Advanced Technical Analysis

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Outline

- **Advanced Horizontal Resistance/Support**
- **Price Action Trading**
- **Advanced Divergence Trading**
- **2B Pattern**
- **Price Action Trading + Divergence + 2B Pattern**

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Advanced Horizontal Resistance/Support

*Regular Resistance/Support Criteria We Look For:
 1. Swing highs & swing lows
 2. Multiple rejections of an area, the more
    the better
 3. Has acted as both support and resistance
 4. The move away from the area was
    significant
 5. Was recently respected

*We don't need all the criteria listed above to
 qualify an S/R point but the more the better
*Treat these as areas of support and resistance
*The more obvious the better! Less is more!

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Advanced Horizontal Resistance/Support

1. **Swing High**
2. **Multiple Rejections**
3. **Support & Resistance**
4. **Strong Move Away**
5. **Recently Respected**

Advanced Horizontal Resistance/Support

*Support & Resistance Entry : Reversal & Breakout

1. **Swing High**
2. **Multiple Rejections**
3. **Support & Resistance**
4. **Strong Move Away**
5. **Recently Respected**

Reversal Entry

Breakout Entry

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Advanced Horizontal Resistance/Support

*Advanced Resistance:

1. The resistance formed during a downtrend is stronger than the one formed during an uptrend.

Advanced Horizontal Resistance/Support

*Advanced Resistance:

2. The farther the current price is from the resistance zone, the stronger the effect of that resistance zone.

# Advanced Horizontal Resistance/Support

*Advanced Resistance:

3. When a horizontal resistance zone is formed by multiple pressure points or by a dense cluster of candlesticks, this resistance zone tends to be stronger.

The more conditions mentioned above are met, the stronger the formed resistance zone, making it less likely to be penetrated.

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Price Action Trading

1. In simple terms, price action trading is a technique that allows a trader to read the market and make **subjective** trading decisions based on recent and actual price movements, rather than relying solely on technical indicators.

2. Price action trading is better suited for **short- to medium-term, limited-profit** trades instead of long-term investments.

3. Since it ignores the fundamental analysis factors and focuses more on recent and past price movement, price action trading strategy depends on technical analysis tools, such as **candlestick patterns, chart patterns, trend line, support and resistance, Fibonacci Retracement/Extension/Projection…,** but usually doesn't use technical indicators.

Price Action Trading
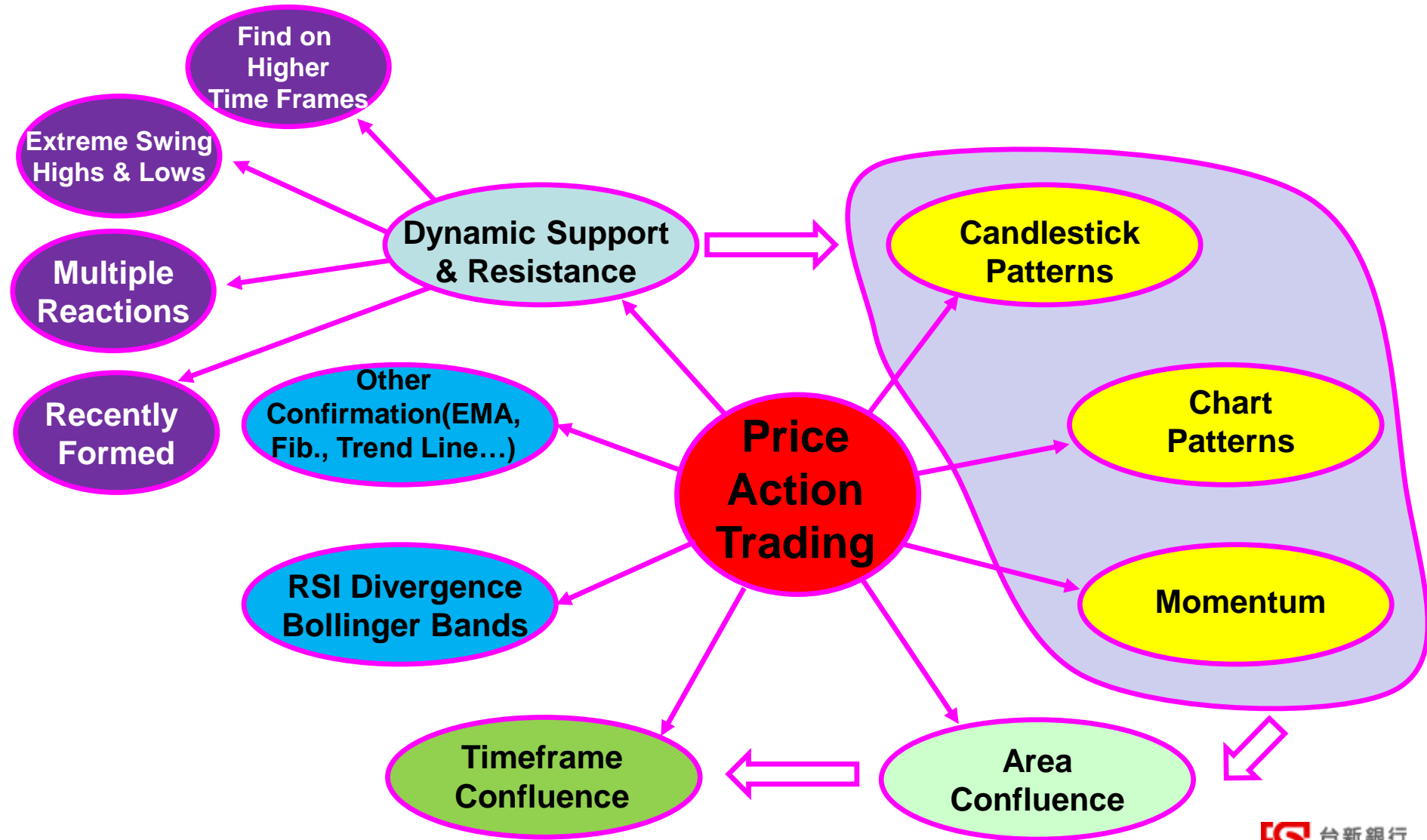
Price Action Trading

