BS Trading

Buying and Selling
No Bull

Introduction

I am Kenneth Lee, and I have been trading for over 3 years. The entire time my only focus has been to find the one thing that above all is key to what we see displayed on charts. My past is full of buying and selling products and services, So it is strange for me to have taken this long to stumble across the truth. That all we are doing is filling orders by buying or selling at different levels of interest.

The Supply and Demand is the levels where these orders are waiting to be filled. It is some of the clearest and most precise trading I have come across. The use of different labels in trading has been a bit of a struggle to overcome, So many just substitute one word for another never considering the difference in the meaning of the two.

Saying Supply and Demand is equal to Support and Resistance is one of the things that may keep some from exploring deeper into S/D as they may believe they already understand that within their trading.

I hope to show the difference in the two and the easy none subjective nature of true , Buying and Selling at the Supply and Demand levels.

Preface

The information I will be presenting here is almost 100% from Sam Seiden, I never take credit for others hard work. But I do try and add my simplistic style of showing how I see things. The same story told by two different people is always a bit different.

The truth be told me trying to explain to you is really how I help myself, because as I grasp with ideas myself to explain clearly as I can the different points of interest I have to better understand them . I always try to get you to write your own trading manual in your own words. Because ultimately the only person you believe is yourselves.

Link to Sam's website;

http://www.tradingacademy.com/free-resources/Webcasts.aspx

Forward

The goal is and has always been to find the one idea that above all is what drives the market and is displayed on our charts. The use of lots of indicators has always left me a little concerned as they are only formed after the fact. No matter what your looking at it is a delayed reaction to what has happened.

I have always believed and researched as much as I could Price Action. Believing that is really the initial point of what is printing on the charts. Which Supply and Demand is a function of , but price action again is such a broad use of a word encompassing many different ideas and styles that it just becomes to subjective.

Subjective, that is a word I have come to really dislike. So much in trading has begun to revolve around that word whether it is actually spoken or not. Within the use of Support and Resistance it is a almost constant.

You read all the time well my line is a bit different from yours or it is always a area, And some of those areas are huge. The idea I have found behind the Supply and Demand levels is that better precision can be achieved and with that comes less doubt.

Doubt by itself can be the hardest item to overcome.

We already as novices doubt our abilities or if we are seeing things correctly. But then to try and learn something where doubt is part of the plan. Doesn't give us much hope.

Then the complication of so many trading ideas. Each part alone which can be a great trading plan but when the same plan wins as much as it loses.

Then the only difference is our ability to control ourselves with little or no experience and the doubt we have within ourselves.

We need and deserve a KISS'S system,
Keep It Simple Stupid Strategy. That is where B/S trading comes in.

A trading idea that has the least rules as any I have seen , Which leaves less to doubt or consider before each trade. You can clearly see the entries, the risk, and the profit targets.

Contents

So you want be a Trader

You were up late at night and saw a ad for currency trading and the untold riches that would fall from the heavens. You then Googled it and saw many people giving away the ultimate way to achieve those riches. You started to study some of these trading ideas and saw posting after posting of people becoming almost instantly rich overnight with little or no experience. But are they still around did they become ubber rich or just give up ?

The first obstacle to become any kind of successful entrepreneur is the understanding that money is just a tool that we can use to create wealth. Wealth is the ultimate goal. Because wealth should encompass all areas of our lives. The hoarding of money is not a very satisfying goal in itself and just makes a person worried that someone else is after their pile.

We have always seen money as a reward for doing a good job or even as a kid doing chores or getting good grades. This direction of thought is compounded by society as we grow older we see , rich people get awesome bonuses and gifts for what we think are jobs well done. When in most cases they have done nothing

extraordinaire , It is more a case of being the right person in the right position at the right time. Hell look at how much some get for doing a crappy job when they are fired.

So your first goal to overcome, is the idea that money is the key to your happiness, because if you can't get past the idea that having only money is your goal . You will find it extremely hard to trade. Because to be a great trader you have to be willing to put your money in harms way to gain more. I have always thought that poker players that play the tournament style where each player commits a certain amount and only the top 2 or 3 leave with anything had the right mindset. Because to even have a chance at winning they have to place their money on the table first.

Your job in any type of business is to make the best decisions for the growth of your enterprise. One statement that has stuck in my mind from the book Stress Free Trading, Is "Are we acting in our own best interest ?" If you find yourself in more bad trades than good or your account is like a YoYo maybe that is the first question you should answer. Can you do what is right even if it means giving up some of that hard earned paper Money.

That brings us to the other main component of trading, discipline. Do you have any at all? I think learning to trade is very humbling to some it sure is to me

as it has shown me how little actual discipline I have. Even after I have been a successful manager of other peoples dreams (Businesses). It really surprises me how hard it really is to become a success for myself. When working for others it was a simple formula you risk as little as you have to (Cost) to gain as much as you can with as little effort expended as possible. (Profit)

I always had some of the best ROI (return on investment) as anyone. Yet I have found it hard to get past those first issues.

