

The LOST Files – 150 Lost YTC Blog Posts



By Lance Beggs

www.YourTradingCoach.com

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About the Author



Lance Beggs is a full time day-trader with a current preference for FX futures and E-mini futures markets. His style of trading is discretionary, operating in the direction of short-term sentiment within a framework of support and resistance.

As an ex-military helicopter pilot and aviation safety specialist, Lance has an interest in applying the lessons and philosophy of aviation safety to the trading environment, through study in human factors, risk management and crew resource management.

He is the founder and chief contributor to <http://www.YourTradingCoach.com>, which aims to provide quality trading education and resources with an emphasis on the 'less sexy' but more important aspects of trading – business management, risk management, money management and trading psychology.

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About The Lost Files – 150 Lost YTC Blog Posts

From May 2011 to May 2012 I trialed the idea of producing regular blog posts, alongside the weekly YTC Newsletter. These were posted to a temporary Blogger site... which no longer exists.

Never fear though... the posts have been saved... and reproduced here in PDF format for your convenient viewing.

I hope you find them incredibly valuable! ☺

About the original blog...

(The following was the text on the About This Blog page; reproduced here to explain the idea behind each of the posts you'll read in this ebook.)

Given the incredibly positive feedback from a recent YTC article ([There is a Lesson in EVERY Trading Session](#)), I've decided to base the blog around this concept.

So the intent is not to conduct forward looking analysis (prediction) of tomorrow's markets.

- (a) I'm not appropriately licensed for that,
- (b) I'm about teaching you to develop your own skills rather than become reliant on someone else's analysis, and
- (c) It's not how I trade - I have a fairly neutral bias going into each session.

The intent is also not just to document my trades each day. While that does provide some value, it can become repetitive.

Rather... we'll review a chart each day or two (as my time allows) to find something of educational value. This may be a trade, it may be a chart pattern, or it may be some observation about market structure or the nature of price action movement.

The intent is to aid in your own deliberate practice, through demonstrating concepts that are applicable across all markets and timeframes.

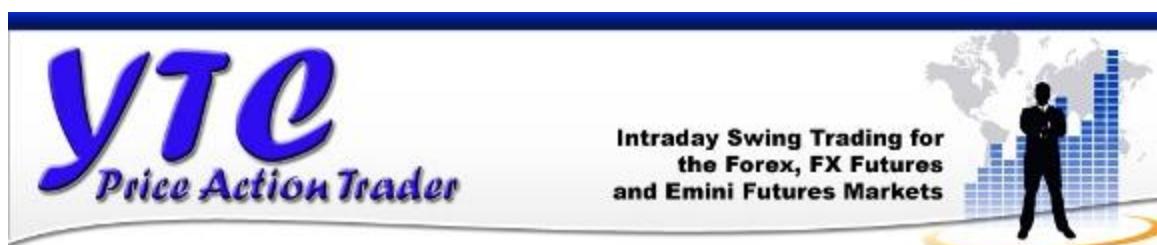
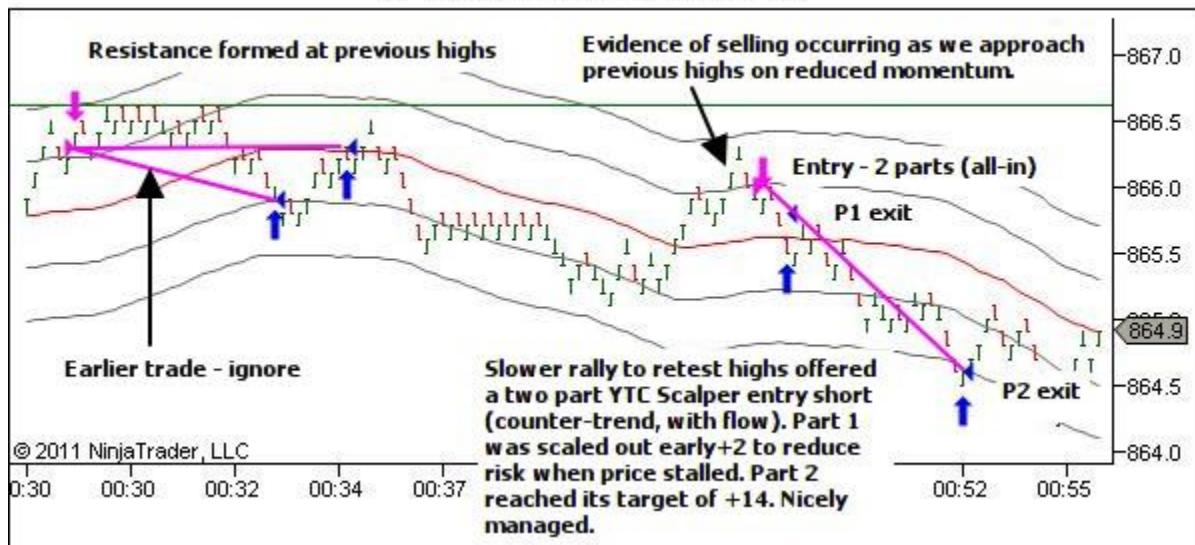
Slower Momentum Retest

Monday, May 2nd, 2011

A particularly well managed trade demonstrating (a) entry on a slower momentum retest of solid resistance, at the point showing signs of potential stall below resistance; and (b) reduction of risk through partial profit taking, when movement stalled after entry (note: in this case history shows better results through holding till targets, but we don't trade off historical charts; we manage risk in real-time).



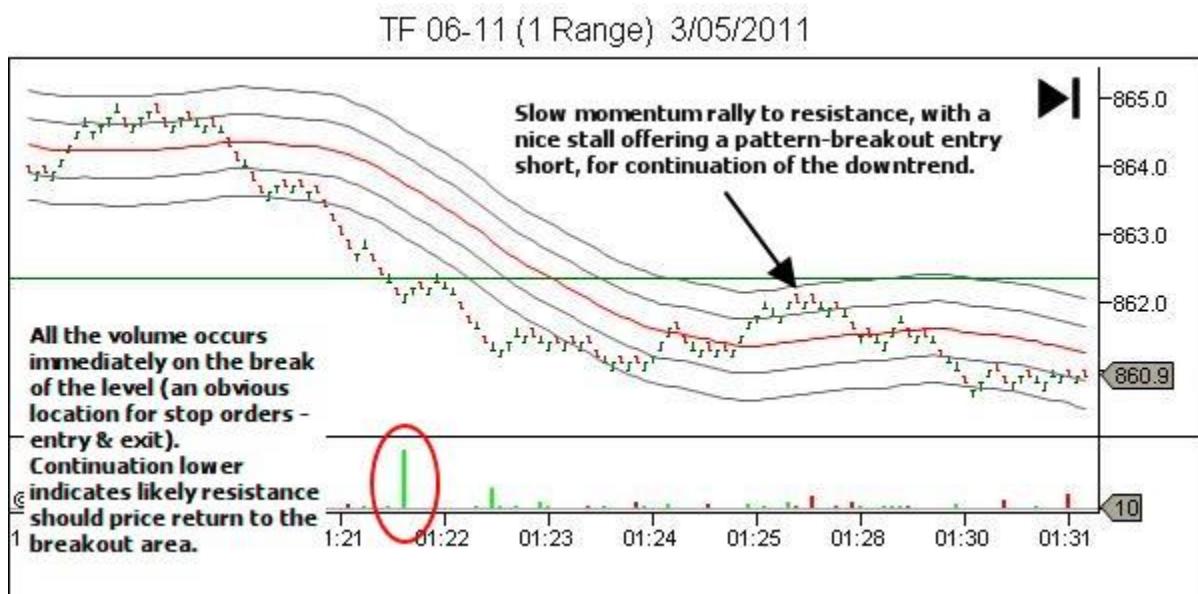
TF 06-11 (1 Range) 3/05/2011



Breakout Becomes Future S/R

Monday, May 2nd, 2011

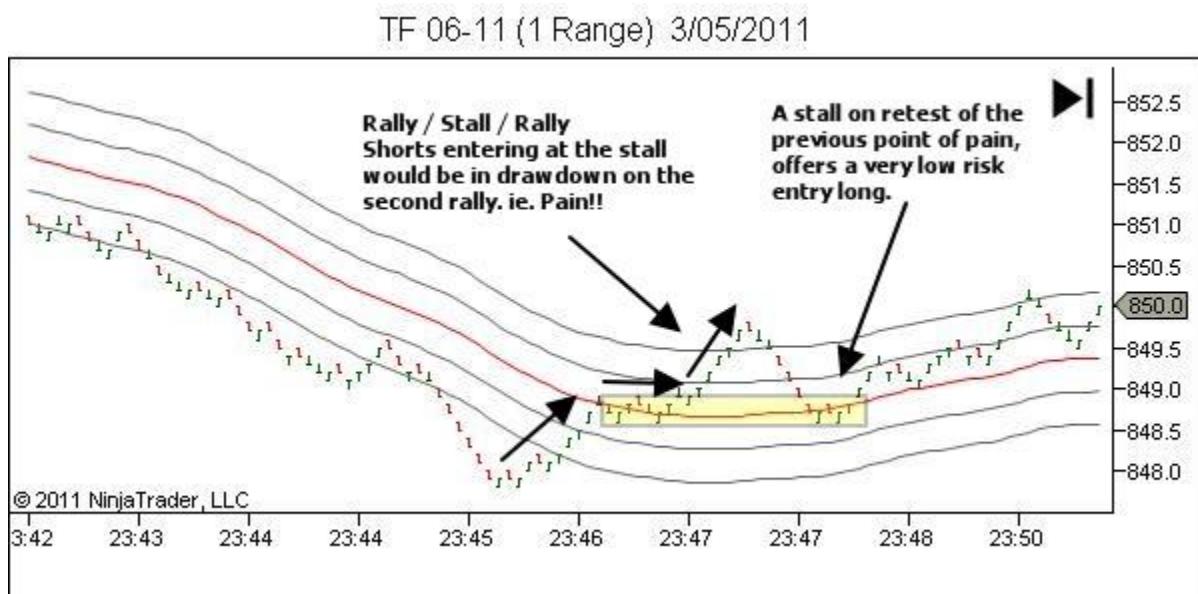
A nice example of a breakout producing an area of future S/R. Note the awesome display of initiating volume (did the longs perhaps all place their stops in the same *obvious* location?)



Reversal from Exhaustion

Tuesday, May 3rd, 2011

A review of a market structure feature - a reversal from exhaustion - aiming to identify the best location for a low risk, higher probability entry.



Poor Trade Management

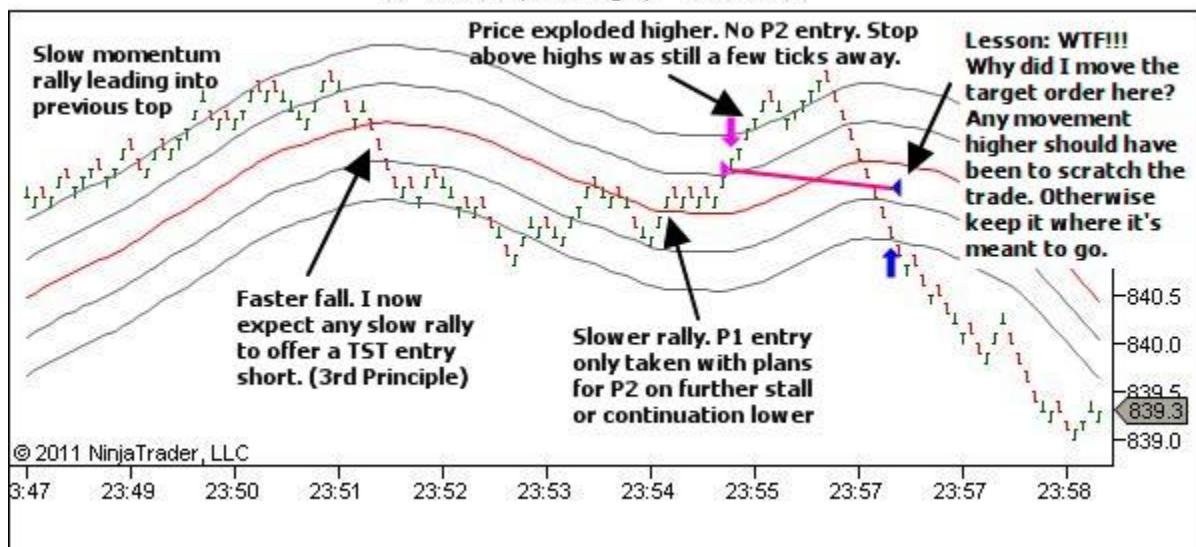
Wednesday, May 4th, 2011

A poorly managed trade. Yeah... I get a lot of them. :-)

The result could have been worse. I may have been stopped out, or I may have scratched at a reduced loss just seconds before the rapid price fall. Neither of those would worry me though. What I don't like is random movement of stop or target orders, for no justifiable reason.



TF 06-11 (1 Range) 4/05/2011

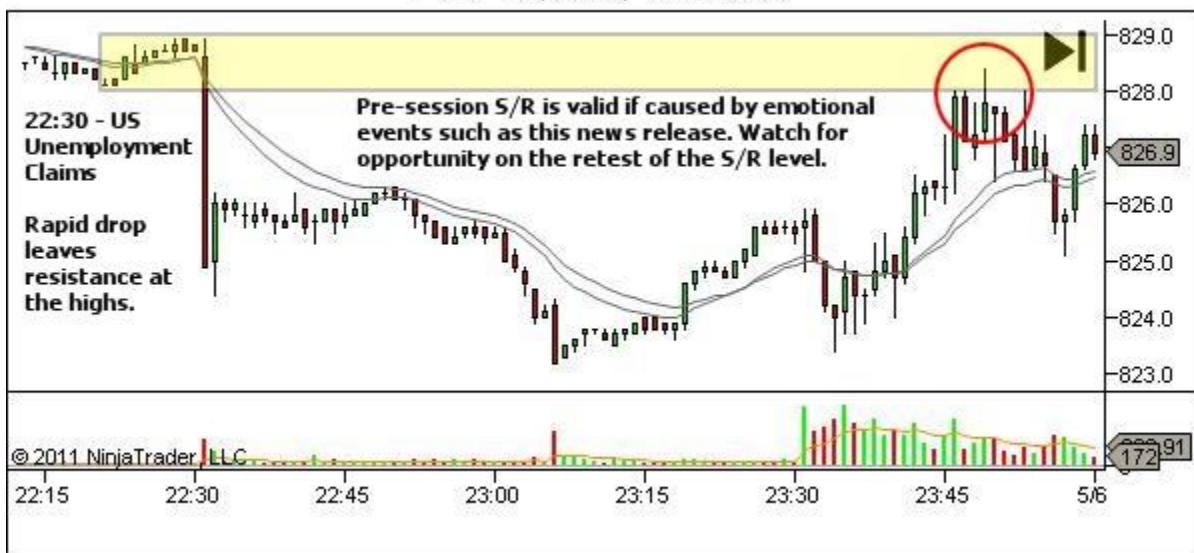


News Event Creates S/R

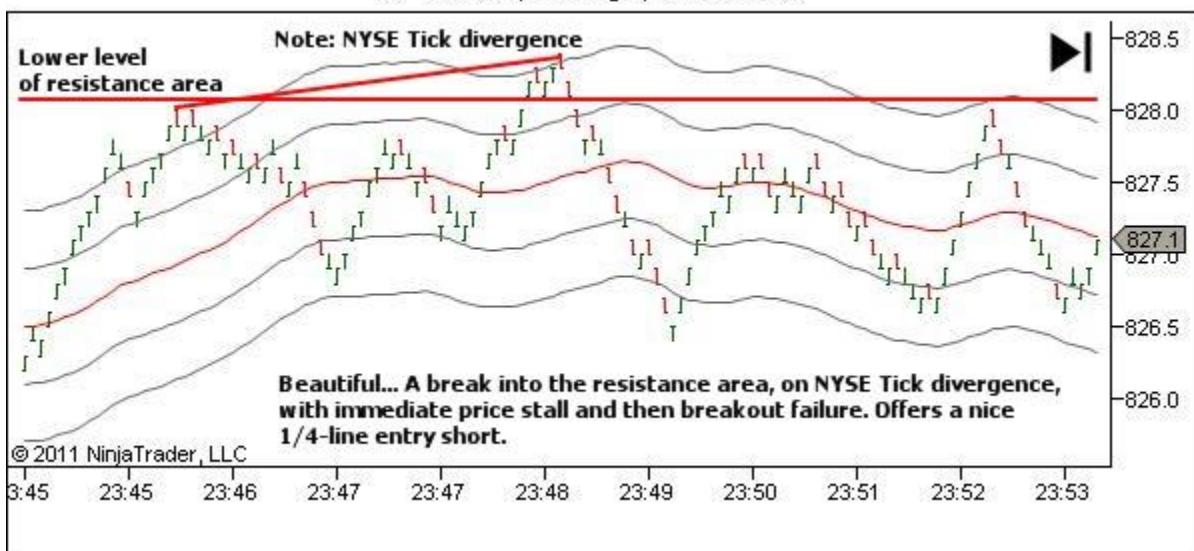
Thursday, May 5th, 2011

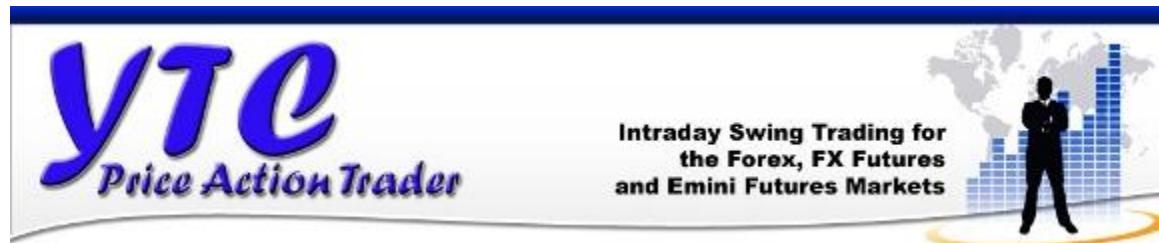
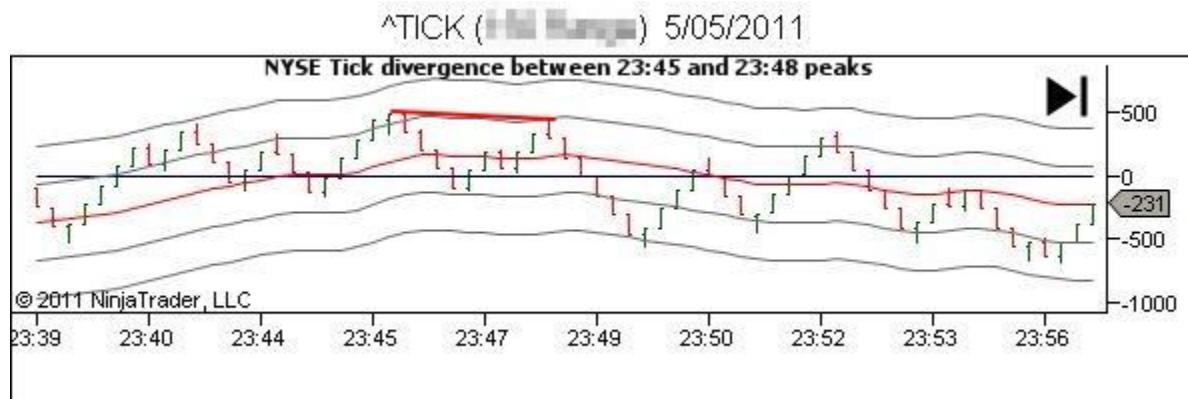
Using S/R from pre-session news events.

TF 06-11 (1 Min) 6/05/2011



TF 06-11 (1 Range) 5/05/2011





Spring Pattern Ending Congestion

Monday, May 9th, 2011

A beautiful spring pattern leading into continuation of an uptrend:



Poor Market Preparation

Tuesday, May 10th, 2011

There I was, all prepared and ready for trading at the market open (11:15am) when... nothing!

There's no data coming through.

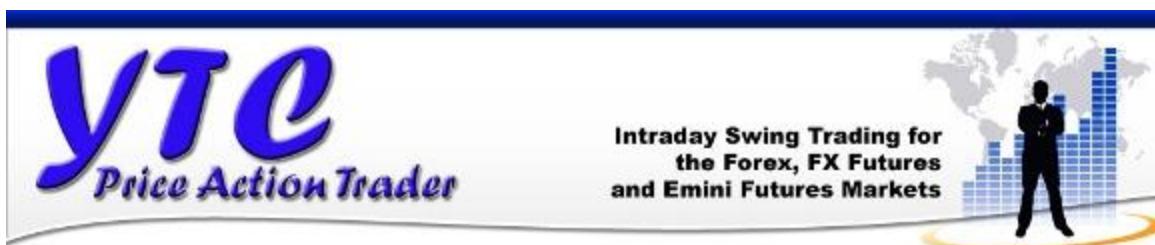
Quick fault-finding... there are no problems with platform setup or broker or data connections. Everything is fine at my end. I jumped onto the Hong Kong Exchange website... only to discover it's a holiday.

I won't document the expletives which followed. :-)

LESSON: When I check the exchange [Holiday Schedule](#) at the start of the week, when planning for the upcoming week, I should always look at the dates for the current year (2011), not the previous year (2010).

LOL.

On the other hand, why does the exchange website still list holidays from a year ago? Frustrated!!!

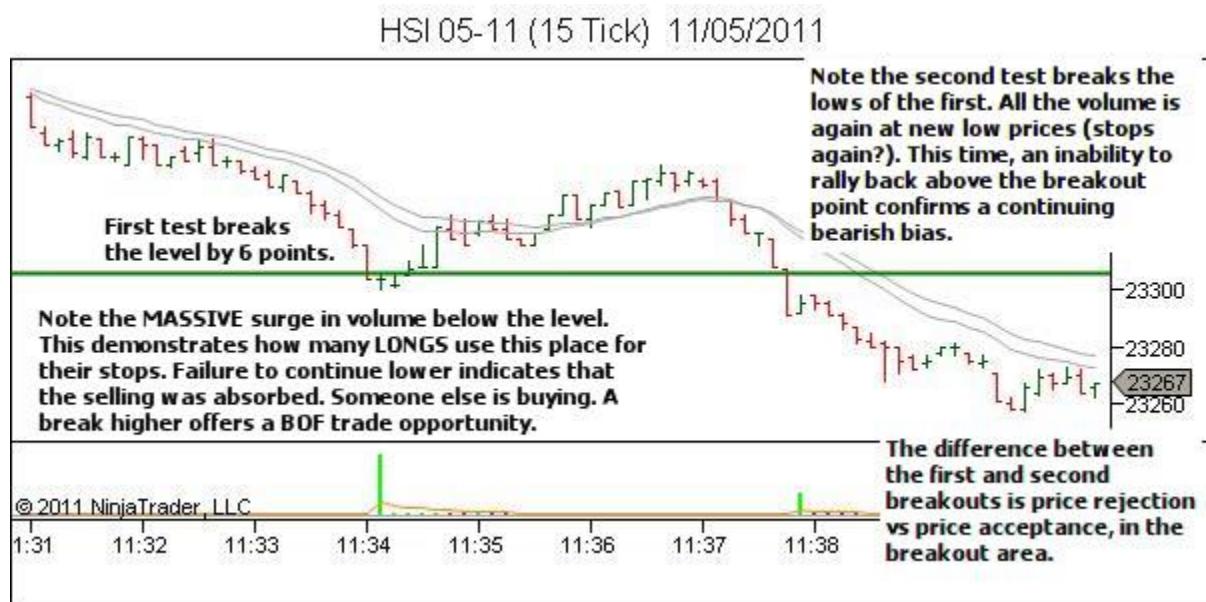


Comparing Two Tests of Support

Wednesday, May 11th, 2011

This session gave us a great example of price testing an opening range boundary on two occasions - first failing to break the support level, and then breaking the level upon retest. We look to the lower timeframe to observe any clues that could help us in the future, with regards to our expectations for either breakout confirmation or breakout failure.





Intraday Swing Trading for the Forex, FX Futures and Emini Futures Markets

Opening Range Support and Resistance

Thursday, May 12th, 2011

Continuing on the theme from yesterday, today's session offered us a great example of the power of an opening range to form future support and resistance, following a gap opening.



If Price Fails To Do It Twice...

Friday, May 13th, 2011

What an opening! Exciting stuff.

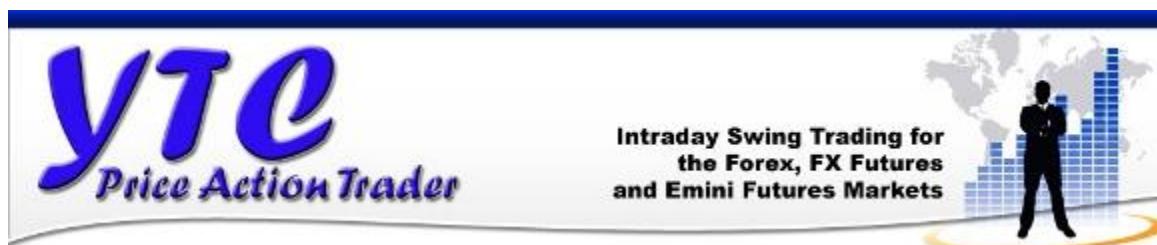
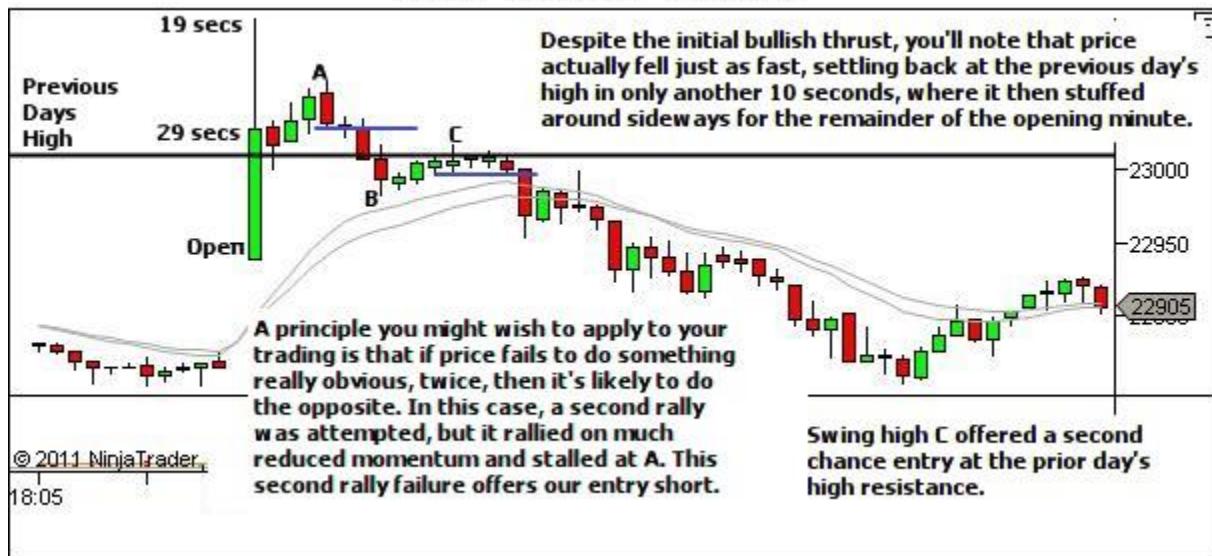
The whole session yesterday put in a range from low to high of only 172 points.

Today's open took only 19 seconds to provide a range of 164 points, after exploding upwards from the opening price.

But that's not the principle on display here. Instead, these charts provide an example of, "*If price fails to do something twice, it'll most likely do the opposite*".



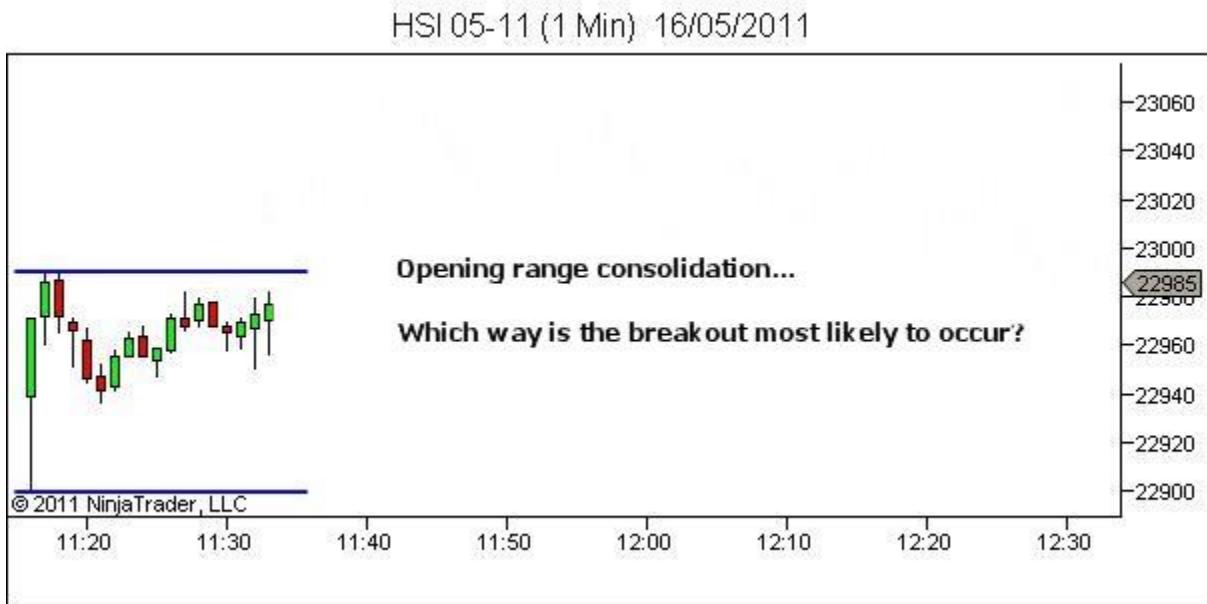
HSI 05-11 (1 Min) 13/05/2011

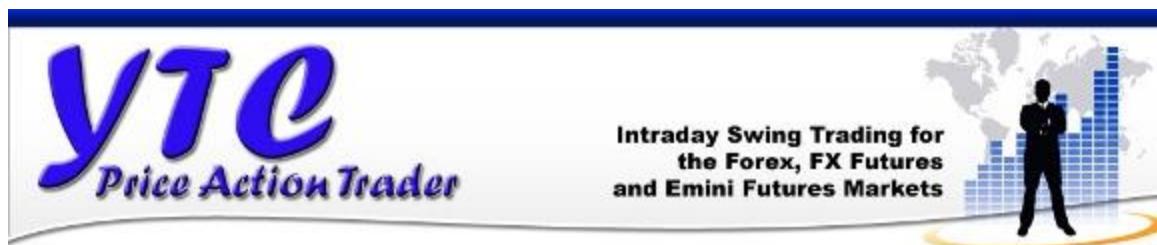


Breakout Up or Breakout Down?

Monday, May 16th, 2011

Sometimes it takes a while to establish a clear bias. In particular when the market consolidates from the open. In this example, we see one simple way of identifying a potential breakout direction.





Possibly my all-time favorite setup.

Tuesday, May 17th, 2011

Price action setups that trap traders into a losing position provide great opportunity for profit. The following chart demonstrates two variations of this theme.

For more information on this concept, see the trapped trader articles at:

<http://yourtradingcoach.com/trading-process-and-strategy/trapped-traders-part-1/>

<http://yourtradingcoach.com/trading-process-and-strategy/trapped-traders-part-2/>

<http://yourtradingcoach.com/trading-process-and-strategy/profiting-from-trapped-traders-revisited/>

Or for even greater detail refer to the [YTC Price Action Trader](#).

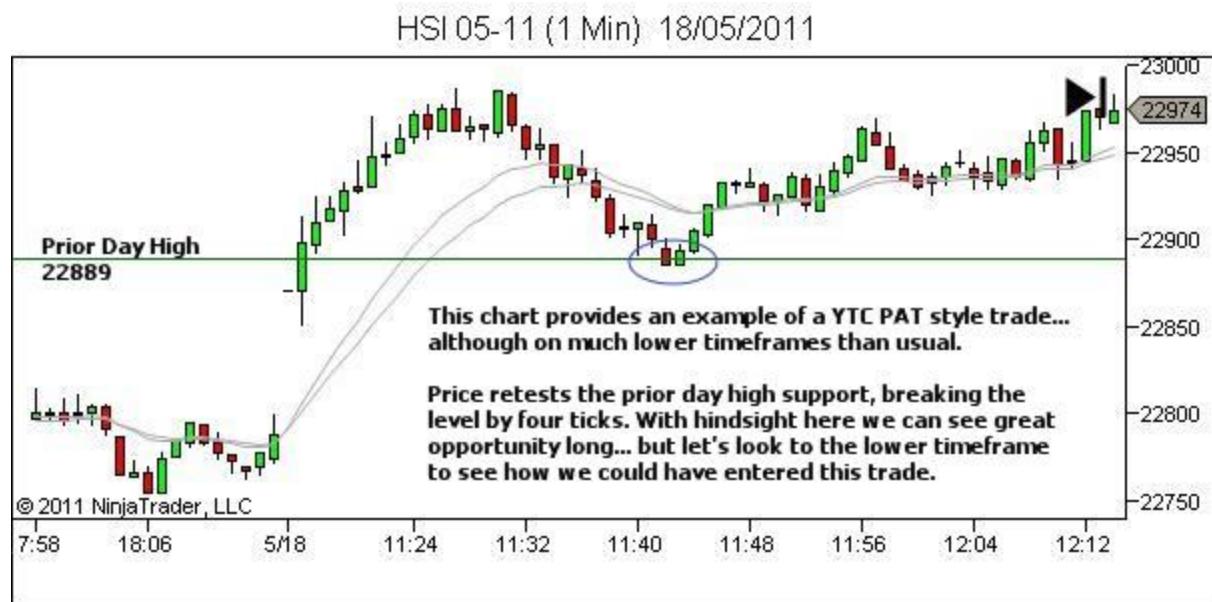


Trade Example plus Underperformance

Wednesday, May 18th, 2011

Today's charts demonstrate a couple of things:

- A [YTC Price Action Trader](#) setup and trade, although on lower timeframes than those used in the ebook series.
- The benefits of multiple part positions.
- Real-time decision making resulting in underperformance. (Yes, I'm not going to just show the massively profitable outlier trades - we learn more though reviewing those that involved less-than-optimal decision making.)





Quick Blog Review:

Setup: textbook BOF setup at support.

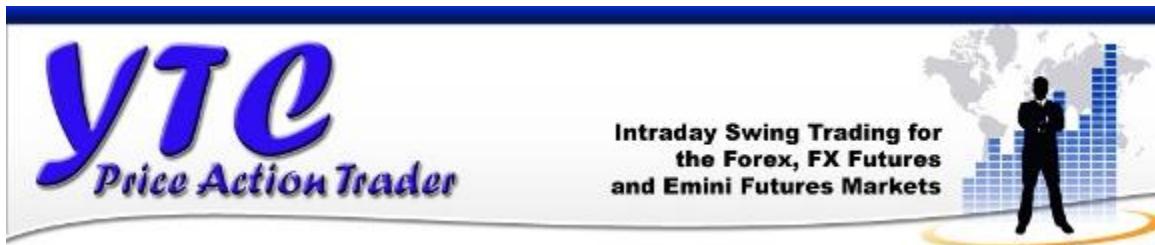
Entry: textbook pattern-based trigger entry at 22897 (which just happened to coincide with LWP). Trade entry offered 1:1 for part one and approx 3:1 for part two.

Part one management: I expected quicker movement than actually occurred. Price stalled a couple of ticks in drawdown just long enough for me to reassess the trade potential. I was considering the option of scratching one part in expectation for a third test of support (reducing risk but keeping one part on in the event it rallies). The decision had not been made to scratch yet, but for some unknown reason I moved the stop below the area of stall, resulting in a stop out on a quick spike down. This was NOT in accordance with my plan. The stop should only be moved to a position where the trade premise is invalid, or to scratch the trade, neither of which occurred in this case. The stop should have remained below the swing low bar.

Part two management: Part two was originally targeting 22935, but was moved to the lower part one target area following the premature exit of part one. The reasoning here was that I expected some resistance in the vicinity of 22910. My preference was for taking +13 and missing the remainder, rather than risking a breakeven exit on part two.

Overall: This trade demonstrates one benefit of multiple part positions, in that even with some mismanagement and poor decision making leading to a premature exit, we can still profit overall through the remainder of the position. Final results were -8 and +13 points, significantly less than the +13 and +38 that were targeted and available. This is one example where a set and forget approach would have provided better results. But that's not how I trade. Active trade management sometimes underperforms...

but other times it allows increased profits as the markets potential to run is reassessed in real-time. I'm generally happy with this trade, with the one exception being the P1 exit (as discussed). **DO NOT MOVE THE STOP ORDER UNLESS IT'S TO A NEW AREA THAT WOULD INVALIDATE THE PREMISE, OR A CONSCIOUS DECISION TO SCRATCH THE TRADE.**



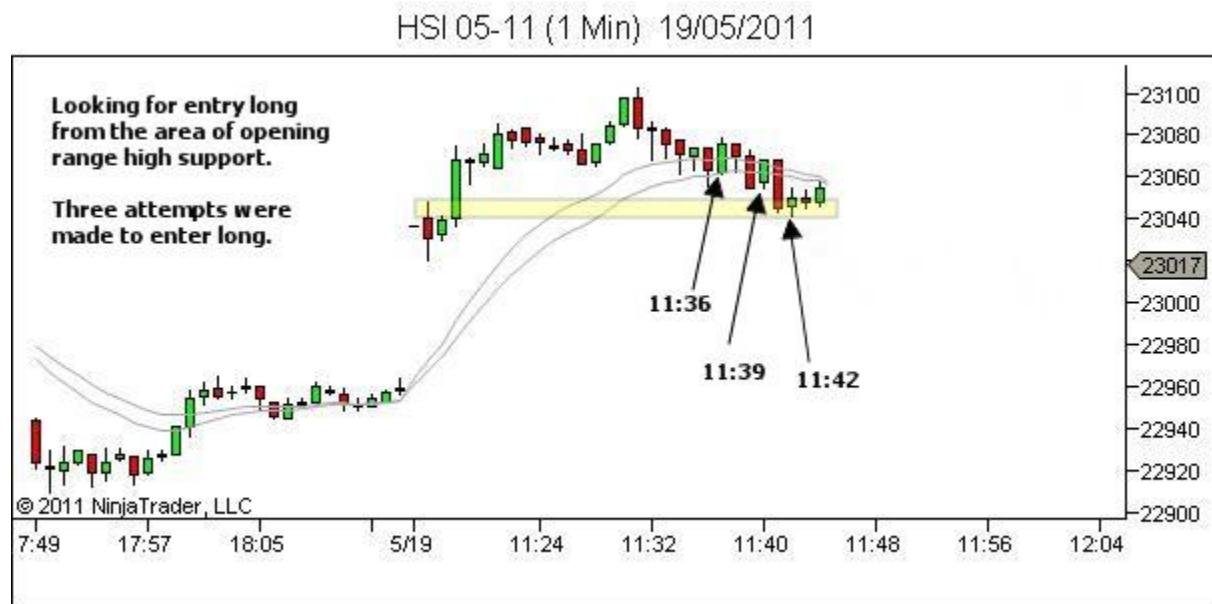
Fighting the Bias

Thursday, May 19th, 2011

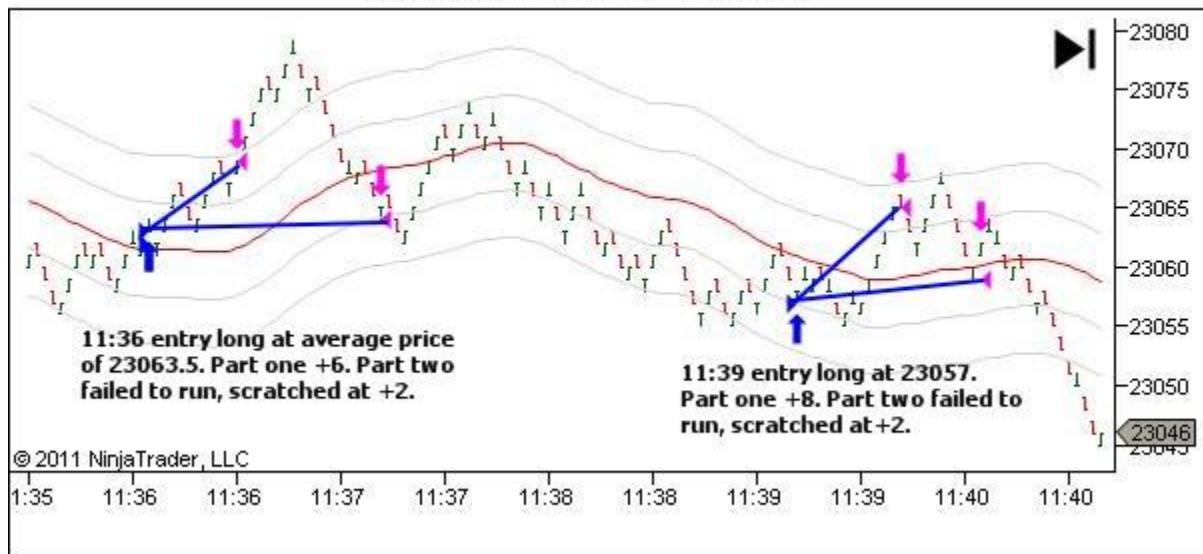
A profitable sequence of trades... but perhaps the result would have been much better if I was not fighting the bias.

This is the kind of sequence you should identify during your trading session as a candidate for post-session market replay.

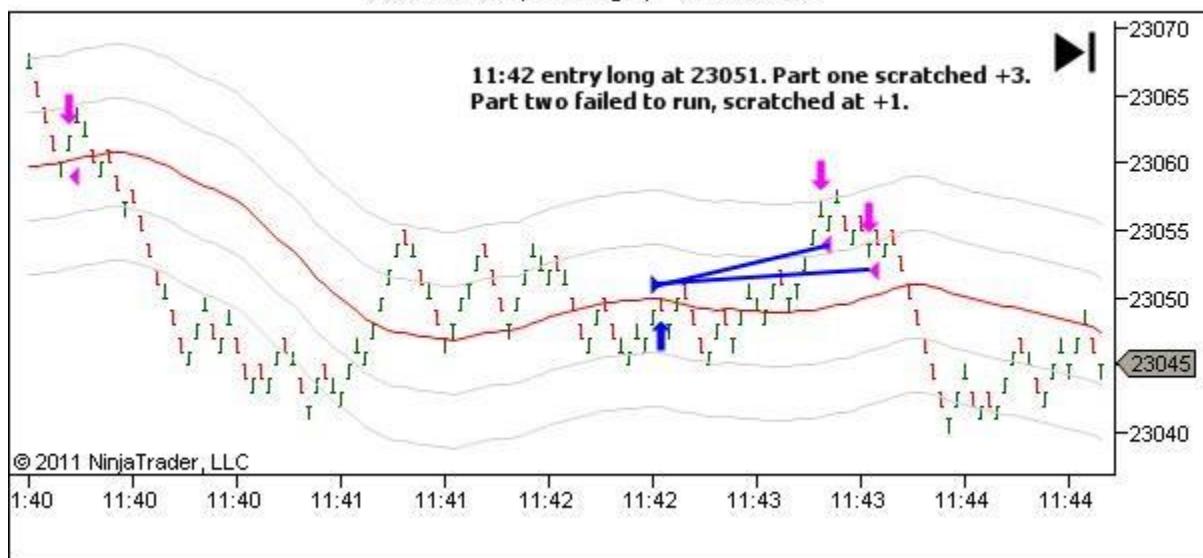
Market replay is an exceptional tool for aiding with your deliberate practice. ([What is Market Replay?](#))



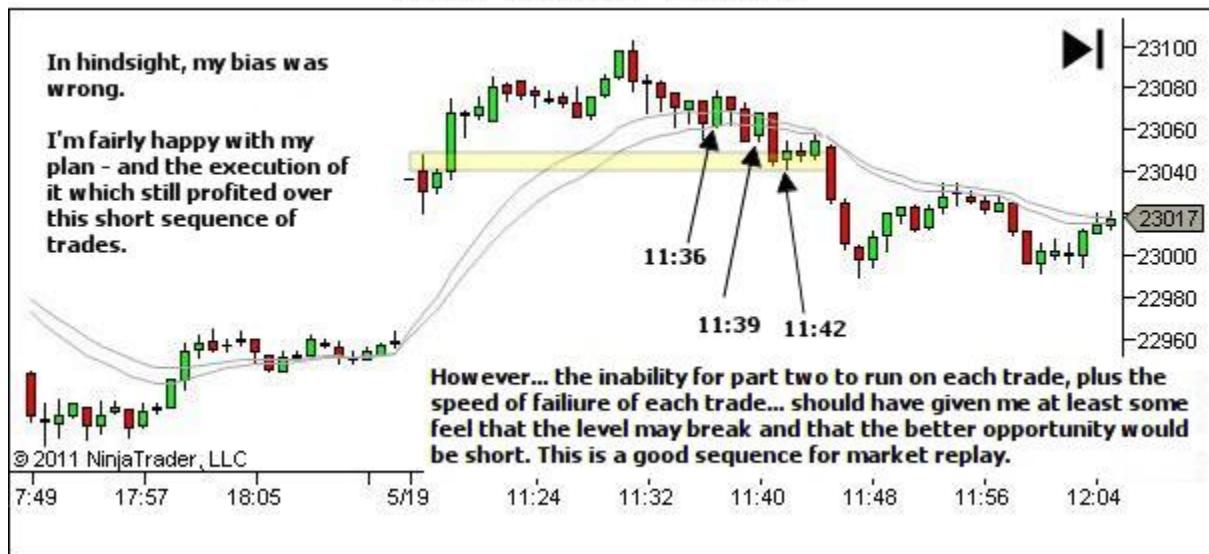
HSI 05-11 (1 Range) 19/05/2011



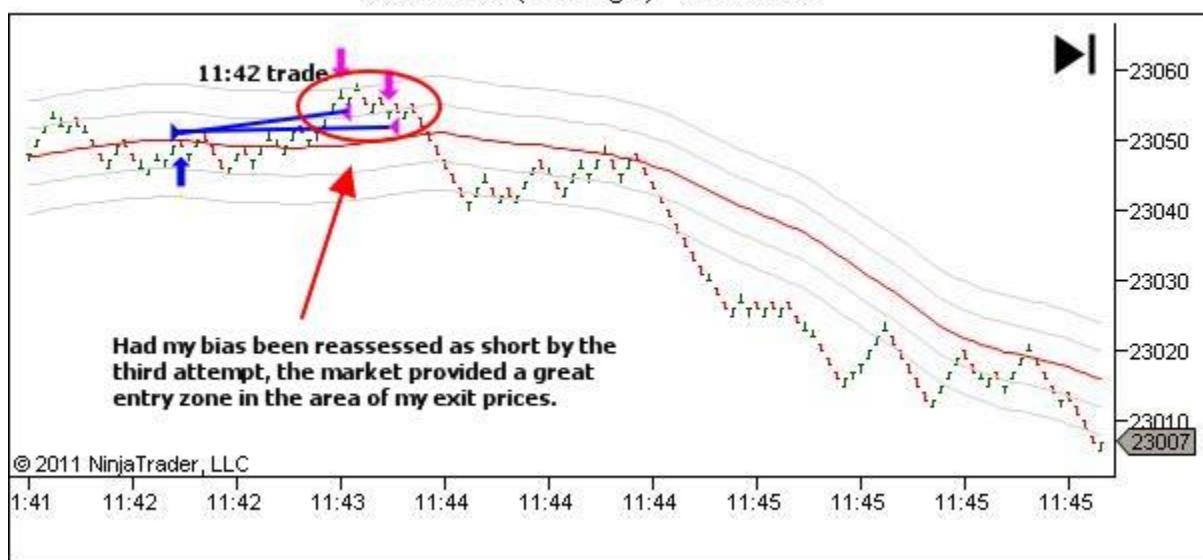
HSI 05-11 (1 Range) 19/05/2011



HSI 05-11 (1 Min) 19/05/2011



HSI 05-11 (1 Range) 19/05/2011



When the Market Goes Ballistic

No trading for me today (20/5/11) as my wife & I decided to get out of the house to spend a day together (actually... she decided... I was told). :-)

So, here's another lesson from yesterday's session.

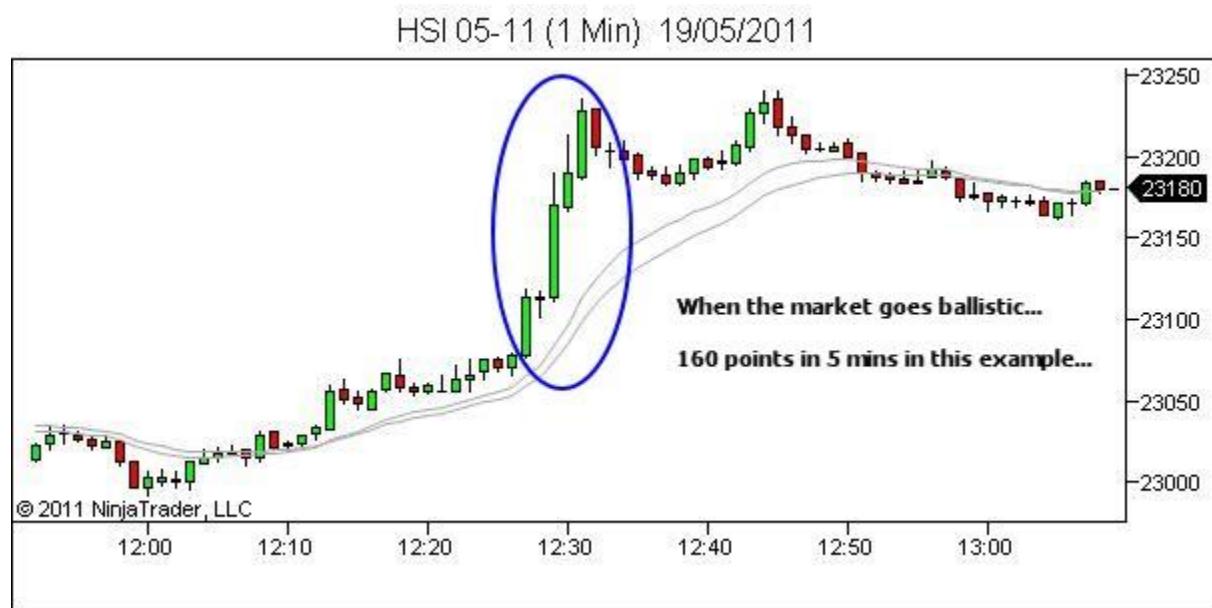
Thursday, May 19th, 2011

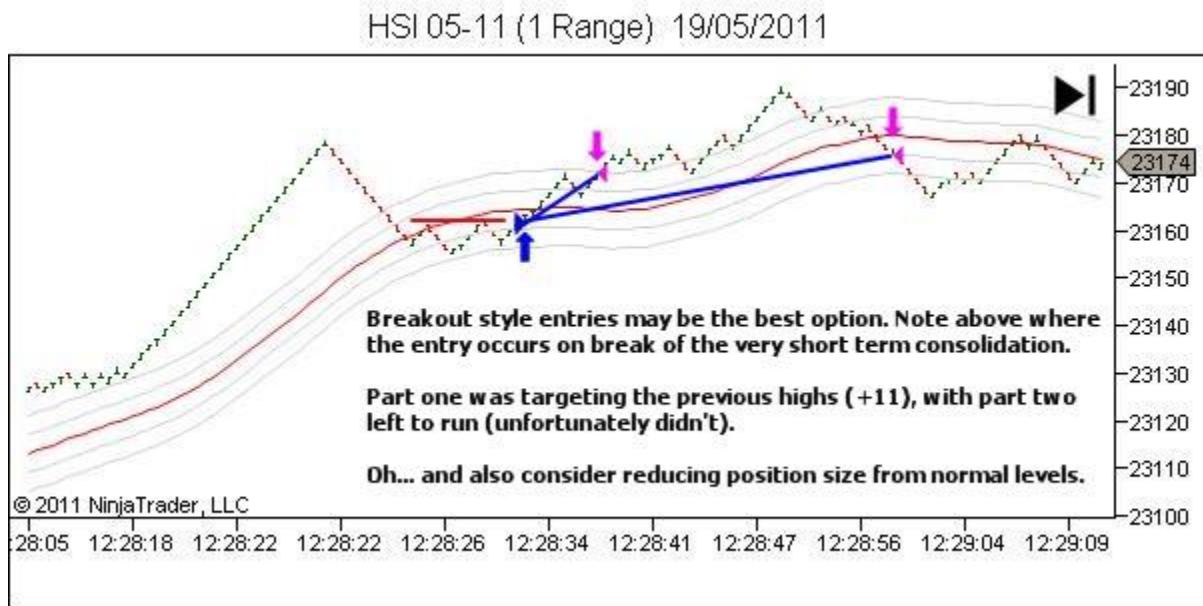
I'm not usually a fan of breakout style entries, but sometimes they're the best option.

When the market is moving with insane speed, as shown in the chart below, trying to pick the bottom of any pullback via a limit order is more often than not just going to stop out. It's usually better to wait for a stall and then continuation in the direction of the impulse move.

A word of warning though: a market such as HSI is not for newbies when it goes ballistic like this. It's just too fast. You need to have the trade pre-planned and wait for just the right occurrence (pullback and stall) and then only have a second or two to react. Slippage is also to be expected, especially if stopped out.

If you're more experienced though, you might want to give it a try. It's ALWAYS wise though to consider reducing position size.





How useful is Your Trend Definition?

Monday, May 23rd, 2011

I'm back on the E-mini Russell from this week. HSI is fun, but it's not my preferred instrument. It serves its purpose 3-4 times a year in giving me a break from the 'late night' US markets.

Anyway... fatigue levels are back in the green... so let's look at the first hour of Monday's E-mini Russell chart to find today's lesson.



The market opens with a downtrend, then reverses to uptrend on a break of the opening range high. I don't think many people would disagree with this, regardless of the differences in the way they define a trend.

The problem comes later with the breaks of swing highs/lows at (3), (4) and (5).

It's important that we always remember that any model we use for trend definition is simply a model; an approximation. Our trend definitions will at times break down. However, trend definition methods do vary in the degree of accuracy with which they model the actual environment.

One of the problems with newbies is their use of a simplistic trend definition that allows for just an up or a down trend, whether through a swing high/low structure, or through a moving average system.

Such a model will not cater well for sideways markets, in particular at times of repeated breakout failure as shown in today's chart.

So... consider the way you define a trend. How accurately does your method model this type of environment, or is there scope for improvement?

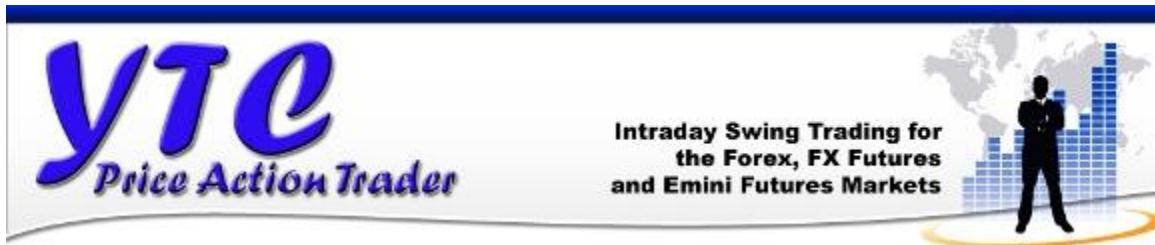
Cheers,

Lance Beggs.

PS. For details of how I define a trend (including a sideways market, and rejection of breakouts), see the [YTC Price Action Trader](#).

Other related (but less detailed) links:

- <http://yourtradingcoach.com/trading-process-and-strategy/how-i-define-the-trend/>
- <http://yourtradingcoach.com/trading-process-and-strategy/when-does-the-trend-change/>



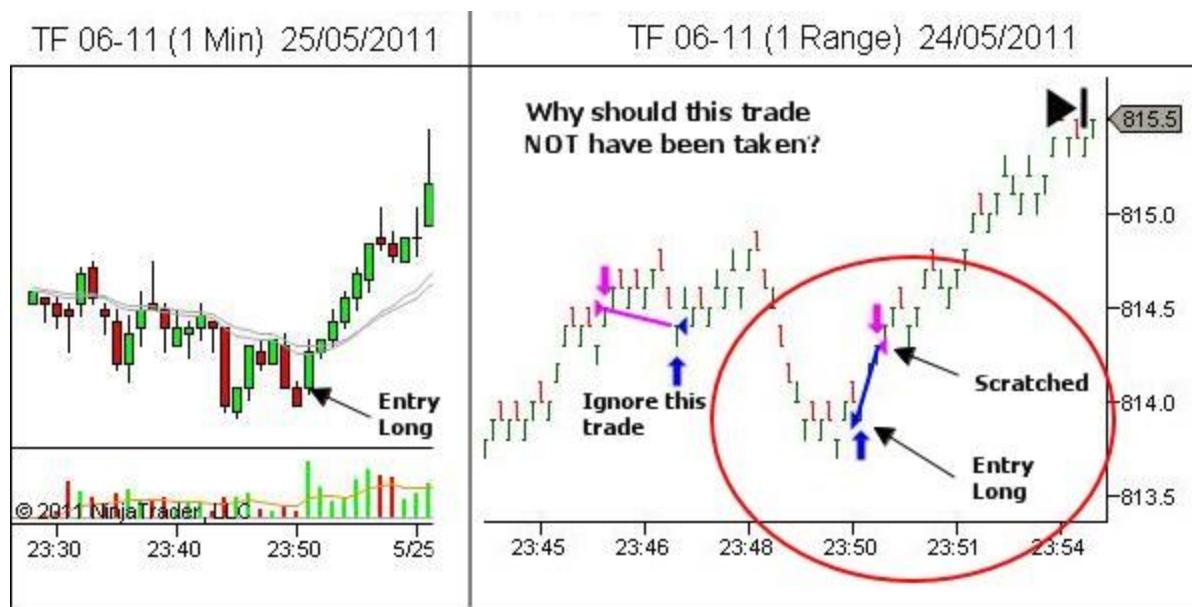
Why Should This Trade NOT Have Been Entered?

Tuesday, May 24th, 2011

A little disclaimer first... this is a market replay trade. I didn't trade the US session last night due to a bad cold. A nice sleep has done me wonders and I'll hopefully be back in the saddle for tonight's session.

However... a cold is no excuse to not use market replay to trade the session in a sim environment, as soon as you're feeling well enough. I'd planned to skip a blog lesson today, but the market replay provided me with a nice one.

So here we go... why should this long entry not have been taken? In hindsight, it's a beauty. But I scratched it for only +4 ticks as soon as I realized my error.



Technically, there is no reason why it should not have been taken. It's a beautiful entry; a stall on a test of the previous low.

The problem is not price action based though (I know... there's no way you could have guessed this from the chart!! I was just getting you thinking - hopefully you also thought it was a good entry!)

My trading plan includes a requirement that I do NOT enter a trade at the time of economic news releases or events which are expected to provide either Medium or High Impact.

I use the calendar at <http://www.forexfactory.com/calendar.php>

An orange or red symbol indicates potential Medium or High Impact, respectively.

Mon May 23				
Tue May 24	10:25pm	USD		FOMC Member Duke Speaks
	11:50pm	USD		FOMC Member Plosser Speaks
Wed May 25	12:00am	USD		New Home Sales
	12:00am	USD		Richmond Manufacturing Index
	▶ 5:30pm	USD		FOMC Member Plosser Speaks
	10:30pm	USD		Core Durable Goods Orders m/m
	10:30pm	USD		Durable Goods Orders m/m
Thu May 26	12:00am	USD		OFHEO HPI m/m
	12:30am	USD		Crude Oil Inventories
	3:30am	USD		FOMC Member Kocherlakota Speaks

Now, you might argue that some FOMC guy speaking is not significant enough to concern me (apart from Bernanke), and maybe an exception can be made in this case. That may well be true. However that is also irrelevant. My plan says to wait for the next price move before considering any action. In a live environment I would not have taken this entry. So in a sim or replay environment I should also not have entered.

So here's today's lesson: **Trading in a sim or replay environment MUST be conducted as close as possible to how you would trade live. Otherwise you're not learning.**

CAUTION: Economic Calendars Do NOT Give You ALL the Information

Tuesday, May 31st, 2011

No trading yesterday due to the public holiday in the US and the UK. So, with all the health and computer dramas of the last week it's been quite a while since I've traded. It's good to be back.

Today's lesson:

Here's a little 'gotcha' that can cause a loss of a few dollars, if you're not aware of it...

Let's look first at the economic calendar. You'll note the Chicago PMI (Purchasing Managers Index) due to be released at 11:45 pm. Note: this is my GMT+10 timezone, equivalent to 09:45am ET.

Mon May 30	All Day	USD		Bank Holiday
Tue May 31	11:00pm	USD		S&P/CS Composite-20 HPI y/y
	11:45pm	USD		Chicago PMI
Wed Jun 1	12:00am	USD		CB Consumer Confidence
	9:30pm	USD		Challenger Job Cuts y/y
	10:15pm	USD		ADP Non-Farm Employment Change

This is an economic report that can provide some price movement. As such, it's a good idea to be flat prior to the news release, or to appropriately tighten stops if holding a profitable position.

Here's the gotcha though... the Chicago PMI numbers are actually released 3 minutes earlier to the data subscribers (eg. <http://www.kingbiz.com>). It's only the public getting the figures at 11:45pm.

Looking at the charts, we can see the initiation of the move occurring at 11:42pm, not 11:45. So, file this one away somewhere. For the Chicago PMI, be prepared for price movement 3 minutes prior to the reported release time.



Setup of the Day (So Far)

Wednesday, June 1st, 2011

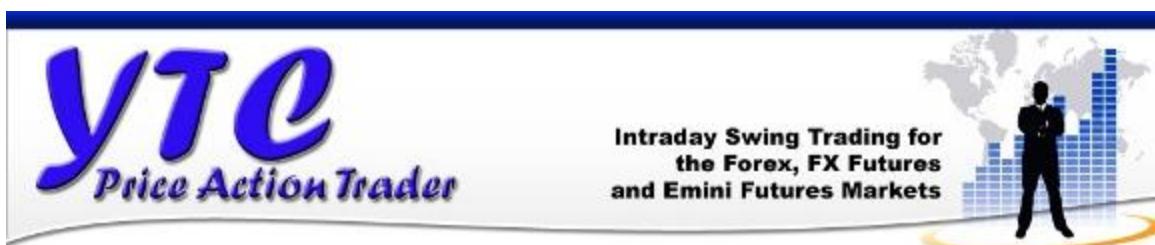
One of the best price action based setups - the breakout pullback - which if traded right can offer both a low risk and a high probability trade opportunity.

Today's first hour of the E-Mini Russell offered a great example, when the ISM Manufacturing PMI release drove price below previous support. The pullback to previous support, now resistance, offers a great entry on either our trading timeframe or our lower timeframe.

Readers of the [YTC Price Action Trader](#) will recognize the setup, plus the two triggers (LWP or pattern-based), plus placement of stops and targets. Note also the changing momentum on the two pullback swings (lower timeframe).



TF 06-11 (1 Min) 2/06/2011



A Recovery Trade (not for the newbies)

Thursday, June 2nd, 2011

For years my trade entry and management has involved an All-In-Scale-Out approach. This is demonstrated in detail within the [YTC Price Action Trader](#).

Lately though (as demonstrated in [YTC Scalper](#)) I have been adopting more of a Scale-In-Scale-Out approach to trade entry and management.

One use of this approach is what I call a Recovery Trade. It's explained in detail within the YTC Scalper, but I'll give an example here. It's certainly NOT for the newbies. It requires some feel for price flow which only comes with a bit more experience and exposure to price.

A recovery is a planned scaling-down, with the intent to lower the breakeven point and allow a strategic exit at or close to breakeven. Please note, this is different to averaging your entry based simply upon hope. In this example, the second entry occurs upon evidence of support holding price.

My expectation on this trade was for a pullback to the vicinity of where I took entry 1. Support was expected at that level, with further support below protecting our stop.

Upon part 1 triggering entry, price just slid straight through the support too easily. This was not expected and immediately placed my whole trade premise in doubt (there should have been at least some support at my entry if I was correct).

When support did show at the lower level, it allowed a part two scaling in. This subsequently allowed a scratching of part 1 for reduced loss (ideally I aim to get breakeven but it wasn't feeling likely in this case). Part 2 was held a little longer to allow the trade to prove itself. It didn't, so was also scratched.

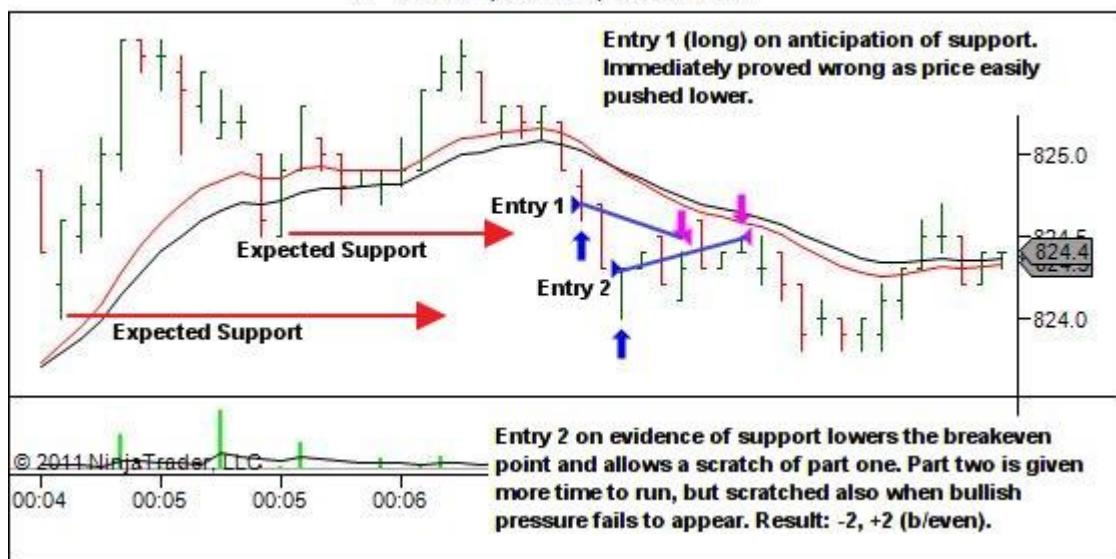
Result: a breakeven sequence, rather than a loss had I just held part 1 till its stop.

I will emphasise again: if you do this based simply on hope you're likely to get two stop outs. Blindly averaging your entry price is a loser's game. Planned scaling in, in appropriate circumstances and with appropriate experience, can have a place in your trade entry and management plan.

TF 06-11 (1 Min) 3/06/2011



TF 06-11 (15 Tick) 3/06/2011



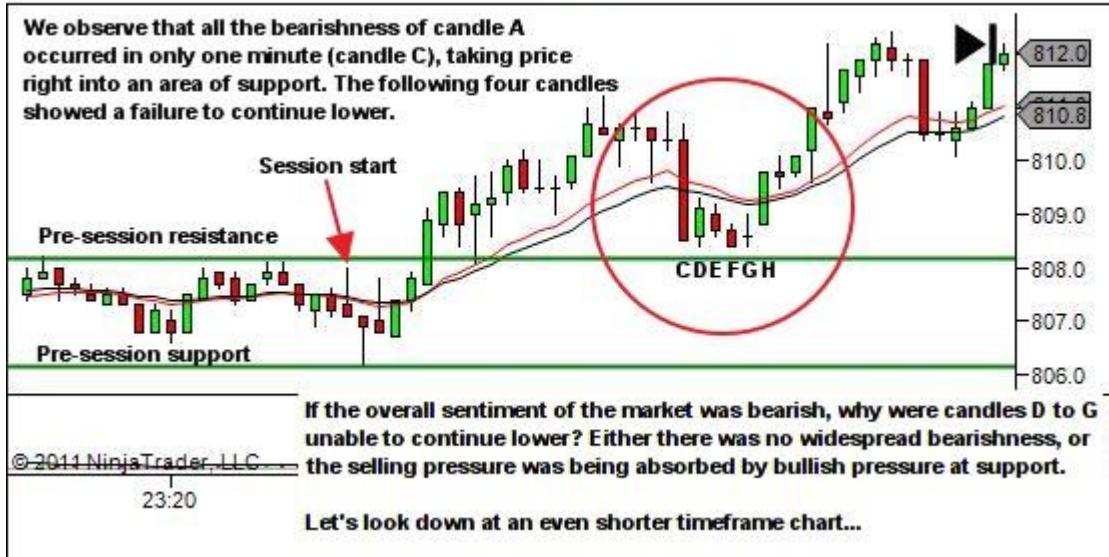
I Thought This Was Pretty Cool...

