

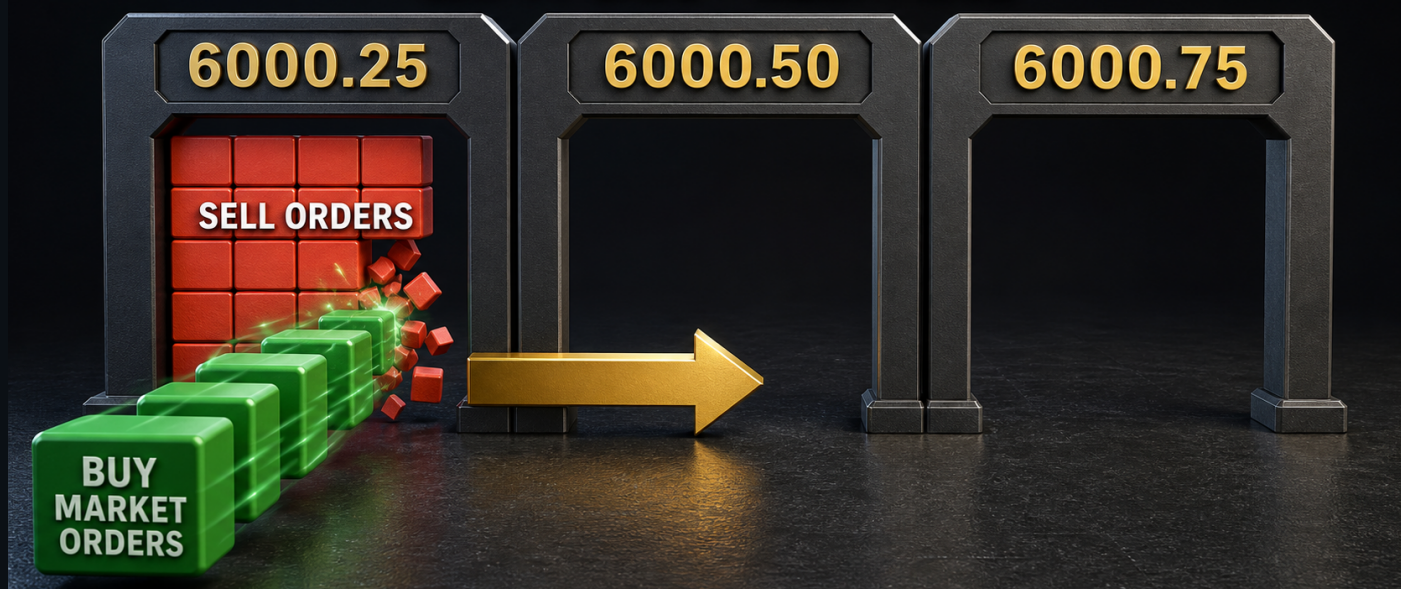
THE ES AUCTION

From one-tick mechanics to Auction Market Theory and volume-profile structure

EACH PRICE IS A GATE

BUYERS MUST REMOVE THE SELLERS AT THE ASK

EMPTY GATE = NEXT PRICE



The core idea

Price does not move merely because there is lots of volume. It moves when the **best available liquidity** is no longer available: it has been **consumed** by trades or **pulled** through cancellations.

PRICE IS THE LOCATION OF THE NEXT WILLING TRANSACTION.

1. The ES auction in plain language

ES is an order-driven market. The order book continuously displays bids below the market and offers above it. Resting limit orders provide liquidity; aggressive orders demand it.

Term	Meaning	What it does
Bid	Resting buyers willing to buy at a stated price.	A market sell trades at the bid.
Ask / Offer	Resting sellers willing to sell at a stated price.	A market buy trades at the ask.
Best bid	Highest currently available buying price.	The immediate floor available to a seller.
Best ask	Lowest currently available selling price.	The immediate ceiling available to a buyer.
Replenishment	New resting orders replacing traded orders at the same price.	Absorbs aggression and can prevent a move.

The ES tick

One ES tick is **0.25 index points**. Each tick is worth **\$12.50 per contract**. A move from 6,000.25 to 6,000.50 is one upward tick; from 6,000.00 to 5,999.75 is one downward tick.

