

***Supply & Demand ***

Terminology

Based on this equation **Volatility = High Volume + Low Liquidity**, I will be using some of the terms that have the same meaning and used by many traders as follows:

Indecision = Balance = Equilibrium = Stable = Normal = Efficient = Base = Cluster = Block = Range = Consolidation = Flag

Decision = Imbalance = Unstable = Abnormal = Inefficient = Impulse = Momentum = Engulf = Liquidity Gap / Spike = Breakout = Pole

Corrective Moves = Rebalancing

Supply / Demand = RBD / DBR = Cap on Price

Decision Point = RBR / DBD = Spike Base = Flag Limit = Breaker

Pivot Zone = S/R Flip / Swap = Key Level

Level = Zone = Area

Broken = Ignored

Trend Reversal Pattern = Over & Under Pattern = Quasimodo (QM)

False Breakout = Fake out = Stop Run / Hunt = Bull / Bear Trap

Positioning / Accumulation = Liquidation / Distribution

Compression (CP)

Engulf / Retest (ER)

-----Important -----
this post from forex factory draw my attention especially that IF approved it

""If studied properly, you will come to a point where everything gyrating around FTR,

Price engulfed important level and FTR becomes FL
FTR overlaps each other become compression
FL engulfed price retrace to FL becomes QM
Pole and a drop and compression to FL become can can
3 drive - it another form of compression

That's the meaning IF say they are not pattern traders. Pattern trading is basic. His work is beyond that.""
www.forexfactory.com/showthread.php?t=420159&page=41

Approach

- Compression *
- 3 Drive

Reaction

- Engulf
- Quasimodo *
- Diamond *
- The CanCan *

Past

- Supply and Demand
- Support and Resistance
- PAZ - Price Action Zones
- Caps on Price - RBD/DBR *
- Flag Limits - DBD/RBR *
- Fail to Return - FTR

Price Reading

In order to be able to trade the markets, we need to be able to understand why price is where it is, and where it will go to next. The best indicator for all this is Price itself. It holds all the clues you'll ever need to work the market out. We do our trading at levels called Supply and Demand Zones, and we watch Price Action there to give us signs as to the intentions of the big money.

Here's what we look for on the charts:

General: HTF. Know where price is coming from and going to, and the PA past and present in all the TFs, from the Monthly down.

Specific: At the zones you want to trade, look to:

Past.

Study the zone in all TFs, down to M1 ask yourself:

Where were the decisions made? Clean S/D? Mark these lines. No clean S/D? – Compressed zone
did price really shoot away from the zone, or did it cp away?

Did the zone itself react at the right place? Look beyond the zone further into the past. See what it reacted to. Was there a better S/D nearby that price wants to visit? This explains many fakeouts. Did price originally react to the RS of a Flag Limit? It can fake out to true SD of the FL.

Present:

Approach.

How is price returning to the zone?

Where's the nearest flag in the TF you want to trade? This is your tg1 in this TF. Flags in the LTFs? What does PA tell you?

Has price tested the last flag on approach? (Good sign)

Has price compressed into the zone in this TF or LTFs? (Good sign)

Is there big news on the way? Has there just been big news?

Reaction.

In LTF, does price react violently to the first decision point? Does it quickly engulf the nearest S/D? (good sign)

Does price simply CP away? Maybe it wants to go to the next decision point

If the first decision point breaks, watch the signs on approach to the next, and, of course

----- **How to apply** -----

- Price first has to create a zone. We use FL (RBR and DBD) , FTR, S/D(RBD, DBR), and S/R
-. These zones happen in the past, and we want to identify those zones as areas of interest.
- As price approaches the zone, we pay attention to whether or not price shows compression or if it gives us the 3 Drive pattern.
-. This is important, because price this gives us clues on whether or not that zone will hold.
- The Reaction. This is where we watch the PA in or around the already established zone. In order to achieve our maximum R:R we would switch to a LTF to watch the PA play out. This is where we look for Engulf, QM, Diamond, and Can Can.
- **This comes AFTER our HTF zone has been established and price has come back.**

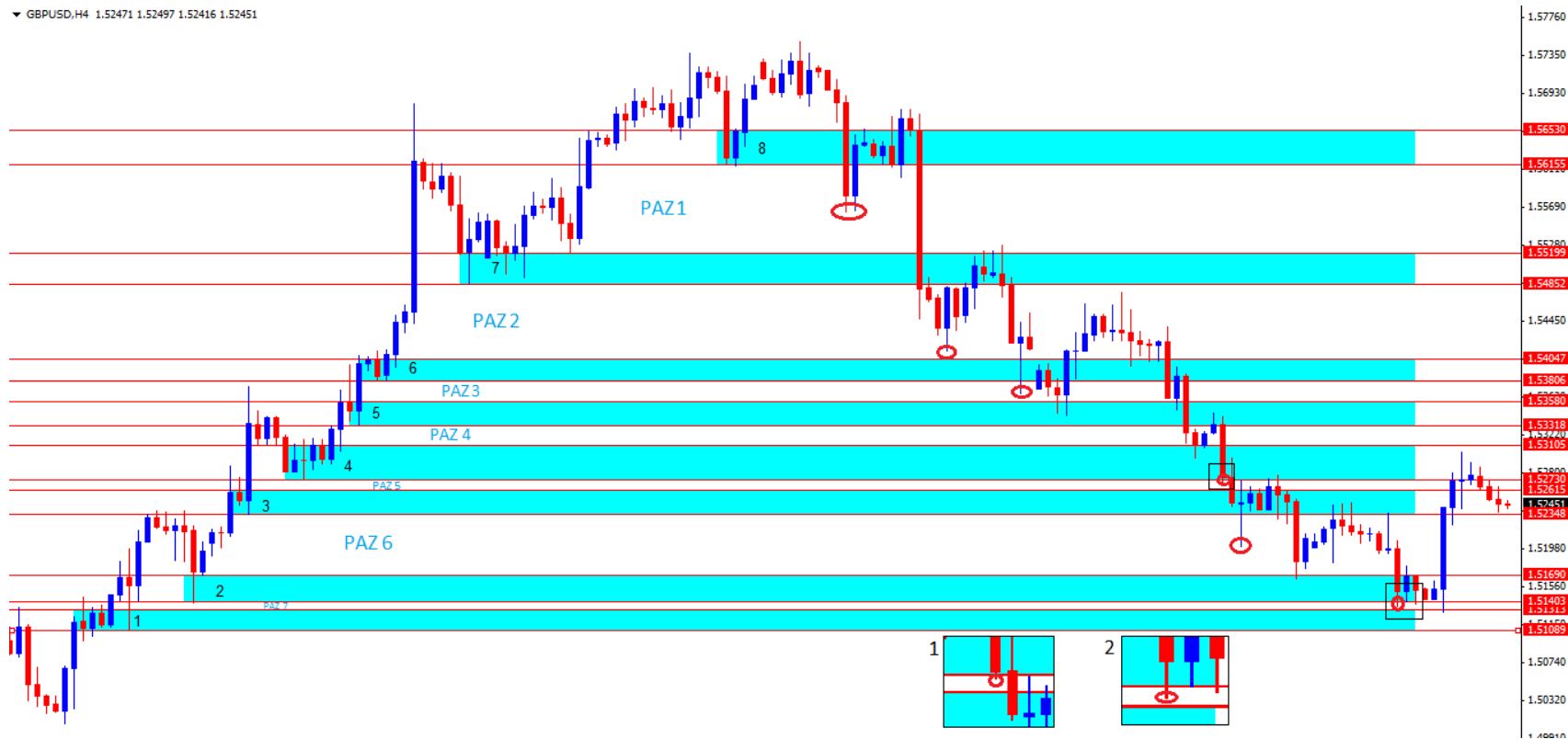
Price Action Zones – The last piece of the puzzle

Every candle on the chart is part of a PAZ of one form or another and knowing where price is in relation to these zones gives us a massive edge on the markets. Up until now, we have been taught nearly everything we need to know to be successful traders, PAZs really are the last piece of the puzzle.

So let's get started!

So what is a Price Action Zone? A PAZ is exactly what it says; it's a zone on your charts that show a distinct type of Price Action! These distinct zones include poles, flags, stacked supply/demand and compression. Once we are able to accurately determine where these zones are, there is one rule. **ONLY** trade the edges!

One great type of PAZ is the space between two Failure to returns' (FTR), which is the space in which a flag forms; let's look into this a little further:



You can see in the above chart I have marked off 8 FTR's as price climbed up, between each one of these FTR we have a PAZ. So we have 7 PAZs. Simple as. Once price breaks into a PAZ (engulfs a FTR) we know it wants to go to the other side of the zone (the next FTR). So let's look what happens on the way back down.

- \$1• FTR 8 gets engulfed, price has now gotten into PAZ 1. Price retraces then goes to FTR 7
- \$1• FTR 7 gets engulfed, price has now gotten into PAZ 2. Price retraces then goes to FTR 6

- \$1• FTR 6 gets engulfed, price has now gotten into PAZ 3. Price retraces then goes to FTR 5
- \$1• FTR 5 eventually gets engulfed and gets into PAZ 4 and follows through to engulf FTR 4 and FTR 3 and gets into PAZ 6. Price retraces before going to FTR 2
- \$1• FTR 2 gets engulfed (see insert 2). Price retraces then goes to FTR 1

Now that you know where price wants to go, it is your job to enter on a retrace to target the other side of the PAZ (the next FTR), and we already know how to do this don't we? PA!

Some note on harry: Regarding what PAZ is, this is from the article. If you want to simplify you can say PAZ is the space between flags
Flag=FL=FTR it's the same thing

Price Action Zones – The last piece of the puzzle

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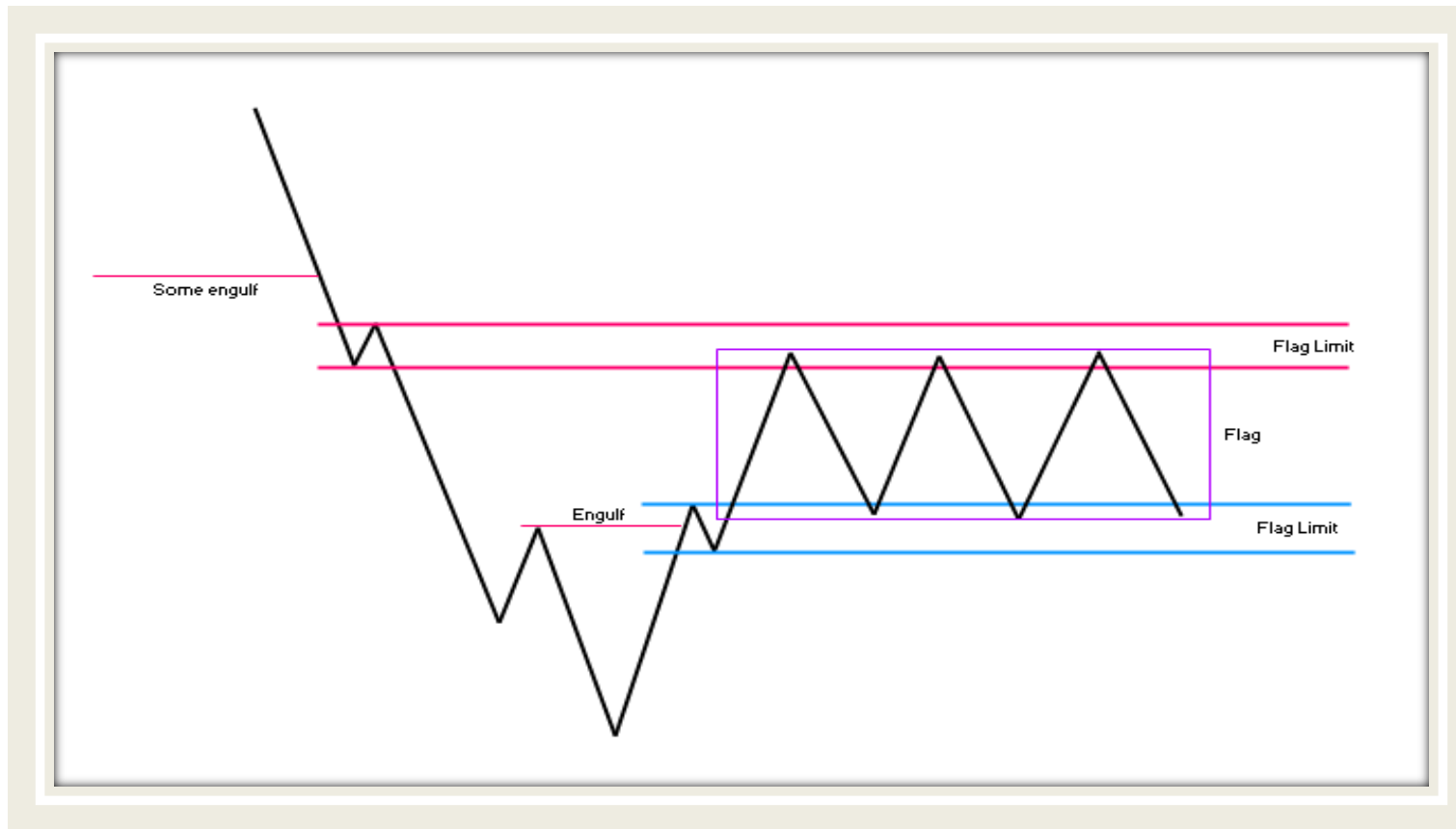
One great type of PAZ is the space between two Failure to returns' (FTR), which is the space in which a flag forms let's look into this a little further:

simply put, PAZ is the space between flags



Some note by josh:

I typically try to see the chart in flags Base, flag, and pole. The base and the flag are two different zones. The space between the base and flag which is the pole is what I use for my PAZ. Once price engulfs either the flag or the base, price then is free to move to the opposite side. There aren't really any orders inside the pole. So when price starts in one direction, it won't stop until it runs into more orders.



My dear friends, concerning PAZ problem: I cannot give you any bulletproof rules for drawing them because I don't know them... I am afraid it is a matter of practice... I can give you a useful hint, though. The following print screens show the 3 types of PAZ's. The screens were made by myself but approved by If. I hope you can get something from them.

drawn from the bottom / top wick to the last wick of CP

EURUSD, M15 1.33351 1.33364 1.33336 1.33348

Alerts: Emails Alerts ON. Popup Alerts ON.

PAZ - COMPRESSION

PA ENGULFED INTO PAZ AND RETRACED TO FTR

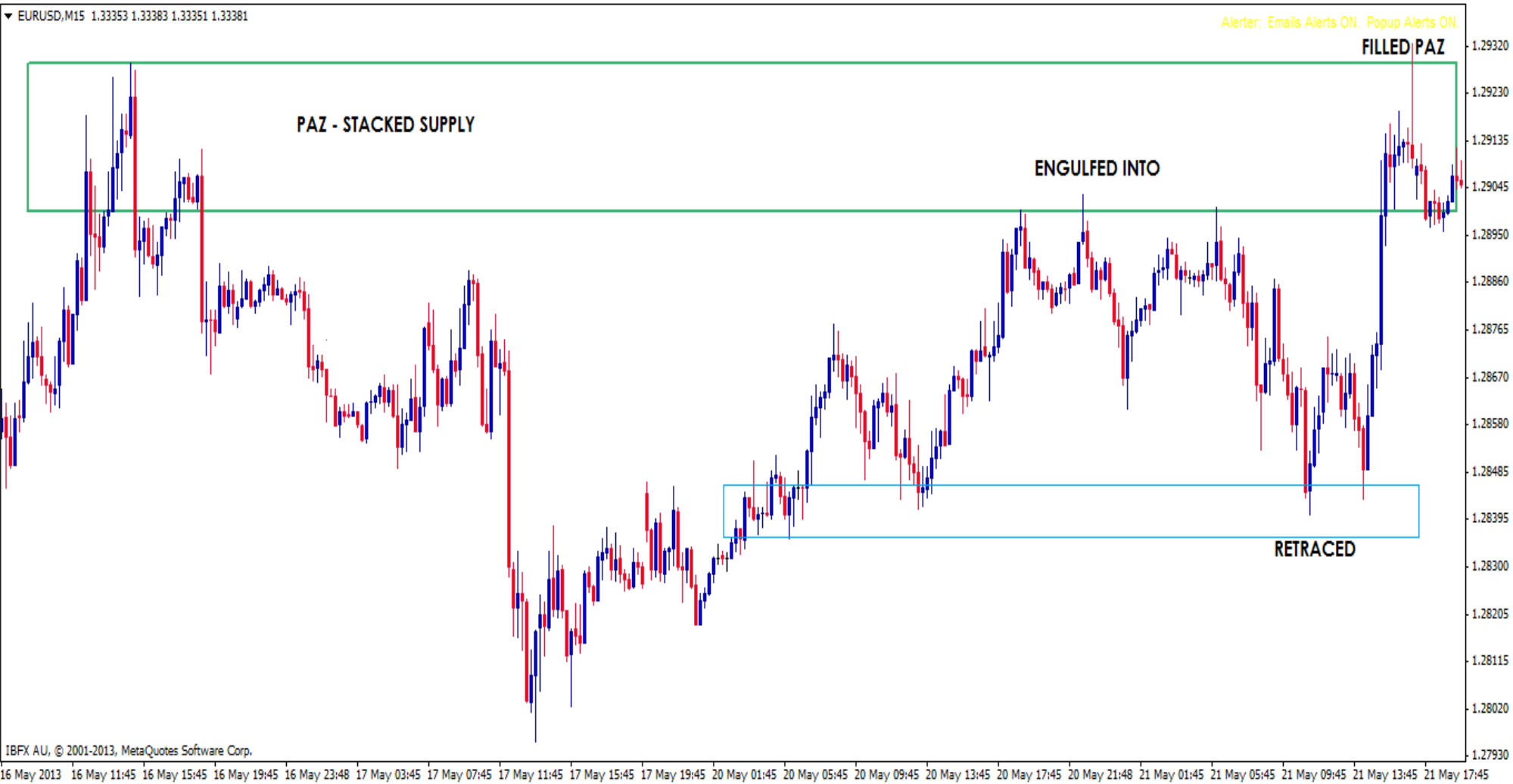
1.33895
1.33810
1.33761
1.33725
1.33640
1.33555
1.33470
1.33385
1.33348
1.33300
1.33215
1.33130
1.33045
1.32960
1.32875
1.32781
1.32705
1.32620

16.12 1:30 3 12 Jun 05:15 12 Jun 09:15 12 Jun 13:15 12 Jun 17:15 12 Jun 21:18 13 Jun 01:15 13 Jun 05:15 13 Jun 09:15 13 Jun 13:15 13 Jun 17:15 13 Jun 21:18 14 Jun 01:15 14 Jun 05:15 14 Jun 09:15 14 Jun 13:15 14 Jun 17:15

IBFX AU, © 2001-2013, MetaQuotes Software Corp.

Friday end of NY...)

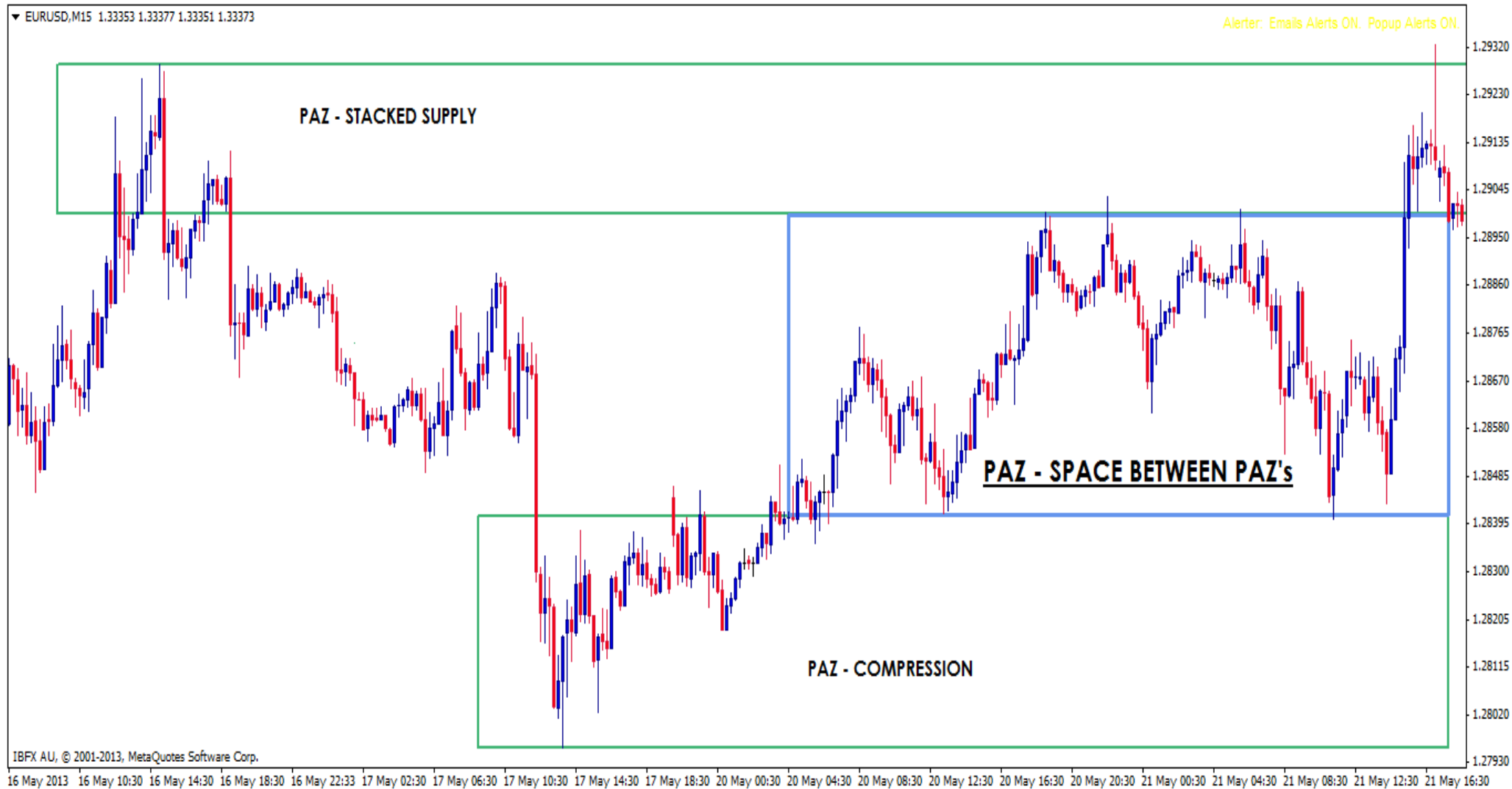
Type 2:
STACKED SUPPLY / DEMAND
Example



Type 3:
SPACE BETWEEN PAZ's

look in Pedini's journal how PAZ trading can be simple...

www.readthemarket.com/index.php/forum/jo...tups?start=175#19876



Some homework on PAZ / CP PAZ

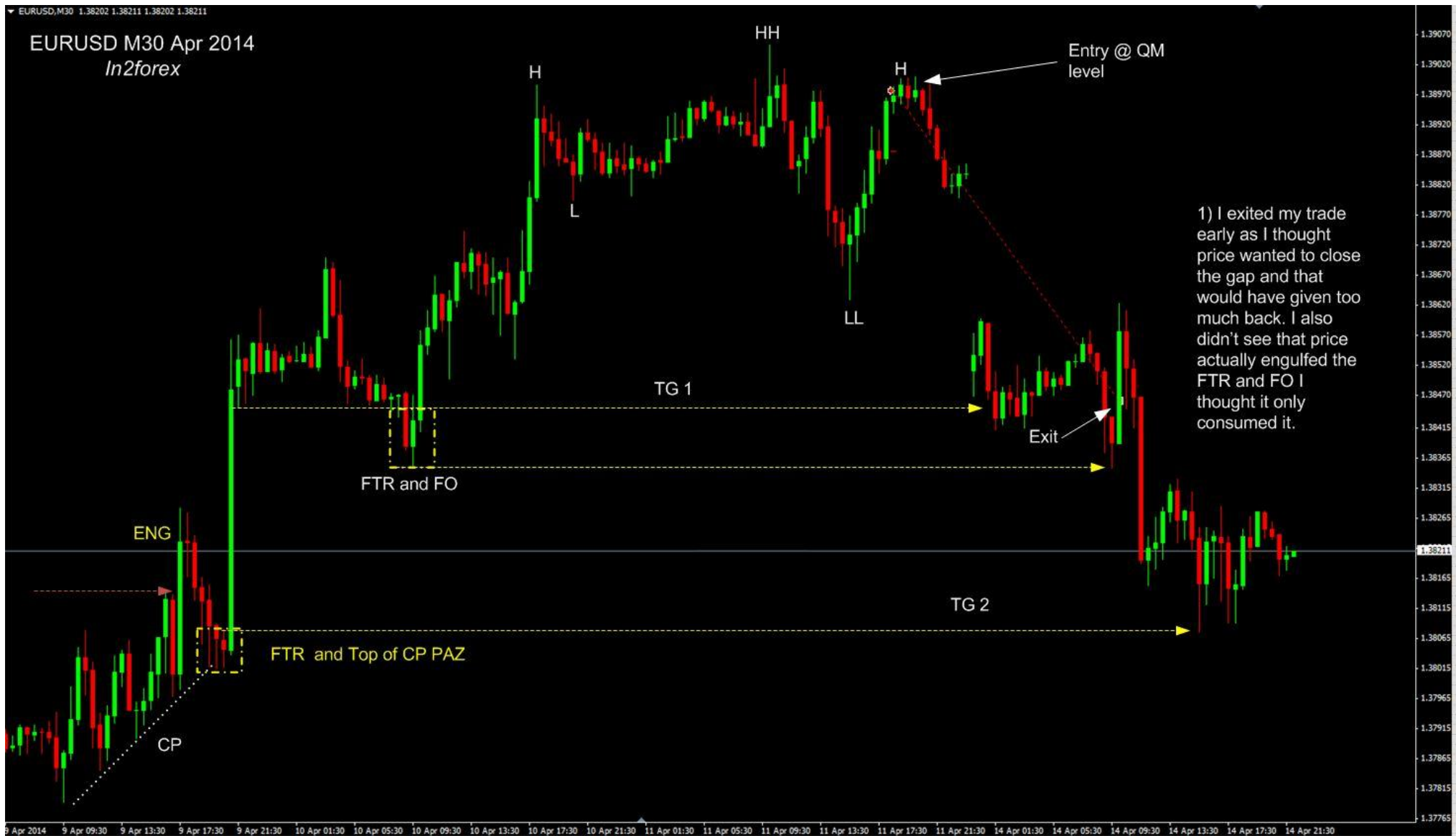
Ok Trade from Friday

- 1) Entry QM formed at H4 Supply, entered at QM Level.
- 2) Exit early, I didn't have time to watch PA through the morning, I thought price might go back up to close the gap. I didn't want to give anything back, so I exited. Price would have hit my second TG.



EURUSD,M30 1.38202 1.38211 1.38202 1.38211

EURUSD M30 Apr 2014
In2forex



1) I exited my trade early as I thought price wanted to close the gap and that would have given too much back. I also didn't see that price actually engulfed the FTR and FO I thought it only consumed it.

Saw this CPAZ trade on GU.
I didn't trade it as I wasn't by my PC this morning.



Just an update on the GU trade (previous post)
It would have hit my target, but this post is more about watching PA to take you out of a trade.

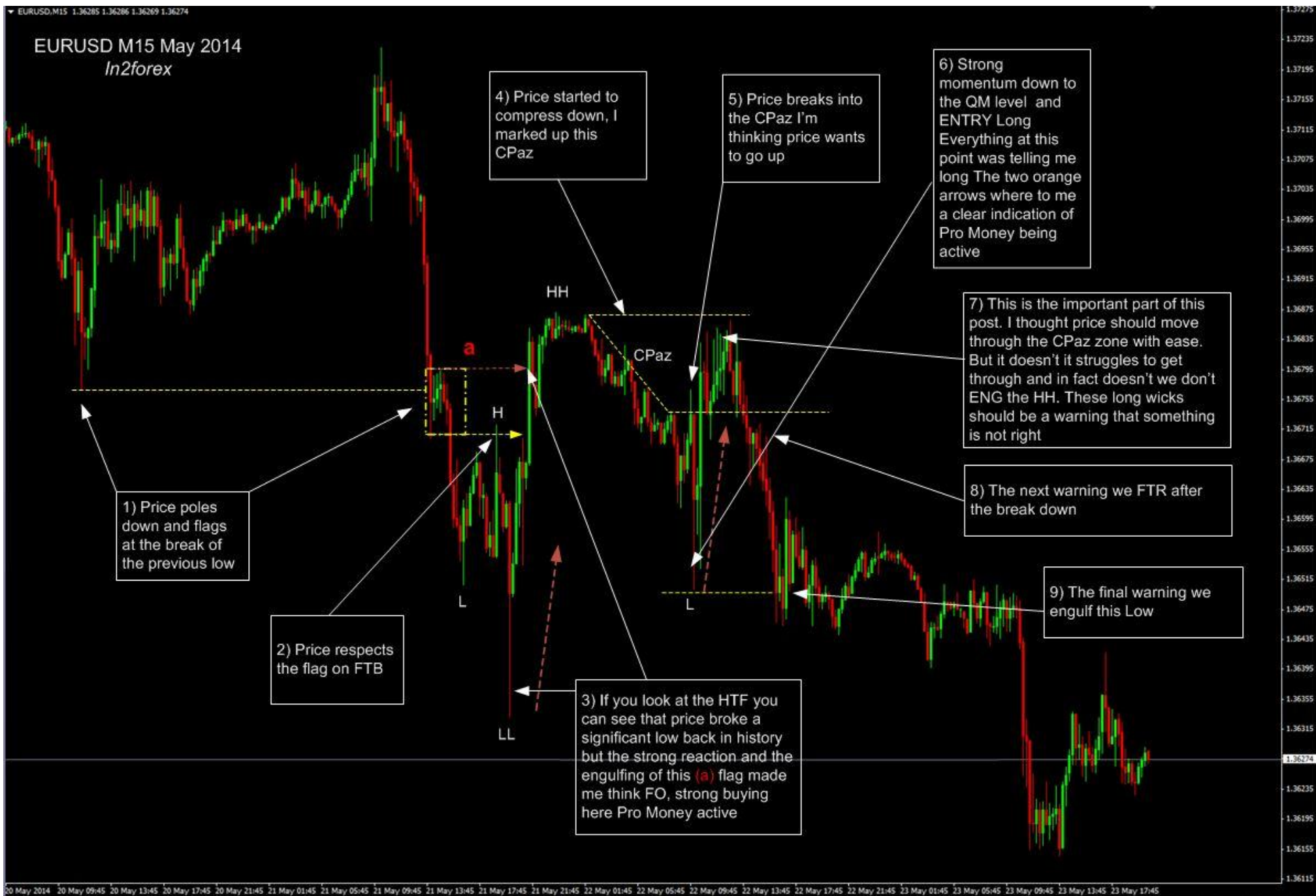


Busy trying to get the concept of PAZ'es.

This is what I saw on EU today.

Price never returned to my entry level but I should have seen the SR Flip forming. 🤔



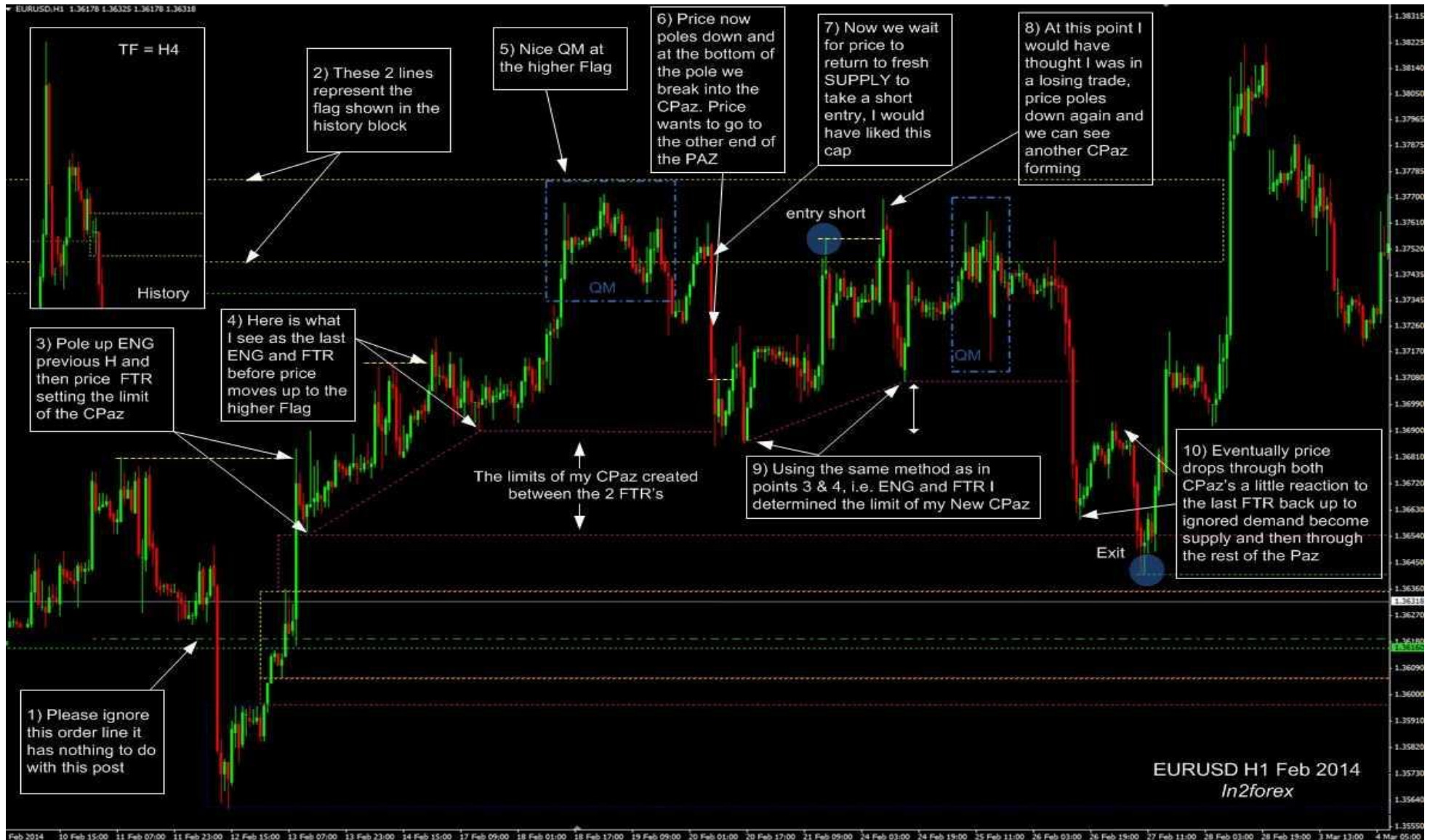


Sometimes we get what we think is the perfect entry, just to be proven wrong, but price will often give us an opportunity to exit, as long as we read price. 🤔
The trade was existed at BEChart is a bit messy.

My study of PAZ continues.

I saw this post and decided to see if I could put some more pieces of the PAZ puzzle together.

Eoin-s-journal post 2 Thanks Jambowlyai Note the diagram in the post! While marking up the chart something triggered in my understanding, But before I log it as a Eureka moment I have to do some more studying. I'm thinking.



Ok some more PAZ homework and other things

Detail on the charts.