Friday June 3rd, 2011

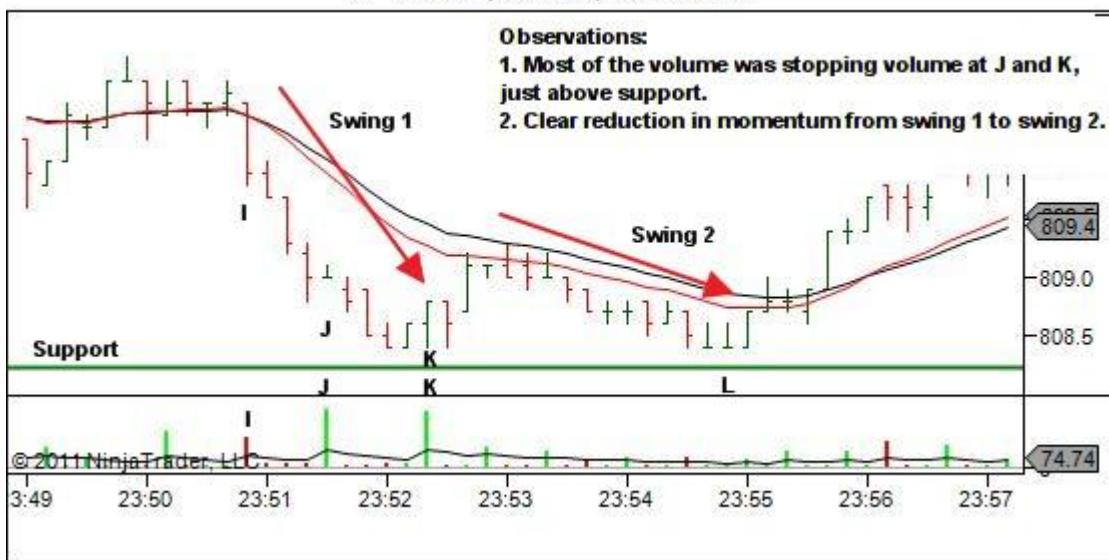
Part of learning comes as a result of identifying interesting features within the price action and examining them in detail. Here's one from Friday that I thought was pretty cool. The images and associated text pretty much explain it all. So here's the 5-min, 1-min and 15-tick charts, plus the NYSE Tick for those who like market internals, examined using some of the [YTC Price Action Trader](#) and [YTC Scalper](#) analysis methods:

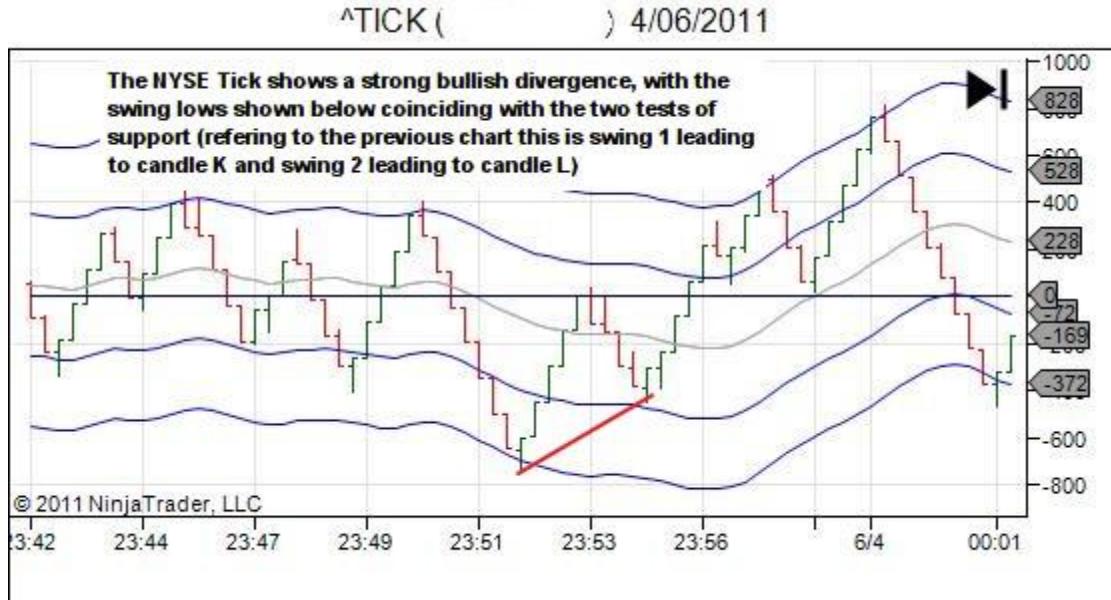


TF 06-11 (1 Min) 4/06/2011



TF 06-11 (15 Tick) 3/06/2011





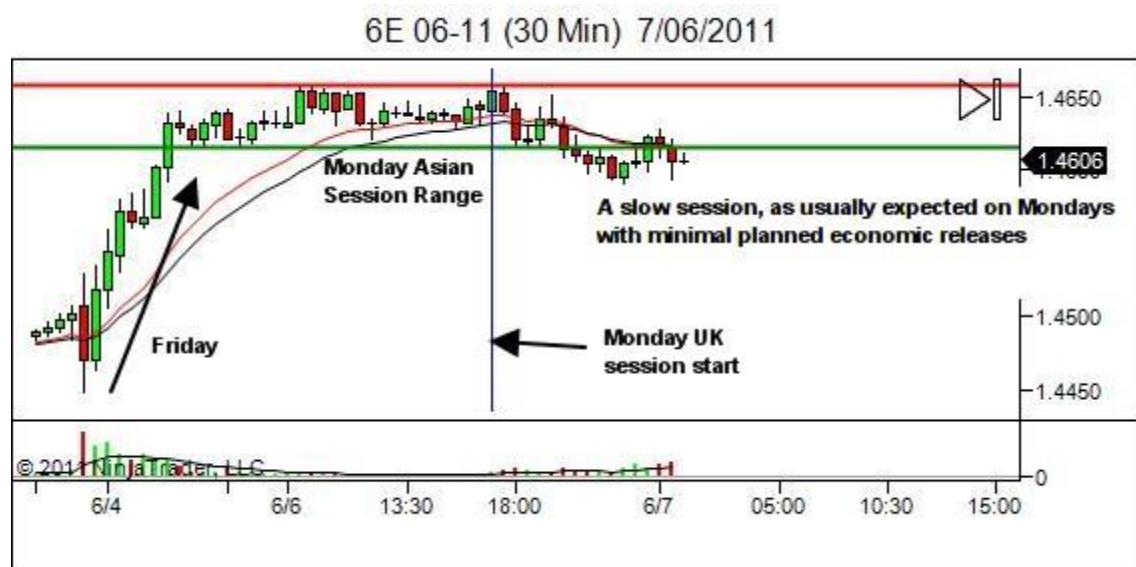
Seriously... Who Would Buy Here?

Monday June 6th, 2011

I've had a request for some forex (or fx futures) analysis, which is quite reasonable considering a very large proportion of my readers trade forex. So, we'll focus on the currencies this week. I'll be trading the e-mini Russell, so we'll have no trades, just analysis.

Starting today with the Euro (6E in fx futures, EUR/USD in forex) we see a very slow session, not totally unexpected on days where there is very little in the way of planned economic releases.

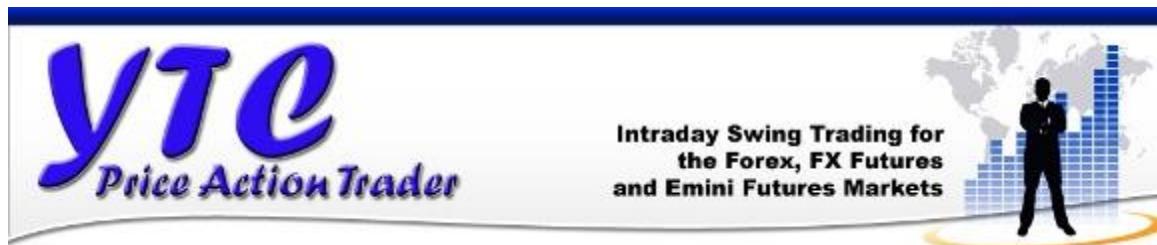
But this provides a good demonstration of the fact that there is something worth examining every day... even when it's quiet.



Looking at the trading timeframe, the first thing that stands out to me is the reversal as shown below in the circle.

I'll let the notes on the charts speak for themselves from here on, as we discover a really dumb place to go long. This is a great concept for a trading strategy. Find the dumb places to trade, and then watch for failure of their position for your entry in the opposite direction.





Price Broke The Swing Low. Does That Mean The Trend Has Changed?

Tuesday June 7th, 2011

Here's a general lesson on trend structure (at least the way I define it).

The market and timeframe are largely irrelevant. It's the concept that is important. But in any case, here's today's Euro 3-minute chart. Let's say we have the following price action... an uptrend that has now retraced. We're looking at it intra-candle. And the current candle has just broken the prior swing low (actually the prior two swing lows).

Does this mean we now have a downtrend?



Let's check the following price action...



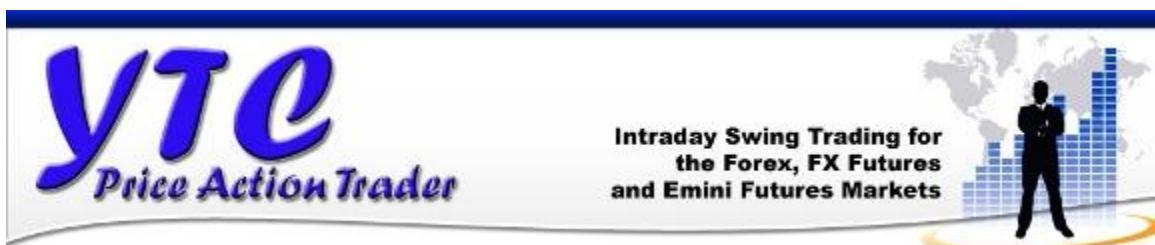
The break below the prior swing lows was immediately rejected. The uptrend is deemed to remain intact.

A trend has not ended until (a) there is a break in the swing high / swing low structure, and (b) there is price acceptance in the new area (not price rejection).

See the following related articles for more explanation and examples:

- <http://yourtradingcoach.com/trading-process-and-strategy/how-i-define-the-trend/> (the second half where we talk about no trend definition being perfect)
- <http://yourtradingcoach.com/trading-process-and-strategy/when-does-the-trend-change/>

Or see YTC Price Action Trader for a lot more...



Their Reasons May Be Unknown... But Their Loss Provides Opportunity

Wednesday June 8th, 2011

Today's observation is very similar to the example from Monday, and largely prompted by a comment from Johannes who asked, "who would go long there?"

Here's today's scenario. Check back to [Monday's post](#) if you want to see the similarity and put today's discussion into context.



So, who would go long here, in the area marked with a circle?

Just because I see it as a potential short, doesn't mean that everyone else does. The market is comprised of many people conducting analysis through different strategies and different timeframes.

Some may be long as a result of a pattern based trigger, such as the first close confirming a 123 low pattern. Some may be long due to a moving average crossover trigger. Some may be long based on seeing a volatility breakout. Some may be long based on seeing an impulse bar combined with positive and rising MACD. Examples are shown below.

And these are just four quick examples using the same timeframe as our chart. We haven't even looked to other timeframes.

Always remember, for every sell there is a buy. Their reasons are unknown, but for many of these people their reasons are unlikely to have been made with any consideration as to the true nature of price movement - orderflow resulting from traders making trading decisions.

And when they realise they've got it wrong and are forced to exit their position... that's opportunity.



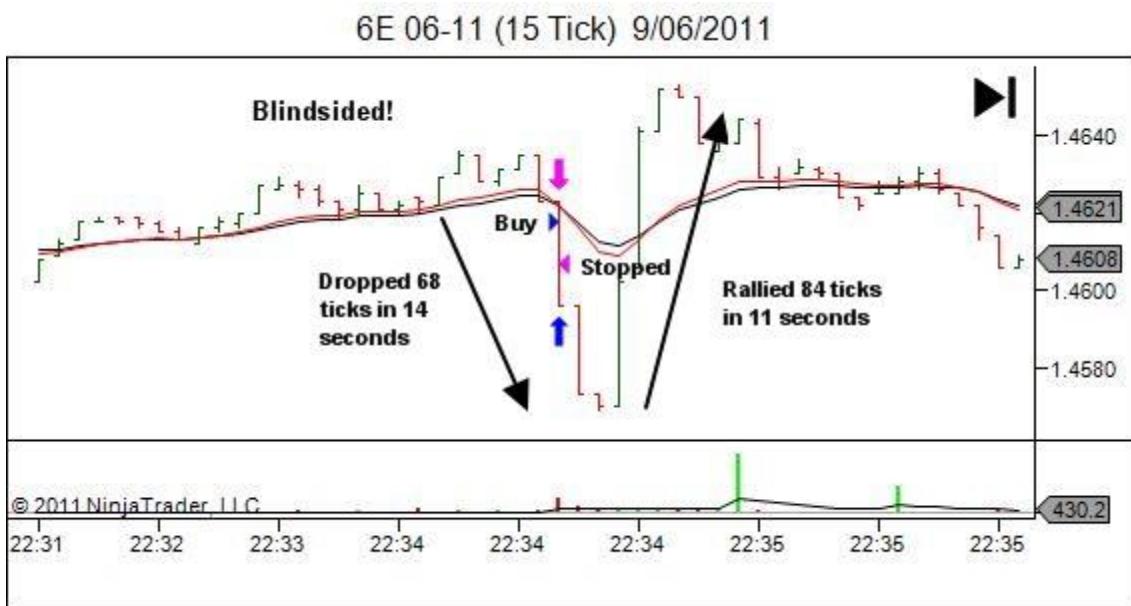


Sometimes You Just Get Smashed!

Thursday June 9th, 2011

LOL... One risk of resting orders sitting in the system below price, waiting for the right time to be moved up into play... is that the market may choose that moment to remind us who is the boss.

It's a good reason to always have the stop orders attached automatically to the entry order. Surprisingly there was only minimal slippage.



It all occurred within the first large green 1-minute candle (below). This was 4 mins after several 08:30ET news releases. I'm not yet sure of the cause. I can only assume it's the result of the ECB Press Conference occurring at the same time???

6E 06-11 (1 Min) 9/06/2011



Testing Demand & Testing Supply

Friday June 10th, 2011

Well, what a boring EUR/USD (or 6E) session so far today. As it currently stands, 5 hours into the session, we have a sideways range.

The concept of this blog is "let's find something of interest in each session, whether it's an item of analysis, a trade review, or something else entirely". Sometimes when the price goes nowhere like this it might seem at first glance to offer nothing - at least nothing interesting. But please persist when looking for your lessons.

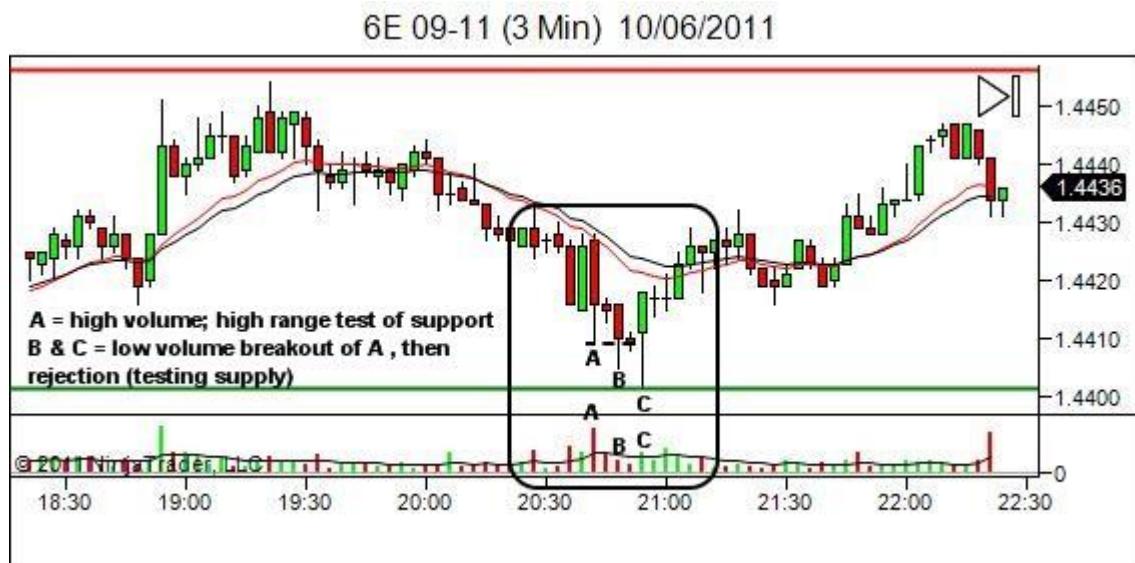
Look to areas of spikes in volume. Look to areas of tests of the range boundaries. Look to price bars with a higher than average range.

You'll find something.

For example... let's look at the two areas marked by boxes, as price first tests the upper range resistance, and then the lower range support.



As you examine both below, you'll note that both involve a LARGE RANGE, HIGH VOLUME candle (marked A) on approach to the range boundary. However price did not turn until a retest and BREAK of the candle A extremes, on LOWER volume (candles B, and C when applicable).



Maybe that's something to watch for in future?

A high volume test of resistance; an indication of demand pushing price higher. Followed by a second push to retest the highs; this time finding insufficient demand to continue higher, and clearing the way for price to fall.

A high volume test of support; an indication of supply pushing price lower. Followed by a second push to retest the lows; this time finding insufficient supply to continue lower, and clearing the way for price to rally.

A YTC Scalper Opening Range Play

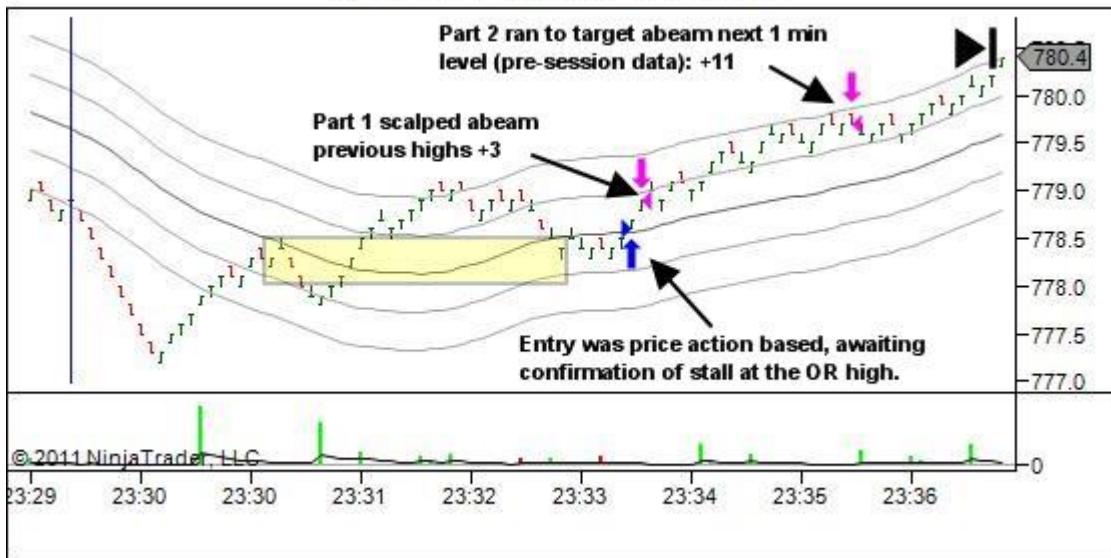
Monday June 13th, 2011

Back to the e-mini's for the new week. And let's start with an easy post - a sample [YTC Scalper](#) trade demonstrating an opening range play, as price gaps open and runs.

TF 09-11 (1 Min) 13/06/2011



TF 09-11 (1 Range) 13/06/2011



Trade Management is More Important than Trade Entry

Tuesday June 14th, 2011

There is such incredible focus in trading education on our entry point. The fact is though that trade management is likely to have a bigger influence on your results, than does the entry.

As evidenced by this short sequence of trades, which included an exceptional read on the strength in the market, and an excellent series of entries.

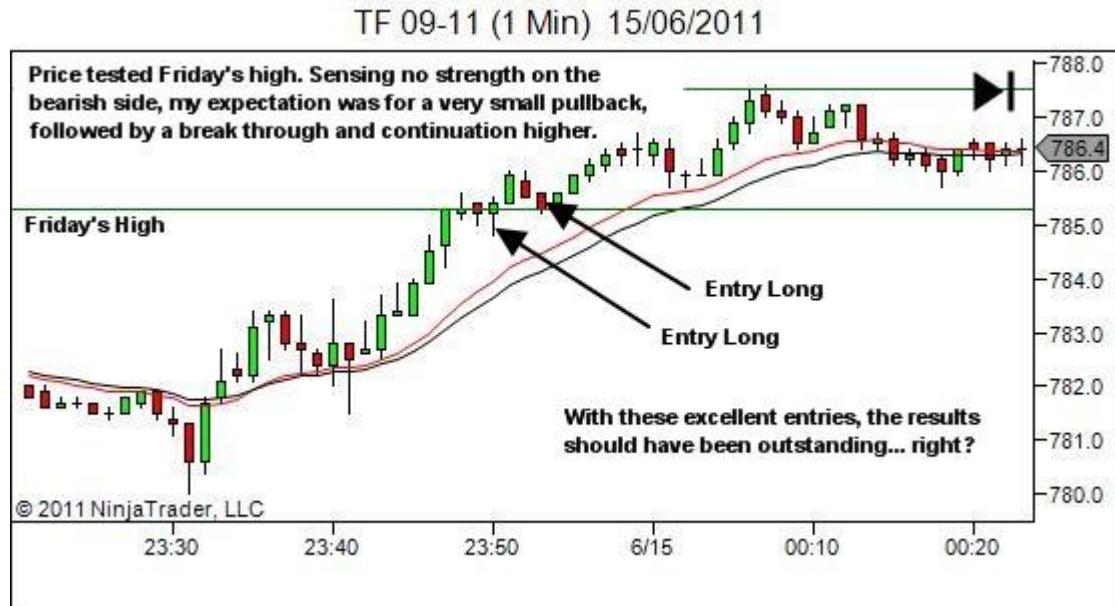
However, the end result was just a tiny profit, as both entries were scratched due to it not feeling right.

There's no loss... but no real profits either.

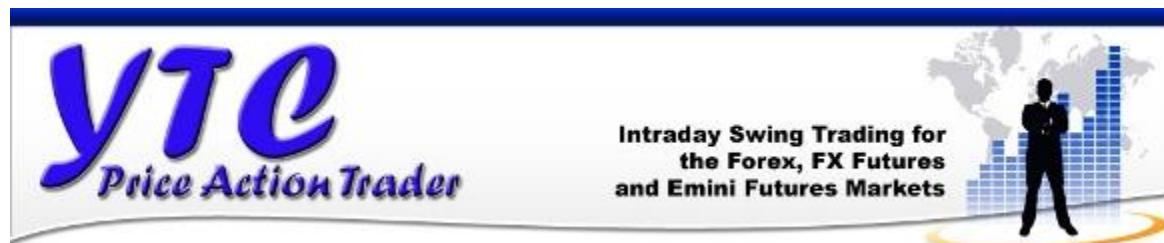
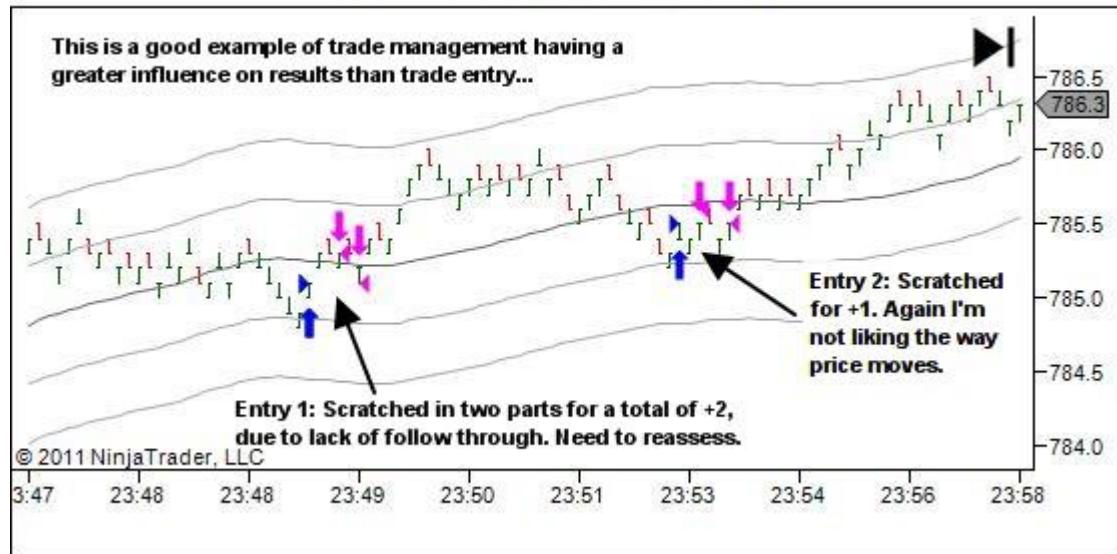
During the session, the frustration is quickly put aside and I moved on to the next opportunity.

After the session though... this is the kind of trade which needs to be the focus of some market replay. I scratched because I wasn't feeling any bullish pressure. I need to re-examine the price action to make sure this was actually the case; and that I wasn't just totally out of sync with the price action, or influenced by some other external or psych factors.

Today's lessons: (1) Trade management is more important than entry. (2) If you don't have time to do a market replay of a whole session (who ever does!!) then seek out periods within the session which look obvious and simple in hindsight, but actually resulted in significant underperformance. There lies your greatest opportunity for learning.



TF 09-11 (1 Range) 14/06/2011



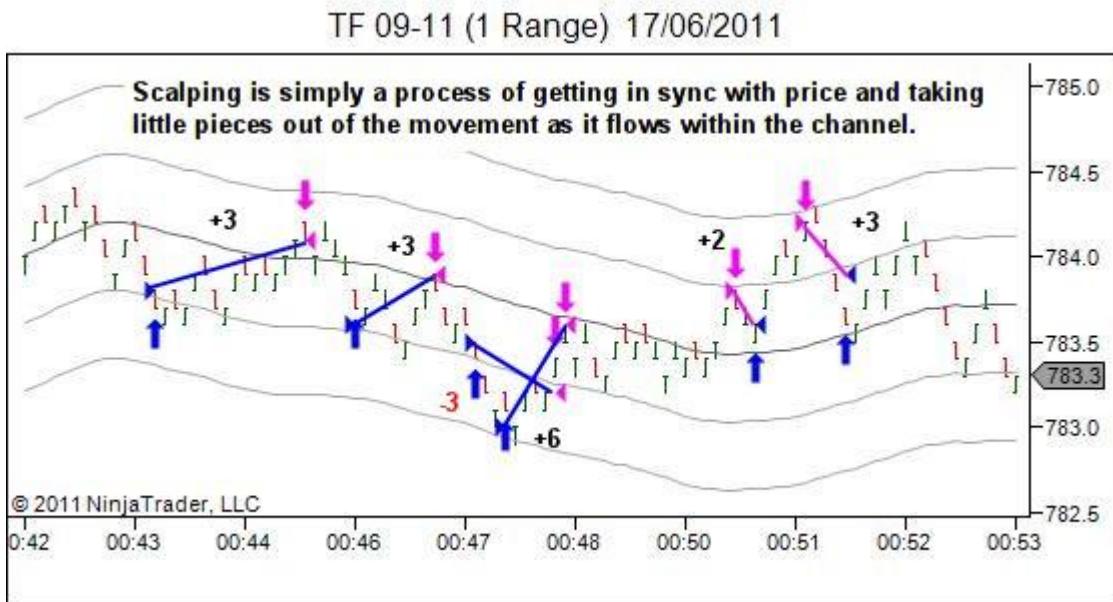
Intraday Swing Trading for
the Forex, FX Futures
and Emini Futures Markets

What Is Scalping?

Thursday June 16th, 2011

There was no trading yesterday (and therefore no blog post) due to the State of Origin game and a couple of beers! But after a terrible result (QLD lost) it's good to put that behind me and get back to work...

Ok... on to today's post. I thought I'd do a simple little example of what scalping means to me. The charts should be pretty self-explanatory, so have a read through them and then I'll wrap it up with some text following the last chart.



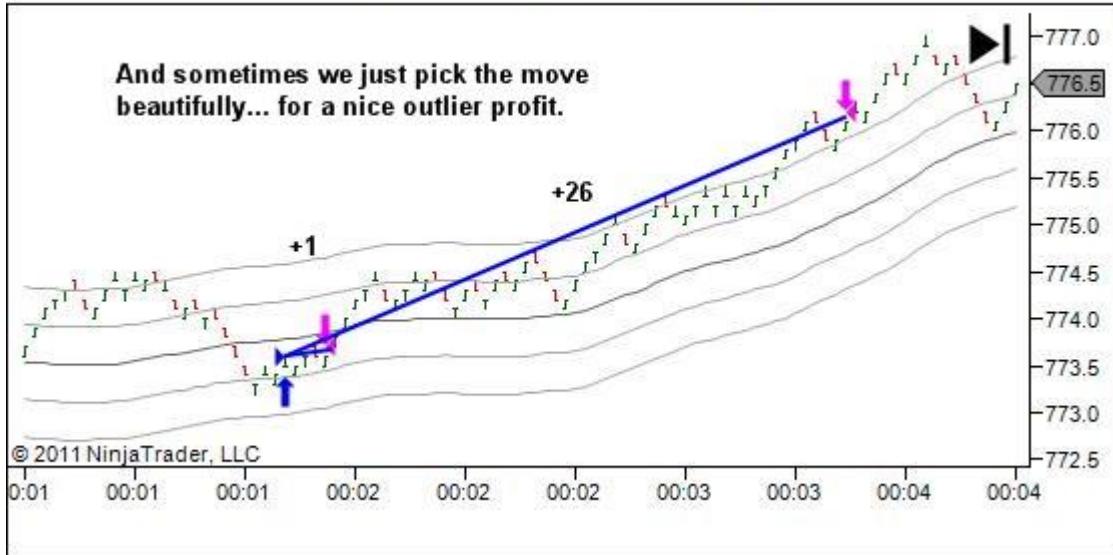
TF 09-11 (1 Range) 17/06/2011



TF 09-11 (1 Range) 17/06/2011



TF 09-11 (1 Range) 17/06/2011



Three steps only:

1. Identify the bias (flow, path of least resistance, future trend or whatever you want to call it).
2. Take a wholesale entry in the direction of that bias.
3. Then manage whatever happens.

It's never as easy as it looks after the fact.

Expect consistent losses at first.

Implement a process of deliberate practice.

Trade-Record-Review-Improve!

Build experience through trading (in the sim at first) over and over and over again. In time, your ability to read bias will improve. Your ability to identify better entry locations will improve. Your ability to contain risk will improve. And your results will improve.

Scalping such as this is not a Holy Grail trading method. And the rapid decision making required in these timeframes does not suit everyone. But if you find yourself attracted to short timeframe action, give it a try on a sim. Maybe it won't be to your liking? Or maybe... like me... you'll have found the place in the markets that feels like home!

Identifying the Market High or Low - A Simple Rule

Monday, 21st June 2011

Today's E-mini Russell session (so far as we reach the two hour mark) has reminded me of this simple market structure feature, relevant to those trading markets that have a clearly defined daily session (ie. an open and close):

The high or the low of the day will be often set within the first five minutes of the day.

I recognize that "often" is not very scientific. I have no percentage stats to verify this. I've simply heard it a few times from other sources, and have no reason to doubt it having observed it myself as well. Most recently I came across it again in this great video by Adam Grimes of SMB Capital (who does have some stats and graphs to verify this concept): <http://www.smbtraining.com/blog/professional-entry-techniques-with-adam-grimes-6911>

So, if the market trends strongly from the open, consider the fact that maybe the open has formed the high/low. And consider the opening range to be an important area of S/R, should price return to this level later in the session.



YTC PAT Readers: Is a Single Bar Pullback Sufficient For Entry?

Tuesday, 21st June 2011

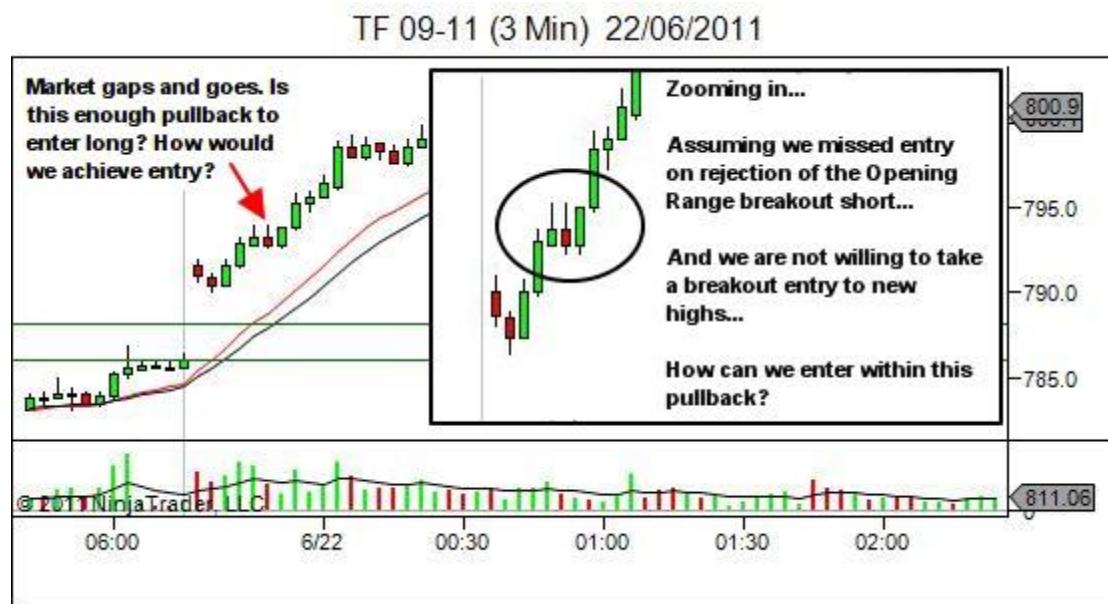
Your bias is bullish!

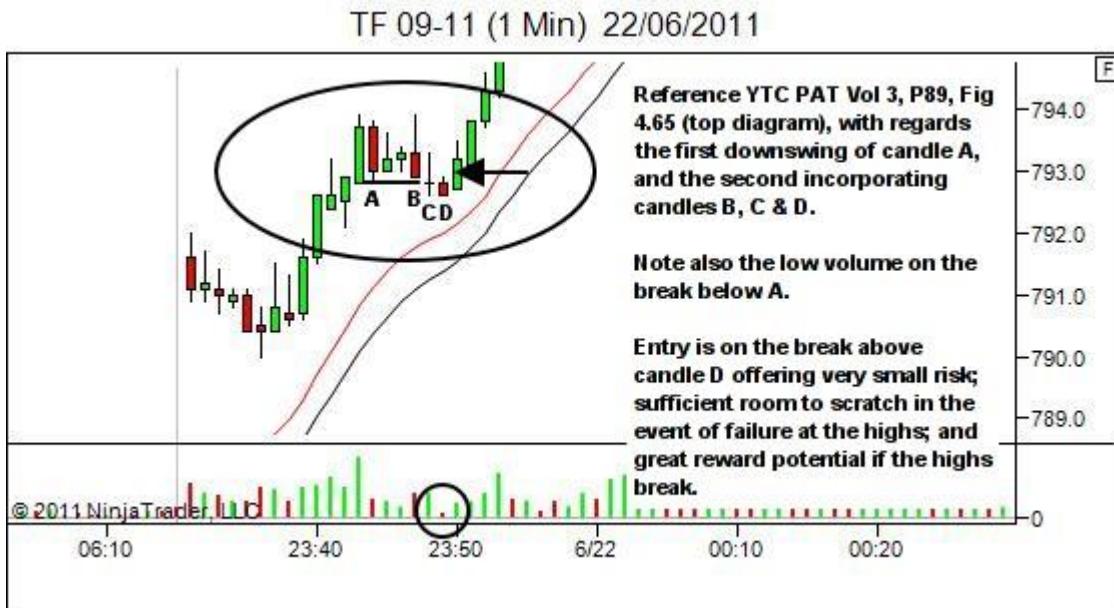
You're waiting for a pullback entry!

The market pulls back only a single bar on your trading timeframe. Is that enough?

Absolutely! In a market with a strong bullish bias this is often all you'll get. So... you either take an entry on the breakout to new highs (not my preferred style) or you find a lower timeframe trigger entry within that single bar pullback.

Let's look at an example from today's session. (You'll need to reference your copy of [YTC Price Action Trader, Vol 3, P89, Fig 4.65 \(top diagram\)](#))





Session Review - Simple, Quick and Effective!

Wednesday, 22nd June 2011

One of the simplest parts of your post-session review also happens to be one of the most effective.

Look at the charts with the benefit of hindsight. Identify where you should have taken trades (where was the opportunity). And then compare with your actual performance.

Did you see this opportunity in the live environment? If so, good! If not, why not?

Did you manage the opportunity effectively? If so, good! If not, why not?

And then... replay the whole sequence using hindsight perfection (using market replay if time is permitting, or at the very least just stepping bar by bar through your printout).

Simple! Quick! Effective!

For example... those who traded the Euro off the 1 min chart following the FOMC Statement and Press Conferences...





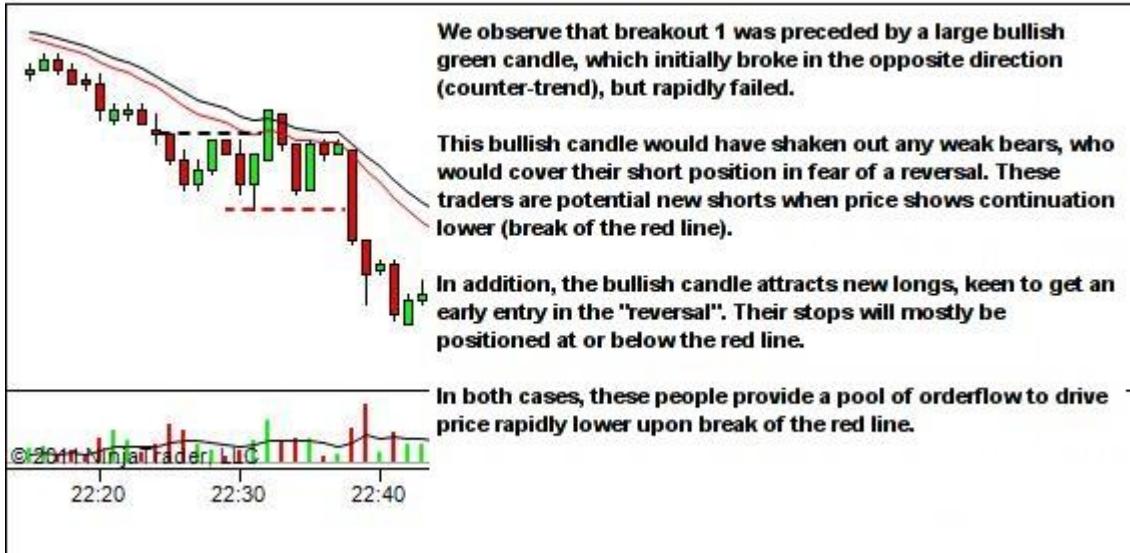
One Way to Identify a Strong Breakout!

Thursday, 23rd June 2011

If you absolutely must take breakout trades... this is one type you don't want to miss.



6E 09-11 (1 Min) 23/06/2011



6E 09-11 (1 Min) 23/06/2011



Mindset Management

Monday, 27th June 2011

My procedures manual contains numerous plans and procedures for maintenance of a positive and focused mindset.

- an extensive procedure pre-session
- a procedure for use during the session whenever focus has been distracted or minor stress is observed
- a procedure for use each hour
- a procedure for use mid-session
- a procedure for recovery from a significant loss or negative emotional event.

The [YTC Price Action Trader](#) shares the exact steps in Volume 4, Chapter 13 (amongst all other trading procedures).

I had to invoke the second of the above mindset procedures tonight; although I added to it slightly through removing myself from my trading office first.

The following chart shows the price action. The market is the Euro currency futures (6E), the futures equivalent of spot forex EUR/USD. The period of time being discussed is the area between the two vertical lines, immediately following the 08:30ET news. The price shows a clear downtrend with bearish bias throughout.



Let's look at the trades on a slightly reduced timeframe, to fit them all nicely on one chart.



As you can see I just kept fighting the bias all the way down. It's only a short sequence of four trades, and the sequence provided positive P&L. That was achieved through good trade management in scratching when the expected counter-trend follow-through did not occur, and quickly minimising loss on the one trade that was losing. But a positive P&L does not necessarily mean that all is going well.

THE PRICE ACTION WAS MESSING WITH MY HEAD.

After the second trade I was asking, "What the hell am I doing entering counter-trend when there is no strength at all to the upside?"

After the third trade I said, "No more counter-trend until the market environment changes."

Then I entered the fourth trade only 1 min 40 seconds later; again counter-trend long.

Time for banishment of the trader to the sin-bin.

I removed myself from the office and took a short break, to conduct a nice breathing, relaxation and refocus session.

Then back to work.

Today's Lesson: When you're going off tilt like this, you need to break the pattern before it causes significant damage to your P&L and your mindset. Do not continue trading. Remove yourself and regroup. Whether that's through relaxation, or physical exercise, or whatever else you prefer... break the pattern before it breaks you.

Should we anticipate a Breakout Failure or Breakout Pullback?

Tuesday, 28th June 2011

Let's have a look at the breakout above 1.4300 resistance in today's Euro chart (6E in futures, EUR/USD in spot forex) at 10:00ET (00:00 chart time). I'll try to reconstruct my thoughts at the time as much as possible, as to whether the market offered potential for a breakout or breakout failure.



I suspect a whole lot of traders would be watching this level; and considering trading around this time.

Pattern based traders had some nice patterns setting up - in particular an ascending triangle and a cup & handle.



The level was significant to breakout traders from the 1 min timeframe right up to the hourly timeframe.



News traders were preparing for potential price movement with the release of the Consumer Confidence figures.



My thoughts are outlined below. My expectations were that if the news release pushed price through the resistance level, there would be enough orderflow to lead to continuation.

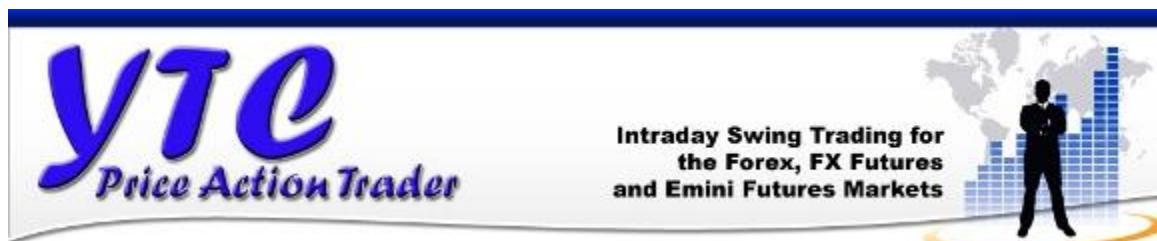
However... caution is always applied, and I am always ready to react to a breakout failure scenario.



Let's look at the 1-min timeframe to see the finer detail post-breakout.



The candles offered a tempting reason to take a short on the break of B... however the real 'failure' orderflow would not be expected to kick in till somewhere below 1.4300, so any short position should be managed aggressively. In this case, the pullback showed clear signs of bearish weakness, allowing an easy breakout pullback entry on the break above D (or a reversal of any short taken below B).



Trading the Financial Markets Involves Risk!

Wednesday, 29th June 2011

The chart below shows a 94 pip slam on release of breaking news that the Greek ruling party deputy has voted against the Austerity Package.

TA proponents state that all the news is factored into price; but clearly no price can factor in surprises such as this.

And whether it's a knee-jerk reaction or not... it can be devastating for anyone caught in an open position against the direction of movement.

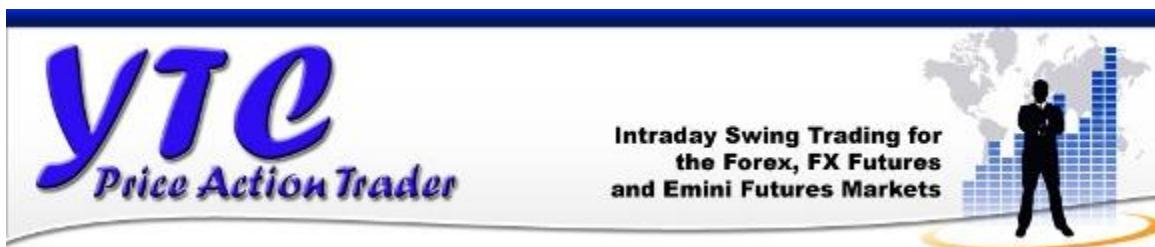
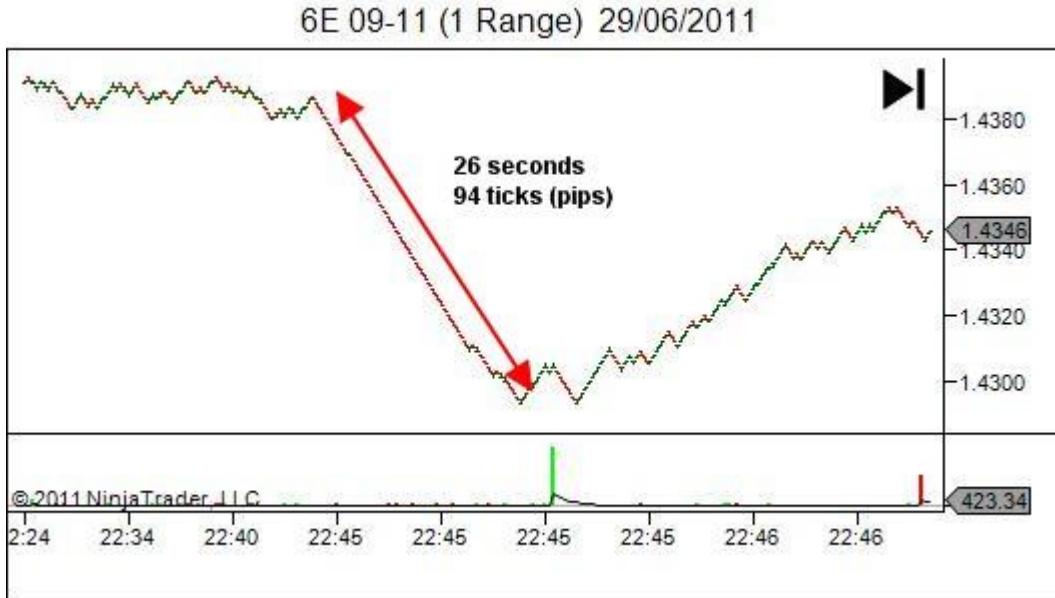
To date, my procedures manual has me monitoring the economic calendar to ensure I'm aware of planned economic releases and events. I do follow economic and political news, but more as a side interest rather than an active part of my trading plan.

As such, I was aware of the Austerity Package vote occurring today, but unprepared for the potential price shock that occurred during the course of the voting.

I incurred no loss, as I did not have a position on. My trading this session was not scheduled to start till over an hour later, following release of the Pending Home Sales report. So I wasn't even present to observe this one. However this is pure luck; on another day I may not have been so fortunate (see blog post – *Sometimes You Just Get Smashed*).

I will be reviewing my policy and considering the need for a more formal scan of market news pre-session and during session.





Analysis of a Complex Pullback

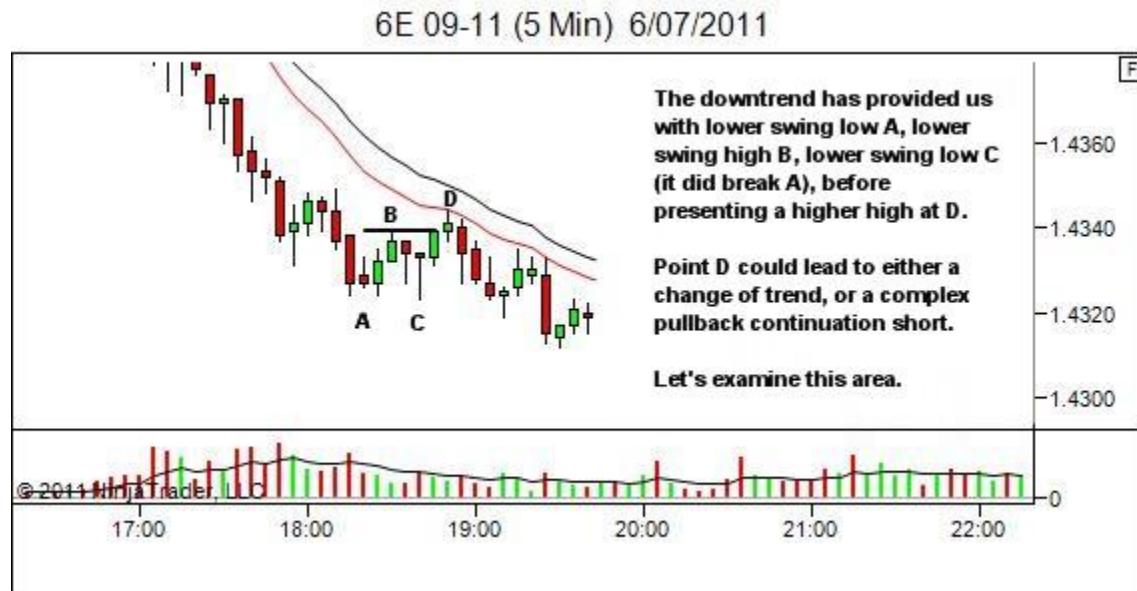
Wednesday, 6th July 2011

Apologies for the lack of posts for the last week. I've been away from the office for a whole week as my daughter's represented Townsville in a 5-day soccer carnival. I had intended to continue posting through this time, but that intention was a bit too optimistic. There was barely enough time available to get through emails (actually not even enough time for that... and if you've emailed recently and not got a reply, I'll hopefully have those caught up today).

On to today's post:

The chart below shows the Euro (6E fx futures contract; equivalent to EUR/USD spot forex) 5 min chart. The market had been in a strong and continuous downtrend for almost two hours.

Let's examine point D (excusing the fact that you can see what follows).



Point D is the first time that price has broken our downtrend definition. From here, our job is to assess whether the market is achieving price acceptance in this area, in which case we may reassess our bias as LONG, or whether the market is likely to achieve price rejection and continue lower, providing us with a complex pullback continuation entry SHORT as price resumes the downtrend.

Let's look at the lower timeframe chart: (reminder: the timeframes I use are irrelevant; this concept applies to whichever timeframes you wish to trade)



There are a number of ways the price could be analysed here; let's look at it from the perspective of individual candles (as explained in the 5-part article series commencing here:

<http://yourtradingcoach.com/trading-process-and-strategy/better-than-candlestick-patterns-part-one/>).

Read that article series if you're not familiar with the candle terms used below.

From the point of breakout, we have the following candles:

- A: mid close range candle
- B: mid close range candle
- C: low close range candle
- D: mid close range candle
- E: low close range candle
- F: low close bear candle

There is absolutely nothing to indicate bullishness at the point of breakout. Any breakout entry orderflow (or short covering) was matched by sufficient selling pressure to hold price at the breakout point for three minutes. Probes higher in D and E were both rejected by increased selling pressure. The failure comes through candle F, offering us a great entry short as the breakout is rejected and the market resumes its downtrend ([CPB, using an upthrust trigger entry](#)).

Looking Inside a One Minute Bar

Thursday, 7th July 2011

The chart below shows the price reaction following release of the ADP Non-Farm Employment Change.



We note that after the initial rally price pulled back to test the 850.0 level. Let's examine this level and ask why it would act as support now, given that it appears to have offered absolutely no resistance on the rally. Or did it? Let's look inside the 1 min bars, via a 1-range chart.

TF 09-11 (1 Range) 7/07/2011



Sometimes a lower timeframe chart can reveal detail that is hidden from those operating on one trading timeframe.

TF 09-11 (Daily) 12/03/2011 - 9/07/2011

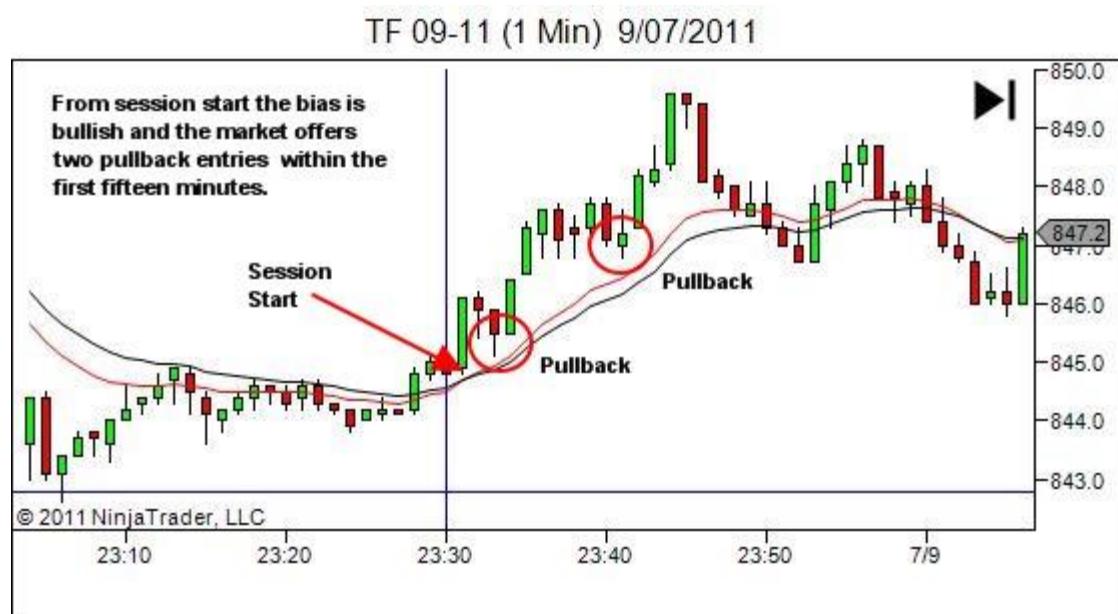


Using an Indicator as a "Confidence Trigger"

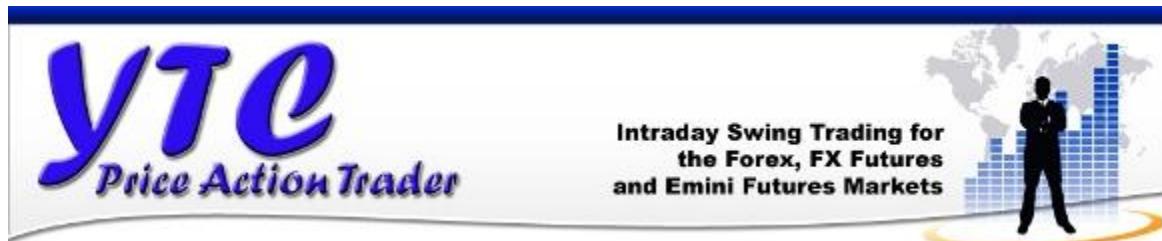
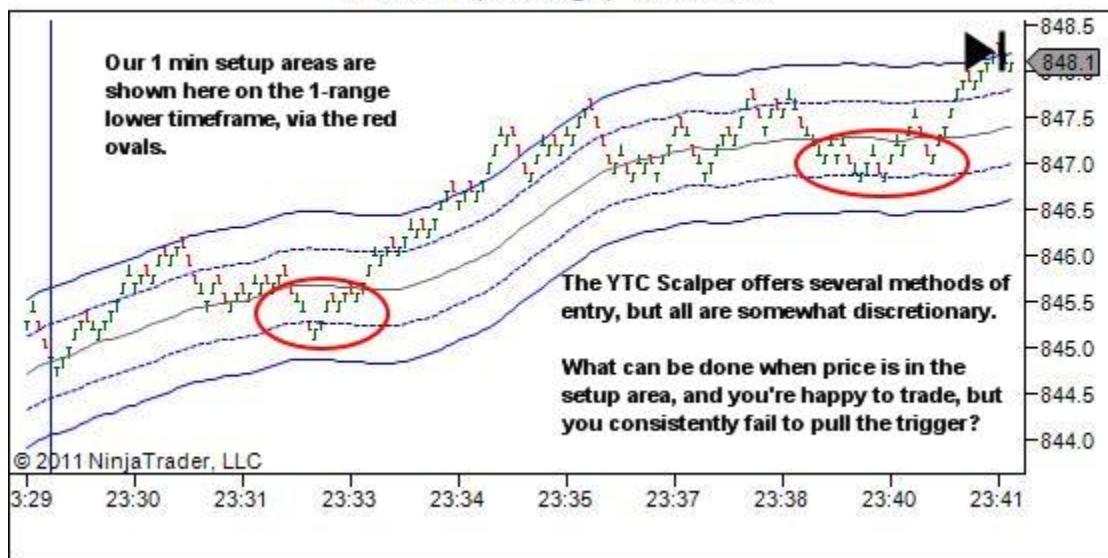
Friday, 8th July 2011

I thought I'd use today's post to demonstrate one valid use of an indicator for traders who use a discretionary approach to entry placement. This has come about from working with a trader who is having trouble pulling the trigger. Maybe you might find it useful too.

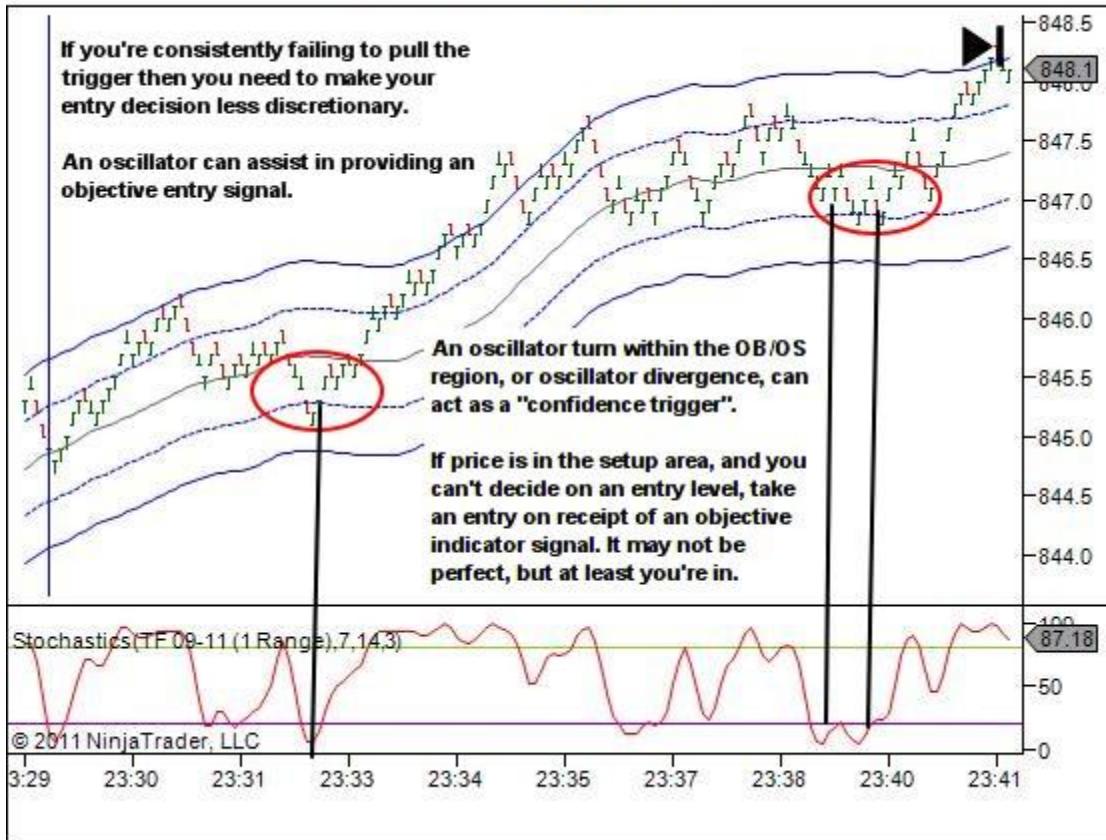
I'll demonstrate using the YTC Scalper chart timeframes and templates, but it's applicable to any timeframe and strategy, whenever the trader is using discretion for entry price, rather than an objective pattern based trigger.



TF 09-11 (1 Range) 8/07/2011



TF 09-11 (1 Range) 8/07/2011



I know indicator-based traders are doing this all the time. But those of us who have moved beyond indicator-based strategies to operate based on price action and discretion, can often be caught in a stubborn refusal to use indicators at all. They do have their place from time to time, as a useful tool in assisting us to make our discretionary trading decisions.

This is one valid use... as a "confidence trigger" for entry.

If you are consistently failing to pull the trigger due to doubt or second-guessing your decisions, make your entry more objective.

PLEASE NOTE: This is not a completely mechanical indicator based system. You'll note in the above chart there are other oversold stochastic signals that are not bought, such as at 23:36.

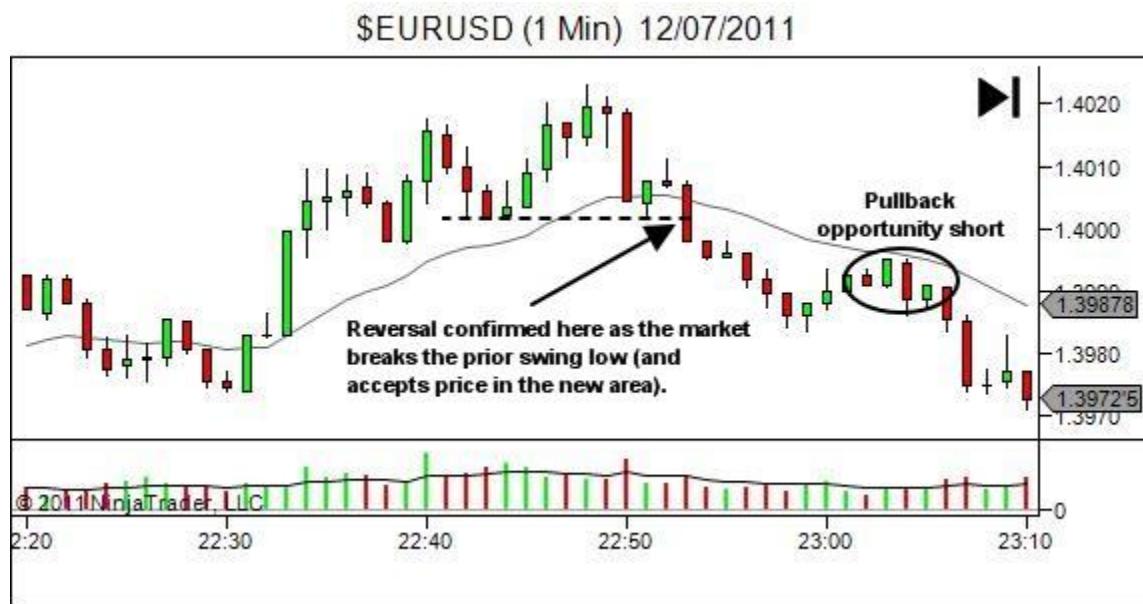
A precondition for entry is that price **MUST** be in an area you have identified for a setup, and you must be happy to enter. But when finding yourself stuck trying to work out whether to use a 1/4-line entry, 1/2-line entry, or a PA-based entry level, rather than hesitating and missing out entirely you might want to use an indicator-based objective signal as an entry of last resort. If no decision is made by the time you receive the signal, you must place an entry order on receipt of the trigger.

Uncovering Clues Leading to a Market Reversal

Tuesday, 12th July 2011

Let's have a look at a EUR/USD chart rather than 6E, for a change. I've had a few requests for spot forex charts. Please note though, the price action will typically be the same, varying at any one time by only a pip or two. So either can be used quite successfully for our discussions.

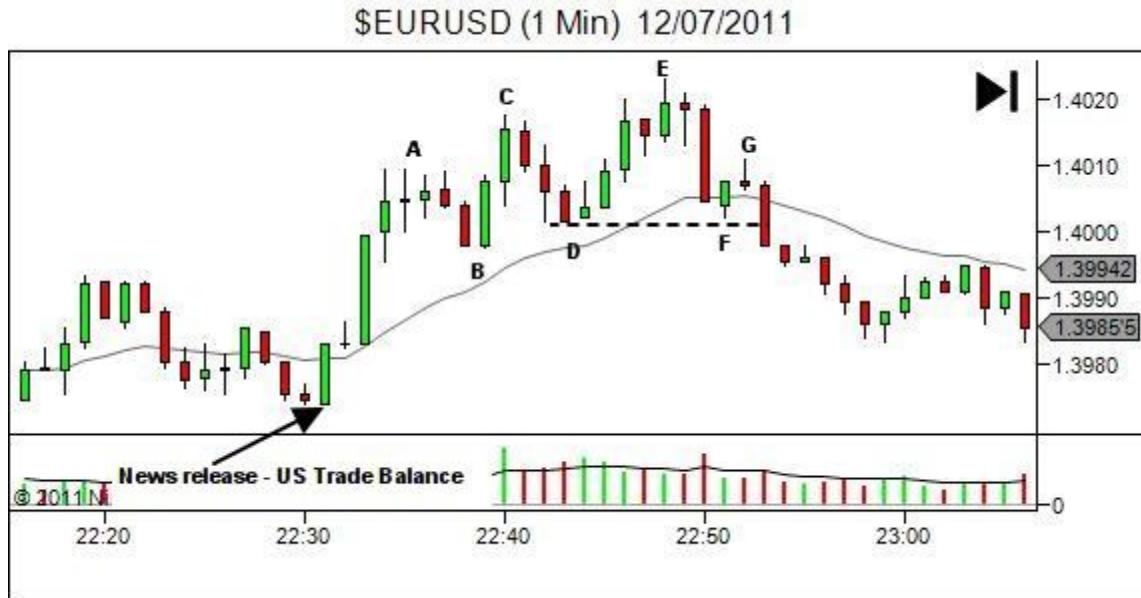
Pattern based traders will say that reversal occurred on the candle marked below, as price broke the prior swing low. They will then seek trade opportunity in the short direction, such as the subsequent pullback.



However, there are usually always earlier signs of potential reversal. A good exercise is to analyse reversals in order to identify some of the earlier clues that the market provided. In time, you'll see them live as they occur and be forewarned about potential trend reversals.

In the following chart, we see the prior rally which initiated with the release of the US Trade Balance figures. A, C and E are swing highs. B and D are swing lows. F and G are significant points for our discussion, although not technically meeting the swing high/low definition.

For the sake of our discussion, we'll call the extension up to swing high A, "swing A", and the pullback down to swing low B, "swing B", and so on.



So where are the clues.

- (1) Reducing projection in swing C and E, compared with swing A.
- (2) Reducing bullish momentum on swing E, compared with swing A and C.
- (3) Increasing bearish momentum on each pullback, when comparing swing B with swing D, and then again with the move down to F.
- (4) Significant bearish strength shown on the large red candle within the swing down to F; producing the largest bearish range and the highest bearish volume for quite a while.
- (5) Failure of the weak, low volume pullback up to G.

Hindsight analysis is just so simple! But with reviews such as this you will improve your ability to read these clues in the live market.

