Frequently Asked Questions - 2

YTC Price Action Trader FAQ 2
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.

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"Who questions much, shall learn much, and retain much."

…Francis Bacon

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FREQUENTLY ASKED QUESTIONS - 2

Introduction

Through sharing our questions and answers, we all learn and improve.

This document records all relevant questions received regarding the YTC Price Action Trader, with responses. These are not necessarily 'frequently asked'… more so those that I feel would benefit other readers as well.

As you work through the YTC Price Action Trader, if there is anything you do not understand or need cleared up, please contact me via the following webpage:

http://www.yourtradingcoach.com/Contact-Me/Lance-Beggs.html

A message subject line of "YTC Price Action Trader Question" will get a faster response than other generic questions.

I'll respond to your question via email, and copy relevant information into this document in order to share the Q&A with all other traders. No personal details or names will be included.

From time to time, as new changes add up, I will notify you of an updated FAQ document via the YTC Price Action Trader subscription list.

Please note that the Q&A is raw text taken straight from the emails… grammatical errors may therefore apply!

Questions from Volume Two – Markets and Market Analysis

Chapter 3 – Market Analysis

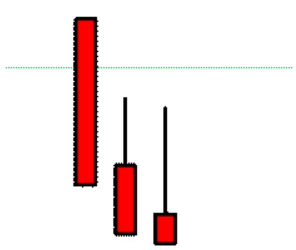
Can you confirm my reading of sentiment for the following candle pattern?

Question:

If a three (3) candle group with the 1st candle crossing on a downtrend the support level of the higher timeframe, and each progressive candle has a significant and increasing upward tail, each progressive candle trading range is decreasing, and each progressive candle open/close is getting narrower - how would you read that? To me - thinking in terms of multi-indicators: it appears the market sentiment is beginning to switch to a bullish sentiment due to the higher progressive tails, and narrowed open and closes. It appears the supply is running out of steam because traders are expecting a BOF. Is that a somewhat of an accurate statement?

Answer:

Is this what you're referring to?



If so, yes. This is showing some demand entering the market (bullish pressure) opposing further downward movement. At this stage though, the bulls have not been able to overwhelm the bears. Each push higher has been pushed back down. However each push higher does go further (in percentage terms compared with the previous candle range) and each push lower is not able to project as far as the last one. The key from here is which side is going to give up first. Where are the longs going to place their stops? Where are the shorts going to place their stops? Both sides are under pressure.

There is potential for a BOF here. I would certainly be looking for an entry. But it would be done cautiously. The bears have not given up the fight yet.

Questions from Volume Three – Trading Strategy

Chapter 4 – Strategy – YTC Price Action Trader

Multiple questions regarding the use of the 30/3/1 minute time frames?

Question:

How did you arrive at the 30/3/1 in terms of time frames that are optimal for observing in a market?

Answer:

The first step is finding the timeframe you wish to trade (the middle one). Really that's just a process of finding the timeframe that fits your lifestyle and your psychological needs. For someone wanting to trade a whole (or half at a minimum) session, the 3 or 5 min works quite well, providing a good balance of opportunity with reasonable profit potential.

Having chosen a trading timeframe, common advice is then to go higher and lower by a factor of 5 (rounding off to the nearest usual chart timeframe). So for example, with a 5 min trading timeframe that would be 30/5/1. For 3 min it would be 15/3/1. I actually found through trial and error that I prefer a slightly higher *higher timeframe*, somewhere within the range of 5-10 times the size.

So, if trading a five min chart I'd use either 30/5/1 or 60/5/1 whichever gave the best *feel*.

For a 3 min chart, it's 30/3/1.

At the moment, only able to trade a partial session, I trade 5 min / 1 min / 10-sec (or 20 or 10-tick as an alternative). Once again this fits the 'factor of five' rule.

Just a point of caution... you used the word "optimal". Please note that no timeframe combination is optimal for observing a market. They're just optimal for the observer. It's about finding the combination that suits YOU, not one that suits the market. All timeframe combinations offer potential reward, but all also come with real risk. Find the trading timeframe which fits your lifestyle and psychological needs, and then create your higher and lower timeframes from that.

Question:

Have you found that these time frames are good for 'most' (if not all) markets? Are they 'better' for Forex?

Answer:

As above, it depends on your needs. For spot forex, I don't go below the 5 min for trading timeframe, due to the increased costs of trading spot forex (fixed spreads). Even then, I'd prefer to just trade the 5 for the pairs which offer the greatest range vs spread, such as GBP/USD and EUR/JPY. For other pairs (which I don't trade) I'd probably be tempted to go a little higher.

It's all trial and error though - find the timeframes that work for you.

Question:

Did you experiment with other 'triads' of time frames? E.g., 1h/5m/1m (I think you mentioned this). Are there others that are also 'pretty good'?

For example, could there also be a 15m/8m/1m? Or something like that? And so, did any experimentation possibly play into your settling into the 30/3/1?

Answer:

Yes, it's all trial and error; finding a combination that *feels* comfortable. 15/8/1 probably doesn't offer enough difference between the higher and trading timeframes (see the factor of five rule above).

Question:

Is 'more than three' timeframes considered (by you) possibly too much information to process? So, if you were to add another time frame to the 30/3/1, what would it be? Perhaps 30/12/3/1 or something like that? Or does that not make sense at all?

Answer:

The more information you receive, the more doubt and confusion will impact upon your decision making. If you wish to add others, go through a process of working down from the daily, 4H, 2H, 1H etc, all the way down to your higher timeframe ONCE ONLY AT THE START OF THE SESSION. This will give you a bigger picture perspective, which may be quite useful. But don't monitor them during the session.

As you get experienced, it's probably better to start minimising information, rather than adding it.

What causes the professional buying/selling? How do they make their decisions?

Question:

Price Action Trading is a lagging indicator (abet short lagging indicator) methodology based on one's reading of the future price direction through market/trend analysis with active management designed to scratch trades early if the market suggests one is incorrect on the future price.

So, your method (which I really like, by-the-way) is reading the market sentiments (who is in charge – bulls or bears?) and based on those assumptions determine stops, targets, R:R, and entry (the earliest of LWP and LRP). Understandable.

However, if one looks at the lagging indicator the YCT-PAT uses, there doesn't seem to be a rhythm nor reason for most of the jump in volume, large pip swings, and/or trend reversal unless those traders have a crystal ball or using some type of automated trading system to rig the market. Obviously, sometimes these mystical traders are out-of-sequence with each other resulting in long tails and short bodies. When in sequence, you just see long candles with small tails – if at all – with strong projections along the trend.

Have you given much thought to this other than "it just happens"? It seems to me some insight – however, small – would help make better decisions about future price trends since these mystical traders tend to drive the market. Or maybe I am just dreamin'.......

I know your method is a version of scalping and I like that. I don't want to have positions open long and quite satisfied by accepting this type of trading results in many ins/outs to trade the volatility between S/Rs and SH/SLs. And, to be successful, you have to be ahead of at least the retail traders.

Answer:

Let's address this in a couple of parts:

First, you said, "*Price Action Trading is a lagging indicator (albeit short lagging indicator) methodology based on one's reading of the future price direction through market/trend analysis with active management designed to scratch trades early if the market suggests one is incorrect on the future price.*"

While it's true that previous price bars shows what occurred in the past, the current price bar shows what is happening right now. Our focus is not in the past but instead in the present and the future.

