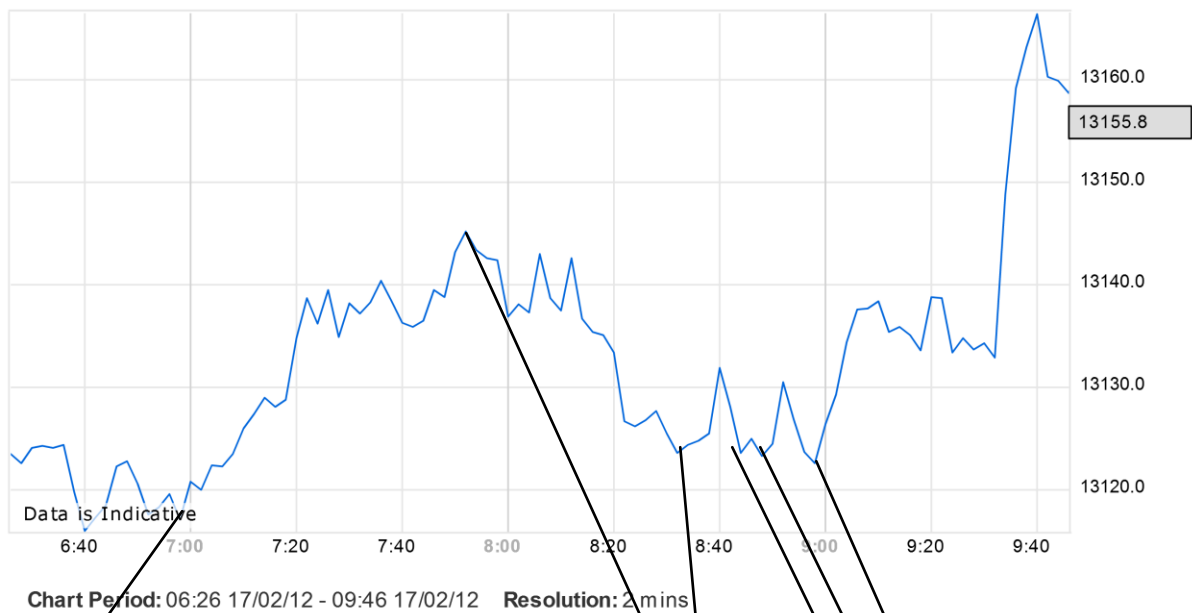


Spot FX EUR/USD 16:46 17/02/12 H: 13197.9 L: 13114.9 23.6 0.18%



At 7.00 GMT market price 3117 above round number at 3100.

PATe opening signal therefore a BUY.

Post 7.30+ (opening sequence) the trader needs entry as close to low as presented. Ideally entry needs to cover 3100 round number with stop loss.

Initially high extended to 3147 by 7.53 GMT.

All the trader needs is the pullback to hold the low+ at 3117 to go long.

The best entry presented at 3122 at 8.35 (a higher low above low). Target is R1/3200. And more followed.

PATe Price Levels: Daily Standard PPs obtained from: www.livecharts.co.uk

(PP) 3086.....3100(RN).....3150(MP).....(R1 3198.....3200 (RN)

Price levels below PP and above Round Number 3200 can only feature if there is a move lower than 3086(PP) or a move higher than 3200(RN). New or forgetful traders place the relevant levels on their chart.....personal choice.

Please also note chart resolution is set at 2 minutes for purpose of illustrating the PATe approach.....this would be set at 1 minute for price action consideration.

Trade 1: BUY at 3122 at 8.35 GMT.....or 8.36 at 8.36.....and on offer at circa 3124 through to 9.00 GMT.
Target is R1/3200. It is sensible to place a limit order at just short of R1, so at 3195 to take profits.

Trade management: the focus of the trade is no move lower **than 3100**.....moving forward you would want to see the market get above 3150+ and given the average daily range of this market then you might expect market to stall later at approach to 3200. The BUY trade will end if there is no move ABOVE 3200+.

Price action dynamics: the market (any market) is always trying to get from A to B or further to C etc. If it fails to get to B from A then it will try and return to A and may then involve a destination below A. For the purposes of managing this on a day to day basis you have the PAtE price levels.

A trader needs to understand that the market cannot be rising and declining simultaneously. There is a dominating direction and moves against the dominating direction (retrace). No market travels directly to its target.

Price action dynamics are such that if a move commences around/close to a round number the market will try and move to the next higher or lower round number. If a move commences relative to a midpoint price level then market will try and move towards next higher/lower midpoint price level. Any standard PPs that fall between or are also close to these price levels can also play a part in forming resistance to rises or support to declines.

