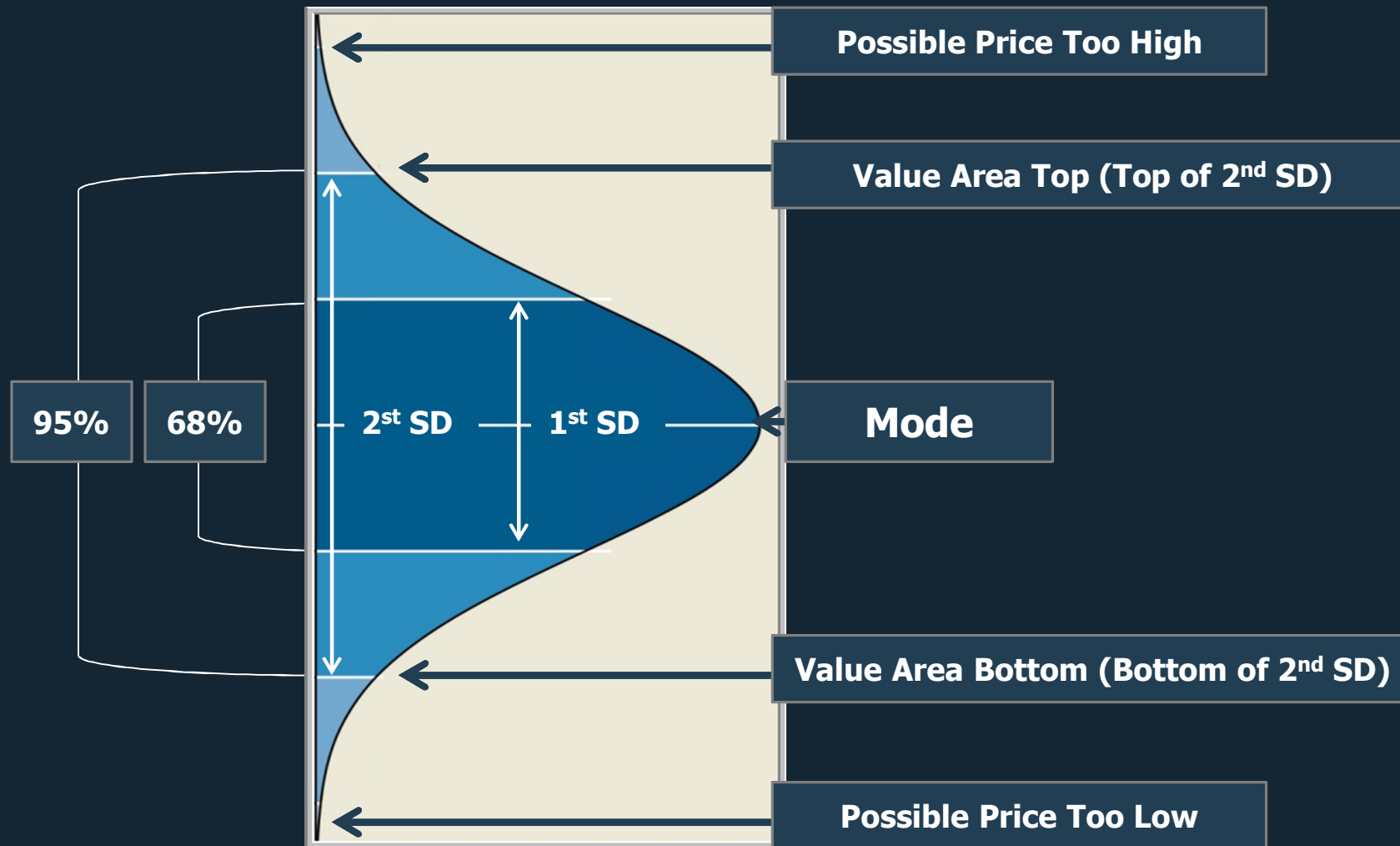
**Bell Curve Emerges  
at Moment  
Buyers & Sellers  
Determine Fair Value**

Organize Market

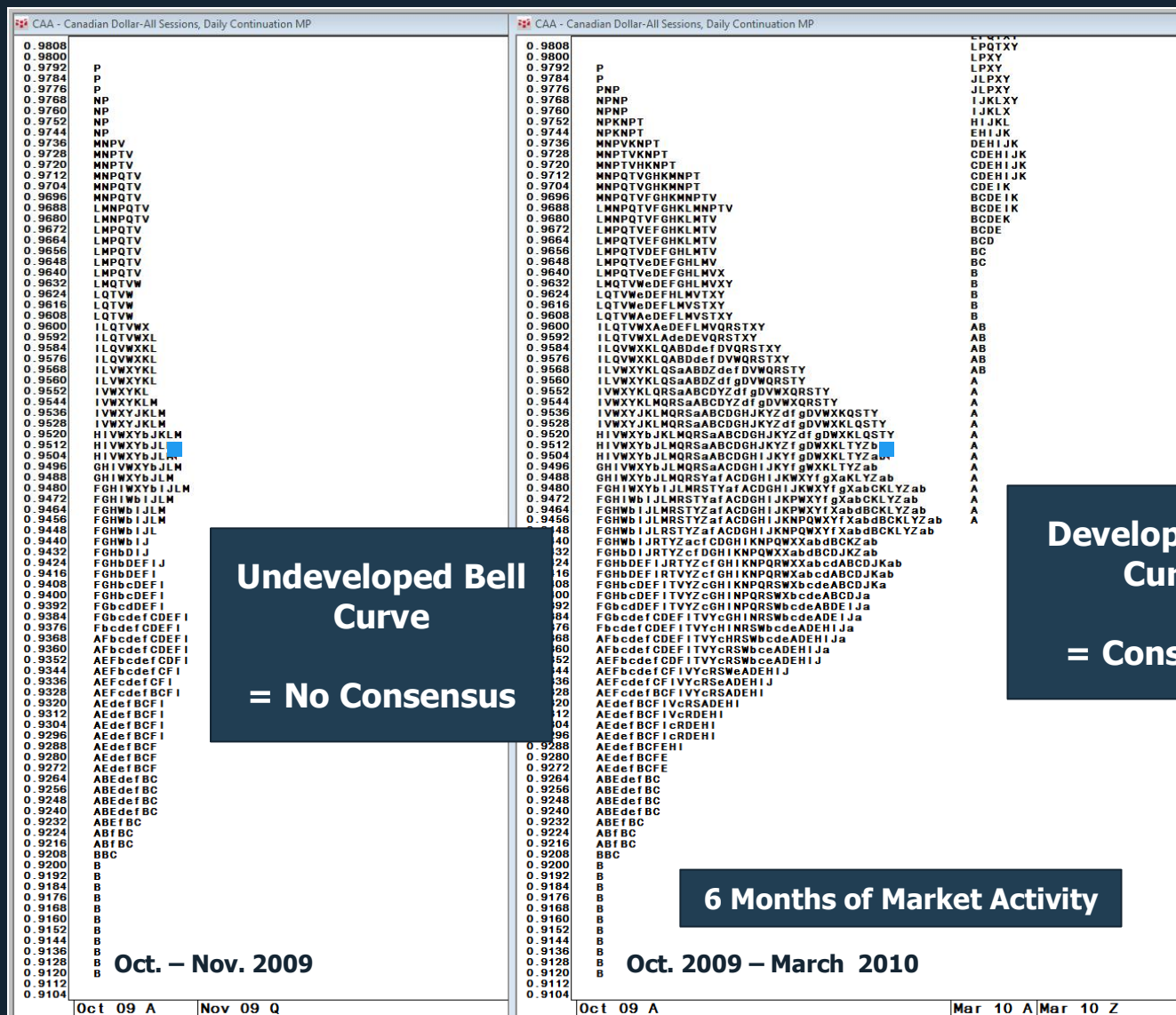
**The power of Market Profile  
is in organizing the data to  
reflect the completion of the  
Bell Curve and determination  
of Fair Value.**



# Profiles are Bell Curves that are vertically oriented



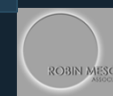
# Seeing Determination of Value



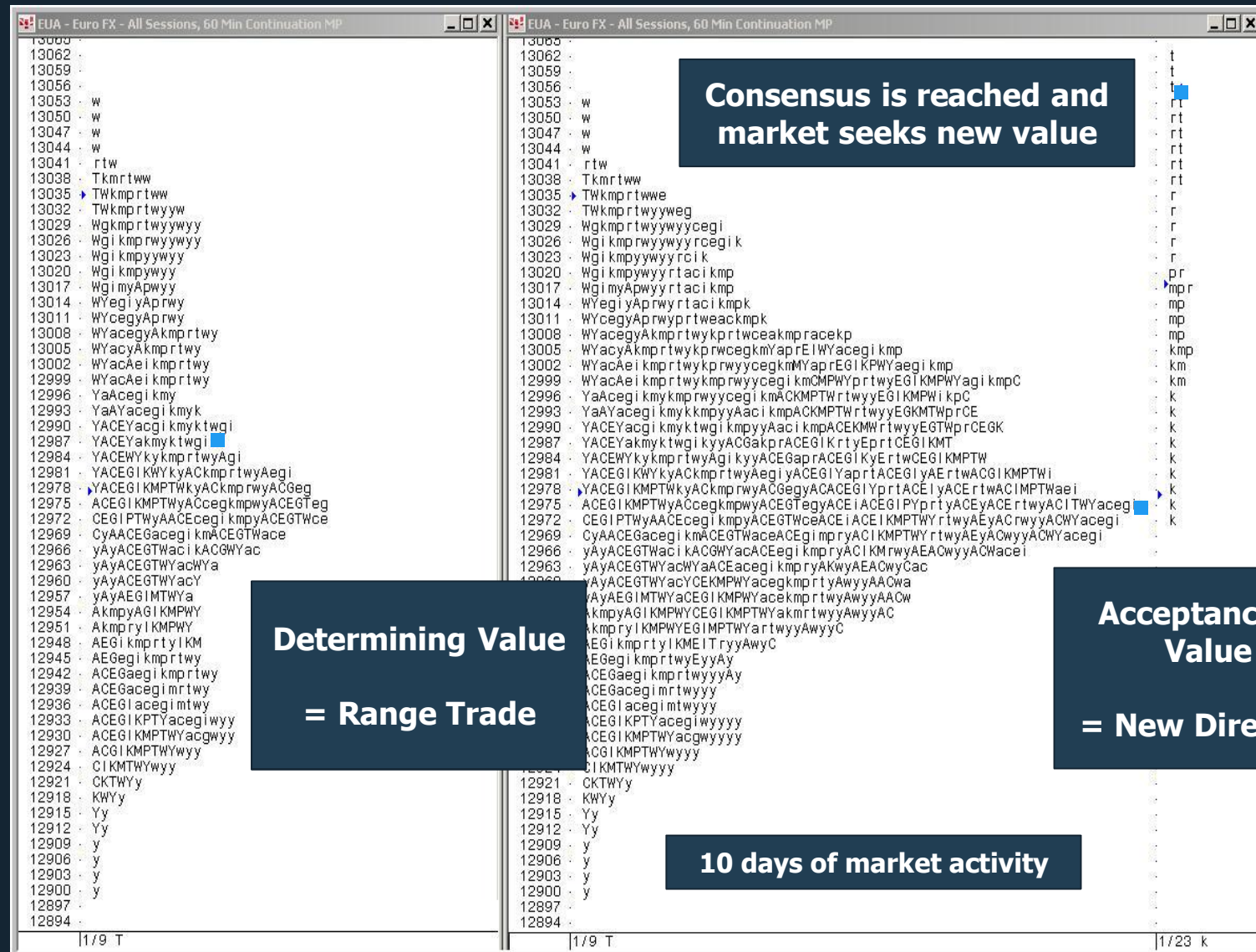
Canadian Dollar, Oct. – Nov. 2009

Canadian Dollar, Oct. 2009 – March 2010

Chart Source: CQG, Inc. © All Rights Reserved



# Seeing Determination of Value



Euro, Jan. 2007

Euro, Jan. 2007

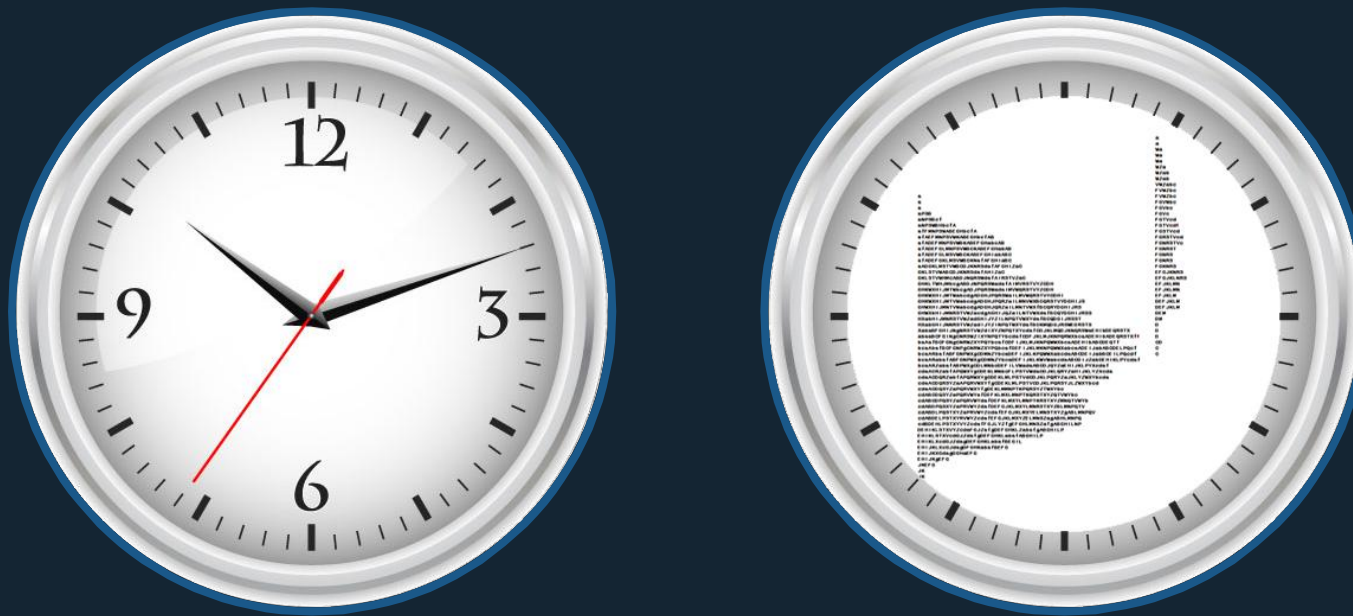
Chart Source: CQG, Inc. © All Rights Reserved



# Market Profile Tracks Market Consensus

- ❑ The beginning of the auction represents a determination of value.
- ❑ The completion of the auction marks the acceptance of value.
- ❑ Market consensus looks like a completed Bell Curve.

# Clock Time Versus Market Time

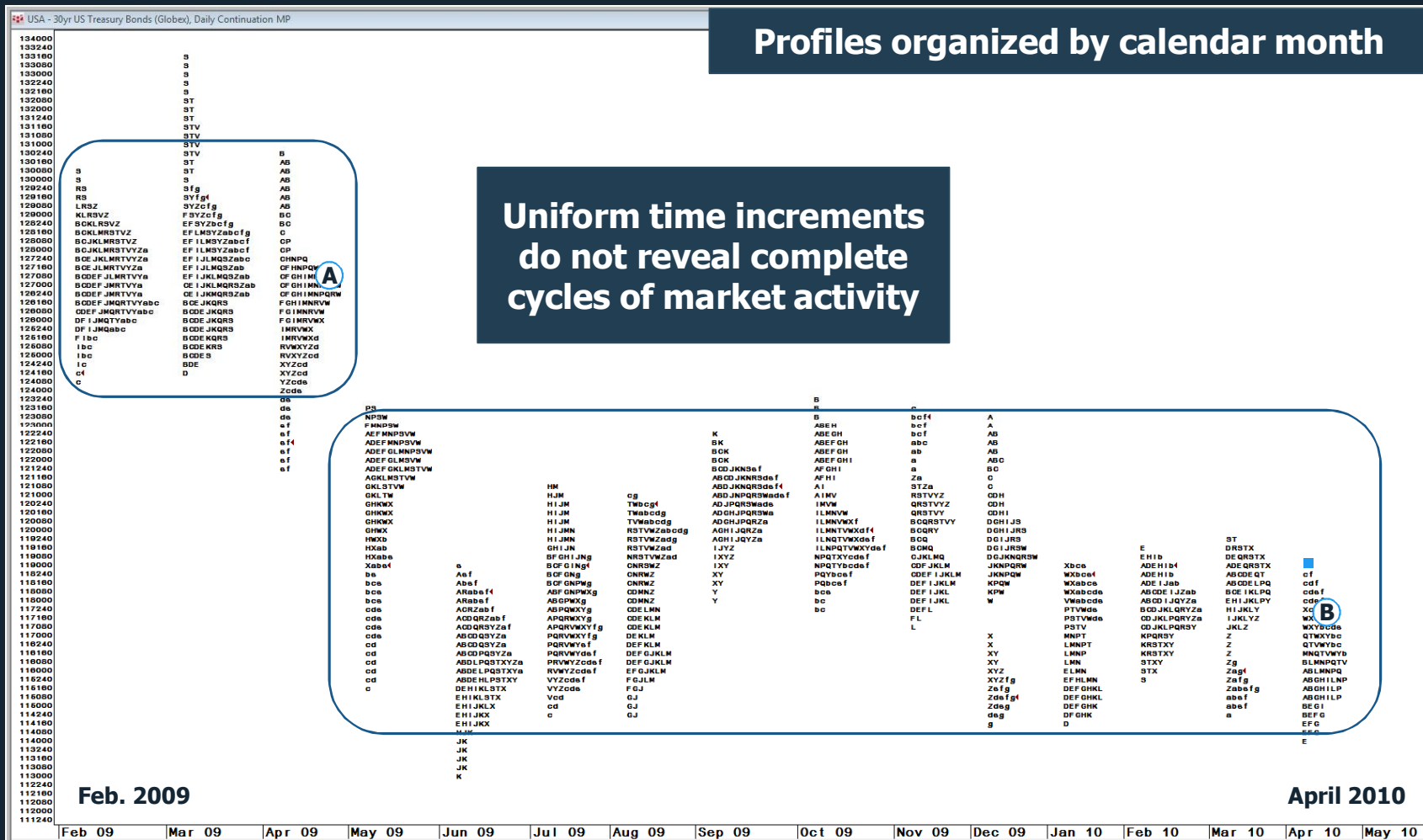


# Market Time organizes the data into Bell Curves



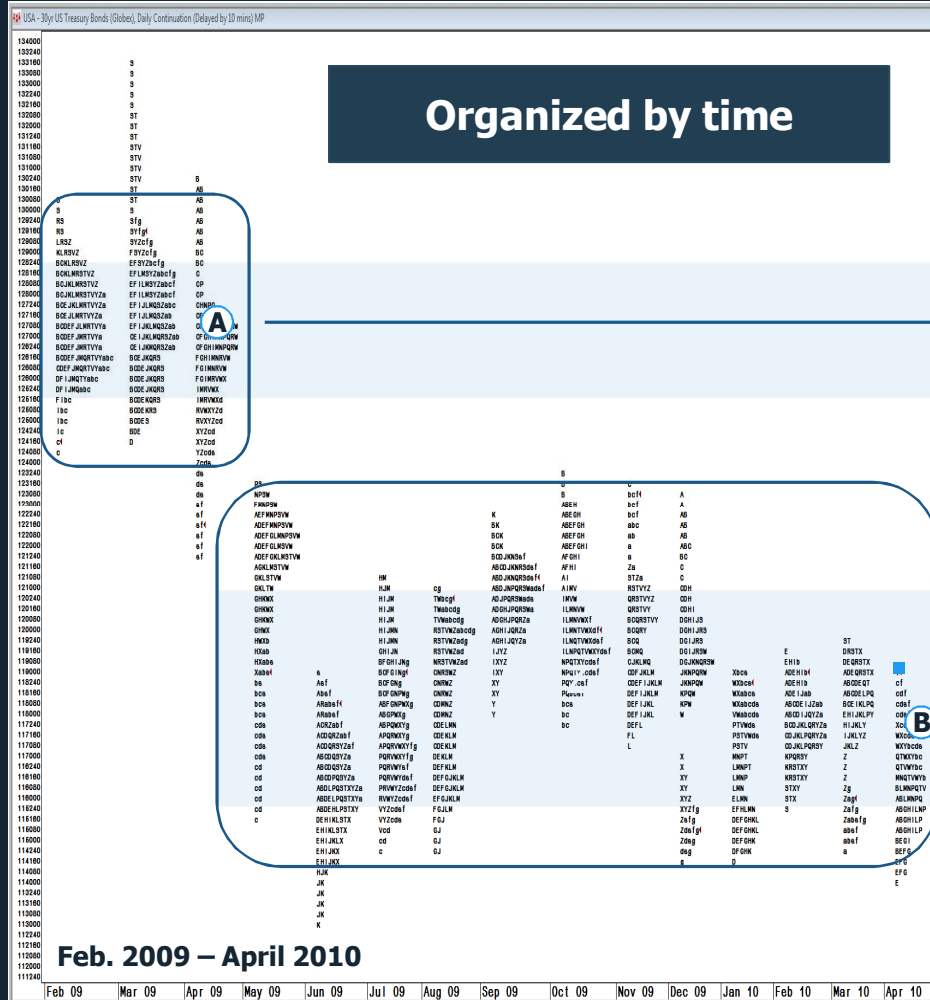
**How do we organize the data to see the progress toward consensus and determine the new direction?**

