Ratios & Harmonics

A Different Way to Trade

all credit for this trading system belongs to Mr. Pip (Damian Castilla)
content adapted from members' posts on Forex Factory
(Jan 31 – Mar 2, 2016)

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Preface

Hello Traders,

I'm Mr. Pip. I am a full-time trader and trade ratios and harmonics. I'm starting this thread with the purpose of providing some insight on the topic of ratios and harmonic trading.

I understand this is an advanced method of trading but let's not let that affect our ability to learn from this style of trading. I will not be providing you with any resume as to how long I've been trading nor will I be answering questions about my results, how many pips I make per week and all the other questions that follow suit. Let's understand that my result will not be equal to yours and therefore are irrelevant to the purpose to this thread.

Results have more to do with the trader then the system traded. You will either see value or you won't. If you do great stick around and we can learn from each other. This is a never ending journey and learning should always be #1 on your priority list.

This system is based on price action, ratios and harmonics. NO indicators will be added or used. Please do not post any as they are not part of this system. All traders and their ideas deserve the utmost respect and that is the only rule for now.

As I mentioned I am a full time trader and my focus will be to my trading first. I will after my trading is finished for the day come here to post and answer questions. Please let me know if there is an interest in harmonics and ratios so I can continue on our journey.

I welcome and call out all harmonics and ratio traders to participate and post. I wish everyone the very best in all your endeavors.

Best Regards,
Mr. Pip

1. Ground Rules and Objectives

Here are the ground rules for the training ahead. I will ask that everyone follow them as it will make it easier on me to help you and there is a lot to cover so we don't need to get side tracked. I will present it to you in the order by which it is used. This way you can learn the proper sequence and how to apply what has been learned.

1. No posting of any material that is not related to the lesson of the week.
2. Posting will be limited to the DOW Futures or the EURUSD 15M period. What I will teach you is relevant to any time frame or instrument but for the sake of continuity and to make my life easier that is what we will work with.
3. The weekly video with be uploaded to YouTube on Sunday and the link will be posted in the thread like the videos in the past. Also with the video there will be a post on the lesson.
4. I want to see as much participation from everyone as possible. Remember, this is your opportunity ask questions and to post your work for review. This is not a one way highway. I want to see if you are getting it. Opportunities like this do not come often or at all. DON"T WASTE IT!
5. DO THE WORK! Laziness will keep you where you are. The Market will not wait for you to catch up and neither will I.
6. Have fun.

My trading objectives are as follows:

- To maintain situational awareness at all times.
- To exploit trading opportunities in the direction of market order flow and against the direction of market weakness.
- To stay profitable and maintain discipline
- Keep it simple and follow the trade plan
- To accept responsibility for whatever happens.
- To be better then the person or entity I'm trading against. To be the best!

I believe that if you embrace your trading with these core objectives and a solid approach you can reach any performance goal you set out to achieve. We are a package deal. To be in the top 10% you must have a solid trade plan, a solid money management plan and be in total control of your emotions. You need all three to achieve longevity. This is a business not a hobby.

And remember that we cannot control market direction but we can control our response to the market.

I will now teach all of you how to properly read a price chart. No longer will the market appear random, the noise will disappear and you will find control where most see ciaos. Once you master these steps you, will find yourselves privileged and in a place very few ever find in what we do.

After you can process the information the chart is giving you, you become an empowered and efficient machine that takes actions based on skill and facts. You will know immediately when a setup has strength or weakness and most importantly your trading will hit the next level. It does not matter what your setup is what system you use because I will show you the tools that are going to let you know how and when to take that trade and your profitability will improve dramatically.

It took me years, blood, sweat, tears and much sacrifice to figure this all out. I had no short cut. I am your short cut, I will shorten your learning curve. So put in to this what I have and I promise you that one day you will find yourselves as blessed as me. My payoff is to see you succeed so be honest with me and yourselves. We are going to be completely transparent and provide feedback and your stories of success and failures. I have always been 100% honest with you I expect the same in return. We will see the good, the bad, and the ugly. I have a commitment and when I return I will write the post on lesson one and upload the video.

I hope you are ready for this and I hope you told everyone.

2. Structure Analysis

Let's get started! The first thing I want you to is to get rid of all of the indicators from your charts! One you learn to process the information that is on a price chart they will offer you nothing that you should not already know. I will teach you how to trade from the right side of the chart where price has not printed yet. Indicators can only tell you what has already happened. They have 0 predictive value and therefore cannot offer you any help. This very lesson alone will have you aligning yourself with what price will do moving forward with over 70% accuracy that means that your trading should improve dramatically. So here we go!

Structure Analysis

Structure Analysis is the foundation to proper chart reading. It is also by far the most neglected component to technical analysis among traders. Market Structure is how the chart speaks to us technical analysts and lets us know with very high degrees of probability where it wants to go next. It is our job to pick up on these clues to properly and accurately forecast where the market is heading.

Contrary to the beliefs of many of my colleges the market is not random and forecasting its future path with accuracy is completely possible.

Market Structure is much more then horizontal lines that indicate Support or Resistance or on a more complex level areas of Supply and Demand. This is where novice technicians seek to identify imbalances between the two and where they fall prey to the highly skilled 10%ers.

Performing proper and meaningful Structure Analysis in tells the proper identification of certain structural landmarks, the relevance of those land marks and the proper expectation that derives from the combination of these three components.

Supply and Demand or Support and Resistance have nothing to do with structure analysis. I will address this later.

I use four basic descriptions to identify the structural landmarks I am particularly interested in. These landmarks assist me in forming expectations for price to follow. These four basic landmarks and the respective expectations that should follow are:

1. New Structure High (NSH) – This is a new high in a price swing and forms from an impulse leg or move up. This is a clear message that the market intends to move higher. The expectation from this is for price to correct or as some would call retrace into the next expectation.
2. Higher Low (HL) – This is an expectation from a NSH and is known as the retracement, correction or the corrective swing. This is how the market confirms to us that it indeed wants to move higher. The expectation from this is another impulsive move into another NSH.
3. New Structure Low (NSL) – This is a new low in a price swing and forms from an impulse leg or move down. This is a clear message that market intends to move lower. The expectation from this is for price to correct or retrace into the next expectation.
4. Lower High (LH) – This is an expectation from a NSL and is known as the retracement, correction or corrective swing. This is how the market confirms to us that it indeed wants to move lower. The expectation from this is another impulsive move into another NSL.

It is vital to have and trade with expectations as they keep you in line with the strength of the market as well as with proper order flow. These basic expectations of Structure Analysis alone will help you forecast with a very high degree of accuracy where the market intends to move to next.

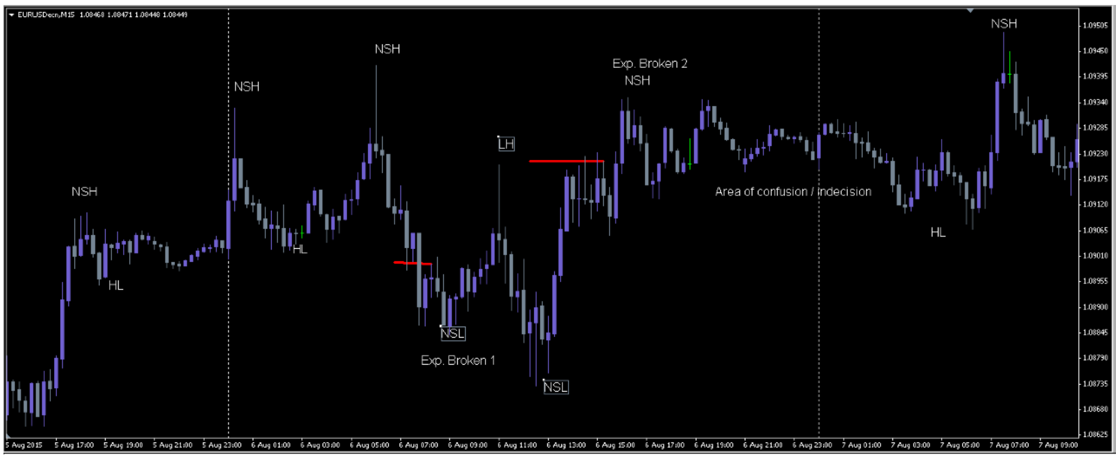
Here is a video that demonstrates this process and its accuracy. As always please comment and post on the content and start showing me your work.

[Video 1: Structure Analysis]

Proposal by Tim Welch

OK, here's my chart. I'm on EURUSD 15m. I went back to August 5, because I think we're all going to be posting nearly the same chart otherwise. If you want me to post recent chart, I will.

- 11 noted expectations; 2 were broken.
- So 9/11 = 81.81% successful expectations hit.

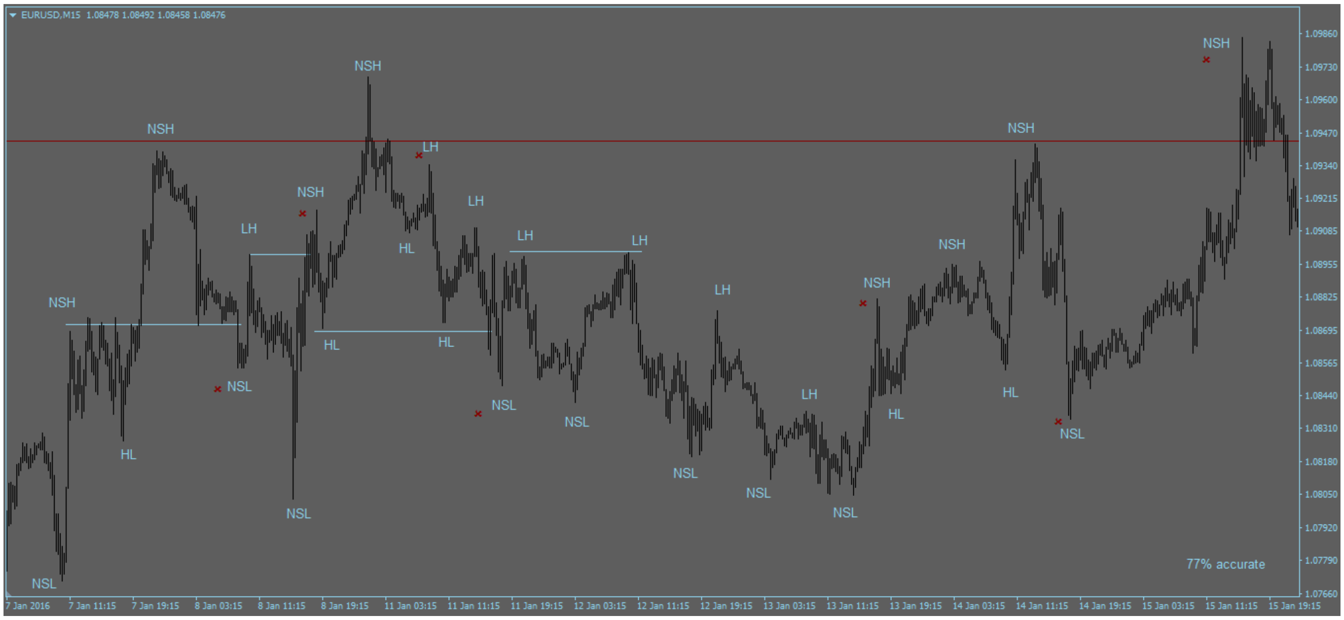


I labeled what looks to me like an area of indecision, which is why I didn't mark more breaks of Expectation. This is all about patience and reading order flow (which you will get into later) and that was why I held some patience in marking more in that area.

Mr. Pip's Response to Tim Welch

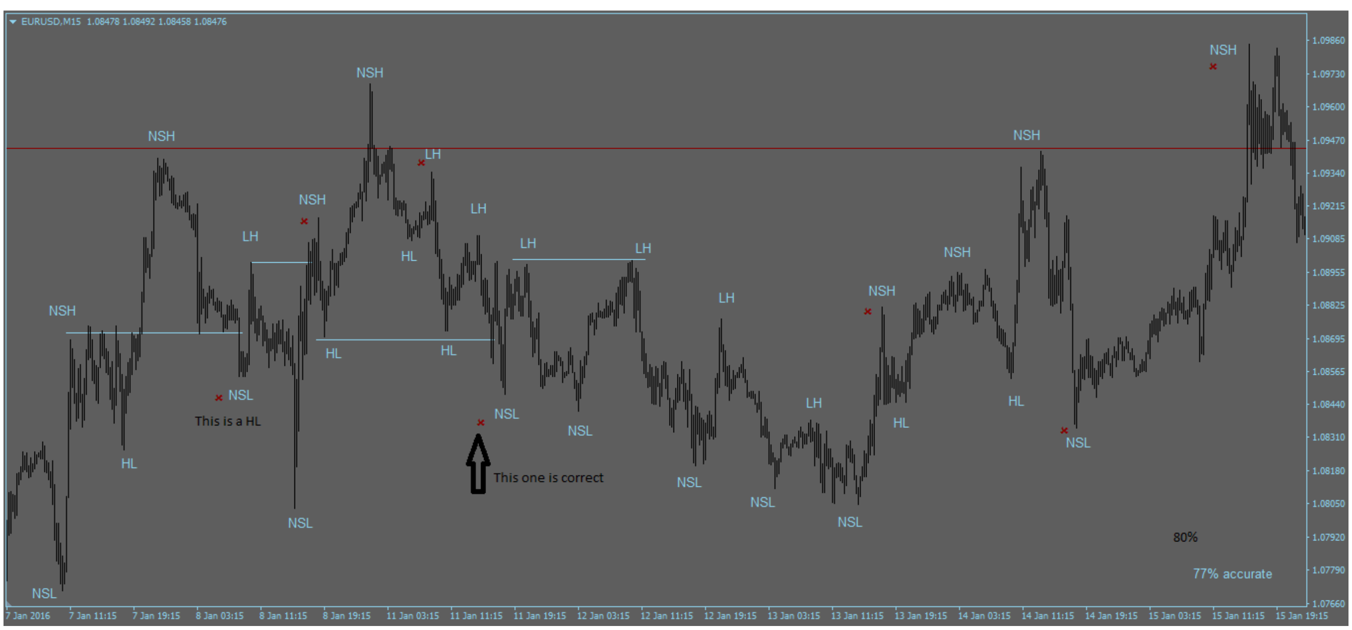
Well done Tim. I believe I forgot to mention so everyone need to read this post. The tails are not important. What is important here is the close. To achieve a NSH or NSL we must achieve a higher or lower close. The tails don't create a NSH or NSL. you did fine but I want to make sure that is clear to everyone.

Proposal by Alex C.

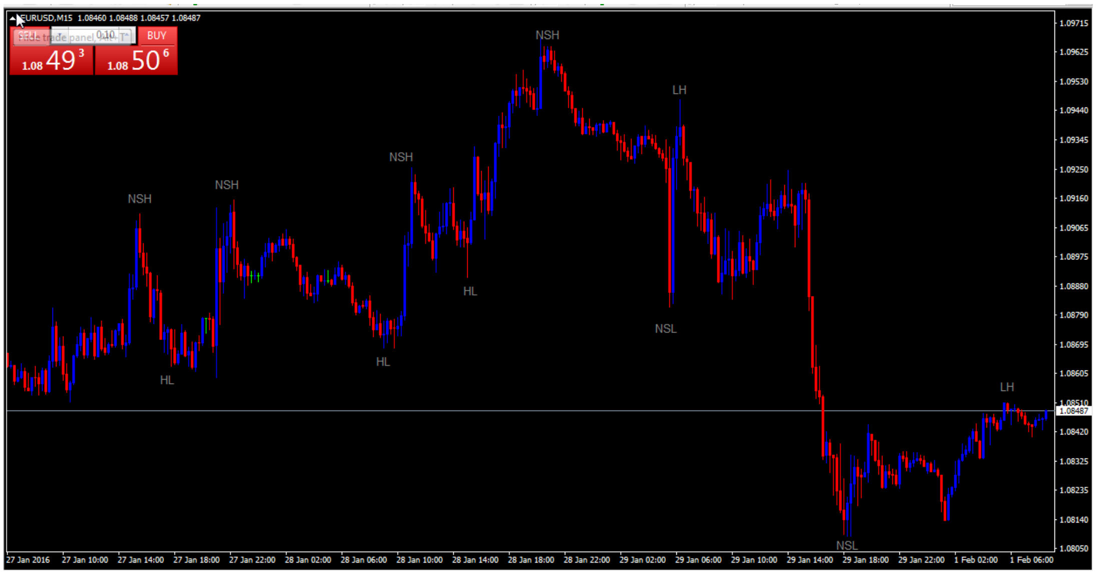


Mr. Pip's Response to Alex C.

Alex Nice work keep practicing you made a couple of small errors but it wasn't a big deal.



Proposal by LosserTrader



Mr. Pip's Response to LosserTrader

Well done; as it stands 91% only one failed. Practice some more get intimate with the swings and the expectations.

Proposal by c49

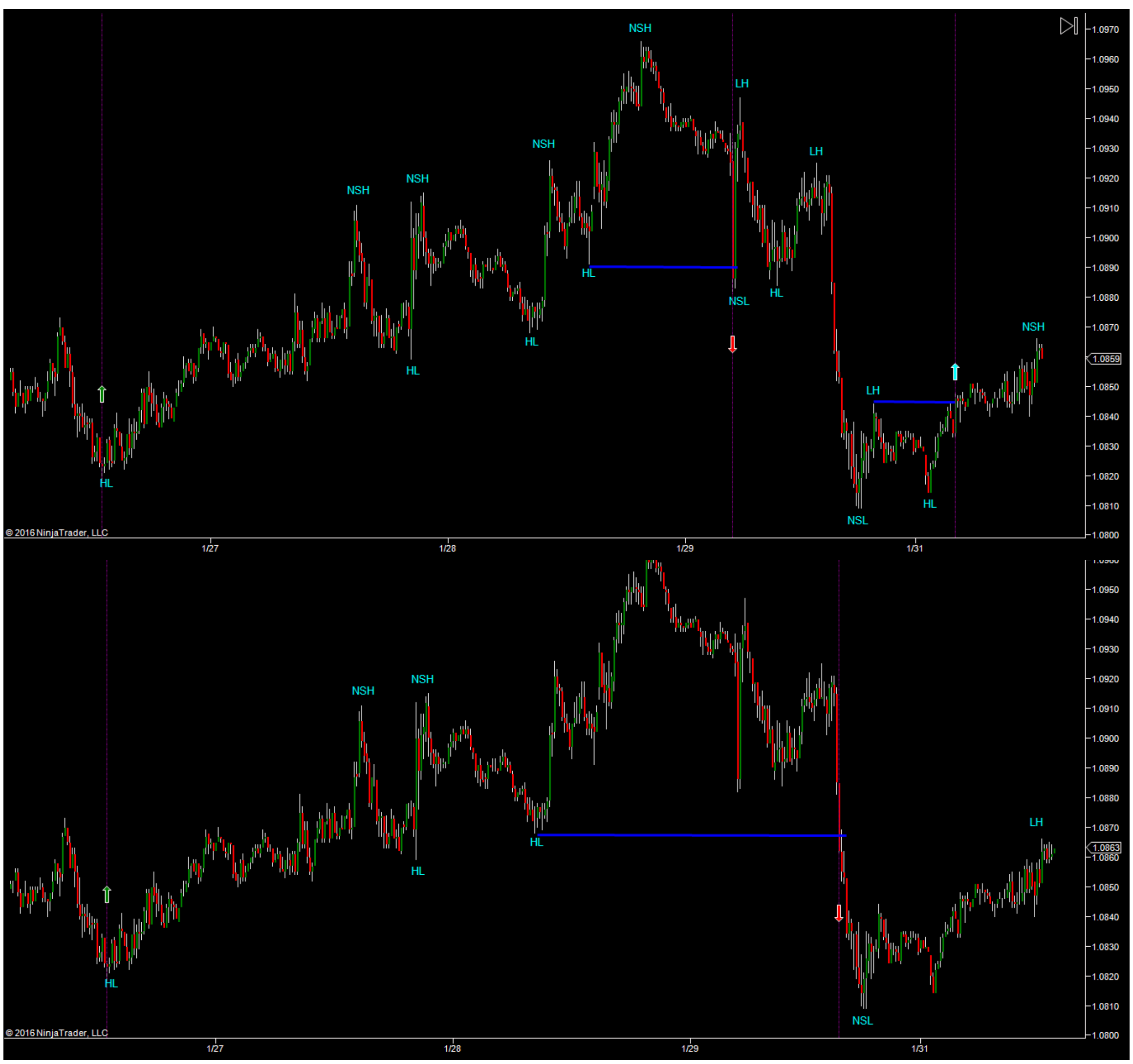
How would you count that railroad track , probably caused by a news event (would you skip it?) , not that it matters not much in the overall picture.

Mr. Pip's Response to c49

I would have counted it just as you did your expectations played out 86% of the time. Are we starting to see the tremendous power this adds to your trading. I've just given everyone here a crystal ball that sees the future path of price. Is the randomness of the market starting to disappear yet?

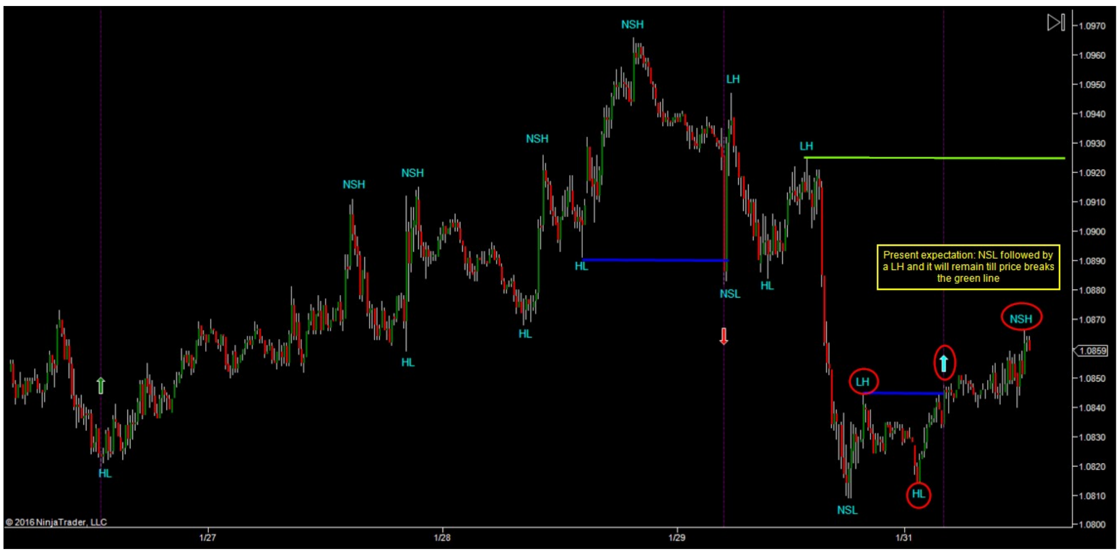
Proposal by HovedGuy

Could you tell me among the 2 charts which one is correct, cause each of them are giving opposite current expectations. Or it doesn't matter as we will end up at the end of bigger wave as same expectation? Hope I am clear To sum it up, will you draw LH in bullish expectation and HL in bearish?



Mr. Pip's Response to HovedGuy

Your first chart is much better. On the second chart you disregarded important swing. Sometimes it gets a bit trick but sooner or later price always tells you where it want to go. Label it as you see it then take a step back and ask yourself what does this mean to my current expectation? Has something changed? Your answer should be clear and so should your course of action. We will get to that soon. Just keep labeling.



2nd Proposal by HovedGuy (Confirmed)

Thanks, will keep practicing. And here's the correction on 1st chart where I was wrong.

Proposal by Mr. Burns

A question regarding NSH/NSL: NSH = close above previous NSH wick and vice versa for NSL?! For example if price close above previous NSH close but not above previous NSH wick, do you consider that a retest?

Mr. Pip's Response to Mr. Burns

Very nice chart! The tails in this type of analysis are not important it's the close that matters. What did price achieve? What it achieved is where it closed if it was higher then it was a NSH if lower a NSL. We go from close to close.

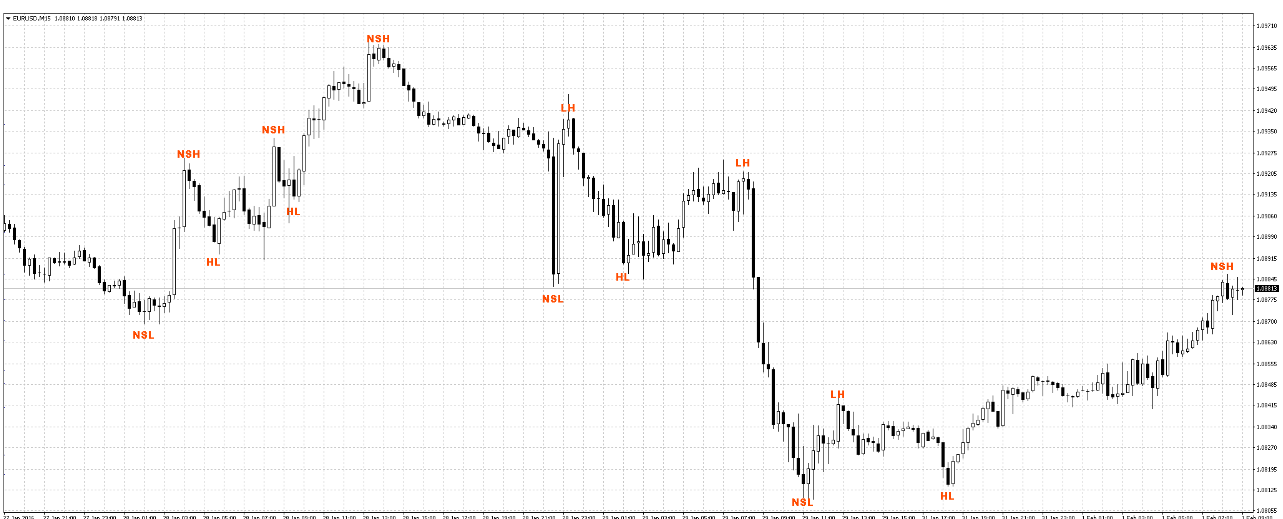
Not Random and Unpredictable

Okay Traders,

How has this lesson opened your eyes? Has this simple lesson changed the theory most people have that the market is random and unpredictable? Everything we need to know to make our decisions on right there on the chart in front of you. once you learn to read there will be no stopping you.

Proposal & Question by Sanderov

Here's my Proposal, the prices on the right are just an increasing slope, so there's no reasonable structure to that.



A question to Mr. Pip, you mentioned:
" The tails are not important. What is important here is the close. To achieve a NSH or NSL we must achieve a higher or lower close. The trials don't create a NSH or NSL. you did fine but I want to make sure that is clear to everyone. "

Why the close? The close is just a single sample of the price. I know the Low and the High are the extremes of the price in time; so is the close a non-extreme compromise?

Mr. Pip's Response to Sanderov

The close is what price was able to put to stone. It is the price level it was able to hold on to. If it was higher then NSH is not LH The tail is a more subjective measure of this process.

Concern of Evocpy19

Since we expect "after a NSH comes a HL and then again a NSH,....(until expectation is broken)", a trade in the area of Box 1 would have made trouble to me, since I would have interpreted (without hindsight) the swing in the middle of Box 1 as the "HL". I would have probably entered a buy at that point (RR is not favorable, since high SL). However, this would have caused stress (direction of SL). However, with hindsight we see a new valid "HL" which triggers again the idea of NSH. Hence, I would possibly have entered a buy.
I do not know how to label the swing in box 2, since it depends which "HL" is taken into account (Level of detail). The narrower interpretation would have triggered that at the red line, the trend is broken.

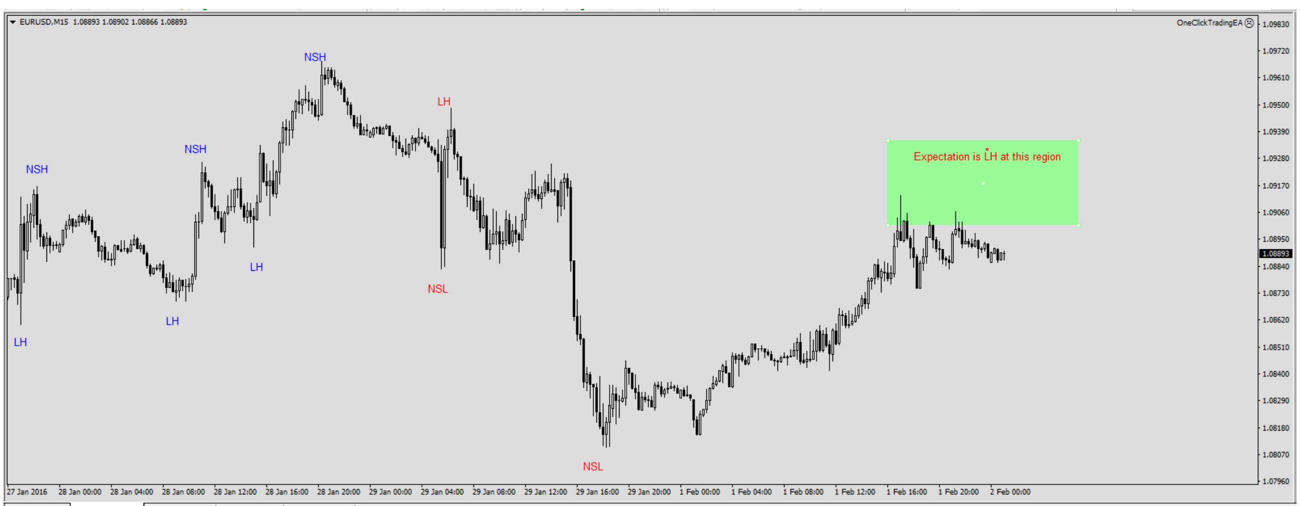
Mr. Pip's Response to Evocpr19

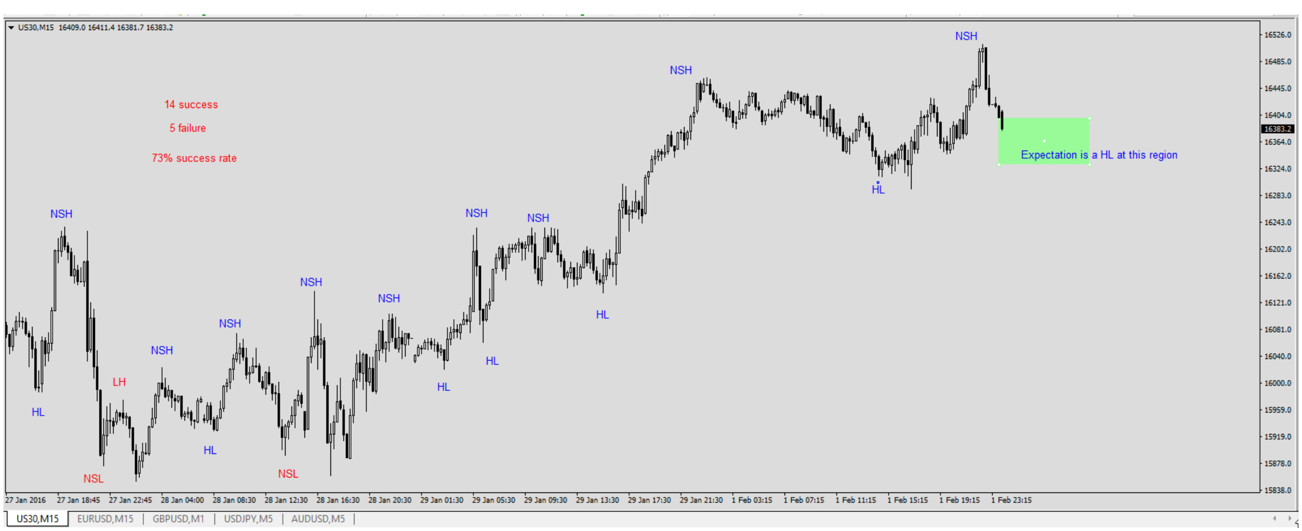
Box one is a complex correction. Remember from my video as long as price is within the swing high and low whatever happens in between is a complex correction. That's what I want you all to work on during the week. Box two is simple too price broke and closed below your identified structure so therefore it made a NSL.

Expectation Without Hindsight

Okay Traders, I see good work Now we need to do this moving forward in real time. I want you to post a chart and what your expectations are for the next swing and I want to see it on a live chart no cheating. It doesn't matter when or on which of the two instruments. You all seem to have the concept down with hindsight. But now you will have an expectation when nothing has printed yet. So get to it.

Proposal by Lithium1

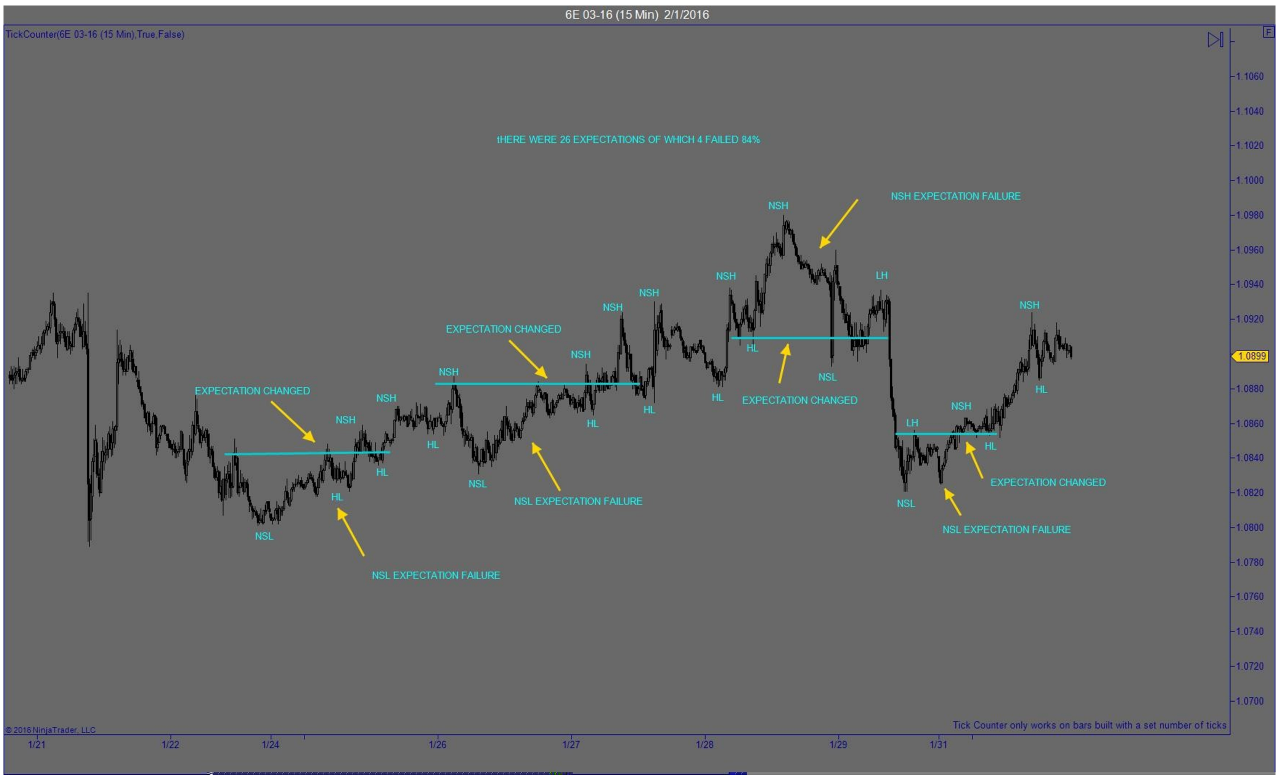




Mr. Pip's Response to Lithium1

Awesome now lets see what happens I agree with your expectations. It won't be easy for price to achieve them but what comes next week.

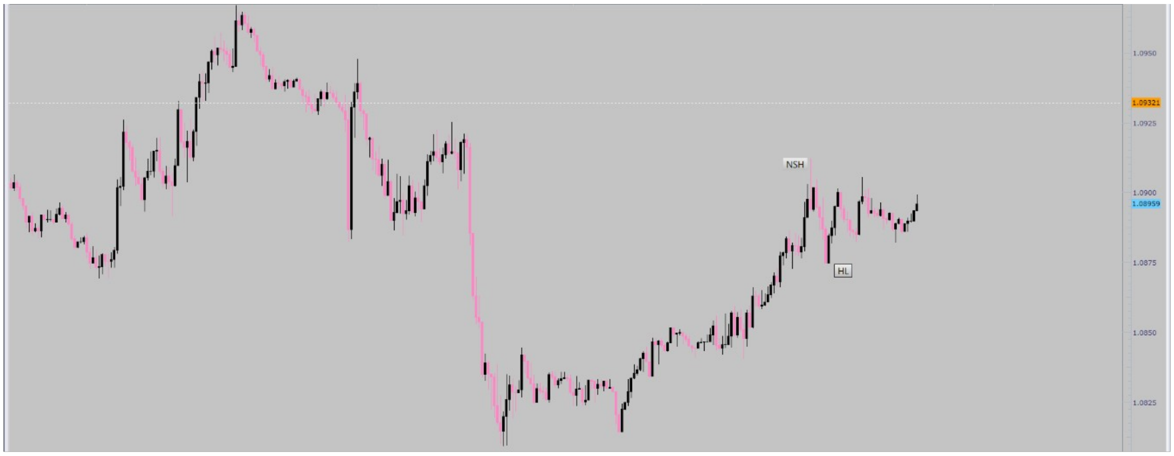
Here are my expectations for the DOW. Can you see how the short term can help you come to the conclusion that the expectation was going to fail?

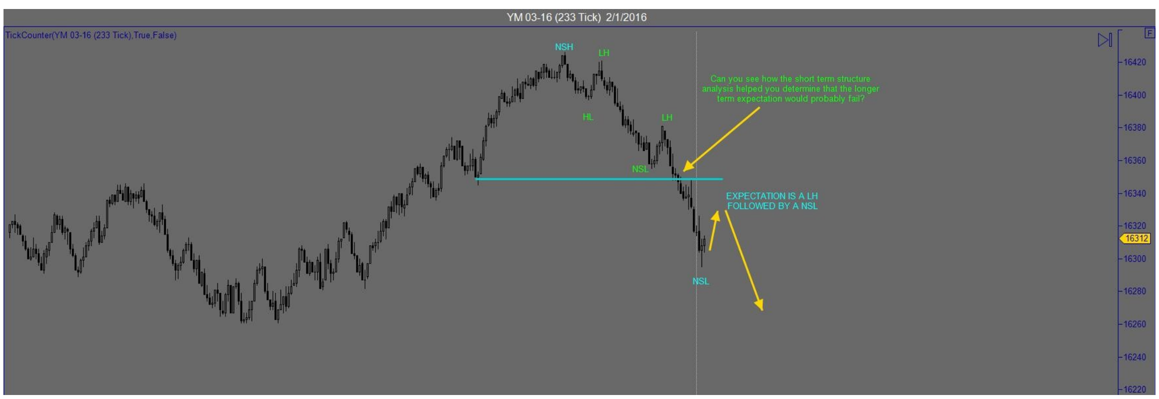


Proposal & an Observation by BeepBop2015 (Perfect)

Okay, here are my current thoughts on EUR/USD. Even though price is struggling a little in the attempt, expectation is still for a NSH as our most recent HL has yet to be taken out by a NSL, and in fact, a couple more small scale HLs have formed.

