lfmyante
Compression

Credits and resources

Please remember that the charts and the concepts presented here are just a quick introdution to Price Action. You can consider all this as a brief introduction to a bigger story, a story that we know as Price Action. If you wonna learn more about Compression, about Price Action, visit the Red Empire threads on Forexfactory.

Price is everything

Price is everything Chat Room

Romancing the price

TIPS

CLICK ON THIS
SYMBOL TO SEE
MULTIMEDIA CONTENTS.

and pay attention to this great resource:

A NEW USEFUL SITE FOR TRADERS
WHIT A COMPLETE TRADING COURSE FROM *IFMYANTE*

NOTE: All the credit goes to Ifmyante, Red, Hometrading, Tyoon, and the other great people who have contributed; on the other hand, all errors are mine, so fell free to pm me on Forexfactory if you find mistakes, bugs, or if you have suggestions or ideas.
WHITEOUT

Abbreviation

A - as a prefix - Ascending
AA- Adam and Adam
ACH - Ascending Channel
AE - Adam and Eve
AWG - Ascending wedge
BE - Break even
BE - As a prefix - Bearish, example: BEACH - Bearish ascending channel
BEB - Bearish engulfing outside bar
BEFL - Bearflag
BH - Bar highs
BNR - Bump and run
BO - Breakout
BOPA - Breakout, pullback and advance
BOPB - Breakout + pullback
BR - as a prefix - Broadening
BRN - Big round number
BU - As a prefix - Bullish
BUB - Bullish engulfing outside bar
BUFL - Bullflag
CH - Channel
CN - Continuation
CP - Compression
CWH - Cup with handle
D - Demand
DBB - Double Bottom

DBD - Drop base drop, descending pole flag pole
DBR - Drop base rally
DBHLC - Double Bar high lower close
DBLHC - Double Bar low higher close
DBT - Double top
D1 - Daily
DD - Drawdown
DM - Diamond
DIV - Divergence
DS - Daily supply
DS - as a prefix- descending
DSCH - Descending channel
DSWG - Descending wedge
DTL - Demand trend line
EA - Eve and Adam
EE - Eve and Eve
EX - Exhaustion
FL - Flag / Consolidation
FO - Fakeout
FTA - First trouble area
FTB - First time back. Followed by 2TB, 3TB etc.
HB - Horn Bottoms
HNS - Head and shoulders
HT - Horn tops
HTF - Higher timeframe
HTFL - High and tight flag (ama-

zing results!)
IB - Inside bar
Ib4 - Inside 4 bar that is the smallest bar of the previous 3 bars
ILR - Island reversal
INV - Inverted
LIL - Long island
LTF - Lower timeframe
M1 - 1 minute
M2 and so on
MMD - Measured move down
MMU - Measured move up
MN - Monthly
PA - Price action
PB - Pin bar
PFP - Pole, flag, pole
PIE - Price Is Everything thread
PPZ - Price pivot zone
RN - Round number
RBD - Rally base drop
RBR - Rally base rally, ascending pole flag pole
RT - Retrace/Retracement
RTP - Romancing the Price thread
RV - Reversal
S - Supply
Shampoo - see HNS
SL - Stoploss
SR - Support/resistance

SRF - SR Flip
STL - Supply trend line
TG - Target
TL - Trend line
TP - Take profit
TPP - Take partial profit
TR - Triangle
TT - Touch trade
TWB - Tweezer bottoms
TWT - Tweezer tops
W1 - Weekly
WD - Weekly Demand
WG - Wedge

Ante

Party*

To understand exactly a scenario, or indeed to read any situation at all on the charts, past present or future,you should look for a certain set of clues.

General: HTF. Know where price is coming from and going to, and the PA past and present in all the TFs, from the Monthly down.

Specific: At the zones you want to trade, look to

Past: study the zone in all TFs, down to M1 ask yourself

- Where were the decisions made? Clean S/D? Mark these lines. No clean S/D? - compressed zone
- Did price really shoot away form the zone, or did it CP away?
- Did the zone itself react at the right place? Look beyond the zone further into the past. See what it reacted to. Was there a better S/D nearby that price wants to visit? This explains many fakeouts.

Present: Approach. How is price returning to the zone?
Where's the nearest flag in the TF you want to trade? This is your tg1 in this TF. Flags in the LTFs? What does PA tell you?
Has price tested the last flag on approach? (good sign)
Has price compressed into the zone in this TF or LTFs? (good sign)
Is there big news on the way? Has there just been big news?

Reaction: In LTF, does price react violently to the first decision point? Does it quickly engulf the nearest S/D? (good sign)
Does price simply CP away? Maybe it wants to go to the next decision point
If the first decision point breaks, watch the signs on approach to the next, and, of course, reaction.

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* Past, Approach, Reaction, Thank You!

Compression

definition   by Ifmyante

We talk about compression when price taking out last decision point and the orders that where left there.

