

The Truth About *FOREX* Trends

The 4 Step Process for *FOREX* Trading Mastery

1. Identifying Market Condition

- Is the market in an UPTREND, DOWNTREND, or SIDEWAYS Trading Range?

2. Identifying a Trade Set-Up

- Is the market trading at logical SUPPORT in an UPTREND or at logical RESISTANCE in a DOWNTREND?

In the 3rd Video we're going to discuss...

3. Determining Trade Entry

4. Trade Management

1) Identifying Market Condition

**There are 3 primary waves or TRENDS in the market
(or three ways the market can move):**



- 1) UPTREND,**
- 2) DOWNTREND, or**
- 3) SIDEWAYS TRADING RANGE**

**Identifying which wave or TREND a market is in
is vital to successful trading!**

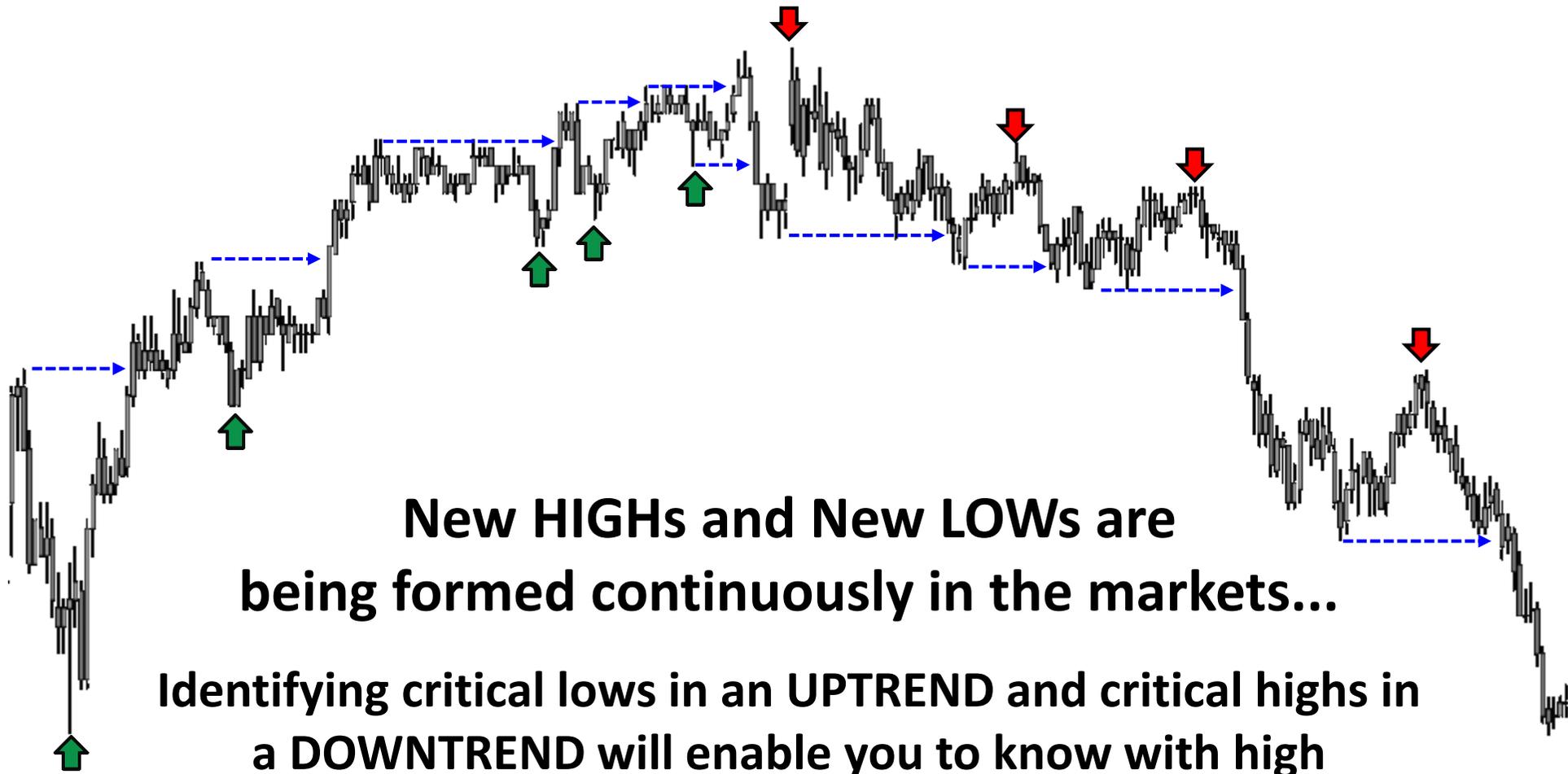
The market either trends UP, DOWN, or CONSOLIDATES before a continuation or reversal. This is the core price structure and rhythm of how the MARKETS move and trade at all times.