One excellent point that I am getting a better grasp of is that in determining overall structure, current price action *must* be looked at in relation to the high and low of the nearest clear swing in which it is trapped. This helps to keep one from chasing small scale order flow and feeling like the market is sending contradictory signals. Also one thing I'm thinking is that in deciding which swings are large enough to matter (something that has tripped me up before) is to ask if they are of "tradable" length for me, i.e., are they long enough to be worth taking a risk on in the time frame I trade, if not, then I need to reassess the bigger picture. I hope this makes sense.





Questions from Mack2013

Just have a few questions on tightening up my game and I apologize if your repeating your self.

1. Swings are calculated using the close no matter how deep the wick. Correct?
2. So labeling a NSH / NSL, the close has to be higher then the previous wick. Correct?

Hopefully, I labeled these right. I'm expecting long term a NSH but a struggle until then.

Mr. Pip's Response to Mack2013

You are correct in both questions Mack.

Foreseeing an Expectation Failure

This is why I considered a possible expectation failure this morning in the DOW. Please remember that expectations play out more then 70% of the time so I did not take the trade and I have to have tons of reasons for going against expectations.

Looking Ahead

Those of you that put out your expectations should be real proud your hard work is paying off! All of your expectations have played out 100% that must be and amazing feeling for you to see the mystery and the randomness vanish. And it gets even better I promise. For today I want to see more of the same post your expectations and we will see them play out or fail. But always have one.

Tomorrow I will start to discuss with you how you can start to incorporate trading ideas into this type of analysis. It's a bit early for that, I should be waiting until after Order Flow but I want you to start wrapping your heads around the concept how does this help me enter and be profitable.

3. Trading Structure Analysis

Okay Traders,

I have caught up to the thread and I am very pleased as I mention with the progress and how your skills are sharpening. I have made the video on entries with expectation and it is rendering.

Here is the video on structure trading. I hope it has value to you. I did not really want to cover this until after Order Flow next week but I want you to see how powerful trading around this concept is. Give feed back.

[Video 2: Trading Structure Analysis]

Proposal by Paren

Guys. Is it correct expectation? NSL?

Mack2013's Response to Paren

Mci's Response to Paren

Personally I would say it is still a HL in the long term, because price closed very near the previous HL, so it's kind of ranging and it tested the level for a very short time. I am referring here to not over-identify the structures to keep a normal level of sanity.

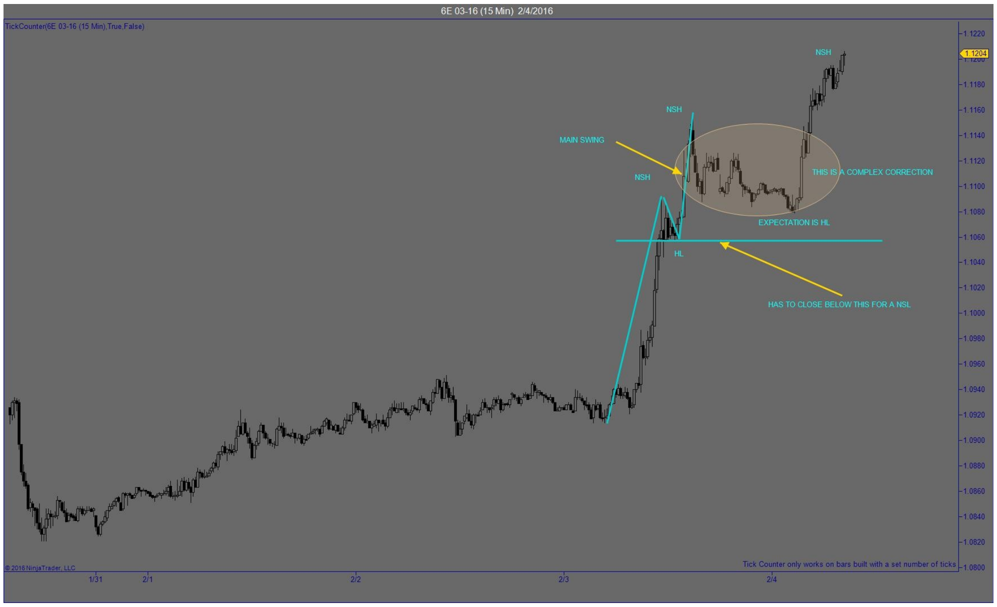
Would be glad to also hear some other opinions in this particular case. Are you very rigid with your HLs and LHs identifications?

Mr. Pip's Response to Paren, Mack2013, Mci

No, You have a complex correction there. It would have to break below the main swing you are correcting from.

Wicks are not important in structure analysis. We look at the close but in this particular case it is a complex correction.

Let me give you all a visual of what I mean:



Questions from Lithium1

1. Where to put the initial SL? Sometimes at HL & LH, sometimes at a few points below entry? How to decide where? Any rules?

2. When is time to move SL to break even, any rules?

3. Are we only trading setup that is with expectation of NSH or NSL? Never trade the HL and LH expectations?

Mr. Pip's Response to Lithium1

These are all excellent questions however let's wait till we get there to dive into it with detail so we don't fall off topic. I will however help with a broad answer to give you some guidance.

1. Stop goes where you know you are wrong. By now you should have a pretty good idea where price could go and where it shouldn't go.

2. It is always a good idea to remove risk at a test of structure.

3. I'm not saying that; just understand that LH and HL are corrections and have higher risk also less profit potential. The next lesson on order flow will help you understand when you might want to consider taking one of these entries.

Proposal by Tibovwh

Possible long trade when it bounces off previous NSH.

Mr. Pip's Response to Tibovwh

Very well done!!!!

Questions from GnG

At the beginning of your video (Trading Structure Analysis), at about ~3.05 min you said that ''we have to recognize that in this particular area ... we have an area of supply''. But from the other side of the blue box, couldn't we have said that the bulls have been able to overpower the bears so we have an area of support??

So my question is what exactly did you see and you said at the beginning, that ''our expectation is not a NSH but we are looking to short the market. Why you focused on the resistance aspect of the channel (you said that the market is moving sideways ~2.45 min) and not on the support?

Mr. Pip's Response to GnG

Great questions. Yes there was an equal area of demand below where you suggest. My expectation at that point was for price to make a NSL because that bulls had failed to make that NSH on varying attempts and the bears were able to make a NSL so from there the expectation was for a LH and then another NSL. Overall it was a very complex area in general but that's where I stopped and that's what I had to work with. I don't believe in cherry picking charts that's not fair to you all and an unrealistic approach. I'm glad it was complex as it gives you all an even better assessment of how powerful this really is.

I focused on the resistance aspect of the chart because the bulls just failed on the expectation and the bears established theirs.

Comment by Bary

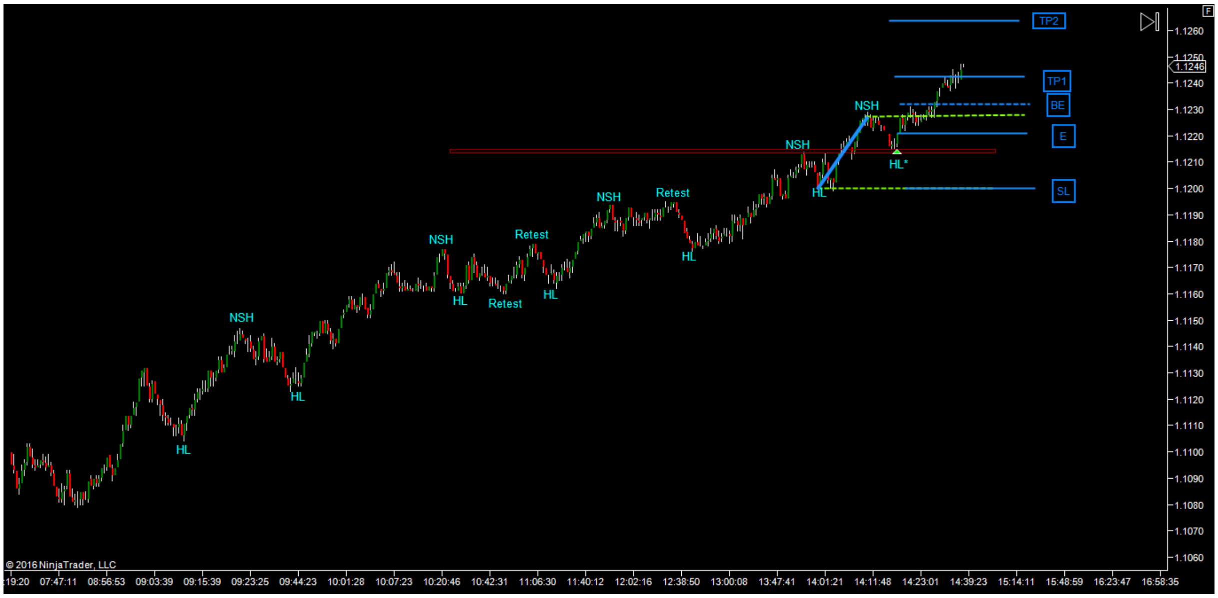
I noticed some traders having a little trouble with those complex corrections. As you have said those small swings don't change our expectation but can give us a hint to the probability of failure.

Mr. Pip's Response to Bary

Excellent point Bary. I always say to hold price accountable to that expectation until it fails. I completely the issues with complex corrections. That's way I wanted a week of practice before we moved on. Practice, practice and some more practice will make all the difference.

Proposal by HovedGuy

Euro Futures, 233 ticks, Heading towards TP2:



Mr. Pip's Response to HovedGuy

Nice work! Easy right? I don't know why traders make it so complicated?

Question from Mci

How do you define whether there is a complex correction or not? Is it that the price is ranging around the HL/LH area without a clear decision in which direction it wants to go?

Bary's Response to Mci

A complex correction is when PA is making smaller swings within a NSH/NSL and HL/LH larger swing. [Read the thread for examples.]

Mr. Pip's Response to Mci

Look at the chart I posted earlier I will post it here again. Can you see the main swing and how price is range bound between that high and low? Those swing in between that high and low make up a complex correction. Look at the video again, it will help you. If this is something that we are struggling with as a whole let me know and I will see how I can address this. Speak up it's important that you all understand complex corrections.

Question from GnG

So one thing that we should look for in order to find if a level(support/resistance)will hold or not is the number of failed attempts. For example, if we have a level of resistance, let's say, and the bulls hit one, two, three times –- and are rejected –- is an indication (i.e. there is a high probability) that this level is strong and the market will reverse. Could you name other things that you are paying attention to in order to say that you have a strong level (support/resistance), and it is probable that this level will hold?? Sorry for insisting, but I understood from your video that this assumption (that we have an area of resistance in the blue box) was pretty important, since your analysis was based on this assumption.

Mr. Pip's Response to GnG

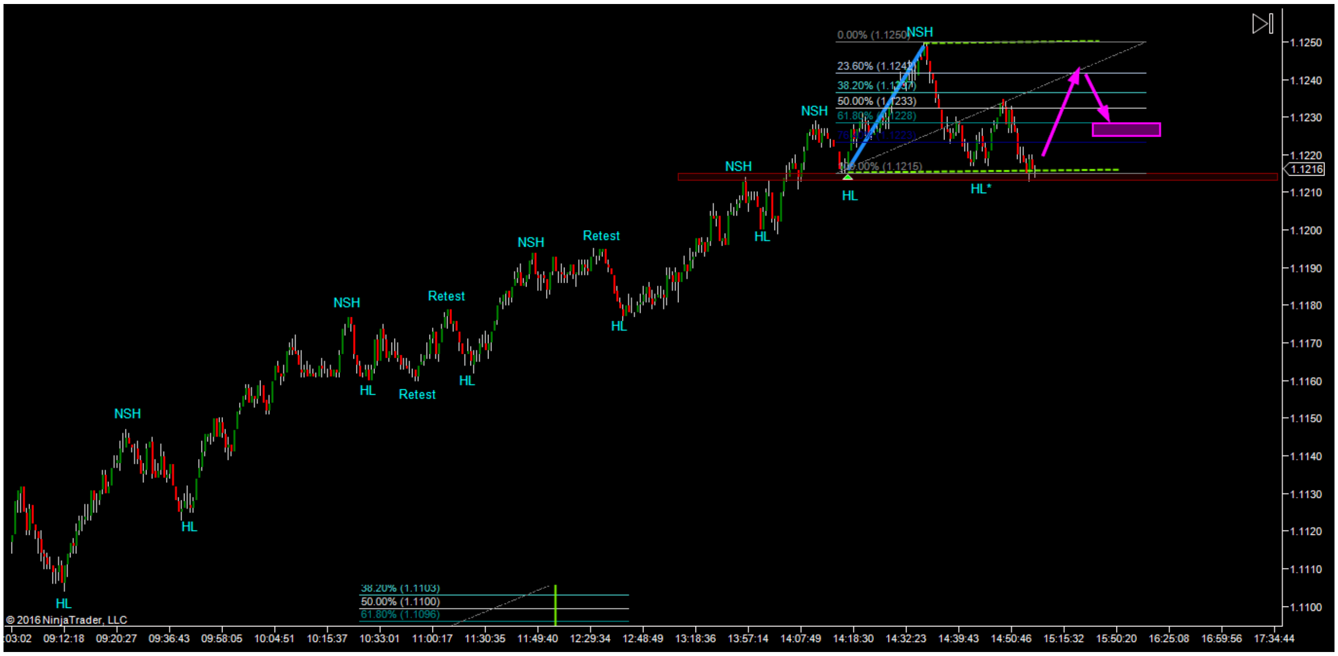
A lot of that will be covered in next week's lesson so be patient with me. I know you are all anxious to trade but we have just started and already your trading should be light years better then before and much better then the indicator community. I will tell you that support and resistance as well as supply and demand are only as strong as how many times its held previous attacks, how strong price has rejected it in the past and what does the current attack look like? These are all important factors that we will cover but I don't want to get off topic. Surgeons must read lots of books and practice in many labs before he gets to cut anyone.

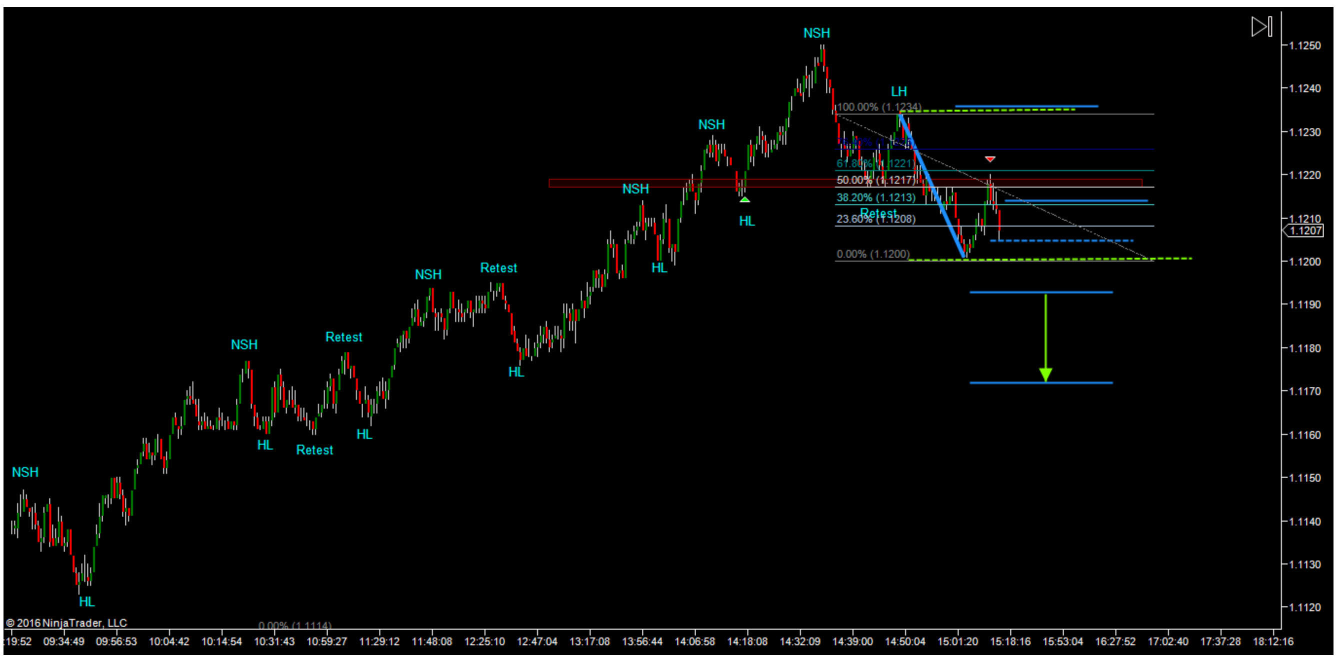
Proposal by HovedGuy

Could you please clarify one thing in the pic. Will you buy at some bullish evidence in the marked areas:

- The major expectation in bullish.
- In short term it will make a NSH and the previous major support has been tested thrice.

EDIT - Couple of minutes later sold there.





Comment by Mr. Pip

Traders,

This is part of the reason why I did not want to start covering entries yet. We are losing focus. If you can be responsible with the information I provide, I will have to be more restrictive with releasing it. We are focusing on trades but not on the lesson and studying corrections and complex corrections.

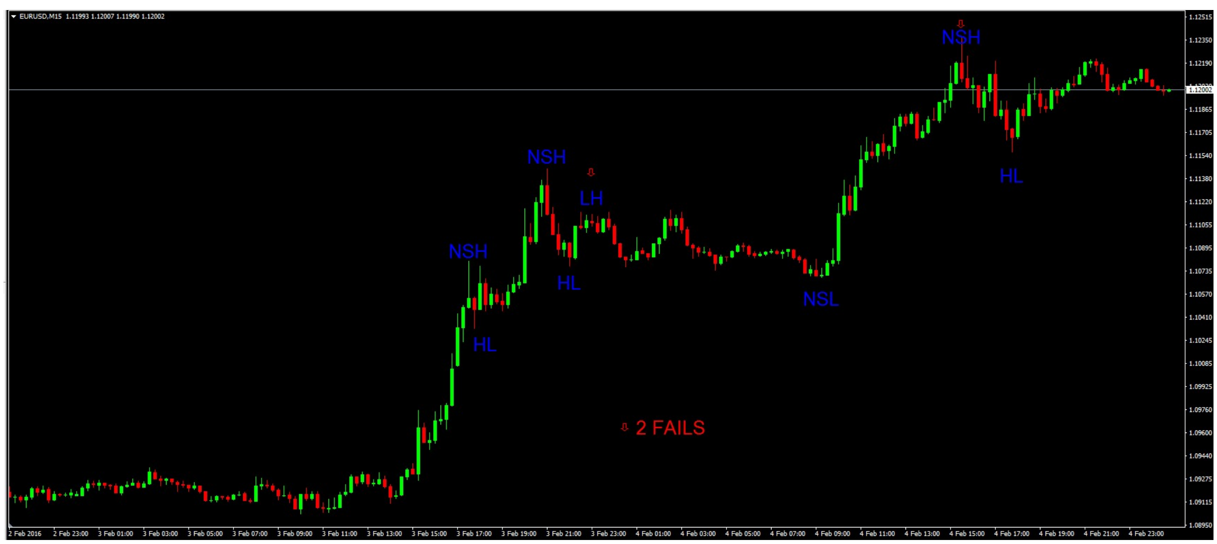
I know trading is the reason we are here and believe me we will be there soon. I don't mind you posting trades around the concept of structure analysis and expectations but all of the questions I have read today have to do with things we have not covered yet and because of the video that I put out yesterday.

We are dealing with structure analysis and expectations not support and resistance, supply and demand, or trade management. You are making it difficult for me and yourselves. Do we understand?

I need to make sure we can identify complex corrections and have the proper expectation. This is my priority right now. We have one more day before we move on to order flow and I want to see your work.

Proposal by jgadefelth

OK, here is my homework hope you have time MR.Pip to tell me if it is right or whrong. 2 fails marked with red arrow out of 8 so 75 percent right.



Mr. Pip's Response to jgadefelth

Look at my posts earlier. You made a couple of mistakes. (See “Let me give you all a visual of what I mean.”)

Follow-up from jgadefelth

I think this is more right?

Mr. Pip's Response to jgadefelth

Your labeling is still wrong; price did not achieve the NSL you labeled on your chart -- compare with mine. I am not being critical here but I'm concerned that you are questioning whether you are still wrong or not. Compare the two look at them in detail. I need you to pay attention to detail. It is an important skill that you must develop in this business or you are toast. Again don't take it the wrong way but break out the Windex and polish the eyeballs.

Question from c49

Can we say in general that a correction should at the maximum be an AB = CD and if the next wave doesn't break the NSH or NSL, that we can expect at that moment a complex correction?

Mr. Burns' Response to c49

Here's my take on it. Let's say you identify a main swing and expect a correction and a potential trade setup. Now if price action let you enter the trade your expectation should be for a continuation of the main swing. This is a normal structure based trade. Now if price starts to wander around within your main swing (complex correction) your expectation still stands but it's weaker. Whether you decide to exit that trade early and wait for another opportunity or let it roll out is up to you and your trading rules.

I think Mr. Pip's further teachings will make complex corrections easier to understand.

Mr. Pip's Response to c49

Not exactly. An AB=CD in a correction is a complex correction because the higher low or high has been broken but the main swing high or low has not. Did you understand me explanation?
P.S. Excellent Mr. Burns!

Follow-up from c49

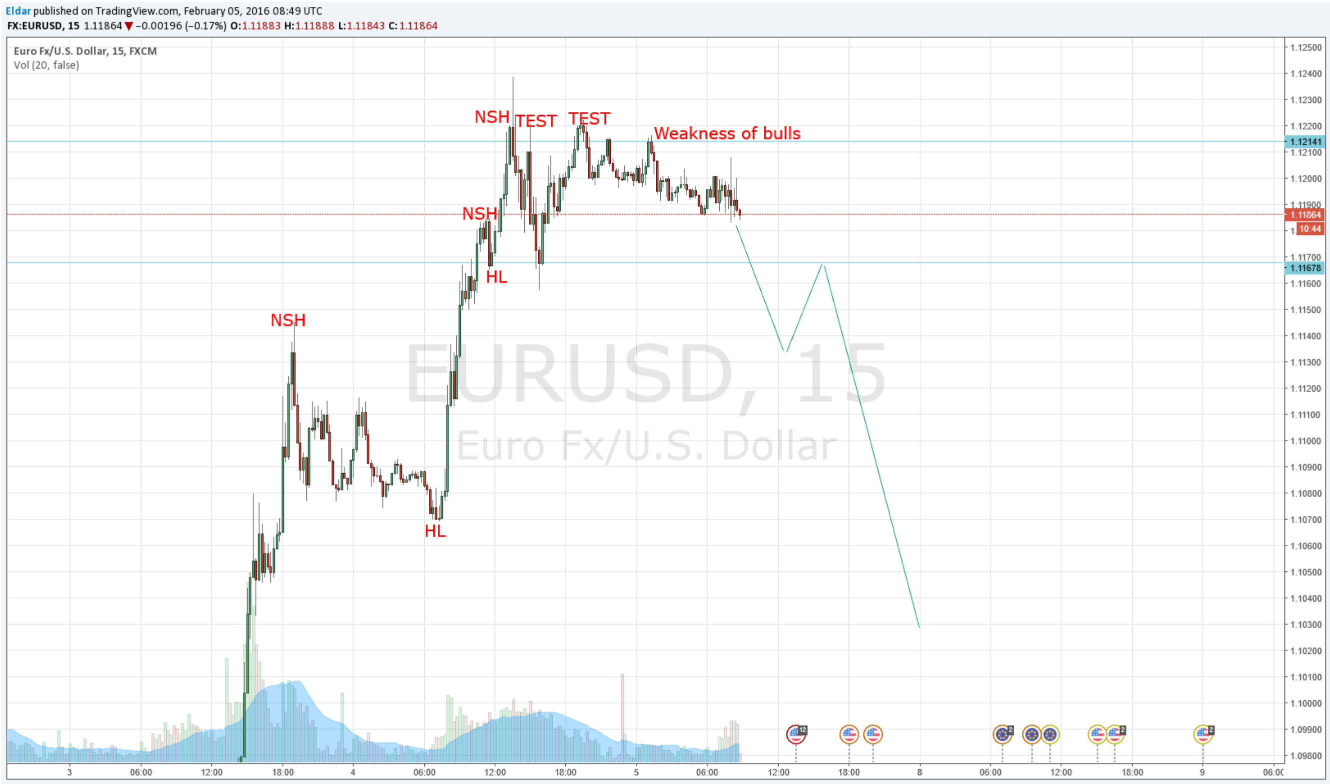
My point was how to get an expectancy before you enter the trade.

Mr. Pip's Response to c49

Your expectation is made the moment the previous was made for example say price makes a NSH, what is your expectation? A HL right? and you also by default already should have your next one to which should be a NSH. So knowing this you task is to wait for the HL and look for opportunities to trade the NSH expectation.

Proposal by Paren

What I see is that -- and my guess is -- today we will not see NSH. It will fail. Is it correct?



c49's Response to Paren

We still have to expect a NSH as long as structure is not broken downwards But it is very weak of course, we are in a complex correction. Correct me if I am wrong.

Mr. Pip's Response to Paren and c49

Hello Paren. We don't guess -- we are informed traders with very clear expectations for price. So lets remove that work from our vocabulary. There is great weakness with your expectation so there is a chance it will fail. Not until that happens should you change your expectation. I will post my trade today it was only one but it was a very, very, tough and complex correction which almost took me out but expectations finally played out. Some times we have to be patient and listen to what price is telling us.

P.S. c49 you are correct.

Recap

Hello Traders,

Wow, seems hard to believe that we have crossed 800 pages and 16K posts that's pretty amazing. Thank for all the support and your willingness to learn.

I want to lay down the foundation for the week to come. I will be making the video on Order Flow Analysis but before I do I want to recap what we have learned this week and it's importance on the process I use to trade these markets successfully.

We have discussed Structure Analysis. This is by far the most important of all of the analysis we do and the one most traders never really take the time to learn much less put the importance on it that it deserves. But if you have payed attention you have noticed how critical it is to profitable trading. This is the road map or in newer terms the GPS guidance system to where the market is going. Structure Analysis alone is over 70% accurate and on most days its in the mid to high 80% and it is an extremely powerful tool that will keep you in line with where the market wants to go. We have learned to form expectations as to what the market should do next and learned the value of holding price accountable to the expectations at hand. We also learned to identify and process complex corrections and that complex corrections are made up of short term price action or short term swings that often do not change the expectation. It is important to understand the context of this short term price action so that you don't get mislead into changing an expectation before it has failed. This should have cemented the importance of always having an expectation, ALWAYS! We also began to touch the concept of entries and how to align yourselves with the expectation and to where price wants to go.

I truly hope you all saw the value in Structure Analysis and how truly important it is to your trading. My goal was to remove the randomness that most traders -– even experts –- believe the markets to be comprised of. Also to give you a sense of awareness very few traders ever gain in this amazing business I love so much. In short, I have given every one of you a crystal ball of your very own which we will keep polishing in the weeks to come to help you process the price chart with an accuracy that very few think is possible and the vast majority ever achieve. You will become skilled masters of price action and market harmonics and be in total control of a process that will yield you all the freedom you dreamed this business would provide you but has fallen short on delivering. I'm here to tell you an even bigger awakening is coming and I am honored and privileged to be the one to share this amazing gift with you.

Now we will add another layer of clarity to our crystal balls. Lets talk a little bit about Order Flow Analysis and what it seeks out to achieve. I told you all, that one lesson builds on the next and that Structure Analysis is the foundation well, Order Flow is the next layer in this building process. It cannot exist without Structure Analysis and is how you will start to identify strength and weakness. This is where we start learning how to compare and contrast and how we start to give value to our expectations or when they are likely to fail.

This lesson will be difficult for most of you I am anticipating a tough week ahead but if we take it day by day and apply what you have already learned to what is being taught I promise you that you will get there. Take you patience pills as this for most of you will be very difficult. I'm not trying to scare you but I am preparing you for the challenge.

So what will you learn:

1. We will learn to assess strength and weakness. This is important because it will help you understand when a trend is gaining strength or losing strength. It will also help you understand if your expectation is weakening or strengthening.
2. We will learn to give our expectations substance by giving them an expectation of their own. We will be learning to have an expectation as to how deep a correction should come and how far a continuation or an extension should go.
3. We will learn when it is likely that we could expect a complex correction and when we shouldn't.
4. We will also be learning to ask ourselves what does this mean through the process of comparing and contrasting.

This looks like a lot to absorb but if we need to extend our week we will lets play it by ear. We will take it one day at a time. Order Flow Analysis is how we filter setups, identify better areas of interests and PRZ, and helps us understand with what degree of aggression we need to manage our trade with. It also helps you see the market with a whole new light. It helps you see the market from a perspective of strength and weakness. How important is that?!!! It's extremely important. I will make you feel like a Jedi Night I promise you.

We will be stripping another layer of cloudiness and refining our skills further. If you thought Structure Analysis want strong enough and having an expectation has brought you light years ahead of the majority, imaging now when your expectation all of a sudden have an expectation too this will blow your mind. And you will feel like you could read the future because you will be able to read the future.

This will not come easy and it will take you lots of practice but spend the time and the hours necessary beating on your craft. The reward of this is just something I can't put into word.

Anyway I believe I have talked enough. I will be making the video tomorrow and posting it then as well. So get your rest! The only easy day was yesterday! Talk to you soon.

4. Order Flow Analysis

Okay Traders,

Here is the lesson on Order Flow. I will be making a second video that will cover expectations in greater detail but I want you practice the first part.

Order Flow Analysis

Order Flow Analysis goes hand in hand with Structure Analysis and helps you gauge the strength or weakness of the price swings. We can achieve this by observing and comparing the three components that determine strength and weakness from swing to swing in any market. These components when analyzed properly gives the technician a huge advantage in determining whether a trend is strengthening, weakening or if a reversal is imminent. The most important element of this analysis and the one overlooked the most is its ability to provide extremely accurate expectations as to where these cycle highs and lows are likely to occur. This become even more powerful with the use of Bar by Bar Analysis and Fibonacci Studies. Before I address this I will address the components of Order Flow and the expectations we have from them.

1. Projection is the distance a NSH or NSL makes from the previous NSH or NSL. The expectation from Projection is that the stronger or longer the projection the more strength behind price and the shorter or weaker the correction. Whereas a weak or shallow Projection shows weakness and we can expect a deep correction or possible breakdown in the trend.
2. Momentum is not looked as in the traditional sense of the word. Momentum is the pitch or angle of the swings in comparison to each other. Steeper angles in comparison to the previous swing are an indication of strength building. The opposite is true if there is a decline in pitch as this signifies weakening in price action.
3. The third and final component is Depth. Depth is all about the pullback, correction or the retracement. It is the distance from a NSH or a NSL to the corrective swing high or low. Deep depth in price action indicates weakening of the driving force while shallow depth indicates strength.

This is the analysis we focus on to identify breakdown is price swings and address turning points or market reversals. It also helps us determine based on expectations areas of interest for possible entries on either continuations or reversal opportunities.

Video 3: Order Flow Analysis

Comments by Lithium1

Thanks Mr. Pip! Another great video!

Before I comment about what I learned from the latest order flow video. Let me share my results trading with Structure Analysis alone for the past few days. I took total 7 trades, 3 winners, 4 losers, so the win rate was 43%, I believe this will improve with Order Flow Analysis. But the Win Lose ratio was 2.4! That's incredible! Therefore I'm in profit at the end! Now with order flow, which I believe is going to increase the win rate, I cannot imagine how my trading results is going to leap! I'm extremely excited! And I can't thank you enough!

Now regarding the order flow video, this is what I managed to learn after watching it once. I will watch it for a few more times to learn more.

Order flow is accessing 3 types of price action.

1. **Momentum –** the gradient of the swing "from HL to NSH" to the next NSH, or "from LH to NSL" to the next NSL. This measures the strength of the swings on each NSH or each NSL. It tells you whether the strength of the swing is increasing or reducing.

2. **Projection –** the distance from "NSH to NSH" to the next NSH, or "NSL to NSL" to the next NSL. This measures how far the price travels before it takes a break (correction). It tells you the price is gaining strength if it is able to travel further before taking a break. Price is getting tired if it needs a break (correction) on shorter distance.

3. **Depth** – the correction depth, "NSH to HL" or "NSL to LH". This measures the strength of the bounce back. Does the price needs to take deeper breath on every surge? It tells you the price is strong if the correction is shallow, weak if the correction is getting deeper.

Now this is how I'm going to incorporate Order flow analysis into my trading next week.

After accessing the direction of trade using Structure Analysis in 15min chart, I will zoom down to lower time frame 1min chart to access the order flow (Momentum, Projection & Depth) of the correction swing, I will enter the trade only if at least 2 out of the 3 order flow condition is getting weaker.

After my expectation of a NSH or NSL is met, I will access the order flow, if 2 out of the 3 conditions is getting weaker, then exit the trade.

Mr. Pip's Response to Lithium1

You nailed it well done! Music to my ears. I guess I didn't do too bad a job explaining order flow on the video.

Proposal by LosserTrader

Hi all, great video; Mr. Pip thanks for helping us and sorry for posting a GBP/USD chart where I found that bear strength is increasing. Am I doing it correctly?

Mr. Pip's Response to LosserTrader

Good job!

Question from HovedGuy

Once again, amazing video!! Yeah, you're right, it will need lot of time and patience to master this.

I've got couple of questions, lets go one by one. Now when the new expectation is established (the vertical line) we don't have information about the projection and depth of previous swing right? So, what should be our approach to access the market strength in case so as to enter long?

Evocpy19's Response to HovedGuy

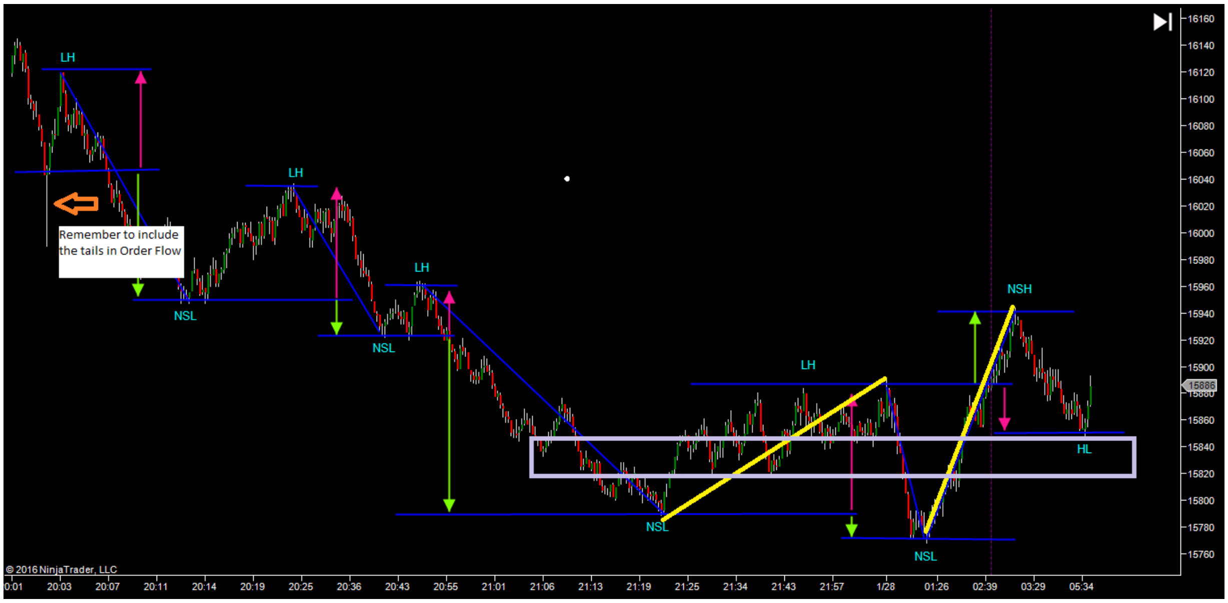
I think that on the right side of your chart is a mistake. The "depth" is far as I have understood the height of the correction. Hence, it should be the height of your "NSH" to "HL" and the projection is the height of previous low to next low. Hence it should be the height from your "NSL" to "HL".

In case that I am wrong please correct me. I am also learning and this is also new for me.

Mr. Pip's Response to HovedGuy

Good Questions,

First I want to point out that you must use the tails in Order Flow Analysis. We must account for how far price got so tails are important here. In your analysis you disregarded this on every swing. The second part of you question you have to learn to work with the facts that are available at the time that you are assessing matters. To make a more in depth assessment it is true you do need more information before that can be accomplish but lets look at what you do have and what you can compare. The yellow lines indicate an increase in buying momentum which can be visually compared and we can see that the increase was significant. We can also see that price made a decent projection when at best it should have made w very weak one since the expectation was for a NSL and that move was unreasonable from an expectation stand point. These two facts lead up to a mid to slightly deep correction, I high lighted the area of structure in that neighborhood that should hold price if the assessment is correct. Those are the facts that are present on the chart and what we can work with.



P.S. Evocpy19. you are correct we must also include the tails. Good eye I missed that one mistake.

Question from Tim Welch

Love the new video, Mr. Pip!

I have a question on Momentum. I understand that Projection and Depth will be identical no matter what chart type or timeframe you use. Because that is based on how far price has moved, and that won't change. However, the Momentum would "look" differently on your 233 tick chart as opposed to my 10 minute chart. Or even someone else's 5 minute or 15 minute. Your 233 tick chart Momentum might be showing a weakening when my 10 minute is showing a strengthening, or vice versa. How do we overcome that? It seems to me like there would be more times than not when both of our charts are telling us a different story and possibly giving us alternate signals. We would always see the Depth and Projection the same, but it concerns me that if we need all 3 to accurately determine the course of things, and we are possibly looking at different things for Momentum, it would hurt one of us.

Sanderov's Response to Tim Welch

I do have the same question as Tim. But also have an answer.

233 tick candles all have the same volume, time based candles do have different volumes. Especially when the market jumps up or down the volume increases, we should look at volume as well, but that's not easy to do manually. I may write an indicator for this in MetaTrader 4, somewhere this week.. which is able to show some number or quantification for the momentum for a certain swing taking volume into account; or just do the same based on the incoming ticks projecting it over the normal chart.

Mr. Pip's Response to Tim Welch

It all works itself out the same way as structure analysis. Whatever time frame you use each chart will have it's own order flow and it can be assess the same way. Where there are issue is if you are trying to compare between time frames. That is a can of worms and completely unnecessary. Keep in mind that the order flow analysis is more important to evaluate on your trading time frame. I only use one time frame to trade everything I need to know is right in front of me.

Question from Alex C.

On structural analysis you marked the high or low close levels with horizontal lines to show those levels that will either hold or break. In the order flow analysis video, you took the swing highs and swing lows (wicks included) for projection, momentum and depth. Is order flow analysis a generalized percentile reading on the degree of strength or weakness of expectations and therefore less specific than structure?

Mr. Pip's Response to Alex C. and Sandervov

The close on Structure Analysis is the only thing that matters as its the only way we can know if price made a NSH or NSL or not. It also helps us understand where the next close needs to be for our expectation to play out or fail. On Order Flow Analysis We want to see how far the driving forces being the buyers and seller at the extensions and corrections got so we can measure the distance of travel to compare and contrast strengthening or weakening. The close here is of little importance as price seldom closes at the high or low of a swing.

