



Based on bar A in Figure 1 and the TradeFlow analysis, we conclude that the market had peaked due to an exhaustion of demand. At this price, no more buyers were willing to pay up.

However, in Figure 2, climatic volume -- the possibility that the 5000+ contracts traded -- is the only indicator that demand is exhausted.

Also, notice in Figure 1 that as the TradeFlow bars climbed, the TFVol study peaked two bars ahead of the TradeFlow bars. The volume of contracts traded up into the offer price was declining (the green down arrow in the TFVol study) as the inside market advanced.

Figure 2

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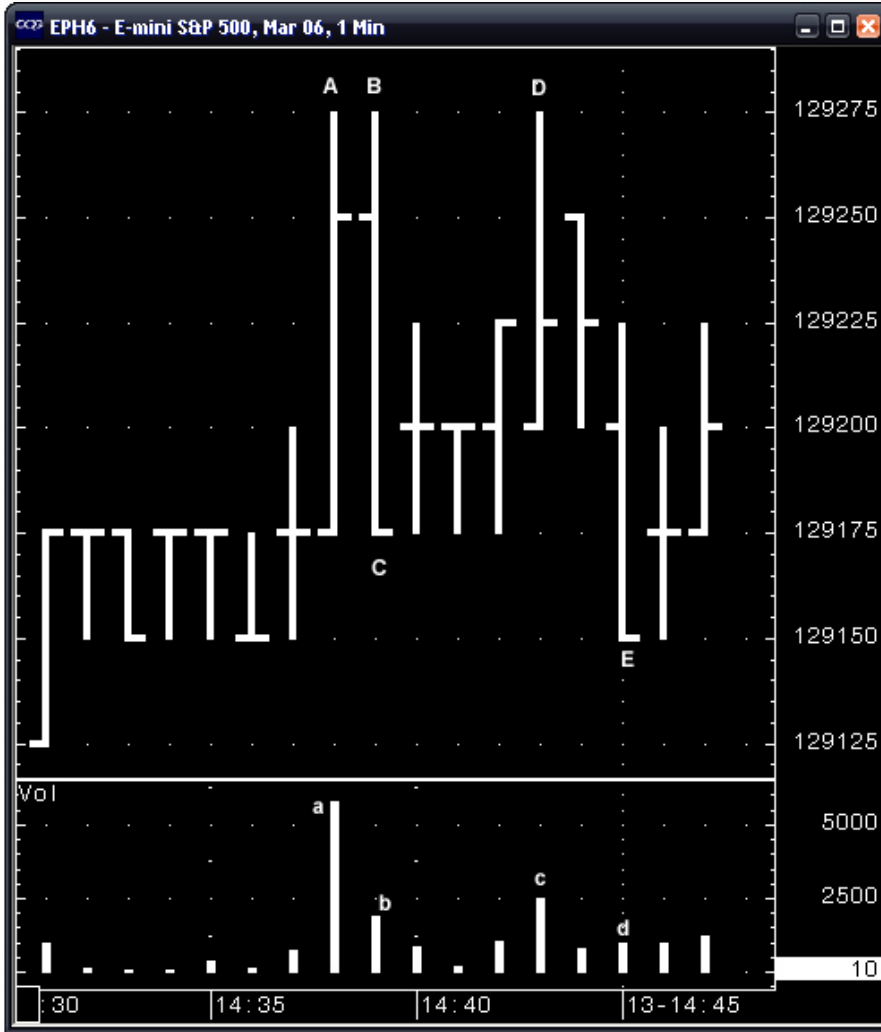


Figure 2: One-minute Bar and Volume. The market traded sideways, broke out on heavy volume (a), traded as high as 1292.75 twice (A and B), then traded back to support at 1291.75 (C) on declining volume (b) tested resistance at 1292.75 (D) a second time on light volume (c), then traded back to support at 1291.50(E).

Next, in Figure 1, the start of a decline began with Bar B, as the bid was hit with 577 contracts as shown in the TFVol study (histogram b). Only 54 contracts traded up at the offered price of 1292.75. In other words, ten times as many contracts traded into the bid versus up at the offer. The inside market then dropped down to 1291.50 bid and 1291.75 offered.

In Figure 3, as the inside market stair-stepped down to 1291.50 (Bar C) the red TFVol histogram bars to the left of histogram bar c were rising. The volume of trades executed into the bid was dropping during the price decline indicating sellers were becoming less aggressive.

The market was 1291.50 bid and 1291.75 offered at Bar C. No traders were willing to hit the 1291.50 bid, and 83 contracts traded up at 1291.75 (bar c in the TFVol study).

The market had reached a point where traders were unwilling to sell at the lower price and buyers began to lift offers. Figure 2 cannot display the fact that the bid was 1291.50 offered at 1291.75 and no one was willing to hit the bid. All we can see is the last price traded.