# Organizing the Data into Bell Curves

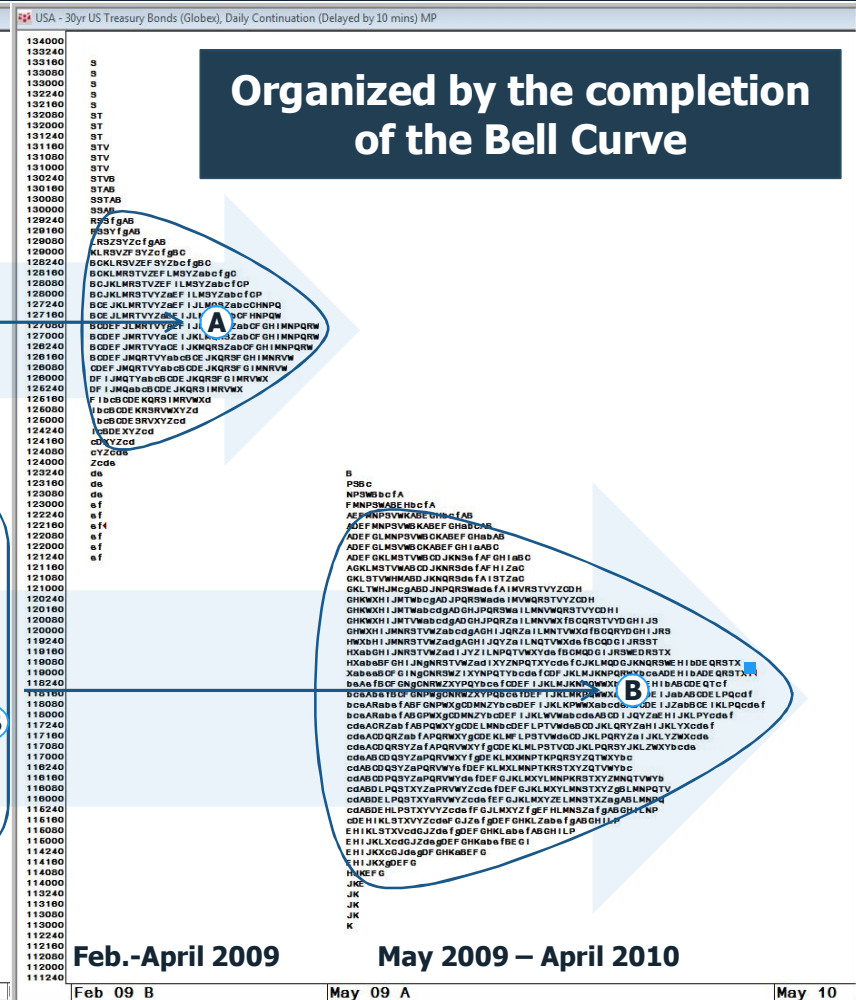


30-Year T-Bonds, Monthly Profiles, Feb. 2009 – April 2010

# Organizing the Data into Bell Curves



30-Year T-Bonds, Feb. 2009 – April 2010



30-Year T-Bonds, Feb. 2009 – April 2010

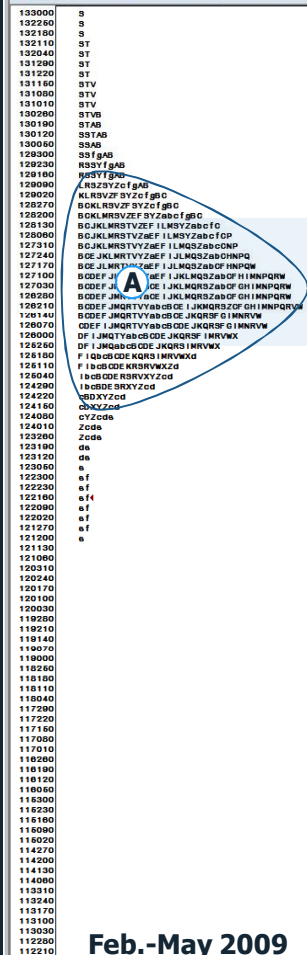
Chart Source: CQG, Inc. © All Rights Reserved



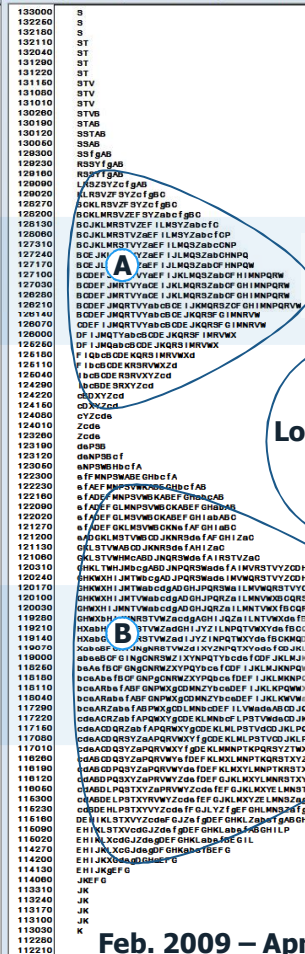
# Markets move from High Usage to Low Usage

# Conjoined Bell Curves Create Context of Unexplored Value

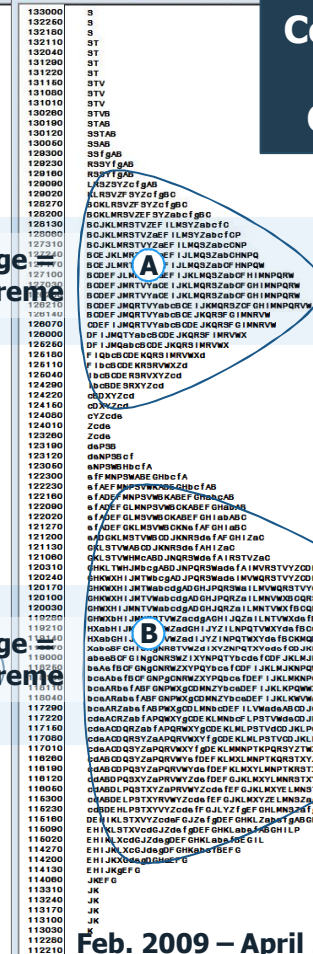
USA - 30yr US Treasury Bonds (Globex), Daily Continuation MP



USA - 30yr US Treasury Bonds (Globex), Daily Continuation MP



USA - 30yr US Treasury Bonds (Globex), Daily Continuation MP

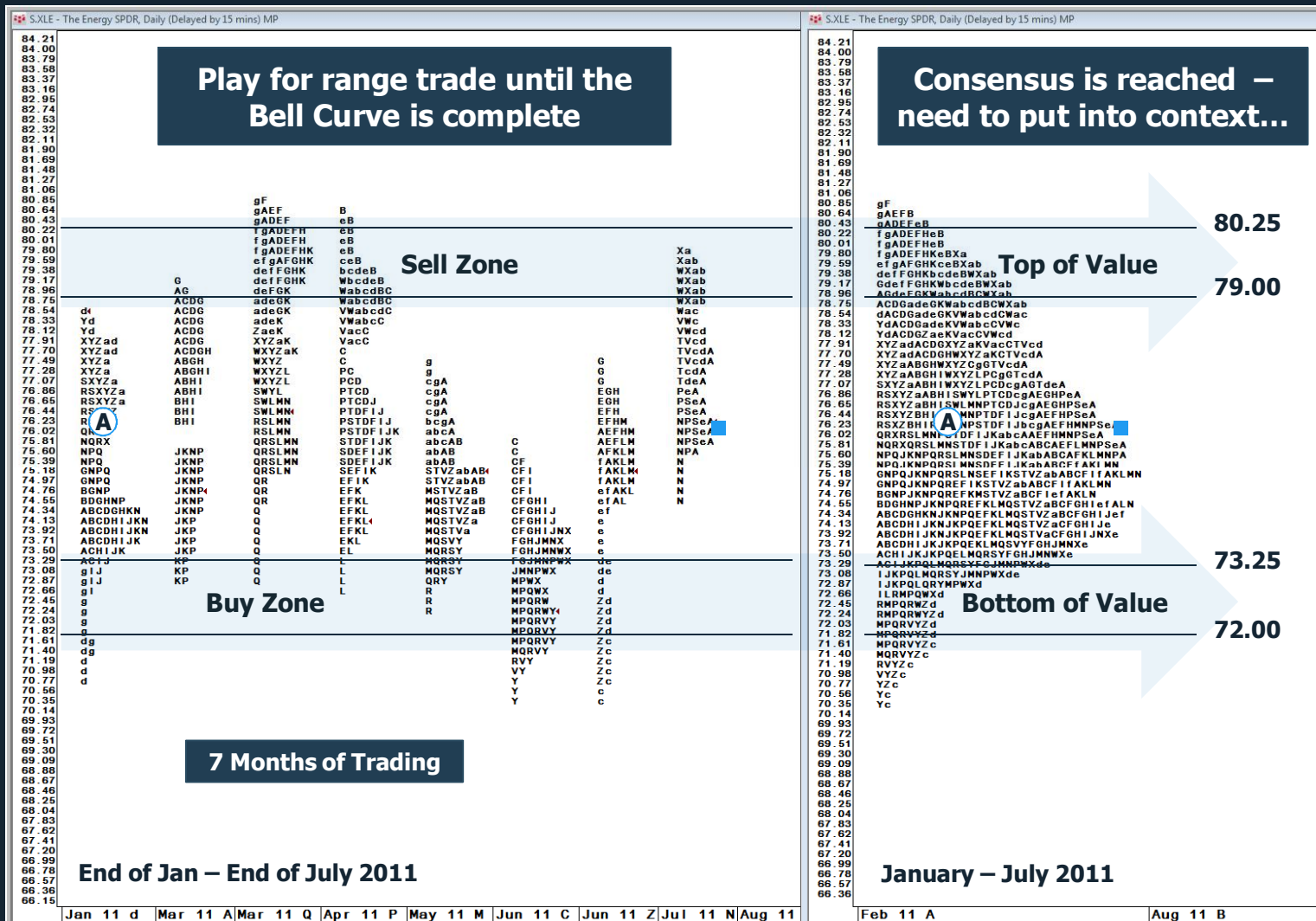


## Construction of a larger Bell Curve begins

30-Year T-Bonds, Feb. 2009 – April 2010

30-Year T-Bonds, Feb. 2009 – June 2010

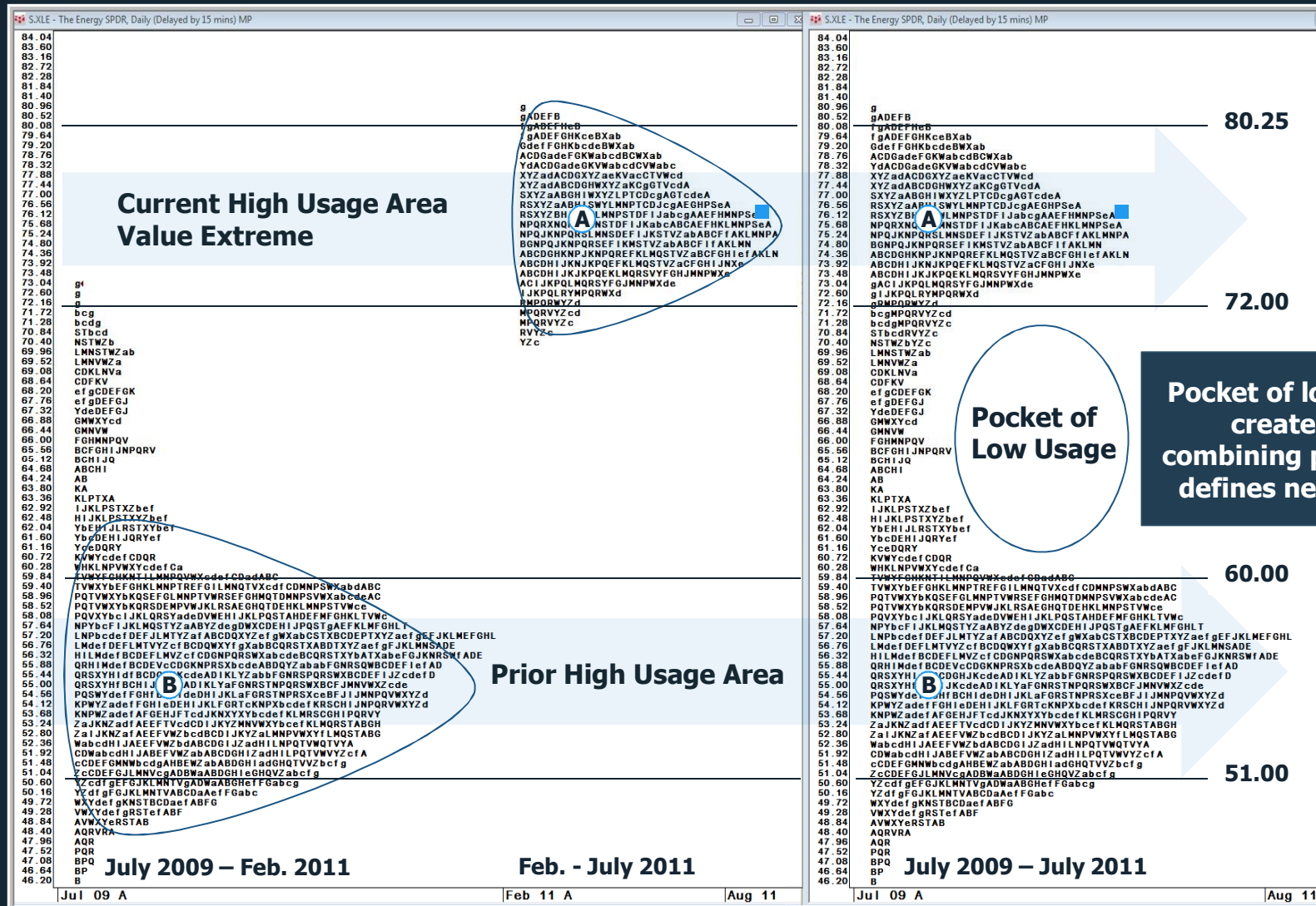
# Organizing the Data into Bell Curves



XLE – Energy Sector SPDR, Jan. – July 2011

Chart Source: CQG, Inc. © All Rights Reserved

# Look for Matching or Greater Mode



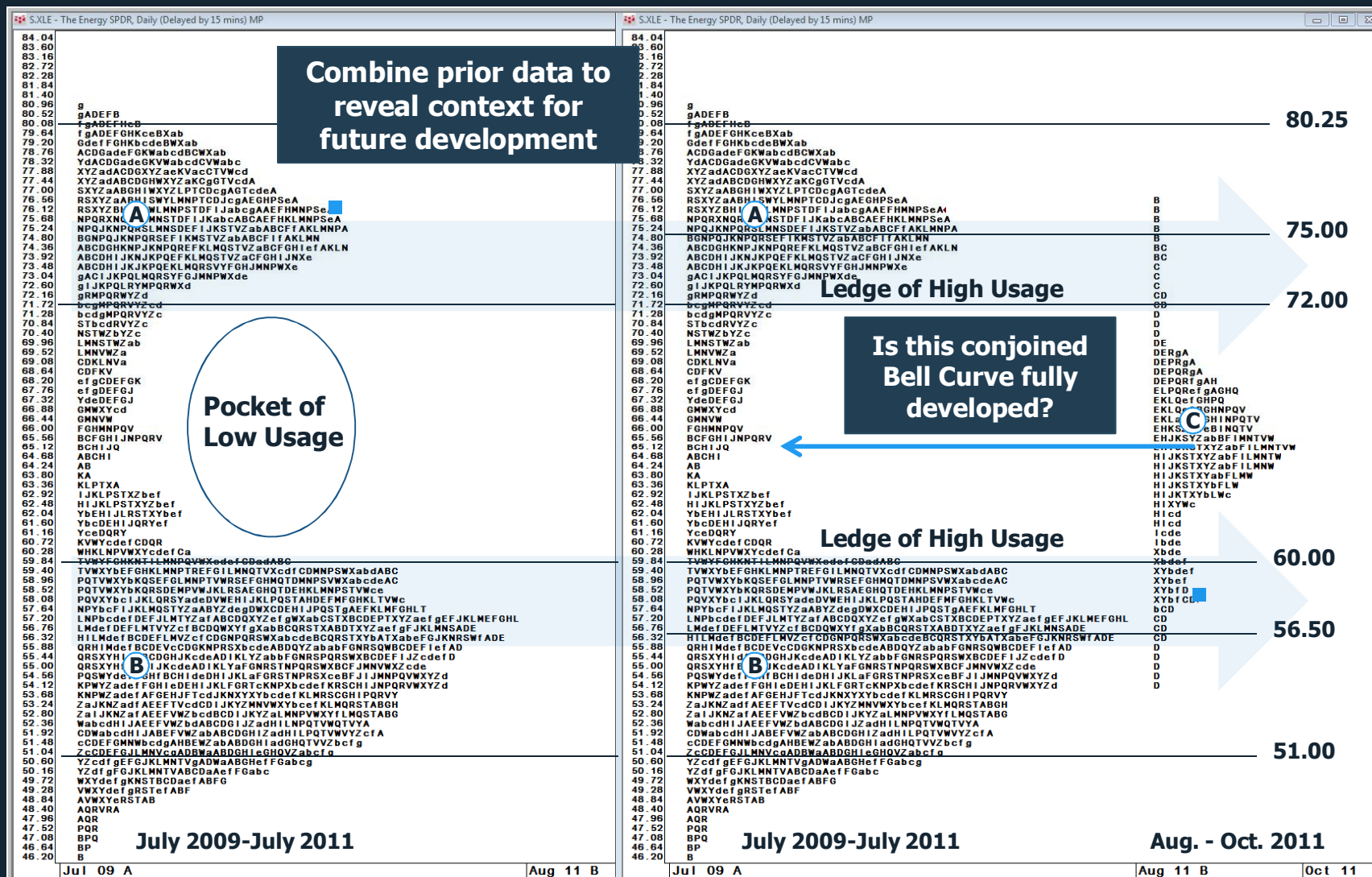
XLE – Energy Sector SPDR, July 2009 – July 2011

