There are certain factors I look for to place the odds in my favour that price will bounce. These include but are not limited to;

- making sure the level is significant s/r (preferably with confluence - particularly the ATR)

- that price would make sense bouncing when I consider the highest timeframe (the D1)

- that the level has not been hit too many times (particularly from the same side) in recent activity

- that the level is not washed

- that time has elapsed between the breakout and the return (I use the "rounded retest" on the H1 to evaluate this)

- that price is not bouncing just ahead of it and then returning to it,

- that price is moving with some velocity but that the velocity has not just started from the middle of nowhere on no news

It is when the market makes a swing HIGH or LOW. It then pulls away from this over the course of a few bars and then comes back up to challenge it. If it BREAKS the swing HIGH but fails to CLOSE ABOVE it, it is a signal that the market is likely to turn down. If it BREAKS the swing LOW but fails to CLOSE BELOW it, it is a signal that the market is likely to turn up.

I look for this pattern on the D1 timeframe:

Price accelerates into the level. Gold has been quite notorious for making a sharp move to flush out those late to the party. I am OK to stand in front of this, despite it dropping $20 in two hours (200 ticks) in a violent down move.

Why?

Because;

- The strong hands that are short will likely trim positions at this level and some will even look for longs to fade the big move and join the trend.

- The weaker hands that are fortunate enough to be short are likely to try and "gamble" with the level and hold it because they mistake the violence for the start of a big move. At the same time, those that are net flat are probably too scared by the extent of the down move to stand in front of it. (how many people reading this thread are guilty of either or both of these thought processes? I know I was for a long time)

This ensure the weak hands do not participate in the up move which is always good :-)

There is space here which is created by two things;

- The time that has elapsed between the breakout and the retest

- The fact that the nearest resistance is some way away. E.g. We are not trading directly into price congestion.

This is usually the place where I will put my stop. Just under the low of the last "thrust" candle that opened below and closed above my level.

You do not need to wait for price to hit a level and THEN do a rounded retest. You simply need to wait for a key resistance or a support level to get broken and then take action when it trades back into that area from the other side.

The "rounded" pattern is what I look for when a market is retesting that level from the other side for the first time.

How and where to draw levels:

- Practice makes perfect. However, if you mark a chart up, then sit back and watch price react to your levels and you feel like you haven't found the holy grail, then you are doing something wrong. OK, flippancy aside, you should be seeing price reacting pretty much to the pip to the majority of your levels. If not, you are drawing them in the wrong place. It's as simple as that.

- Start at recent swing highs and lows and follow back to the left to see if it marks other swing points.

- Look from right to left which is counter intuitive since we naturally go from left to right which is the way we read (these last two points mean we focus on what price is doing most recently).

- For pinpoint accuracy, aim to identify either the level which has attracted the most order flow (has the most touches) or if this is not immediately obvious, place the level in the mean of the zone.

The information that it is important to record in your journal:

- The usual, which naturally includes : Date, entry price, stop price, target price, why you got in, where you got out and why.

However the most important part is examining how the trade played out after you exited. This is where you look for patterns. Here are some of the things I am interested in :

- On my winners, what is the drawdown? (e.g. is there scope to tighten my stop over time?)

- On my losers, is there a way to have identified it was going to be a loser and taken action to get out sooner?

- Did the trade get to my original target before it would hit my original target REGARDLESS of where and whether I got out?

These are the elements that help you finesse your performance. There are many others that you might think of. Journalling is hard work and there is no template as far as I am concerned - some traders will want or need to focus on some areas more than others.

Selecting Targets

- If I have D1 bias, I usually take 50% at the FTA (First Trouble Area) and 50% at the STA (Second Trouble Area).

- If I don't have D1 bias, I am usually all out at the FTA.

- Markets move in cycles. Right now there is no sustained follow through in many of the plays I make. You need to recognise when markets change or you are going to pay the price.

A big mistake I made last week and how to avoid it:

Had a fantastic entry on the USD/JPY but made an amateur mistake trying to run it past the FTA. I got stopped out.

Remember, the highest probability play is usually to get out at the key level and enter again on the break and RR, rather than trying to gamble with it.