charts

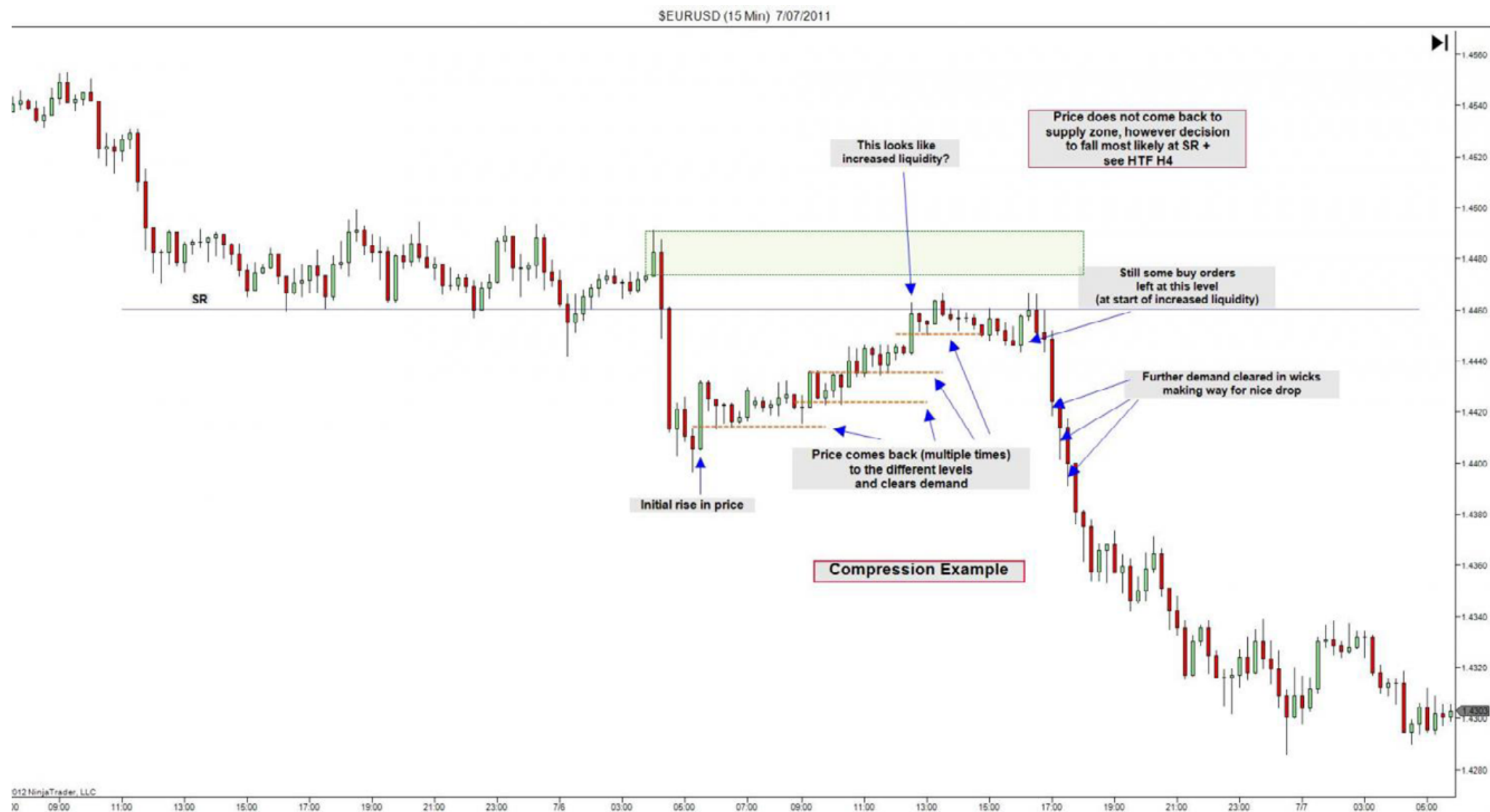This may go higher, but until that decision is made, this is all I can definitely take from the trade

LQ

CP

Besides, an H4 IPB is forming atop all this CP. Shame I've got to go out and miss some poss great action

Spread = 1.8

EURUSD,M1

41713 1.41836 1.41713 1.41804

see the last two candles? a momentum candle with a wick, followed by an indecision candle. compaired to the previous three tests does this look like rejection or a possible continuation/break?

A big clue here is all the CP on the way down

momentum... price wants to get somewhere

LQ

Jul 15:05   19 Jul 16:25   19 Jul 17:45   19 Jul 19:05   19 Jul 20:25   19 Jul 21:45   19 Jul 23:05   20 Jul 00:25   20 Jul 01:45   20 Jul 03:05   20 Jul 04:25   20 Jul 05:45   20 Jul 07:05   20 Jul 08:25

ISD.M5 1.41789 1.41806 1.41753 1.41784

$EURUSD (15 Min) 7/07/2011

This looks like increased liquidity?

Price does not come back to supply zone, however decision to fall most likely at SR + see HTF H4

Still some buy orders left at this level (at start of increased liquidity)

SR

Further demand cleared in wicks making way for nice drop

Price comes back (multiple times) to the different levels and clears demand

Initial rise in price

Compression Example

$AUDUSD (60 Min) 16/12/2011

$AUDUSD (15 Min) 12/12/2011

CP

Clearing demand at
each step and in between

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Compression

an explanation by Red*
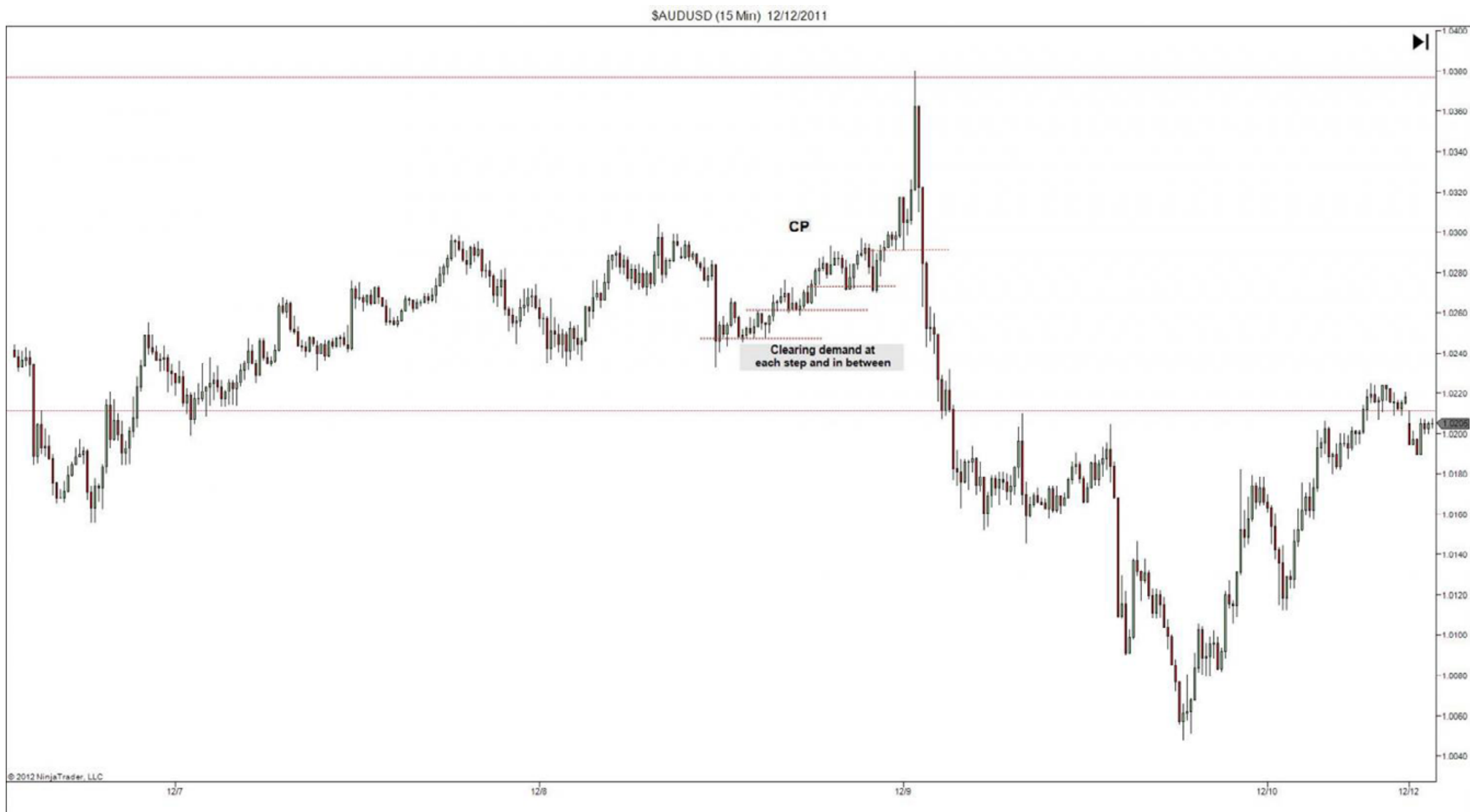
Lets put an end to whats compression (otherwise known as a finishing triangle) and what not compression. Noticed some confusing comments and charts lately with regards to compression. So, below is an entry from the past to clearly identify the PA