Chart Source: CQG, Inc. © All Rights Reserved



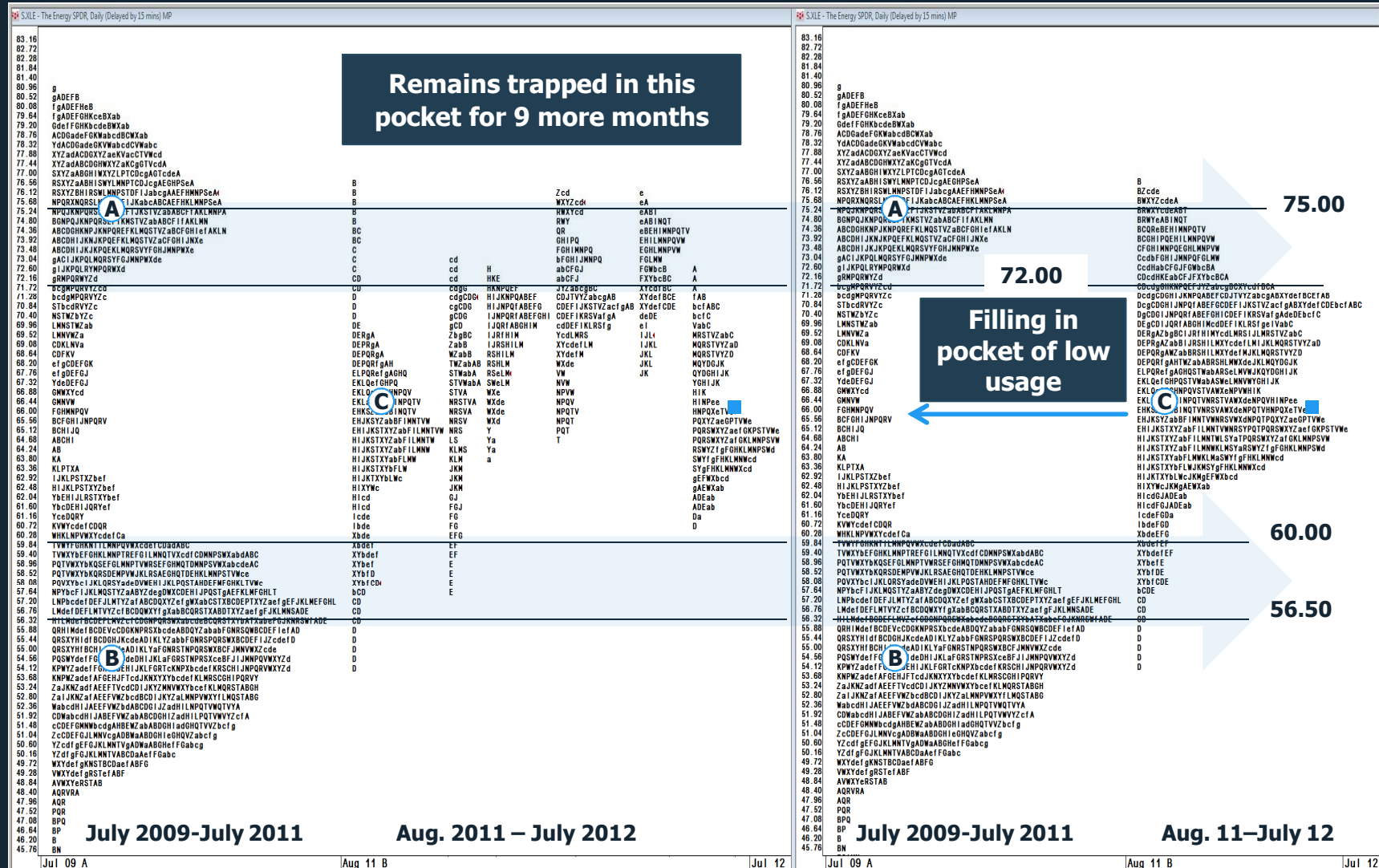


# Value Extremes Bracket Price Extremes



XLE – Energy Sector SPDR, July 2009 – Oct. 2011

# Development within Pocket of Low Usage



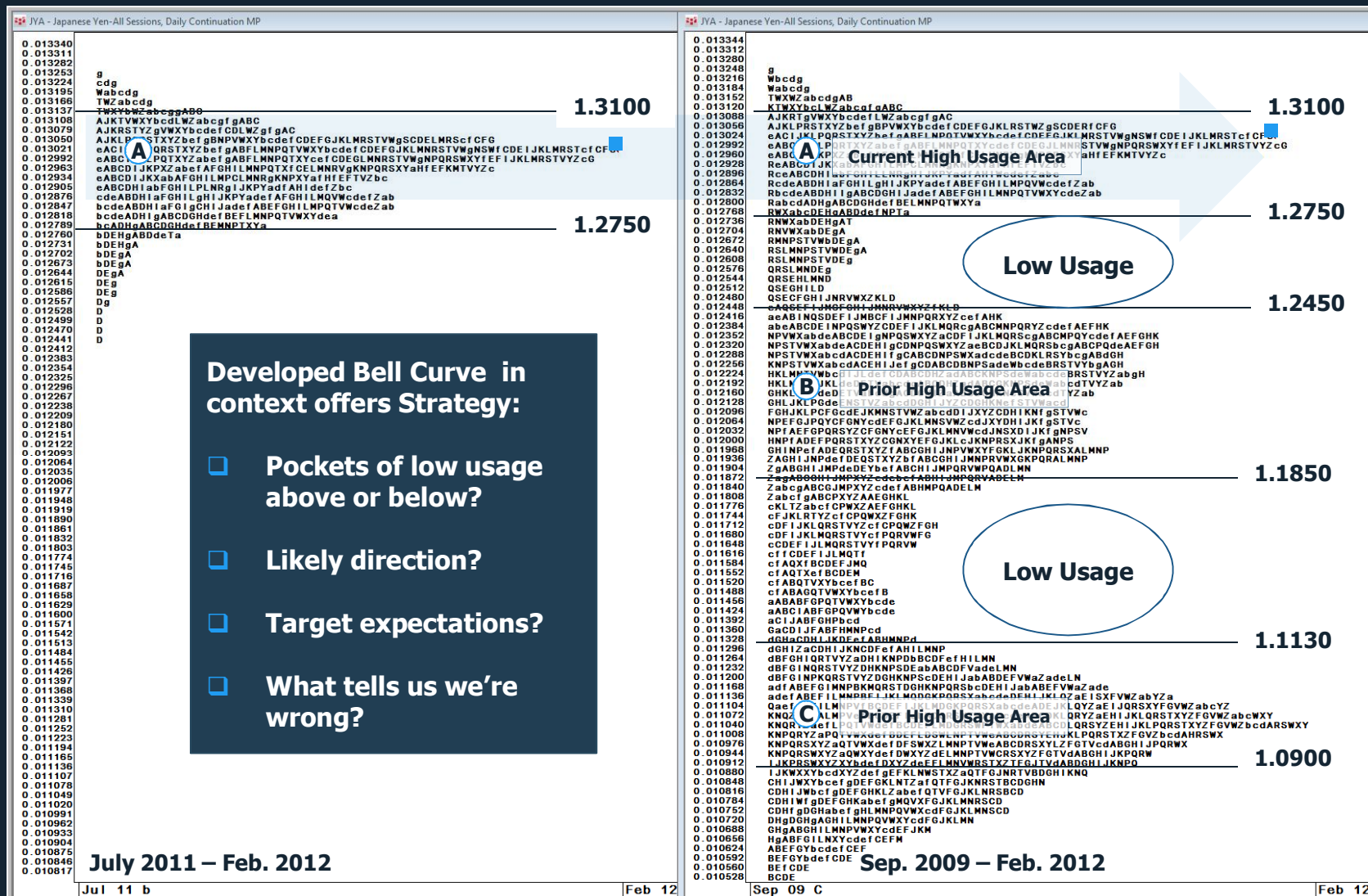
XLE – Energy Sector SPDR, July 2009 – July 2012



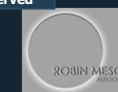
# Organizing the Data

- ❑ A full Cycle of Market Activity is when the market completes a Bell Curve.
- ❑ Once the Bell Curve is complete, a new directional move begins in search of either new value or will explore prior under-developed value areas.
- ❑ In order to anticipate the new direction, the completed Bell Curve is put into context of a larger incomplete Bell Curve.
- ❑ We look for where low usage areas exist that are either above or below the completed Bell Curve to determine the next directional move.

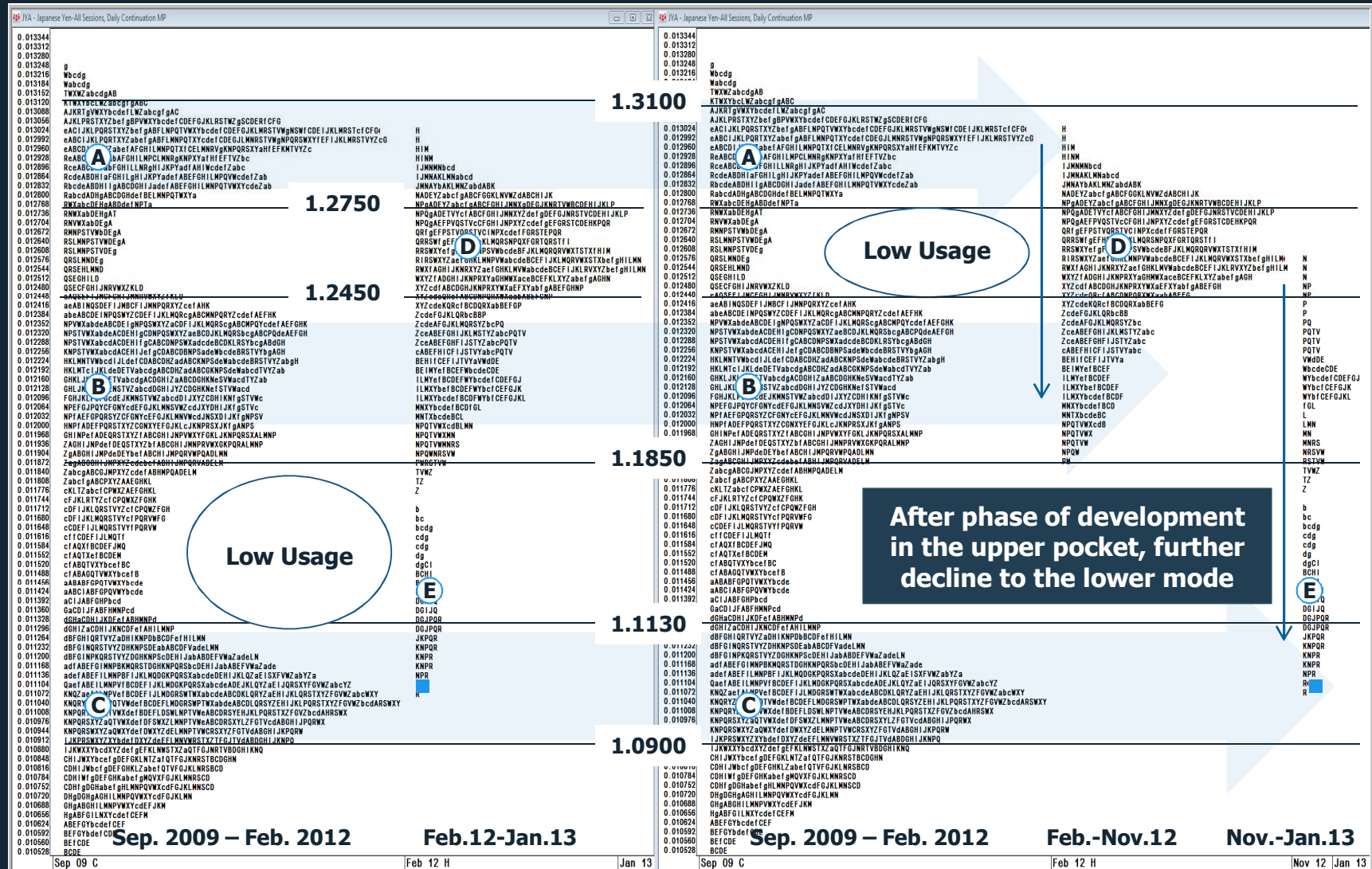
# Complete Bell Curve: Ready to Seek New Value



Japanese Yen, Sep. 2009 – Feb. 2012



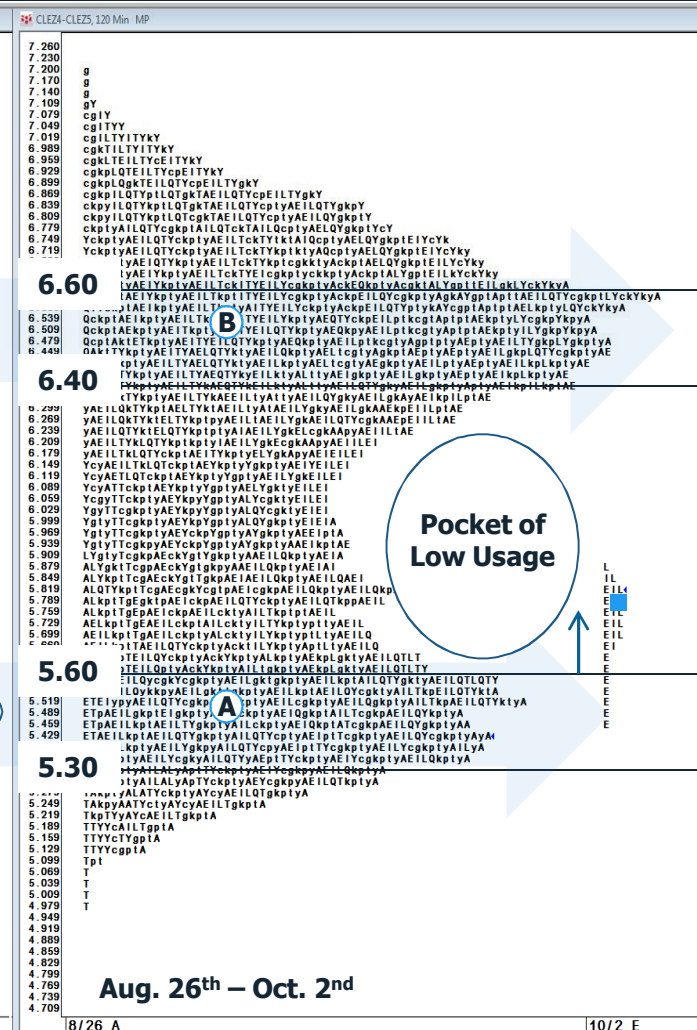
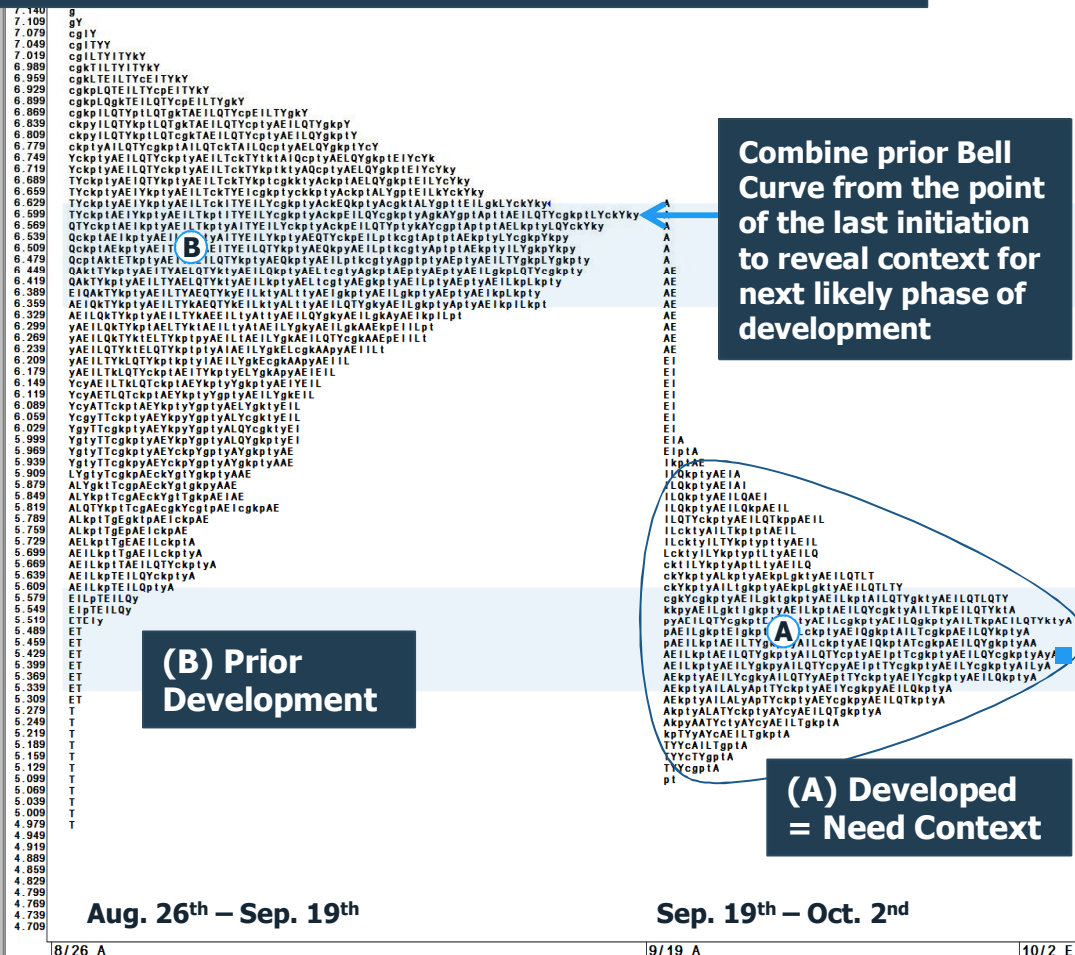
# Exploring Context of Under-Developed Value





# Conjoin Bell Curves for Context

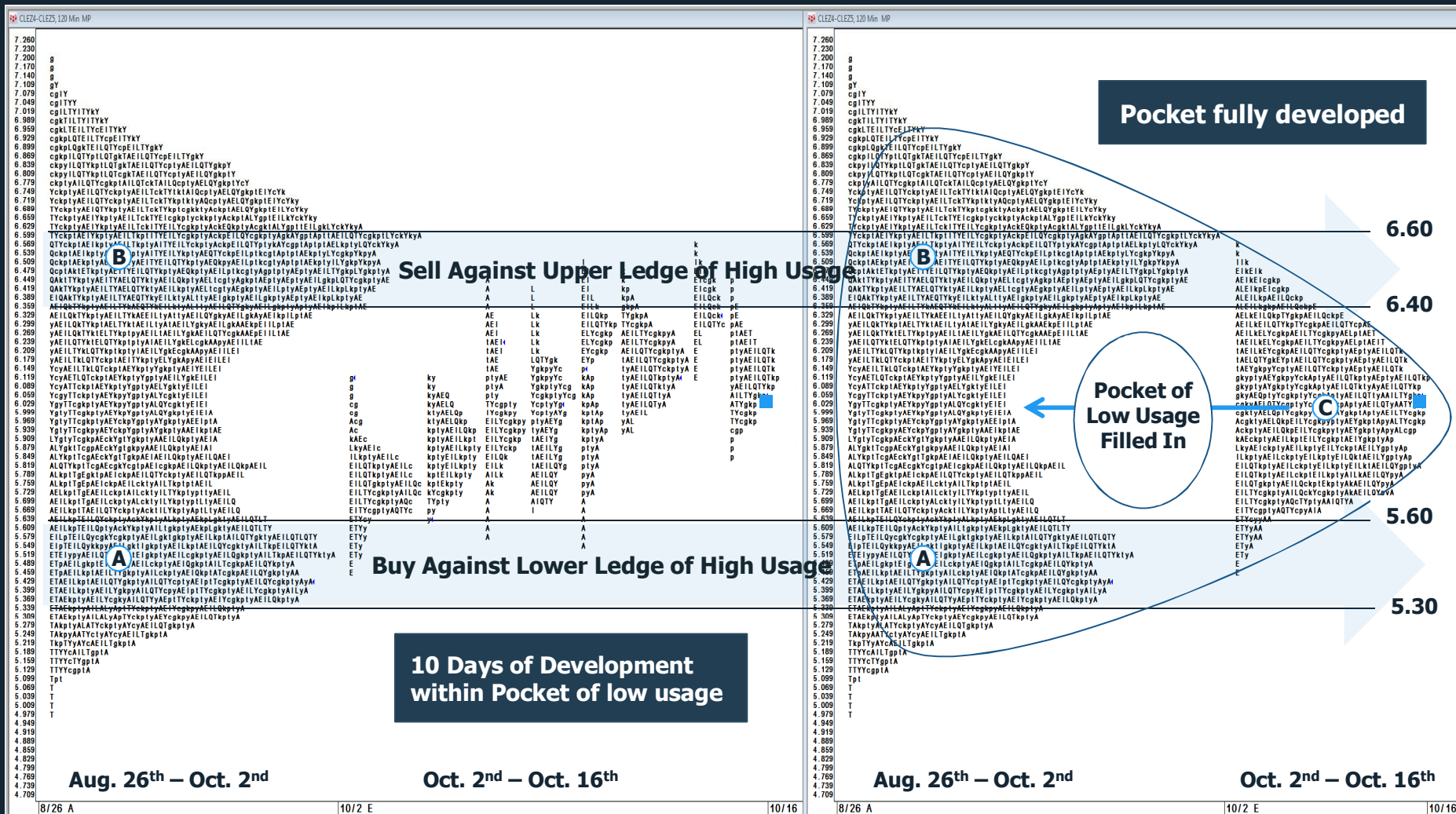
## Crude Spread: Long Z14 / Short Z15



US Crude Light Spread, Long Dec.14 Contract – Short Dec.15 Contract, August – Oct. 2013