Chart 1 CPaz PA



Chart 2 pretexts to chart 3

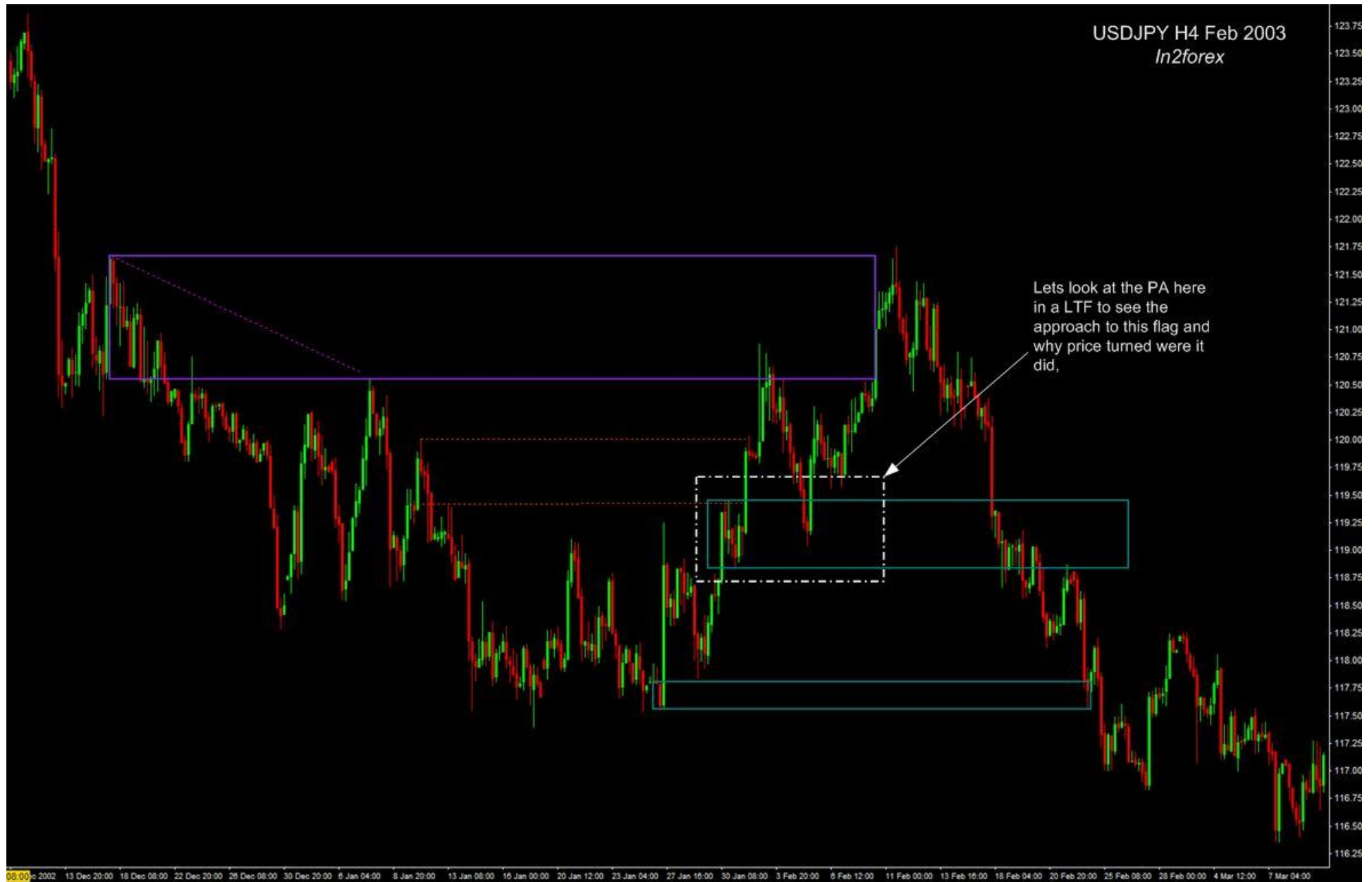


Chart 3 LTF PA history and approach

ENG into Cpaz from previous chart →

2) Price ENG's H to left setting up the top limit of the flag

4) FTR and last fresh demand in flag

5) 3Drive approach into fresh demand before turning

ENG

CP

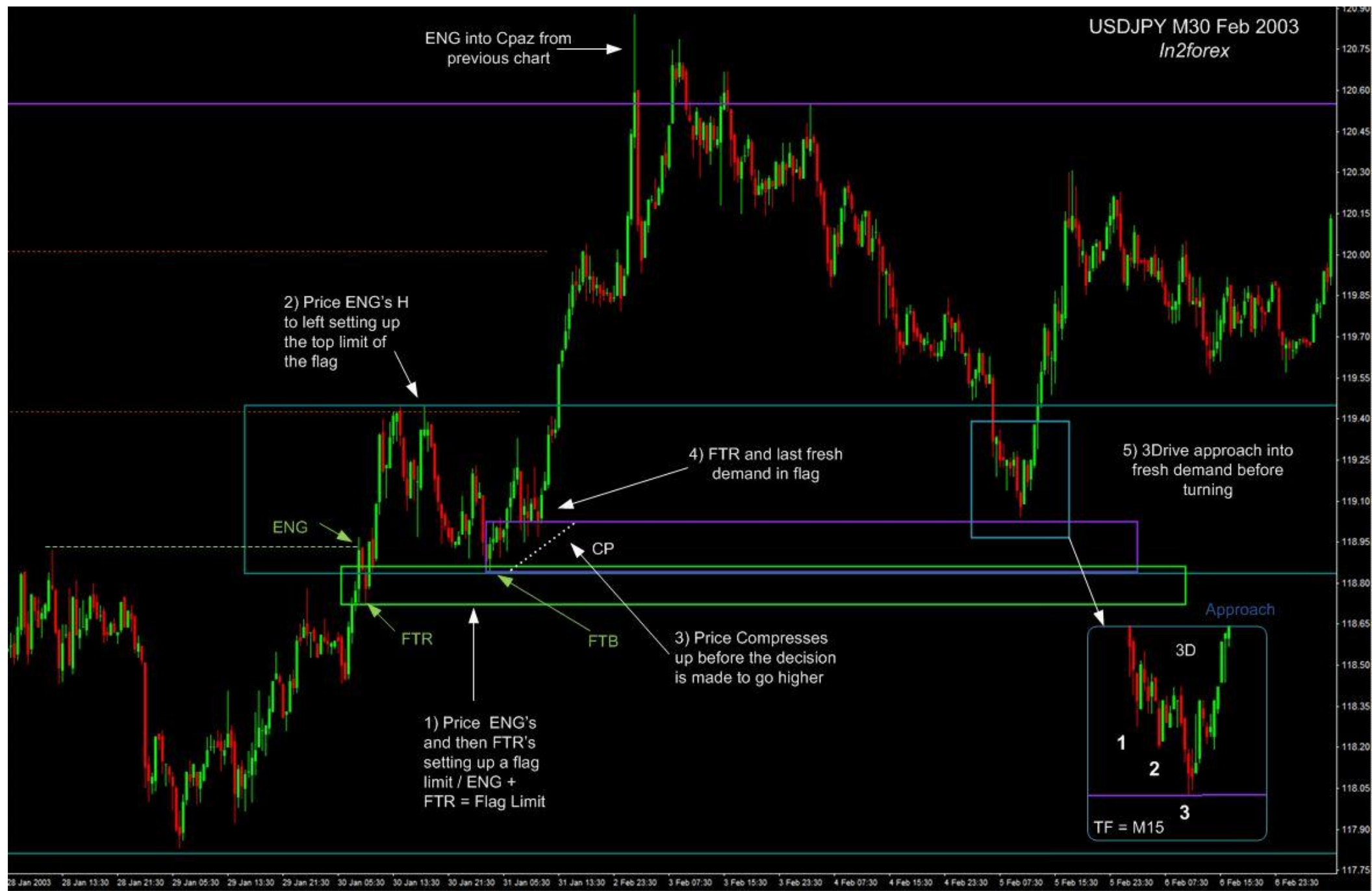
FTR

FTB

3) Price Compresses up before the decision is made to go higher

1) Price ENG's and then FTR's setting up a flag limit / $ENG + FTR = \text{Flag Limit}$

Approach



Ok here is a trade I'm in at the moment on GU

Entered at QM level.

SL to above BE so the trade is safe.

Trade management

I'm worried that the HH on the chart is a FO.



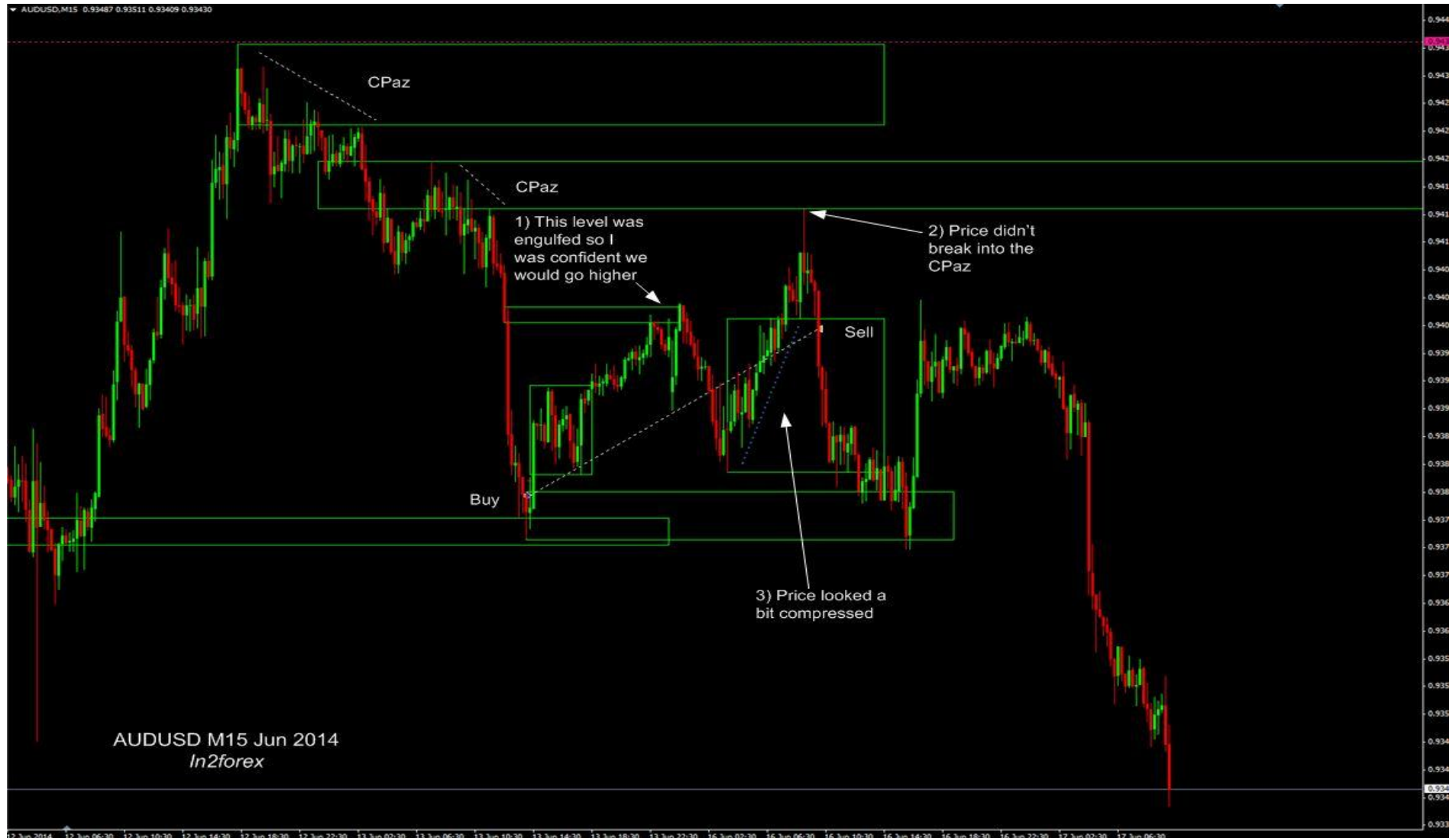
But we still need to enter the CPAZ before getting there.

I'll Here is an update on my AU trade I took last week.

I exited the trade yesterday.

The reason for exiting the trade was as follows.

- 1) As I wasn't planning on trading the day I didn't want any open trades playing on my mind...
- 2) We didn't break into the CPaz so I wasn't confident that price was going higher.
- 3) Although not great compression, it did look to me that price was compressed on the way up.
- 4) I was happy to take the profit, the one thing I've learnt at RTM is there is always another opportunity just around the corner.



Thanks Harry I like your comments in IF's journal.

Well here's the reason I took this trade.

Chart 1 shows the H4 view, I'm not sure if calling the blue boxes flags is correct (Maybe PAZ could be better), but we can see very distinctive blocks, and in the middle a great Flip zone



Chart 2 Shows the last break of the Flip zone and how price FO FTR 2 setting up a QM level.

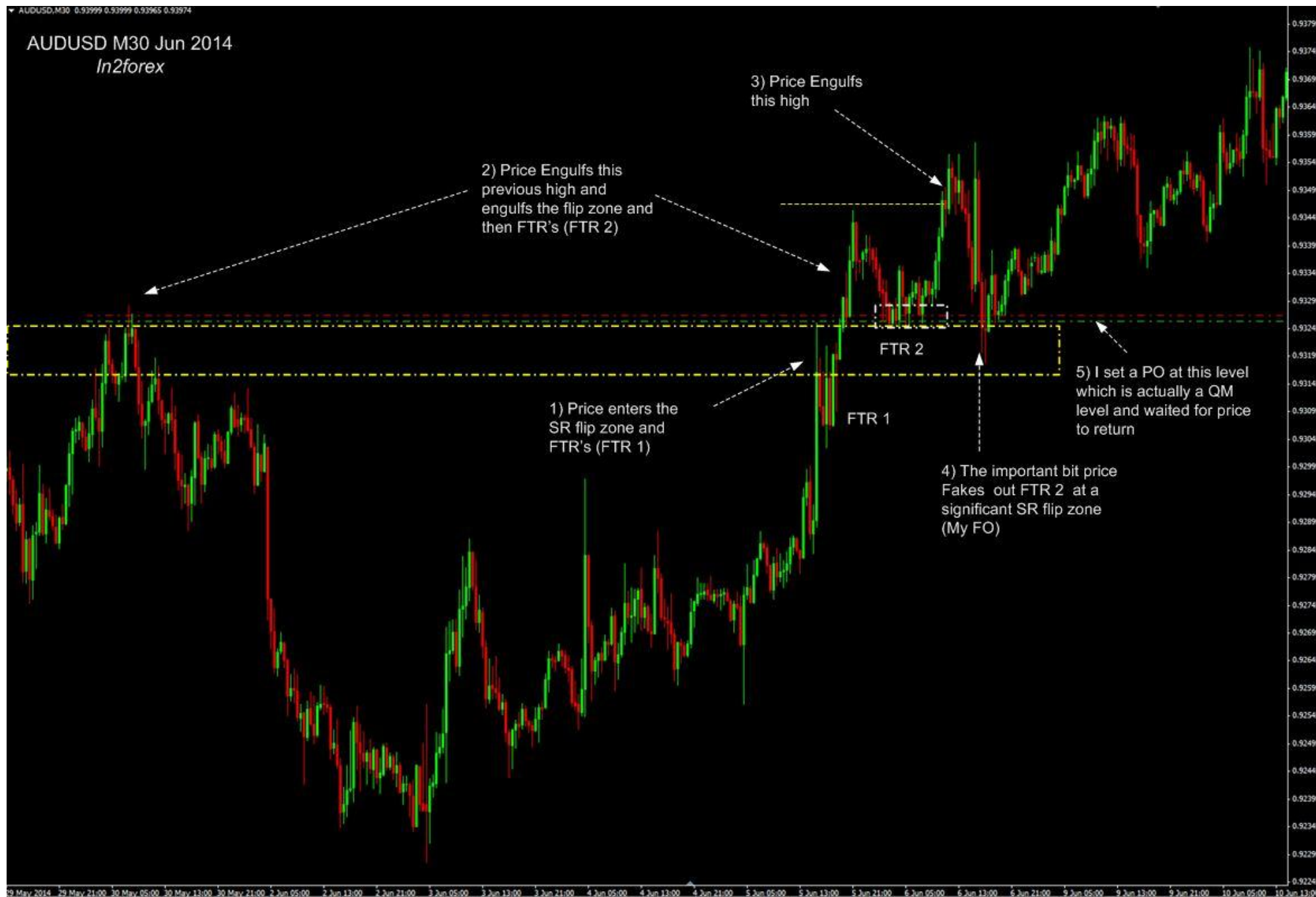


Chart 3 Show the overview of the QM and a diamond at news time, perfect place for IT to turn price.



Thanks PS

I'm busy doing some studying on CPaz.

Here is another one with similar PA to my previous post.

Chart 1 Overview of the M30 PA

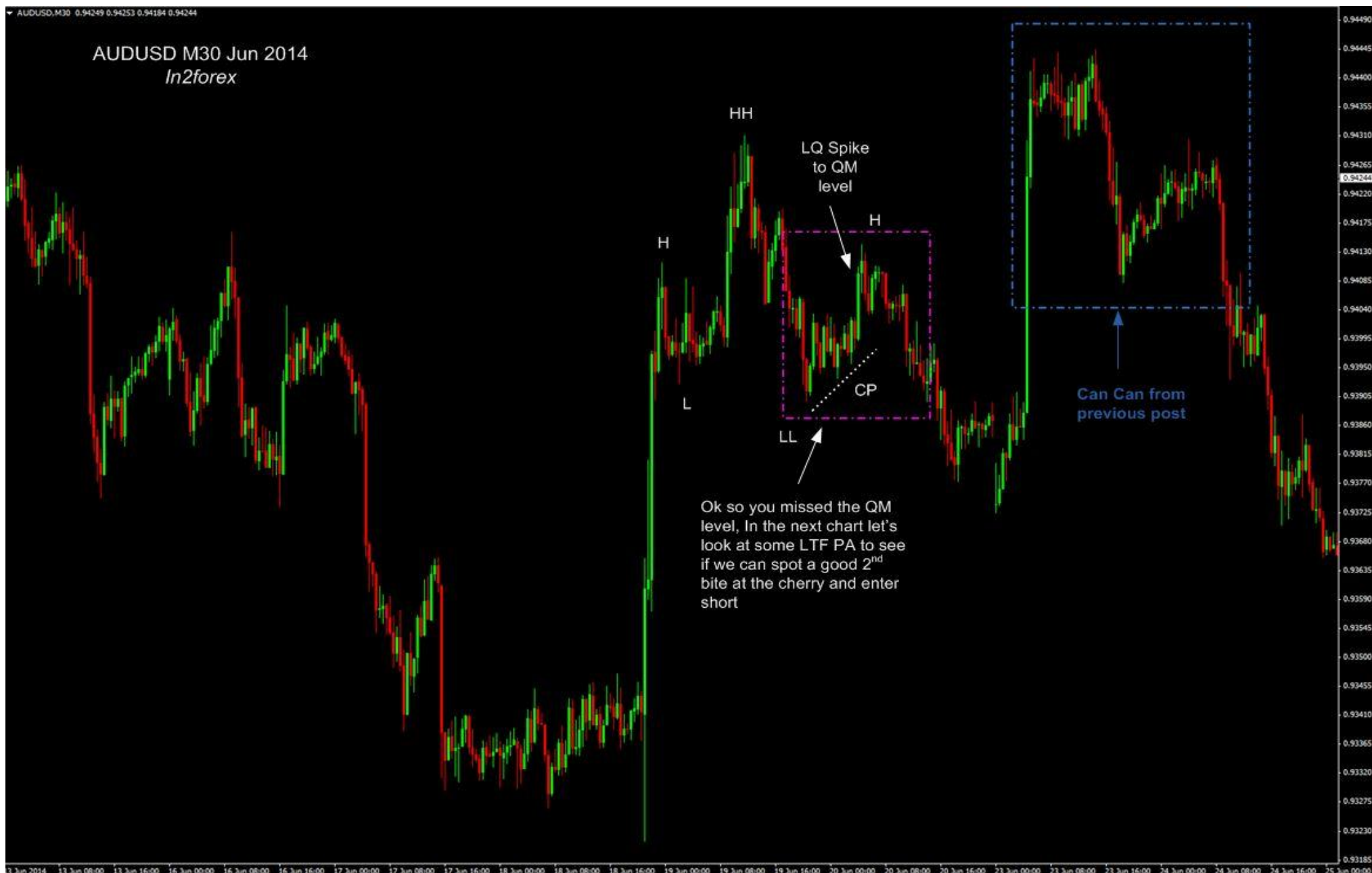
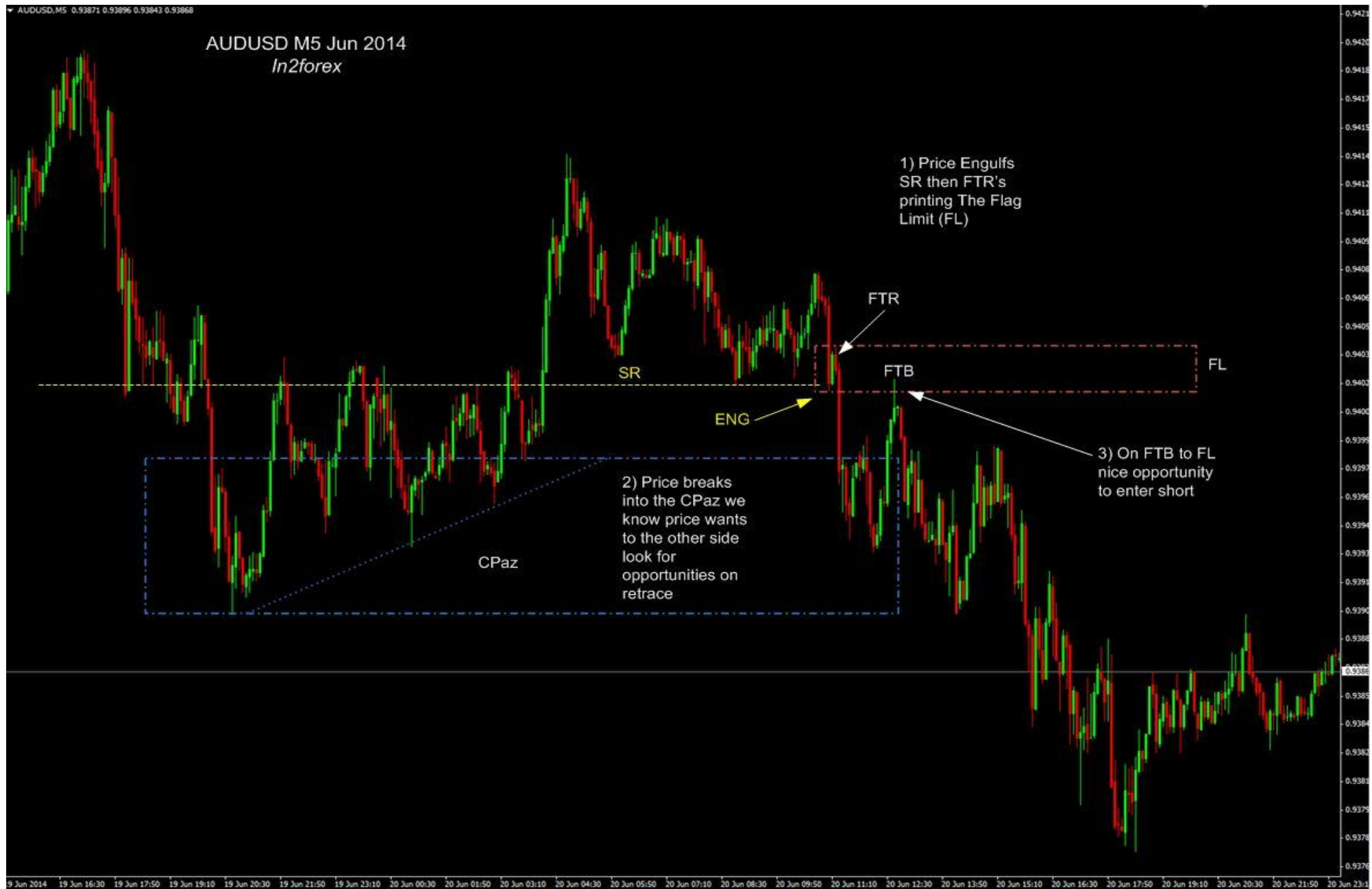


Chart 2 The LTF M5 PA showing the CPaz setup.



Flag Limits

Price spends more time in consolidation ranges than moving and trending.

Until recently i would wait 'til price breaks out of these ranges and i would wait for a retest of the break.

But these ranges are tradable, so why not benefit?

A few months back Ifmyante posted an image of a BEFL and he said price should bounce at this area and he pointed at a DBD hiccup in the way down.

I said i have noticed a lot of these and asked what the name is; he said "we don't have a name for it, just a decision point".

I told him "i think i found me some new homework, I'll go find many examples of it and report back."

I guess this is it now.

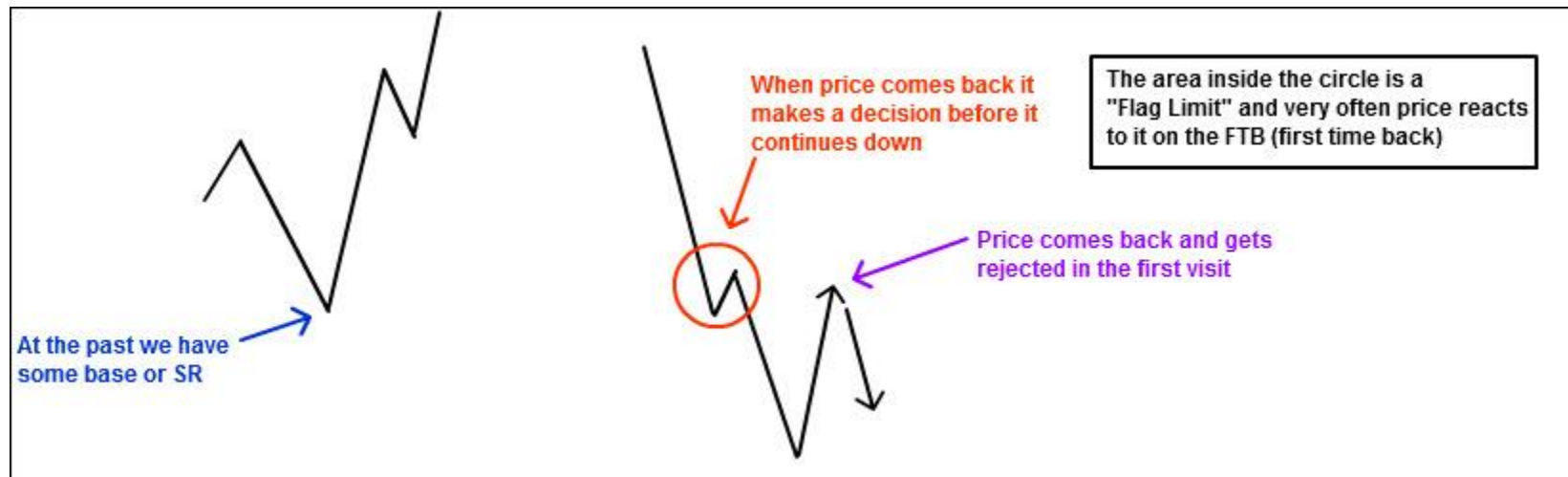
So here is a short article of what is a "Flag Limit" since it is widely used lately. It should help avoid confusion.

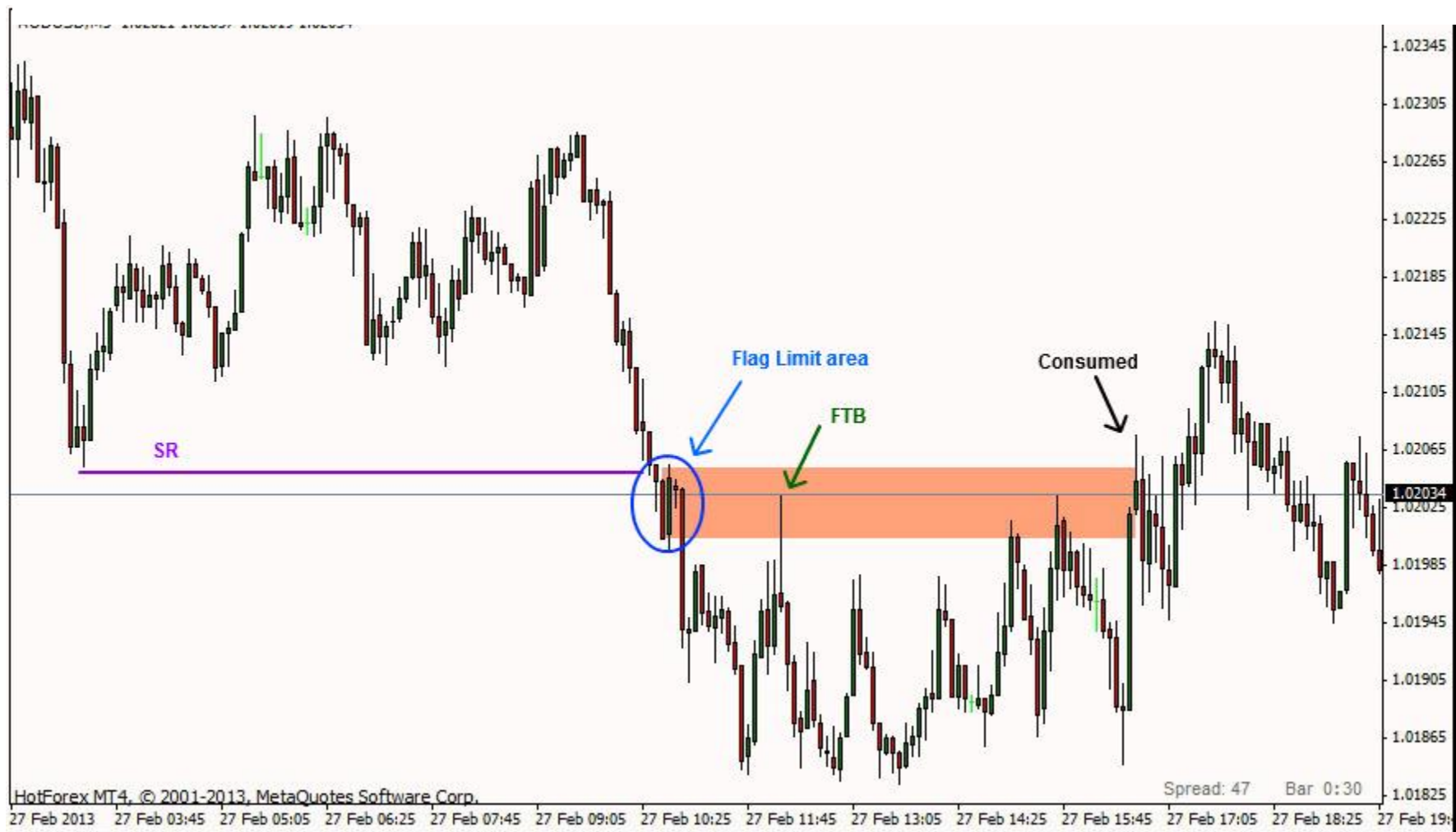
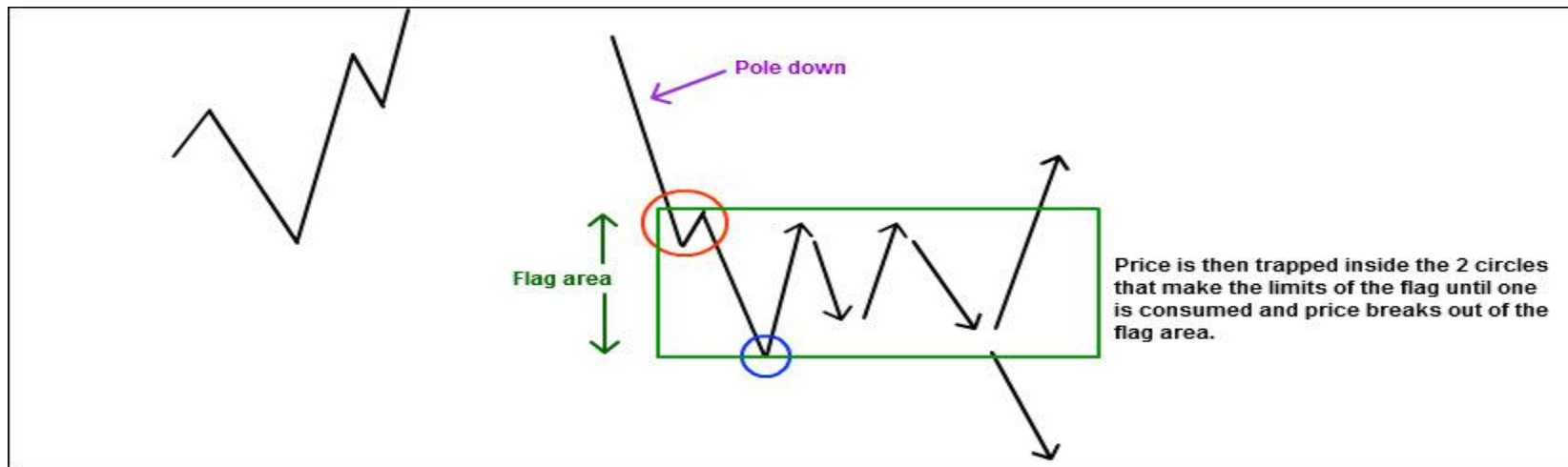
As Ifmyante said a while back : "If there's an area of indecision, it manifests itself as a flag. The limits of this flag then become the new zones."

He also said that "the Flag Limit represents the end of the momentum".

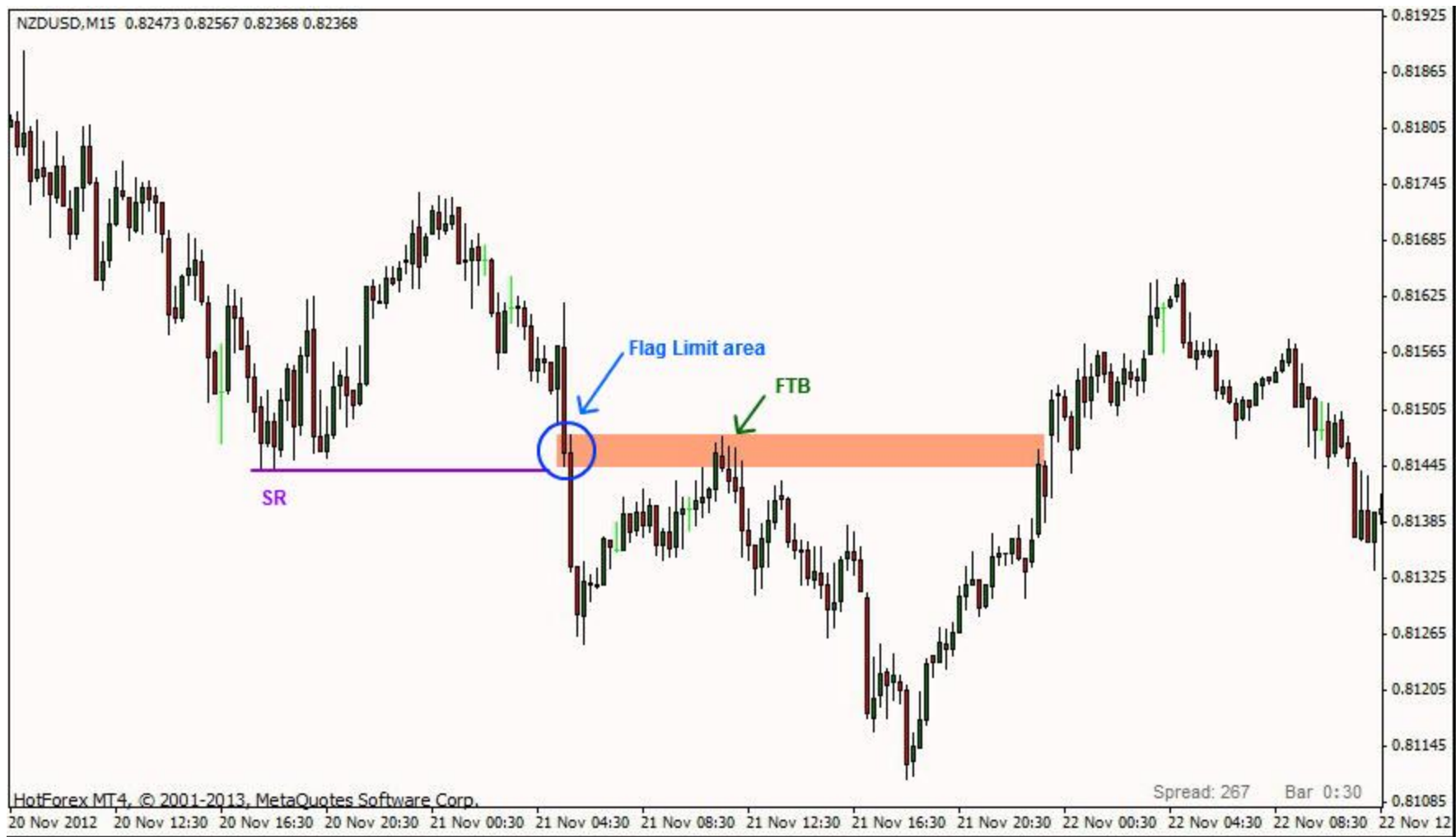
All credit goes to him, for bringing it to my attention.

Below are some graphic representations to simplify things before we go on real examples.



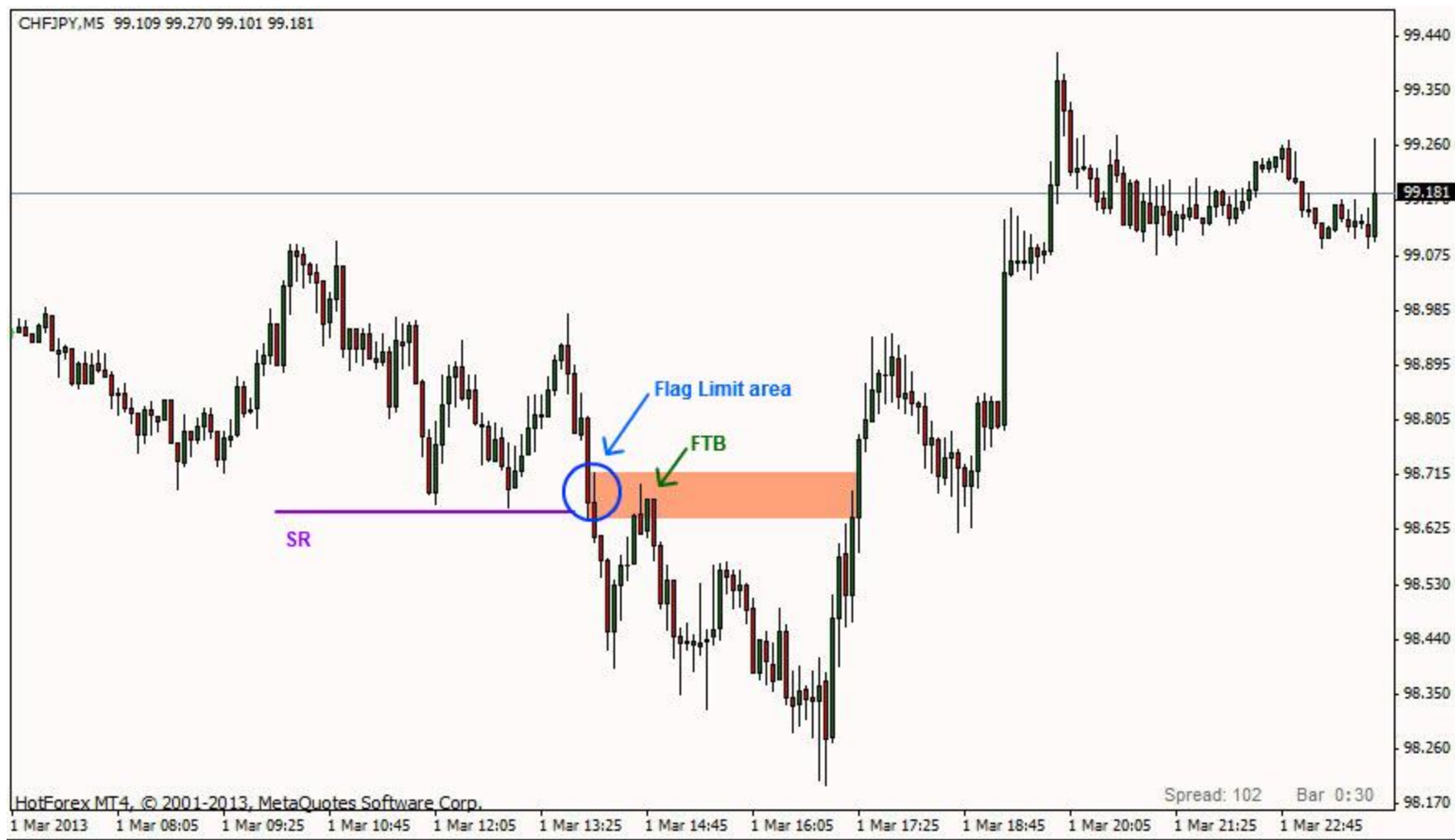


and some
real
examples



follow

Please note ... for a valid price need to engulf previous S/R (as per above chart)



Some of course are more messy than others, the trick here is to take the best shaped and clear ones.

The whole Flag area has a lot more plays than the FTB alone.

It's your job, if you like, to take this basic setup and expand on it.

I don't list any other plays here because it will only confuse you for now and miss the basic point.

