

Most traders and investors and funds lose money. Not because they're dumb. Not because they don't try hard enough.

They lose because they're taught ideas that never worked. Risk-reward. Fibonacci. Mean reversion. Momentum. Patterns. Fancy math. Sound smart?

They fall apart under basic scrutiny. Hedge fund stats prove it: "although 10 percent of the funds have survived more than 12 years, more than 25 percent vanished in less than three years." Not talent. **Playbook** problem. This article dismantles them—with logic. If you're losing, here's why

Momentum is Just a Word

"Price has momentum! It's going up!"

This sounds like science. It's not. It's just a comparison that doesn't hold up.

Think about it. The Packers win five games in a row. A fan says "they have momentum—they're winning the Super Bowl!"

Do the other teams quit? Do they just hand over the trophy?

No. The games still get played. Momentum doesn't decide who wins. Playing the game does.

Price works the same way. There are buyers and sellers. Unless everyone agrees to stop trading, the game keeps going. Every trade is a new play.

In physics, a ball rolling keeps rolling. But price isn't a ball. Price can reverse on the very next trade. Saying "price has momentum" just describes what already happened. It doesn't tell you what happens next. The game is still being played.

Risk-Reward Doesn't Work



Traders love to say "risk-reward." Risk 10% to make 50%. Sounds smart, right?

It's not.

Here's the problem: small price moves happen way more often than big ones.

A 10% move? Common. A 50% move? Rare.

So when you risk 10% trying to catch 50%, you're betting on the rare thing to happen.

Risk-reward only works if big moves happen often enough to make up for being rare. They don't.

The math is against you before you even begin

Fibonacci is Just Math That Doesn't Apply

Fibonacci is math. Math is exact. $2+2=4$. Every time.

If Fibonacci actually controlled price, we'd predict every move perfectly. We can't.

When Fibonacci levels miss, people say "it's a zone, not an exact number." Okay, how big is the zone? If landing anywhere close counts as a win, then anything "works."

Here's another problem. Fibonacci needs you to pick two points on the chart. Different points give different levels. You can always find a level near price if you move the points around.

That's not predicting. That's drawing lines after the fact.

And think about this: if Fibonacci really worked, everyone would use it. If everyone used it, the advantage would disappear. That's how markets work.

Fibonacci doesn't control price. It just makes people feel like they found a pattern. *There still is a few things like impulsive moves, corrective moves, etc. That 'elliott wave' traders have been able to do well enough to survive.

Mean Reversion is Gambling Logic

"Price went up a lot. It has to come down."

This is like saying "the coin landed heads five times, so tails is due."

That's not how it works. Price doesn't owe you anything.

Mean reversion trading looks like this: win a little, win a little, win a little, lose everything.

The wins feel good. Then one big loss wipes out months of gains.

Why? Because mean reversion only works if price doesn't go too far in one direction. But sometimes it does. And when that happens, the whole thing blows up.

Mean reversion isn't a strategy. It's a slow way to lose money while feeling like you're winning.

PhD Models Are Fancy Lies

If smart math models could predict price, the people who made them would be the richest people alive. They're not.

Here's how these models work: Take 10 years of old price data. Adjust the settings until it looks like the model would have made money. Show everyone. Raise money.

Then real trading starts. The model fails.

Why? Because they didn't discover anything real. They just adjusted the math until it fit the past.

That's called curve-fitting. It's fake.

When the model fails, they say "that was an unusual event" or "we need more data." There's always an excuse.

Even Renaissance Technologies—the most successful trading firm ever—proves this. Their private fund made 76% in 2020. Their public funds using similar ideas? Lost 22% to 33% that same year.

When asked why, they said their models "depend on historical data" and fail when things change.

The only model Renaissance runs that actually works trades 300,000 times per day and is right just 50.75% of the time. It's not predicting price. It's using speed that regular people can't access.

Here's what they don't tell you: a model might say price will go up 1,000% over five years. Great.

But what if it drops 99% first? You go broke before you ever see the gain.

Being right about where price ends up doesn't matter if you can't survive the trip.

Patterns Prove Nothing

Head and shoulders. Bull flags. Double tops. Traders memorize these like they're magic.

Here's what they forget: every pattern has a failed version.

Failed head and shoulders. Failed bull flag. Failed double top.

If a "bullish" pattern can turn into a loss, and a "bearish" pattern can turn into a win, then the pattern itself isn't telling you anything. Both outcomes happen.

Some traders say "context matters—you need trend direction and volume too." Fine. But that's admitting the pattern isn't the answer. Those other things are.

The pattern is just decoration. Something else is actually moving price.

What We Actually Know About Price

Forget everything else. Start from zero.

A doctor doesn't guess. They ask: what do we actually know about this patient?

Ask the same question about price. What do we actually know?

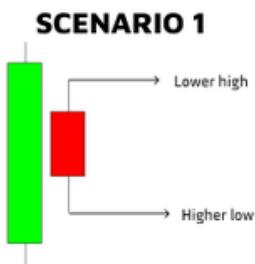
We know how candles [aggregated transactional data] form on a chart. From that, we can figure out what price is doing at all times.

There are only three things price can do. Not four. Not two. Three.

3 UNIVERSAL TRUTHS

THE STRAT

3 UNIVERSAL TRUTHS



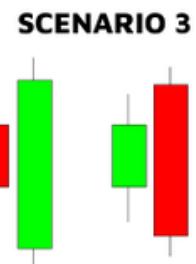
The scenario 1 is an equilibrium or consolidation.

This tells us buyers and sellers agree on the current price.



The scenario 2 is a directional or trending bar. It takes one side of the previous bar's range

This tells us price is trending.



The scenario 3 is an outside bar. Taking both sides of the range.

