

In this lecture we will study the intricate relationship between market players and the linework that is supposed to reflect their behavior. One of the challenges of trading with charts and price action analysis is that price will often do something unexpected like fall short of some line or pass right through it without warning. That's certainly an issue due to the nature of price charts and the premises on which price action analysis is built. Price charts are just the tip of the iceberg of any market, meaning that they are the final representation of whatever it is happening in a given market.

That means that if we really want to extract valuable information out of a price chart, we need to understand it in multiple ways, and perhaps most importantly, we need to be able to observe that the tools we apply to the chart are showing us a decent level of symmetry. What I mean by this is that sometimes we will make our analysis and draw a few lines in the chart, and we will realize that a small number of lines will explain most of the price action in front of us. This is some sort of vault unlocking feeling that gives you an impression that your linework is on point.

When we find a powerful set of lines like these, we tend to trust them because the probability of such symmetry being a coincidence is just too small, so it's not a matter of just having faith in the tools. It's a matter of understanding the probabilities associated with them, even though we cannot accurately measure these probabilities. In the vector 0-1 in this chart, we can observe an almost perfectly clean downward price vector showing organized behavior. Look how every bar in that vector shows a lower high and lower low. The vector ends with a buying pressure bar, and the very next bar breaks the dynamic frequency of the 0-1 vector for the first time.

From numbers 1 to 4, price creates a higher high and a higher low, which means an uptrend for reasons we already went through in the volume 1. Notice how clear the vector 3-4 is, and how it is similar to the 0-1 vector in a way. Despite their contrary directions, both of these vectors are extremely clean in their development. The 3-4 vector starts with a hybrid bar that has the fractal, outside and buying pressure qualities, not to mention the increase in volatility in relation to the previous bars. We can see buyers' volatility slowly decay as the 3-4 vector reaches its peak. Vectors like these represent a great opportunity in terms of dynamic frequency breakouts because the more symmetrical a price vector is, the more powerful the frequency breakout tends to be.

Sure enough, as soon as the dynamic frequency gets broken, the vector 4-5 begins its journey in the direction of a solid market extreme in number 3. However, notice that low number 3 fails to stop price action before it violates it, meaning that price spikes the low 3 level without closing below it. There is a couple of interesting details on those two bars that spike the low number 3. The first bar seems to be a weak version of the Von Restorff effect, and in the same bar there is buying pressure already appearing in its lower range. The second bar that spikes low 3 is a hybrid bar with fractal and buying pressure qualities built into it.

In other words, we see the elements of a market manipulation and we can also see the elements of the momentum vectoring provided by the fractal quality in that bar. Right after the hybrid bar, we see price breaking the dynamic frequency of the 4-5 vector, and the beginning of the 5-6 price vector. Since we just identified a manipulation, once price starts to reverse, we can identify several ways of entering the market in a safe and precise location. If we draw the line where the dynamic frequency breakout occurred, we will notice that it turns into an inward frequency line. Price comes back right to this line and starts to take off again.

Meanwhile, a minor flow is forming after the manipulation, and we can see a hybrid bar forming once it falls back to the supply zone of that minor flow. One extra detail that confirms both entries here is that if we draw a pitchfork using low number 3, high number 4, and low number 5 as the axes, we will see that the lower line of the pitchfork confirms both entries we just saw with the inward frequency line and the supply zone in the minor flow after the manipulation. However, there is an issue here we cannot ignore.

Notice that low number 3 actually has two grounding positions that are equal in the spatial axis, but different in the temporal axis. The position we just saw catches the entries, but fails to catch price in the centerline. The other position fails to catch the entry, but succeeds in catching the extension of price in the centerline. This is the sort of problem that I was referring to earlier, and sometimes there is nothing you can do about it but to find other competing lines that point to the same areas.

There is yet another subtle lesson in here. Sometimes you will look at the transition between two price vectors, and you will identify the frequency breakout and the inward and outward frequencies of that transition without taking into consideration the narrative between buyers and sellers that surround that area. Let's look at the example in front of us. The inward frequency of 5 is too low. Notice that low 7 doesn't travel that far down. It stops earlier because before reaching the technical inward frequency, it met the actual inward frequency, which was when buyers were really able to take off in direction of number 6.

It's almost as if price made the transition between price vectors around number 5, but it was still accumulating energy to catapult buyers to the upside in number 6. We want to focus on the moment where the catapult starts moving. This is why number 7 doesn't travel all the way to the textbook inward frequency line. This is proof that market context is more important than lines. Even though context should drive lines, we can find lines to support the context we have in our hands. We can do that by drawing a pitchfork using high number 4, low number 5, and high number 6 as the axes.

The pitchfork in its standard form tells us that price is failing to reach the centerline in number 7, which is similar to observing that price is failing to reach the textbook inward frequency line in number 5. However, once we turn the standard pitchfork into a modified Schiff, and ground it on the inward frequency around 5, we can see an incredible shift in perspective. First, observe how the new line catches the inward frequency around 5 and the two lows before price explodes upward to high number 6. Observe also how the lower line of this pitchfork catches the low number 7, and also how it catches the high number 8 with good precision.

The final detail I want you to pay attention here is something that you might not be used to. Observe that if we extend this pitchfork backwards, it will catch the frequencies in number 1 and number 3 with an insane precision. This is what I was alluding to when I said that sometimes we find lines that work so perfectly that it is hard to believe they are simply reflecting a coincidence. It's simply not realistic to believe that's the case because the market is too complex for a simple set of lines to describe it with such perfection.

I hope that you realize that the relationship between context and linework is extremely important because one cannot function properly without the other. In other words, the goal here is to understand how these two perspectives of analysis must work symbiotically to achieve the greatest level of analysis and opportunity identification that is possible to achieve with price action analysis.