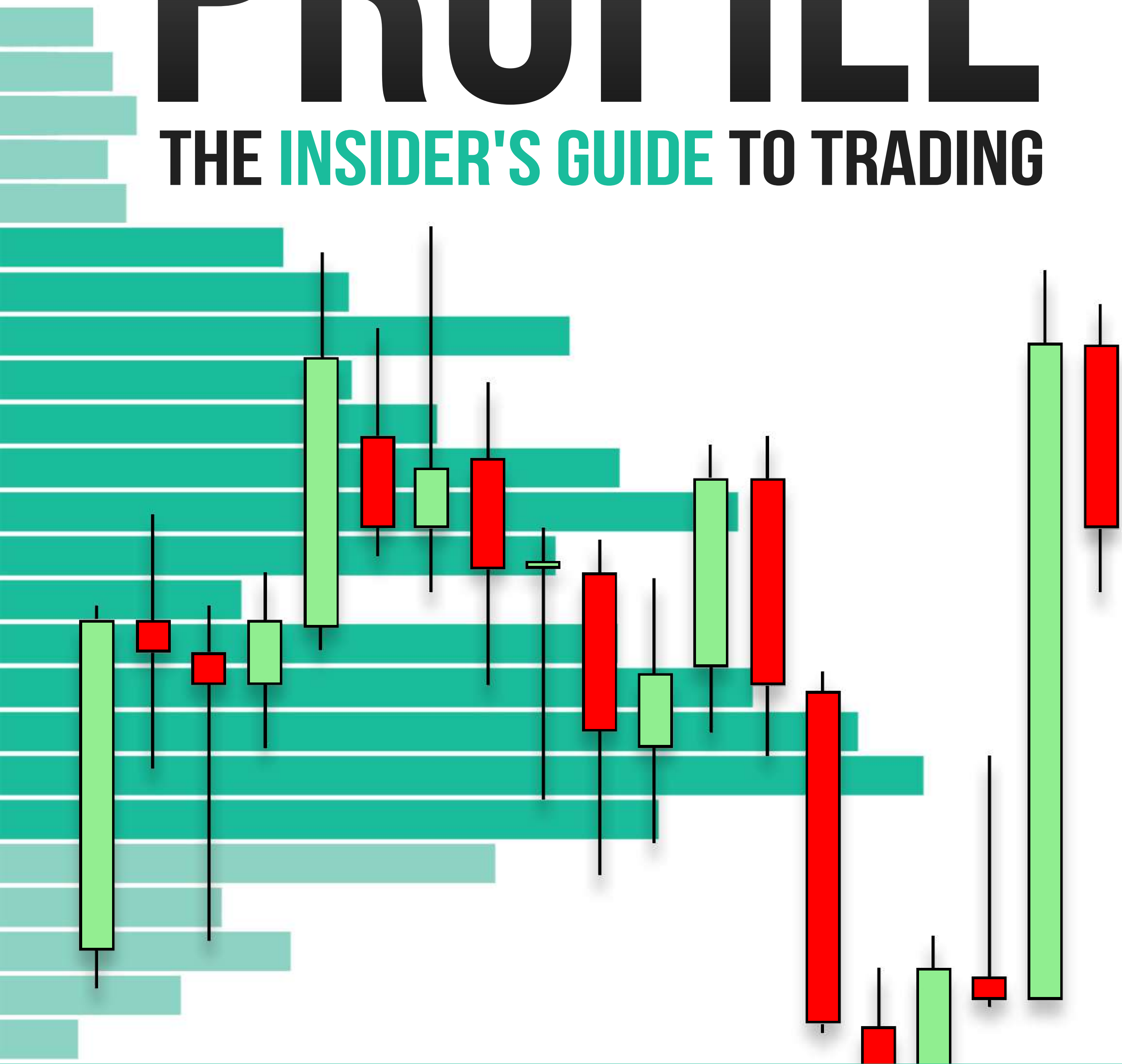
VOLUME PROFILE

THE INSIDER'S GUIDE TO TRADING



TRADERDALE

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Introduction

My story

Hello, my name is Dale, and I am a full-time trader since 2008. I have always been very passionate about economics, finance, and trading. I got my university degree in finance, before becoming a certified portfolio manager, investment manager, as well as getting my financial derivatives certification. I am proud to say that unlike most of all the trading "gurus," I actually have a proper education and certification. This is, of course, thanks to my parents who supported me enormously in my studies and who helped me at the start of my career.

Fresh out of college, I started to work as a market analyst for a major brokerage. Most would be grateful to have this position right out of college, but I didn’t really feel it this way. I had two problems with this job. The first one was that I don’t like having a boss who tells me what to do. I always studied hard to be independent not an employee. The second reason was that I didn’t like how the company treated their customers. I think this is an issue with most forex brokers. They don’t really care if their clients make money or not. They are selfish and focus primarily on their fees. They feel no responsibility, and they don’t care about their clients best interest. I didn’t like being a tool in such a company, so I left.

After I quit my job, I focused all my efforts towards trading. This was my 100% focus; testing all sorts of different trading strategies, trying different trading approaches, backtesting various patterns and anything else you can think of for 12-15 hours every day.

I was trading various instruments and using many different trading styles. I was trading stocks, investment certificates, and automated trading systems. Currently, my primary focus is on manual forex trading.

When I started trading forex, I was under the impression that I needed to find a Holy Grail which would make me a big pile of money quickly. I was searching for this Holy Grail among various trading indicators. Needless to say that I sucked. I tried most of the standard indicators with many different settings, but nothing really worked. At least not in the long run.

My first tangible success was when I finally got rid of all the indicators and started anew with simple Price Action. For the first time, I felt I was getting somewhere! The big "eureka moment" came when I combined Price Action with Volume Profile. This was when I started to see a consistent edge and consistent profitability.

What you will learn

When I was writing this book, my goal was to give you the book I wish somebody gave me 10 years ago, when I started. A book which would save me all the time spent in dead ends, all the time spent researching and a book that would guide me through the complicated world of trading, leading me the right way and teaching me all the important aspect of trading.

In this book you will learn:

- How to work with Price Action
- Price Action strategies that you can immediately put to use
- How Volume Profile works
- My favorite Volume Profile strategies
- How to find your own trading style and what are the best trading instruments to trade
- How to manage trading around macroeconomic news
- How to do your market analysis from A to Z
- How to manage your positions
- How to do a proper money management
- How to deal with trading psychology
- How to do a proper backtest and how to get started with trading your backtested strategies
- What are the most common trading mistakes and how to avoid them
- The exact ways and rules I apply to my own trading

You will learn all this in a simple, poignant way along with many examples and pictures.

Why don't I keep it secret?

Let me address one pretty important question most people have. In fact, you wouldn‘t really be a smart investor if you weren‘t skeptical about this. The thing is: Why would I reveal to you my working trading strategies? Why not keep it to myself? Why not keep it secret, if it is really that good?

I have seen so many scammers in this industry. There are so many people who don't have any financial education, no certification, no real knowledge of the markets and still they place themselves in a position of a "guru." Still, they don't care if the people who pay for their service fail or not. The brokerage company I worked for before wasn‘t different.

I am personally strongly against such practices. I want to do things differently and actually help people, and giving you a helping hand doesn‘t hurt me in any way. Do you know how many people like you and me trade currencies? How much volumes do we control? It is only 3.5%. Only 3.5% of daily forex volume is controlled by retail traders (statistics from Bank for International Settlements). The rest is institutions.

Retail traders like you and me make only 3.5 % of all the trading volumes. The rest is institutions.

Based on this fact, helping you and other retail traders like you with their trading can‘t have any impact on the market, and it can‘t endanger me and my trading strategy. So I don‘t think there is a reason not to share. If you are willing to learn and you are willing put some work into improving your trading, then I am more than glad to share my knowledge.

Important notice

This is not a “get rich quick“ magic guide. I won‘t lie to you and make any false promises. It takes time and hard work to learn and master trading and the Volume Profile. If you are looking for a magic formula, you are reading the wrong book. I really can‘t make any promises. I will show you what I do and what works for me. That‘s it. I can‘t guarantee that it will work for you too. Everybody is different, and my trading style may not suit everyone. That's a fact. What is also a fact though, is that this is the best trading approach I came across in my decade-long trading career. What I am about to teach you with this book is the best I know.

So, if you don‘t mind that I won‘t be giving you a “magic pill,“ (as it doesn’t exist) then let‘s move on to the first chapter!

Price Action

Price Action is the art of understanding the naked charts without any indicator. It is the first thing I recommend to learn before jumping into anything else. It is the corner-stone upon which all the other aspects I will cover in this book stand.

There is one thing I do quite differently to most of the Price Action courses out there. The thing is that I don't look for candlestick formations. If I compared Price Action to reading, then candlestick formations would be only single letters or single words. However, price charts and markets speak in sentences; not is single separate letters or words. For that reason, I perceive the price movement as a continuous flow and the main thing I am interested in is the price dynamics.

Why does the price move?

Before we get further into the details and trading setups, let me ask you an important question. What moves the price? In other words: Why does the price move? Think about it. Was your answer "because there are more buyers than sellers (or vice versa)"? Wrong, but don't feel bad. It is a common mistake which also the "experts" from television or newspapers often do in their comments and articles. What truly moves the price is AGGRESSION. If the price goes up, then the buyers are more aggressive. If it goes down, then sellers are more aggressive.

It is the aggressive buyers/sellers with their MARKET ORDERS who drive the price up or down.

If you are aggressive, you want to buy or sell NOW. If you want something NOW and you want to be 100 % sure you will get it, you need to use MARKET ORDER. This type of order means that whatever the price is, your order will get filled. In other words: you place a MARKET ORDER to buy or sell immediately at the best available current price.

Imagine a situation when there is a piece of news that implies that EUR/USD will go up. You are a hedge fund trader, and you want to enter a long position with 1 000 lot (that equals to $100 000 000). Unfortunately, everybody else sees this piece of news, and they also see the opportunity. The price is starting to go up rapidly. You want to be part of this, and you really want to enter your position. However, this is happening too fast. To make sure you will be able to jump into the new trend – you need to enter the trade with MARKET ORDER. You need to be aggressive. This is a demonstration of what will happen:

Because your position is pretty big, it won't be filled all at once. It will get filled **fast**, you will be able to enter the **whole position,** but the position will get **split** as the price moves upward quickly. It is the aggressive market participants, who drive the price aggressively up or down with their market orders. This is the true reason why the price moves.

There is much more to this topic, but to understand the basic concept, it should be enough. Remember: **it is the aggressive buyers/sellers with their aggressive market orders who drive the price up or down.** I will be talking about aggressivity or aggressive buyers/sellers quite often in this book. Every time I do, and you won't be sure what I am talking about, just remember the example of you being hedge fund trader who is entering the quick market with 1 000 lots.

Who moves the price?

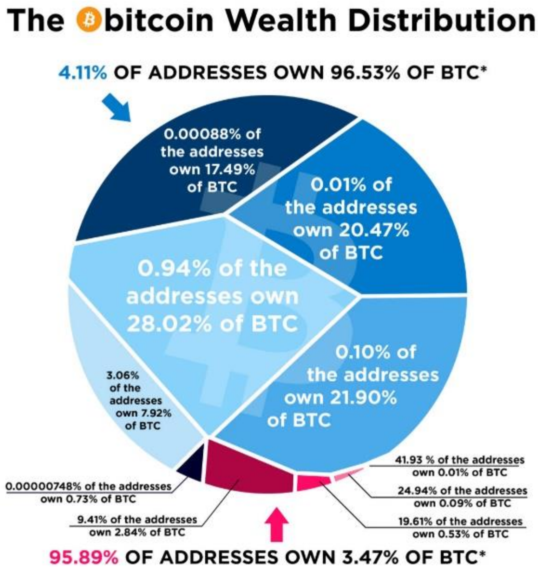
Top 10 currency traders

% of overall volume, May 2014

Rank	Name	Market share
1	Citi	16.04%
2	Deutsche Bank	15.67%
3	Barclays Investment Bank	10.91%
4	UBS AG	10.88%
5	HSBC	7.12%
6	JPMorgan	5.55%
7	Bank of America Merrill Lynch	4.38%
8	Royal Bank of Scotland	3.25%
9	BNP Paribas	3.10%
10	Goldman Sachs	2.53%

Even though the question "who moves the price?" may seem a bit philosophical and not practical or useful, it is extremely important. In fact, the whole idea behind my trading system is based on this question.

The table on the right side shows that roughly 80% of all the currency volume is transacted by only ten financial institutions. They have the absolute majority, they move and manipulate the price. It is their game!



It is not just the forex market. It is the same for all trading instruments. If you look for example at the cryptocurrency market, you can see that it is identical. No matter that this particular market is quite new, still the big financial groups dominate, manipulate and move this market. In the picture, you can see that only 4.11 % of addresses (financial groups) own 96.53 % of all the Bitcoins. On the other hand at the bottom of the picture, you can see a small little share that the retail traders own (that's us). It is the same for currencies, major cryptocurrencies, stocks, indexes…the **market is ALWAYS dominated, moved, and manipulated by a few big institutions or financial groups**.

As you can see, you and I are pretty small. We can't move the price, we can't manipulate the markets, BUT we can be profitable! We only need to accept our role in this game. So, to be profitable, we need to keep an eye on the big guys – the institutions.

How do we do that? How do we track institutions? We track them through Price Action and Volumes. Price Action and Volumes provide us with clues on what the institutions were doing, what they are doing right now and what they most likely will be doing in the future.

The market is dominated, moved, and manipulated by just a few big financial institutions.

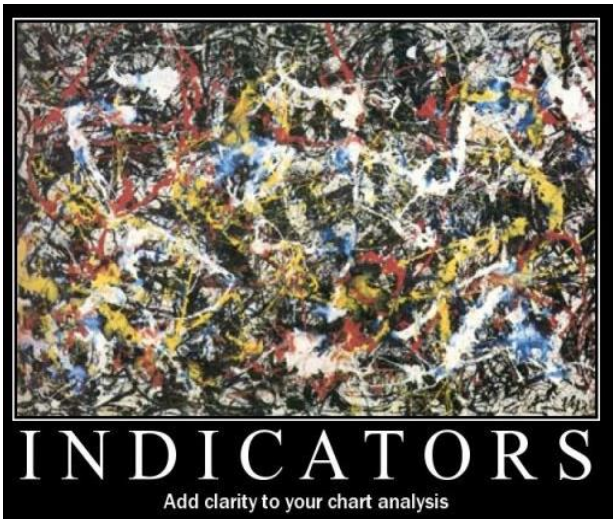
Indicators

In the previous chapter, I said, that we can predict institutional activity and market moves with Price Action and Volume. What won't help you whatsoever in predicting future market moves, are indicators.

The only purpose of indicators is to make people feel more in control and to push them to trade more.

Standard indicators only show you historical development but fail to foresee future movements. I don't want to get too mathematical in here, but if you look at how the most common indicators are calculated, you will see that they work with only two variables: 1. time, 2. historical price. That's it. Nothing more. All those indicators are only variations and different visualizations of time and historical price. There is no Holy Grail among them, and they are all just lines in your charts that add absolutely no value.

So, why do all those forex broker analysts use all those indicators then? Well, do you know who those analysts are? They are just ordinary guys who go to work, do their job and then go home. It so comes that their job is to do one stupid article per day to feed their clients. Those clients are most likely to lose their money anyways since most people in this business do. So those analysts just give them an incentive to do some more trading so the broker can profit on taking opposite sides of the trades. That's it. The only purpose of indicators is to make people feel more in control and to push them to trade more.



If you use for example simple EMA indicator (exponential moving average) to help you identify which way the trend goes, then I don't really have anything against it. However, if you are building strategies based on the indicators, please stop. It will never work. Believe me; I have tried both ends of this rope. I was the guy who tried all the indicators and who was searching for the Holy Grail day and night. Later on, I was also the guy working for the broker.

How to spot institutional activity with Price Action

In this chapter, I would like to show you how to spot areas where big financial institutions were active. Those areas are extremely important because they help us understand where institutional interest was and with high probability will be again. A place which is significant for institutions should be significant for us too because our whole business is basically based on following the big guys.

There are three main signs of institutional activity we can spot with Price Action:

1. **Sideways price action area**
2. **Aggressive initiation activity**
3. **Strong rejection (of higher or lower prices)**

Sideways price action area

One of the biggest differences between retail traders (that's us) and institutions is the amount of the trading capital that we manage. Institutions have extreme amounts of capital, and because of this, they have a problem that we will never have. The problem is simply in having too much money. If they want to open a large trade unnoticed, they need a lot of time to enter their position. They intend to do it slowly, unnoticed, so nobody realizes what they are doing. If they succeed, they can enter their large position without alerting other market participants and without moving the price too much.

A sideways price action is a place where big institutions are getting ready for

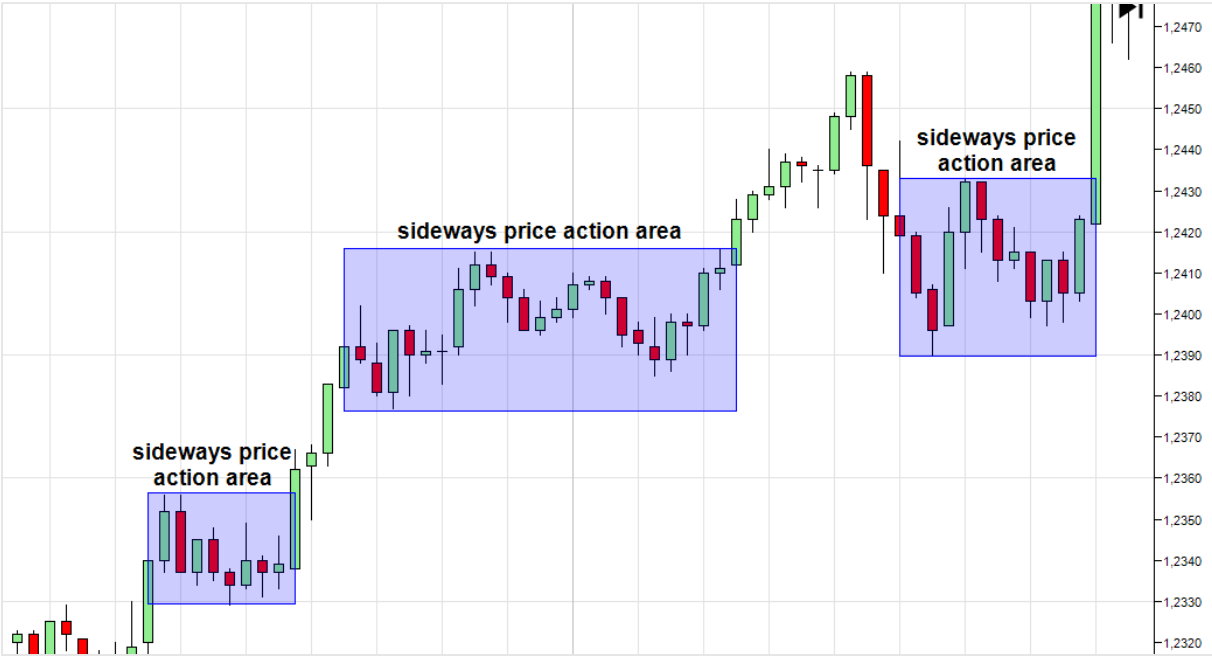
If for example a large institution like Citi bank started buying vast amounts of the EUR quickly and aggressively, it would start a lot of excitement and the trend. In this case, the trend wouldn't be their friend because they would not be able to fully enter their large trading position. At least not for the prices they would like.

For this reason, institutions need a lot of time to enter their big positions unnoticed. They try to appear as small investors who are randomly placing a lot of relatively small positions in the market.

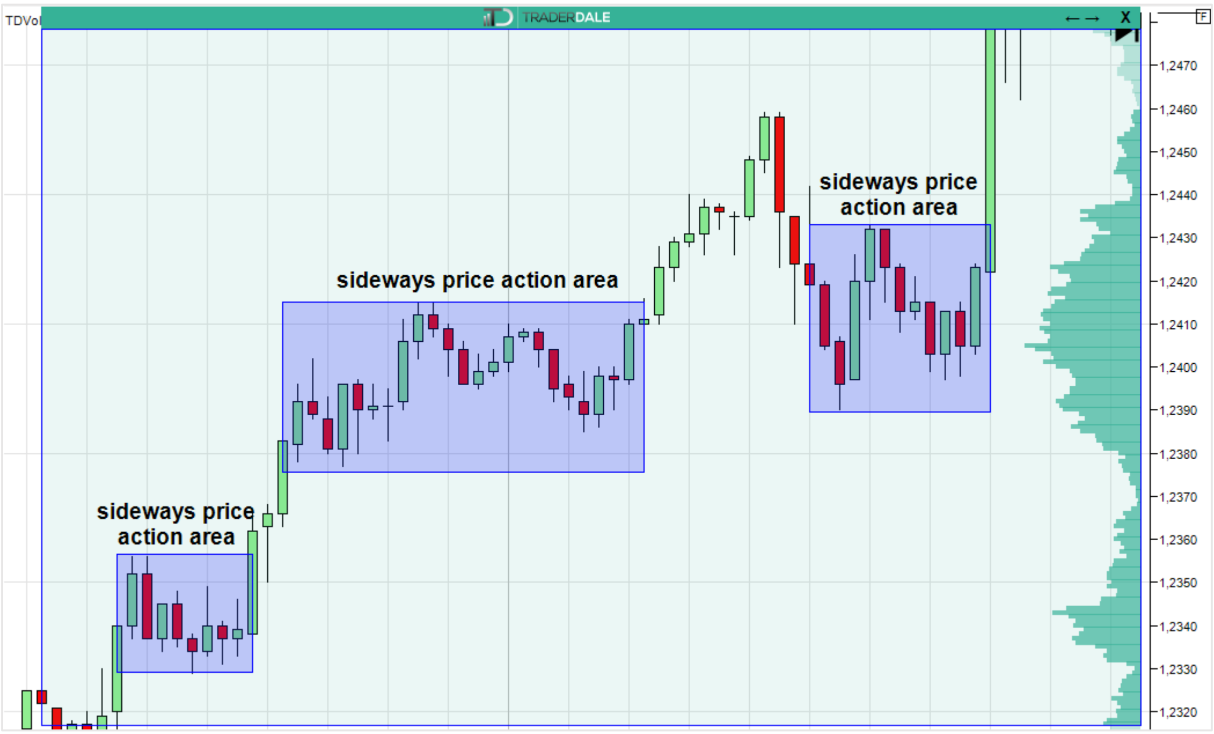
The only way they can slowly and discreetly accumulate their positions is in sideways price action. There they can hide their activity perfectly.

So, next time you see a sideways price action channel – don't assume that it is boring and that nothing is going on there. You would be most likely wrong. A sideways price action is a place where big institutions are getting ready for action. That's why it is so important and why it is among the first things I look for when I analyze any chart.

Below, you can see a price chart where I marked all significant sideways price action areas.



Let me now show you a proof that big trading positions were accumulated in those sideways price action areas. The picture below shows exactly the same chart but this time with Volume Profile. You can see that the profile is the widest at places where the sideways price action areas are. This means that most of the positions were accumulated there.



Sideways price action is a very significant place on all timeframes. It doesn't matter if you use a 1-minute chart, 30-minute chart, daily chart or a weekly chart. The logic is always the same, and that‘s why it works so well with all timeframes.

I analyze charts most often on the 30-minute timeframe (intraday trades) and daily timeframe (swing trades).

Summary: Look for sideways price action areas. Those are very significant places because institutions are accumulating their positions there. Always watch for such areas, no matter which timeframe you use.

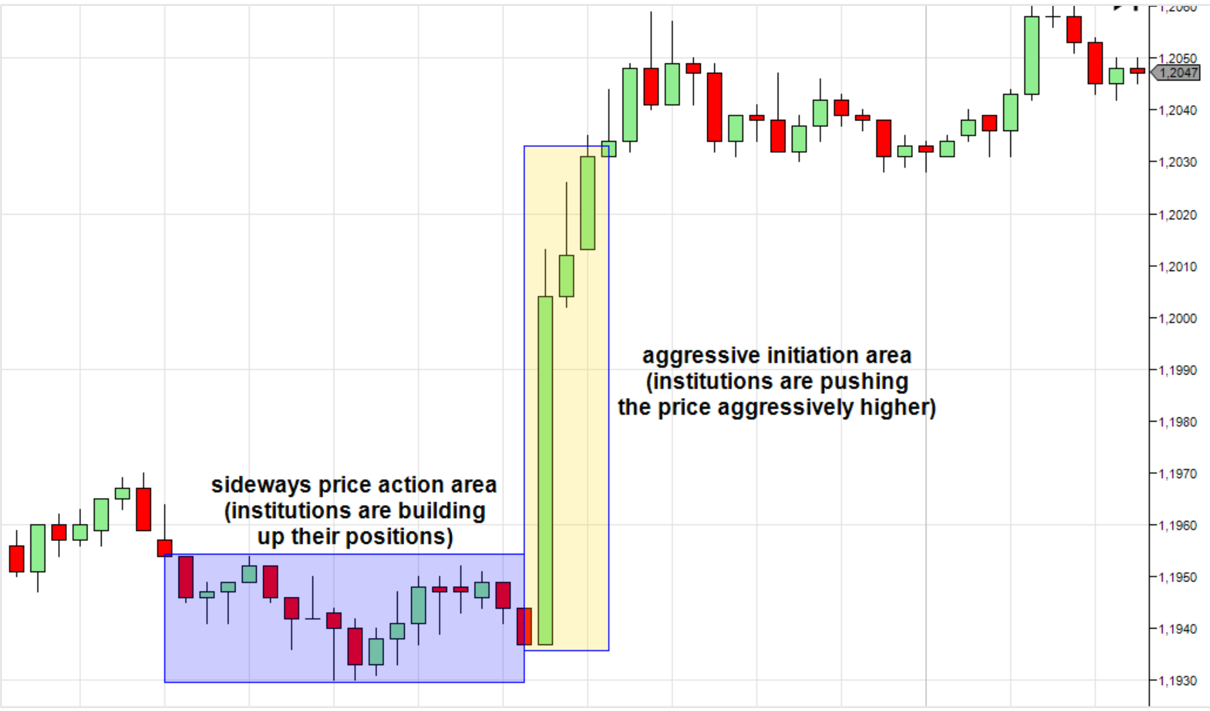
Aggressive initiation activity

Aggressive initiation activity is basically a significant price movement or a trend. It is caused by aggressive buyers pushing the price higher or by aggressive sellers who are pushing the price lower. This sort of aggressive buying or selling often takes place after sideways price action activity. What happens is that big institutions are building up their positions (in sideways areas), and when they are done with that, they start aggressive buying or selling to manipulate and to move the price in any direction they want. This is how they make money. They build up their positions slowly and unnoticed, and then they start a trend to make those positions profitable.

Strong uptrend after a sideways price action area indicates that big institutions were accumulating their long positions there.

When the price is moving in a fast trend, there isn't much time to place any more big positions. For this reason, the institutions need to accumulate their positions before the move.

Below are two typical examples of sideways price action areas followed by aggressive initiation activity:



Strong initiation areas or trend areas are significant because they show us the intentions of big financial institutions. We can't see the intentions in sideways price action areas, but when the trend starts, we know if the institutional accumulated positions were long or short.

If there is a strong uptrend after a sideways price action area, then we know that the positions that the big institutions were accumulating, were long positions. If, on the other hand, there is a sideways price action channel followed by aggressive sell-off (or a downtrend), then we know that the accumulated positions were short positions.

Remember that strong trend areas or fast price movements are ALWAYS caused by aggressive buyers or sellers. It is the aggression of institutions that moves the price up or down.

Now you know two significant pieces of information that the market gives us and which we should always consider in out market analysis. It is “sideways price action“ and “strong initiation.“ There is one more piece of information that price action gives us and that I find really important. It is the “strong rejection.“

Strong rejection (of higher or lower prices)

Strong rejection of either higher or lower price levels is a sudden price reversal. This pattern is made when the price goes one way aggressively and then turns quickly and with the same aggression and speed goes the other way. A classic example would be a type of candle called the "pin bar." But pin bar isn't the only visual form of strong rejection. There are many ways a strong rejection can look like. **A common sign for all strong rejections is an aggression and sudden reversal.**

Rejection areas show us places where one side of the market started an aggressive counter activity.

What happens is that one side of the market (for example buyers) is aggressive and moves the price in one way. Then it clashes with the other side (for example strong sellers) which suddenly becomes even stronger and even more aggressive. So the price turns quickly, and the stronger side takes over. The area where the other side took over is very significant because it marks a place where strong market participants rejected aggressively the current course of action and started strong countermove. This place is significant for us because it will most likely be defended again if the price gets near again. It becomes a new support/resistance zone.

Here are some examples of strong rejections:

As you can see, there doesn't need to be a pin bar for us to spot aggressive rejection. To be frank, I don't really care how the candles look. The only rule is that there needs to be a sudden reversal. Candle patterns don't concern me. The reason for that is that they are different on different timeframes. A strong rejection should be visible on more timeframes, not just one. Remember, we are analyzing the price "flow and aggression" not candle patterns.

It takes some time to be able to spot and recognize strong rejections and tell them from rejections that are not so significant. But in some time you will be able to do this, and you will look at a chart, and you will read whole sentences instead of only separate letters.

Remember, places where price suddenly turned and changed direction are very significant. We should always watch out for them in our price action analysis.

The complete picture

The three Price Action signs of institutional activity I showed you before are essentially the core of the trading method I use. Those three are the most significant things for me to see in every chart. They are also the first thing I notice when I look at any chart. After some practice, you will be able to recognize them quickly, and the whole process of recognizing those zones will come to you quite naturally. For now, try actively looking for those areas. You should learn to visualize the charts in your head to look like this:

You basically split the charts into separate areas in your head. Every area will give you some information about the institutions.

There are some really good strategies based on those price action formations. I will elaborate on them more in the Volume Profile section of this book.

What timeframes to use to spot institutional activity

The big financial institutions operate in many different ways and on many timeframes. They do algorithmic trading; they have traders who do intraday trading, swing trading, traders who do long-term investments, they have people who do hedging, currency conversions... they just do it all. The big institutions cover all the timeframes – from one minute to monthly timeframes. One thing that is common to all of them is, as I said before, the big amount of capital they manage. For this reason, we can spot the institutions at all timeframes because they have the same problem at all timeframes - the problem of having too much money to manage,

Institutions behave in the same way on all timeframes. Because of that, this methodology can be applied to any timeframe.

That is a really good thing for us because we can use the same methodology and strategies for all the timeframes! All the strategies I will show you in this book can be applied to any timeframe you want. You just need to adjust your Profit Target, Stop-loss, and trading volumes, but apart from that, all will be the same because the institutions behave in a very similar way on all timeframes.

Price Action Trading Strategies

Let's now move on a bit from the theory and let's have a look at some trading strategies that are based on Price Action. I use all of those strategies as a confirmation of my main strategies. My main strategies are based on Volume Profile and institutional trading logic I mentioned earlier. We will get to those strategies later in the Volume Profile section. Now, I will show you the strategies that are based solely on Price Action.

I use Price Action strategies as a confirmation of my Volume-based trading levels. The more confirmations, the better.

To make myself perfectly clear – I use those Price Action strategies as confirmations for my main strategies. For example when my main (volume-based) strategy shows me a trading level, and I am not completely sure about it, then I try and look for some other Price Action strategy that would confirm my original trading idea. The more confirmations I find, the better.

Still, if you really like any of these Price Action strategies, you can trade them as standalone strategies. Let's now have a look at them one by one:

Strategy 1: Support becoming resistance (and vice versa)

This is one of my favorite Price Action strategies. It works very nicely (even as a standalone strategy) I can usually spot this setup in the charts almost every day, so there are quite a lot of trading opportunities with this one.

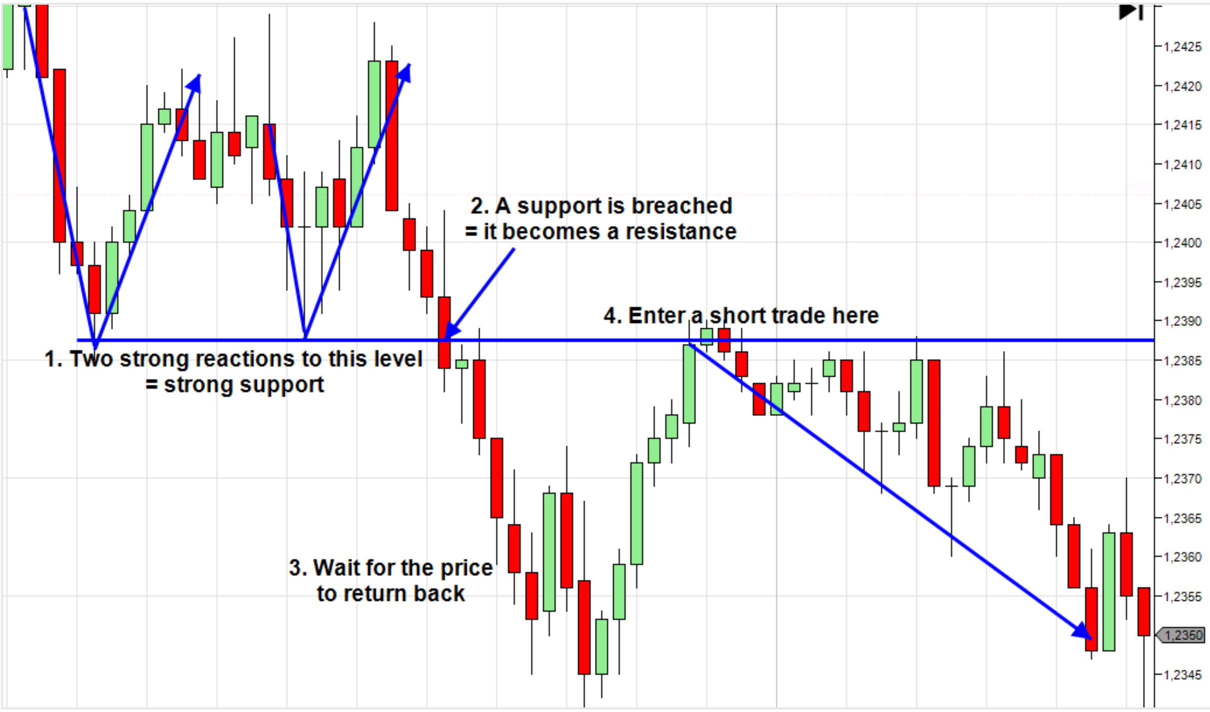
The setup works both ways – **support becoming a resistance** and also **resistance becoming support.**

Here is how to spot it and how to trade it:

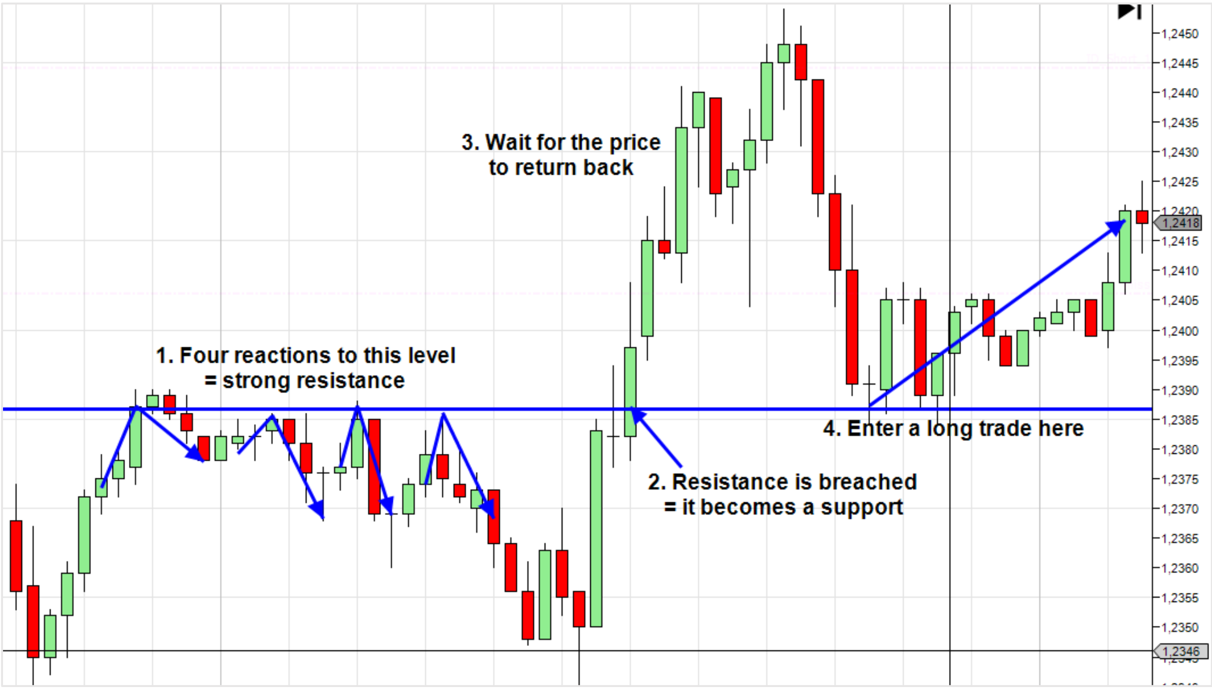
1. To identify this setup, you first need to see the price strongly reacting or jumping away from some area in the chart. This strong reaction indicates that there was strong support or resistance in the area.
2. One big reaction is enough but two or more strong reactions are even better. This way you can be sure there was a really strong support or resistance area.
3. After spotting such a strong area, you need to wait for the price to go past it. You want to see this strong support or resistance breached.
4. Even though the support/resistance was breached, it is still significant and strong. The reason is that breaching such a level requires a lot of effort and volumes of strong buyers or sellers. This area will be "defended" again. This is how support becomes resistance and how resistance becomes support.
5. When you identify support becoming resistance (or resistance becoming support) level, you wait for the price to come back to this area and enter your trade from there.
6. This setup works for all timeframes. I personally like to look for it on daily and on 30-minute charts.

Let's have a look at some examples.

The first one is an EUR/USD 30-minute timeframe. The price made two strong rejections of a level which indicates that it was a strong support zone. Then the price went through it which made it a new resistance zone. Entry for a short trade would be after a pullback to this price level – the newly formed resistance level.



Below, you can see the second example. It is the same chart, only a few hours afterward. You can see that the reaction to the strong resistance level you saw in the previous picture actually became support again. In the picture, you can see four reactions to the level – confirming that it was a strong resistance level before. When the price went past it, then it became a strong support zone (again). The idea of trading this one is the same as in the previous picture, only reversed. In this case, you see a strong resistance that was breached. You wait for the price to come back to this area and go long from there – from the newly formed (in this case reestablished) support level.



Strategy 2: Open-drive

The open-drive strategy is based on a sudden and strong one-sided price movement. It is very important that the move is one-sided. This means that the price was driven aggressively and steadily in one direction.

Open-drive is a beginning of a sudden and one-sided price movement

Open-drive occurs most of the time after a sideways price action (tight price channel), or you can also spot it at the start of a trading session.

If open-drive occurs after a sideways price action, it indicates that either strong buyers or sellers were accumulating their positions in the sideways price action and afterward they started aggressive buying or selling activity to move the price.

If you spot one-sided price movement at the start of a trading session (Asian, EU or the US), it gives you an idea what the general direction in this trading session will be.

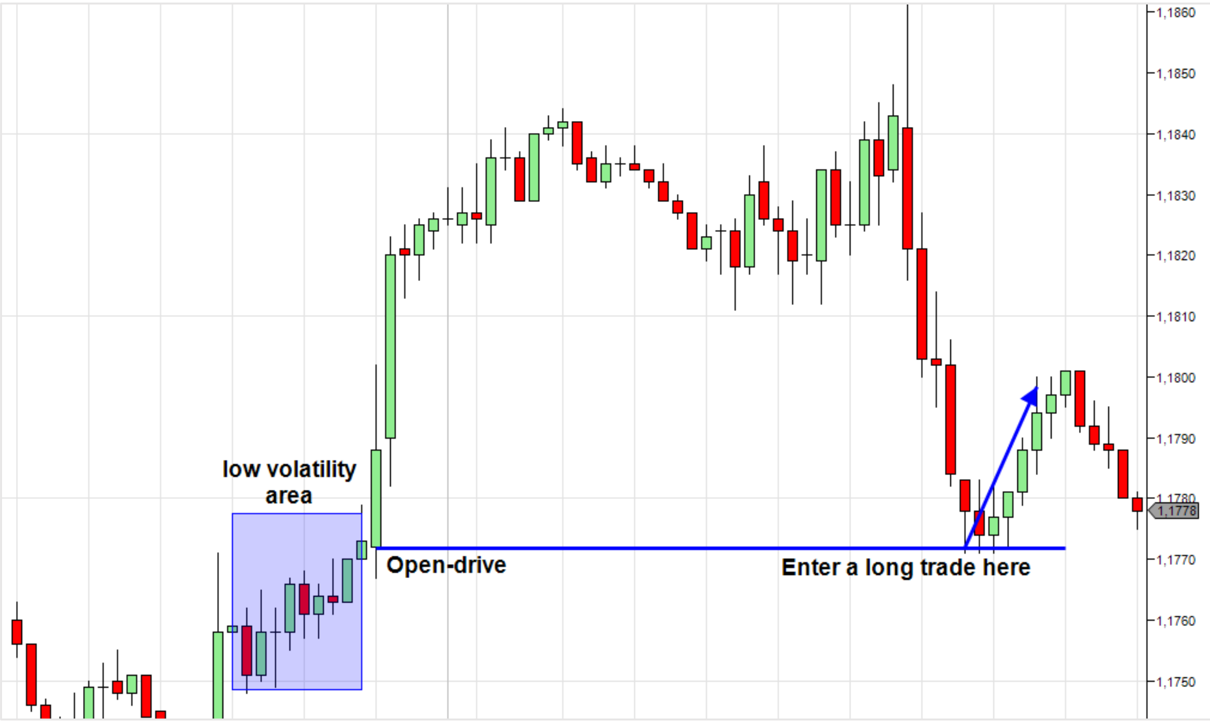
The most important thing is the place where the strong buying or selling activity started. **If aggressive buyers initiate the open-drive, then the price shoots upwards, and the place where the strong buying candle opened is strong support. If the open-drive is initiated by**

aggressive sellers, then the price shoots downwards, and the place where the strong selling candle opened is strong resistance.

The first example below shows EUR/USD on a 30-minute timeframe. First, there were 4-5 hours of sideways price action. Then the price started a one-sided selling activity – that's the big red candle. The place where the big red candle started is the open-drive. You need to wait for few candles to form below the open-drive to make sure the market accepted the lower prices as a place with a temporary fair value. After that, you wait for the price to come back to the start of the open-drive and enter your trade from there.

Another example is also EUR/USD on a 30-minute timeframe. In this case, you can see a market opening after the weekend with a one-sided selling activity creating an open-drive. After the price closed the initial gap, you can see that it went back again to test the area where the open-drive started. This is a strong resistance level and as you can see the price made a pretty nice reaction to it.

The third example shows a low volatility area which is something quite similar to the sideways price action area. This is usually a place where volumes are accumulated. After that, there is a strong, aggressive and one-sided upward movement (buying activity). Open of the first large green candle becomes a support zone. In a case like this, you just need to wait until the price returns back to this open-drive area and enter a long trade from there. Strong buyers who were pushing the price upwards from the open-drive point will be defending their buying positions, and they will push the price upwards again.



There are some cases when the open-drive is created by some macroeconomic event. It is pretty common actually. The usual scenario is a market in a sideways price action suddenly turning into a strong trend market. It doesn't really matter whether the strong initiative movement is caused by macroeconomic news or not. I consider it strong support/resistance area regardless of what was the cause of the open-drive.

Strategy 3: AB = CD

This strategy is a bit different from all the other strategies that I use. The reason is that it is based more on market psychology rather than on the institutional activity. I personally use it as a confirmation of my main (institutional and volume-based) strategies. Still, it is very good strategy even if you use it as a standalone strategy.

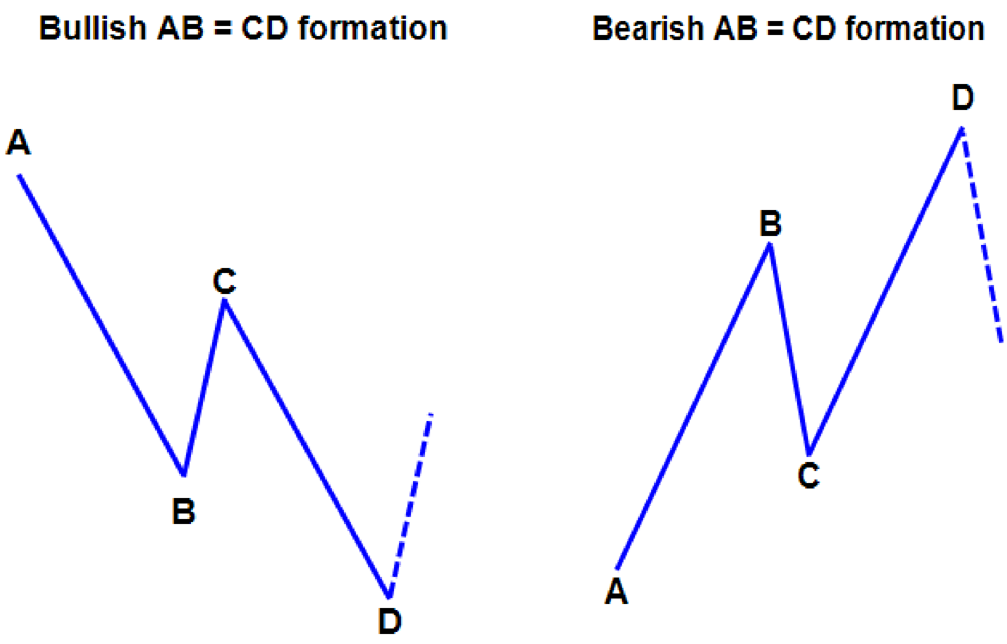
AB = CD strategy is based on the specific wave-like way the markets move

The main idea behind it is that the markets move in a sort of waves. The highs/lows of those waves or swings have names (A, B, C, and D). It goes like this:

1. The distance from A to B is the distance from the first to the second swing point.

2. The C is made if there is a retrace at least to 50 % to distance from AB. However, the price must not go past A.
3. The D is placed the same distance from C as A is from B. Because of this the pattern is called AB = CD. The leg AB has the same pip distance as the leg CD.
4. If it is a bullish AB = CD, then you enter a long trade at the D. If it is a bearish AB = CD, then you enter a short position at the D.