*The execution steps are as follows:

1. **Find support/resistance zones on higher time frames(better if S/R zones are also Fib. key levels).**

2. **If the price is close to a S/R zone on a higher time frame, switch to a lower time frame to look for entry opportunity.**

3. **On a lower time frame, we can use technical indicators, candlestick patterns or chart patterns to decide a suitable entry point.**

4. **When entering a trade, it's better if there is a confluence of area and time frame.**

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Price Action Trading

5. S/L level should be set at swing high/low or key bar's high/low +/- ATR(14).

6. Reward/Risk Ratio must be greater than one.

7. Better to use trailing stop to take profit.

*Resistance/Support includes not only horizontal R/S zones but also Fib. levels, trend lines, EMA and etc.
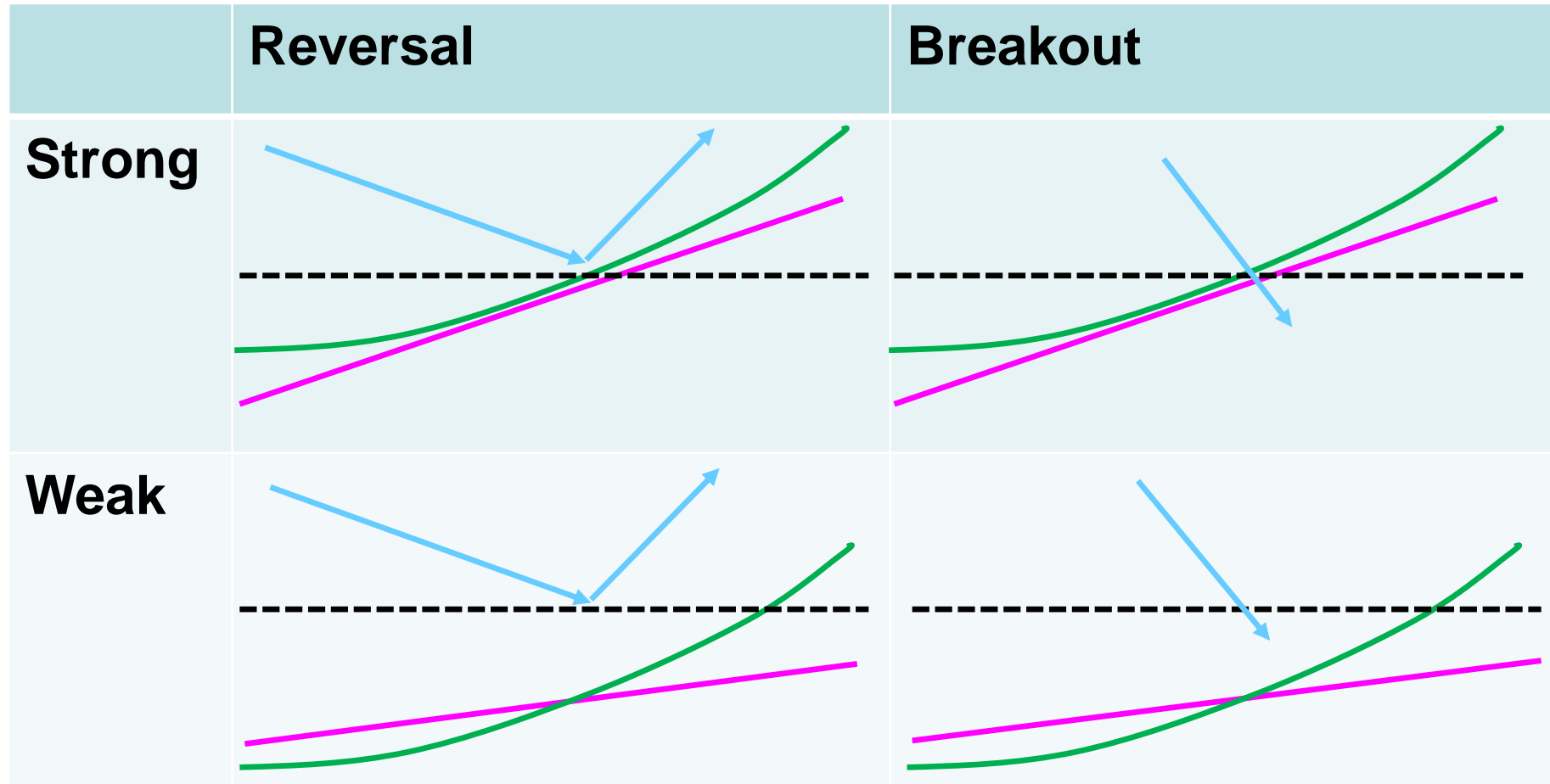
Price Action Trading

Price Action Trading—Area Confluence

	Reversal	Breakout
Strong		
Weak		

Price — Price

SMA or EMA

Trend Line

Support or Resistance

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Price Action Trading—Area Confluence

Area Confluence: Downtrend Line, Resistance Zone, EMA(50) and Fib. 50%

Price Action Trading—Timeframe Confluence

Daily Chart

4-Hour Chart

When the price is close to the resistance zone and forms bearish engulfing pattern on a daily time frame, it also forms rising wedge pattern and RSI divergence on 4-hour time frame. We call it time frame confluence.

