

# SURFING THE ORDER LINES

By Daryl Guppy

Surfing the order lines is designed to get the trader just ahead of the momentum of rising prices. It requires active management of the position of your order in the order line. The objective is to capture the best possible price. We show this in operation with VAH\*. The price broke out above a trading range so on the next day we expect prices to move rapidly towards the new resistance level. As it turns out, this does not happen. The move is slow, but the same principles apply.



Here is the order lines just prior to the open. We can see the buyers are bidding higher to make sure they get first place in the buy line. There are two sellers who a offering lower so that can be sure of getting out at the match price of \$0.48.

The key feature is the way the number of sellers increases as the price moves towards the resistance block at \$0.50. What we hope to see is the number of sellers reducing as they decide to yank their orders and place them at a higher level because they believe the price will rise.

## 5 minutes after trade open

Code: VAH.ASX									
Request									
+	Delay	SecCode	R	DS	Last	+/-	%	Tre	
+	-	VAH	▲	AUX	48	0	0		
Bids					Asks				
DS	No.	Volume	Price	Price	Volume	No.	DS		
MIX	13	175231	47.5	48	536070	5	MIX		
MIX	15	399905	47	48.5	677953	19	MIX		
MIX	13	305558	46.5	49	718384	19	MIX		
MIX	10	461779	46	49.5	551210	13	MIX		
MIX	6	255780	45.5	50	1317361	57	MIX		
MIX	13	721253	45	50.5	183780	4	MIX		
MIX	5	128620	44.5	51	172816	9	MIX		
MIX	4	118180	44	51.5	164780	3	MIX		
MIX	2	64780	43.5	52	124536	8	MIX		
TM	5	60976	43	52.5	105000	3	TM		
TM	7	95800	42.5	53	16400	1	TM		
TM	4	2016304	42	54	5000	1	TM		
TM	2	15000	41	55	41700	3	TM		
TM	1	10000	40.5	57	2400	1	TM		
TM	4	49750	40	59	3000	1	TM		
TM	1	2000	39	60	27400	2	TM		
TM	3	45500	38	63	4000	1	TM		

Watch for reduction in sellers at \$0.50 AND a growing cluster of sellers at a higher price

No evidence of the next resistance level from clustering of sellers

Five minutes after the open we continue to watch for a reduction of sellers in the lead up to \$0.50 price level. We also look for the development of a new resistance level above \$0.50. Our VAH\* sell order is buried in the yellow highlight along with 56 other sellers.

### Trading at noon

Code: VAH.ASX    N    Request

+	Delay	SecCode	R	DS	Last	+/-	%	Tren
+	.	VAH	▲	AUX	48.25	0.25	0.52	du.....

Bids				Asks			
DS	No.	Volume	Price	Price	Volume	No.	DS
MIX	25	304806	48	48.5	519053	20	MIX
MIX	23	374659	47.5	49	788384	22	MIX
MIX	10	375190	47	49.5	601210	14	MIX
MIX	12	255558	46.5	50	1321361	58	MIX
MIX	9	401779	46	50.5	223780	5	MIX
MIX	6	255780	45.5	51	172816	9	MIX
MIX	12	441253	46	51.5	164780	3	MIX
MIX	5	128620	44.5	52	124536	8	MIX
MIX	5	138180	44	52.5	105000	3	TM
MIX	2	64780	43.5	53	16400	1	TM
TM	5	60976	43	54	5000	1	TM
TM	6	65800	42.5	55	41700	3	TM
TM	4	2016304	42	57	2400	1	TM
TM	2	15000	41	59	3000	1	TM
TM	1	10000	40.5	60	27400	2	TM
TM	4	49750	40	63	4000	1	TM
TM	1	2000	39	65	1112	1	TM
TM	3	45500	38	67	4519	1	TM
TM	2	9000	37	69	37000	1	TM
TM	1	500	36	100	1930	1	TM