Bid and ask are not opposing trade counts. Every transaction has both a buyer and a seller. What matters is which participant is aggressive enough to cross the spread, and whether the passive liquidity survives.

2. How ES moves up one tick

Start with a best bid of 6,000.00 and a best ask of 6,000.25. Suppose 604 ES contracts are resting to sell at 6,000.25.

1. Buyers lift the ask	Buy market orders, or limit buys priced high enough to cross the spread, trade against the sellers at 6,000.25.
2. The ask is removed	If all 604 resting contracts trade and no one reloads at 6,000.25, that best-ask liquidity is exhausted.
3. The next offer becomes best	The next seller is at 6,000.50. The best bid may still be 6,000.00. The offer has moved up one ES tick.

3. How ES moves down one tick

Reverse the auction. Market sell orders hit the 6,000.00 best bid. If its resting buy liquidity is fully traded or cancelled and no one replenishes it, the next bid at 5,999.75 becomes best. That is one downward ES tick.

Trades hit bid. Trades lift ask. This is the simplest reliable way to keep the directional mechanics straight.

4. Why liquidity replenishes

A displayed level is not a promise that the market must move once trades reach it. While aggressive orders are trading, new passive limit orders can arrive at that same price. That is replenishment.



5. What happens in a sweep

A **sweep** is a burst of aggressive orders that consumes liquidity across more than one consecutive price level before enough new liquidity can stop it. It may be one large marketable order or a rapid sequence of orders; the important fact is that multiple book levels are cleared.



Example: a buy sweep removes the offers at 6,000.25, 6,000.50, and 6,000.75. The next available offer could be 6,001.00. Price has not 'decided' to jump; the intervening sellers were traded through, absent, or pulled.

After a sweep, watch the response. If new passive orders immediately appear and hold, the move may pause or reverse. If liquidity continues to pull and aggression persists, the auction can continue rapidly to the next area of available size.

6. The four things to watch

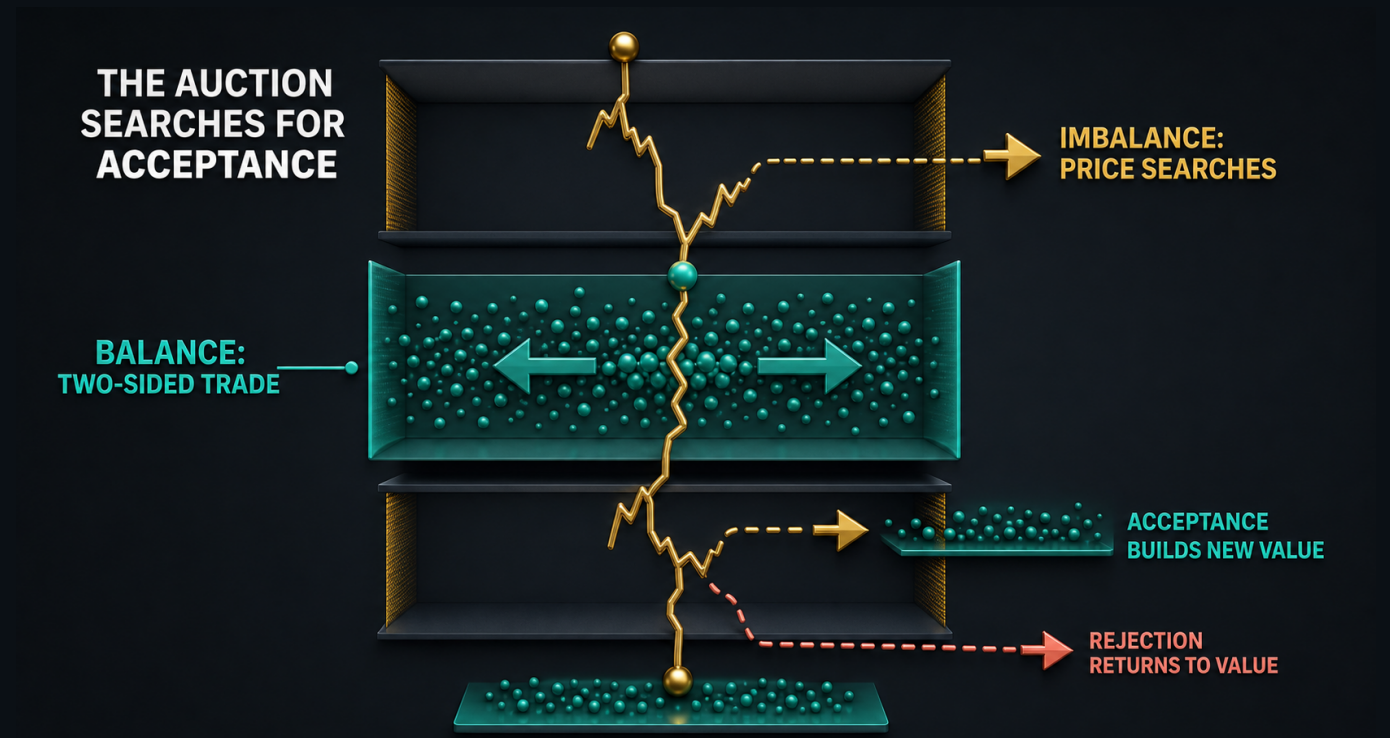
1. Aggression	Are market buys persistently lifting offers, or are market sells persistently hitting bids?
2. Available liquidity	How much size is actually resting at the best bid and best ask?
3. Replenishment	After trades consume a level, do new orders reload at that same price? If yes, the level is absorbing.
4. Pulling / cancellation	Does displayed liquidity disappear before trading? A thin or pulled book can move rapidly on modest volume.

