In this lecture we are going to study the possibility of trading just with simple lines and the understanding of context without trying to complicate linework too much. That can be an effective strategy sometimes due to its simplicity. If we want to use simple horizontal and sloped lines, which are the simplest analytical tools available, we must compensate by empowering the contextual analysis, otherwise we cannot reach the necessary level of detail to find good trade opportunities in the chart.

From number 1 to number 2 we have the formation of a downward major vector that appears to be hiding a shy running flow in its lower dimensions. If we look carefully, we can see how price oscillates like a running flow in those bumps in the middle of the vector. If we try to imagine what these bumps would look like in a lower timeframe, it's easy to see what I mean. However, we shouldn't check other timeframes to see that. We must be able to visualize what other timeframes look like just by looking at this one.

From number 2 to number 5 we have the creation of an opposite major vector that dwells in the same fractal dimension as the 1-2 vector so to speak. Notice how they show more or less the same size in terms of price fluctuation and temporal duration. That's one of the ways we can tell two or more vectors lie in the same fractal dimension. Even though it's clear these two vectors are in the same fractal dimension, we can also clearly see that there is a more pronounced minor flow within the 2-5 vector. Take a look at the difference between the bumps within the 1-2 vector and the bumps within the 2-5 vector.

The running flow characteristic of the minor flow contained in the 2-5 vector forms lows number 3 and number 4, which are big enough to be taken into account. They are not only important lows, but they sit more or less in the middle of the 2-5 vector. If you remember the price action trading volume 1, you will remember that the middle of a price vector is, theoretically speaking, a moment of equilibrium between supply and demand assuming that the extremes of price vectors are places where the supply and demand are extremely tilted.

That's important because two lows forming some sort of support in this region tend to be stronger because of this fact about the balance between supply and demand in different regions of the chart relative to the extremes of price. Numbers 3 and 4 are also exactly in the same level, which helps strengthen the support. Notice that in the 4-5 vector, after the support is consolidated, there is a burst of volatility to the upside. Both the 2-5 major vector and the 4-5 minor vector end in a hybrid bar with fractal and outside qualities.

An interesting detail here is that this hybrid bar happens as soon as price surpasses high number 1. When price doesn't advance highs or lows by too much, it can mean a low angle in the overall trend, meaning a sideways market or a gently tilted market. What happens after high number 5 in the 5-6 vector contains lots of information in a matter of four bars only. It's important that you realize that there is a fluctuation in the level of information that the market displays at any given moment. In other words, the market can spend many bars creating axis points and information, and then only a few bars exploiting these points in the future. That's precisely what's happening in here. The information created between number 1 and number 5, which represent roughly 70 bars, is being exploited in a matter of 4 bars.

Let's unpack everything that is happening in the portion of price. The first thing that catches the eye is the level of volatility found in the 5-6 vector relative to the volatility in the previous bars. That relates to what I said in another lecture, which is the asymmetry between the volatility of when prices rise and when prices fall. The volatility in a price fall is much more violent and pronounced. This has to do with the way certainty and uncertainty dissipate across time. Another way of looking at this is that a downward movement tends to be more irrational than an upward movement due to the asymmetrical way in which people perceive

gains and losses. If both an upward and downward movements have the exact same magnitude, the emotional impact of them are not symmetrical. The downward move feels much worse than the up move feels good.

In this chart we can visually understand that by looking at the fact that bearish bars in the 5-6 vector are four to fives times larger than the bullish bars in the 4-5 vector for example, which represented a burst of volatility too. In terms of line work, we have two interesting and accurate representations in the chart. One line is the support line from numbers 3 and 4, and the other is the inward frequency line that comes out of number 2. These two lines are extremely accurate but in different ways. The support line is able to predict the exact frequency in low number 6, meaning the point where price will spike but not close below.

The inward frequency line catches the price extreme with amazing precision. One thing that you will often notice is that markets with a small trending angle tend to be easier to analyze in that respect. Another interesting detail here is that if we measure the 1-2 vector with a sloped line, extracting the pure vector behind the bars, and then plot this measured vector on top of the 5-6 vector, we will notice that they are similar. The 5-6 vector is a lot faster in its descent, but observe that their magnitude is exactly the same. After price touching the inward frequency line in number 6, price returns above the support line, that is now a frequency line too.

After number 6, price starts to climb higher with decreased volatility until it hist the level of high number 1 again. We pay attention to the level of high number 1 because when price touches it, there is the creation of an expanding pivot formation, which is when higher highs are followed by lower lows. That's a problem and an opportunity at the same time because while an expanding pivot formation disrupts the notion of trend, it shows that something is about to change in the market.

From number 7 to number 10, we can observe the creation of this expanding pivot formation that has its origin due to the barrier of high number 1. The 10-11 vector is the first time that price returns to the supply zone on the confirmed minor high number 9, and price starts to come down after that. The fact that price created the expanding pivot formation, then returned to the confirmed structure and respected it shows that the minor upward flow of the 6-7 vector is over. By connecting the abstract anchor points of number 9 and number 11, we can see that a sloped frequency line is displayed.

This sloped frequency line shows the edge of price for the next vectors, and that by itself shows many opportunities to go short in this market near several confirmed structures in the minor flow dimension. Right after number 13, price gives up to the downside in the direction number 14, which is where the last significant buyers of this market are sitting. The same level of the inward frequency line that comes out of number 2 and low number 6.

As you can see, by increasing the level of detail in the contextual analysis, we can use simple lines to find the edges of price and trade minimizing risks and maximizing rewards, which is the highest goal in risk management and something that can only be achieved with great technical precision. In fact, technical precision is at the heart of successful trading not just for precision sake, but because it allows traders to minimize risk and maximize profits within a narrow space of price fluctuation. Lack of precision leads to poor risk management, which leads to amplified emotions, which lead to financial ruin.

It's important that you understand that you should only trade near the edges of price, and as near as possible. That way you can ensure that you will be doing the best you can to avoid the many risks of the market.