It was a mistake. I don't say "oh well, never mind". I don't say "Well, I didn't lose that much". I don't say "Well the entry was good and these things happen I shouldn't be so hard on myself". If you want to succeed in this game you need to make sure you don't make these mistakes. It is as simple as that.

A rant about something that drives me crazy:

- People trying to automate everything. Especially when they have only just discovered it and their understanding is limited enough that they don't even have the parameters right! (I had a fair amount of correspondance about making an EA for the swing failure pattern...)

How the entry was AT the level. It was not when price came off 48 pips and traded below the BRN - (Come on guys!! We're entering at the source!) And no, there is no need to wait for price action here. Not unless you want to be 50 pips behind the curve.

Regardless of confirmation, when it comes to high probability levels I now think of price action (e.g. candlestick patterns) as a lagging indicator.

It's going to be a tricky start to the week. Don't be discouraged if good levels don't work. From time to time, fundamentals are going to push price through levels and you are going to get stopped. But don't be scared to step in front of things.

Healthy respect for the market is key but so is balls of steel.

I use the spider to:

a) alert me NOT to sell a resistance level or NOT to buy a support level

b) try to get in long or short prior to the breakout if the resistance has had a large number of touches

Signs come in various shapes and sizes. There are general warning signs to be on the alert and then there are all out exit signs. Here are a few that I use:

Warning Signs:

- Some news comes out that should be helping my position but the market ignores it. E.g. I am long the GBP/USD, Retail Sales beats expectations and the market goes down

- When the market closes through my level counter to the way I am trading. E.g. I am long GBP/USD at a significant level and the market takes out my entry level and closes beneath it.

Exit Signs:

- When I get trapped on one side of the level and there is follow through that is counter to my position. E.g. I buy a level in GBP/USD and the market breaks this, comes back to retest this level from beneath and then this turns to resistance (I am trapped) and the market then closes on the H1 below that most recent low - nine times out of ten it's all over.

- There is an SFP counter to my position E.g. I am long GBP/USD and prices goes in my favour and then it breaks a previous swing high intraday and closes below it. It is going to take a lot to keep me in it if I see this.

The best exit sign though is to walk away from your desk and take a 10 minute walk in the cool, fresh air and empty your thoughts. Then come back, take a look at the chart. You can usually tell immediately if you want to be in or not.

In prop I sat with professional traders, some of whom were taking hundreds of thousands of pounds out of the market each week. I would often ask them their reasoning on a trade while watching their entries and their explanation would go as far as the part of your message I have highlighted in bold. In my opinion, you are way over complicating things with talk of stochastics and filters and EMA's. In prop trading, those guys used to roll their eyes if one of us even put a Fib level on. One guy in particular came in as a self proclaimed currency expert - he would walk round from one desk to another saying over our shoulders "Oooh look at that bounce off the 61% fib - eaaaasy money". He never made a penny and left not long after. I'm not being disparaging ; I do use fibs from time to time myself but usually that is to help me choose between two levels that might be close together for a potential entry. I don't keep all those things on my chart.

Find strong areas of S/R (PPZs) on D1 chart with multiple touches; position S/R lines in between intersecting highs/lows; work from right to left and favour recent action over older action. You can also use fibs for extra confluence when considering trading those levels

- Wait for price to break your S/R line and move away from the S/R line to form a rounded retest on the H1 chart ideally in an arc thereby creating space between the breakout point and the retest (temporal space) and space for your trade to run (price space)

- Watch price move into the S/R level: you want a sharp acceleration into the level. Tom also watches the 20 day ATR and likes to see price extended at the end of its ATR for that day. You want to consider passing on the trade if price consolidates close to your level or if price bounces just before your level

- Enter at the S/R level with stop behind the H1 breakout/thrust bar -- I also like to use a swing point or S/R level to hide my stop behind

- TP at the FTA or 50% off at FTA then all out at second trouble area

- Use D1 PA, including SFP, to give you a bias for the next day - if Tom has a bias then he will consider scaling out of the trade 50% @ FTA and 50% @ second trouble area. If not, then he's all out at the FTA

- Price's reaction to news items: if good news comes out but your trade doesn't react positively then consider bailing. Vice-versa for bad news

KEY POINT: TRADE THE FIRST TIME BACK ONLY i.e. only take long trades when your S/R level was no support but RESISTANCE last and only take short trades when the level was no resistance but SUPPORT last.