Did you understand my answer? I want to make sure we can understand the significance of both and their importance to each other.

Sanderov, I will address volume when we get into Bar by Bar Analysis. This is easily seen in the candles no need to complicate this beyond what you need to make a decision. The decisions most time will be sharp and correct. Please don't post the indicator order flow is specific to whatever time frame you are trading 1m, 10m 15m 1h, ticks, renko it doesn't matter it is visible and can be assessed, compared and contrasted.

Mr. Burns' Proposal

My take on EUR/USD 15-minute.

Mr. Pip's Response to Mr. Burns

I like your take on the EUR you can even break it down slightly more to include the next smaller level of main swings but not needed. Sometimes when I find myself in extreme market conditions it helps me see breakdown this also helps in range bound markets. But I like your take just wanted to mention that so you can keep it in mind.

Order Flow 240min

I just made a 10 min video on Order Flow on the DOW 240 min (4H) chart so you all can see that the time frame does not matter. Order Flow is Order Flow and specific to the time frame you are looking at. It is rendering and that will take some time to complete and then I will upload it. I hope it has equal value to you!

Video 4: Order Flow 240min

Question from Sanderov

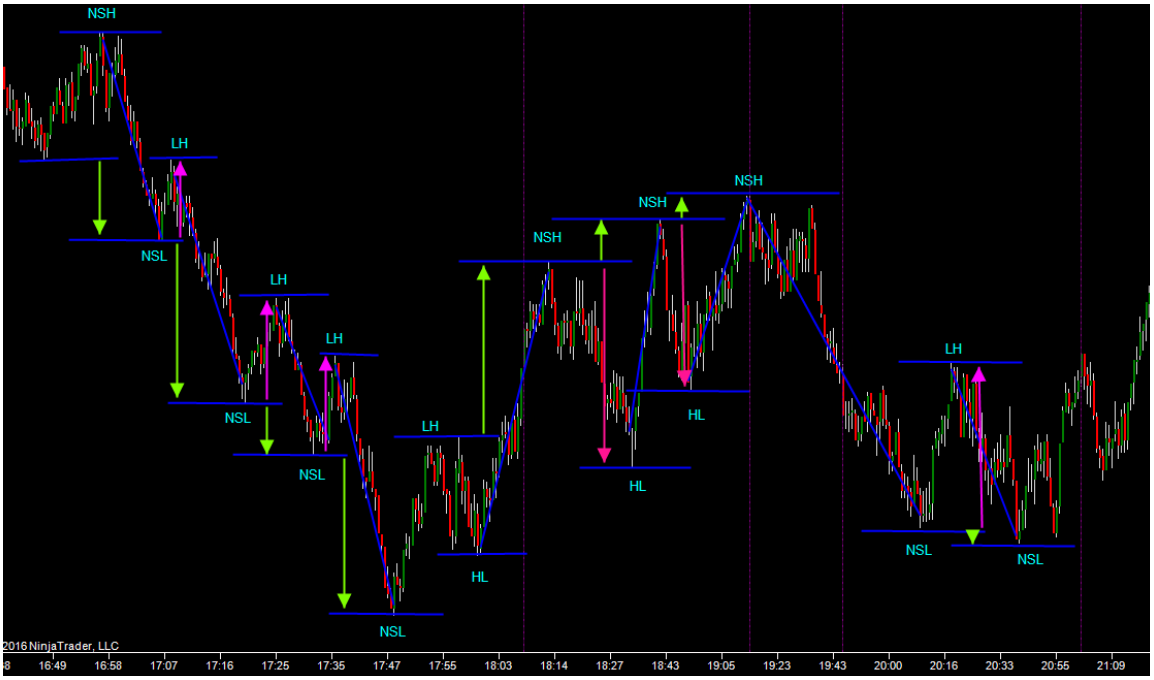
You have drawn a momentum line from the 13th of Jan to the 17th of Jan and this blue momentum line overlaps two swings, why?

Mr. Pip's Response to Sanderov

Oh that one is really easy because I screwed up. Thanks for catching that and I apologize I will be more careful in the future.

Question from HovedGuy

Could you please explain in which circumstances do you expect shallow, mid ranged or deep correction? One way to do is by assessing the market strength based on the 3 factors but do you have any concrete set of rules?



Follow-up from Mr. Burns

Between 17:47 - 18:14 I would consider the swing to be from NSL to NSH and I would draw the projection from the LH at 17:35. Which one is correct?

Mr. Pip's Response to HovedGuy and Mr. Burns

Yes, this is what the next video is about but, first I want everyone be be able to recognize strength and weakness and to be able to assess the weakening and strengthening process. That is my goal at this point. So I will decline to answer you question and ask you be be patient for a few days. We will get there.

Mr. Burns, it's correct the way it's drawn.

Questions from Mack2013

Question 1: I've noticed a lot of times when markets are in an exhaustion areas, momentum and projection increase like the Hail Mary pass at 4:55 in your video. When Order flow starts to fluctuate, is this something to expect or would this be something of a low probability and it would be better to keep expectations with the trend?

Question 2: Corrections: Is it more important of the length or percentile of the correction. Or are both important within context. Example you have 2 corrections both the same length (large) but one is a deep correction while ones only a moderate correction. If that makes sense...

I'm probably over complicating the issue.

Mr. Pip's Response to Mack2013

1. It's always best to hold price action to the expectation until it fails. It's very difficult to know with a high degree of probability whether it's a trend the picked up steam again or a Hail Mary pass. The strongest indication we have to help us determine that possibility is if we get a strong and deep correction after the possible Hail Mary pass.

2. The length or percentile can be translated into pretty much the same thing if you really thing about it. The most important factor for me is how deep into the swing it corrected vs the previous. The correction might be close to equal distance when compared to the last but did it form a deeper correction because the swing was smaller? If the answer is yes then greater weakness even though they were pretty equal.

Question from jgadefelth

In the last part of the video, about 33 minutes or so, why do you draw the last NSL like that – the blue line – why do you draw it from not the highest top but the top before?

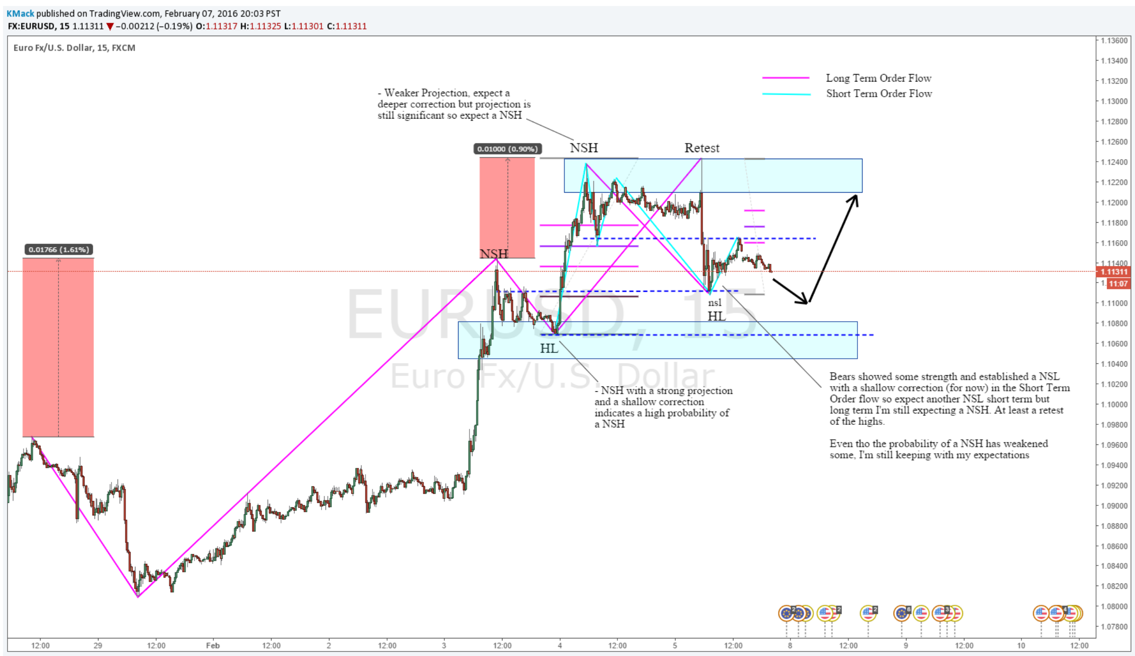
Mr. Pip's Response to jgadefelth

It wasn't a new structure line. What I wanted you to see was the momentum. It could have been drawn either way without significant changes to the outcome. I said to you all that when looking a momentum to look for the far right to the far left in this particular case. Review that part of the Order Flow video.

Proposal by Mack2013

Even though the probability of a NSH has weakened some, I'm still keeping with my expectation.

Let me know if I understood you correctly, when I calculated the deep swings HL from the far left of the NSH (long term order flow).



Mr. Pip's Response to Mack2013

Excellent Mack!!!

Question from GnG

Great video! I m just very happy. Thank you for that. I feel that it starts to make sense in my mind and the way I see my chart is different.Y ou have analyzed every little thing so good! Every step was clean and clear. I will see the video again because sometimes we think we have understood sth but we haven't!!

Anyway, the thing I can't figure out is how you choose the start point to make your analysis. I saw that we compare momentum, depth, projection to the previous (momentum, depth, projection) in order to decide about future moves. So we always have to consider a previous move to find out the next, right?? But there will always be a move that is before the previous move. I'm not asking how much backwards we need to go, but how we decide where to put our first line to draw our first leg (when we open our chart in the morning for example). And all the characteristics of that first leg (momentum,depth,projection) are compared to what in order to decide??

Mr. Burns' Response to GnG

Your question is answered in the first video on structure analysis. You identify a clear swing and go from there. Keep it simple and let the swing have a clear high and a clear low as well as being large enough to trade.

Follow-up from GnG

Now if you go to the Order flow analysis video(3.29min) you will see that before the first blue line was another clear swing. So when we open our chart (apart from clear highs and lows) do we have other criteria to choose the start point for the analysis??

Mr. Burns' Response to GnG

Yes, there might be a clear swing prior to the one we start at (in fact it most definitely will be), but I only focus on identifying a clear swing and go from there. So to answer your question, no I don't look for anything apart from a clear high/low.

Mr. Pip's Response to GnG and Mr. Burns

I'm very pleased that you are seeing the chart with a better set of eyeballs. Now to your question. Don't feel like you need to complete matters. All you need is for price to have made a NSH or a NSL to develop your next expectation. As far as the order flow is concerned you don't have to go much farther back either. If you want to be more thorough you would want to assess the order flow from the beginning of that trend. I don't worry too much about the extended past and process what I can see on my chart. I hope this answers your question.

P.S. Mr. Burns I do pretty much the same thing.

Question from BeepBop2015

I have a question about multiple time frame analysis. I trade the hourly charts (because I can't realistically keep up with a time frame lower than that at this time in my life) but I find myself frequently checking in on the fifteen minute charts, not just for making entries but for trade management decisions and to see the price action of the swings I'm trading in a little more detail. I think this is effective in some ways because if I were always waiting around for confirmation on the hourly chart (to get in or out) I would lose some pips. But I want to trade in the most simple and efficient way possible. Do you think this is an inadvisable approach? I've been trading this way for about three weeks now.

Mr. Pip's Response to BeepBop2015

That depends more on what kind of trader you are. If you are an intraday trader then you have no business on anything over 15M and that is pushing it. If you have trouble keeping up with anything lower then the 1 hour then how is it possible for you to manage your trade on the 15M effectively? Let's break the issues down and get you into a process that you can keep up with. Tell me what your issues are as far as keeping up and the kind of trader you feel you are? Intraday, swing or position trader?

Follow-up from BeepBop2015

Thanks so much for being willing to talk this through with me! To be honest it's a significant area of my trading that I have yet to fully figure out and that often causes me a bit of headache. I've tended to overestimate how much I have time for things, and even to multi task watching the charts with other responsibilities, which has tended not to go well because I get frustrated at the interruptions and then when I am trading it's stressful because I feel rushed and that leads to mistakes. So, that is why I stopped trying to be an intraday trader on the lower time frames some time ago and actually stepped away from trading altogether for awhile.

Then I decided to try just keeping an eye on the daily charts but it didn't really suit my personality because of how long it took set ups to form and trades to play out. I prefer the lower time frames but can't seem to make trading them work for me right now.

Taking a hard and honest look at my life and schedule, realistically I can consistently fit in about forty minutes of chart time or analysis in the morning, another half an hour or so in the late afternoon (around the New York close) and maybe an hour or so before bed. I can also at least check in on trades about once an hour.

So I decided to try the hourly charts and that's going okay-ish. I don't know if I'm more of an intraday or a swing trader. Most of the trades I take on the hourly charts play out within around five to eight hours, but sometimes faster, and then occasionally I let one run over night (especially the ones I take in the evening). I've started to use the fifteen minute charts to back up my analysis, but I'm not actually checking them every fifteen minutes (er, usually)-- just looking at them because I feel like then I can see the price action in more detail. A difficulty with this is I find myself wanting to pull time away from other things I need to do so I can look at the charts more often.

I do feel like my trading could benefit from more simplifying and especially more consistency in the schedule I set for it. Do you think it would be better to stick with just one chart? (I assume so because that's what you've been saying here, lol.) Given everything do you think I would do better choosing the hourly charts or the fifteen minute? Or perhaps focusing on a different time frame altogether?

Sorry this post got so long! Any insights will be greatly appreciated.

Mr. Pip's Response to BeepBop2015

Hello Beepbop,

Well I think you might be more of a swing trader, but my concern is that you are not giving this the space it needs in your busy life. You need to ask yourself what trading is to you and what you want to accomplish from it. If this is very important to you then set it as a priority and schedule life around it. At present you should be on the higher time frames maybe the 4H. Jumping around between time frames doesn't really work out too well it opens up the confusion box inside your head since order flow is different on each. Your targets and stops have to be realistic to the that you are doing your analysis on. What I mean is that it is completely use the 1H for analysis and see a potential setup based on the 1H chart then drop down to the 15M enter based on that and have stops based on 15M structure or order flow. Does this make sense to you?

You can't multi-task here to need to be completely focused on what you are doing remember capital is at steak and pulling that trigger is a serious responsibility. I hope that helps.

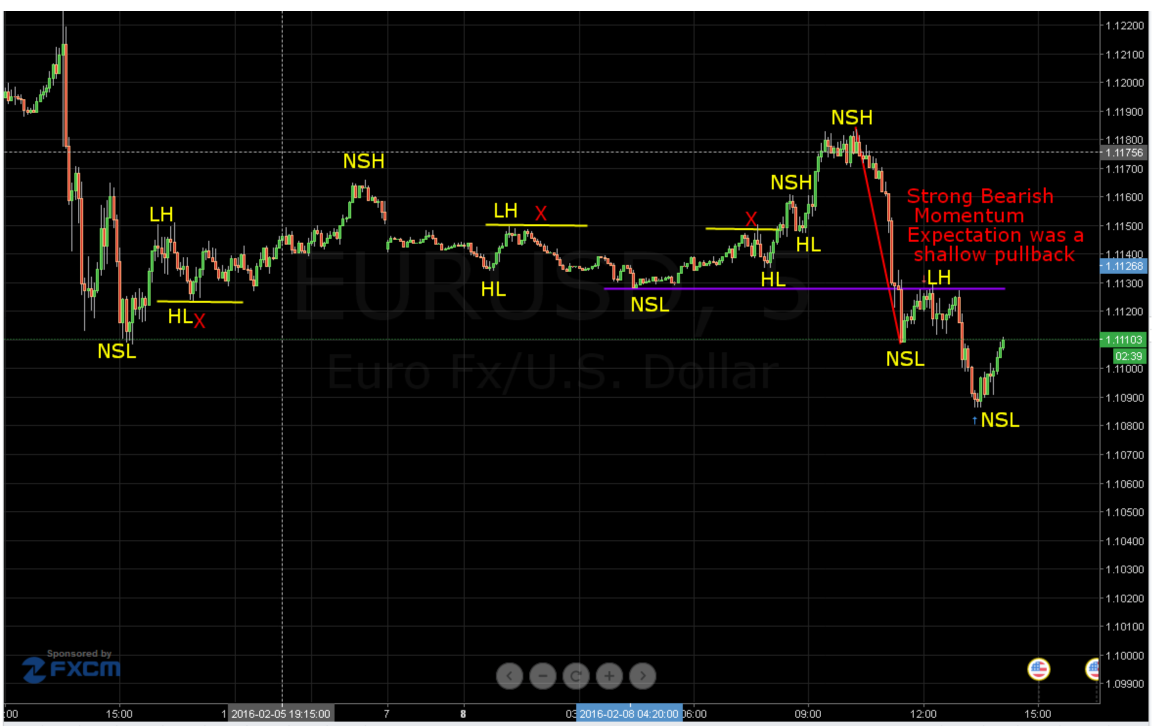
Follow-up from BeepBop2015

Thank you, those are some good perspectives. I do very much want to learn how to trade. In addition to the potential for income, I find it completely fascinating, especially the style you are teaching here, so it seems it would be foolish not to develop the skill. But I agree that my somewhat chaotic endeavors in that direction are not sustainable and probably not doing me any favors (although on the bright side, I have been profitable three out of the last four weeks. Well, you have convinced me to close the windows on those fifteen minute charts. And I'm going to give serious thought to switching to the four hour and see if that helps. Focus matters.

Thanks for the coaching!

Proposal by DizzleFX

Below is the EUR/USD on 5M. We have been looking at this same chart but on the M15. Please let me know if any of my interpretation is wrong.



Mr. Pip's Response to DizzleFX

It is not wrong. Once you get good at this you will know immediately when price is doing something it is not expected to.

Questions from Evocpr19

Dear Mr. Pip,

I have a question in order to know if I get it right. Please apologize that I use a 5min chart of EUR/USD, but it was actually the chart which I confronted when trading. Unfortunately, I remembered your sentence to late that we cannot expect a new NSL (Hence in order to remember I draw a "warning" triangle). I wanted to sell at A Level (box)- I paid the fine.

Now to the chart reading:

- From NSH to NSL (points 1 to NSL), we see a steep harmonic and a short depth (the correction). From that we expect after point "2" a NSL.
- After the NSL, the correction is going to far up (expectation failure; red line and triangle). <u>From here we cannot expect that we will get a new NSL</u>.

Question 1: could we expect that the "old" NSL level will be re-tested?

After the price came never below the red line (HL; "3"), we can go long for seeking a NSH (expectation is changed).

Question 2: Is this correct?

Question 3: Would you trade short from point "4" (Double top)?

Now we are expecting a HL.

Question 4: Would you trade from the HL (double bottom) ?

After the HL we expect a NSH and then a new HL.

Question 5: I was expecting an HL in the box area ("7"), since the retracement could have the same depth as the previous and this area defines a 23.6 to 38.2 (61.8 if Fibo is placed on last main swing) retracement (still bullish) + structure.
Is my theoretical expectation right?

Question 6: the momentum appears to diminish. Hence it is likely that our expectation of getting a new NSH will fail. Right?

Thank you in advance for your answer.

Mr. Pip's Response to Evocpr19

Okay lets address your questions:

1. Yes, in fact the expectation would be for a deep correction into a HL or a retest of the low assessing the momentum and depth of the previous swings will help you determine which is most likely. You could look for long opportunities however I would wait for the deep correction to take place first.
2. I'm assuming you mean you chart illustrations? Yes they are correct but you mislabeled one but I'm sure it was not that you thought it was a HL just a mistake in labeling.

3. No, I would not have gone short there as I would have been against the strength of the market. Price really accelerated into that NSH and the expectation was for a shallow correction.
4. Yes, that's where I would be looking for longs as this would align me with the strength of the market and with the expectations you point out.
5. Impressive! Way to fine confluence and use some harmonics to help you assess an area of interests. Your theoretical expectation is realistic and supported confluence and harmonics.
6. Not necessarily, just because the momentum diminishes some doesn't mean we need to expect failure. You could expect a deeper correction and assess the other two element that we do to assess strength and weakness(Projection and Depth). Weakness is just that weakness. It adds the suggestion that a NSH may be weaker then the last. I would only expect the expectation to fail is there are significant changes in the weakening process and you really don't have that here. If I did have that I would be on the sidelines or manage any trades I would take aggressively.

Thank you for the questions I hope I addressed them to you understanding.

Questions from GnG

Here is my chart with my order flow analysis . There are also some questions on the chart. Please have a look, and let me know what do you think about my swings (if I picked up the right ones) and if I drew the depths and the projection according to our rules.

Mr. Pip's Response to GnG

Next time please write you questions in the post. It makes it easier on me to address them but here we go.

Fluctuations in momentum are consistent with a weakening. Don't drive youself crazy with stronger or weaker instead ask yourself "What does this mean?". Your answer should be the expectation should be decrease projection on the expectation. That was not the first projection as price had already made a NSH and the second one achieved less projection. You could have assessed them in your analysis. Your expectation for the market to move lower is a very real possibility. I would expect a complex correction and short term Order Flow to achieve a NSL. and look for longs at an area of deeper structure once there is weakness in the short term order flow.

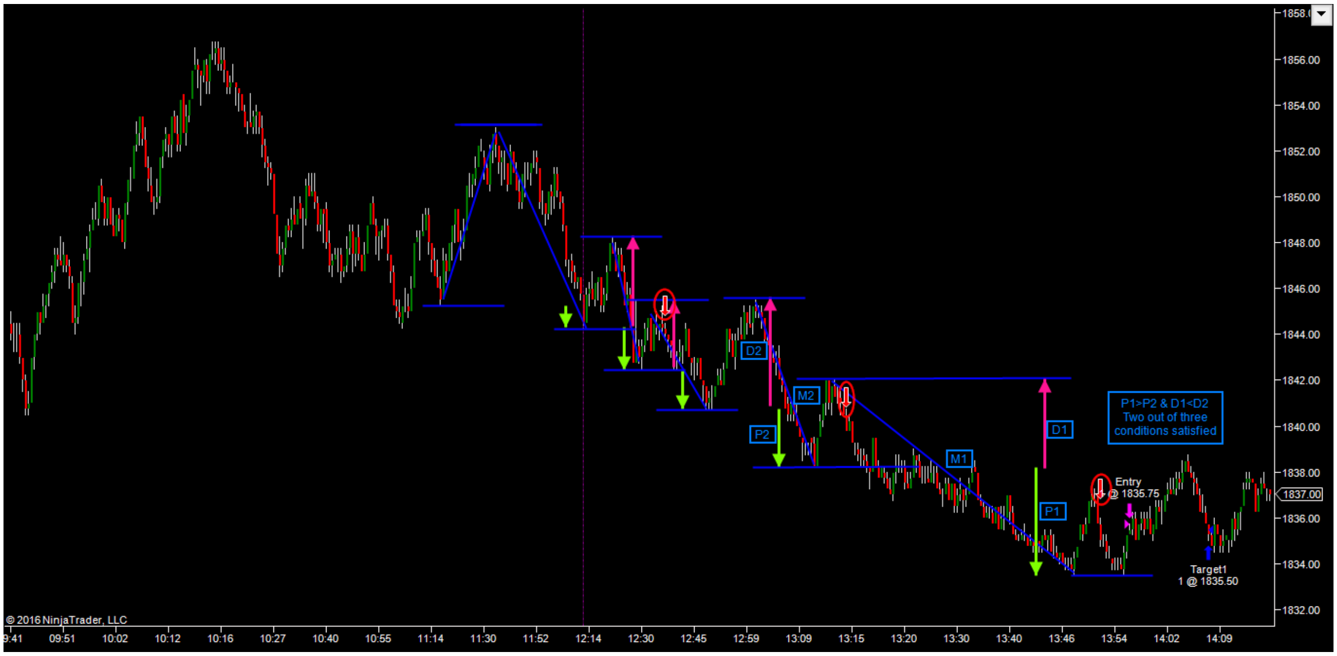
Comparing the depth and projection can be done visually but percentage works best use Fibonacci retracements and extensions to achieve this.

I think I got them; if I missed one post it and I will answer it.

Question from HovedGuy

In the picture below, the red markers are the potential entry opportunities. In first 2 entries (from left) the momentum were higher than the respective previous ones and we see clear winner. 3rd one, momentum was less and we can see the weakness in strength though the projection and depth criteria were fulfilled. Do we need to give any special attention/weight to the momentum?

In the last trade short time HH's were made, hence I took it out at BE.



Mr. Pip's Response to HovedGuy

Weakness means your expectations are weakening and you need to be more selective with trading opportunities or manage you trades more aggressively. I don't place more importance on one vs another 3 out of 3, great we are strong, 2 out of 3 ok starting to weaken slightly this is where we will start to see some fluctuation in projection, momentum and depth. 1 out of 3 strong weakness this move will move move much farther. Does this help?

Proposal by Aj1

On 5 min chart EUR continued in line with expectations, creating NSH followed by HL, on the climb higher we can see a decrease in momentum, to the highest NSH.

In terms of depth and projection, about the same.
Expectation was for a deep correction.
On the way down we see increase in momentum.
Depth increasing, this would signify weakness.
Decrease in Projection this too signifying weakness.
But I certainly did not EXPECT such a violent reaction to the upside.

Mr. Pip's Response to Aj1

You can see the depth of the corrections increasing significantly for the previous and the momentum of the correction is also increased projection also decreased substantially. The bulls really applied the brakes to the bears.

Comment by Aj1

What has been enlightening for me since the new order flow video has been the fact, there is no need to start looking for reversals, rather one should tighten stops, if in a trade.

Or just wait until expectations line up again with order flow.

Question from BeepBop2015

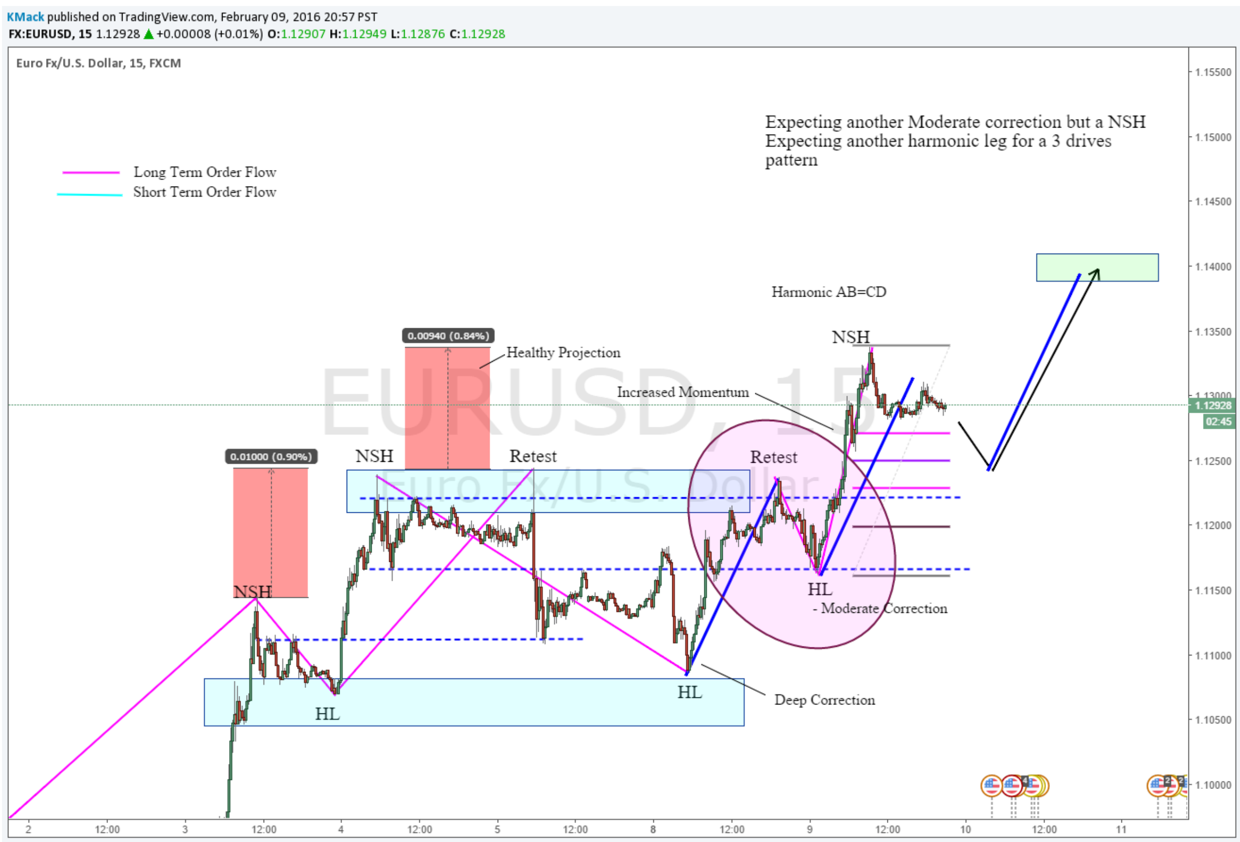
If a correction is made with a lot of momentum but still pauses at an area of structure and harmonic and fib confluence and you get a confirmation bar, would you still enter the trade despite the strength of the corrective swing? I'm thinking the answer to this is yes, but manage it tightly?

Mr. Pip's Response to BeepBop2015

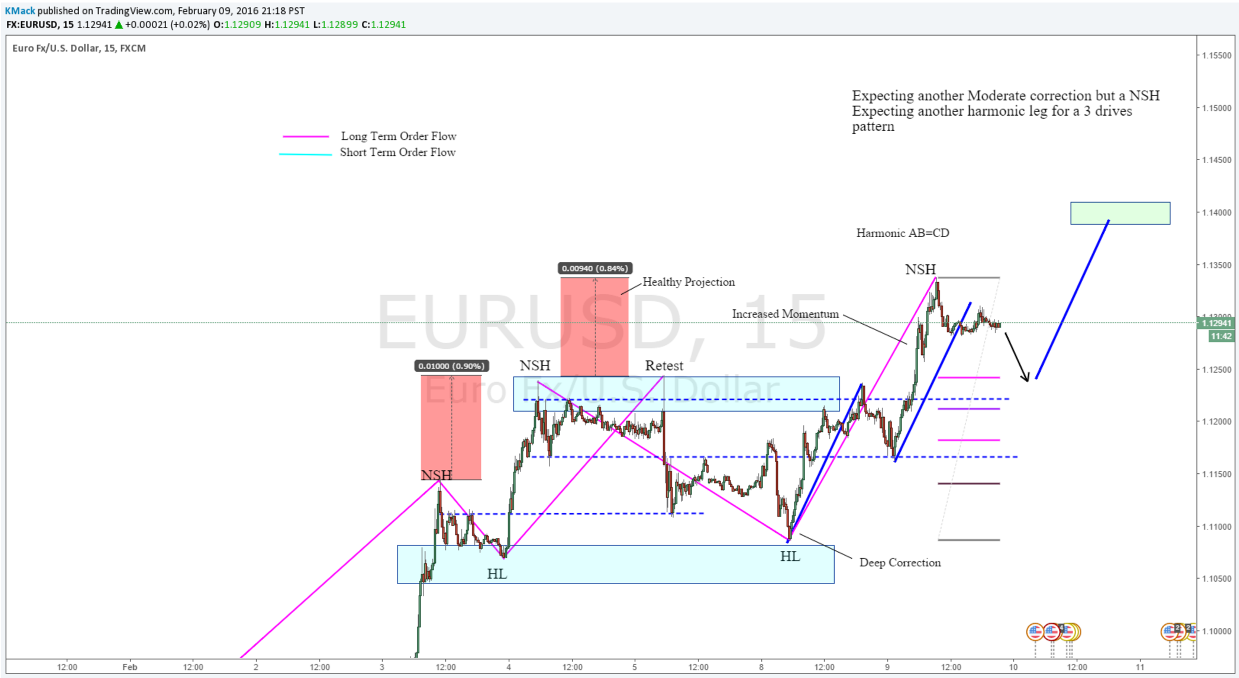
Most likely yes It would depend on other factors like if that is the first sign or strength breakdown and I'm not trading into significant structure. And yes I would manage it more aggressively.

Question from Mack2013

Did I label the swing in the circle correctly or is it just all one leg. I might of mixed up short term and long term order flow and structure analysis?



Edit: Decided to make it one leg because structurally it needed to break the NSH. Left my original post as a teaching tool for criticism.



Mr. Pip's Response to Mack2013

Your second retest looks like a NSH but other then that looks good to me. Your second attempt is wrong stick with the first.

Question from MrMalik1

Recently downloaded the FXCM trade station to learn exactly as Mr. Pip is teaching here. I am having problem to see the tick chart as different to some of the senior members or posting here.

I am attaching the chart; could anybody help me to sort this out? How can I get the exact tick chart as Mr. Pip and other guys have?

Mr. Pip's Response to MrMalik1

FXCM does not give you good Tick charts. What you can do is open an FXCM demo account and use the login ID and password to create a NinjaTrader connection.

Question from GnG

Just a confirmation on the correct drawing of the swings in order to find the momentum properly. We have learned:

1. That we pay attention on the wicks, to make our order flow analysis.
2. We start our line from the left higher high(the highest point that the price reached) and finish to the right lower low (if we have a down trend).

So on this chart the line should start from the purple arrow(ok this is clear since it happens to be also the more left candle) to the green arrow(that has reached the lower price)? Even if there is another candle to the right?

Mr. Pip's Response to GnG

Let's keep it simple. I rather everyone use the highest point and the lowest point. It won't make much of a difference.

Question from Asmodai

I noticed that "zooming" in and out the chart changes a bit my perception os the price swings. In the charts I have posted I can see about one day back in the 15m chart, if I zoom out I can see two or three.

My question is, does it really matter how far back I can see on the chart as long as I can find some clear highs and lows and don't change the timeframe?

Mr. Pip's Response to Asmodai

It really does not matter. Find the current expectation and assess the order flow and you are in business. No need to scale out too much for this type of analysis.

We will be scaling out a bit later on to identify Supply and Demand and potential Advanced Harmonic Patterns but not at the moment.

Proposal by Tim Welch

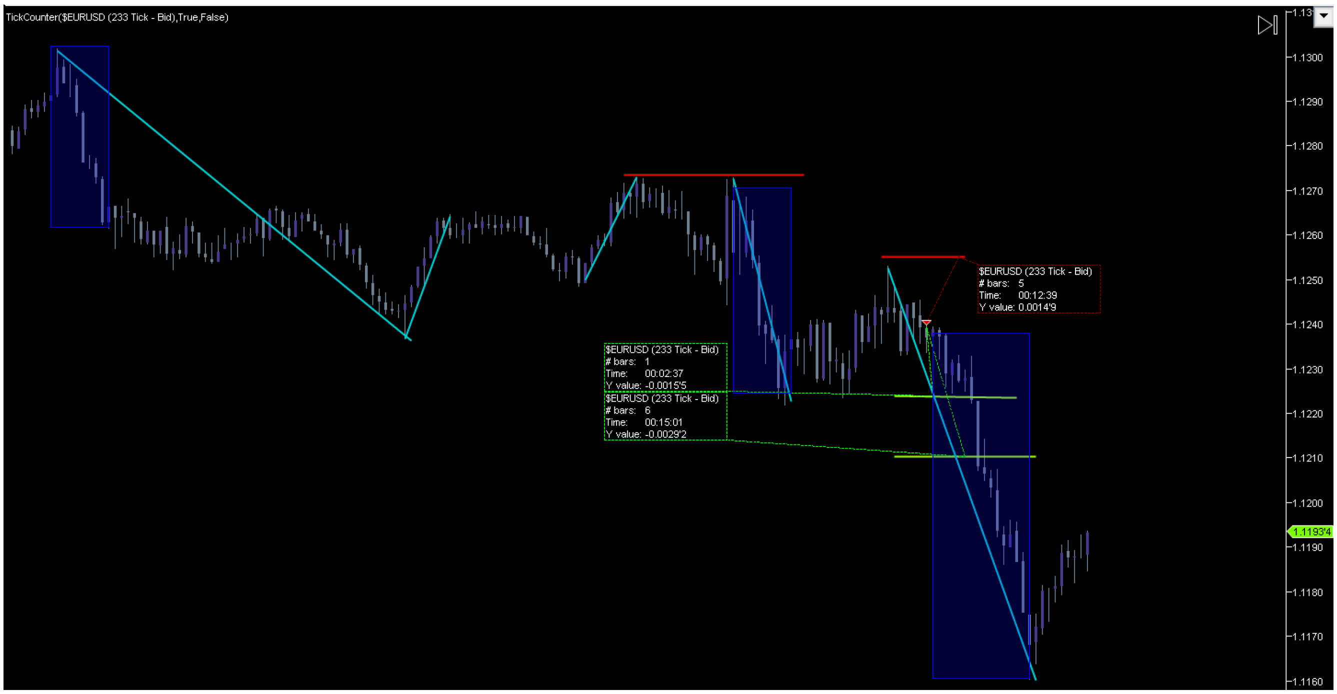
Here's a screenshot of a trade I made today.

It looked like there was a 'complex correction' in a down movement, which then broke back to the downside. If you look at the blue boxes, those were significant bear candles. Since the bulls looked to have a harder time in raising price than the bears was having in lowering it, I felt confident of my entry that it was time for another big move to the down side.

I didn't fully implement all of the trainings, drawing the projection and depth on the chart, but I did try to take it into consideration. What I saw was that inside this complex correction there was a small up trend, making NSHs. But then when the last NSH failed (marked with a red line), it broke out of the complex correction and into the longer term downtrend to make a NSL. It was off of the correction from the first NSL that I took a Sell trade.

I'm still on a broker that uses MetaTrader, so I am using a demo account to look at the 233 tick charts, and finding them to be a nicer and smoother alternative to either the 5min or 15min charts. So, I used this demo account to find my entry, and then made the trade over in my live account. I do like the drawing tools of NinjaTrader way better as well.

I drew my actual trade in here as well. The red down arrow was my entry. The red line above it was my stop loss. I made 2 identical trades each at half my total desired trade risk (i.e. 2 trades at .50, totaling 1.00 lots). The Take profit of the first trade was to be able to take my 2nd trade to a break even point. Which I did. And then I rode the 2nd trade to my 2nd take profit. As you can see, price continued on for a while, so I could have kept a trailing stop on it, but my daily profit target was hit, and I was satisfied. (TP1 was a 1:1 on reward:risk, and TP2 was a 2:1 on reward:risk).

