74. I don't know any full time trader ie. someone who doesn't just trade the daily TF's who has a main focus on being picky. They have a threshold on what constitutes an acceptable trade from a probability perspective and they vary their risk accordingly.

As you stated being picky and taking trades with low %R is a poor combination - ther are practical reasons why this is so (you stated one) and there are psychological reasons too.

IMO people learn price action trading in the wrong order. I find that people that have zero price action knowledge become better traders more quickly than people who have read tons of stuff on public forums - why, because there seems to be thisi big theme that price action trading is centered around candlestick bar patterns on public forums and people come away without the ability to think logically about price and without the ability to understand what is really happening at an S/R in terms of order flow and market dynamics - that is what price action is really about, other things like chart bar patterns are secondary to this and most are actually a result of a result of price action and not price action itself (but for some reason get tarred with the same brush).

There is alot of arrogance on public forums that you don't find in the real world, retail traders get very protective over their trading methods and don't like to accept new ideas - hence why you find a severe lack of knowledge about fundamentals, risk sentiment and market dynamics at S/R's on public forums - if people don't understand it they just dismiss it as unnecessary or aggressive.

With regards to J16, the truth is I learnt stuff that helped me from there, but I also learnt stuff that set me back, they are good for beginners, but I think there is lots missing from the price action picture (note: this is my unbiased view !).

Your comment about advanced techniques on this thread sums that up - people outside of public forums would not consider most of these methods advanced (yeah risk sentiment & fundamentals are more advanced for most) in trading at S/R's is the bread & butter of price action trading for professionals - it's what they learn first before anything else when learning price action - but there is the stigma that trading straight off S/R's is aggressive / advanced compared to waiting for price bar confirmation - that is only found amongst retail traders and on public forums.

75. When I'm looking to potentially take a touch trade setup and there is some scheduled news / data release that could affect the pair in question I won't take the setup if price is very near my area because of course the news could cause increased volatility, increased spreads, slippage and whipsaw price movements which would most likely cause my SL to be hit and maybe even worse I'll get slippage and lose more than I intended to.

When price is far enough away from my anticipated entry price but because of the news price is moving fast towards my entry price I try to analyse whether the news fundamentally changes the sentiment towards this currency in question (of course this only applies if the pair is in a strong trend). So say for example I was looking to trade AU (which of course has been in a strong uptrend) and we had retail sales figures and I was looking to take a long trade 50 pips away from current price and the figures are worse than forecast and price starts to fall fast...I interpret this as just an impulsive move based on the immediate reaction to the poor data. What you'll typically find that this initial move will get reversed, why, because the fundamental sentiment towards the AUD hasn't changed and I know that sentiment towards the AUD is driven by the expectation for future interest rate increases, it's current high interest yield, high commodity prices, strong demand from China etc etc i.e. I know a slightly worse retail figures won't cause a difference to the underlying trend so any move going against the trend is just a short impulsive move that will get reversed and at about 50 pips away my technical confluenced area is a prime location for price to stop dead and be reversed in the direction of the underlying trend. If you think about how the trend traders (and there are a lot of the big boys who trade the trend, it is typically only the retail herd who try to be heroes and go against an established trend!) see price falling - it's just a great discount to the current trend for them so they snap it up gratefully, hence why you can see on occasions where you'll get an impulsive news based move which is reversed suddenly and before you know it price is right back where it was before.

So for me it's knowing what can and can't affect the underlying sentiment towards a currency and assessing how price is moving after the news, if it's moving 'too fast' and is showing no sign of stalling at all I might pass on a trade as it's likely my area is too close for it, but most of the time I'll take a trade.

Of course events like NFP or interest rate decision can cause vey big moves as these can change the sentiment towards a pair, even if only temporarily. Like the ECB conference on Thursday, the market was already in risk aversion mode so the USD was on top anyway but what Trichet said i.e. removing the word 'vigilant' and thus signalling no rate rise until July at the earliest had a significant change in the sentiment towards the Euro hence I would not be standing in the way of the move that followed.

As you know I took an AU trade after the big move but this was not without a decent amount of risk involved and I certainly did not risk a big position, but for me given the move that had preceeded it, the time of day and the technical confluence I had stated it was a trade I was willing to take...but things like this do come with a fair amount of experience.

Is knowledge of fundamentals necessary to be successful at touch trading, no not at all IMO, but I do think knowledge of sentiment towards a pair, what is driving that sentiment and knowledge of how money flows when the market as a whole is in either risk aversion or risk appetite mode and how commodities, stocks and FX are inter-related can definitely help avoid some setups that fail and provide confluence for other setups which you wouldn't want to take by itself.

One last thing, knowledge of how money flows and markets move in extreme risk aversion events is something that I think is very useful. I recall someone taking a touch trade long on EURJPY not long after the Japanese Earthquake/Tsunami and of course the setup failed very quickly, for me I knew there was only one outcome for that trade, in fact I would have taken the exact opposite position, but some very basic knowledge of how markets react in times of extreme risk aversion whether it's cause by a political, economic or environmental event is definitely very useful.

102. News / fundamentals is a personal thing, some people can't handle discretionary trading and do better keeping things as mechanical as possible, others are more analytical and like to pull in many things when make a decision regarding a trade, it's about finding what works for you because everyone is different.

I do think it is worth knowing how money flows in times of risk aversion, esepcially following sudden events, this can defintely help avoid trades which have close to zero chance of succeeding and making sure you are on the right side of the money flow.

You are right IMO, PA can give a heads up prior to news of where price will move at and after the news...this is lilkely to be mainly because a lot of the time there are rumours of the data before the release or at least some firm expectations of what the data will be so the market starts to react before the news and this is where PA forms close to news and then the news confirms the market's thoughts and continues on its merry way. Like everything in trading, nothing is 100% though.

112. There are various ways to play touch trades, the 'standard' way I trade is to look for the initial reaction and then implement my trade management plan at the FTA, this is what I do more often than not, but sometimes, for example in a strong trend or if I have super confluence and believe the confluenced area in question just won't be broken I'll leave my SL where it is and give the trade time and room to make it's move i.e. I'm expecting a big move at some point so a few bounces away and back again I ignore, but I do bear in mind that generally the longer price stays near a PPZ and bounces back to it the more likely it is to break through.

But I by far prefer trading just the initial touch and reaction and then commonly moving to BE when the FTA is hit as I'm mostly looking for a strong high momentum reaction.

139. The way I use correlations most of the time is through technicals, so I'm not looking at YM/EP etc and seeing its going up...I'm looking for confluenced areas that might cause a reaction or reversal. So for example when YM hit it's monthly support, whcih was also a 1st time back with 61% fib confluence...that was a very high probability touch trade setup in itse;f, but what it also told me was that I'd expect risk sentiment to increase and thus I'd be looking at xxx/usd and xxx/jpy pairs for any opportunities to go long. Now, if correlations are working well you could feaibly take aggressive trades on the FX pairs, I prefer to wait for when the FX pairs are lined up with the likes of YM/EP (when using this as a correlation) so it's all just additional confluence. Thus if EU is at daily support and I see YM hit the area it did then for me there is a high probability of expecting a bounce in EU.

That's pretty much how I use YM/EP as measure of risk sentiment and as confluence for FX trades. But it's not something I use everyday too, more of my trades are based on pure touch trades on great FX setups or based around PA.

150. The only time I do play pure breakouts is:
a) when the market is very fast moving normally caused by news where it's obvious price is not gonna look back
b) to add to existing positions, so for example if I'm in a touch trade and price is moving with good momentum then I might add further positions on a pure breakout, using the fact I have good profit from the inital position to bank against.

But if you trade pure breakouts you gotta be prepared for a fair amount of losses IMO because you will get a fair share of false ones, especially when markets are slow moving, ranging and choppy.

154.
When you look for the 50/61 fib retrace, do you always want to see correlations with other pairs and/or the DOW?...

I don't necessarily need 'correlated confluence' to take a trade e.g. AU for example. If the technical setup is good enough I'll take the setup regardless of what the other pairs are doing (most of the time) as most of the time if you trade what your chart is telling you now it will work out one way or another, even if you can't forsee it happening. I try not to over-think things and trade what my charts are telling me right now, so an A+ setup on AU for example...I wouldn't mind what Dow was doing or other usd pairs were doing as they dont move in sync bar by bar and correlations are not 100%, lastly that AU A+ setup could be the leader for others in anycase....but the point is, if I have correlated confluence then great, but if I don't and its an individual A+ setup then I'm gonna take it virtually every time.

Of course if you have correlated confluence this just turns the setup into a more powerful one.

178. I always recommend that people don't take full profit at the FTA most of the time for this very reason, it's the runners that really grow the account.

190. Personally I think you would do well to just consider each setup on it's own merits and then look for additional confluence from elsewhere. I rarely use the way other potentially correlated assets are moving to stop me taking a technical trade that is within my rules...I found that if I do this I'm often wrong as the technical setup a lot more often that not will work out.