Advanced Divergence Trading
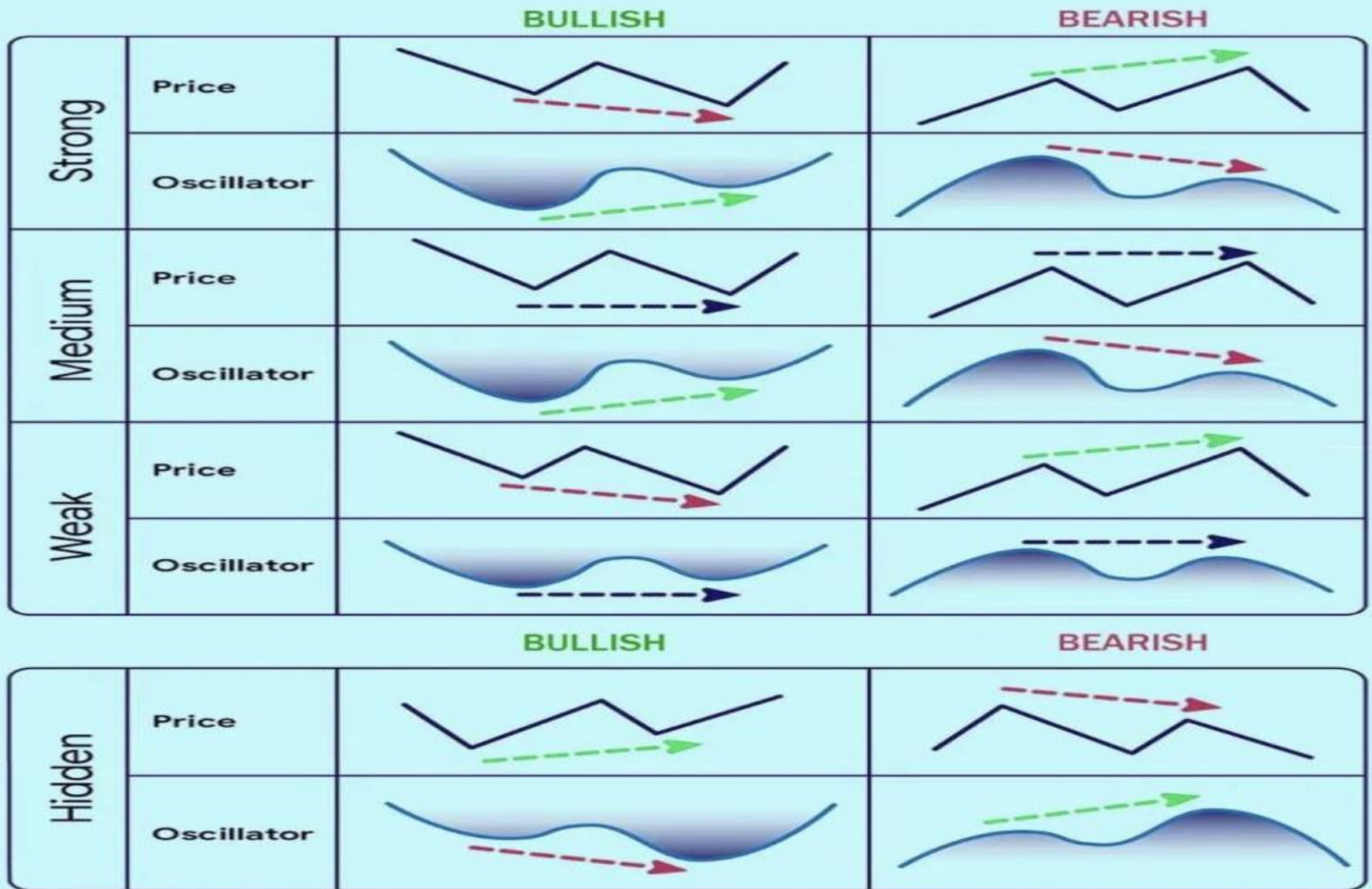
Advanced Divergence Trading