Firstly, we look left and notice a supply zone - supply zone identifed simply by noticing prices fell hard from there before, therefore sellers exceed buyers.

Now we wait for PRICE ARRIVAL

* As i know, Red was the first who have talked about CP, so **all the credits goes to him**. Then, why don't put his charts firstly ? Because his audience on PIE was generally skilled, he was talking to expert traders, that don't need so much explanations. On the other hands, the charts of Ifmyante and the charts presented here are more "noob" proof, so study on them before all. In detail, seems that the "spiking" is the most complicated part of the story for inexperienced trader. "Where the hell are the spikes ? I don't see any spikes on your chart" was my first question to Ifmyante; well, remember that you have to understand the dynamics of price in LTF that produces the spikes on the HTF, and never ever forget that candles are just a representation of what happened to price over a given time - your broker time, not the PA itself, so always looks at the dynamics of the PA, and remember what CP represent: "price taking out last decision point and the orders that where left there".
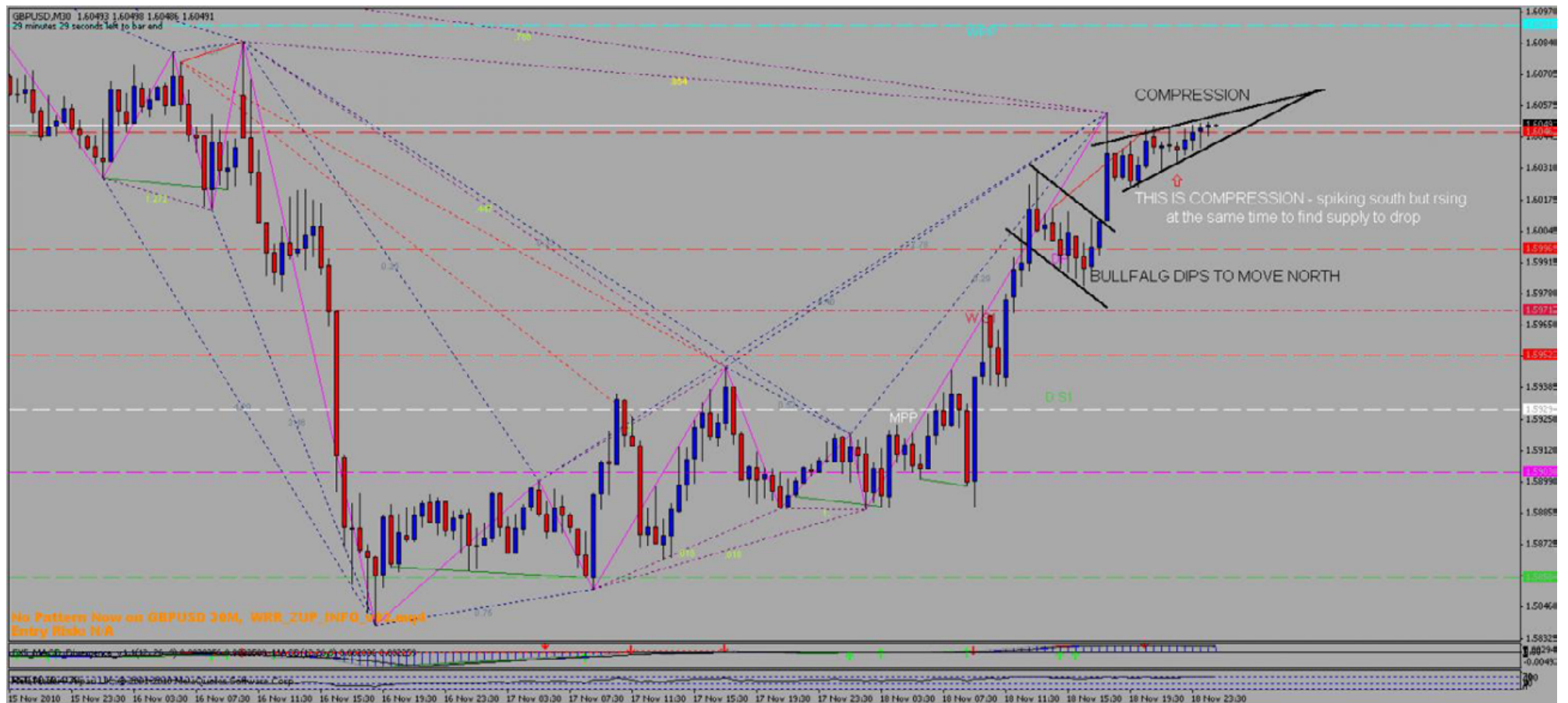
.... ok, now price arrival to zone. But notice the manner in which it approaches - its spiking south WHILST RISING .... what does this mean?