A daily checklist

- Which side is crossing the spread right now: buyers at ask or sellers at bid?
- Is the best price being replenished after trades, or is it exhausting?
- Is liquidity trading, or is it pulling?
- Is the book thick and absorbing, or thin and vulnerable?
- Am I seeing a single burst, or repeated failure of one side to hold its best price?

7. Auction Market Theory: the larger map

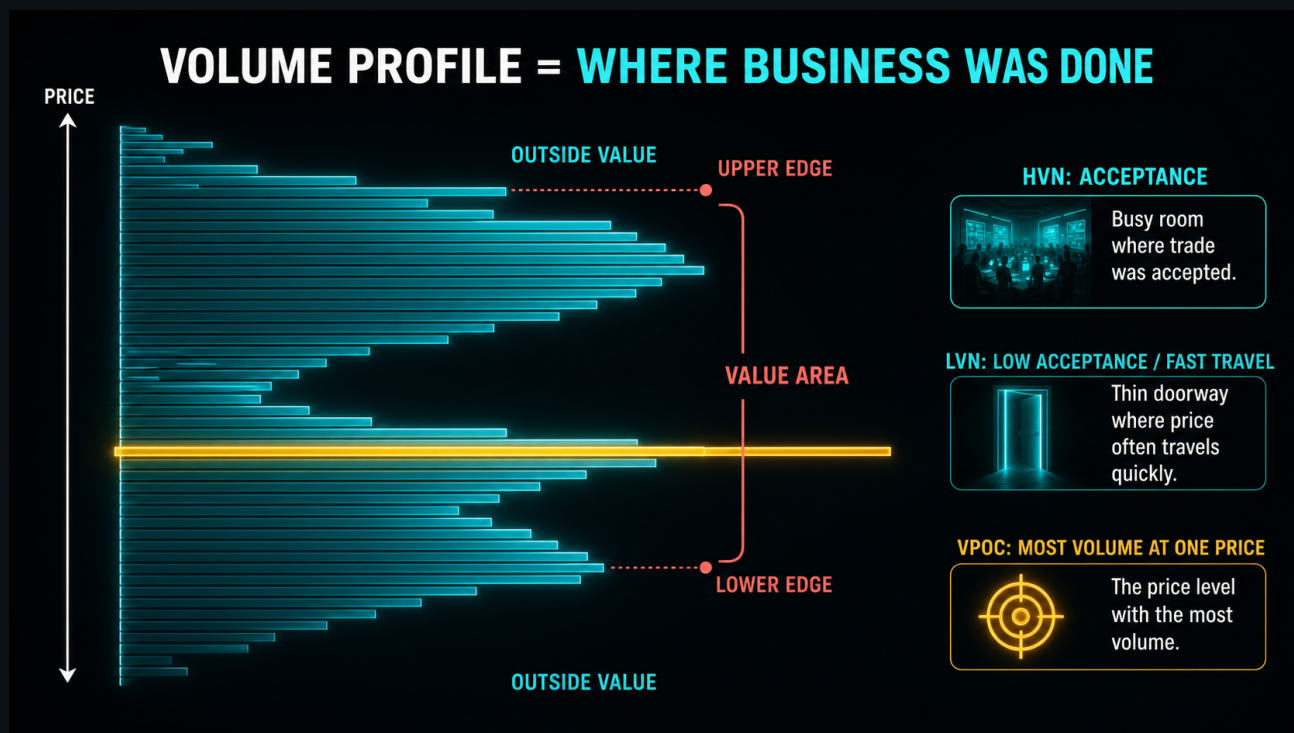
Auction Market Theory treats the market as a continuous search for prices where buyers and sellers will conduct two-sided business. Price advertises; participants respond; the resulting volume profile records where business was accepted.



