

E m p e r o r B T C



Without wasting any time, we will understand to identify and trade the swing failure pattern that I use very often.

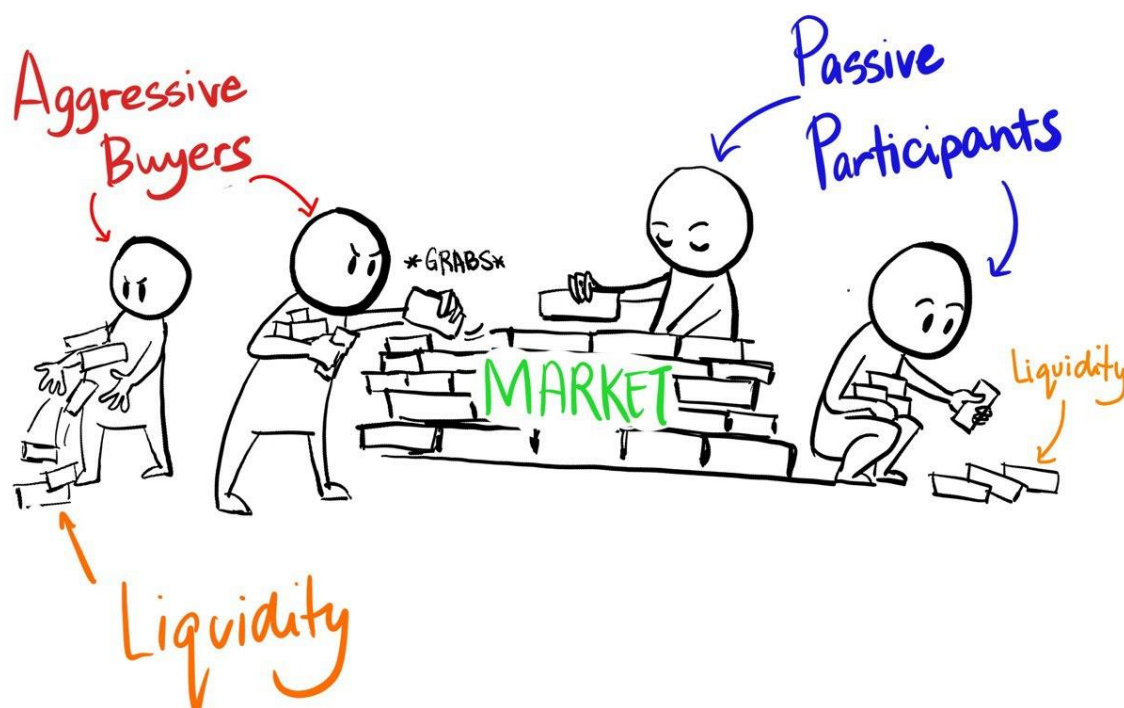
Swing failure Pattern is used to identify lack of buy/sell Pressure when a trend is being broken. This event signifies a liquidity event to the opposite side. The true edge in this pattern lies in trading it often, seeing it being formed and practicing is over and over again to become an expert in it. Let's Begin.

IMPORTANT.

I have a follower from Sri Lanka who has done amazing job trading and he ONLY TRADES THIS PATTERN. I will talk at the end how and why.

Pre-requisites:

Before understanding the Swing Failure Pattern, you must understand the concept of liquidity.



A liquid asset or coin just means how quickly you can buy/sell something without moving the price too much. Large buy/sell orders do not execute all at once.



Liquidity then just refers to the number of trades taken on a particular asset, how much of it is being exchanged between buyers and sellers.

Let's say buyers in the market want to buy a coin that is illiquid, they cannot market buy because price will move up a lot before their entire order is filled and then their average entry is moved up by a lot.

A MESSAGE TO MY FOLLOWERS

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Why is liquidity important for traders?

To fill large buy orders at a suitable price, they need a 1:1 ratio (or as close as possible) between their buy orders and sell orders in the market.

It is also important to note that stop losses on long positions are actually sell orders and stop losses for shorts are buy orders.

We'll take a bullish example.



Price flips resistance and establishes that as support. Most traders long the asset and place their stop loss below that support (because price losing support would mean bearishness). Breakout traders short as soon as support is lost even before candle closes.