Rising to find supply, spiking south is doing several things @ the same time. Prices are finding small pockets of demand and testing them to rise to supply. So, as its spiking south its also consuming those small pockets of demand therefore the path south is begin cleared of demand @ the same time!
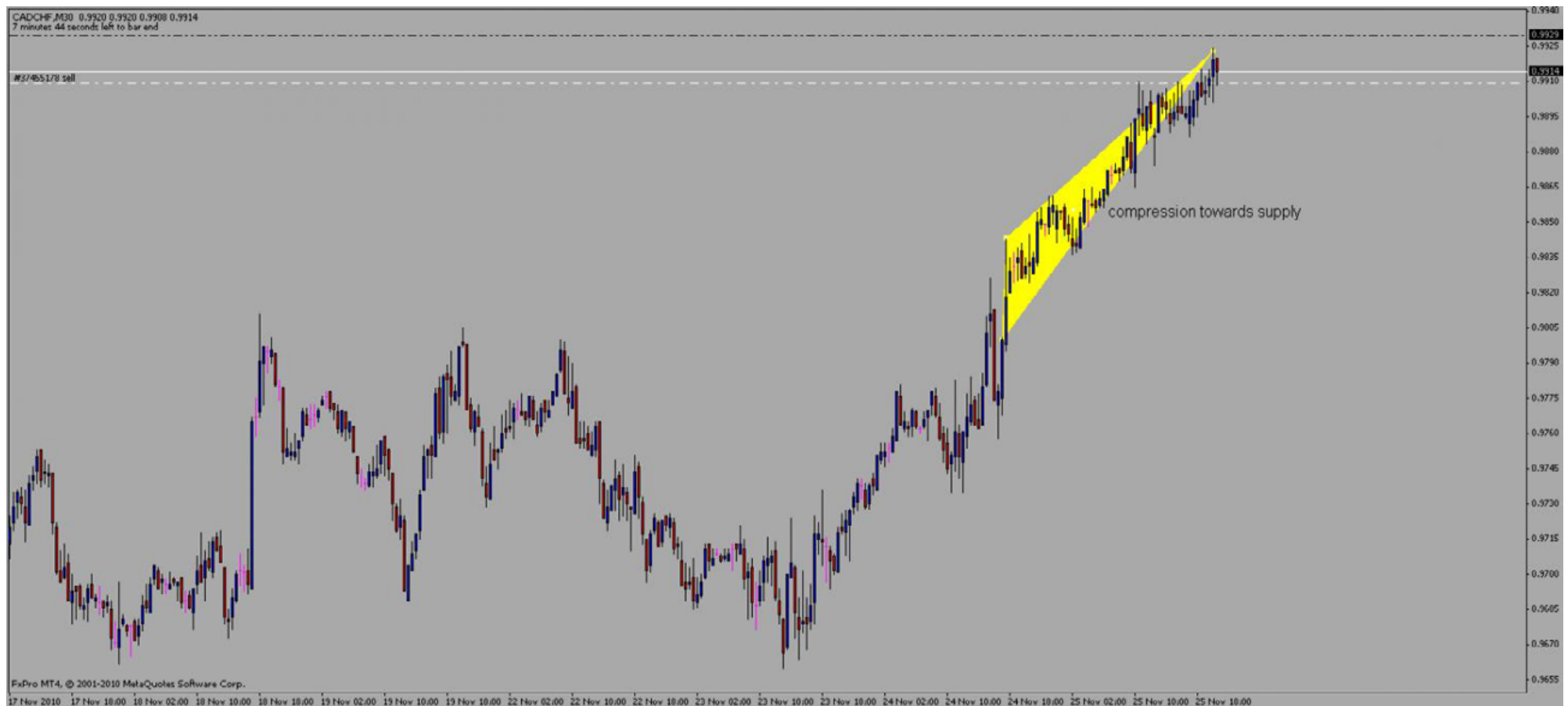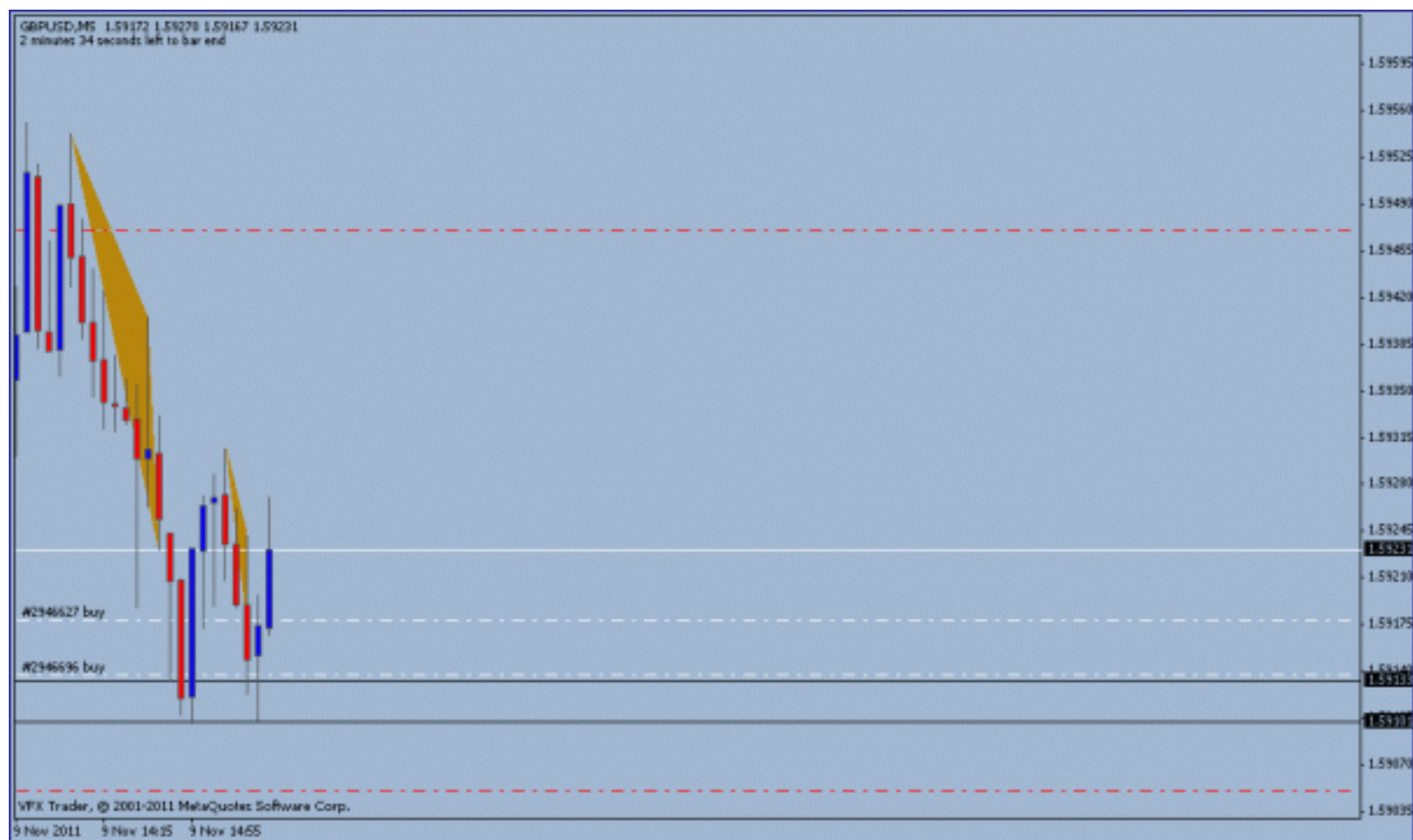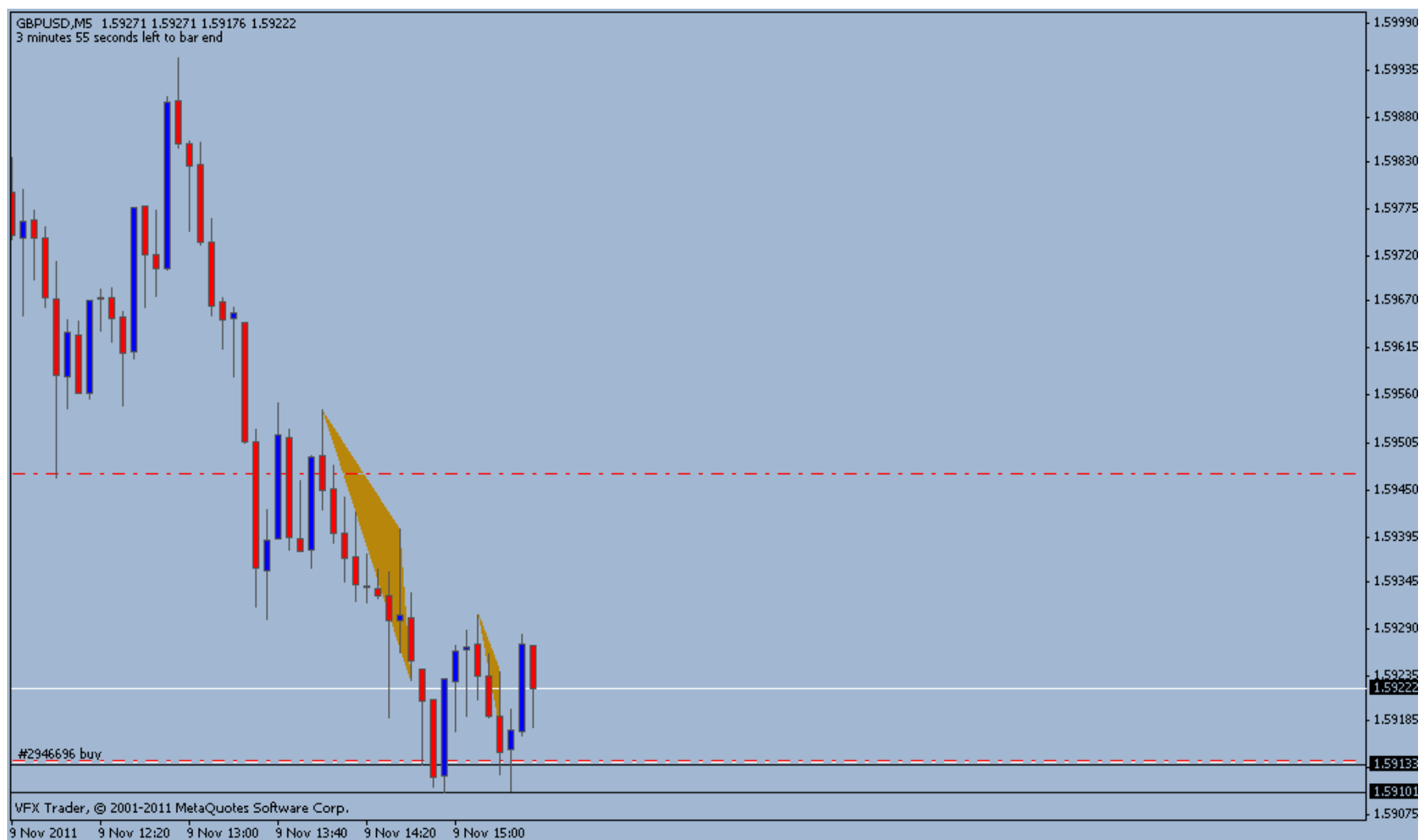
PA watch and entry, ok now look @ the result. Notice how the bears that dropped through the compressed zone are large and clean suggesting no demand or resistance, reason? - the demand was already consumed by the SPIKING SOUTH ON APPROACH TO SUPPLY ZONE .... this is why