Part 1

If you have read the first post and decided to participate and taken my advise about looking at a blank chart with no indicators and marking some peaks and troughs here is how your chart should look.

First of all its pointless trying to look at a chart using the full height and width of the screen,so ive posted a blank indicator which you should load onto the screen three times so your screen looks the same as the picture below.

Here are the basic rules that you will need, when i say basic thats what they are nevertheless do not dismiss them ,as these rules are the basis for all the systems and indicators that are being created on this and other forums.

Resistance is any part at which the market stopped going up and turned down
Support is any part at which the market stopped going down and turned up
An uptrend is a series of rising peaks and troughs
A downtrend shows a series of descending peaks and troughs.
A sideways trend is a series of horizontal peaks and troughs, with prices moving within a range, failing to make new highs at the top of the price range and failing to make new lows at the bottom of the price range
Role Reversal
One of the most interesting phenomena regarding support and resistance occurs when the price is finally able go above and beyond an identified support or resistance level.
[/b]When this happens and a previous trough is broken it is not uncommon to see this previous level of support change its role and become a new area of short-term resistance.
The opposite of this process occurs when the price breaks above resistance or previous peak.,this area now becomes a new area of short term support.

On with part 2

In part one we established that a rising trend is a series of rising peaks and troughs this is true but we need to take it a step further.

There 3 types of rising trend ,these are

NORMAL TREND
CREEPING TREND
BLOW OFF TREND

A NORMAL TREND is when the price is making a series of rising peaks and troughs and the price does not move substantially into the range of the previous peak quite often in a normal trend the price will come within a few pips of the previous peak before turning back up again these are great opportunities to trade with the trend.

A CREEPING TREND is when the price is making a series of rising peaks and troughs and the price moves back into the range of the previous peak but not a far as the previous trough and then turns back up ,its quite normal to find this type of trend at the beginning of a very good trend.

A BLOW OFF TREND is when the market is making a series of rising peaks and troughs and the price does not come close to the previous peak creating a ga these normally occur near the end of a normal trend and usually are a very fast move .Its important to check the higher timeframe with this type of trend because sometimes what looks like a BLOW OFF TREND can be a retest of a peak on the highertimeframe so its important to distinguish between the two in order to know where to set the profit target.

REVERSE EVERYTHING FOR DOWNTREND

EXAMPLE OF A CREEPING TREND

http://www.divshare.com/download/886469-ac5

Example of a normal trend

NORMAL TREND

http://athena.divshare.com/athena2/f...rmal_trend.gif

Example of a Blow off Trend

BLOW OFF TREND

In the picture pay attension to the gap created between the previous peak and where the market turns,look at the bars and you will see the price has starte to turn up and makes a very fast move to finish the uptrend.

The market then moves lower the trend is over.

http://athena.divshare.com/s03/files..._off_trend.gif

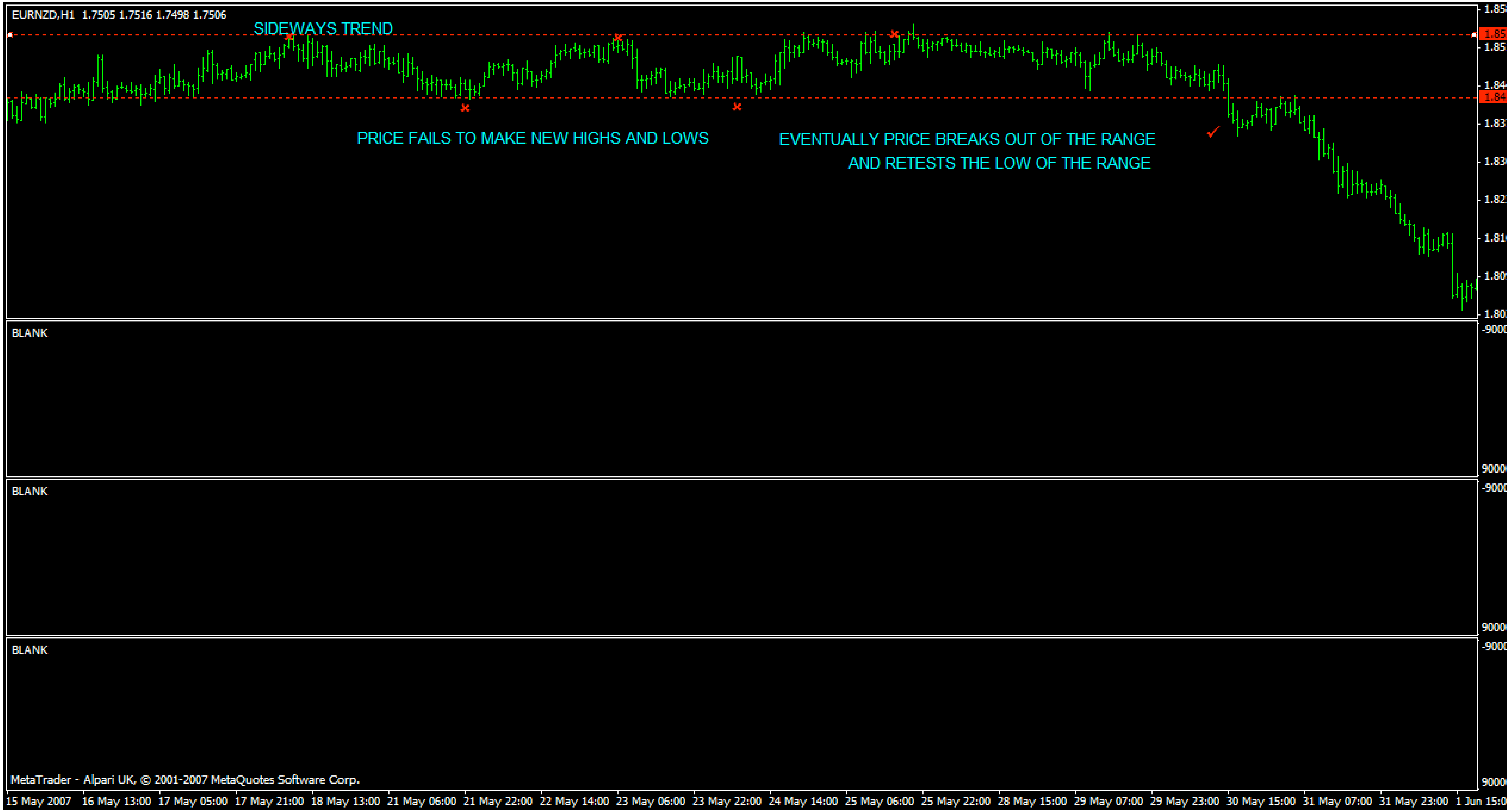
Lets take a look at a **SIDEWAYS TREND** (commonly known as ranging)

Look at the chart see how the price travels between its high and low and each time fails to make a new high or low, eventually a breakout of the low takes place ,notice the retest of the low after the breakout.

In the next part we will take a look at ROLE REVERSAL and how S/R works with REVERSALS .
In later parts we will look at the relationship between the area on the charts that we have identified as S/R levels and see how they confirm each other on tl
higher timeframes.
We will look at how far the price can move into its previous range.
Entry techniques for the different types of trend.
Where to place stop loss using our s/r lines and most importantly where to place our profit targets.

REMEMBER

BUYERS ENTER THE MARKET AT SUPPORT AND TAKE CONTROL FROM THE SELLERS
SELLERS ENTER THE MARKET AT RESISTANCE AND TAKE CONTROL FROM THE BUYERS---
Attached Images



EURNZD,H1 1.7505 1.7516 1.7498 1.7506
SIDEWAYS TREND
PRICE FAILS TO MAKE NEW HIGHS AND LOWS
EVENTUALLY PRICE BREAKS OUT OF THE RANGE
AND RETESTS THE LOW OF THE RANGE
BLANK
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
15 May 2007 16 May 13:00 17 May 05:00 17 May 21:00 18 May 13:00 21 May 06:00 21 May 22:00 22 May 14:00 23 May 06:00 23 May 22:00 24 May 14:00 25 May 06:00 25 May 22:00 28 May 15:00 29 May 07:00 29 May 23:00 30 May 15:00 31 May 07:00 31 May 23:00

I appreciate the comments you have made , i would just like to make a couple of things clear here ,this thread is a tutorial to discuss the techniques used ir "CLASSICAL" SUPPORT AND RESISTANCE.

I would be more than happy for you to post your forecasts here just for the week but without the use of fibonacci retracements , extensions ,pivots etc, the would have to be based on pure price action.

Personally im not a believer in forecasts usually i wait for a set up and then use classical s/r to confirm or dismiss a trade.

Ok i know the thread is a bit slow but i think its essential for the information to be digested slowly there is no quick solution to trading although i see the tempo on the forum increasing as soon as a new indicator is posted.

Eventually the thread will move on to live trading but for now i will finish the tutorial.

A break out is one way to trade s/r , there are other situations that we can use s/r ,what about reversals ,what about trend continuation .

eg. the market pulls back on the 60m chart to form a top but when you check the 4hr chart and that top is a resistance and the daily trend is down then yo know the trend is about to continue.

Its a common misconception that unless a s/r level is broken we are in a range.

eg. price on a 60m chart forms a rising double bottom that means a low and then a higher low ,on the 240 chart that bottom is clearly a support a line, the daily is showing a series of higher highs and higher lows with the area around the current price as clearly being a retest of a previous peak(role reversal

BUYERS ENTER THE MARKET AT SUPPORT AND TAKE CONTROL FROM THE SELLERS
SELLERS ENTER THE MARKET AT RESISTANCE AND TAKE CONTROL FROM THE BUYERS

Its important to understand the relationship between timeframes to be able to use s/r effectively.

the crosses on the charts are turning points that are created by large institutions , i placed the crosses there just to show where the market turns, when the market creates a turning point thats when we go to work to see if we can match it up according to the rules of s/r ,strenth can be gauged by confirming witl

the higher timeframes eg if a turning point matches an identified area of support on the higher timeframes this lends more weight to that area and buyers a
more likely to enter the market in sufficient numbers to ovewhelm the sellers.

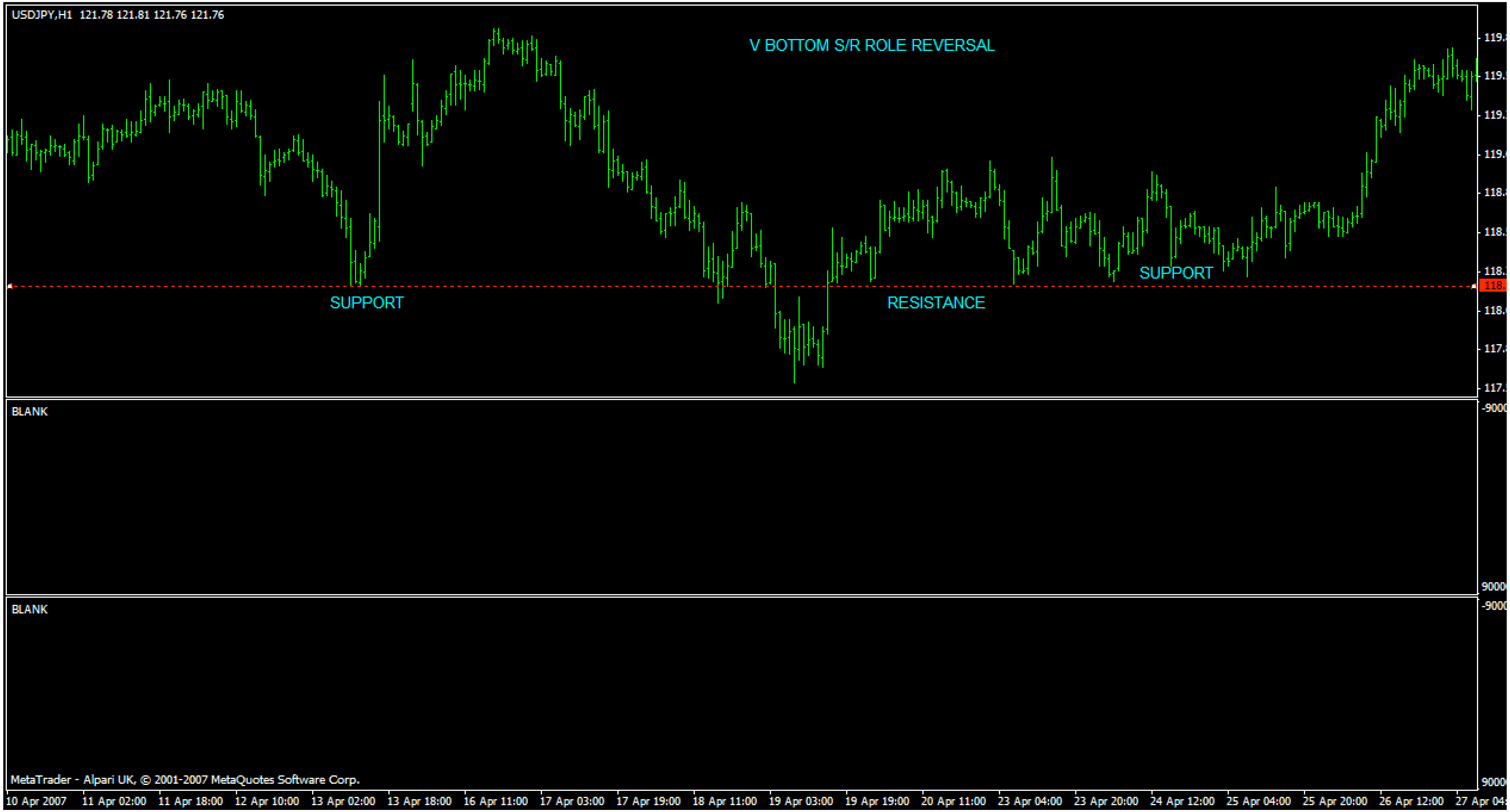
Lets move on to ROLE REVERSAL

""Another principle of technical analysis stipulates that support can turn into resistance and visa versa. Once the price breaks below a support level, the broken support level can turn into resistance. The break of support signals that the forces of supply have overcome the forces of demand. Therefore, if the price returns to this level, there is likely to be an increase in supply, and hence resistance.

The other turn of the coin is resistance turning into support. As the price advances above resistance, it signals changes in supply and demand. The breakout above resistance proves that the forces of demand have overwhelmed the forces of supply. If the price returns to this level, there is likely to be an increase demand and support will be found.""

"" quote from stockcharts.com"

Role reversal can occur during a trend or at a reversal known as a V bottom. or top.
Attached Images


USDJPY,H1 121.78 121.81 121.76 121.76
V BOTTOM S/R ROLE REVERSAL
SUPPORT
RESISTANCE
SUPPORT
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
10 Apr 2007
11 Apr 02:00
11 Apr 18:00
12 Apr 10:00
13 Apr 02:00
13 Apr 18:00
16 Apr 11:00
17 Apr 03:00
17 Apr 19:00
18 Apr 11:00
19 Apr 03:00
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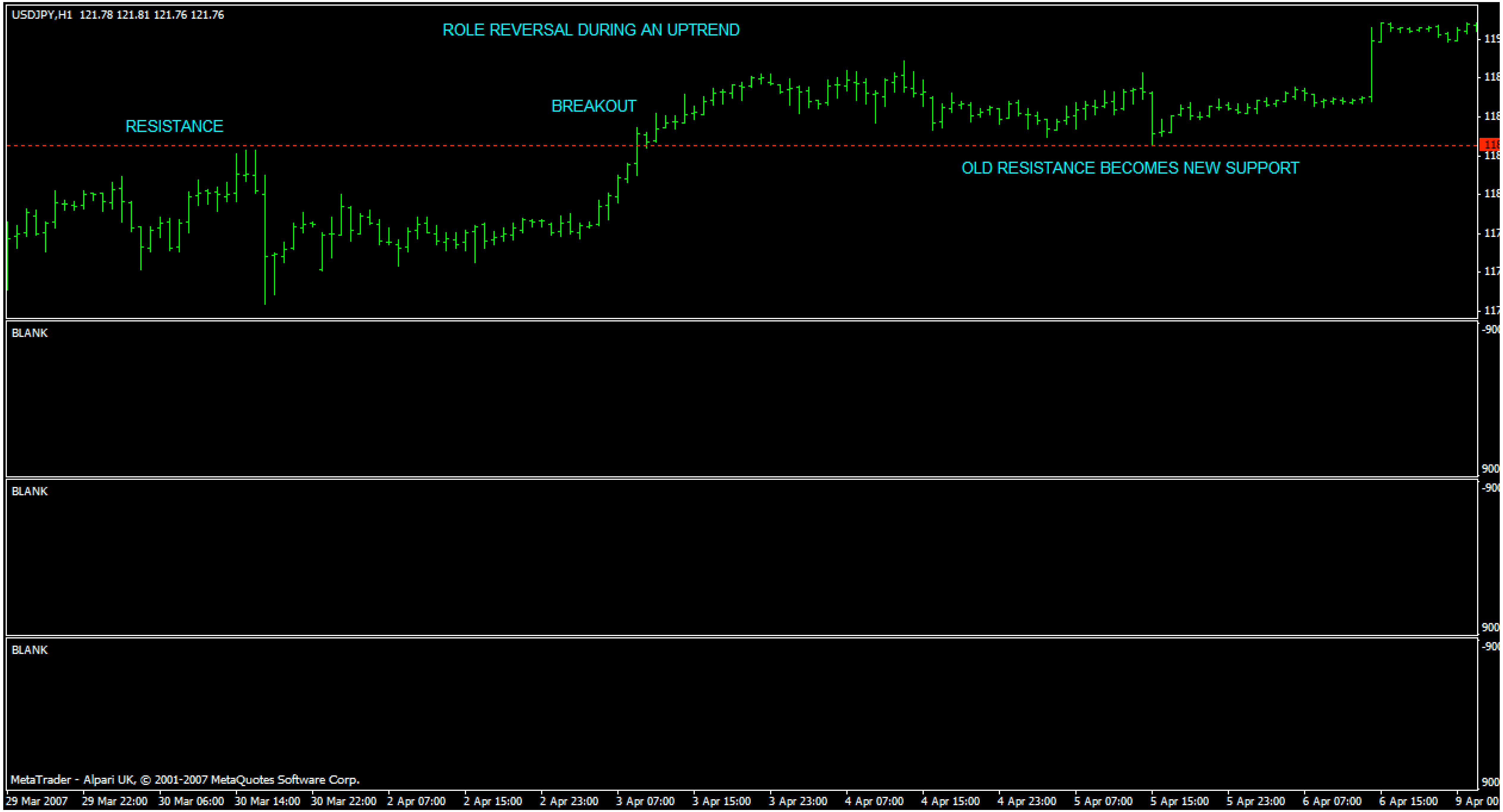
25 Apr 20:00
26 Apr 12:00


USDJPY,H1 121.78 121.81 121.76 121.76
ROLE REVERSAL DURING AN UPTREND
RESISTANCE
BREAKOUT
OLD RESISTANCE BECOMES NEW SUPPORT
BLANK
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
29 Mar 2007
29 Mar 22:00
30 Mar 06:00
30 Mar 14:00
30 Mar 22:00
2 Apr 07:00
2 Apr 15:00
2 Apr 23:00
3 Apr 07:00
3 Apr 15:00
3 Apr 23:00
4 Apr 07:00
4 Apr 15:00
4 Apr 23:00
5 Apr 07:00
5 Apr 15:00
5 Apr 23:00
6 Apr 07:00
6 Apr 15:00

I use classical support and resistance which is explained in the previous posts , by using the peaks and troughs together with the higher timeframes to confi these areas so yes these are drawn manually.

