

Price Action

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Price Action

3/5/08

<http://www.forexfactory.com/showpost.php?p=2586226&postcount=166>

For those interested in learning my method, we must first understand many basics. The heart of the method is Price Action, and there is no better way to learn the basics than to go to James J16 thread here on Forex Factory. My method goes beyond what is taught on there so you need to be comfortable and understand what is in there before going any further with me.

You could also read Martin Pring's books, some of which are in pdf, which will also provide part of the basics. You must also understand candles and Steve Nison has several books on this. I don't use the various bullish and bearish patterns described in many publications but knowing them would definitely be an asset.

A summary of James 16 has just been posted by Jduester on Post # 23250 on page 1550 at the following link:

<http://www.forexfactory.com/showthre...2331&page=1550>

Thank you Jduester and especially Jim for your teachings and your perseverance in bringing simple chart reading back.

As the heading says, "This summary is in no way intended to replace reading the whole thread" so start at Page 1 and work your way through until you find it repeating itself.

After reading, you should have a very thorough understanding of:

Price reversal bars – called "pin bars" on J16 but I stick with the traditional Japanese description of "shooting star" and "hammer".

Outside bars – called BUOB (Bullish outside bar) and BEOB (Bearish outside bar) on J16. Again, I stick with tradition and call them Bullish Engulfing Bars or Bearish Engulfing Bars).

Inside bars – not sure this is really fully covered on J16 but will be by us later

Support & Resistance – This is called PPZ – Price Pivot Zones on J16 and is the cluster of support and resistance forming a band or zone across the price charts. I do this different but still arrive at basically the same levels. Again, I stick with tradition and call each line/area, support or resistance depending on how price is reacting with it.

On any Forex Factory page, if you go to the top of the page and in the right hand corner (extreme right of the page number listings), you will see a box with a number and a paperclip in it. Click on this and it gives you all the attachments on the thread.

If you do this on J16 you will find the two pdfs from Martin Pring, J16 summaries and other useful stuff – just click and download. Do not download any indicators not even any that say price action! You must remember that the best indicator ever invented is between your ears!

Since there are no better teachers on basic Price Action than Jim and his seniors, learn everything you can as from now on, I will assume you have learned or are learning basic Price Action.

One last thing. As you are reading Jim's teachings, keep in the back of your mind or picture it, what your favourite indicator would be doing. Picture it going up as the price bars move up, picture it crossing (somewhere/something) when you see a price reversal bar. Notice that the price reversal bar shows itself before your favourite indicator crosses. What many traders don't realise is that the cross takes place on the bar AFTER the price bar has revealed itself.

Take the stochastic (the contributor to thousands of my lost \$) for example. Look back at any chart and you will think the stochastic crosses are perfect. Now watch it in REAL time. That cross that you were looking for does not show until AFTER the NEXT bar is printed! This means you are already one and maybe two bars behind the action. This is not too bad if it is a big move, but when you have a small move or are in consolidation, like some of the pairs now, it is almost guaranteed to give you a LOSS if you take it's cross as your signal. The stochastic was the first indicator I junked!

Now as you are following the price bars, still thinking and picturing your favourite squiggly line, watch as it fails to follow price, watch as it gives wrong signals, watch what it does during a strong trend etc. I could write a major thesis on how indicators are the road to ruin!

If you do this, there will come a time when you feel and know that you can read price far better than your squiggly line. When you reach this point, CONGRATULATIONS, you are now in the 5% of traders who are on the road to success. Keep practicing and practicing some more until this happens; you will know when you get there as it is a "light coming on" moment.

Then, when you have found this moment, strip your charts of all indicators and make a promise to yourself that you will never, EVER, go back to using them.

I did not realise it at the time but when I had to calculate indicators and hand draw them on my charts, it was telling me there and then how useless they were – "How I hear you say?"

