

Title: Forex Trading Strategies Show That GME Had a Breakout Today—What's Next?

Author: C2theC

Created 2022-02-09 02:33:21 UTC

Permalink: /r/GME/comments/so28cr/forex_trading_strategies_show_that_gme_had_a/

Url: https://www.reddit.com/r/GME/comments/so28cr/forex_trading_strategies_show_that_gme_had_a/

Though a bit of the obvious with today's +12.96% gain, it is always good to analyze what the price action means. Today, I will be showing you a series of Technical Analysis that confirms today's breakout, and suggests where we may go from here.

TD Lines

TD Lines are a forex trading strategy developed by Thomas DeMark (using his initials, "TD"), to draw objective trend lines. DeMark believed that supply and demand dictate price action. When demand exceeds supply, prices will advance, and conversely, when supply exceeds demand, prices will fall.

Using his method, we can draw objective trend lines and determine the meaning of a price action, rather than employing subjectivity. We first do this by placing a numerical value on pivots, where a high/low is the high/low for a number of candlestick closes on both sides of a candlestick (a pivot). For GME, I have marked the recent TD pivots below.

[TD Pivots](<https://preview.redd.it/q11wqhtyvpg81.png?width=2207&format;=png&auto;=webp&s;=8b7c2e28d918b1bb5da85f49255c957390166478>)

The most recent *confirmed* pivots (without a question mark), reading from right to left, are 3, 2, 1, 1, 4, etc. These numbers represent that these are the highest/lowest close, of the candlesticks to the left and right. For example, a "red 3" means that there are three candlesticks that closed higher, both before and after this candlestick (the pivot).

To draw TD Lines, we connect either the most recent green-to-green or red-to-red, and if possible, preference is given to pivots that are the same numbers, otherwise, we connect the most recent two pivots. Here, we connect the most recent green 2 with the previous green 2, and the most recent red 3 with the previous red (there is no 3, so we'll take the most recent low).

[TD Lines](<https://preview.redd.it/xjcq2fc3wpg81.png?width=2207&format;=png&auto;=webp&s;=65039b1587342fe09620e635b0fd4f6a6b79ff75>)

How can we verify that today's price action resulted in a valid breakout? TD Lines have specific criteria to determine whether they are breakouts or breakdowns, and any one of these qualifiers can be met for confirmation.

[TD Line Qualifiers](<https://preview.redd.it/tfzy8jc7wpg81.png?width=1277&format;=png&auto;=webp&s;=eeac6d2cc2a44eaa5a64bcca7d34b7ee3d53225>)

Today's price action met ****Upside Breakout Qualifier 1****, where yesterday's price bar was a down close, and today's price bar broke through the TD Line. ****Upside Breakout Qualifier 3**** was also met, where the difference previous bar's close and the bottom of its wick was below the TD Line ("buying pressure" is the difference between the previous bar's close and its "true low," which is the lower of that bar's low or the previous bar's close).

With two qualifiers, we definitely have a breakout. Now, what does that mean for the future price action of GME?

Volume Profile Fixed Range (VPFR)

Any price action analysis is useless without considering volume. Here, we will be using the VPFR, anchored to 11/22/2021, the date of our most recent high close. Volume Profiles are useful to see what volume has occurred at which price levels, with a red Point-of-Control (POC) line showing the price with

the highest volume. We see here that for the last three weeks, GME has been trading the mostly at the POC.

[VPFR](<https://preview.redd.it/v042h7cbwpg81.png?width=2207&format;=png&auto;=webp&s;=5b1ad50dc5d4bbddd24eb214b28a8a746289188c>)

Volume Profiles also have a series of peaks and valleys, called high value nodes (HVN) and low value nodes (LVN). The price action has a tendency to stay around the HVN, as the HVN shows where the most volume happens at what price. Similarly, the price action will tend to blow through or find resistance at the boundaries of the LVN. In a way, the HVN is almost like a magnet, where the price actions tends to revert to the mean (though technically, the HVN just *shows* where most of the volume happens, and is not the causality for why the price action will tend to stay at that price level).

