panoramia May 18, 2013 4:22am | Post# 1

Supply and demand in a nutshell by Alfonso Moreno

5 Attachment(s)

SUPPLY AND DEMAND FOREX TRADING IN A NUTSHELL

Set it and forget it!

PLEASE TAKE THE TIME TO GO THROUGH THIS ENTIRE FIRST POST PATIENTLY AND WITH NO HURRIES; PATIENCE IS KEY.I KNOW THIS POST IS LONG AND IT CAN BE A DAUNTING TASK FOR YOU, BUT THERE ARE MANY CONCEPTS YOU NEED TO UNDERSTAND THAT ARE KEY TO UNDERSTANDING SUPPLY AND DEMAND. IF YOU DON'T DO THAT, OTHERS AND MYSELF WON'T BE ABLE TO HELP YOU. TAKE YOUR TIME, IF YOU NEED HELP CONTACT ME OR LEAVE A MESSAGE ON THE THREAD.

Trading the forex markets is not a 100 meters hurdles race with hurdles every 10 meters, but a marathon race with hurdles every 100 meters.

FREE LIVE SUPPLY AND DEMAND WEBINARS

If you are interested in attending a free live webinar, please fill out this form: www.set-and-forget.com/free_webinars

I hold webinars maybe once every 1 or 2 weeks, it depends on where I am at the moment.

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Those who have been following my thread know how hard I've worked to try and help you all. It all started like a simple trade journal, but out of the blue in less than 4 months it became something very different to what I had initially created it for. ***The thread has grown to such an extent that I could have never imagined: more than 600k views since May 2013, more than 4.000 posts.***

This thread is not a trading journal any more; it's a meeting point to help traders understand how supply and demand works, helping them to understand the forces that govern both the markets and our lives.

I'm really glad that so many of you are interested in understanding how the market works. However the fact is that the thread started to absorb my life, my spare time, it took me a lot of time to manage not only the thread but replying to dozens of daily private emails that hit my inbox. I'm afraid that the number of emails I will be receiving in the next weeks and months will not decrease, but increase.

Life is karma, life is a boomerang. Whatever you do in life, it will be returned to you 10 times bigger. This thread is changing my life in many ways, hopefully it will change many others as well, the emails I receive is an indication of that.

I am very happy and proud to have received such a huge welcome and all the private messages I get every day speak by themselves. I will not refer to any of them; those who have written to me will know what I am talking about. I've had to take an important decision if I want to keep on helping you and other traders. I was asked by some members to create a private area, I believed it was the best decision to take, both to help others in a more organized way (FF is great but it has far too many limitations) as well as allowing me to get my spare time back while keeping intact my passion for helping others.

Other things have happened that have forced me to take this decision. Many won't like this idea, some will hate me (I don't know why since I did nothing to them) others will like it. I can't make everybody happy, I do not lose any sleep over it, this is how life works, I won't try to change such a primitive instinct.

What I am trying to do now is creating a community of supply and demand traders that trade by the same set of rules, preventing trader's minds from being clouded with different and/or similar approaches to the markets. The community will be a subscription-based forum where any serious trader is welcome if his attitude is humble and open-minded. If you are patient and willing to learn then you will be welcome.

Trading is all about putting your emotions aside to prevent them from affecting your trading decisions. This is what the private area is about, setting and forgetting.

If the idea appeals to you and you are serious enough, you will be welcome at: www.set-and-forget.com
If you want to contact me, fill in the form at: http://www.set-and-forget.com/contact-us
I will always do my best to give free support on this thread, but bear with me, put yourself on my shoes.

For those of you whose minds switched to negative and prejudiced mode after reading this small introduction, please read Post 3369
I am very clear about many things on that post, you should probably switched that mode off. There has been a discussion about the private forum where people did not respect me and other fellow traders. This post explains it all and shows links to live accounts.
A commercial decision in no way destroys what I started and offered for here at FF, all the information is here for others to carry on and learn from if they decide a private forum is not their cup of tea. People just want everything for free and everything handed to them and put no value in the time that the thread starter has put into running it. Time is money and everyone's time is valuable, so is yours.

WHAT'S THE DIFFERENCE BETWEEN THIS THREAD AND THE PRIVATE COMMUNITY?

The difference is a better organized site with different channels and categories as well as undivided support to the serious trader who learns the rules given on this thread for free but still need confirmation & time to learn from fellow traders all following the same strategy and rules without having their understanding clouded by different approaches.

If you are making consistent money then there is no reason to join. But if you see the potential to make money trading but for some reason still can't make money trading then there are other issues at work like trading plan, emotions, a fix set of rules, other traders supporting you, etc. This is where you can get your questions addressed fully & the support from all within the community, it's like a family. This thread has taken me so much of my spare time that there is no choice but to do it this way. No one is forcing anyone to join. We are just like minded traders filtered into a serious forum analysing the same way. The support is there to keep you on track.

The free info is right below on Forex Factory, there is all you need to know about supply and demand. Read it and apply it. Simple.

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FORWARD TESTING THE RULES IN THIS POST IS KEY

Back testing on Metatrader 4 or any other software that already shows you the next candles is mostly useless, forward testing is the way to go. You can use Forex Tester 2 software to do it, it's the best testing software out there in my opinion. **Once you have tested these rules or any other rules for MONTHS (not months of data, but months of work on your side), ONLY THEN you will gain confidence trading these rules or any other strategy you decide to trade.**

It's just impossible to organize each lesson and topic in a single vertical thread like FF does, just impossible. I can't create a FAQ because there are so so many things to cover that it would be a daunting task I have no time for. This is why you have to take your time and forward test these rules or any other strategy's rules you want to trade with, with a software like Forex Tester 2 for 3-4 months, a couple of hours a day using Forex Tester 2 will give you all you need to know, but **most traders don't want to forward test, they consider it a waste of time. They do not realize that it's the most powerful tool they have at hand to feel confident about any trading rules and eventually becoming full time profitable traders**. Traders feel the urge to trade without the confidence of months of forward testing, what is the result 99.99% of the time? Blown up accounts!

You have to do your homework, nobody can do it for you except yourself. Take your time and forward test, you will see many things that you can't see now. If you are not willing to spend some months forward testing the ideas on this thread or any other strategy, then you should not be thinking of becoming a trader, you will mostly likely have the same doubts and gaps always.

What will happen after let's say a week of forward testing the rules?
There are only 2 possible outcomes:

- **You maybe find that the rules work pretty well and you are getting a nice % success ratio and you will STOP forward testing. MISTAKE.** A week of forward testing is NOTHING, if you stop so soon you are not getting the point. If you ever started to study a career at the University, did you stop studying and making exercises after you read the first book? You didn't you spent a minimum of 5 years studying, and even after 5 years of university you finished the career and you know NOTHING, because you have no practical experience. Life is like that
- **You will see no progress and believe that the rules do not work and will skip this thread and go to another one**. This could probably happen, but it will happen to you on any strategy. You have to believe in the logic of the rules and the nature of the markets and supply, because supply and demand governs the markets and our world. Take your time, spend some months forward testing, ask your doubts, don't despair!

YOUTUBE VIDEOS ON SUPPLY AND DEMAND

- You can view the videos at my YouTube channel: http://www.youtube.com/user/supplyanddemandforex
- **Subscribe to my YouTube channel** if you want to be automatically notified of new videos being posted

I've created my own templates and a very important and useful Metatrader indicator to draw my rectangles and extend them to current price, as well as calculating the number of pips in the rectangle, it will also draw trendlines automatically on the higher timeframes's D1 and WK supply and demand areas so that you can see where you are in the curve when you are on the lower timeframes.

You will be able to download all Metatrader indicators and the template that I use. I will be using the same template always for all my posts here, which is the way I trade. **I'd like that if you post any charts, you do it based on this template and indicators I've attached, by using the simple methodology explained below. Why the same template? If we all do it the same way, then we all can help each other, because we'll be basing our decisions on the same methodology.** Having different charts with different colours and indicators, dozens of lines painted all over the charts making it crowded, will not allow all of us to see price action as explained in the thread.

> Quote
> I am not an OTA graduate, never took a course with them. All I've learnt has been taken from the Internet for free, many forums, available free videos by Sam Seiden, and a LOT of common sense and logic. Anybody who puts a lot of hard work can possibly achieve that too, not just me. I've just taken the time to compile my own ideas, work hard back-testing and forward testing the markets. I've written my own indicators, my own trading plan and my own rules (many of them are common-sense, I didn't invent the wheel), and shared it with other traders, nothing else, that simple. I must say that I've been able to achieve this thanks to Sam Seiden's OTA free videos and other teachings available on the net, as well as other Supply and Demand traders out there on several forums. Without it, I would not have been able to accomplish this. Supply and demand is the law that governs the markets.

I will be posting some of my trades, good and bad ones on this thread. I will describe my rationale for my entries and for my exits. Hopefully others will be helped with my thread, which is one of the 2 only reasons I'm writing it. The 1st one is to help others, the 2nd one is to help me become more consistent by thinking out loud in the form of a thread, this will help me become even more consistent following my own set of rules.

Remember this VERY important thing: the more indicators you use on your charts, the more rules you will have to add to your trading plan. Adding an indicator means you will have to add rules when to use it and when not to use it, how it will help you make a decision, when it will filter out a bad or a good trade, etc. If you add too many indicators, you will be flooded with variables and decisions in your trading plan. You will be paralysed and you won't be able to pull the trigger.

TYPE OF LEVELS, CONTINUATION PATTERN versus SWINGS (valleys, peaks)

Let's make a pretty quick summary of the 4 types of zones we're looking to see on a chart.

PEAKS & VALLEYS: best at the extremes of the curve or close to it

1. Rally-Base-Drop
2. Drop-Base-Rally

These two are the best ones at the extremes of the curve, they are normally reactions to the next two types of zones (read lower).

CONTINUATION PATTERN (CP): best for momentum, when trading with the trend
Not higher odds when you are counter trend or at the extremes of the curve.

1. Rally-Base-Rally
2. Drop-Base-Drop

The first thing you want to do is become an expert locating these kind of levels on any price chart, be it on a H4, a D1 or a H1 timeframe. It's just the same because *price is fractal*, whatever structures and patterns there are, you will see them on all timeframes. Many say that drawing the levels correctly can be "considered an art"; it takes time, so be patient, your mind and eye need training, and lots of screen time till it becomes second nature to you.

How far back in time do I need to go in order to find supply and demand levels?
As far as you need to, days, weeks, months or years!

