
Price Action Trading

(by Albert Kuo)

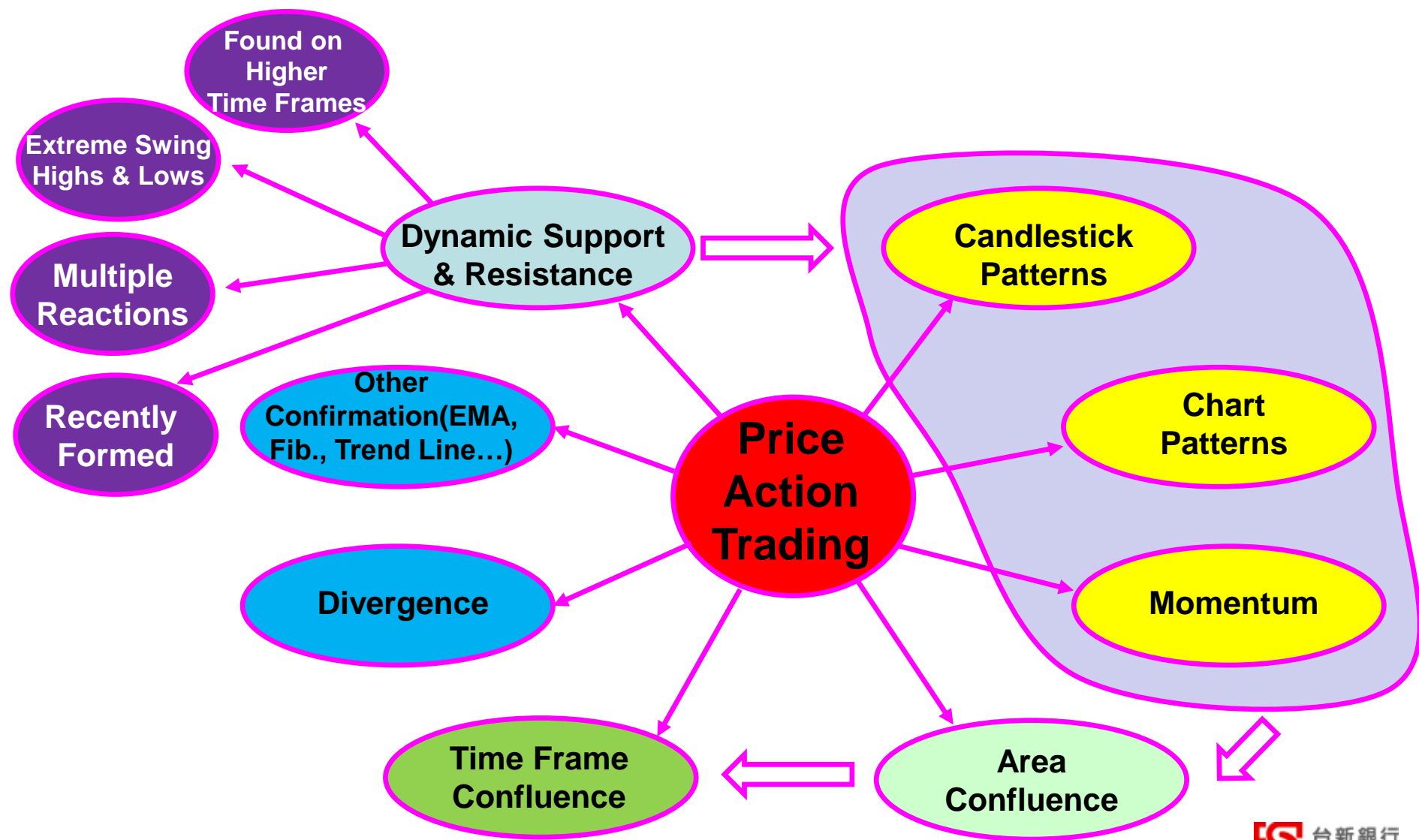


僅供內部教育訓練之用，請勿外流


Introduction

1. This is a rule-based and objective method with clear and not ambiguous entry and exit rules.
2. We use EMA(50), trend lines, support & resistance zone and Fibonacci Retracement tool in daily and weekly chart.
3. We use indicators of EMA(10), EMA(20) and MACD(5,34,5) in 4-Hour timeframe chart to decide when to enter.
4. We don't optimize parameters of the indicators so no problem of overfitting a model.
5. We can use trailing stop strategy to capture massive moves.
6. It's almost a following-trend method but can also decide when the trend will reverse if prices are close to the major structure(resistance/support).


Price Action Trading



Tools

1. **4-Hour Timeframe:** (1)EMA(10) (2)EMA(20)
(3)MACD(5,34,5) or MACD(12,26,9)
2. **Daily Timeframe:**
(1)Fibonacci 0.382, 0.500, 0.618, 0.782, 1.272,
1.618 
(2)Resistance and Support Zone
(3)Trend Lines
(4)EMA(50)
(5)RSI(14)
3. **Weekly & Monthly Timeframe:**
(1)Resistance and Support Zone
(2)Trend Lines

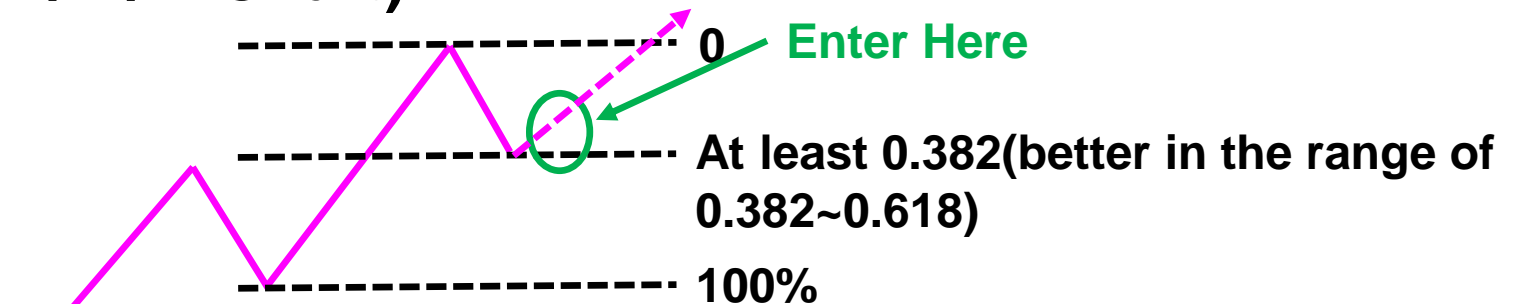
Preparation

1. **Decide Uptrend/Downtrend**
 - (1) **Uptrend: Above EMA(50), higher low and higher high in daily timeframe chart**
 - (2) **Downtrend: Below EMA(50), lower high and lower low in daily timeframe chart**
2. **Draw resistance/support zone in monthly, weekly and daily timeframe chart** 
3. **Draw trend lines in monthly, weekly or daily timeframe chart**

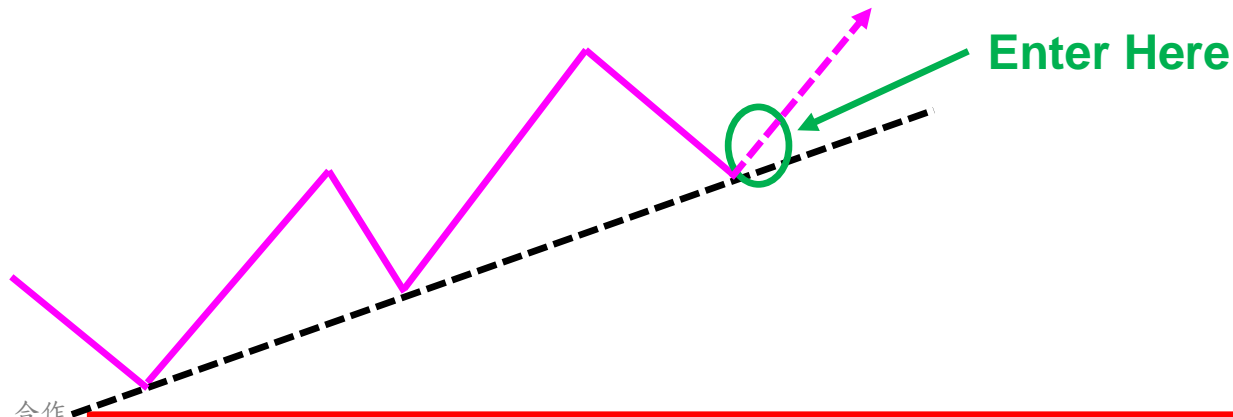
Trading Strategy

1. Long:

(1) Market is impulsing after a correction(following-trend, in D/W/M Chart)

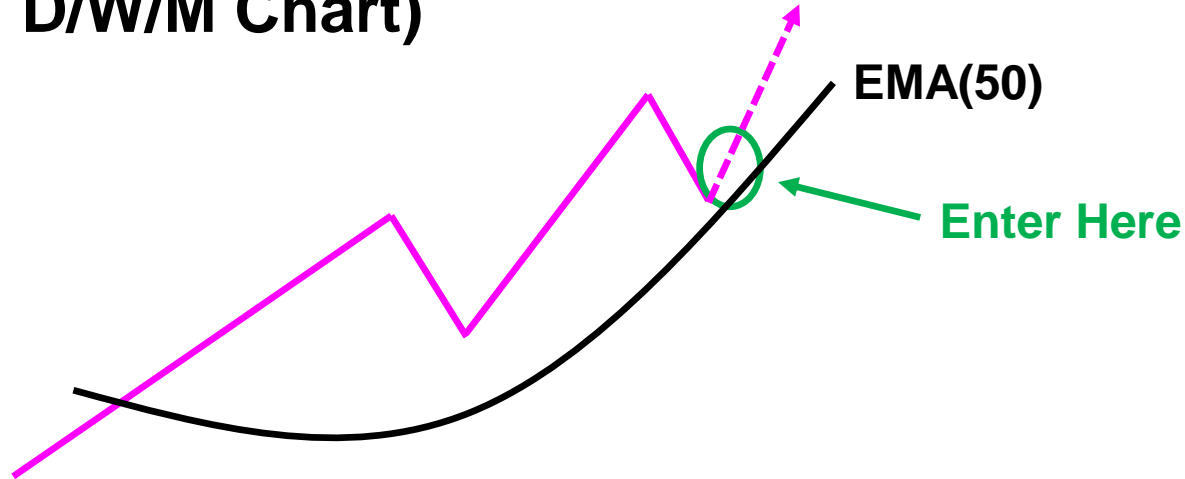


(2) Market is pulling back and rejecting a bullish trend line(following-trend, in D/W/M Chart)