If you consider lots of other factors each time you want to take a trade you can easily talk yourself out of virtually every potential setup, hence why I mostly only use equities and other FX pairs for

<u>additional confluence</u> and <u>not as a reason not to take a trade</u>.

Using discretion when deciding whether to take a technical setup can be hard because you are naturally being affected by your own emotions which can blur your own judgement...plus you are basing your judgement on how you 'feel' the market might move...something which isn't concrete i.e. based on actual technical evidence or experience.

Hence my point above about the way I use correlations and hence why I recommend people don't start touch trading by using correlation and using discretion, it is more important to understand what constitutes a good touch trade (well by how I analyse setups) and be able to trade these setups consistently first before trying to bring in more advanced techniques...taking one step at a time and learning all the nuances of touch trading, adapting it to your own personality, building confidence and consistently making returns using proper money management. It is possible to make very decent returns just trading the technical methods laid out in the forum and on my FF threads...I would estimate about 60-70% of my trades are based purely on technical setups alone...and my best 2 trades of the week (EG and GJ touch trade) are exactly this. IMO you should be able to make 20R+ minimum month after month trading purely the technical setups (you can see fromthe EG and GJ trades how this is easily possible).

These recommendations are all from my own personal experience of the mistakes I made along the way as I had no-one to guide me or to advise me of how best to learn and implement these kind of methods.

205. I do urge people not to have specific targets, not to think about a trade in terms of how much %R it is in profit or use %R to dictate trade exit decisions and to try and give a trade chance to run, it's the runners that reallly make the account grow. I often move to BE at the FTA with touch trades and then just see if price will break it and allow me to move my SL up/down further, this is really how I make some very decent account gains.

213. Quote:

> ***Hey LJ , I know you are trading good like always,***
>
> ***I have a question for you , I remembered in the past you would take trades when you got in trouble for example a inverse correlated pair to offset the negative trade. You seemed to it well , can you tell me how you did it? It could be a pm if you don't want to write it here***

I don't remember how I did that to be honest, it must have been a fair while ago or I've just got a short memory!

I don't believe in not using defined risk or definitive SL's in my trading, I prefer to set my SL where my reasoning for taking the trade is likely proven invalid and decide on the risk as per my own risk rules. Not using stops, price averaging etc is mostly used by people who can't accept losses IMO and are relying on the fact nothing goes straight up or down in the FX market forever, there is very little skill involved and I've not seen anyone use this type of trade 'management' technique successfully without incurring unecessary stress and floating drawdown and I've certainly not seen someone with a large account trade like this.

One of the key skills you need in trading is to realise losses are part of the cost of the business and when to accept that your reasoning for taking a trade is wrong, if you can overcome the psychological issue that some have in accepting losses you'll never blow your account or reach stupendous levels of drawdown.

People need to realise how the majority of retail traders trade and how and why they need to think different to them. Despite what some people think, the herd are not trend followers, the herd are typically counter-trend traders trying to be a hero picking tops and bottoms and adding to positions if price doesn't go there way. The great traders pick a trend, follow it and add positions as price moves in their favour, compounding their trades along the way If price doesn't move in their favour they get out and wait patiently for the next opportunity. keeping it simple and easy. Not hard to visualise the account equity curve would like with traders trading this way compared to the herd approach.

You only have to look at Oanda's positions and the myfxbook community positions to understand this.

226. Quote:

> ***It's amazing how long it's taken me to do something that is just so simple. Feel like all the time struggling prior was such a waste of time for me, and that I should of never been trading so poorly. Glad I'm still with it, though. Been many times I've thought about quitting after having invested so much time, and that would of really been the worst thing I could of done.***

There are so many aspects to becoming a consistent profitable trader...lot's of small pieces that make up a puzzle...the biggest battle is finding out what these pieces are and then working out how to fit them all together...for some it never happens for others it can take years. It's certainly not an easy journey for most and they'll be some battles along the way, but if you can get there it sure is worth it IMO.

234. Quote:

> ***That's a good idea it simple and I like it, I'm a very aggressive trader, when I trade passively or too careful, that's when I lose.***

Same here, I like to trade exactly what feels natural for me without over-thinking things...regardless of the size of the account I'm trading.

395. That's the best way to find out what SL works best for you, by analysing your own results which is essentially doing your own research / due diligence. For me most of the time I put the SL at where 'on the balance of probability' if price reaches then the reason for my entry has been invalidated.

I prefer my PA trades to have hard momentum and when that's lacking I prefer to get out, especially when I know momentum is generally lacking from the market yesterday and today ahead of the big news events of the week. But that's just my style that suits me, having your own style that suits you is part of becoming a trader

403.

> ***LJ, I will try to learn to incorperate these event plans into my trading activity. I noticed there are some trading rules about it, just not yet finetune upto the level you grasped. thanks for pointing this out.***
>
> ***Regarding trading plan, to be honest, I am just too much focused on entry point and SL, and leave other trading elements open, based on my understanding that the market is too wild to be planned, so, I really didn't have an agenda to fit FTA and first target profit into my trading yet. I think this might be my next step to improve, though...***

I'm sure you will learn over time for yourself that trade management and exits are much more important than entries (money management is of course very important too), but a really good trader could use a flip of a coin for their entry and still make money. You will always have losses in trading it's part of the cost of this business, it's how you manage your exits which really determines how much you regularly return.

If you can plan your entries then why would the market be too wild to plan your exits? I plan every decision I make and never leave anything to chance and I'm sure other good traders dont believe the market is to wild or random to plan their exits.

I think a journal is a good idea, it worked wonders for me and really made me realise what I was doing wrong...it's easy to get blinded when evaluating yourself based on memories, but much easier to see the real turth when its down on paper.

491. Quote:

> ***LJ, good questions, I should have done in line with the procedure you described, my problem is that I have been used to do thing piece by piece, in a wish to master the entry first ,then make a turn to master the exit. I knew I am lack of plan integrity, the root reason I guess is that I am not very confident about my exit analysis, so, makes a lot excuse to let the trade open, meanwhile greedy takes another role of doing so......***
>
> ***my entry reason was exactly what you analyzed, a seemingly good ppz conflu with 61%. I will add trend...***

You will learn over time that exits are more important than entries and that the thing that is most important of all, which is something every trader needs to know from the start is capital perservation and risk management.

If you have proper risk management then you will never blow an account and your mistakes will not prove overly costly to your bottom line. Without risk management you have nothing, entries and exits do not matter because sooner or later you will become unstuck because of your lack of risk management.

When I look at a trade setup and am deciding where to place my SL I ask myself where has price got to go in order for the reasoning behind the trade be invalid - on the balance of probabilities (because nothing is 100% in trading). Now look at the chart...is this area @ 1.3078 where you decided to put your SL after you were in DD?

You have to develop a risk management method that suits you, but the important thing is that you **MUST** have one, it is the most fundamental concept in trading and comes before mastering entries and exits.

Without a plan you have to make decisions mid-trade...and I this is what a lot of traders can't manage - rationale though process when a trade is in drawdown. People are more likely to let the trade continue due to fear of taking a loss than to analyse the chart rationally and realise they should cut the trade...people convince themselves that the reasoning is still valid and that market is sure to turn around soon...and thats why you'll see every retail broker with an order book full of customers going against the trend with their average position in drawdown...the steeper the trend the higher the % of their customers with open positions going against the trend. It's daft and it's where the herd mentality comes from.

There is nothing wrong with going against the trend, as long as you realise that you are doing so and thus the chances of a massive runner are lower than taking a trade in the direction of a strong trend and you have a proper risk management plan and can take a loss if the reasoning you used is not longer valid.

499. Taking trades in the direction of the trend with supporting tehnicals and fundamentals is often very rewarding...something which is beyond the 'herd' who are just convinced that price will reverse all the time and are always bottom/top picking.

The problem is the herd actually think they are different to the very group they belong to because they are going against the trend...when in fact they are going against the big money and are part of what makes up the herd!

503. Of course there is nothing wrong with going against the big trend (UCHF), the difference being:

a) This is a setup from my own rules.
b) I am using pre-defined risk management with a firm SL in place at a location where my decision for the trade is most likely invalid.
c) A trade management plan that was thought out before I entered the trade.

Whereas the average retail trader:

a) Bases their decision making on a whim or 'price must reverse'
b) Doesn't give any thought to risk management or a SL.
c) Gets scared when the trade doesn't go their way and is defiant in their believe price must reverse (and cant see the blindingly obvious) and instead of cutting their trade they add another position.

Rant over

533.
Krue, I thought we'd been over this before, not using SL's or defined risk management?

I can never recommend taking a trade with no SL and with no plan as to where you will take a loss. I feel strongly that **if you are in a trade where the reasoning for your entry has now gone then this is madness** and a sure fire way to a blown account *(there are very few people can trade without using SL's and defined risk as it requires a huge amount of skill and emotional control and I've never seen anyone do it successfully for a material length of time).* Trading like this suggests you struggle to take losses in your stride?