Bottom Divergence
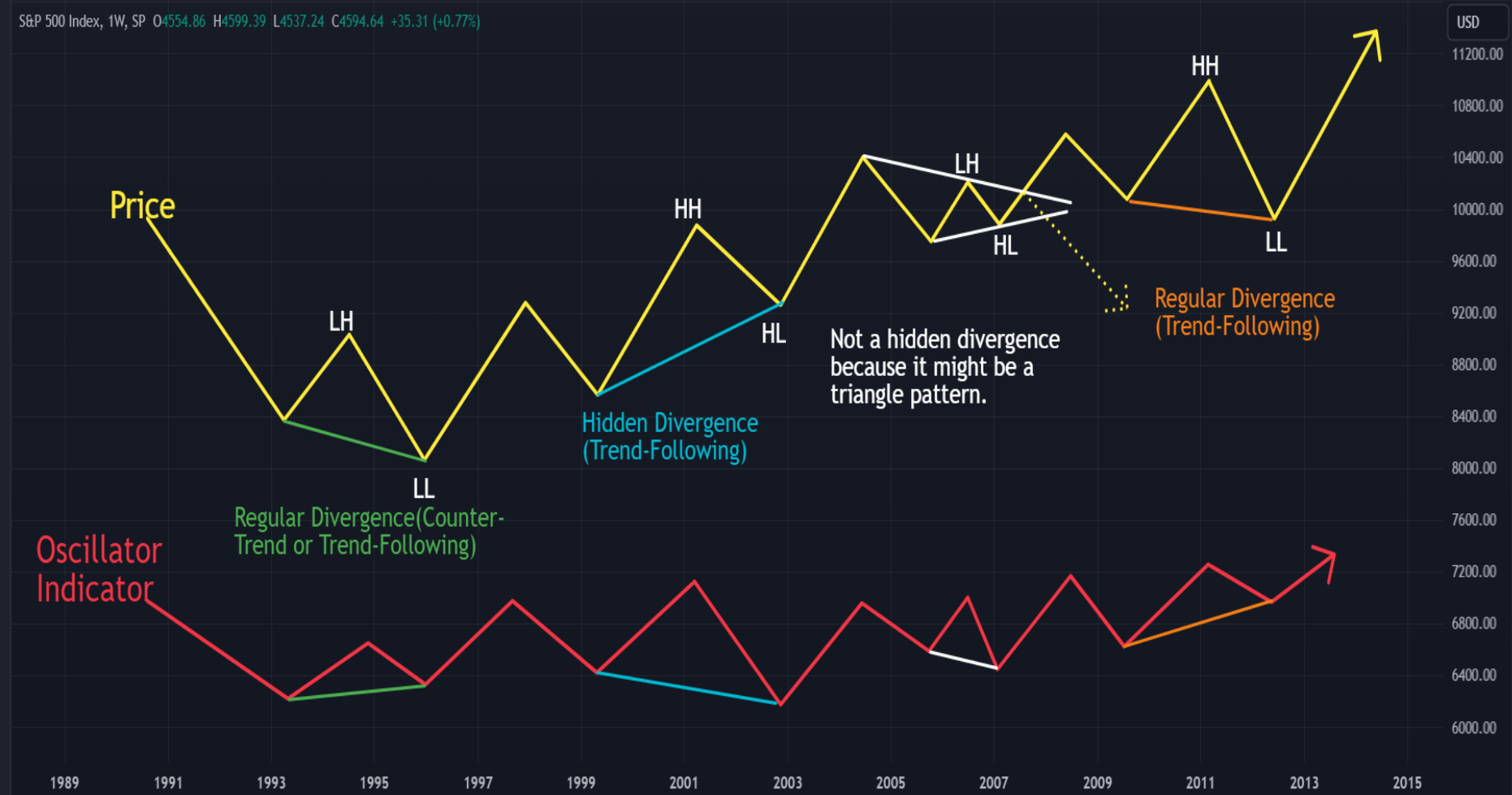
Advanced Divergence Trading

