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# TRADING PRICE

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the power of supply and demand

Jonas S.R. Bickle



*...just to have a face for the book....*

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*trading insights of a 21 year old forex trader*

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*created and developed in 2012.  
Tables,charts etc. are completely created and edited by myself.  
I use MetaTrader 4 for screening fx pairs.*

*Author of this E-Book is Jonas S.R. Bickle a.k.a PhanTi from forexfactory.com  
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to my brother,  
Max

and ....

...to the over 13.000 traders who downloaded  
my first e-book...

please donate some bucks if you really enjoy reading the book...  
my paypal Mail : [Jonas\\_Blickle@web.de](mailto:Jonas_Blickle@web.de)



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# Risk disclaimer

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*Before we start you need to read the risk disclaimer seriously... it contains important information regarding your trading and this e-book's content*

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No claim by me that the methods shown here will result in profits and will not result in losses.

The ideas here are not guaranteed to produce profits. Each trader is responsible for his or her own actions. If you read on, you agree to this disclaimer and exempts me from any liability or litigation.

Please treat this business as a business and not like a casino or something like that.

Otherwise you won't have any success and you will burn your hard earned money. That's for sure !

*Investments in financial products are subject to market risk. Some financial products, such as currency exchange, are highly speculative and **any investment should only be done with risk capital**. Prices rise and fall and past performance is no assurance of future performance. This E-Book is an information pdf only. Accordingly, the author makes no warranties or guarantees in respect of the content. The publications herein do not take into account the investment objectives, financial situation or particular needs of any particular person. You should obtain individual financial advice based on your own particular circumstances before making an investment decision on the basis of information in this book.*

*The high degree of leverage can work against you as well as for you. Before deciding to invest in foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore **you should not invest money that you cannot afford to lose**. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts.*

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Whatever is the manual trading method, don't forget to test it first in demo. Also be aware that past performance is no guarantee of future results.

## Hey guys !

Dear traders,  
dear followers,

First of all thank you very much for your feedback in my thread, via skype and via E-Mail.  
I guess the first e-book was worth its effort and worth a read.

Also thank you very much for the Skype sessions and conversations after publishing the e-book .  
I got a lot of ideas how to build this e-book, what to include and what to mention.  
Since my first e-book was developed within a few days containing very basic stuff, this one will go far deeper into the world of supply and demand trading.

I will share all of my knowledge, insights, hints and tips in this e-book.  
Why i do so ?

Well, I don't offer a holy grail system or something like that, i just share my knowledge, my experiences and my style of trading with you.

In my opinion you need to know how markets move, how price develops, why markets move, exist and so on.  
You need a firm feeling of how Forex works, how to behave and how to survive in this market.  
You shouldnt follow the herd and several thread inputs and posts, also dont call any trades placed by forum members or signal hosters in general.  
Please don't buy any robots,indicators etc. offered abroad the internet, this is all scam. Really.  
To be honest : If someone would've created a robot that makes 10 % a month consistently, would he really sell it for 100 \$ ? I guess not....

Without an individual line and idea you wont survive in this business.  
**Copy paste doesn't work !**

That you get a brief overlook of my person and about who did write this e-book i will tell you something about my background and how i approached to trading.

---

## Me,my and myself

---

Well, some of you might know me from forexfactory.com , others don't. That's why i will give you a brief overview of my person.  
If you don't care about who wrote this e-book, just skip this page.... it won't affect your trading results ;-)

My name is Jonas, im 21 years old and grow up near Stuttgart,Germany.

I approached to trading around 2 years ago, when i first saw a buddy of me placing trades via his NinjaTrader software and burning a lot of money.

I thought if you can burn a lot of money, you also can earn a lot of it... so i decided to trade as well.

Of course i wanted to get rich in 2 weeks, i fuc\*ed off any forex content , deposited my first account and bought whenever i saw a large green bar at my chart and sold whenever there was a big red one.

Trade after trade i lost a fix amount of money, unless i burned around 50 % of my account. Then i decided to place one last ultimate trade to recover all the losses with one move.

And bam, i got a call from Mrs. Margin. Guess what ? I deposited a second time, and burned another account.

That was the point i decided to build a strategy, a fix plan , following rules etc.

I did the google for forex content , et viola i registered with forexfactory.com.

I started to take part in discussions, i uploaded hundreds of charts to talk about and tried to identify the strategy that fits my character the most.

Time after time I noticed that robots wont earn any money for me in the future. Robots are a nono, hickhack !

So i prepared a method for me, that bases on supply/demand. After playing around with supply/demand i noticed that i need several additional indicators that increase my successrate trading supply/demand areas.

After trading this strategy almost for one year, i finally turned profitable and i feel comfortable and satisfied whenever i enter a trade.  
In my opinion this should be every traders goal.

Everything i use for my trading i share in this book. This book ain't any scam or something like that just to earn money selling it.

After reading this e-book you should be prepared to trade for yourself. Make your own trading decisions by explaining each single entry and stop.

You will get the necessary tools to beat this business.

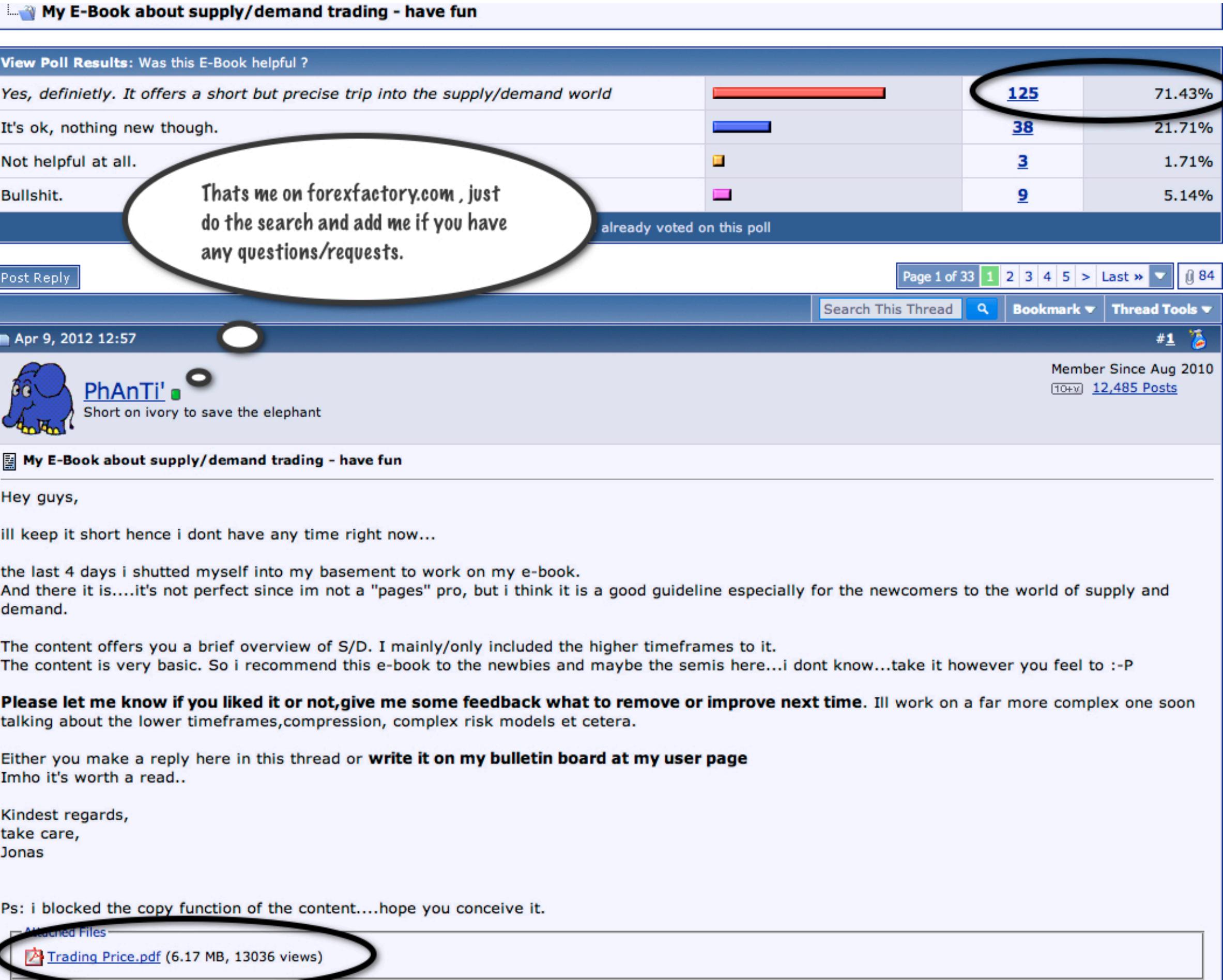
Please note : Thats how i trade, of course there are hundreds of profitable trading systems out there. You dont need to copy my strategy itself, but you might get a brief feeling of how markets move, why price moves at all et cetera. Afterwards you can adapt this strategy to your very individual needs and likings.

Remember that this ain't a holy grail system. Theres no holy grail system out there.

If you have any trouble reading the book, understanding some charts or if you dont get any topic, dont hesitate to write me an E-Mail or add me on skype. I will help you whenever you need some advice.

You will get the contact information on the first pages.

**Also if you did like reading the e-book I'd be happy if you post a nice comment wherever you bought it and maybe visit my thread on forexfactory.com to leave a lovely comment.**

 My E-Book about supply/demand trading - have fun

**View Poll Results:** Was this E-Book helpful ?

Response	Votes	Percentage
Yes, definetly. It offers a short but precise trip into the supply/demand world	125	71.43%
It's ok, nothing new though.	38	21.71%
Not helpful at all.	3	1.71%
Bullshit.	9	5.14%

Thats me on forexfactory.com , just do the search and add me if you have any questions/requests.

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Page 1 of 33 | 1 2 3 4 5 > Last » | 84

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Apr 9, 2012 12:57 #1 PhAnTi! Member Since Aug 2010 (10+y) 12,485 Posts

 PhAnTi!  
Short on ivory to save the elephant

**My E-Book about supply/demand trading - have fun**

Hey guys,

I'll keep it short hence I don't have any time right now...

the last 4 days I shutted myself into my basement to work on my e-book.  
And there it is....it's not perfect since I'm not a "pages" pro, but I think it is a good guideline especially for the newcomers to the world of supply and demand.

The content offers you a brief overview of S/D. I mainly/only included the higher timeframes to it.  
The content is very basic. So I recommend this e-book to the newbies and maybe the semis here...I don't know...take it however you feel to :-P

**Please let me know if you liked it or not,give me some feedback what to remove or improve next time.** I'll work on a far more complex one soon talking about the lower timeframes, compression, complex risk models et cetera.

Either you make a reply here in this thread or **write it on my bulletin board at my user page**  
Imho it's worth a read..

Kindest regards,  
take care,  
Jonas

Ps: I blocked the copy function of the content....hope you conceive it.

Attached Files  
 [Trading Price.pdf \(6.17 MB, 13036 views\)](#)

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## What and why - Do's and dont's

---

Yes, we are in a financial market. This is no playground for gamblers.

Imagine you are a merchant at a local fish market, buying tons of fish day by day to sell them later again at a higher price to gain a profit. We actually don't do anything different here, we only trade currencies and no fish.

This isn't a get quick rich business, first of all you need to trade with the small fishes, then you move on to the bigger ones until you are the master merchant at the market and trade with the biggest fishes that drop more gains.

Better play Roulette and bet for the ,’13‘, before you start trading straight away in forex, Roulette will offer you a higher outcome in this case.

Before you go live you need the certainty that your style of trading works and makes consistently profits.

Expect to kill 2-3 more accounts when you go live... don't deposit more than 10 % of your possible trading assets ( that you can afford to lose ! ), you will need the rest later.

Become regularly profitable for at least 3-6 months before you go live and risk your own, hard earned money.

Every beginner can have a winning streak and think he is god of market.

Of course there will be losing and winning streaks, but you need a representative sample size of demo trades to see whether you feel comfortable trading how you trade and being profitable or not to be.

Also please don't try to trade the smaller timeframes at the very beginning. Forex offers us more than 80 pairs to trade, so go to h4,daily and weekly charts to plan your first trades. On the higher timeframes you will have far more time to analyse a setup and plan a trade than on the quicker smaller timeframes.

Check where to enter, then place a fix stop and a fix target. Fix means that we don't change anything after placing the trade. Let it run. Your mind wants to play tricks on you and you will tend to lower the stop or take partial profits instead of letting the trade run towards the initial target and stop.

Once placed is fix.

Also all market participants are humans ( doesn't matter whether institutional or private ). Means nothing different than someone has to lose money that we can earn money...

Are you still wondering why 95 % of all traders lose money in trading and the other 5 % do have a fuckin great outcome ?! ...I don't...

So we do have something like a competition here. And we want to be on the winning street.

Since this e-book is about my style of trading and my point of view I will share the stuff that is necessary to trade profitable using supply and demand areas as I use to do it. I don't want you to copy my style, each trader needs to develop his own individual style. Once you developed a working system, you can be sure that you understand the markets, and this should be our goal. I will give you the necessary tools to do so.

I use the major trend, supply/demand areas, divergence and reversal patterns to place trades. For me, this is enough.

I don't need any other indicators nor any stupid robots placing trades for me gambling with my money.

So here we go.

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## Only dead fish swim with the stream

---

***There are more guys earning tons of cash by selling scam forex stuff than by trading.***

Sad but true, that's the reality.

Never believe someone telling you that you need Expert Adviser X to get wealthy or that you have to buy indicator X to make millions.

Bullshit.

Please do me a favour and never never never spend any money on EA's or indicators etc.

There's definitely no such thing like a holy grail in trading. There's no indicator that tells you where price will go in future or where price will be in X days et cetera.

I promise you.

You might jump around in some forums to get a brief knowledge about markets and the technical analysis, but don't call any of the trade setups posted in forums or somewhere else, if you didn't get the idea behind it.

**Do your thing, do your own analysis and become comfortable doing so.**

You shouldn't spend too much time in forex forums or at forex websites.

I made bad experiences doing so and you will as well.

You'll be completely affected and linked by the inputs and posts of others that you can't develop your own sense how to analyse a chart.

That's why you have to develop your own style, develop a firm character and search for a comfortable trading style **that you feel satisfied with whenever you enter a trade.**

Trading does have a lot to do with emotions.

So you always should know what to do in each certain situation, and if you just copy a strategy from another trader you won't be able to adapt your decisions to more complex setups or react correctly in certain situations.

All in all open a neat chart and think about your line.

Where will i enter the trade ? Why i will enter at this point?

Where will be my stop?

Where will be my target?

How much i'll risk on the trade ?

Should i better decrease my units to use a bigger stop and minimize risk ?

Which pairs to trade?

When to trade?

How long to trade a day ?

to be continued.....

That's how i treat this business and especially the do's and don'ts are a very sticky aspect here. Keep em in mind !

But now let's start.

---

## My strategy itself

---

I talked about what to do and what not to do.

Even the best technical trader wouldn't be successful if he wouldn't have a special mindset and some rules to follow.

We don't talk about entry and exit rules here, we talk about , 'mindset rules',

So make your own rules, write them down on a sticker and baste it right below your desktop onto your pc screen.

Never leave em out of ya eyes !

I decided not to include any mindset stuff into this book, since this book should be about the technical analysis using supply and demand.

I might talk about mindset concepts in the next book, anyway the internet offers plenty stuff about that topic. Do the google.

As mentioned before i use different tools to place my trades.