To make this more clear, here are bullish and bearish AB = CD schemes:

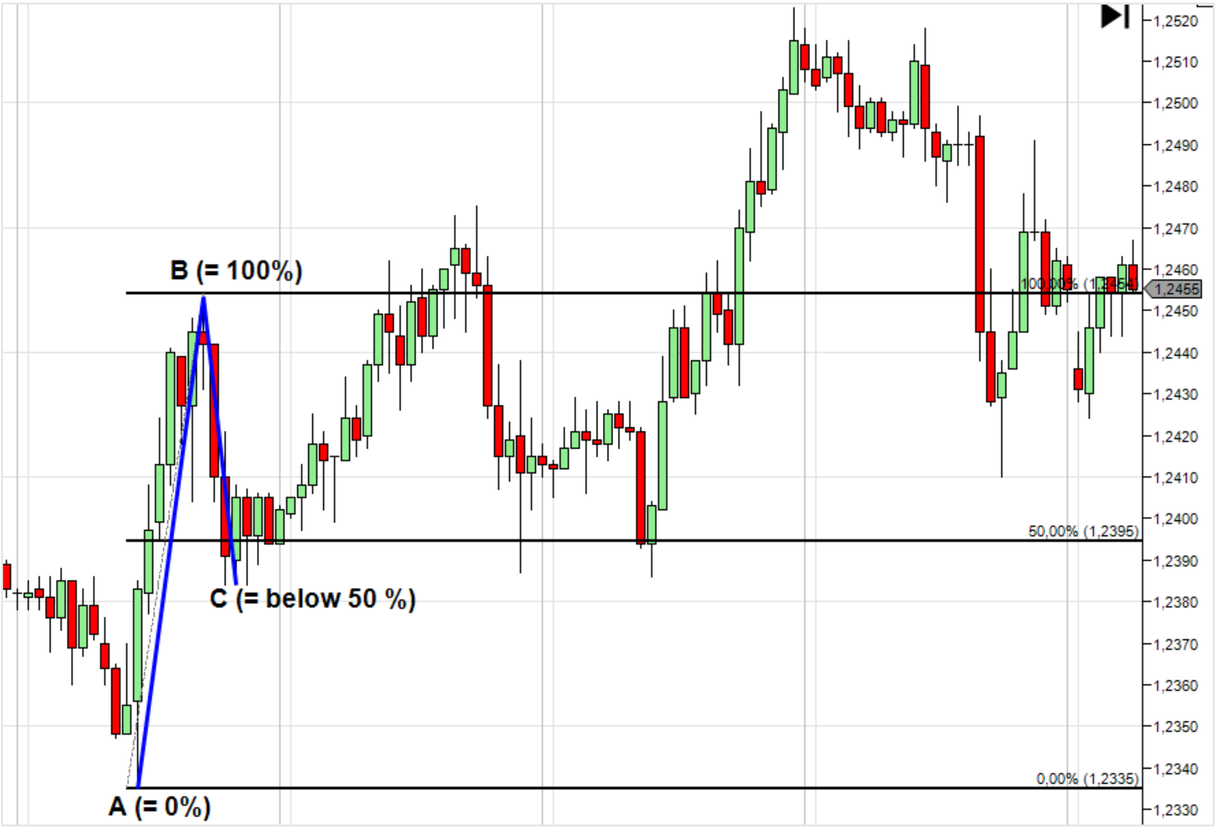


You can trade this setup basically on all timeframes. I look for this pattern on 30-minute or 1-hour charts, 4-hour charts, Daily charts and weekly charts. I usually don't look for this pattern on lower timeframes than 30-minute timeframes.

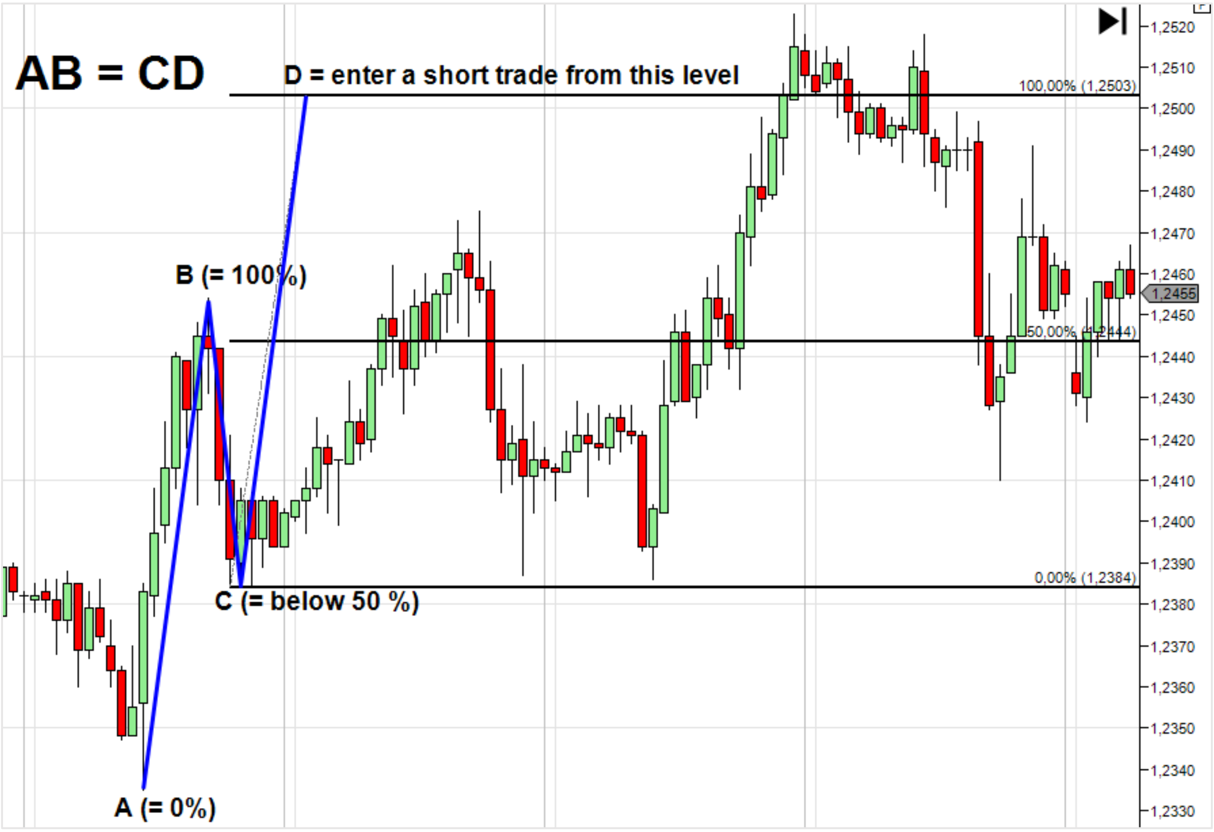
Best thing to measure the distances between the swing points is with the Fibonacci tool. First, you place the Fibonacci so that 0 % is at A and 100 % is at B. Then you make sure the C is more than 50 % of this distance. After that, you move the fib tool (without changing the measured distance) so the 0 % is at C. The 100 % of the Fibonacci will show you where D is (this is the place where you enter your trade).

This is how you find the D in two steps:

Step 1: Use the Fibonacci to significant swing points making A and B and finding C below 50 % (in case of a Bearish AB=CD):

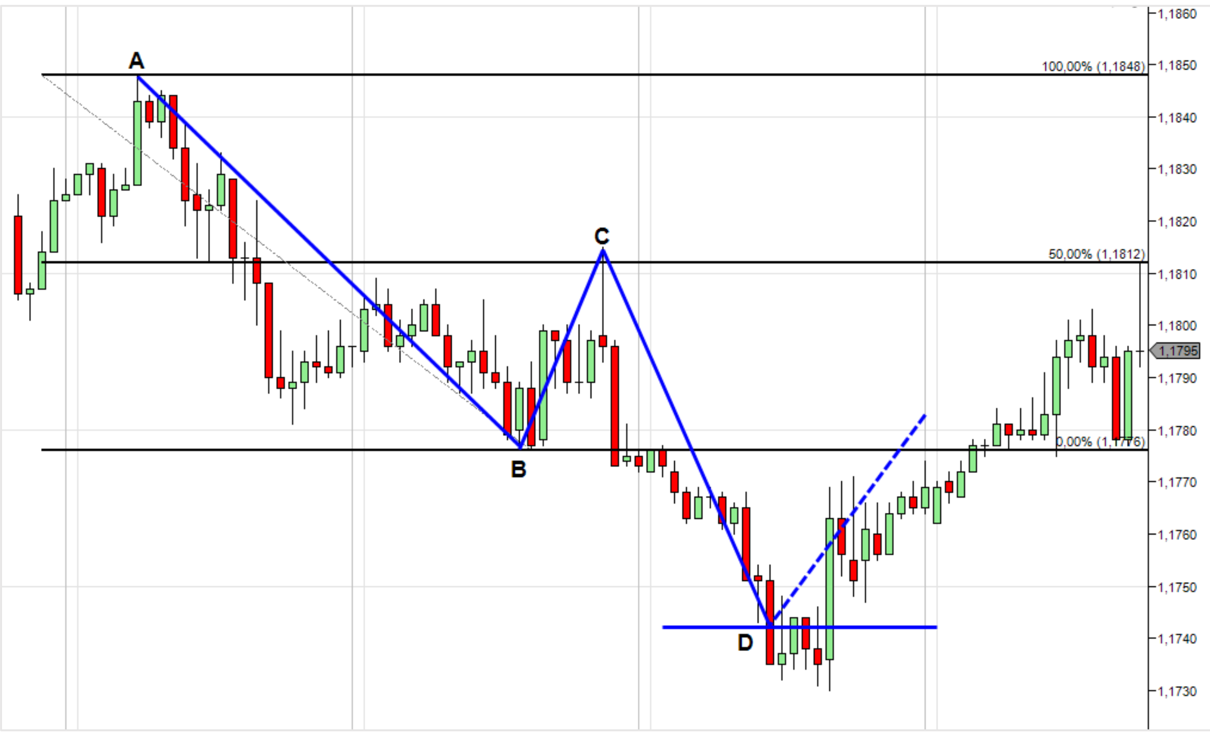


Step 2: Place the 0 % to C. Don't change the measured AB distance. This way you will find the D which is at 100 %. From this place (D) you will enter a short trade:

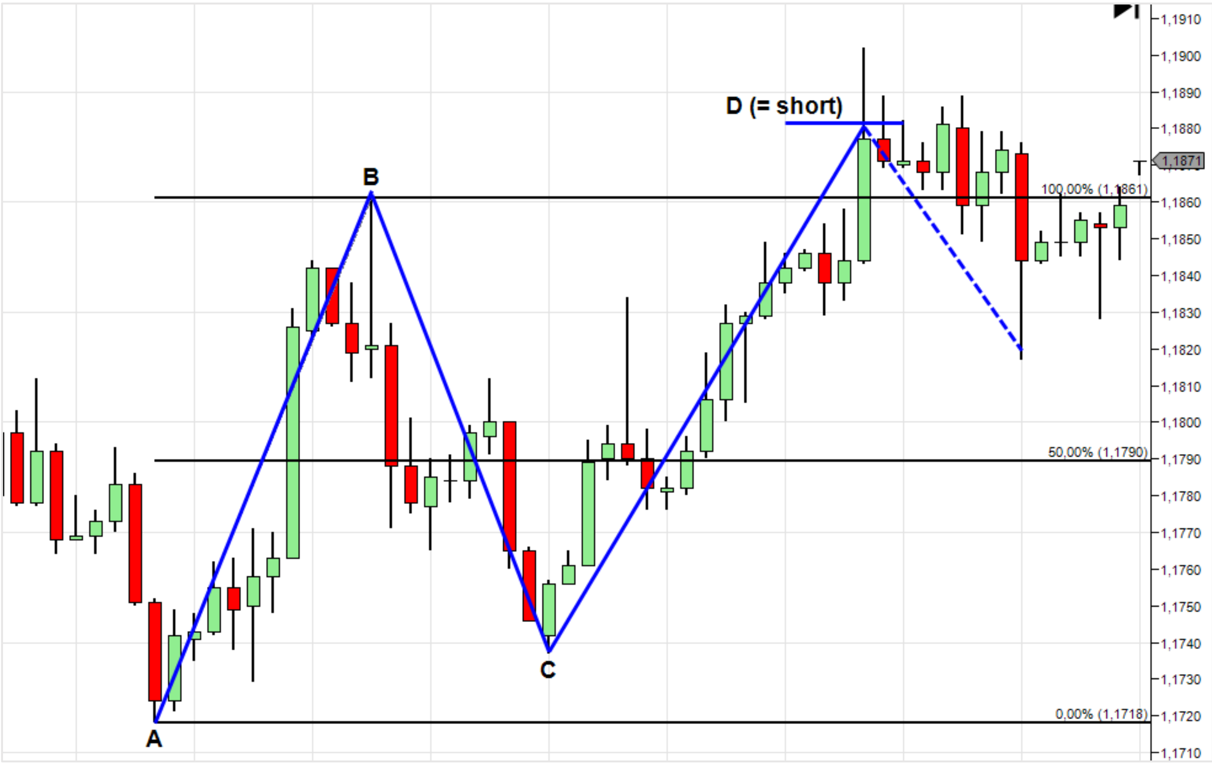


Here are some real trade examples of the AB = CD pattern:

Bullish AB = CD (EUR/USD, 60-minute timeframe)



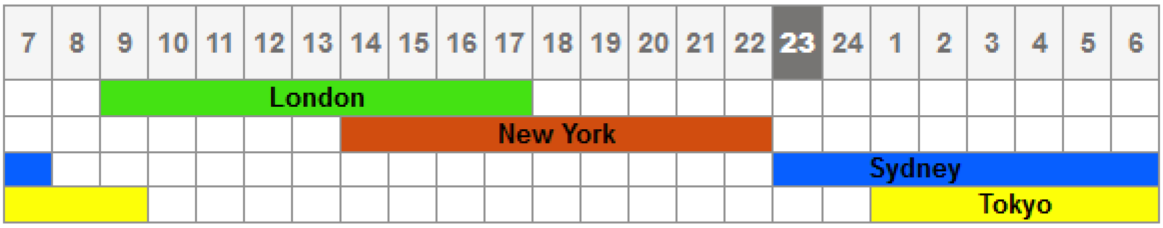
Bearish AB = CD (EUR/USD, 240-minute timeframe)



Strategy 4: Session Open

There are three trading sessions – Asian, European and the US session. The name of each session indicates where most of the money is currently being traded. The session duration is defined by opening hours of the biggest financial exchanges in the given area. The Asian session begins with open of the Tokyo exchange, European session begins with open of the London exchange, and the US session starts at the open of the New York exchange.

Here is a visualization of the opening hours of the major exchanges from webpage www.forexmarkethours.com:

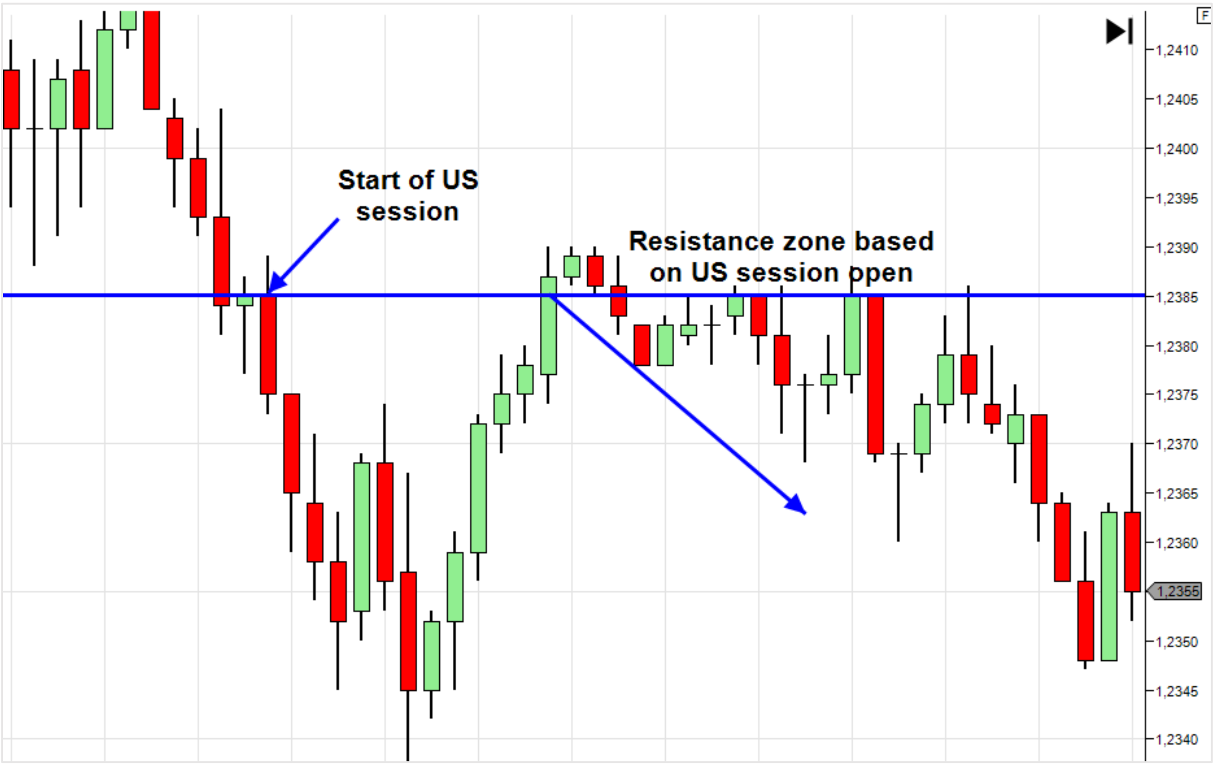


It is quite useful to mark places where the sessions open in your charts. Those places are sort of orientation points from which the market develops further. With this, you can spot the market mood of each trading session.

A place where session opened is not only a good orientation point but also a support/resistance level. If a trading session starts and the price goes down, then the place where the session opened becomes a resistance zone. If, on the other hand, the session starts with an up-move, then the place where the session opened becomes a support

I don't really trade support/resistance zones based on Session Open as a standalone strategy, but it is a nice addition and another confirmation of my preferred strategy. Remember – the more confirmations of a level you find, the better.

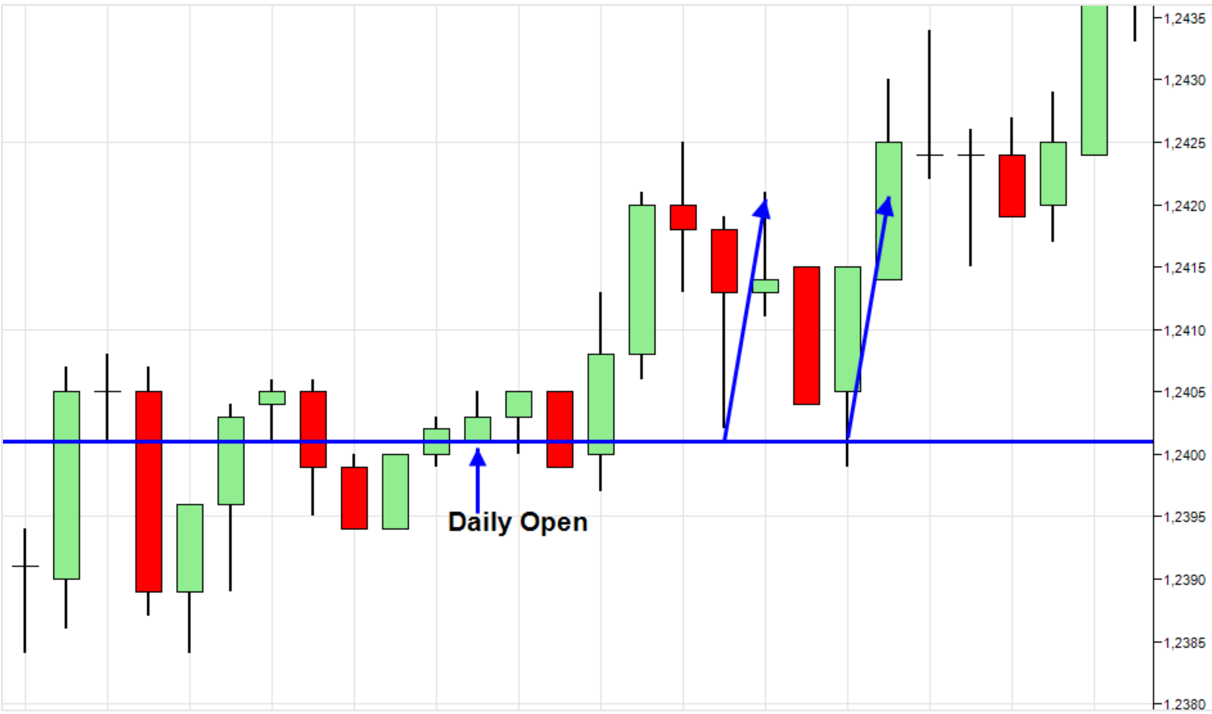
The picture below shows a beginning of the US session (NY open). When the price goes below this area, the place where the US session opened becomes a resistance zone. There is a reaction to the Session Open when the price retraces back to this area.



Strategy 5: Daily Open

For me, the strongest support/resistance, as far as the Session Open goes, is the place where one day ends and a new day starts (= the Daily Open). This is at the New York close at 5:00 p.m. NY time.

With the Daily Open strategy, you wait for a daily open and then see if the price goes up or down. You need to see few candles above or below the open. If the price goes up after the daily open, then the place where the day opened becomes support. If the price goes down after the daily open, then the place where the day opened becomes a resistance. Below is a Daily Open with two nice intraday reactions on a 30-minute EUR/USD chart.



I use this strategy only as a confirmation of my main volume-based strategies. I don't trade it as a standalone strategy. Still, the more signals and confirmations there are at a trading level, the better.

Strategy 6: Daily/weekly high and low

Highs and lows of previous days or weeks are pretty significant areas. They mark places where the price failed to go upper or lower. A daily high shows us the place where buyers stopped their buying activity, and sellers took over. A daily low shows the place, where sellers who were driving the price lower didn't have enough strength or will to push the price lower anymore and where buyers took over.

Market participants remember daily highs and lows very well, and such places often work as strong support/resistance zones. When the price returns to the area where the previous day's high or low was, everybody is watching, and they are interested whether this area is going to be breached or not. It is not so easy to break through such a strong support/resistance zone. There is usually a lot of strength (= a lot of volumes) needed to push through it. The reason is that a lot of people are "defending" such a place. It is defended by those who created the daily high/low the previous day (or a few days back). They are defending their positions and their interests.

Market participants remember daily highs and lows. Such places often work as strong S/R zones.

The obvious strategy would be going long from the previous day's low and going short from the previous day's high. I personally don't trade like that. The reason is that there are a lot of false breakouts through these S/R zones and it just doesn't work so well. However, there is another way how to trade daily (weekly) highs and lows. It is the way I prefer. It goes like this:

First, I wait for the high or low of the previous day (or from any day before that) to get breached. This gives me information that strong force pushed through strong support/resistance. Strong force = strong buyers or strong sellers. If you remember the Strategy 1: Support becoming a resistance (and vice versa), then you probably know what I do next. Broken support becomes resistance and broken resistance becomes support.

Long trade scenario: I wait for previous day's high (resistance) to get breached. After that, I need to see some price action above the high. When I trade intraday trades, it is at least 1-3 30-minute candles. For swing trading, it is 1-3 daily candles. After that, I consider it proper support and I wait for the price to come back to this support. When it returns I enter a long position. I am basically looking for a way to go long from the previous day's high. Here are two examples, both on the 30-minute EUR/USD chart:

Short trade scenario: In this case, I wait for previous day's low (support) to get breached. After that, I need to see some price action below the low. After that, I consider it a proper resistance and I wait for the price to come back to this resistance. When it gets back, I enter a short position. I am simply waiting for an opportunity to enter a short trade from previous day's low.

Here is an example on 30-minute EUR/USD chart to make it more clear:

It doesn't really matter if the price breaches yesterday's high/low or if it breaches a high/low that is a few days old. All those are strong S/R zones. However, it is important that the high/low isn‘t tested, and a higher high or lower low isn't created. If it is tested and new high/low is created, I don't consider it a valid S/R zone anymore.

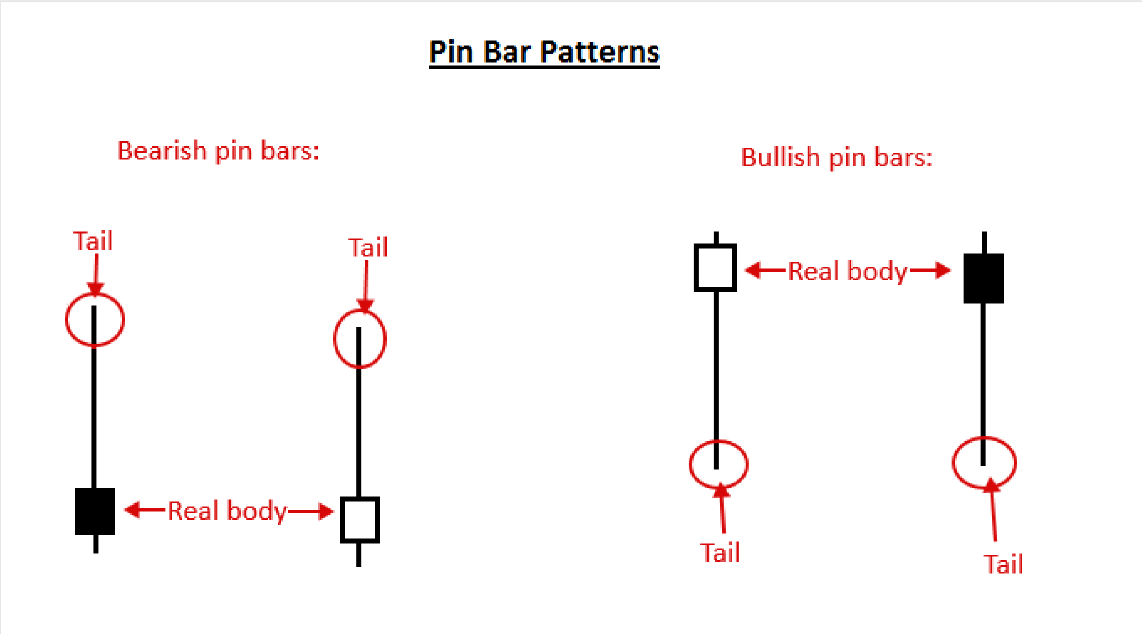
The same setup applies for weekly highs and lows. Those are really strong support/resistance zones, and I trade them the same way as daily highs/lows.

Strong or weak highs/lows

Distinguishing a strong high from a weak high or distinguishing a strong low from a weak low isn't a standalone trading strategy. However, being able to tell the difference is quite crucial. In fact, in every trade that is based on my main volume-based strategies, I consider whether my levels are close to strong or weak highs or lows. Here is what it is all about:

Strong high/low

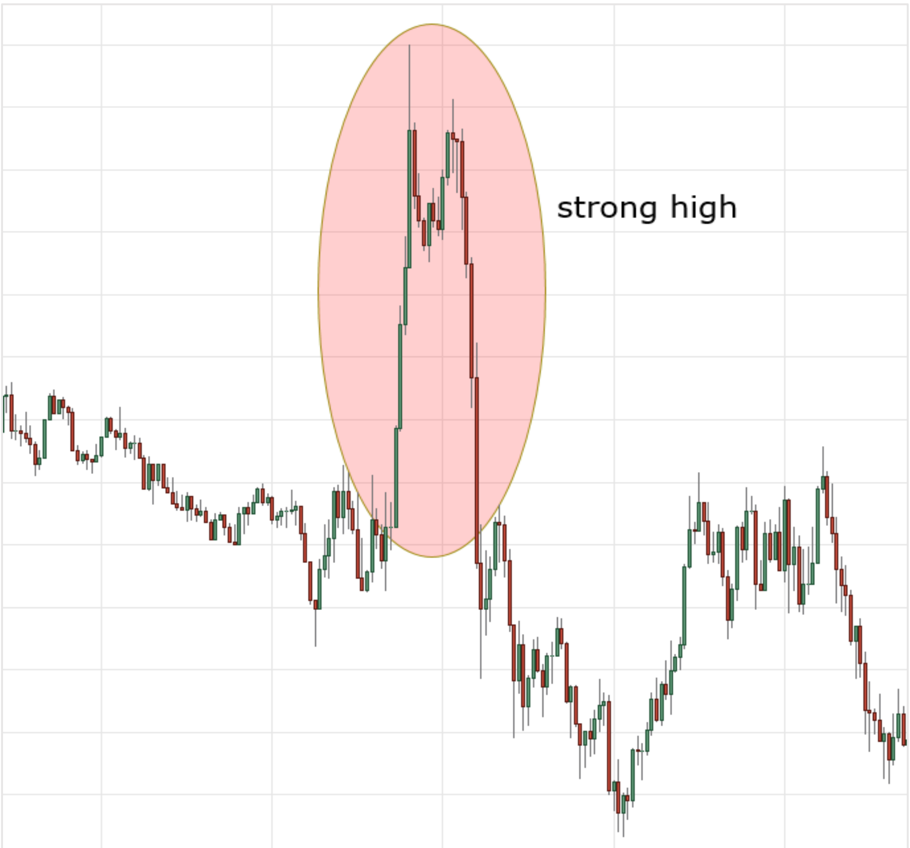
Forming of highs and lows are closely connected to aggression. The most simple and widely known candle that shows **reactive aggression** is a **pin bar** candle**:**



There are more candle formations similar to pin bar, but you don't really need to know their names or definitions. The common thing for all of them is long tails and fast change of direction. The long tail means that there was a strong and aggressive reaction activity**.** This is exactly how you tell strong high/low from weak high/low. If there is a swing low where you can see a strong and quick rejection of lower prices followed by aggressive up-move you are looking at strong low. Have a look at an example of a strong low:

A strong high/low is an area with a fast and easily visible change of direction

It doesn't have to be pin bar or similar candle formation. There just needs to be an area with an apparent and fast change of direction. You can see another example of aggressiveness here (strong high on 5-minute chart):



Remember that you are looking for aggression at highs/lows and not for any particular candle formations. Aggressive change of direction is what matters, not candle formation. The reason is that candle formations are different on every timeframe, but **strong highs/lows formed by aggressive players are usually visible from more than one timeframe.**

Weak highs/lows

Weak highs or lows are the exact opposite of the strong ones. Such swing points were formed slowly, reluctantly and there wasn't any apparent aggressive activity. Weak swing points can be identified by many knots of many candles that are "testing" into some area, but there isn't a candle that would test way beyond all the other candles (if there was, it would be a sign of a strong swing point). If there is no such a candle, just many candles testing the same area, then it is a weak high/low.

A weak high/low is an area with a slow and indistinctive change of direction

In the example below, you can see the price going upwards and then turning very slowly and reluctantly. There is no aggression apparent at the swing point of this area. There simply weren't aggressive sellers to reject higher prices aggressively. This is a weak high.

How to implement this into trading:

Now, you know the difference between strong and weak highs and lows. **Strong highs/lows are strong support/resist zones because they mark places in the chart where aggressive buyers/sellers were present.**

Weak highs/lows are places with no aggressive market participants present.

I don't suggest that you trade every strong high/low you see. I suggest that you are aware of them in your trading and that you adapt your strategy accordingly to the strength and aggressiveness of how the swing highs/lows were formed.

For example – imagine you are in a long position and that you see that the price is approaching an area in which aggressive sellers were (strong high). Being aware of this strong high, you quit your position before it reaches this area. This is how you use knowledge of strong high to protect your profit and exit the trade before the position runs into a "danger zone" (= resistance zone created by strong high). Here is an example:

Weak highs/lows are places the price is likely to shoot through.

Apart from the strong high, there is also a weak high in the picture. A common mistake would be going short from this weak high or quitting your long position early. The price usually re-tests weak areas, and it tends to make strong highs/lows eventually. Weak highs/lows are places the price is likely to shoot through. There is no reason to quit your trade if it is heading into a weak high/low area. If the area is really weak, the price is most likely to test it and shoot past it.

Let me illustrate the common mistakes novice traders usually make:

Usually, I look for strong/weak swing points when I am creating my trading levels. I really like to place my levels in areas where there was a strong rejection (strong high/low) apparent. The strong rejection marks aggressive market participants that will "help" protect my position and drive the price in the direction I want. Here is an example:

On the other hand, if I see a weak low below my long level or a weak high above my short level, then I don't take the trade. The reason being is that a weak low below a long level would attract the price to test below this weak low. The same scenario is a weak high above a short level. This attracts the price to test above the weak high.

Here is an example of a short level that is not so good because there is a weak high above it. You can see how the weak high attracts the price which shoots past it later.

The reason market tends to test those weak swing points is that there really wasn't any strong rejection at the swing point, so the market participants want to try and test if there isn't somebody willing to trade above the weak highs (or below weak lows). Why the market does that? The reason is that the more trades and volumes executed, the better for big institutions who need to enter their positions and for market makers to make more money for pairing the buying with the selling orders.

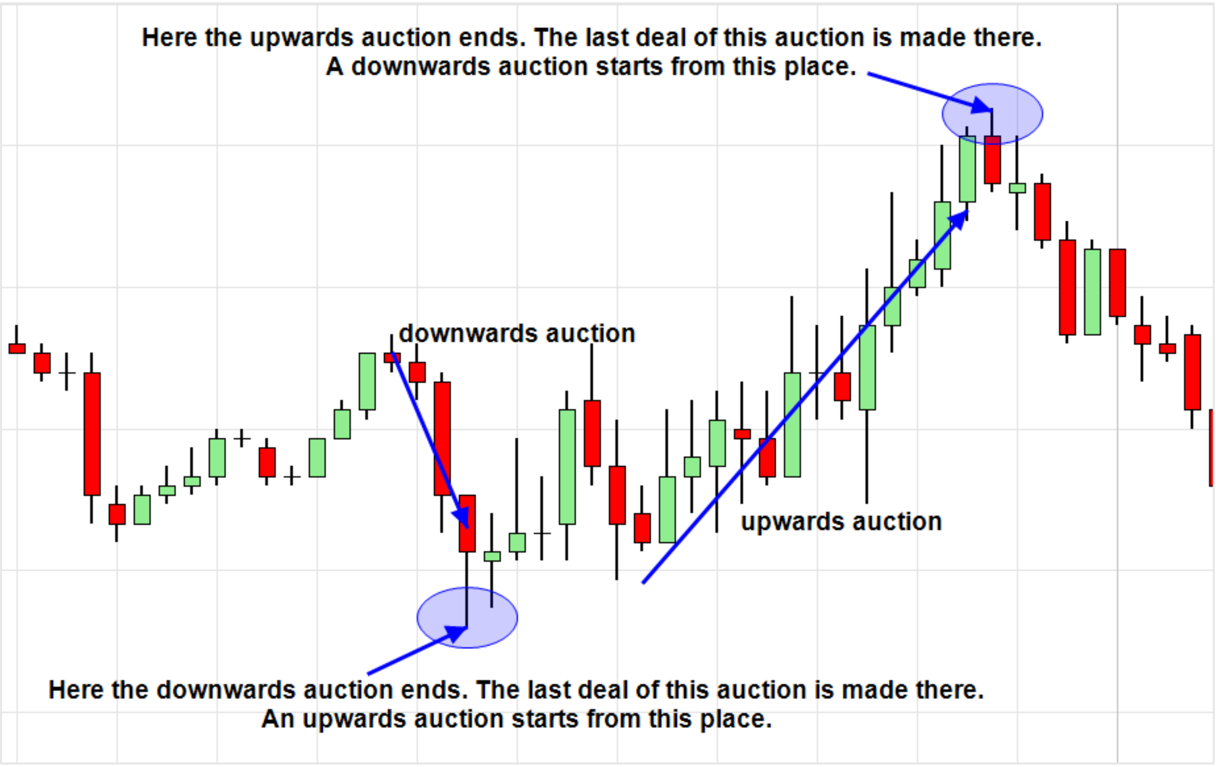
Failed auction

Price movement and trading have a lot in common with an auction process. Price movement basically is an auction that has no end. A failed auction is an incomplete auction. It is an imperfection that will sooner or later be disposed of.

Imagine being at an ordinary auction for example of a painting. Let's say that the initial price is $1000. There are 10 buyers willing to buy for this price. For $1500 there are 5 buyers willing to pay. Then the price goes higher and higher until there is only one person left – the person who offered the most. This is an example of a complete and successful auction.

A failed auction would be if there were two people willing to pay, say $2000, and at this point, the auction would end. This would be a failed auction because successful auction has only one winner who gets the prize (for example the painting).

It is the same with trading. I will make it a bit simpler than it is, but still, the principle is the same. In trading **there always needs to be the “one last guy“ at the top (or bottom) of the swing high/low. The last one to make the deal before the price turns and heads the other way** (and new auction in the other direction begins). See a picture below:

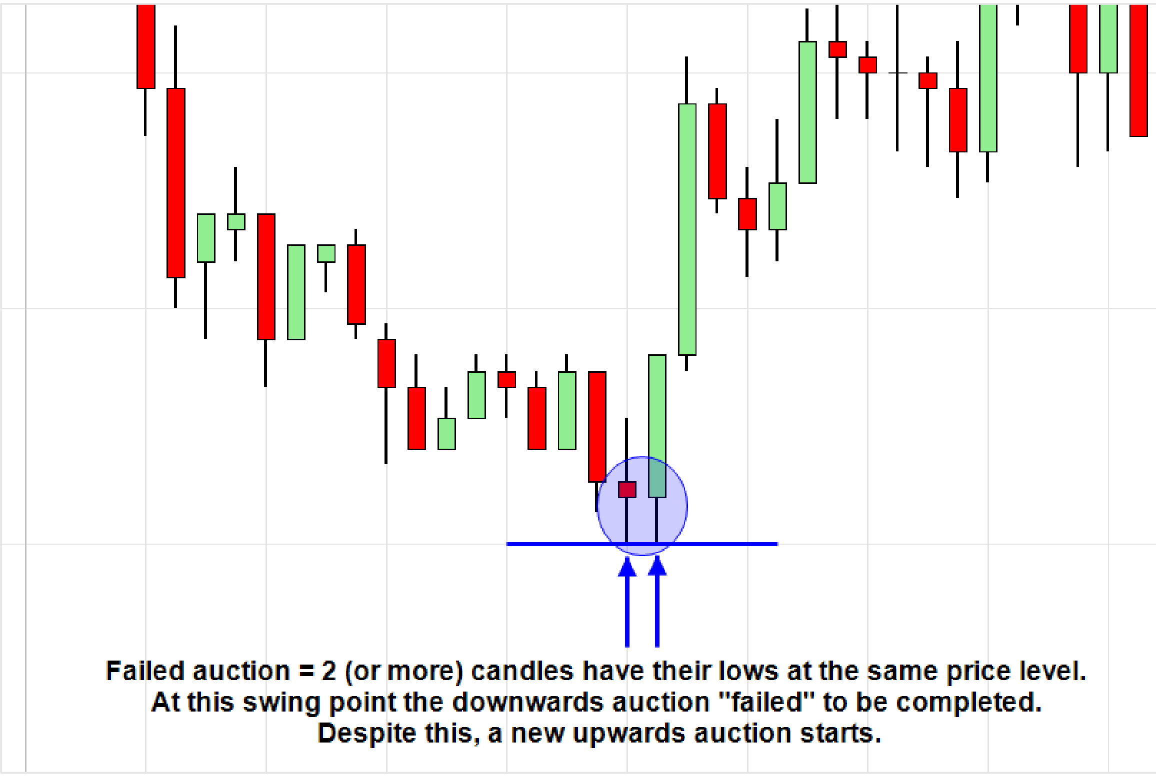


In the picture above there is **a successful auction**.

If the auction fails, however, then there are more people trading at the top (or bottom) of the swing high/low. From this place, a new auction process starts in the other direction even though the previous auction hasn't ended (it wasn't successful). This is a bit weird because there wasn't the "one last guy" to make the last deal (the "winner" of the auction = the one who gets the "painting"). So, there are few guys at the top of the swing point who are probably ready to fight for the prize, but they don't get the opportunity. In this case, the auction has failed because it doesn't have one winner.

The failed auction is an imperfection. The market will eventually sort it out and give those guys standing at the top of the swing point a chance to fight and see how far the price can go until there is only one "winner." In other words **– the failed auction is an imperfection that the market will sooner or later sort out**. **Failed auctions work like a magnet. If the price comes near such an auction, then it is most likely to test it and create new high/low to take care of the imperfection.**

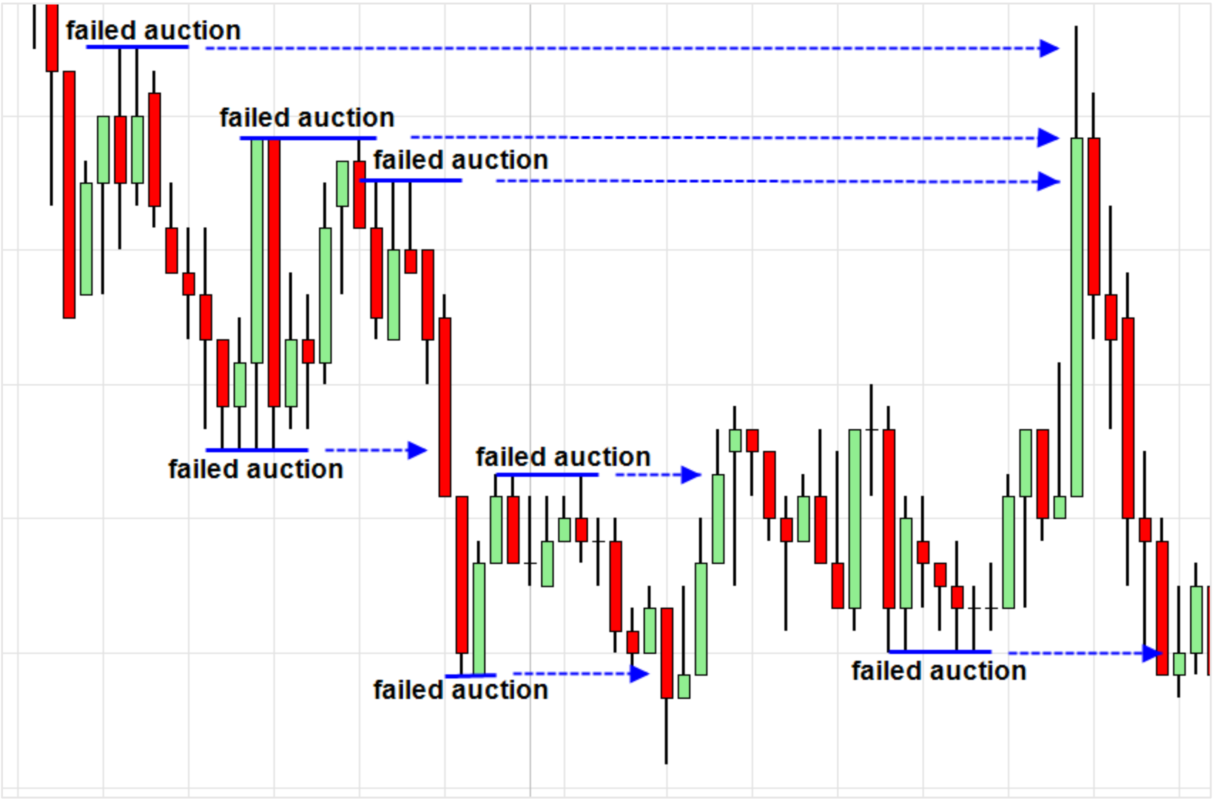
Here is an example of a failed auction:



We can use knowledge of failed and successful auctions to our advantage!

In the picture below I marked several failed auctions. Notice how the price reacts to them and how it shoots past those failed auctions. Price shooting through failed auctions solves the market imperfection. A **price shooting past a failed auctions changes it into a successful auction**.

The arrows show where the price went through the failed auctions to change them into successful auctions.



Another picture is an example of a trade I took yesterday:

I was in a long position, and my Profit Target would normally be 10 pips (that's the usual PT for my intraday trades). However, there was a significantly failed auction close to my Profit Target. I knew that the price is likely to test above the failed auction to get rid of this imperfection and to test if more buyers are willing to buy above this failed auction level. With this knowledge, I moved my Profit Target one pip above the failed auction, and instead of +10 pip profit, I took +13 pip profit. Here is the trade:

If you are a swing trader, then few pips may not look so significant for you. Still, you can use the failed auction theory also for swing trading and gain much more than +3 extra pips. It could be for example +30 pips in swing trading. A nice thing about all the things I show you is that they can be applied to all timeframes and all sorts of trades.

There is one more way to use the failed auction to your advantage. As I said – the failed auction is a market imperfection. For this reason, when the price comes near it, the failed auction starts to work like a magnet. The price is driven to it and through it to "test" above/below the failed auction to remove the imperfection. So, whenever I consider taking a trade, I always watch if there is a failed auction nearby.

