CHART CODE ACADEMY

Decode The Market Code

Volume Profile

& Institutional Order Flow

Point of Control, Value Area High and Low, volume nodes, footprints and delta, plus a clear-eyed look at what **volume data can and cannot say** about institutional positioning.

A FREE STUDY RESOURCE BY CHART CODE

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About This Guide

Volume profile shows where, by price, trading actually happened, and **order flow** goes one step further by splitting each price's volume into buyer-initiated and seller-initiated trades. This guide explains how a profile is built, what its key levels and shapes mean, how footprints and delta work, and, just as importantly, the limits of what volume data can say about institutional positioning.

By the end of this guide you will know:

- How a volume profile is built, and what the POC, VAH and VAL mark
- What the four common profile shapes and high and low volume nodes suggest
- How value migration and the 80% rule describe the market accepting new prices
- How footprint charts, delta, imbalances and absorption are read
- What can and cannot be inferred about institutions, and how to build a trade plan around profile levels

Volume Profile & Institutional Order Flow

Quick Answer: What Is Volume Profile?

Volume profile is a horizontal histogram showing how much volume traded at each price over a chosen period. Its key levels are the **Point of Control (POC)**, the price with the most volume, and the **Value Area** (**VAH** to **VAL**), the range holding about 70% of the volume. **Order flow** goes one step further, splitting each price's volume into buyer-initiated and seller-initiated trades to show who was more aggressive.

1. What Is Volume Profile?

Ordinary volume bars answer "when did trading happen?" A volume profile answers "**where** did trading happen?" Prices where lots of business was done are treated as accepted value; prices that traded thinly are treated as places the market moved through quickly.

> **BE REALISTIC**
> Volume data shows where trades occurred, not who made them. Every trade has a buyer and a seller. Reading "institutional positioning" from a profile is inference, not observation. This guide uses that vocabulary carefully and keeps saying so.

2. How Is a Volume Profile Built?

Divide the price range into rows of a fixed tick size, add up the volume that traded within each row, and draw the totals as horizontal bars beside the price chart. Then locate the busiest row and the range around it that holds about 70% of all volume.



Visualising it: candles and a session volume profile. The longest bar is the POC at 24,002; gold bars form the value area from 23,970 to 24,025. Synthetic session data, with volume spread evenly across each candle's range.

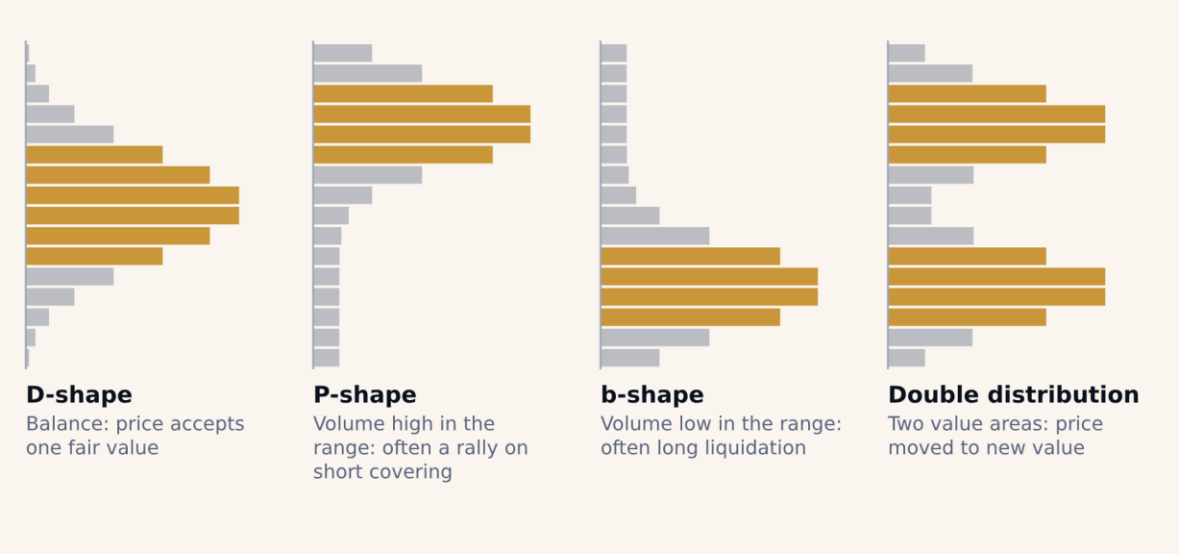
■ Point of Control ■ Value area (about 70% of volume) ■ Volume outside value

1. **POC (24,002):** the price with the most volume, the market's most accepted price this session.
2. **VAH and VAL (24,025 and 23,970):** the top and bottom of the range holding about 70% of the volume.

