



Volume Six - Conclusion

YTC Price Action Trader
by Lance Beggs

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About the Author



Lance Beggs is a full time day-trader with a current preference for forex, FX futures and emini-futures markets. His style of trading is discretionary, operating in the direction of short-term sentiment within a framework of support and resistance.

As an ex-military helicopter pilot and aviation safety specialist, Lance has an interest in applying the lessons and philosophy of aviation safety to the trading environment, through study in human factors, risk management and crew resource management.

He is the founder and chief contributor to <http://www.YourTradingCoach.com>, which aims to provide quality trading education and resources with an emphasis on the 'less sexy' but more important aspects of trading – business management, risk management, money management and trading psychology.

Lance can be contacted via support@YourTradingCoach.com

**“Now this is not the end.
It is not even the beginning of the end.
But it is, perhaps, the end of the beginning.”**

...Winston Churchill

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VOLUME SIX

CONCLUSION

Chapter Eighteen – Conclusion

18.1 - Summary

18.1.1 – Principles of Markets – Summary

Markets are traders making trading decisions.

Price movement is a result of supply/demand imbalance. And the supply/demand imbalance is created by the traders' sense of urgency to transact.

- Price rises while demand is greater than supply, and while those buyers are willing to pay higher prices.
- Price rises until we run out of buyers, or until supply increases sufficiently to absorb all the demand.
- Price falls while supply is greater than demand, and while those sellers are willing to sell at lower prices.
- Price falls until we run out of sellers, or until demand increases to the point it absorbs all the supply.

Price moves with changes in the forces of supply and demand. Supply and demand change as the sentiment of the crowd changes. And the sentiment of the crowd changes with changes in the bullish or bearish sentiment of the market participants.

Trading is not about the fundamentals or technicals. It's about people... and the decisions they make about market direction.

Price moves as a collective result of all traders' bullish or bearish sentiment and their decisions to act in the market (buy or sell).

Learn to view all price movement from the perspective of other traders, and how the price movement influences their decision making.

The aim of your analysis then MUST be the following:

- To buy at areas where you KNOW others will buy after you, because their buying will create the net orderflow or bullish pressure to drive prices higher, allowing you opportunity to profit, or

- To sell at areas where you KNOW others will sell after you, because their selling will create the net orderflow or bearish pressure to drive prices lower, allowing you opportunity to profit.

Or more simply; buy at areas where others will buy after you, and sell at areas where others will sell after you.

To do that, your analysis must focus on areas of trader decisions.

What are other traders thinking? Where will they be making their trading decisions?

Identify areas at which others will be making buying decisions, and you can profit.

Identify areas at which others will be making selling decisions, and you can profit.

Individual trader decisions are unknown. However we can, through our analysis, identify areas where significant groups of traders will be under extreme stress, and therefore feel forced to act in a reasonably predictable manner.

We aim to enter before or at the point of maximum stress, where traders are coming to accept they're wrong.

Their decision to exit is a means of relieving themselves of stress. This creates orderflow that takes our position to profit (provided of course you manage the trade well).

