In this lecture we are going to study an example of the intricate relationship between buyers and sellers, and how that relationship gets increasingly complex as we add different fractal dimensions to the analysis. When we analyze one fractal dimension like just the major or just the minor flow, the dynamic between the market players is not that complicated. However, when we add other layers in the analysis, things start to get tricky. This is the hallmark of the idea of fractals. We have simple patterns at the base, but since the patterns are scalable and self-similar, complicated structures arise.

It is precisely this complexity that forms the context between buyers and sellers that is so valuable to identify in the chart. From number 0 to number 1 we have the formation of a solid market low in zero, and from number 1 to number 2 we have the formation of a solid market high in number 1. This is an example of an expanding pivot formation where we had proven buyers in zero that were disproved by sellers in number 1. The expanding pivot formation continues to number 3 because buyers assume control again and disprove the sellers from number 1.

Notice how the formation expands across space and time in the chart. What we want to see here is that the levels that were supposed to be turning points or levels where proven players would appear again and stand their ground are going to leave other types of clues for the market. For example, in low number 0, we have an outward frequency line that is extrapolated forward catching one minor low in the middle of the 2-3 vector, and the major low in 6. In high number 1, we have another outward frequency line that is also extrapolated forward in time catching a minor low in the 2-3 vector, and a low in the 5-6 vector.

Even though these levels didn't hold like they were supposed to according to the theory, the fact that they failed also leaves marks in price, and those marks end up entering the short-term memory window of the market. The benefit in all of this is that we can use these levels to our advantage even when they fail to meet the theoretical expectations. This also relates to the fact that it is always a good idea to wait and see how price reacts when it reaches a level where there is a frequency line or a supply and demand zone because we never know when these areas are going to hold, so we have to watch price carefully.

For example, once you saw the 1-2 vector, you could get interested in looking for a short trade opportunity when price returned to that level near the outward frequency line that comes out of high number 1. However, notice that price doesn't give any indication that this level was going to hold. In fact, price cuts right through the outward frequency as if it didn't even exist in the first place. That was only a matter of price switching the quality of the line since it tested the line on the other side in the minor low right before high number 3.

Another interesting situation in this chart is related to the outward frequency that comes out of low number 0. Observe that after low number 2 is formed, price begins to display a minor flow to the upside. The second higher low in that minor flow lands exactly at the outward frequency line that comes out of number 0. Not only that, but the bar that lands on that line is a clear hybrid bar with fractal and buying pressure qualities. Another interesting detail here is that if we plot a pitchfork using the minor flow axes, we can see that this bar also lands precisely at the centerline.

Right there in that area we have a tremendous long trade opportunity with a triple intersection of techniques. The pernicious detail here is that most people would be looking for the short trade opportunity provided by the sellers around number 1 simply because that is a way more obvious than this long trade opportunity I just pointed out. A similar long trade opportunity happens in the low right before high number 3 where price tests the outward frequency line from 1 as a support. The bar that lands on that line is a good fractal bar, even though the stop loss is a bit far away relatively speaking. Nonetheless, that would be a valid trade, especially because the minor flow contained within the vector 2-4 is very clear, and it wiped out the apparently larger sellers from number 1.

Moving forward a little bit in the chart, we can see that number 4 returns to the minor supply zone of the low we just talked about, and it still has the support from the outward frequency line of number 1. That would also be a valid long trade opportunity, but as we can see, number 5 represents a failure of those minor buyers to advance price action above number 3. Here we must step back a little bit and realize that this minor flow upwards is situated now at the upper range of a major vector, and that's a dangerous place to go long since price action is too stretched out.

Number 5 represents a failure of momentum in the minor upward flow, and the place where the failure happens is not random. We have a hybrid bar with fractal and selling pressure qualities occurring at the dynamic frequency breakout of the transition between 3 and 4. The failure in the minor flow at the upper range of a major vector usually means that the minor flow will move to the next major supply and demand zone. Another way of looking at this is that the major and minor flows will move in contrary motion until price reaches a level of decision.

That leads us into the next tricky part of this analysis, which is the supply and demand zone that comes out of number 2. Notice that price action falls short of the inward frequency line that comes out of number 2, and there is a reason for that since everything in the chart has a reason behind it. Right before the inward frequency line from number 2, price encounters a frequency line that cuts through several significant places in the chart like the frequencies around low number 0, and the second minor low within the 2-3 vector. What happens is that this first line is enough to start nudging price to the upside again before reaching the textbook inward frequency line.

If we employ other linework to sustain this hypothesis, we can plot a pitchfork using number 3, number 4 and number 5 as the axes. Even though the pitchfork is too steep, we can see that number 6 lands on the outside of its upper line. If we modify the pitchfork, we will see that number 6 lands on the inside of its lower line. Either way, the lines of the pitchfork are telling us this is indeed a market edge. The other interesting fact here is that when price touches the line from number zero, it forms a fractal bar.

From that fact we can plot a larger pitchfork using number 2, number 3 and number 6 as the major axes. We can immediately see that this pitchfork is valid by looking at its tail and how it cuts through the lows in the minor flow contained in the 2-3 vector. We can obviously see in hindsight that price goes directly to the centerline as well, so any long trade trigger around number 6 with a stop below number 2 would be valid. The interesting thing here is that if we modify this pitchfork, we will see that it still works well.

Its tail passes through a few highs and lows including high number 1, so we can say that there is frequency in its tail. We can also see in hindsight that price goes directly to its upper line, which would be equivalent to the centerline of the standard pitchfork that shares the same axes. The modified pitchfork gives a great entry opportunity in its lower line as price touches the intersection of this lower line with the frequency line that comes out of zero, and it does that with a fractal bar. In other words, a triple intersection of techniques sustained by the correct context of buyers and sellers since we are in a major supply zone.

With a stop below number 2, and a target at the upper line of the fork, this would be a perfect 1 to 3 risk reward ratio trade. Hopefully you can see how nuance can make the difference between taking an opportunity and missing it completely.