TRADE PLANNING WITH SIMPLE SUPPORT & RESISTANCE

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Bullish Flag Breakout

Consolidation

EURUSD 25/07/13 H1

BOXING the markets
Let the CHARTS be your GUIDE
TAKEAWAYS
OPEN YOUR EYES TO SUPPORT & RESISTANCE

Experienced Traders (> 6 months)
• Lost in a myriad of indicators
  – Indicator point UP – BUY
  – Indicator point DOWN - SELL
• Confused by news and direction
  – Mucked around all the time
• Following a strategy with no success

New Traders
• No Trading Strategy
• Learning how to trade
• Unsure where to start
TRADE PLANNING

BE A DETECTIVE, STACK THE ODDS

Crime Scene Investigation

• Thumbprints
• Physical Evidence
• DNA
• Vehicle Number
• Autopsy

Source: www.gograph.com
TRADE PLANNING

BE A DETECTIVE, STACK THE ODDS

Trade Planning
1) Establishing a BIAS
2) Finding out where the Buyers and Sellers are

Primary
- Visual S&R
- Psychological Levels
- Trend Lines
- Chart Patterns
- CLOCK
  - Multiple Time-Frame Analysis
  - Price Action

Secondary
- Pivot Points
- Fibonacci Levels
- Candlestick Patterns
- Divergence
- Moving Average
- Oscillators
TRADE PLANNING

“IF YOU FAIL TO PLAN, YOU PLAN TO FAIL”

• Takes away the emotions attached to trading
  – Provides guidance to where the market is going even after news releases
  – Creates a systematic approach to trading

• Painting different scenarios in the market
  – Creating a visual mental image of what might happen and acting accordingly

**BULLISH**
• Look for Support to BUY
• Look for Resistance to EXIT

**BEARISH**
• Look for Resistance to SELL
• Look for Support to EXIT
SUPPORT & RESISTANCE

VISUAL & PSYCHOLOGICAL

• Look for whole numbers
  – 00, 20, 50, 80
• Previous failures and bounces
• Pay attention to shadows and body close of candles – ROLE REVERSAL
• Always think of S&R levels as zones
• Look for a candle close above or below S&R levels before considering it broken
  – Many times, they are simply market spikes
• Use multiple time-frames to confirm levels
• The higher the time-frame, the more respected the levels are
• A broken support can turn into resistance and vice versa
SUPPORT & RESISTANCE

Why Confluence Works

GBPUSD 4H

1.5500
1.5350
1.5280
1.5150
1.5030
SUPPORT & RESISTANCE

EURUSD Daily

1.3250
1.3180
1.3000
1.2750
SUPPORT & RESISTANCE

TREND LINES

• Not a random drawing on the chart
• There are rules to follow when drawing a trend line
• Trend lines provide guidelines for price
• Can be a support/resistance
• Most of the time, trend lines are sloping
• The degree of the slope indicates trend strength
• Applicable to any chart time-frame
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TREND LINE – UPTREND

• Look out for swing lows on the chart
• Connect the lows of the swings to form a straight line
  – Lows and not the period close
• Trend Line must have at least 3 points of contact of the swing low
• Indicates bullish momentum, more buyers than sellers
SUPPORT & RESISTANCE

TREND LINE – DOWNTREND

• Look out for swing highs on the charts
• Connect the highs of the swings to form a straight line
  – Highs and not the period close
• Trend Line must have at least 3 points of contact of the swing high
• Indicates bearish momentum, more sellers than buyers
SUPPORT & RESISTANCE

EURUSD H4
SUPPORT & RESISTANCE

CHART PATTERNS

• Used to measure sentiment
  – period of consolidation
  – provides parameters to the market
• Detect continuation or reversal of trends
• Same rules on how we draw trend lines
• Most common ones:
  – wedge, triangle, pennants, flags
• Applicable to any chart time-frame
  – adjust trade plan based on time frame
  – i.e. a consolidation on a daily chart might be a new trend on a H1 chart
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Chart Patterns and Trend lines
- Autochartist
- Trading Central
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EURUSD M30 JULY

- Ascending Triangle
- Bullish Flag
- Channel
- Pennant
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EURUSD DAILY

Wedge Reversal

Bearish Flag

Inverted Head & Shoulder

Wedge

Channel

Ascending Triangle

Wedge
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2 SIMPLE WAYS TO TRADE IT

APPROACH

SUPPORT

RESISTANCE

SUPPORT

RESISTANCE

SUPPORT
SUPPORT & RESISTANCE

2 SIMPLE WAYS TO TRADE IT

BREAKOUT – ROLE REVERSALS
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EURUSD M30 JULY

1.3250

1.3170

Bullish Flag

1.3070

Pennant

1.3000

Channel

Wedge

Channel
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CLOCK

Source: http://www.worldtimebuddy.com/
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CLOCK

• Market = People
• Common Psychology and Behavioral Patterns
  – We get hungry at the same time
  – We sleep at the same time
  – We get tired at the same time
  – We all want to “Buy low and Sell high”
• Intra-day markets move with these normal human tendencies
• The “CLOCK” is a leading indicator that is often overlooked
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CLOCK = London Open Session High/Low (Yellow Box)

GBPUSD
8th July - 12th July
SUPPORT & RESISTANCE

CLOCK = London Open Session High/Low (Yellow Box)

EURUSD
8th July - 12th July
SUPPORT & RESISTANCE

CLOCK = London Open Session High/Low (Yellow Box)
SUPPORT & RESISTANCE

CLOCK = London Open Session High/Low (Yellow Box)

EURUSD
15th July - 19th July
BOXING THE MARKET - CONFLUENCE
SUPPORT & RESISTANCE

- Visual
- Confluence
- Chart Patterns
- CLOCK
- Psych

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SUPPORT & RESISTANCE
PUTTING IT ALL TOGETHER

CONFLUENCE
1) Rising Trend line
2) Visual Support
3) CLOCK - London Open

GBPUSD M30
15th July - 19th July
SUPPORT & RESISTANCE

CONFLUENCE
1) Bearish Flag
2) Channel Breakout
3) Visual Resistance
4) Psychological Resistance - 0.9280
5) CLOCK - London Open
Bullish Flag Breakout
Consolidation

EURUSD 25/07/13  H1
SUPPORT & RESISTANCE

BOXING THE MARKETS

1) Draw your visual / psychological Support and Resistance Lines
   • Be observant to areas of role reversals
   • On candlestick charts, look for body closes and shadows

2) Analyse at least 2 time-frames above your execution chart
   • Match time-frame to the type of trader YOU are
   • Scalper – 1min, 5min, 10min
   • Intraday – 15min, 1h, 4h
   • Swing – 1h, 4h, Daily
   • Position – 4h, Daily, Weekly
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BOXING THE MARKETS

3) Look for chart patterns / trend lines
   • Is it a Continuation or Reversal?
   • Is it a Breakout or Consolidation?
   • If you are not proficient yet, leverage on Autochartist, Trading Central
   • There is NO substitute for SCREEN TIME

4) Look for CONFLUENCE areas
   • Overlapping Areas of Support and Resistance
   • STACK THE ODDS FOR YOU
SUPPORT & RESISTANCE

BOXING THE MARKETS

5) What’s your Bias?
   • Bullish – Support to BUY, Resistance to EXIT
   • Bearish – Resistance to SELL, Support to EXIT
   • Neutral – Consolidation. BUY at support, SELL at resistance

6) Create a Plan
   • Include the “CLOCK” to refine entries and exits
   • Paint different scenarios
   • Execute with Confidence
THANK YOU

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