Stop loss on longs and short orders are the liquidity injection that large buyers needed to buy, sell pressure is absorbed by large buy orders and the candle closes above support. A 'sweep' of the level is seen.

Key high/low:

Key highs/ lows are points from where a price following a trend reverses or starts ranging.



Ex: Price is in an uptrend (higher highs and lows). Forms a high then starts ranging for a month.

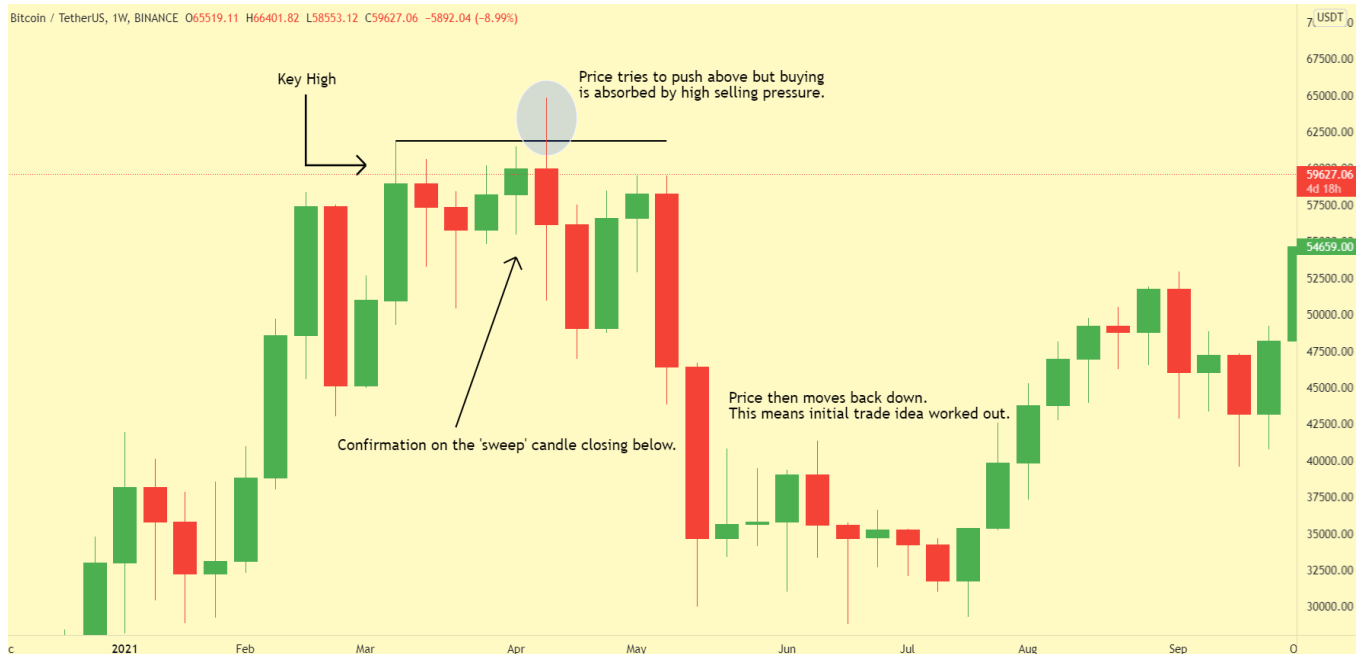


Ex: Similar pattern, just inverted. The key low is the starting point of the ranging structure.

Spotting the Pattern:

Spotting the Swing failure Pattern is simple.

Bearish example:



- 1) Price forms a key high or resistance. You can use candle bodies as well as highs.
- 2) Candle after that tries to move above the high but fails to get above and end up closing below.
- 3) Confirmation of the pattern is after candle closes. I prefer to wait for confirmation of the 'sweep' candle to take the short.

Bullish example:



- 1) Price forms a key low or support. You can use candle bodies as well as wicks.
- 2) Candles after that try to move below the low but fail to get below and end up closing above.
- 3) Confirmation of the pattern is after candle closes. I prefer to wait for confirmation of the 'sweep' candle to take the long and then add to the position if the low is swept/tested again.

Execution:

Not every sweep of a high/low is an SFP. Use the notes on liquidity. Ask yourself, where would a retail trader place stops or be baited to take a position.

You need to understand how retail trades and go against that.

Entry: On close of the candle that sweeps the high/low.