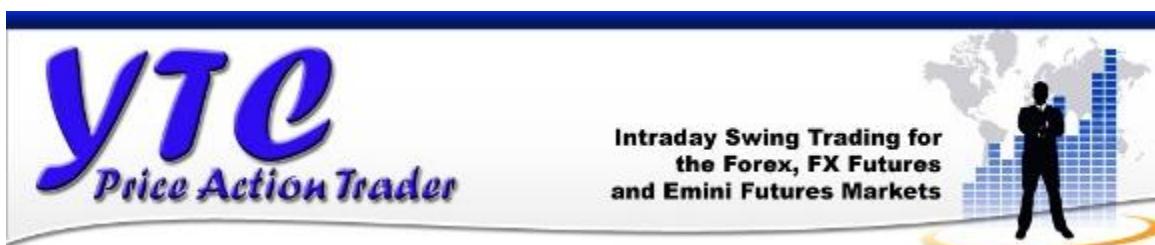
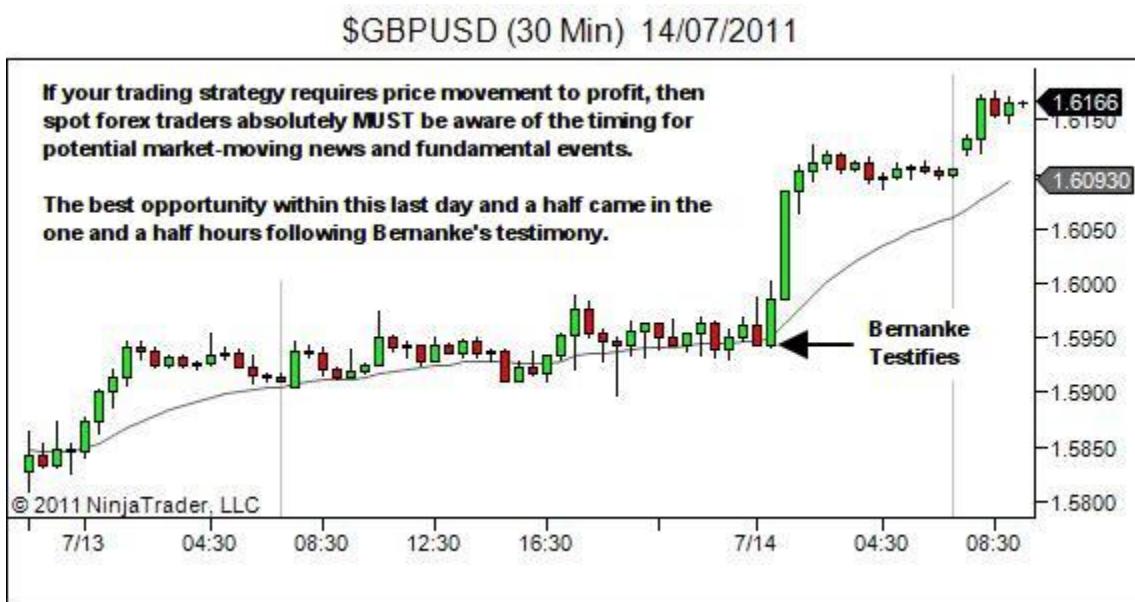
Be Aware of Potential Market-Moving News Events

Wednesday, 13th July 2011

Here's a bit of repetition for those who have been reading my newsletter or blog for quite a while.

But today's market offered such a good example it was hard to pass up.

Short and simple... but a powerful visual message:



Managing Slow Sideways Sessions

Monday 18th July 2011

The best opportunity on a slow sideways session is through either (a) standing aside until the next news release, (b) exploring options on lower timeframes, or (c) ONLY trading at the absolute best setups.

Let's consider option (c). For me, these absolute best setups are when price breaks significant swing highs or lows, or the edges of any established trading range, and then fails.



6E 09-11 (5 Min) 18/07/2011



The challenge though is recognizing this environment early enough.



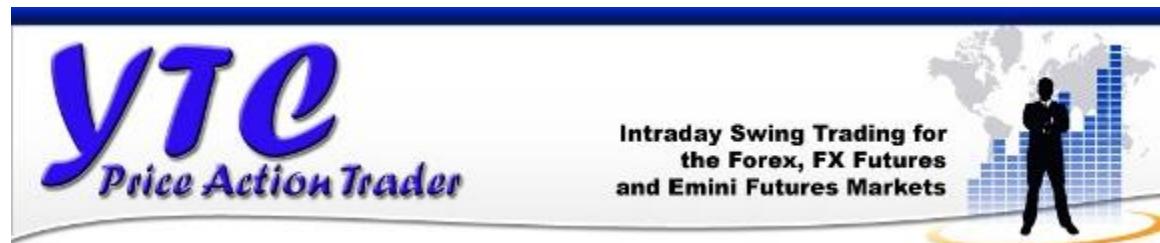
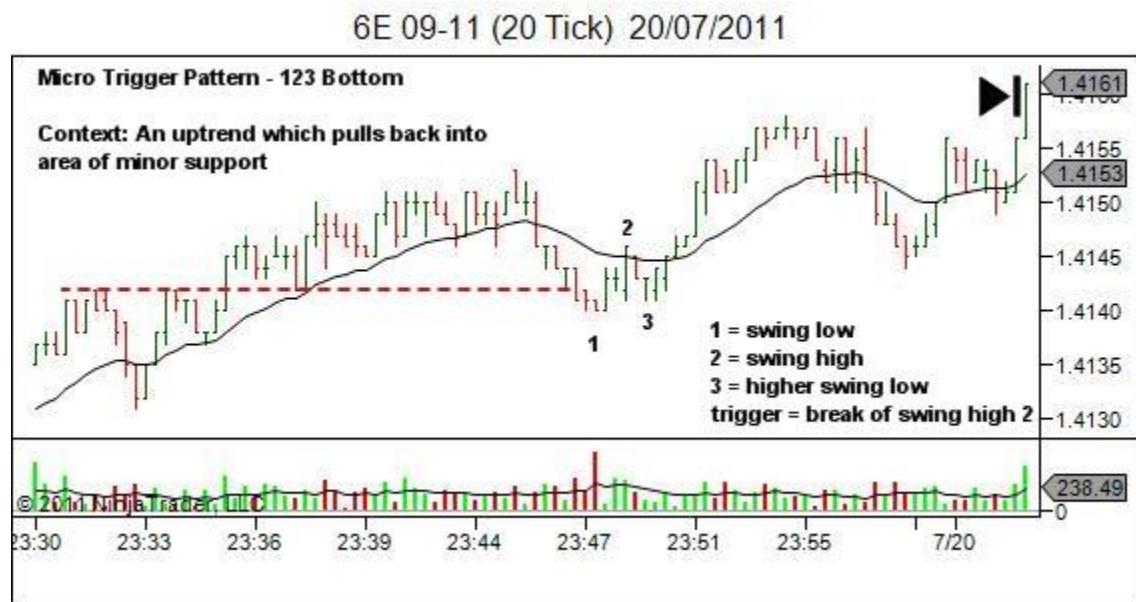
Micro Trigger Patterns - 123 Bottom

Tuesday 19th July 2011

Upon seeing a particularly nice micro trigger pattern last night, I had the thought that perhaps I should add trigger patterns to the blog from time to time.

So, for those who like to use a price action trigger for entry, rather than a discretionary entry within an area, the following is the 123 bottom, or micro cup & handle pattern:

Please note: the timeframe is irrelevant. 20-tick is one of my favourite lower timeframes, but this applies on whatever timeframe you use.



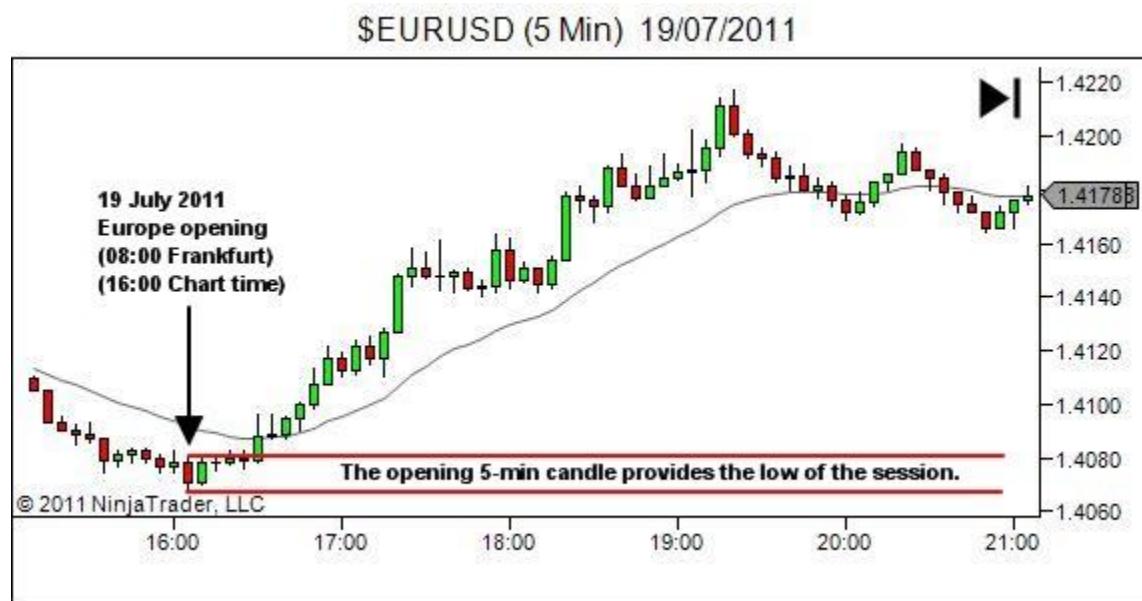
Forex Session Opening Range - A Significant Market Structure Feature

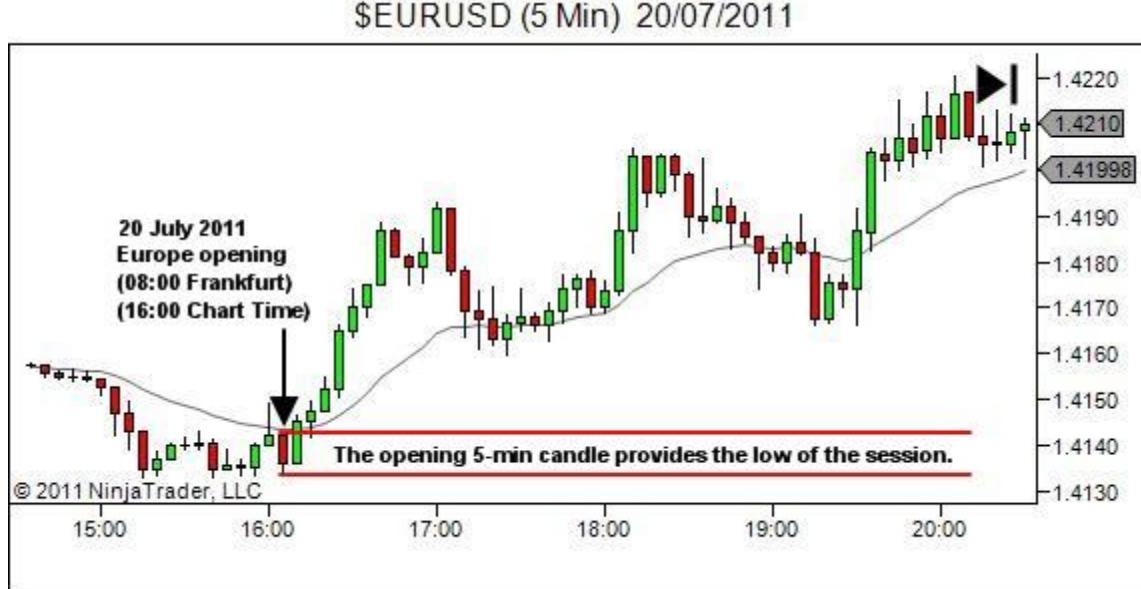
Wednesday 20th July 2011

It's almost impossible for me to trade the European or UK open these days due to timezone differences. It conflicts badly with family time here on the Aussie east-coast.

However for those of you who do, you absolutely MUST consider the opening range as a significant market structure feature, and potential S/R if/when price ever returns there.

The last two days in EUR/USD, for example, have provided the session low during that opening range candle.





Single Timeframe Influence

Thursday 21st July 2011

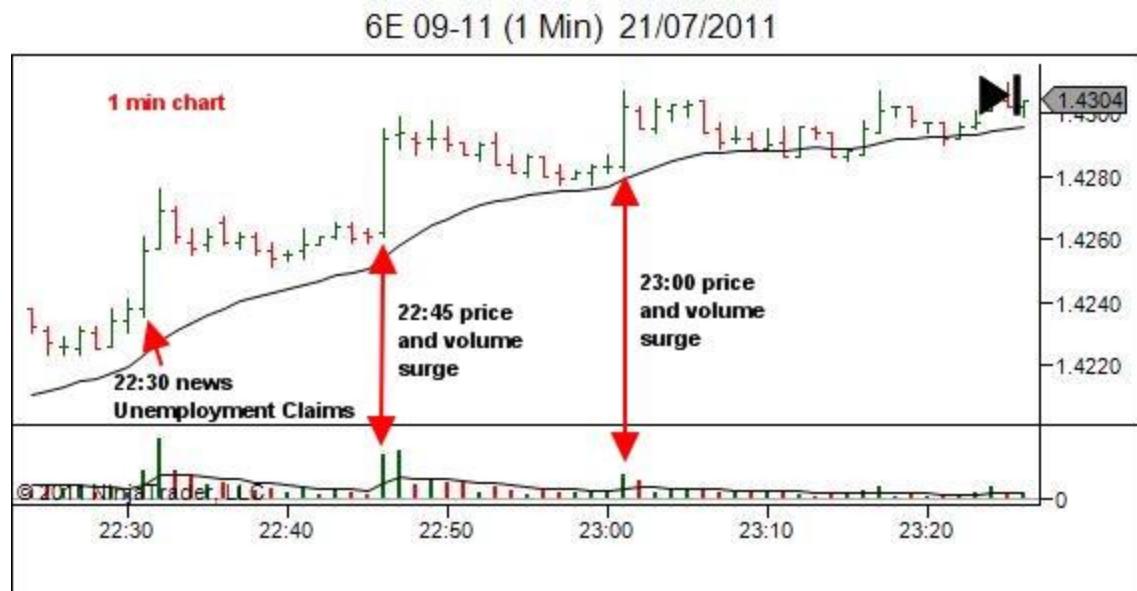
Today's EUR/USD and 6E (EUR currency futures) charts offered some fascinating price movement following the 08:30ET news (22:30 chart time).

The initial post-news surge of orderflow continued a previous uptrend, but it then stalled, before continuing higher in a stair-step fashion.

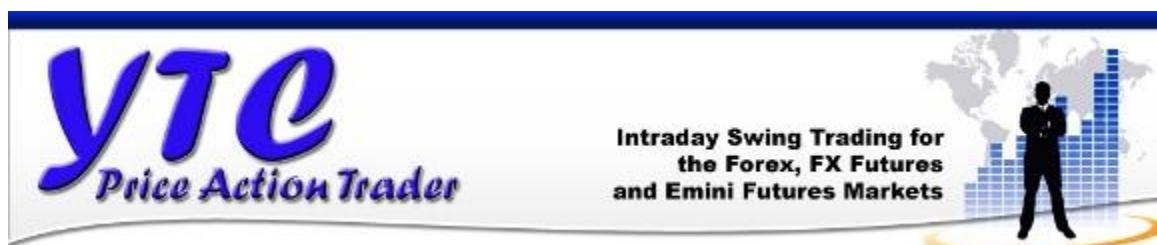
The interesting feature? The price surges occurred at exactly 15 min intervals - 22:45 and 23:00 - with both a price and volume surge occurring on the open of the new 15-min price bar.

I'm not sure exactly what this means. Yes, the 15, 30, 45 and 60 min opens should always have a slight increase in potential orderflow, as some of these higher timeframe traders make their trading decisions, but it's rare to see the effect this pronounced.

For some reason (human or program), the 15 min timeframe was having a significant influence on trading decisions and orderflow during this session.



6E 09-11 (15 Min) 22/07/2011



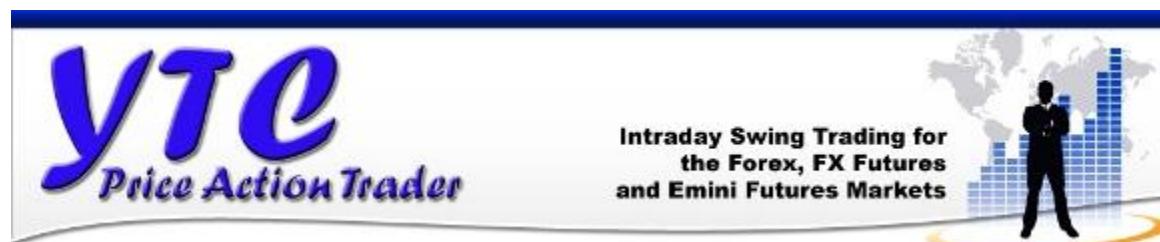
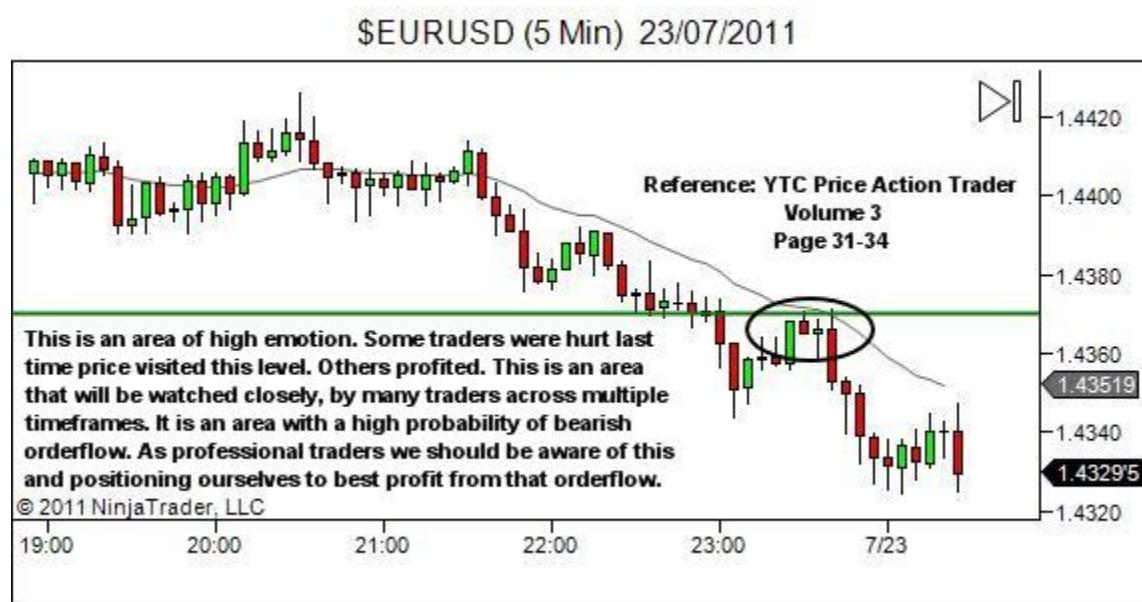
Trading vs Tossing a Coin

Friday 22nd July 2011

Trading is all about understanding how orderflow drives price; placing current trading timeframe price action into context (such as with higher timeframe structure); learning to see areas of orderflow within this multiple timeframe structure; understanding the likely impact if this area of orderflow is triggered, and positioning yourself to profit.

Your setups must be based around this concept.

If they're not... then you may as well be tossing a coin.



Intraday Swing Trading for
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and Emini Futures Markets

Examination of a Candlestick Pattern Failure

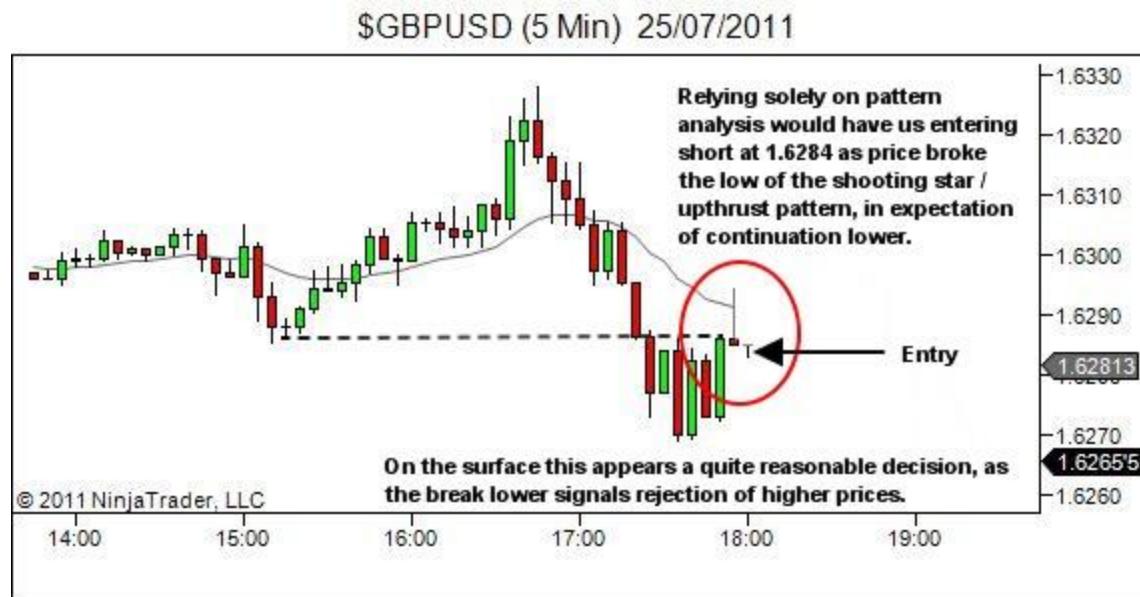
Monday 25th July 2011

In the recent "[What is Price Action Analysis](#)" article I introduced two types of analysis - pattern vs behavioural. The second is the technique I much prefer; observation of the price bars and price swings in order to identify signs of bullish or bearish price behaviour, or signs of strength and weakness.

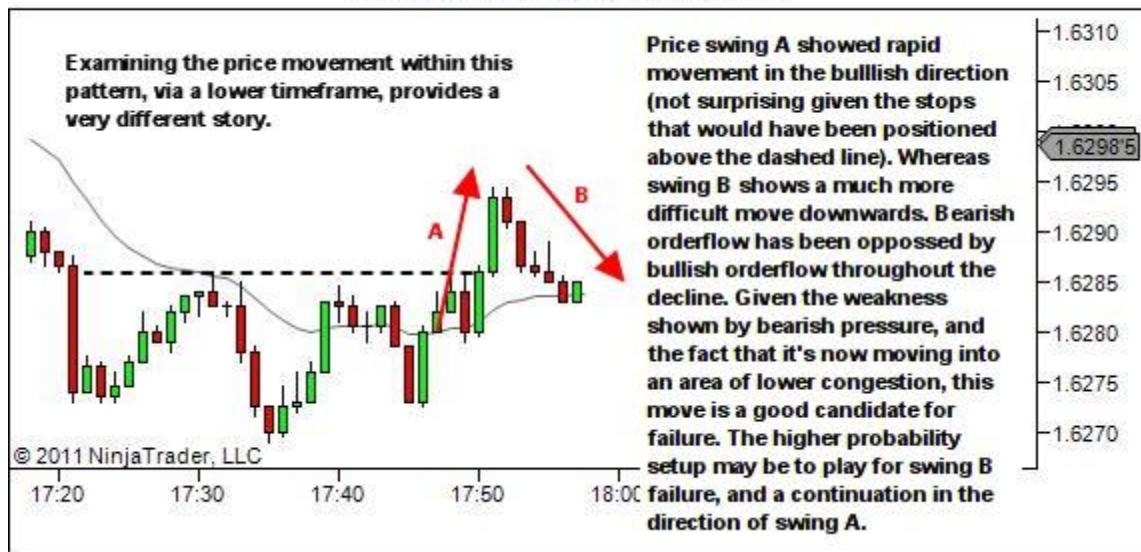
Let's look at an example from today's GBP/USD charts in which a pattern failure was easily foreseen through strength / weakness analysis.

The intent is not so much to bash pattern analysis or to proclaim strength / weakness analysis as superior (ok, maybe a little). Rather, the intent is to demonstrate how the two can be used together... using strength / weakness analysis on a lower timeframe to examine the internal behaviour of patterns. If you're a pattern trader, this approach may assist you in avoiding some of the lower probability pattern based setups.

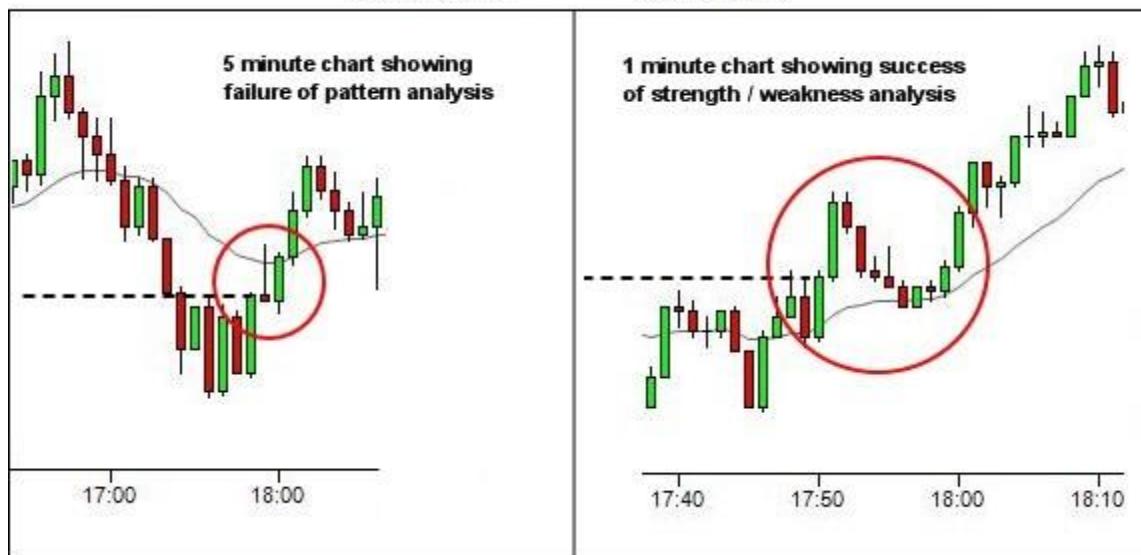
As stated in many of my blogs, the timeframes and markets displayed here are irrelevant. The concept is applicable across any market and any timeframe, provided sufficient liquidity to ensure smooth price flow.



\$GBPUSD (1 Min) 25/07/2011



\$GBPUSD 25/07/2011

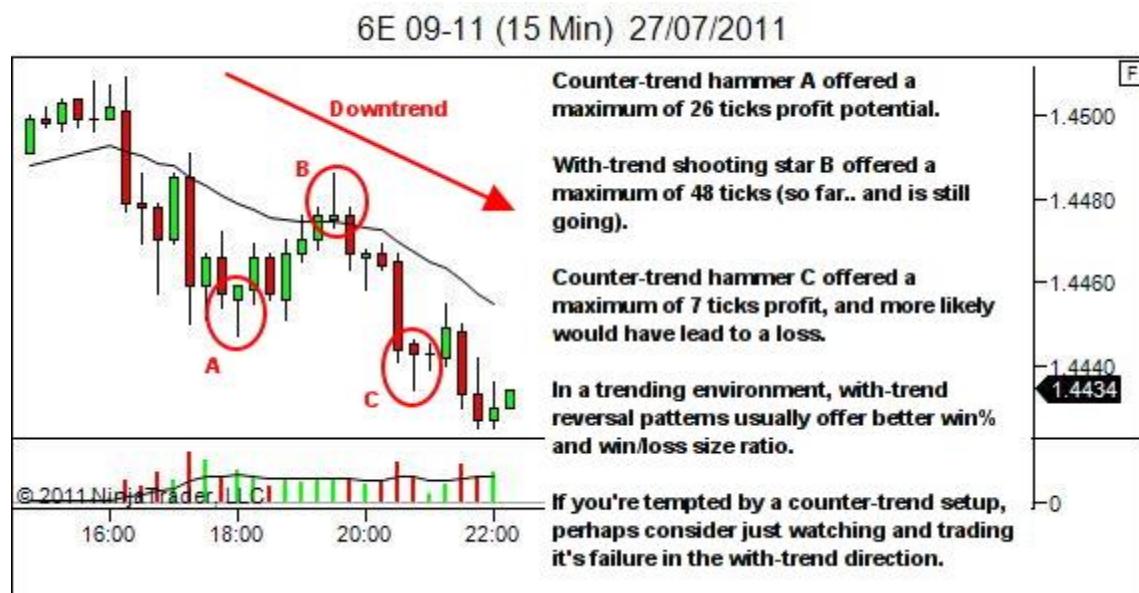


With-Trend vs Counter-Trend

Wednesday 27th July 2011

Candlestick traders often make an assumption that because the common patterns are called Candlestick "Reversal" Patterns, then they must be used for counter-trend entries, in order to try to catch a trend "reversal". Not so! A reversal pattern at the end of a trend pullback, is actually a with-trend setup.

And in a trending environment, with-trend setups will almost always offer a higher probability than the counter-trend setups, along with greater profit potential.

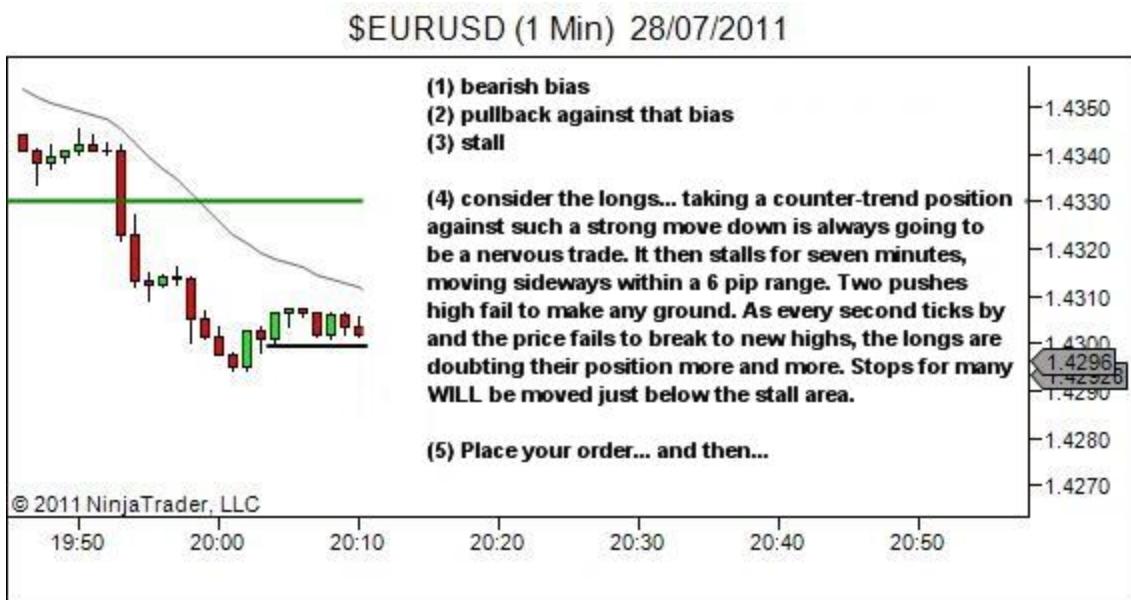
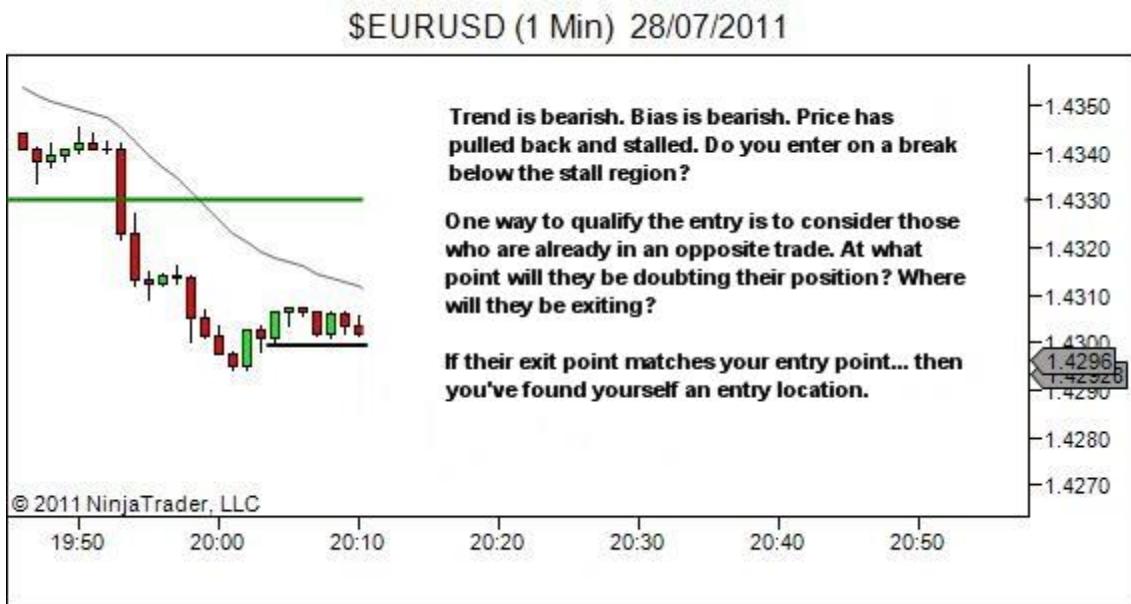


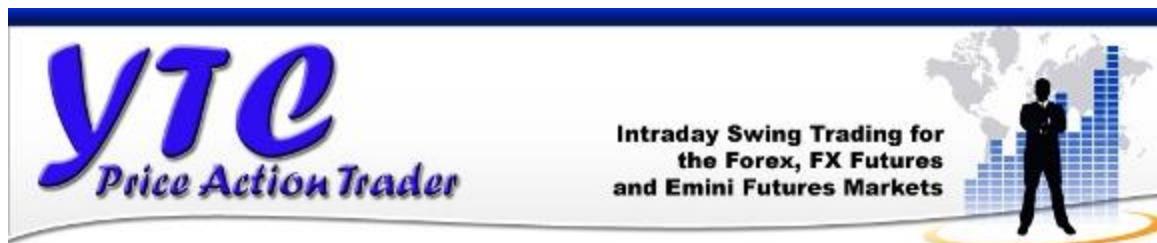
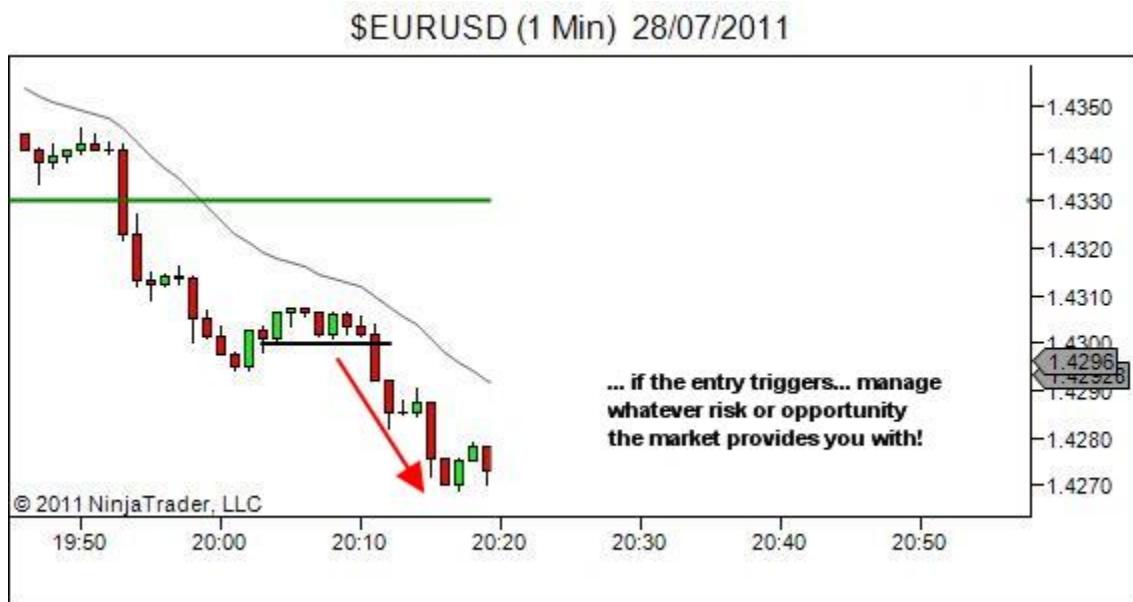
Intraday Swing Trading for
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and Emini Futures Markets

Qualifying Your Entry Triggers

Thursday 28th July 2011

Here's one way to qualify your entry triggers...





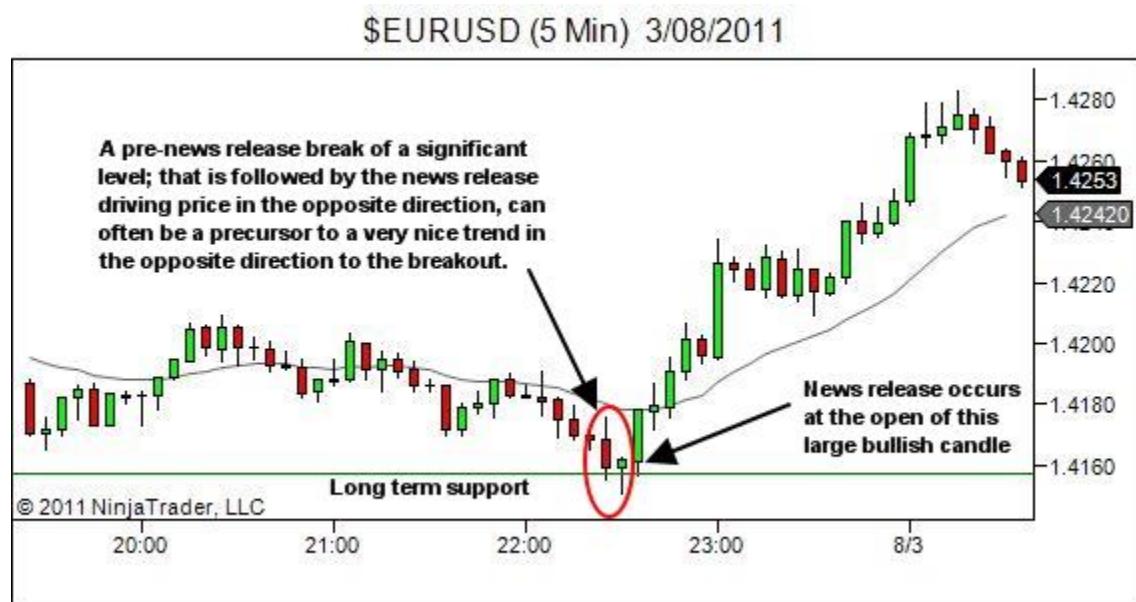
Watch Out For This Pre-News Release Price Action

Tuesday 2nd August 2011

A pre-news break of a significant level can often lead to a great trend in the opposite direction, if the news release orderflow results in a failed breakout.

It's the same concept as other failures - a failed pattern break can often lead to a strong move out the opposite side of the pattern; a failed break of an inside bar can often lead to a strong break out the other side of the bar; a failed break of an Asian session range can often lead to a strong trend in the opposite direction.

So... keep an eye out for a pre-news break... and be prepared for some nice trend pullback opportunities if that breakout fails.



If Price is Moving, It has a Target.

Wednesday 3rd August 2011

About a week ago I wrote in an email conversation with another trader that "if price is moving, it has a target". It's a phrase I mention from time to time, that I originally picked up several years ago in a particularly good forum post.

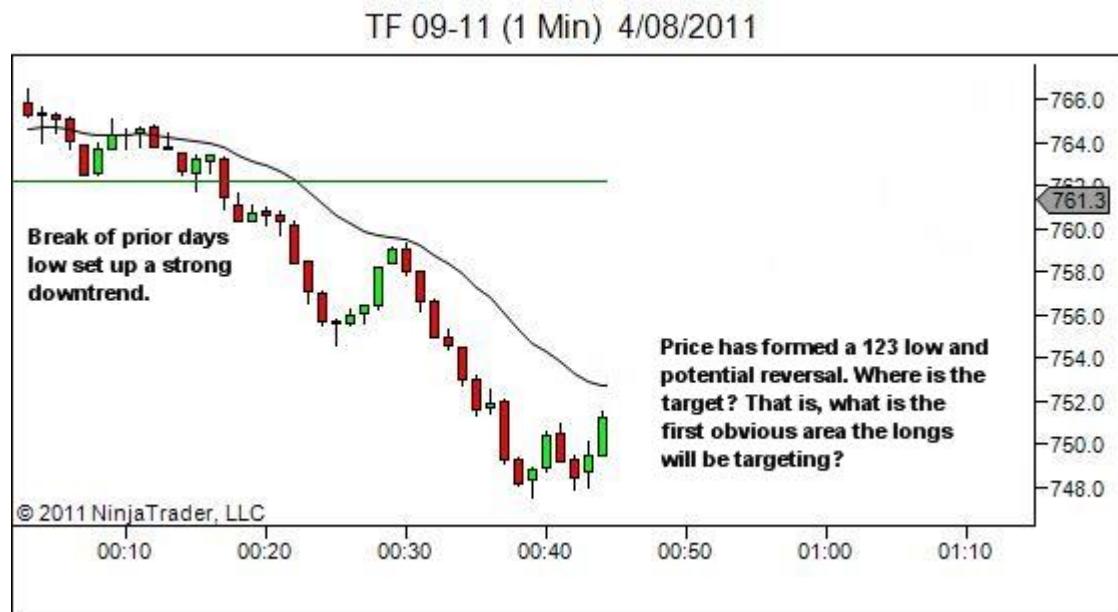
This statement popped back in my mind again today while watching the e-mini Russell price action.

So, I thought I should share the source of this great insight. It took a little while to find, but here's the link: <http://www.forexfactory.com/showthread.php?t=67190>. I highly recommend reading the opening post of this thread by effilang. It's a great piece of work.

It's a very useful question to ask when watching price movement... "Where is the target?"

Assume you had entered the move. Where will you be planning to exit your position. That's the target. That's what price is aiming for.

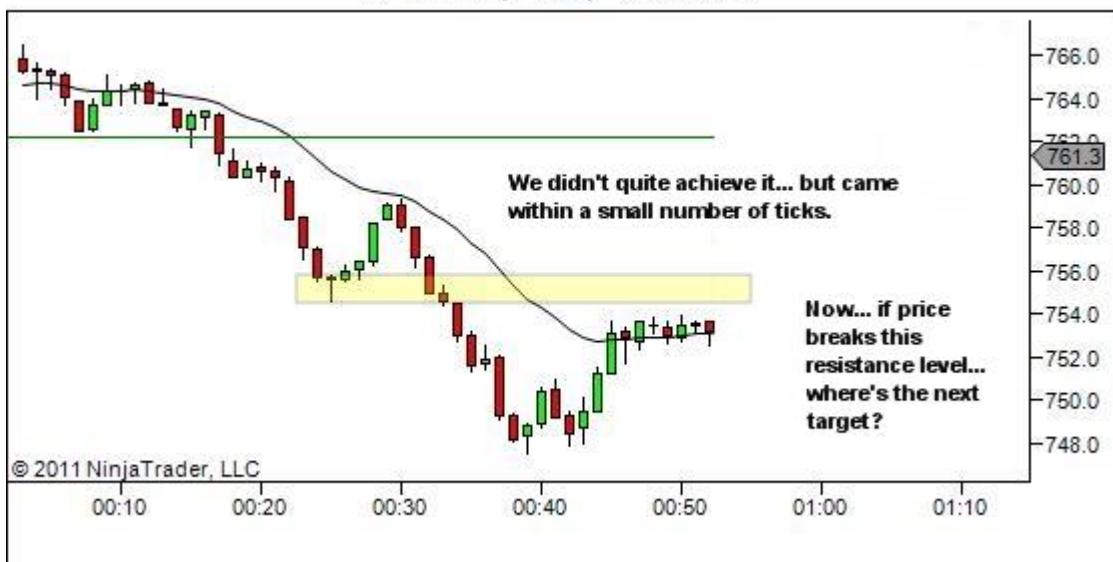
Here's the price action that provided me with a very simple reminder of this statement:



TF 09-11 (1 Min) 4/08/2011



TF 09-11 (1 Min) 4/08/2011

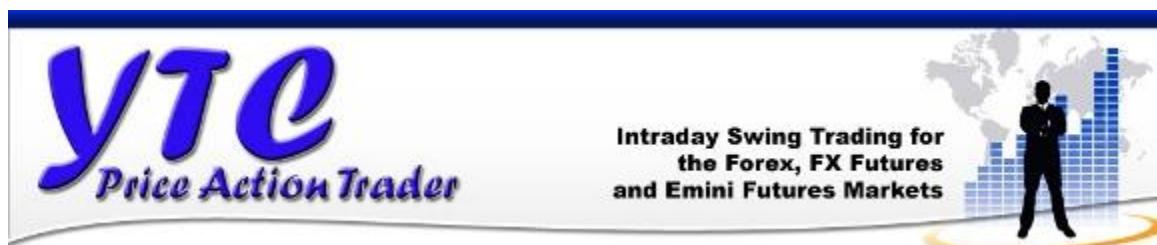
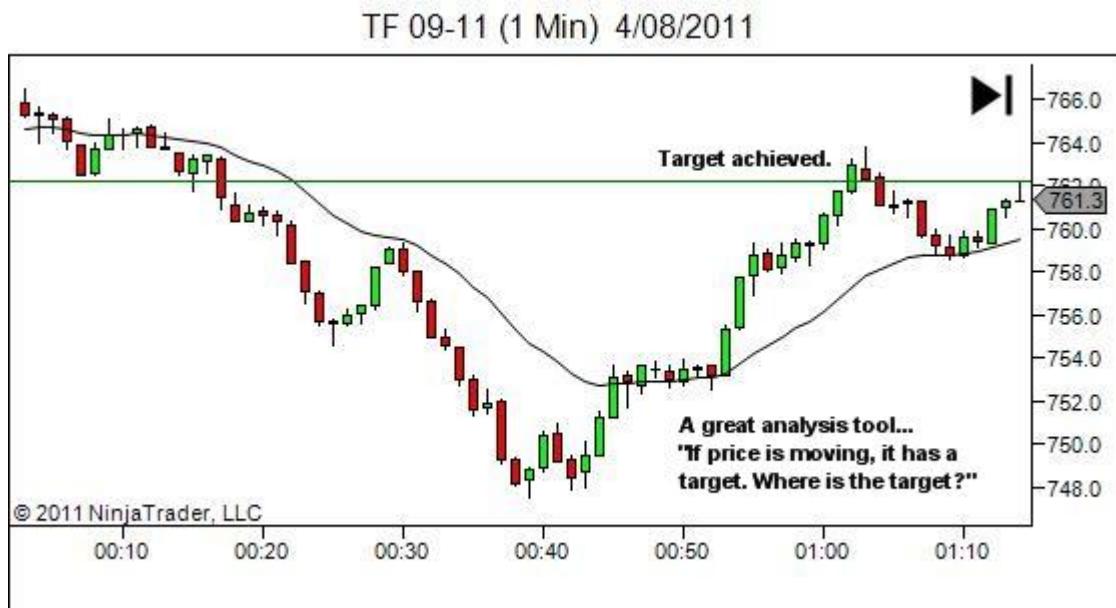


TF 09-11 (1 Min) 4/08/2011



TF 09-11 (1 Min) 4/08/2011





Intraday Swing Trading for
the Forex, FX Futures
and Emini Futures Markets

Uncertainty, Doubt and Hesitation vs Trusting Your Edge

Monday 8th August 2011



"I told Ersken, "Lately it's been like living on the knife's edge, never knowing which side I'll fall off on".

Ersken clapped me on the shoulder as we stepped into the street. "Cheer up, Beka. Maybe you were going to fall off that razor's edge before, but not today," he said, as good humored as always.

"Today we're going to jump."

...Tamora Pierce, "Bloodhound"

Hesitation can be a killer for a discretionary trader's P&L.

Control is an illusion. You can never know the outcome of a trade with complete certainty.

If the trade setup meets your trading plan requirements and if risk is within your accepted limits... then jump... enjoy the uncertainty... and manage whatever the market throws at you!

If you don't trust your edge... why not? And what are you doing about it?

Plotting S/R - Here Are My Levels From Today's Market!

Wednesday 10th August 2011

Sorry for the lack of blog post yesterday, but with the incredible markets we're having lately I was a little more focused on my own trading. Today's session is not quite as fun (as you'll see on the chart), so I'm happy to take a break for an hour and smash out a quick post. :-)

A common question I get from readers is how to plot S/R. In fact, here's an extract from an email today asking exactly this question:

Finding the proper/right Support and Resistance levels has always been my nemesis in trading.

I therefore wish to ask you if you want to teach me in this topic? And / or guide me to some material that will help me in finding the proper / right S/R levels.

There are no secrets.

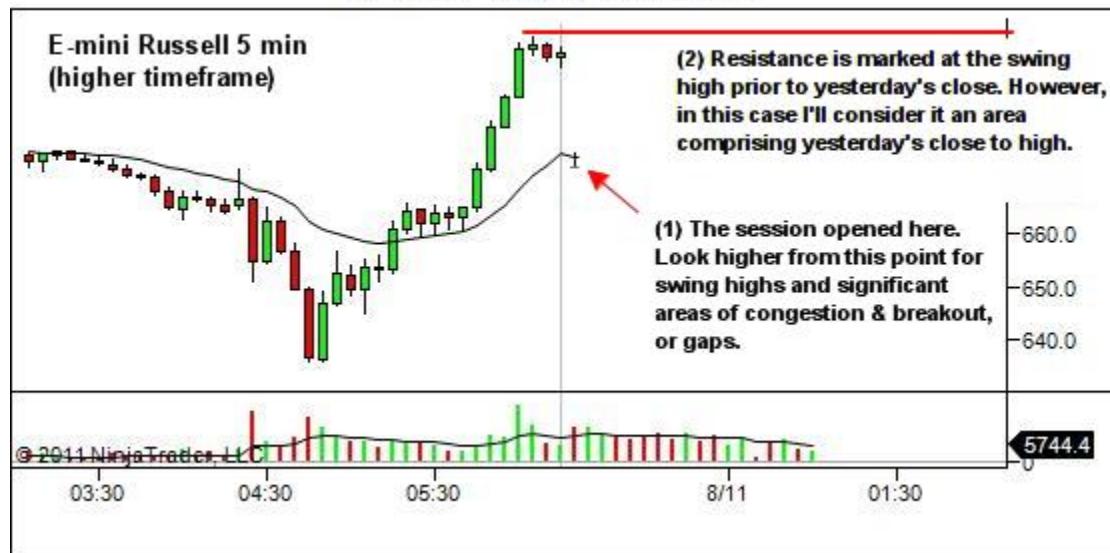
Use your higher timeframe for S/R levels. Today I was using a 5 min chart for the higher timeframe (trading timeframe 1 min, lower timeframe 20 tick), but the concept is the same regardless of whatever timeframe you wish to trade.

Start at the current price and look higher. Primarily I'm looking for the next couple of swing highs, but also interested in any key areas of congestion & breakout or gaps. These are areas of resistance.

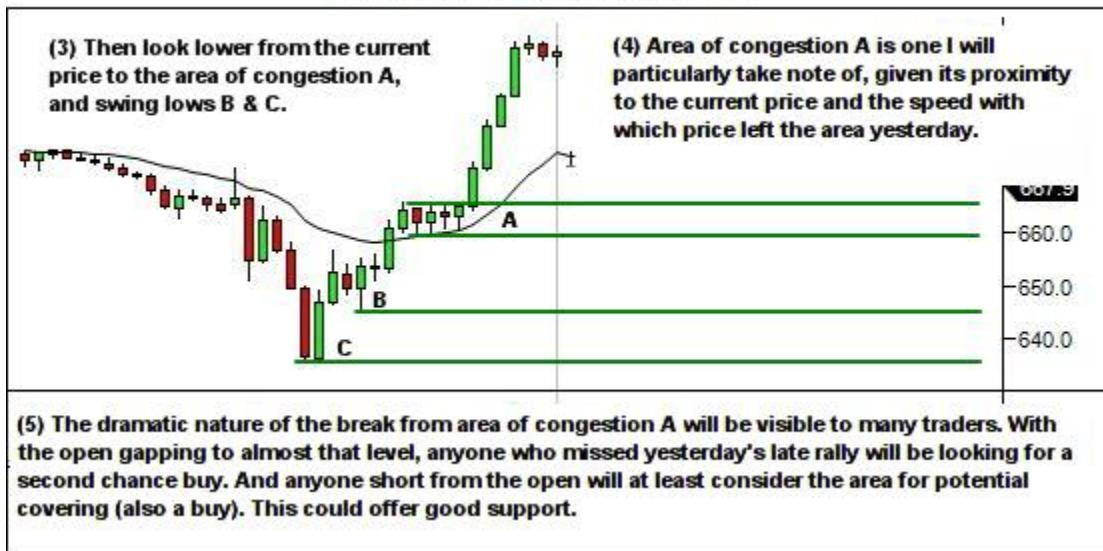
Then return to the current price and look lower. Primarily I'm looking for swing lows, but also interested in any key areas of congestion & breakout, or gaps. These are areas of support.

It's that simple.

TF 09-11 (5 Min) 11/08/2011



TF 09-11 (5 Min) 11/08/2011



TF 09-11 (5 Min) 11/08/2011



So that's how I marked my levels. Simple!

Where everyone gets so wrapped up and confused though, is in their failure to understand the true nature of S/R levels (and while we're at it most also don't understand the true nature of price and price movement, but that's a whole other story).

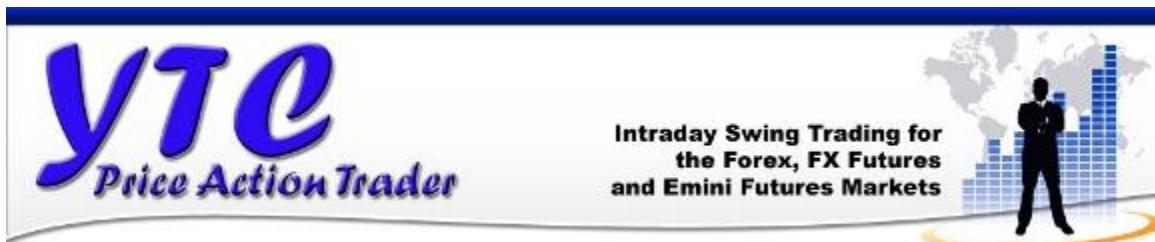
S/R levels are not meant to be impenetrable barriers which will repel price, offering you an easy buy at support or sell at resistance. People know that, but when price smashes through their level they get disillusioned and blame their inability to pick good levels. Then continues just another phase of their fruitless search for Holy Grail certainty... trying to get more accurate levels.

They fail to understand what S/R levels really are.

S/R levels are nothing more than an identification of the places on the chart which previously displayed a supply/demand imbalance. Areas which remain emotionally in the mind of other traders due to the fact that they led to either profits, or more likely, losses. These levels will be watched closely again by traders, for potential further influence.

They provide structure to our market, and define some of the higher probability places at which we'll remain alert for trade opportunity.

But they're never a certainty to repel price. I define three methods of potential interaction - a test of the level, a breakout failure, and a successful breakout. The key task then in your analysis is determining which of these are most likely and then watching patiently for the price to confirm your assessment and provide an entry fading those who got it wrong. How do we do that? [Strength and Weakness Analysis](#).



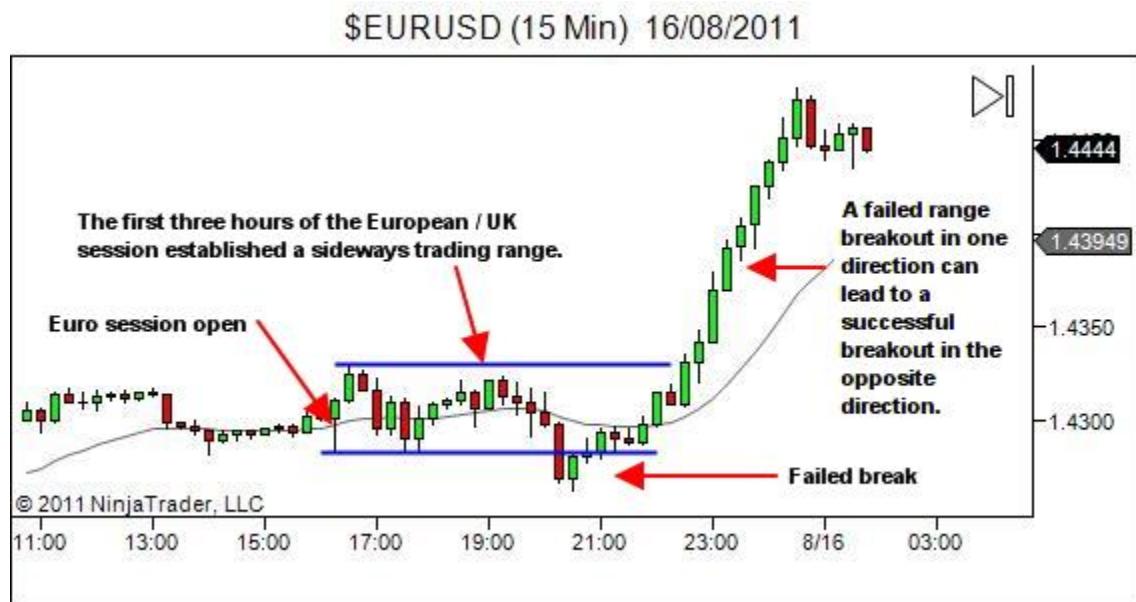
Euro Monster Trend

Monday 15th August 2011

I traded the E-mini Russell for this session, but in looking for a blog post the Russell has offered nothing quite as exciting as today's Euro chart.

So here's the EUR/USD on a slightly higher timeframe than I usually trade, just to fit in the very nice trend move that occurred post-breakout of the early Euro session range.

A beautiful example of the concept of a failed break in one direction often providing the fuel (orderflow) for a very successful break in the opposite direction. This is a price action concept that is applicable on all timeframes. Learn it!



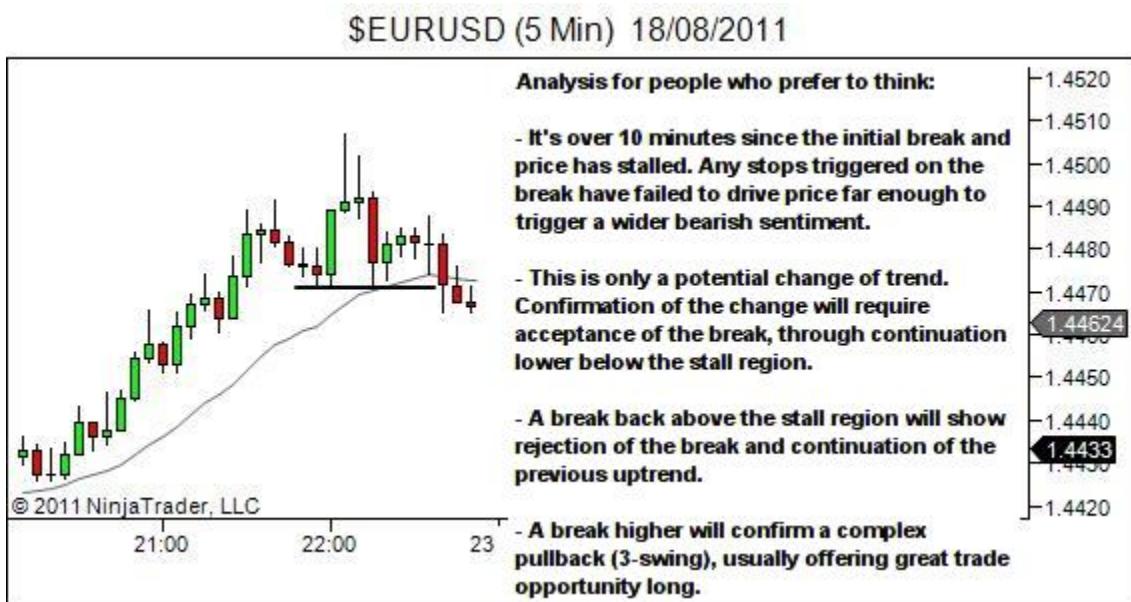
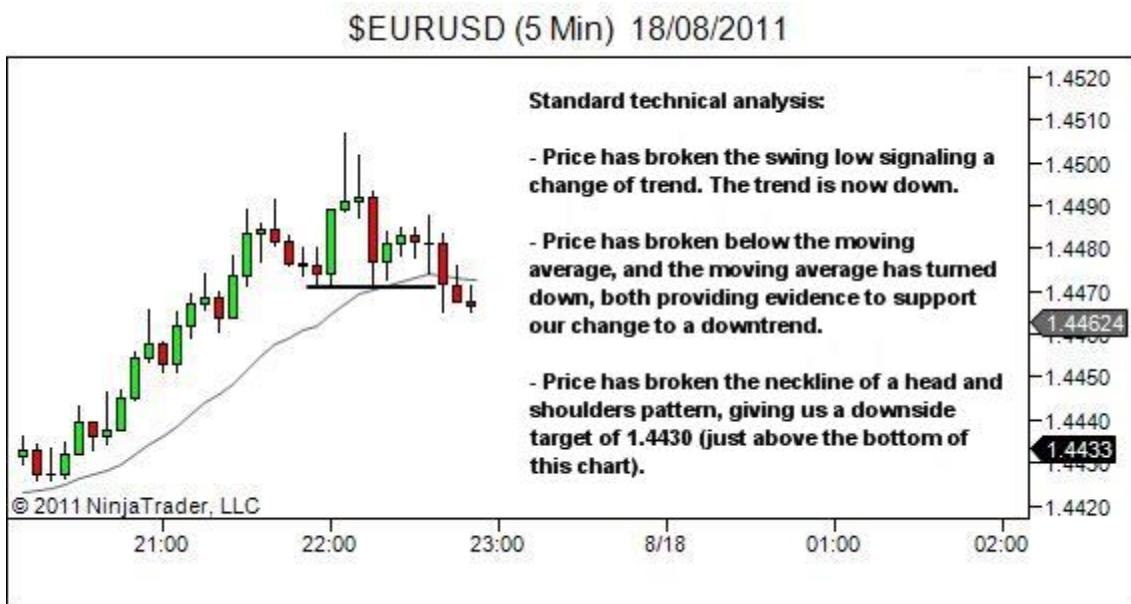
Of course, trading it is another matter entirely. In this case a simple breakout entry would have been made more complicated by a news release occurring only minutes after the initial break of the high. So you'd have to be crazy to take the initial break. Options then are for either a post-news break again to new highs, or something like the YTC Price Action Trader lower timeframe trend continuation entries.

Either way... if you traded the EUR/USD or 6E, I hope you cleaned up.

Analysis For People Who Prefer To Think

Wednesday 17th August 2011

The text on the charts says it all...

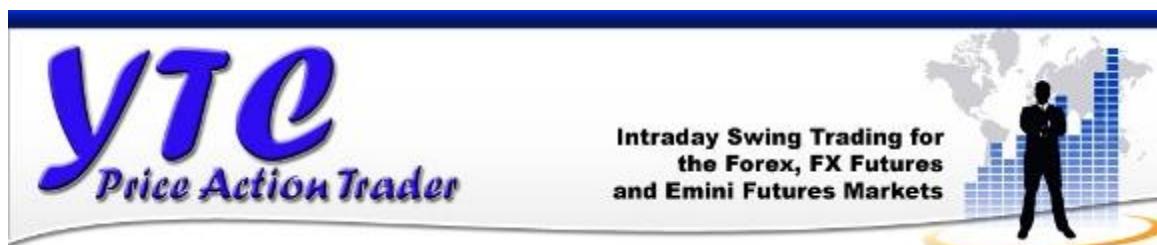
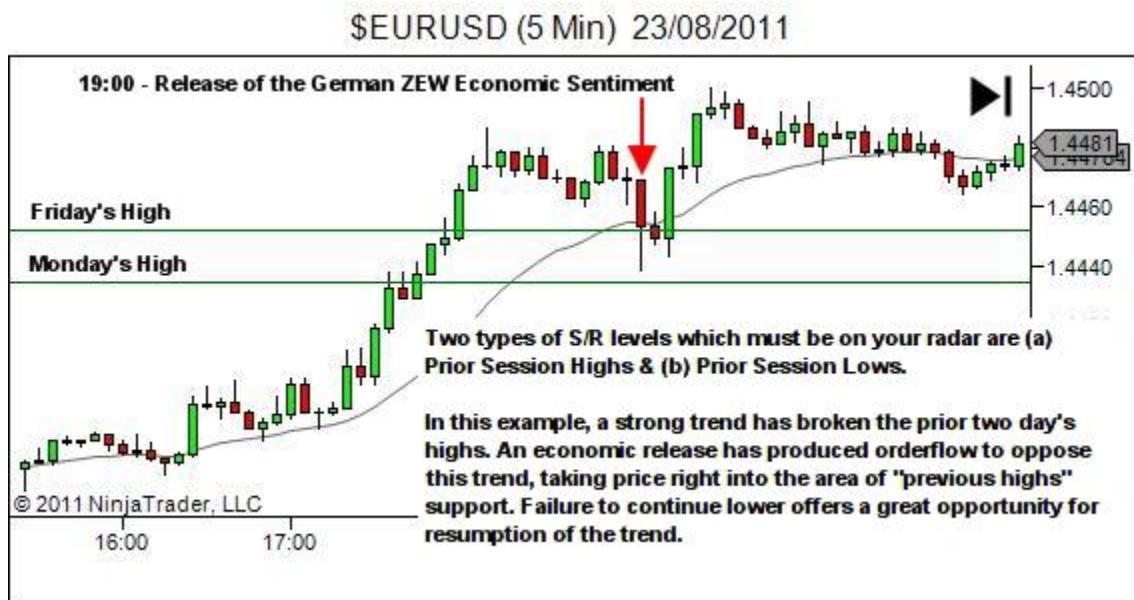




Two Types of S/R Which MUST Be on Your Charts

Tuesday 23rd August 2011

These two types of S/R absolutely MUST be on your charts - prior session (daily) highs and prior session (daily) lows



This Happens All Too Often

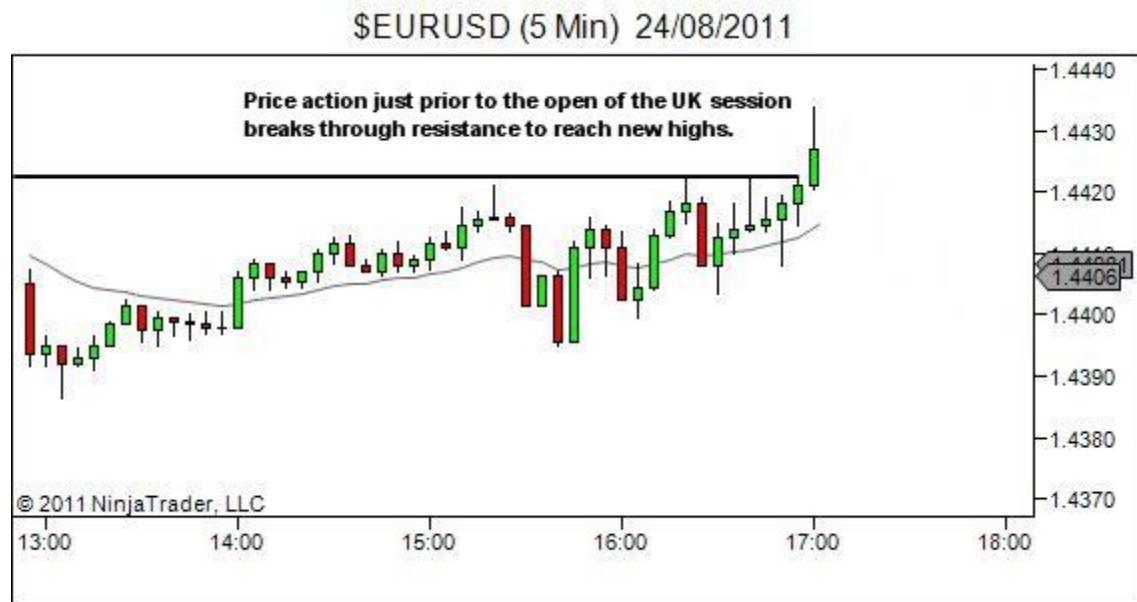
Wednesday 24th August 2011

When will traders learn? Probably never! But that's a good thing as we need their consistent failure to provide us with trade potential.

You'll see this failure again and again. And it never ceases to amaze me.

Low probability breakout moves in the minutes PRIOR to the open of a new trading session. Sure... sometimes they work. But I'd rather bet on their failure.

Today's EUR/USD demonstrated this with a pre-UK open breakout, which failed, and then again pre-US session, which also failed.



\$EURUSD (5 Min) 24/08/2011



\$EURUSD (5 Min) 24/08/2011





Pause! Take a Breath! Don't be Tempted to Chase!

Thursday 25th August 2011

There was a nice unexpected move just after 09:10am ET (23:10 my time), in both the currencies and the index futures.

According to the news the price move was a result of an announcement from Warren Buffett that he would invest \$5B (that's a B for billion) dollars in Bank of America.

Personally... who cares? I'm a technical trader. Rather than know why it occurred, I'm more interested in seeing how it could have been traded.



If you lack complete confidence in your trading plan, you'll often feel great temptation to get aboard such a move any way you can. The feeling of "missing out" is intense, and can easily lead to rash decisions to jump aboard at whatever price is available, just to ensure you no longer suffer on the sidelines.