I would like to comment on becoming a winning trader by cutting losses and letting profits ride because I strongly believe that it is one of the hardest things for a trader to actually do but one of the most vital in becoming successful.

I think it is particulary relevant to people in this thread that are just starting out because James tells us to trade only off daily and weekly bars while we are learning and he also says that once we master that we will most likely neither *want* or *need* to use lower time frames.

The problem with this however is that the really good setups do not come along that regularly and when they do, they often require a large stop. As a result, to be consistently profitable over time it is vital that trades are allowed to develop but that losses are cut short.

I originally wrote this in response to a post on FF in which a trader, who wanted to make a living off of just daily bars, said that he had had approximately thirty wins and only ten losses but had wiped out his whole account. It turns out that just three of these trades swallowed all his money because he kept thinking they would turn around.

This trader went on to say that when he had had winners, his reaction was always the same - he would see his position positive and immediately close and take the profit – only to usually end up seeing the market continue in the way he had originally thought it would.

Since letting trades run is a topic Seeking has already covered, I thought it might help people if I posted it here too. I've tried to add some new things, including charts to illustrate my points.

If you are in a situation where the position you have taken is significantly in profit, take a minute to sit quietly and think rationally. You need to focus on the fundamental thing that your position is now telling you.

You have called the market and you are RIGHT.
We know by its very nature that the market goes up and down so when we are losing we hope at

some point it will come back and if we are winning we worry that it may turn and that we may give some, or worse, ALL of our profits back.

I quote from memory of another’s work (I forget the source) when I say that we are "taught" from an early age that:

a) If we lose something it will eventually come back (e.g. If you lose your car keys, not to worry, they WILL eventually turn up)

b) If you see something, take it or you might lose the chance (e.g. If you see money lying in the street, pick it up quickly because it may not be there for long)

This translates into our trading. If our position goes against us, we tell ourselves not to worry because nothing goes one way for ever and it must surely come back. If we are winning, we want to get out quickly because if we come back later, all our profit may all be gone.

The reason it is so hard to overcome this is because it has been "programmed" into us. To be a good trader, requires going against what we have had ingrained from an early age. To put it simply, it requires going against human nature - what our heads and our hearts tell us.

It's been repeated so often it’s boring. And yet all traders that don't make it into the elite 5% suffer a manifestation of the same problem. They are either not cutting losses early or not letting their profits run.

Have you ever wondered why the market always reverses after you get out? Late last year I went long the GBP at around 1.90 targeting a move to $2.

At the time the pound had made an attempt on 1.91 several times and then come off - it was like a barrier and I felt certain that once it was broken it would go straight up to $2. This time I was convinced it would give way under the pressure of constant testing.

However, once I was long, the market began to fall. And I held and I held. Every day that it fell, I moved my stop further back, convinced that it would soon turn.

When it got down to around 1.85, I closed out. Not because I thought it would go any lower but simply because I could no longer take the pain of losing. And what happened? The market turned at almost exactly that point and only a few weeks later it was trading at 1.98 - a full 800 pips up on my original entry. (**see GBP/USD chart**)

Now whether I am right or wrong I will tell you how I see this in my head. I see it as the market having to turn because all the amateurs like me have held their position for so long, past so many logical places to get out that finally the pain is FORCING them to bail out. And once the weak having been shaken from the tree, the market is ready to move up again. As I said, this may be wrong, but this is how I like to view it.

So how do you overcome this?

Pick a point before you place a trade that, if the market hits, proves you are WRONG in your analysis. If you see, for example, a double top, and want to go short, place your stop a little way above the double top.

I have done this before, shorted at what I consider a top, only to see the market move up through it.

Rather than close, I would then move my stop further and further away with the reasoning, this climb cannot go on, its got to fall...it's just a market fake out...it will come down.

But here is the point: Who cares if it comes down an hour later? Or the next day? Your reasoning is that the double top is the turning point. If the market trades through it, you are WRONG. This is NOT the top.

What if it was only a fake out and the market then plummets? You likely end up frustrated. What if it wasn't and you keep moving your stop back? Well that's a quick way to the poorhouse. And I know which of these outcomes I think is worse.