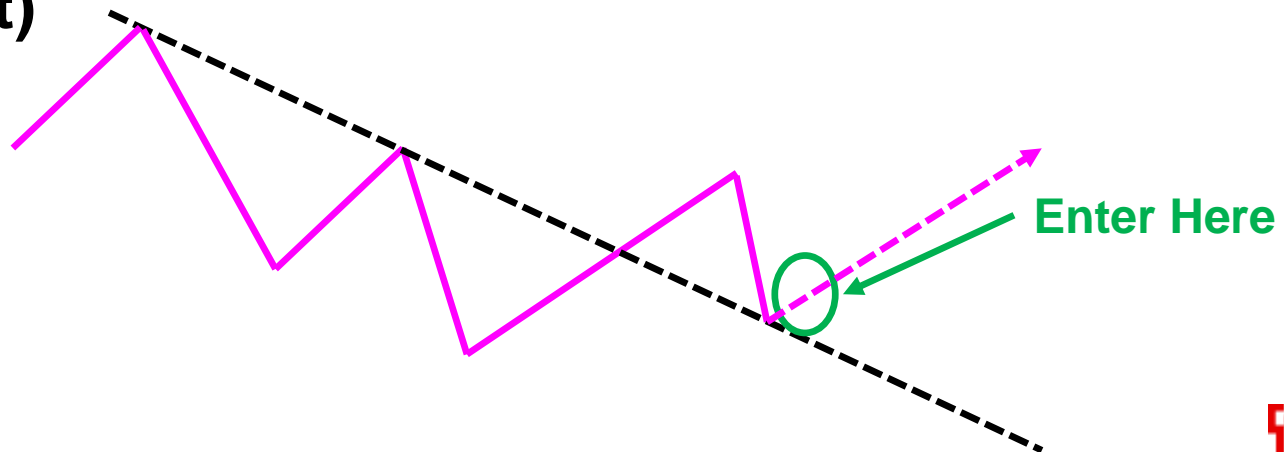


Trading Strategy

(3) Price is close to EMA(50) from upside (following-trend, in D/W/M Chart)

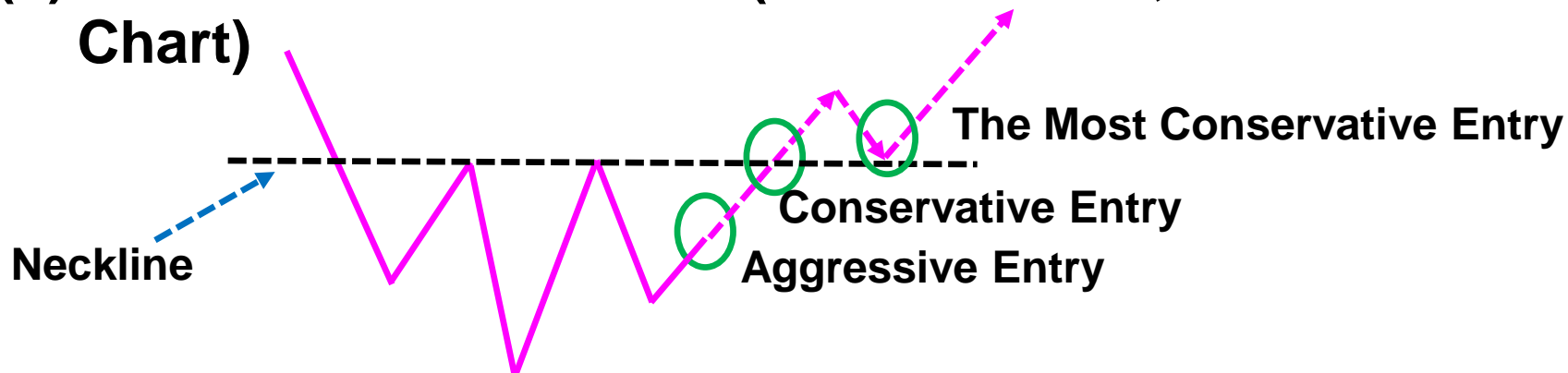


(4) Counter a bearish trend line(counter-trend, in D/W/M Chart)

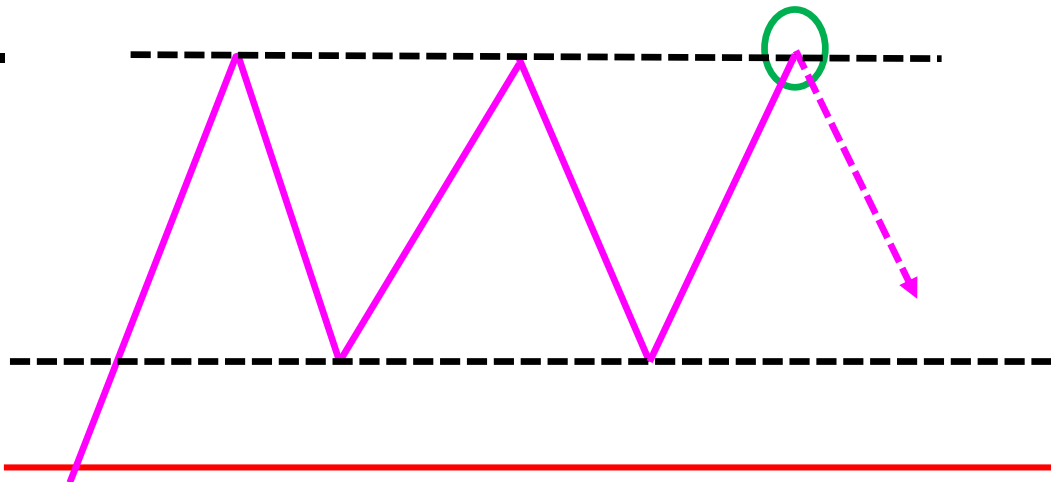


Trading Strategy

(5) Inversed Head-Shoulder(counter-trend, in D/W/M Chart)

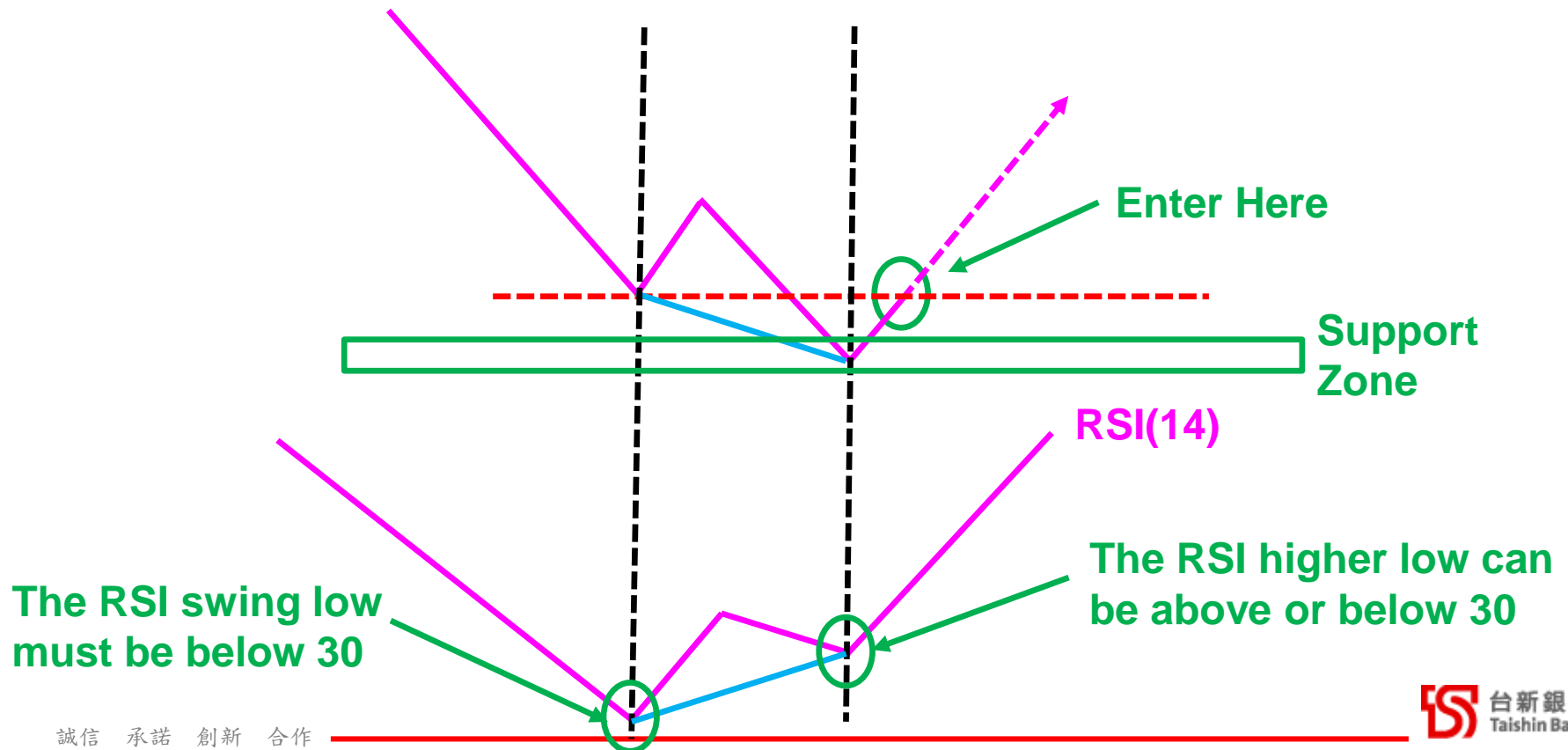


(6) Range Pattern(in D/W/M Chart). If both the resistance zone and support zone in D/W/M Chart have been tested twice, we can assume the market is in the range.



