In this lecture we are going to talk about the surgical details that appear in price when you have the opportunity to enter and exit a trade. Most traders understand the necessity of having a good grasp of how to enter and exit a trade accurately, but most of these traders don't end up developing the necessary attention to detail or level of understanding about how the structure of price works. We are going to take a magnifying glass and put it on an example of the intricate dynamic of how price vectors change, and also, how the market spits out many hints of what it is going to do beforehand.

In the 0-1 vector we have a relatively complex price motion that could be characterized as Brownian flow if we observed the minor flow inside the vector. The price action is chaotic and full of noise. However, we know that we can find order within chaos if we are careful and if we use the correct tools. Notice that before the end of the 0-1 vector, there are a few interesting phenomena. Price starts to form a resistance by poking an invisible line, and then in number 1, price spikes that resistance without closing above it. That's usually one of the signs of a market manipulation where retail traders sit on the bad end of the deal.

Right after number 1, observe how price action goes down abruptly and wipes out the upward minor flow that was developing in the upper range of the 0-1 vector. Once we see the 1-2 vector forming, we know that black horizontal line is now part of the short-term memory window of the market, meaning that if price comes back there in the near future, everybody will remember what happened. That black horizontal line, in the market maker strategy jargon, can be considered a wash line, and fair enough, the 2-3 vector comes back right to it. Once price hits that wash line, there is a clear opportunity to go short in this market.

Before talking about the entry technique, let's examine the contextual elements that lead to the opportunity in the first place. We have the clear disruption of a minor flow that was going up, and we have a line that represents a clear resistance. It's not merely a resistance because it serves as an axis for a manipulation. If you understand why these price spikes can trigger massive movements, you will understand the difference between a mere line, and a line being used as an axis for a market maneuver. The price action right before and right after number 1 render high number 1 as a solid high in the minor dimension.

So, not only we have a wash line, but we also have a good place to put a stop loss order, which is the grave of the retail traders that thought it was a good idea to go long in number 1. That brings us to the entry point. Ideally, the entry point is always going to be near the transition between two price vectors as we obviously want to enter near the reversal. The first obvious detail here is that price touches the wash line and it doesn't violate it, meaning that the wash line is still in the short-term memory window of the market.

Before talking about anything else, a sell limit order at the wash line is a valid entry, and a very good one, even though it is a tough decision to make in real time because we don't know if price is indeed going to respect that line. The other safer alternative is to observe what price does for a few more bars. Notice that right after the bar that touches the wash line, we have a bar that breaks the dynamic frequency of the 2-3 vector. The other detail about this bar is that it starts to form an outward frequency in its upper tail in alignment with the previous bar. You can view that as an updated outward frequency.

Assuming we have a momentary stop in the progression of price in this moment, we can draw a pitchfork using number 1, number 2, and number 3 as the axes. The first impression is that the pitchfork is too steep, so we can modify it to create a gentler angle. It is by doing this that we can observe the second possible entry of this opportunity. Take a look at how the upper line of the pitchfork correlates with the outward frequency line. That is also a very difficult entry to take in real time, but if you want this kind of precision, that's the kind of thing you need to pay attention to in the chart.

The third possible entry here is a lot easier to see, but it is a lot less precise too. Notice that the bar of the second entry we talked about is a large hybrid bar with the outside and fractal qualities. That's your last chance to enter the trade, and since you were unable to see the other two precise entries right before this one, you don't get to enter in a precise place. Just so you can have an idea of how important the entry is, assuming that the total potential for this short trade is the low number 4, the precise entries would give a potential of around 1 to 4.7 risk reward ratio, while the less precise entry after the hybrid bar would yield about 1 to 2.1 risk reward ratio potential.

The target for this trade could simply be taken using the pitchfork we already have in modified Schiff version, but we could also reverse it to a standard position again, and tune it to the frequency shift near number 3. That would be a great dynamic target for the short position. Moving on in the chart, the 3-4 vector renders number 3 as a solid market extreme, but this time it is in the major flow dimension. That dynamic frequency breakout we talked about earlier turns out to be the inward frequency line of the transition between the 2-3 and 3-4 vectors.

We can see that 4-5 vector returning right to the inward frequency line and respecting it in the same way that happened in the previous trade opportunity that was analyzed. Price has this feature of always doing the same thing in a million different ways, and hopefully you will be able to notice that in here. The first and most dangerous entry is to place a sell limit order at the inward frequency line with a stop above number 3. That's a very precise entry, but a difficult one to take. The second entry happens after the last dynamic frequency breakout of the 4-5 vector.

The bar that breaks the frequency is preceded by three bars that form a downward pressing motion in the upper tails. If we draw this pressing motion, we will see that when price returns to the inward frequency line once again, it returns to the intersection of the inward frequency with the downward pressing line. The bar where all of that occurs also happens to be a hybrid bar with selling pressure and fractal qualities. Two bars later, price yields yet another chance to get in this trade by producing a fractal bar with a tail spiking the inward frequency line.

Those three entries happen to be more or less in the same price level, but that will not always occur like we saw in the previous trade opportunity. As you can see, this moment between the transition of price vectors is full of details that happen quickly. If you are smart enough to catch these subtle details in real time, you will be far ahead of any retail trader out there. I hope you can appreciate the difference between all of these techniques and simply observing support and resistance lines in the chart. The knowledge from statistical physics allows us to see the price frequencies that make the analysis much more powerful.

Every great trade opportunity looks like the ones we just saw, meaning that before the trade begins to go in the right direction, you see all pieces of the puzzle fall right into place.