Situational awareness involves three components... perception of environment (what's happening), understanding the meaning (what does that mean), and projecting forward in time (how will that impact me in future).

We aim to maintain situational awareness within the markets via (a) conducting analysis of the current price action (what's happening), (b) considering the current action within the context of previous action, and identifying signs of strength and/or weakness (what does that mean), and (c) projecting that forward to identify areas where other traders may be exposed to stress and forced to act, thereby creating orderflow required for profit (how that will impact the future).

Essentially, we're creating IF-THEN statements about future possibilities, then carrying out the appropriate actions based on whichever scenario develops.

eg. refer to the following chart

- Price has broken previous support, and has now returned to the vicinity of that breakout (what's happening);

- Although a high close bull candle, it's only a new high by one pip and there is not yet any reason to expect a breakout above the resistance. Price has congested within this area for three candles now. Longs will be starting to doubt their position (although some will take confidence from the latest green candle). Bias is still bearish (what does that mean);

- **IF** the pullback continues to stall for another candle or two, this will add further stress to the longs who will start to doubt their initial expectation of a reversal. **THEN** a break below point A will start to trigger their stops, leading to a cascading move lower as more and more stops are triggered and the downtrend resumes. This is our point of entry short. (how that will impact me in future)

- **IF** however price breaks above resistance, **THEN** I'll reassess my expectations of the future.

In this way, we are not trading via lagging indicators. We are identifying potential opportunity in future price action; and then trading this opportunity only when price action conforms to our future expectations (as time advances).

This is not a lagging, reactive strategy. Rather, it's forward looking and proactive.

Have a read of the following article, for another explanation of this concept through an aviation analogy: http://www.yourtradingcoach.com/Articles-Strategy/Stay-Ahead-of-the-Aircraft.html. Effective navigation and mission management must be forward looking.

Let's now address the second part of the question. You said, "*If one looks at the lagging indicator the YCT-PAT uses, there doesn't seem to be a rhythm nor reason for most of the jump in volume, large pip swings, and/or trend reversal unless those traders have a crystal ball or using some type of automated trading system to rig the market. Obviously, sometimes these mystical traders are out-of-sequence with each other resulting in long tails and short bodies. When in sequence, you just see long candles with small tails – if at all – with strong projections along the trend. Have you given much thought to this other than "it just happens"? It seems to me some insight – however, small – would help make better decisions about future price trends since these mystical traders tend to drive the market. Or maybe I am just dreamin'.......*"

Consider the following chart (note that it's the same price action as the original chart, so you'll get to see the outcome of our previous breakout pullback):

Who or why is irrelevant. Project forward and identify scenarios where we know orderflow will kick in and offer further price movement.

For example, the lower test of the the 1.3050 level (at the bottom of the chart)... we know that if price breaks that level then breakout traders will enter short. Any rapid rejection of that level will then provide us with a potential entry long, as we profit from their need to exit.

Who caused the rejection is irrelevant.

That being said... we can safely assume that it is the actions of professional traders (perhaps with access to orderflow information that we don't have). It is not the nature of retail traders to be fading a breakout.

Likewise the example at the top of the chart. To put it in words that Sam Seiden would use (because he explains this stuff brilliantly), are the actions of those buying after a price rise, into an area of resistance, the actions of a consistently profitable trader? No. So by definition, those buying at the top are more likely to comprise the novice, amateur traders. While those selling will comprise the professionals.

Once again though, who causes the rejection at resistance is irrelevant. We simply react to the fact that IF it occurs, it will create bearish orderflow.

A little disclaimer though... It's impossible to know the exact reasoning behind any orderflow. All orderflow is a result of numerous market participants making trading decisions based upon different timeframes and analysis methods. The decisions behind orderflow at any one time may be a result of technicals, fundamentals, quantitative analysis, hedging, or even human error. However, we do know that a portion of the orderflow does come from those, who like us, are watching the charts on our (or similar) timeframe, and entering speculative positions. And we can be reasonably confident in our describing these people as professional vs amateur, based on the location of their trades. A consistently profitable trader does not consistently buy after a rally into an area of resistance. A consistently profitable trader does not consistently sell after a price drop into an area of support.

One final point... if we're reacting to orderflow created by other traders being forced to exit their position, why do some trades lose?

Remember, that all scenarios for future price action are based on our own analysis, as we currently see it. The future is unknown. The information that we used to form our premise could become obsolete, as new information becomes known to market participants (eg. news event) resulting in a shift in market-wide sentiment. Or perhaps our analysis could be inadequate... failing to adequately identify shifts in the strength / weakness of the current price action, or failing to identify some other higher timeframe influence which opposes our premise. Hence the need for an active trade management philosophy in order to manage and minimise risk.

Can you confirm LWP location on the following chart?

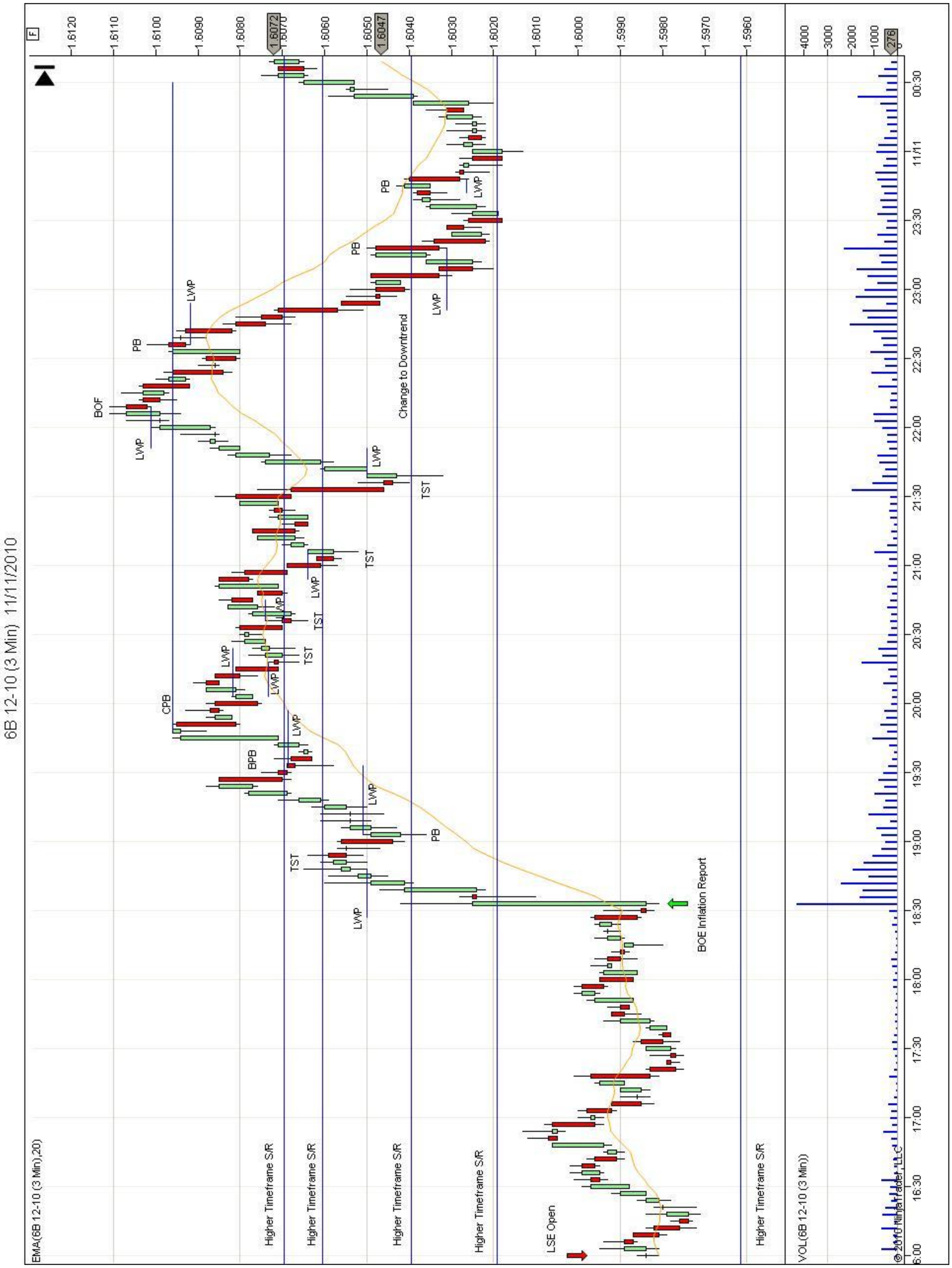
Question:

I am currently trying to better understand the concept of LWP. Specifically just where to position it. At the moment I am basically identifying the candle that indicates the reversal of the pattern and placing it at the extreme of that candle.

I marked up a chart like you suggest and tried to identify both the setup and LWP. If it is not too much trouble I was wondering if you wouldn't mind taking a look at it to see if I am on the right track.

I've also come to the conclusion that when the reversal candle is very long it often times gives us a really bad R:R so ideally we want shorter candles. Is that a fair statement? And sometimes the reversal happens so quickly that we just can't get into them based on a 3 minute chart?

(chart on following page)


6B 12-10 (3 Min) 11/11/2010
EMA(6B 12-10 (3 Min),20)
Higher Timeframe S/R
Higher Timeframe S/R
Higher Timeframe S/R
Higher Timeframe S/R
Higher Timeframe S/R
LSE Open
BOE Inflation Report
Change to Downtrend
VOL(6B 12-10 (3 Min))
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Answer:

That's excellent work on marking up your chart. I've added some notes to it in red - please see the chart *(next page)*. Basically, I give you 100%. I'd be happy with every area you marked on the charts.

You're essentially correct in all the statements in your email.

- Yes, the LWP is most often simply the extreme of the reversal candle or pattern. Although that's not always the case and we'll look at two examples below.
- Yes, when the reversal candle is very long it will usually offer a bad R:R. Certainly, smaller candles do not suffer that problem. Another option though, is earlier entry... through experience in reading the flow of price, and identifying areas of expected orderflow, you'll identify the fact that you're in a reversal area well before waiting for the close of the *trading timeframe* reversal candle, and therefore be able to trigger an entry off a *lower timeframe* pattern. Of course, if you miss any earlier entry, then it's best to pass on this trade. Wait for either a second-chance retest of the area, or the next setup.

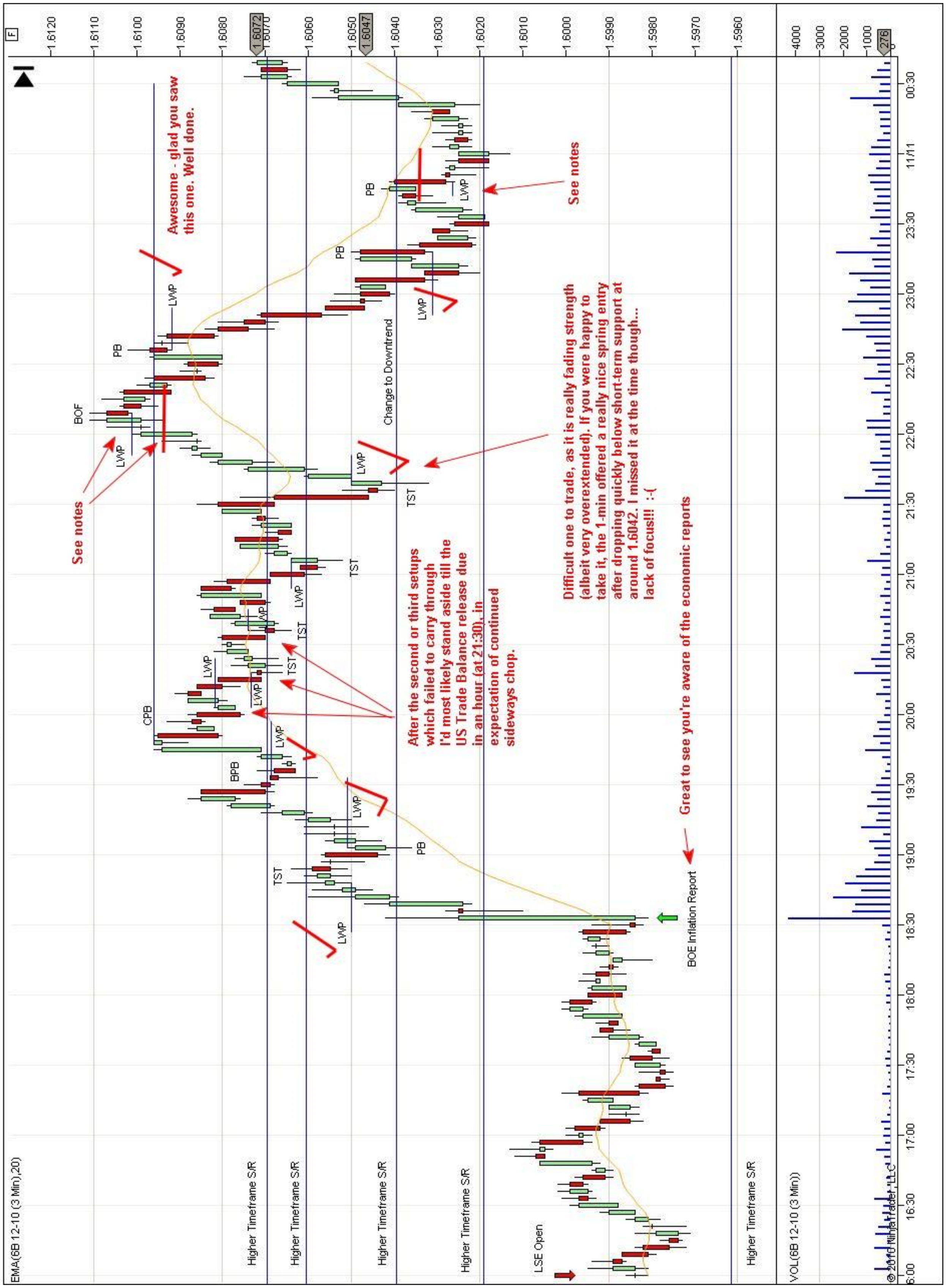
Ok... let's look at two examples of when I wouldn't make LWP the extreme of the reversal pattern. (and in saying all this below, please realise that there is absolutely nothing wrong with the LWP areas you've identified... they just vary slightly from where I would have done so, and in both cases the trades worked fine).