18.1.2 – Market Analysis – Summary

Initial Market Analysis Process Summary

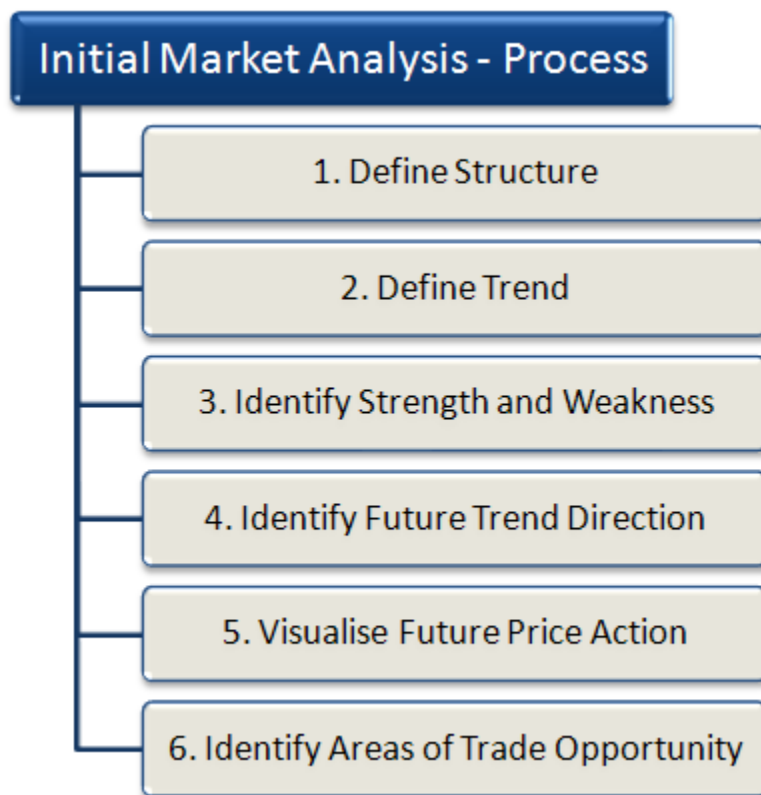


Figure 18.1 - Initial Market Analysis Process

Principles of Future Trend Direction

Within the S/R framework:

- **First Principle** – We expect an up or down trend to continue in its current state until the next S/R barrier, unless displaying evidence of weakness within the trend.
- **Second Principle** - When an up or down trend shows evidence of weakness, we expect a higher likelihood of a complex correction* rather than a reversal, until such time as the market shows both price acceptance and strength in the new trend direction.
(* a complex correction being one of extended duration, or multiple swings)
- **Third Principle** – A sideways trend within the framework is expected to continue in its current state, unless displaying evidence of strength towards the range boundary.
- **Fourth Principle** - When a sideways trend shows evidence of strength towards the range boundary, we expect a break of the boundary. We observe the behaviour of price post-breakout for clues as to future direction:
 - Weakness following the breakout – the expectation is for a breakout failure and reversal back within the trading range
 - Weakness on the pullback – the expectation is for a breakout pullback and continuation.

At the edges of the S/R framework:

- **Fifth Principle** – We expect a test of our framework S/R to hold, unless strength is displayed on approach to the S/R boundary.
- **Sixth Principle** - If strength is shown on an approach to an S/R barrier, we expect a breakout and watch the behaviour of price post-breakout for clues as to future direction:
 - Weakness following the breakout – the expectation is for a breakout failure and reversal back through the area of S/R.
 - Weakness on the pullback – the expectation is for a breakout pullback and continuation.

Ongoing Market Analysis Process Summary

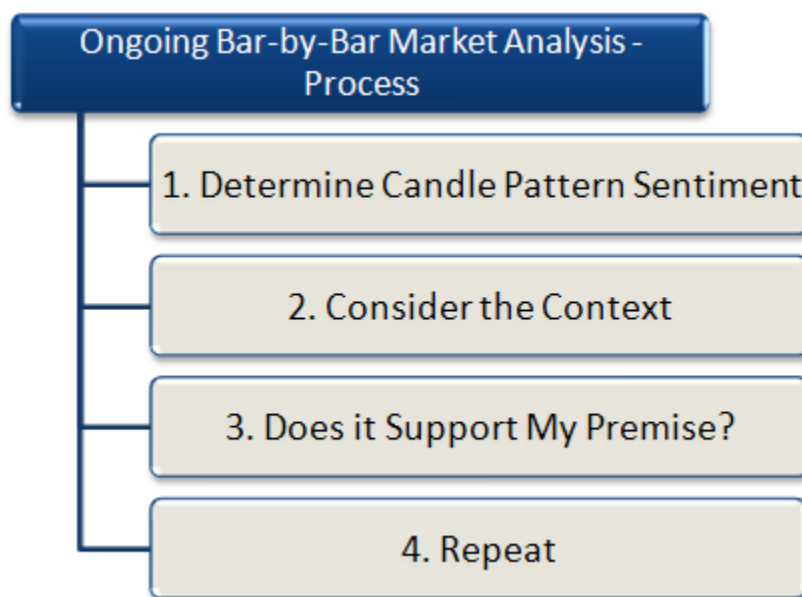


Figure 18.2- Ongoing Market Analysis Process

18.1.3 - Trading Strategy - Summary

Find the areas on a chart where other traders will make trading decisions and you've got yourself an edge.

Enter at or before the change of net order flow and you've got a great opportunity to profit (provided you manage the trade well).

Our trading approach therefore needs to be based on this fundamental understanding of how to profit from the markets:

- We identify areas at which sufficient numbers of traders will be experiencing stress, and will make trading decisions to relieve them of that stress, and then act before or with them in order to profit from the resultant orderflow.

