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PSYCHOLOGY

Below is basic psychology a trader needs to understand before beginning to trade. Ensure the following concepts are understood and planned out before trading:

1. Understand the asset class you are trading (i.e. don't follow 20 pairs at once)
2. Think independently and use your own analysis (turn off the TV and rumor sites)
3. Develop and adhere to your personal trade profile and compressive trade plan
4. Utilize and exercise impeccable equity management (1-1.5% risk per trade for new, 2% for exp.)
5. Don't assume to know where price will go (i.e. no predictions), setup your trades per your analysis in anticipation IF the market moves in your direction
6. Think in terms of probability and not absolutes, there are no absolutes in trading

Trade like a Sniper

Traders who learn to pick and choose their trades like a Forex “sniper” are typically the ones who succeed. Traders who fail act like machine-guns by shooting at everything they see (overtrading) and/or tend to run out of ammo (money) very quickly.

1. Less is More
 - Wait patiently for anticipated target to come into view as a result of your own analysis.
 - Act only when your set of criteria are met.
3. Higher Time Frames
 - The higher the timeframe the more reliable the target, information is presented. Looking at Monthly or Weekly time frames only does not give you enough targets to trade.
 - Base most of your analysis off of Daily and 4-Hour charts to identify high value, probability targets.
 - Work with the lower timeframes (1-Hour and 15-Min) to manage

the circumstances around the trade.

4. Patience

- Most beginning traders lose money in the markets, and most beginning traders are also anything BUT patient.
- For beginner traders, fight the tendency to make yourself trade because you have the idea that trading will earn you money. Only smart trading with a plan can make you money.
- Wait for confirmation by multiple factors before jumping into a trade to avoid false moves.

5. Fear and Greed

- Combat natural tendencies of fear and greed by documenting and diligently following a trading plan.
- Make trading about following rules, plans, and risk management. NOT about emotions.

ICT TRADING PLAN

Every night at Midnight (New York) I calculate new day Pivot Points for the Cable (GBP/USD) and post them on my charts. I then note key support and resistance levels from Monthly charts down to five minute charts.

I determine my trade bias for the new session and while I do look for trades in this direction, I'm not married to the notion the market must bend to my expected direction... I am flexible. The market is always right and I can accept being wrong every day as long as I can be willing to change my bias based on current price action.

If we are trading in the Pivot levels above the Central Pivot level... I demand a lot for buys. Ideally I focus on trades that show a short term overbought condition and price in the area at or above R1 or R2 for shorts. This is even more powerful if the previous day's high is slightly below the R1 or R2 level.

In other words, I look for false breakouts above previous day's highs at R1 and or R2 levels. I use stops and limits to get me in at the levels and use a 30 pip stop or less initially. As the trade makes the spread up and moves in my favor, I look to reduce the risk and tighten the stop. My exits are predetermined and can be at market if things get hairy.

I use candle formations and basic chart patterns to determine low risk trades and targets are typically 25-30 pips before scaling out some of the position. I generally try to hold for the average daily range in pips before exiting for the remaining portion.

The reverse can be said for buys. I like short term oversold conditions and price in the S1 and or S2 levels under the Central Pivot. I like buying previous day's low or a false break under this level given the conditions warrant a bounce.

I like trading at the figure, the markets like round numbers and options get

tripped at these points so they are an easy trade multiple times per month. You can trade for a living just doing that as a method, new traders!

So here is what I will be doing this week:

I will short previous day's highs and buy previous day's lows. If I get stopped out and the market finds support above the previous day's low, I will buy. If the market finds resistance at the previous day's high after being penetrated I will short it.

I take two trades per day max, if I win on the first; I close shop and bank the wins. If I lose on the first I try to capture the trade as described above... if it loses too, I close shop. No emotions, no muss no fuss.

If a Pivot level finds itself at the Figure, say Cable 1.51, I will look to buy it at that point if price has traded down to it and conversely for price trading up to it. I just found the MeetPips.com site and created an account. I will do my best to highlight trades with this as it apparently gives real time or close to it tracking?

TOP DOWN ANALYSIS (BIAS AND DIRECTION)

1. The Basic Top Down Analysis:
 - a. Study US Dollar Index for general market direction
 - b. Refer to the COT report and note the Commercial Trader's net position
 - c. Consider the Commercial Traders as the "Smart Money" - thus try to position like trades
 - d. Refer to and monitor daily the 2, 5, 10, and 30 year note line chart overlay
 - e. On the Treasury Note overlay, look for failure swings to provide clues to the future direction of the US Dollar
 - f. If the yields are dropping and one of the three yields fail to make a lower low, look for US Dollar to bounce
 - g. If yields are rising and one of the three yields fails to make a higher high, look for US Dollar to slide lower
 - h. A bullish US Dollar translates to lower foreign currencies
 - i. A bearish US Dollar translates to higher foreign currencies
 - j. Look at the monthly, weekly, and daily charts of the currency pairs traded, noting key support and resistance levels
 - k. Determine the market flow on the daily, 4-hour, and 1-hour charts via swing highs and lows
 - l. Try to trade in line with the long term (top down) directional bias and when the 4-hour market flow is in sync. This will filter many false signals and assist us in high probability trade setups
 - m. When there is no clear definable direction, remain flat and sidelined until there is a clear bias
3. Market Bias
 - a. Bias is determined by swings, use fractals to help quickly and visually identify swing areas on the daily, 4hr, 1hr
 - b. Want to have confluence of daily/4hr or 4hr/60m, or all 3 in terms of swings
 - c. When swing low fractal is formed, the PA must trade below that low fractal to the downside for market flow to be considered short
 - d. If price does not trade below the low fractal formed, then price

action is long

- e. Only consider fractals to the immediate left of the price action, prior fractals are no longer valid

4. Higher Time Frame Analysis

a. Higher Time Frame to Lower

- i. Monthly Chart > Identify key S&R levels and direction
- ii. Weekly Chart > Identify key S&R levels and direction
- iii. Daily Chart > Identify key S&R levels and direction
- iv. 1-Hour Chart > Spend most of your time here learning tendencies of hourly
- v. 15-Min Chart > Timeframe where most trends, projections, objectives are made. Trade management timeframe
- vi. 5-Min > Enter trades at 5-min

- b. Stops - If there are trades that require more than a 30 pip stop loss, probably let that trade go and look for another opportunity to enter

- c. Respectable Swing - When looking for swings to draw Fib, etc., look for price moves of 40 pips or greater

d. Seasonal Tendencies

i. USD

- 1. Typically tops out in the middle of February and declines into mid-March.
- 2. Last half of March is usually strong and then sells off in April (and last bit of March).
- 3. Beginning to middle of May is a strong time for the USD.
- 4. Middle of June usually marks a short-term high and the USD declines into the end of August.
- 5. Rally from beginning of August to early to mid-September.
- 6. After this the lines become divergent meaning signals are less clear and no strong seasonal patterns are blatantly present.

ii. EUR

- 1. The Euro typically forms a bottom in mid-February and then moves higher into mid-march. A pull back

then occurs then we see another climb into the end of April.

2. Another low in June which climbs into late July/early August.
3. Usually a decline from early August to early September.
4. Early to late September begins a bullish trend for Euro through year end with a pullback in October.

iii. **GBP**

1. The Pound typically forms a bottom in early March and then moves higher into the end of April.
2. Early May to mid-May is usually a bearish time.
3. A bottom typically forms again in mid-May we see a move higher into early August.
4. Price usually peak early in August and decline into mid-September.
5. Price peaks in early November and the price slides into mid-to-late November.
6. Prices bottom in late November and rally into the end of the year.

DETAILED TOP DOWN ANALYSIS RULES

1. Long Term Analysis Use USDX – General market direction

- a. USDX is a measure of the value of the U.S. dollar relative to majority of its most significant trading partners. Basket index of 6 currencies (the euro, Japanese yen, Canadian dollar, British pound, Swedish krona and Swiss franc.)
- b. Risk Off Environment - If USD Index is poised to go higher (lack of risk tolerance), foreign currencies may see selling pressure. Example: GBP/USD would move lower
- c. Risk On Environment - If USD Index is poised to go lower (risk tolerance), foreign currencies may see buying pressure. Example: GBP/USD would move higher

2. COT (Commitment of Traders)

- a. Consider the Commercial Traders as the “Smart Money”.

Examine actual positions of traders and the net change from prior report (commercials)

- b. Look for extreme net positions in the data, warn of major trend change
- c. Commercial sentiment is contrary to commercial activity (i.e. hedging)
 - i. When sentiment is bearish while commercial hedges hold large net longs, expect a rally to unfold or trend change long
 - ii. When sentiment is bullish while commercial hedges hold large net short, expect sizable decline to unfold in the market
 - iii. When above is not in effect, trade the trend with Large traders; commercials are hedgers on other side of positions, large traders will have largest net on at extreme levels, look for extremes between large and commercial positions for clue of market change

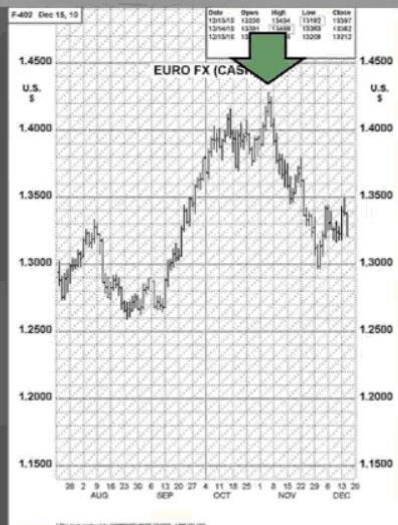
4. Bond Yield Analysis – T-Note Analysis

- a. Debt Interest Rates
 - i. Increasing interest rates, increased foreign currency value, decreased local currency.
 - ii. Decreasing interest rates, decreased foreign currency value, increased local currency.
- b. Bond Yield Divergence - Monitor yields of 2, 5, 10, and 30 year notes. Identify divergence of one or more of the yields as a chart overlay.

Yield Overlay Example

Notice when the [Daily] Ten year note yield failed to move lower when the five and two year note made lower lows... it signaled a change in rates and allowed the Greenback to rally higher providing weakness for the Euro at the very same period. This is one of the Professional concepts I use in my Top Down Analysis that gives me an edge.

THE EURO SLIDES LOWER IN RISK OFF



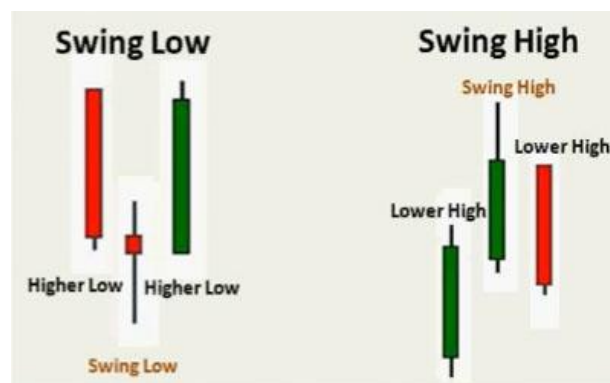
US YIELDS INCREASE = BULLISH US \$



- c. As yields move higher (or lower) at some point, 1 will form a failure sign as one yield fails to post higher highs or lower lows on the line chart, this is signal confirmation that USDX poised to change direction

5. Market Flow - Fractals

- a. Swing Highs - Ideal setup is having two lower high candles on each side of the Fractal High candle. Most recent Swing High is the Pivot Point and must be breached to the upside before Market Flow turns up.
- b. Swing Lows - Ideal setup is having two higher low candles on each side of the Fractal Low candle. Most recent Swing Low is the Pivot Point and must be breached to the downside before Market Flow turns down.



- c. Only the most recent Swing High / Low are utilized for determining Market Flow with old Swings disregarded
- a. There is strong agreement of Market Flow if Daily, 4 Hour, and

1 Hour timeframes are in line. Focus on 4 Hour Market Flow for consistency.

- e. Fractals by definition can be identified from the higher time frame on down to each lower time frame. You should be able to find an OTE at each time frame down to the lower ones. (July 12 - Pro Traders Club 32:00)

6. Futures Contracts

- a. Look at future contract closing and whether the lead month closed higher than 2nd month (i.e. this month's contract closed higher than next month's contract)
- b. Backwardation— when 2nd month closes lower than lead month, indicates that premium is no lead month and therefore there is strong demand for the contract
- c. If a huge difference in close prices, can indicate a change in price movement...the further the price difference in the futures contract the more price will likely change towards the future price

7. Open Interest (OI)

- a. This is the total number of longs and shorts moving into the future's instrument
- b. If increase in OI, indicate commercials increasing net shorts, when OI decreases, commercials reducing net shorts (i.e. price will go up)
- c. OI useful in the following case: want to see market trade in direction, go into consolidation, then see OI drop or rise around 15% suddenly during consolidation
 - i. If market trades up, consolidates, and OI drop, probability market will move up
 - ii. If market trades down, consolidates, and OI increases, probability market will move down (as commercials are adding to hedge)
- d. Cannot use OI move by itself

KEY POINTS:

- Trade in line with the long term (Top Down) directional bias and when the 4-hour Market Flow is in sync.

- When there is no clear definable direction, we remain flat and sidelined until there is a clear bias.

UNDERSTANDING COMMITMENT OF TRADERS (COT)

1. Why the COT Report?

It is difficult to quantify volume traded at each price level since the currency market is decentralized and there is no single exchange that tracks all trading activities. In place of volume-based trading, many traders look to the Commodity Futures Trading Commission's (CFTC) Commitments of Traders (COT) report for more information on positioning and volume. If used wisely, the COT data can be a pretty strong gauge of price action. The caveat here is that examining the data can be tricky, and the data release is delayed as the numbers are published every Friday for the previous Tuesday's contracts, so the information comes out three business days after the actual transactions take place.

2. Reading the COT Report

Here is a quick list of some of the items appearing in the report and what they mean:

- **Commercial** - Describes an entity involved in the production, processing, or merchandising of a commodity, using futures contracts primarily for hedging
- **Long Report** - Includes all of the information on the "short report", along with the concentration of positions held by the largest traders
- **Open Interest** - The total number of futures or options contracts not yet offset by a transaction, by delivery or exercise
- **Noncommercial (Speculators)** - Traders, such as individual traders, hedge funds and large institutions, who use futures market for speculative purposes and meet the reportable requirements set forth by the CFTC
- **Nonreportable Positions** - Long and short open-interest positions that don't meet reportable requirements set forth by the CFTC
- **Number of Traders** - The total number of traders who are required to report positions to the CFTC
- **Reportable Positions** - The futures and option positions that are

held above specific reporting levels set by CFTC regulations

- **Short Report** - Shows open interest separately by reportable and non-reportable positions
- **Spreading** - Measures the extent to which a non-commercial trader holds equal long and short futures positions

EURO FX - CHICAGO MERCANTILE EXCHANGE										
Commitments of Traders - Futures Only, June 7, 2005										
	Total	Reportable Positions							Nonreportable	
	Open Interest	Non-Commerical			Commercial		Total		Positions	
		Long	Short	Spreading	Long	Short	Long	Short	Long	Short
(Contracts of 125,000 Euros)										
All	193,707	22,939	40,710	629	125,244	105,308	148,812	146,647	44,895	47,060
Old	193,707	22,939	40,710	629	125,244	105,308	148,812	146,647	44,895	47,060
Other	0	0	0	0	0	0	0	0	0	0
Changes in Commitments from May 31, 2005										
	3,213	-1,272	-1811	-414	21,649	21,407	19,963	19,182	-16,750	-15,969
Percent of Open Interest Represented by Each Category of Trader										
All	100	11.8	21.0	0.3	64.7	54.4	76.8	75.7	23.2	24.3
Old	100	11.8	21.0	0.3	64.7	54.4	76.8	75.7	23.2	24.3
Other	100	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of Traders in Each Category										
#Traders										
All	100	23	33	6	32	30	59	65		
Old	100	23	33	6	32	30	59	65		
Other	0	0	0	0	0	0	0	0		
Percent of Open Interest Held by the Indicated Number of Largest Traders										
By Gross Position										
By Net Position										
		4 or Less Traders		8 or Less Traders		4 or Less Traders		8 or Less Traders		
		Long	Short	Long	Short	Long	Short	Long	Short	
All		36.8	35.3	50.6	45.3	34.0	26.3	43.9	33.8	
Old		36.8	35.3	50.6	45.3	34.0	26.3	43.9	33.8	
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Taking a look at the sample report, we see that open interest on Tuesday June 7, 2005, was 193,707 contracts, an increase of 3,213 contracts from the previous week. Noncommercial traders or speculators were long 22,939 contracts and short 40,710 contracts - making them net short. Commercial traders, on the other hand, were net long, with 19,936 more long contracts than short contracts (125,244 - 105,308). The change in open interest was primarily caused by an increase in commercial positions as non-commercials or speculators reduced their net-short positions.

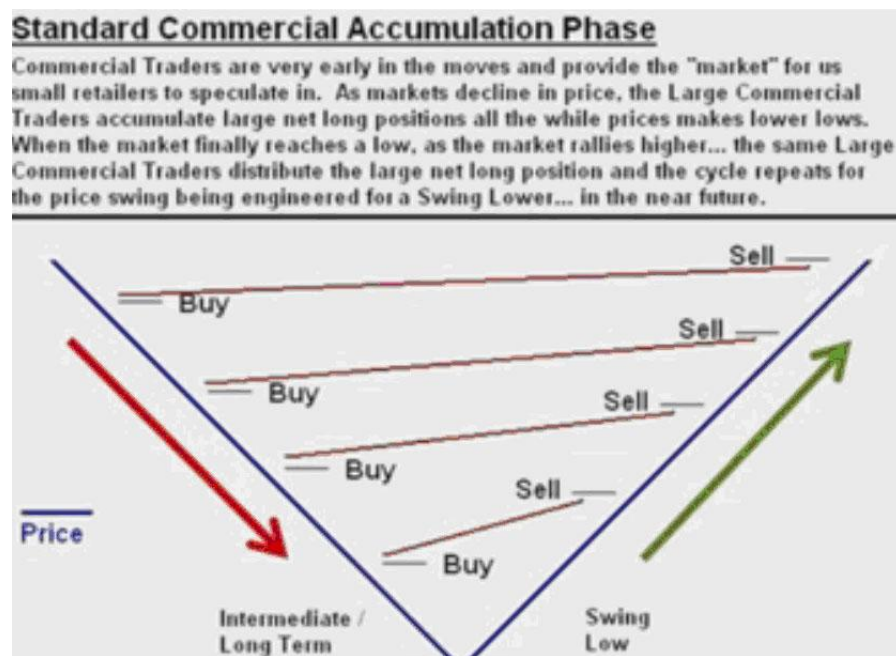
3. Three Primary Premises

- a. Flips in market positioning may be accurate trending indicators.
- b. Extreme positioning in the currency futures market has historically been accurate in identifying important market reversals.
- c. Changes in open interest can be used to determine strength of

trend.

4. COT – Commitment of Traders

- a. **Commercials** – Most informed group and provide countertrade position for the majority of open interest in the market. These are the “Smart Money”.
 - i. **Standard Commercial Accumulation Phase:**

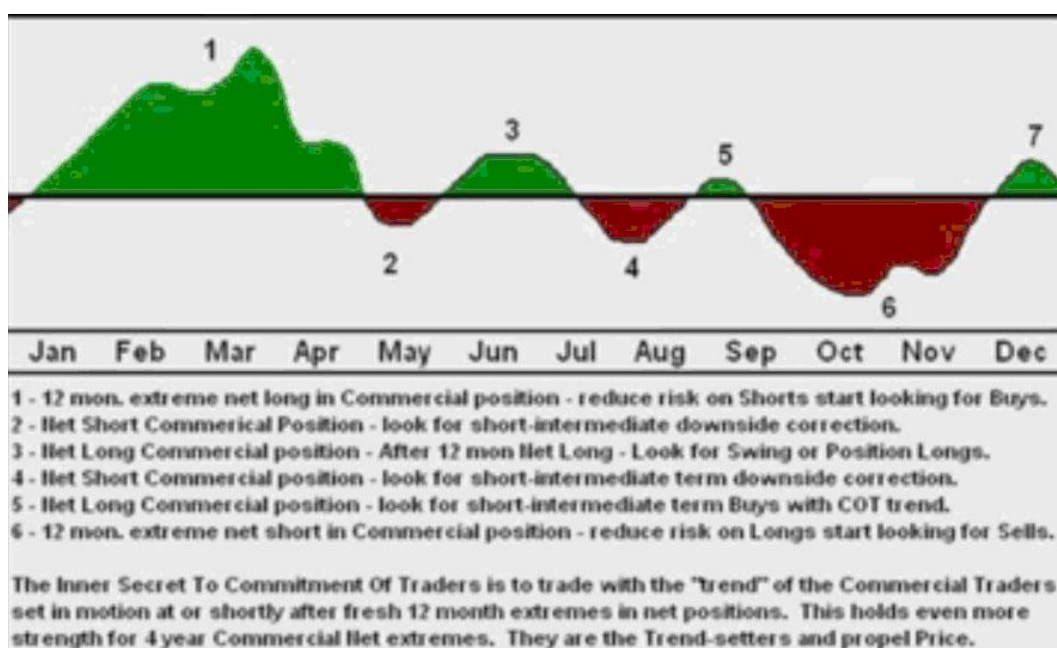


- ii. **Commercials** are the largest short sellers in the marketplace because they are hedging their business needs.
- iii. **Commercials** control the long term trend based on 12 month or 4 year extremes.
 - 1. Coming from 12- mon or 4-yr extreme net short, we're in sell program.
 - 2. Coming from 12-mon or 4-yr extreme net long, we're in buy program.