If I want to go long, then I don't want to see a failed auction below my long level because the market would push the price towards the failed auction – to test below it. This would result in a losing trade.

Failed auction works as a magnet for the price.

If I want to go short, then I don't want to see a failed auction above my short level because the market would push the price towards the failed auction – to test above it. This would result in a losing trade.

The failed auction is a concept I use every day, and I find it extremely helpful. It helps me stretch my profit targets and also to prevent bad trades. I look for failed auctions mostly on 30-minute charts when trading intraday and on daily charts when I am trading swing trades.

Volume Profile

Why are volumes so important?

In my opinion, volumes are the most important information the market can give us. Why is it so important? It is because around 80 % of all trades and volumes are made just by 10 biggest financial institutions (the big guys). They move and manipulate the markets. They have the best trading experts, technology, algorithms and also extreme amounts of money. Having so much money is also a problem though. It is hard for them to move such amounts, to invest them and also to hide their trading intentions. Big institutions can't just buy 100.000 lots of EUR/USD with one-click. They need to enter their positions slowly, unnoticed. Still, they will never be able to hide. Their volumes will always be visible, and we will always be able to track them. How? With Volume Profile.

Unlike standard volume indicators that only show **volumes at time**, the Volume Profile can provide much more important information, which is **volume at a specific price**.

Volume at price is so valuable because it tells us which price levels were most important for the big guys who dominate the markets. The more volumes accumulate at a specific price level, the more significant the price level is.

You can tell the amount of volumes by the thickness of the Volume Profile. In a place where the profile is wide, heavy volumes got accumulated. Where the Volume Profile is thin, only low volumes were traded.

Where to get Volume Profile

You can get my custom made **Flexible Volume Profile** at my webpage (https://www.trader-dale.com/flexible-volume-profile-forex-indicator/) in the Volume Profile section.

My Volume Profile was developed for NinjaTrader platform. The main reason it runs on this platform is that NinjaTrader can give us precise **tick volume data.** Tick volume data is the most precise data you can get. Unfortunately, the standard MetaTrader can't match NinjaTrader because MT is designed to use only 1-minute data, which is pretty bad. The difference may not seem that apparent, but believe me when I say that this really does make the difference between successful and not-successful traders! It is a big deal!

You can play and learn with Volume Profile indicator designed for Metatrader as you like but don't expect to be as profitable as you could be with the proper tools. This is especially true for intra-day trading. For precise analysis, you need tick data. I made a Volume Profile comparison in the picture below. The **left picture is a Volume Profile from Metatrader** (1-minute data), the **right picture is my Flexible Volume Profile of the same area from NinjaTrader (tick volume data)**. If you look closely, you will see the details and precision on the right picture. The left picture (Metatrader) is missing all the details. Such details often make the difference between winning or losing.

I don't really see a reason why not to use NinjaTrader platform for your analysis (apart from pure laziness). NinjaTrader is free and it is much more advanced than Metatrader. I personally do my analysis with NinjaTrader software and then execute my trades in my broker's trading platform.

Where to get data

You will also need to get a solid data feed for your Volume Profile data. Having a good volume data is essential.

If you want to have as precise volume data as possible, then you need to get it from **a centralized exchange**. This is not a problem for stock or index traders, but it is a bit more complicated for us, forex traders. As you may already know, the **forex market is decentralized**. Which means that every broker has a bit different data, they can quote a bit different prices and their access to information about volumes is limited. The truth is – **forex brokers will never provide you with a complete and precise information about volumes**. Good news is that big brokers, like for example FXCM that I use for data feed (and for data feed only) have pretty good information about the volumes, and even though this broker covers only a part of the forex market, it provides a pretty good and precise information about volumes. It is not 100 % precise, but it is precise enough to base your intraday trades on. It is more than enough to plan your swing trades – since those don't need to be as precise as intraday trades.

If you want to have your volume data 100 % precise, then you need to use centralized market, which is **futures** (you can use for example CQG data feed). Unfortunately, there aren't futures for all forex pairs, but there are futures for all the major currencies. Futures for EUR/USD is called 6E, AUD/USD is 6A, USD/CAD is 6C, USD/JPY is 6J,...

If you want to have your volume data 100 % precise, then you need to use centralized market (futures).

If you use futures data, you can be sure, that everybody on the planet sees the same volume and price data as you do. This is because of the futures centralization.

I use futures only for my intraday trades on EUR/USD (6E), AUD/USD (6A), USD/CAD (6C) and USD/JPY (6J). After I finish my level analysis, I recalculate my trading levels from futures into forex values, and then I execute my trades on forex (with my forex broker). This is, in my opinion, a bit cheaper than to trade currency futures directly.

Using futures like I do is not entirely necessary though. You can still pretty safely rely on forex data and volumes provided by FXCM which provides volumes pretty close to centralized futures volumes.

As far as swing trading is concerned, forex data and forex volumes are in my opinion quite sufficient. You don't need as precise data as for intraday trading with your swing trades.

The bottom line is: **If you want to be extremely precise in your intraday trading, then do your analysis using futures data. Still, good quality forex data (for example from FXCM data feed) is enough to create profitable trading levels. If you trade swing trades, then don't bother with futures and do your analysis with good quality forex data (FXCM).**

- If you want to use good **forex data**, then I suggest you open a free demo account with FXCM and get their free lifetime data feed. Here is a link: [Unlimited FXCM data (demo)](#)**.**

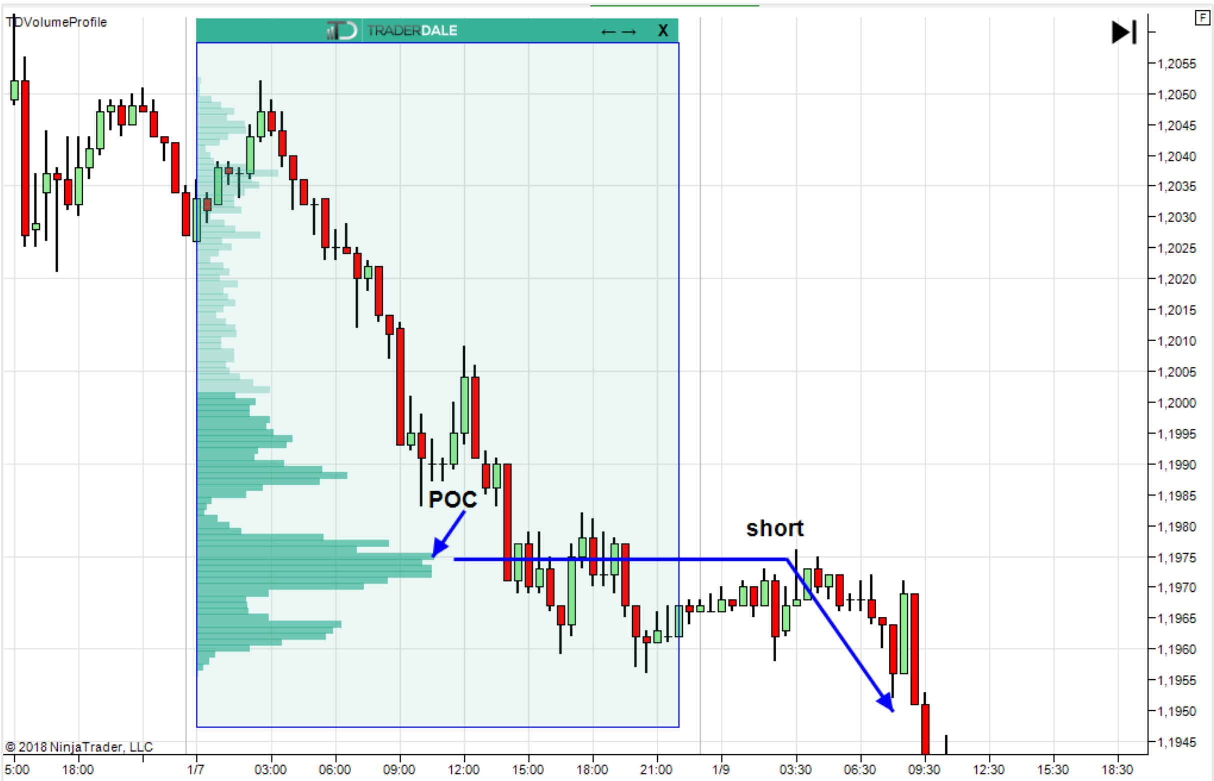
- If you prefer doing your analysis using **futures data**, then you can use a free trial version of CQG data. The trial version is email bound, and it will expire after some time. Get it here: [CQG futures – free demo]

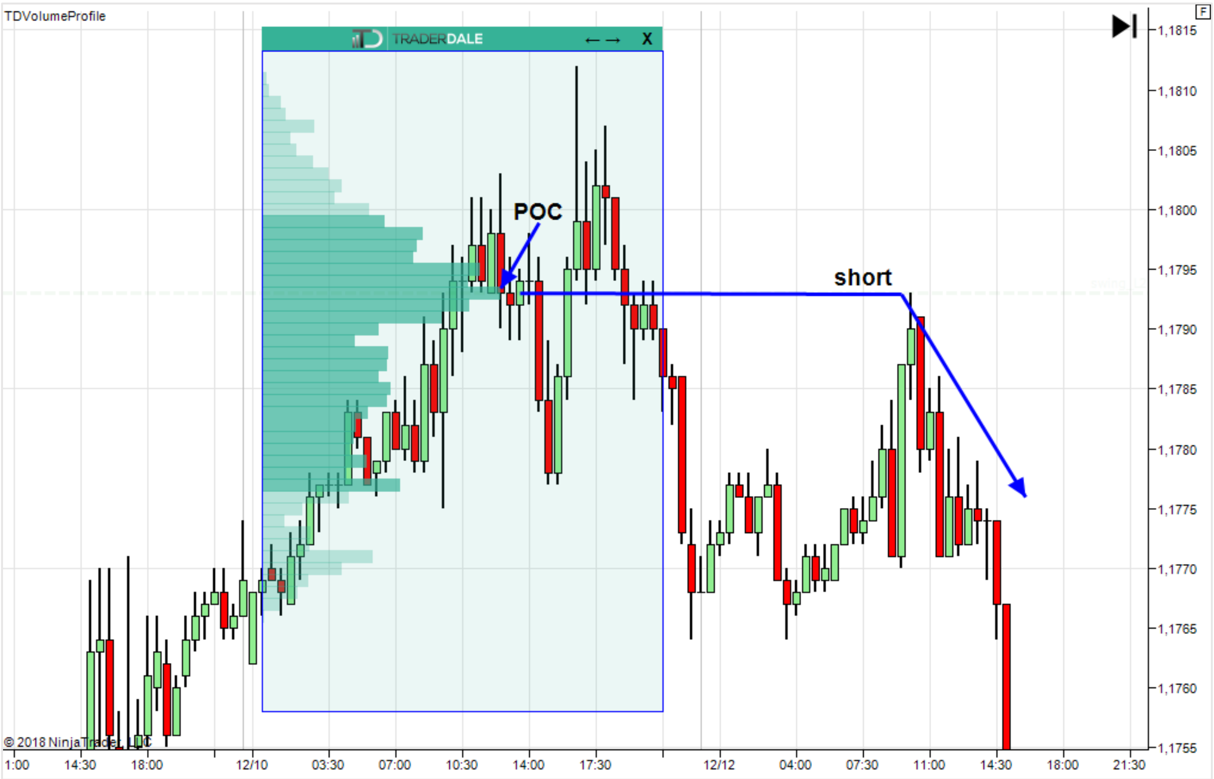
Volume Profile: Point of control

The most significant place in every Volume Profile histogram is the **Point of control (POC)**.

POC is a place where the institutions traded most of their volumes, possibly a place where they were accumulating their big trading positions. They accumulated their positions in a wider range, but POC is a place where they accumulated the most of their volumes. It serves as a **very strong reference point** for all market participants because **it shows where the interest of the institutions lies.**

Have a look at two examples of different shapes of Volume Profile. POC is highlighted in each one of them:





Price usually makes quite strong reactions to POC levels. However, in my trading, I don't trade POCs blindly. I combine information I get from Price Action with information the Volume Profile provides. This combination gives me the perfect market overview I need for my analysis.

Apart from POC's, I also look for other heavy volume areas. They work more or less the same way as POC's do. The logic is the same: **big volumes = big players**.

Volume Profile: Different profiles and their application

In this place, I would like to show you some of the most common shapes the Volume Profile histogram can form. I will also give you some basic information about each shape and the most significant places to look for in each profile shape. There are four basic shapes the Volume Profile can form.

"D-profile"

The most common and well known is the D-profile. Its shape is similar to a letter "D." It is formed when the market is "**balanced**." This means that buyers and sellers found temporary balance and neither of them is more aggressive than the other. The price is in a rotation or in a sideways price channel. The D-shaped profile is usually a sign of institutions accumulating their volumes (= getting into large positions).

There are 3 significant places to be aware of.

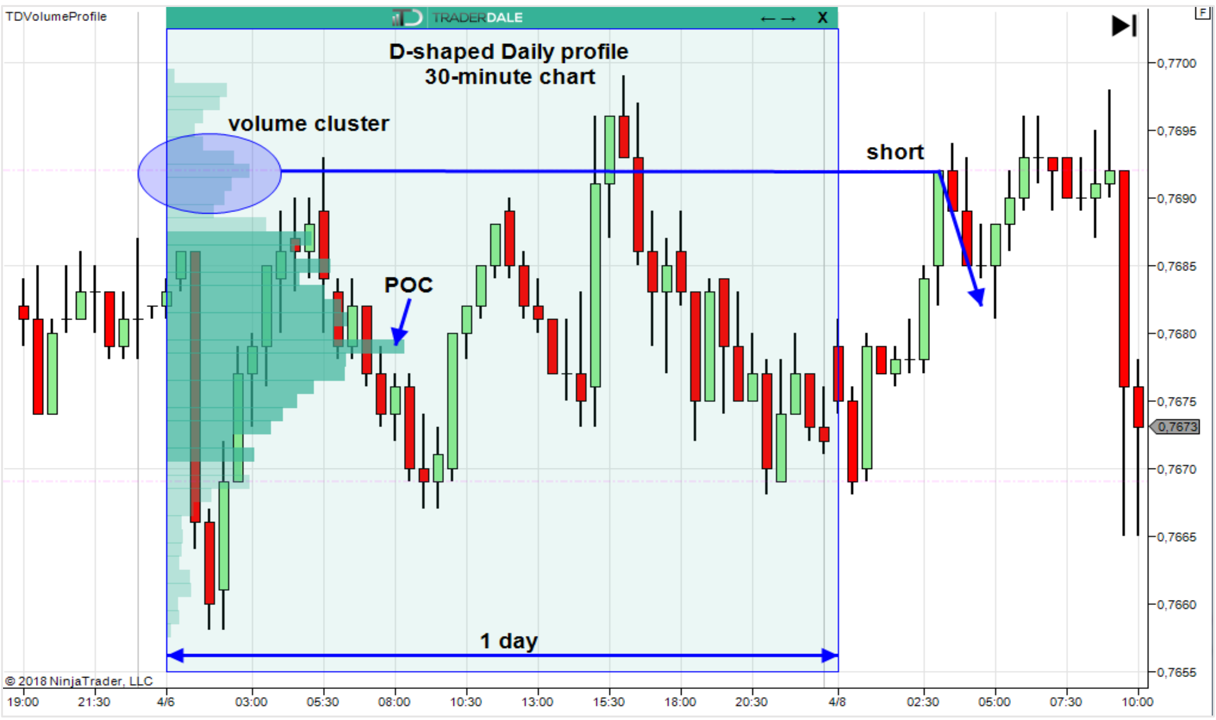
1. **High of the D – profile**
2. **Low of the D – profile**
3. **POC** (= a place with the heaviest volumes). Usually close to the middle of the D-shaped profile.

Places with volume clusters around **high/low** of this profile are strong **support/resistance** zones. Usually, you will see aggression around high and low of this profile (aggressive sellers at high, aggressive buyers at low).

I like to enter **short trades at volume clusters near high of the D-profile**, and **long trades at volume clusters near low of the D-profile**.

The **POC** is a good place for a **Profit Target** (when there is D-shaped profile)

Here is a typical D-shaped profile:



“P-profile“

Its shape is similar to a letter "P." It is formed when there are aggressive buyers and weak sellers. If you look at price chart you will most likely see bull candles (aggressive buyers) and then a rotation at the day's high (weak sellers).

P-profiles can usually be seen:

1. When the market is **in an uptrend**

2. At the possible **end to a downtrend** (this is not a hard rule though).

Most significant areas within P-profile are:

- **POC**: good support area if the price goes up the next day(s) and then returns to this area again (pullback). The price doesn’t have to return to this area immediately the next day. It can take several days before the price comes back to this POC.
- **Volume cluster in the thin area of the profile**: in this place, the aggression of buyers was most significant – they put heavy volumes in the market to move the price higher. If the price returns there, it is highly probable that these aggressive buyers will become aggressive again, they will defend their positions, and they will push the price higher again.

Typical P-shaped profile looks like this:

"b-profile"

Its shape is similar to a small letter "b". (The exact opposite of P-profile.) It is formed when there are aggressive sellers and weak buyers. If you look at price action chart you will most likely see bear candles (aggressive sellers) and then a rotation at the day's low (weak buyers).

b-profiles can usually be seen:

1. When the market is **in a downtrend**

2. At the possible **end of an uptrend** (this is not a hard rule though).

Most significant areas within b-profile are:

- **POC**: good resistance area if the market goes down the next day(s) and then returns to this area again (pullback). The price doesn't have to return to this area immediately the next day. It can take several days before the price comes back to this POC.
- **Volume cluster in the thin area of the profile**: in this place, the aggression of sellers was most significant – they put heavy volumes in the market to move the price lower. If the price returns there it is highly probable that these aggressive sellers will become aggressive again, they will defend their positions, and they will push the price lower again.

Typical b-shaped profile looks like this:

"Thin profile"

Thin profiles appear when there is a strong uptrend or a strong downtrend. Thin profiles are thin because one side of the market is very aggressive and moves the price very quickly in one direction. There is not much time for volume accumulation because the market is moving too fast. For this reason, there are usually few places with smaller volume clusters but without any major volume accumulation area.

Most significant places in a Thin profile are places where the price stopped moving for a while, and the Volume Profile made "**volume clusters**." In these volume clusters, aggressive market participants were adding to their trading positions to participate even more in the trending market. If the price returns to these S/R zones (to the volume clusters), these aggressive participants will probably become aggressive again and add some more volumes to the market to defend their positions. This helps to move the price in the direction of the trend again.

One of my trading strategies is based on trading the volume clusters. I will talk more about it later in this book.

Remember:

- **Significant volume clusters in the uptrend (in a thin profile) are good support zones.**
- **Significant volume clusters in the downtrend (in thin profile) are good resistance zones.**

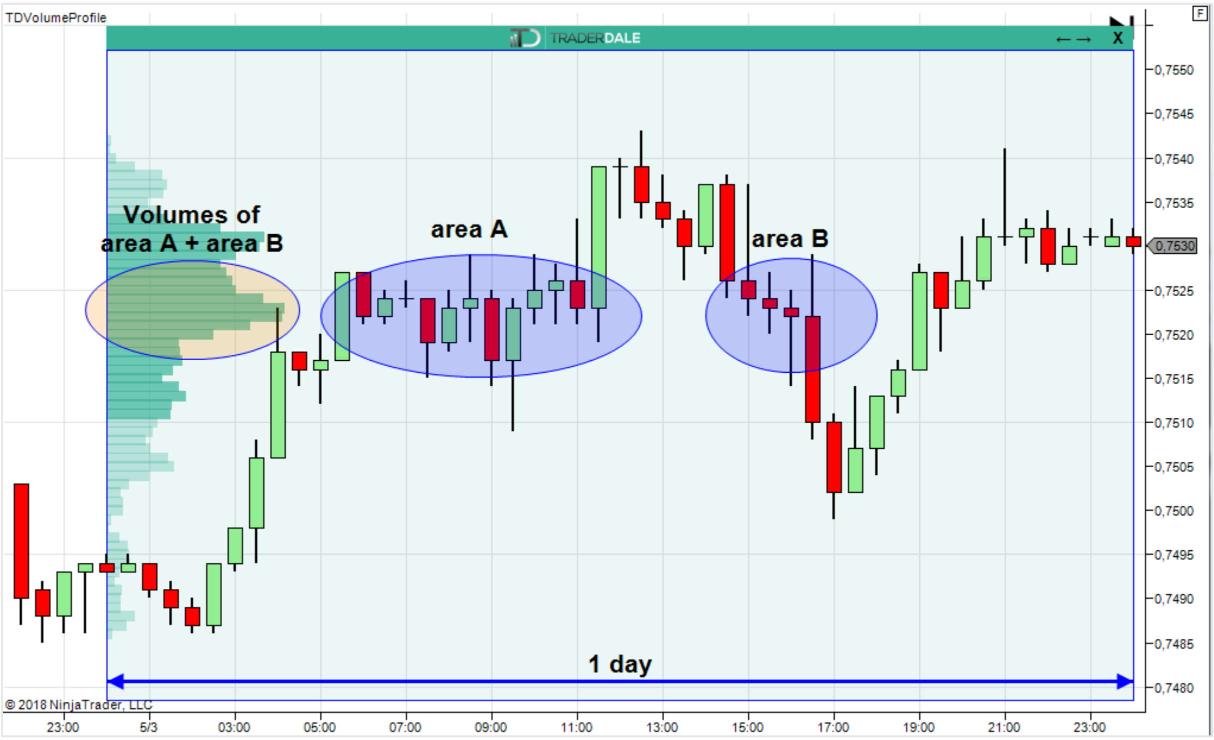
Not all the Volume Profile histogram shapes that you encounter will fit exactly in the description of these four basic ones I showed you. Most of the time you won't be working with the "perfectly shaped" profiles. However, if you use your imagination a bit, then in most cases you should be able to fit every profile shape into one of these 4 basic shapes.

The first step to learning to trade with the Volume Profile is to start looking for those 4 types of profiles and trying to fit every profile you see into one of the 4 categories. Based on this, you should try to figure out where volume-based support/resistances are.

The fastest and easiest way is to **start trading volume profile with the default Daily profiles** (1 day = 1 profile). However, you can look for those 4 basic shapes on every profile regardless of the timeframe. This could be weekly profiles, 4-hour profiles, or the Flexible Volume Profile that I prefer using.

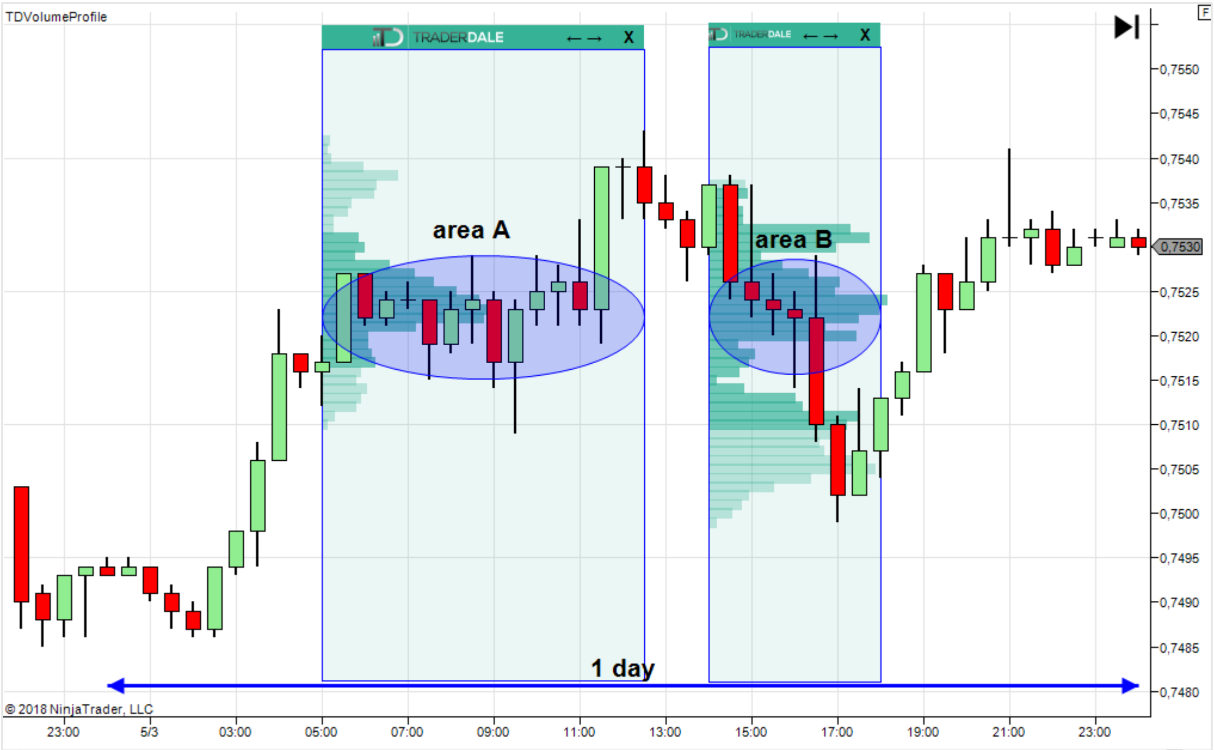
Flexible Volume Profile

I was trading using the standard (default) Daily volume profiles for several years. They were fine, but there was one thing that was bothering me. The thing was that the daily profiles only show you a profile of a whole day. Sometimes, there were situations when I needed to have a closer look at some area but I wasn't able to, and I wasn't sure how the volumes in that particular area were distributed. Below is a picture which shows standard Daily profile (1 day = 1 profile). I marked two areas there: area A and area B. With the standard Daily profile, we aren't able to tell how much volumes were distributed in area A nor in area B separately. We only see the overall amount (area A + area B).



If I were interested for example only in volumes within area B, then I wouldn't be able to see them with the standard Daily profile. This is exactly the problem I had. For this reason, I developed a Flexible Volume Profile, which takes care of this issue. With the Flexible Volume Profile, I can select any area in the chart that I am interested in and see precisely how the volumes were distributed within this particular area.

In the example below, I used the same chart, but this time I used two Flexible Volume Profiles to see how the volumes were distributed separately in area A and in area B:



Currently, I am using only the Flexible Volume Profile because it enables me to examine any area in the chart.

Flexible Volume Profile is quite a versatile tool because you can use it for any timeframe you want. From tick or 1-minute to monthly charts.

You can also use it with any trading instrument you want. You can use it for example for forex, stocks, indexes, gold, oil, cryptocurrencies, futures. **A great thing about the profile is that it is an extremely versatile tool and no matter what instrument or timeframe you trade, the logic and the setups are still the same.**

Volume Profile trading setups

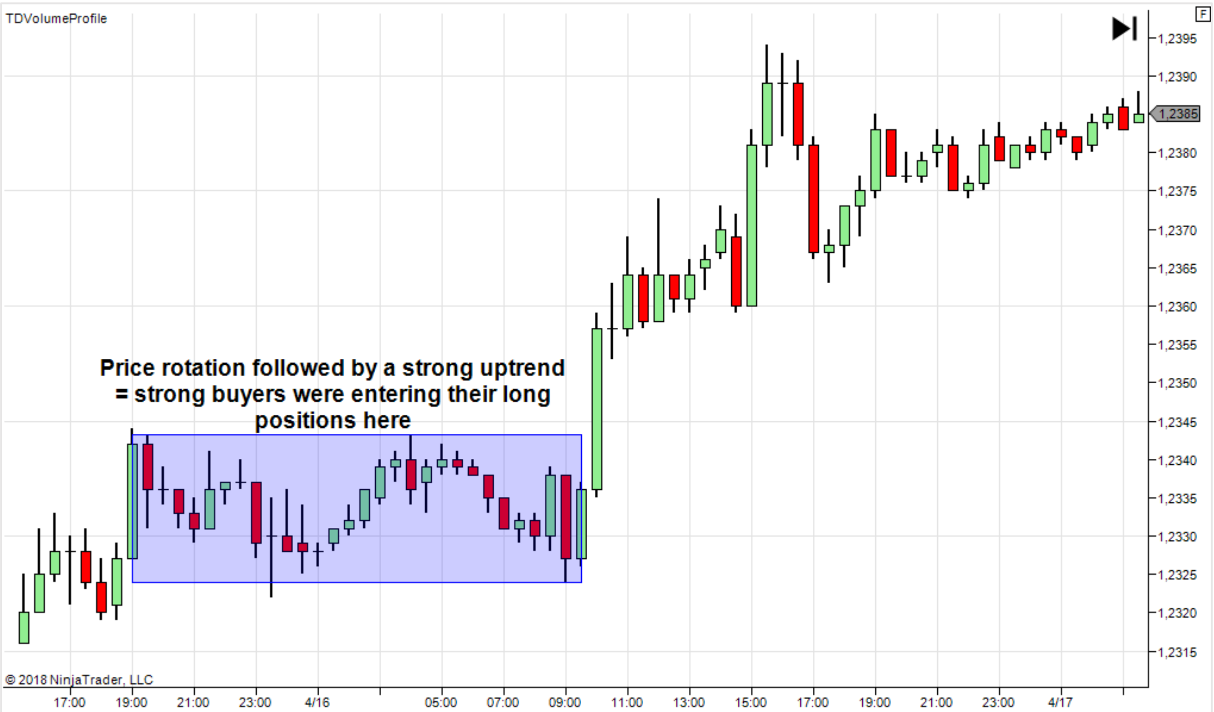
Now, I am going to show you trading setups that I use in my everyday trading. Those are the main, core setups that I use. I never enter a trade if there isn't one of those setups present.

All the setups can be used with any timeframe. I prefer 30-minute charts for intraday trading, 240-minute or Daily charts for swing trading and Daily to Monthly charts for planning long-term investments.

Volume Setup #1: Volume accumulation setup

As I said previously in this book, the big institutions who move and manipulate the market build up their massive trading positions in sideways price action channels (rotation areas). After they accumulate enough volumes – meaning after they fully enter their positions, then they initiate strong and aggressive buying or selling activity to move the price. They strive to move the price in the direction of their newly accumulated positions. Based on this, we know, that if there was a **sideways price channel followed by significant uptrend, strong buyers were accumulating their buying positions in the price channel**. If, on the other hand, there was a **sideways channel followed by a strong sell-off, then we know, that strong sellers were entering their selling positions in the channel.**

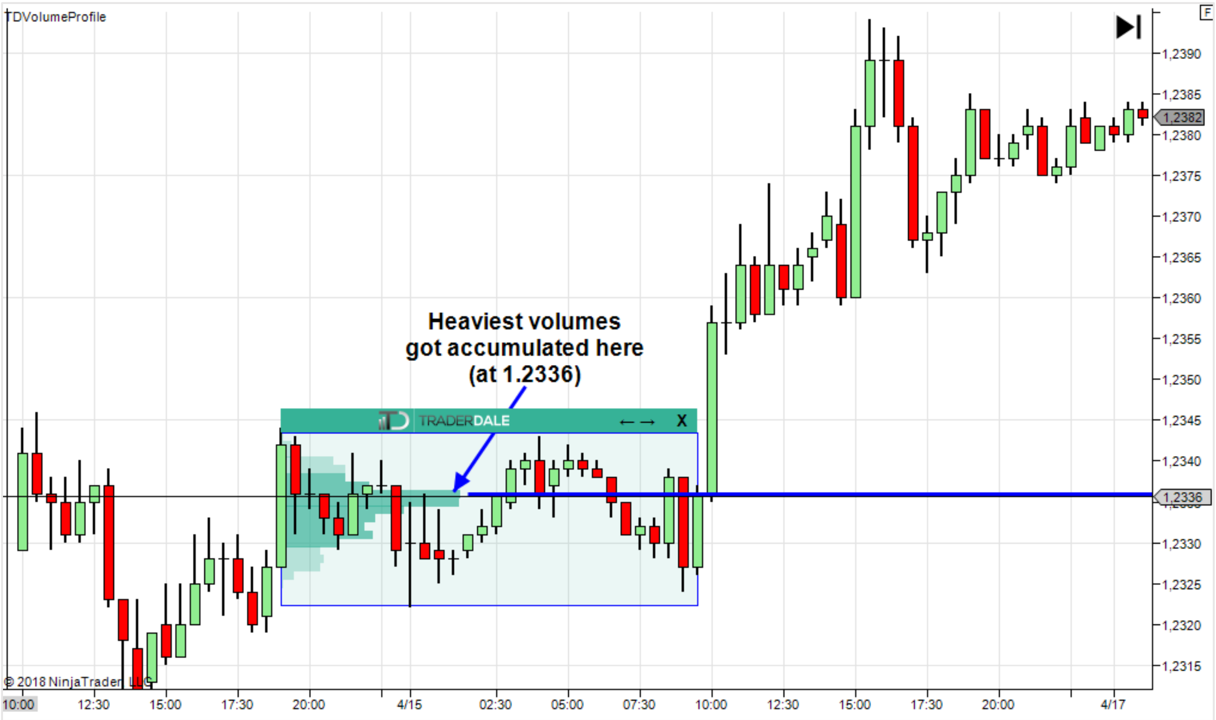
Here is an example of **strong buyers entering their positions** in rotation area:



Here is an example of **strong sellers entering their positions** in rotation area:

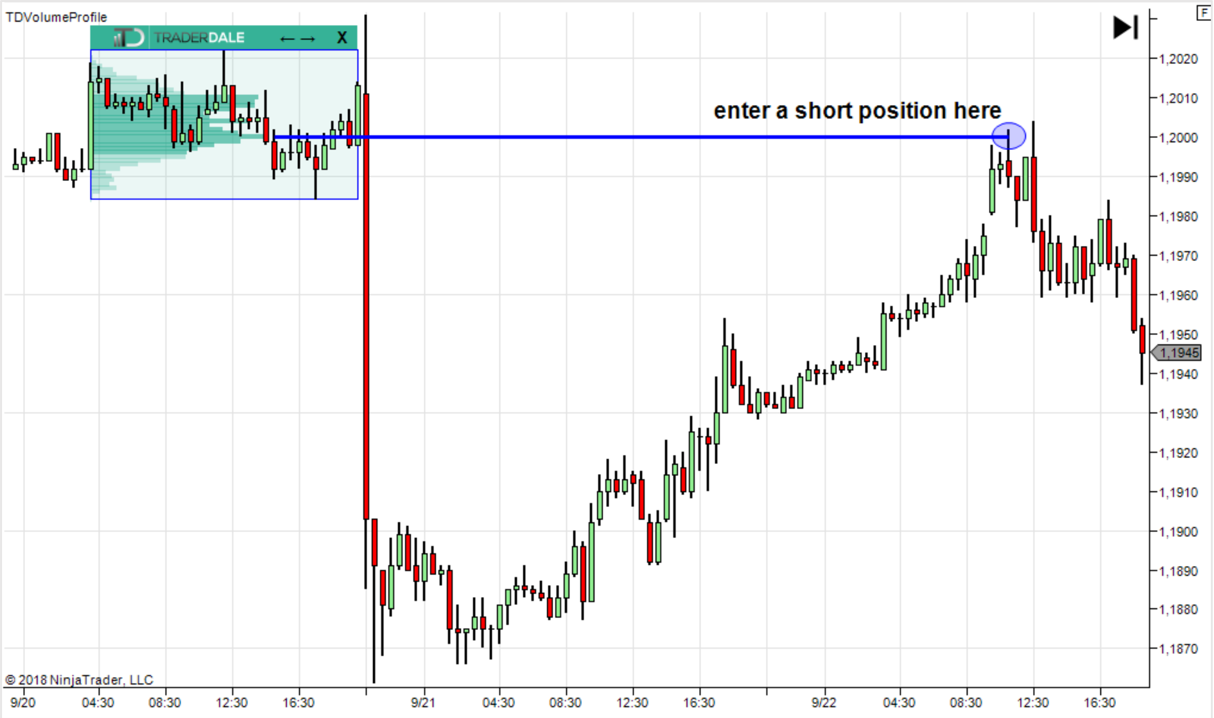
Now you know in which area strong buyers or sellers entered their positions. It is time to use the Flexible Volume Profile to look inside this area to see exactly at which price level the volumes were the heaviest. This will be the place where most positions were accumulated. It is the most significant place for the strong buyers or sellers (= for the big institutions)

The picture below is the same picture I have already used, only this time with the Flexible Volume. In this case, the heaviest volumes within the rotation area were at 1.2336 price level.



Now you see where the volumes of the strong buyers were the heaviest. You only need to mark the exact level (in this case 1.2336) and wait for the price to return back to it. When it hits the level, you enter a long position from this level. No need to wait for any sort of confirmation.

A short trade scenario of this setup looks like this:



Let me now explain the **logic behind this setup**. There are two reasons (factors) why the price reacts to the volume zones so well. **This reasoning doesn't apply only to the setup #1, but also to all the other volume setups I am going to show you later.**

Reason #1: Strong buyers/sellers who were accumulating their positions are likely to defend their positions and their interests. So, when the price returns to the volume accumulation area, strong buyers/sellers start to defend their positions aggressively. This means that strong buyers start aggressive buying activity to drive the price upwards again. Strong sellers defend their short positions by aggressive sell-off which moves the price lower again. Here is a picture to demonstrate this (long trade scenario):

Short trade scenario would look the same, only reversed.

Reason #2: Nobody wants to risk a fight with strong and aggressive buyers/sellers.

Let me demonstrate this on an example: First, strong buyers accumulated their positions in a sideways rotation. Then they pushed the price aggressively upwards (this is the long scenario of Setup #1). After that, the buyers stopped pushing the price upwards for a while and sellers took over. They were pushing the price lower and lower, but when they approached the strong rotation where the strong and aggressive buyers accumulated their massive positions, the sellers stopped their selling activity and got rid of their selling positions. Why? Because they didn't want to risk a fight with strong and aggressive buyers.

When somebody who is in a short position wants to quit their position, he buys. So when those sellers start to buy to get rid of their selling positions, they drive the price upwards. This is another reason and another force that drives the price away from strong volume support/resistance area.

Let me make this more clear with a picture:

It is the combination of the two factors I showed you, that drives the price away from the support/resistance zones.

Volume Setup #2: Trend setup

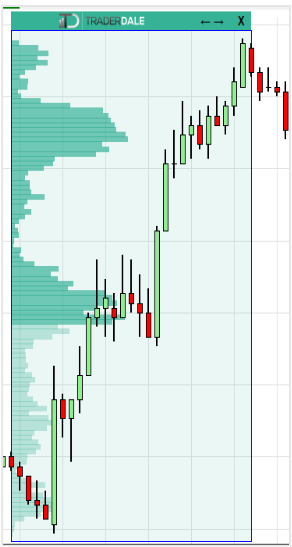
I trade the Trend setup when there is a strong trend. The strong trend indicates that one side of the market – buyers or sellers is much more aggressive than the other. In an uptrend, strong and aggressive buyers are pushing the price upwards. In a downtrend, strong and aggressive sellers are pushing the price downwards.

If you look at the volumes accumulated within the trend area, you will notice that the Volume Profile is pretty thin. That's because there usually aren‘t that many volumes accumulated in trends. The reason for that is that the price is moving too fast for the institutions to build up their positions there.

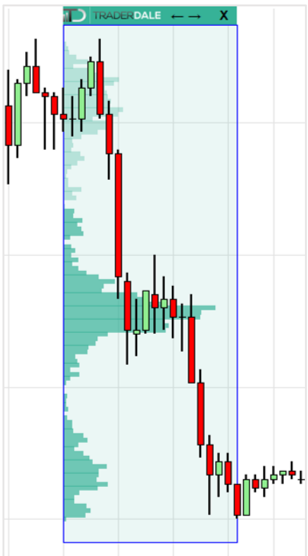
However, there are usually places within the trend, where the price stopped moving rapidly for a while, slowed down, and the market participants were able to add some into their positions. Such action creates a “volume cluster“ within the trend. It is important that the volume cluster is created within the trend and that the trend continues after that. This way we can assume, that the volumes created within the volume clusters were volumes that the aggressive market participants were adding to their current positions.

Key Points:

Volume cluster created within a strong uptrend indicates that buyers were adding to their long positions in this volume cluster.



Volume cluster created within a strong downtrend indicates that sellers were adding to their short positions in this volume cluster



The volume cluster created within the trend shows the place where the volumes were the heaviest. This is also the most significant place for the strong buyers/sellers who were initiating the trend move.

With the Trend setup, you only need to mark the exact level where the volumes were the heaviest within the volume cluster and wait until the price reaches the level again. When it does, then you simply enter your trade in the direction of the trend. If there was an uptrend, you enter a long position. If there was a downtrend, then you enter a short position. There is no need for any sort of confirmation. You enter the trade at the first touch.

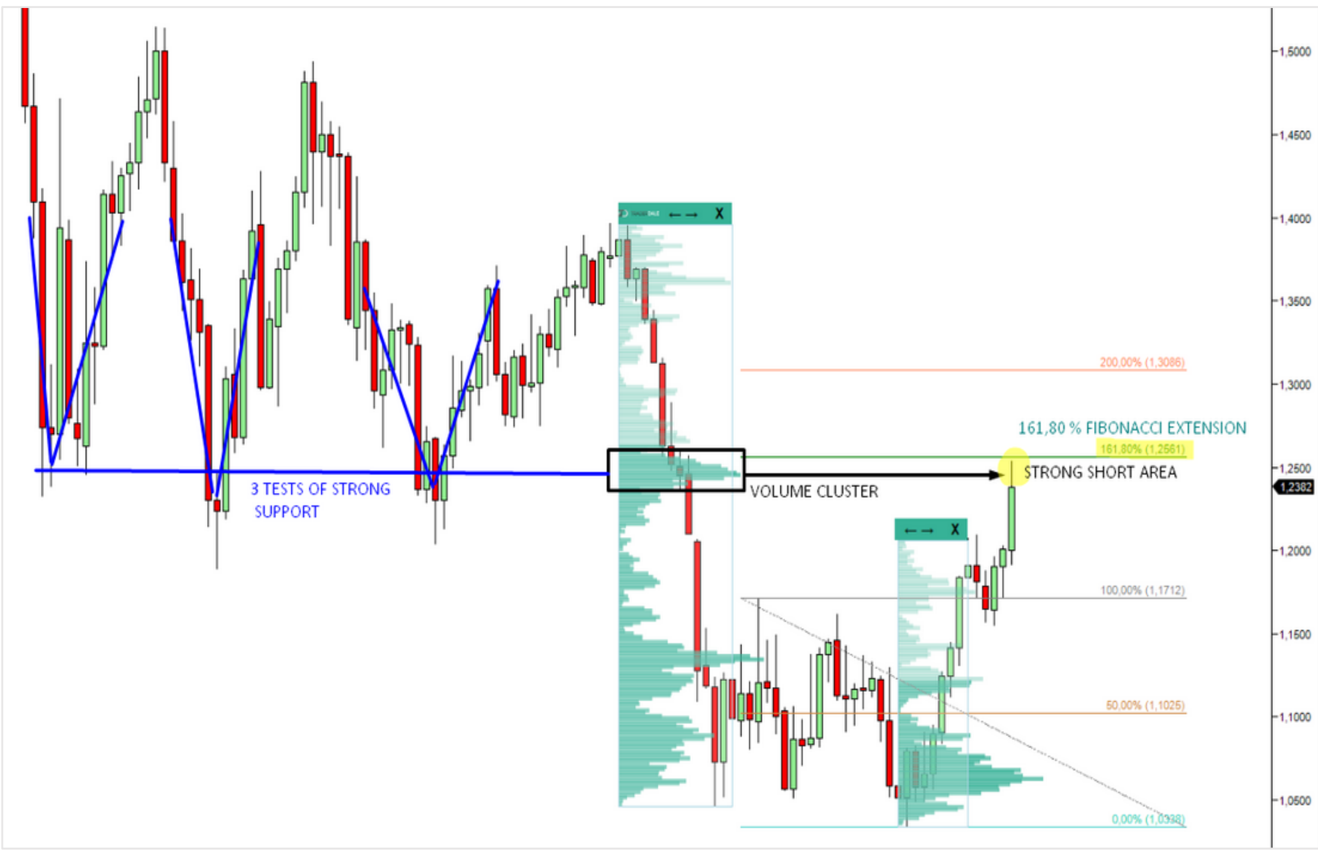
Long trade scenario:

Short trade scenario:

Why this setup works? Because of the same two reasons (factors) I wrote about in the previous section (Setup #1).

BONUS: A special case of this setup is when it is in **confluence with the "Support becoming resistance (and vice versa)" setup**. A confluence of those two setups creates the most powerful support/resistance zones. Let me demonstrate this on a trade I am in right now.

Below you can see a monthly chart of EUR/USD. There were three strong rejections of a level (marked in blue). Such a situation indicates that the level was a really strong support. When the price went past this support, it became a resistance. This is the “**Support becoming resistance**" setup that I wrote earlier in the book. Along with that, there was also the **Volume Setup #2: Trend setup**. In the picture, there is a significant volume cluster created within the strong trend area (black rectangle). In this case, it was the combination of those two setups that caught my eye. I have entered my short position at the highest peak of the volume cluster.



Below, you can see the same chart with the reaction to the strong resistance zone. This picture was taken 4 months after the initial analysis I made in the previous picture.

My current short position is now +851 pips in profit.