Term	Meaning	How traders use it
POC	Price with the highest volume	Magnet and reference for fair value; possible support or resistance
VAH / VAL	Top and bottom of the range holding about 70% of volume	Boundaries of accepted value; break and hold outside signals a shift
HVN (high volume node)	Cluster of heavy volume	Acceptance; price tends to slow, chop or stall there
LVN (low volume node)	Thin volume zone	Rejection; price tends to move through quickly
Naked POC	A previous session's POC not yet revisited	Watched as a possible target or reaction level
Session vs composite	One day's profile vs several days or a swing combined	Session for intraday levels, composite for larger structure

3. What Do Volume Profile Shapes Mean?

The overall shape of a session's profile summarises how the day traded. These are commonly cited readings, best treated as descriptions of what happened, not forecasts:

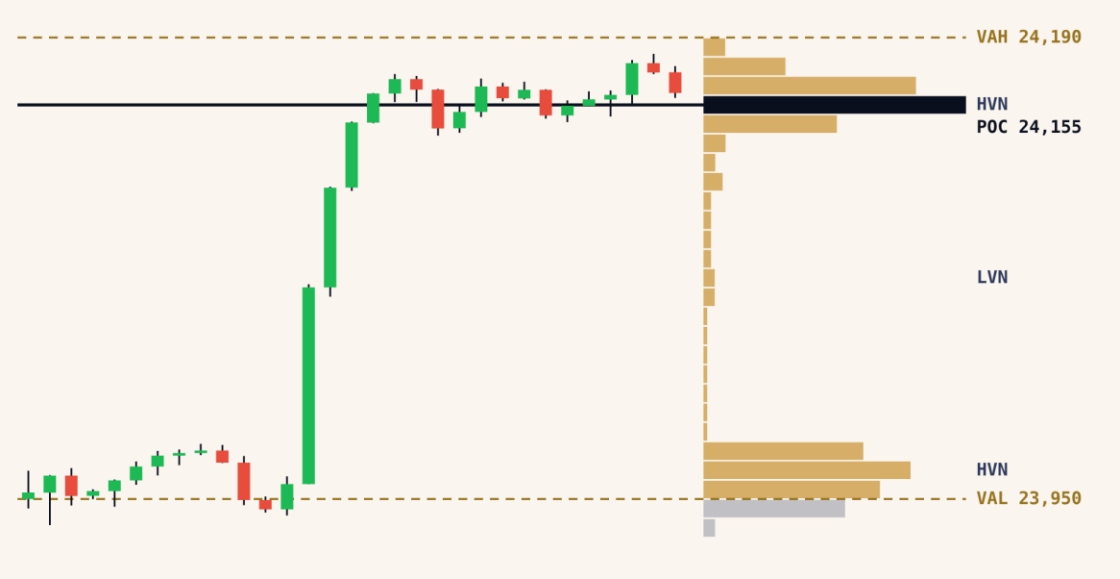


Visualising it: four common profile shapes. Gold bars mark the heaviest volume in each shape. Schematic shapes.

A **D-shape** is a balanced day. A **P-shape** shows volume concentrated high after a rise, often described as short covering; a **b-shape** shows it concentrated low after a fall, often described as long liquidation. A **double distribution** has two nodes, meaning price left one area of value and built another.

4. How Do High and Low Volume Nodes Work?

Volume tells you where the market agreed on price and where it did not. Price tends to **spend time** around high volume nodes and **move quickly** through low volume nodes, because few trades happened there and little supply or demand was left behind.



Visualising it: two nodes and the gap between them. Price consolidates near 23,965, runs up quickly, and consolidates again near 24,155. The thin zone between them averages only 3% of the volume of the busiest row. Synthetic session data.