- b. Large Speculators – Large firm traders, funds, and high level private speculators who for the most part trend trade. Generally on the right side of the market
- c. Small Speculators – Majority of traders. They are the “Dumb Money”. Consistently wrong on the side of the market.

6. Open Interest in COT Data



- a. Open interest tends to increase when new money is poured into the market, meaning that speculators are betting more aggressively on the current market direction. Thus, an increase in total open interest is generally supportive of the current trend, and tends to point to a continuation of the trend, unless sentiment changes based on an influx of new information.
- b. Conversely, overall open interest tends to decrease when speculators are pulling money out of the market, showing a change in sentiment, especially if open interest has been rising

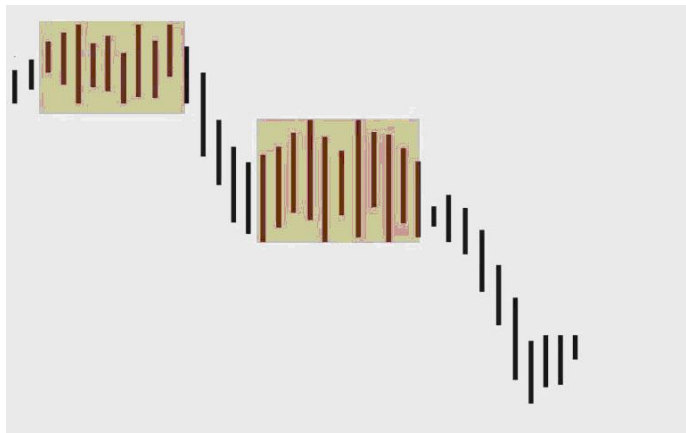
before.

- c. In a steady uptrend or downtrend, open interest should (ideally) increase. This implies that longs are in control during an uptrend, or shorts are dominating in a downtrend. Decreasing open interest serves as a potential warning sign that the current price trend may be lacking real power, as no significant amount of money has entered the market.
- d. Therefore, as a general rule of thumb, rising open interest should point to a continuation of the current price move, whether in an uptrend or downtrend. Declining or flat open interest signals that the trend is waning and is probably near its end.
- e. When open interest rises or drops quickly, likely price moves in the opposite direction.
- f. Conventional Price Relationship:
 - i. Open Interest Up, price up is bullish
 - ii. Open Interest Up, price down is bearish
 - iii. Open Interest Down, price up is bearish
 - iv. Open Interest Down, price down is bearish

MARKET PROFILES

1. Consolidation Range Profile

- a. Consolidation Range Profile - Understand where you are in the move that may already exist. If in bearish market environment, during a consolidation range you can identify false breakouts to trade against or opportunities to enter short with an OTE.
- b. Establish Position During Consolidation - Periods of consolidation are typically the opportunity to establish your position in anticipation of where the trend will go. Look for times candles/bars are small to enter trades.



- c. Trade Entry on Opposing Candle - You want to enter trades when the bar/candle goes against the market profile direction. If profile is long, enter trades on a down candle.
 - d. ICT Preference - ICT prefers not to follow trades into new territory as it usually tries to come back down to the range. Base trading on known levels.
2. **Breakout - Valid & False Profile**
 3. **Trending Profile**
 4. **Reversal Profile** - The profile will form a sell day during a bullish Asian, London and possibly NY session but fail to hold its rally and reverse lower. It will form a buy day during a bearish Asian, London and possibly NY session but will fail to hold its lower price slide and reverse higher. Typically NYO, LC and late NY session will post the reversal.
 - a. **Swing Down**
 - i. Swing down to a key weekly and/or daily support and

breakthrough before turning up and reversing.

- ii. Reversal may break into new session highs before it settles into a trading range for a new trading day.

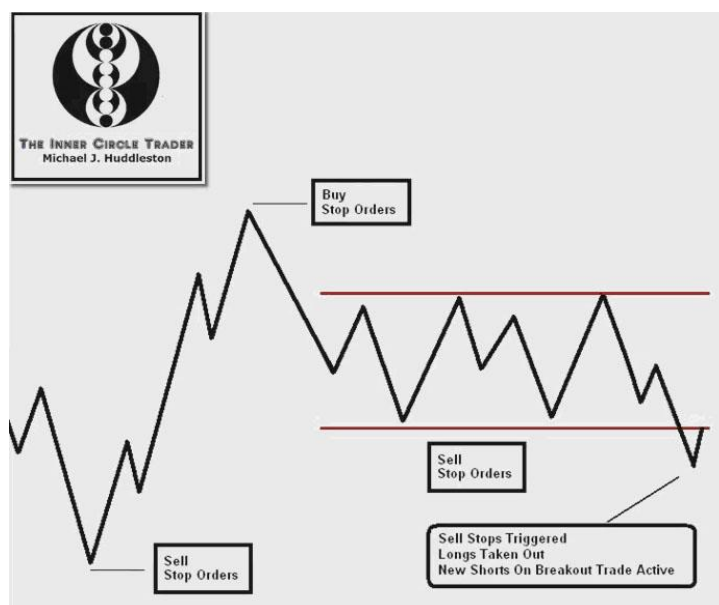


b. **Swing Up**

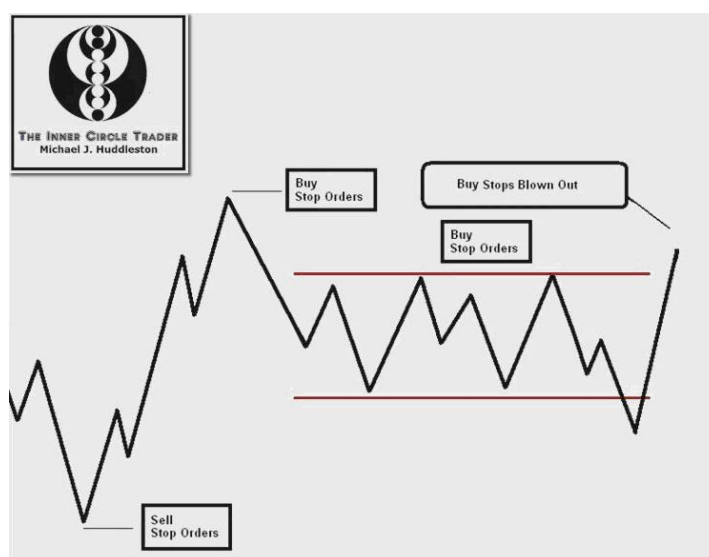
- i. Swing up to a key weekly and/or daily resistance and breakthrough before retracing down.
- ii. Reversal may break into new session lows before it settles into a trading range for a new trading day.



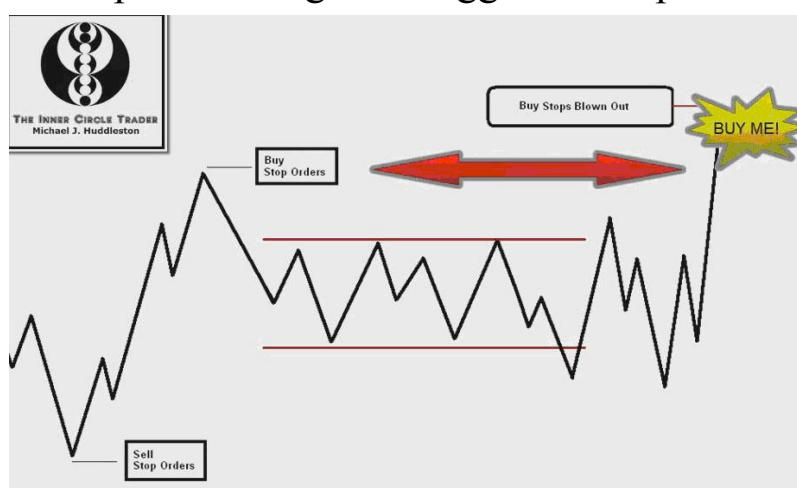
- 5. **Search & Destroy – Trending Sideways Market:** Banks will look to clear out stops to gain additional liquidity.
 - a. A range forms after swing low and swing high. Support and Resistance areas are formed in the range. Market will look to take out the longs by dipping below the established support level of the range.



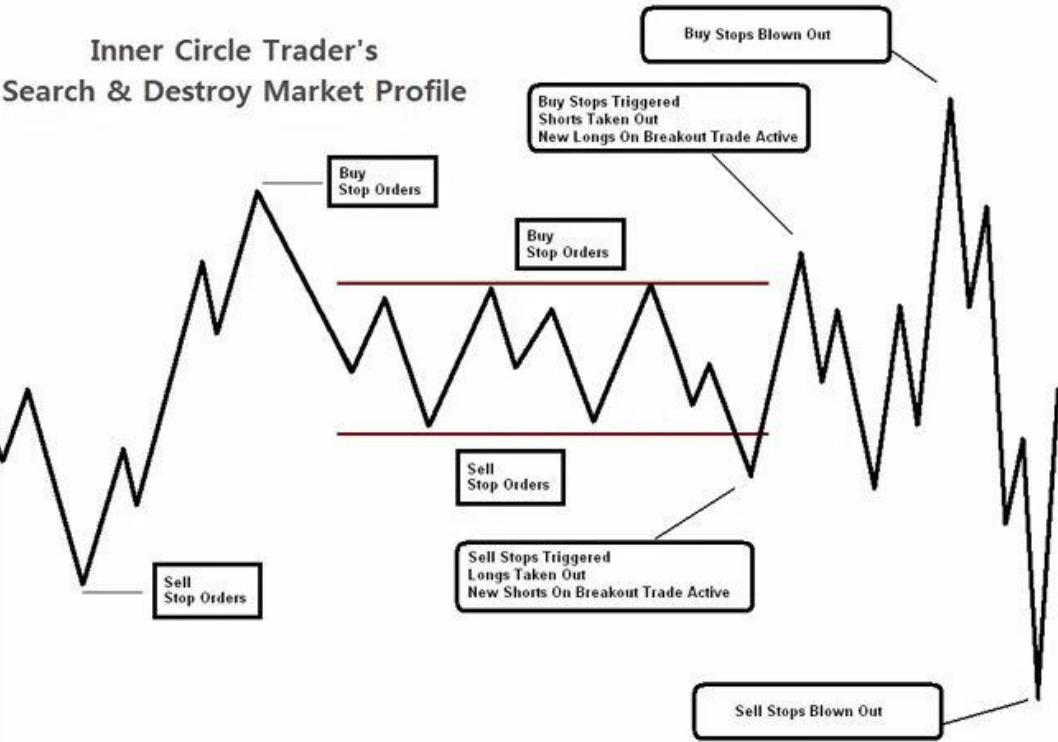
- b. Next the market will look to take out the shorts by shooting back up above the resistance levels.



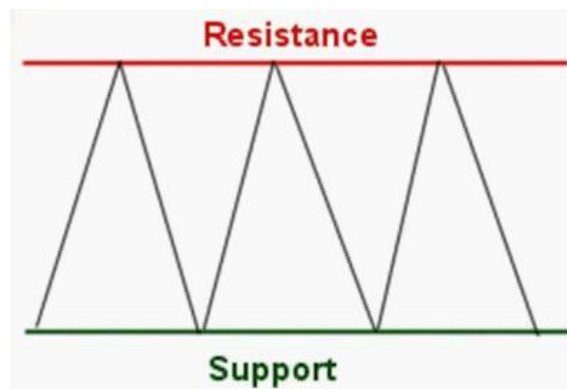
- c. Dealers will then target the stops around the swing points and shoot above previous highs to trigger the stops of the shorts.



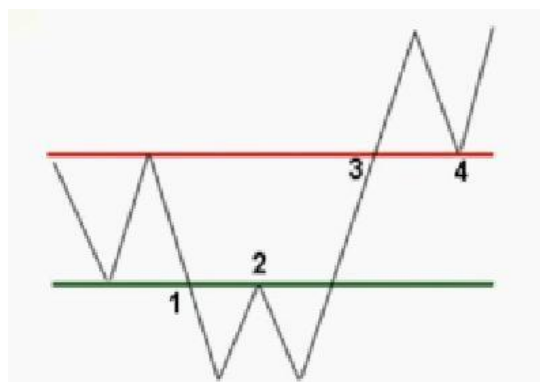
- d. Traders thinking that the previous move finally signals a buy breakout will then be fooled as the dealers will look to take out the stops around the previous swing low point.



SUPPORT / RESISTANCE AREAS



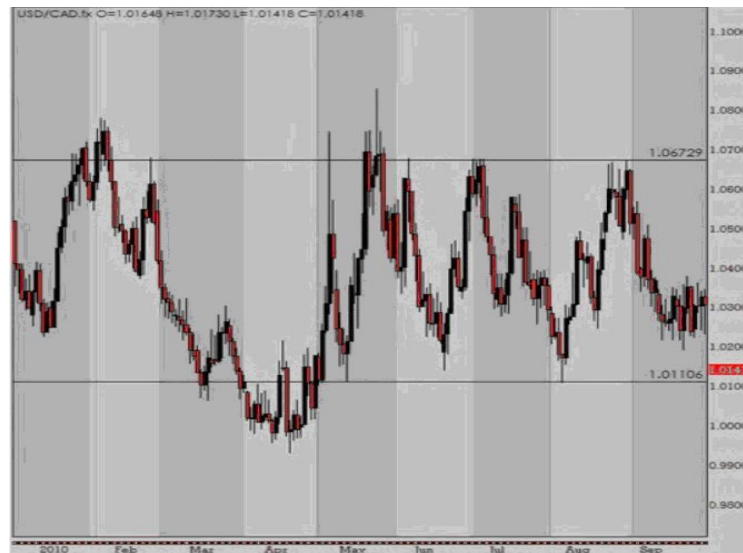
1. **Support (Demand):** This is an area where buyers are likely going to overwhelm sellers causing the market to go up. When a market falls down to a prior low, it is more significant than when a market falls down to a prior high.
2. **Resistance (Supply):** This is an area where sellers are likely going to overwhelm buyers, causing the market to go down. When a market trades up to a prior high, it is more significant than when a market trades up a prior low.
3. Support can become resistance and resistance can become support if prices break through these areas.



4. Confluence of S&R areas is a key concept to the trade entry. The listings below are considered key S&R areas to consider for confluence. There is no right or wrong confluence setup, the more confluence you have the higher the probability the trade outcome. The easiest way to find Key levels to anticipate reactions in the future is to begin with the long term charts and work your way down to the lowest timeframe you intend to trade from.
5. **Natural S&R Levels**
 - a. High / Lows based off: 12 months rolling; Quarterly; Monthly;

Weekly; Daily; 4hr

- i. **Monthly Charts** - Note the highs the market turned at and the lows the market turned at. These levels are the obvious levels that any quick glance would reveal. Do not strain your eyes and waste time wondering if a specific level is a Key level... it is because it is obvious. These market turning points are obvious... do not over think them.



- ii. **Weekly Charts** - The long term Monthly Key S&R levels will appear on these charts as well as new Key Levels the Monthly timeframe was not so apparent to see.



- iii. **Daily Charts** - This is where the banks work from. All the longer term Monthly and Weekly S&R levels are to be plotted on this Daily time frame. The Daily chart will present its own Key S&R levels and these need noting as well.



- iv. **Intraday Time Periods** (4-hour, 1-hour, and 15min) -
These will show excellent reaction levels to anticipate trades to set up on far in the future and this is the key to proper trade selection and developing patience. Note the Key S&R levels on your individual intraday charts you like to use.
- b. **Session Highs and Lows** (Asia most important)
 - i. **Asian Session** sets the parameters for the following London session
 - 1. Begins: 7pm EST or 12am GMT
 - 2. Ends: 4am EST or 9am GMT
 - 3. Allow up to 1 hour before and after these times
 - ii. **London Session** sets the parameters for the following New York session
 - 1. Begins: 3am EST or 8am GMT
 - 2. Ends: 12pm EST or 5pm GMT
 - 3. Allow up to 1 hour before and after these times
 - iii. **New York Session** sets the parameters for the following new trading session's trading
 - 1. Begins: 8am EST or 1pm GMT
 - 2. Ends: 5pm EST or 10pm GMT

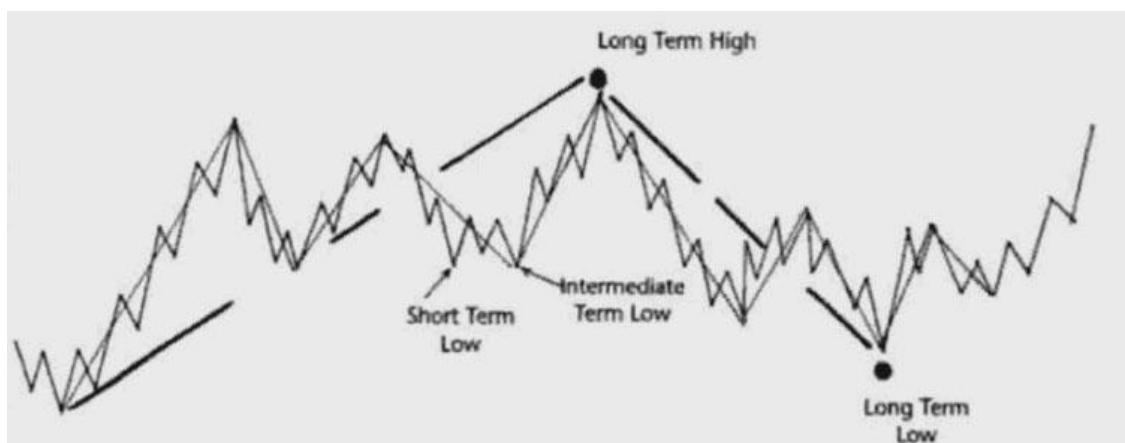
3. Allow up to 1 hour before and after these times
- c. **Intraday Fractal** (money flow and ITL or ITH) - Use the 15 minute as a go to chart for monitoring short term swings for lower risk entries and fine tuning stop placement on open positions.
- d. **Trend Line Analysis** (channels, obvious trends)
6. **Implied S&R Levels**
 - a. **Fib Levels**
 - i. Retracement
 - ii. Extensions
 - b. **Pivot Points**
 - i. Monthly Pivots
 - ii. Weekly Pivots
 - iii. Daily Pivots
7. **Other S&R Levels**
 - a. Previous Day Close/Open
 - b. Institutional Price Levels (IPL) - Institutional Traders may determine timing of trades around 100 pip price levels (0.20, 0.50, 0.80, etc.)
 - c. Trading to a prior low or high
 - d. Daily ADR high/low

KEY POINTS:

- The more times a support and resistance area is “hit”, the more significant it is.
- Only the most recent Swing High / Low are utilized for determining Market Flow with old Swings disregarded.

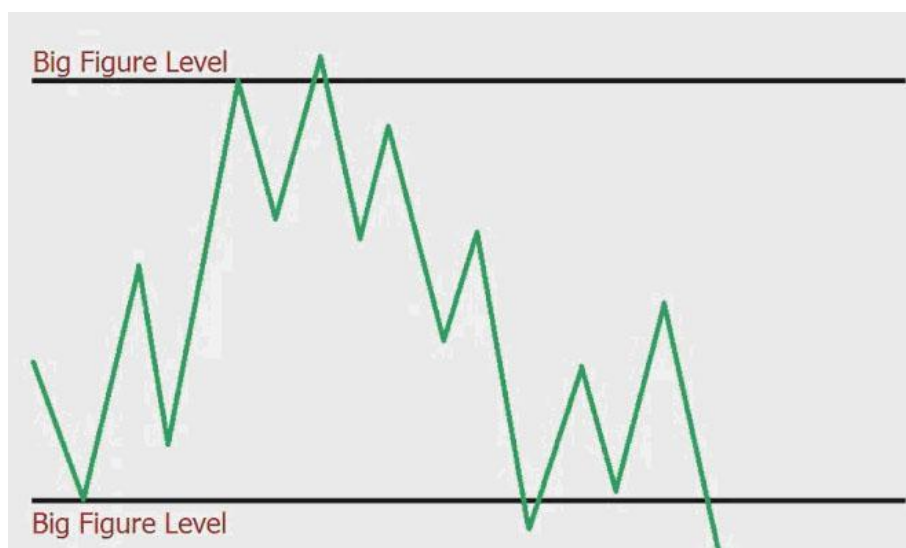
AREAS OF CONFLUENCE

1. **Market Structure** - As markets decline and make lower lows, each new swing lower in price is anchored or directly reacting to another swing higher or lower. Every swing in price has an equal counter swing it is unfolding from and attempting to fulfill.
 - a. Any Short Term Long (STL) that has a higher STL on both sides of it is considered an Intermediate Term Low (ITL). Any ITL that has a higher ITL on both sides of it is considered a Long Term Low (LTL).
 - b. Any Short Term High (STH) that has a lower STH on both sides of it is considered an Intermediate Term High (ITH). Any ITH that has a lower ITH on both sides of it is considered a Long Term High (LTH).
 - c. Trade primarily on the side of the trend. Long on bullish and short on bearish.



