The Trading Style of Jack.Canadia

Part 2

“I don’t look to jump over 7-foot bars. I look around for 1-foot bars that I can step over.”

Warren Buffet

Review

In the last document I posted, I outlined how to examine trends, in a simple way, and also take advantage of 1-2-3 setups off of pivot points and areas of support and resistance.

In this edition, I will cover how to determine price zones on your chart that have the highest probability to produce a successful trade while requiring a stop loss much less than you are using now… or should I say ‘entry order’ to close your position according to the new NFA rules. Regardless, control risk.

I will examine the recent fall from 67xx in GBP/USD and combine 1-2-3 setups, pivots, fibs and support/resistance in an attempt to show the simplicity in trading and how you can determine where the big boys are at.

<u>SUPPORT AND RESISTANCE</u>

Support and resistance are two words to describe demand and supply, respectively. In trading, whether its futures, forex or equities, the demand is an area, a price level (more importantly, a <u>zone</u>) where the chart suggests there was buying taking place. Someone really "valued the particular stock or currency at that price and bought some, they **demanded** it at that price, at that <u>support</u> level." Similarly, someone really needs to sell GBP and buy USD. They are "willing to **supply** pounds for dollars at a particular price level, some level of <u>resistance.</u>"

If supply > demand at a particular level, price falls.

If demand > supply at a particular level, price rises.

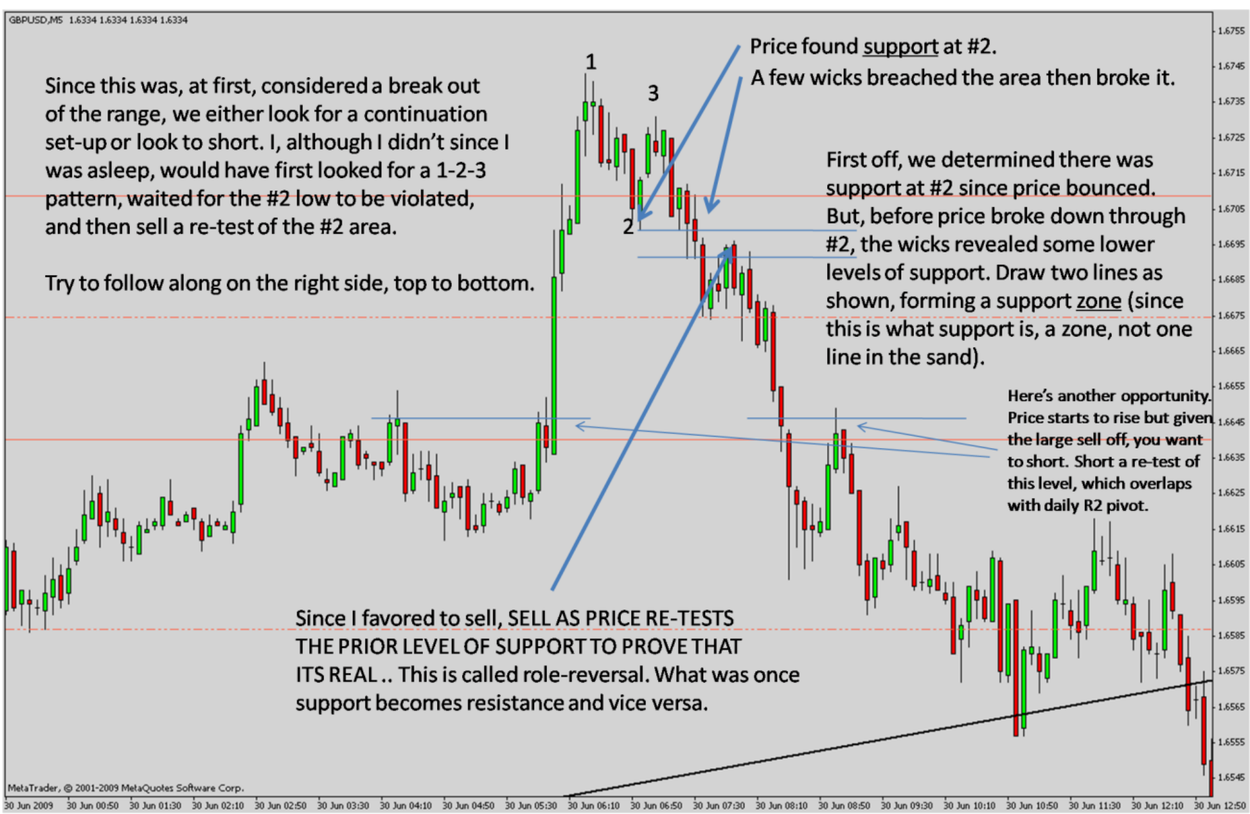
If demand = supply, price ranges … the more equal they are, the tighter the range.