For many this is why they are on a endless search for the perfect EA , as they think it will take some of this out of their hands but it can only do so much .Even if a computer picks your trades and gets you the best entry you can still close to soon or move a stop or screw up in many ways.

So for me the search has always been what are the charts really showing me . Not what is this guy saying they are but what can I see for myself and believe 100% that is fact. Because doubt is a cruel adversary that in most cases can't be beat. We must eliminate as much doubt as we can in this way can we only know we are making the best choices for ourselves in our best interest.

So try and find a way that you can remain detached from the emotions of risking some of your money to make

much more, because we will have losses and if you can't stand to lose you will lose much much more than if you let yourself take a loss and move on.

Supply and Demand ?

The first part we need to understand is exactly what is supply and demand. I always look for analogies that can turn a complicated thought into something most can relate to. Sam likes using food as a tool as most can see the relationship between times when a crop maybe plentiful which would increase supply , so prices fall and the opposite of that when they are scarce making demand greater and prices rise.

Then I thought why not give people a bit of credit and try and explain it the way I see it truly happening. Thus the BS Trading ,Buying and Selling title was born.

The ONLY thing that is forming the charts on our screens is caused by the buying and selling of currencies behind the scenes.

The players aren't trying to create some mosaic art form building different patterns or pictures to compete in some competition. They are exchanging one currency for another based on the current market conditions. We as outside the loop players may not have all the information or power of persuasion that big guys have so we have to

learn to see their levels of interest on the charts and then trade accordingly.

Supply, is a amount of currency that someone is wanting to sell at a certain price. A stack of orders or a pallet or more of cash money that has to be moved out of the way before we can move to a higher level. If that SUPPLY of money can't be purchased by the other players then the price will start to drop.

Hence a oversupply can drop price. But if there are more than enough players willing to buy all the currency offered for sale at those levels price will be pushed up as the buyers DEMAND more currency than is available at that level. What seller or supplier of anything wouldn't take a higher price for their goods.

The thing we see time and again is the major move as the levels are breached as then price tends to move quickly from one market level to another. This is not a new idea but just a function of any pricing called layers.

Any item has different market values based on the current conditions. This is why you will see items move from one price to the next. They are the predominate prices that the market can bear based on historical data.

But we don't need to worry about any of that witch craft. What we need to concentrate on is real levels and

how to see them on our charts.

Picking Levels

Not being able to see actual orders sitting on a desk we can only use our charts to understand where we want to find our next level of interest. We are only looking for two different trades a buy or a sell. We don't need candlesticks or much else than just knowing the price. We could even trade without charts. Because what we are looking for is when price moves away from a area which could be seen just as easy with just a price ticker.

Because unlike most other trading strategies we aren't looking for areas where price lays around all day we are looking for where price has left those areas. We don't want a even order flow of buyers and sellers we want a imbalance more one side than the other and this is shown on our charts by a *substantial* move from a level.

Since we can't see the last ticket of a area get filled we can't really know when price will move past a level we can only assume it will hold again when we see that it moved price back in a strong fashion .

So what we look for are the moves away from a consolidation or (base). This is showing the imbalance between supply and demand. As long as we have a equal amount of demand and supply price would travel

sideways and be hard to make any money on. But if we have more people willing to buy then we have currency to sell (Demand) price shoots up the harder the move the more demand and the more likely there will be some demand when we return to that level. A meandering kind of lazy move away is showing less demand almost a equal force so care is taken at those levels. In the same sense to much Supply with fewer buyers (Supply) and price falls the stronger and faster the fall the better and lower risk to turn price there again.

Below is a chart showing what we are looking for to spot the levels. A large candle or series of candles the same color moving away from a price area.

So those are pretty easy to spot.

But where do we draw our lines from ?