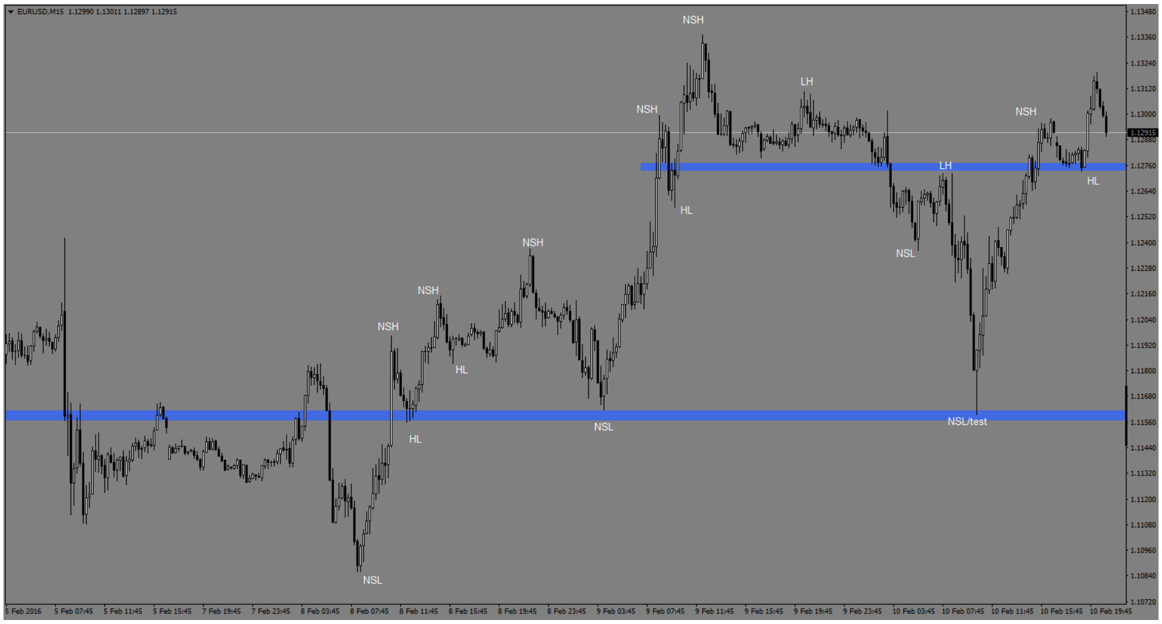


Mr. Pip's Response to Tim Welch

Excellent work Tim. Your trading has improved big time since we spoke! I'm very proud of you!!

Proposal by Winston Reed

I've been following the videos and posts for the last couple of weeks. Here's my EUR/USD 15min.



Mr. Pip's Response to Winston Reed

I like what I see keep up the good work.

Comment by Winston Reed

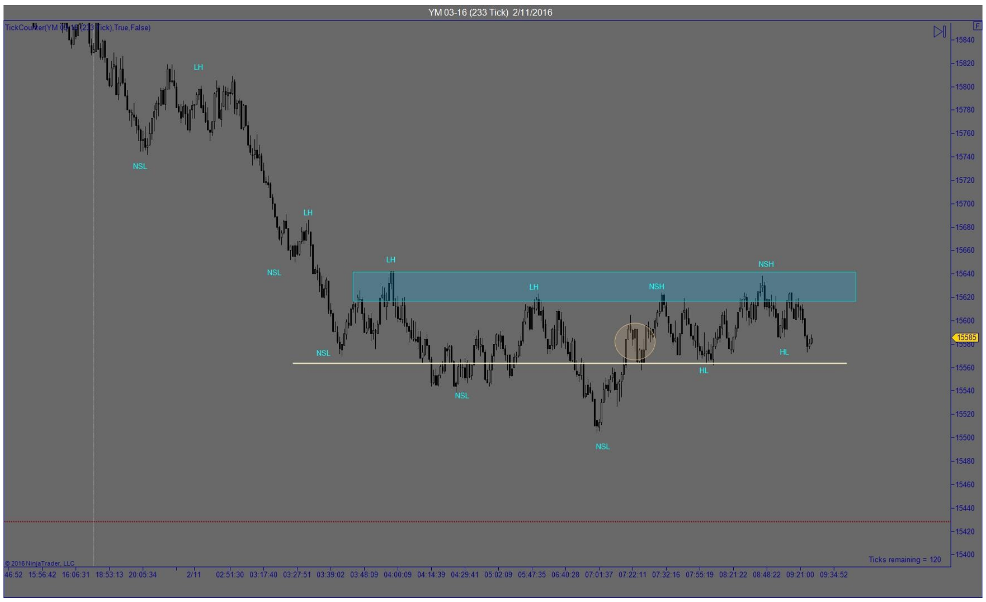
Double low/test areas seem like good areas to consider if history in those areas shows favorable order flow.

Mr. Pip's Response to Winston Reed

I agree, we will discuss this when we get to supply and demand.

Comments by Mr. Pip

FYI DOW



Expectations, expectations and more expectations!!! 95% so far the current one may fail and has not failed so it has not been counted.

Gartley completion as well just wanted you to see harmonics in action. We use all the tools at our disposal. I don't want to see a bunch of patterns that is not what we are working on and I did not trade this one.

Question from Aj1

[Regarding the second picture], Damian, why do say that the current one may fail? Momentum is good, so are depth and projection. What insight do have to say this may fail.

Mr. Pip's Response to Aj1

5. Complex Corrections

Okay Traders,

I've made a very short video on complex corrections. If you are good with it we can move forward with corrective expectations on Sunday if it's too short and would like a deeper view or a few more examples let me know and I will make a longer one on the topic. I wanted to keep it short and simple. It is rendering now I will post it when it completes.

Video 5: Complex Corrections Order Flow

Question from GnG

What if we didn't have in mind that we can may be dealing with a complex correction? In the video I didn't get what had changed in our structure/order flow analysis. Meaning, apart from realizing that we are in a complex area, in practice Ii didn't understand if there is anything else we need to pay attention to.

Mr. Pip's Response to GnG

No, nothing needs to change until an expectation fails or a new one is formed. This is the beauty simplicity is key. Always be ready for a complex correction. Know the framework that price needs to respect according to your expectations and you will be good.

Question from HovedGuy

Thank you very much for the video, as usual it was amazing but I would appreciate if you can make one more video on when do we expect a Complex, Deep, Shallow or Mid ranged Corrections (best is if you can formulate some kind of set of rules). Not sure if it will be covered on later stage. Please always know that I am not being rude even though if I may sound like, I am not a sweet talker I guess.

I understand it takes lots of practice and patience to understand the way you feel the market in terms of order flow and expectation. I am trying my best to grasp.

RolandW's Response to HovedGuy

I think Mr Pip said he was going to be doing a video on expectations, which is where I assume he will be going over the shallow/mid/and deep corrections.

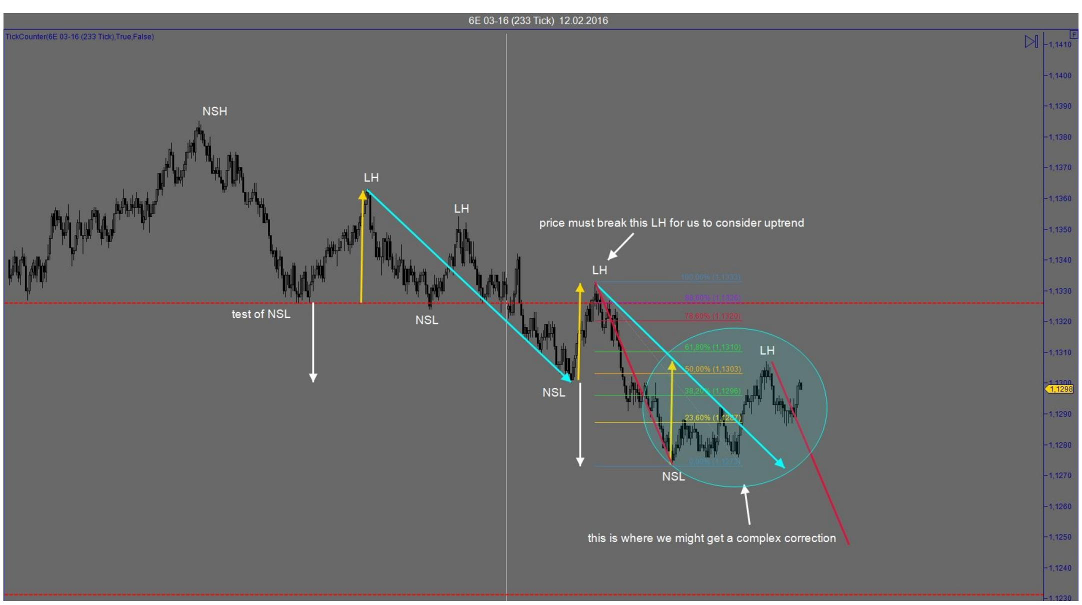
The video was pretty super, and if I didn't know better I would be asking where you got your crystal ball.

I think what is MORE important is how the position that was taken out was dealt with... Everyone knows that losing is part of the game, but the fact that there is a story built up to support the decision making, shows that the market can do unexpected things, but is not down to simply misreading the market. I would be happy to read the market so succinctly 70% of the time

Mr. Pip's Response to HovedGuy and RolandW

RolandW, you nailed it. A losing trade means nothing if you followed your process and followed your rules. I am really efficient at reading the chart and knowing where price should go but I can't control what happens after that. We have our stop and take profit. Then we dance and see where that takes us. Occasionally you will step on her toes and she will punish you but over all it's a match made in heaven.

Proposal by Arjan

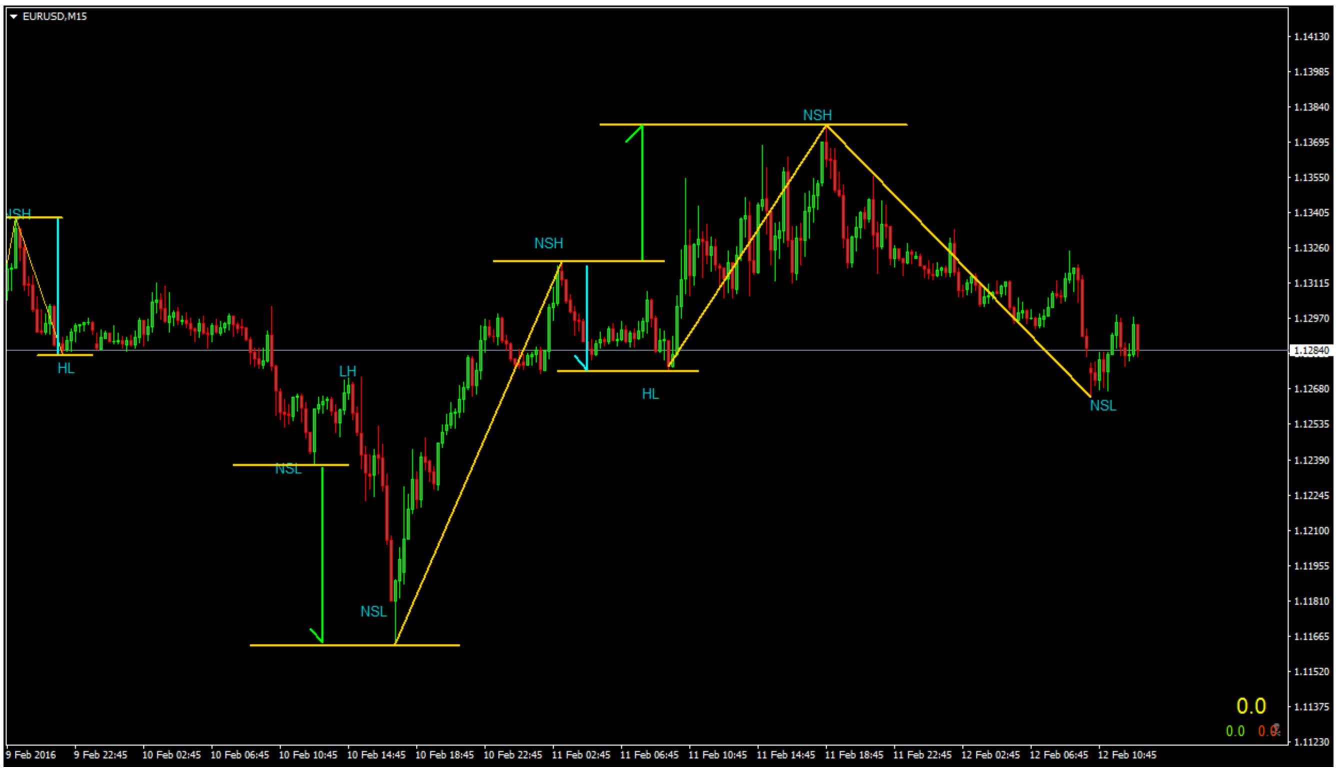


Mr. Pip's Response to Arjan

Great work Arjan! Hope you are well.

Proposal by Asmodai

Here is my take on EU 15m, but I'm having some trouble about the expectations. Price has "average" momentum, but produced a very shallow NSL. Can't really say I have a good expectation, so it is just wait and see.



Mr. Pip's Response to Asmodai

Sometimes we just need to be patient and wait for the information to become available to give you a better expectation but this doesn't mean you should not have a basic expectation which since you have a NSL you should expect a LH followed by a NSL.

Follow-up and Question by Asmodai

Thank you Damian. Of course, I didn't just wait price to do what I think it should; I also act.

But one simple question. How would you manage this trade? I don't want to move my SL until price reaches the target. On the other hand I feel a bit (and here is when psychology enters in) at unease to let those pips sort of unprotected. market can always come back and hit my SL. So, what do you do?

Mr. Pip's Response to Asmodai

Well a bit off topic at the moment. But once price gets past your structure and is heading towards that target, you can trail and lock in at that structure. you can also wait for price to hit the 127.2 Fib Ext. your choice.

Comment by GetThatPip

Mr. Pip, I thank you for your dedication to help traders improve; this video is great. Here is my intake, and I apologize if I sound a bit needy, but I really would appreciate it more if you can make another video or maybe expand more time to focus on this lesson it is a bit complex one yet so important and I want to digest it a 100%. I really appreciate it and I'm grateful.

Georji's Response to GetThatPip

Trust me, all the informations you need are in this video and in previous ones too, so you just have to keep replaying them and it will all sink in.

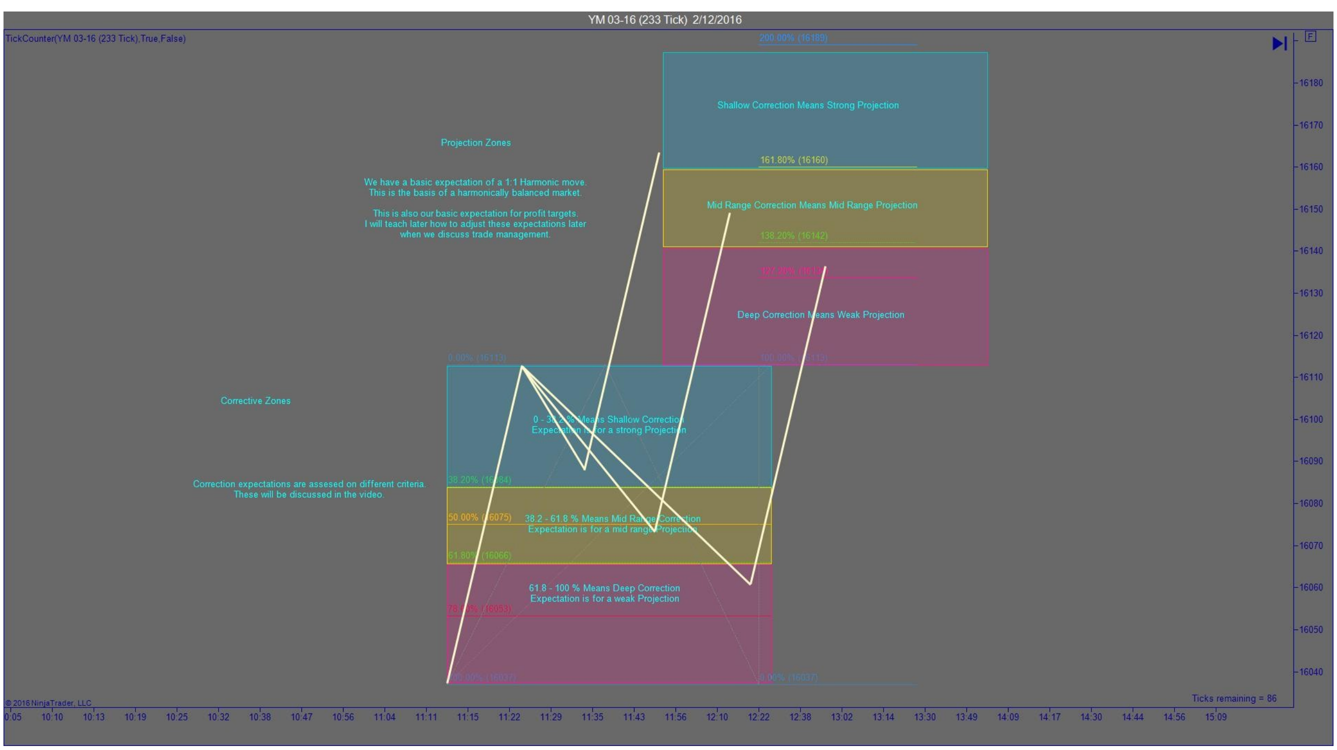
Preparing for the Next Phase

Okay Traders,

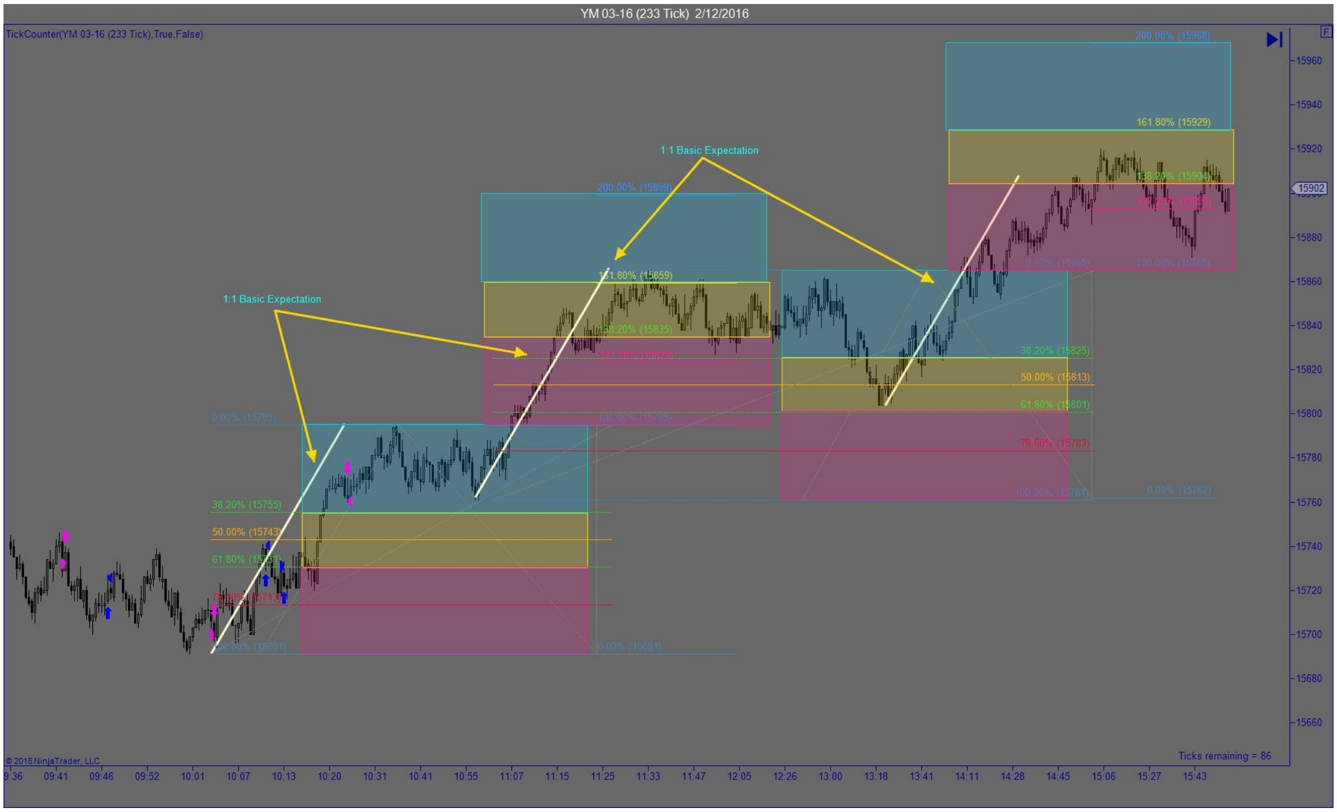
I want to lay down the foundation for the next phase of the Order Flow Analysis we will discussing and the upcoming video. The illustration below describes the basic of what we would expect.

Understanding that expectations on the extensions should be an equal 1:1 move it becomes simple to project potential profit targets. When we discuss trade management we will learn how to adjust the expectation based of strengthening or weakening. But for now the is out basic expectation.

On the correction we rely on structure being short term support or resistance, a comparison of what the previous depth was able to achieve and in complex correction short term harmonic expectations. The video will address these areas and don't freak out it's not as complicated as it sound. Study the chart below and start wrapping your heads around this expectation illustration.



Here is what this looks like on a chart. It isn't always this pretty but you get the picture. The Market happened to be very Harmonically balanced today.



Comment by Aj1

In terms of Harmonic completions, could we not also add Expectations. On a 38.6 correction we expect a 161 follow through. On a 50 correction what we expect and so on.

If those expectations are not being met, could we begin to say that our expectations are weakening.

Mr. Pip's Response to Aj1

Excellent! This is true!

Question from GnG

I have a general question. When we open a chart to start making our analysis (let's say we are intraday traders, and wefocus on EUR/USD) we go a little back and looking for the highs and lows and structure levels, and all these stuff we have discussed.

As we have seen the market moves more during London or/and New York session. Before the open and after the close market is more '"quiet."

Are things that we may identify (NSHs, Support levels, momentum measurements, etc.) during the ''quiet'' hours less important that those that occur during the open hours?

Mr. Pip's Response to GnG

I would not say that they are less important. What you are trying to asses price's reaction to the level. You want to identify areas the price has hated to be there and ran for its life. Don't get to crazy with this keep it simple. Two above and two below current price. Is more then you need.

It is not less important. It's the order flow of the market participants at that time. If that is your chosen time to trade. Then that is the order flow you are trading. Targets and stops have to be realistic to that order flow.

Proposal by DevonTrader

Urgent family matters to take care of; feeling I'm slipping behind and losing touch but fighting back. I've managed to watch videos and put this together on YM 233 tick. I hope it's right. What you think Mr. P?

P.S. Mistake at the top: not LL it's NSL.

Mr. Pip's Response to DevonTrader

You are not slipping behind. A couple of miss labels but not a real problem. Keep at it. The good thing is the the information is here and will be here for you to come when needed. Family always come first. Keep doing the best you can.

6. Order Flow Expectation

Okay Traders,

Just finished the video It's a longer then you are use to but better. I went through 2 trading days one unprofitable and the other profitable. As you already know I don't cherry pick the chart and use random places to show the examples. I believe this adds value because it is not rehearsed or faked in any way. You have not had the value to see a losing day which happens to all of us yes even me. But the take away it that it does not matter and you don't bring that baggage with you into the next day. I anticipate having to possibly make another video and that is okay there is no rush here and the important thing is that you are able to see the techniques applied in a realistic manner. Please comment on the video. I'm still not 100% so if the video is crap let me know as well.

Video 6: Order Flow Expectation

Question from RolandW

One question I do have, only because it was not really in the video is when do we expect Mid range corrections.

It seems that if we have:

- A runaway market, we look at least to the 38.2 retracement, and expect a shallow pull back with structure.
- Weak NSx, we look for a deep correction which will be from the 61.8 retracement with structure to support the entry.

Is the mid range expectation basically where structure is in between the Strong NSx and weak NSx... and how do we asses what this is? A weak NSx below the 1.27 extension, and a strong NSx past the 1.68?

I know that each needs to be weighed up on it's individual merits, but is this the general rule?

Arjan's Response to RolandW

If I may answer this questions, I'd say that, as you have already noted yourself, a weak PB comes 38.2% of the swing, and a deep one at 61.8%. So, a mid range PB should be at 50% of the swing. Usually, PBs that go below 78.6% retracement are not "healthy" to take. because in principle market shouldn't correct that much if we are right with our analysis.

To judge whether the NSx-es are getting stronger or weaker (or in other words, if the trend is getting stronger or weaker) you have to compare adjacent swings with each other. And to do that, you use momentum, depth and projection. But your observation is correct though. If the recent NSx didn't reach 127% of the previous one, it is an indication that the trend is weakening and that we might expect a deep correction. But, nevertheless, never change your bias until that NSx is taken out.

Mr. Pip's Response to RolandW

If that heavier structure is between the 38.2 and the 61.8 which is the mid range PB area then that is the area you want to consider looking for opportunities. Don't get too wrapped up in deep vs shallow vs mid pull back it will be one of those over 70% as our analysis has shown us find the toughest zone that offers the strongest barriers for price and look for opportunities in that range. Your expectations are guidelines but price action has the final word.

Proposal by HovedGuy

Mr. Pip Thanks a lot for the video. Great volume of information to digest. Watching it very minutely and also making some notes, cause I'm not in hurry. Meanwhile looked at the chart and here's my observation.

Expecting deep correction to go short form the area marked

1. Price made a weak NSL (as it almost touch 127% extension)
2. Momentum is almost same, but weaker projection
3. Presence of structure

4. Harmonic correction confluence with 61.8 to 78.6% Fibo

P.S. Correction seems to be weakening, it might not be able to make such deep correction.

Does that mean no trade?

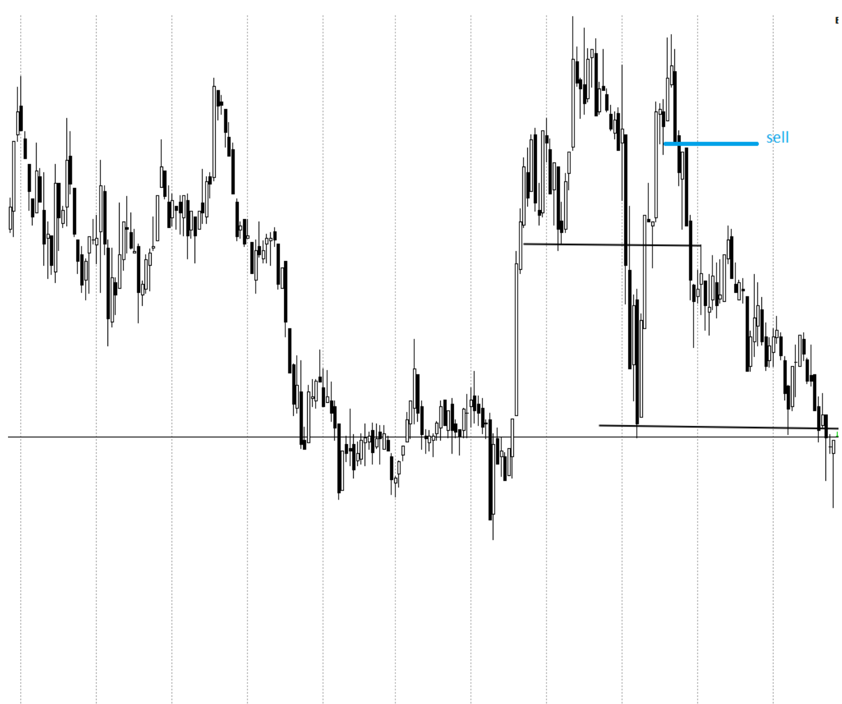
Mr. Pip's Response to HovedGuy

You have to assess your risk. Are you happy taking on the risk? What is your reward? Is the order flow breaking down in you intended trading direction? Where is the heaviest structure area within that correction? These are questions you must answers for before you get into any trade.

Comment by Mr. Pip

A trader that doesn't lose is a trader that doesn't trade. We all have day where we get kicked around but the difference is that it shouldn't matter when it happens. Look forward to the next trade based on the facts of the case, based on the technical and forget the past.

Proposal and Question by Monocor



Also, do you trade test and deeper correction which goes below 78? Thank you!!!

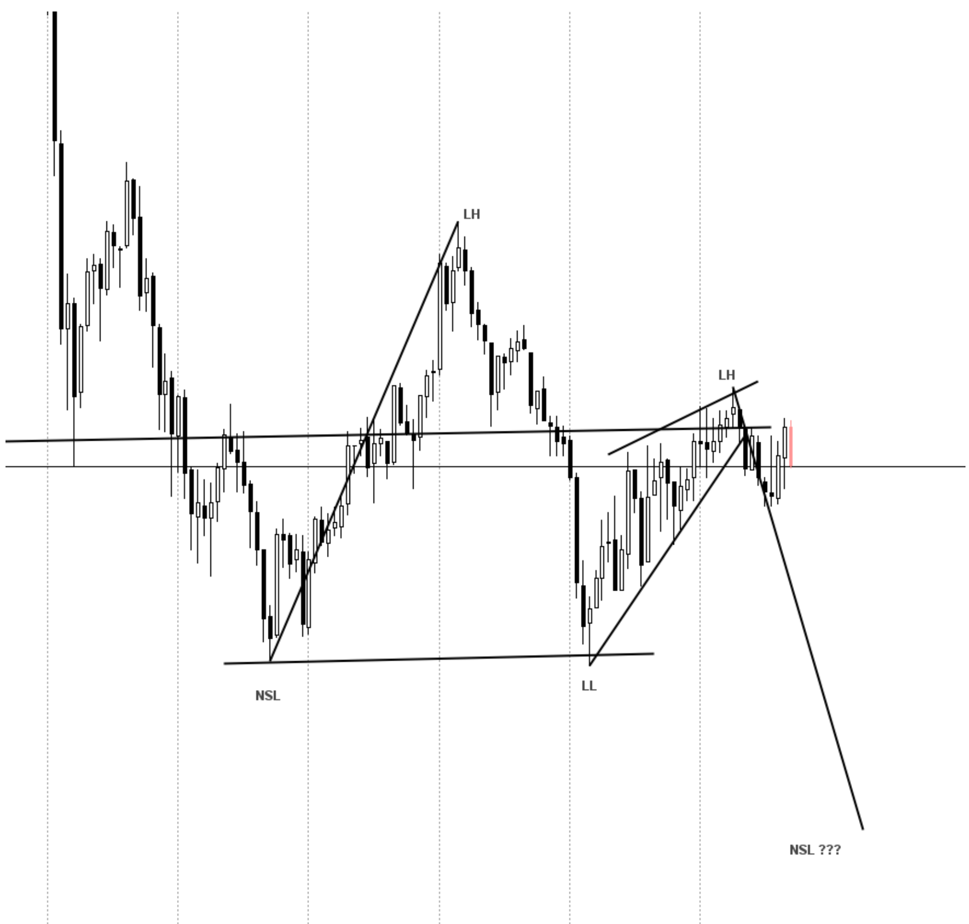
Mr. Pip's Response to Monocor

Deep corrections offer the best R/R however they are also a double edge sword at times because deep corrections weaken expectations specially when they occur with increase momentum. I personally like to see the 78.6 respected it gives me some assurance if you can call assurance that the golden zone was respected.

As for your chart, it's a higher risk trade but I don't have many issues against it.

Proposal by Monocor

USD/JPY, M3 . Price made a new LL, but not a NSL, because it didn't close below. And there was a deep correction LH. Isn't it decrease my expectation on NSL???



RolandW's Response to Monocor

Monocor, we don't have a LL (and your line is a little bit off - on a slant!) It is a retest of the NSL. Because there was no NSL - we should probably expect a deep pull back, and it will probably test the previous LH (so the swing high basically) There does seem to be weakening momentum heading north, but on such poor projection and increasing depth, and no determined structure level at the furthermost LH on your chart, would you want to risk entering a trade there? I think on the projection, depth and momentum, you have 0/3 to take a trade at the present time.

The expectation of a NSL has not increased or decreased; it is just an expectation of NSL. The chances of it *making* the NSL has decreased though, as the momentum was not strong enough to push through the buying pressure.

Mr. Pip's Response to RolandW

Wow! Loving it!!

Proposal by Tim Welch

Here was my trade today. I'm still using NinjaTrader for the tick chart, but using MetaTrader to place my trades. I watched the new video from Mr. Pip this morning (Amazing, thank you Mr. Pip!) and then I began my day.

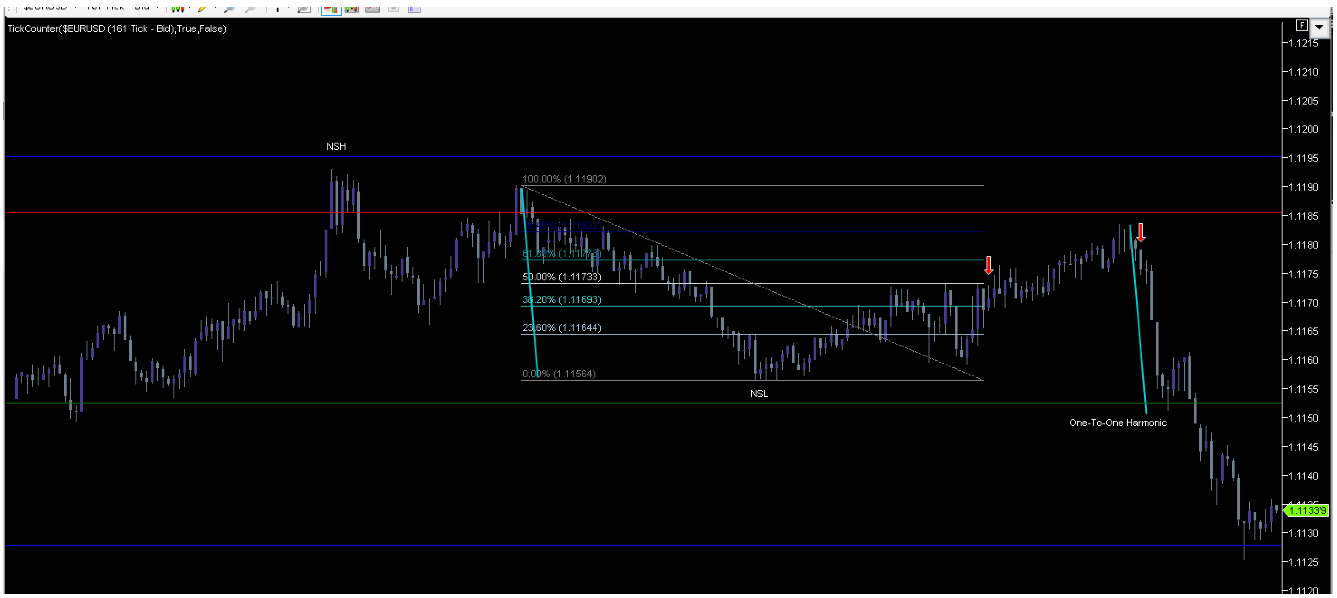
I saw that there was a NSH followed by a NSL. So I waited until a Fib pullback to go SHORT. I messed up, and should have waited until a DEEP correction. It was right there in the video from Mr. Pip, and I just completely forgot about that.

Anyways, I watched price go against me for a while. You can see my stop loss (red horizontal line) was just above the 78.6% fib mark. So when I realized that I should be waiting for a DEEP correction, when I saw the rollover happen AT the 78.6% fib mark, I made 1 more trade short. With the stop loss at the same place as my other trades.

This may or may not be the best money management strategy, but I was still EXPECTING a NSL. And honestly, the risk was only like 1/8 of 1% of my balance, so it was definitely worth it. So, I wasn't breaking any rules there. My final Take profit target was at a One-to-One harmonic move, which you can see in the Cyan line.

Comments, constructive criticism, all welcomed here! (Also note, I'm using a 161 tick chart. It's just a little faster than the 233). Risk to reward at the first trade was around a 1.7:1 or somewhere in that ballpark. Risk to reward was MUCH better on the trade I made at the 78.6% fib rollover, more like a 15:1!

Update: Also note, I'm calling NSH and NSL for shorter term swings, not the long term swing. I just noticed the long term would suggest that my marking of a NSL was invalid. But if you follow the short term swings, it should be valid. I didn't mark every spot, so at glance it looks like I would be using the long term, so I wanted to mention that.



Update 2: Here's an updated chart to show the NSH / NSL from my perspective. ;-) Also, there's another equal harmonic move down again. As you can see by the cyan line at far right. I'm sad I missed it, but I made my profit target goal for the day, so I'm fine being out of the market. Not greedy.

Mr. Pip's Response to Tim Welch

Well done Tim! You said the most important thing and it was that you didn't break your rules and you evaluated the risk and it was acceptable to you. Nice work again. Use the 144T it's a Fib number. I use tick charts associated with fibs. 610 is up from 233 and down is 144.

Questions from HovedGuy

Is it possible to make any judgment with limited arsenal we've acquired?

I am confused upon one thing. you said that price making 127% retracement the minimum criteria to expect that the trend is healthy. I have derived it as 127% is minimum strength of the trend (when I placed the limit order) whereas 168% is strong. is it correct?

Mr. Pip's Response to HovedGuy

Yes it is possible to trade and trade very well with the tools I have already should you many already are. And you and too if I'm not mistaken. Yes price should at the very least make a 127% extension.

Question from Evocpr19

Dear Mr. Pip, with regard to the first part of the video (I split it, since due to the time shift, I am always late in comparison to others), I have a question.

On sequence around minute 27 (the sell trade with the second entry which turned out to be taken out): for you it was a good opportunity to go in, since only 38.2 retracement,....

I do not understand why the fact that the price action broke the previous LH should not be taken into account.

As far I can see, the entry for the trade was above this previous LH. Should this not have changed our expectations? (I would not expect anymore to get a LH and NSL; I would expect at least an area of complex correction where I would not know how to trade).

The same applies at the beginning of the video, you said something like what happened in the past is not important, price has spoken a NSL and NSH). What is if this NSL-NSH swing is within a previous bearish main swing (I hope you know what I mean). Should we not pay attention to this? (e.g. this NSL-NSH swing represents a retracement to 38.2 fib of the big previous bearish main swing.

Mr. Pip's Response to Evocpr19

You may have taken me slightly out of context. When I said what happened in the past is not important was in regards to longer term structure. That trade was not the best trade to take but remember in the video like in real life sometimes we don't take the best trades. Once you are in it you own it and must deal with the trade and the outcome.

Recap and Next Topic

Hello Traders,

I am seeing great dialog among yourselves and the skills are getting sharper. I'm seeing profitable trading and the growth of skilled trading. I'm very pleased.

I want to mention that going against the trend is not against the rules by any means but there is a time and place for it. I want you all to understand that trading in direction of order flow will give you the highest probability trades and keep you profitable at least 70% of the time. But every now and then the market changes direction and good opportunities come up for you to capitalize on counter trend trades. Only if there is significant breakdown in the general order flow should one of these opportunities be taken. At major areas of structure.

Understanding that going against the order flow puts you at a 70% disadvantage will help you understand when taking such a low probability set up is worth the risk. What you are trading is a correction so with that in mind comes having realistic goals and expectations. We will get to the patterns and Structure Supply and Demand that increase these odds slightly. But why fight the strength of the market when you can profit in a relatively stress free environment of following the expectations that play out with such a high percentage. This is something that measurable and reproducible over and over and over. It's the bread and butter and the market can be your personal ATM machine.

Next Topic and Video will be on Support and Resistance and Supply and Demand. I will simplify this for you as well so that you do not put more then the necessary analysis of this topic. I will be putting this out over the weekend which gives us a couple of more days of order flow. Hope everyone is enjoying the process. The results speak for themselves. I'm seeing consistently profitable trading and without the indicators. I hope you never turn back on the success you are finding. I am holding nothing back here and hopefully changing your lives for the better. Have you ever been this profitable? Who says it can't be done? Who still thinks indicators have something of value? Naked charts are freedom!

Comments by Mr. Pip

Price started to move is favor after some pain and now it's trying to correct again. Got to be patient here and let price do it's thing. Bulls are showing buying interest but are still a bit weak. We need that decision to hold.

Price is really struggling to climb. I reduced some risk and am looking to get to the BE ASAP.