There is no other movement or motion possible in the markets.

Trends, FOREX & ALL markets, are based upon...

- **UPSIDE penetration of market HIGHS, and**
- **DOWNSIDE penetration of market LOWs.**

We must try to identify these important levels to help us map out what the market is probably going to do next.



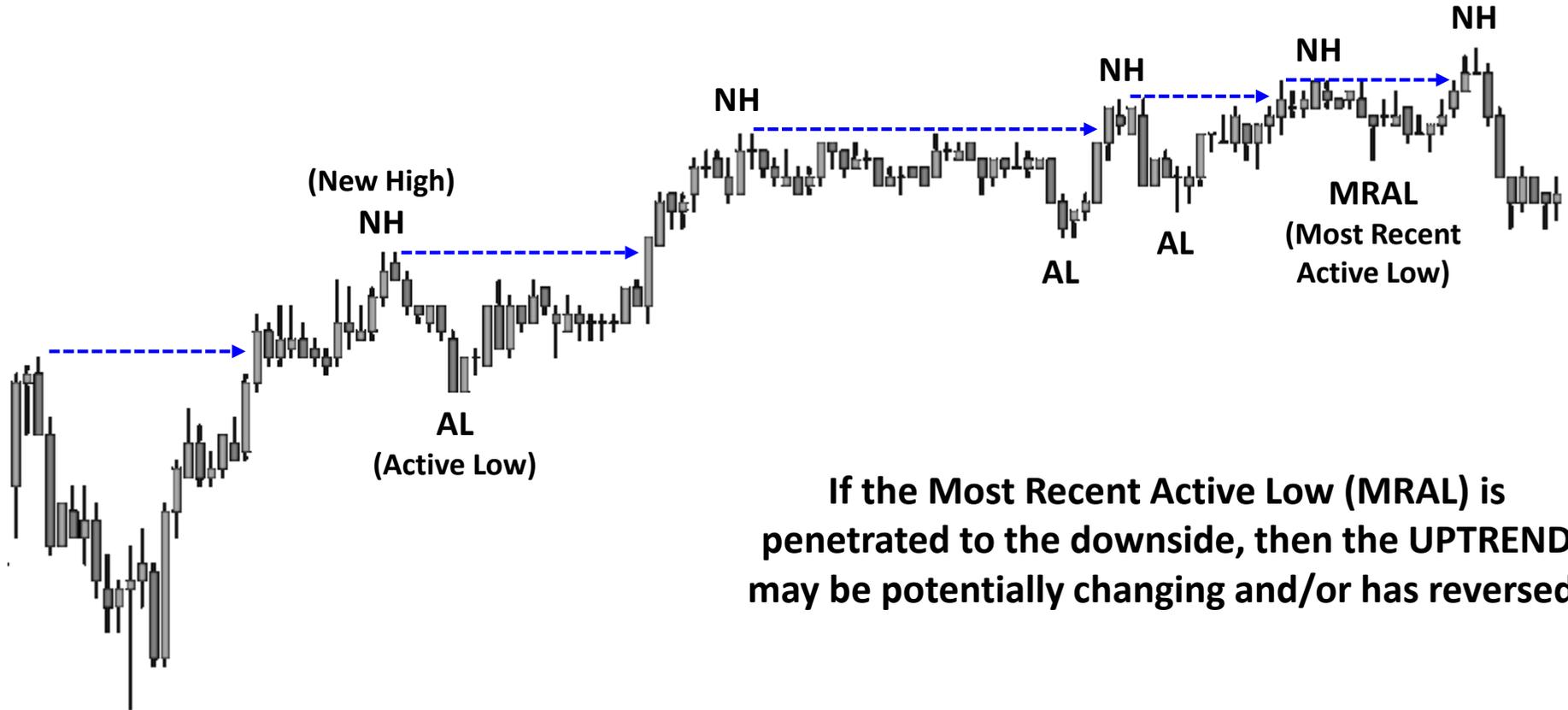
**New HIGHS and New LOWs are
being formed continuously in the markets...**

**Identifying critical lows in an UPTREND and critical highs in
a DOWNTREND will enable you to know with high
probability that the market is probably going to change
directions and reverse.**

The UPTREND Process

Once an UPTREND is established, if a New High (NH) is penetrated to the upside... you will assume that higher New Highs and higher Active Lows (ALs) will continue to the upside until proven otherwise.