Take your favourite indicator that you swear is the best thing since Viagra, google it to get the formula, and then just do a few sample calculations. If your light is switched on, you will realise that you are plotting history. For example, the RSI. The standard setting is 14 meaning take 14 days of PAST prices to calculate the indicator, and, on the next day, take another 14 days of PAST prices (now including yesterday),

and so on. You have now constructed an RSI indicator using 14 days of PAST prices telling you what happened 14 days ago!

If you need an indicator to tell you what happened 14 days ago then you should not be reading this thread nor should you be trading!

One of the favourite uses of the RSI is the 50 cross over. When it crosses up over the 50 from below this is regarded as bullish. Similarly bearish when it crosses below the 50 from above. Now, if you can read price bars and the overall price chart, you will know long before this squiggly line, whether prices are bullish or not.

An important point to remember is that all indicators, including moving averages, are just some mathematical derivation of price. Their only purpose is to average and smooth out price for you to see in a single smooth line. Between your ears is the instrument that no computer or electronic wizardry can match or ever will match – use yours instead of some inferior mathematical formula to see the price action.

OK, I've just fallen off my soapbox!

Please feel free to ask any questions

3/10/09

<http://www.forexfactory.com/showpost.php?p=2593873&postcount=226>

Thanks for the questions but unfortunately the answers are not so straightforward and require lots of study and years and years of practice. To answer these now would be putting the cart before the horse and would probably confuse you more than they would help you.

Have you read J16 yet on basic price action? Do you understand it? Have you looked at thousands of charts and applied what you know to them? Have you the confidence to read price action WITHOUT looking at indicators. Do you know and understand the fundamentals of what moves price? Do you understand Newton's Laws of Motion? Do you understand how the markets are traded?

There is no magic method or short cut to learning price action – you have to study and learn the basics (J16) and then apply it to thousands of charts until you are reading price action like you are reading a book.

See earlier posts for answers on Cycles and Momentum.

Sorry if this answer is vague but you have to learn how to drive a Toyota before you move up to a Ferrari.

3/15/09

<http://www.forexfactory.com/showpost.php?p=2604421&postcount=449>

The guy who put up the re-painting HMA and Semafor crap made me think. There is only ONE WAY to read price action and that is with reading what the price bars tell

you.

For those of you on here, who are pretending to read price action but have still got a squiggly line at the bottom of your charts, this is for YOU.

As long as you have an indicator underneath your price bars, you will NEVER, EVER learn price action. That squiggly line will still DOMINATE your sub-conscious and fool you into a false sense of security. I know, because I have done it and failed at it.

The only way you are ever going to learn to read price action is to strip everything off your charts except PRICES whether it be OHLC bars or candles.

Yes, it will be ONE HELL OF A SHOCK, but it will FORCE you into looking at the OHLC/candles more AND support and resistance. It won't come easy but if you are DETERMINED and PERSEVERE, you will get there.

If you take the easy way out, and refer it back to a squiggly line below the prices, then that is what you will end up doing for the rest of your trading career.

From now on, anyone who posts a chart with anything on it except maybe volume and wants an opinion on it, then they can go and whistle "Dixie".

3/15/09

<http://www.forexfactory.com/showpost.php?p=2604853&postcount=465>

More on candlesticks

Attached are some of the stuff, I collected on candlesticks.

Rock n Roll,
Strat

Attached Files

 [5 Tips on Trading Hammers to Improve Your Odds.doc](#) (53.0 KB, 124 views)

 [CANDLESTICK SIGNALS.doc](#) (33.0 KB, 122 views)

 [Swing Trap.doc](#)

3/19/09

<http://www.forexfactory.com/showpost.php?p=2617232&postcount=831>

I know there are other threads describing perfect shapes, locations etc., for price reversal bars, especially the hammer and shooting star but if you continue to look for perfection, you will never find it.

In your quest for perfection you will overlook what are reliable price reversal bars. Don't believe me? Look back in your Daily and Weekly charts at the end of trends and you will see them in all shapes and sizes.

So, let's not over analyse what isn't there. If it is a price reversal bar, it will **stand out** without you even looking for it. Yes it has to be at the end of the trend **AND** bouncing off support/resistance with maybe confluence of something else thrown in **BUT** when it **looks right**, you will find more often than not, that **it is right** and all these things are there already.