We aim to find places on the chart where other traders are fighting the bias. We identify the areas where they realise they're wrong and are forced to exit.

There are two primary concepts behind all my setups – fading weakness and fading trapped traders.

Identify weakness. Identify trapped traders. Fade the weakness and be part of the orderflow which springs the trap.

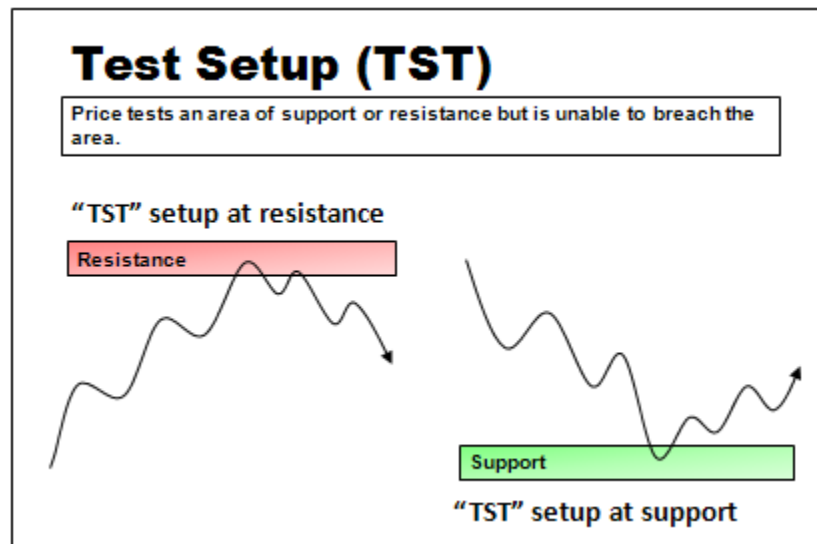


Figure 18.3 - Test Setup (TST)

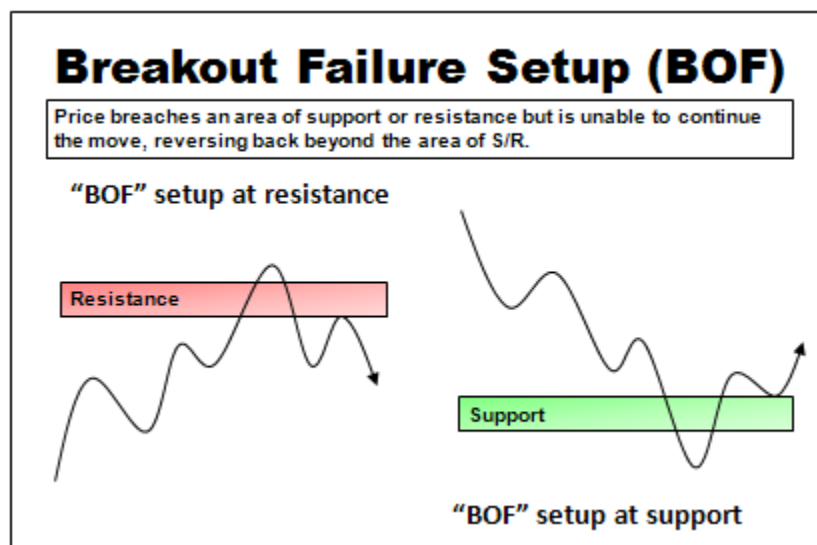


Figure 18.4 - Breakout Failure Setup (BOF)