The UPTREND Process



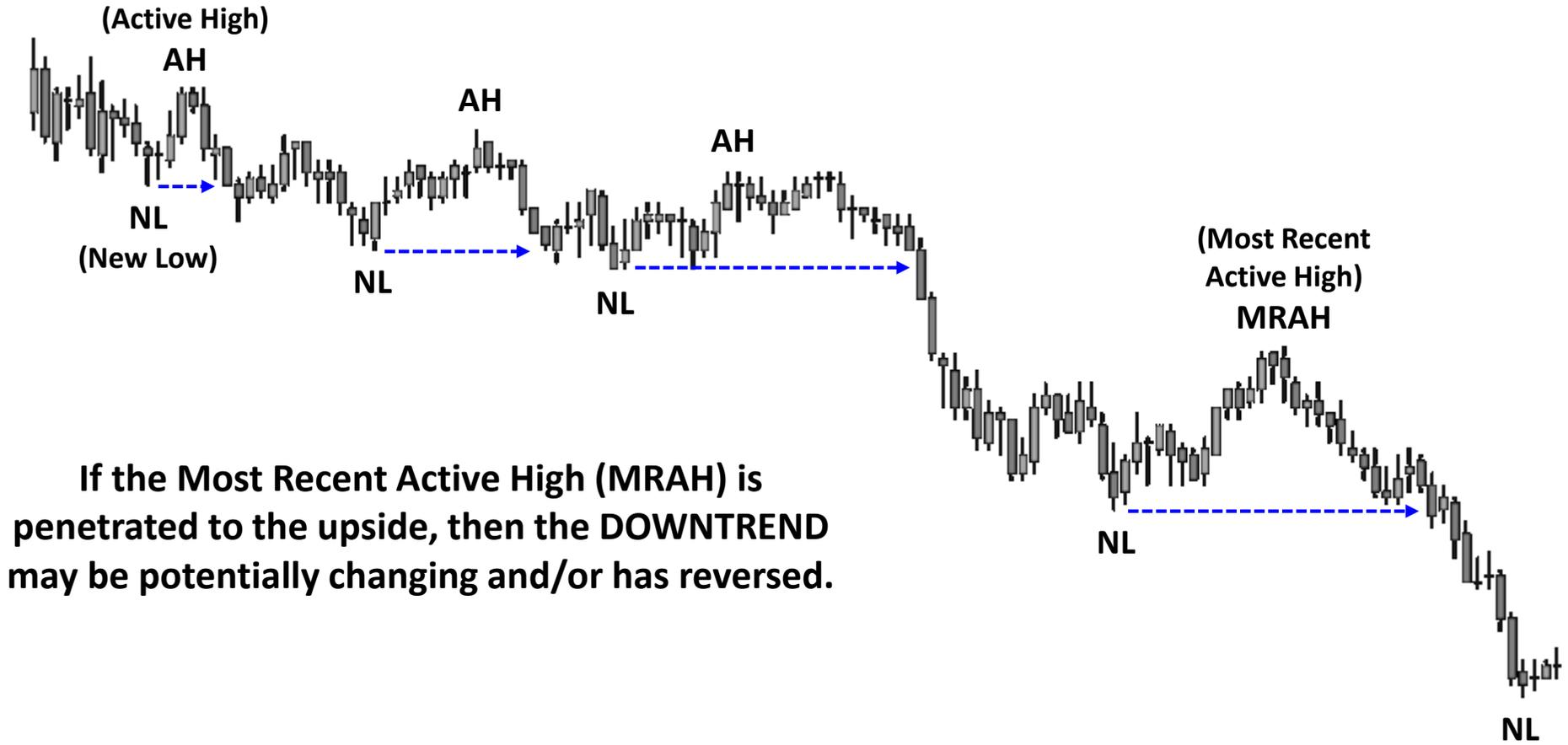
If the Most Recent Active Low (MRAL) is penetrated to the downside, then the UPTREND may be potentially changing and/or has reversed.