A breakout occurs when either demand or supply run out.

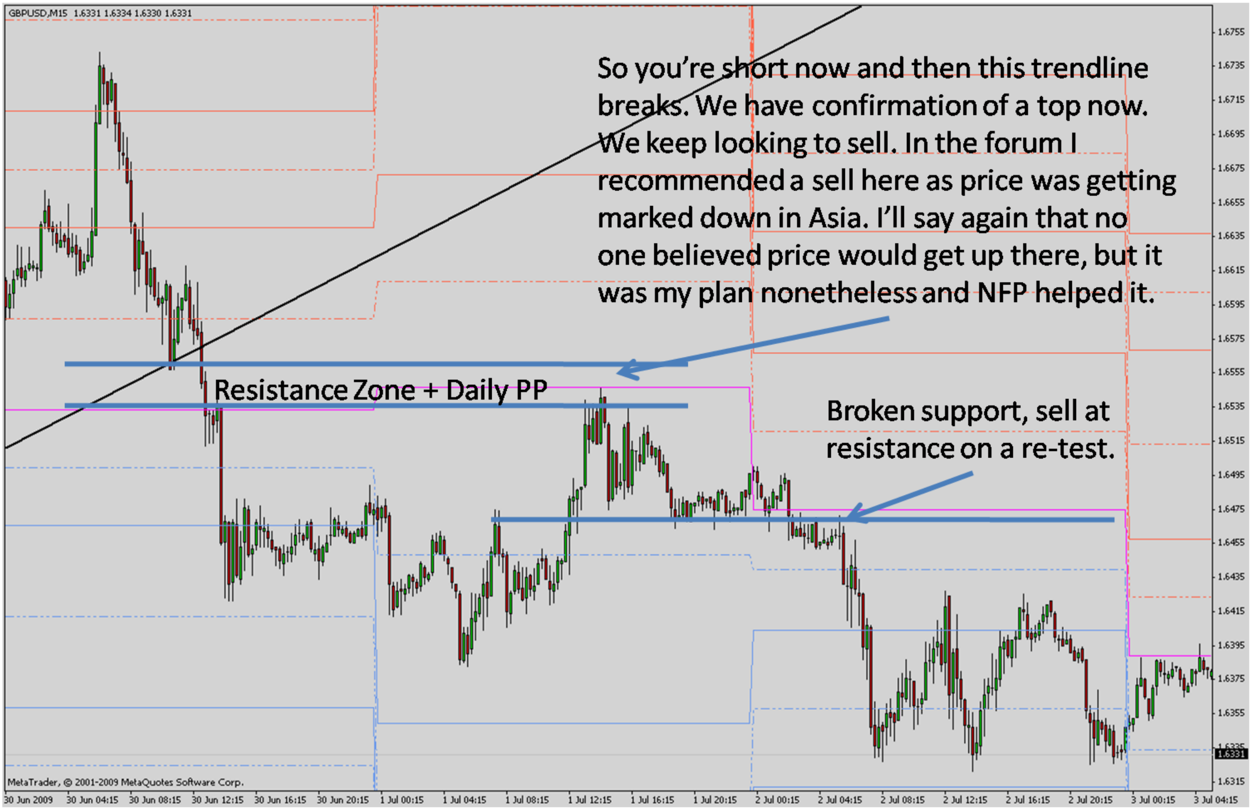
Since we do not move the market, we must look at the chart and determine where the smart money is. It's really quite easy with practice.