2. **Swing Points** - Market declines and makes lower lows; on each new swing lower in price, the price is “anchored” or directly reacting to another swing lower
 - a. Each swing in price has equal counter swing
 - b. PA needs to move at least 40 pips to be considered a swing (on GU at least)
 - c. Market trades from short term lows (STL) to short term highs (STH) back to new STL. At STL and STH, PA will develop market structures
 - i. Intermediate term low (ITL): STL that has higher STL on either side
 - ii. Intermediate term high (ITH): STH that has lower STH on

- both sides
- iii. Long term low (ITL): ITL that has higher ITL on either side
- iv. Long term high (ITH): ITH that has lower ITH on both sides
- d. Swings: look at swings and understand every move is anchored to previous low or high and PA becomes clear it is pivoting on a 50% basis of the previous lows and highs
 - i. If swing moves 50 pips, after consolidation if it continues higher and breaches the swing high, anticipate another 50 pips move added to the low during consolidation
 - ii. If PA fails to trade above the previous swing high, anticipate a decline of 50 pips from the high made on most recent rally/consolidation
- 3. **Session High/Low**- the high/low of the 3 different sessions. Asia is most important and the high/low usually sets the day's S&R for London and UK.
 - a. Session Time- Asia 7pm EST -9pm EST (12-4 GMT); London 3 am – 12 pm EST (9-17 GMT); NY 8am – 5pm EST (12-20 GMT)
 - b. When drawing the high/low of Asia, use the hard bodies and not the wicks. Only use wicks if a candle is a strong hammer.
- 5. **Range Expansion / Contraction** - Daily ranges typically swing from large range days to small range days and vice versa.
- 5. **Institutional Price Level (IPL)** - Price levels where commercials usually enter the market. They are 00, .20, .50, .80 located between every 100 pip marking (e.g. 1.0100, 1.0120, 1.0150, 1.0180)



- a. The Figure - Term used by traders to refer to a 100 point/pip level or even a mid point to the Figure. Example, 1.5550, 1.5450, and 1.5350.
- b. Basic Big Figure Model
 - i. Price can trade to and bounce/retrace from a big figure level.
 - ii. Look for confluence of supporting levels, OTE, etc.
Always take the Figure in light of where we stand in the overall market flow, structure, and trend.
- c. Anticipate Sweeps - Anticipate price sweeping higher and lower than the Figure to take out stops above and below the level.
6. **Trading to Prior Low or High:**
 - a. On Long, when market falls down to prior low, this move is more significant than when market falls down to prior high
 - e. On Short, when market trades up to prior high, this move is more significant than when market trades up to prior low
 - f. Fibs- Draw fibs using the swings, sweet spot is the 62-79% level with 72% being most optimal
 - g. Range Cycle Calculations
 - i. Market cycles in large and small ranges, as daily starts to close near prior close it is a small range
 - ii. For swing high ranges, count day/bars between previous swing highs and multiply by 1.28, then count forward that #. Should indicate where a new high will unfold
 - iii. For swing lows, count days between prior lows and multiply by 1.28

7. **Pivot Points** - Typically, when price is trading above central pivot, it's time to sell. When trading below, it's time to buy. If price has not gone below central pivot for the day, it may act as support. It may act as resistance if price has not gone above central pivot for the day.

Daily Pivots



Use pivots as a tool to find anticipated levels to trade on in the future. Drawn by hand or indicator from 12am EST. Central pivot acts as an anchor for PA. PA acts like a rubber band; it moves away from central pivot and then pulls back towards it. However, like a rubber band, once trend takes off it will snap and fly. *Used best in range trading periods.*

- a. Buy Zone- Area below central pivot
 - b. Sell Zone- Area above central pivot
 - c. You can buy in a sell zone if you are trading between pivots opposed to trend trading
8. **OTE – Optimal Trade Entry** - Deep Fib Retracement - The ~62 and ~79 retracement levels because they are almost at the full 100% retracement. OTE would be roughly the 50% level between the 62 and 79 levels.

FIBONACCI

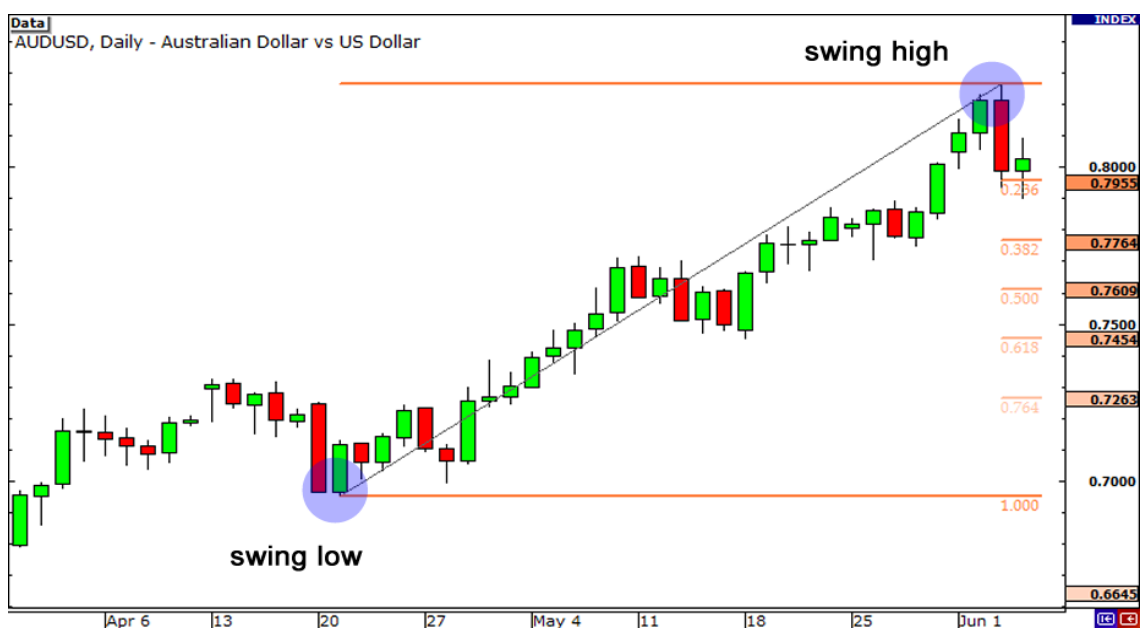
Traders use the *Fibonacci Retracement* levels as potential **support and resistance areas**. Since so many traders watch these same levels and place buy and sell orders on them to enter trades or place stops, the support and resistance levels tend to become a self-fulfilling prophecy.

Traders use the *Fibonacci Extension* levels as **profit taking levels**. Again, since so many traders are watching these levels to place buy and sell orders to take profits, this tool tends to work more often than not due to self-fulfilling expectations.

The Fibonacci tool works best when the market is trending. The idea is to go long (or buy) on a retracement at a Fibonacci support level when the market is trending up, and to go short (or sell) on a retracement at a Fibonacci resistance level when the market is trending down. In order to find these retracement levels, you have to find the recent significant Swing Highs and Swings Lows. Then, for downtrends, click on the Swing High and drag the cursor to the most recent Swing Low. For uptrends, do the opposite. Click on the Swing Low and drag the cursor to the most recent Swing High.

1. Previous Three Days - Reference the previous three days when trying to determine points to draw Fibs at the Highs/Lows.
2. Session Highs Lows - You can use a Session High/Low when drawing Fibs. Not just only daily highs/lows.

UPTREND



DOWNTREND



1. Targeting - Using Fib Retracement

- Upside Objective: Pull Fib from recent swing high to the swing low. First take profit would be around the 100 level and then the 200 level.
- Downside Objective: Pull Fib from recent swing low to the swing high. First take profit would be around the 100 level and then the 200 level.
- Always look to the left of price to identify other key price levels which may coincide with the targeted price objective.



2. Targeting - Using Fib Expansion

- a. Upside Objective: Pull from the buy point on the swing low towards the previous swing high. This will show the expansion levels.
- b. Downside Objective: Pull from the sell point on the swing high towards the previous swing low. This will show the expansion levels.

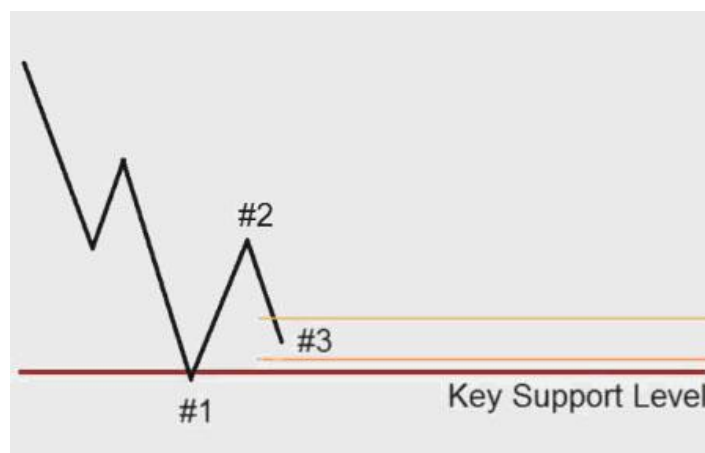


3. Prolonged Targeting - Use Fib Retracement and instead of pulling from high to low and the high sits on the 100 level, raise the Fib tool so that the high sits on the 50 level. You'll see the extension levels move higher for a longer range price objective in a trending higher market.

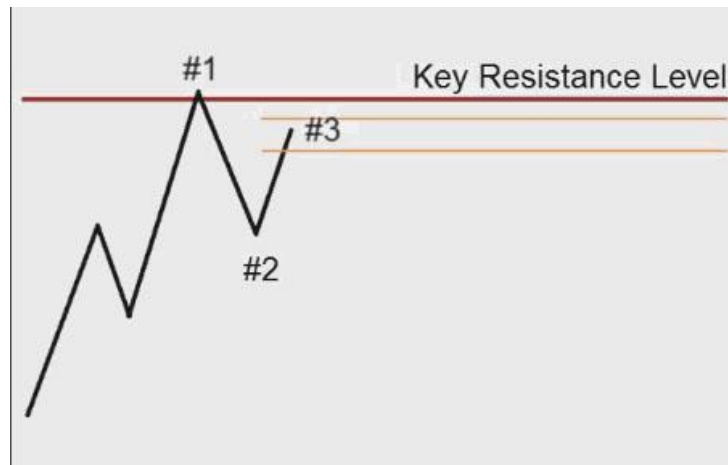
OTE PATTERNS

1. Standard OTE

- a. **OTE Pattern – Long:** Don't react to price movements, anticipate. Anticipate and trade into key support levels. Buy as price goes down and approaches the swing low. If bar "wicks", you can move stops or take trades off to break even.



- v. Anticipate price to go down to support level and bounce up. The touch of the support is #1.
 - vi. Bounce up to a short term high at point #2. Anticipate trade to go back down and retest support.
 - vii. Look to enter long in the ""Sweet Spot"" (Between 62 and 79 levels ~70.5)
 - viii. First take profit point would be when trade reaches point #2 price or 20 pips.
 - ix. Protective stop loss is 10 pips minimum below point #1.
- b. **OTE Pattern – Short:** Don't chase price action. If price goes up, don't assume it will always move up. Anticipate and trade short into key resistance levels. Sell as price goes up and approaches the swing high. If bar "wicks", you can move stops or take trades off to break even.



- x. Identify, anticipate price to go down to resistance level and retraces down. The touch of the resistance is #1.
- xi. Retrace down to a short term low at point #2. Anticipate trade to go back up and retest resistance.
- xii. Look to enter short in the "Sweet Spot" (Between 62 and 79 levels ~70.5)
- xiii. First take profit point would be when trade reaches point #2 price or 20 pips.
- xiv. Protective stop loss is 10 pips minimum above point #1.

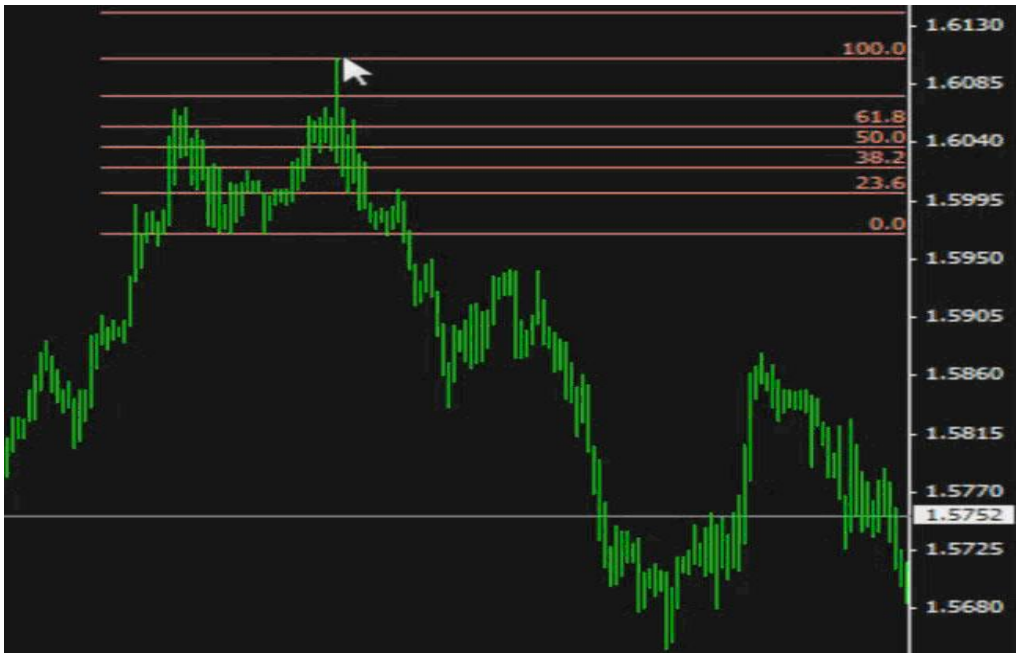
2. ICT Reflection Pattern - The Anti-OTE

- a. **Buy Example:** You'll have a significant low and you anticipate the move is to chase stops below the level. In order to approximate the price level to enter, draw a Fib from low to high and look to go long at the 100 level. When looking to the left, it will appear to be an OTE Reflection.



You can pull the Fib from the high to line up the previous low at the OTE level and you'll see how the recent low at the 100 level was spot on.

- b. **Sell Example:** You'll have a significant high and you anticipate the move is to chase stops above the level. In order to approximate the price level to enter, draw a Fib from recent high to low and look to go short at the 100 level.



You can pull the Fib from the low to line up the previous high at the OTE level and you'll see how the recent high at the 100 level was spot on. When looking to the left, it will appear to be an OTE Reflection.

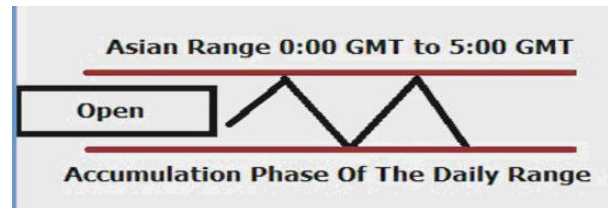
3. Hidden OTE

You can draw Fibs from other important areas of confluence like recent highs/lows or session highs/lows to find an OTE.

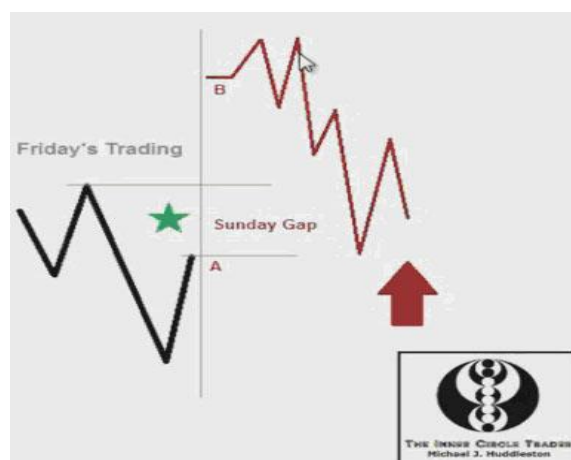


SESSION TRADING

1. **Asian Session** - The Asian Range determines the directional bias or likely direction for the majority of the London & NY sessions. Where the money is positioned in Asian dictates the profit release on the trading day. Typically trades counter the NY session direction in a corrective bounce.

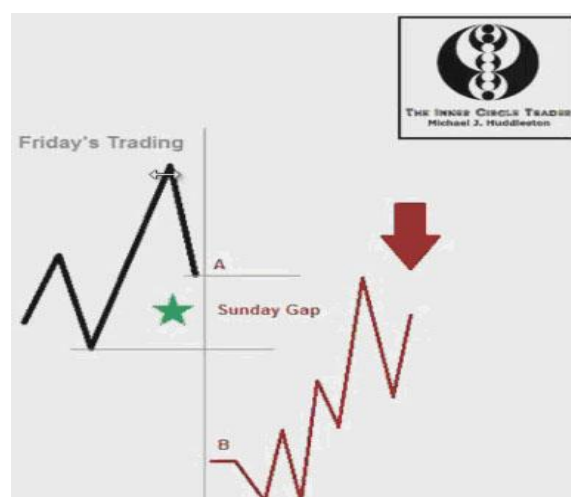


- a. **Asian Kill Zone**
 - i. 6:00pm - 10:00pm EST is typical Asian Kill Zone for trades. Kill Zone is the time of day where you'd ideally look for a trade.
 - ii. Asian Session is better for position trading in long term positions.
- b. **Whiplash Short & Catapult Buy**
 - i. Sunday Open Gap Higher from Friday's Close
 - ii. Wait for initial attempts to continue higher and watch SMT for Negative or Bearish Divergence.
 - iii. Short near Sunday Opening and look for exit at the Friday Closing Range.
 - iv. For bullish environments you can buy the SMT Positive or Bullish Divergence inside and or at the Friday closing range upon gap filling.
 - v. Take profits at 20 pips and set remaining portion to breakeven and look for London continuation into NY session.



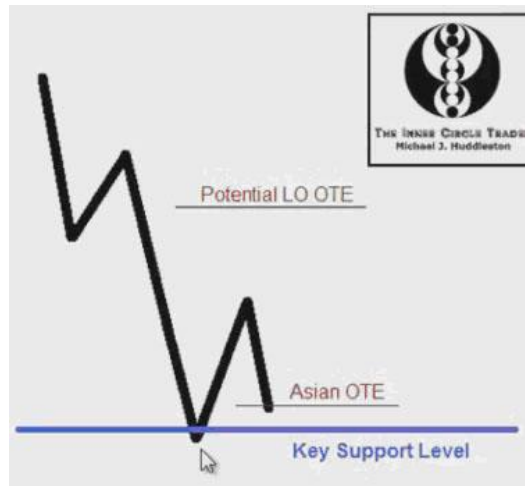
c. Whiplash Buy & Catapult Short

- i. Sunday Open Gap Lower from Friday's Close
- ii. Wait for initial attempts to continue lower and watch SMT for Positive or Bullish Divergence.
- iii. Buy near Sunday Opening and look for exit at the Friday Closing Range.
- iv. For bearish environments you can short the SMT Negative or Bearish Divergence inside and or at the Friday closing range upon gap filling.
- v. Take profits at 20 pips and set remaining portion to breakeven and look for London continuation into NY session.

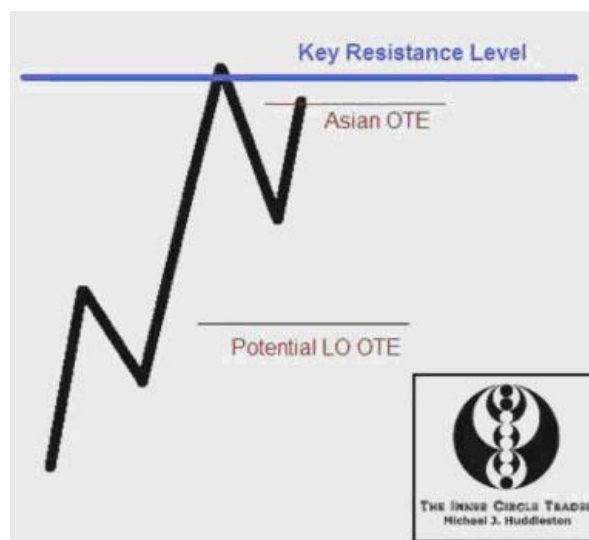


- a. Lazy Asian Session - Session doesn't typically attempt to break into new highs / lows.
- e. Asian Session Buy - Typically trades counter the NY session direction in a corrective bounce.
 - i. Asian Session rarely sees follow through on new lows.
 - ii. On higher timeframes like Weekly, Daily, 4 Hour, and or 60 minute charts, note Key Support Levels.

- iii. Anticipate OTE Buys to form in Asian Session when price trades down into Support.
- iv. Take profits at OTE levels for NY Swing and leave portion for continuation into London.



- f. Asian Session Sell - Typically trades counter the NY session direction in a corrective bounce.
 - i. Asian Session rarely sees follow through on new highs.
 - ii. On higher timeframes like Weekly, Daily, 4 Hour, and or 60 minute charts, note Key Resistance Levels.
 - iii. Anticipate OTE Sells to form in Asian Session when price trades up into Resistance.
 - iv. Take profits at OTE levels for NY Swing and leave portion for continuation into London.