l have stated often - PRICES THINK AHEAD OF TIME, prices already decided to turn because prices cleared the zone of demand by spiking south before they reached supply clearing the path south for the bears........... so there it is.
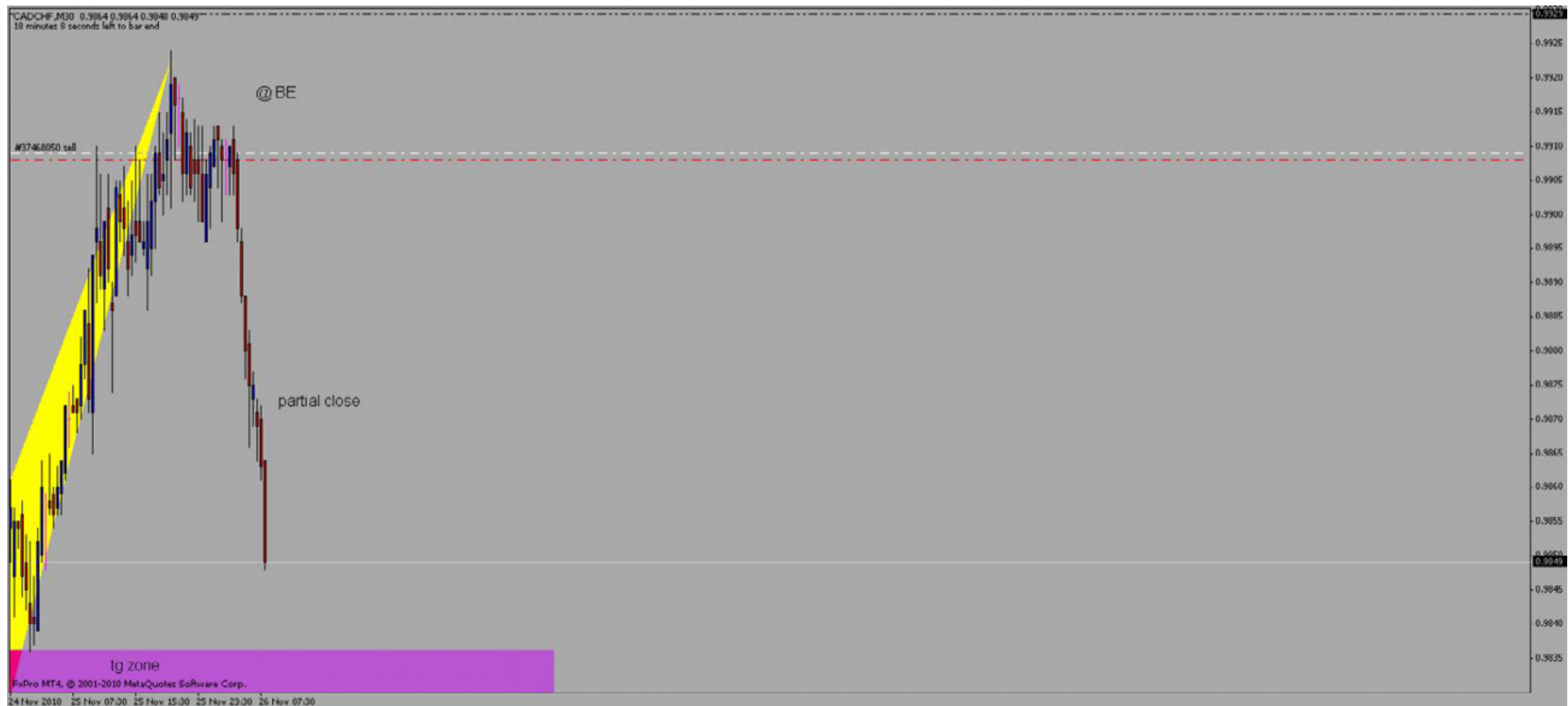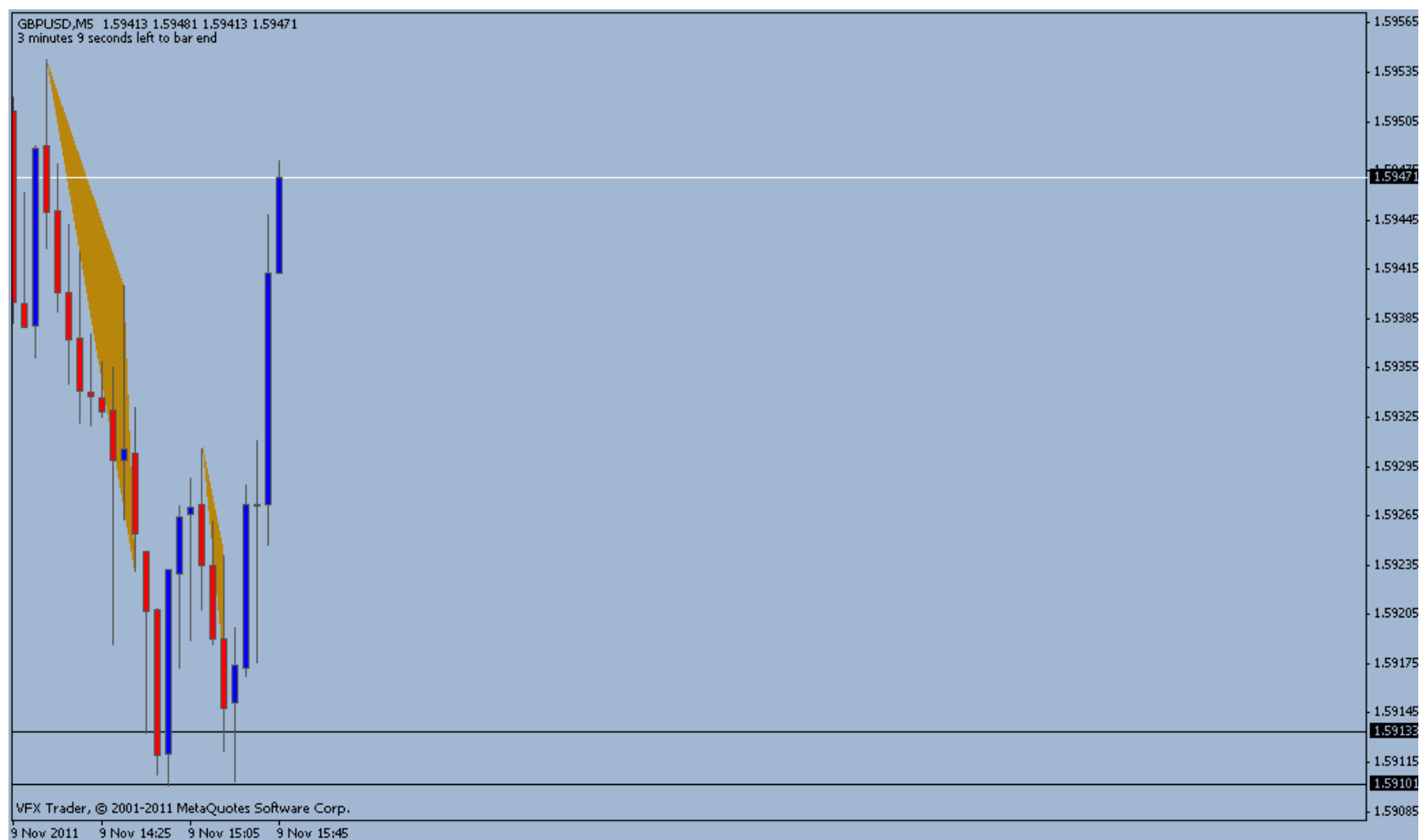
another example - some of you have been confusing flags for compression. Why does a BULLFLAG DIP? Its dipping to consume sellers @ a given level, once the sellers have been consumed, the flag is complete and prices can advance - no mystery. Then prices leave the flag to advance, then once prices reached supply, the approach to the zone there was compression, so l sold it

