A Brief Introduction to BFI Trading

The term BFI can stand for many things, but when it comes to BFI Trading, it stands for Banks and Financial institutions; but mainly banks. If only a few whale-like market participants transact the vast majority of the trading volume moved on any given trading day, then why not focus our energy on attempting to tag along these BFI market participants, after identifying their positioning. This entire trading methodology is based on identifying the certain ranges through which BFI's transact; and positioning ourselves there and ready, if and when price returns to that range.

This is not a complicated methodology at all. We are buying in those places where BFI's have shown themselves to be buyers. We will learn how to identify a valid BFI price range in the future, but for now suffice it to say that we attempt to buy in those areas on a chart where BFI's have decided that it is a great deal to buy there.

Trading has nothing to do with us; it is strictly about BFI's. Some of you may want to discover the specifics in terms of how BFI's operate internally when trading markets, but it is our belief that the ways the BFI trading algorithms work are some of the most closely held secrets on the planet. We do not need to know the specifics of their operations in order to benefit financially from the way they conduct their operations, consistently. We just need to learn how to be on the same side of them. The BFI's are responsible for pushing your trade to your target and the BFI's are responsible for turning your trade into a loss. BFI's move markets, and all we can do is learn a simple method of tagging alongside them, and riding the market movements wherever they decide to push them.

Our experience is directly related to the trading of currency markets as BFI's dominate almost all foreign exchange, and almost all fiat currency usually passes through the hands of a bank or financial institution. We have primarily traded on financial instrument for the past eight years. However, the BFI tools and methods can be applicable to all financial instruments and markets, as it is our belief that BFI's dominate all financial markets, including commodities, indices, and now cryptocurrency as well, as we see BFI's entering and beginning to saturate any potentially new financial instruments that they can benefit from.

Our BFI Trading Rules for Beginners

One Instrument

Decide on the one financial instrument or currency pair to which you will dedicate your early years. This BFI methodology requires being in-tune with your instrument thus improving accuracy thus improving risk-reward metrics. Too many pairs can be a big problem if a trader cannot yet handle one.

One Session

Decide on the one trading session within which you will be active. Limit your trading time to a couple hours per day and do not trade everyday. The best time to trade is when both London banks and NY banks are open for business. Too much trading and chart-time can be a big problem for most.

One System

Your edge in trading must be very clear. We'll cover a simple trading system designed to find trading setups in the pre-click analytical stage as well as a simple profit system or plan on getting paid post-click. A skilled sailor plans out their path and destination before setting sail.

THREE STAGES OF A TRADE SETUP

Finding your trade setup is one important step that should take **most** of the time.

Entering your trade setup is one important step that should take **very little** time.

Leaving your trade setup is the most important step and traders work on this **forever**.

- **1. Finding**
- **2. Entering**
- **3. Leaving**

1. Finding

Pre-Click:

This initial step of finding a trading setup should take the majority of a traders time. This is the "work" of actively searching for an opportunity on your instrument. Depending on your setup, it may not occur every day, or once a week, but you must be ready for it when it arrives. This simple guide focuses on trading the opportunity that may print at a pre-validated price-range or area on the chart, discussed in **Volume I**.

2. Entering

Click;

This next step of entering a trading setup can only follow a complete analysis of the instrument and corresponding setup. This should only take a few moments, if a monthly context is already understood, and the proper stop-level and target-level placed, if the the BFI price-range has already been validated from the proper analysis done in the initial step.

3. Leaving

Post-click;

This step is not necessary for the probabilistically-wired trader. The ability to allow a trade to either hit a target-level or a stop-level should be sub-conscious, but unfortunately for most it is an emotional roller-coaster ride post-entry. Understanding yourself and your own destructive habits is key here. Dig into the roots in order to discover the wiring needed to be able to allow trading setups to fully play out without micro-managing and interfering and sabotaging. We will discuss this in the final volume.

Summary

BFI Trading is simple trading. It is based on buying in an area where we have confirmed BFI's have also previously bought there. We follow and tag along, after identifying their **footprints**, and after identifying a **valid confirmation entry signal**, both of which we will discuss now

Volume I: Finding Setups

The act of finding a trading setup is a very important one. Some may call this the process of "technical analysis", but for simplistic purposes we will call it the process of **finding a valid setup** on your one instrument.

What makes a setup valid? It all starts with determining a monthly bias, as we will see in the next chapter, that is step one. The next step is going onto your trading timeframe and identifying a valid footprint market movement on a chart. We cannot predict BFI movements, so by definition we can only see what they've done, after they have stepped. How does this help us trade if we can only see that the BFI's bought only ***after*** they have bought and created their footprint? Now you are starting to ask the proper questions for proper trading.

Can BFI's buy everything they need to buy all at once?

They "can", but they typically do not.

Can BFI's buy everything they need to buy all at once? They "can", but they typically do not. Would that be efficient? Since they transact the largest amounts of volume, they would be better off buying some, and then later buying more (adding to position and protecting position), over **multiple purchases; stacking.** (see the BFI Trading Course for more information regarding buy-stacking and sell-stacking identification)

Since BFI's transact the largest amounts of trading volume on the planet, this can be both an advantage and a disadvantage to our fellow banksters. The advantage is that they control the majority of the trading volume in markets. This is also their disadvantage, because when they transact the largest daily volumes, they need to be careful not to buy in a way that does not raise the price too much on themselves. The trick requires that they do not purchase what they need to purchase all in one transaction. For BFI's to operate smoothly and accumulate their heavy volumes, we have learned to accept that they conduct **multiple purchases (at different times and through different exchanges).**

Instead of buying 100 units at a single price, BFI's may buy 50 units initially, and then buy another 50 units later, if and when price returns to that same price-range.

Buy; then later, add and protect.

A trading setup is an opportunity to be positioned to buy at the **origin** of a **valid BFI footprint,** and BFI's decide to add **again** and thus protect, and create **another valid BFI footprint,** which completes a full **Buy-Cycle**. We will discuss Cycles in the last chapter of ***Volume I: Finding Setups.***

But what does a valid BFI footprint look like?

Let us look at an example of such a footprint in **theory**, and in the next sections we will go into details on finding and focusing on the few footprints that matter on a chart.

The BFI Footprint

A valid BFI Footprint that breaks three previous market structure swing points.

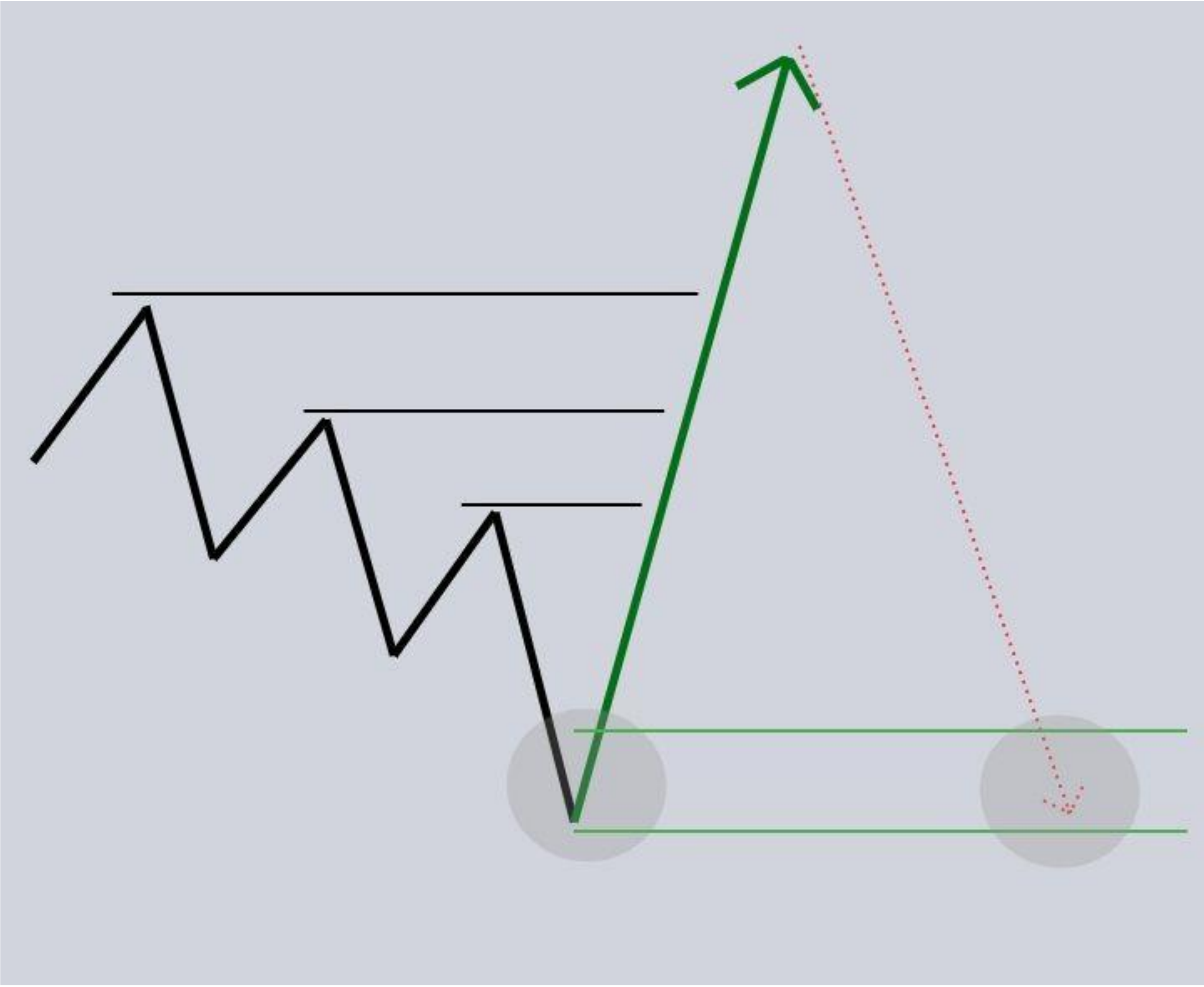
A **BFI footprint** is like a **fingerprint**, because they are all **unique** in their own way, and come in all **shapes and sizes and strengths**, as we will see in the chapter on ***Validating Ranges***.

If you notice the origin of this BFI footprint, you will notice it is circled in gray. This origin creates a **RANGE; or price-range of the**

origin. Notice we did not say it is a certain price-level, but rather a **RANGE** of prices, that create an **area** that has both a **price-floor**, and a **price-base.**

So what does a classic trading opportunity or setup look like?

The Opportunity



When price returns to a valid range for the first, opportunity may be in the air. You have found a valid setup that now requires a valid price action entry confirmation signal.

This is a great time for any trader if they were to see the above representation printed on the chart of their one instrument. The single most important question here is **whether or not** the BFI's who created the original footprint will add and protect their initial position and create another valid BFI footprint that the trader can take advantage of.

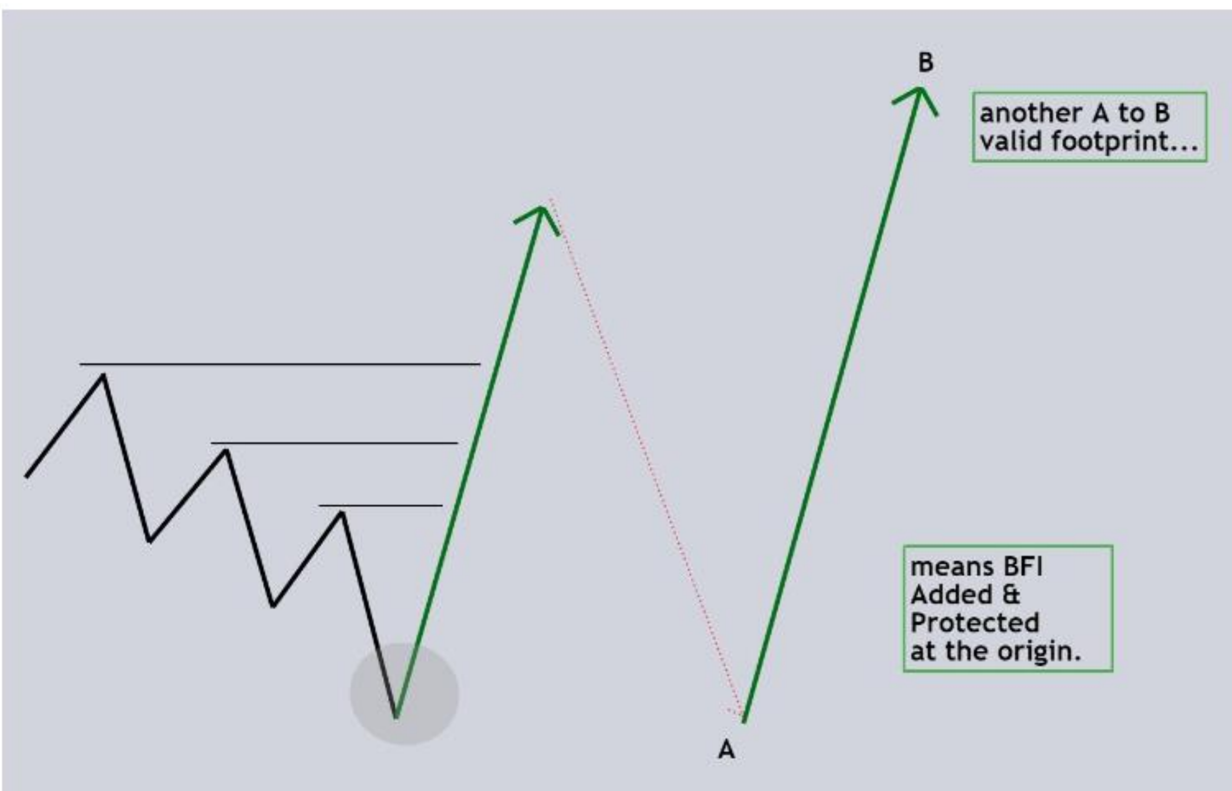
The first retest of a valid BFI range, created by a valid BFI footprint, is the potential trading opportunity.

A break of previous market swing points, and then a **return** for the first time to the **origin** of the footprint that caused the break.

Notice the origin of the BFI footprint creates a **valid price-range** within the two horizontal rays.

This is only a **POTENTIAL** opportunity. Let us see what it would like if it turned out to be a **SUCCESSFUL** opportunity.

The Successful Opportunity



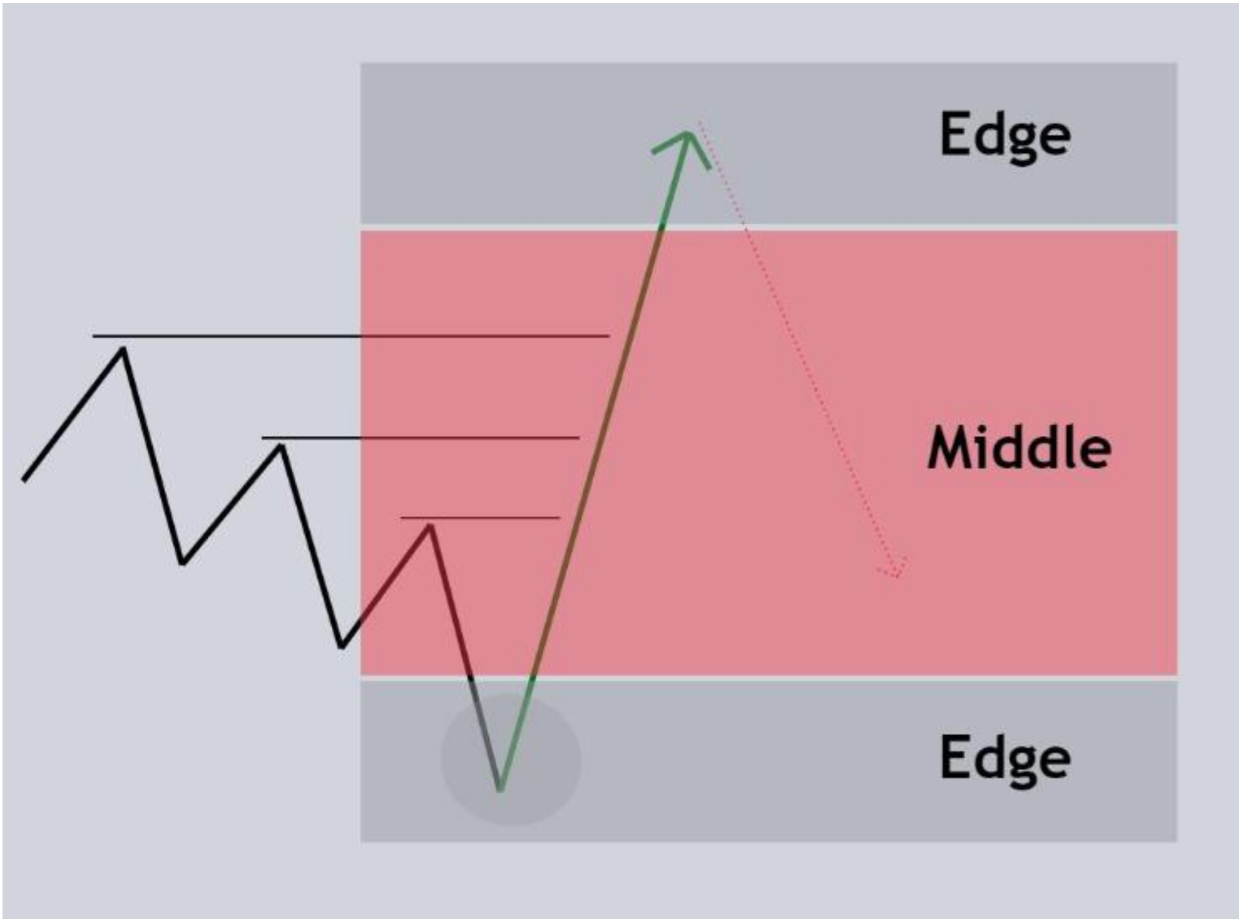
Finding a valid setup is one thing, but finding a setup that successfully works out simply means that BFI's added and protected their initial positions, and another footprint was created, causing an A to B impulsive market movement along which a BFI trader can tag along.

A successful trading opportunity is one where BFI's do in fact add to their initial position and protect their initial position, and thus another footprint is created and this new A to B market movement is the A to B price movement that we are trying to ride and benefit from.

Finding a setup is about finding a valid footprint that was likely created by BFI's, and being ready if price were to return to the origin of the footprint. That is where the opportunity lies, and hopefully BFI's add and protect their initial positions, and we are able to catch a portion of the A to B movement labelled above, and thus benefitting from the printing of another BFI footprint that now completes a full buy-cycle: buying, and then buying more, for a total of two footprints. Yes, cycles can last longer and the possibilities can be endless, but learning to take advantage of a certain part of the BFI buy-cycle can allow you to find and catch these very specific trading setups on your one instrument.

Now that we have a good picture of what we are trying to **find**, we can now **begin learning** how to go about doing so. First, we need to begin by determining the monthly directional bias before getting into detailed footprint validation using different footprints on different timeframes. For now, let us take a step back and end this introductory chapter on **Finding Setups** with a reminder of our general approach to trading BFI markets; and all markets are BFI markets.

Differentiating between the time for **trading action** and the time for **trading inaction** is a trading skill that requires years to develop. But let us take a step back and understand where most of the trading pain can be found.



The low hanging fruits of trading are found at the edges. The edges are where the origins of footprints occur. Price does not sit there for long, and the risk-reward asymmetry in those areas is critical for long-term trading success.

The low hanging fruits of trading are found at the edges. The edges are where the origins of footprints occur. Price does not sit there for long, and the risk-reward asymmetry is critical for having those few large trading wins that each outweigh multiple losses.

Get to work when it matters and watch out not to be sucked into the *manipulation & randomness* of trading in the <u>middle</u>. Proper traders should <u>already be positioned</u>.

Play at the **edges** of price action, where **retracements and market manipulation** are unlikely to reach you. This means there will not be these valid trading setups all the time. The only ones who want you to be trading all the time are your brokers and market makers. **They do not care if you click BUY or SELL; they just care that you CLICK.** This is a game of commissions and constant scalping, and so it is your duty to understand this and to get active only when the **odds are in your favor** and the trading opportunity you've found is clearly a **validated BFI setup**. That means being picky and realizing **less can make more**.

"Knowing when NOT to trade is more important than knowing when to trade. **Sit tight, and be right**."

- @zerotoempire

Determining Monthly Bias

The ***rustiest & dustiest*** trading timeframe is the monthly timeframe; because barely anybody uses it as it is the least understood.

So let us try to understand it. Using the monthly timeframe **does not mean** we need to wait months. It is almost like an allergy they have towards the monthly chart. We can still take great 4H and 15m intraday movements and still have our monthly bias in mind. Note that we do not ***TRADE*** the monthly chart; it is best used only to identify a proper **directional bias**. We use **two** lower timeframes as the ***TRADING*** timeframes; the **4H** and the **1W**. We use these two lower trading timeframes to identify valid footprints and valid fresh retest trading opportunities, and to trade them. Whether you are a **4H range (intra-day)** trader, or a **weekly range (swing)** trader; the **monthly directional bias identification should be step one for all BFI traders.**

Properly identifying the monthly directional bias is a skill a trader develops over many years of trading. It may take time initially, but eventually this step should become much quicker and the bias much more accurate over time. A wrong monthly bias can be a very expensive mistake. Seasoning is key to proper trading, and eventually you'll determine the monthly bias in less than a minute.

The first step when opening the chart of any new or familiar instrument is to begin on the monthly timeframe and orient yourself properly. A proper orientation means you are not focused on what happened decades ago. A proper monthly orientation means you have just the last two to three years of price-action shown and those candles take up the vast majority of your screen.

A improper monthly orientation vs a proper one:

An improper monthly orientation. The majority of the chart here includes candlesticks that are irrelevant at this moment in time; the chart should be oriented towards the candlesticks that matter today; this applies to all timeframes when analyzing your instrument.

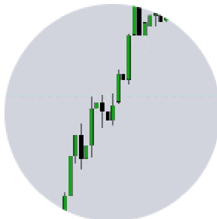
A proper monthly orientation; the most recent few years are relevant. Focus on the price action that matters today.

After a proper monthly orientation, we can begin trying to identify the **direction** the current monthly impulsive market movement is heading. A **directional bias** means the monthly is used to answer the question of where is price likely headed; **up or down**. Is the instrument in an **uptrend or a downtrend;** is the instrument **bullish or bearish**? These words are to be used on the monthly and this question should only be asked and attempted to be answered, on the **monthly timeframe.** Some may argue that there is a third option of the market being "sideways/consolidating" but rarely does the monthly chart move sideways and consolidates; that would make the simple support and resistance trading quite easy.

The Most Recent Monthly Impulsive Movement

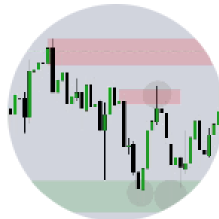
The highlighted area in red represents the most recent impulsive monthly movement, and that should be the main focus. However, in this case we have a monthly zone to the left (the origin of the previous downwards impulsive monthly movement) that we must be aware of today.

Now that we have a clear monthly orientation, we can begin to look at the **options** we have in terms of deciding on a monthly directional bias confirmation.



Bullish

This bias is confirmed after a series of bullish candles (within 5) begin forming a bullish impulsive footprint.



Potentially Reversing

This bias is confirmed immediately upon price entering a valid monthly zone.

Bearish

This bias is confirmed after a series of bearish candles (within 5) begin forming a bearish impulsive footprint.

Potentially Reversing

The origin of a monthly impulsive move creates a valid zone. When price returns to any valid monthly price-zone, the bias must be Potentially Reversing; not Bullish and not Bearish.

Most traders have the most difficult time when the instrument is in the stage of a monthly bias of **Potentially Reversing**. It is much easier to identify a strong **bullish** up-move, and a strong **bearish** down-move; it becomes quite obvious which direction the market is being pushed on this special timeframe.

Identifying a proper and valid monthly price-range to be aware of is a main concern for BFI traders. They are looking and anticipating where the buying party may end; they are looking and anticipating where the selling party may end. Knowing where an A to B monthly price movement **originated from** and where the current A to B monthly price movement is likely **heading**, is a key skill of a BFI trader. They understand that a strong bullish move does not go up forever, and price may reverse when it arrives at a monthly sell-zone. They also keep this in mind when determining targets. They also understand that a strong bearish move does not go down forever, and price may reverse when it arrives at a monthly buy-zone. Knowing the higher timeframe monthly context of where price may potentially reverse is a pre-requisite before we can use lower timeframes and become accurate there as well.

Let us take a look at this monthly chart of several years and break it down into pieces and see what the proper bias would be and how it changes over time.

Notice in the green circle is when the monthly impulsive up-move is confirmed. By the fifth candle, multiple bullish signals have printed to confirm the bullish bias. Notice in the red circle is when the monthly impulsive down-move begins to form. Within five to ten candles, the bearish bias confirmation and the downwards movement should be obvious.

Notice in the green circle is when the monthly impulsive up-move is confirmed. The bullish engulfing signal that breaks multiple previous candle highs is very significant and should wake up many. By the fifth candle, multiple bullish signals have printed to confirm the bullish bias. Notice in the red circle is when the monthly impulsive down-move begins to form. The first strong bearish engulfing signal that breaks the previous four monthly lows is significant. Multiple monthly footprints downward confirm a bearish bias that should become clear within five to ten candles. You do have a monthly basing sell-zone to the upper-left, and that may have contributed to the reversal and the beginning of a monthly downmove.

Price has returned for the first time to a valid monthly buy-zone. The monthly bias will shift from Bearish to Potentially Reversing the moment price enters the buy-zone.

Price has returned for the first time to a valid monthly buy-zone. The monthly bias will shift from **Bearish** to **Potentially Reversing** the moment price enters the buy-zone. Notice that two bullish signals printed at the buy-zone. That is not a good sign for sellers. The first signal is a complete bullish engulfing pattern, and then upon the return to the range, another bullish pinbar with an exceptionally long wick prints; the special **COVID-candle**.

Buy at the Buy-Zone

Seems quite obvious, but you'd be surprised to discover how few people do this. A BFI trader understands that the majority of the world population is selling heavily and the sentiment is very bearish by the time it gets to a monthly buy-zone, and especially when it goes into the deeper-half or beyond the floor of the buy-zone entirely. This does not invalidate the price-range, since a zone invalidation would require a monthly candle-closure below the range. The least risk trade idea is to buy at strong monthly buy-zones, especially in the **deeper half**. The highest risk trade idea is to sell at such areas; try to avoid doing so. Do not stand in the way and bet against these monthly zones. Be aware of them and be aware of the monthly bias of your instrument at all times.

The bias shifts when price **enters** a monthly zone; but the bias does **not** necessarily shift when price **leaves** a monthly zone.

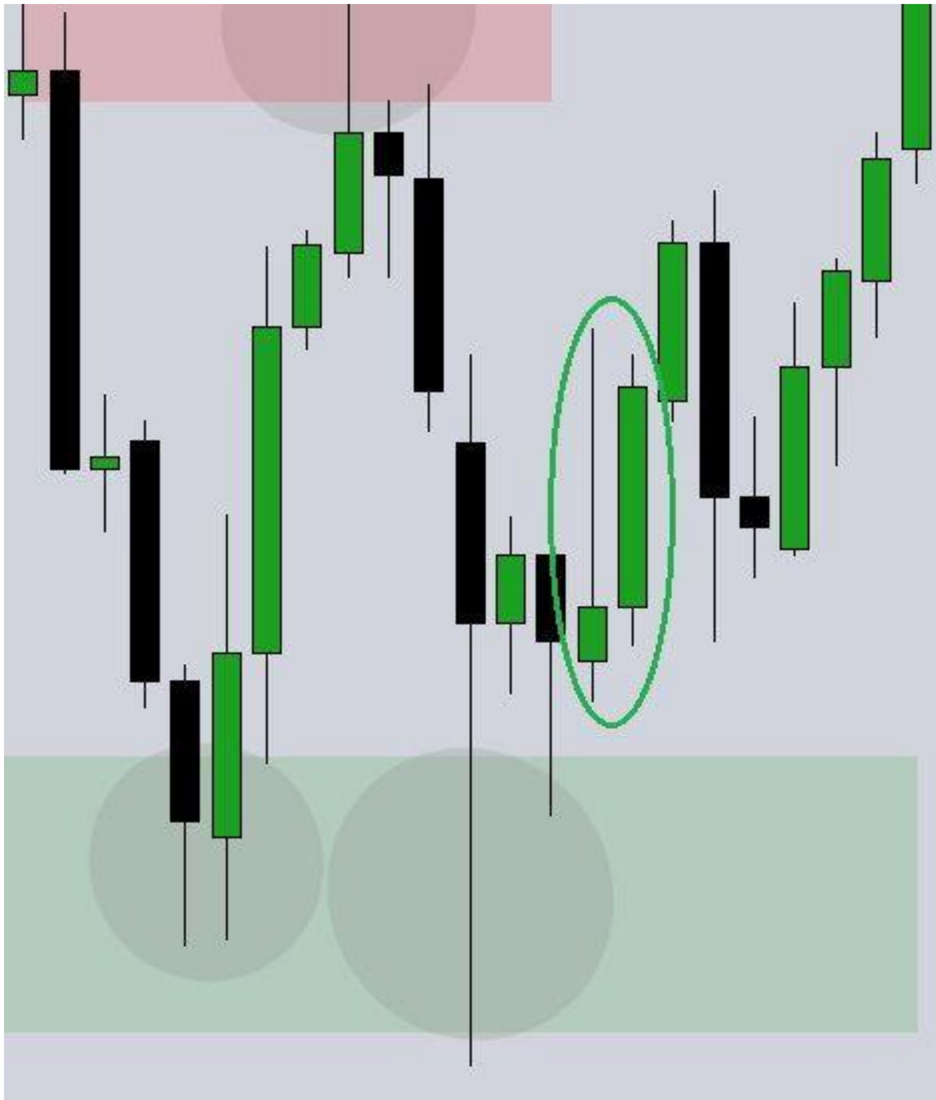
When price enters a monthly buy-zone, the bias shifts to Potentially Reversing and the bias remains that way until an official confirmation occurs that gives us the validation to shift the bias. The monthly bias does not change everyday, and it rarely shifts and when it does, it does so slowly, and it may take a few candles to end up seeing the reaction.