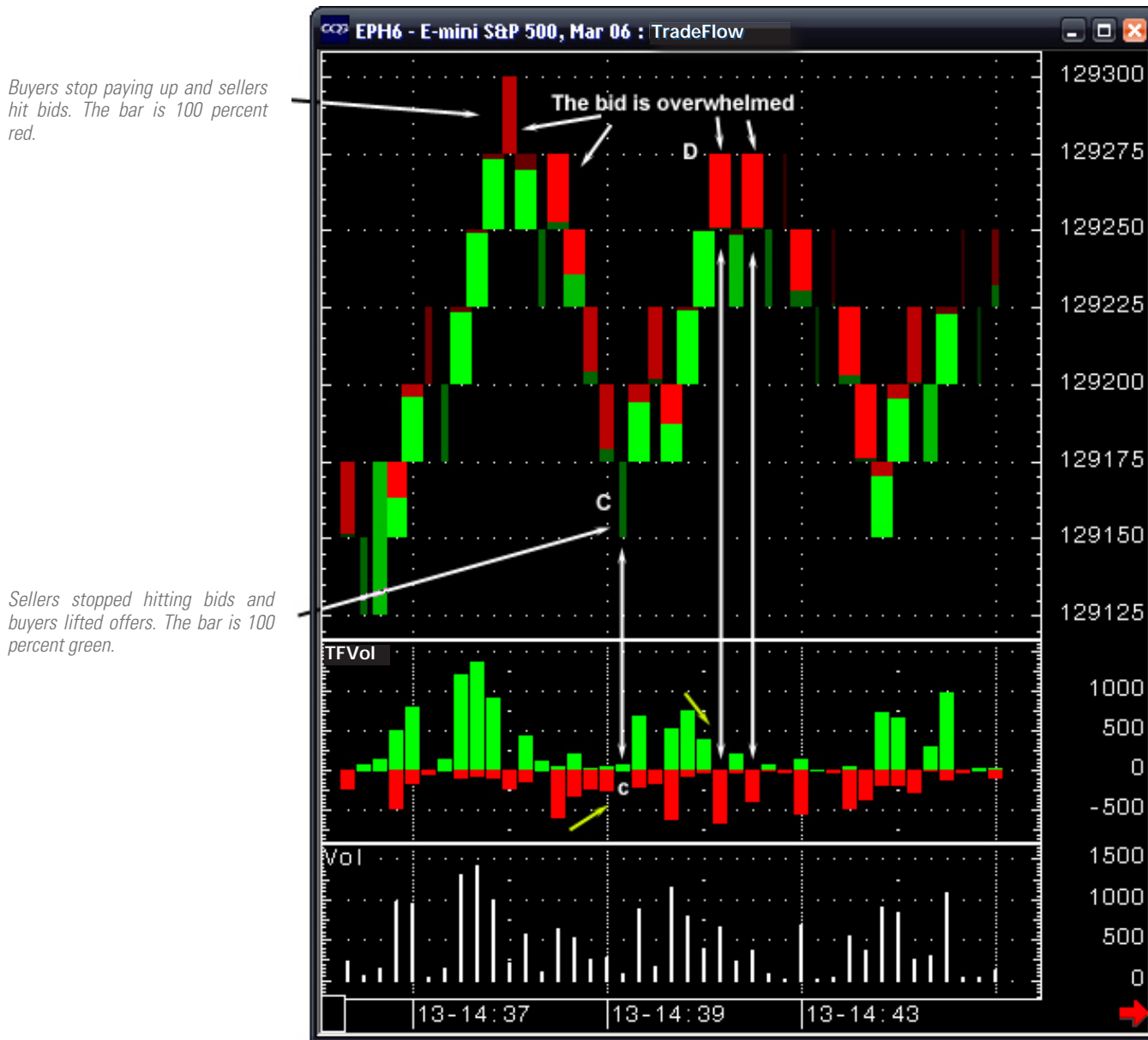
Next, the TradeFlow bars climbed to 1292.50 bid and 1292.75 offered (point D).

During the rally from the low at bar C and up to point D, as the TradeFlow bars were climbing, the amount of trading up at the offered price was declining (the falling green arrow in the TFVol study, just past histogram bar c), indicating that traders were becoming more reluctant to pay up as the inside market climbed.

Checking the two peak TradeFlow bars at point D in Figure 3, the first TradeFlow bar traded 647 contracts into the bid and only 4 contracts were executed at the offered price. The second time, 370 contracts were sold into the bid and only two contracts traded up at the offer. Once again, traders were hitting bids and few were willing to lift offers, leading to a short-term top.

Figure 3

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CQG TradeFlow Bars and TradeFlow Volume. The bid was overwhelmed at the peak-traded price of 1292.75 (point D). Then, the price fell to the previous established support point where traders were previously unwilling to hit the 1291.50 bid (Bar C).

Figure 4 shows that as the price fell from this peak of 1292.75 (bar D) down to 1291.50 (bar E), the number of contracts being sold into the bid was declining (the green rising arrow under histogram bar e).

At Bar E, the TradeFlow bar reached a low bid of 1291.50 and 1291.75 offered, and 172 contracts traded at the bid price of 1291.50, which was below the previous traded low of 1291.75. However, traders stepped in and paid 1291.75 for 732 contracts, which started the market advancing again.

Comparing Figures 1, 3 and 4 with the CQG TradeFlow analysis to the 1-minute bars shown in Figure 2 illustrates how much more information is available to the trader. CQG TradeFlow gives traders an edge by empowering them to track whether executed trades are toward the bid or offer.

CQG TradeFlow alerts traders to shifts in buying and selling before the market starts to move.