When a 2 fails, it goes 3. This is how we gauge magnitude

1/3

These are the only 3 states of price that exist. This allows you to train AI on the actual states of price, use game theory to play equilibriums optimally, identify when price is reversing, time entries... And more

Scenario 1: Inside Bar

The current bar stays inside the previous bar's range. Price is going nowhere. Sideways.

Scenario 2: Trending Bar

Price makes a higher high and higher low. Or a lower low and lower high. Price is moving somewhere. It picked a direction.

Scenario 3: Outside Bar

Price takes out both sides of the previous bar. Higher high AND lower low.

This is a trend bar that failed and expanded. A Scenario 3 can only happen after a Scenario 2.

That's it. There is no Scenario 0. There is no Scenario 4. I'll put my name on this.

This is proven by logic. The only way to disprove it is to find a Scenario 4. Nobody has.

Timeframes Show Different Groups

Timeframes aren't magic. They just split up trades by time.

A daily bar shows all trades from that day. A monthly bar shows all trades from that month.

Think of it like this:

- Monday's bar = Monday's traders
 - Tuesday's bar = Tuesday's traders
 - January's bar = January's traders



Each timeframe shows what a different group is doing. Bigger timeframes show behavior that lasts longer.

The second truth: across multiple timeframes, price moves in the direction of the most Scenario 2s.

This is just math. If four timeframes show trending bars pointing up, price is going up.

The Open Shows Who's Winning

Most traders only watch one timeframe. Bad idea.

Different timeframes show different groups of traders. To see who's winning, check all of them.

How do you measure who's aggressive? Look at the open.

Buyers have to buy at the asking price to be aggressive. Sellers have to sell at the bid. The open is the starting line.

A green bar means buyers won. A red bar means sellers won. How far price moved from the open shows how badly they won.

Check the monthly open. Check the weekly open. Check the daily open.

You want them all green. Really, really green.

When every timeframe shows aggressive buying, you have proof—not a guess, not a pattern, not borrowed ideas. Proof.

This shows who won the fight. That's what we can actually see. Any time you see a green box on gold it means the M Q Y timeframes all aligned. So any time the week is red it is only showing profit taking not real selling. Since 70% of trading in US equity markets is done via algorithms, this also is how we pick up on directional algorithmic trading across all assets including currencies, crypto, stocks, bonds, treasuries, volatility instruments and more.

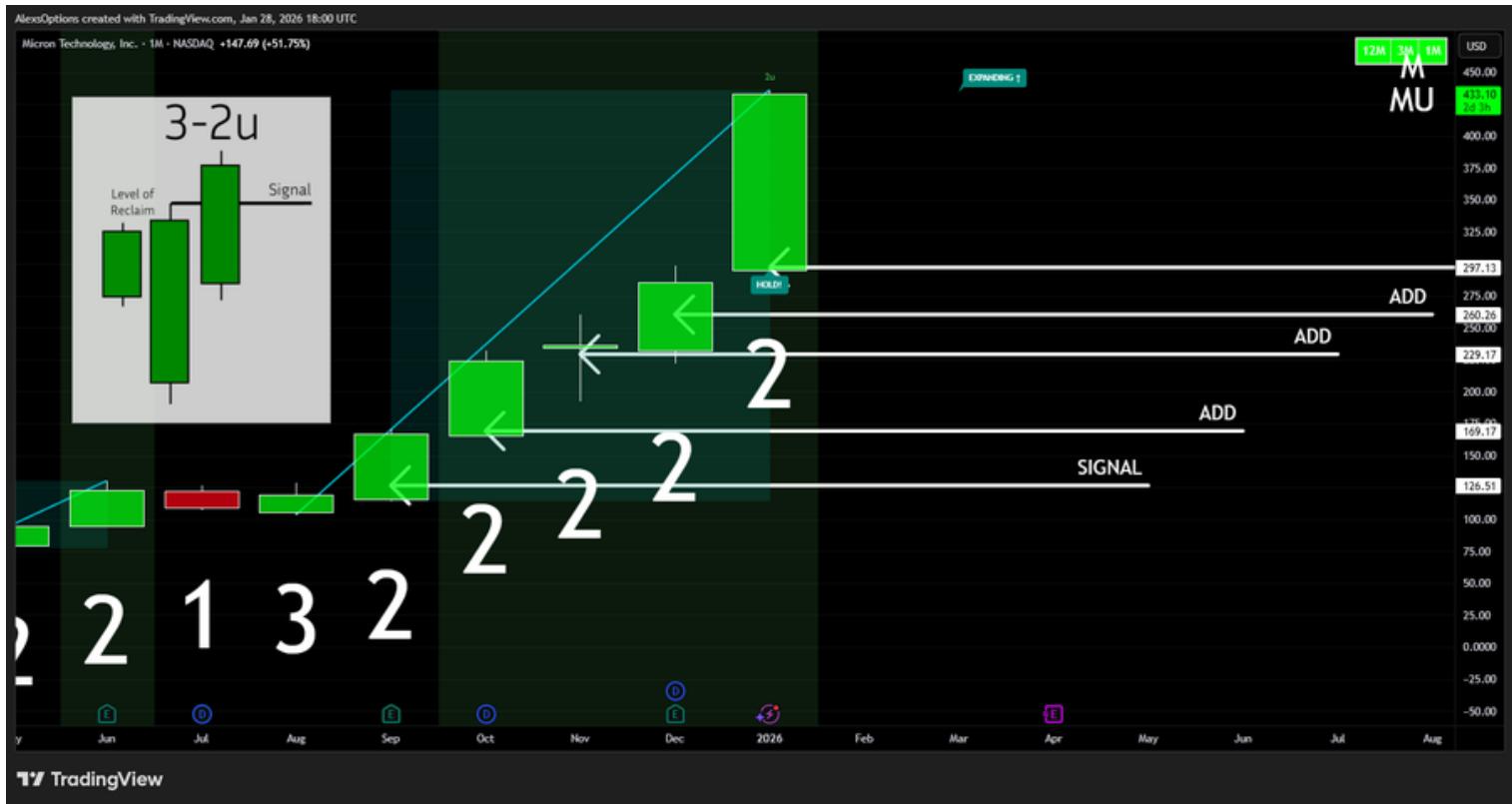


Add to Winners. Cut Losers.