Chart Source: CQG, Inc. © All Rights Reserved

# Range Trade Underdeveloped Pocket



US Crude Light Spread, Long Dec.14 Contract – Short Dec.15 Contract, August – Oct. 2013

Chart Source: CQG, Inc. © All Rights Reserved

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ROBIN MESCO  
ASSOCIATES

# Building a Trading Strategy with Bell Curves

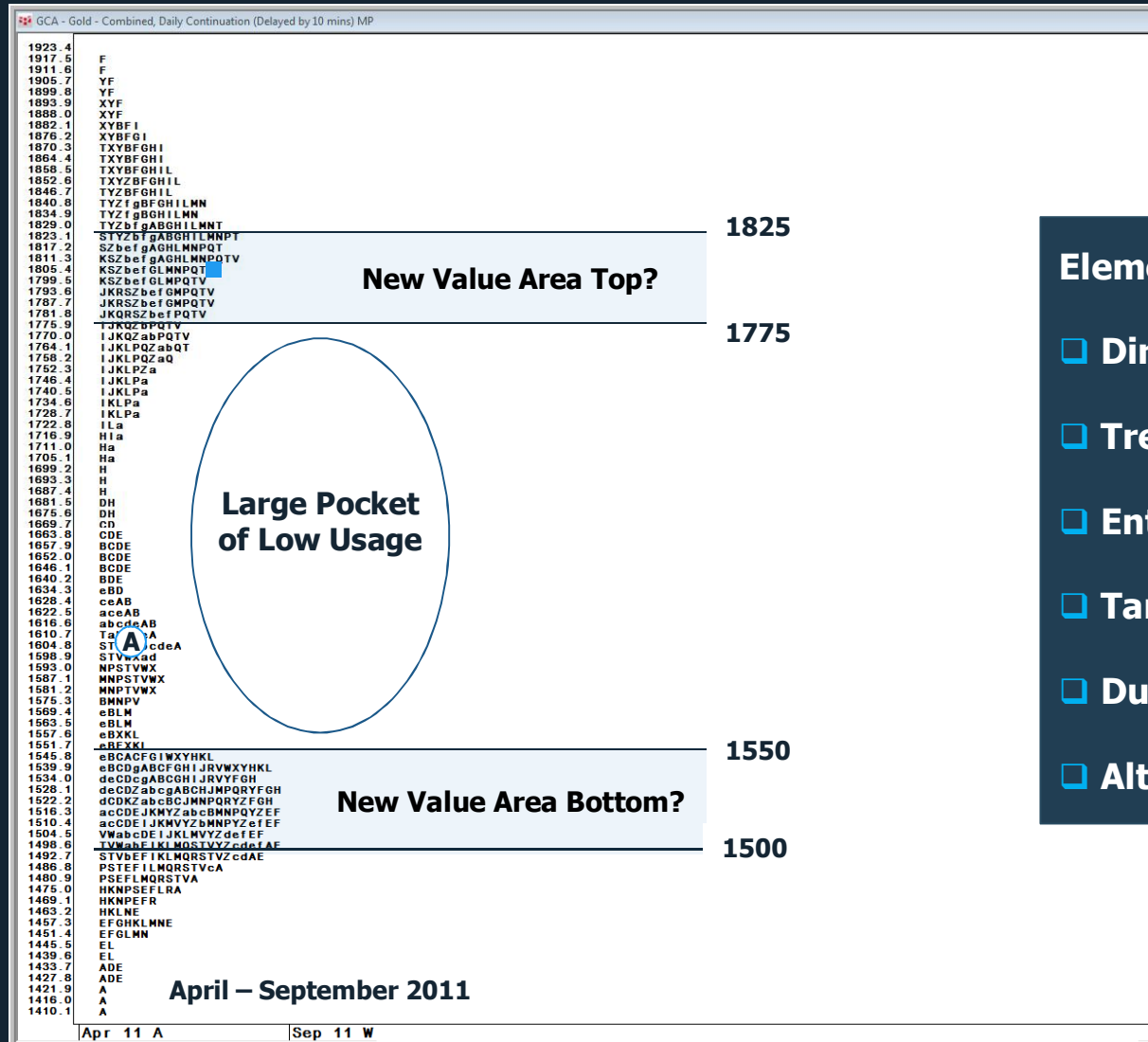
- ❑ Range Trade underdeveloped Bell Curves until they are complete.
- ❑ Conjoin completed Bell Curves into a larger under-developed context.
- ❑ Trade for Development of low-usage areas until the larger under-developed context is integrated into a completed Bell Curve.

# GOLD

## April 2011 to Current



# Range Trade Underdeveloped Bell Curve



## Elements of a Strategy:

- ☐ Direction
- ☐ Trend/Consolidation
- ☐ Entry Location
- ☐ Target and Stop
- ☐ Duration of Strategy
- ☐ Alternative Scenario

Gold, April – September 2011

Chart Source: CQG, Inc. © All Rights Reserved

# Range Trade Underdeveloped Bell Curve

GCA - Gold - Combined, Daily Continuation (Delayed by 10 mins) MP

16 months of development within  
the long-term pocket of low usage

Sell Value Area Top

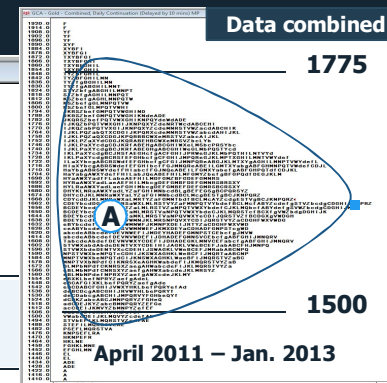
1825

1775

Buy Value Area Bottom

1550

1500



What do we  
need now?

April – Sep. 11

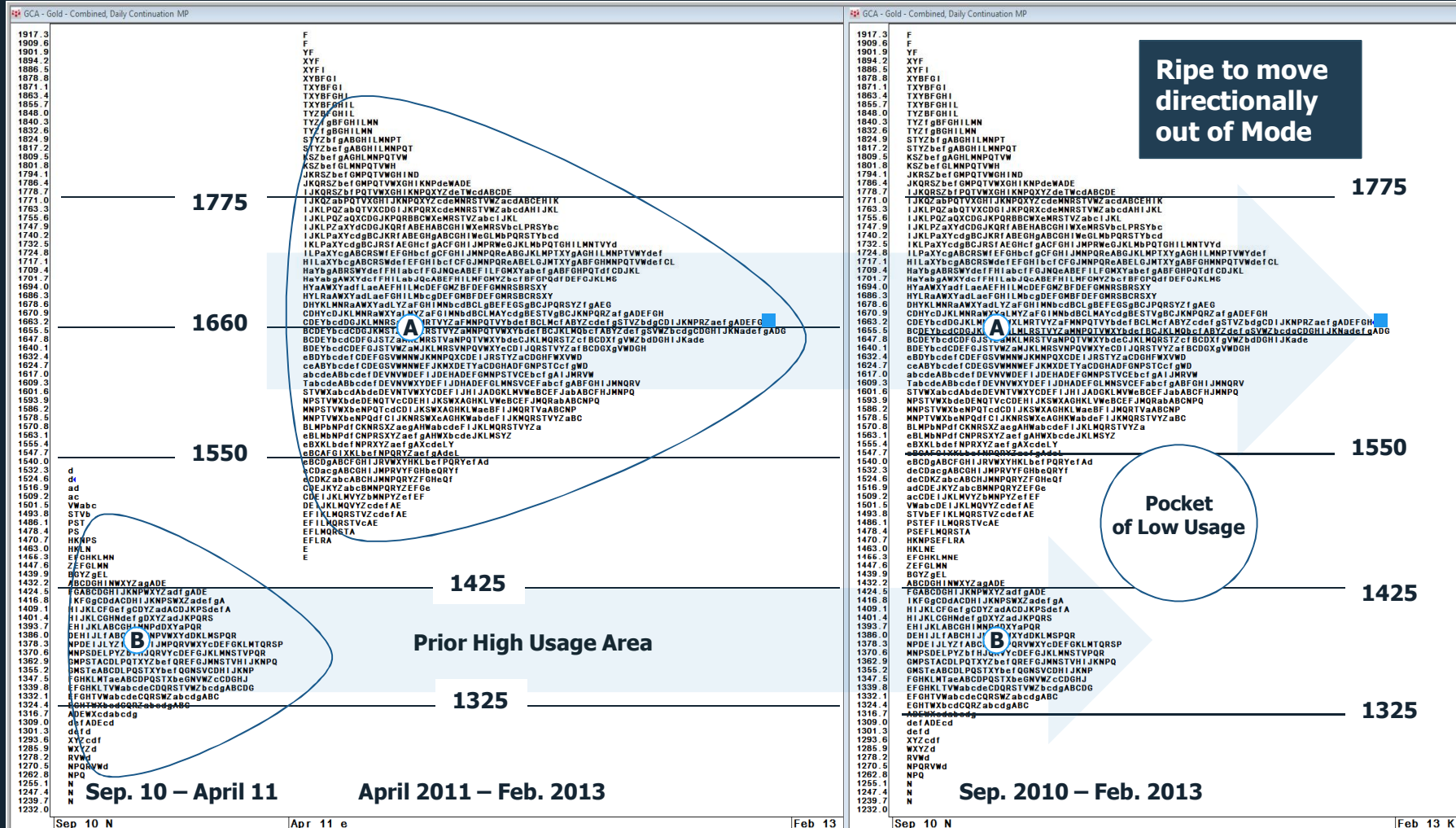
September 2011 – January 2013

Apr 11 A Sep 11 W Sep 11 f Nov 11 H Nov 11 a Jan 12 C Feb 12 e May 12 A Aug 12 A Oct 12 L Dec 12 L

Gold, April 2011 – January 2013

Chart Source: CQG, Inc. © All Rights Reserved

# Conjoin Bell Curves for Context



# Conjoin Bell Curves for Context: Comparing Modes of Bell Curves

GCA - Gold - Combined, Daily Continuation MP

1917.3	F
1909.6	YF
1894.2	XYF
1886.5	XYBFGI
1878.8	XYBFGI
1871.1	TXBFGI
1863.4	TXBFGI
1855.7	TXBFGI
1848.0	TYZBFGI
1840.3	TYZBFGI
1832.6	TYZBFGI
1824.9	STYZBFGI
1817.2	STYZBFGI
1809.5	KSZBFGI
1801.8	KSZBFGI
1794.1	JKRSZBFGI
1786.4	JKRSZBFGI
1778.7	JKRSZBFGI
1771.0	JKRSZBFGI
1763.3	JKRSZBFGI
1755.6	JKRSZBFGI
1747.9	JKRSZBFGI
1740.2	JKRSZBFGI
1732.5	JKRSZBFGI
1724.8	JKRSZBFGI
1717.1	JKRSZBFGI
1709.4	JKRSZBFGI
1701.7	JKRSZBFGI
1694.0	JKRSZBFGI
1686.3	JKRSZBFGI
1678.6	JKRSZBFGI
1670.9	JKRSZBFGI
1663.2	JKRSZBFGI
1655.5	JKRSZBFGI
1647.8	JKRSZBFGI
1640.1	JKRSZBFGI
1632.4	JKRSZBFGI
1624.7	JKRSZBFGI
1617.0	JKRSZBFGI
1609.3	JKRSZBFGI
1601.6	JKRSZBFGI
1593.9	JKRSZBFGI
1586.2	JKRSZBFGI
1578.5	JKRSZBFGI
1570.8	JKRSZBFGI
1563.1	JKRSZBFGI
1555.4	JKRSZBFGI
1547.7	JKRSZBFGI
1540.0	JKRSZBFGI
1532.3	JKRSZBFGI
1524.6	JKRSZBFGI
1516.9	JKRSZBFGI
1509.2	JKRSZBFGI
1501.5	JKRSZBFGI
1493.8	JKRSZBFGI
1486.1	JKRSZBFGI
1478.4	JKRSZBFGI
1470.7	JKRSZBFGI
1463.0	JKRSZBFGI
1455.3	JKRSZBFGI
1447.6	JKRSZBFGI
1439.9	JKRSZBFGI
1432.2	JKRSZBFGI
1424.5	JKRSZBFGI
1416.8	JKRSZBFGI
1409.1	JKRSZBFGI
1401.4	JKRSZBFGI
1393.7	JKRSZBFGI
1386.0	JKRSZBFGI
1378.3	JKRSZBFGI
1370.6	JKRSZBFGI
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1332.1	JKRSZBFGI
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1309.0	JKRSZBFGI
1301.3	JKRSZBFGI
1293.6	JKRSZBFGI
1285.9	JKRSZBFGI
1278.2	JKRSZBFGI
1270.5	JKRSZBFGI
1262.8	JKRSZBFGI
1255.1	JKRSZBFGI
1247.4	JKRSZBFGI
1239.7	JKRSZBFGI
1232.0	JKRSZBFGI

What's our strategy?

1775

Pocket  
of Low Usage

1550

1425

1325

Sep. 2010 – Feb. 2013

Sep 10 N

Feb 13 K

Gold, September 2010 – February 2013

GCA - Gold - Combined, Daily Continuation MP

1900.5	F
1890.0	YF
1879.5	XYBFGI
1869.0	TXBFGI
1858.5	TXBFGI
1848.0	TYZBFGI
1837.5	TYZBFGI
1827.0	STYZBFGI
1816.5	STYZBFGI
1806.0	KSZBFGI
1795.5	KSZBFGI
1785.0	JKRSZBFGI
1774.5	JKRSZBFGI
1764.0	JKRSZBFGI
1753.5	JKRSZBFGI
1743.0	JKRSZBFGI
1732.5	JKRSZBFGI
1722.0	JKRSZBFGI
1711.5	JKRSZBFGI
1701.0	JKRSZBFGI
1690.5	JKRSZBFGI
1680.0	JKRSZBFGI
1669.5	JKRSZBFGI
1659.0	JKRSZBFGI
1648.5	JKRSZBFGI
1638.0	JKRSZBFGI
1627.5	JKRSZBFGI
1617.0	JKRSZBFGI
1606.5	JKRSZBFGI
1596.0	JKRSZBFGI
1585.5	JKRSZBFGI
1575.0	JKRSZBFGI
1564.5	JKRSZBFGI
1554.0	JKRSZBFGI
1543.5	JKRSZBFGI
1533.0	JKRSZBFGI
1522.5	JKRSZBFGI
1512.0	JKRSZBFGI
1501.5	JKRSZBFGI
1491.0	JKRSZBFGI
1480.5	JKRSZBFGI
1470.0	JKRSZBFGI
1459.5	JKRSZBFGI
1449.0	JKRSZBFGI
1438.5	JKRSZBFGI
1428.0	JKRSZBFGI
1417.5	JKRSZBFGI
1407.0	JKRSZBFGI
1396.5	JKRSZBFGI
1386.0	JKRSZBFGI
1375.5	JKRSZBFGI
1365.0	JKRSZBFGI
1354.5	JKRSZBFGI
1344.0	JKRSZBFGI
1333.5	JKRSZBFGI
1323.0	JKRSZBFGI
1312.5	JKRSZBFGI
1302.0	JKRSZBFGI
1291.5	JKRSZBFGI
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1270.5	JKRSZBFGI
1260.0	JKRSZBFGI
1249.5	JKRSZBFGI
1239.0	JKRSZBFGI
1228.5	JKRSZBFGI
1218.0	JKRSZBFGI
1207.5	JKRSZBFGI
1197.0	JKRSZBFGI
1186.5	JKRSZBFGI
1176.0	JKRSZBFGI
1165.5	JKRSZBFGI
1155.0	JKRSZBFGI
1144.5	JKRSZBFGI
1134.0	JKRSZBFGI
1123.5	JKRSZBFGI
1113.0	JKRSZBFGI
1102.5	JKRSZBFGI
1092.0	JKRSZBFGI
1081.5	JKRSZBFGI
1071.0	JKRSZBFGI
1060.5	JKRSZBFGI
1050.0	JKRSZBFGI
1039.5	JKRSZBFGI
1029.0	JKRSZBFGI
1018.5	JKRSZBFGI
1008.0	JKRSZBFGI
997.5	JKRSZBFGI
987.0	JKRSZBFGI

Longer-Term Context

1775

1550

1425

1250

1090

Current mode (A)  
has overcome the  
last 2 prior modes

Oct. 2009 – Feb. 2013

Oct 09 E

Feb 13 K

Gold, October 2009 – February 2013

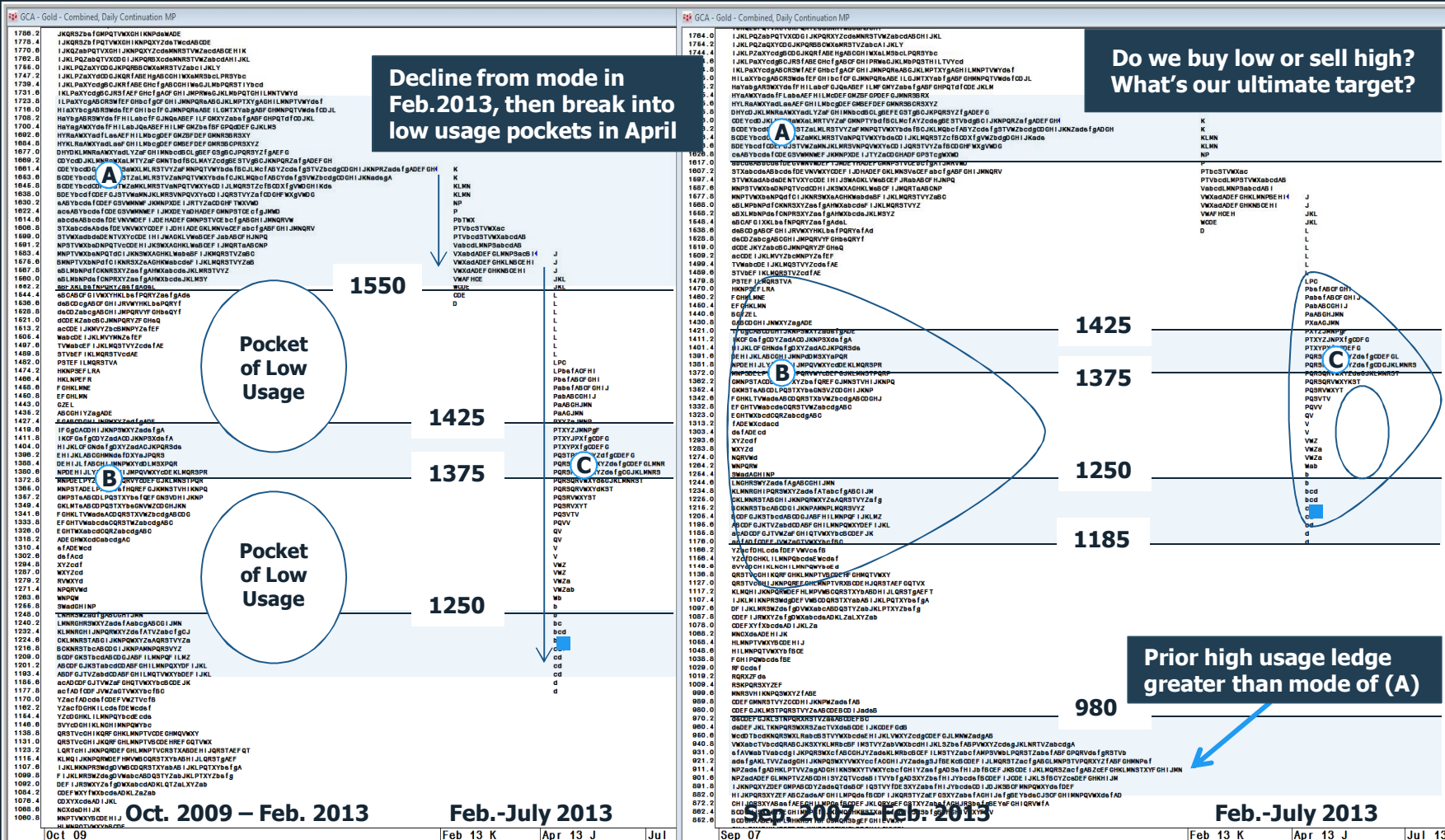
Chart Source: CQG, Inc. © All Rights Reserved