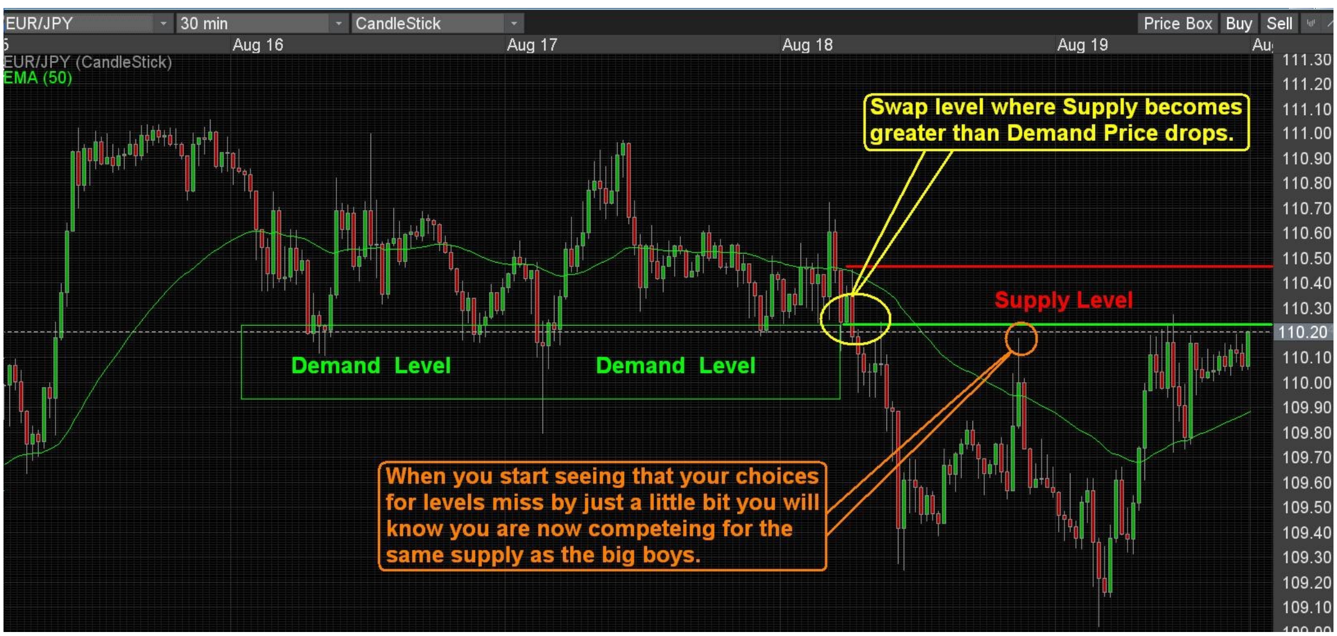
So this is the easiest levels to see and markup, but the funny thing is that this is the same on any pair and any time frame chart. We have only one thing to look for and learn.

So we will extend our lines out across our chart and see how a typical trade plays out.

Why is this demand a failure ? One of the main things to look for when picking Supply or Demand levels is how price moves away and also how long it stays away. If it just makes a quick move then retraces almost 100% it probably isn't a strong area. But almost any level will give us a opportunity to close with little or no damage if we are present because as a level is being taken out there is price action showing us that the level is more than likely not going to hold.

The only other one to find that is a bit different is what I call a swap level . Which happens after price breaks through a a supply or demand level. Because of the simple nature of the price action. Once a demand level is broken through that means there is more supply than demand and we would look for a new supply level in that area.

That is why in other strategies they say support becomes resistance. But we know it is more supply has shown up where we have a lack of buyers, demand.



The swap area is also where we find a traditional breakout and possible entry. But now we know why it is happening and it is a very clear and logical reason.

In the example above we have a breakout and a level upon a level a very good trading area.

Levels upon levels give us some of the safest and best entry areas, because as Demand is pushing price higher and it has to absorb all the Supply at each level once it gets to the next level some of the Demand has decreased. In other words either some feel it is no longer worth the higher price or the one or two players have used all their funds and have nothing to buy with so as with any commodity the price will fall as supply becomes greater than demand.

You may say that price made it to level 2 before turning anyway but in reality it didn't, but because it went so far into level 1 before turning that gives use the information we need to see that price will make it to level 2 and break level 1. Price did push through level 1 later

that day but being a Friday Supply may have dried up and price started consolidating and moving sideways. This happens when volume of trading becomes less between sessions and off hours. You may see price even move outside levels boundaries then see them move quickly back into and through them when major markets open for business.

Another great thing about trading this way is that when picking levels we don't even have to consider price action that is hiding behind the current swing. Only price levels that are visible matter it is the same as with any other pricing. You either got the price you wanted or it went higher or lower before you were able to buy or sell.

So why do so many want to add all this old pricing information to confuse is beyond me. Once price crosses in front of a pricing level Supply or Demand. That pricing level is now gone the level has been filled and nothing exist to buy or sell. Yes that level may come into play in the future but without any obvious imbalance of price in view why would we risk any money on that chance. When all we have to do is wait for the new pricing levels to appear. I also suggest instead of trading certain pairs trade the best pricing levels instead on any one pair.

The only other point we need to keep in mind when searching for trading levels is that we want at least a 2:1 ratio distance moved verses the levels depth to the stop.

Know Your Risk

I read lots of strategies that seem to assign a risk reward ratio after the trade is completed. Which doesn't make much logic if your really planning your trades. Every aspect should be defined prior to execution of the order. But the number one thing to know is how much equity you will have to risk to enter each trade.