As I quickly glanced at my charts this morning, I saw lots of things including a price reversal bar on USDCAD – I didn't **LOOK** for it – I just **saw it**.

I still have not got over the fact that my quick 30 second glance at a chart is more accurate than when I do a full blown analysis.

Never, ever forget that we are dealing in Probabilities. Just because we have identified it as a price reversal bar does not mean it **WILL** be a price reversal bar – the market is controlled by the emotions of human beings (remember Dr. Joe?) and they sometimes do non logical things.

All we can do is protect ourselves by correct placement of trade entry and SL

3/16/09

<http://www.forexfactory.com/showpost.php?p=2605437&postcount=474>

Well I go against convention and just about every so called guru out there and use it. Depending on it's location and lots of other things, it has got me safely into many good trades. There have also been times when London have come in and completely wiped that bar out but the good thing is the SL is usually small, as many times it is an IB. I treat it exactly the same as any other bar with regard to price action at support and resistance.

I don't combine it with adjoining bars but do look to see if it throws out any pattern or clues.

Before anyone starts to write their reasons for not using it, please save your typing skills – I know the disadvantages of using it but it is part of my method which works for me. I will give the same response to this as to my using volume – I don't give a rat's ass what anyone thinks about my using it!

3/20/09

<http://www.forexfactory.com/showpost.php?p=2619599&postcount=947>

Finally, I have had some peace and quiet to study the trades and charts done by Baba G on pages 50 to 53.

First let me remind you about Baba G:

He was one of Jim's (James 16) first students over 2 years ago and studied and practiced on thousands of charts using the Daily time frame. In that time, he learned to **read Price Action like a book**. Where we need to use other tools and draw other

things, he can immediately "see" Price Action at Support and Resistance **JUST BY LOOKING AT THE CHART.**

He has trained himself to immediately recognise pin bars (J16 lingo), BUOB, BEOB, DLHC, DHLC and IBs AND what they mean in various positions relative to prices. He used all these in these trades he so kindly put up for us. Maybe there are others I have missed.

In addition to trading his personal account, he also trades and manages accounts for his Clients very successfully as witnessed here.

He is a professional trader in every sense of the word

Not only did he put up his "live" trades, he also, beforehand, gave us his thought and decision making process (Monthly to Weekly to Daily).

To be able to do what he does on the Daily time frame (read Price Action like a book), is what we all on here are striving to accomplish, myself included. I would love more than anything to be able to drop my analytical analysis in favour of just "reading" price action.

He then showed us that, if you **read price action like a book**, you CAN trade the shorter time frames and squeeze more profit out of the Daily bars.

We are extremely lucky and fortunate that he is part of our group and more so that he posted his "live trades".

I can tell you that he too doesn't give a rats ass what anyone thinks of him or how he trades. Neither is he on here for ego or self adulation.

He is on this thread to show, in his own, inimitable (and sometimes not understandable) style, what he has learned, how to use it and what we need to do to get where he is.

If you have casually skipped or flashed through these pages, I encourage you to go back, pull up your chart of these trades, toggle out to the date and time he traded so that you can just see the first bar (what he saw live) and, using your f12 key, toggle through one bar at a time. Not only that but, pressure yourself that you have \$100/pip or whatever, with several contracts on this trade. If you do this, you will appreciate what he has given and is giving us.

Gianni, my personal thanks and deepest appreciation for doing this and helping us on this thread. Please feel free to show us more.

3/25/09

<http://www.forexfactory.com/showpost.php?p=2629289&postcount=1231>

Wait for the NY close and don't jump the gun

I only posted for you to WATCH and take notice.

When trading the Daily chart, we do NOT take any action or start placing orders until AFTER 5pm when NY closes.

Conditions can change in a heartbeat especially in the delicate condition the financial world finds itself in today. Helicopter Ben or O'bama or Trichet need only to say something in a casual conversation to spark off a wild, selling rout.