I've also seen some comments that suggest you get frustrated when you've either moved to BE or taken profit and price has then moved further in your favour - this happens, it happens to me and it happens to everyone, it's part of trading, but does it bother me, hell no, cos I know that in order to make the big account gains that I do, I don't need to be in a whole market move.

The secret of my success is taking high probability trade setups and managing them in a way where I bank some regular profit but give part or all of a trade the chance to catch a runner....the rest is all psychological and for me the former was the easy part. How you manage your exits and risk management are the most important things for any trader to focus on IMO.

Greed and Fear are the biggest emotions that affect our trading, Greed causes people to get frustrated when they see a trade they were in shoot off in their original direction, fear causes people not to accept a loss and 'hope' that at the next s/r area price will turn around. Overcoming these emotions when trading isn't easy but controlling them is essential to become a consistent trader because otherwise they cause irrational decision making.

I have more frustration seeing that you are in that UCAD trade still than I have had with any of my own trades for a very long time!

I really want to help you because I see you have the desire to succeed, but unless you get your head round the basics of risk management and concentrate on evaluating where price is likely to go and making a trade plan around this accordingly then there is not much I can to assist.

538.
2. <u>When taking touch trades we want the probabilities in our favour...not stabs in the dark at 50/50 setups.</u> How do we stack the probabilities in our favour...simple, we use confluence.

Losses do happen, no-one has a 100% win rate (and don't believe anyone that only shows you winners all the time, especially if they are after the event!), I certainly don't. Even the good setups sometimes lose...you HAVE to accept this fact, losses will occur, if you took a trade by your own rules then this should not bother you, why, because you know you have an edge and that if you just implement your trading rules day in day out then month after month you will make good returns.

But fundamental to this is risk management and captial preservation, without this it doesn't matter what you edge is be it the setups you trade or the exits etc...without basic risk management you have nothing.

541. Generally the way I take into account %R in my decision making process is through when evaluating the space to the first problem area, if the space is too close then it wouldn't be a tradable setup for me and hence indirectly %R affects my decision making.

I am not overly fussed explicity by low %R, but I wouldnt take a trade that had a stupidly low %R, like 0.3R for example because it doesn't matter how good the setup, nothing is ever 100% and thus trading like this just isn't efficient over the long term....but trades like this are the exception to the norm because I know most of my setups produce 1R or greater so am I quite relaxed about taking the odd low %R winner.

One of the reasons I trade like I do and settled on the group of methods I did was because it is well suited to growing an account quickly with proper risk management with a high win rate...something that you don't commonly find with most trading methods.

I mean if you had a manual trading system that gave you 0.3-4R for example then yeah I'd never trade like this as it's not just efficient in any way and says to me either the system is more like a coin toss (i.e. there is no real edge with the entry) or b) the trader trades with fear and cuts their winners short for fear of taking a loss. Even if you had a system that gave you 90% win rate, just by the nature of trading you will go through periods of 3,4,5 losses in a row...and how many winners does that wipe out...I could never trade like this, especially when I know I don't need to. I still trade the same way I did when I was trading and growing my smaller account, I'm just more relaxed about when I trade and risk slightly less these days.

I'm always looking at ways of increasing my %R on a setup too...I ask myself the following - <u>where has price got to go to prove to me on the balance of probabilities that my reasoning for entry is invalid</u> - this is where my SL goes and its commonly not where most people would place their SL's because most people don't do this type of analysis and don't think about price in more detail etc.

So yeah %R IS important if you want to grow an account at a decent rate...and let's face it 99% of traders on public forums do...being able to trade with accuracy (i.e. a high win rate) whilst achieving decent %R is the most efficient way to grow an account quickly IMO and if you traded a system producing low %R on the majoority of trades you just wouldn't be able to turn a small account into a decent size, it would take years...(unless you used high risk per trade) and for me I don't see the point, hence why my journey ended up with the methods I now trade, cos they allowed me to achieve the desired account growth in about 1 year...and why would I change from this method just cos my account is bigger that would just be daft (or highlight that I can't dis-associate myself from the value of a trade etc which is just a psychological weakness).

551. Everyone has weaknesses two of mine are not being able to hold onto trades for the long term and I was guilty of this on the CHF shorts I had from a few weeks ago. I also do struggle to take trades I know will work out (or have a high enough probabilty for me to want to trade them) but where there is no defined technical setup, much like the trades I'm in right now (long EJ, EU, AJ, AU, YM and short UC) ... it's all down to confidence and confidence comes from lots and lots of chart watching and practice...if you see things over and over again they become ingrained in you and it gives you confidence to commit risk to a setup...it's when you start questioning things that you talk yourself out of the setup.

I always sit back and ask myself, am I thinking rationally, what is the chart telling me price will do at a certain area, where is the high probability trade entry, is the setup good enough for me to want to commit capital to it, am I prepared to lose that capital if I'm wrong etc etc. If you find a thought process that works for you in that it helps you come to a rationale conclusion then this should help you immensely, it certainly did with me when I was struggling to take trades I should be taking.

556. Either way discretionary trading is all about interpreting various forms of information - both technical and fundamental to formulate a high probability trade - the key is interpreting and analysing this information and being patient for the right setups to come to you. You also have to realise when you are wrong and the market is not moving like it should if your analysis was correct. We as humans are often too stubborn to accept defeat and blindly continue on when we should see what the fundamentals and technicals are telling us, be able to change you opinion in the face of new information is very important.

616. Of course the entries is only one part trading, the more important part is how you manage your exits, but that's for another day ... (but let me just say this - take 100% of your position off at the first identified s/r area every time is lazy trading for people with mindset issues - you'll never grow an account significantly if you manage trades like this - I know because I've been there and done it!). But if you've put yourself in a position to take high probability trades like this then you have an edge already ... if you make an edge from your trade management plan then you've cracked it.

618. But, as with everything in trading nothing is 100% - however - *<u>when the market is being driven by risk sentiment the correlations are typically very strong.</u>*

623. Yes I definitely would - fib is not a requirement for me to want to take a touch trade.

I will take TT's when there is only an S/R level (i.e. not other technical confluence) if:

a) It's a clear FTB, or
b) It's a retracement on a PA bar, or
c) there is confluence from correlated pairs.

640. Here is an example of trade management (and how I recommend managing trades) from a setup we discussed yesterday.

The points I want to get across are that:

<u>Exits are more important than entries.</u>

How you manage a trade makes a huge difference to how quickly your account will grow. I see so many traders pick good probability entries but manage the trade so poorly - often cutting trades too soon based on P/L reasons - **cutting a trade due to emotional response to the size of the P/L is poor trade management** - it doesn't matter on the size of your account, you should never manage a trade based on it's P/L.

<u>Taking full profit at FLR/FLS every time is not efficient trade management</u>

You do not grow an account efficiently by doing this. By efficiently I mean growing it as fast as possible without increasing the chance of suffering a loss.

Most people want smooth account growth - i.e. a relatively high win rate, steady gains and the odd bigger gain. This profile suits a lot of traders personality. To achieve this in the most efficient manner you need to give yourself a chance of catching a runner without exposing your capital to unnecessary risk.

Taking full profit at FLR/FLS is NOT the way to achieve this, reducing your risk exposure to zero and banking SOME profit is (unless you have a setup in the opposite direction) a better way to achieve this. Learning to manage trades by what price is telling you is important and will help you immensely in the long term.

But if you are serious about trading you will go and investigate trade management techniques for yourself. How do you think I concluded what an efficient trade management strategy was - I didn't read it somewhere and think it's gospel - I went and spent hours of looking over past setups. I then forward tested and noted in a journal different outcomes using different strategies. Once you've got a decent sample it all becomes very clear. The big added bonus of doing this yourself is that you then have complete confidence in your strategy because you've reached the conclusion yourself based on factual research.

To start out with I would recommend keeping trade management simple, you will then pick up things as you gain more experience. So, for example 50% off at the FLR/FLS, move SL to BE and then scale out / take full profit at the next target etc.

652. If there is not enough confluence for me to want to take TT's on AU and UC by themselves then I'll wait for USDX to hit it's area I'm expecting a bounce from before taking the AU/UC trades. Most of the time they will hit the areas at the same time.

It was an example of how to use confluence from related markets. A lot of people I see on public forums consider pairs individually and don't even consider looking at related pairs together let alone look outside the FX markets at the broader market.

Confluence can take many forms, from technical confluence on the pair in question (e.g. Fib, RB, FTB etc) to confluence with technicals with similar pairs, with the USDx etc indexes, equities, commodities and lastly with fundamentals.

Why people tend to stick to individual pairs and don't have a grasp of the broader market and how it is interlinked is beyond me ... <u>some of the highest probability technical trading setups</u> IMO occur <u>via touch trades using multiple market confluence</u> - and of course TT's if managed efficiently can produce very large reward/risk.

