

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):

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- A candlestick chart illustrating market trends. The chart shows a series of price movements over time. Two horizontal green lines are drawn across the chart to highlight specific trends: one line is positioned above a peak in the middle of the chart, and another line is positioned below a trough in the middle of the chart. The chart shows an uptrend on the left, a sideways trading range in the middle, and a downtrend on the right.
- 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)

The background of the image is a complex financial chart. It features a grid of horizontal and vertical lines. The vertical axis on the left is labeled with numerical values: 94.00, 95.00, 96.00, 97.00, 97.50, 98.00, 98.50, and 99.00. The horizontal axis at the bottom shows time intervals: 08:10, 08:40, and 09:10. The chart displays candlestick price bars in shades of green and blue. Overlaid on the chart are several moving average lines in red, green, and blue. A prominent red line curves across the top of the chart. A blue dashed line slopes downwards from left to right. The overall aesthetic is dark and technical, typical of a trading platform interface.

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.

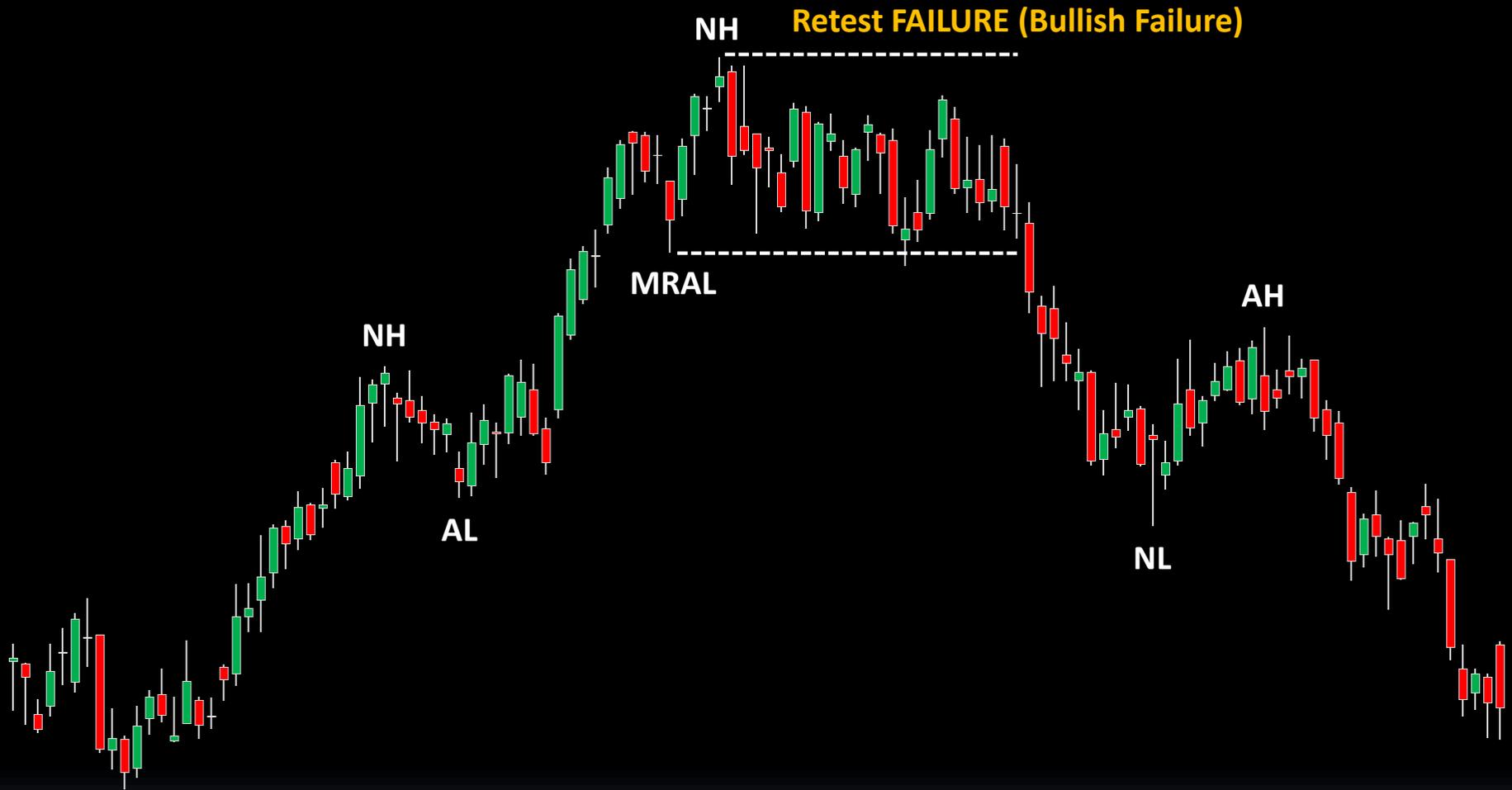
Retests are simply when the market tests (retests) a previous New High (NH) or New Low (NL).