However, just because price **exits and leaves** the monthly buy-zone does **NOT** mean the bias becomes **bullish**. All it takes to shift the bias to Potentially Reversing is price **entering** a valid zone. However, it will take **much more** than price **exiting/leaving** a monthly buy-zone for us to shift towards a **bullish bias.**

Two methods to shifting your bias from **Potentially Reversing** to **Bullish**:

- After a bullish candlestick signal confirmation prints and closes outside the valid price range.

- After a valid footprint occurs that breaks a previous market swing point.



A bullish engulfing candlestick signal prints outside of the valid buy-zone. A bearish pinbar that gets engulfed is a perfectly valid signal confirmation to shift to a Bullish monthly bias.

The **first reaction** at the range caused a series of green candlesticks that formed an A to B movement that returned to the range of the bearish monthly pinbar above; the origin of a valid footprint downwards. Price returned to the valid monthly zone.

The **second reaction** at the range is more interesting. Notice that the no monthly candle body is able to close within the range. It is only a wick that remains in the zone. This is significant buying activity, following heavy panic selling activity. But this one candle alone, although a strong bullish candle, is not enough to confirm a Bullish bias. However, when the bullish engulfing candlestick signal prints away from the zone after price has left it; that is a good time to shift Bullish.

Let us zoom into this bullish engulfing:

A "bearish" pinbar is engulfed by a bullish candlestick; this makes the bullish engulfing confirmation even stronger. More likely reaching higher; not rejecting.

But to us this "bearish" pinbar is far from bearish. Even before the engulfing candlestick prints, a BFI trader can see that this pinbar wick is likely **reaching** higher, and not **rejecting** higher. One wick takes out three previous monthly candle highs; but could not break any previous monthly candle lows; a very bullish sign. When that pinbar gets engulfed; the bias becomes Bullish.

0.00%
50.00%
100.00%

Just like a 4H chart; the A to B monthly move retraces healthily to the 50%, before BFI's enter again and create another new A to B monthly footprint.

The bullish bias continues until we reach a valid monthly zone at which we become **Potentially Reversing** again.

The bullish bias shifts from Bullish to **Potentially Reversing** as soon as price **enters** the red range. Not a bad idea to close longs at monthly sell-zones.

Conclusion

It may take some time to get used to understanding the monthly bias and the way it shifts as price moves from zone to zone on the higher timeframe, but with a few years of practice it will become much easier to read the monthly timeframe and you will realize

how accurate one can become on the smaller timeframes when the monthly timeframe is well-understood.

Validating Ranges

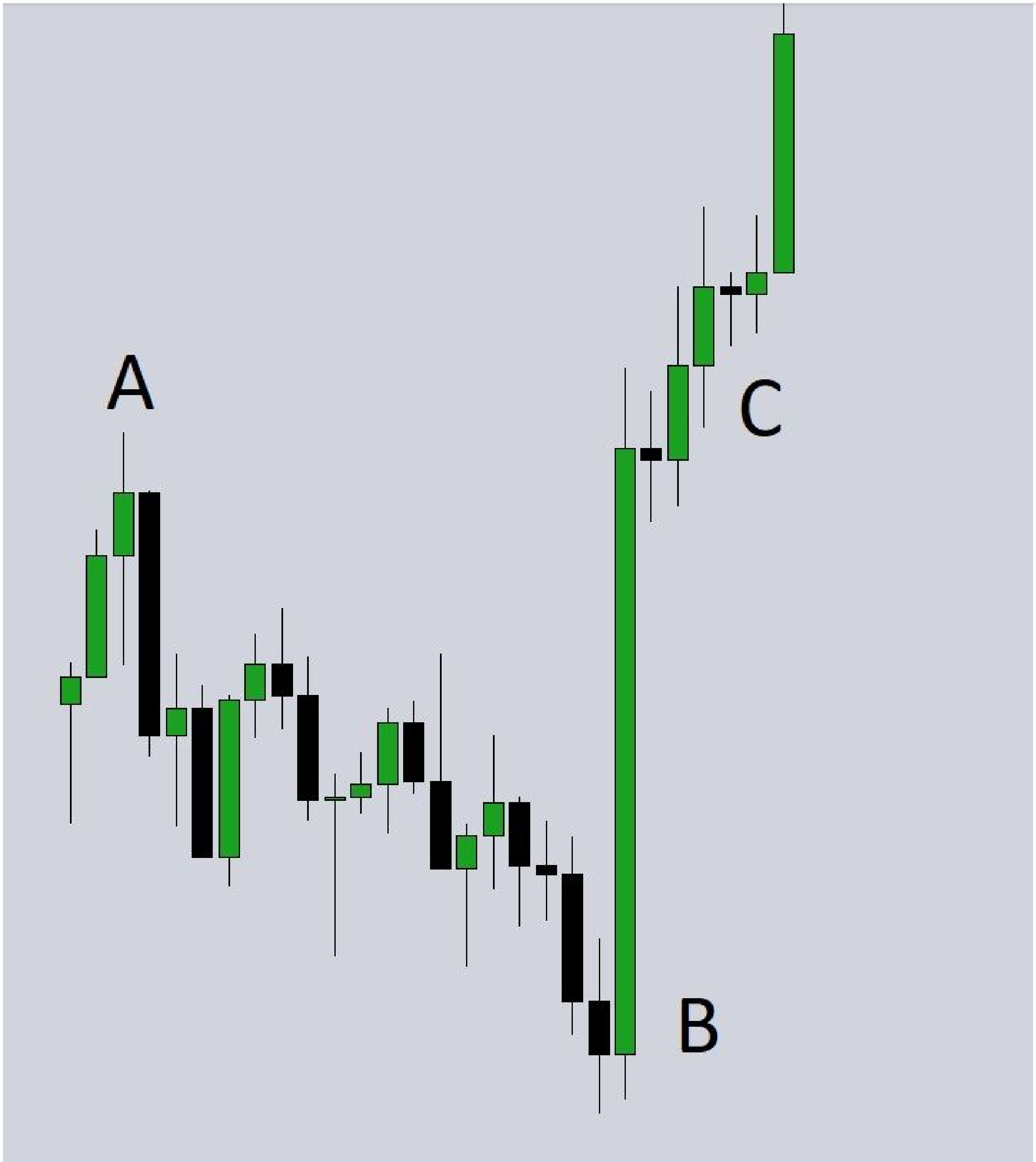
What makes a range valid? What makes the origin of a footprint an origin worth taking into consideration?

A valid BFI footprint is required to validate a BFI range.

Obviously we need a strong A to B price movement known as a BFI footprint in order to validate the origin of this price movement so that when price returns to the origin for the first time, we may have a trading opportunity. This trading strategy is based on the first-retest of the valid BFI origin. Will they buy more and protect their initial position and create another valid BFI footprint? That is the only question.

THE STRENGTH OF THE MOVE:

Obviously the word strong is subjective, but the stronger the A to B then the more likely it is to be protected at the first retest. Strength of the footprint must always be taken into consideration.

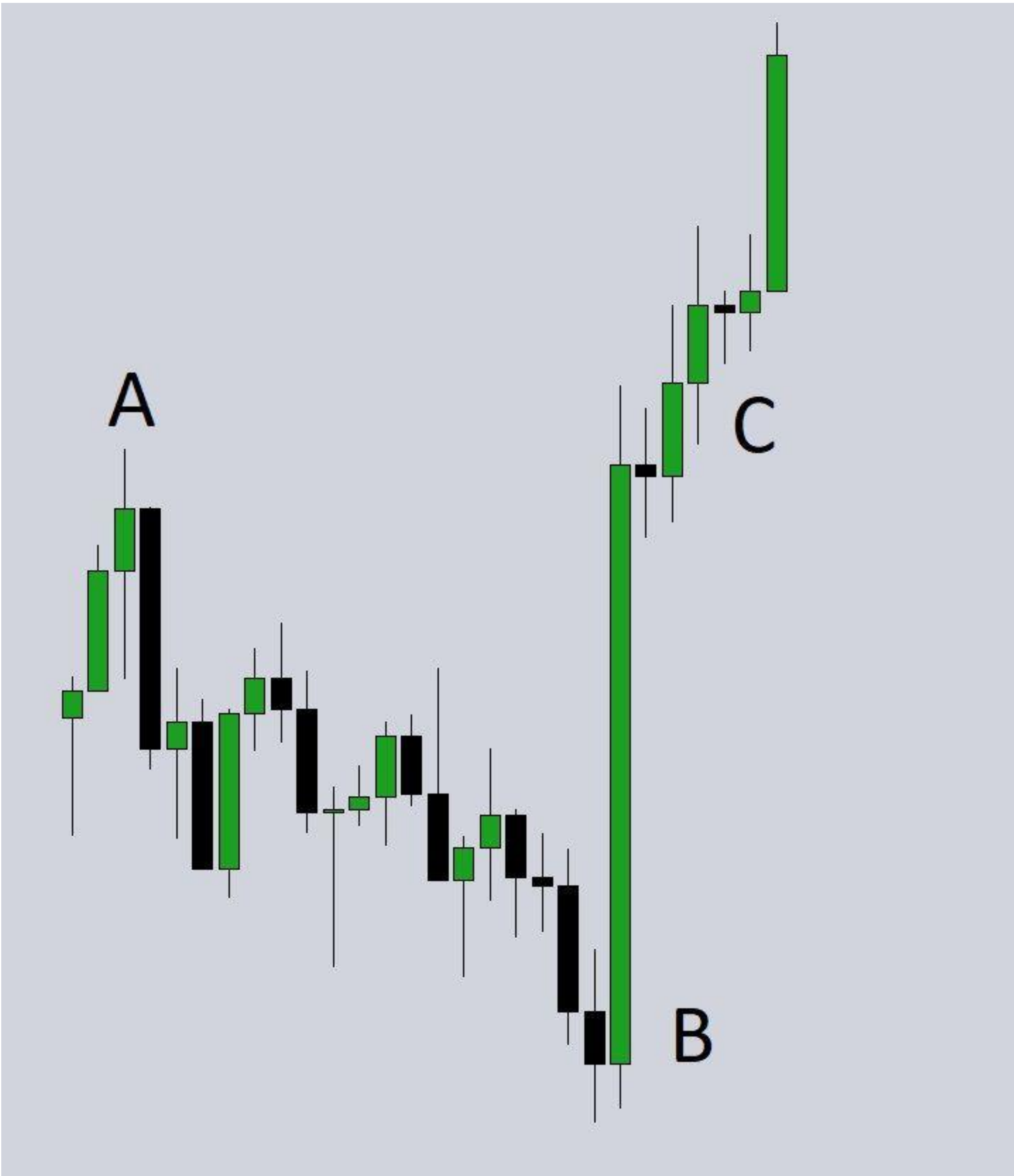


This is a strong footprint. What is a good way to define and measure strength? Count the candles. How many candles to get down from A to B? About 20. That is a lot. How many candles to back from B to C: one, and the entire footprint is only a few candles. That is a strong footprint and not something to get in the way of; watch the origin of such movements.

THE WAY PRICE BREAKS:

The way price breaks the previous swing point is also something that is taken into consideration when analyzing any potential BFI footprint. Does price break the previous swing point with a body and close above it? Does price break the previous swing point with a wick and unable to close above it? The way price breaks a previous swing gives us more information about the probability of success at the first-retest.

The above is an example of a weak break; although the previous swing point high is broken, it is only broken by a wick and then what follows is a series of bearish candles. Although both BFI footprints are valid, they are not equal. Compare this break above with the break below:



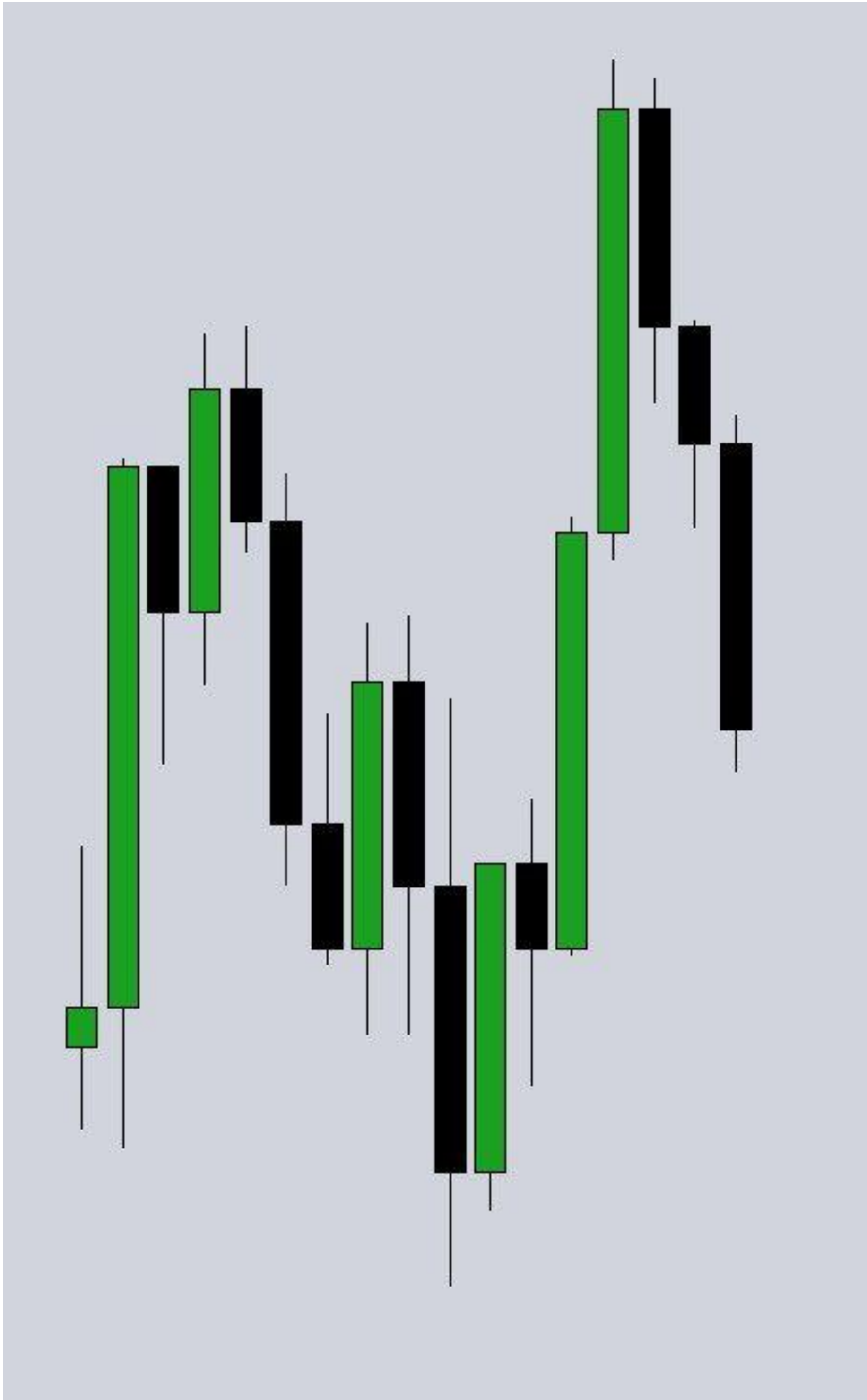
Here the A to B move breaks the previous swing point strongly with candle body's. A strong break serves for a strong footprint, especially when the price closes higher and stays above there, versus a weak small tap and rejection type of break.

PREVIOUS SWING POINT(s):

This is also an important point to take into consideration when studying any potential BFI footprint. Does the A to B movement break one previous swing point or does it break multiple previous swing points?

In the above example, the BFI footprint breaks multiple previous market swing points. This is the preferred method of validation for BFI footprint; multiple previous market swing points have been breached. Be careful with footprints that have only breached one previous market swing point; especially if it is a very weak market swing point.

A market swing point is a **series** of candles that go in one direction followed by a reversal and a **series** of candles that go in the opposite direction; a market "u-turn".



Watch out for A to B price movements that only breach one previous swing point and a weak one. Remember, the strong body-break footprints that break multiple previous swing points are the origins with the best probability of success. Although there are many ways to validate a footprint, that does not mean every footprint needs to become a trade idea. Take into account the strength of the footprint when validating any BFI origin and eventually valid price-range.

Many traders are focused on the weakest footprints with the weakest breaks using the weakest basing zone candles on the smallest timeframes. This is not the recipe for accuracy and success. Not everyday will you be seeing a great solid and tradable BFI footprint, but be ready when you see one.

Now that we have a better idea on how to validate the origin of an A to B price movement which we call a valid BFI footprint; let us now discuss how to determine and draw a proper price-range at the origin.

Drawing Ranges

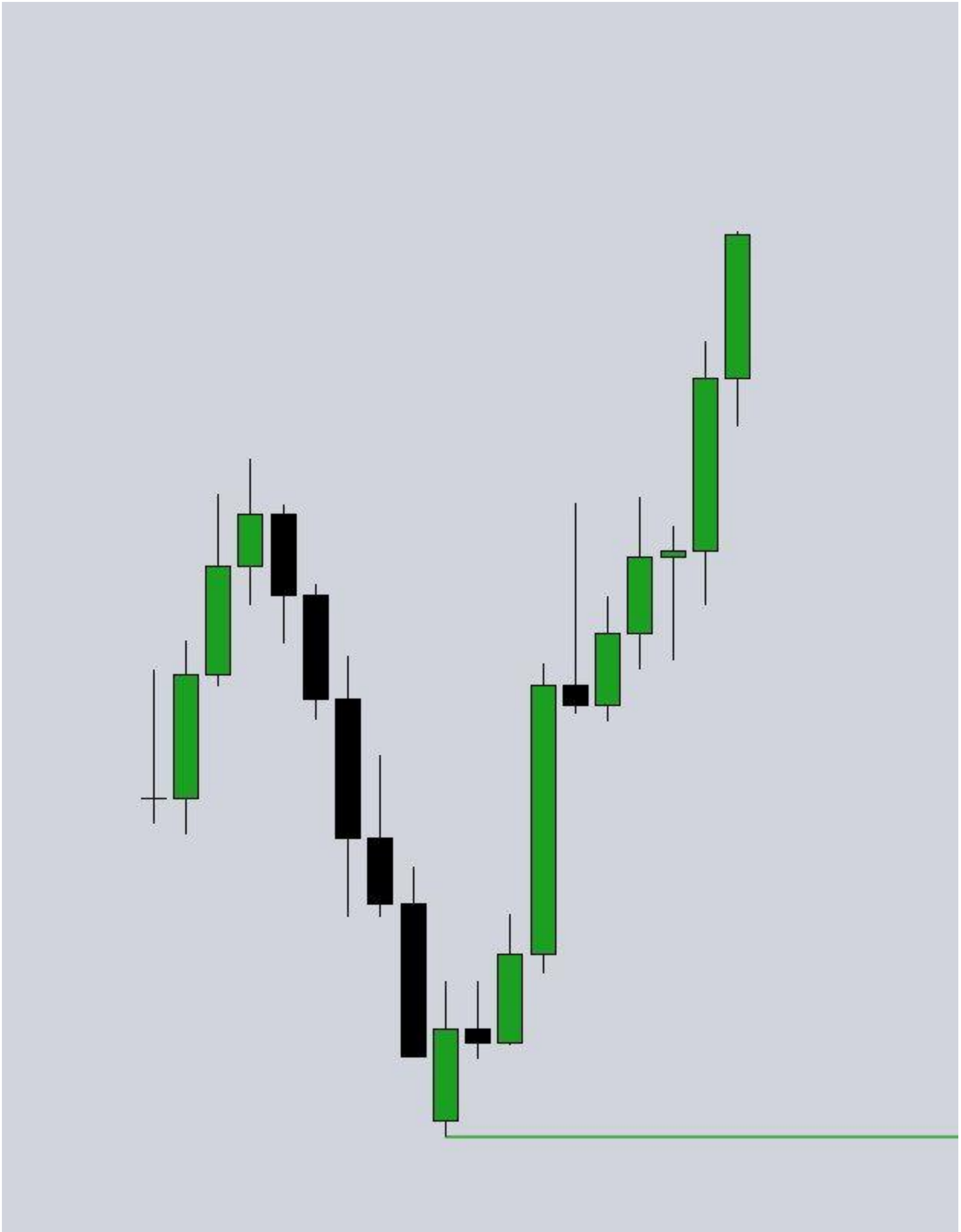
Now that we can validate an A to B movement on whether or not it qualifies as an official and valid BFI footprint. By analyzing the strong A to B movement and how it breaks previous market swing points, we need to understand how to draw the origin of this now-valid BFI footprint.

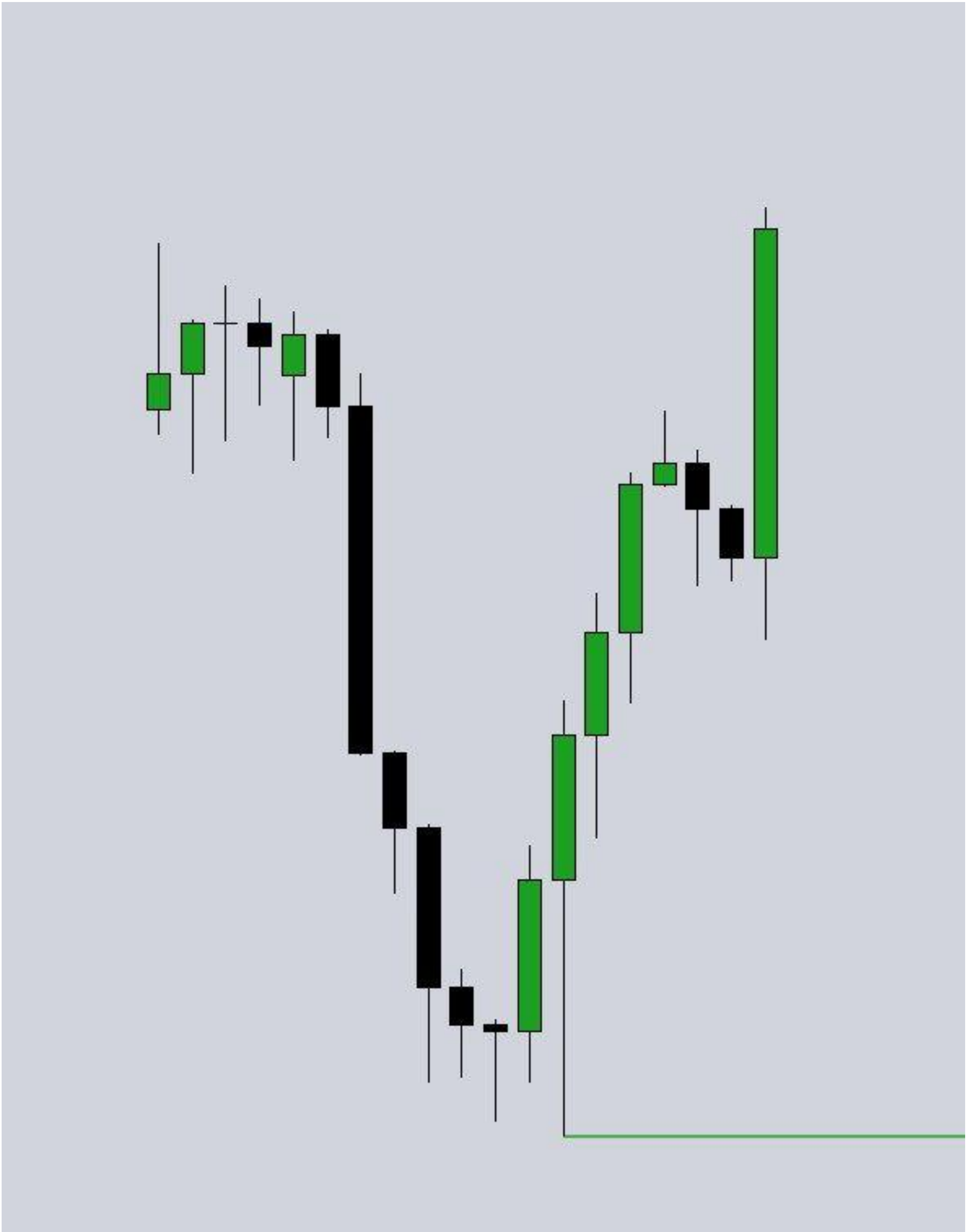
TWO HORIZONTAL RAYS:

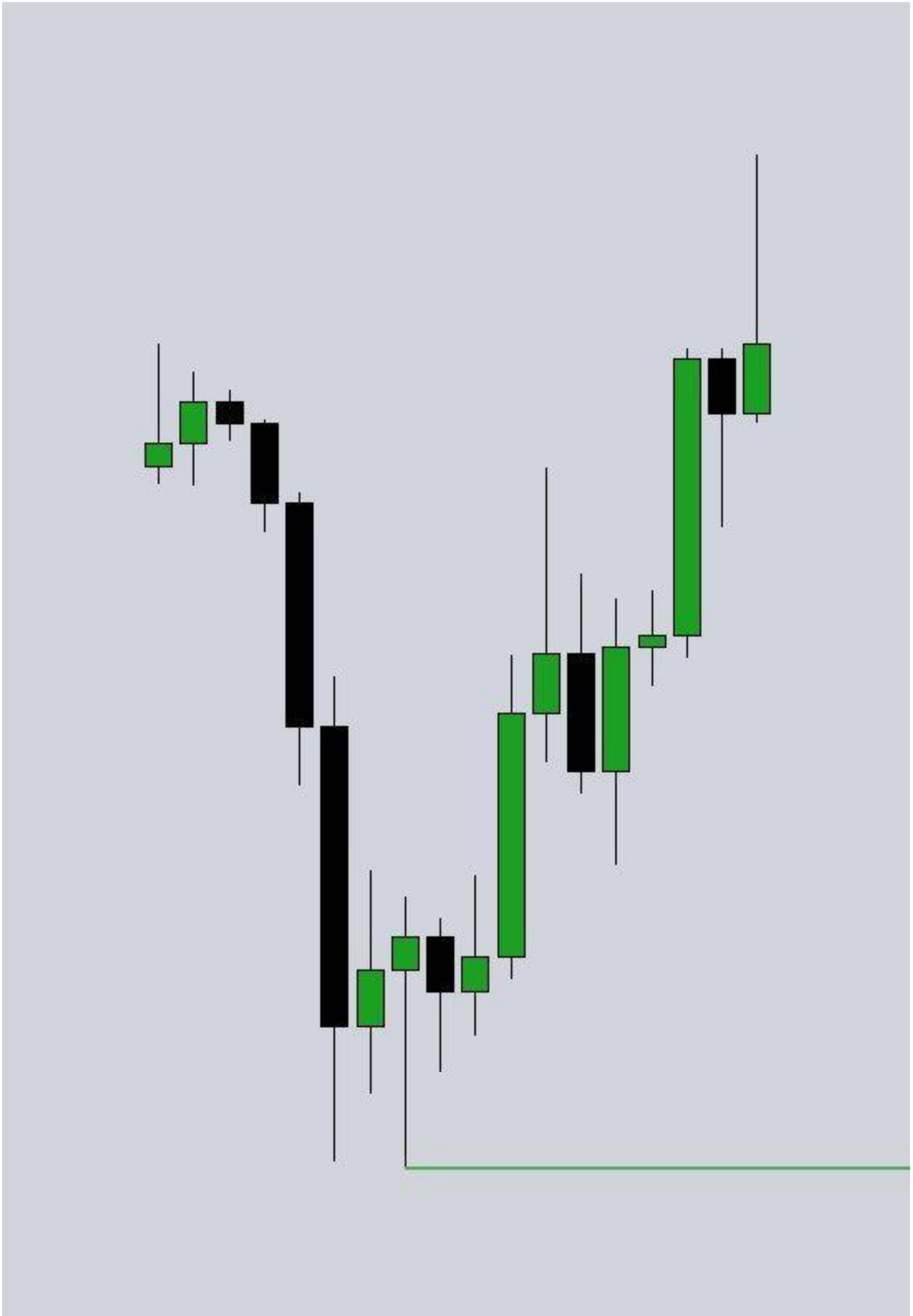
These two lines are more than enough to properly draw the origin of a valid BFI footprint.