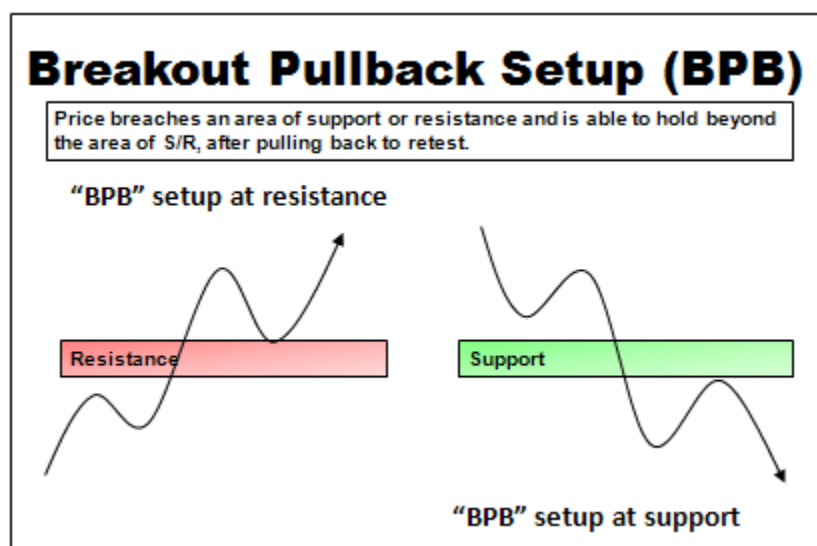


Figure 18.5 - Breakout Pullback Setup (BPB)

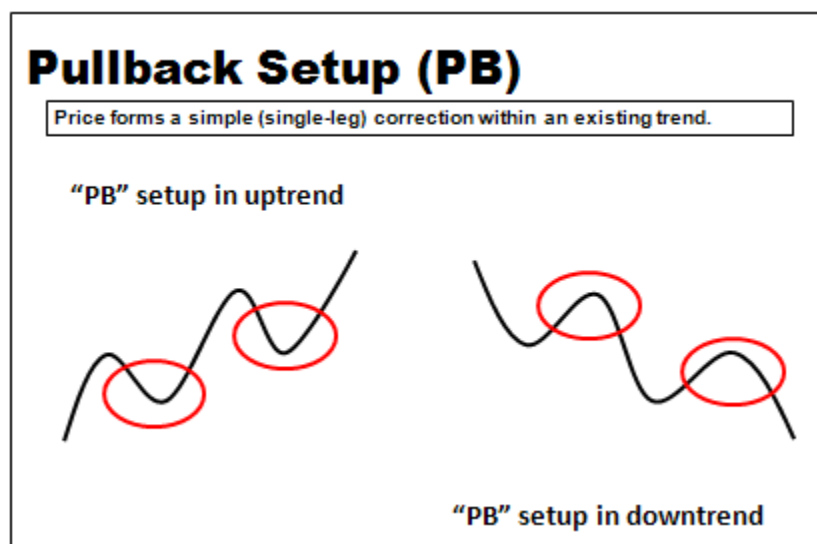


Figure 18.6 - PB Setup

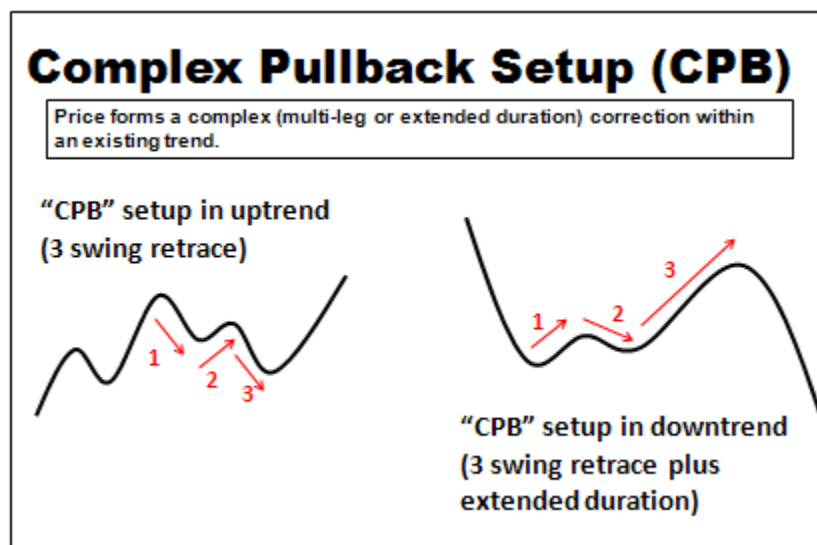


Figure 18.7 - CPB Setup

Setups Appropriate for each Particular Market Environment:

Steady trend environment:

- Higher Probability
 - PB and CPB

Weakening trend environment

- Higher Probability
 - CPB
 - PB if they break a previous swing low (uptrend) or swing high (downtrend)
- Lower Probability
 - Standard PB (single leg; not breaking any prior swing low (uptrend) or swing high (downtrend))
 - Counter-trend TST or BOF of swing high (uptrend) or swing low (downtrend)