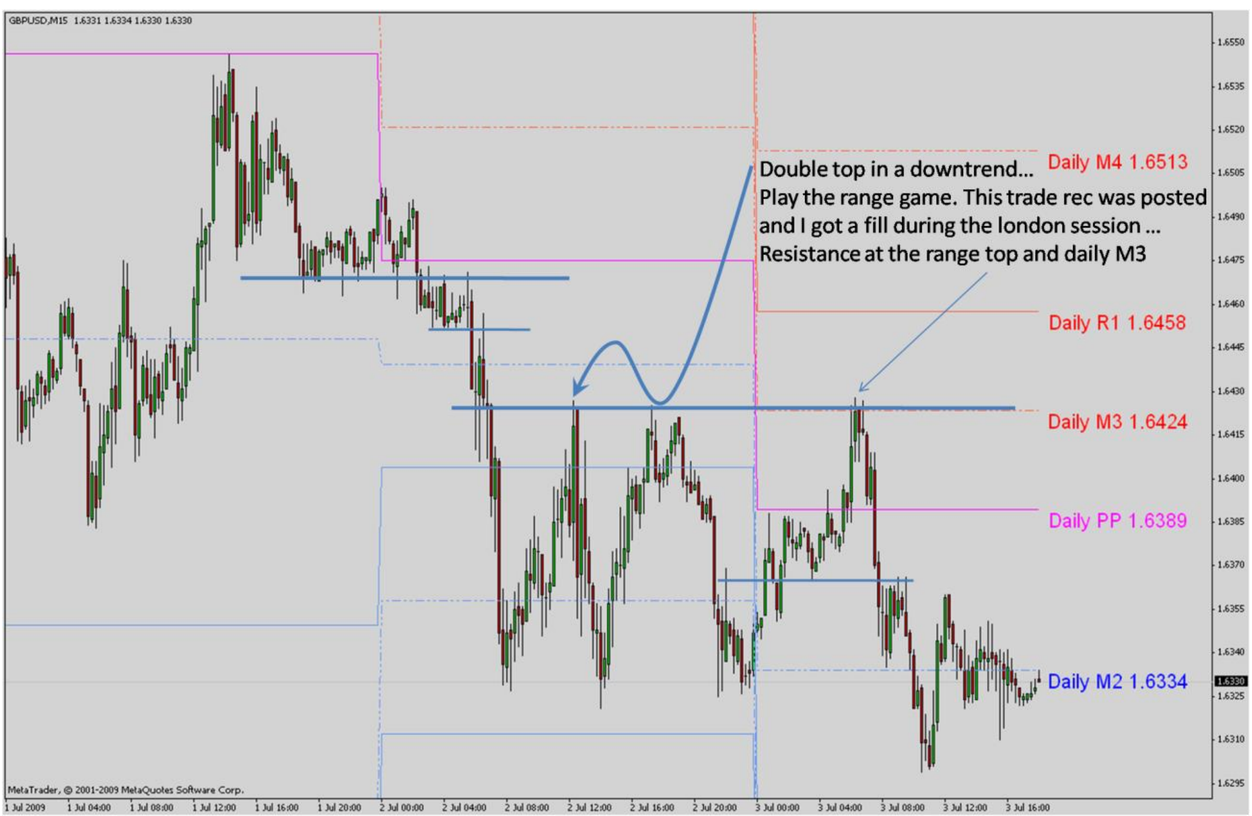
Before going on, I must say that I did not know that 67xx would top price this week. No pivot of mine lined up at that level to give me and indication, but with a few small clues in price action we could have been >50% sure to start jumping on the short bus.

Enjoy!



This would have entered you at about 1.67oo and again at 1.6650.


So you're short now and then this trendline breaks. We have confirmation of a top now. We keep looking to sell. In the forum I recommended a sell here as price was getting marked down in Asia. I'll say again that no one believed price would get up there, but it was my plan nonetheless and NFP helped it.
Resistance Zone + Daily PP
Broken support, sell at resistance on a re-test.


Double top in a downtrend… Play the range game. This trade rec was posted and I got a fill during the london session … Resistance at the range top and daily M3
Daily M4 1.6513
Daily R1 1.6458
Daily M3 1.6424
Daily PP 1.6389
Daily M2 1.6334

I hope I left it as plain as possible.

The key is to first look at the big picture and know where price is going, either up, down or sideways.

However, regardless of trend, if you BUY at SUPPORT and <u>sell</u> at <u>resistance</u>, you will increase your chances of a winning trade by a wide margin. If price is just moving up and you say "I'll buy since price is going up", I'm sorry, but you don't know how to trade.

Be patient, and become rich. Don't risk money because you feel price will keep going up or down.

Opening a position is a gamble, and I'd rather gamble with the odds slightly more in my favor.

All these charts were 15-minute and the higher the timeframe, the more significant the support/resistance. 5 and 15 minute work well for intraday trading.

Final Notes.

1.) Identify trend or short term direction.
2.) Identify support/resistance.
3.) Wait for a candle to break these levels and close beyond it.
4.) Identify the ‘zone’ based on the candle wicks prior to breaking.
5.) Open you trade in this zone in the direction of the break for the highest probability, lowest risk position you will ever open. I hate drawdown.
6.) Stop losses greater than 30 pips are a thing of the past.

This was short and sweet. PM me any questions but first go back in time on your charts for any currency pair (typically the majors since they are more liquid) and try to identify areas of support and resistance.

TRADE WELL!

Jack.C