FRESH LEVELS versus ORIGINAL LEVELS

Supply and demand levels can be:

1. **Fresh.** Price has not pulled back yet, untested level
2. **Non-fresh**. Price has pulled back to it at least once
3. **Used up.** Price has pulled back to level several times, not good for trading
4. **Original.** Level has been created out of the blue, not being a reaction to any previous level
5. **Original and fresh.** Same as original, but it's alsy fresh (untested)

How do we know if we have an original level of supply? (opposite for original levels of demand)

- **Look left** to find original levels
- Draw a horizontal line at the distal line, and scroll your charts UNTIL you see that it touches a candle
- If that candle is part of another supply level, then the supply level you were analyzing is not original
- <u>You are not allowed to cut through candles,</u> that is, once you look left by drawing the horizontal line and the line meets a candle, you stop and decide if it's a reaction to a previous supply level
- To know how original a level is you need to look left because you need to look at the origin of the level

  WE NEVER CUT THROUGH CANDLES TO FIND SD LEVELS, A FLIP ZONE IS NOT A LEVEL

How do we know if we have an fresh level of supply? (opposite for fresh levels of demand)

- **Look right** to find fresh levels
- Draw a horizontal line at the proximal line, and see if price has toched the level
- If price has not pulled back to the proximal line then it's a fresh level
- Freshness of a level is known when you look right, you have to see if price has pulled back into the level or not

When is a supply or demand level confirmed as a level?

- We need that the opposing supply/demand area is taken out (absorbed) before we consider an area to be valid **<u>AND/OR</u>** price making Higher Highs or Lower Lows in the timeframe where the level is being drawn
- If previous opposing area is not taken out **<u>AND/OR</u>** price is not making HH or LL, the new level will be negated
- For instance, if we see a D1 demand forming, we'd require that at least one full candle (OHLC, Open, High, Low and close) closes entirely above the potential D1 demand basing area in order for that demand area to be considered as demand, otherwise it will be considered part of the base
- <u>Exception:</u> if we are at the extremes in the curve (D1 demand fresh zone, it doest not apply to non-fresh zones) we won't need that the new lower timeframe demand (H1 in this case) takes out previous H1 supply area for our entries, since the D1 demand is fresh. If the D1 demand was not fresh then we'd need that previous supply be removed before the brand new demand is considered for a confirmation type of trade

When do we consider a zone to no longer be valid? When is it considered to be broken and needs to be removed from our charts?

- The zone is no longer valid when it's been taken out by as little as 1 pip
- We don't wait for a close above or below the zone in order to consider a zone as a violation
- We don't wait for a full OHLC candle above/below the zone

Sometimes, we'll have zones overshot by a few pips, others by quite a bunch or pips and we'll see it dropping/rallying after that, most likely after our SL has been hit. If that is the case, a brand new level might have formed confirming willing buyers/sellers, which could be good for a trade once it pulls back to retest it by using the confirmation type of entry.

Set & forget is got its pros and cons! Sometimes levels will be overshot by a few pips, this is why having a nice wiggle room added to your SL is key. Market makers are lurking in the dark like hyenas. Others your SL on a short will be hit and then price will drop like a rock. You will not want to short that pair any more because you had a loss the first time, but what will most likely happen then? The second entry was the good one and you didn't take it because the first one was a loss!

Does it ring a bell to you? We need to add more wiggle room to the trades at the extremes, we should not be scared to take a second trade if the first one was a loss.

BUY LOW, SELL HIGH (in the curve or range)

Assessing when a trend has changed is one of the trickiest things a trader will face, because every timeframe has its own trend. You may be trading in an uptrend on H1, but the D1 is in a downtrend, and the weekly in an uptrend. So, the first thing you need to do is to decide which is the timeframe you will be using for your trend, and follow it 101%, don't switch it randomly, use always the same one. Then choose the entry timeframe where you will be drawing your entry SD levels; after that, define the timeframe to assess *how high or how low you are in the Curve*, it will tell you if you are too high to buy or too low to sell, so you will be more or less aggressive in picking up levels or your TPs (exits). You can use the spreadsheet I created for Open Office Calc to manually add your D1 and WK levels, by doing so you will always keep track if you are too high or too low in the supply and demand curve. If you are too high in the curve, you should be thinking of exiting your longs and looking for supply zones to lean on your shorts if you think that are maybe a turning point in the current trend; opposite for low in the curve.

You can see that spreadsheet in the following link, levels are not updated (I do it every day for personal use), but it's better like this because you will see all the color changes that will be helping you to assess if a level has been hit, if its been penetrated 50% or it's been broken. http://www.forexfactory.com/showthread.php?t=424894

Use the screenshot below as a guidance to mechanically know how high or low you are in the curve. Decide the % you will consider as too high in the curve (how close you are to higher timeframe proximal line), and don't go long if price is higher than that %. Do the same for the low %. Decide upon that and don't break the rules, you will avoid many losses by doing so.

Attachment 1256160

MULTIPLE TIMEFRAME ANALYSIS. TOPDOWN ANALYSIS

What is multiple timeframe analysis? What is a topdown analysis?
Most technical traders in the forex and futures markets, whether they are novices or seasoned pros, have come across the concept of multiple timeframe analysis in their educations. However, multiple timeframe analysis is often the first level of analysis to be forgotten when a trader pursues an edge over the market.

Multiple timeframe analysis involves monitoring the same currency pair across different timeframes. While there is no real limit as to how many timeframes can be monitored, or which ones to choose, there are general guidelines that a trader should follow.

Using three different timeframes gives a broader view of any market. Using fewer than this can result in a considerable loss of data, while using more typically provides redundant analysis and indecision. When choosing the three timeframes, a simple method can be to follow the rule of four. This means that a medium-term timeframe should first be determined and it should represent a standard as to how long the average trade is held. From there, a shorter term time frame should be chosen and it should be at least one-fourth the intermediate timeframe for example, a H1 timeframe for the short-term time frame and H4 timeframe for the medium or intermediate time frame. Through the same calculation, the long-term timeframe should be at least four times greater than the intermediate one, so keeping with the previous example, the Daily chart would be the third timeframe.

It is imperative to select the correct timeframes when choosing the three periods. Clearly, a long-term trader who holds positions for months will find little use for M15 chart, H1 and H4 combination. At the same time, a intraday trader who holds positions for hours and rarely longer than a day would find little advantage in daily, weekly and monthly combinations. This is not to say that the long-term trader would not benefit from keeping an eye on the H4 chart or the short-term trader from keeping a daily chart in the selection.

Putting it all together

When all three timeframes are combined to evaluate a currency pair, you will easily improve the odds of success for your trades, regardless of the other rules applied. Performing the topdown analysis helps you trading with the larger trend, what we call the bigger picture. This alone lowers risk as there is a higher probability that price action will eventually continue on the longer trend. The confidence level in a trade should be measured by how the timeframes line up in this topdown analysis. For example, if the larger trend is to the upside but the medium- and short-term trends are heading lower, shorting the market is not a good idea, you should be cautious with your profit targets and stops if you decide to take a trade. Alternatively, you may decide to wait until a higher timeframde demand area has been reached before you decide to joing the longer term uptrend.

Another clear benefit from incorporating multiple time frames into analyzing your trades is the ability to identify supply and demand areas as well as strong entry and exit levels. A trade's chance of success improves when it is followed on a short-term chart because of the ability for a trader to avoid poor entry prices, ill-placed stops, and/or unreasonable targets.

Multiple timeframe analysis is paramount when trading any strategy, supply and demand is not an exception. We can use a 2 timeframes or 3 timeframes combination for our entries. I will personally use a 2 timeframes combination, because it is more stress free and it allows for more free time, which prevents me from watching the charts like a zombie.

SWING TRADING CONFIGURATION:

Timeframe's combination for medium-term setups

- **BIG PICTURE timeframe: Weekly chart** as our supply/demand curve and bigger picture direction
- **EXECUTION and trade management timeframe: H4 chart**
  - This is the chart where we should draw and pick our levels up, where we will set our limit orders. If the H4 level is too wide, we can drill it down by using either a fix number of pips (for instance a 40 pips on EURUSD for H4 charts) or a third timeframe to fine tune our entry. I will not zoom in and look for levels on lower timeframes above or below that area because it's the H4 area that interests me, if the level itself is on H4 then I have to base my decisions on this timeframe, the one I use for my entries as defined here. Otherwise we'll end up chasing the trade and finding what we want to see on the charts, not what the market has to offer us at that particular area
  - **This is also the chart where we will manage our trades**, we'll use technical SL to move our SL above/below new H4 SD areas. This is explained on another lesson
- FINE TUNING timeframe (optional): H1 or M15 chart. I never use this third timeframe, will never go lower than H1 to locate fine tune my entries, but maybe you will feel comfortable adding it.

POSITION TRADING CONFIGURATION:

If we choose to focus on the D1 SD levels as your entry timeframe then switch to this longer term combination

- **BIG PICTURE timeframe: Monthly chart** as our supply/demand curve and bigger picture direction
- **EXECUTION and trade management timeframe: D1 chart**
  - This is the chart where we should draw and pick our levels up, where we will set our limit orders
  - **This is also the chart where we will manage our trades**, we'll use technical SL to move our SL above/below new D1 SD areas. This is explained on another lesson
- FINE TUNING timeframe (optional): H4 chart

INTRADAY TRADING CONFIGURATION:

If we choose to use H1 levels as your entry timeframe, then we will swich to this timeframe combination:

- **BIG PICTURE timeframe: Daily chart** as our supply/demand curve and bigger picture direction
- **EXECUTION timeframe: H1 chart**
  - This is the chart where we should draw and pick our levels up, where we will set our limit orders
  - **This is also the chart where we will manage our trades**, we'll use technical SL to move our SL above/below new H1 SD
- FINE TUNING timeframe (optional): M15 or M5 chart. I never use this third timeframe, will never go lower than H1 to locate fine tune my entries, but maybe you will feel comfortable adding it.

  NOTE: H1 timeframe can also be used for swing trading as long as you use this chart to drill down your entry at a higher timeframe supply demand area. It all depends on your style of trading. H4 levels will give you more time

VERY IMPORTANT: CONCENTRATE ON ONE SINGLE TIMEFRAME COMBINATION

- **Choose only one of the combinations** described above, either Intraday, Swing or Position trading, AND stick to it.
- **Hide the timeframe buttons you are not going to use** on Metatrader's top toolbar, only be aware of those you choose, that's all. You will see that in short you will start improving because your mind will not have to take into account so many timeframes and information.
- **Normally there will be D1 SD areas within a Weekly SD area**. So concentrate on at least 2 timeframes, choose the combo you like the most. D1/H1 for intra-swing trading, and WK/H4 for longer term swing trading, and don't even look at the other timeframes
- **Use the trendline idea** you can watch on the videos, **use the Supply and Demand spreadsheet** I created, as well as the **rectangle extender indicator**, that should put you on the right track in a few weeks

And the most important thing, this is KEY. **JUST DO IT!** Don't find excuses not to do it, hide those TFs you are not going to use and concentrate on those you use only, the D1/H1 is a VERY powerful combination, start with that one and HIDE all the other timeframes, that should help you and others with your same problem a LOT.