Its not always perfect but it ensures you are mostly trading with the trend ,
hindsight is a great thing but it is possible to trade against the trend for instance i could of taken the long trade on the GBPUSD from 9635 back up to the la trough but i refuse to trade against the trend, on the other hand i didnt take the short on the EURUSD today because it didnt retrace far enough, then again took both the recent downswings for nearly 450 pips so its swings and roundabouts the other plus is that it allows you to use relatively small stops.

thanks for the positive comments

You shouldnt have to adjust the lines when zooming out to higher tf charts , when you have identified what i call a turning point ,swing point etc on your trading timeframe, we need to find reasons to accept it or dismiss it as a logical place to trade, one other thing we need to be aware of is that if you cant fir a match on th HTF it is possible that the current s/r swing is still in play and hasnt reached its target yet so what we have identified a monor s/r area if this the case then use the previous swing on the HTF.

If it doesnt match ,look right etc ,leave it ,next opportunity will come

RickW00716

Yes these tails at s/r areas are a good sign that the price is changing direction ,i wouldnt rely too much on them, no pivots , fibo etc used here dont believe it .

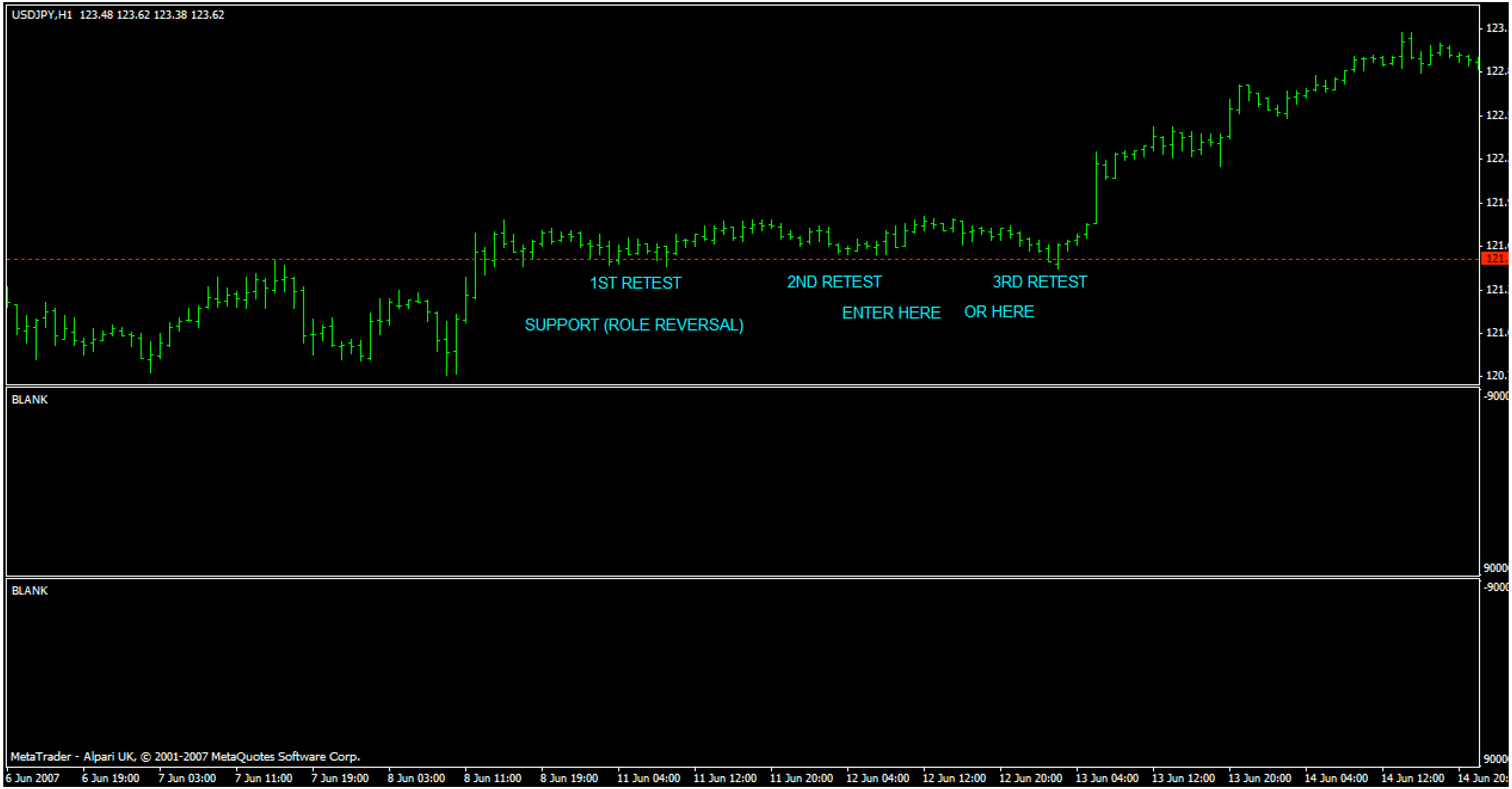
When you have identified an area of support look at how many minor swings there has been to this support ,enter on the second or third swing back to support , so the price would have to bounce of your area of support at least once and move higher then return to support place the stop loss under the low the lowest swing.

For the exit assuming the trade goes ok find the last peak, when the price hits this peak move your stop to B/E +1 and close half your position ,let the othe half ride because if your trade is with the trend the price will normally go to the next peak, if your taking a counter trend trade exit at the first peak.

Dont forget to note any points of resistance on the HTF when looking for the exit.

I hope this clears up some of the points you raised.

bubble
Attached Images


USDJPY,H1 123.48 123.62 123.38 123.62
1ST RETEST
2ND RETEST
3RD RETEST
ENTER HERE
OR HERE
SUPPORT (ROLE REVERSAL)
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
6 Jun 2007
6 Jun 19:00
7 Jun 03:00
7 Jun 11:00
7 Jun 19:00
8 Jun 03:00
8 Jun 11:00
8 Jun 19:00
11 Jun 04:00
11 Jun 12:00
11 Jun 20:00
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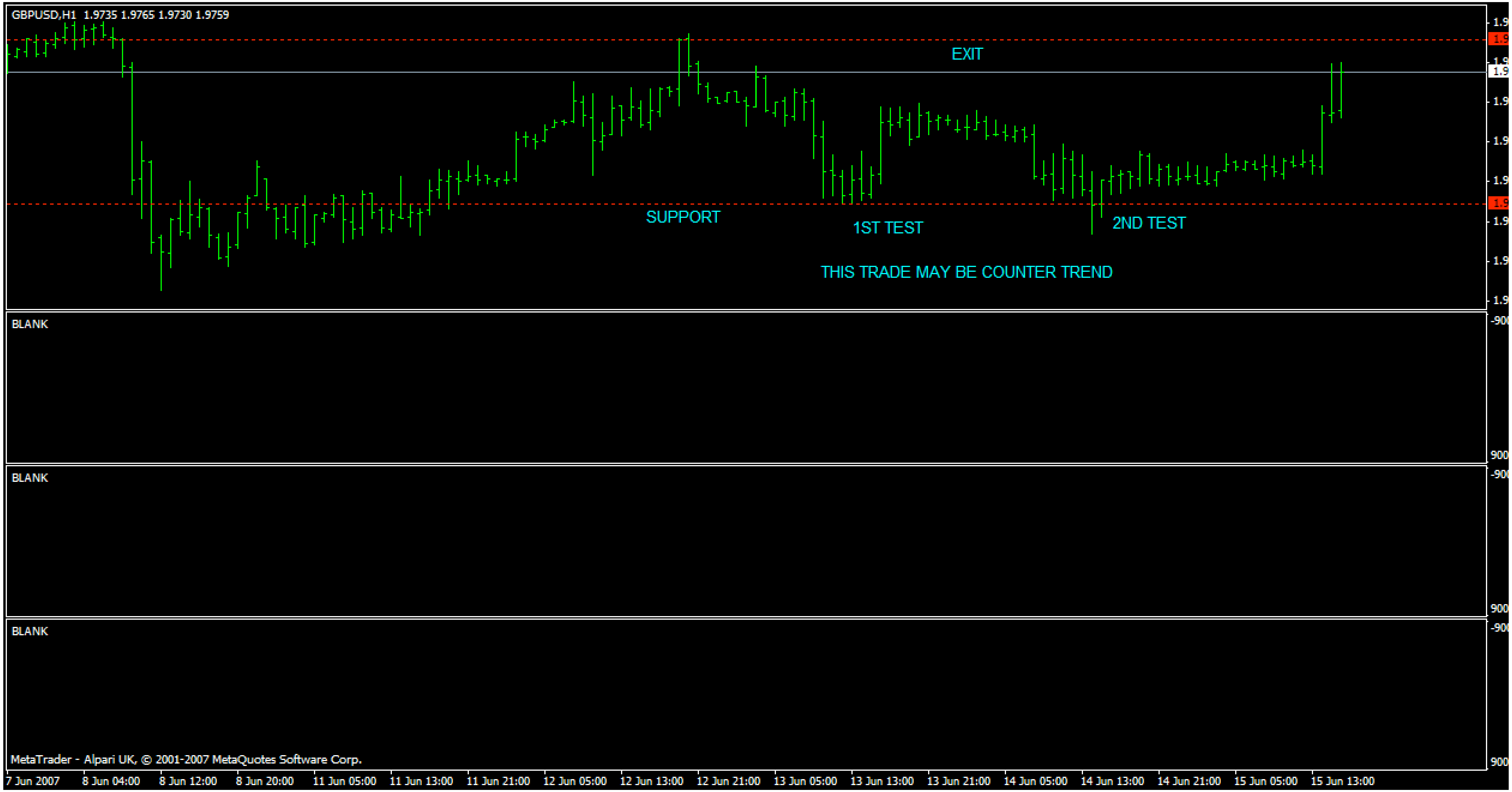
13 Jun 20:00
14 Jun 04:00
14 Jun 12:00



GBPUSD,H1 1.9735 1.9765 1.9730 1.9759
EXIT
SUPPORT
1ST TEST
2ND TEST
THIS TRADE MAY BE COUNTER TREND
BLANK
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
7 Jun 2007
8 Jun 04:00
8 Jun 12:00
8 Jun 20:00
11 Jun 05:00
11 Jun 13:00
11 Jun 21:00
12 Jun 05:00
12 Jun 13:00
12 Jun 21:00
13 Jun 05:00
13 Jun 13:00
13 Jun 21:00
14 Jun 05:00
14 Jun 13:00
14 Jun 21:00
15 Jun 05:00
15 Jun 13:00

Part 3

Just to recap in

PART 1

We looked at the basics of support and resistance is formed.

PART 2

We looked at the differents types of trends and role reversal.

Part 3

In this part we will look at the role that different timeframes play in support and resistance.

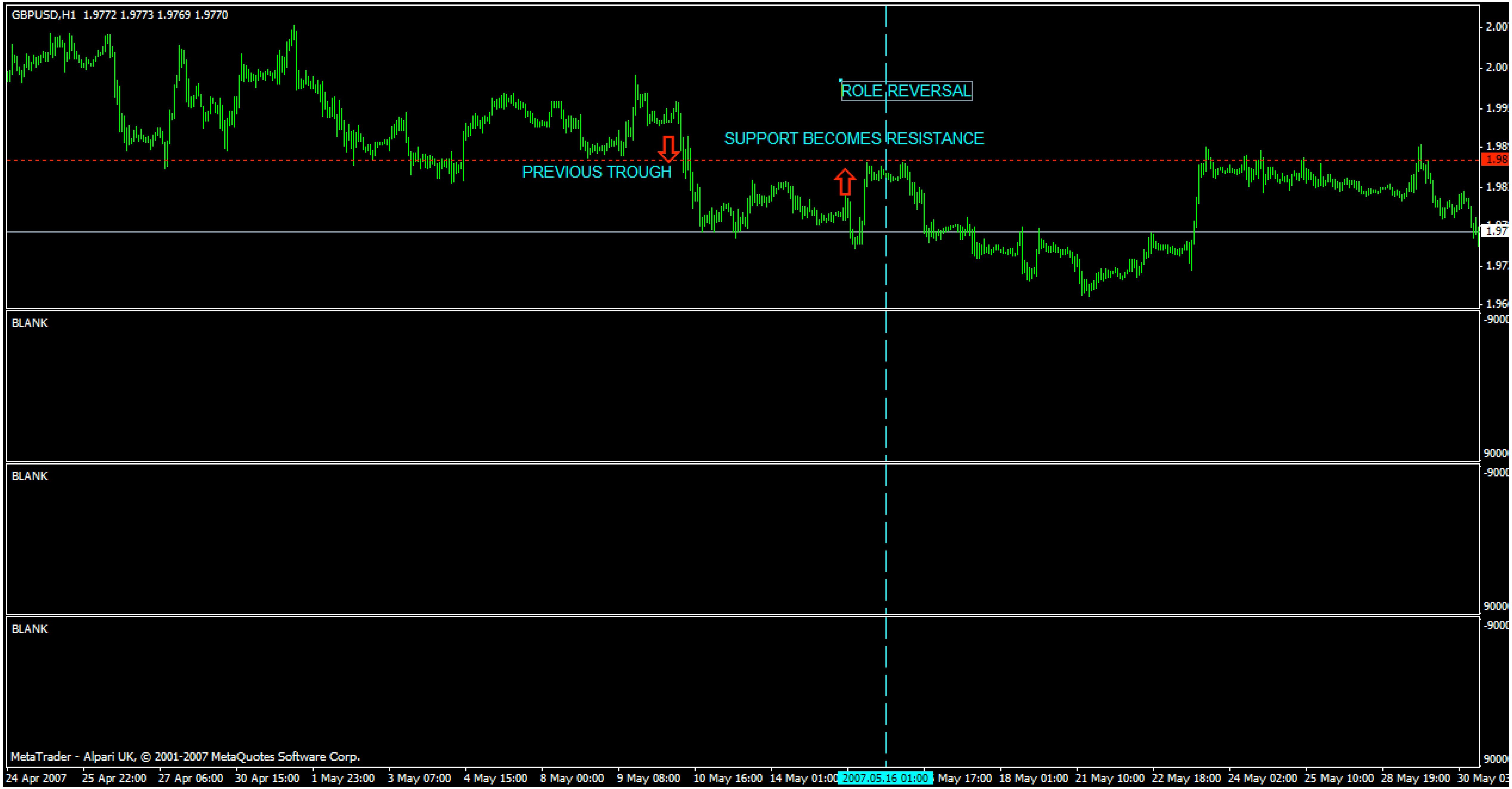
Multiple time frame analyses is based on the concept that every time period has it’s own trend and also it’s own support and resistance levels.