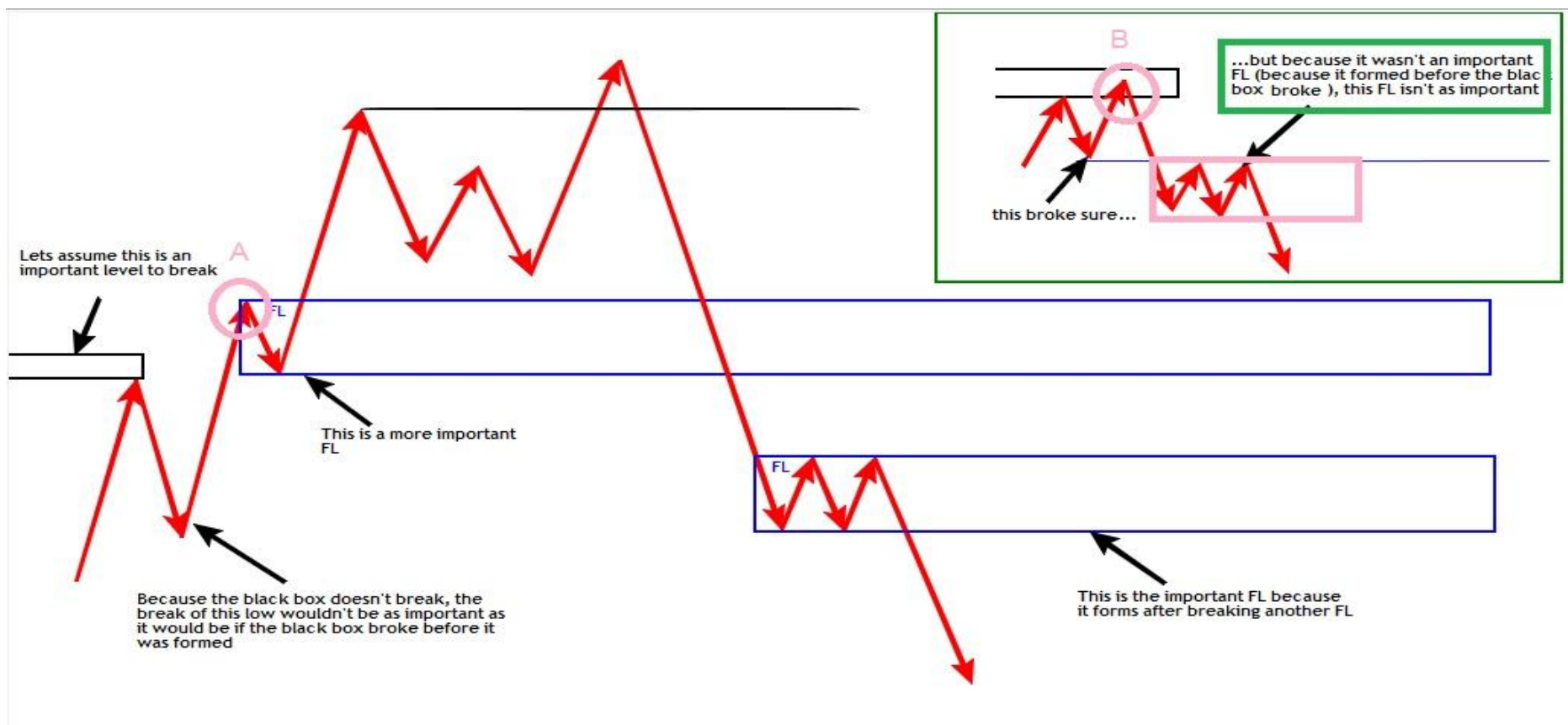
Discussion will continue in your blogs, if you have questions post in the school room.

Hello my RTM family 🙏 ...I've been absent here in my journal for a little over a month, but I don't want anyone to think I have given up. I have actually been doing my fair share of studying. 🧐📖 I have been doing a lot of reading and studying. About two weeks ago, I came across what I think is a goldmine, and it has really transformed my trading. I was having a hard time wondering why some FLs work and others didn't. I knew some were better than others, but I couldn't quite figure out why. Then after reading through the PAZ thread, I saw where Pedini posted a chart that has opened my eyes, and really changed the way I see the charts. I hope this can help others as much as it has helped me. This was definitely one of my biggest aha moments.

The green box is basically saying the best zones are created after the break of an FTR. Pedini wrote drew this diagram during a discussion on FTR PAZ. Once price engulfs an FTR it's free to go to the next. The green box just shows how that zone is of no importance because no area of significance was engulfed. Personally for me this sum up our entire RTM trading

Hi Harsh,

In the green box you've marked, he's just saying that if B didn't break the previous important level (as A did) then the subsequent FL formed wouldn't be as important. Basically saying the most important FL's are the one's that occur right after breaking the last important FL



Oedipus wrote:

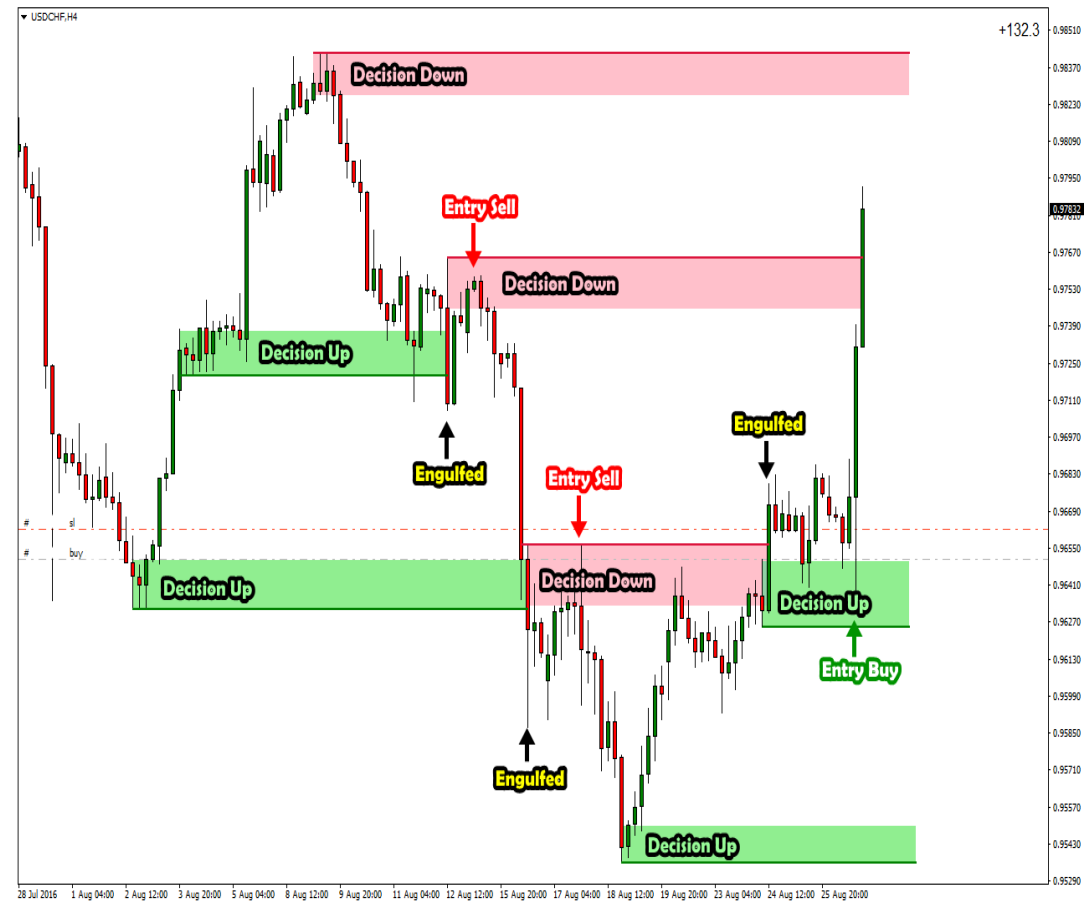
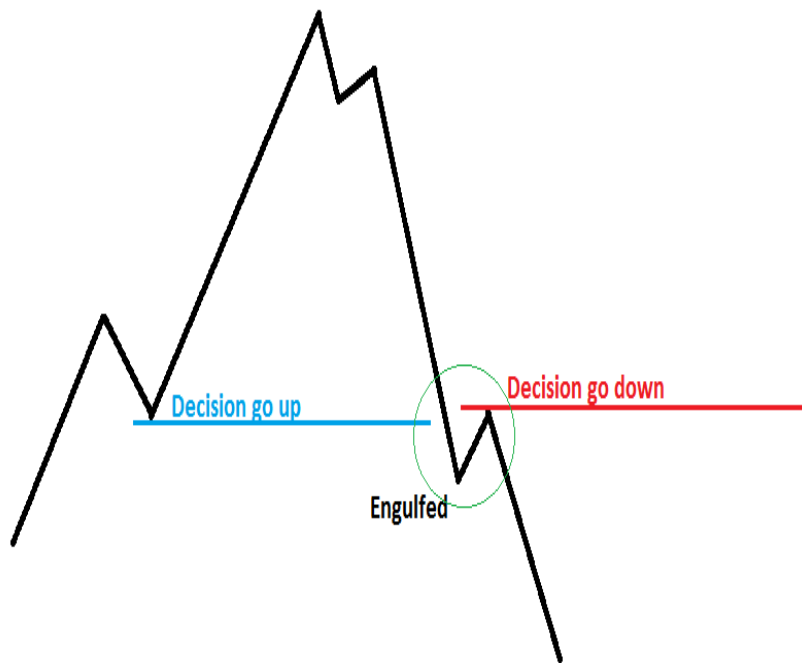
Harry, I drew my flag limit considerably higher than you did.

Clearly I haven't grasped this.

Would you care to elaborate on why you drew you limit where you did?

Thanks for all the work you've put in today.

(One post of batus about flag limit attached)



After the fact its easier to spot them as you understand, so in real time some are cleaner than others. just work with what you have each time.
Ok, for flag limits two things are important.

As IF said "they signify the end of the momentum"

and also we look for them at previous important areas, like obvious SR for example.

Why? Because after the pole, price tries to get back into the area and fails, making a decision and this is our flag limit.

So on first return of the price, since the decision has already been made, we can expect a reaction.

Also, the flag limit area may hold for more tries than the first visit and is valid till broken (but i don't advise anyone to trade it a 2nd time)

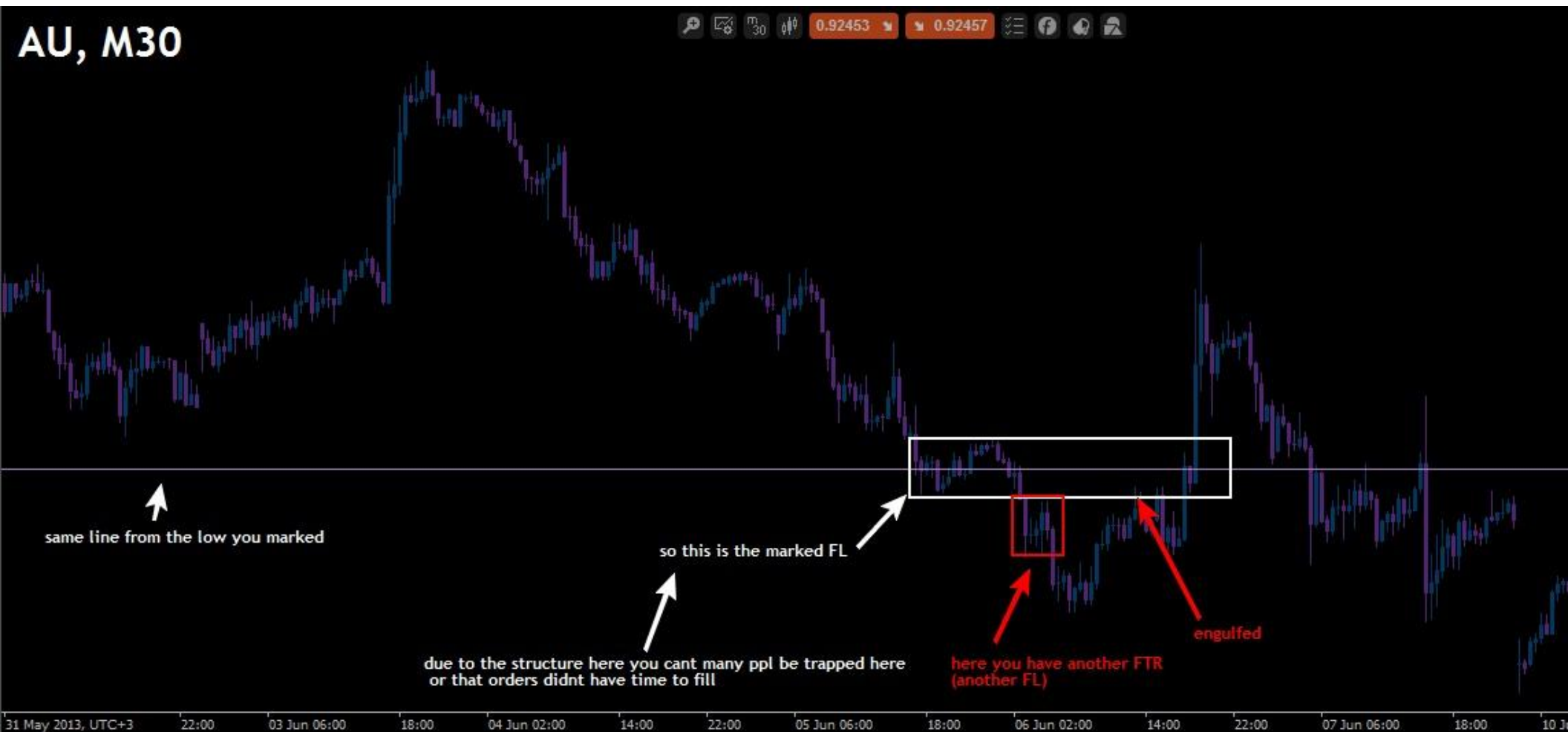


after the flag limit is engulfed price is free to travel back to the base of the pole, like in Hotochin's example.

The AU is just a bad looking one; you wouldn't want to date her at that point. If you have a look at a lower TF you can see details of what happened.

But anyway, you could say that's a loss.

Where your yellow arrow is, it's the end of a CP and a FTR, but i wouldn't use it as the FL for that flag. if you zoom in a bit you will see it's a reaction to another FL.



Example by harry

next the AJ, i agree with tfreitas about the CP, making the most valid FTR the higher one at the end of the CP.

AJ, H1



hello H, sorry for late reply. from the looks of it i would have probably missed the 2 tries at FL. one barely touched and the other possibly i wouldnt trade it. as for the cap, yes i would be looking for price return at the cap. pretty much this is all i look for in flags, FTB to FL, and when FL gets engulfed for price to return inside the flag at some defined cap. sometimes you may not have one till the very top.

Mrgerry wrote:

Another question on GBPUSD

- what I have to wait? a ritest of the H4 supply or a continuation from here up the origin of compression after the liquidation of longs?
- How can I identify this liquidation?

Sorry for the messy chart



You see FLs usually give a reaction, but we better take them if that return to them is "recent" with that whole structure above your price there, ok it reacted at FL, but now has supply above. If i dig in FLT, there are a whole bunch of FLs on the way up and also on the way down. FLs best use is to follow price.

An example of FL break and looking to trade the return into some cap .this one went well.



1. After engulf of FL yes, sign we could be going lower. But i took a TT so i couldn't know it would engulf at the time.
2. Remember that the FTB to FL is a higher probability trade than the trade you suggest (after engulf of FL to wait for return for a cap to take a short).

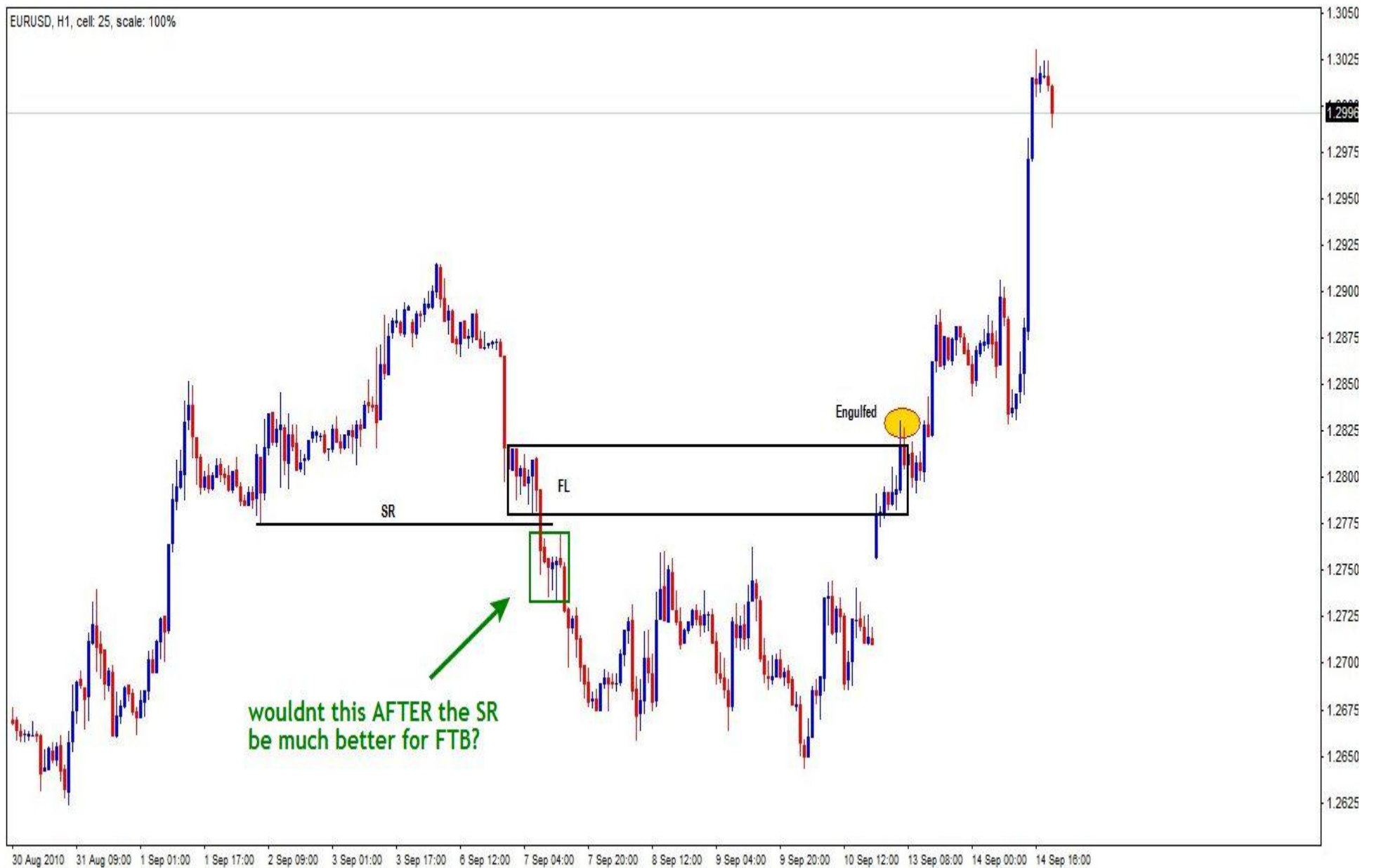
Hey scouseman some notes on your charts below, i hope 2nd isn't too cluttered, in red i marked another series of the same combination after the first original flag broke down.

EUR3PY.M30 133.679 133.683 133.581 133.601





DT1, overall you are doing very well with FLs. since you know what to look for you will keep on building your understanding for them. One thing i noticed is sometimes you mark the FL before it breaks SR, i'd rather have the FL AFTER the SR breaks



Also where you were looking for confirmation entry on return in that chart, i agree would have been hard. a clue to short was of the prior swing engulfing south.

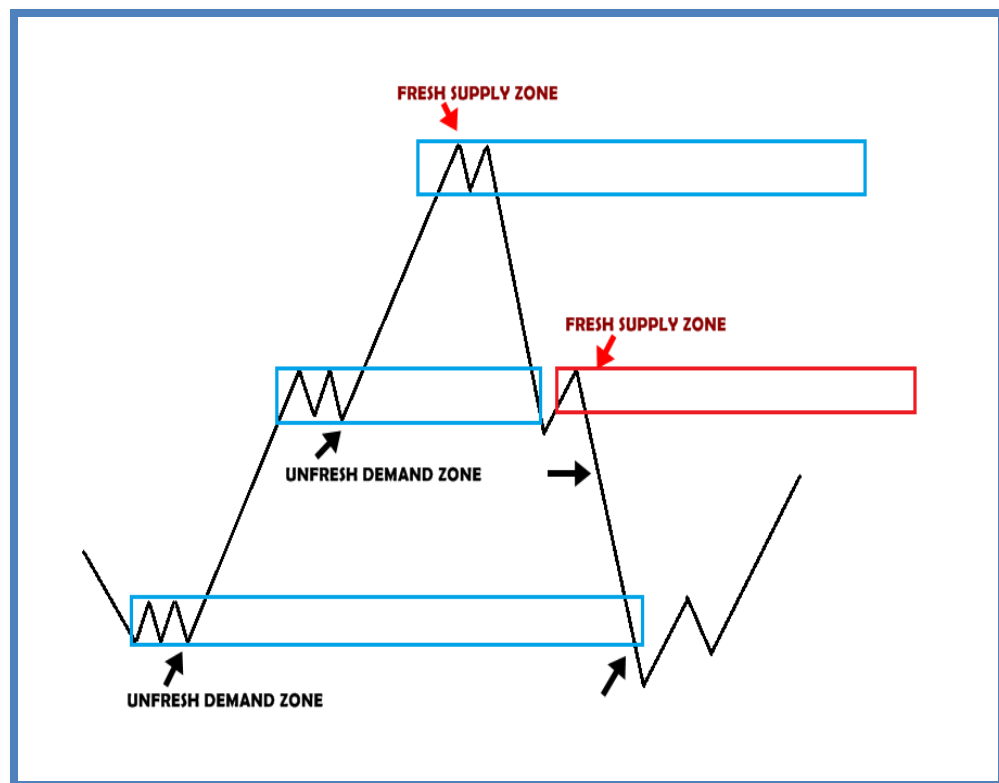
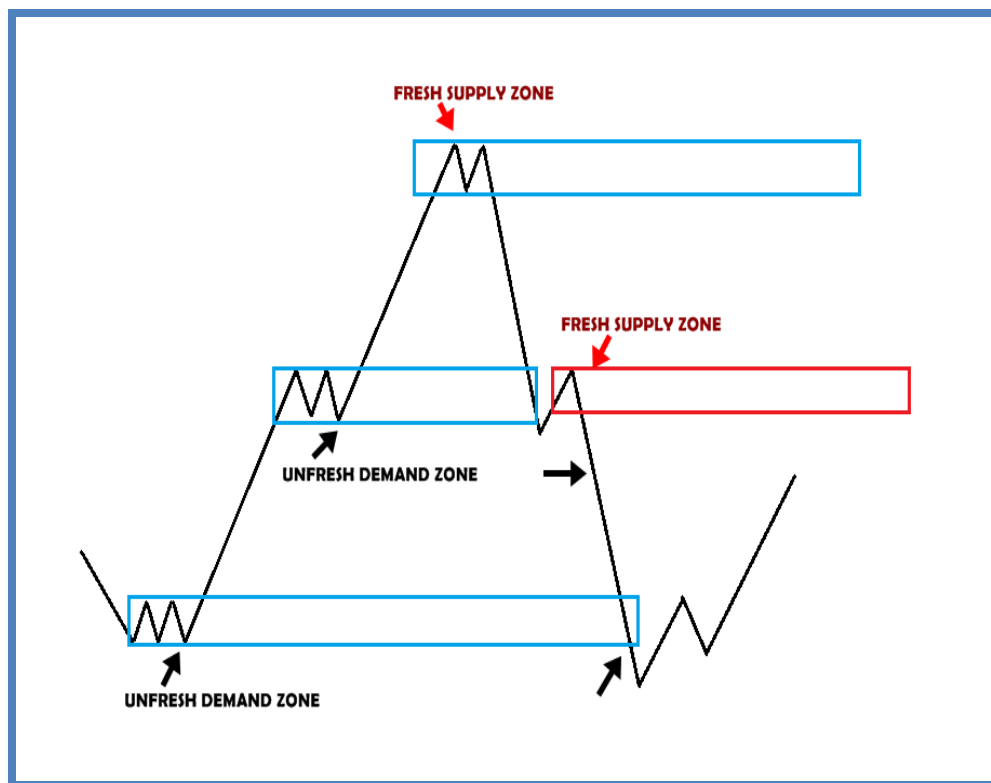


Important note by harry: i wouldn't call it "nothing but". it is a RBD/DBR but at an important area.

If price (after the FTR) continue and break into a new PAZ , then if it retraces back to this FTR we expect a reaction.
I think IF has highlighted this a few hundred times already, in diagrams and trades he took based on that.

The tricky thing that may confuse you is as DT1 posted above, the "FL+FTR" in one timeframe may appear as an FL altogether in another higher timeframe.
This is also why IF has said that FL and FTR are the same thing essentially.
I think you guys pretty much worked it out yourself by having this conversation above, so i hope i didn't confuse anyone.

(One Important post about FL/fresh S&D by Batus attached below)



FTR

1. Introduction

Before solving the puzzle of price action and before being able to read it successfully, one must discover and understand the individual pieces the puzzle is made of. After all, every eye-catching building is made of individual bricks and stones. For most of us at RTM, the beauty of price action is just as stunning a structure as the cathedral of Chartres or Sagrada Familia in Barcelona. The only difference is that bricks and stones of real buildings are represented by price caps, FTRs, engulfs, fakeouts, quasimodos, diamonds etc. Of the building blocks of the price structure nothing is more important than engulfs and FTRs!

In my article I am going to explain one of the two most important pieces of price action – FTR. Together we will explore what it looks like, where it can be found and what is its role in the structure of price action.

FTR must be learned properly before one can advance further. Please take your time, don't rush; learning price action is an amazing journey, so enjoy it.

2. What is FTR?

So, what actually is FTR? FTR means 'Failure to Return'. But wait... Who wants to return? Where do they want to return? And why on earth do they fail?

These three important questions must be answered, so let's do it.

It's a well-known fact that price, once it reaches a certain barrier, either bounces off it or breaks it. Once it breaks it, two possible scenarios occur: it either returns back below/above the barrier and goes on in the direction against the break or fails to return and keeps going in the direction of the break. In the latter scenario, a FTR is made. ALWAYS! And it is of vital importance to be able to identify it!

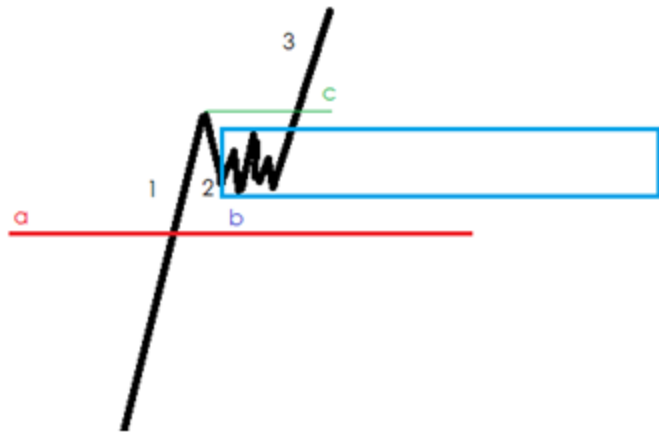
Why? Well, there is such a strong buying or selling pressure aka supply / demand at the FTR that the price just cannot return, it must go on in the direction of the break.

Hint 1: the selling / buying pressure always remains at FTR after price has left. Can you see the implication? J

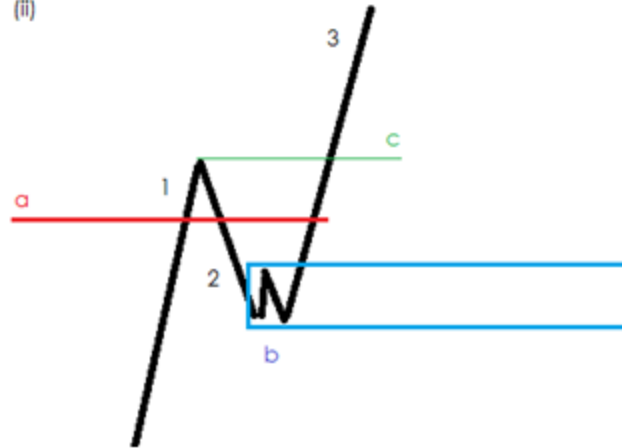
Now let's take a look at the anatomy of FTRs.

In the following picture you can see a diagram showing some basic variations of FTRs. Look at them carefully, you will see that they may look a bit different but remember: they are absolutely the same in terms of the structure.

(i)



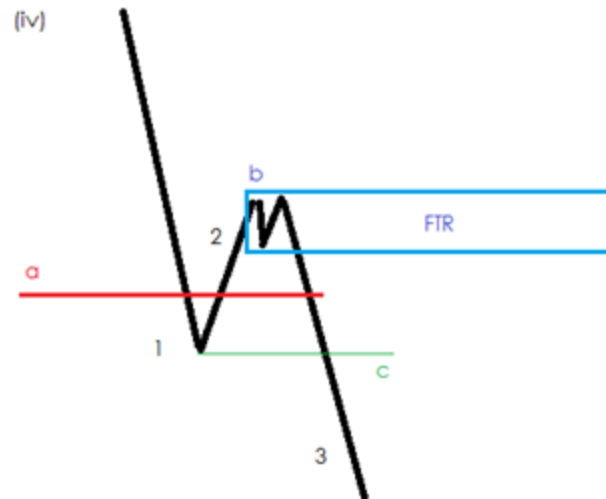
(ii)



(iii)



(iv)



The red line (a) represents a barrier. It can be a SUPPORT / RESISTANCE, a FTR in opposite direction (will be explained later) or limit of a PAZ (Price Action Zone).

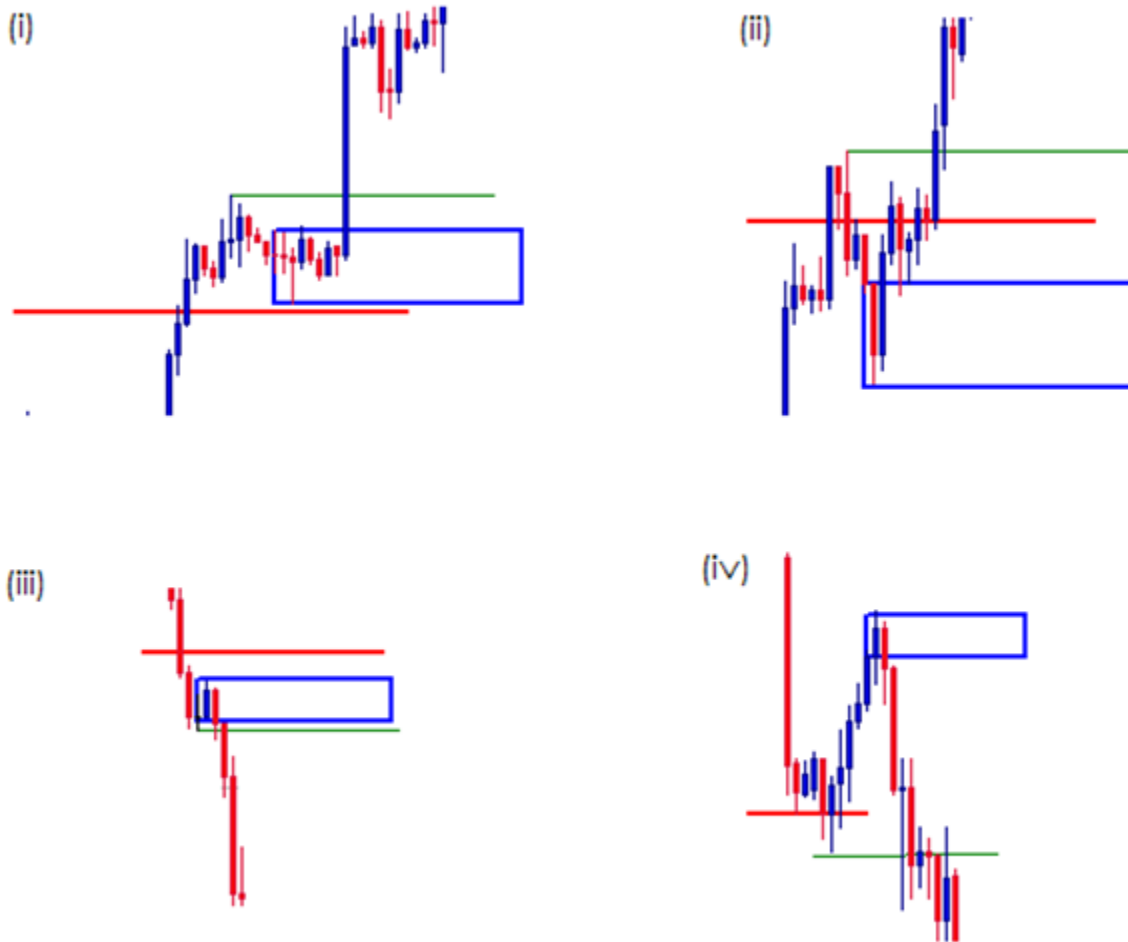
Price action breaks the barrier (1) and retraces (2). It is irrelevant whether price action crosses the barrier again or not (as in examples (ii) and (iv) above). At the extreme of the retrace a base is very often made (b).

Then, price action continues in the direction of the break (3). FTR is confirmed after price action breaks the high / low (c) which formed after the break of the barrier. Only after the break of (c) we can say that price action indeed failed to return.

Now, when the FTR is confirmed, we draw a rectangle at the base (b) and protract it to the right.

Hint 2: for information how to draw the blue rectangles see the article Caps on Price at RTM Marketpedia.

Now that we have studied the diagrams above, we can look at real life examples of FTRs.



3. FTR after the break of SUPPORT / RESISTANCE

FTRs after the break of support / resistance are very common. They are simply everywhere in the chart and you will learn to spot them.

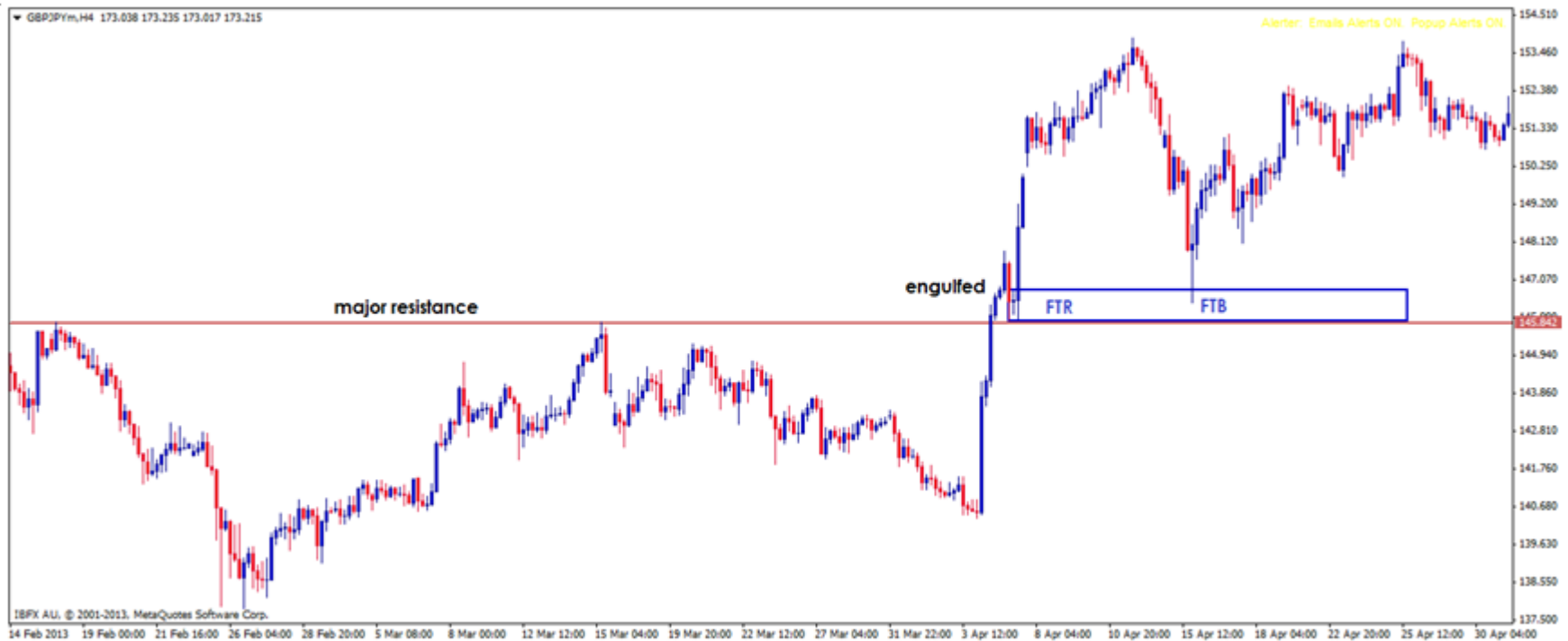
You certainly know that there are major support resistance lines as well as minor ones... the more important the S/R line is, the more significance we must assign to the FTR that follows.

Major S/R line

Ok, let's start with the major ones. I assume that you already know how to distinguish a major SR from minor SR...

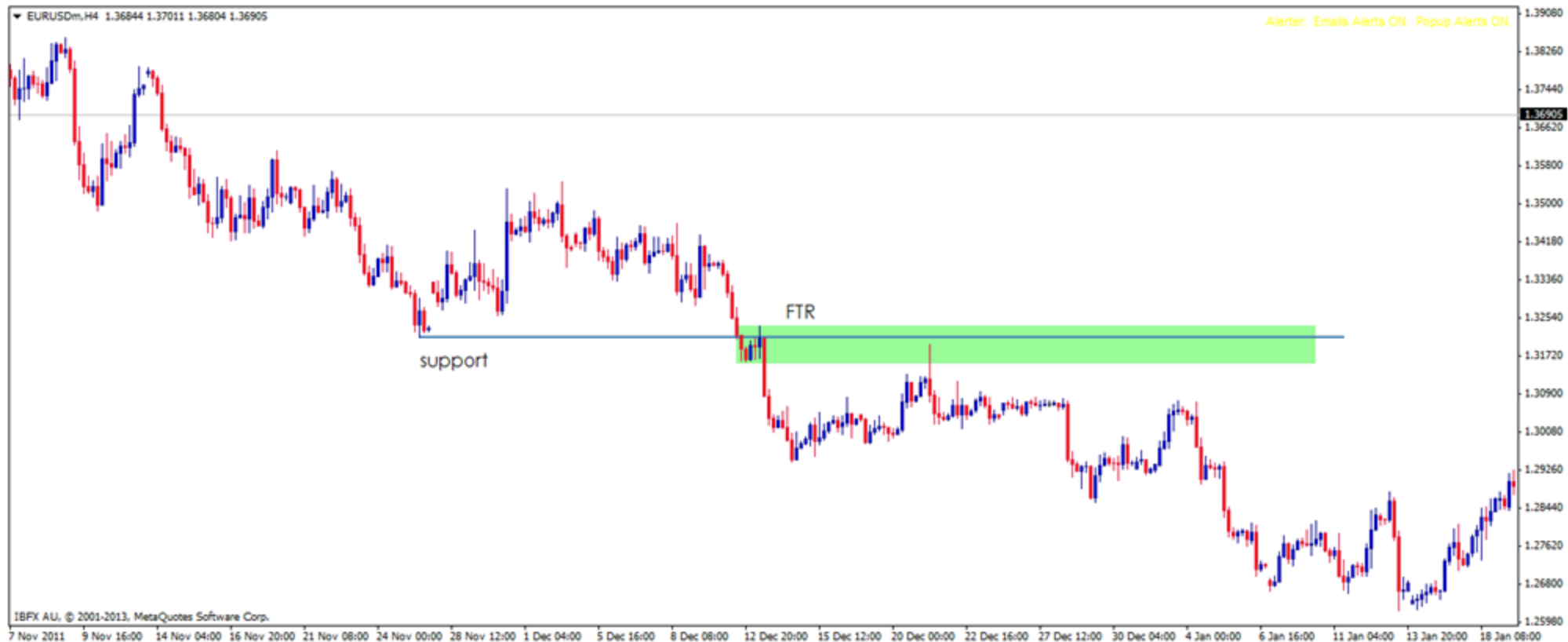
In the following chart you can see the brown RESISTANCE line. The RESISTANCE is a major one, it has been respected many times in the past (not just those two touches seen in the picture). Suddenly, the R line is broken. Is it just a fakeout or genuine break? How will we know it? Yes, right! We will wait for a FTR to be formed.