Remember, the market has a way of frustrating every trader but the greatest traders are flexible. If you are wrong in the short term, close your position and wait on the sidelines where you can see clearly and wait for the market to move in the direction you thought it would.

Timing is everything when you are trying to make a living do this. If your timing is wrong, then get out. Sometimes the market may give you another chance but you can bet the time you need it to most, is the time you will get dragged out.

This may make you laugh but it took me, personally, just over two years to realise this simple truth: You have no control over the market. You cannot influence where it goes. The market doesn't *know* who you are; it doesn't *care* who you are, what you *have* or what you could *lose*. It goes where it goes and you either ride it or you get carried out.

So, that's how you should cut losses. How about letting profits run?

For me, a key thing to remember is NOT to look for reasons to exit a trade once it is going well.

I did this a few months back with the GBP/JPY. The trend overall was firmly up but it had suffered a rather sharp pullback over a few days. Then it had bounced at an EMA that I use and began making its way back up. So I got in based on this DAILY bar and near the end of the day it was up just over 100 points. Now I became enamoured with this 100 point gain. I had a considerable amount of money on the table and as such I started seeing reasons to exit.

Suffice to say, I found what I thought was a good one - the stochastic was overbought on the HOURLY - it was running along steadily just above the overbought line. So, out I came. Then, in the Asian session, the price steadied and while it did this the stochastic came slowly down to oversold and then began to turn up, even though the price has suffered almost no pull back.

The next morning the market was up strong again and just a few days later it was up 1,000 ticks on my original entry. (**see GBP/JPY chart**)

For me, the emotional pain I felt at being in it, then exiting and missing the massive move, was the same as, if not worse to just having LOST in the first place.

I spent five months trading from home and gradually lost all my money. Looking back, that one trade could have been the difference between me being still at home trading for a living and where I am now - which is back in the daily 9-5 in an office doing a job I hate.

So, of utmost importance - remember why you entered the trade in the first place. With price action you can do this by STICKING TO YOUR TIMEFRAME. If you took a pin on the daily, do not get shaken out by a pin in the opposite direction on the hourly.

Sometimes you learn something when you least expect it. I actually had an epiphany of sorts when my girlfriend who knows absolutely nothing about the markets at all said to me: "Everyone has different reasons for doing things - they all play the game a different way."

This is the reason why the market goes up and down. Everyone is buying and selling based on different thought processes. Different strategies. Different methodologies.

But your reason is based on YOUR methodology so forget the other players. Let the market guide you.

In my opinion, a 20 tick pullback in a 100 tick move up is not a sign that the move is reversing. It is natural and it is inevitable. Consider the other market participants. In the short term they may want to scalp a small move or they may be hedging and therefore taking a position for another reason UNRELATED to profiting. These buyers and sellers will cause temporary fluctuations in price but actually exiting a good trade should be done when YOUR reason for entering is WRONG not just because it is suffering a temporary setback.

Let's look at price action since that is what James teaches.

If I enter on the break of a daily pin bar, (with a stop loss of say 100) I EXIT either when:

a) The daily bar gives me a sign the move is over and that signal is then CONFIRMED e.g. Signal may be another pin that appears, confirmation would be the break of it

b) My original stop is hit.

If I get in a trade and the market is up 300 ticks on the first day, I still have my stop loss where I could lose 100 if I get hit when the new session starts.

Each day I will trail my stop depending on the price action of the previous session. If you are long and in profit and then a bullish outside bar develops, then place your stop just underneath that bar because a reversal back underneath it means the trend is not as strong at the moment as you had thought.

But always try and remember – simply being UP is not a consideration for getting OUT.

Some people take these signals and close on the FIRST DAY because they have made a killing. Just think for a second - You are trading off a daily bar. You've had just ONE go in your favour. Try this. Look at a massive trend that you would like to have caught. (I've attached one for you - see the **Dow chart**) Look at a possible entry such as the double bottom, or any of the many swing lows. Then count how many daily bars made up the rest of the move, from bottom to top. Now consider exiting on the first one that shows a profit.