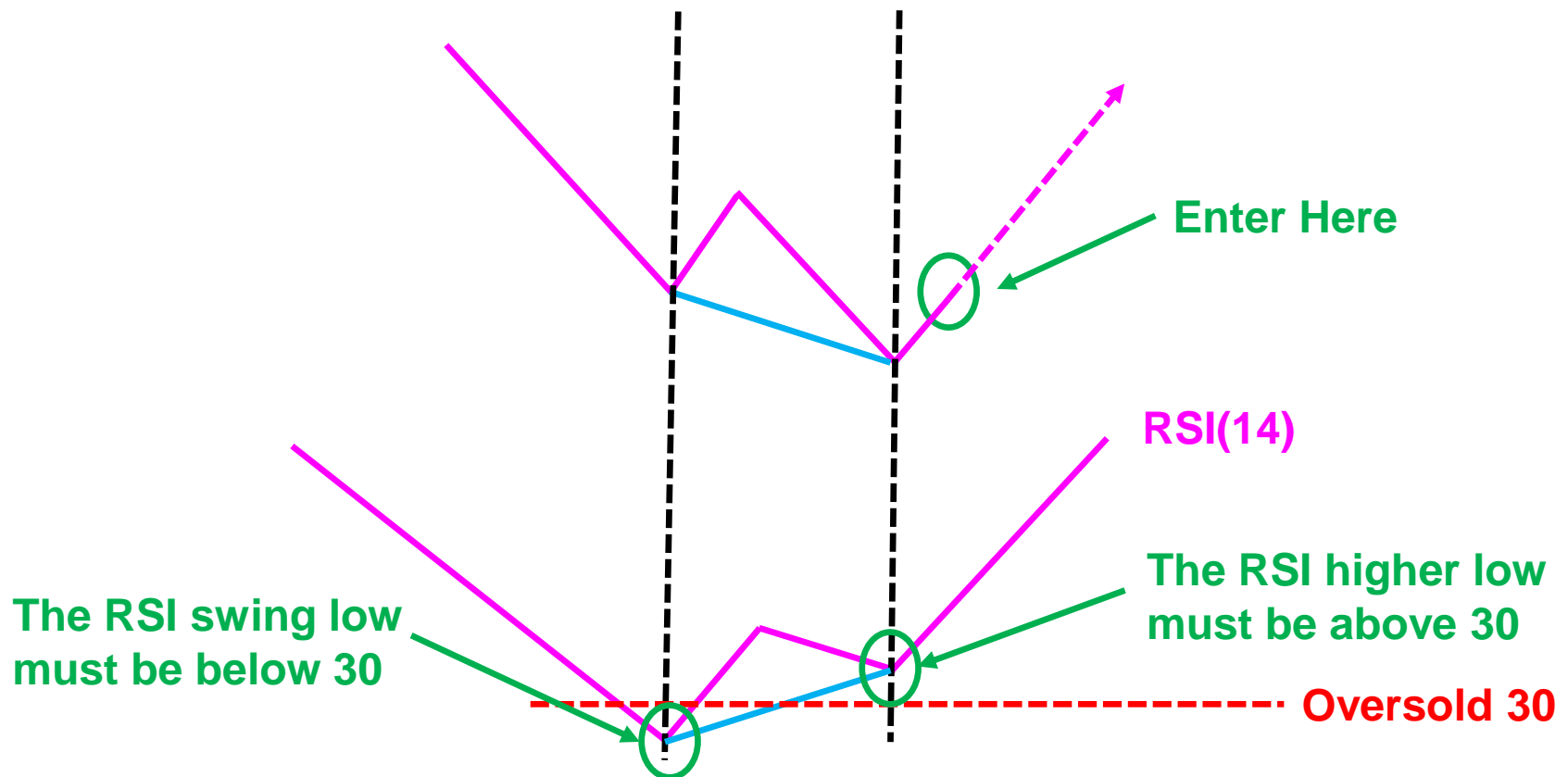
Trading Strategy

(7) RSI Divergence in a downtrend with major support zone(counter-trend, in D/W/M Chart). RSI Divergence occurs and the price rebounds from the support zone and breaks out the previous swing low.



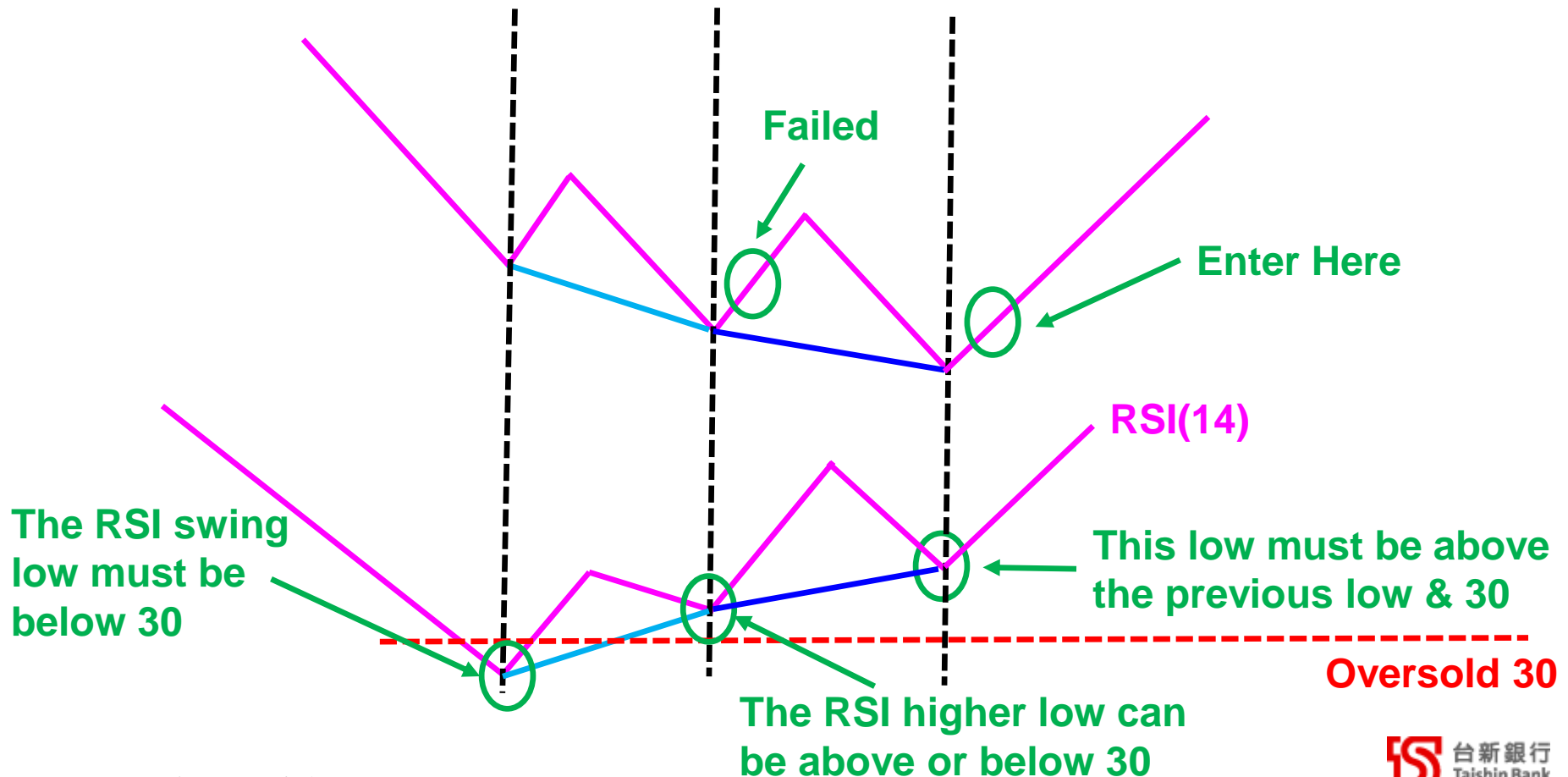
Trading Strategy

(8) RSI Divergence in a downtrend with RSI crossing above OS(30) line(counter-trend, in D/W/M Chart)



Trading Strategy

(9) If the 1st RSI Divergence fails, enter when the 2nd one forms in a downtrend (counter-trend, in D/W/M Chart)



Trading Strategy

2. Short:

- (1)Market is impulsing after a correction(in D/W/M Chart)**
- (2)Market is pulling back and rejecting a bearish trend line(in D/W/M Chart)**
- (3)Price is close to EMA(50) from downside(in D/W/M Chart)**
- (4)Counter a bullish trend line(in D/W/M Chart)**
- (5)Head-Shoulder(counter-trend, in D/W/M Chart)**
- (6)Range Pattern(in D/W/M Chart)**
- (7)&(8)&(9)RSI Divergence in an uptrend(counter-trend, in D/W/M Chart)**

Exercise

1. Entry:

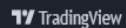

If one of above scenarios/patterns happens in D/W/M timeframe chart, move down to 4-Hour timeframe chart to check if both following terms occur.