I was actually in the middle of moving house on Friday, but I saw those setups and they were such high probability no brainer setups I just took my entry, set my SL and TP (the TP are obvious higher TF S/R areas) and get on with my move.

657. If your trade management plan means you would not be in this trade still then IMO it needs adjusting because it's not efficient - remember my definition of efficient - *growing an account as fast as possible without increasing the chance of suffering a loss* i.e. extrapolating the maximum profit from a series of trades without exposing your capital to increased risk (by not being aware of FLR/FLS's and taking appropriate action to decrease exposure) and ensuring smooth account growth.

662,...and the trade highlights perfectly why taking full profit at FLR's / FLS's as your main trade management is not efficient trade management ... it also highlights how you manage exits is what really makes the difference to your account growth and distinguishes an average trader constrained by the P/L associated with their trade and a great trader who manages their trades based on the information presented to them and who doesn't care about the P/L of the trade and their account size.

664. Many traders believe that trade management depends on your account size - utter rubbish, the only thing that should change with your account size and goals is the % risk per trade ... if you've researched and developed the most efficient trade management plan then why would you deviate from this depending on your account size ... it's completely illogical and goes against one of the basic fundamental rules in trading - don't make decisions based on your P/L!

670. It's very easy to overcomplicate things with fundamentals. I use them to a degree and do follow fundamentals as a) I have a general interest as to what is going on in the world and what is broadly driving global market and b) sometimes fundamentals themselves can provide supporting confluence to a trade or a reason not to take a trade (a sudden economic event or very important scheduled news occurring in which case I might not want to take a TT).

But the way to assess what is most likely to happen to market sentiment is to watch for correlated confluence on our charts.

679.

> ***Just to be clear, are you saying that you put more weight in correlated confluence than market sentiment if there were a conflict between the two and would still trade in the direction of the former?***

Most of the time yes. I mean we are always going against the most recent market move when take a TT whether this is against a larger trend or with the larger trend determines whether we are going with or against the current bigger sentiment for this pair.

Now trends change because sentiment changes and we do not know when the underlying fundamental sentiment (i.e. higher TF trend) will change for any given pair so we can just trade the correlated confluences we see on our charts - this might with the higher TF trend, against it and will either be a continued move in the direction of the underlying trend/sentiment or a small retracement against the underlying trend / sentiment which might result in a small move or a complete change of trend/sentiment - but all we can do is work with the information we have presented to use on our charts and bear in mind whether we are going with or against the underlying trend/sentiment - a lot of the time if we are going with then the chances of a quick move and a good runner are higher which of course is pretty logical.

Times when I won't go against current market sentiment is when the market is either disorderly or we have had sudden unexpected news hit the market causing large impulsive moves - mostly due to sudden economic, political or environmental news e.g. natural disasters, bank failures (!), sovereign debt issues, war, political unrest etc.

681. I don't know what was happening at the time of this trade, but I don't take trades where:

1. Scheduled important economic news is due out soon.
2. Unscheduled news has just hit the market which will clearly cause a large impulsive move.

3. An 'event' has just occurred - be it environmental, economic, political etc. that will cause an impulsive change in risk sentiment.
4. If it feels price is moving disorderly - there is nothing wrong with strong selling into a confluenced support area - it's actually (contrary to what some people think) what we look for than price slowly moving into our confluenced area, but if price is moving too far too fast this is disorderly and not something that we want to get in the way off.

716. Sometimes in trading the obvious setups are the ones where you just use your common sense - that's where looking at the broader picture and having an understanding of how the markets work both technically and fundamentally will always be the most efficient trading strategy IMO.

729. Sounds good to me - I like the mindset of looking to add to a winning trade whilst banking profit and protecting capital along the way - it's right mindset to have.

Unfortunately a lot of traders can't open their mind enough to do this and the poor traders will go further than this and add to losing positions and close their trades when they are in the slightest of profits - a sure fire way to blow an account at some point.

756. This is essentially what price action trading is all about, it's **not** merely looking for a few different types of bars off S/R areas, it's about **using various methods to read what price is telling us - where it is more likely to be heading in the future** - it's something that seems lost on most people given the day to day comments you read on public forums.

803. Most traders I come across are very narrow minded and by that I mean they have a narrow approach to their trading and don't look to expand their mind, normally this is because they have found what works for them. Although I do agree with this to an extent, I think the business of trading is about constantly improving yourself and searching for new tools to assist in providing further information that could help find high probability trading opportunities and make logical trading decisions.

805. ..***going with the trend will (on average) yield bigger runners than going counter-trend for a quick scalp.***

Understanding when the fundamentals / sentiment are supportive with the technical outlook will help you understand when your trade is more likely to become a runner or not...if we can deduce this information then we can adapt our trade management accordingly to make sure we give ourselves a good chance of catching the runner.

Fundamentals aligned with technicals is **powerful confluence**. Just like in the EAUD and GNZD short trades I am currently in.

812. I get questions from people asking me about potential returns using different methods - trading is a results orientated business after all.

My suggestion is that people focus on what I call my 'Five Point Plan to Trading Success' - if you can focus on achieving these then the results will come your way.

1. Trade with methods that suit your personality.
2. Be able to trade with a free mind and complete confidence in your ability.
3. Understand fully the negative affect emotions can have on our trading and know how to minimise their affect.
4. Have an efficient trade management plan
5. Be able to make pull together various information during a trade to make logical decisions devoid of

emotion.

Everyone has different strengths and weaknesses and thus results from person to person always vary - some people are well suited to trading and some will never cut it.

What about myself? Well I do consider myself to be a pretty good trader, I trade full-time and rely on this income to pay my bills - something that very few people do (less than you think!).

I'm going to do something next year that very few members who sell a teaching service do...I'm going to share an actual live account of mine, not a small meaningless account but a **six figure USD Oanda live account**. I won't be explaining each and every trade here though, I only help people who are willing to help themselves and show some commitment to wanting to succeed in this business (you see most people quit trading or jump from method to method after 1-3 months). Thus although I will continue to give people help and guidance on here and via email when I have the spare time, the main place I devote my time is to helping my forum and trading room members achieve their goals.

So what can a good trader achieve in terms of results...well I can't answer what others can achieve, some will achieve more than me some less, I'm certainly not the greatest trader out there that's for sure...but here is a summary of my results to the end of November (note: max risk per trade is 4% - average risk is 2%)...

868. This why I prefer to be less picky than more picky - being very picky doesn't achieve much apart from increased pressure, increased stress, increased chance of trading with emotions oh and an increased win rate - but is this important?! I'd much rather trade less picky and have less stress, less pressure and a higher account growth coupled with a win rate of 65% than the former and a win rate of 75-80%!

884. I do see a fair amount of traders focus a lot of their time on entries, it's not entries that make the real difference, it's your mind set coupled with trade management - they both go hand in hand together.

A great trader could take an entry using a flip of a coin i.e. a 50/50 chance and still make money over the long term if they have 'efficient' trade management! But of course we can do better than 50:50, I always personally look to take trades where the probabilities are in my favour, it's just some will be more so than others and this is reflected in the % of my account I risk on each trade setup.

I don't see the logic in looking for the 1-2 trades per week or less - especially as a full-time trader, what's the point (and where's the fun) in waiting and waiting for the 'right' setup, if you have to do that to make consistent gains then something is seriously wrong with your methods or your mindset. You should be able to trade with a free mind and if you have a wide set of trading tools you should be able to spot multiple setups where the probabilities are in your favour week after week.

For example, I know some people wouldn't have touched the YM trade or the GU trade I recently took as they would consider them far too aggressive - but the probability of price doing what it did was > 50% - I would have a long term success rate of 65% ish trading those day in day out and a risk/reward average > 1, so why would I only wait for the higher probability trade setups when I have a positive expectancy with slightly lower probability setups? (I made just over 5R on those two trades this time around). IMO win rate is only relevant to your confidence, you need confidence to be able to trade well and a win rate is related to this...that's where trading with methods that suit your personality is essential, but other than that win rate is a meaningless metric.

If people started thinking along those lines rather than focussing all their efforts on finding the few great setups or being an ultra picky trader they would go much much further in their trading.

942. Trading based on fundamentals / news is not easy, requires a lot of practice and discipline as there are only certain news announcements that create good probability trades. But I am always aware of news that is due out when trading because news has the potential to change sentiment instantly (as well as causing widened spreads and slippage in current trades) and price action only shows you what the sentiment was before the news, thus if the news causes a complete reversal in sentiment from what formed the PA setups then you're going to suffer a reversal in price - just like the Gold setup and other PA setups out there.

It is just prudent to know when major news is out and take measures accordingly - I don't take technical setups just prior to news for the reasons above and of course because of potential slippage and wide spreads - imagine not knowing about news and having a trade at BE with a 25 pip SL - you'll get slaughtered by wider spreads and news volatility instantly on a trade like that.