Symbol	Direction	Entry Price	Created (UTC+2)	Pips
EURUSD	Sell	1.24836	01/02/2018 18:43:22	851.5

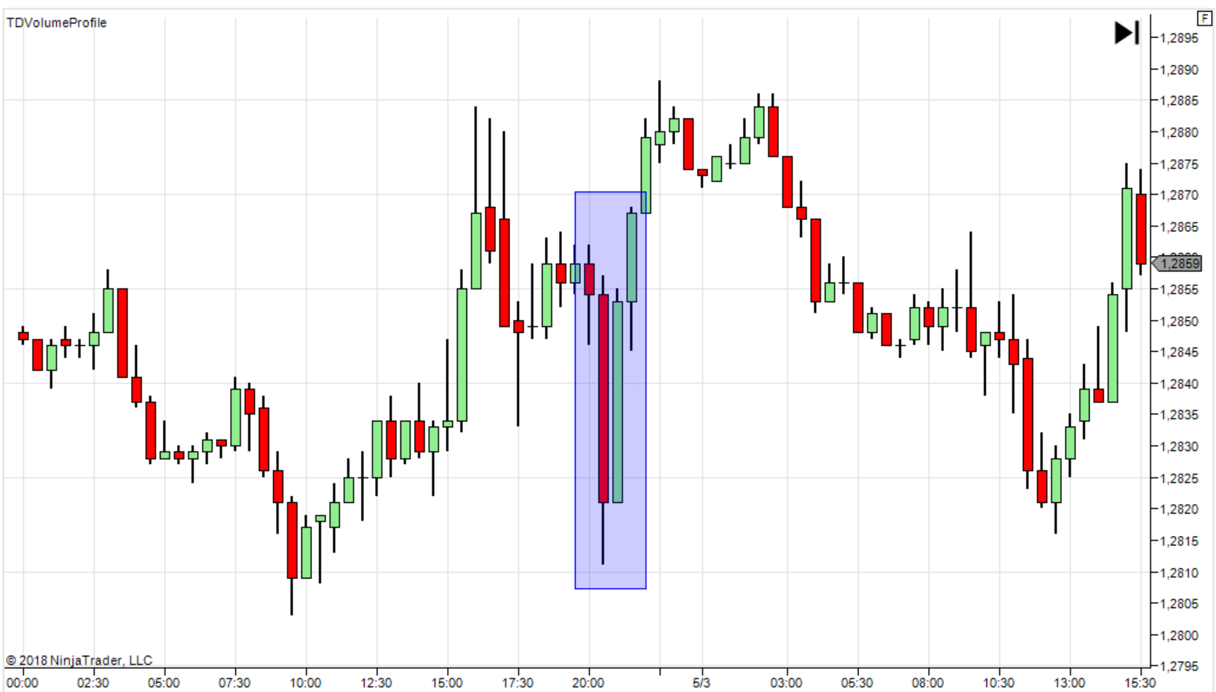
You don’t need to look for this setup only on monthly charts. This was just an example of a trade I made. Volume Profile and all the setups that I use are very versatile. You can use for example 30 minute timeframe and trade this setup as an intraday setup, or you can use 240-minute charts and trade it as a swing trade setup. In this particular case, I used Monthly timeframe, and I approached this trade as a long-term investment.

Volume Setup #3: Rejection Setup

This setup is based on finding a very strong rejection of either higher or lower prices and applying Flexible Volume Profile to it.

The key to trading this setup successfully is in identifying the strong rejection in the chart. Sometimes, the strong rejection looks like a strong pinbar created at a swing point, but sometimes, it is not so clear, and there are another candle patterns. I don't care what candle pattern there is because usually, the pattern changes with the timeframe (and I don't like being bound by a timeframe). What matters the most is that the rejection is strong and that the aggressiveness within it is evident.

In a long trade scenario, I look for **selling activity followed by sudden price reversal and a consequent strong buying activity**. For example like this:



In a short trade scenario, I look for a **buying activity followed by sudden price reversal and a consequent strong selling activity**. For example like this:

When there is a strong price reversal, we get the information that one side of the market became very aggressive and strongly rejected some price level. In such case, I am interested how the volumes were distributed within the rejection. In other words **– I am interested in the place where the heaviest volumes within the rejection were added to the market**. The reason for that is that the place with the heaviest volumes mark the place where the counterparty (the buyers/sellers rejecting the lower/higher prices) was the most aggressive.

I use the Flexible Volume Profile on the strong rejection area to see where the volumes were the heaviest. Then I draw a horizontal line from this place and wait until the price comes back again to this level. When the price hits the level, I enter a trade.

If there is a rejection of lower prices, then I enter a long position. See example below:

If there is a rejection of higher prices, then I enter a short position. See example below:

I think that the Volume Setup #3 is the most difficult setup to trade because sometimes it is hard to tell when the rejection was really strong and aggressive and when not. Also, sometimes the rejection is pretty strong, but the distribution of volumes within the rejection is not easy to read

– mostly when there are more strong volume areas within the rejection. Because of this, it takes some time and practice to master this setup.

Reversal trades

Sometimes, the price doesn't react to a volume-based support/resistance zone at all and just shoots past it into a Stop-loss. This happens from time to time. Having a losing trade is also part of trading. However, there is still one thing you can do.

Remember when I was talking about "support becomes resistance (and vice versa)" earlier in this book? You can apply this method also to all the volume setups!

So, whenever the price doesn't react to any of the volume-based setups, I showed you and it runs into a Stop-loss, then you just wait until the price returns to your original support/resistance level. When it hits the level, you enter a reversal position – this means that if you originally went long, your new reversal trade will be a short. See an example below:

If you originally went short, your new reversal trade will be a long. See an example below:

Important notice: An important thing about reversal trades is that the price must not respect your original support/resistance level at all and it must shoot past it. If for example, the price reacts to your level, only 1-2 pips before it, then I don't recommend taking the reversal. In such a case the level worked, only a bit sooner.

Changing your bias: I should warn you that talking a reversal trade is not an easy thing to do, at least not for your mind. The reason is that when you enter a trade, you trust it will work - you are biased. When the price goes against the original bias, people tend to hope, pray and they still trust their trade. They are unable to admit that they were wrong. Even when they take a Stop-loss, they believe that the price will eventually turn and that they were right. Because of this, the hardest thing about reversal trades is changing your bias quickly. So, for example, when you enter a short position, you believe the price will go down, you are short biased. When you take a Stop-loss, then you should immediately change your mind to be long biased. This is easier said than done! My advice is to practice changing your bias by entering all reversal trades with a small position at first. When you see how nicely reversal trades work, then you will gain confidence and changing your bias will become easier for you.

Finding your style

In the previous part where I showed you the volume setups, I didn't stick to any particular timeframe. The reason is that those **setups can be applied to any timeframe** because the Volume Profile is really versatile and **it isn't time dependent**.

You can use it for intraday trading, swing trading or to planning your long-term investments. Important thing is to find what suits you best and then master the method. If you are still finding your style, then I suggest you try it all and see what suits you most.

Intraday trading

I suggest that you do your intraday analysis on 5-minute to 1-hour charts (I prefer 30-minute charts). Look for the volume setups I showed you and identify the strongest volume-based support/resistance zones.

Trading instruments for intraday trades

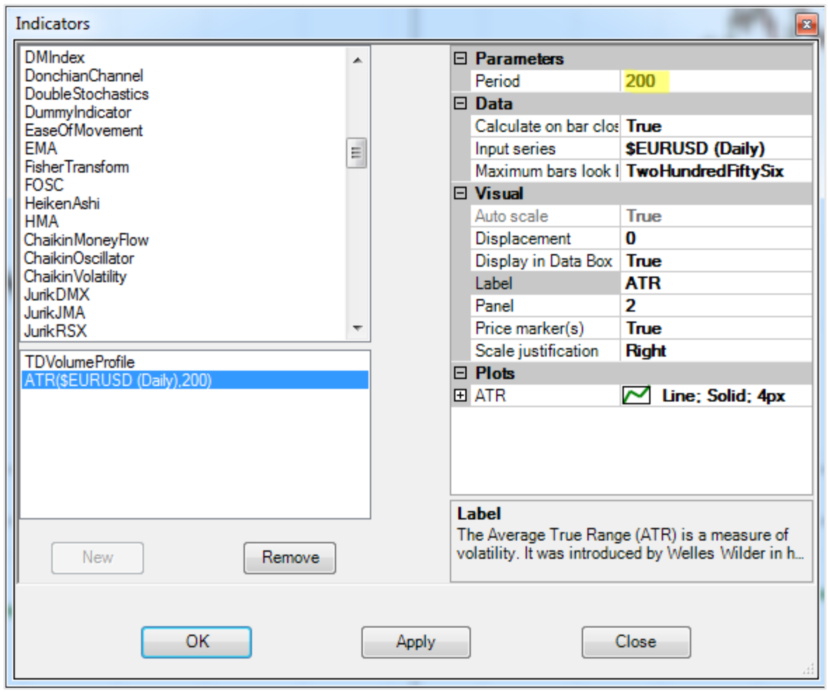
Good trading instruments for intraday trading are those that have really high liquidity and the tightest spreads. If you trade forex, then the best forex pair to start with in my opinion is the EUR/USD. With a good broker, your spread could be almost 0.0, which is perfect for intraday trading. EUR/USD also has the best reactions to volume-based S/R levels. When you feel comfortable trading the EUR/USD, then you can add another major forex pairs like AUD/USD, USD/CAD, USD/JPY, USD/CHF...

As far as cross pairs are concerned (pairs without USD), I don't think that trading those is any good because you usually can't get your trading costs low enough to daytrade them.

Another good, non-currency instruments for intraday trading are major indexes like S&P 500 or Dax and oil.

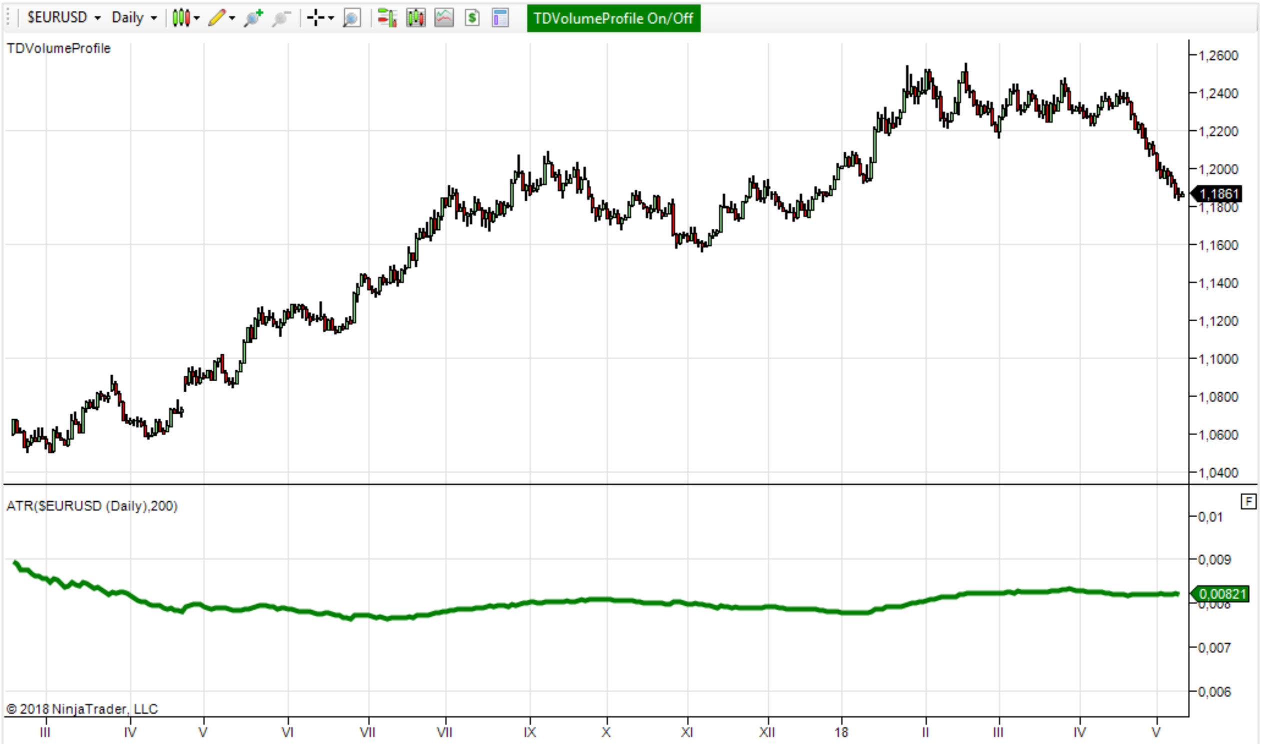
Stop-loss and Profit Target for intraday trades

I suggest you **adapt your SL and PT pip values to the volatility of the instrument you are trading**. An easy way to determine this is to use ATR (Average True Range) indicator and set it for a long period, for example, 200. Then load around 300-500 days (daily timeframe) in your charts and see what the average ATR value for this period was (= what the average daily volatility in this period was). Then you need to multiply the ATR number by 10.000 to get the value in pips.



For intraday trades, I suggest you use your **SL and PT values around 10-20% of the average daily ATR**.

In the example below, there are 500 daily candles on the EUR/USD along with ATR indicator set to 200 period. The approximate ATR value is somewhere around 0.0085. Multiply this number by 10.000 to get the average daily volatility on the EUR/USD in pips. In this case, the result is 85 pips. Based on this example, your intraday SL and PT values should be somewhere in the 8.5 – 17 pip area.



Swing Trading

I suggest that you plan your swing trades on 1-hour to a Daily timeframe. I prefer planning my swing trades with 240-minute charts (4-hour) and with Daily charts. Such timeframes are good to help you see the bigger picture.

When I plan my swing trades, I look for the volume setups #1 - #3 on those specific timeframes (4-hour or Daily).

The setups are always the same, no matter if it is intraday or swing trading.

Trading instruments for swing trades

With swing trades, you don't need to take the trading costs (spread) into consideration that much as in intraday trading. It is because your Stop-loss and Profit Target pip values are much bigger and because of that the trading costs are almost neglectable.

For that reason, it is okay to swing trade any instruments you like. You can trade forex, indexes, stocks, cryptocurrencies, oil, futures, or whatever you prefer.

Stop-loss and Profit Target for swing trades

As far as swing trading is concerned, I prefer to determine my SL and PT values based on price action and volumes rather than ATR number as in intraday trading. Still, you should try to stick at least a bit to some range based on the ATR. Very roughly the range could be somewhere around 50 to 400 % of average daily ATR value. This means 0.5 - 4 times average daily volatility. I know this is a very rough number, but it gives you at least some idea where your SL and PT should be. The reason why this is such a rough number is that SL and PT for swing trades hugely depends on the situation. Sometimes it is okay to use 50 pip SL on the EUR/USD swing trade, but when there is really wide S/R volume-based zone, then you need to place your SL above/below the zone, which could easily be for example 300 pips.

Below, is an **example of a swing trade** I made yesterday on the EUR/USD. I made the analysis on a **Daily chart**. The entry level was based on the **Volume Setup #2: Trend setup** in combination with the **Support becomes a resistance (and vice versa) Price Action setup.**

In this case, my SL was pretty tight (below the volume cluster in the blue circle). This is because **I place my SL in areas with low volumes.**

Long-term investments

Long-term investing is good for people who don’t want to sit in front of the computer all day. There is also no need to be careful about the standard daily news because they aren’t that significant to change the course of a long-term trend development. Big financial institutions operate a lot on the higher timeframes (weekly to monthly), and therefore the volume-based strategies work pretty nicely there.

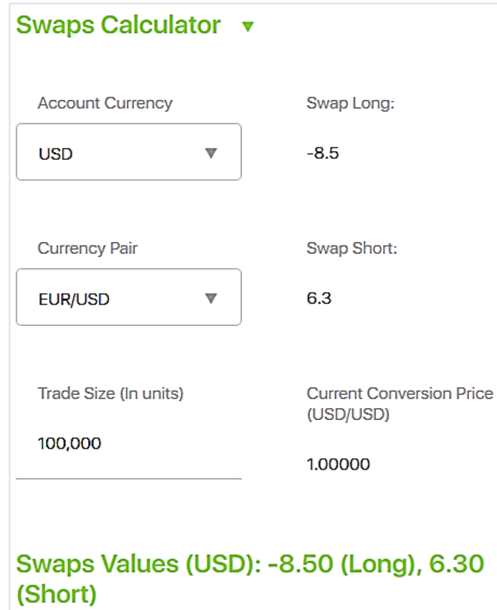
My preferred timeframe for analyzing long-term investments is from weekly to monthly. Even for long-term investments, the volume-based trading setups are still the same. The logic behind the setups is still the same, even if you are doing your analysis on a monthly chart.

Trading instruments for long-term investments

Spreads and commissions are absolutely negligible here so you can trade any instrument you want, be it forex, stocks, indexes, cryptocurrencies, futures...

If you trade currencies, there is one thing that you need to be careful about though. The thing is the swap. A swap/rollover fee is charged when you keep a position open overnight. A forex swap is the interest rate differential between the two currencies of the pair you are trading, and it is calculated according to whether your position is long or short. **If your swap is positive, then you will be given a small amount of money every day you hold the position. If you swap is negative, you will be charged a small fee every day.** If you hold your position for months, a negative swap can become quite irritating, especially if the price goes sideways for months without making any significant movement.

Forex brokers usually have a Swap Calculator tool available on their website or directly in their trading platform. This way you can easily tell how much you will pay or receive every day. The attached picture is a Swap Calculator tool from IC Markets broker. You only need to fill in your account currency, the forex pair you are going to trade and the lot size of your trade (100.000 means 1 standard lot). In this case, if I enter a 1 lot long position on the EUR/USD and hold it overnight, I will be charged $8.5. If, on the other hand, I enter a short, then I will receive $6.3.



Stop-loss and Profit Target for long-term investments

Standard Stop-loss and Profit Target values for long-term investments are hundreds/thousands of pips. For example, my long-term short on the EUR/USD that I am currently in has a 600 pip SL.

I place my SL behind some strong barrier – for example in a low volume area behind a strong volume cluster. You profit Target should be placed before such barrier. I prefer trading with a risk-reward ratio close to 1:1, and for that reason, I look for strong zones that are in line with that.

Below, is an **example of a long-term investment** – a short trade on the AUD/USD. I did the analysis on a **Monthly chart**. The entry was based on **Volume Setup #2: Trend setup:**

It is very important that you calculate the volume of your trading position before you enter the trade. Having, for example, a **500 or a 1,000 pip SL requires you to adjust your position so you don't risk more than your money management plan will allow**. I would recommend keeping your risk per trade between 1-5% of your total account balance. This is only a guideline though, and you must adjust your risk per trade based on your risk tolerance.

What instruments to trade?

Did you know that many professional and institutional traders only focus on one or two currencies or only a few another trading instruments? The reason for that is to enable them to become really proficient with the instrument they chose.

A good analogy for why this is beneficial can be found by looking at the way lawyers practice law. As a lawyer, you can specialize in many fields, but the best lawyers only focus on one particular area. They have one field on which they concentrate all their time and effort, and this is what allows them to be the best in their chosen area of expertise.

Professional traders know all the necessary aspects of the market they trade. They know the average volatility, correlation to other instruments, the average impact of different macroeconomic news, as well as average volumes. They know if the market tends to move in spike or if it moves in a more subdued and calm manner. They also develop some sense of feeling for their core market. It's something that is hard to put into words, but it is there.

Now I'm going to break down the risk of trading too many pairs in greater detail, in addition to how you can choose the right currency pairs to trade.

Correlation & Excessive risk exposure

The more some instruments behave like each other, the more correlated they are. If two instruments have 100 % correlation, it means that they move the same way. If their correlation is -100%, then they move in exact opposites. These are the extremes of the scale, but in reality, the correlation numbers are somewhere in between. Here is a forex correlation table (from www.Mataf.net) with major FX pairs to give you an idea about the correlation numbers:

Hourly

	EURUSD	GBPUSD	USDJPY	USDCAD	AUDUSD
EURUSD	100	82.9	-4.8	-45.5	-8.4
GBPUSD	82.9	100	-30.7	-50	23.1
USDJPY	-4.8	-30.7	100	-2.4	-30.2
USDCAD	-45.5	-50	-2.4	100	-62.7
AUDUSD	-8.4	23.1	-30.2	-62.7	100

In this picture you can, for example, see that correlation between **EUR/USD** and **USD/JPY** is **-4.8%**. This is a really low correlation, and it means that those currency pairs move quite differently and independently to each other.

The bigger the instrument list, the more heavily correlated instruments and trades.

If you want to make your instrument list bigger, you need to accept the fact that there will be more and more instruments with pretty high correlation. Unfortunately, there isn't a simple way to get rid of the correlation problem because the markets are connected. If there is for example event like US Presidential election, you can be sure that a lot of markets and instruments will be affected and the price movements will be very similar in many markets. I don't see a problem with having an open position at that time (if it is part of your trading strategy, of course). Where I DO see a problem is when you trade too many instruments, and suddenly you are in too many HEAVILY correlated positions that all get triggered because of the Presidental election! This is called **Excessive risk exposure**, and it is a problem which you want to avoid.

It doesn't have to be an extreme situation like that; sometimes there is something as simple as a USD rally. When this happens, all the pairs where one of the currency is USD move in unison. If you trade too many instruments with USD, you can find yourself in a pretty messy situation with, for example, 5 open trades all dependant on how the USD will move. Most likely all those 5 trades will end the same way, and that is just too much risk! If you were an institutional trader, you would probably get sacked for doing that.

So, my advice is this: don't trade too many instruments/currencies with high correlation. If you do, make sure you have **rules that prevent you from taking on too much risk**. For example, don't open more than two USD positions. This is an extremely simple trade management rule, but it's massively powerful. You can also halve your positions if you see that you are going to enter a trade on two heavily correlated instruments. Remember that you need to feel comfortable with losses as this cannot be avoided from time to time. What we don't want though, is a single macroeconomic news event to hit us for 3-4 losing trades at once because we forgot they were all heavily correlated.

Make sure to have rules to prevent you from taking on too much risk.

Being overwhelmed

Another problem that comes with trading too many currency pairs or other trading instruments is that it's just really complicated to handle all the trades. If you want to be successful in trading, then the execution of your strategy needs to be basically flawless. You need to focus and follow the rules of your trading strategy 100%. Everything needs to be perfect – analysis, entry, exit, position management, money management. Apart from that, you also need to know which macroeconomic news will impact the instrument/s you are trading and how large the impact will likely be. All that is doable if you focus on only a few trading instruments, but it is much harder when you trade 10+ of them on the intraday basis.

Choosing the right currency pair

At first, you need to consider the costs of trading. These consist of spread, broker commission, and swap. Generally speaking, **the bigger the Market Share percentage, the lower the trading costs**. Here are the most liquid currency pairs (pairs with the biggest Market Share):

Position	Currency Pair	Market Share %
1	EUR/USD	23.1%
2	USD/JPY	17.8%
3	GBP/USD	9.3%
4	AUD/USD	5.2%
5	USD/CAD	4.3%
6	USD/CNY	3.8%
7	USD/CHF	3.6%
8	USD/MXN	1.8%
9	USD/SGD	1.6%
10	USD/NZD	1.5%

I also need to mention that the costs of trading can fluctuate based on the instrument volatility. Generally speaking, **the higher the volatility, the bigger the costs** will be to trade the instrument (spreads mostly). You also need to be aware of the various instruments volatility in your trading strategy. This will require you to adjust your SL and PT accordingly to the volatility of the asset you are trading. Also, the strategy itself should be consistent with that currency pairs volatility and behavior. Some pairs are good for fast, aggressive trading, while still others are better for slower and calmer trades.

Pair	Trend	pips
GBPNZD		176.328
EURNZD		149.056
GBPAUD		145.88
GBPCAD		138.674
GBPJPY		124.362
EURAUD		106.696
GBPUSD		103.23
EURCAD		97.828
EURJPY		86.958
USDCAD		81.658
NZDCAD		75.143
USDJPY		72.79
EURUSD		72.59
AUDNZD		72.086
NZDJPY		65.488
CADJPY		65.242
EURGBP		64.452
AUDJPY		62.524
NZDUSD		61.504
AUDCAD		58.7
AUDUSD		54.697

Here is a **Daily Range table** (average from the last 10 weeks) of various currency pairs to give you some overall picture of their average volatility.

In my trading, I prefer to avoid GBP pairs. If you look at the table, you can see that they are one of the most volatile. The GBP also tends to aggressively spike past major support and resistance zones, which doesn't really suit my trading strategy as well as many of the others. For that reason, I usually avoid trading the British Pound.

Steps to chose the right trading instruments

Now that we have covered all the necessary stuff, let me give you a really simple, quick guide to choosing the best currency pairs for you to trade:

Cut Costs – Especially if you trade intraday, you really need to cut the cost of trading as much as possible. For that reason, I only trade the most liquid forex pairs (EUR/USD, AUD/USD, USD/JPY, USD/CAD) where my costs are as low as possible. Again there are others acceptable pairs, but these are my personal favorite. As a side note, trading costs are also heavily affected by the forex broker that you are using. If you're not using a reputable forex broker with very tight spreads, then I would recommend a switch in broker as well.

Test your strategy – At first, do some quick backtest to give you an idea of how well your strategy works on different currency pairs. In my experience even quick and brief backtest can show you if you should focus more on testing the given instrument, or if you should move to another one. After that, you need some more thorough backtesting and more importantly live trading on a real account. I won't get much deeper on the backtesting subject here since it will be covered later in this book.

Chose only a few instruments – Make sure the pairs you select have low trading costs in addition to making sure they fit your strategy well. Don't try to trade too many pairs and my recommendation would be to start with just one or two. Once you have the pairs, you're going to trade you then need to get really familiar and comfortable with them. After someone is proficient in trading only a few select pairs, I have no problem with adding in additional pairs or markets. Just keep adding a few at a time until you reach the point where you have the desired amount of monthly trades.

Major currency characteristics

Every currency pair is unique and has its own characteristics. There isn't a universal rule that would tell you which pair to trade and which to avoid. As I mentioned before, you need to go through them and see for yourself which ones fit you and your strategy best.

To give you some initial idea's and to help you get started, I wrote out the characteristics of some pairs as I see them. I hope it can help you in choosing the right instruments for your own trading.

EUR/USD

- Excellent winning ratio with volume-based strategies. This pair is number one for me!
- The most liquid pair.
- The cheapest to trade.
- Average volatility.
- If something significant is happening in the markets, the EUR/USD will "tell" you.

AUD/USD

- Slow. Sometimes you really need to be patient, but on the other hand, you have plenty of time to think when managing your positions.
- Less volatile.
- Cheap to trade.
- Good and precise reactions to volume-based S/R zones.
- Commodity currency (depends on commodity prices and commodity-related news).
- China dependant – reacts to China-related news because Australia has a lot of business bonds with China.

USD/CAD

- More volatile.
- Not as cheap as other major FX pairs, but still good even for intraday trading.
- Good reactions to volume-based S/R zones but sometimes not so precise (sometimes shoots past levels and turns later).
- Very reactive to oil-related news and oil prices.
- Sometimes higher correlation with AUD/USD because of the oil and other commodities (CAD is a commodity currency).

USD/JPY

- More volatile.
- Cheap to trade (mostly because of high liquidity).
- Very precise reactions to volume-based S/R (even though it is volatile).
- Capable of spikes and big crazy moves.
- Safe heaven currency (uncertainty in the markets -> people buy JPY).

GBP/USD

- Volatile.
- Moderately cheap to trade.
- Hard to predict. Sometimes reacts sooner to volume-based S/R zones, sometimes too late, sometimes never.
- Usually quite “dead” during the Asian session.
- Good for catching trends (you need to be ready to quit fast though).
- Quick spike moves.
- Massive reactions to UK CPI news and BREXIT related news, not so much on GBP Rate Decision news (for now).

If I had to choose two of these major pairs to trade with my Volume Profile trading strategy, I would choose EUR/USD and USD/JPY. The reason I would select those two is that they are both cheap to trade, have good reactions to my volume-based S/R levels, and there is a very low correlation between these two pairs. Additionally, I can also use the same pip size for my take profit and Stop-loss which makes trade execution much easier.

This is just the way I personally see it. In the end, I think that it is best for you to do your own research and make your own opinion on what currencies are the best to trade. I will be happy if this helps you find someplace to start from and if it gives you an idea what things to consider when looking for the ideal set of instruments to trade.

My favorite trading instruments

In my trading, I have three approaches. I do intraday trading, swing trading, and long-term investments.

As far as my **intraday trading** is concerned, I have these four major pairs that I trade: EUR/USD, AUD/USD, USD/CAD and USD/JPY. If you read the previous few chapters, I think the reason why I trade these is quite obvious. There are also another pretty good non-currency instruments to day trade with the Volume Profile like FDAX, S&P 500, CL (oil),... Still, it is hard to trade on a daily basis so many instruments and for that reason, I chose only four.

My **swing trading** and **long-term investment** methods are not so time-consuming and they are also pretty easily manageable. For that reason, I am able to trade swing trades and long-term investment trades as an addition to my intraday trades. My preferred forex pairs for that are: AUD/CAD, AUD/CHF, AUD/JPY, AUD/NZD, AUD/USD, CAD/JPY, EUR/GBP, EUR/JPY, EUR/USD, GBP/USD, CHF/JPY, NZD/CAD, NZD/USD, USD/CHF, USD/JPY and USD/CAD.

BONUS: Best cryptocurrencies to trade

If you are into intraday trading or swing trading the cryptocurrencies, then I suggest you focus only on the most liquid – the ones with the biggest market capitalization. **Big market capitalization means good liquidity, better spreads and a smaller chance of slippage**. The absolute winner is obviously **Bitcoin**. Other ones that follow are for example **Ethereum** or **Ripple**. Below, you can see a table with the ten cryptocurrencies based on Market Cap.

#	Name	Market Cap	Price	Volume (24h)	Circulating Supply	Change (24h)	Price Graph (7d)
1	Bitcoin	$235,036,718,318	$13,995.30	$17,239,500,000	16,793,975 BTC	-4.82%	
2	Ethereum	$130,659,816,717	$1,348.51	$9,498,300,000	96,891,989 ETH	12.46%	
3	Ripple	$72,753,272,373	$1.88	$5,076,900,000	38,739,142,811 XRP *	-17.12%	
4	Bitcoin Cash	$42,796,194,880	$2,531.72	$1,448,910,000	16,904,000 BCH	6.00%	
5	Cardano	$18,652,271,597	$0.719413	$231,869,000	25,927,070,538 ADA *	-14.66%	
6	Litecoin	$13,012,319,469	$237.90	$1,003,240,000	54,696,133 LTC	-3.53%	
7	NEM	$12,892,859,999	$1.43	$102,875,000	8,999,999,999 XEM *	-10.92%	
8	Stellar	$9,427,368,255	$0.527253	$247,580,000	17,880,160,483 XLM *	-14.04%	
9	IOTA	$9,274,486,491	$3.34	$203,204,000	2,779,530,283 MIOTA *	-7.88%	
10	Dash	$8,213,265,404	$1,051.67	$235,826,000	7,809,736 DASH	-2.90%	

The cryptocurrency market is pretty young, so this table is liable to change continuously. You can see the up-to-date version here: https://coinmarketcap.com/

Another thing you should consider is **volatility**. You need the market to move to make money. Instruments that go sideways many days, then jump suddenly and then go sideways again really aren't ideal for trading. At least not for intraday or swing trades.

Macroeconomic news

Macroeconomic news releases and events are something that every trader needs to adjust to. I would personally prefer if there were no news or sudden surprises but this will never happen. We, who take trading seriously and treat it as a business need to protect ourselves and adapt our trading strategies to the everyday macro news. Here, I will show you how I personally handle trading around macroeconomic news.

In my early trading years, I was extremely attracted to trading the macroeconomic news. I thought that macro news releases were a great opportunity to make a lot of money quick. At first, I approached macro news from the fundamental point of view. I tried to predict the numbers as well as how the market would react. Sometimes I was right, sometimes wrong but in the long run, with all the effort I put into it, I found out that I wasn't able to find a clear edge I could use. In other words - I wasn't able to find a profitable trading strategy that would be based solely on fundamental analysis prediction.

It is very difficult, maybe close to impossible to develop a working strategy that trades the macroeconomic news.

As a result, I moved forward and tried to find a strategy that would be based on trading the macroeconomic news using only technical analysis. After I spent some considerable time and effort on this, I failed again. No matter how hard I tried, I wasn't able to make a working strategy based on trading the news that would be profitable in the long run.

The valuable lesson I learned the hard way is this: it is very difficult, maybe close to impossible to develop a working strategy that trades the macroeconomic news. You can be right few times in the row or have a good month, but in the long run, you might as well be tossing a coin. You will end up with around 50/50 strike rate at best.

The end of the story is that I found my edge elsewhere, with volume using the Volume Profile tool. But still, I needed to adapt my strategy to the macro news as it is part of the trading business whether you want to trade it or not.

A pretty funny thing is that now instead of trying to make money on the macroeconomic news I try my best to avoid the news. Now **I quit my positions before the news, I don't hold my intraday positions during significant data, and after the news is released I let the volatility drop down before trading again**.

Let me now give you a full description of my way of dealing with macro news described in **10 practical tips**. You can use all of them or just let them inspire you to find your own way to deal with the news. You may also use the tips for your own strategy and your own levels, or you can apply them when trading using my intraday levels I publish daily for members of my trading course.

Tip #1: Don't try to predict the news or the market's reaction to it

In my opinion, **it is nearly impossible to predict the news** - meaning the actual numbers and the market's reaction to it. **What is even harder is to predict the market reaction to the news.** Funny thing about markets is that they always find a way to surprise you. Sometimes really good news is not as good as the analysts expected and thus the markets treat it as negative data. Sometimes there is surprisingly good news, but still, the markets react in the opposite way they "should." There are many factors to consider, and we will probably never be able to see which factor outweighs the other ones, at least not before the news has passed and we have already seen the price move. Sure, we can tell the reasons the price moved after the news release (as most analysts do) - but obviously, this is too late and to no avail.

My advice is - **don't try and predict the news outcome and the reaction to the news**. Just put up with the fact that there are things you can't predict and don't have control over. It is easier to avoid this guessing game and instead concentrate on things where you actually have a solid edge.

Tip #2: Keep track of macro news release times

This is simply a must. You need to keep track of macro news releases every day. To be consistently profitable, you cannot afford to trade without being aware of all significant macro news that is coming up during the day. A good thing about the majority of the news is that the release dates are given way beforehand and also the release times are usually the same. What I personally do is check the Forex Factory webpage every morning and see what news is coming up during the day. I usually remember the strongest news and the times to avoid trading but to be 100 % sure not to forget anything, I check the news calendar at least once per day, usualy before each trading session.

You cannot afford to trade without being aware of all significant macro news that is coming up during the day.

If you are afraid that you will forget some significant macro news release, then you can also **set an alarm to go off a few minutes before the release**.

Another way to keep track of the news is to use my **TD Expert Advisor** (available for members of my trading course). This EA can take care of the news, and it won't let you enter any trades before or during the news release.

Tip #3: How to deal with unexpected news

Unexpected news is an unpleasant part of trading. Such news is part of the game, and there is no way to avoid it. More than once has the unexpected news caused me to lose a trade. Such news can be basically anything, but there are some that happen repeatedly. The most common are **unscheduled speeches** by central bankers, bank governors or presidents of world's leading economies (currently the most unwanted unexpected news is probably caused by D. Trump on his Twitter). It can also be things like an **act of war** such as North Korea shooting missiles above Japan, or some type of **natural disasters** like a hurricane, earthquake, or tsunami.

There are ways to avoid trading at least some of them:

1. **Use Forex Factory:** If you see a sudden volatility spike in the charts, then check Forex Factory ("All News" section) for any new "red news" causing the spike or not. If you don't see anything at first, then try refreshing the page few times as Forex Factory often has a few minutes delay in publishing the unexpected news. **If you see "red news" then it is best to avoid taking any trades until the situation calms down**. If I don't find any news to cause the volatility spike within few minutes, then I don't cancel any trades or trading levels, and I trade as usual.
2. **Use FX Squawk:** FX Squawk is an invaluable news service that informs you of any events with audio commentary in real time. To get it, you only need to register for free with FxPro (https://direct.fxpro.co.uk). This service is really fast, and it is probably the best and fastest way to keep yourself informed. If there is any unexpected news, you can be sure that FX Squawk will inform you almost immediately. Then you only need to cancel your trades or adjust your trading to the unexpected news.
3. **Use TD's EA**: This is an expert advisor developed for members of my trading course. One of the features it has is that it won't allow you to open new trades if there is a sudden price spike or spread widening (which is usually linked to news releases).

FX Squawk is a news service that informs you of any events with audio commentary in real time.

Tip #4: The importance and possible impact of different types of macroeconomic news

A good thing about the service Forex Factory and other similar websites provide is that they rank each news based on their importance. Forex Factory has three levels of news importance. The least important are yellow, then there is orange which represents medium impact news. Finally, there is the "red news" which is the most important releases of the day.

I personally don't really care about "yellow" (low impact) or "orange" (medium impact) news because this news doesn't have that strong impact on the markets (except US governors speeches - those are sometimes significant, and I treat them like "red news"). They don't usually cause significant spikes in volatility or anything else I should be concerned about. Because of this, I don't mind trading during these release times of "yellow" and "orange" news.

What I do care about is the "red news." Those are the most significant, and I recommend avoiding them for the most part. However, the problem with red news is that some are “more red“ than others. Don't get me wrong, the color is the same, but the importance and possible impact of different red news can vary significantly. Being able to distinguish between various red news could appear not so important, but in fact, this knowledge can help you a lot. Why?

Let me give you an example: There is a red news called "Crude Oil Inventories." There is another red news called "Rate Decision." Both are marked red as important news. The first one hardly ever makes any real impact on the USD while the other one is usually a start of a crazy ride that can last hours or days! In my trading, I know that if the price doesn't really move during the "Crude Oil Inventories" everything is okay and I can start trading again basically 1-2 minutes after the event. When there is "Rate decision," I know that I won't be trading at least few hours after the news release and if the news causes a one-sided trend to develop, I definitely won't be taking any levels that would go against this trend. I hope this illustrates that there is a clear difference between items marked red.

To give you something to hold onto, let me distinguish the red news into three categories.

1. Weak red news

If you feel like being aggressive, then you can hold your intraday trade even through such news. **This news probably won't cause any major volatility spike or sudden price change**. If you quit your trade before this news, you can re-enter the trade quite soon (let's say 1-5 minutes) after the release. If your support/resistance level gets hit during the news, you can take it (if you feel a bit aggressive) or you can wait a bit and then take the trade few minutes after the news.

Examples of "Weak red news":

- CB Consumer Confidence
- Crude Oil Inventories
- Unemployment Claims
- Core Retail Sales
- Building Permits

2. Standard red news

I never hold my intraday trades during such news. **Standard red news has a considerable impact on volatility**, spreads are usually widened, and there is a high risk of slippage. No matter how strong your support/resistance level is, this kind of news can start a trend which can shoot past your S/R and show no reaction at all.

If the outcome of such a news event is surprising for the markets, then it can be a start of a new trend. It usually looks like one-sided aggressive movement that continues moving in one direction without any distinct pullbacks. In such a case it is best to cancel all your trades that would go against such a trend and rather trade "Reversal trades" in the direction of the newly formed trend.

Examples of "Standard red news"

- CPI
- GDP
- NFP (Non-Farm Employment Change)
- Unemployment Rate
- President of a world-leading economy speaking (about a topic directly affecting economy and currency)

3. Monster red news

This kind of news is **capable of changing or starting daily/weekly/monthly trends**. Not taking any intraday trades (or swing trades) during and after such news is vital.

If there is a one-sided aggressive movement, then don't attempt to catch the high or low and rather let the price shoot past your S/R zone and enter a "Reversal trade" in the direction of the newly started trend. Still, you should really be careful and be sure that the first heavy volatility spike is over before attempting this. The reason is that during such strong macroeconomic events, all the banks and their algorithms are trading aggressively and the outcome of those first crazy moments is basically unpredictable. You should only start trading when the situation calms down and clears up a bit.

If there is such a strong news then it is usually best to avoid it by stopping trading few hours beforehand and start trading again in the next trading session, or in the session after the next session - for example if there is FOMC meeting in the US session then you start trading again in the Asian session. If you want to be more conservative, then you won't start trading until the EU session starts.

Examples of "Monster red news"

- Rate decision, Minimum Bid Rate (and following press conference)
- FOMC Meeting, Monetary Policy Statement (and following press conference)
- NFP (when market feels that NFP number can directly affect Rate decision)

Economic news impact tool

There is a handy tool which is called "Economic news impact tool (https://www.forexpeacearmy.com/tools/economic-news-impact)." With this clever widget, you can easily check the historical volatility caused by any standard macroeconomic news. The main advantage of using this indicator is to know **what to expect and to be able to make a rough plan before the actual macro event starts**.

You can use this tool for example when you are in a trade, and some macro event is approaching. You can check what the volatility during this event usually is and then decide whether to hold the position through the news or if it is too much a risk and it is better to close the position instead.

With Economic impact tool, you can easily check the historical volatility caused by any standard macroeconomic news.

Based on data from this widget, you can also check how strong any given macro historically was and decide beforehand if some of your levels get hit during the news whether you will take the trades or rather wait for the price to shoot past your level and take a Reversal trade in the direction of the new trend.

Tip #5: Which news affects which fx pair

I am usually careful about trades on fx pairs that are directly connected to the upcoming macro events. For example **when there is a major news affecting the USD, then I don't trade any fx pairs with the USD**. If there is major news concerning the AUD, then I don't take any trades of fx pairs with the AUD. It is quite simple. What is more tricky though, is macro news that affects some fx pairs indirectly. The most common ones are:

- **Oil news**: Those affect the CAD because the Canadian economy (and the strength of CAD) is dependant on the prices of oil which Canada produces.
- **"World economy danger" news:** When there is something dangerous happening in the world, it is a known fact that money flows into safe-haven currencies. Such currency is the JPY. In situations like this, the JPY is affected heavily, and it strengthens. Even in cases when Japan is in danger. A good example is a strong tsunami that hit Japan a few years back. As a reaction to this JPY strengthened - despite Japan being the victim! The currency was still considered a safe haven, and it strengthened. So, whenever the JPY spikes and

you see news about something dangerous happening in the world (for example North Korea shooting missiles, etc...) then you will be able to make the connection, and you will know it's best to avoid trading the JPY until the situation calms down.

- **Dairy auction news:** This news directly affects NZD because New Zeland's economy is hugely dependant on exporting milk. When there is Dairy auction macro news, you better avoid trading the NZD.
- **Industrial metals news**: If there is significant and surprising news concerning industrial metals (for example steel, copper), then you can expect to see some spike moves on the CAD and the AUD because Canadian and Australian economies are depending on exporting those metals. If there is an aggressive, one-sided movement on the AUD or CAD driven by news concerning industrial metals and materials, then it is usually better to avoid trading those currency pairs, or at least be a bit more careful.
- **News concerning a trade partner economy:** A good example would be strong news affecting China's economy. When there is such a news, you can expect the AUD to react. The reason is that China is the biggest trade partner of Australia. Australia exports to China, and if for example, China's economy slows down, then it means less export of industrial metals from Australia. This is bad news for the Australian economy, and the AUD reacts strongly to such news. So whenever you see strong and surprising news concerning China's economy, then remember to be careful with your AUD trades.

There are more correlations and links like this, but those I mentioned are the most common and affect the forex market, in my opinion, the most.

Tip #6: Don't trade during significant news release

Apart from the fact that it is very difficult or nearly impossible to predict price movement during the news release, also the market conditions are usually against you during significant macroeconomic events. Even if you had a working macro news based strategy, your strike rate would be severely diminished by wide spreads, lack of market liquidity, and slippage. Those are quite common and tightly linked to news releases. It is pretty hard to trade the news when you will often have your stop loss slipped by multiple pips or when your spread widens from the usual 0.5 to 5 pips. Such conditions literary kill any profitable day trading strategy. So also, for this reason, I decided to stay away from trading the news.

Wide spreads, lack of market liquidity, and slippage which occurs during macro news diminish your chances of winning

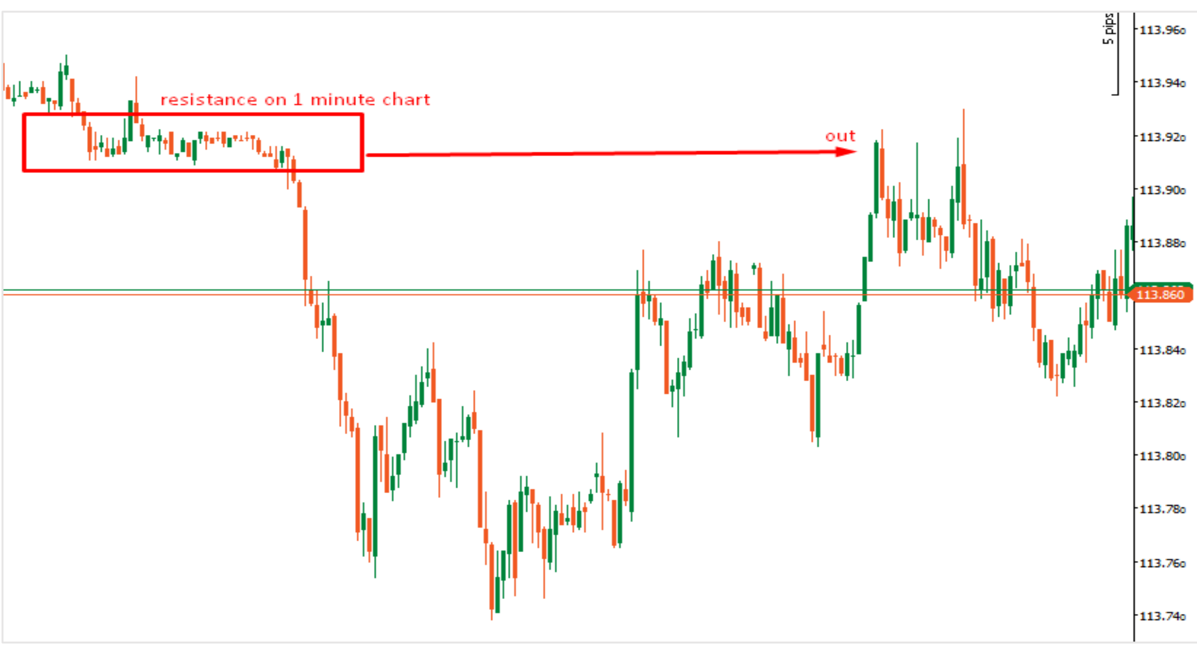
BONUS TIP: If I am trading using limit orders (this is around 50% of all the cases) then I simply lower my position size to the minimal size. This way I don't need to withdraw my limit orders. Worst case scenario - my trading level gets hit, and I lose few cents or a dollar. I switch back to my standard volume size after the macro event has passed. I do this simply to save time because setting new limit orders all the time becomes a bit tedious after some time. I do this with my broker which uses cTrader platform. I am not sure if this is also possible to do with the standard MetaTrader 4.