2nd entry (optional): Candle after the sweep closes below/above the high/low as well.

SL: Level of the wick of the 'sweep' candle. Place order or manual SL on a close above/below the wick.

Target: 1) Last swing low/high

2) Range high/low

Example 1:



Example 2:

The second entry might confuse you so let's start with an already discussed example:



The second entry is also valid even if you miss the initial SFP. It provides higher conviction that sellers have no real strength and bids absorbed all orders pushing price below the low.

Common Mistakes:

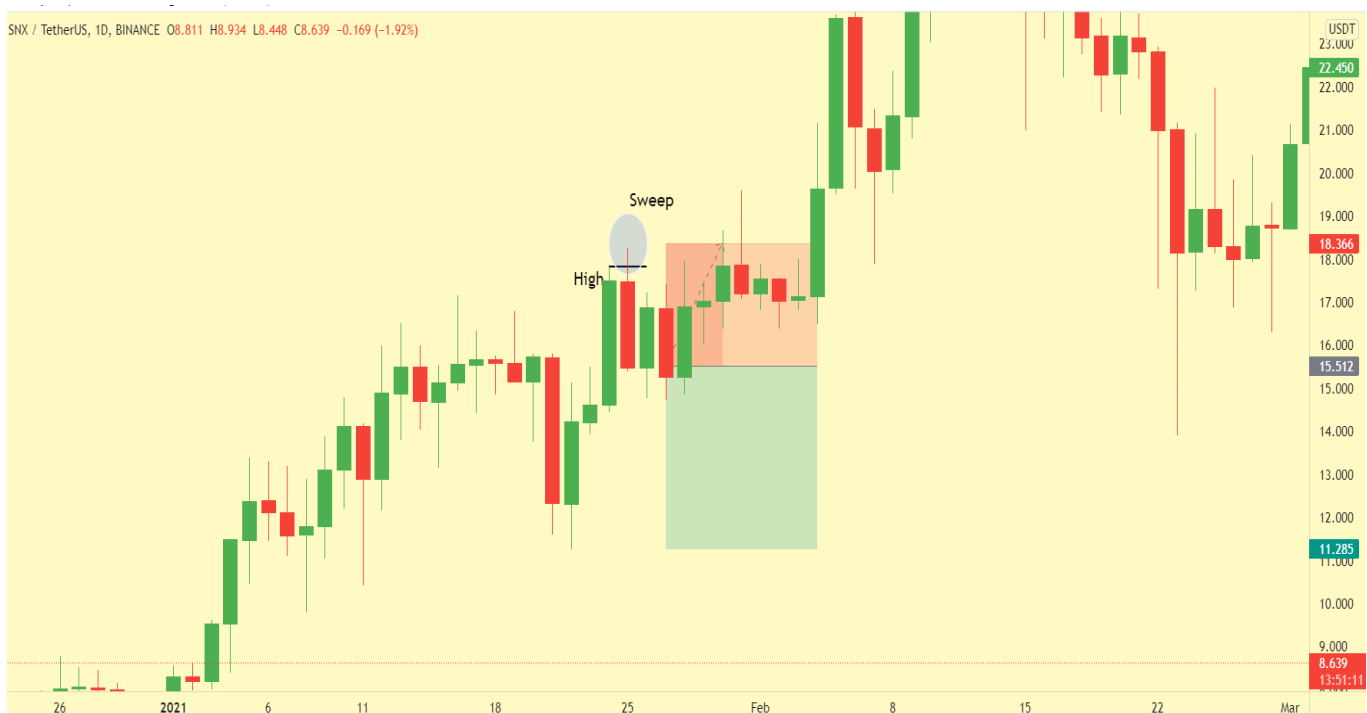
Not every low/high has liquidity resting below/above them. As such, SFPs will occur everywhere if you look hard enough. The trick is to practice as much as possible before implementation.

Ask yourself all the time, **is the setup obvious or are you pushing it?** Were there be stops resting below this low? Were breakout traders baited in longing on price moving above this high?

