

NQoos ;-)

# TRADING NAKED

*Master your setup. Master your Self*

*the interpretation and application of price action concepts*

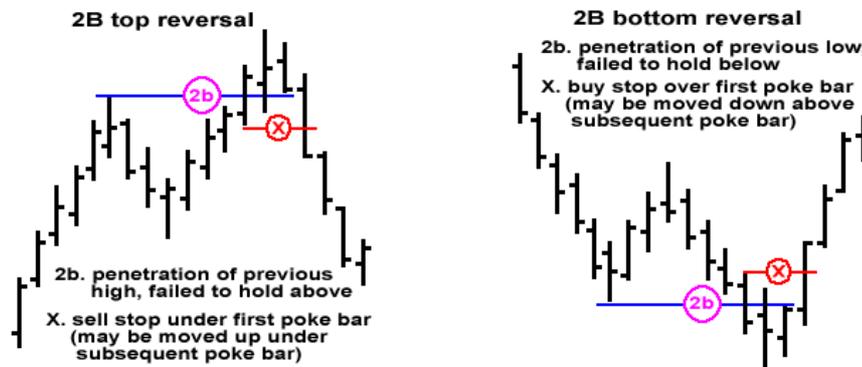
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## 2B Reversal (a variation of the Trader Vic [1-2-3 reversal](#))

"In an uptrend, if prices penetrate the previous high but fail to carry through and immediately drop below the previous high, the trend is apt to reverse. The converse is true for downtrends." [Vic Sperandio in "Trader Vic: Methods of a Wall Street Master"]

The 2B principle gets its power from the large number of stop-loss orders in the area of the X. Many traders who bought the breakout will have their stop-loss orders there, so if prices fall below the blue line those stops will be hit, driving prices back down with thrust. If you enter a short as the breakout traders are bailing out of their positions, the burst of selling can propel your trade into the green so quickly that, before you can enter your stop-loss order, prices have moved far enough in your favor to set your initial stop-loss at break even. The inverse is equally effective for 2B bottoms.

Another name for the 2B is "spring." Imagine the blue line in the graphic as a rubber band. The bigger the poke above the blue line, the stronger the reversal potential if the breakout fails. This same principle works on failed triangle breakouts and failed trendline breakouts. If you were unfortunate and bought the breakout, instead of putting just a stop loss at the X, consider making it a stop-and-reverse. This pattern occurs at the tops and bottoms of consolidations as well as at major reversals.





expect ✕ miracles, they are everywhere..... ✕ God is good all the time

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