You then can have the option of entering only those trades that have a risk your comfortable with, if you like the level but the risk is too great you can look at changing your entry time frame on your chart to limit the risk to less. The only thing that should ever be at risk is where your stop is in comparison to your entry. This should be the total risk, we have shown how to pick the levels and the placement of the entry points and stops.

The only other factor will be the time frame chart you pick your levels on and then the time frame you enter off of. In Sam's work he talks of finding levels on a 30 or 60 min chart. Then taking intraday trades off a 5 to 2 min chart thus timing the entries tighter , but always looking for Supply / Demand levels on those as well.

The above chart is a 30 min aud/usd chart the demand level is almost 30 pips wide entry to stop, this would be your total risk for this trade. If we don't feel comfortable with this we can look to a faster chart to find a more acceptable risk.

The below chart is showing both the same 30 min level lines and a new demand level found on a 10 min chart. The first test of the 30 min level on this 10 min chart had the same risk as if took the entry off the 30 min chart alone. But the first test of the 10 min level had only a 10 pip risk it had all the properties of a good level over 2:1 move and nice rejection from the level.

Using the above idea on daily charts and then zooming into 4 hr or even faster charts is also a option. If your at a great level on a big time chart daily or weekly it is possible to take many trades based off that level until it becomes a broken level. You see this many times when price starts ranging on faster charts , just look for the levels on bigger charts daily or even weekly and if it is supply then look for shorts only within the range.

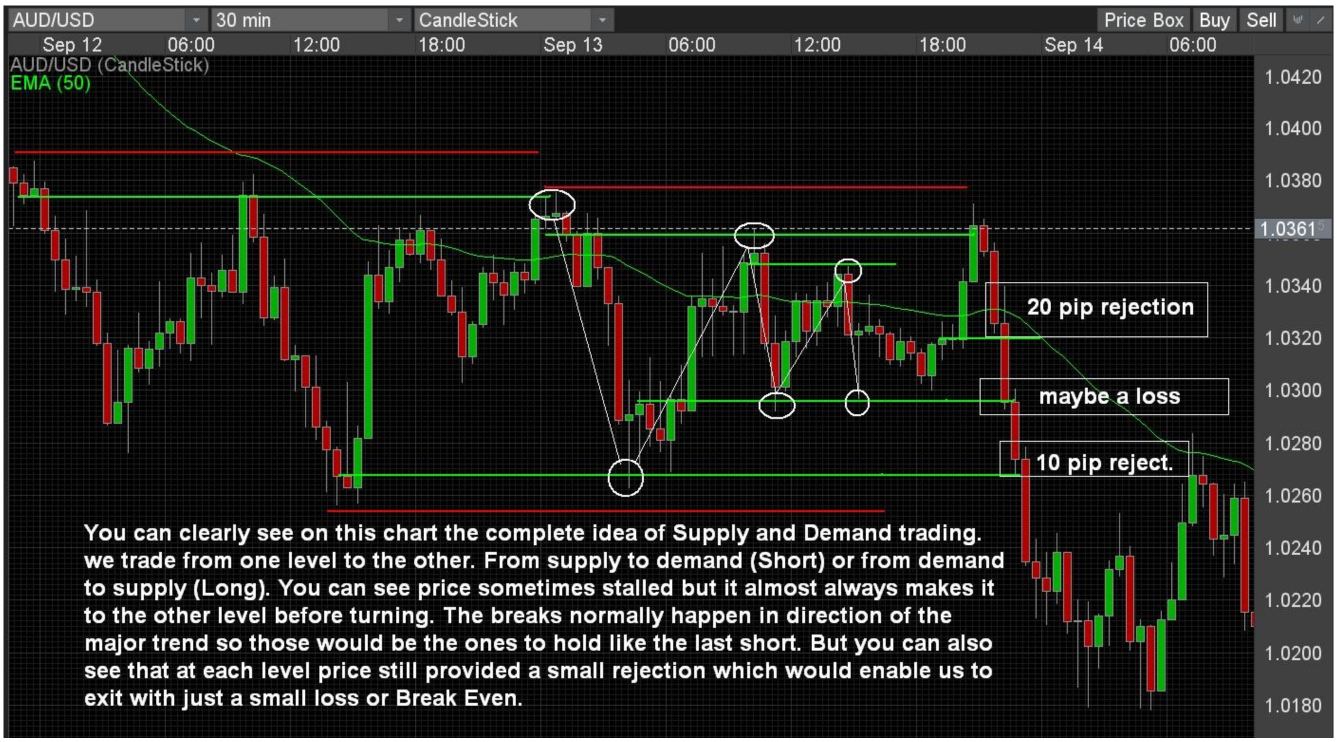
It is always best to trade with the trend.

Profit Taking as a Art form

One of my personal troubles revolves around taking profit to soon leaving as much or more on the table than I took off myself. When trading this way we are always trading from one level to the other.