# Conjoin Bell Curves for Context

## Comparing Modes of Bell Curves



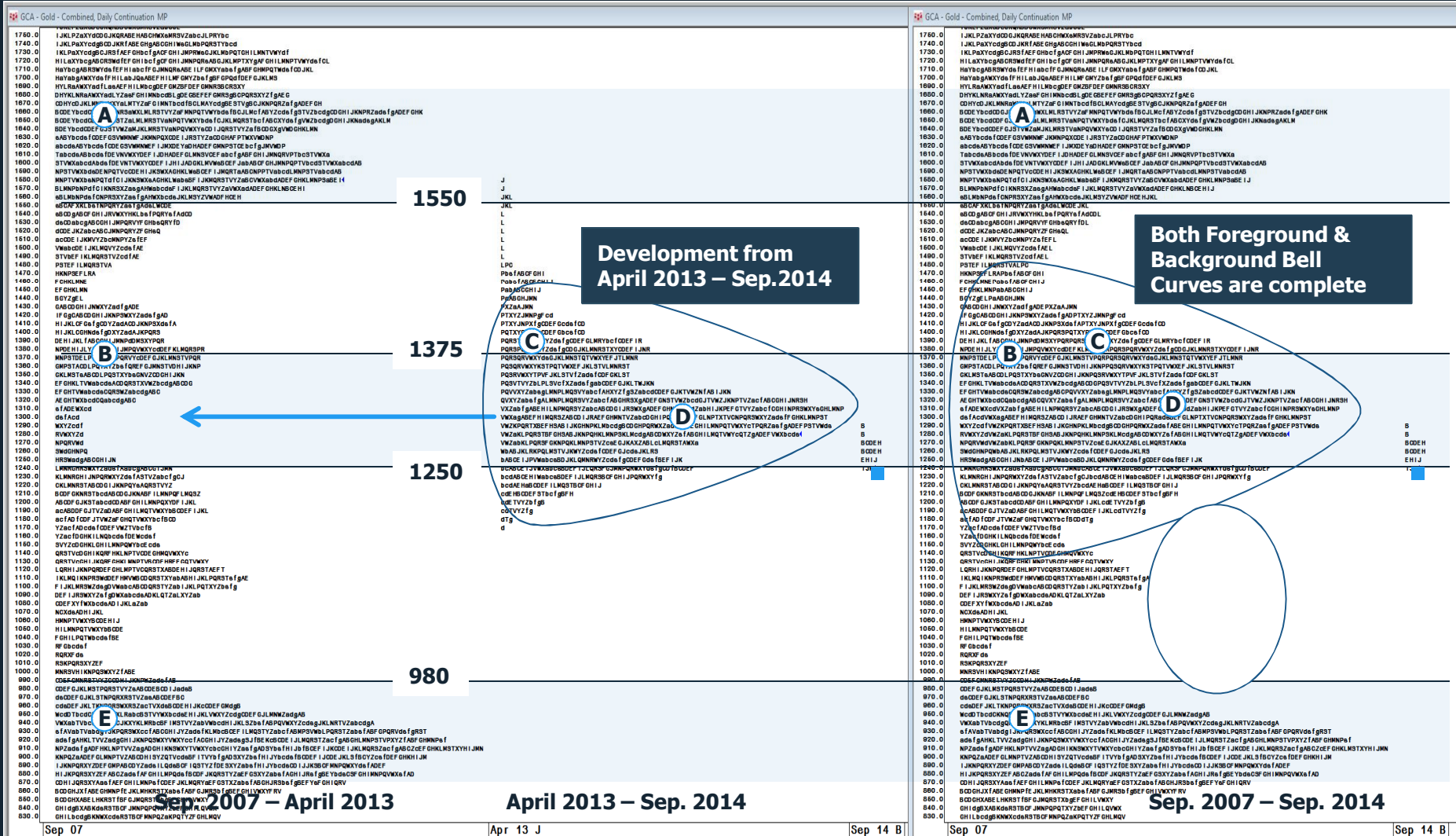
Gold, October 2009 – July 2013

Gold, September 2007 – July 2013



# Foreground and Background

## Consensus: Readiness to Move



Gold, September 2007 – September 2014

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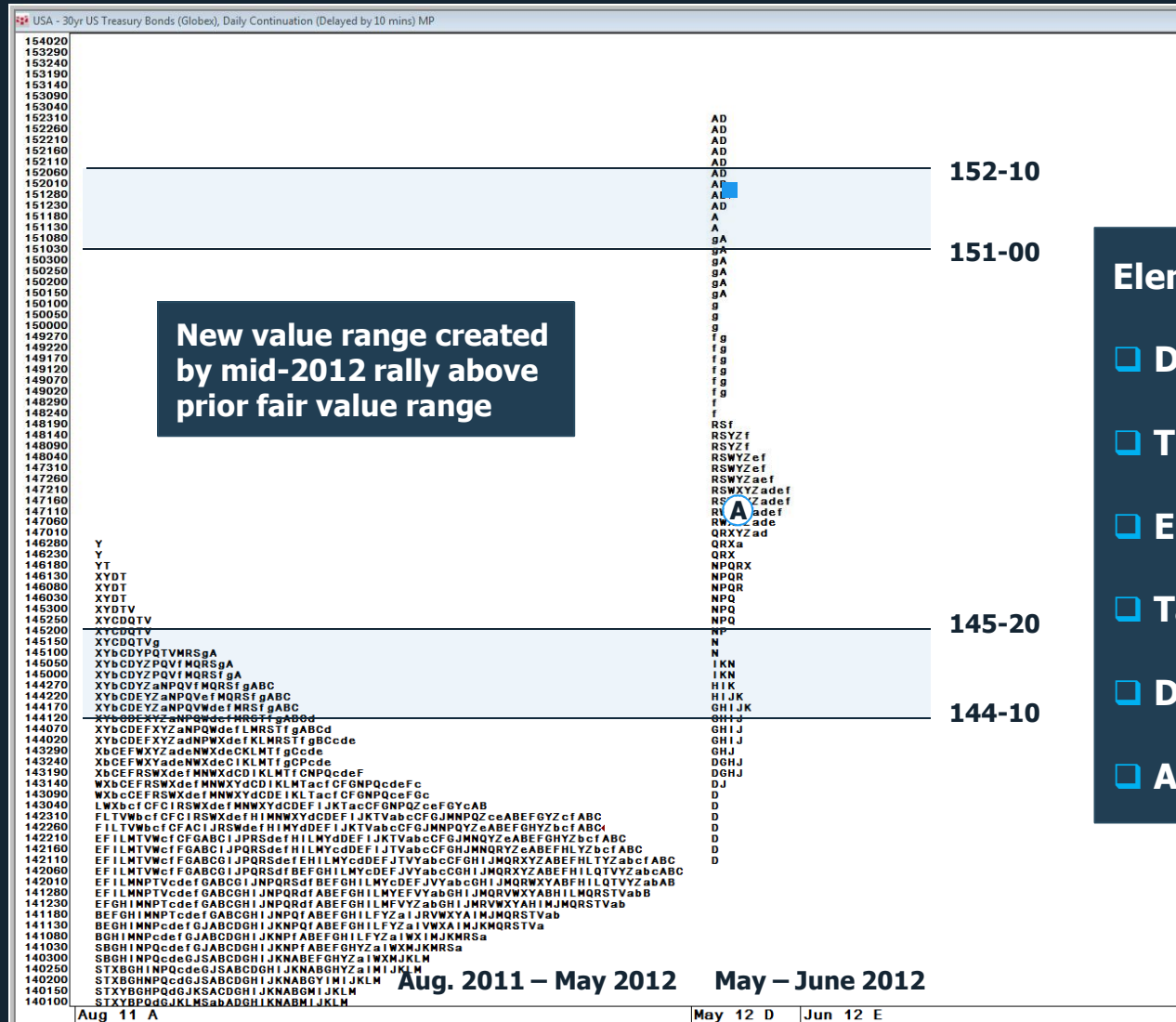




# 30-Year

# May 2012 to Current

# Range Trade Underdeveloped Bell Curve



## Elements of a Strategy:

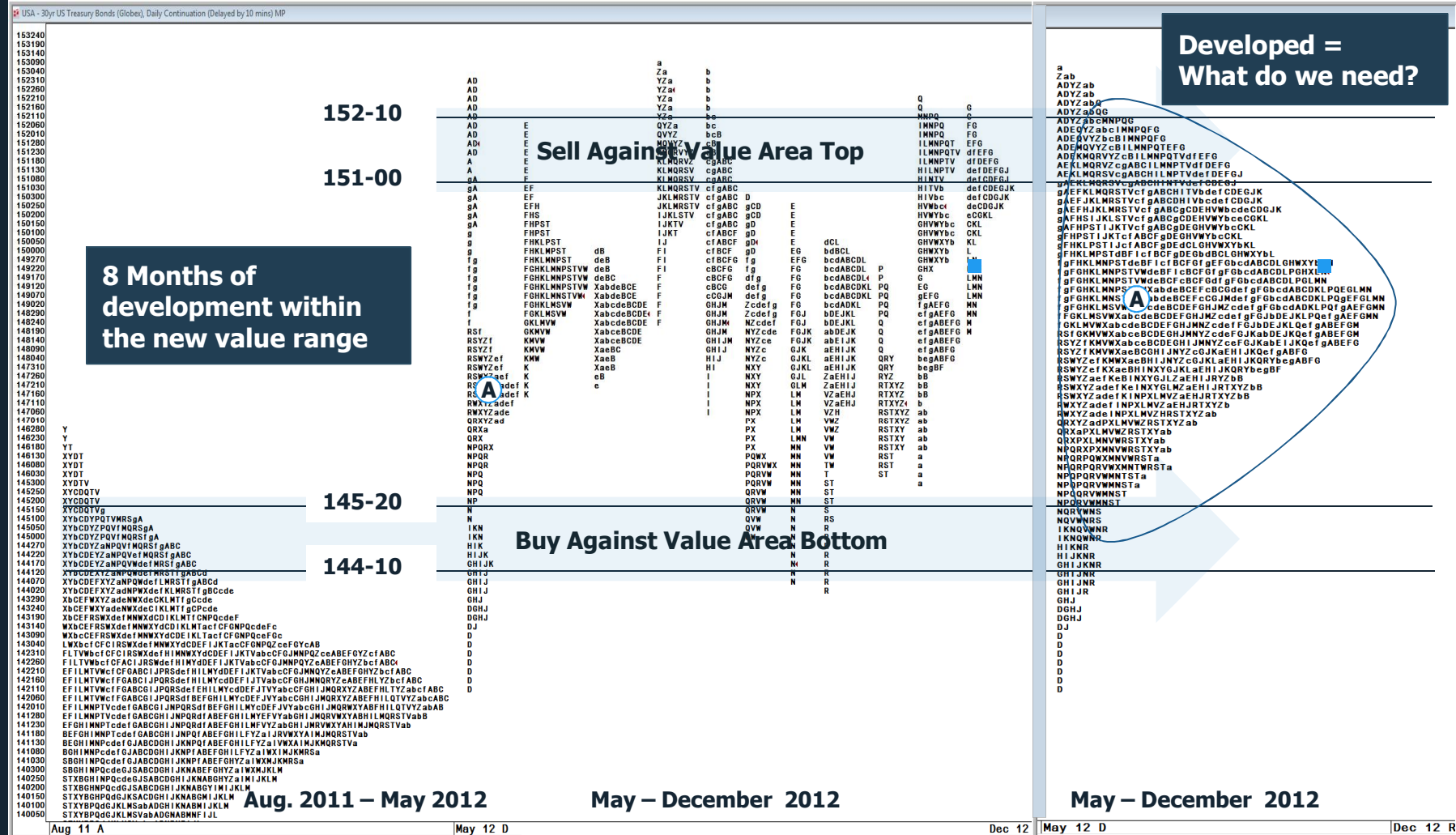
- Direction
- Trend/Consolidation
- Entry Location
- Target and Stop
- Duration of Strategy
- Alternative Scenario

30-Year T-Bonds, August 2011 – June 2012

Chart Source: CQG, Inc. © All Rights Reserved



# Range Trade Underdeveloped Bell Curve

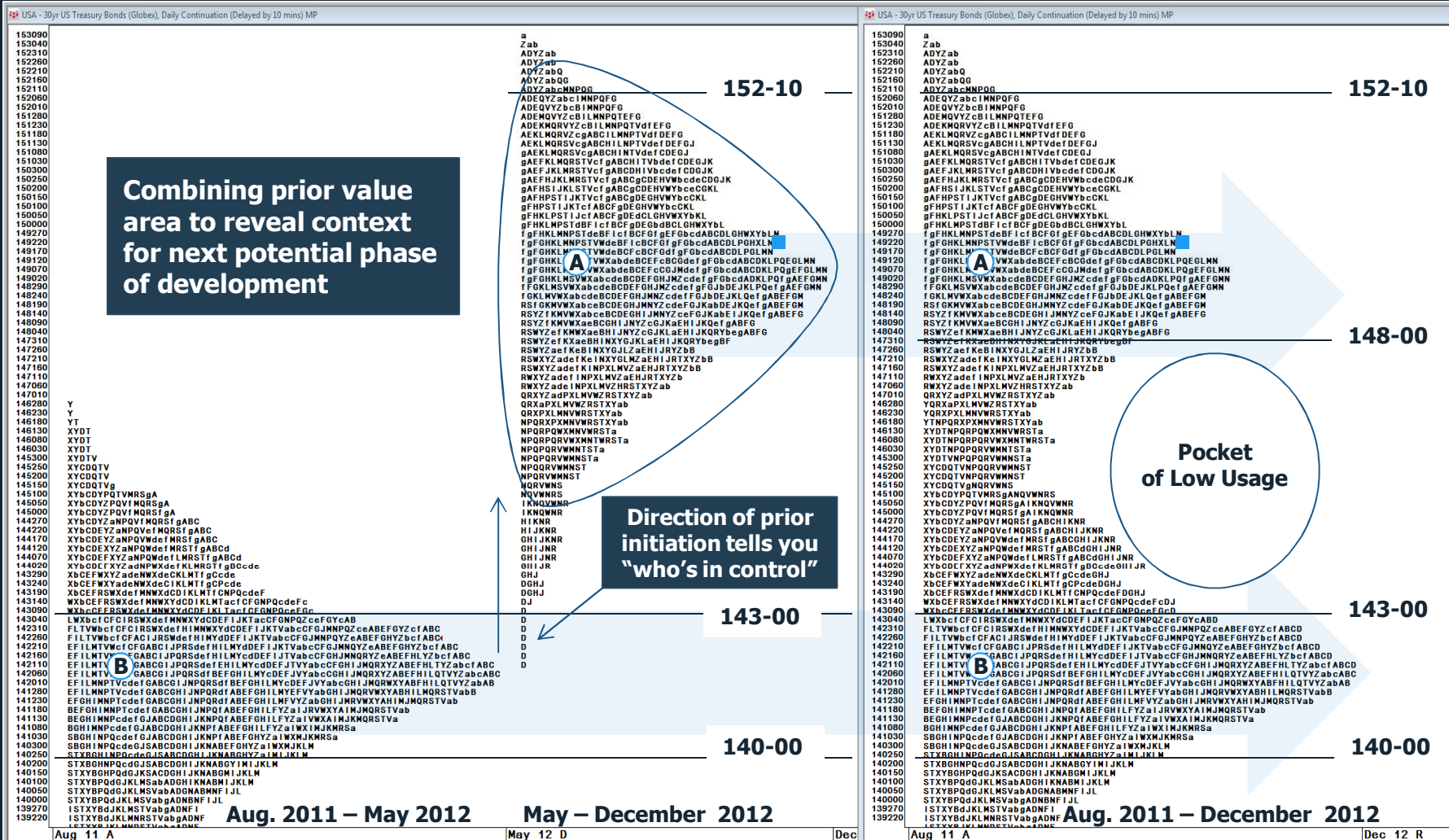


30-Year T-Bonds, August 2011 – December 2012

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# Conjoin Bell Curves for Context: Comparing Modes of Bell Curves



30-Year T-Bonds, August 2011 – December 2012

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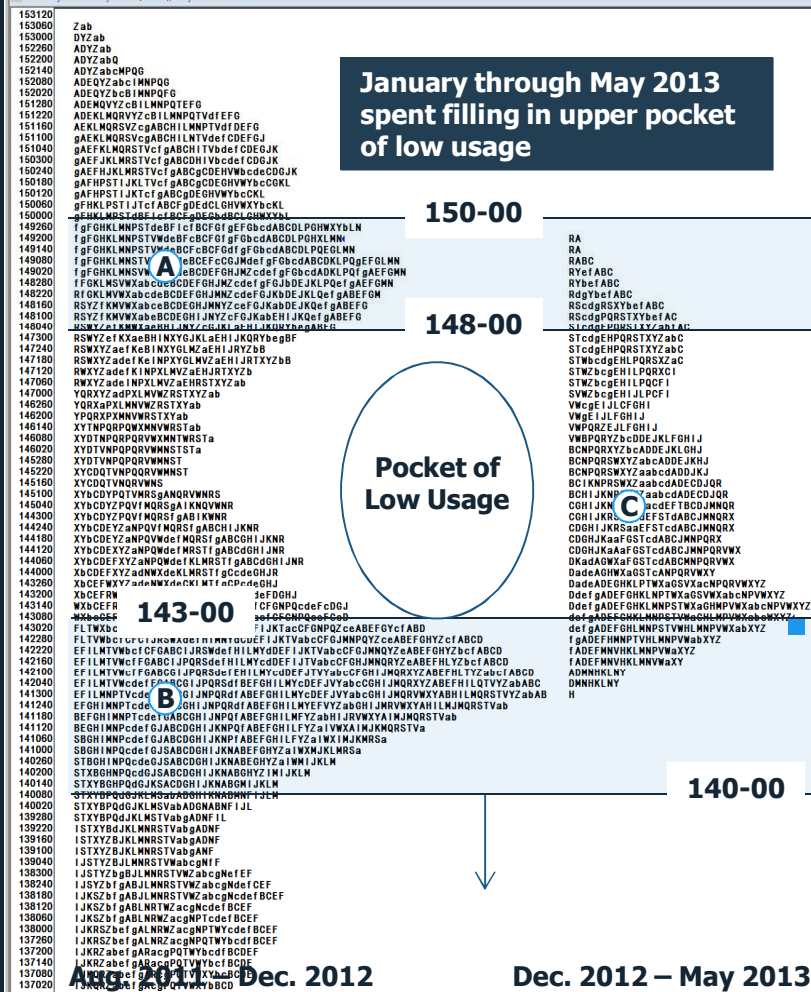