This often leads to a poor entry price and an exceptionally poor reward:risk ratio. After all... where you are you going to put the stop? The only logical place is below the point of initiation of the price move, which could be quite a few ticks away.

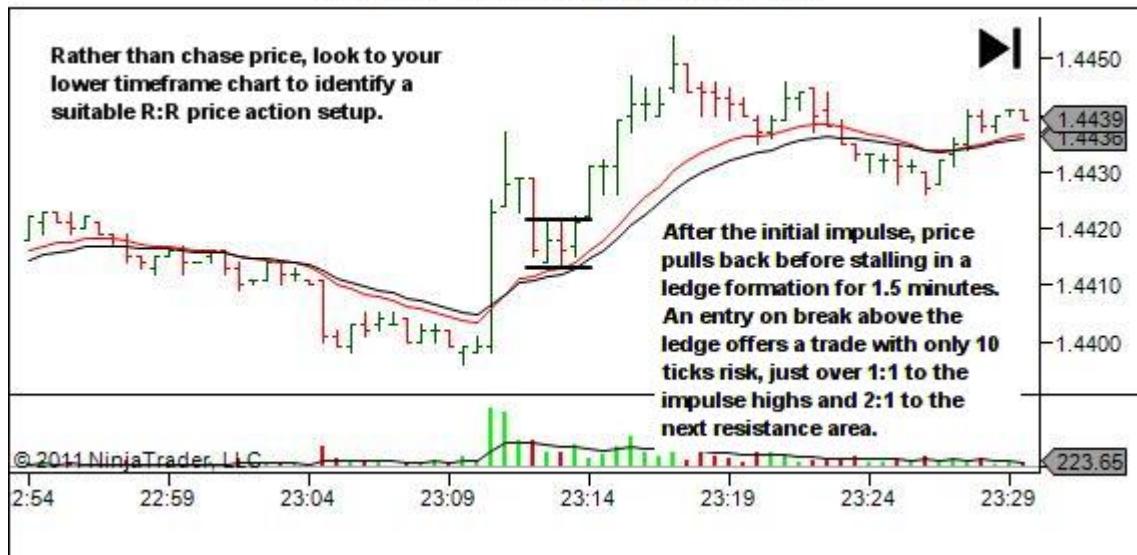
So... when price suddenly explodes... pause and take a breath. Don't be tempted to chase price.

Look to a lower timeframe chart and try to find an acceptable price action entry, with a reward:risk ratio that meets your trading plan criteria.

If the market doesn't offer one... let the move go without you. You don't have to catch every price move. Another will be along shortly.

But if it does offer one, you'll feel much better for having (a) followed your plan and (b) managed risk in a much more intelligent manner.

6E 09-11 (30 Seconds) 25/08/2011



Adapting to a Different Environment

Tuesday 30th August 2011

I've been just a bit sick since Saturday with (actually... you don't want to know the details). But it meant no trading Monday. And at the rate I'm recovering it'll probably be Thursday at least before I'm back to 100%.

Anyway... illness is no reason to leave the markets entirely. It's a great opportunity to "play".

One of my future plans is to find an Aussie timezone market that I can trade, so as to stop this crazy night-shift that I'm working with the US emini-futures. So I thought this morning that I should have a sim session on the SPI (the Aussie index futures) for the next couple of days. I've tried the SPI a couple of times before, but never liked it. Mostly due to its small range and incredibly slow pace.

But that's just personal preference... a lot of traders operate in this environment quite successfully. It's just something that will take a bit more exposure to get used to.

So... here we go... YTC Scalper style trading on the SPI, first two hours only, with quite a bit of underperformance in the second hour. Did I mention it's damn slow!!!! This might take me a while to adapt.

In coming days we might look at some SPI market structure or price action features.

Today's lesson though: in changing to a new market, expect a period of adaptation as you adjust to the different volatility and speed of price movement. And always start out on the sim for at least the first few sessions.



SPI 09-11 (1 Range) 30/08/2011



SPI 09-11 (1 Range) 30/08/2011

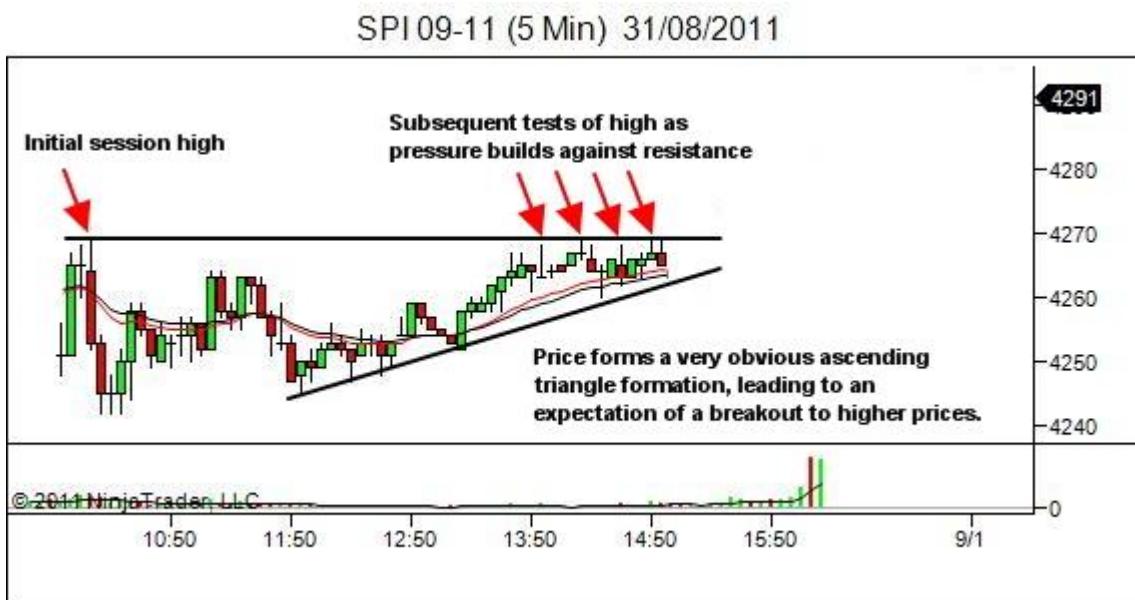


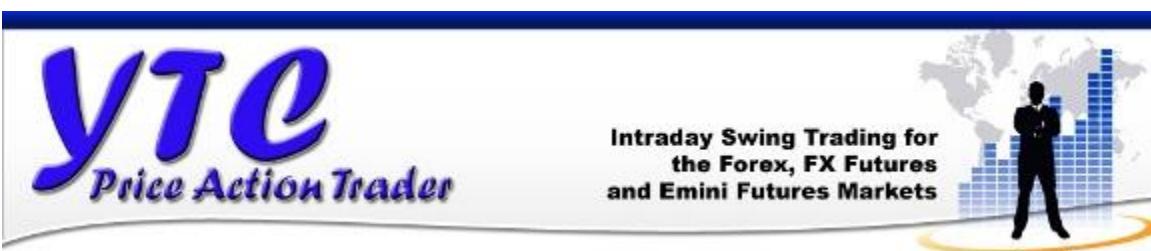
Sometimes a Failed Failure Equal Success

Wednesday 31st August 2011

I love failure patterns... those times in markets when an obvious expectation fails to deliver. They can often lead to nice price moves.

However the same applies when these failures fail. As demonstrated below.



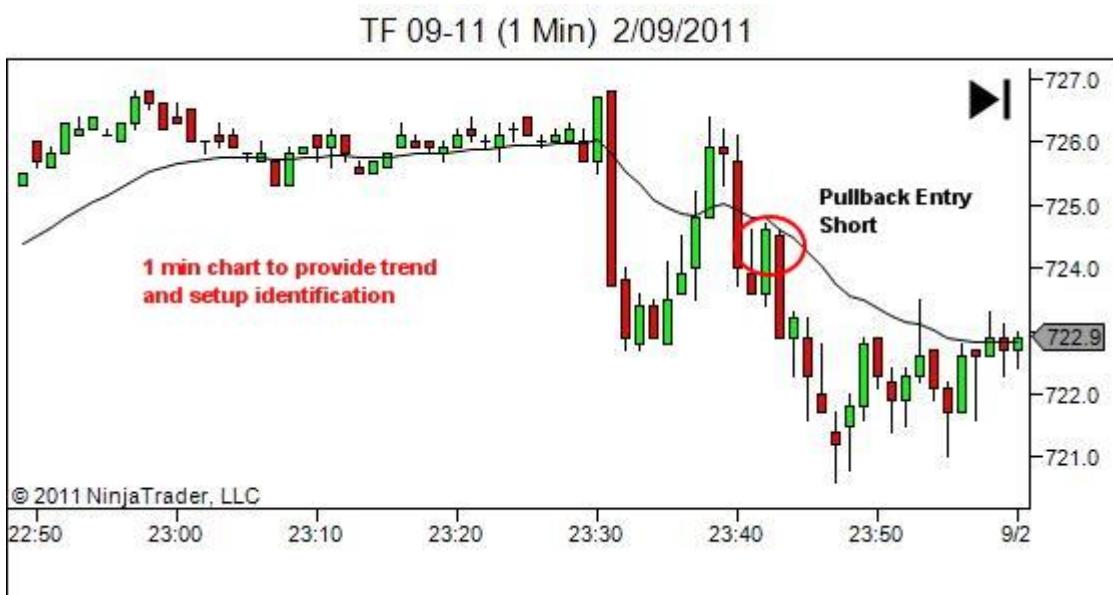


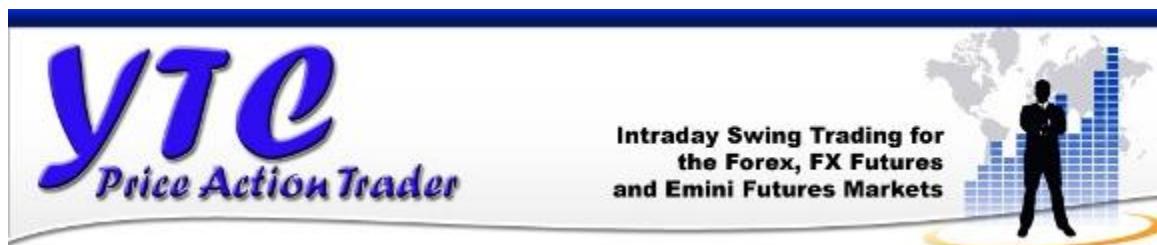
The Fractal Nature of Price

Thursday 1st September 2011

This post was inspired by a comment from James in a recent email exchange, "I didn't realise you could trade a 10 sec chart!"

So, I thought I'd show a trade using the 10 second chart (setup on the 1 min chart, entry triggered on the 10 second chart) to demonstrate the fact that (1) you can trade any timeframe chart you wish (from single tick upwards) and (2) price action concepts are applicable across whatever timeframes you wish to trade, provided sufficient liquidity. Price movement is fractal in nature!





Personally I'd Rather Be Trading

Monday 5th September 2011

No trading for me today, due to the US Labor Day holiday. It's just one of my rules.

The following is from [YTC Price Action Trader](#), Vol 3, Page 225: (please note: it's discussing the fx currencies, not emini futures)

In the event of a public holiday in the US, I will only trade during the UK session, and even then ONLY IF a great opportunity presents itself. Likewise for a public holiday in the UK; I'll only trade during the US session, and then ONLY IF a great opportunity presents itself. The default position in both cases is to NOT trade, as usually these sessions are dull and lifeless.

The chart below shows the result of today's early UK session, pre-US open, for GBP/USD. It did actually provide some opportunity... for breakout traders operating on an opening range breakout strategy... and for YTC PAT traders expecting a range-bound market and seeking breakout failure type setups. However, all opportunity was limited in potential. If you do trade these holiday sessions, manage any open trades aggressively. Take profits at targets. Don't expect the market to run.

Personally, I'd rather be trading than having extra days off. But that's irrelevant. My job is to manage risk, and in my opinion sessions such as this are usually a poor bet. It's much better to take these days off.



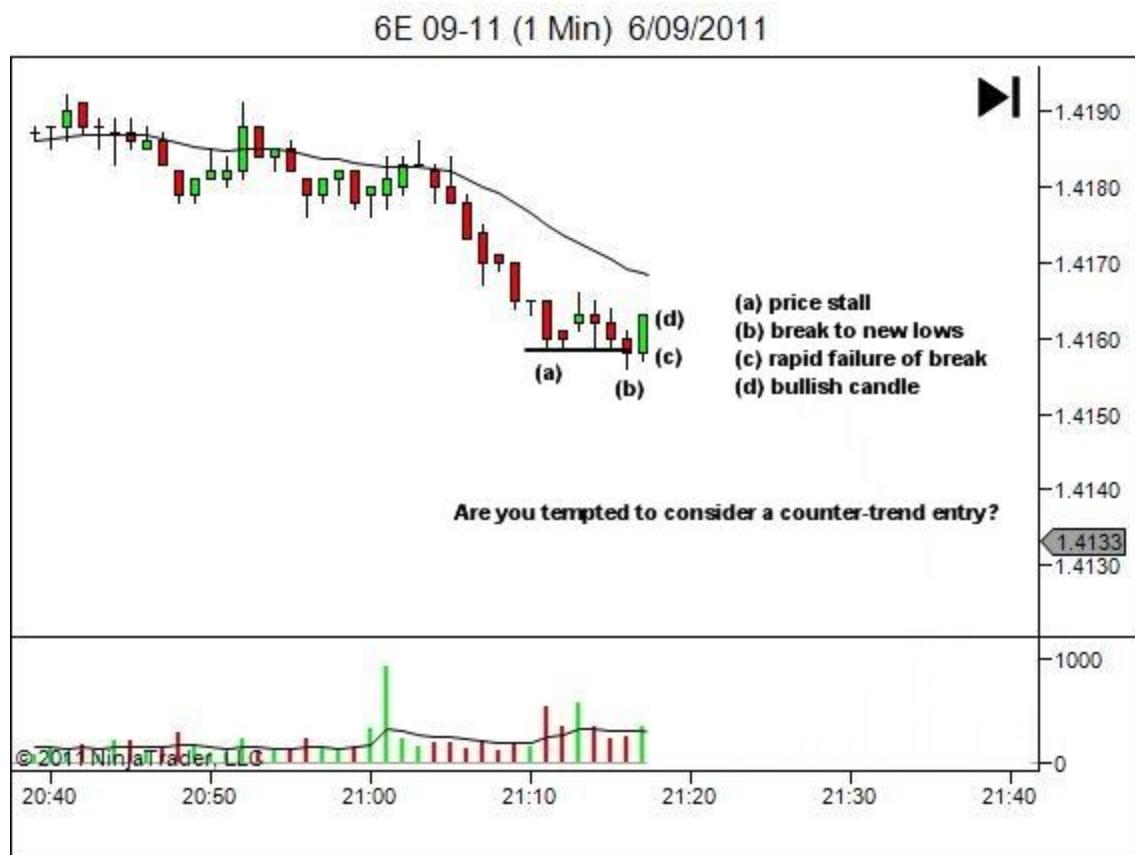
Counter-Trend? No. Wait for the Failure and the With-Trend Entry.

Tuesday 6th September 2011

The recent YTC newsletter article, [Trading Counter-Trend Against Market Bias](#), provides guidance for counter-trend opportunities, but it prefacing this guidance with a warning against these type of trades. If you fail to accurately interpret the market environment, you'll most likely find yourself attempting a low probability trade.

Today's Euro chart offered a good example of this scenario.

In fast trends, your best option is to avoid temptation to enter counter-trend. Watch and wait for the counter-trend traders to be trapped in a losing position. Enter back in the with-trend direction as their trade fails.





Intraday Swing Trading for
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Because Sometimes the Markets are Just Awesome!

Wednesday 7th September 2011

The purpose of this blog was to have a look through the charts each day or two to find something of educational value (see [About This Blog](#)). Usually that's a market structure or price action feature.

My first thought though on seeing today's price action feature, was to look at it from a slightly different perspective. It's hopefully a nice reminder of something we all too often forget, despite it being of immense importance. That is... maintaining a sense of wonder and awe at how just incredibly amazing the markets can be.

This is a long, never-ending journey.

Love the challenge! Enjoy the uncertainty! Maintain the passion!

And find something in the charts each day to remind yourself that this is by far the f***ing coolest thing to do for a living... bar none!



Yeah, But How Do We Really Know It's a Downtrend?

Friday 9th September 2011

What are some of the features that can be observed to qualify a downtrend?

If you use price action:

1. A declining swing high / swing low structure.
2. The largest range bars are bearish.
3. Bearish reversal patterns at the end of retracements typically follow through to profit, while bullish reversal patterns fail.
4. Ledges break down.

If you use moving averages:

- A. Price remains mostly below the moving average.
- B. A downsloping moving average.
- C. Space exists between the price and the moving average.



Of course... an alternative is to use simpler rules such as:

- If it looks like a downtrend, then it is a downtrend!
- If it starts at the top left and moves to the bottom right, it's a downtrend.

Or if completely in doubt, ask a 3 year old. :-)

Another Pullback Clue - Continuation or Reversal

Tuesday 13th September 2011

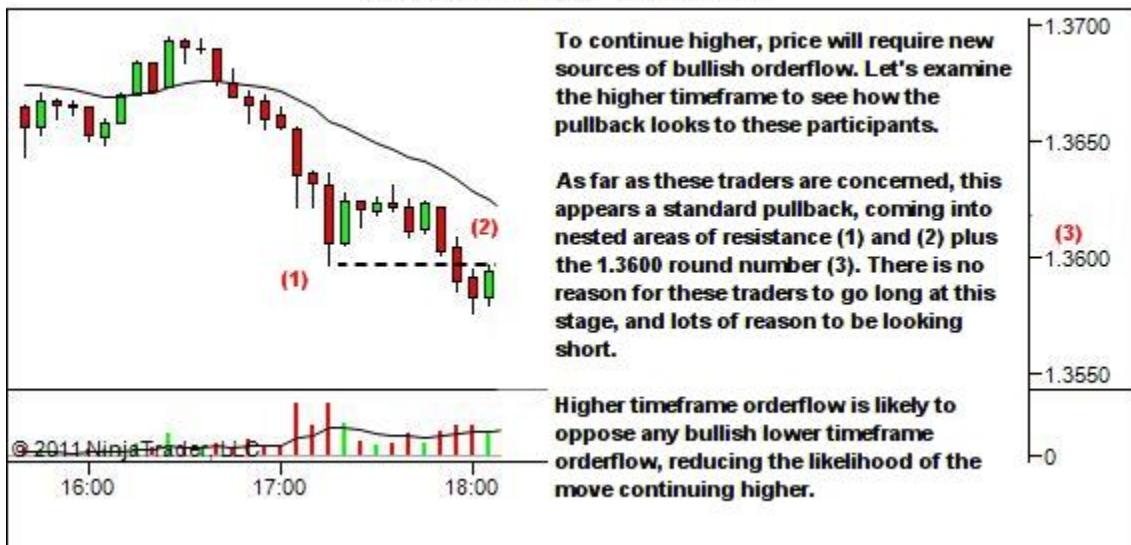
When price forms a [complex pullback](#), breaking the prior swing high/low, there are clues as to whether we can expect a greater likelihood of a continuation or reversal.

One of these clues is the higher timeframe sentiment.

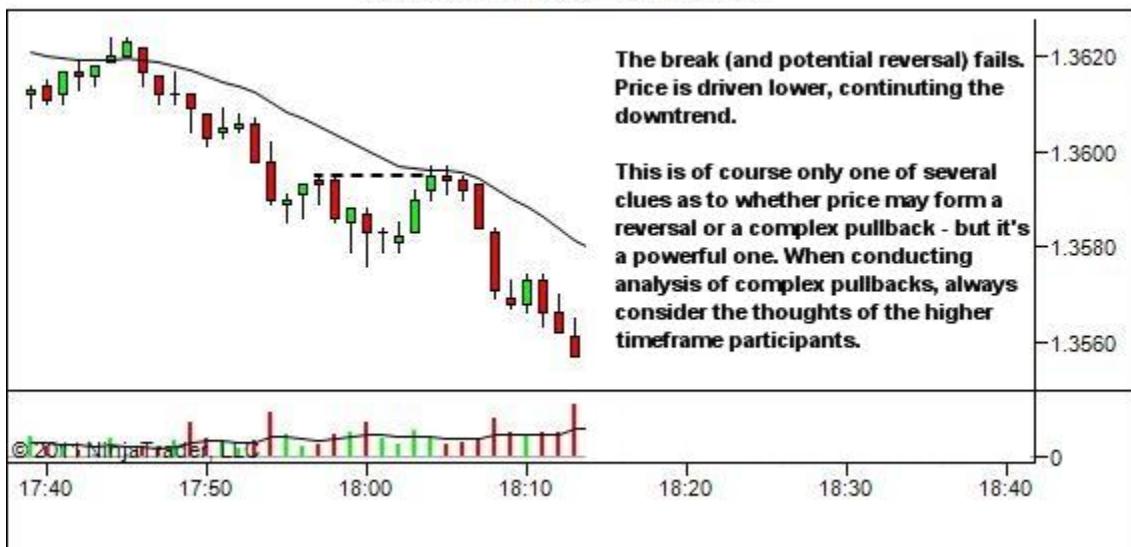
I've demonstrated this through today's Euro charts, using the 1-min chart as a trading timeframe and the 5-min chart as the higher timeframe. However the concept is applicable to any other two-timeframe combination.



6E 09-11 (5 Min) 13/09/2011

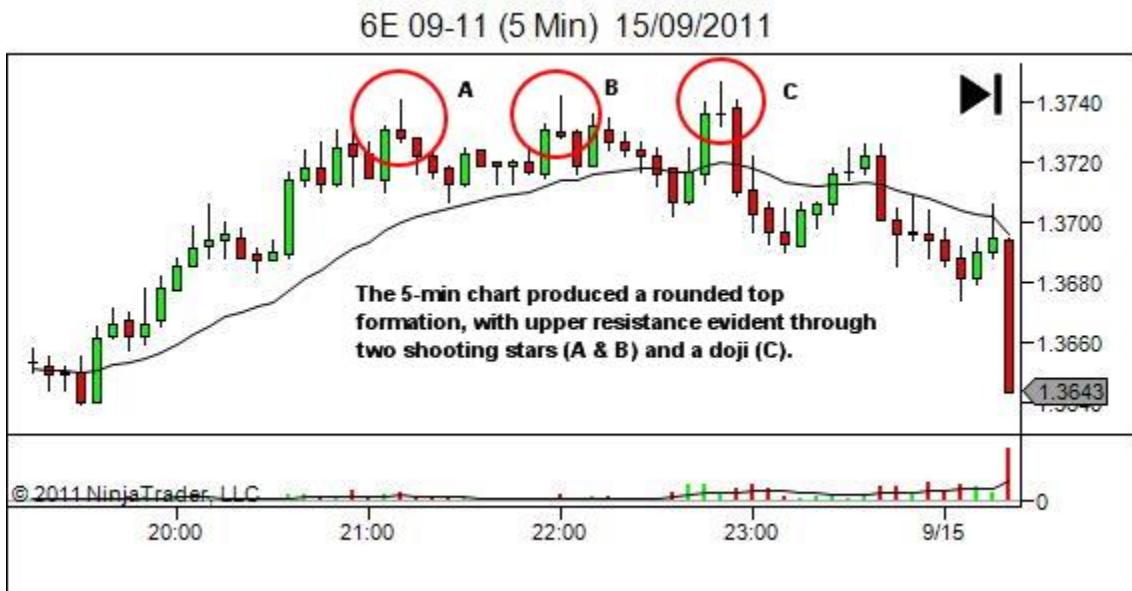


6E 09-11 (1 Min) 13/09/2011

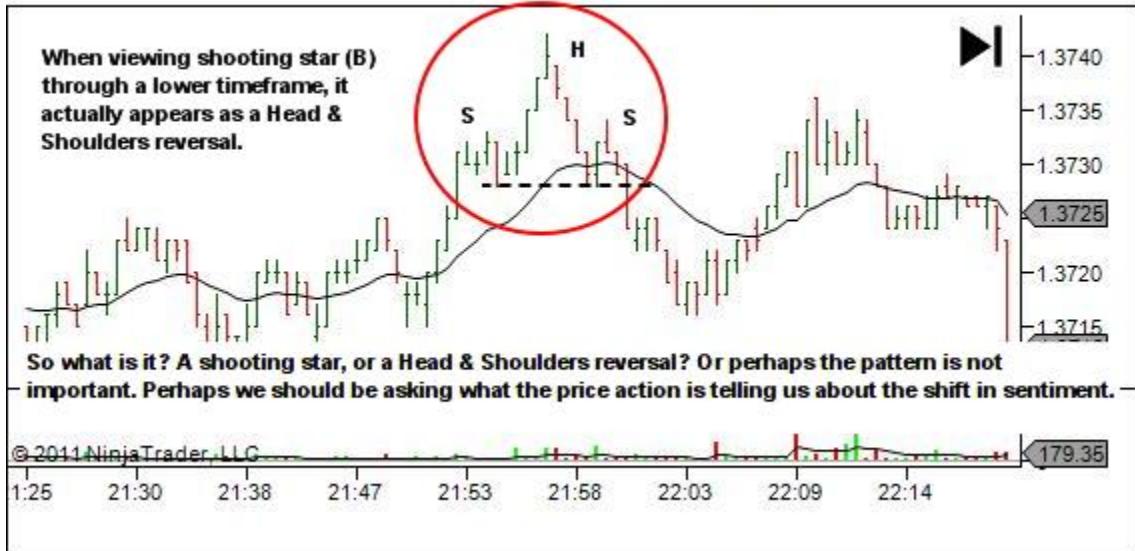


Breaking the Pattern-Mindset

Wednesday 14th September 2011



6E 09-11 (20 Tick) 14/09/2011



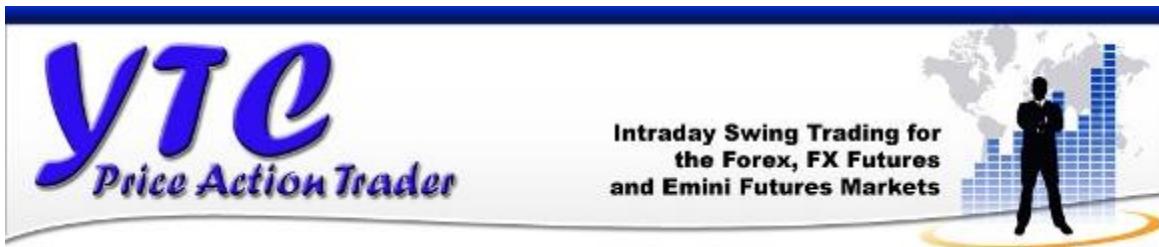
6E 09-11 (20 Tick) 14/09/2011



Seeing different patterns within the same price action, when viewed through different timeframes, is useful as a part of the process of shifting from a pattern mindset to a sentiment and orderflow mindset.

From a pattern perspective, a shooting star is different from a 123 top or Head & Shoulders reversal pattern. But from a sentiment and orderflow perspective, as shown in this example, they are just different ways to view the exact same thing - a reversal of sentiment and source of short-term bearish orderflow.

When you learn to see shifting sentiment within the price action, you're no longer reliant on patterns. You can read these changes within any price action, even when it doesn't fit a "text book" pattern definition. And in my opinion that's a positive step in your trading journey.



Forex Gaps - They Don't Always Close

Monday 19th September 2011

Stock or E-mini traders will be quite familiar with gaps. However many forex traders are not too familiar with them, due to the 24/5 nature of these markets.

Gaps can occur in the forex market; primarily over the weekend as fundamental events cause Monday's opening price to gap away from Friday's closing price.

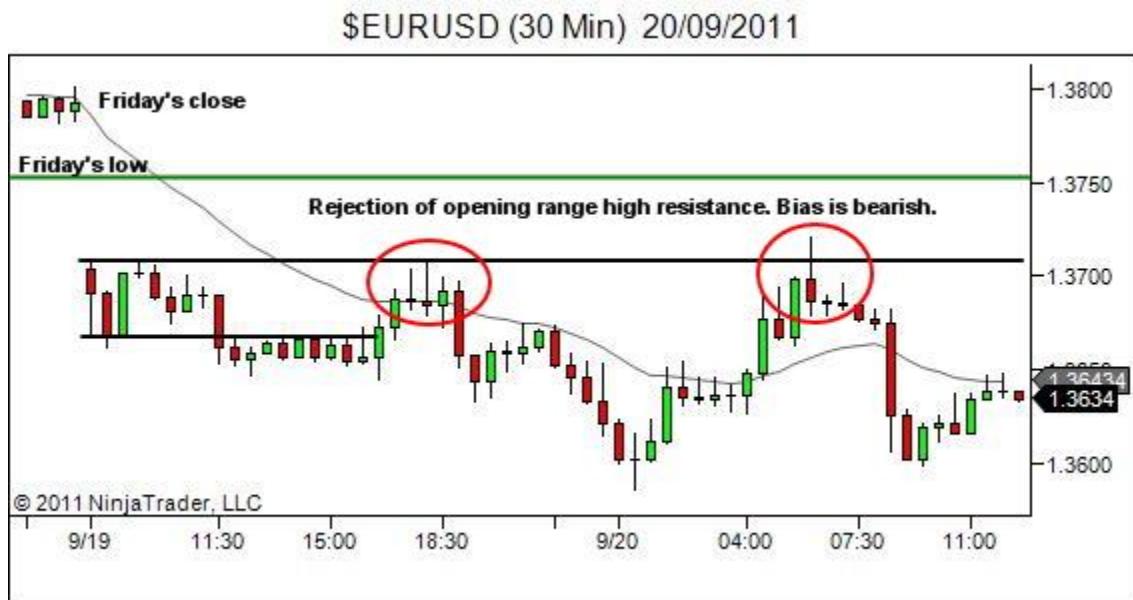
Common advice is that gaps will fill. Often traders will take a position for the gap fill, aiming to target either the prior days close, or the high/low.

Often this works, but it's not always the case. (Research breakaway gaps, runaway gaps, or "gap and go")



As intraday traders, rather than just blindly trusting yet another market "truism", you'll be better off learning to identify the bias for market direction, based upon [clues offered by the price action](#).

One of those clues is the obvious rejection of the opening price range resistance. Until price shows acceptance in the direction of the gap close, there is no reason to take a trade based upon a gap close premise.



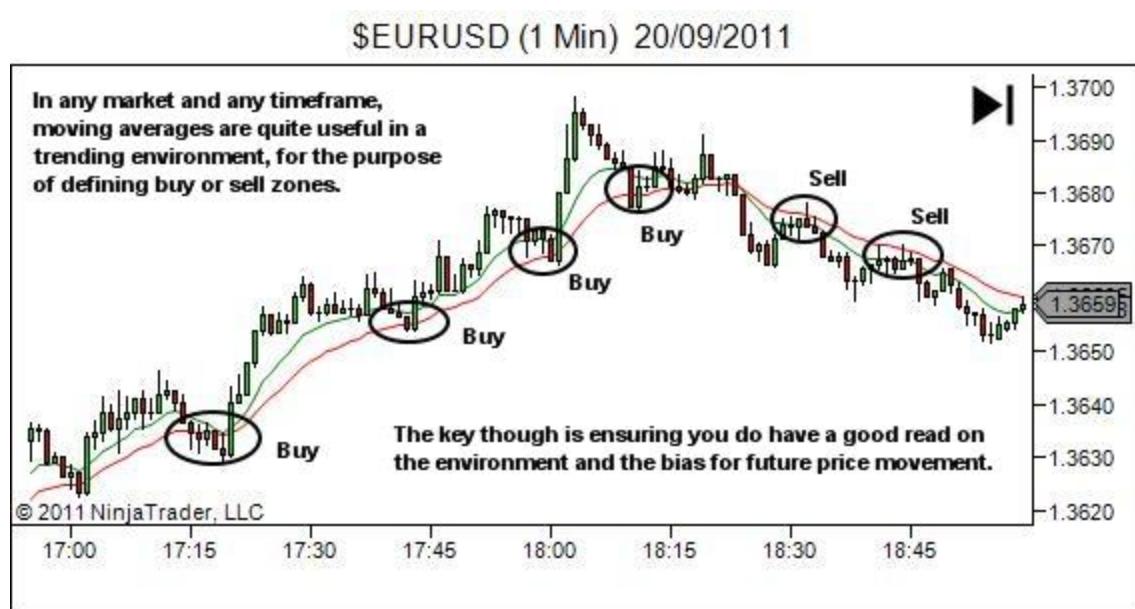
One Good Use For Moving Averages

Tuesday 20th September 2011

A common use for moving averages is in defining buy and sell zones.

In an uptrend, look for buy entry triggers when price retraces to the vicinity of the moving averages.

In a downtrend, look for sell entry triggers when price rallies to the vicinity of the moving averages.



This of course makes trading look very simple. The thing is... if you correctly identify the market environment and bias, appropriate tactics can be selected for trade identification, entry and management. And with hindsight it will look simple.

The challenge though is in correctly identifying the market environment and bias.

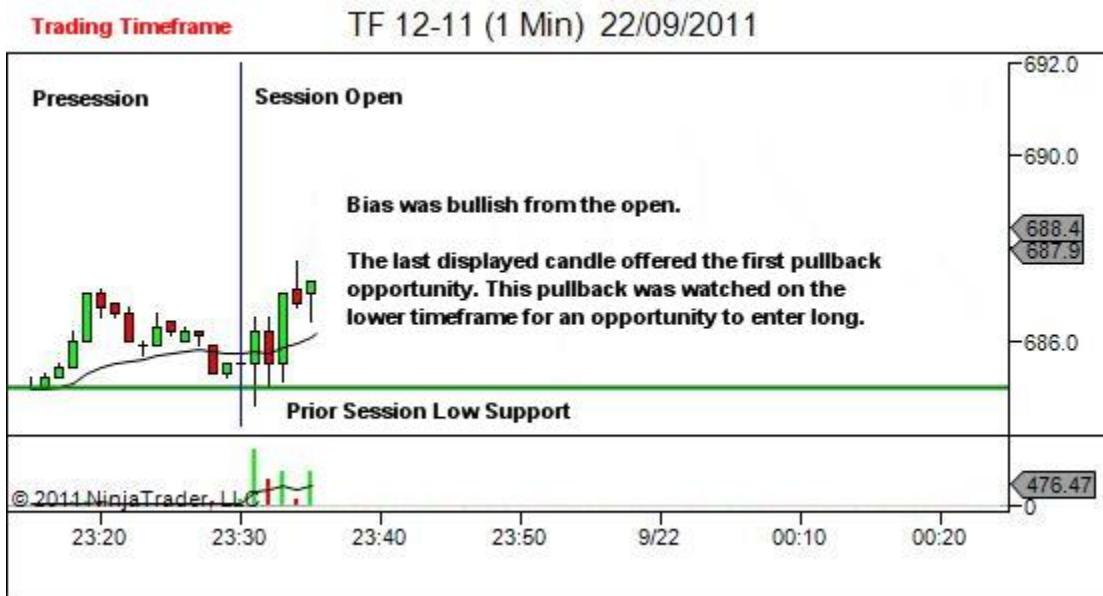
A Trade Entry Examined from a Technical and Non-Technical Perspective

Wednesday 21st September 2011

The technicals are easy to teach.

But trading involves so much more than the technicals.

Let's review my first trade entry in today's TF session, from both a technical and non-technical perspective; a simple [YTC PAT pullback entry](#) (albeit on shorter timeframes to those used in the ebook series).



Lower Timeframe

TF 12-11 (10 Seconds) 21/09/2011



It's the non-technical factors involved in trading that create the long and steep learning curve. They're not found in any book or course. They're the result of experience.

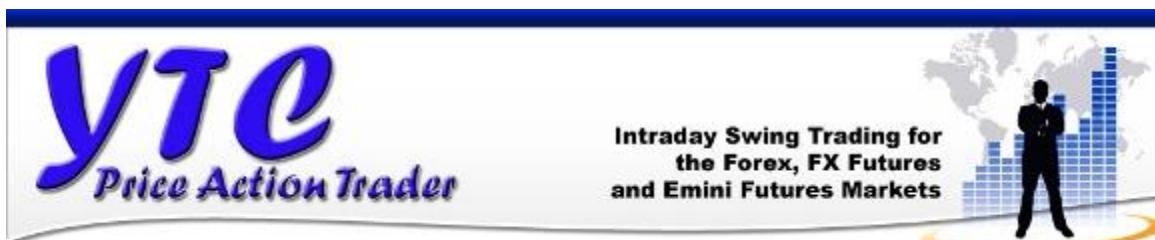
So what are you doing to build experience?

Have you implemented processes for regular deliberate practice? Have you implemented an effective Trade-Record-Review-Improve cycle? Both are covered in Vol 5 of the YTC PAT series. Unfortunately most people get caught up in the analysis and strategy of Volumes 2 and 3. Volume 5 is much more important.

Deliberate practice is where the real learning will occur.

Get a sim... take trades... accept mistakes... review... learn... improve!

PS. So what was the outcome of the trade? Well, that would depend on where I exited, wouldn't it! :-)



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Make Your First Trade "One Good Trade"

Monday 26th September 2011

I've borrowed the phrase, "[One Good Trade](#)", from the book of the same name by Mike Bellafiore of [SMB Capital](#). Great book; highly recommended. Get it.

Mike states correctly that the job of a trader is to just take One Good Trade. And then follow that up with One Good Trade. And then One Good Trade. And on and on.

Most important of all in my mind, is to ABSOLUTELY ensure that the first one meets the One Good Trade criteria. This doesn't mean your first trade necessarily has to be a winner. But it MUST be a good trade in accordance with your plan (and in accordance with the seven criteria that Mike specifies in his book).

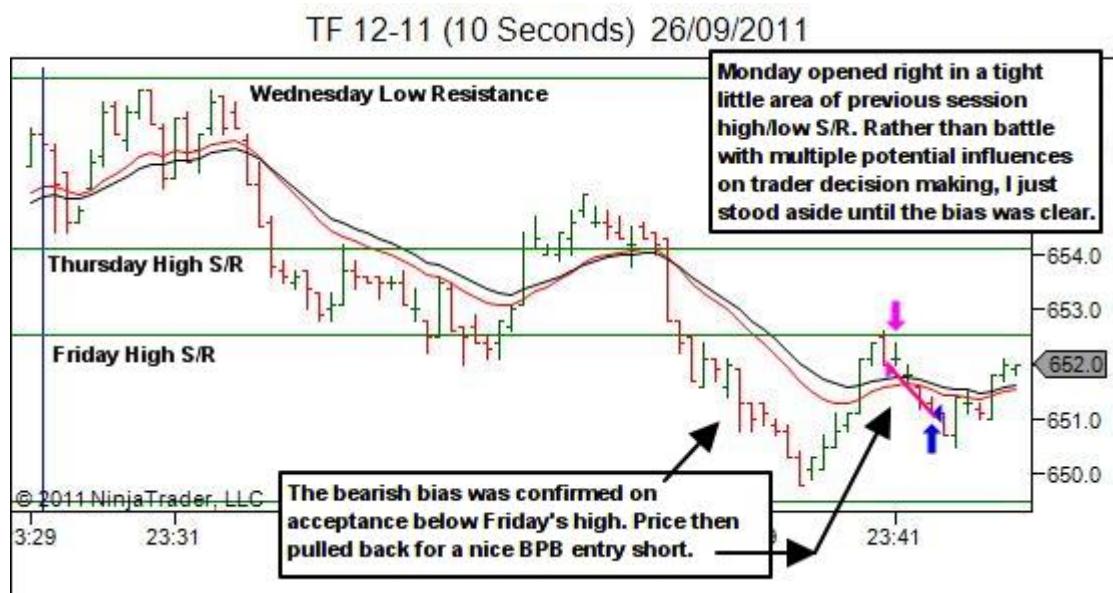
As such, if the opening price action does not give you a good feel for market bias and trade opportunity, THEN WAIT.

Don't push a trade if it's not One Good Trade.

Your mindset during the session is of vital importance. Don't destroy it through a dumb trade within the first few minutes, if conditions are not quite right for you.

The following chart shows the opening of today's TF session. I usually don't have to wait 11 minutes for the first trade. Today, I just wasn't reading it well. Patience allowed me to wait for the right opportunity to start off the session with One Good Trade.

Now the mindset is good as I head into the remainder of the session; and more One Good Trades. ([Again... get the book](#))

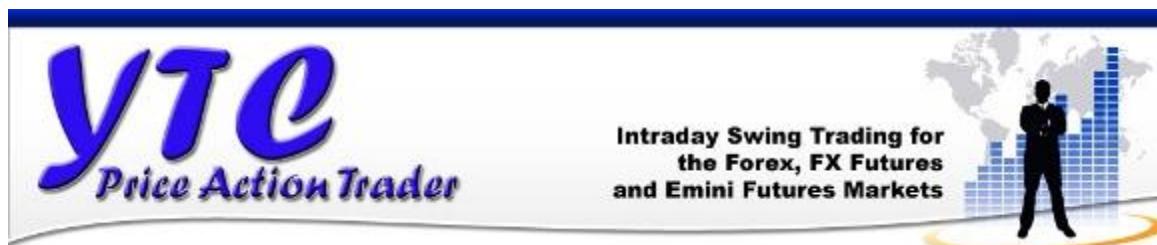
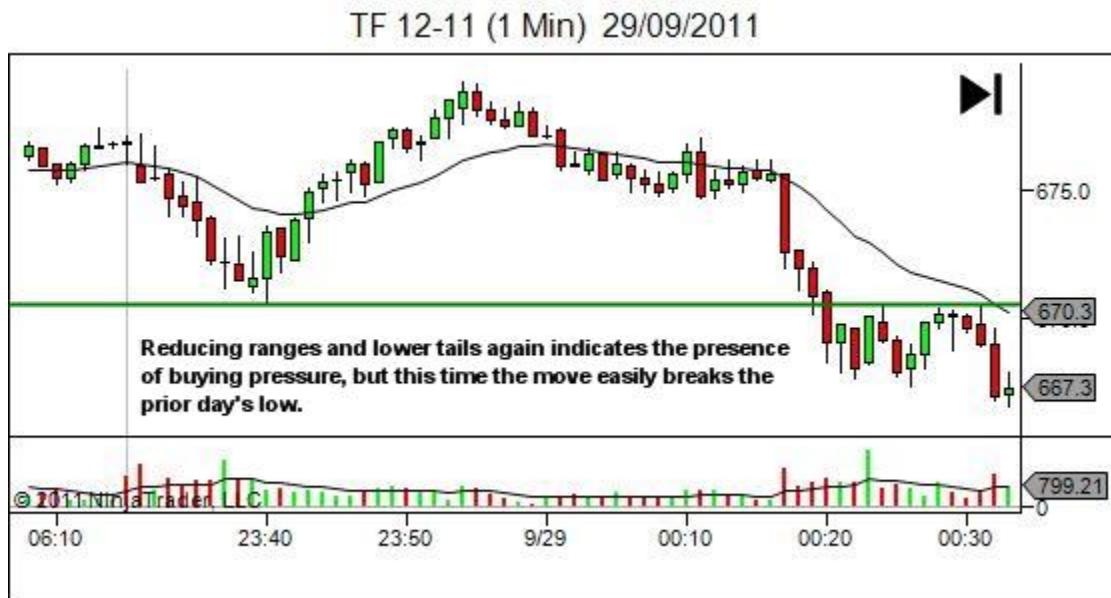


Will this S-R Level Hold or Break?

Wednesday 28th September 2011

One of my rules is to expect an S/R level to hold, unless I see signs of strength leading into the area. Here's one example from today's charts.





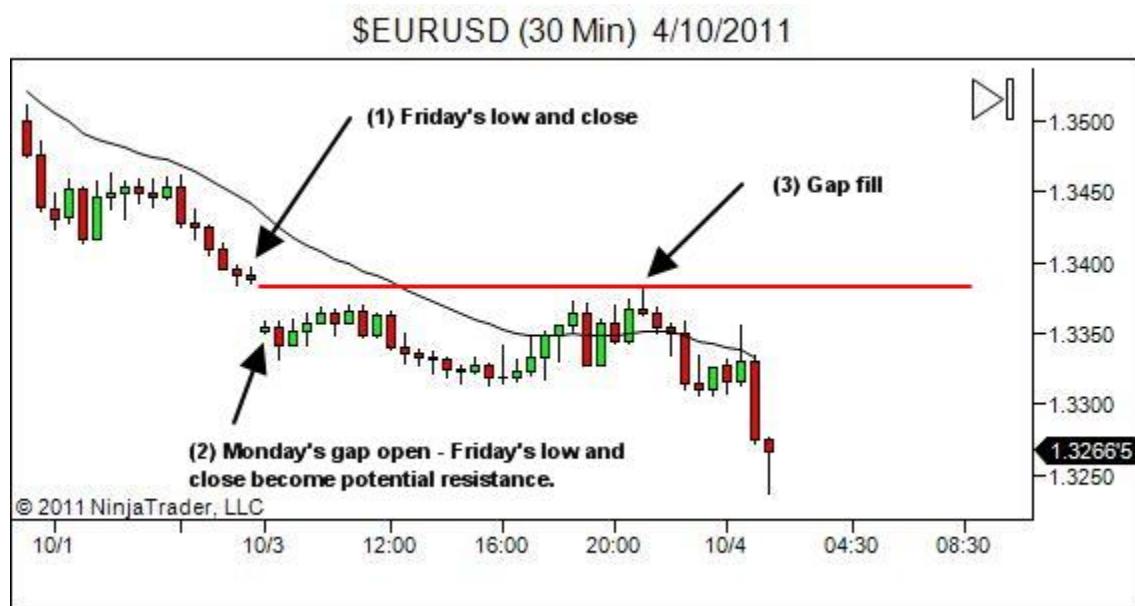
Forex Gap Fill

Monday 3rd October 2011

S/R is defined from prior swing high/lows, areas of congestion and gaps.

We discussed forex gaps briefly a fortnight ago (See blog post – *Forex Gaps – They Don't Always Close*), demonstrating the fact that they don't always fill within your trading timeframe, so we shouldn't just blindly buy or sell.

Today, let's look at another one and discuss a different aspect of gap trading - should the S/R level be placed at the prior session's high/low or the prior close?



I consider both as potential S/R levels (or areas), as they both offer areas of potential orderflow.

So, two lines will usually be placed on the chart.

In today's example both the close and low are essentially the same "area" of price, so there's only one line.

The same concept would apply to gaps in other instruments, such as the eminis or stocks. As always though... that's just how I do it.

What to do When the Premise is No Longer Valid!

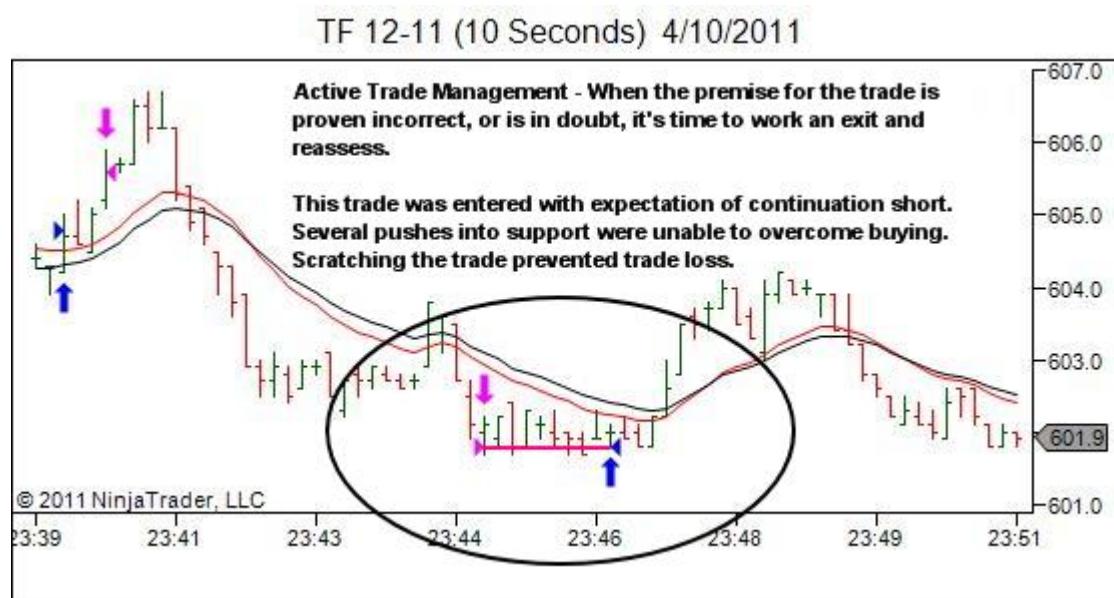
Tuesday 4th October 2011

I prefer active trade management to passive trade management.

When the premise for a trade is proven incorrect, or is in doubt, it's time to work an exit and reassess.

Here's what that means and why I prefer to trade this way: <http://yourtradingcoach.com/trading-process-and-strategy/active-vs-passive-trade-management/>

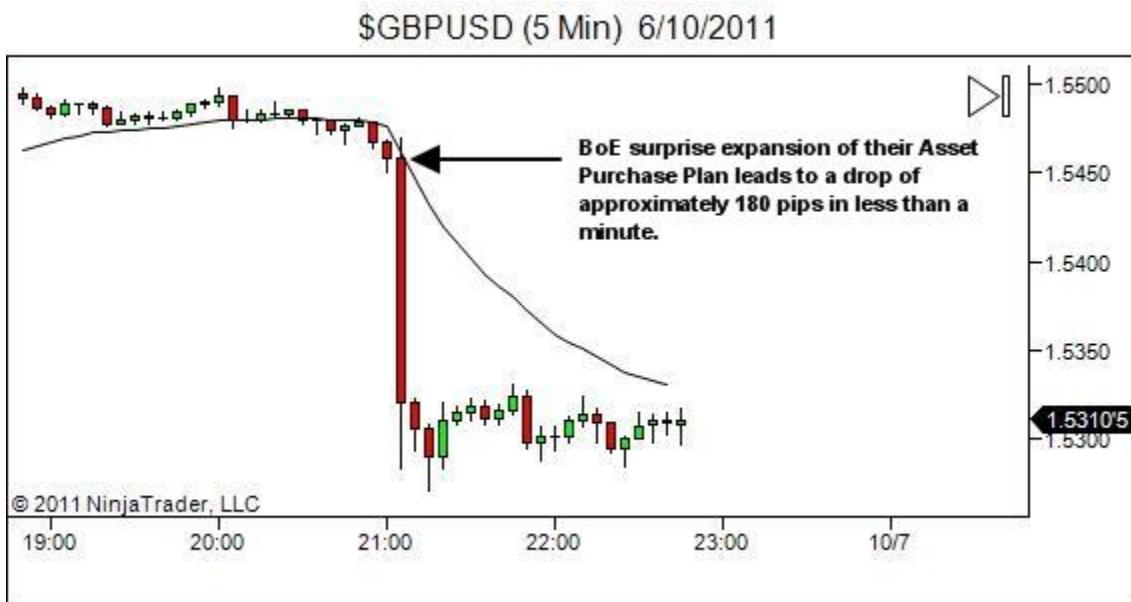
And here's an example from today's trading. The timeframe, market and reason for entry are irrelevant (the concept can be applied to any market, timeframe and strategy). The premise was for continuation lower. Consider how the post-entry price action reduces the likelihood of this premise being correct, as several pushes into support were unable to continue lower. The trade was scratched, with a pending order placed to re-enter should price continuation lower. In this case, active trade management prevented a loss.



Learning Through the Power of Hindsight Perfection

Thursday 6th October 2011

Along similar lines to the process discussed in a previous YTC article, "[Learning to Identify Key Setup Areas](#)", let's examine the explosive opportunity in today's GBP/USD chart, following the BoE's surprise announcement regarding expansion of their Asset Purchase Plan.



Assuming that we don't just simply bracket price at the time of news releases, it's reasonable to assume we would have missed the initial move.

And let's make another safe assumption... we don't chase price.

So let's see where we could have traded this price action in the hour or so after the news release.

It may be too late to profit from it today, but it's never too late to learn.

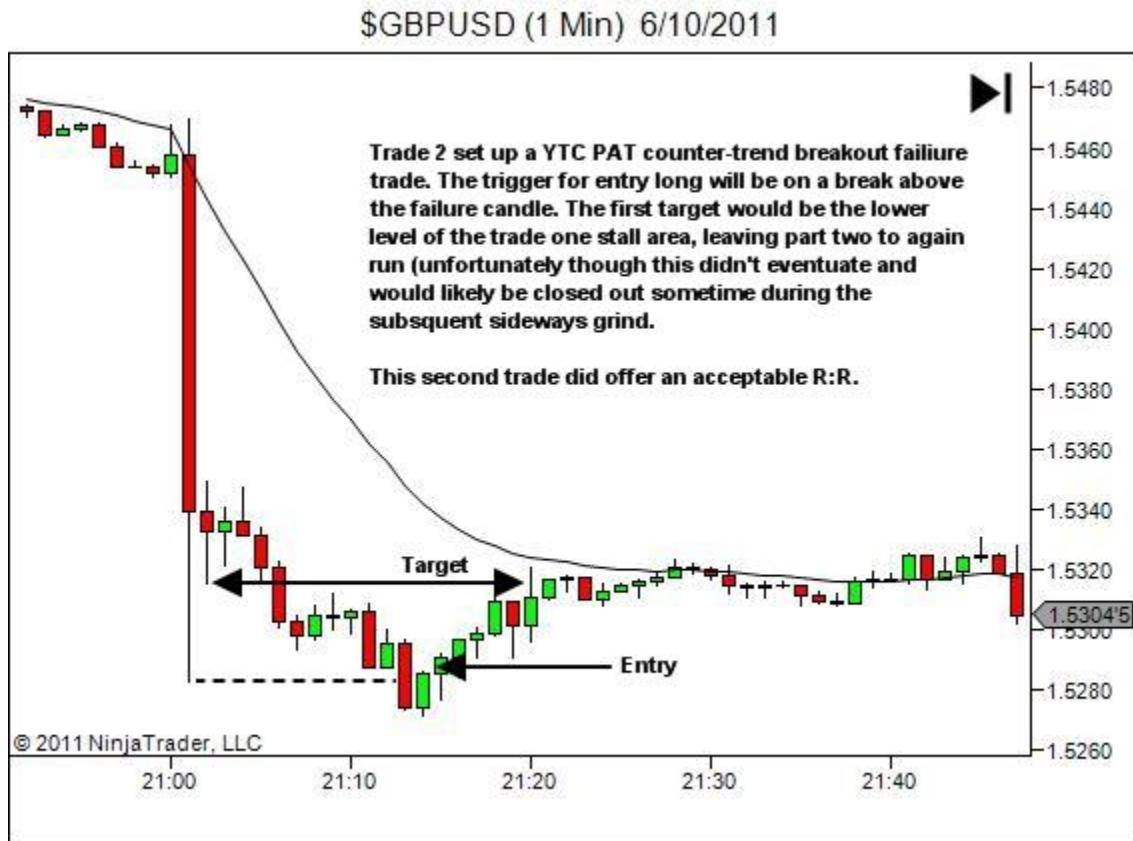
Examination of the next lower timeframe shows that there were two possible moves which allowed profitability, so we will examine each for the "hindsight perfect" trade setup, entry trigger and target.



The first trade offered a nice narrow-range inside bar, following the initial pullback from lows. A narrow-range inside bar offers great breakout potential through bracketing the stall region. If price breaks higher we will target the point of initiation of the news bar. If price breaks lower we will target a retest of the lows.



The second trade is a beautiful counter-trend [YTC PAT BOF trade](#). You'll often find the best counter-trend move following a news spike, or some other form of price exhaustion, will be after a retest of the high/low and subsequent failure. The initial target will be the area of stall that was used to initiate the first trade.



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Success Depends On Your Exits

Tuesday 11th October 2011

Success depends on your exits!

Enter in the direction of the market bias at a wholesale price area. The size of your profit or loss on that particular trade will depend on where you exit.

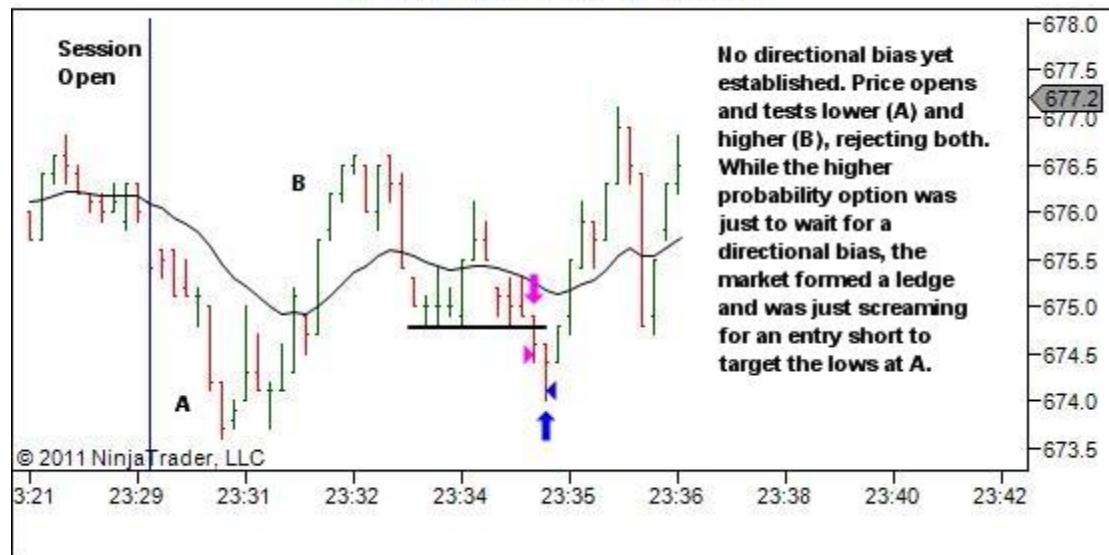
Do that consistently over a period of time, and success or failure will be an indicator of the quality of your exits over that sequence of trades.

In some environments you're better taking a quick scalp. In some environments you're better holding to a target price. In some environments you're better letting it run.

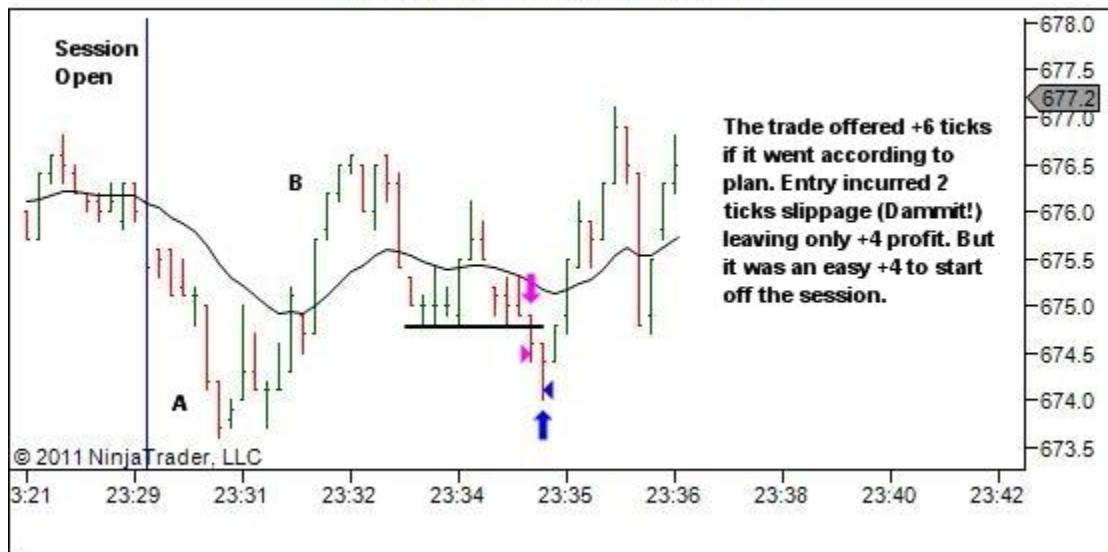
So, have a think about how you identify YOUR market environment and how that determines YOUR exit plan.

Let's have a look at the first trade I took in today's e-mini Russell market. It's just a quick scalp. Again... this is not suggesting you should scalp all exits... rather that the exit strategy should be tailored for the current market environment. That applies whether you're trading a 20-tick chart as I was here, or a daily chart, or anything in-between.

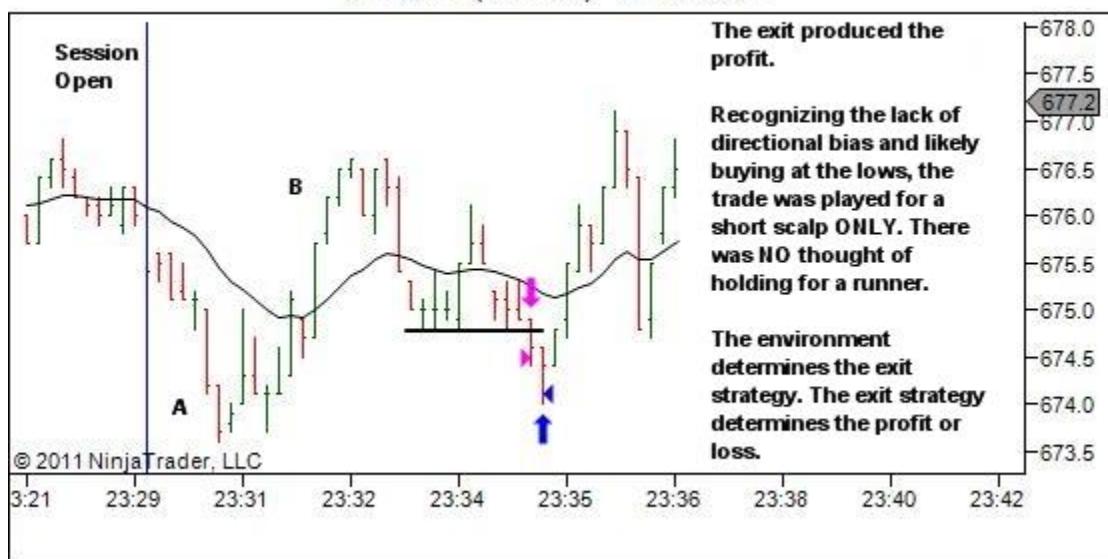
TF 12-11 (20 Tick) 11/10/2011



TF 12-11 (20 Tick) 11/10/2011



TF 12-11 (20 Tick) 11/10/2011



One Simple Way to Identify Changing Momentum

Wednesday 13th October 2011

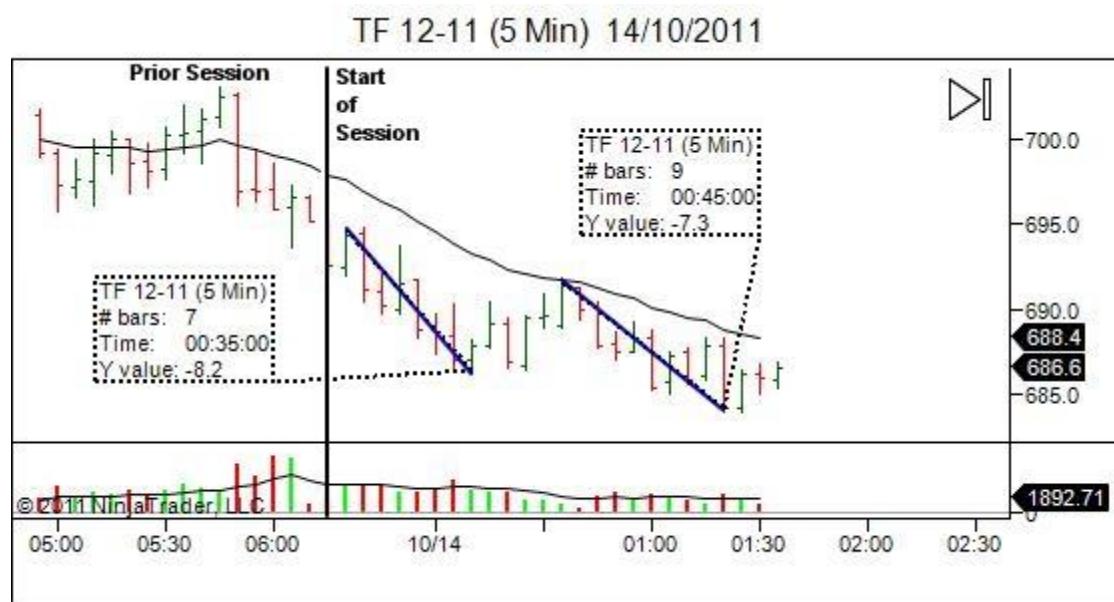
One simple way to identify changing momentum is via changes in the time and price covered by each successive price swing.

The following chart compares the first two bearish price swings in today's market.

7 bars and 35 minutes to move 8.2 points.

9 bars and 45 minutes to move 7.3 points.

Although fairly close in values, the second swing wasn't able to travel as far despite having more time to do so. The second swing shows reduced bearish momentum.

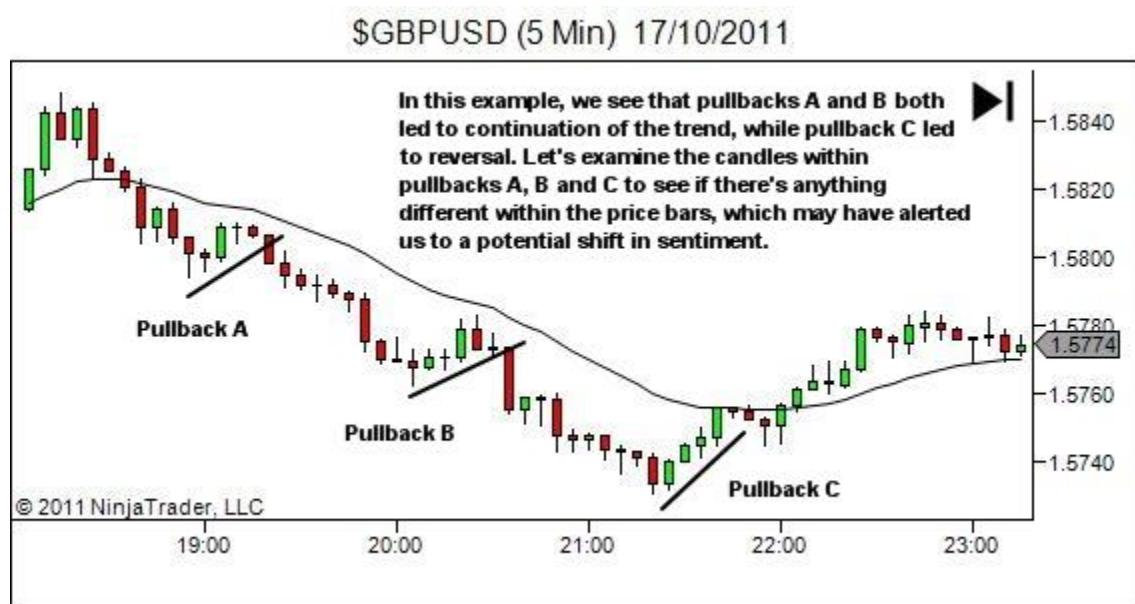


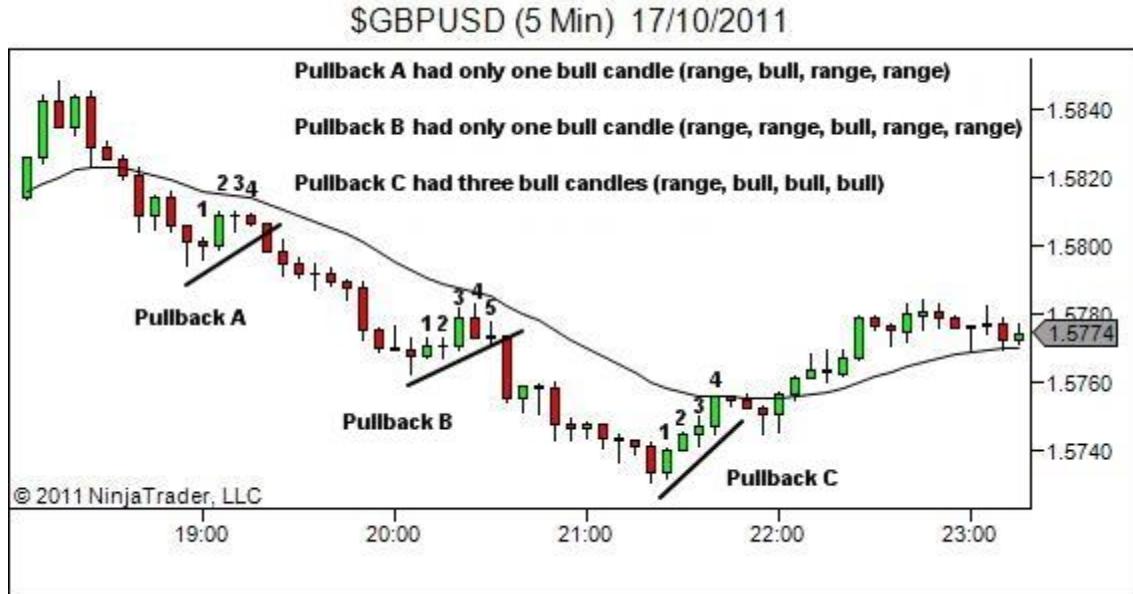
Examining a Pullback for Signs of a Potential Change in Sentiment

Monday 17th October 2011

There are numerous signs that can alert us to potential shifts in sentiment within the price action.

