

The Likos 'Alert!' - The Value Area & 80% Rule

How to use **The Likos 'ALERT!'**, Value Area, 80% Rule in **Mini DOW Futures**

The **Value Area** is where **70% of the previous days volume took place**. Basically the *Heart* of the previous days activity. We calculate the *value area* daily exclusively for the CBOT.

You WILL see variances in the *value area* numbers posted at the CBOT site and from other data providers, because we use ACTUAL volume numbers to calculate our published numbers (so we feel we have the *most correct* numbers any source could have), while most others use average volume numbers. What one needs to remember, like all other Key support and resistance levels, the *value area* levels are not evaluated as specific points *per say*, they are *areas* of intraday road blocks. Astute traders realize this and use them along with their overall market interpretation.

The Play

We use 30' bars to qualify our potential trade opportunities.

IF the market opens (or gets outside of the *value area*) and then gets back into the *value area* for (2) consecutive 30' bars the **80% Rule states** it has a *high probability* of completely filling the *value area*. (I've seen it published to as much as 80%). The rule can be misleading, in that you DON'T have to see both 30' bars close within the *value area*. The first bar can enter and close within the *value area* and when the second bar opens *within* the *value area* we have met the Rule criteria. (See the example below).

We don't blindly follow the above. There are guidelines that increase the chance of approaching the *80% probability* that we teach in our mentoring programs and seminars. The trader who enters a *value area trade* without evaluating other market conditions has a better than 50% chance of seeing the value area filled but the power of using the **80% Rule** lies in the evaluation of the current market variables as, *value area* size, extension and market internals.

Note: The top of the *value area* generally provides *intraday support* while the bottom of the *value area* generally provides *intraday resistance* and suggest one post the *value area* directly on their futures charts.

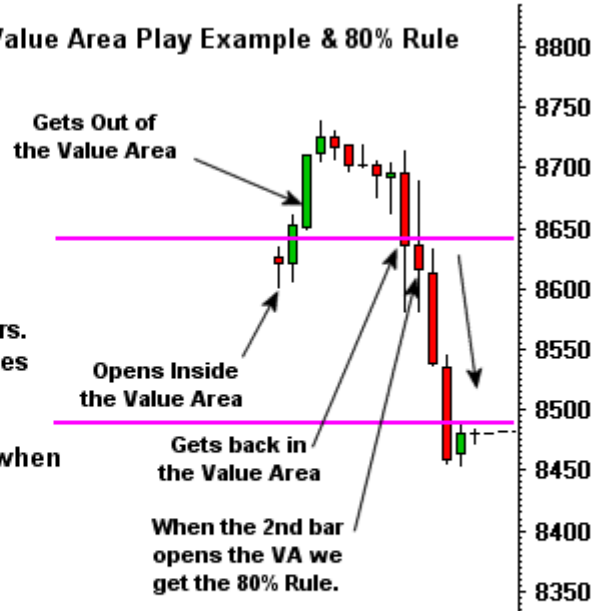
In the illustration below you can see the market opened *inside* the Value Area, got out of the denoted **purple** *value area* and in the after noon the 10th **red bar** of the session got back into the **purple** *value area* which was our first alert to watch for the next bar opening or staying inside the value area. When it did, the **80% Rule**, by definition, was triggered which was the useful information traders were looking for, and the market continued straight down completely filing the value area.

Intraday /YM DOW Mini Contract 30' Chart

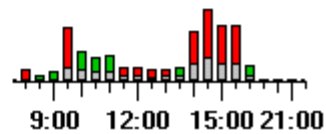
The Value Area is denoted/plotted (as we suggest you do daily) in purple where the market opened *within* the Value Area, then 'gets-out-of' the Value Area. Later in the afternoon session it triggers the 80% Rule by 'getting-back-in' the Value Area with 2 consecutive 30' bars. Then filling the area as the 80% Rule states it has a high-probability of doing.

A VERY powerful setup to acknowledge when making entry or exit decisions!

Value Area Play Example & 80% Rule



Summary - When the 80% Rule triggered according to the parameters the market carried on to fill the Value Area as the High-Probability Rule states!



Anyone interested in more information on using the *Value Area* and the *80% Rule* and how we evaluate the unique variables that maximize its probability should consider a *mentoring* program or a *Likos Seminar*.

ANY questions contact Mark Likos at mlikos@thelikosletter.com for a prompt response.

If you are interest in seeing and hearing the above principals used in actual *play*, come to our **LIVE audio** trade radio program at www.firetraders.com and sign up for a **FREE** trial.