You MUST have very strict rules or you will be lost in a loop, and your equity will not grow. **95% of your success is at controlling your emotions and managing your exits correctly**, the entries are not the problem, the exits and your head are

And that can be solved by having very strict set of rules and following them. **The key to be consistent is by being consistent.**

SUPPLY AND DEMAND IN CONTROL

WHAT DEFINES AN UPTREND OR A DOWNTREND AT ANY GIVEN TIMEFRAME?
Each timeframe can have a different trend. Let me define my idea of a trend. Remember it's just my idea of a trend, it makes sense to me so I'm using it. Does it make sense to you? Use it then. Since we are primarily working with supply and demand imbalances, *making a higher higher or a lower low does not necessarily mean we continue on the existing trend.*

1. **UPTREND**: demand areas are being respected, supply areas are being taken out.
   A higher high SHOULD remove previous supply to validate the demand zone

   You must ask yourself: has the previous supply being removed?
   If previous supply is not taken out, I won't validate the origin of a higher high as demand
2. **DOWNTREND**: supply areas are being respected, demand areas are being taken out.
   A lower low SHOULD remove previous demand to validate the supply zone

   You must ask yourself: has the previous demand being removed?
   If previous demand is not taken out, I won't validate the origin of a lower low as supply.

You can use trendlines (these can help to assess trend if you have the right rules). **I am not using any lagging indicator to assess the trend, since the only non-lagging indicator I know of is Price itself**. I'm doing something much much simpler than that. *Ask yourself this question: what type of trading are we doing?* Aren't you trading the supply and demand imbalances you see on a price chart? We want to trade at those areas where the institutions left a trace, where smart money is lurking to hunt you. So if we're trading Supply/Demand (SD) imbalances, shouldn't we use the higher timeframe's SD areas to assess our trend? Remember, buy low in and sell high.

What defines a downtrend or an uptrend?

- **In a downtrend:** supply areas are consistently being respected and demand areas are being taken out
- **In an uptrend:** supply areas are taken out, while demand areas are being respected

THAT SIMPLE. Just look at your D1 or your WK chart and see what is going on with the SD areas in control and decide which direction to trade. Once you know what direction you want to go, locate lower timeframe SD areas with a strong departure, little time at the level, fresh zones, and a minimum of 3:1 profit margin (3 times or more the risk in pips of the zone you've taken)

What tells you if a downtrend or an uptrend has started to change or even consider there might be a reversal?
Since we're doing SD trading, once you supply or demand in control is taken out, it will be showing weakness in that currency pair's timeframe.

We will consider a trend at any given timeframe has ended IF the trendline that connected the last 2 obvious valleys (uptrend) or peaks (downtrend) has been broken.

- If 2 SD zones have been taken out, then we will most likely have the possibiity of drawing a brand new trendline for our new direction, thus looking for trades in this new direction, only if there is enough room to the opposing higher timframe SD area and we are not too high/low in the curve
- The break of a trendline does not necessarily mean that restest of a SD zone near or at the retest of the broken trendline will be valid. We need to make sure that price has arrived or is very close to a higher timeframe area, ELSE we'll have to make for a brand new direction to the opposite side
- Do not trade the break of a trendline just because it's just been broken, we need to assess location in the curve

HOW TO VALIDATE A LEVEL

The only reason why price moves in any and all markets is because of an imbalance in supply and demand. The greater the imbalance, the greater the move.

A strong move in price away from a level indicates that not all orders were filled. For example, at the origin of a demand level, there are not enough sell orders to fulfil the total amount of buy orders. This is why price moves away in such a strong fashion. When price returns to these levels, the novice traders (those who don't know about supply and demand) are selling into an area where institutions (professionals) have their buy orders. Institutions and professionals buy to the novices, then there are no more sell orders so price must rise again. The opposite holds true for supply levels. In both cases, the novice traders provide the liquidity the institutions need to get their orders out in the market.

The best opportunities are where we can buy at the cheapest price possible and sell and the most expensive price possible. This is the same in any market. Supply and demand levels on a price chart show all these levels, you just have to learn how to draw them.

Open a price chart, you will see a multitude of supply and demand levels on every timeframe. That doesn't mean we are interested in trading all of them. Certain levels are more likely to hold than others, you need to have a rules based mechanical methodology as well as making a top down multiple timeframe analysis before you choose the levels you want to trade.

These are some common factors to consider when choosing levels to trade from are listed below:

1. **Strength of the move (departure).** This is the way in which price left the level. Ideally quickly with large ERC candles
2. **Risk/Reward.** A decent risk/reward ratio will help to ensure you have enough risk/reward for price to move to your take profit
3. **The big picture.** Choose to trade with the higher time frame's trend. Know where you are in the Daily and higher timeframes, never go against them
4. **Number of pull-backs or retests.** Is the level fresh and/or original? Has it been tested more than once? Fresh levels are best for trending markets, the fresher the level the higher the probabilities
5. **Time spent at the level.** The less time prices spends at a level, the better. This indicates a greater supply and demand imbalance
6. **Arrival to the newly created level.** Arrival into a level is key to set & forget your trades. Basing before a level is not a good sign. Opposing levels near your entry level subtract profit margin from your area. Look for a smooth rally or drop into your entry level. But you don't want to spend the whole day staring at the charts, you have to trust your levels and analysis
7. **Dollar index**. The US Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of 6 major currencies. How do you think such an index can affect forex? A lot! If the $ index is at a higher timeframe supply and the euro is at a higher timeframe demand, we have to go long, there is no other thing we should be thinking!
8. **NIKKEI index**. Use it with the Yen pairs. If Nikkei index is in an uptrend, we will have a weak Yen, don't short on yen cross pairs like EURJPY, GBPJPY, etc
9. **S&P 500 index**. Use it to assess US Dollar strength as well, similar to Nikkei. If US index is in an uptrend, we will have a weak USD, don't buy US dollars, buy euros

The *variables* above are some of the main factors that should be taken into account when deciding which levels to trade. I personally use these variables to fine tune the level picking process. Remember that trading is a game's number, it's all about statistics.

When the Strength of departure (imbalance) is not that "important"?

Don't get me wrong. The strength of departure is what defines an area of supply or demand. The stronger and more explosive the departure, the stronger the imbalance. But... there is always a but...

- **When we are bouncing off higher timeframes the departure (imbalance)**
  I mean, yes it's important, strong and explosive imbalances are great, but if those strong imbalances happen at a higher timeframe area, price will most likely not return to that area in short, it might do after some time, days or weeks for a retest
- If price is printing new CP (continuation patterns) off a higher timeframe area, that means there are willing buyers/sellers. Imbalance will not be that crucial when that happens and we are still quite low in the curve to buy at demand, or high in the curve to sell at supply
- If the imbalance is great and price returns to the area shortly after, it's not a good sign either, price needs to consolidate away from the level and not return to it in the next couple of candles. Why is it not that important? Because we want to be riding that zone as soon as possible, those are accumulation/distribution periods, big imbalances can happen but not always. There will be times when we will have losses, that's taken for granted and they are welcome, but overall we will have an edge, and that's the most important thing

SUPPLY AND DEMAND IN CONTROL

1. **On every timeframe there is an area of supply and demand in control**, that is, once price reaches that area, sellers/buyers will be likely in control and price will most likely have some reaction. **We're always talking about odds, we can't assume or predict that something is gonna happen.** If the zone is fresh and good, price will likely drop quite fast and no kind of confirmation will work. If the zone has been touched once or more times, then it will probably not bounce that fast or even break that area. That territory is where sellers will probably fill their orders again. So, supply is control when price is high in the SD curve.
2. **What is a supply or demand in control?** It's the previous fresh or unfresh SD area which has not yet been broken (taken out). **If a supply zone has been hit 10 times and the distal line (furthest away price from current price) of that zone has not yet been broken, that zone is still valid, that zone is still the supply in control**. You can't, you shouldn't assume or predict that you can buy that high in the curve on the assumption that it will be broken. The market will show you when that zone has been broken, you are not the market, nobody is the market. Once it's solidly broken, you will be looking to go long at a good and fresh demand area, but don't buy into a supply zone in control until it's been clearly and solidly broken, it's higher odds and we want those odds in our favour. A zone can resist 1, 2, 3, or 10 pullbacks. Only trade when it's solidly broken
3. **Buy low in the curve. Sell high in the curve**
4. **Don't diddle in the middle**. If the levels are in the middle of the curve, then price can probably go both ways, skip those levels to avoid unnecessary losses
5. **The higher the timeframe, the higher its reliability**. That is, if we have a WK supply zone, even if that zone is not fresh and has been hit 5 times, it's still a higher timeframe supply, it will probably hold more than a M15 or a H1 zone. Why? Because the smart money, the insitutions, the big fishes, will be looking to position themselves on higher timeframes. They will probably not be looking at M5 and M15 to fill 100 million euros on the EURUSD. Maybe some might, but most likley they just don't care much about lower timeframes, moving averages, CCI, RSI or MACD, most of them are not scalpers but swing and position traders, so why should they care about filing orders in the middle of nowhere? For higher odds, they don't diddle in the middle. They are market makers and they know what you are doing, remember. They buy low and sell high in the SD curve.
6. **Trade with the trend for higher probability**. The trend is not a straight line, SD levels will work in both directions at any given timeframe, with the traend and counter trend, but the higher odds is to go with the trend until it ends. But where will it end? Near or at a higher timeframe supply/demand area. **Avoid unnecessary losses trading against the trend in the middle of the curve, you will increase your % success quite a lot if you do it that way**. You will miss many trades for sure, but you will filter out many losses as well. You decide, well, your emotions will decide, and that's not good 🙂 So behave like a robot 🙂
7. **Decide if you want to be a hero by trading counter trend high/middle/low in the curve, or you just want to go the *safe* way by buying the dips and selling the pullbacks with the current higher timeframe.** . See the 4 setups graphic above for clarification.

First of all let's go through 2 important statements:

1. **A higher high does not necessarily mean a new demand area was created**
   A higher high could be "just that", that rally could be the final thrust to hit a strong supply area on higher timeframes
2. **A lower low does not necessarily mean a new supply area was created**
   A lower low could be "just that", that drop could be the final thrust to hit a strong demand area on higher timeframes

Attachment 1274581

THE CURVE or THE RANGE

Let me show you a couple of examples of supply and demand in control in higher timeframes, what it's called **the curve**. Remember, for higher odds we want to buy low in the curve and sell high in the curve.