People don't generally think like this but a PA bar is a summary of the sentiment during the period the bar was formed - it is a suggestion of where price is more likely to head next - if you know what caused that bar or if there is news coming up that could completely reverse that sentiment then trading that PA bar becomes more of a gamble and as traders we don't gamble.

I don't know of any professional full-time trader who doesn't know what news is due in the day ahead. For me it's part of treating trading as a business, we have to undertake our own due diligence and understand the external variables that can affect our trades and news is definitely one of those variables.

955. For myself I vary as to what I do at FLR/FLS's as I take into account various factors when assessing a setup - one of those factors is 'experience' gained from years of chart watching. But other factors I take into consideration are:

1. Current trend.
2. Risk Sentiment (and what if driving the broader market).
3. Upcoming scheduled economic data releases.
4. Price action as price approaches an FLR/FLS.
5. Time of day / week.

I use all the above to form an opinion as to what I want to do at an FLR/FLS - of course we can never be 100% certain as to what will happen we can just put the probabilities in our favour - thus it is the exception rather than the norm that I will take 100% at an FLR/FLS.

I also decide before the trade as to whether I'm looking for a longer term 'positional' trade or more of a 'reactionary' touch trade - this again determines what I will do at an FLR/FLS.

I found from my own due diligence and experience that **routinely taking 100% profit at FLR's / FLS's is not efficient trade management** and leads to significantly slower account growth - of course it is up to the individual to undertake their own research and it is essential that you do so - trade management is far more important than entries (most traders on public forums get it wrong and think entries are what makes the difference) and in order to have the confidence in a trade management strategy you should undertake your own research - it's also consistent with treating trading as a business.

A simple way to do this is to keep a journal of all your trades (a journal is a must when learning to trade IMO) and compare the long term results of taking 100% profit at FLR's / FLS's versus other trade management techniques.

In my opinion as a starting guide taking partial profit at FLR's / FLS's is a great way of getting rewarded for the trade setup (i.e. it avoids the frustration of suffering continuous BE trades) whilst leaving the potential for a much bigger overall win in terms of %R - and it is %R at the end of the day that grows an account quicker.

967.

> ***I wasn't watching charts at the time, but some analysis on an EU Touch Trade setup from earlier (normally I would only want to really take a trade based on a HTF S/R but this LTF one was very clear and obvious and that is the important aspect).***

Highlights exactly what I was saying about strong moves into a trade entry area being stopped in it's track and reversed, if you think about why price should reverse at areas like this then you'll start to understand some basics of order flow and why you don't need to wait for a PA bar (you'll realise it's a lagging indicator) for the good probability setup off an S/R - this is what the professionals do, they don't wait for confirmation they enter at the S/R. Learn to think more like the professionals and less like a retail trader and you'll go much much further in your trading.

1007. As someone who had to grow an account in order to be able to trade full-time (i.e. I didn't just save up until I had enough to trade) and has to earn a living from trading I can say with 100% certainty that you don't grow an account at anything other than a snail's pace trading as per the above.

You don't grow an account by risking e.g. £1k to make £240 on a trade. Some would counter this by saying if you wait for the best A+ setups etc your win rate will be high enough that it will work... so ok you're supposed to sit all day waiting all week for just the 1 or 2 best setups so you can bank quick money to an FLR/FLS?! Really?!

The next counter to the above is that cos the win rate is so high cos you're being so picky you can risk more on a setup. Ah ok, so we sit here all week, waiting for 1-2 great A+++ setups risk 5-10% per trade and get out quick at an FLR/FLS.

I've actually seen people who educate others and who supposedly trade full time recommend the above!

If anyone doesn't see the problem with this approach then they should just give up now, honestly, the above approach is just plain crazy - go ahead try it, try and wait for 1-2 setups per week and risk 5-10% on each one, what do you think will happen when you take a some losses that take 5-10 winning trades to just make back again? What do you think your mindset will be like after throwing away 5-10 winners on one trade and knowing that it will take you a couple months just to make those losses back - cos losses do and will happen...

1008. This is how I (and other professional traders) analyse setups, I use my knowledge of S/R's, order-flow, price action to determine where the logical entry, SL and exit areas are.

Retail traders see a pin and trade it mechanically with entry above a high an SL below a low - they never ask themselves why they do this they just do it. They don't consider whether those prices have any meaning to the market at all.

Professional traders use the daily candlestick bar as a sign of which direction price will head in the near term and look to buy at a discount. They also focus more on what caused the reaction off the daily support area (which in turn caused the pin) and what that rejection means to current market participants which in turns tells them what is most likely to happen in near future - the size of the daily bar itself is not overly important it's the what happened at the S/R price bounced off in forming the pin (i.e. the order-flow that occurred there).

The next step is too look clear S/R areas where price will be attracted to and which (because of the expected order-flow at this area) they can expect (with good probability) a 'reaction'. They base their SL on an area which price shouldn't go below if it is to continue in the expected direction (i.e. long in this case). They thus have a discounted entry and logical SL based on what price / charts are telling them.

In terms of exits professional traders use their underling reasoning for the trade to determine what an appropriate FLR/FLS is, they don't use single bar highs close to their entry, they have a directional bias from the daily TF and thus pick exits based on similar time-frames. They don't use %R / profit made to determine their exit.

Lastly, professional traders follow news and know that markets are inter-related and thus in managing their trade they look at other variables that could give them a sign as to whether price is likely to reverse or push through a particular S/R in it's path.

Thus where a retail trade would have made 0.76R max, a professional price action trader would make 2.9R if both took profit @ 1749 area. If someone tells you the probabilities of the trade working out differ materially then they don't understand how price action works.

1014. However (as I know you are aware) it's important to not get married to your views or bias i.e. be prepared to change it if price shows your differently, a common fault I see amongst traders is that they get married to their bias and it becomes an emotional relationship - often with disastrous results.

1016. The problem for most is that they don't understand economic events, thus consider news events irrelevant and just dismiss them whereas the professional trader who treats trading as a business makes it their job to go and learn about economics and how news can affect price. If trading really is a business you should be learning about any major variables that can provide you with trading opportunities and affect trades you have open, if you don't then you're putting a material part of the outcome of a trade to 'chance' and that certainly is not treating trading as a business - running a business involves knowing your risks and minimising them, not ignoring them. That's why you'll find most professional traders have a good grasp for fundamentals, news, risk sentiment and technical analysis - they are all complimentary to running a successful business as a trader.

1032. When you realise the order flow and market dynamics at breakouts and what is happening when price comes back to clear, concise S/R areas with certain characteristics you realise that there is a high probability of price reacting here. Combine that with the type of trade management that I 'preach' all the time (not banking all profits at FLR's which I see people do all the time on these forums) and this is what could happen.

It's when people realise the above they realise the power of **pure price action trading** (not to be confused with what most retail traders consider price action trading) and don't look back - it is afterall how the big players trade!

1038. One thing I find with retail traders is that they are very narrow minded in that they have one main approach to trading and consider everything else aggressive or useless.

It's when I started to not think like this and more about the broader market and whether I could pull in useful information from other sources that I started to make some serious gains as a trader. I'm all for keeping things simple, but the more information you have at your disposal the more chance you have of making informed decisions and spotting plenty setups day after day.

1050. The common theme that should stand out is that I manage my trades by looking at **pure price action** i.e. asking myself what does price have to do to tell me a trade setup is now looking unlikely to work out and acting accordingly.

I don't base my decisions on the % I have at risk on the trade or the absolute value I have at stake.

I don't base my decision on an emotional response that tells me to cut the trade cos it's not moving my way.

I don't let trades hit their SL unnecessarily or in hope that price might still turn round.

This is how professional price action traders look to manage their trades. When you realise that a MAJOR part of being a successful trader is having the tools and mental strength to manage trades EFFICIENTLY (cutting trades early IF price is telling you to do so and letting winners run IF price is telling you to do so) with logic and not mechanically, you'll understand that entries are not where the real edge is in trading. If you can realise this then you'll know that being picky and trying to focus on those A+++ trades is a waste of time and is a big mistake amateur's make.

1064. I'm finding that the people that come to me for mentoring off late have the following characteristics about their trading:

1. Their aim is to be very picky with entries.

They just get over obsessed with finding the 1-2 great trade setups per week.

Of course what does trading like this do - it brings high pressure to these trades as (a) you don't wanna take a loss when you know the next setup might not be for a while and (b) if you did take a loss last time you sure as hell don't wanna take a loss this time. You end up just getting so obsessed with making sure you are waiting for the great setup and come away with a winner that the likelihood of making a poor trade management decision is extremely high. It's so hard to trade in a relaxed manner if you so focussed on the outcome of 1-2 trades - where's the fun trading like that.

As I've mentioned before, anyone who is a professional trader knows that exits are FAR more important than entries. Also it doesn't say much for your ability as a price action trader if you can only find 1-2 tradable setups per week across numerous FX pairs - I mean you should be able to find multiple setups most days to make money if you really understand price action.