(1)EMA(10) & EMA(20) are crossed for long/short

(2)MACD Line is above/below zero from the opposite side

If yes, make a long/short entry.

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Exercise

2. Stop-Loss Setting:

(1) A little below/above recent swing low/high for a long/short entry

(2) If recent low/high is very far away from entry point, set Stop-Loss level at Fibonacci Retracement 50 or 61.8%

It's even better if (1) and (2) are very close.



Exercise

3. Take-Profit(T/P level) Setting:

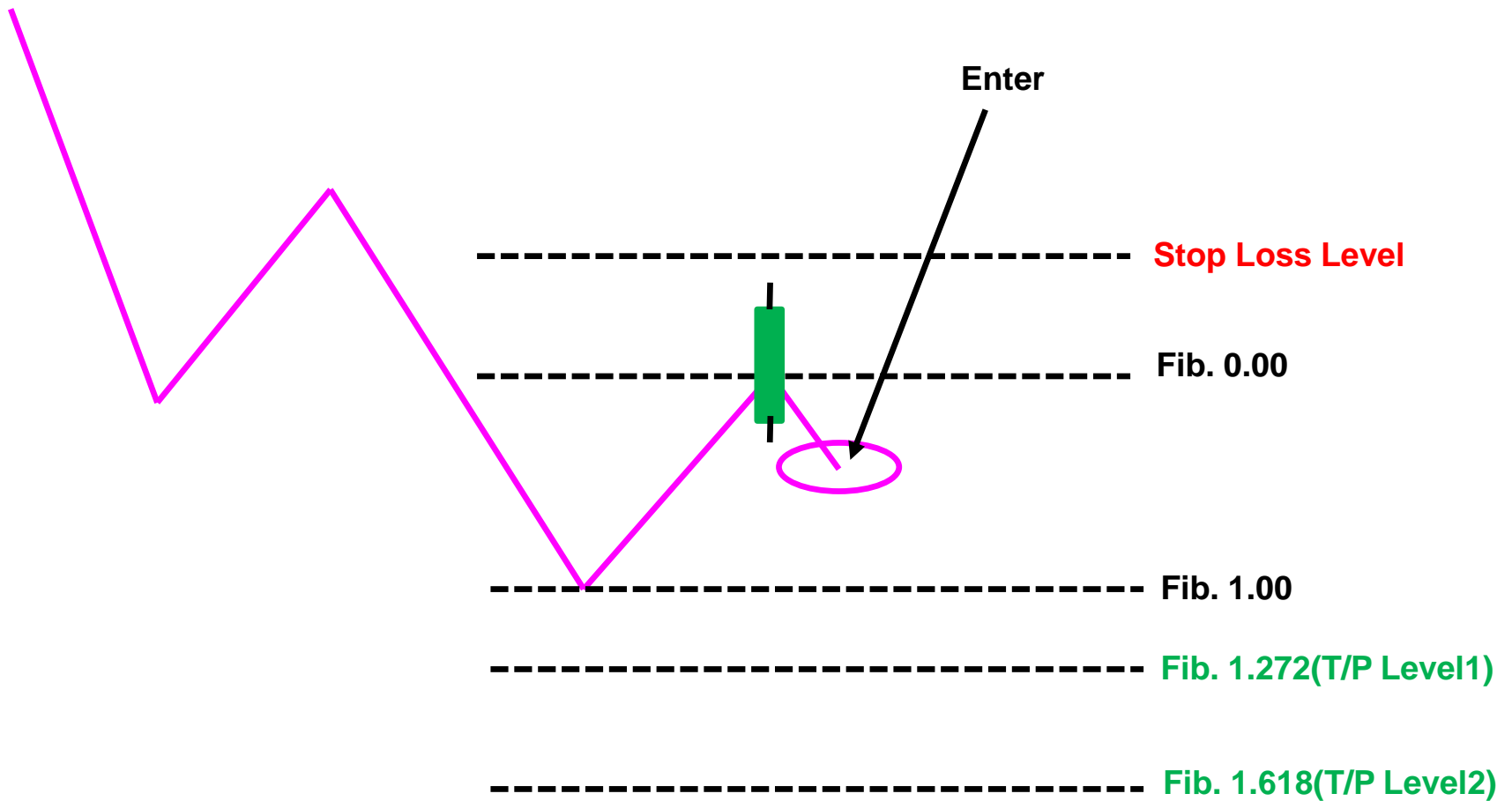
- (1) Set take-profit level at nearest structure level in D/W/M timeframe chart (support zone for long and resistance zone for short)**
- (2) Set Fibonacci level 1.272 or 1.618 as the take-profit level**

***It's even better if (1) and (2) are very close or (1) covers (2).**

Exercise

- *For a counter-trend deal, T/P level can be set below/above the previous swing high/low for a long/short entry. Once it's triggered, we can T/P 1/2 position and leave the other 1/2 for trailing stop.**
- *After deciding Stop-Loss level and Take-Profit level, if Risk- Reward Ratio(R/R Ratio) <1.0 , either no entry this time, or wait for better entry price to make R/R Ratio at least equals 1.0**
where $R/R \text{ Ratio} = (T/P \text{ level} - \text{Entry Price}) / (\text{Entry Price} - S/L \text{ level})$
- *After entering, if price touches recent high/low for long/short transaction, we can move S/L near entry price to protect us.**

Exercise



Exercise

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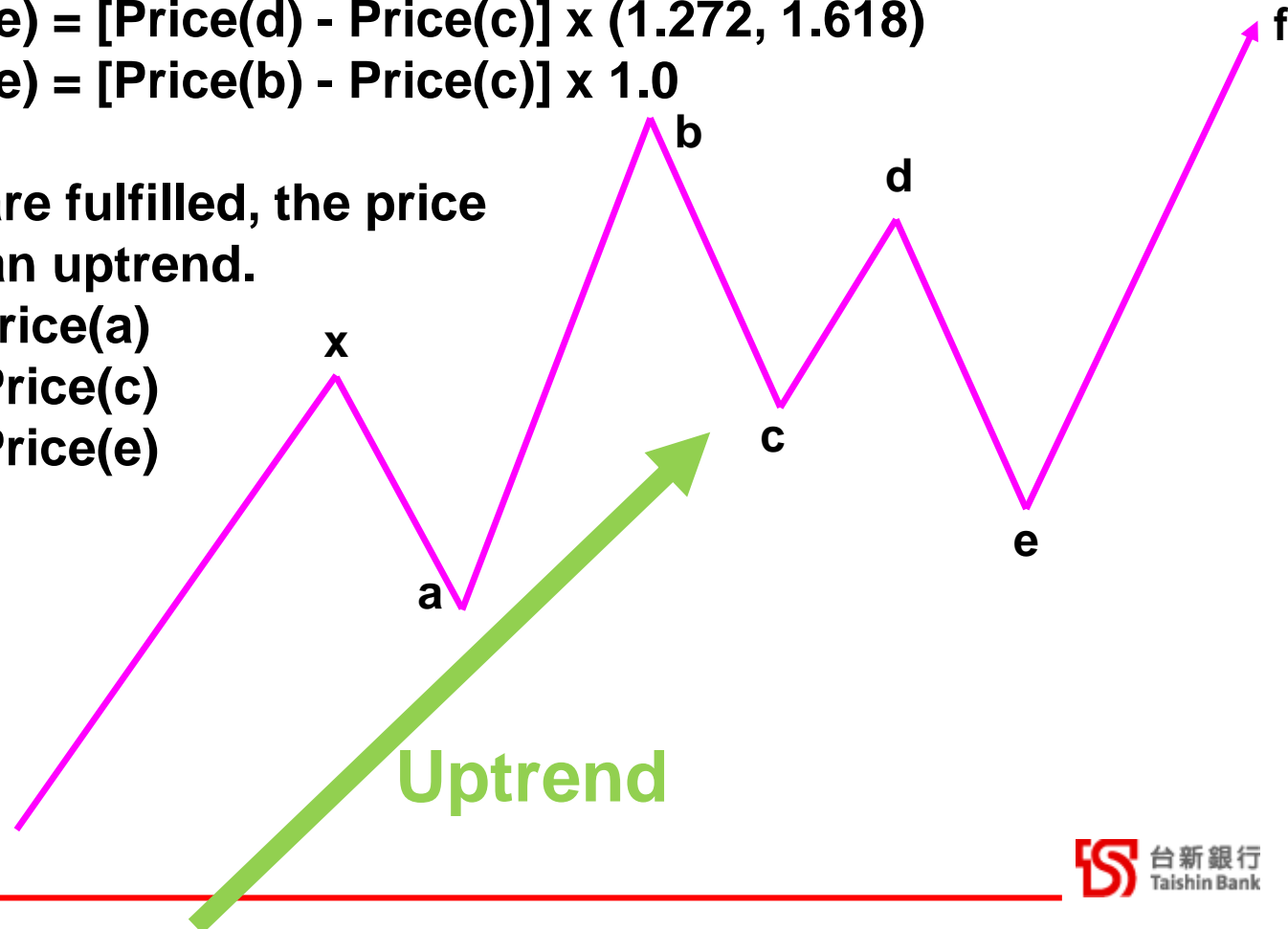
Special Case1 — Gartley Pattern

Uptrend:

1. $\text{Price}(b) - \text{Price}(e) = [\text{Price}(b) - \text{Price}(a)] \times (0.382, 0.5, 0.618, 0.786)$
better if 0.618 or 0.786
2. $\text{Price}(d) - \text{Price}(e) = [\text{Price}(d) - \text{Price}(c)] \times (1.272, 1.618)$
3. $\text{Price}(d) - \text{Price}(e) = [\text{Price}(b) - \text{Price}(c)] \times 1.0$

If the above terms are fulfilled, the price should likely keep an uptrend.