Ray 1: At the LOW.

This is the first ray and the simplest. The placement of this ray s non-negotiable. It must be at the **low** of the origin; the floor; the **cheapest price** on the planet for that time period.







It is rather straightforward and the vast majority do not have an issue with the placement of this level; the **low** of the range. What some have trouble with is the placement of the second ray; the **base** of the range.

Ray 2: At the BASE.

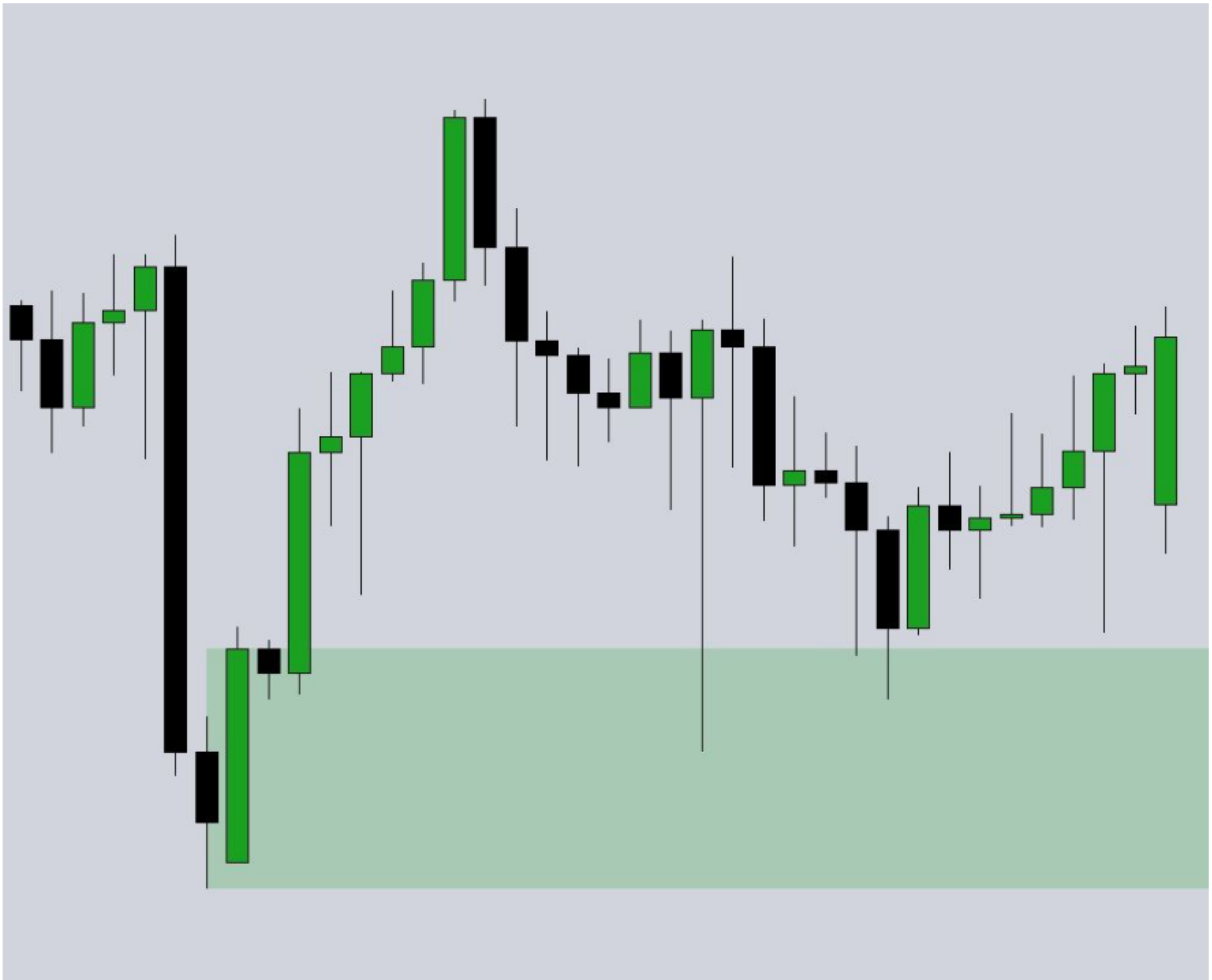
This second ray may be a bit more tricky; but not if you understand the idea behind the price level of the base. We could take the entire candle with the low, as the range of the origin; but that would create a zone that is much too wide to be able to identify a valid signal at the first-retest. We need our zone to just the right size; not too small and not too big. This requires many years of seasoning to be able to identify the proper base; but with practice you will begin to see where the best placement of the base should be.

The definition of a **base** is the level at which the candle **closes**. This usually works best; but there are some rare exceptions that a trader will learn over time where we need to find a **BETTER BASE.**

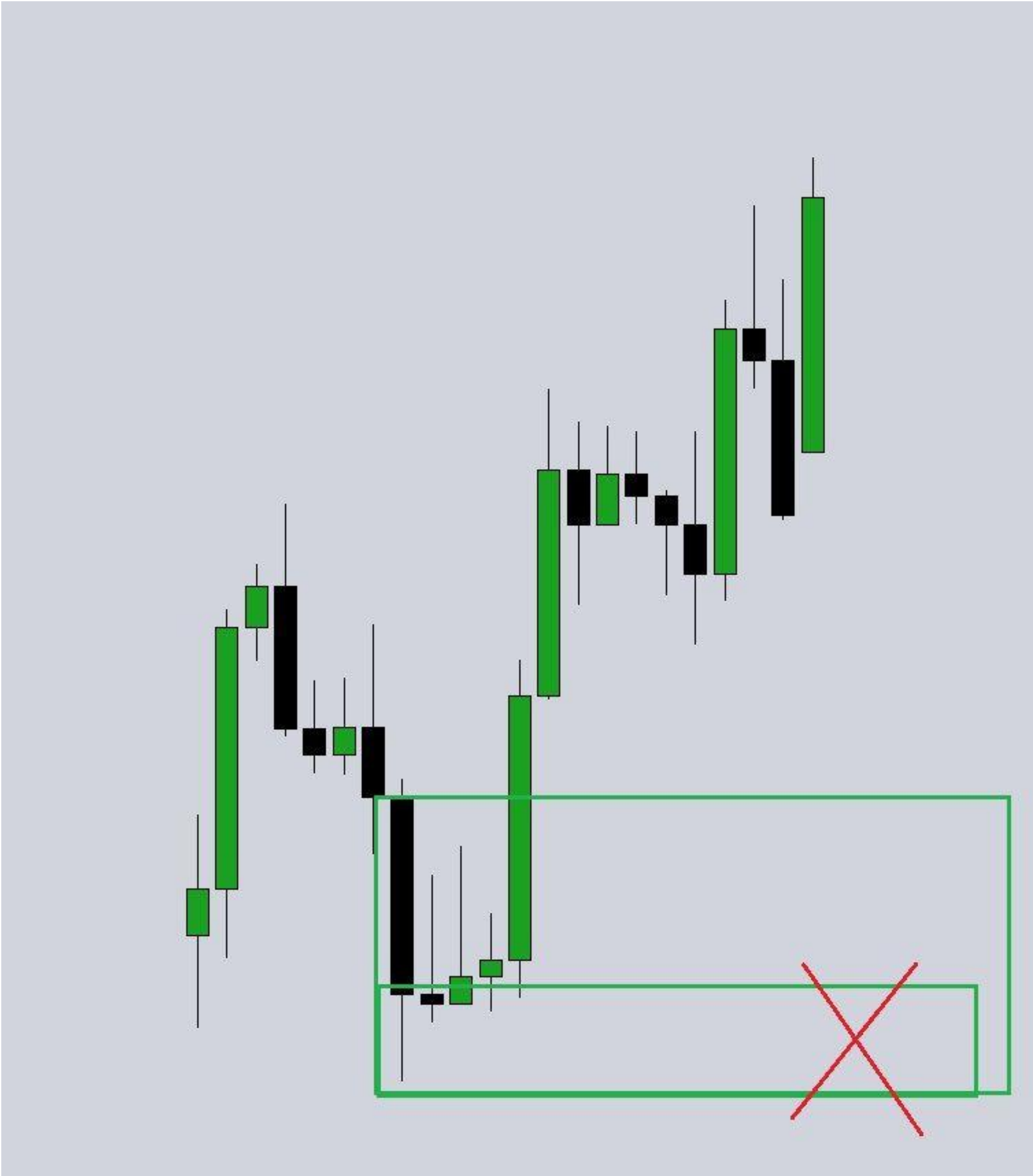
Some of the best zones are created by a pinbar such as the pinbar above; from the low to the base. In the rare case of a black candle; the base is at the open. In the case of a green candle; the base is at the close. In essence, the range is the entire candle, except the top wick portion. Use the candle body only and include the range of the lower wick.

In same cases, we can use the volume at the origin to determine the valid price range of the origin. The heaviest volume bars are included within the range, and the floor of the range is always the low.

The above example shows two methods; the classic method of using the the low to the base; and using the heaviest volume method as the valid range. There is no right or wrong; understand the methods and learn to react at the first retest. There is no special tool that can tell us how deep the price will react at the first-retest, and which price range will end up being respected, if any. This is the uncertainty of trading; instead of focusing on which range will work, focus instead on using a valid and consistent method for drawing your range and being prepared to react once price enters it.



Sometimes you will find tricky candles like those above that may make it difficult to identify the base. But in the cases of a strong bullish engulfing candle like above at the origin; you may use the entire engulfing candlestick signal as the range, as shown above.



It is not recommended to use under-sized zones like above that only use the lower wick. That is not enough of a valid price range to be able to read the price reaction at this range. We also do not want to use over-sized zones, as that may make it difficult to identify the proper signal out of many signals that may print when the range is too wide. These is no science behind determining the best level for the base of the zone, but over time and depending on the unique origin itself, drawing the proper origin of a valid BFI zone will eventually take a few seconds.

Now that you can understand the strength of a BFI footprint and how to validate the zone and how to draw it, let us take a look at how these valid BFI zones get manipulated.

Manipulation At Ranges

Manipulation is part of the game; and only BFI's can afford the liquidity required for manipulation. This word ***"manipulation"*** is an important one, and should be taken seriously as some of our trading systems are **dependent** on the occurrence of this manipulation. There are many forms of manipulation, and it is advisable that the trader become *comfortable* with this aspect of the business, because it is a double-edged sword. At times, it can benefit us as we take advantage of the manipulation occurrence to enter markets, while at other times the manipulation occurrence can take us out of our trade setup.

> **What is market manipulation?**
> **Price movements designed to manipulate the traders mentality.**

We must differentiate between the manipulation of **price**, and the manipulation of the **trader**. The beginner trader is easily manipulated; some of them from the printing of the slightest candle against them. However, a BFI trader understands manipulation, anticipates it, and learns to be positioned for it and to benefit by it. BFI's control and manipulate the price action and the candlesticks, but the true manipulation is the manipulation of the traders **mindset,** to **click the wrong button**.

Let us take a look at this valid 4H price range. Price has reacted to the top half of the range, and consolidated slightly before a two bearish candles print that push price into the deeper range of the zone. For most beginners, this may seem like a risky time to buy; and this is by design. By design within the engineering of the markets, price action is designed to scare away simple-minded and easily manipulated retail individuals to make it seem very risky to buy at a time like this. In fact, times like these are the times of the least risk, whether they believe that or not.

By market design; price action will be the most bearish before the strong bullish impulsive movement arrives, in order to attract and acquire liquidity.

Liquidity in markets means orders; order-flow volume. If there is nobody to buy from or to sell to; then there is no market. The more buyers and sellers available to freely transact, the more liquid that market becomes. Currency markets are the most liquid on the planet; but this liquidity is only visible to the seasoned BFI trader and invisible to most retail market participants. A proper BFI trader must learn to see what is not visible to the majority.

Visualizing Liquidity

Let us discuss this term liquidity and see if we can identify certain areas or pockets of liquidity on a chart. This is such an essential key skill of any BFI trader in order to develop the level of seasoning required to be able to scalp and swing their instrument in different ways. To become a complete trader, a complete context of both the trading instrument and the trading setup.

The stop-loss of a buyer is a sell-order. The target of a buyer is a sell-order. There is no such thing as a *stop-loss* or a *target; only buy-orders or sell-orders.*

It is very important to understand that as price moves downwards and into a buy-zone, there will be existing and newly attracted sellers that are in the market with every downwards tick. We understand that the **stop loss of a seller is just a buy-order**, so as price dips into the deeper half of our range and even beyond the range, the selling attraction increases and thus the liquidity increases. It becomes much easier to buy a large amount when you have plenty of sell-side liquidity that may stem from many different sources. BFI's require liquidity, and a seemingly strong downwards movement into a buy-zone like the one above can draw in some retail selling activity that can then be taken advantage of when the time is ripe.

The market enjoys filling up "empty space" on charts.

The blue is liquidity; and it can stem from many different sources. The sellers contribute with their stop-loss being a buy-order, and the buyers contribute as well when they begin piling in after the market takes them out and reveals its cards.

Although price action dipped below the range of the zone, an official zone invalidation requires a **macro-candle closure** beyond the zone; as discussed in the *BFI Trading Course* in detail. A zone is not wiped out officially until that occurs, but sometimes even when a candle closes outside the zone by a few ticks, the zone may still end up being respected; another example of manipulation of these valid BFI ranges. Do not be **too quick** to assume a certain valid BFI price range has been invalidated.

> *Liquidity is the engine-oil lubricant that keeps the market movements running smoothly. As the up-move begins, the sellers are buying back at a loss and the late breakout buying contributes to the momentum and a strong quick efficient movement.*

As price explodes and the retail selling party disintegrates, it faces and **triggers the engineered liquidity** that has progressively formed **above every market high** or swing point. In this market scenario, the market movement is much more accelerated. In the retail trading world, beginners' floating profits tend to be wiped away in an instant, for this reason. A bad understanding of liquidity and financial markets can **surprise** the retail trader with a weak foundation of order-flow and liquidity. As the **opposite-**

side liquidity increases, the potential **opposite-side price movement** becomes stronger and the impulsive move may be more violent.

AUDUSD 15min Manipulation

Above is a screenshot taken from the **AUDUSD** instrument showing a **15min chart** within a valid **4H sell-zone range.** The first thing to notice is **the way price enters** the range; one **large green candle with a large wick** establishes a presence within the range. Notice that the price has penetrated the deeper half of the range right away from the initial reaction.

Sometimes a candle prints that we call the **candle-with-the-presence**.

This **candle-with-the-presence** is used as a **pre-context** in order to see if a potential trading opportunity may present itself, based on **the way price action operates within the range** of this candle.

This means that as soon as the initial large green candle prints inside the zone and establishes a large range, we see a sideways movement of price-action within this candle range. This is a 15min consolidation pattern with multiple swing points within a narrow range; this creates 15min liquidity that builds up on either side. This is the key to notice and understand when dealing with manipulation of valid BFI-ranges. We do NOT use this candle to enter and execute upon; that is tricky. In the case above, the trader who entered after the initial candle experienced entirely all drawdown. Use this **candle-with-the-presence** to see how price reacts to the range of this key candle range; and then react after the price-action **manipulated** the range.

A common scenario is pictured above; retail sellers selling resistance may use this **"strong breakout"** and become retail buyers. Remember, we are not **"breakout"** traders, and there is no such thing as "strong" on such a weak timeframe such as the 15min. This is manipulation at its finest; a twenty pip movement that breaks the range of an important swing point that triggers and manipulates many buyers and sellers in the market at this specific scenario. Those manual traders who repeatedly shift sides in the market within a short period of time may suffer from this market manipulation. Do not be silly; rarely does the overall monthly directional bias shift from a few 15min candles. Your job is to react to the "reaction" that occurs at your valid range, knowing that the range can be manipulated in different ways.

Your job is not to constantly enter and exit. Your job is to wait for that perfect moment that presents itself when the reaction at the valid range reveals its cards. You want to trade when the opportunity is so obvious and on-the-floor in front of you; **late is better than early.**

When one bearish candle engulfs the previous fifteen candles or more, then that is a significant break especially if it occurs after price **breaks outside** the range on the **micro-timeframe** buts ends up **closing inside** the range on the **macro-timeframe**. Sometimes the

15min price-action shown above the zone, ends up being a wick on the 4H chart. This is a key skill the trader must develop; **the ability to understand price-action on the smaller timeframes, in order to anticipate how the macro-candle may end up closing on the higher timeframe.**

The difference between the way a candle opens and the way a candle closes can be the difference between night and day. Most of the manipulation of the 1H candle occurs within the last 15min. Most of the manipulation of the 4H candle occurs within the last 1H.

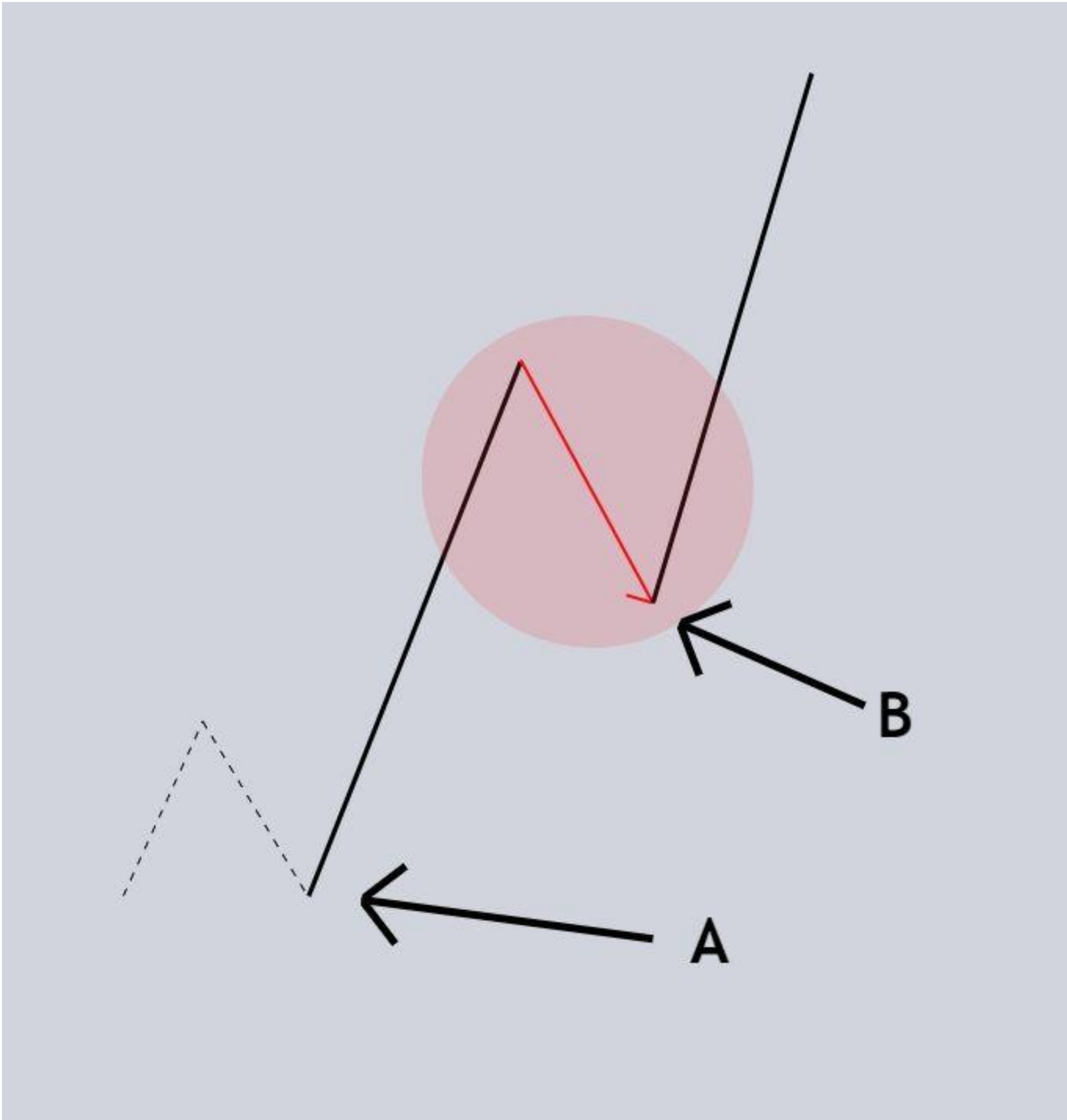
Conclusion

Manipulation in financial markets is the norm. We can learn to neuro-associate **positively** with this necessary part of the business, or you can neuro-associate **negatively** with market manipulation and be bothered by it. Sometimes, the market will take you out of your position, only to give you an even better entry-price. If the mind is agitated or if it isn't aware and open to taking advantage of any and all opportunities in the market, we may miss them. These validated price-ranges must be taken as an elastic band, and sometimes the market may push and stretch below your valid price-range, but try not to confuse **zone-invalidation** with **zone-manipulation**.

We focus on the **result** of the manipulation, and not the manipulation movement itself. Did price close below the range and stay there, or did it close only as a wick with a strong reversal? Study what occurs **after** the manipulation and price exits the range and *how* the **macro-candles** close. In trading, sometimes you need to be able to withstand a few punches and remain standing and aware. A trader can take a few losing trade ideas but those only serve the trader with valuable information and feedback, which can then help them find the next winning trade ideas.

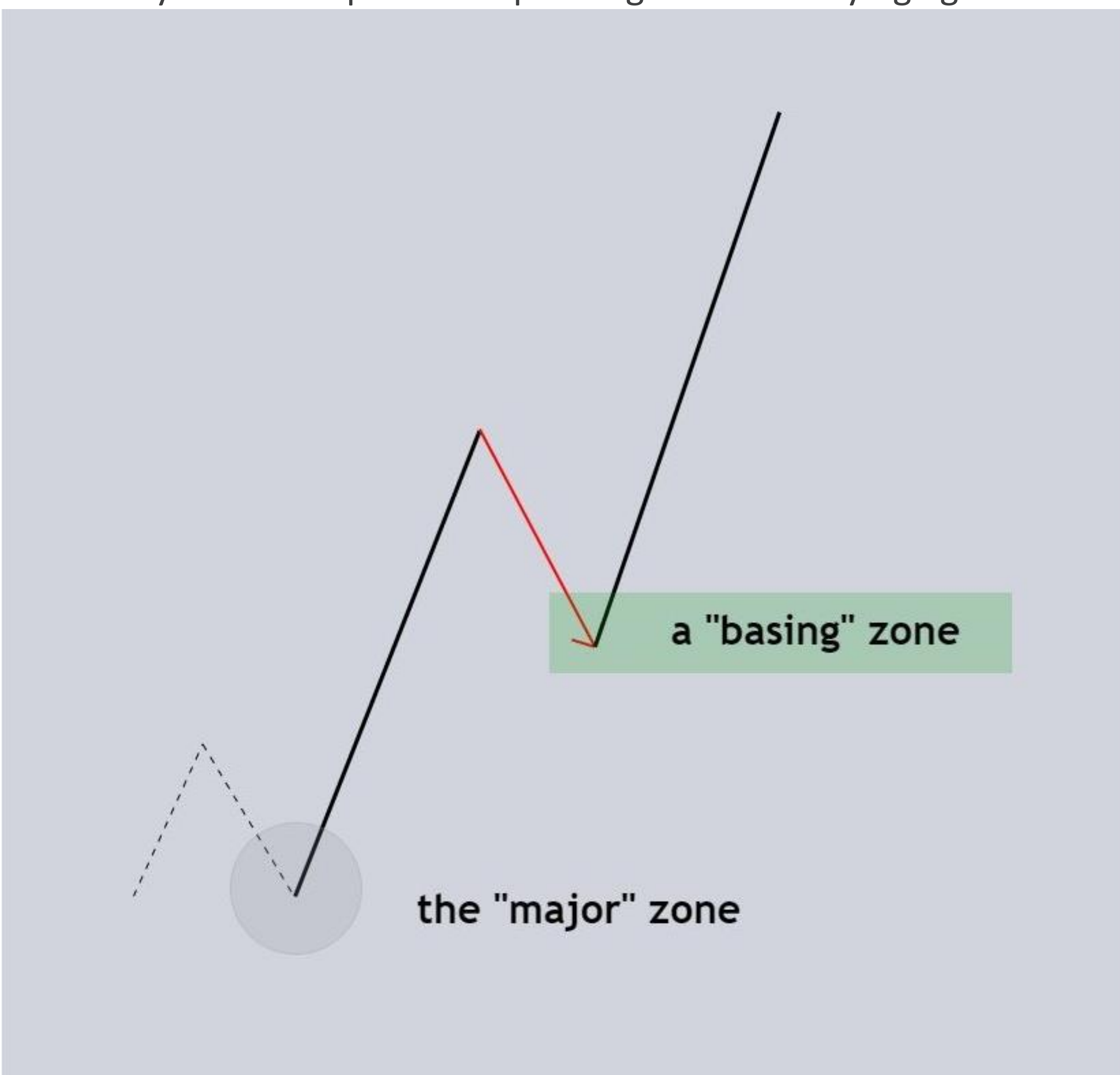
The "Basing" Range

The trader will see many different footprints of different shapes and sizes and strengths. That means the origin of each footprint, and the range it forms, will also be unique. There is a special range that we call a "basing" range, where the market pauses momentarily. This is an important aspect of trading alongside BFI's, and it will be discussed in this section in an attempt to simplify and elaborate more on this certain type of range that is the root of many losses for many traders across the planet.



Let us look at both points A and B above. Both are the origins of valid footprints, and thus can be valid ranges. **But are these two ranges equivalent?**

Let us study what happened theoretically at point B. This red arrow downwards can be classified as many different things that mean the same. Whether it is **sellers entering the market**, or whether it is **long-liquidation** (buyers closing out), this **retracement** is a necessary part of price-action and this is behind the formation of all basing ranges. In fact, without this retracement, price will not be able to continue for the next impulsive movement, because it is the BFI buyers behind the movement that come in and end the retracement when they deem the price cheap enough to start buying again.