So these are the steps you need to take:

1. **Decide which kind of trader you are**: are you a scalper, intra-swing, intraday, or swing or position trader?
2. Once you know what kind of trader you are (not that easy because your mind will want to trade on all timeframes, you will see SD levels on all charts, with the trend and counter-trend, you will chase trades), decide which is the timeframe for your curve.
3. **Use the WK chart as the curve for your swing trading.** D1 can also be used.
4. **Use the D1 chart as the curve for your intraday trading**
5. Going lower than that will be placing more odds against you, you can use H4 or H1 for scalping, but I will never do that. But each trader will decide, but whatever you decide, forward test it hundreds of trades. Don't backtest, you will see what you want to see.
6. **If price is at a higher timeframe supply (D1, WK or Monthly), don't go long**. Wait patiently for a short setup, either set & forget at an original and fresh supply level on H1/H4, OR wait for a brand new level of supply to be formed and sell the pullback. Opposite for higher timeframe demand.

SET AND FORGET versus CONFIRMATION TRADES

Set and forget trading is as simple as its name implies, you just *set* the trade up and then *forget* about it for a period of time. This way of trading has two major benefits:

1. **It makes it far easier to remove your emotions from the equation**. Emotions are your worst enemy when trading
2. **It also allows you to enjoy your life as you normally would**, because you will not be spending countless hours staring at of your computer over-analysing the markets

Unfortunately, traders become lost with the huge amount of data that available over the internet and TV. It is extremely easy to experience analysis paralysis while trying to trade forex or any other financial market. It can be overwhelming to try and make sense of all this information and create a forex trading plan based off this amount of information.

Once you do a certain amount of analysis on any instrument, any further time spent analysing this data is likely to have a negative effect on your trading, the outcome is usually the same, it causes you to lose money.

The believe that more is better, is a psychological trap that often keeps us from consistently profiting in the forex market, and is the reason why many blow out their trading accounts and eventually give up all together. I've gone though this process and I believe that all traders have and should go through it, it's part as your evolution as a trader.

Less is more: Set it and Forget it
How can we achieve consistent profitability trading forex if it looks like we have been coded to make things more complex than they are? The very first step in this process is accepting the fact that you cannot control the markets, you don't need to feed your ego. The markets do not care what you have done in your life before; it has no emotion and it is not a living entity. The forex market It is an arena where human beings express their beliefs about the exchange rate of a certain currency pair.

People that over-complicate their analysis are providing that predictability for the professionals to take advantage of, the money flows from the people who don't know what they are doing to those who know what they are doing (professionals).

An ironic fact about trading forex is that spending less time analyzing the markets, trying to find the perfect trade will actually cause you to make more money faster because you will be more relaxed, less emotional, and thus less likely to over-trade or over-leverage your trading account. This is why swing trading using an intermmediate timeframe like the H4 chart will help you improve your results and enjoy your life much more.

When to set & forget?

- **Use only fresh levels of supply of demand when the market is trending**. The first pull-back is the safest and has the highest odds of working out
- **Use original AND fresh levels if you want to go counter-trend**. Make sure your trade has a proper location. **Location is key**, that is, your trade should be located very high in the curve for selling and very low in the curve for buying
- **LOCATION IS KEY.** Knowing how high or low in your curve timeframe is paramount to allow you to set & forget or wait for clues of willing buyers or sellers to enter based on confirmation
- **Continuation patterns (CP) against the entry timeframe trend.** Do not set & forget on these areas if they are against the trend, they are lower odds entries

When not to set & forget?

Knowing when not to set & forget is even more important than knowing when to do it. It will prevent you from having unnecessary losses that will increase your account's draw-down.

- **Stop buying when you are too close or right at your curve timeframe supply area**, opposite for selling
- **If your curve timeframe is not fresh (D1).** Wait for a confirmation trade, don't set & forget unless
- **If your curve supply and demand zone is right in the middle of an even higher timeframe** like the Weekly or Monthly chart. Remember, no diddle in the middle, it also applies to higher timeframes since price is fractal
- **If your curve timeframe is used-up**, that is, it's had more than 2 retracements
- **Continutation patterns (CP) at the higher timeframe curve.** Set and forget works better at the extremes on U and inverted U levels (valleys and peaks). Use rally base drops (peak) and drop base rally (valley) levels to set and forget at your higher timeframe curve

WHEN TO PLAN A CONFIRMATION TRADE INSTEAD OF A SETTING AND FORGETTING

There is not such a thing like a confirmation trade really. There is no way that you will have 100% certainty or confirmation that your trade is going to work well, the confirmation trade just adds some more odds to your side, that's all. Trading is about statistics, you just have to play the games number.

Maybe you are not comfortable with setting and forgetting your trades or you haven't gained the confidence to do so yet. Don't worry, waiting for confirmation before you place your trade is fine as well, it's just another way of trading supply and demand imbalances. You just need to find your style and stick to it if it works for you, that's key to becoming successful at anything in life, not to say trading the forex markets.

What is a confirmation trade?

If we are sure about out entry or we're not confident enough with our set and forget trades we can wait for certain patterns to happen at our entry level.

- **Waiting for a brand new supply level if you are looking to go short at a D1 supply area** (if the area is not used-up, read below on when not to take them)
- **Waiting for a brand new demand level if you are looking to go long at a D1 demand area**
- Brand new levels on your entry timeframe will be a clue that there are willing demand or willing supply at that area
- **Always wait for price to reach the fresh higher timeframe curve zone** you have spotted before you start waiting for brand new areas of supply and demand on lower timeframes
- **Choose your curve timeframe and your entry timeframe**, D1/H1 or WK/H4 and go ahead

When to wait for confirmation

- **At higher timeframe supply and demand areas.** If waiting to short on a D1 supply area, you have to wait for the D1 supply proximal line to be hit, do not try to go short before the zone is reached, you would entering too soon, be patient. If it doesn't make it to the D1 supply and price starts dropping, what for previous demand to be taken out on your entry timeframe
- **At continuation patterns (CP) located near ot within a higher timeframe supply and demand area**. Since set & forget is not higher odds at CP against the trend, we should wait for brand new levels being formed off a CP at a higher timeframe supply and demand area
- **Level on top of level**. When your entry timeframe has several levels stacked on top of each other, you can wait for brand new lower timeframe areas (H1 or H4) to be formed. Sometimes it's difficult to decide which level to take, if that is the case, use confirmation to filter out the levels and concentrate on the brand new one created at present time at those stacked areas. Either that or choose the level further away since price will reach the area "exhausted" and your trade will have higher odds
- **When higher timeframe area has already been retested.** If the D1 supply zone has been retested, don't only wait for a brand new area of supply to be formed on your entry timeframe, but also wait for previous opposing entry timeframe demand to be absorbed. You don't want to trade a restested D1 supply area without that confirmation. You can do it but it's not higher odds, remember the first retest has always the higher odds of working out

When not to wait for confirmation

- **In the middle of the curve. No diddle in the middle**. Wait for confirmation when you are at a higher timeframe supply and demand zone. Look at the charts, price almost always makes it to those areas, why would you want to outsmart the markets? Hold back your ego
- **At a used-up higher timeframe zone.** An used-up area (retested several times) is not high probability, neither plan a confirmation trade nor a set & forget on these areas, or you will know what blowing up an account is In order to trade off an used-up higher timeframe area, we'll need a new direction confirmed with the possibility of drawing a valid trendline connecting two peaks of valleys, or an important support/resistance and/or supply/demand taken out in a very clear and obvious way

Small summary of all these rules, they apply to any timeframe

- **Trade only fresh levels** when you are in a trending market and room to opposing higher timeframe area
- Trade original AND fresh levels at higher timeframes areas if you want to go counter trend
- Do not trade non-fresh levels on set & forget
- Always wait for confirmation at non-fresh higher timeframe areas. If used-up, wait for confirmation with a clear new trend in the opposite direction
Higher timeframe areas are D1, Weekly and Monthly
- Wait for confirmation AND/OR trendline break if the higher timeframe level is not fresh and not used up (more than 2 retests)
NOTE: sometimes it's not a trendline OR a SD area that needs to be absorbed, but a classic and obvious support/resistance area. If that you find such an area, wait for it to be taken out. An example of this can be seen at Post #2844 http://www.forexfactory.com/showthread.php?p=6986554#post698655 4
- If a higher timeframe area is used-up, that is, 2 or more retests, neither trade it on confirmation nor on set & forget, pass on it

Attachment 1274578

USING TRENDLINES AS DIRECTION, AS WELL AS FILTERING OUT LEVELS IN A MECHANICAL WAY

- **Trendlines will be drawn on our entry timeframe to assess direction**, that is, the timeframe where your orders will be placed
- **2 OBVIOUS valleys (uptrend) or peaks (downtrend) are needed** in order to draw a trendline
- Use the last 2 obvious valleys and peaks in order to draw a trendline. If there is a third obvious peak/valley that matches the previous 2 ones, we would extend the TL to it
- CP will NOT be taken into account to draw a trendline
- A Buy setup with an ascending trendline will be invalidated when we have at least 1 full candle (Open, Close, High and Low) below the trendline
- A Sell setup with a descending trendline will be invalidated when we have at least 1 full candle (Open, Close, High and Low) above the trendline
- **Trendlines will no longer be valid once a higher timeframe has been reached**. Higher timeframes supply and demand areas are potential turning points in the market, so the Trendline is no longer useful or valid at these areas
- If price hits a higher timeframe SD area and starts rebounding, the new trendline can't be painted until we have 2 peaks, thus, we'll be selling like a robot on brand new supply areas formed on H1/H4 charts (specially CP)
- If our entry within a higher timeframe supply and we get a loss, if we want to sell within that supply area again, we need a higher entry. Unless price drops lower and forms new areas of supply absorbing demand
- Do not sell when price is very near or at a higher timefrrame ascending trendline (D1 or higher), opposite for buying. The same logic that applies on your entry timeframe (H1 or H4), applies on higher timeframe trendlines
- The break of a trendline does not necessarily mean that restest of a SD zone near or at the retest of the broken trendline will be valid. We need to make sure that price has arrived or is very close to a higher timeframe area, ELSE we'll have to make for a brand new direction to the opposite side
- Do not trade the break of a trendline just because it's just been broken, we need to assess location in the curve

A trendline break is not a MANDATORY rule. A TL break is just a way of filtering out certain zones in a mechanical way, a simple way to mechanically and consistently filtering out levels.

You can decide not to use TLs to filter out levels, it's up to each of you. I do use them because I've tested them and even though I will miss some nice opportunities, I know that it will keep me out of lots of losses.

I placed all that on a balance and I decided that I prefer to use the TLs for these 2 reasons:

1. TLs allow to filter out levels in a very mechanical way
2. The use of TLs practically remove all of the emotion when picking up a level

If these reasons are not enough for you, then you can skip the use of Trendlines. Each trader has to find what it fits him the best to his style. You can use whatever varaible or methodology to filter out SD levels. I am using TLs and the curve. But be careful with what you use or stop using. Before adding a new rule to your set of rules, you first need to test it over and over and over for a decent period of time, with a minimum of 500 samples per new variables... then make a decision!