Better if $\text{Price}(x) - \text{Price}(a)$
 $= \text{Price}(b) - \text{Price}(c)$
 $= \text{Price}(d) - \text{Price}(e)$



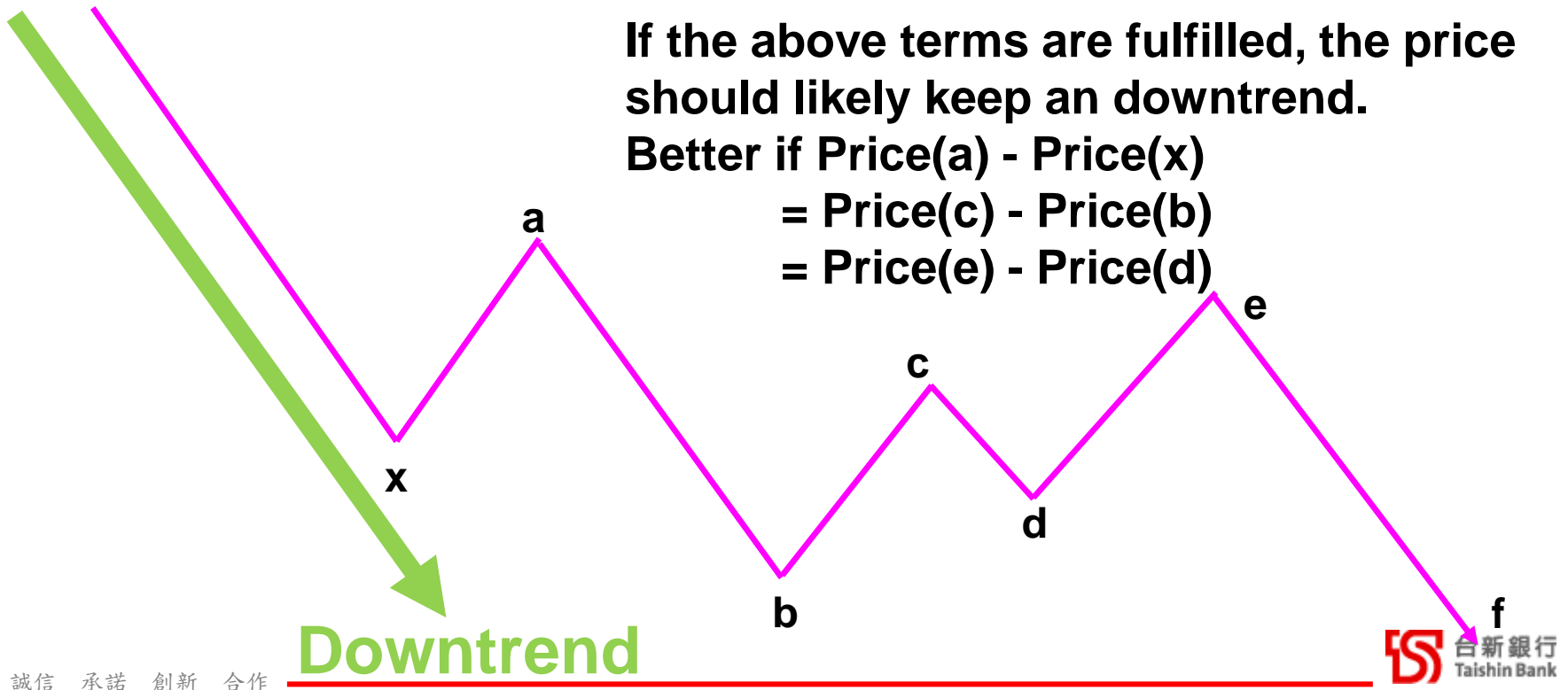
Special Case1 — Gartley Pattern

Downtrend:

1. $\text{Price}(e) - \text{Price}(b) = [\text{Price}(a) - \text{Price}(b)] \times (0.382, 0.5, 0.618, 0.786)$
better if 0.618 or 0.786
2. $\text{Price}(e) - \text{Price}(d) = [\text{Price}(c) - \text{Price}(d)] \times (1.272, 1.618)$
3. $\text{Price}(e) - \text{Price}(d) = [\text{Price}(c) - \text{Price}(b)] \times 1.0$

If the above terms are fulfilled, the price should likely keep an downtrend.

Better if $\text{Price}(a) - \text{Price}(x)$
 $= \text{Price}(c) - \text{Price}(b)$
 $= \text{Price}(e) - \text{Price}(d)$



Special Case1 — Gartley Pattern

Ex. AUDUSD Daily Chart: 1. $\text{Price}(x-a) \approx \text{Price}(b-c) \approx \text{Price}(d-e)$

2. $\text{Price}(b-e) = \text{Price}(b-a) \times 0.786$ 3. $\text{Price}(d-e) \approx \text{Price}(d-c) \times 1.618$

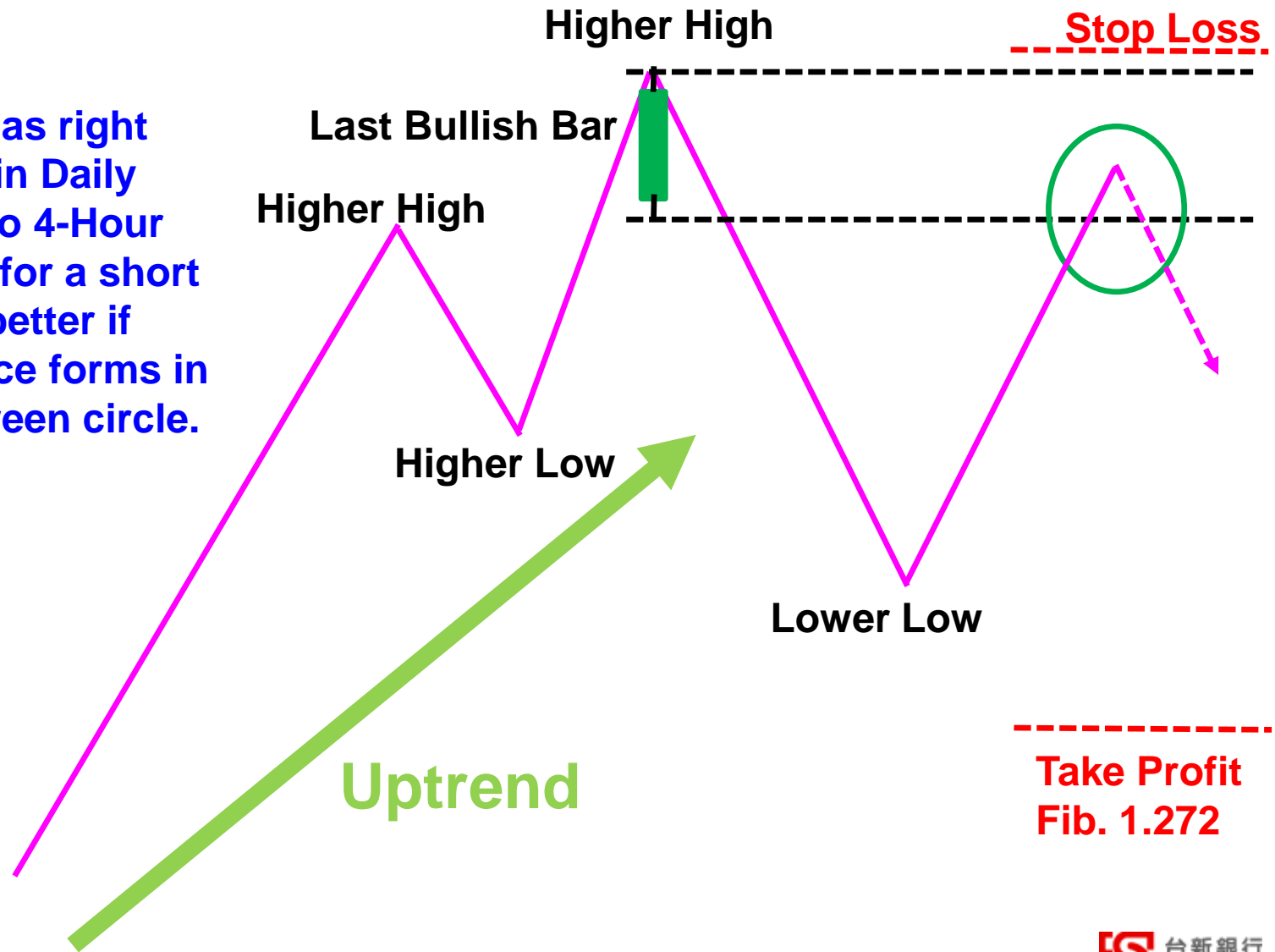
It's area confluence at point e (Gartley Pattern, uptrend line, 50EMA), so move to 4-Hour chart to make a long entry (The 1st P/L target can be set as $\text{Price}(b-e) \times 1.272$)



Special Case2 — Reversal Of Structure

Uptrend:

If the pattern as right graph forms in Daily chart, move to 4-Hour chart to look for a short entry. Even better if RSI divergence forms in the area of green circle.