There have been many times where I have witnessed NY, in the last 2 hours of trading, completely reverse the previous 6 hours and the days before it.

Be careful, no action until after NY 5pm close

3/28/09

<http://www.forexfactory.com/showpost.php?p=2634478&postcount=1311>

Dan, in general, you are right, the IB is a set up bar and you place your order either side of it DEPENDING WHERE it is in the price/trend/range and WHAT it is doing in price relative to the bars around it. OR, you may not do anything at all. With a decreasing number of IBs, if you know the direction, you just keep placing your order above/below them – this gives us our DISCOUNT PRICE

05/18/09

<http://www.forexfactory.com/showthread.php?p=2740815#post2740815>

For those with a “fixed” mindset who are not prepared to stretch trading boundaries.

This is not a “I told you so” post to the Negative Nancys but rather one for those on The Path of Learning to keep your mind open, not believe what others say but rather, prove things for yourself. It is also to encourage you to look for **YOUR** “EDGE”.

It is very important as you are developing as a trader, to be aware of all possibilities in trading, even those that go against “convention”.

Again, I am talking about **MY** use of Sunday bars. This is **NOT** a recommended trading style for those on The Path of Learning but something for consideration once your PASR light is burning brightly.

We have been told over and over, not to use Sunday bars and to ignore them. Forex trading convention and the vast majority of Forex traders condemn Sunday bars. I have lost count the number of times I have been told by “so called” experts that Sunday bars do not work and to ignore them. The rebel and contrarian in me does **NOT** accept anything I am told unless I can **prove it for myself**. No-one has been able to convince me that Sunday bars are worthless and for me, I have proven just the opposite over and over, they are very valuable.

Before you even think of considering Sunday bars, you have to understand what YOUR Sunday bar is. If like some, it only consists of 2 hours, then it is not worth considering. My Sunday bar starts with the New Zealand/Australia session and goes right through until

midnight NY when my candle for Monday trading prints. This tells me **SO** much about Asian trading.

So, before me, I have 8 hours of Asian trading information and the “so called” experts want me to ignore it! **WHY?** Is it because they are ignorant? Is it because they are envious? **WHY?** Whatever it is, I don’t care, each to his own. If we are to ignore Asian trading on a Sunday, just because it has its own bar, then, if the “so called” experts are to be consistent, they should ignore Asian trading during the week, but they can’t. Not logical for my simple mind!

Now, this is **NOT** an argument for using Sunday bars. It is for you to always keep your options open and consider all things once your PASR light is on and shining bright. In other words, **think outside the box** and develop YOUR EDGE.

I only use Sunday bars when **everything lines up** (including my Momentum, Momentum Cycles and Cycles) **and is in confluence** and when it does, for me it is a no brainer trade. When they are not lined up it is also very simple – ignore them. Don’t ask for my method because this is for Advanced Strategies only AND providing you have 8 hours of Sunday bars.

I have been very profitable using Sunday bars and for the times they haven’t engaged (Baba G terminology which is a very good description, thank you, Baba G), I rarely take a loss. There have been a few times when the big boys come in and play their games and their spike fills me and then take me in the opposite direction **BUT** the beauty of the Sunday bar is that it is usually a small bar meaning my SL is small with very little risk. Another reason why I love Sunday bars so much!

I really didn’t want to show this but feel it necessary to show how powerful it is **WHEN** everything lines up.

This Sunday is a PERFECT example in using **MY** Sunday bars (and other studies) when everything is in confluence.

AUDJPY: Filled long at 71.70
AUDUSD: Filled long at 0.7537
CADJPY: Filled long at 81.07
CHFJPY: Filled long at 85.03
EURCAD: Filled short at 1.5779
EURJPY: Filled long at 128.57
GBPJPY: Filled long at 145.30
GBPUSD: Filled long at 1.5217
NZDJPY: Filled long at 55.83
NZDUSD: Filled long at 58.83
USDCAD: Filled short at 1.1729
USDJPY: Filled long at 95.43

All stop orders filled with no losses.