TRADE MANAGEMENT, BREAKEVEN AND EXIT TACTICS

A TRADE SETUP IS COMPOSED OF 5 STAGES:

1. **PRE-PLANNING**
   - Do not take any trades if it's not pre-planned
   - Analyze the market and decide if you have a valid trade as per the rules, room to opposing HFT SD area, that is, following your trade plan
   - Set your limit order and wait for the setup to be triggered
2. **TRADE EXECUTION**
   - The trade is executed by your broker. Now you are in the trade
   - Control your emotions at this stage. You risked a % of your equity, it's a number's game
   - Don't touch it if the rules still apply
   - Walk away from the charts
3. **MOVING THE SL TO BREAKEVEN**
   - When to move your SL to Breakeven to protect your trade
4. **TAKE PROFIT AND TARGETS**
   - Which are your targets? You have 1 or more targets?
   - Will you exit at an opposing SD area?
   - Will you trail your SL above/below new SD zones until price reaches a HFT SD zone?

We've already covered the first 3 stages, now it's time to cover 2 key aspects of any trade setup.

WHEN TO MOVE STOP LOSS TO BREAKEVEN + SPREAD (and/or commission)

Quote

As a rule of thumb we'll be moving our SL to Breakeven once our trade has moved at least 2:1 R/R (Risk/Reward) from our entry point.

For example:

- Long entry triggered at 1.1000, our SL is set 25 pips below at 1.0075, THEN we'll move our SL to BE at 1.1050 once price has travelled 50 pips (2 RR) in our direction
- Short entry triggered at 1.5500, our SL is set 35 pips above at 1.5535, THEN we'll move our SL to BE at 1.5430 once price has travelled 70 pips (2 RR) in our direction

RULES TO MOVE SL TO BREAKEVEN

- Move your SL to BE + Spread/Commissions after 2:1 R/R
- Other options:
  - Move to after 3:1 R/R to allow price to breath a bit more You trust in your level and you don't want to have your entry retested and kicked out of a winning trade
  - Don't move your SL to BE, your trade is either a win or a loss You don't care what price does, you want your trade to move far away from your entry price before you touch your SL

PROS AND CONS OF MOVING YOUR SL TO BREAKEVEN AT 2:1 R/R

- **PROS**
  - Your trade is safe, your ego will feel satisfied and you will breath better
  - Your fear of losing is under controlled
  - You can concentrate on other setups and forget about this one since it's now safe, you can't lose (exception: Sunday open gaps and big news events do not respect your SL)
- **CONS**
  - Price can retest your entry before it finally takes off of your entry level, this happens VERY often
  - Your ego will fight against you if it sees that price kicked you out of a valid trade on a first retest and the trade played out really well without you riding it
  - You can miss very good trades if you don't allow price to breath enough to accummulate/distribute before taking off

WHAT CAN YOU DO TO PREVENT PRICE FROM KICKING YOU OUT OF THE TRADE ON A RETEST?

You are tired of seeing your entries retested and then see your level working well without you riding it? We need to let price breath and orders be filled by market makers and big institutions. There are some options to prevent that from happening:

1. Move your SL to BE + Spread/Commissions after 3:1 or 4:1 R/R allowing price to breath a bit more
2. Do not move the SL to BE after your minimum R/R ratio has been reached
   - Leave the SL where it originally was, above/below your level's distal line, and let the trade breath and take off
3. Close half of your position at 2:1 R/R or even 3:1 R/R and leave your SL alone
   - By doing this, your trade is safe, you can't lose, fear is under control and you will feel more relaxed
   - If you close 1/2 of your position at 2:1 R/R, you will sacrifice half of your position but you will kick your ego hard in the ***, the trade is now safe, you can't lose
   - Manage your SL manually as described below

TARGETS: HOW TO MANAGE YOUR STOP LOSS WHEN YOUR TRADE IS RUNNING

Once your trade is running, there are several ways of managing your SL. Managing your SL is key to become profitable, you have to have rules in order to prevent you from closing your trade too soon. First of all you need to define your targets. A target can be either fixed or dynamic. A fixed target (exit) is a specific price where you will exit your trade. This price can be different depending on which type of exit you decide. You must make a decision before on the pre-plan stage of your trade.

TYPE OF FIXED EXITS: be realistic!!!

- **Targets 1, 2, 3 or more can be at opposing SD areas**
  - You analyse your entry TF and locate good opposing SD areas where you are going to set your Targets at. Always a few pips before within the zone, never at the zone
- **Exit at a specific % amount**
  - Define a price based on % amount you want to earn
- **Exit at a specific R/R ratio amount**
  - Define a Risk/Reward ratio at which you want to exit your trade, minimum 3:1. You can set it at 4:1 or 5:1, no matter what zones you have above/below your entry
  - Be realistic, don't set a 5:1 ratio if there is a fresh D1 supply area right at 3:1 off your long entry at demand

TYPE OF DYNAMIC EXITS:

- **Technical Stop**
  - After your entry place your initial SL under the nearest demand
  - After a new Higher High has been printed on the charts, move your SL under Higher Low
  - This is the exit that I normally use. Learnt it the hard way
- **Trendlines**
  - Since we are using Trendlines in order to assess our trend, it's also logical to use them to exit our trades if they are solidly broken in the opposite direction
  - Let price breath and use the TL rules to move your SL, moving SL underneath your TL if you are long, exiting the trade when there is full OHCL candle below the ascending TL. Opposite for a short entry
- There are others, these are other like moving average trading, etc, but I won't use them

TOO MANY OPTIONS? DON'T WORRY, THERE IS A PLAN

I guess that now your head is clouded with so many different exits rules. You need to make a decision based on what type of trader you are. If you can't make it or are unsure, let me give you some hints.

> Quote
> The exits strategies you chose will be directly related to where you are located in your Higher Timeframe Curve. If you are right at fresh Weekly supply, don't move your SL to Breakeven at 2:1, come on, BE REALISTIC! Let price breath! If you don't, you will probably have quiet a few breakevens, you will most likely miss big runners!

These are the exits strategies that I use, it might help you make a decision. You can use mine as well, you ned to make up your mind.

- **MOMENTUM Trade Setups with room to HTF SD zone**
  - Close 25% or 1/2 of your position at 2:1 or 3:1 R/R and leave your SL alone a few pips away from my zone's distal line
    - By doing this, your trade trade is safe, you can't lose, fear is under control and your ego won't be bothering you
    - You will sacrifice part of your position but you will kick your ego hard in the ***, the trade is now safe, you can't let it run hundreds of pips IF there is room for that of course, but fear of losing is out of the game
  - Manage your SL manually using Technical Stops
- **LOCATION and MOMENTUM+LOCATION Trade Setups with room to HTF SD zone**
  - Close half of your position at 3:1 or 4:1 R/R and leave your SL alone
    - A location type of trade can be a turning point in the markets, not to say if it's a fresh WK supply with a Monthly downtrend, that trade can be a runner, don't play with your SL, leave it alone
    - A location + momentum setup can become a rocket, don't play with rockets, you may regret
    - Wait for a nice departure off your level and for brand NEW SD zones to move your SL a few pips above/below those new zones distal lines
  - Manage your SL manually using Technical Stops

You can change the R/R mentioned above, you have to do whatever fits better your personality as a trader.

WHEN TO TRADE AND NOT TO TRADE. NEWS AND SLOW MARKETS
It's also good to know when to and when not to trade. There are times when we should not be trading because it can result in unnecessary losses. There are traders out there that love trading the news, you can earn a lot of money but you can also lose a lot. I just prefer to stay out of big news events and take my day off.

NEWS

- **Stay away of big news events** like central banks % interest rates, CPI, NFP and BCE/FOMC speeches/minutes
- **Take your day off when there are big news** like NFP or a BCE/FOMC speech, we don't want to gamble, we want to trade. Price can go anywhere
- If we already are at breakeven on a trade, we will decide if we want to keep it or close it depending on what the SD technical analysis is telling us to do. We may decide to lock in some profits moving the SL above/below previous valid SD zone and see what happens after the news
- **Do not scale in or add new positions a couple of hours before, after or during big news events**, wait for price to either resume previous trend or break it, do not anticipate or assume something is going to happen because you don't know what's gonna happen. This is Rule #1 in trading: we don't know what's gonna happen

SLOW MARKETS

- **Try to stay out of H1 SD levels formed during slow market conditions**, normally after major market closes or during the asian session, unless the pair is composed of 2 asian currencies, for instance AUDJPY. Be patient and wait for some volatility and new SD levels formed during fast markets like the London and NY sessions
- **Monday mornings are normally very slow**, usually no news events. After Monday's NY session sometimes the markets will start moving a bit. Trade only clear levels during these times

LATE FRIDAY AND SUNDAY OPEN

- **Friday NY sessions are not that volatile normally**. If you only trade the NY sesson, take your day off
- If you have orders open on Friday, it's wise to close them unless you are a position trader. You don't want to be caught by a big gap on Sunday open due to speculations or an unplanned high impact news event that occured during the weekend
- **Avoid trading Sunday open**, spreads are widened due to the lack of liquidity during those market hours, gaps may occur due to unexpected high impact news resulting in your SL not being respected at all

TRADE SETUPS SCENARIOS

Scenario #1: the sequence

- Weekly is up and strong
- D1 is up and strong and we have a nice D1 demand area, Trendline is even being respected on the D1 chart
- The H4 is down, dropping like a rock into fresh and original D1 demand area, scared with those red bullish falling knives candles?

- There is a fresh (not original) H4 swing low (valley) level with a great departure right at the D1 demand proximal line

What would you do? You should know the answer to that question

FORWARD TESTING IS KEY TO BECOME A PROFITABLE TRADER

I've decided to start a new adventure to try and help you all and myself indirectly to get more confidence on SD trading. I will be recording videos using Forex Tester to show you how the strategy works and how "my mind thinks".

> Quote
> **Forward testing is KEY to becoming a successful trader.** No matter how great rules rules prove to be to me or any other trader, or how great your trading plan is, they are useless if you don't have the experience, and screen time to trade them. No matter how many times you watch my videos or read the posts on the forum, you will most likely fail to become profitable.

Why is this? Because you need screen time. You need to forward test the rules hundreds and thousands of time. Your brain needs to absorb all that experience, your neurons need to create those connections that will give you an instant reaction to a particular scenario you've lived hundreds of times. You can only achieve that if you practice a lot.

Once thing that will happen to you as you forward test is that after some days you will stop doing it because either a) you can't make it work or b) you are being successful and you think you are already there. WRONG. You have to spend months of forward testing, a couple of hours a day.

> Quote
> **Experience and new habits will NOT be imprinted on your neurons if you do not practice for months,** the same way you will never learn a new a new language by just reading a grammar book, or learn to dance if you do not practice for years dancing with different couples (I've been a salsa teacher for 7 years, so I can't talk about this).