Tip #7: Ways to quit your trade before a significant news release

I prefer to quit my trades around 2-5 minutes before the release (in case of the most significant news for example like Rate decision even sooner). I usually watch the 1-minute chart to see what is going on with the smaller perspective. For example, if I see that there is a channel on 1-minute chart, I try to end the trade at the extreme of the channel. In this case, it is not likely that the market will shoot out of the channel before the release. By closing in this manner, I can make the best of the situation I'm given. Sure you can wait and pray, but remember, time is running out, so it's best to take the first logical exit.

Another example is when the price action doesn't slow down in a tight channel. In this case, I try to exit my position at the closest resistance that I can see on the 1-minute chart. This resistance is usually some type of price rotation (= small volume accumulation area) from which some buying or selling activity started.

It could look like this for example:



Tip #8: When to start trading again after the news release

The general rule to follow is this: **start trading again when the post-news volatility has calmed down**. However, this can sometimes be a bit hard to tell.

What helps me is to first check the type of the macro news. If it is really strong news like an Interest Rate Decision (or following press conference), NFP, CPI, GDP, then I expect heavy volatility and I am more careful about trading again after the news was released. Also, if such a strong macro event causes a one-sided movement (= strong one-sided uptrend or downtrend), then I am extra careful, and I prefer not to take any trades until I am really sure the markets calmed down. The risk of a strong and aggressive movement pushing past the level is just too big to take, and it is usually better to be safe than sorry. What I prefer in a situation like this is a reversal trade (more about it in tip n.10).

If the news is not as significant (for example Building Permits, Oil Inventories, Retail Sales, Unemployment Claims), then I don't really expect the impact on the markets to be that severe. In such cases, I only wait a bit for the price to calm down and then I am happy to trade again. This can be for example 1-10 minutes.

Tip #9: Re-enter a trade after a macro event has passed

If I quit a trade before news and the news doesn’t cause a significant enough spike to have hit SL or PT, I try to re-enter the position if I get a chance to enter at the same or better price as before. I only re-enter if the volatility has settled down and if the price didn’t go near the Profit Target (let’s say around 75% or more). I also re-enter only when I still believe it could be a profit. How do I determine this? As an example if I have a level I’m looking to go long from, I want to see a sharp and fast rejection of lower prices (1-minute chart) if I am going to enter my position again. If there is just a weak low and the price only slowly rotates at the reaction point, I am usually a bit hesitant to re-enter, and I may not re-enter it at all. In the two pictures below, you can see a short trade that I quit before the news and re-entered it after it. You can also see the sharp rejection of higher prices that assured me to re-enter the trade.


sharp and strong rejection of higher prices
Oil inventories macro news = no reaction
+5.6 pips profit
10 pips

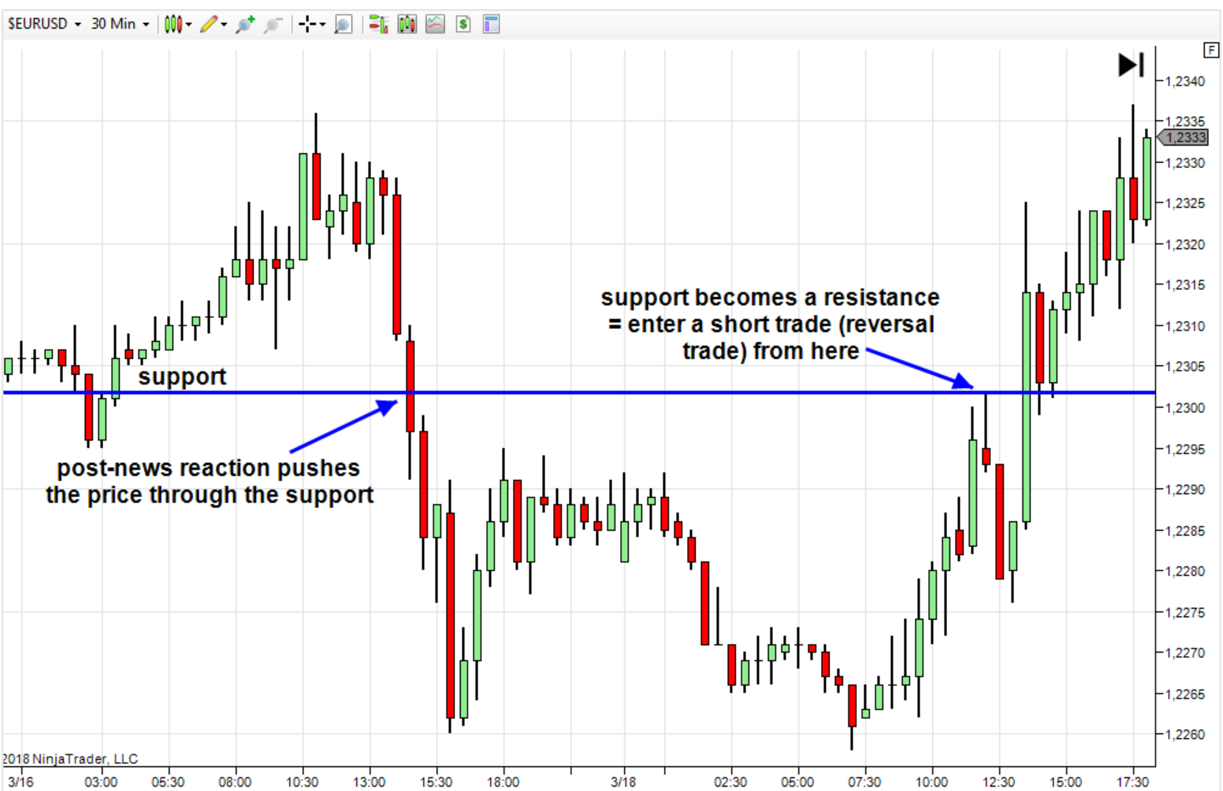

+5.1 pips profit

Tip #10: Adjust your trading to the post-news reaction

If the reaction to the news (significant ones) is strong and the price shoots quickly and aggressively towards your trading level, then it is better not to stand in the way and rather take a Reversal trade. Especially if the news was really strong (NFP, CPI, GDP) and the news outcome surprising.

You just need to wait for the price to push past the support/resistance level you wanted to trade and when it comes back to "test" the level from the other side, then you enter your position but in the opposite direction - which is the direction of the new post-macro trend. This way you basically use your trading level to participate in the trend behavior. You only need to adjust your bias and be ready to trade your level from the other side. Such development and reverse tests are sometimes pretty quick, so you need to be fast.

Have a look at a picture below:



Market analysis from A to Z

Intraday trading analysis

In this place, I would like to tell you how to approach your daily analysis of the markets from start to end.

The first thing to do in your daily analysis is to have a look at a **macroeconomic calendar** and see what news and events are coming up during the day. You need to mark the time the news is coming up. You don't want to end up caught in a trade that got triggered by a spike during the news.

Next, you want to look at the **overall trend** or the big picture of the asset you are about to analyze. You can do this by looking at a 240-minute or a Daily chart. This way you will see whether there is an uptrend, downtrend or a rotation. **If there is a strong uptrend then you want to take only long trades. If there is a strong downtrend, then you should only take short trades. In case there is a rotation, you can take both long and short trades.** You need to be aware of the overall trend because intraday levels are usually not so strong to stop or change a strong trend. If strong buyers or sellers are pushing the price aggressively in one direction for days, they won't really care if there is a "weak" intraday level in their way.

When you have marked the most significant macro news and you are aware of the overall trend, it is time for a **daily price action analysis**. I personally do this analysis on 30-minute charts. Also, 15 minute or 1-hour charts will do the job. In this place, you look at the chart and mark all the significant areas and information the price action is giving you. The most important thing to notice is **significant sideways price action** areas, **aggressive initiation activity** (trends) and **strong rejections**. I was talking about these in the Price Action section of this book. Let me show you (again) a picture which should make more clear what I mean:

This way you will have the complete picture of the market and you can start searching for trading levels.

Now, it is best to start with a **Volume Profile analysis**. You want to analyze significant price action areas from the previous step and look for the three main volume-based setups:

- Setup #1: Volume accumulation setup
- Setup #2: Trend setup
- Setup #3: Rejection setup

It is also helpful to look for confirmations of your volume-based levels. For that, I use the Price Action strategies mentioned earlier in this book. The "**Confirmation strategies**" are:

- Support becoming resistance (and vice versa)
- Open-drive
- AB=CD
- Session Open
- Daily/weekly high and low

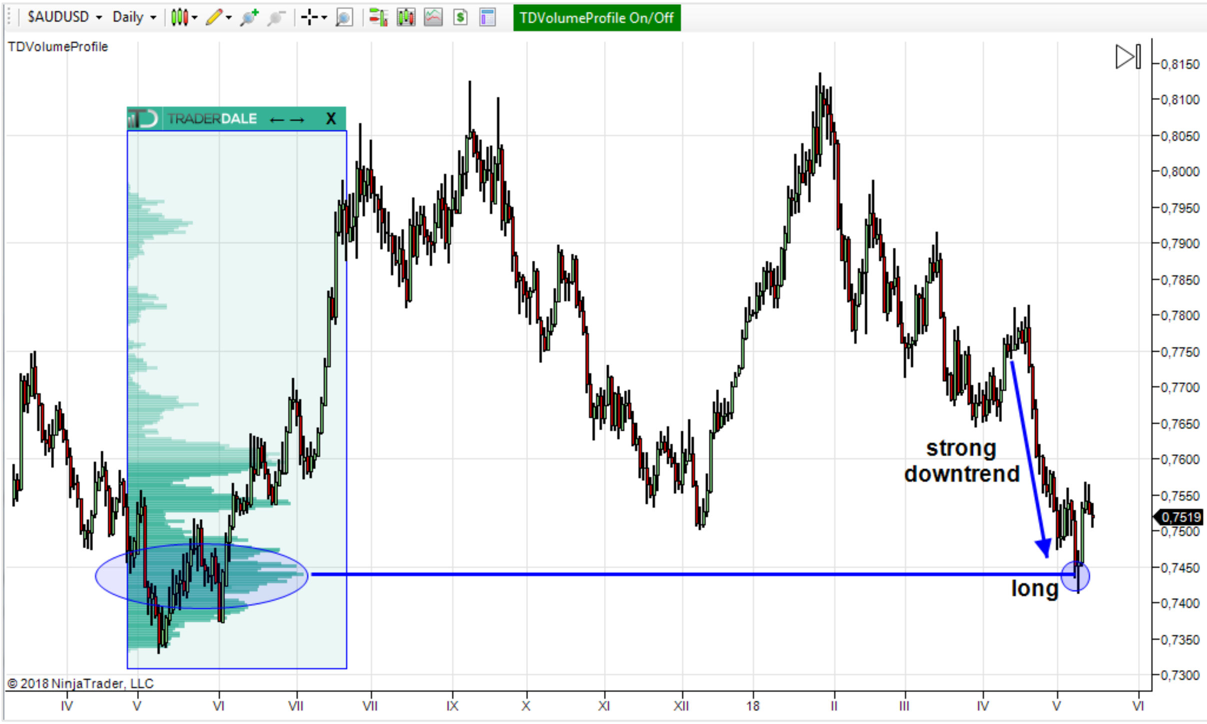
When you have your trading levels created it is also good to check whether there is a **weak high/low** in the proximity of your level. The same goes for a **failed auction** (both described earlier in this book). You need to be aware of these and avoid placing your entry levels near them.

After all, this is done, you only need to stick to your trading plan and execute all your trades perfectly.

Swing trading and long-term investment analysis

Planning your swing trades and your long-term investments is basically the same as doing the intraday analysis. In fact, it is a bit easier. The reason is that in most cases you can skip the first step (checking the macroeconomic calendar) and also the second step (analyzing the overall trend). The reason for that is that swing trades and long-term investments have much wider SL area and therefore the volatility caused by macroeconomic news usually won't endanger your trade (the exception is central bank-related news which can endanger your swing positions).

You also don't need to pay attention to the overall trend because swing and long-term investment levels are strong enough to change the course of a strong trend. Below is an example of a long swing trade I took recently on the AUD/USD (Daily chart):



In the picture, you can clearly see a really strong downtrend. Because this was a swing trade, I entered the long position despite it was a counter-trend trade.

When creating swing levels and planning long-term investments you only do the **Price Action analysis** and **Volume Profile analysis**. You do it exactly the same way as in intraday trading analysis, except you use higher timeframes. You can also use the "**Confirmation strategies**":

- Support becoming resistance (and vice versa)
- Open-drive
- AB=CD

With swing trades and long-term investments you also need to take the **weak high/low** and **failed auctions** into consideration. Look for these on a higher timeframe (240-minute or Daily for swings trades, Weekly or Monthly charts for long-term investments).

Position management

Profit Target

There are two primary ways to determine where your Profit Target should be. It can either be a Fixed Profit Target or Volume-based Profit Target.

Fixed Profit Target:

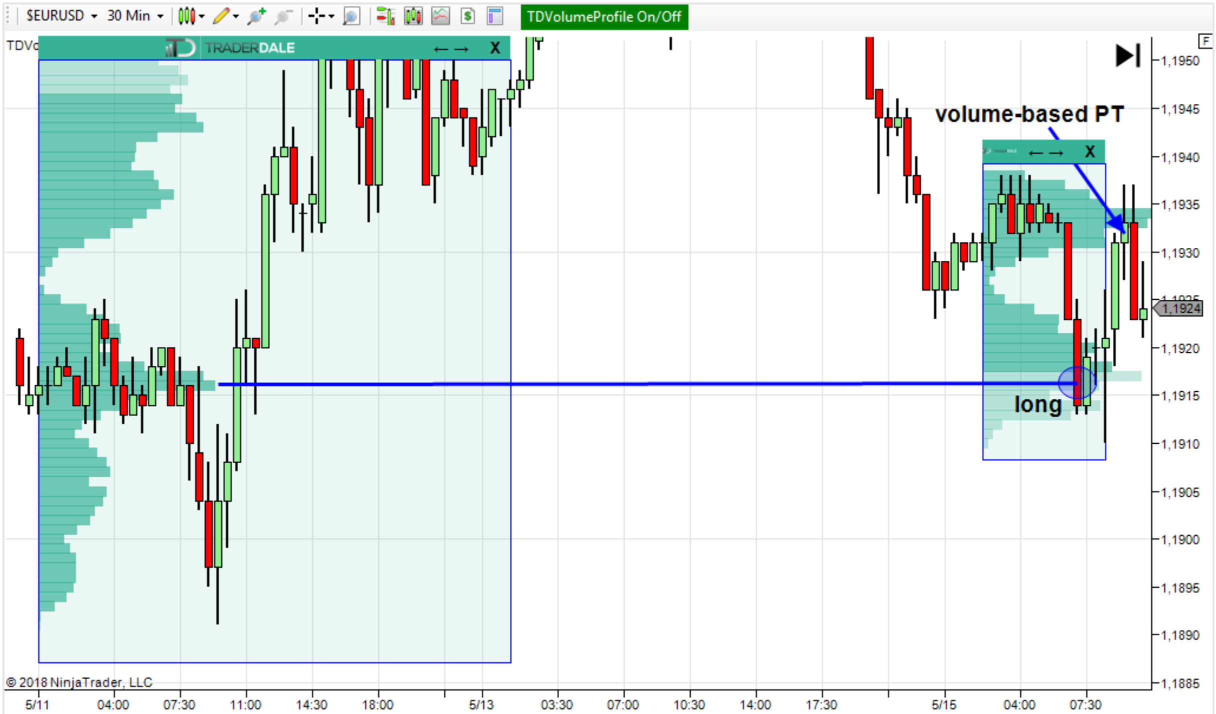
This way you adapt your PT to the volatility of the market that you trade. You do it, for example, using the ATR as I showed you earlier in this book. This way you use the same Profit Target pip value for all your intraday trades – for example 10 pip PT for every trade.

This method makes your trading and your decision making the process easier because you don't need to think about your PT setting in every single trade.

Volume-based Profit Target:

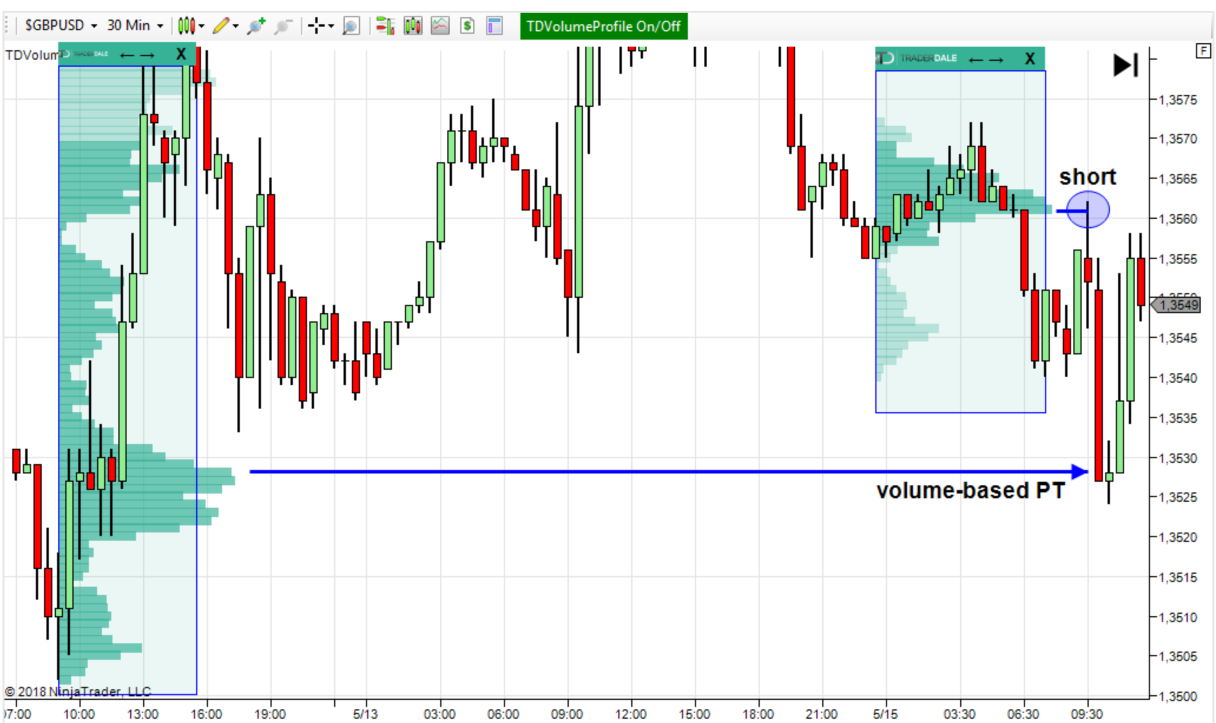
In this case, your Profit Target is different for each trade. You determine it by using the Volume Profile. The logic behind this is that **heavy volume zones are strong support/resistances**. For that reason, you want to **place your Profit Target in front of such support/resistance**, because there is a risk that the price will turn at the S/R zone and your Profit Target won’t get reached.

Have a look at an example of a long trade that I took a few days back:



In the picture, you can see how the volume-based resistance (around 1.1934) turned the price back into a selling activity. The ideal place to quit this trade was around 1.1930-1.1934.

Here is another example to make it more clear:



Right now, as I am writing about this topic, I have just quit a long position on the USD/JPY which was based exactly on this approach. Pretty nice coincidence, don't you think? Have a look at the trade below (my long trade was based on the Setup #2: Trend setup):

The general rule for the Volume-based Profit Target is to place the PT a few pips before the first significant volume area that stands in the way of your trade. If the closest area is too close (let's say that less than 10 % of average daily volatility), then don't take the trade. Your PT would be just too close and the potential gain from the trade wouldn't be worth the risk.

Stop-loss placement

Fixed Stop-loss

This way you adapt your SL to the volatility of the market that you trade. You do it, for example, using the ATR as I showed you earlier. This way, you will use the same Stop-loss for all your intraday trades – for example 10 pips.

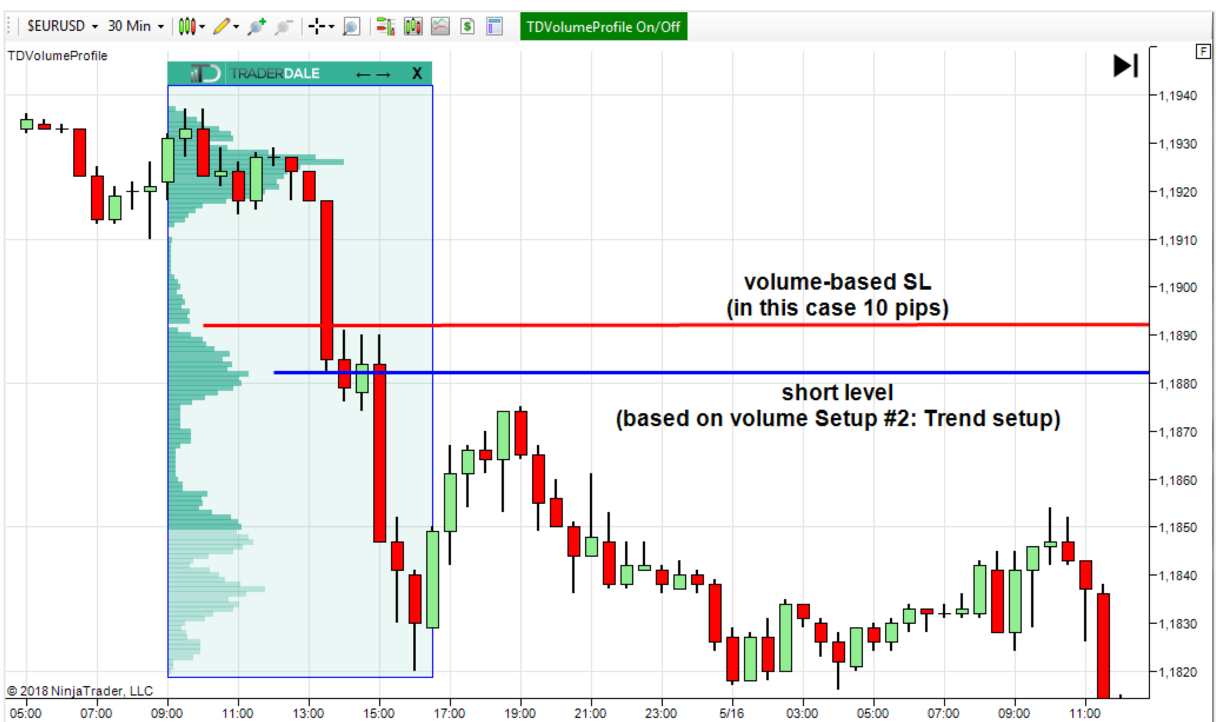
This method makes your trading and your decision making the process easier because you don't need to think about your SL setting in every single trade.

Volume-based Stop-loss

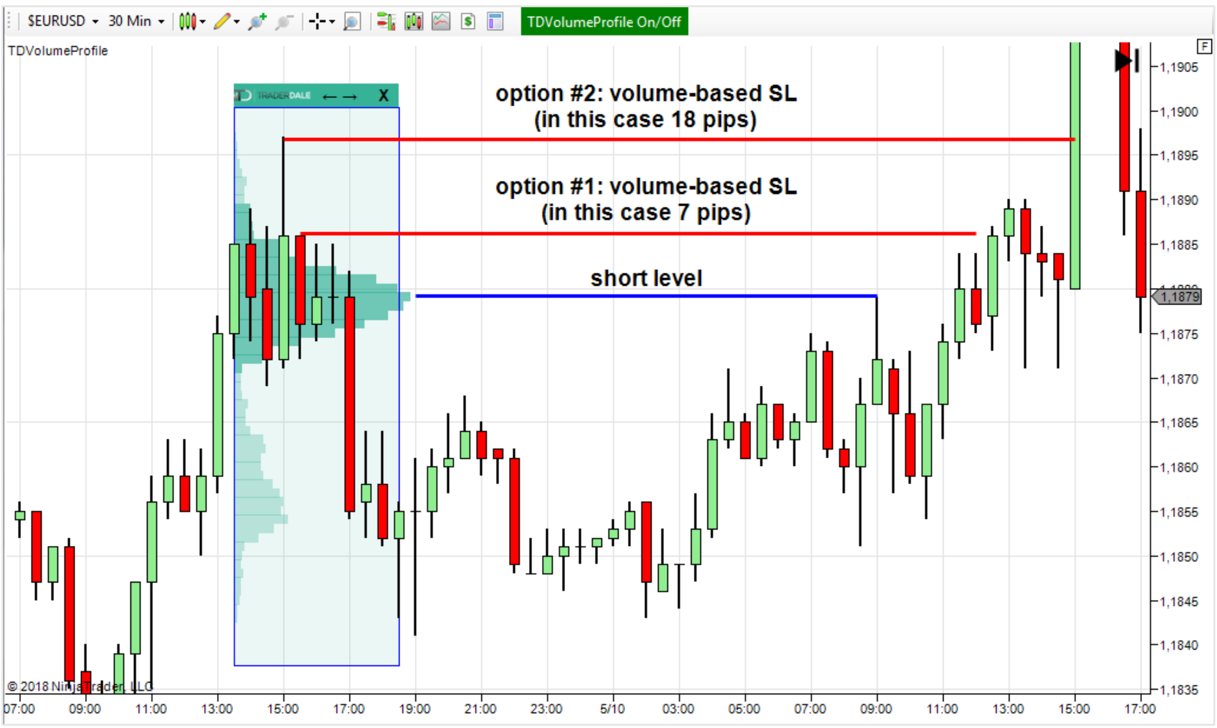
In this case, your Stop-loss is different for each trade. You determine it by using the Volume Profile. The logic behind this is that **significant volume zones are strong support/resistances**. For that reason, you want to **place your Stop-loss behind such support/resistance because the volume zone could actually prevent the price from reaching your SL.** Good places for such SL are for example at swing points where the volumes are usually the lowest.

With this approach, you also need to **take into consideration volatility of the market**. Sometimes your SL would be too tight with this method and the risk of the price shooting past it would be too great. Because of that, using this method is not fitting in all cases. For example, if your volume-based SL would only be 5 pips on a forex pair that has daily volatility around 150 pips, you wouldn't be very successful and in such case a fixed SL of for example 20 pips would suit the situation better. In such a case a good solution would be to use for example the 2nd closest significant volume area as the support/resistance behind which you place your SL.

Have a look at an example of a volume-based SL:



In the next example, there are two options for you to place your SL. Option #1 is to place the SL at the place where the significant volume ends. This would, however, be only 7 pips which is quite small so that you may prefer option #2. The second option has the SL at the top of a swing point and it is 18 pips distant from the short level. Which one of those you choose should depend on the volatility of the market and your preference:



The next example shows a swing trade that I took on the EUR/USD. I entered my long position at the place with the heaviest volumes (Setup #1: Volume accumulation setup). My SL was below the heavy volume zone and in the same time at the low of the swing point. It was 78 pips from the entry point, which was around 100 % of the average daily volatility.

Volume-based Stop-loss: Alternative SL approach

With the Alternative SL approach, you don't quit your position when it hits the SL level but you **exit it only when a candle CLOSES past your "normal SL".** The reason for that is that sometimes the price overshoots your level even though the original idea behind the level was right. This could be caused by strong volatility, SL hunt (SL squeeze), or because you simply didn't give enough room for the position to develop. I bet it happened to you many times, that you took a SL and few moments after that the price completely changed direction and your trade would end up in a profit. Alternative SL approach takes care of situations like that.

However, there is also a downside to this. The downside is that you don't know in advance what your final SL is going to be.

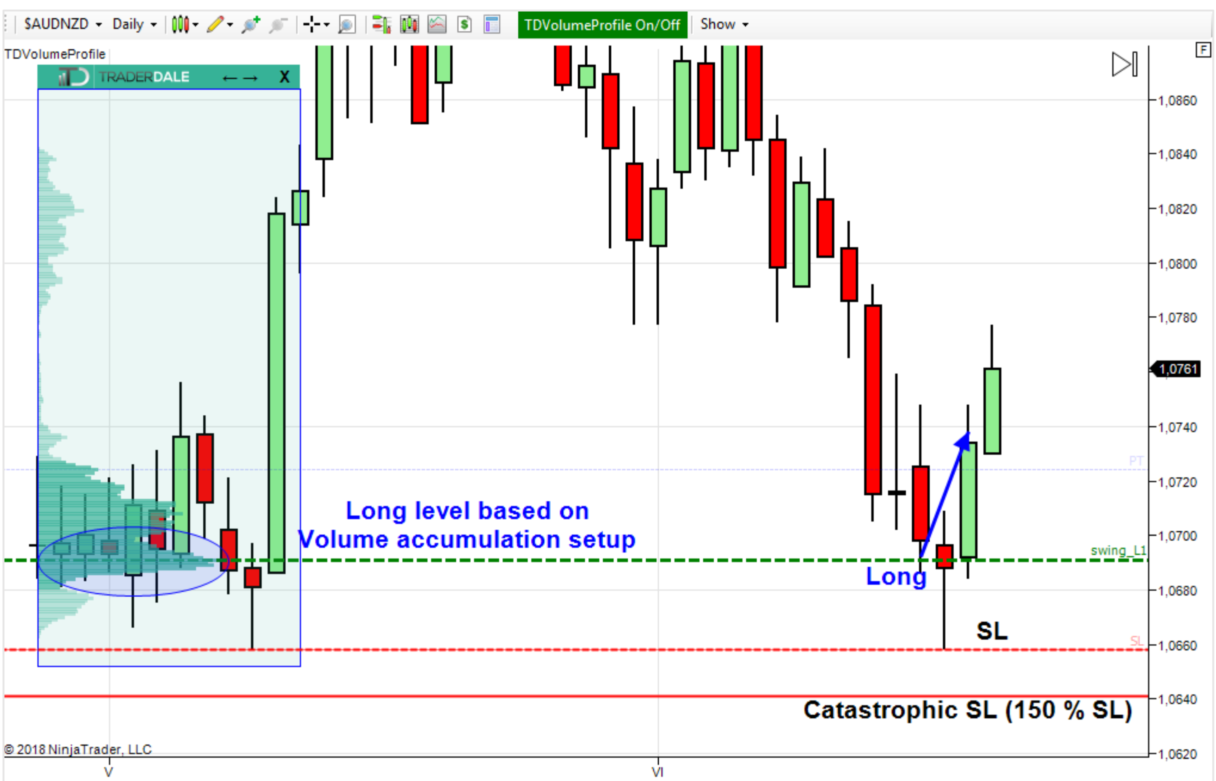
It is not easy to manage such positions from the money management point of view. For this reason, I use **"catastrophic scenario SL" which is 150 % of the "normal SL".** If the price hits "catastrophic scenario SL" – I quit the position immediately. With this, you can at least tell how much the absolute worst scenario will cost you.

In my experience, the Catastrophic SL doesn't get hit too often. It is there mostly as a safety pin.

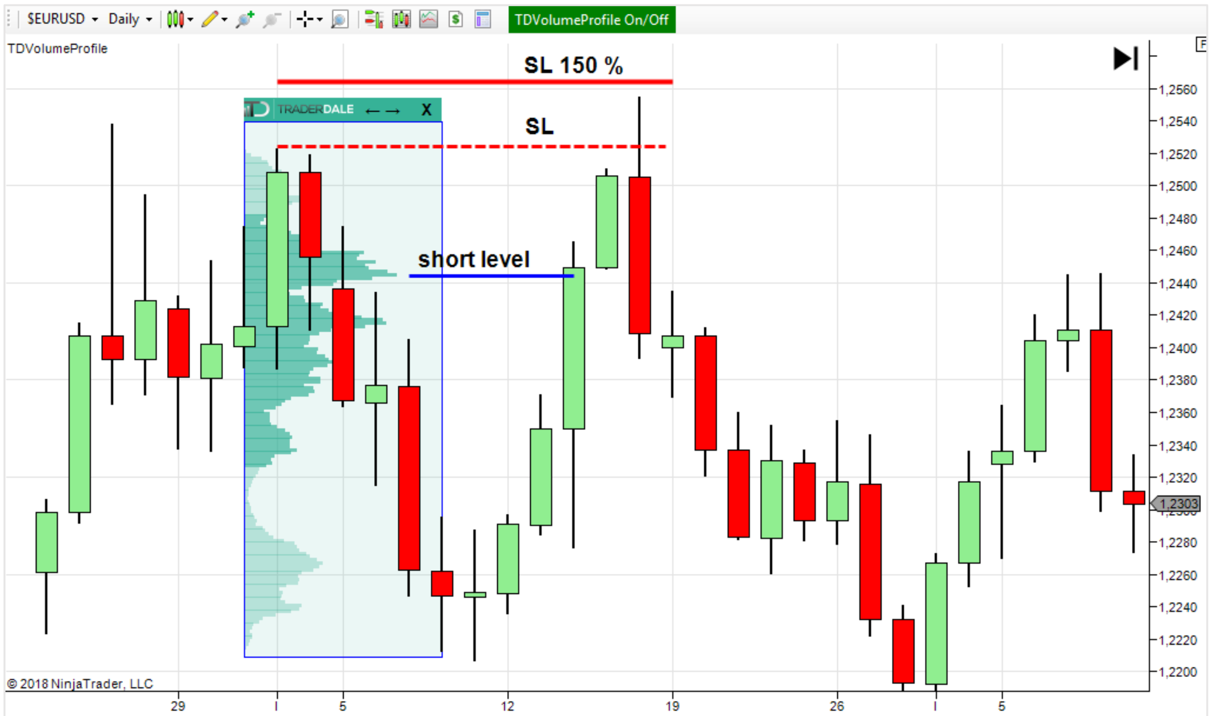
Let me demonstrate how the Alternative SL approach works on a trade that I closed yesterday.

Below, you can see a Daily chart of AUD/NZD. I had there a long swing level which was based on Volume accumulation setup. The "**normal SL**" would be around 1.0659 - exactly at the low of the pin bar wick you can see on the left side of the chart. This is a good and a logical place for a SL because it is below the main support zone = below the volume cluster (in the blue circle) and in a low volume area. After I entered the long trade, the price went against me and it hit the "normal SL". I think that probably lot of people had their SL orders there and the market just went there to take them. After that, the price finally turned upwards.

I didn't close my position when the price hit the "normal SL" because I used the Alternative SL approach. I would have closed my position only in two cases - 1. If a Daily candle closed below the "normal SL" line or 2. If the price hit the Catastrophic SL. Neither of these two scenarios happened so I held the position and I was able to take a full profit the next day.



Let me give you one more example, this time of a swing trade on the EUR/USD. The price didn't really respect a short level that I had there and went into the SL. However, the Daily candle didn't close above the SL and it also didn't hit the catastrophic 150 % SL. For that reason, I didn't quit the trade and held it. Eventually, the price turned and I was able to take a profit.



*I prefer to use the Alternative SL approach in my swing trading and I use it with daily candles. I don't apply the Alternative SL method to my intraday trades.

Stop-loss management

Stop-loss management is when you manage your potential losses by moving the SL order. I distinguish three SL management approaches:

- **Aggressive approach:** You trade without moving your initial SL. If you used for example 12 pips SL then don't move it no matter what happens. There are only two outcomes of the trade: full SL or full PT.

  Even though this approach may seem too simple to work, it is in fact, pretty effective. However, sometimes there are cases when the position turns just a tiny bit before the

Profit Target and then runs into a full SL. Unfortunately, this approach doesn't deal with such cases.

I personally use this approach when I trade the Asian session (because I am asleep and unable to manage my positions manually).

- **Neutral approach:** you move your SL to the reaction point (the place where the price actually turned) when the price makes it to 70-80 % of your Profit Target.

  With 10 pip Profit Target, the situation would look like this:

  This way, you can prevent the scenario when you miss your Profit Target by few pips and then the price turns and hits your full Stop-loss. Usually, when the price has made the 70-80 % move you can be pretty sure that this was the actual reaction to your level. If the price returns back to the reaction point after the 70-80 % move, it is best to quit the trade because the reaction was already there, only not as strong as you would like.

  *I prefer this approach when I trade the EU and the US trading sessions.

- **Conservative approach:** When the price makes 70-80 % of your Profit Target move your SL to your entry point (Break-even point) so the trade can't end up as a loss.

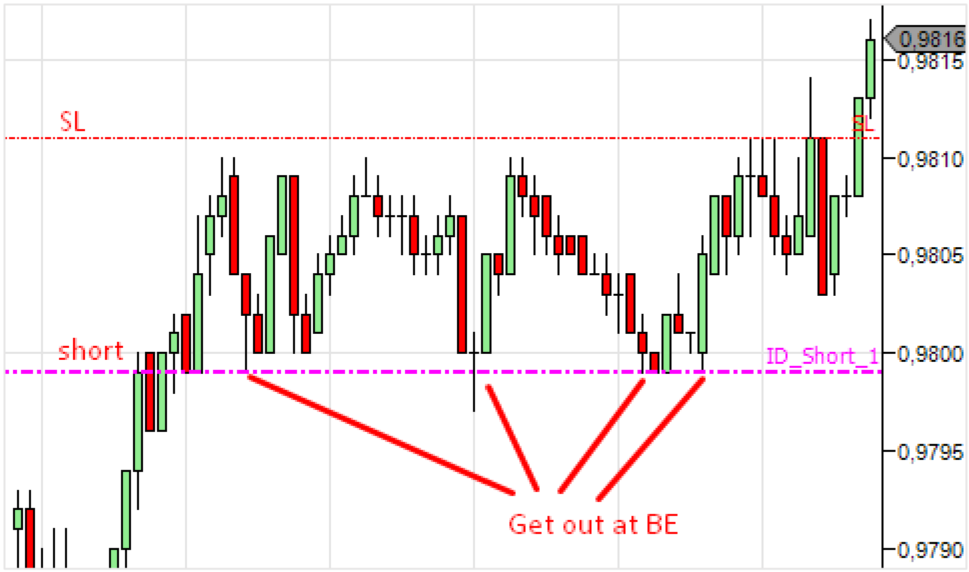
With 10 pip Profit Target, the situation would look like this:

I am not a fan of this approach. The reason is that it is quite usual for the price to return back to the entry level after the first impulsive reaction. The main reaction, however, sometimes happens only after a pullback to the entry point. This way lot of potentially profitable positions would end up too soon.

The reason why a lot of people like this approach is that they feel safe when they secure the position at Break-even. In such case, it means that they can either win or quit without a loss. In real trading though, such people quit a lot of trades that would eventually end up as winners.

Quitting the position earlier

You can apply this rule in all three Stop-loss management approaches I mentioned. The idea is to **quit the position at the Break-even point when you see no reaction to the level** and when the price makes a long rotation in red numbers (below your long entry or above your short entry) without any significant rejection. In such case, you try to get out ideally at Break-even. For example like this:



In my opinion, the best place to quit your position early is exactly at the entry level (at Break-even) because the level usually works as a support/resistance zone.

If the price doesn‘t respect the level, goes past it and the level starts to work as a resistance zone (when you are short) or as a support (when you are long), then it is a good idea to get out at BE and look for the next setup. It is essential to get out exactly at BE. Usually, the reactions to the volume-based levels are really precise so being greedy and not quitting the trade at BE would just cause you to lose an opportunity to get out of a bad trade.

Also, such opportunities (to get out at BE), in my experience, don't last long. In fact, they usually take only a few seconds or minutes. For this reason, it is best not to try to quit the position manually, but to move your Profit Target order at the BE level so it gets triggered automatically.

Whether you will manage your positions this way or not is optional and solely up to you. It is not a bad method but sometimes being patient with your position pays off more than trying to get out of every second trade you enter. I was personally using this method few years but then I decided I would simplify my trading. So, I stopped getting out of trades at BE and in most cases, I hold my positions until the end no matter what happens.

Money management

Money management is an essential part of every trading plan. Even if your trading strategy is really good, you can end up losing if you don't have solid money management.

How much to risk per trade

One of the most important aspects of solid MM is your risk per trade. Here is how to determine how much to risk:

First, you need to do a backtest of your strategy. With the backtest done, you will be able to see how the strategy performed over time. The most important thing the **backtest will show you is the biggest drawdown the strategy historically made**. This way you will have a rough idea what the worst scenario could be. It is important to keep in mind that this is only a backtest so the actual worst case scenario will be a bit worse in real trading conditions (for example 20 % worse).

Let’s say that in the worst drawdown, the strategy made 6 consecutive losses. Add to it the 20 % coefficient and you have 6 x 1.2 = 7.2 losses. So, you can expect that in the worst case you will take 7 losing trades in a row.

Now, you need to **think how much of your account balance are you prepared to lose and still be relatively okay with it**. Relatively okay means that you will be okay with such a drop and you will still be able to think clearly and stick to your plan. Let's say that you feel comfortable losing 25 % of your account balance. Obviously, this number will be quite different for everyone. I can imagine an ambitious young person trying to turbo boost his small trading account who could still feel relatively okay with 50% drawdown, whereas an older, more experienced trader with a much larger account would feel really bad if he lost 10 % of his account.

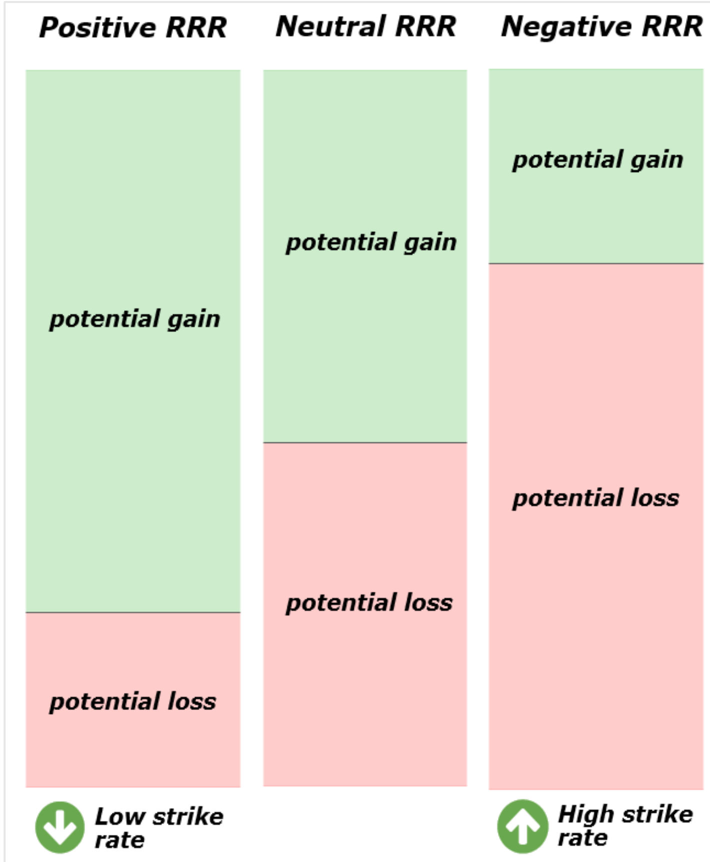
In this example, let's say that you are mentally able to handle a drawdown of 25 %. In this case, the 7 losing trades should represent the 25 % loss. If you divide the 25 % percent by the number of trades, you get the percentage of your trading capital you should risk per one trade. In this case it is 25 % / 7 = 3.58 %. Based on this simple calculation, your risk per trade should be 3.58 %.

Risk Reward Ratio (RRR)

Risk Reward Ratio shows how much you risk compared to how much you can win. For example, if you enter a trade where you risk 20 pips (in the case the price goes against you) and where your potential gain is 40 pips, then your RRR = 1:2. Have a look at the simple example below:

It is sort of a consensus that you should always maintain a positive RRR (potential gain is bigger than your potential risk). I am not really sure why everybody prefers it this way though. It seems like they don't really see the downside of positive RRR, which is lower strike rate. This is simple statistics. So for example, if your strategy has 60 % strike rate with RRR 1:1, then if your stretch your Profit Target so the RRR is 1:2, then the strike rate will go proportionally down and your strike rate will probably be somewhere in the 40 % area.

Just remember this: **the more positive RRR, the lower strike rate**. It is simple math and there is no avoiding it.



There is one more factor, that everybody seems to miss. It is the time factor. **The longer you are in an open position, the higher the chance that something unexpected will happen** (something will go wrong). For example, the market could lose its momentum, or there can be some unexpected economic news that completely changes the direction and mood of the markets, etc... A lot of unexpected things can happen. If you stretch your PT too far to have positive RRR, then the risk of something unexpected happening is bigger than if you used RRR for example 1:1.

Some people prefer to win often so they chose negative RRR (you win less then you risk). The downside to negative RRR is that when you take a losing trade, it hurts bad (loss is much bigger than your standard profit)

Some people like to have positive RRR – for example those who trail their positions and from time to time take a big winner. The downside to this is that the strike rate is low and they need to be very disciplined in their trading because the number of losing trades is high. It is not easy to stay mentally okay when you have taken a 7th loss in a row...

I think that neither extreme is good. For this reason, my personal preference is RRR close to 1:1.