So when taking a short from supply your first tp target is the first demand level. If your trading counter trend your first level maybe your only one. If your trading with the trend then the first tp may only stall price before it continues , But this will be shown because you will see the level break as the orders are filled until there is not any left to stop price. Your levels for tp can be from anytime frame chart. But the greater the time frame the bigger the whips saws can be as well. So just keep it in mind.

Here is a chart showing how the different levels can come into play. As volume dries up late in the day these smaller moves can come into play. But it depends on how you like to trade. A scalper would love these. Someone trading larger charts might have just got in at the top and be holding yet.



There are 4 different places levels appear on our charts they are the following. Rise-Base-Drop , Drop-Base- Rise , Rise-Base-Rise , Drop-Base-Drop.

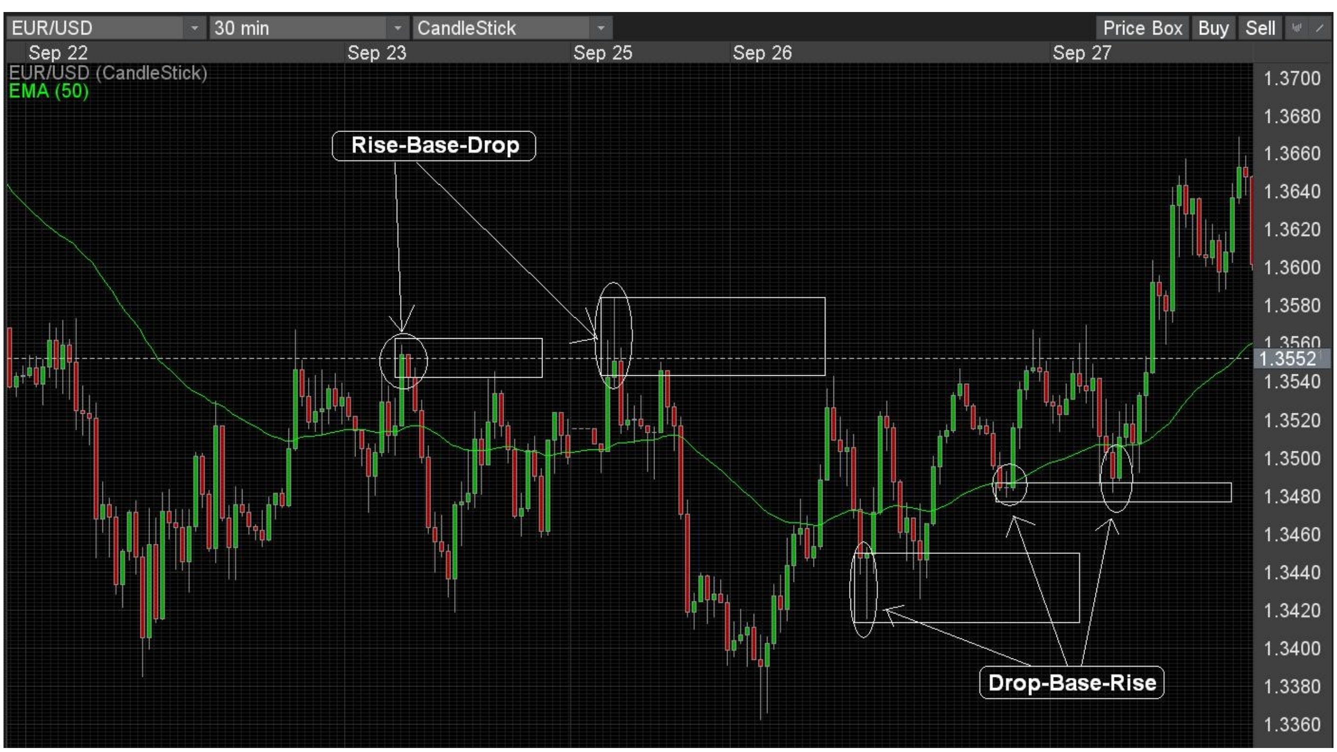
The first two are simple high or lows where price has turned. The second two are where price has broken a high or low. We are then looking for a retest at these levels. I call them Swap levels as it has swapped from demand to

supply or from supply to demand. At these levels we can normally see the price action when the swap to place . You will see a rejection then a test and or break of the level. This can all happen within one candle if your chart timing is large enough the spinning top is a sign of this swap as well. The wick in on direction being the rejection the wick in the other the start of the breakout.

Below is another Rise-Base-Rise , Just zoomed in view.

And the final chart on swap levels.

One final chart showing the Rise-Base-Drop and the Drop-Base-Rise, They are pretty common and what most of us are looking for anyway. So only one chart.



Entries

There are only really 3 type of entries in forex anyway. The Limit order or PO (Pending Order). The PO entry is normally used only at a very AAA+ level. All the stars are in alignment. Not as hard as it seems. In a following chapter we will have a check list to grade your levels. Then after you use it once or twice it will be perfectly clear when you can use a PO.

