Setup: Clean Double Close

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Outline

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Disclaimer

Neither this presentation, nor anything on my Twitter, Telegram, or any other medium/mode of communication, including private correspondence, constitute financial advice.

I am not a financial advisor and hold no formal qualifications in this area.

Trade entirely at your own risk.

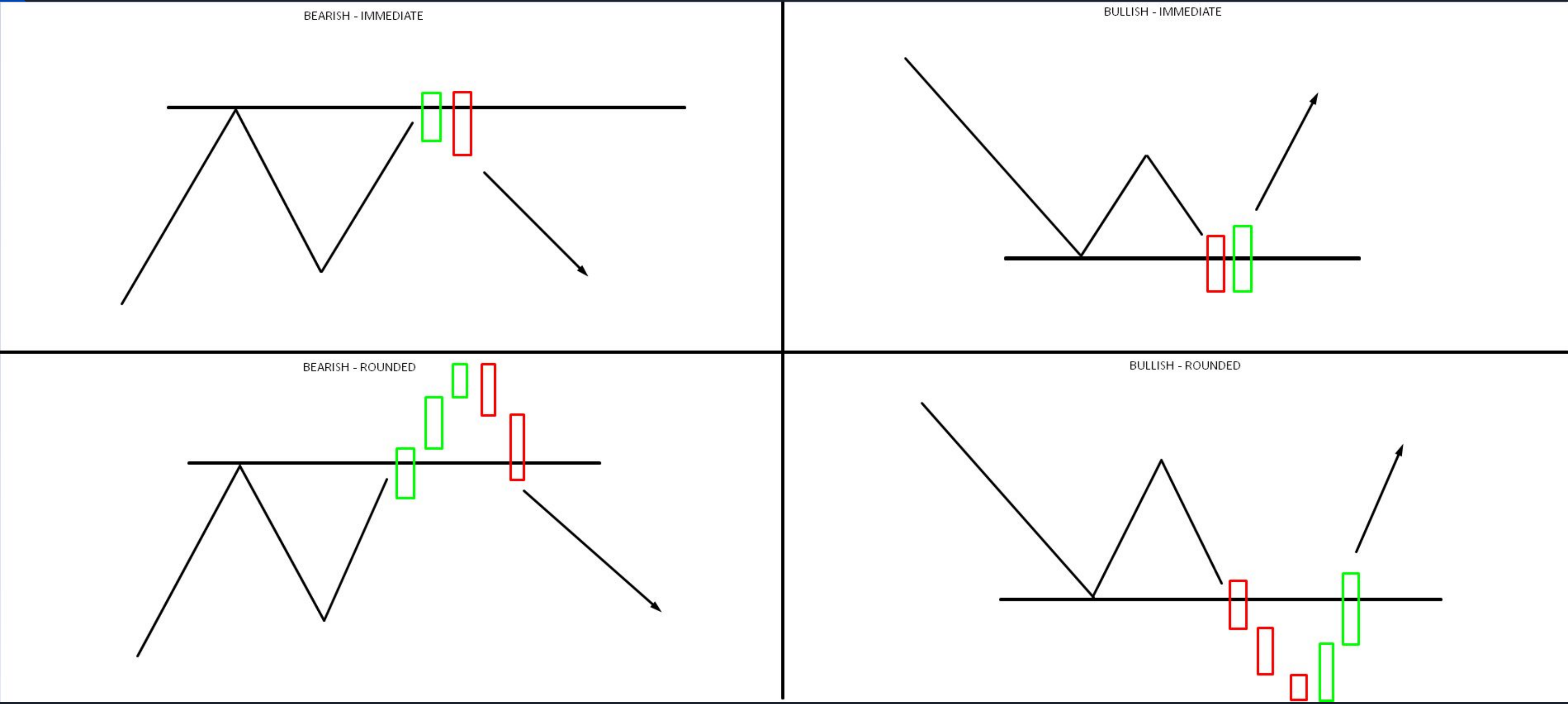
This is for entertainment purposes only.