Position sizing

It is very important that you **use the same position size for all your trades**. If, for example, you decide to risk 2 % of your account balance per trade, you need to stick to this rule. Your SL or PT pip value can change from trade to trade, but your risk per trade needs to remain the same.

Some traders like to adjust their position size also according to their "feeling" about the trade they are going to take. If they really like the scenario and feel very positive about their trade, they risk more. If they are not so sure, they risk less. I am not really a fan of this approach because of two reasons. The first reason is that a "feeling is not something you can measure. The second reason is that in my experience, the trades that don‘t look so perfect have about the same chance of success as the best looking ones. In fact, I have seen so many really good looking trades go wrong that I am actually a bit concerned when I see a perfectly looking trade.

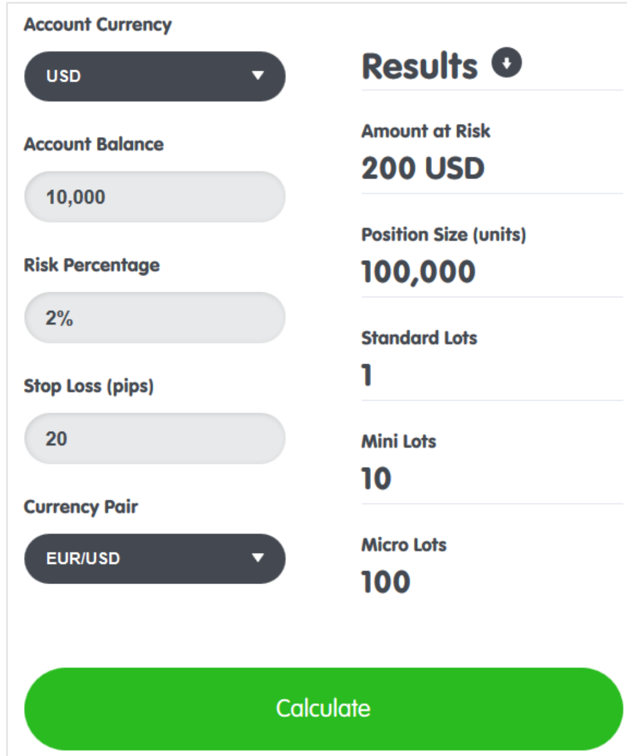
Because of this, I stick to a firm plan and trade all my trades with the same position size.

Trades that don‘t look so perfect have about the same chance of success as the best looking ones.

I need to point out that **different types of trades CAN vary as far as the position size is concerned.** You can risk for example 2 % on standard intraday trades, 1 % on reversal trades and 3 % on swing trades. But, you need to stick to those numbers and don’t risk for example 1 % on one intraday trade and 3 % on another intraday trade just because you believe in the trade more.

There are many position size calculators on the internet (sometimes also part of a trading platform). You can use for example this one: https://www.babypips.com/tools/position-size-calculator

You don’t need to calculate your position size with every change of your trading balance. What I suggest is this:



Let's say that you are willing to risk 2% of your entire account balance per trade. Therefore, if you have a $10,000 account, you risk $200 per trade. **The key is not to lower the risk during a drawdown.** This would result in a much longer process of digging out from under the losses. So, you risk the 2% of your account at the beginning of the month and only adjusting the number up when you set a **new 'high water mark' for the ending account balance**. As an example, if the account goes down to $9,000 then you would keep the risk the same. If however, you end the month with $11,000 in the account then you made a $1,000 profit. You would then set your 2% risk based on the new high water mark.

Correlation

Sometimes it happens that there is a very similar level at two (or more) heavily correlated forex pairs or other trading instruments. **If you see that price is approaching both of the similar levels and that it will most likely hit both of them at the same time, it is better to lower volume in the positions you are going to enter in order to lower your risk exposure.**

If you don't lower the volume of your positions, you are be betting too much on highly correlated trades. These trades will probably end up the same way (all in profit or all in a loss). This way you enhance your risk exposure, which is pretty dangerous.

Below, you can see an example of two visually very similar trading levels. One is on AUD/USD, the other on EUR/USD. There is pretty strong selling activity and it is evident, that it is USD driven (USD is strengthening and that's why both pairs go downwards). Both long levels get hit almost at the same time. The USD is getting more and more strength, both long levels don't get respected at all and they both end up as a losing trades.

If you used your standard trading volume in both cases, then you would have two full losses. With half positions, your losses would only be halved.

Trading psychology

Psychology is a significant part of trading. You can have a really good trading system but when you aren't able to follow a plan and stick to your rules, then even a winning system will not work for you.

The first step to start learning trading psychology is to open a real account.

In this chapter, I will give you some psychology tips but in the end, it is all about experience. You need to learn it yourself, you will probably need to reprogram your head a bit.

The first step to start learning trading psychology is to open a real account. Demo won't do. The money needs to be real. If the money is real, then your emotions are real. Even with small amounts of money, you will experience all the emotions that go with trading. You will experience greed, temptation, fear, despair, failure, triumph... these are emotions that demo account will never give you. The best thing about it is that even a small trading account will do. Even a small trading account with 0.01 lot trades is a hundred times better than a demo account.

Four kinds of trades

One of the most difficult things in trading is to realize and put up with the fact that you cannot be right in 100 % cases. In fact, if you manage to be right in 60 % in the long run, then you are a true pro in this game! I think people, in general, have a problem accepting they were wrong. Since school, we were praised when we were right and punished when we made a mistake. That is one of the reasons why people have a problem admitting that they were wrong in their trading analysis and that they had a losing trade. A losing trade isn't necessarily a bad trade though. I suggest that you look at this from a different perspective and recognize four kinds of trades:

Good winning trade

Good winning trade means that you made your analysis properly and you also executed the trade flawlessly according to your trading plan. Then the trade went according to your plan and ended up as a winner. This is the kind of trade everybody likes.

Bad winning trade

Bad winning trades are in my opinion the worst ones. Such trade is usually made without analysis or with a poor analysis. These trades are also made based on a "feeling" or on a decision made on the spur of the moment. Bad are also trades that you executed badly – trades where you didn't stick to your plan.

A badly planned or poorly executed trade is a bad trade, no matter if it ends as a winner or as a loser.

The worst thing about such trades is that they encourage you. When you take a trade based just on your gut feeling and it is a winner, then you are encouraged to take more such trades. It worked this time, so it will work in the future too, right? No, it won't! What is most likely to happen is that you will be trading based on your gut feeling more and more and you will start losing money. You will also probably start trading with bigger positions (because your gut feeling must be right this time!)...You know how this sad story ends, right? It ends with a margin call.

Remember – a badly planned or poorly executed trade is a bad trade, no matter if it ends as a winner or as a loser.

A bad trade is also every trade you don't trade 100 % according to your rules. If you, for example, bend the rules a bit in one trade and it ends up a winner, then you will feel encouraged to bend some other rule next time. In some time you will be bending most of your rules and you will wonder why the strategy no longer works. Obviously, the reason is that you bent so many rules that it became a new strategy (which you haven't backtested and you haven't hard rules for).

Good losing trade

Good losing trade is potentially dangerous, especially for newbie traders. I call this kind of trade the "hope-killer". You have a good and solid strategy, you do your analysis thoroughly, you executed your trade exactly according to your trading plan and then the trade ends up as a loser. You did your best and still, you lost. So, the logical conclusion is that the strategy doesn't work, right? No, the strategy probably works just fine but it only works for example in 60 % of cases (which is a good win rate). You only hit the remaining 40 % in which the strategy fails. It is even possible that you do everything right again and still, there is another losing trade and then another. This is still statistically possible. The most important thing is to stick to your rules, don't change anything, focus on analysis and flawless execution. Not on the short-term result.

There will be losing trades. You need to accept that and make your peace with it.

I heard a really fitting and helpful quote, that I try to stick to. It goes like this: ***"When you want to win a tennis match, you need to watch the ball. Not the scoreboard."***

Some time ago, when I opened a pretty big trading account, I started with a drawdown. I took a loser after loser. I wasn't exactly happy about it but I was experienced enough to know that this is statistically possible and I didn't freak out. I continued doing my analysis thoroughly and I followed my trading plan 100 %, no matter that first trades were all losers. In the end, it turned out just fine and my account grew consistently.

So, always remember – no matter how good your strategy is, no matter how thorough your analysis is and no matter how flawless your execution is, there will be losing trades. You need to accept that and make your peace with it.

Bad losing trade

Bad losing trade is a trade that was based on a skimp analysis, no analysis or on a "gut feeling". Such trade can also be a poorly executed trade or a trade you took without any real thinking. A good thing about such trade (from the educational point of view) is that you get immediate feedback (Stop-loss) for your lack of discipline.

Hopefully, you will be clever enough not to repeat your mistake again. There is no reason for you to be mad about making such a trade if you are new to trading. Think of it as a scholarship fee. Just try to learn from your mistake and don't repeat it.

How to never break a rule

An interesting fact about trading psychology is that everybody knows how to handle it theoretically. When it comes to real trading though, most people find out that it is not so easy and there are barriers in their heads. Such barriers prevent them from executing trades as easily as they would like to.

One of the most common problems is that people are quitting their trades earlier than they originally planned. For example, their Profit Target is 10 pips, but when they are 8-9 pips in open profit, they close their position because they are afraid that the price will turn. So, instead of taking full 10 pip profit, they take "at least something". I was also like this, so I know what I am talking about. There is nothing rational behind such behavior. People are just afraid. The strongest emotions traders face are fear and greed.

The fix to this is to use a trading journal and start doing a simple statistics of your trades. You do this in order to collect some hard data. **Write down what your actual result was and in another column write what your result would be if you stuck to the rules. After some time you will see a big difference between the two.** Statistics and hard data that you collected will show you something that you won't be able to deny. Whenever you will be tempted to break or bend your rules again – just remember the statistics that you did. You will know that statistically speaking – breaking a rule hurts you and you won't do it ever again.

Cycle of doom and despair

I know that Cycle of doom and despair sound silly. I wanted to change the name of this chapter, but I decided I won't because it just fits.

What I call the Cycle of doom and despair is a phenomenon and a reason why so many traders fail. The cycle starts when you as a trader develop or learn a relatively good trading strategy. You trade with it but before you give it enough time to master, you start tweaking it and changing little aspects of it or you start to look for another strategy, which you think would work better. In the end, you are caught in a circle where you only look for new strategies, but you don't spend enough time to master any of them. This way you are always losing money and always looking for something different. This is the Cycle of doom and despair.

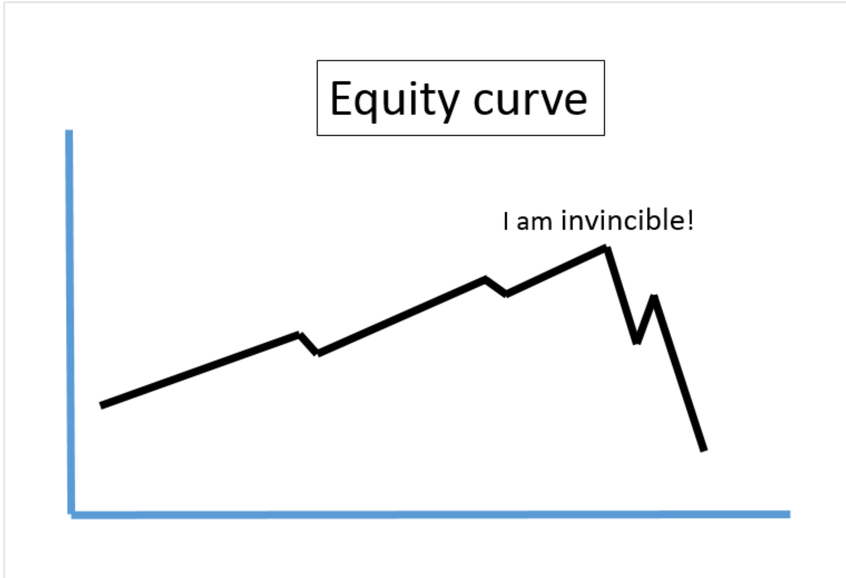
Find one strategy that you feel most comfortable with and then stick with it.

The only way out is to stop looking for new strategies. Find one that you believe in, one which makes the most sense to you and which feels most comfortable. Then give it enough time. Don't be impatient. Trading isn't easy. If it were, everybody would be doing it.

One thing can be a bit confusing so I would like to make it clear. Traders should try different trading styles to see what fits them best, what feels most natural and what they are most comfortable doing. However, they should not jump from strategy to strategy. This would be for example jumping between ten intraday strategies – that would be the Cycle of doom and despair which makes traders fail.

How to handle winning

Congratulations if after all the hard work your strategy is successful and your equity curve goes upwards! If you want to maintain being profitable, you need to keep respecting the markets and you need to stay the hardworking and humble person.



Usually, people who start winning start to feel like they are invincible, they start to risk much more money, they enter more risky trades, they don't do their market analysis and trading preparation as properly as before, they start to bend rules, etc... Before they know it, they start losing money quickly and they are back where they began, or worse – they find themselves in enormous drawdown.

People usually take a break after such experience and after few weeks or months, they start anew. Again, they start humble and hard working. When they start being successful and profitable, they repeat their mistakes and they become careless and they start feeling invincible again. Then they fail. This cycle repeats until the person quits trading, often blaming markets or the strategy for not being consistent.

The trick is to stay humble and hard working all the time. When you have a winning streak or when your trading is going really well, then you need to be most vigilant and extra careful. Do your analysis properly, don't overtrade and most importantly, don't start trading with too big volumes! You may raise your trading volumes a little bit, but you need to do it little by little. When a losing streak hits you (this will happen sooner or later), you need to stay in the game and survive. Not to blow your account just because you have just doubled your positions because you felt invincible.

How to handle losing

A really important and helpful thing in trading is to have statistics of your strategy. If you are starting with a new strategy you can use statistics from your backtests and then start adding statistics from your real trading to it. Statistics based on data from your real trading is much more valuable than statistics based on backtests.

How to deal with a standard drawdown

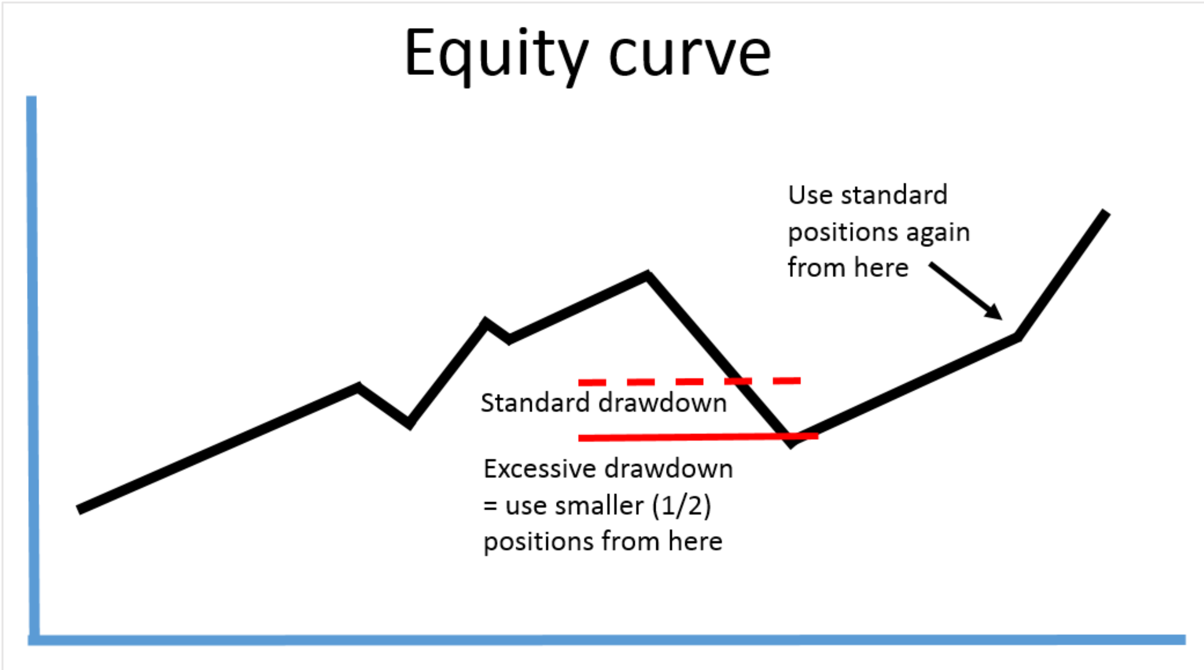
When you are losing, it best to take a look at your own statistical data and see if such a scenario has happened before. You need to see if this is still "normal" or if something bad is really going on. If you are just in a regular drawdown, then seeing the statistics will reassure you, because you will see that this is still normal, that it happened before and that the strategy will most likely work just fine again. In this case, I suggest you just continue with your trading as usual and try not to freak out too much. Remember that all strategies have their ups and downs. It is important that you do not change your strategy nor your money management.

How to deal with an excessive drawdown

Excessive drawdown is when your current drawdown is bigger than any drawdown your strategy ever made. I don't recommend any extra measures until your current drawdown is more than 30-50% of your biggest drawdown. So, for example, if your biggest drawdown was 20%, then you start taking action when you are 26–30% down.

Lower your trading positions when you are in an excessive drawdown.

When you are in such a drawdown, it is natural that you are afraid to take more trades. You feel like your strategy has stopped working and the more you trade, the more it hurts. When this happens, I do not advise you to stop trading. You would probably miss a winning streak (Murphy's law works really well in trading). Instead, I recommend that you continue trading, only with smaller positions (for example half positions). With smaller positions, you won't be paralyzed with fear of losing another trade and you will be able to think clearly again. You will regain faith in your strategy and you will be slowly digging out of your losses. It won't be as fast as with full positions but you will be making a progress. You can start using your standard position size again when you dig out at least halfway through the drawdown and when you feel confident enough to trade with standard positions again.



How to get back on the right track

Sometimes what was working before seems not to work anymore. Instead of jumping to another strategy, I suggest that you try to find what you were doing differently back then when your trading was just fine and your strategy was working.

The best thing you can do is to take a screenshot after every trade you take and add a brief commentary to it. Taking such a screenshot literally takes 1 minute and it can save your trading career! Some people do only screenshots of their bad trades but instead of focusing only on the negative, you also need to see what you were doing right and what was working. So, when you are struggling, go back to your screenshots and go through them. See what trades you were taking when everything worked just fine. Now you only need to trade the same way as you did before when everything was fine. This will help you get back on the track. It is like when your Windows crashes. It loads a backup of the last configuration that worked. You should do the same.

Another thing you can do is to go through your statistics and see what trading instruments work with your strategy the best. If we are talking forex, then it is usually the EUR/USD that outperforms the other pairs. So, if you are struggling, I suggest that you start trading only the instrument that works the best for you. Don't trade anything else until you regain a major part of your lost capital back and until you feel comfortable enough to start trading with the other, worse performing instruments again.

I hope that you have realized how enormously a good statistics can help you. If you are struggling and you don't have a solid statistics with screenshots to lean to, you are left clueless and helpless. You probably won't survive your first drawdown. So, if you are not writing down your trades or doing screenshots of your trades, then start now! One day you will need it and it will help you tremendously.

Good statistics and trade screenshots will help you when struggling.

Th last thing I would like to mention here is that you don't need to go through your statistics and screenshots only when you are in trouble. In fact, I suggest you do it regularly. Especially going through the screenshots is really helpful, educational and it will help you move forward in your trading no matter how good you are. Sometimes, it is really interesting to see what trades you were taking one or two years back. You will realize the progress you made since then and it will make you feel really good and motivated.

Backtesting & getting started

Since I have already talked about the strategies, money management, position management and psychology, I think it is now time I showed you how to backtest the strategy that you like and how to get started.

Here is my way of backtesting new trading ideas and implementing them in my trading. At first, I would like to say that there are many ways how to approach this. Some people do their backtesting very thoroughly and they are very analytical in their approach. It takes them very long before they implement new ideas in their trading but when they do they have very accurate statistics and a heap of backtested trades. Some people are the exact opposite. They just look at few examples and start trading their new method straight away. Again – there is no one right way how to do this and every way has its pros and cons.

I am naturally more inclined to be quite thorough in my backtesting. Unfortunately, there are some disadvantages when you are too thorough. The most significant disadvantage is that backtesting and implementing new ideas takes a lot of time. The more thorough you are the more time it takes and the more time it takes the less trading ideas you can backtest. Because of this, I found a method that is quite thorough, but also fast and practical. It consists of 5 phases

Phase 1: Rough backtest

Make the first rough backtest as simple and quick as possible.

When you have a new trading idea you should know as soon as possible if it is worth something or not. You don't want to spend days of backtesting just to find out that this particular idea leads nowhere. For that reason you want to make the first rough backtest as simple and quick as possible - for example, use RRR = 1, ignore the macro news, don't look for any confirmation, don't require any more confluences and neglect all sorts of things that would otherwise influence your trading. You want to know roughly in 1-2 hours if this idea is worthy of any further research or if it leads nowhere and it would be a waste of time to look into it any longer. If this phase looks promising you can move into phase 2. If not, then make some changes (changes that come to your mind when backtesting) to it and try the rough backtest again. If you see that this idea is no good at all, just let it go.

Phase 2: Thorough backtest

Now you have some very rough backtest that says that it won't be a complete waste of time to do a thorough analysis and backtesting. In this phase, you want to be much more precise and take into account all sorts of rules, confluences, and exceptions that occur in your trading. You also want to backtest this idea on more trades and at more different markets, possibly with more different settings.

Even a thorough backtest won't tell you for sure if your new method will be profitable or not.

This phase it about your preferences and how much elaborate (and time-consuming) you want to make it. You need to realize though that it is only a backtest. It will never be like a real trading no matter how much you try and how much time it takes. Even a thorough backtest won't show you for sure whether your new method will be profitable or not.

You need to accept this. I had several systems that had over 70 % winning in a thorough backtest and then failed when I traded them on my real account. You may say that it makes no sense but it is the truth. I am sure you have your own, similar experience.

If your new strategy seems profitable after a thorough backtest you can move into Phase 3. If not I suggest you think about your strategy and make some changes. Don't discard it! It passed through a rough backtest, there is still hope it could work if you make some adjustments. After you made these adjustments, repeat the thorough backtest again with these adjustments. If it fails again, give it a few more tries. Only after that, I suggest you leave this strategy be. I also suggest you keep your old backtests, even the ones that didn't go well. You may have a great idea on how to upgrade/adjust them in the future.

Phase 3: Micro trading

I bet phase 3 would be for a lot of people, demo trading. Trading a demo and a real account are two quite different things. Don't waste your time on trading a demo! I suggest you find a broker that allows you to trade very small positions (mini, micro lots) with good spreads/commissions. Then I suggest you trade your new strategy with really small volumes for some time.

Don’t waste your time on trading with a demo account!

My tip for you is: don’t do this with too small of size. The reason is that if you do, you probably wouldn’t care at all about your positions. You need to feel little excitement for the psychology to work. You can use for example 10-20 % of your “normal” position size. So, if you normally trade with 1 lot, then use 0.1 – 0.2 lot.

This phase is quite crucial because for the first time you trade your new strategy with real money. The question is: when to move further to phase 4? My advice is to take your time because you want to **test your strategy in all sorts of market conditions and situations**. You want to experience good trading periods and also series of losses. Don't dump the strategy if the first 5-10 trades were losses and don't move to phase 4 right after you started and immediately had a winning series of 10 consecutive trades. Take your time and see how the strategy performs. If you see that it fails (in a long run), then I suggest you make some adjustments and return to phase 2. If it proves profitable in a long run, then go to phase 4.

Phase 4: Half positions

In this phase, you already know that you have a good profitable strategy. Don't make any changes and only concentrate on good execution of your trades. Trade with roughly 50 % of your "normal" volume size. The reason is that the strategy is still new and now is the first time you trade it with adequate volumes. Psychological factors are much stronger and you also need to practice good trade execution. There still can be some little mistakes made (due to psychological factors or bad execution of the trades). Before moving to Phase 5 you need to eliminate them.

In this phase, you should keep a detailed track of results. You want them to be comparable to the results of Phase 3.

Move to phase 5 only after these 3 conditions are met:

1. You traded using this strategy long enough and with similar results as in phase 3.
2. You trade it flawlessly (you eliminated psychological factors that messed up the trades and you don't make even the smallest mistakes in trade execution).
3. You made enough money with it that you can psychologically withstand a series of losses with full trading volumes.

Phase 5: full positions

Now the training is over and it is time to fight! Phase 5 is no longer a "testing" phase. Here you use my normal trading position size. It happens quite often that when you start this phase you get few losses right in the beginning (cold shower). You should be prepared for it though and if it happens you should continue trading with full position sizes. I call it a trial by fire. My experience is that only if you make it through this – your first real series of losses (with full position sizes) you are really ready. Withstanding a series of losses is one of the hardest parts of this whole process. You need to remind yourself – your strategy made it through phases 1-4, your strategy is good and if you took few losses the strategy is probably having only a bad time. Every strategy has it from time to time. Only if your strategy is losing in the long-term you should go back to phase 4 and if it doesn't help, move to phase 2 or 3. Don't dump it, just make some adjustments and make it profitable again.

To sum these five phases up:

- Don’t waste too much time and do only a very **rough and fast backtest** in the beginning.
- Do a **thorough backtest** only after you see that your new idea looks promising.
- After you have done your backtest, go straight to trading your idea on a **real account.**
- **Increase your position** size in three steps.

Trading journal

You need a trading journal in order to keep a good track of your trades, to have a solid statistics and to help you through tough times or with improving the strategy.

The more detailed data you collect, the easier it will be to backtest, optimize, test new ideas or find any problems that need fixing.

Have a journal that suits you. If you are an analytical type and collecting and analyzing vast amounts of all kinds of data helps you improve your trading – go ahead and make it complex! If you don't like working with a lot of data and prefer keeping it simple – no problem. Just make sure that you write down all the essentials that you need to review your past trades well enough for you to learn and improve.

Your journal should contain at least: **date**, **instrument** (symbol), **level value**, **profit/loss** and **notes** about the trade. I think it is important to write down any mistakes you did (breaking rules,…) and also what you did well in the notes section. Extremely useful is also taking **screenshots** of your trades and reviewing them later.

Remember – the more detailed data you collect, the easier it will be for you to backtest, optimize, test new ideas or find any problems that need fixing.

Your trading journal can look for example like this:

Intraday trades						comment
trade no.	date	symbol	level	long/short	profit/loss (pips)	
1	16.5.2018	usdjpy	110.08	long	10	
2	16.5.2018	audusd	0.7516	short	10	
3	18.5.2018	eurusd	1.1783	short	10	level from a quick update
4	21.5.2018	usdcad	1.2859	long	10	reversal from a trade hit in macro
5	21.5.2018	usdjpy	111.01	long	10	
6	22.5.2018	eurusd	1.1810	short	-12	level hit by a spike move
7	22.5.2018	eurusd	1.1810	long	10	reverse (of previous trade)

The 10 most common trading mistakes you should avoid

There are certain mistakes that many traders tend to make. I am going to write down the 10 most common so that you can avoid them. Just by avoiding these mistakes, you will become a much better trader than most of the retail traders around.

#1 Using indicators

I said it at the beginning of this book – indicators are quite useless. Big institutions don't care about them. Also, standard indicators work only with "price" and "time". For that reason the information indicators provide are always delayed.

Novice traders need to accept the fact that there isn't a magic combination of indicators that would make good and profitable trading system.

#2 Martingale

Martingale is a very risky money management system, which has its roots in casinos. The most common martingale strategy is to double your bet whenever you take a loss. So, for example, in roulette, you always bet on red. When you lose, you double your bet in the next game. If your initial bet is $10 and you lose, then the next bet is $20. If you lose again, your next bet is $40. Lose again and bet $80. Let's say that you win the 4th bet this time, so you have won net $10 (-$10 -$20 -$40 +$80 = $10).

Bet #	Bet size	Total loss
1	$10	$10
2	$20	$30
3	$40	$70
4	$80	$150
5	$160	$310
6	$320	$630
7	$640	$1270
8	$1.280	$2.550
9	$2.560	$5.110
10	$5.120	$10.230

No matter how bad you are, and no matter that you don't have an edge, you will probably be winning for a while. However, sooner or later you will have a losing streak and you will lose everything. It may look like a really small chance that you take for example ten losers in a row, but the problem is that sooner or later it will happen. And when it does, you blow your account.

Even in casinos, it happens from time to time, that one color in roulette appears 20 times in a row. If your initial bet were only $10, in the 20th round you would need $5,242,880 for another bet and you would be down $10,485,750. If you are curious, the world record is one color 32 times in a row!

Usually, you will be able to tell on a first sight if somebody is using martingale. Below is an example of how a typical equity curve of a martingale strategy looks like:

There are numerous martingale variations. People, for example, don't close their losses so the equity (which is based on closed trades) doesn't have the dips – except for the last dip which destroys their account. **All martingale variations have one thing in common – they will all fail sooner or later.** There is no way the martingale strategy works in the long run.

#3 Believing too much in one trade

No matter how thorough your analysis is and no matter how good your trading level or trading idea appears to be, trading is always a game of probability. Even the best ideas and best-looking trades don't always end in a profit. In fact, the best looking ones don't usually go as planned, in my experience. For this reason, don't believe and **don't risk too much on one trade, no matter how appealing it looks to you**. It may look like the perfect trade but it can still surprise you and fail as any other level. Even the best levels can have for example 70 % win chance. 70 % is really good, but still, you don't want to risk too much money on it.

#4 Using too big positions

When you are using too big positions and everything goes fine, then you have excessive gains and it feels just great. However, when things turn bad and you take few losses, big positions will drive you crazy. I can guarantee you, that if you use for example 10% risk per trade and take 5 losses in a row, you won't be able to think clearly anymore. You will most likely bend rules of your strategy and you will end up even in a bigger mess than you already were.

My advice is **to use position sizes that you feel comfortable with even after you took a losing streak**. If you don't feel mentally fine and stable when losing, you need to lower the volumes of your positions.

Use position sizes that you feel comfortable with even after you took a losing streak.

#5 Never being able to admit you were wrong

Every trader knows the feeling when the price goes past their S/R level and suddenly they are more and more in red numbers. It helps to have a predetermined SL and just automatically take it. There are, however, traders who don't have predetermined SL and they sit, watch and hope. They are not able to admit that their super level doesn't get respected. So, they sit and wait for a miracle to happen. Trades like that only rarely end up with the miracle. In most cases, such trades end up in a disaster.

#6 Not using Stop-loss

Not having a SL means that you can't control the risk of your trades. Risk control is essential in money management and in profitable trading. Not having a SL means that with every trade you place, you potentially lose your account. This can't even be considered a serious trading. Yet, some people still do it. Seriously, not using SL is probably the dumbest thing you can do in trading.

Not using SL is probably the dumbest thing you can do in trading.

Some people say that they have a "mental SL" which means that when the price hits a certain level, they will manually close their position. Most of those people won't be able to admit they were wrong and they won't close the trade when the time comes. Or they will be sooner or later surprised by unexpected spike move against their position. The worst case that can happen is some totally unexpected bank intervention, natural disaster or significant political move which will wipe their account clean in few seconds before they even notice that something is going on.

#7 Entering a position without a plan

When you open a position only because of your gut feeling or if you open it on the spur of the moment, you are entering a position without a plan. Every trade must be carefully planned. You need to know where your PT and SL is going to be, you need to have a strict position management and you also need to stick to your money management. Benjamin Franklin once said: "By failing to prepare, you are preparing to fail." Quite fitting, don't you think?

"By failing to prepare, you are preparing to fail."

-Benjamin Franklin

Novice traders often enter their positions without a plan when there is fast price movement. This occurs often after the macro news. Those traders see that the price is moving in one direction fast and they feel an urge to make some quick and easy money from the rapid movement. What usually happens is that the price turns and they take a SL or they are stuck in a trade which they have no clue what to do with.

#8 Following other people's ideas blindly

It is a good decision to learn from somebody more experienced, to let them lead you and teach you. Actually, it is probably the best way to learn to trade. However, there are countless inexperienced people publishing their stupid trading ideas all over the internet every day. Probably the most dangerous are broker analysts who publish their trading ideas in daily or weekly emails or on their broker's websites. Why are they most dangerous? Because people tend to believe those guys. They have all the fancy stuff like big brokerage company, fancy emails, professionally looking photos and professionally looking market analyses. Unfortunately, their only job is to make you trade more. Nothing else. They are employees and the more you trade, the more money their company makes. Their wage isn't based on how much you make. It is based on how much the brokerage makes.

If you decide to follow someone's trading idea, then make sure you understand the idea, the logic, and concept behind it and that you too made your analysis and you believe in that idea. Also, make sure you know all the aspects you need to know before entering the trade. You need to know your PT and SL, and you also need to know how you will manage your position before you actually enter the trade.

#9 Jumping from strategy to strategy

I have already mentioned it before – jumping from strategy to strategy without really giving it any chance, time and patience won't lead you to a magic strategy. It will only lead you to losses and to frustration.

You need to put a lot of work and patience into any strategy before you understand it and before you start trading it successfully. There isn't any magic formula, that leads to quick profits. As in everything else in life, mastering a strategy takes time, patience and hard work.

#10 Sticking with a bad broker

So many traders stick with their old broker just because they are used to trading with them and because they are too lazy to create a new account and transfer their money elsewhere.

They also don't realize the big difference broker can have on their trading results. They think that half a pip now and then isn't that significant, or that a small few pip slippage from time to time is also okay. In fact, it makes a HUGE difference and a few pip slippage is not okay. It happened so many times that because of my tight spreads, I was able to bank a profit where others took a Stop-loss. This happens more often than you think and it makes a huge difference in your trading results.

Switching from a bad broker to a good broker can be a matter of turning constant losing into a consistent winning! I can't really stress that enough. Having a good broker is one of the most important things in your trading.

If you trade intraday trades with a broker that has 2-3 pip spread on major pairs, I don't think you can be profitable – not with such a broker.

So, if you want me to help you find a solid broker, shoot me an email to: contact@trader-dale.com or go to my website https://www.trader-dale.com where you will find a box with brokers that I personally trade with and that I recommend.

Switching from bad broker to a good broker can be a matter of turning constant losing into consistent winning.

BONUS: How I manage my intraday trades

Now I'm going to break down **exactly how I trade and execute my trading levels** so you can start putting the rules to use in your trading. Some of the rules require a bit of practice, but the details below will point you in the right direction.

How I enter my trades

Some time ago I used to enter only with market orders. When the price got near my level, I switched to the one minute chart and watched the dynamics and behavior of the market. My goal was to get a slightly better entry than with a simple limit entry. Now I use both market and limit orders because limit orders are much more convenient than market orders for certain situations. Currently, my ratio between using market and limit orders is around 50/50.

Situations when I prefer MARKET order are:

- **Entering a position against a strong spike move.** The reason for this is that you can quickly abort the trade if it moves too quickly into the level and triggers the rules in the course for avoiding fast spikes into a level. If there is strong news causing the spike, I don't enter the position. If the spike is not news driven, I will enter it. The fastest way to see if the spike is news driven or not is via a service like Forex squawk. A slightly delayed version is ForexFactory. Quick spikes can allow you to enter for a slightly better price if they shoot a bit past the trading level. I provided an example of this below (1-minute chart). In this particular case, I was able to enter at an entry 6 pips better than the original level.

- **Price rotates close to the level creating weak highs/lows**. After such rotation (that I watch on 1-minute chart) there is likely to be a small spike move followed by a quick rejection (if the level works). The idea is to enter during the actual spike to achieve a better entry. Here is an example of a trade I took using this method:

Where to place your Stop-loss & Profit Target

My **Profit Target is 10 pips**, and my **Stop-loss is 12 pips**. I use this setting for all four major pairs that I trade intraday (EUR/USD, AUD/USD, USD/CAD, USDJPY). The reasons for this settings are:

1. I like to **be out of my trades quickly** because the longer you have your trade open, the higher the risk of something unexpected happening. It could be a change of market sentiment or some other market-moving event like unexpected (or expected) news.
2. Another reason is that even if my trading level happens to be against a **strong counter-trend move**, a 10 pip correction is much more likely to occur than a 20 pip reaction (which would basically be the end of that short-term trend). Today's long on the USD/JPY shows that perfectly:

3. 10 pip reaction is from my experience **adequate reaction** to intraday levels that I create and trade. Sometimes there is a much bigger reaction, but 10 pip reactions happen very often. This Reward to Risk Ratio allows me to maintain a 70 % strike rate as an average over the long-term.
4. I prefer to have **Reward to Risk Ratio of close to 1:1**. Having a small Reward to Risk Ratio (losers are much bigger than winners) would mean devastating losses that are hard to come back from. On the other hand, having a very large Reward to Risk Ratio (winners are much bigger than losers) means having a reduced strike rate. Also, there is the risk that you take all the losing trades and by mistake miss the one winner that would cover them all. This is Murphy's law, and it works in trading more than anywhere else :).

Some of the members of my trading course did their own research and came up with quite different SL/PT setting. For example, Ziggy's research shows that the best Stop-loss and Profit Target location would be achieved around the 20/20 mark. I can only say that this really is mostly about preference. 10/12 works for me and I am happy to trade that way. Other people might prefer something close to the 20/20 method. In my opinion, it is much more about YOUR consistent application of your trade management ruleset, than the specific Stop and Profit Target size itself.

Trailing your Stop-loss

The way that I protect profitable positions is rather straightforward and simple, as I believe this is the key to being able to repeat the rules of your trading plan consistently. I secure my position by moving my **Stop-loss to the reaction point when I'm roughly 7 – 8 pips in profit**. This is the "neutral trade management" style which I mentioned earlier in the book.

I also adapt securing my position to the current market behavior. It is a bit detailed but I want to give you the full description of how I do things, so here it is:

If I trade **against a strong trend** I am much more careful and I secure my position in a more conservative way. Generally speaking, I secure my position when I am **7 pips** in open profit. The reason is that it is quite dangerous to go against the trend and in such cases, it usually pays off to be really careful and secure your position soon.

If I trade **in a direction of a trend** I can be more aggressive with moving of my SL. In this case, I usually move my SL when my open profit is around **+7.5 to +8 pips**.

When there is **no apparent trend** I usually secure my position when it is **+7.5 pips** in open profit.

If there is a really **sharp and precise reaction** – for example, 5 pips reaction exactly at my level within the first 1-2 minutes, I usually secure my position sooner (when **+7 pips** in open profit). The reason is that this sharp reaction shows me that this is the reaction I was waiting for and the aggressive buyers/sellers that I wanted to see there really are there and now they have made themselves apparent. If the price should go back to the reaction point of this strong rejection it would mean that the counter move is too strong and that my position most likely won't end up in a profit. That's why I secure my position this way. Generally speaking – if strong reaction point gets breached – the counter move is too strong and you better quit your trade. Check out this illustration of strong reaction at 1.2715 short level:

Tested levels

If the price comes close to a level and makes a strong reaction I consider the level already "tested" and I discard it. Like many aspects of trading that cannot be made 100% mechanical, determining whether or not a level is tested will take some time and practice. This is where having the help of the member's forum is also a huge benefit as you're able to go over trades as a group. For the sake of this chapter though, let's go through some key points in determining whether or not a level is already tested.

1. **How far the price turned from the level and how big the reaction was:** Usually if the price comes 0-3 pips close to the level and makes an 8 or more pip reaction then I discard it. There are times though when the level I am looking to trade from is rather significant but I get a test of the level that is right on the border of being invalid. If the level is substantial though, I’m likely to use it still. This is where seeing the daily level commentary each day (in my trading course section) is super beneficial as you’re able to get a break down every time a situation like this occurs.
2. **What the level looks like:** If the support/resistance area is a wider zone where the exact level isn’t that easy to pinpoint, it is generally safer not to take that level again if it was previously tested. For example, if the price turned 4 pips before reaching your level in the middle of wider support/resistance zone, it is better to discard the level because the price already tested the zone. If the zone isn’t too wide and you can pinpoint the exact support/resistance level, then you can be more aggressive and still take trades that didn’t quite make it to the level. To see if the support/resistance zone is wide or tight, check the Volume Profile of this area. If the volume cluster is narrow/tight, then the support/resistance zone is also tight. If the volume area is wide, then the support/resistance is also going to be wide. Check out the screenshot of a trade I took on the EUR/USD. There was a mediocre “test” when the price came close to the level and then made a strong and significant reaction away. However, the resistance zone was quite narrow and the volumes that I considered to be strong resistance still weren’t tested. For that reason, I decided not to discard that level and I took the trade:

3. **The strength of the reaction:** If the price turns before the level slowly and without any energy or volatility, then I'm more inclined to still consider the level valid. If there is a sharp and swift reaction then I'm more careful about taking the trade on a future test.
4. **Trend/counter-trend:** I'm more aggressive and benevolent when I trade pullbacks in the direction of a trend than when I have an older level that goes against a current trend. In other words, if I have a short level in a downtrend I'm more likely to trade it, even if it was tested 3 pips sooner and made an 8 pip rejection. If on the other hand, the reaction was for a counter-trend trade, I would most likely discard this level because of the greater risk.,
5. **Your own discretion:** Like it or not, sometimes you need to make the decision based on what you think will happen. Having many hard rules is definitely a good thing but in some cases, you cannot rely solely on these. This is why trading is an extremely difficult skill to master, as all profitable trading strategies will require some level of discretion.

I need to add that I only use this tested/not tested approach when I am at the computer, which for me is during European and US trading session. I don't use it for the Asian session. During the Asian session, I prefer to use simple limit orders as the market is often much calmer and there aren't as many macroeconomic events.

As a final point on this topic, my trading levels work even if you remove the tested/non-tested criteria from the level selection process. Especially for those still in the process of learning to trade, it is less stressful and less time-consuming. If you are new to trading, I would recommend using simple limit orders on all your trades and only consider whether a level is tested or not AFTER you are doing well with trading limit orders on all valid levels. Learning to trade successfully is much more about YOUR consistent application of the rule set, rather than a few small tweaks to the rule set itself.

How long should you hold a position?

If there isn't any upcoming macro news, I hold my position until I get full profit or a loss. It doesn't matter if it takes hours, I just wait in the vast majority of cases. There are two particular cases that need clarification though:

1.) Close of the day: Before the Asian session starts, the futures market closes, and the spot Forex market has really wide spreads. Because of the spreads, I don't really like to hold any intraday positions open through the rollover at 5:00 PM Eastern (also there is a swap). So, if I am close to a Profit Target or Stop-loss I quit my position before the spreads widen. However, if my open trade is somewhere around the entry point, I usually hold it through the daily close. The reason is that widening of spreads probably won't affect my position when I am around the entry point. Wide spreads could affect for example taking a Profit or a Stop-loss if the price was close to it during the spread widening but it is not so likely to hurt me when the current price is far from PT and SL.

2.) Close of the week: Now this is where you absolutely need to quit all your intraday trades. With tighter stops, an opening gap in the price could be devastating. In my opinion, there is never a reason for a day trader to take the risk of holding through the weekend.

Gap at market open

From time to time, you will see the market open with a gap and the price is exactly at your volume-based trading level (or very close to it). Even though it is a bit scary to enter the position like that, I actually like this scenario. The gap is another confirmation for me to enter. The reason is that the market usually tends to close the opening gaps. You only need to wait a bit for the spreads to tighten before taking the position (they are usually quite wide at the market open). Check out a nice trade I took at the market open on the USD/JPY:

Old trading levels

I don't change my trading levels after I have created them. If I create a level and the price goes many pips away from it, I still consider the level valid and don't delete or modify it. Because of that, there are many old intraday levels on my charts. Sometimes it is a bit scary to trust a 30-day old intraday level. Still, it is quite unbelievable how the market "remembers" those levels and how it reacts even after such a long time. Here is a reaction to a 40 day old level on the Japenese Yen.

Take all valid trade setups

It doesn't matter if my day started with 3 losses, 3 winners, or anything in between; I take all trades from valid levels. If there are, for example, 6 levels hit in one day, I will take all 6 trade setups. I never say anything like, "I had enough profits today, so I can stop now," or "Damn it, 3 losses – I can't take the pain or another loss, so I'm done trading for the day." Instead, I stick to my plan and trade all my levels.

When there is a good start to the day, there really isn't a reason to stop trading. Sometimes there are months where only a few days generate the majority of my monthly profits. While that is not the norm, you have to trade with the expectation that it could happen which means taking all valid trades during your trading hours.

The other case is starting a day with losing trades. No one likes starting the day like this, and it can feel like the best option would be to reduce your position size or stop trading all together for the day. I never do that! I trade despite the bad start, and I don't lower the size of my positions. A few days back I started the day with 2 losses. After that, I had 3 winners which brought me to a profit for the day. I'm really glad I didn't stop trading or reduce my position size after those two losses or the day would have ended up in the red.