Balance	Two-sided rotation around accepted value. Responders are active; price revisits familiar territory.
Imbalance	One side extends price away from old value. The auction is searching for a new area of agreement.
Acceptance	Time and volume build at the tested prices. A new distribution, HVN or developing VPOC can form.
Rejection	The probe cannot build business and is pushed away or back into the prior distribution.

8. Reading a volume profile

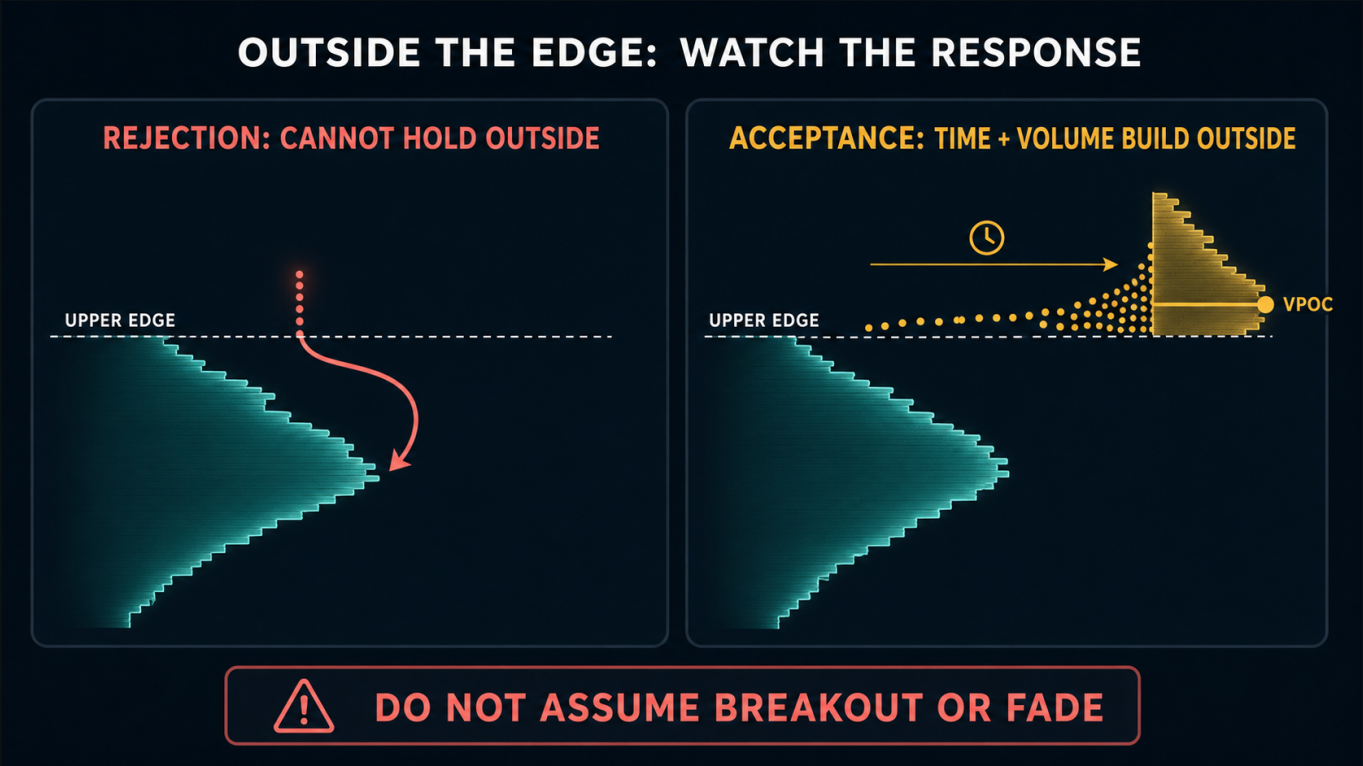
A volume profile rotates the normal volume histogram: price is vertical, while each horizontal bar shows how much volume traded at that price during the selected session or range.