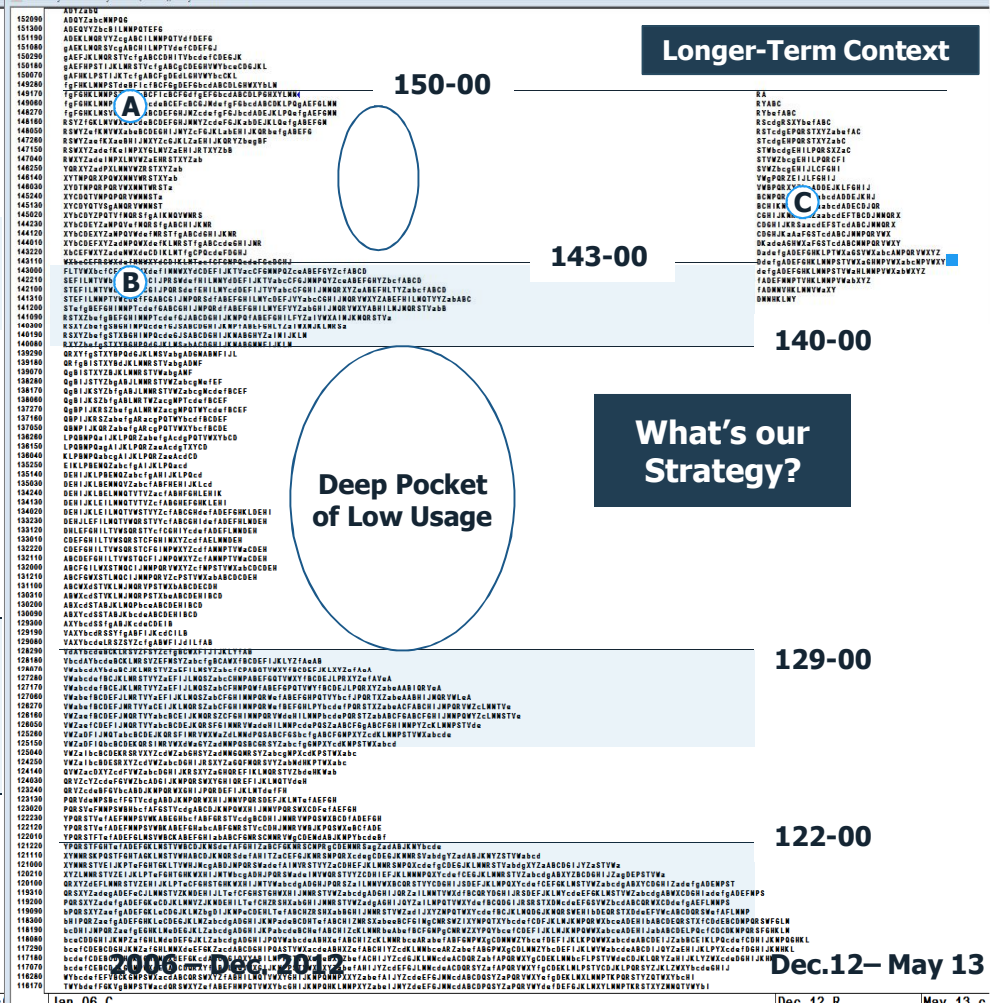
# Conjoin Bell Curves for context:

## Comparing Modes of Bell Curves

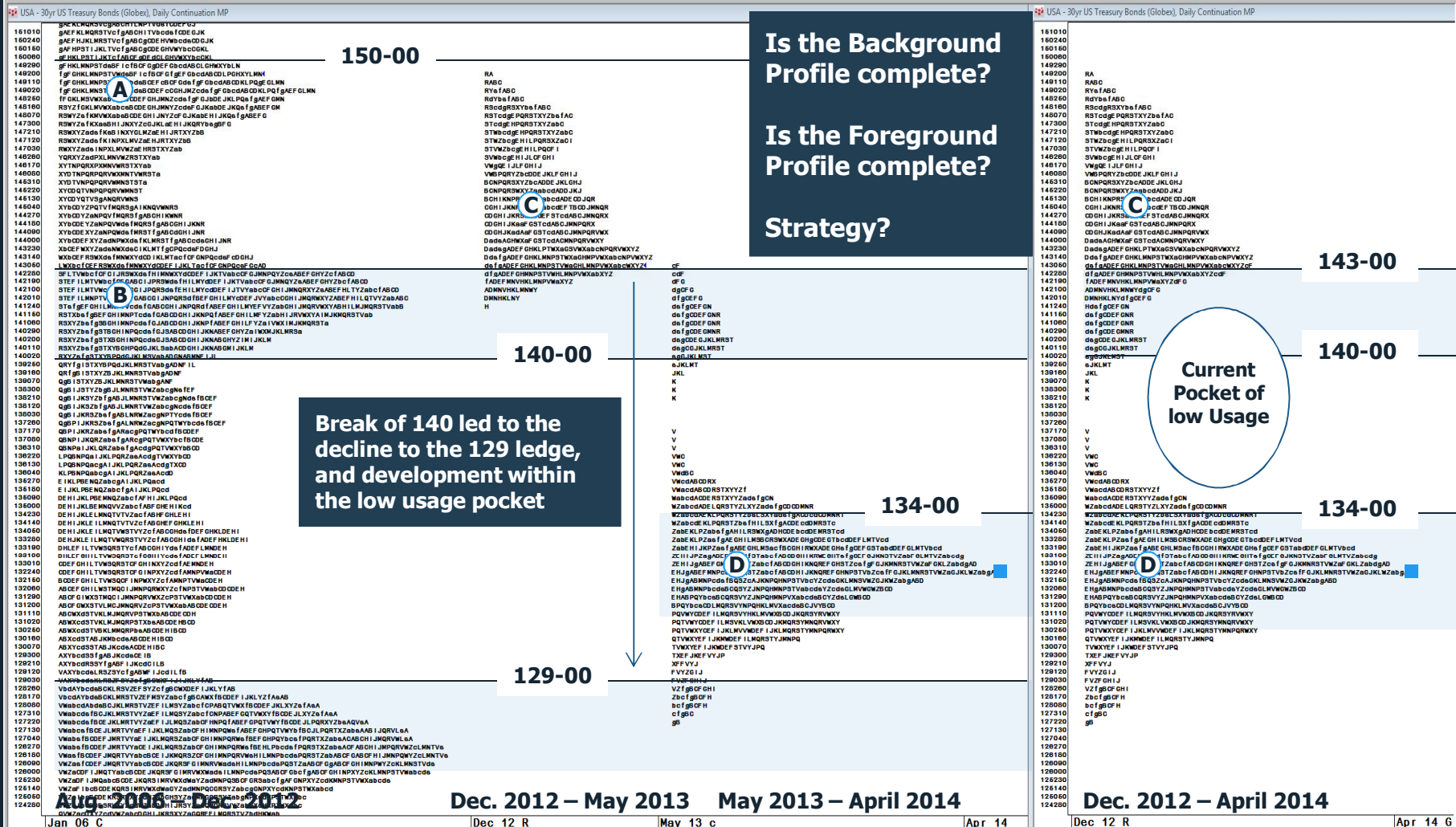
USA - 30yr US Treasury Bonds (Globex), Daily Continuation MP



USA - 30yr US Treasury Bonds (Globex), Daily Continuation MP



# Background Foreground Both Lack Consensus



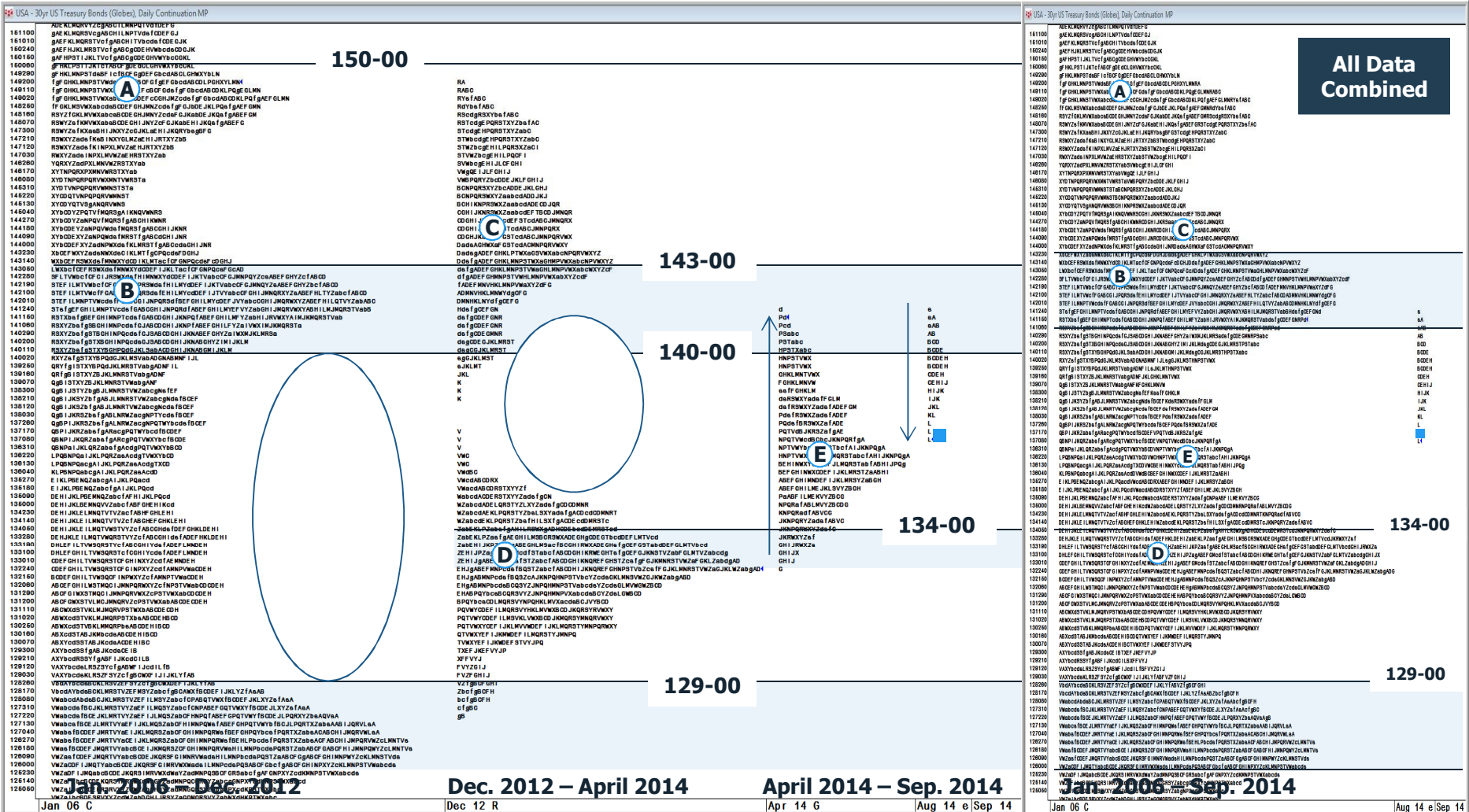
30-Year T-Bonds, January 2006 – April 2014

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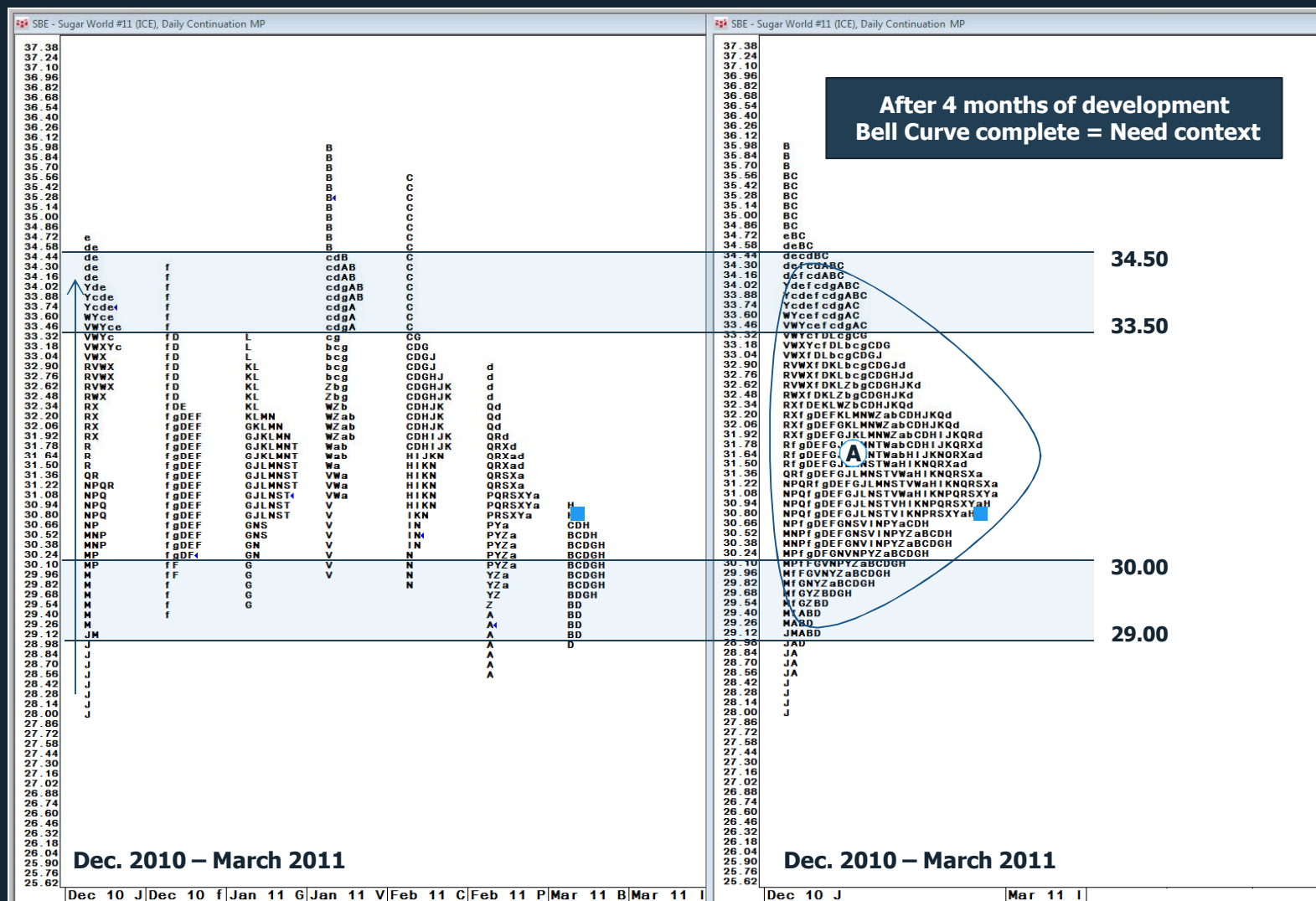
# Background Foreground Both Lack Consensus



# Sugar

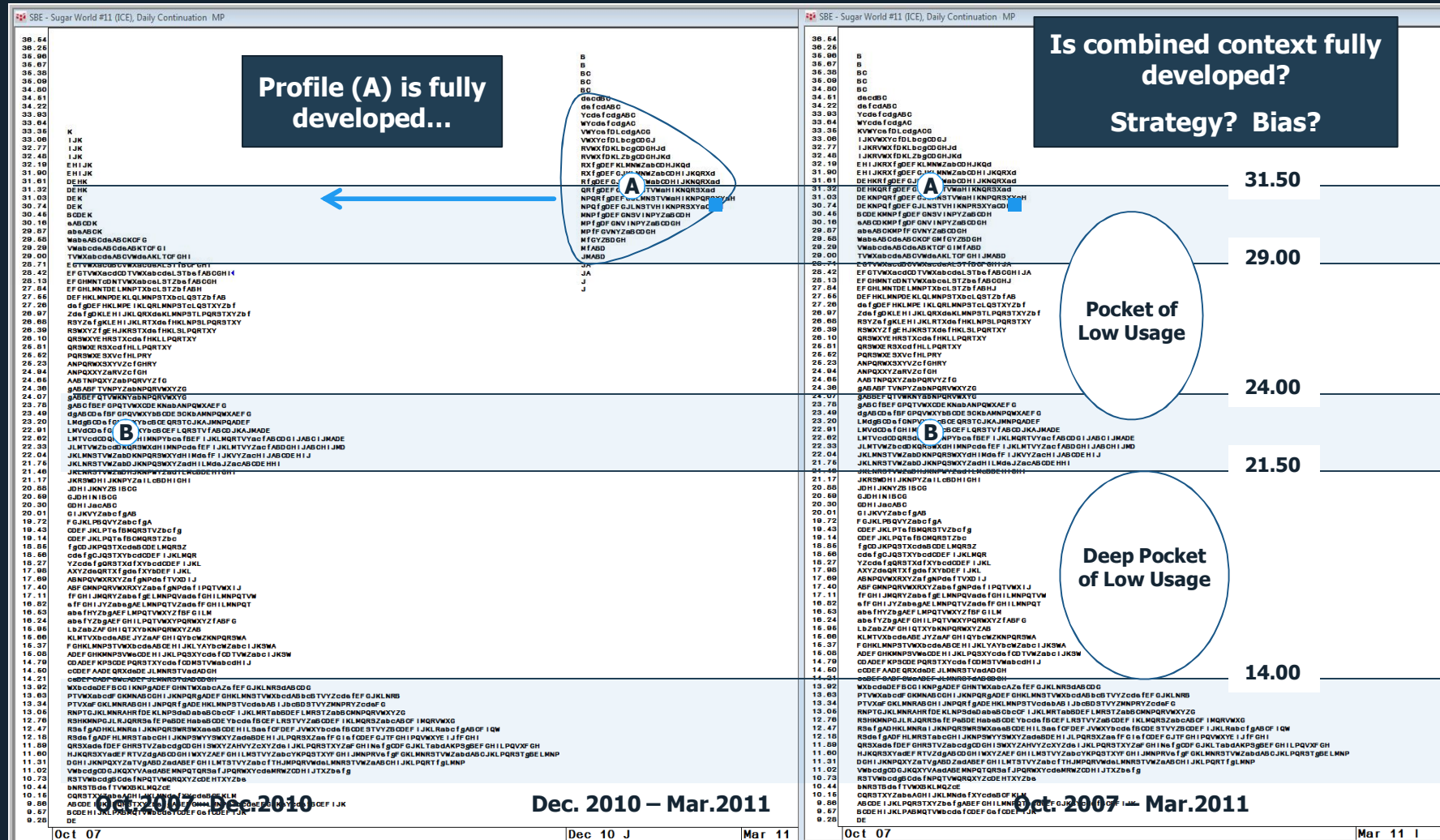
## Dec. 2010 to Current

# Range Trade Underdeveloped Bell Curve



Sugar, December 2010 – March 2011

# Conjoin Bell Curves for Context: Comparing Modes of Bell Curves



Sugar, October 2007 – March 2011

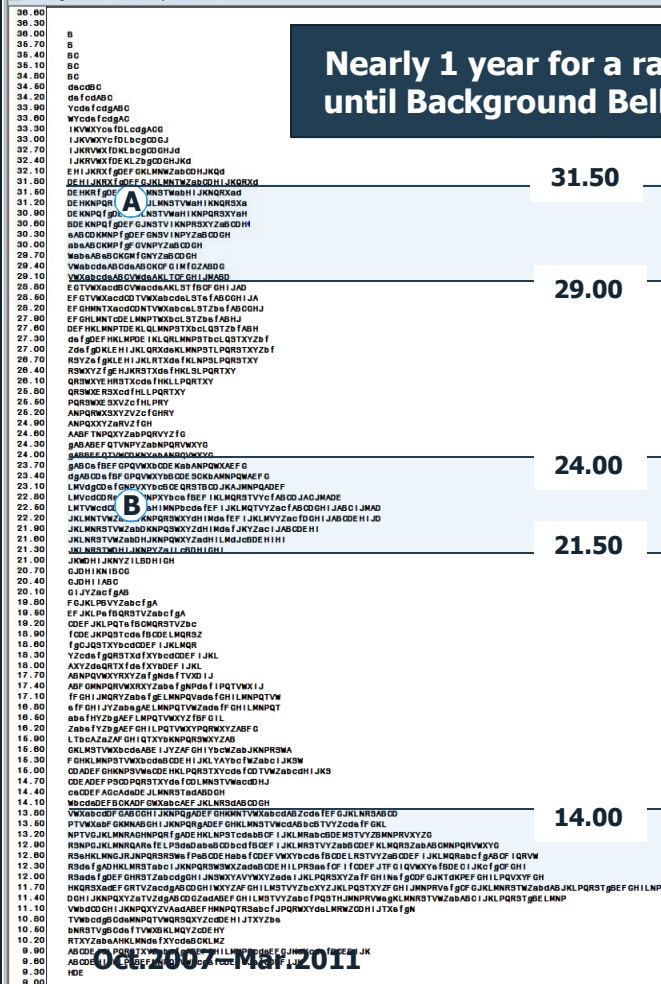
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# Cojoined Background and Foreground Bell Curves Reveal Consensus