2. They trade mechanically rather than based on logic

Retail traders seem to have a knack of putting SL's, Entries and TP's at levels that are of no significance to the market. This is especially true when trading candlestick bar patterns. Entries at bar breaks, SL at bar lows, move to BE / take profit at x%R - it's complete and utter crap, no real trader trades like that.

It's making uninformed decisions like this that makes traders part of the retail herd that the big players take advantage of day after day.

I've shared my 3 losing trades from last week,

Where was my entry - on every one my entry was just after I had the 'signal' that a valid setup was present, why do I want to wait for bar breaks, if you have the sign that price is heading in a certain direction what additional information does a bar break tell you - absolutely nothing!

Where were my SL's placed - at levels where in all probability if hit the chance of the trade working out has changed from one where the probability is in my favour to one where it is not i.e. a trade I clearly no longer wish to be in. Thus my SL is at a level / price of significant not some arbitrary level that is meaningless to the market.

How do I manage my trades - I watch what price is telling me, if it moves in a way that tells me the chance of the trade working out is now particularly low then I cut the trade e.g. like for the EG trade where price closed above the S/R level.

Note that this isn't just that price is not moving my way or that I'm not prepared to accept a full loss - you have to accept you will suffer losses - I try to cut my losses early and on average I do, but at times there is no information that tells me the trade isn't going to work out other than my SL being hit, if that happens so be it.

I've lost count how many times I've heard people say I won't accept a full loss on this trade or cos the trade is worth $x I don't accept full losses - if you can't see the blatant hole in this logic then you seriously should consider quitting trading.

1073. ***Hey LJ ,just a personal Q, hope u don't mind***

how long it took u to be a successful full time trader? just curious.

I don't have an exact time-line, but my learning process went like this:

1. Beginners luck
2. Search for the Holy Grail.
3. Flip from system (method) to system until having losing trades.
4. Stop, reflect, realise that I need to find methods that suit my personality, trading goals and that I need to understand the psychology of gambling.
5. Stumble across J16 - have some success - still working on mindset issues.
6. Fully understand the psychology of gambling and how to control / minimise emotional affects of gambling / trading.
7. Realise that there must be a lot more to price action trading than found on public forums - go searching elsewhere, spend some time with professional traders - the penny drops as to what true price action trading is about and how professional traders use price action.
8. Learn to put the theory behind price action into a tradable system - I'm now making good returns for the first time.
9. Broaden my knowledge to include basic fundamentals, chart patterns, inter-market correlations / risk sentiment - learn how to incorporate this into my trading - I'm now making double digit returns month after month.

I'd say I spend 2 years on 1-4, 1 year on 5-6 and 1 year on 7-9.

The two hardest things when learning to trade IMO are:

1. Psychology - my view is that psychology in relation to gambling / trading is actually very simple, but it is often over-complicated in books on the subject. It all boils down to Greed and Fear - every emotion you experience in trading is a branch of this.

You need to UNDERSTAND how emotions can affect / impact your trading decisions and then work out what emotions effect you and how you can go about creating a 'process' / 'environment' that helps to minimise / eliminate their affect as far as possible.

2. Trading Method - the hardest part is the realisation that not all methods will suit everyone. For example I could not trade a method that produced a win rate of circa 40% but had a very good %R - even it had a positive expectancy as a system it just wouldn't suit my personality. It was when I realised what type of method would suit me that I then went and learned the knowledge I needed to devise / tailor a series of methods to suit my personality.

Once you are fully satisfied with a series of methods and have full confidence in them then you are there.

How long this process takes vary from person to person. I've seen people pick up methods and become consistently profitable within a few months, some people never succeed and others it takes a few years. As you can see for me, most of my time was wasted on pursuing pointless goals.

1137. A common trait amongst price actions traders on public forums is to trade with a <u>mechanical mindse</u>t over a <u>logical mindset</u> - traders taking unnecessary losses because they don't understand how to think logically about price movements and what they mean when in a trade.

1187. Another trait is traders having illogically wide SL's in order to satisfy themselves that they are unlikely to take a full loss and thus there average loss like mine is less than 1R. Of course trading like this is just covering up psychological / mindset issues which are in effect drastically limiting the potential reward for each trade - and at the end of the day risk/reward is the ONLY meaningful metric that matters - as it is directly linked to account % gain.

Professional price action traders understand the order-flow dynamics at this S/R and what was happening when we had the LTF breakouts, what the daily closes mean and why price is likely to fall the next day. Retail price action traders don't have a clue and wouldn't look to be selling the next day.

This is the basis of price action trading, yet retail traders generally have very little knowledge of what is going on in this chart and the previous chart - they have a mechanical mindset instead of a logical one and go searching their charts for actual setups rather than looking at what price is doing and what it is telling us - it's why I see so many fail or struggle to make any kind of self-sustaining income.

1191. Price action trading isn't about being mechanical - *if this does that I'll do this* or being narrow minded - *searching for specific setups e.g. a BUOB off an S/R* it's about bringing together various pieces of information about how and why price is moving like it is and what this means price is likely to be doing in the future - this is all I did on USDJPY - compare the price action of two previously well correlated markets.

The problem with most retail price action traders is they <u>think mechanically</u> and go searching their charts for actual setups rather than taking a step back just to watch price movements at certain areas with an understanding of the order-flow dynamics happening. If you're in the former category then <u>you're not a price action trader, you're a system trader</u>.

You'll not encounter very many people on public forums who are true price action traders because price action on public forums is just a term to incorporate a type of trading using a chart without indicators e.g. candlestick bar patterns, chart patterns - the problem is people are taught to look for a specific narrow range of actual setups with so many subjectivities than it becomes a minefield to trade successfully rather than taught true price action and order-flow dynamics which is objective and not subjective and likewise with trade management people are taught to be mechanical rather than logical in their approach.

How many of you have looked over the charts I posted yesterday (Oil and CADCHF) and asked yourself why price should do what it did in these two scenarios? How many have gone looking at other similar setups to see how they have panned out? How many have tried to fathom out what is really happening in these scenario's?

To be a good price action trader you need to be inquisitive and analytical and not just follow like a sheep ... ever heard of the phrase the retail herd whereby they all follow each other and do as one another does in a very predictable mechanical manner ... in such a way that professional traders can take advantage of them...

1211. If you're going to remember anything from this lesson them remember the following statements...

1. When price first returns to a demand area the probability it will be met with more demand is high and vice versa for a Supply area.

2. Price levels where you have the biggest imbalance between supply and demand represent the best price action trading opportunities.

3. Combine the statement above with a strong current trend and you have a very high probability trading opportunity.

4. The more times a supply / demand is hit the weaker it is likely becoming - contrary to traditional teachings.

5. Professional price action traders use <u>objective</u> logic based on supply and demand.

...and importantly understand why these statements are true.

1230. Amateur's struggle to make consistent monetary returns and struggle to grow an account - a trade comparison like this shows one reason why this is the case - amateur's are convinced you need 'confirmation' before entering a trade, because they don't understand supply / demand and orderflow dynamics.

It's because professionals have this knowledge and understanding they are always looking to enter at source and they know waiting for confirmation is merely getting into a move at a much worse price i.e. it is <u>not a higher probability trade entering based on confirmation</u>, but amateurs convince themselves it is.

If you think about everyday life, you always want to buy low and sell high - when buying a car you want to get the best deal you can, you don't buy a car for higher than the asking price do you...so why do so many amateur price action traders do exactly this...

To paraphrase a quote I heard from someone else which sums it up nicely...

...it comes down to their lack of knowledge and the fact when they start trading they don't have a clue...what do some do, they seek education, where do they do this...they look at the most popular textbooks which will be the ones written by authors who have written multiple books - they are learning from people who know how to write and sell books rather than people who know how to trade.

This is why there are so many scams and cr*appy services out there...I read an article on one site a while ago which said the best method to grow an account via price action trading is to be ultra picky, take 1 trade per week and risk 10% on it - anyone with any sense can understand this is complete BS - the problem is many are naive and will follow the majority rather than thinking for themselves, one of the main reasons why it is the few that succeed in this business and not the many.

This is why I run a Trading Room - because it is essential to be able to learn and apply methods under live trading conditions which is very different to just reading a book or text on a forum and discussing trades after the event. The only way you truly learn is to watch someone trade and make decisions during the course of the trading day - which is why there are so few trading rooms out there!

I know it is still only the few that will get it despite me laying all the foundations on here, most will still trade the amateurs way and continue to struggle to make good consistent returns - it's the nature of trading and the mindset most people have.

1269. The important thing to consider when a) assessing your SL and b) deciding on trade management is how do you expect price to behave for such a setup i.e. if you understand why a setup like this should work you'll understand how price should move after this bar close which helps in determining when the setup has a low chance of working out (i.e. where to place your SL) and when to cut the trade (when price is moving not as expected).