Locked in 5 to protect my trade lots of weakness up 20 at the moment I will update another chart pick soon.

Out for +5.

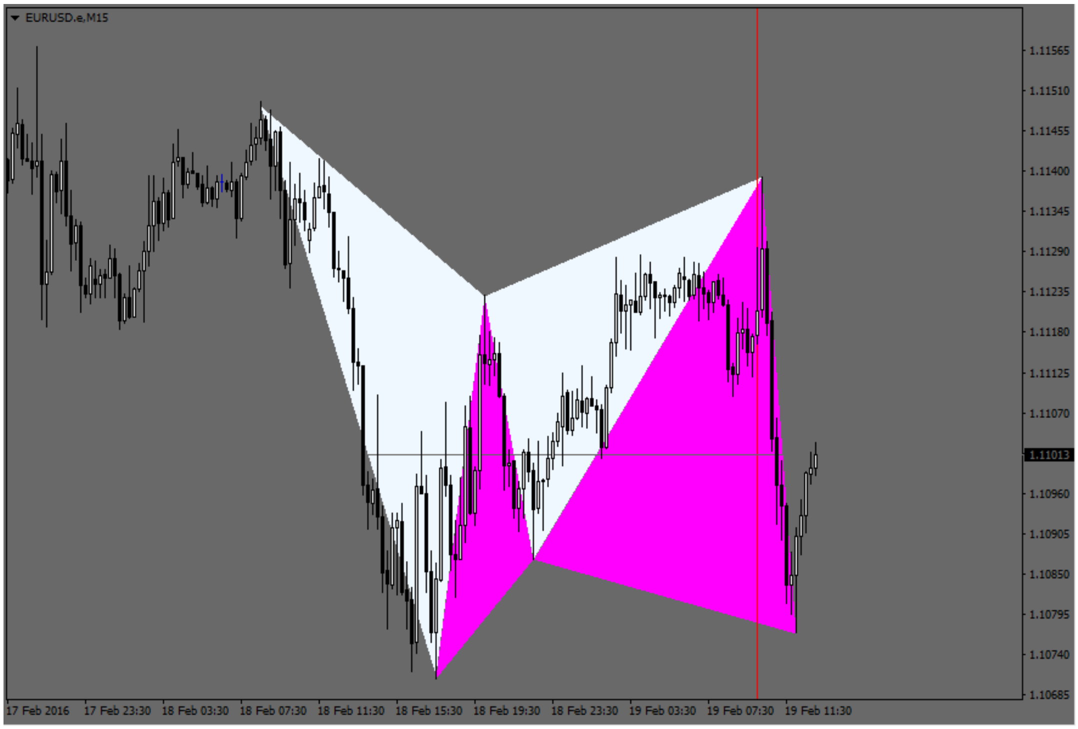
Short DOW.

Update:

Crappy Market today locked in 10 points news is coming out @ 11.

Comment by vhk.fxt

A Gartley (white) and a Cypher completed:



Question from Evocpr19

Dear Mr. Pip, I have a question concerning my trade and expectations.

I was expecting after the big downmove forming a NSL and break of structure of the uptrend to wait for a LH which I expected to form at approx. the 50% Fib. Here was my sell entry (bearish engulfing). The price turned on the point to the downside and was expecting that the price will go for a NSL. However, it turned again the upside. and passed the previous LH. Hence I was now expecting that price will go to the upside (target indicated with the projection line).

In the meantime, I have seen that the price came down again (and passed the previous turning point) and formed at fib 61.8 a double top.

Are these simple expectation failures or do I something wrong? We had for the first expectation also structure at the left (more in the past as the structure of the second turn

point). I think next time I will analyse, set entry, TP and SL and close the laptop.
Just for info, I did not loose anything because my entry was very soon protected by the SL and I try on a demo account.

Update: price came down as expected during the first expectation.

Mr. Pip's Response to Evocpr19

You were in a complex correction. Be aware of structural boundaries to understand what the expectation should be.

Follow-up from Evocpr19

Dear Mr. Pip, please apologize for my asking again, but I do not get your point. The structural boundaries were described in my post (within the limits of my English) and I do not know what is wrong with them.

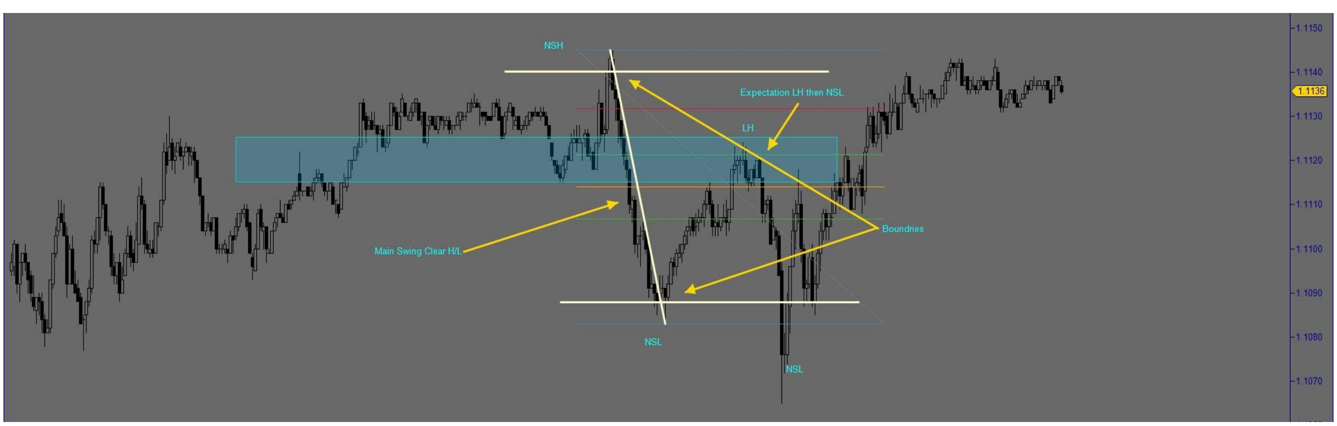
The fact that the price did in fact show a complex correction after completion of the move was evident for me, but not at the time of taking the trade. Moreover, the price turned and the sign for down was also present (bearish engulfing and next candle was big and down). When should I entry if this point was wrong?

Furthermore, the dominant swing had decreasing strength in the candles in comparison to the main swing down (expectation: price wants push down). I would have expected the complex correction to take place between my point of entry and the NSH of the main swing, but remaining within these boundaries and not to escaped further above to 61.8 fib. Should I only change expectation, if the price it my SL which would be above the 78.6 fib?

I would be grateful if you could explain it further or anybody else, since this is for me a crucial aspect. Any input is welcomed.

Mr. Pip's Response to Evocpr19

No need to be sorry, If you remember from my video I said look for the strongest areas of support or resistance and find ratio confluence. Price corrected deeper then you probable expected the the boundaries should have been clear and so should have been the expectations. Once price broke short term structure was when you should have been thinking complex correction. Review the chart nothing should have changed.



Follow-up from Evocpr19

Thank you. The hint with the boundaries made it more clear to me. I saw the "change of expectation" to narrow

Proposal by Evocpr19

Dear Mr. Pip, please comment my assessment for entering this trade (it worked out, but I would be grateful if there is a fundamental issue with my analysis).

The main swing is up. It formed a NSH. Within the correction (retracement), price came down and formed a NSL (little broke of structure, since price closed below HL of the main swing (the close of HL, not in box because otherwise the box would hide the whole trade; area highlighted with the box).

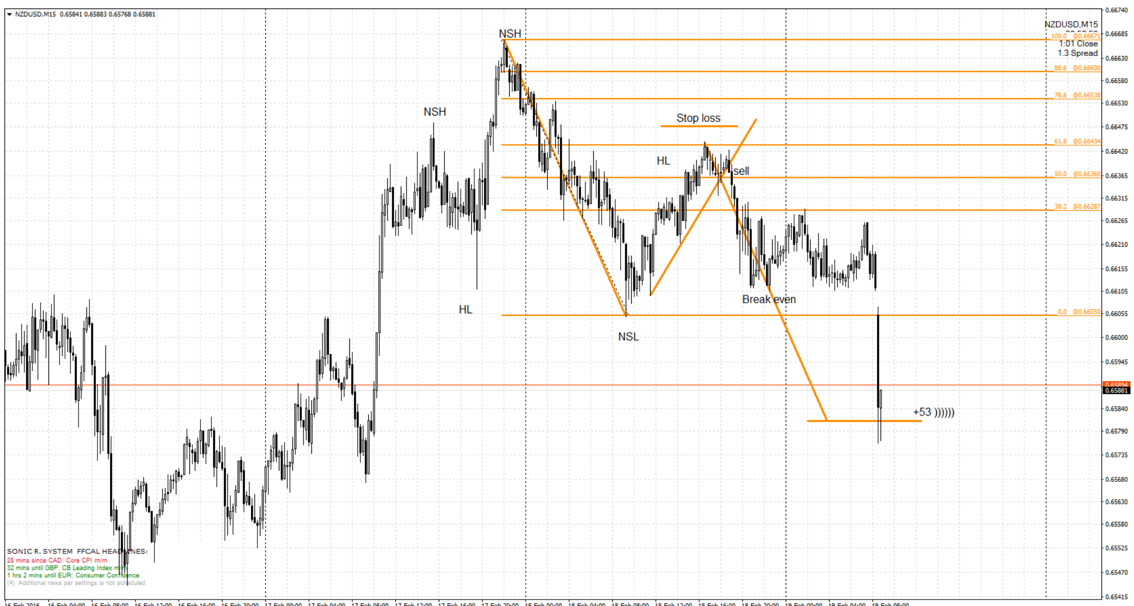
However, since the momentum of the main swing was very strong (& big bullish candles) and the retracement still bullish (50% of this main swing and 23.6% of the overall structure), I decided to look for a buy close to the box and for an exit (area of confluence determined via the projection lines and due to the fact that I expected a light retest of the last NSH). Light because the structure was broken to the downside. Moreover a buy, because we have also support structure on the left.

Mr. Pip's Response to Evocpr19

Price did not produce a NSL on the general order flow. It was a complex correction. Your trade worked out because the entry favored the general order flow but I want to make sure you knew that because if you felt you had a NSL what would have been the expectation?

Proposal by Monocor

By the Stop that is LH, sorry.



Mr. Pip's Response to Monocor

Looks perfect to me!

Comment by StevePatt

.... It has nothing to do with fib levels they are only interested in Liquidity "they" actively seek it out and Manipulate the Market (False Breaks) (Stop Raids) in their search of it and to generate it ....

Mr. Pip's Response to StevePatt

I disagree almost completely. While the big players need to find liquidity one way or another is true and sometime will play dirty to fill their needs, the markets have order and a pulse. If your statement were true Harmonics and ratios would not be as powerful as they are.

We are not at the mercy of the big banks and central players, We are empowered traders with expectations that play out the majority of the time and that is huge power. Those that are at the mercy of these player and believe in noise and all the other nonsense are traders that have no clue how to properly process a price chart. Supply and Demand are important but my skills tell me that there is order to the financial markets and I can read it. Those that have taken up this process should be starting to see this for themselves.

Comment by Mastermind

The major aim here is to build up a story about where you anticipate price will go.

Confluence and an expectation for price provide incredibly powerful tools that if applied correctly will yield very good results.

Fibonacci ratios are simply ratios however they have stood the test of time in many different areas of life including trading.
The fib ratios should not be perceived to be precise price levels but rather as areas or zones of interest.

A trader should not view the fib ratios as the be all and end all in trading but rather as potential zones of confluence that give additional substance to a trade setup.

I've applied fib ratios, PA, harmonics, order flow and many other trading techniques to form an opinion on the likely direction that price will take and it has served me well. Chart analysis should consider as many factors as appropriate for the trade setup without over-complicating matters.

In terms of market manipulation and the other factors you mention this unfortunately is part of the FX business and hence no matter how spectacular the trade setup might look to an astute trader it is always necessary to apply an appropriate level of risk!

Note: At the end of the day when all is said and done I apply the fundamentals (as required!) with the technicals in an attempt to make trade entries that exhibit the least amount of DD possible but sometimes the market will simply pull away from your favored direction and hence the need to dynamically follow price action.

The comment I made regarding the 50 Fibs and the 886 was in line with what the other traders had previously analyzed and I was simply making a general comment and the EURUSD [M15] chart was such a great example!

I think all traders including myself should remain focused on the current topics that Mr. Pip is laying out here! Learning these techniques here in this thread will serve you well, it will open your eyes and allow you to make 'better' trade decisions.

I know it felt like a whole heck of a lot of learning in the beginning but after you start applying it to numerous charts on different pairs, commodities or indices etc and spending hundreds if not thousands of hours on chart analysis the setups truly do jump out of the page at you!

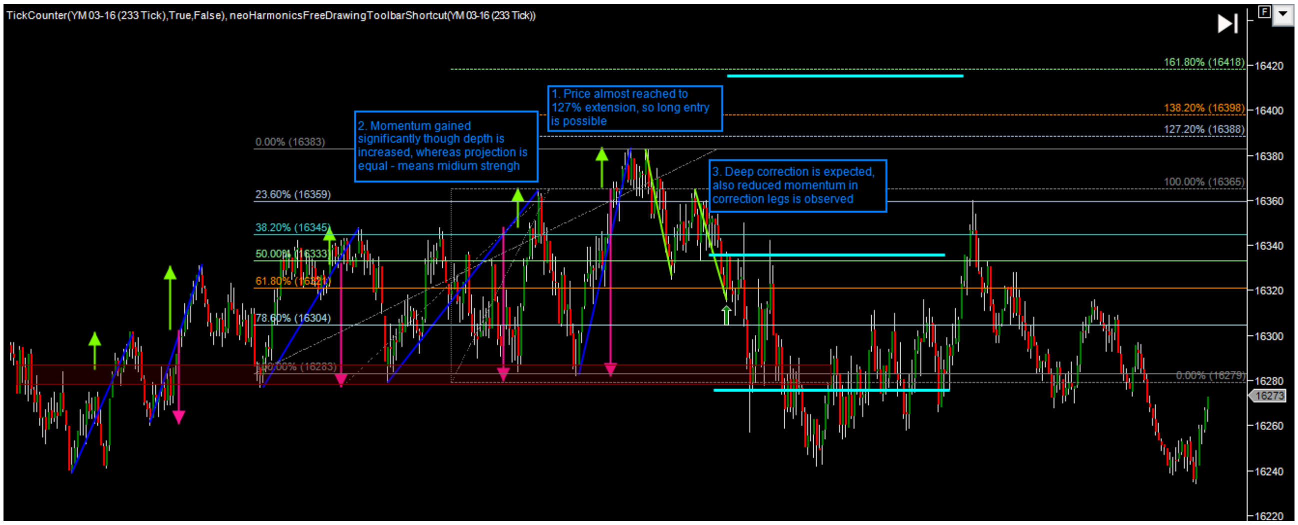
Looking forward to eventually placing some before the fact trade setups and entries with other willing traders once we get to that bridge but Mr Pip will have plenty more to teach before that day comes.

Mr. Pip's Response to Mastermind

Masterfully written. I always look forward to your input.

Question from HovedGuy

Could you please point out why not to take this trade?



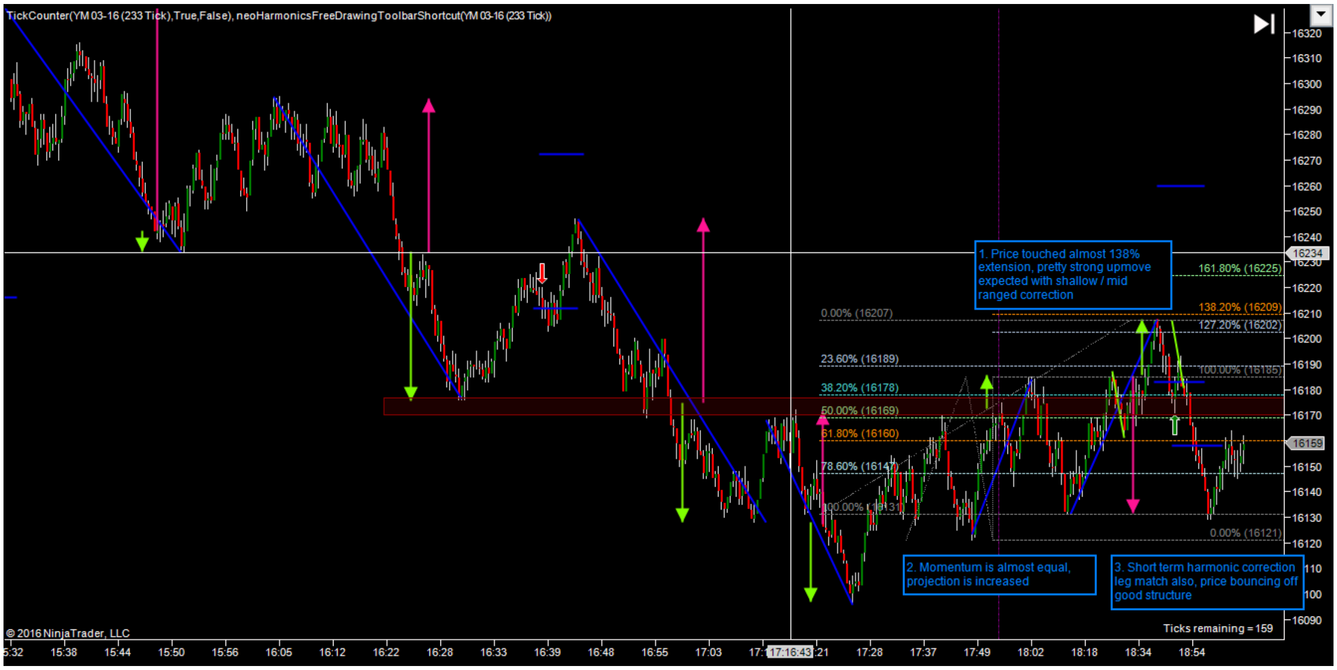
Mr. Pip's Response to HovedGuy

That trade was not a bad trade and remember that not every trade is going to be a winner. The only thing you might have given you a heads up to manage the trade aggressively was the extreme weakness that the bulls showed in the history. A bunch of 100% corrections and little to no ability to keep driving the bus up the hill. This showed severe breakdown in price. Price did however got it's act together and finally progressed into that NSN and your expectations were accurate. You just can't filter everything out.

Follow-up from HovedGuy

Thanks for the clarification. Hope posting similar case studies are fine with you. Do you think the bears were too aggressive (in correction leg) and should have waited?

Edit - 2nd pic is the counter trade against orderflow.... are they OK to take?



Mr. Pip's Response to HovedGuy

Your entry looked OK to me. Don't sweat it losses will happen but they will not matter. We will always be wrong when an expectation fails fortunately for us it happens only 30% of the time.

Order Flow Question

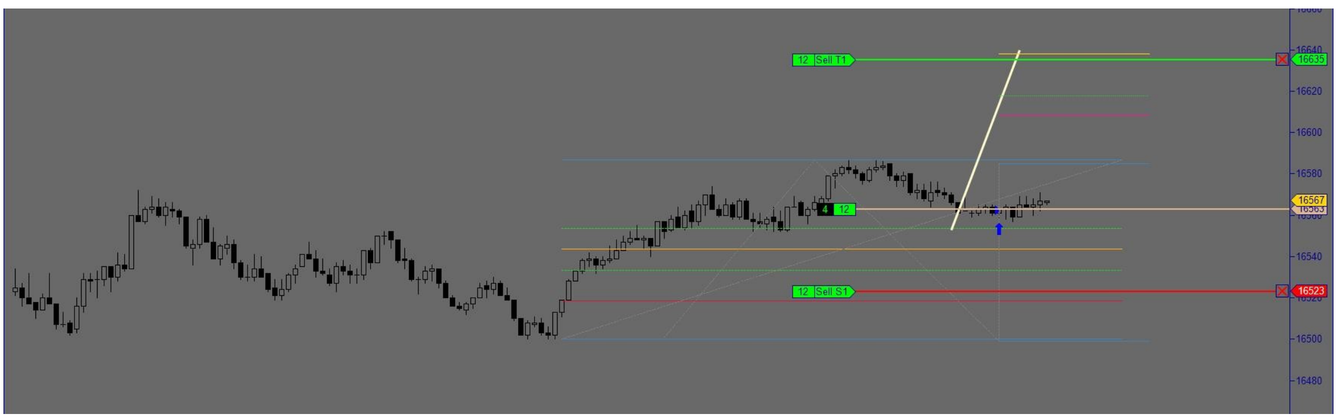
Okay Traders,

I've made the video on the question that was asked about the complex correction. I hope it has value and again please comment and let me know if it helped.

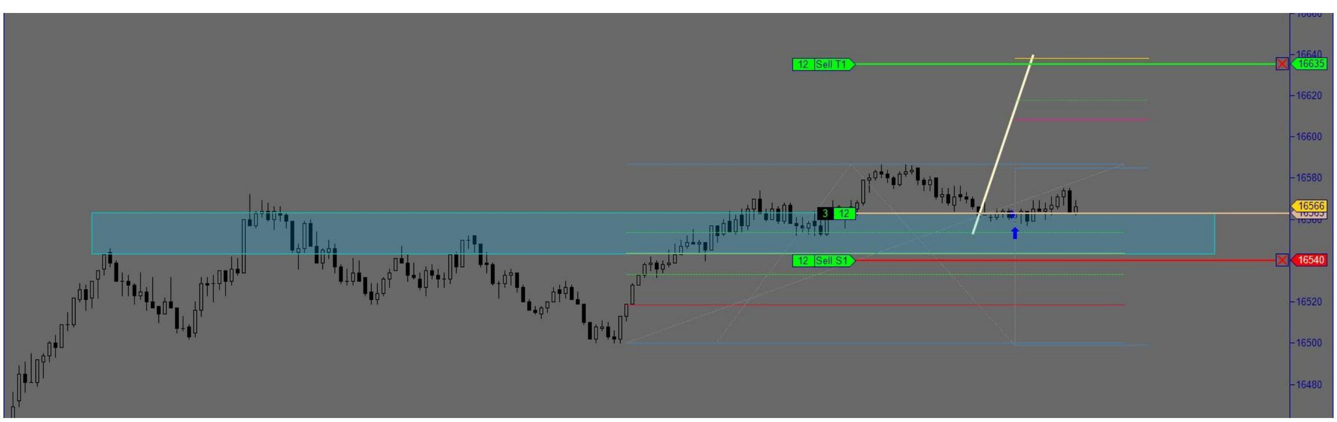
Video 7: Order Flow Question

Comments by Mr. Pip

Price is really struggling to do anything. I miss the long because of the 100% we had earlier. but the bulls did get there act together I hope I get continuation soon. I believe price wants to at lease test 16600 today.



Price is messing around with me now. I don't like what I see so I remove some risk.



Crap this market is dead.

Arjan's Response to Mr. Pip

It's amazing how you think. You just see market making NSH, wait for a pullback and shoot. I don't have the guts to do that yet.

But my humble thinking on this market now, (please don't be affected by it) is a bit deeper pullback at 50% right at structure and then shoot high. But you know, I have a terrible prediction of YM, and that's why i'm sticking with EU still. I can;t seem to predict this market at all.

Follow-up from Mr. Pip

You are probably right my expectation was for a mid to deep correction. The weakness got me into the trade early. Oh well, next.

Question from RolandW

Just a quick question. You say you never enter trades unless the pullback reaches 38.2% retracement. Would that only be true if there was no structure – so basically a bit of a run away train, and a short pull back, you would be wanting to see at least the 38.2% retracement?

If you are expecting a shallow retracement, or a completion of a 1:1 pull back, say at the 23.6% retracement level, which is supported by structure, would you take the trade.

I know I don't have the chart experience with this system as you, but I see quite a few 1:1's and 23.6% retracement in a runaway train environment which should mean that you can profit and jump on the trend at this point (the trade in the above chart was just this scenario)

Or the flip side is that there is too much risk – but I think that would only be true on fixed lots… I prefer percentage of account, so regardless of where my entry, my risk is the same, whether it is a deep pull back or shallow pullback, the only difference is profit potential.

Mr. Pip's Response to RolandW

I don't like to take anything before the 38% however every situation is different and if the structure is strong enough and the test is weak enough I would. In fact that is the trade I'm in now that I posted. Dam thing is still not moving. Looks like some overtime for me today.

Follow-up from Mr. Pip

Here is an update:

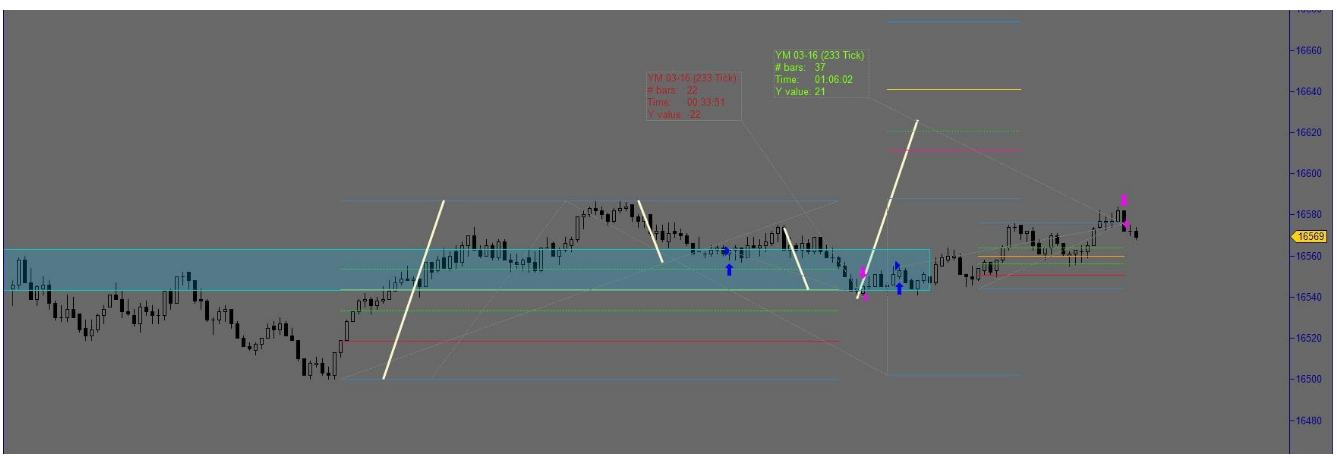
Price is starting to cooperate reduced some rick to below the swing.

Price is messing with me again. Come on BULLS.

Trade update Bulls getting their act together BE +5. I feel like I'm running a marathon.

I'm tired of this crap closed the trade BE for the day. 2 Trades 1 win one loss -2.41 points for the day (-$145).

First trade got taken out by one tick but the second erased the loss basically so no big deal I broke my rule on the trade management side because I don't trade during this time and the market was extremely weak today. I had the opportunity to have a BE for the day so I made a command decision. here are the entries and TP.



Comment by PipTrendz

I have to say I have had a similar day!! 6 trades in at BE +1/2 and three of these missed TP by about 1 pip, plus a losing trade. Looks like I will finish a pip or 2 down on the day as the slight profits from BEs mostly made up for my loss. Could have quite easily been 60-80 pips today.

Mr. Pip's Response to PipTrendz

Don't sweat it some days that's how it roles. I had a tough one two. It means nothing.

Comment by Arjan

In honor of Scott Carney we might have a beautiful animal here: a Gartley. But I don't like the momentum that price is gaining in this area, so I'll let it pass this time.

7. Supply and Demand

Tomorrow I will be releasing the video and lesson on Supply and Demand.

This is the framework by which trends and price action travel within. This to some people as we have seen in the last couple of days over complicate it's simplicity.

They use official and technical terms like accumulation, distribution, manipulation but although these are actual terms that are visible on the chart, I will show you how that is not important. I will show you how this affects our expectations and to have an expectation from these areas. The only thing that truly matters is how price has reacted to that areas and our expectation from price once it gets there. No need to over complicate a simple process. In this next lesson we will learn the following:

- Supply and Demand.
- Support and Resistance.
- The difference between the two.
- Our expectations from these zones.
- How to incorporate what we have learned to this lesson.

I hope you all are happy with the pace and content here. I hope I'm bringing you closer to your goals in a way that has never been achieved before. Bringing you closer to the 10% or at the very least putting a serious dent in the stats.

I'm seeing lots of great trading and the decision making process sharpen. You all are becoming skilled traders for sure. I'm so pleased that I'm a part of this positive change. I hope all of the doubts are gone and that profitable trading is not a myth. I am the needle in the hay stack that has offered you the keys to the kingdom. Some will never get it no matter what we show or put in that little box between the ears but, those of you that are patience and study will find living the dream so many fail at.

Supply and Demand

The more and more information you use to try to find a trading opportunity, the less likely that you are going to be focusing on the one true thing that will always give you the clearest idea of price action, mainly price itself. By focusing on the ancient laws of supply and demand, you respect price and price alone and also the dynamics which dictate the movement of price in any free-flowing market. At the end of the day, if I'm going to make a decision whether or not to buy or sell a currency pair, I want to make a decision based upon the hard evidence that is clearly in front of me. Price is the only thing that will give me that information. What becomes obvious when you start to incorporate an understanding of supply and demand onto a price chart, is that you can actually see when major activities of buying and selling have taken place on the charts and if you look at this the right way, you can also understand what this means for upcoming trades as well. Would it not make sense to buy in an area where demand has shown itself to be greater than supply? Would it also not make sense to be selling at an area where supply has shown itself to be greater than demand? The rules clearly state that if demand is greater than supply prices must go up and if supply is greater than demand prices must go down. Our job as objective and disciplined traders is to simply incorporate this dynamic into our trading activity with confluence of ratios and or harmonic patterns.

We also have basic and powerful expectations for Supply and Demand Zones. Support and Resistance is basically the same as Supply and Demand but on a much smaller scale. While Supply and Demand Zone are more visible across larger time spans weeks, months even years, Support and Resistance are more on the immediate a smaller time span of a couple of days or even swings. They do however share something in common and that is our expectation from them.

1. Supply and Demand Zones are expected to hold unless they are approached with strength. We must also evaluate how these zones have held up to strong attacks from the past and consider the strength of the order flow when the zone being tested.
2. Support and Resistance share the same basic expectation aspects as Supply and Demand but on a more current scale. We are basically addressing local intraday levels and swing highs and lows. The expectation is the same. They are expected to hold unless they are approached with strong order flow.

Video 8: Supply and Demand

Comment by Mr. Pip

A lot of traders keep asking me if it is wrong the way they label it. The answer is no there is a very small possibility of making a mistake what you need to ask yourself is how busy do you want to be. I choose to work off of clear swing highs and lows to have better expectations for price to follow. You did well keep practicing.

Proposal by Evocpr19

Here is my supply/demand chart for E/U 1hour (to see something). I expect a NSL (the line last retracement line should probably not leave the box).

Mr. Pip's Response to Evocpr19

Don't get carried away and make these areas too wide. It can become easy to do this and end up with huge areas that are weak. The smaller the area the stronger it becomes.

Follow-up from Evocpr19

If I only look at the last ten days, price passed already the recent demand area (or should I still call it support area?, since it is not longer term). Therefore it is unlikely that price will again go through up.

Mr. Pip's Response to Evocpr19

Don't over think the zone. What is the order flow telling you what is the expectation? How is price moving into that zone?

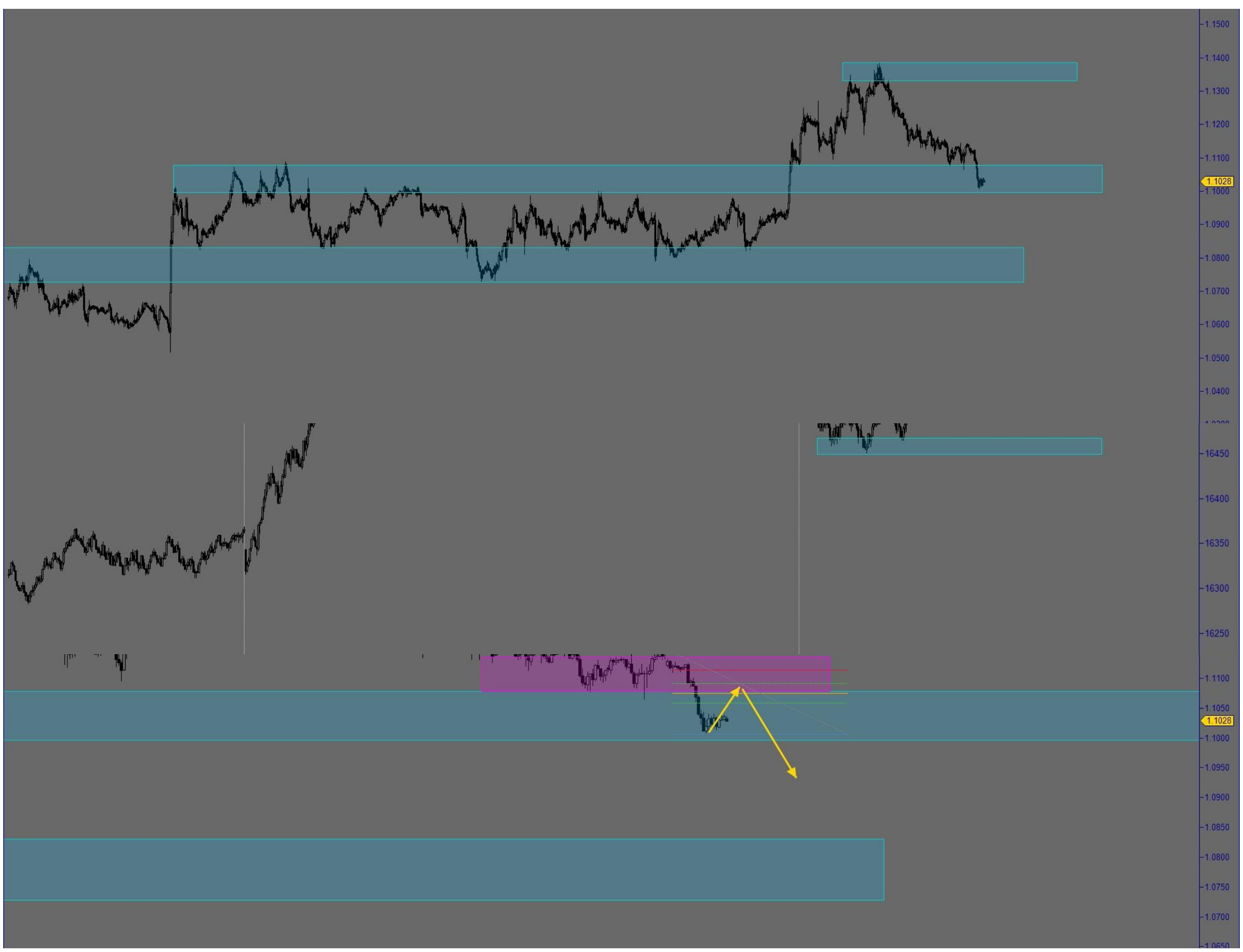
Follow-up from Evocpr19

less momentum; small projection => deeper correction

Edit: I should have drawn a separate last swing. into the zone: the momentum is sharp, projection is increasing => less correction

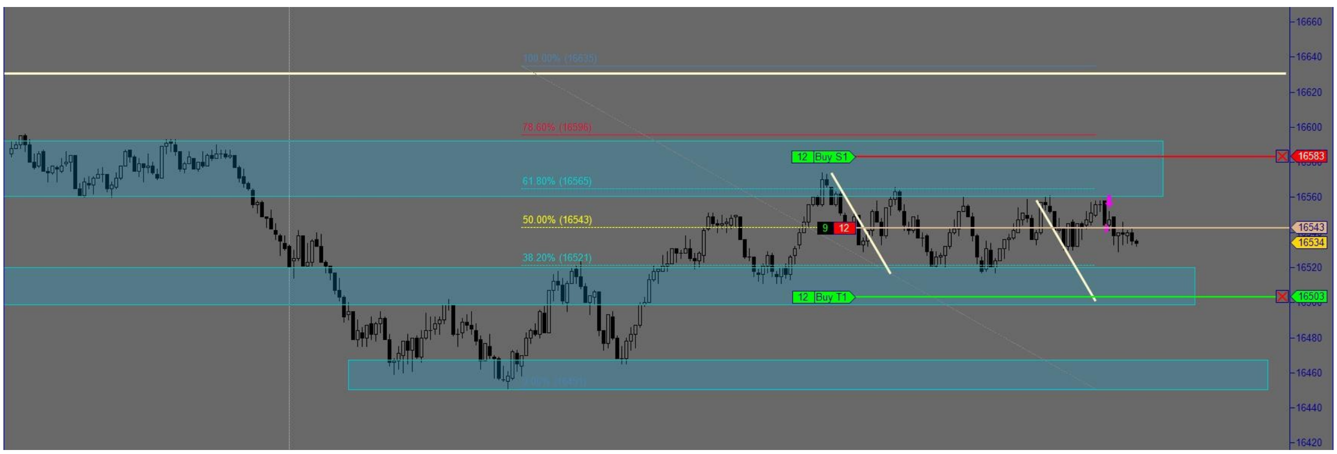
Mr. Pip's Response to Evocpr19

Here is a possibility pretty much same as yours.



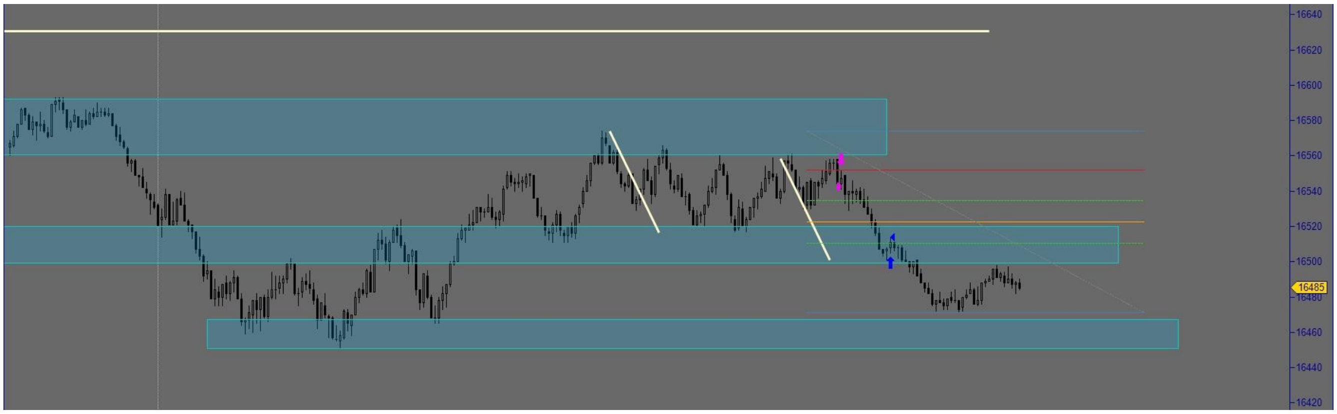
First entry of the day. Very complex area. Difficult read. could go either way we will see.

Slowly trying to go in favor.



Update: locked in 30 but got taken out as I type great trade.