Within a Sideways Trading Range with a clear intra-range trend

- Lower Probability
 - PB and CPB

Approaching higher timeframe S/R or range S/R, with no sign of potential breakout

- Higher Probability
 - TST

Approaching higher timeframe S/R or range S/R, with strength showing signs of potential breakout

- Higher Probability
 - BOF or BPB



Figure 18.8 - Trading Process

Lower Timeframe Entry:

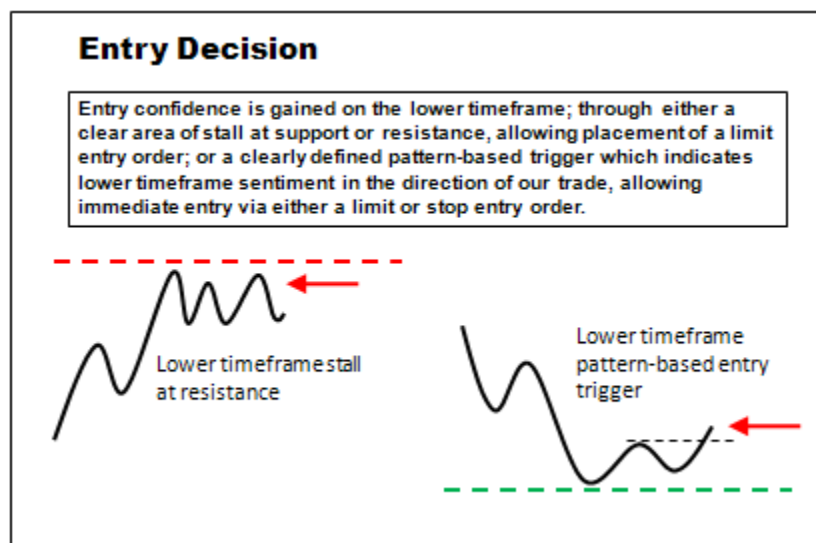


Figure 18.9 - Entry Decision Stall or Trigger

Pattern-based trigger examples include:

- 1) Any standard candlestick reversal pattern
- 2) Any standard price bar reversal pattern
- 3) Any trap pattern which proves the loser wrong
 - a) spike & ledge
 - b) double top or bottom
 - c) spring or upthrust
 - d) 3-swing retrace
 - e) 123 top or bottom
 - f) test of breakout point
 - g) expansion bar

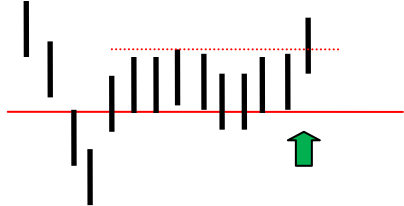
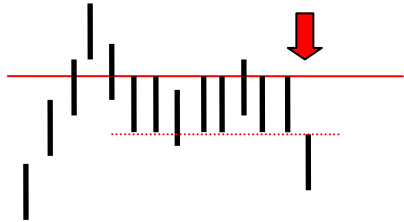
Candlestick Reversal Patterns	Refer to the video series at: http://www.yourtradingcoach.com/Videos-Technical-Analysis/Candlestick-Charting-Videos.html
Price Bar Reversal Patterns	Refer to the video series at: http://www.yourtradingcoach.com/Videos-Technical-Analysis/Complete-Price-Bar-Reversal-Video-Series.html
Spike and Ledge (bullish) Price spike down, quickly reversed, then unable to meet lows again. Trigger = break above ledge.	
Spike and Ledge (bearish) Price spike up, quickly reversed, then unable to meet highs again. Trigger = break below ledge.	

Figure 18.10 - Lower Timeframe Triggers (1 of 4)