Of course some people don't like to play this way. They like to take profits or they like to scale out as it moves their way. This is all well and good if there is a valid reason other than "this has gone really far." If you trade with the trend (and in forex the markets are renowned for trending better than in other markets) you can capture a very large move simply by not being so quick to exit.

I would add finally, that it is always an eye opener when you read about how other traders have managed positions. If you research some of the best and highest earning traders in the world and follow what they did on the charts you will find as I did that if you took the same position, the moment you would look to exit is usually the moment that they are looking to ADD to their position.

Look at the traders that made a killing in the incredible fall that happened in Natural Gas futures. Go and look at a chart of that market. (see **Natural Gas chart**) On a daily you wonder how anyone that saw it didn't get rich. It's straight down. But then imagine being actually in it and seeing a sharp two day spike up from all the bargain hunters. Most, if not all of the people reading this, would, if honest with themselves, be long gone, patting themselves on the back for their profit even as the market turns and falls through the floor.

So to sum up: Have the strength of your convictions.

There are some traders that aim to take 10 pips a day and that is fine. If that is your style and you are consistently profitable then by all means do that. But if you want to trade off daily charts and make a living and if you consider that a stop on a daily chart may be 100 ticks or more, don't be rushing for the exit when you make 50.

This is not to say that any trader should hold blindly. But try and be logical. Look at price action and let it tell you where the market is going over the time frame. And remember the other participants in the market.

There is always a tug of war in the market but someone is going to win...and if you are patient, that someone may be you.

Price doesn't have to accelerate, it's just something that I like.

You have to be careful with acceleration though. I like to see acceleration over several bars not on the first bar out of a sideways range. I can go over this more in the webinar.

Best advice I can give you is leave limits in with attached stops and targets while you sleep.

I know some people are probably not comfortable with this but I don't see any other way to take advantage of some of the good levels that are hit during sessions when people are asleep.

You could try lowering your size significantly so at least you get some exposure to these trades but that you are not affecting your sleep and see how it works out for you.

The second thing I wanted to write about was risk/reward.

Too many traders get way too hung up on this element. They get it drummed into them that they need a risk/reward of 1:2 or higher. This is because *supposedly* its easier to get a higher R than it is to get a higher strike rate.

But R is dependent on strike rate. If your strike rate is high, your R doesn't have to be for you to have a clean curve.

The other point I want to make is that of utmost importance is the "evolving R".

Risk/Reward is not static.

Once you understand this, you can improve your success significantly.

Again, many amateurs treat trading too black and white. They think: "The trade I just took had a 1:2 when I entered (e.g it risked 20 pips to make 40) and if I can get to breakeven during the trade, then I have a risk free trade." That is as far as they take it.

It's all about the A grade setups. If people take only the best they will not lose money overtime (providing they don't make other mistakes like over leverage etc)

It is as simple as that.

One thing that always kept me out of poor trades that I would like to share with you is this simple idea. Find a trade that you think was an A grade setup ; that had everything going for it. It might be a trade you did, it might be a trade you missed. It doesn't matter. Just find it, mark up what made it A grade and then print it out.

It should be a trade that basically sums up your strategy in one go. Now keep this close at hand - either attach it to a monitor or if you are at work all day, fold it up and put it in your wallet and carry it around with you everywhere.

When you see the next setup you are interested in, pull out your A grade chart and ask yourself ; is this next trade as good as this one?

It's a simple exercise but it can be really useful. It helped me immensely.

Don't trade the crosses.

Some people like to just enter and trail on every trade to see how far price will go and they hope to hit a runner. Rather than debate the merits of this, I would simply say that it feels too much like a "hope and pray" strategy to me and I prefer to be proactive.

So ;

- If I don't have D1 bias or I DO have D1 bias but I am trading AGAINST It (e.g. *buying* at the ATR and an H1 level while I think from the D1 that prices are going to be heading *lower*), I tend to exit the whole position at the FTA

- If I have D1 bias and I am trading WITH it, then I tend to scale out half the position at the FTA and half at the second TA. (TA stands for "trouble area". After I am out, I can assess and get back in as the market moves accordingly (use the "step approach"). From time to time, with D1 bias I will simply enter and trail and if I do so, I tend to put a stop behind each THRUST CANDLE that closes above/below the next TA and run it this way.