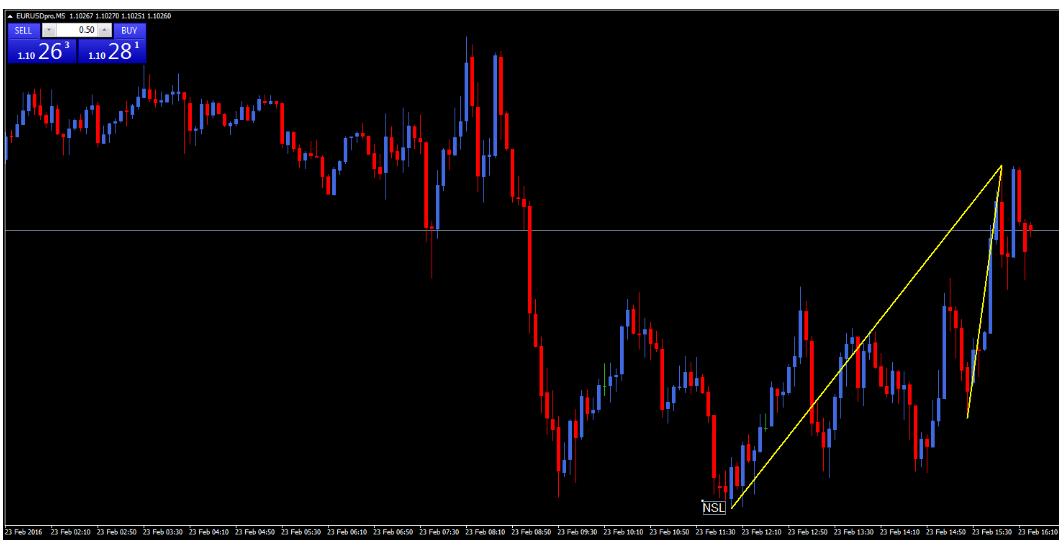
Passing up on this not sure it's not done correcting and the RR sucks:



I hope the live trades I put help and validate everything I am presenting here. It's tough to do this in real time. So if it's not that critical to you all I can stop.

Question from Hazza88

Which of the 2 momentum lines ive drawn on my chart is the correct one to draw from the NSL at the bottom? Is it from the point the NSL was formed or the most recent HL swing?

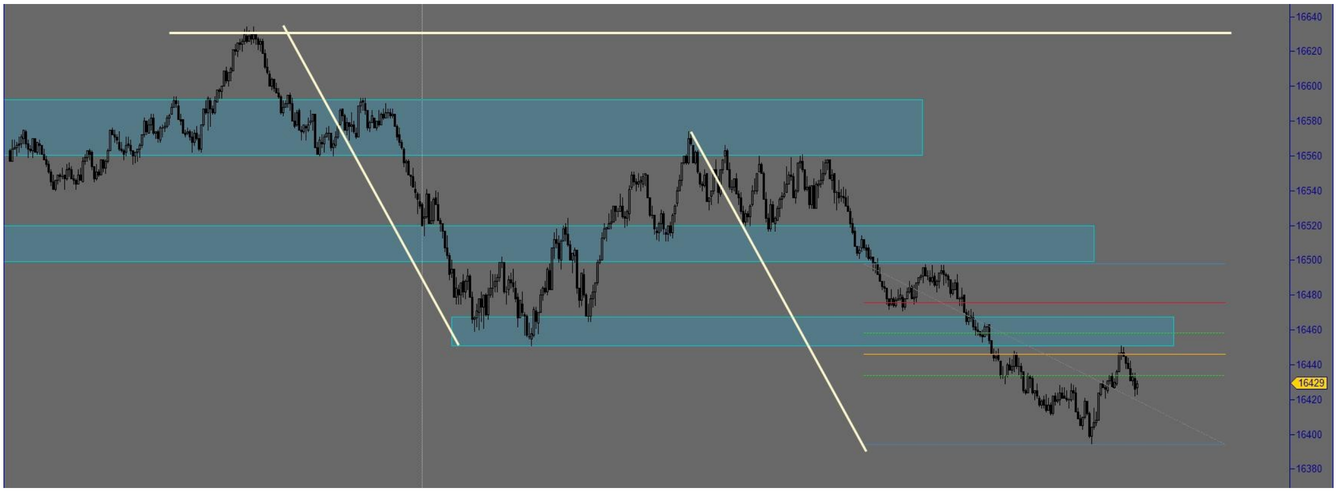


Mr. Pip's Response to Hazza88

They are both good; one represents the general order flow and the other the short term order flow.

Comment by Mr. Pip

Look how the zones held up today.



Question from Hazza88

I feel like I'm hitting a brick wall today, I have learned much over the past few days reading the thread, but everyone seems to be drawing their NSH and NSL points differently, along with momentum lines and ignoring certain swing points that I've been assuming were important. Is there any solid rule to follow that will make this easier for me to get my head around?

RolandW's Response to Hazza88

Hazza, first off try not to compare yourself to others – they are not making your decisions and they are not trying to pay your bills!

Second, if in doubt go back and watch the videos and clear your head if all the postings on here!

Third, a lot of this is discretionary – your lines could be different than mine just because you are looking slightly bigger order flow wise – that will result in bigger momentum lines. Also remember that you will get better at this the more you try – identify CLEAR swings – if it is not clear simply don't force it.

I know exactly what you mean, and yesterday it seems so obvious as to what was going on, today not so much for me... Time and patience and chart time... Go back in time and loom over charts without putting money down, and you will start to get the eye in. I usually spend a good few minutes getting my eye back in and trying to implement the teachings before I do anything as I seem to lose it overnight!!!

Mr. Pip's Response to Hazza88 and RolandW

Hello Hazza, take a deep breath don't worry about different looking points of reference. The important question is what are your results. Different traders will have varying landmarks. It doesn't mean they or you are wrong. Remember I've said how busy do you want to be and what order flow do you want to trade. It wil all take you to the same place. Forget about everyone for a little bit. You can compare notes later. Focus on you and how detail you want to be. There is no right or wrong. Only how busy you want to be. Once you have decided that have an expectation that is in line with that order flow and those are the important points that are important to you.

RolandW– Great advice!!!

Follow-up from Hazza88

Right at the moment I'm only looking at the 5 min chart and I tend to be naturally finding every little swing and using them but that is only because at the moment I am fortunate enough to have plenty of free time, ideally in the future I guess id like to work from the daily charts when I'm making a consistent living (which I absoloutly plan on achieving!). But for now I guess as I have more free time the 5 minute would be better to work from as there are more trading opportunities in each day.

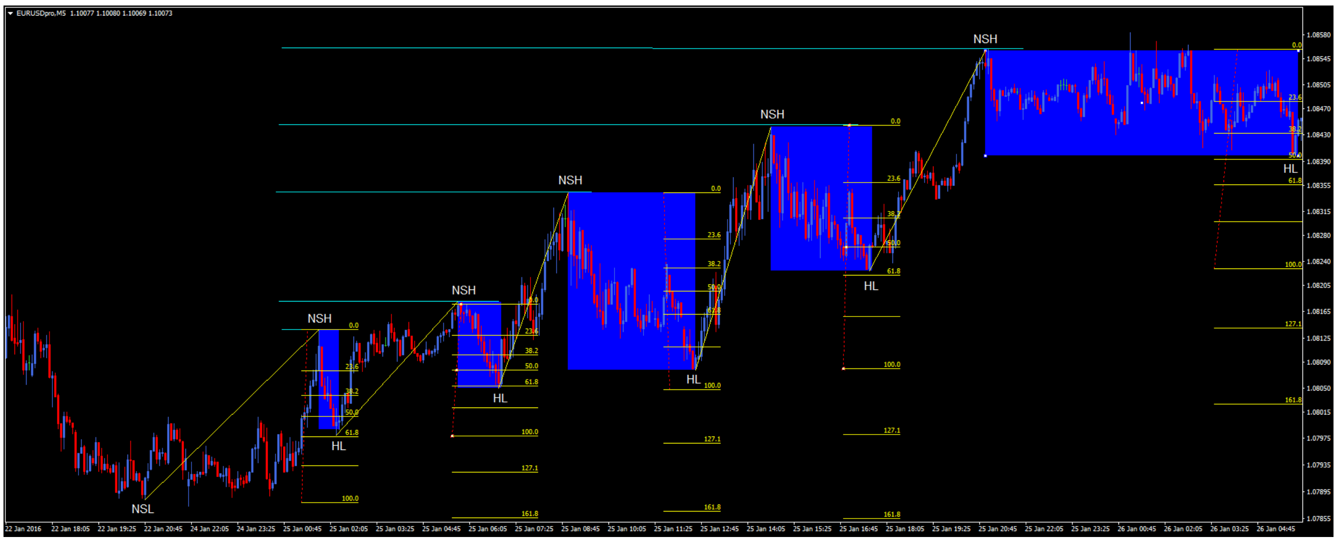
I was just having a bad day as I felt yesterday I was progressing nicely in terms of my whole understanding of this, but at the end of today I seem more confused then before! I think this is because I'm trying to run before I can walk, I'm going to watch the first 3 videos again and really try to get a good grasp of order flow.

Mr. Pip's Response to Hazza88

Post a detailed chart 5 minutes of your favorite pair with your observations and expectations and I will give you my feed back. One tip I will give you is that unless you are looking to capitalize on the short term order flow don't use it in your structure analysis instead use it to confirm your expectation.

Follow-up from Hazza88

I have taken the charts back to a random moment in time and I don't know what the outcome will be past the candle to the far right of the picture.



I've used the rectangle boxes to show the depth as I dont know how to draw manual arrows that you can drag around the page. Could you tell me if I drawn these correctly (especially the one at the top where I've actually covered the whole complex correction).

I can see from this that every time price has made the 50 Fibonacci line when correcting, is this something we could expect every time when conditions are like they are in this picture? How would we be able to get a better ability to tell how long until correction is going to end? I can see a lot of moments there in all of the corrections that candles formed signaling an end that I would of taken a long trade in but instead price resulted in further decline reducing my profits. (Apologies if this has been covered in detail already, I'm currently reading through the thread and only on page 800 or so).

I can expect from this however that price will almost certainly continue up in my opinion as there is no strong bullish indication anywhere and also the most recent projection was stronger then the last. Finally price has just reached the 50 Fibonacci point so from my observations on the previous swings this seems a good point to place a trade? Perhaps adding to it if it retraces further?

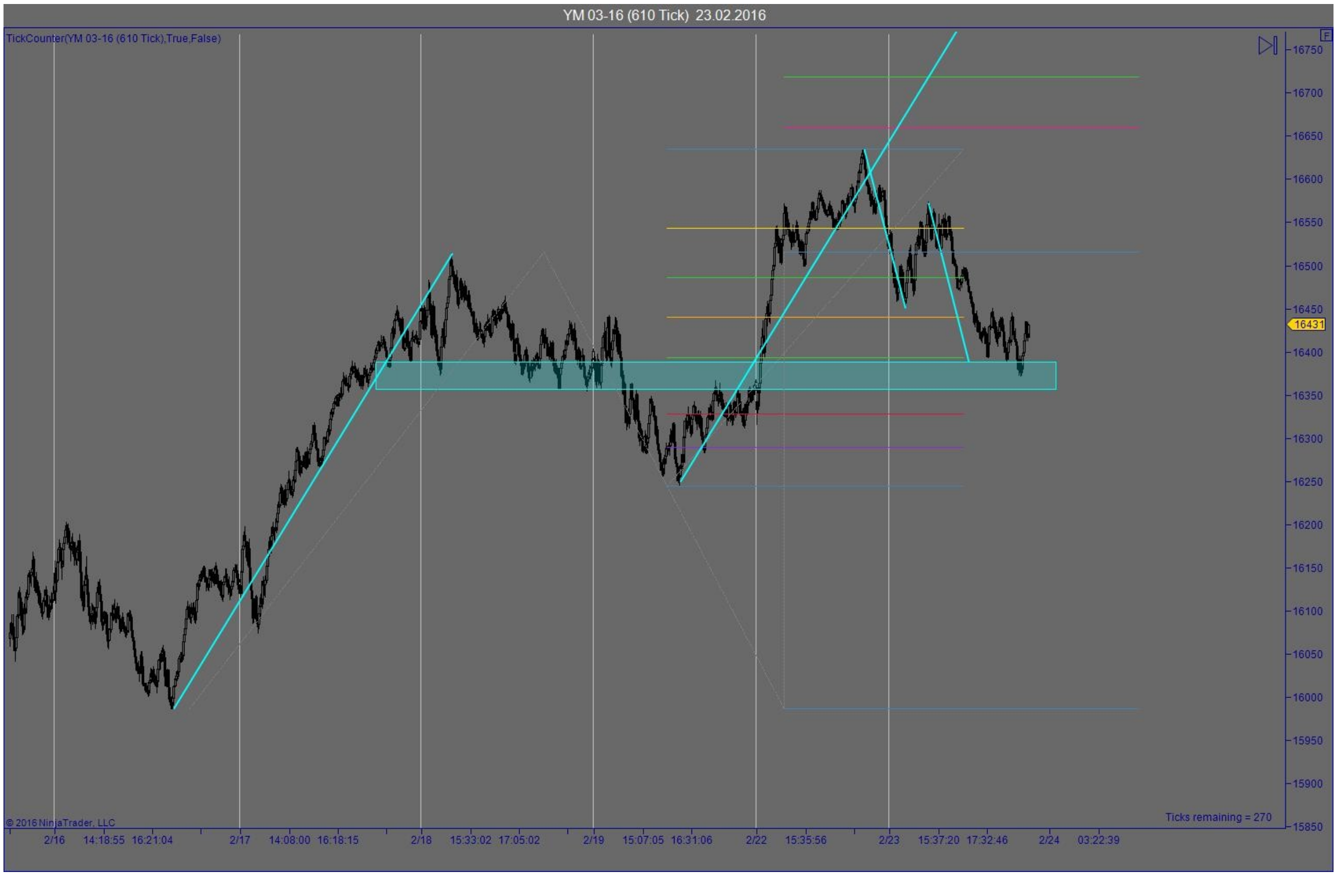
Mr. Pip's Response to Hazza88

Your depth rectangles are good. No you cannot expect price to correct to the 50% every time every correction has a different expectation. I have addressed this in the order flow expectation video.

I would not expect for this market to climb much farther as price has not been able to capitalize on the strength it had on the last swing (the last projection). I would not add to your position unless you entered with a partial position size other wise you are just adding to a potential loser and that is a rule you should never do. It's an account killer.

Question from Arjan

Damian, are you looking at this? I'm looking for an entry, but it's too late.



Mr. Pip's Response to Arjan

Looks to me like price may come down to retest that demand area again. The expectation would be for price to make a NSL on the short term order flow and it's strength suggest that it is a good possibility. Keep an eye on it. Hopefully you did not miss the opportunity.

Follow-up from Arjan

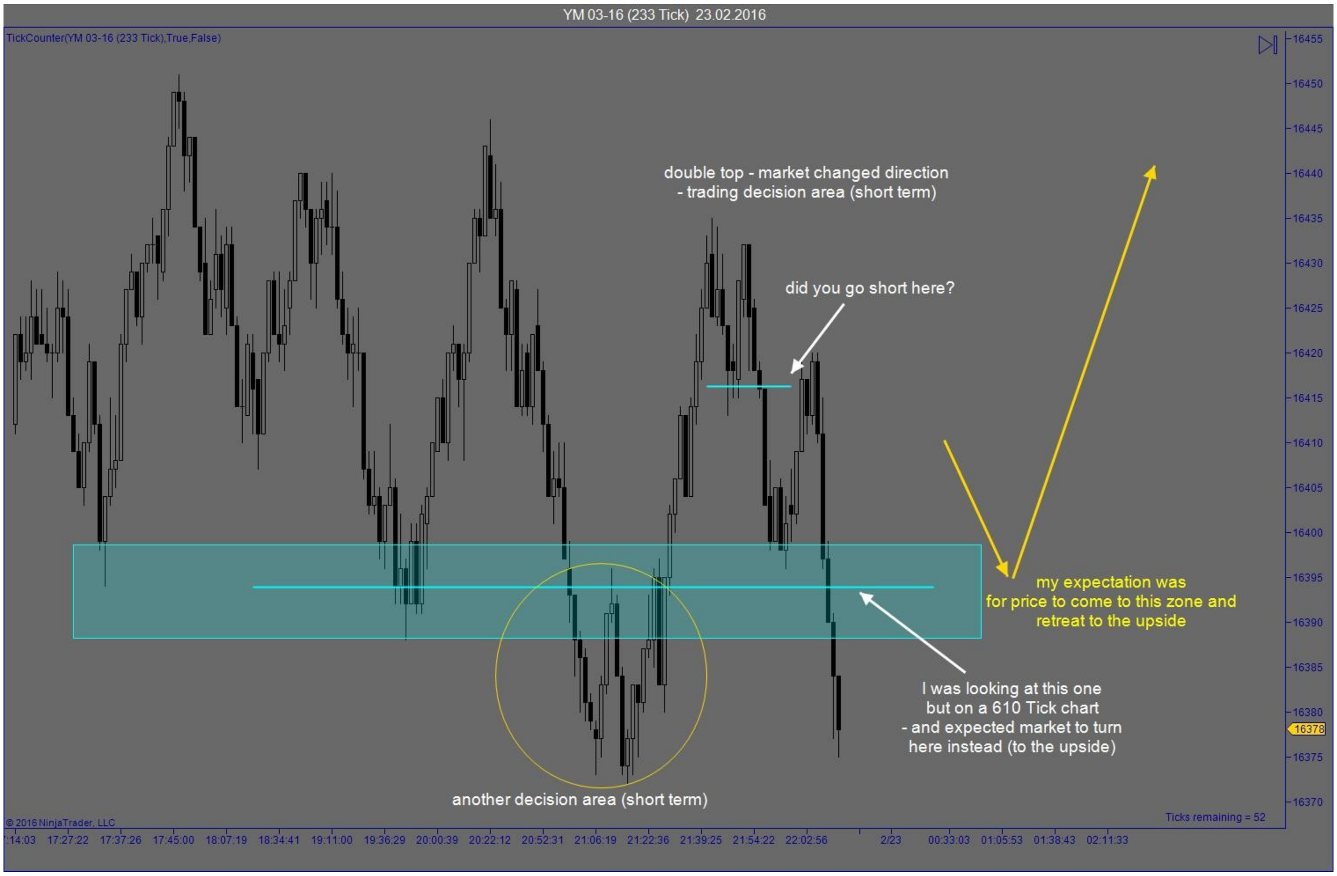
I think the bears might have a bullet or two to shoot but their gunpowder seems wet. In any case if I'm not wrong price shouldn't retrace too deep below that recent NSL. I'm actually waiting for price to make a NSH on short term order flow and then look for longs. but it's too late now for trading. Tomorrow only.

Mr. Pip's Response to Arjan

Agree on the wet gun powder.

Follow-up from Arjan

This is what I was thinking, but again, I was looking at 610 tick chart.



Mr. Pip's Response to Arjan

Expectation is for a weak NSL.

Comment by KeithStone

Doing homework.

Mr. Pip's Response to KeithStone

You are measuring depth wrong it is supposed to be from the swing high or low to the corrective swing high or low. You have the right idea but did it backwards.

Follow-up from KeithStone

Is this better Mr. Pip?

Mr. Pip's Response to KeithStone

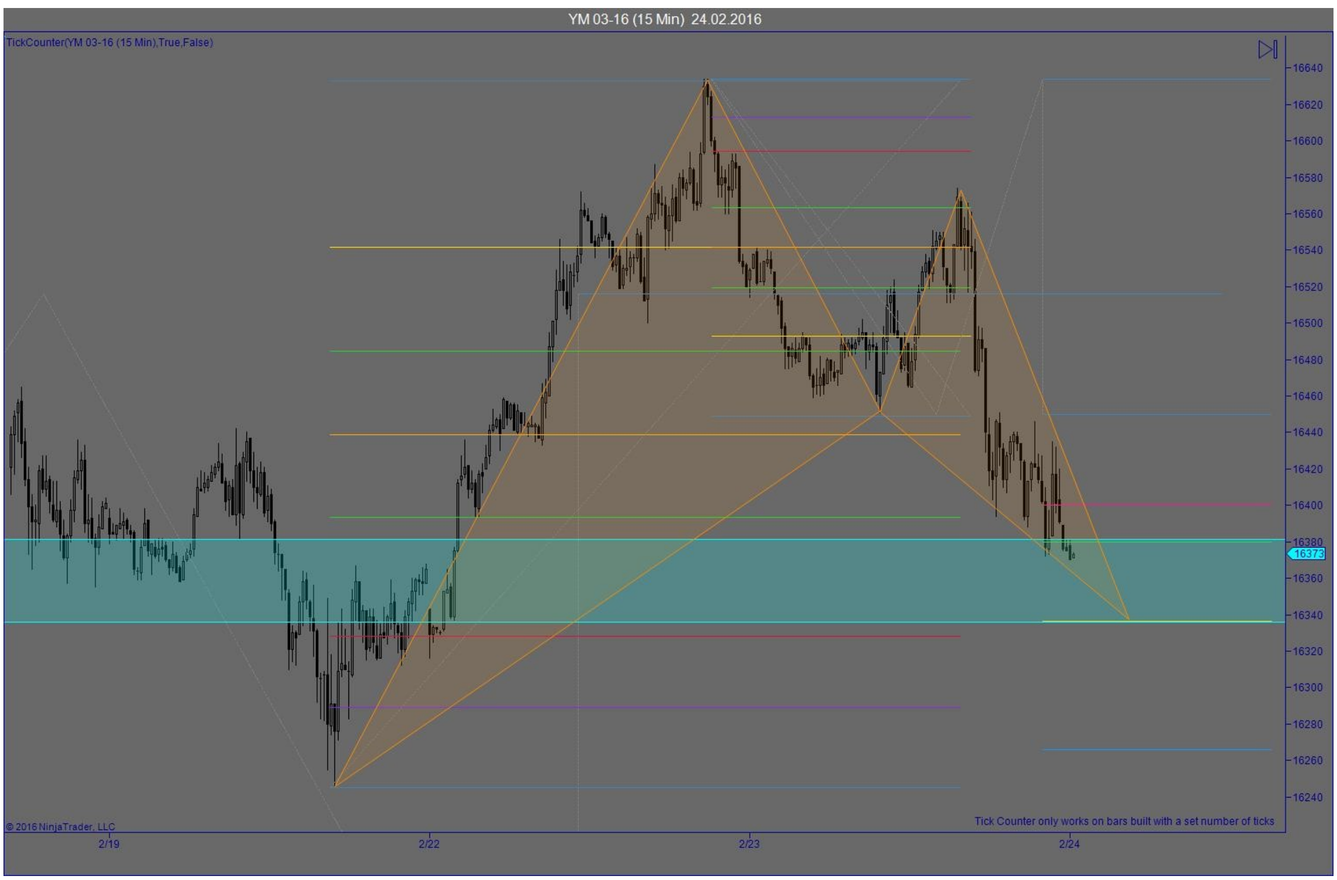
Much better, but the line in the middle is nothing – it is out of place. It extends to the very top.

Comment by Arjan

Expectation is still NSH, but the deeper the market pulls back and the stronger the momentum to the downside, the weaker our expectation gets.

Due to short term order flow, we expect a weak NSL as the market retraced very deep in the previous swing.

And we may have a bullish bat.



Mr. Pip's Response to Arjan

In the short term order flow, expectation is a weak NSL – look at a 5 or 10 min chart. On the longer term you are correct a NSH is the expectation.

Don't like the bat. Didn't quite make it to the 50% and it would complete lower then you have drawn out. 88% of XA 161 of AB.

Follow-up from Arjan

Should it touch 50% to be valid? I thought somewhere between 38.2-50 is good. And I was thinking it might complete at 161.8% extension of AB. But yeah, your rules are 78.6-88.6% of XA, so...

I'm not focused so much on that actually. I just need to calculate that it could be a possibility and if I happen to go long before that completes, I should place my SL below that completion area. But that maybe is too far anyway.

Mr. Pip's Response to Arjan

I like to see it hit the 50 as it makes for a more symmetrical pattern. It actually one of my favorites and the Gartley.

Comment by Mr. Pip

A written plan is super important. It keeps you disciplined and consistent. It outlines your rules. It is your business plan.

Comment by Harmonic1976

This might be useful to those who don't know where to begin with a trading plan:

For a novice trader, starting with just a few basics would be appropriate. As skill and experience are acquired, the trader can add onto the initial trade plan. This section explains the basics to help you get started.

Basics of a Trading Plan

The most obvious place to start is with what you are trading. Here are several ideas to include as a start:

- Define the markets you will trade.
- Define specific setups you will trade.
- Define entry point triggers into a trade.
- Define market conditions that would void the trade.
- Define the number of shares or contracts to be traded.
- Define how much risk is in the trade by using money management rules.
- Define stop-loss placement.
- Define profit objective targets and how and when a stop-loss order is moved.

Use this list as a checklist until these questions become second nature.

Comment by Mr. Pip

First trade.

Took 30 points on price tried to find some support. Felt the need to take my 30.

Comments by Mr. Pip

What I'm seeing.

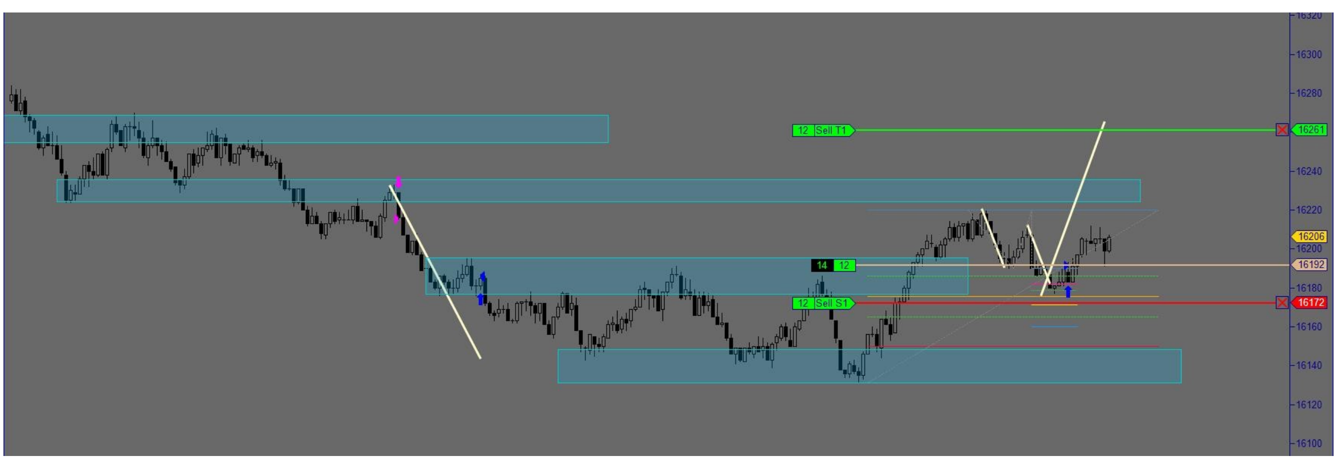
Zones today are behaving well.

Waiting on a correction on the bears to position for a long.

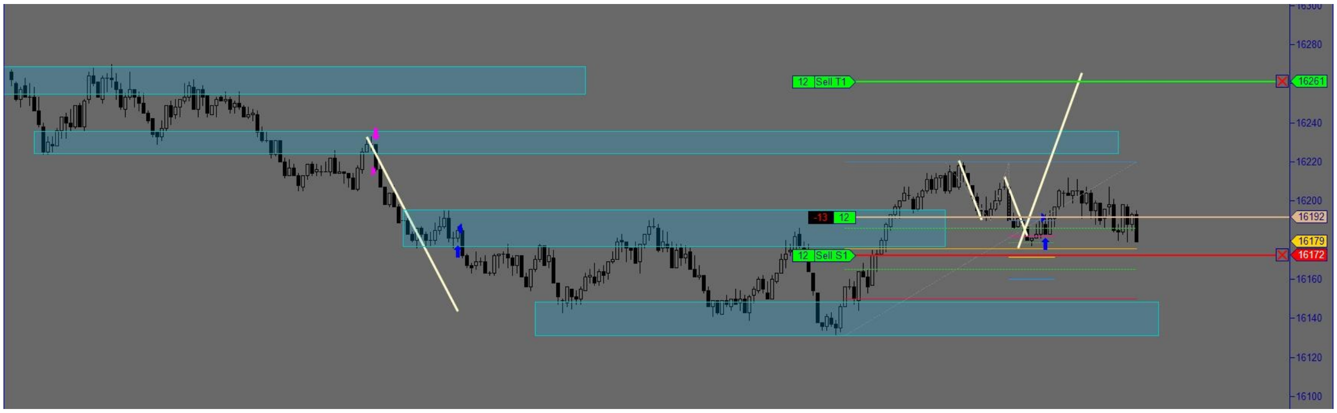
Long the market.

Bulls are fighting lets keep it going.

Reducing some risk don't like what I see.
I'm set to a BE at the test of 20 stop moved to the swing low.



Trouble in paradise. The bears are trying to make a move.
Bulls really trying out my patience.
Doesn't look good hanging in by a thread.

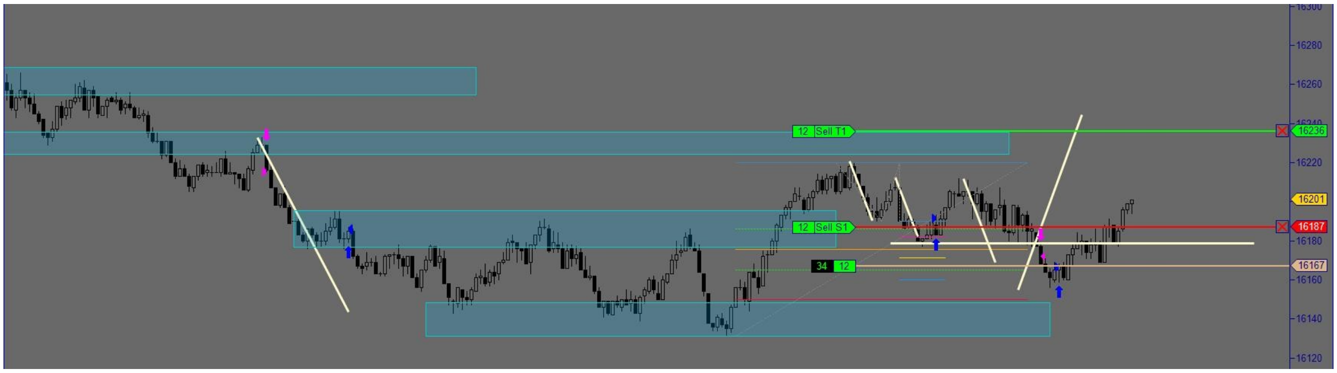


Stopped out.

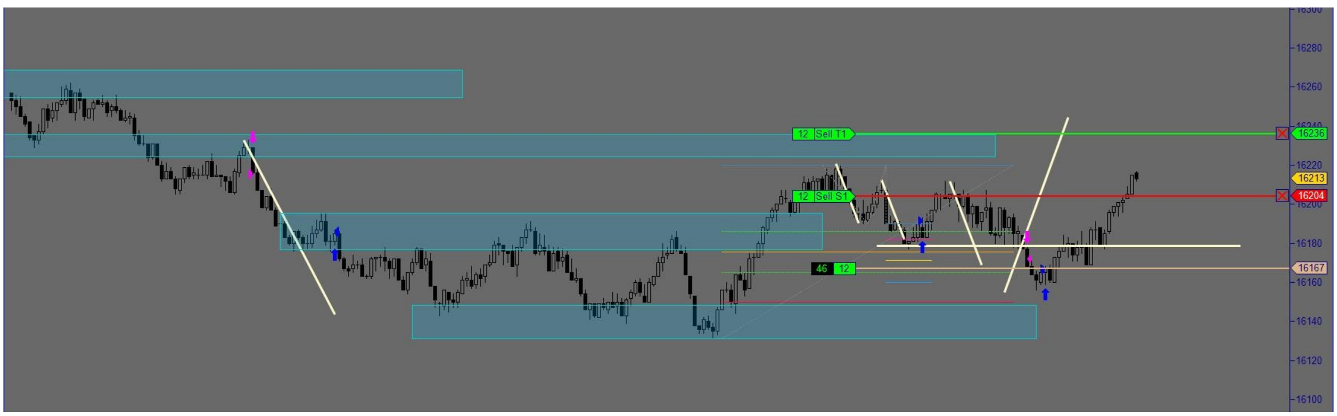
Let's try this again. Long YM.

Looking better removed some risk.

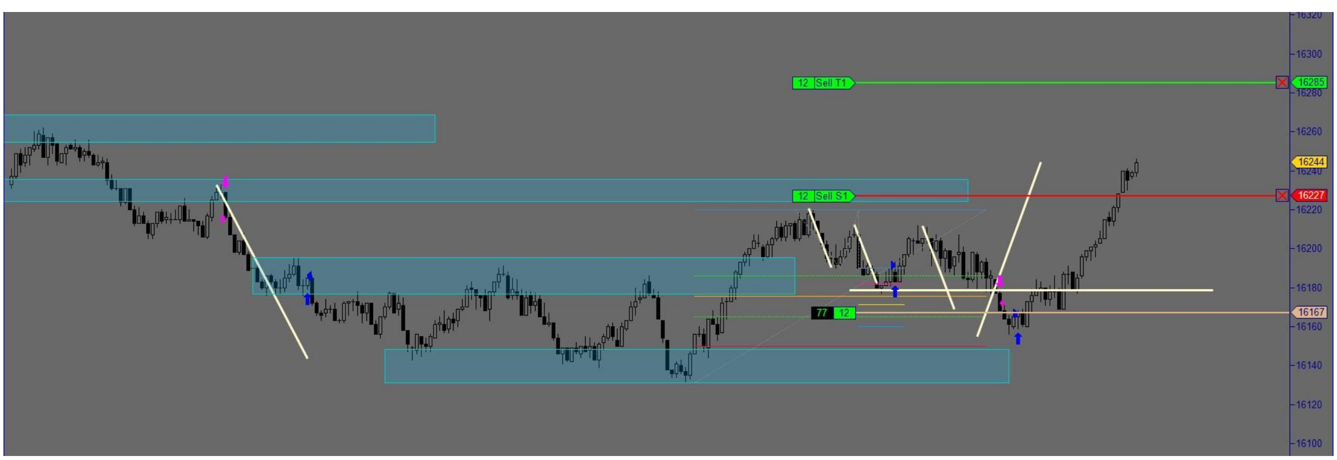
Locked in 20 to erase the last losing trade.



Locked in some more. Lots of structure.

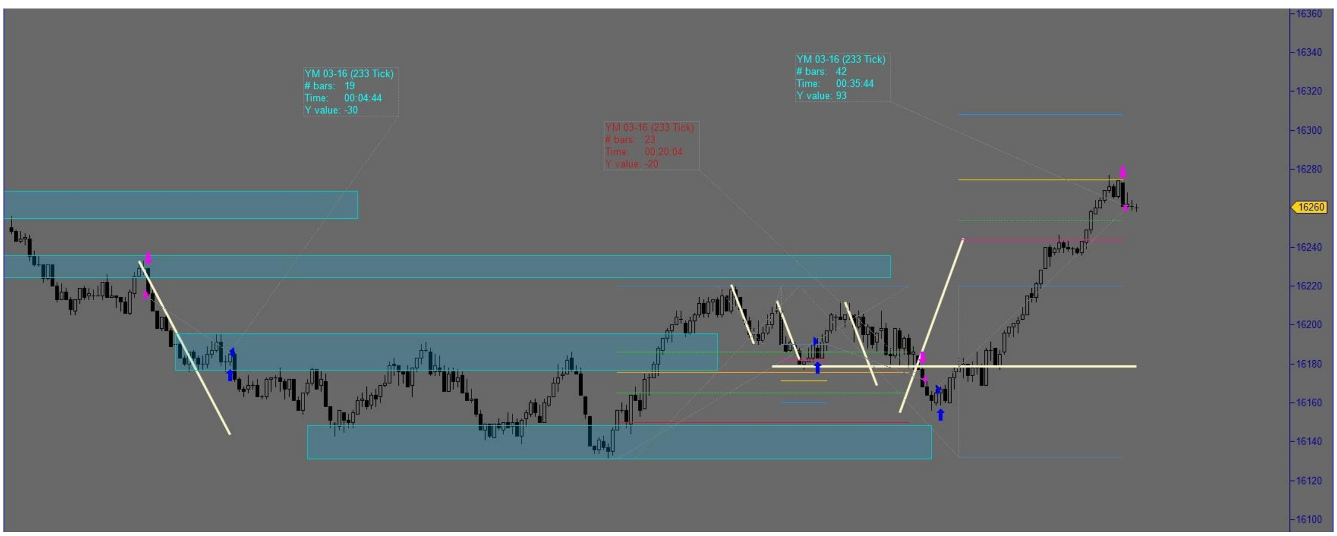


Progressing nicely trailing aggressively.



Update looking for extended targets.

Got taken out 3 trades 2 wins 1 loss for +103 points.



BeepBop2015's Trading Plan

This is the provisional trading plan and rules I sketched out for myself this morning. I think it will prove helpful to me to have it written even though most of it's in my head already. I hope it's okay to post here at this time. Most of what it is in there is simply my condensation and application of what we've been learning here so far.

I tried to post it as an attachment from google drive but I kept getting an error message so I'm just copying it here. Friendly critiques welcome.

Timeframes traded and times to trade:

I am going to trade four hour charts. Analyses and trading decisions are to be made at candle closes 8:00 am, 12:00 pm, 4:00 pm, and 8:00 pm. Currently I am trading the following pairs: USD/JPY, AUD/USD, USD/CAD, and EUR/JPY, but as I become more proficient at this I will add more pairs to my watch list.

Bread and Butter Trades:

After an impulse move making a NSH or NSL I will wait for a .382 to .786 retracement of the move and then enter after a confirmation bar in the direction of the impulse leg. The confirmation bar may be looked for on the one hour chart, but only during my specified trading times (this is to keep me from entering wildly and at random). The depth of the retracement I look for will be based on the momentum of the impulsive leg, combined with any structure nearby providing likely support or resistance, and taking the depth of previous retracement swings in recent price history into consideration.

Retracements slightly greater than .786 may be taken if price is signaling a clear intent to turn and especially if there is supporting structure.

Counter trend trades (or trades against orderflow) may be taken in areas of strong support or resistance if price is moving into them on weakness and/or if there is a confluence of structure with key fibonacci ratios or one or more harmonic pattern completions. In these situations, definitely look for a confirmation bar, and manage tightly.

R/R

Trades with an R/R ratio of 1:1 may be taken if they are in line with expectations and orderflow and in areas of confluence. This would be a high probability set up. In set ups that are less clear, with potentially lower probability, look for an R/R of 1:1.5-2 and up.

At this point, stop placement and profit targets are largely discretionary and dependent on the individual chart, but in general assessment of strength and weakness, key levels, and harmonic expectations will work together to inform my expectations for targets. Stops will be placed beyond nearby structure, or just beyond significant rejection wicks, or beyond a previous HL or LH depending on what the particular chart is offering as most obvious and how much I am willing to risk on the particular trade idea. (Note: this area could probably use refining and is liable to future revision.)

Trade Management:

This is also largely discretionary at this point, but in general if price has achieved about a third of the expected move I will move stops to break even and trail at tests of structure.

Money Management:

To be determined. For now I will trade the minimum position size (~.10 a pip) and if/when I achieve profitability for three consecutive months I will consider depositing more money in the account and increasing my position sizes accordingly.