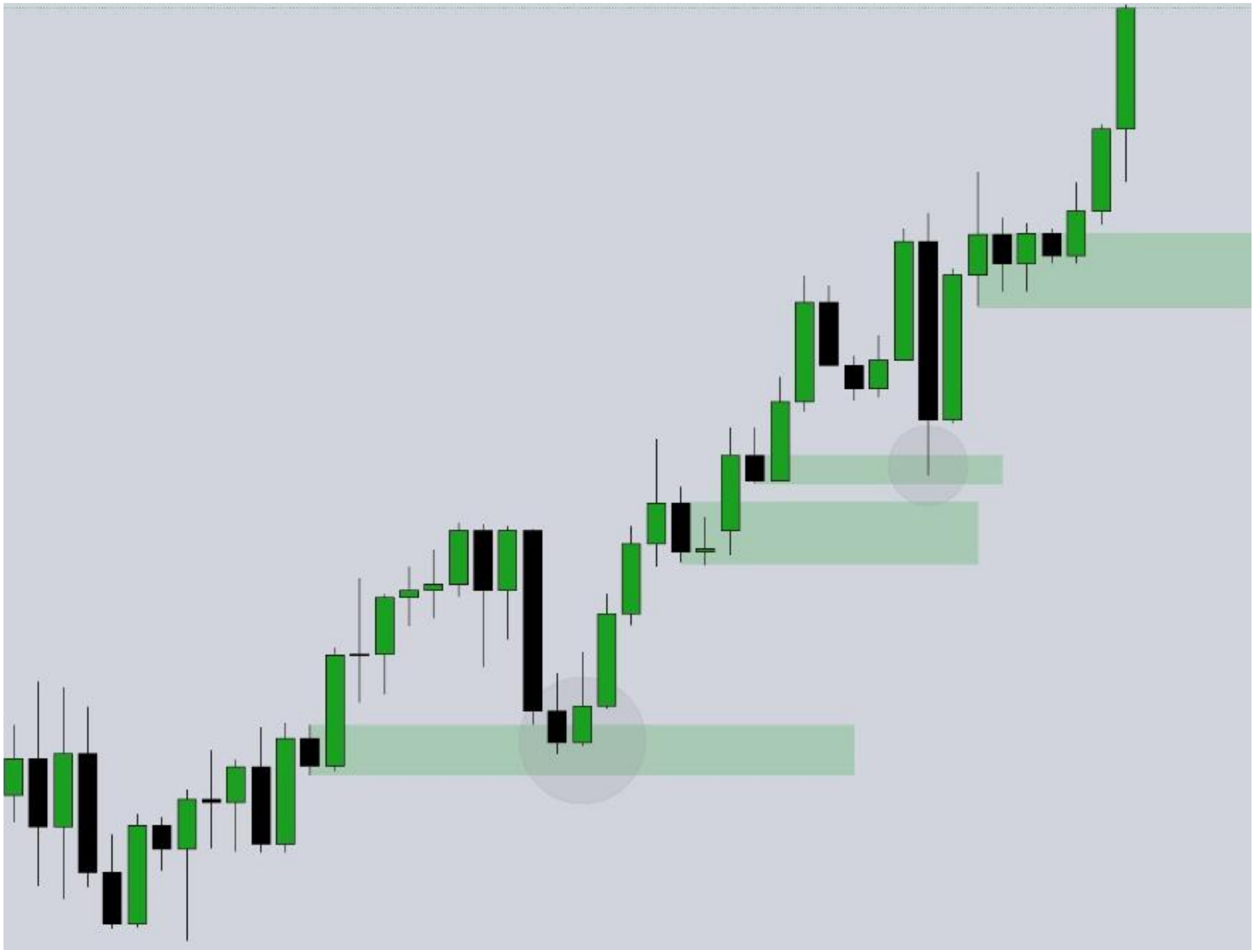
It is safe to assume that an A to B impulsive market movement can have **multiple** basing ranges or candlesticks within it. However, there can only be **one origin**; by definition, there is only one **major** zone, while all other valid ranges created by valid footprints within the larger impulsive market movement are classified as **basing** zones or ranges.

If there are multiple basing zones within a single market movement, how do we know **which one will work**?

In order to try to answer this key question, we need to better understand what a basing zone is and why sometimes we refer to it is a certain **opposite-color candle**. A base within an A to B market movement is like a resting and re-charging station, and which re-charging station will work, if any, is dependent on the strength of the buyers behind that market movement. Just like any A to B movement retraces a certain percentage of its distance, before the next A to B movement begins.

The above example shows the the origin of the market movement; the major zone. This is followed by a single black candle, and then the strong green candle that created the footprint of the now-validated basing zone. IT is important to understand that basing ranges are the hardest to identify, because by definition they are in the middle of a market movement. The opposite-color candle that is followed by a footprint is most likely a significant candle that formed the base of the footprint and its own range.

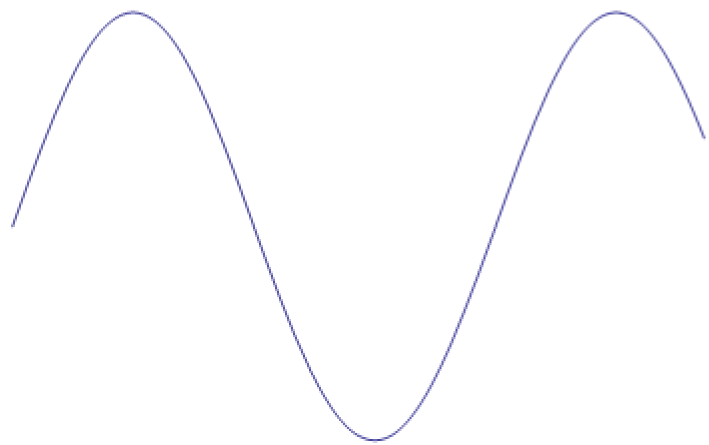
The creation of a fresh basing range is not significant. They are created multiple times within any overall market movement. However, it does give a trading opportunity for those who were unable to tag along from the origin.

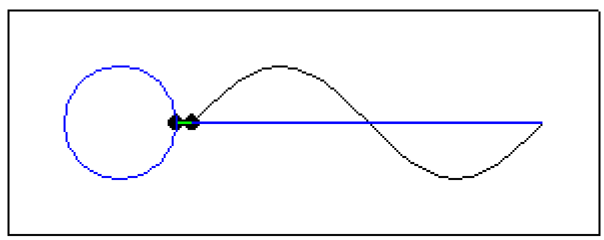


You will encounter many names and labels throughout your trading career.

Range Cycles

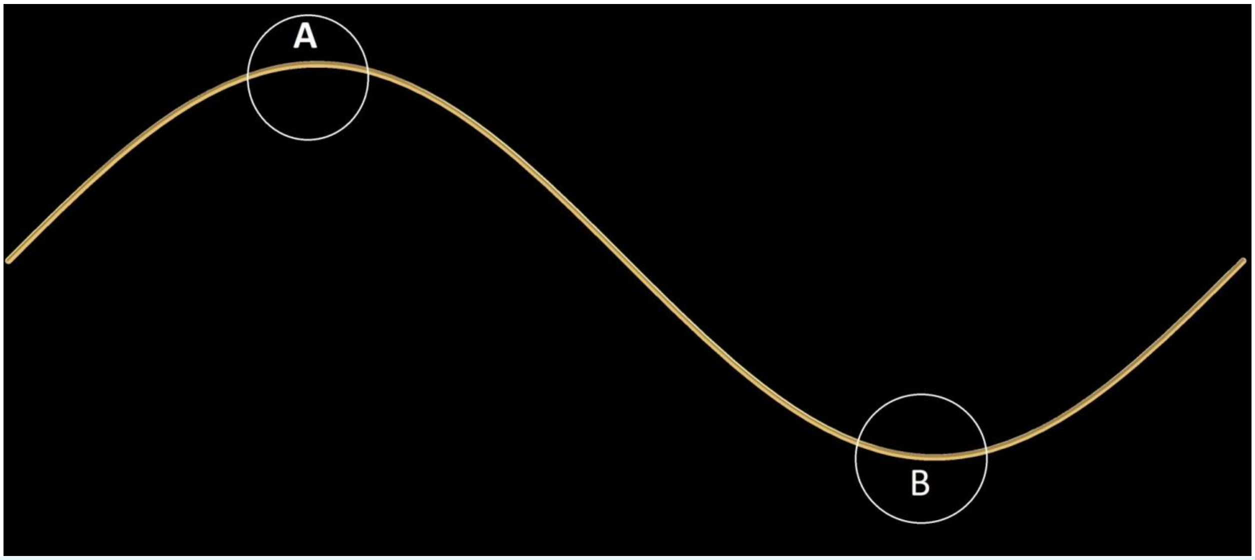
We all know the market moves in **cycles**: **short-term** cycles and **long-term** cycles, yet this up-and-down movement tends to be a surprise for most. Gains quickly made tend to quickly vanish in the volatile environments of the currency markets. In this section, we will discuss the various types of cycles that occur on your currency instrument.





This type of movement is very natural simply due to the laws of supply and demand. As prices go up and become **over-valued**, it becomes less attractive to buyers and more attractive to sellers. As prices go down and become **under-valued**, it becomes more attractive to buyers and less attractive to sellers. The forces between buyers and sellers are constantly in flux, but we know that only a few BFI market participants transact the majority of all the buying and the selling.

How cheap is cheap and how expensive is expensive? That is the great subjective trading question that each trader must answer and analyze for themselves based on the price-action on their instrument.



What is true at point A and what is true at point B?

At point **A**, we can say that this instrument is experiencing **buy order-flow volume exhaustion**. We could reach this point after **multiple** cycles of BFI **footprints upwards**.

At point **B**, we can say that this instrument is experiencing **sell order-flow exhaustion**. We could reach this point after **multiple** cycles of BFI **footprints downwards**.

Can we pre-determine point A and point B? **No.**

Can we be aware that we have been going up for the ride for a while, and the momentum of the buying is weakening or flattening? **Yes.**

The real concern here is that the average retail trader mindset may start to get excited about **BUYING at point A** for fear of missing out or various other reasons. The real concern here is that the average retail trader mindset may start to get excited about **SELLING at point B** for fear price may go to zero or various other reasons. Awareness is a requirement in trading, and always put your trade idea within the larger context of the weekly or monthly cycle.

This is why it is very important to be aware of the context of your instrument and where price-action is coming from and where price-action is likely headed. After **multiple** BFI footprints upwards, there is almost a sure chance of some form of retracement or reversal. Is price-action retracing or is price action reversing? That is up to you to find out later; we are not here to predict. We react and outcomes occur, and we move on. Rarely do you want to buy high; or after multiple up-footprints; wait for a healthy retracement and look towards buying after some form of downwards movement.

Very few things go up and down in a straight line. Very few things go to zero, and nothing goes up forever. The major problem in the retail world is an emotional one, because the tendency to buy may increase after multiple BFI footprints upwards. This is not rooted in logic or rationality, but logic and rationality are words that are rarely applied in markets. Sure, a buyer can buy high in the hopes of selling higher, but that is not a reliable hope-based strategy. BFI's buy low and sell high, at all times, and we do the same.

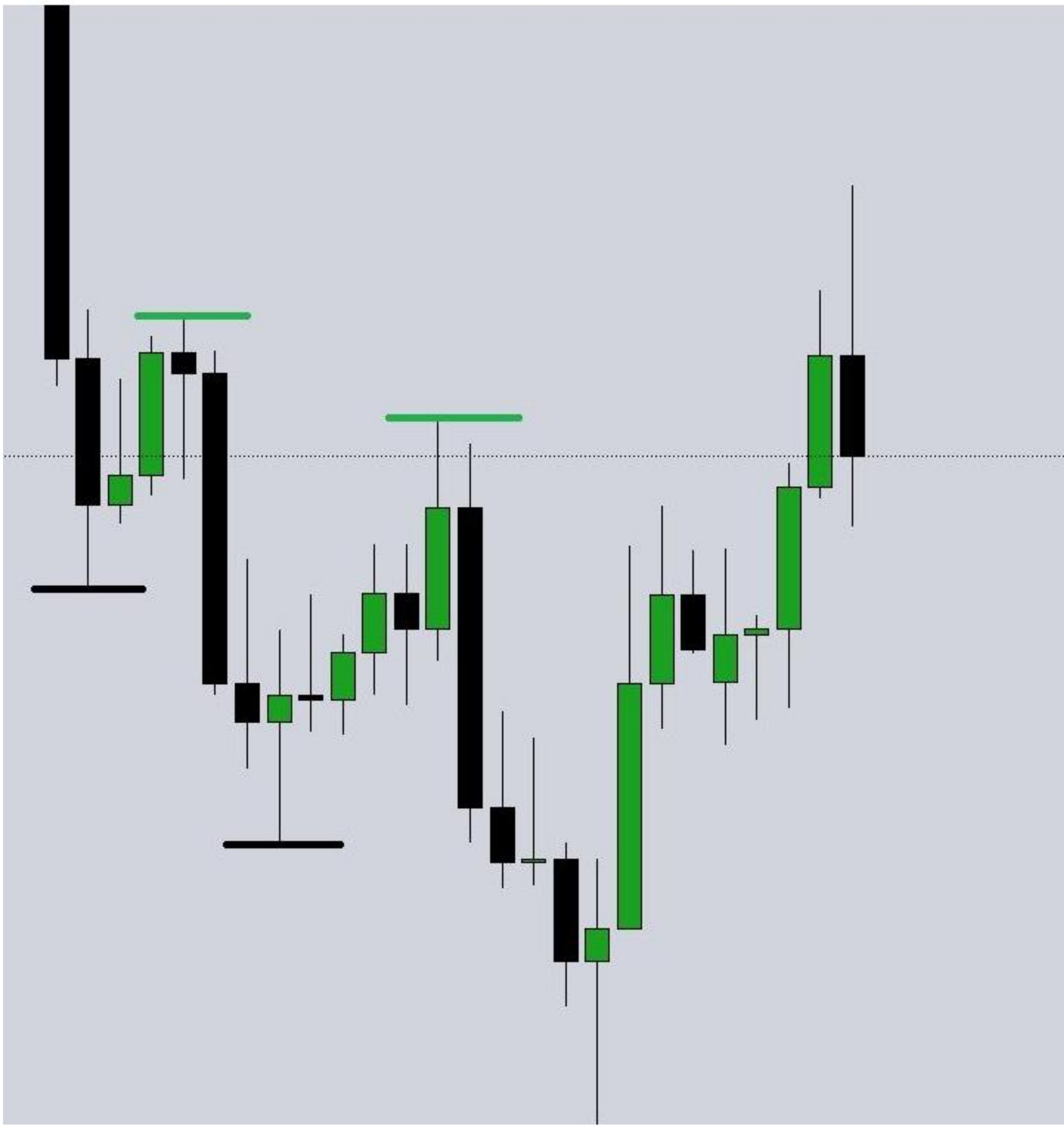
A Simple Cycle

A simple cycle consists of three important components. A valid **BFI footprint**, followed by a **base** or market **pause/sideways**, and then another **BFI footprint,** that obviously breaks the previous high of the base.

Price-action examples in this section are all based on **4H** candlesticks. In the image above, we see a valid BFI footprint upwards followed by some sideways movement. In this example, this basing period is more pronounced and over a span of **many candles**. Sometimes this entire basing movement could be **one single opposite-color candle**; there is no predicting the strength or power of the movements or trying to time the breakout. This is an example of a very smooth and simple complete buy-cycle; a clean and valid footprint followed by a basing period, followed by another clean and valid footprint, almost of similar sizes. Sure, another cycle may commence or it may not, but take this into consideration when deciding on position targets. Rarely do you want to see a strong footprint followed by a basing period, and then to **bail out** within this pausing or retracing period; try to squeeze out a full-cycle out of your position. Our best trades arise from pocketing the positions at the **peak of a footprint-base-footprint cycle.**

Here we have an example of a footprint followed by a base consisting of only a few candles, before the next strong footprint. Again, there is no predicting the speed or strength of a footprint. The market can go from point A to point B, but not on your own personal schedule. It may take some time, it may take very little time; depending on the volume and the strength of demand from certain participants, and many other factors that you need not consider to benefit from the overall idea of the A to B market movement.

A Full Cycle & Over-Extension



Here is another great example of the proper way of looking at price-action on the smaller timeframes such as the 4H. Without a doubt, the market makes a footprint downwards, a rather clean break of previous market swing low. Again, after a healthy retracement upwards, another footprint down prints. At the peak of the footprint downwards, the market prints a very strong bullish pinbar. A smart trader would look to the left of their chart and see if price has arrived into a previous valid buy-zone in order to understand the context of this pinbar and where it printed.

After this green pinbar, something interesting occurs, and it is something every trader should see. After multiple **footprints downwards** and potentially arriving at a valid buy-zone, we see the first **footprint upwards**. This is a significant shift in the price-action movements, and it likely simply means that BFI sellers have pocketed and reversed their positions. In fancier terms, **BFI may have completely distributed their sell-OFV** (order-flow volume) **and began accumulation of buy-OFV**. If a resulting buy-cycle plays out after this point, then we know our assumption was true.

When the valid BFI footprints downwards end, and the valid BFI footprints upwards begin: WAKE UP; BFI's may have shifted their positions.

The focus must be entirely on BFI's; and determining their positioning through the context of their footprints on the chart.

We find it a bit interesting why the majority of the retail-minded traders pay such little respect or attention to these BFI market participants. The focus must be entirely on them, and determining the **identity** of their **positions** through their **footprints**.

It is very normal to have some type of pullback or retracement after a strong footprint. How healthy or how deep? That depends on the appetite of the BFI's. In this case, just a few basing candles later, we have another footprint upwards that breaks the high of the base. This completes a full-cycle. **BUT WAIT! There's more.**

A market <u>over-extension</u> is an extended <u>additional cycle</u> that follows after one single buy-cycle.

This does not always happen, but it often happens when the instrument is in a strongly trending environment and BFI's are starving. This is typically how BFI's push a pair **hundreds and hundreds** of pips, and we can understand this and tag along. Get more in-tune with the cycles and movement methods and shed off the thinking of straight up and down price-action to a target. The market moves in a very subtle way, and it needs to get things done and fulfill certain orders for certain market participants in certain pockets on the chart.

The market retraces again after the second valid footprint and the completion of a buy-cycle; **footprint-base-footprint.** We have drawn the nearest buy-zone, which is a valid basing zone as labeled above.

There is another valid basing zone below it; notice both have a heavy volume cluster gathered there. Which one will work? Who knows? Who cares? Are we here to predict or to react? A proper BFI trader draws the nearest valid buy-zone and handles it accordingly, with the understanding it is a middle basing-zone, as well as your new understanding of cycles from this section.


Whether the trader looks for a valid micro-signal (in the case of this 4H range: we use a 15m entry candlestick signal confirmation), or uses a 4H signal to enter later on, both are valid methods that we discuss in more detail in the next part, **Volume II: Entering**. In this case, the setup is more optimal as price dips past the 50% level of the range and into the **deeper half**; a great low risk entry area.
This was an example of clean **over-extension** in price. A complete buy-cycle, followed by another buy-cycle. This does not happen often, but in strong trending environments, look out for them and get positioned and systemized accordingly in terms of target-setting or stop-trailing. Trading is a messy game and the price-action can get messy as well. Your job is to make sense of what is going on today on your instrument. The sense of the footprints and their directional

tendencies, the monthly context and the weekly context, where price-action came from and where it is likely headed; **all must be taken into account and understood properly**. Did you think it was as easy as a click? Sure it is; but it will take many years of preparation and process so a trader can make it as easy as a click. Two traders can look at the same chart; but one sees millions of trade ideas and opportunities, and the other may see none. Proper perspective takes years to develop, but stick to the BFI path and we can shortcut as much as possible.

We have covered the basics of understanding the monthly bias; we have covered validating and understanding various footprints; and we have covered how to draw the origin of those footprints properly. We discussed the classic manipulation that occurs at these ranges at the first retest and understanding the various basing zones that form within a market movement. In this section, we discussed how all these footprints play out in cycles that can extend and over-extend over short periods or long periods.

You should have a solid understanding of the classic first retest opportunity; and a rough idea of how price-action moves from zone to zone. As mentioned, Finding the opportunity is not enough; the trader must learn to enter the opportunity flawlessly.

Now it is time to end this Volume I and begin Volume II: Entering Setups. It is important to remember that all this analysis was performed on the timeframe on which the footprint was created. When it comes down to execution, it is advised that the trader move deeper and onto the execution timeframe for more precise execution.

Volume II: Entering Setups

The entry is typically done on the ***execution timeframe.***

The **macro-timeframe** ; range validation.
The **micro-timeframe** ; entry timing.
The act of **Entering** a trading setup is an important one, but not as important as **Finding** it. Many enter in many ways but in the middle of nowhere. First comes the validation of a price-range and price

returning for a first-retest of the valid range. The entry now becomes a **timing issue**; an issue of patience and knowing exactly how much patience is required. Do not confuse the analysis with the entry. The analysis is designed to help us enter the trading opportunity, but **Finding it** and **Entering it** are two separate steps to consider and treat them accordingly. You should already know where you'll be entering long before you've gotten on your execution timeframe.

Finding and validating a proper price-range is the analysis that tells us "where" to get active. The **valid entry signal confirmation** leads to execution, or the "when" to get active.

Avoid the trap of trading without context; entering outside of valid price-ranges. The system only requires two confirmations:

1. A return to a valid price-range;

2. A valid entry signal that prints there.

Your trading edge is present. No need for dozens of confirmations & validations; two are more than enough confirmations for a proper trading edge (volume can be a third advanced confirmation).

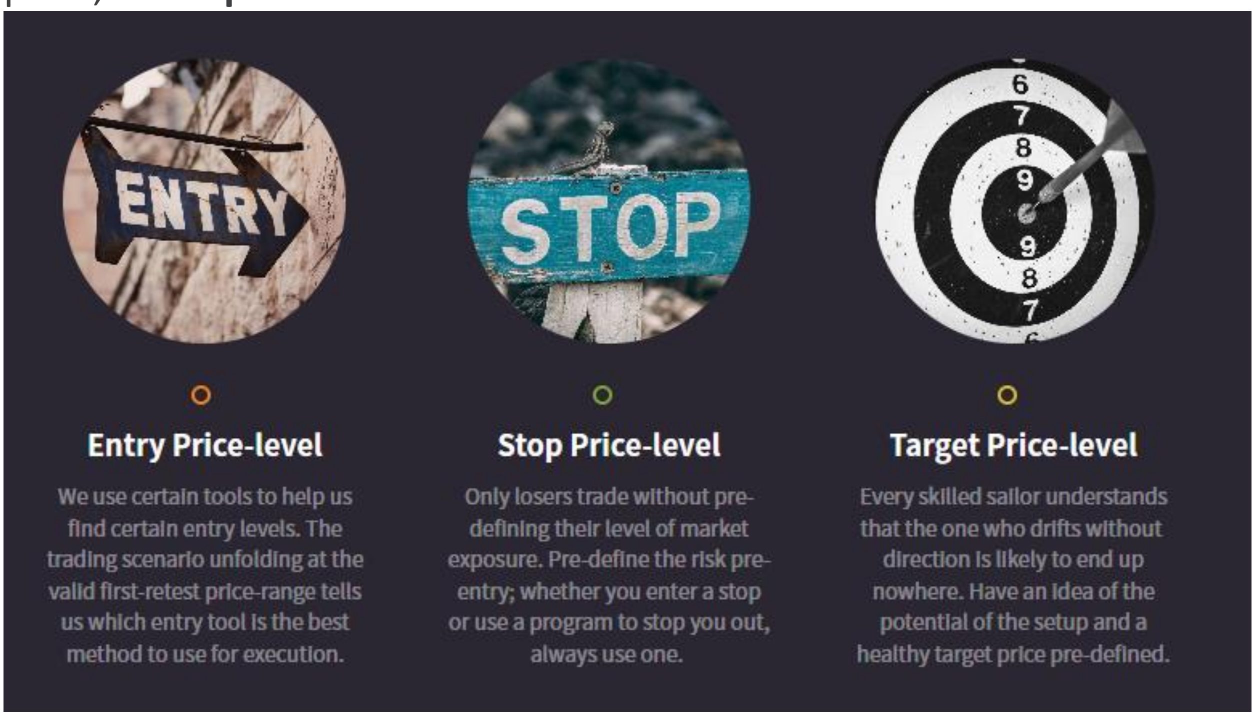
Some of you will enter after a valid signal prints, but outside of a valid range.

Some of you will trade inside of a valid range, but enter before the signal prints.

Two requirements; not one. There are many ways self-sabotage unfolds; your job is to seek your edge and execute when it is presented and allow the probabilities of trading-in-a-series to play out.

What are the requirements for an entry?

Many traders are unable to answer these question simply. An entry only requires a click; and we will use the term "click" and "clicking" to denote and simplify this idea of executing. A click will timestamp your entry and you are now exposed to the uncertainty of markets. A professional trader has an entry price, a stop price, and a target price; **three price levels.**



Trading Schools Of Thought

There is an important point to be made here regarding these three price levels and this idea of flawless execution. Our BFI trading school of thought is based upon the idea that the best information available to us as small public retail individuals is the market structure; the candlesticks themselves.

*Whether it be entry price, stop price, or the target price; we base our decisions on the **market structure**; the **candlesticks**.*

This is an important point because many traders use certain technical tools and indicators to help them identify a stop level, or an entry level. Some use the fib tool indicator to set targets, but the best information to base our decisions upon is the price action and the candlesticks. Most of the tools and indicators simply translate the price action and the candlesticks into fancy shapes and lines; it is the job of the trader to be able to **read the language of the candlesticks** instead of using other indicators and tools as a crutch to help with the translating. Pure candlesticks and a clean naked chart; that is the BFI way of analysis.

Let us take a look at each of these three important price-levels:

Which of the three price-levels is the hardest price-level to determine?

The Entry-price? The Stop-price? The Target-price?

Many may say that the ENTRY is the most important, but any seasoned trader understands that the TARGET is the most subtle aspect of trading. The market structure tells us the stop-price, dependent on the entry-signal used. This entire volume discusses the multiple methods of entry tools, and in the next chapter we will discuss the algorithmic entry theory so you can align potential entries within these certain algorithmic ranges. However, in trading, it is the target that is the most sensitive and that is what will take years to develop and refine and make more accurate by taking advantage of what typically happens on your instrument as you become seasoned alongside it.

Entry-price:

There are many ways to finding an **entry-price**. Markets give traders multiple opportunities to enter into any single trade idea. The upcoming chapters discuss the various entry tools. Whether it be an entry based on a live reaction at the first-retest price-range, or a pending order that does not require live intervention. As we will see, some entry tools are aggressive while some other entry tools are more conservative. There is no one-size-fits-all when it comes to timing an entry and executing.

Stop-price:

The **stop-price** is based on market structure; whether it is placed above the zone or above the candlestick entry signal used, the method of entry determines this level. The size of stop-price is based on the price-action signal used. As we will see, each entry tool has a corresponding stop-price.

Target-price:

The **target-price** is the most subtle number in flawless execution. It is entirely dependent on you; but the market structure decides this level, and your entry-timeframe may help decide this level. Read the original BFI Trading Course for more detailed information regarding targets and using volume and POC-levels as one of many ways to set them.

Whenever we think of targets, we must be wired to immediately think of the **monthly** chart. Targets have to do with the **potential** of the trade idea, and the monthly chart and its proper directional bias can help us identify the degree of potential and thus a reasonable target level. A bullish monthly bias means the longs are the High Probability Trade's, and should be held to further targets versus closer targets. A **macro-zone** trade idea should have targets set on the corresponding **macro-timeframe**. Macro zone; Macro targets. *The micro-timeframe should not be used to identify target-prices. Use the micro-timeframe strictly for execution/entry.*

Next we will introduce the reader to the algorithmic entry theory that can be used to make the **entry-price's** more accurate.

The Algorithmic Ranges Entry Theory

We all know the market moves by reacting to certain **price ranges**, and not certain **price-levels**. Of course there will be a certain price-level that creates the high or the low, but we have yet to discover the tools that can catch them. However, we can be aware of certain price ranges instead of focusing on some magic key price-level. From now on, you must think in **price-ranges** and not a certain **price-level**. We will see that it takes two certain price-levels to create a range, and the focus is on **reacting within this range.**

The Number System:

0 1 2 3 4 5 6 7 8 9 0

Let us highlight the middle:

0 1 2 3 4 5 6 7 8 9 0

Let us highlight the middle again.

