ISONG LEONARD

Trade to Gain Financial Freedom

My trading day

1. Read my ''Before trading checklist'' and make sure I know every single point of it!
2. Check out News Calendar and mark if there are any red news.
3. Start analyzing. Delete every analyzed pair and do it again so that a story will be built. Be much focused and adhere to all the criteria!
4. Wait very patiently for the price to develop. I trade around NY open **(1:00pm)**, so relax until then! **NO rush needed**!

Trading System

- Weekly key levels, support and resistance. Mark any week support/resistance levels and see if there is a reaction. Follow the weekly candles and get to know what is about to potentially happen.

- Step down to D1, where the analysis begins:
    1. Plot Trendlines (from wick to wick). After every touch we must see a rally in order for the TL to be correct.
    2. What is the D1 trend? HLs or LHs? Determine the overall bias. What do we expect now? A new HH or LL – On the D1! **Always keep in mind the D1 trend!**
    3. Candlestick formations. What are the D1 candle telling us? We look for formations like Evening/Morning star, 3 pin pattern (last wick making a LH/HL), Spinning tops, Dojis and Inside Bars. If there is a formation available, mark the 1st candle High and Low and let it be a 4H key intraday level. Enter at the highest or lowest wick!
        (a) Remember, it's more important Where it is, than What it is!
        (b) Candle formation have 85% win-rate on D1 and 75% on 4H.
        (c) 2 candle formation (2 spinning tops, spinning top and doji, inside bar, engulfing) have the highest probability! They can mark the end or beginning of a major low/high.
    4. D1 Fibonacci. If there are clear swings, plot fibs. The more they align with levels, the better. Mark long-term extensions (50%, 61.8%, 78.6%).
    5. **Mark and wait for the D1 levels to get reached!** They are the most powerful ones and higher probability! Price Action on D1 will always rule! Round numbers as well!

Thing to check before enter a position

- Liquidity zones
    1. I must identify zones where price rejects violently with wicks and has been respecting them in the past. Zones and levels where price supports, resists and rallies from.
    2. Price tapping into a LQZ reacts immediately! Usually forming huge rejection wicks and starting to flush with momentum! Those are safe entries! If price, though, moves steadily and continues – we may not be in a LQZ!

- Divergence
    1. **Bullish Divergence**: Occurs when the price makes lower lows but the RSI makes higher lows, signaling weakening selling pressure and a potential bullish reversal.
    2. **Bearish Divergence**: Occurs when the price makes higher highs but the RSI makes lower highs, signaling weakening buying pressure and a potential bearish reversal.

Support & Resistance

1. In trending markets, new S&R are formed at Swing points (Lower Low or Higher High).
2. It has to have at least 2 bounces, which have space on the left. (most often for channels).
3. They are price zones! Draw them with rectangles, from the lowest to the highest point + wicks.
4. For Supply and Demandzones (where banks enter), pay more attention to the way the price leaves the zone, if the market leaves the area quickly, this is an indication that banks and institutions are there.
5. Use Fibonacci levels for potential S&R.
6. Draw Trendlines, mark the S&R levels and expect the impulsive wave.
7. Always do Top-Down analysis. Start from Weekly =>1D => 4H =>1H => 15M Timeframe, but the significance is decreasing!

- 4H Timeframe is my key! D1 and 4H must line up for the best setups!
- Take only the best visible setups with clear breaks (retest!) I will take less trades, but let them be clear with evidence and confirmation!
    1. How is the price moving? What is the most recent price action? HLs or LHs? If price is moving with huge momentum and I want to enter on the opposite of it – **NO TRADE!** ***And avoid weak price action!***
    2. In what formation are we?
    3. For trend continuation, we can use Fibs for potential LHs or HLs and extensions for targets.

- Support/Resistance and D1 Highs and lows. Always check them before trading session!
    1. The open of London will usually test the previous D1 levels, so watch carefully for a break or hold.
    2. Use the D1 Highs/Lows tool. It's so good to see price bouncing from it! Always make sure that the trade I am about to take is with the trend though!

- Breakeven Rule.Secure at 50% of TP or at management level (potential zone). For swings, allot price to breathe, but for day trades and scalps – make sure to secure ASAP!