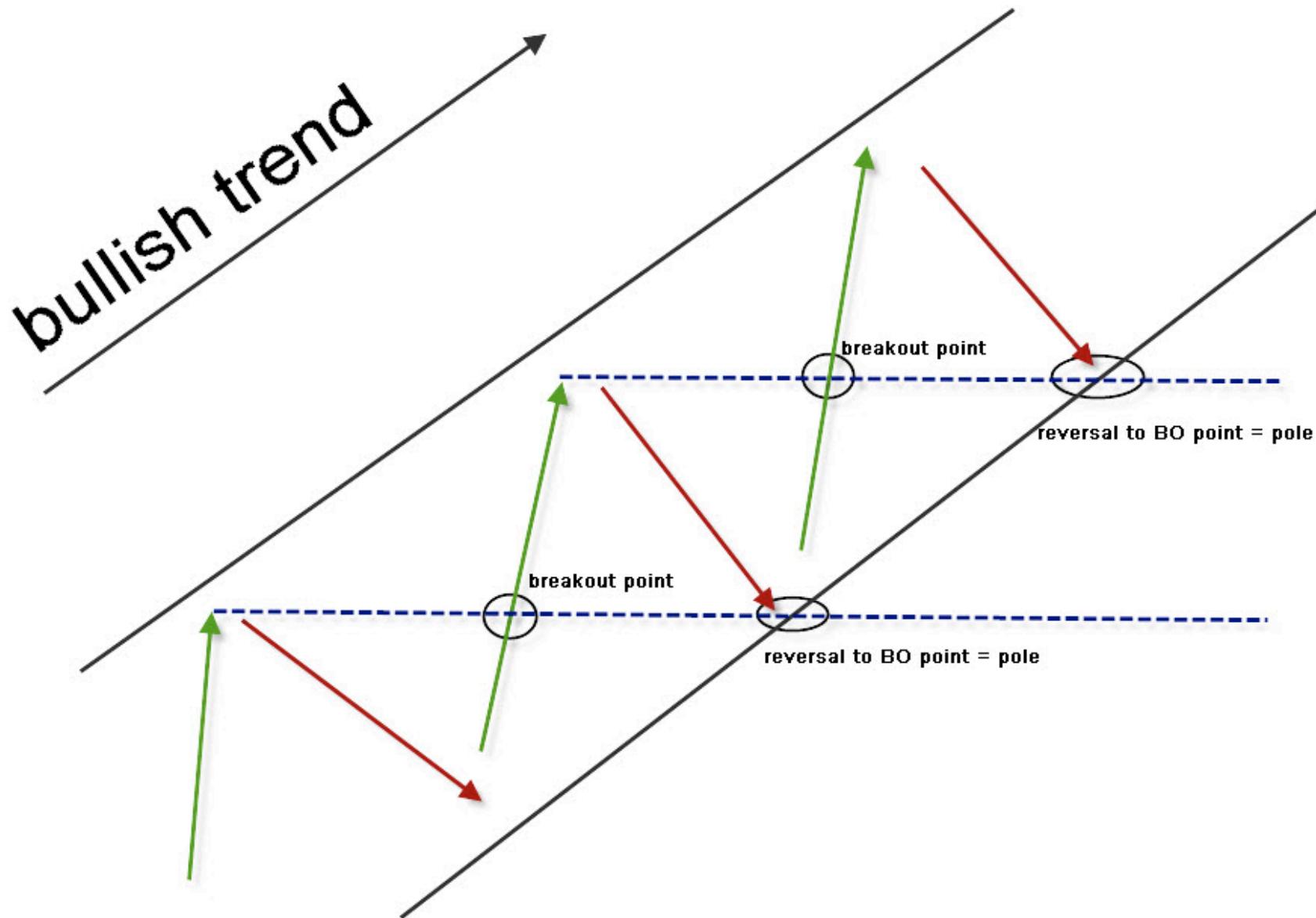
I mainly use :

- major trend
- supply and demand areas
- poles after breakouts
- divergence
- reversal patterns

**It can be highly powerful whenever you try to combine these tools to place a trade. This is what we will do at the end of the book, when you are familiar with the basics and the indicators.**

Of course the more conditions need to be fit the less trades we get, but the higher the successrate will be...and we don't get into trouble like having a lot of losing streaks etc.... we do have enough pairs to be(come) choosey ;-)

# The bullish trend



take a special look at the circled points.

We do have this very often in the markets. Price breaks a previous high in a bullish market, and reverses down to the breakout point. This is our pole where we get very cheap entries and high reliable trades. While we follow the major trend we enter at possible R turned S levels with tight stops below the pole levels.

Phrases like ,**'Never fade the trend'**, or ,**'the trend is your friend'**, definitely make a statement of sort. They do their job.

For me the trend is something like a bonus or a special gift from the market.

All in all we do get safer entries at demand levels in a rising ( bullish ) market than at supply levels and vice versa. The poles drawn above could be such entry levels. If price breaks the previous high at resistance we have a rising market. Means that demand exceeded supply ( more traders like to buy than to sell ) and we are heading up. Then we do have the reversal down to the breakout level and price turns again to keep rising there. We will see corrections in each certain market, .... ,**'whatever rises falls later again'**, ...

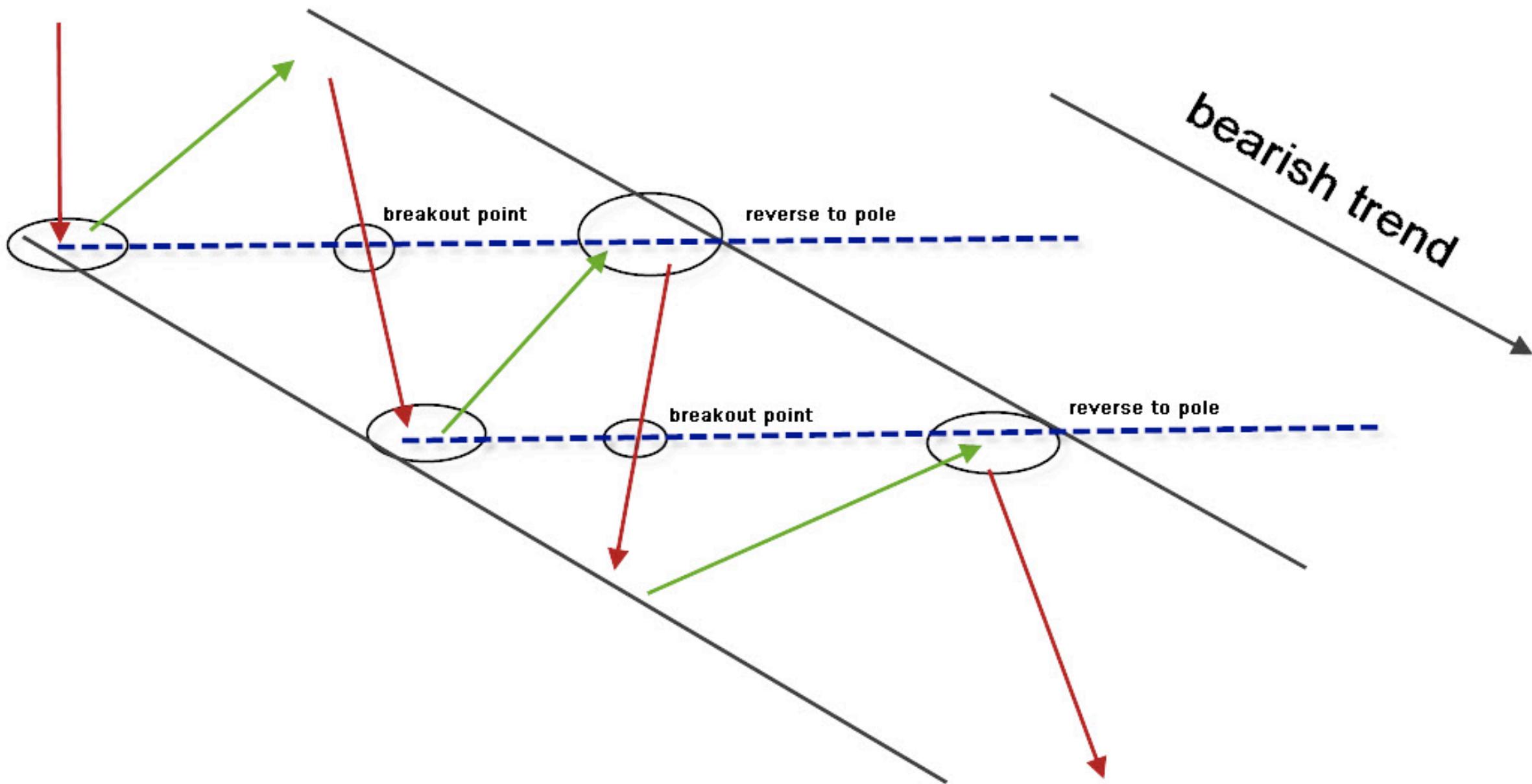
This is the basic idea behind following a major trend. Of course this example doesn't fit the praxis in general, but we do have quite similar setups out there day by day.

We will look deeper into this trend-following-concept later on and we'll also check how we can combine this tool with others to increase our successrate and filter out the bad losing trades.

For now i will also add an example of a bearish trend. Nothing special though.... just vice versa.

.....  
:**Trends are noted by "higher highs" and "higher lows" in an uptrend and "lower highs" and "lower lows" in a downtrend.**:  
.....

# The bearish trend



lower low, lower high, lower low, lower high, lower low..... and so on....

.....chart examples for bullish and bearish markets with breakouts, reverse to pole and return....  
 we will have more breakout and pole examples later, those charts only should show you how a bullish or bearish trend could look like whenever we look at our charts

...below a bullish trend example...

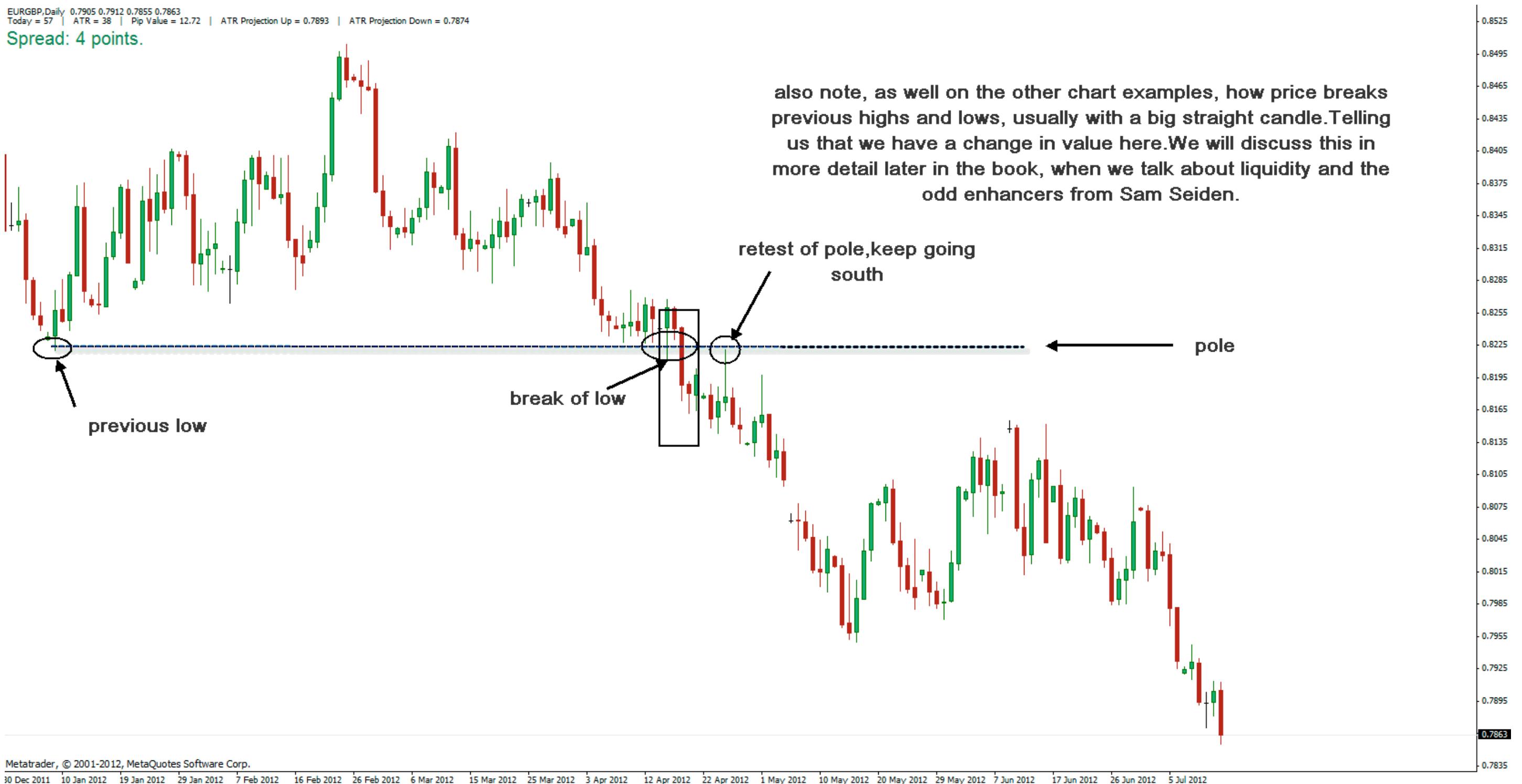


## bullish trend #2



and a bearish one....

EURGBP.Daily 0.7905 0.7912 0.7855 0.7863  
Today = 57 | ATR = 38 | Pip Value = 12.72 | ATR Projection Up = 0.7893 | ATR Projection Down = 0.7874  
Spread: 4 points.



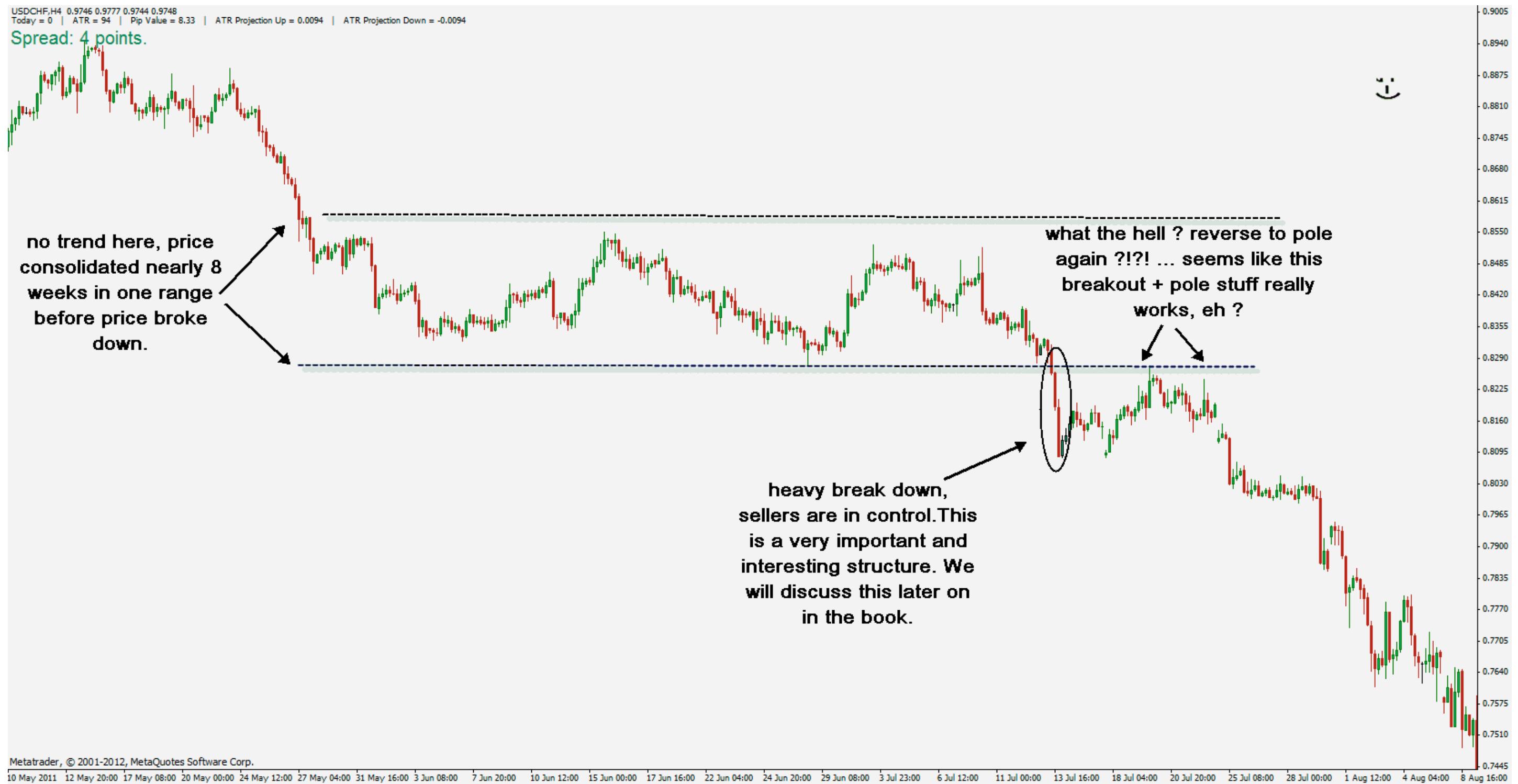
## bearish one #2



lower lows and lower highs form a downtrend - also called bearish trend and vice versa for a bullish market

....i guess this should be enough.... i just added this small chapter because i don't know who's gonna read this book, for the very beginners this is a very important topic. Following an established trend can be very powerful, all in all we decrease our losing trades if we stop fighting the trend. Later on you will see how we can use the trend to improve our trading results and how to make the trend our friend.

..... There are 3 possible situations : Either we have a bullish trend, a bearish trend or price is in consolidation status ( see below )....



## Breakouts and retests at poles

Now we know how a major trend looks like and what types of a trend there are.

Based on this basic concept, i will show you how you can enter trades in a really simple way, that have a high successrate and definitely make sense. You shouldn't enter any trade if you dont have any special idea or concept behind it...!!