Look firstly at the BOF that occurred just after 22:00. The way I visualise LWP is to ask (using this setup example), "if I was a novice trader who entered long after the break above 1.6100, at what point would I be starting to really panic, and be reaching for my mouse to exit that trade?"

You could be exactly right with your marking of LWP. In this case though, I'd put it at the area I've marked in red, just below the larger green candle and also below the 1.6100 level. This doesn't necessarily mean I'd enter here, as the *lower timeframe* chart may offer an earlier entry (actually several in this case, such as a very tight double top around 22:08, or a 123 top around 22:15).

Look also at the PB setup at around 23:45. The same question applies here - where will the longs (hoping to catch an early entry into the reversal) start to panic and exit. You could well be right; after all we can't really know how everyone else is thinking. Certainly I'd be rushing to exit at your LWP if I was long - that large red candle would have been a massive shock. However, I'd probably place my LWP a little higher (see the red line), in expectation of the fact that anyone long would have been a little concerned over the last 3 candles, at the slowing rate of rally, especially considering the speed at which the last PB fell. The mid close range candle (red one before the swing high) would have concerned them a little. The following high close bull candle (green one at the swing high) would have offered some encouragement. However a quick failure of that candle would have caused some of them at least to lose faith in their position. (Just my assessment... there is no right or wrong though)

I hope that helps. You're doing really well. Keep up the good work.


6B 12-10 (3 Min) 11/11/2010
EMA(6B 12-10 (3 Min),20)
VOL(6B 12-10 (3 Min))
Higher Timeframe S/R
LSE Open
BOE Inflation Report
Change to Downtrend
LWP
PB
BOF
CPB
BPB
TST
See notes
Awesome - glad you saw this one. Well done.
Difficult one to trade, as it is really fading strength (albeit very overextended). If you were happy to take it, the 1-min offered a really nice spring entry after dropping quickly below short-term support at around 1.6042. I missed it at the time though... lack of focus!!! :-(
After the second or third setups which failed to carry through I'd most likely stand aside till the US Trade Balance release due in an hour (at 21:30), in expectation of continued sideways chop.
Great to see you're aware of the economic reports
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Can you explain why pullback B stopped at the area of pullback A, in Fig 4.16?

Question:

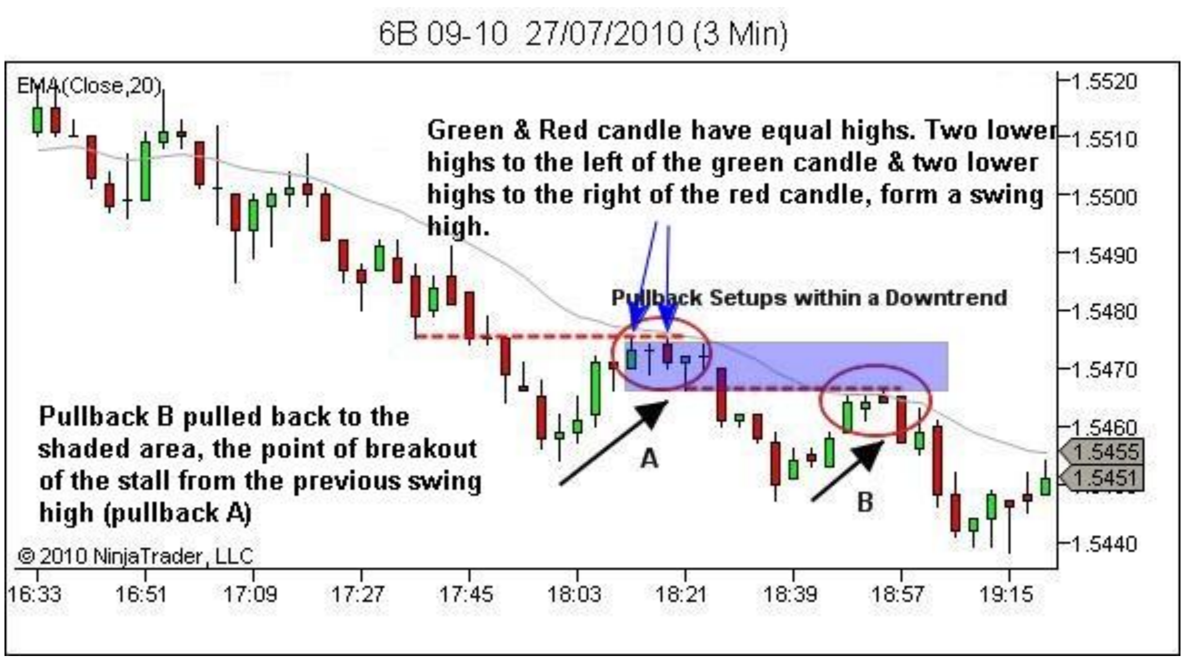
In Volume 3, Chapter 4 on Page 37, the following statement is made in relations to Figure 4.16 - PB with a Downtrend:

"Likewise with B that also stalled prior to continuation of the trend. This time though price pulled back to the previous swing high area (remember that it's an area not a line; in this case pulling back to the lower part of the swing high area)."

I don't see the "previous" swing high area on the chart if the definition of a SH is two (2) lower SHs before and after. The following lower SH shown happens after the point the PB failed. What am I misunderstanding by SH/SLs and how they are determined?

Answer:

See below. Please also refer to figure 3.8, which shows a similar example on the right hand side.



What are your thoughts on scaling into a position?

Question:

I have been thinking about scale-in buying concept for a long time but did not have courage to try it yet. It makes sense. I notice that when I am trying to buy on a dip in an uptrend, I often do not succeed buying at very near bottom which in turn increases my risk. In order to avoid this frustration, I thought maybe if I scale-in and buy 3 contracts in 3 stages as the commodity goes down in the pullback mode, my average price would turn out to be reasonably low with minimum possible risk.

Answer:

Certainly worth trying! I've *played around* with the concept a few times and believe it has great potential, but I've never developed it (yet) into something that I'm comfortable trading. Here's the problem... if you scale in through an averaging-down process, as you've described, then you're guaranteeing that all losers will occur with 3 contracts (using your above example of a 3-stage entry), whereas some of the winners will only have 1 contract. Some will have two and some will have 3. Therefore, you need a much higher win% and/or WLSR in order to overcome this imbalance. The only way to make it work, in my opinion, is to also be willing to scale in by adding to winners (averaging up). This is something I've never been comfortable with. I'd suggest that if you can do that without any great psychological issues, this may be an excellent entry method.

Can you help with difficulty in identifying conditions for a BOF or BPB setup?

Question:

I'm trying to grasp your TST, BOF, and BPB type entry points, but failed many times to apply them in real situation. When I tried to enter short using TST entry point (see the attachment #1), the market went against me, so I immediately close my position. Then I waited for a BPB entry. The opportunity came at entry #2, but failed as you can see from the picture. With the benefit of hindsight, the trade #2 should be BOF type of entry.