Supply and Demand Zones

- Demand Zones: An area where buying pressure is strong, causing the price to rally.
    - Typically the last undecided candle before a sharp moves up.
    - For a valid demand zone, there must be imbalance in front of it
- Supply Zones: An area where selling pressure is strong, causing the price to drop.
    - Typically the last undecided candle before a sharp moves down.
    - For a valid demand zone, there must be imbalance in front of it
- Wait for price to approach the **supply or demand zone**
- Set buy limit for demand zones and sell limit for supply zones
- Stop loss under the next point of structure
- Take profit in the next zone

Continuation Chart patterns

- **Flags(Bullish/Bearish):** Flags appear after a sharp move, followed by a small consolidation period resembling a flagpole.
    - **Bullish Flag**: Occurs in an uptrend. A strong upward move (flagpole) is followed by a slight downward consolidation (flag).

- **Bearish Flag**: Occurs in a downtrend. A sharp downward move followed by a slight upward consolidation.
- Wait for a breakout from the consolidation range.
- Enter the trade when the price breaks above (bullish) or below (bearish) the flag pattern.
- Place a stop loss below the recent low (bullish) or above the recent high (bearish).

- **Rectangles(**Consolidation): The rectangle pattern forms when the price moves between horizontal support and resistance levels, indicating indecision in the market.
    - Identify the horizontal support and resistance levels.
    - Enter on a breakout above resistance (bullish) or breakdown below support (bearish).
- **Triangles(ascending**, **descending**, and **symmetrical)**:
    - **Ascending Triangle**: Higher lows with a horizontal resistance level, typically bullish.
    - **Descending Triangle**: Lower highs with horizontal support, typically bearish.
    - **Symmetrical Triangle**: Both lower highs and higher lows, indicating consolidation and often a continuation pattern.
    - Enter on a breakout that follows the trend.

Reversal Chart patterns

- **Head & Shoulders** (H&S): The classic **Head & Shoulders** is a bearish reversal pattern, while the **Inverse Head & Shoulders** is bullish.
    - For **H&S**, enter short when the price breaks below the "neckline" (a support level connecting the two shoulders).
    - For **Inverse H&S**, enter long when the price breaks above the neckline.
    - Stop loss: Above the right shoulder (H&S) or below the right shoulder (Inverse H&S).

- **Double Top:** A **Double Top** forms after an uptrend and signals a reversal when the price fails to break a previous high, forming two peaks.
    - Enter a short position when the price breaks below the "neckline" (support level between the two tops).
- **Double Bottom**: A **Double Bottom** forms after a downtrend and signals a bullish reversal when the price fails to break a previous low, forming two troughs.
    - Enter long when the price breaks above the neckline (resistance between the two bottoms).
    - Look for **bullish divergence** during the formation of the second bottom.

Order Blocks with Imbalance

1. **Understanding Order Blocks**:

- **Order Blocks** represent areas where institutions or large market participants have accumulated large buy or sell orders, leading to significant price moves.
- **Bullish Order Block**: The last **bearish candle** before a strong bullish move.
- **Bearish Order Block**: The last **bullish candle** before a strong bearish move.

These zones often act as support or resistance when revisited because institutional players may want to rebalance their positions at the same price levels.

2. **Understanding Imbalance (Fair Value Gaps)**:
    - Imbalance (also known as **Fair Value Gap**, **FVG**, or **liquidity void**) refers to areas in the market where there was a swift price movement, and orders were not efficiently filled. This happens when price moves too quickly, leaving unfilled buy or sell orders behind.

- **Imbalance Zones**: These are regions between candles where price movement leaves a "gap" or inefficiency, often between a **high** and a **low** of consecutive candles

3. <u>**Understand Liquidity & Liquidity Pools**</u>:
    - **Liquidity Pools** are areas where stop-loss orders, pending orders, and take-profit orders are often placed. These are typically found above significant highs (for shorts) or below significant lows (for longs).

    How to Use Liquidity:

- **Fake Breakouts**: Look for price to sweep above or below liquidity zones (e.g., above a swing high or below a swing low). After the liquidity is grabbed, price often reverses quickly, providing a good entry point.
- **Liquidity Hunts**: Institutions use liquidity pools to fill their large orders. They push the price to these levels to trigger stop-losses, collect liquidity, and then reverse the market.