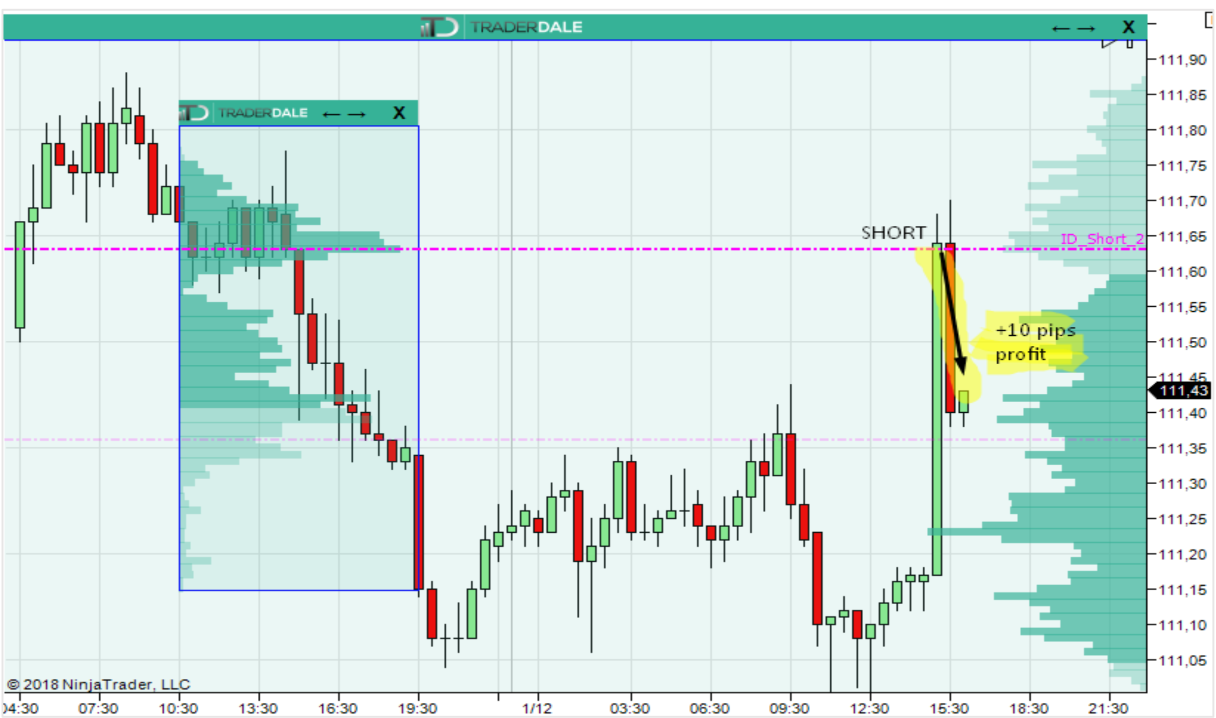
Real trades

Now you should know the logic and theory behind the trading strategies I use. Still, I think that going through some more real trade examples will make it all a little bit clearer. The reason for that is that every market situation is unique. Price moves a bit differently each time, volumes are distributed in a slightly different way, volatility and market aggressiveness is always a bit different... For these reasons, you should go through the examples of trades to really get the feeling for the strategy. Below, there are some real trades that I took. Going through them will help you see how I use the setups in real trading and it will make you more confident with making your own levels. First, I will go through intraday trades and then swing trades.

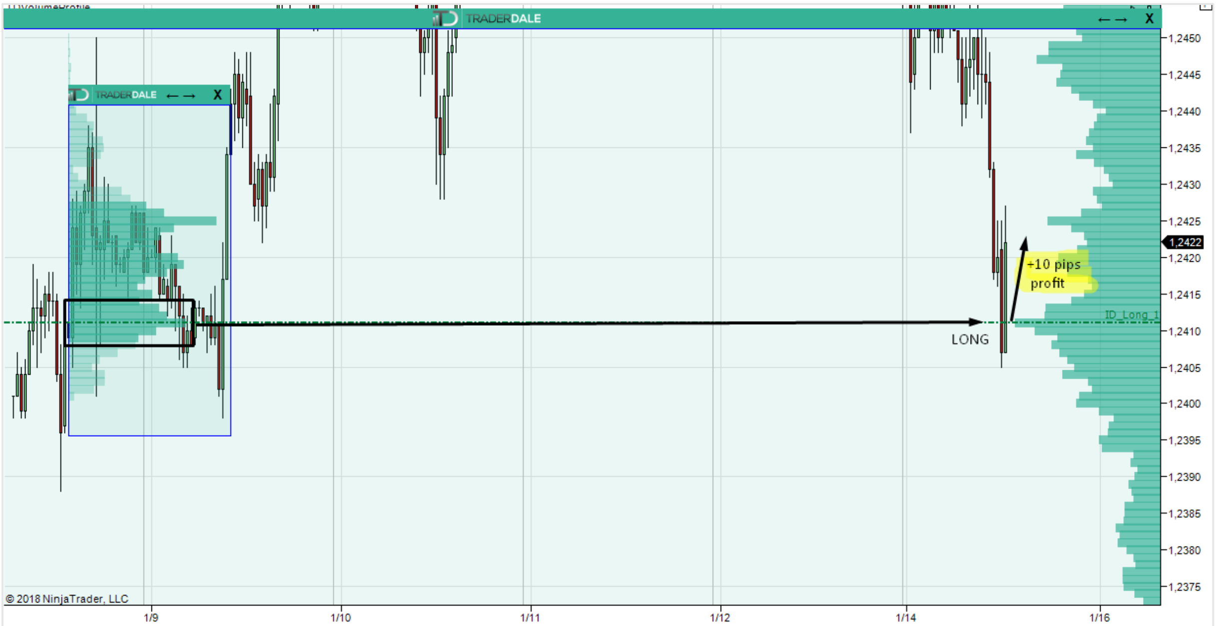
Intraday trades

Trades based on Setup #1: Volume accumulation setup

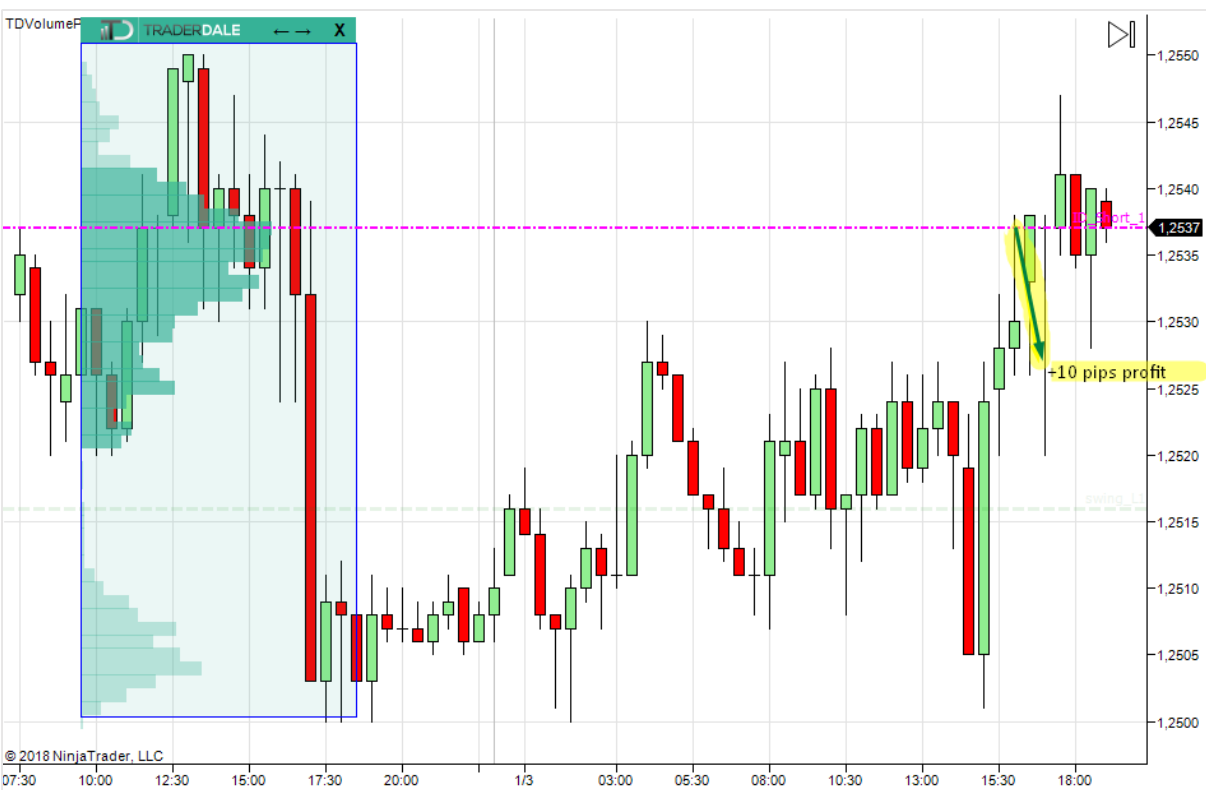
Volume accumulation trade #1



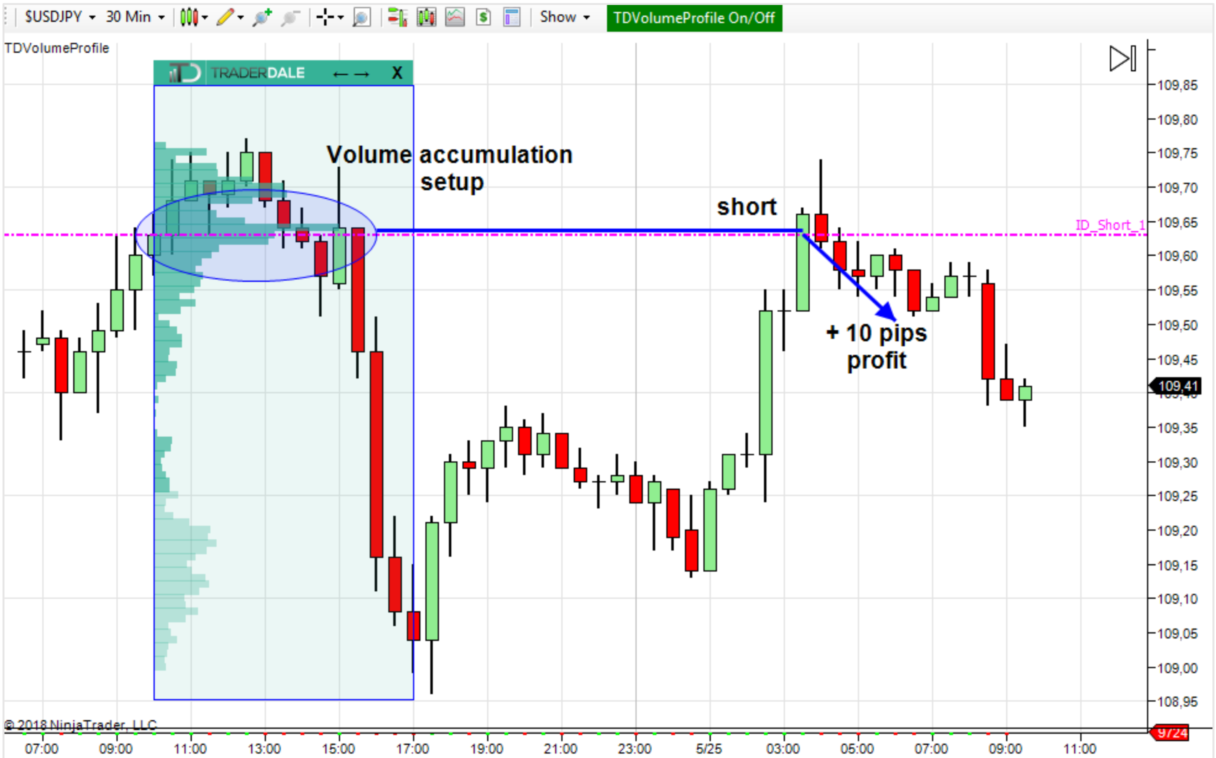
Volume accumulation trade #2



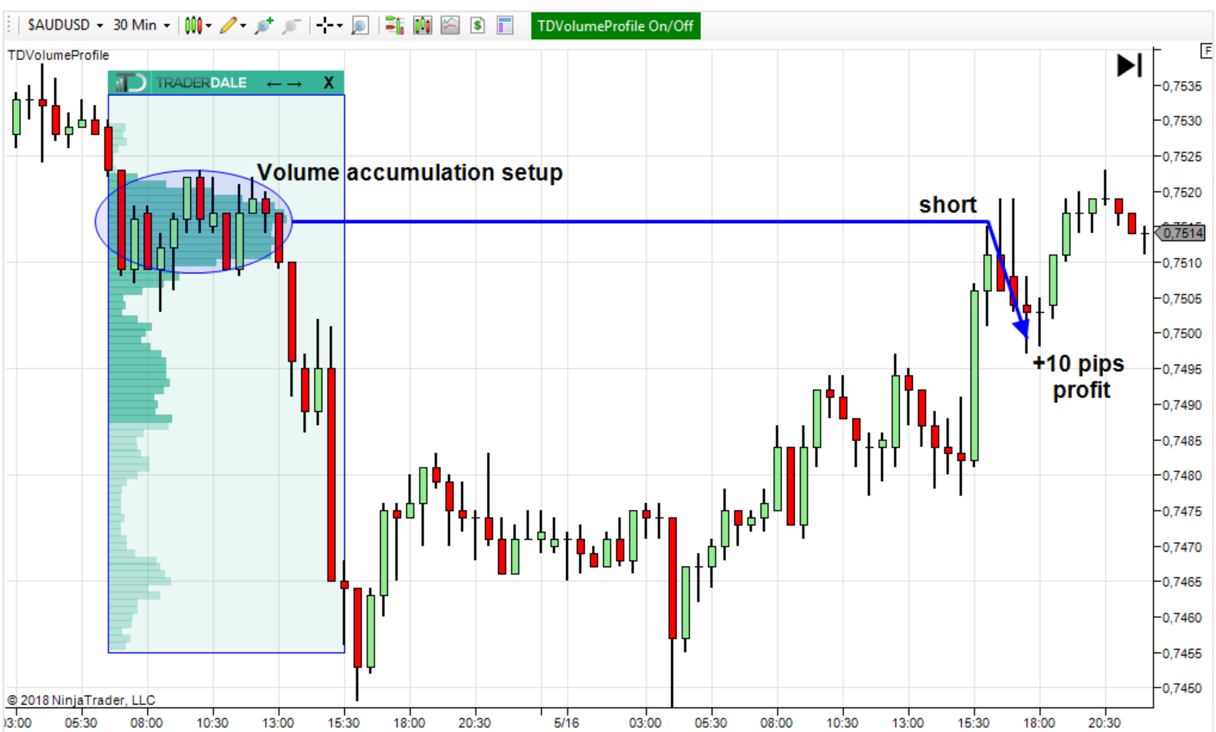
Volume accumulation trade #3



Volume accumulation trade #4

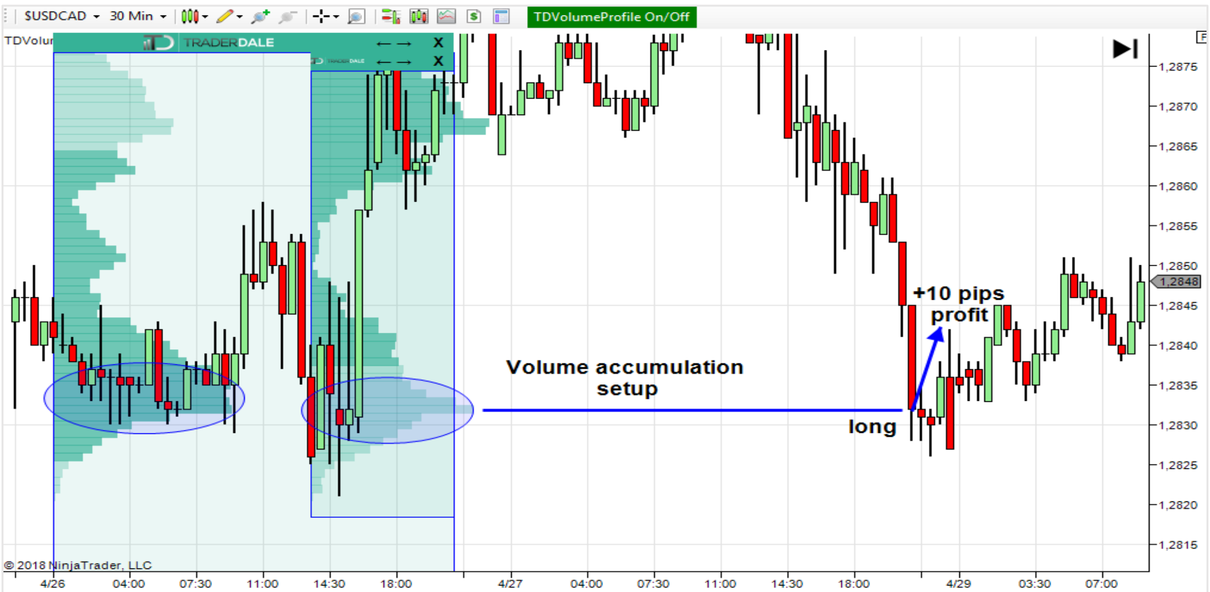


Volume accumulation trade #5

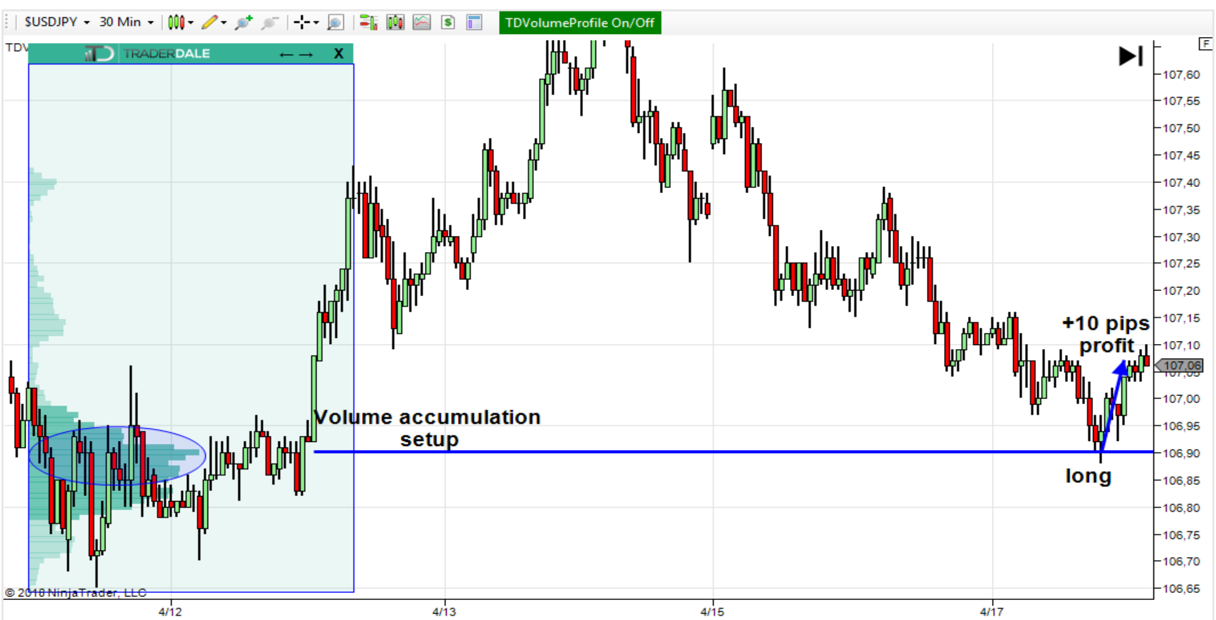


Volume accumulation trade #6

Notice that in this case, I used two profiles. First one (the narrow one) only for the accumulation area before the buying activity started. The second one is a daily profile (1day = 1 profile). In both profiles, the heaviest volumes (POC) were at the same price level. Such a double confirmation of a level is always good.

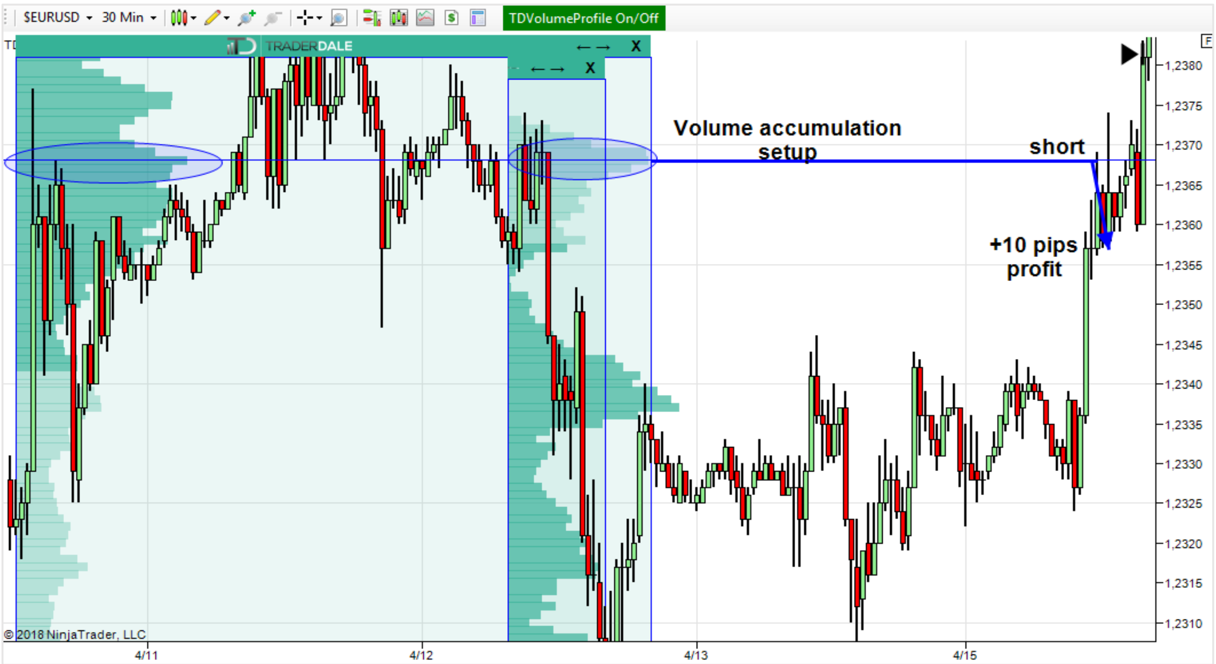


Volume accumulation trade #7

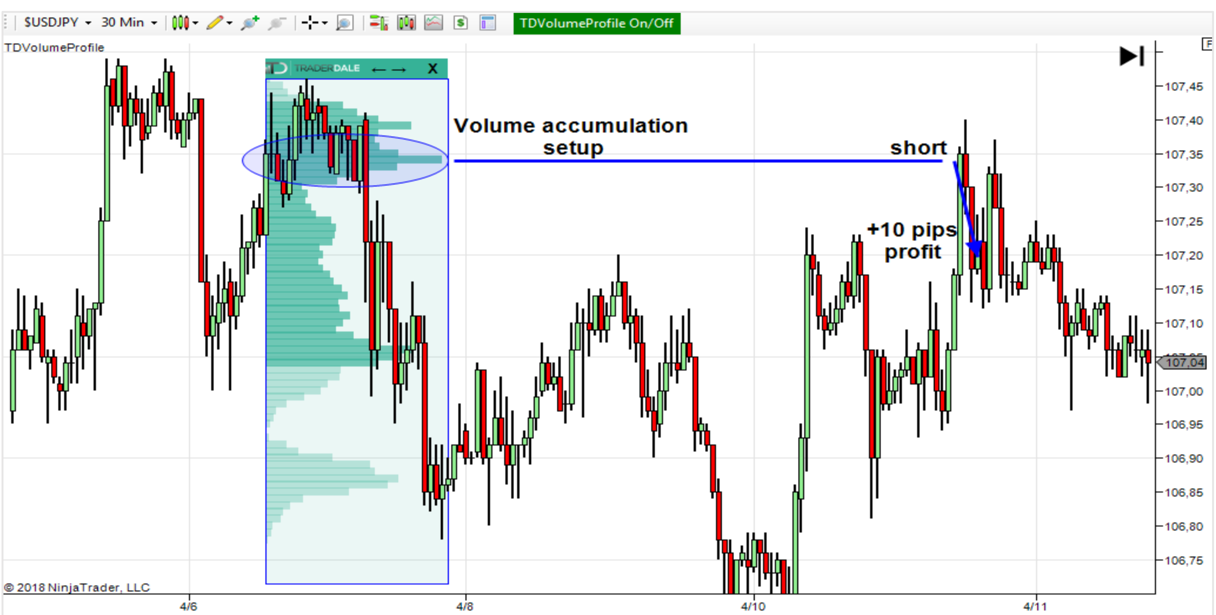


Volume accumulation trade #8

In this case, I used two profiles. The first one only for the rotation before the strong sell-off, the second one for a wider rotation area (basically Monday to Wednesday area). Both profiles show the heaviest volumes at the same price level = double confirmation of a level.

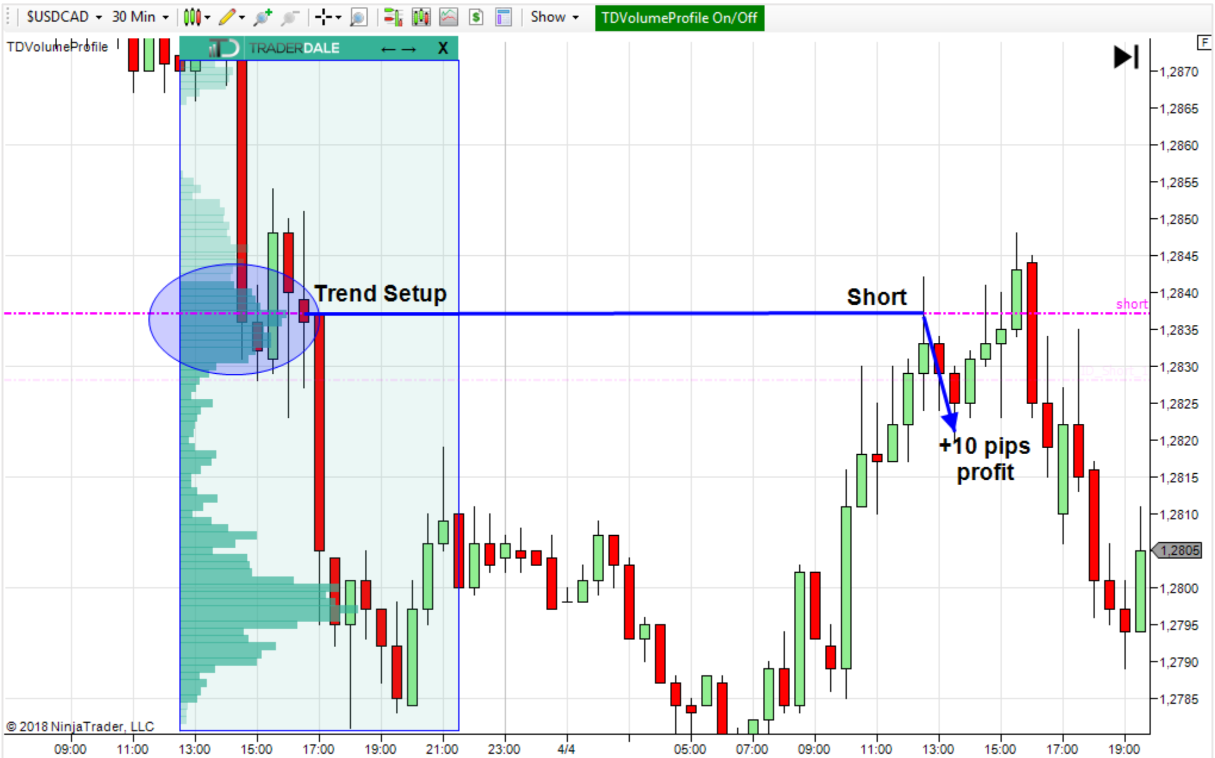


Volume accumulation trade #9

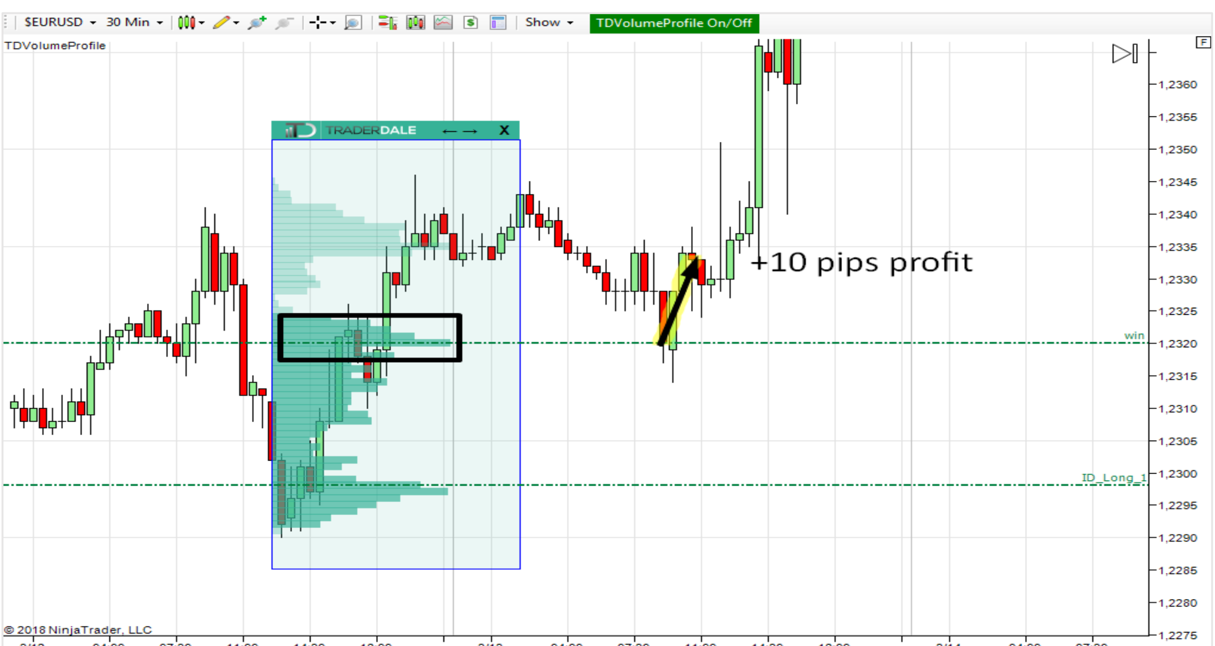


Trades based on Setup #2: Trend setup

Trend setup trade #1:

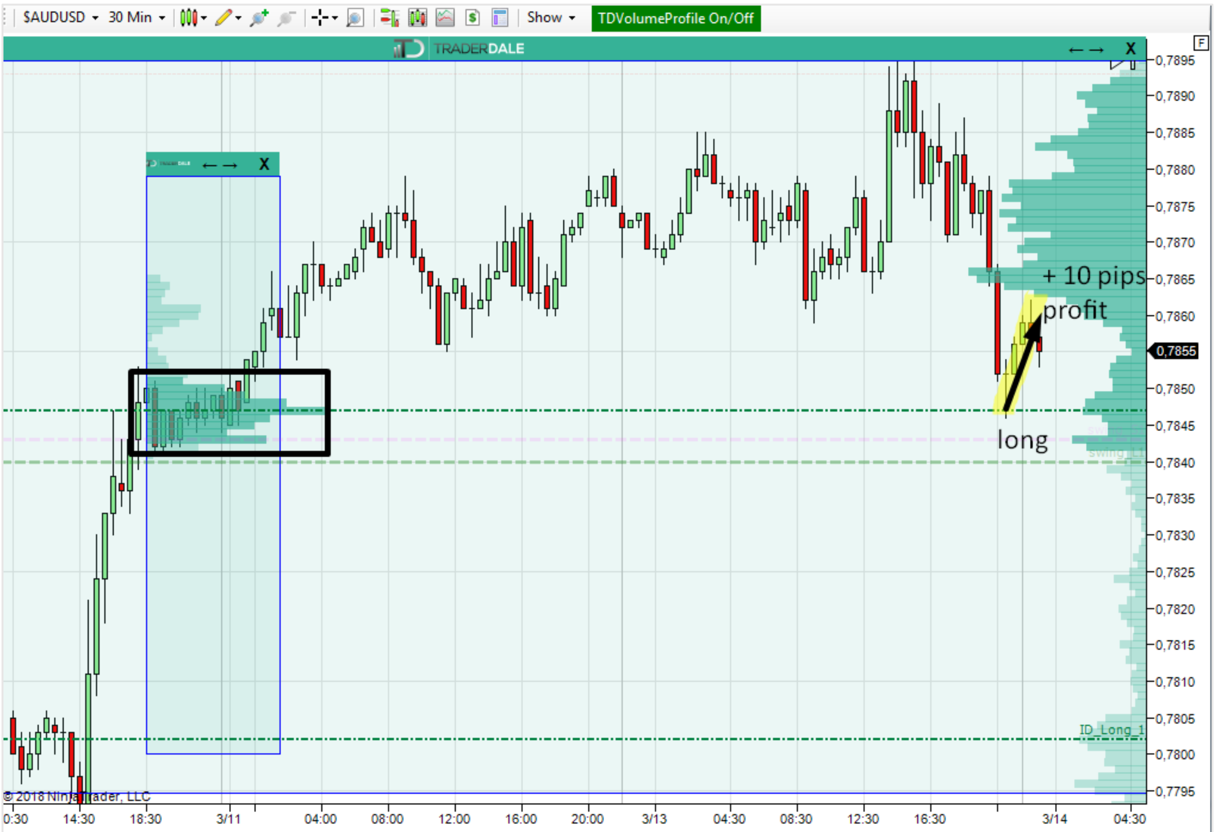


Trend setup trade #2:



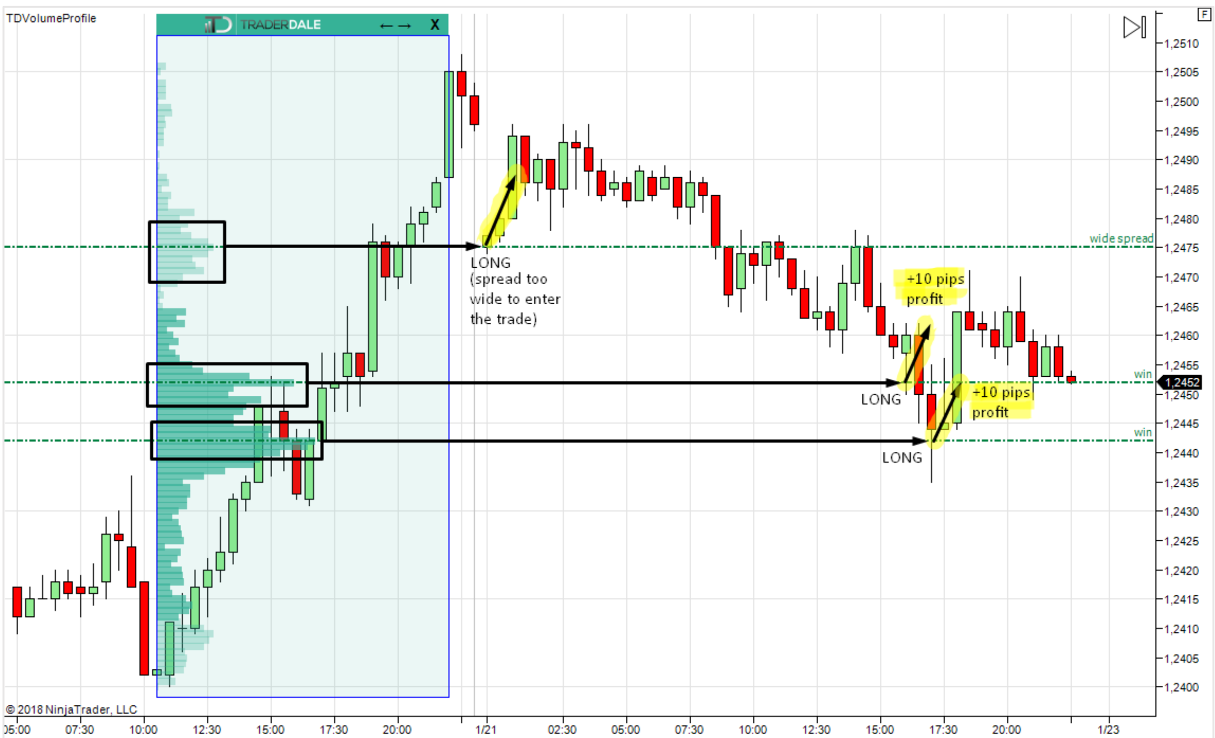
Trend setup trade #3:

The level got hit in late NY session. I was a bit concerned about taking this trade because AUD/USD isn't very active at this time of day. Despite the late hours, the reaction was pretty spot on and the trade made it to the **+10 pip Profit Target** before the US session was over.



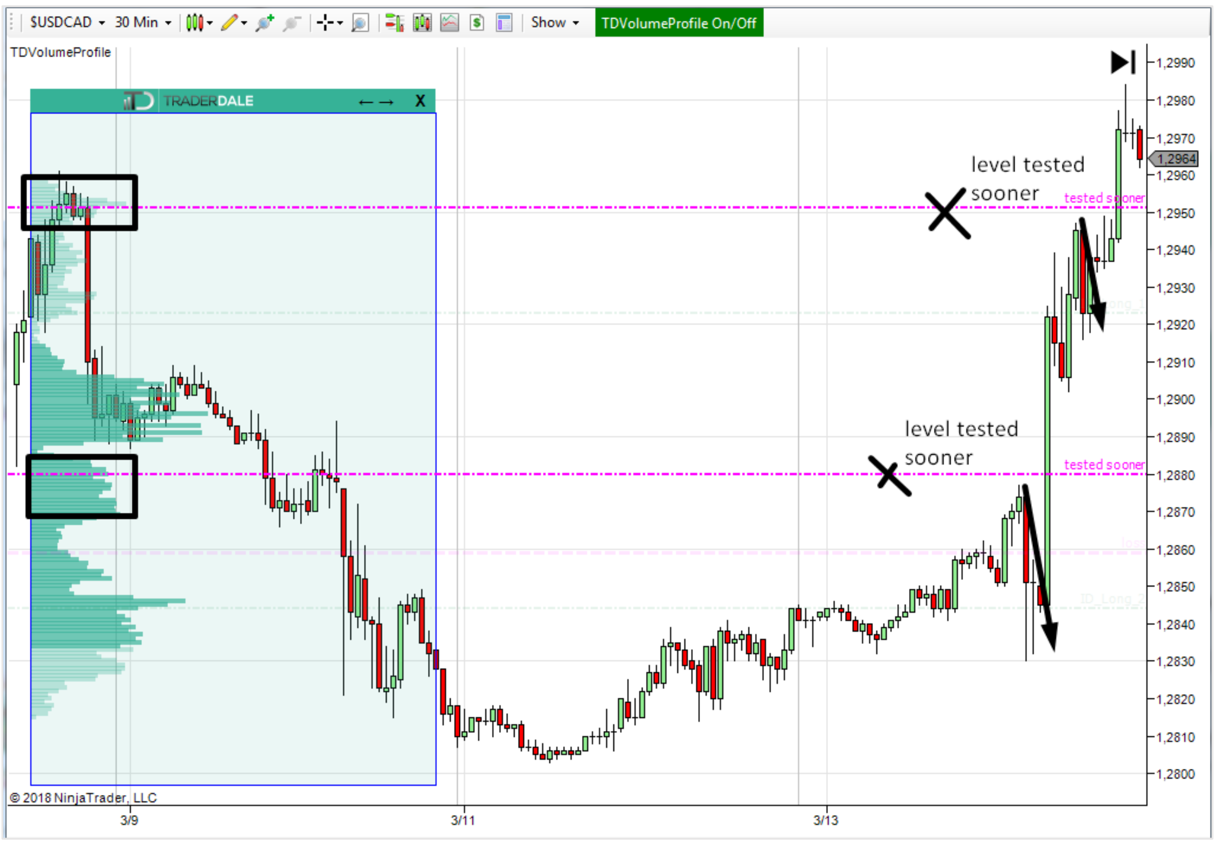
Trend setup trade #4:

I had three long levels on the USD/CAD that got all hit in one day. All were based on the Trend setup. My first long level got hit right at the market open. The market opened with a gap exactly at my level which was really good confirmation of the level. Usually, markets tend to close such gaps which in this case would mean an upward movement resulting in a profit. However, at that time my spreads were still pretty wide (as it is usual with all brokers around the market open) and for that reason, I didn't enter the trade. As you can see from the picture below, the reaction was really nice. The second and third levels were both winners.



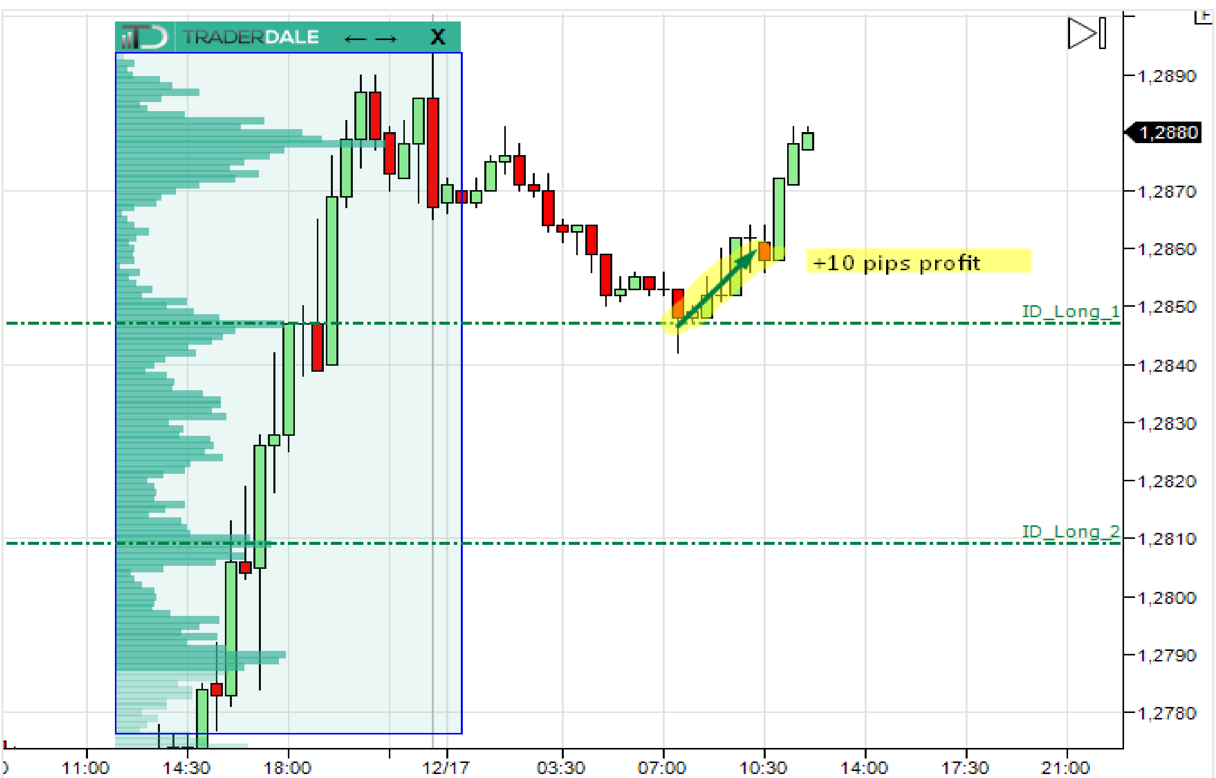
Trend setup trade #5:

There were two short levels I wanted to trade on the USD/CAD. The first one was based on Trend setup and the second one on Rejection setup combined with Volume accumulation setup. Unfortunately, the reactions to both levels came a bit sooner and both levels got tested before the price actually touched them. For this reason, I had to discard them both = I didn't consider them valid anymore and I didn't take them when the price actually touched them.