General Remarks

- This video assumes basic working knowledge → watch Order Flow, Horizontal S/R, and Entry Triggers videos before this one
- Not reinventing the wheel → this is a support/resistance setup at its core
- Premise: Over-Under/Quasimodo/Reclaim/Deviation setups follow the same broad logic i.e. S/R flip failure
- Clean Double Close is simply how I personally trade that type of structure
  - A variation of that same logic that has provided me with stricter rules and better results
- How I came across it:
  - Levels that I thought were washed still worked well, just without me
  - Looking at my S/R flip losing trades and trying to find a way to make money in the other direction
- As with anything: context matters and no price pattern (or any pattern) will provide anything near a perfect strike rate
  - Backtest, forward test, journal, refine, and so on

Structure

- Bullish Clean Double Close:
  - Support level forms
  - Price closes below the level
  - When price next trades to the level, it closes above it <u>impulsively</u>
  - Crucially: there must be no touches/retests in between
- Bearish Clean Double Close
  - Resistance level forms
  - Price closes above the level
  - When price next trades to the level, it closes below it <u>impulsively</u>
  - Crucially: there must be no touches/retests in between
- Immediate vs Rounded
  - Immediate: price closes back below resistance/above support in the next candle*
  - Rounded: price runs away having broken the level but fails on the eventual retest of the level


BEARISH - IMMEDIATE
BULLISH - IMMEDIATE
BEARISH - ROUNDED
BULLISH - ROUNDED

Structure II

- The level must be cleanly broken both ways but <u>especially on the second break i.e. the trap</u>
  - Minimum requirement: candle close itself
  - Ideal: impulsive/clean break → no questions asked
- There must be <u>no retest/wick/interaction</u> of any kind between break 1 and break 2
  - Simple: break one way then break back
  - While other setups may accommodate for retests/wicks/chop at the level before it is regained, this specific setup does not
    - Makes it a lot easier to identify, trade, and track
    - Removes a bunch of discretion (examples to follow)
- Is one variant better than the other?
  - Not decisively* + context matters
  - Immediate = more of a false break of a level style setup
  - Rounded = more of a S/R flip failure style setup
  - Usual stuff: try it, test it, and apply it to the markets you trade

Time Frames

- Higher time frames are superior, especially daily charts
- Daily chart will also show you those trapped by the intraday price action/those currently offside
- Higher time frames = more market participants see it and get involved at the level = more positions trapped should the level fail = more violent move when it unwinds
- Still works on intraday time frames, especially really clear levels
- Recommended: D1, H4
    - H1 and M15 if very clear

Stop Placement

- Option 1: thrust candle stop
  - If bullish: stop below the candle that broke the level the second time
  - If bearish: stop above the candle that broke the level the second time
  - Reasonably aggressive, can sometimes be too tight if the candle that broke the level isn’t particularly big
    - If so, move a couple of candles back
  - Works best with a big (and ideally engulfing) candle
- Option 2: furthermost deviation
  - If bullish: lowest low made before the level was broken again
  - If bearish: highest high made before the level was broken again
  - Conservative, but won’t always give actionable R:R e.g. with rounded retests that made a lot of space
- Whichever you employ: make sure your stop doesn’t land at an S/R level → always check!
- Context will usually dictate which is more appropriate

Entry Triggers

- I <u>urge</u> you to watch my video on this topic beforehand
- Option 1: market order on candle close through the level
    - Clear trigger but some discretion as to whether the break is impulsive enough
    - Aggressive
    - Can be inactionable in terms of R:R if price closed too far from the level
- Option 2: limit order at the broken level once candle has closed through it
    - Clearest trigger
    - Conservative
    - Can assess in advance whether the setup is actionable or not
    - Risk of not being filled/price not pulling back
        - This is normal in trading
- Option 3: market order at the broken level once price retests it following the break
    - Most discretionary trigger
    - If your trading style deals well with reactions at a level, you'll probably do this anyway
    - Harder to track

Probability Enhancers

- Good level selection
  - Clear, high time frame, violent and significant levels perform better than random highs/lows
  - It's a broad church: multi-touch levels, single swings, inverse levels, range highs/lows, etc.
- Second break/break back through the level should be strong and fast
  - Stronger/faster break = less time for those offside to mitigate = more traders trapped
  - Ideally some sort of engulfing candle
- First/false break spikes into liquidity
  - E.g. Swissie example
  - Provides a factor of confluence that the first move was a trap
- Trend considerations
  - In an uptrend, bullish CDC setups are more likely to form and are higher probability
    - With the aim of bringing in shorts for long liquidity → upside continuation
  - In a downtrend, bearish CDC setups are more likely to form and are higher probability
    - With the aim of bringing in longs for short liquidity → downside continuation

Conclusion

- When it comes to <u>any</u> setup, my suggestion is that you forget the special name it gets and focus more on the logic that it employs
  - From there you can study, reverse engineer, refine, et cetera
- As mentioned: this is how I’ve had the most success trading price action where (essentially) an S/R flip has failed → no wizardry here
- As with most discretionary technical trading tools: setups will work best in the appropriate context and where the structure is exceedingly clear
  - If you have to really look for it, it’s probably not there
- Nothing will work all the time → look to find something that makes sense to you, stands out on a chart, occurs frequently enough to trade in the markets you trade, and bears a positive expectancy in your robust testing

Cheers!

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