4. <u>**Combining Order Blocks with Imbalance**</u>:
    To trade order blocks with imbalances, you need to:

i. <u>Identify the Order Block:</u>
    - Bullish Order Block: The last bearish candle before a strong upward price move.
    - Bearish Order Block: The last bullish candle before a strong downward price move.

ii. <u>Look for Imbalance within or near the Order Block:</u>
    - Imbalance Zone: A rapid price movement (usually 3 consecutive candles) that leaves a gap or thinly traded region.
    - The imbalance should ideally align with or be close to the order block. This adds extra confluence that the price is likely to revisit the zone.

5. <u>**Trading the Pullback to the Order Block & Imbalance**</u>:

    Once you've identified an order block with an imbalance, the key is waiting for price to **pull back** into that zone. The price will often return to fill the imbalance and tap into the order block, allowing institutions to fill their remaining positions before continuing in the prevailing trend.

Steps for Trading:

1. **Identify Market Structure**:

    - Determine if the market is in an **uptrend** (higher highs and higher lows) or a **downtrend** (lower highs and lower lows).
    - If the trend is up, look for **bullish order blocks**; if the trend is down, look for **bearish order blocks**.

2. **Mark the Order Block and Imbalance**:
    - On the chart, highlight the **last bearish candle** before the move in a bullish scenario (bullish order block), or the **last bullish candle** in a bearish scenario (bearish order block).
    - Identify any **imbalances** or **FVGs** (Fair Value Gaps) near or within the order block.
3. **Wait for Price to Retrace**:
    - Once price moves away from the order block, wait for it to pull back into the zone. The pullback often occurs to fill the imbalance and tap into the order block, where institutional orders might still be resting.
4. **Check Liquidity**:

- Confirm that the price swept a **liquidity pool** before retracing to the order block. This gives further confidence that large players are in control.

5. **Confirm Entry**:
    - Use additional confirmation with candlestick patterns, RSI divergence when price taps into the order block and fills the imbalance. Look for:
        - **Bullish engulfing** or **hammer** candles in bullish scenarios.
        - **Bearish engulfing** or **shooting star** candles in bearish scenarios.
6. **Set Stop Loss**:
    - Place your stop loss just below the **bullish order block** (in an uptrend) or above the **bearish order block** (in a downtrend).
    - The stop loss should be tight, placed around the high/low of the order block candle, to minimize risk.

Key Tips for Success:

- **Confluence is Key**: The more factors align (order block, imbalance, trend, market structure), the higher the probability of a successful trade.
- **Liquidity Pools** are often targeted by large players. Use these levels to anticipate where price might move to collect liquidity before reversing.
- **Use Higher Timeframes**: Order blocks are often more reliable on higher timeframes (e.g., 1H, 4H, daily). Smaller timeframes can offer entries but may present more noise.
- **Monitor Market Structure**: Ensure the trade aligns with the overall trend. Trading order blocks against the trend without strong confirmation is riskier.
- **Be Patient**: Wait for price to return to the order block and imbalance zone. Avoid jumping in prematurely.

Important Notes

- **NO TRADES** on Monday!
- We need **three(3) confirmations** to enter a trade
- When feeling impatient and pumped – **DO NOT TRADE**! When I feel a rush to trade, just close the laptop! Trades must be planned, expected and with nice entry and TP!
- I am not obliged to enter trades every day. Enter only when I am sure and it's a **''Yes''** trade!
- Rules + Discipline + Patience = Success. Just follow the plan and execute when opportunity arises! It's so simple! It's about those huge winning days that will cover all the small losses!
- **Always take the profits when there are**! If new equity high or 3 and 4R – **TAKE IT!** Don't turn into a greedy pig!
- **Stay out** on major news like the interest rate decision and bank statements. Huge volatility and very risky! Wait for news to settle and trade afterwards!
- **NEVER** close a trade when the price is still at the SL range or hasn't reach a Breakeven level. Trust the analysis.
- **DO NOT** trade if all the entry criteria have not been meet
- **Less is more!** Don't rush to find an entry every single morning. Know when to stay away. Market tends to enter indecisive stages, so learn to recognize them!
- **DO NOT** make the mistake of entering numerous trades per week! Focus on making it as profitable as the previous one!