GBPUSD,M5 1.59271 1.59271 1.59176 1.59222
3 minutes 55 seconds left to bar end

1.59990
1.59935
1.59880
1.59830
1.59775
1.59720
1.59670
1.59615
1.59560
1.59505
1.59450
1.59395
1.59345
1.59290
1.59235
1.59222
1.59185
1.59133
1.59101
1.59075

#2946696 buy

VFX Trader, © 2001-2011 MetaQuotes Software Corp.

9 Nov 2011   9 Nov 12:20   9 Nov 13:00   9 Nov 13:40   9 Nov 14:20   9 Nov 15:00

Compression

a video by lfmyante

A quick video on CP and the importance of finding the Drop Base Rally that creates an SR flip.

Compression

study on breackout by Tyoon

Price compresses up/down then pulls back from hitting a resistance/support|sup/dem and balances out before an advance in the compressed direction.
The res/sup|sup/dem usually comes from a higher TF.. this would normally make me biased for a reversal.. but when you watch the PA unfold you see that actually price wants to carry on.. also keeping in mind of where price came from. For example, if price has only just left a 4H demand zone and it hits 30M resistance.. the likely scenario here is that the 4H demand is more powerful and will break the 30M resistance.
These are some structures that I have found to have happened in example of this scenario.
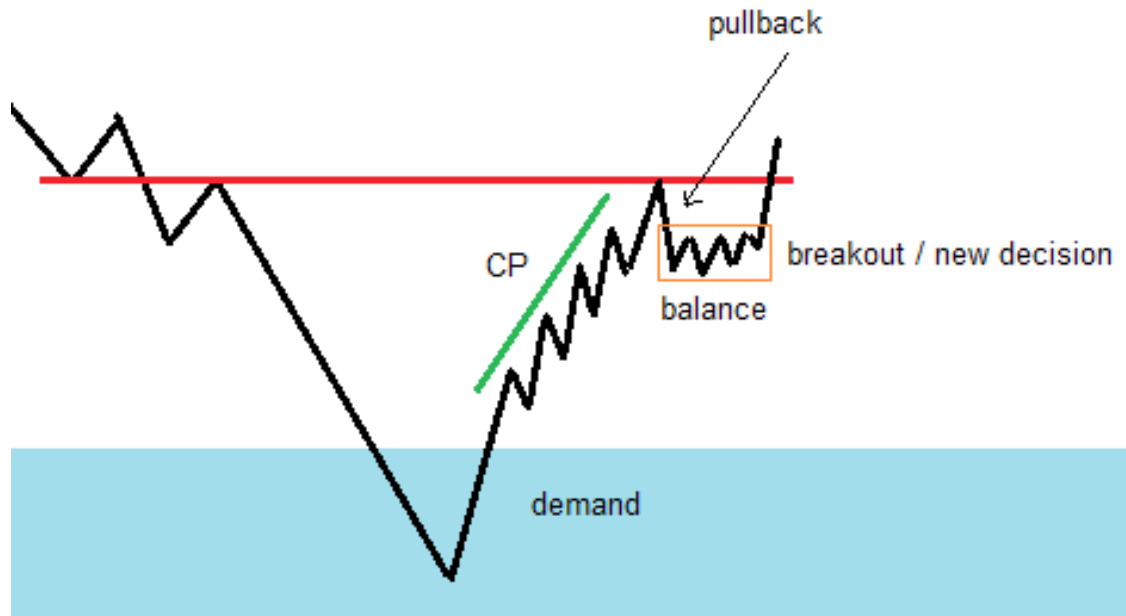
EURUSD,M5 1.43503 1.43665 1.43502 1.43647

reaction to resistance

spikes north.. weakening the sellers.

S

D

balance between S and D.. it needs to
decide to break north or south.

19 Apr 2011   19 Apr 13:55   19 Apr 15:15   19 Apr 16:35   19 Apr 17:55   19 Apr 19:15   19 Apr 20:35   19 Apr 21:55   19 Apr 23:15   20 Apr 00:35
EURUSD,M5 1.43503 1.43665 1.43502 1.43647