A series of higher New Highs (NH) and higher Active Lows (AL)

The DOWNTREND Process

Once a DOWNTREND is established, if a New Low (NL) is penetrated to the downside... you will assume that lower New Lows (NLs) and lower Active Highs (AHs) will continue to the downside until proven otherwise.

The DOWNTREND Process



If the Most Recent Active High (MRAH) is penetrated to the upside, then the DOWNTREND may be potentially changing and/or has reversed.

A series of lower New Lows (NL) and lower Active Highs (AH)

Retests & Failures



The market first must retest a New High (NH) or New Low (NL) before it can ‘fail’ off that price level – if it’s going to fail at all.

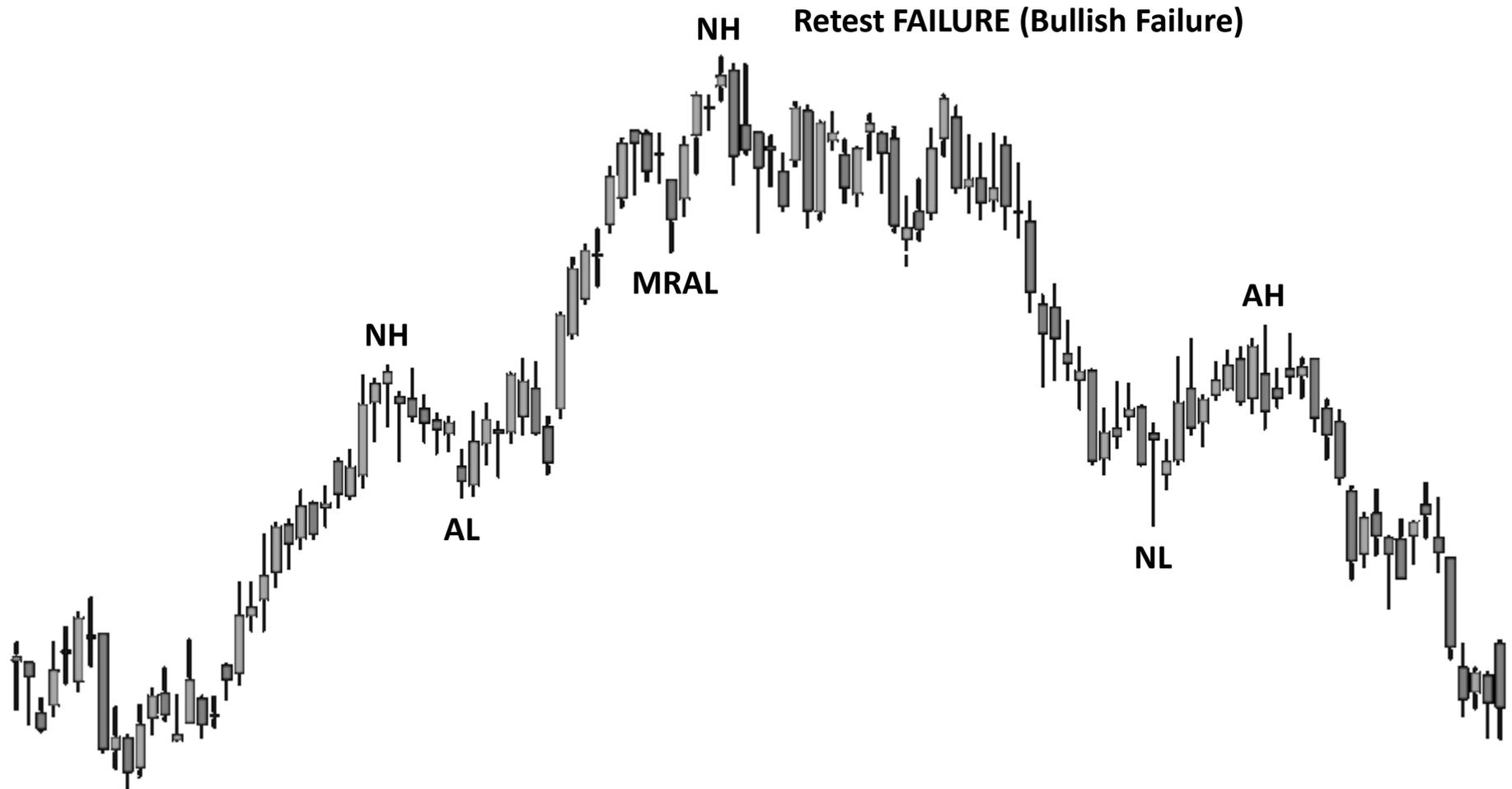
Retests are simply when the market tests (retests) a previous New High (NH) or New Low (NL).