VPOC	The single price with the most volume in the selected profile. A developing VPOC can move as new trades accumulate.
HVN	A broad high-volume node: a zone of accepted, two-sided business. It can act as a magnet, but it is not automatic support or resistance.
LVN	A thin low-volume node: a low-acceptance gate between distributions. Rejection can return toward the prior HVN; acceptance can transfer toward the next distribution.
Value Area	The VAH-to-VAL band containing roughly 70 percent of the selected profile's volume. The exact calculation depends on the platform.
Edges	Boundaries such as VAH, VAL or an LVN. IBH/IBL and swing extremes can also be structural edges, but they describe different structures.

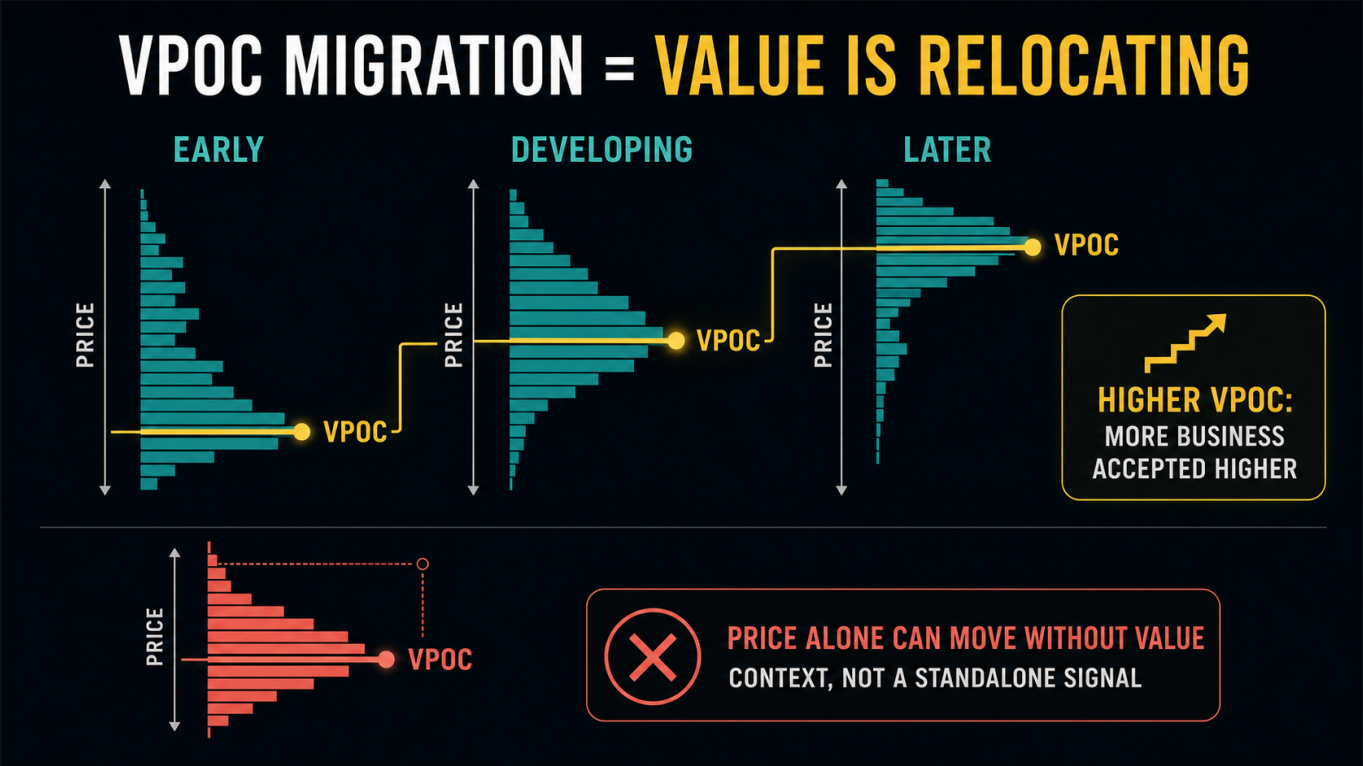
9. Trading inside and outside distribution edges

Location changes the meaning of the same order flow. Inside accepted value, price is surrounded by prior business and rotation can be noisy. At an outside edge, the response tells you whether the auction is rejecting the excursion or accepting a new area.