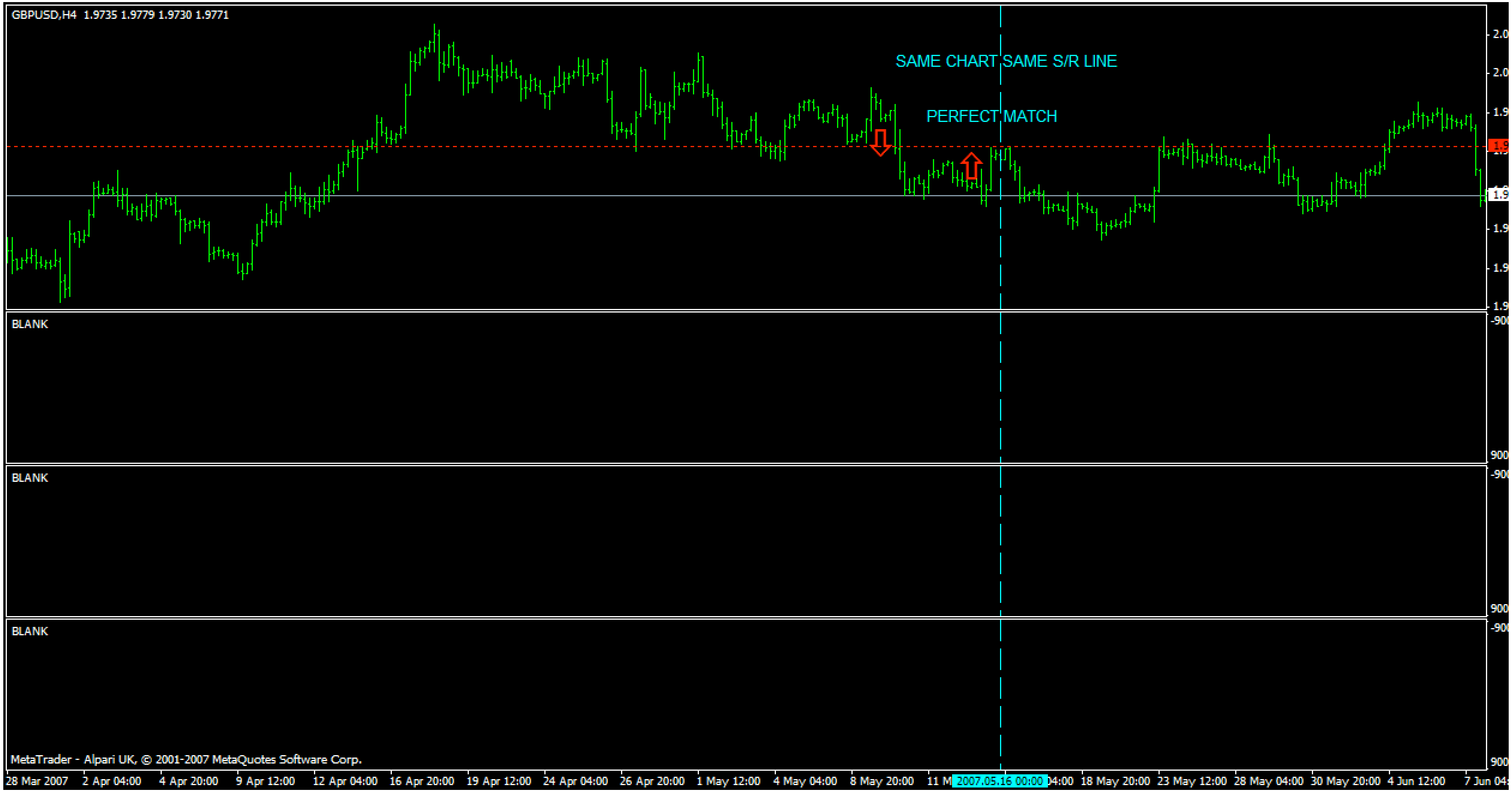
Its important to be able to confirm your s/r level with the HTF to give confidence and to gauge the strength of the trade clearly if the s/r is minor ie eminate from the tading timeframe the move may not be as long as one that eminates from the HTF.

The easist way to show this will be to post some charts.

As you can see in the charts the 60m chart is the trading timeframe notice how the price came through the previous trough made a new low and then went back up to test the previous low bounced off resistance and carried on down to make a new low.
The 240m chart confirms the s/r area ,same line used on the 60 min chart matches nicely.

A very nice example of role reversal higher timeframe confirmation.
Attached Images


GBPUSD,H1 1.9772 1.9773 1.9769 1.9770
ROLE REVERSAL
SUPPORT BECOMES RESISTANCE
PREVIOUS TROUGH
BLANK
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
24 Apr 2007
25 Apr 22:00
27 Apr 06:00
30 Apr 15:00
1 May 23:00
3 May 07:00
4 May 15:00
8 May 00:00
9 May 08:00
10 May 16:00
14 May 01:00
2007.05.16 01:00
May 17:00
18 May 01:00
21 May 10:00
22 May 18:00
24 May 02:00
25 May 10:00
28 May 19:00


GBPUSD,H4 1.9735 1.9779 1.9730 1.9771
SAME CHART SAME S/R LINE
PERFECT MATCH
BLANK
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
28 Mar 2007
2 Apr 04:00
4 Apr 20:00
9 Apr 12:00
12 Apr 04:00
16 Apr 20:00
19 Apr 12:00
24 Apr 04:00
26 Apr 20:00
1 May 12:00
4 May 04:00
8 May 20:00
2007.05.16 00:00
18 May 20:00
23 May 12:00
28 May 04:00
30 May 20:00
4 Jun 12:00

There have been many studies carried out regarding timeframes
(elder,dow,etc) and i am in agreement that every timeframe relates to another by approximately the factor of 5, remember that every timeframe has its trend we at least need to know if we are with the higher timeframe trend or against it ,trading with the trend on one timeframe higher gives good results ,whilst having 2 or more in the same direction is clearly much more to our advantage.

So if your trading on the

15 use 60m/240 for trend
60m use 240/daily for trend
240/daily/weekly for trend

"enter on the second or third swing back to support" this always refers to the timeframe you are trading on.

As far as the GBPUSD example is concerned at the moment it is counter to the trend on the higher timeframes it would be a dangerous situation to automatically reverse a position, we wait for a turning point and analyse the market further at that point reason being that this could turn into a break out thats one thing that nobody can foresee except the institutions that create it.

Looking at the chart the support area is a bit lower if you look at my chart you can see it should be on the first peak lower down ,the price went up made a new high and then retraced back to the previous area of resistance which now becomes support , we enter the trade on the second retrace to support, if the price did not come back to retest then there would be other trades.

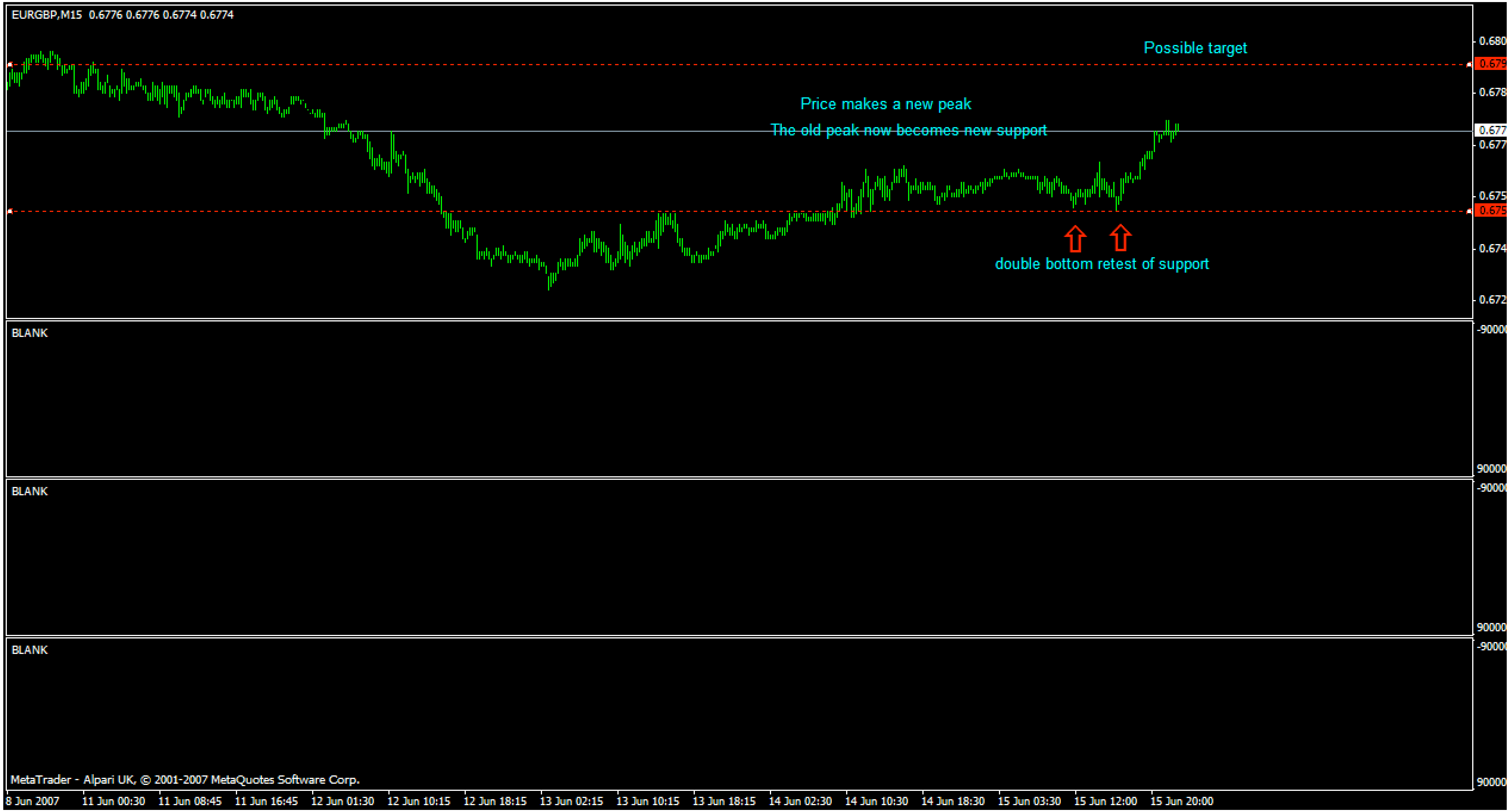
You can see on the 60 min chart how the roles of s/r are reversed as that trough on the left now becomes resistance and that is the exact same line from th 15 min chart.

On the 4 hourly we can see how the same line was tested 4 times before the price went lower, that same line again reverses and become resistance.

This trade may be a reversal , which ever timeframe i trade on thats where my target comes from so in this case i would of targeted around the 6793 mark that is the next peak.

The eurgbp is not very volatile so its important to remember not to expect 100 pips from a trade on the 15 chart for this pair i would look for 4hrs upwards timeframes.

bubble
Attached Images


EURGBP,M15 0.6776 0.6776 0.6774 0.6774
Possible target
Price makes a new peak
The old peak now becomes new support
double bottom retest of support
BLANK
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
8 Jun 2007
11 Jun 00:30
11 Jun 08:45
11 Jun 16:45
12 Jun 01:30
12 Jun 10:15
12 Jun 18:15
13 Jun 02:15
13 Jun 10:15
13 Jun 18:15
14 Jun 02:30
14 Jun 10:30
14 Jun 18:30
15 Jun 03:30
15 Jun 12:00
15 Jun 20:00

EURGBP,H1 0.6774 0.6776 0.6771 0.6774
Resistance matches this trough
BLANK
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
18 May 2007
21 May 15:00
22 May 23:00
2007.05.25 06:00
29 May 01:00
30 May 09:00
31 May 17:00
4 Jun 02:00
5 Jun 10:00
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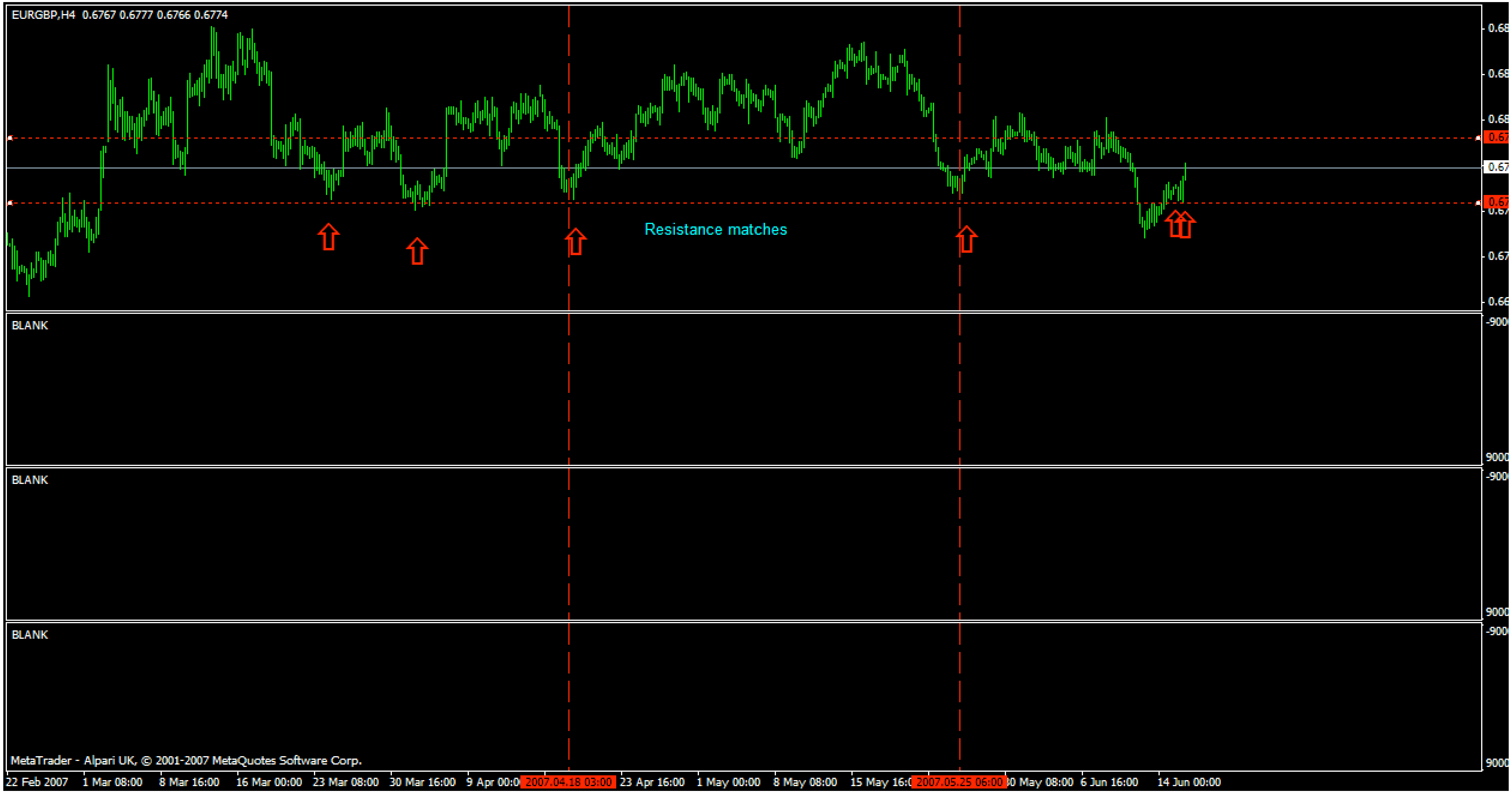
14 Jun 03:00
15 Jun 11:00


EURGBP,H4 0.6767 0.6777 0.6766 0.6774
Resistance matches
BLANK
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
22 Feb 2007
1 Mar 08:00
8 Mar 16:00
16 Mar 00:00
23 Mar 08:00
30 Mar 16:00
2007.04.18 03:00
23 Apr 16:00
1 May 00:00
8 May 08:00
2007.05.25 06:00
6 Jun 16:00
14 Jun 00:00

1) no rules for exits as of yet - whether taking a loss or a profit

Dont worry about the exits yet , concentrate on finding the signals and s/r lines, i dont want to throw it all out at the same time ,then people will get more confused, one step at a time ,it took me a long time to learn this stuff dont pressure yourself.

When trading this style we are first looking for a turning point around a peak or trough then we draw in our s/r lines if you try it the other way round then it become more difficult , so to make it easy just look at a chart of past price action start from a low or a high and see how the troughs or peaks interact then place your lines in one at a time then look at the higher timeframe one at a time , the confusion here comes with the s/r role reversal on the higher timeframes , think in reverse ,read the whole section again do a google etc.
Place a moving average on the chart if it helps you to see the turns better ,dont ask me which one.

2) no idea as to how many trades are performed over a certain time period on average (maybe I'm overtrading one pair and should take fewer trades per pair but on multiple pairs)

There is not a preset amount of trades to take we take what looks right according to our analysis when they become availble, trade 60 min and upwar ,trade only with the trend on the HTF, why all the effort trading 5,15when a few good trades on the 60m will give you more than enough pips and less stress.
This style if applied correctly is very high reward with low risk because we buy at support and sell at resistance therefore we know where to place our stop if we are wrong then we will know very quickly and wait for another opportunity.

mas0n,

Your interpretation of a gap is not quite correct , a gap is formed in a downtrend when the price fails to test resistance and turns down , other than that you chart looks great,s/r are in the right places if the price breaks the resitance it will retest then you could enter long. If the price bounces of resistance with some downside momentum again wait for a retest to go short thats the safest way.if the trend continues down we will get other opportunites to trade it as you know it wont go up or down in a straight line.

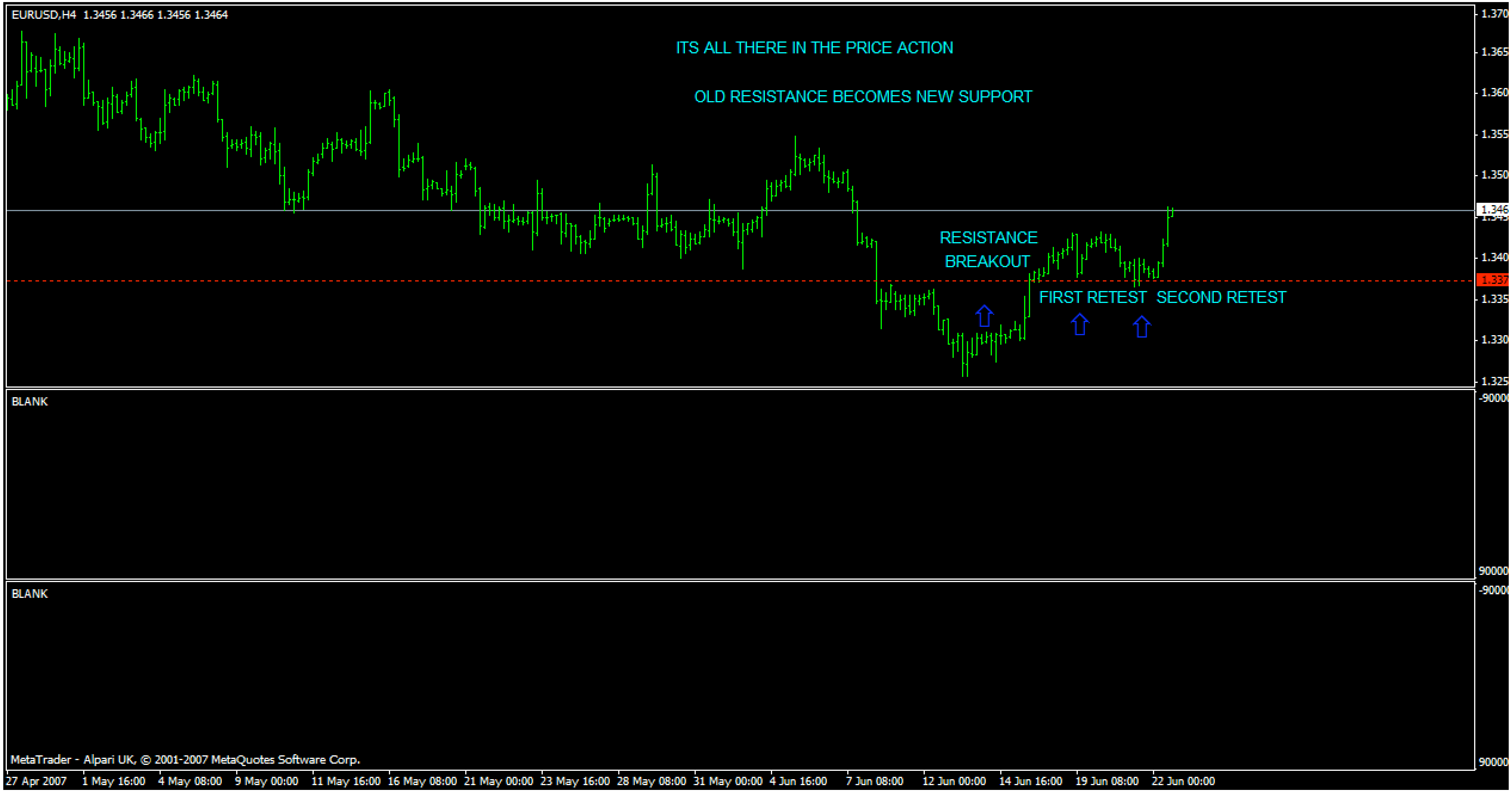
If there are a lot of spikes around s/r you could put your lines at the highest ,lowest close.If you feel more comfortable using different colours for the lines thats fine

Here is a rundown of the order to confim a trade.