And voila, a spectacular FTR is made! The price then rushes away from the R line. Now it's going to be interesting! Such FTR is an amazing place to trade on the first visit. The first visit occurred in approximately one week. And look at the reaction! The first visit to an FTR is called FTB (First Time Back).



Hint 3: Upon return to the FTR the price is falling in a free fall, everyone is happily jumping into trend because "it's going to go on and on..." but beware, predators are patiently waiting in FTR level, and so should you...!

For your convenience, there are two more examples:



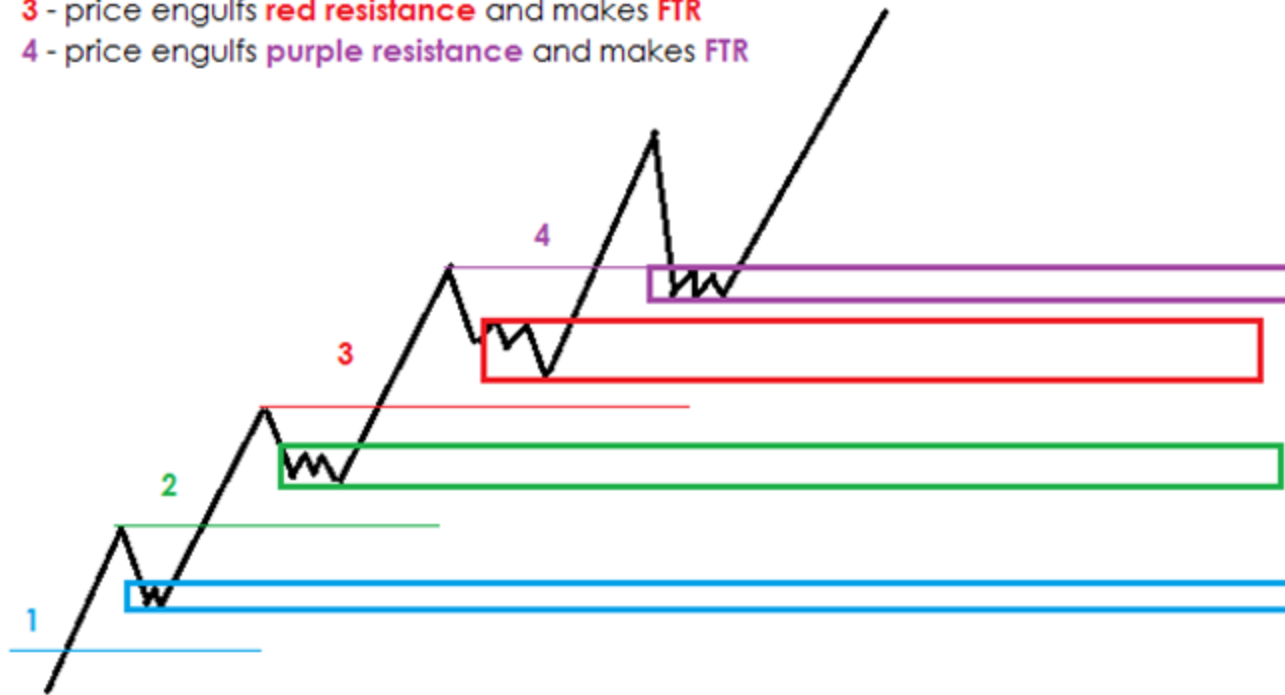


Now open your trading platform or Forex Tester and see for yourself how often this works!

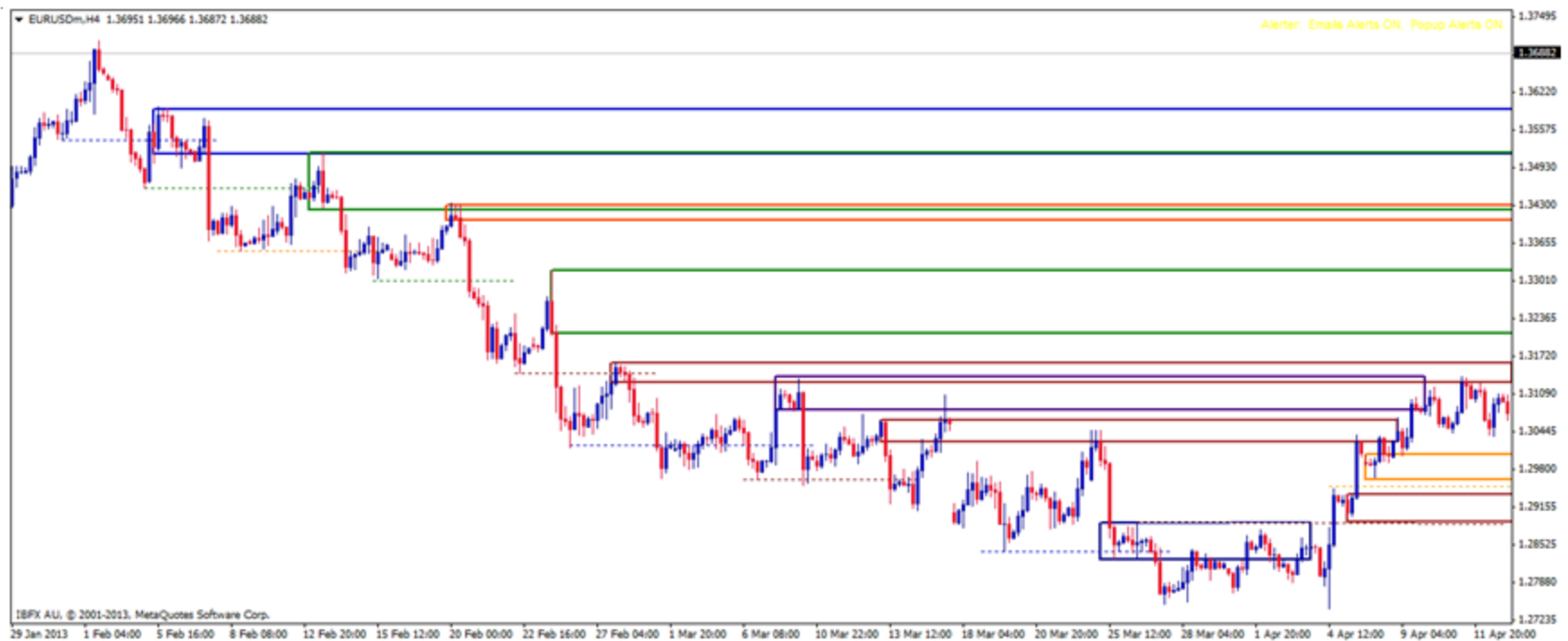
Minor S/R line

It's important to know that the FTRs in the above three charts are actually not the only FTRs that can be spotted. Far from it! Every time price breaks a minor support/resistance, fails to return and goes on, a new FTR is made!

- 1 - price engulfs **blue resistance** and makes **FTR**
- 2 - price engulfs **green resistance** and makes **FTR**
- 3 - price engulfs **red resistance** and makes **FTR**
- 4 - price engulfs **purple resistance** and makes **FTR**



In real life, however, the chart seldom looks so neat and clean as in the above diagram. In the following chart you can see the above principle in a real chart (in a down trend).



Please take your time and study the above chart, you may notice that I haven't marked absolutely ALL FTRs because the chart would be very messy.

Open a chart in your platform and mark all FTRs. Practise! Mark a swing high/low, find where it was engulfed, then find the FTR. Repeat with next high/low.

Remember, the purpose of the article is not to tell you that each and every FTR is tradable but to teach you how to spot FTRs and how to mark them. Let me repeat: it is of paramount importance!

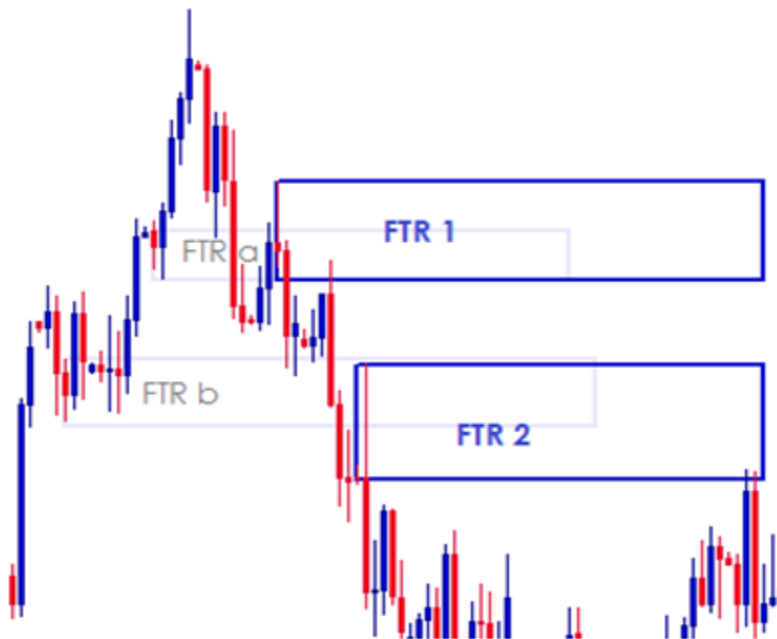
4. FTR after the break of a FTR in opposite direction

FTRs are formed after engulfing of a barrier. We already know this. One of such barriers is an FTR in opposite direction. Look at the diagram below, I think it is self-explanatory.

FTR d is engulfed and FTR 1 is made, and so on.



And a real life example.



Hint 4: FTR 1 is a great confirmation of a reversal. For more information on this see my journal starting with post 304 on page 13 (sweet FTRs).

5. FTR after the break of a PAZ limit

The limit of a PAZ is another barrier, the break of which results in extremely important FTRs! This is, however, rather advanced and it goes beyond the scope of this article on the FTR basics.



6. Conclusion

In my article I tried to introduce a very important building block of price structure – FTR. We have learned that FTRs are formed after the break of a price barrier. It is important to realise that FTRs are places where institutional traders open / close their positions. This makes them ideal places for looking for trade setups or targets.

However, it must be stressed that FTRs on their own are not enough for trading, one must master other important building blocks, engulfing being the most important one.

Important post by in2forex :

Last night I read the new article on Supply and Demand by Harry & Pedini

[Supply and Demand article](#)

I was a bit confused at first but now I see that the last diagram was updated and a picture is worth a 1000 words. It is great to revisit articles like this as one's understanding grows exponentially.

For my own personal journal I added a comment to the chart. This is my next homework exercise. A study of Flags and OMS FTR's.



Mrgerry wrote:

My compliments ... really ... the best charts since 4 year I started to learn about forex.

In italians forum I've never seen something like tihis ... nice charts ... great statements ... nice trades ... for me Number 1.

Two question, if I can. I have tried to explain myself this two concepts, but I've got some troubles:

a) "supply filled"

b) "consumed"

What do they mean? Where can I find some informations?

Does "consumed" mean when a price touches more times the same level without engulfing it?

Tks in advance

HI MG 😊/😊 thx for the compliments but trust me I am still learning 😊 regarding your questions about consumed , and supply filled , when a zone is visited for the first time it will fill the remaining orders but if it is visited more than 2 or 3 times it will become weaker due to the consumption of the remaining order and there is a chance to breakthrough

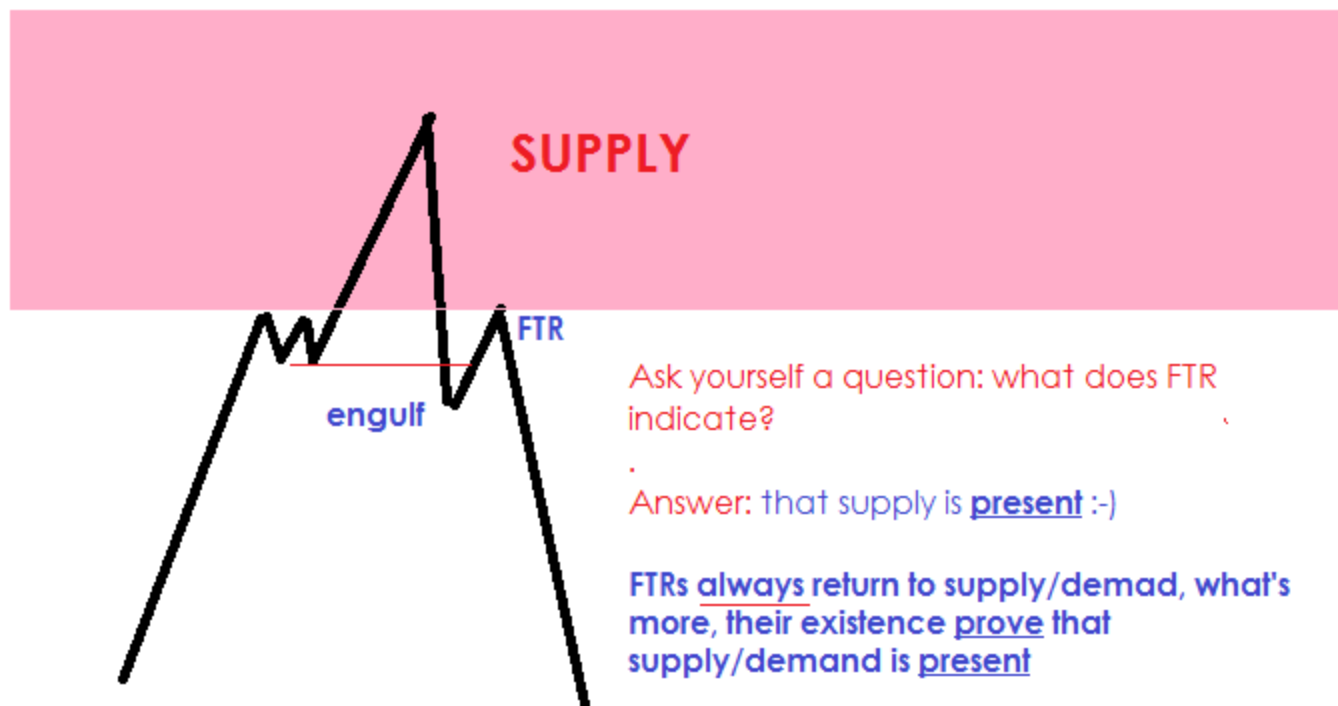
Does "consumed" mean when a price touches more times the same level without engulfing it? yes it is but when it breaks that level it means no more orders are there so that consumed zone will become a buy zone or swap zone

I feel it is important to clarify a few things here:

1: FTR is not an alternative to SD trading, no no! 🙅 It's enhancement! 😊/😊

2: the name "Failure to Return" does not stand for "failure to return to supply/demand". Far from it!!! What it means is "failure to return and make another HH or LL" or "Failure to continue in the original direction".

Thus, your comment regarding FTR C is irrelevant: FTR ALWAYS RETURNS TO SUPPLY/DEMAND, what's more, the existence of FTR itself proves that Supply/ Demand is present. (see the diagram) If it was not, no FTR could be made, the price would simply continue in the original direction. Does it make sense? It think this is very important.



But not always the Supply / demand is so apparent in the chart as in FTR C example 😊. In the FTR C scenario, the price engulfed the last demand of the down leg, but failed to continue in the direction of the down leg: there was strong demand for the instrument. The demand was much stronger than the supply. Who can be the source of such a big demand? Yeah, the big guys were hungry 🐼

another interesting thing: there was an early indication that price would want to reverse... look at the FTB to FTR B... can u see it? 🤔

3: As far as I know, the term "FTR" is unique for RTM, however, the concept is universal. For example, some traders outside RTM call it "hook".

Homework: A study of Flags and FTR's

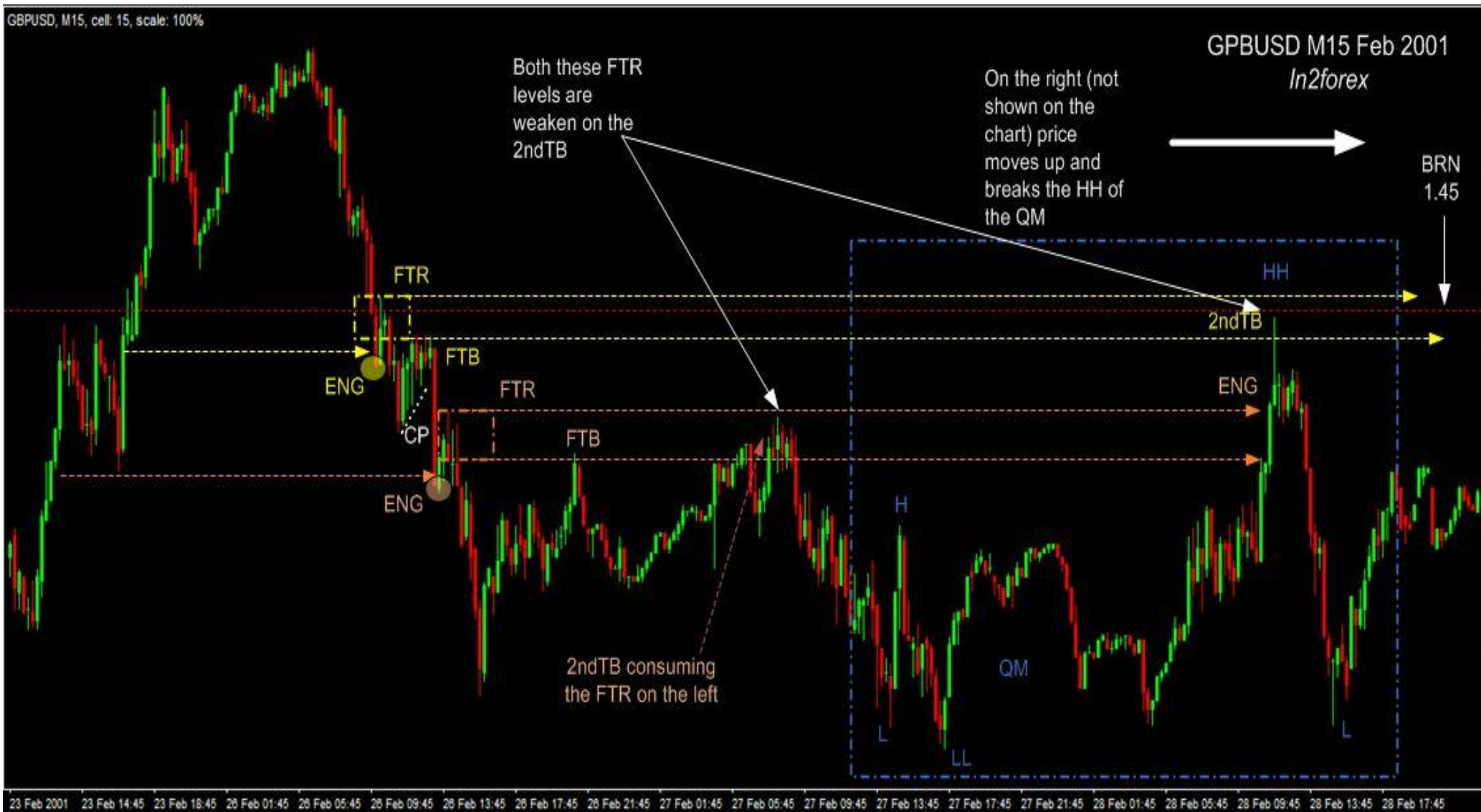
The purpose of this homework study is to identify flags before or after price breaks a key level, and identify what happens on the return to those flags.

Does price react on the FTB / 2ndTB ext. Does price break straight through and then form an FTR ext.

I will also add other pieces of the puzzle if I see them but the main focus for now is on flags.



Next chart



Another chart



Homework continuing



GBPUSD M15 July 2006
In2forex



Hi All

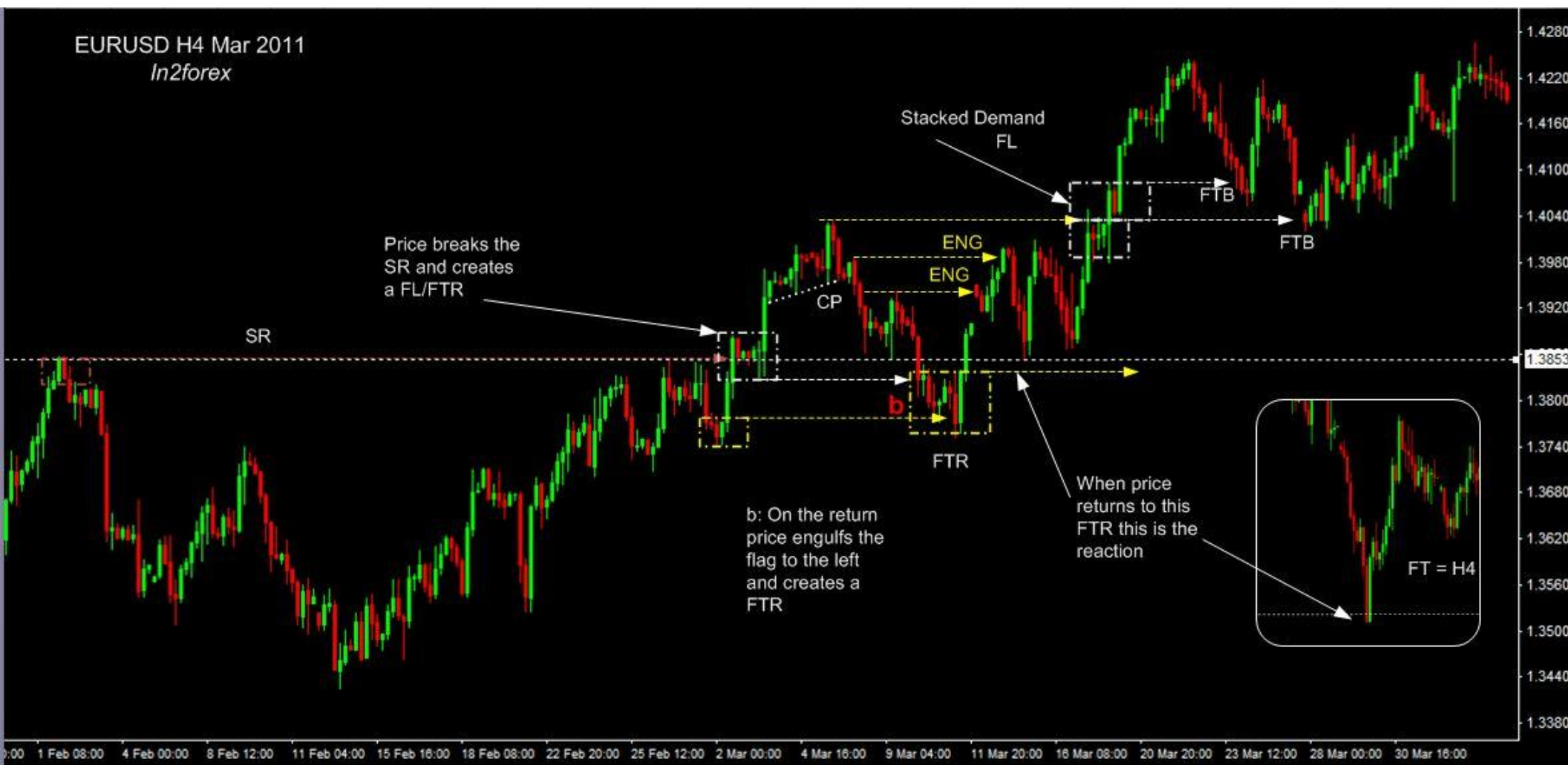
Didn't get much chance to post anything this week. Here is another chart marked up.

I have found it very interesting that in my study of compression and now Flags and FTR's how many times I see the QM formation in the same charts. I must admit I'm not feeling as comfortable with the flags as I was with the compression study. Need to allocate more screen time.

2nd chart is a follow on from the first.







EURUSD, Daily, cell: 150, scale: 100%



EURUSD D1 Mar 2011
In2forex

The bigger picture

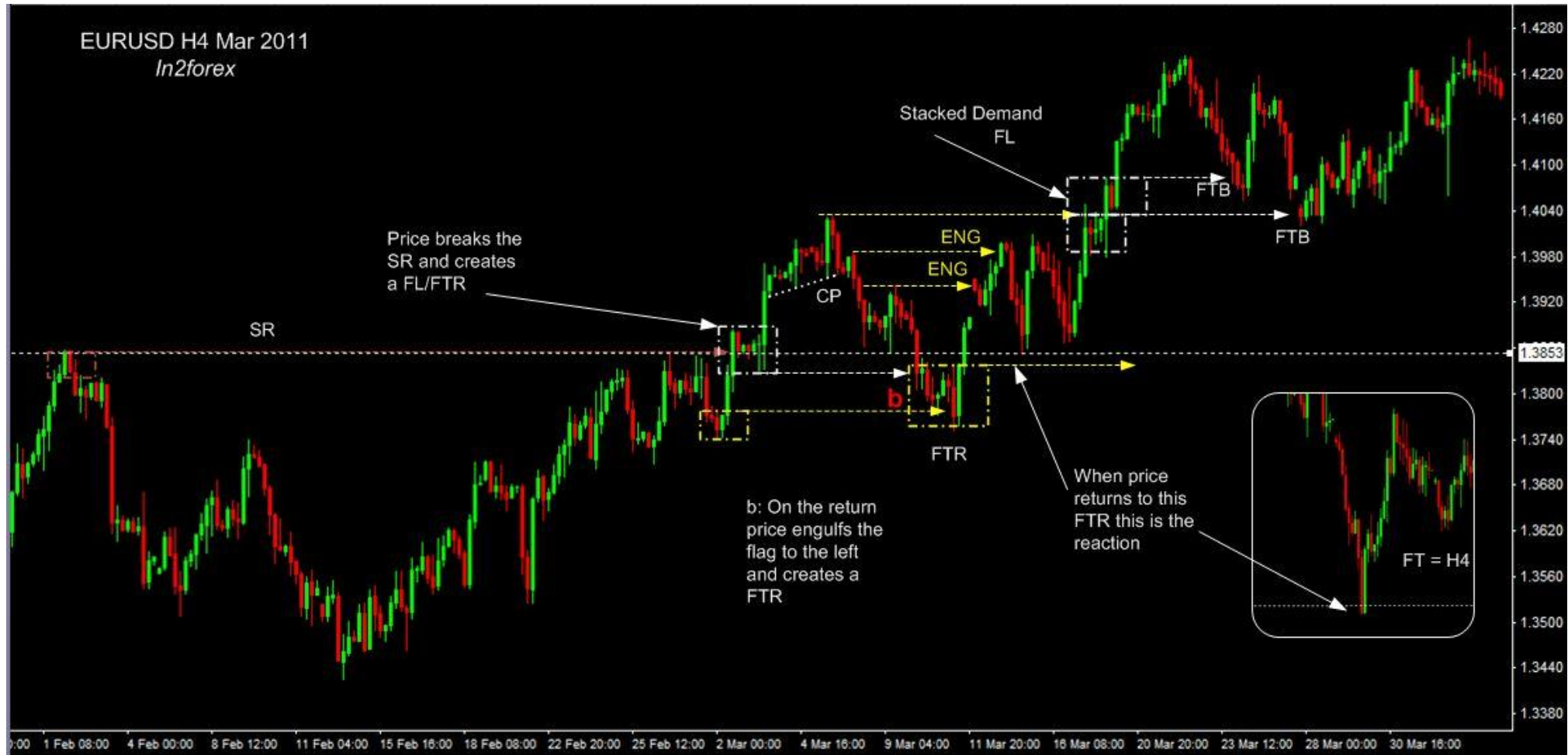
As indicated on my previous posts chart, here is the area in a LTF.
H4 shows the flag well and CP up to the flag.



It got me thinking,
Firstly I thought this looks like a FO!
Then I thought QM level & FO?



Then I thought I've just posted a chart with similar characteristics , an engulf of a flag down, creating an FTR and a great reaction when price returned to the FTR.



Question is a QM level often the return and reaction of price to a previously created FO?

Conclusion I think a study of QM's and FO's is required.

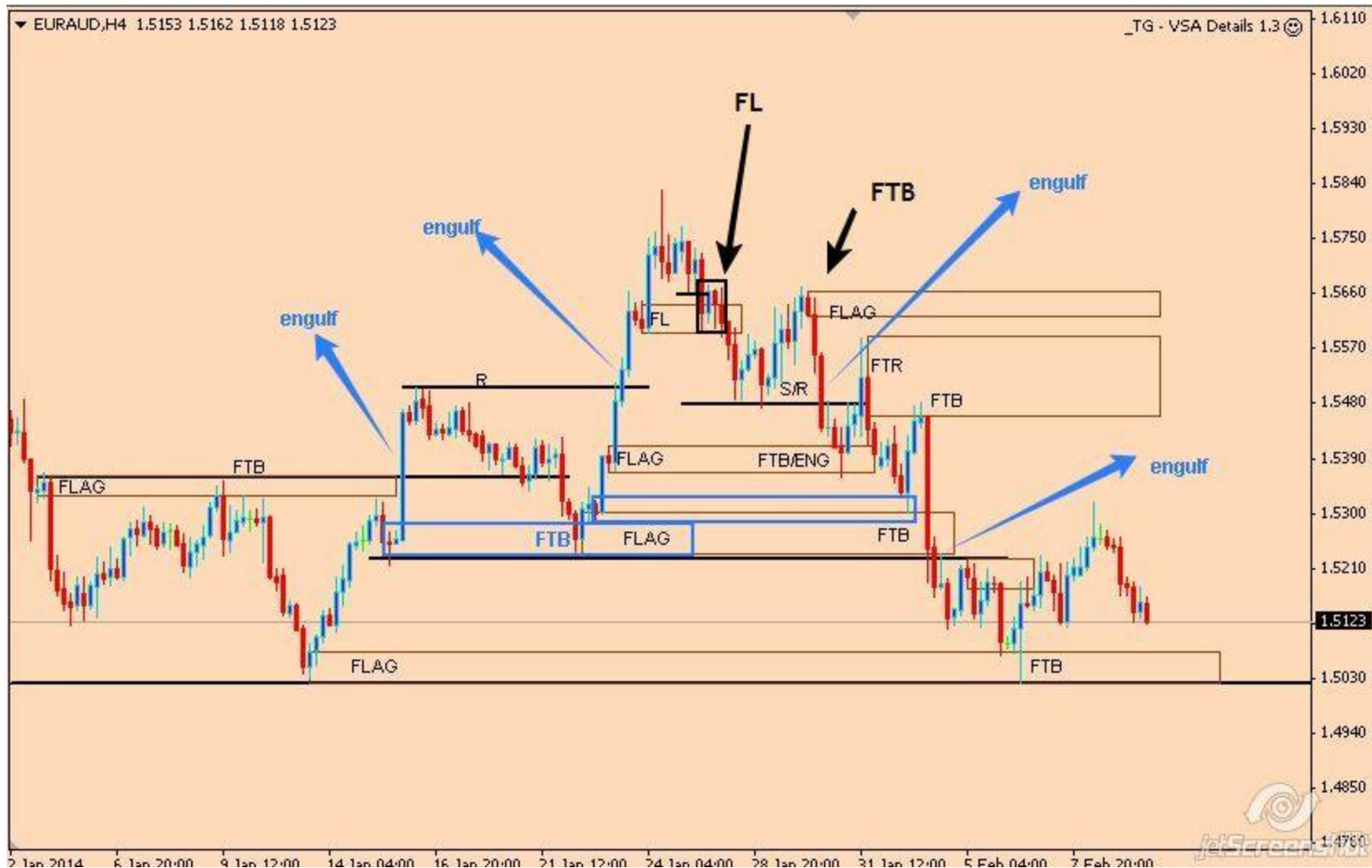
hello gxp1, nice work here, you obviously have done some study.

in both the charts you mark a RBD as a "flag", in my view one was a "fakeout" to touch the QM and the next simply FTB to FL

you can use larger charts so we have more room to note on them, limit is 1500px or 150kb

ok here is my view



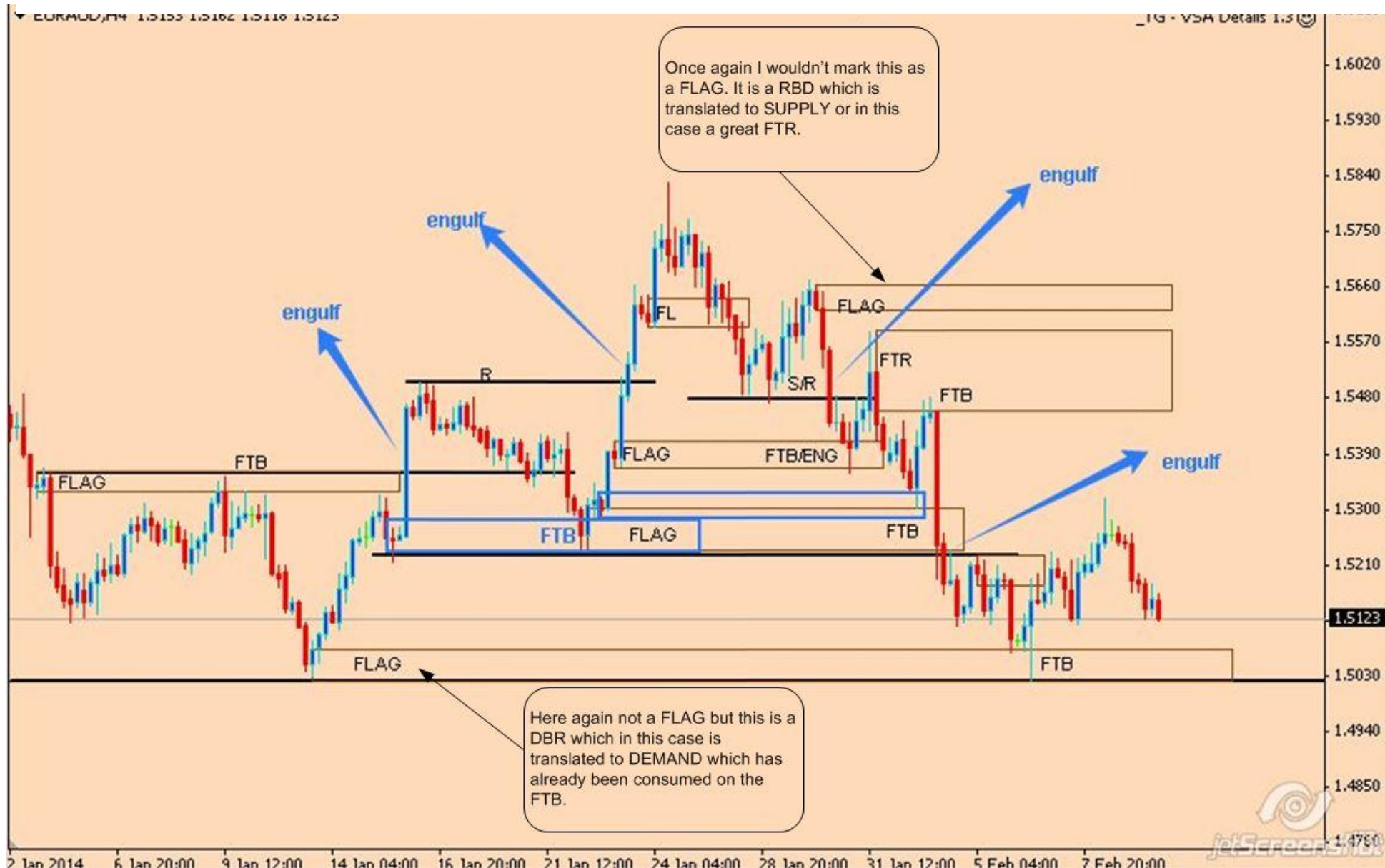


Hi gxp1

In the past after a master trader had commented on a chart, I would have just left it at that.
But since I had drawn up on your charts, while Harry was also responding I'll post them anyway.

What I'm interested in is the comment from Harry about the FO and QM.





Ok so made some comments in the Flag Limit homework thread.