One of these, discussed in the [YTC Price Action Trader \(Volume 2 Section 3.5\)](#) and also in [the 5-part article series commencing here](#), is what I call Close Comparison. Refer to one of these resources if you're not familiar with Close Comparison.





Individual price bars can provide signs of a potential shift in sentiment, as seen above where pullback C shows evidence of greater bullish strength than occurred within pullbacks A and B.

This is not a guaranteed sign of pullback failure. But as a price action trader it should be something that catches your attention and keeps you alert for a potential change of trend or weakening of any continuation of trend. At the very least, if an entry short was taken, it should have been trusted less than shorts from A or B.



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Do I Look At Higher Timeframe Price Action or is it Just For Structure?

Tuesday 18th October 2011

I had a discussion recently with a trader about higher timeframe price action and patterns and whether or not I consider them in my analysis. I gave the answer that NO, higher timeframe is for structure only.

However I'd like to take the opportunity to amend that answer, and do it publicly here as it may be of interest to many others.

What I gave was the official text-book answer. The [YTC Price Action Trader](#) uses three timeframes as follows:

Higher Timeframe	To provide structure to our market, by identifying a framework of support and resistance, which act as barriers to <i>trading timeframe</i> price movement.	Primary: 30 min Alternate: 60 min
Trading Timeframe	To analyse the market trend and determine the likely path of future price action, as it moves within the <i>higher timeframe</i> market structure framework.	Primary: 3 min Alternate: 5 min
Lower Timeframe	To fine-tune the <i>trading timeframe</i> analysis; and to time trade entry and exit.	Primary: 1 min

Figure 3.17 – Trading Timeframes

You'll note that the higher timeframe is solely used for defining the structure of the market, through creating a framework of support and resistance within which our trading timeframe price action will move.

Technically, that's all it is ever used for... defining an S/R structure. My trading routines do not consider the trend or the price action patterns associated with the higher timeframe.

However looking over yesterday's EUR/USD chart it became obvious to me that there are patterns that jump out of the higher timeframe from time to time. And although these patterns play no official part in my analysis routines there is just no way that they can't influence my decision making, even if just subconsciously. I've demonstrated that below.

So the answer is now.... well it depends... officially I use the higher timeframe for structure only... but in defining that structure there are occasionally going to be higher timeframe trends or patterns that catch my eye and are likely to (at least subconsciously) influence my trading timeframe analysis.

It can be an interesting exercise for a discretionary trader to consider what other factors may exist to subconsciously influence your analysis.



Bullish Bar - High Volume - But No Breakout!

Thursday 20th October 2011

I lost a small amount of cash in the opening hour today, as I fought the price action within this sideways rubbish.

More often than not, the best option when you've identified a directionless market is to just stand aside until you receive clear signs of bias. Good advice! If only I had reminded myself of this **TWO HOURS AGO!!!!**

Anyway, let's have a look at an interesting feature within the symmetrical triangle, which potentially could have alerted us to the breakout direction.



One feature that stands out is the two high volume bars towards the latter third of the triangle (where we typically expect a breakout if it's going to occur).

Note that both occurred on bullish price bars (see the chart below).

Bullish bars... high volume... but in both cases they failed to follow through and break to the upside.

A bullish bar on high volume that breaks through resistance would be a sign of bullish strength. But a bullish bar on high volume that fails to continue... that's not bullish at all.

This is a sign of bearish strength; selling absorbing the buying.

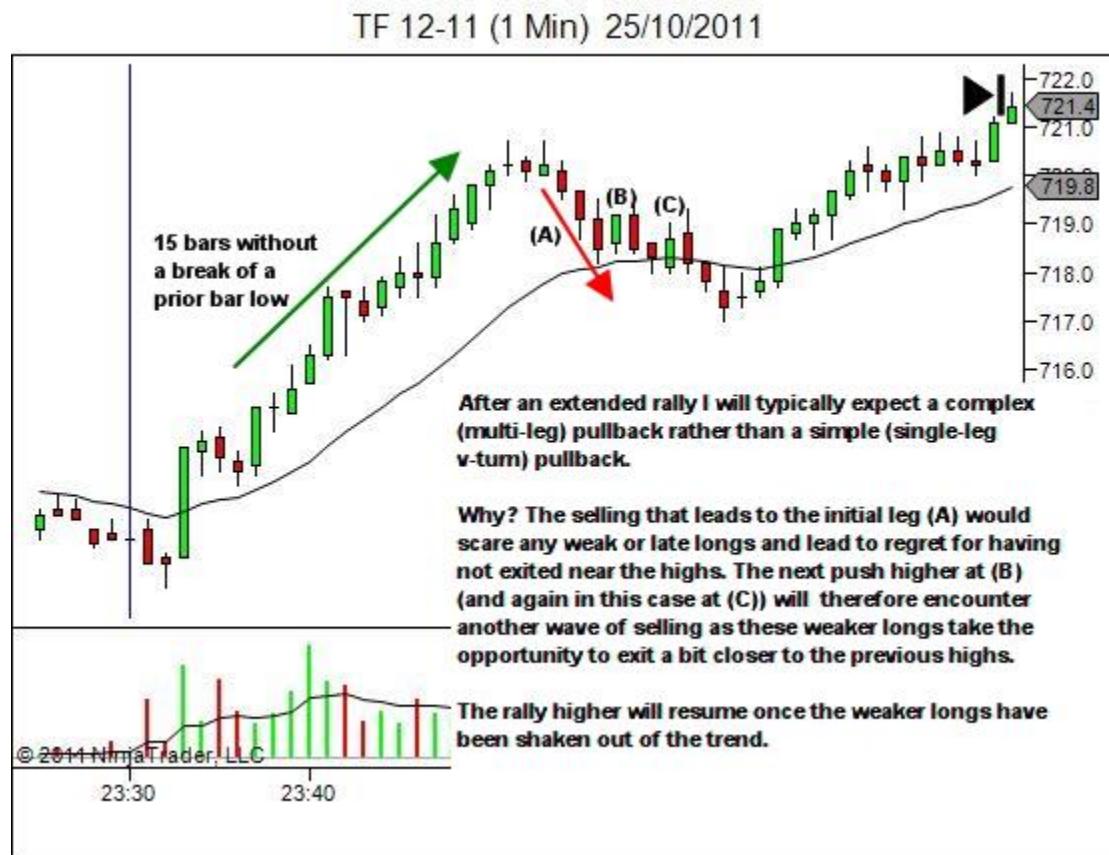
The breakout will ultimately come against whichever side gives up first. You can never know for sure which that will be. But with this sign of bearish strength, you should definitely be planning for the scenario of a break to the downside.



Extended Rallies Lead to Complex Pullbacks

Monday 24th October 2011

Today's e-mini Russell price chart demonstrates my expectations for a pullback after an extended price rally. Vice versa for a price decline.



Opening Bar Providing a Session High or Low

Wednesday 26th October 2011

There are 81 five-minute price bars in one emini's session.

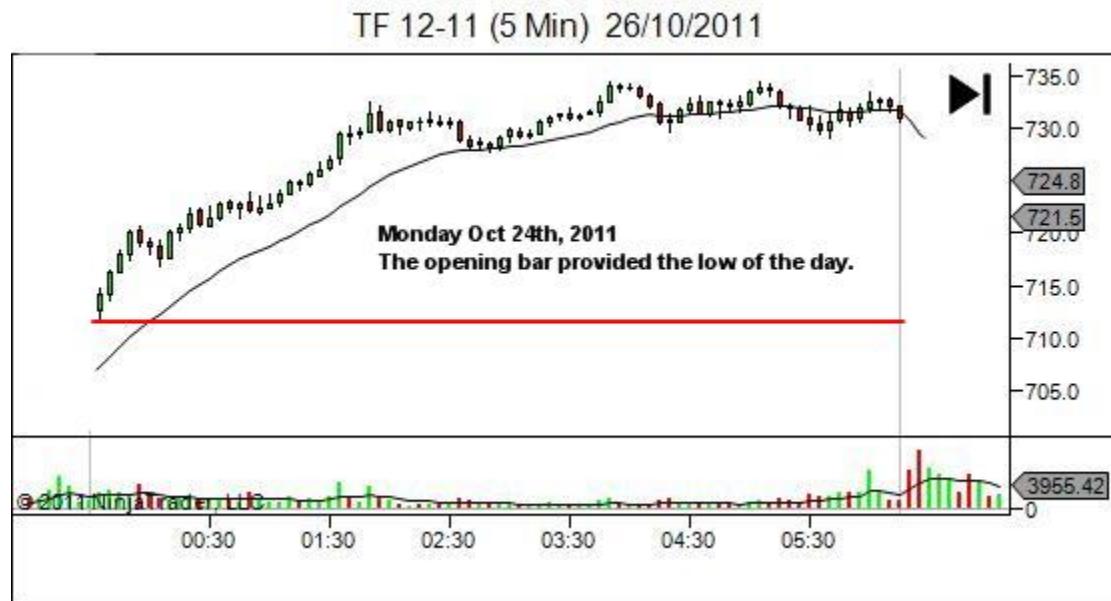
If markets were random, then each bar should have a 1.23% chance of being the bar that provides the session high; and a 1.23% chance of being the bar that provides the session low. (* Disclaimer: It's currently 1:52am here so I make no claims of mathematical accuracy)

And yet the reality is that we see the opening price bar providing the session high or low MANY more times than this.

Such as this week, where it's provided the high or low every day (so far).

Pretty cool I think!

And it also has a trading application, through use of the opening bar as a "gross" check of market bias. Price above the opening bar is bullish. Price below the opening bar is bearish.



TF 12-11 (5 Min) 27/10/2011



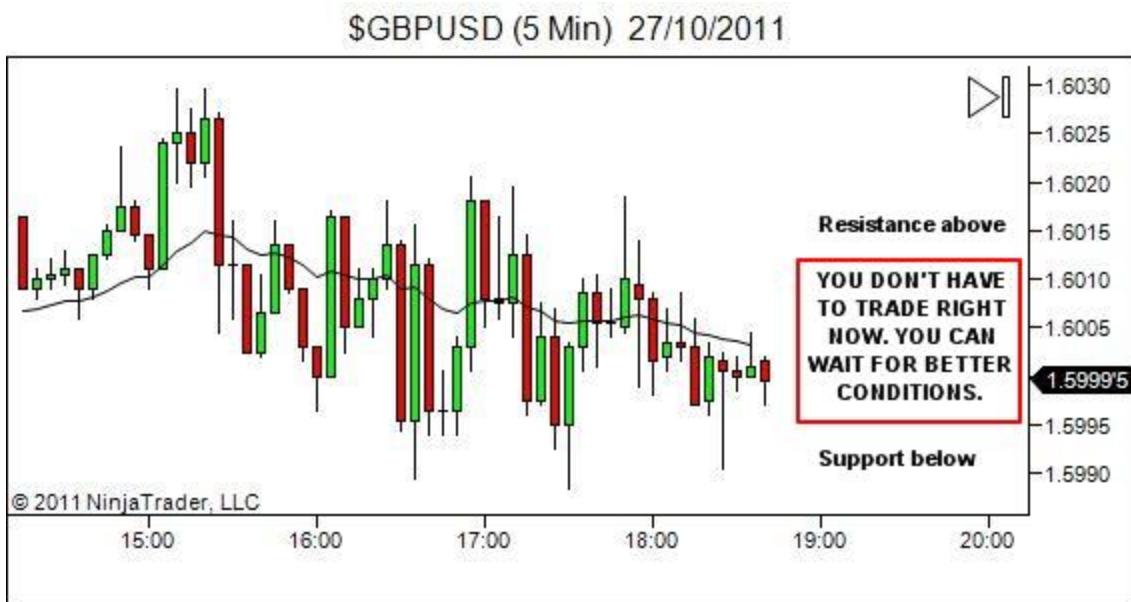
TF 12-11 (5 Min) 27/10/2011



Standing Aside is a Trading Decision

Thursday 27th October 2011

Why would someone buy or sell here? Someone obviously is as transactions are occurring. It's important to remember though, that not everyone is using the same strategy as you. Not everyone is operating on the same timeframe as you. And not everyone is operating with the same level of skill or knowledge as you. For whatever reason, fundamental, technical or otherwise, they've decided to trade and that decision may well be quite valid for them.



For us though, when looked at through the filter of our skill, knowledge, timeframe and strategy, the market is offering very low odds opportunity in either direction. It's range bound, with areas of buying limiting further downwards movement and areas of selling limiting further upwards movement.

As we're not trading through options writing strategies, we require price movement to profit. So we have only a few viable choices when faced with a market such as this.

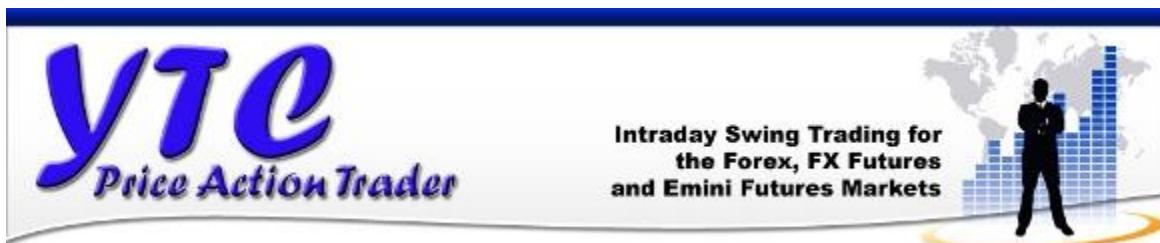
- Look to an alternate, preferably non-correlated, market.
- Look to a smaller timeframe, provided the intra-range action flows smoothly and the range offers sufficient distance to allow profits after covering costs.
- Or wait for something to change.

Something will change... whether it's the next news event or a change to the next session, or a slow grind in one direction such that it reaches a tipping point which leads to a change in sentiment across multiple timeframes.

Have a look to higher timeframes from an IF-THEN perspective. If price gets to (this point here) then it indicates that the sentiment is likely to have changed. Identify these points, set price alerts, and stand aside.

When price breaks from this range, then it's game on.

Until then... there is more to life than range bound markets. Avoid the temptation to trade in a low odds environment.

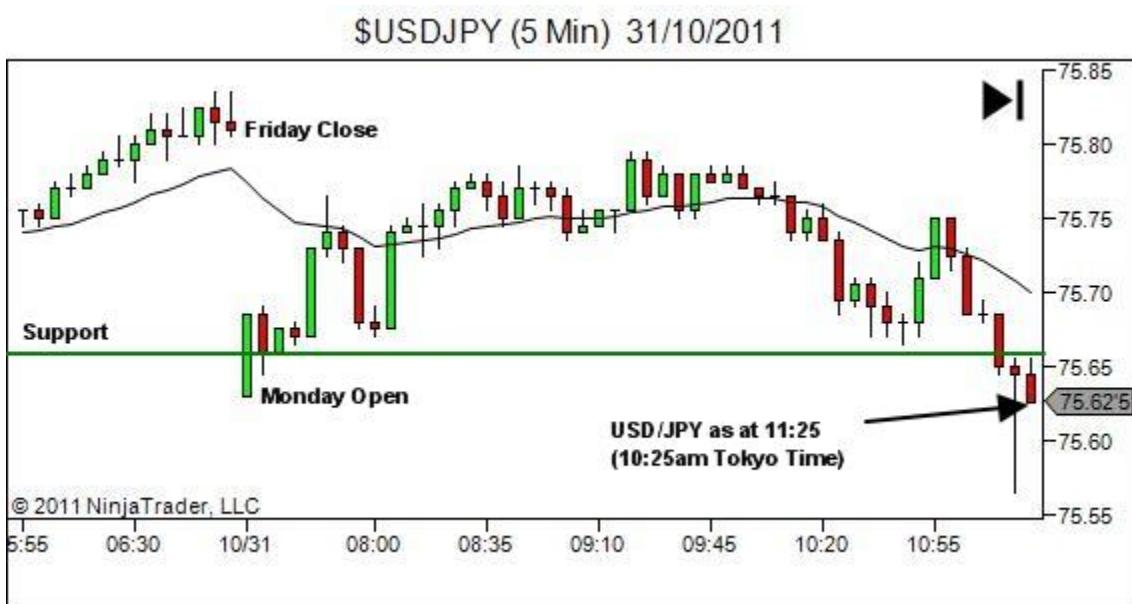


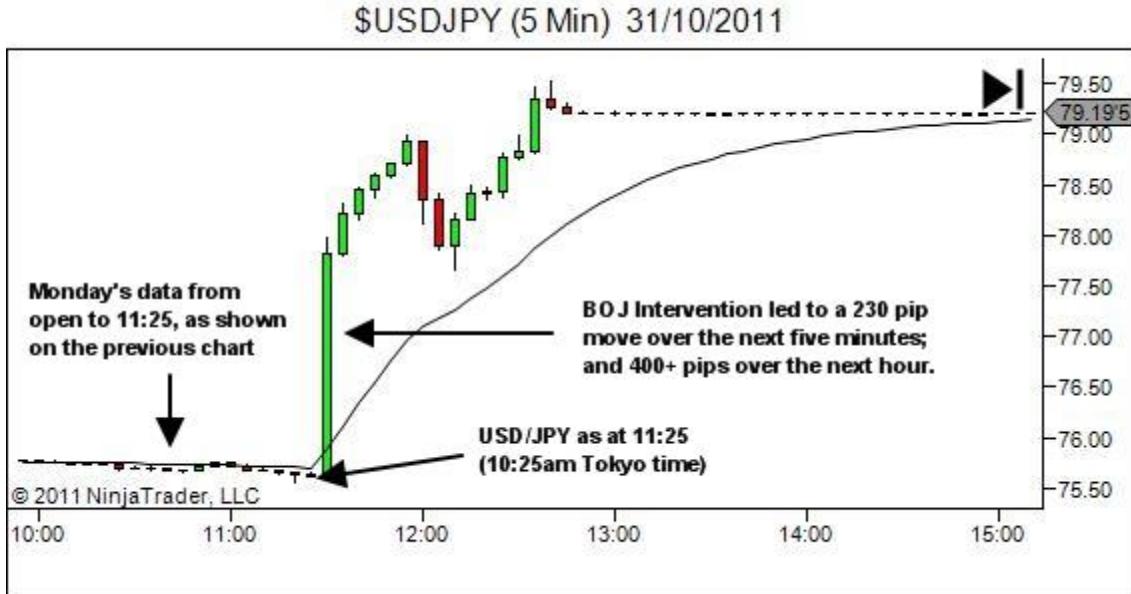
What Intervention Looks Like

Monday 31st October 2011

Well the news of the day has to be the Japanese intervention as the Bank of Japan took steps to weaken the Yen.

<http://www.bloomberg.com/news/2011-10-31/yen-tumbles-4-as-japan-intervenes-to-sell-currency-third-time-this-year.html>



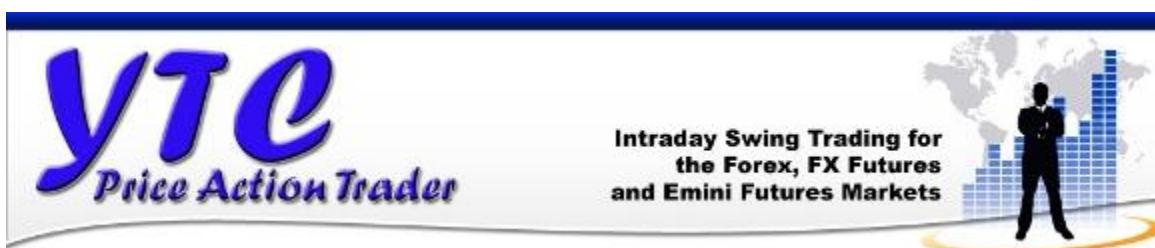


However, unless you happened to be trading the Asian session, or just happened to be holding an overnight long position, it's likely this is all too late for you. As it was for me.

Luck does play a part in trading. For some, this would have provided a nice windfall profit. For others, a really bad start to the week.

For most of us, we can just look at it after the fact and wonder, 'if only...!'

The reality though, is that we don't trade historical charts. So we quickly put it out of our minds and move on to our usual charts, timeframes and strategies. There's work to be done and money to be made elsewhere.



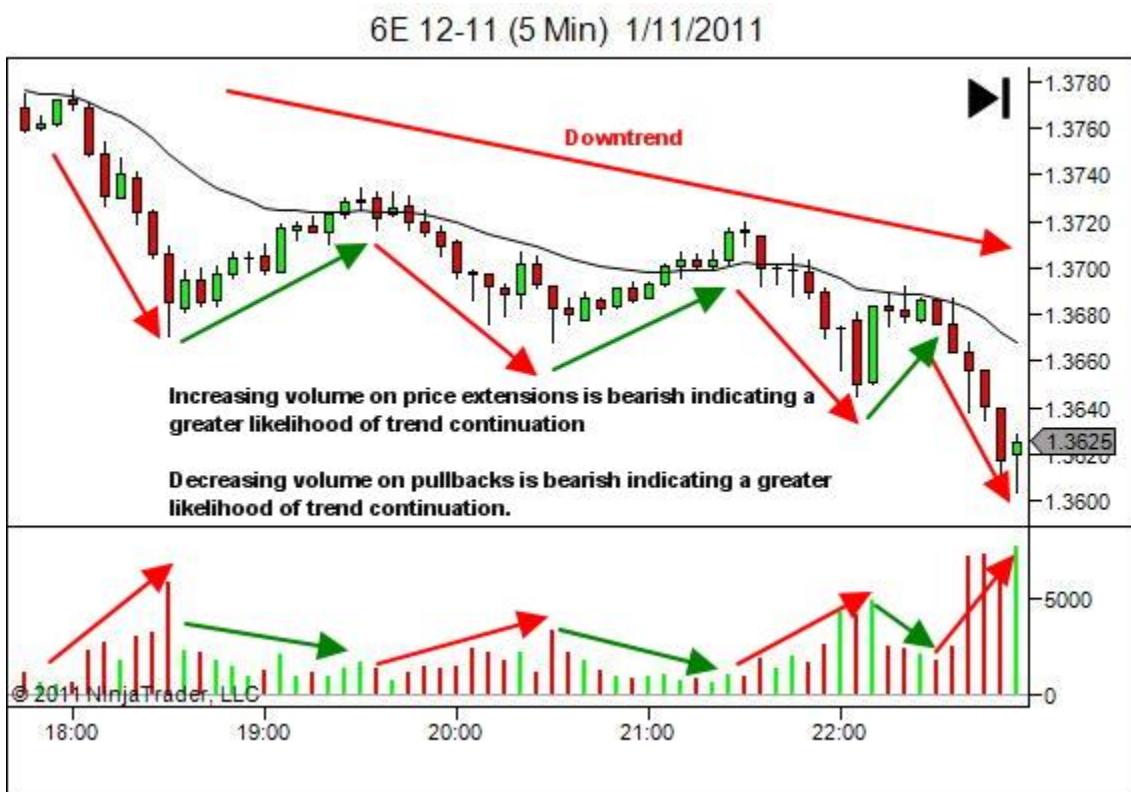
Intraday Swing Trading for
the Forex, FX Futures
and Emini Futures Markets

The Standard Interpretation of Volume in a Trending Environment

Tuesday 1st November 2011

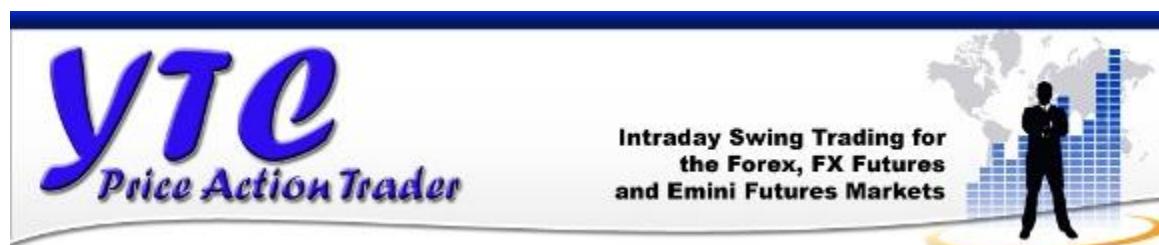
Today's Euro chart showed a great example of the standard way of considering volume analysis in a trending environment.

The table below the chart outlines the standard price/volume relationship. However, to simplify this table, if volume is increasing in the direction of the trend then the trend is likely to continue.



Volume Analysis:

Trend	Price Swing	Volume	Analysis
Uptrend	Upswing	Increasing	Bullish - Expect continuation.
Uptrend	Upswing	Decreasing	Weakening - Watch for a possible pause in the trend, or reversal.
Uptrend	Downswing	Increasing	Weakening - Watch for a possible pause in the trend, or reversal.
Uptrend	Downswing	Decreasing	Bullish - Expect continuation.
Downtrend	Upswing	Increasing	Weakening - Watch for a possible pause in the trend, or reversal.
Downtrend	Upswing	Decreasing	Bearish - Expect Continuation.
Downtrend	Downswing	Increasing	Bearish - Expect Continuation.
Downtrend	Downswing	Decreasing	Weakening - Watch for a possible pause in the trend, or reversal.



How Do We Really Know It's an Uptrend?

Thursday 3rd November 2011

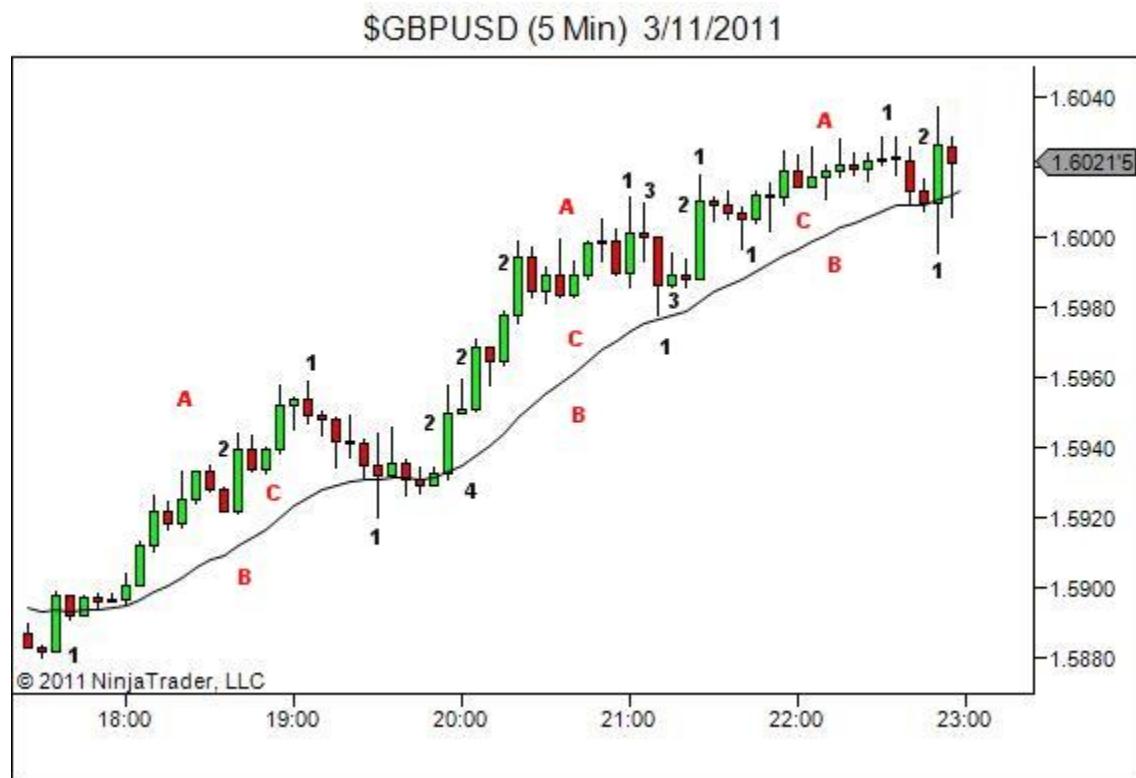
What are some of the features that can be observed to qualify an uptrend?

If you use price action:

1. A rising swing high / swing low structure.
2. The largest range bars are bullish.
3. Bullish reversal patterns at the end of retracements typically follow through to profit, while bearish reversal patterns fail.
4. Ledges break up.

If you use moving averages:

- A. Price remains mostly above the moving average.
- B. An upsloping moving average.
- C. Space exists between the price and the moving average.

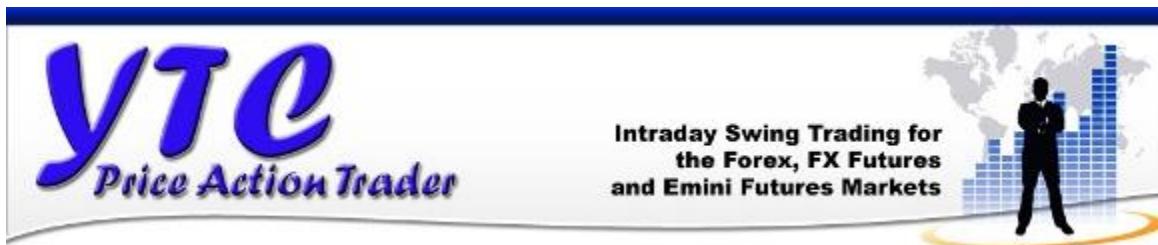


Of course... an alternative is to use simpler rules such as:

- If it looks like an uptrend, then it is an uptrend!
- If it starts at the bottom left and moves to the top right, it's an uptrend.

Or if completely in doubt, ask a 3 year old. :-)

Related article: See blog post – *Yeah, But How Do We Really Know it's a Downtrend?*

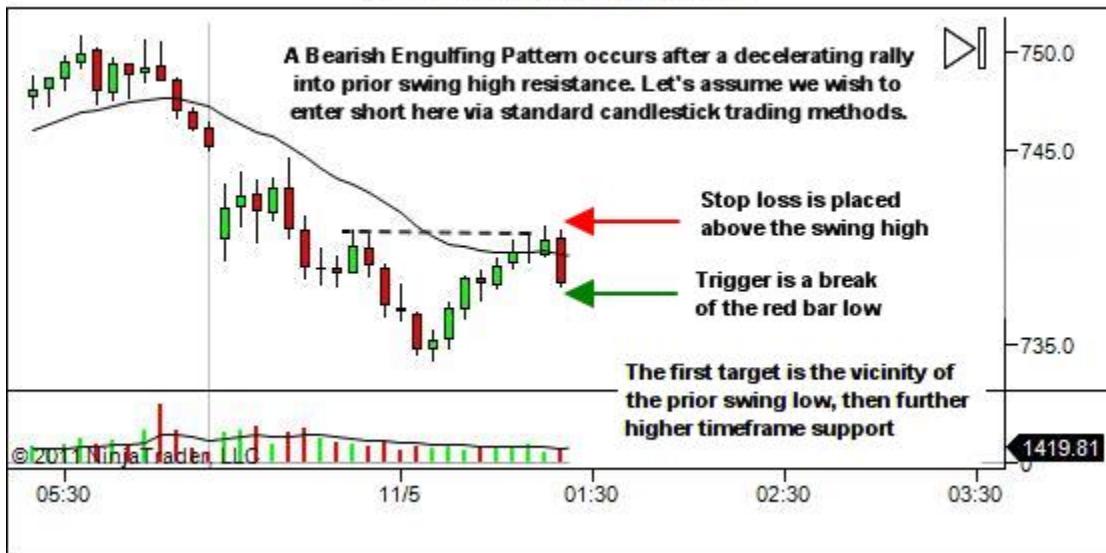


How Long Should You Give a Candlestick Pattern to Prove Itself?

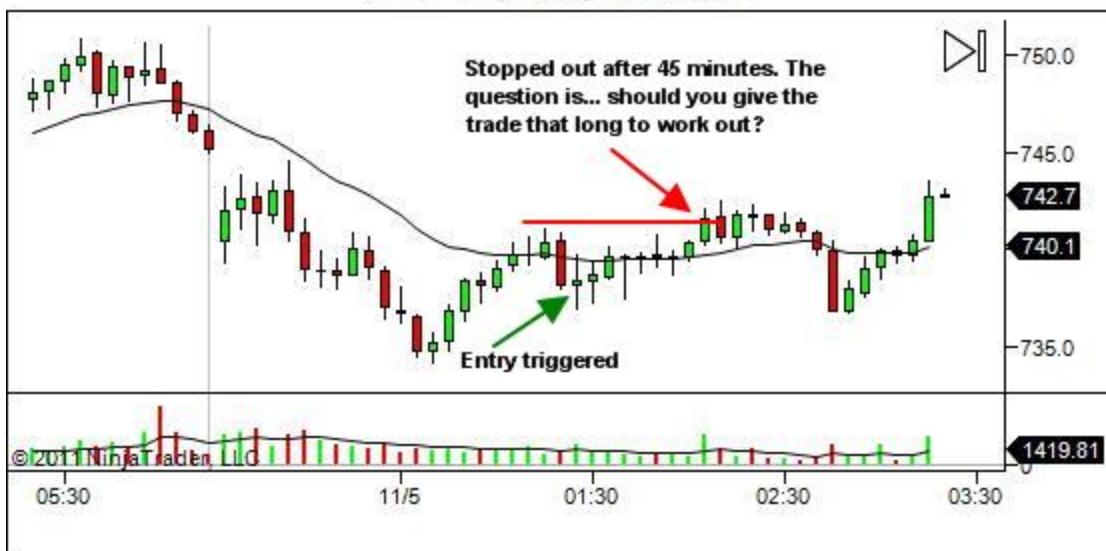
Friday 4th November 2011

How long should you give a candlestick pattern to prove itself?

TF 12-11 (5 Min) 5/11/2011



TF 12-11 (5 Min) 5/11/2011



There's no right or wrong answer to this question. It really depends on whether you're more comfortable with a passive or active trade management style.

A passive trade management style is to set it and forget it, leaving the trade till it hits either the stop or target.

An active trade management style will allow for continual reassessment of the likely path of price movement, allowing an earlier scrapping of the trade if the premise is believed to be no longer valid.

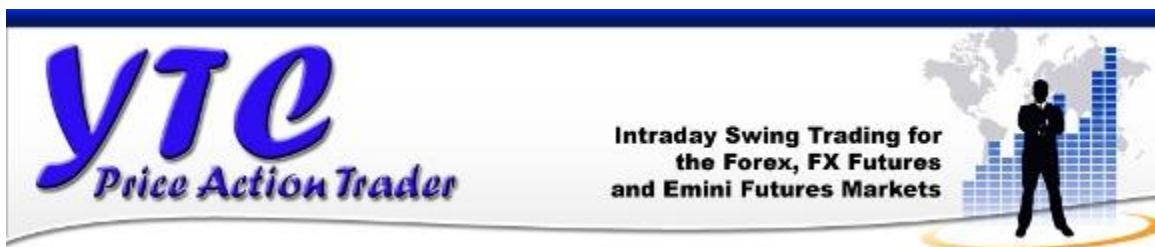
During your development as a trader you'll need to try both methods to experience the pro's and con's of each and see which fits with you better.

I'm an active trader so I'll be constantly reconsidering my odds. A candlestick pattern is typically expected to have an influence on further price movement for only a few bars. I typically expect it to be around half a dozen bars, although I have seen texts say they'll allow up to ten bars. But that's just a generalization. In trading, I'll consider each pattern as a unique occurrence and make my decisions based upon whether or not I believe the trade premise is still valid.

In this trade, the premise is that this red bar will (a) lead any longs from the prior rally to stop out or exit out of fear of lower prices, and (b) convince new shorts to enter. In both cases this should result in bearish orderflow and a reasonably quick move down to lower support.

The next two bars (the trigger bar and the following bar) both produce lower tails, showing some buying coming into the market below the red candle. The same again on the fourth candle. At this stage, if not before, the trade is clearly NOT acting in accordance with our original plan and I'll be trying to work the best exit possible. The result here would still be a loss, but it's a reduced loss. And I can move on to the next opportunity rather than waiting, hoping and praying for something else to trigger some bearish orderflow to take my open trade to profits.

As always... that's just how I do it. You might prefer the set and forget approach!



Examining High Volume at Resistance

Tuesday 8th November 2011

Volume plays a very minor part in my analysis. One signal that does catch my attention though is a high volume spike; a sudden increase well above the average of previous bars.

It's often interesting to take a look at that volume from a lower timeframe perspective to see where it actually occurred within the original bar.

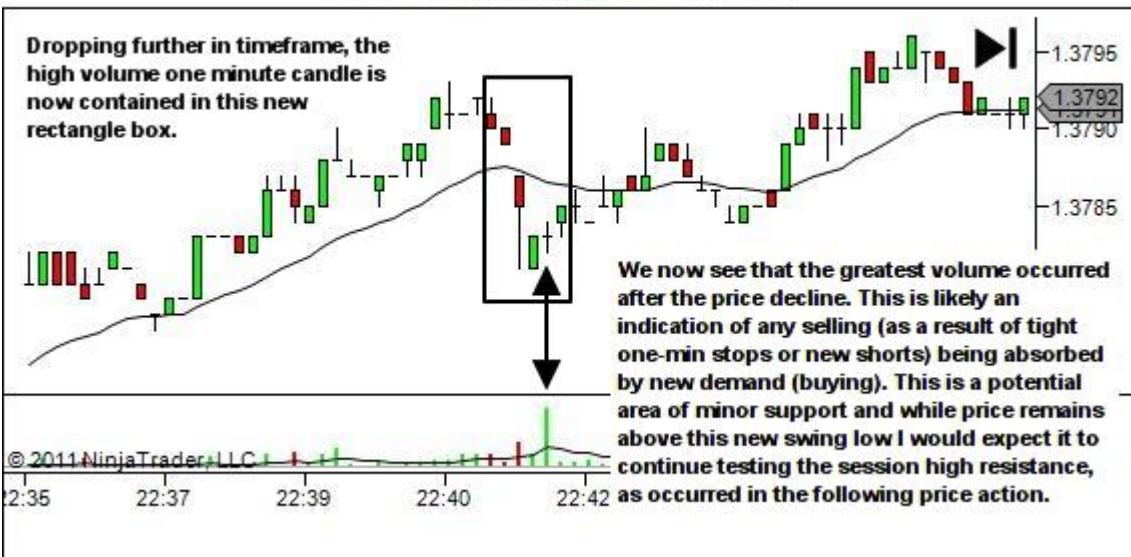
Let's look at an example from today's Euro 5 min chart, as shown below.



6E 12-11 (1 Min) 8/11/2011



6E 12-11 (10 Seconds) 8/11/2011



Comparing Short and Long Breakouts - Only One Was Higher Probability

Thursday 8th November 2011

One good reason to avoid entry short on breakout!

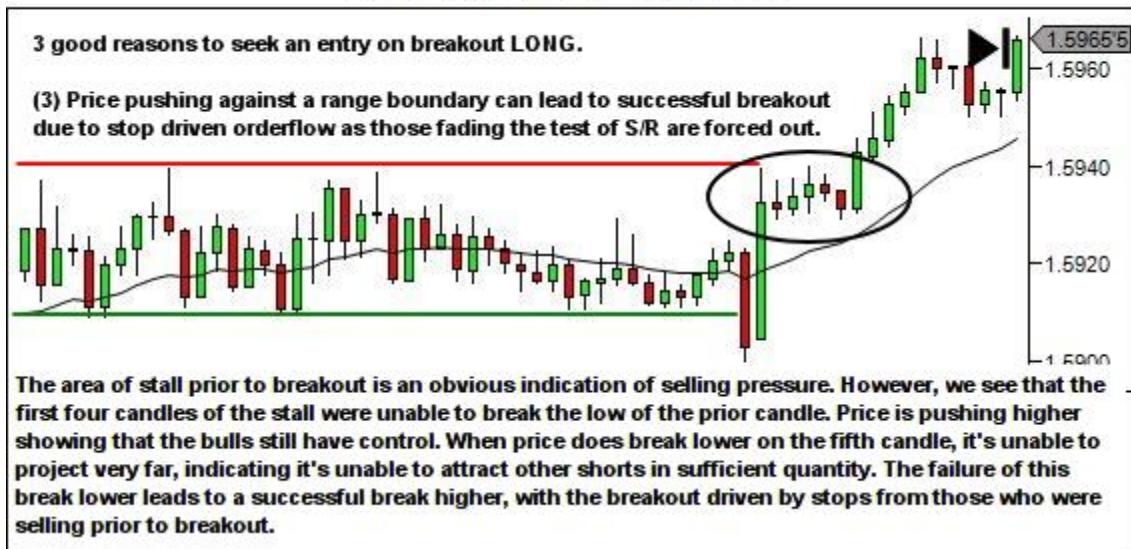
Three good reasons to seek an entry long on breakout!



\$GBPUSD (5 Min) 10/11/2011



\$GBPUSD (5 Min) 10/11/2011



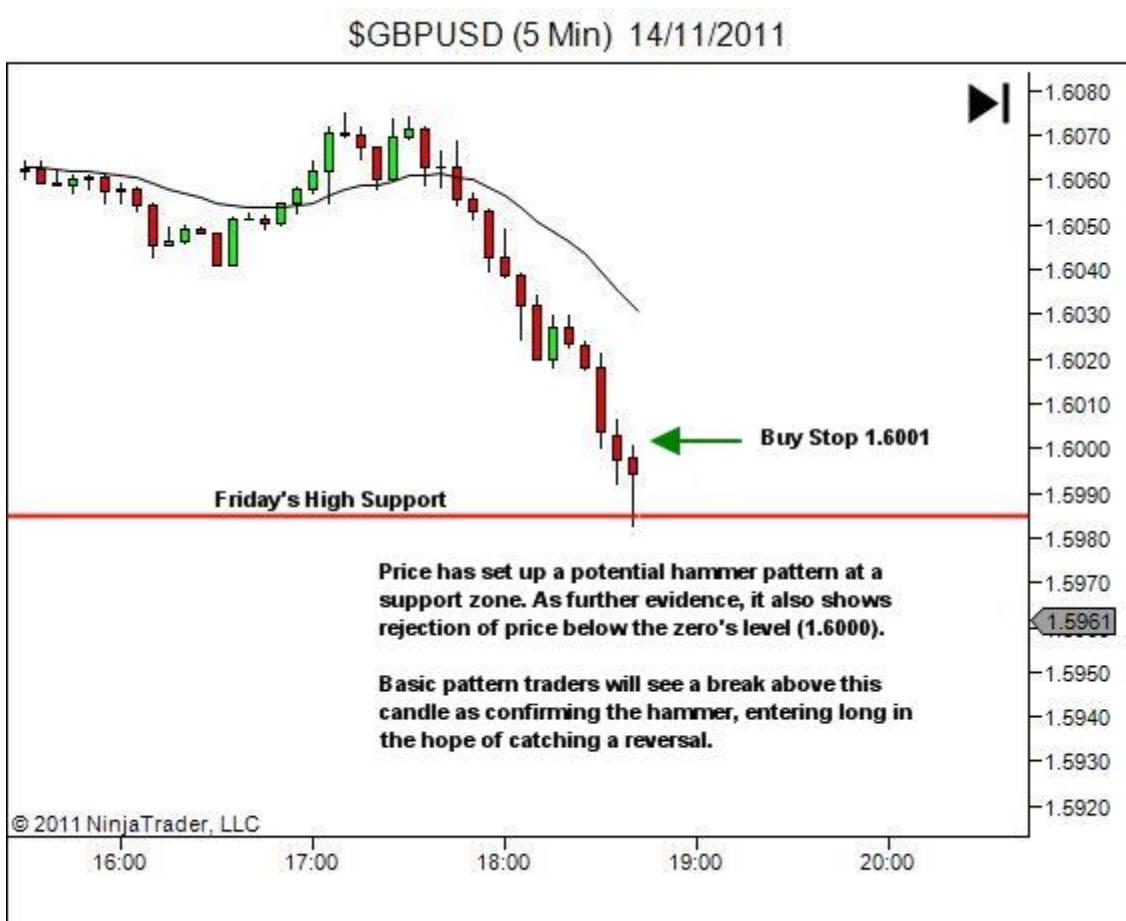
Analysis of a Trap - Reversal Patterns Fighting Strength

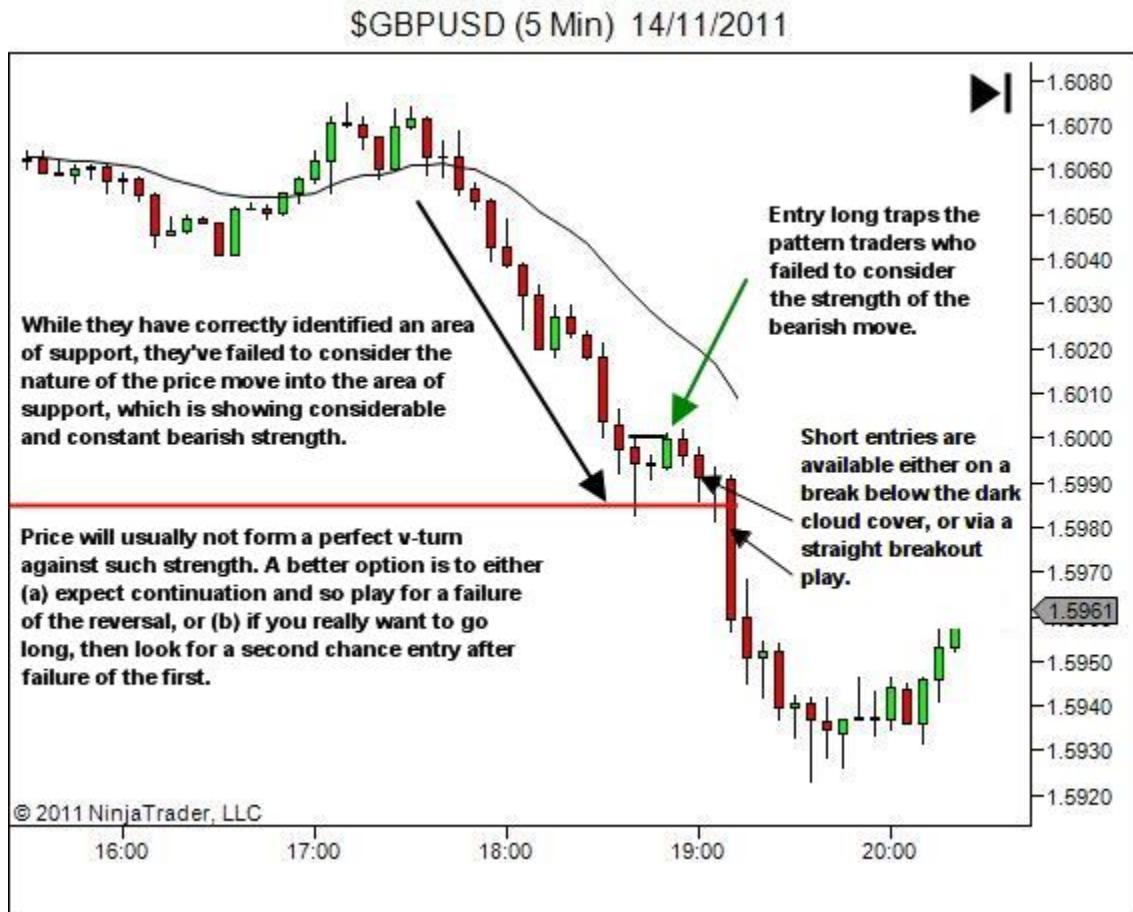
Monday 14th November 2011

Support and resistance areas are NOT impenetrable barriers which are guaranteed to hold price every time.

Often the better option is to play for a break of the S/R level.

Today's GBP/USD chart shows an example, where the candles set up a nice reversal pattern right on support, sucking in the basic pattern traders who fail to consider market context.

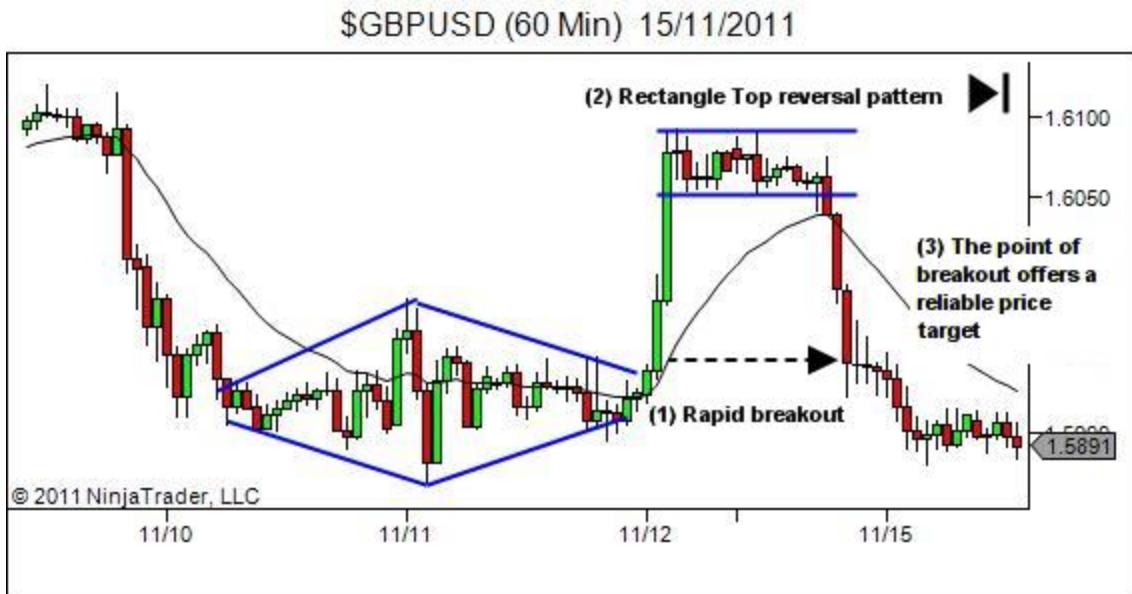
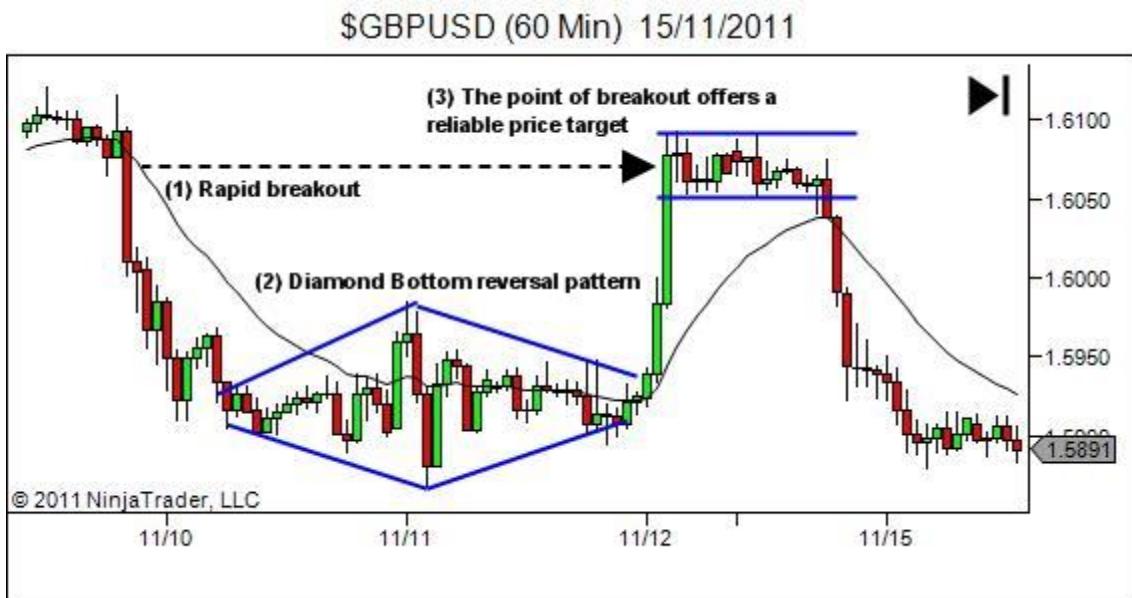




Rapid Breakouts Create Future S/R

Tuesday 15th November 2011

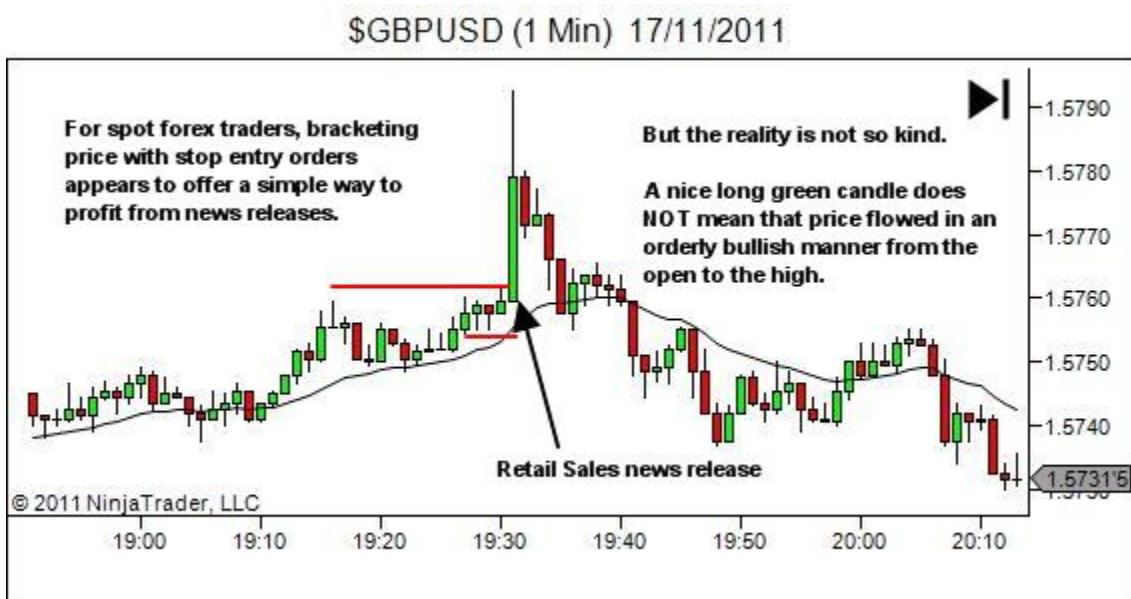
When a rapid breakout leads into a reversal pattern, the point of breakout provides an area of potential future S/R and a great target for the reversal move.



A Price Bar Illusion

Thursday 17th November 2011

It's all too common for newer forex traders to look at historical charts at news time, and be sucked into the belief that all one needs to do is to bracket any pre-news price formation with both a long and short stop entry order, in order to profit no matter which direction price should move. Today's British Pound spot forex chart offers that illusion, which appears to show price breaking upwards upon release of the GBP Retail Sales figures, offering a nice 30 pip move up to previous resistance.



However... a long candle does not necessarily mean that price traded in an orderly manner at all price points between the low and the high.

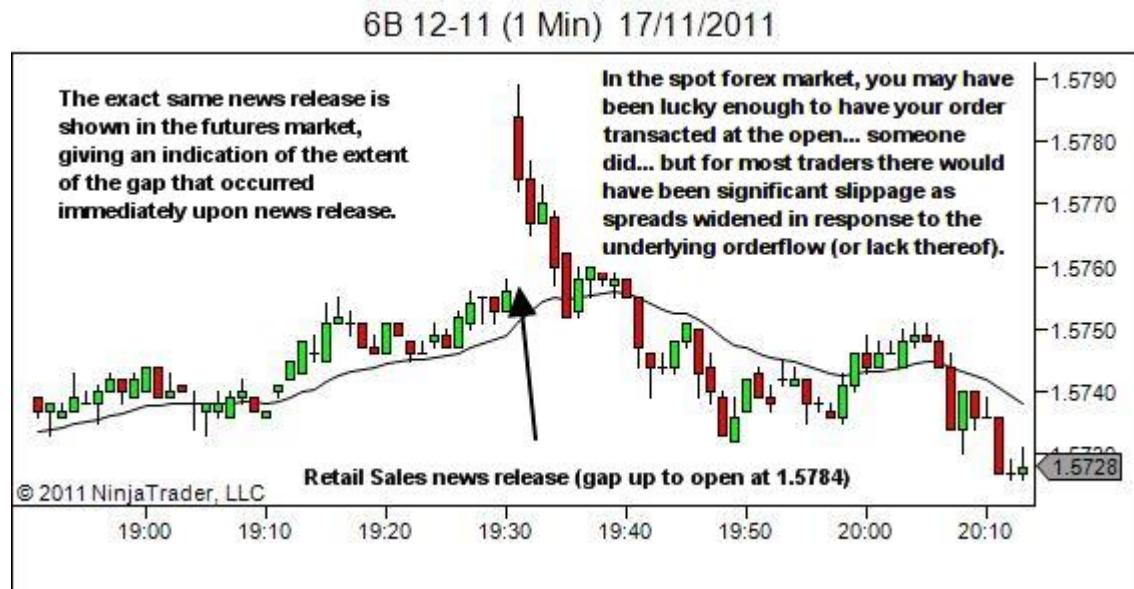
Especially at news time.

All that price bar is promising us is that there was an initial transaction at the open price of 1.57595. Maybe just one transaction, maybe more. We cannot know exactly without time & sales information. And price traded at some point within the next minute at a high of 1.57925. And it closed at 1.57790. In-between the open and the high, there may well have been nothing, as the spread widens and the price gaps in response to the underlying illiquidity within the higher tiers of the forex market. Your broker is not trying to screw you out of your money... the widening spread is a necessary means of managing their own risk as a result of the way the forex market is structured. (See the forex factory link from within this article for more on the structure of the markets - <http://yourtradingcoach.com/trading-process-and-strategy/stop-running-and-what-you-can-do-about-it/>).

If you have a look at the British Pound futures market at the time of the same news release (below), you'll see that it didn't manage to transact prior to gapping so the price bar actually shows a gap open of 28 pips.

It's quite likely that your spot forex trade could have incurred a similar amount of slippage, had you attempted to enter long on the break higher. The solid green price bar is an illusion; the reality is a price gap.

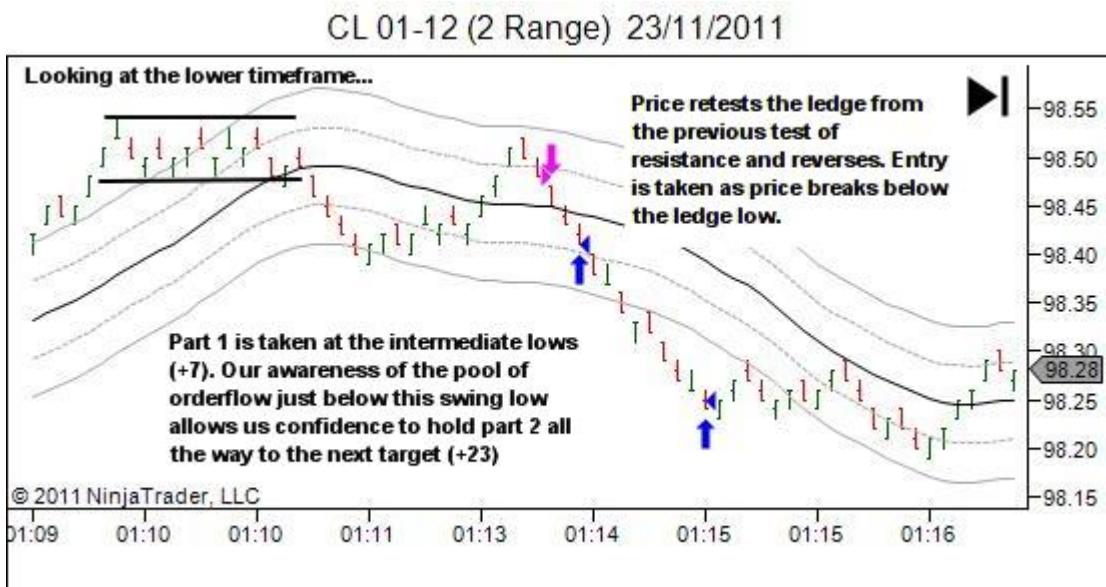
News releases are a feature of the market. And a welcome one at that, as they can create nice movement in the time periods following the release. But if you wish to trade at the time of the release, be aware of the risk.



Always Think Orderflow

Tuesday 22nd November 2011

Always think orderflow...



Opening Range Play Followed by an Early Lunch Setup

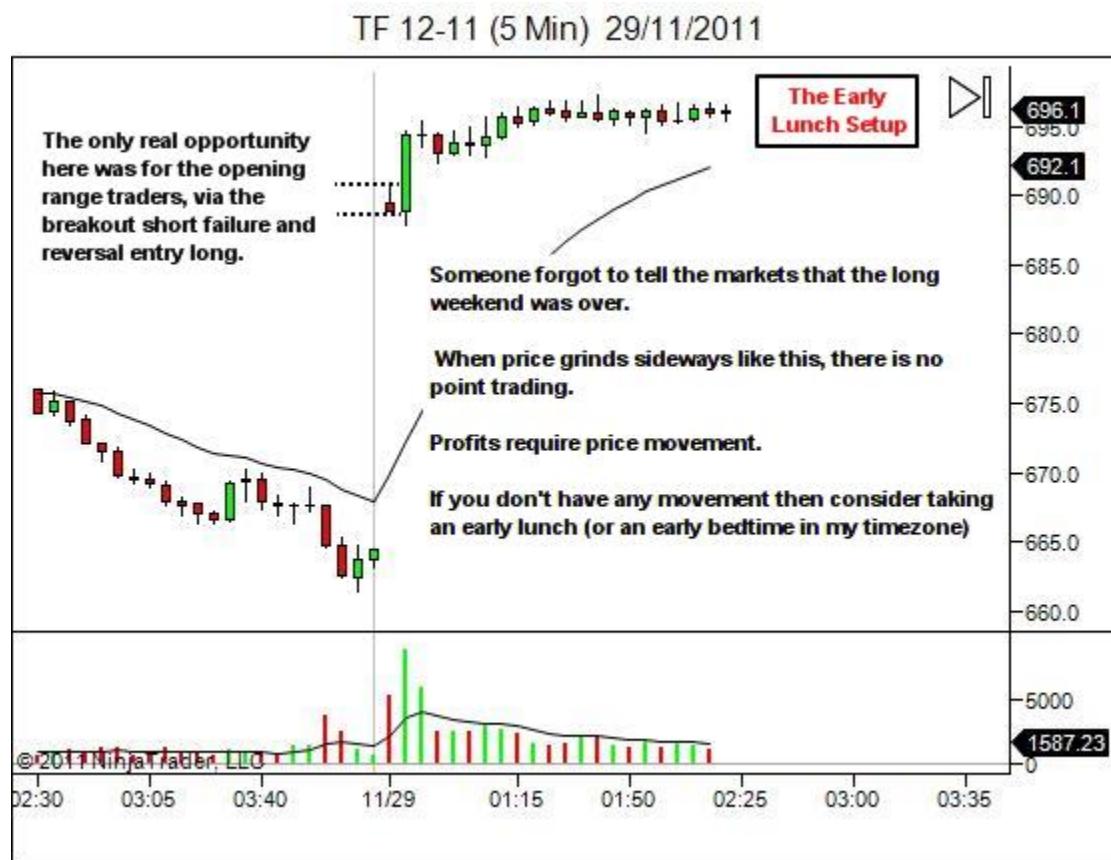
Monday 28th November 2011

There is always a price action or market structure lesson in every session... even those that appear to be on life support.

In the case of today's TF as we approach two hours into the session and come across an early lunch setup, the obvious lesson is once again the value of using the session opening range for (a) establishment and maintenance of bias and (b) potential trade entry decisions.

It also provides great future S/R, as seen in previous blog posts, although that's not (yet) the case in this session. Plus it often proves to be the high or low of a session.

If the opening range is not yet a part of your analysis, reconsider that decision.



Again and Again we see Further Evidence of an Edge

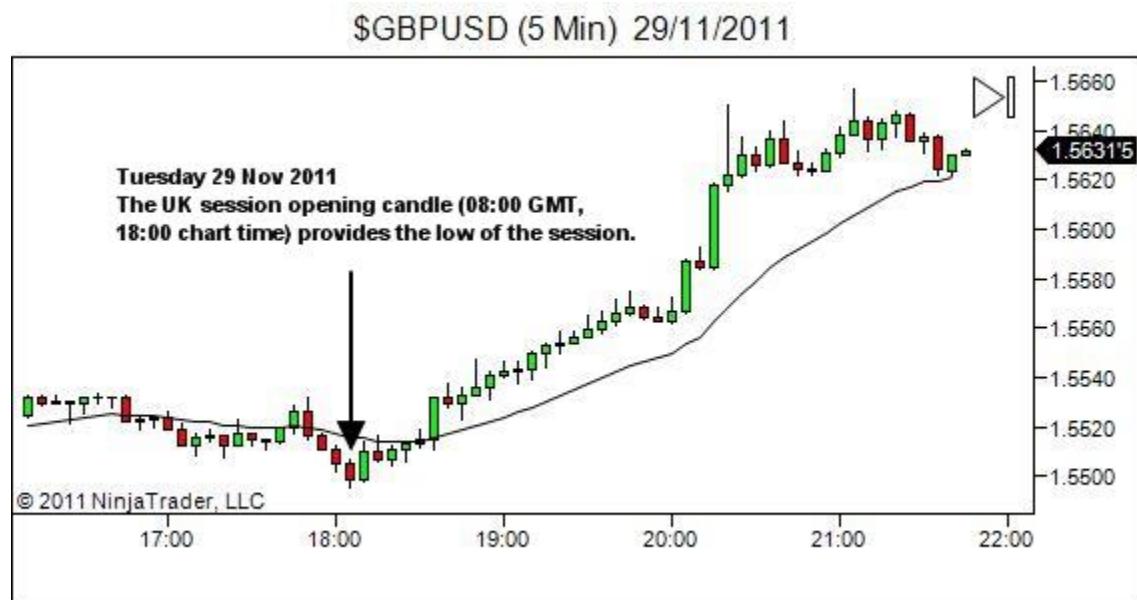
Tuesday 29th November 2011

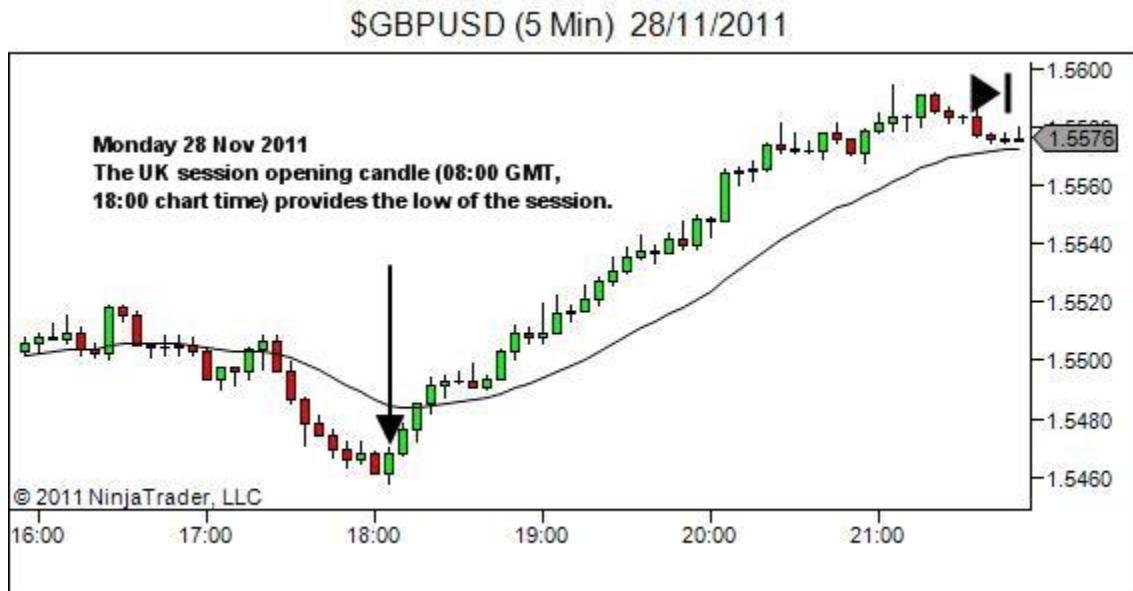
I try not to discuss the same concept two days in a row... but sometimes repetition is necessary to emphasise the importance of a topic.