For price to go from 0% to 200%, it has to hit 20% first. Then 50%. Then 100% then 150% then 200%.

It has to.

So if all timeframes are green and price is moving your way, add more. If they're not, get out. The biggest trades have to reverse, continue, continue, continue, continue... So if we enter, add ,add ,add, add. The biggest positions we own will be our biggest wins. The smallest positions will be the failed entries.



This is the opposite of risk-reward. You don't risk 10% hoping to catch 50%. You find proof that buyers or sellers are winning across multiple groups—and you press your advantage while it's there. Trade with the groups. Not against the math.

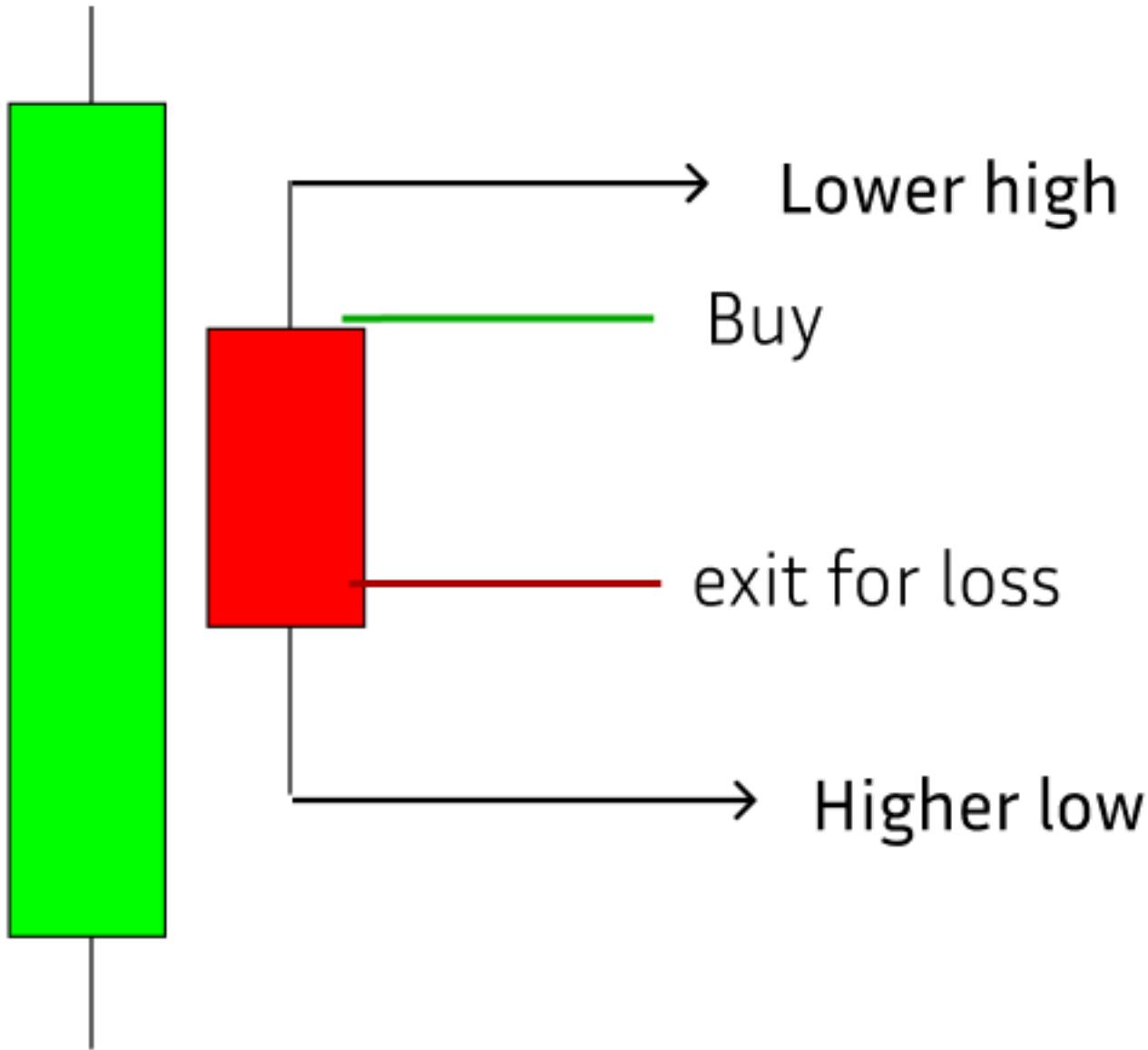
What Losing Trades Look Like

If you understand the three scenarios, you can see your losses coming.

Loss #1: Buying During Scenario 1

Scenario 1 is sideways. Price is going nowhere. It'll probably chop both directions quickly. You buy, get chopped up, and lose.

SCENARIO 1



Don't trade sideways markets expecting a move.

Loss #2: Buying During Scenario 2 Against You

You buy while price is trending down, hoping it reverses. It keeps going down. You lose.