Top Divergence
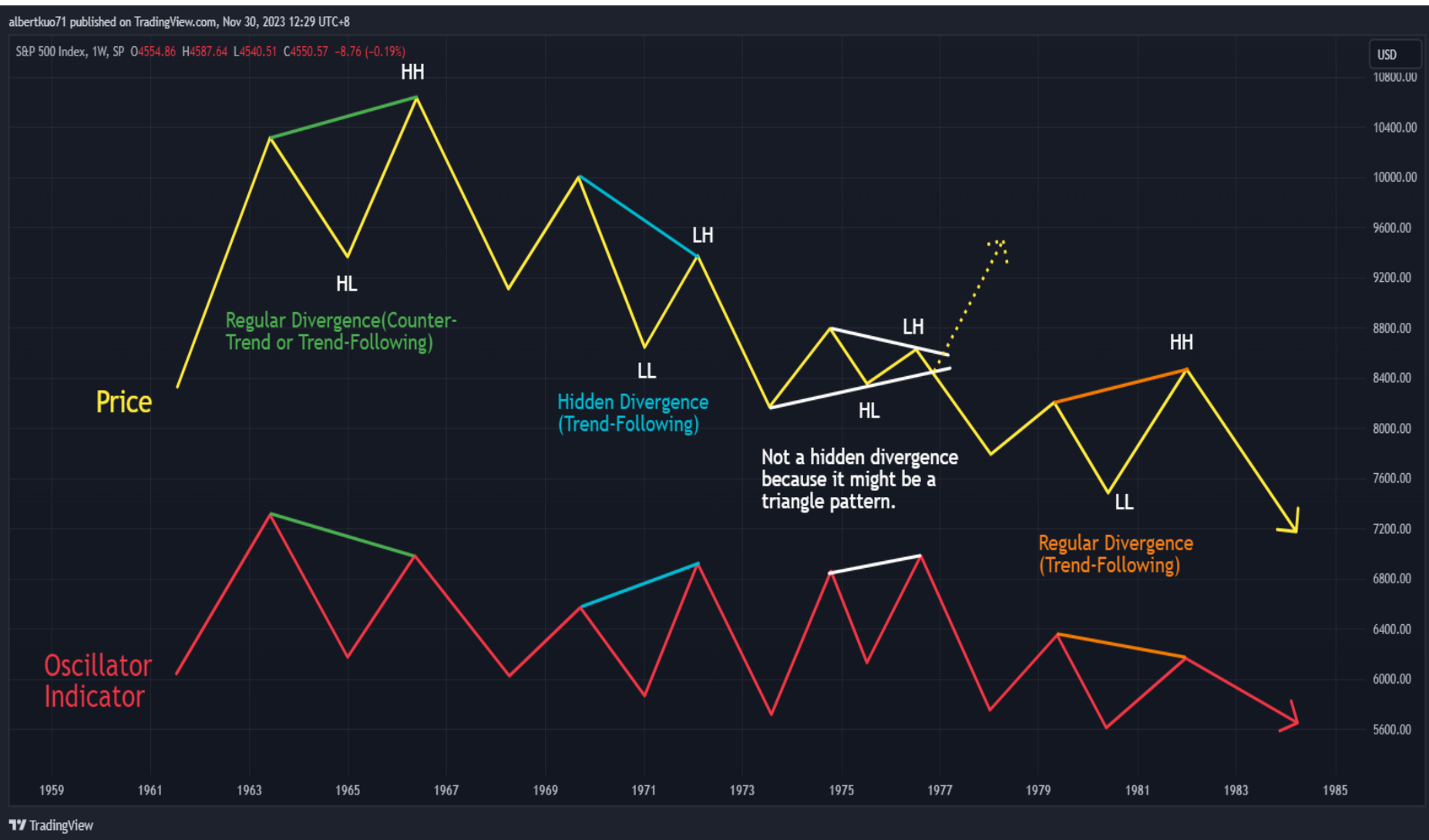
Advanced Divergence Trading