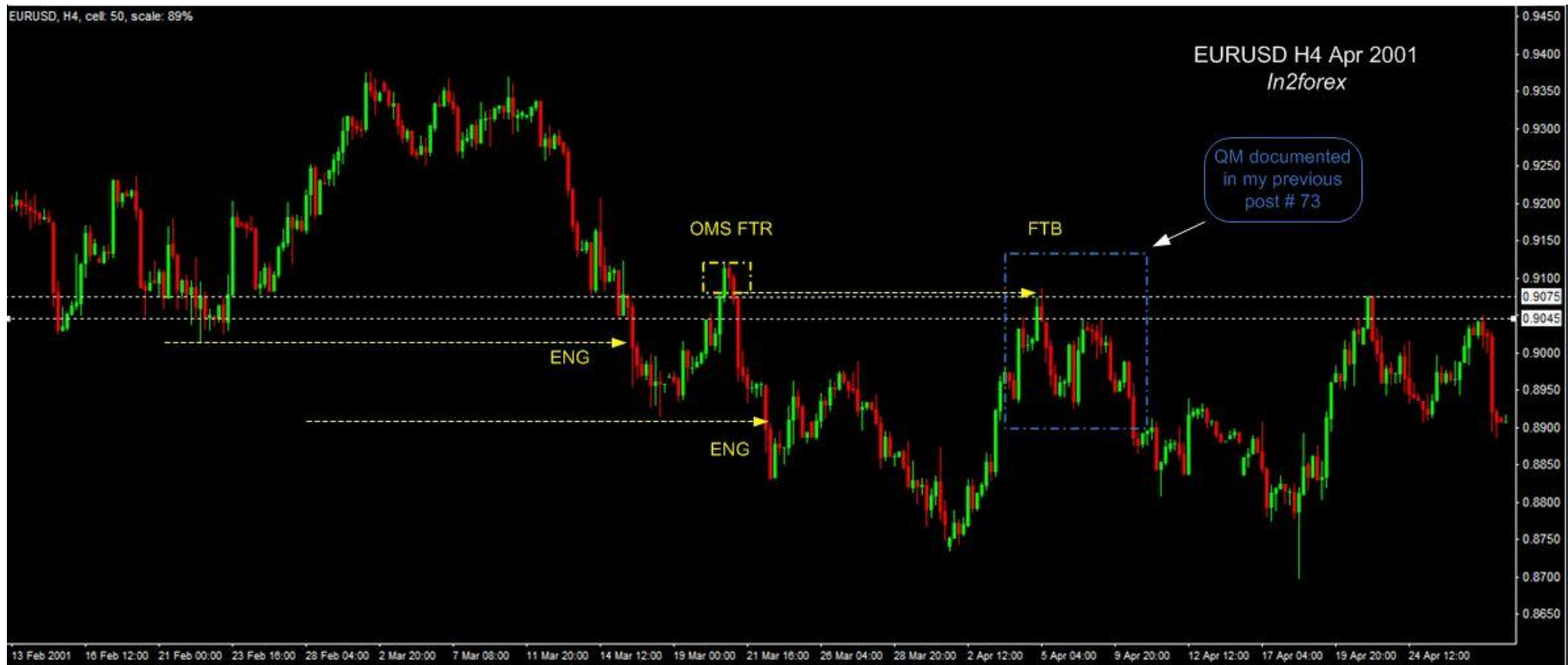
Flag Limit homework Post # 395

But Harry had already responded, (post #394) but he used the words "Faked" and QM in the same sentence. I think we know where this is going....

So I had to look at the chart for my study on FO's and QM's, Although to be honest I'm not finished with my Flags and FTR study and the chart posted below is just speculation. The study on FO's and QM's will need to be done based on price history, approach and reaction and not speculation!



Sorry here is the chart



So I'm looking for simplicity.

- 1) Price flags.
- 2) Price engulfs
- 3) Price returns and reacts on the FTB to the Flag in 1)



Another one different time frame.



Opposite direction



Now down to a LTF.
Flag on the move up.



Last post for today 🤖

First lets look at where my previous post was on the M15 chart.



I'll come back to this chart now but lets first look at the HTF.



Great FTB reaction to the FTR



Ok back to the M15 yes a QM indicated in blue.

But wait ... see how price FO the small flag to the left to get to the QM H

Well in post #71 in my journal I was faced with a similar scenario

[Post #71](#)

Maybe this will be the result?

USDJPY, M15, cell: 5, scale: 69%



USDJPY M15 Aug 2012
In2forex

When I read my last post from last night I realized that I mentioned "see how price FO the small flag to the left". But then I didn't mark up the FL on the chart. So here's the revised chart with the FL indicated.

Today was a bit of a WTF day.

After the confusion of the weekend and some small glitches with the site, I decided to continue my homework on Can Can's. So I check on my last post just to make sure what I had done. (Not a great Can Can, but a nice flag limit. 🤖)

This post was meant to be about a Can Can and the zone it reacted too. But when I looked back in history at the zone I started seeing other things and the post has become something else. Fake Outs, Engulfs, Flags, QM's and compression. A bit of "WTF".

I also see Spongy's back, Warren has gone nuts, and Dr Swing is in the "swing of things". 🤖

This is such a great place.

Enough BS.....here's the charts



AUDUSD, M30, cell: 15, scale: 100%



Ok here's my homework for tonight

Chart 1

I start with the Can Can maybe for 2014 "Pole Dancer" is more appropriate, Ha Ha 🤔
I have also marked 2 FTR's I asked myself which is more significant?

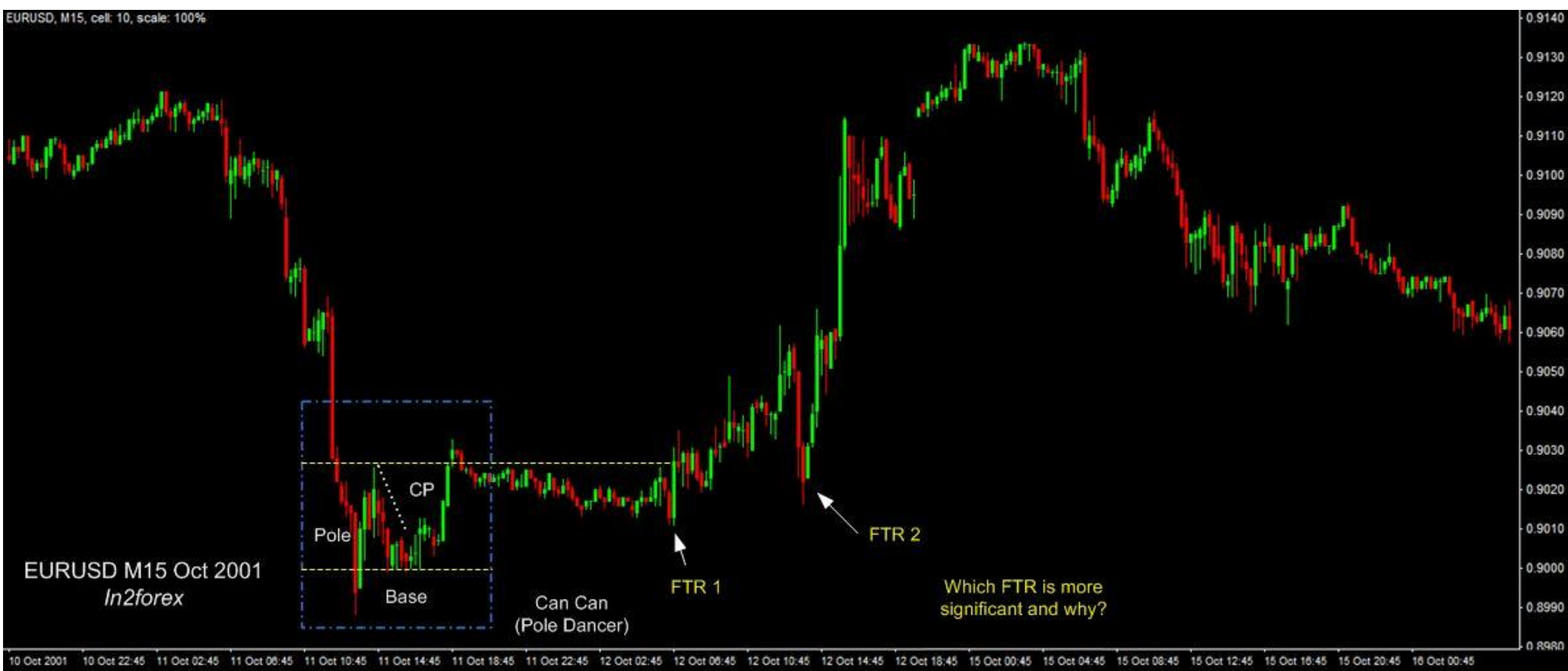


Chart 2 my answer FTR 1

Price doesn't engulf anything significant prior to forming FTR 2

EURUSD, M15, cell: 10, scale: 100%

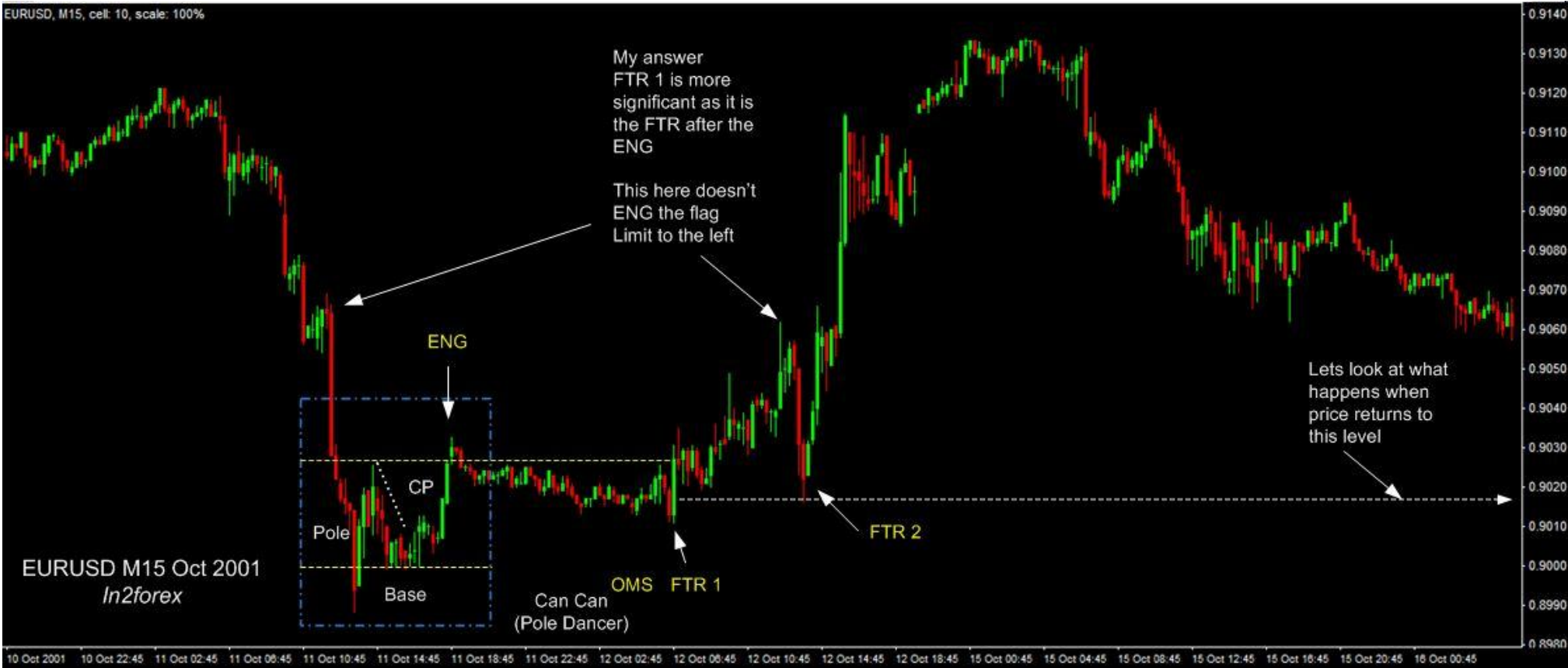


Chart 3 let's look at the reaction



Chart 4 - For those who know me you should work out where this is going. 🤔



Almost forgot to look at the reaction to the FO level of the Can Can
Here it is.
Question what is significant about the FTR marked?

Chart 1

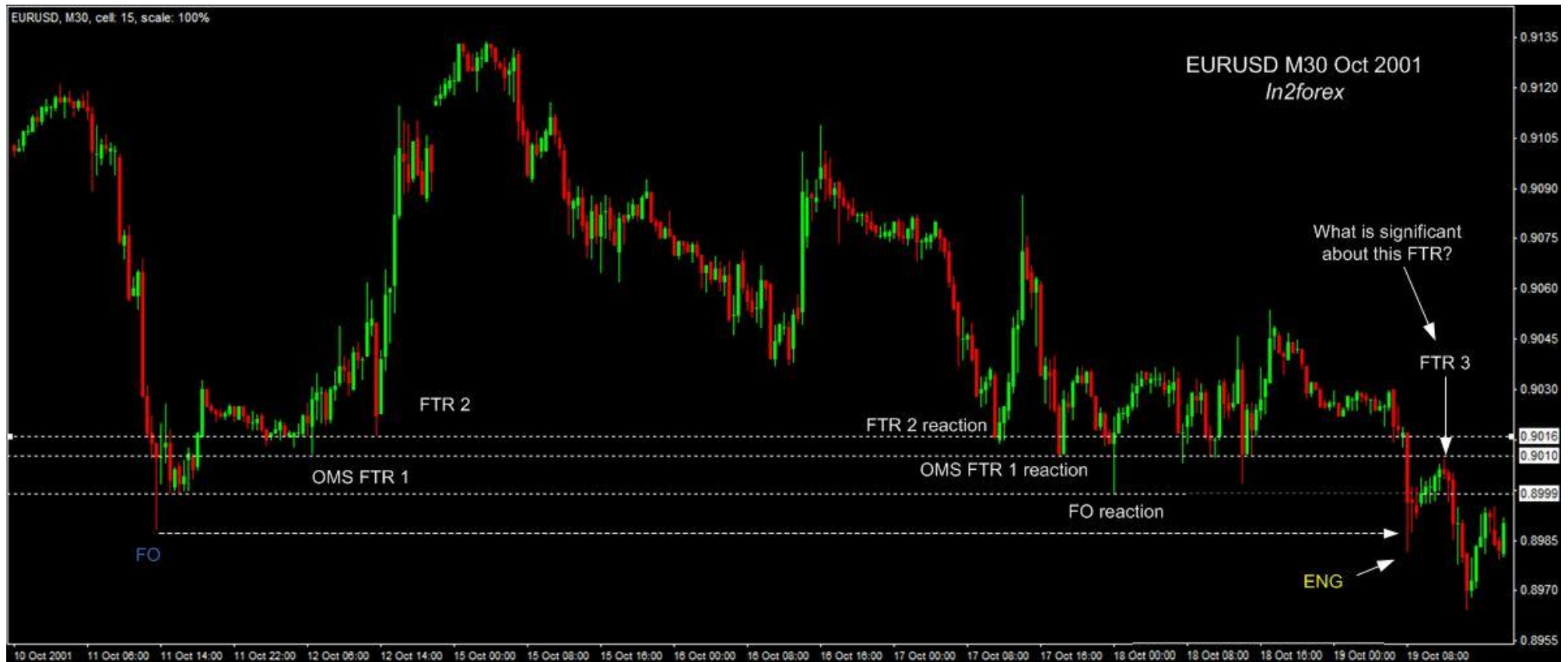


Chart 2
My answer detail on the chart

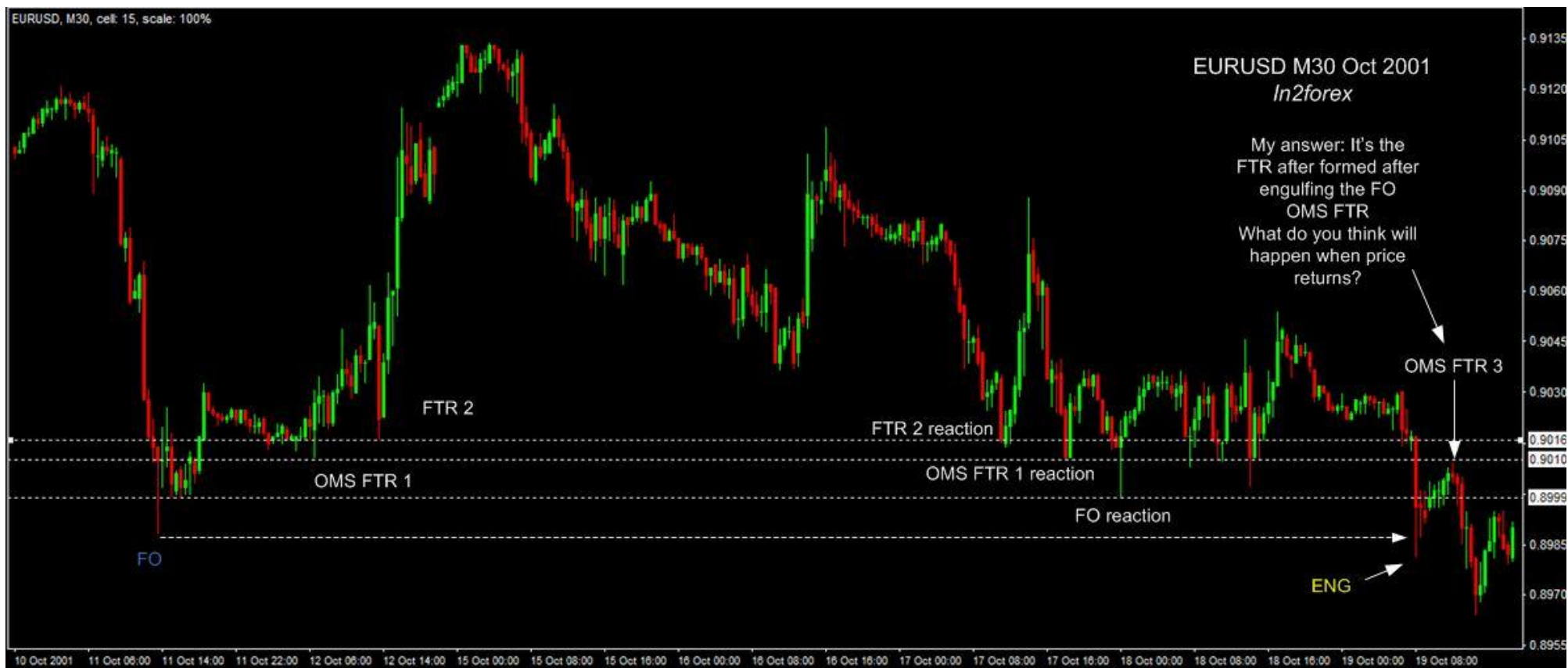


Chart 3
The reaction (Ok I did use "trader license" here it almost returned to the RBD in the FTR, but look it did react to the pip on the SR flip of the FO level



I took a short break from my charts. Kids were on holiday so decided to chill, relaxed and pondered where to next?
Back to the charts!!
Why did price turn where it did? A study of HTF turning points from a LTF perspective.

Chart 1 overview



Chart 2 HTF engulfs and FTRs



Chart 3 Dropping down in TF (30 Min)



Chart 4 Dropping down further in TF (5 Min)



Chart 5 The nuts and bolts of the reaction (1 Min)

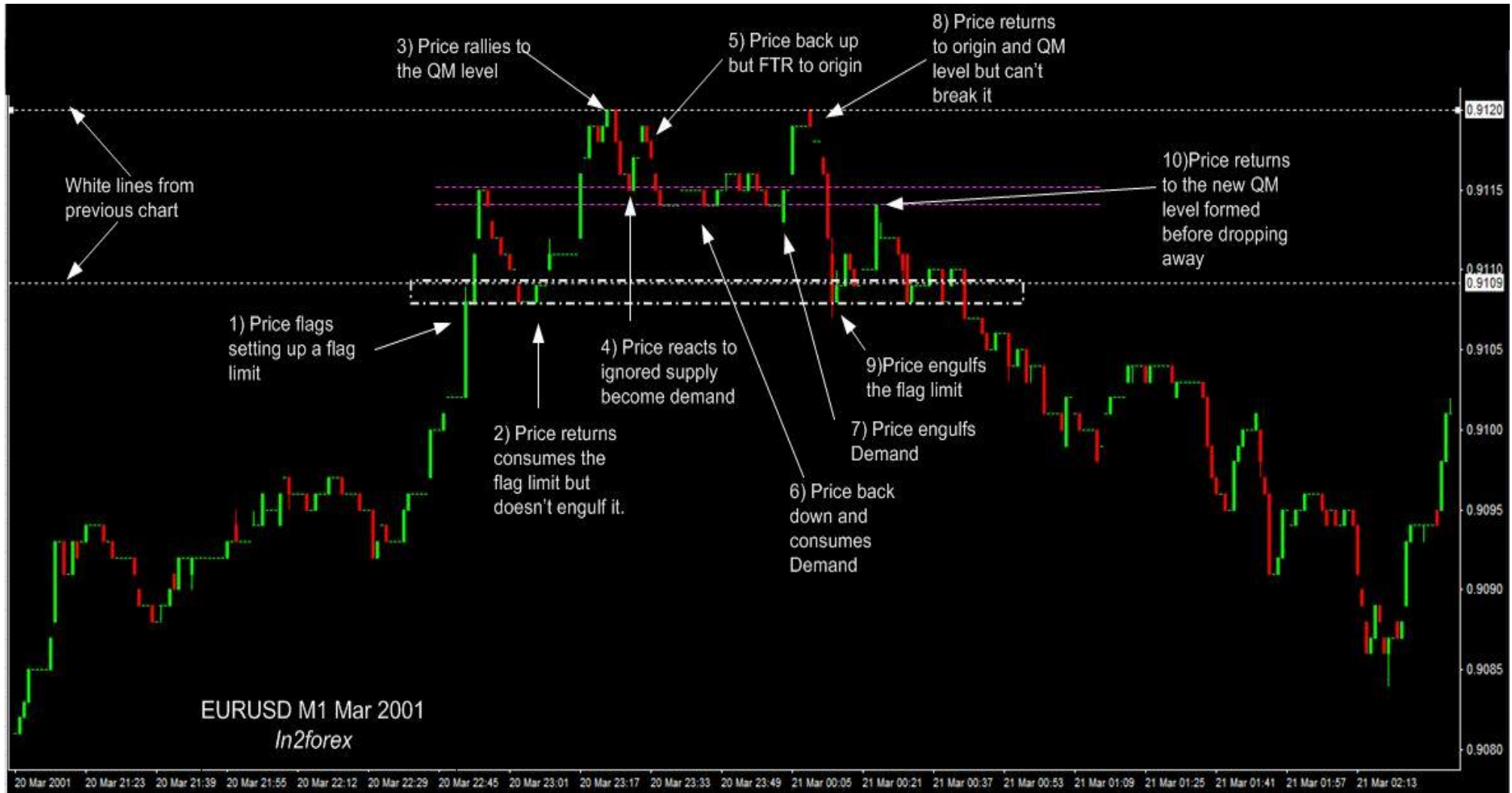


Chart 6 removing the clutter from the previous chart.



Doing a bit of FTR and FL homework.
Saw this last week on GU.

Chart 1 - M5 and FTR build up (History)



Chart 2 - M15 and the reaction on return (Reaction)



Live trade on AU
Detail on the charts

Chart 1 - H4 view



Chart 2 - LTF view of were price turned



FL, FTR and CPaz all pieces of the RTM price puzzle

Chart 1 Engulf, FTR, FTR ignored on return new significant FTR formed

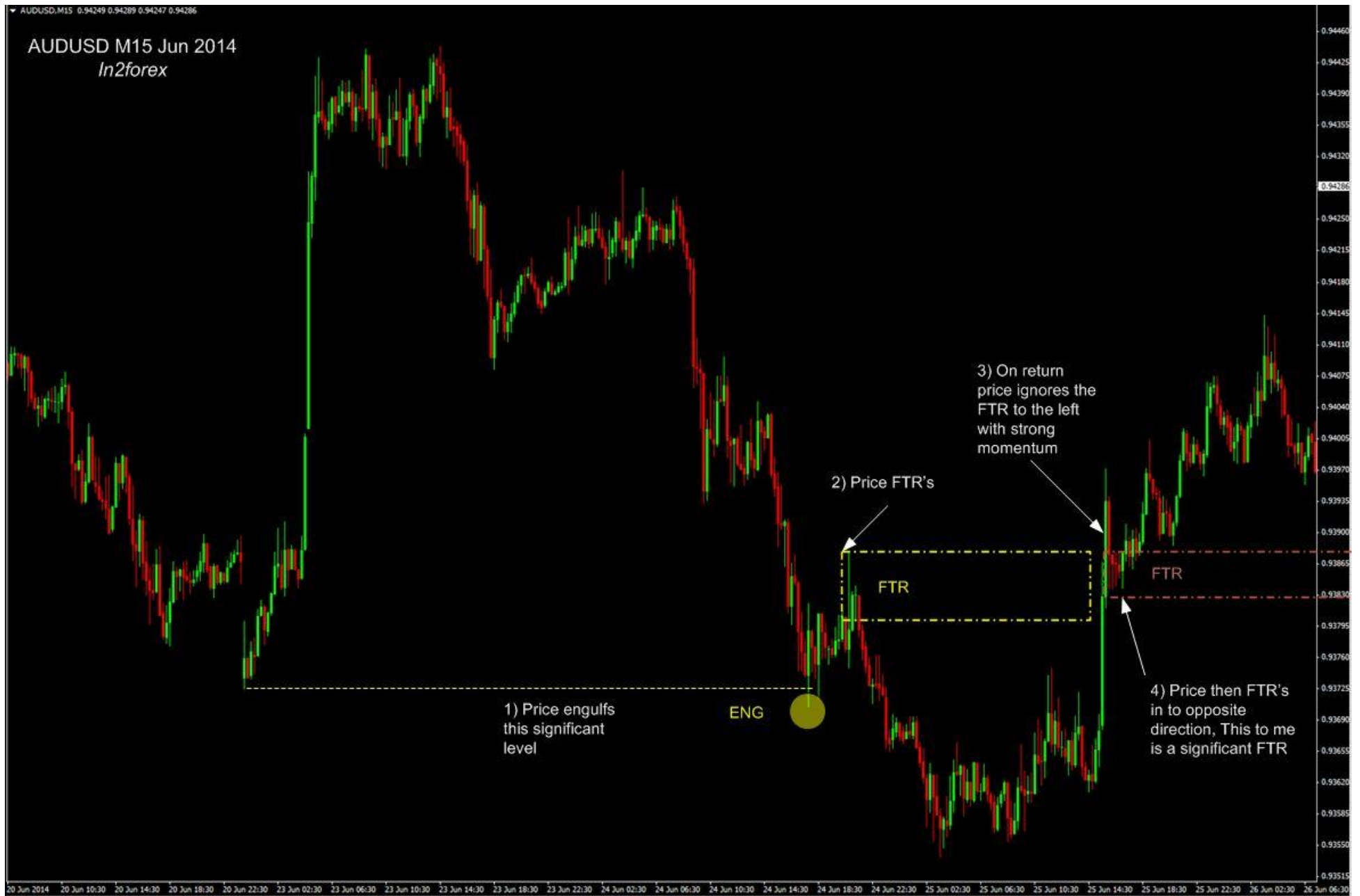


Chart 2 The reaction to the FTR on return

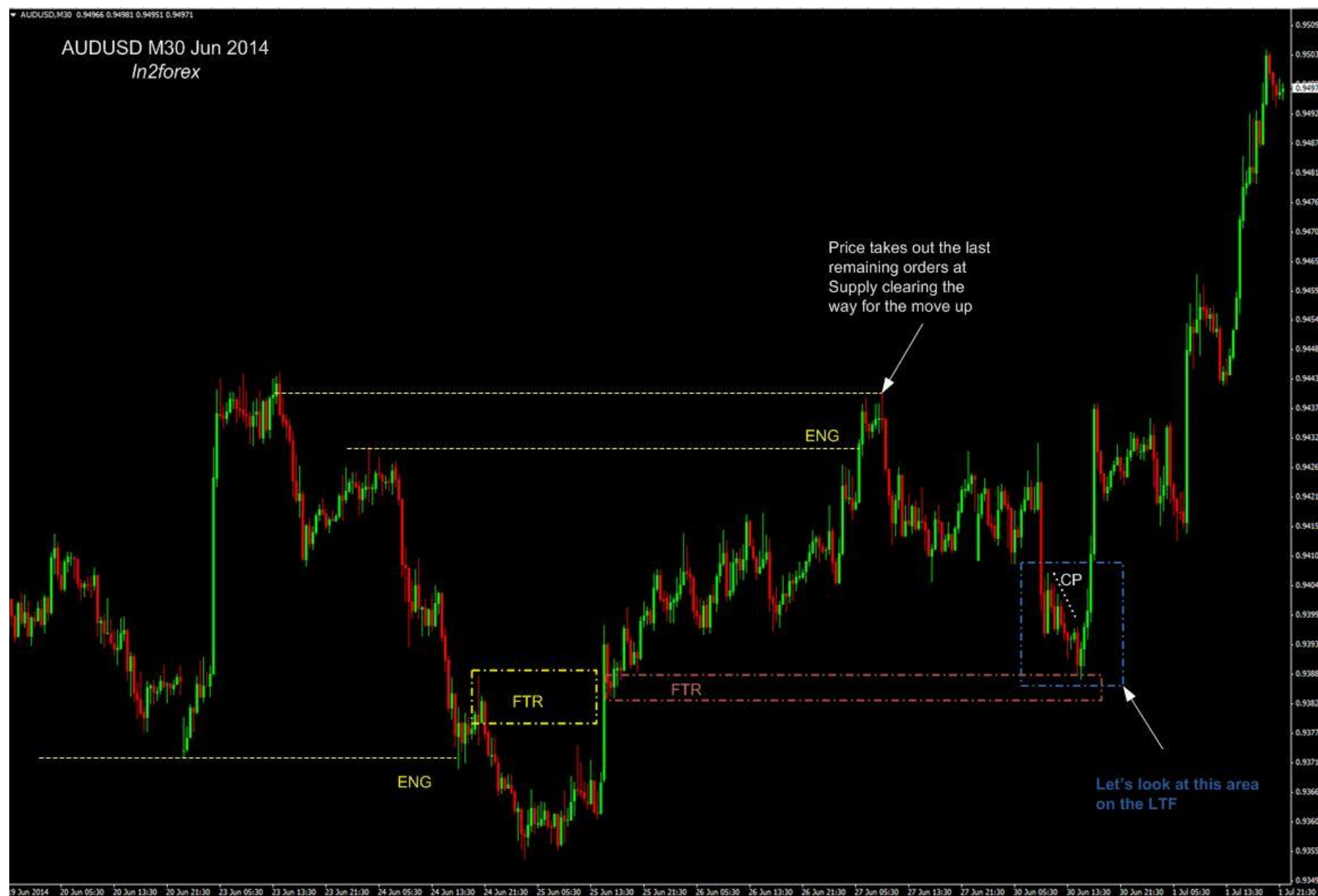


Chart 3 The LTF view pick you entry



Hi Scotty

I took a look at your 3D chart as you mentioned in my journal. Good place the exit your Sell order 😊
I was interested to see why price took off like it did.
Here are some charts explaining what I see.

Chart 1 shows your area and what I considered a FO.



Chart 2 I was interested to see what price FO'ed so chart 2 shows the significance of the line I marked in the history.



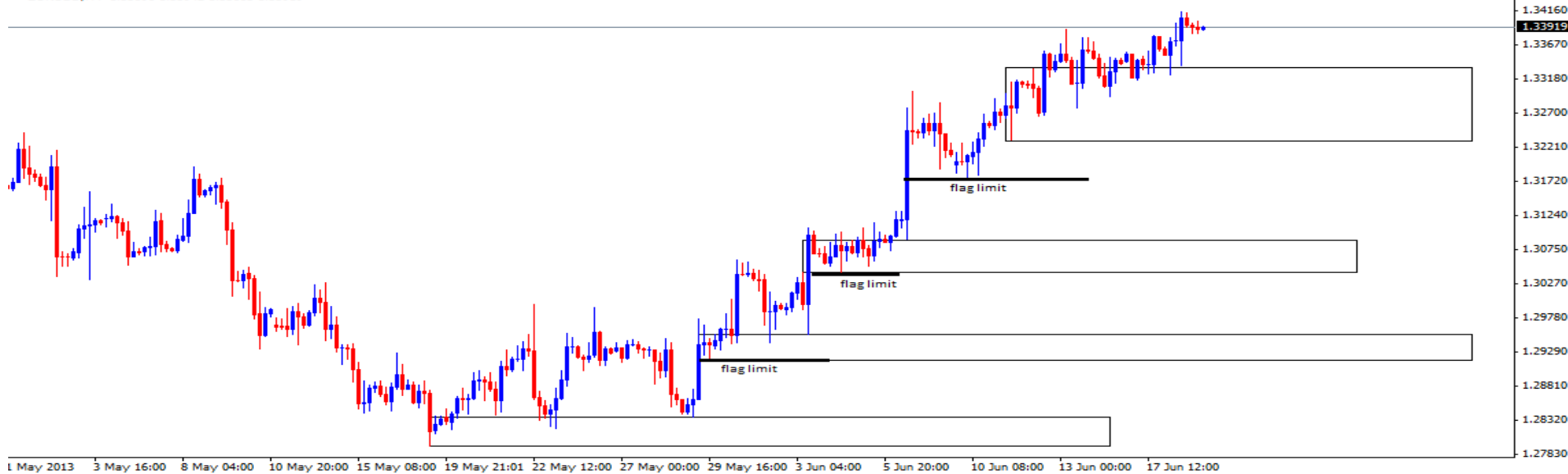
Chart 3 is a HTF view of the interaction between the poles and flags.

Basically price reacted to the FO level which was a significant SR flip level. Just some thoughts from my side.

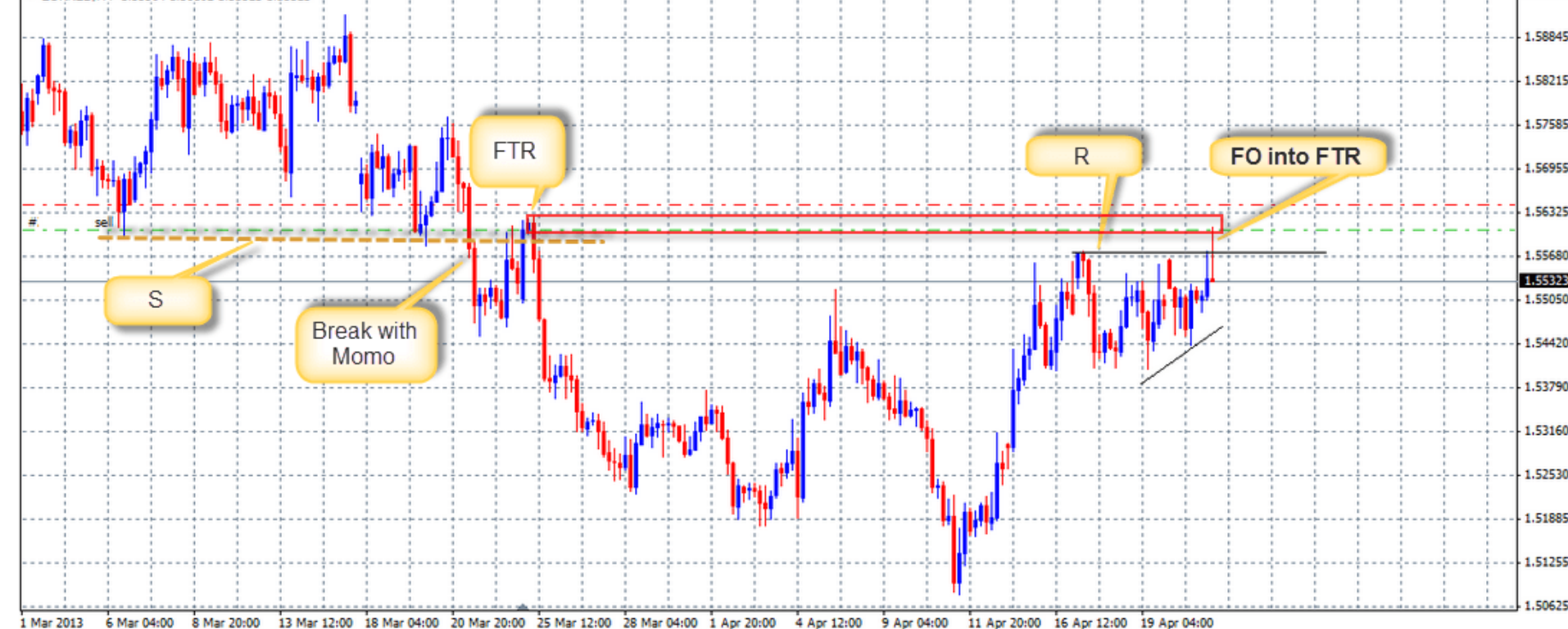




EURUSD,H4 1.33896 1.33942 1.33883 1.33919



EURNZD,H4 1.55364 1.56102 1.55323 1.55323







At [1] price engulfed [2] a DP then it created the FTR.

I consider it FTR because it failed to return to [3].

Then at [4] a retest of the FTR noting that price still didn't hit the TG it's supposed to reach as a result of the engulf & FTR, and once again price has created a clone FTR or RBD at [4], because at [5] it has created a lower low and a consumption of the ignored supply now demand at [6].

After the clone FTR/RBD price has dropped with momentum to [7]

engulfing on its way the swing low (minor demand/DBR) at [8]. And at [9] before the strong drop happens, price has spiked the clone FTR/RBD adding sellers, and it can be clearly observed on the M5 chart in the same post as a retest of supply or aka by our earth-2 traders (Wolv&Cap) as a hook into RBD and you know the rest of the story.

Now don't bother yourself with the terms as it doesn't matter as long as you can observe and understand the price dynamics and its stages.



All charts are the year 2007 - AUD

First up is the 4hr chart, here I am showing a FTR with not a fantastic base on this TF, with a base like this would you want to take a TT? The trade would have worked, but for me I am really beginning to favour the idea of a little P.A confirmation, so I went lower down...



Here is the 30 minute chart, I have left the original FTR base on the chart for educational purposes, details are on the chart:



Here is the next setup, we have the 4hr chart again showing what I believe to be a nice-looking FTR which may well be worth a TT..



If anyone did not fancy a TT here, they could have looked at the following P.A, if anyone else can recognize any thing I am not seeing, would be good to know..
Details are on the chart



Hi everybody,

I intend to continue my trading journey here, I will be studying what an engulf means in different scenarios. I will also be looking at what an FTR is and where it forms in relation to the overall picture. There does not seem to be a thread about FTRs (I have seen the FTR PAZ, I want to leave PAZs until the very end), so I will include all my FTR studies here too if this is ok...