10. VPOC migration: when fair value relocates

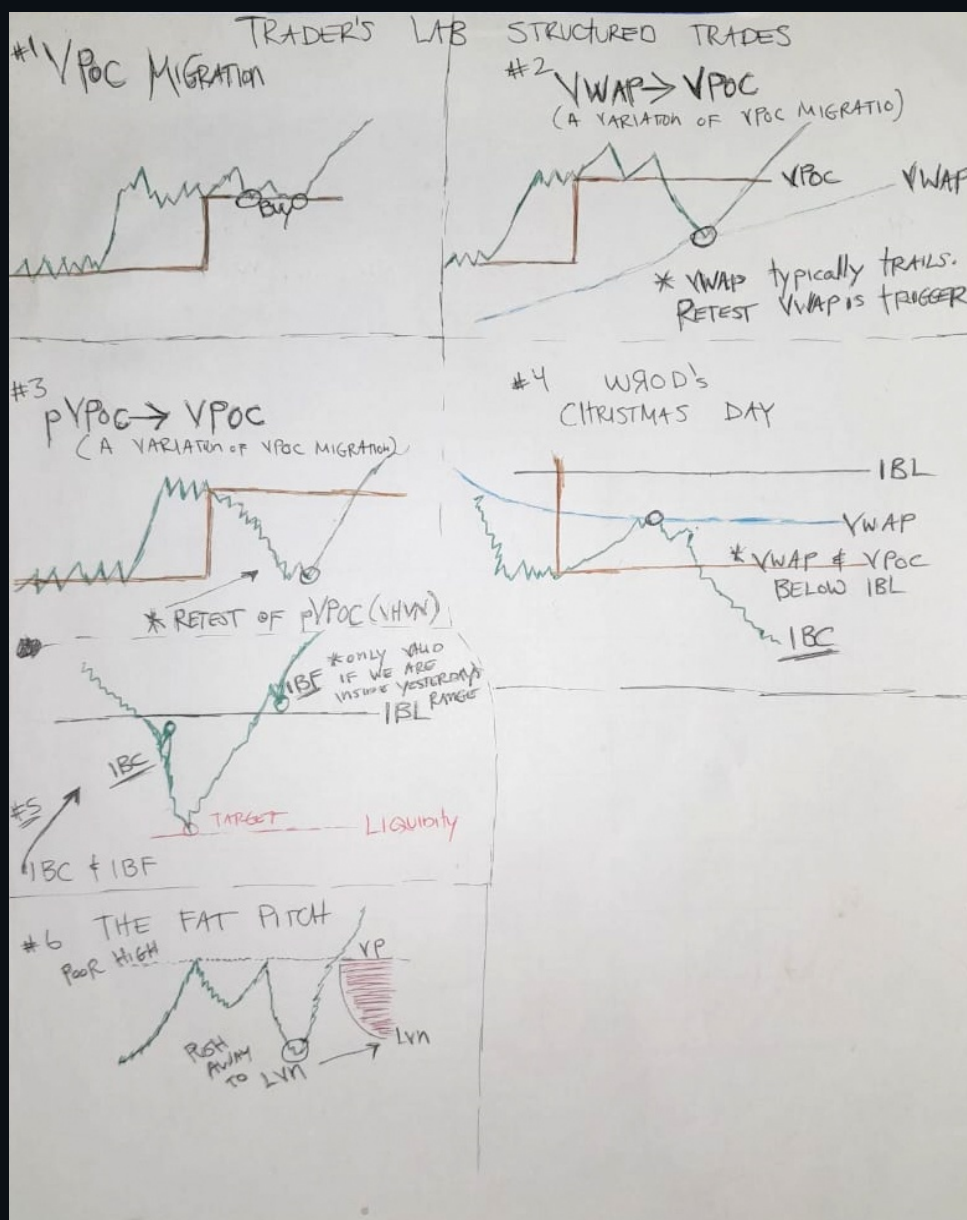
VPOC is the highest-volume price in the selected profile. When the developing VPOC moves, the location of the most accepted business has changed. That is stronger evidence of value migration than price merely printing a new extreme.