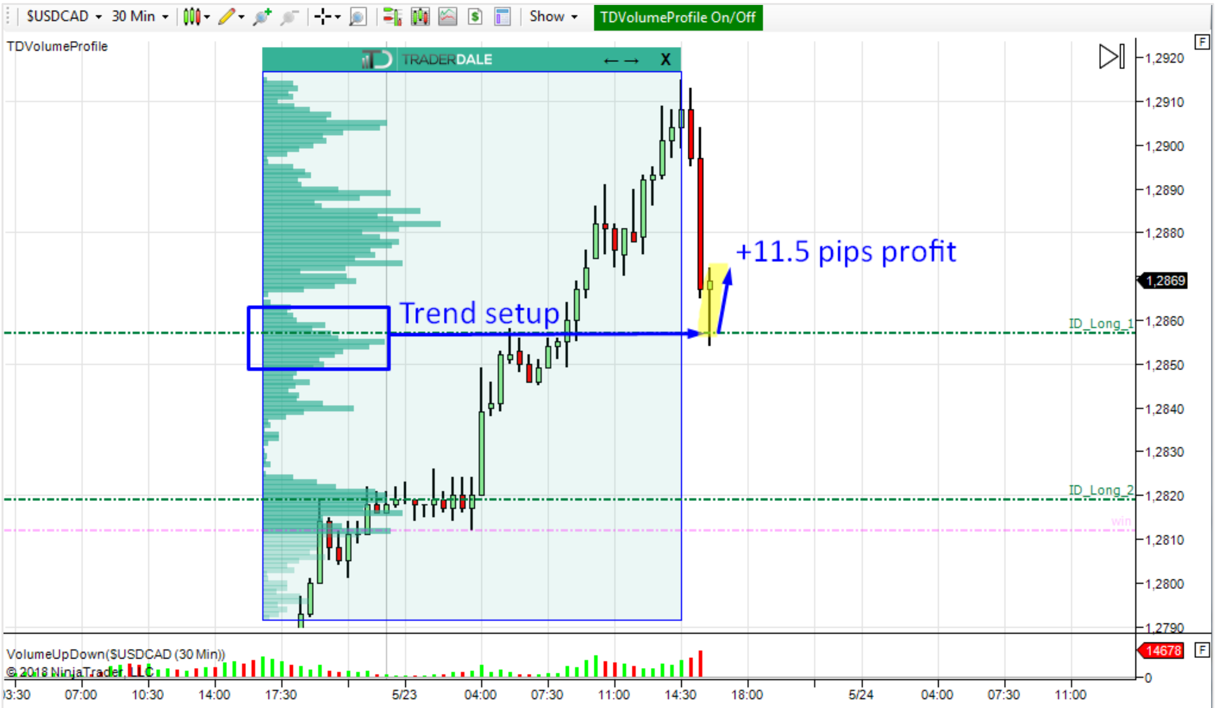


Trend setup trade #6:

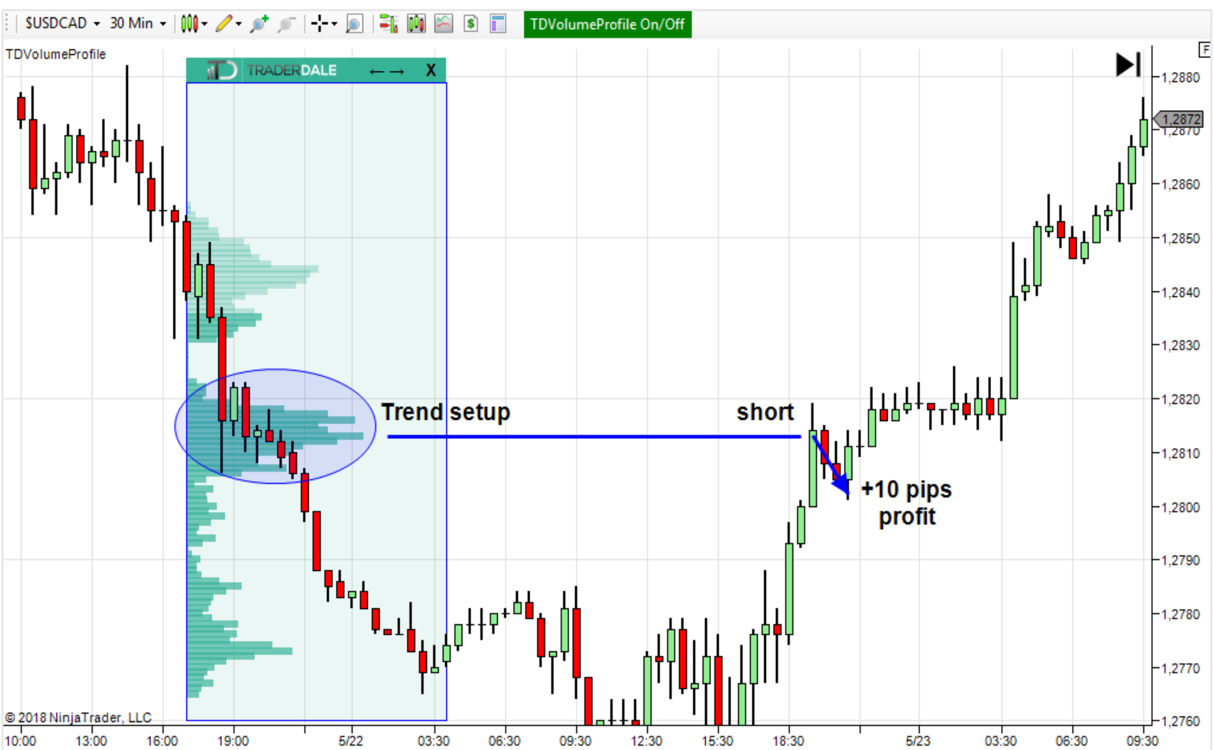
Trend setup trade #7:



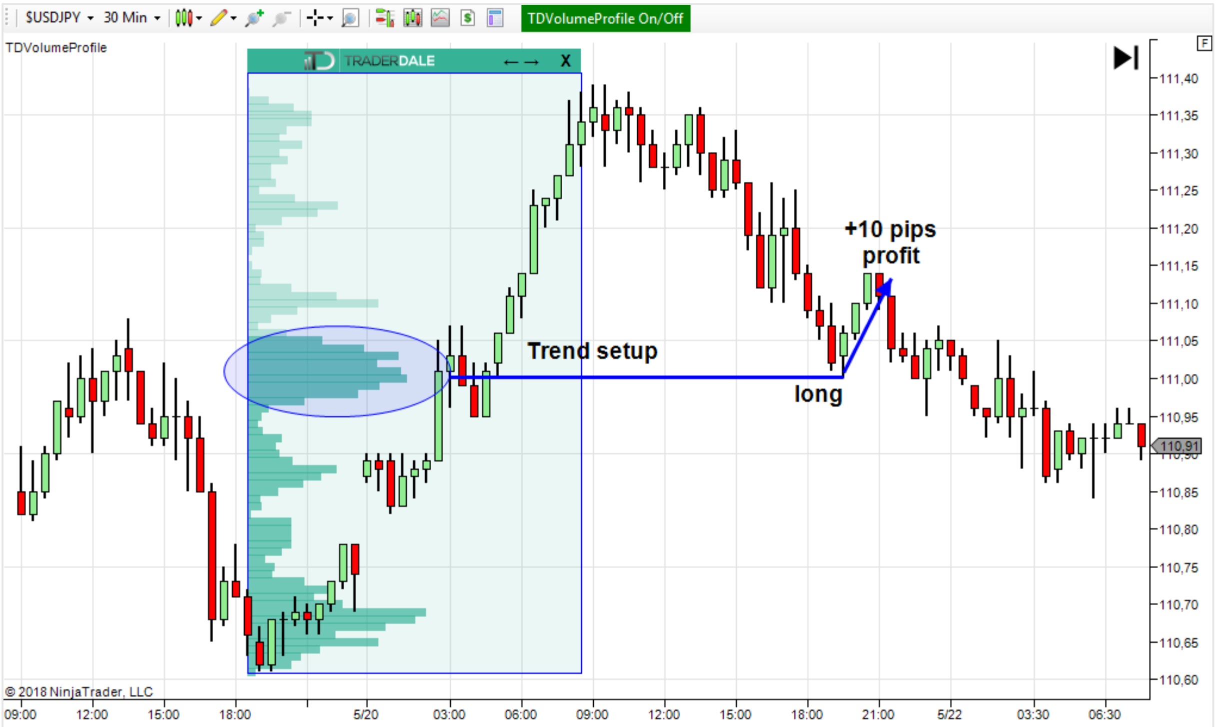
Trend setup trade #8:



Trend setup trade #9:



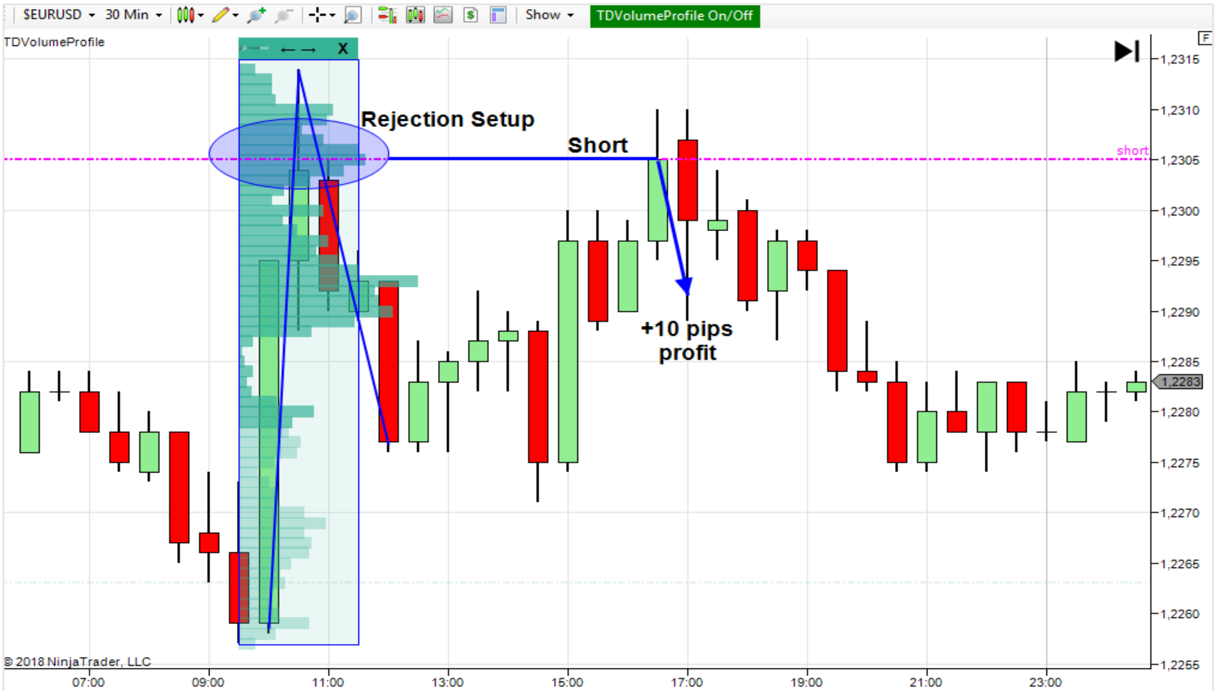
Trend setup trade #10:



Trend setup trade #11:

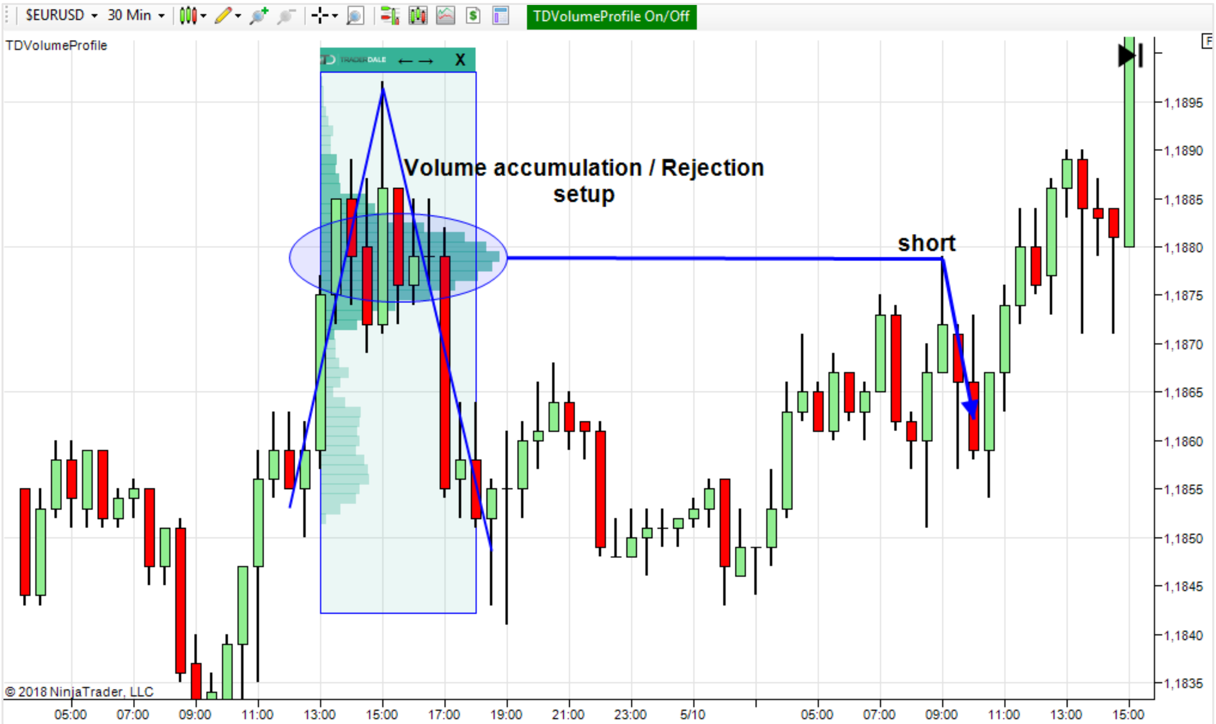
Trades based on Setup #3: Rejection setup

Rejection Setup trade #1:



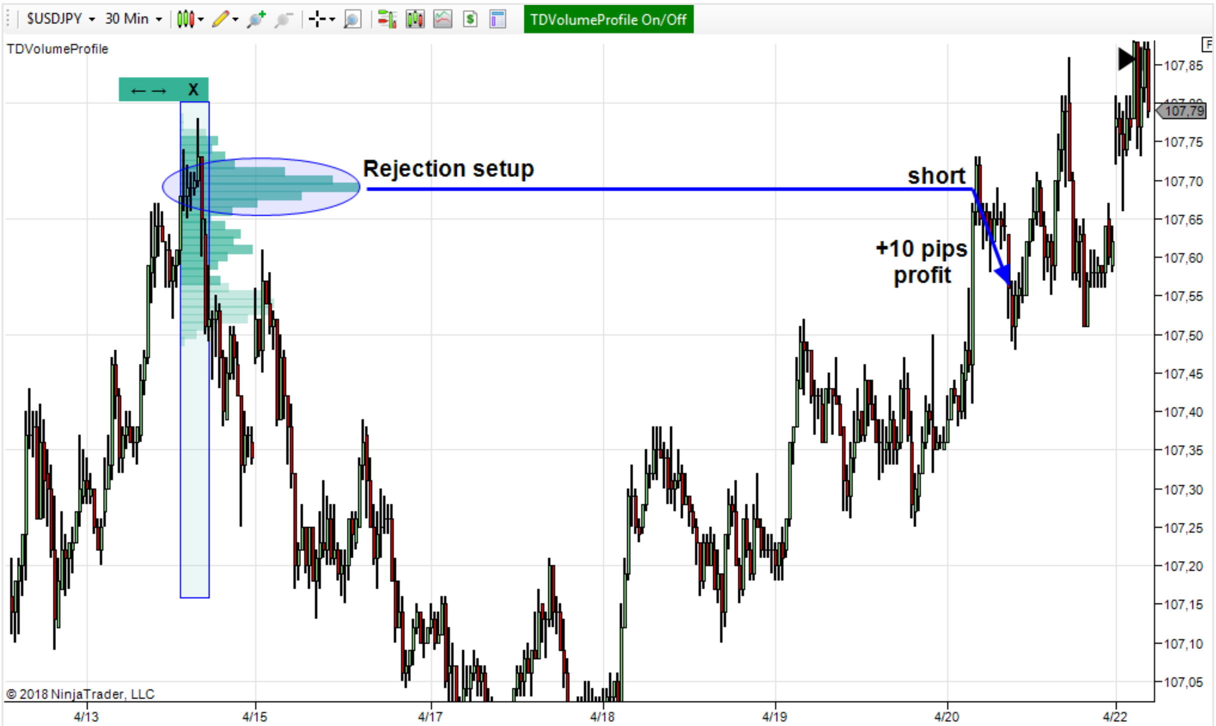
Rejection Setup trade #2:

Rejection Setup trade #3:

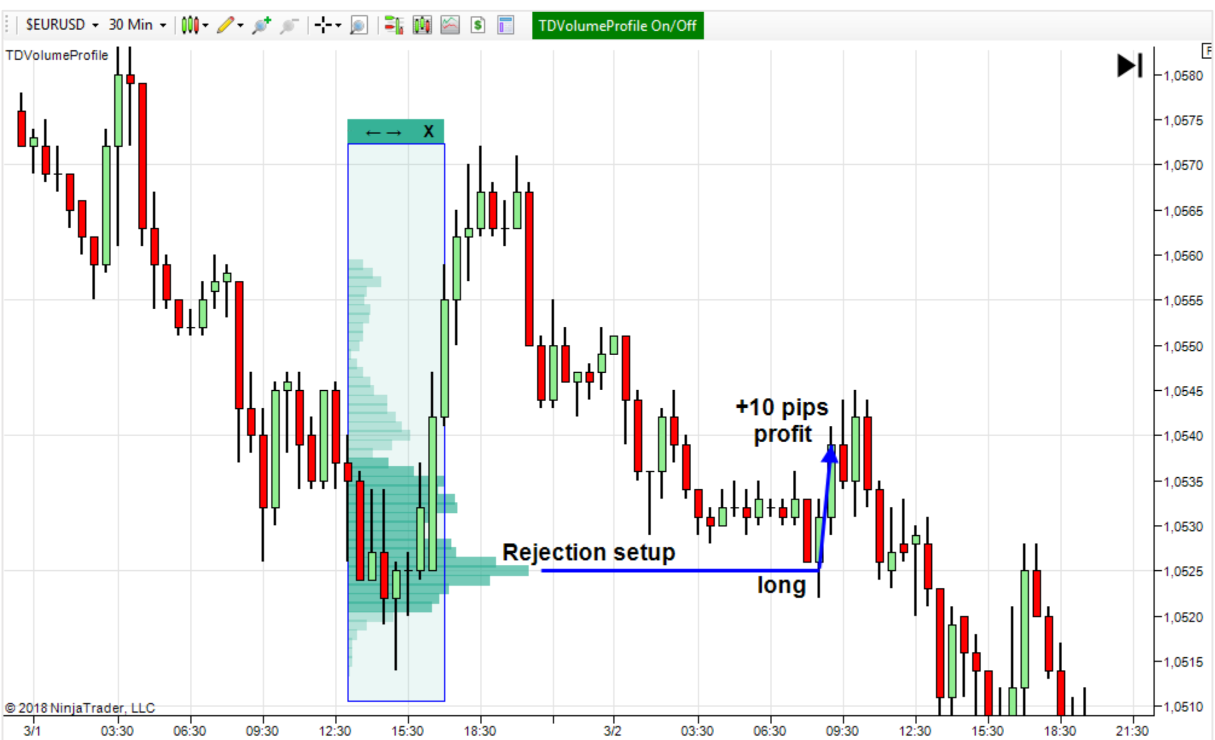


Rejection Setup trade #4:

Rejection Setup trade #5:



Rejection Setup trade #6:



Rejection Setup trade #7:

Reversal trades

Reversal trade #1:

The original trade was based on the Trend setup on the AUD/USD. There was an 8-9 pip reaction 3 pips below the level. I decided to be more aggressive and still take the trade even though the level got partially tested. In the end, this trade ended up as a losing trade. For this reason, I decided to take a long **Reversal trade** (long trade from the exact price level I went short before). I entered the reversal when the price returned back to the 0.7693 level and got a quick **+10 pips profit.**

Reversal trade #2:

There was an aggressive buying activity in which a significant volume cluster got created. When the price returned back to this area I took a long trade (based on the Trend setup). Unfortunately, the level wasn't strong enough and I took a **-12 pip** SL pretty quickly. After that, I wanted to enter a Reversal trade. This was a short from the same level I previously went long from (106.24).

However, the price reacted 2 pips sooner so my Reversal order didn't get filled. Because of this, I discarded the level.

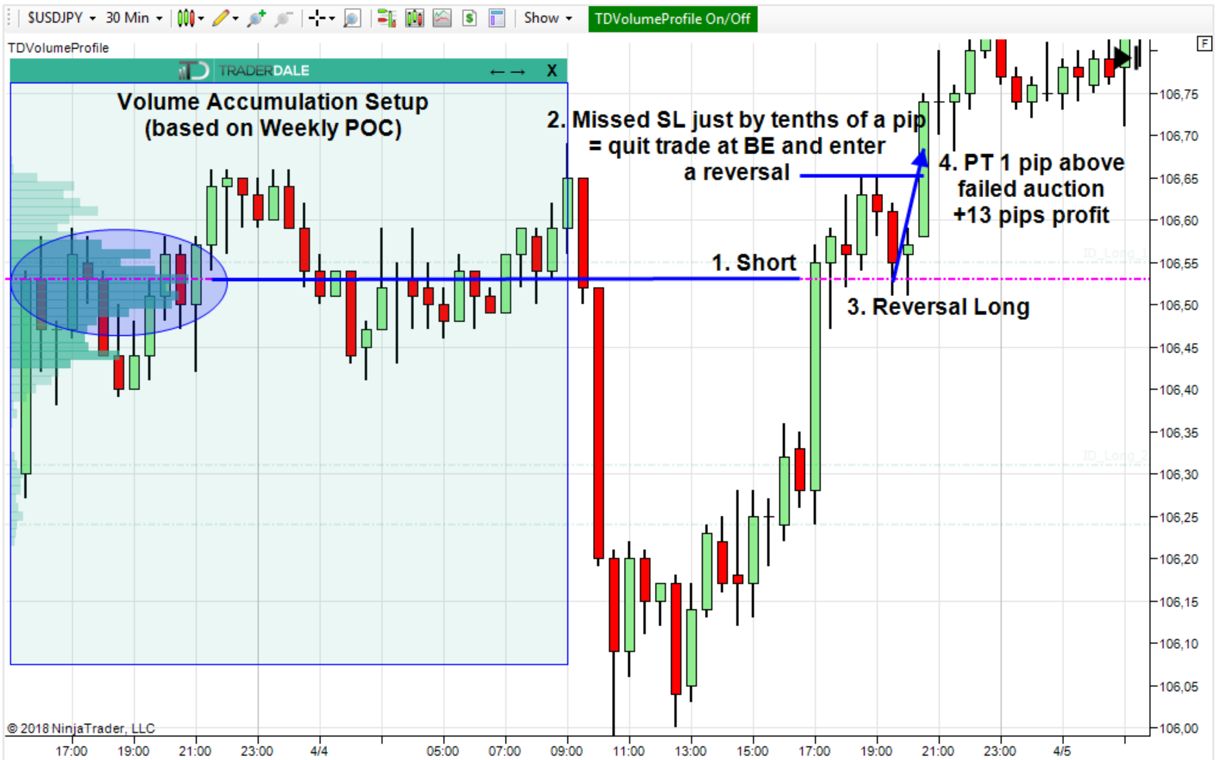
As you can see from the picture – if I hadn't discarded the Reversal and took the trade when the price actually hit the level, it would have been a profit.

Reversal trade #3:

At first, I entered a short trade based on the Volume Accumulation Setup. Pretty heavy volumes got accumulated throughout the week around the 106.40-106.60 area. The Point of control (POC) of this heavy volume area was at 106.53. I decided to go short from there because it was a pretty strong resistance zone. Surprisingly, there wasn't any significant reaction to the level and the price got extremely close to my Stop-loss. When the price returned to the Break-even point (106.53) I quit the trade and entered a long Reversal trade according to the rules of the strategy.

When buyers are strong enough to push the price through the weekly POC without any reaction, it is better to change your bias than fight the market.

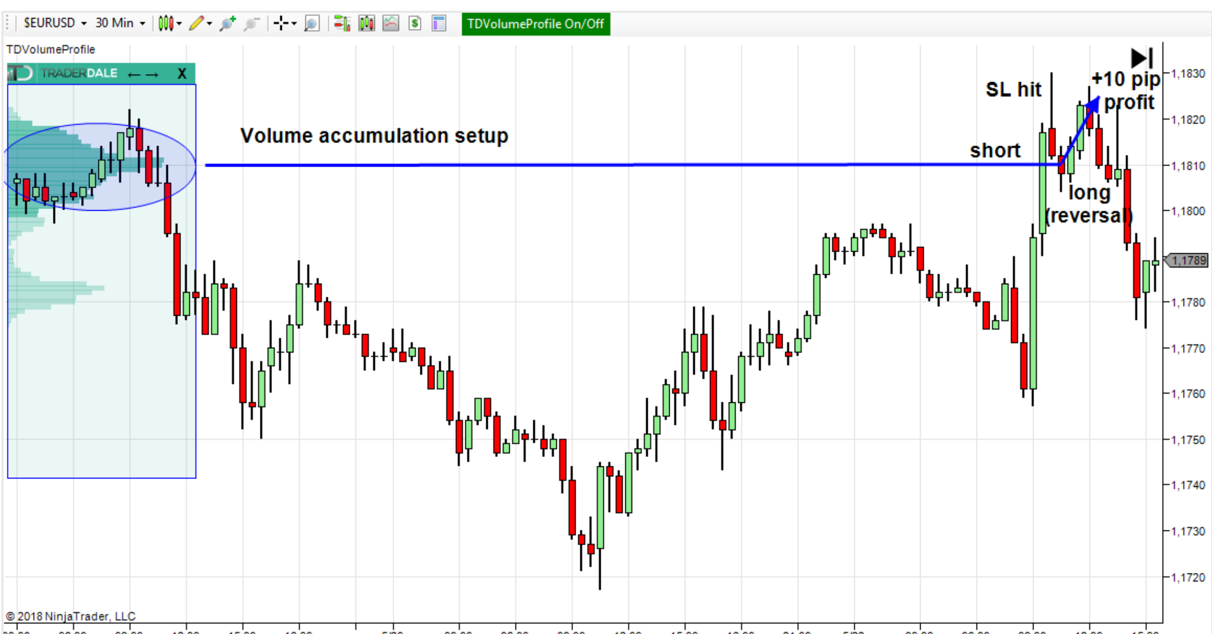
This time I didn't set up my PT to 10 pips but to 13. The reason was a failed auction at 106.65. When the price comes close to such area it tends to test above it. For this reason, I placed my PT 1 pip above the failed auction (106.66). As you can see from the picture the Reversal worked nicely and I was able to get my +13 pips profit quickly.



Reversal trade #4:

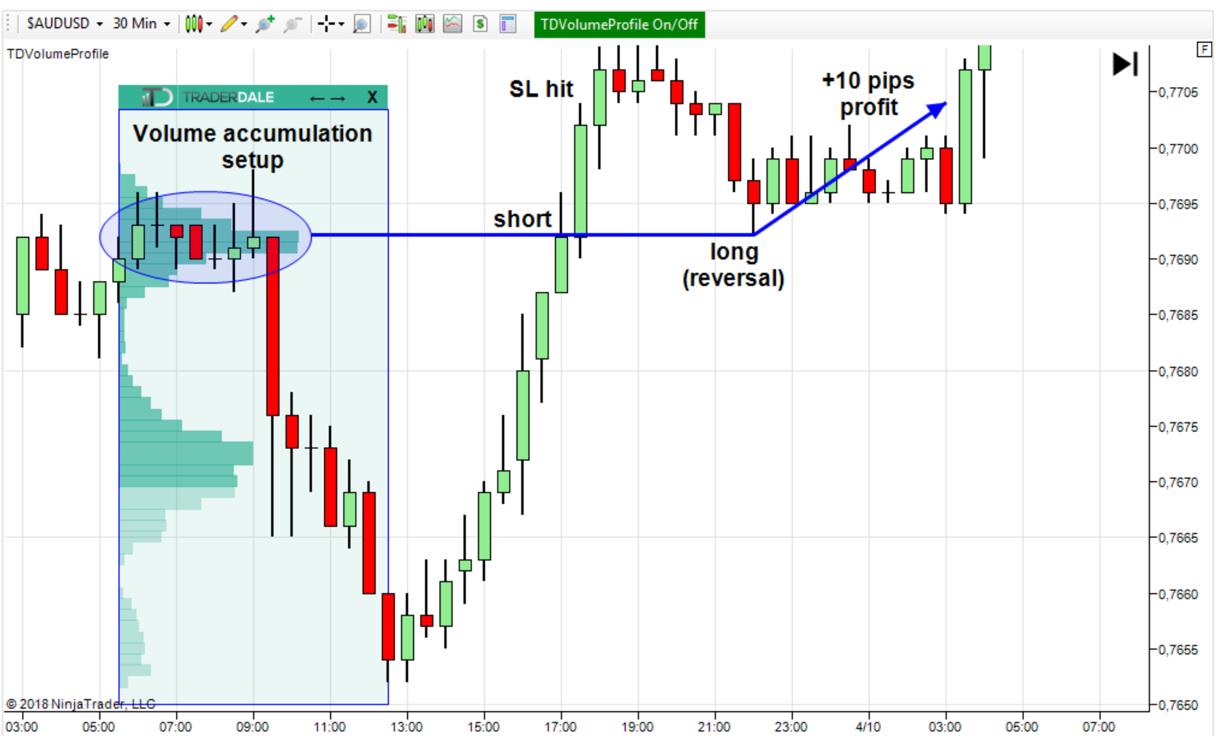
I had a long level based on a Trend setup on the USD/JPY. Unfortunately, there was macroeconomic news followed by unexpected news/speech by D. Trump. This caused a rise in volatility and the price just went through my long level without any reaction to it. I took a quick Stop-loss. Immediately after that, I placed a limit order with a Reversal trade. With this Reversal trade, I was able to jump into the downtrend and get my +10 pip profit quickly.

Reversal trade #5:

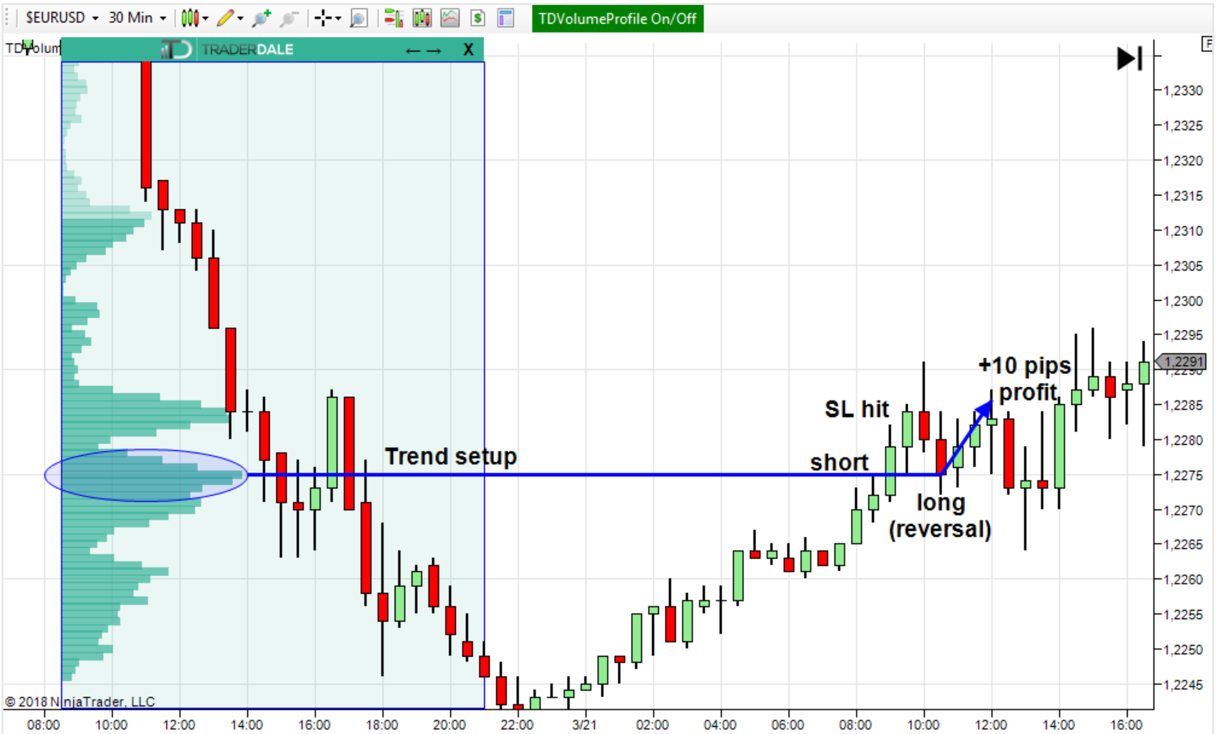


Reversal trade #6:

Reversal trade #7:



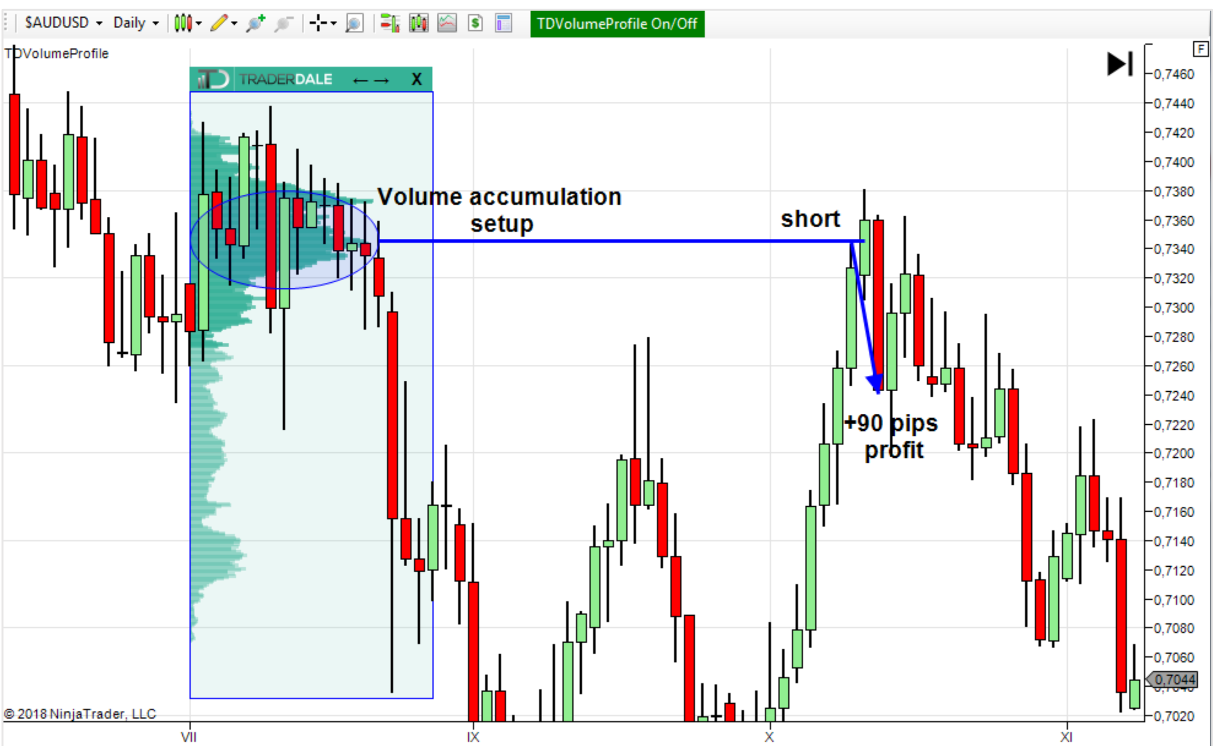
Reversal trade #8:



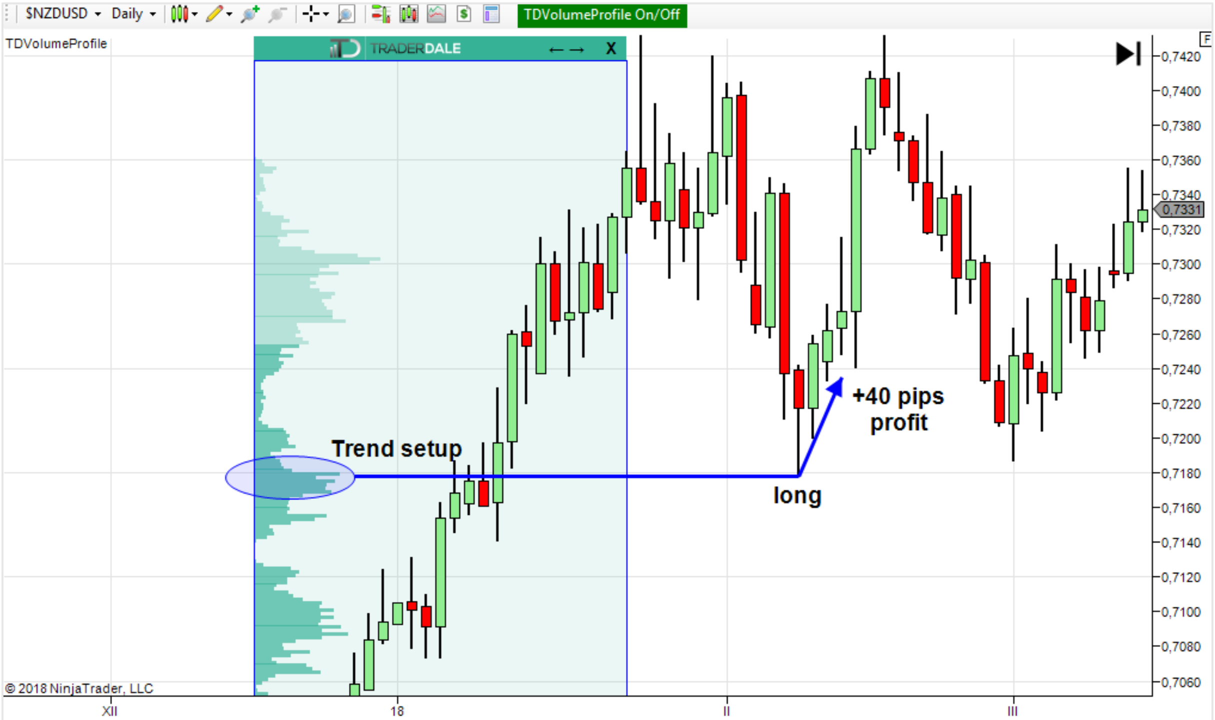
Swing trades

I use the same three volume setups for intraday and also for swing trades. The only difference is PT and SL placement and position management. Below are examples of swing trades that I took:

Swing trades based on Setup #1: Volume accumulation setup



Swing trades based on Setup #2: Trend setup



Swing trades based on Setup #3: Rejection setup

Putting it together

Many people say they want to be a full-time trader but their actions say otherwise. They say they want to be a trader but they aren't even willing to give up a few hours of TV a night to study, or give up going out on the weekend to fund your trading account or education.

You cannot become a full-time trader with anything less than 100% commitment; anything less will fall short! Trying to learn to trade with anything less than 100% commitment, is like trying to lose weight while still eating junk food for every meal, it doesn't work! Garbage in, garbage out!

If you want to be a professional trader, then you need to trade like a professional!

At the beginning of this book, I talked about the countless different trading strategies, systems, EA's, as well as the many other trading methods I tried when starting out before eventually settling on Volume Profile. Now that you've gone through this book, you too are at a crossroads.

You can continue down the path using retail tools that were designed to keep the retail trader losing money, or you can start trading with the banks and institutions that actually drive the market. We are all entitled to our opinions, but not our own facts, and the fact is, that smart money drives well over 90% of the daily forex volume!

Keeping this fact in mind, you only have two options; trade with smart money and the institutions that drive well over 90% of the daily volume, or hope your trading strategy happens to put you inline with their trades frequently enough to achieve a profit. I don't know about you, but I don't have any desire to leave my familes financial future up to fate.

You either understand how to trade with smart money, or you get run over by them, it's as simple as that.

Accelerate Your Learning

Have you ever tried to do a home project that you've never done before? Or maybe you're a cook and you want to try a new style or recipe. What is the first thing you do? If you're anything like me you probably hop on Google or Youtube and start doing some quick research to learn from someone who has already done what we are attempting to do. The fact is, even with the simpliest of tasks, we seek out training and direction because it saves time and gives us a much greater chance of success.

If you would search out help, direction, or support for even a simple task, how much more so is a good education when it comes to learning a complicated task like trading!

Furthermore, it's not just about getting an education, it's about getting a complete education. After all, there is a massive difference in knowing something and knowing how to apply it in realtime. Let me illustrate.

Imagine for a minute you had to go in for a routine surgery, maybe you needed your apendix removed. Your surgeon sits down to talk with you, and he talks all about the 20+ years of schooling, but that this would be his first actual surgery!

Would you let this surgeon open you up?!?! Of course not! The fact is, book knowledge is ESSENTIAL to learning or preforming any task, but it is not enough. When a doctor decides to become a surgeon they (depending on the country) must go through at least 8-10 years of schooling, but the schooling alone does not qualify them to actually preform surgery.

Again, book knowledge is indispensable for getting a basic understanding of a subject or task, but to actually preform a surgery on their own they must go through another 5 years of residency! During this residency they learn in a hands on environment, where their instructors or mentors are actually showing them how to do the things they learned about in school.

Think about any other complicated profession (or even those that are not so complicated) and you will quickly see that NONE OF them are taught with just a course or book, and hands on training is always required.

This is why I created the Trader Dale Advanced Volume Profile Course and trading community, so that I could not only provide an extremely detailed video course but more importantly provide daily guidance and direction by actually showing you how to trade with Volume Profile in real-time.

Just like in our example above of someone learning to become a surgeon, the hands on training is very often the missing link or the final piece of the puzzle that really drives home and instills a proper application of the strategy.

If you're serious about learning to trade, and you're ready to fully committed to learning to trade like smart money, then I would encourage you to check out our Lifetime Package.

This includes Lifetime Access to:

1.) **Advanced Volume Profile Video Training Course:** This 8 part video course breaks down the rules of the strategy in great detail covering each point from many different angles to fully drive home the message.
2.) **Daily Intraday Trading Levels Video:** Everyday you will get a new video that details the exact levels I will be looking to trade from, as well as WHY I'm using this point. This allows you to trade my levels while you are learning and effectively 'earn while you learn'.
3.) **Propriatory Flexible Volume Profile Indicator:** Get the one indicator that allows you to see 'inside' the market!
4.) **Monthly Swing Trading Levels:** Don't have time to trade intraday levels, no problem! Every month I realease my Swing Trading levels for the following month on 15 different currency pairs!
5.) **Members Forum:** Member's also receive Lifetime access to our very active community of like minded traders. Trading can be a lonely business, and having a very active

community of traders that you can bounce ideas off of in real-time is absolutely essential to your success!

6.) **Lifetime Support & Direction:** I'm a firm believer that traders need hands on guidance and support to succeed and this is what I provide our members.

In summary, I would encourage you to let this book be the start of your journey to becoming a full-time trader, not the end! If you want to learn more and you believe this is the strategy for you, then stop wasting time and start taking your trading seriously, as time is the only thing you cannot get back! I'll truly hope you have enjoyed this book and more importantly find the ideas within profitable in your own trading. For those of you who continue this journey with me, I look forward to seeing you in the member's area!

Happy trading,

-Dale

Just a few testimonials on the course

He shows you all of his own trades and his systems for execution and loss management.

It's a relief to see a transparent trader who follows his own system. He goes through all of his trades, whether they were winners or losers. He tells you what his decisions for taking the trade were based on, and tells you how each one performed after the trade. Even if you have your own system, this is a really good system too, and having more than one system gives you a huge advantage when you feel like your having trouble finding trades. There's no BS theory here, really, what more can you ask from a trading knowledge service?

Honesty and integrity - Trader Dale

I stumbled upon Trader Dale's website in search for the Market Profile concept. I liked Dale's simplistic explanation of his reasoning for taking every trade. Being weary of all the up selling of the majority of traders out there I decided to try out Dale's course and service for 3 months and to learn the concept. Unfortunately I didn't know that the option I chose was a repeat every 3 months and I did not make provision for that expense.

I contacted Dale immediately, and as always, had a quick response. Dale did not even argue or blink an eye on the matter and agreed to do a refund. He could have been legalistic about the matter but sure enough he even cleared up the matter we had with Paypal.

At last, I can recommend Trader Dale to anyone who wants to learn to trade Forex and know that you are dealing with a truly honest and sincere person for once and that he has great integrity. I'm not suggesting that everyone can now make these mistakes and claim money back as I have also now learned my lesson.

Just good know that should I decide to join again I can do that without hesitation.

Thanks once again Dale.

Trader Dale's unique approach is the best way forward for all potential FX traders.

I stumbled across Trader-Dale whilst doing a search for an alternative approach to intra-day trading. It has turned out to be the best search I have ever done with regard to trading the FX markets. Dale's unique approach and constant efforts to guide his clients is amazing. He is always willing to help and always explains his methodology and the reasons as to what he is doing regarding the trades he is placing in the FX market. Dale has recently made available to all his members the amazing "Flexible Market Profile Indicator" which is streets ahead of any other indicator I have ever used (believe me I have tried them all in the 10 years as a FX trader). I have had amazing success following Dale's teaching. So If you are struggling with your FX trading then do yourself a favor and make contact with Trader-Dale. I am sure it will be the best bet you ever placed!

Excellent course!

I recently joined Dale's community.

I really appreciate his straightforward approach to the markets. He uses volume profile. While I have worked with this system before, I always found it very philosophical but not to practical in terms of knowing where and when to trade. Dale teaches four specific scenarios to watch for in order to enter a trade. I have found that these trades make sense logically and have seen them profit. Dale provides specific levels hours before the market is even close to these areas. This gives one plenty of time to organize a trade. But, what I have found even more important is that by learning the logic behind the four different types of trades, I have been able to spot my own intraday levels and profit from them. In addition to his teaching I have found Dale very approachable and he has answered all of my questions to date. He seems to be an excellent mentor.

Overall, I strongly recommend joining Dale's course.

Truly honest and generous trader, highly recommend him!!

Dale is a truly honest and generous trader who is willing to share his insights for a small fee compared to others. I already learned a lot in the first to months trading based on volume in his course. Definitely recommend him :)

Really good trader

I have met many webpages, which was really full of unusable and worthless advices. But when I met the Dales webpage I recognized that he tries to explain an every trade and support you in your trading.

In my opinion his approach is really good and you can get a nice profit, but you have to hold his rules and try to learn something of his approach. I bought of him next 3 month and I hope, that I learn from him as much as possible. I can only recommend you services in his member area.

An honest & reliable service from which to earn & learn

I have been lucky enough to have been trading with Dales levels since late September 2016 and have to say the results have been excellent. My own style of trading is indicator free and I particularly like the approach that Dale uses, finding location on the chart where there is both a value price and a high probability of success. Obviously not every trade is successful but I'm getting a strike rate in excess of 70% over the past 10 months, have achieved a profit in every month to date.

Dale provides 2 things, prices at which to trade long before price actually gets there and training in order that you can learn how to find high probability trading locations for yourself - the process is a profitable way to trade and allows you to actually read the market rather than depend on indicators, it's a skill that once mastered can enable you to trade for a living.

Like all things in trading there are things to learn, and knowing some trading basics will help improve results, there are a range of traders on the forum from full time traders to total newbies - and having that range does provide a shortcut in the learning process. The fact that you can earn while you learn makes membership very rewarding. Some use an EA to trade the levels Dale provides, however I personally prefer the hands on approach, both work well but I believe knowing why & what you are doing works better.

Forex trading can be a particularly expensive place before becoming profitable, some take years & some never get there - as far as I am concerned the subscription fee is an extremely cheap way of shortcutting the process. The service is an honest one that I would happily 100% recommend to anyone, I personally have Dale to thank for lifting my trading from profitable to very profitable :)