Wait for a market turning point(price to turn down/up from a peak or trough.
Check the trend in 2 timeframes higher.

Trade only in the direction of the trend.
If you take a counter trend trade make sure that you are 100%+ sure you know what you are doing.
Mark the peak at the turning point as s/r check higher charts to confirm, the more that match the better if s/r only matches trading timeframe but is with th
trend thats fine.
Do not enter trade immediately ,if you think the price is running away from you before you entered , think again, its a trap , you will end up watching the price retrace to retest.
Do not trade breakouts (breakouts are a weak form of trading), you will lose more than you will win.
take a look at the charts

Gaps to take note of are when the market is in a strong trend up or down ,the gap normally occurs towards the end of a trend as the price gets closer to s/r
Attached Images


EURUSD,H4 1.3456 1.3466 1.3456 1.3464
ITS ALL THERE IN THE PRICE ACTION
OLD RESISTANCE BECOMES NEW SUPPORT
RESISTANCE
BREAKOUT
FIRST RETEST
SECOND RETEST
BLANK
BLANK
MetaTrader - Alpari UK, © 2001-2007 MetaQuotes Software Corp.
27 Apr 2007
1 May 16:00
4 May 08:00
9 May 00:00
11 May 16:00
16 May 08:00
21 May 00:00
23 May 16:00
28 May 08:00
31 May 00:00
4 Jun 16:00
7 Jun 08:00
12 Jun 00:00
14 Jun 16:00
19 Jun 08:00
22 Jun 00:00

if i use 60m for entry that means that the 60m is in a correction or consolidation period which means that the price will be going against the 240 so we follo the 240 for trend if the daily is going in the same direction then that ads more weight to the trade, so it is not always necessary to use 3 i just meant that tl more timeframes that are moving in the direction you want to trade the better the chances are of the trade working out and most probably the move will be bigger.

As for your second point it would be dangerous to enter on the first test as i have explained in previous posts ,better to enter on the second test when the price turns back in the trade direction this means that the market has definately confirmed the area as s/r and that there are no buyers/sellers willing to ent above/below that price.


ODL MetaTrader - [EURUSD,H1]
View
Insert
Charts
Tools
Window
Help
New Order
Expert Advisors
M1
M5
M15
M30
H1
H4
D1
W1
MN
EURUSD,H1 1.3457 1.3458 1.3456 1.3456
18 Jun 2007
18 Jun 23:00
19 Jun 07:00
19 Jun 15:00
19 Jun 23:00
20 Jun 07:00
20 Jun 15:00
20 Jun 23:00
21 Jun 07:00
21 Jun 15:00
21 Jun 23:00
22 Jun 07:00
22 Jun 15:00
2007.06.25 06:00
25 Jun 15:00

06-25-2007, 05:30 PM

bubble
Senior Member

Join Date: Oct 20
Posts: 260

USDCHF

Long turning point at 2278 around 11am
240 trend down and daily trend down
NO TRADE as it is not with the trend.

GBPUSD

SHORT turning point at 10.00 am 9985
240 daily and weekly all say long , NO TRADE.
support @ 9944

Both the above went back to retest their s/r areas.

06-26-2007, 05:59 PM

bubble
Senior Member

Join Date: Oct 20
Posts: 260

Quote:

> Originally Posted by **bubble**
> *Take a look at these charts from today.*
>
> *EURUSD*
>
> *Price created a short turning point @3453 this morning, the first thing we need to do is to look at the trend direction 240 up ,daily up ,weekly up, the*

decision to trade this has already been made NO TRADE, lets take it a little further,support is @3436 resistance is @3470 , if i wanted to trade counter tren would wait for a retest which came around 1pm depending on your mt4
time it might be different but the chart should look the same.So thats a 30 pips trade that i wont take, why ? the reason is simple if the correction falls shor of support and the trend resumes i will be left with a losing position.

As we have seen today EURUSD very strong support @3436,second retest came early this morning , with price reaching the top of the previous peak @3470 a nice trade with the trend for 30 pips, i would of liked to see it move further up .

Same with the GBPUSD strong support @9944 with a retest gap to 9955 for a jump back to the previous peak @2003 for 50+ pips

USDCHF -strong resistance@2308 has been tested 3 times now and is holding for a possible short.

Originally Posted by **Malcik**
Thanks for these real-time comments bubble... they are extremely helpful.

How would you have handled the initial stops? Would you place them at the level of the previous S/R that has been created during the ongoing trend? Or do you have some other method?

Thanks again!

With stops i would intially be looking at the previous s/r area on the trading timeframe ,however i will more often go to a lower timeframe looking for s/r to move in closer especially as the trade progresses to protect any profits ,if the initial stop is too wide i would rather leave it.

Quote:

Originally Posted by **steveshutts**
Hi Bubble,

Great thread. Ok, you mentioned that you used the hour to get into trades. Looking at the above cable trade you mentioned, yeah, it went 50 pips but wher would you have taken your entry. Do you take them blind off 55, anticipating a move back up? If not, and you wait for confirming price action then there wa none on the hourly. There was a hammer on the 15 min chart, with a higher low after so you could have taken a long from there but then you are zooming into the faster timeframes, is this something you do?
Just curious as to how you would have played this. Its easy enough to spot these levels, its knowing how to enter and exit that is the hard part for us. Waiti for price signals to confirm leads us into a higher probability trade but can also reduce the risk/reward.

Cheers,
Steve

You are correct it would not have been possible to take an entry from the 60minute because of the gap,therefore zooming in to the 15m and looking at the swing down and entering from the support area created by that swing.I have not gone into any depth about using the lower timeframes for entry for the sal of keeping things simple as there are plenty of opportunities where the price will swing back to its s/r level on the trading timeframe.
As far as exits are concerned i will always be looking at previous peaks and troughs as levels where the price may stall, so those are good areas to aim for.
I dont place too much emphasis on candles,etc for confirmation as i am confident enough with the s/r levels to know that if it moves past an area of s/r i kn i was wrong and will always close the trade.

Do you operate mainly from the 240 chart for trend direction?

Depends on the timeframe you trade from, eg.
15, trend from 60m
60 trend from 240
use the factor of 5 obviously your platform will give some limitations.

How many currencies do you observe?

Thats up to you ,personally i observe all the majors , yen crosses ,some cfd, ftse index and gold.

How many trades do you average a month with this strategy?

Thats a difficult one as it depends on what the markets are doing but more than enough to keep busy.

So basically, you always wait for the second touch of an S/R area and then you take a position without waiting for price action to confirm. T second touch is your confirmation and if it carries on through then so be it, wait for the next setup.

I wait for a turning point u can use any trend following indicator, a turning point occus when the price rejects a s/r level wait for the price to come back for a retest ,u could use momentum for confirmation and gauge the strength of s/r if the same area matches with s/r on a higher timeframe.
Another technique that i have not discussed here involves looking at a lower timeframe for a break of the corrective move that is retesting the s/r area,because each swing creates its own s/r areas.
If the price pulls away before an order is placed ,so be it.

i hope this answers your questions.

Sundowner

Thanks for your positive comments,

If I am correct about the time of your entry on the chart (please see the chart I posted) did you take this trade because of the number of bounces off resistance?

I took the trade because in my interpretation of the charts i saw that area as resistance,the price had bounced off that area making lower highs and that sa area matched with the HTF giving extra weight for a decent move down.
However having looked at it again i was out by about 25 pips with the resistance ,instead of using the high of the area that ive shown on the chart i came to far into its range.

I see the HTF was in agreement, so I'm wondering if you always determine your trades based upon a specific number of bounces from resistance, or if there's something else. I have studied the thread, looked at charts this weekend, but I'm still unclear.

I have a method which enables me to see the support and resistance areas on the chart which still needs human interpretation. As for the bounces they are used for entry , it is normal behaviour for the price to test a s/r area once or twice due to a phenomenon known as traders remorse when the price hits a s/ area traders enter the market then this desicion is questioned and more often than not some will close their position causing the price to retest at this point the majority still believe that their desicion is correct and the price carries on.Another theory is that the institutions that create these turning points are tryi to shake traders out of the market and cover their own positions.

If I understand correctly, you set s/r levels on the trading tf and look for confirmation on HTF.... from which you also determine trend. Do y begin to set up your charts by setting s/r levels on the higher TF?

The first thing i look for is a turning point on the trading timeframe this is an area where the price stops and turns in the opposite direction , then i look on t trading timeframe to see if the price has stopped at a s/r area if so i will then look at the HTF to see if this matches , if it matches with the higher timeframe then i consider this to be a major turning point if there is no match on the HTF then i would consider this as a minor s/r on the trading timeframe within a swing from the HTF for which i would have to check the HTF.

bubble
Attached Images

MetaTrader - [USDCHF,H1]
File
View
Insert
Charts
Tools
Window
Help
New Order
Expert Advisors
M1
M5
M15
M30
H1
H4
D1
W1
MN
USDCHF,H1 1.2213 1.2226 1.2211 1.2212
RESISTANCE
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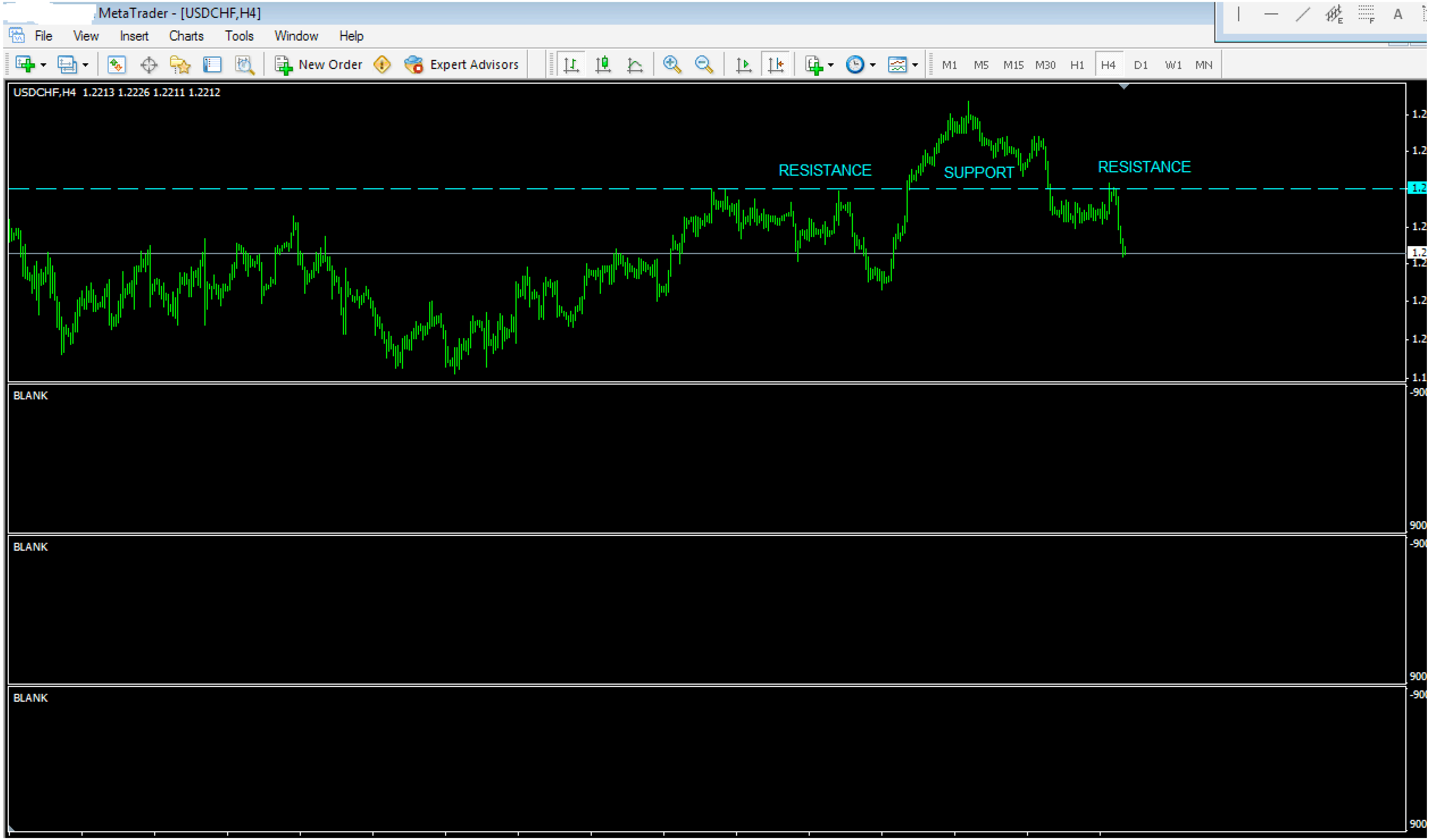

MetaTrader - [USDCHF,H4]
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View
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Charts
Tools
Window
Help
New Order
Expert Advisors
M1
M5
M15
M30
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H4
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W1
MN
USDCHF,H4 1.2213 1.2226 1.2211 1.2212
RESISTANCE
SUPPORT
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Eurusd

Great trade on the EURUSD this morning

From the 15 chart a turning point is created ,support is way back on the chart so it is necessary to check the HTF.
60 and 240 match nicely as role reversal and all charts pointing to uptrend.