Mr. Pip's Response to BeepBop2015

Great start, now you have a guide and see which rules are profitable and which ones don't help you. Trade plans are a working progress until it helps you achieve consistent profits.

Question from KeithStone

Before and after. This stuff is empowering. When you get a chance Mr. Pip maybe you could chime in and tell me if my thought process was correct?

Mr. Pip's Response to KeithStone

Yes Keith, well done isn't this stuff awesome? Your expectation of a deep correction would be consistent with mine what I would mention is that there was some pretty strong strength towards the later part of the swing which may weaken that correction some what. Find the strongest structure zone mid to deep on the corrections and look for opportunities in that area. If the bears aggressively sell the correction pass on it. There should not be strong momentum on the correction.

Follow-up from KeithStone

Yes, very awesome! Ahh okay, I see what you are saying about the strength of the swing and correction. That strong correction bar was from news last night (hate news!).

Comment by KeithStone

I don't use MT4. I use Tradingview for my charting – it's much better than MT4 in my opinion. Go there and sign up, it's free!

Question from GnG

I don't get what you mean when you say "I do not have enough room to protect the trade." Maybe that is something that will be covered in your next videos.
Mr. Pip's Response to GnG

Room to protect the trade means getting to a break even position. I there is little to no room to remove risk or trading right into a structure area I pass on the opportunity and wait for the next one. As far as having reasons to go long and short, I would advise you to trade in the direction of the expectation of the NSH or NSL whichever is the expectation that is on the table.

Does my answer make sense to you?

Follow-up from GnG

I have seen you, after the price has moved to your direction, trail your stop loss to a break even point, in order to have a risk free trade. I understand this. How can it be no room to do that if the trade does go in your favor?

Aren't you simply following the price with your stop loss order line?

I understand that I should not be trading right into a structure area, but every time will not be a structure area on my way??

For example: initial high then a low then a LH then a LL then a LH (so expectation for a LL) this last LL won't be a structure level that I will be trading into? (Since the price will have to violate it?)

Mr. Pip's Response to GnG

Price can always find support or resistance at any structure area. In fact the expectation is for it to hold so if your entry is very close to an area like this then if price finds support or resistance against you it would not give you room to get to a break even situation. That's what I mean by protecting your trade. If you don't have the room to remove risk at the test of the structure area. Then that is a trade you may want to pass up on.

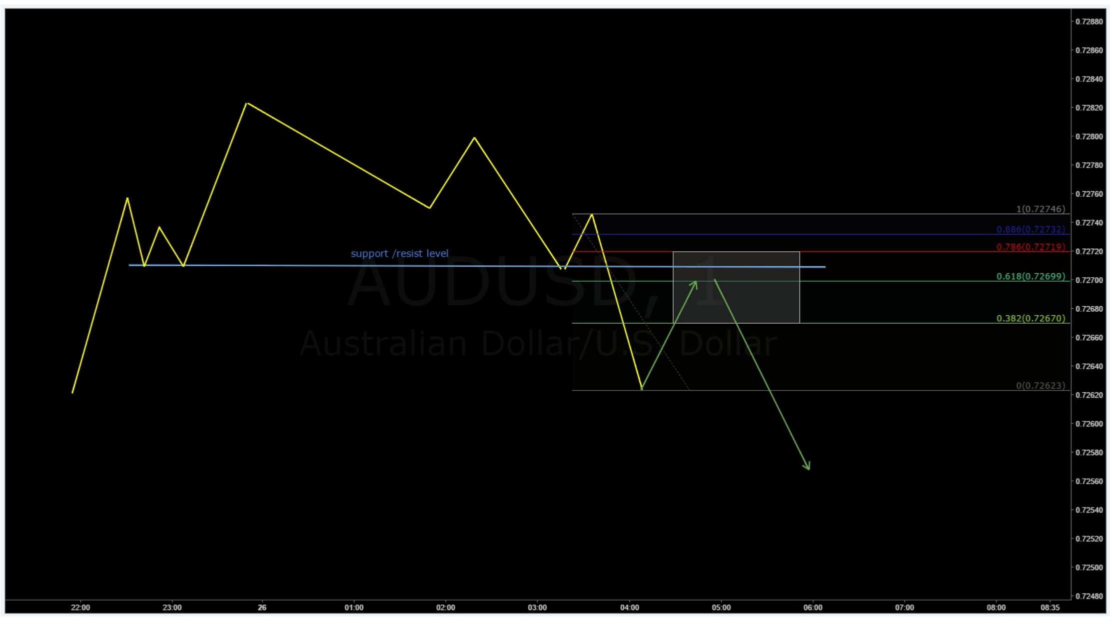
Follow-up from Gng

I think I understand what you say. Let me rephrase and tell me if I'm wrong.

When we decide to enter a trade we have to find a place where there will be enough distance from the next structure level (support or resistance) in order to let the price move at least that much that will let us move our stops to break even so that we will be protected if market goes against us, right?

On the other hand the levels of support and resistance are not the levels where decisions are made and the areas that we can take advantage having a good risk reword profile?

Let me post a chart to be more clear.



In this example we don't have an expectation for price to retrace in the box an then make a NSL?? So if we want to go with our expectation don't we have to enter at the level of structure?? (Or as close as possible??)

How will we make it and combine a good risk reward profile with room for a break even situation??

Mr. Pip's Response to GnG

You got the first part right, but I'm not sure what you are saying in the second part. Support and resistance areas are where decisions are going to be made so if you are trading into this area you want to have enough room to protect your trade in case the masses decide to go against you.

Comment by Mack2013

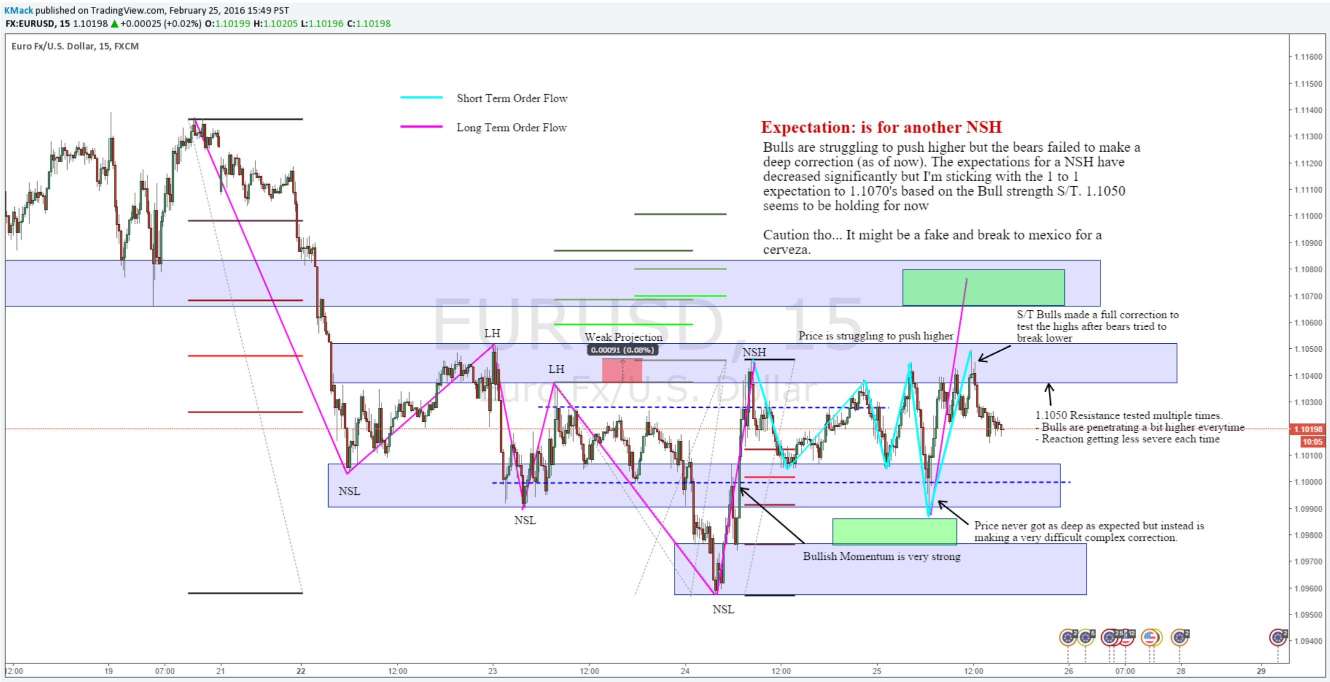
Mr. Pip's Response to Mack2013

Very nice analysis Mack. My losing trade yesterday was in a very similar situation if you remember in the complex correction video. I said that after an expectation failure the first correction is usually deep and complex. I too the shallow entry on the small complex correction as I felt the structure area would hold. I got stopped out and then re entered on the deep rotation for a 93 point run. Your zones are great.

Follow-up from Mack2013

Maybe you're right. Price is forming a very difficult complex correction. I kind of expect for a break higher then an immediate decline in price but maybe the correction hasn't finished yet.

Here's kind of what I'm looking at now.



Mr. Pip's Response to Mack2013

Very complex in deep but agree with you. It should go up. Very thorough nice work!

8. Bar by Bar

Well Traders, Bar by Bar is here.

This is like order flow a bit difficult and will take some time to master. This will be a two step process. I want you all to see the power of Bar by Bay Analysis on it's own and in a couple of day I will make a video tying it all together to what you have already learned. I was able to identify swing highs and lows with a 75% accuracy only with Bar by Bar that will help tremendously with helping you time your entrances. The video is almost dome rendering so it should be up in the next hour.

Bar By Bar Analysis

The analysis we have conducted so far is an assessment and tells us with very high degrees of probability the likely future order flow direction. We will be updating this assessment bar by bar as new data unfolds. The advantage to this is that if we are wrong, we will be able to see it in a very timely manner, allowing us to reassess and adjust our expectations. And if we are right be prepared for any trading opportunity that will present, as price follows our expected path.

Our initial analysis resulted in an initial assessment of future order flow. Ongoing analysis requires a bar by bar reassessment of our previous analysis, as more price action unfolds on the right hand side of our charts.

New data will arrive, one candle at a time. Each new candle being a source of information; most of which will offer nothing new or relevant; but some of which will alter our analysis, either strengthening or weakening our assessment of the market and its future order flow.

Every new candle has significance. Failing to monitor price with each new candle means you will be forced to be reactionary – surprises by price action developments and chasing price after they've become obvious.

Ongoing monitoring ensures we maintain focus and maintain situational awareness – staying ahead of the current price action – assessing where it's likely to travel, how that will impact the decision making of other traders, and where that will create trading opportunities.

Ongoing price analysis can be conducted on all time frames; however our main interest is with the trading time frame. We question every candle, to determine what it means with regards to the shift in sentiment between the bulls and the bears; and whether or not it changes our expectation for the future.

This Bar by Bar Analysis is how we assess the price action within the Price Reversal Zone (PRZ). And the most important source of information in making a trading decision once a pattern has completed or a trading opportunity presents itself.

Here is the video.

Video 9: Bar by Bar

Question from Harmonic1976

Mr. Damian, could you explain rotation?

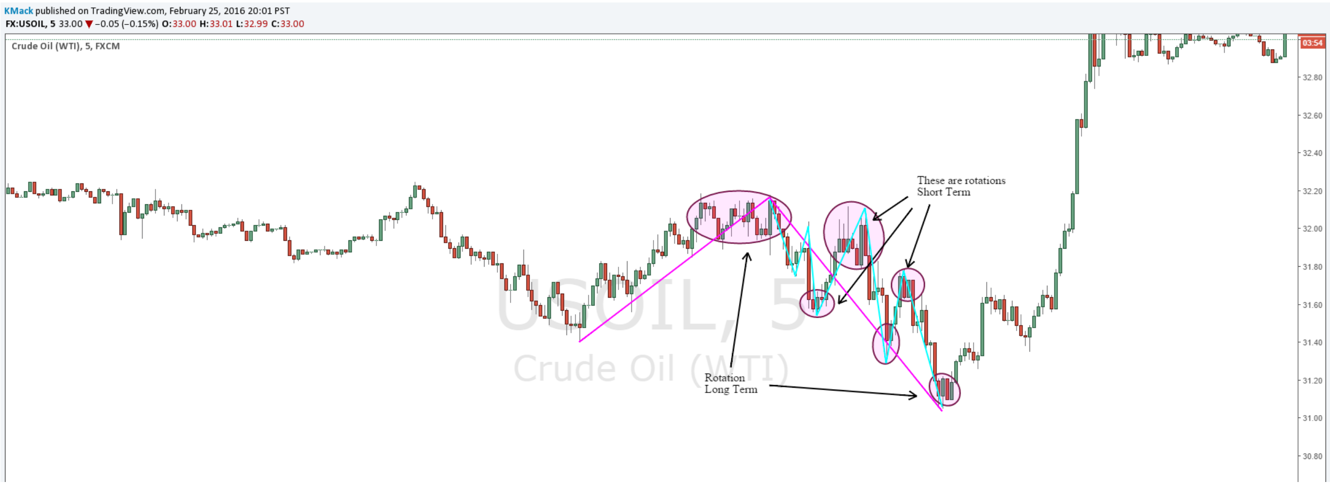
Is it when, for example, you're expecting a bearish candle and the next candle closes bullish BEYOND the opening of the previous (bearish) candle?

Mack2013's Resposne to Harmonic1976

Damian, correct me if I'm wrong:

Rotation is the area where selling pressure overcomes buying pressure and vise versa. Like a pivot point but it's the area.

I believe you can separate the distinction between short term and long term rotation based off areas you've identified with your expectations.



Mr. Pip's Response to Harmonic1976 and Mack2013

Harmonic1976– No, rotation occurs when you have a candle that opens and doesn't try to trade above or below the previous candle and closes beyond the 50% of the previous candle.

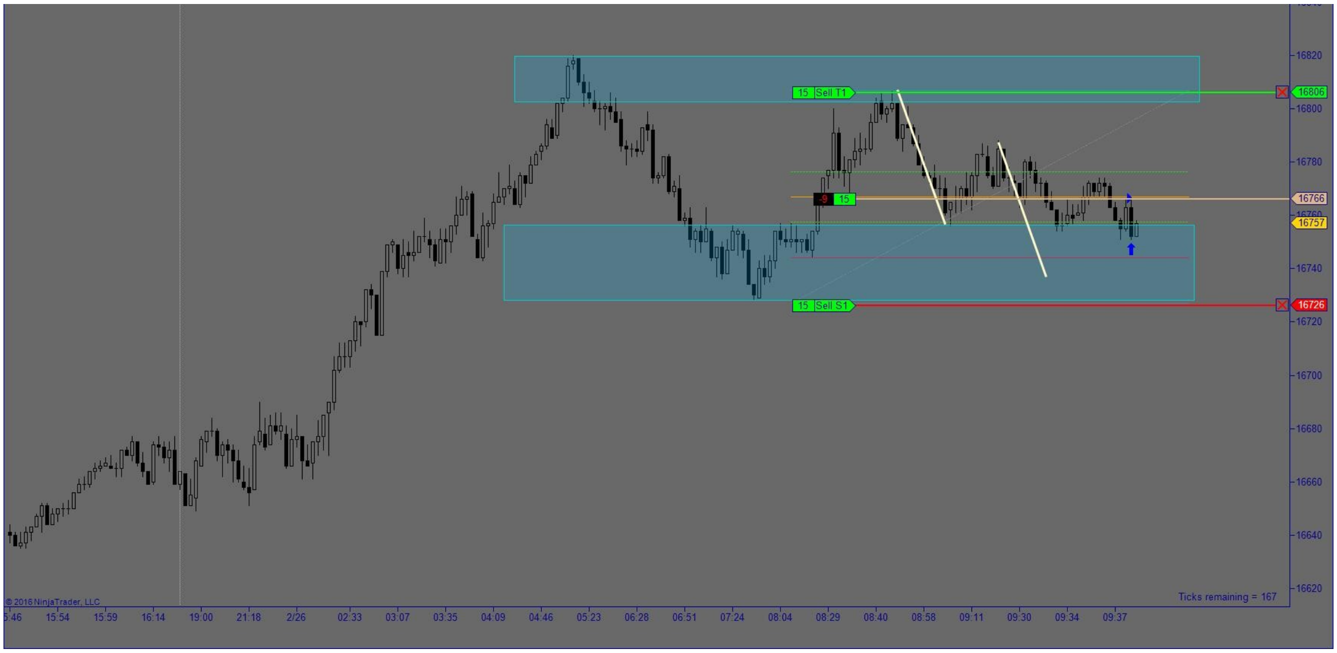
Very nice Mack thank you for the chart example.

Comment by Mr. Pip

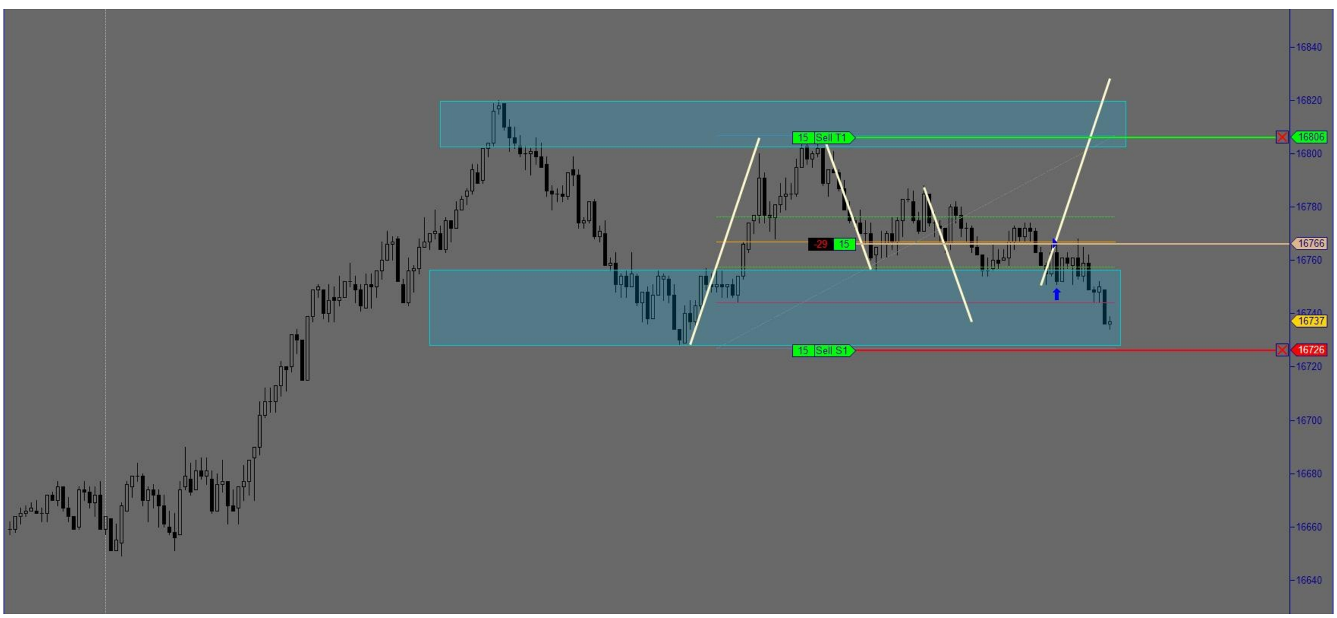
The purpose of Bar by Bar is to time your entrance once price gets to your intended PRZ. It is the most sensitive and the most current of our analysis process. It helps you understand when the forces are getting ready to take a break or push harder. It helps you tremendously to understand where those swing highs and lows are likely to take place. I will make a video in the next day or two tying this all together.

Comments by Mr. Pip

First entry long on DOW.



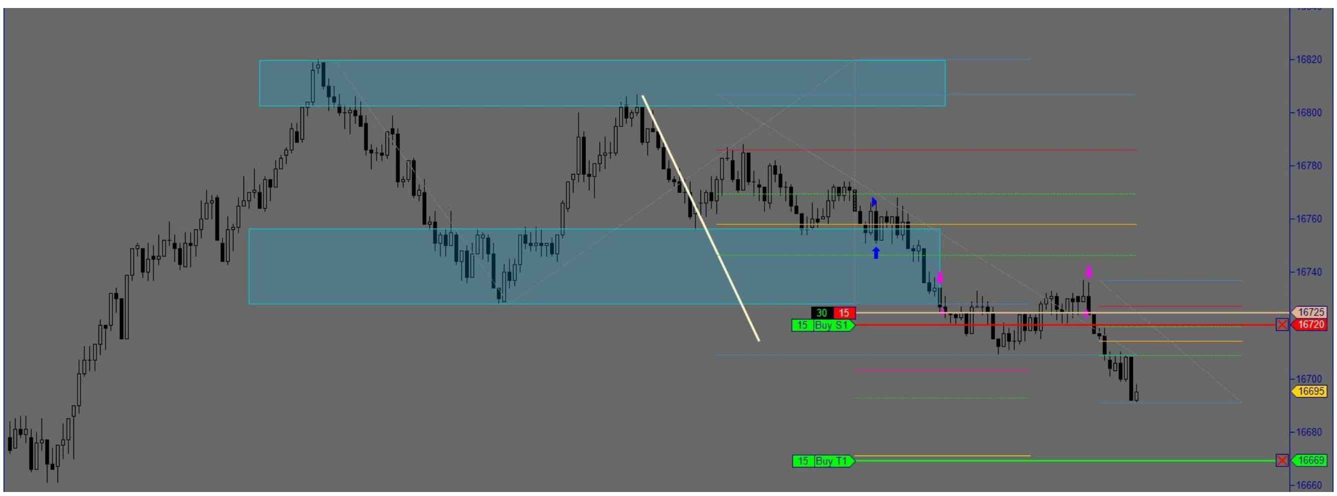
Very ugly about to be taken out.



Got taken out lets see if we can recover.

Short DOW.

Trade progressing well; locked in some profit.

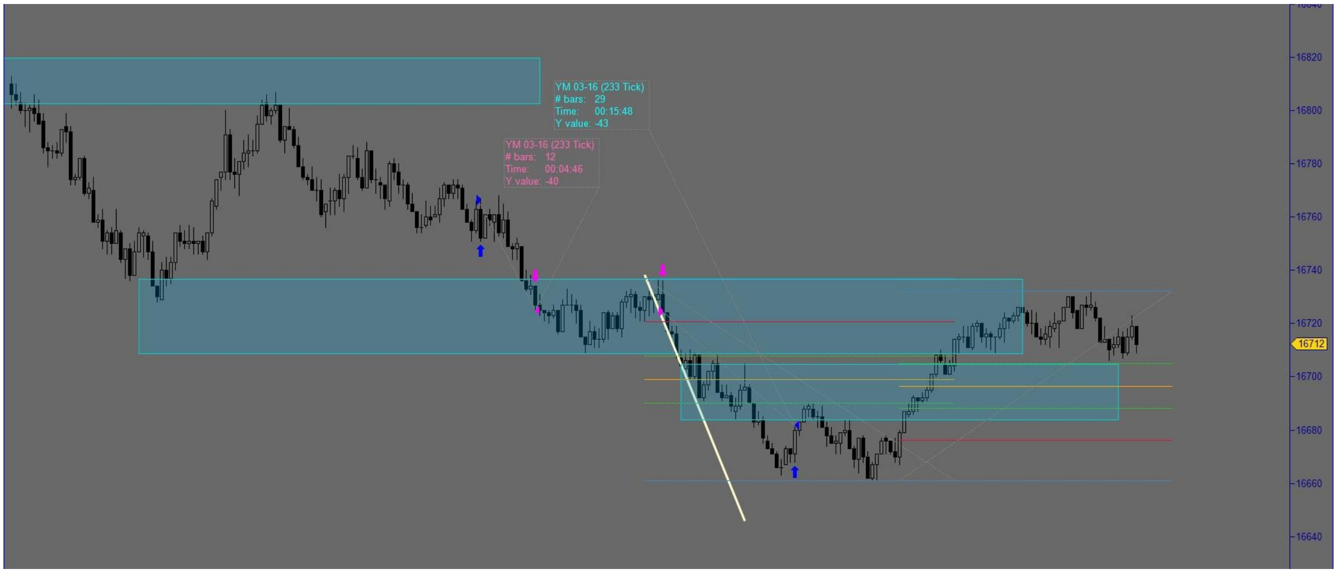


Locked in some more as the bulls are trying to come back in. Following trailing rules.

Locked in 40, erased the loss and in the money.

Breakeven day so far 2 entries 1 loss for -40 points and 1 win for +43 points so far +3 points @ 15 contracts ($225).

Price made a much deeper then expectation correction. I believe this market may tray to get bullish again.



Comment by Tatts2020

Amazing! How quickly you switched from long to short. I have a real psychological difficulty shorting sometimes. Its probably all that bullcrap you hear on TV about never shorting. I know I just need to listen to the order flow. Great trades.

Mr. Pip's Response to Tatts2020

We have to not commit to one side but listen to what price is telling us and follow the expectations.

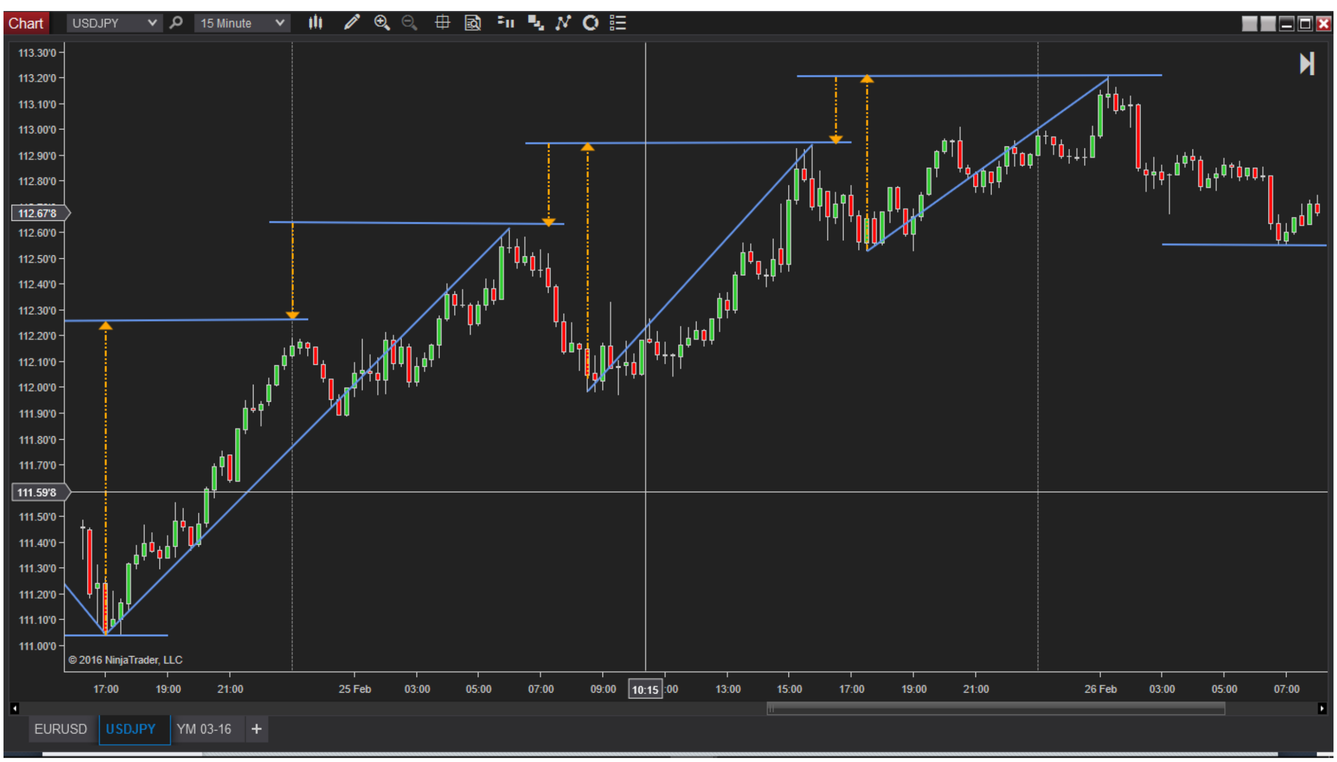
Comment by Evocpr19

I remember Mr. Pips answer oconcerning one of my past questions:

“The YM is the DOW Futures contract. I don't trade anything else because there is no need to. As an intraday trader efficiency is key. **Find one pair that has the range you need and make it your bitch. Pardon the expression but its far easier to trade one pair and be in sync with one chart vs bouncing around**. One pair should give you plenty of opportunities. Keep it simple and the market will reward you.”

Question from Driiv3

Mr. Pip, I need you to help me review this Order Flow Analysis practicel. Sorry I used USD/JPY. I just want to know if I'm on the right track, and also what I'm doing wrong. Thanks.



Mr. Pip's Response to Driiv3

I'm sorry my friend you are completely backwards. Please review the video again and re post if there are issues I will arrange a Skype call to iron it out faster.

9. A Trade Examination

Okay, today's trade examination.

Video 10: Trade Examination

Comment by Mastermind

Thank you for generously offering your time and providing hugely valuable information freely to the trading community.

One last point of interest on the trendlines is that traders are often far too tempted to apply break-out strategies on the smallest pip distance be it the closing of a candle or what have you and then wonder what went wrong when price decides to reverse only a handful of pips down and come screaming back inside the channel! They need to look at the whole picture and as you have mentioned many times its far more important to continue to follow price by both forming an expectation and realistically updating that expectation if the price action suggests something different.

Your thread is enjoyable and stimulating!

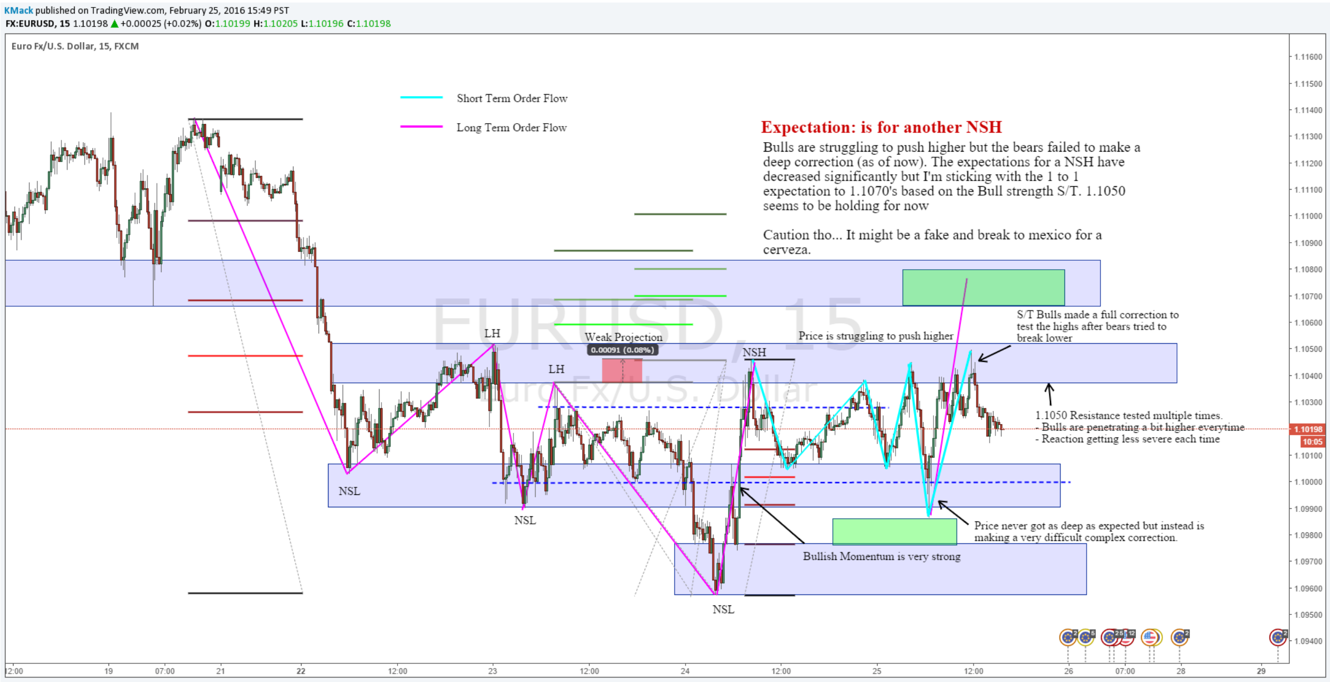
Mr. Pip's Response to Mastermind

:clap:

Comment by Mack2013

Not to toot my own horn but WOW was that accurate. Price barely went into the green zone before heading south to mexico. thanks Mr. Pip.

Before:



After:

Mr. Pip's Response to Mack2013

This is what happens when you are in tune with the chart well done!!!

10. Putting It All Together

Okay Traders,

I've just made the video that ties it all together. It's 30 minutes long so I did not get into a ton of detail. We will have plenty of opportunity to get into the details one we stream live. But I wanted you to have this reference video to review it a few times so that when we go live you have the visual down.

[Video 11: Putting It All Together]

Question from KeithStone

Great video Damian! I've been meaning to ask what are your thoughts on Pivot Points? Fibonacci Pivot Points in particular? My only problem with them is they will sometimes cause me to hesitate or wait on a setup if price is approaching a pivot level. I haven't been trading with them as of late.

Mr. Pip's Response to Keith Stone

Don't put too much thought in one thing. Remember that any one thing hold little value, it's the confluence that is important. Everything on the chart has a pivot from a candle to a swing to a trend and on and on. I don't wonder where the pivot is or try to figure out if I'm above it or below it to make a decision. Price speaks clearly most of the time and the pivot is nothing more then vague measure of bias. Do not let it influence your analysis as structure and order flow care very little pivots.

Comment by Mr. Pip

You don't need a trend to trade the markets; what you do need is an expectation which starts with structure analysis. Next you need to figure out when and what amount of time do you have to trade. Suppose your only time to trade is a couple of hours during early Tokyo Session. Find an instrument that has movement during those hours maybe EUR/JPY or the AUD and the NZD crosses. Next fine a time frame that provide frequency – 1M or 5M. You don't need but about 15 - 20 pips per day consistently to change your life. Make it work for you.

Question from Harmonic1976

I'm using Heikin Ashi Candles because it smooths out price action. Is my analysis on track?

Mr. Pip's Response to Harmonic1976

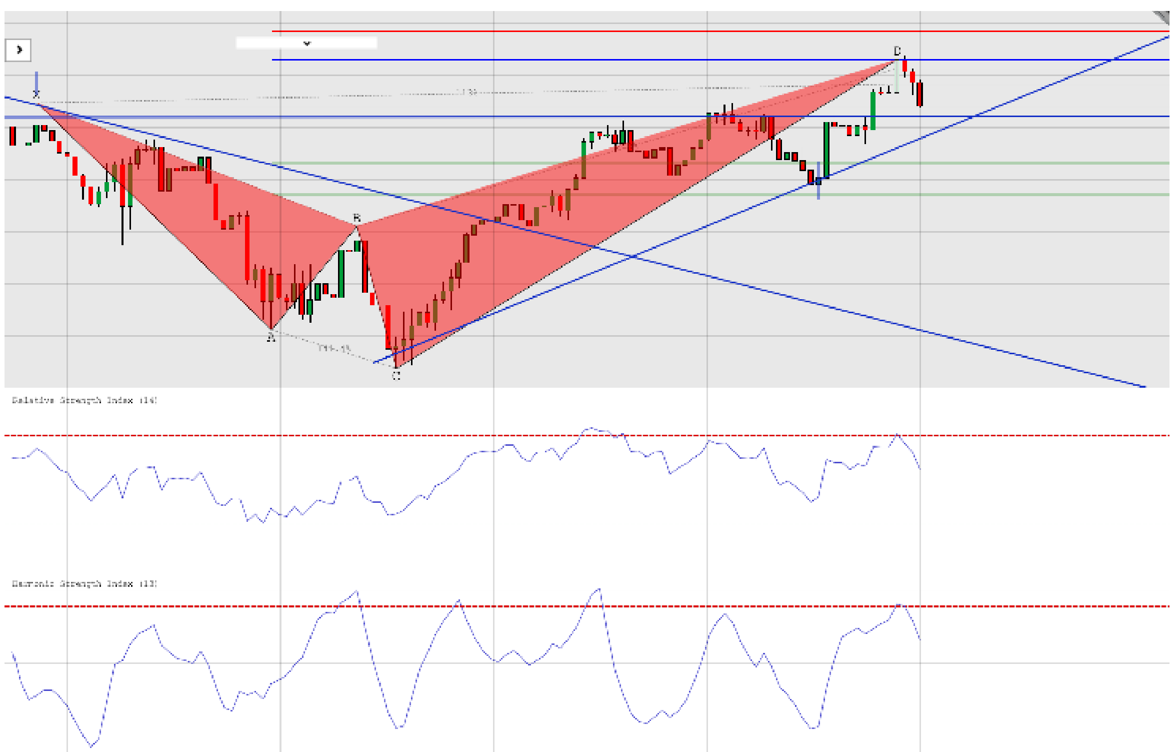
I can't comment on the Heikin Ashi other than that they're a very poor way to look at price action. But as far as the rest try not to predict swing correction and swing. It is unnecessary and inaccurate. Have an expectation on the next move; beyond that you could get hit with complex corrections that may confuse you because you are forecasting too far out and price does not move in straight lines.

Comment by Mr. Pip (on behalf of Scott Carney)

Scott Carney tried to post something here in the thread and he Had issues with admin I have not blocked him but I will post the two charts he asked me to post with his comments.

SP500 Bearish Shark@1970 with HSI and RSI Bearish Divergence:

Targets > 38.2% and 50% (in this case because this type "morphs" into 5-0):



Question from Harmonic1976

I'm trying to develop a trading plan but I'm not sure how to describe entry.

Sure, we have expectations based on structure highs and lows. We have expectations based on the projection and what the pullback should be. We have expectations based on fib extensions and harmonics. We have expectations based on support/resistance.

But how do we describe entry?? What would you recommend for starting out? Should we focus on entries that pull back into support/resistance that rotate to the expected direction?

Mr. Pip's Response to Harmonic1976

You could say something like:

Once price make a NSH or NSL to fulfill an expectation we wait for a correction at or above the 38.2% Fibonacci Replacement and having confluence of order flow expectation, structure and ratios we look for opportunities to enter the market in line with the following expectation.

If an opportunity is identified, then we seek a bar by bar confirmation. A bar by bar confirmation occurs when the current candle is in the area of interests and makes little to no attempt to trade above or below the previous candle and closes against the preceding candle's total trading volume by at least 50%. If this is achieved we enter at next bar open.

Something like that would work fine write it in your own words but be specific you don't want to leave room for interpretation.

Comment by RolandW

Not profitable yet, I understand how to read the markets far better, and can come up a story pretty well to enter the market.

I am just paying my subs before I become profitable!

I know that my stops have not been in the right place, ie, just above/below the immediate pull back as opposed to the swing high/low and getting rid of my risk to quickly.