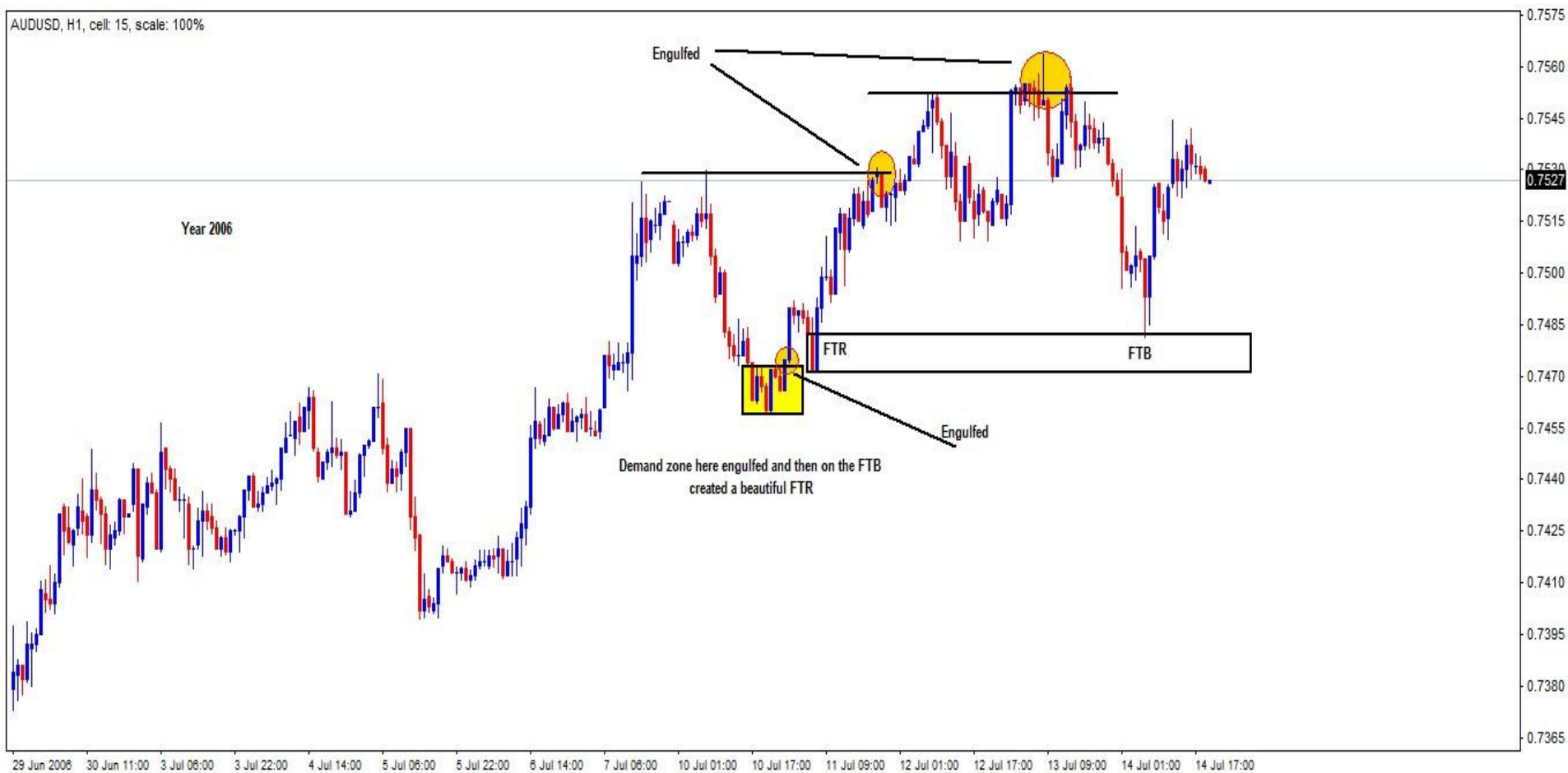
I have read all this thread quite a few times, and watched the video by IF over 5 times, and taken notes... I have enjoyed studying FL and CP very much, it opened my eyes to the way price 'can' react at different areas, I believe this will be a new challenge for me, as I have been fascinated by the engulf ever since reading DrSwing's thread.

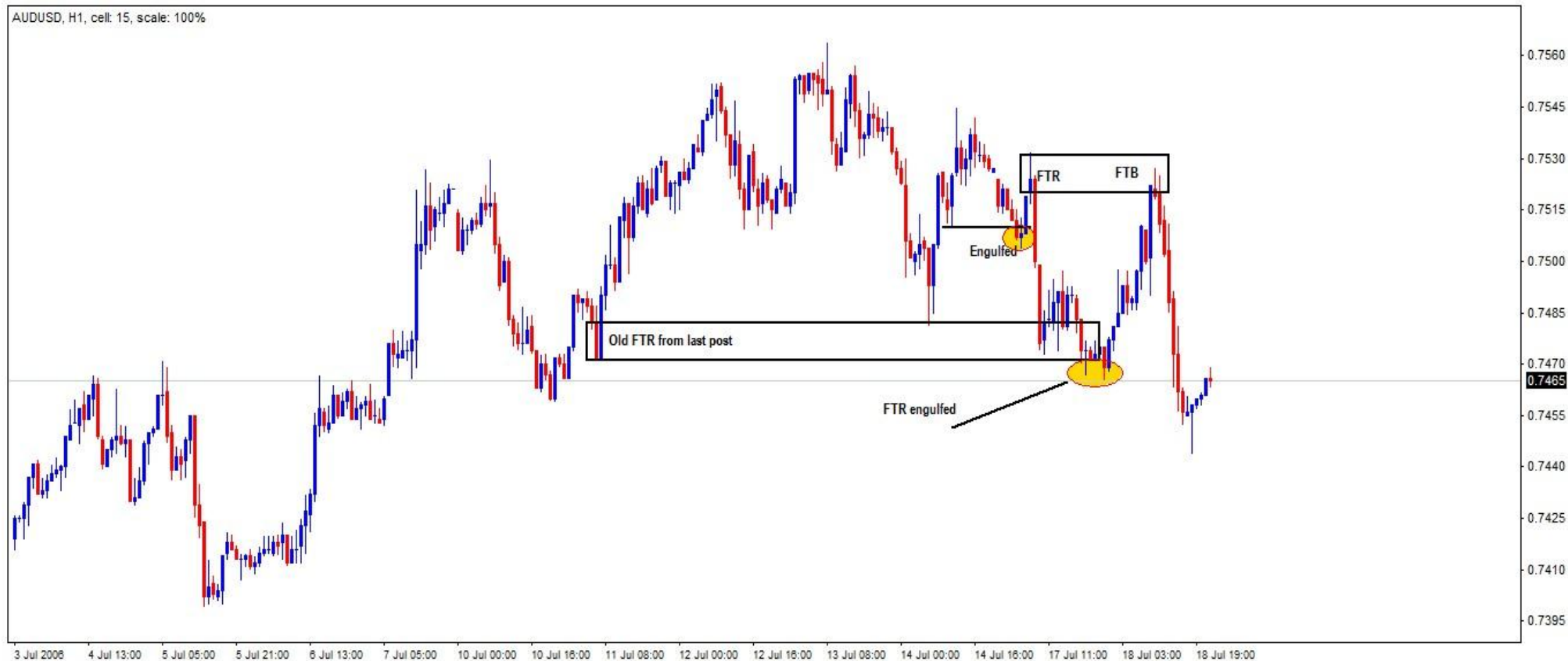
1st chart to begin...



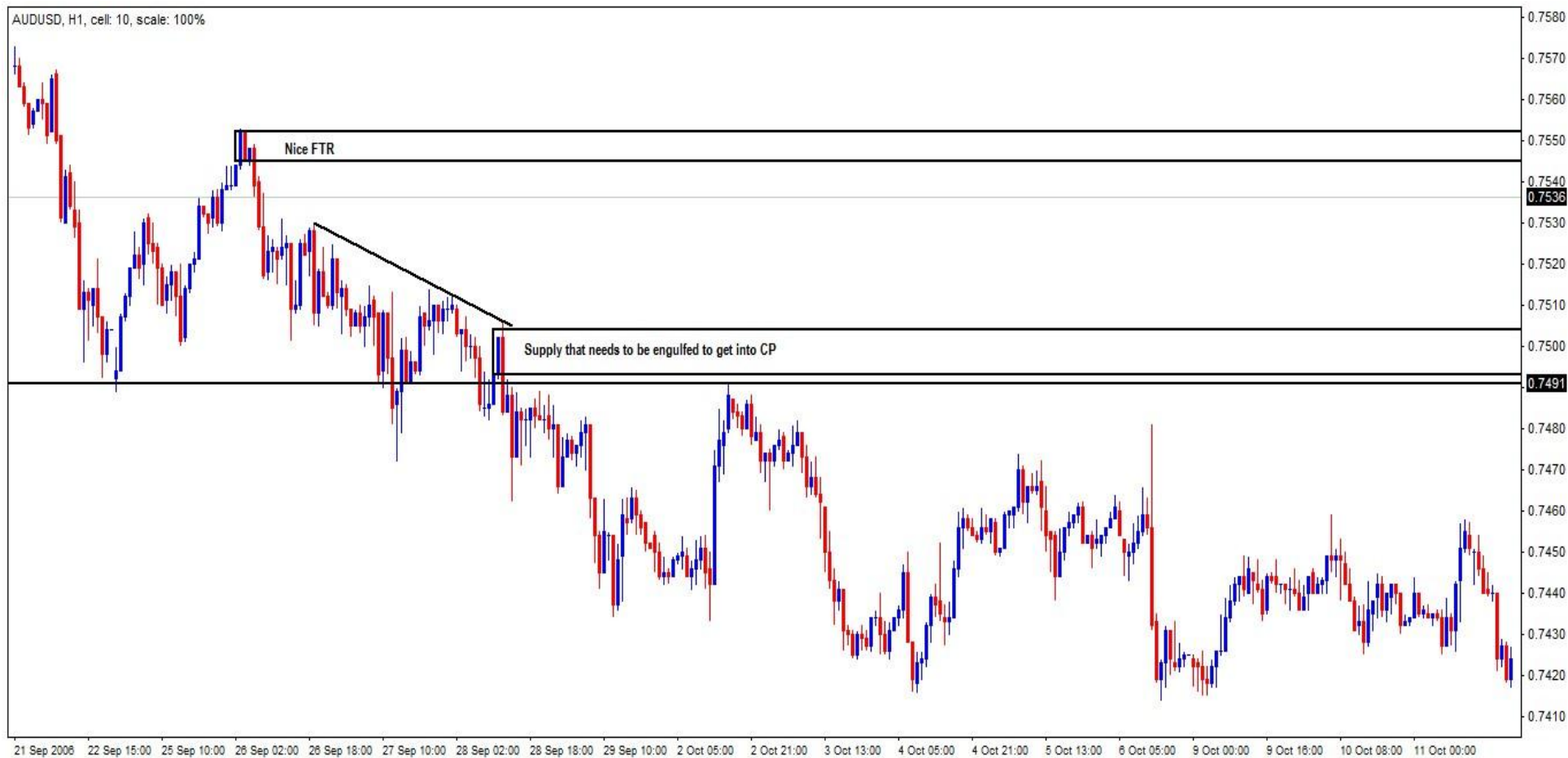
Next two charts:

AUDUSD, H1, cell: 15, scale: 100%



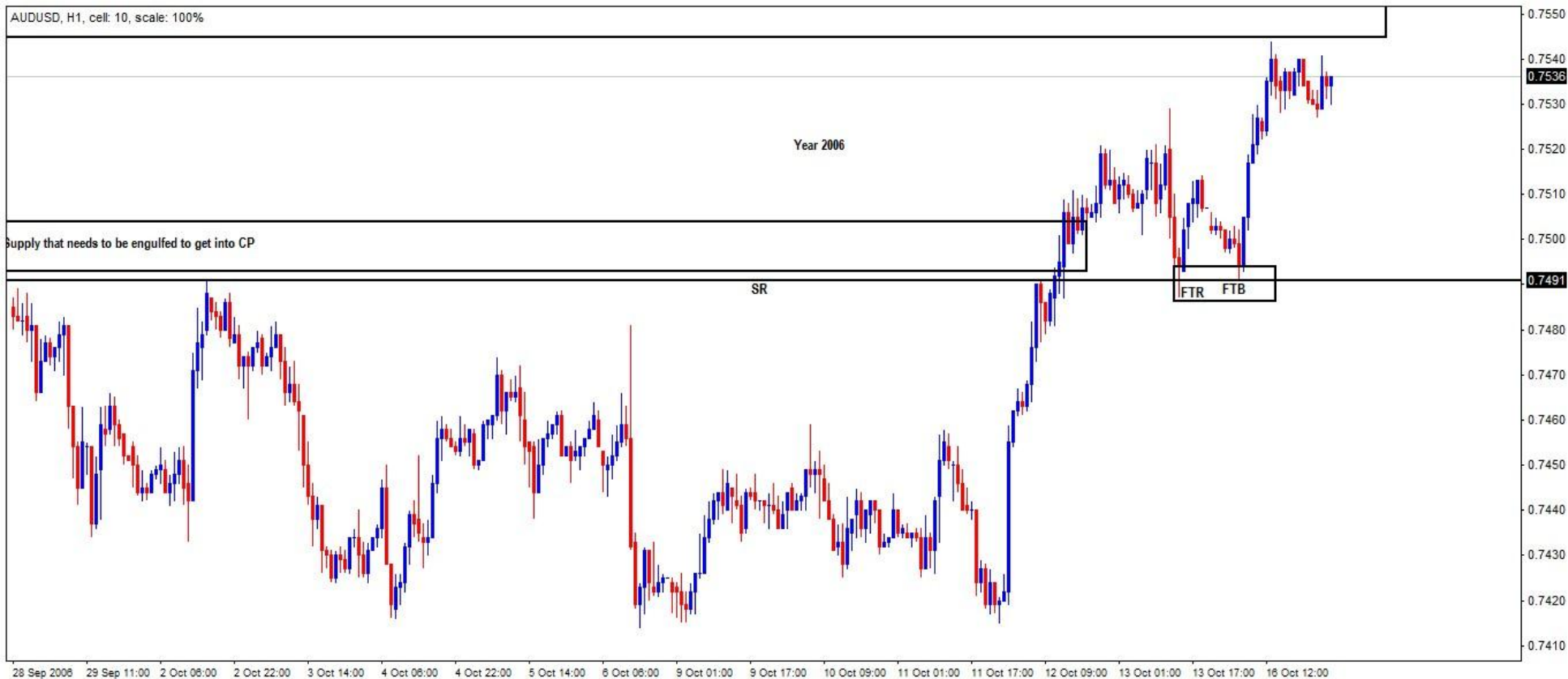


The first chart I saw a CP area, I also marked the supply that needed to be engulfed to gain access to the zone, something I noticed above was the nice-looking FTR, I love these kind of bases, I guess this comes from studying S Seiden's material for quite some time... This FTR makes for a nice target if price did get into the CP.



As we can see from the chart below, that supply did get engulfed, price came back to the SR and formed an FTR, I know the base of this FTR is very average, however we go down a few TFs we can see an adequate base form for a trade I think, and look where price went to from the FTB, straight to the next FTR, beautiful.

AUDUSD, H1, cell: 10, scale: 100%

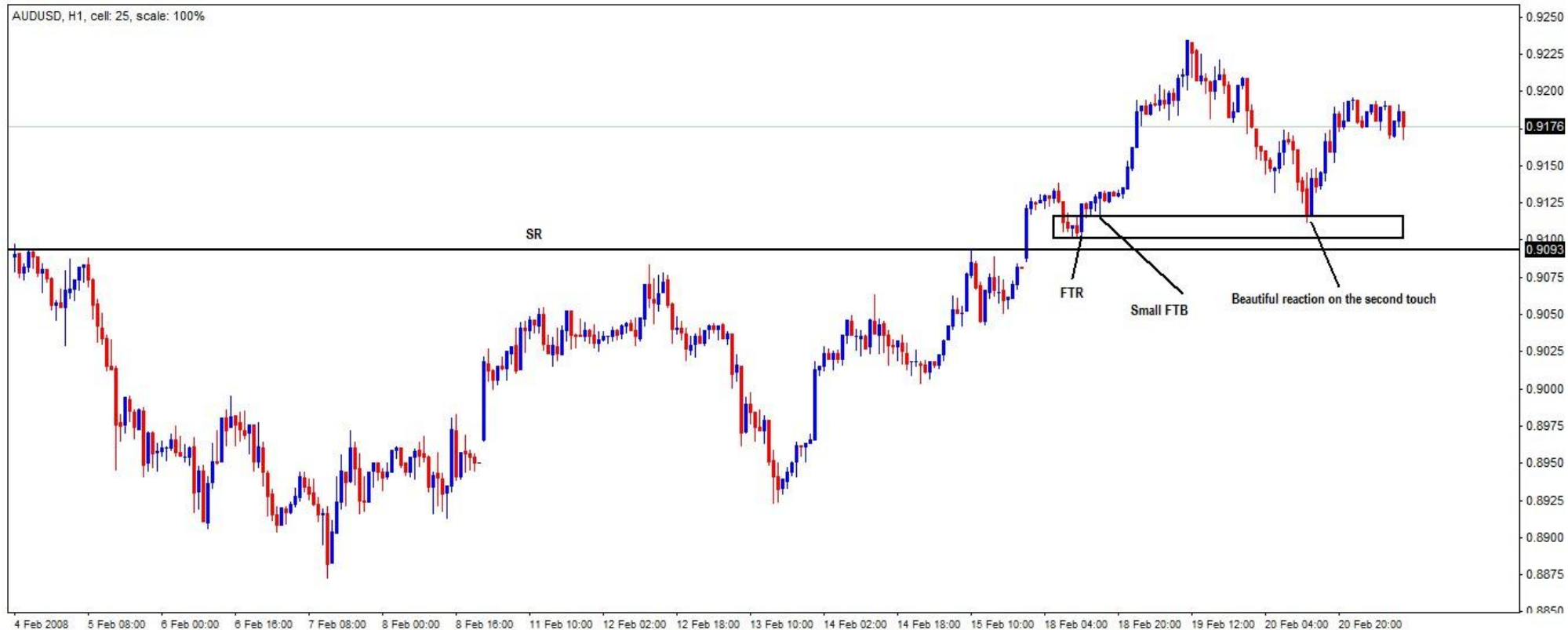


If anyone has any comments on my charting, anything I am doing wrong, it would be great to know.

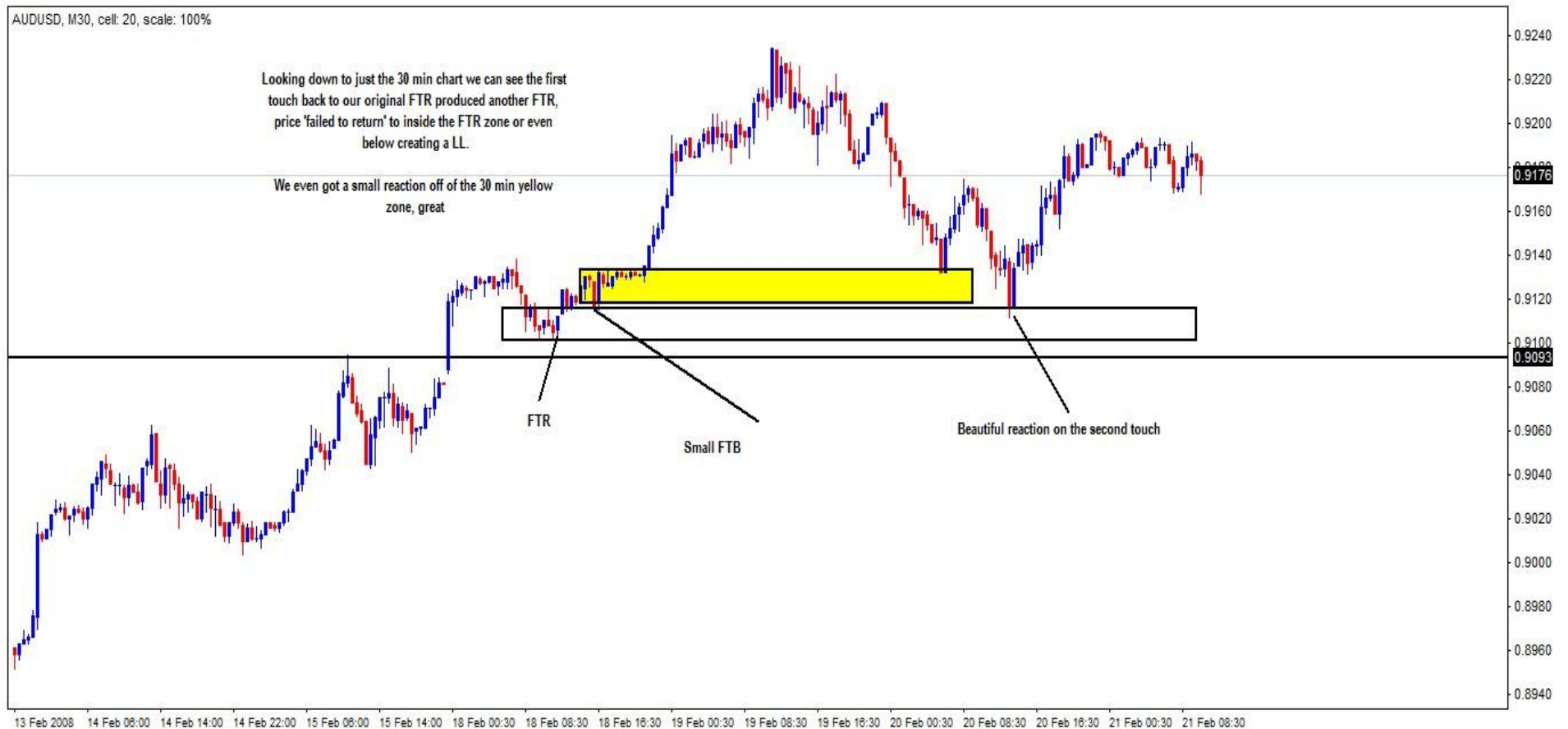
I think this post could be very beneficial for members who have found themselves confused with the whole 'FTR = FL' thing....

I must say I make no promises this is the 'absolute' correct way, all it does is make total logical sense to me...

1st chart up is the AUD hourly, notice how the price breaks the SR and then 'fails to return' creating the FTR zone?



I went down to the 30 minute TF, and found that the FTB we see (a little pin) on the hourly could of actually been another FTR... Details on the chart:



My last chart I hope will show some why we can sometimes get confused with distinguishing between a FL and FTR, the exact same zone was used, however on the 4hr it is a very nice neat FL, whilst on the hourly and 30 min we see FTRs

AUDUSD, H4, cell: 50, scale: 100%



AUDUSD, H1, cell: 30, scale: 100%

I like to trade situations like this. ENG->FTR to SD pocket. But be aware of where we are in HTF and look for possible Trouble Areas.

To me, figuring out the FTR was and still is quite a challenging task, this is how I see it, all of these supply zones failed to get back up to supply hence failure to return, this is the most logical way I can picture these zones, and also making sure price engulfed an important area first

You mean this is the FTR after ENG of FL?

I'm worried about this gap = strong demand. Anyways R:R is almost decent targeting the gap close if feeling confident.

ENG

FTR

FTR

FTR

FTR ?

Engulfed FL

0.8802

Edit: this can be also a FL with some bounces if there was an engulf of something left. (the FTR I'm referring to is that in the low of the chart you marked)

AUDUSD, H1, cell: 20, scale: 100%





If later I have more time I try to look at others.

Anyways keep in mind that I'm absolutely not sure of what I think.

Compression

Touch trading a [Supply/Demand](#) zone can be a very daunting prospect, as price doesn't always react as we'd like it to.

But, we're very often shown that the big money is getting ready to turn price at the next zone.

As price is rising, they start selling down to pockets of demand on the way, consuming the orders, so that when they put their big orders in at Supply, all those buy orders are gone and price can slide through to the origin of the compression or beyond.

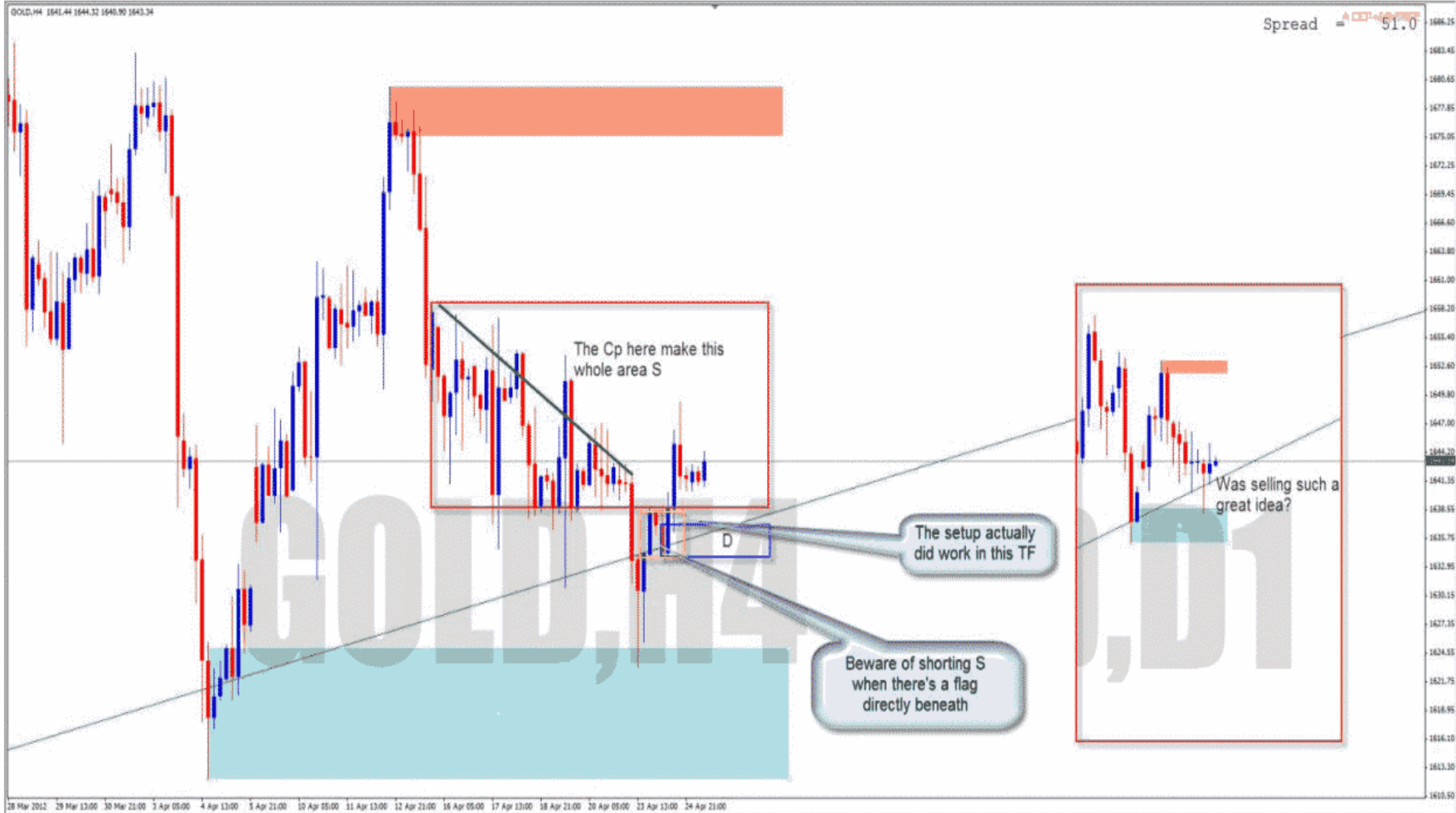
It's exactly the same principle for price compressing down to Demand

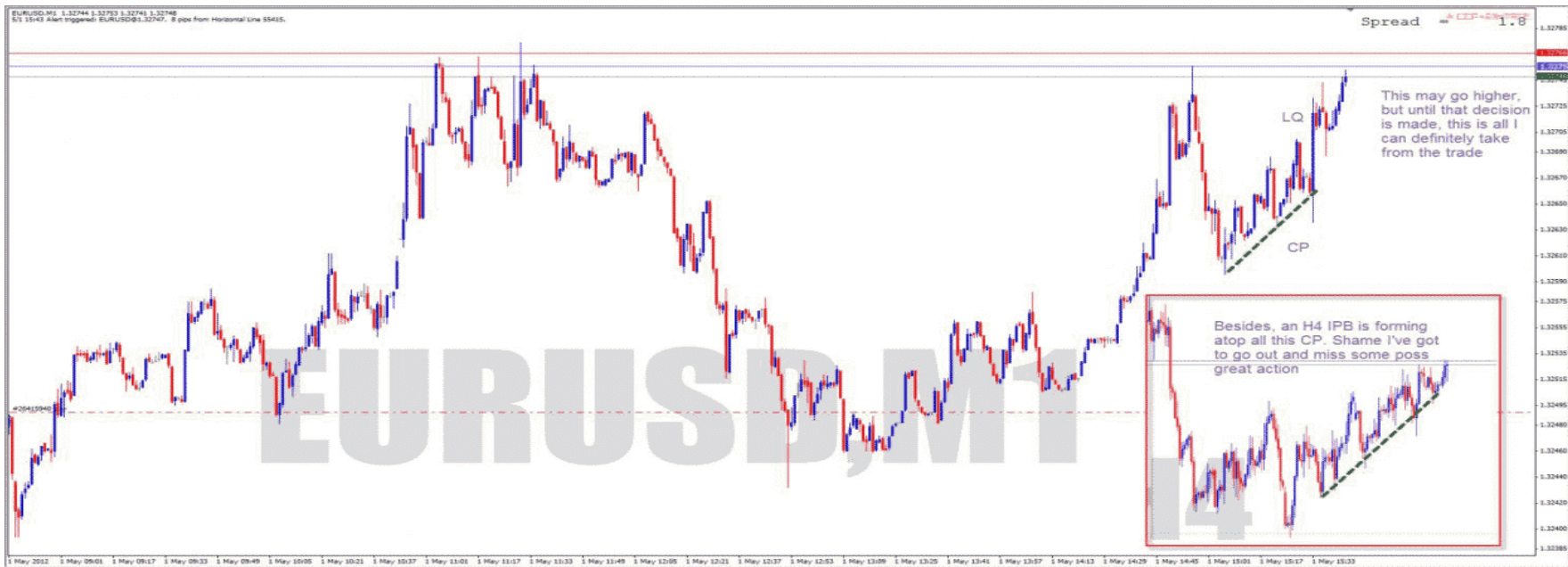
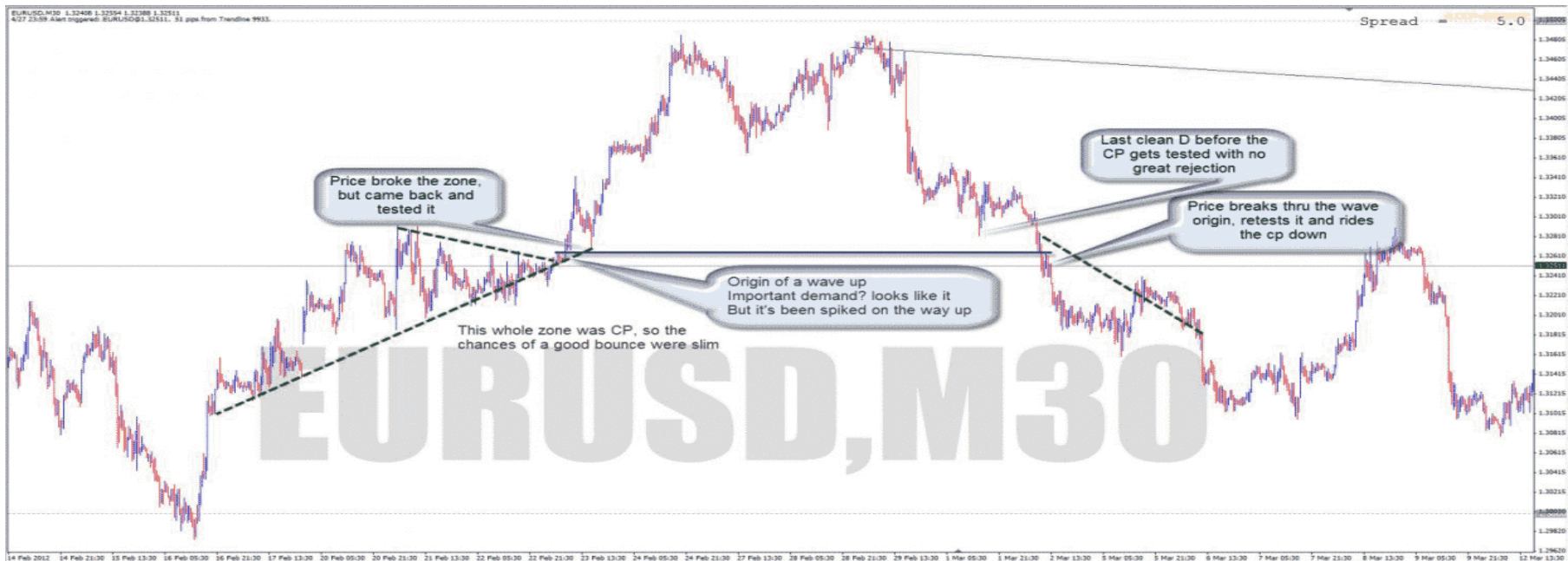




In the example below, price compresses up to a certain point, above which there is no Supply left before the origin, so it shoots up to there before reversing and cutting through the CP. This is called Compression and Liquidity (CPLQ)

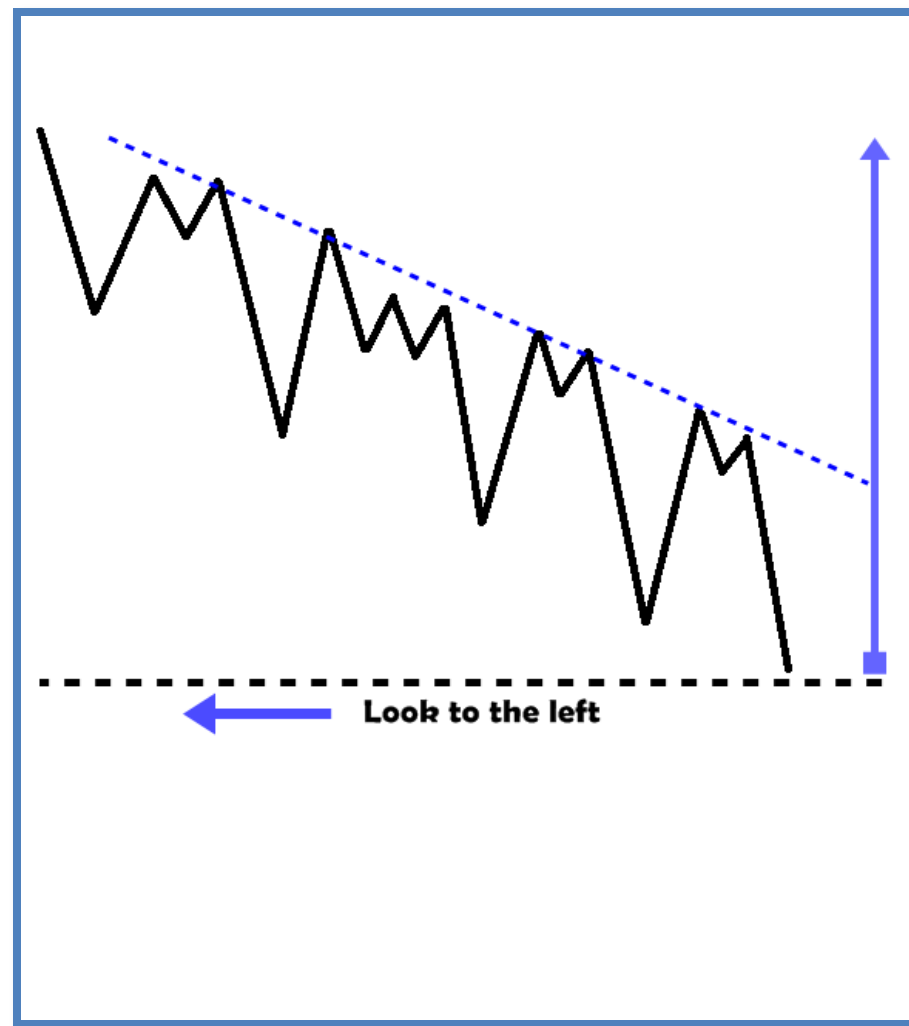
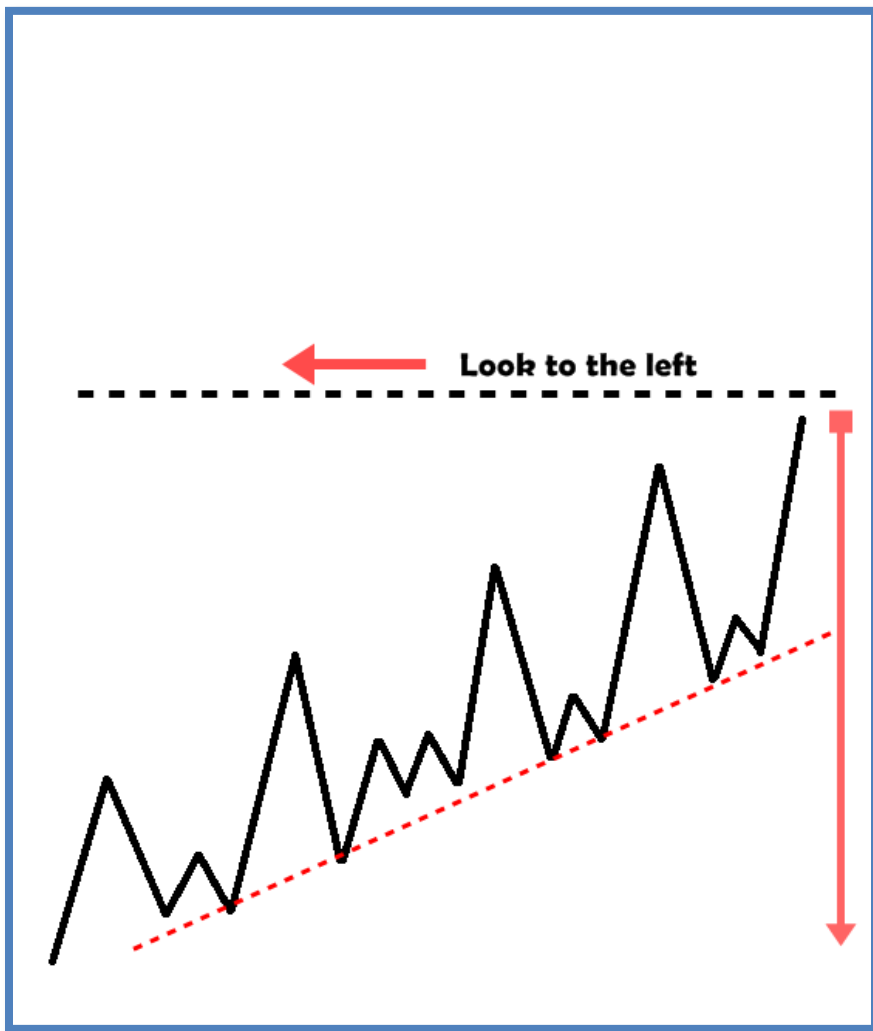






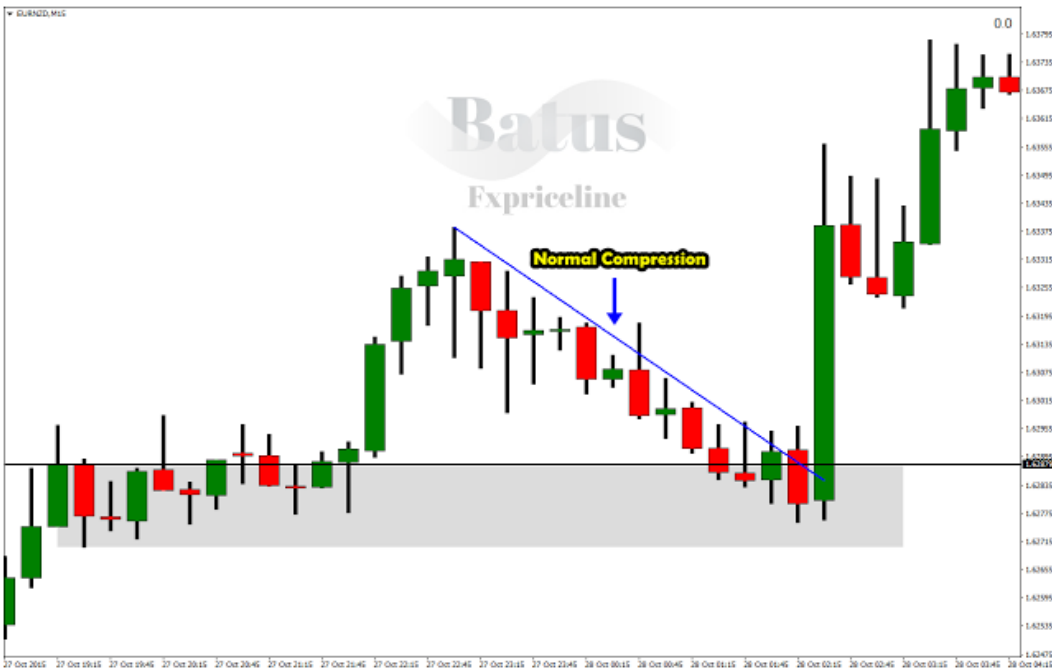
GBPJPY_H1 144.184 144.359 144.181 144.265



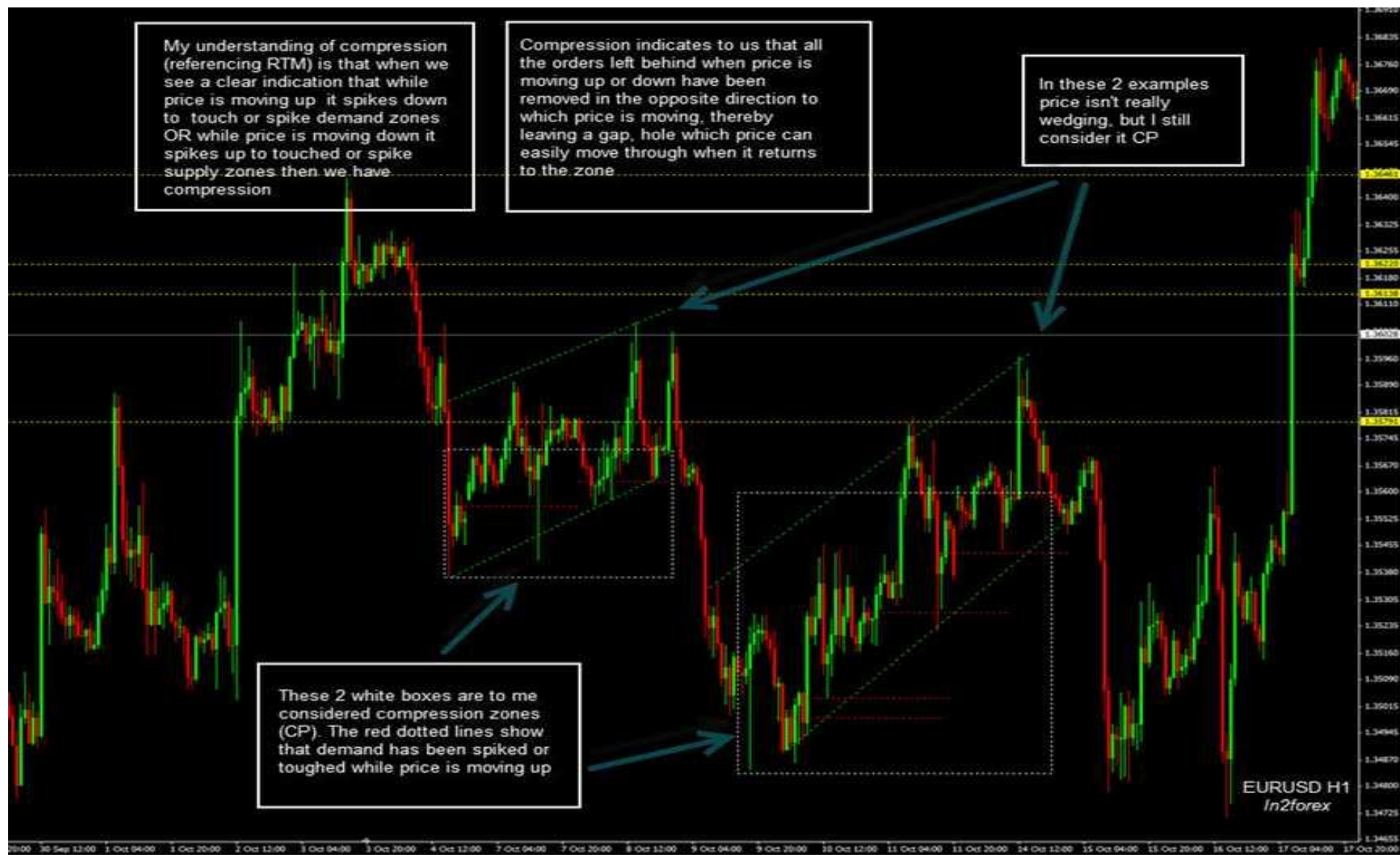


My definition and understanding of CP (compression):

CP is price returning to the last minor SD (supply/demand) or DP (decision point) to consume any remaining pockets of orders that are left, so that when the institutions place their big orders at the larger SD zone, they can easily drive price back to the base of the CP, or further towards the origin of the move.



