

Lesson 5
Market Rhythm, Part 2
Post # 4341

Right, I've only got 7 minutes in producing this, presenting this – so let's get started. Go to page 1, the weekly graph. I zoom out to see the weekly graph of about 5..6..7..8 weeks. Then I try to draw the TLs, the outer ones, as you can see the 2 big ones, the top and the bottom. Then I look for an intermediate one which is closer to the price action. That's where I got that red line starting at the bottom, going upward. Just to define the price action within 2 trendlines, which I've done there. Then if you go to the daily graph, you'll see those 2 lines. The top one is the weekly one. The bottom one is that one I've drawn from the bottom coming upward. Then I look for some TLs or Resistance and Support lines in between those lines. That's where I found that A – B line. You can see with the circles where it found support all the way. The rectangle is where the price breaks through and it tends to come back to the TL, finding support on it. You can see those 3 circles there – just between the rectangle and point B – finding support there. That is the way the market moves, more or less. Breakout, comes back, found support on the same level, then goes up again. Go to the 4-hour graph. I've numbered the TLs. Number 1 is the weekly one that we've drawn from the weekly one. 2 is also the weekly one, the 2 outer ones there. 3 is that A – B line which we've drawn. 4 is the new line on the 4 hour that I've drawn. You can draw it from the daily as well, connecting all the tops – more or less. You see again from between 3 & 4 – the TL 3 & 4, we have now defined the price within those 2 TLs. Because that's where the action are. Now, I'm looking for intermediate lines. TL #5 is the one that we had last week when it broke through at the rectangle – the black rectangle. You can see how many times 1..2..3..4..5 times, it found first resistance against the TL, then it broke above it – then it came all the way back at point C yesterday. Then the price got stuck there at 1.3080 – 1.3090. There was no further movement down. The price was staying around there. I had to look – went back and see that I've never extended that TL when it broke the TL the price, at that rectangle. Remember to extend your line because the price many times comes back and tested it as support before moving up. So we can maybe have a break upwards above TL #4, going to the weekly one on top. Should it come down, below that purple C, inside the 5 & 6 TLs, we can have a move down to the 6 TL. If it goes below that, then we go to the A – B TL.

That's how I do my analysis.

I first go to the outer one -- that is my weekly one. I go to the weekly chart, draw my outer lines. Try to define the price within 2 TLs so that the action is between 2 Support & Resistance lines, the closest ones that you can draw possible

I then go to the daily graph, looking for some intermediate lines – something in between, which I can draw there. Then I go to the 4-hour graph and within those boundaries, or that TLs, I try to get something that fits the price action.

Very important to notice that the market has got a rhythm. You've got to start recognizing the rhythm, especially when the market is range bound. Like between TL 5 & 6. It was there for about 4.5 weeks, nearly 5 weeks before it broke out. Within that period. The MACD gave a lot of signals. The MACD is very good when it comes to range bound markets. When it is ranging between 2 lines – a channel for instance – when it gets to the top, or the bottom, it normally gives a signal you can enter. But remember, when the breakout comes, you are going to be wrong. Most of the time you are going to be wrong. So you got to make money within the channel. So when the breakout comes, you've got to close it the moment you see that it is a breakout and it might cost you some money.

That's basically what I do in terms of TLs. I don't try to make it too difficult. There's a lot of other ways of doing it. But, for me, its mostly to have 2 lines with price action is in between and as close as possible. The TLs I'm trying to get the TLs as close as possible to the action to define the support and resistance lines. Don't try to make it too difficult. Its not that difficult. Look at the Moving Averages – how the price moves around those MAs. (Clears Throat) –sorry – its very important to realize that. As I've said, when the market breaks out, it normally goes, say it goes up, above the 89 – you're in Bullish Mode. Then it pulls back to the 21, and then it moves away from the 21 – and normally then, the MACD will give you a signal there. That's what you are waiting for in an uptrend.

In a downtrend, the market will come down, pull back to the 21, turn around, and then moves away.