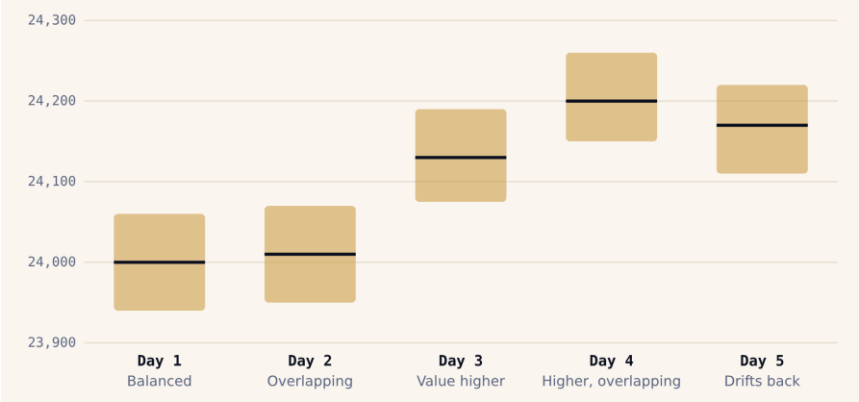
■ Point of Control ■ Value area (about 70% of volume) ■ Volume outside value

1. **HVN:** where price spent time and volume built up.
2. **LVN:** the thin zone price crossed in a few candles. A retest here often moves fast in one direction or the other.

Common uses: treat an HVN as an area where price may pause, use an LVN as a level where a move can accelerate, and place targets at the next HVN and stops beyond a node, not inside a thin zone where price can slice through.

5. What Is Value Migration?

Compare today's value area with yesterday's. **Value moving higher** (today's value area sits above yesterday's) shows the market accepting higher prices. **Value moving lower** shows the opposite. **Overlapping value** suggests balance and rotation.



Visualising it: value area across five sessions. Each bar is a session's value area, the dark line its POC. Day 3 shifts fully above day 2, and day 4 continues higher. Illustrative numbers.

A well-known rule of thumb, the **80% rule**, says that if price opens outside the prior value area, re-enters it and holds inside for two consecutive 30-minute periods, it will often travel across the whole value area. Treat it as a tendency to test, not a guarantee.

6. What Is Order Flow, Delta and Absorption?

Order flow splits each price's volume into trades at the **bid** (sellers hitting buyers' orders) and at the **ask** (buyers lifting sellers' offers). A **footprint chart** shows bid × ask at every price inside each candle. **Delta** is ask volume minus bid volume, the net balance of aggressive buying and selling.

	Candle 1: balanced	Candle 2: sell-off	Candle 3: rebound
24,030	40 × 65		
24,025	85 × 120		
24,020	140 × 160		30 × 210
24,015	180 × 150	120 × 60	45 × 260
24,010	150 × 110	210 × 90	60 × 300
24,005	90 × 60	260 × 110	90 × 330
24,000	30 × 20	330 × 130	110 × 380
23,995		410 × 160	140 × 240
23,990		520 × 300	120 × 90
23,985		610 × 520	
23,980		380 × 470	
	Delta −30 Total 1,400	Delta −1,000 Total 4,680	Delta +1,215 Total 2,405

Visualising it: a footprint of three candles. Each cell shows sell volume × buy volume at that price. Candle 2 has delta −1,000 yet stops at the low, while candle 3 shows 4 stacked buy imbalances (delta +1,215). Synthetic numbers.

■ Buy imbalance (ask at least 3× the bid one row below) ■ Sell imbalance (bid at least 3× the ask one row above)

1. **Absorption (candle 2):** heavy selling (delta −1,000) at 23,980 to 23,990 fails to push price lower, because buyers meet it at the same prices. Selling that makes no progress is a warning to sellers.
2. **Stacked imbalances (candle 3):** buy imbalances on 4 consecutive rows from 24,005 to 24,020 show sustained aggressive buying.

> **DATA REQUIREMENT**
> Footprint and delta need tick data with each trade classified as buyer- or seller-initiated. Some charting platforms provide this, mostly for index futures. Profiles built from minute bars are approximations, and cash-market stock volume mixes delivery and intraday trades.

7. What Can and Cannot Be Inferred About Institutions?

What the data shows	What traders often infer	Caution
Heavy volume at a price (HVN, POC)	Large participants accepted or built positions there	Could equally be many small traders or a single event
Large delta with little price progress (absorption)	A large passive order absorbed the aggression	Also fits stop-loss activity, hedging or market-maker inventory
Stacked imbalances	Urgent, aggressive institutional buying or selling	Aggressive does not mean institutional; it may be a short squeeze
Even, steady volume through the day	An algorithm slicing a big order (see the VWAP guide)	Cannot be told apart from ordinary flow with certainty

The direct evidence of institutional activity is published after the fact: the NSE's daily **bulk and block deal** disclosures and the daily FII and DII activity figures. Use them as context, and treat any real-time "institutional footprint" as a hypothesis. Combine profile levels with the volume concepts in the Volume Analysis guide and the structure ideas in the SMC/ICT Cheat Sheet.