Money Management Plan

- I will be risking 2.5% of my account per trade.
- My maximum loss per week should be 6%.
- I target **3R or 4R** per trade

If my first target is to achieve 6 figures:

- 10% per week with 10k = 4000 $ per month = 48 000 $ per year = 2 years.

→ Things will not always work like this, but always remember the plan! There will be losing weeks, months and even years!

Always think long-term. Trade like I trade with 1 million! Be a professional, not a gambler!

It's not about how much you make, but how much you lose!

Entries

Candlestick Formations and Rules

1. Bullish/Bearish Engulf
    - **Bullish Engulfing at Support**: After a retest of a support level or Fibonacci retracement level (e.g., 61.8% level), a bullish engulfing candle indicates that buyers have reclaimed control. This can be a strong signal to enter a long position.
    - **Bearish Engulfing at Resistance**: After the price retests a resistance level or Fibonacci level, a bearish engulfing candle signals that sellers are gaining strength. Enter a short position.
    - In **reversal patterns** like a **Double Bottom** or **Inverse Head & Shoulders**, a **bullish engulfing** candle at the support or neckline can confirm the reversal.
2. Hammer(bullish) /Shooting star(bearish)
    - **Hammer**: A bullish reversal candle with a small body and long lower wick, indicating strong buying pressure after a sell-off.
    - **Shooting Star**: A bearish reversal candle with a small body and long upper wick, indicating selling pressure after a rally.
    - **Hammer at Support**: When price retests a broken support-turned-resistance or Fibonacci retracement level, a hammer indicates rejection of lower prices and a potential bullish reversal.
    - **Shooting Star at Resistance**: After price retests a resistance level or Fibonacci level (e.g., 78.6% retracement), a shooting star signals strong rejection from sellers. This can be an ideal entry for a short trade.
3. Morning/Evening Stars
    - **Morning Star**: A bullish reversal pattern formed by three candles: a bearish candle, followed by a small indecision candle, and a strong bullish candle.
    - **Evening Star**: A bearish reversal pattern consisting of a bullish candle, followed by an indecision candle, and a strong bearish candle.
    - **Morning Star at Support**: After price retests a key support level or Fibonacci retracement, a morning star pattern shows a shift from sellers to buyers. This is an excellent signal to enter a long trade.
    - **Evening Star at Resistance**: When price retests a resistance level, an evening star signals the exhaustion of buying momentum and the start of a reversal to the downside. Use this as an entry signal for a short trade.
4. Tweezer tops and bottoms
    - **Tweezer Tops**: A bearish reversal pattern where two candles (typically with long wicks) have equal highs, signaling a rejection at a resistance level.
    - **Tweezer Bottoms**: A bullish reversal pattern where two candles have equal lows, indicating rejection at a support level.
    - **Tweezer Bottoms at Support**: After price retests a broken resistance-turned-support or Fibonacci level, tweezer bottoms show buyers rejecting lower prices. This is a strong signal to go long.
    - **Tweezer Tops at Resistance**: When price retests a resistance level or Fibonacci level (e.g., 50% or 61.8% retracement), tweezer tops indicate that sellers are stepping in. This is a good entry for a short position.

Psychology Notes

I AM A CONSISTENT WINNER BECAUSE:

1. I objectively identify my edges. - The way to be objective is to operate **out of beliefs** that keep your expectations neutral and to always take the unknown forces into consideration.
2. I predefine the risk of every trade.
3. I completely accept risk or I am willing to let go of the trade.
4. I act on my edges without reservation or hesitation.
5. I pay myself as the market makes money available to me.
6. I continually monitor my susceptibility for making errors.
7. I understand the absolute necessity of these principles of consistent success and, therefore, I never violate them.

THE FUNDAMENTAL TRUTHS

1. Anything can happen.
2. You don't need to know what is going to happen next in order to make money.
3. There is a random distribution between wins and losses for any given set of variables that define an edge.
4. An edge is nothing more than an indication of a higher probability of one thing happening over another. Always put the odds in my favor before entering a trade!
5. Every moment in the market is unique