Regular Divergence

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Hidden Divergence(Downtrend)

Advanced Divergence Trading

Hidden Divergence(Uptrend)

Advanced Divergence Trading(US10Y)

Advanced Divergence Trading

2B Pattern

*2B pattern is a reversal formation consisting of 2 adjacent market highs/lows. On the price chart, the 2B pattern looks like the Double Top formation(or Double Bottom in a downtrend)

1. In an uptrend, 2 close-by tops are formed on the price chart. The price of the last high is a bit higher than the first one but it can't remain at this level for long(1~3 candlesticks) and starts going down(a false breakout).

2. In a downtrend, 2 close-by bottoms are formed on the price chart. The price of the last low is a bit lower than the first one but it can't remain at this level for long(1~3 candlesticks) and starts going up(a false breakout).

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2B Pattern

2B Pattern in an Uptrend

2B Pattern

2B Pattern in a Downtrend

Price Action Trading+Divergence+2B Pattern (USDCNH)

USDCNH hit the strong resistance zone on daily time frame

Price Action Trading+Divergence+2B Pattern (USDCNH)

It formed rising wedge pattern, MACD divergence and 2B pattern on 1-Hour time frame, so make a short entry and set S/L a little above the resistance zone and P/T around the support zone. R/R=2.51

Price Action Trading+Divergence+2B Pattern (USDCNH)

Price Action Trading+Divergence+2B Pattern (EURUSD)

EURUSD hit the strong support zone on daily time frame

Price Action Trading+Divergence+2B Pattern (EURUSD)