8. How Can You Use Volume Profile in a Trade Plan?

1. **Mark the levels.** Note the previous session's POC, VAH and VAL, plus any naked POCs and major nodes on a composite profile.
2. **Read the open.** Is price opening inside value (expect rotation) or outside it (watch for acceptance or rejection)?
3. **Choose the mode.** Inside value, fade the edges back toward the POC. Outside value, look for price to hold beyond the edge, then trade the move toward the next node.
4. **Confirm.** Look for order flow evidence such as absorption or stacked imbalances, or a candle and volume signal at the level.
5. **Define risk.** Put the stop beyond the node or the failed level, and target the next HVN or the opposite value edge.

9. What Are the Limits of Volume Profile and Order Flow?

- **No trader identities.** Volume shows activity, not who was behind it.
- **Data quality matters.** Profiles from coarse bars are approximate, and order flow needs tick data

with side classification.

- **Spot indices have no volume.** Use index futures or liquid stocks.
- **The period choice changes the picture.** A session profile and a monthly composite highlight different levels.
- **Levels are zones.** Price reacts around POC and value edges, not to the exact tick, and reactions often fail.

10. Common Volume Profile Mistakes

1. **Reading it as proof of institutions:** It shows where trades occurred, not who made them. Keep it a hypothesis.
2. **Using the wrong period:** Match the profile period to your holding time, and check composite levels for structure.
3. **Fading edges on trend days:** When value keeps migrating one way, fading the value edge is costly.
4. **Trading a level with no confirmation:** A touch of the POC is not a signal. Wait for a reaction and set a stop.
5. **Using spot index volume:** It has none. Switch to futures to build a valid profile.
6. **Over-reading delta:** One large delta print is noise. Look for repeated patterns at meaningful levels.

11. Your Volume Profile Checklist

Run this five-point check before acting on a profile level:

- **Valid data** — Are you using a stock or futures chart with real volume, and a suitable period?
- **Key levels marked** — Are POC, VAH, VAL, nodes and naked POCs noted before the open?
- **Open and value context** — Is price inside value (balance) or outside it (acceptance or rejection)?
- **Confirmation** — Is there a reaction at the level, such as absorption, imbalance or a reversal candle?
- **Risk and target** — Is the stop beyond the node, and is the target the next node or value edge?

EDUCATIONAL CONTENT ONLY

This guide explains volume-based chart analysis and is not investment advice or a recommendation to trade. The profiles and footprints shown are built from synthetic data, with volume spread evenly across each candle's range, a simplification of real tick data. Volume data shows where trades occurred, not who made them, so any statement about institutional positioning is an inference. SEBI studies have found that a large majority of individual derivatives traders incur net losses. Never risk money you cannot afford to lose.

12. Frequently Asked Questions

What is volume profile?

Volume profile is a horizontal histogram of the volume traded at each price level over a chosen period, such as a session, week or swing. Standard volume bars show how much traded in each time period; a volume profile shows where, by price, the trading happened. The busiest prices are treated as areas of accepted value.

What are POC, VAH and VAL?

The Point of Control (POC) is the price level with the most volume in the profile. The Value Area is the price range that holds about 70% of the volume, with the Value Area High (VAH) at the top and the Value Area Low (VAL) at the bottom. Traders use them as reference levels for support, resistance and fair value.

Is volume profile the same as Market Profile?

No, though they are related. Market Profile arranges time-price opportunities, showing how long price spent at each level, usually as letters. Volume profile measures how much volume traded at each level. Both use the same ideas of value area and point of control, but they can differ when volume and time diverge.

Can volume profile show what institutions are doing?

Not directly. It shows where trades happened, not who made them, and every trade has both a buyer and a seller. Heavy volume nodes and footprint patterns are consistent with large participants, but that is an inference. The only direct evidence of institutional trades is disclosed after the fact, such as bulk and block deal data.

What data do I need for volume profile and order flow on the NSE?

Volume profile needs reliable volume, so use stocks in the cash market or index futures, since spot indices have no traded volume. Profiles built from minute bars are approximate; tick data is more accurate. Footprint and delta charts need tick data with buy and sell classification, which only some platforms offer, mostly for index futures.

How is the value area calculated?

Start at the point of control and add the price rows above and below, taking the side with more volume each step, until about 70% of the total volume is included. The result is the value area. The 70% figure is a convention that roughly matches one standard deviation of a normal distribution.

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