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.**

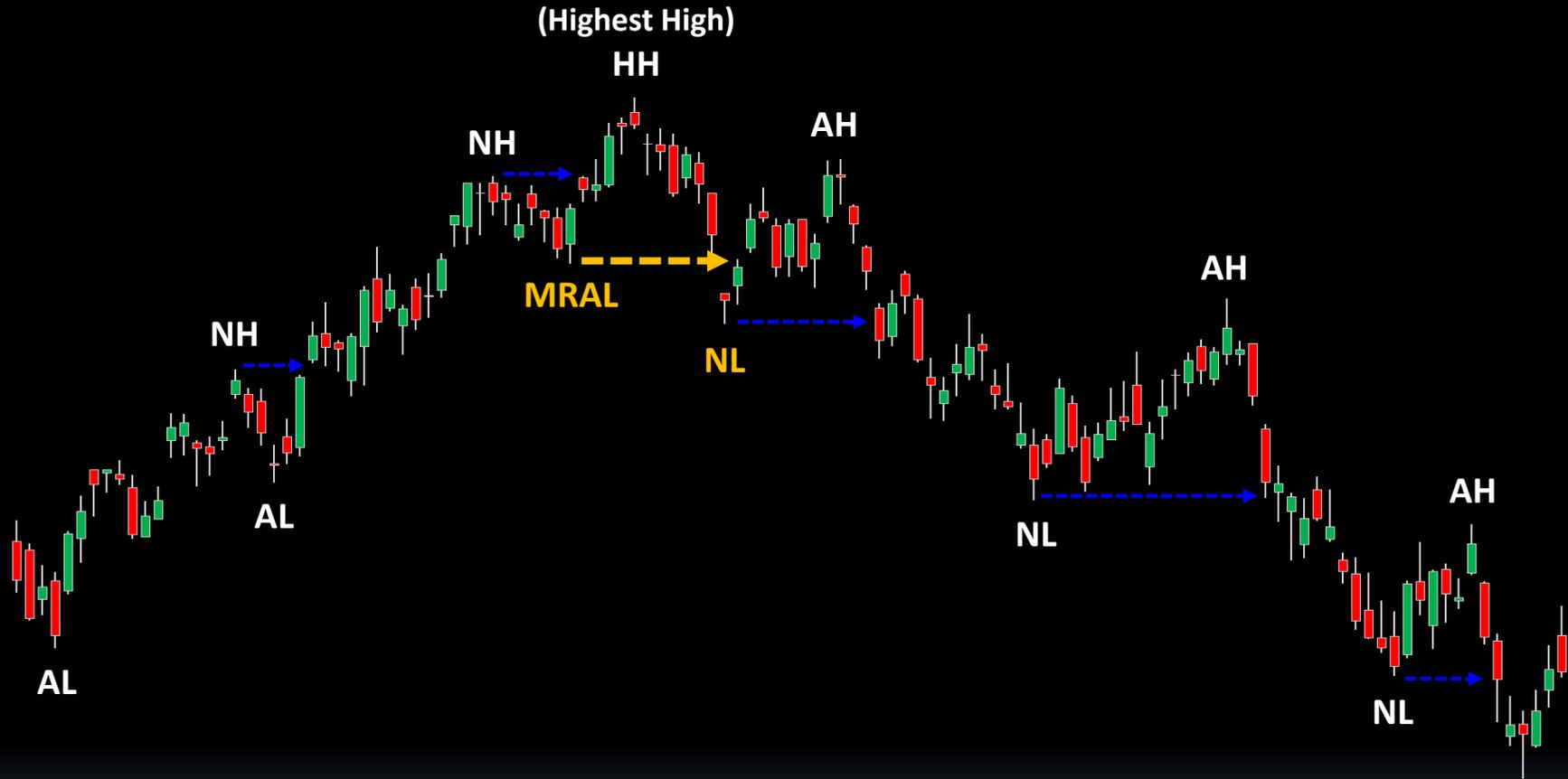


A **Bullish Failure** is when the market is unable to take out a previous New High (NH).

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

A financial chart with a blue background, overlaid with white and yellow lines. The chart features a candlestick pattern and several moving average lines. A prominent white line represents a trend, with several horizontal dashed lines indicating support and resistance levels. The text 'SUPPORT & RESISTANCE' is centered in the middle of the chart. The background also contains faint text labels for various time periods and percentages.