3 Types of Failures

- Marginal New Highs & New Lows
- Matching Highs & Lows
- Failure to Reach a New High or New Low

Failures can only occur after a retest when a market is unable to take out a previous New High (NH) or New Low (NL) with any significance.

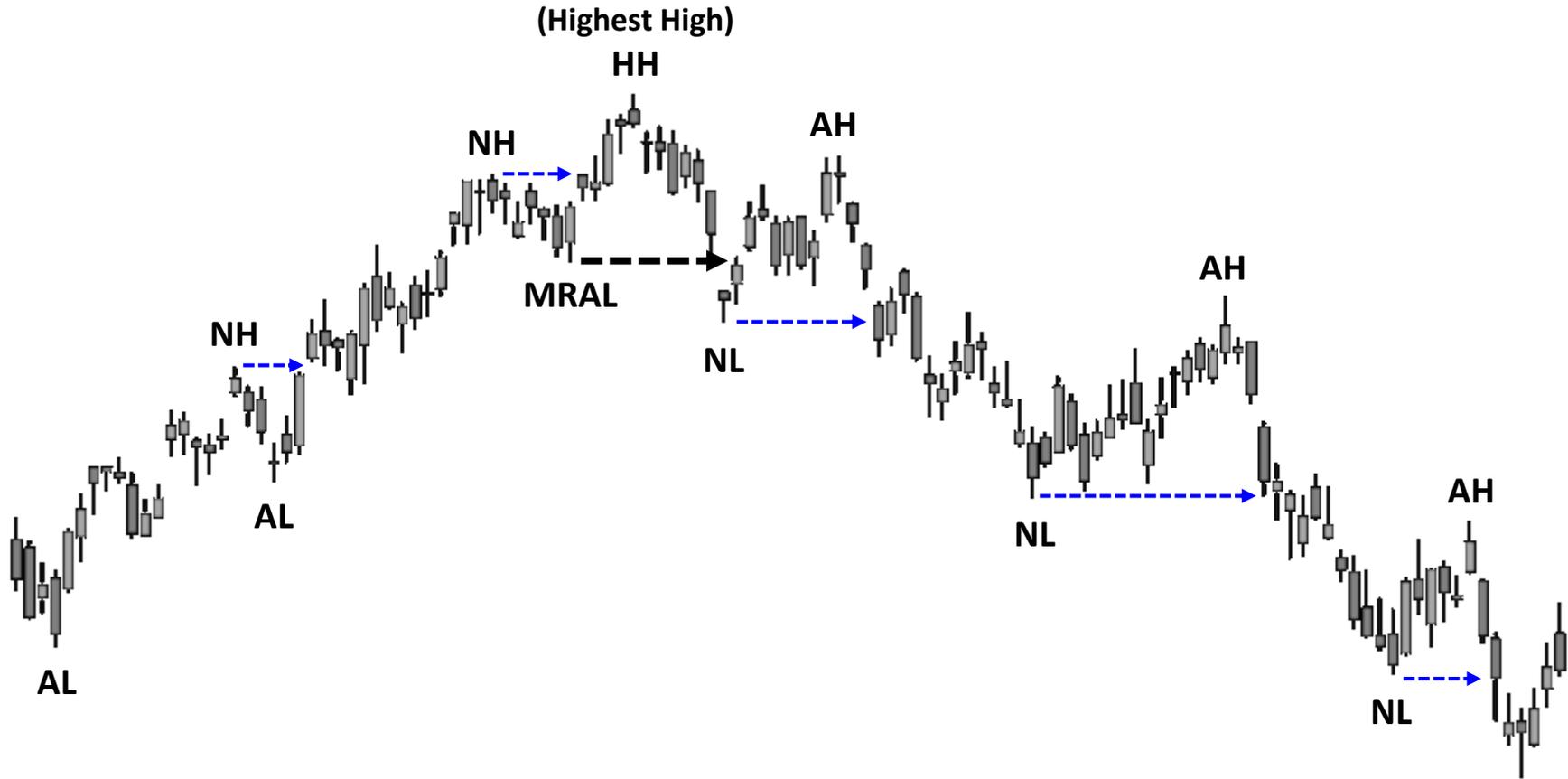


A Bullish Failure is when the market is unable to take out a previous New High (NH).