Your post on compression opened a can of worms in my mind.
 After thinking about it for a while I believe we have different views on compression.
 I've never really considered the shape of the presented PA when looking for compression. I also haven't considered the direction price moved after Momo.
 My primary focus has been to see if demand is spiked when price is moving up and visa versa when price is moving down.
 I post the following chart to demonstrate my understanding.



My main challenge with compression is that very often what looks like compression to me on the HTF doesn't translate to compression in the LTF.
 The resent PA from 8 November to 19 November on the EURUSD is an example of this.

I suppose our own understanding of compression may determine how we read price and trade it. As long as this is profitable then great!

Sorry about the spelling error in the chart "toughed" should read "touched"

its good that you draw the horizontals to see where price touched each time and if it retraced enough to consume the orders.

i'll just comment on one of your charts to show you that spikes on their own dont mean you have compression there. price has to come close enough to the previous base to "eat" the orders sitting there



a: Compression
and liquidity
spike to the QM
level

b: Compression
with LQ spike up
to a flag



EURUSD H4 July 2008
In2forex

My study of compression and other things continues.

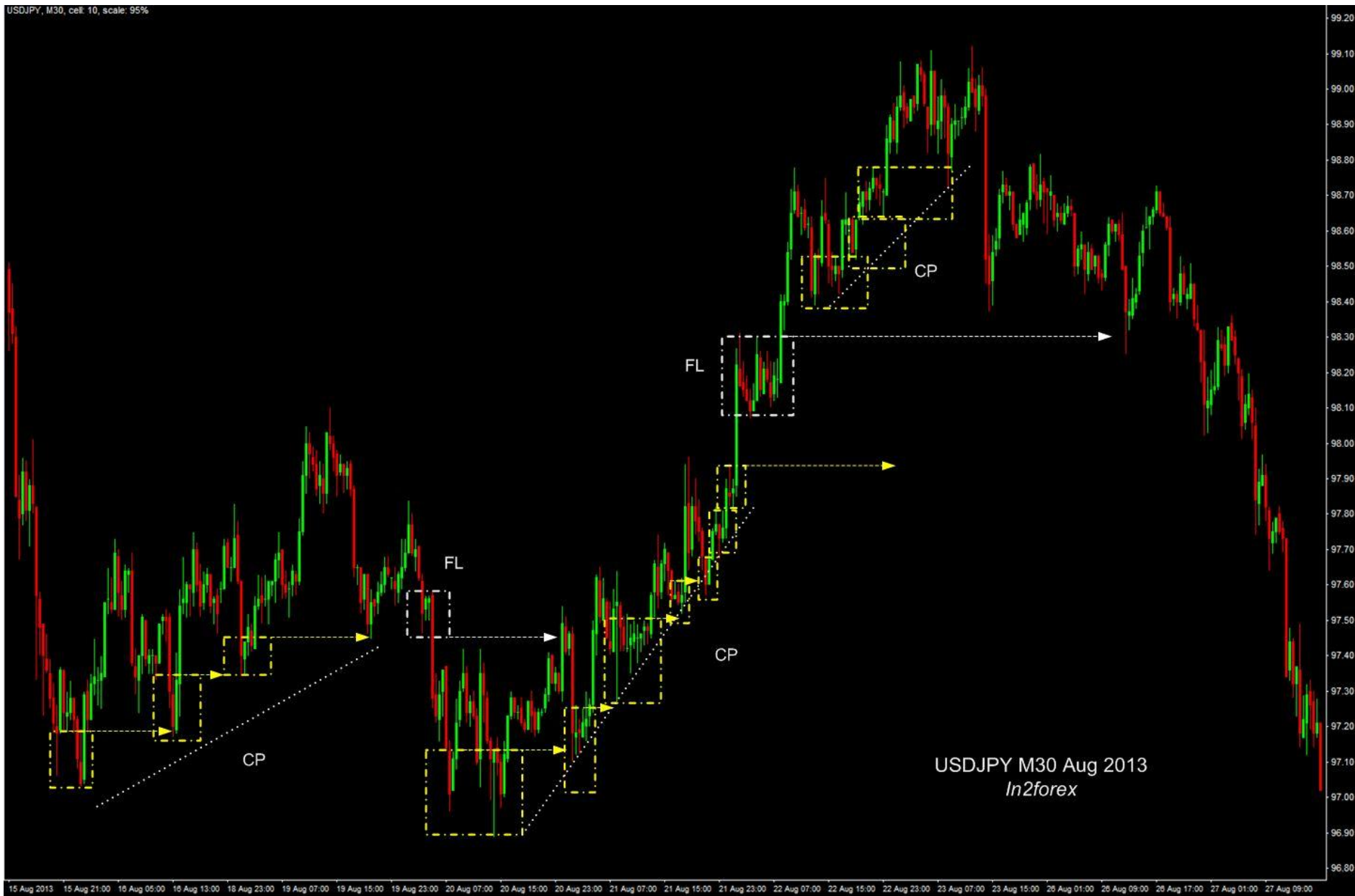


My main focus at the moment is on compression, so that's why I'm posting my charts here, but as you can see I'm marking other things on the charts. I believe how the pieces of price action fit together will tell the story of where price has been and where it is going.



LTF

USDJPY, M30, cel: 10, scale: 95%



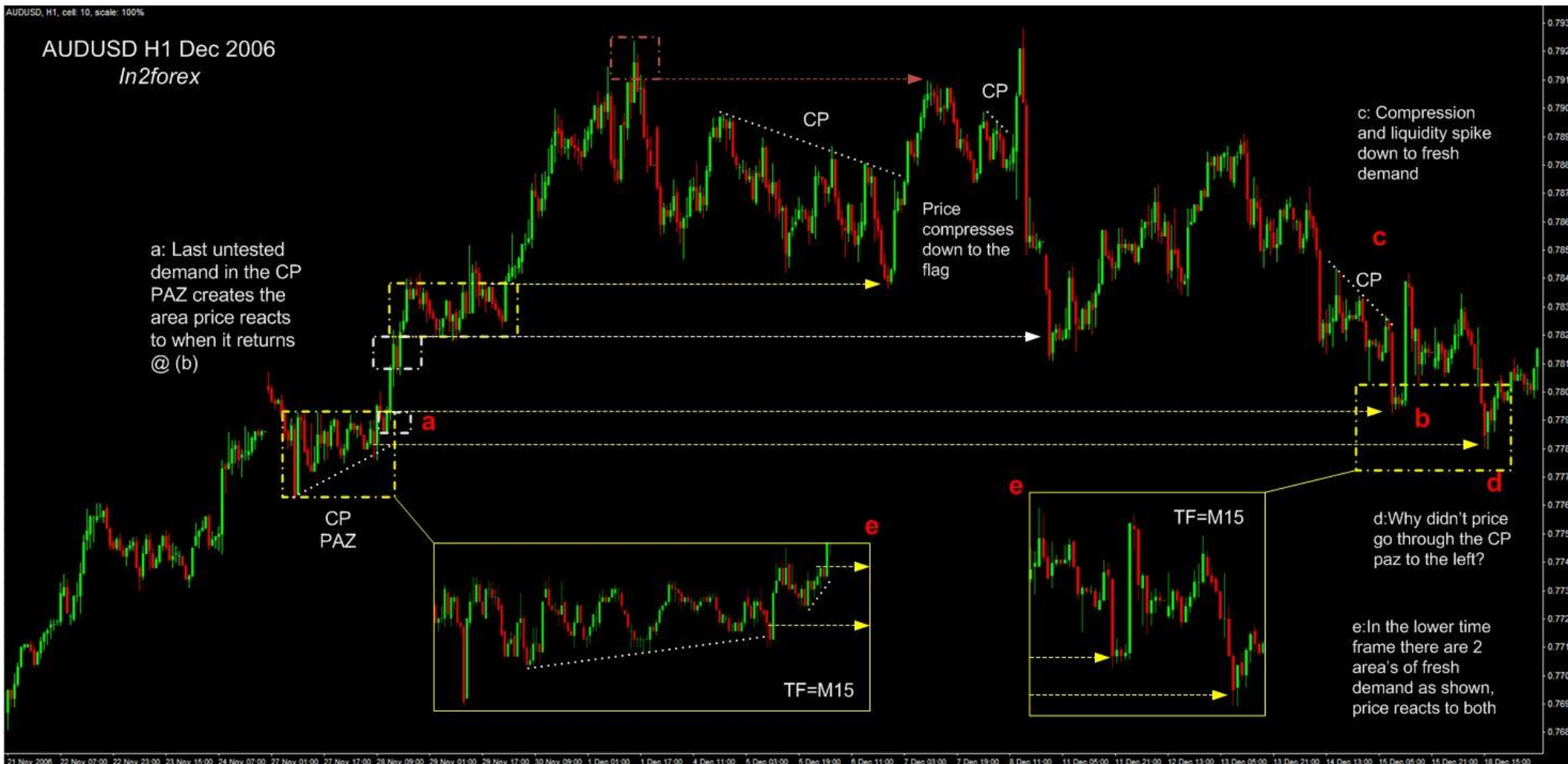
More compression charts.

EURUSD, H4, cell: 30, scale: 100%

EURUSD H4 Sep 2006
In2forex



This time I focused on compression down to demand.
I was interested why price didn't slice through the CP PAZ shown.
detail is on the chart.



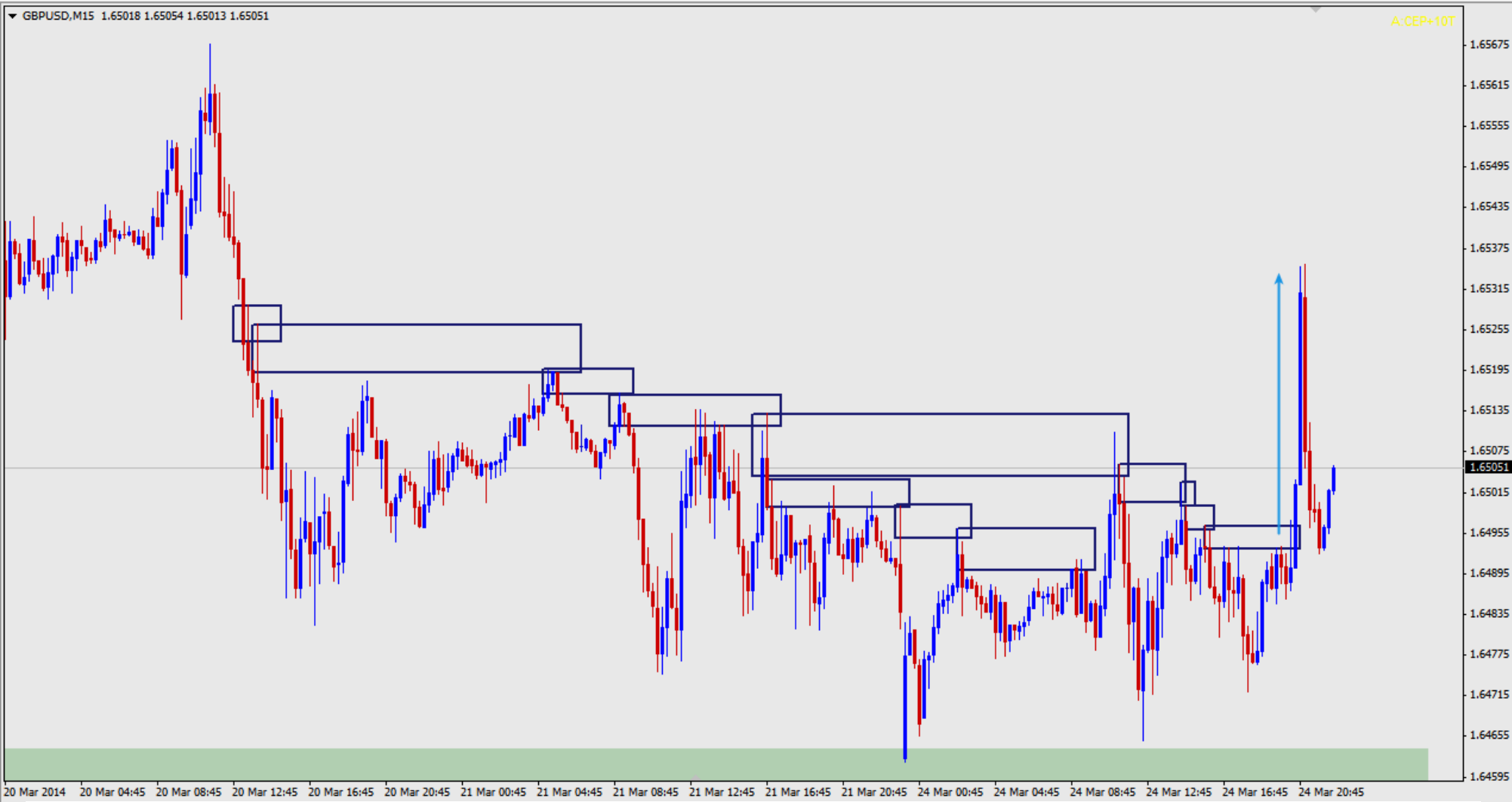
Hi Milkeyway

I commented on your chart.

Watch that all your demand and supply zones are tested when marking in CP.



Hi Miserly_One, the idea with CP is that price retraces to remove supply or demand pockets left behind as it progresses. This allows price to easily slide back to the origin of the CP. In the cable chart today, look how price kept coming back to remove the supply pockets left behind as price dropped. This allowed price to then shoot up to the origin of the CP.



Where I'm stuck is between a flag and compression as a flag to me indicates price may continue to the price projection from the flag.

If I spot a bull flag (and by that I mean a defined rectangle but skewed on an angle) then I do the measuring thing with the pole and extend it out from the break to get an idea of how far price will move. If this occurs just before a supply area and indicates that price may move deep or thru the supply then I am very wary about going short.

If I see price narrowing into a wedge/funnel type shape then I figure that is compression and I am happy to trade from the appropriate level.

Don't be confused - you're absolutely right

I haven't done enough study on whether a pole from a flag is generally as long as the pole into it though, so I can't comment on that

Yes, a diagonal flag is a compression.
It's the CP of it that makes it work so well
It allows price to travel easily back through it



thank you for the charts, they are simple and clear. I have made some notes in one of them:



two more.



3 Drive

The 3Drive onto S/D can be a strong indication that price will turn.

It shows that price advances are slowing down, while compressing up/down, taking out orders as it goes.



3D VS. 3T

There is a difference between the 3 Drives and the 3 Touch aka 3 Taps, both are a result of distribution and accumulation.

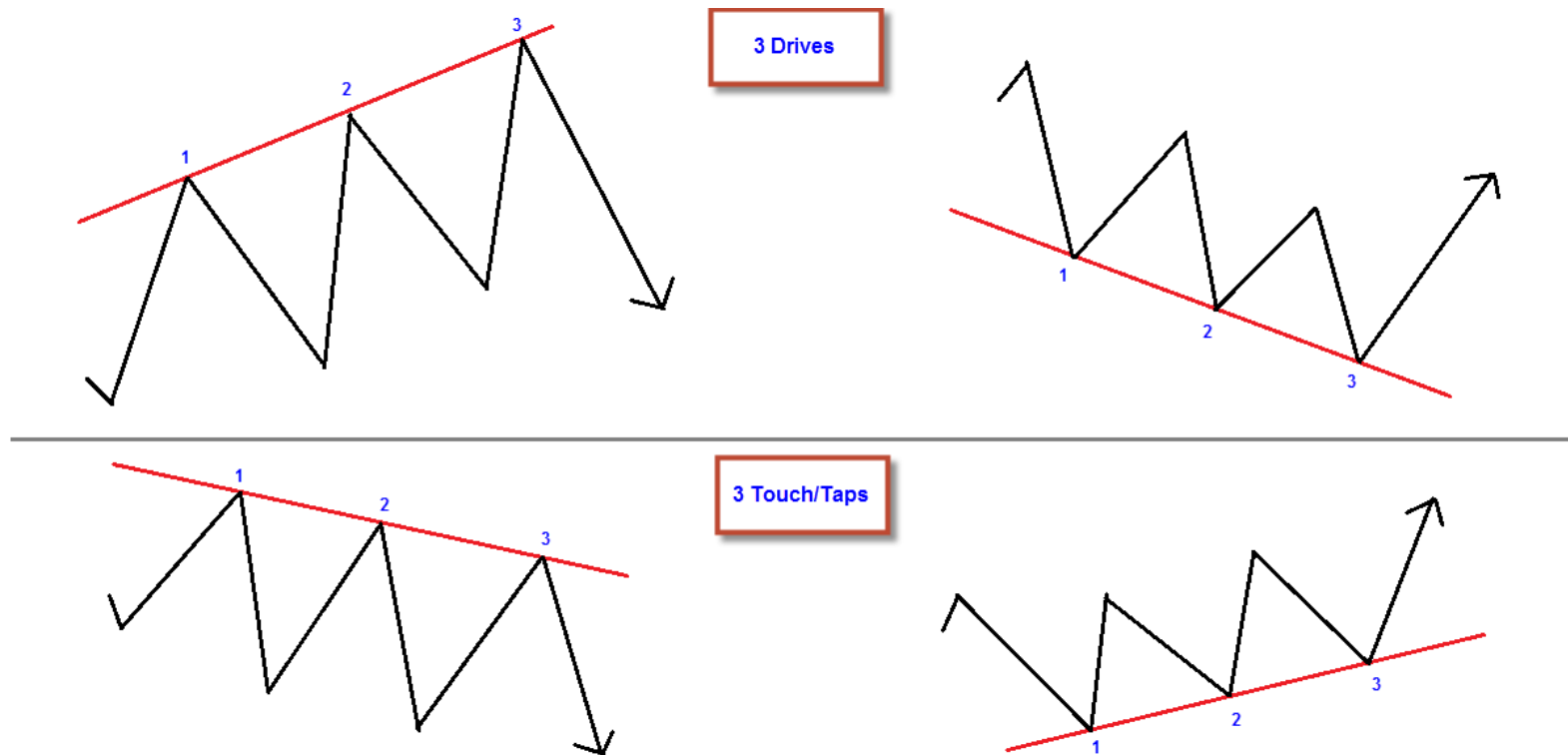
3D falls under the compression category and is a reversal move.

3T falls under the trend following category and is a continuation move, but also could a compression when price returns to it and breaks the 3rd touch.

The below image explain the difference and the 3D has been explained by IF [here](#). As for the 3T its simply a 3 touch of a trend-line.

In below image and on the left side is an example of a 3T into a down trend-line and the third touch was preceded by a lower low and formed a lower high, on the right side a 3T into an up trend-line and the third touch was preceded by a higher high then formed a higher low.

In IF's example you can see both patterns in his chart, a 3T followed by a 3D. For more on trend direction and the role of highs and lows refer to the [Trend Direction / Highs and Lows Article](#).



A bit of a slow start to my 3D homework.



hart 1 shows the Can Can as the reaction after the 3D approach

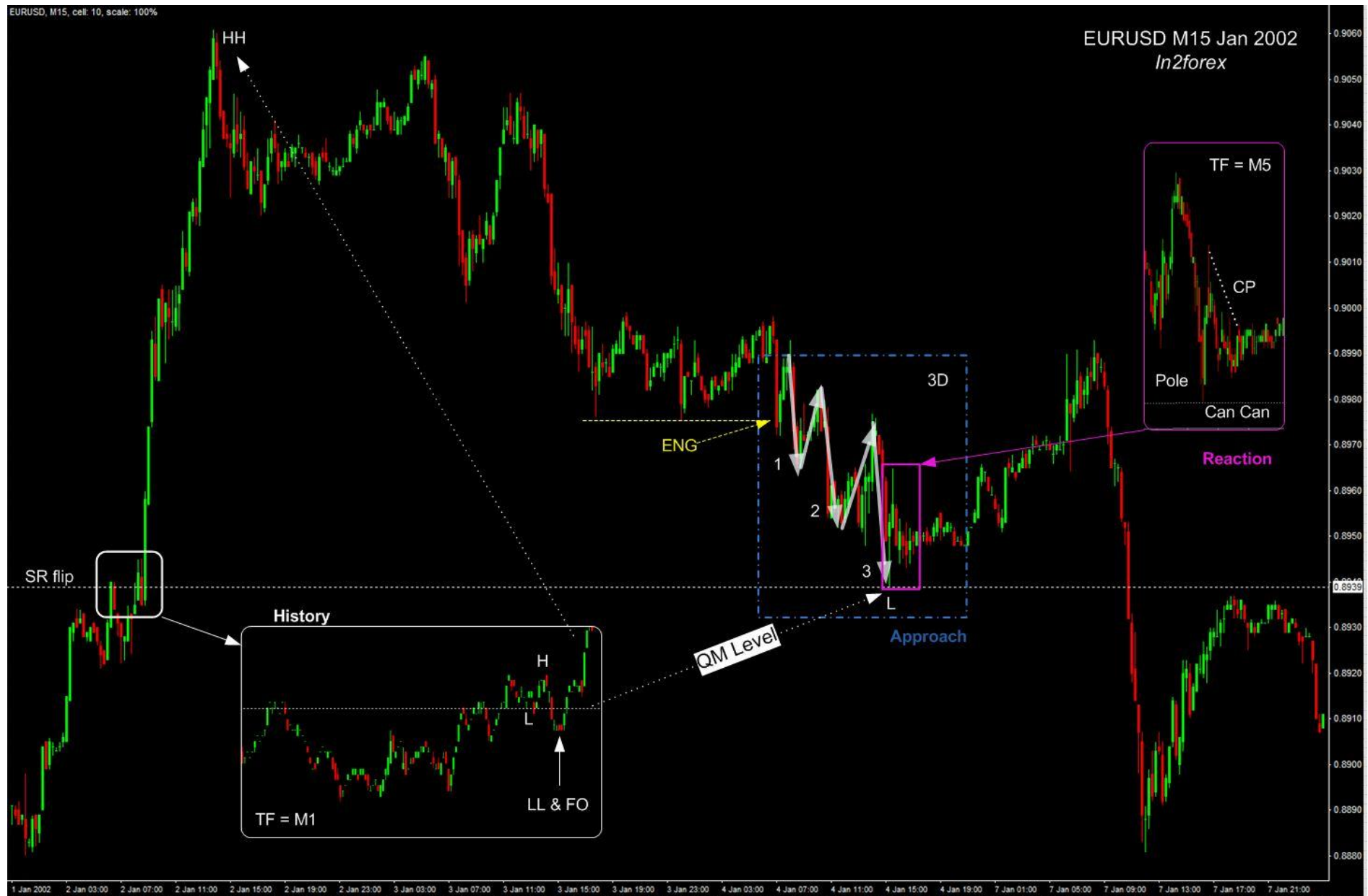
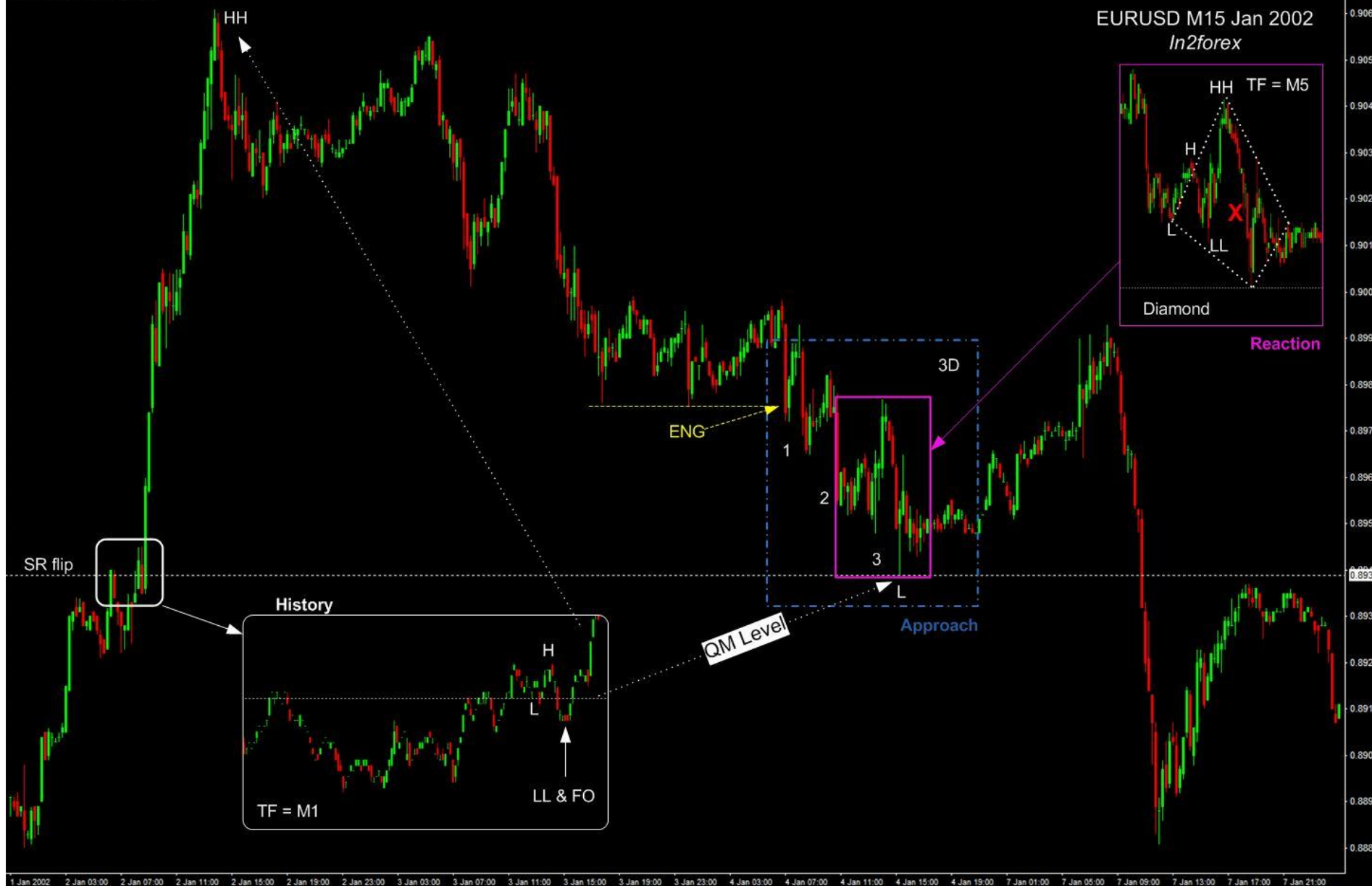


Chart 2 shows the Diamond as the reaction within the 3D approach

EURUSD, M15, cell: 10, scale: 100%

EURUSD M15 Jan 2002
In2forex



A quick one during lunch!



Starting to see them a bit easier now.



I enjoyed drawing up this one.

If you were a retail trader and weren't looking at the history you were screwed. 🤔

You would have thought this was a great down trend, just to be whipped as IT turned price. You can actually see on the turning of price how IT plays with retail, by making it look like a normal retrace, and then kaboom!.

Chart 1 3Drive



Chart 2 History

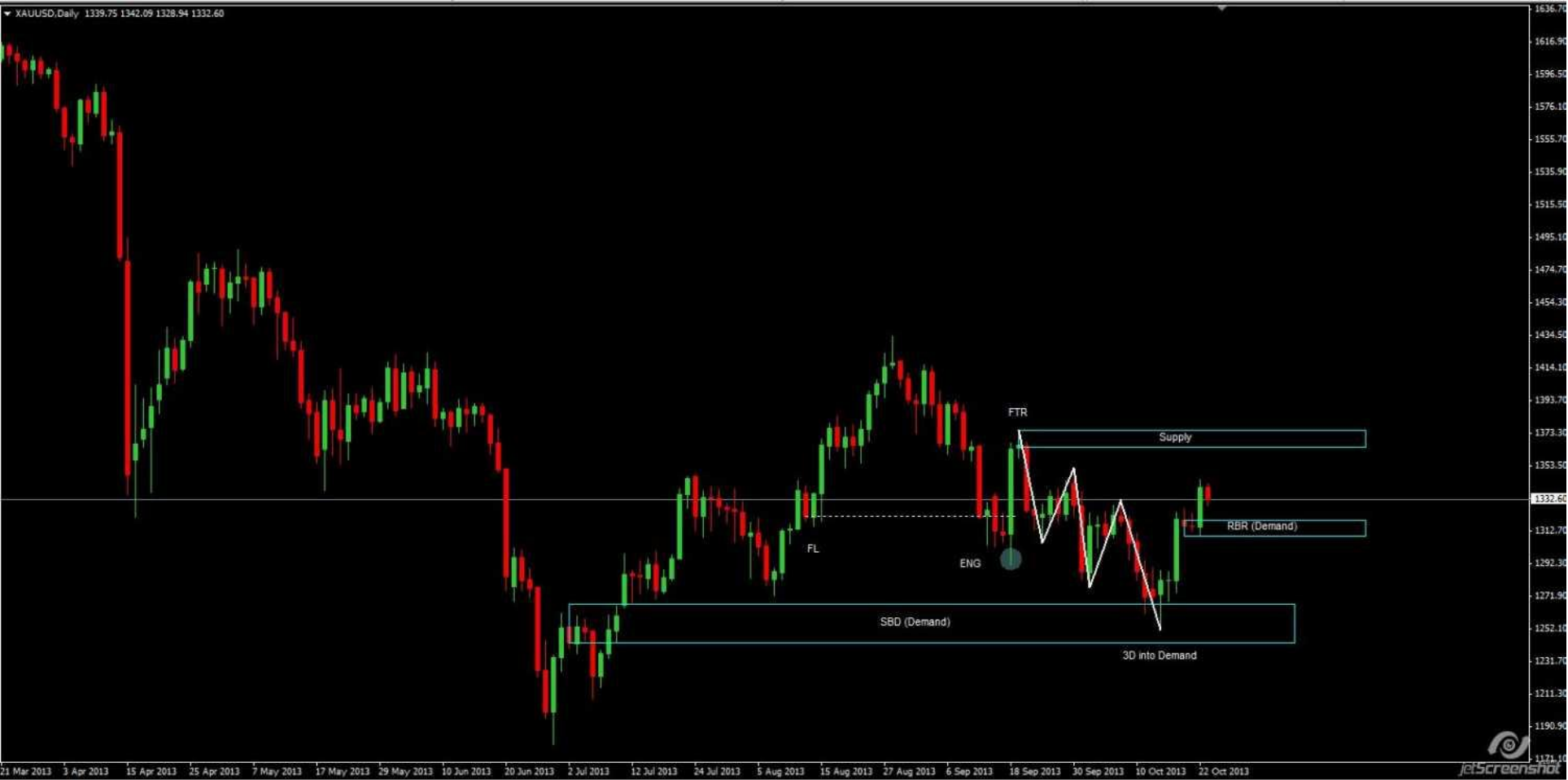
AUDUSD, M15, cell: 10, scale: 100%

AUDUSD M15 Oct 2012 *In2forex*



11 Oct 2012 11 Oct 11:15 11 Oct 15:15 11 Oct 19:15 11 Oct 23:15 12 Oct 03:15 12 Oct 07:15 12 Oct 11:15 12 Oct 15:15 12 Oct 19:15 15 Oct 03:00 15 Oct 07:00 15 Oct 11:00 15 Oct 15:00 15 Oct 19:00 15 Oct 23:00 16 Oct 03:00 16 Oct 07:00 16 Oct 11:00 16 Oct 15:00

irst 3D homework from me



The first one i think is valid as the price return to clear the bases it formed while moving up (thus CP).

On the 2nd, all bases are intact. price didnt dip enough to clear them so no CP there.

Tell me if its not clear i'll draw it for you. the important thing to keep in mind on a 3drive is the clearing of any bases formed, so once it hits S/D price can move through the CPd bases easily.

Just my view.