Please note : The focus of this book will be on supply and demand trading. This concept will be discussed later in more detail regarding S&D.

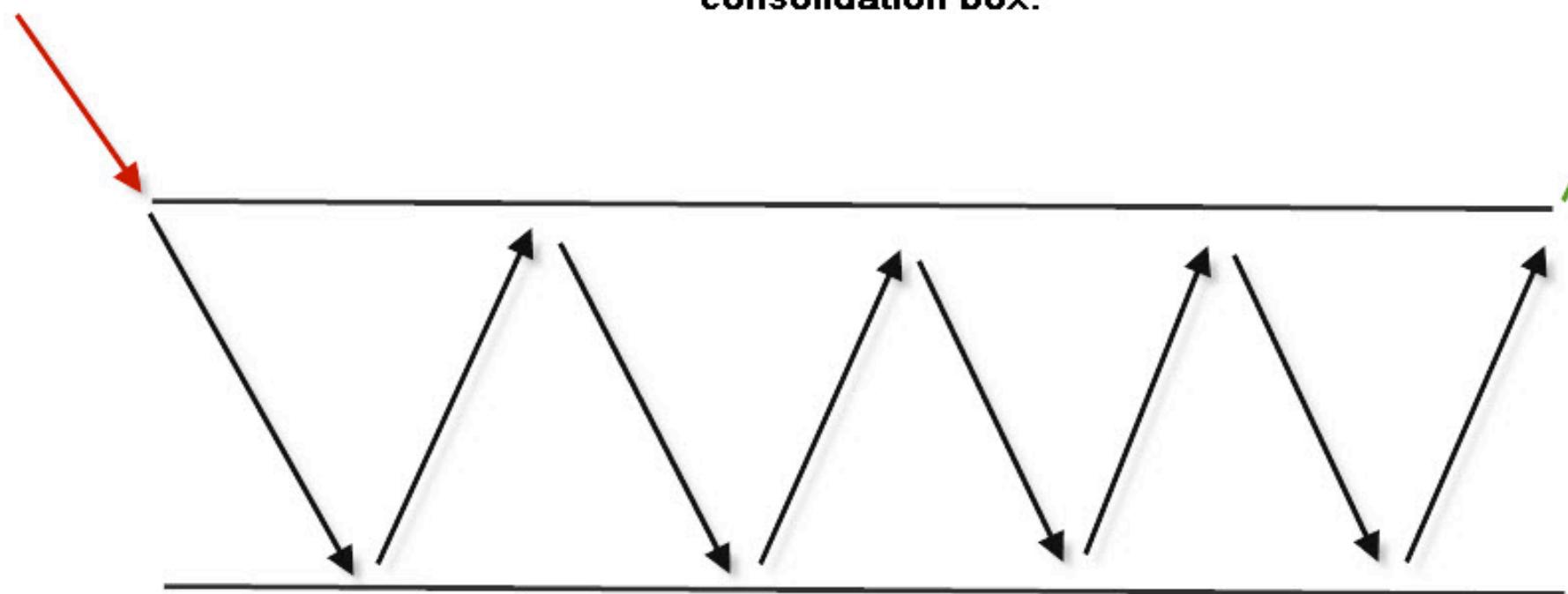
Just to have a first basic trading concept in this e-book i will start with how to trade consolidation rangeboxes....

So how to play consolidation ranges and trends at all ?

Well to increase our overall result we want to ride the wave, means we trade in the direction of the major trend, **likely before it develops !!**

### exemplar of a consolidation

**Price consolidates after a bearish trend was intact.In this example we emanate that price breaks out northwards of the consolidation box.**



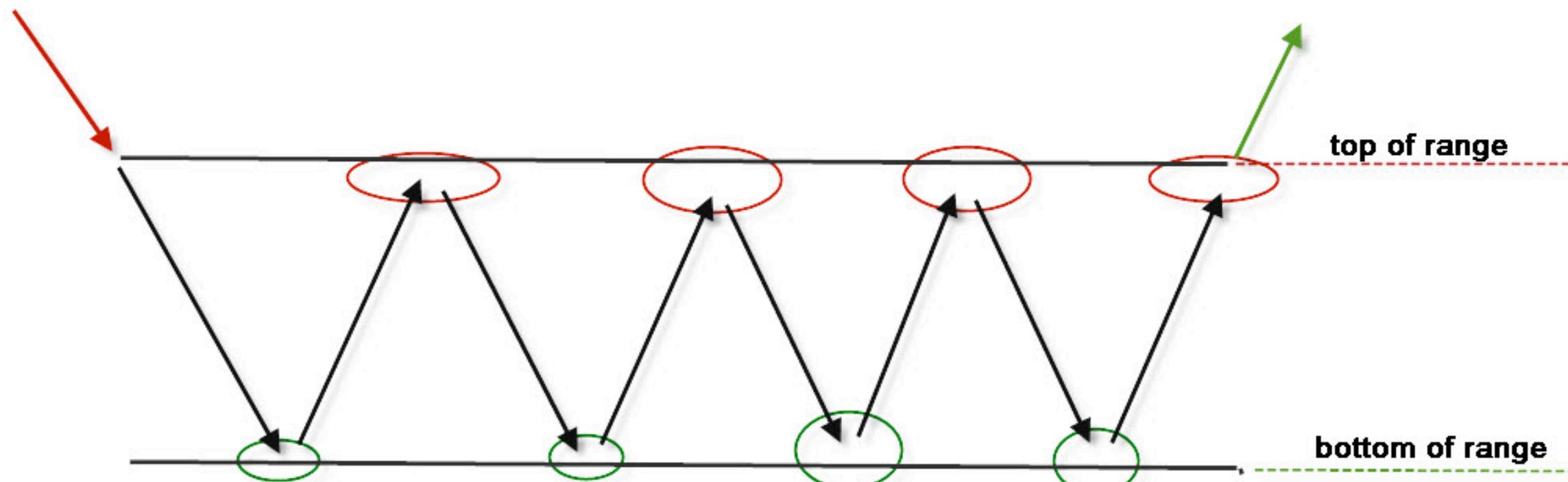
**but now where to enter a trade ? Where to place a stop ?**

**Where to place a target ?**

**For placing a trade, we first of all need to analyze the situation given here.**

**We do have a top and a bottom of the range, our boundaries.**

**Depending on the direction of the breakout, one of the boundaries will be our pole later on.**

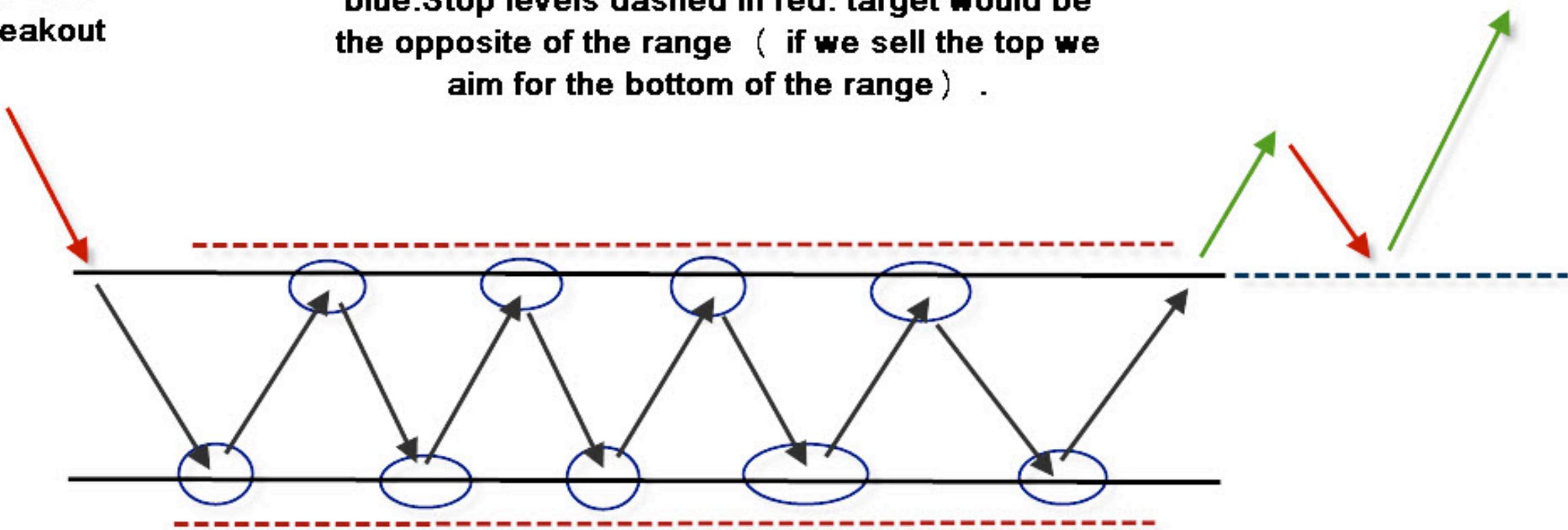


*see next page*

**we do have two possible lines here to place a trade.**

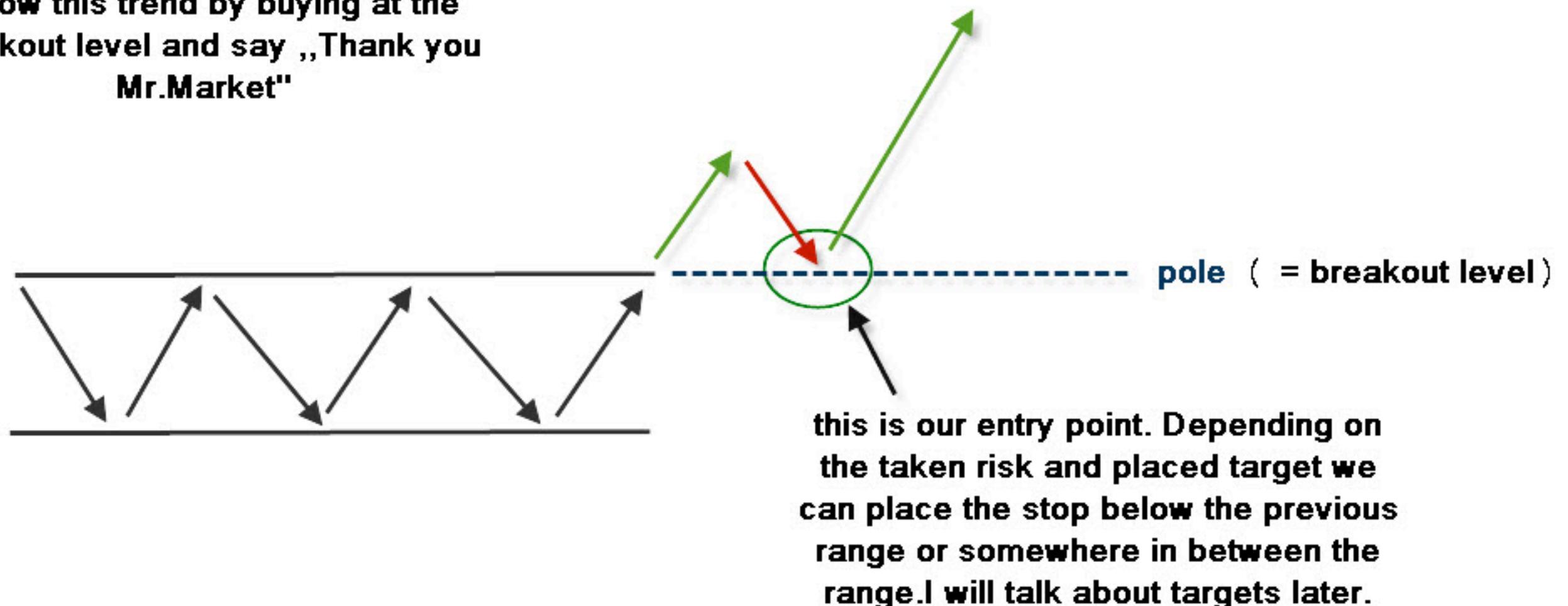
**Either we trade the rangebox, or we trade the retest of the breakout. I prefer both ;-) .... but i never trade the breakout itself.**

**If you trade the box, we simply sell the highs and buy the lows with a stop above the top or below the bottom. Possible entry levels circled blue. Stop levels dashed in red. target would be the opposite of the range ( if we sell the top we aim for the bottom of the range ) .**



## trading the retest at the pole

**breakout northwards : establishment of a bullish trend is likely....and we simply follow this trend by buying at the breakout level and say „Thank you Mr. Market“**



.....  
Either you trade the range or you trade the retest of the breakout. **Never** trade the breakout itself.  
.....

Now i will show you how this very abstract model could look like at our charts...



GBPCHF,H4 1.5420 1.5434 1.5412 1.5429  
Today = 93 | ATR = 83 | Pip Value = 8.33 | ATR Projection Up = 1.5439 | ATR Projection Down = 1.5366

Spread: 7 points.

trading retests at poles after breakouts is simply awesome...we get nice entries and we follow the major trend. See how price mostly reverses back to the breakout level. The top level wasnt tested so far, this will be a buy lvl for me in the future.

Poles in dotted blue lines. Breakouts orange and retests green. It works !



Metatrader, © 2001-2012, MetaQuotes Software Corp.

7 May 2012 10 May 12:00 15 May 00:00 17 May 16:00 22 May 04:00 24 May 20:00 29 May 08:00 1 Jun 00:00 5 Jun 12:00 8 Jun 04:00 12 Jun 16:00 15 Jun 08:00 19 Jun 20:00 22 Jun 12:00 27 Jun 00:00 29 Jun 16:00 4 Jul 04:00 6 Jul 20:00 11 Jul 08:00 15 Jul 23:00 18 Jul 12:00



check where price left the box and what price did whenever it returned to the breakout point, to our pole.

Consolidation --- breakout ( supply and demand do have a change in their balance ) --- return to breakout level --- then continuing in the certain direction,since we do have a developed trend.

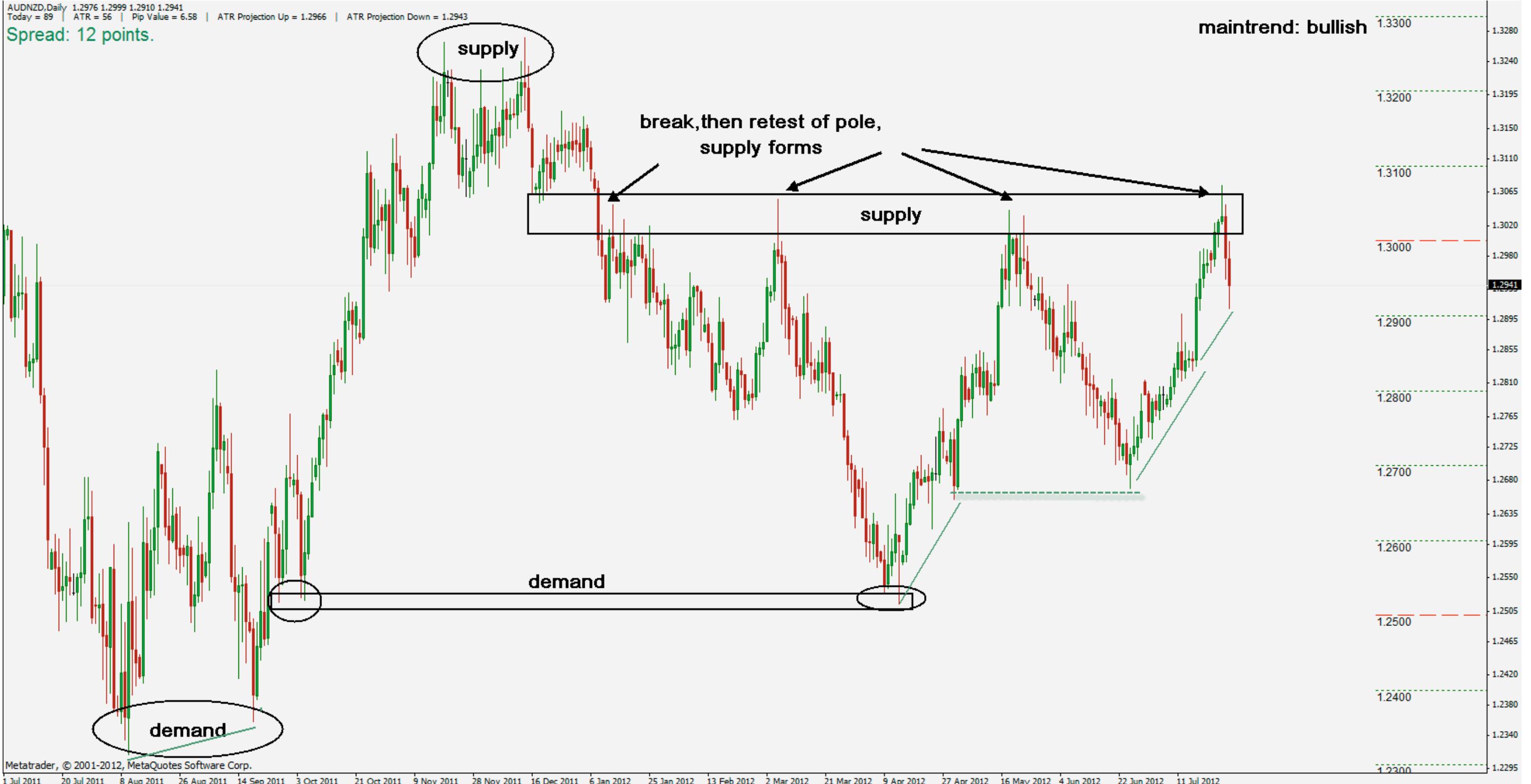
Open some charts and search for consolidation boxes, then check where price left the box and check what price did whenever it returned to the breakout level.