SBE - Sugar World #11 (ICE), Daily Continuation MP



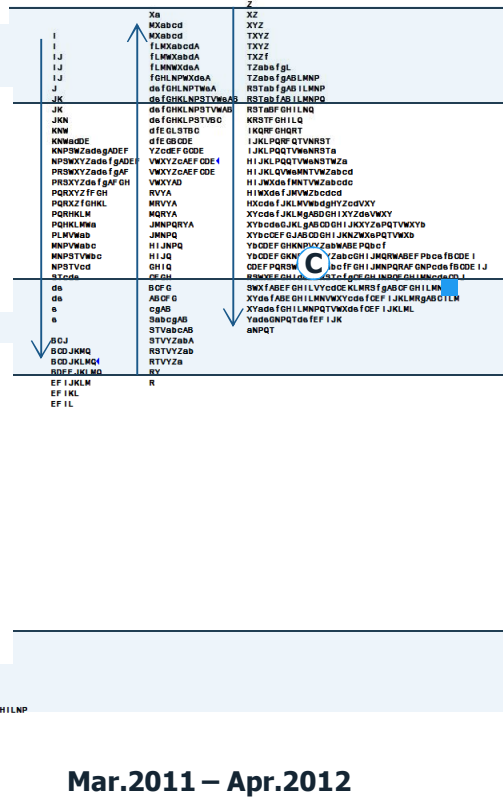
31.50

29.00

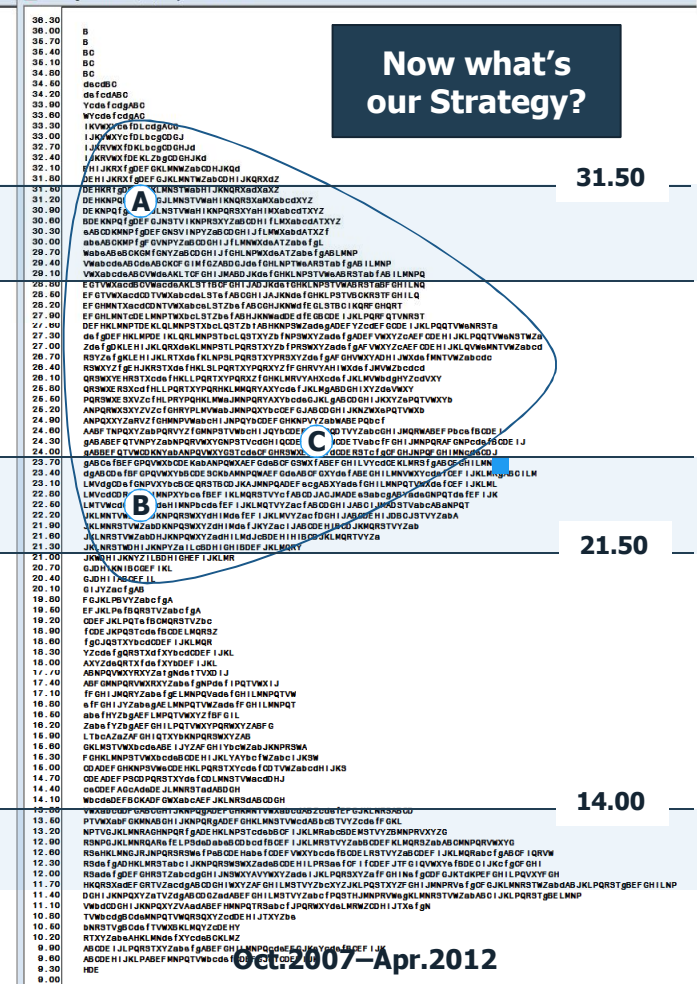
24.00

21.50

14.00



SBE - Sugar World #11 (ICE), Daily Continuation MP



31.50

21.50

14.00

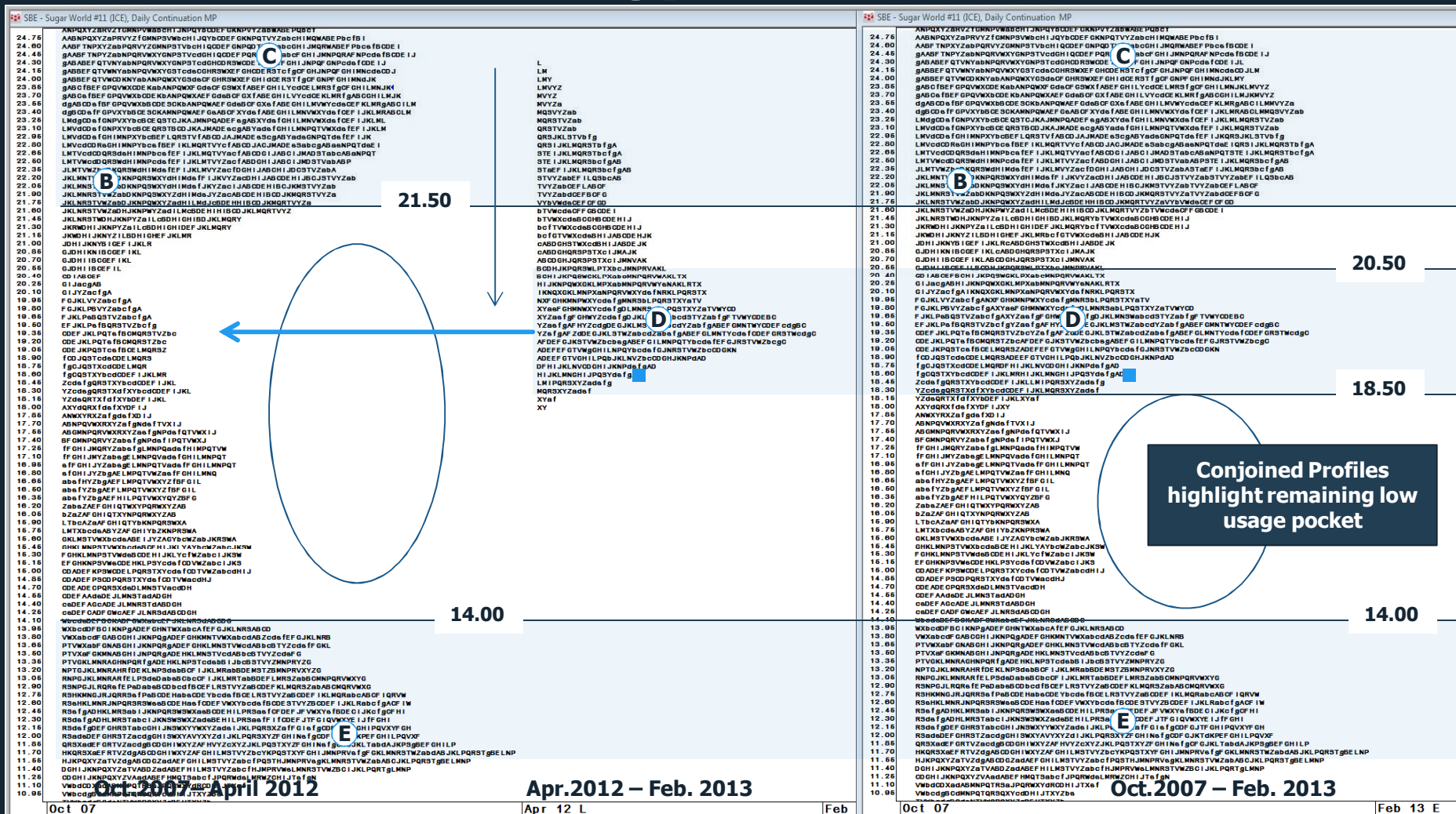
Chart Source: CQG, Inc. © All Rights Reserved

Sugar, October 2007 – April 2012

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# Conjoined Background and Foreground Bell Curves Refine Strategy

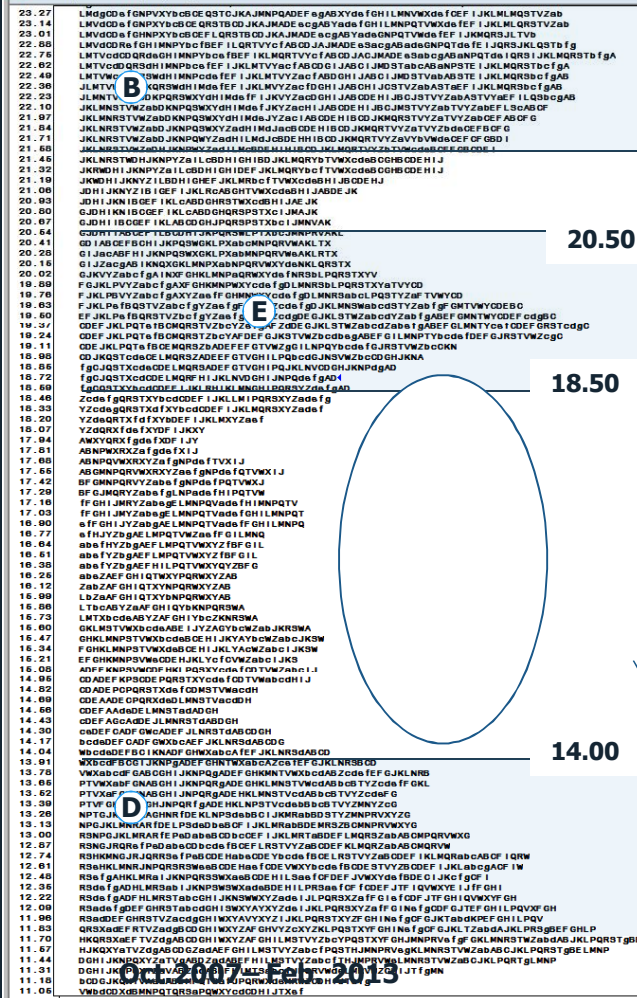




# Foreground and Background

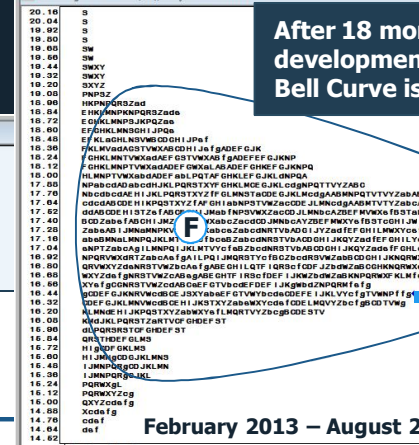
## Congruent Consensus

SBE - Sugar World #11 (ICE), Daily Continuation MP



Sell opportunities against the developing top of value as the current range developed

SBE - Sugar World #11 (ICE), Daily Continuation MP



After 18 months of development the current Bell Curve is Complete

February 2013 – August 2014

Feb 13 E

Aug 14 A

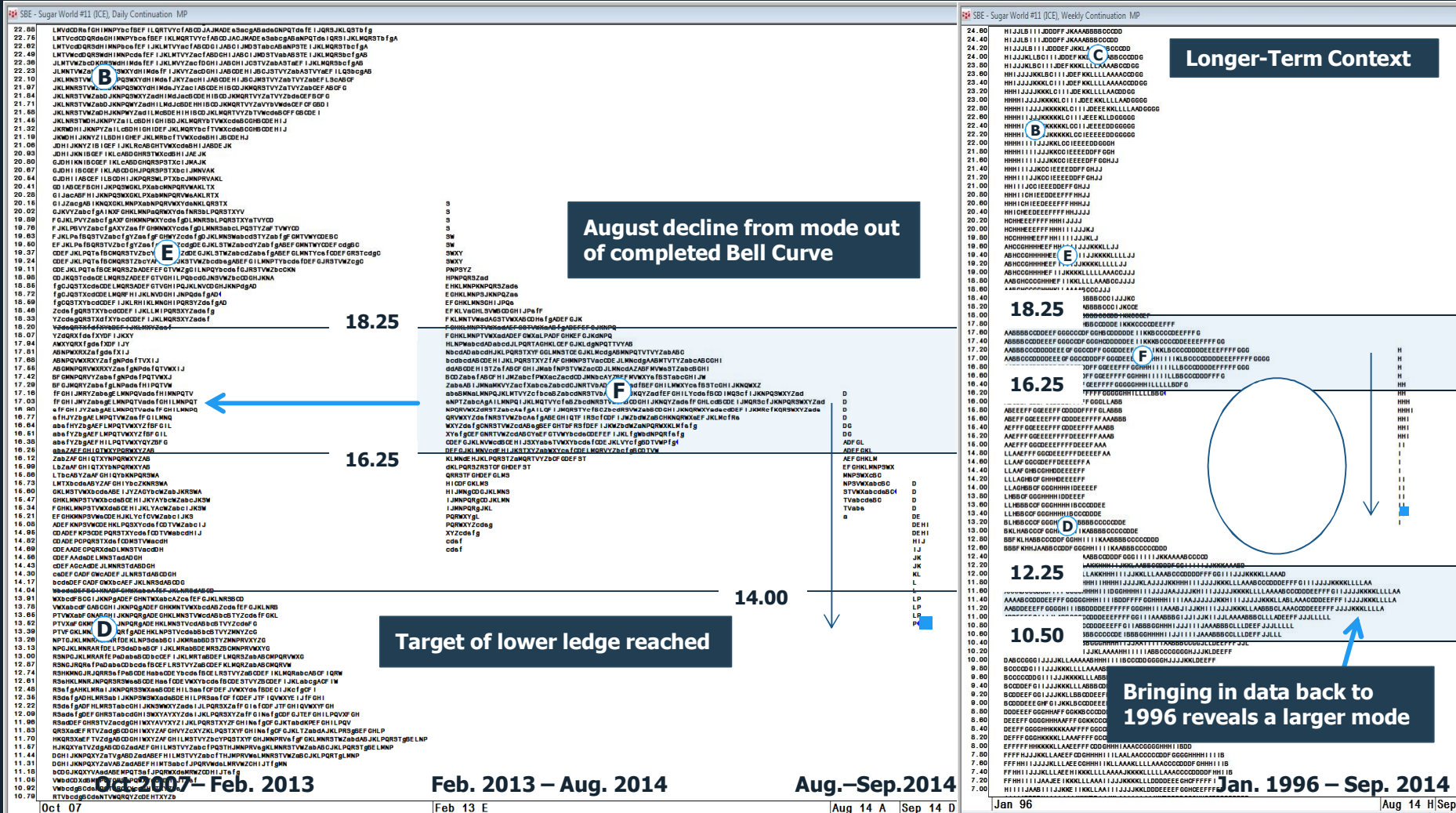
Sugar, October 2007 – August 2014

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# Combined Bell Curves Reveal Strategy



# Recap:

- ❑ Range Trade underdeveloped Bell Curves until they are complete. Keeping in mind the progression of development in both the Foreground and Background.
- ❑ Conjoin completed Bell Curves into a larger under-developed context.
- ❑ Trade for Development of low-usage areas until the larger under-developed context is integrated into a completed Bell Curve.
- ❑ Find Larger Context and Start Process again.



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# Sector Analysis

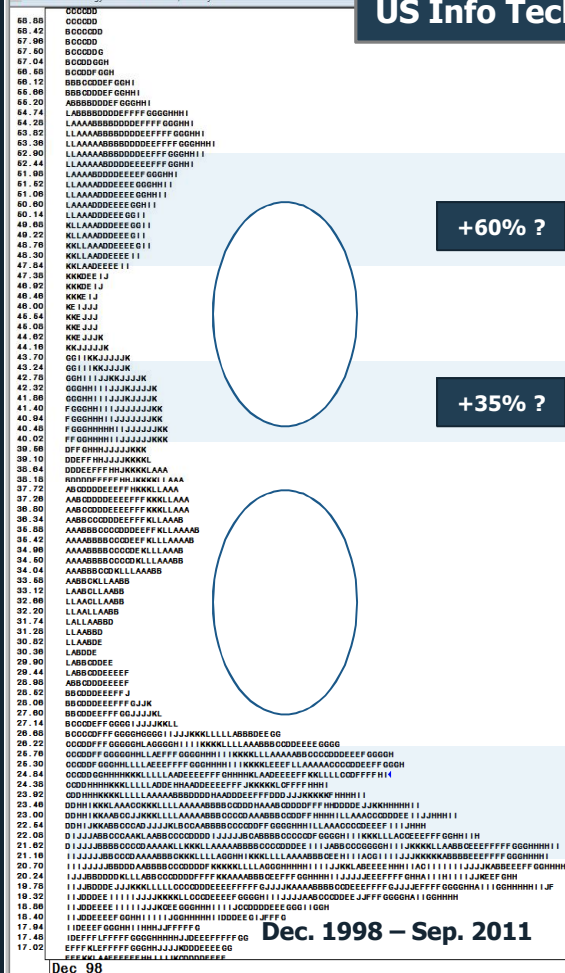


# Sector Selection Based on Price Usage

As of May  
2013

SX1K - Technology Sector SPDR Fund, Weekly MP

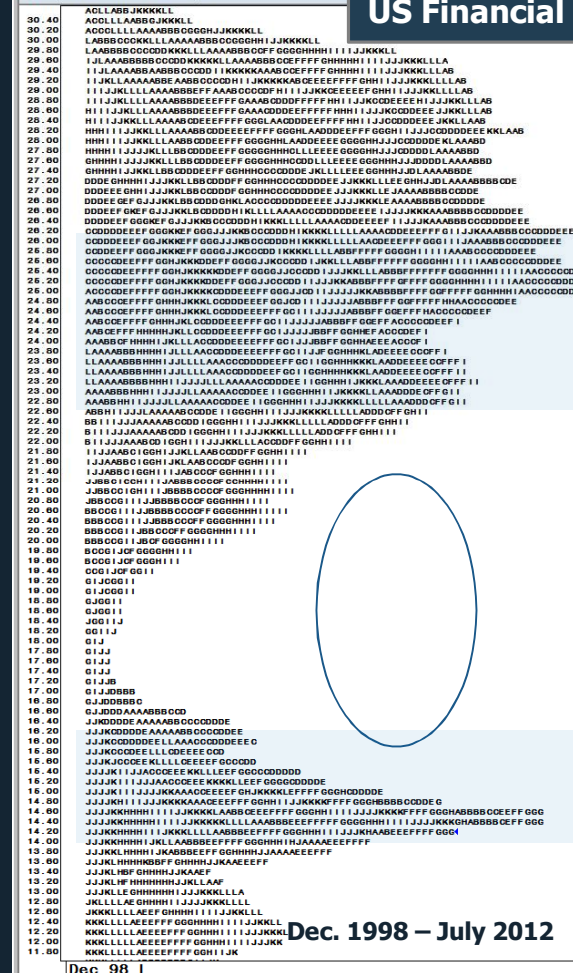
## US Info Tech Sector ETF (XLK)