bubble
Attached Images


EURUSD,M15 1.3593 1.3594 1.3593 1.3594
RESISTANCE BECOMES SUPPORT
1.359
1.358
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1.352
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BLANK
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ODL MetaTrader, © 2001-2007 MetaQuotes Software Corp.
27 Jun 2007
28 Jun 03:15
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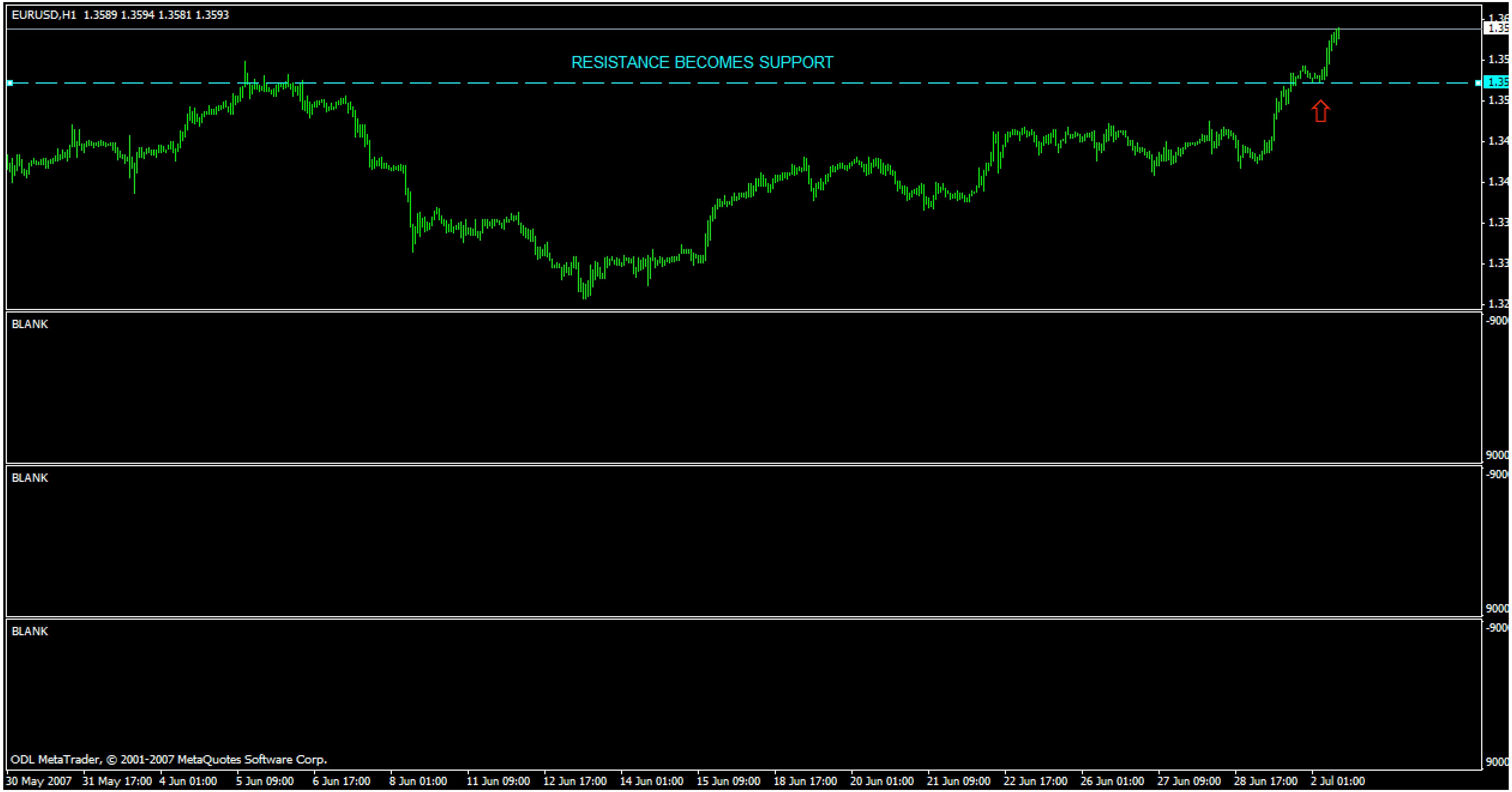
EURUSD,H1 1.3589 1.3594 1.3581 1.3593
RESISTANCE BECOMES SUPPORT
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ODL MetaTrader, © 2001-2007 MetaQuotes Software Corp.
30 May 2007
31 May 17:00
4 Jun 01:00
5 Jun 09:00
6 Jun 17:00
8 Jun 01:00
11 Jun 09:00
12 Jun 17:00
14 Jun 01:00
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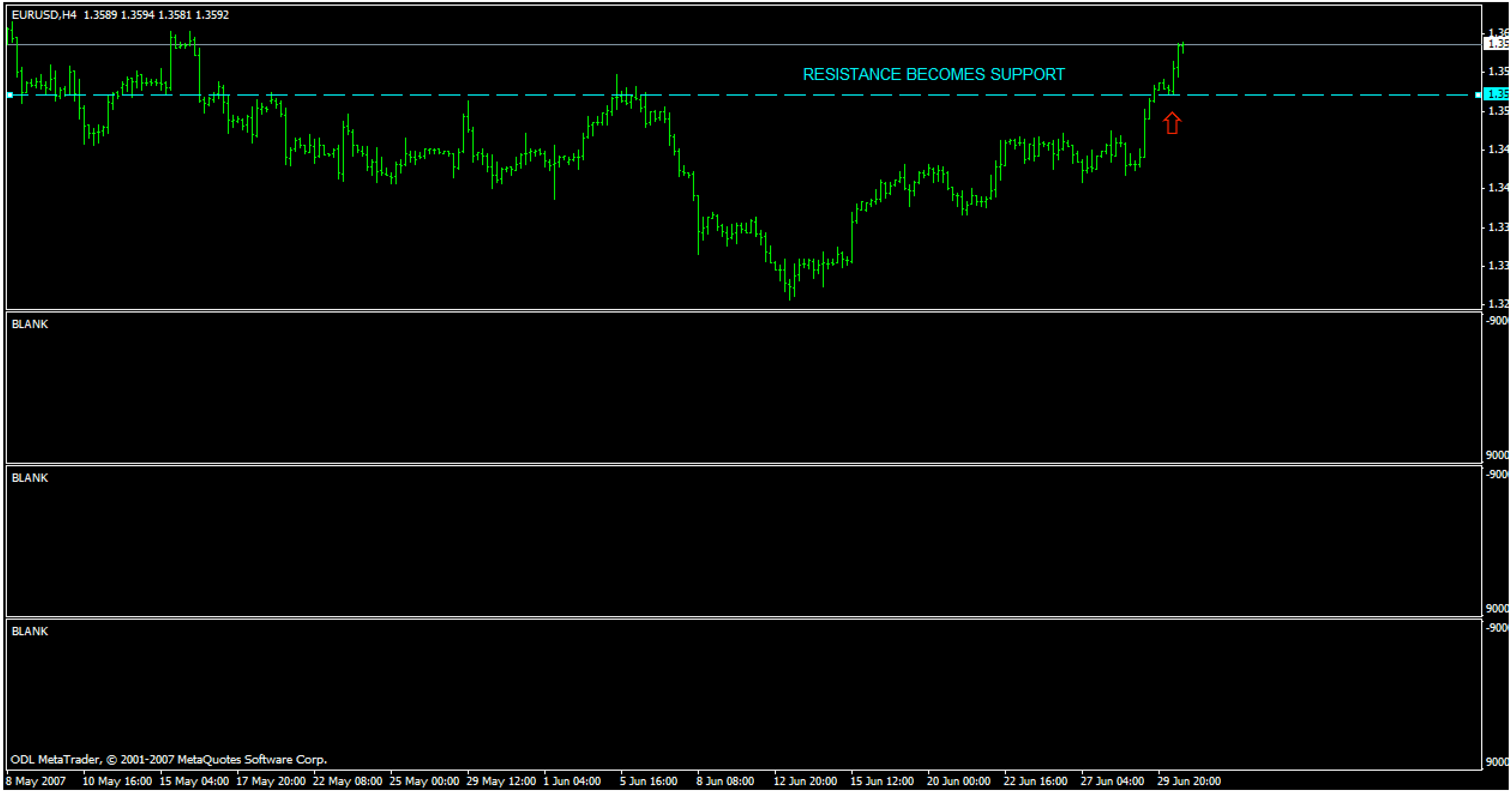
2 Jul 01:00



Range what is it and how can it help us ?

When talking about range most people think of it in the context of a trading range where the price is bouncing between support and resistance and therefor the market is classified as trading between a range or the securities daily range which is how many pips on average the security moves in a day.

There is another use of the term range which we are going to look at here, and this refers to how far the price can travel into its previous range before a trading opportunity is discounted or in simpler terms how far the price can travel into the previous peak/trough.

Remember the creeping trend where for instance in an uptrend the price is making higher lows and higher highs but each higher low comes into the range c the previous peak.

Price can trade into its range in a trend , at a top/bottom, during role reversal, when trading in between a normal range and its important to consider this in your trading as it can give many clues to help us with entries and timing when to take a trade.

To find the range in an uptrend we need to look at the top of the previous swing down then we need to find the area where the top was broken the price should not close past this area otherwise it is considered that the uptrend has been broken.Once you get the hang of this you will notice that the turning points i always talk about usually happen around this area.

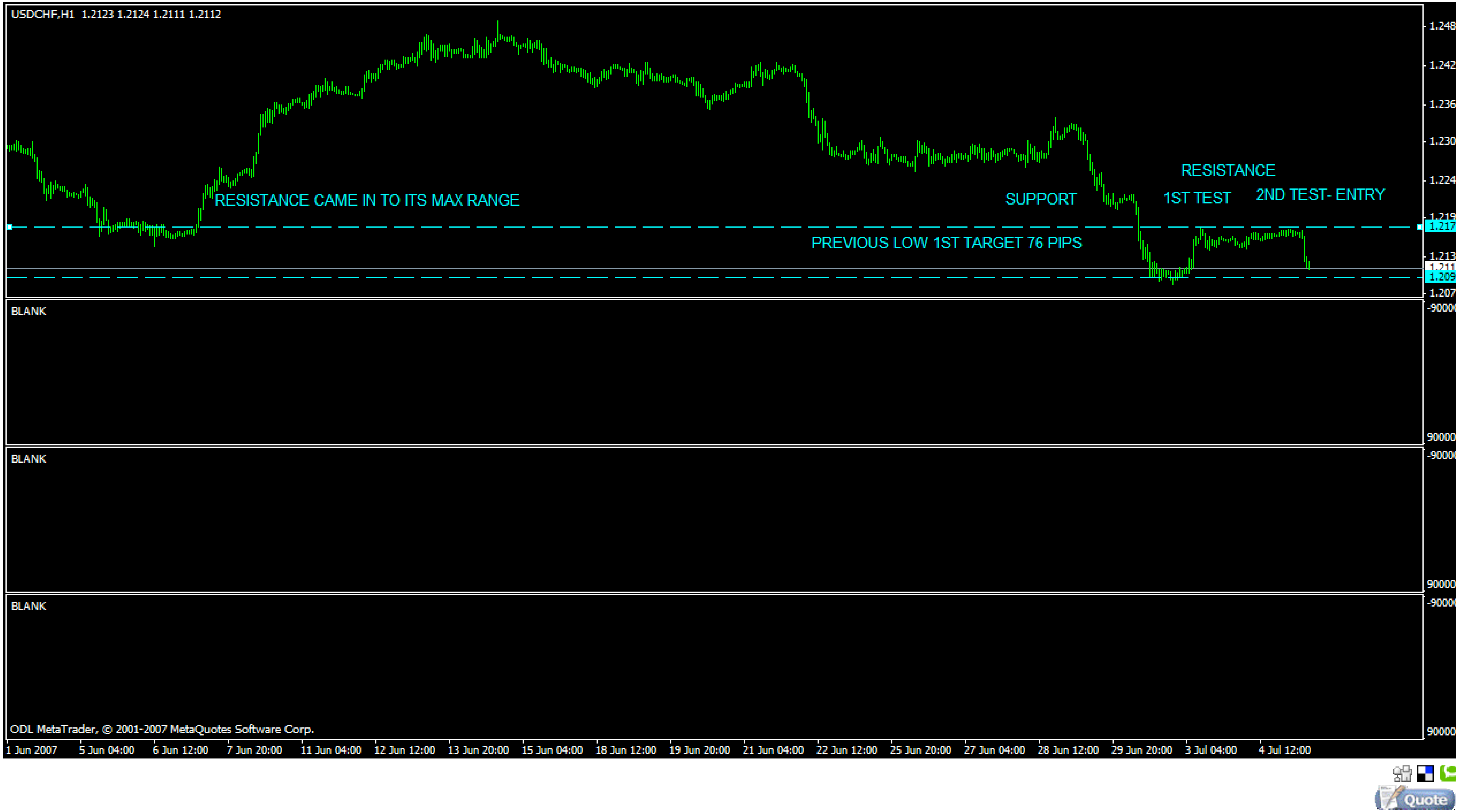
ok will continue this later with some examples

Todays Trades

Take a look at the image

USDCHF went lower than the previous trough on the left triggering a role reversal (previous support becomes new resistance) then came back to retest into its range from the low on the left of the image, its range is the last two minor troughs of the low on the left, then the price went lower and
came back for its second retest triggering our entry.
Something else to note here is that we have a lower high and a lower low which is always a good sign for the trend to continue.
1st target is the current low for over 70 pips

bubble
Attached Images


USDCHF,H1 1.2123 1.2124 1.2111 1.2112
RESISTANCE CAME IN TO ITS MAX RANGE
SUPPORT
RESISTANCE
1ST TEST
2ND TEST- ENTRY
PREVIOUS LOW 1ST TARGET 76 PIPS
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ODL MetaTrader, © 2001-2007 MetaQuotes Software Corp.
1 Jun 2007
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29 Jun 20:00
3 Jul 04:00
4 Jul 12:00
1.248
1.242
1.236
1.230
1.224
1.219
1.217
1.213
1.211
1.209
1.207

Stevehutts

Nice trade. What timeframe are you using to get such a tight stop, and do you always trade with such a tight stop? I suppose with such a hi risk/reward you can afford to be wrong quite a bit and still be profitable.

My main trading timeframe is the 60 minute, if an exceptional opportunity arises i will take trades on 240 and daily.
With the trade today on the swissy is was a clear cut case of entering at the area i marked as resistance on the 60m and using the high of the area above a the stop.
As you say risk rewards are high so there is a lot of room to get a few wrong but as the saying goes we have the technology to identify the s/r areas with a fairly high degree of accuracy ,the errors are made with the human interpretation of the s/r areas ,so if i make a mistake its usually my fault .

When using the 240 chart for the main direction, do you always wait for the second touch using the hourly chart? I take it that when you se price coming back to the resistance zone for a second time you zoom into the smaller timeframes to watch for price action for a tight entry?

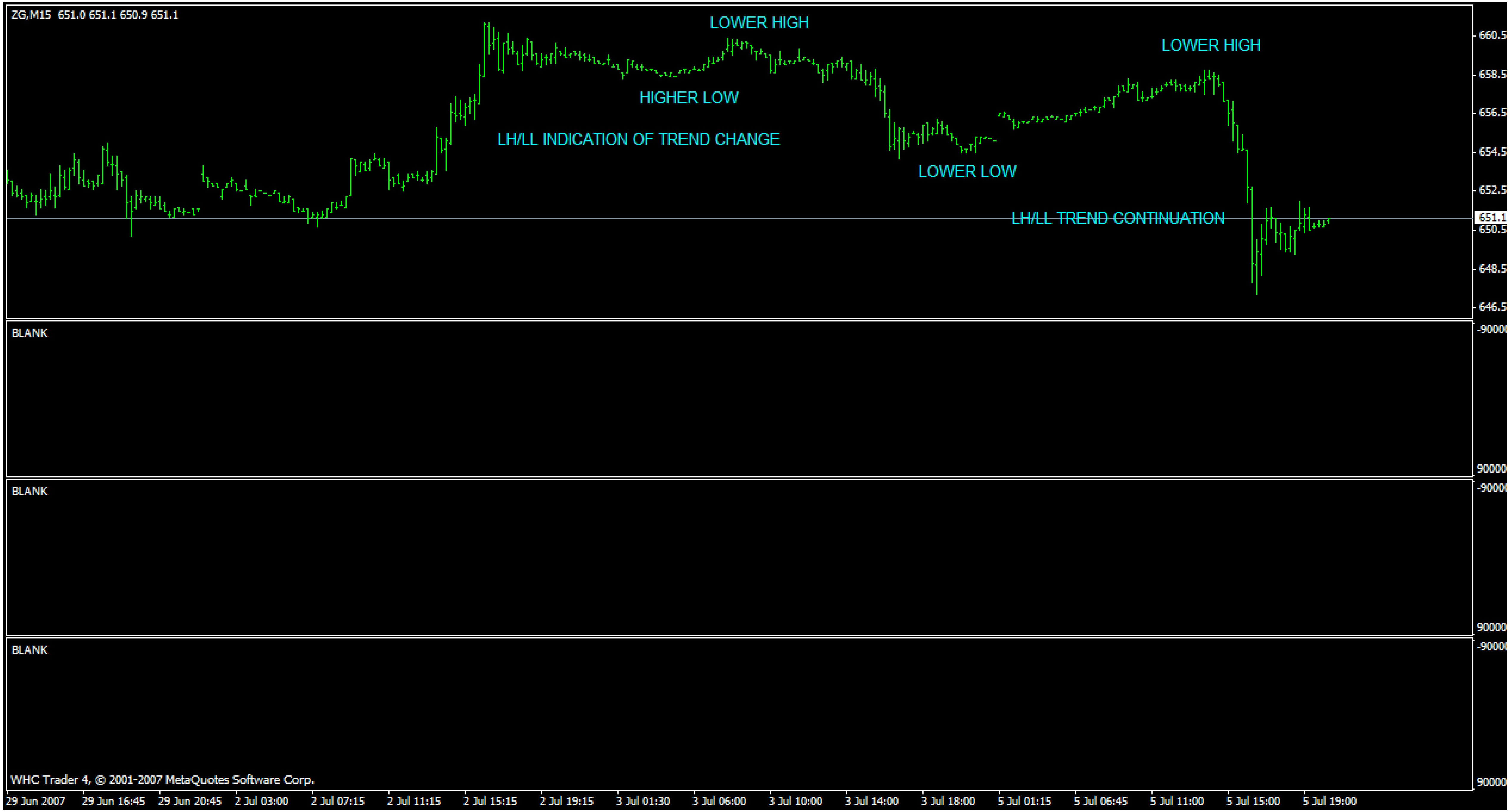
The higher chart is only used for trend direction and looking for giving added weight if the same area on the 240 is also s/r.
Its not always necessary to zoom into the lower chart im quite happy to enter from the trading timeframe on the second test of s/r at s/r.
Having said that we have a another turning point on the swissy for a long , a couple of things to note with this one are that the 240 hour needs to close lon and looking at the last two swings we have a higher low and a lower high indicating a trend change, in this situation we need to look lower for an entry at around 2132.

Trend change/continuation

There is a long way to go yet with knowing how to find the range in the last subject ,at the moment im having some difficulty in finding the right way or should i say the easy way to show you all.

On a different note take a look at the chart because in the next part we will be looking at trend,trend reversal and trend continuation.

bubble
Attached Images


ZG,M15 651.0 651.1 650.9 651.1
LOWER HIGH
HIGHER LOW
LH/LL INDICATION OF TREND CHANGE
LOWER LOW
LOWER HIGH
LH/LL TREND CONTINUATION
660.5
658.5
656.5
654.5
652.5
651.1
650.5
648.5
646.5
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WHC Trader 4, © 2001-2007 MetaQuotes Software Corp.
29 Jun 2007
29 Jun 16:45
29 Jun 20:45
2 Jul 03:00
2 Jul 07:15
2 Jul 11:15
2 Jul 15:15
2 Jul 19:15
3 Jul 01:30
3 Jul 06:00
3 Jul 10:00
3 Jul 14:00
3 Jul 18:00
5 Jul 01:15
5 Jul 06:45
5 Jul 11:00
5 Jul 15:00
5 Jul 19:00

Quote:

Originally Posted by **steveshutts**
Also, S+R is more a zone than an exact point or price. I am amazed that you enter with just a 10 pip stop. I am assuming you entered at market when you saw price coming off from the top? Otherwise, how can you be so certain of price coming up to your price and moving back down so precisely.
Forgive me, if i am misunderstanding this, i am not questioning the ability of your methodology at all, just trying to understand it.

Cheers,
Steve

Look at it this way ,lets say we have an uptrend and a series of H/H and H/L then the price starts to retrace at what point would you consider that the uptre is no longer in play. How far into the range of the previous high would you allow the price to retrace before considering going long again.
The answer lies in the minor s/r areas created by the previous upswing.
And it is possible to identify these using the right techniques, look at my post about range ,that explains a little but i still have to finish it.
Thats why i always look for a turning point,does the price not always turn at some point of support/resistance ?
Support and resistance is definately a point in time and price but lets not go into that one.