This is a BIG mistake that a lot of retail PA traders make i.e. they are too mechanical in the way they approach trade management because of a lack of knowledge of what is actually happening on the chart and what price is telling you - merely looking for specific bars is not price action trading, understanding what is happening behind the scenes and why IS.

1271. However, the subsequent move across multiple pairs occurred as predicted and as we planned in the Trading Room - most won't believe this (most don't recognise that news events are even important in price action trading!) but **news events can produce some of the best trading opportunities you'll ever come across** .

1277. Your SL IMO should ALWAYS be set at the point you are most likely to be wrong whether this is 5 pips or 50 pips is not important. If you lose you lose either (for example) 1% in a quick time period or 1% over a longer time period, the end result is still the same - a 1% loss. **There is no place for emotions in trading and fear is an emotion!**

If for example I opted for a larger SL on that trade then all I'm doing is decreasing the potential reward and thus the value within the trade...all because of what would essentially be a psychological issue as to any potential loss being a very quick one. Thus in the long run all I'm doing is drastically reducing the reward on each trade and thus my overall returns - all because of a psychological issue of having an element of fear about taking a quick loss. The only upside is I'd have a higher win rate...but contrary to popular belief a higher win rate is of very little importance in trading.

There is no logic in having a SL larger than what is needed to tell you that you are likely to be wrong.

It can be a difficult psychological issue for some to overcome and using larger than needed SL's and illogical SL placement is fairly common place from my experience.

1311. If I were to sum up the two main things wrong with retail price action traders it would be:

1) a lack of fundamental knowledge of why price moves like it does and thus a lack of viable trading

strategies and

2) a misplaced view that being picky and waiting for the best A+ setups is the most efficient way to be trading.

To be a good price action trader is to be able to predict what price is likely to do next and why in the majority of situations across any timeframe...but in the retail space the trend is to be ultra picky, wait for price to come to a chosen location, then wait for some bar pattern to form and then consider trading it with an illogical SL - this is the fundamental reason IMO why price action traders in the retail space struggle to consistently take good returns from the market.

1316*. BTW, it seems to me that your method has been partly influenced by not only J16 but Sam Seiden and BillyRayValentine. I'm a very analytical person just like you, so I can say that there is something new in your method that I have never seen from other traders.*

Okay, just to add some clarity, the strategies I use in my trading are not mine, I can't claim that I created any of the strategies I use in my trading.

All I do is combine an array of knowledge of:

- supply / demand
- support / resistance
- order-flow dynamics
- bar patterns
- chart patterns
- risk sentiment
- fundamentals
- inter-market correlations
- how novice traders and the traditional retail crowd behave

to take trades day in day out.

That knowledge and strategies arising from that knowledge are nothing new - why, because professional traders all over the world are using this knowledge and similar strategies day in day out. I think the difference is that some of this knowledge is common place in the retail space but most of it is not.

Any price action trader that claims the strategies they use in their trading are original and their own is most likely speaking utter rubbish and probably has some ulterior motive.

I think if you ask any professional trader who had the biggest impact on their trading the answer would most likely be themselves...it is the approach, patience, dedication and perseverance of the trader themselves that is the key as to whether they 'make it' or not in this business.

1526. Remember that trading FTB's is about taking positions at the source / start of the move i.e. no need to wait for BEOB/BUOB/Pin bar confirmation (which is not an efficient way of trading an FTB setup).

The FTB to a supply or demand zone will always represent the highest probability trade if we look for the right characteristics (fresh supply / demand, significant imbalance etc), from thereon I look for clues from price action LEADING INTO the area (compression, supply/demand consumption) and/or price action AT the area (chart patterns / bar patterns) to determine what price is likely to do.

1645. When plotting an SR zone people to need to remember what an SR is...it's merely a common price rejection zone and what causes these rejections - a supply / demand imbalance. So we can conclude that an SR is a collection of SD zones - but remember an SR is a zone it is very rarely a to the pip line.

So how do I approach an entry to a H1/H4 FTB SR setup. This is a two step process:

<u>Step 1:</u>

Firstly I'm looking to plot the SR at the the common rejection point i.e. the zone that represents where the market has rejected price in the past - this shouldn't be a mechanical process it should be objective and logical as each situation is different. There is no place for being mechanical in price action trading (yes you did read that right), you need to be objective and logical NOT mechanical.

<u>Step 2:</u>

Next I'm zooming in to assess whether I can spot a clear SD zone at the scene of the breakout i.e. where the decision was made for price to move higher and breakout of the SR zone. Sometimes this won't be clear as price is moving so fast it doesn't pause, but more often than not there will be an SD zone within the SR zone. So why is this important? Because it tells us where (for a breakout long) demand came into the market to take price higher and cause the breakout...and thus it is logical to conclude that this is where we expect demand again on the FTB.

1709. Just a general note about false breakouts because it is clear to me many aren't grasping a) what is happens in a false breakout and b) how price should behave.

1. A false breakout is made up of a sellers/buyers trap and potentially (but not in all cases) a significant trigger of stop loss orders.

2. If you understand the above in detail then you should know who is participating in the market, what orders they have in place and thus the order flow that is occurring to cause the false break and the order flow that is occurring after the false break to produce the bounce back in the opposite direction.

If you fully understand the above then you'll know that after a true false breakout price should NEVER move beyond the previous false break low (in a long setup) - if it does then the previous bar wasn't a true false break - it's completely illogical if you understand the order-flow!

1719. There are so many vendors out there who sell mechanical systems, you know the ones that bombard you with emails, make $10000 per day for just couple hours work. The reason these exist is because people fall for it because people are so naive when it comes money making opportunities. The same goes for the less subtle marketed systems. People need to open their eyes and realise that there is no short-cut to success in this business and that the professional price action trader does not make any money consistently over the long term by trading mechanically - the only people lining their pockets teaching mechanical systems are the vendors selling such rubbish!

1868. That comes down to personality. For example the traditional breakout algo has that profile - low win rate (circa 30-40%) but high R. The system will have a positive expectancy over the long term but of course with such a low win rate short term equity curve fluctuations are significant.

Personality drives what we feel comfortable with which drives confidence. Most people can't accept long losing periods (me included) because it goes against our mindset and what we've experiencd in the past (being right more often that wrong is a good thing - school exams for example etc).

However confidence also comes with underlying knowledge and intensive research and due diligence. If you have developed a system that you have completely back-tested and forward tested and of course understand why it works then you naturally have confidence in the long term expectancy of that system. However, what do most retail traders do - they blindly follow what someone else tells them, don't undertake the level of research themselves and don't understand why the system works - thus they quickly lose confidence and jump to the next system.

Why do mechanical systems appeal to people...because we are so used to a rule based environment for most of our early lives, through the education system, society and our work environment. It is very natural to be more comfortable with a 'if x happens do y' approach.

So although mechanical systems have a 'place' many in retail don't have the right mindset and discipline to trade them (in terms of undertaking the required research).

But this is where vendors take advantage, the average vendor knows that what is of most appeal to the mass market is a mechanical system - so the market is littered with either crap systems (be it automated or manual) or systems that shouldn't be traded mechanically but because a vendor knows that's the quickest way to make money they package it into a mechanical strategy.

(I will come back to this and price action trading another time...)

Trade management is the hardest thing in trading in terms of formulating an objective plan, the problem IMO is:

a) books and forums teach the wrong approach - there is a complete over obsession with entries and being ultra picky and achieving a high win rate in the retail space - it's my biggest frustration and my biggest hurdle when it comes to mentoring people who have learnt to trade off a public forum, they wannabe ultra picky, take 2 A+ trades per week 2 trades at 0.7R with 3% per trade etc etc....they've been brain washed into believing this rubbish is important.

b) People haven't done their research, they don't know what a good trade management strategy looks like, they don't know how to differ their plan based on objective analysis (e.g. market volatility, trending versus ranging, having an objective directional bias).

c) Mindset - emotions, psychology introduces bad habits - as a trader you mostly experience emotions associated with fear and greed that you have never experienced in every day life - it's a totally new experience (and is relevant to any sort of gambling) and therefore it's one of the hardest things to understand and thus control for a wannabe trader.

This is a summary of how I evaluated my trade management performance when I was in my learning stage (self-analysis and record keeping is an essential part of learning to trade IMO).

1. I would (and still do) write everything about a trade setup - entry, SL, risk and importantly my exit plan BEFORE I take the trade. If I couldn't do that before the trade occurred I never took the trade.

2. I would also make sure I detailed the reasons for my exit plan and what (objective) reasons I could potentially use to differ from this plan...i.e. what must happen to me to want to change my view (and of course they have to be objective, not for example if my P/L hits x).

3. I would record these results then evaluate them a few days later - it's too easy to review a trade just after it's finished and convince yourself that everything you did was as you should have done it. I'd review it a few days later and it would become apparent fairly quickly a) if my original plan was rubbish and b) if I deviated from this plan at all and if the reason was objective or based on emotions.