And seeing this over and over again I continue to believe that the opening range is one of the most important of TA concepts.

Both today and yesterday we have seen the GBP/USD UK-session opening range candle providing the low of the session.

So, as mentioned in yesterday's post, if the opening range is not yet a part of your analysis you might want to reconsider that decision.





Intraday Swing Trading for
the Forex, FX Futures
and Emini Futures Markets

Give the Market Every Chance to Pay You

Wednesday 30th November 2011

Let's look at a "mindset" lesson, for a bit of a change from price action.

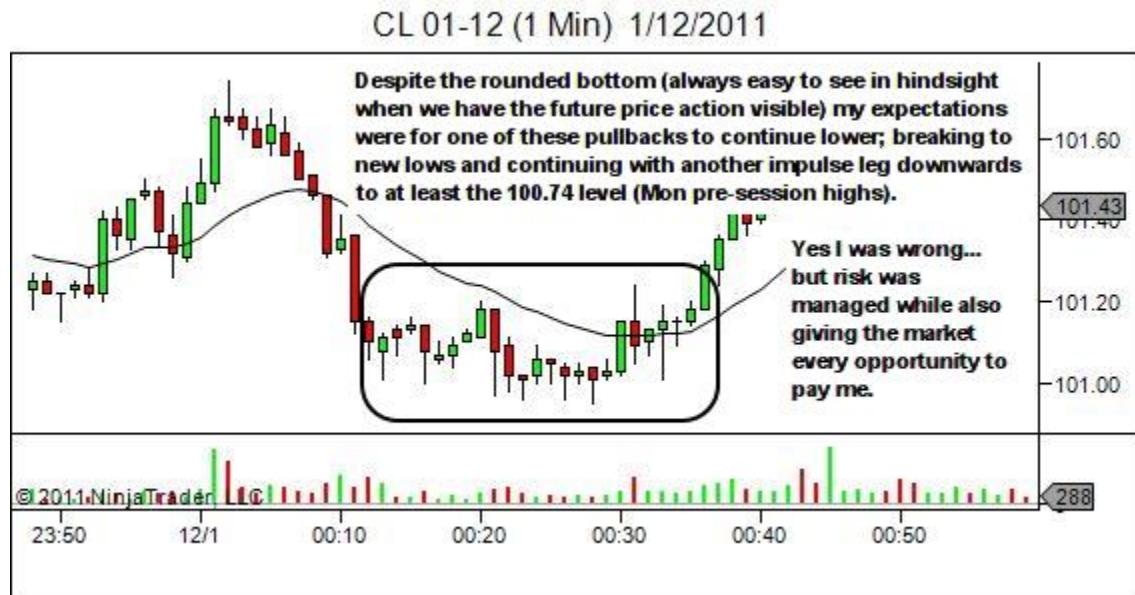
When reviewing your session, seek both the good and the bad. Growth comes from enhancing and repeating that which is consistently good and avoiding or improving that which is consistently causing challenge. In the case of the good though, please note that it's not necessarily your best trade. Often it is found in the way you manage those trades, or sequences of trades, where your bias is not quite right.

In today's crude oil session I'm particularly happy with the mindset displayed during this sequence of trades.

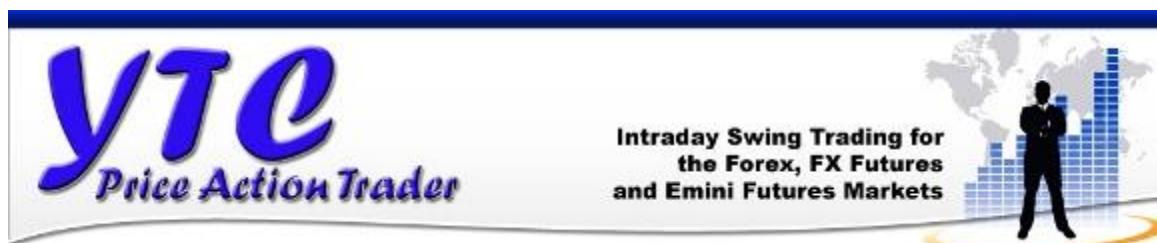
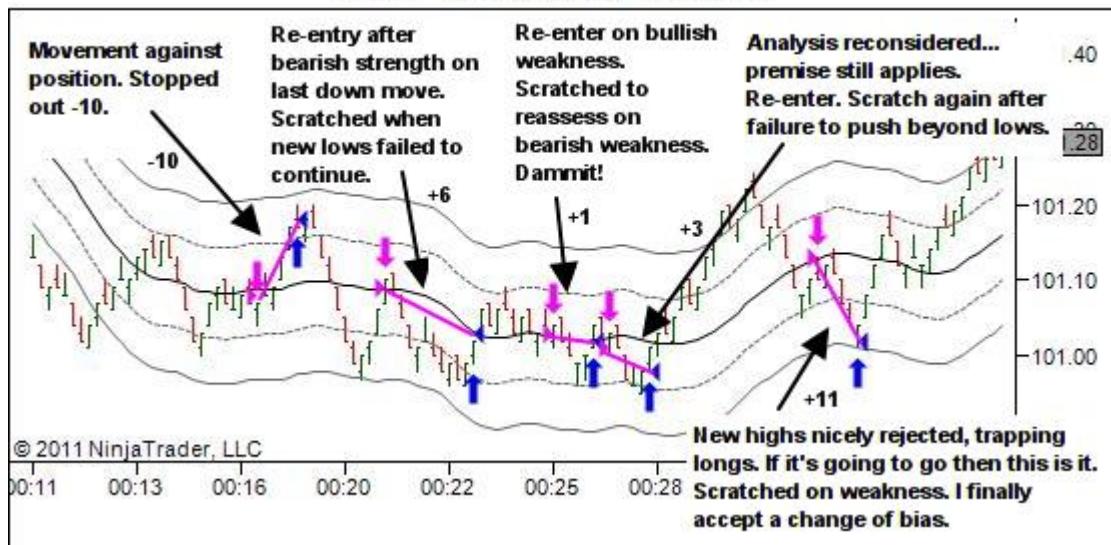
In hindsight, my read on the bias was wrong. That's something I need to review again via a market replay session. But given my read of the bias, I gave the market every chance to pay me while at the same time minimising any risk of damage each time it failed to act in the expected manner.

This is the required mindset for the way I trade... an interesting blend of risk aversion and aggression. This damn thing is going to pay me for being here, and pay me now, or I'm outta here!

Of course that's not the only way to trade. Don't feel you have to do it the same as me. You may be more willing to hold through such a sequence with one position, as the P&L oscillates through small profits and small drawdowns, awaiting the eventual move in accordance with your analysis, or trade failure. There's nothing wrong with that. A massive part of our journey is learning what kind of trader we are and adapting our trade management approach to suit.



CL 01-12 (3 Range) 1/12/2011



Sideways is a Trend Too.

Monday 5th December 2011

One of the problems with defining a trend through the use of moving averages is the fact that it's hard to define a sideways trend. Whether using the slope of a single moving average, or a cross involving multiple averages, they really only clearly define an up or down trend.

Markets do move sideways, such as occurred with today's Crude Oil market (well for the first couple of hours anyway, at the time of this post).

Swing high/low definitions allow not only uptrend and downtrend, but also sideways trend definitions. This is part of the reason I prefer to use this type of trend definition.

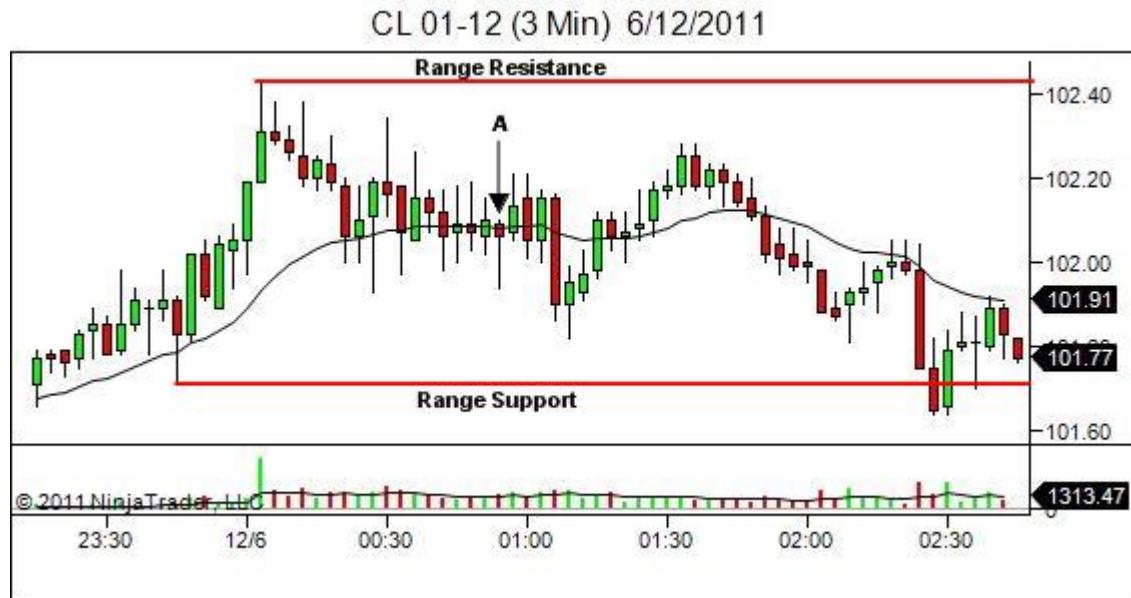
While it may appear to the newer trader to be more complex, it really doesn't take long to learn to see them. Just a bit of practice, and you'll see the appropriate levels jumping out of the charts at you.

So, if you're using a trend definition that does not allow for sideways trends, ask yourself whether or not you may benefit from changing or expanding your definition.

You can see how I do it in [Section 3.2.4 of YTC Price Action Trader](#).

Although the sideways trend was suspected much earlier, it was confirmed at the close of price bar A, defining a sideways trend between the lower range support and upper range resistance.

This allows us to avoid any temptation for entry via "trend" type setups, sticking more to those that are suitable within a sideways market (tests and breakout failures at the edges, and intra-range trades around key structural features such as minor S/R or traps, if we're more adventurous).



Don't Believe the Hype!

Tuesday 6th December 2011

No, we're not channeling [Public Enemy](#). We're talking range charts vs time charts.

Range charts are great... I love them.

However they're not the be all and end all solution to your trading problems. There is a lot of hype in some areas of the trading education world to the effect that range charts have changed the game and in many respects have made time based charts obsolete.

Absolute rubbish!

Both are derived from exactly the same underlying data; it's just displayed in a different way.

Both have pros and cons. And so it's up to you to trial both (along with tick and volume charts and any others that may appeal to you) to find the method of display that best suits your strategy and your personality. It might even be that you end up displaying both range and time charts alongside each other, to gain two perspectives of the underlying price movement.

The primary advantage of range charts is that they remove the aspect of "time". The argument is commonly made that trading decisions are based upon price levels, so we should chart our market in a way that only prints a new bar as new price levels are achieved. And range charts certainly do this well.

However this perceived advantage (removal of any sense of time) is also sometimes a disadvantage. Time is also a factor in a trader's decision making. Anyone who has entered on a breakout and then had price stall for 30 seconds, 1 minute, 1 minute 30, then 2 minutes, certainly knows the power of time. Your trade has not moved into drawdown, but it's not moving in your preferred direction either... you're sweating this one and getting closer and closer to scratching with every second of further delay.

Likewise a rapid move for or against your position will influence your ongoing trading decisions.

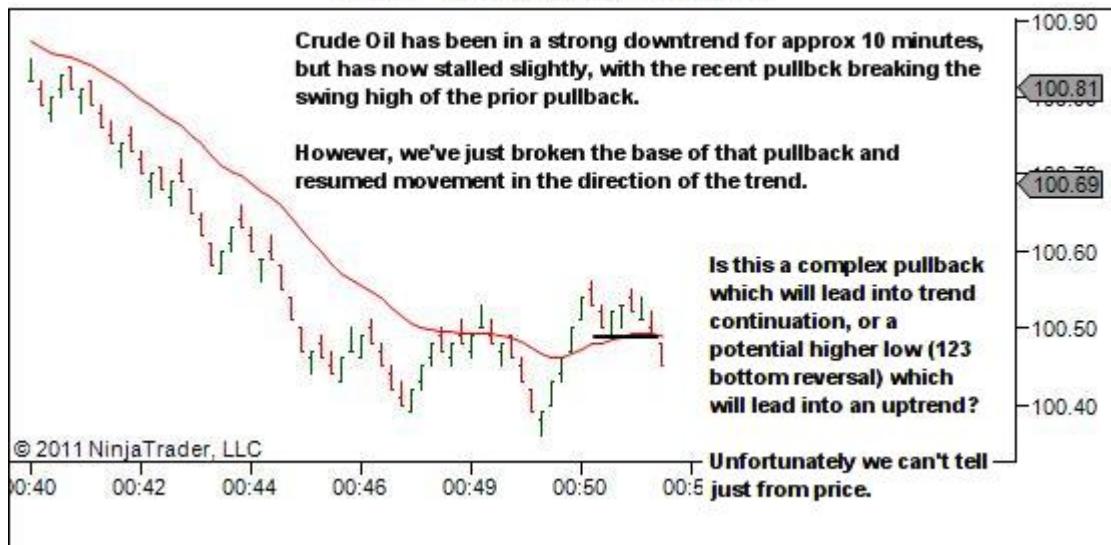
Let's look at one example from today's Crude Oil session, in which the time chart shows something not visible on the range charts. Timeframes are low, as that's what I trade, but the concept applies regardless of market and timeframe (as with pretty much everything I teach on my blog or in [my course](#)).

So, don't believe the hype!

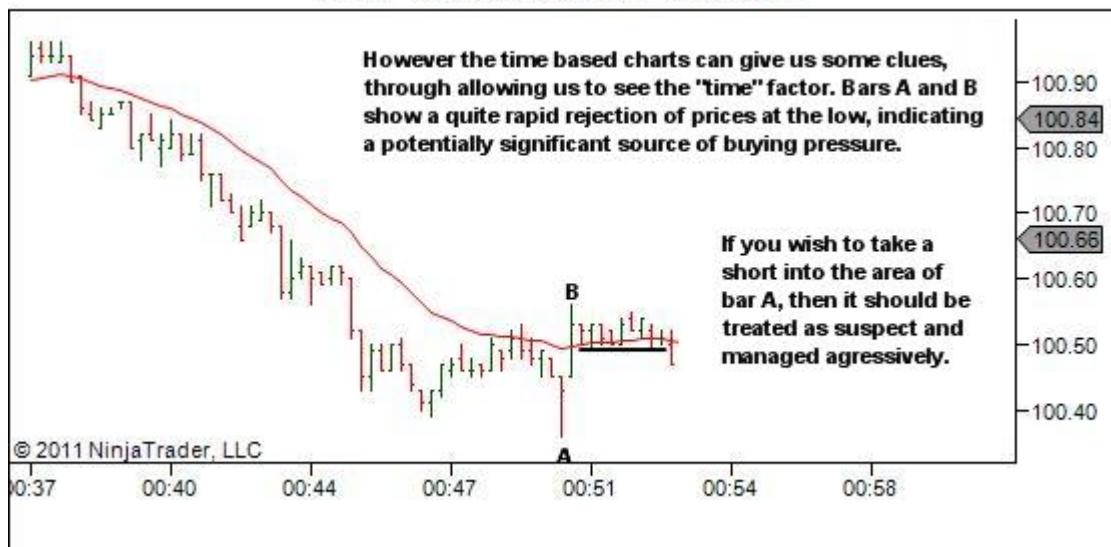
Test and evaluate for yourself!

That's good advice for everything you get from any educators, including myself!

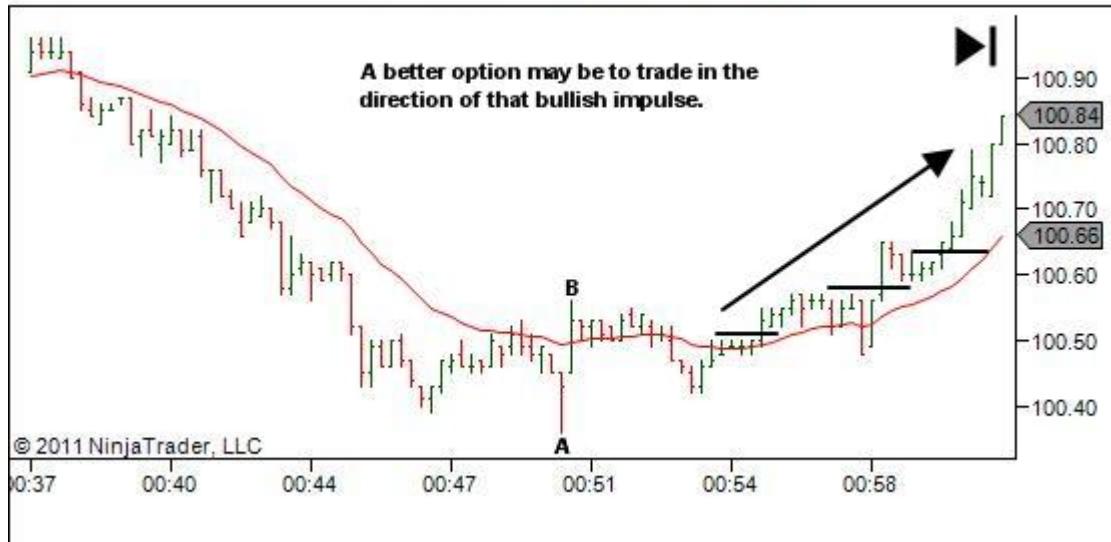
CL 01-12 (3 Range) 7/12/2011



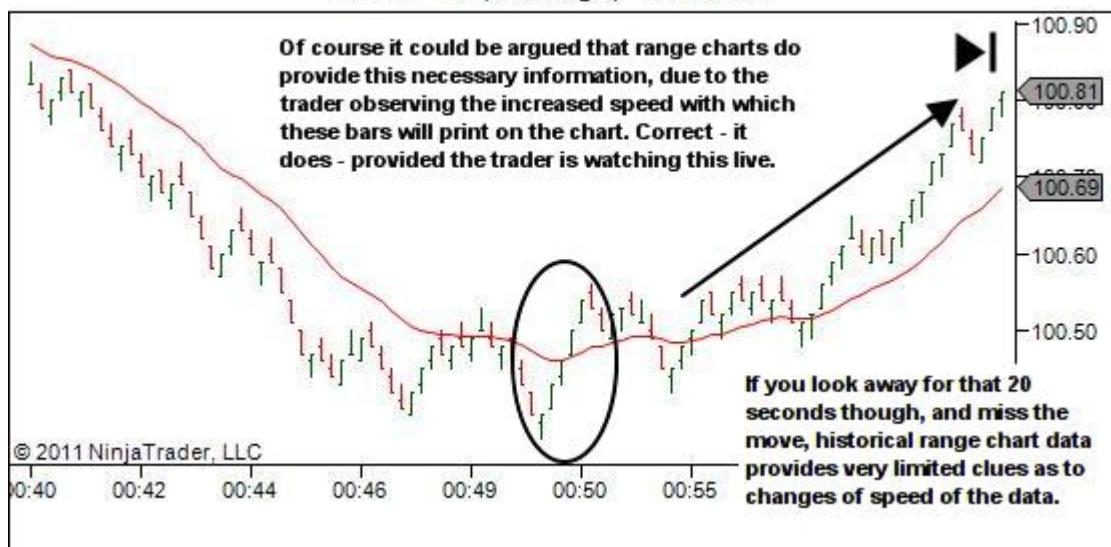
CL 01-12 (15 Seconds) 7/12/2011



CL 01-12 (15 Seconds) 7/12/2011



CL 01-12 (3 Range) 7/12/2011



187 Ticks in Minutes

Tuesday 13th December 2011

For my 100th blog post I had planned to do something very positive... a well managed trade perhaps... or analysis of a nice trend such as we had yesterday in the Euro and which is again happening right now.

But how can I go past the unexpected occurrence in today's Crude Oil markets which moved 187 ticks in a matter of minutes.

What spooked the markets is largely speculation. <http://www.bloomberg.com/news/2011-12-13/crude-oil-surges-above-100-a-barrel-from-lowest-level-in-two-weeks.html>

The primary blame seems to be currently placed on Iran announcing military drills to practice closing the Strait of Hormuz in the Persian Gulf, although other reports state that this news was actually released yesterday! Perhaps more will come out later today. Or perhaps not. As a technical trader, the cause is largely irrelevant.

I didn't catch the move. I picked up some small profits from in the bullish move just after 00:30, but was standing aside at the time of the rapid rise as I didn't like the stop/start nature of the movement which would slam quickly for 20-30 ticks, then drift sideways before repeating.

But this blog is not about my trading so much; but rather about finding a lesson in each trading session.

For today's 100th blog post milestone, rather than look at the potential thousands which were available to someone in this market, let's look at risk. (Yeah, a bit of a downer of a topic for a milestone blog post, but it fits in nicely with the uncertainty of the market environment.)

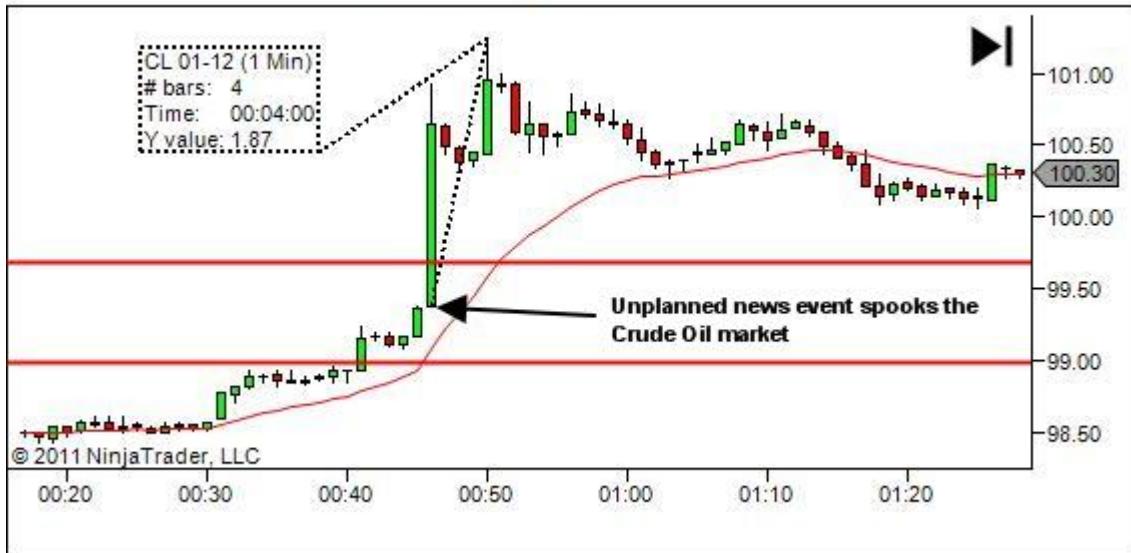
The thing is... newbies look at price charts such as this and all they see is the dollar signs of profits missed. I see both potential reward and potential risk; for where you find one you also find the other. And I can promise you that someone, somewhere, was short in this thing and has just had their account smashed.

I'll be replaying this post-session to see how I could have perhaps managed a win. I'm always looking for ways to improve. But also I'll be replaying it from the following perspective... what if I had not already decided to stand aside for a little while... could it have been possible for me to be short at the time of price explosion? Any reason at all. And if so, how would I have managed it?

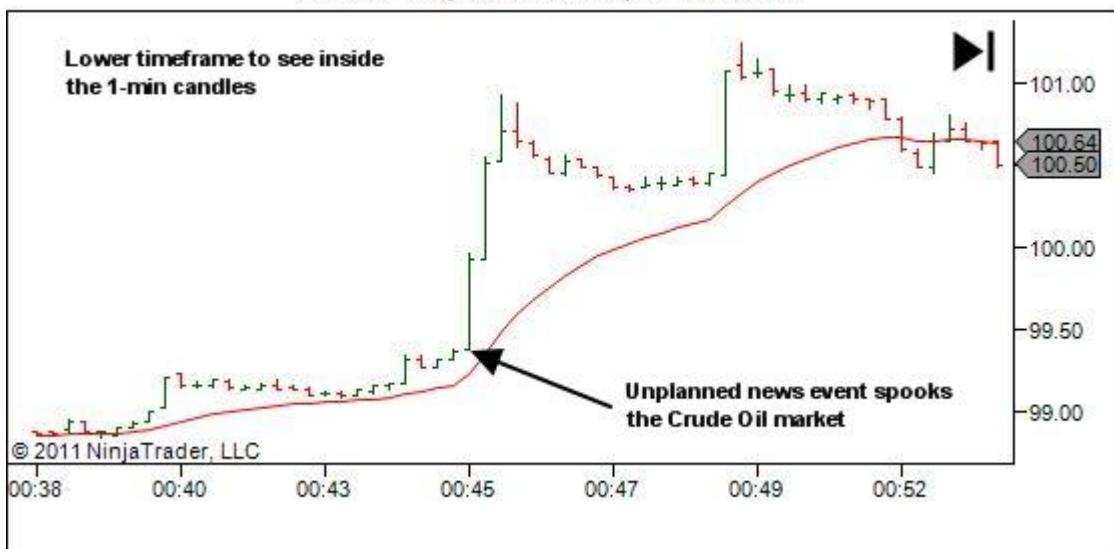
From a hindsight based technical review of the static chart, I'd suggest there's very little reason to be short at this time. I expect this will be confirmed during the replay session. But next time (because there will be many more price shocks during our trading careers)... both you and I may not be so lucky.

Today's lesson... (1) review and replay large missed moves from the both sides of the market, and (2) although I'm hopefully preaching to the converted here... ALWAYS have a stop in the market. Slippage may not be nice, but it's game over without one.

CL 01-12 (1 Min) 14/12/2011



CL 01-12 (15 Seconds) 14/12/2011



Market Cycles

Thursday 15th December 2011

Some people trade via indicator or time-based cycles. I'm personally not a fan of this so probably won't ever consider these methods of trading.

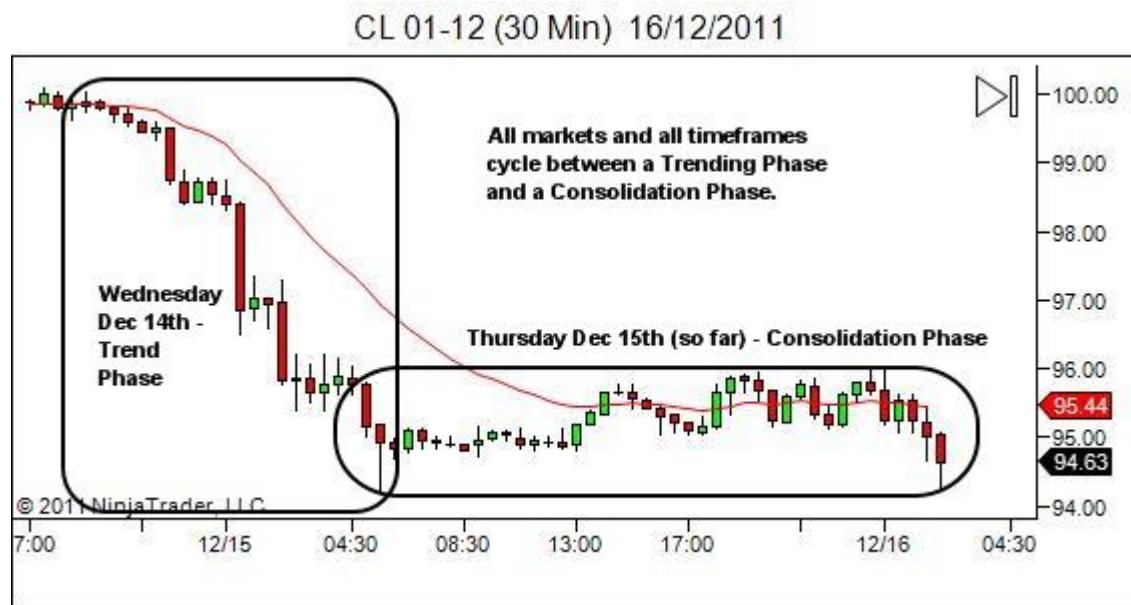
However there is one cycle that is helpful in terms of providing some structure to the market and providing you with (potentially) some insight into the expected type of environment.

In its simplest form, this would be a continual cycle between two different phases.

- Trending Phase <---> Consolidation Phase

The following Crude Oil chart provides a simple example of these two phases, where yesterday provided a beautiful trending market and today has (so far) consolidated. Will the recent bearish swing lead to a breakout and new trend? Time will tell.

This is not a formal part of my analysis.... just more "background" information that helps with placing current price movement into context. A trend will lead to consolidation which will lead to a new trend which will lead to a new consolidation. And on and on.



If you prefer to expand upon this with more detail you may wish to use the more traditional investment cycle. See here if you're not familiar with it:

<http://www.investopedia.com/articles/technical/04/050504.asp#axzz1qcT7g4eH>

- Accumulation Phase
- Mark-Up Phase
- Distribution-Phase
- Mark-Down Phase.

Or you may wish to use Don Miller's approach outlined in his NY Expo presentation (well worth watching):
<http://donmillerjournal.blogspot.com/2010/02/430pm-et-livestream-tv-broadcast.html>

- Breakouts lead to trends
- Trends lead to extremes
- Extremes lead to backing and filling
- Backing and filling leads to consolidation
- Consolidation leads to breakouts
- Wash, rinse, repeat

Whether you use the simpler Trending Phase leading to Consolidation Phase, or one of these more detailed variations of the same thing, consider whether or not your trading will benefit from consideration as to the current market phase.



An Alternate Way to Display Moving Averages

Monday 19th December 2011

It's a REALLY quiet market so far today in the Crude Oil futures... so a good opportunity for me to work on a blog post to the side!!!

My charts often have a moving average... either a single EMA(20) or a combination of EMA's 15 and 20.

Today I want to show an alternate way of using moving averages which I've played with from time to time. Not all traders will have come across this idea so I thought I should share it - perhaps you'll find you like it!

Rather than a single EMA(20) of the Close Price, to use this as an example, we would instead display a combination of two EMAs; EMA(20) of the High Price and EMA(20) of the Low Price.



The above diagram shows the same price action on the left and right, but with the usual EMA display on the left and the alternate on the right.

Essentially it creates a tight channel with a line above the usual EMA(20,C) position, and another line below.

What I really like about this is the way it divides our price structure into different zones. You might want to categorise them loosely as bearish (below channel), neutral (within channel) and bullish (above channel). It can also help in adding some context or structure to the price swings and pullbacks, allowing you to judge likely pullback depth and recognize changes in strength or weakness as they occur.

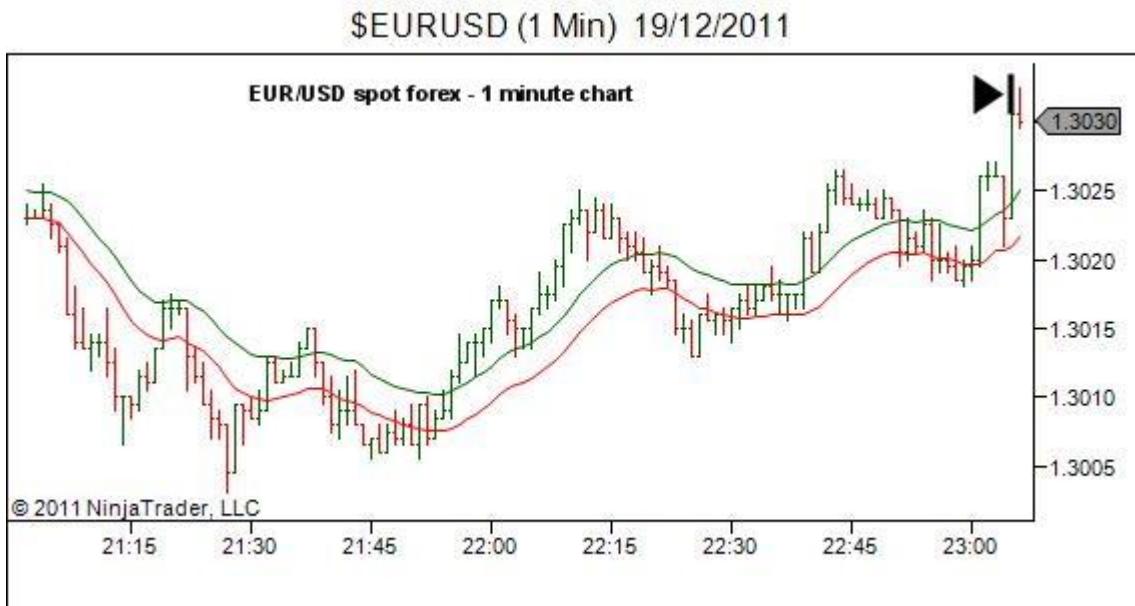
But there are other ways to use it as well. You might want to consider the channel as a buy/sell zone for pullback entries. You might want to use the lines to provide different degrees of aggressive or conservative trailing stops.

Play around with it... you may find other benefits.

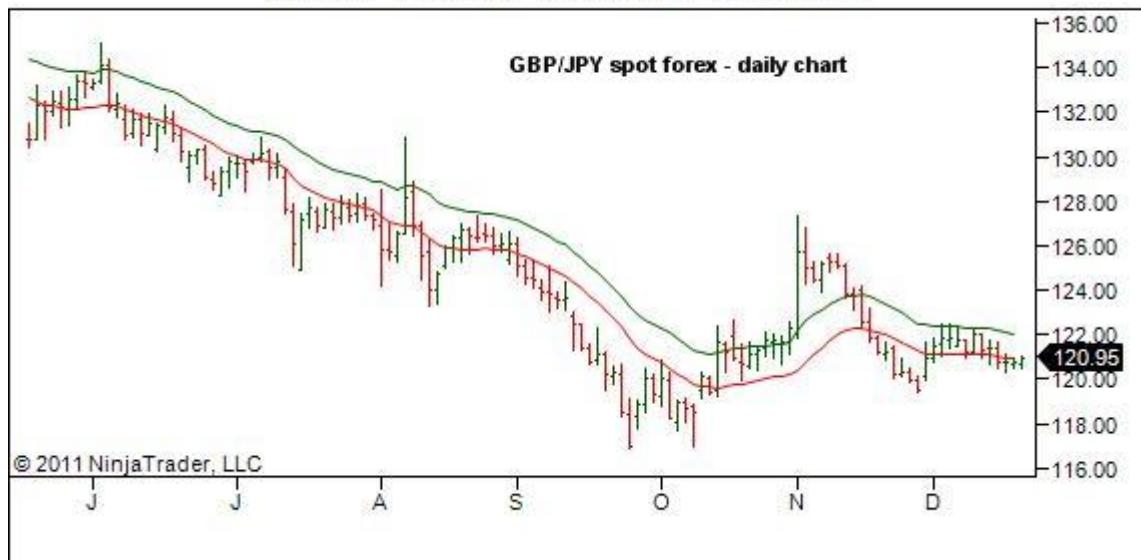
[YTC Price Action Trader](#) and [YTC Scalper](#) traders may wish to try this as an alternate to either or both of the Trading and Lower Timeframe templates.

The following chart examples show different markets and different timeframes. I haven't marked up the charts to identify the benefits and features described above. Try to see them for yourself.

If you like how this looks, open up your own platform and have a look at your preferred market and timeframe with an EMA(20) of the high and low. Maybe you'll find this improves your feel for price flow!



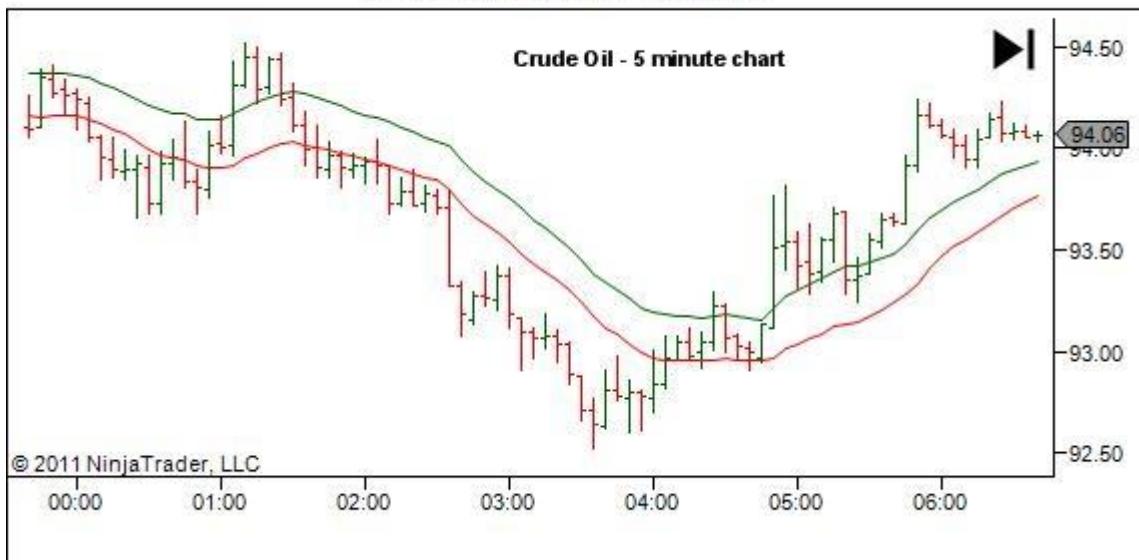
\$GBPJPY (Daily) 18/05/2011 - 21/12/2011



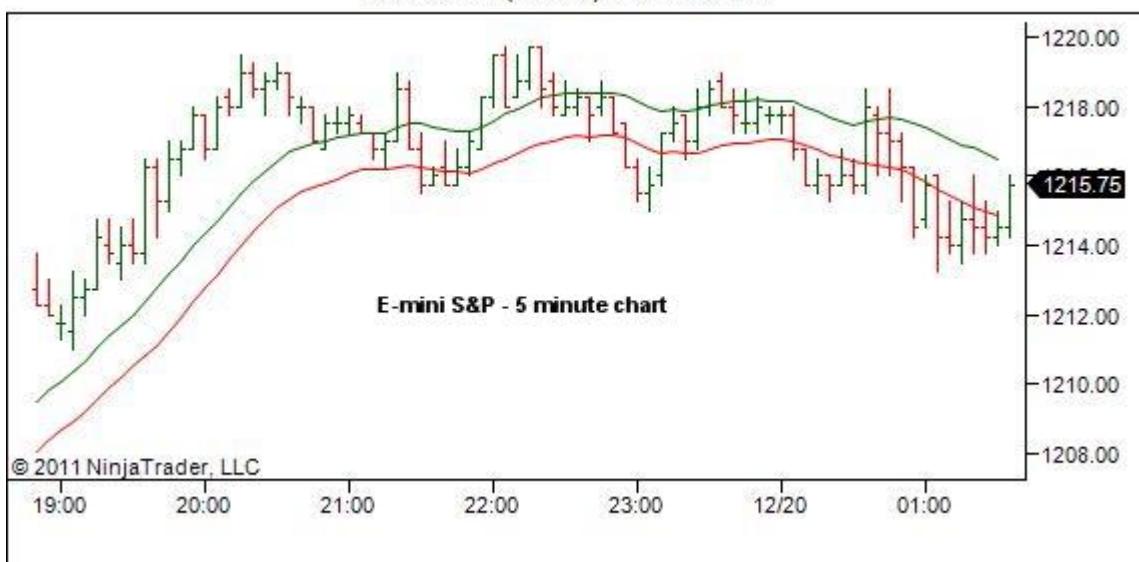
\$GBPUSD (60 Min) 20/12/2011



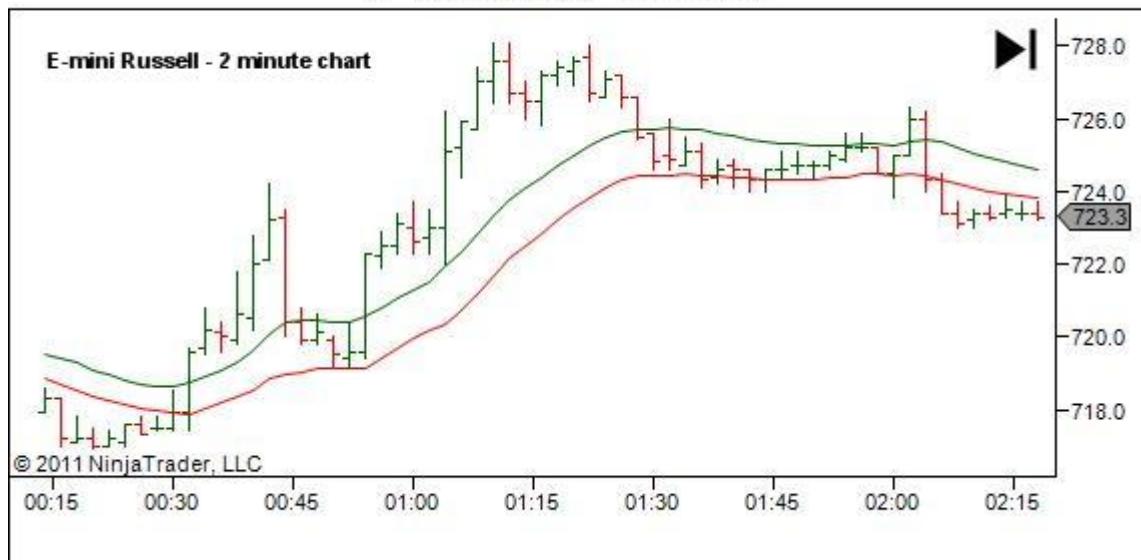
CL 01-12 (5 Min) 17/12/2011



ES 03-12 (5 Min) 20/12/2011



TF 03-12 (2 Min) 17/12/2011



Which Way Will This Candle Break?

Wednesday 21st December 2011

Here's a useful exercise to immerse yourself into the price action; maintaining focus and assisting with your analysis and identification of bias.

At the start of every new candle ask yourself:

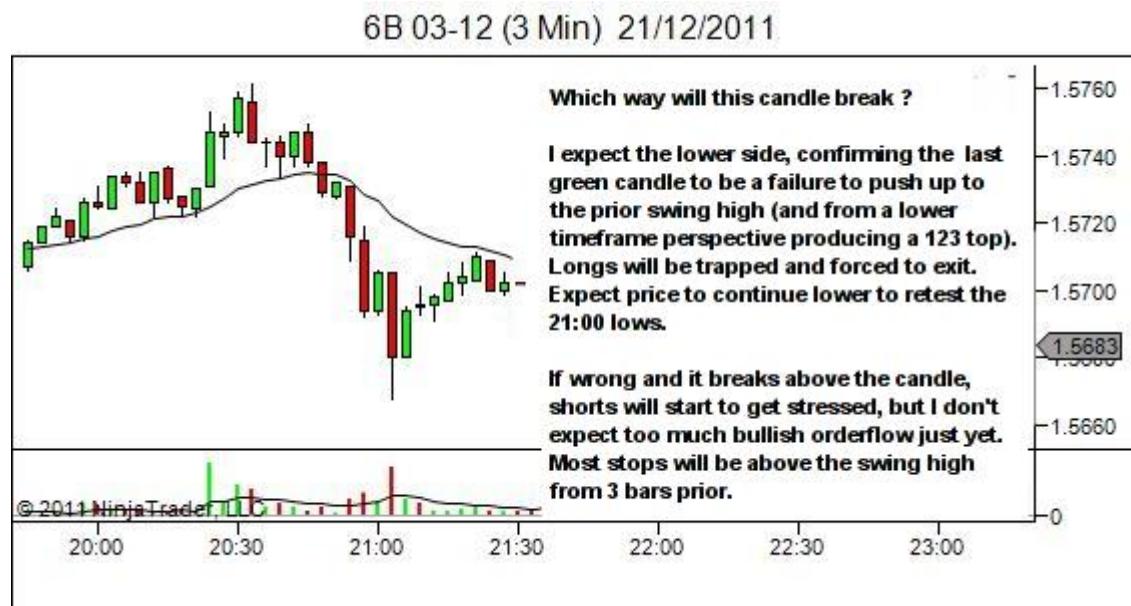
- Will this new candle break above or below the prior one?

Make it a game... which way is it going to break? Then see if you're right.

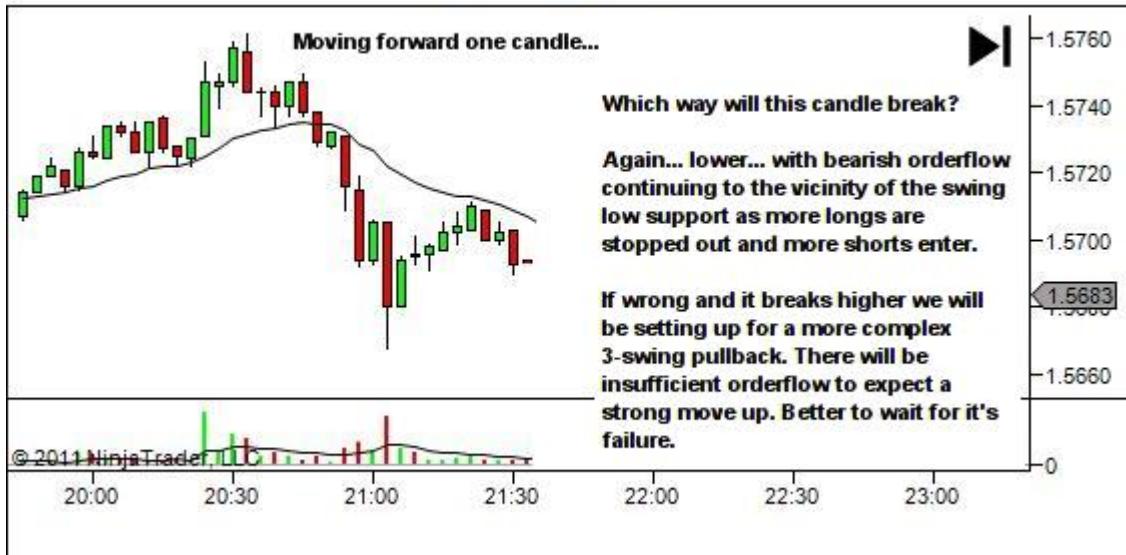
Once you're comfortable with that, you might wish to expand the idea to include some analysis.

- Will this new candle break above or below the prior one?
- What will that mean to the other market participants? Will it place any particular group of traders under significant stress?

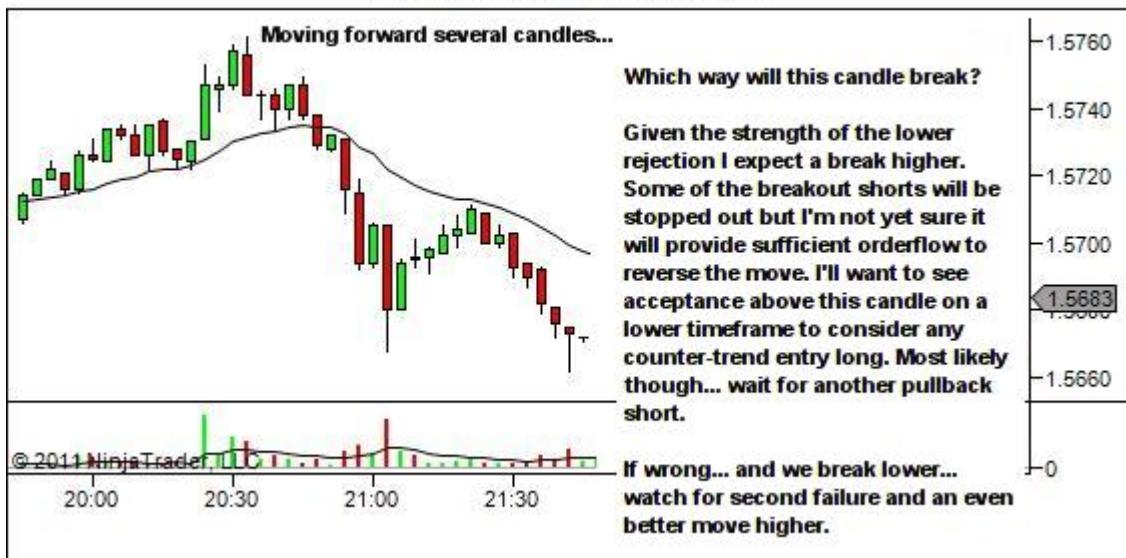
Don't make it too complex... just your initial intuitive thoughts. Which way is it going to break and what does that mean?



6B 03-12 (3 Min) 21/12/2011



6B 03-12 (3 Min) 21/12/2011



An Admin Tip for Short Timeframe Traders and Scalpers

Tuesday 3rd January 2012

For today's blog post I thought I'd share something different that I've recently implemented... starting today.

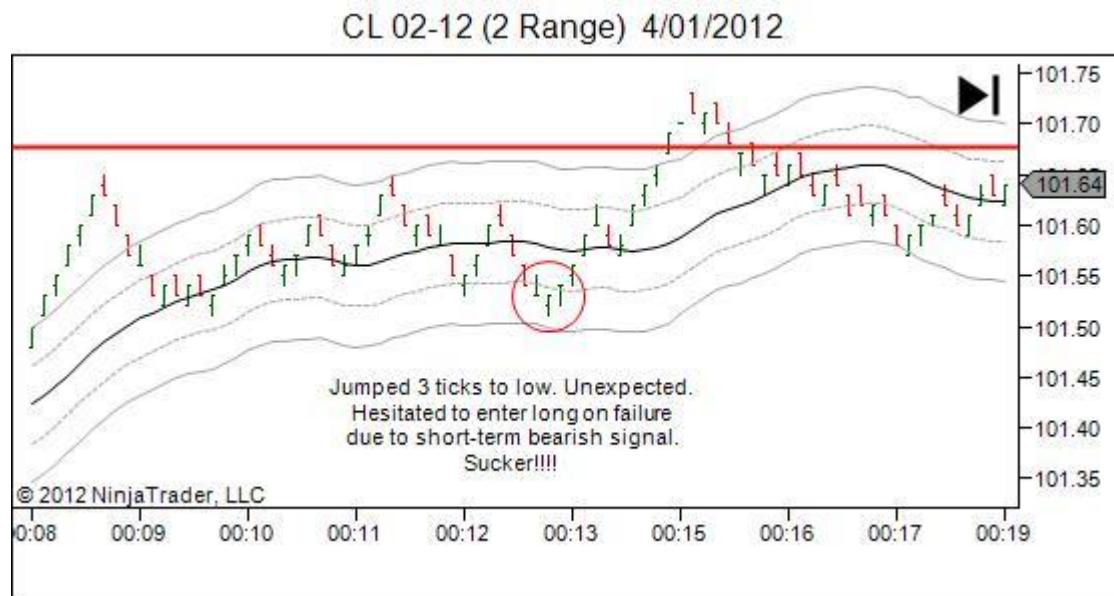
Until now, all my notes during the session have been written on paper. That works fine, but it takes my focus away from the screen for a short while. Usually that has no impact, but occasionally I will miss a sudden move.

I decided over the Christmas / New Year break that one of the changes I would trial would be weaning myself off paper notes through the gradual introduction of on-chart notations, OneNote text entries, and maybe even OneNote audio.

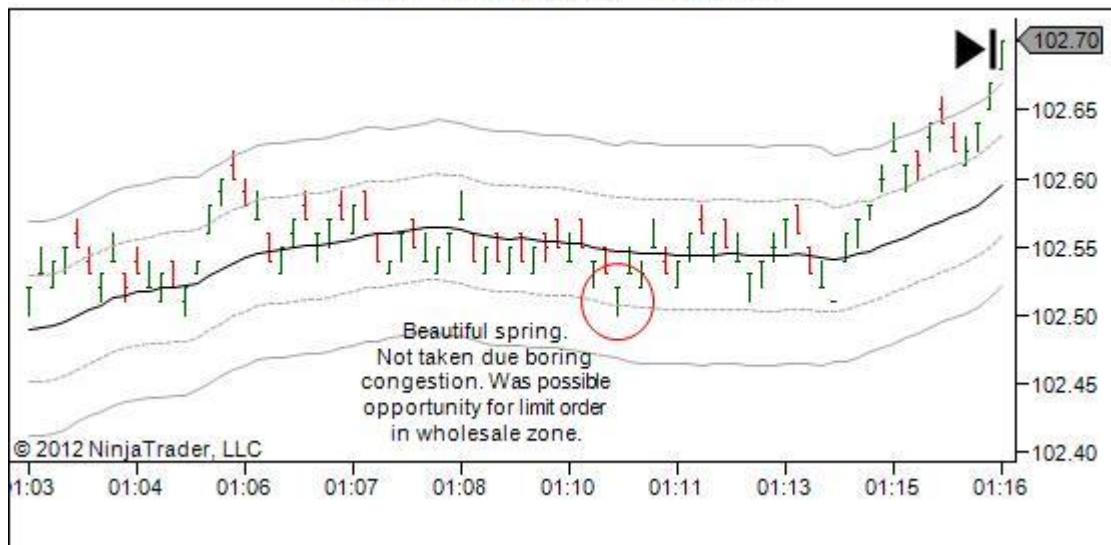
The following charts show two examples of on-chart notation from today's session, where I've marked "*areas of the chart I want to look at again through market replay*".

The benefits? Apart from reduced paper usage (and subsequent storage) it will hopefully keep my focus on price movement. It takes only a second to mark the area with the circle (CTRL-F11 for NinjaTrader). The text can then be entered whenever price movement allows.

Obviously this is not such a big deal if you're trading higher timeframes. But if you're down in the weeds where I'm operating you might want to give on-screen notes a try.



CL 02-12 (2 Range) 4/01/2012



The Sure Thing... That Just Ain't So

Monday 9th January 2012

Quite possibly my favourite bars (or candles) are those that provide other traders with a feeling of 100% certainty... no doubt at all.

"We're betting the house on this one baby!"

Followed very shortly after by another bar which turns around and smashes them!

The sure thing... that just ain't so!

They can offer a great trade opportunity if you are able to perceive them ahead of time, or as they're occurring. In particular, treat any move against the current trend or market bias as a potential trap, and await the better opportunity that comes through its failure.

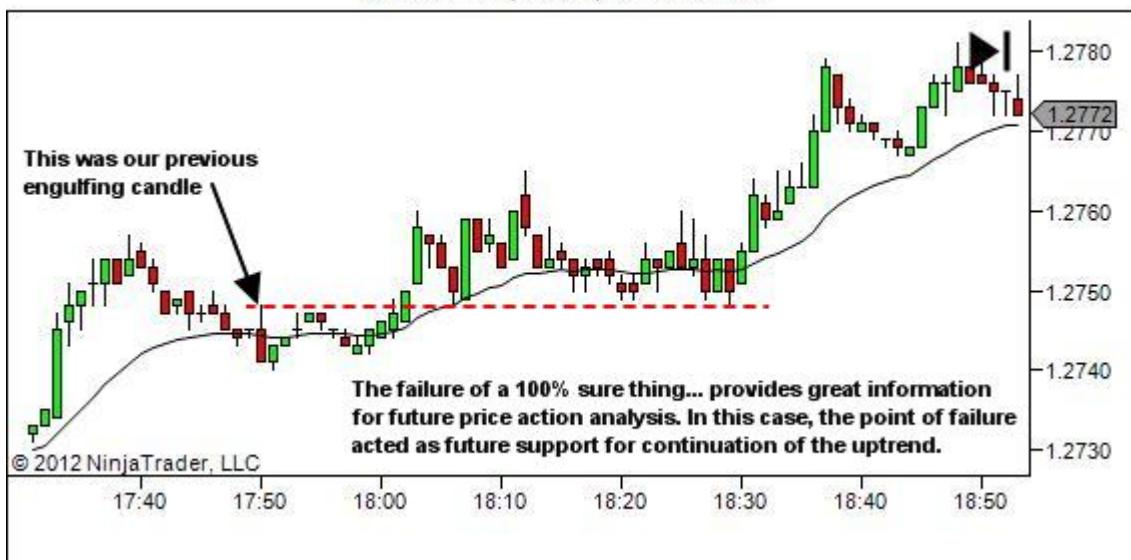
But if you miss them, all is not lost. These traps create areas of "emotion" and will often play a further role in your ongoing analysis.



6E 03-12 (1 Min) 9/01/2012



6E 03-12 (1 Min) 9/01/2012



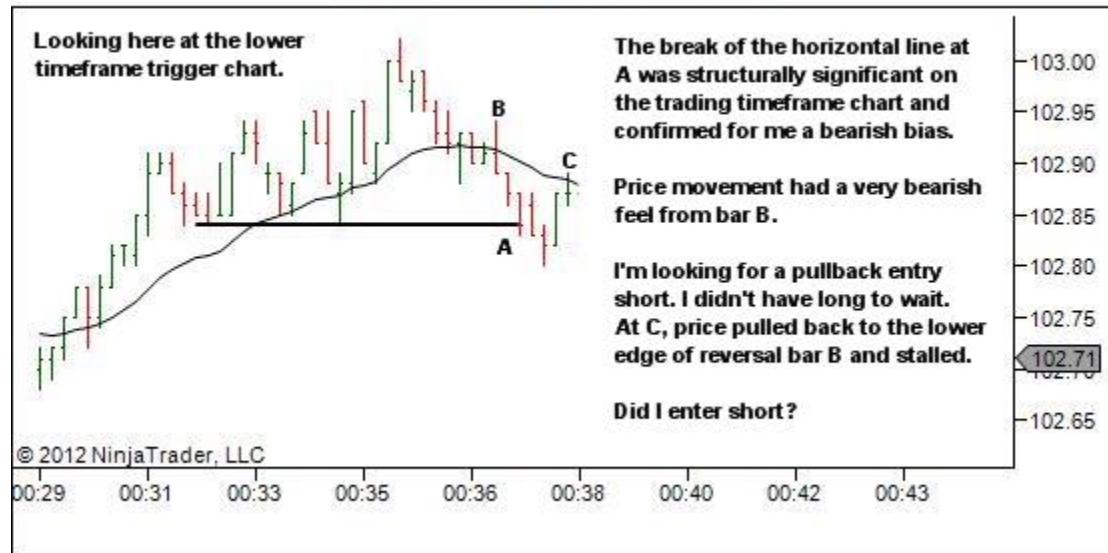
Live by Acting, Not by Thinking About Acting

Tuesday 10th January 2012

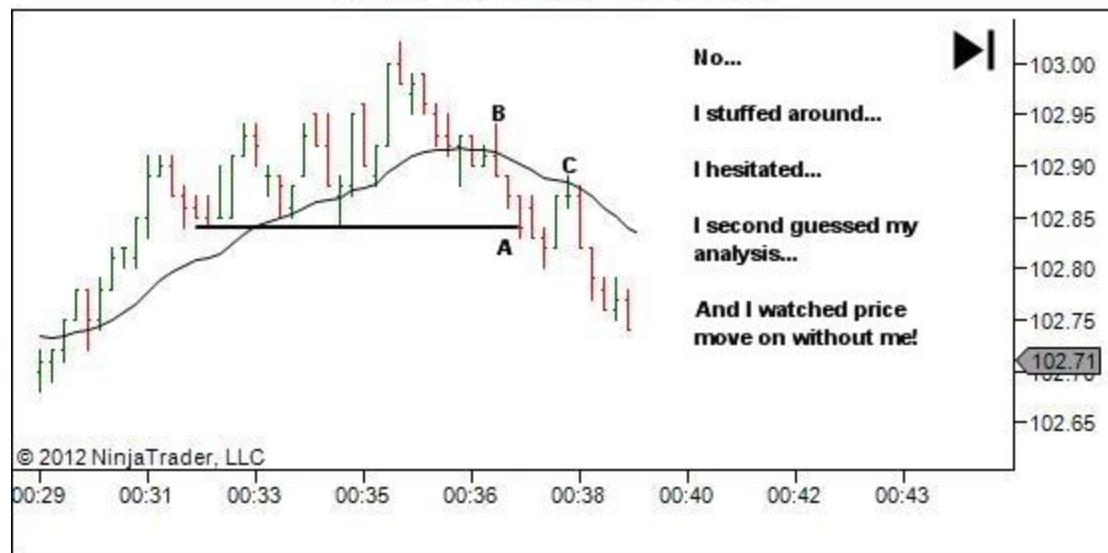
Let's talk about mindset at the time of required action (cause this one p***d me off today)!

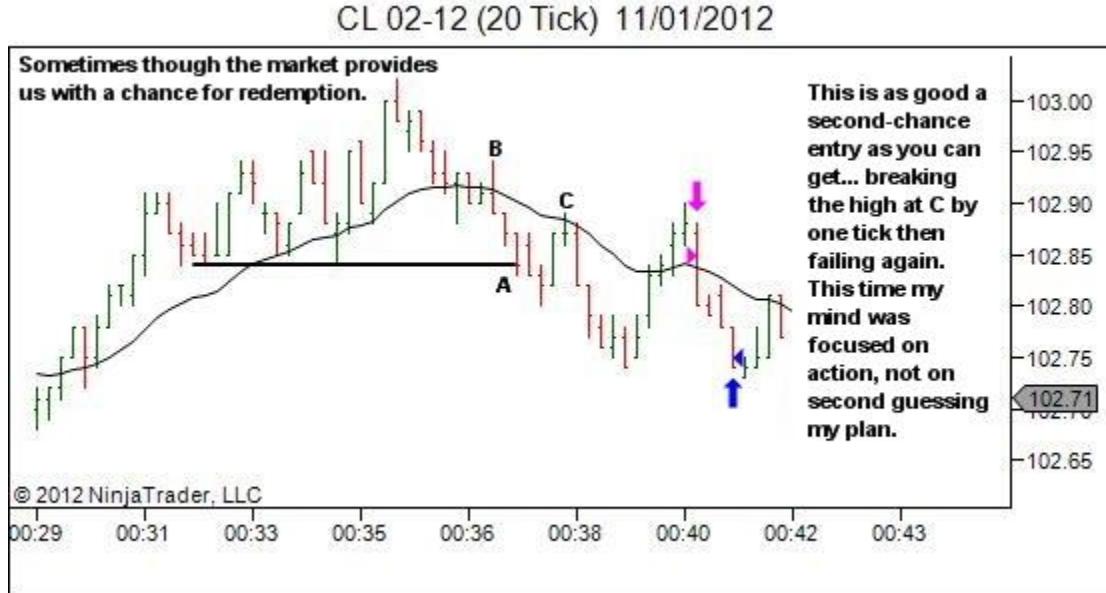
This is a short-timeframe example, but the same concept applies regardless of your preferred market and timeframe.

CL 02-12 (20 Tick) 11/01/2012



CL 02-12 (20 Tick) 11/01/2012





Two potential entry areas. Two very different outcomes.

My mind was in the wrong place for the first. The second was right.

At C, I was thinking about trading, instead of trading.

The thinking had already occurred. The bias was established. The trade idea was determined. The market had acted in accordance with the plan. Price provided a suitable pullback opportunity offering sufficient R:R.

THERE IS NO MORE TIME FOR THINKING. THE ENTRY ZONE IS A TIME FOR ACTION.

Place the damn order... trust myself and my strategy... enjoy the uncertainty... and manage whatever the market throws at me.

Live by acting, not by thinking about acting.

"A man of knowledge lives by acting, not by thinking about acting."
...Carlos Castaneda (who quite possibly would have made a great trader)

The Point of Initiation of a News Spike

Thursday 12th January 2012

Today the market provided a great reminder of the simple fact that the point of initiation of a news spike will often provide great S/R opportunity in future.

Why? The same reason any other S/R level exists. [See YTC Price Action Trader Vol 2 Section 3.2.1, but in particular page 63.](#)



Intraday Swing Trading for
the Forex, FX Futures
and Emini Futures Markets

Acceptance vs Rejection

Tuesday 17th January 2012

I've recently had an email request asking me to clarify my use of the term "acceptance" in a previous blog post - "Forex Gaps – They Don't Always Close".

It's not the first time I've been asked about acceptance and rejection, and so given today's brilliant example of rejection I thought I'd share the definitions, at least as I use them.

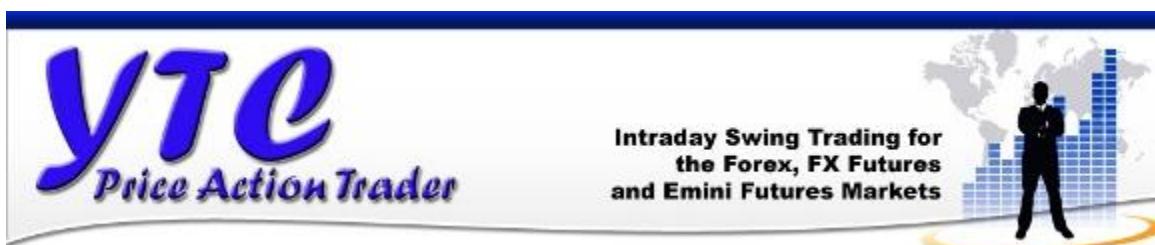
You'll see the terms used only when discussing a price breakout of an S/R level or a significant swing high or low.

Rejection refers to the fact that price was not able to hold at or beyond the breakout level - or in other words price "rejected" this new side of the breakout level. It will typically be seen via an upper or lower tail, or a rapid two bar reversal (engulfing bar, dark cloud cover etc).

Acceptance is the opposite. Price was able to hold beyond the breakout level - or in other words price "accepted" this new side of the breakout level. Those who know my writing will know that I hate fixed rules, but typically if it's held there for more than 2 bars I'll start to assume acceptance.



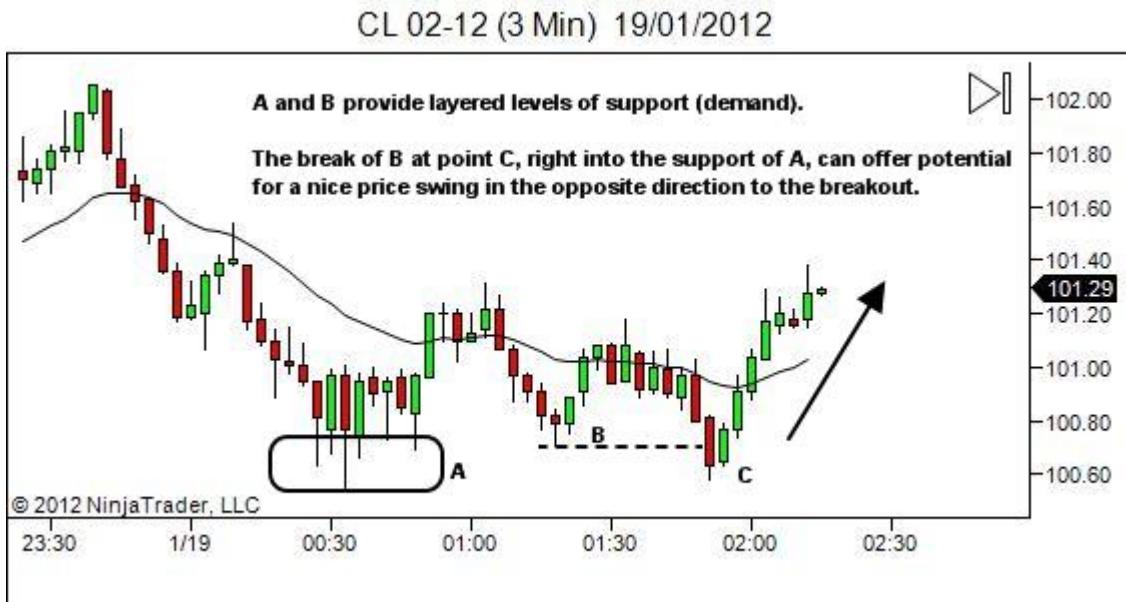
6E 03-12 (5 Min) 17/01/2012



Layered Levels of Supply or Demand

Wednesday 18th January 2012

Always watch for layered levels of supply/demand or S/R as they can provide opportunity. This is the scenario where price breaks one S/R level or swing H/L only to move right into the area of another S/R level or swing H/L. The failure of the initial breakout can set up a nice price swing opposite to the breakout direction.



Intraday Swing Trading for
the Forex, FX Futures
and Emini Futures Markets

A Variation of the 123 Reversal Pattern

Monday 23rd January 2012

Here's one for those of you who like patterns. It's a 123 pattern in which the 2-3 leg is quite flat. A break of the 2-3 leg can produce a nice move as all those trapped in the 123 structure are stopped out.

While the theory is the same as any 123 pattern, you'll find this variant referred to by different names by different educators. Two of those whose work I highly recommend refer to this as either a Tap Pattern ([Davin Clarke](#)) or an Avalanche Pattern ([Toni Hansen](#)). Check out their work at the links if you're not familiar with them (no... they are not affiliate links). Of course, my [YTC PAT](#) analysis also picks these up nicely.