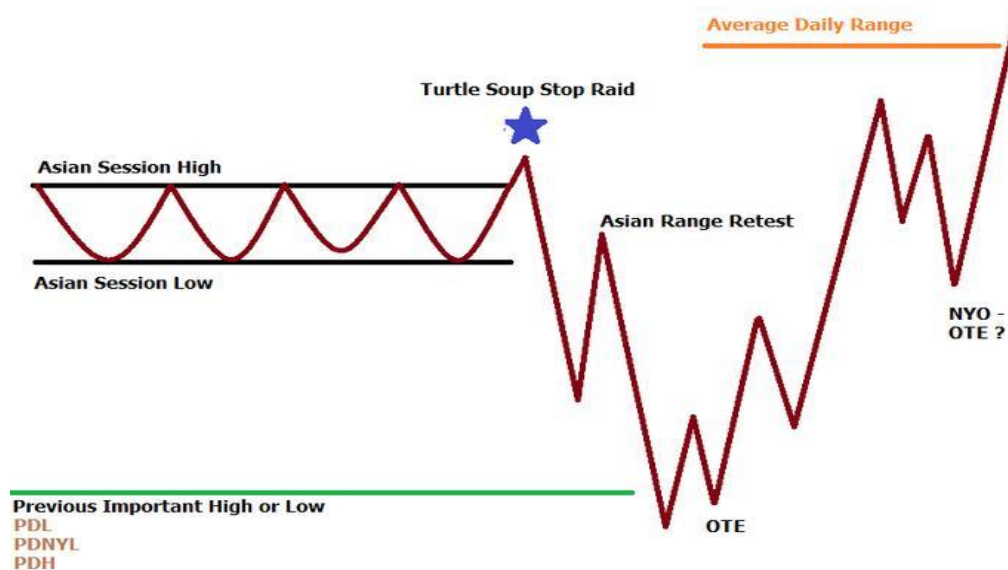
2. London Open

- a. **London Open Kill Zone Sweet Spot – 7:30am - 8:30am GMT**
- b. **Long Opportunity - Raid Stops then Shoot for Support**
 - i. Goal is to dial in on the Low of the day to go long from.
 - 1. First objective after London Open is to raid Asian

High stops.

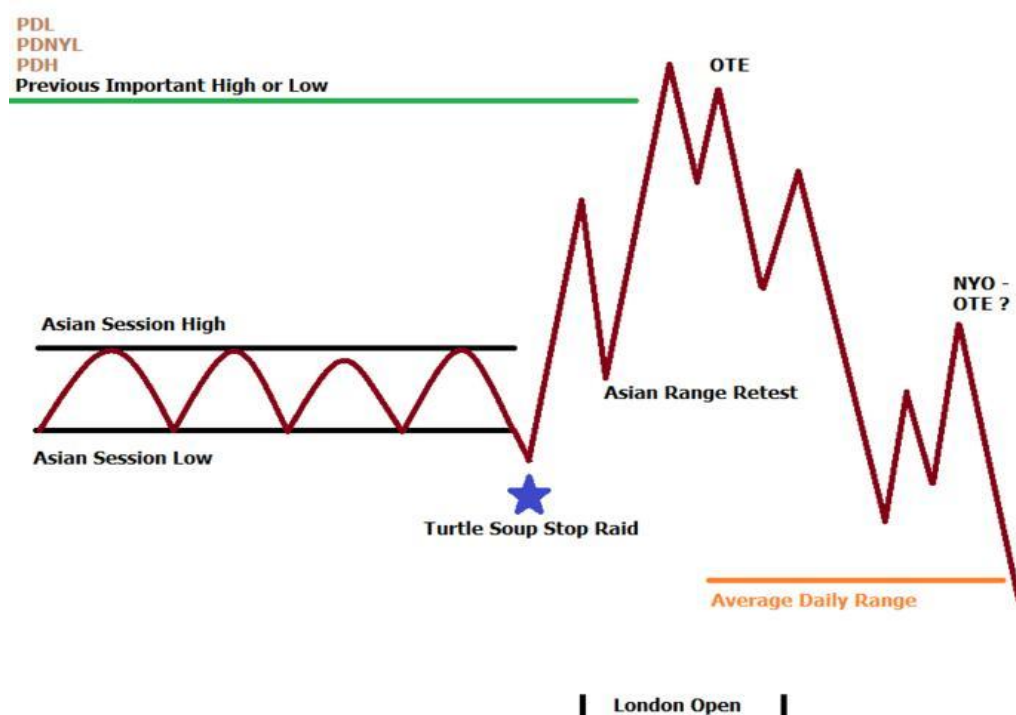
2. After stops are taken out, price moves lower testing key support levels & OTE.
 3. From London Open to Close or 18:00 GMT, the Daily Range is put in and you should not use tight trailing stops.
- ii. In Bullish conditions you may leave a portion of the trade on beyond 18:00 GMT for short term overnight trades that can pay well with only 10-20% of original position.

| London Open |



c. **Short Opportunity - Raid Stops then Shoot for Resistance**

- i. Goal is to dial in on the High of the day to short from.
 1. First objective after London Open is to raid Asian Low stops.
 2. After stops are taken out, candles move higher to test key resistance levels & OTE.
 3. From London Open to Close or 18:00 GMT, the Daily Range is put in and you should not use tight trailing stops.
- ii. In Bearish conditions you may leave a portion of the trade on beyond 18:00 GMT for short term overnight trades that can pay well with only 10-20% of original position.



d. London Open

- i. During a higher TF consolidation, we wait for the daily range to contract. Monitor the hourly charts for consolidation near key S/R levels. The ideal setup would lead to range expansion which means that the previous day is usually a short range day. Use the high/low of previous day to measure OTE.
- ii. The setup usually occurs *after* a daily fractal forms at a key level. Look for confluence of Support & Resistance, weekly pivots and projection targets. Number the bars of the Head & Shoulders pattern from 1 to 5, 3 being the head. In a perfect world days 3 & 4 are short range days and I would use Bar #4 as the green light to anticipate range expansion on days 5 & 6.
- iii. The setup occurs more frequently during a higher TF range expansion. In this environment sentiment is a major catalyst for frequent LO setups. I use a 30 Period Williams %R on the 4Hr chart to gauge short term sentiment.
- iv. Price is relentlessly *reaching* for a key level. Look for confluence of Support & Resistance, weekly pivots and projection targets. If price retraces during LO, to retest a S&R level, the run is usually short lived and a swift move

towards our target can be expected at NYO.

- v. During a smaller TF range expansion, I use the 50 period %R on the 30Min chart as a sentiment meter. Also used to gauge counter-trend exhaustion and key off of S/R role reversals.

3. London Close

a. London Close Kill Zone

- i. London Close at 11am EST Approx.
- ii. Kill Zone is between 10am - 1pm EST.
- iii. Generally the market will look to encounter profit taking around 11am EST as London traders close their trading day and NY traders are taking lunch.

b. Two Dominant Trade Types

- i. Counter Trend Trade: Quick 15-20 pip scalp using 5-min chart for short-term market exposure.
- ii. London Close Trend Trade: Trend trade entry to get in sync with the daily trend or long term price swing.

c. Average Daily Range

- i. Identify 5, 10, and 20 day ADR to get an idea of the pips trading in the current environment.
- ii. Use 5 day ADR around NY Open which is when the market has ""priced in"" the high or low of the day. Add the 5 day ADR to the highest high and lowest low to ADR highs and lows.

d. Optimal Trade Entry

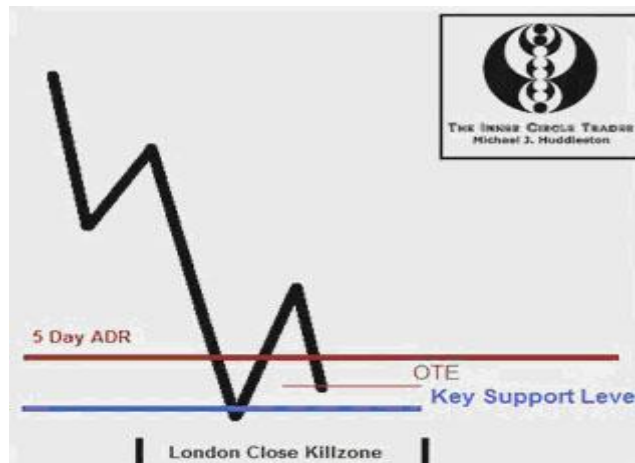
- i. P. Stop is placed 10 pips beyond the High or Low on Fib.
- ii. First objective is 15-20 pips profit.
- iii. Last profit is taken at the High or Low of the swing.
- iv. The Entry Point is the 62-79% levels or between them (~70.5)

e. London Close Counter-Trend Buy

- i. Reference the US Dollar Index and determine if it has met its 5 day Average Daily Range
- ii. Determine if the pair traded has met its 5 day ADR.
- iii. Prior to the London Close Kill Zone window determine higher timeframe Weekly, Daily, 4-hour, 1-hour S&R

levels.

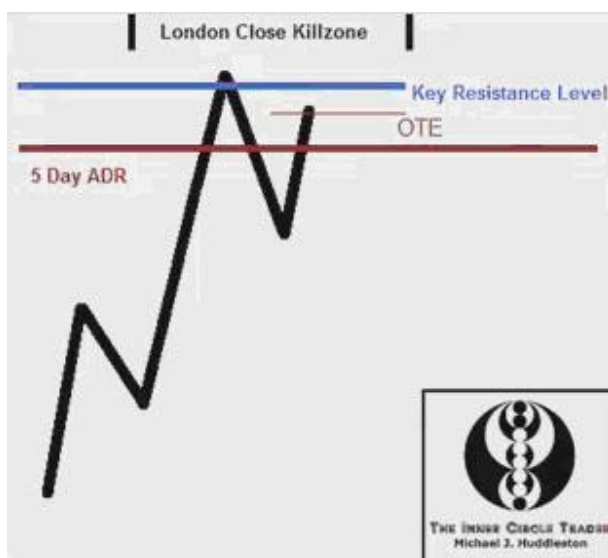
- iv. Note the previous 3 days highs and lows, Session Highs/Lows, and Pivot Points
- v. As price drops down into the ADR level and Kill Zone, look at the 5-min lows for a bounce off of one of the levels.



- vi. After the bounce, pull a Fib over the short term upswing and consider buying the pair at OTE on the 5-min chart.
- vii. Risk 10 pips under the low used for the Fib and take profits on 15-20 pips and hold for the high of the Fib based swing.
- viii. Ideally, better trades form on swings measuring at least 15%-20% of the daily range of the trading day.

f. London Close Counter-Trend Sell

- i. Reference the US Dollar Index and determine if it has met its 5 day Average Daily Range
- ii. Determine if the pair traded has met its 5 day ADR.
- iii. Prior to the London Close Kill Zone window determine higher timeframe Weekly, Daily, 4-hour, 1-hour S&R levels.
- iv. Note the previous 3 days highs and lows, Session Highs/Lows, and Pivot Points
- v. As price rises up into the ADR level and Kill Zone, look at the 5-min lows for a bounce off of one of the levels.



- vi. After the bounce, pull a Fib over the short term downswing and consider selling the pair at OTE on the 5-min chart.
- vii. Risk 10 pips above the high used for the Fib and take profits on 15-20 pips and hold for the low of the Fib based swing.
- viii. Ideally, better trades form on swings measuring at least 15%-20% of the daily range of the trading day.

g. **London Close Setup**

- i. During a higher TF consolidation, we wait for the daily range to expand. Monitor the hourly charts for range expansion towards key S&R levels. The ideal setup would lead to range contraction which means that we are coming off a LO profit release.
- ii. The setup usually occurs during *trend exhaustion* at a key level. Look for confluence of S&R, weekly pivots and projection targets. LC setups are counter trend trades. Use the 30 period Williams %R on the 4hr chart and try to stick the weekly high/low on Bar #3.
- iii. During a higher TF range expansion this setup is not recommended.

4. **Trading the New York Session**

- a. NY Open Kill Zone Sweet Spot – 11:00am – 13:00 GMT
- b. Range Expansion - Small range or series of small range days/bars will suggest an upcoming large trading range day/bar.
- c. Close Probability
 - i. 80% odds of the close being at or near the high or low for

the day/bar.

- ii. If in a bearish scenario, ~75% odds that the open is near the high and the close is near the low.
- d. NY Open - Easiest session to trade. London high/low already in place.
- e. Ideal Entry
 - i. For Shorts, Sell on a move up.
 - ii. For Longs, buy on a move down.
- f. Setting a Stop when ideal level is too many pips - When the ideal stop is too many pips away from the 20-30 pip stop level, go to smaller timeframes and identify a stop level on what price is telling you on the smaller level.
- g. NY Session Trades Notes:
 - i. Get in sync with what the higher level timeframes are telling you. Majority of the time the trades will follow that trend.
 - ii. If looking at daily timeframe and market opened near the day's highs and has trended lower, we'd look for more shorts to push to a day's low. London Session created the day's high.
 - iii. London Close coinciding with NY Session lunch time allowed for a counter trade opportunity. Take profit at the 38% retracement level of the full days range.

PRICE ACTION

What is Price Action?

Very basically, Price Action is everything that traders are doing and how they are behaving placed onto a chart for others to analyze. Price Action is everything that price is doing and has done on a Forex pair or trading instrument for a trader to see on a chart. All price represents on a chart is what traders have done and how they have behaved given a certain situation. For example price gets to a support area and price bounces higher. This is traders buying up at a level in the market where they think support is.

Another example of price action at work on a chart is a Pin Bar. Price gets to a certain level in the market before rejecting that level and snapping back the other way. On a chart we see a Pin Bar but that Pin Bar was made up of traders all around the world buying or selling at the same area and rejecting higher or lower prices. This is a method that has been around for a long time and will be around for a long time to come. Unlike other rubbish indicators or black box systems Price Action trading does not stop working when the market dynamics change.

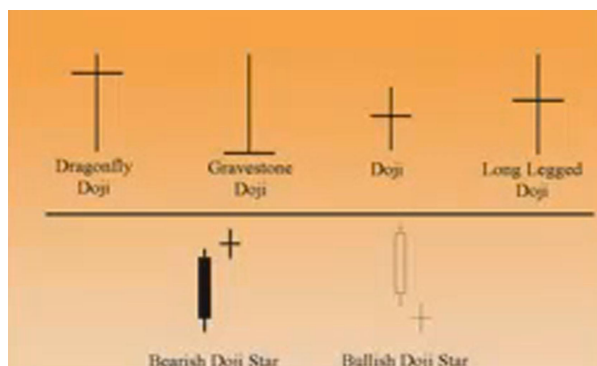
How can we use Price Action to profit?

Traders and humans are very habitual and will do the same given the same circumstances. As traders we can begin to recognize patterns that form on the chart. These patterns will tend to repeat themselves and have the same outcomes. No two trades will ever be the same and no outcomes will ever match a previous trade's, but by perfecting these high probability price action patterns we can begin to place trades that over time will give us an edge in the market!

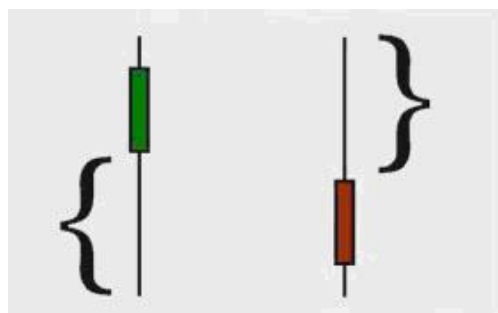
Traders can learn and perfect these trading patterns and begin to implement strategies that will over time give them an edge on the market. An edge is simply something that gives a trader a better chance than 50/50 of placing a winning trade.

HIGH PROBABILITY PRICE PATTERNS

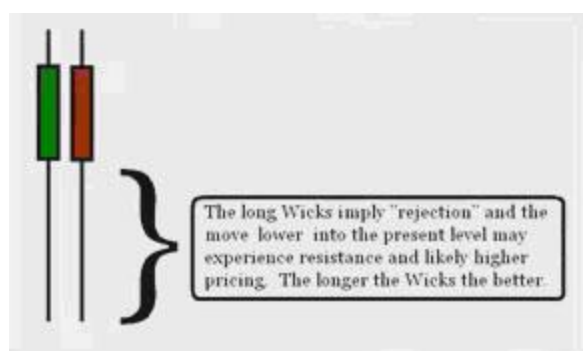
1. **The Doji** - Form when open and close are virtually equal. Doji alone is neutral. Bullish or bearish bias is based on preceding price action and future confirmation. Best used as confirmation of anticipated action, changes in direction.



2. **The Hammer aka Pinbar** - Form when price moves significantly lower after the open, but rallies to close well above the intraday low. Works in the opposite direction (bullish and bearish). Ideally like seeing these patterns at OTE or at key Support & Resistance Levels.

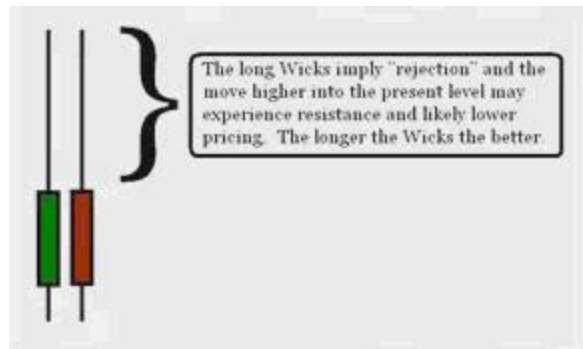


3. **The Tweezer Low** - Looks like consecutive Bullish Pinbars. Indicates that price held twice at the exact same level. Sellers not able to push price lower. The longer the wicks the better. Preference is to see the pattern at 4-Hour and 1-Hour charts at higher time frame S&R levels. If accompanies SMT Divergence, look to trade maximum risk exposure!



4. **The Tweezer High** - Looks like consecutive Bearish Pinbars.

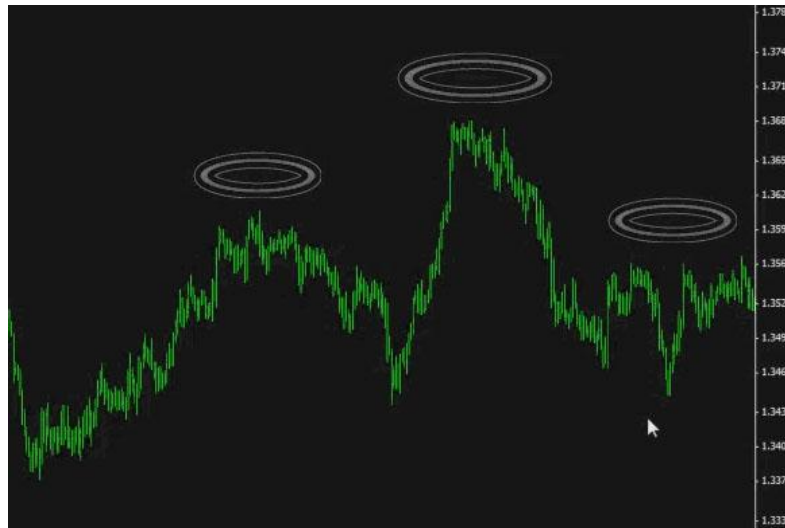
Indicates that price held twice at the exact same level. Buyers not able to push price higher. The longer the wicks the better. Preference is to see the pattern at 4-Hour and 1-Hour charts at higher time frame S&R levels. If accompanies SMT Divergence, look to trade maximum risk exposure!



5. **Railroad Tracks** - Two candlesticks with smaller wicks for highs/lows where the preceding candle's body matches that of the current candle's body in the opposite direction. Look for these at key levels to signify an engineered reversal. Very strong pattern.

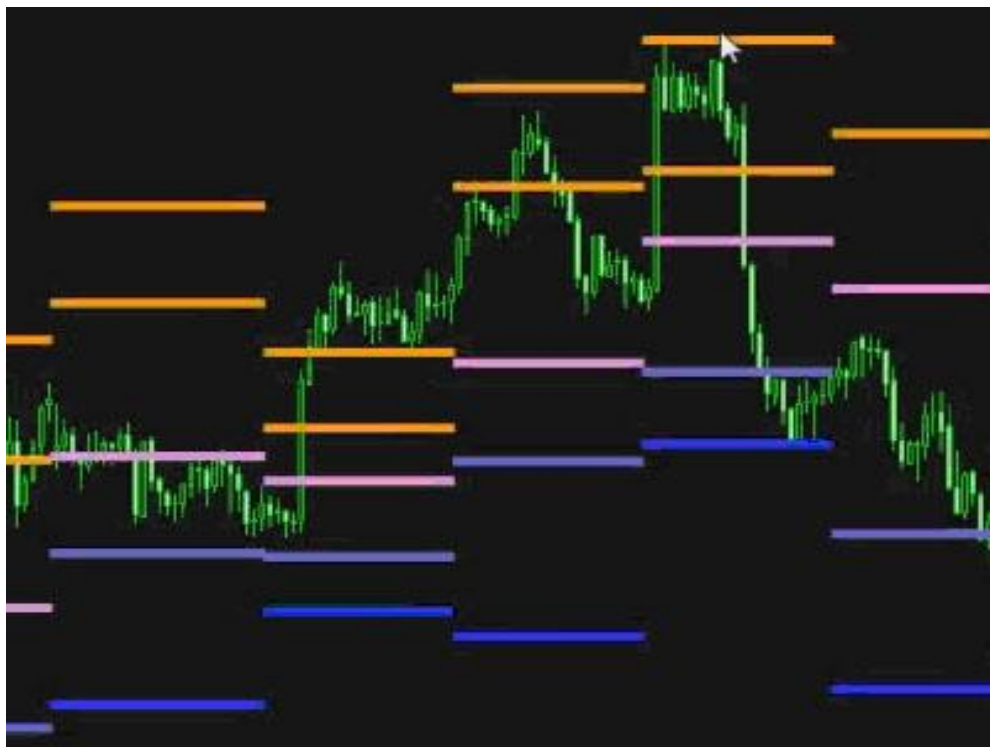


6. **Head & Shoulders Top Formation** - Selling Pattern
 - a. Typically occurs at intermediate or long-term high.
 - b. Price objective from highest high of head to the lows at the neckline. Measure from high to the neckline and price objective would be that distance extending below the neckline.
 - c. Selling Pattern.



7. Three Indians Climax Reversal Pattern

- a. Three progressively higher price slope highs reaching a top near an area of resistance. This would be a sell pattern as we'd reasonably expect price to fall. Look for OTE at a lower time frame.
- b. Selling Pattern.