EURJPY,M30 98.69 98.70 98.60 98.65  
Today = 76 | ATR = 94 | Pip Value = 10.14 | ATR Projection Up = 99.54 | ATR Projection Down = 98.42

Spread: 3 points.



consolidation.... breakout south.... retest and keep dropping southwards.  
That's it !



there's always a reason for price turning... go to the left and try to check out why price turned.

Well whenever price stalls or consolidates between a certain range, we expect price to breakout after a while. If price ranges, supply and demand are somehow in balance, means neither demand is able to exceed supply nor supply is able to exceed demand. Important to know is, whether the overall trend was bearish or bullish before price got into the consolidation.

If there was a bullish trend, a breakout downwardswards is more likely then upwards. If we do have a developed rangebox, we can buy the lows and sell the highs to get cheap trades. But all in all we try to follow the overall trend to minimize losing trades as even mentioned some pages before. That means, if we was in a bullish trend and price ranges for some time, we try to pick the tops of the range to get cheap entries with stops below the range. Also we expect price to break the low, if we bought the top of the range and price breaks the low we have a very nice situation. We move our stop and let the trade run to the next demand level. In the long run we do earn a lot of pips by taking highs or lows of a consolidating range in an up / downtrend hoping for a breakout in the major trends direction.

Another line could be to wait for a breakout, in either direction, to buy or sell the retest as shown above.

If price leaves the range box and reverse back to the initially breakout level we can jump into the direction at the pole using a tight stop.

Trading the box on page 22 we have 3 profitable trades.

First of all we could sell the retest of the previous high with a tiny stop just above it. Note that the initially bearish trend followed by this rangebox, so we are more likely to break the low than the high. Than we got another test at the high, consuming supply there to drop again down to the previous low. If we aim for the low of the box we have 2 short positions opened right now. If we approach at the bottom, we close the shorts ( or let them run by moving stop to breakeven and hope for a breakout down since we are in a bearish trend ) and enter long to get another cheap trade with a stop below the previous low.

Touching the high again we close the long position. Since we had around 4 tests at the top of the range, we shouldn't have a lot of short orders left there = supply got consumed. So a breakout upwards gets more and more likely.... sellers get out of breath there.

Et viola, price broke out with no shake, buyers are in control and we have a change in value there waiting for a retest at the pole ( breakoutlevel) to enter long again placing our stop below the pole.

Now our target would be the next supply level..... demand ? supply ? balance ? imbalance? .... It's time to go on with the next chapter :

#### -----Supply & Demand-----

... I hope you understood the breakout/retest at pole stuff, it can be very profitable whenever you are patient and wait for the lows and highs of a rangebox to enter a trade and wait for the retests to re-enter at pole after a breakout. Entering at the pole of a breakout gives us high odds, because we **get a nice entry and we follow the trend using this line.**

We'll have a lot more examples of range boxes and breakouts later on, but then we want to combine them with supply/demand levels ,liquidity and several other aspects to increase our successrate.

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# Supply and Demand

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What drives markets ?

Why does price move ?

Where can we expect price to move down and where to move up ?

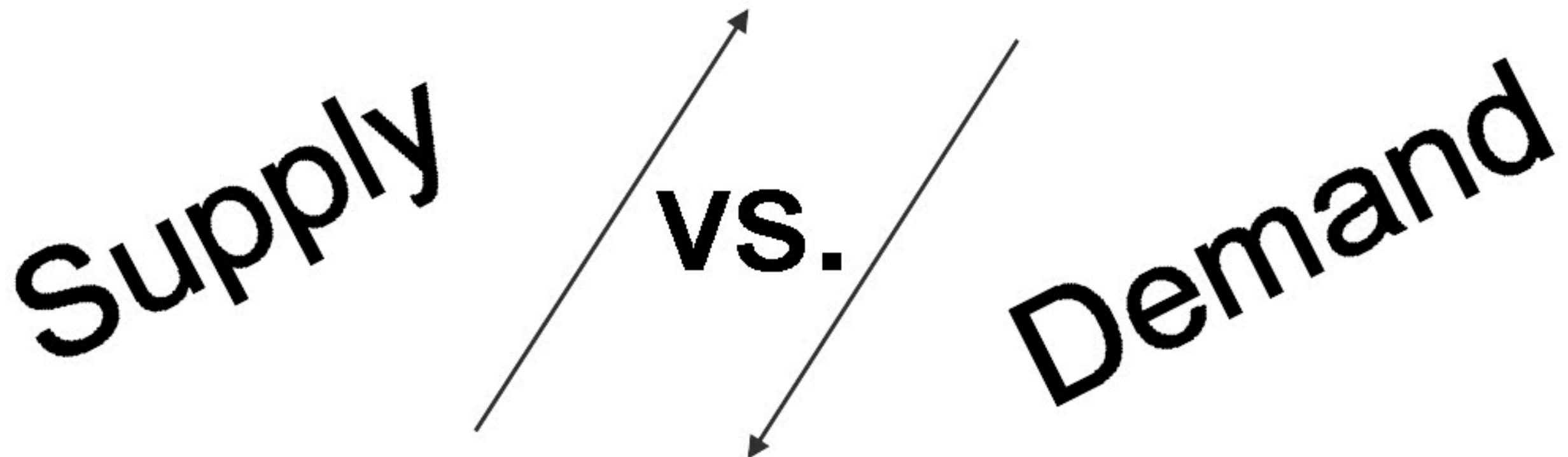
Why do we have range boxes ?

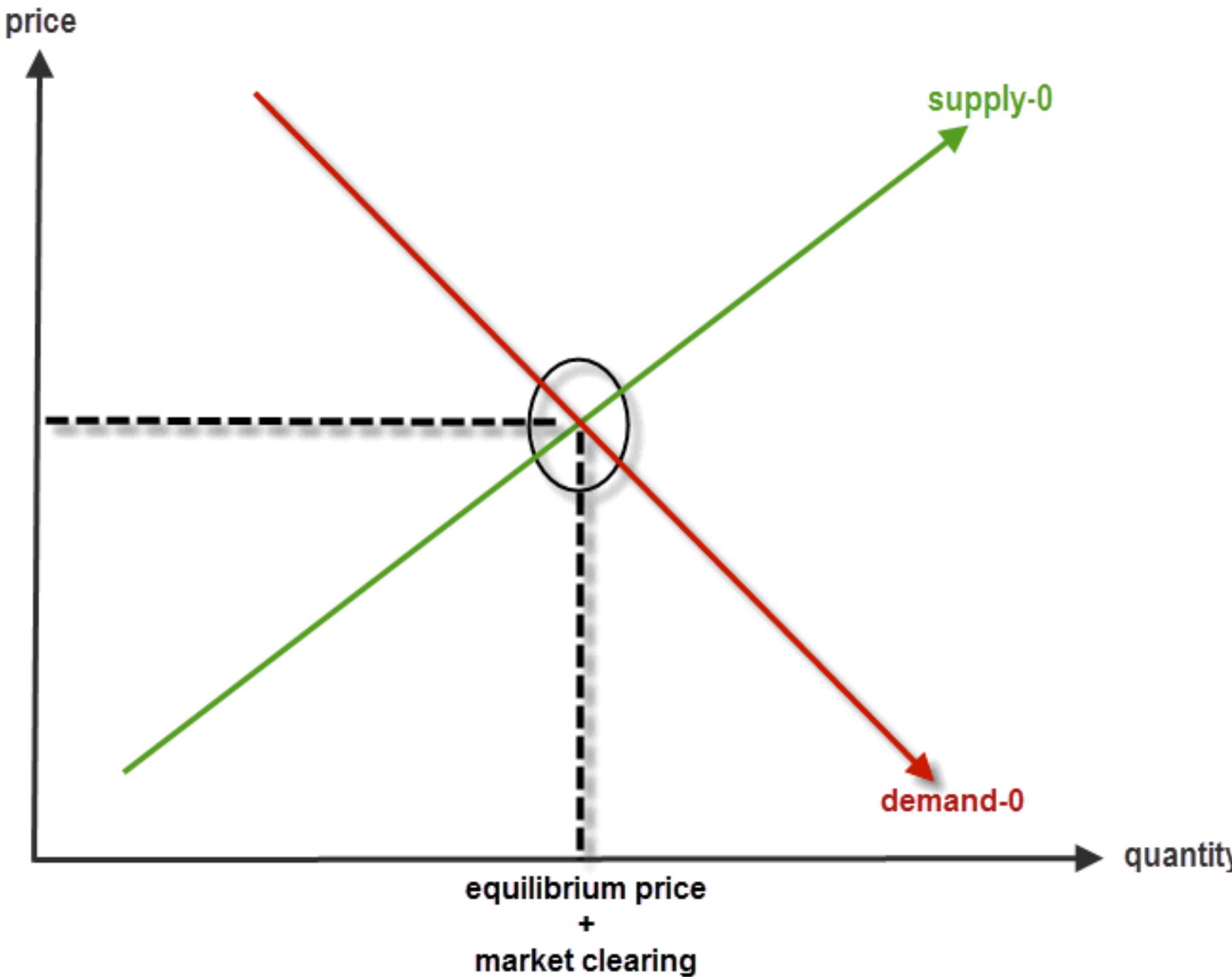
Where might price turn again ?

Why do profitable traders buy in a falling market and sell in a rising market ?

**We need to understand how supply and demand work and how they affect price movements at all.** Supply and demand drive every fuc\*in market out there. Each global market couldn't exist without supply and demand.

To get the very basics of how supply and demand affect the value of price, i prepared some charts for you explaining how the value of price depends on increasing and decreasing supply or demand.





This is the basic supply/demand chart.

X-axis displays the quantity while Y-axis displays the value of price.

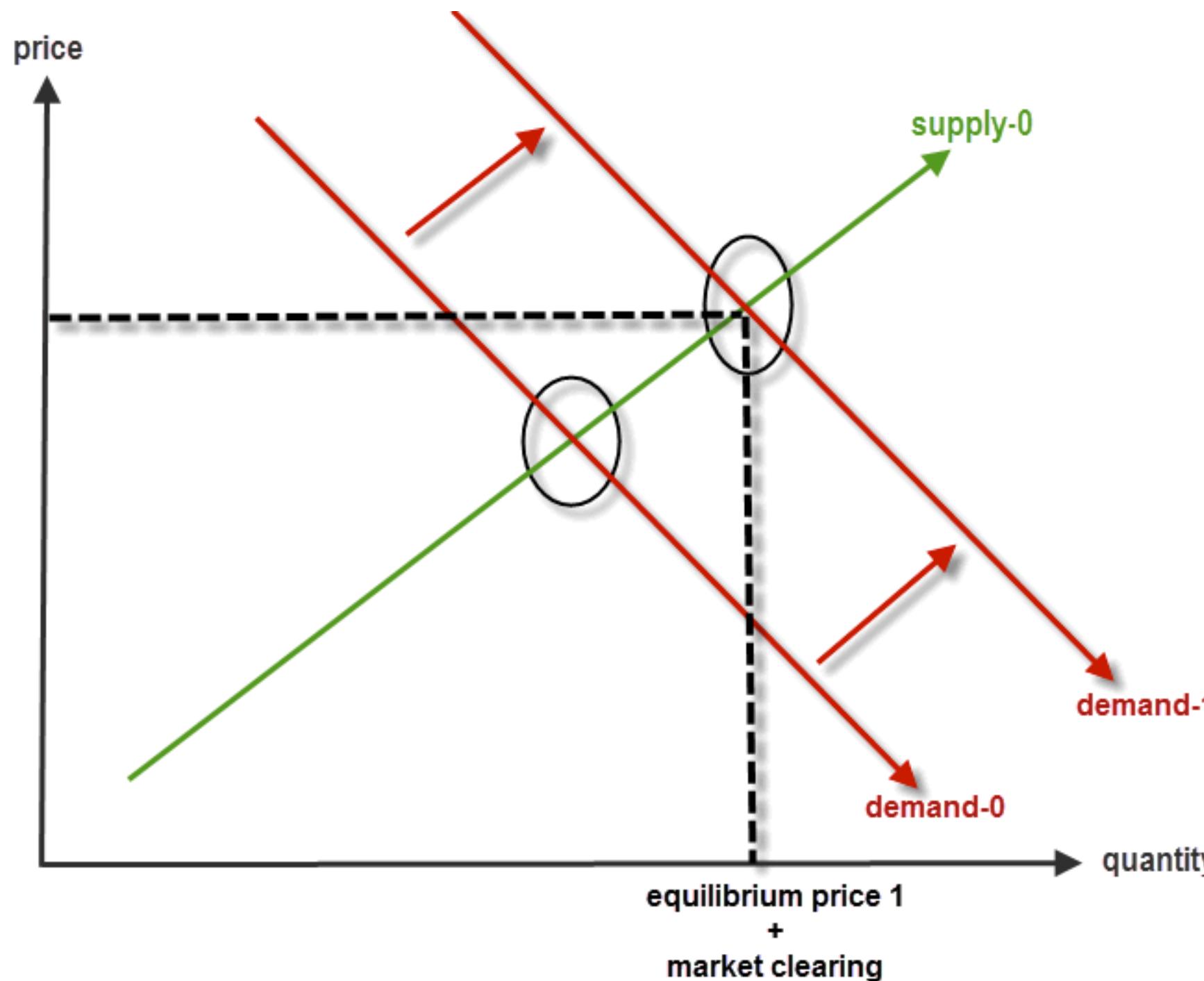
If we attach a demand line and a supply line we do get the equilibrium price. Exactly where the two lines cross each other.

There we have , 'market clearing' , , means that everyone is satisfied at this price and no goods are left in the market.

You need an abstract thinking to translate this into forex market movements.

I try to clarify it with the following charts.

So what happens if we do have an increase in demand ? Let's say price drops down to 1.3000 at EURUSD and we do have an increase in demand at this point and demand exceeds supply, we do have the following effect :

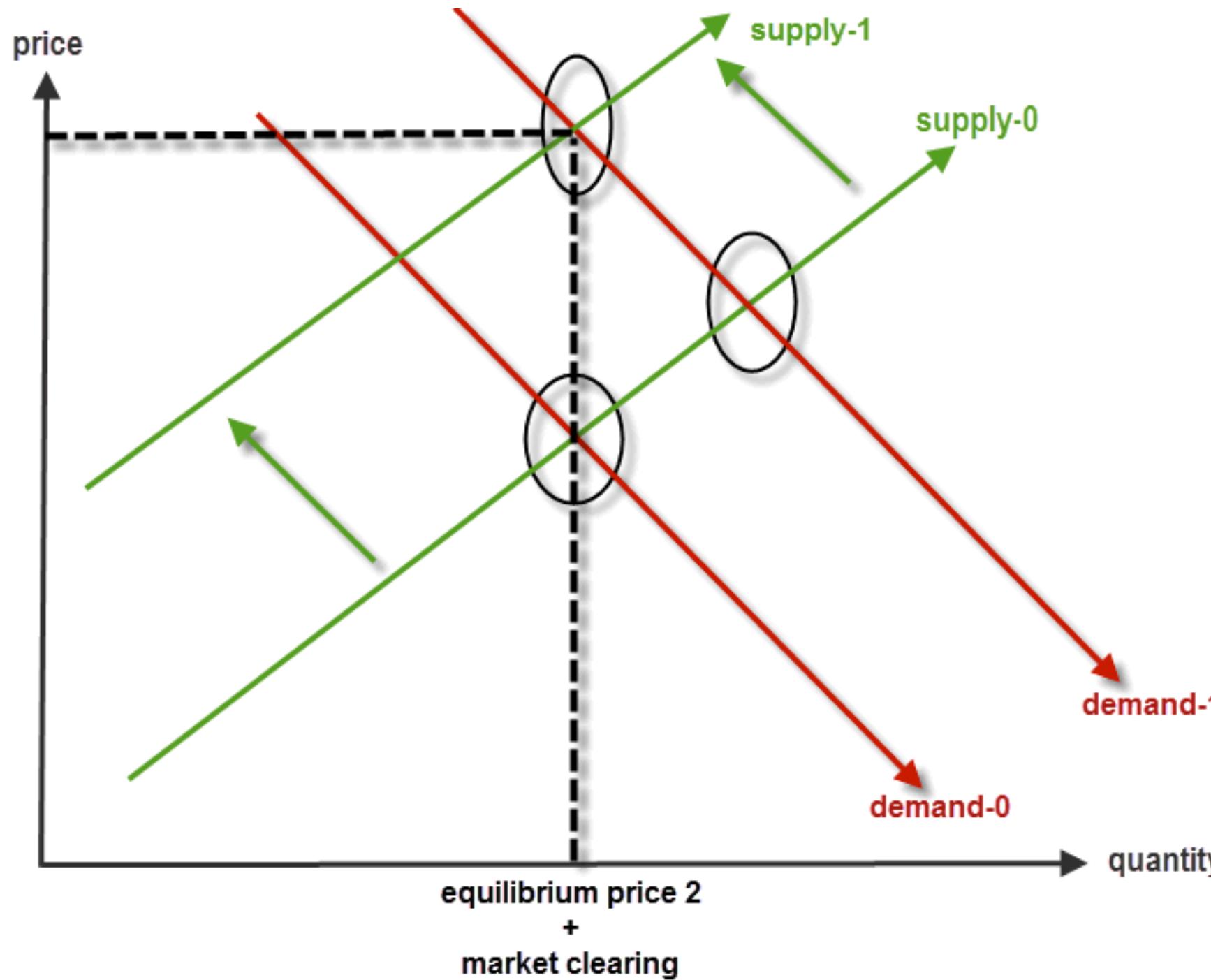


We increased demand and circled the next crossing point at the supply line. Checking the y-axis we see that price increased as well. Now we gonna change supply's value.