The most important are that the level is fresh first time back to it, Then also that price moved a long way from it, Plus it hasn't been here in a while.

So only a 3 point check list:

(1) Sped away,
(2) Long Trip, Distance
(3) Stayed Away, long time.

The confirmation order Which is when you enter after price starts moving in your intended direction. You could use this one if your levels are placed on a large chart and the stops are just to large for comfort.

Of course the other is a market order, When your watching your charts and have your levels picked and then maybe you zoom into a fast chart and just watch Price Action and hit the button. But make sure as soon as your in to move your stops and TP's to the right locations.

TPing as a Art Form

One of the failings of a lot of traders is the inability to take profits. The place to take profits off or adjust your trade with this trading idea is the same as picking your entry levels which keeps it simple and straight forward.
We are doing nothing more than trading in between levels. If your trade is taken off a fast chart. When you get in always take a glance up your charts time frames to see if it is possible your in a much bigger trade at the right spot. Or you could be in a trade at the wrong spot and then looking for the closest exit.

In all reality you should have the larger charts already plotted on your trading plan before you even consider trading for the day. Some even keep a whole series of charts open all the time that way they can see the levels from all angles.

Picking targets for profit taking can revolve a lot around a persons comfort zone as well as market conditions. A person who's has little at risk and trades off higher time frame charts maybe more of a investor and

less of a speculator . I think initially most come into trading as speculators trying to turn a small sum into a big sum quickly. But with time many may find in the overall idea of trading it maybe the investor who at the end of the day , week or month still comes out ahead. Because they develop the mindset to hold for everything the market is willing to give. Then if they are entering with as little risk as possible they can even with a smaller amount at risk steam ahead of us that tend to scalp for small gains.

I can't get the charts to show what I want but you could have entered the short at 1.3800 with a 20 pip stop to gain 350 pips that would be a awesome R:R in anyone’s book. This should be everyone's goal enter with least risk then hold for long term profits.

Putting The Plan Together

1. **Look for areas of massive rejection on your charts**
2. **Then look for the exact location where that rejection started from the junction where it left the sideways movement or Base**
3. **Measure your stop should be a few pips past the highest or lowest price in the sideways BASE before the massive rejection happened.**
4. **Make sure it traveled at least 2:1 level width to it's farthest point.**
5. **Find where your first TP would be look for at least 3:1 It may go further but this should be your minimum this way at least you could take a 2:1 profit.**
6. **Do this on all time frames to see the overall trends and counter trends if you have good R;R on a counter trend why not take it , But don't get fooled into thinking it will be a runner without it showing you so.**
7. **Remember your swing highs and lows, also are we making swap levels? This is one of the first signs of price turning.**
8. **Once you have entered make sure your Limit stop and tp are correct if your stop is inside your level move it now. But never again.**
9. **Sit back and make money.**

Odds Enhancers This are from Sam's teachings

PROBABILITY ENHANCER	Score	Max Score
Strength of the Move Strength of the move (max 2): How did prices leave the level: strong fashion, or a more gradual move away from the level. Gives clues to supply and demand imbalance at the level. Strongest turn in price level is where supply and demand is most out of balance. So our quest is to look for price levels where supply and demand is most out of balance. The biggest clue in how in balance or out of balance prices are at a level, is how quickly they leave. The more quickly they move, the more out of balance they are.		2
Reward/Risk 1. How far did prices rally up from demand level before coming back to it. That is initial profit margin. 2. If buying at support or demand, where is the nearest area of supply. If risking 20 cents on trade, is nearest supply level 60 cents or farther away? If not, we are not interested in the trade. Support and demand levels all around, we only want to take the best.		2
Big Picture Looking at daily charts for big picture. Most of Sam's trades are intraday, but he still looks at daily chart for big picture. Big picture is important to day trader for two reasons: 1. big picture trend up or down - determines which side we want to be on 2. Where are big picture support and demand levels? We dont want to short right above a demand level. We only know that from the big picture. If we are taking shorter time frame short positions in context of a big down trend, then this gets a 2. If we are shorting during a bigger picture uptrend, and we are close to big picture support, it is a 0 or a 1.		2
Retracements / Tests We may look at this different than conventional wisdom. Once prices have left a level, (example of picture explanations), sell zone with a lot of candles - we want to enter on the first retracement, it is highest probability entry. First time entry is a 2. second time is a 1. Third time is a 0. This is all just motion into mass. The mass is the supply and demand, the big stack of orders. Chopping tree example: Every swing removes some of the mass. The more swings, the more chance to go through.		2
Time at Level Very much in line with first enhancer - strength. At price levels with supply and level out of balance the most, price will spend the least amount of time at the level. The textbooks talk about this in the opposite way. At price levels with the most imbalance, price will spend the least amount of time: few candles. If price is in balance, price will stay there a long time. it is equilibrium, we dont want to trade there. We want to trade at the extremes. Question: How many candles in what time frame: Be very careful about coming up		1