Anchored Volume Weighted Average Price (AVWAP)

The AVWAP is an indicator that is anchored to a date, and the average price is calculated from that date, weighted with volume. When we turn on some of the AVWAPs for GME, you will notice that they interestingly line up with some of the the VPFR HVNs.

[AVWAP](<https://preview.redd.it/pbgx8fbfwpg81.png?width=2205&format;=png&auto;=webp&s;=dba07a4a5ab90870307948d981641df287b06d12>)

Specifically, we find these AVWAPs coinciding with the HVN/POC and LVNs:

- * 10/06/2020 AVWAP @ 117.87
- * 04/03/2020 AVWAP @ 103.08
- * 08/15/2019 AVWAP @ 89.23

These AVWAPs define the trading range GME has been in for the last three weeks, with the 10/06/2020 AVWAP @ 117.87 being touched three times, and the 08/15/2019 AVWAP @ 89.23 being touched twice.

The 10/06/2020 AVWAP @ 117.87 can also be seen as the current upper resistance in our channel, and if we turn on the next 10/30/2020 AVWAP @ 126.41, we will see that it coincides with another HVN.

[Next Pivot](<https://preview.redd.it/l59tapujwpg81.png?width=2209&format;=png&auto;=webp&s;=91a95a5c05e201c5d47c4b2a35442d16698e6e18>)

This is our next pivot for GME, as between the 10/06/2020 AVWAP @ 117.87 and the 10/30/2020 AVWAP @ 126.41, there is a big LVN that the price action has to traverse. If we don't get additional buying pressure, expect GME to bounce back to around the POC at the 04/03/2020 AVWAP @ 103.08.

However, since according to the TD Lines, we have already broken out, if we get good buying volume, there is a higher probability that GME will rally through to the 10/30/2020 AVWAP @ 126.41, which requires a price action of $\sim +10\%$. After today's $+12.96\%$ on nothing, that doesn't seem so implausible, provided that we get a continued rally on the macro (i.e. S&P; 500, Nasdaq 100).

Now that we've seen that some Technical Analysis confirmed our breakout, and the next possible move up (or back down to the POC), where does GME go from there?

Fibonacci Extension

Note that this part is highly subjectively, due to how you place the Fib Extensions.

In placing Fib Extension range, where I place the 0.786 levels right at the wicks of the current candles, and the 0.618 level at the 10/06/2020 AVWAP @ 117.87, we can see the 0.000 level is at 169.32. Given that we are approaching the next futures cycle and gamma spike, there is a possibility that GME can get up to at least 169.32.

[Fibonacci Extension #1](<https://preview.redd.it/dhkvwqupwpg81.png?width=2205&format;=png&auto;=we>)

bp&s;=7117b0aa0764b9e3a80a4cf29124d652a108ab43)

Again, this is totally subjective, and if you wanted to place the 0.786 level at the 10/06/2020 AVWAP @ 117.87, the 0.000 level has a price of 235.44. This seems a little high to me, though that is a subjective conclusion. I would love to be proved wrong here!

[Fibonacci Extension #2](https://preview.redd.it/w0sw5k5uwpg81.png?width=2205&format;=png&auto;=webp&s;=3ea332711f14df7ec74231fb1d79966a6309a6ef)

Or, perhaps it is more in the middle, where the 0.618 level is at the 10/30/2020 AVWAP @ 126.41, making the 0.000 level at 192.27, which just happens to coincide with the highest AVWAP for GME, at the 05/10/2021 AVWAP @ 193.43.

[Fibonacci Extension #3](https://preview.redd.it/5b7fhh8xwpg81.png?width=2207&format;=png&auto;=webp&s;=91544105c0ba1b3daa1366795b4e47d38c1e1a6a)

Your guess is as good as mine, on where GME will peak at the next rally, or if we are ready for our rocket. Whatever that may happen, and whether there will be another futures expiration rally or not, we know that the price is wrong. GME moving +12.96% on no news means that there is quite a bit of buying pressure being suppressed by the shorts. All we can do is BUY HODL DRS.

See you all on the moon.