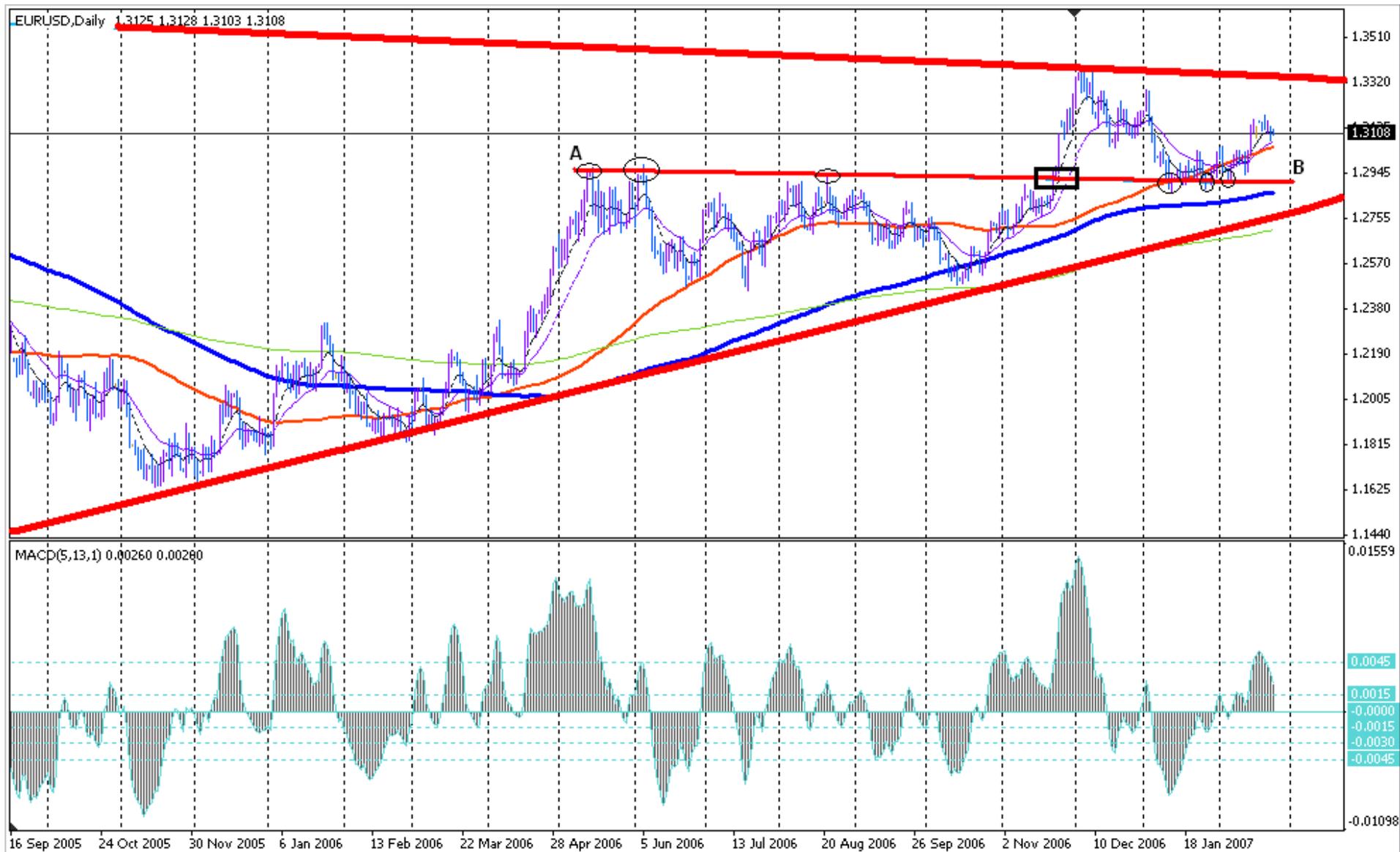
You get those little tails – and when you see that, the next one, if the MACD gives a signal, you know you can get in. 'Cause those tails are where they take the stops out for people that's got orders in. & that's how they – I don't know who they are – I don't care who they are – there are a lot of explanations who they really are – but, I'm not worried about it. As far as I'm concerned, it is to recognize those tails. I will do some candle patterns later on, just to give you people something about the pattern or candles that I'm looking for.

Hope this helps you – Cheers!

WEEKLY GRAPH



DAILY GRAPH



4 HOUR GRAPH