Here's a couple of tips you can follow to increase accuracy when trading SFPs:



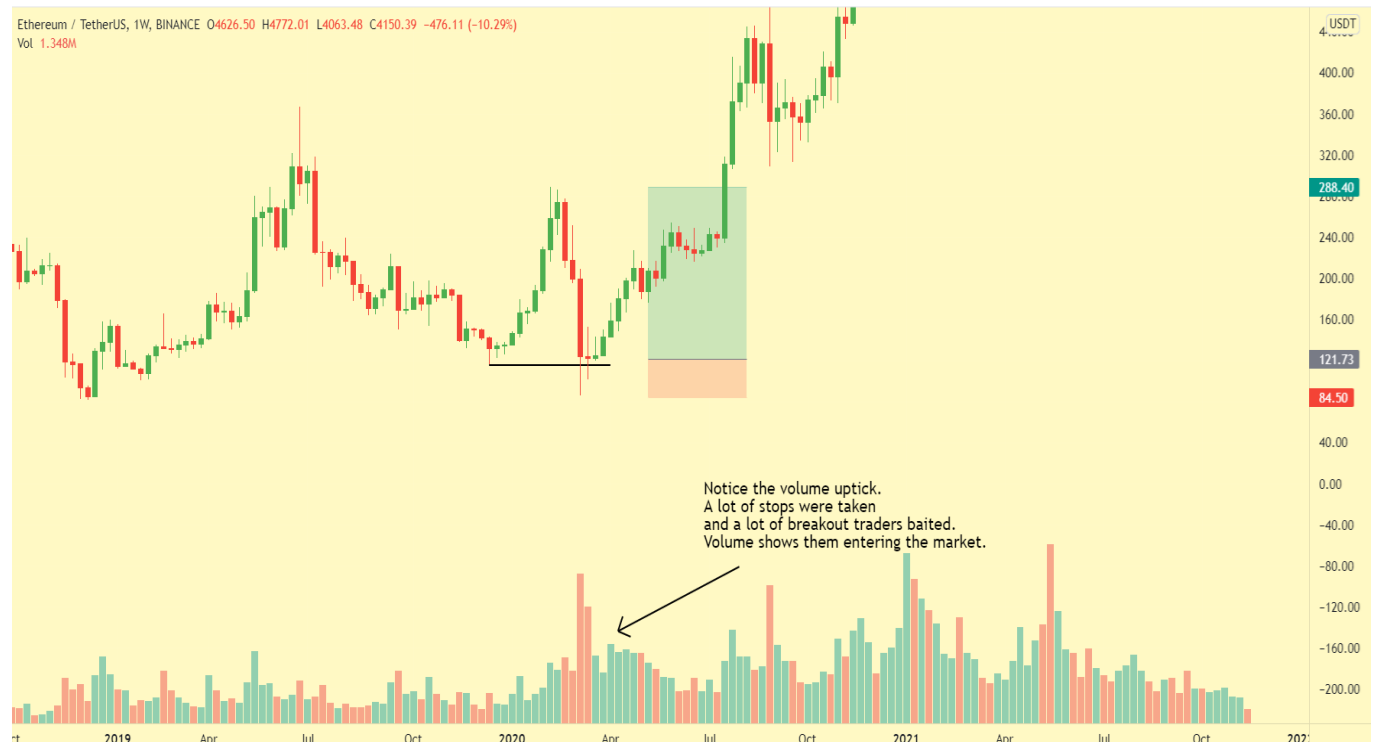
Read the section on key highs again. Make sure you mark out the right highs. Also, dojis usually signal uncertainty in the market, it's better to steer clear of them when trading SFPs.



Don't rush your setups. Let Price develop and be as patient as possible. It's alright to get one trade a week if you have a high success rate. Don't have a

twitchy trigger finger. You need to be calculated and execute at the right moment to be a trader.

Use confluence



You can use volume, RSI divergences and moving averages for confluence to give you more conviction on the trade.

Conclusion.

The swing failure pattern is a highly respected, logical and high frequency occurring pattern.

This works in each time frame and the edge lies on practicing, observing and building an eye and experience on when to use it.

A Story. One of my followers for about one year, had learnt about this pattern last year. I only has 2-3K followers back then. He stuck onto it and just kept on trading one pattern.

He realised when it works, when it doesn't and developed a high accuracy.

As they say, You need on kick practised many times to be a lethal killer.

Thank you for reading and I hope this was helpful. I apologise about the formatting as I did it on my own and it didn't turn out really well and is not attractive but my experience with pdf and Ms word is very limited.

Love,

EmperorBTC

Thank You.