.....  
Increase in demand = increase in price  
.....

Now we gonna change supply's value.

First we increased demand above. If we now decrease supply as well, we do get an even higher overplus of demand.  
Means that price rises again, because demand overexceeded supply even more.



A decrease of supply + an increase of demand pushes price up very quickly. Go back to our first chart and think about what happens if we increase supply and decrease demand or if we increase/decrease both.

If we open a chart, you need to be able to spot supply and demand areas to get the levels where price is **likely to turn again**. If we do have these zones we are able to plan a trade.

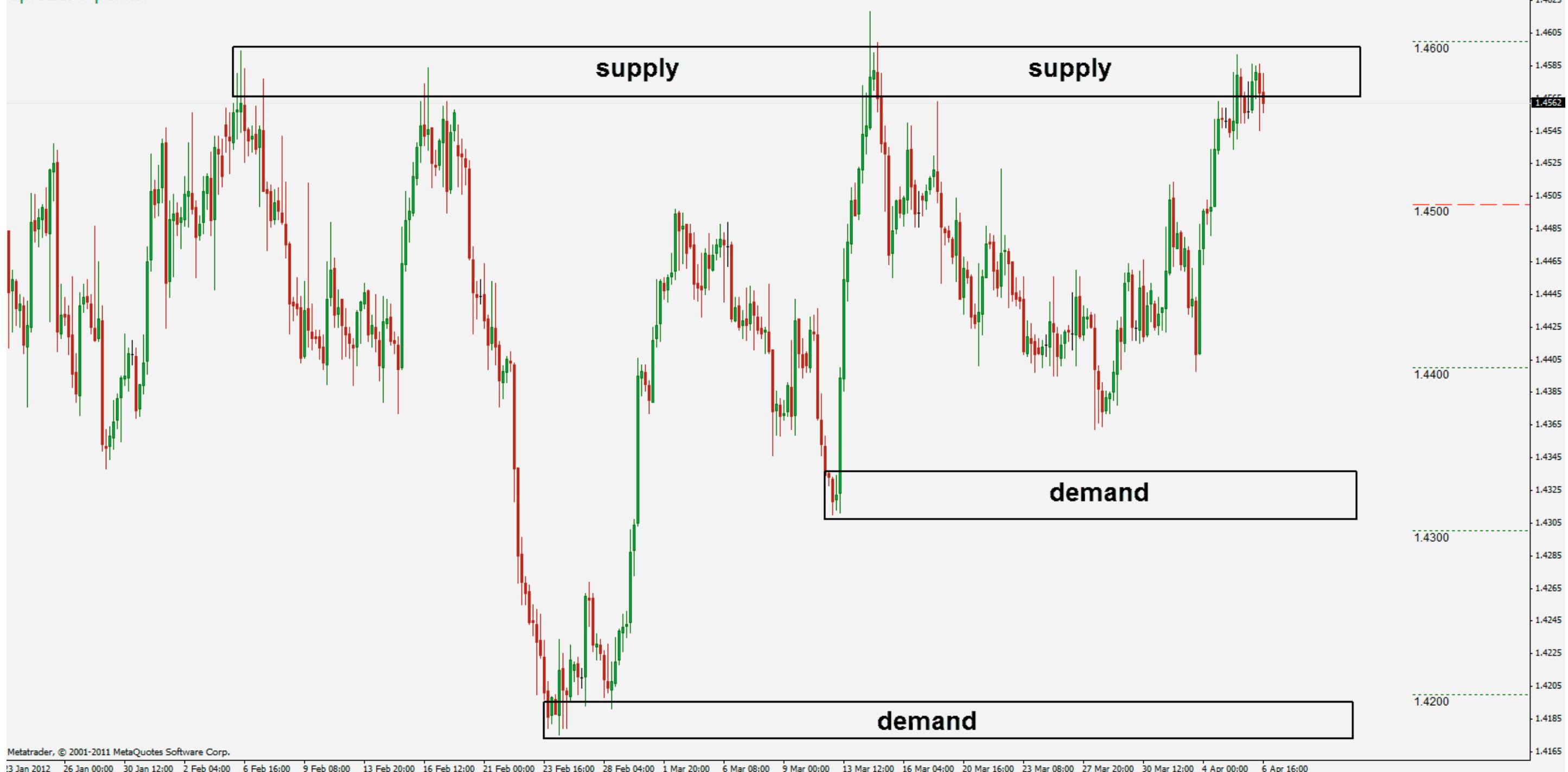
Please note: We always **expect** price to move in one certain direction , we never can be sure where price finally moves.

Alright, so if we open a chart of any pair and any timeframe we should be able to spot the major supply and demand areas to see where price might be able to turn again.



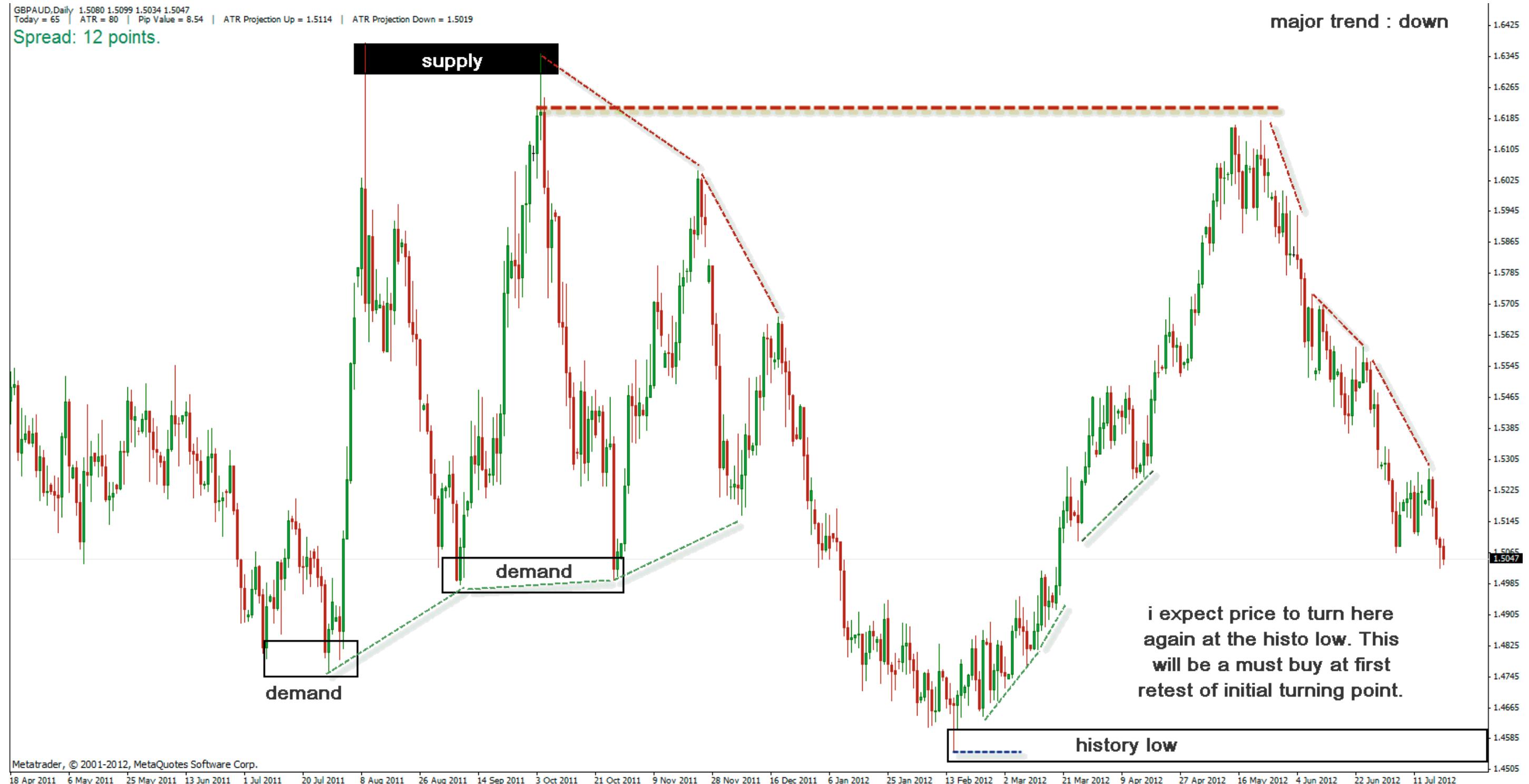
GBPCHF,H4 1.4569 1.4580 1.4556 1.4562  
 Today = 0 | ATR = 65 | Pip Value = 8.33 | ATR Projection Up = 0.0065 | ATR Projection Down = -0.0065

Spread: 7 points.



I don't expect the supply area to be still intact. Why ? Well we did have a lot of tests at this area. Whenever price touches this area again, a lot of short orders get triggered. Means the more price touches this area, the less short orders we have left. Less short orders = less supply. Less supply = price is likely to break upwards,because at some point demand will overexceed supply and we are heading up ( compare it with our supply/demand charts above). The demand area in the middle should be still intact and very strong. Why ? Well price went up from this area pretty straight and quickly before, so i expect a lot of long orders left there that couldn't be triggered before because price went up that quickly. So if price touches this level again, a lot of long orders will be triggered and demand is likely to overexceed supply again to bring price back up.

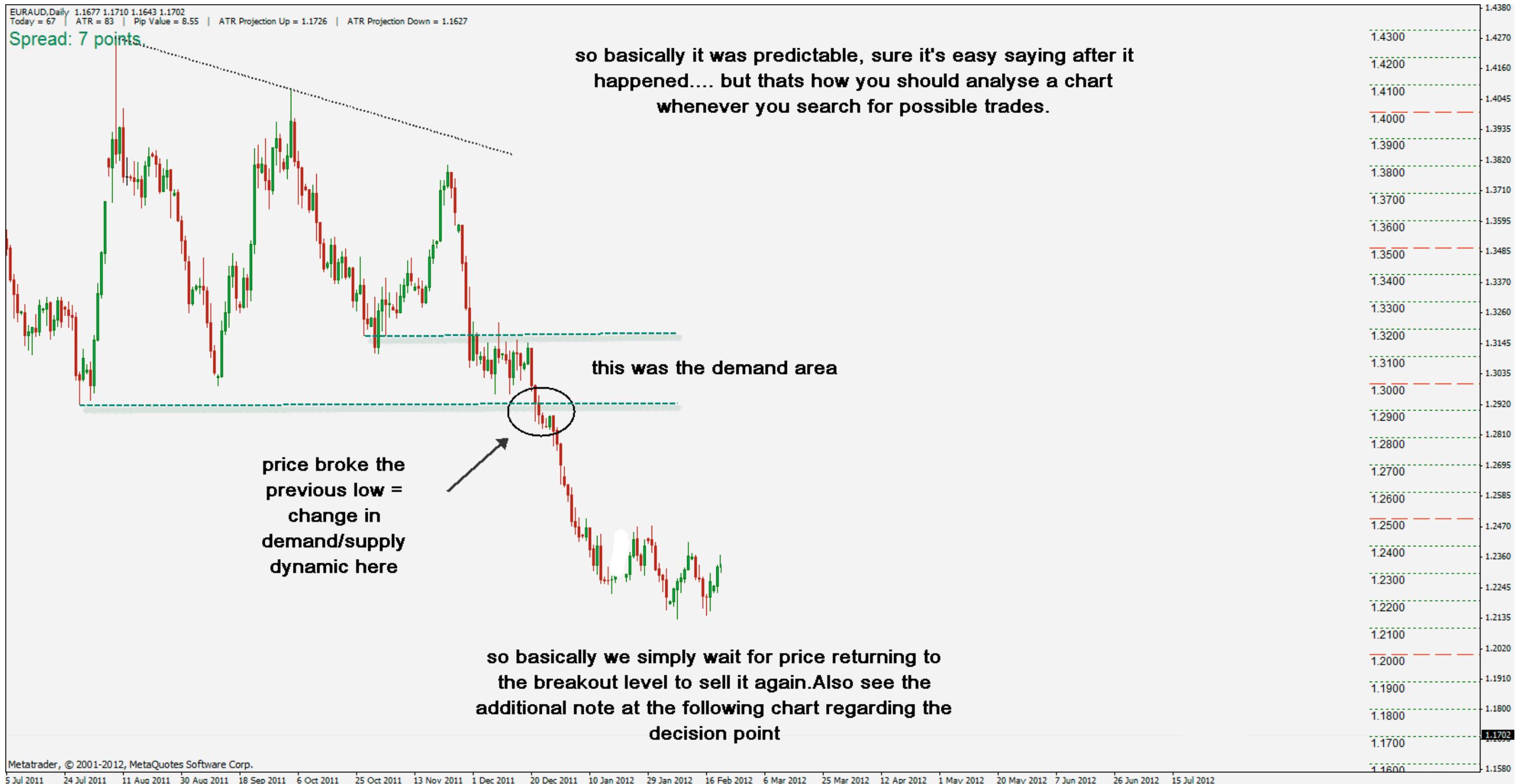
I will show you several charts of possible supply/demand areas below, that you get a feeling of how they could look like and how to spot them. After checking the charts, please open your screening platform ( i use metatrader 4 ) and try to spot supply and demand areas by yourself. Check the left side of the chart, where did price turn before ? Where was price too high and where too low ? These are the levels we expect price to turn again in future. You might also check the price action near big round numbers like 1.0000, 1.1000, and so on.... do you notice something ?



so back to the charts, how to explain turns ?  
How to identify possible turning levels ?