You'll see this on all markets and timeframes.



How to Select a Bias for Breakout of a Broadening Pattern

Tuesday 24th January 2012

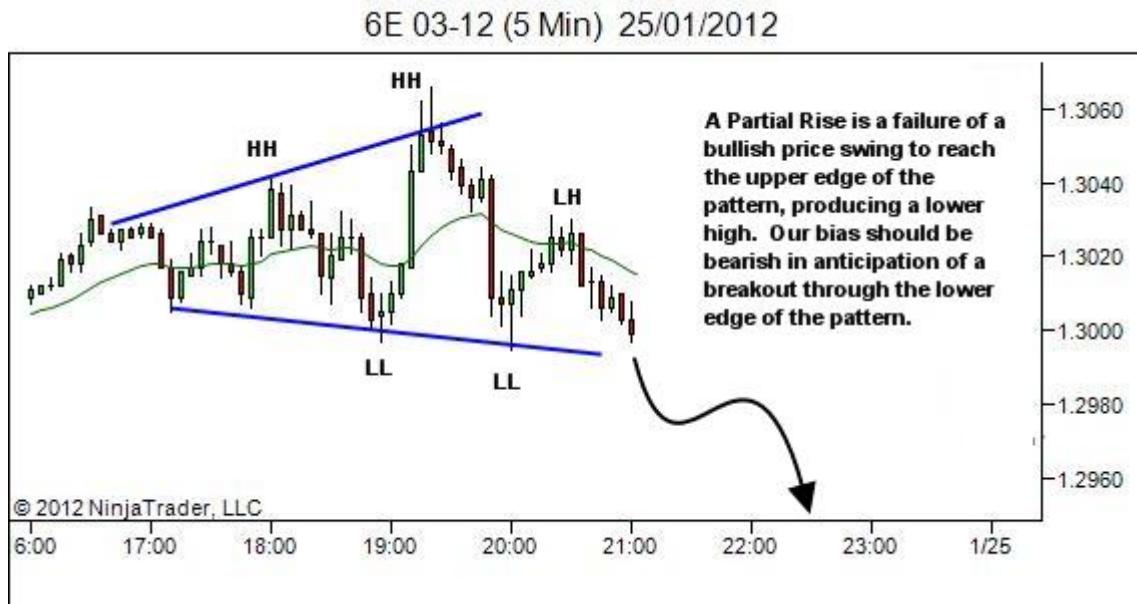
Broadening Patterns can be tough to trade. These are patterns which alternate through a cycle of increasingly higher highs and lower lows, as demonstrated in today's Euro chart.



As you can imagine, broadening patterns can destroy breakout traders, as breakout after breakout fails.

How can we establish a bias for price action in such a pattern?

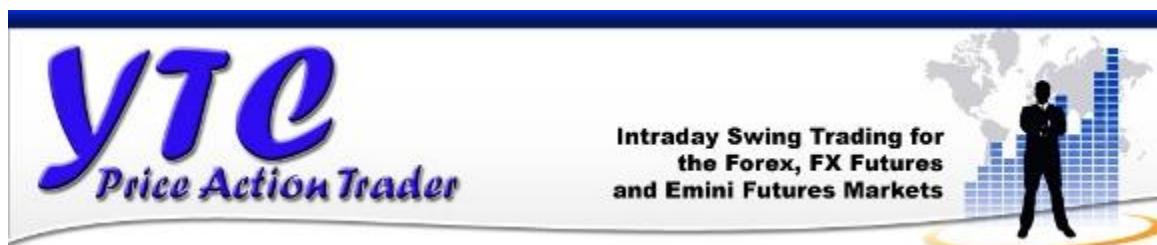
One method is to look for what is termed a partial rise or a partial decline. A partial rise is demonstrated below, in which price rallies from the lower pattern edge and is unable to rise all the way to the top, producing a lower high and falling back towards the lower edge. Upon producing a partial rise, my bias is always for a breakout down. Ideally I'll be seeking entry short well above the lower edge of the pattern. This will allow for a scratch of the trade if the breakout should not eventuate. Either way, the bias will remain bearish for subsequent attempts at breakout, unless price can rally above the partial rise swing high.



A partial decline is of course the opposite. Price falls from the upper edge of the pattern but reverses before reaching the lower edge, producing a higher low. The bias is then bullish with expectation of a breakout higher. Again, I'll ideally be seeking entry within the pattern with sufficient room to scratch if the breakout does not eventuate.

In both cases, if no trade opportunity is available within the pattern in the direction of this bias, then await a breakout pullback opportunity. Given the previous failures of the straight breakouts, my preference is to avoid them at all costs.

Looking at the outcome of the Euro's partial rise... this one failed to break out. Hey... I never said this was easy! The 1.3000 level continued to provide support for several further attempts to break downwards. Note though that the swing high of the partial rise was never broken, allowing us to keep a bearish bias until the eventual break. It was a messy session and a tough one to trade. Hopefully this blog post will help make the next Broadening Pattern just a little easier for you!



Where Will This Pullback Find Support?

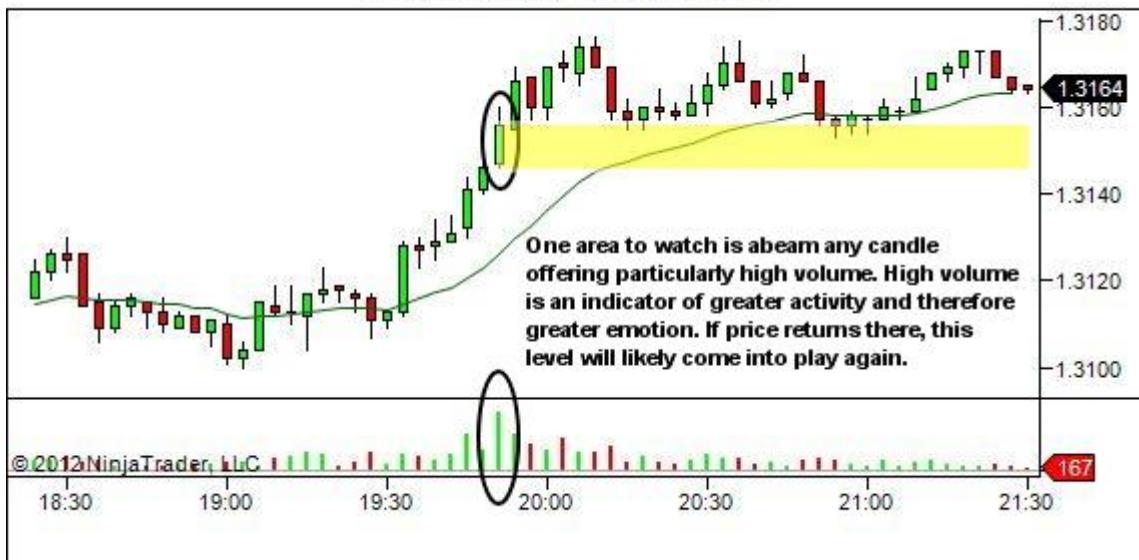
Thursday 26th January 2012

The first place we look for pullbacks to find support is abeam other swing highs/lows or areas of congestion. However there are other places to look as well.

You don't always get this signal, but take note of it when you do as it offers another simple clue regarding a potential pullback support area.



6E 03-12 (3 Min) 26/01/2012



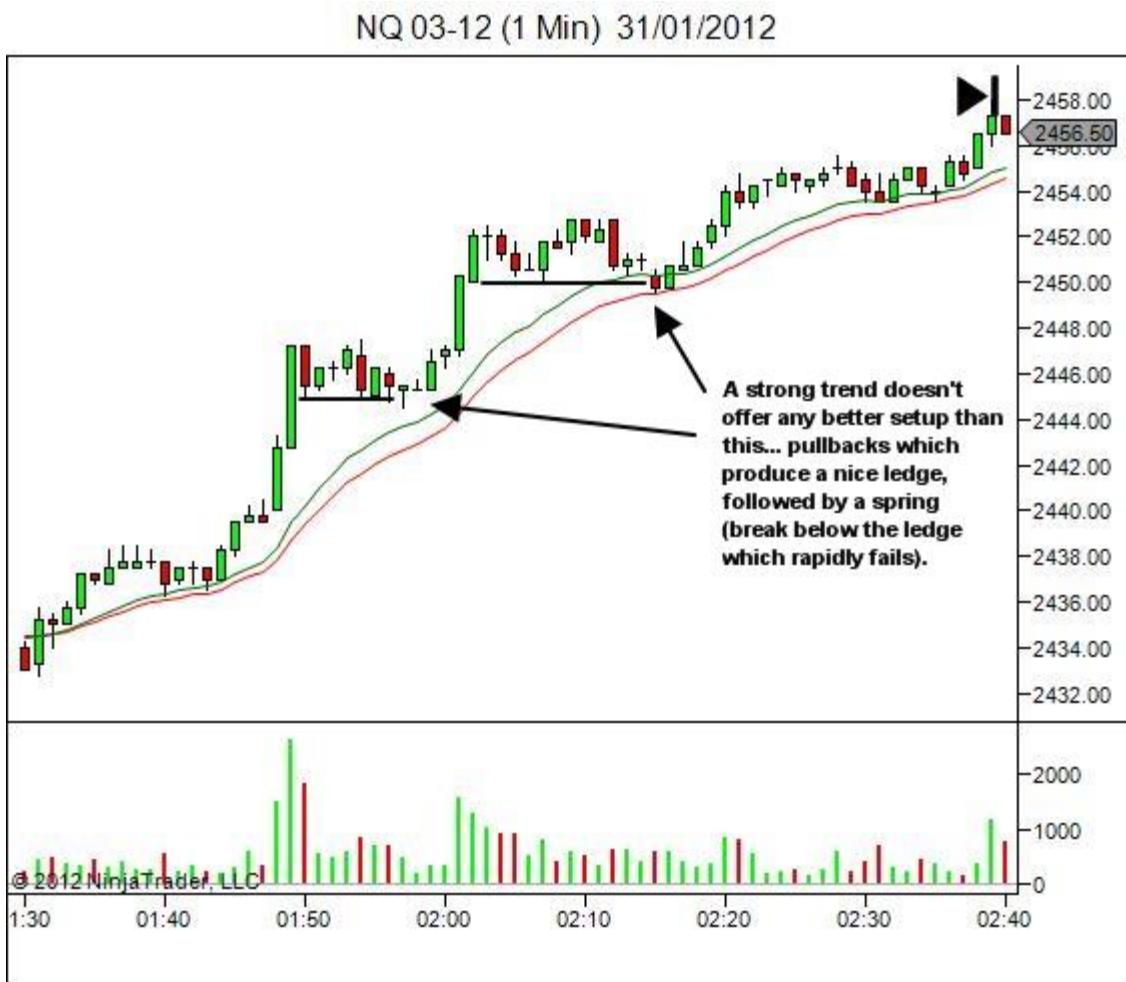
6E 03-12 (20 Tick) 26/01/2012



It's Springtime in the Markets!

Monday 30th January 2012

There's no need for text here... today's image says it all. :-)



How Much Do Your Results Depend Upon Having Chosen the Best Forex Pair?

Tuesday 31st January 2012

Here's something for those new to lower timeframes to think about.

I've more often than not been a "one pair at a time" person. I'll have my favourite instrument on the screen and that's what I'm trading.

But how much do your results depend upon having chosen the best pair for that session?

If you choose one and stick to it, you need to be willing to accept that there will be sessions where the environment is just horrendous, and your likely results will be significant underperformance compared with the potential available in another pair.

If you're happy to accept that, fine. I am.

But if not, then you might want to have a small section of your workstation devoted to checking for other markets that are moving. Either a number of small charts along one side of a screen, or a blotter displaying ADX readings (or some other measure of trend), either of which will allow you to identify the moving market quick enough to change your primary focus and catch some winning trend-trades.

Example.... the very different environment in today's GBP/USD (first chart) vs EUR/USD (second chart).





Example: Exhaustive Break of a Channel Return Line

Wednesday 1st February 2012

I'm not a pattern trader, but sometimes they are just so obvious they jump out of the screen at you.

One useful feature of channels is a parabolic or exhaustive break beyond the return-line. Often this leads to a break of the channel trendline and signals an end to the channel and start of either a period of sideways congestion or change of trend.



Unexpected Price Shocks - You Can Be Prepared For Them

Monday 6th February 2012

Rather than a price action lesson today, the Euro just provided a lesson in risk management that's worth sharing.

This topic was raised last Thursday in an email I received from a YTC newsletter reader, Simon. The following is an extract from his email:

- *"I am struggling to understand these sudden "surprises" in the market, just like the one that just happened in the European indices, between 10:30 and 11:00gmt (8:30-9:00pm)."*

This is the surprise that he was referring to:



The spike in price in this case was not a planned news release, but rather the result of a Chinese Premier's comments regarding the Euro. An unexpected event that cannot be planned for!

Today offered another example:



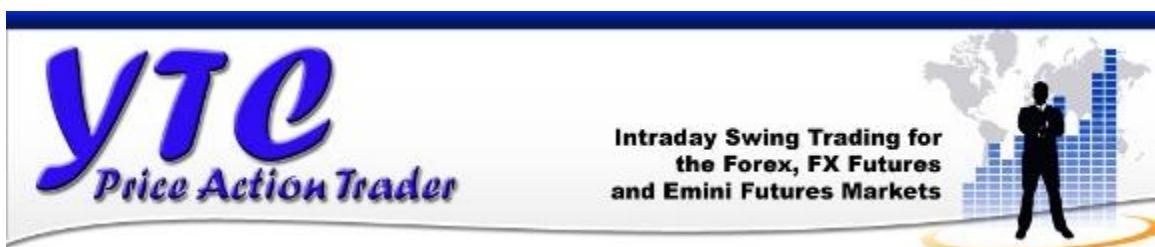
At the time of writing the cause is unknown, and also largely irrelevant. (Possibly the latest news regarding US sanctions against Iraq? Possibly the latest news regarding Greek bankruptcy or bailout?)

The lesson... news can shock markets.

You can't plan for when or where! But you can be prepared!

ALWAYS manage risk through a protective stop of some kind.

If you're in a position without a protective stop... you're a fool!



When the Market Offers Potential for Outperformance, Do You Take It?

Tuesday 7th February 2012

With a combination of supposedly positive news out of Europe (yeah... right!) and Bernanke's appearance in the Senate, markets across the board provided great trending opportunity today. When large trends occur, you MUST be maximising the opportunity the market has provided you.

If you traded today, this is one where you NEED to do a thorough post-session review. Find out how you could have improved. How could you have identified this move earlier? How could you have held trades longer? How could you have added to positions (if that's part of your plan)?

If you didn't trade, review it anyway through either a market replay or just static charts.

Some links that may help with the review process:

- How to Conduct an Effective Review Session (1 of 2): <http://yourtradingcoach.com/trading-business/how-to-conduct-an-effective-trading-session-review-1-of-2/>
- How to Conduct an Effective Review Session (2 of 2): <http://yourtradingcoach.com/trading-business/how-to-conduct-an-effective-trading-session-review-2-of-2/>
- What is Market Replay: <http://yourtradingcoach.com/trading-process-and-strategy/what-is-market-replay/>

And of course for strategy:

- YTC Price Action Trader: <http://www.ytcpiceactiontrader.com/>

Now, stop reading and start reviewing your session.

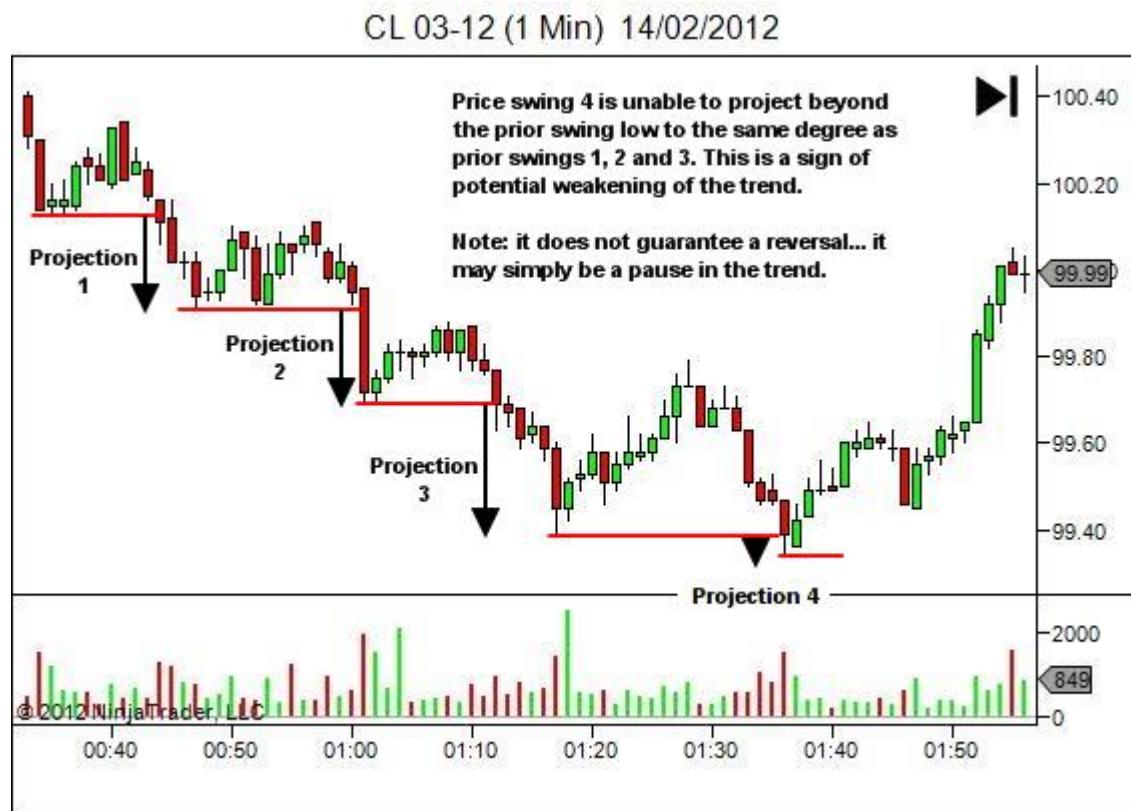




Evidence of a Potentially Weakening Trend

Monday 13th February 2012

Here's one thing I watch for to alert me to a potential weakening of a trend... the inability of price to project as far as in previous price swings.



When Price Fails to Do the Obvious

Tuesday 14th February 2012

The following charts illustrate something I'm watching for at session opens (or other key timings) when price is in close proximity to breakout levels into price regions that have not been traded for quite a while. Crude Oil today offers an example where the pit-session open was 24 ticks above levels not traded for over four hours.

If price should achieve a breakout, I'll be watching closely for the outcome as that will affect ongoing bias.

My assumption is that most people will expect a break of the level to produce bearish breakout orderflow that will drive price lower. Should that happen and price accepts the new region below the breakout, that's great. I'll operate with a bearish bias.

However my real hope is that most of these people end up disappointed, and that price shows rapid rejection, as that can often lead to nice move in the opposite direction. If you've been around my writing for a while you'll recognise this common theme - profiting from traps and the failed expectations of other traders.

When price fails to do the "obvious", expect it to do the opposite!



CL 03-12 (1 Min) 15/02/2012



Trading "Grind"

Thursday 16th February 2012

I call this stuff "grind"... when price just continues grinding away higher and higher despite apparent weakness in the market and a feeling that the market has to collapse any second now.



Personally, I hate grind!

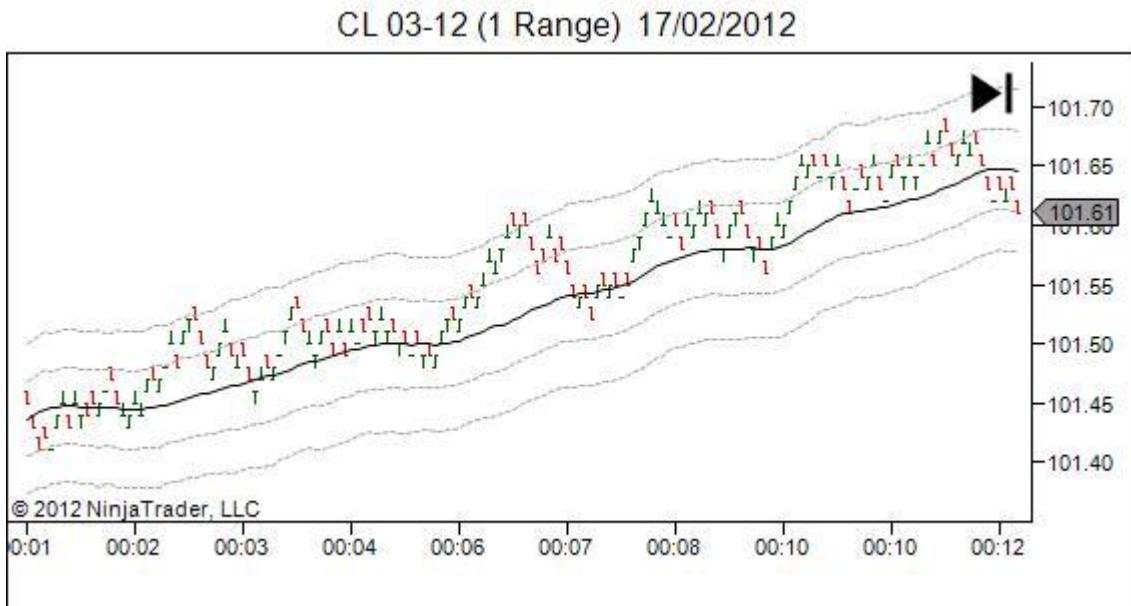
But the market doesn't care what I think. So I have to just deal with it.

There are two ways to deal with grind *once you become aware of it.*

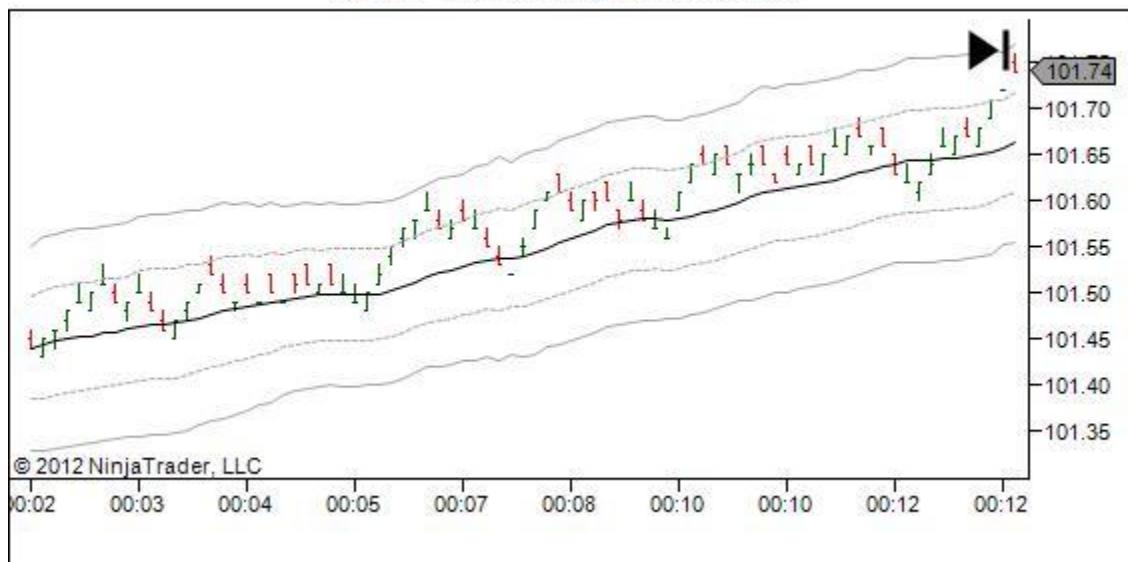
1. Stand aside and wait a break from the grind. Typically I'll be expecting a move against the slope of the grinding move, so in this example I'll be anticipating a selling opportunity. However I will NOT take a simple break lower; more often than not if I'm tempted to do that it turns into a breakout failure and just resumes grinding higher. Murphy's luck. So, I'll either wait for a breakout lower and pullback entry short. Even better though is a climactic move higher (with the slope of the grind) that fails. That's what we had today. You'll see how the climactic move higher failed. This provided a nice downswing and subsequently provided resistance when price returned to this area later.



- The second option is to trade within the grind. The only way I know to trade within the grind is [YTC Scalper](#) style. I'm preferring the 2R lately for CL, but I'll display both the 1R and 2R charts below. YTC Scalper traders will see the setup and entry signals. It's not easy when the trading timeframe is screaming "weakness". It takes guts. But it's the only way I know of to trade within grind. Personally, unless I've got a really good read on the price action, and are ahead in the session, I prefer to just stand aside and wait. I hate grind! (I stood aside today through this particular sequence!)



CL 03-12 (2 Range) 17/02/2012



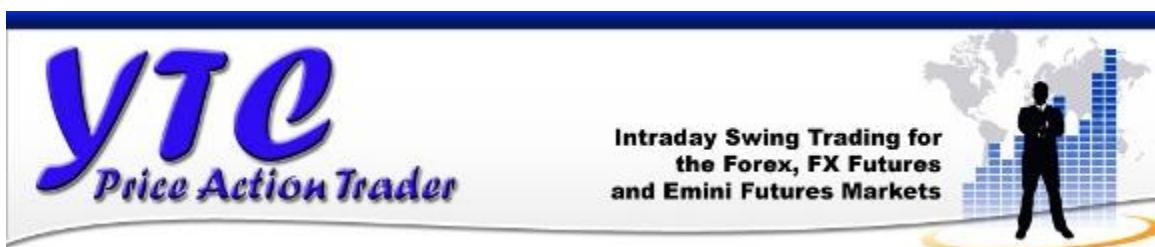
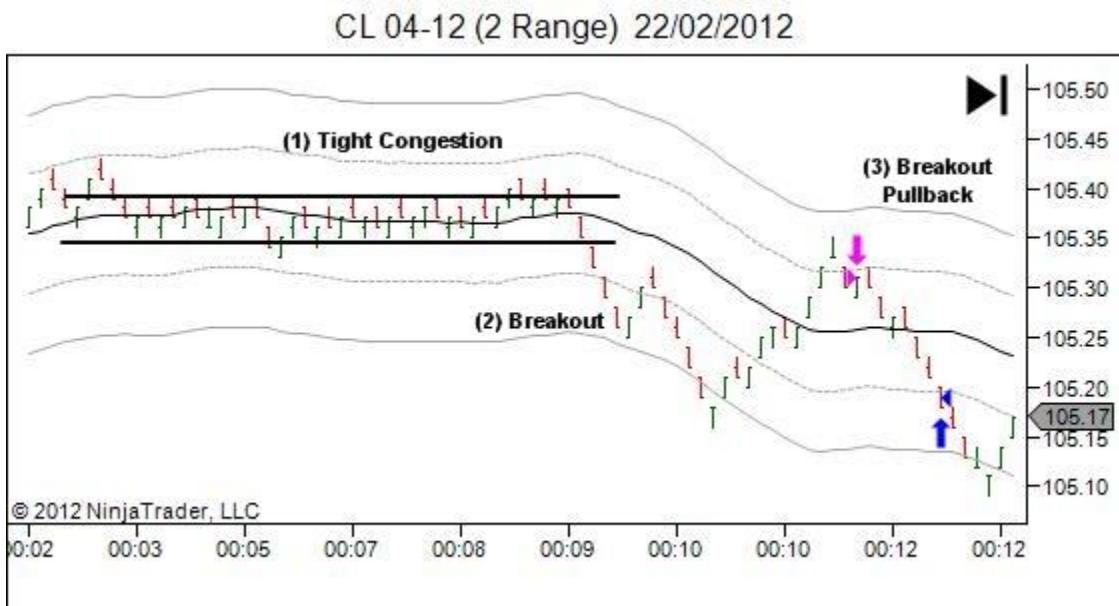
Lower Timeframe Tight Congestion Breakout Pullback

Tuesday 21st February 2012

One thing I like on the lower timeframes, which doesn't display so often on the higher timeframes, is a really tight congestion such as displayed below. This Crude Oil example offered several minutes of a tight 4-tick sideways congestion.

I don't usually play a straight breakout of these regions (although I won't say never). As you'll see below a couple of breakout attempts occurred (up and down) but failed. This is a common occurrence.

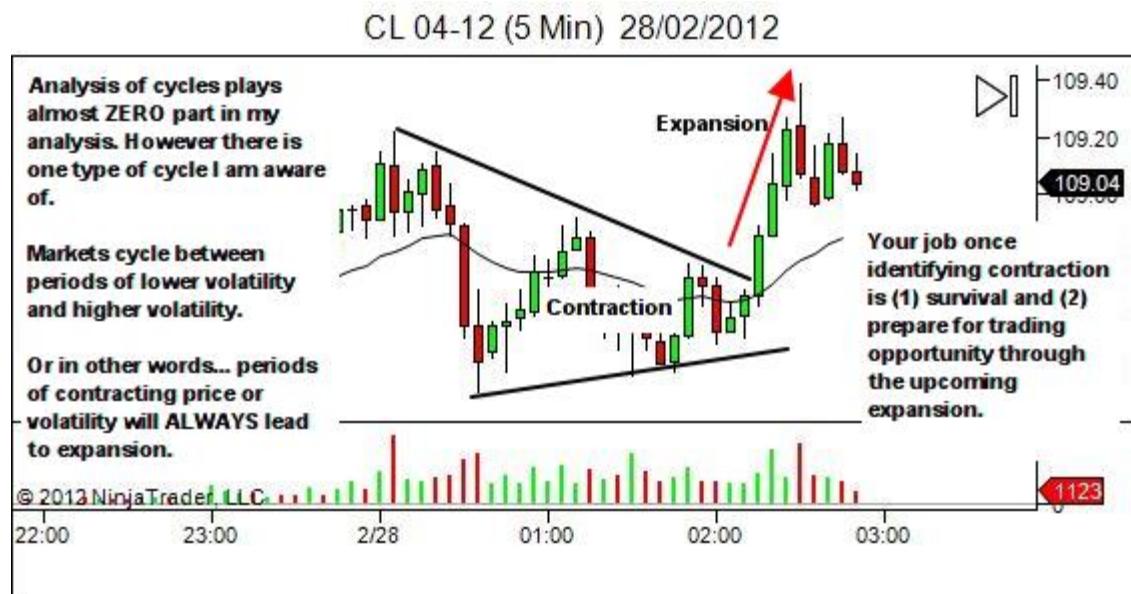
My preference is to wait for a breakout pullback. Should it occur it has the potential to provide a very nice trade.



Market Cycles - Contraction And Expansion

Monday 27th February 2012

Contraction leads to expansion. Expansion leads to contraction. Repeat!



Nice Try... FAIL!

Tuesday 28th February 2012

I'm always fascinated by this!

Prior to a key market timing such as a new session opening or a significant news release, price breaks out above or below a significant price level.

Who would be trading there? Given the potential for these significant events to completely change the sentiment in the market, it seems to me to be a bit of a gamble! Although there could always be other reasons such as early release, inside information or even just stop running.

In any case, whatever the cause, I love to see these moves fail. They don't always fail. But when they do it's often quite an emotional event for a large number of traders who enter at or shortly after the news release. Their failure can lead to a nice move in the opposite direction. And should price return to the level later in the session it will usually provide solid S/R.

Today's Crude Oil chart demonstrates this concept with a pre-news release breakout providing us with a nice tap-pattern failure. Price did return to this level 45 minutes later (not shown) and did in fact encounter resistance, as expected.



Let's Try That Again!

Wednesday 29th February 2012

[Yesterday's post](#) showed a pre-news breakout which failed upon release of the news event several minutes later.

Today we see exactly the same occurrence on a slightly higher timeframe, this time the 5-minute chart, where price broke higher and stalled 11 minutes prior to the Fed Chairman Ben Bernanke's testimony before the House Financial Services Committee.

If you trade EUR/USD or 6E then I hope you took note of the previous post! :-)

What was the cause of the breakout? Perhaps an early release of the testimony? Perhaps some impact from the Chicago PMI which occurred a further 7 minutes earlier prior to breakout (unlikely given the lack of movement for those 7 minutes)? Perhaps it was simply a stop driven surge as price tested just above the congestion?

The cause is irrelevant. What matters is that the breakout stalled, potentially trapping traders in a losing position IF Bernanke's testimony were to prove bearish.

Breakouts before a news release... watch them carefully. There is potential opportunity awaiting the more astute trader!



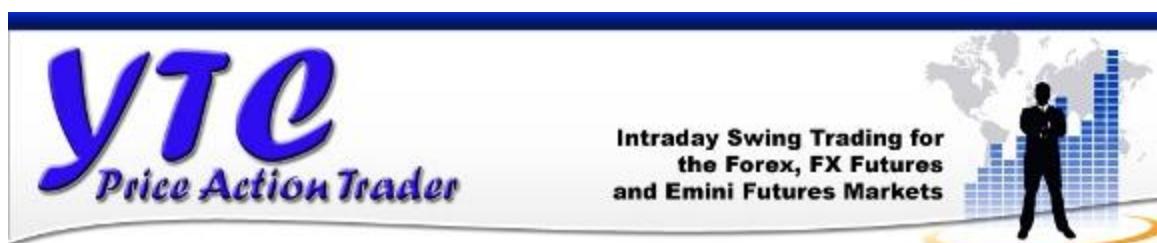


Chart Patterns at the Micro Level

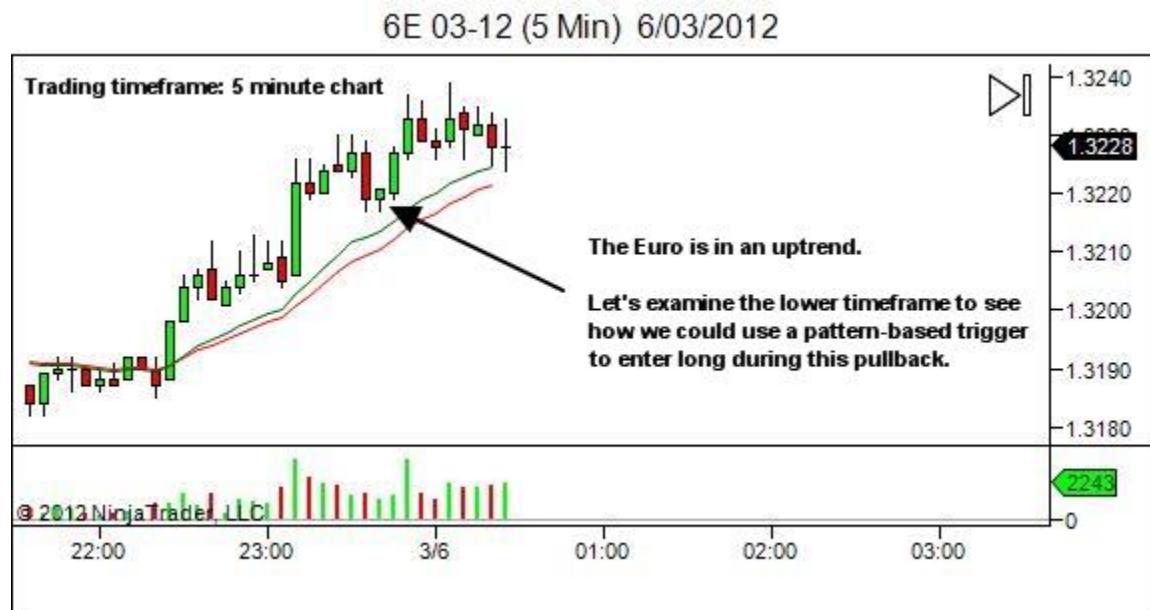
Monday 5th March 2012

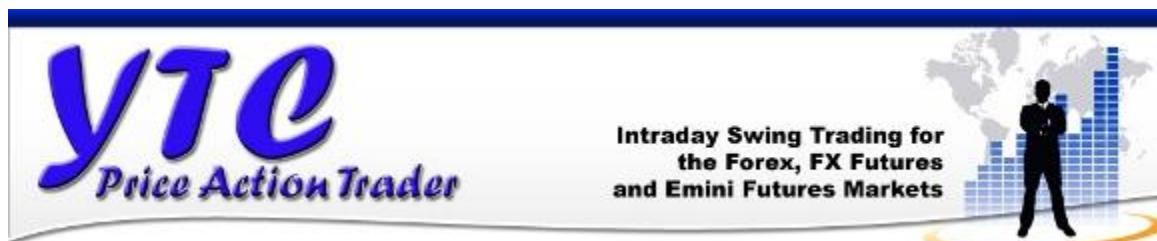
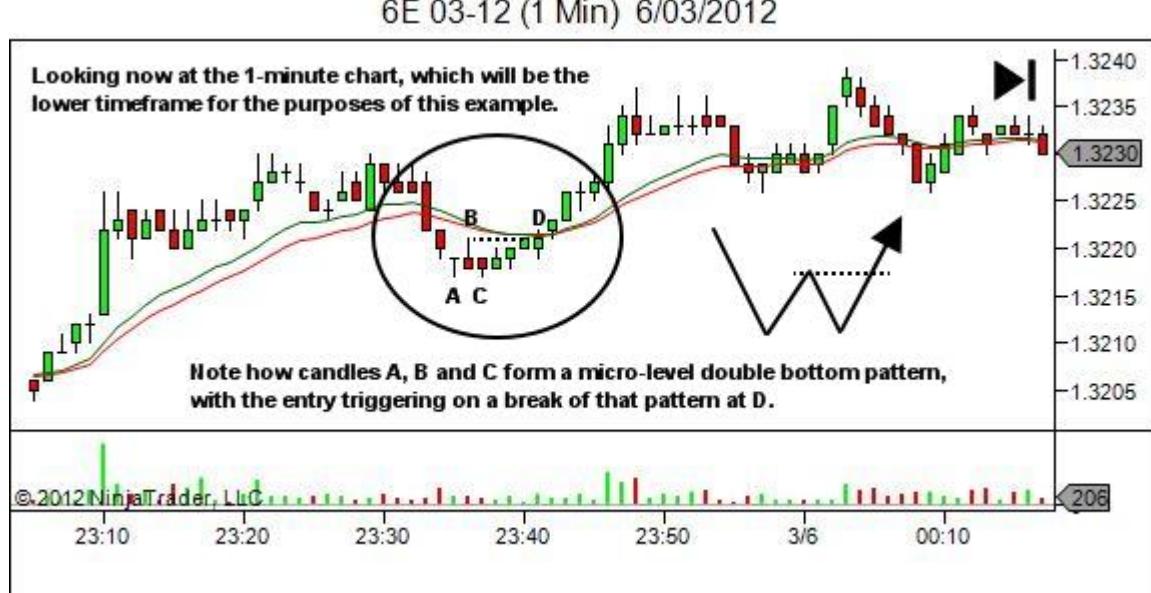
You should be familiar with the standard chart patterns such as the double top or bottom, 123 top or bottom, or head & shoulders.

What many people do not realise though is that they aren't just applicable on our trading timeframes for identification of market bias and trade opportunity.

They also can be used at the micro-level as effective methods of triggering entry to a trade.

Let's look at an example from today's Euro chart.





Remain Alert for a Sudden Change in Behaviour

Wednesday 7th March 2012

Always take note of bars which show a sudden change in behaviour from previous price action.

Often driven by news which may be planned (as in this case) or unplanned, these bars indicate a potential change in sentiment within the market. And that indicates potential trade opportunity.

In today's example we see bar A which is clearly the largest range bar of the session, also occurring on the highest volume (B).

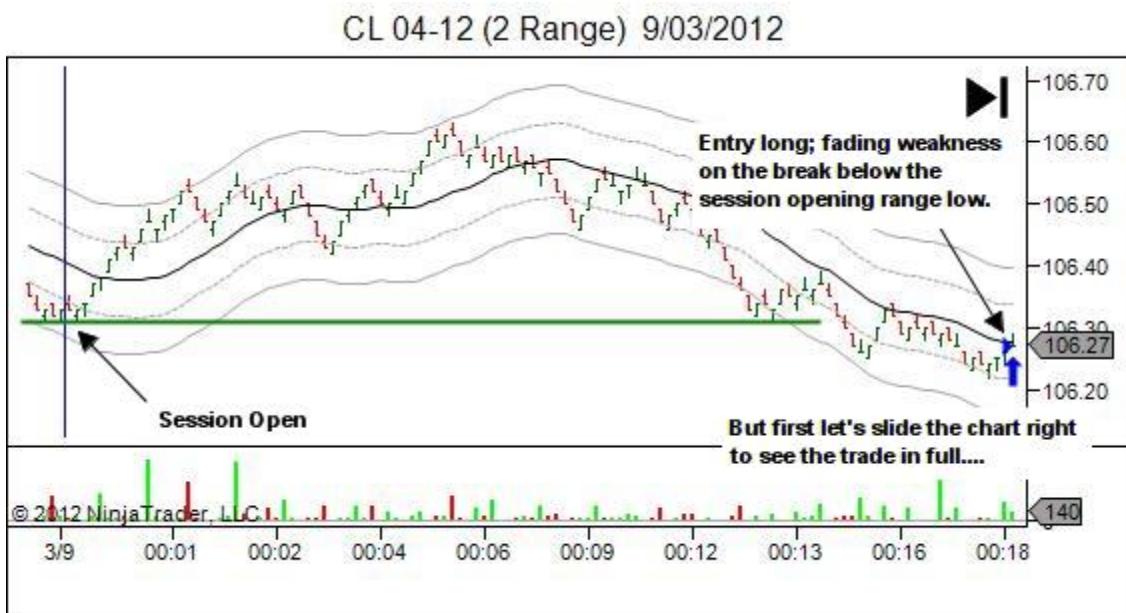
Followed by a weaker pullback (C) and a stall (D), the market offers an almost text-book perfect pullback entry into a strong trending move (E).



Fading Breakout Weakness

Thursday 8th March 2012

The following chart shows an entry long fading a break below the session open lows.



A rough recollection of the decision making process...

- A shows strength towards the support area giving me an expectation for a break lower. I'll be seeking an entry short on pullback, aiming to enter before the break if at all possible.
- B offers a weak pullback (very happy to see this). Unfortunately it didn't pull back far enough for my limit order (short entry).
- C breaks again. I expect this to move lower but it stalls approx 40 seconds before trading back above the session low at D. This is why I don't trade straight breakout plays!
- Price grinds lower at E indicating a battle between bullish and bearish pressure here. There is unexpected buying (I hadn't expected that till much lower).
- A second break to new lows stalls again at F. Two failed attempts to do what is "obvious" indicates a good chance of the opposite occurring. The weakness below the session low allows an expectation for a breakout failure, if a stop entry order just above the recent stall is triggered. The order is placed; entry is triggered offering a nice pop up to channel highs.
- Later... a weak retest down to the area of session lows again (G) stalled and triggered another stop entry long back up to the channel highs.

Looks easy in hindsight. It never is though. Uncertainty prevails at the right hand side of the chart.

Always remember... control is an illusion. We cannot know it all.

Our job is to identify the bias, take a wholesale entry in the direction of that bias, and then manage whatever happens.



Sometimes Containment of Loss is a Good Day

Monday 13th March 2012

Let's take a quick break from price action blog posts, as I think today's Euro chart offers a good lesson in profit and loss expectations.

Newer traders have difficulty accepting losing sessions. It takes a long time for most of us to get comfortable with having to close down our computer at the end of the day in drawdown.

A big part of coming to terms with losing sessions, is learning to see them as a normal occurrence; and in seeing how containing losses in these sessions allows profits in the "better" sessions to overcome drawdown and take us to new equity highs.

Typically it's just a process of repeated exposure. We need to experience this lesson over and over and over again. Many, many times! Until finally it will sink in and losses will lose their power.

Anyway, the intent of the following is to hopefully take the place of one of your many required exposures to this concept, helping you to partially overcome your fear of losing sessions.

Today offered a great example of the different potential available in different sessions.

Compare the opportunity available on Thursday and Friday, with today (Monday).

Do not make the mistake of comparing one session's results with another. Rather, grade your session results against the potential that was available in that session.

Sometimes a breakeven session is a great result.

Sometimes containment of loss within normal loss limits is also a great result.

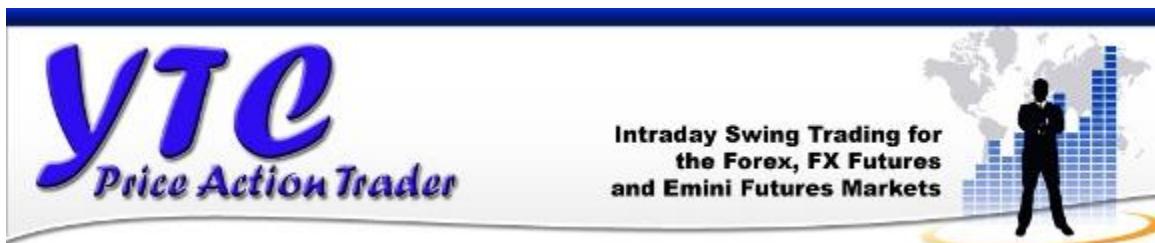
It's just part of the game.

Expect tough days. And learn to just manage and contain the risk on these days. Because better days are coming. And containing risk will ensure a mindset more likely to outperform on these better days.



* Note 1: Monday is actually 46 pips so far... the chart image was taken an hour and a half before the end of session! Given Murphy's Law, it'll probably trend massively from here! :)

** Note 2: We are assuming here that greater range equates to greater profit potential. Generally that is the case, but not always! Some trending markets can be quite hard to get in as well!



Bracketed Sell: Limit Order Above, Stop Order Below

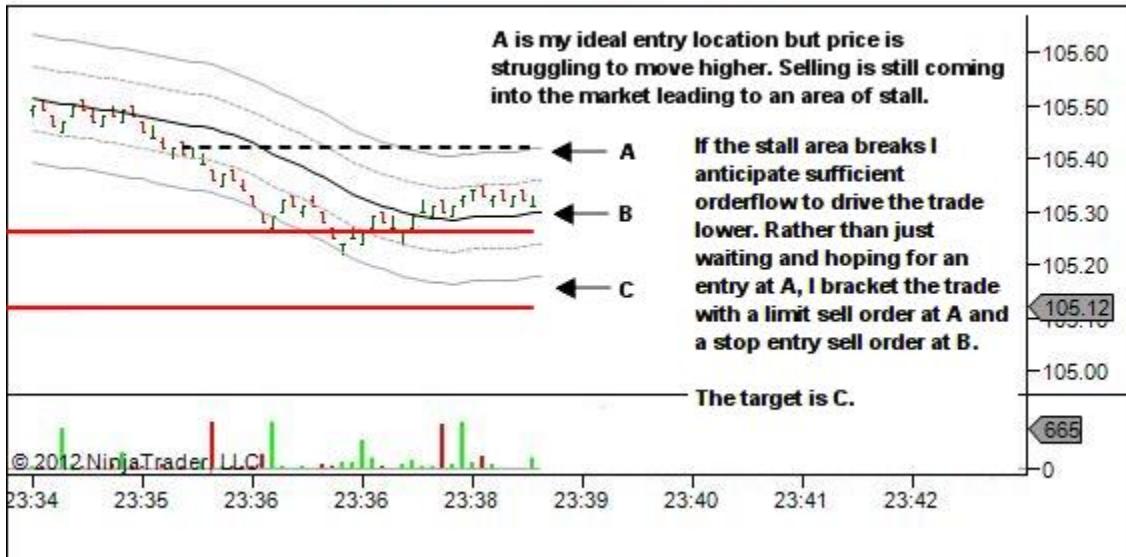
Thursday 15th March 2012

Today's Crude Oil chart offers an example of (a) adjustment of the plan as we see price action not quite conforming to expectations; and (b) entry short via bracketing price with a stop entry below a stall pattern and a limit order above.

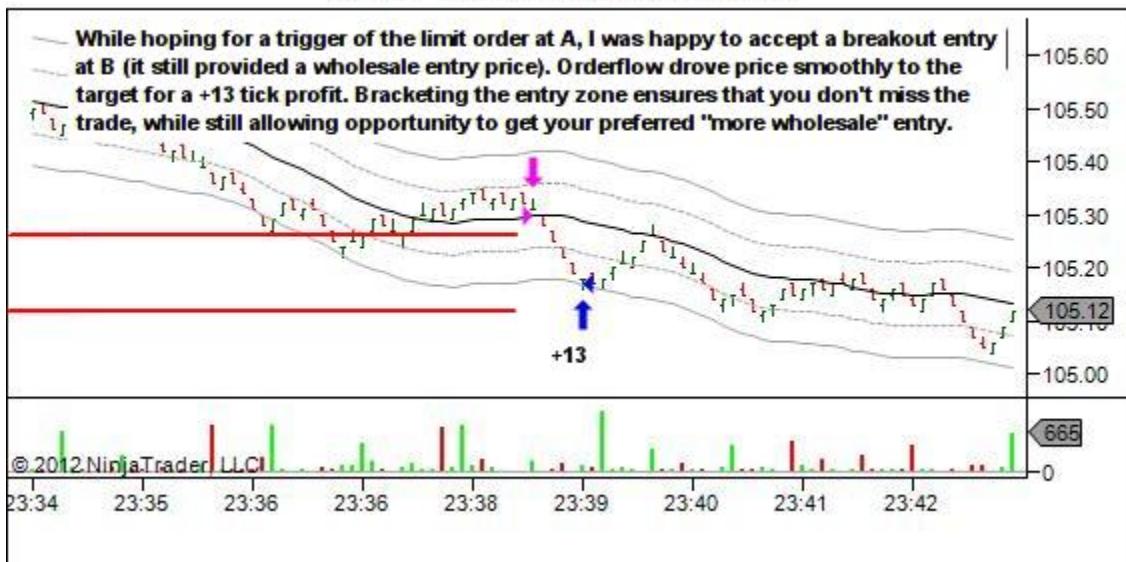
Related articles (for a more detailed explanation of bracketing): <http://yourtradingcoach.com/trading-process-and-strategy/pulling-the-trigger-this-entry-strategy-may-help/>



CL 04-12 (2 Range) 15/03/2012



CL 04-12 (2 Range) 15/03/2012



First Entry Good; Second Entry Better

Monday 19th March 2012

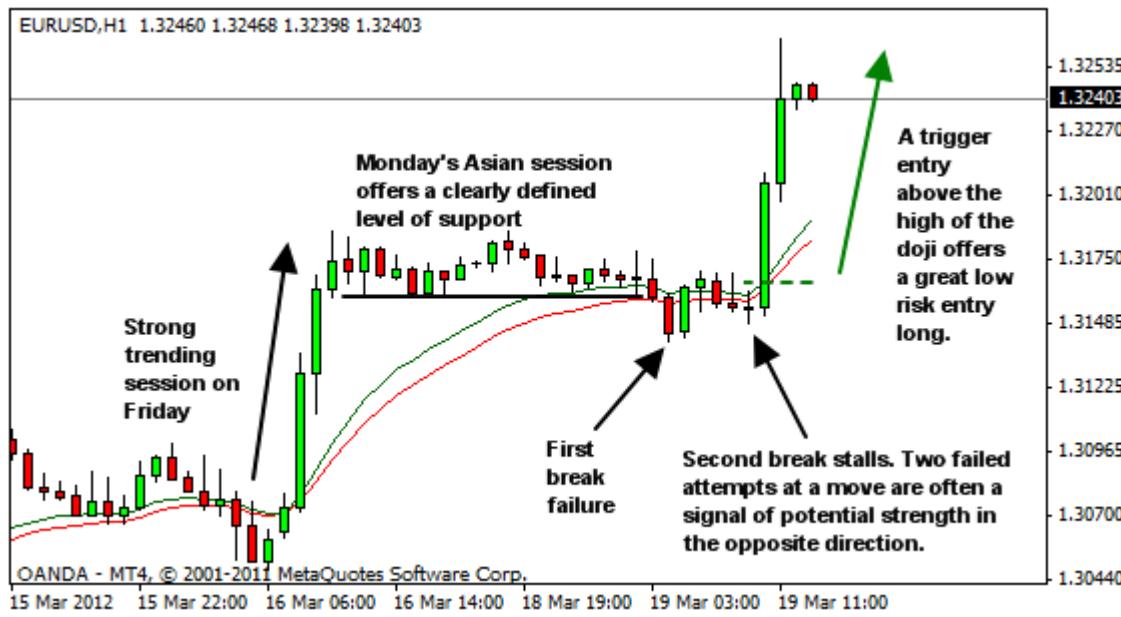
I've had a request (actually a few over the last couple of months) for some longer timeframe forex. So here we are. I'll focus on higher timeframes this week; and then on occasion in future.

After all, price action concepts apply on all timeframes and all markets, provided sufficient liquidity to ensure smooth price flow.

Let's start with today's EUR/USD 1-hour chart.

The immediate concept that jumps out at us is something I've discussed a few times on the blog. Two attempts at something quite obvious to the general trading crowd (such as an attempt to break support) can often be a sign of potential strength in the opposite direction. In this chart we see a second break of support stalling with a doji candle (equal open and close). Shorts will stop out on a break above the bar, so that's where we want to enter long (if we weren't already long from the first failed break).

Beyond this concept there is something else quite important. The doji candle is also the opening bar of the US session. It's quite unusual for a US session open to remain so tightly rangebound. In this case it was an NR7 bar (narrowest range of the last seven bars) which is also considered a great volatility expansion setup.



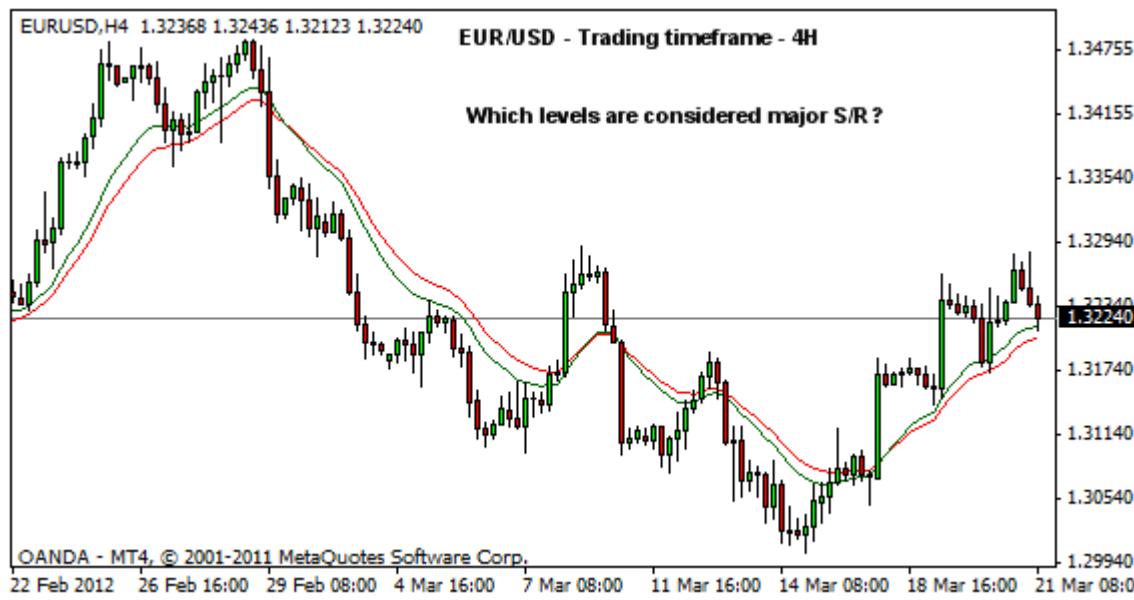
Two Methods of Defining Major Support and Resistance

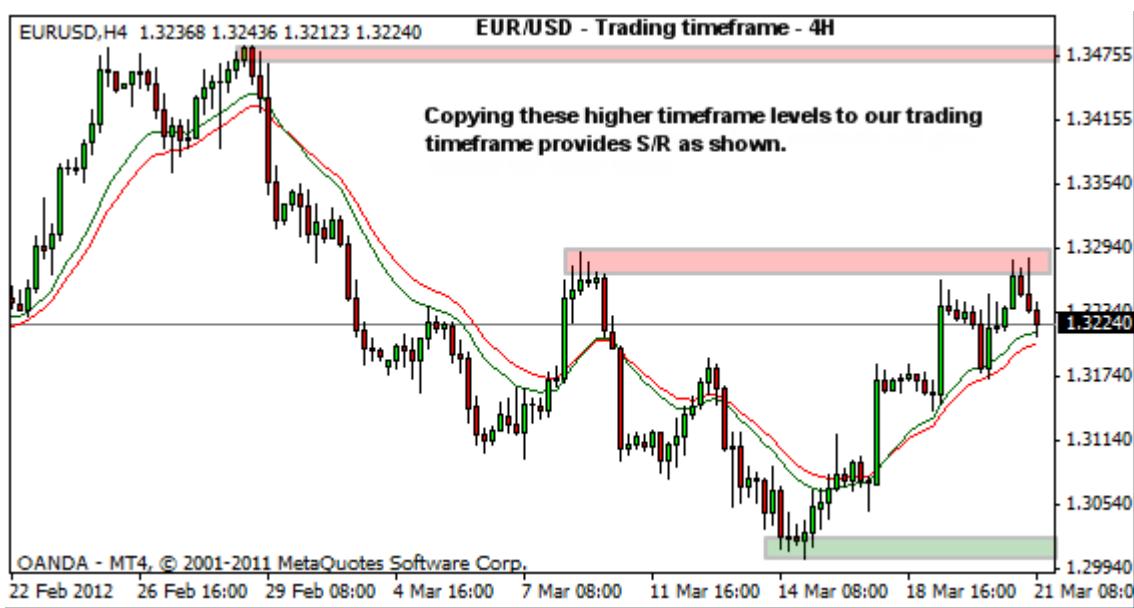
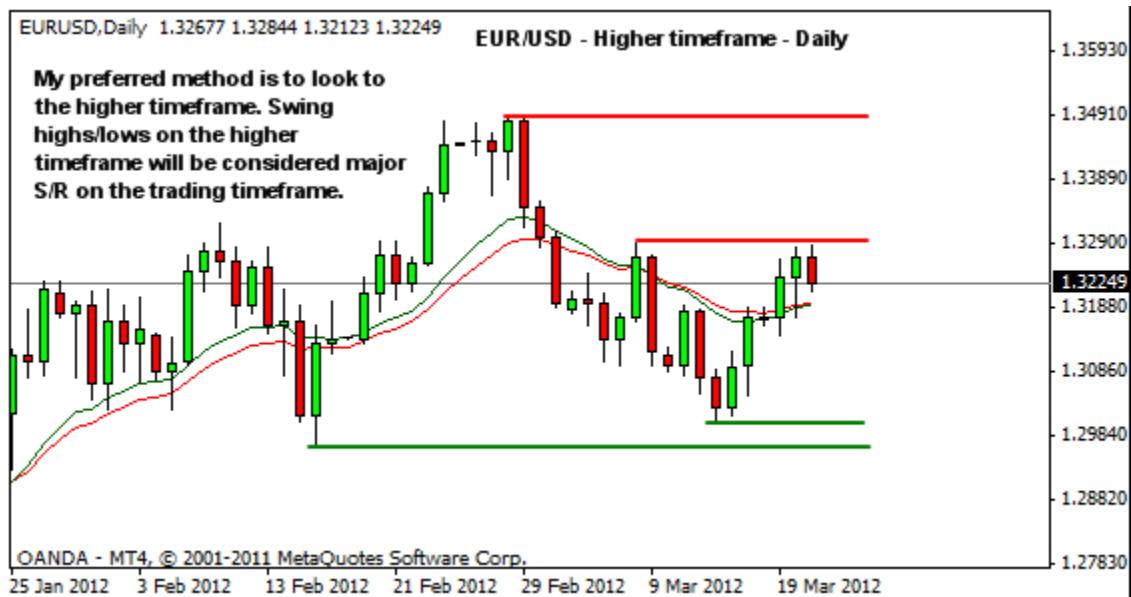
Wednesday 21st March 2012

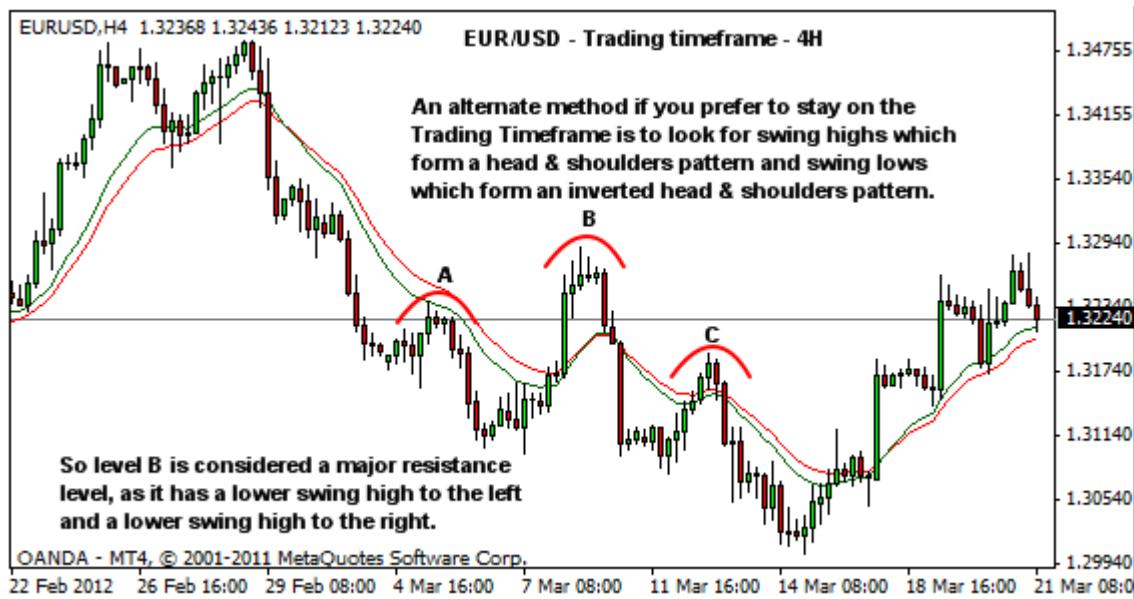
So how do we determine which levels are major S/R (as opposed to minor S/R or just swing highs/lows). Today's post will look at two methods.

Please note, this has nothing to do with determining quality of S/R. It's simply a step in defining your market structure.

The charts should be pretty self-explanatory (EUR/USD, trading timeframe 4H; higher timeframe daily)...







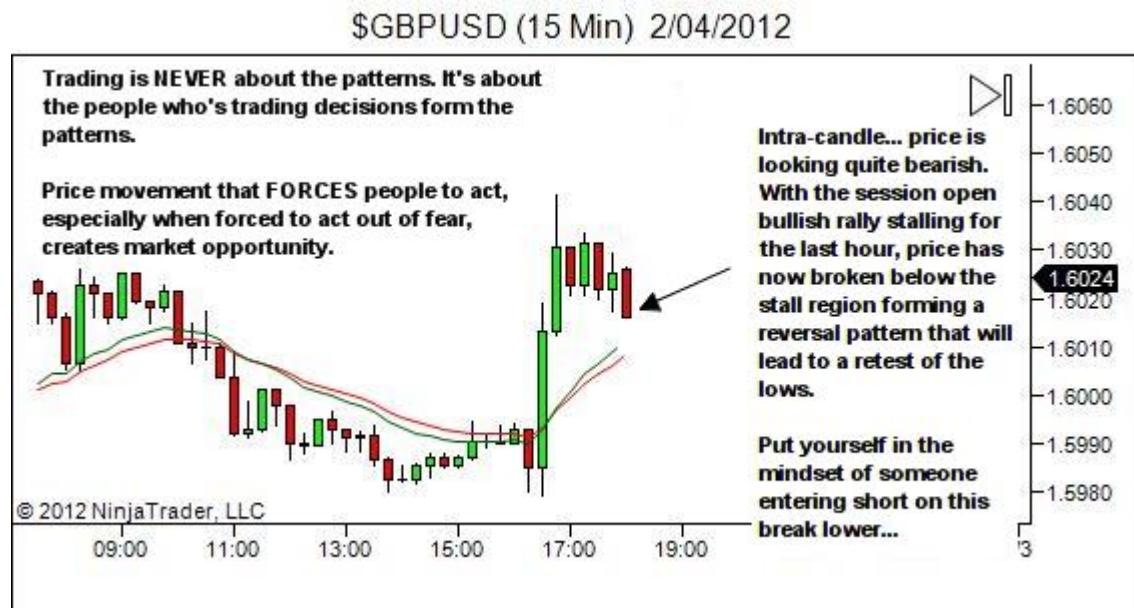
Look Deeper than the Patterns

Monday 2nd April 2012

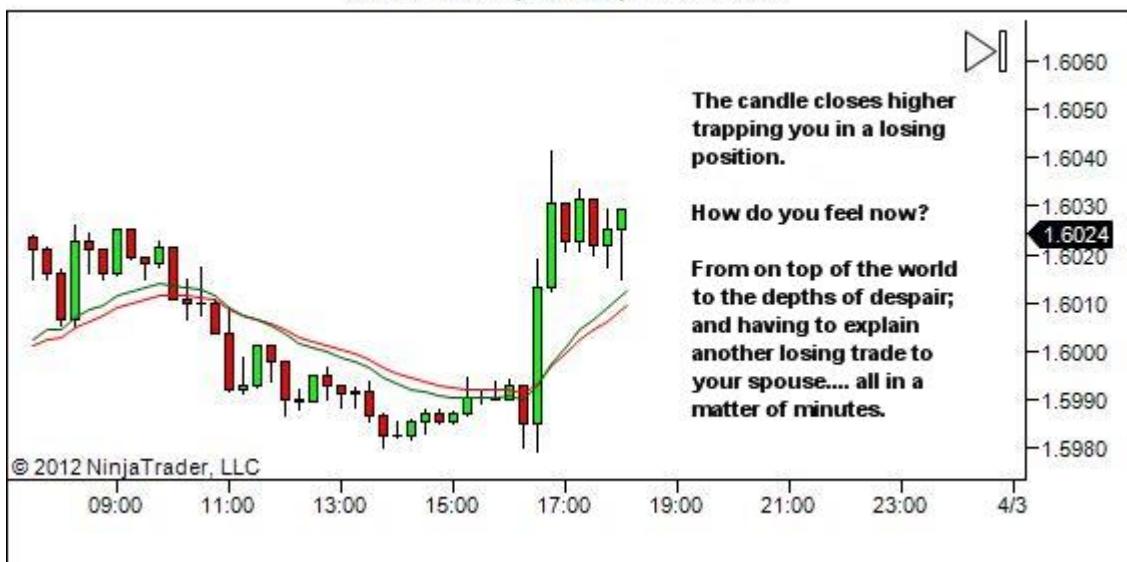
Look deeper than the patterns. This game is not about patterns. It's about the people who make the decisions, which make the orderflow, which makes the patterns.

Find areas of the chart that FORCE people to make emotional decisions. That is where you find opportunity.

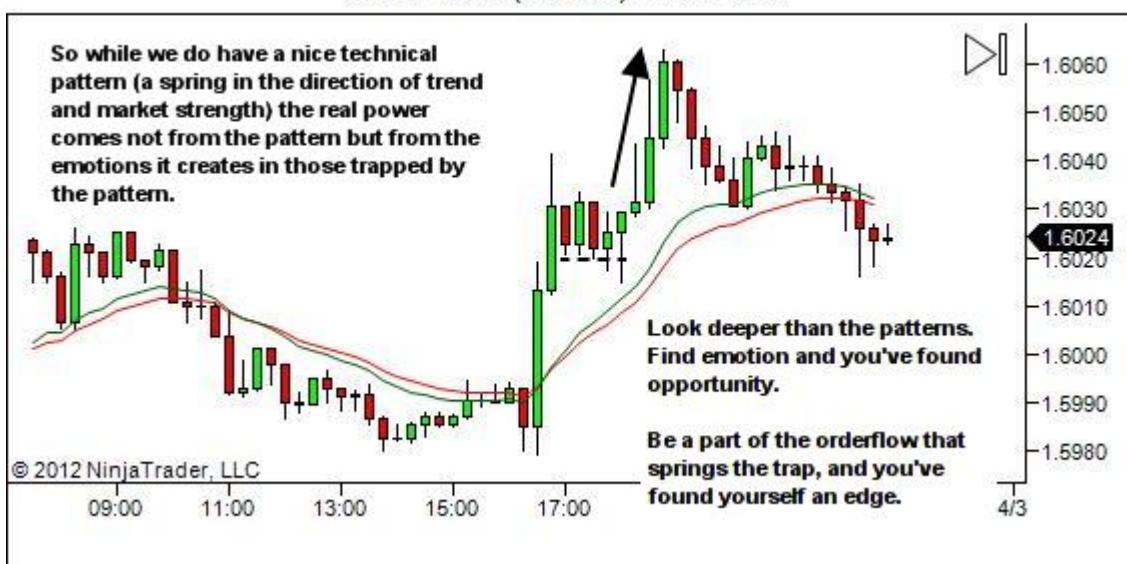
If you were trapped short while trading today's GBP/USD 15 min chart, against market strength, you'll know what I'm talking about!