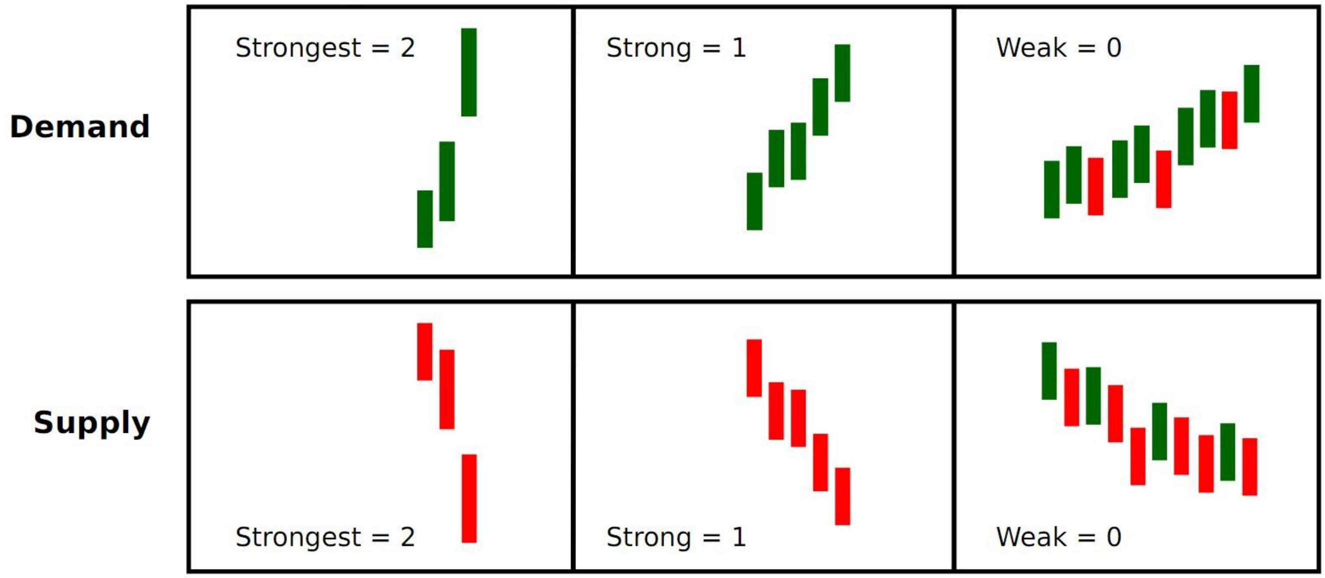
with a specific number. Changing time frame will change the number of candles. At your time frame, compare the number of candles to time spent at other levels, dont get hung up on specific number.		
Arrival How did price arrive come back to the level. We want to be anywhere near other levels. We don't want new resistance levels before we buy, or new support levels to form right before we sell. Strong arrival usually means strong departure at the level.		1

- Total score:
    - The worst possible case is an 8 - This can be a confirmation entry.
    - Here are the scores:
        - If it was a 9 or 10, it could be a limit order. - limit order
        - 8 - confirmation entry
        - 7 - No trade if less than 7