"Stick to the A grade trades and try not to do anything stupid in the meantime."

Having said all of this, one of the things that I believe has greatly increased my profitability and also one of the hardest things to do from a psychological perspective is get out when you get a warning sign that the trade is not working.

The reason it is so hard to do is that traders cling onto hope. They use all sorts of reasons to justify this hope, ignoring warning signs and holding a trade blindly to their stop. They say things like "well I have planned for this loss with my risk management so it's no big deal if it stops me out" or "What if I get out early and then the trade goes my way? I should just hold it to my stop"

When I put a stop in the market, I place it a point where I believe I am totally wrong on the trade idea but I am always watching the market for signs that I am wrong before my stop is hit.

I find that the vast majority of the time that I get my first warning sign, the market will go onto hit my stop so now I just get out as soon as these signs present themselves to me.

Let's consider SFP's since you mention them frequently.

A bearish SFP provides no more than an indication that supply has overwhelmed demand and that selling pressure has dominated.

Note the past term that I am using with the word "has". I didn't use the word "is" or "will". That is how you need to think about PRICE ACTION.

In the way it is popularly taught, it is a lagging indicator in my opinion.

That's not going to make me popular but that is the way I see it.

So that means that bars and candlesticks are significant because they show how buyers and sellers reacted but we have no assurances that buyers and sellers will keep reacting that way.

As a result of that thinking I like to use LEVELS in my trading way more than anything like SFP's...

Why?

Because price WILL react to a significant level (the majority of the time)

But an SFP shows price HAS reacted.

Do you see the difference? It is a subtle one but very important.

For that reason, it is important to me that I pick them very carefully.

SFP's are no different to any other setup ; it is all about context because if you want to get a profitable trade you need to find an area where pressure from one group will overhwhelm the other.

And if you are going to enter AWAY FROM THE SOURCE e.g. after a pin bar, bearish outside bar or, yes, an SFP, you must know that more traders will execute in your direction AFTER YOU.

The stronger the area you enter at then the more chance of this.

One of the best areas to find SFP's for me personally is at significant levels of support or resistance. The reason for this is that if an SFP occurs at a key support, for example, sellers get trapped as they place their stops below the lows and get filled on a spike down.

If price then closes above those support lows, some of those short termers will bail and their buying will push price higher. The higher it goes, the more the shorts will be feeling pain and forced to pay up to get out.

However, SFP's at single swing points don't particularly interest me. In fact, most of the SFP's I see, don't interest me.

Remember : I want in at THE SOURCE.

Oh and one final thing ; if I hear another trader say "I don't trade USDJPY because it doesn't move much" I will bang my head against my desk until I knock myself unconscious.

If you are still counting in pips rather than R multiples you have a LONG way to go in this game.

H1 is the trigger timeframe and D1 is the "bias" timeframe.

Therefore, if you see an SFP on the H1, you can use it for entry if you have a D1 bias!

If it's simply an SFP on it's own then make sure you have a level.

Yeah this one didn't work too well but if you played it correctly, your loss should have been small.

I initially took it short at the orange line (101.11) with a stop at 101.54.

The correct exit was on the "trap" which is a pattern we have gone over in the weekend webinars to take timely exits when positions are not looking good.

You can see that the candle that enters me short CLOSES above the level I have sold (blue arrow).

At this point we are in drawdown and we wait to see what happens.

In the next candle, the market makes an INITIAL HIGH POINT and then begins to retrace.

In the candle marked with the yellow arrow, the market RETESTS my anticipated resistance area and that area becomes support.

This is the last thing I want to see when I am short.

Now, the exit strategy is to get out on the first H1 close above the INITIAL HIGH POINT.

This happens on the close of the pin bar marked with the red arrow.

That should have given an exit of 28's + spread which for me would equate to a loss of 20 pips.

Because the initial stop was 43 pips then your loss is cut in half and works out at a 0.47 R loss.

The aim of the game is to put an initial stop in and NOT LET IT GET HIT.

ANY TIME THAT YOU EXPERIENCE THE FOLLOWING SCENARIO ;

- Put in an intial stop
- Get out before your stop is hit on a sign of trouble
- See that the market would have hit your stop

You have had a minor victory and helped your long term edge.
Read those last few lines. And then read them again.