0 1 2 3 4 5 6 7 8 9 0

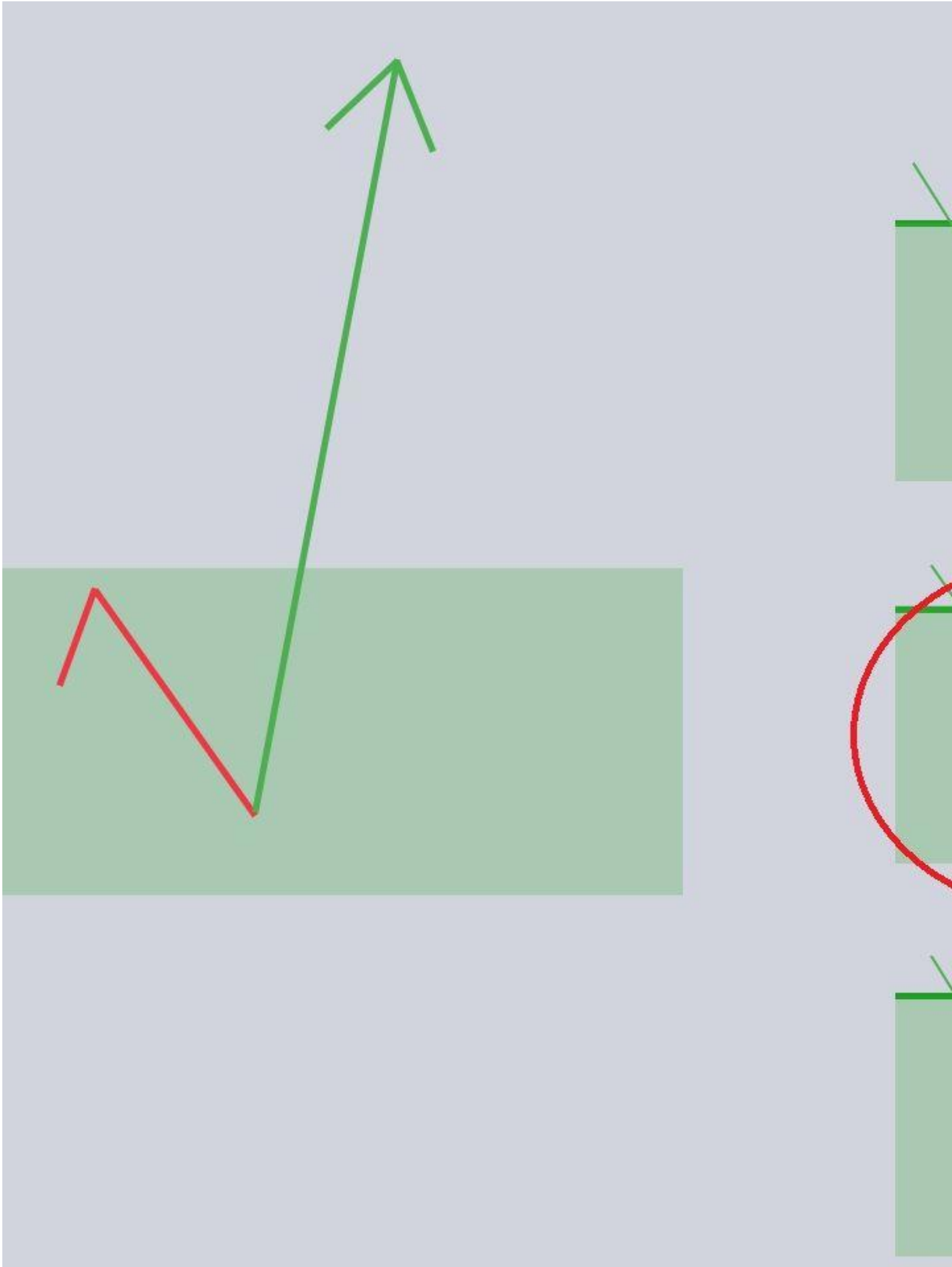
From **0 to 0**, we have highlighted three equally distributed digits; **2, 5, and 8**. These are key algorithmic price levels. An algorithm is nothing but a set of computer instructions; BFI's trade using very efficient trading algorithms. These instructions activate within certain price ranges; the price range that the BFI's have pre-determined to be a good-deal price-range to transact their business. Now let us see the price-ranges that are created and how we can take advantage of them.

The amount that price tends to move within an algorithmic price range is dependent on the instrument. A healthy range is 15-20 pips. That means if the 80 level holds, the price may dip past the 80 level into the 60 level price-range. That means if the 50 level is holding, the price may dip past the 50 level and into the 30 level price-range. That means if the 20 level holds, the price may dip past the 20 level and into the 00 level price-range. Let us take a look at these ranges as applied to our instrument GJ.


153.900
153.850
153.800
153.750
153.700
153.650
153.600
153.550
153.500
153.450
153.400
153.350
153.300
153.250
153.200
153.150
153.100
153.050
153.000

The three algorithmic ranges for the 153-154 100-tick price range.

Now that we know the three levels within every 100-tick price-range, we can begin to identify valid BFI first-retest price-range's and then look for the nearest algorithmic-entry range that may align with it; if any.



Three potential scenarios; your job is to first find a valid BFI range, and then to look for the nearest algorithmic-level. In the above case, since the 50-level also aligns with our valid BFI range, signals that print within the 50-30 range are very significant.

Your job is not to trade every algorithmic-range. First you identify a valid BFI range using a valid BFI footprint; as described in Volume I of Finding Deals.

If an algorithmic level aligns or is within your valid BFI price-range, then take that algorithmic level and its corresponding algorithmic range, into consideration when price action enters this certain range. The original BFI price-range overrides any algorithmic-range. These levels just may make things more accurate when aligning both a zone with one of the three algorithmic ranges. Candlestick-signal confirmations that print within a zone and within an algorithmic range should be taken seriously.

Wicks Within Ranges

A classic signal within an algorithmic-range; a bearish pinbar that gets engulfed. As soon as price penetrates the 80-level, we are looking to see whether a valid signal prints there; does the buying-power begin when price dips inside it?

If price kept dropping and **penetrated the 50-level**; then we would be looking at the 50-30 range to see if it holds. Do not trade every algorithmic-range, but rather those that align with a valid BFI zone. The true power in using an algorithmic range to anticipate and refine your entry comes from aligning it only with proper and valid BFI ranges. Context is key, and these algorithmic-levels tell us very little alone; but when you have an algorithmic range like above, that also happens to align with the deeper-half of a valid BFI-range; then you may have a very high-probability setup.

Even if the setup does not work, typically there may be a small reaction at these levels and the trader is given a chance to go break-even. Imagine if you could trade and trade, without a scratch? That is definitely possible when you learn to become a patient trader who waits like a sniper for the perfect time when price does the perfect thing; to dip into a valid range that you have pre-established, and the time to act is now. Minimize exposure by trading not very often; and maximize reward by being patient and using smart and efficient targets.

Now we will take a look at entry tool #1.

Entry Type 1: 50% of Range

Limit-Order

Think of these various entry tools, like a hammer or a screwdriver and other various work-tools. Certain situations call for certain tools, and certain situations don't call for certain tools. There are some things in trading that cannot be taught. They can only be self-learned.

> **Who tells us which entry tool is best to use?**
> The **price-action reaction** at the zone.

Let us take a look at entry tool #1; the mid-point of a valid range. This is one of the most basic and laziest entry methods; but in this game you can get very rich if you're lazy in the right ways. This may be more suitable for a part-timer, but the suitability of each entry tool will be left to the user of the tool to decide. You do not need to master all of the tools at once, but see which entry tool you and your trading personality gravitate towards. Although the first two entry tools are limit-orders; these types of orders require patience and discipline and seasoning, because they require accuracy but can be powerful if understood.

After the validation of the buy-range with the BFI footprint that broke previous market structure. Important institutions may have bought at that origin, and we may be able to ride alongside them if they decide to add and protect their initial positions when price returns to the buy-range for the first time.

50% of Range; this entry-tool does not optimize for the highest risk-to-reward ratio's.

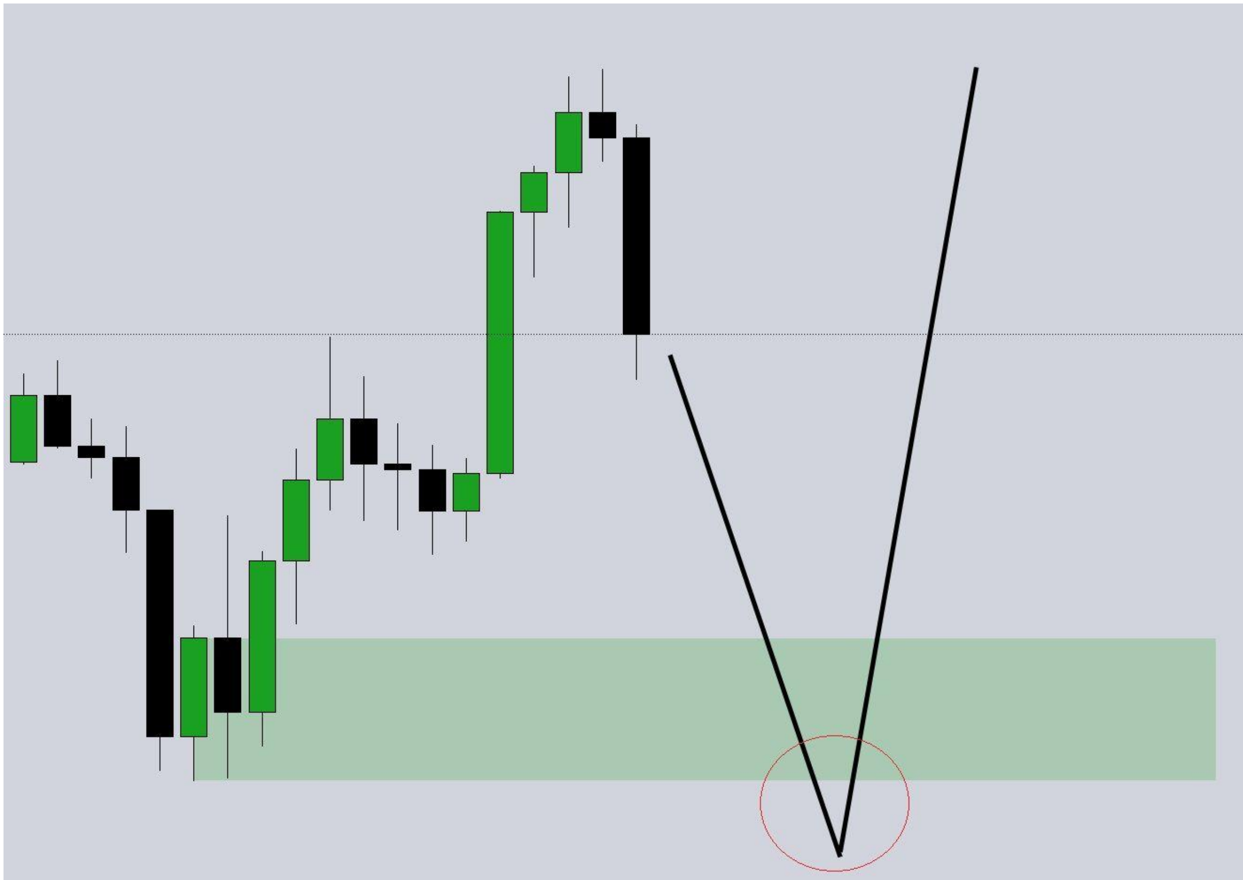
Many have seen great success with trading half of the deeper half; or 75% of the buy-range as shown below. Although this may lower the stop-loss size in pips, and thus increase the risk-to-reward ratio, there is one thing we must understand before we can set our orders and live happily ever after.

75% of Range; better risk-to-reward ratio, but you must still think in probabilities.

If trading was that easy, then everyone would be a successful trader. This entry method is a proven successful entry tool if played out across a series of valid trades implemented through a trader who thinks in probabilities. It is almost always an issue with the underlying worksman using the tool and not the tool itself.

However, we are not here to argue whether or not these entry tools work; we know and understand they do. But we need be pragmatic and understand the ways the entry-tool may fail or become invalidated.

Many retail participants set their orders within the valid buy-range with a stop below the range; and then they wait for success. But BFI's also know that; and sometimes they make sure that retail participants and trading robots never live happily ever after.



Your buy-range ends up working nicely; but you took a loss on a successful trading idea. Tough Luck.

As we see above; sometimes price will shoot outside the range, but end up closing inside the range and being protected before another footprints occurs. We don't know many things that are tough luck besides a trade idea that works out beautifully but the trader was not along to catch the ride.

Manipulation is part of the game. It is the cost of doing business in this industry.

This is why a manual live-execution entry may work smoother than setting limit-orders at valid buy-ranges and hoping they work. Sure, they may work great; but the trader must have a back-up plan for this constant manipulation of zones and ranges that we see across all currency instruments dominated by BFI's.

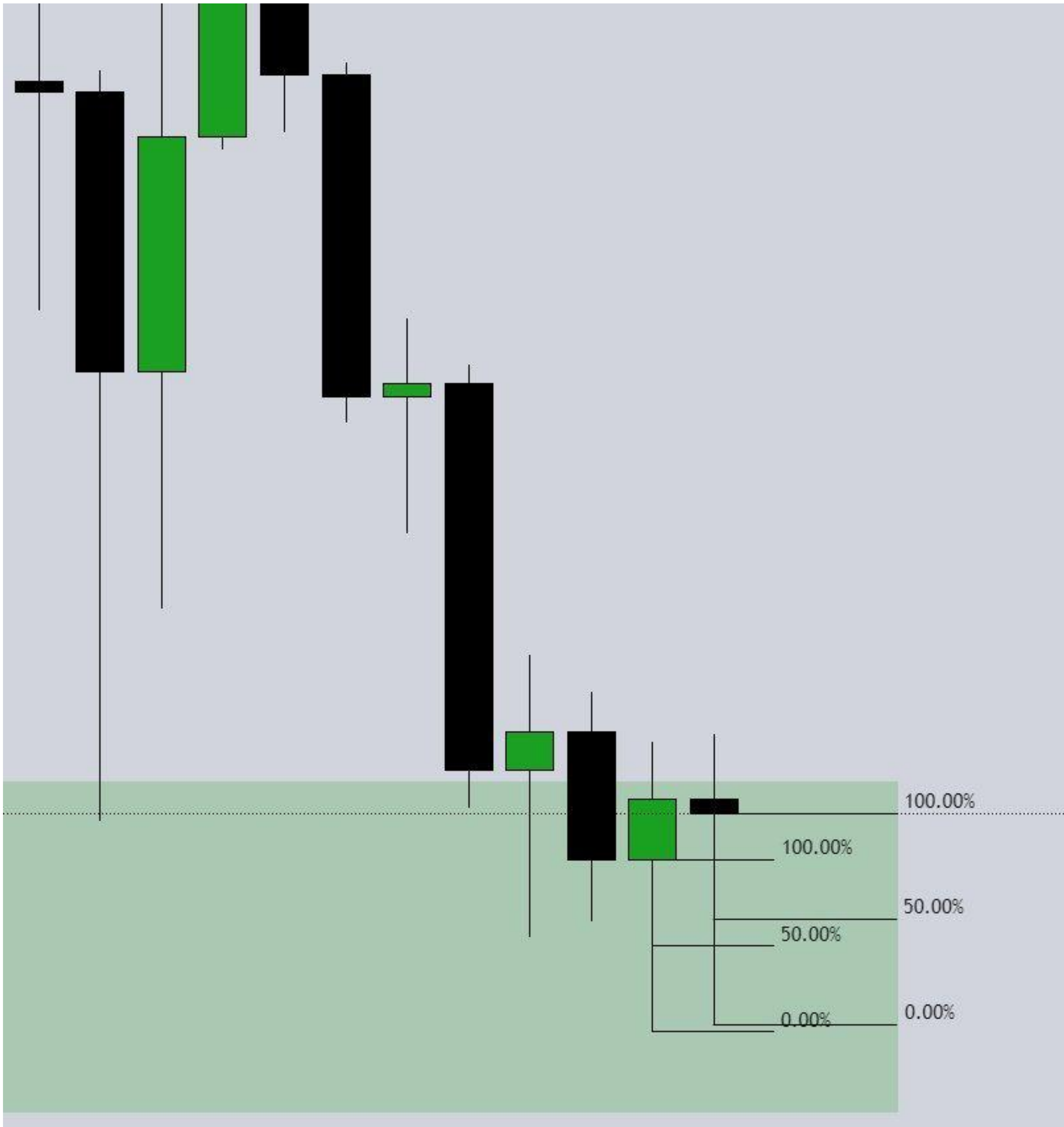
Let us look at the next entry-tool.

Entry Type 2: 50% of Wick

Limit Order

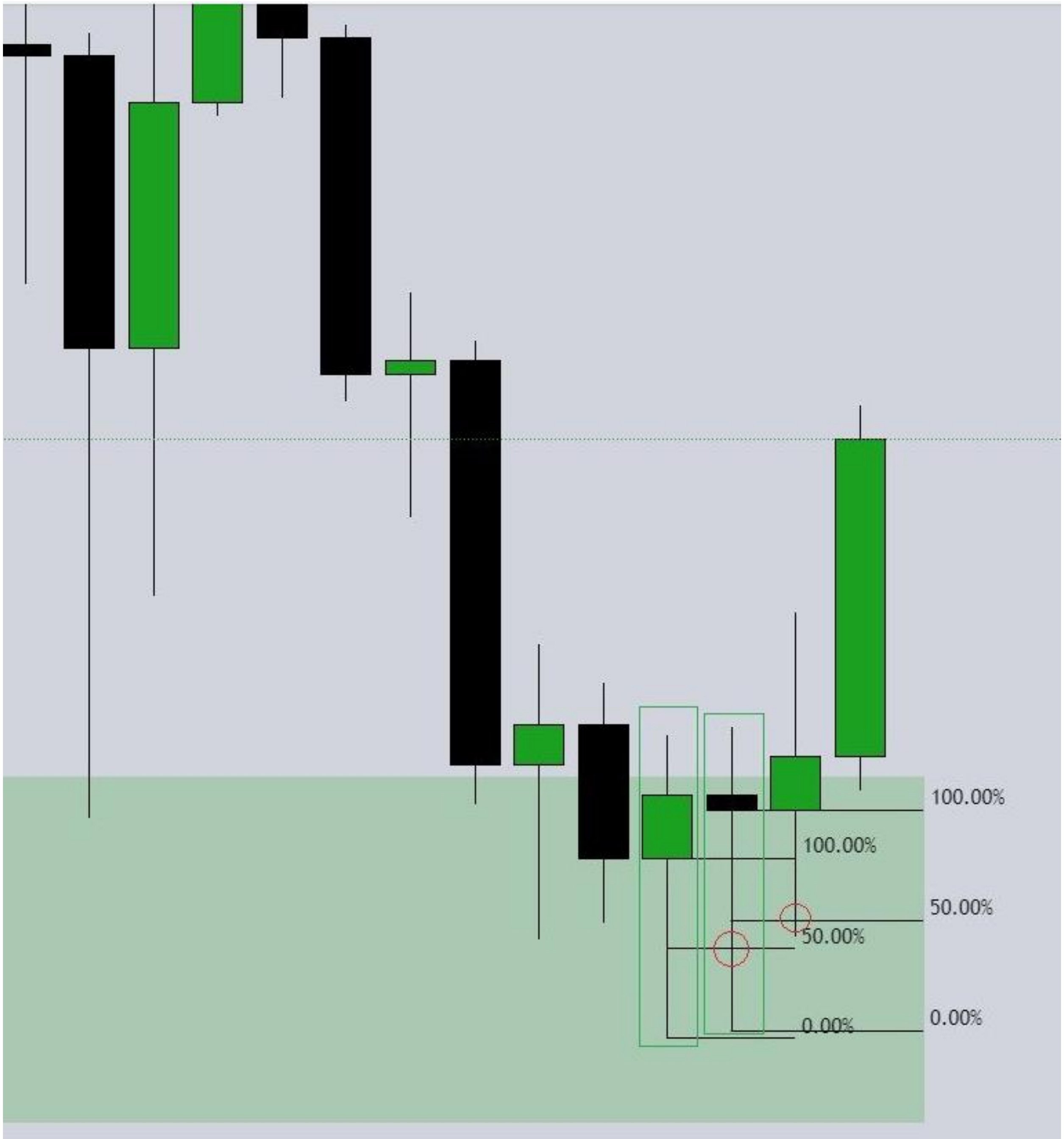
This entry tool is based on a valid pinbar candlestick signal. You should already be aware of the **Rejecting vs Reaching** concept that is explained in the basic BFI Trading Course program that should be reviewed alongside this trading guide. A large wick should not be assumed to be rejecting that area of price action; but rather consider that price may be doing the opposite and attempting to **reach** that area and not **reject** it. In other words, wicks are neutral and they need to be validated and differentiated in regards to reaching versus rejecting.

A valid pinbar must have a wick that is multiple times longer than the candle body; this is the basics of the definition of a pinbar candlestick. Not only that, but we need the pinbar to print **inside** the zone; not outside it or near it, or a light tap of it.



Do not fall for the initial early tap on the right that barely enters the zone. Wait for price action to enter the zone and begin printing multiple candlesticks within, especially if price has penetrated the mid-point of the range.

These are examples of two great pinbar candlesticks that have printed and penetrated the mid-point of the range; in the lower cheaper half. It helps to respect candlestick confirmations that print below the mid-point of the range; instead of those that print above the mid-point of the range. Although the first initial candlestick is a valid signal and wick to use for a limit-entry, the second pinbar candlestick confirmation makes our setup much stronger. If a third pinbar wicks the same range; even stronger. A 50% limit on either pinbar wick triggered with minimal drawdown.

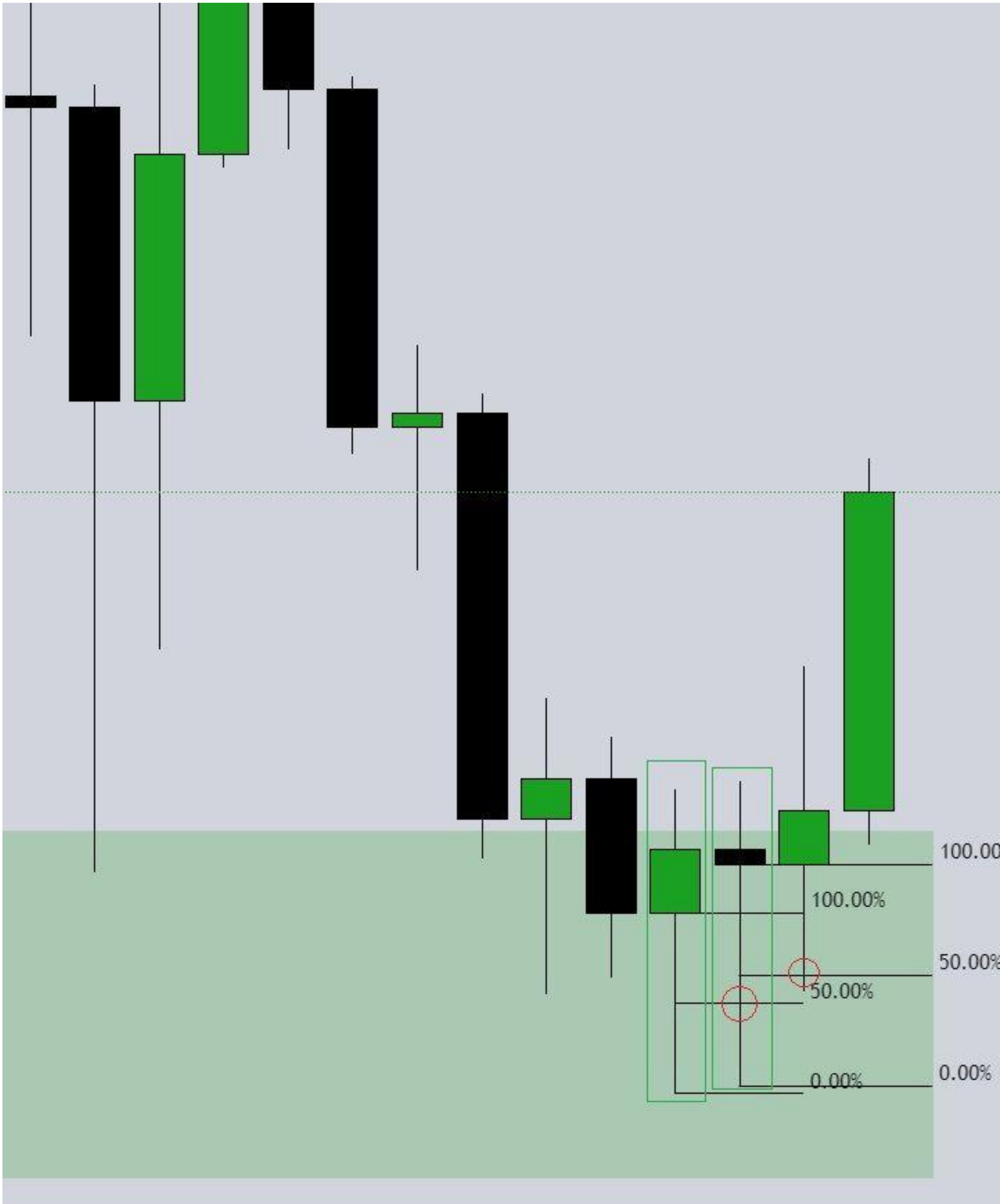


Stop-Placement

A conservative stop-placement is below the range.
An aggressive stop-placement is below the wick.

Differentiate between Aggressive vs Conservative SL Placement; below the pinbar candlestick vs below the valid buy-range.

In some cases where the buy-range is not manipulated beyond the range; a stop-placement below the pinbar wick is considerd aggressive. A stop-placement below the buy-range is considered conservative. Know yourself and understand what you are doing when executing. In the end, risk-reward is appealing but suffocating a trade with tight stop-placements is not so appealing.


100.00
100.00%
50.00%
50.00%
0.00%
0.00%

Next several candles should trigger the limit; printing of multiple pinbar wicks is preferred.

Macro-Wick VS Micro-Wick

What's the difference between an entry using 50% of a **macro** pinbar candlestick versus using the same entry on a **micro** pinbar candlestick? A 4H-range trader couples the 15min as their execution timeframe. Do you use a micro-15min pinbar wick or do you use a macro-4H pinbar wick? It depends on what the market prints and on your trading style and personality.

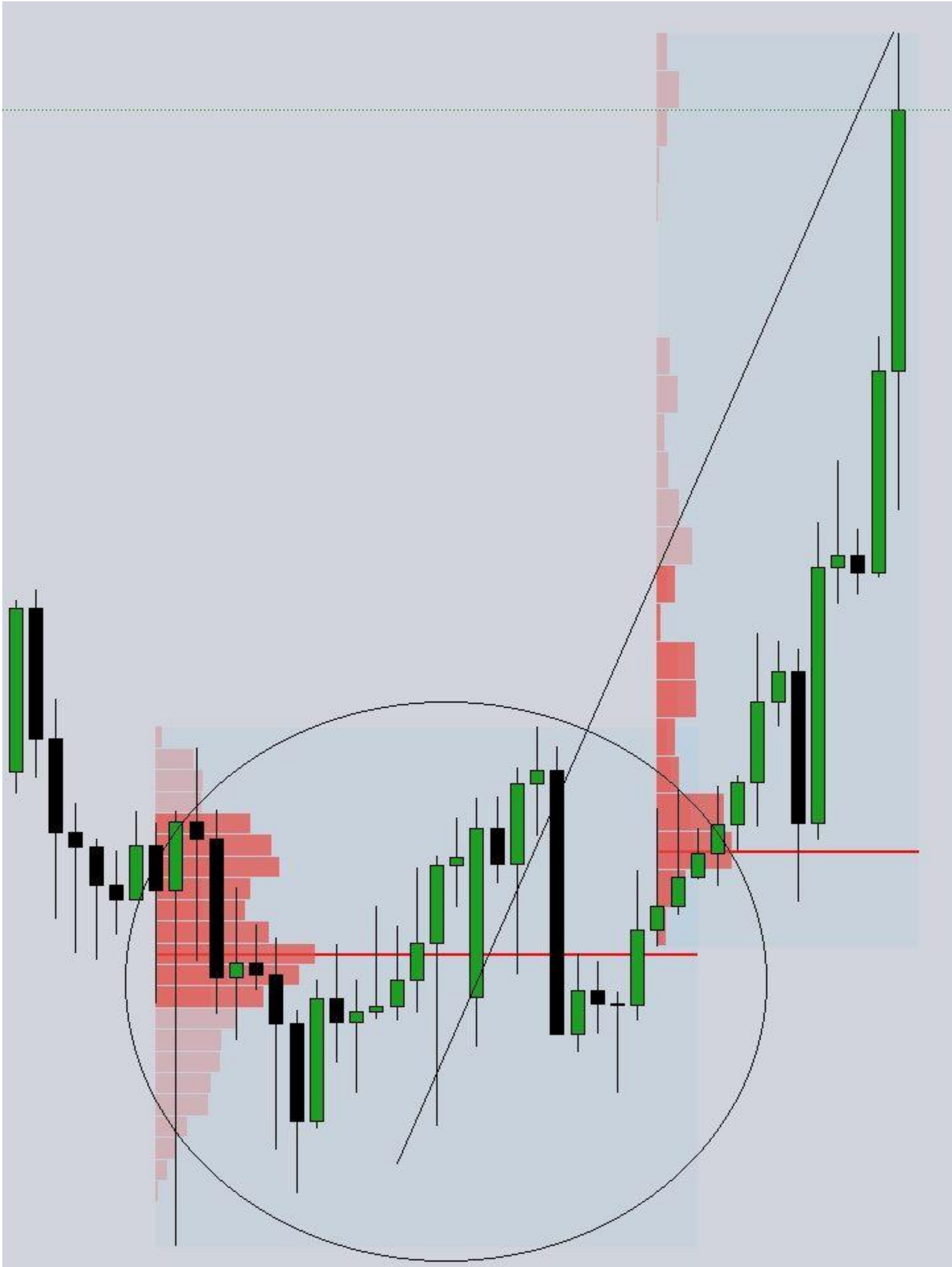
A conservative entry uses 4H or higher pinbar candlesticks.
An aggressive entry is using pinbar candlesticks below the 4H.

There is no right or wrong; there is only the facts, and your positioning in relation to them. Understand whether or not you are able to handle using a 15min pinbar wick that may end up giving you a quick loss that most traders are not yet ready to realize. We do not use timeframes below the 15min. Sometimes the trader must consider the risk and the potential of the limit not to trigger. Weigh out the risk of the trade not triggering versus a current manual live-execution entry at a slightly higher price.