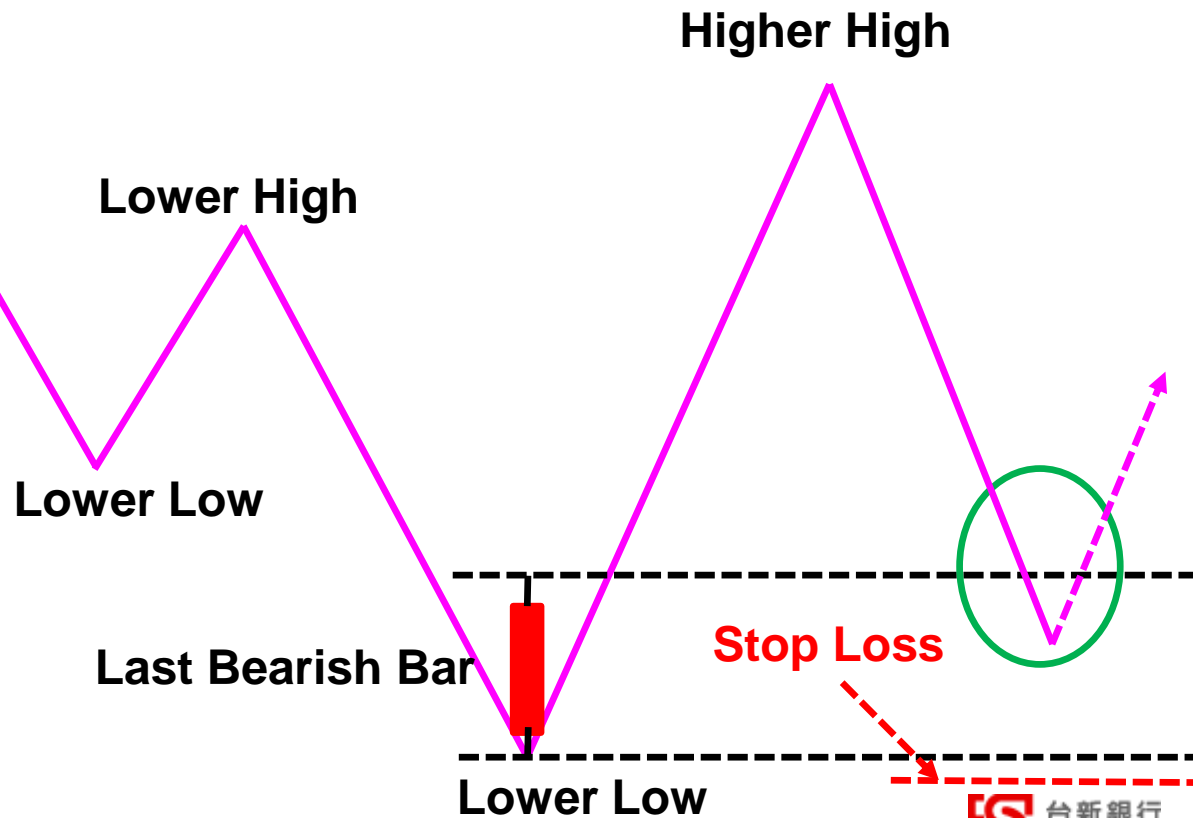


Special Case2 — Reversal Of Structure

Downtrend

**Take Profit
Fib. 1.272**

Downtrend:
If the pattern as right graph forms in Daily chart, move to 4-Hour chart to look for a long entry. Even better if RSI divergence forms in the area of green circle.



Special Case2 — Reversal Of Structure



Special Case2 — Reversal Of Structure

albertkuo71 published on TradingView.com, Jun 18, 2022 02:00 UTC

British Pound / U.S. Dollar, 1D, OANDA O1.23529 H1.23632 L1.21728 C1.22154 -0.01375 (-1.11%)



Special Case2 — Reversal Of Structure

albertkuo71 published on TradingView.com, Jun 19, 2022 08:52 UTC



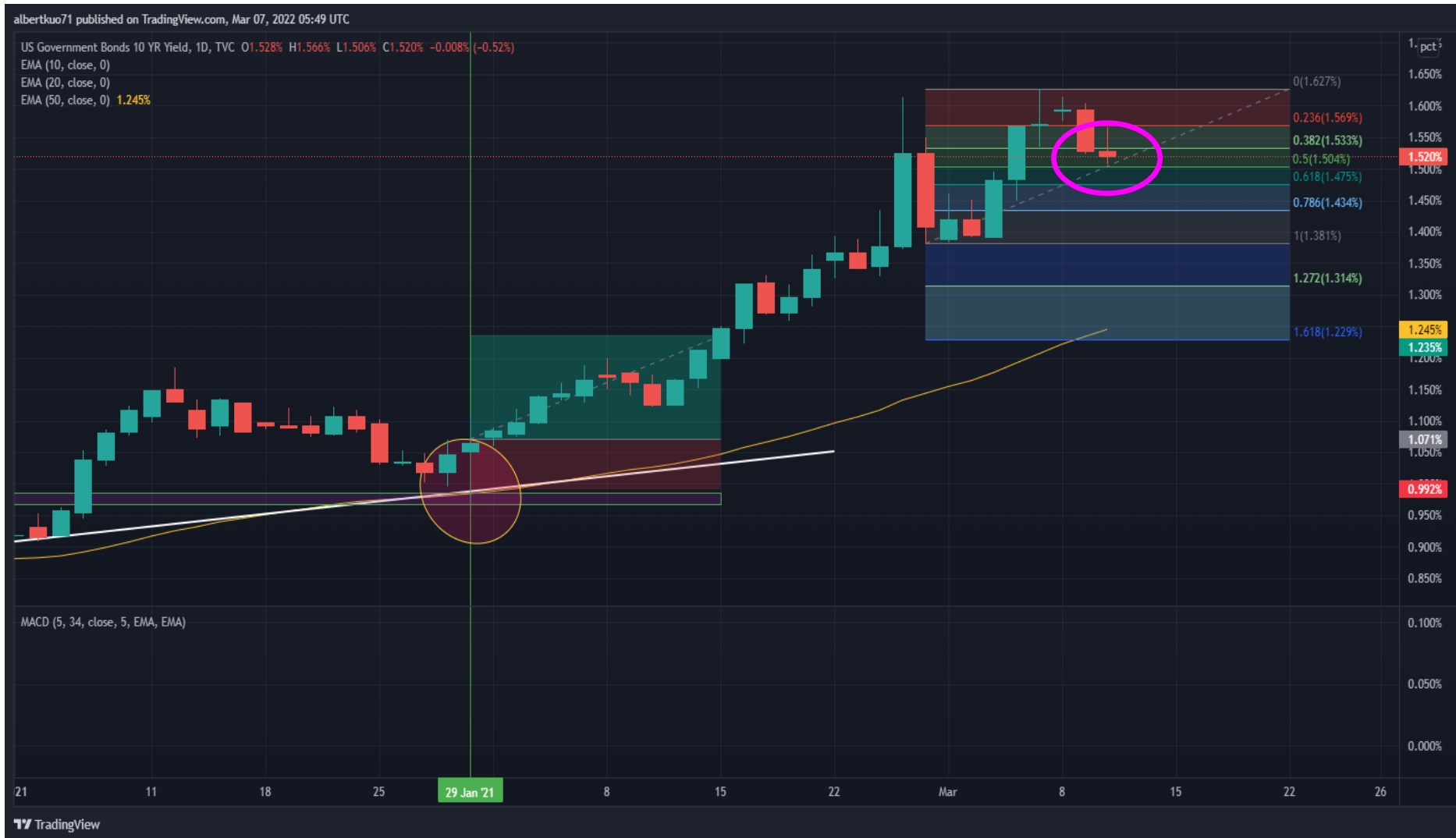
Example

Ex1. US10Y 4-Hour Chart: Make a long entry at 10:00am 2021 Jan 29. MACD Line crossed zero, 10EMA & 20EMA crossed and R/R=2.08. Finally, it's targeted out on 2021 Feb 15.



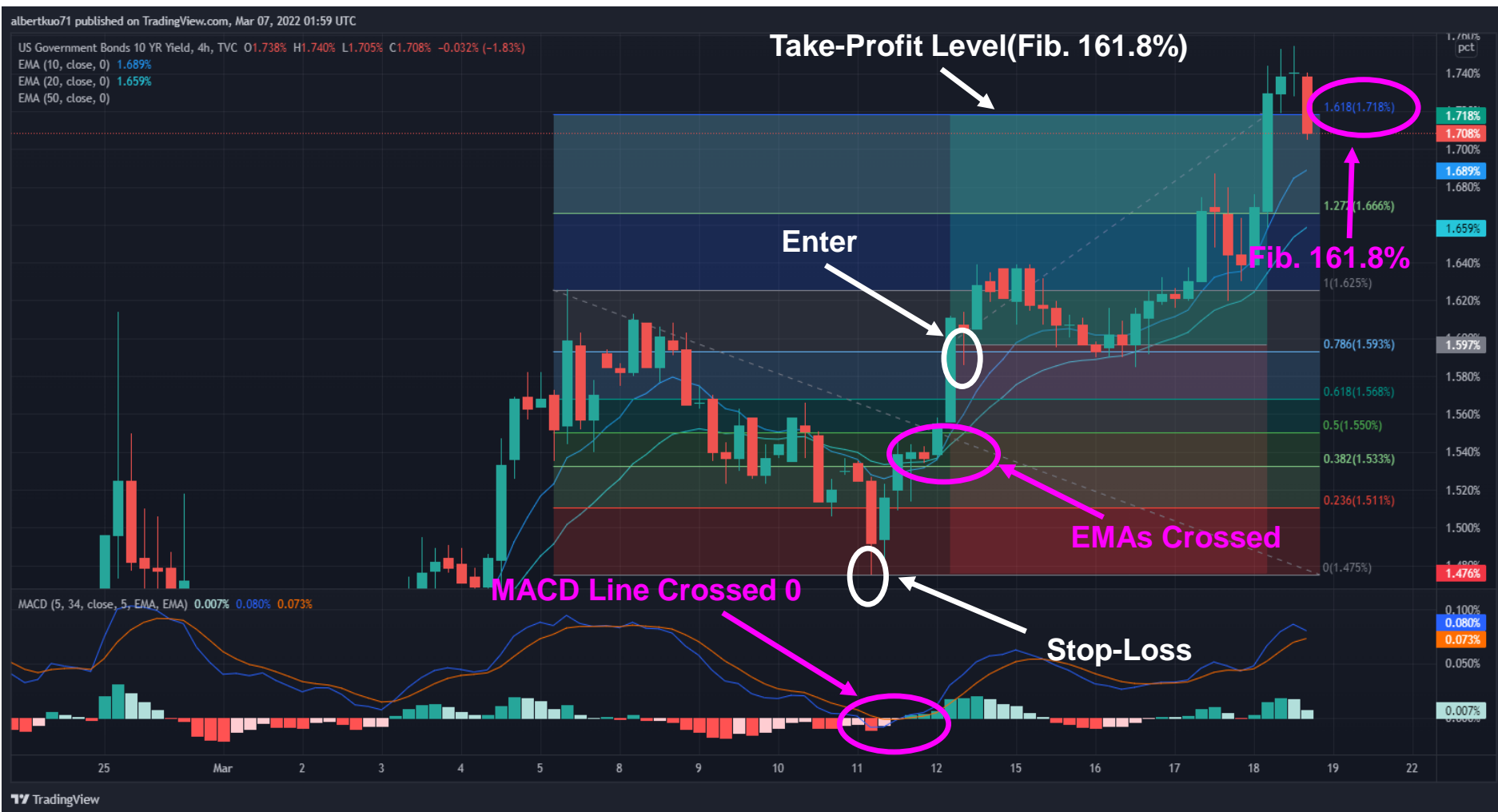
Example

Ex2. US10Y Daily Chart: Prices pulled back to touch Fib. 38.2% on Mar 9&10 so we can move to 4-Hour chart to look for entry opportunity.