WARNING : Traders have to find the fine balance between not cutting things too early on the first sign of trouble but to be constantly referring back to the way they ANTICIPATE price to move and getting out when that EXPECTATION is not being met.

The problem is newer traders do not have enough experience to be forumulating EXPECTATIONS. This is why screen time is absolutely vital.

Attached Thumbnails

I know there are quite a few people that try this method after learning from other price action threads or courses on the web.

It is important to note that there are a lot of differences between what I do here and what a lot of the readers of such threads will be used to doing.

It is important I highlight the ways in which I now differ for the simple reason that if you don't understand these differences, you will struggle to make things work for you.

Here is a quick outline ;

1) We don't IGNORE news. News drives markets. I think too many people try to market their strategies by making them too simple. I recently read this classic on the net from a "professional trader" : "I do not waste my time reading the paper or visiting any news blogs...I couldn’t care less which Euro-zone country is going bankrupt or issuing bonds, and I don’t care what Oil country in the middle-east is starting a civil war; this stuff does not help a price action trader and it does not influence or concern me."

Try saying that at an interview to become a professional trader and there is a 99% chance you will get laughed out the room before you say anything else. Don't get me wrong. While I don't sit there trying to trade figures, NEWS DRIVES MARKETS and once you understand how new works (what news traders expect, what news they actually receive, how price reacts) then you can start to understand the puzzle a lot more.

News is ;

- The reason I got out of my Gold short at $1703 and caught 80 ticks rather than everyone that tried to run to the FTA and lost money

- The reason you know to short USDJPY every time they intervene APART from 16th March 2011. (16th March was co-ordinated CB intervention rather than single)

- The reason you get long EURCHF on the 6th September 2011. Everytime the SNB intervened, a study of pure historical price action tells you to begin looking for shorts on the day of intervention. A news trader, sees the peg announcement flash across the wires and not only does he know not to get short, he actually gets long on the rally.

- The reason you don't sell USDJPY at the 76.60 level on Friday after a blowout non farms number.

If you are long the FTSE off a great level and price starts plummeting because there has been a terrorist attack, a good trader will cut and reverse immediately. Meanwhile all the rest will be saying "Oh I don't watch the news...so I'll just hold this to my stop gets hit"...

Those that IGNORE news do not, to put it bluntly, have the first clue what is going on in these scenarios.

I could go on all day. Someone once asked one of the prominent J16'ers in a webinar, do you trade news and they said "Look at a chart, if you can backtest it visually and see that it works then news is unimportant because you can see the setups work and you have no idea of whether there was news or not".

While this is a good answer, I still think it is viewing things a little too simply. That is just my opinion.

How do you know that the setups that didn't work were all news based? How do you know whether the setups that do, were? You don't.

Now, no one should be suddenly pulling up their wires and reacting to every bit of news that comes out because much of the time this just serves to scare you out of taking or holding a position. But news and what it does to markets is something to WATCH and LEARN.

News related trading is a very hard area of trading to master. That's why it is usually ignored. But no one said the game was easy.

2) The breakeven maneouvre. If you are still using it, you haven't read the thread. Using breakeven is akin to gambling ; I HOPE it will carry on in my favour but I DON'T want to take a loser if it turns.

It's simple ; once it reaches the next key turning point, get out and be ready to get back in again if necessary.

The number one rule that you hear time and time again? Never trade your P&L. This is exactly what breakeven stops are. They are trading your P&L.

Use a stop that makes sense. Not one that is an emotional crutch.

3) Running trades. It is not necessary to be trying to run a trade for 500 pips profit with this strategy. The people that try to do this are usually either ;