Entry Type 3: Fibonacci

Limit-Order or Live-Execution

When BFI's transact a large amount of order-flow volume within a certain range, a BFI-footprint occurs from the origin. This is an A to B impulsive market movement, or more accurately labeled as a valid BFI-footprint.



An A to B impulsive market movement creates a classic valid BFI-footprint that breaks a previous market swing point.

The **heavy-volume** sideways price-action **before the move**, results in the **not-so-heavy-volume** A to B impulsive market movement.

In currencies, things do not move in straight lines. There is a natural tendency for any A to B market movement to retrace, or to pull-back, a certain portion of the A to B movement. Although a retracement entry is essentially entering after the A to B is already over, it can still be used to either enter late or to add to existing positions taken at the origin of the A to B move, which likely originated from a valid BFI-range.

One of the worst times to enter is **AFTER** an A to B impulsive movement has already printed. Your job is to enter at the first-retest of a valid range, and have the A to B market movement occur after being already positioned. We do not buy high, and after a strong BFI-footprint, a retracement setup may potentially form. Either enter **before** an A to B impulsive movement fully prints, or enter **after** a healthy retracement is likely complete.

R

Rarely do we enter **after** an upwards BFI-footprint completes; *wait for a retracement* or learn to be positioned at the origin with a first-retest.

Understanding Retracement Ranges

The first step in understanding this entry tool is in understanding the retracement and the depth of the retracement as a percentage of the A to B move. A retracement the returns to 50% of the A to B move is considered a very healthy retracement and is usually something you can count on.

Just like our algorithmic levels create a range of prices; the same applies to retracement-levels. There are only a few retracement-levels that we need to focus on. Let us first begin with the 38.2% retracement level.

When is the A to B impulsive move considered complete and the retracement has now begun?

*This is what we use the **38.2%** retracement level for. It is **not** used for execution or entry. It is strictly used as a timing-tool to help alert us as to when to begin labeling our various retracement ranges as the A to B impulsive move is likely over.*

When price returns and crosses the 38.2% retracement-range of an A to B movement; we can consider the A to B move complete and the retracement move now occurring.

After price retraces back to the 38.2% level and crosses it, we have likely confirmed that the A to B move is complete, and the retracement entry tool may be implemented. Now let us look at the retracement-ranges that we may end up using for our potential ranges.

The three retracement levels that matter.

There are three important retracement levels that matter: the **50%** level, the **61.8%** level, and the **78.6%** level.

This creates **two price-ranges**;

from the **50% - 61.8%**;

and from the **61.8% -78.6%**.

The three retracement levels that matter form the two ranges that matter.

Let us take a look at each of these three retracement levels and briefly summarize each.

50% Retracement Level: The Bank Level

The 50% retracement level is the most commonly touched. It is the mid-point of the A to B move but more importantly it serves as a potential bank-level. Many programmatic buy-functions that are behind the creation of the A to B move are triggered to **add-to-position** at the 50% level. It is an important level and must always be taken into consideration.

61.8% Retracement Level: The Psychological Level

The 61.8% retracement level originates from the studies of Leonardo Fibonacci from roughly one-thousand years ago. The golden ratio is about 1.618, and is known by the Greek letter Phi. There has been much study devoted to this ratio and level, and for purposes of simplicity, we will call it the **psychological** level. The golden ratio, upon which this level is based, can be found all over nature and is something every trader should look into. The great thing is that you do not need to understand its origins in order to be able to effectively use it.

78.6% Retracement Level: The Over-Extension Level

There is nothing too special about this level; besides the fact that we use as an over-extension level and it forms the floor of the second deeper retracement range: 61.8% - 78.6%. If price penetrates beyond the **over-extension** level, then we may need to consider whether or not the current move is a retracement or actually an impulsive market movement. Price closing beyond this point can be considered an invalidation of the retracement setup.

A valid retracement-setup with both valid retracement-ranges labeled. We understand the initial range comprises the 50% - 61.8% range; and the deeper range comprises the over-extension range; 61.8% - 78.6%.

The Most Important Component

The most important component of this retracement setup is looking to the left of each retracement-range and making sure there is some kind of basing-zone or valid BFI range to the left. Our retracement methodology is to mainly based on filtering those setups that have a valid basing-zone to the left of our retracement-ranges.

A valid basing-zone to the left aligns with both retracement-ranges; making a micro-candlestick signal that prints there a valid signal.

It will always be some sort of basing-zone if there is a zone to the left. There could be two basing-zones or in this case one larger basing-zone that aligns with both retracement ranges. The key is to make sure that there is some sort of bank-level that also aligns with one of the two retracement-ranges. If that black candlestick that created the basing-zone to the left did not exist and the impulsive A to B move was all green candlesticks; then that would be a major difference and such a setup becomes invalid.

Make sure a valid basing-zone aligns with the retracement-range that you are using; this is what makes the retracement setup probable and valid.

What timeframe do we use to find these A to B impulsive movements?

It depends; but I recommend using 4H impulsive movements or higher. Refrain from using 1H retracements and lower.

Something To Watch Out For

A common occurrence with these types of retracement setups is the following.

This shows an example of the [50%-61.8%] ; and usually price may have a reaction from this price range. But what builds up below every low and above every high? **LIQUIDITY.**

Liquidity is just another term for order-flow volume that sits within a certain price range.

ABC Reminder:

There are only two types of orders; buy-order and sell-order.

A buyer-SL is a sell-order. A seller-SL is a buy-order.

Sometimes price reacts to the 50% - 61.8% only to return lower and attack the liquidity that formed below the recent low. This is called an **over-extension.**

Over-extension scenario; sometimes the price-action may over-extend and give you an even better entry price.

Some traders may take a valid micro-candlestick signal confirmation entry within the first range. Risk-free or not; the trader understands that the price is over-extending and now the focus becomes on the 61.8% - 78.6% retracement-range. Even that range could fail, but your job is to look for a valid candlestick signal entry confirmation on the micro-timeframe; such as an engulfing signal or a pinbar signal, within a valid retracement-range.

Let us take a look at the next Entry Tool 4; the liquidity run.

Entry Type 4: The Liquidity Run

Limit-Order or Live-Execution

This entry tool is a special one because it is especially common in the spot-currency trading markets. The **Liquidity Run** entry-tool can serve as a trading strategy in itself. It could be used at anytime on any timeframe. First, let us take a look at this term "liquidity" and understand that is just an area where a group of orders are sitting; below a low or above a high.

One single swing point; significant since this is a 4H swing point.

A market swing point:

In essence, a swing point requires a series of candles moving downwards, and then a series of candles moving upwards, that create what is known as a market reversal, or a "u-turn". If this was a 15min low, it would not have much significance. Since this is a 4H low, there is more liquidity sitting below the low and the setup probability increases when we use a higher timeframe.

TWO swing points; very significant; typically a range of liquidity forms below.

Two market reversals made from the same level; the support-buyers are enjoying themselves and the market knows it. Notice that the

<50p range is dependent on the instrument; some USD pairs are tighter.

Dreams Usually Don't Come True

Unfortunately, the market usually does not take off into infinity after such a scenario is created.

That would be nice.

Spot-currency markets are the most manipulated; so our approach must have manipulation as an expected part of the system that we depend upon. Any trader who was taken the basic BFI Trading Course understands that BFI's require liquidity. BFI's can also afford to engineer their own liquidity. We also know that BFI's always buy low and sell high; never the opposite. The world must be selling, in order for the BFI's to be able to accumulate heavily. Now is not the time to hope and pray price goes straight up, but rather to identify your range of liquidity that may be attacked; and be ready and prepared to be positioned if necessary.

The moment of truth unfolds; and price penetrates the range that is heavily packed with sell-OFV; that has gotten absorbed. A very significant 4H bullish pinbar candlestick prints.

A classic liquidity run (a sell-program) is performed before a major upwards impulsive market movement can occur.

Whether the entry signal is taken on this 4H timeframe, or whether or more micro-entry is taken on the corresponding 15min micro-timeframe, there are multiple methods to benefiting from the occurrence of a liquidity run, and the entry timeframe depends on the trader.

Entry Type 5: Manual Micro

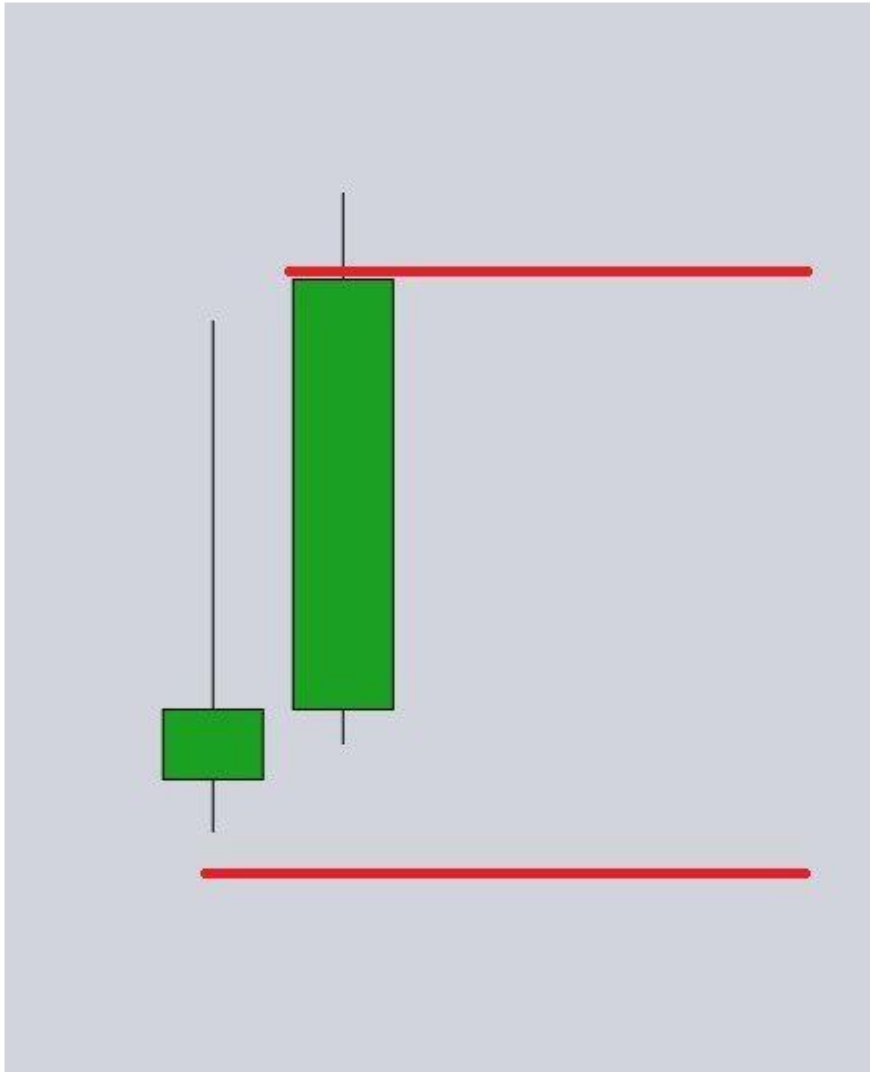
Live Execution Only

Any valid BFI zone or range is validated with a BFI footprint that prints on the macro-timeframe; the timeframe used for the analysis of the instrument. This entry tool is strictly used and based on the micro-entry timeframe. This entry tool should be the main entry method practiced by manual traders.

The macro-timeframe is used for analysis: the WHERE; a valid price range.
The micro-timeframe is used for execution: the WHEN; a valid entry signal.
4H macro coupled with 15m micro. 1W macro coupled with 4H micro.

An Engulfing Candlestick Signal

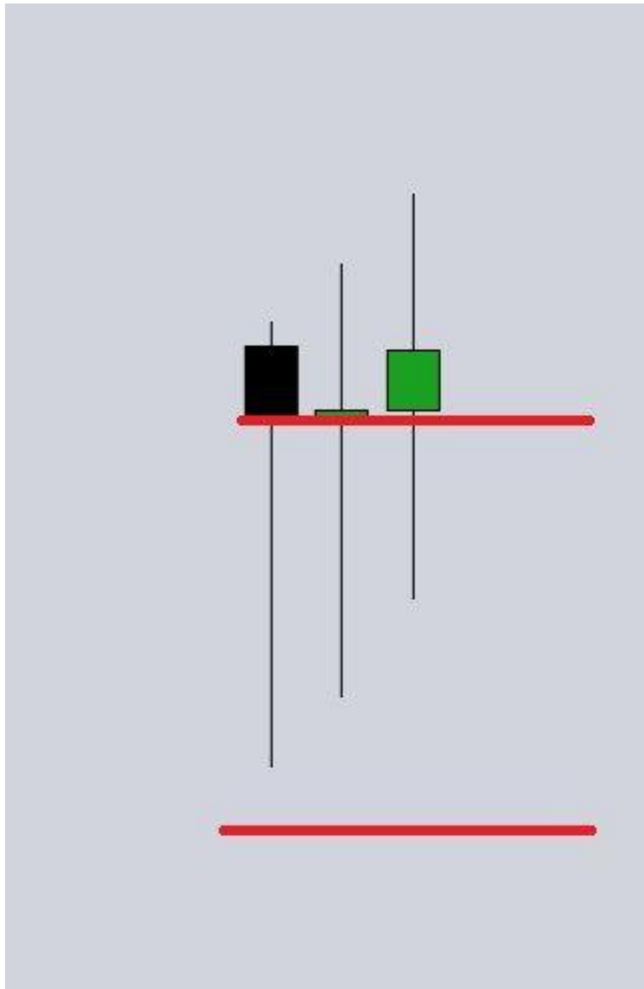
The engulfing candlestick is a classic micro candlestick signal confirmation to be taken seriously especially at the deeper half of a valid range. Notice here that a **bearish pinbar** is what is engulfed; the candle being engulfed should also be considered, along with the entire signal as a whole. **Context is key;** look for a **micro-signal** to print within your **macro-zone**.



Entry and Stop Placement

A Pinbar Candlestick Signal

The pinbar is the most important signal of our lifetime. When this prints within a valid BFI-range, it is significant. When multiple pinbars wick somewhat of the same area, this makes the candlestick signal confirmation even stronger. Notice how the first pinbar establishes a deep range. Notice the second pinbar that prints which could not break the previous candle low, but did break the previous candle high. The same occurs again for the next third pinbar candlestick. These are all great bullish signals.

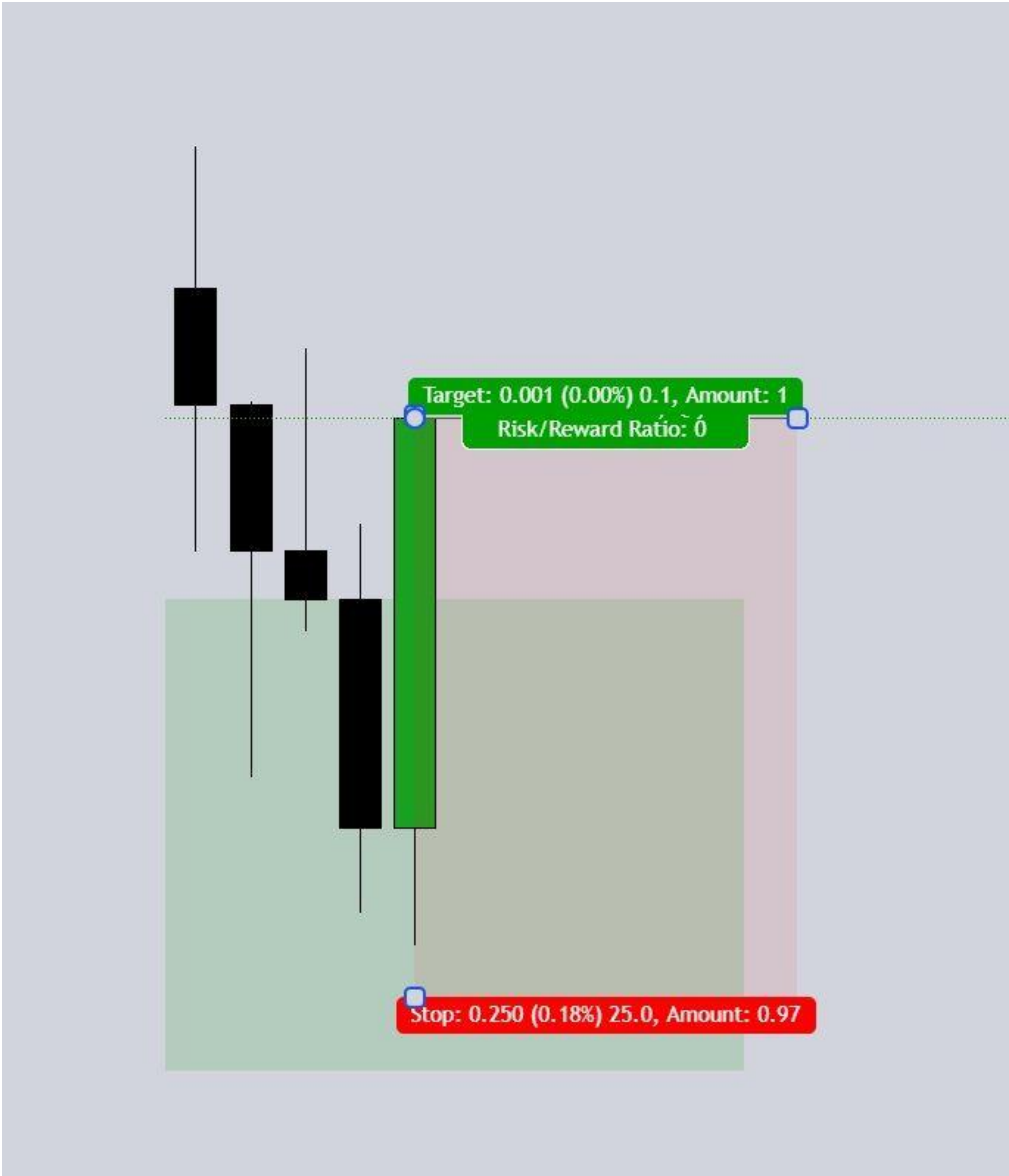


Entry and Stop Placement

Sometimes this entry can be used to locate an entry signal outside a valid-range. Although this is not recommended, a manual trader can use a micro-candlestick signal confirmation to enter in many ways manually based only off the signal itself. However, the BFI strategy is based on finding the right location on a chart; a valid BFI first-retest range, and also waiting for a micro-signal confirmation to print there.

Bonus Entry Method

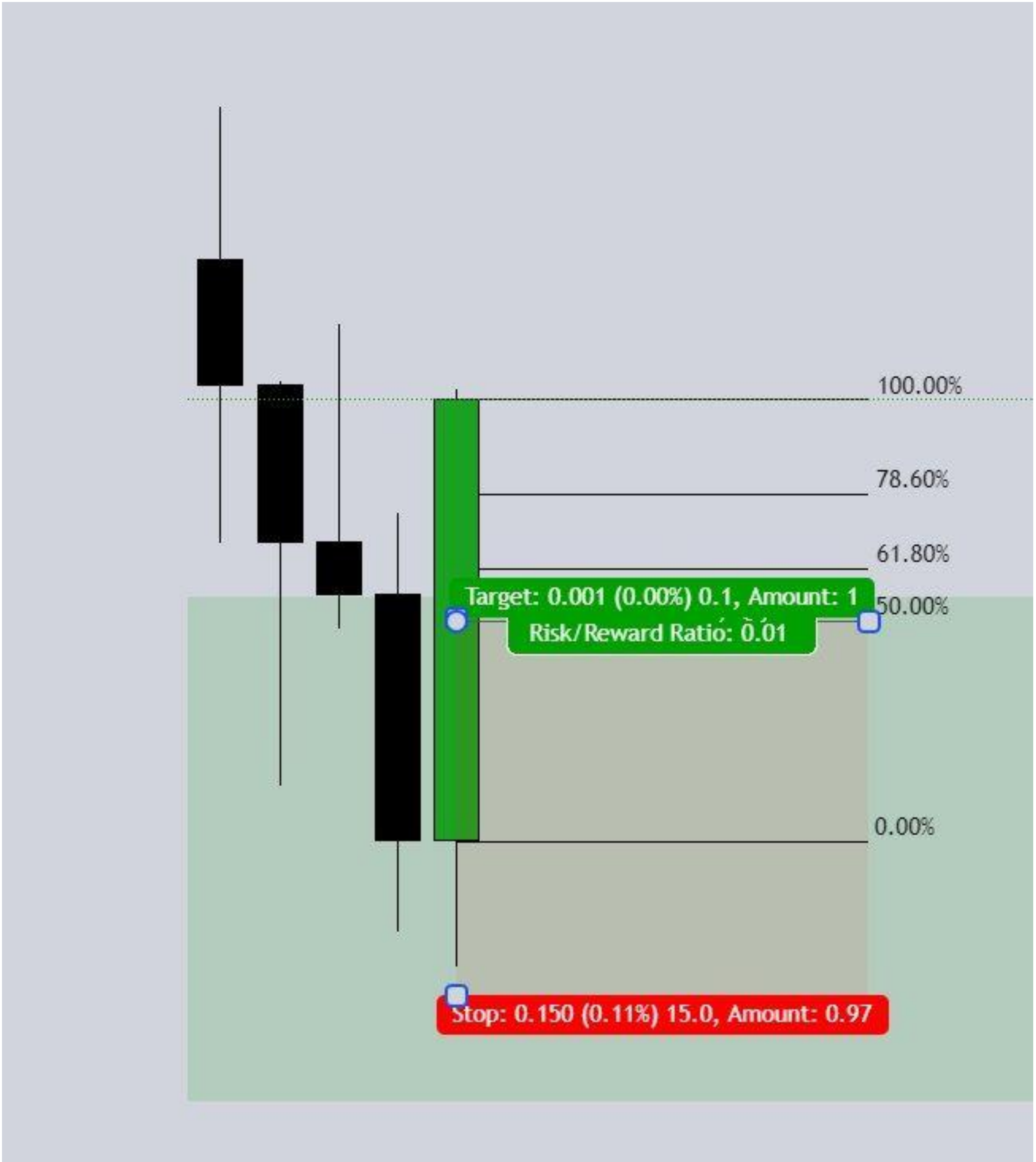
Sometimes price prints a very strong signal at a valid price range. For example, a very strong bullish engulfing signal may skew the size of the stop-placement and thus the risk-to-reward ratio.



Sometimes the market presents a bullish engulfing signal that would cause for a wider stop placement and maybe a smaller risk-to-reward ratio setup.

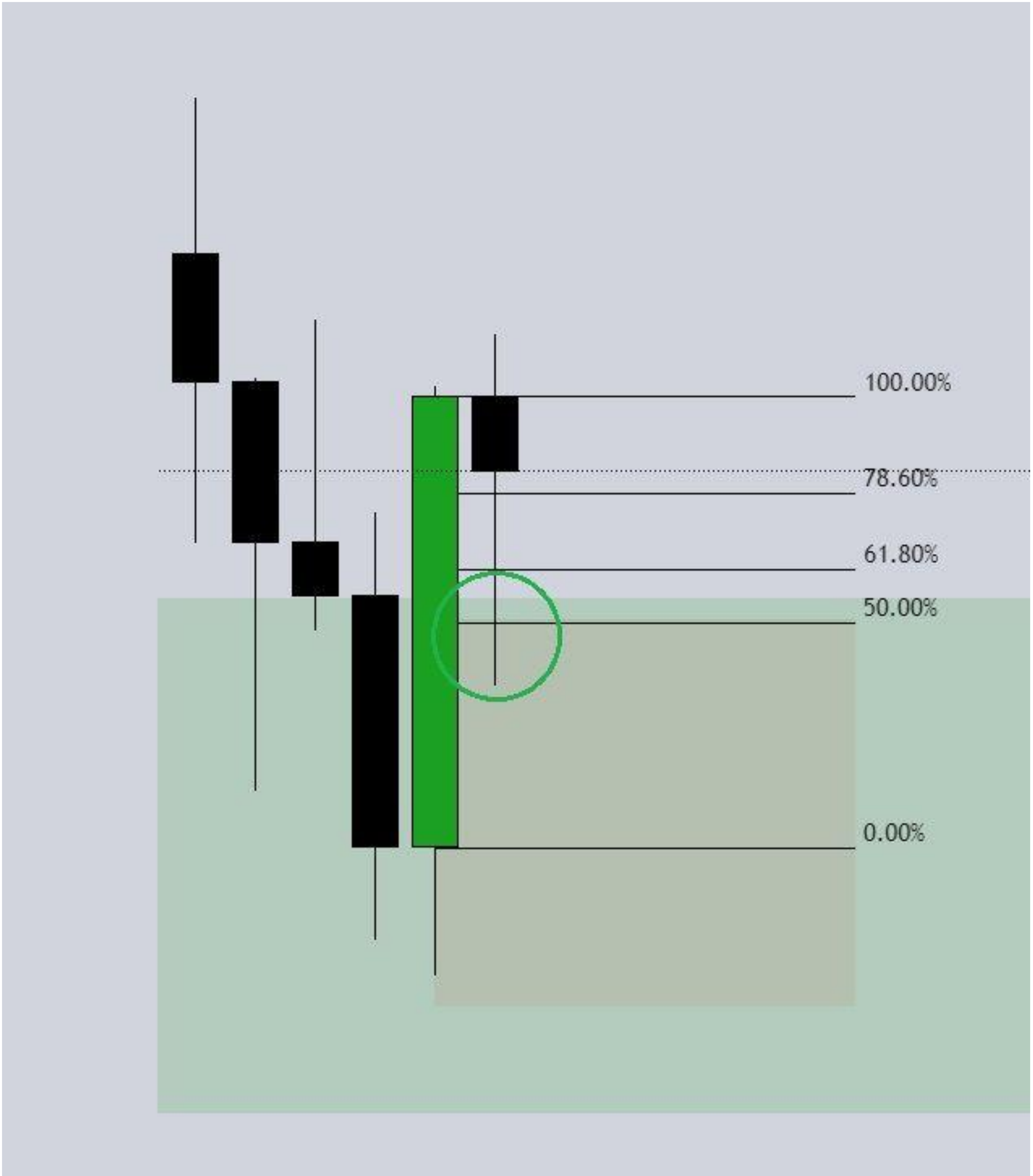
Instead of entering with an average entry after the engulfing signal prints, learn to use a professional entry like a limit-order placed at 50% of the engulfing candle body.

A buy limit-order placed at 50% of the engulfing candle body can give a better risk-to-reward ratio trade idea.



A better entry at 50% of the engulfing candle body reduces our stop-placement by 40% (from 25p to 15p). That definitely helps improve our risk-to-reward ratio for this trade idea.