8. Triangles & How ICT Trades Them

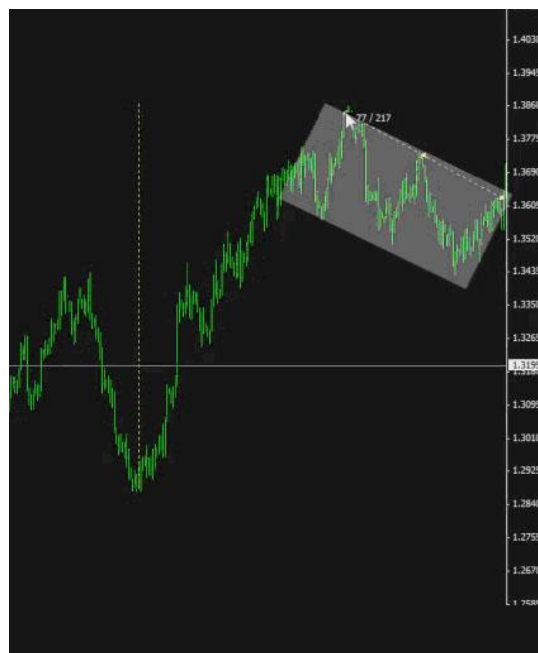
- a. Note a key resistance level where you find consolidation and support/resistance. Plot a general trend-line from low point to its intersection with the key resistance level. Measure from low up to the resistance level.
- b. Use the widest portion of the triangle and add that pip range to the low point dips along the trend line. Not each level as it

progresses and these levels would be where you'd expect take profit points in the future during a buy program.

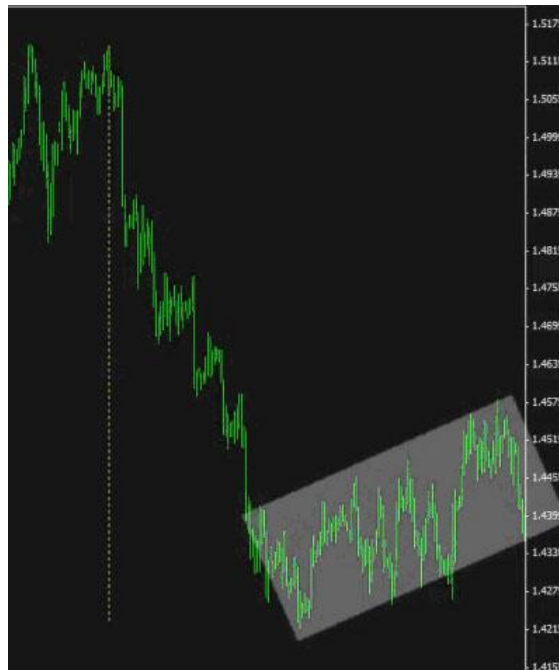
9. Inverted Head & Shoulders Bottom Formation

- a. Typically occurs at intermediate or long-term low.
- b. Price objective from lowest low of inverted head to the highs at the inverted neckline. Measure from low to the inverted neckline and price objective would be that distance extending above from the inverted neckline.
- c. Buying Pattern

- 10. Bull Flag Continuation Pattern** - Look for the flag pole which would be a sharp price run up followed by descending range of price between channel. Price objective would be done by getting the pip range from low to high and adding that distance to the lowest low of the flag and to the breakout of the flag. There would be a reasonable expectation that price will appreciate to meet those levels.



- 11. Bear Flag Continuation Pattern** - Look for the flag pole which would be a sharp price run down followed by ascending price range/channel. Price objective would be done by getting the pip range from high to low and adding that distance to the highest high of the flag and to the breakout lower of the flag. There would be a reasonable expectation that price will depreciate to meet those levels.

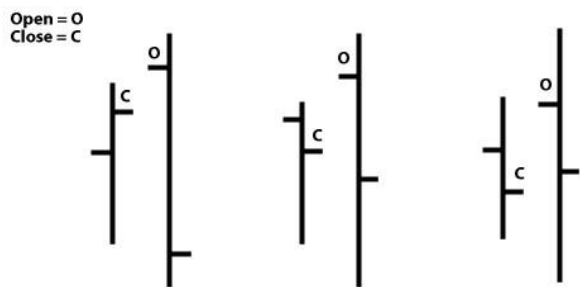


12. Coil Expansion Pattern

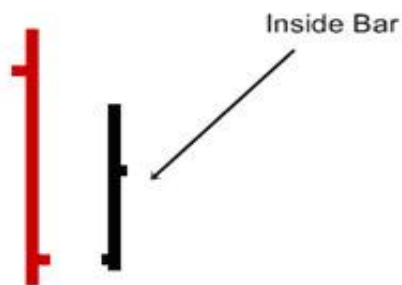
- a. Draw trend-line of lower highs and trend-line of higher low to a point where they look to intersect. As price approaches the intersection, we'd expect price to range higher or lower from that point.
- b. Use higher time frame analysis to get in sync and anticipate which direction price will due to directional bias. If pattern occurs at key support level, anticipate price to range higher.
- c. Measure range from the low to the touch point of the upper trend line of lower highs above it. Add the range to the upper or lower trend line to identify a price objective once price begins to range out of the coil.



13. **Turtle Soup Reversal Pattern** - Turtle Soup is when price takes out stops beyond an old high or low and immediately reverses direction
 - a. Identify the lowest low and highest high in the last 20 periods/candlesticks.
 - b. Go long at the time price goes below the lowest low in the previous 20 periods. This is done on the notion that the price move below is a false break.
 - c. Go short at the time price goes above the highest high in the previous 20 periods. This is done on the notion that the price move above is a false break.
14. **Riptide Reversal** - Any significant high or low broken/rejected over any period, number of candles should move in the opposite direction after broken.
15. **Outside Day with Down Close**
 - a. Pattern where second candle has a higher high and lower low than the period before with a down close. Bullish scenario when it occurs at an oversold period using Williams %R.
 - b. Get long at the following bar using 30 and 70 levels for the indicator to determine overbought/oversold and 10 period.



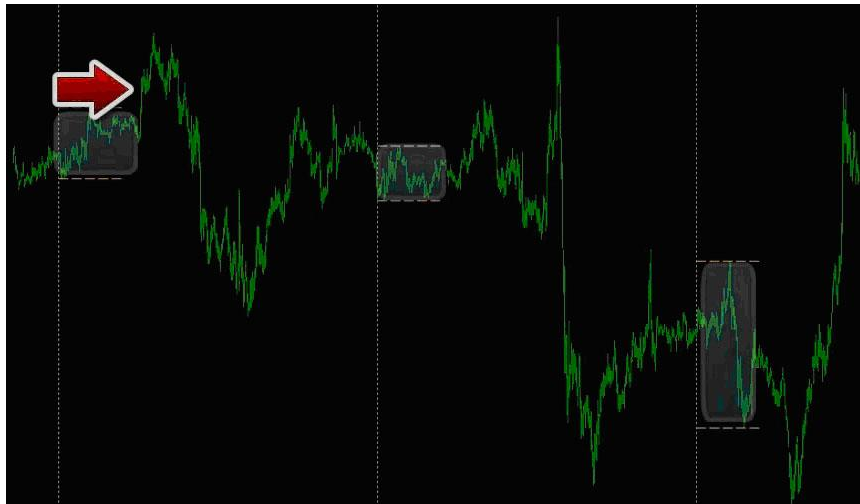
16. **Inside Day** - Pattern when the second candle has a higher low and a lower high than the previous day. Upon the close of the candle, it signifies a trending day or large range expansion day to follow.



TRADING SWINGS

1. The Judas Swing

- a. Judas Swing - An engineered price swing meant to lead reactionary traders into the wrong direction. Typically a false rally that appears initially to emotional traders as the next big run in price. In the market, traders that follow this swing find themselves trapped on the wrong side and pay the price.



- b. When Judas Swing Forms - Essentially is a stop raid that many times trades into:
 - i. Key S&R Level
 - ii. Previous High or Low
 - iii. Counter-Swing to Form OTE
 - iv. Raid the Previous Week High
 - v. Raid the Previous Week Low
 - vi. Raid the Previous Session Stops
 - vii. Raiding Session Stops
 - 1. If trading London Open, look for Asian stops to be raided.
 - 2. If trading NY Session, look for London Open stops to be raided.

2. Market Swing Points

- a. 10:00 GMT @ 5-min Chart
 - i. Standard Judas Swing
 - 1. Use opening price on midnight candle, draw open line into the day.

- 2. If Bearish, look for shorts at points above the line.
- b. Judas Swing Once Every 24-Hour
 - i. The Swing should happen at least once in a 24-hour session.
 - ii. Swing should be in the opposite direction of what the trend for the day has been.
- c. Confluence of S&R - Use 15 pip buffer when looking for confluence of S&R
- d. Trade After Swing High / Low
 - i. If market is trading lower, then look for a sell after a recent swing high.
 - ii. If market is trading higher, then look for a buy after a recent swing low.
- e. Two Trends in a Day
 - i. Morning Trend that is the market open to around 11am and consolidates to around the NY lunch period.
 - ii. Around 1pm - 2pm, things heat up to fulfill the PM trend for the remaining portion of the daily range.

ICT TRADING CONCEPTS

1. The Trader's Trinity - Inner Circle Trader's Exclusive Overbought - Oversold & S&R Concept - Day 11

- a. Trader's Trinity
 - i. Upper Portion - Overbought zone. Look for shorts.
 - ii. Middle of the Range - Fair value / Equilibrium
 - iii. Lower Portion - Oversold Zone. Look for buys.
- b. Monthly Trinity
 - i. Look for periods where price has broken out of the Trinity Range to the low and high using the daily chart as sectioned off by Monthly Trinity.
 - ii. Reference the 3 previous periods in the time frame to look back for relevant levels/information.
- c. Trinity Levels
 - i. Upper boundary price levels would signify an overbought area and we should look for opportunities to sell.
 - ii. Lower boundary price levels would signify an oversold area and we should look for opportunities to buy.
 - iii. Always see if this is in agreement or against higher time frame analysis.
 - iv. Price will typically come back to the fair value zones in the center area of the Traders Trinity. Try not to trade in the Fair Value Zone.



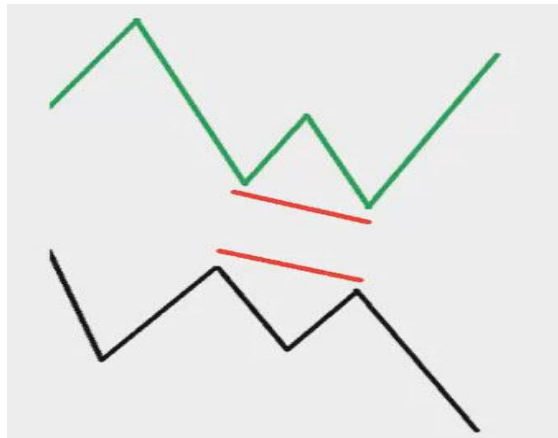
d. Broken Trinity

- i. Whenever seeing a broken Trinity, prepare the likelihood of a major high or low forming in the marketplace.
- ii. When price breaks out above the Trinity, use Fib by taking high of Trinity and bring down to the low. When breaking to the low, use Fib by taking low and bring down to the low. The two levels to focus on are the 162 and 200 extension. These two levels will usually have a reaction or correction to be used to get targets.
- iii. Look for correction at the breakout high/low point.
- iv. 162 and 200 Extension - These levels should hold true as targets until they are reached. If price does not reach these levels and pulls away, you may think that the levels are not valid any longer but they tend to still hold true in the longer time frame.
- v. Previous Week Traders Trinity - Same premise as Monthly Trinity. Identify areas where price breaks out of the Trinity to the Low or High. Use Fib to project 162 and 200 extension levels to estimate where price may go.

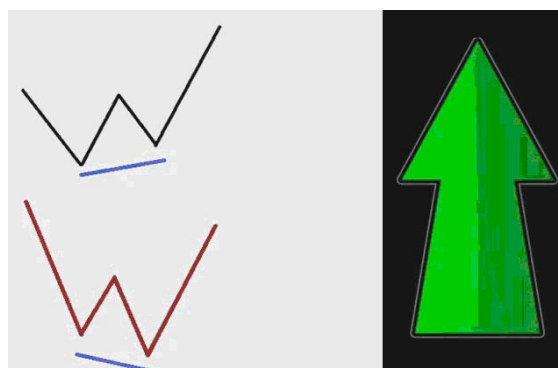
2. **Trading Smart Money Correlation Concepts - Day 12:** Smart money actions get revealed through cracks in the market. They leave fingerprints as they switch the tide of the current price swing. When the correlation materializes at predetermined support & resistance

levels we can be confident a reaction will unfold.

- a. **USDX SMT Divergence:** Given inverse correlation of pairs, when price on one has lower lows, it is expected that the other should reach higher highs. When this does not occur, we have SMT Divergence. This is suggestive of major accumulation/consolidation in advance of a major move in the opposite direction.



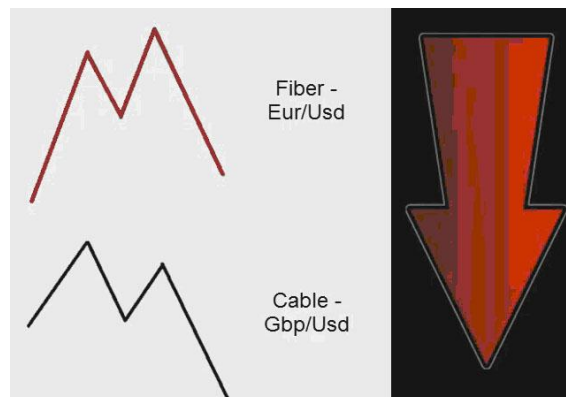
- b. **Correlated Pair SMT Bullish Divergence:** Should occur at and confirm predetermined Support Levels. If one pair fails to make a lower low while the other succeeds, then expect both pairs to shoot higher at a key support level.
 - i. When looking at Support plays or "buys" - consider the pair that fails to make the lower low respectively. Premise behind this: The pair that fails to drop lower, it is being bought and hence, not willing to go lower... this is essentially "Demand in Operation"... anticipate Higher prices.
 - ii. EUR/USD is making higher lows while GBP/USD is making lower lows > Buy EUR/USD



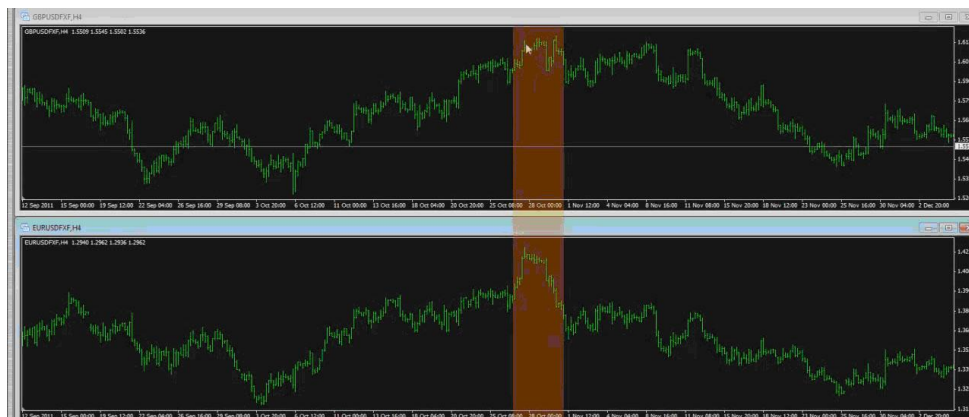
- c. **Correlated Pair SMT Bearish Divergence:** Should occur at and confirm predetermined Resistance Levels. If one pair fails to

make a higher high while the other succeeds, then expect both pairs to shoot lower at a key support level.

- i. When looking at Resistance plays or "sells" - consider the pair that fails to make the higher highs respectively.
Premise behind this: The pair that fails to rally higher, it is being sold and hence, not willing to go higher... this is essentially "Supply in Operation"... anticipate Lower prices.
- ii. EUR/USD is making higher highs while GBP/USD is making lower highs > Sell GBP/USD



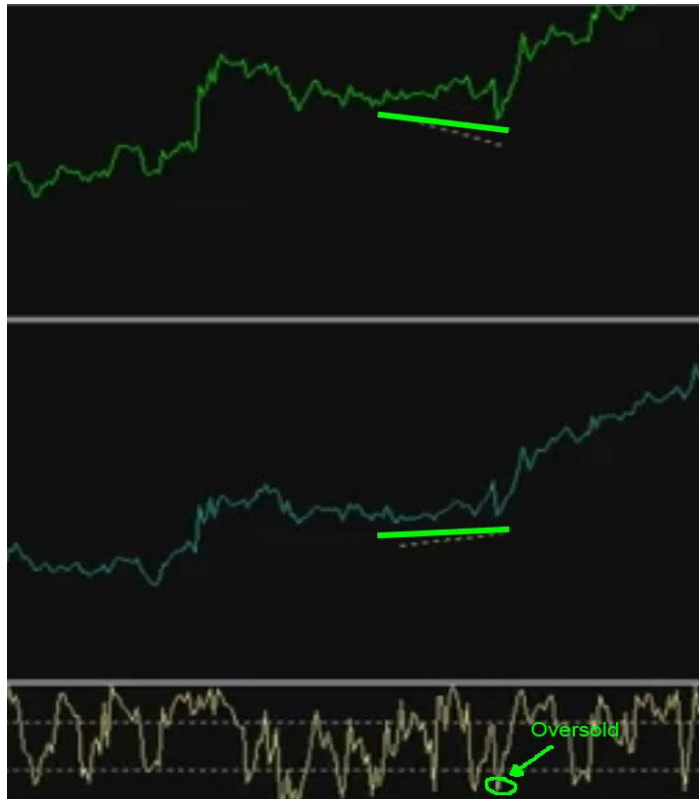
- a. Real Example of Correlated Pair SMT Divergence (GBP/USD vs. EUR/USD): GBP made a higher high while EUR failed to make higher highs. This signaled a reversal for both pairs.



3. Trading Accumulation / Distribution

- a. Opportunities to trade Accumulation / Distribution indicator occur when price diverges with the direction of the indicator and is supported by the overbought/oversold Williams %R (10 period) indicator.
- b. **Bullish / Long Setup**
 - i. Price makes a lower low.

- ii. Accum / Distr for same period makes a higher low
- iii. Williams %R is in oversold zone
- iv. Given time and price action, find opportunity to go long



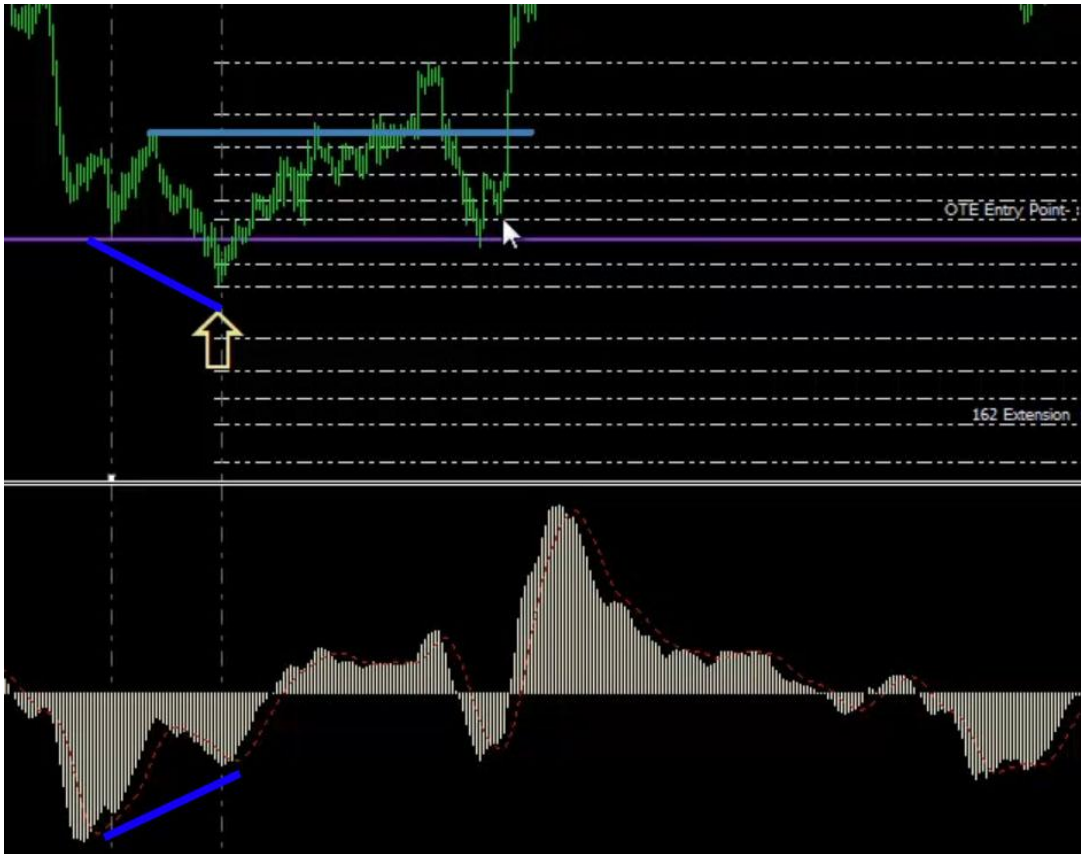
c. Bearish / Short Setup

- i. Price makes a higher high
- ii. Accum / Distr for same period makes a lower high
- iii. Williams %R is in overbought zone
- iv. Given time and price action, find opportunity to go short



4. MACD Divergence

- a. **Type 1 Bullish Divergence** - Price meets a lower low while the MACD reaches a higher low. Draw Fib from the swing low where the divergence was established to the recent swing high and look for OTE to enter long.