I made the same mistakes over and over again. So, there must be something wrong with me where I failed to recognize the weakness. Did I miss out anything?

Attachment 1 (5 min trading timeframe):

Attachment 2 (1 hour higher timeframe):

Answer:

The observation that really stands out to me is the fact that neither the TST or BPB entries (which you took) actually ever triggered at LWP.

So in both cases you must have entered on a lower timeframe trigger, prior to the point of expected trading timeframe orderflow. That's fine of course... we take these lower timeframe triggers expecting that their trigger orderflow will be sufficient to push price as far as the LWP trigger orderflow, providing an increased profit with lower risk, and accepting that (over many of these trades) the extra profits gained will outweigh the extra losses when LWP does not trigger.

Two occurrences of *'early entry which does not reach LWP'* are not evidence of a problem. However, if this is becoming regular occurrence then it must be addressed.

Consistent failure of your entry to reach LWP most likely indicates difficulty in feeling the strength of the bulls vs bears. Something you may wish to consider is simplification of strategy in the initial learning stages. This is for you to decide of course. However you may wish to only take entries at the 5 min (trading timeframe) LWP trigger point. Paper trade your earlier (lower timeframe) entries if you wish, but don't take them live till you've got a good sample which provide confidence due to a positive expectancy).

Refer to the attachment eurusd-1. Here you will see that the obvious place for the TST trigger is below the shooting star candle (the one with large upper tail showing rejection above resistance). This did not trigger. The breakout then continued, with a high close bull candle closing above all recent price action. The following candle though could not continue the move. A BOF LWP entry was available on failure of this candle's low. If you felt convinced of bullish pressure, and the likelihood of a BPB entry, then trailing your order (close BOF short and reverse for BPB long) above each of the candles, did not trigger. The end result of this is the TST was not entered. The BOF was, and went on to great profits. And the BPB was not entered.

This may be something you wish to consider, if you find you are consistently entering early into trades that don't ever reach their proper (LWP) trigger.

As I mentioned earlier though, two occurrences are not necessarily an indication of a problem.

A second observation (although I hesitate here as this is always easy to see in hindsight)... refer to eurusd-2.

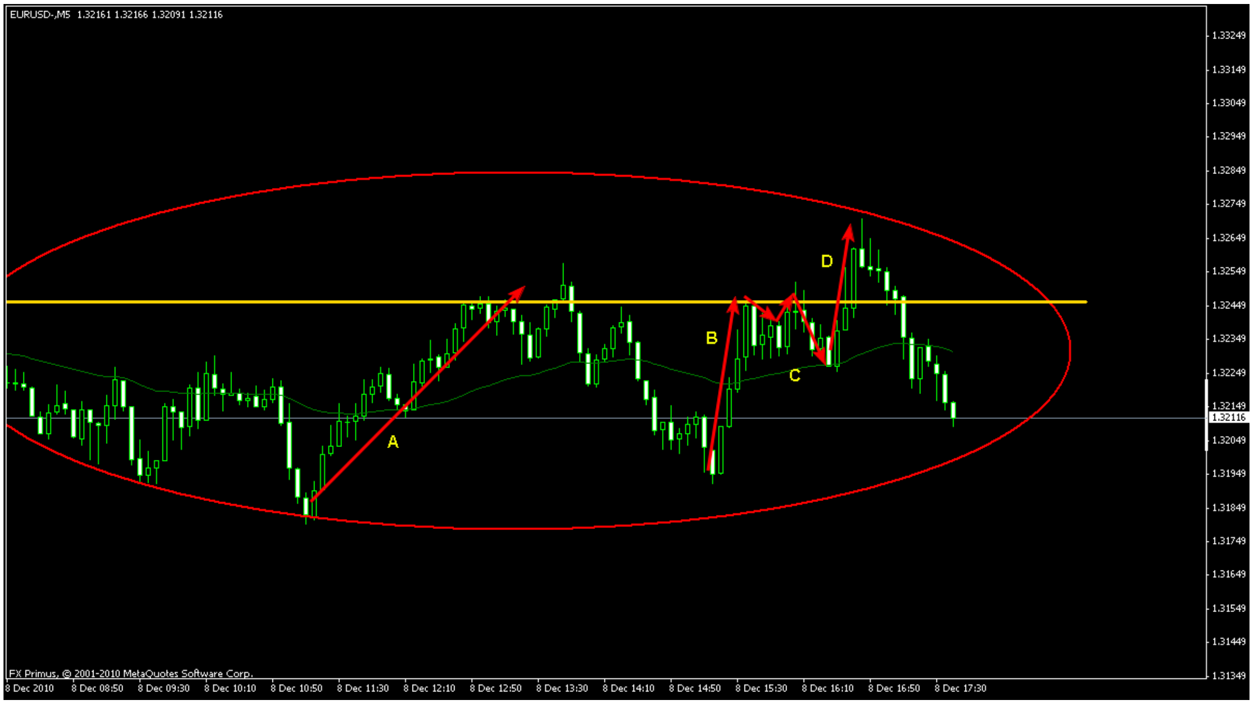
Note the increased strength of B compared with A. This is a stronger test of resistance. And it was followed by a weaker retracement C, which broke its recent swing low but failed to carry further down. It's not therefore unreasonable to expect a break of the resistance area with these signs of bullish strength / bearish weakness.

Likewise, it's not unreasonable to expect a breakout failure, as the breakout does take price into the area of further higher timeframe resistance.

As I said though, it's always easy to say this stuff in hindsight. So ignoring this observation, even if your assessment had been for a TST and then BPB, entry at LWP triggers rather than lower timeframe triggers would have provided a good result through this sequence of price action. Something to consider perhaps?

Attachment eurusd-1:

Attachment eruusd-2:

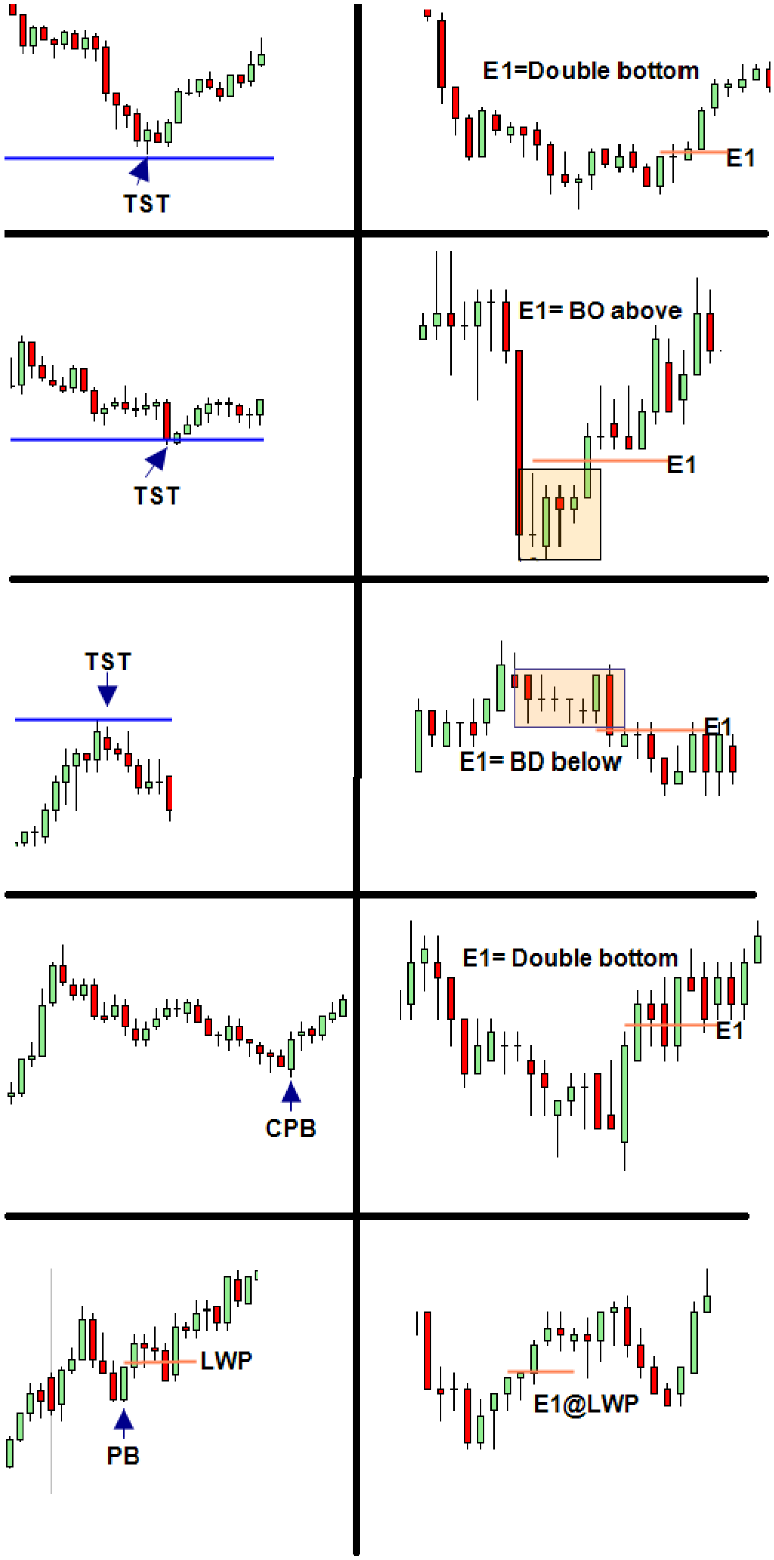


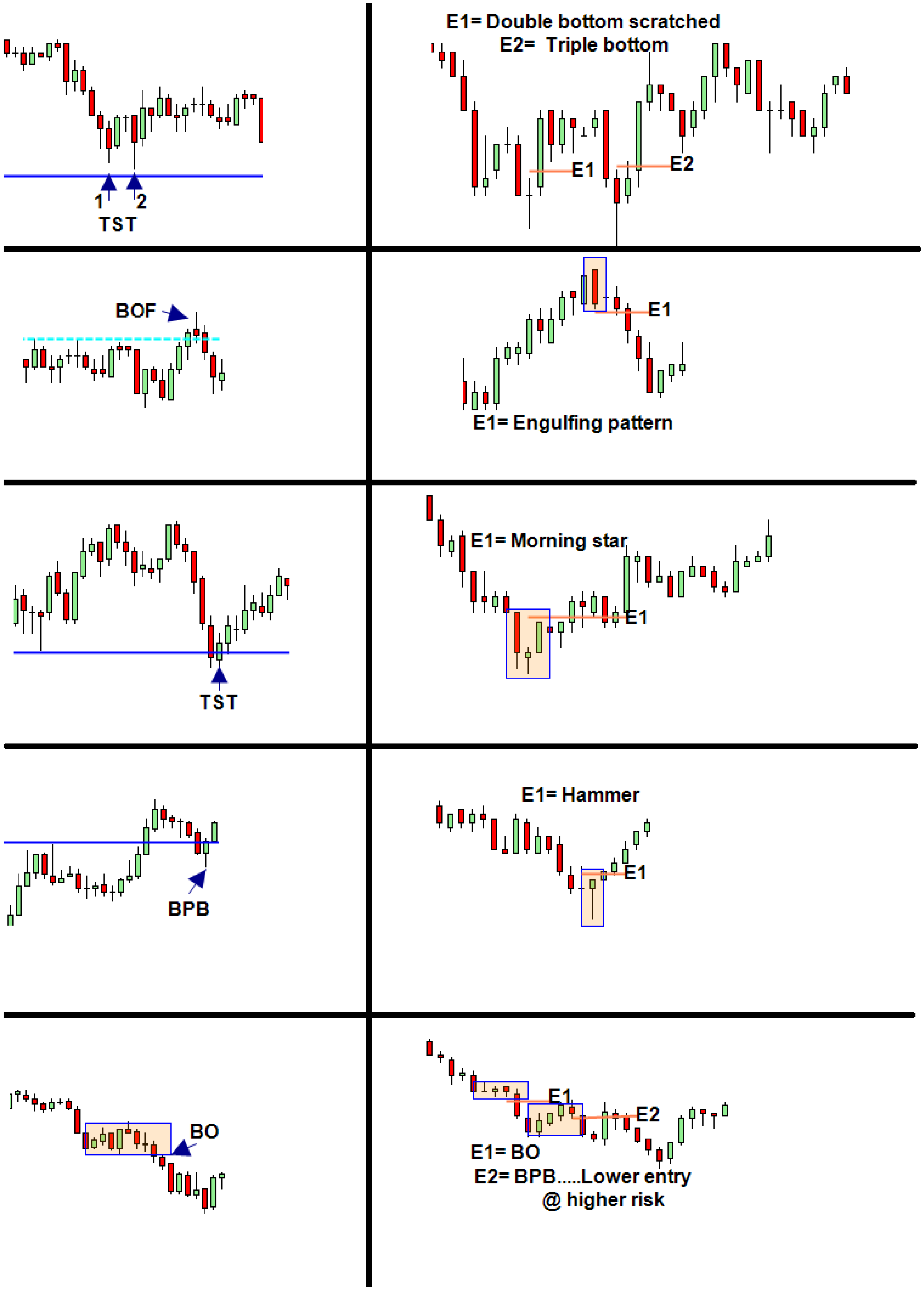
Can you please confirm my 1-min entry triggers?

Question:

Would you be so kind as to look at the attached charts and tell me if I'm more or less on the right track with going down to the 1min chart to find the trigger? On the LHS is the 3min. chart of the SPY symbol, and on the RHS is the 1min. chart.