Example

Ex2. US10Y 4-Hour Chart: The bar where EMAs crossed and MACD Line > 0 is too long so that R/R Ratio < 1.0. Wait next bar for better entry point to make R/R Ratio at least equal 1.0. S/L level is the swing low and T/P level is Fib. 161.8%.



Example

Ex3. US10Y Daily Chart: Prices pulled back to touch 38.2% and 50.0% on Mar 23&24 so we can move to 4-Hour chart to look for entry opportunity.

albertkuo71 published on TradingView.com, Mar 07, 2022 09:45 UTC



Example

Ex3. US10Y 4-Hour Chart:



Example

Ex4. US10Y Daily Chart:



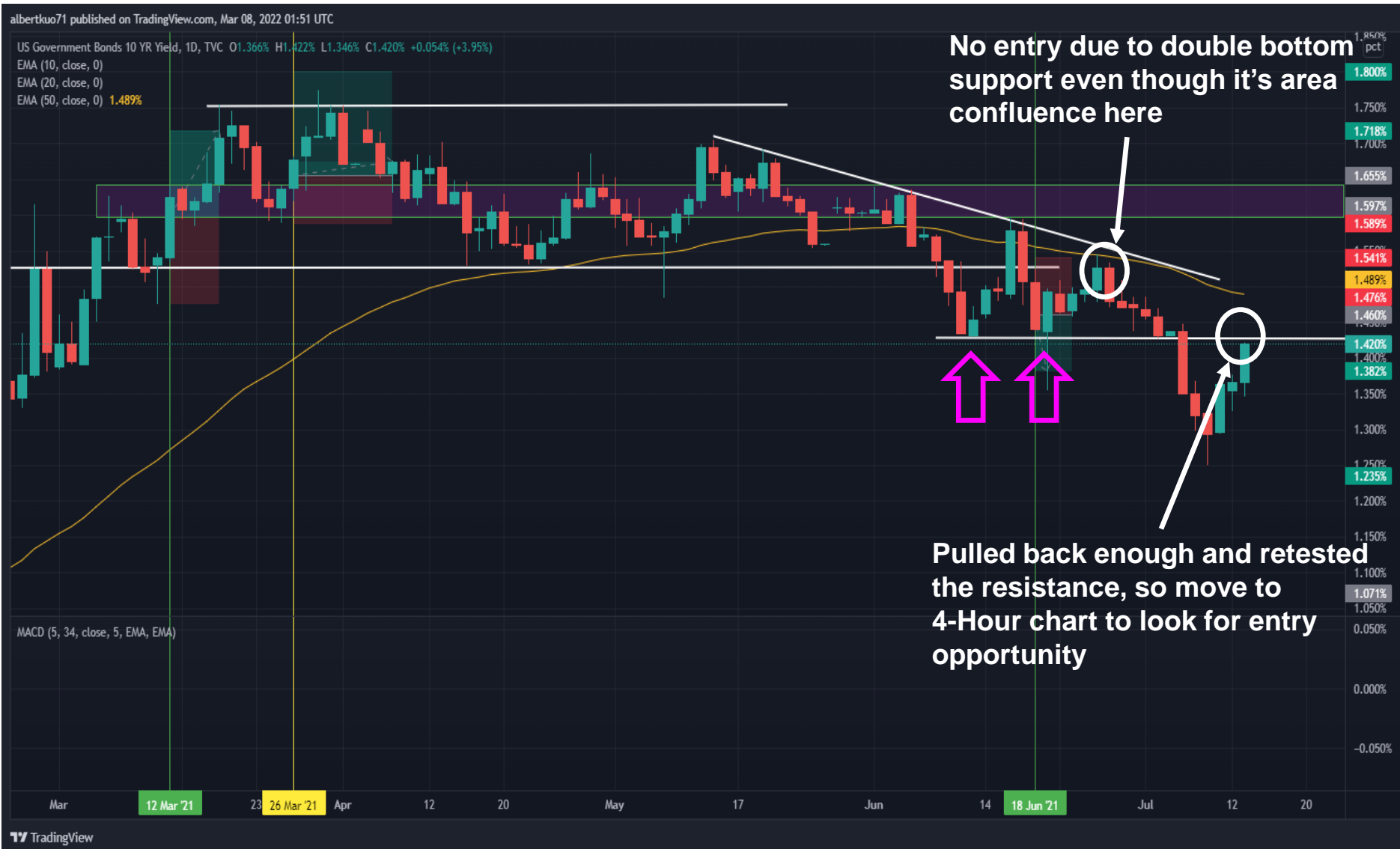
Example

Ex4. US10Y 4-Hour Chart:



Example

Ex5. US10Y Daily Chart:



Example

Ex5. US10Y 4-Hour Chart:



Example

Ex6. US10Y Daily Chart:



Example

Ex6. US10Y 4-Hour Chart:



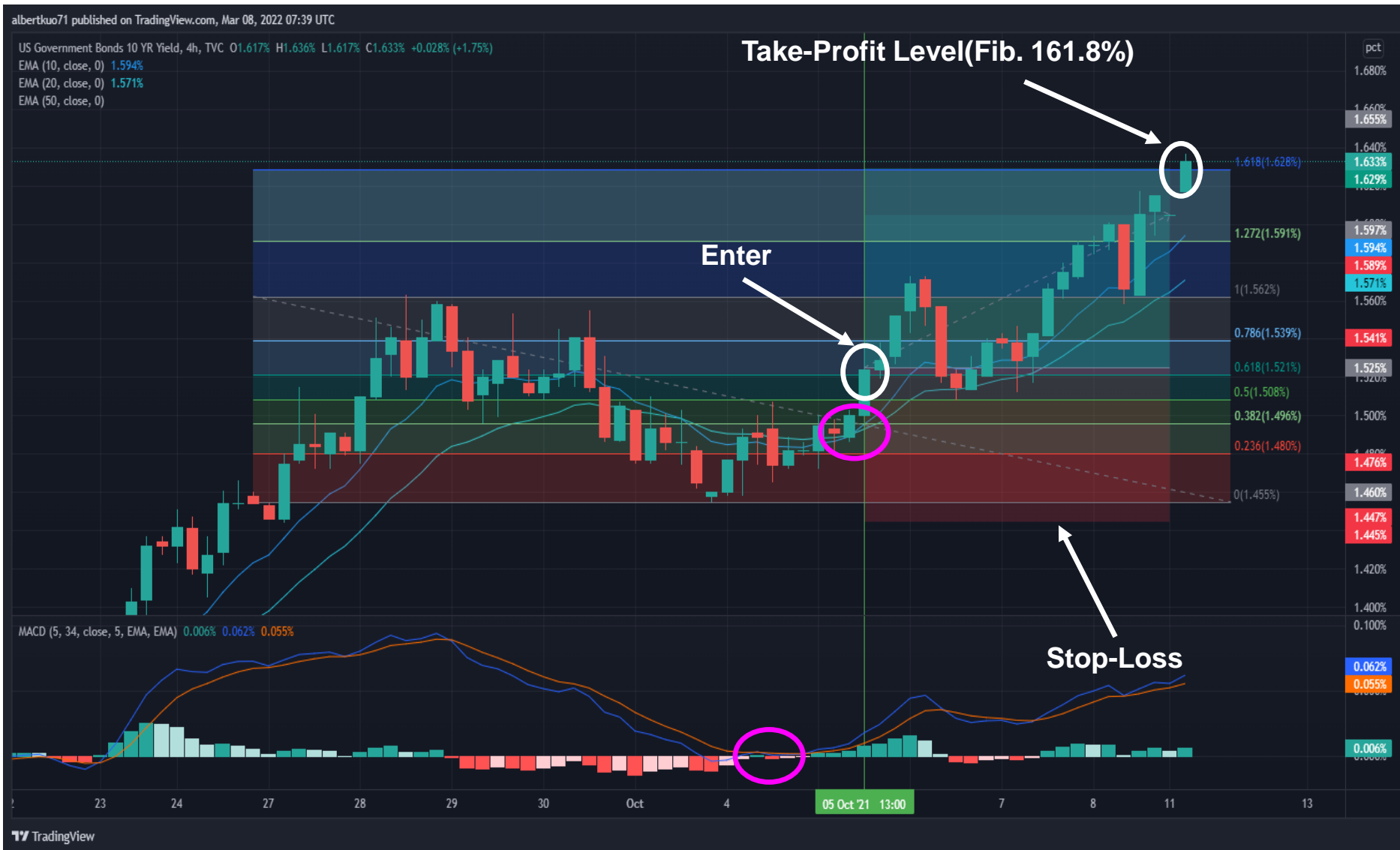
Example

Ex7. US10Y Daily Chart:



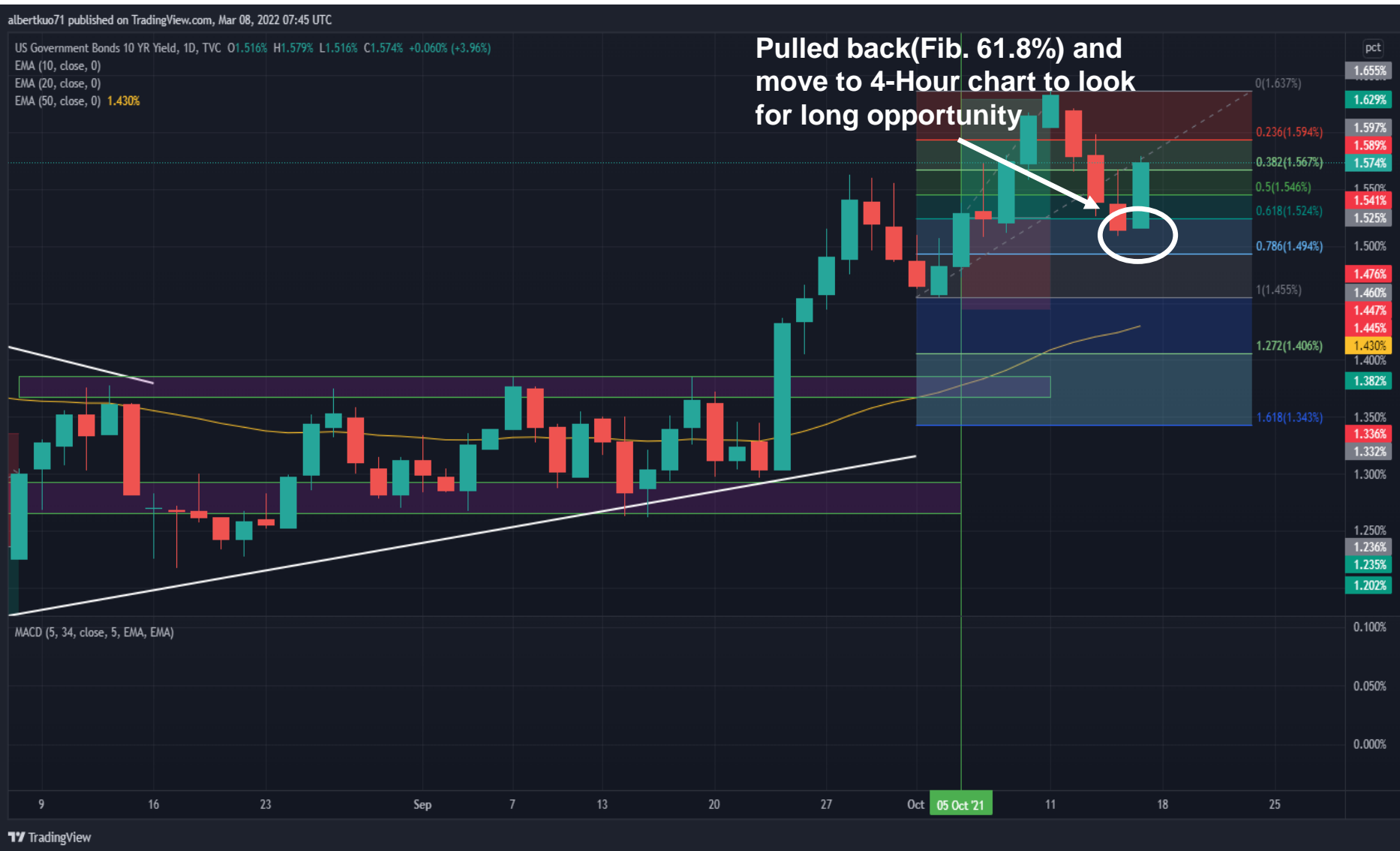
Example

Ex7. US10Y 4-Hour Chart:



Example

Ex8. US10Y Daily Chart:



Example

Ex8. US10Y 4-Hour Chart:



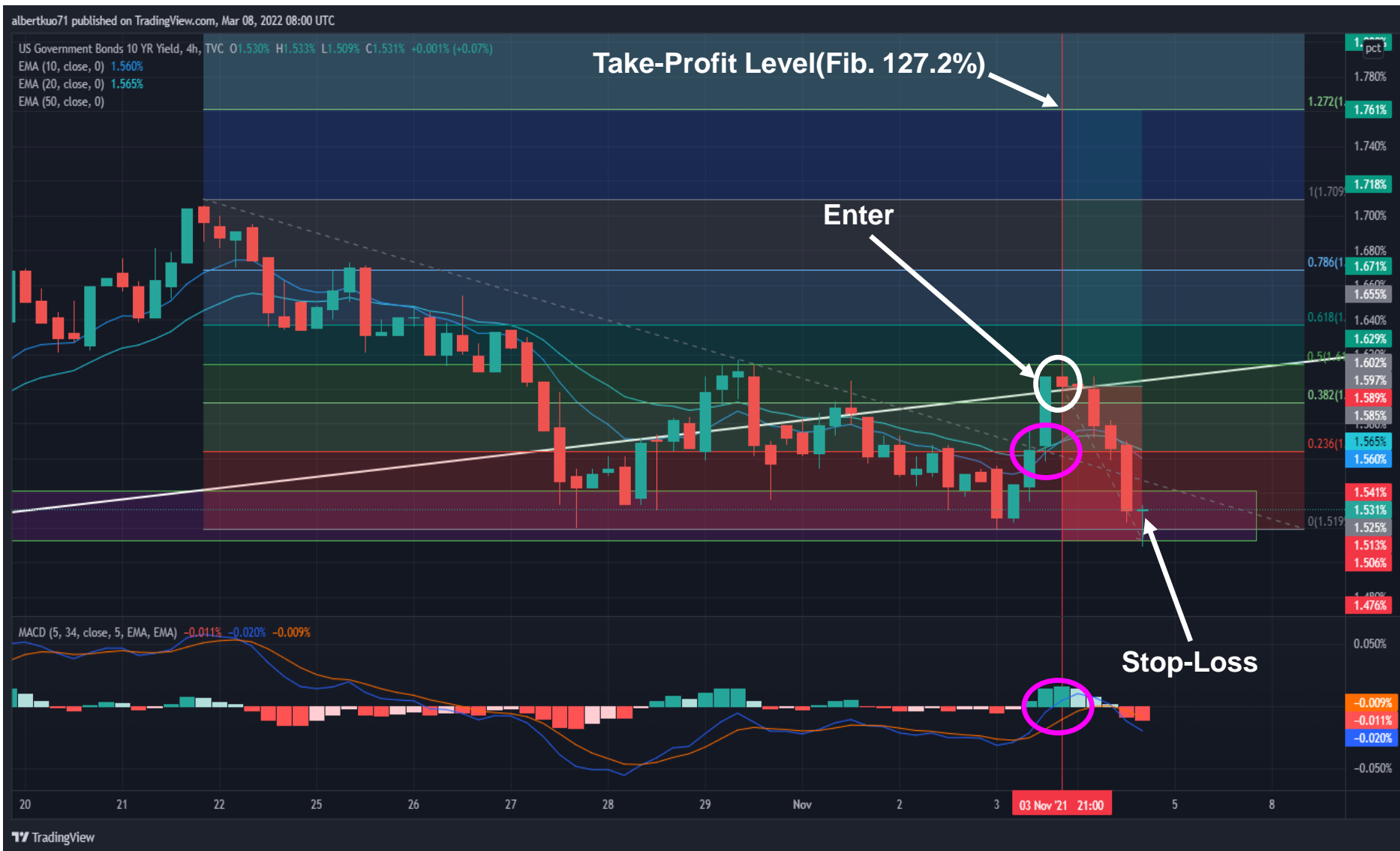
Example

Ex9. US10Y Daily Chart:



Example

Ex9. US10Y 4-Hour Chart:



Example

Ex10. US10Y Daily Chart:



Example

Ex10. US10Y 4-Hour Chart:



Example

Ex11. US10Y Daily Chart:



Example

Ex11. US10Y 4-Hour Chart:

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US Government Bonds 10 YR Yield, 4h, TVC 01.541% H1.560% L1.538% C1.555% +0.012% (+0.78%)

EMA (10, close, 0) 1.507%

EMA (20, close, 0) 1.492%

EMA (50, close, 0)



Example

Ex12. US10Y Daily Chart:

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US Government Bonds 10 YR Yield, 1D, TVC O1.774% H1.797% L1.728% C1.771% -0.003% (-0.17%)

EMA (10, close, 0)

EMA (20, close, 0)

EMA (50, close, 0) 1.621%



Example

Ex12. US10Y 4-Hour Chart:



Example

US10Y Back Test for 2021 Jan to 2022 Apr: 9 Wins, 2 Losses and 2 Break Even



Support & Resistance

***Support & Resistance Criteria We Look For:**

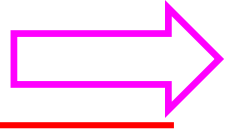
- 1. Swing highs & swing lows**
- 2. Multiple rejections of an area, the more the better**
- 3. Has acted as both support and resistance**
- 4. The move away from the area was significant**
- 5. Was recently respected**

***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!**

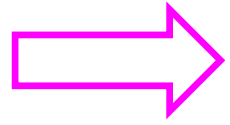
Support & Resistance



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



Fibonacci Retracement



Press the left button of the mouse at point A and drag the mouse to point B with releasing the button, then the system will draw Fibonacci levels.

