Ranges

Overview

Ranges represent the boundaries within which price fluctuates, defined by the most recent structural highs and lows. They are crucial for determining the current market context, picking supply and demand zones, and identifying valid models. Accurately identifying ranges ensures that you align your trades with the correct market structure and avoid entering trades based on incorrect assumptions about the market's behavior.

What Are Ranges?

1. Definition:

- A range is formed between a high and a low, established by a structural break. The most recent structural break determines whether the market is in a bullish or bearish range.

2. Components of a Range:

- High (Range Top): Established by the most recent pullback high before a structural break to the downside.
- Low (Range Bottom): Established by the most recent pullback low before a structural break to the upside.

3. Importance of Ranges:

- They provide a framework for determining valid supply and demand zones.
- They guide traders in understanding market context and model transitions.
- Help ensure accurate trade entries by avoiding misinterpretation of structure.

How to Identify Ranges

1. Using the Meta FX Structure Indicator:

- Add the Meta FX Structure Indicator to your chart in TradingView.
- The indicator automatically marks structural highs and lows with horizontal lines, simplifying the identification of ranges.

2. Determining the Current Range:

- Identify the most recent break in structure (up or down).
- The range is defined by the pullback candle before the structural break:

- A pullback candle must have a body close above or below the previous candle to count as a valid pullback.

3. High and Low Establishment:

- The high of the range remains valid until the price establishes a new structural break to the upside.

- The low of the range remains valid until the price establishes a new structural break to the downside.

Rules for Breaks and Pullbacks

1. Breaks in Structure:

- Only body breaks (not wicks) count as structural breaks.

- A break above the high of a range is a bullish break.

- A break below the low of a range is a bearish break.

2. Pullback Rules:

- A pullback is only valid if a candle’s body closes below (bearish pullback) or above (bullish pullback) the previous candle.

- Without a valid pullback, the range high or low remains unchanged.

Why Ranges Matter

1. Zone Selection:

- The range dictates where the deepest unmitigated supply or demand zones lie.

- For longs, target the deepest unmitigated demand zone in the bullish range.

- For shorts, target the deepest unmitigated supply zone in the bearish range.

2. Model Accuracy:

- Correctly identifying ranges ensures accurate counting of structural breaks.

- Misinterpreting the range can lead to incorrect model identification (e.g., confusing a reaccumulation for a distribution).

3. Avoiding Errors:

- Miscounting breaks or failing to recognize pullbacks can lead to entering invalid trades or missing valid opportunities.

Special Range Scenarios

1. Large Ranges:

- Large, impulsive moves can create wide ranges, often making price action within the range noisy and difficult to trade.
- Stay out of the market until the range is broken and a clearer structure emerges.

2. Complicated Structures:

- Structures with multiple waves can be challenging to analyze.
- Focus on identifying valid pullbacks to avoid miscounting breaks.
- Example:
- If price moves down without any pullbacks, it is still part of the same range.
- The first valid pullback establishes a new range high or low.

Example: Identifying Ranges

1. Bullish Range Example:

- Price breaks above a high.
- The low of the range is determined by the last pullback candle before the break.
- The high of the range is defined by the price’s highest point until a new structural break occurs.

2. Bearish Range Example:

- Price breaks below a low.
- The high of the range is determined by the last pullback candle before the break.
- The low of the range is defined by the price’s lowest point until a new structural break occurs.

3. Correct Counting of Breaks:

- Price moves down in a long trend without valid pullbacks.

- Count only the valid pullbacks to avoid overestimating the number of structural breaks.
- Example: A move that appears to have five breaks might only have two or three based on valid pullbacks.

Key Takeaways

- Ranges Define Context:
- Always know the range you are in to align with the market structure and pick valid supply and demand zones.
- Accurate Pullback Analysis:
- Use the pullback rule to ensure correct identification of range highs and lows.
- Avoid Misinterpretation:
- Miscounting breaks can lead to incorrect model identification, affecting trade decisions.
- Stay Disciplined:
- Trade only when the market structure is clear and aligns with your system’s criteria.

By mastering ranges, you can better navigate price action, identify high-probability trades, and maintain alignment with your trading strategy.