It formed KD divergence and 2B pattern on 1-Hour time frame, so make a short entry and set S/L a little below the support zone and P/T around the previous swing high. R/R=3.51
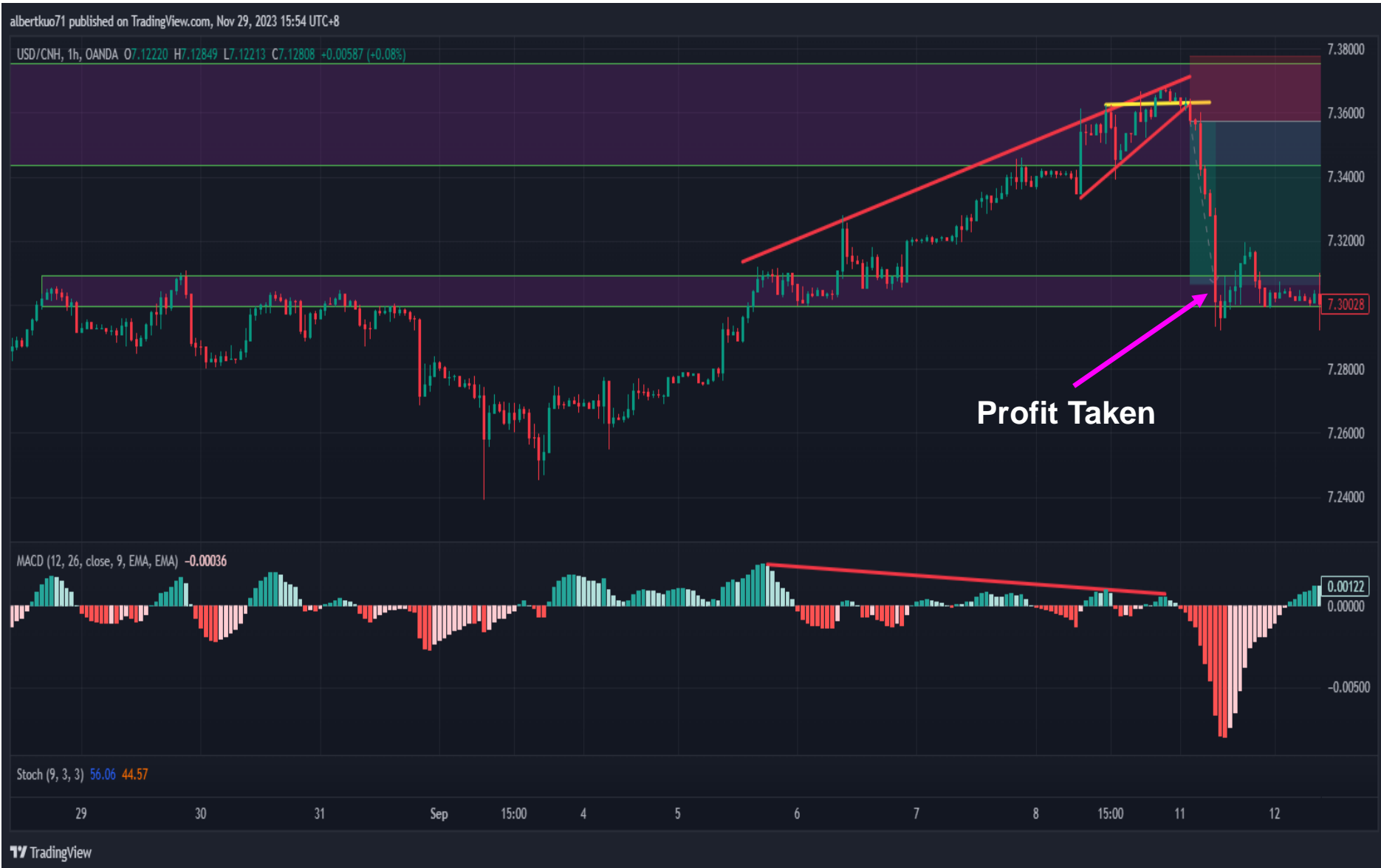
Price Action Trading+Divergence+2B Pattern (EURUSD)

Price Action Trading+Divergence+2B Pattern (AUDUSD)

AUDUSD hit the strong resistance zone on daily time frame

Price Action Trading+Divergence+2B Pattern (AUDUSD)

It formed RSI divergence and 2B pattern on 1-Hour time frame, so make a short entry and set S/L a little above recent high and P/T around the support zone and Fib. 0.618. R/R=2.01

Price Action Trading+Divergence+2B Pattern (AUDUSD)

Price Action Trading+Divergence+2B Pattern (USDCAD)

USDCAD hit the strong resistance zone on daily time frame

Price Action Trading+Divergence+2B Pattern (USDCAD)

It formed RSI divergence, a rising wedge and 2B pattern on 4-Hour time frame, so make a short entry and set S/L a little above recent high and P/T around the support zone and Fib. 0.618. R/R=3.00

Price Action Trading+Divergence+2B Pattern (USDCAD)