Again, this is **NOT** to promote Sunday bars but to get you to keep an open mind, challenge everything you are told, don’t believe “so called” experts and prove things for yourself.

And for the Negative Nancys who want to prove me wrong, save your energy. My trading account knows the truth!

06/03/09

<http://www.forexfactory.com/showpost.php?p=2776675&postcount=3553>

To be a Bond or not to be a Bond, that is the question!

I wish there was a black and white definitive answer for you, but there really isn't. If there was, it would make trading really simple and we would all be millionaires.

As you state, there are the classic definitions and body proportions of Hammers and Shooting Stars. However, these can all be in place and still not provide the action we were anticipating.

There is so much more to correct recognition of these bars than people give credit for and a big part of that comes from experience, market awareness and studying these bars on thousands and thousands of charts.

Let's look at the EURUSD Bond Shooting Star again. You said it had the correct text book body proportions, was after the Uptrend and at resistance.

Body Proportions – wick at least 2 times the body

Remember, this is text book language and is only a MINIMUM requirement.

Now look at this bar in the context of the trend and the bars before it.

This pair has been in a stair stepping up trend since April 28 09. If you draw in my TLs, it shows Momentum is accelerating.

Now look at the bodies of the bullish and bearish candles – big and strong.

Just a quick glance at that small, short Bond Shooting Star should tell you it isn't in the same league as those green and red bars.

Then applying a bit of common sense, it "looks like" it would need something bigger than a half cocked shooting star to stop a roaring bull.

If we look at it technically, it only has a range of 133 pips whereas the latest ATR is 185 pips, so it is well short of the average let alone being something bigger to stop this train.

Next we need to look at how trends change or turn around.

Before an uptrend can go down, it has to what? It first has to STOP, and then turn around. Will it do this all in one little Bond Shooting Star? I think not. To stop a trend, the Shooting Star needs to be in some proportion to the length, strength and dynamics of the trend. In other words, we want to see a really STRONG Shooting Star with a long wick that really has gone searching for the Stars (buyers). This would mean that the buyers continued to buy at higher prices but, they not only reached the level where no more buyers could be found, they also found the level where sellers were prepared to sell. This would show a change of sentiment from buying to selling.

Now if the trend was running out of steam, we would see many small range bars prior to, and at the top. A Bond Shooting Star in this case, would probably do it's job.

Something else we must never forget is Market Sentiment. The current Market Sentiment

promoted by everybody and his uncle is USD weakness. In the case of the EURUSD, we should expect it to continue rising as long as that sentiment still exists. This in itself, is a good argument for a Bond Shooting Star.

'After the Uptrend" you said.

How do we know it is at the end of an uptrend? We don't, nobody does! We only know after the fact when a confirmed swing high is in place. This is where lots of money is lost and accounts blown, trying to call tops and bottoms.

This is another advantage of trading the Daily time frame. Because our trades are large in pip value, we don't need to jump in at the beginning of each move. We can afford to let the trend show itself and then get in. This is impossible the shorter the time frame you trade as for example, trading 20 pips on M5, the move could be over if you don't get in at the beginning.

"At resistance"

While the Bond Shooting Star was at "a" level of resistance, it was not at a significant level of resistance.

So, recognition of Hammers and Shooting Stars comes down to a lot more than people would have you believe.

As I have said before, you must practice on thousands and thousands of charts but make sure you are "recording" in your trading memory the shapes and sizes of Hammers and Shooting Stars relative to where they are in the trend and within the context of the bars preceding them and, what happened to price after they appeared.

I know this is not the answer you wanted but I don't know what else to tell you

07/10/09

<http://www.forexfactory.com/showpost.php?p=2866655&postcount=4092>

No, an OB has it's high and low outside the extremes of the previous bar.

An EB has it's body outside the extremes of the previous bar's body.

In pure candlestick theory, an OB is supposed to be more powerful than an EB but from my experience, it all depends where each is located relative to the trend and the other candles around them.