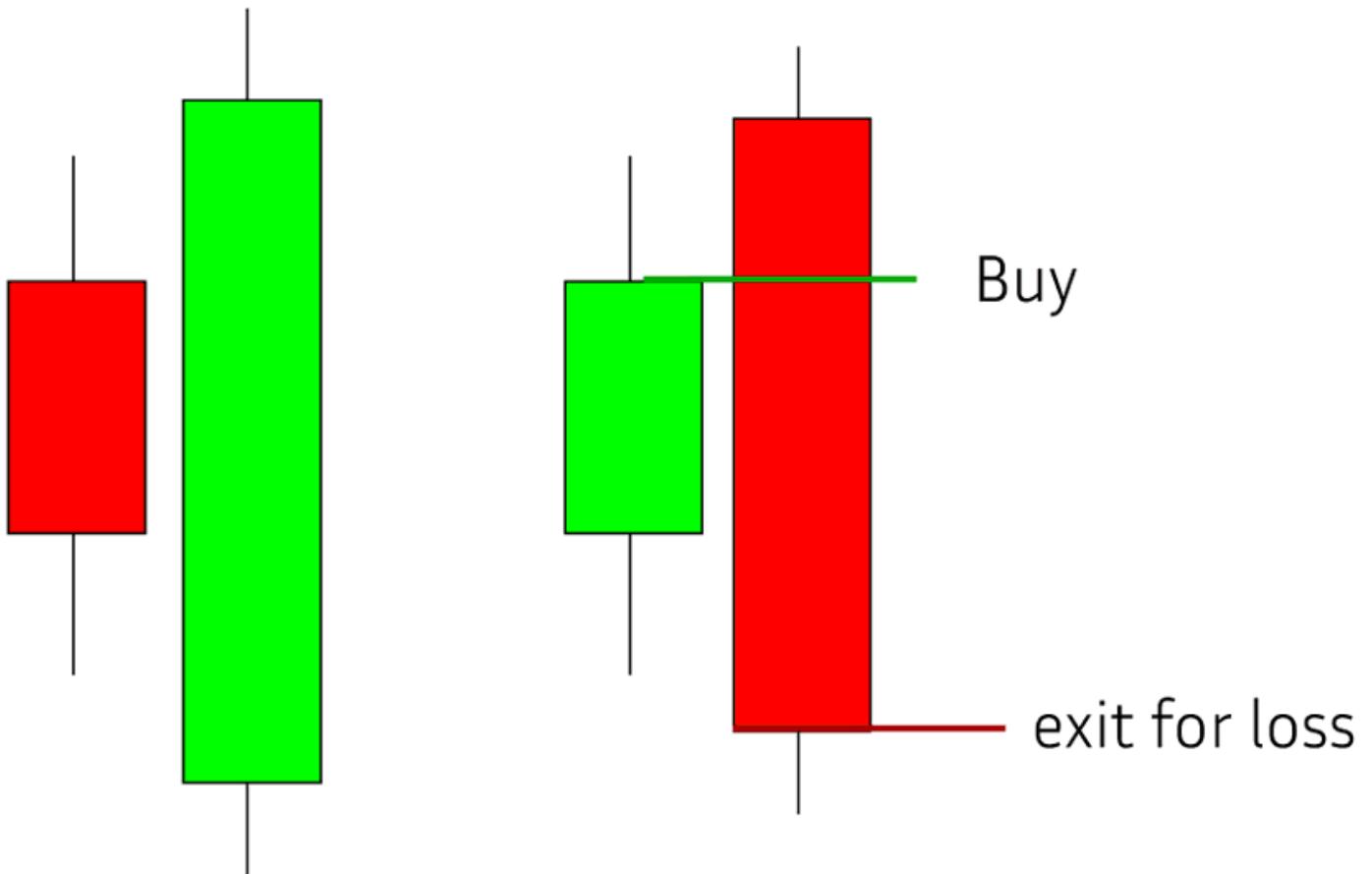


A Scenario 2 down means sellers are in control. Buying into that is hoping, not trading.

Loss #3: Scenario 3 Against You

You buy during a Scenario 2 up. Looks good—green bar, moving up. Then it reverses, takes out the low, and turns into a Scenario 3.

SCENARIO 3



A Scenario 2 has to happen before a Scenario 3. So you can spot this rejection the moment it starts. A Scenario 3 down destroys your long trade. Scenario 3 is what makes trading DIFFICULT. However, it is also what makes trading FUN. When you time an entry into a potential 3, the 'big loss' you would've taken now turns into your biggest win!

Loss #4: Timeframe Continuity Against You

You sell short while the monthly, weekly, daily, and hourly bars are all green. All timeframes say up. Or you bet against gold while the W M Q Y are all green and get blown out by institutional buying [this is what the central banks did!]