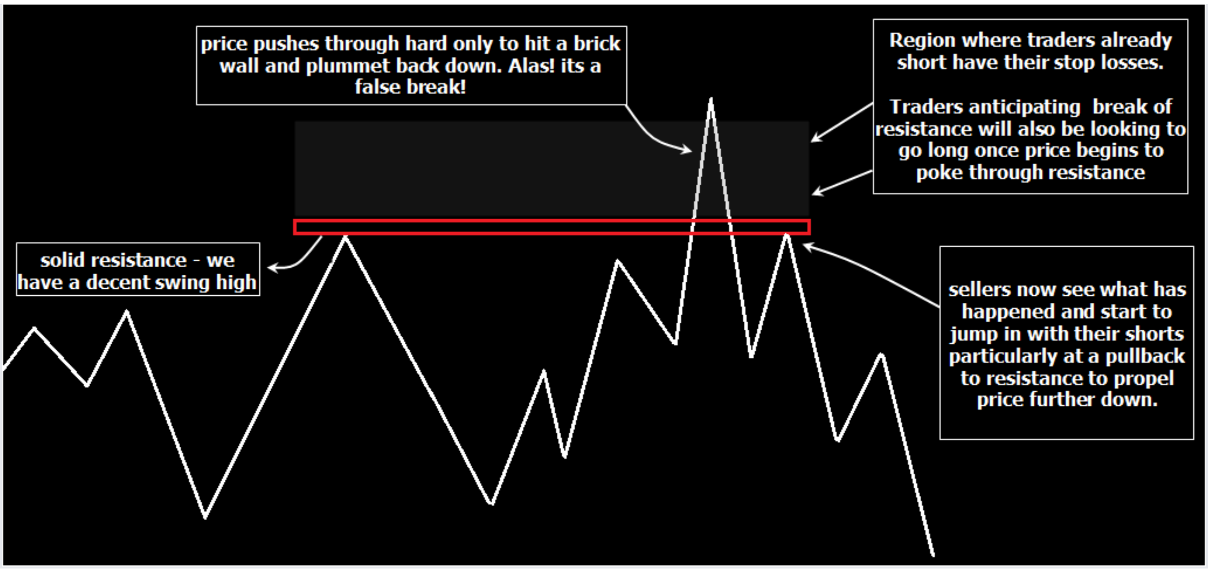
- Trying to compensate for a huge stop e.g. when you are trading a D1 pin with an entry on one side and a stop on the other.

- Trying to compensate for having a small account.

Once again, I am NOT saying that profitable traders do not run trades. Many do. However, I am saying that this is not my style and I think that if you have been trying to do this and not having success so far ; stop thinking it's all BAD LUCK and actually be honest and ask yourself if you fit into either of those two categories above.

Those that attend the webinars have been given a clear set of rules for when to get out. When you have a D1 bias, run to the D1 FTA and use the H1 to trail. If you do not have a D1 bias and enter on the H1, exit at the H1 FTA.

4) Forget about the crosses when you are new to this. The key to making decent profit in the markets is knowing a few in depth. You cannot possibly know large numbers of different markets inside out and back to front. It's part of many price action strategies because they almost always advocate taking W1 or D1 based trades which means you do not get enough trades to see any meaningful improvement unless you analyse 376 markets every night. If you use this strategy across the 6 - 7 USD majors, you should get one trade per day on average.



When the market gaps (either up or down) and then runs on in the direction it gapped in and then SFP's a major swing, you have to take these trades. They are insanely high probability.

What you really want to do at this stage is rather than looking elsewhere; go back through your trades carefully and ask yourself questions;

- How many of the trades clearly fit the rules on entry, stop, target and trade management? (If

you don't have rules, why not?)

You should have a clearly defined set of rules. For a new trader, it is very hard to guage what is making you win or lose if you are doing a different thing every time.

- **What links your losers?**

You can look at this generally; e.g. Perhaps most of the trades went in your favour initially but you tried to over run them and it is only with hindsight that you see clear FTA's? In that case, maybe there is something wrong with your drawing of levels?

What links your winners?

Are there particular markets you never seem to lose on?

Try <u>not</u> to look for a setup. The professional traders I know would never scan a bunch of charts and say "right, I'm looking for X pattern to trade"

Try just looking at one chart with certain frames of reference and constantly ask yourself questions about everything you see.

Here a few to start you off:

- Which swings are likely to have stops/market orders mainly from traders initiating in line with a break?
- Which swings are likely to have stops/market orders mainly by traders capitulating positions in line with a break?
- How might the difference between the two groups affect future price behaviour?
- What news do we have out later today?
- As we get closer to that news, is the market moving in line with the analysts expectation or against it?
- How far are we through the days ATR?
- Is your market outperforming or underperforming against its most correlated market?