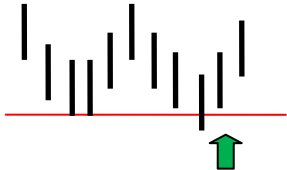
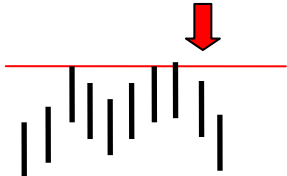
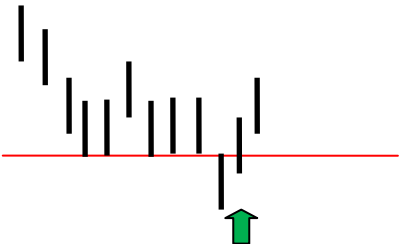
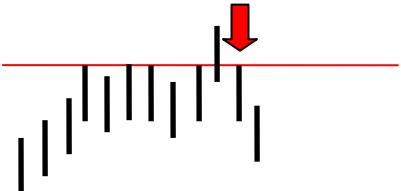
<p>Double Bottom</p> <p>Classic double bottom setup, but on micro scale. Enter on confirmation of second low, no later than break of swing high.</p>	
<p>Double Top</p> <p>Classic double top setup, but on micro scale. Enter on confirmation of second high, no later than break of swing low.</p>	
<p>Spring</p> <p>Price spike below support which is rapidly reversed within one or two candles, such as hammer or bullish engulfing pattern. Trigger is a break above the high of the spring candle.</p>	
<p>Upthrust</p> <p>Price spike above resistance which is rapidly reversed within one or two candles, such as shooting star or bearish engulfing pattern. Trigger is a break below the low of the upthrust candle.</p>	

Figure 18.11 - Lower Timeframe Triggers (2 of 4)

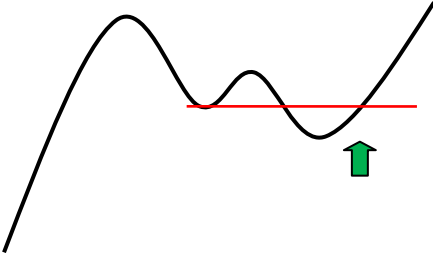
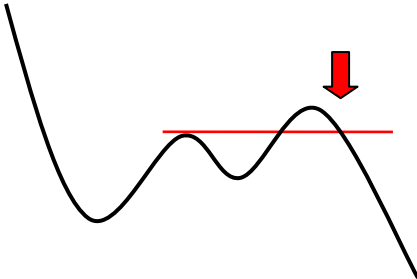
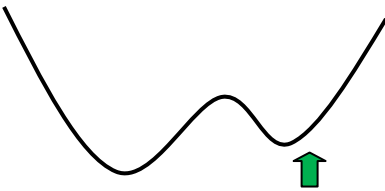
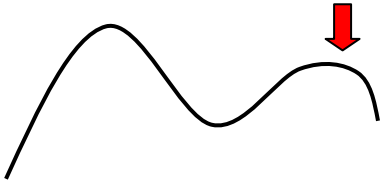
<p>3 swing retrace (bullish)</p> <p>3 swing retracement, but on a micro scale. Enter on confirmation of second swing low, or break above previous swing low (or even close above previous swing low)</p>	
<p>3 swing retrace (bearish)</p> <p>3 swing retracement, but on a micro scale. Enter on confirmation of second swing high, or break below previous swing high (or even close below previous swing high)</p>	
<p>123 bottom</p> <p>Classic 123 bottom, except on micro scale. Enter on confirmation of higher low.</p>	
<p>123 top</p> <p>Classic 123 top, except on micro scale. Enter on confirmation of lower high.</p>	

Figure 18.12 - Lower Timeframe Triggers (3 of 4)

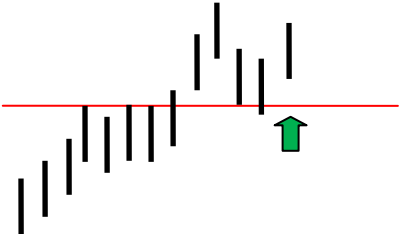
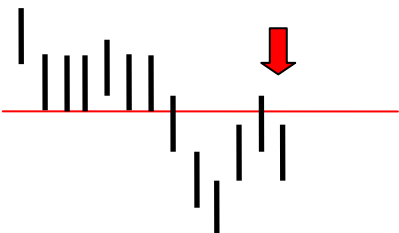
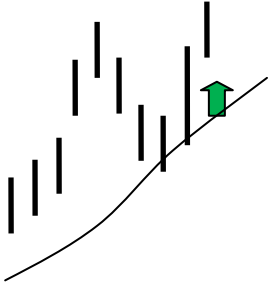
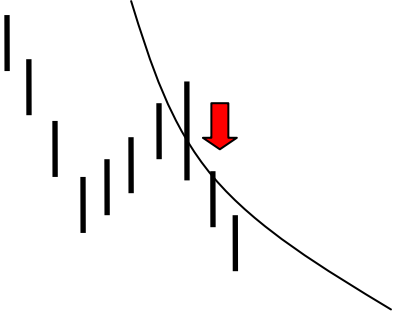
<p>Test of Breakout Point (bullish)</p> <p>Retest of breakout above short term resistance.</p>	
<p>Test of Breakout Point (bearish)</p> <p>Retest of breakout below short term support.</p>	
<p>Expansion Bar (bullish)</p> <p>Larger range momentum bar after retracement back to moving average area.</p>	
<p>Expansion Bar (bearish)</p> <p>Larger range momentum bar after retracement back to moving average area.</p>	