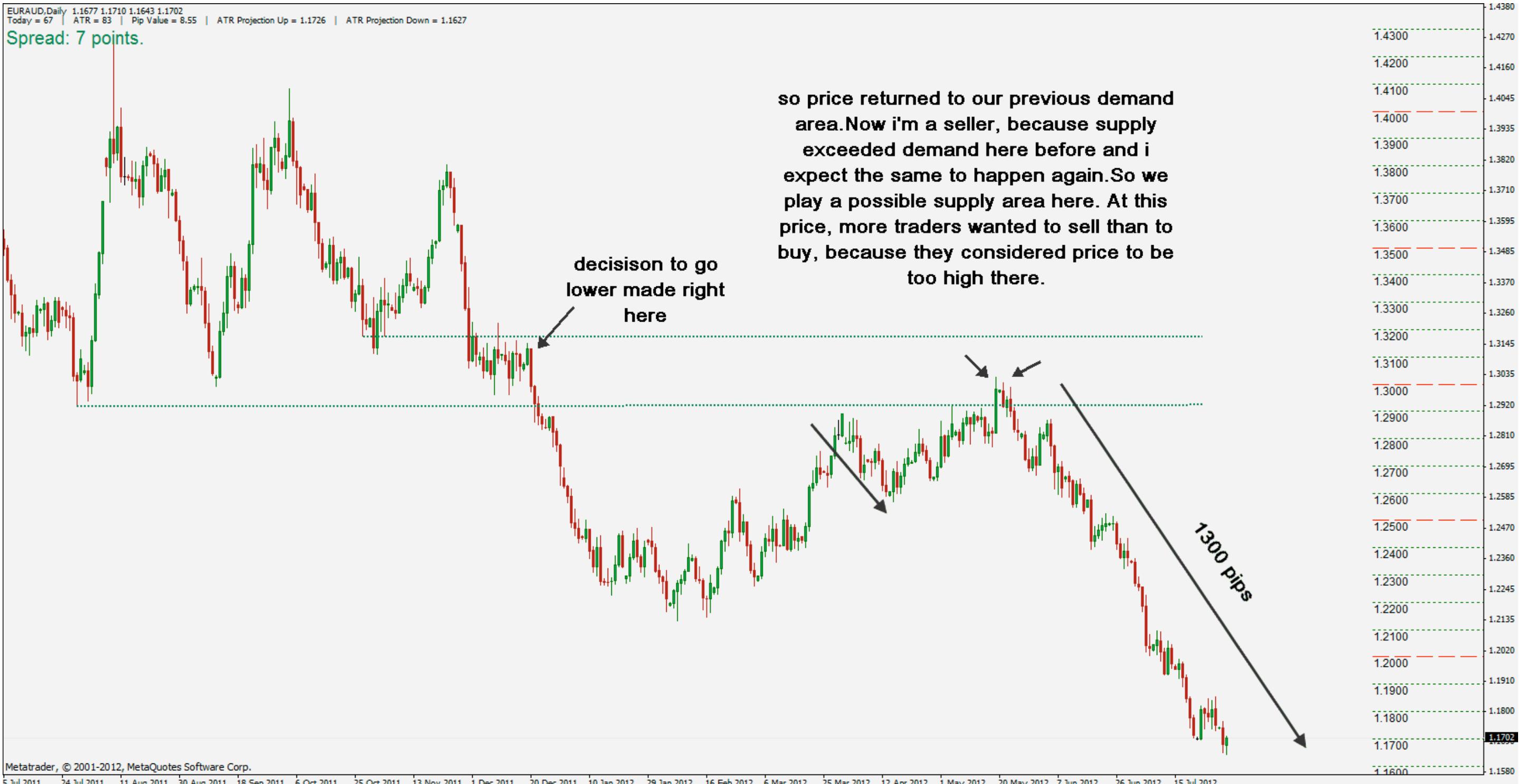


We can explain this turn, definitely.



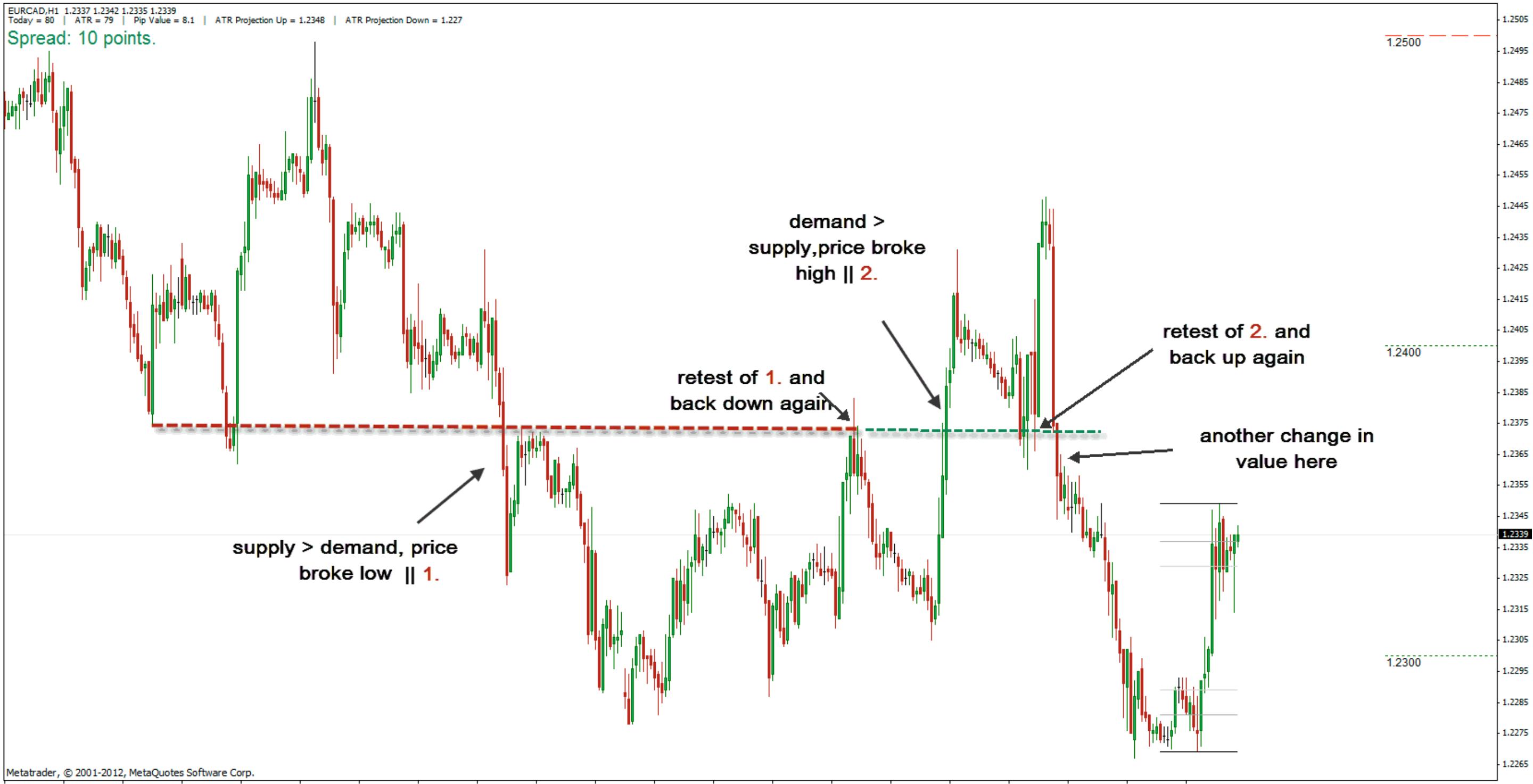
After breaking and closing below the low the trend turned bearish. Keychange in the supply/demand dynamic here.

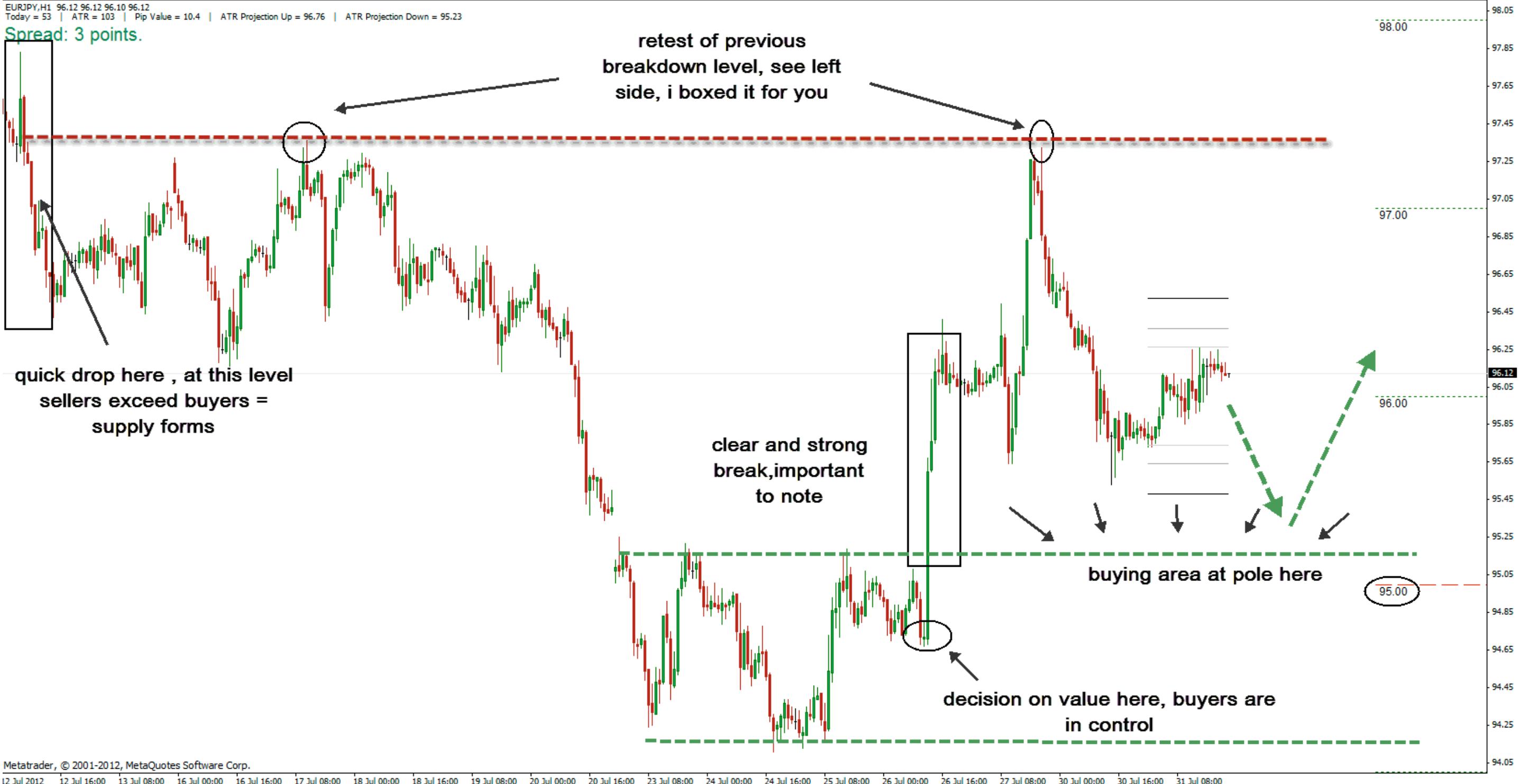
So what do we do now ? We wait for price returning to the breakout level, our pole. Then we expect the area to be supply now and we sell this baby again. Dont go in too early --->be patient and wait for the market offering us the trade setup ! We do have enough pairs to screen, no need to get into hurry and make senseless trades.



Losing traders buy at supply and sell at demand. They go in after the move happened

I will just show you some more examples of how we can explain and analyze price movements using supply and demand rules.





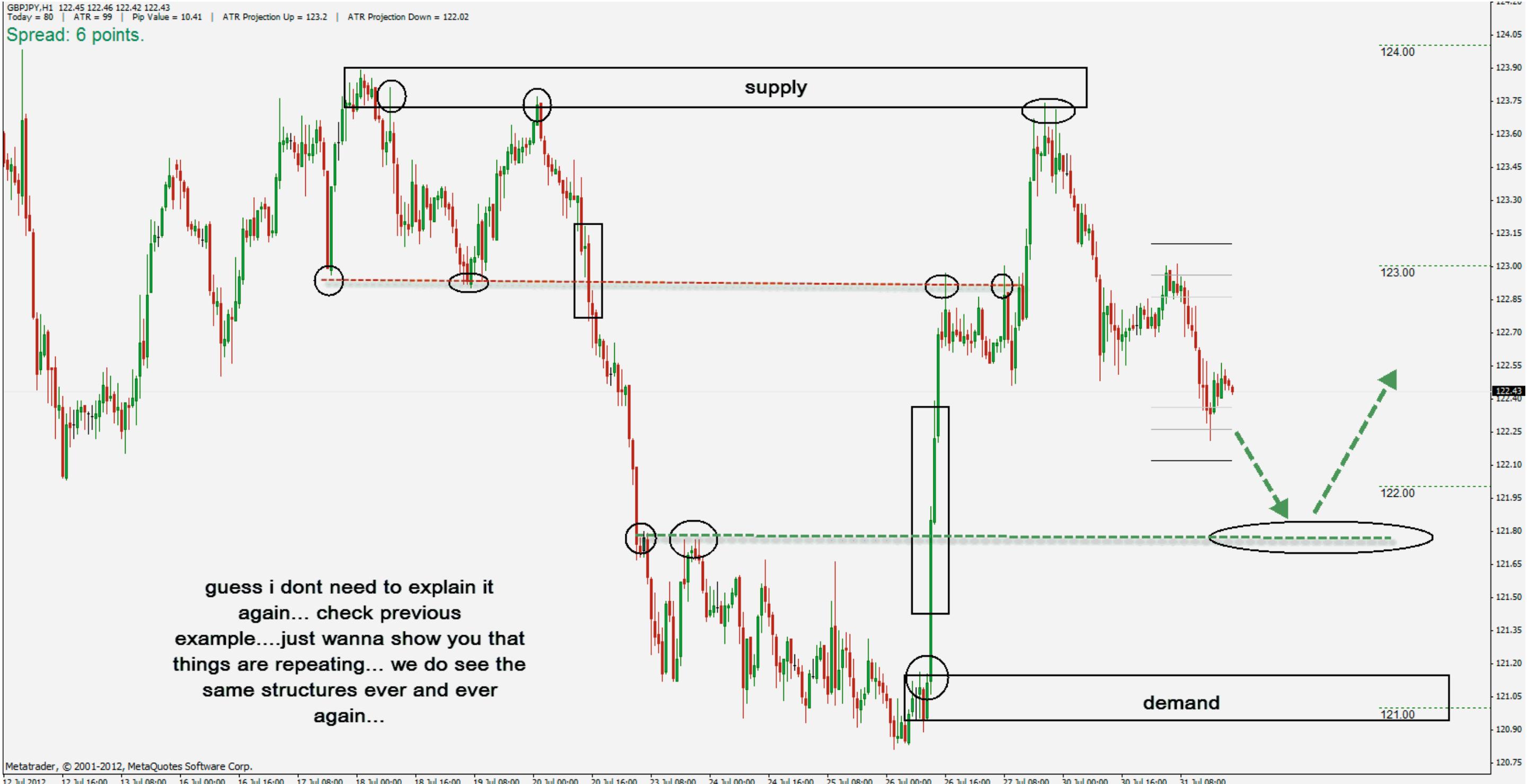
see chart below to compare the analysis.

EURJPY,H1 97.02 97.03 96.94 96.96  
Today = 110 | ATR = 117 | Pip Value = 10.31 | ATR Projection Up = 97.86 | ATR Projection Down = 96.62

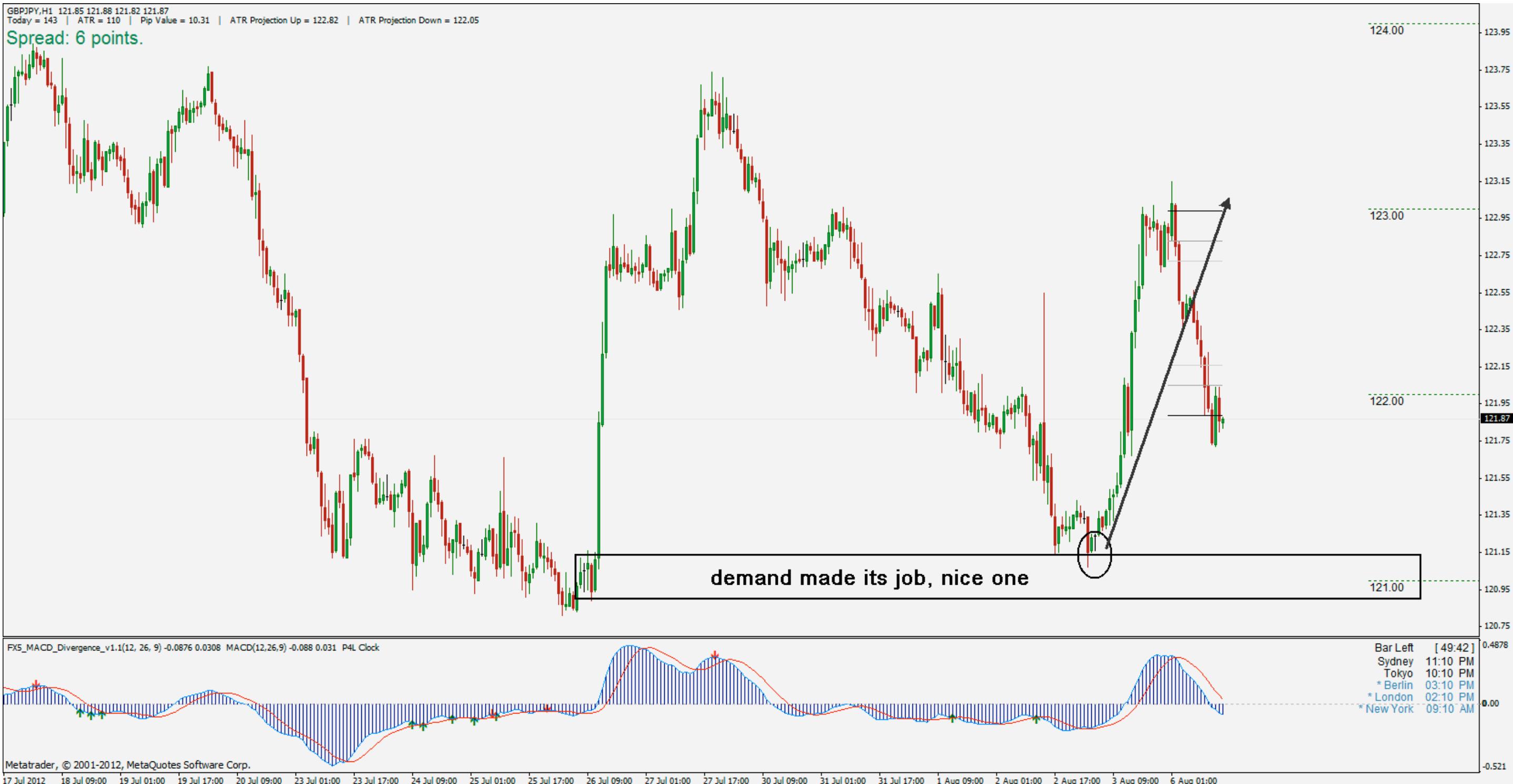
Spread: 3 points.