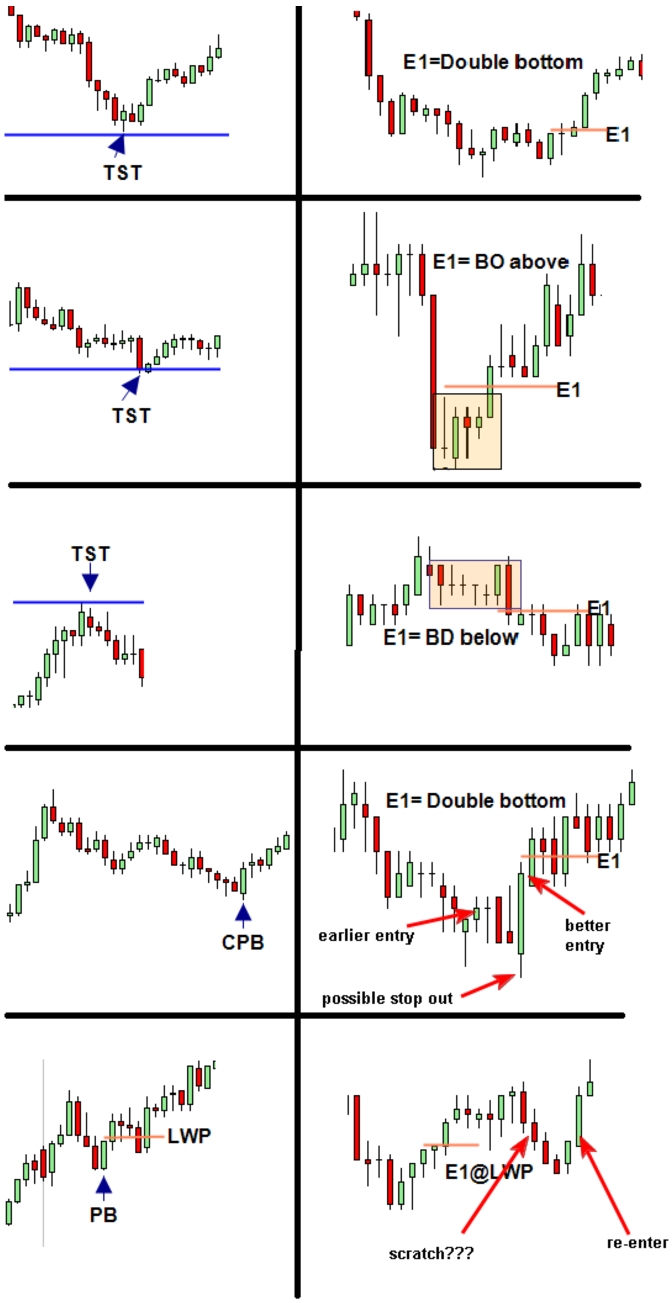
(Chart patterns on next two pages)


TST
E1=Double bottom
E1
TST
E1= BO above
E1
TST
E1
E1= BD below
CPB
E1= Double bottom
E1
LWP
PB
E1@LWP


1
2
TST
E1= Double bottom scratched
E2= Triple bottom
E1
E2
BOF
E1
E1= Engulfing pattern
TST
E1= Morning star
E1
BPB
E1= Hammer
E1
BO
E1
E2
E1= BO
E2= BPB.....Lower entry
@ higher risk

Answer:

Well done. That's awesome work. I've added notes to your original two diagrams below.



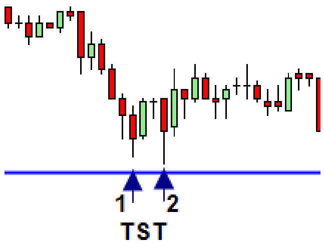
Excellent.
I'd call it a 123 Bottom rather than double bottom, but the result is exactly the same.
Nice work.

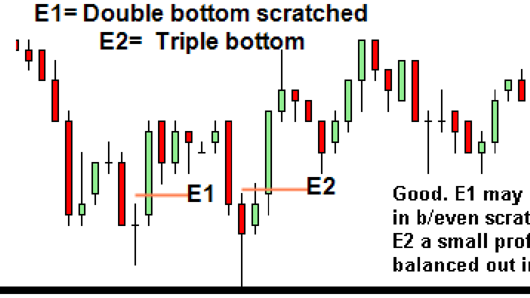
Perfect.
It can be hard to enter these sometimes, as on this lower timeframe you're going against a large down-thrust. But the congestion at the bottom shows a clear inability to continue lower. The break back above this congestion provides a good trigger long.

Good.
The key trigger item here is the thrust upwards towards the end of the box, which quickly failed on a large red candle.

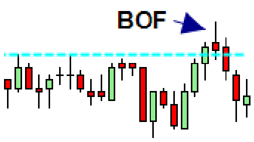
It's always hard to comment with hindsight. I'd suggest I might have been tempted to take the earlier entry (the first reversal signal after the break below the first CPB swing low). However I may have then got stopped out before the better entry (your one) which occured after the strong push higher.

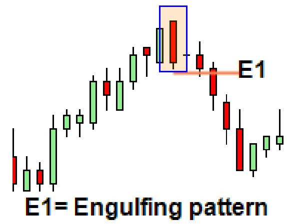
Good entry.
With hindsight I'd be surprised if I didn't scratch this one and reenter. Always difficult to say though after the fact.



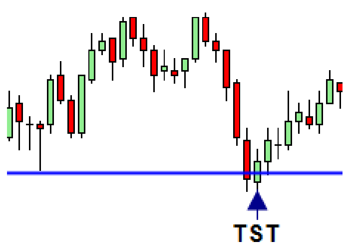


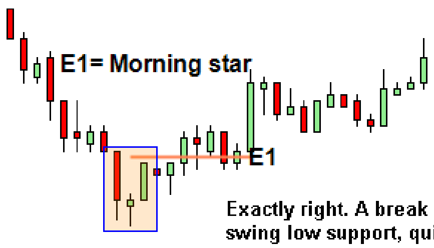
Good. E1 may have resulted in b/even scratch, or loss. E2 a small profit. Hopefully balanced out in the end.



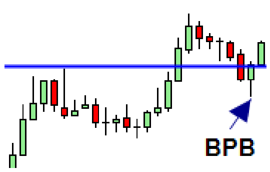


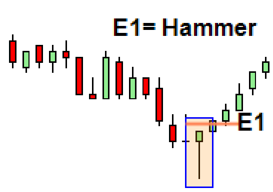
Beautiful
There's not much more can be said about this one.



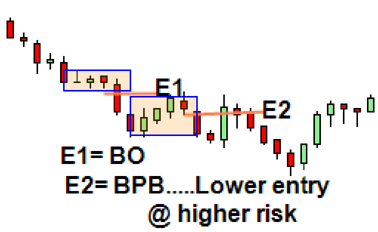


Exactly right. A break below the previous swing low support, quickly reversed.





Beautiful.
A test back below the previous swing high level, quickly reversed, indicating demand at this level.



Difficult to comment here. Trading timeframe price action just shows a grinding downwards move. I'd want to see more 'context' to say whether or not I'd be looking for an entry here.

However, if you assess this as a breakout down, then both E1 and E2 are fine for BPB entries.

How do you determine what type of order to use – Limit, Market or Stop?

Question:

How do you determine what type of order you are going to place once you have figured out your LWP?

It would seem since the trade is based on getting the LWP or better, you would put in a Limit Order.

Answer:

Usually (but not always)...

For an entry above price for long, or below price for short, I'll use a STOP LIMIT entry order. On triggering at the STOP price, this then becomes a LIMIT order at that price, to prevent slippage. Sometimes it does miss an entry though, but at least entry price is controlled.

For an entry below price for long, or above price for short, I'll use a LIMIT order. Once again, this gives me control over the price.

Rarely will I ever use a MARKET order.

