VOLUME PROFILE + ORDER FLOW · CASE 01

Absorption at the value area low

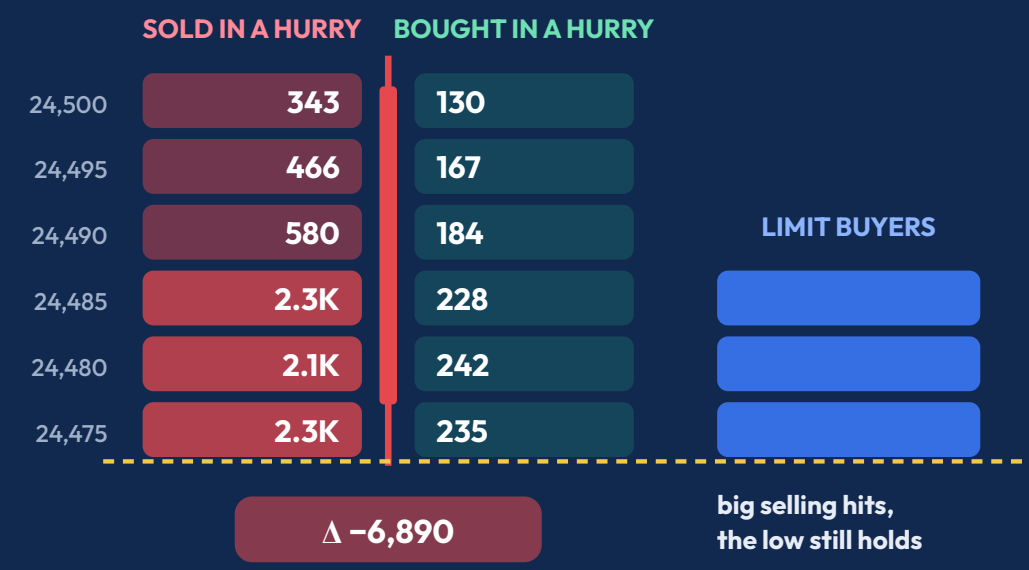
The checklist from the reel · Compound with Raunak · educational only, not investment advice

The volume profile tells you **where** to look. Order flow tells you **who is winning** there. This guide walks through the exact process from the reel, with every number on one example chart, and ends with a checklist you can keep next to your screen.

What you need on your chart

1. **Real volume.**
   Any stock works. For Nifty or Bank Nifty, use the **futures** chart: the index itself doesn't trade, so it has no order flow.
2. **Yesterday's volume profile.**
   A session (daily) profile with the value area at 70%, so you can read yesterday's **VAH, POC and VAL**.
3. **A footprint chart.**
   Also called an order flow chart. Several Indian platforms have one now, for example the Order Flow chart on Dhan. It splits every candle into two columns: what was sold in a hurry and what was bought in a hurry, at each price.
4. **Delta and CVD.**
   Most footprint charts print the **delta** under each candle. Add a session **CVD** (cumulative volume delta) indicator below the chart.
5. **A 15-minute chart.**
   Every signal here is a 15-minute candle **closing**, not a wick.