\$GBPUSD (15 Min) 2/04/2012



\$GBPUSD (15 Min) 2/04/2012



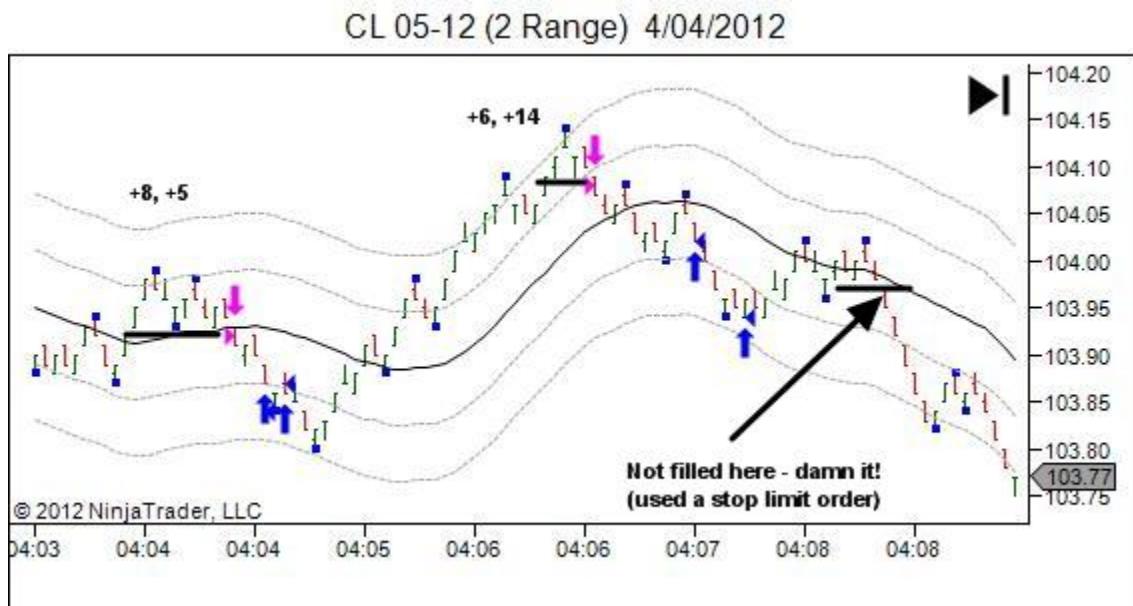
When Limit Order Entries Scare the Hell Out of You

Tuesday 3rd April 2012

YTC Scalper traders... in more volatile markets, in more volatile time periods (such as after a significant news event) if you don't feel comfortable using the standard limit order entry method, then here's an alternate plan which may be easier.

My preferred option in these cases is lower timeframe micro-pattern breakouts. Small double tops, bottoms, ledges or 123 patterns. Look for a little stall in our planned setup area and then a breakout continuation in the direction of bias. The aim is to still ensure wholesale pricing though, despite the temptation to chase.





Finding the Best Key Reversal Bars

Tuesday 10th April 2012

The best key reversal bars are those in which the failed side breaks multiple bars, trapping a greater number of traders in a losing position.

Note in the following chart we have bars B and C which trap multiple bars and provide great follow-through.

Compare with bars A, D and E in which the trap side only breaks the prior bar by one tick before failing. In all cases they still provided some movement in the new direction, but not to the degree of bars B and C.



N.B. Technically a key reversal should be positioned at the end of a directional move, signalling a reversal of direction. That is, the chart should display a clearly defined trend or pullback. A and D are very low quality signals given the ranging conditions prior to the bar and the weak trap. I wouldn't be concerned if you didn't want to call them a key reversal. For me though, these trap bars still attract my attention no matter where they appear.

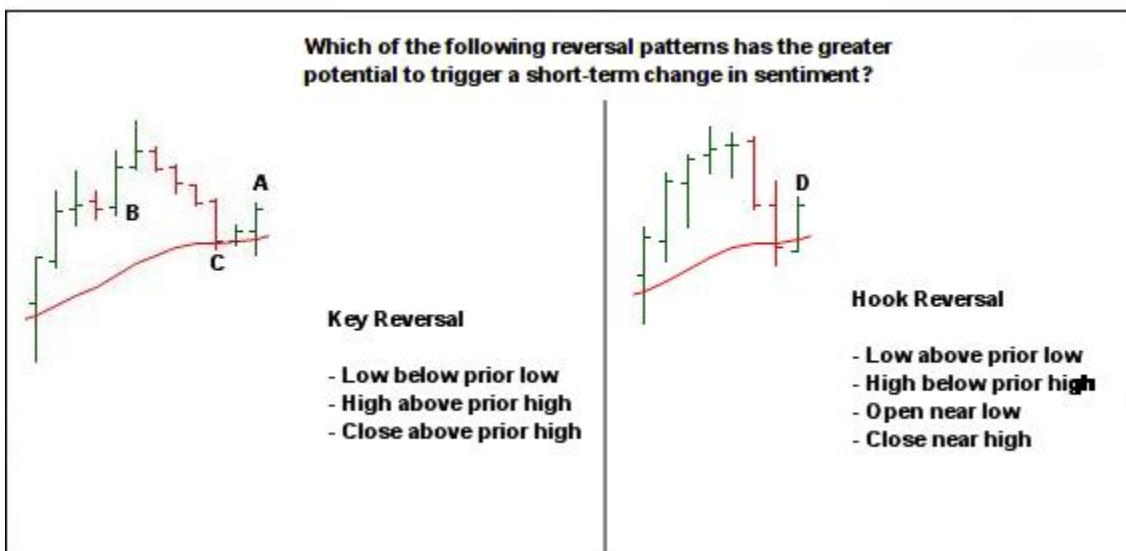
Comparing the Influence of Two Price Bar Reversal Patterns

Wednesday 11th April 2012

Which of the following price-bar reversal patterns has the greatest potential to trigger a short-term change in sentiment and continuation of the trend?

The key reversal (A) which has quite likely trapped additional late shorts as it broke short-term congestion (B) and again as it broke short-term congestion (C), before closing above the prior bar's high? The break of (B) was accompanied by an increase in volume, as was the break of (C) and subsequent reversal. The break of (C) extended for four ticks.

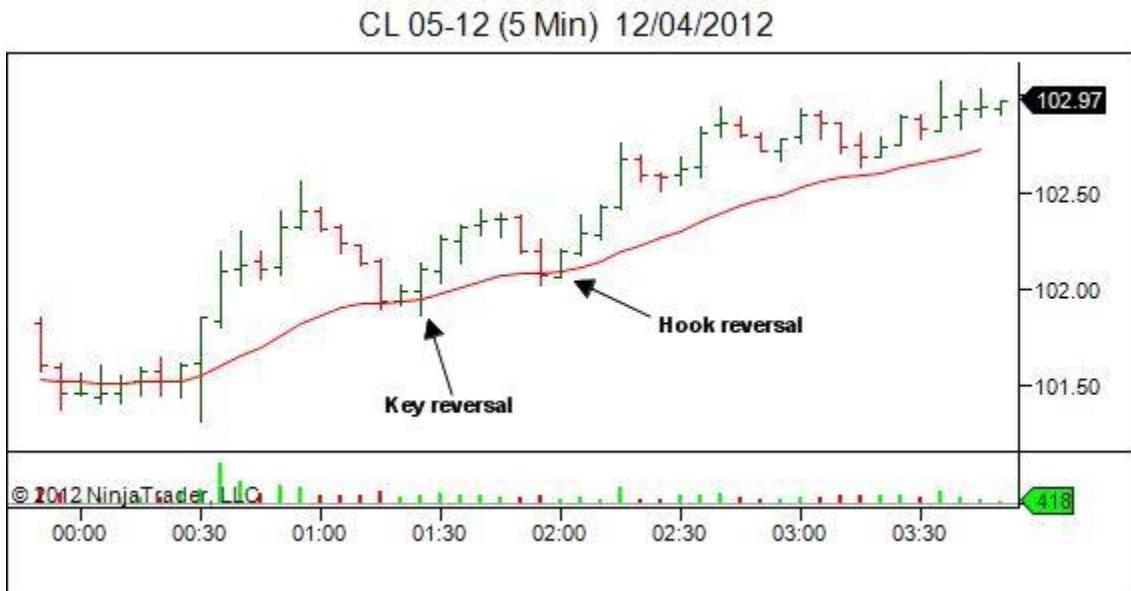
Or the hook reversal (D) which didn't break any short-term levels and provided no reason to attract any additional late shorts. And which was accompanied by a low volume?



Generally, a key reversal is considered a much stronger reversal pattern than a hook reversal. This is of course due to its greater shock value in rapidly trapping someone in a losing trade.

I'd be betting on a greater likelihood of the key reversal leading to a continuation of the trend, than the hook reversal. A hook reversal is much more likely to fail.

And yet we see below that it was the hook reversal which led ultimately to the continuation of the trend.



This is a good example of the limited influence of a price bar or candlestick pattern. Yes, they do indicate a change in sentiment when triggered, but typically their influence is limited to the short term only. A "guesstimate" would be somewhere in the vicinity of one bar to maybe half-a-dozen bars maximum (and more likely closer to the lower end of that range).

From that perspective, both trigger patterns did exactly what they should do. But it isn't the trigger patterns which determine the continuation (or not) of the trend.

All movement after a pattern is a function of orderflow which occurs after the pattern. So beyond an immediate surge of post-pattern orderflow, any further movement is dependent on whether or not that post-pattern movement leads to a change of sentiment amongst wider market participants. And for that we need to look with a wider perspective to see how other market participants will view this short-term reversal, in particular those on higher timeframes.

Bigger moves are not about the trigger pattern. Much more important is the timing and context.

Gap Open Right Into Resistance

Monday 16th April 2012

One for the ES traders (and anyone else who trades a market with overnight gaps)!

The market today gapped open right into an area of prior day's resistance.

Be excited when you get a gap right into support or resistance. :-)

Not only does this provide you with a potential setup early in the session (watch for test, breakout failure or breakout pullback entries depending on which side of the S/R provides acceptance of price).

But even more important than an early setup is the fact that it helps us identify an early market bias.

It always reminds me of Mike Reed's Rejection from Initial Fixed Support or Resistance, in his excellent ["Read the Greed" ebook](#), where he says:

- "Whether you trade this setup or not, it's very useful to recognize it, because rejection from initial fixed RBI support or resistance is a "tell" for the day... meaning that it gives a great indication of which direction the market will favor for the rest of the morning and often for the rest of the day."



Repetition is the Mother of all Learning

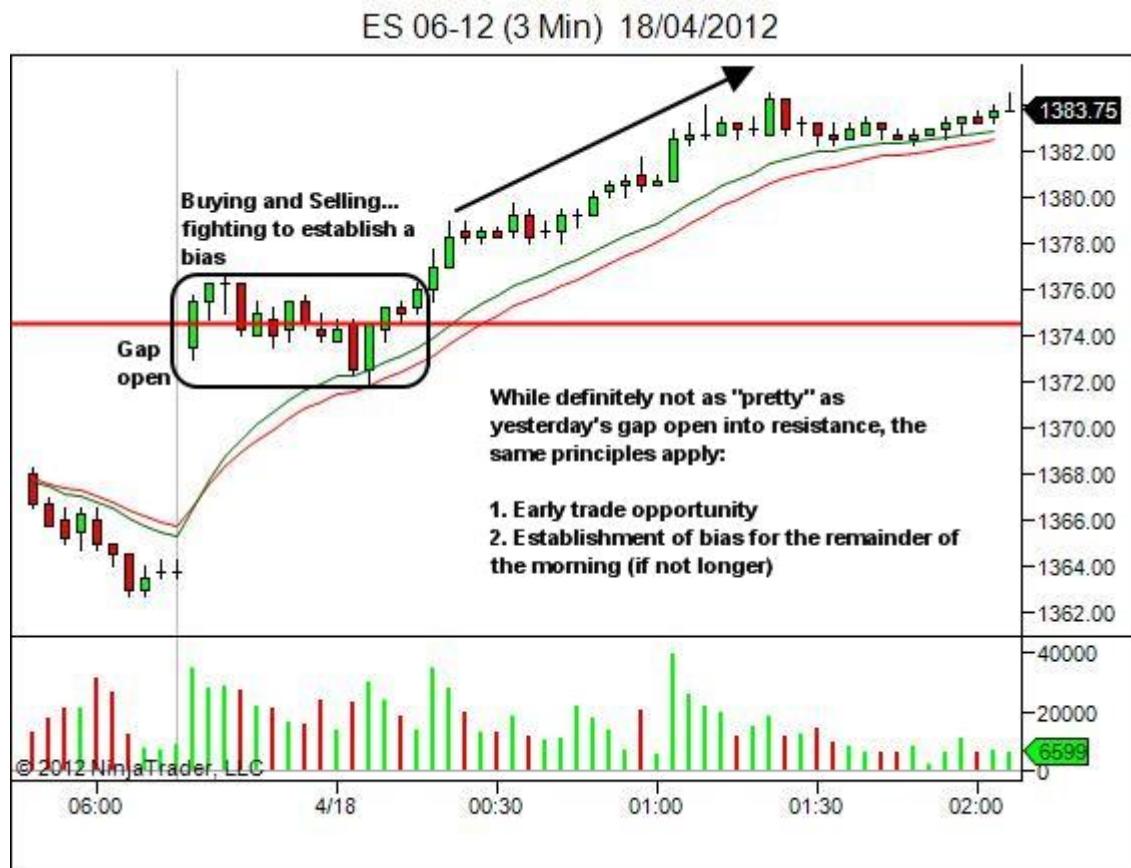
Tuesday 17th April 2012

Yesterday the ES gapped open right into an area of prior day's resistance.

Today the ES gapped open right into an area of prior day's resistance. In fact... it was the same area.

So I hope you ES traders took notice of the lesson in yesterday's post - not only does a gap into an S/R area provide you with an early setup, but even more importantly the subsequent direction often identifies the market bias for the rest of the morning, if not the whole day.

Here we see today's chart (first 2.5 hours).



Unlike yesterday, which showed a quick and decisive rejection of the resistance level before developing into a downtrend, today provided a difficult battle between the bulls and bears before the bulls were able to show their dominance and establish an nice uptrend beyond resistance. Quite likely the initial battle would have led to one to two trades scratched for small losses, depending on your read of the market and your level of aggression. Certainly you should have taken the short after two failed attempts to break higher. Of course this would be scratched as the market set up a beautiful trap entry long leading into the subsequent uptrend (easily covering the expense of two scratched losers).

Trade When the Market Moves

Wednesday 18th April 2012

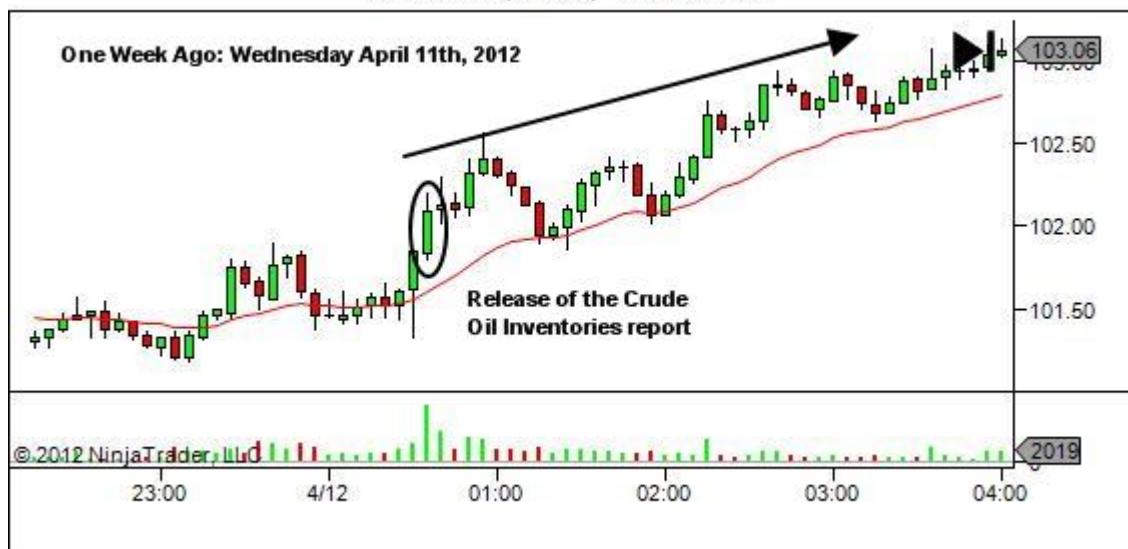
Profits require movement of price. So it seems pretty obvious that part of your plan must be in learning when your preferred market is most likely to provide movement. And then structure your trading as best you can to ensure you're available at those times.

I trade Crude Oil quite a bit lately. And I suspect that Wednesday must be the favourite day of the week for Crude Oil traders, by far. Every Wednesday at 10:30ET the Crude Oil Inventories report is released, more often than not setting up a nice directional move.

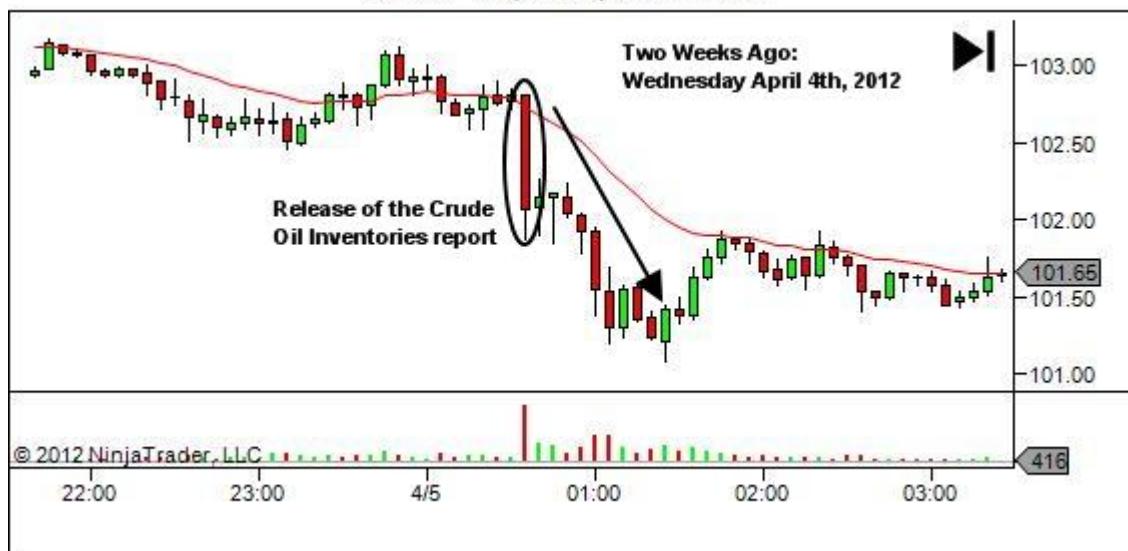
You may not trade Crude, and that's fine. But are you aware of the daily, weekly or monthly events that can trigger the best moves in your preferred market?



CL 05-12 (5 Min) 12/04/2012



CL 05-12 (5 Min) 5/04/2012



The Breakout Pullback

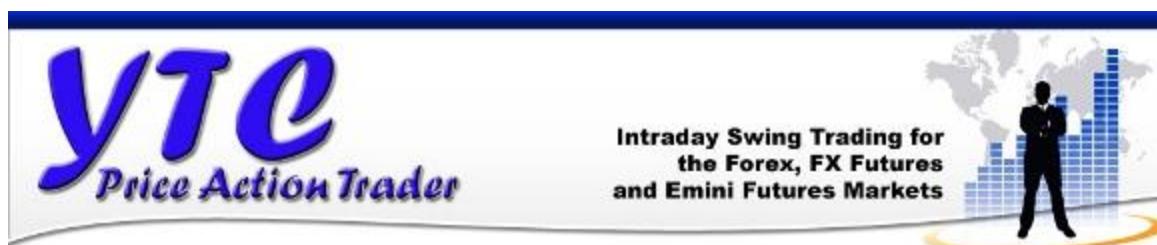
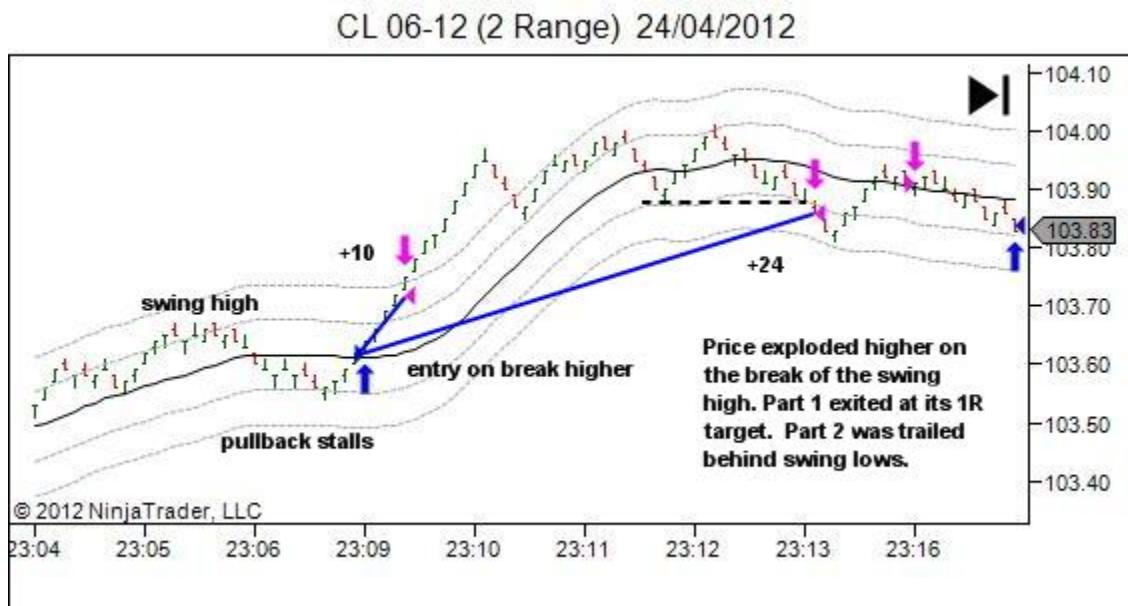
Tuesday 24th April 2012

Today's Crude Oil charts (below) offer a nice example of a Breakout Pullback setup. Sometimes you're just lucky like this and they explode in your trade direction! (Especially lucky because the following couple of hours was slow, rangebound price action which lacked conviction on any directional moves.

The timeframe is low simply because that's what I trade. The concept though is relevant on all timeframes and in all markets.

For much more detail in when and where to take these setups... see the [YTC Price Action Trader](#).



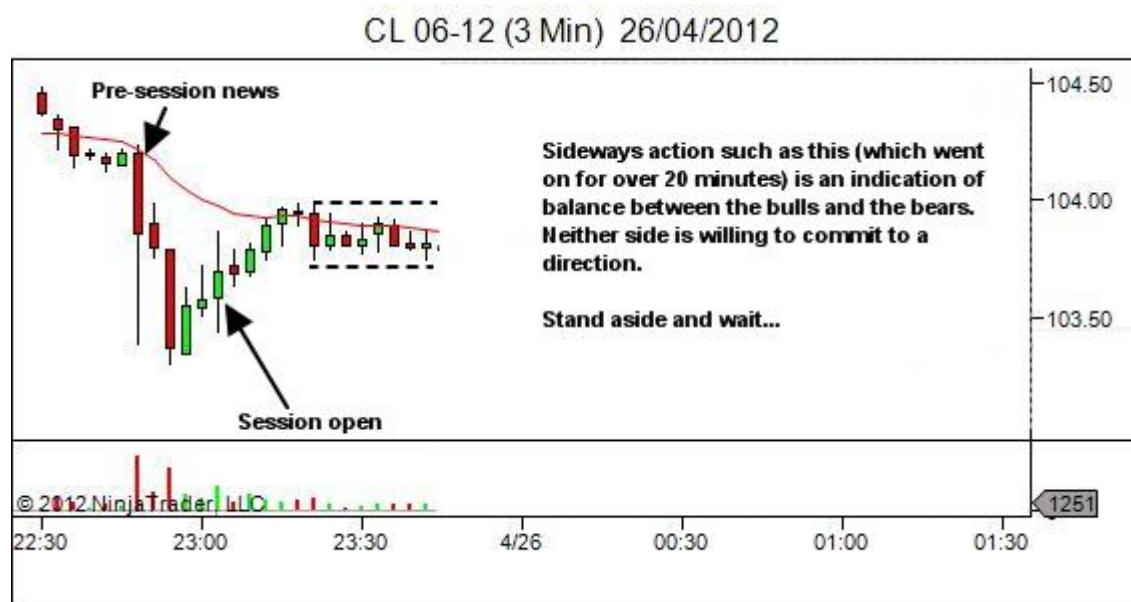


Sometimes The Market is Waiting for Something - Stand Aside and Wait With It!

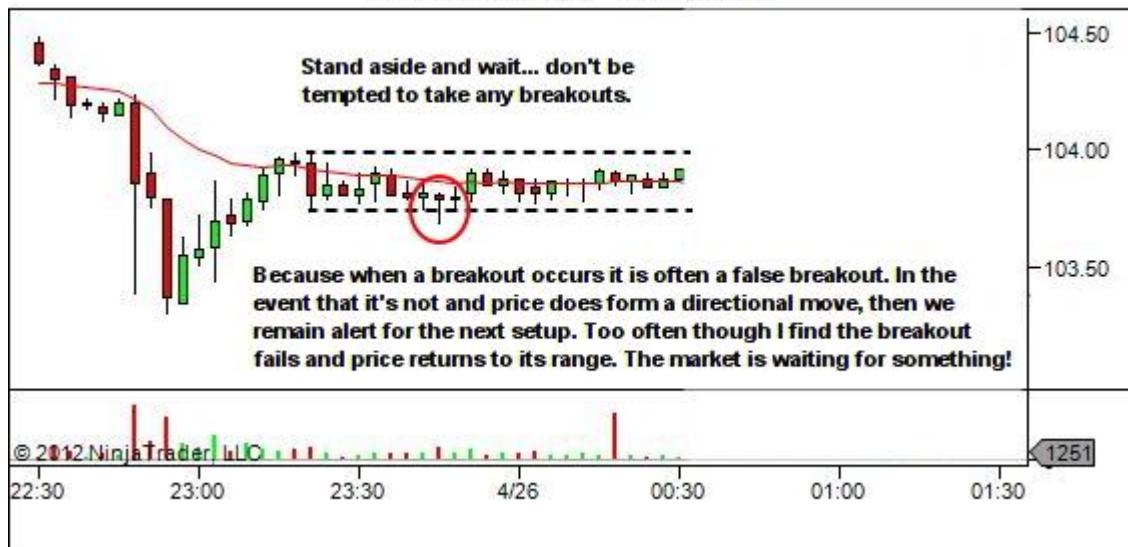
Wednesday 25th April 2012

Your economic calendar will provide you with advance warning of the major pre-planned events due that day. Sometimes if it's likely to be a significant event then the market will set up a period of congestion in the lead up to the event. And sometimes that congestion tempts you with an early breakout. Don't take it. More often than not it's a trap.

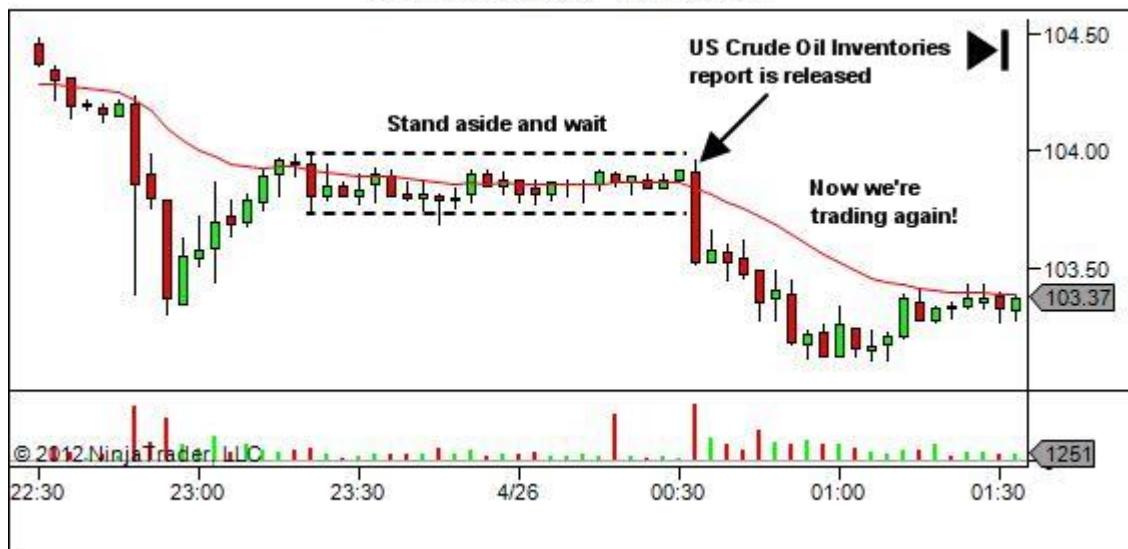
Stand aside and wait. Let the event happen and then re-engage the market.



CL 06-12 (3 Min) 26/04/2012



CL 06-12 (3 Min) 26/04/2012



Breakout Pullback plus Spring

Monday 30th April 2012

There is something beautiful about trap patterns. This one - I absolutely love.

A [breakout pullback](#) which triggers entry long through a [spring pattern](#).

The pullback initially forms a ledge, finding short-term support right on the prior resistance level before then breaking lower. This would trap out many of the breakout traders, and trap short others who enter in expectation of a breakout failure. The subsequent move offered well above 2R profits.

The only negative... it came well after my session which only involves the first few hours of trading.

But it's still a great sequence of price action! :-)

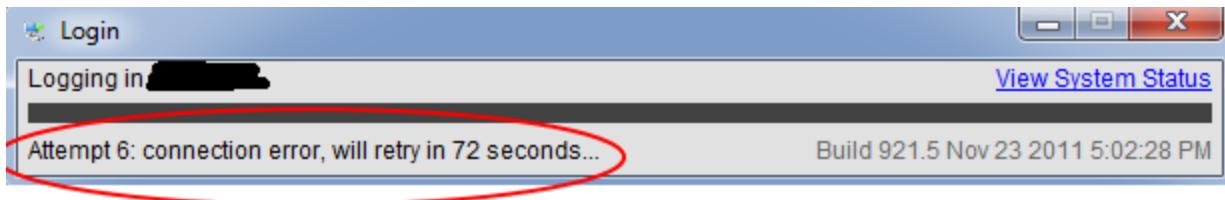


Connection Error... But What About my Trade?

Wednesday 2nd May 2012

This blog is meant to be about price action lessons. But an event here today suggested something just a little different.

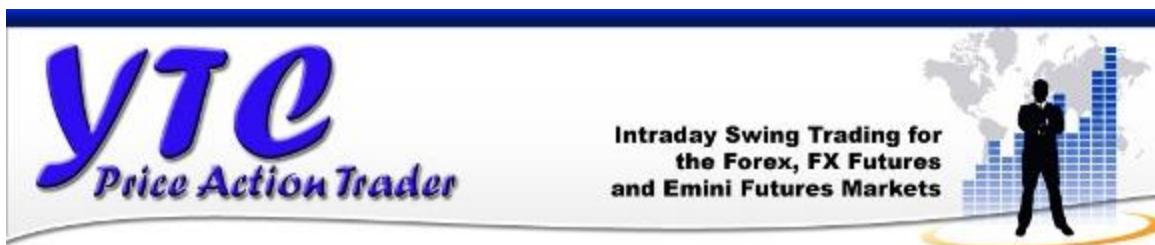
So please consider the risk outlined in the following image. And we'll get back to price action in the next post!



What happens if your computer loses connection to the broker while you have an open trade?

- * Do you have procedures for establishing alternate communications with your broker?
- * Have you considered a backup internet connection?
- * Have you considered a backup broker?
- * Have you considered a backup computer?
- * Do you know whether your active orders reside at the exchange, with your broker, or are they on your PC?

In summary - loss of connectivity is a massive risk. Have you appropriately managed it?



Large Gap Down

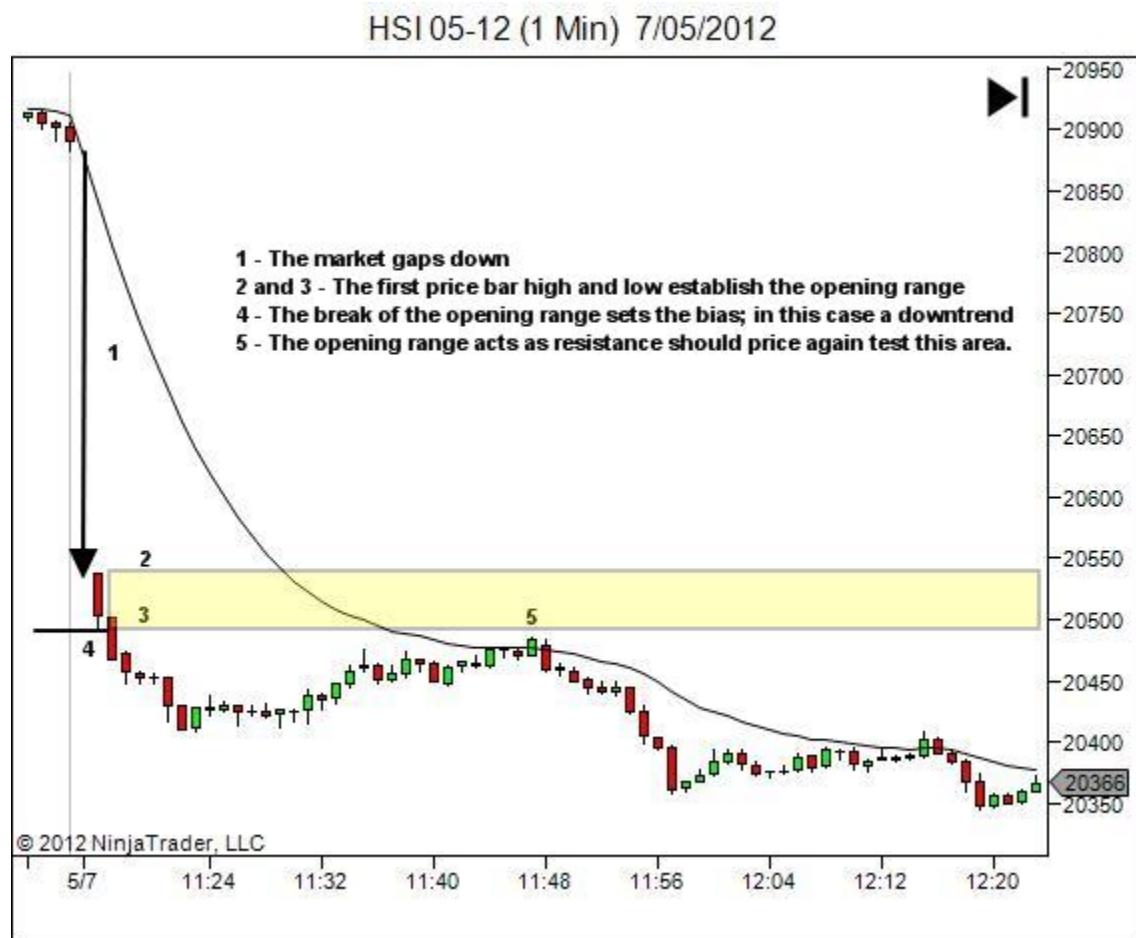
Monday 7th May 2012

There is nothing like a bit of weekend election carnage in Europe to gap the Hang Seng down, on the first day of my return to the HSI.

(For those new to YTC, I'm on the east coast of Australia. I'm usually trading US market hours, which means from 11pm through to about 2-3am. A couple of times a year, when fatigue levels reach critical mass, I like to move to something in my timezone for a week or two in order to reset the body clock.)

And so with such an awesome gap down the obvious blog post entry has to be a reminder of how I read gap openings.

- Initial bias is established based upon a break of the opening bar range. So in this case I was operating with an expectation of a bearish trend, from the point of break of the low of the first bar.
- The opening range is then expected to act as S/R later in the session, should price return to this area.



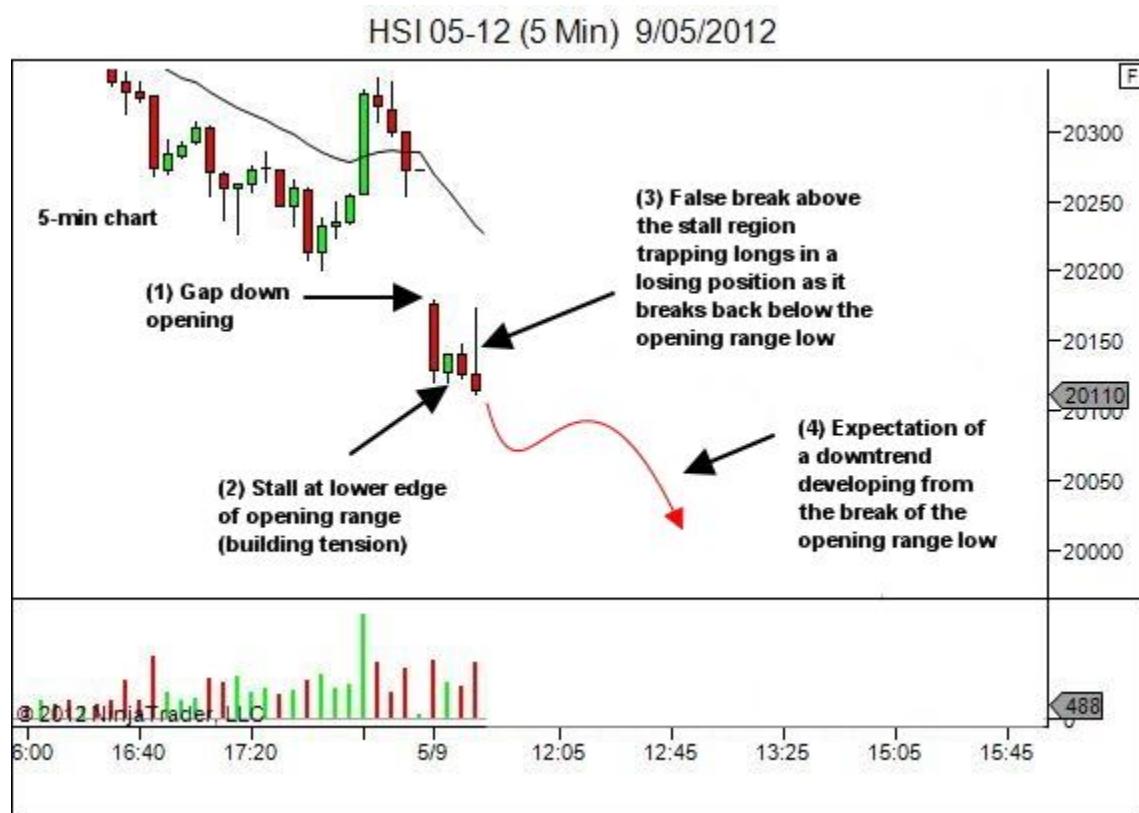
Having a Bias is Fine! Just Be Prepared to Drop it When Reality Shows It's Wrong!

Wednesday 9th May 2012

It's been a really SLOW week in the HSI so far, in particular today.

But even in a narrow-range sideways market we can find something interesting in the price action.

Today's 5-minute chart offered the following price action, which for maybe 8 out of 10 traders would be screaming, "This market is going down"!



Of course, 8 out of 10 people are often wrong!



In this case, I was sided with those who were wrong. I did have expectations of a downtrending session, as per the red arrow in the first chart.

However... and here's today's lesson... I was able to drop my expectations quickly through having considered the following - (a) what price action will be required to validate my expectations, and (b) what price action would invalidate my expectations.

People often say that having a bias in the market is dangerous. I disagree. I think everyone who trades has a bias. You can't trade without some expectation for future direction of price. The danger though is when you are unwilling to drop your bias when faced with clear evidence it's wrong.

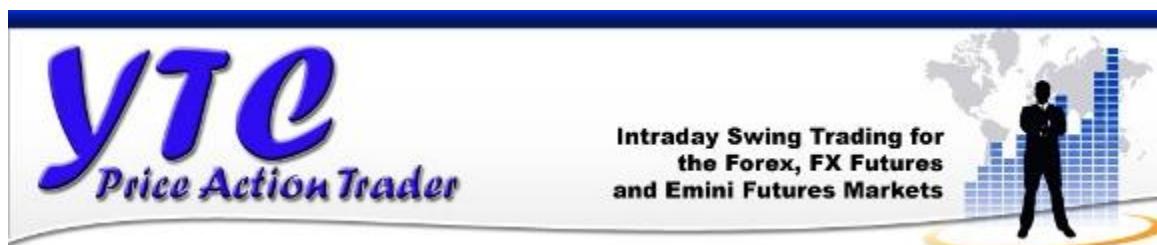
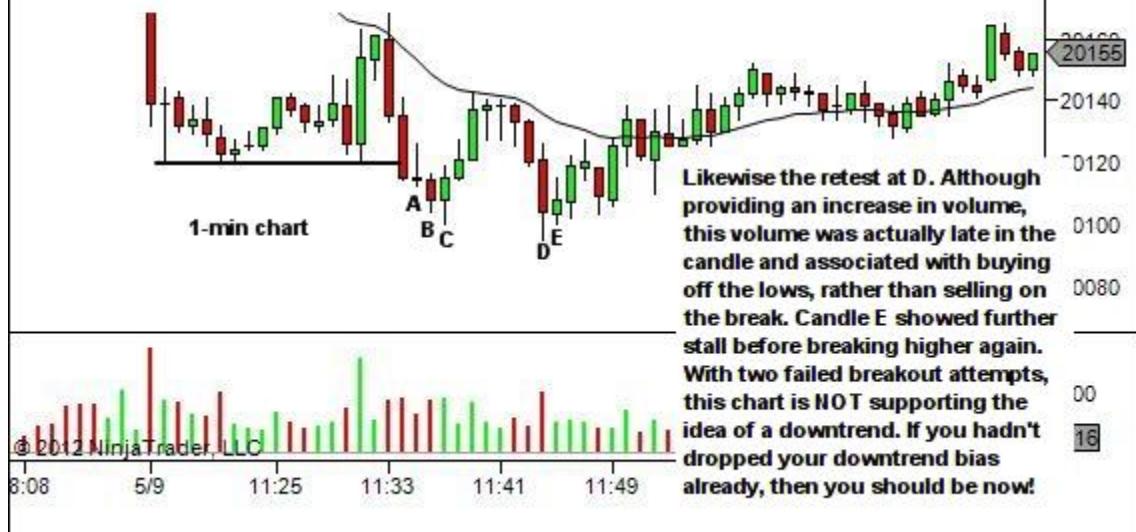
In the [YTC Price Action Trader](#) we are taught to always question our bias. In our initial analysis we include a step which asks, "What price action would invalidate your assessment of future trend direction?" (Vol 2, P163, Step 5).

And in our ongoing bar-by-bar analysis we are continually asking whether the new candle supports our current premise, or whether we need to reconsider our analysis. (Vol 2, P184, Sect 3.53)

It's fine to have an expectation. But make sure you know when to drop it.

HSI 05-12 (1 Min) 9/05/2012

Let's look inside the 5-min chart (via the 1-min). My expectations had been for quite a rapid follow-through. Candle A should have moved quickly, providing a large range low-close-bear-candle, if it was going to support my bias. However, instead it developed a stall post-breakout, indicating some buying holding up price at this level. Subsequent break of A via candle B occurred again with little range, before candle C completed the breakout failure. There is NO evidence of bearish strength on this breakout.



Opening Range for Bias and S/R

Tuesday 15th May 2012

I've focused on this a few times recently, but the market just keeps on coming up with some great examples. Plus repetition is good for learning!

The opening range (first trading timeframe candle at session open) provides a great way to determine initial market bias. Price above the opening range is bullish; below the opening range is bearish. And it also provides a great area of potential S/R if price should return to this level.

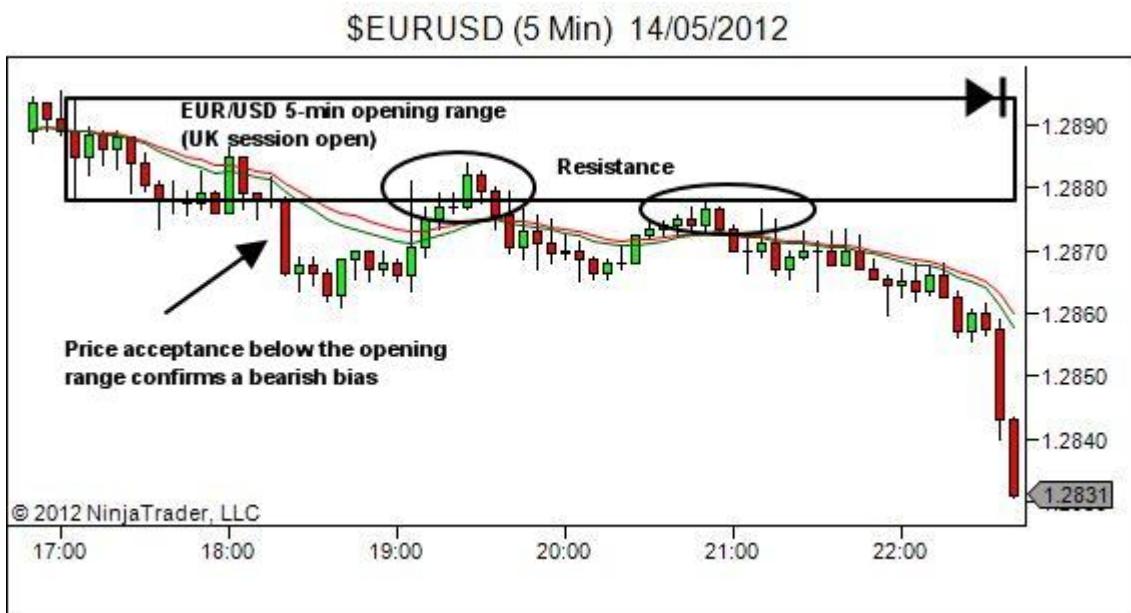
This applies to any market.

The first two charts show the Hang Seng Index for today and yesterday.



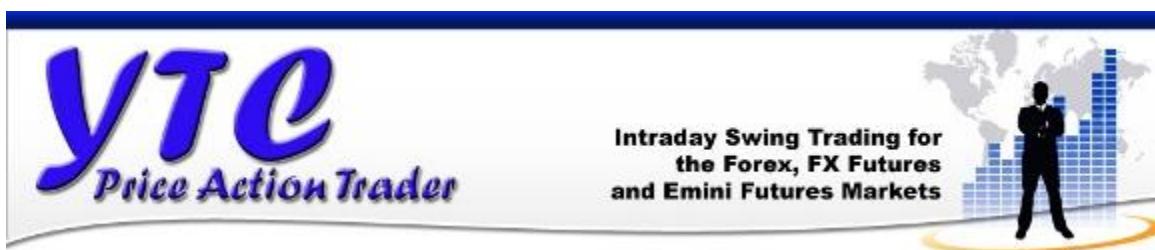
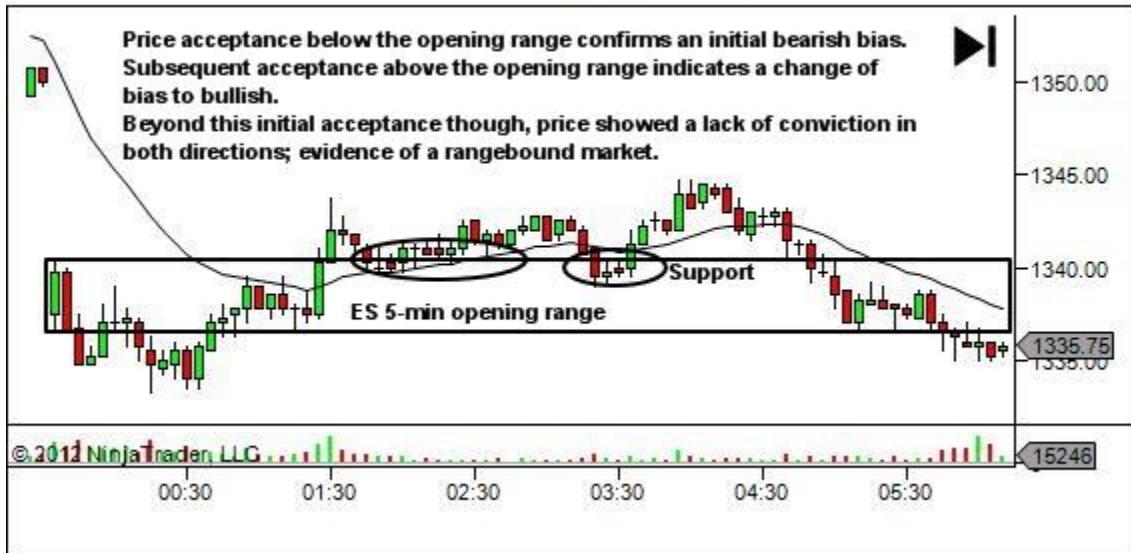


The following chart shows the EUR/USD yesterday.



Of course, not every day trends smoothly away from the opening range. Monday's ES chart shows a messier example, where price alternated above and below the level. Despite this the opening range still offers us a gross assessment of bias (price above the opening range is bullish; price below is bearish). And again it acts as S/R. Even when the environment is range bound, the opening range concept proves to be useful.

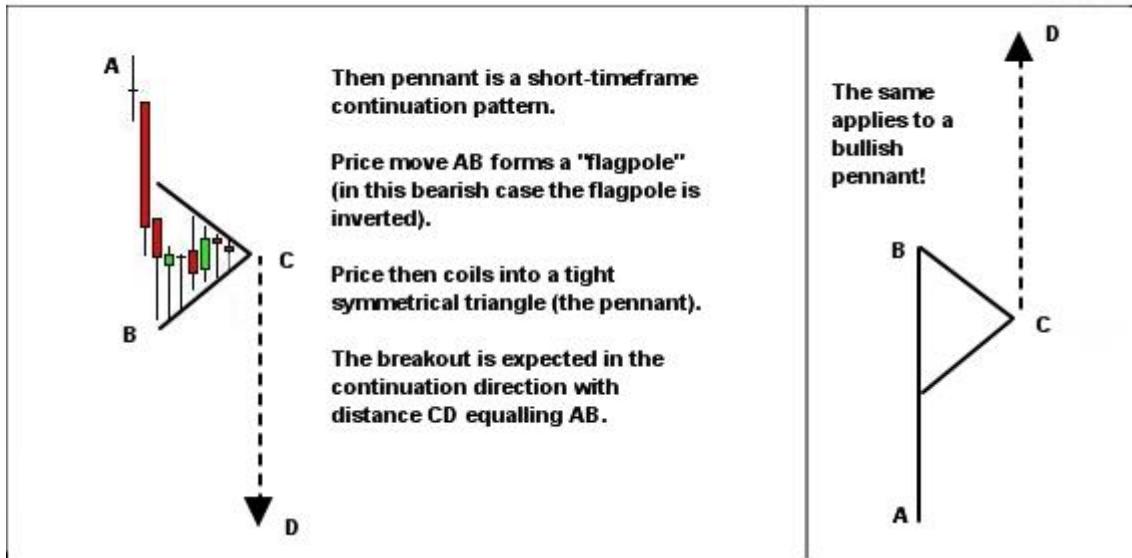
ES 06-12 (5 Min) 15/05/2012

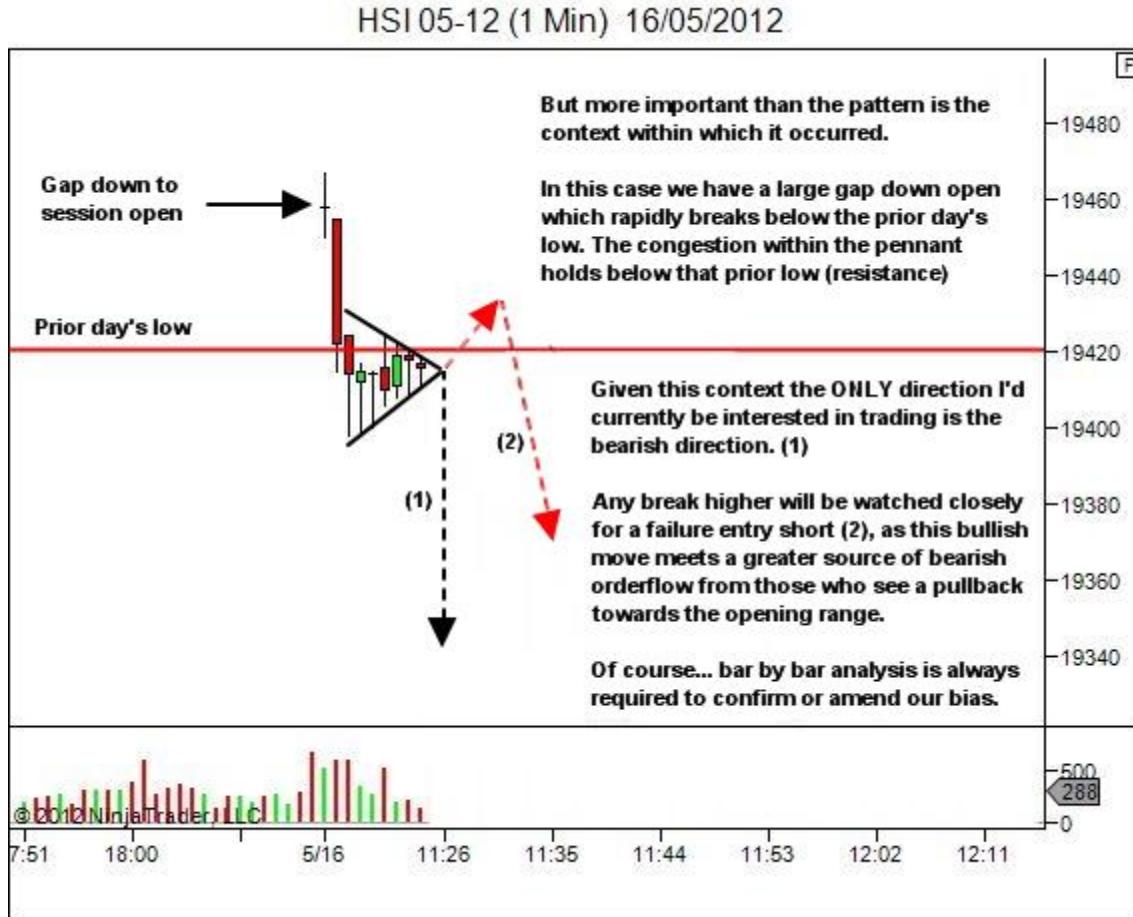


The Pennant

Wednesday 16th May 2012

Today's market offered a nice example of a pennant. But more important than the pattern itself, is the context within which it occurred (as always).







First Break in Over a Week

Monday 21st May 2012

For over a week now the E-mini S&P has been in a strong downtrend.

Today (21st) was the first day the market was able to break the prior day's high, since the 11th.

So let's look at this event. First up the 60 min chart to show some context:



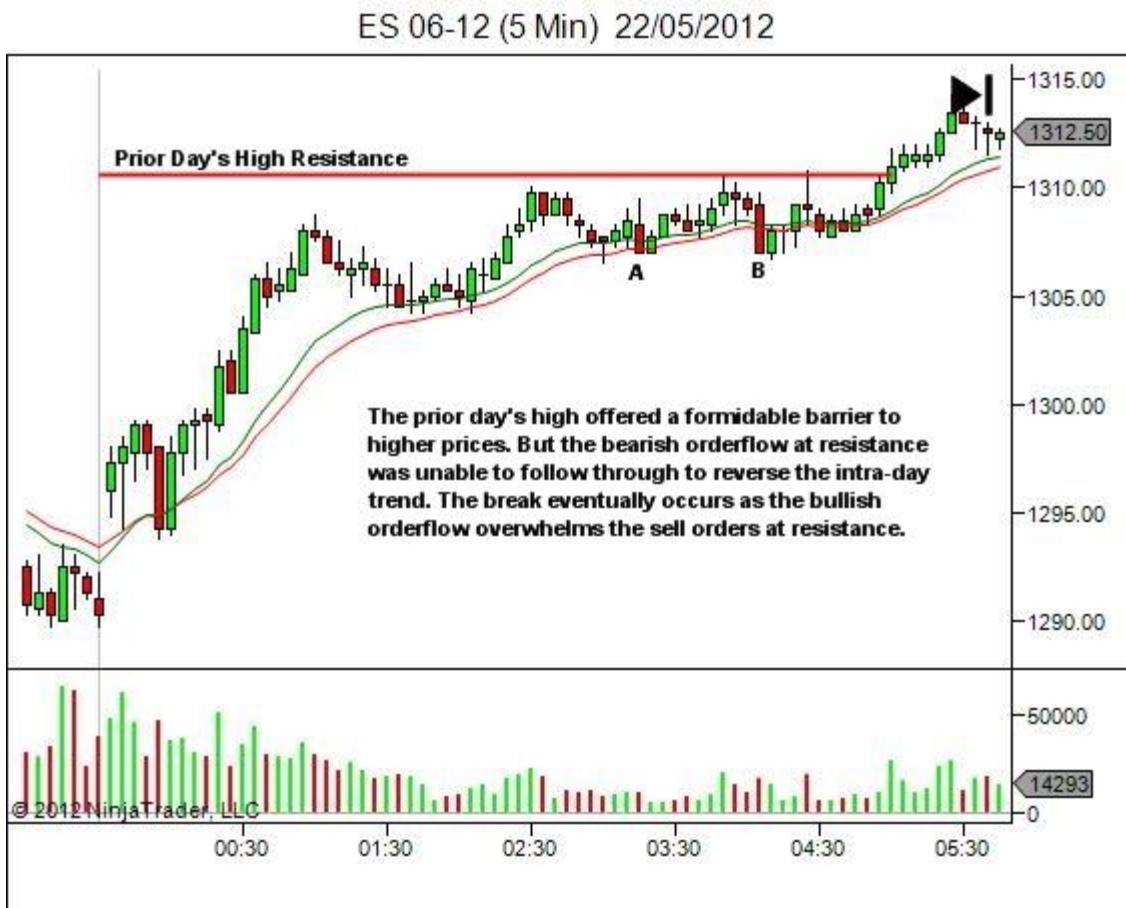
Now the five minute chart to see some detail (next page).

The first thing we observe is the fact that the prior day's high offered formidable resistance, taking several hours to break. This is to be expected, given the context of the strong downtrend. It's a good example of why S/R work - trader perceptions and expectations.

Markets offer no "absolute" values for when a price is to be perceived as high or low. Rather, we make subjective assessments by referencing price to other significant levels. In the "trading world", a prior day's high or low is considered a significant level by MANY traders, so it becomes our reference point, or anchor. Price well below the reference point is considered low, offering much potential upside. Price approaching the reference point is considered high, offering less potential upside.

The bulls who entered lower will be taking profits (at least partial) in the vicinity of the prior day's high as they expect significant opposition from shorts who see this area as a great place to enter a pullback in the direction of the higher timeframe trend. Both result in bearish orderflow. Very few people will be interested in entering long so close to such a significant level, with such small potential upside. Buying dries up. Selling increases. This is how resistance plays out.

This time though the market offers a great example of how price will behave if it will break through such a formidable barrier. Note how price continues to push against the resistance, with any particularly bearish candles (such as A and B) unable to continue to follow through lower. This is evidence that the sentiment has potentially changed. Failure to continue lower should have us seeking opportunity long in expectation of a potential break higher. (ie. trust the trend until we see evidence to suggest reversal).



Double Gap Closure

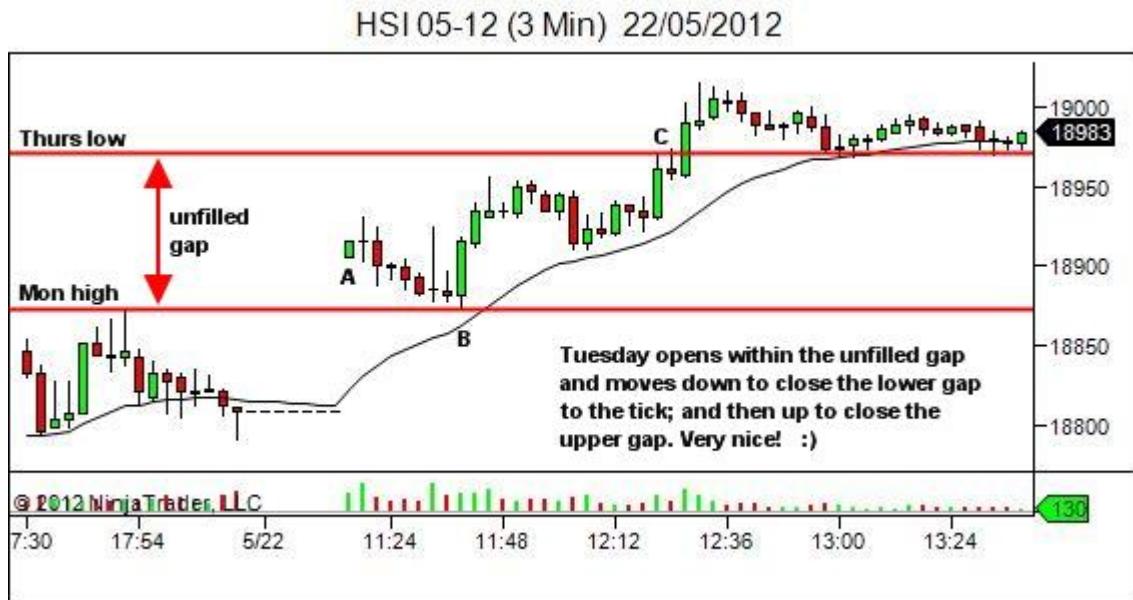
Tuesday 22nd May 2012

Today we have not so much a price action lesson, but rather something which I thought was pretty cool as it occurred on the Hang Seng index. That is, a gap closure in two directions.

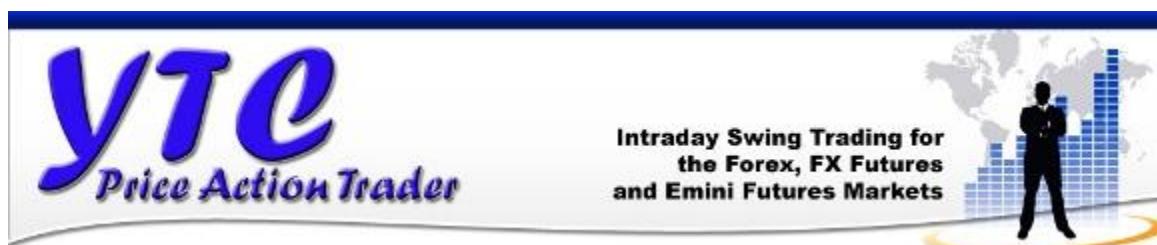
It's the simple things which excite me! (I know... I need to get out more!)

Let's look at the 15 min chart first to get the bigger picture, followed by the 3 min chart which shows today's price action.





NOTE: I am mainly concerned with gaps between the current open and prior day's highs and lows. I'm not personally too concerned with gaps between the current open and prior close. Those who would say that a new gap still remains open, as Tuesday's gap open at A did not move down to meet the prior close. Different strokes for different folks!



Weakness at Resistance

Tuesday 22nd May 2012

EUR/USD here shows us a good example of weakness at an area of resistance.

Let's look first at the 30 minute chart to get some context. And then the 5 min chart to see what initially appears to be strength, but is in fact unable to penetrate resistance at three attempts before giving up and reversing.



\$EURUSD (5 Min) 22/05/2012



Note the weakening strength of slope C compared with A and B. And note the reducing projection on swings A, B and then C.

This is a beautiful textbook perfect [YTC Price Action Trader](#) reversal at resistance.

Here's the 3 minute view for those who prefer this over the 5 min chart.

\$EURUSD (3 Min) 22/05/2012



Individual Candle Weakness at Resistance

Wednesday 23rd May 2012

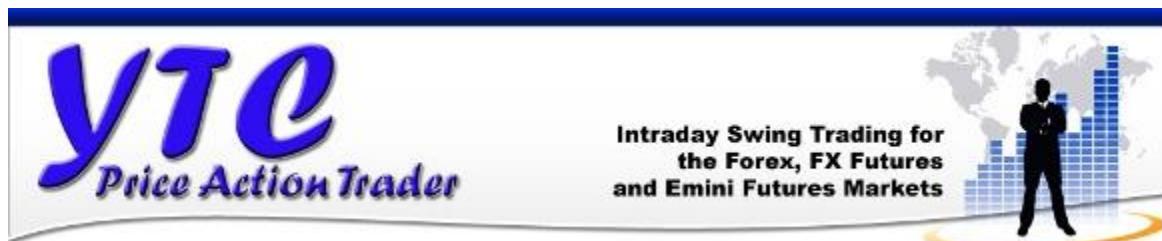
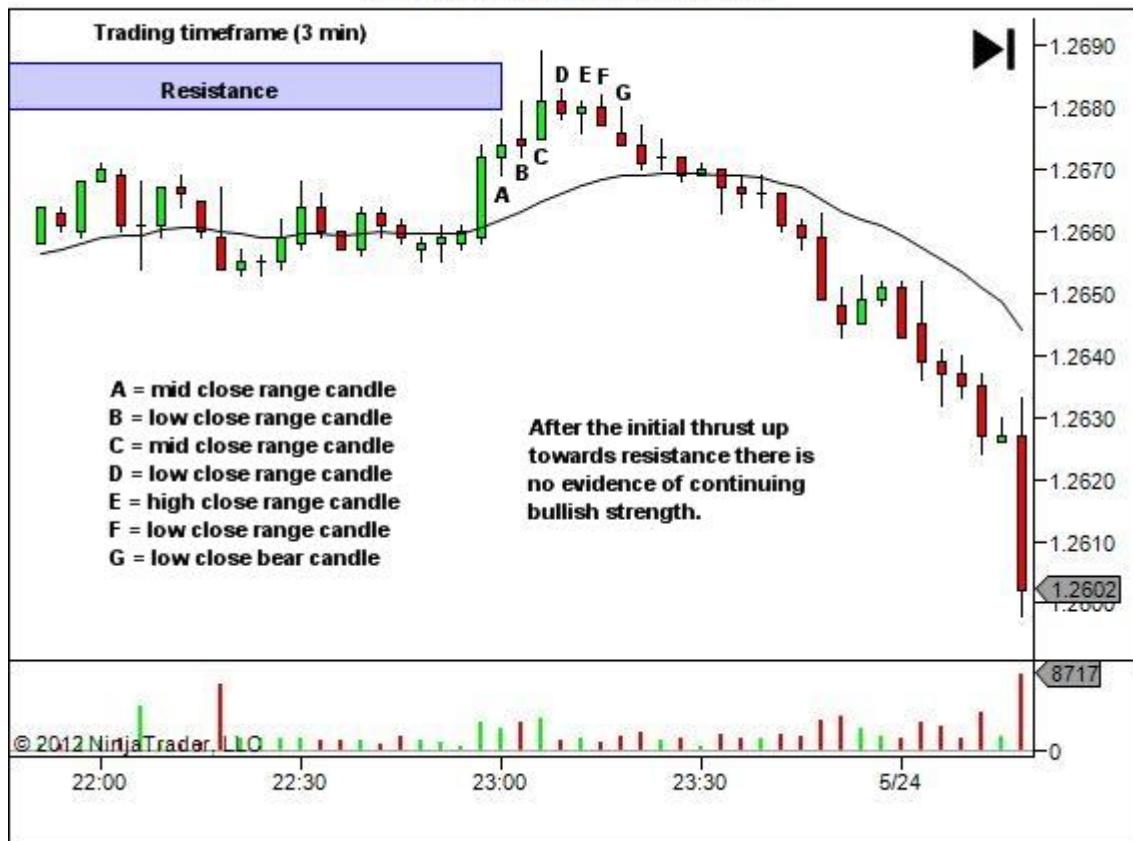
We saw yesterday an example of weakness at resistance, examined through analysis of price swings. Today's market shows a nice example of how we can see weakness within individual candles using the methods discussed here:

- <http://yourtradingcoach.com/trading-process-and-strategy/better-than-candlestick-patterns-part-one/>

Note: It's a five part article series. Links to parts 2-5 are found at the end of part 1.



6E 06-12 (3 Min) 24/05/2012



Resources

www.YourTradingCoach.com

Trading Website:	http://www.yourtradingcoach.com/
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