A Bearish Failure is when the market is unable to take out a previous New Low (NL).

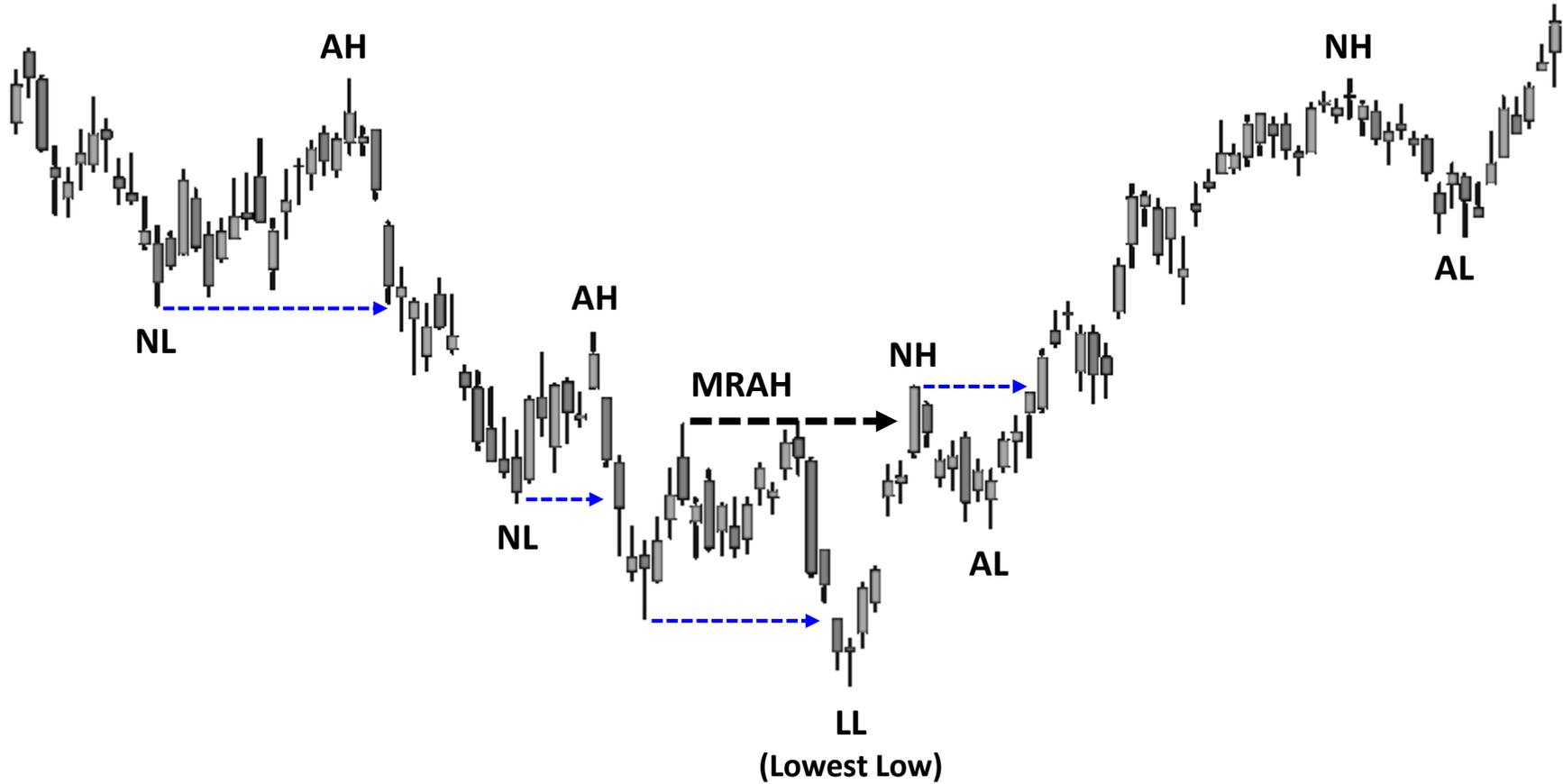


An UPTREND Reversing into a DOWNTREND



DOWNSIDE penetration of the Most Recent Active Low (MRAL)