Sundowner

Thanks for your reply Bubble. These questions help clarify things. So the turning point is when the market turns upward, but you use a tren indicator to decide when that turning point has been hit...as in this case the actual turning point was earlier, but your trend following indicator pinpointed it where I have the lines on the 60 minute chart (approximately)., correct?

Correct.

I'm looking forward to your discussion of range, bubble and I hope you'll speak to your method of determining trend. I am also interested ir minor s/r levels in so far as I seem to be thinking they are trading opportunities and having difficulty getting to when they're important.

I find it usefull to use the minor s/r points to pinpoint entry and stop loss placement.

On the 240 chart I have, it seems to me the trend has been up for a while. You said you were waiting for the 240 to go long..from the previo bar? I have included the charts.

It looked like the trend had changed to up because the price had moved up slightly but the previous resistance from the swing low on the left had not been broken yet and my trend indicator on the 240 was in the process of changing to up.Something else to consider here it is dangerous to trade from a new low high so when the price made a higher low from the new low i knew there was a good chance of the price moving further up.

...probably the best thread I've encountered by the way. It seems to speak to the essence of trading so I hoping you won't get bored, frustrated or tired for a while yet.

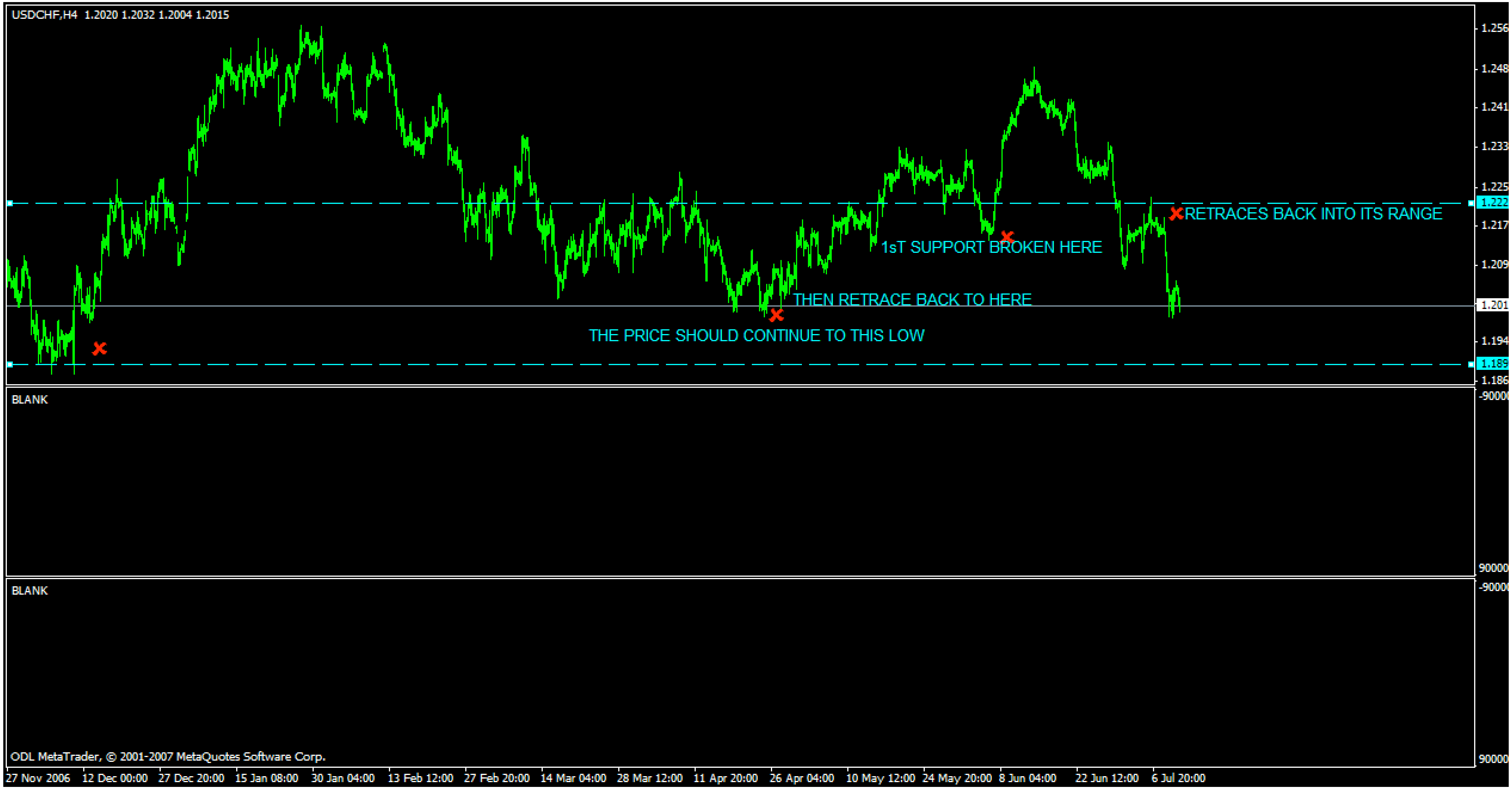
Thanks to homestudy, fxcruiser and sundowner for the compliments ,i will definately be continuing the thread.

If we take the 240 chart from the high at 2490 we can see the price came down past the low at 2145 and made a new low at 2090 then retraced into the range of the 2145 low at 1.2222 then the price came down past the low at 2059 and retraced back to 1.2059 now if the trend is going to continue it should come down near 1.1900 before retracing to 1.2000

Looking on the 60 minute the price should also come down to 1.1900 before retracing back to 1.2000 and the s/r confirm this with a couple of minor suppor on the way down to 1.9000

I have posted the 240 chart but cant get all of the 60 nimute chart in view so will have to leave that one.

bubble
Attached Images



Excellent trade this morning on the GBPUSD

They dont come easier than this.

We had support formed by the break of resistance for a retest within its range of 2.0343/ 2.0352 with a turning point at 2.0363 which gave us an immediat
entry for a stop below 2.0343.

bubble

As per my previous post support and resistance can give us a preview of what may happen however i prefer and would recommend to try and not predict bu
follow the market as it unfolds with support and resistance.
Attached Images

GBPUSD,H1 2.0439 2.0453 2.0438 2.0452
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MetaTrader, © 2001-2007 MetaQuotes Software Corp.
12 Jul 2007
13 Jul 02:00
13 Jul 06:00
13 Jul 10:00
13 Jul 14:00
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16 Jul 04:00
16 Jul 08:00
16 Jul 12:00
16 Jul 16:00
16 Jul 20:00
17 Jul 00:
2007.07.17 05:00
17 Jul 08:00
17 Jul 12:00

Originally Posted by **steveshutts**
Bubble,

What is that tight range from 43 - 52, what does that represent? I can see that price does fall back into this very tight range, whatever that is, and turns bu
could you please explain more. I really haven't got a clue what that represents.

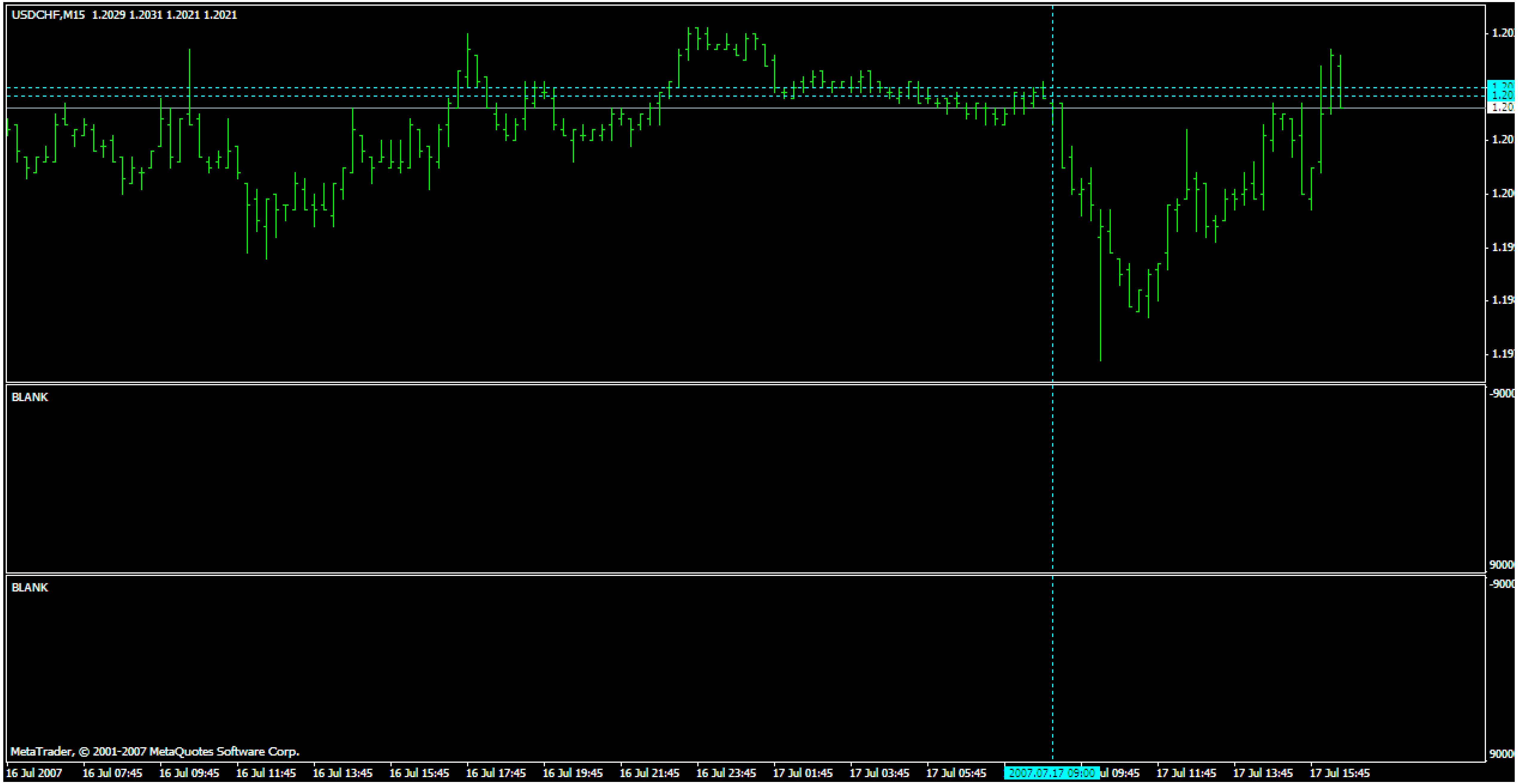
Cheers,
Steve

Stevehutts

Its range in this case is how far the price can come into the support line or into the top of the previous swing up using principles of peaks and troughs.
I know this probably does not fully answer your questions but its very difficult to explain.
This trade is almost finished will close for near 100 pips profit, although looking at the 240 it looks like it could go further so i will just wait for another swing
down to support and see if i get another entry signal.

Heres the other trade from today
Top down price making a lower high and a lower low with a retest into the range of the previous trough which is old support becoming resistance.

bubble
Attached Images



USDCHF,M15 1.2029 1.2031 1.2021 1.2021
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MetaTrader, © 2001-2007 MetaQuotes Software Corp.
16 Jul 2007
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17 Jul 01:45
17 Jul 03:45
17 Jul 05:45
2007.07.17 09:00
17 Jul 11:45
17 Jul 13:45
17 Jul 15:45

Quote:

Originally Posted by **steveshutts**
Bubble,

How can we try to understand this more. I don't know how you can come up with such tiny ranges for which you take an entry from. There must be some w
of explaining this? I know you are looking at price retracing to a certain extent back into the previous range but how do you calculate these?
I don't think by simply showing these charts i am going to learn anything.

Cheers,
Steve

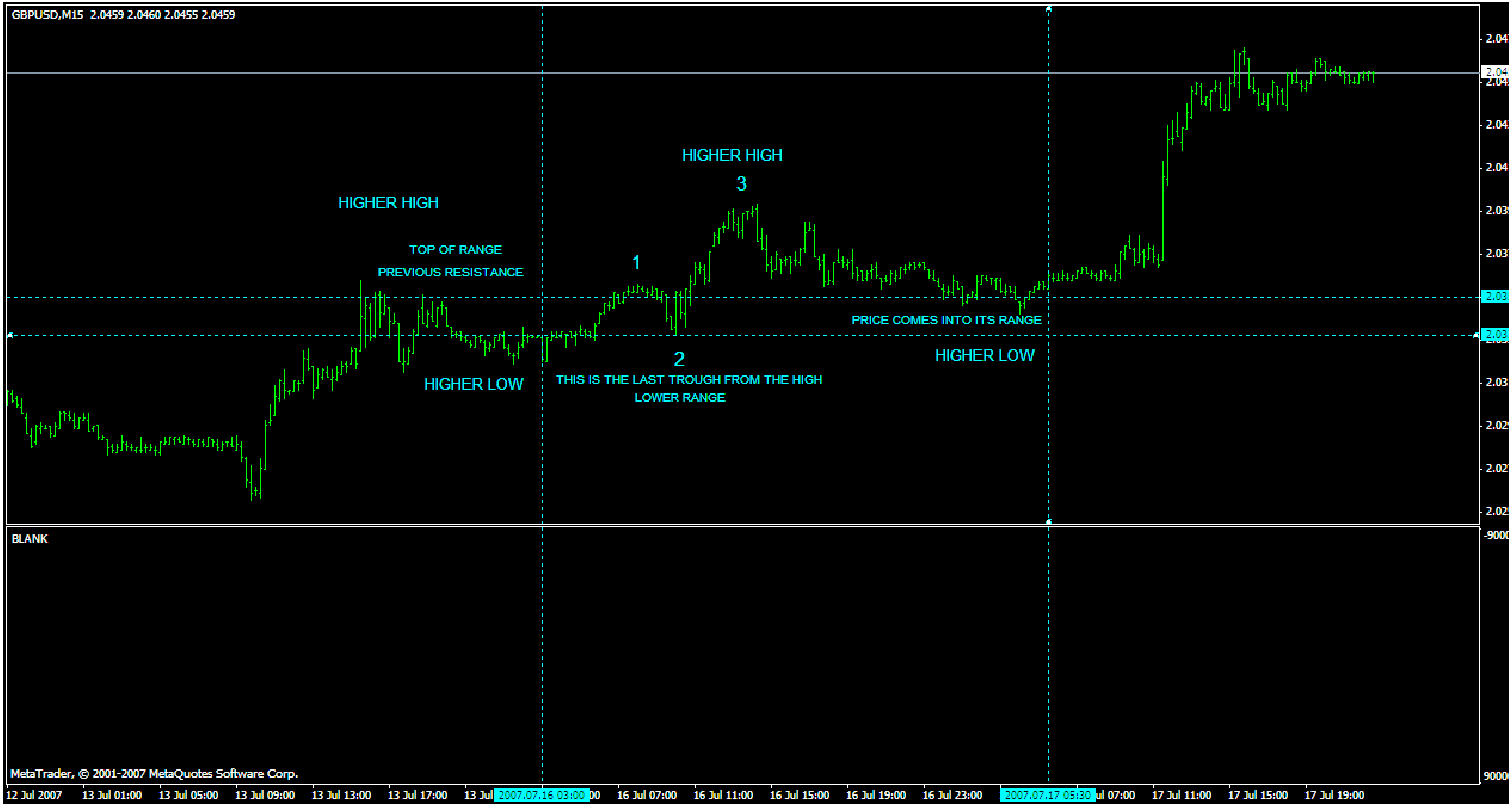
Steve , i can understand your frustration so i will try and give you a detailed explanation of how to find the range for the GBPUSD trade i posted today.

Look at the chart i have posted, as you know from reading the thread that i am looking to enter from a retracement to support back into the trend which is what happened here the price was making higher highs and higher lows.
I have used the 15 chart to illustrate range as the 60 was not clear enough.

Looking at the last high at point 3 i would look for the first trough down from that high which is point 2 now that point is the low of the range that the price can come into before turning back up , now if the price came lower than that then the trend is now broken and there would be no entry.
I am sure that you will undestand the concept , for those that do not understand please read the pdf i posted from marting pring re eaks and troughs.

If you have any further questions please ask.

bubble
Attached Images



Last edited by bubble : 07-17-2007 at 10:58 PM.

Originally Posted by **Sundowner**
Hi Bubble,

The example you posted is pretty clear.

In general, I'm wondering if you would consider the trend broken if the price goes lower than the previous trough or would you wait until the price moved back up and made a lower high?

thanks

Sundowner,

If the price closed below point 2 then the trend is over and there is no entry made it has to be point 2 because the price is already into support at point one ,you will find that being able to master this technique will give you a much greater advantage in trading.If all swings never came into the range of previous swings then trading would be too easy.

bubble

Originally Posted by **steveshutts**
Bubble,

Thanks very much for the clearer explanation, it makes much more sense when viewing on the 15 min timeframe. I understand where you are coming from now. What made you go long at 63, was it when price left the range, or a candle pattern within the range?