Higher lows (HLs) are prices that form above the session low (session low calculated from 7.00 GMT+) and these can provide later entries to long the market.....and provide the trader with further confirmation that a rise is still intact. Higher lows will continue to support a rising market until the market has met with resistance.....a price level beyond which it cannot go. Lower highs (LHs) then below the session high take charge of proceedings and keep a decline intact until support is established in decline.

I encourage traders to not hug the charts.....nor sit and watch every move too closely.....price action will mess with your head if you let it. Chart watching can only lead to taking profits too soon.....or jumping in and out of trades inappropriately.

Price action traders need to accept that generally price action needs time to develop.....moves can move slowly.....swiftly.....but market intent sets up in exactly the same way on all markets including FX. There really is no need to differentiate. Price action is price action.....end of story.

Of course price action can get bogged down, it can be tight and awkward .It can also be too volatile to trade. Price action is impacted by red flagged data as shown on any economic calendar. It is neither sensible nor wise to try and ride out red flagged data or pre-empt how the markets might react to it. If you are inclined to do this then you are not a trader.....you are a gambler.

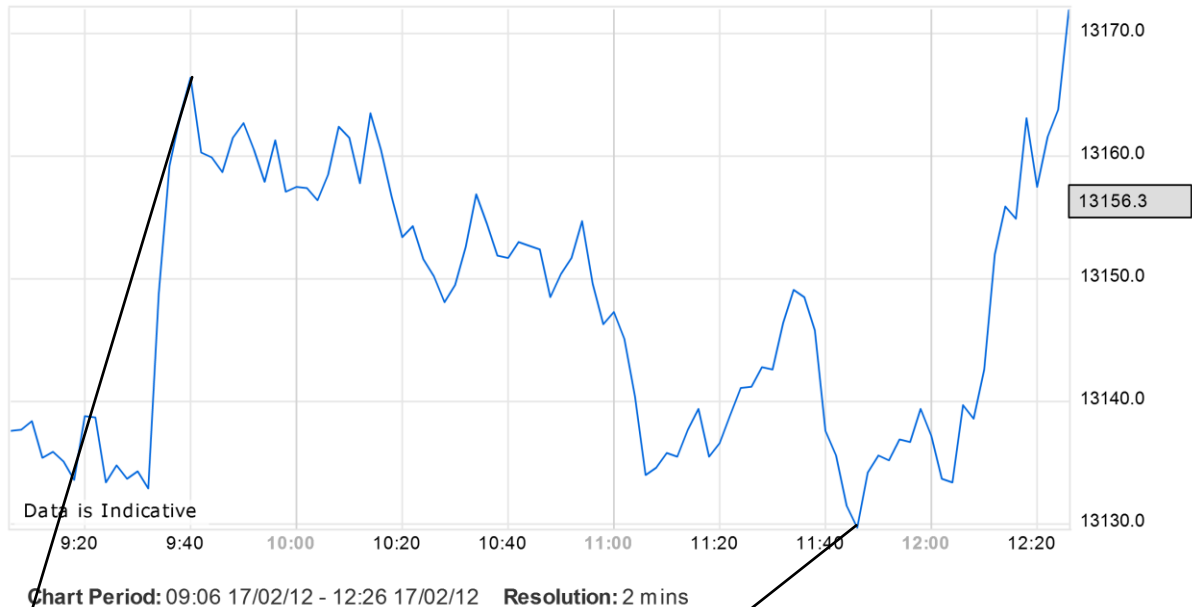
The European/London session can see a market in decline up to 13.30 GMT.....to then reverse when New York opens and rise for the remainder of the day or vice versa. So if in trade as New York open approaches then the trader needs to be their station to manage their trade if necessary. Most traders I am in contact with tend to close pre New York open if any open trade has not completed its movethen wait for the next trade set up to tackle the New York session. It is not completely necessary to close.....you can be present instead to manage the trade.

Given the sizeable moves that price action trading offers many traders satisfy their own trading plan objectives during European/London session so may conclude trading at midday/13.00 GMT. Those who have wider

objectives do obviously continue into New York session. OK let's get back to Spot EUR/USD and see what happened moving forward.

Spot FX EUR/USD

16:47 17/02/12 H: 13197.9 L: 13114.9 24.1 0.18%



By 9.40 GMT market has moved to circa 3169. It is through 3150+ and so it has demonstrated strength above the midpoint.