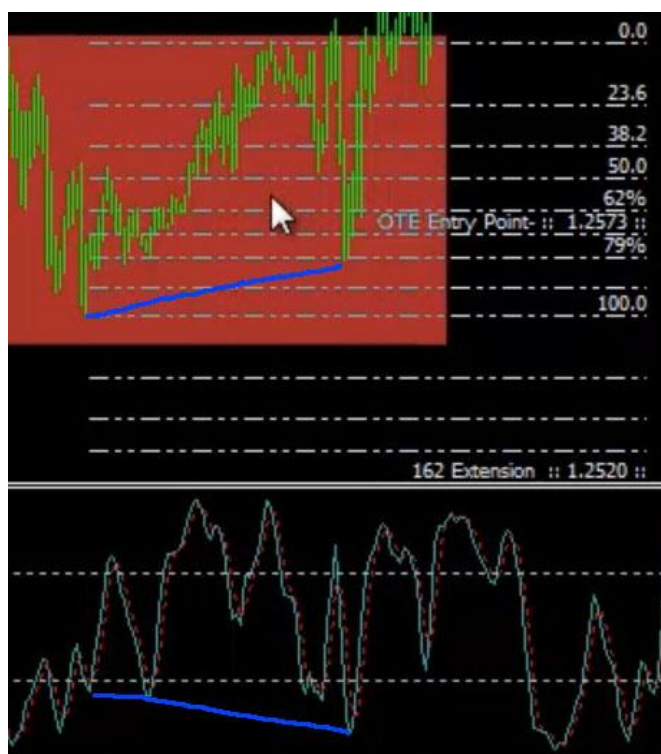
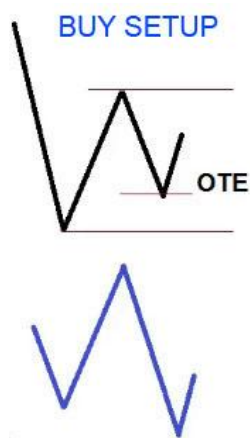
- b. **Type 1 Bearish Divergence** - Price meets a higher high while the MACD reaches a lower high. Draw Fib from the swing high where the divergence was established to the recent swing low and look for OTE to go short.



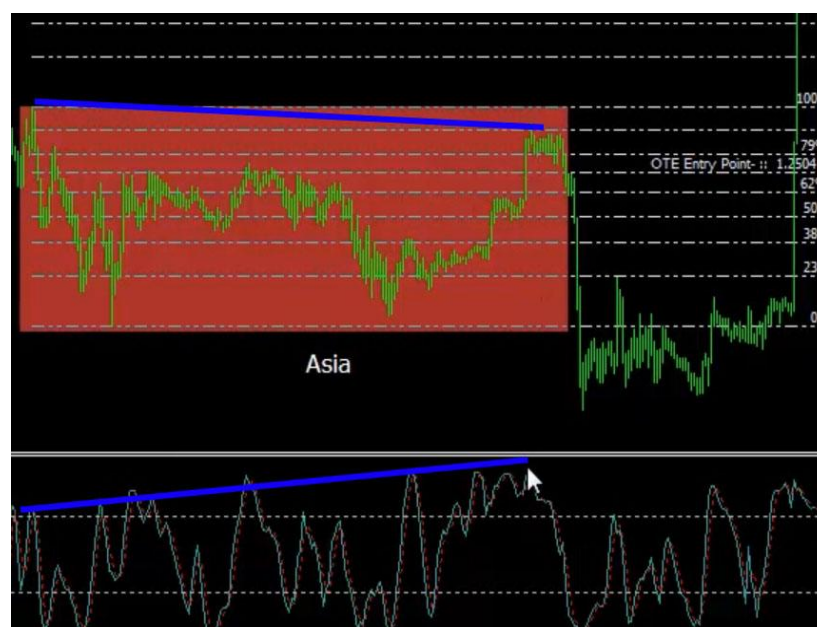
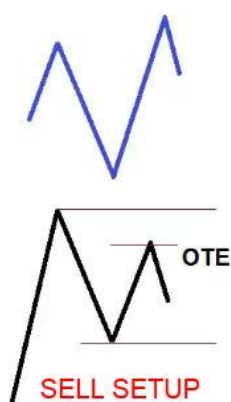
5. **ICT Grail (Market Review 7/15 ~32min)**

The ICT Grail forms at the OTE when there is a Type 2 Trend Following Divergence of price vs. the Stochastic Oscillator. Oscillator setting is %K @ 10, %D @ 3, Slowing @ 3.

- a. **Buy Setup** - Price finds a higher low at the OTE level. For the same period, the indicator finds a lower or equal low at the same time.



- b. **Sell Setup** - Price finds a lower high at the OTE level. For the same period, the indicator finds a higher or equal high at the same time.



6. ICT Stinger (Day 15 Notes ~20:30)

Type 1 and 2 Combined (STINGER) Over a period, price moves with the high time frame trend but diverges with the indicator. This combined with a smaller period where price moves against trend and diverges with indicator. Very powerful indication of price taking off.

- a. **Type 1** - Lower low in price but a higher low in the

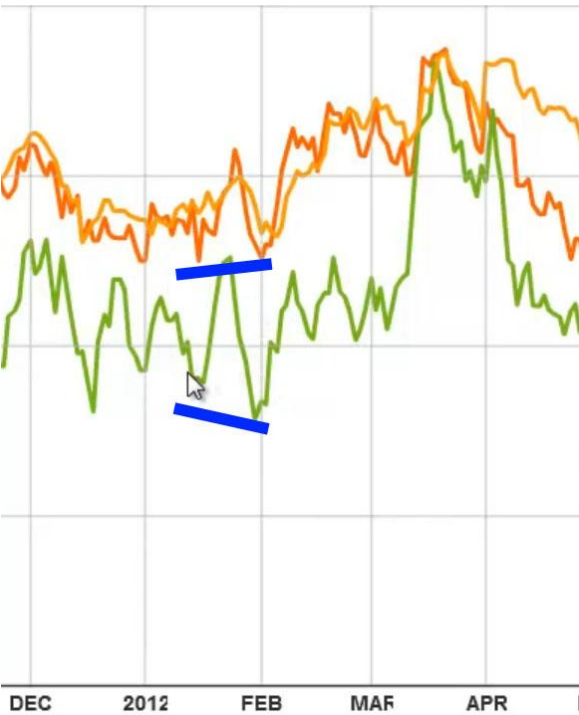
stochastic (yellow lines in chart)

- b. **Type 2** - Trend following divergence a higher low in price but lower reading in the stochastic (green lines in chart)
- c. Most powerful when this occurs at key support and resistance levels and OTE.



7. **Interest Rate Yield Triad** (Market Review 7/29) 26:15

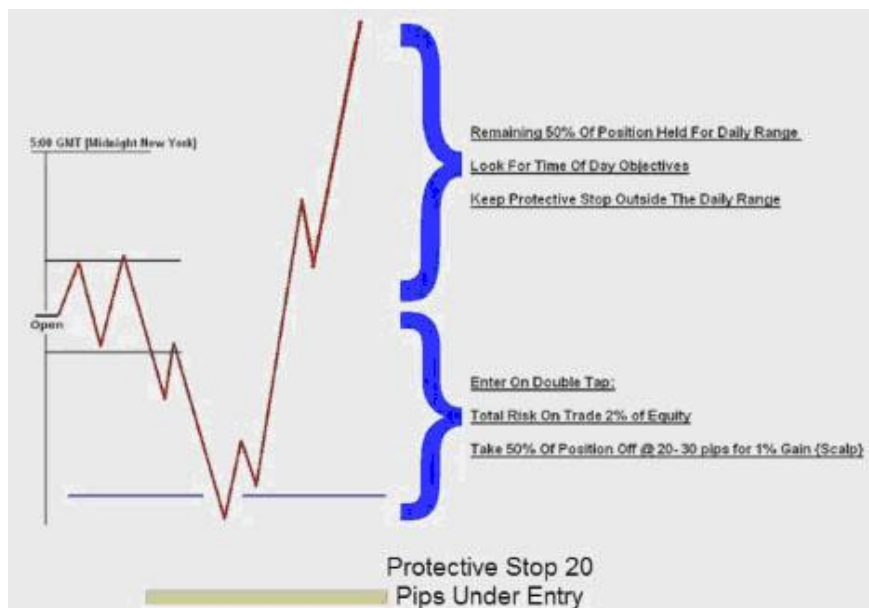
- a. US 10 year yield vs two correlated country's 10 year bond yields.
- b. Rising yields means rallying price (rising) as the higher yields draw attraction to the currency.
- c. Look for divergence among the correlated currencies and the US bond yield
- d. The yield that was unwilling to go lower vs. the other two yields, identifies the currency which will be attempting to go higher.
- e. When one currency goes higher, it should affect the other correlated currency in the same manner.



ICT TRADING METHODS

1. 20 Pip Per Day Scalping Method – Day 19

- a. Keys to Profitable Scalps
 - i. Understand Price Action Theory
 - ii. Firm Grasp of Key S&R Levels
 - iii. Trade Higher Timeframe Bias
 - iv. Take Profits Routinely & Often
 - v. Trade One or Two Pairs at Max
- b. Basic Scalping Buy Method
 - i. Identify a key support level
 - ii. Anticipate a Judas Swing Lower
 - iii. Look for OTE around key support level to go long
 - iv. Risk 20 pips
 - v. Look for SMT Divergence to anticipate low of day
 - vi. Take first profit @ 20 pips
 - vii. Enter on Double Tap
 - viii. Let second portion run and hold for Daily Range
 - ix. Look for Time of Day Objective around NYO, LOC, and 18:00 GMT.



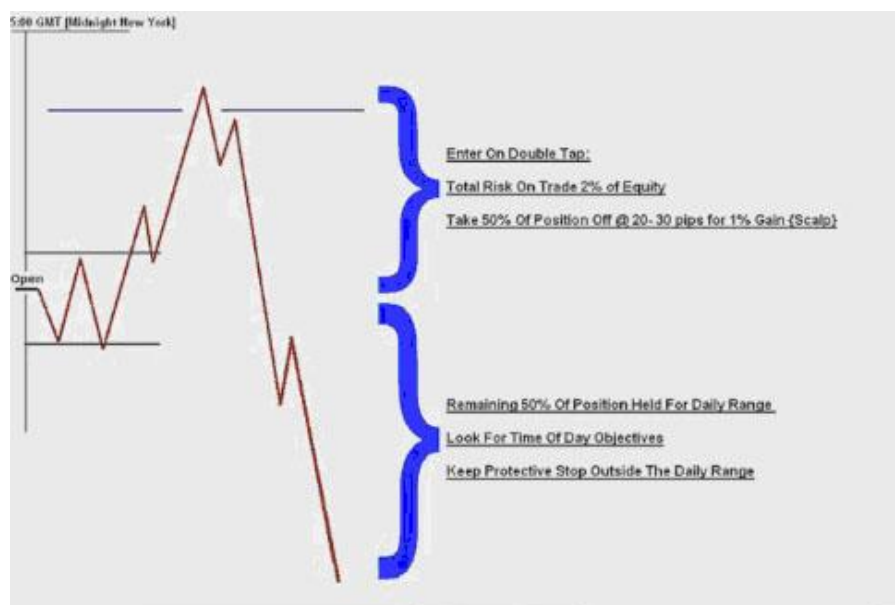
- c. Enter on Double Tap
 - i. Assuming total risk on trade is 2% of Equity, Take 50% of position off @ ~20-30 pips for 1% gain (Scalp). Remaining 1% portion will be held for the daily range. Look for time

of day objective and keep protective stop outside the daily range.

- ii. Protective stop at Breakeven after taking profit on first half of trade.

a. Basic Scalping Sell Method

- i. Identify a key resistance level
- ii. Anticipate a Judas Swing Higher
- iii. Look for OTE around key resistance level to go short
- iv. Risk 20 pips
- v. Look for SMT Divergence to anticipate high of day
- vi. Take first profit @ 20 pips
- vii. Enter on Double Tap
- viii. Let second portion run and hold for Daily Range
- ix. Look for Time of Day Objective around NYO, LOC, and 18:00 GMT



2. Short Term Intraday Method – Day 20

a. Method

- i. Plot EMA(40) and EMA(18)
- ii. Buy Signals - Look for periods where the 18 period EMA is above the 40 periods EMA. Buy program when you see the widening of the areas between EMA
- iii. Sell Signals - Look for periods where the 18 period EMA is below the 40 periods EMA. Sell program when you see the widening of the areas between EMA
- iv. Once price makes a fractal, swing low during Buy

Program, look for open after the fractal is formed and go long once price attempts to move down (Judas Swing)

- v. Take 70% off when you can and let the remaining run.
- b. Higher Time Frame Stops - As price moves higher, bring stop to ~10 pips below the next fractal low once two near fractals form.



3. Swing Trading Method – Day 21

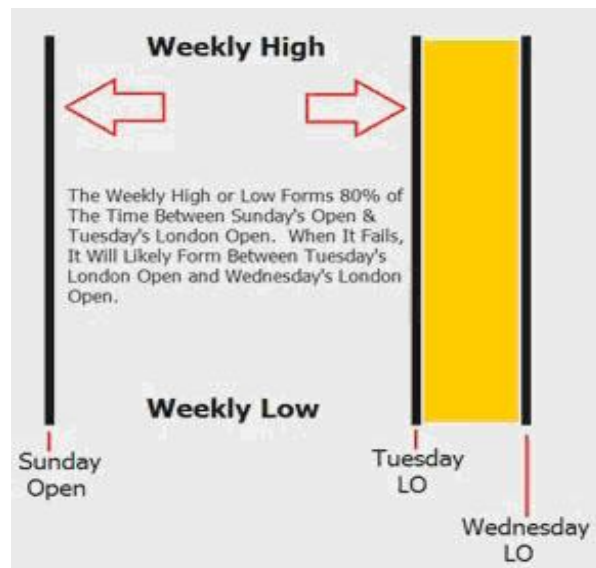
- a. ICT Swing Trade Setup
 - i. Quarterly Shift in Flows
 - ii. Old Highs & Lows
 - iii. SMT Divergence on Daily
 - iv. Market Structure
 - v. Swing Point Analysis
 - vi. Optimal Trade Entry Strategies
 - vii. Swing Projection for Profit Objectives



- b. Higher Timeframe Resistance - Price will swing higher into a key resistance and the short will be traded on the 4-hour and/or 1-hour chart for setup. The entry will be taken on the 5-min chart Turtle Soup Sell and/or OTE Sell Pattern. When daily Fractal swing high forms, look for Judas rallies to short into for new entry points.

4. How To Capture Explosive FOREX Profits - Day 25

- a. Weekly Highs/Lows - The Weekly High or Low forms 80% of the time between Sunday's Open & Tuesday's London Open. When it fails, it will likely form between Tuesday's London Open and Wednesday's London Open.



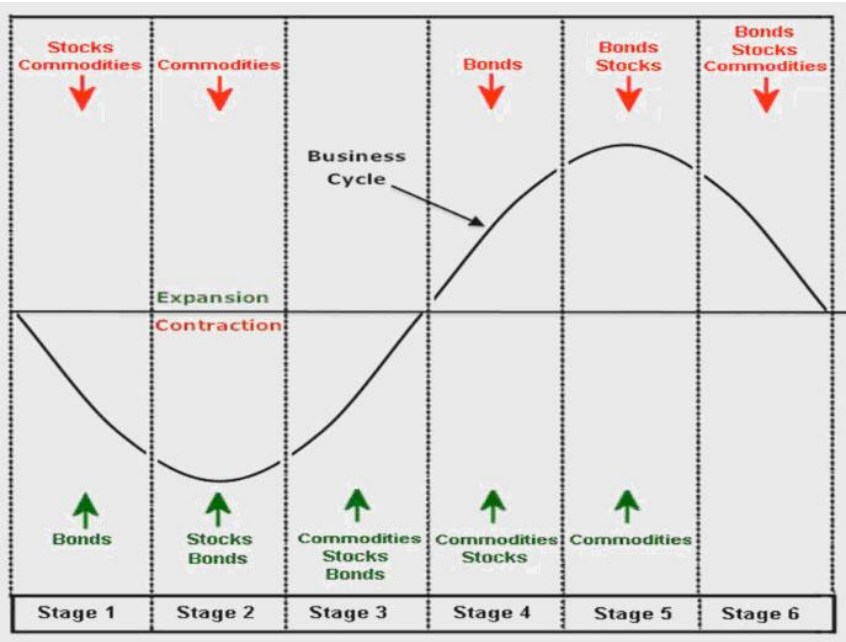
- b. Week's Opening Price
 - i. Identify the Opening Price for the Week and keep it noted on the chart through the trading week. If we're bullish on market conditions, we look for an opportunity to go long when the low for the week is formed (likely to form before Tuesday's London Open). The same is true for shorts.
 - ii. If it has not formed by Tuesday's London Open, then very likely to occur between Tuesday's London Open and Wednesday's London Open.

INSIDERS TRADING METHODS

1. The Four Market Groups
 - a. Domestic & Foreign Bond and or Interest Rates
 - i. 30 Year Treasuries
 - ii. 10 Year Treasuries
 - iii. 5 Year Treasuries
 - iv. 2 Year Treasuries
 - b. Stocks and Equities
 - i. Dow Stocks
 - ii. S&P 500 Stocks
 - iii. NASDAQ Stocks, etc...
 - c. Commodities and Futures
 - i. CRB Index
 - ii. Agricultures
 - iii. Financials
 - d. Currencies
 - i. The US Dollar
 - ii. Foreign Currencies
2. Inflationary Environment Inter-market Relationships
 - a. A POSITIVE relationship between bonds and stocks
 - b. An INVERSE relationship between interest rates and stocks
 - c. Bonds usually change direction BEFORE stocks
 - d. An INVERSE relationship between commodities and bonds
 - e. A POSITIVE relationship between commodities and interest rates
 - f. A POSITIVE relationship between stocks and commodities
 - g. Commodities usually change direction AFTER stocks.
 - h. An INVERSE relationship between the US Dollar and commodities
3. Deflationary Environment Inter-market Relationships
 - a. An INVERSE relationship between bonds and stocks
 - b. A POSITIVE relationship between interest rates and stocks
 - c. An INVERSE relationship between commodities and bonds
 - d. A POSITIVE relationship between commodities and interest

rates

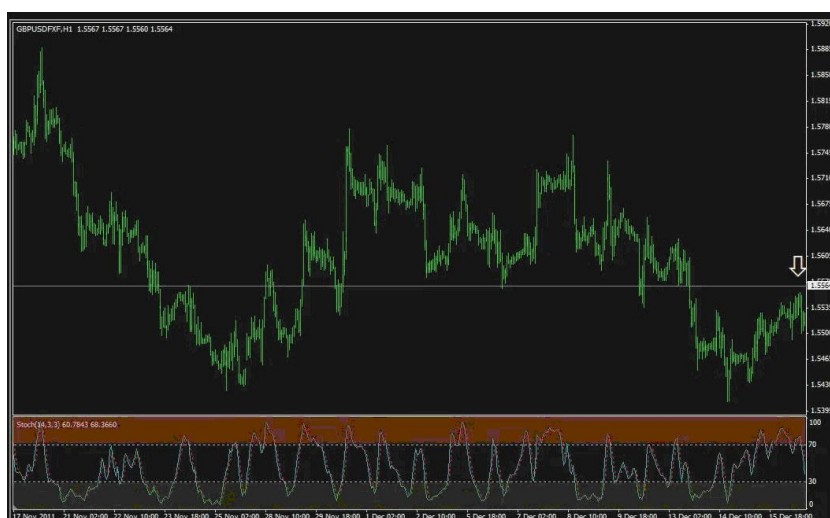
- e. A POSITIVE relationship between stocks and commodities
- f. An INVERSE relationship between the US Dollar and commodities



4. Big Events in the market (i.e. EU crisis) can throw certain relationships out of whack.

PROFESSIONALS USE OF INDICATORS

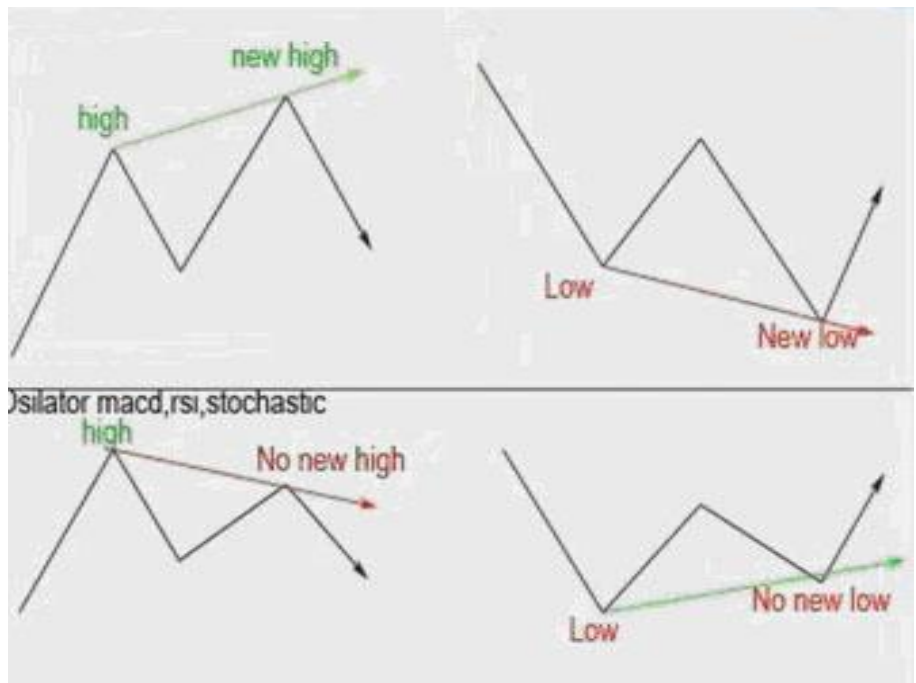
1. Revisiting the Market Profiles
 - a. Consolidation Range Profile
 - b. Breakout - Valid & False Profile
 - c. Trending Profile
 - d. Reversal Profile
2. Overbought & Oversold
 - a. Focus on Oversold in Market Profiles that suggest prices are bullish is Optimal
 - b. Overbought in Market Profiles that suggest Prices are Bearish is Optimal.
 - c. Stoch(14,3,3) that says we're oversold. We'd expect to see a price rise. Other examples of overbought and we'd expect to see a price fall.