The predefined pole didnt hold here. But the demand area did.



see chart below to see the reaction



Whenever price is moving, we do have a change in the balance of supply and demand.

As you can see supply and demand is what it is all about in trading.

If we marked out areas and levels where we want to see price moving to, we can plan a trade.

When price returns to one of our zones, it can actually do three different things.

- 1) Price can ignore the zone, then we dont get any problems, because we dont take any trade.
- 2) Price can respect the zone and reverse back but dont give us any of our entry/confirmation signals or
- 3) Price can respect the zone and give us some kind of confirmation that we want to see to enter the move and participate in it.

In my opinion case 3 is the best one while case 2 is the worst. Why ? well case 1 doesn't give us any trading opportunity = we dont get into trouble .

Case 2 doesnt give us any trading signal, but our predefined zone worked.... so why didnt we get any confirmation although the area we marked was correct ? If this repeats and repeats, we might get some problems regarding our entry structure/entry rules.

Case 3 is perfect. The predefined area worked and we participated in the move.

Well done !

Important to know is, that supply and demand areas aren't any trading signals or something like that. We search for supply and demand areas to get a brief overview of where price might turn next again.

Whenever price reaches our areas we want to have some additional confirmation that price really turns. So what we are actually searching for when price touches one of our zones ?

I use to look for special bullish and bearish structures / patterns, for divergence and especially for weakness in buying/selling at supply/demand areas.

Of course you can sell immediately if price touches a supply zone or buy if it is a demand zone, but than you dont use a strict entry method.  
If its a strong & major zone i sometimes use to trade the zone without any further confirmation.

Although we should aim for getting our entry signals at our predefined levels to feel satisfied whenever we enter a trade.

This is best case scenario. If we dont have an entry signal at a predefined supply or demand area we shouldnt enter the trade.

I know traders that have other opinions on that point, anyway this is my point of view.

Each trader treats the charts in a different way. In this book i show you my way of analyzing charts and searching for possible trade setups.  
Nothing wrong with making up your own mind whenever you think im on the wrong track.

You can make two traders analysing the very same chart and they will end up in completely different conclusions and advises.

As even mentioned you won't be successful if you just copy a strategy and try to get profitable with it.

The strategy might work for the inventor of it, but not for you.... because you dont know what is actually behind this certain concept.

Let's say we do have 2 traders, both marked the very same zone and both taking a trade out of this zone. Both are earning some money. But what made them actually entering the trade?

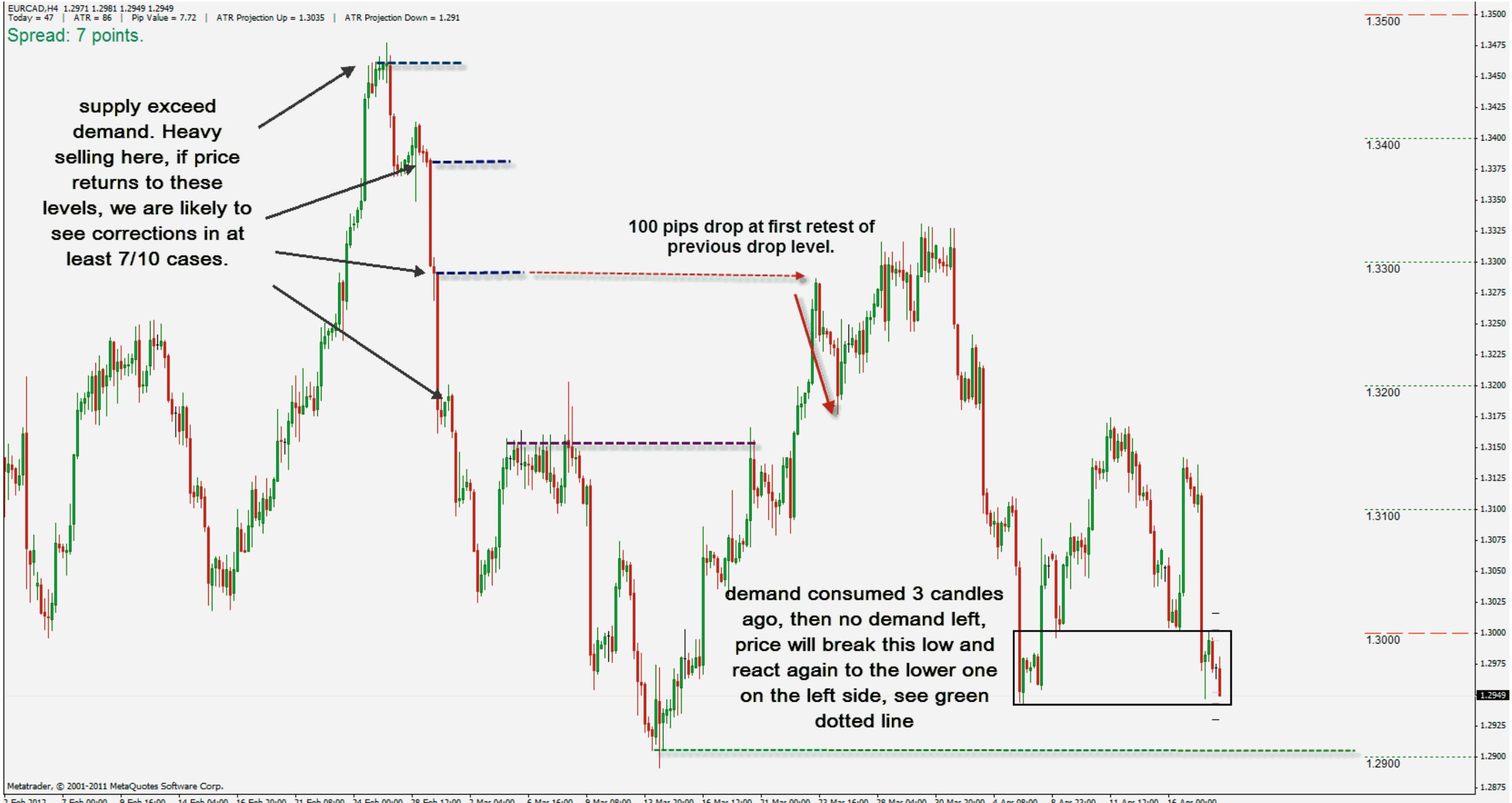
We don't know whether it was the same signal or reason or not. So maybe the next time they do have the same area again, but only one of them will enter a trade because the other one doesnt get his entry signal then....

what i want to say is that you dont need to search frenetically for a trade whenever price reaches your zone. First enter the trade when you feel comfortable doing so. and when you get some price action that fits your imagination of a possible reversal.

Again : Whenever you enter a trade, there has to be a strict idea and plan behind it. There need to be reasons for entering a trade.

In this example I marked a possible demand area on EURGBP and waited for price to approach. When price returned to my predefined area, I didn't get any signal of a possible reversal, so I didn't take a trade here.





one for the textbook.... i guess chart says it all...thats why i use a lot of charts in this book....charts do speak the very same language, worldwide....and my english sucks at some time ;-)

EURCAD,H4 1.2334 1.2344 1.2312 1.2314  
 Today = 32 | ATR = 74 | Pip Value = 8.12 | ATR Projection Up = 1.2386 | ATR Projection Down = 1.227

Spread: 7 points.



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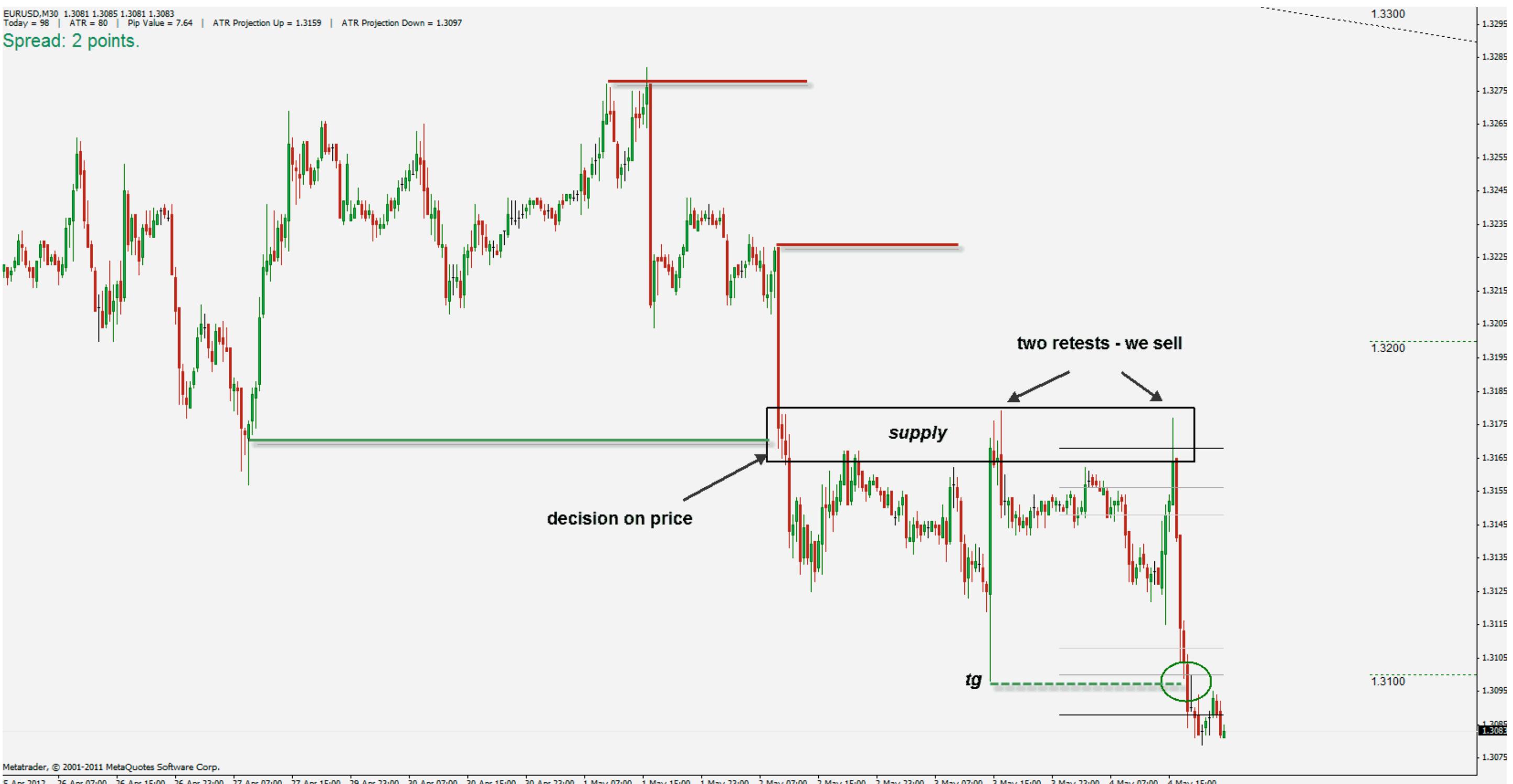
10 Feb 2012 23 Feb 08:00 27 Feb 20:00 1 Mar 12:00 6 Mar 00:00 8 Mar 16:00 13 Mar 04:00 15 Mar 20:00 20 Mar 08:00 23 Mar 00:00 27 Mar 12:00 30 Mar 04:00 3 Apr 16:00 6 Apr 08:00 10 Apr 20:00 13 Apr 12:00 18 Apr 00:00 20 Apr 16:00 25 Apr 04:00 27 Apr 20:00 2 May 08:00 6 May 23:00 9 May 12:00 14 May 00:00 16 May 16:00 21 May 04:00

Try to think in order consumption. Whenever price reaches a supply area short orders get triggered. Means the buying pressure usually decreases. If demand and supply get in balance again, price stalls at supply. Then, if supply exceeds demand again price starts to drop from supply. So we need to get in before price starts to fall again. Important to note is, that the more price tests a supply level, the more short orders get triggered and the weaker the supply area gets. Thats why Sam Seiden uses to trade only the very first retest of a developed zone, to enhance the odds of a profitable trade. All in all there are major zones that resist 8-10 tests ,before they break. Before trading a zone we need to look at previous retests, and check how quick price returned. Often we see price reversing slower and slower, a sign for weakness. Then you shouldnt trade the zone anymore, because the zone runs out of power. I attached some charts for you on the very next pages to show you how we can explain price movements using demand and supply rules.

Hope you enjoy.

EURUSD,M30 1.3081 1.3085 1.3081 1.3083  
Today = 98 | ATR = 80 | Pip Value = 7.64 | ATR Projection Up = 1.3159 | ATR Projection Down = 1.3097

Spread: 2 points.



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5 Apr 2012 26 Apr 07:00 26 Apr 15:00 26 Apr 23:00 27 Apr 07:00 27 Apr 15:00 29 Apr 23:00 30 Apr 07:00 30 Apr 15:00 30 Apr 23:00 1 May 07:00 1 May 15:00 1 May 23:00 2 May 07:00 2 May 15:00 2 May 23:00 3 May 07:00 3 May 15:00 3 May 23:00 4 May 07:00 4 May 15:00

This is an interesting example. When price returned to the previous low / demand level, we didn't have any reaction. Then price stalled for about 2x M30 bars before it broke down. Now the decision on price is made. Sellers are in control and likely to bring price even lower. When price returned to the breakout level, it reversed back down. Supply formed. Now there are more willing to sell at this level than to buy. The only thing that made me nervous here was the big green bar up right into supply. I can't remember what it was, but it was fundamental driven....technical never lie though ;-. ....



So I dont have a lot to say here, price touched previous turning level and reversed back up. Nice bullish engulfment right at demand.

We buy.

We are happy about the profit.

Thank you Mr.Market.

