1. Introduction:

The concept of *Price and Volume* does not refer to any particular stock trading system, it much rather refers to the interpretation of the market movements keeping in mind the two most objective criteria we can find when studying a chart.

On the one hand, the *Price,* the "real" movement of any asset, is determined by an agreement between seller and buyer at any given moment. On the other hand, the *Volume,* which quantifies the number of agreements executed in each tick of the price movement. As we can see, both concepts are "real", straight from the market, and "direct". They are not derived from any past / outdated data and they are presented in real-time.

Hence, the first thing we need to comprehend is that "Price and Volume" is not only a system of entry and exit points, but much more.

Mastering the system will result in knowing the philosophy of the market. Therefore, it will be neither quick nor easy, nor automatic. It is based on the assumption that we, as operators, have to assimilate a series of concepts that, individually, are simple, yet just as useless, if we are not able to see them in a more global context.

The second thing we need to understand is that we are uninvited, but necessary "entities" for the price movements. Any financial asset we operate, as well as the market as a whole, is a "sum zero" element. What does this mean? It means that no one owns the market as a whole. No third party brings in cash for us to be able to play the game. Accordingly, in order for one to be able to buy, there must be a counterpart willing to sell. Without this basic action, the asset cannot start moving. As soon as we understand that big investment organizations are present in the market, we realize that in order for them to be able to make their operations, they need the "other part". That is where we, as small investors, enter the game. That is why, as mentioned, we are "needed" so the market can move.

There is a very logical conclusion: We mean nothing when it comes to the market. Our volume is big as a group, but insignificant as individuals since our operations are not organized in any way within the group. Each trader in front of his or her computer has an entry point, a planned exit, a risk to assume, a certain psychological tolerance, etc. All of these factors vary for each one of us. We form a disorganized mass, which is what the *professional* benefits from…

The professional plays with small investors in order to make his moves. The sooner we understand that the sooner we realize that the only way to survive in this world is being able to interpret the professional's movements and being able to, as small fish do, feast from the leftovers that the big whales leave behind.

As we often hear, "*the professional must show his cards at some point in the game*" Paco Gómez (hereafter PG)", and that is exactly where we must pay attention and act.

When we talk about the *professional,* we must not think of big investment funds, financial departments in banks, hedge funds, SICAV's or the like. We should not imagine the Market Makers either, who are simply there to guarantee liquidity and fluidity in the market. Despite, of course, knowing who is positioned and where, these players do use their information for their own benefit.

All of those are nothing more than players at the table. The professional, to which we refer here, is the big Trading syndicates. Big investment societies with practically unlimited resources, who are not willing to have them reduced. When they have unlimited resources, how could they justify a loss?

When structuring this book, we hit multiple obstacles, as most of the concepts are interconnected. Therefore, explaining one, without going into detail on the characteristics of the rest of them is next to impossible. Due to that, one needs to be aware that the "assembly to a whole" is what will make the machinery in our minds start working. It would not make sense to try to apply or assimilate isolated ideas without acquiring a complete and detailed picture of all the concepts explained here.

We must, therefore, emphasize that we have in front of us a process that requires time: time to learn, time to take in the concepts, time to get to know the asset against which we want to trade and time to put it to work in an efficient way. There are no shortcuts: if we try to reduce time, effort or work the market will put us in our place, sooner or later.

Just like any other profession, this one needs concrete and complete training. It needs continuous, tenacious, and persistent work. It also needs one more thing: patience. No one learns this profession in a weekend, nor in three months or six. Think of it as if it were about a doctor: No doctor will perform open heart surgery right after graduation, neither will a gymnast win the gold medal overnight, an actor gets the part of his life on his first audition or an architect designs a skyscraper as his first project.

Our goal is not to impose fear, but we do not want to leave the impression of an easy path either. As I once read: "Trading is the most difficult way to earn a good living". This means a ton of work for sure, yet if you are willing to face it and put in work from the very beginning, nothing and no one will be able to stop you. There will be a lot of good and bad moments, but once the system is really put in place on and if your force of will is absolute, no one will limit your potential.

This book is divided the way we thought it to be the most logical. We are assuming a reader with a certain experience in the analysis of financial assets. Nevertheless, we will start from zero, with the goal of consolidating ideas, which may not have settled yet or have been misunderstood.

We will begin with the concept of "Volume", which is much talked about, while not everyone has a clear picture of what it actually means.

Our path starts with a definition of what volume means in the market. Why it is produced, who produces it, and the clear deduction of what it is produced for. This last question is the foundation of everything. Knowing how to answer it correctly will open a door that can never be closed again.

The following chapters, as expected, will be all about the "Price". We will give you the keys necessary to understand how its movements are developed and how to structure what many consider to be random. Like my teacher and friend used to say: "In the market, nothing happens casually, but by causality".

It is he who showed me that randomness does not exist in the market; but that it is indeed required to learn and obtain the knowledge necessary to understand this statement. That is why; we will develop these two concepts, which work in parallel: The "Price structure" and its integration within the "Technical analysis".

From that point on, when we have established the ways to unravel the true language of the markets, we will begin our path towards understanding what, from now on; will be our form of trading. To understand and to know how to apply this skill is the key to open the door mentioned before.

To recognize where the professional acts, how he does it, and what to expect from each of his actions is explained in the most detailed and clear way possible to us.

Keep in mind that the language we are talking about here is the same for every market. It does not matter which asset we are analyzing. All of them move according to the law of supply and demand and all of them are manipulated by the professional to his own benefit.

Mind you, we need to have the proper tools for a decent interpretation of the data. They nowadays only exist in regulated markets, such as Futures (as well as Options, Stocks…). That is the only guarantee we can count on to deliver real and non-manipulated volume and price data.

Other financial derivative products, like CFDs, surely provide volume data, yet one needs to be aware that this data belongs merely to the specific broker, not to the whole market. The reason behind it is, that out of the Futures, brokers are neither obligated to share information concerning their transactions, nor justify the data provided is real. Given the data is actually real, there is still no need to publish to which market share it belongs.

Additionally, we are interested in volatile and liquid markets. The explanation is simple: If the price is not moving, we cannot profit from it, no matter how good our analysis is. Besides, if there is no liquidity, we cannot place our entries and exits as we want, but as the asset can provide us with a counterpart.

That is why we have chosen the miniSP500 to carry out our study. All charts, schemes and examples come from said asset. At the end of this book, we have added a chapter on some peculiarities about the analysis of this asset as well.

From this point on, it is on the reader to get started, advance and put the machinery to work. From our point of view, the information contained in this book is enough to understand our way of viewing the charts. The charts are 70 cm away, right on the screen of your computer and they are the only thing that will always tell you the truth.

Do you really want to learn how to read them?