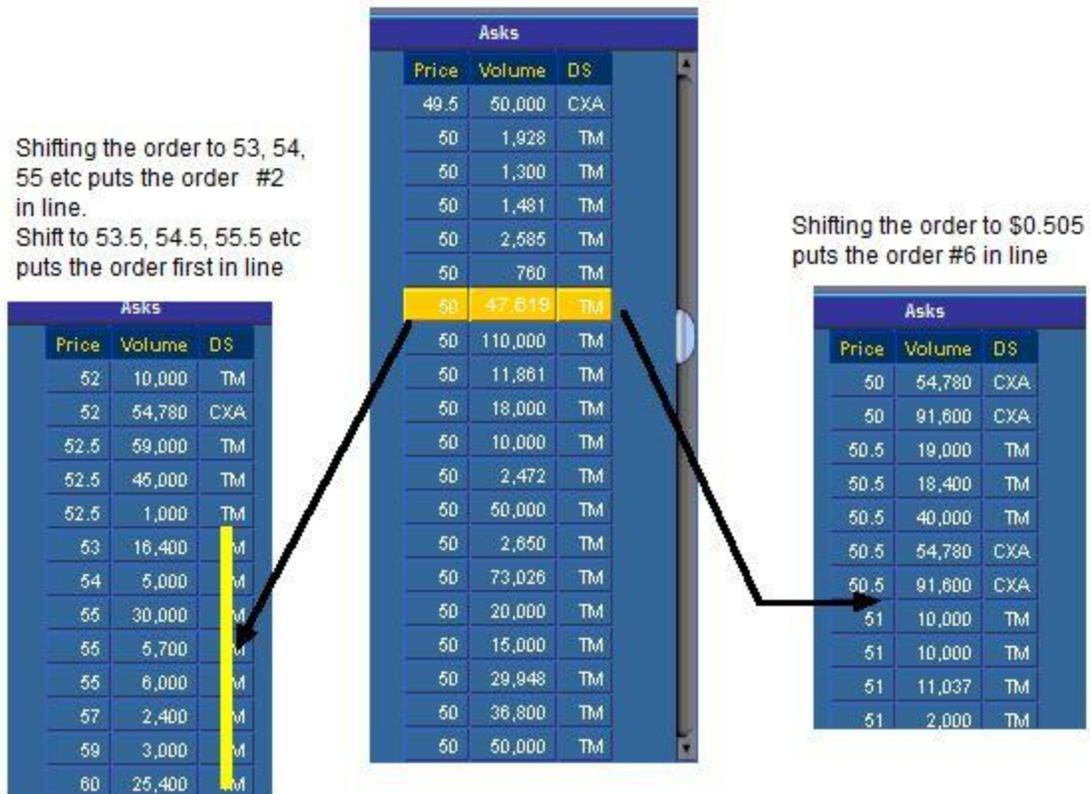
Reduction in sellers from 56 to 38 as sellers move to lock in higher prices below resistance at \$0.50.

No obvious seller clustering  
Break above \$0.505 can move quickly

No evidence of the next resistance level from clustering of sellers

This is moving slower than we expected. The number of sellers below \$0.50 is shrinking. The number of sellers at \$0.50 remains about the same. There is no obvious resistance level above \$0.50. A resistance level is signalled by a large number of sellers at a single price level, or by high volume on offer at a single price level. The current order lines suggest that a breakout above \$0.50 can quickly move to \$0.60 or higher. Remember that once the breakout occurs above \$0.50 that the structure of the order lines will change as new sellers are enticed into the market by higher prices.

## SURFING THE ORDER LINE



Here is the order line in detail at \$0.50. Our VAH\* order is sixth in line. The plan is that once the price trades at \$0.50 we will consider yanking the sell order and replacing it at a higher level. We can shift it slightly higher at \$0.505 and again remain number 6 in line. Or we can shift the sell order to \$0.53 and be second in the order line. Once above \$0.53 there are many opportunities to become first or second in the sell order line. The level we select will also match resistance levels identified on the chart. This is near \$0.70 for VAH on a monthly chart.

Currently there are 58 sellers at \$0.50. Once this level is reached we must make a decision about the strength of resistance at this level. If its too strong, then we will sell at \$0.50. If resistance is weakening, then we shift our sell order to a higher level.

A significant increase in the number of sellers at \$0.50 tells us resistance is strengthening. A steady shrinkage in the number of sellers at \$0.50 tells us these sellers are confident the price will move above \$0.50. This withdrawal of orders shows resistance is weakening and it's a good signal for us to also remove our sell order and place it at a higher level.

This is the essence of surfing the order line. VAH\* has turned out to be surfing in slow motion.