SUPPORT & RESISTANCE

indexes - day, 5 61.81%

indexes - day, 12

50.00%

38.19%

indexes - day, 55

indexes - day, 200

indexes - day, 144

23.88%

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

SUPPORT & RESISTANCE



SUPPORT & RESISTANCE levels are **very important concepts to understand**; they are **powerful occurrences that happen in ALL markets and ALL time frames.**

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**.

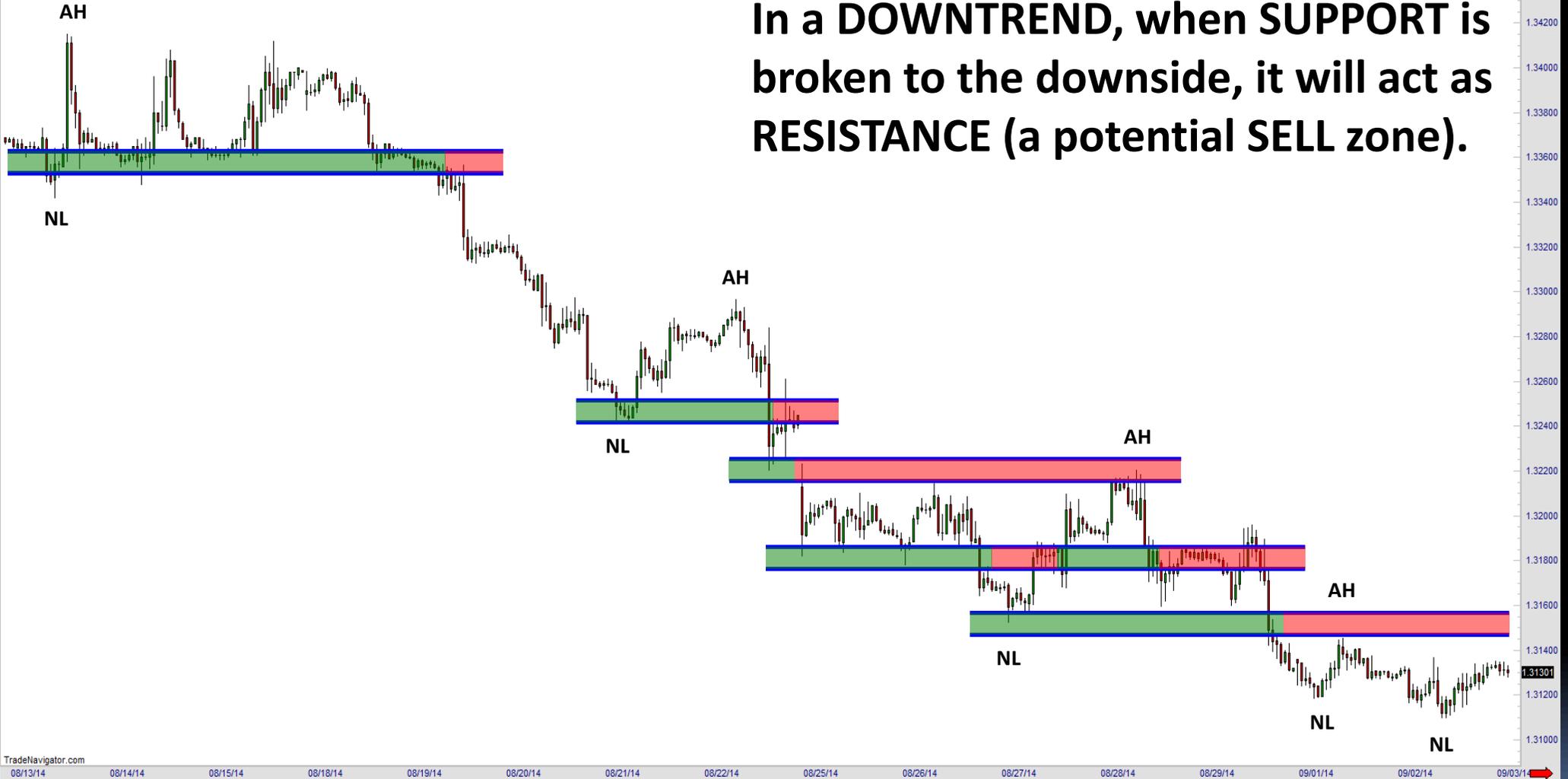


In an UPTREND, when RESISTANCE is broken to the upside, it will act as SUPPORT (a potential BUY zone).





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.