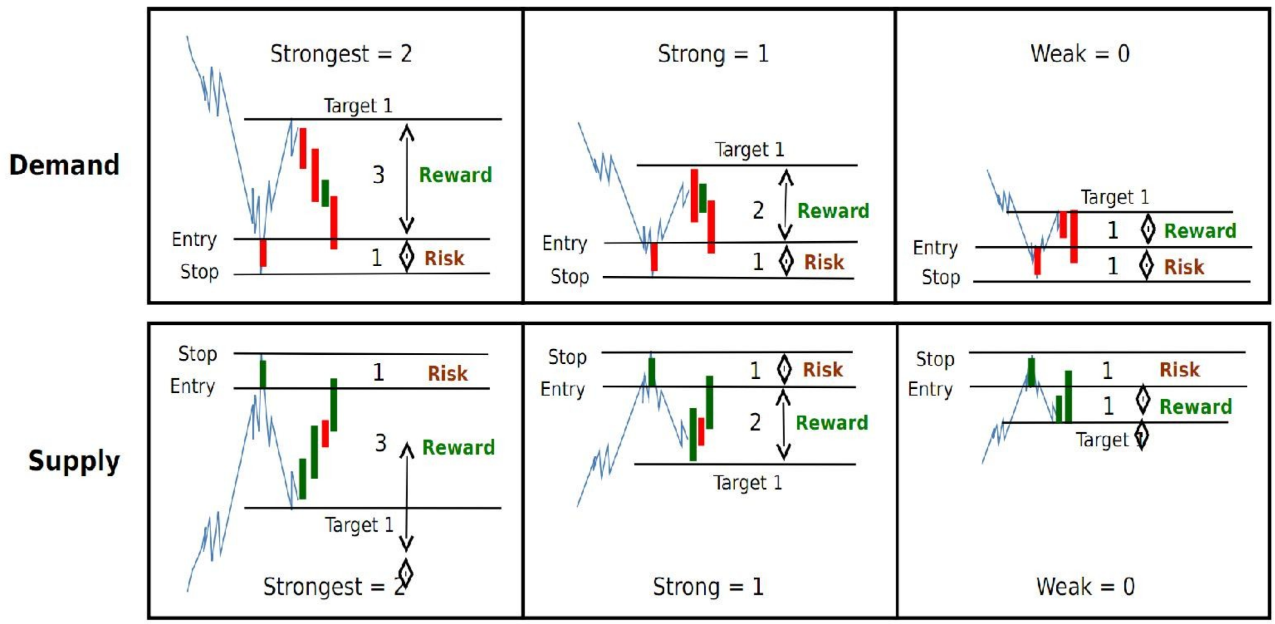
- Another odds enhancer for short term traders: Time of day that trade is meeting entry. The opportunities that we point out that meet entry in first 45-1 hour of the day, these are usually golden opportunities. Later in the day is often not as great.
    - Coming from the institutional side of trading, you know, because you see the order flow. Time of day odds enhancer is, in any market, supply and demand is most out of balance at or near the opening of trading in any market. I saw this day after day. Given that, if you are good at picking out levels and turning points, those will be most profitable. If entering in the first hour of the day, the best day traders make their money in the first hour of the day. I don't know anyone who makes money just trading in the afternoon. If they are trading in the afternoon, they didn't make money in the morning, and it will be tougher. After all the orders get processed, usually supply and demand are back in balance.

If you dont know what you are doing, don't trade at the open. But if you do, trade because that is the time when most of the transfer between accounts occurs. Morning is the golden opportunity.

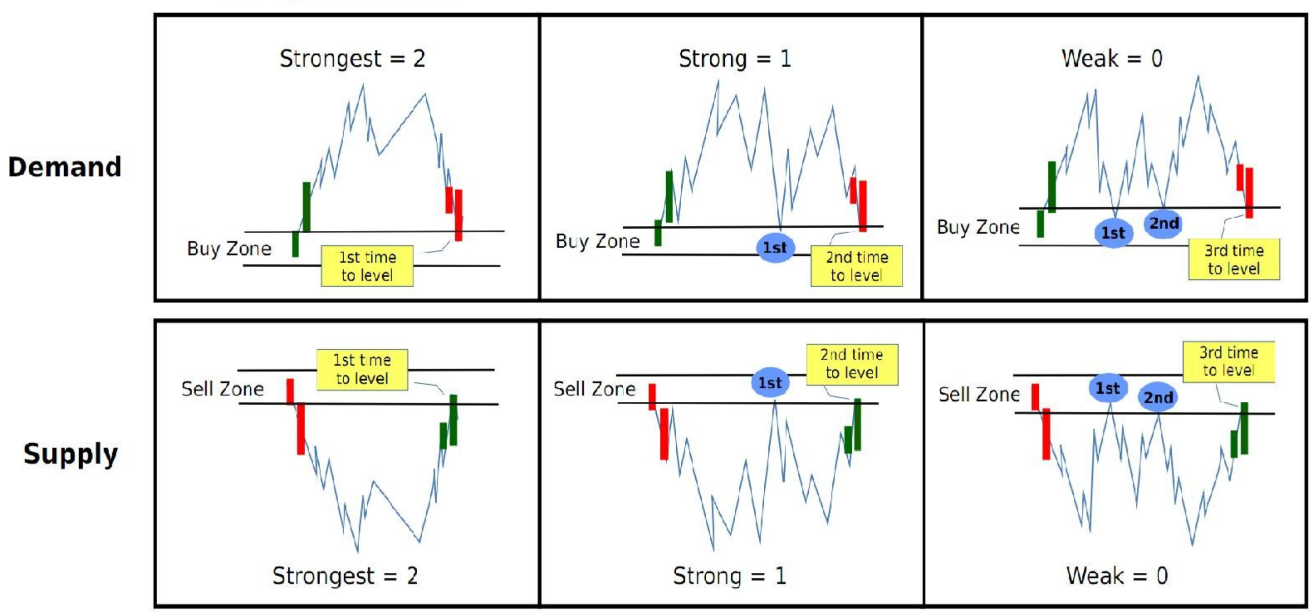
Strength at Origin of Move



Reward to Risk Ratio



Retracement



Some other pieces of the puzzle

To be added as seen fit ..