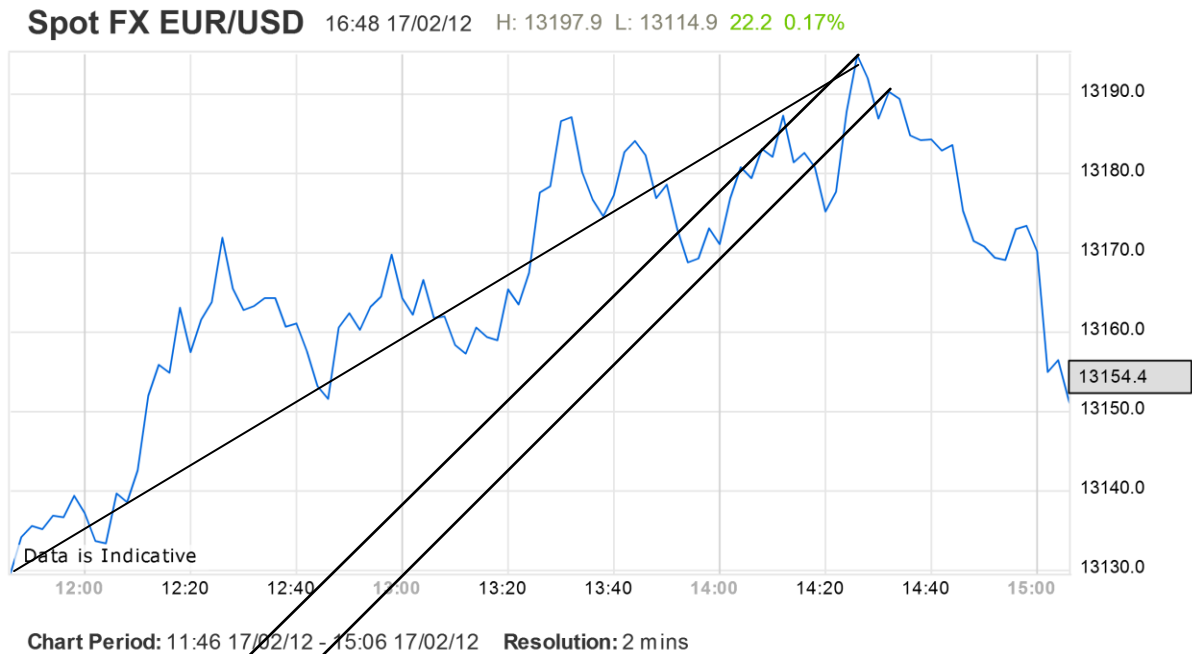
It is not unusual for the market to retrace of its new high and some traders may be interested in trading into the retrace. You can if the lower highs below the NEW SESSION HIGH actually cover the HIGHER PATE level at R1/3200. In doing so you cannot lose sight of the HLs that already sit atop the session low+ and 3100 round number at the bottom of today's range so far.

As a trader you have lots of options as long as you do not lose sight of the big picture (the price action since 7.00 GMT).....but as a price action trader you really want to accept what the market is actually trying to do overall. This takes some practice and time to acquire the trading maturity to allow the market to play out its intent. Today that is support at 3100+...session low at 3117 so it is trying to get to R1/3200.

This price is 3129 at 11.48 GMT.....an opportunity to go long if you missed the earlier entries (it may not exactly cover 3100 with the standard 31 max stop loss used with the PATE but it more than covers the session low at 3117 and the session has matured somewhat along with price action.

Any trade taken off the session high.....needs lower highs to confirm no move higher for now.....those lower highs have to cover 3200 otherwise entry is at risk against a sudden turn around to continue the intended journey UP. The lower highs were too far off 3200 to qualify as entries to SELL without risk (it is only after the event that you can see they would have been safe down to further higher lows at 11.48 GMT). Any experienced trader puts RISK ahead of anything else. Take care of RISK.....and everything else takes care of itself.

OK Let's See What Happened Moving Forward



The market after its further higher low at 3129 at 11.48 as shown above on earlier chart has resumed its rise.

The market has reached 3197 by 14.27 (one pip lower than R1 and 3 lower than 3200 round number).

The formation of lower highs moving forward that form below the PATE price levels R1/3200 provide entries to SELL the market (any lower high entry to SELL must be capable of covering 3200 with the standard max PATE stop loss). It will come down and unless it can make any impression on its session low will later return to try and tackle its high (but the main move of this session is all but over).

Most traders have got their pips totals as per their own personal trading plans by now so while they make take the SELL on.....they may just go do something else far more exciting than trading !!!

Trading is a very boring activity when you understand market dynamics and put your faith in the price levels.

Let's See What Happened Moving Forward



You will see that following R1/3200 resistance.....the market continued down.....lower highs dictated decline. There really would be nothing to think about if involved in the SHORT trade off lower high 3195 at 14.34 GMT and subsequently.....other than need to take out low/3100 to be able to progress any decline.....most day traders would be taking their leave circa 19.30 GMT at 3152(ish).

Trade 2: *at 3195 at 14.37 GMT.....or at 3188 at 14.37 GMT.....or 3185 at 14.39 GMT.....3185 at 14.42 GMT.....3188 at 14.45 GMT. **Target:** see what happens approaching 3150.....has to go lower than 3117 ultimately to keep decline intact as per big picture.*