How many lower timeframe candles do you wait for, before scratching a trade?

Question:

If I assume the price is having setups, BPB for example, but the price action (momentum and volume) is weak after entry, do you recommend just scratch it? How many candles will you wait to make sure the entry is not valid in one min chart?

Question:

Correct. The setups should move to profit fairly quickly, as they are designed around the concept of identifying sources of "other trader" orderflow. If they don't move quickly in our favor, then it's an indication perhaps that we have incorrectly assessed the other trader actions, and the forces of strength or weakness within the bulls and bears.

So... when we believe the trade premise is no longer valid... we get out (or at least try to work a better exit, if not get out immediately).

To hold the trade in the hope of profiting, when you assess that your edge is gone, is simply gambling. It's better to be out, and allow a reassessment with a clear mind. If you still like the setup, you can always get back in.

How long should it be given though? There is no fixed answer. You should be out when you assess that the trade has lost its edge. This will vary based upon the unique circumstances of every trade.

Having said that, I imagine it'd be rare for me to hold beyond three trading-timeframe candles, if price has not yet moved in my favor.

Chapter 5 – Trade Examples

Why did you not go long at the 1-minute high close bull candle in Figure 5.54?

Question:

Please refer to Vol#3 Page 184 figure 5.51 for my question. On the 1 min chart, I see a weak retracement as indicated by the narrow range bars and lower tails rejecting lower prices. Then there was a high close bull candle that to me looks like a beautiful long setup to be entered above that candle.

Q. I was wondering why you did not consider going long after the close of that 1 min high close bull candle? The only reason I can think of is maybe because T1 would be at the previous swing high which would not be a 1:1 R:R ratio?

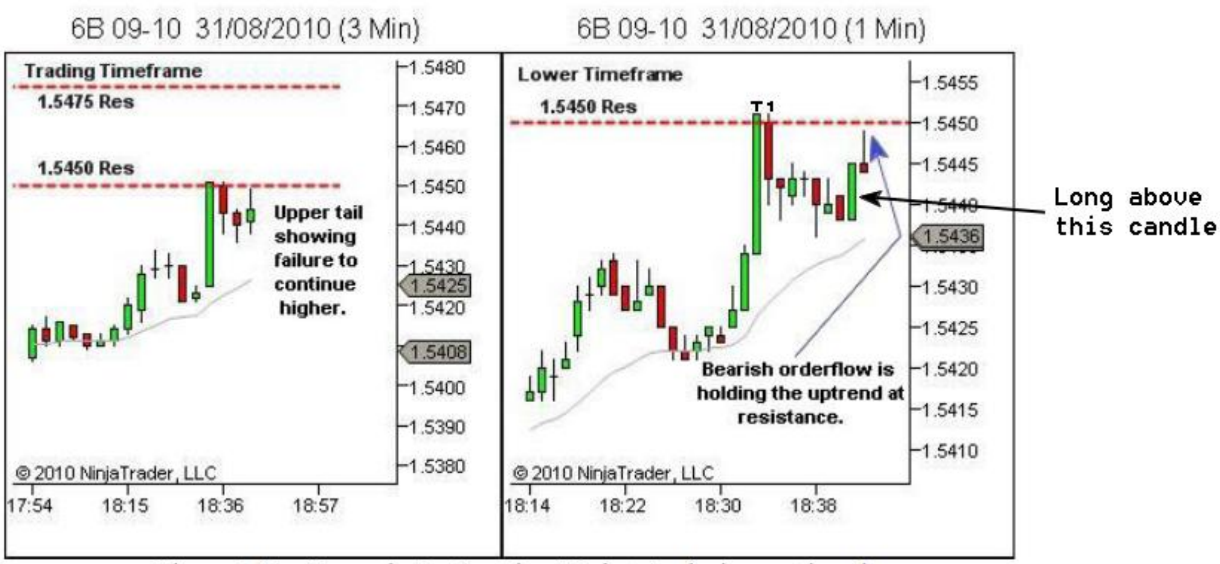


Figure 5.54 – Example 5 – Ongoing Market Analysis - continued

Answer:

Be careful just looking at lower timeframe charts, without considering context and expectations for future price action... you'll find what appears to be opportunity all over the place, which may not have ever been considered during live analysis.

In this case, look to the earlier commentary within Trade Example 5. My expectation, post news release, was for a continuation of the push through the solid area of resistance. However there was some concern at the depth (25 pips range) and potential strength of this resistance area (support turned resistance). As a result I was hesitant to take any long entry right into this area of resistance. I was waiting for (a) primary expectation being a push through resistance, then watching for a BOF or BPB, or (b) secondary being some form of stall prior to breaching the resistance area which would require a reassessment and identification of potential TST opportunity.

Any long entry therefore would not be taken till above the 1.5475 level.

The commentary for Figure 5.53 indicates some concern about the duration of the pullback. This further leans me towards expecting a failure at some point at or within the resistance area.

There's nothing wrong with taking an entry long on the candle pattern trigger which you've identified, IF your analysis suggested continuation long with no concern about the resistance area (it is actually a good PB entry), OR IF you were willing to aggressively manage the trade, scalping a couple of pips on a move back up to resistance, and then moving the stop for the remainder to breakeven.

It all depends on your assessment of future action. With my concern over the resistance area, this long trade did not offer good probability. I could of course been wrong... but that's trading.

Chapter 6 – Other Markets, Other Timeframes

Can you trade quiet markets with the YTC approach?

Question:

I have noticed you mention the open of trading sessions so I would say most of your trading is done at the busy times of such sessions. But can one trade using the YTC principals at off peak times. I asked *(another educator – name removed*) about off peak times months ago and he said "one ought to avoid trading the quieter times as there is not the numbers of traders to defend key areas. Is this so, or can one successfully trade the quieter times using the YTC approach?

Answer:

You've been offered good advice. You should always stick to the most liquid and most active trading times, whenever possible.

The answer to your question though, depends on your trading timeframe. The higher you go, the less you need to consider the daily variations in volume. As an example, people trading the 4 hourly forex charts usually trade around the clock. It's pointless restricting yourself to the UK session (for example), as it's only two candles in duration.

For lower timeframes, perhaps 15 min down to around the levels used in the YTC PAT (3 / 5 mins), then I do recommend sticking to the most active session. This would be the UK session, or the UK/US overlap.

At even lower timeframes, such as the 1 min chart, stick only to the first hour or two after the session open, and after key economic releases.

Questions from Volume Five – Trader Development

Chapter 17 – Taking Action

Can you provide advice for an inability to psychologically manage a position size increase?

Question:

I notice that as long as I am trading one or two contracts, I am doing all right. However, as soon as I increase the number of contracts to say 4 or more, I begin to lose and curiously I happen to lose more or less the same amount that I might have won in last couple of weeks trading just one or two contracts. I realize it's a self-sabotage on my part. Any remedial advice?

Answer:

If time allows... trade the one or two contracts live, then AFTER THE SESSION IS OVER replay the trades in the sim environment (using a market replay tool) using the higher position size. This gives you exposure to higher P&L. In time, you'll become more comfortable with seeing the larger fluctuations in P&L. Providing equity is still rising, it's just a matter of increased exposure builds increased confidence. There's no quick fix. It'll take time.

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...'