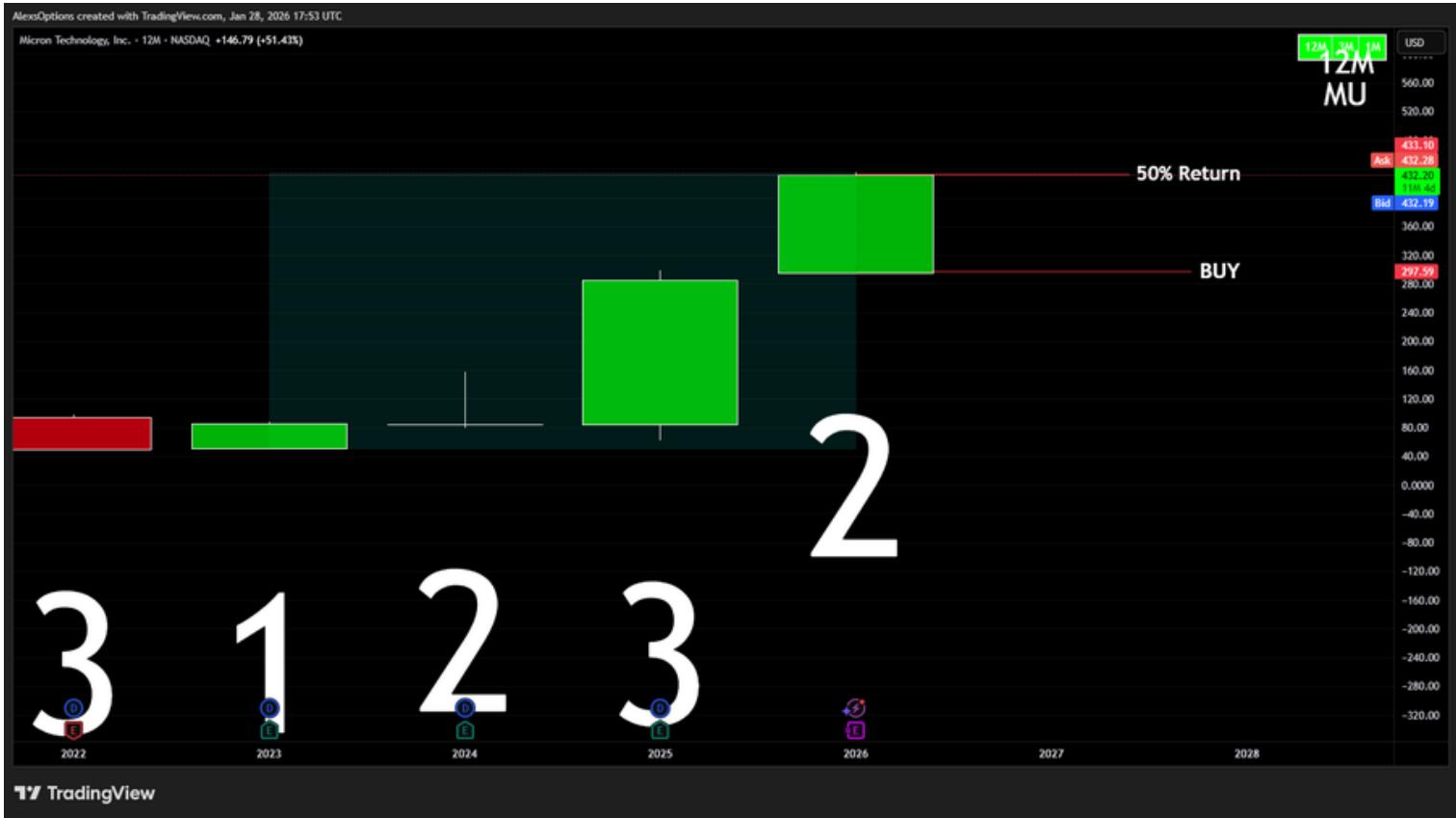


You're hoping for a reversal. But there's no proof of one. You're fighting the more aggressive participation groups who are ALL buying. Selling while the range expands to the upside.

What Winning Trades Look Like

Winning trades only look like three things:

- ## 1. A Scenario 2 in your favor Price is trending your direction.



2. A Scenario 2 going 3 in your favor Price trended, had corrective activity [stopping out longs / short selling], and is now expanding the range your direction.

0:01 / 0:34

3. Full timeframe continuity in your favor Monthly, weekly, daily, and intraday all agree. All green or all red. By only entering into full timeframe continuity we have completely stacked the deck in favor of our entry signal as price is certainly going higher.



[for investors we can go into the decade charts / yearly charts to align 4+ timeframes as well! Price is 100% fractal]

That's it. If your trade doesn't look like one of these, you don't have a winning trade. You have a hope.

The Third Truth: The Broadening Formation

This is the one nobody believes until they see it.

Unlike head and shoulders or cup and handle, this pattern has a known start and a series that repeats forever.

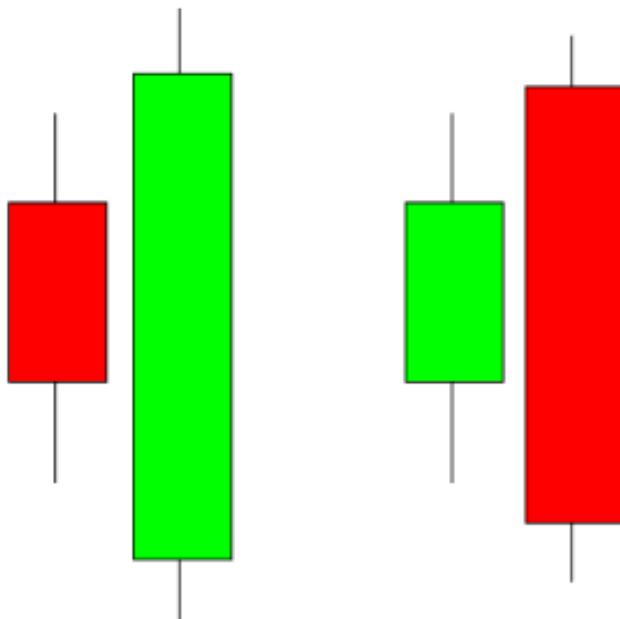
It's called the price discovery broadening formation. Some call it a megaphone or diamond.

Whatever you call it, it's real—and provable.

Scenario 3 proves it.

3 UNIVERSAL TRUTHS

SCENARIO 3



The scenario 3 is an outside bar. Taking both sides of the range.

When a 2 fails, it goes 3. This is how we

gauge magnitude

A Scenario 3 makes new highs AND new lows. It takes out both sides of the previous range. That's a broadening formation. It's one of only three things price can do.