A DOWNTREND Reversing into an UPTREND



UPSIDE penetration of the Most Recent Active High (MRAH)

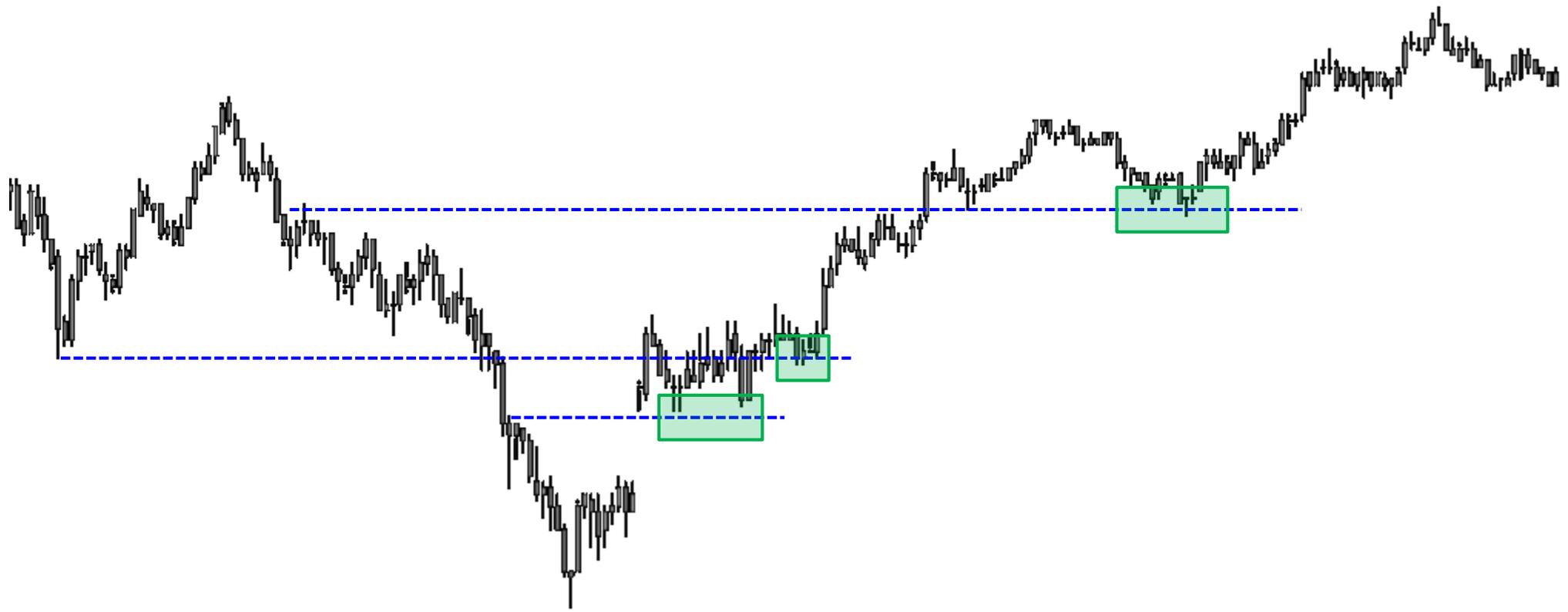
2) Identifying a Trade Setup

SUPPORT & RESISTANCE

Now that we have discussed how to identify market condition, let's touch on one more EXTREMELY IMPORTANT concept regarding **SUPPORT and RESISTANCE.**