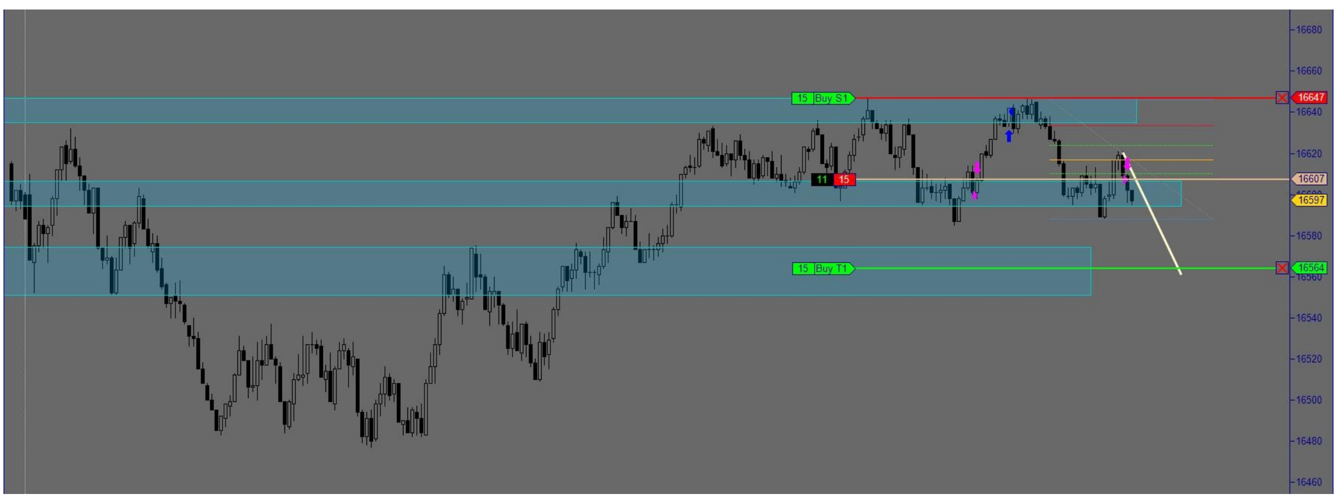
I have never worked on such a small TF so I always move my SL to BE far too quickly. So my losers are stacking up, when they should have been winners – it's all part of the game though.

I only ever practice on a live account as well, so I get the emotions and doubt creeping in which forces me to close trades that should be left to run, but slowly but surely I can see an improvement as I adjust to the style of trading.

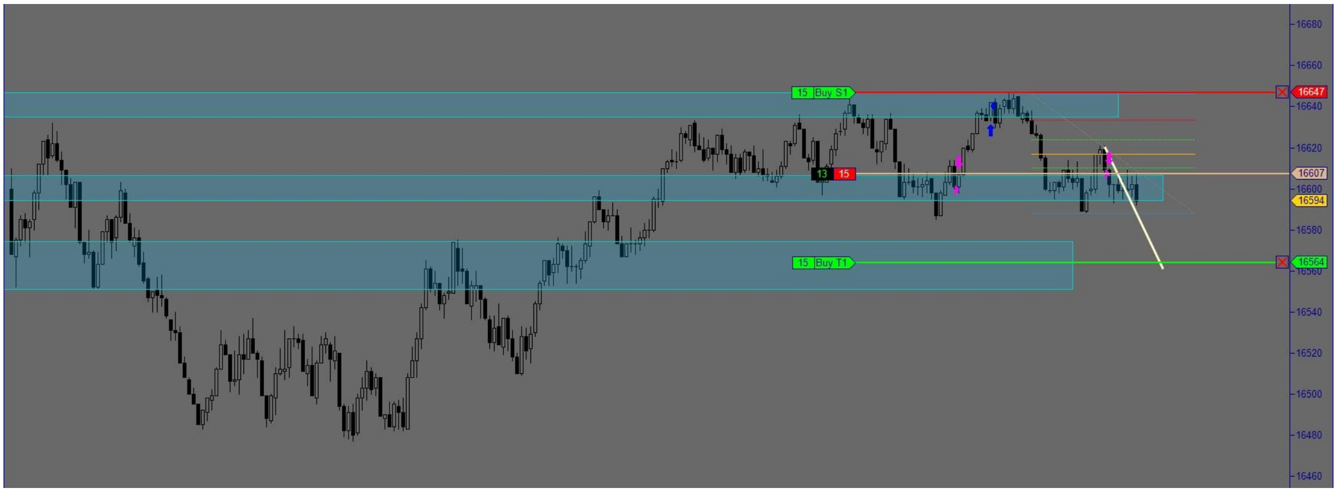
Realistically speaking, I think March will be a break-even month ready to set myself up for next month!

Comments by Mr. Pip

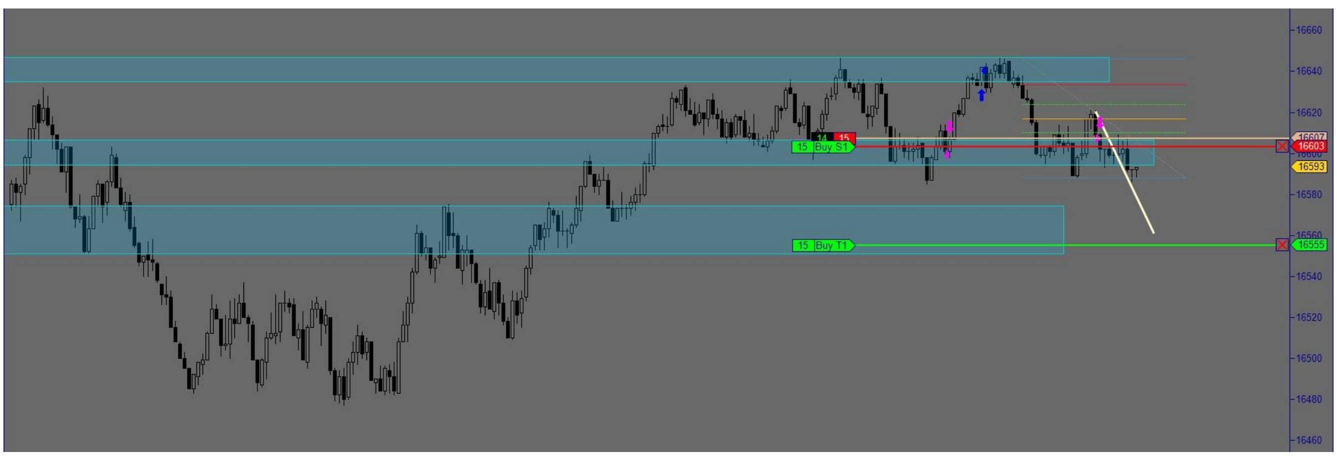
Short after a loss.



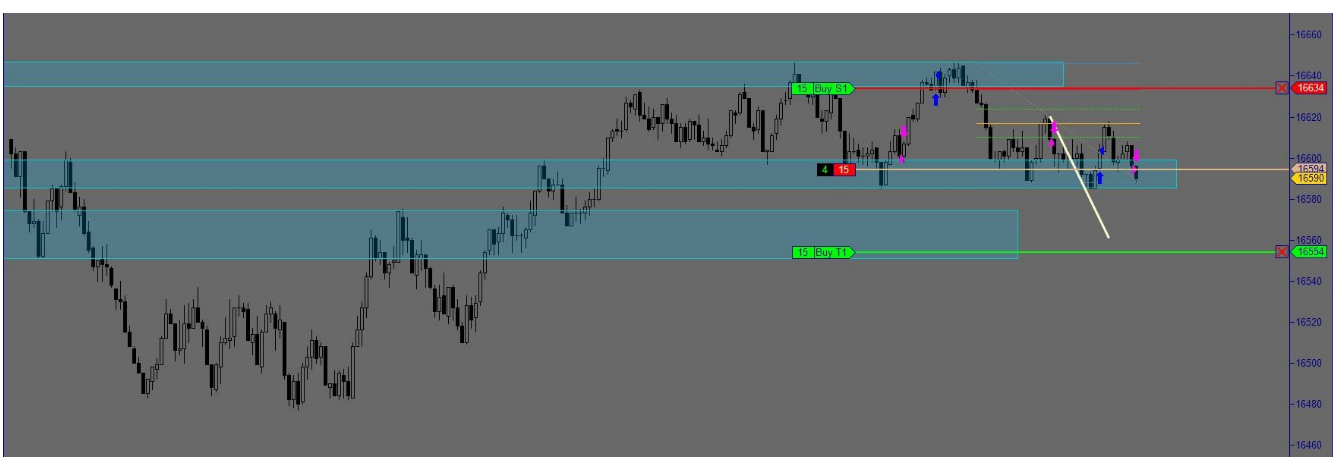
Bulls are messing with me again; tough area to trade and read. BE now.



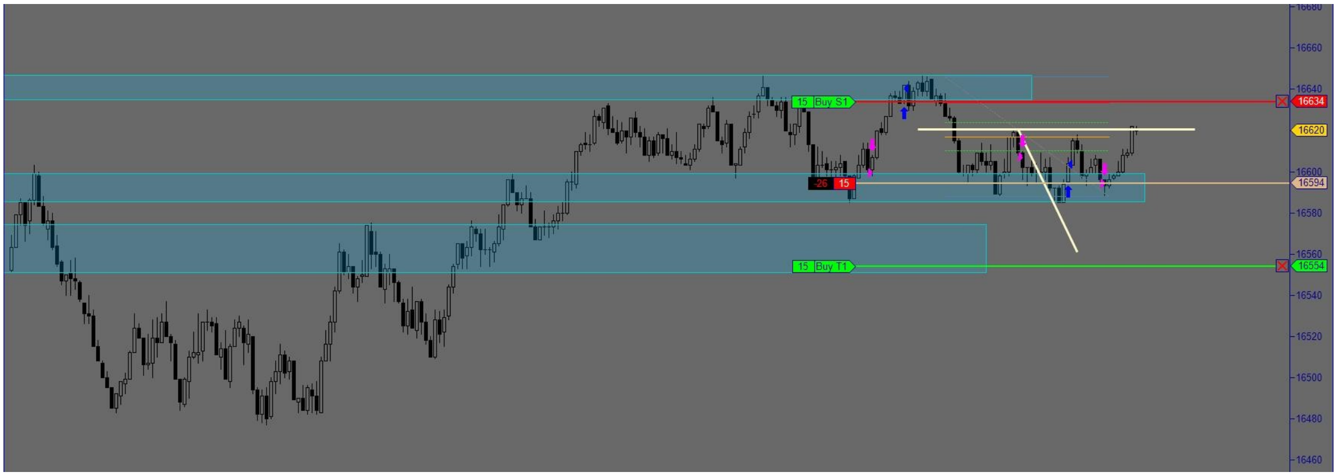
BE to protect there is structure here.



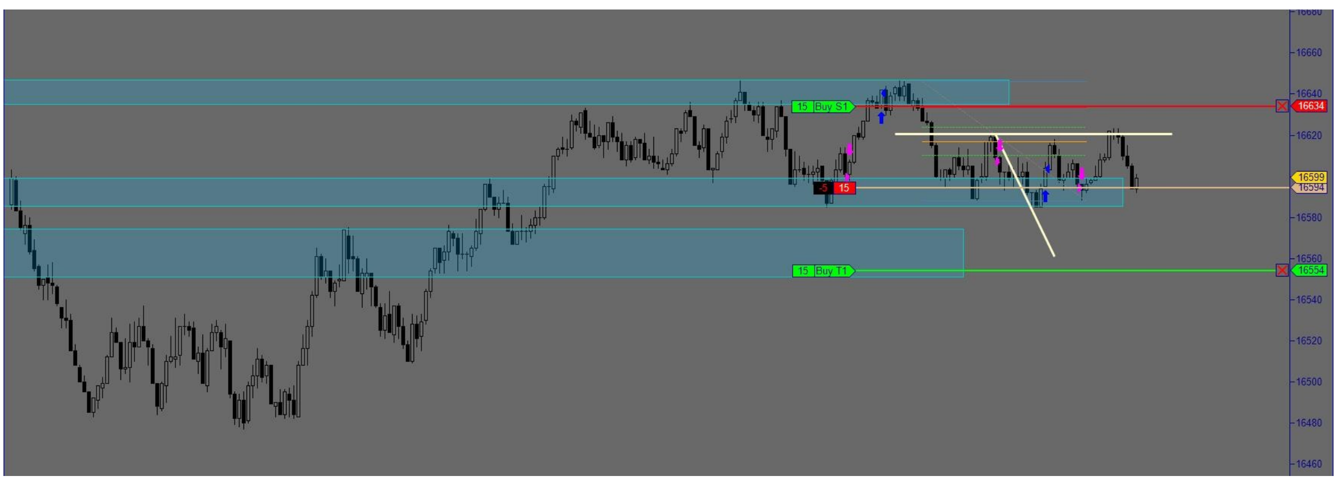
Short again third time is a charm???



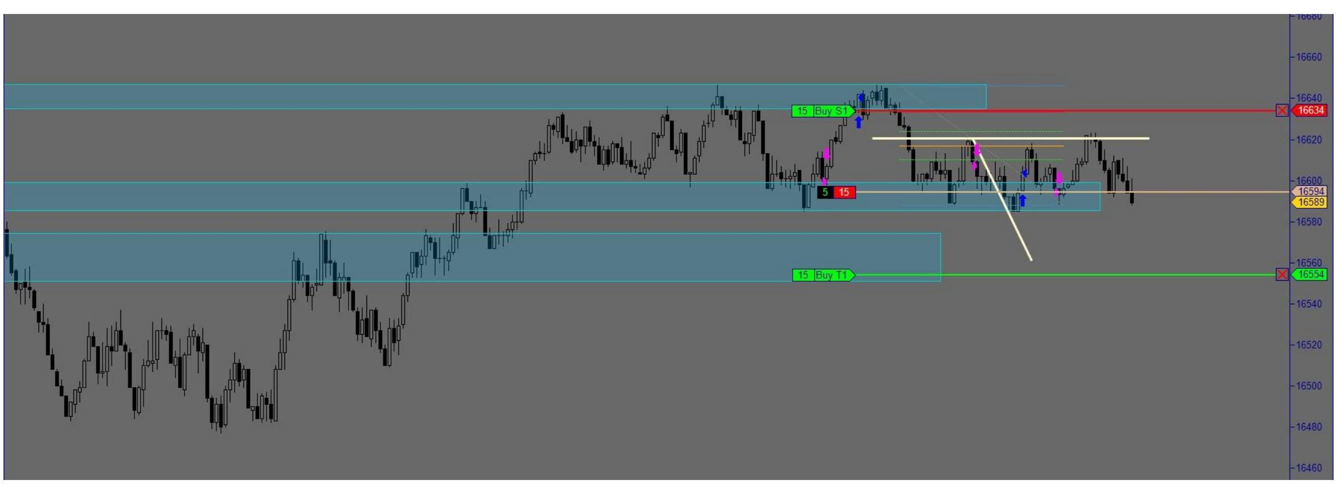
Just ugliness today. See it happens to all of us. If I get taken out here I'm done for the day.



Bulls and the Bears are fighting it out. Lets see who wants it more??? Let's go bears!



Come on bears put your pants on!!!

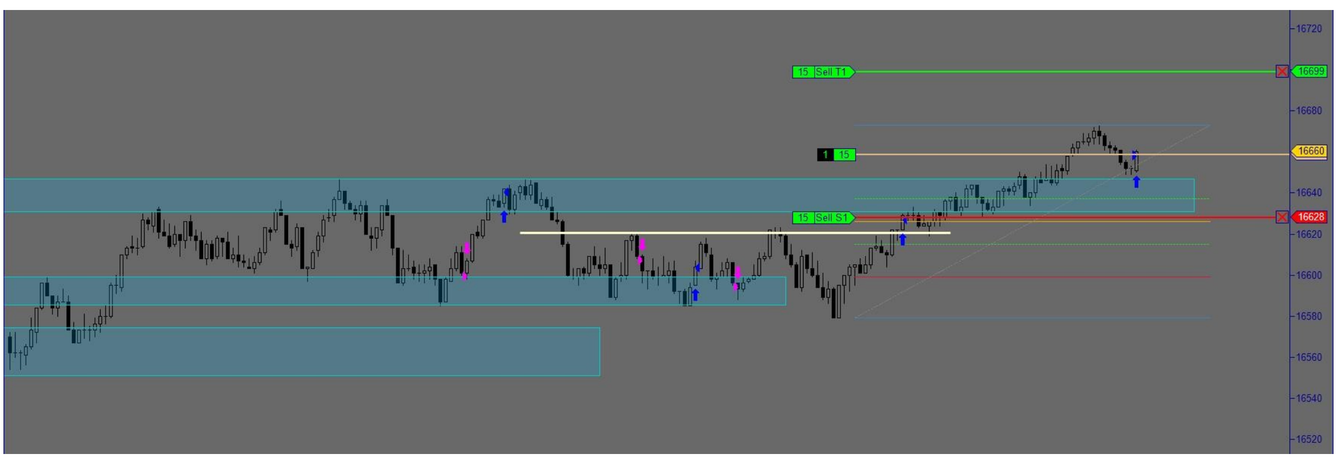


Just have to be patient here bears trying but bulls are also trying to buy.

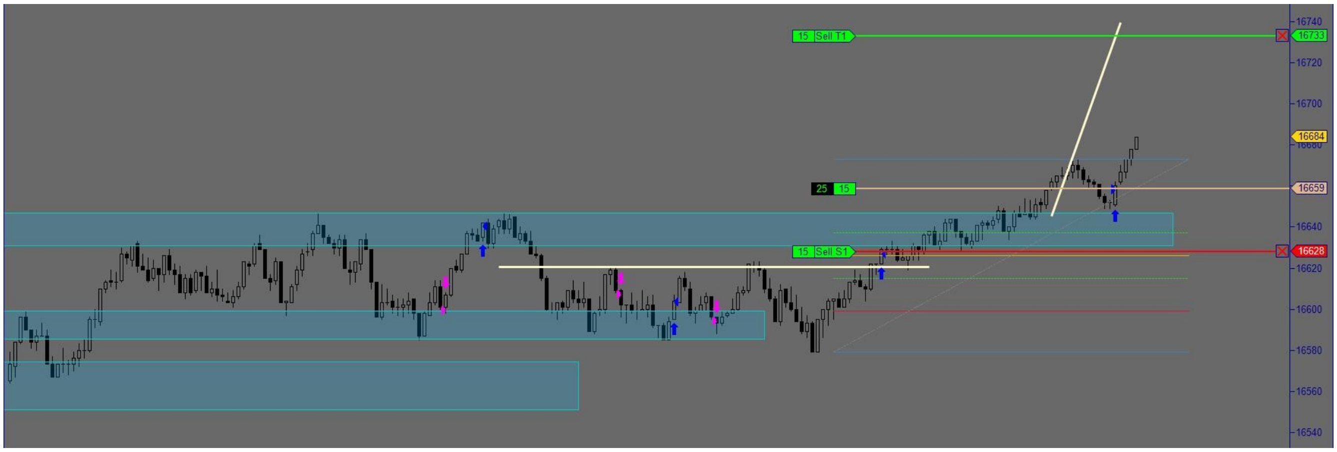
Back on the pain train.

Well Traders a losing day for me. -70 points @ 15 contracts -$5,625.

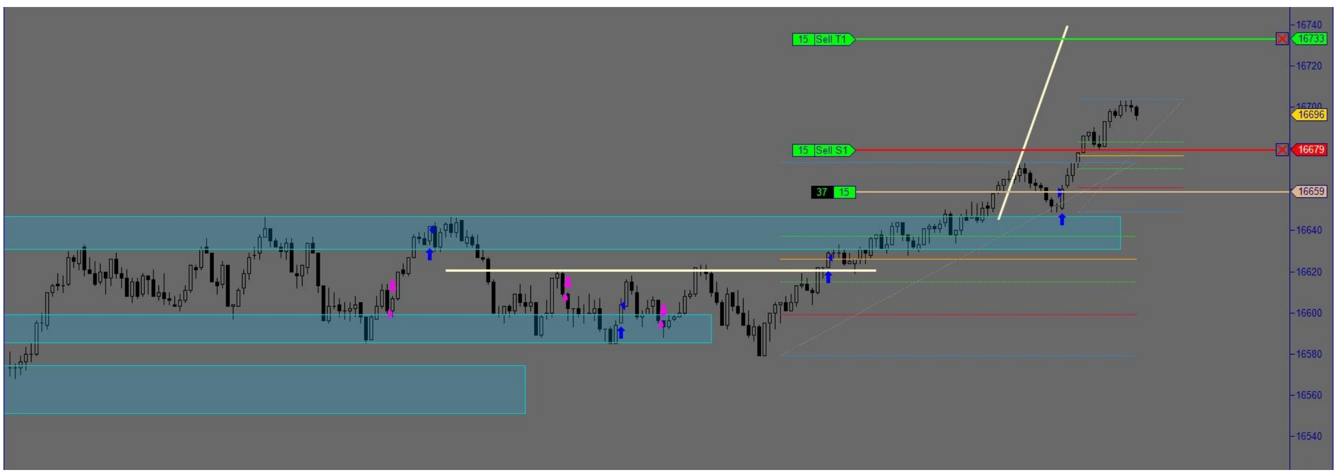
Last trade of the day.



Update on the long.

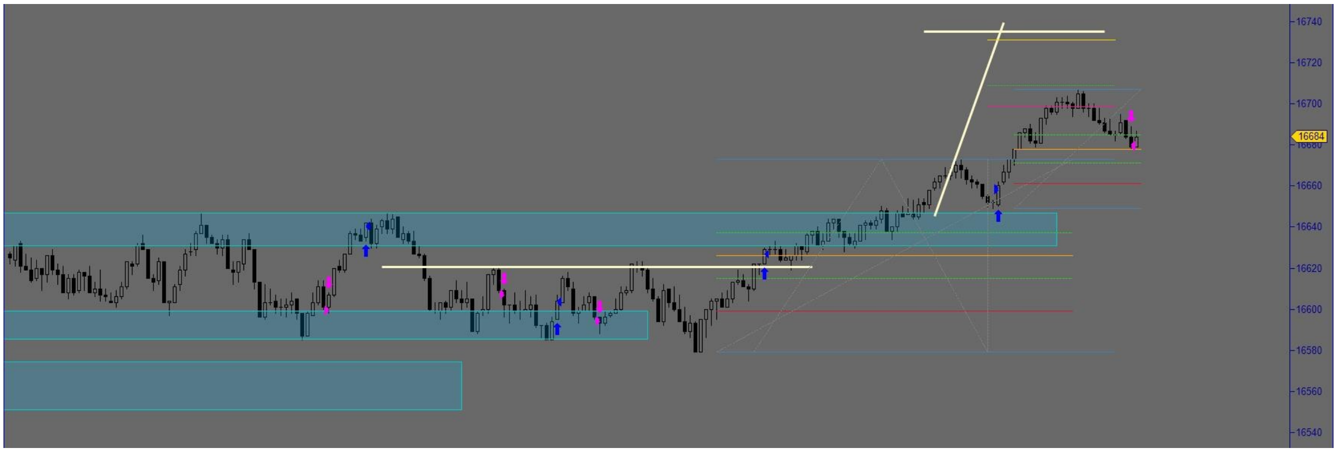


Trail implemented locked in 20.



Extended my profit target just in case 20 assured so we will see. I will update when I get back going to get something to eat with the wife. might end up with the 20 though.

Trail taken out made back 20 so down 49 for the day @ 15 contracts $-3685. Not too bad.



Comment by Evocpr19

Sorry to read (I know that you do let emotions come up at trading), but still sorry to read it.

Mr. Pip's Response to Evocpr19

I don't sweat it it's part of the business. Tomorrow will be a better day. Can't win all the time. Have keep the other fish in the game too.

Question from Earleone

It comes back. But not nice when in DD. Have you looked any statistics for your trading for last day of month / 1st day of month and Mondays / Fridays, whether if there is difference to the rest of month / weekdays?

Mr. Pip's Response to Earleone

No, haven't done that I trade every day so I don't see myself not trading because it's the 1st of the month. I string losses like anyone else. It happens I don't get concerned about it. But I don't like to lose. I might end up with 40 points here price is coming closer to my trail. I hope I can survive I would like to end up erasing the losses from today and putting a dent in yesterday. We are managing the trade without emotion. Letting the market decide how much I take back from what I have given her in the last couple of days.

Comment by Crixus

I was following your trades this morning on the YM and just could not understand why you thought the bears were in control when it was the opposite on a 5 min chart. Also, as i said last week. Crude oil is one big market driver. At the time of your entries to the short side Crude was in a bullish trend and the correlation was extremely positive between all equities (YM, ES, NQ) and Crude. That's no big deal really but could not understand why you thought the bears were in control given that there were no NSL broken on the YM as far as i am concerned. I'd be curious to understand your early start. Thanks and great videos so far.

Mr. Pip's Response to Crixus

Hello crixus, price had made a NSL on my chart. I don't care for correlation between what I'm trading and anything else. I don't feel for my trading that it makes much of a difference. I'm not at home at the moment so I can't get to a chart but my initial bias was bullish until the Bears produced a NSL and selling pressure and volume was increasing. Globally I was correct just way to early. The losses don't bother me at all if you still don't understand my trades today. Let me know and I will do my best to put something together.

Question from PipTrendz

Do you find you get to BE quicker after starting with a loss for the day? I seem to do this, in fact I do this all too often, happy to get to BE and will see it taken out before a profit target hit.

Guess this is a psychological challenge I need to get over, just hate giving away any pips.

Mr. Pip's Response to PipTrendz

I remove some risk if price is breaking down on me but I always get to a BE at the test of the structure I'm suppose to get past. I don't bring what happened in the previous trade into the next one.

Comment by GastonForex

Hello, I couldn't trade small time frames, I always lose.

Harmonic1976's Response to GastonForex

Your stops are way too tight, they really should be a little beyond the recent NSL or NSH (or at the very least below the recent HL or above the recent LH) this way you have room for the trade to breath. My biggest losses for the first few months in FOREX came from the stops being way too tight. Risk less and widen the stops and you'll see an immediate difference.

Arjan's Response to GastonForex

[Regarding your chart,] you should understand that price rotation is not the only thing you should focus on, right? It's actually the last thing. First structure, then order flow (strength and weakness) then expectation zone in confluence with Fib (minimum 38% retrace), then just wait for the beautiful bar to trigger entry, and SL should go below the zone or below 78.6% retracement of the swing, or below NSL or NSH if you happen to enter after a deep pullback.

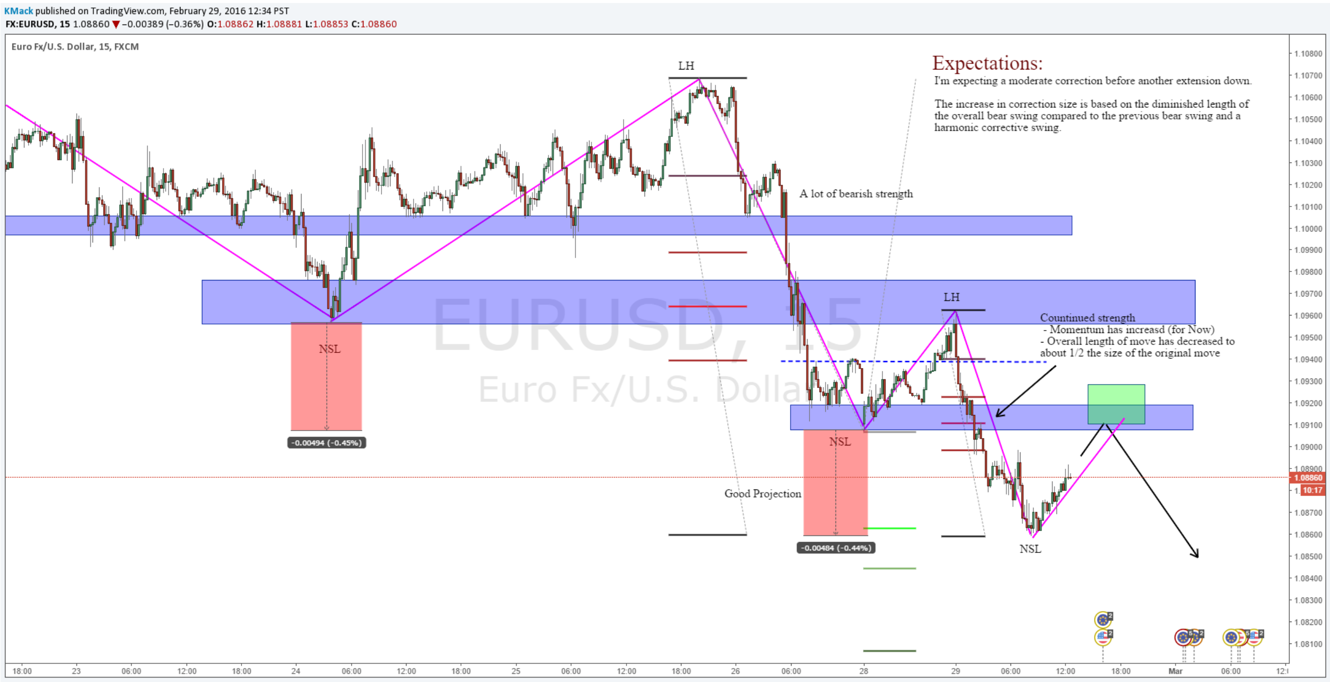
Follow-up from GastonForex

Thank you for your help. I put bigger stop loss (20-40 pips) last week and I did a lot of pips, then I am studying it.

However, I did a silly mistake today because I know that I should put the first entry's stop loss at least below the pin bar candle.

Comment by Mack2013

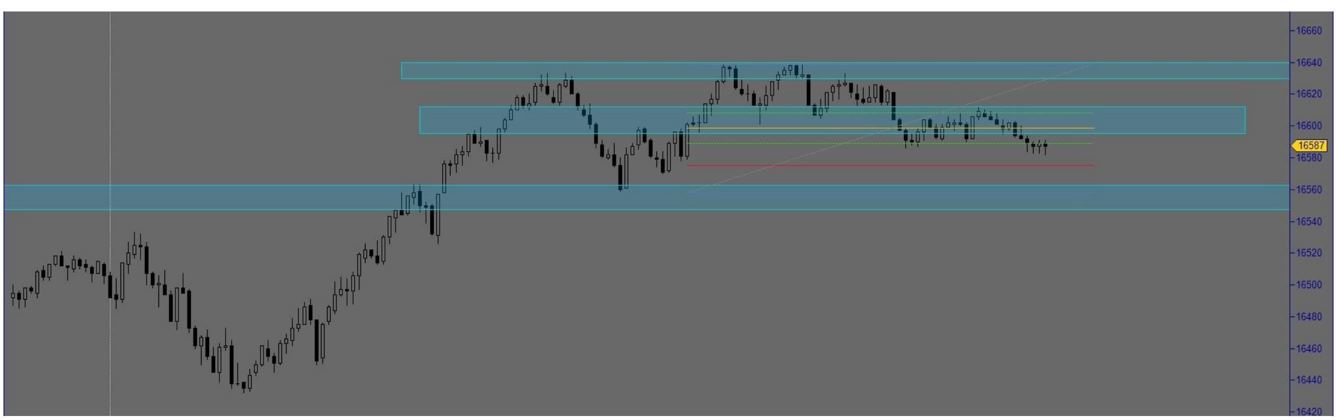
Good Afternoon traders,
EUR/USD – 15 Min



Comments by Mr. Pip

Well Traders,

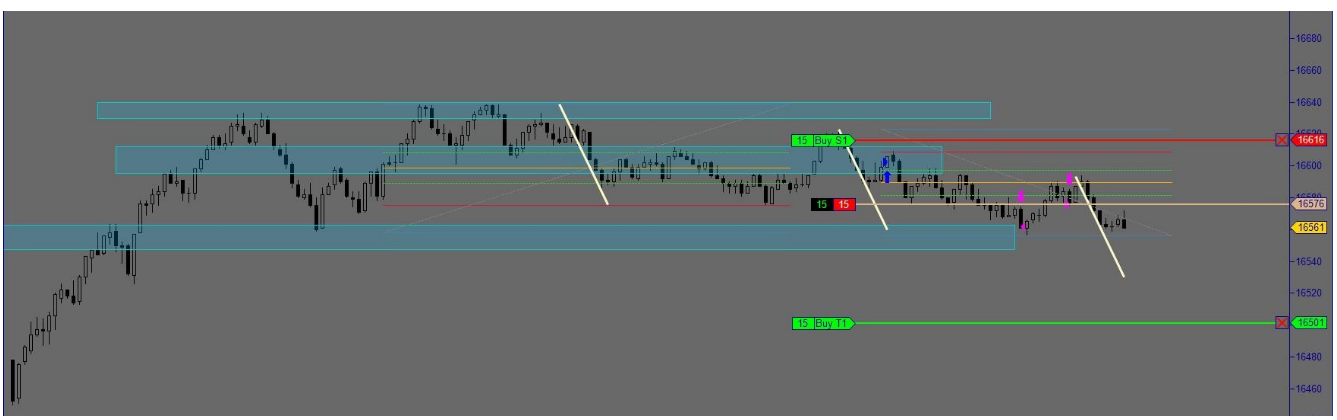
15 min till the open expectation is for a NSH however lot's of weakness on the bulls and complex correction at the moment.



Entry long.

Wow stopped out next. Not doing too well in the last couple of days.

Second trade.



The market is making me look bad LOL.

Almost got stopped out on the third and final trade of the day let's see if the ship can turn around on this trade? I will do a post analysis video of the session and then make another on the trade management and entries.

Trail initiated.

Locked in some more. Let's see if she gives me more.

Locked in 40 interacting with the RN and yesterday's highs.

+40 taken on trail Let's see if there is another opportunity.

Question from Georji

Mr. Pip, correct me if I'm wrong (?) but it looks like you violated your own rules on this trade by chasing the price instead of letting the market come to you and you shouldn't have entered short yet: 1) it is against the expectation, and 2) too close to support and the HL structure not broken yet.

Mr. Pip's Response to Georji

I just made a video a short one on the post session examination that discusses each trade it's short about 5 -10 min.

Trade Examination – Losing Day

[Video 12: Trade Examination – Losing Day]

11. Trade Management

Here is the trade management video.

Video 13: Trade Management

Comment by Arjan

Great video Damian. Great Great!!! period. I believe the live session tomorrow will be even better than the playback session.

Learning all the technicals (structure, order flow, Fibs, ratios etc) is like learning the technical part on how to drive a car: where is the gear, clutch, brakes, mirrors. Learning how the car operates, starting the engine, putting the gear on doesn't make you a driver. You need to learn the quality of driving, which is cooperating with other vehicles on the road, how to enter in highway, how to give way, how to deal in crossroads, etc., etc. Which in our case is trade management, SL and TP location, trailing, and how to put everything into practice in the most effective and efficient way. Which we learn from videos like the last one, and live trades that you show us here. These are extremely important and powerful. So, thank You again for all this work and dedication.

Question from Tatts2020

From the video, do you usually wait until about a 1.27 extension to move the trade to break even then?

Mr. Pip's Response to Tatts2020

Only when my entrance doesn't give me enough to room. I like to get to a break-even at the test of structure. You will see tomorrow.

12. Live Trading Session

Well Traders, today is the day we try to live stream my trading session. I'm excited and looking forward to the session and sharing this experience with you all.

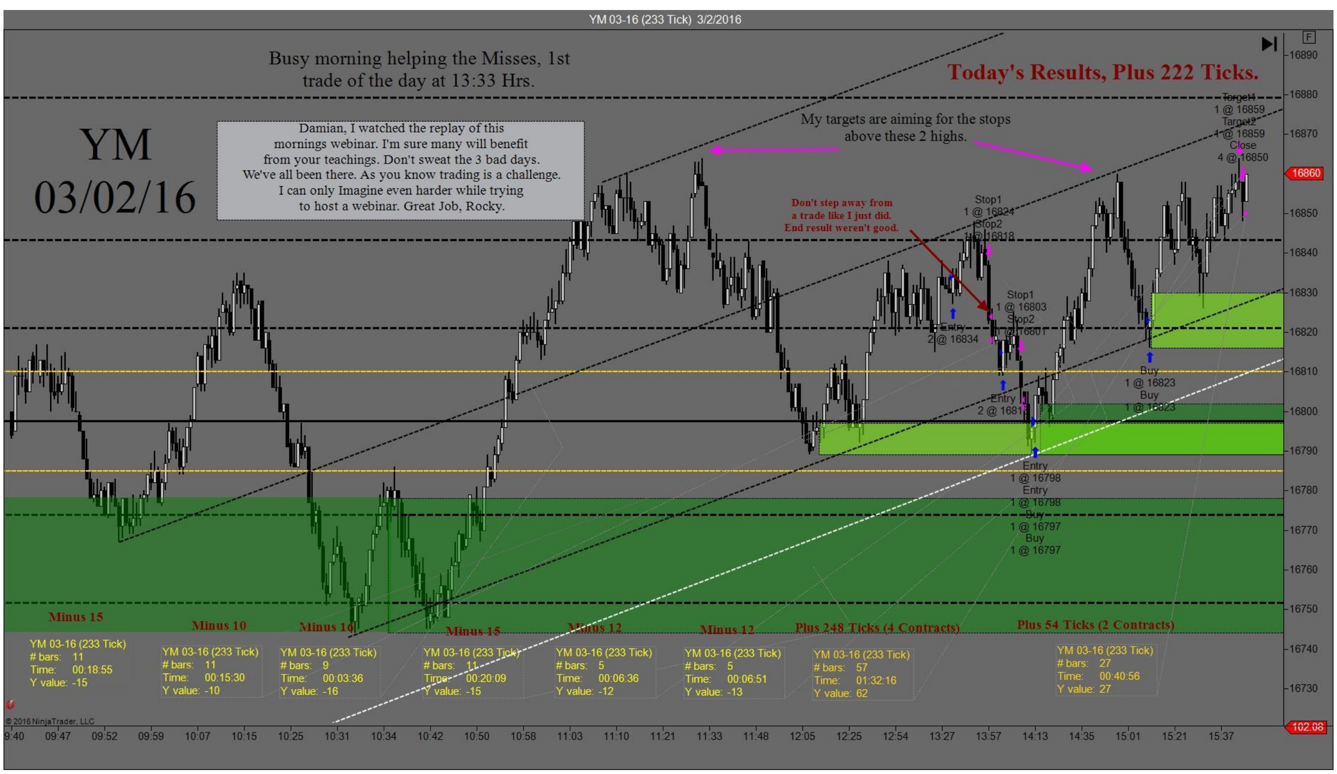
Our goals are to process the chart by the lessons I've shown you. To maintain situational awareness. To maintain discipline and follow the trade plan. To trade in the direction of strength and away from weakness. To be profitable.

Video 14: Damian Castilla Live Stream

Comment by Mr. Pip

It is unlike me to have 3 losing days in a row. I will be reviewing the last three days in greater detail to see if I've missed anything else. Drill deeper to review everything.

Comment by Rocky (Pro trader)



Mr. Pip's Response to Rocky

Thanks Rocky. Not worried at all but DD always feels like a kick in the gut nothing a couple of good days won't fix. It's all good, in a way it shows others how real this is and how losses are handles and that I am completely transparent. This is as real as it gets. Nice day for you congrats!

Comment by Harmonic1976

I think the biggest lesson that goes beyond your methodology is how you are handling these losing days. Watching in your live videos how you move from a loss to taking the next trade (seemingly detached from the result of the first) and many times coming back with profit has been inspiring.

When I'm doing misreads or having bad trades, just following in your footsteps has helped minimize losing days or turning them into a little profit.

I am starting to see why having belief and confidence in your methodology is the guiding light, because time and time again it proves itself overall, and losses can and will be erased.

Thanks for being transparent and teaching us all the lessons to be successful, especially that losing is part of the process.