Broadening Formation = Scenario 3

THESTRAT



Here's the logic:

- Three scenarios exist: **true**
- Scenario 3 is one of them: **true**
- Scenario 3 is a broadening formation: **true**

Now here's the important part.

Broadening formations get more likely the bigger they get. Why? More traders get trapped on the wrong side. More fuel for a squeeze.

[\\$GME](#). [\\$AMC](#). [\\$TSLA](#). [\\$OKLO](#). These weren't random. They were broadening formations with trapped sellers providing rocket fuel.



To show the quantifiable nature of [#TheStrat](#) I have used my indicator 'Quantifiable Broadening Formations' to mathematically determine this range



GME went into major broadening formation expansion at 46.70 which was the nail in the coffin on the shorts opened by multiple hedge funds who did not know [#TheStrat](#)

The condition of market rally was known above the W M Q Y opens at all points during Q1 of 2021



AMCs quantifiable range prior to this rally in 2021



A quarterly scenario 3 formed. Showing buyer AND seller aggression at both the highs and lows of

the new broadening range



AMC breaks out of the range around at 110.36 as broadening expansion



TradingView

The quarterly group began to sell aggressively at the new quarter open a 310\$
 This occurred at the top of the broadening range after new ATHs



TradingView

Price then goes back to the other side of the broadening formation. New ATHs, new ATLs



[\\$OKLO](#) became a 3-2u year broadening expansion at 28.12

Then appreciated to 193 any time during FTFC up M W D 60

Now scenario 1!



Alex

@AlexsOptions

[Oct 18, 2024](#)

[\\$OKLO](#)

Now we leave our winning position to WIN MORE.

Green gets greener.



Quote



Alex
@AlexsOptions
Oct 4, 2024



\$OKLO Pretty cool QTR chart!

The Series

Broadening formations repeat. They follow a series:

Higher High → Lower Low → Higher High → Lower Low...

This tells you what price is trying to do next. And when paired with FTFC we can **know that price is going up or down...**

If the range is broadening and price comes back into it, price is going for the other side. The series continues.

So you time entries at the edges. Buy lower lows. Sell higher highs.

Eventually, the range expands so far one way that it breaks out completely.

Look at [\\$GLD](#). Range expansion known in advance by a random guy on twitter who knew the 3 universal truths. This has nothing to do with my abilities and everything to do with understanding the 3 universal truths.



Alex

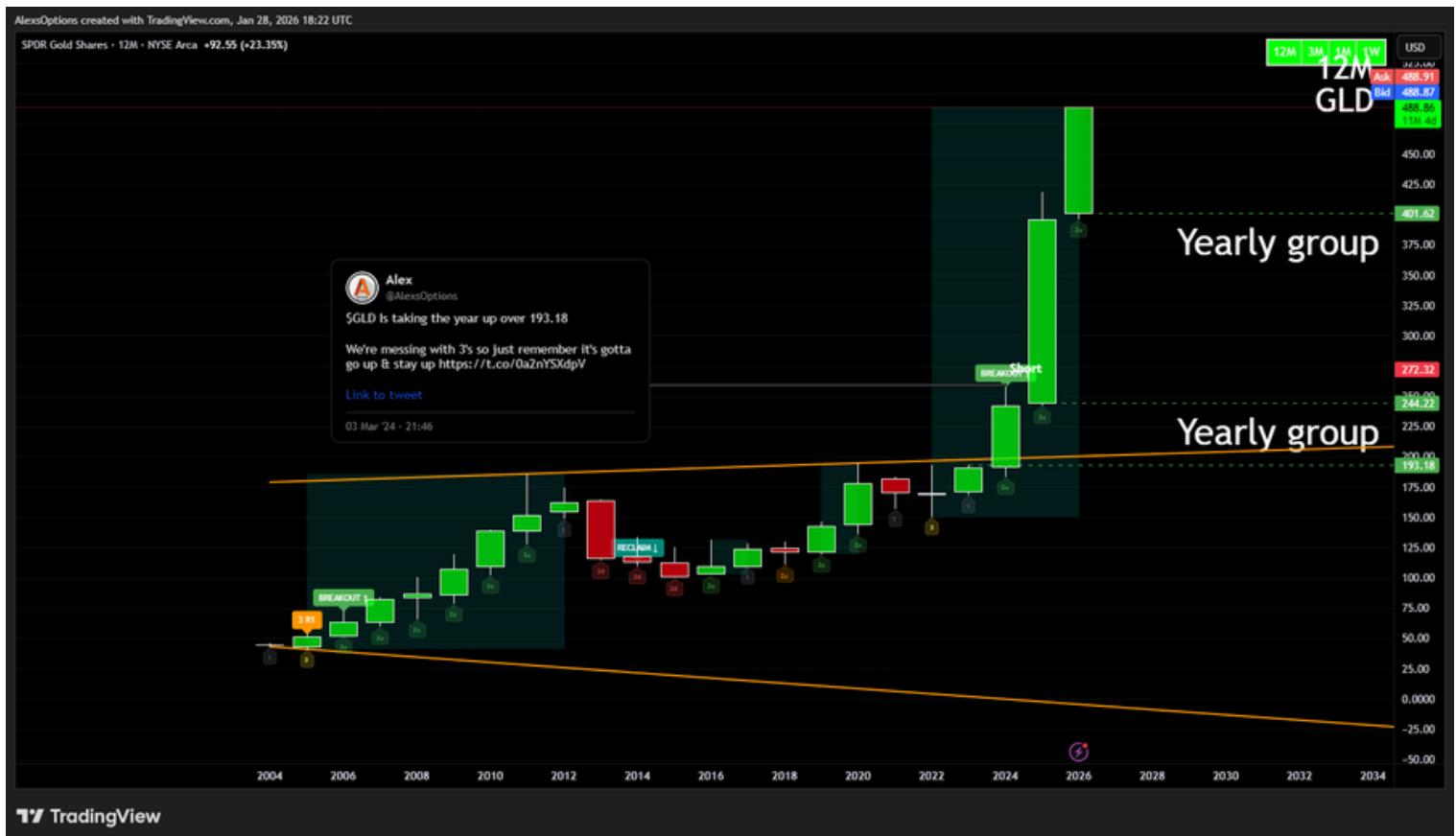
@AlexsOptions

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[Mar 3, 2024](#)