3. False Signals - Overbought signals were no longer suggestive of price movements because price traded off of a higher time frame support level.



4. **Price Divergence** - Classic use with indicators is to look for Divergence between price and the indicator. Price reaches new low but indicator does not reach a new low. This is a divergence between price and indicator.



- a. **Type 1 Divergence (Reversal in Nature)** - Price moves opposite the higher time frame trend and diverges with indicator. Price moves opposite the higher time frame trend and diverges with indicator because it is a sign of a reversal by nature.
 - i. **Bullish Type 1 Divergence:** Price finds a lower low while the indicator finds a higher high for the same period



- ii. **Bearish Type 1 Divergence:** Price finds a high high while the indicator finds a lower low for the same period.



- b. **Type 2 Trend Following Divergence** - Divergence from indicator when price follows the trend but diverges with indicator.
 - i. **Bullish Type 2 Divergence:** Price finds a higher low while the indicator finds a lower low for the same period
 - ii. **Bearish Type 2 Divergence:** Price finds a lower high while the indicator finds a higher high for the same period.

MISC VIDEO NOTES

1. 3.1 Interest Rate Overlay Tutorial
 - a. Stockcharts.com EOD Yields
 - b. Free Charts > PerfChart >
\$UST2Y,\$UST5Y,\$UST10Y,\$UST30Y
2. 3.2 Interest Rate Overlay Tutorial
 - a. SMT - Smart Money Tool
 - b. EUR / USD vs. GBP / USD correlation. Divergence may indicate favor in one vs. the other.
3. 4.3 Swing Projection Application & Fib Configuration - 1.28 Projection
 - a. Daily High / Lows - 90% chance that the daily high/low is established in the first 4 hours of trading after NY midnight.
 - b. Range Expansion / Contraction Cycle - You can typically expect big ranges on timeframes after small ranges and vice versus.
 - c. Open @ Hi vs. Close at Low?
 - i. When high/close is closer in proximity after wide ranges as price goes up, it's more likely/suggestive you're at a top.
 - ii. When low/close is closer in proximity after wide ranges as price goes down, it's more likely/suggestive you're at a bottom
 - d. 1.28 Projection - Measure swing low to swing low, count the days. Multiple that number by 1.28 (round down) and add that number of bars to the swing high in the middle of the two swing lows. This should bring you to the next swing high.
4. Day 14 - The Power of Three - Accumulation - Profit Release - Distribution
 - a. 3 Major Market Cycles
 - i. Accumulation Phase - Smart Money accumulating longs or shorts
 - ii. Profit Release Phase - Range expansion where profit is permitted
 - iii. Distribution Phase - Smart Money distributes long or shorts
 - b. The Open - Smart money distributes above the open and accumulates below the open.

- c. 3 Bar Pattern
 - i. Sell @ Swing High - A high with two lower highs on each side. Look to go short on the first bar after the close of the 3rd lower high bar. Look for this action at key resistance levels.
 - ii. Buy @ Swing Low - A low with two higher lows on each side. Look to go long on the first bar after the close of the 3rd higher low bar. Look for this action at key support levels.
- d. Price Targets
 - i. NY Open - 12:00 GMT (7AM EST)
 - ii. London Close - 15:00 GMT (12AM EST)
 - iii. And - 18:00 GMT
- e. Williams %R (10 period) - If it goes oversold, look at the next day's trading. If we open/start ranging at the Asian range and it trades down, there is an 80% likelihood that it will be a tradable day to go long. Look for an exit around NY Open or London Close.
- f. Anticipating False Rally - If you don't get the high made in Asian Session, it'll form in London. If it does not form in London, you'll see trading range and Judas swing in NY Session.
- g. Trading Judas Swing After Fractal High/Low (55:00 – 1:00:04)

TRADE RULES

1. Risk
 - a. Risk per trade will be limited to 1.5% or less per trade or an overall open risk of 1.5% or less
 - b. Value per pip- determined by risk: risk per trade / SL amount = \$/pip
 - i. e.g. 5k account, 2% risk = \$100 risk, SL is 25 pips ::
 $100/25 = \$4/\text{pip}$ or 4 mini lots
2. Trade Entry
 - c. Time: Look for entries near the open/close of a session; optimal entries are London open, NY open, London close
 - d. Want bias confluence on daily/4hr or 4hr/1hr or all 3...regardless trade with bias direction of 4hr
 - e. Optimal Trade Entry (OTE)
 - i. Draw fib from swing of the day or yesterday high/low to today's high/low (can use the 4hr fractals as quick showing of the swing)
 - ii. Look for trade direction in bias of 4hr
 - iii. Want to see confluence of key S&R areas (listed in 5) between the 62-79% fib zone
 - iv. Double check pivot trade zone
 - f. Dealer's Spread – Include the dealer spread when determining the price to enter a trade to ensure it is covered?
 - g. Trade Into Opposing Direction – Enter trades on PA that is opposite the anticipated price direction. Enter long on down candles. Enter short on up candles.
3. Take Profit Goals
 - h. Using the fib to draw OTE, 127 and 168% are good TP zones
 - i. Using the fib to draw OTE, move the fib so that the 50% is at the top of the swing (if long) and use 100% as TP
 - j. Any confluence of major S&R areas that might exist, not necessarily a TP area but something to monitor
4. Exit- Monitor trade risk until trade is closed
 - k. 30-50% of trade taken off at 30 pips into move, remainder at ultimate TP

1. Exit trade if trade bias changes during trade or analysis suggest trade is no longer valid
5. Stop Loss
 - m. SL- place 10-20 pips below/above swing used for Fib
 - n. Move SL to BE when PA trades above/below the previous swing high/low used to draw the Fib
 - o. Do not use trail stops, only manual stops

RISK MANAGEMENT

1. Handling Losses & Inevitable Drawdowns - Day 13
 - a. 2% Risk - Never risk more than 2% per trade.
 - b. Cutting Risk - At first loss, cut 2% risk per trade to 1% risk per trade. If consecutive losses continue, cut risk again to 0.5% per trade.
 - c. Walking Back
 - i. Stay at the decreased risk tier until you made back 50% of the previous risk level drawdown.
 - ii. If you lost at 2%, stay at 1% level till you've made back half of the 2% tier loss.
 - iii. If you lost at 1%, stay at 0.5% level till you've made back half of the 1% tier loss.

TRADING INSIDE THE RANGE

1. **Monthly Range Overview**
 - a. Determine Monthly Range Market Structure
 - b. Identify Monthly Range Swings/Turning Points
 - c. Highlight Key S&R Levels
 - d. Trade in Direction of the Primary
2. **Weekly Range Overview**
 - a. Determine Weekly Range Market Structure
 - b. Identify Weekly Range Swings/Turning Points
 - c. Highlight Key S&R Levels
 - d. Trade in Direction of the Primary
 - e. Look for New OTE Reversals - Anticipate
3. **Daily Range Overview**
 - a. Determine Current Range Market Structure
 - b. Identify Daily Range Swings/Turning Points
 - c. Highlight Key S&R Levels Monthly - Weekly
 - d. Trade in Direction of the Swing Point
 - e. Look for New OTE Reversals - Anticipate
4. **Asian Range**
 - a. Note the Initial Range High & Low
 - b. Narrow Focus to Higher Market Trend
 - c. Note Key S&R Levels Old Highs & Lows
 - d. Trade the Direction of Daily Swing Point
 - e. Anticipate London Stop Rade - Fade It!
5. **ADR (Average Daily Range)**
 - a. Align Trade Expectation to 5-Day ADR
 - b. Once Trade Entry - Stalk ADR Objectives
 - c. Blend Time of Day & Price Theory
 - d. Anticipate Profit Objectives Near ADR
 - e. Expect 15:00 - 16:00 GMT and ADR Convergences & Other Technicals to Confirm Profit Taking Objectives
6. **Entry Concept**
 - a. Focus on Optimal Setups
 - b. Apply Power of Three & Range Expansion

- c. If Bullish, anticipate Banks to SELL first
 - d. If Bearish, anticipate Banks to Rally up first
 - e. Explain the Raids of Old Swings & Expect Patterns to Form to Confirm Entries (High Probability Trading Patterns Video)
7. **Profit Objective**
- a. If ADR is 100 pips, take profit at 80 pips
 - b. Always look to Scale Out of Trades
 - c. ADR does NOT have to be fulfilled
 - d. Develop Professional Mindset in Targeting (Preservation of Capital is goal #`1)
 - e. Leave Greed out of the Process
8. **Professional Order Placement**
- a. Try Keeping Entry & Exit to Limit Orders
 - b. Market Orders are Last Ditch Protection
 - c. Do Not try to get the best Entry Price
 - d. Do Not try to exit at the very High or Low
 - e. Always Factor the Spread Plus 2-3 pips

ICT TERMS AND ABBREVIATIONS

Certain words and phrases, below, are *italicized* to indicate that they are defined separately, elsewhere in the Glossary. In the following definitions, two abbreviations are used frequently: **i.e.**, meaning "that is"; and **e.g.**, meaning "for example".

A

accumulation --- *smart money* buying either (1) to enter long positions, or (2) to cover short positions, at or near a *swing low* (i.e., *smart money* "buying low")

AD (or A/D) --- *accumulation* and/or *distribution*

ADR --- (see *average daily range*)

A-KZ --- (see *Asian Kill Zone*)

anticipatory trade analysis phase --- *top-down analysis*, phase 2: seasonal tendencies, *SMT divergences* (yields, *USDx*, etc.), *COT* report, and key *S/R*

levels

Asian Kill Zone --- nominally 8am-12pm *Tokyo time* (this time period may be expanded at the discretion of the trader); this is one of 4 *kill zones*

Asian range --- this term may refer to (1) the 9am-2pm *Tokyo time* period, (2) the *H-L* price range within that period, or (3) *price action* within that *H-L* range

Asian session --- 9am-7pm *Tokyo time* (a low-volume trading session, typically characterized by price *consolidation* within a restricted range)

ATR --- (see *average true range*)

AU --- AUD/USD pair

Aussie --- nickname of the AUD/USD pair

average daily range (ADR) --- the average of the most recent daily *H-L* ranges; typically, the last 5 daily *H-L* ranges are averaged to yield the *ADR* for day 6

average true range (ATR) --- daily *ATR* is similar to *average daily range* (*ADR*), except that *ATR* accounts for price gaps (e.g., *Sunday gaps*), but *ADR* does not

B

banks (or "big banks") --- top-tier investment banks, participants in the *interbank network*, engaged in high-volume currency trading --- see list on page 4

bazooka (or ICT bazooka) --- *Michael* sometimes refers to a standard *type 2 oscillator divergence* as a "bazooka", to contrast it with the more powerful *stinger*

BE --- (see *break-even*)

bear flag --- a fairly tight, fairly short-duration *consolidation* pattern formed at the bottom of a sharp down-move, marking a pause in the down-move bias --- (see *directional bias*)

big figure --- (see *figure*)

break-even --- the price at which closing a position (either manually, or by being stopped-out) results in zero profit and zero loss

BST --- British Summer Time ($BST = GMT + 1$), the time zone in the U.K. and Ireland between March and October --- see *London time*

bull flag --- a fairly tight, fairly short-duration *consolidation* pattern formed at the top of a sharp up-move, marking a pause in the up-move

buy program --- a trending *market profile* in which the *directional bias* is up (bullish), and trades in the direction of the trend are long (buys)
buy zone --- given either (1) a *HTF bullish bias*, or (2) a ranging market, a buy zone is the price range below the pivot (*P*), or below the *TT fair-value zone*

C

cable --- one of the nicknames of the GBP/USD pair

central bank --- the entity responsible for overseeing the monetary system of a nation, or group of nations --- see list on page 4

CFTC --- (see *Commodity Futures Trading Commission*)

Chris Lori --- athlete, fund manager, Forex trader, and teacher/mentor --- often mentioned positively by *Michael*

City of London (or The City, or The Square Mile) --- the financial district in London

classic Asian session buy signal --- a signal to go long after (1) a late *NY session* price decline, and (2) an *Asian session* price bounce off a key support level

classic Asian session sell signal --- a signal to go short after (1) a late *NY session* price rise, and (2) an *Asian session* price bounce off a key resistance level

coil expansion pattern --- a *consolidation* pattern (the coil) which is followed by a break-out (the expansion) whose extent depends on the dimensions of the coil

commercials --- large (futures/options) hedgers whose position sizes require reporting to the *CFTC*; their net (aggregate) position appears in the *COT* report

Commitment of Traders (report) --- weekly *CFTC* report on positions held by 3 classes of traders in individual futures and options contracts (incl. currencies)

Commodity Futures Trading Commission --- U.S. regulator of commodity futures and spot Forex; the *CFTC* compiles and publishes the *COT* report

confluence --- occurrence of two or more significant technical levels (e.g., a pivot level and an *OTE*) at the same (or nearly the same) price on a chart

consolidation --- a time period (consolidation period) in which price moves in a narrow range (consolidation range), typically bounded by short-term

S/R levels

correlated pairs --- two currency pairs whose prices move roughly in tandem (example: EUR/USD and GBP/USD; another example: AUD/USD and NZD/USD)

COT (or COT report) --- (see *Commitment of Traders* report)

CRB Index --- Commodity Research Bureau Index of 19 commodities (agricultural, metals, oil & gas); the Index is used as one element of *inter-market analysis*

D

day trade (or intraday trade) --- a trade in which the entry and exit are expected to occur within the same trading day, and the profit target is 30-100 pips

DD --- (see *drawdown*)

demo --- a practice platform, practice account, or practice trade, etc.

directional bias --- current direction of price movement (as determined on *HTF's*), deemed to be the trade-able trend (see *buy program*, and *sell program*)

distribution --- *smart money* selling either (1) to enter short positions, or (2) to liquidate long positions, at or near a *swing high* (i.e., smart money "selling high")

doji --- a candlestick having a very small real body (or no real body), with upper and/or lower wicks of any length; it often indicates a *swing high* or *swing low*

double-tap --- given an *OTE* retracement from a *SH* (or *SL*), a double-tap involves taking 1st profit at the *SH* (or *SL*), and 2nd profit at a higher profit-target

drawdown --- a measure of account depletion due to accumulated losses

dumb money --- (see *street money*)

E

EDT --- Eastern Daylight Time (EDT=*GMT*-4), the time zone in the eastern U.S. and Canada between March and November --- see *New York time*

EJ --- EUR/JPY pair

EMA --- (see *exponential moving average*)

equity management --- (see *risk management*)

EST --- Eastern Standard Time ($EST = GMT - 5$), the time zone in the eastern U.S. and Canada between November and March --- see *New York time*
ET --- Eastern Time in the U.S. and Canada (*New York time*) --- ET is either *EST* or *EDT*, depending on time of year

EU --- EUR/USD pair

euro --- proper name of the European Union single currency; also, one of the nicknames of the EUR/USD pair

exponential moving average --- a moving average of data from n-number of periods, weighted exponentially to give greater weight to more recent data

F

fair value --- the median price in a previous *H-L* price range (e.g., a previous Daily price range, or a *Trader's Trinity* price range); see *no-man's land*

fib --- shorthand for *Fibonacci tool*, or Fibonacci level; (note: in common usage, Fibonacci is sometimes capitalized)

Fibonacci extension --- continuation of a *Fibonacci retracement* scale, beyond the 100% retracement level, typically to 127.2%, 161.8%, 200%, etc.

Fibonacci retracement --- a scale for measuring retracements as percentages of a price range, typically 0%, 23.6%, 38.2%, 50%, 61.8%, 76.4% and 100%

Fibonacci tool --- a price-measuring tool which divides a price range into percentages (see *Fibonacci retracement*, and *Fibonacci extension*)

fiber --- one of the nicknames of the EUR/USD pair

fig --- shorthand for *figure*

figure --- price of the form x.xx00 (also called *fig*, *big figure*, full figure, and *00's*)

fractal --- (def.1) one of the many price patterns which repeat themselves in all markets, on all *time frames* from 1-minute (or lower) to 1-Month (or higher)

fractal --- (def.2) a pattern of 5 consecutive candles, in which the center candle has the highest high of the 5 candles, or the lowest low of the 5 candles

fractal high --- in a 5-candle *fractal* pattern, if the center candle has the highest high of the 5 candles, then that high is a fractal high

fractal low --- in a 5-candle *fractal* pattern, if the center candle has the

lowest low of the 5 candles, then that low is a fractal low
fundamental analysis --- analysis of macro-economic factors (interest rates, inflation, GDP, unemployment, etc.) which influence long-term currency trends

G

general market analysis phase --- *top-down analysis*, phase 1: analysis of interest rates, *USDX*, Treasuries, stock indices, *CRB Index*, and gold and oil

GJ --- GBP/JPY pair

GLGT --- Good Luck and Good Trading (signature used by *Michael*, and others)

GMT --- Greenwich Mean Time, the world's commercial reference time zone, to which all other time zones are related by "offsets" (e.g., GMT-1, GMT+1, etc.)

GMT pivots --- see *London pivots*

GU --- GBP/USD pair

H

H&S (or HS, or H-S, or H/S) --- (see *head-and-shoulders top*)

H1, H4, D1, etc. --- chart time-frames (1-hour chart, 4-hour chart, Daily chart, etc.); expanded list: m1, m5, m15, m30, H1, H2, H3, H4, H6, H8, D1, W1, M1

hammer --- a candlestick (of either color) having a short real body, a very short upper wick, and a long lower wick; it typically occurs following a down-move

hanging man --- a candlestick identical to a *hammer*, except that it typically occurs following an up-move

head-and-shoulders top --- an *ITH* (the "head") preceded by, and followed by, a lower *ITH*; or a *LTH* (the "head") preceded by, and followed by, a lower *LTH*

HH --- higher high

hidden divergence --- trend-following divergence (see *type 2 divergence*)

hidden OTE --- in a strong downtrend, a price move from one *STL* to the next *STL* may result in a "hidden" *OTE* retracement; (or, in a strong uptrend, use *STH's*)

high probability price patterns --- selected candlestick patterns and chart

patterns which reliably signal price direction --- see list on page 4
higher time frame --- for most day traders and short-term traders, *HTF* means a time frame higher than 1-hour (e.g., 4-hour, Daily, Weekly, or Monthly)
HL --- higher low
H-L --- high-low (or high minus low) referring to a price range (e.g., Daily H-L range, Weekly H-L range, etc.)
Holy Grail (or ICT grail, or ICT holy grail) --- an *OTE* (either buy or sell) confirmed by a *type 2* (hidden, trend-following) *oscillator divergence*
HTF --- (see *higher time frame*)

I

ICT --- InnerCircleTrader (may refer to *Michael* Huddleston, his methodology, his tools, his forum threads, or his videos)
Indi --- (see *indicator*)
indicator --- a derivative of recent price data, computed by algorithm, which purports to reveal certain trends or tendencies regarding future prices
inside day --- a daily candle with a lower high, and a higher low, than the previous daily candle; usually it signals a trend continuation
institutional level (or institutional price level) --- price of the form x.xx20 (the *20 level*), or x.xx80 (the *80 level*)
interbank network --- a group of top-tier *banks*, electronically linked through EBS or Reuters for currency trading among themselves and with major clients
inter-market analysis --- analysis of correlations between interest rates, equities, commodities and currencies during conditions of inflation or deflation
intermediate-term high --- a *fractal high* preceded by, and followed by, a lower *fractal high*
intermediate-term low --- a *fractal low* preceded by, and followed by, a higher *fractal low*
inverted head and shoulders bottom --- an *ITL* (the "head") preceded by, and followed by, a higher *ITL*; or a *LTL* preceded by, and followed by, a higher *LTL*
ITH --- (see *intermediate-term high*)
ITL --- (see *intermediate-term low*)

J

JST --- Japanese Standard Time ($JST = GMT + 9$), the time zone, year-round, throughout Japan --- see *Tokyo time*

Judas swing --- a false price move (by *smart money*) to run stops and lure *street money* to the wrong side of the market, ahead of the real (opposite) move

K

Ken Roberts --- trading and lifestyle guru, author, and lecturer; *Michael* credits Ken Roberts with the 62%-79% retracement concept (which Michael calls *OTE*)

key S/R (or KSR) --- (see *key support and resistance levels*)

key support and resistance levels --- *S/R* levels identified on *HTF* charts (H4, D1, W1), and then transferred to the *LTF* charts being analyzed or traded

kill zone --- one of 4 high-probability time periods (typically 2 hours each) in which to find trade set-ups using *ICT* tools; see *A-KZ*, *LO-KZ*, *NYO-KZ*, and *LC-KZ*