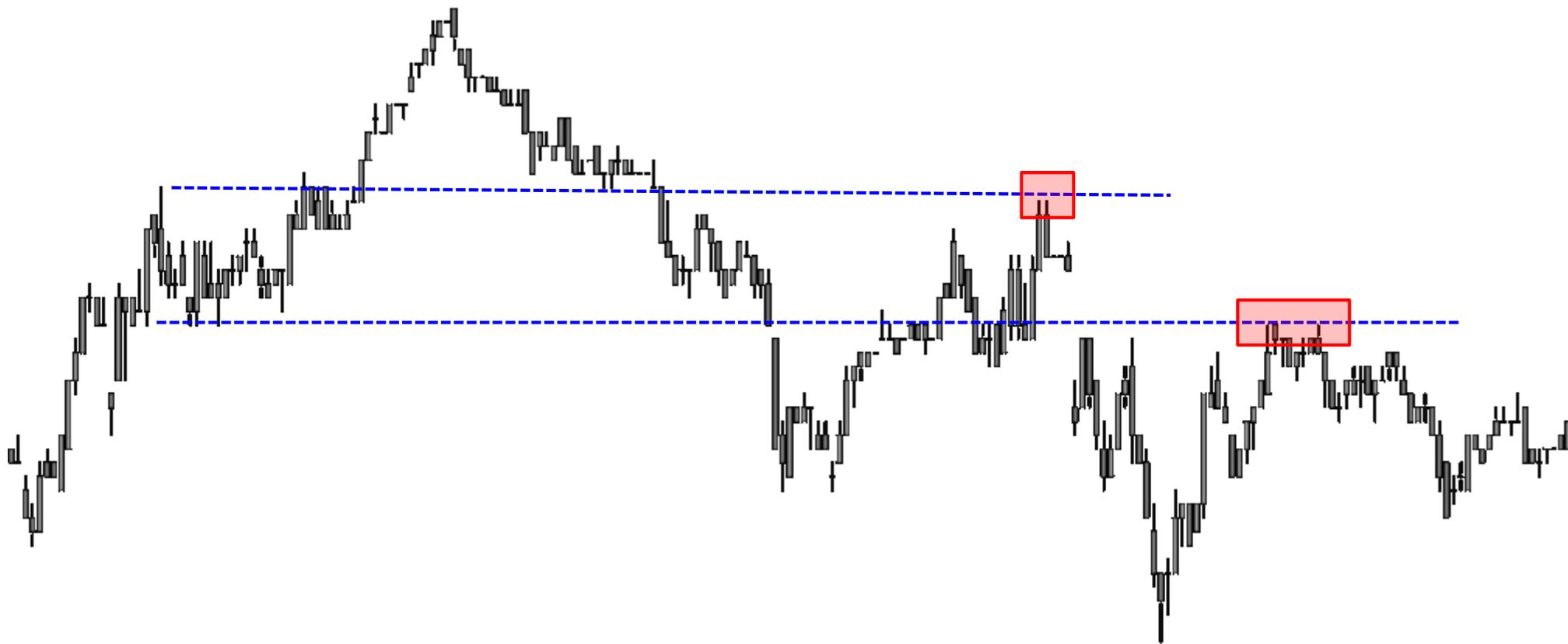
Using SUPPORT and RESISTANCE will help ensure that you will trade on the same side as the professional market makers and market specialists, thereby increasing the probability of any trade you decide to place.

Since all professional traders use SUPPORT and RESISTANCE levels in their trading, these levels prove to be very reliable and predictable.



SUPPORT is a price level (or general area) where the buying overwhelms the selling of a market and provides good **BUYING** opportunities.

RESISTANCE is a price level (or general area) where the selling overwhelms the buying of a market and provides good **SELLING** opportunities.



Here's the extremely important points I want you to know regarding SUPPORT and RESISTANCE...

- The longer the SIDEWAYS trading range, the stronger SUPPORT and RESISTANCE will become, and the bigger the breakout will be when the market does start to move outside of the trading range.
- RESISTANCE becomes SUPPORT when broken to the UPSIDE.
- SUPPORT becomes RESISTANCE when broken to the DOWNSIDE.



In an UPTREND, when RESISTANCE is broken to the upside, it will act as SUPPORT (a potential BUY zone).





In a DOWNTREND, when SUPPORT is broken to the downside, it will act as RESISTANCE (a potential SELL zone).



OK, up to this point we've discussed the first two points of the 4 Step Process for *FOREX* Trading Mastery... you've learned how to 'Identify Market Condition' & 'Identify a Trade Setup.'

**In my next video, I will show you the last two points
in the 4 Step Process for *FOREX* Trading Mastery...
You will learn how to ‘Determine Trade Entries’ & a
few simple ‘Trade Management’ techniques.**

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