XLK – US Info Tech Sector SPDR ETF,  
Dec. 1998 – May 2013

SX1F - The Financial SPDR, Weekly MP

## US Financial Sector ETF (XLF)



XLF – US Financial Sector SPDR ETF,  
Dec. 1998 – May 2013

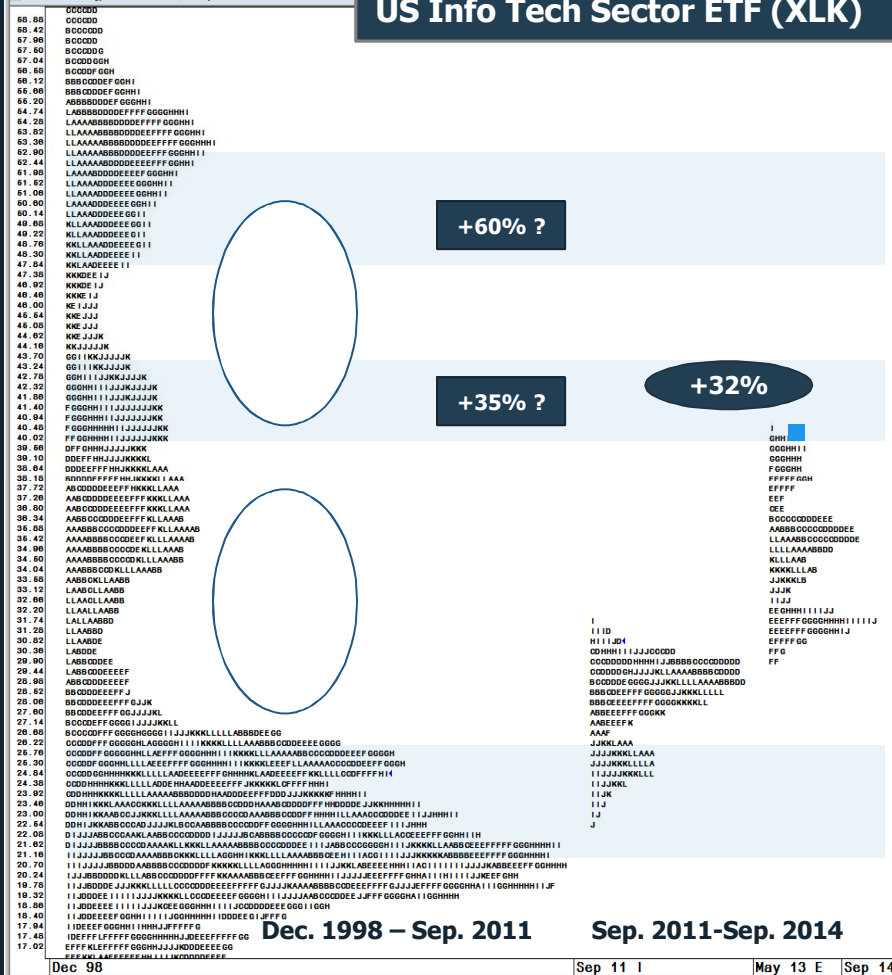


# Sector Selection Based on Price Usage

To Current

S.XLK - Technology Sector SPDR Fund, Weekly MP

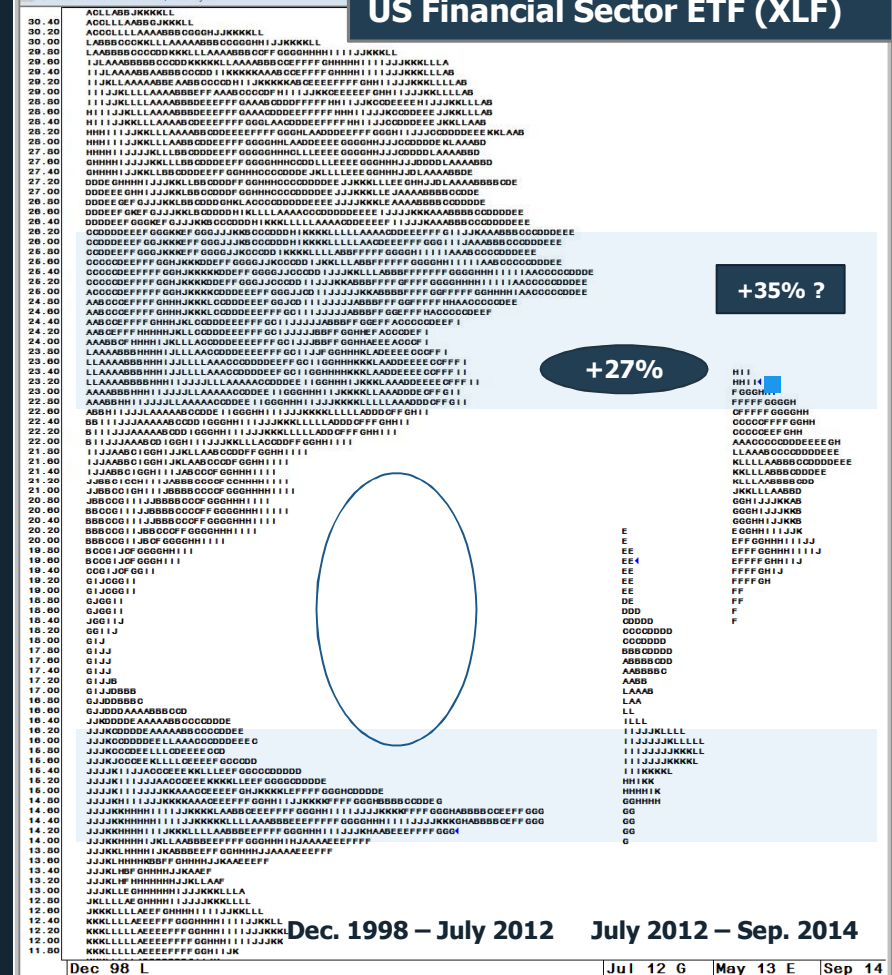
## US Info Tech Sector ETF (XLK)



XLK – US Info Tech Sector SPDR ETF,  
Dec. 1998 – Sep. 2014

S.XLF - The Financial SPDR, Weekly MP

## US Financial Sector ETF (XLF)



XLF – US Financial Sector SPDR ETF,  
Dec. 1998 – Sep. 2014



# Stock Selection

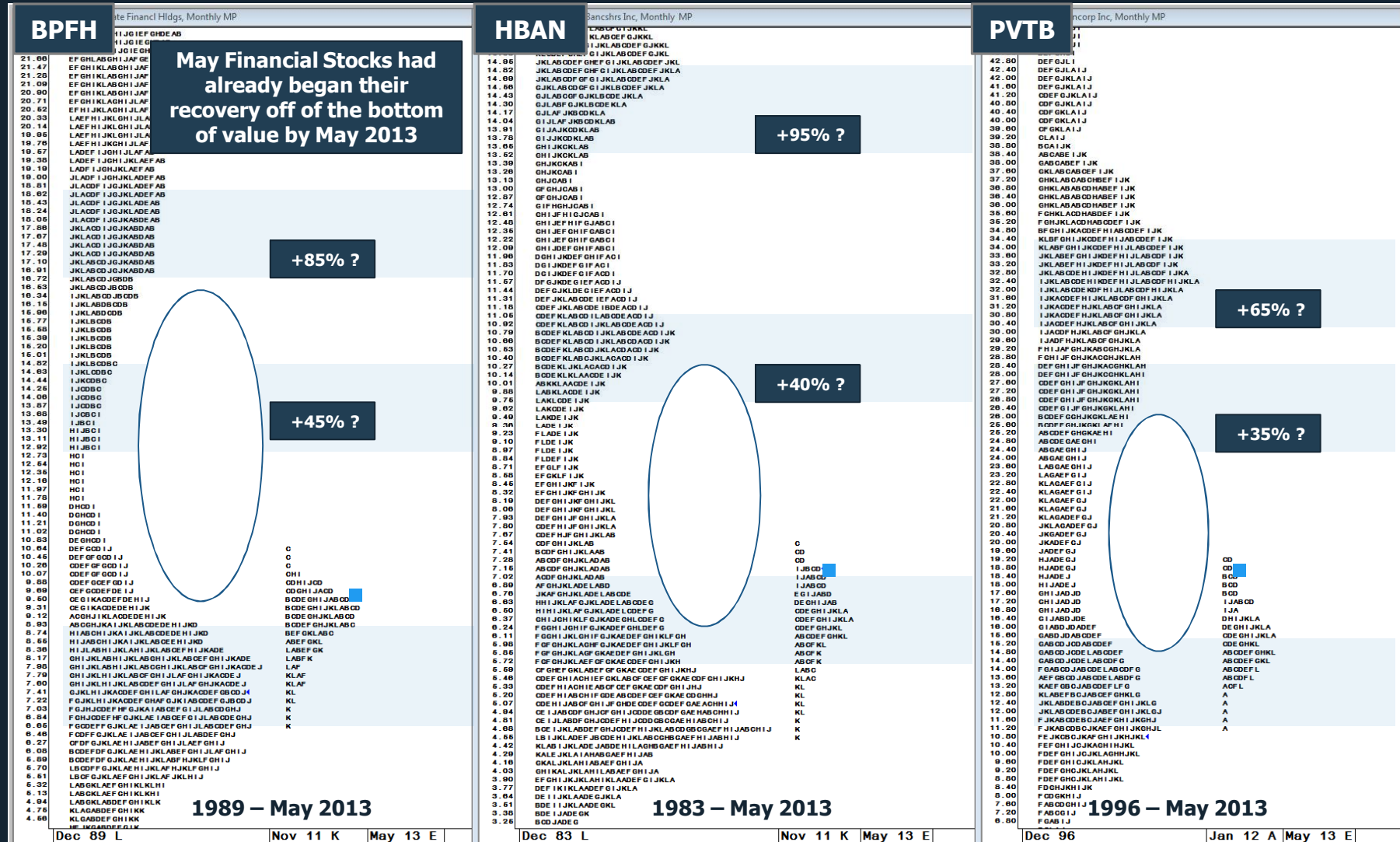




# Insider Buy Portfolio Regional Bank Holdings

## Pocket of Low Usage Out of a completed Bell Curve

As of May 2013



Boston Private Financial Holdings, Inc. (BPFH),  
1989 – May 2013

Huntington Bancshares Inc. (HBAN),  
1983 – May 2013

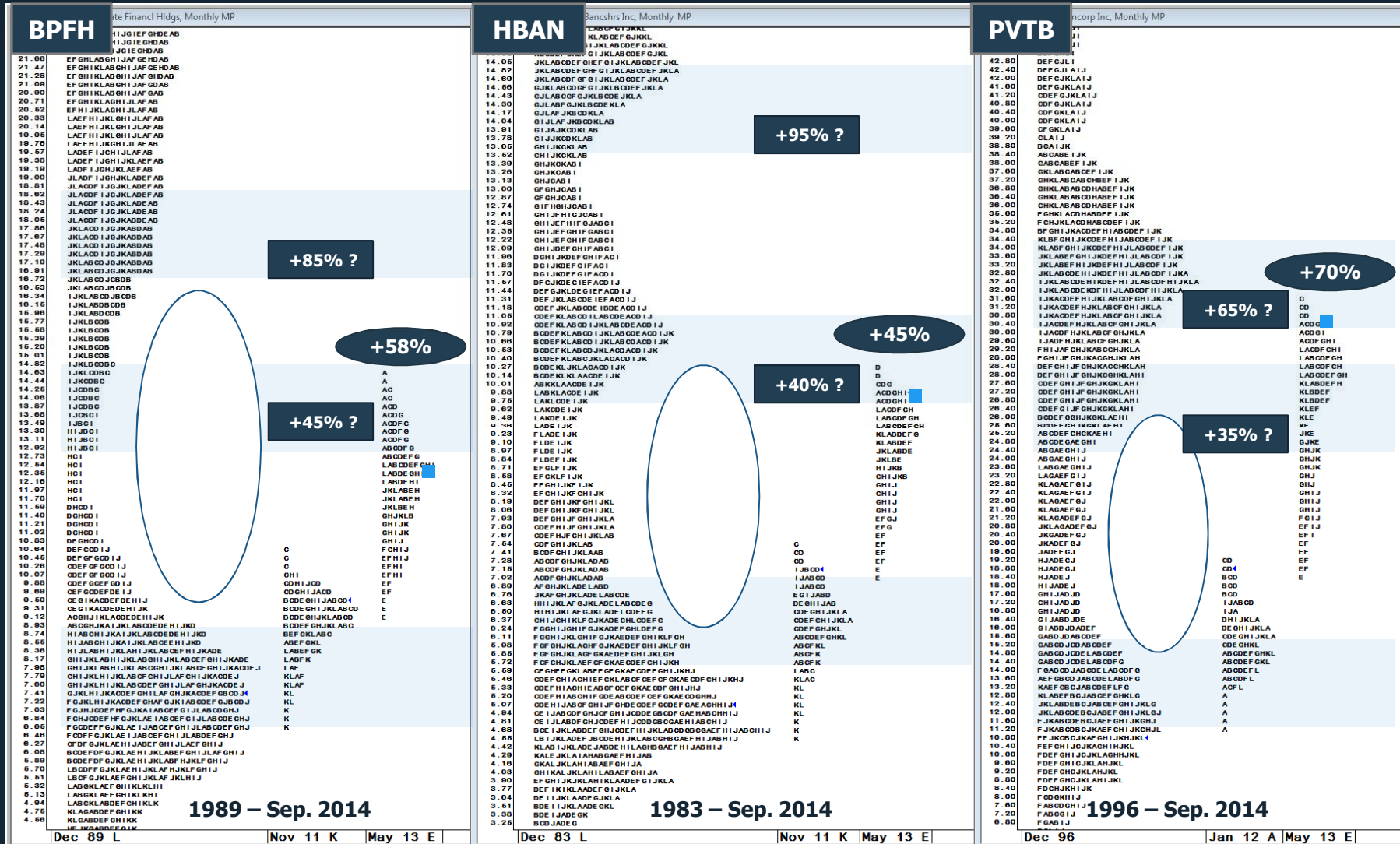
Privatebancorp, Inc. (PVTB),  
1996 – May 2013



# Insider Buy Portfolio Regional Bank Holdings

## Pocket of Low Usage Out of a completed Bell Curve

To Current



Boston Private Financial Holdings, Inc. (BPFH),  
1989 – Sep. 2014

Huntington Bancshares Inc. (HBAN),  
1983 – Sep. 2014

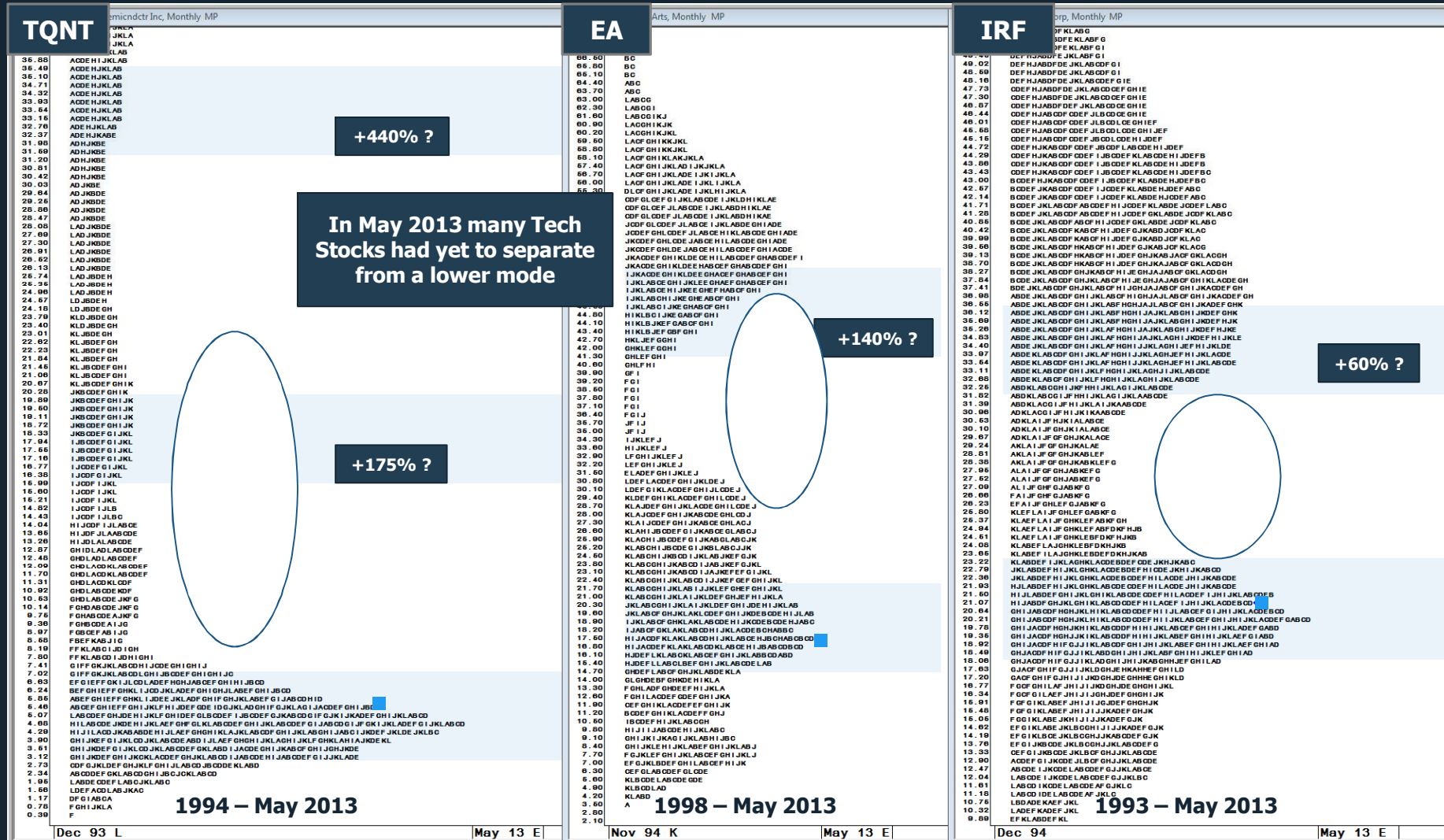
Privatebancorp, Inc. (PVTB),  
1996 – Sep. 2014



# Insider Buy Portfolio - Info Tech Holdings

## Pocket of Low Usage Out of a completed Bell Curve

As of May  
2013



Triquant Semiconductor Inc. (TQNT),  
1993 – May 2013

Electronic Arts (EA),  
1994 – May 2013

International Rectifier Corp. (IRF),  
1994 – May 2013

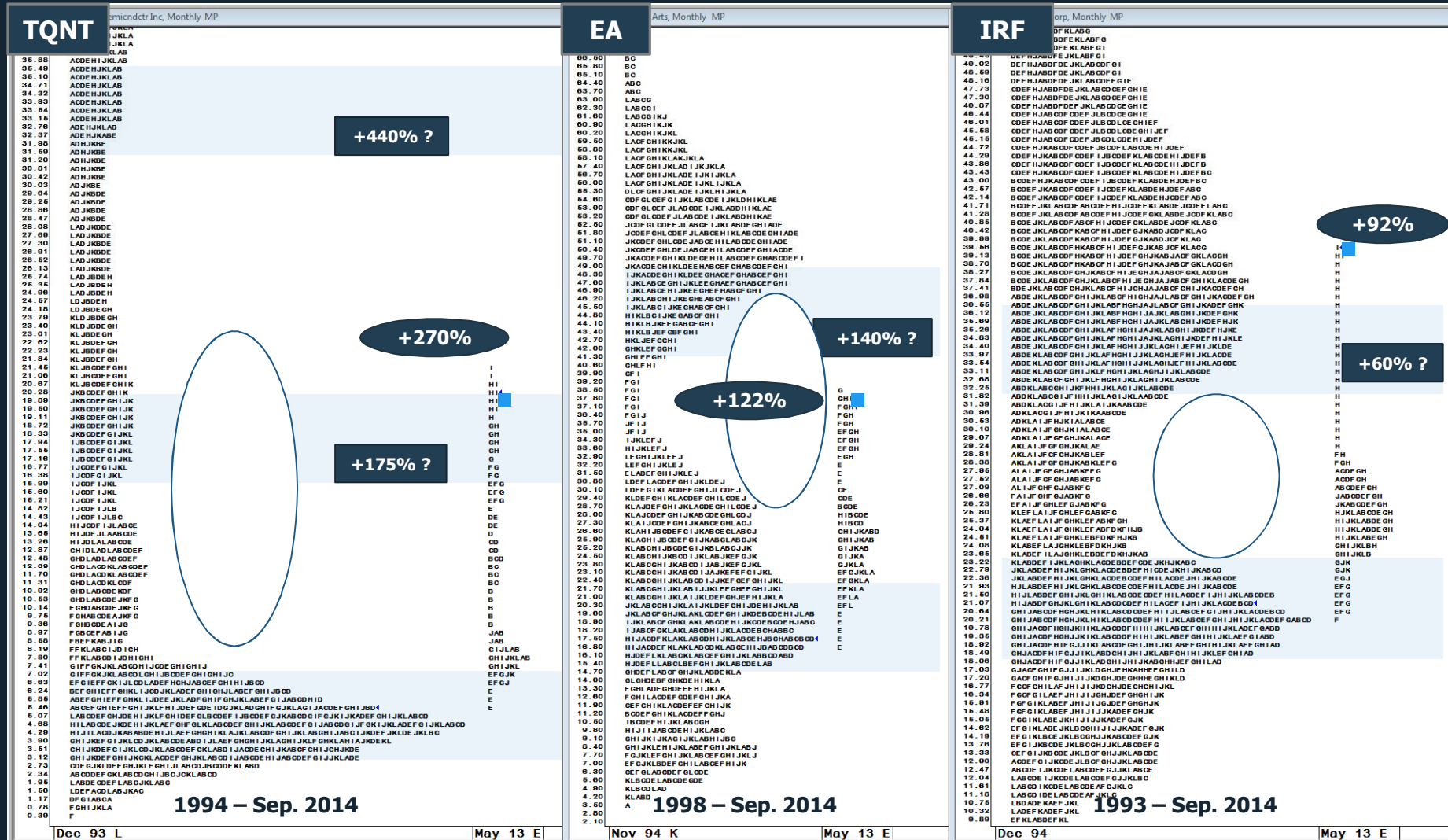




# Insider Buy Portfolio - Info Tech Holdings

## Pocket of Low Usage Out of a completed Bell Curve

To Current



Triquant Semiconductor Inc. (TQNT),  
1993 – Sep. 2014

Electronic Arts (EA),  
1994 – Sep. 2014

International Rectifier Corp. (IRF),  
1994 – Sep. 2014