Read the footprint in ten seconds

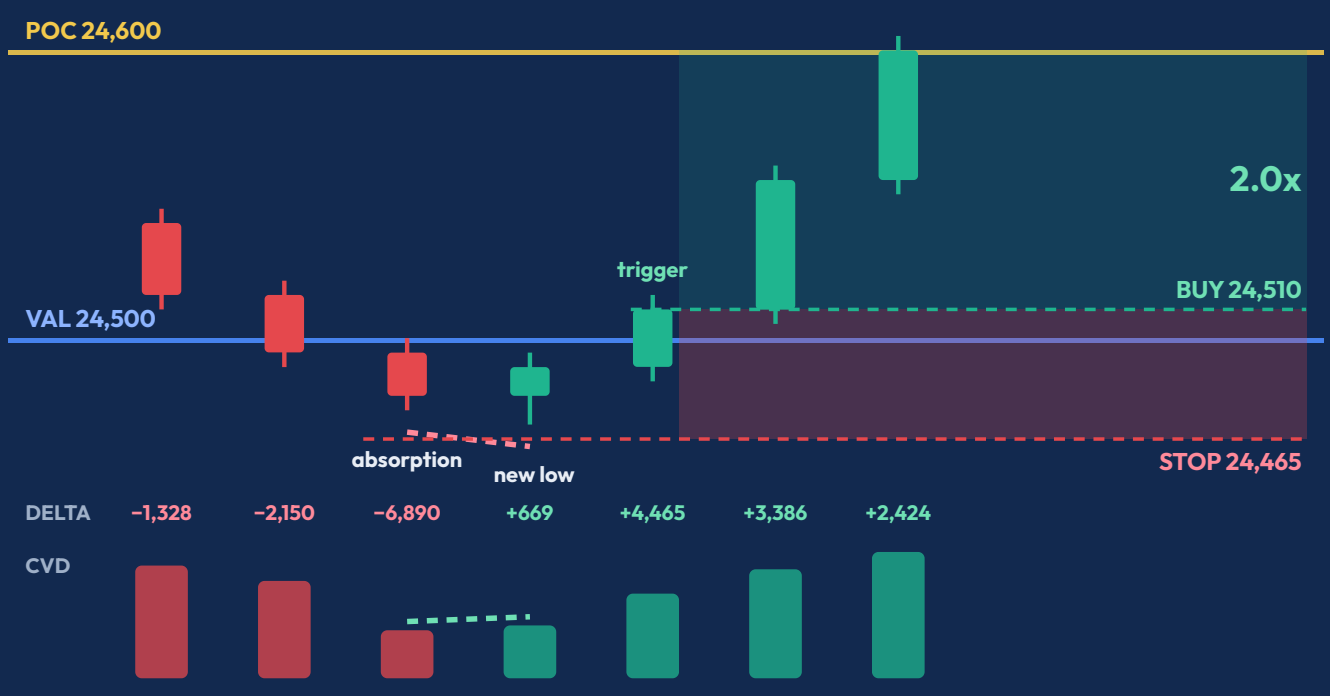


The absorption candle from the reel (illustration). The left column is selling at the market, the right column is buying at the market. Delta = bought − sold, so this candle's delta is −6,890.

THE PROCESS

Four steps, in the order you'd do them live

Long side first. Prices are an illustration; the shape of the trade is what repeats.



Price makes a new low, but the CVD makes a higher low. The selling is getting weaker.

1. **Mark yesterday's levels.**
From yesterday's profile: VAH, POC and VAL. In the example: VAH 24,660, POC 24,600, VAL 24,500. The VAL is where you'll look for this trade.

2. **When price falls below the VAL, look for absorption.**
Open the footprint and check three things on the candles at the low: **big numbers on the sold side** in the bottom rows, a **deep red delta**, and yet **price not going any lower**. Together they mean someone big is quietly buying everything that's sold, with limit orders. This is a warning sign, not your entry.

3. **Check the CVD.**
The CVD is all the deltas added up through the day, a live scoreboard of buyers against sellers. If price makes a new low but the CVD doesn't, the selling is getting weaker. In the example, the new low (24,470) printed with a delta of +669: CVD 6,703 → 7,372.

4. **The trigger, the stop, the target.**
Buy when a candle's delta turns **green** and it **closes back above the VAL** (the example's trigger: delta +4,465, close 24,510). Stop just below the price where the selling got absorbed. First target: the POC. Your reward must be **at least 2x** your risk.

The example in numbers

Entry **24,510** · stop **24,465** (below the absorbed selling at 24,475 and the new low at 24,470) · risk 45 points. Target, the POC 24,600: 90 points away, **2.0x** the risk, so the trade passes. If the POC had been closer than twice your risk, you'd skip it.

WHEN NOT TO TRADE IT

Skip it when nobody is absorbing

The fall is real when the selling keeps winning

The delta stays red · candle after candle
The sellers are still the ones in a hurry. There's no buyer taking it.

The CVD keeps falling · with the price
New low in price and a new low in CVD: no divergence, no weakness in the selling.

Price keeps making new lows · the wall breaks
If the low you saw "holding" breaks on big selling, the limit buyer is gone. So is your reason for the trade.

Big news days · results, RBI policy, the Budget
Levels get run over when the whole market reprices. Sit those days out.

Less than 2x · to the first target
If the POC is too close for a 2x reward, skip it, however good the signals look.

Six mistakes that break this setup

- ✕ **Buying the big red candle itself.** Absorption is the warning. The entry is the green-delta close back above the VAL.
- ✕ **Reading one cell.** Look at the cluster in the bottom rows, and the delta, not a single big number.
- ✕ **Using wicks.** A wick back above the VAL is not a signal. Wait for the 15-minute close.
- ✕ **Stop below the whole fall.** The risk gets too big and the trade fails the 2x check. Stop just below the absorbed selling.
- ✕ **Ignoring the CVD.** If price and CVD are both making lower lows, the sellers are still winning.
- ✕ **An index chart with no volume.** Use Nifty or Bank Nifty futures for their order flow.

Practise before you put money on it

Use your platform's bar replay. Go back through 20 days on Nifty futures or a stock you follow, mark yesterday's VAL on each, and every time price falls below it, run the four steps. Note which days showed absorption, which showed a real fall, and how each played out. Trust the setup because of what you saw on your own chart.

KEEP THIS NEXT TO YOUR SCREEN

The checklist

Tick every box, or don't take the trade

Before the open

- [ ] Chart with real volume (futures for an index)
- [ ] Yesterday's VAH, POC and VAL marked
- [ ] Footprint chart, delta and session CVD on
- [ ] No big news today (results, RBI, Budget)

At the value area low

- [ ] Price fell below the VAL
- [ ] Big selling in the bottom rows of the footprint
- [ ] Delta deep red, but price not going lower
- [ ] New low in price, higher low in CVD

The trade

- [ ] A candle with green delta closes back above the VAL
- [ ] Stop just below the absorbed selling
- [ ] First target: the POC
- [ ] Reward is at least 2x the risk

Skip it if

- [ ] The delta stays red
- [ ] The CVD keeps falling with price
- [ ] Price keeps making new lows
- [ ] The trade can't reach 2x

Next in the series

Case 02 · Exhaustion at the VAH

Case 03 · CVD divergence

Case 04 · The real breakout

Case 05 · Trapped traders

Case 06 · Naked POC magnet

Case 07 · Stacked imbalances

Case 08 · Thin zones

Educational only, not investment advice. The prices and volumes in this guide are an illustration, not a real session. Trading involves risk of loss; size every position so a stop-out is a loss you can afford. Follow @compoundwithraunak for the next case.