The next candle triggers our entry. Usually those type of trade ideas end up working the best.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78.60%
61.80%
50.00%
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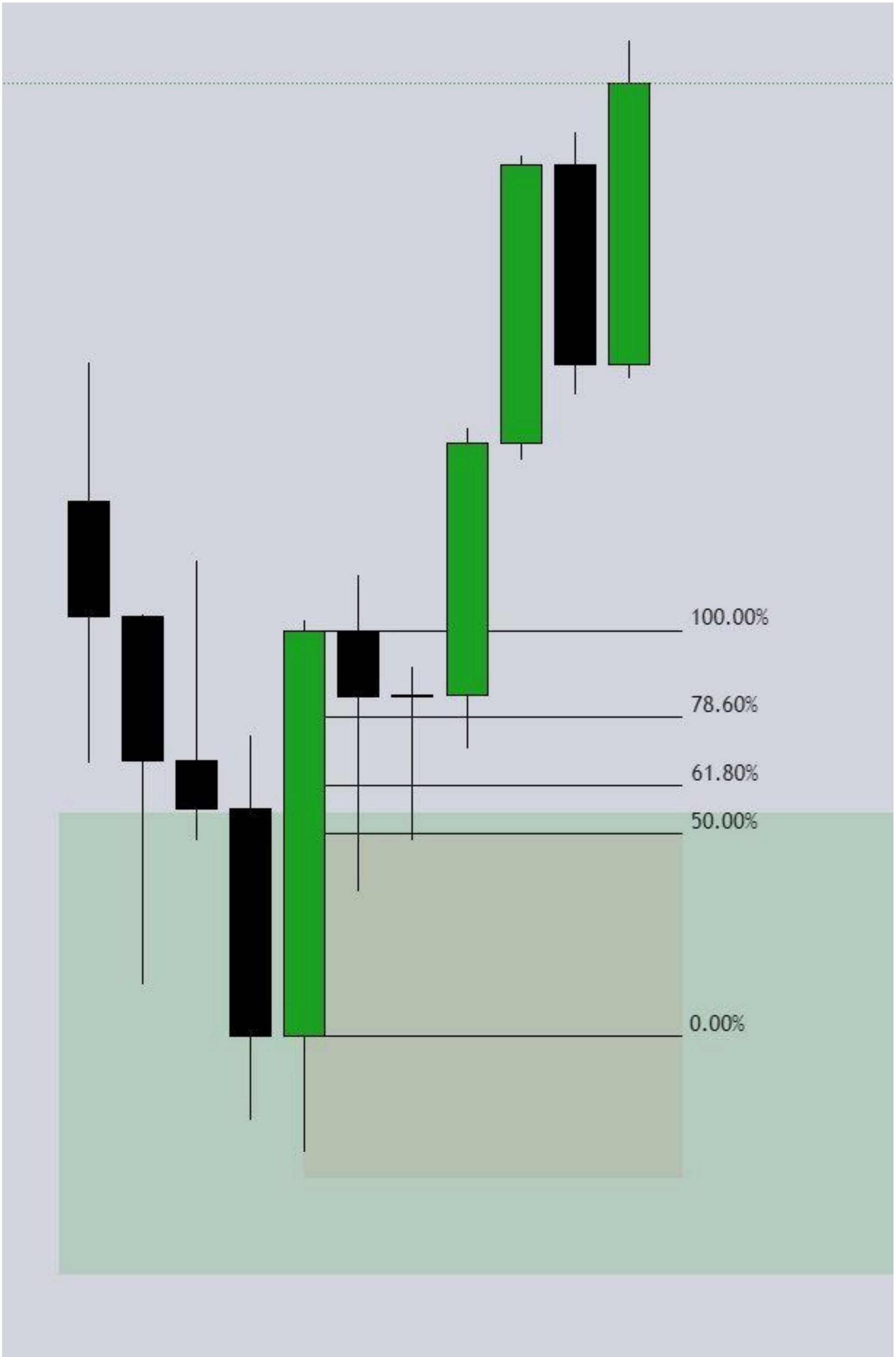

100.00%
78.60%
61.80%
50.00%
0.00%

A professional and patient entry pays off. Add this method to your toolset and learn to use it at the right time.

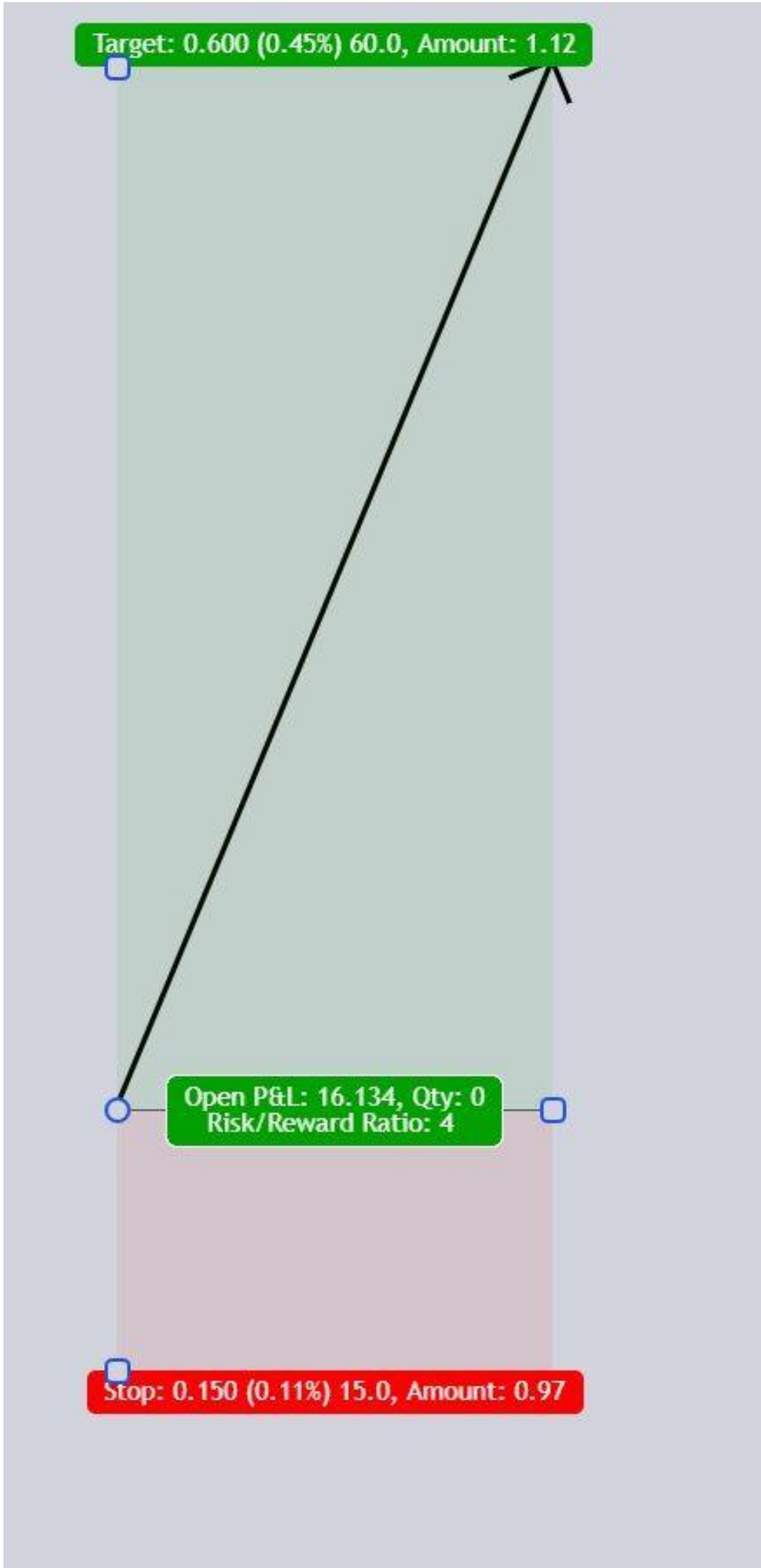
Proper Pyramiding Process

What is pyramiding?

Pyramiding a trade consists of taking multiple safe entries on a single trade idea.

Let us take a look at a trade example that shows a risk of 15p for a target of 60p; a 1:4 risk to reward ratio. The risking of $1 to for the potential to make $4. That may be a deal worth taking and it is perfectly reasonable and plausible off a 4H/15m macro-micro trade setup.

The initial first entry


Target: 0.600 (0.45%) 60.0, Amount: 1.12
Open P&L: 16.134, Qty: 0
Risk/Reward Ratio: 4
Stop: 0.150 (0.11%) 15.0, Amount: 0.97

This is not an example of pyramiding an A to B price movement. This is one single entry and that is perfectly fine for most beginners and some set-&-forget methodologies. The process to proper pyramiding requires **work**; AKA **time and energy**. It requires the trader to be more active on the chart and to tag alongside the price-action and the A to B move itself from start to finish.

Two Important Steps To Pyramiding:

1. Zero-Exposure

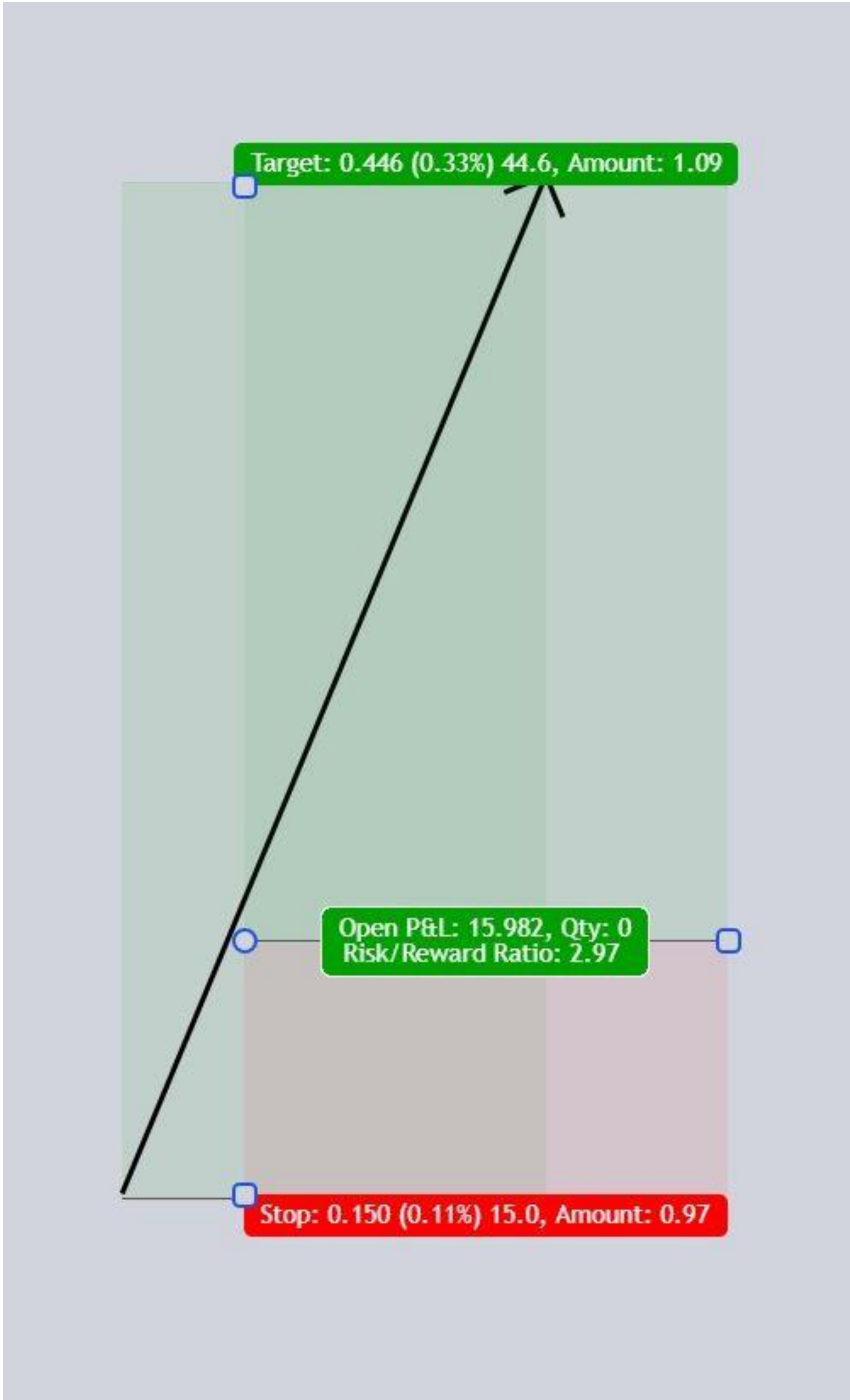
(on initial)
This means moving SL to an entry level for zero-exposure.

2. Additional

(with stop-placement at initial)
This additional entry requires proper timing.

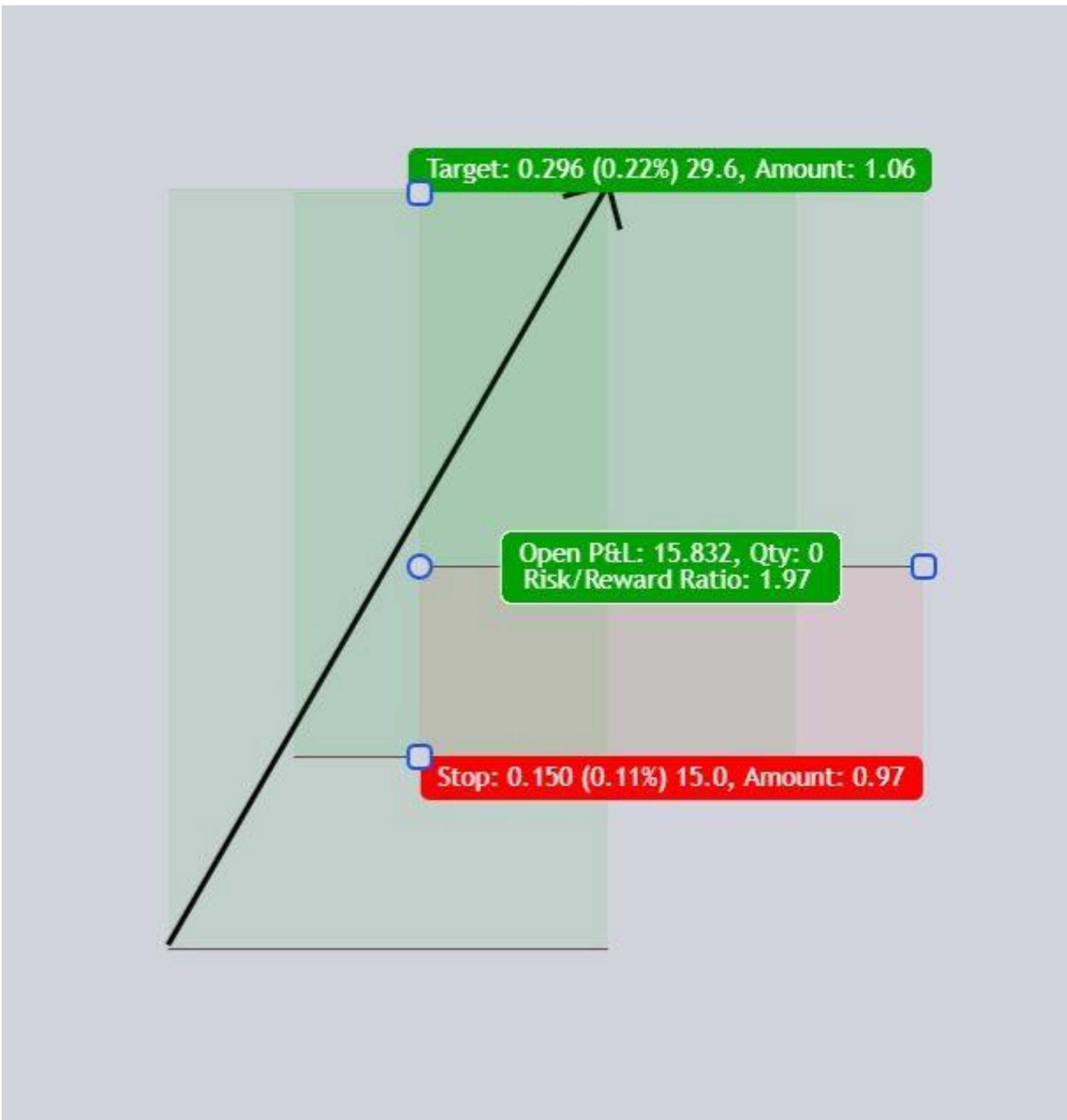
In this simple example of pyramiding, we will assume an additional entry every 15 ticks, as we move towards our same initial target.

A <u>second</u> additional entry:


Target: 0.446 (0.33%) 44.6, Amount: 1.09
Open P&L: 15.982, Qty: 0
Risk/Reward Ratio: 2.97
Stop: 0.150 (0.11%) 15.0, Amount: 0.97

The first position is risk-free and the second position has a stop-placement at the level of the initial-entry. Notice how a proper and accurate initial entry makes things much smoother in the future. A bad initial entry makes things much more difficult in the future and may result in an expensive failed process. This second position gives roughly an additional 1:3 setup.

A <u>third</u> additional entry:



This third position gives us roughly a **1:2** trade setup. Notice that as we get closer to the target, the risk increases and the risk-to-reward ratio's decrease. But the focus behind pyramiding is to make the most out of any single A to B price movement, whether it be a 60 tick movement as shown or much larger. The key is in understanding the principles behind the process and the power of **minimizing the risk and maximizing the reward**, in the little time that you have with your instrument during your one trading session.

The same price movement on the same pair; the same SL size; the same target; But one trade idea netted a 1:4, while the same trade idea netted someone else a [1:4 + 1:3 + 1:2] = a 1:9 risk-to-reward trade setup from the same simple 60 tick A to B price movement.

Even if the trade idea does not work out; a trader needs one of them to work out to then **be able to afford** 9 trade ideas in a row that fail. A proper trader who thinks in probabilities and properly pyramids the A to B impulsive movements that occur on their pair has no time to worry about losses. Those who are worried about the trades that do not work simply aren't making enough on the trades that do end up working.

Why Most Fail At This Process:

Mainly due to inexperience and greed; but the are many reasons as to why this may not be working smoothly and it should be quite obvious. Most are not yet seasoned enough with the basics before they are able to fluently do this simple yet difficult process.

Outside Valid Ranges/Middle of nowhere

The quickest way to make a great deal of charitable contributions in markets is to attempt to properly pyramid A to B movements that occur outside of valid BFI ranges. Read the original BFI Trading Course for more information regarding proper pyramiding and "where" this type of trading should be performed. It is only in certain pre-determined places where this may have the best probability of results, and not anywhere on a chart as most charts are moving sideways and not trending seventy percent of the time. That means only a quarter of the time consists of times that actually matter and maybe times where you should be active.

Smaller timeframes

The lowest timeframe used for this proper pyramiding process is the 15min timeframe. Smaller timeframes will rarely make a huge difference in your success as a trader. Leave the smaller timeframes for the seasoned trader or for those who have sold their souls to the markets and need that smaller timeframe validation. As the timeframe becomes smaller, the accuracy decreases and noise increases. As the timeframe becomes larger, the accuracy increases and the noise decreases. Some retail-participants will need a few years to make this realization and that is just the way things are.

Stop-placement suffocation

It does not matter if you the best trade idea unfolds itself live in front of you; if the trade will be sabotaged by being suffocated due to improper care or over-care by the owner of the position. Few things hurt more than a trade idea that works out beautifully but we are unable to benefit from the occurrence. This is due to an underlying emotional problem and maybe Dr. Phil or Oprah can give you better guidance regarding "why" you attempt to always give the trade less room than it needs. This takes many years of seasoning and the market decides the stop-placement and not your own hopes and emotional tendencies.

Take a step back and understand the seasoning process of trading:

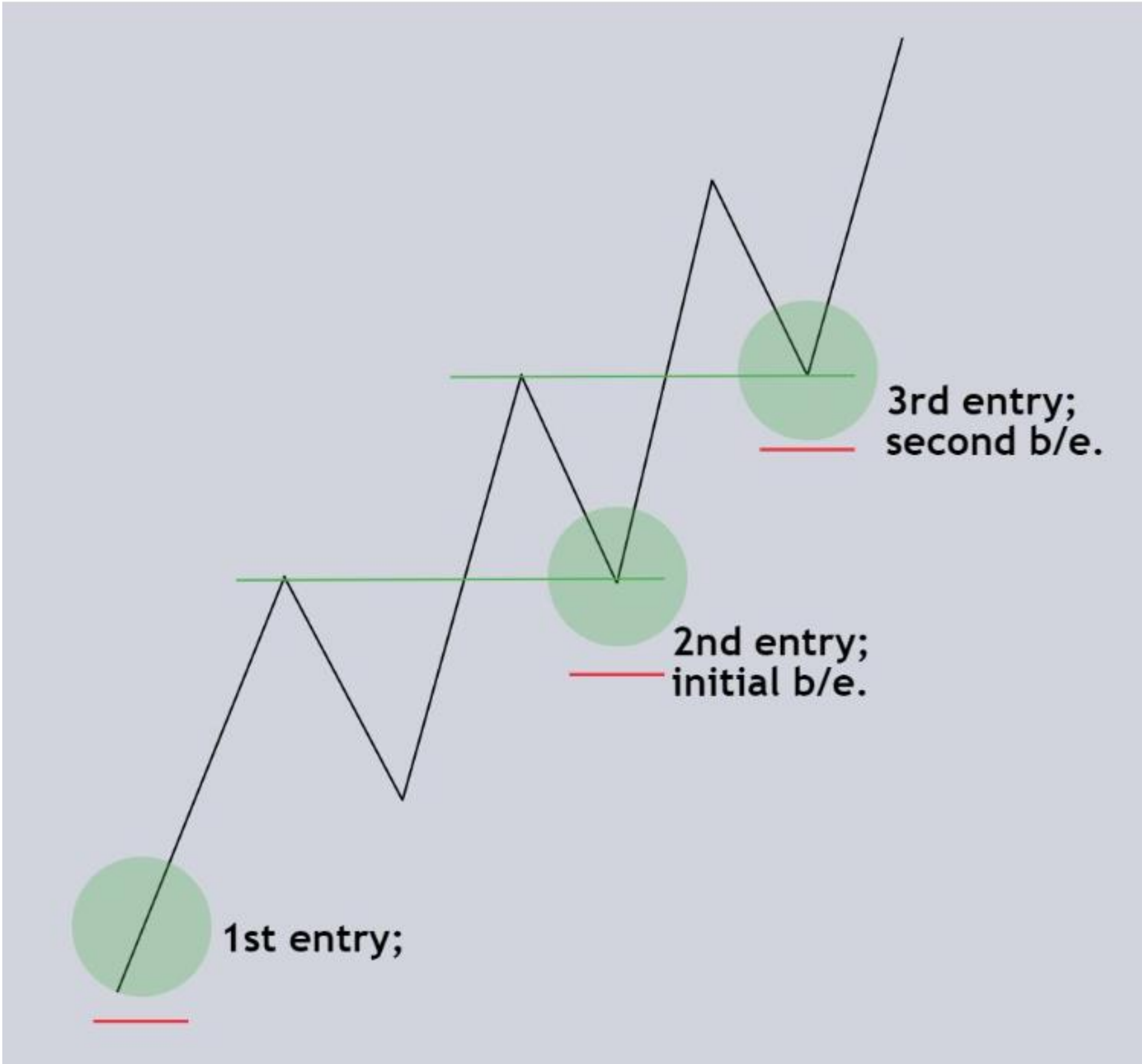
Year 1: 35p SL ; 0p TP
Year 2: 30p SL ; 20p TP
Year 3: 25p SL ; 40p TP
Year 4: 20p SL ; 60p TP
Year 5: 15p SL ; 80p TP

Year 6:   etc. etc. etc.

Your level of seasoning decides what the typical **risk-to-reward ratio** setup you will likely receive. The best mentor is your trading history; let it tell you if this certain stop-size is too tight. A trader must learn to consistently **get paid 1:3's, 1:4's, and 1:5's on a consistent basis first**; in order to pad up their accounts and to develop that confidence that will allow them to endure through the years as their stop-placements **become tighter naturally** and their targets used become more accurate and **become further naturally**. You need to learn to pocket a consistent simple setup; and be able to master that in your sleep. There is no "skipping" in this game; master the fundamentals with a single basic entry to a single basic target; before pyramiding or doing anything else.

Bad Timing of Additional Entry's

The above example is an over-simplification of this process. An additional entry every fixed-amount tick-movement is not the most efficient way to pyramid a trade idea. There are various methods and signals that can be used to get an idea of proper timing of additional entry's. One method is the **break-and-retest** type of market movement that occurs often on a 15min chart as shown in the example below.



A break of the previous high, followed by a retest of that level. The process is simple; but finding the proper context for performing it is not.

We do not have an exact reason that explains why this happens as price moves from zone to zone, especially as price exits the zone. This break of a previous swing point and then a retest of that swing point is seen often as price finally exits a valid zone. Price action becomes messier the further you get from the zone, so it is essential in proper pyramiding to unload entry's within an early and narrow pip-range.

15min break and retest price action as price leaves a valid buy-zone

The number one key in the proper pyramiding process is never to increase the risk; but rather to keep the risk the same and only having an additional entry when the initial entry has no exposure. Accumulate your entry's safely, and without increasing your total net exposure.

Volume III: Leaving Setups

Introduction

Here we are now reaching the final part and the most important volume in this series. We stress very often that both the ability to find a trade opportunity and the ability to enter a trade opportunity become absolutely useless if self-sabotaging behaviors are allowed to happen and disaster occurs post-click. Let us take a major step back. Trading is as complicated as you make it out to be. It can be simple, if you learn to make it simple.

Let us quickly recap the first two volumes of this simple BFI guide. Before we can let a trade idea play out, first we need find the trade idea and then find a way to enter that trade idea.

A valid 4H footprint prints; a potential opportunity has presented itself.

First we need to identify a valid BFI footprint; an impulsive market movement that breaks a previous market swing point. Notice that although one single previous market swing point that breaks suffices as a valid BFI footprint; but they come in many different shades and strength. A larger number of previous market swing points that break makes the footprint much strong. Also, the way the market breaks the previous swing point is also significant.

The way price breaks a 4H swing point is significant; does it break with a 4H candle-body or does it break with a 4H candle-wick? Does it break and close above, or does it break and quickly reverse? Every footprint on every timeframe is unique like a fingerprint.

Where is the opportunity?

At the origin of the footprint. Let us properly draw the zone now that we have validated the movement. We will use the low of the origin, and the base of that candle that formed the low. Reference the BFI Trading Course for more information regarding properly drawing valid first-retest price-ranges; both undersized and oversized ones.

This is a classic example of the setup of a potential opportunity. Will the BFI's who created the A to B impulsive footprint protect and add to their initial position if price were to return to that price range?

The only question that matters: Will BFI add/protect their position?

Yes? There will be another footprint that prints that breaks another previous market swing point.

No? The original first-retest price-range will be invalidated as price closes below it.

BFI's either add and protect; or they get out of the way. The reaction at the first-retest price-range is all that matters and it will be clear as to what is happening.

We've Arrived at the First-Retest; Time to get to work (maybe)

We say maybe because it is a very important maybe. This is an example of a valid 4H buy-range; but that does not mean every valid range is taken and traded. Many traders do not understand this filtration process in trading because unfortunately they most likely suffer from over-trading. We seek valid footprints in order to study the reactions at their first-retests; and from those valid buy-ranges that we discover and identify, we then again have to filter these valid buy-ranges further down into valid buy-ranges in which valid signal confirmations have printed within the range.

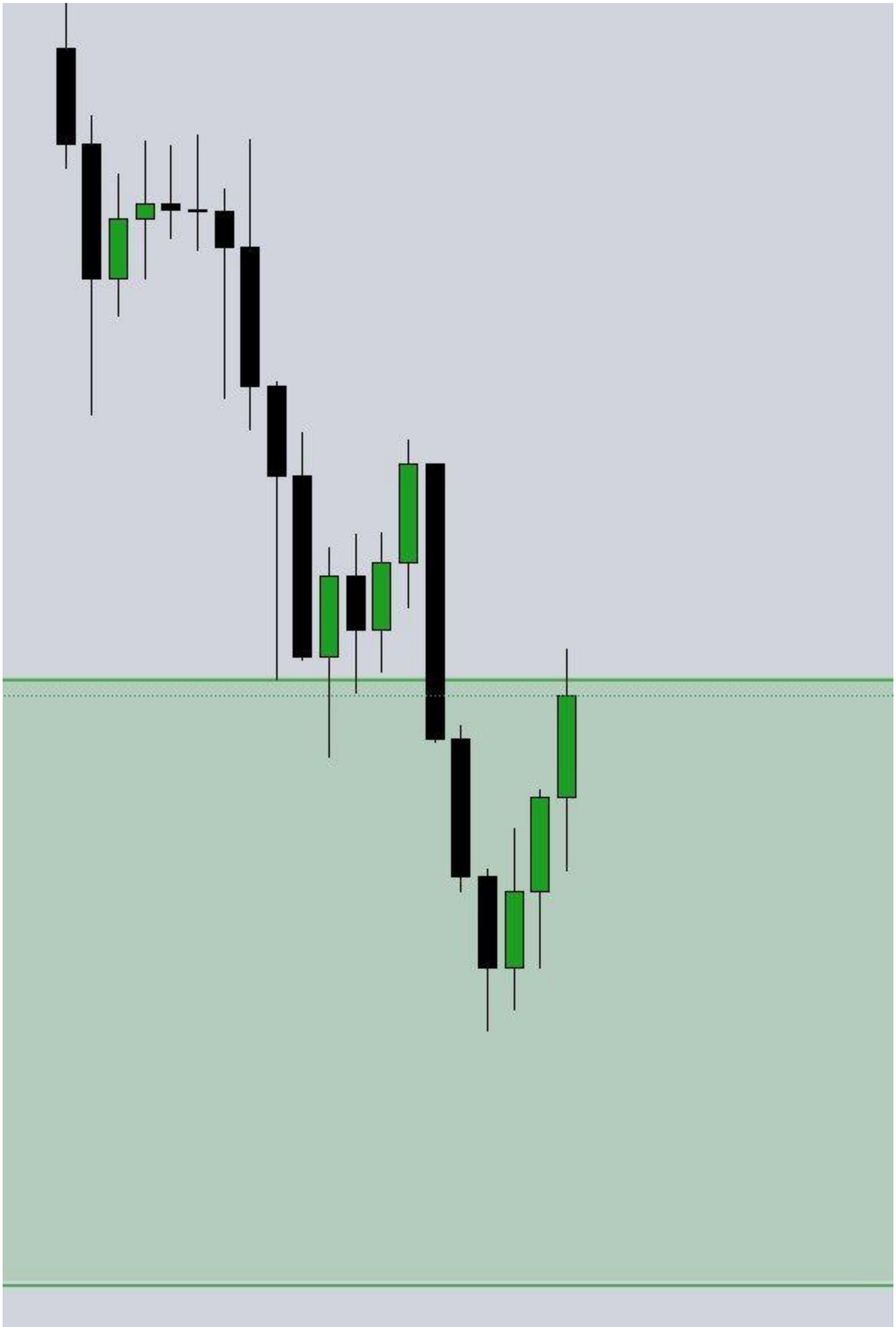
Remember; this strategy is for those seeking the **low-hanging fruits** on their one trading instrument. The majority of the time is spent validating a footprint and waiting for price to return to its origin. It takes great skill to be in the right place and at the right time; that is a trader's job.