Figure 18.13 - Lower Timeframe Triggers (4 of 4)

18.1.4 – Setups Poster

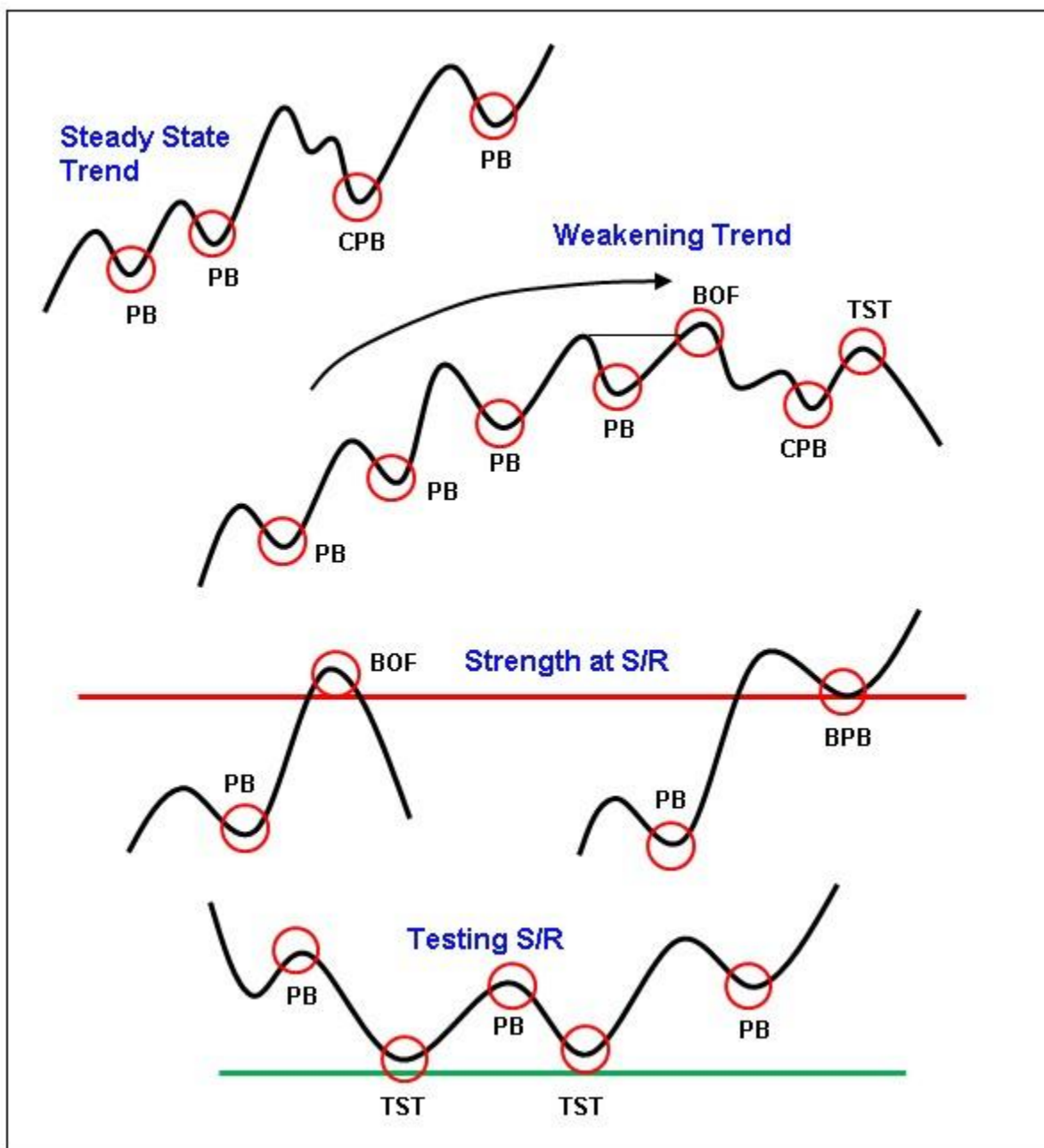


Figure 18.14 – Setups Poster

18.1.5 - The Learning Process - Summary

Deliberate Practice: maximise exposure and learn through a process of trial and error.