Kiwi --- nickname of the NZD/USD pair

KZ --- (see *kill zone*)

L

large range day --- a day whose *H-L* price range (the day's high minus the day's low) substantially exceeds the day's *ADR*

large specs --- large (futures/options) speculators whose position sizes require reporting to the *CFTC*; their net (aggregate) position appears in the *COT* report

Larry Williams --- well-known millionaire commodity trader, author, and lecturer; *Michael* refers to Larry Williams as one of his mentors

LC --- (see *London Close*)

LC-KZ --- (see *London Close Kill Zone*)

LH --- lower high

LL --- lower low

L/NY overlap --- London/New York overlap (both markets open) 1pm-5pm *London time*, 8am-noon, *New York time*; see *London session* and *New York*

session

LO --- (see *London Open*)

LO-KZ --- (see *London Open Kill Zone*)

London Close --- 5pm *London time*, the end of the normal business day in London

London Close Kill Zone --- nominally 4pm-6pm *London time* (this time period may be expanded at the discretion of the trader); this is one of 4 *kill zones*

London Open --- 8am *London time*, the beginning of the normal business day in London

London Open Kill Zone --- nominally 7am-9am *London time* (this time period may be expanded at the discretion of the trader); this is one of 4 *kill zones*

London pivots --- daily pivot levels based on midnight *London time* as the start of each Forex trading day

London session --- 8am-5pm *London time*; the final 4 hours of this session (the *L/NY overlap*) are typically the highest-volume period of the trading day

London time --- *GMT* (October-March), or *BST=GMT+1* (March-October)
--- Note: *Michael* always refers to *London time* as *GMT*, regardless of time of year

long-term high --- an intermediate-term high preceded by, and followed by, a lower intermediate-term high

long-term low --- an intermediate-term low preceded by, and followed by, a higher intermediate-term low

loonie --- nickname of the USD/CAD pair

lower time frame --- for most day traders and short-term traders, *LTF* means a time frame lower than 1-hour (e.g., 30-minute, 15-minute, or 5-minute)

LTF --- (see *lower time frame*)

LTH --- (see *long-term high*)

LTL --- (see *long-term low*)

M

MA (or SMA) --- (see *moving average*)

MACD --- a *momentum indicator* which tracks the difference between two *EMA's*, compares that difference to a third *EMA*, and shows the result as a

histogram

major market analysis (MMA) --- (see *inter-market analysis*)

market flow --- market direction (trend) indicated by the most recent break of a *fractal high* or *low* on a *HTF* chart (H1, H4, D1); compare to *market structure*

market-maker --- a top-tier *bank*, a member of the *interbank network* (where the currency market is literally "made"); see *banks*, and *smart money*

market-maker profile ---

market profile --- one of 4 current market environments: *consolidation* range profile, breakout (real or false) profile, trending profile, and *reversal profile*

market structure ---an analysis method based on patterns of *STH's*, *STL's*, *ITH's*, *ITL's*, *LTH's* and *LTL's* on *higher time frame (HTF)* charts (H4, D1, and W1)

MF --- (see *market flow*)

Michael --- Michael Huddleston (screen-name InnerCircleTrader), veteran American stock/commodity/currency trader, contributor/teacher on the Babypips site

mid fig --- (see *mid figure*)

mid figure --- price of the form x.xx50 (the *50 level*)

Millionaire Traders' Guild --- *Michael's* thread on the "Show Me the Money - Daytrading" forum, emphasizing a plan-based approach to using the *ICT* tools

MM --- def.1 (see *market-maker*)

MM --- def.2 (see *money management*)

MMA --- major market analysis (see *inter-market analysis*)

MMP --- (see *market-maker profile*)

momentum indicator --- a technical *indicator* (e.g., *MACD*) which measures the strength of a prevailing trend; it can be used instead of a price *oscillator*

money management --- the proper use (in planning a trade) of position size, *stop-loss*, and *R/R* (reward/risk) ratio in order to limit losses and preserve capital

moving average (or simple moving average) --- the average of the data from the most recent n-number of periods, not weighted (compare to *EMA*)

MR1, MR2, etc. --- intermediate resistance levels (computed from pivot-point formulas) --- see *ICT Pivot-Point Formulas* on page 4

MS --- (see *market structure*)

MS1, MS2, etc. --- intermediate support levels (computed from pivot-point formulas) --- see *ICT Pivot-Point Formulas* on page 4

MT4 --- a retail trading platform, licensed worldwide to brokers, popular for its MQL4 scripting language allowing creation of EA's, custom *indicators*, and scripts

MTG --- (see *Millionaire Traders' Guild*)

N

negatively correlated pairs --- two currency pairs whose prices move (roughly) in opposite directions (example: EUR/USD and USD/CHF)

nested OTE --- an *OTE* within an *OTE* --- a smaller (*LTF*) price swing with an *OTE* retracement, nested within a larger (*HTF*) price swing with its (larger) *OTE*

New York Open --- 8am *New York time*, the beginning of the normal business day in New York

New York Open Kill Zone --- nominally 7am-9am *New York time* (this time period may be expanded at the discretion of the trader); this is one of 4 *kill zones*

New York pivots --- daily pivot levels based on midnight *New York time* as the start of each Forex trading day

New York session --- 8am-5pm *New York time*; the first 4 hours of this session (the *L/NY overlap*) are typically the highest-volume period of the trading day

New York time --- *EST=GMT-5* (Nov-March), or *EDT=GMT-4* (March-Nov) --- Note: *Michael* always refers to *New York time* as *EST*, regardless of time of year

news --- shorthand for scheduled economic data releases, whose release dates/times are known in advance, and whose metrics are forecast in advance

NFP --- (see *Non-Farm Payroll* report)

Nick Van Nice --- originator of the concept of *hidden divergence* (which *Michael* refers to as *type 2 divergence*)

no man's land --- on a *Trader's Trinity* chart, no-man's land is the middle 25% of the (previous) *H-L* price range; the center of this zone is the *fair-value* price

Non-Farm Payroll (report) --- U.S. employment report (often a market mover), released on the first Friday of each month by the U.S. Department of Labor

NYO --- (see *New York Open*)

NYO-KZ --- (see *New York Open Kill Zone*)

O

OB/OS --- *overbought* or *oversold* (this term usually refers to readings generated by a price *oscillator*)

OHLC (or O-H-L-C) --- Open, High, Low and Close (the 4 prices which are displayed graphically on each candle, or each price bar)

OI --- (see *open interest*)

One-shot-one-kill --- *ICT* sniper tactic: Lie in wait (for a set-up), take aim (at the set-up), pull the trigger (enter the trade), nail the target (collect pips)

open interest --- the number of open contracts (those not yet offset or delivered) in a specific commodity/delivery month; one of the metrics in a *COT* report

open trade reaction phase --- *top-down analysis*, phase 4: market failure to move, price rejection at *S/R*, *news* releases, global events, and/or trader issues

optimal trade entry --- entry zone between the 62% and 79% retracement levels --- note that 62% and 79% are not standard *fib* retracement levels

OTE --- (see *optimal trade entry*)

oscillator --- a technical *indicator* (e.g., *RSI*, *stochastics*, or *W%-R*) which plots price as a percentage (from 0% to 100%) of some variable

outside day with a down close --- an engulfing Daily candle with a lower close; if confirmed by an *oversold indicator*, it signals a reversal to the upside

overbought --- a price which appears to have moved too far counter to a bearish bias (as indicated by pivots, *Trader's Trinity*, or any of various *oscillators*)

oversold --- a price which appears to have moved too far counter to a bullish bias (as indicated by pivots, *Trader's Trinity*, or any of various *oscillators*)

P

P (or PP, or CP) --- pivot, or pivot-point, or central pivot (computed from

pivot-point formulas) --- see *ICT Pivot-Point Formulas* on page 4

PA --- (see *price action*)

Pac-man --- slang term referring to *smart money* "gobbling up" stops (like Pac-Man gobbling up pac-dots in the 1980's arcade game)

PB&J --- peanut butter and jelly

Perf Chart --- Performance Chart (StockCharts.com), tracks %-change in price over a selected time period, starting from a 0% base-line --- see list on page 4

pin --- shorthand for *pin-bar*

pin-bar --- a candlestick, of either color, having a long upper or lower wick (or both), signaling market "hesitation" in the direction of the long wick

position trade --- a trade in which the entry and exit are expected to occur weeks, months (or even years) apart, and the profit target is 1,000 pips or more

pound --- informal name of the U.K. currency (proper name: pound *sterling*); also, one of the nicknames of the GBP/USD pair

Power of Three --- entry immediately after the close of a *three-bar high* (or low) at a key resistance (or support) level on a Daily chart (advanced technique)

price action --- a method of analyzing and/or trading any market, based only on price patterns and simple price measuring tools, but excluding *indicators*

profit release phase --- in a typical *accumulation/distribution* scenario, this is the price range between the *accumulation* phase and the *distribution* phase

Pro Traders' Club --- one of *Michael's* threads on the "Newbie Island" forum, devoted to daily reviews and *ICT* tool application

PTC --- (see *Pro Traders' Club*)

pull a fib --- use a Fibonacci tool to delineate a price swing (from initial price to final price) showing *Fibonacci retracement* levels and *Fibonacci extension* levels

R

R1, R2, R3, etc. --- resistance levels (computed from pivot-point formulas) --- see *ICT Pivot-Point Formulas* on page 4

range contraction --- the tendency for a series of *large range days* to be followed by one or more *small range days*

range expansion --- the tendency for a series of *small range days* to be followed by one or more *large range days*

reflection pattern --- a pattern in which price retraces beyond the *OTE* zone, the 100% *fib retracement*, and the 127% *fib extension*, creating a "reverse" *OTE*

regular divergence --- trend-reversal divergence (see *type 1 divergence*)

reversal profile --- an early-day price swing (up or down), taking out a key Daily or Weekly *S/R* level, followed by a reversal and a larger late-day price swing

rip-tide reversal --- similar to a *turtle soup* reversal, but based on a false breakout of a *SH* or *SL* which formed more than 20 periods prior

risk management (or equity management) --- the combination of *money management* plus *trade management*

risk off --- widespread trader attitude (or sentiment) in which high-risk positions are abandoned in favor of lower-risk-lower-return safe-haven positions

risk on --- widespread trader attitude (or sentiment) in which low-risk safe-haven positions are abandoned in favor of higher-risk-higher-return positions

RR (or R/R, or R:R) --- risk/reward ratio (e.g., *SL/TP*), or reward/risk ratio (e.g., *TP/SL*), depending on the order in which the numbers are stated

RR tracks --- railroad tracks (refers to two, long, side-by-side candle bodies, with opposite colors, denoting an engineered price reversal)

RSI --- (relative strength index) one of 3 price *oscillators* (*RSI*, *stochastics*, and *W%-R*) included in the *ICT* tool-set; use one of these (or *MACD*)

S

S1, S2, S3, etc. --- support levels (computed from pivot-point formulas) --- see *ICT Pivot-Point Formulas* on page 4

scalp (or scalping trade) --- a trade in which the entry and exit are expected to occur seconds or minutes apart, and the profit target is 30 pips or less

search and destroy --- a *smart money* tactic (which savvy retail traders can imitate) of systematically gunning *stops* above and below a *consolidation* range

seasonal tendencies --- tendencies of many markets (currencies, equities, commodities, bonds) to make *LTH's* or *LTL's* at specific times of year

sell program --- a trending *market profile* in which the *directional bias* is down (bearish), and trades in the direction of the trend are short (sells)

sell zone --- given either (1) a *HTF* bearish *bias*, or (2) a ranging market, a sell zone is the price range above the pivot (*P*), or above the *TT fair-value* zone

session --- daily period of high-volume Forex trading in a particular market, generally 8am-5pm local time (see *Asian session* for an exception to this rule)

SH --- (see *swing high*)

shorter time frame --- a time frame shorter than the time frame being discussed; "shorter time frame" is not necessarily synonymous with *lower time frame (LTF)*

short-term high --- a *fractal high* which has not evolved into an *ITH* or an *LTH*

short-term low --- a *fractal low* which has not evolved into an *ITL* or an *LTL*

short-term trade --- a trade in which the entry and exit are expected to occur within 2 to 5 trading days, and the profit target is 100-300 pips

SL --- def.1 (see *stop-loss*)

SL --- def.2 (see *swing low*)

SM --- (see *smart money*)

SMA --- simple moving average (see *moving average*)

small range day --- a day whose *H-L* price range (the day's high minus the day's low) falls substantially short of the day's *ADR*

smart money --- large *banks* and certain other institutions which have information on resting (stop and limit) orders -- information not available to *street money*

Smart Money Tool --- an overlay of line charts of 2 (or 3) correlated instruments, on which short-term price divergences are readily seen --- see list on page 4

SMT --- (see *Smart Money Tool*)

SMT div --- (see *SMT divergence*)

SMT divergence --- deviation from the normal positive or negative correlation between 2 instruments on an *SMT* chart, signaling a potential price move

sniper --- a trader "lying in wait" for a trade set-up to come into range

S/R (or S-R, or S&R) --- (see *support and resistance*)

sterling --- informal name of the U.K. currency (proper name: *pound sterling*); also, one of the nicknames of the GBP/USD pair

STF --- (see *shorter time frame*)

STH --- (see *short-term high*)

STL --- (see *short-term low*)

stinger --- in an up move, a bullish *type 1 divergence* nested inside a bullish *type 2 divergence*; in a down move, nested bearish type 1 and *type 2 divergences*

stoch --- (see *stochastic*)

stochastic --- one of 3 price *oscillators* (*stochastics*, *RSI*, and *W%-R*) included in the *ICT* tool-set; use one of these (or *MACD*)

stop hunt --- a price move engineered by *smart money* in order to trigger stop and limit orders resting above or below the current market price

stop-loss --- the price level at which a resting order has been placed to close a position at a loss; or, the anticipated loss, in pips, when that price is hit

stops --- loose term referring to buy-stop or buy-limit orders resting above the current market, or sell-stop or sell-limit orders resting below the current market

street money --- market participants other than the *smart money*; street money is not privy to the inside information on which *smart money* trades

Sunday gap --- price difference between Friday's close and Sunday's open, representing price movement over the weekend, while the retail market was closed

support and resistance --- significant levels below and above the current market where price has reacted in the past, and might do so again in the future

sweet spot --- the center of the target area for an *OTE*, at the 70.5% retracement level (which is midway between the 62% and 79% retracement levels)

swing high --- any of the following: a *three-bar high*, a standard 5-bar *fractal high*, an intermediate-term high (*ITH*), or a long-term high (*LTH*)

swing low --- any of the following: a *three-bar low*, a standard 5-bar *fractal low*, an intermediate-term low (*ITL*), or a long-term low (*LTL*)

swing point --- when price breaks a *swing high* (or *swing low*) for the first time, that *swing high* (or *swing low*) becomes a swing point

swing trade --- a trade in which the entry and exit are expected to occur a

week or more (up to several weeks) apart, and the profit target is 300-1,000 pips

Swissy --- nickname of the USD/CHF pair

T

TA (or T/A) --- (see *technical analysis*)

take-profit --- the price level at which a resting order has been placed to close a position with a profit; or, the anticipated profit, in pips, when that price is hit

technical analysis --- market analysis based on *price action*, with or without technical *indicators*, but not utilizing *fundamental analysis*

TF --- (see *time frame*)

three-bar high --- a truncated *fractal high*, containing 3 bars (instead of 5), with the center bar having the highest high of the 3 bars

three-bar low --- a truncated *fractal low*, containing 3 bars (instead of 5), with the center bar having the lowest low of the 3 bars

three Indians climax reversal --- a series of 3 closely-spaced impulse price moves (higher or lower), followed by a price reversal

time and price theory --- the use of (1) *higher time frames* (H4, D1, W1, and M1) to find *key S/R*, *MS*, and *MF*, and (2) *confluences* (on *LTF's*) to time trades

time frame --- usually refers to a chart time frame, such as a 5-minute chart, a 4-hour chart, etc.

time zone --- a designated geographical area whose time-of-day is determined in relation to *GMT-time* (or *UTC-time*); example: Moscow time = MSK = GMT+4

Tokyo session --- 8am-5pm *Tokyo time* --- compare to *Asian Session*, which includes the Tokyo session plus the (GMT+8) Singapore and Hong Kong sessions

Tokyo time --- $JST = GMT + 9$ (year-round) --- Japan does not observe daylight saving time

top-down analysis --- (1) *general market analysis phase*, (2) *anticipatory trade analysis phase*, (3) *trade execution phase*, and (4) *open trade reaction phase*

top-down approach --- (see *top-down analysis*)

TP --- (see *take-profit*)

TPDS --- (see *Trading Plan Development Series*)

trade execution phase --- *top-down analysis*, phase 3: market tone, *risk on or off*, buy or sell program, *HTF S/R* levels, *MS*, *MF*, time and price, and trade entry

trade management --- management of open trades to (1) reduce trade-risk to zero and protect profits on profitable trades; or (2) cut losses on losing trades

Trader's Trinity --- chart dividing a Daily, Weekly or Monthly *H-L* range into zones: lower 25% (*oversold*), middle 25% (*fair value*), and upper 25% (*overbought*)

trading plan --- written rules specifying the pairs, sessions, times of day, etc., to be traded; and the analysis methods, *money management*, etc., to be used

Trading Plan Development Series --- a video series detailing the use of *risk management*, plus *fundamental*, *inter-market*, *technical*, and *top-down analysis*

trend line --- an upward-sloping line below a series of progressively higher lows; or a downward-sloping line above a series of progressively lower highs

triangle --- a *consolidation* pattern bounded by upper and lower lines which converge at a point somewhere to the right of the current candle

TT --- (see *Trader's Trinity*)

turtle soup --- a *smart money* trade placed counter (opposite) to a typical "turtle trade", anticipating a failure of the turtle trade (i.e., the turtles get "eaten")

tweezers --- refers to two, long, side-by-side, upper (or lower) candle wicks, with opposite colors, typically at a swing high (or swing low)

type 1 divergence --- price and *oscillator* diverge, signaling a probable trend reversal --- bullish: price-*LL*, *oscillator-HL* --- bearish: price-*HH*, *oscillator-LH*

type 2 divergence --- price and *oscillator* diverge, signaling a probable trend continuation --- bullish: price-*HL*, *oscillator-LL* --- bearish: price-*LH*, *oscillator-HH*

TZ --- (see *time zone*)

U

UJ --- USD/JPY pair

U.S. Dollar Index --- the USD measured against a weighted basket of 6 currencies: EUR 57.6%, JPY 13.6%, GBP 11.9%, CAD 9.1%, SEK 4.2%, and CHF 3.6%

USDIX --- (see *U.S. Dollar Index*)

USDIX triad divergence ---

UTC --- Coordinated Universal Time; the world's scientific reference time zone; (for our purposes, the following are equivalent: UTC = UT1 = Zulu time = *GMT*)

W

W%-R (or Williams%-R, or Williams%-Range) --- one of 3 price *oscillators* (*W%-R*, *stochastics*, and *RSI*;) included in the *ICT* tool-set; use one of these (or *MACD*)

Wall Street --- the financial district in Lower Manhattan (New York)

What Every New & Or Aspiring Forex Trader...Still Wants To Know --- *Michael's* "sticky" thread on the "Newbie Island" forum; starting point for *ICT* instruction

whiplash long and catapult short --- trading long, then short, when Sunday's open gaps lower; the whiplash fills the gap; the catapult extends the down-move

whiplash short and catapult long --- trading short, then long, when Sunday's open gaps higher; the whiplash fills the gap; the catapult extends the up-move

Y

yen --- proper name of the Japanese currency; also, nickname of the USD/JPY pair

Z

Z-configuration --- a fractal (def.1) price consolidation pattern, seen on all time frames, of which the Z-day is the most often observed

Z-day --- a day of price consolidation within a defined range, clearly bounded by S/R levels; Z-days are often followed by search and destroy stop hunts

Numerical Items

00's --- x.xx00 price level (see figure)

1.28 projection --- this rule says that, if the 2 most recent SL's were **n** days apart, then the next SH will form (approx.) $1.28 \times n$ days after the most recent SH

18 EMA --- 18-period EMA; together, the 18 EMA and the 40 EMA comprise a moving-average-crossover indicator, useful for day-trading and short-term trading

20 level --- x.xx20 price level (see institutional level)

40 EMA --- 40-period EMA; (see 18 EMA, above, for an explanation of its use)

50 level --- x.xx50 price level (see mid figure)

62 level --- shorthand for the 62% retracement level (not a standard fib retracement level)

70 level --- shorthand for the 70.5% retracement level, which is the OTE sweet spot (not a standard fib retracement level)

79 level --- shorthand for the 79% retracement level (not a standard fib retracement level)

80 level --- x.xx80 price level (see institutional level)

Perf Chart abbreviations (a partial list)

\$USD --- U.S. dollar index (see USDX in the alphabetical listing)

\$XEU --- the euro priced in U.S. dollars (PHLX pricing, not spot Forex pricing)

\$XBP --- the British pound priced in U.S. dollars (PHLX pricing, not spot Forex pricing)

\$XJY --- 100 yen priced in U.S. dollars (PHLX pricing, not spot Forex pricing) --- note: this chart is the inverse of a standard USD/JPY Forex chart

\$UST1M --- U.S. Treasury 1-month treasury bill

\$UST1Y --- U.S. Treasury 1-year treasury bill

\$UST2Y --- U.S. Treasury 2-year treasury note

\$UST5Y --- U.S. Treasury 5-year treasury note

\$UST10Y --- U.S. Treasury 10-year treasury note

\$UST30Y --- U.S. Treasury 30-year treasury bond