[\\$GLD](#) Is taking the year up over 193.18

We're messing with 3's so just remember it's gotta go up & stay up



Again using the quantifiable broadening indicator to prove these are not randomly calculated lines. The range expanded after a Scenario 1 consolidation turned into a Scenario 2 trend in 2023. Price shot up as the range grew in one direction.

No, Nobody "Coded the Algorithm"

Anyone who says "they control the market" or "they programmed the algo" needs to stop. Unless you're personally buying the company yourself and moving the market that way, this argument is dead.

How do we know? The 1/2/3 scenarios and broadening formations existed long before computers. Back when [\\$SPX](#) moved \$10-30 per year. Before these conspiracy people were even born.

Price has always done this. It always will.

What This Does NOT Claim

To be clear:

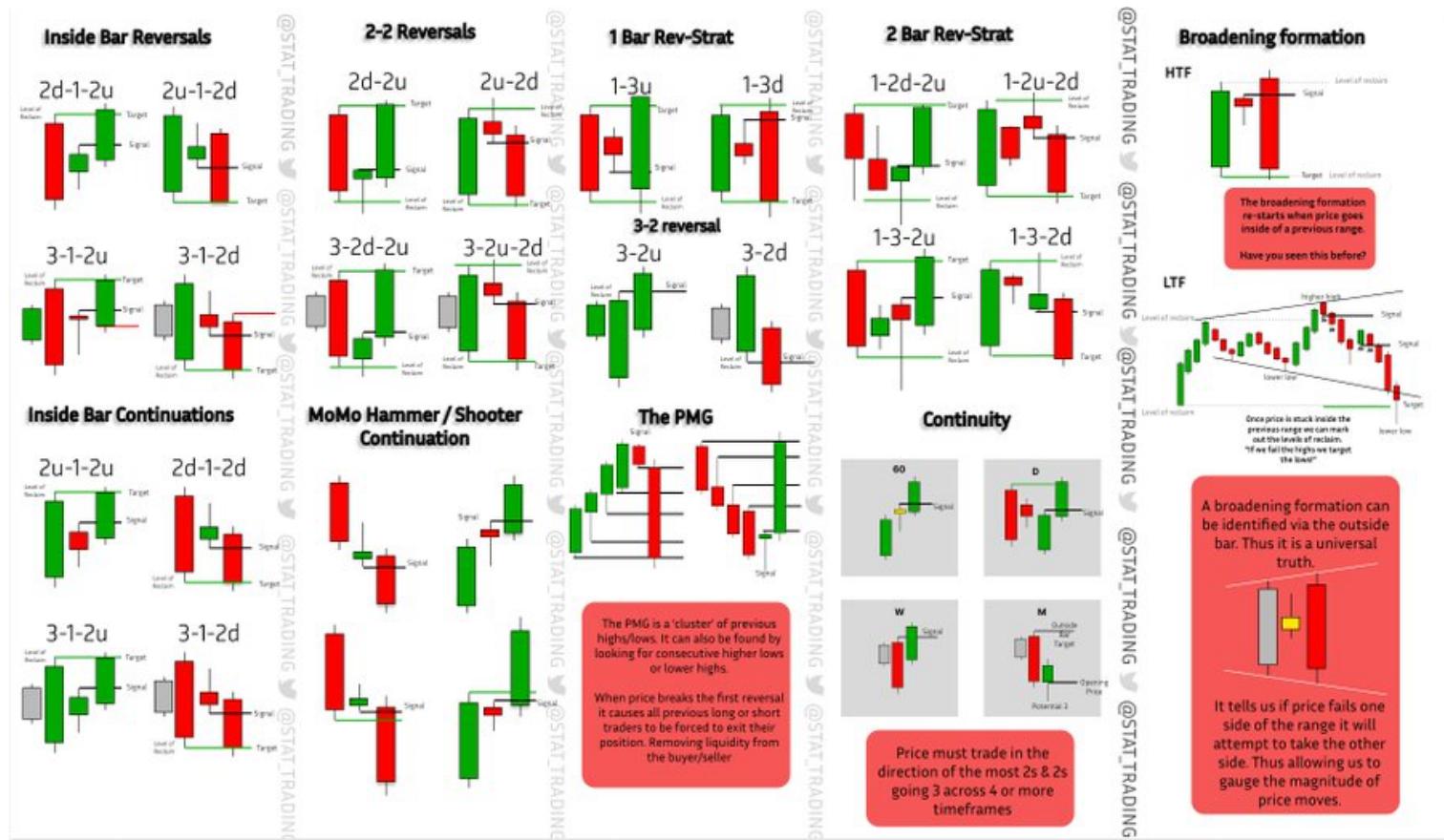
This article doesn't say momentum strategies can never make money. It says momentum is not proof of anything.

This article doesn't say all math models are useless. It says models that rely on history fail when things change—which always happens eventually.