Why did this work...because it encourages trading against a pre-thought out plan - a plan that has been devised in a calm emotion free environment and is something I can refer to when in a trade. What's the alternative, work out your entry, SL and risk...take the trade and then have to make quick decisions in the heat of the moment...which way is more prone to the introduction of an irrational decision based on emotions lol.

1892. **** A tradable setup is one that is clearly not 'A+' but one that if traded over a sufficient period has a positive expectancy. Great traders trade setups that they know will give a positive expectancy and vary their risk accordingly to the quality of the setup. (Amateurs focus on trading A+ setups, having a high win rate and sitting on their hands more often than trading)***

2022. People need to get away from the 'being picky club', forget about quoting win rates, learn to deal with losses and trade what they see adjusting risk accordingly - this is how you maximise your long term gains, don't shy away from your psychological issues with having multiple losses etc deal with them and you will not look back.

For example, in the last month I've averaged 2 trades per day and have a win rate of between 55-60% - do I care about my win rate, hell no, the only thing that matters is that I'm trading everything I see during the hours that I trade that I know produces a long term expectancy and if you're a full time PA trader you should be in the market every day finding multiple setups (after all we have access to many many FX pairs and time frames) - if you're not, then there is something very wrong.

2030. Remember, to maximise your profit you need to learn how to vary your risk and trade according to what will give you a positive expectancy over the long term.

Most people can't handle multiple losses, (it's a confidence and a psychological issue) thus they focus on win rate and being ultra picky - all this is doing is vastly decreasing your long term profit potential. It's the same with SL placement, a lot more often than not I see illogical, mechanical SL placement which bears no resemblance to where the trade setup is most likely invalidated - a SL should go where you are most likely wrong, anything other than this is just decreasing the value in every trade you take.

2248. ***A lot of people still have understand how to place a SL on FTB's and how to interpret what price is telling them and to reduce their exposure accordingly (which forms the very basis of price action trading!) No-one that has the ability to watch their charts all day long should have taken a 1R loss on that trade - nothing short of poor trade management if...***

I always get a stream of emails after a losing setup etc asking how I played it or what was wrong with the setup...

When will people wake up and realise losses happen, they are a necessary part of this business so stop getting scared by a loss. There is no place for fear if you want to be a successful trader yet it's the most common weakness I encounter when looking at others trades. Fear is commonly caused by a lack of confidence which in turn is caused by a lack of knowledge and having undertaken insufficient research....only the individual can solve this issue and it's not hard to work out how given what I've just said above!

2339. Ask yourself this, do you really think the professional traders working in banks, hedge funds and other institutions are sitting watching some indicator or looking at their 'rules' and applying it to fixed TF (if we have a break of this swing by n pips I enter @ x, SL @ y, exit @ z) or are watching for some retail style PA of an SR (pin, BEOB, BUOB etc) - if you really believe these Pro's think like the 'retail herd' then you are hugely mistaken - remember the majority of retail traders are losing traders - the Pro's are looking to do the opposite of what retail are doing...they want retail to be on the opposite side of their trade...

2348. This is what Pro's are doing every day - looking for places where retail / novice traders will be buying / selling from/to the professional money (the professional money sitting at demand / supply zones - the novice money selling a pure break of a previous swing or SR).

Objectively looking at price and certain locations on a chart and understanding who is buying and why is the fundamentals of price action trading...no-one makes serious money by following some mechanical 'rules' or by scanning the chart for certain bar patterns and only getting involved if your arbitrary TF displays such a bar.

2390. ***I've always been more inclined to play the retest or of course the false breakout, I found the true breakout more a 50/50 setup. I'm sure that's down to my own experience though and realise how effective it can if you understand the PA behind it.***

Yes, trading pure breakouts is riskier because a lot of pure breakouts will end up as false breaks of some sort. I would agree that trading them blindly is more like 50/50 (dependant on trade management etc).

But in certain situations a pure breakout becomes a good probability trade. I categorise these into a) price pressure of an SR zone and b) price patterns which in themselves indicate a specific breakout direction (i.e. the price action within the pattern is telling us which direction price is likely to head) - an example being the bull / bear flag.

2547. ***I have been trading for four years (started in July 2008) and became profitable about one year ago, but my income from trading is still unstable, which is why I still need a day job. Sometimes my trading income is more than my monthly salary, but I'm not still sure if I could control my emotions when trading for a living. I'm still in the learning stage.***

My advice would always be not to rush quitting an job to become a full-time trader. Make sure you have plenty of 'reserve' cash and when planning expected performance make sure you materially under-estimate. Any type of 'increased' pressure to perform can have consequences you've not had to deal with before so it's important you give yourself time to adjust. Very few people make it to the full-time trader status where they rely FULLY off trading for income.

3177. Here is a trade that just closed on one account. Price might go much higher but I just took it to the FLR for a +1.4R win on this account. (I do have it still open on another account with SL up to 1.9855 so we shall see how this one pans out).

This was a very high probability trade (don't believe those that tell you trading off 5min is tricky and noise and that touch trading is more aggressive - those people really don't have a clue and just part of the ever growing retail price action herd).

The trade is based off the daily TF, but zooming in to find the demand for where to bid and where to place my SL and the supply for where to exit.

It's amusing when you read other price action material over the net and you see comments like 'supply and demand is just another name for support and resistance' and 'I don't understand supply / demand trading it's illogical'.

Slowly and surely these guru's will cotton on that supply and demand is the fundamental reason why price moves - it represents the large institutional order-flow - you know the money that actually moves a market!

Price does not move because it hit an SR, a moving average, a fib, because a pin bar formed, because your ATR or other lagging indicator tells you price is over bought or oversold it only ever moves because of imbalances in demand and supply nothing more, nothing less.

Thus if you don't understand supply and demand you don't understand price action and if you think supply and demand is just another name for support and resistance you are deluded (yes there are similarities but there are fundamental important differences).

Without good knowledge of supply and demand and how to spot this on a chart you couldn't take the trade I just took with such a precise entry (ignoring the spread), such a small SL and a precision exit.

I've started re-organising my free material on my website to re-educate some people who want to learn to trade price action the correct way - starting with the the most important thing that matters....SUPPLY AND DEMAND.

Yes, this stuff might seem more complicated that other price action material you'll find regurgitated all over the net...that's because I'm not teaching mechanical systems, I'm teaching REAL price action trading...do you think Livermoore had a rule book of how to read the tape?! Do you think Soros had a rule book with a step by step guide on how to break the Bank of England...of course they didn't! <u>To become a real price action trader you have to learn to think for yourself and separate yourself away from the retail herd</u> cos at the end of the day the herd struggle to make money from trading.

3270. When I talk about looking for PA I'm essentially saying I'm looking for signs of professional buying / selling. This can take many forms in any given situation...but I'm looking for signs of 'rejection' from a specific area and for any supply / demand (demand if we are shorting) in the near vicinity to have been 'consumed' (as per my Price Action 1 video).

There are certain patterns that can highlights the latter - compression, flags etc. Whereas the former we can look for bar patterns like pins and BUOB's etc but really I'm just looking for rejection signs, the bar is irrelevant - rejection bars stand out.

However, it's not always as straightforward as looking for a big rejection bar, Pro's like to hide their moves where possible and like to steadily 'accumulate' positions, this is where traps, liquidity spikes, accumulation/distribution, H&S, QM patterns come into play...it's all based around how large players can enter orders into the market by causing a ripple rather than a wave (large players want the best price possible and thus just entering orders all at once will often result in what we would call slippage - lack of liquidity essentially - thus large players need to be creative in order to find the liquidity they need).

In terms of timeframes you can spot all of this on the lower TF's, hence why I look at higher TF areas on a lower TF - to find the best discounted entry and SL to maximise my %R.

The big problem with the retail crowd is that they are obsessed with a) price action = bar patterns approach and b) rule based trading.

This leads to trading with a mechanical mindset - so rather than approaching an area with the view I'm looking for signs of rejection and consumption of supply/demand below and all the time looking for signs of the big money they have the approach I need a certain bar formation (i.e. one of a very small array of bars must form) on a higher TF which must form with a certain size, close in a certain way below a certain level and if everything is aligned I'll enter few pips below (as if waiting for a bar break actually means something) and my stop will go x pips above the higher (without thinking logically and objectively whether this is appropriate - i.e. mechanical trading).

It amazes me that retail seem to believe that Pro traders in banks, funds prop firms are sitting at their screens looking for bar formations...I can tell you now no-one trades like that in the real world and no-one can trade full-time and earn a living trading like that unless you have some serious dosh stacked away - in any case it's a wholly inefficient approach and doesn't represent professional price action trading.

I've only touched on this subject in this post, price action trading is not simple, you don't learn it all over night and then go and apply it - it's not some system, but it is the real way the Pro's make money in the market.

Having a solid method which provides a high win rate to a first trouble area is one thing, but how you manage your positions and having to catch some runners is what makes the real difference to your account.

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