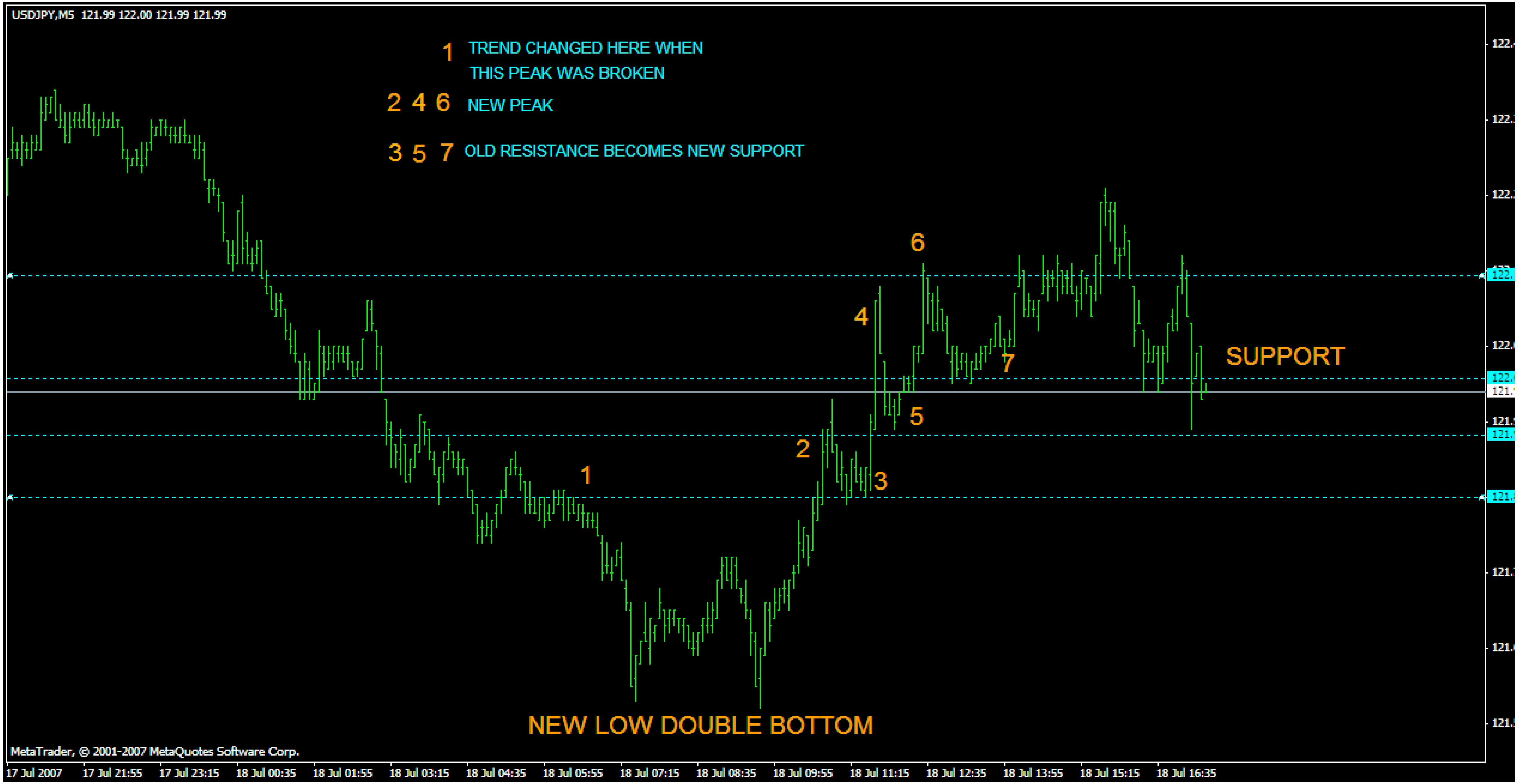
Cheers,
Steve

Steve

The turning point happened on the close and everything else we have discussed was in place.
I never use candlesticks the market makers know all those old tricks too well,sometimes i will look for a bit of upside momentum on the lower timeframe.

Take a look at this chart , classic example of how the market creates s/r levels on all timeframes.

bubble
Attached Images


USDJPY,M5 121.99 122.00 121.99 121.99
1 TREND CHANGED HERE WHEN
THIS PEAK WAS BROKEN
2 4 6 NEW PEAK
3 5 7 OLD RESISTANCE BECOMES NEW SUPPORT
6
4
7
SUPPORT
5
2
1
3
NEW LOW DOUBLE BOTTOM
MetaTrader, © 2001-2007 MetaQuotes Software Corp.
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18 Jul 09:55
18 Jul 11:15
18 Jul 12:35
18 Jul 13:55
18 Jul 15:15
18 Jul 16:35

XKR

Again ,great job XKR ,one thing ,in a trend as the GBPUSD clearly is we always target a new high above the current one dont be afraid to let it run once the price hits the first peak move to b/e as the best part with the biggest gains always comes when the price moves up past the peak as it is expected to do in a trend.

The current support line at 0511 matches with 240 so we are looking to continue the trend from the 240 long ,if the price starts to move with higher closes then comes back down to test support again we class that as the second test and we wait for the price to make a higher close again and then enter, a lot of traders will enter purely based on price retesting the area so i have outlined an option here to make it safer by waiting for a second retest which gives the trade a much higher probability of success.
Because we are in a long trend the whole swing down from the high is classed as a correction and we are folowing the trend on the 240 resistance is above the current high.
Quite simply we are using the 60m to find the most probable area that the corrective part of the trend from the 240 will end and the trend will resume.

You can trail your stop using the peaks and troughs but you must go to the lower timeframes, every time the price makes a correction on the way down wai for the price to break the last trough and place your stop just above the peak of the correction,it means giving some back as we get to the end of the move but should still get some good pips.

Hi Bubble,

the charts speak for themselves, two trades with a potential profit of roughly 130 pips each.

I am wondering about setting Stop Losses though Bubble. I re-read this entire thread and found your response to Malcik,

"When you have identified an area of support look at how many minor swings there has been to this support ,enter on the second or third swing back to support , so the price would have to bounce of your area of support at least once and move higher then return to support **place the stop loss under the l of the lowest swing**."

If you have the time Bubble, could you please let us know where you would have placed the stop losses on one or both of those trades, that's assuming the trades were identified correctly of course.

With the eur/jpy trade I would have set the sl at around 163.94 the top that the price made before retracing.

With the gbp/chf the chart suggests a sl of about 2.4685.

I seem to remeber you mentioning that this system historically had a 7 - 1 risk reward ratio. (I can't find the post right now)

Do you ever use the profit target for example in those to charts roughly 130 pips, to calculate a stop loss? I'm sure you will tell me to just use the charts s/r levels, but just wondering. Using say a 5 - 1 ratio on those two trades would suggest a sl of 26 pips.

Sorry for the long post and thanks for all the help Bubbles, have a great weekend.
Attached Images

EURJPY,H1 162.00 162.00 161.61 161.61
Entered here @ 163.70
Target 162.38
166.85
165.95
165.05
164.15
163.82
163.25
162.35
161.61
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WHC Trader 4, © 2001-2007 MetaQuotes Software Corp.
24 Jul 2007
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25 Jul 06:00
25 Jul 14:00
25 Jul 22:00
26 Jul 06:00
26 Jul 14:00
26 Jul 22:00
27 Jul 06:00
27 Jul 14:00
27 Jul 22:00

XKR,

You have placed the stops in more or less the correct place ,your understanding of where to place the stop is correct.

I cant imagine that i would ever of said that there is a historical risk reward ratio to this style of trading because each currency pair has a different volatility.

The stops are placed according to the information that the price action is giving us as you have mentioned in your post so they will vary.
bubble

fx2007

1. Identyfing the support area for longs:

The top of the support area is defined as the previous peak (which becomes support).

The bottom of the support area is the swing down from that previous peak from which it swings back up and breaks it and forms the new current high. (The point 2 of a 123)

So if 50 is the previous peak. Price swings down to 25, then makes a new high at 75. Therefore 50 becomes top of support range and 25 the bottom.

When a support area is established ,what i think you are asking me is how far can the price come into that support area .
Using the previous swing down and looking at the peaks and troughs within that swing will give you the answer you are looking for.

2. How are you getting your exact entry point for your trade, once price is back in the new support range ?

Same answer as question 1 ,look at the support range between 50 and 25 and apply the principles of s/r to that swing.

3. I assume your stop is a few pips under the bottom of the range ?

You assume wrong.

4. What is the max pip stop you would use ? During a session like yesterday, there was often an extended range of swings. How tight can yc get your stops ?

The amount of risk i am prepared to take with stops is based on the risk i am prepared to take per trade according to my own management rules.
Yesterday on the GBPUSD 60 min i used a stop of 25 ,USDCHF on the 15min i used a stop of 13 ,sometimes the stops can be less than 10 ,it all depends on how the price action defines them and which timeframe you trade from.

5. We should only take entries which agree with S/R turns on the higher time frame. So if I am trading the 1 hour chart, I would ignore

entries unless it agreed with say the 4 hour turning points and was of course in the same direction of that higher chart ?

I have suggested to start off this way to build confidence it cant all be learnt in a few weeks.
Master one technique at a time ,of course there are many scenarios for support and resistance which i use ,as i have the experience and confdence to do so and later you may have as you progress and learn.
this thread is about s/r if you wish to learn about money management then there is plenty of free information out there.

As for price action defining stops ,it is common sense to place them below the nearest peak or trough from your entry point.

Read the post about range and the answer i gave to stevehutts with a detailed explanation and a pic.
'When a support area is established ,what i think you are asking me is how far can the price come into that support area .
Using the previous swing down and looking at the peaks and troughs within that swing will give you the answer you are looking for.'

fx2007:

So just so I am on the right track: That means looking at the 'intra' swings on a lower time frame ? If I am looking a the big picture on the 4 hour, I might use the 1 hr to see the 'intra' swings within that 4 hour swing? Then figure out possible entries ?

You would look at the intra swing on the lower time frame to get a better entry.

If I am assuming wrong that your stop might be below the range, can you make a comment on how you determine where it is.

Once you have established a good entry point from the intra swings use common sense to place the stop below the peak/trough that you used to enter from

Again Bubble, great thread. Have felt a surge of inspiration, since I started to read it. Have a good weekend and a good trading week next week.

[/QUOTE]

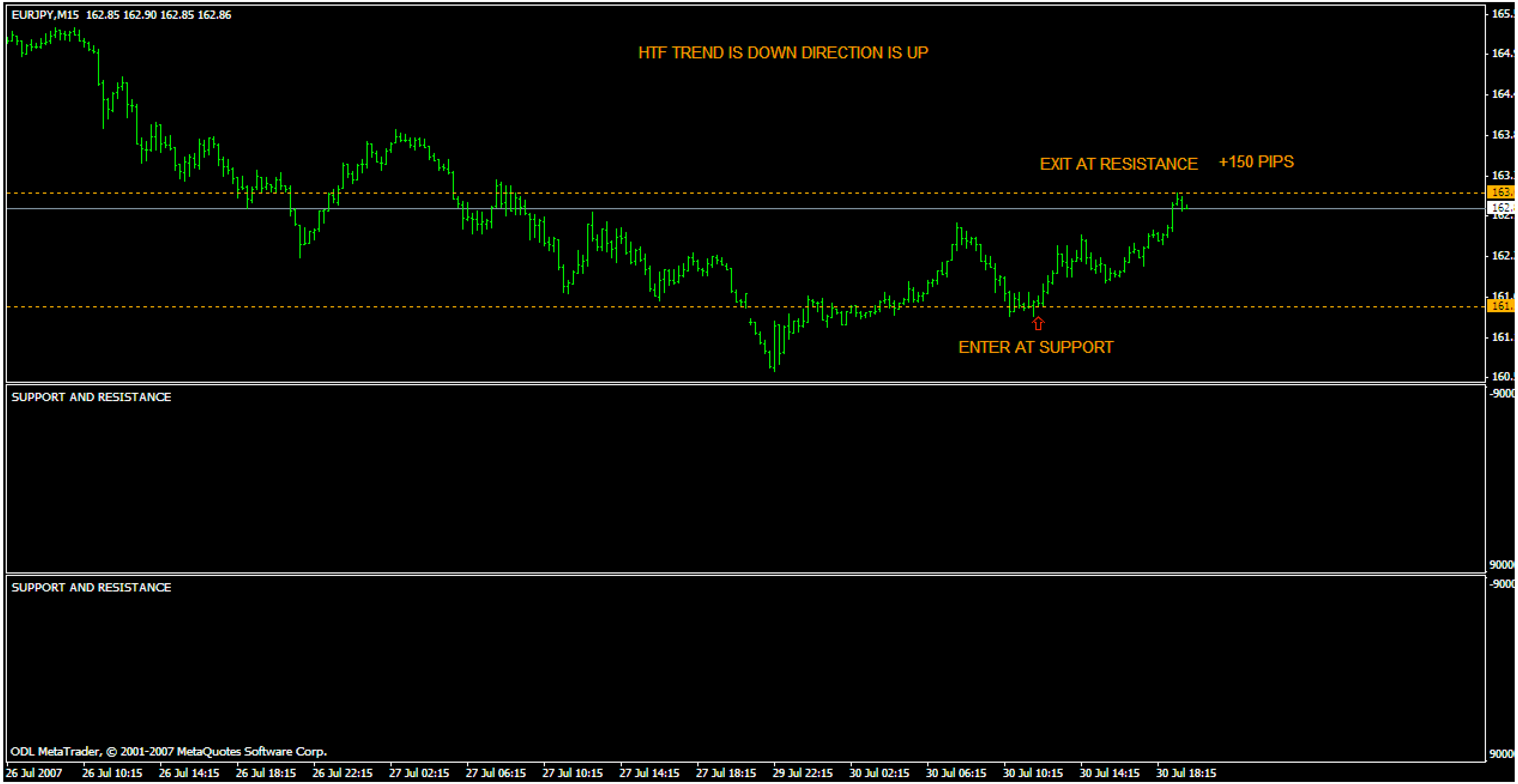
Read the post about range and the answer i gave to stevehutts with a detailed explanation and an example.

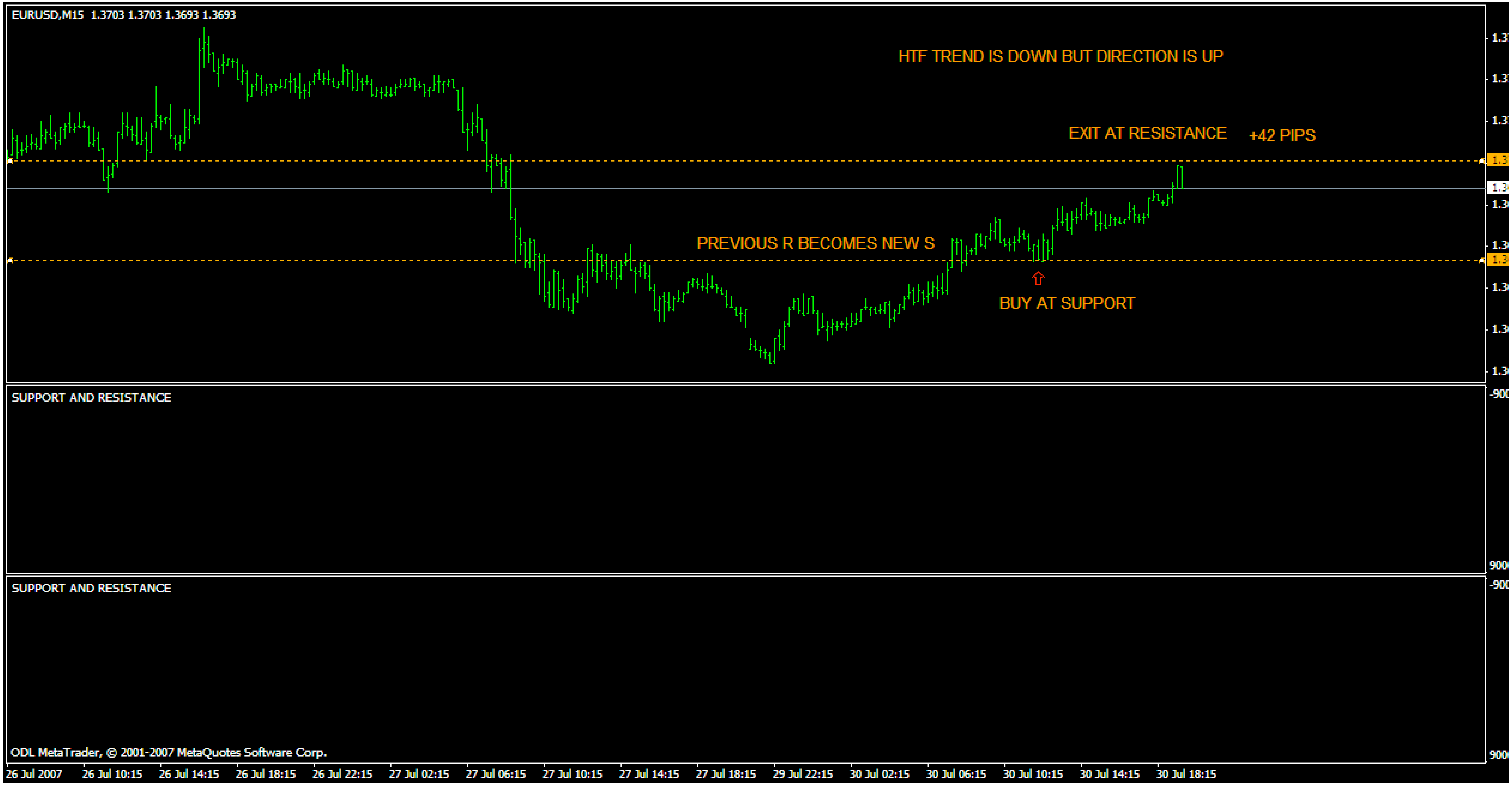
S/R can be taken from the current swing as well as from historical points in the past if necessary.