The video below will quickly show you how to set up Forex Tester 2 for SD forward testing. You need to purchase it of course, but it's a cheap investment, the best investment you will ever make if you are serious about trading. You don't need to purchase the extra Data Feed from them, the one they have for free is more than enough for testing H1/H4 entries. *I will be recording other videos in the forthcoming future, but they will only be available on the private community.*

I am not trying to promote Forex Tester 2, I get nothing out of it, I am just trying to help, which is the reason why I created the SetandForget.com community in the first place.

This first video shows how to install Forex Tester and to prepare it for forward testing supply and demand.
Inserted Video

This second video is a 2 hours video, a saga that I've started to record so that others see all the puzzles of the jigsaw get together, how I think on SD terms and how I apply the rules.
Inserted Video

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COLOR CODES USED BY INDICATORS AND THROUGHOUT THE THREAD

COLOR CODES FOR TRENDLINES USED ON MY CHARTS:
Lime is always demand. Yellow is always supply

1. YELLOW FILLED trendline = D1 supply zone
2. LIME FILLED trendline = D1 demand zone
3. YELLOW UNFILLED long lines trendline = WK supply zone
4. LIME UNFILLED long lines trendline = WK demand zone
5. YELLOW UNFILLED DOTTED trendline = H4 supply zone
6. LIME UNFILLED DOTTED trendline = H4 demand zone

COLOR CODES FOR RECTANGLES I USE ON MY CHARTS:

No matter which timeframe I'm using, these are the color codes I use:

1. BROWN = fresh supply zone
2. DARKGREEN = non-fresh supply zone, but I will watch it in case I want to have a short on a 2nd pullback
3. UNFILLED BROWN or DARKGREEN = supply zone I will not use, but I want to have it on my charts to see areas I want to see broken and/or reaction to it
4. BLUE= fresh demand zone
5. DIMGREY= non-fresh demand zone, but I will watch it in case I want to have a long on a 2nd pullback
6. UNFILLED DIMGREY OR BLUE = demand zone I will not use, but I want to have it on my charts to see areas I want to see broken and/or reaction to it
7. PURPPLE = area I don't trust because of not a clean formation or "diddle in the middle" area. But I want to see how price reacts to it and learn from it

I hope this will help you understand what the curve is and what the higher timeframe supply and demand in control terms are visually. This is what I am always doing, these are my rules more or less, there are nuances but that comes with practice. This is no different to what Ken and the others are doing, these are just my rules, all based on SD imbalances.

I've attached the most important indicator I use: the rectangle reader/expander, as well as the other indicators and basic template that I use. Find them attacched to this thread

General rules for my thread:

1. No predictions about future price movement
2. No private opinions about future price movement.
3. Critisism of my method and/or myself, and attempts to prove me wrong will be treated as violation of Forum #1Rule: Respect the Fellow Trader. This is just the way I look at the markets, I believe we all need to be respected.
4. People who take no interest in my method for whatever reasons are welcome to post on my thread as long as they show proper respect to the thread starter, other readers, respect the Forum rules, and respect the thread rules.
5. This thread is not about scalping, so don't post charts based on M1, M5 or M15 or M30 entries. This thread is mostly swing and intra-swing trades based on H1 and H4 entries, so only post entries planned on H1 and H4 timeframes, which is the purpose of this thread

Anybody who fails to follow the rules ABOVE, shall be added to my ignore list and cleanedup, preventing them from posting on this thread.

Rules for charts:

1. Only plain charts with the indicators supplied above, or similar ones if you using a platform different to Metatrader 4
2. No Fibonacci, no Elliot Waves, no macd or RSI/CCI, no other Moving Average based indicators are allowed.

I am willing to help anybody who is willing to follow my rules. Anybody who will post charts that do not apply to the above rules will be reported and cleaned up, added to my ignore list, and I or others in the thread will not be able to help them.

WATCH THE VIDEOS TO LEARN MORE ABOUT SUPPLY AND DEMAND

Do not ask any question on the thread UNLESS you haven't watched the videos below and understood them. All the doubts you have will be solved when you watch them as well as several webinars available on my youtube page at http://www.youtube.com/user/supplyanddemandforex

1. How to use timeframe combinations and the 3 types of setups available
I believe this is my best webinar so far, it's also a very important one because it requires that you make a decision now and decide which type of trader you are, a swing, intraday or position trader.

Watch this video as many times as you can, this is how I believe, it's just my opinion, how supply and demand works. It's key that you do not switch timeframe combos during the same session. Stick to the same timeframe combo always and master it until you create a habit and become proficient and confidence with it.

The webinar covered:

- What type of timeframe combinations you can choose from and what type of trader you can choose from
- What to use the curve timeframe (bigger picture) for and what to you the entry timframe for (drawing your levels and managing your trades)
- When to go counter-trend (location trade), when to go with the trend (momentum trades) and when to use both (momentum + location)
- When to use each of the 3 types of trades
- How to draw trendlines to assess direction and filter out levels above or below it

Inserted Video

2. How to use the supply and demand Rectangle Extender indicator
This indicator is not an automatic supply and demand indicator, but it's the core of the way I work. You have to watch this video and read my indicator's thread to know exactly how to use it. Read the thread here:
http://www.forexfactory.com/showthread.php?t=428268

Inserted Video

3. How to mechanically pre-plan a supply and demand trade

There are certain variables you need to take into account when pre-planning a trade, the default values differ whether it's a long or a short trade, it is also different if you are trading a major pair versus a crosspair, or if you are planning an intraday or a swing trade.

These variables are:

- **Entry padding**
- **Wiggle room padding** to protect your SL from market makers and spread widening
- Number of pips above/below opposing level for your take profit

It's paramount that you take into account these variables, otherwise you might probably miss many entries as well as not reaching your TP for a few pips.

Inserted Video

Attachment 1274594

4. Trading like a robot. How to use the different timeframe combinations and nested curves
On this video I've gone through a few different live setups that happened at the private forum at www.set-and-foget.com, as well as reviewing how each timeframe combination works, nested combos and nested curves, as well as when to stop buying or selling if we are getting closer to the higher timeframe curve.

Inserted Video

5. Webinar on how to trade the Monthly/Daily combination going through 3 live trades
On this video I covered trend trading using the Monthly/Daily combo and Monthly curve. It's much better to have the higher timeframes with you on any trade setup. We went through all the reasons why I took 3 of the live trades that I had running at the moment when the webinar was being held: USDCHF H4 short, GBPJPY H4 long and CADJPY long.

Hopefully by going through these live trades, you will understand the rules much better, how we made a top-down analysis from the Monthly down to the D1 and H4 entry timeframes.

Inserted Video

6. Webinar on how to trade the Monthly/Daily combination going through 7 live trades and analyzing possible setups
We covered a few things while going through a bunch of trades I had triggered on my account:

- How to trade with the Monthly/Daily combo, position trading
- When to use H4 as your entry timeframe, when the D1 zone is too wide or we already have price bouncing off a SD D1 zone
- How trendlines can help us assess trend and negate/validate a level on our entry timeframe

We covered a few live trades (some of them could be losses, but they were valid ones when they were taken):

- AUDCAD H4 short at D1 supply
- EURJPY H4 long
- CHFJPY H4 long (similar trade to EJ)
- GBPJPY H4 long (similar trade to previous two, but a loss)
- USDCAD D1 long
- NZDUSD H4 short
- S&P e-mini H1 long at D1 demand

The trades were discussed in more detail at www.set-and-forget.com, on the weekly analysis videos and the forum itself.

Inserted Video

indicators.rar

panoramia

May 18, 2013 5:23am | Post# 2

I've created an indicator which will help all those supply and demand trader out there trading with the Metatrader 4 platform. Metatrader 4 has many known limitations, the rectangle tool is one of them. It was not thought for supply and demand traders, so I came up with an idea and created and indicator that will modify the painted rectangles automatically the way I wanted, to suit the way supply and demand type of trading requires.

I will create a video where I will show in full detail how this indicator can help you on this trading, once you see how this works, you won't be able to trade without it, hopefully

This indicator will help you to have cleaner charts as well as to being aware of where the D1 and WK supply and demand zones in control are when zooming in lower timeframes, you don't want to buy into a D1/WK supply zone, or buy into a D1 demand zone. That's very very dangerous and lower odds. With this indicator you will always know about it, if your zones are correctly drawn. *It will all depend on how good you are locating the supply and demand imbalances.*

WHAT CAN THIS INDICATOR DO TO IMPROVE YOUR SUPPLY AND DEMAND TRADING?

1. Rectangles will only be visible on the timeframe where it's been painted. The indicator will automatically tick the timeframe checkbox under the rectangle's visualization tab
2. The rectangles will be automatically expanded to current candle + 5 candles to the right on every tick
3. It will calculate the distance in pips between the distal line (highest price) and the proximal line (lowest price) of the rectangle
4. It will display price labels automatically on both the highest and lowest price, so that you know where to set your entries and your stop loss
5. It will allow you to automatically draw trendlines from left to right of the rectangle on H4, D1 and WK timeframes. What's the point of doing this? To assess how close or far you are from the higher timeframes (D1 and WK), how low or high you are in the supply and demand curve. Trendlines will be visible on all timeframes, so if you are on the H1 chart you will know how close to D1 and WK supply and demand you are by paying attention to the trendlines colors.
6. It will not interfere with the automatic zones drawn by the Insanity Industries SD indicator, it will not expand the rectangles created by it, so both your manual rectangles and the automatic ones can coexist. This is accomplished with the ExcluseName1 variable
7. You will be able to choose how many zones above and below current price will have trendlines painted, you do want to have your charts as clean as possible and not crowded with lines all over the place preventing you from seeing the price action
8. It will allow you to change the color and style of each trendline for each of the timeframes, so you'll know how close you are to D1 and WK by the trendline's color.

INPUTS YOU CAN CHANGE ON THE RECTANGLE INDICATOR

You can change all these variables on each of your symbols. Let me explain what each variable does.

Active = true;
It will turn on/off the indicator, if false it will not expand rectangle or execute any of its features
ExtendSize = 5;
This will expand the rectangle to current candle + 5 candles to the right. If you change it to 10 it will be 10 candles to the right
ExcludeName1 = "aII_SupDem";
This setting is to filter out the rectangles names created by the automatic SD zones from Insanity Industries indicator. It will not interfere with the automatic zones by not expand the rectangles created by it, so both your manual rectangles and the automatic ones can coexist.
ExcludeName2 = "no";
If you don't want a rectangle to be automatically expanded, edit its properties and change its name to no, it will no longer be affected by the indicator
Labels.Active = true;
If true, it will show price levels at high and low price of the rectangle
Color.High = White;
Color.Low = White;

These 2 settings is the color of the labels, high and low
High.Price = true;
If false, it will not show the label for the high price
Low.Price = true;
If false, it will not show the label for the low price
Label.Size = 1;
This is the font size for the price labels, change it in increments of 1
Range.Active = true;
If true, it will show the rectangle's width in pips
Range.Inside = true;
If false, it will draw the rectangle's pips width outside of the rectangle, on the far right side
Range.Color = White;
This is the color of the width in pips
Range.Size =9;
This is the font size of the width in pips label

H4_trendlines = true;
It will allow the indicator to draw trendlines both at the upper and lower price of the rectangles painted on H4
H4_lines_number = 1;
This is the number of rectangles above and below current price that the indicator will use to draw the trendlines, if you change it to 2 it will draw trendlines 2 rectangles above and 2 rectangles below current price
H4_upper_color = Yellow;
This is the color of the upper trendline for H4
H4_lower_color = Lime;
This is the color of the lower trendline for H4
H4_style = 2;
This is the style for those trendlines, from 0 to 4. It's the order you see in the line style window in Metatrader 4

The settings below are like the H4 explained above, but duplicated for both D1 and WK charts. Very important to know how close to the D1 and WK supply and demand curve you are.