Trade-Record-Review-Improve cycle:

- **Trade** - self-explanatory... trade the markets in accordance with your trading plan and procedures manual.
- **Record** - record results in your trading logs and journals.
- **Review** - review your results, considering the four key questions:
 - What did you expect to happen?
 - What did happen?
 - Why was there a difference?
 - What can you learn from this?
- **Improve** - implement improvements, either through setting process goals for the next trading session, or through amendment to the trading plan and/or procedures manual.



Figure 18.15 – Development Stages

18.2 – For Those Concerned That It Appears Too Simple

Trade weakness when price interacts with S/R. Trade weakness in pullbacks within a trend.

Can it really be that simple?

The fact is that while these concepts are simple to define, they're not simple to trade. That's why we have the trader development volume. It's a process of growth & development.

It's about learning to deal with the uncertainty at the right hand edge of the chart, and being ok with that feeling of insecurity and doubt.

It's about having confidence to get into a trade, despite the uncertainty that you WILL feel, because you know that whatever happens you have the skills and experience to appropriately manage the trade. The skills and experience to deal with those that don't work, in such a way as to minimise damage to both your account and your psychological capital. And the skills and experience to manage the winning trades, in order to squeeze as much reward as possible out of the market.

Yes, the strategy is simple to define. Considerable complexity could have been added. I could have added names for numerous patterns of price action, and classification of trend type or market environment. I could have labeled dozens of different types of S/R. I don't believe it's necessary though. Your mind will add complexity to the process of trading. It's best to keep the strategy itself as simple as possible.

18.3 – And For Those Who Perceive It As Too Complex

I expect many of you will be overwhelmed by the size of the task ahead of you. Don't be!

Do all you can to enjoy the process, and you'll get there in time.

I also expect many of you will have difficulty trading live, with the amount of detail within the procedures manual. Please note... this level of complexity will not be required for long.

Any complexity you perceive is a result of my having to try to explain these largely intuitive and subjective processes. Take the procedures and use them for now. In time you'll be able to simplify them.

The reality of this game is that, unless we're trading longer timeframes, we won't have time to refer to such detailed and comprehensive procedural steps. With a small amount of experience, I expect you'll be able to operate effectively with a short checklist, with each step referred to by a single statement (one or two words). You may even eventually have the whole process internalised, allowing you to operate without reference to any procedures manual.

Put aside any concerns about complexity – they'll disappear as you gain experience. Enjoy the process; and take action.

18.4 – Take Action

Success or failure... it's all up to you.

No matter where you are starting; you will progress if you implement deliberate practice through a Trade-Record-Review-Improve cycle.

Go back to Volume 4 and set up your documentation. And revisit Volume 5 to set up your development plan.

Then take massive action! Go for it!

18.5 - Wrap Up

Thank you for reading this book.

Well done if you actually made it all the way through. It turned out a lot larger than I anticipated!

I've enjoyed the process of writing it. I hope you've enjoyed reading it; and of course hope that it has provided some value to you, well beyond the cost in terms of dollars and time.

Feedback is greatly appreciated. Email me via support@YourTradingCoach.com

I'd love to hear your thoughts.

18.6 – Supplementary Resources

YTC Scalper

- Only available to purchasers of the YTC Price Action Trader ebook series, the YTC Scalper supplementary ebook explores the application of the strategy on shorter timeframes.
- All examples are based on trading the emini Dow (YM) and emini Russell (TF) on the following timeframes:
 - Higher timeframe: 5 min
 - Trading timeframe: 1 min
 - Lower timeframe: 20 tick
- The ebook discusses characteristics unique to these scalping timeframes, in particular regarding the mechanics of the trading process and managing the many trading psychological challenges that we face when decision time is limited.
- See here for more information: www.YourTradingCoach.com/Courses.html

Resources

Trading Website: www.YourTradingCoach.com
Trading Course: www.YTCPriceActionTrader.com
YouTube Videos: www.youtube.com/YourTradingCoach

'Because You'd Rather Be Trading For A Living...'