Macro entry-signal or Micro entry-signal?

Let us study the reaction at the first-retest of this valid buy-range and look for both a valid macro-signal (a 4H candlestick confirmation) and a valid micro-signal (a 15m candlestick confirmation.

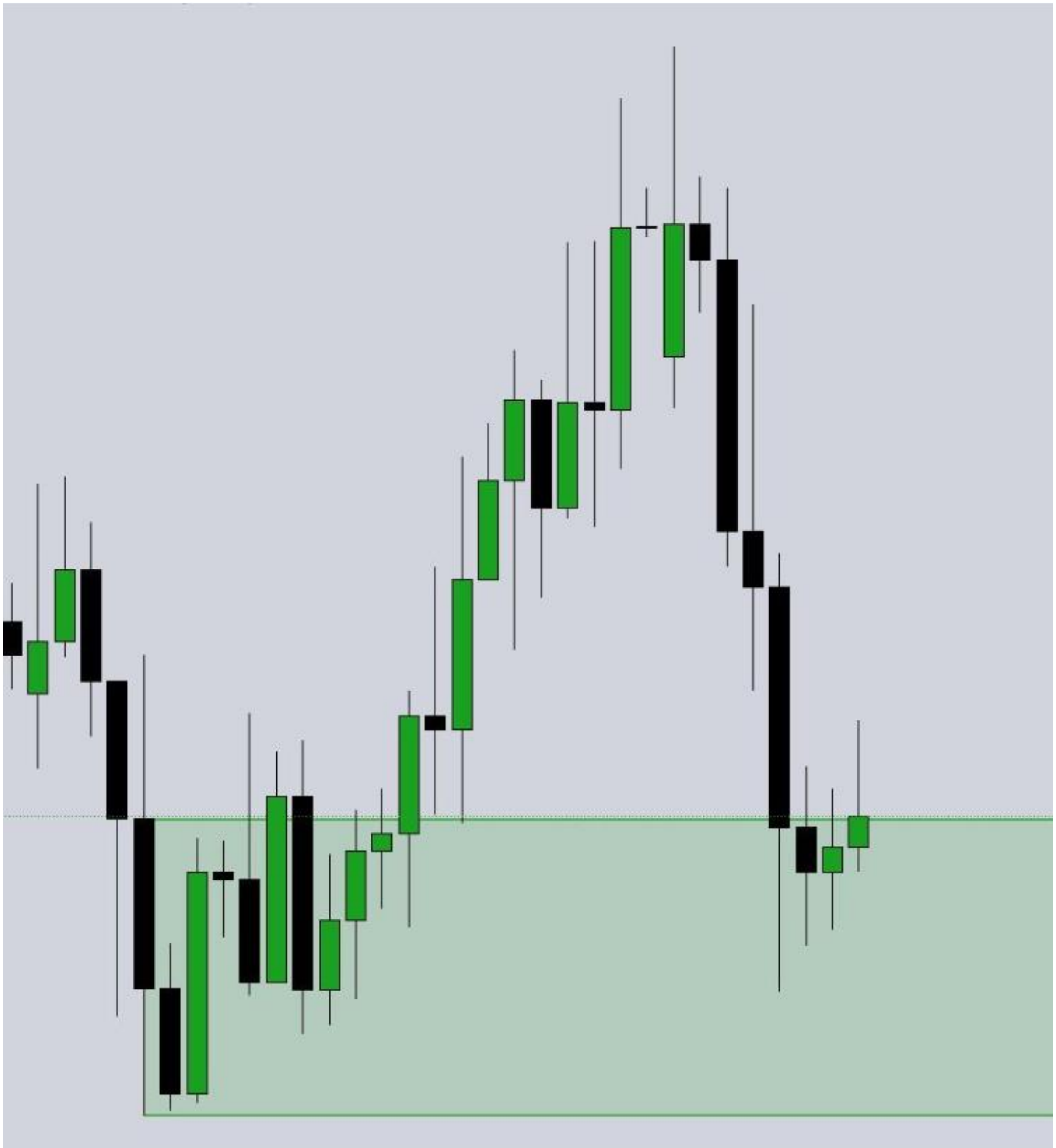
The initial price-dip into the zone. This is a tricky point and it is considered an early stages of the reaction at the zone. This is not the time to quickly execute out of fear of missing out. These are psychological concerns that we may address later.

This is a tense situation for many traders but it should not be. In trading, you are better off late rather than early. This is definitely not "late" and this is definitely considered "early". The 4H situation is a bearish candle that dips into the zone with a small reaction closing the candle with a slight wick. Notice that the 50% level was touched lightly for the first time. Let us take a look at the micro-situation; the 15m chart.



The 15min situation at this point; some could argue that a micro-engulfing pattern has printed.

It is not a bad idea at this time to wait for a few more macro candles to print so we can get a better idea as to what is the honest reaction at this buy-range.



The 4H does not look very exciting for the buyers; a couple indecision pinbars print and now a bearish pinbar has printed. Notice that liquidity is now building up below this newly created market low.

This is the 15min situation; a major thing to notice is that the liquidity building up below the newly formed low, happens to coincide with the deeper half, or better-deal half, of this price-range. This makes the likelihood of the attack of the liquidity and price-penetration into the deeper portion of the zone much more likely. Think about it as two-birds-one-stone scenario.

Even for those who took an early micro-entry signal (no macro-entry signal has printed yet), they have the opportunity to go risk-free in case the market properly penetrates the deeper half of the range. This is the risk of being early, and going risk-free sooner rather than later may be a better approach to early-top-half-of-range aggressive style of trading.

What does *TIME FOR ACTION* look like?

In the below image, this depicts the perfect time for a potentially great trading opportunity. The price is now in the deeper half of the range, and many retail participants are fearful of buying; this is one of many things that we look for. The retail confirmation is used to ensure that we do not buy high and sell low like many retail participants. If the average retail mind sees the buy-setup as very risky and scary, then we as BFI traders need to take into consideration that the buy-setup may be the proper thing to execute upon.

This image of the 4H chart screams OPPORTUNITY. Going onto your micro execution timeframe would not be a bad idea.

Let us take a look at this exact moment on the 15min chart:

The 15min chart also shows a great depiction of trading opportunity. Notice the valid micro signal that has printed; and notice that the fact that the engulfing patterns engulfs a bearish pinbar, makes the engulfing buy-signal much stronger.

A few more macro-candlesticks later, the macro entry signal confirmation prints for those macro-traders looking for a macro entry signal. This is a much more **conservative** approach, as most traders should focus on finding a valid micro-signal on their entry timeframe, that prints within a valid price-range on their macro-analysis timeframe. Leave the macro for range-identification and leave the micro for the more precise entry signal.

A valid entry opportunity presents itself on the macro-timeframe. A bearish pinbar that gets engulfed on the 4H macro timeframe is a very significant buy-signal.

The only thing that matters: will another footprint occur?

The price-range is either protected or it is not. We do not take it personal.

BFI's added and protected and created another footprint.

Did the trader react and position themselves safely and properly at the first-retest reaction that occurred? This is the question that matters and this is the question that only the trader's actions can answer. This is a game of reacting; at the right time and at the right places and in the right ways and with the right position sizing. It is a difficult skill to acquire but one worth having.

Conclusion

The are many valid BFI footprints that occur on all financial instruments across all markets. Price often returns to the origin of these footprints for a first-retest of the origin. There are various entry methods that can be applied to execute and enter into that

trade idea, at the right time. A valid micro-signal prints at a valid macro-zone? Welcome to your trading edge. Let us dig deeper into what happens post-click.

Consistency

This term "**consistency**" is thrown around often in the trading world. To us, it is a state of mind. In this chapter we will define this term and what it means to us as BFI traders looking for BFI trades. It is a mental threshold; not a physical one. It is a psychological threshold that takes many years to break through and into.

> A trader that repeatedly risks 10p to make 10p is a consistent **1:1** trader; but is that the *kind* of consistency that you seek?

Whenever we speak of **consistency**, we must speak of the term **efficiency** as well. A proper trader seeks an efficient form of consistency; one in which they minimize their risk and maximize their reward, with as little effort as possible. A **1:1 trader** needs three successful trade ideas to work out until completion, to equal one successful trade idea from a **1:3 trader**. In other words, there are different kinds of consistency and there are different levels of efficiency for each.

As we saw in the last section of Volume II, the Proper Pyramiding Process; we were able to turn a 1:3 trade into a 1:9 trade; using the same price-movement and target. This greatly increases the efficiency of your trading by making the winning trades many multiple times larger than any single losing trade idea. This is the only way proper trading works; when the trader consistently closes high risk-to-reward ratio setups and maintains and continues to minimize their losing trade ideas. It is very difficult to survive trading when most of the trading ideas consist of **1:1, 1:2, or 1:3** trading setups. If the next trade idea does not work out, and you take a couple valid re-entry signals, and they still fail, then that opens up the door to slave-labor; working for free. A minimum wage job would have been more profitable.

A state of mind

As stated earlier, consistency in trading is a state of mind; a confidence state of mind. This means the trader understands their potential; they understand what they are able to do and what they are not able to do. This rare level of extra self-awareness is what makes a great trader. They understand the market environment they are currently operating in. They understand the potential setup that is unfolding on their instrument and they have historical reference as to proper target placement. The monthly context is known and never leaves the mind. The weekly context and ranges are known and the situation on the 4H is also identified. The state of mind of consistency allows the trader to become automatic and effortless; because by now they have a proper process and set of rules of operation that very little is left to chance and indecision. Things are all pre-defined and pre-decided; this creates the confidence required to operate, and thus consistency becomes habitual.

Conclusion

There are many methods and paths to getting towards consistency and it will be different for each trader. All the chapters in this volume combined will help the trader understand and achieve this it. Do not get stuck over the term and those who focus on a proper trading process to implement will gain the confidence in their system and then they will discover consistency will occur automatically. A proper process and the proper profits take care of themselves.

Systems

There is no trading without systems; just like there is no driving without education and licensing. Unfortunately in the retail trading world there is no licensing. Although there does exist regulatory bodies within each country for certain financial industries, almost anybody can enter as there is no barrier to market; everyone's liquidity is welcome.

The unfortunate part is that most traders operate without any sort of system or systems. For many retail participants, trading is emotional and not systemized. In fact, random trading would have better results, because some entries are good and some are entries are bad. But when emotions come in and there is no system, the trader is likely to consistently make the wrong decision. It is almost as if beginner traders are skilled at doing the wrong thing in markets. Some strategies based off a simple coin-flip would be more profitable than many retail participants today.

Different kinds of systems

Trading Edge System

(tells you when an opportunity is present)

A valid micro-signal that prints at a valid macro-zone? A trading edge is present and that is the system that tells us when to become active.

Profit System

(tells you when and how to get paid)

Although one of the most basic profit systems is to close out an entire trade idea at one single target. But a profit system consists of a target price, and the amount the trading is willing to pocket if price arrives there.

Your Trading System / Edge

This entire guide is based on explaining the BFI trading edge; using only two simple confirmations or greenlights; a valid micro-signal printing at a valid macro-range. Those two are just enough to achieve a proper and scalable trading edge. While many retail participants are wired to predict an outcome, BFI traders must learn to be wired to react to first-retest price-ranges. We cannot predict which ranges will work and which will not; that is not your duty. The job is to execute when the trading edge presents itself, and across a series of ten or twenty trades conducted in the same way using the same system, you'll gain the favorable odds in your edge.

The acquisition of proper Risk-to-reward ratio trade ideas is a powerful trading process that is designed to take care of itself. The true concern in trading is not that the vehicle does not drive properly; but that the driver does not have the proper driving capabilities yet and usually hops on a financial instrument and drives it into a tree.

Of course there are many more confirmation methods a trader can include for their trading edge, but that is outside the scope of this simple guide. Some additional confirmations include using VOLUME; an confirming an area or origin of heavy-volume activity because most traders should not be active in low-volume trading environments. Larger volume and larger volatility are what proper traders desire. Order-flow volume of centralized currency futures that enter centralized exchanges can be read tick-by-tick, and that can be combined with the corresponding spot-FX currency pair for confirmation. The 6A (Australian Dollar)Futures contract on the CME provides order-flow data that can be combined with the spot-FX pair AUDUSD. Most traders are not ready yet for this additional confirmation and it is not necessary for success.

Your Profit System

Some trading systems have methods of getting paid that are very intricate and complex and we will leave all those aside for now. If you cannot manage to attain simplicity in your manual trading operations as a manual BFI trader, then there is no hope for moving further on and elevating to more advanced and more difficult levels.

Where?

a pre-defined <u>price-level</u>

This is just a price-level; a target price. There are many methods to finding an accurate target price.

How much?

a pre-defined <u>%-level</u>

We cannot allow the trade to arrive to its pre-defined target but then begin a stage of indecision as to "how much" of the trade idea to keep alive.

A BFI trader that enters at a certain price, and has pre-defined their target level, that plans to close the entire trade idea at that target level, has a valid profit system. Where? At this price level. How much? All of it. That is a system.

A BFI trader that sets a pre-defined target at which they will close half the trade idea and leave the remaining half to run to a further pre-defined target (T2), has a valid profit system.

A BFI trader that sets a higher timeframe swing target and decides to close 0% of their trade idea, and instead trails their stop-placement on a 4H chart, has a valid profit system.

There are many methods to finding the right profit system that fits your trading personality and also your trading pair and circumstances. Avoid entering into the markets without having a pre-defined target as to where it may be headed, because then that means the risk-to-reward ratio cannot be calculated if we cannot decide and depend on a reliable target. Do not leave things up to hope and prayer in the BFI markets. The yacht that sets sail without a destination tends to end up in the middle of nowhere.

Systems can be split into sub-systems. For example, your profit system can use a trailing aspect and that trailing-stop placement has its own system and settings. Some programs can be used to hide your stop placement; such as a program that is designed to take you out of a trading idea at a certain price, without the broker or the market having to know where that stop placement level is.

Routine

Trading is all about routine. The different chapters of this volume will help you to help yourself regarding the various different key elements required in this trading puzzle. We will put aside a routine for life, as that is a question better addressed to Dr. Phil. This is a trading guide and we must keep it strictly trading-related.

A trading routine

One Instrument

Every trader is different, but most BFI traders should be similar. Similar in the way they've structured a trading routine. That means they have **one trading pair** that they've been monitoring alone for years. This develops the ticker-sense required for seasoned traders to achieve an efficient form of consistency. The difference between a year one trader and year ten trader is their level and strength of ticker-sense regarding their one instrument.

Master one trading instrument before attempting to play the entire financial orchestra.

One Session

Another similarity is in the fact that each BFI trader has one very specific **trading session** that they are very familiar with. This is because each trading session is different based on the market participants available and transacting during that time-period.

Notice the timing of the typical trading day. Depending where you are in the world, Australian markets open in Sydney followed by Japan which call the Asian session. Towards the end of the Asian session, the London markets open and the London session begins. This is where the majority of the currency volume throughout the world is transacted; in the London session. Towards the middle of the London session, New York opens and we begin the New York session. A few hours after New York markets open, London markets to begin to close. This leads us to what we believe is the best trading session;

the London-NY overlap, when both London banks and NY banks are open for business.

Do not complicate this idea of your certain trading session. Obviously the best trading session is when most of the major banks are open for business, and the worst trading session is when most of the major banks are closed for business. Your lifestyle and daily schedule do not leave much room for options regarding which session to be active in.

Master one trading session before attempting to trade multiple trading sessions.

Fit your trading session into your daily lifestyle; do not fit your daily lifestyle into trading. A one or two hour session is more than enough per trading day; not every day is a trading day, and not every week is a trading week.

One Fixed Lot Size

This is a debatable topic, but unfortunately we do not have the time to debate it. Your position size is the most important thing in trading; more important than your entry price. Proper calculation of a position size is outside the scope of this course, but what we can tell you is that position sizing a slow and steady journey of mental-growth and expansion, alongside your analytical skills. A standard lot is 1.00, and a mini lot is 0.10, and a micro lot is 0.01. A proper trader understands that they need to catch simple and basic A to B price movements using a simple micro-lot before they can imagine catching the same price movements using mini-lots or standard-lots. The volume of the position-sizing is dependent on your trading skill-level. Your duty is to use a position size large enough where any winning ideas are meaningful, but small enough so that the losing ideas are not bothersome and the calm clarity of vision is maintained.

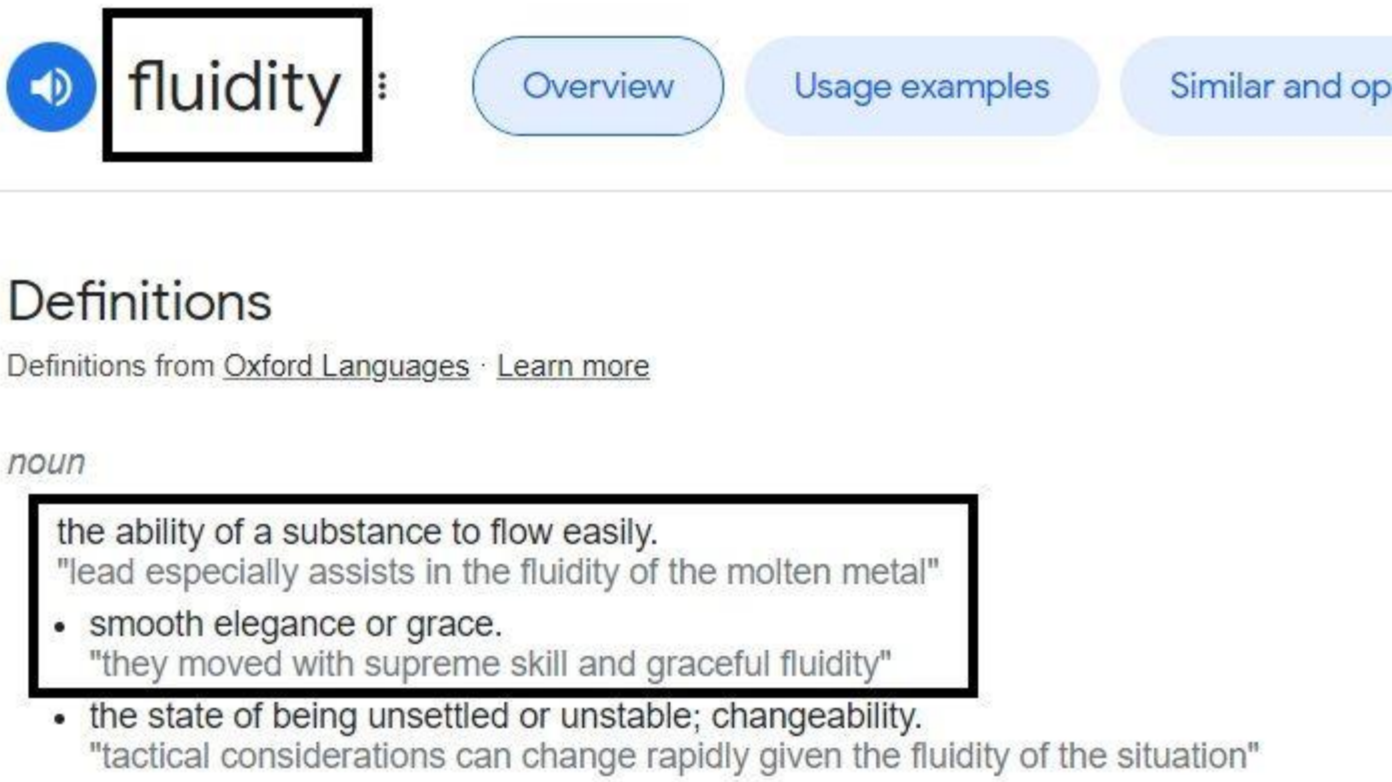
The position sizing volume is related to the skill-level; it is likened to a muscle and dropping a few hundred pounds of weight on a beginner can crush them like a pancake.

Proper position-sizing is like walking a tightrope, and the larger the position size, the more delicate and professional it must be handled.

It helps if the BFI trader has a pre-defined lot size that they are comfortable with alongside which they are familiar with its up-and-down fluctuations. We hope your lot size grows steadily as your balance grows steadily, and your comfort level maintains constant and not emotionally volatile alongside it all.

The Fluid State of Mind

What is a fluid state of mind when it comes down to trading?



The rarest species on the planet is a fluid trader. Fluidity is a requirement for proper trading; meaning it is impossible to succeed without it. Defined above as "the ability of a substance to flow easily"; the substance is the trader, and flowing with ease will take many years. It is one thing to trade in flow, but it is something else to **easily** trade in and out of flow.

Unfortunately, we are not able to stay in flow eight hours per day and five days per week. Think of it as the Olympics, and all the training you've done is to extract peak performance from yourself for only a short period of time. Short periods of intense effort, using the operating system the trader has clearly laid out for their trading session. A few hours a day at the right time, using a system that helps you to "**know what you're looking for**"(valid first retests). This entire program is devoted to helping the trader understand exactly what it is they should be looking for on their trading instrument, followed with methods for entering the opportunity after what they have been looking for prints on their screens.

Be **rigid** in your **methodology**, but **fluid** in your **approach**.

Know your rules and your approach. Know your methodology. Know your trading boundaries. Define for yourself a trading loss limit, whether it be in percentage or in fixed dollar amount.

Five losses in a row? Maybe call it a **day**.
Ten losses in a row? Maybe call it a **week**.

As we say, creating and designing trading rules is fun and exciting; learning to **follow** them is **not**. It takes many years for a trader to see what works for themselves through trial and error. Sure, they can copy, but they need to believe in what they are doing before they can be able to apply it effortlessly and thus enter the trading flow state. The trader must believe, from the bottom of their hearts, that their rules and boundaries and limits are there to protect them and they actually enjoy following them.

Remember, we try to focus on rules and boundaries to protect us from the downside. The professional trader understands that if they worry about protecting the downside, the upside will take care of itself. The trader must first learn the basics of capital preservation before they can dream about capital growth. Keep the losses under control; **learn to hate them**, by not multiplying them and keeping them small and controlled; and **learn to respect them**, because they are a cost of doing business. It is a very delicate relationship and it must be mentioned here when discussing fluidity.

Fluidity only occurs when everything else is aligned and calm. It occurs when you've been doing something for years; such as driving or riding a bike. Compare the effort required in your first trade in your first year to the effort required to a trade taken in your second year, or fifth year, or tenth year? Eventually, practically effortless, if the trader can survive the gruesome learning curve and overcome the psychological threshold into trading consistency.

The Science behind Fluidity

Patrick Gannon, PhD is a Clinical and Performance Psychologist in San Francisco;
the following are notes based on his work on great musicians.

What is happening in the minds and bodies of [elite traders] when they [trade] their best? Are peak performance and flow simply subjective perceptions of performance excellence? Or are they distinct mental states, a defined set of optimal behaviors, a heightened sense of self-confidence, or some ***trick*** of human nature?

Despite the confusion, we do have language to describe these experiences—being in the zone, in rhythm, in a groove, playing unconscious, even the so-called runner's high. For starters, peak performance refers to optimal physical behaviors while psychologists define flow as a mental state. It is both mental and physical because they feel calm, alert, focused, challenged, but confident, fully present in the moment, and supremely engaged in the task.

If only we could bottle it.

The Flow State

Research findings have identified three markers that reveal how and when flow occurs: alpha/theta brain waves, brain coherence, and deactivation of the dorso-lateral, pre-frontal cortex (DLPFC).

First, the flow state is located at the crossover point between alpha and theta brain waves (eight Hz and below). As brain activity slows from the relaxing alpha state into the hypnagogic theta wave (below eight Hz), the neural network becomes highly attuned. At the same time, super fast (40-100 Hz) gamma waves, triggered by theta, go into action. Gamma waves connect information drawn from various parts of the brain that are involved in music making, allowing skill learning, procedural memory, and self-expression to settle into rhythm.

Secondly, synchronization between the left and right hemispheres or brain coherence is another marker for flow. Both hemispheres must be working complementarily to integrate artistic expression and technical skills. Cardio exercise, meditation, and yoga along with brain-based clinical techniques, like eye movement desensitization and reprocessing (EMDR), all promote brain coherence through bi-lateral stimulation.

Enhancing Flow

Finally, a temporary brain state called transient hypofrontality has been identified that enhances flow by lowering the activation of the DLPFC. This part of the brain holds our inner critic, that voice of doubt that can trigger cognitive anxiety. Cardio exercise redirects blood flow away from the DLPFC to the motor parts of the brain, enabling a more embodied focus without interference from self-consciousness, distraction, or negative thinking.

These findings can be applied to mental skill training that has been the hallmark of sport psychology over the last 50 years. The six key skills are relaxation, imagery, goal setting, self-talk, concentration, and pre-performance routines.

1) Relaxation is the first key because performance anxiety usually inhibits peak performance. Anxiety and physiological arousal must be regulated before peak performance and flow can occur. Exercise is a basic treatment for all types of anxiety. Daily meditation over a minimum of eight weeks reduces both state and trait anxiety by lowering the resting heart rate and enhancing brain plasticity.

2) Imagery engages the power of the senses, especially visualization, to mentally depict what peak performance should look and feel like. Cardio imagery and rehearsal is a new technique that combines mental rehearsal with moderate cardio exercise (120-140 heart rate, using an elliptical trainer or stationary bike) to prime learning and reinforce process goals. Mental rehearsal is effective because mirror neurons activate various muscle groups via the peripheral nervous system in the same way as with physical practice.

3) Goal setting is a motivational tool for directing one's efforts toward optimal learning. Goal setting supports deliberate practice that encourages musicians to concentrate their efforts on their most challenging repertoire. Exercising in the morning before practice, while mentally focusing on what needs work, helps identify practice goals and primes the brain for learning later on.

4) Self-talk reveals the psychological relationship between the person and the performer, such as having a positive outlook and being mentally tough when under stress. Research shows that positive thoughts and feelings promote creativity whereas negative emotions stimulate critical thinking that can lead to self-consciousness. Not surprisingly, a positive mental attitude is a key component of flow.

5) Concentration emphasizes attention skills and mental discipline to focus on the challenges involved in music performance. The mind must be fully engaged in the moment, free of distractions, and immersed in the task. Quite simply, the best way to build focusing skills is to learn to live in the moment. Not so easy, as many of us have found out!

6) Pre-performance routines allow musicians to find that groove that activates a positive performance mindset. The key tools are breathing and centering exercises, locking into one's optimal zone of activation and converting pre-performance jitters into excitement.

Conclusion

Fluidity requires discovering many different pieces of the trading puzzle and putting them all together harmoniously. This process must occur over a period of years, not months. Year 1 traders are very early and fluidity is far off just like the first stages of learning to drive are full of hassle and effort. As the years go by, and the mistakes are made and lessons are applied, the traders approach and methodology becomes more a part of their individual trading mindset and personality.

The realization of the importance of detachment from outcomes sets in and the trader starts to predict less and react more. More proper trading, and less thinking. Alignment with their instrument and becoming in-tune with the market movements, all combined with proper risk management techniques, and the trader may start to taste trading fluidity. Do not think about it too much; or it disappears. Focus on your proper trading process implemented on your instrument and over the years fluidity will visit you without you telling it.

Final Words

What is the most important part of trading success?

Gratitude.

The proper trader needs to learn to be grateful for the wins; that part is easy. The trader also needs to learn to be grateful for the losing streaks as well. There is a lesson in all things that happen, and the trader must exhibit humility and extract the lesson from the circumstance is a big differentiating factor. Obviously this is extremely difficult, especially in the early non-profitable stages of the traders career during which they conduct their period of charitable contributions to the markets. Do not become one of the many trading corpses that gave in to defeat at the last minute. It is a very expensive skill to learn, both financially and emotionally, but if the trader can learn to get past themselves and compare figuring out this "trading" thing like learning to drive or ride a bicycle. Proper trading is much more complicated and will take many years, but the question to ask is whether acquiring this skill is worth the effort.