D1_trendlines = true;
D1_lines_number = 2;
D1_upper_color = Yellow;
D1_lower_color = Lime;
D1_style = 0;

WK_trendlines = true;
WK_lines_number = 1;
WK_upper_color = Yellow;
WK_lower_color = Lime;
WK_style = 1;

How to make the rectangle reader work if markets are closed?
If markets are close the rectangle indicator will not work properly, it needs price ticks to update them. A trick is to open the indicators windows and close it, then it will update all indicators as well as the rectangle reader. Try it. Draw a rectangle, then CONTROL+I for indicators and close it.

The default settings for automatic trendlines is set to H4=1, D1=2 and WK=2. We want clean charts, so the more automatic trendlines we use the more crowed and unreadable charts will be. Decide what timeframe is your curve and then change the settings accordingly. I use D1 for my intraday and WK for my swing, but I always want to know how close or far I'm from the WK curve, so I have the trendlines painted on the WK zones as well.

NOTE: I will not be adding M30, H1 or M15 trendline zones, because I am not doing that kind of trading, sorry

How will your charts look like when you add this indicator? Take a look at the first post in this thread and you will see it.

Watch a 1 hour video I created explaining how to use the indicator and how to make a topdown analysis with supply and demand methodology using it and no indicators.

Inserted Video

extremerrage

May 18, 2013 5:34am | Post# 3

wish you all the best with your thread .

panoramia

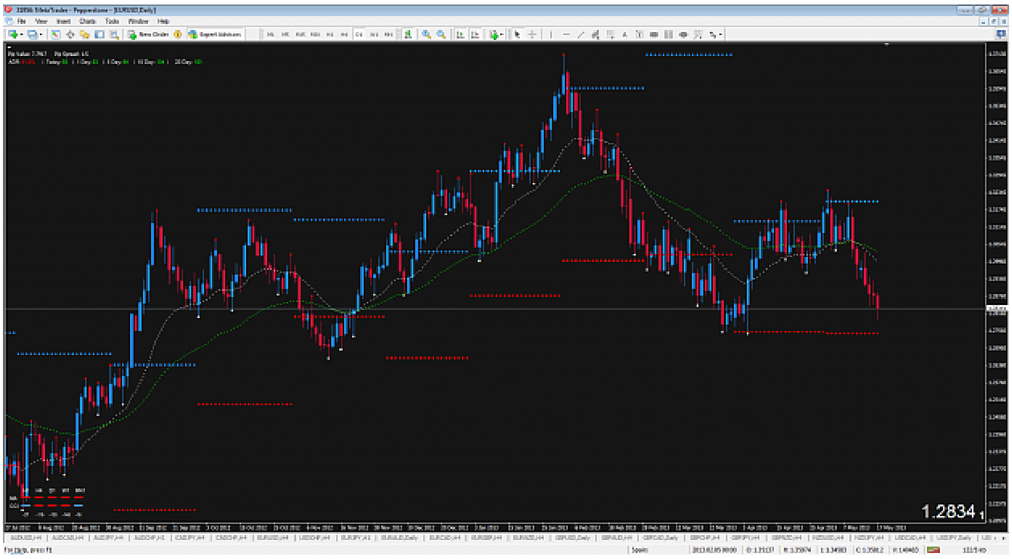
May 18, 2013 7:17am | Post# 4

1 Attachment(s)
This will be the basic template I will be using for my posts here. I'd like that if you post any charts, which I hope you will be doing, you post them based on this template and indicators I've attached, by using the simple methodology I've started to explain on my thread.

Why the same template? If we all do it the same way, then we all can help each other, because we'll be basing our decisions on the same methodology and supply and demand price action areas. Having different charts with different colors and indicators, dozens of lines painted all over the charts making it crowded will not allow all of us to see price action as explained in the thread.

The indicators that I use have been added to the initial post, they are these:
1. **ATM Pure Market Price**. It will show a big price level at the bottom right of your chart. Metatrader does not show big price labels, it's quite useful
2. **Fractals (Bill Williams)**. This indicator will draw a small dot on the swing highs and lows by taking into account 2 lower highs and 2 higher lows for a swing high and the opposite for the swing longs. Very useful to visually see where the swing highs/lows are. Also, when you have a group of several candles and you want to draw a SD level, you will know quite fast which is the highest/lowest price in the area, which will always be the one with the dot
3. **Rectangle reader**. This is explained in another thread, it will expand the rectangles that you draw as well as calculating pips width, a a long etcetera. More information in this same thread, 2 post above.
4. **MA_CCI**. This indicator will show the 100 WMA and CCI on all timeframes. A quick snapshot of what all timeframes are doing. I will explain how I use it. I don't use it for taking decisions, but as a secondary tool to assess the trend. *I don't use CCI, but I had it build like that some months ago*
5. **ADR_V2.** This is the Average Daily Range. It will show you how many pips the currency pair has moved today, in the last day, 5, 10 and 20 days in average. If above a certain % if will be displayed in red, which will tell you that the currency has gone beyond its daily average range
6. **SupportAndResistance**. This is a very useful indicator, it will draw red and blue beads on the charts to display last week/month lows and highs. Very important for confluences with SD levels you have drawn on your charts. It's good to be aware of historic weekly/monthly highs. If you are on H4 and lower timeframes, you will see the last week's high/low. On D1 and above charts, you will see the last month's historical high/low.
7. **20 and 50 EMAs.** I use these EMAs on H4, D1, WK, and MN charts only. They are widely use by traders and institutions and they are good to be used when it confluences with a nice SD level, I don't use it for entries, only to support a good level
8. **Pip Value and Pip Spread**. You will see that information by default on the template always

That's all that I use. Feel free to download the indicators and basic template that I'm using.
Remember, if you do post your charts and analysis, do it with this template so that we're all in the same page.



mosah

May 18, 2013 8:52am | Post# 5

> Quoting panoramia
> I've created an indicator which will help all those supply and demand trader out there trading with the Metatrader 4 platform. Metatrader 4 has many known limitations, the rectangle tool is one of them. It was not thought for supply and demand traders, so I came up with an idea and created and indicator that will modify the painted rectangles automatically the way I wanted, to suit the way supply and demand type of trading requires. I will create a video where I will show in full detail how this indicator can help you on this trading, once you see...

Hi Panoramia,
Thank you for this thread.
I opened a pepperstone Demo account.
I applied your default indicators and template to it but i can't see the chart as yours.
How i can upload a chart?

panoramia

May 18, 2013 8:55am | Post# 6

Hello there Mosah,
Markets are closed, the rectangle indicator needs price ticks to update the rectangles. A trick is to open the indicators windows and close it, then it will update all indicators as well as the rectangle reader. Try it. Draw a rectangle, then CONTROL+I for indicators and close it.

I've just created a video that I will be uploading soon so that you all know how to use it and how to trade the SD curve on the higher timeframes.
The template is already attached in the first post at the top. The indicators will work with any broker.

Try it like that for now, it should work.
Alfonso

> Quoting mosah
> {quote} Hi Panoramia, Thank you for this thread. I opened a Pepperstone demo account. I applied the "Rectanglereader" to it but it dosen't work. Could you post a template please?

mosah

May 18, 2013 9:59am | Post# 7

> Quoting panoramia
> Hello there Mosah, Markets are closed, the rectangle indicator needs price ticks to update the rectangles. A trick is to open the indicators windows and close it, then it will update all indicators as well as the rectangle reader. Try it. Draw a rectangle, then CONTROL+I for indicators and close it. I've just created a video that I will be uploading soon so that you all know how to use it and how to trade the SD curve on the higher timeframes. The template is already attached in the first post at the top. The indicators will work with any broker....

Thank you again

Demi-molle

May 18, 2013 12:23pm | Post# 8

Thanks for sharing panoramia! My english skills are limited but I will try to be one of your disciples carbonado

May 18, 2013 3:39pm | Post# 9

and am here.....lol.............

panoramia

May 18, 2013 5:01pm | Post# 10

I've created a 1 hour video that explains in more detail quite a few things. I have improvised a bit, nothing was planned. I hope that you like the way I've done the topdown analysis.

The video can be seen here:
Inserted Video

This is the topdown analysis for the EURUSD as of 18th May 2013:
1. I start from the Monthly chart down to the 4H and H1 chart
2. I draw all major supply and demand levels on all those timeframes
3. I explain how to use the WK and D1 supply and demand curve
4. I explain in detail how to use the Rectangle Reader Extender indicator, necessary to work the way I do.

I am sure you will like the way this indicator I created will help you improve on your supply and demand trading.

Watch it and give me your feedback.

I will be posting other videos, one on a GBPUSD short trade I am still holding which I posted on Kenneth Lee thread. I will do it soon

TraderinSD

May 18, 2013 7:01pm | Post# 11

Subscribed

Well done Alfonso

TSD

romant

May 19, 2013 2:03am | Post# 12

Not posting too much but **TraderinSD** gave me a link to your thread and there's so detailed description in the cap of it...It will make sense even for those, who're also familiar with SD trading strategy. Keep going, man!
There's also one little discrepancy:

> Quote
> **ON TO THE SUPPLY AND DEMAND IN CONTROL**
>
> Quote
>
> 3. Buy high in the curve. Sell low in the curve

and

Quote

THE CURVE

Remember, for higher odds we want to buy low in the curve and sell high in the curve.

Cheers!

panoramia

May 19, 2013 2:20am | Post# 13

Yes, there was a discrepancy with the sell low in the curve and all that sorry thanks, I fixed it! It was so much text that it's easy to make silly mistakes! But now it should be fixed!

> Quoting romant
> Not posting too much but TraderinSD gave me a link to your thread and there's so detailed description in the cap of it...It will make sense even for those, who're also familiar with SD trading strategy. Keep going, man! There's also one little discrepancy: [size="5"]{quote} and {quote} Cheers!