EURUSD,M5 1.43503 1.43665 1.43502 1.43647

price left the zone
compressed

krept and broke out

19 Apr 2011   19 Apr 13:55   19 Apr 15:15   19 Apr 16:35   19 Apr 17:55   19 Apr 19:15   19 Apr 20:35   19 Apr 21:55   19 Apr 23:15   20 Apr 00:35
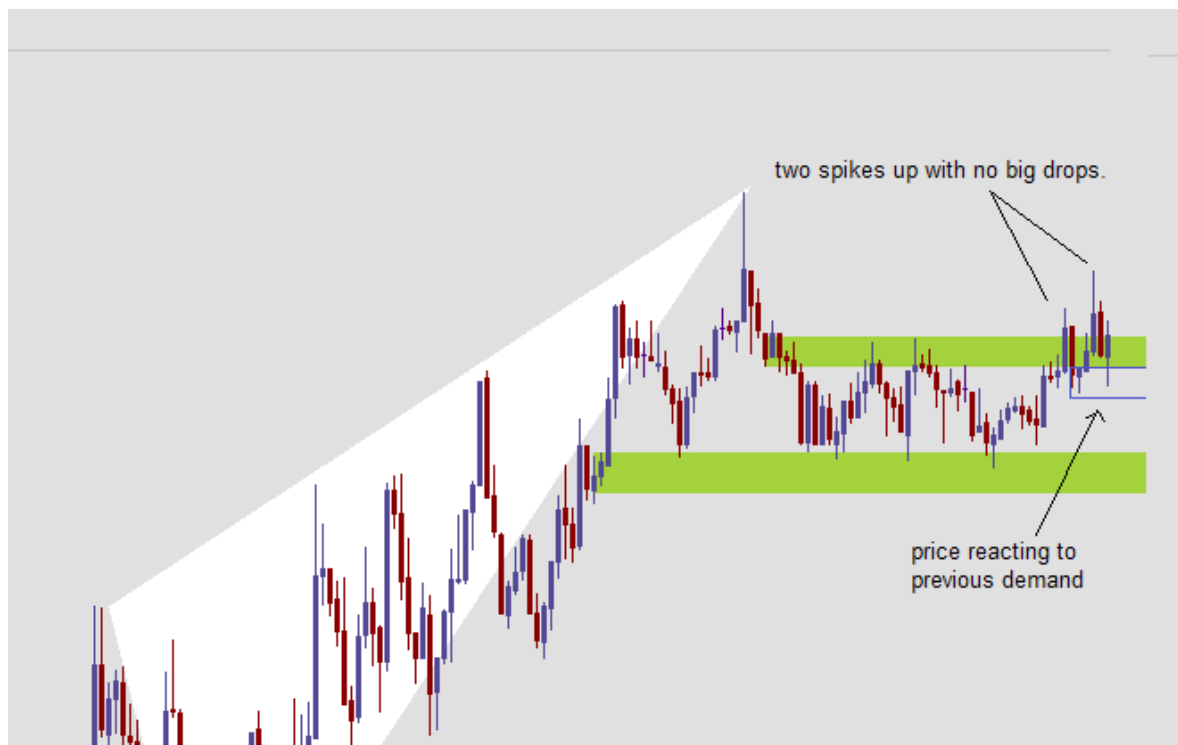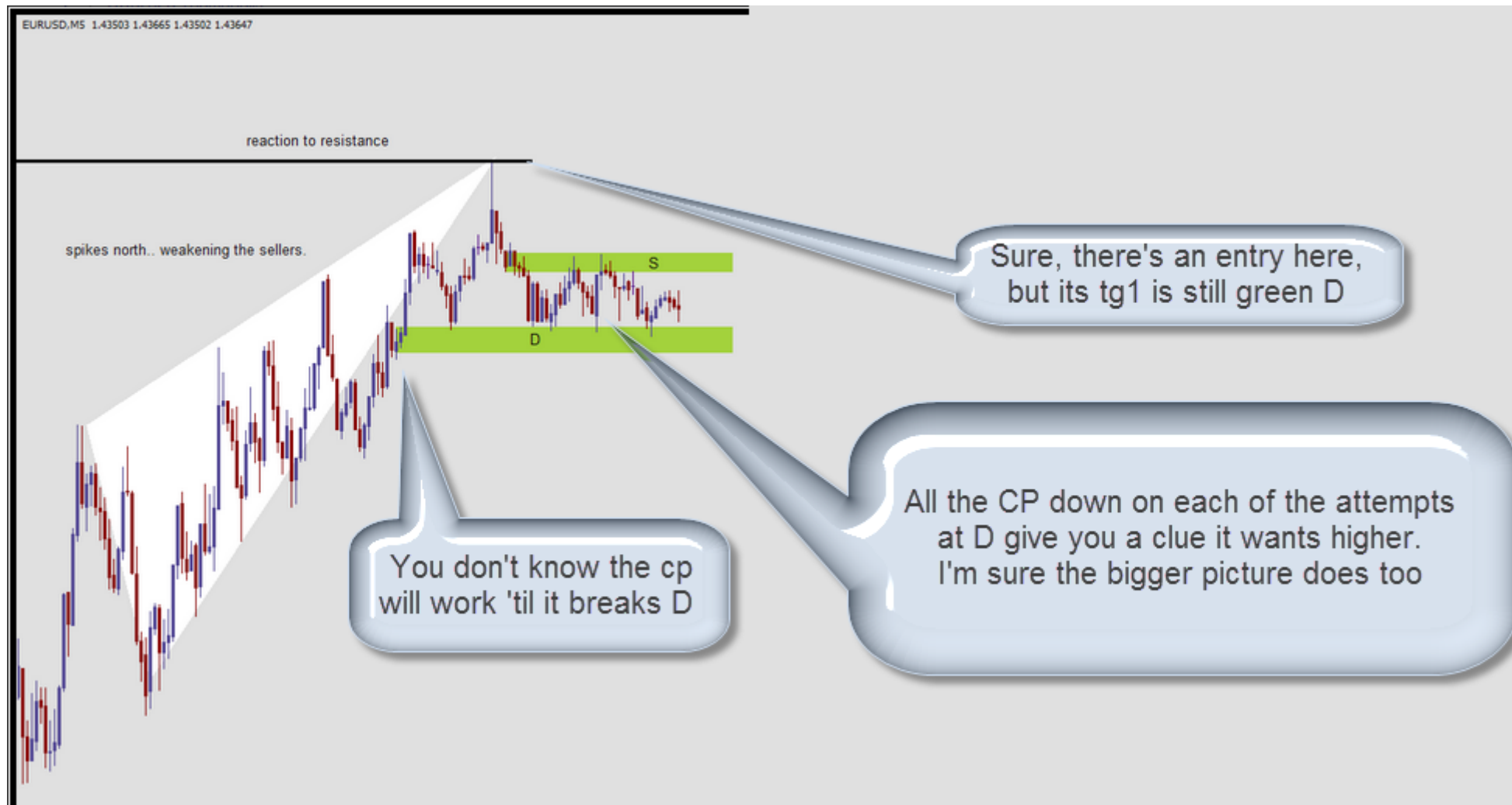EURUSD,M5 1.43503 1.43665 1.43502 1.43647

two spikes up with no big drops.

price reacting to previous demand

break out and new decision has been made.. thus a new demand has been made.

EURUSD,M5 1.34983 1.35017 1.34974 1.35017

price had hit into resistance

CP north.. price weakening the sellers..

14 Feb 2011   14 Feb 14:05   14 Feb 15:25   14 Feb 16:45   14 Feb 18:05

EURUSD,M5 1.34983 1.35017 1.34974 1.35017

price has found demand and CP north

14 Feb 2011   14 Feb 14:05   14 Feb 15:25   14 Feb 16:45   14 Feb 18:05   14 Feb 19:25   14 Feb 20:45   14 Fe

EURUSD,M5 1.35017 1.35017 1.34974 1.35017

ignored supply becomes supply

D

price is trapt between two zones.

14 Feb 2011   14 Feb 14:05   14 Feb 15:25   14 Feb 16:45   14 Feb 18:05   14 Feb 19:25   14 Feb 20:45   14 Feb 22:05   14 Feb 23:25   15

price flags and creeps again
previous supply.. if it breaks the
only thing left to keep it down is
the ignored supply

got demand

price makes a decision
to break into CPd
ignored supply with
hard momentum

CP tells us where price wants to go.. price
CPd up two times leading our attention north.

A note of Iᴏᴍʏᴀɴᴛᴇ: If price flags atop a cp zone, nothing is valid 'til the flag breaks, one way or the other.

End

[22 May 2012]