Price Action Trading+Divergence+2B Pattern (USDJPY)
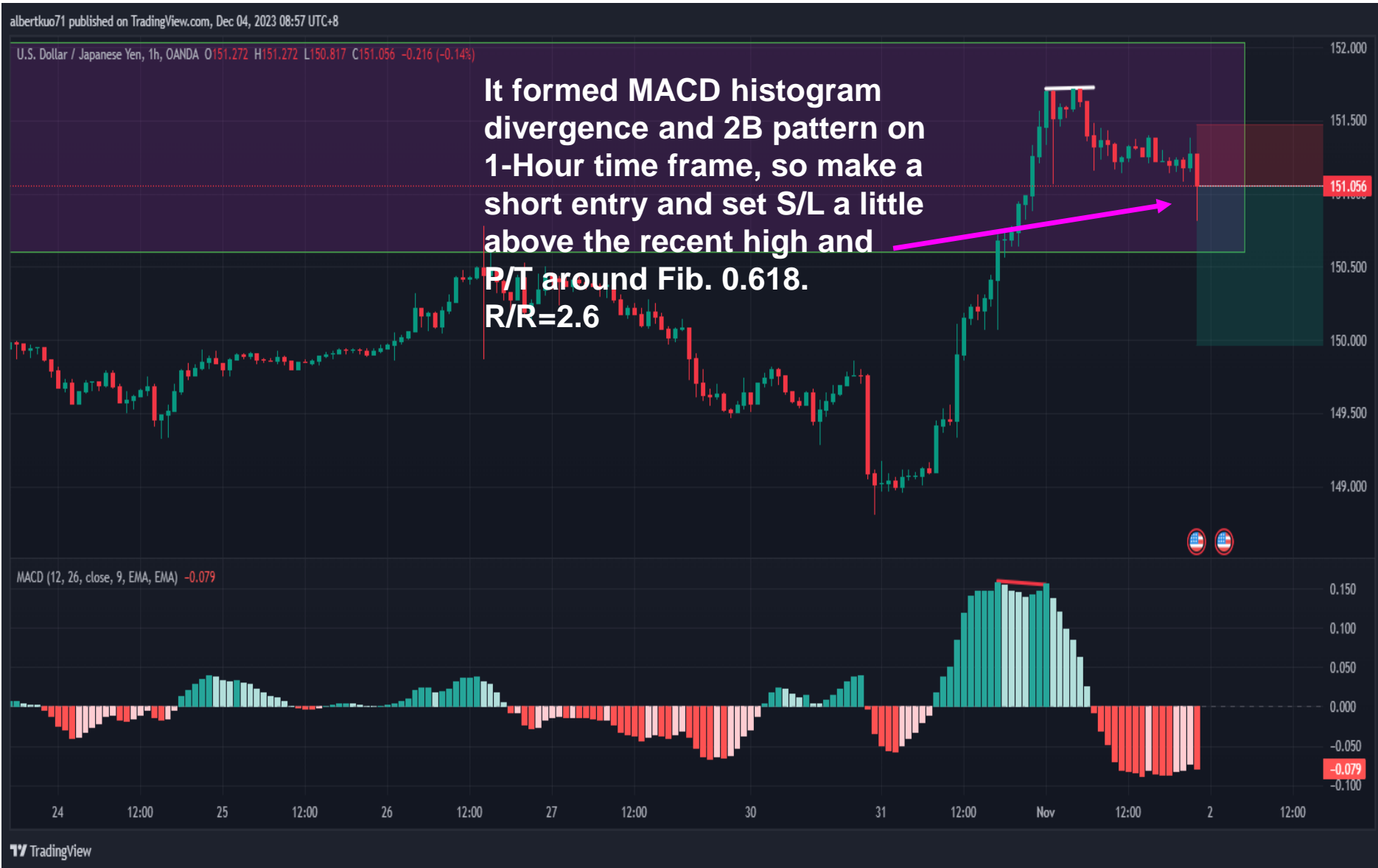
USDJPY hit the strong resistance zone on daily time frame

Price Action Trading+Divergence+2B Pattern (USDJPY)

It formed MACD histogram divergence and 2B pattern on 1-Hour time frame, so make a short entry and set S/L a little above the recent high and P/T around Fib. 0.618. R/R=2.6

Price Action Trading+Divergence+2B Pattern (USDJPY)

Price Action Trading+Divergence+2B Pattern (USDJPY)

Price Action Trading+Divergence+2B Pattern (USDJPY)

It formed MACD histogram divergence, a rising wedge and 2B pattern on 1-Hour time frame, so make a short entry and set S/L a little above 30-year high(151.94). Because this is the 2nd time to test this strong resistance zone within 2 weeks, we can set P/T above Fib. extension 1.272 aggressively. R/R=7.73

Price Action Trading+Divergence+2B Pattern (USDJPY)