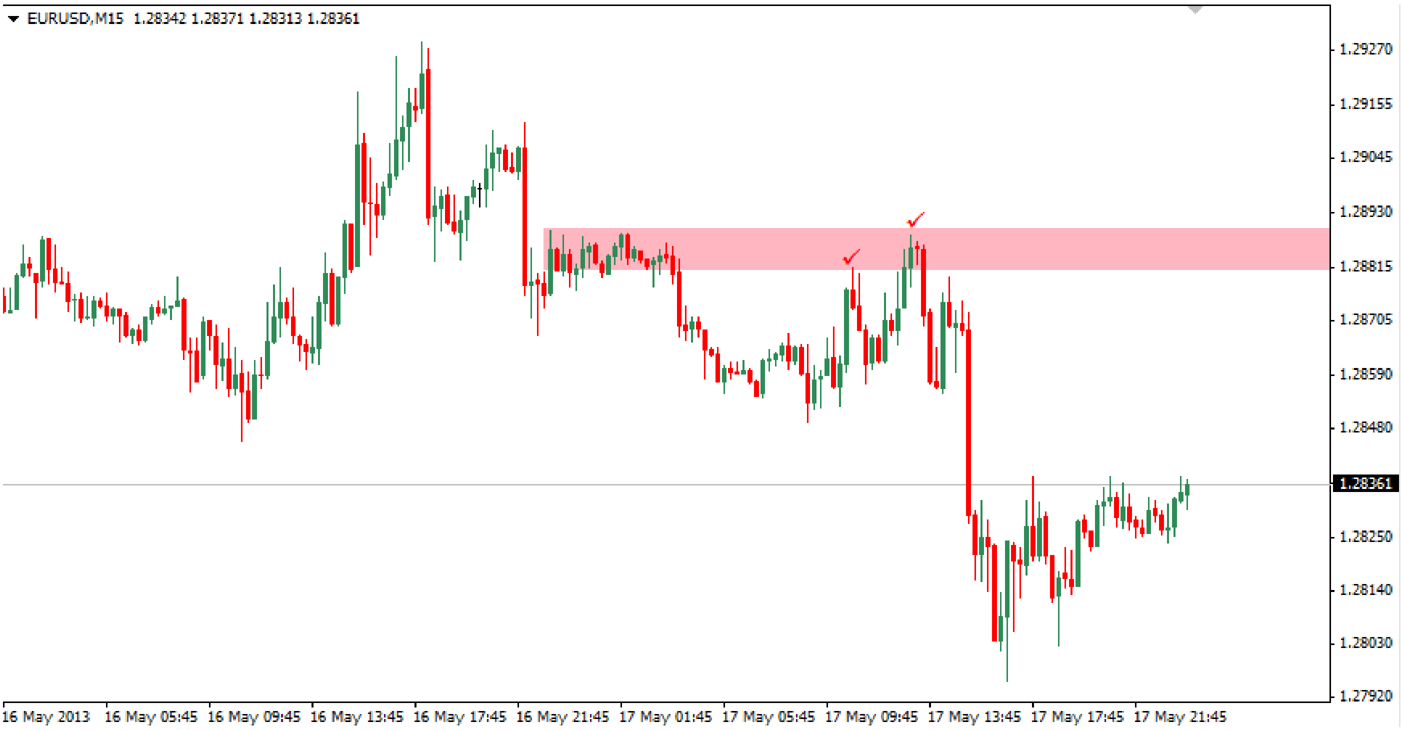
romant

May 19, 2013 5:32am | Post# 14

> Quoting panoramia
> Yes, there was a discrepancy with the sell low in the curve and all that sorry thanks, I fixed it! It was so much text that it's easy to make silly mistakes! But now it should be fixed! {quote}

Sometimes that happens. Due to the size of the first topic it's just a small thing, don't mind.

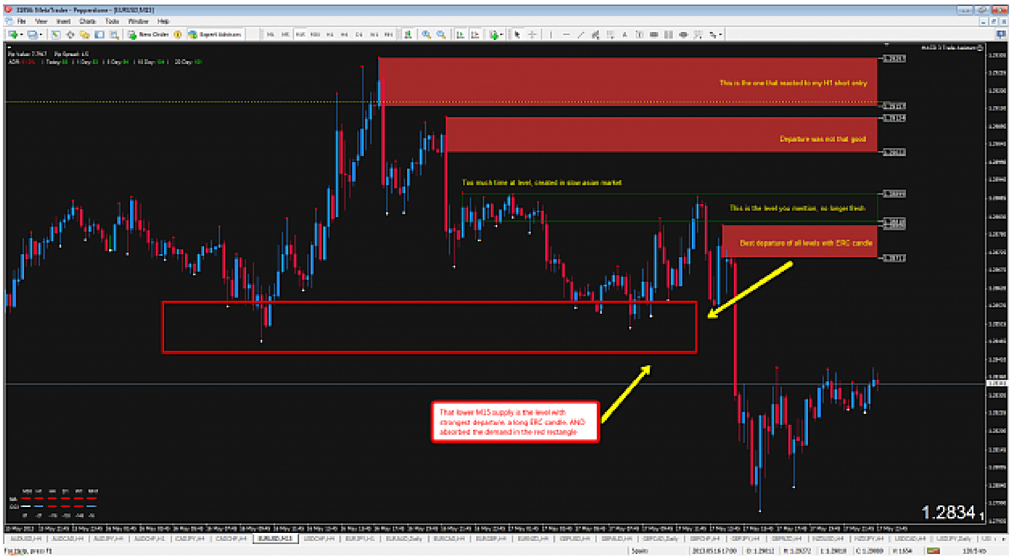
I've already just watched your video. Liked your style of definition the direction to trade. But on 55:15 of your video you mentioned a supply that would be considered as tradeable (as I understood according to your words you trade only fresh levels). But I'd like to post a chart with a little bit differently drawn level. What do you think?



panoramia

May 19, 2013 1:39pm | Post# 15

1 Attachment(s)
Yes, I remember having mentioned that level vaguely when zooming in the M15 timeframe while explaining my short entry on the EURUSD.
It's a reaction to a previous area, where price spent too much time at the level (unfilled green). That level was also created at slow asian market, I don't lean on levels created during slow market hours and the asian market, it's another of my rules. I will trust those areas if the pairs involved are heavily traded during the asian market, like AUDJPY, the NZD, or others, but not on EURUSD, GBPUSD, etc.



So now by paying closer attention at that area you drew on your chart, I wouldn't set an order there for those 2 reasons:

1. It's not a fresh level
2. Supply level was created during slow market hours on a pair which is not heavily traded in those hours

I describe the other 3 levels that I see. The best one for me would be lowst one, the one at 1.2871, which is also the one that absorbed the demand marked with the red rectangle on my chart. Then second best would be one at the very top where I had taken my short. Best departure is the lowest level however. I don't trade the M15 levels though, I will use it sometimes to drill my areas down.

But yes, you are right with that level!
Thanks for you comments, I really appreciate it!
Alfonso

> Quoting romant
> {quote} Sometimes that happens. Due to the size of the first topic it's just a small thing, don't mind. I've already just watched your video. Liked your style of definition the direction to trade. But on 55:15 of your video you mentioned a supply that would be considered as tradeable (as I understood according to your words you trade only fresh levels). But I'd like to post a chart with a little bit differently drawn level. What do you think?...

fortunateson

May 19, 2013 2:38pm | Post# 16

Hi Alfonso,
Thanks for taking the time and putting in the effort to show how you trade. Great job on the video, it was very helpful and informative. I'm working on setting up the indicators ... been in study mode for quite awhile but I'm close to being done so hoping to contribute soon.

Thanks again,
Joe

romant

May 19, 2013 2:45pm | Post# 17

panoramia
Thank you too for conversation! Keep posting your charts! I also like to look for 30M1H zones.
Agree about the two upper one lvls. But I am not so confident about the 2871. On the departure it was spiked three times...Do you estimate such kind of PA?

panoramia

May 19, 2013 2:48pm | Post# 18

Thanks for your warming reply Joe, I really appreciate it. I beleived that showing the way I trade in a video was way better than in screenshots. On a video it's more difficult to misundertand concepts, price action and many other things. On screenshot it's easy to be misled by what your mind may want to interpret.

That's the way I trade supply and demand. It's neither the only way, nor the best way, but it's my way and most imporant, it's a "logical" way to look at things. I always that if I have logical rules that I follow consistently, they will become a habit, second nature to me, and eventually trading will become boring, because I will be doing the same thing over and over, the same thing again and again. In order to be consistent you need to be consistent on what you're doing, it's a loop.

Thanks again for your message! Looking forward to your contributions!
Alfonso

> [Quoting fortunateson](#)
> Hi Alfonso, Thanks for taking the time and putting in the effort to show how you trade. Great job on the video, it was very helpful and informative. I'm working on setting up the indicators ... been in study mode for quite awhile but I'm close to being done so hoping to contribute soon. Thanks again, Joe

panoramia

May 19, 2013 2:57pm | Post# 19

1 Attachment(s)

The thing about that level, the lower one, is that it can be considered as a retracement to the previous non-fresh level at 1.2880. I will not trade that level because I do have a doubt, so when I have a doubt about a level, if the level is not ultra super clear to me, I won't take the risk! If I wanted to take the risk, I would try to cover both levels as much as possible with my SL a few pips above 1.2890, and my entry maybe at the low of those wicks at 1.2874.

But I prefer to wait for other levels to lean on. It does not mean that some of those levels could not work, any of them could work, but I'm just trying to behave like a "robot". If there is just one variable in my trading plan's rules which is not met, or there is a doubt, then I will not trade it. There are 20+ currency pairs where I can find clean and fresh levels with strong departure and a nice profit margin with no opposing supply and demand levels to reduce my odds.

Trying to be as rule-based and robot-like as possible to prevent my emotions from sneaking in my rational decisions. Not easy though

> [Quoting romant](#)
> panoramia Thank you too for conversation! Keep posting your charts! I also like to look for 30M1H zones. Agree about the two upper one lvls. But I am not so confident about the 2871. On the departure it was spiked three times...Do you estimate such kind of PA?

panoramia

May 19, 2013 4:14pm | Post# 20

I've created another video which you can see in this post. This time it's a shorter one
A live GBPUSD short trade I took last thursday which I am still holding.

On this video you will see:
- How I use the rectangle reader indicator to draw my SD zones on higher timeframes, and how easy it's to know how high or low you are in the D1 and WK supply curve by having the automatic trendlines painted on the distal and proximal lines of those rectangles
- The exact reasons why I took the short trade and why I want to hold it
- How to use the higher timeframe supply and demand levels to assess the trend in a logical way
- I show how to use Metatrader's Scale Fix functionality, I learnt about it by mistake 2 weeks ago. I thought it was not possible under MT4, but you can drag your chart around and candles will not scale or adjust, it's just like moving an image in Photoshop, I love this feature

I hope that the concepts here and my supply and demand methodology are clear, I just try to be as logical and consistent as possible.

Inserted Video

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