Migration higher	More business has accumulated at a higher price. Read it as evidence that value is relocating, not as a guaranteed continuation signal.
Former VPOC	A left-behind VPOC records previous acceptance and can remain a magnet or reference. It is not automatically an entry line.
Migration can reverse	Acceptance is provisional. Later trade can pull the developing VPOC back through the profile.
Timeframe matters	A session can migrate higher while a larger composite remains balanced. Always name the profile and timeframe being read.

11. Traders Lab community structured-trades sketch

This 2023 sketch is useful as a learning artifact, but the corpus establishes that it was created and posted by community member **cocoboloukuleles**, not Tom. WROD corrected part of the IBC/VPOC geometry in the same thread, and no Tom reply or endorsement was found.



SOURCE: Traders Lab Discord attachment TL_Structured_Trades.jpg, 2023-09-15. Treat the arrows as community scenarios, not forecasts or automatic signals.

12. Decoding the sketch - setups 1 through 3

#1 VPOC migration	The orange VPOC steps higher and the drawing expects the new area to hold. Learn it as migration plus a structural retest and response - never as 'buy the VPOC line.'
#2 VWAP -> VPOC	A responsive reversion family: qualified response near VWAP seeks VPOC as a magnet. It needs separation, range and context; VWAP touching alone is not a trigger.
#3 pVPOC -> VPOC	A previous VPOC or former accepted price is used as the test location, with current VPOC as a potential magnet. Tom supports the mechanics, but this exact setup label is community shorthand.

What these share

They combine a location with a response. The line itself is not the trade. The auction must show that participants are accepting, rejecting, absorbing or failing at that location.

Tom's verified method treats VPOC, VWAP and HVNs primarily as fair-price references, magnets, targets or scale locations. A complete decision still needs condition, outside-edge location where applicable, order-flow evidence and a defined invalidation.

13. Decoding the sketch - setups 4 through 6

#4 WROD's Christmas Day	This is WROD's community IBC-to-VPOC study, not Tom doctrine. With VPOC outside the initial balance, a break-and-hold plus a failed retrace near VWAP can continue toward VPOC. The drawing shows the short mirror.
#5 IBC and IBF	These are alternative branches at the same initial-balance edge. IBC means the break holds and extends; IBF means the break fails back inside and reverts. WROD corrected the sketch's geometry, so do not copy its V-shaped path literally.
#6 'The Fat Pitch'	The label is Cocobolo's, not Tom's. The scenario links a poor or unfinished high, rotation to an LVN, and possible later repair. Tom supports the vulnerability of weak extremes, but not a guaranteed three-leg recipe.

Guardrails

Arrows describe possibilities, not predictions. VPOC migration alone is not an entry trigger. LVN-to-HVN travel, poor-high repair and initial-balance continuation are not guaranteed or mechanically timed. Acceptance is dynamic and can later reverse.

Corpus basis: Traders Lab Discord message 1152389390828572724 and attachment 1152389390992158751; WROD correction 1152391631719378994; Tom session 'Winning the Day Trading Game' (2023-09-15) for the underlying auction concepts.

14. A complete auction-reading checklist

1. Name the profile	Session, composite or another defined range. Balance and value are timeframe-specific.
2. Classify condition	Is the auction balanced and rotating, or imbalanced and extending?
3. Mark location	Inside accepted value, at an edge, or outside the distribution?
4. Observe the event	Probe, sweep, break, replenishment, pull or failed auction?
5. Read the response	Is volume building outside, VPOC migrating, liquidity absorbing, or price being rejected?
6. Define invalidation	What market behavior would prove the interpretation wrong?

LOCATION TELLS YOU WHERE TO PAY ATTENTION. RESPONSE TELLS YOU WHAT THE AUCTION IS DOING.

Risk note: This guide is educational only, not financial advice. Futures trading involves substantial risk and is not suitable for every trader.