Trades from today

Here are three trades i made today with a total of nearly +250 pips all with support and resistance, not the grail just years of hard work ,study and lots of patience.

bubble
Attached Images


EURJPY,M15 162.85 162.90 162.85 162.86
HTF TREND IS DOWN DIRECTION IS UP
EXIT AT RESISTANCE
+150 PIPS
ENTER AT SUPPORT
SUPPORT AND RESISTANCE
SUPPORT AND RESISTANCE
ODL MetaTrader, © 2001-2007 MetaQuotes Software Corp.
26 Jul 2007
26 Jul 10:15
26 Jul 14:15
26 Jul 18:15
26 Jul 22:15
27 Jul 02:15
27 Jul 06:15
27 Jul 10:15
27 Jul 14:15
27 Jul 18:15
29 Jul 22:15
30 Jul 02:15
30 Jul 06:15
30 Jul 10:15
30 Jul 14:15
30 Jul 18:15


EURUSD,M15 1.3703 1.3703 1.3693 1.3693
HTF TREND IS DOWN BUT DIRECTION IS UP
EXIT AT RESISTANCE
+42 PIPS
PREVIOUS R BECOMES NEW S
BUY AT SUPPORT
SUPPORT AND RESISTANCE
SUPPORT AND RESISTANCE
ODL MetaTrader, © 2001-2007 MetaQuotes Software Corp.
26 Jul 2007
26 Jul 10:15
26 Jul 14:15
26 Jul 18:15
26 Jul 22:15
27 Jul 02:15
27 Jul 06:15
27 Jul 10:15
27 Jul 14:15
27 Jul 18:15
29 Jul 22:15
30 Jul 02:15
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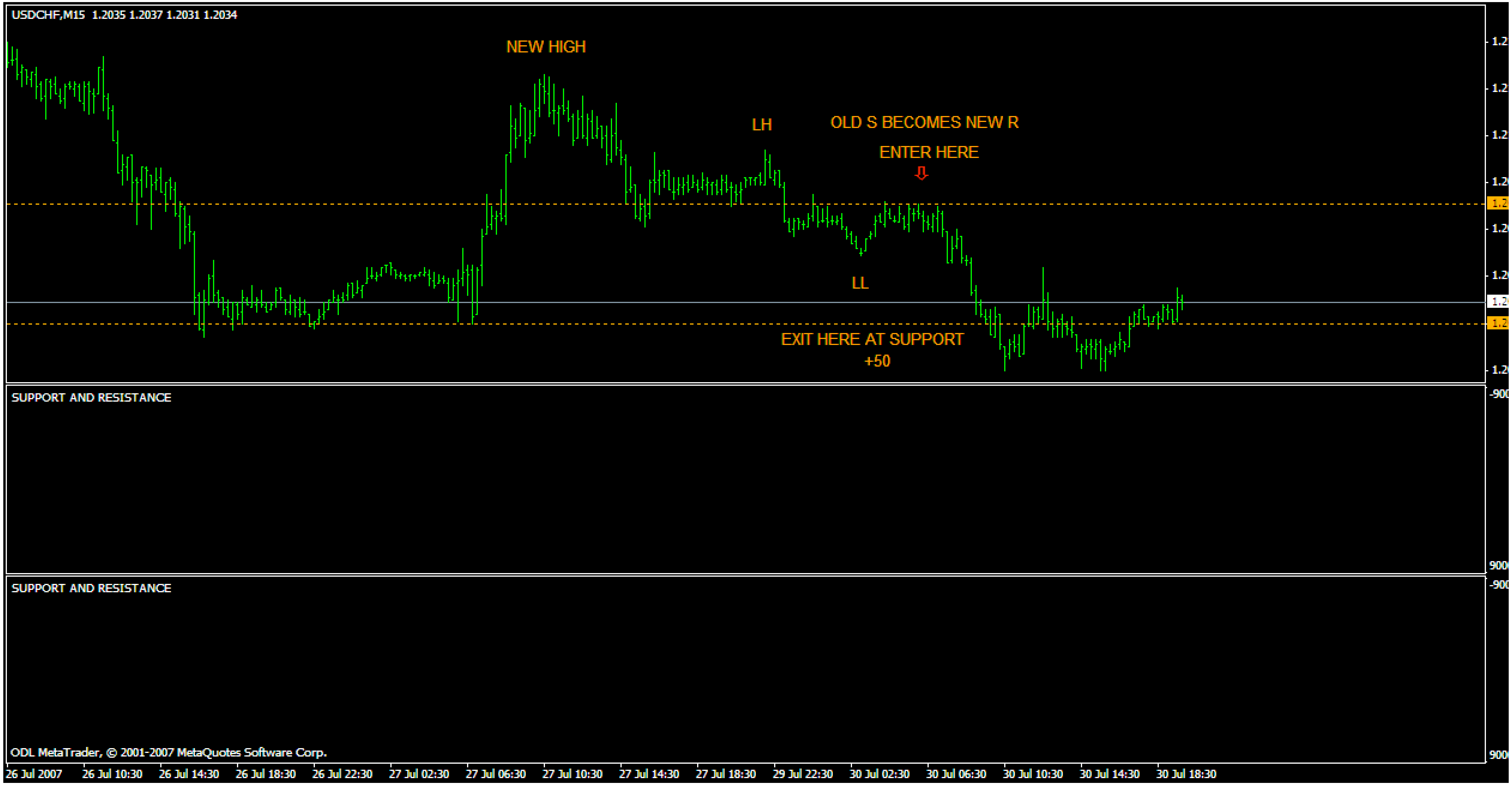
30 Jul 10:15
30 Jul 14:15
30 Jul 18:15



USDCHF,M15 1.2035 1.2037 1.2031 1.2034
NEW HIGH
LH
OLD S BECOMES NEW R
ENTER HERE
LL
EXIT HERE AT SUPPORT
+50
SUPPORT AND RESISTANCE
SUPPORT AND RESISTANCE
ODL MetaTrader, © 2001-2007 MetaQuotes Software Corp.
26 Jul 2007
26 Jul 10:30
26 Jul 14:30
26 Jul 18:30
26 Jul 22:30
27 Jul 02:30
27 Jul 06:30
27 Jul 10:30
27 Jul 14:30
27 Jul 18:30
29 Jul 22:30
30 Jul 02:30
30 Jul 06:30
30 Jul 10:30
30 Jul 14:30
30 Jul 18:30

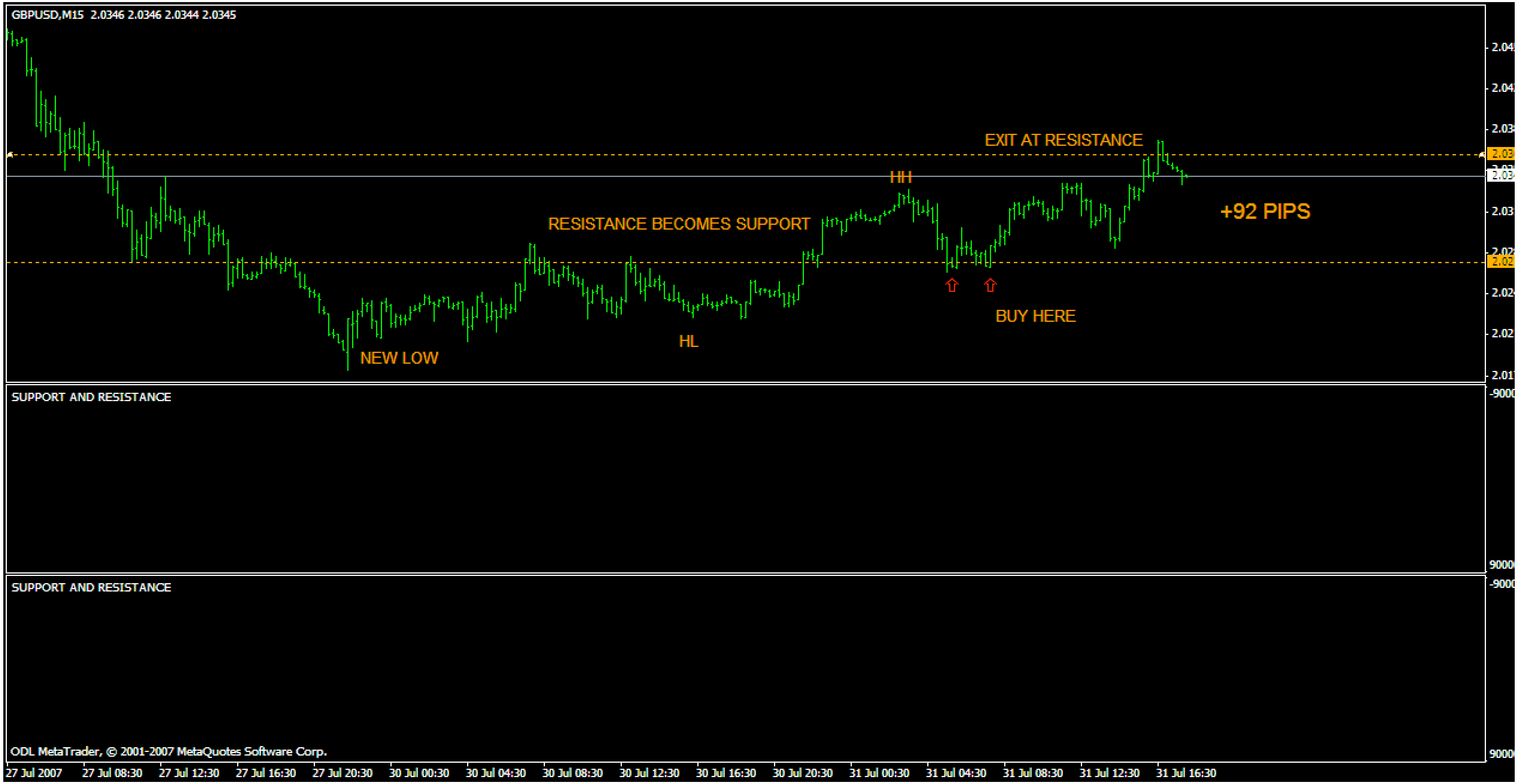
Someone asked me about trailing stops before and i have given an explanation of how to do this , i will add that i am not a fan of trailing stops and rarely us
them , i prefer to take a partial profit at the first peak/trough and look to exit at s/r.

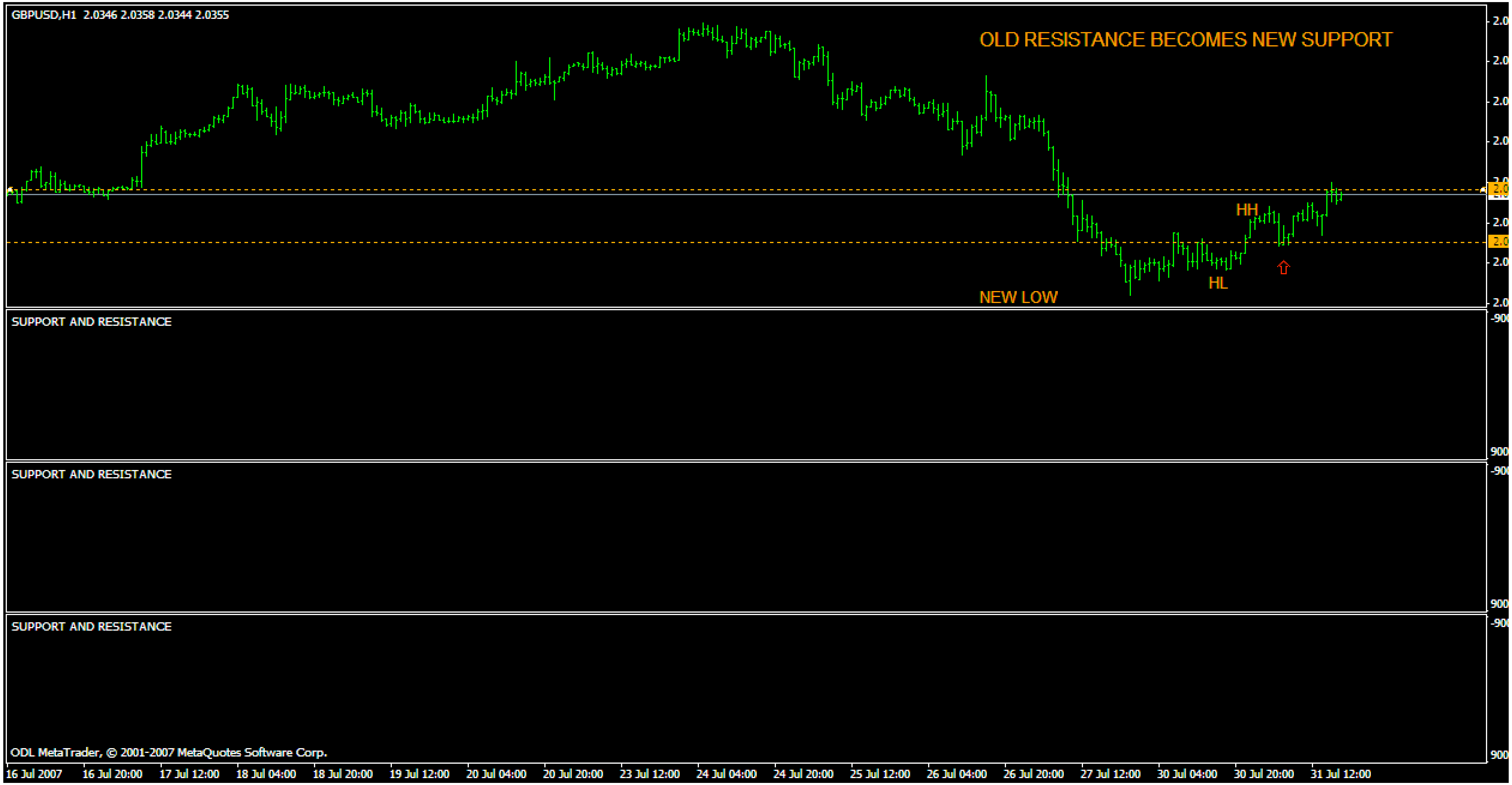
I have explained before that the price most often will move into its previous range , s/r is not always an exact level .

Trade from today GBPUSD

HTF confims the uptrend with rising peaks and troughs.

bubble
Attached Images


GBPUSD,M15 2.0346 2.0346 2.0344 2.0345
EXIT AT RESISTANCE
HH
RESISTANCE BECOMES SUPPORT
+92 PIPS
BUY HERE
HL
NEW LOW
SUPPORT AND RESISTANCE
SUPPORT AND RESISTANCE
ODL MetaTrader, © 2001-2007 MetaQuotes Software Corp.
27 Jul 2007
27 Jul 08:30
27 Jul 12:30
27 Jul 16:30
27 Jul 20:30
30 Jul 00:30
30 Jul 04:30
30 Jul 08:30
30 Jul 12:30
30 Jul 16:30
30 Jul 20:30
31 Jul 00:30
31 Jul 04:30
31 Jul 08:30
31 Jul 12:30
31 Jul 16:30


GBPUSD,H1 2.0346 2.0358 2.0344 2.0355
OLD RESISTANCE BECOMES NEW SUPPORT
HH
HL
NEW LOW
SUPPORT AND RESISTANCE
SUPPORT AND RESISTANCE
SUPPORT AND RESISTANCE
ODL MetaTrader, © 2001-2007 MetaQuotes Software Corp.
16 Jul 2007
16 Jul 20:00
17 Jul 12:00
18 Jul 04:00
18 Jul 20:00
19 Jul 12:00
20 Jul 04:00
20 Jul 20:00
23 Jul 12:00
24 Jul 04:00
24 Jul 20:00
25 Jul 12:00
26 Jul 04:00
26 Jul 20:00
27 Jul 12:00
30 Jul 04:00
30 Jul 20:00
31 Jul 12:00

The trades i have posted are from the 15min with confirmation from the 60.
Although 15/60 is not my preferred combination due to the higher stress levels involved from more frequent monitoring, there where some great trades whi carried a high risk reward ratio and visually were worth posting for you to learn from as the principles of s/r are the same no matter which combo is used.

The entry really depends on your risk tolerance and skill at identifying areas of s/r, i have identified a low risk entry technique that requires a second retest a s/r area , some traders with a high risk tolerance and confidence that they have identified that area correctly will enter as soon as the price hits that area, others prefer to wait and enter on the second test with the first test giving confirmation of the s/r not having been broken.The first test also gives you an indication that you should place your stop below that level, how far below is up to you and should be based upon your own money management rules.To clarify you can either enter immediately the price hits the s/r area ,wait for the second retest and enter immediately or wait for it to move higher after the second retest which of course would mean having a larger stop.

FX2007

1. How much do you consider price have to bounce between touches, so that you can consider the 2nd touch valid ?

The only rule i have here is that for a long signal with a retest of support we dont want the bounce to make a new or equal high and the reverse for short signal.

2. Lets consider a long trade, so we are looking for a long on the 2nd or more bounce off a desired entry level: If price makes a LH (or LH's) inbetween each subsequent bounce, does this cancel the entry, or are we not worrying about this noise, as often seen on the LTF ?

The bounces form part of the correction that is retesting s/r the nature of a correction would be to form LH withing its internal structure.

3. In your opinion, how much does price have to move though a level to make the level invalid. If price hits support twice at say 1.3671, if o the 3rd time it spikes 5/6 pips below, though closes at or above, does this still count ? What are you personal rules on this ?

S/R levels are never exact ,the price will more often than not creep into the range of the previous swing this is known as its range , knowing how to define t is an important component of using s/r, if you look at a reply i gave to stevehutts you will find an explanation with an example in that post.

4. (Sort of related to #3) How far, do you consider, price can travel through a support becomes resistance line before it invalidates ? Is it no best for us to consider zones of price rather than spot on pip values ?

Yes i have always maintained that s/r are never exact levels ,(answer to Q3),
which is why at the beginning of this thread i have made a distinction between the different types of trend that exist.

> Originally Posted by **fx2007**
> *Bubble*
>
> *Thank you for the quick response.*
>
> *==============================*
>
> *FX2007:How much do you consider price have to bounce between touches, so that you can consider the 2nd touch valid ?*
>
> *Bubble:The only rule i have here is that for a long signal with a retest of support we dont want the bounce to make a new or equal high and the reverse for short signal.*
>
> *==============================*
>
> *FX2007: Why is that ? Sorry to probe......Can you offer more insight. I cannot work out why a equal or new high would matter ? If it makes a new high, is t not even my confirmation of the trend ? I understand that an equal high might be considered a Double Top. Though why would a new or equal high be more negative than a bounce that made a lower high ? (With respect to the support level or range we are trying to enter a long from).*

FX2007,

Lets take a long example , price comes back to support which is our optimum entry point to enter at the start of the continuation of the trend therefore limiting our risk to the down side.

If the price makes a new high then we have missed the boat and the old high now becomes our new level of support.

If the price makes an equal high ,yes that could be considered a double top which is an alert that the market has topped ,however that is not always the cas as it could turn into a sideways consolidation period, that is only from my own observations.

The new high scenario is more important as that changes the relationship between s/r.