Market Rhythm Lesson # 4

Right, I wanna talk price motion tonight because I see a lot of people on the forum taking macd signals that are not in relation to the price motion. Resulting in some serious wrong decision.
I want you to open the PDF file page number 1.Then you must look at, I want u to look at the motion of the market. That purple rectangle point number A. The market moves away from the blue line the 89 SMA. Now what does the market do, when it moves away or break through the 89,it tends to go up or down, depending on which way it goes, but in this case it is up. The market goes up , then it pulls back to the 21ema, point number 1, goes up , back to the 21 EMA, point number 2,up , back to 21 EMA, point number 3.Same point number 4, same point number 5, same point number 6. That's where your high probability trades are. If the macd supports the trend continuation pattern there That's where your high probability trades are, That's where the good set ups occur.
Your counter trends you can take, the moment it hits a trend line. You gotta draw a trend line on top, I have not got one here yet here, but you decide where your trend line goes, and That's where u do your counter trend. Its off resistance. That's really important. But I want u to see this motion of the market. The moment its not in that rhythm, u know it is random, and then there is another way you can do that . But we can look at that later.
Page 2 I want to show it u again, but I wanna come with the red lines there, top of trend you can see on left hand side. What happen at the top of the trend , when market comes back to the 89, it does it in that 1 2 3 sort of motion. It comes back below the 21 EMA then it pulls back up to the 21 EMA with that red number 2. Then it comes back to the 89, that red number 3 and to that purple rectangle marked with a black capital A. That's when on top of a trend when it comes back to the 89. Now u see it comes down, so now we are coming down, so we expect the market to come back to the 21,which it does , but it doesn't move down again, it went all the way back to 89 to point B. That tells you that its not gonna continue the down trend,

So now it has to establish itself again which direction its gonna go. Then it comes back to C below the 89 so we expect it to pull back to the 21 and then come down but it went all the way back to the 89again. And then it come down. So around there u can do trades , but u know you are not in a definite direction. So u gotta be very careful. At point d only the market breaks through, but we don't know wether its gonna stall within a range so we gotta give it some room to move. Then it move up and then it came down to point 1 right at the 89, it found support there and then it moves away. Every time it moves to the 89 and MACD confirms a move away from the 89 you can take that trade. But what does the market do now. It went up, came down to the 21at point number 2. There was your actual 100%, no cant say 100% but your high probability trade. That was the one you were looking for.
Now look at the MACD, it gives u a slight Trend continuation pattern. You don't do it just because the MACD tells you that, but because the price moves away from the 21, point number 3, away from the 21. Point number 4 away from the 21, point number 5 away from the 21 EMA. Look at the trend line that I have drawn on top of the 123 on the D up, that black line. when the market runs into that resistance line, the moment that top trend line is in place you can take counter trend trades if your risk to reward(R:R) ratio allows it.
Now the next page. There u can nicely see it. look at the 123 in black. And 12345 in black telling you its coming back to the 21.But I want you to look at all those purple rectangles, in the middle , between those two red lines, its crossing all over the place ,all over the 89, what does that tell you , they don't know which way to go, so u gotta establish a consolidation, because that is a consolidation. So u gotta establish a top trend line and a bottom trend line, because when that is in place you take your macd at the top and bottom of that. Those you definitely take. In between you gotta be very careful. Then you look for trend lines in between. Is there room for it. Then you gotta be very very very care ful to do that , That's very important. If you look at the first rectangle on the left hand side. It comes down the market. You get that black 123 pull back to the 21. Then it runs out of steam. You get that red A, red B, red C. That is the bottom of the trend, it pulls back above the 21 at small red

a, then it comes down to b , then it goes back to the 89 at c. that is the normal movement of the market when it is in rhythm. When it does not do that you know that it is not in rhythm, and then you have to be very very very careful for that.
The next page is where we are right now. look at that red I ve got there, That's at top of that high, that brown line, big resistance of 2004, the 2 purple rectangles, look at the 89, there is no rhythm. Then at the right hand side, number 1 and 2, That's where we are now, the market came down pull back to the 21 , came down pull back to the 21 at point number 2 and then all the way down. So between 1 and 2 those 2 were your high probability trades . If you took number 2 today it satisfies the motion of the market. But the moment you run into big resistance like that earlipse on the top. You know there is gonna be some jumping up and down. The blue on the left hand side, its nice in rhythm. Away , back to the 21, away, back to the 21.So u gotta look for that rhythm. If That's not in place you know the market is not in place. There is no stability. And then you must decide wether you are gonna trade there or not. And if you trade, you look for a couple of pips and you wait for that break, from, through or away from the 89, the pull back to the 21 and if it moves away there then you know a trend might be on like we had today.