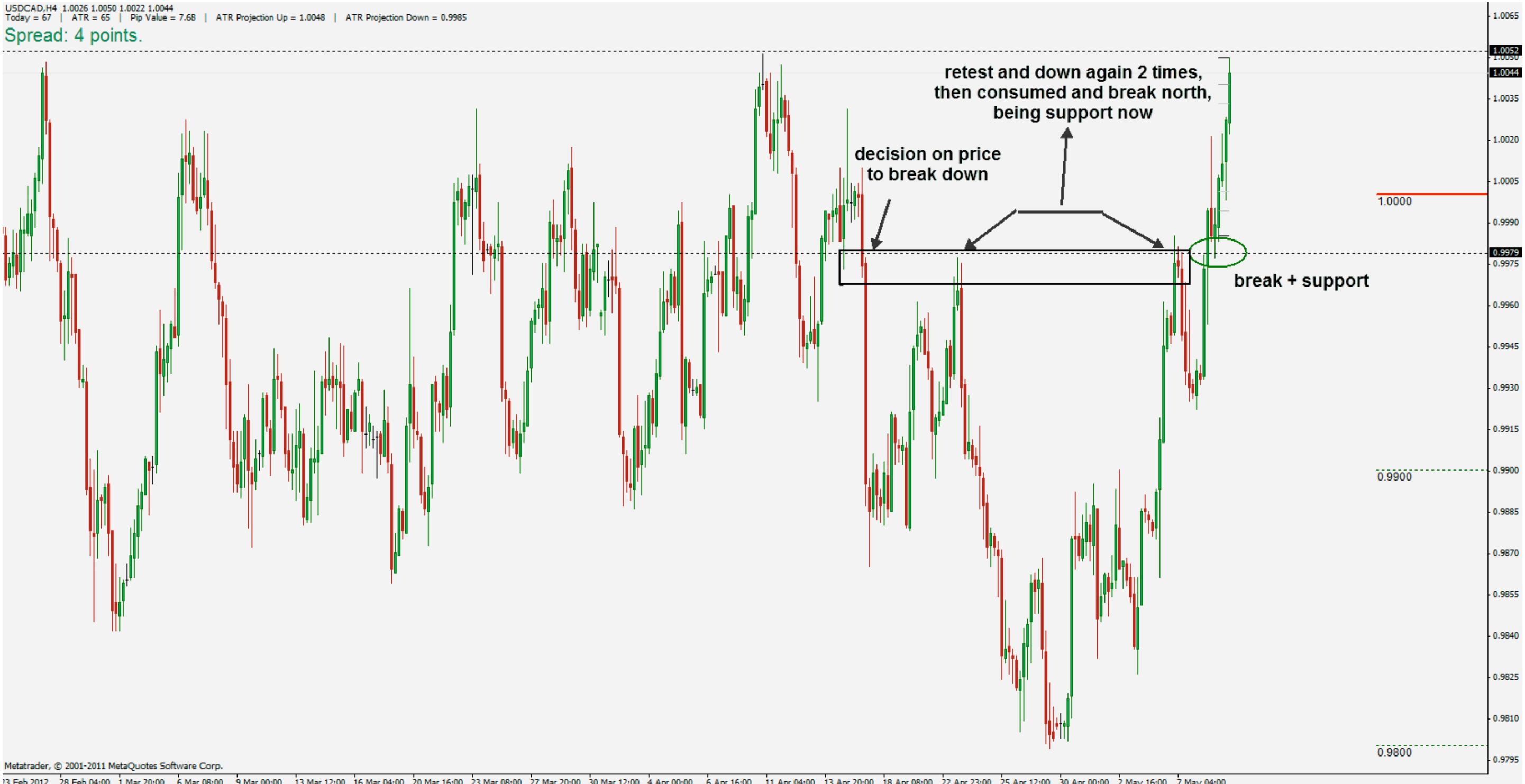
Ps: Target would've been around the red line. Guess why ? Think about it.



Nothing new.... break north, retest, reversed back up.  
 As simples....don't take it too complicated.

USDCAD,H4 1.0026 1.0050 1.0022 1.0044  
Today = 67 | ATR = 65 | Pip Value = 7.68 | ATR Projection Up = 1.0048 | ATR Projection Down = 0.9985

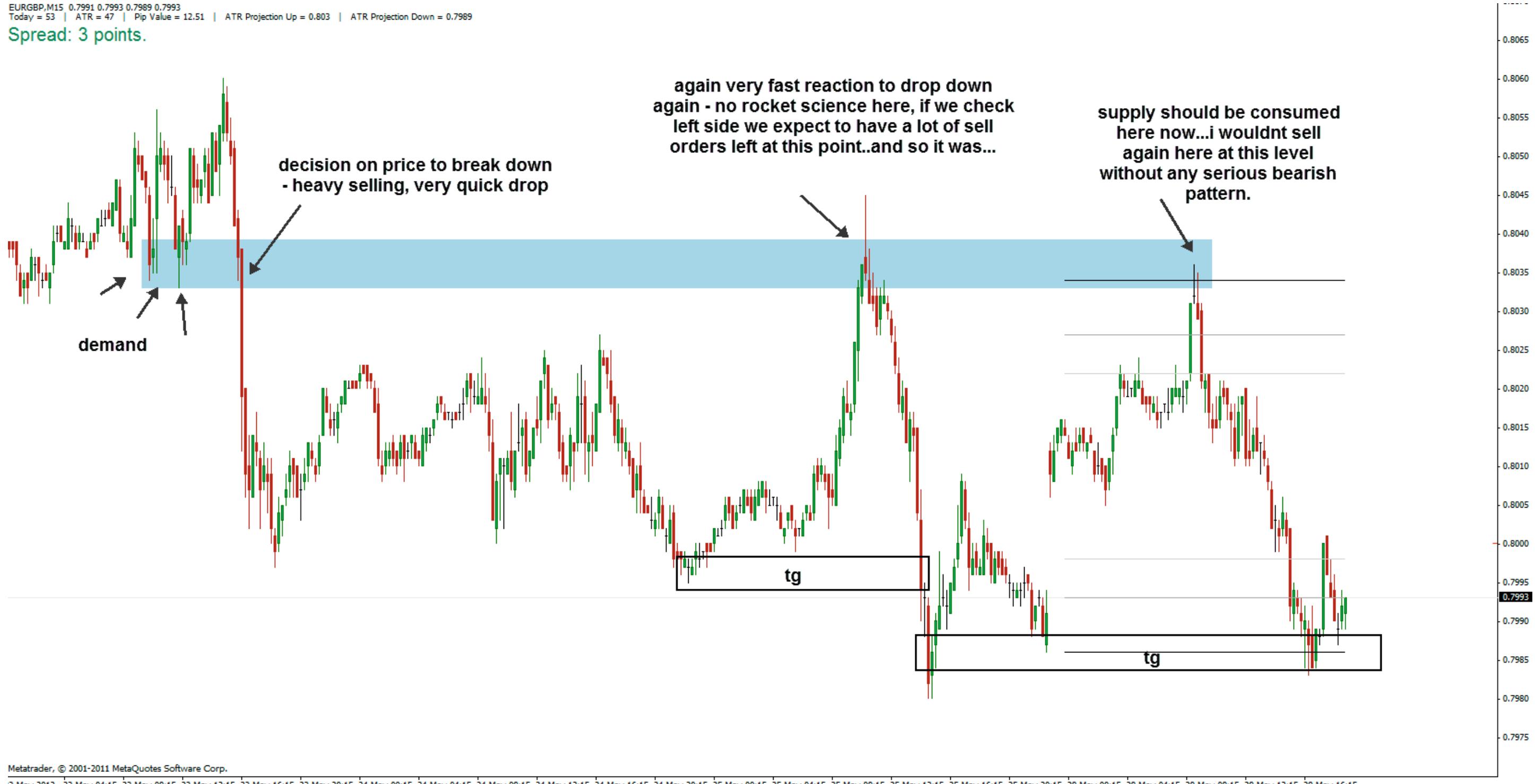
Spread: 4 points.



Heavy selling on the left red bar, decision on price was made there. Then price returned and dropped again pretty quick...  
Again pretty quick ?! --> We do have a lot of short orders left there. So when price returned again it dropped once again to consume the left short orders. Then at the 3rd retest we didnt have enough short orders left and price broke up. Then retest of the new breakout level and continuing up to the dotted line, this would be my target.  
Check left side to see why.

EURGBP,M15 0.7991 0.7993 0.7989 0.7993  
Today = 53 | ATR = 47 | Pip Value = 12.51 | ATR Projection Up = 0.803 | ATR Projection Down = 0.7989

Spread: 3 points.



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3 May 2012 23 May 04:15 23 May 08:15 23 May 12:15 23 May 16:15 23 May 20:15 24 May 00:15 24 May 04:15 24 May 08:15 24 May 12:15 24 May 16:15 24 May 20:15 25 May 00:15 25 May 04:15 25 May 08:15 25 May 12:15 25 May 16:15 25 May 20:15 28 May 00:15 28 May 04:15 28 May 08:15 28 May 12:15 28 May 16:15

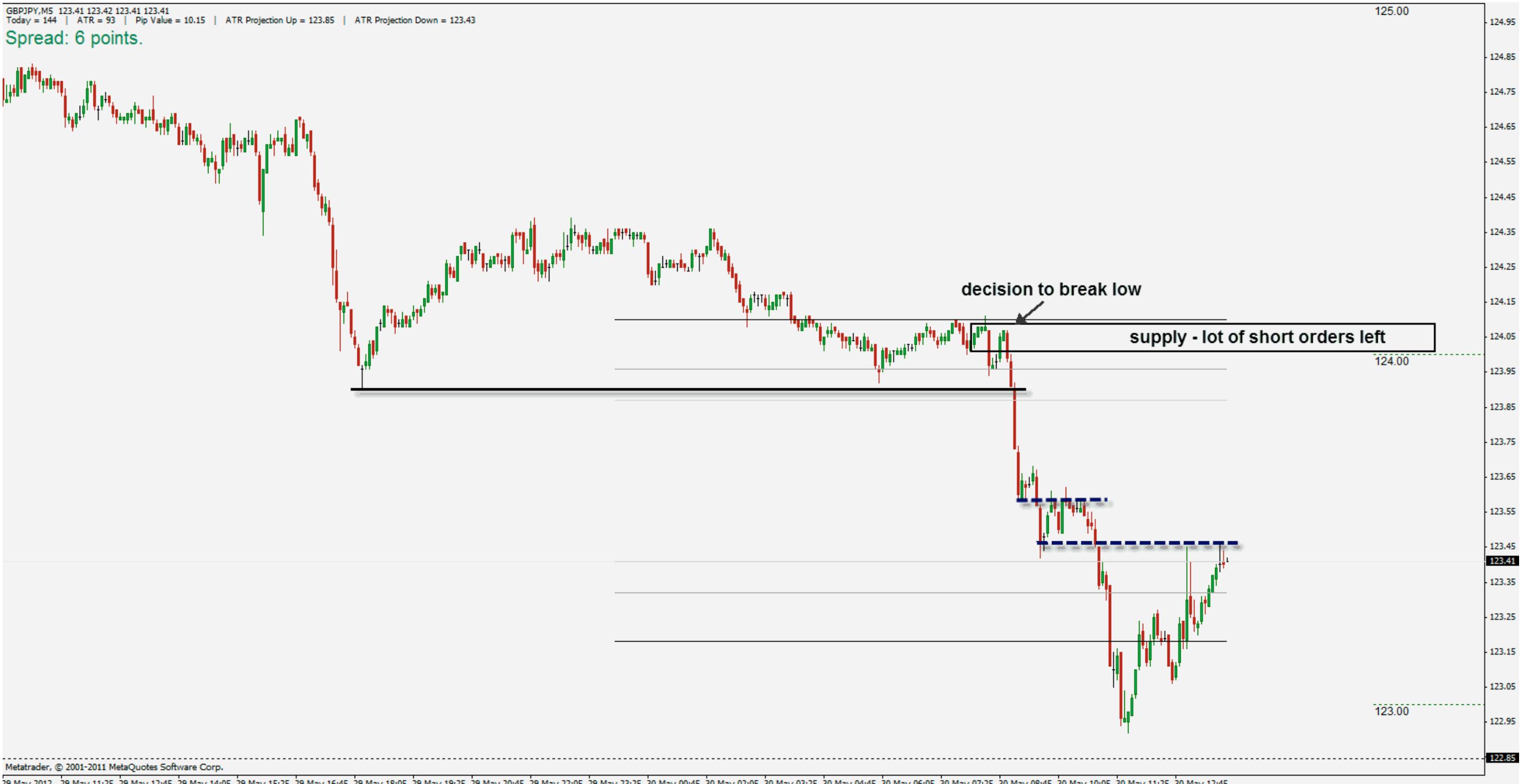
Break low.

Retest of breakout level. We sell.

Another retest of breakout level. We sell again.

Thank you Mr. Market.

We are happy about the profit and make a coffee break.



I'm a seller when price returns to the fat black line.

Remember our breakout / return to pole / stuff ? check the blue dashed consolidation box....did it work again ?

Yes it did...

;-)

AUDUSD,Daily 0.9892 0.9936 0.9820 0.9915  
Today = 116 | ATR = 115 | Pip Value = 7.99 | ATR Projection Up = 0.9935 | ATR Projection Down = 0.9821

Spread: 4 points.



Demand intact. Easy buying for us.

Although please note that price broke the low before it reversed up to close as a pin bar at demand.

Means that this demand should be out of order now.

Take the lower one next time for a possible buy.

AUDCAD,Daily 1.0166 1.0199 1.0145 1.0178  
Today = 54 | ATR = 75 | Pip Value = 7.79 | ATR Projection Up = 1.022 | ATR Projection Down = 1.0124

Spread: 7 points.



This is a pretty strong demand area. In addition we do have the 1.0000 psych level here as well.

Compare the retests at the demand. The 1st,2nd and 3rd retests were pretty quick. Now they r getting slower. Another retest and we are likely to break the low or stall a while at the demand zone before it breaks down. Long orders got consumed.No buying pressure left.



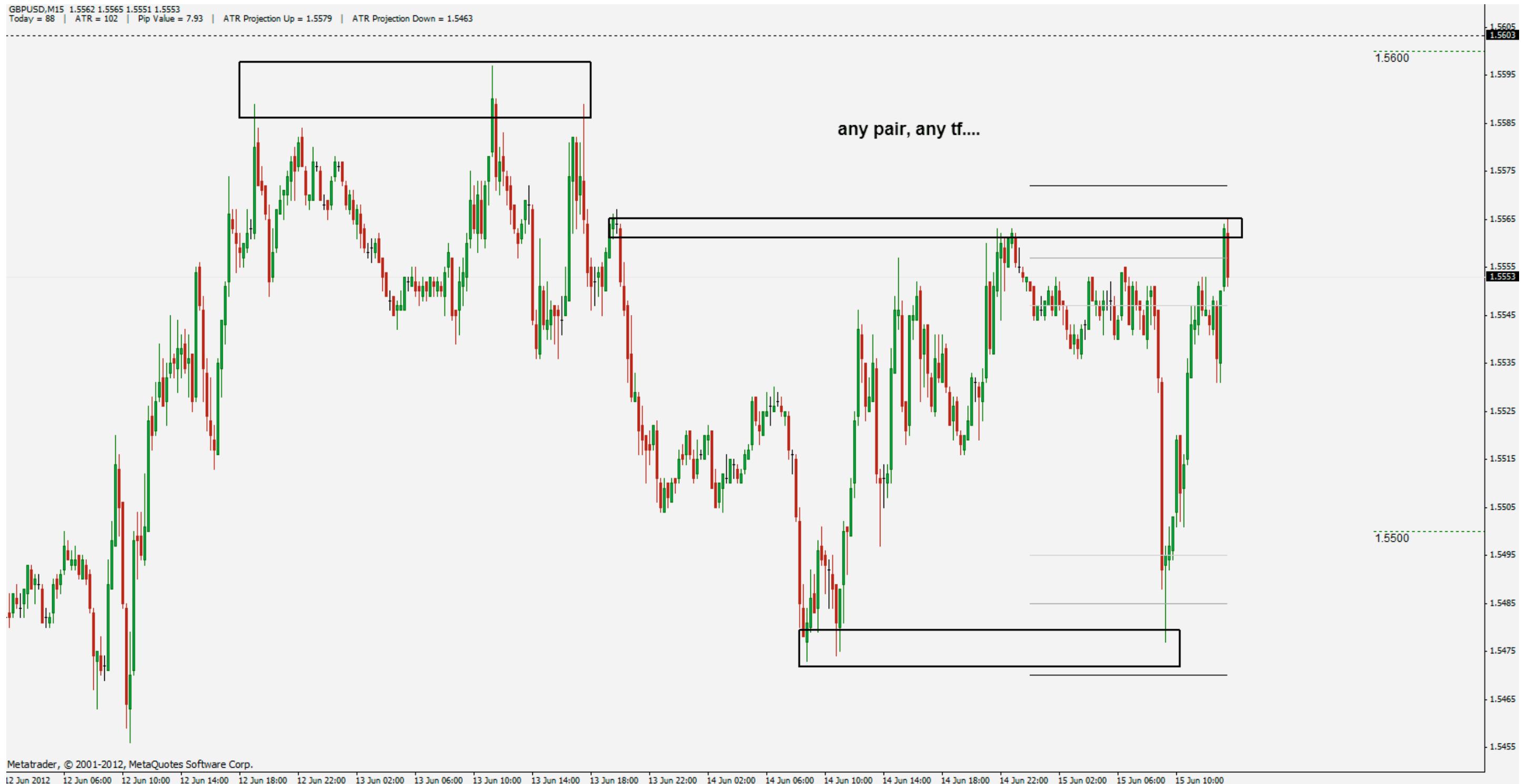
Demand + divergence = powerful combination.  
 Ill take about divergence later on in the e-book.

GBPCHF,M15 1.4836 1.4847 1.4835 1.4845  
Today = 52 | ATR = 97 | Pip Value = 8.33 | ATR Projection Up = 1.4923 | ATR Projection Down = 1.4781

Spread: 7 points.



Nothing to add.



Supply.  
 Demand.  
 Supply.  
 Demand.

Any timeframe. Any pair. Anytime.



Supply did its job.  
We did ours, if we entered the trade ;)



This is awful.

Reaction to the demand, we buy.

Target boxed in black. Stop below the previous low/demand area.

Around 200 pips, this is a huge profit.



Markets rise, markets fall ..... but where? ... charts and price tell us the story.  
Again breakout/retest pole/reverse here.... just check it for yourself.



i just marked the level we want to look for with two dotted lines and scrolled to the left, until we reach some price action at this certain area....see below !