This article doesn't claim to predict where price will go. It identifies what price is doing now and what it's trying to do next. [where price is going RIGHT NOW, versus 10 years from now]

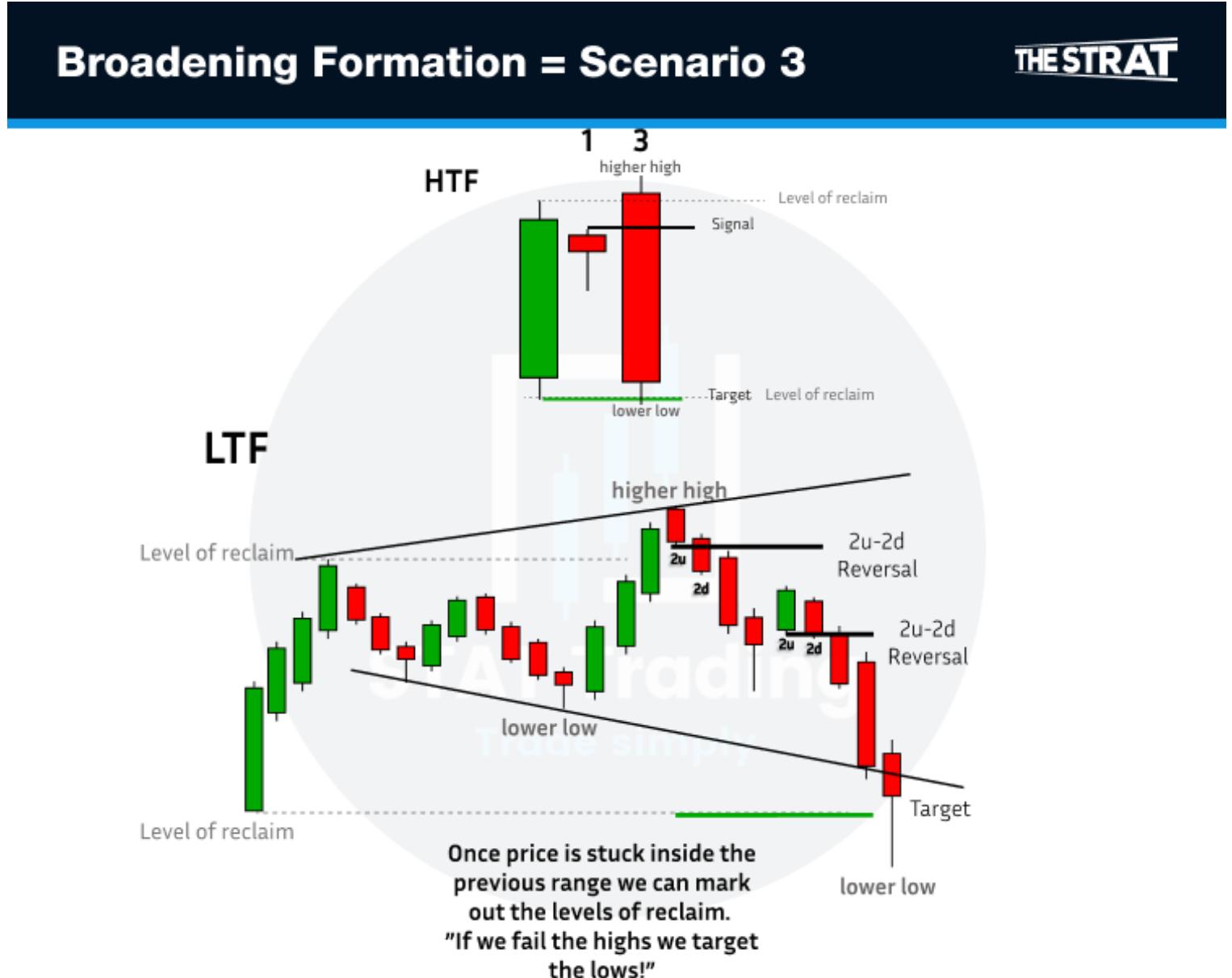
The difference matters.

Timing Entries



Timing entries means using known conditions and knowing how they act. In the example in the top

right corner we can see the 1-bar reversal strategy [rev-strat] to the downside. By knowing inside bars start new broadening ranges we can trade the inside bar breakout as well as the rejection. And we know a rejection would be any time the '2u' is below it's open as that is a potential 3. Therefore we can time signals to CAUSE potential 3s. Or we can time signals to CAUSE inside bar breakouts. The key is understanding control of price today and right now is the 60min and daily. So by using 60min and daily groups we can TRIGGER the bigger groups to do things. In the HTF -> LTF example we can see the first 2u-2d made price reclaim the inside bar's high. The second 2u-2d re-confirmed the direction of the potential 3 to the downside.



By timing reversals across multiple timeframes into timeframe continuity and large broadening ranges. We can time our entries at the proper times and add to the ones that work until the broadening range is met or a reversal against occurs.

The Framework

By speaking ONLY in terms of the 3 universal truths, we can identify:

1. **If price is going up or down** — Either via M W D 60 timeframes, or via investing timeframes like Y Q M W in alignment.
2. **How far price is trying to go** — Measured by the price discovery broadening formation. [p.s when FTFC = true we are certainly going to the other side of the broadening formation!]
3. **Actionable signals** — Outside bars, inside bars, and 2-2 reversals, hammers and shooters are responsible for new price discovery. They create movement.
4. **Our losers can only happen 4 ways** — Buying during Scenario 1, buying during Scenario 2 against you, Scenario 3 against you, or timeframe continuity against you.
5. **Our winners can only happen 3 ways** — Scenario 2 in your favor, Scenario 3 in your favor, or full timeframe continuity in your favor.

That's the whole game.

Three Universal Truths

1. Price only does three things: inside, trending, or broadening.
2. Across 4 or more timeframes, price must move in the direction of the most Scenario 2s and 2s trying to become 3s.
3. Price discovery happens as a broadening formation—a series that repeats and eventually expands.