Harry wrote:

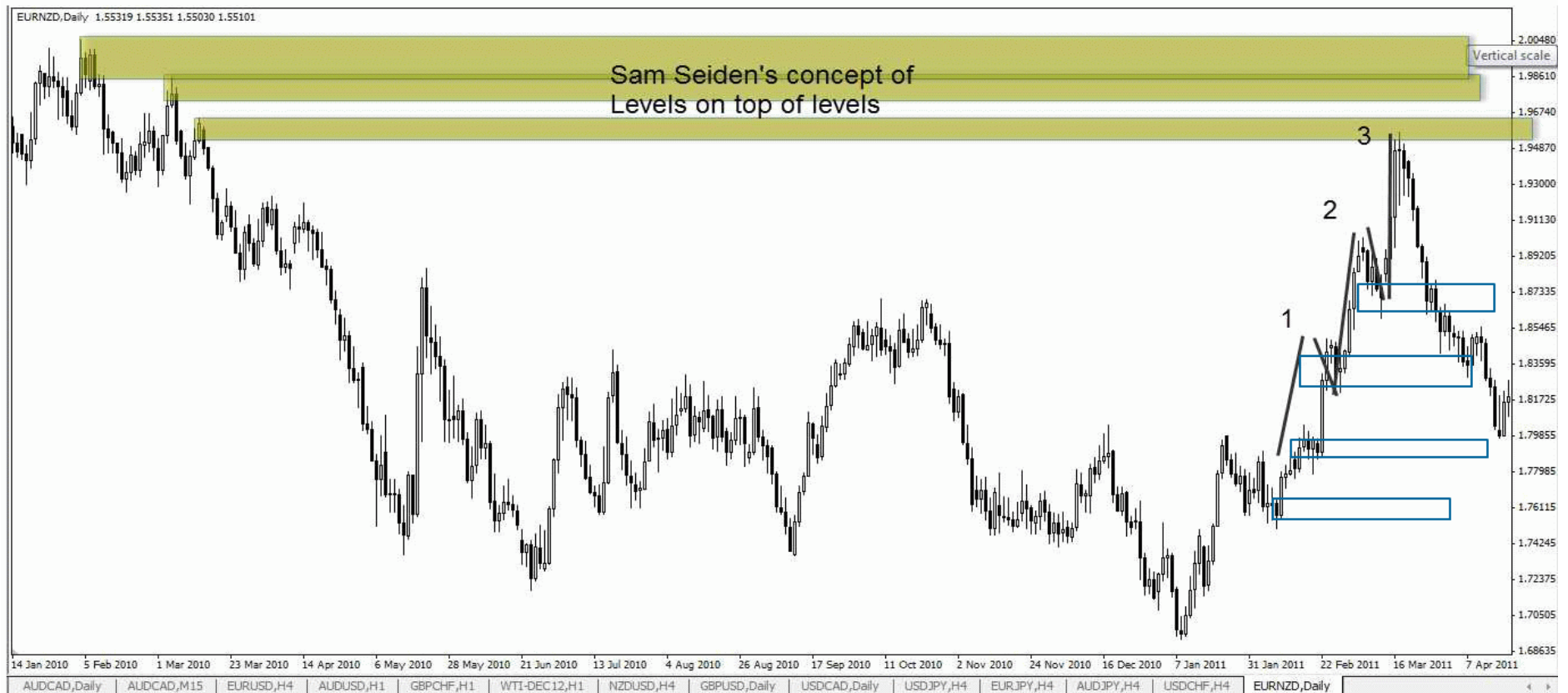
on the 2nd, all bases are intact. price didnt dip enough to clear them so no CP there.

Hi,

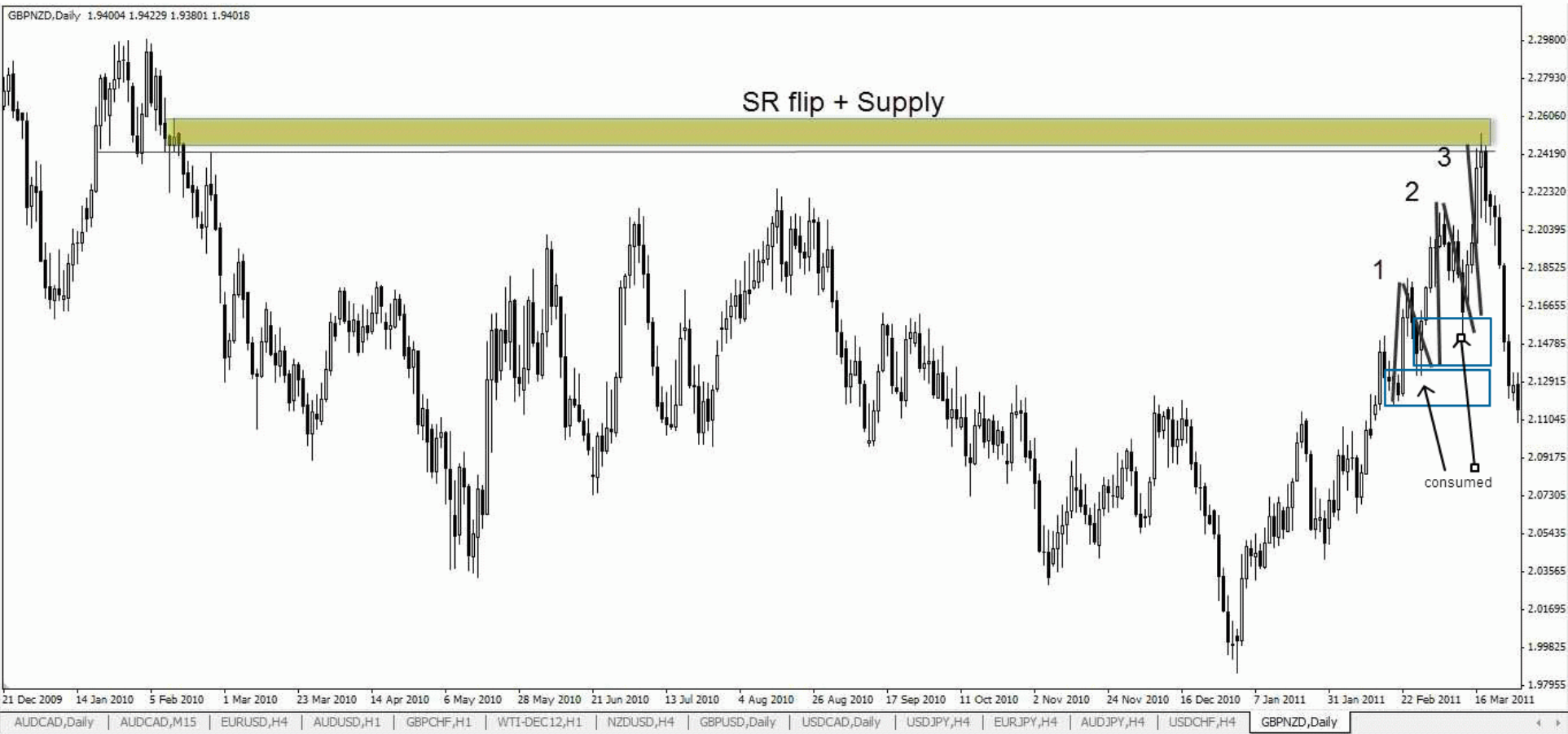
I guess you're referring to the EUR/NZD, right? Because the second reply had 2 charts in it (a total of 3 uploaded so far), and the GBP/NZD has CP in the 3drive stages. :)

xactly. if you compare EURAUD to your GBPNZD you will see on the GN the bases are consumed, on the AU not, even though eventually price does its thing after reaction to supply

bases not consumed



Here in GN see how the bases got consumed as it was moving higher.



I have been watching the current EURUSD chart, trying to get a more live feel for the market.
I had marked where I expected price to turn in the FTR *White line".
It just didn't go that low.
Nice 3Drive and diamond as I see it.



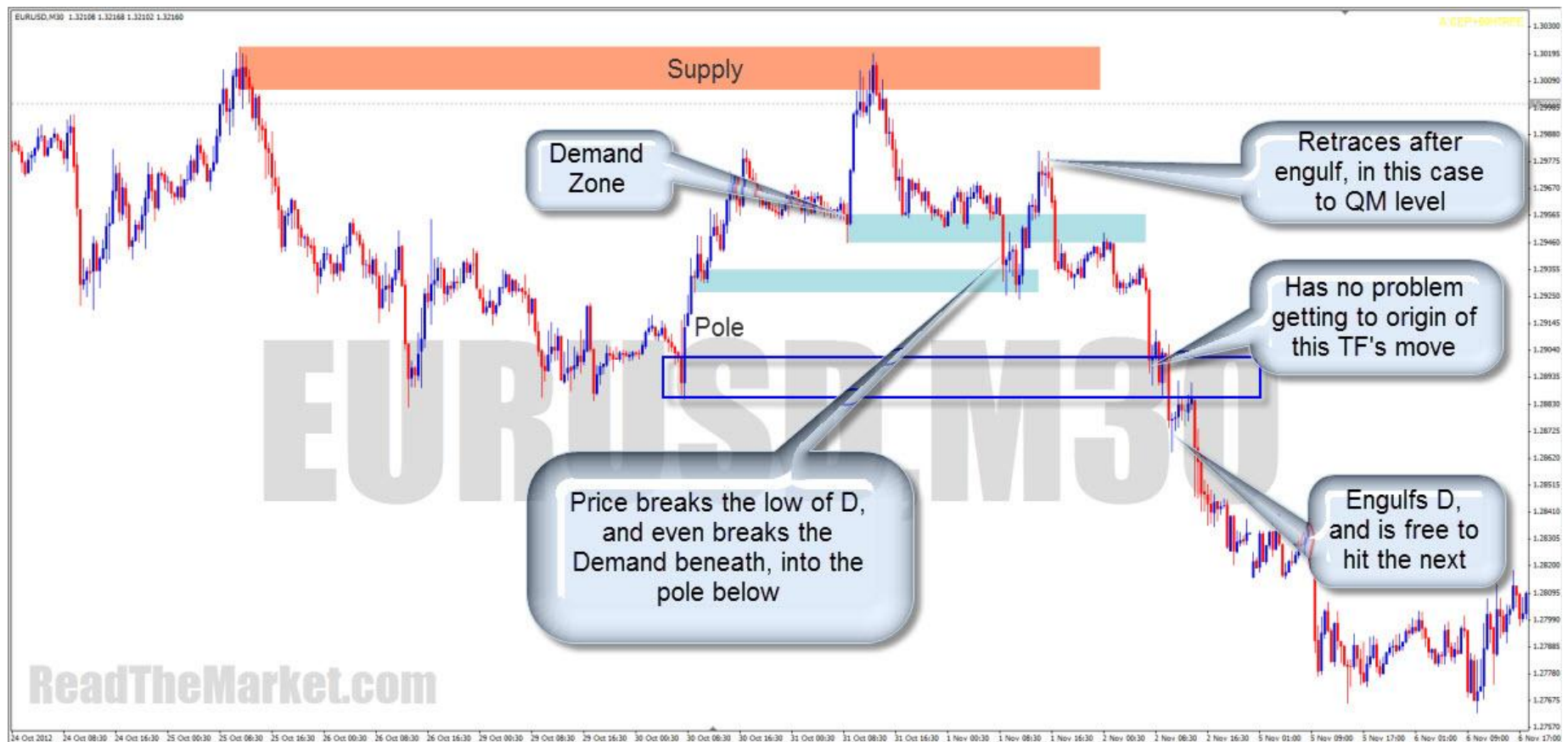
Engulf

If you're not one to simply trade on the touch of a zone, but would rather wait for confirmation that price has rejected, there are some brilliant PA patterns you can look for before you enter a trade.

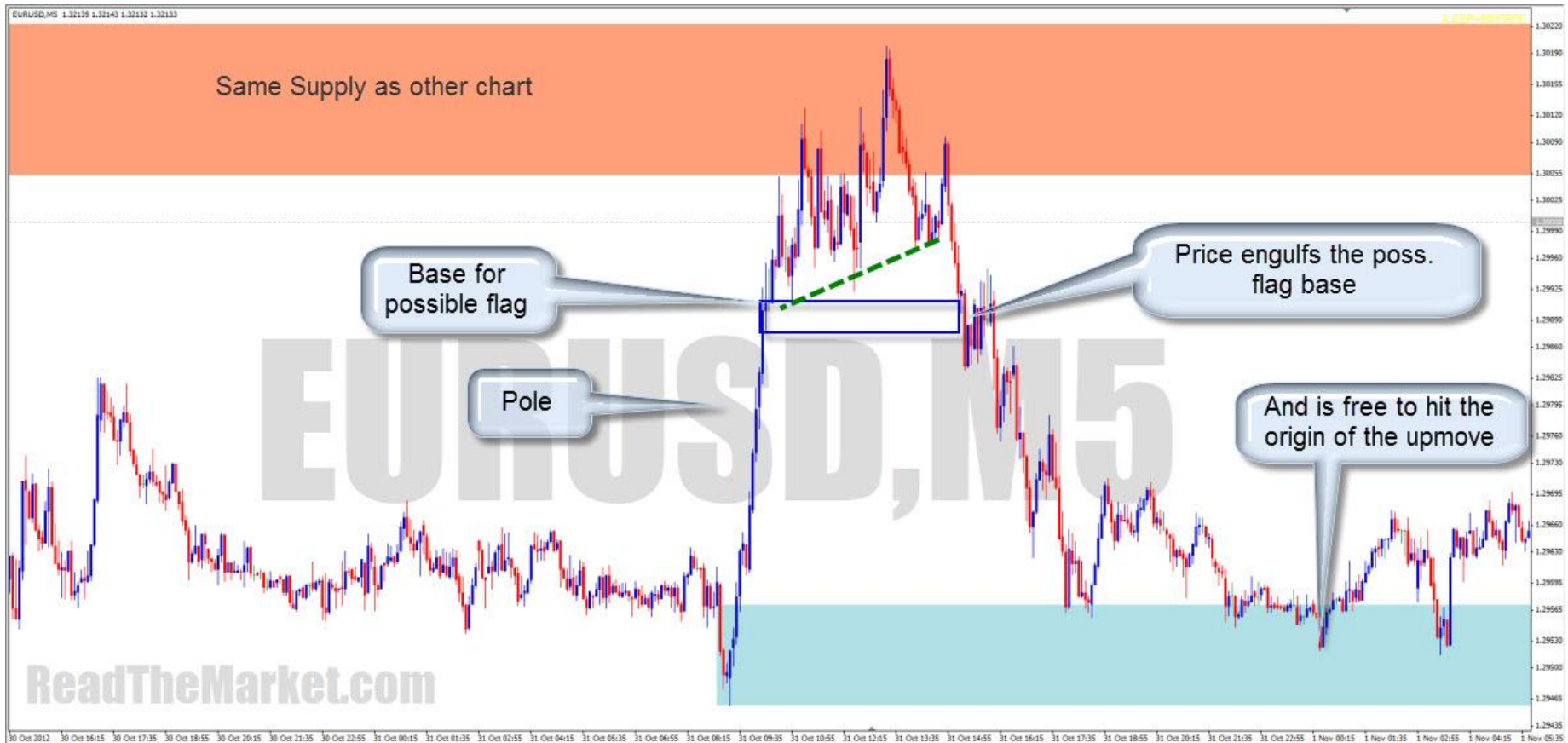
The best ones we'll cover involve an **Engulf**

Simply put, an engulf involves price making a lower low on reaction to [Supply](#), or higher high from [Demand](#)

This is a very powerful sign that price is on the turn. They say that a **trend** is a succession of LL's and HH's, or vice versa, so if you get a Lower Low from Supply, it's a great first sign that the uptrend may be over, and of course flip the scenario for an HH from Demand.



If you didn't have the patience to wait for that engulf, see the Lower timeframe for another lovely engulf showing the way much earlier!

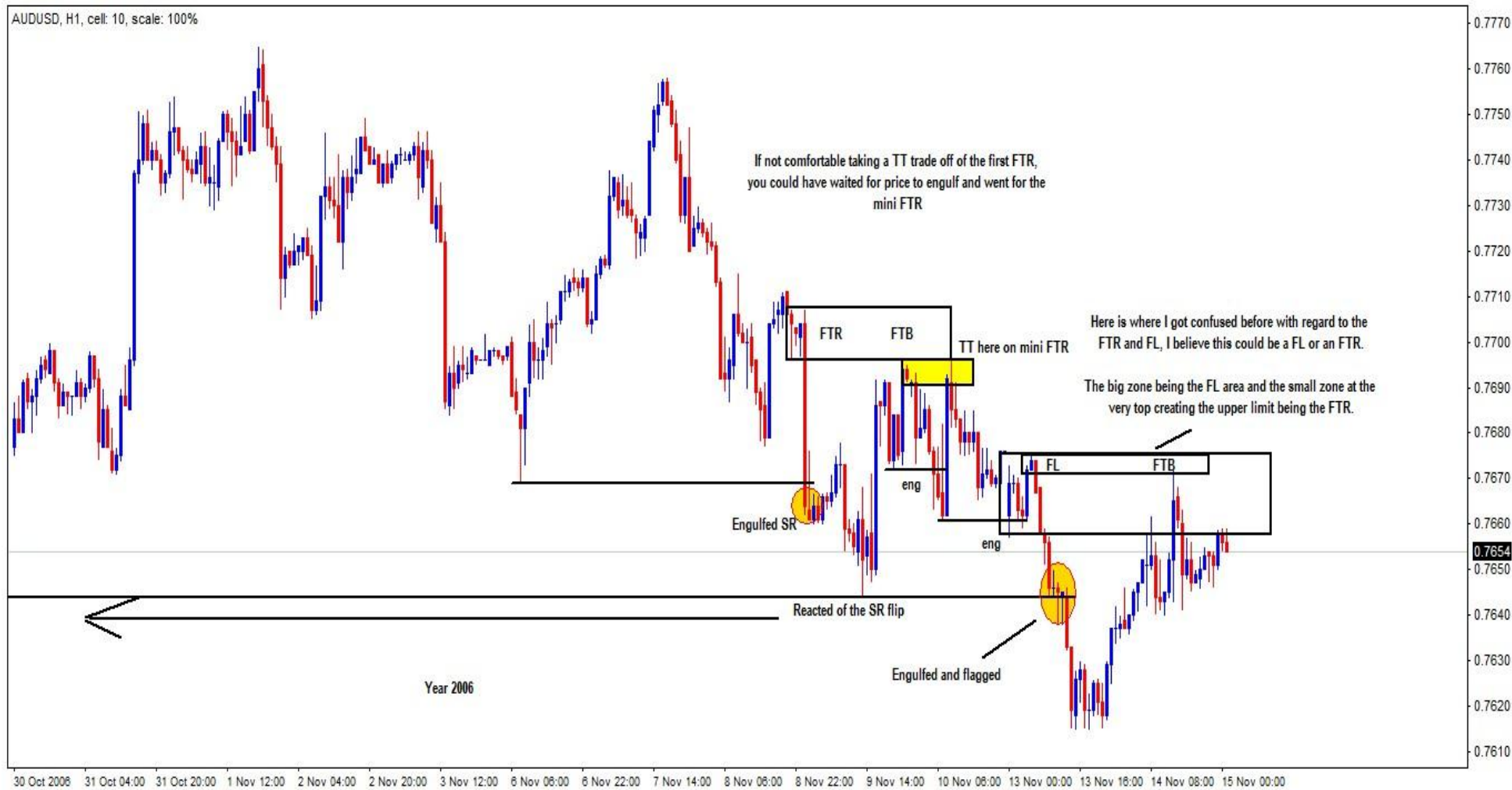


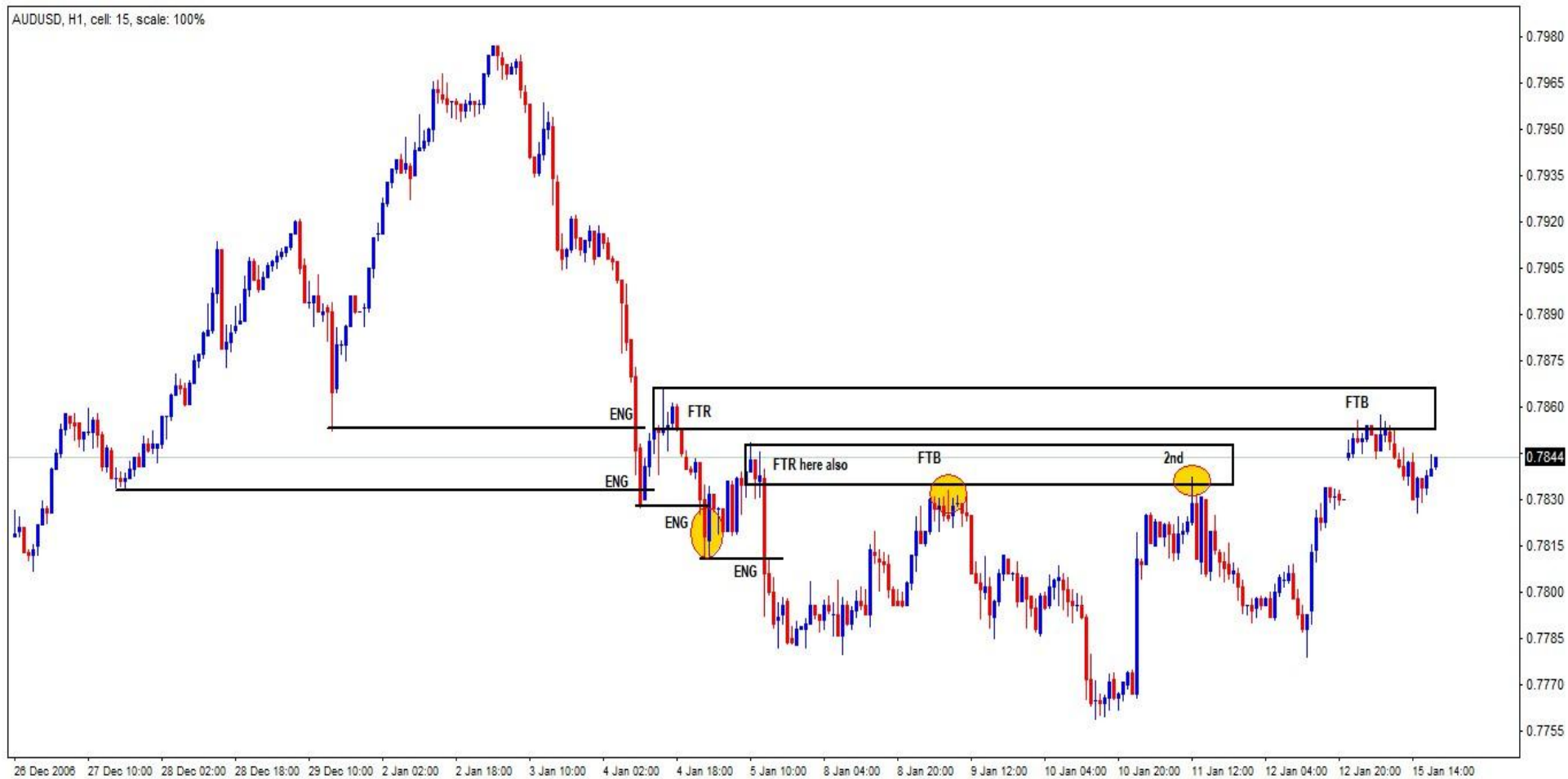
Can you trade an engulf as a breakout trade?

Well, yes, but price very often retraces after the engulf, to confuse the breakout traders and hit their stop losses, creating more orders to take the other side of the big money's new direction trades.

This means that the [stop loss](#) would, in most cases, still need to be beyond the original zone.

2 more engulf/ftr charts..





First up is the 4hr chart, here I am showing a FTR with not a fantastic base on this TF, with a base like this would you want to take a TT? The trade would have worked, but for me I am really beginning to favour the idea of a little P.A confirmation, so I went lower down...



Here is the 30 minute chart, I have left the original FTR base on the chart for educational purposes, details are on the chart:



Here is the next setup, we have the 4hr chart again showing what I believe to be a nice-looking FTR which may well be worth a TT..



If anyone did not fancy a TT here, they could have looked at the following P.A, if anyone else can recognize any thing I am not seeing, would be good to know..
Details are on the chart

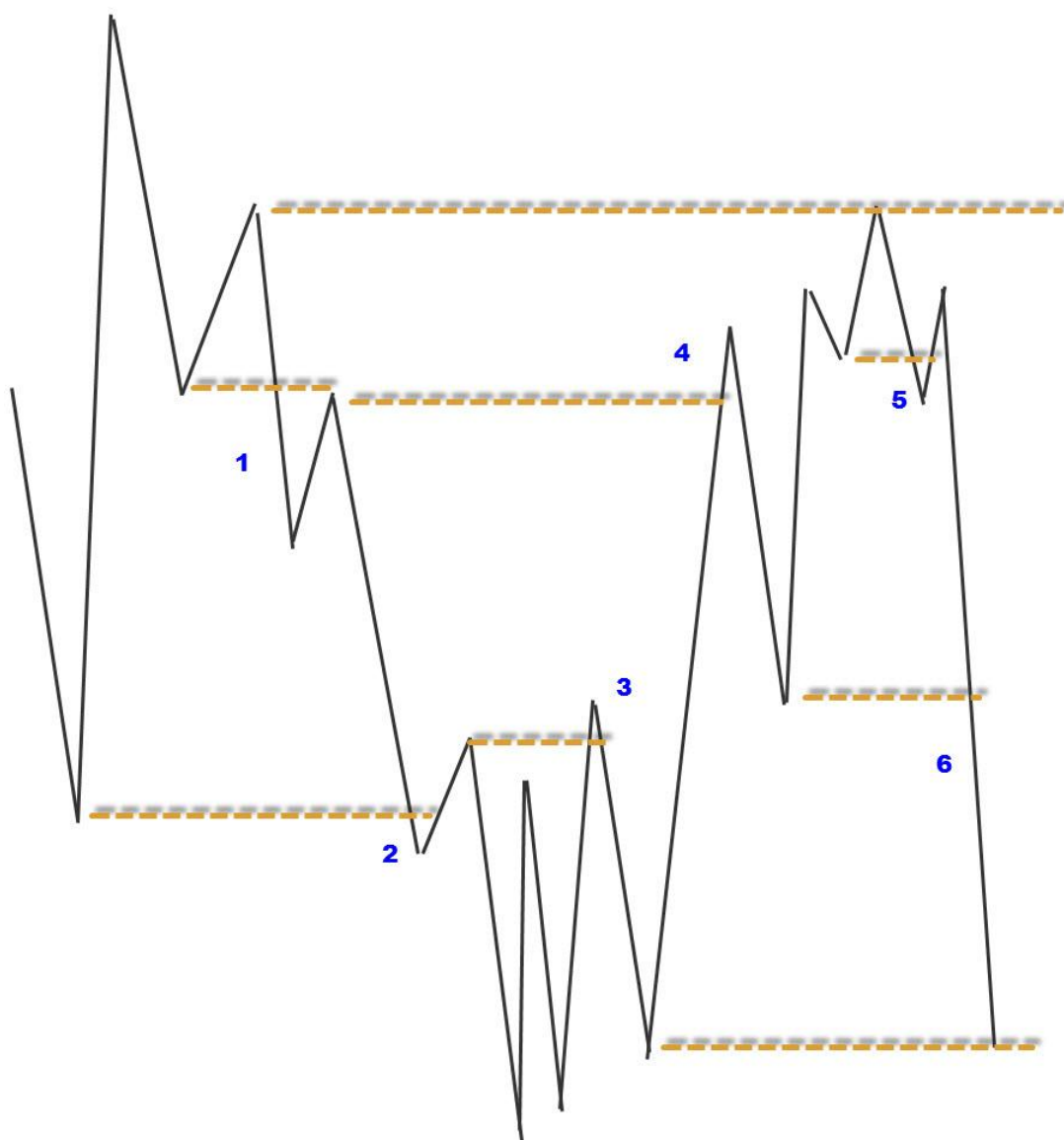


This is how I read FTRs, details on the chart...

AUDUSD, H1, cell: 30, scale: 100%

To me, figuring out the FTR was and still is quite a challenging task, this is how I see it, all of these supply zones failed to get back up to supply hence failure to return, this is the most logical way I can picture these zones, and also making sure price engulfed an important area first





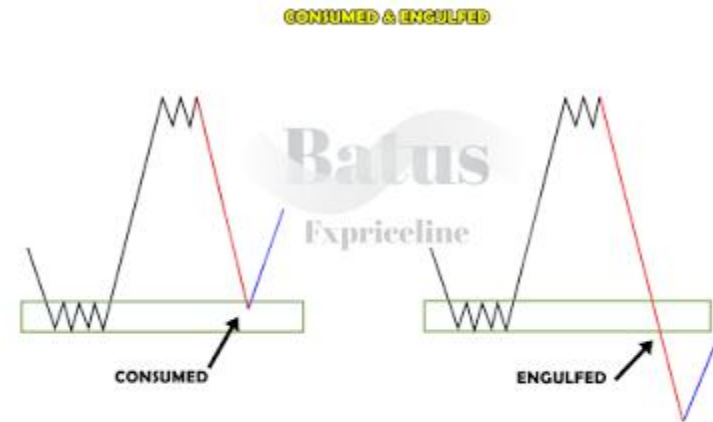
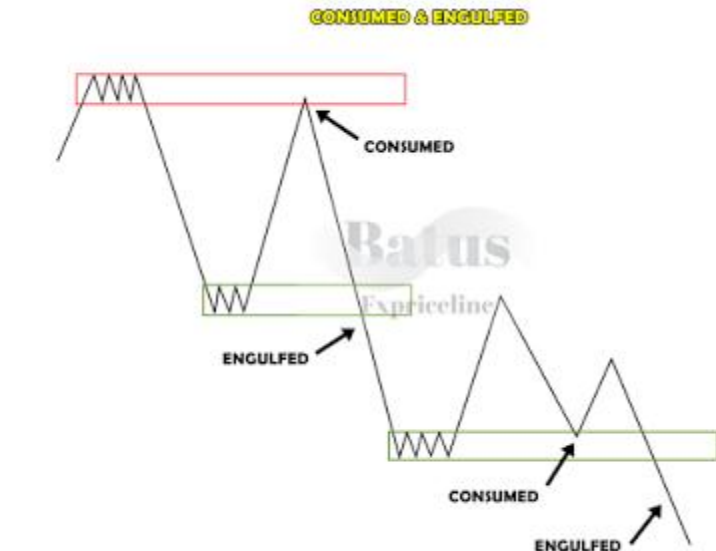
1. Engulfs - wants next - trade opps on RT
2. Engulfs - wants next - trade opps on RT
3. Engulfs - wants next - trade opps on RT
4. Engulfs - wants next - trade opps on RT
5. Engulfs - wants next - trade opps on RT
6. Engulfs straight to next - No RT - hard to get trade opps

Two of our favourite Price Action structures based on the engulf are the **Quasimodo** and the **Diamond**

Consumed & Engulfed

Consumed is a movement to supply or demand zone but did not break the zone. It is a movement to fill the order in that supply or demand zone. If only shadow of candlesticks break the zone, it is still consumed.

Engulfed is a movement that breaks the supply or demand zone. It is a movement with strong imbalance or with a weak imbalance to move to another base for liquidity. The body of candlesticks should close below or above the zone.

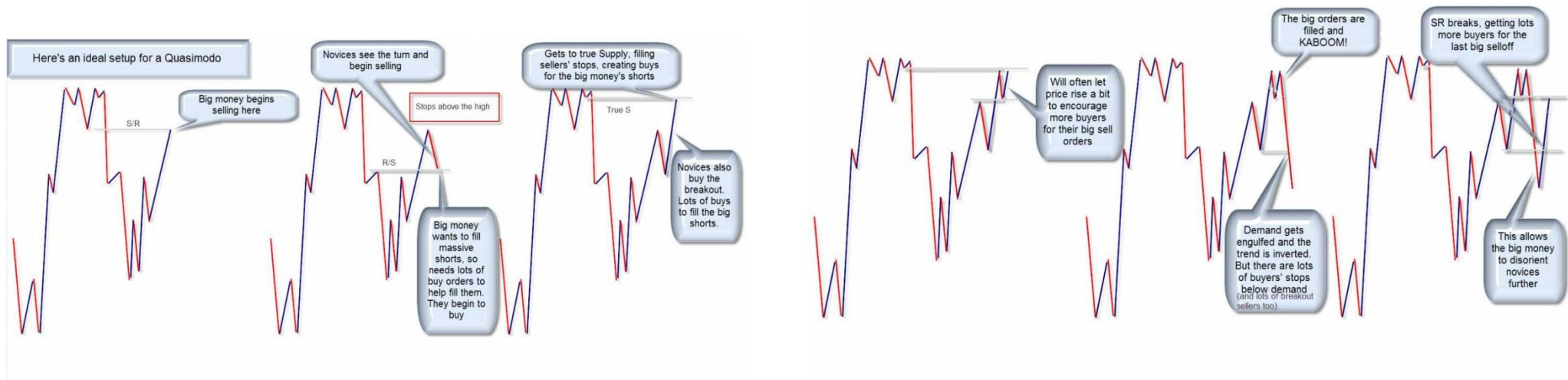


Quasimodo

The Quasimodo is a beautiful and powerful Price Action structure.

It gives a big sign that the big money is ready to change price direction. It often serves to trick the uninitiated into giving up good positions to them, allowing them to get big orders filled.

We look for them at areas of [Supply and Demand](#), where we look for all our trades, and use them as **confirmation** that price has turned, due to the [engulf](#) that occurs in their formation



QM doesn't need to form all at once either

They can be in any TF, any pair. Find ones that worked, and ones that failed. You'll learn from both



TREND DIRECTION (HIGHS & LOWS)

The Highs and Lows or Peaks and Valleys are the core of technical analysis. To draw an uptrend line you'll need to locate rising valleys or higher lows to draw the trend line below, and to draw a down trend line you'll need to locate falling peaks or lower highs to draw the trend line above. However, there is a big difference between the Trend Direction and a Trend Line, a confusion that most of new traders suffer from.

So long as price keeps creating Higher Highs (**HH**) and Higher Lows (**HL**) then it's trending up, and when it keeps creating Lower Lows (**LL**) and Lower Highs (**LH**) then it's trending down. So when does the price change direction from uptrend to down trend and vice versa?

In the image below, on the left side we can see price has changed direction from an upward movement to down ward movement and this could be identified in four stages, starting with the last created **HH**, followed by a **HL** then creation of a new **LH** and this is a key stage [A] and finally a **LL** [B] and this confirms a change in direction. Notice the new **LH** has formed the right shoulder of a Head & Shoulders pattern.

On the right side of the chart price has changed direction from a down ward movement to upward movement and it happened in four stages as well, starting with last created **LL**, followed by a **LH** then a creation of a new **HL** and this is a key stage [C] and finally a **HH** [D] and this confirms a change in direction.



Conclusion:

- A change from an uptrend to down trend happens in 4 steps (**HH** > **HL** > **LH** > **LL**).
- A change from a down trend to an uptrend happens in 4 steps (**LL** > **LH** > **HL** > **HH**).

Now on the same chart we've drawn the trend lines (**TL**) to observe the breakouts. On the left side we have an up **TL** which price has broken right after the new **LH** then dropped for a long distance.

On the right side we have a down **TL** which price has broken after the last **LL**, failed to go higher and returned to retest it, creating the new **HL** then rallied up.



Conclusion:

- In an uptrend a break of **TL** after a **LH** is most probably followed by a drop in price where a break of **TL** after a **HH** requires a retest of broken **TL** and creation of a **LH**.
- In a down trend a break of **TL** after a **HL** is most probably followed by a rally where a break of **TL** after a **LL** requires a retest of broken **TL** and creation of a **HL**.

There is a different order of stages for the change of direction with an earlier key stage, and the complete stages create a pattern that is known as Quasimodo (**QM**).

In this image price has changed direction from an upward movement to down ward movement in four stages, starting with the last created **HL** followed by a **HH**, then creation of a new **LL** and this is the key stage, followed by a new **LH** and this confirms a change in direction.



In this image price has changed direction from a down ward movement to an upward movement in four stages, starting with the last created **LH** followed by a **LL**, then creation of a new **HH** and this is the key stage, followed by a new **HL** and this confirms a change in direction.



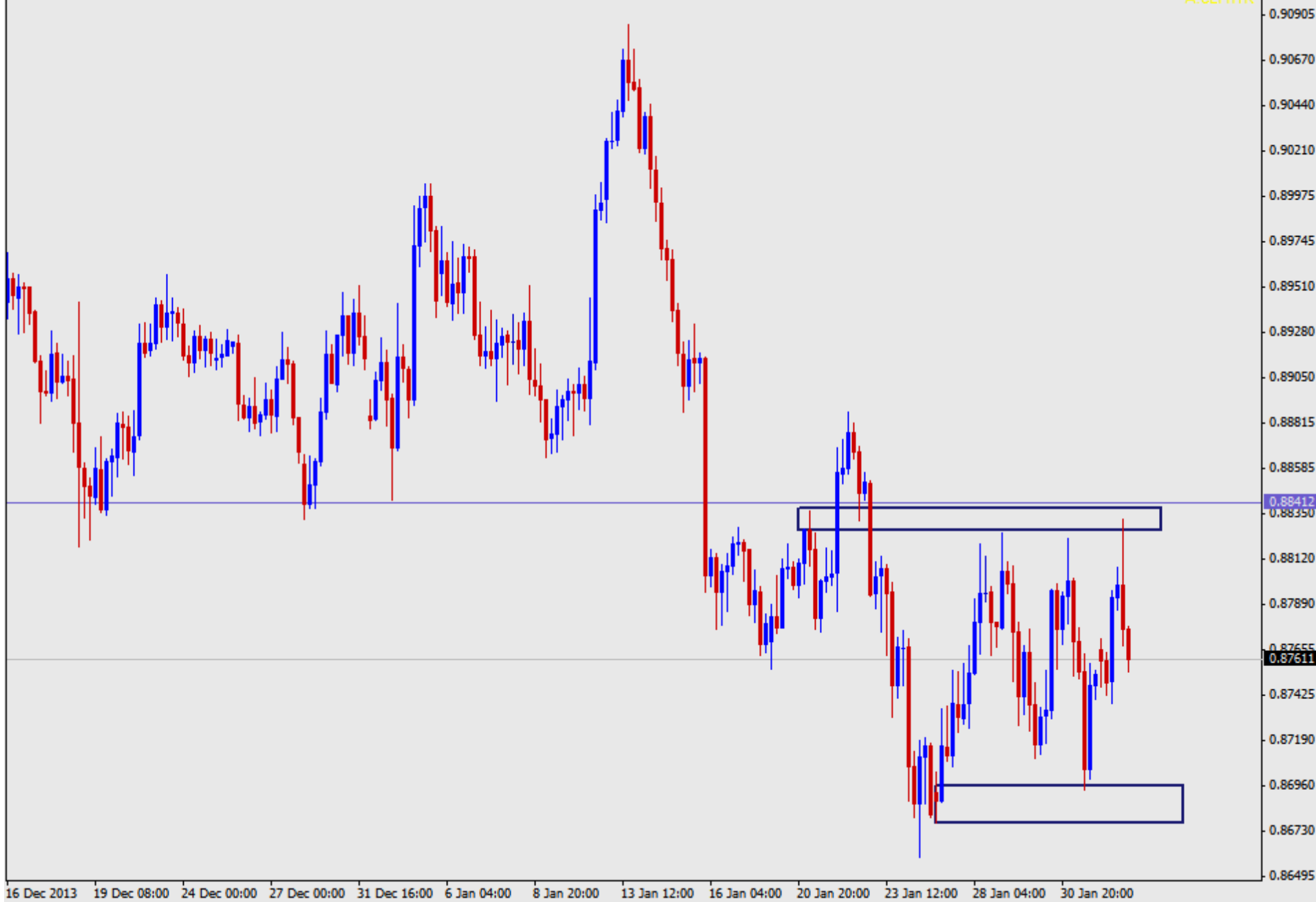
Conclusion:

- A change from an uptrend to down trend in a QM happens in 4 steps (**HL** > **HH** > **LL** > **LH**).
- A change from a down trend to an uptrend in a QM happens in 4 steps (**LH** > **LL** > **HH** > **HL**).

One last note; please bear in mind that identifying peaks a valleys could vary from a trader to another but if you face any confusion then its recommended to change your candle or bar chart to line chart where you can easily identify the peaks and valleys.

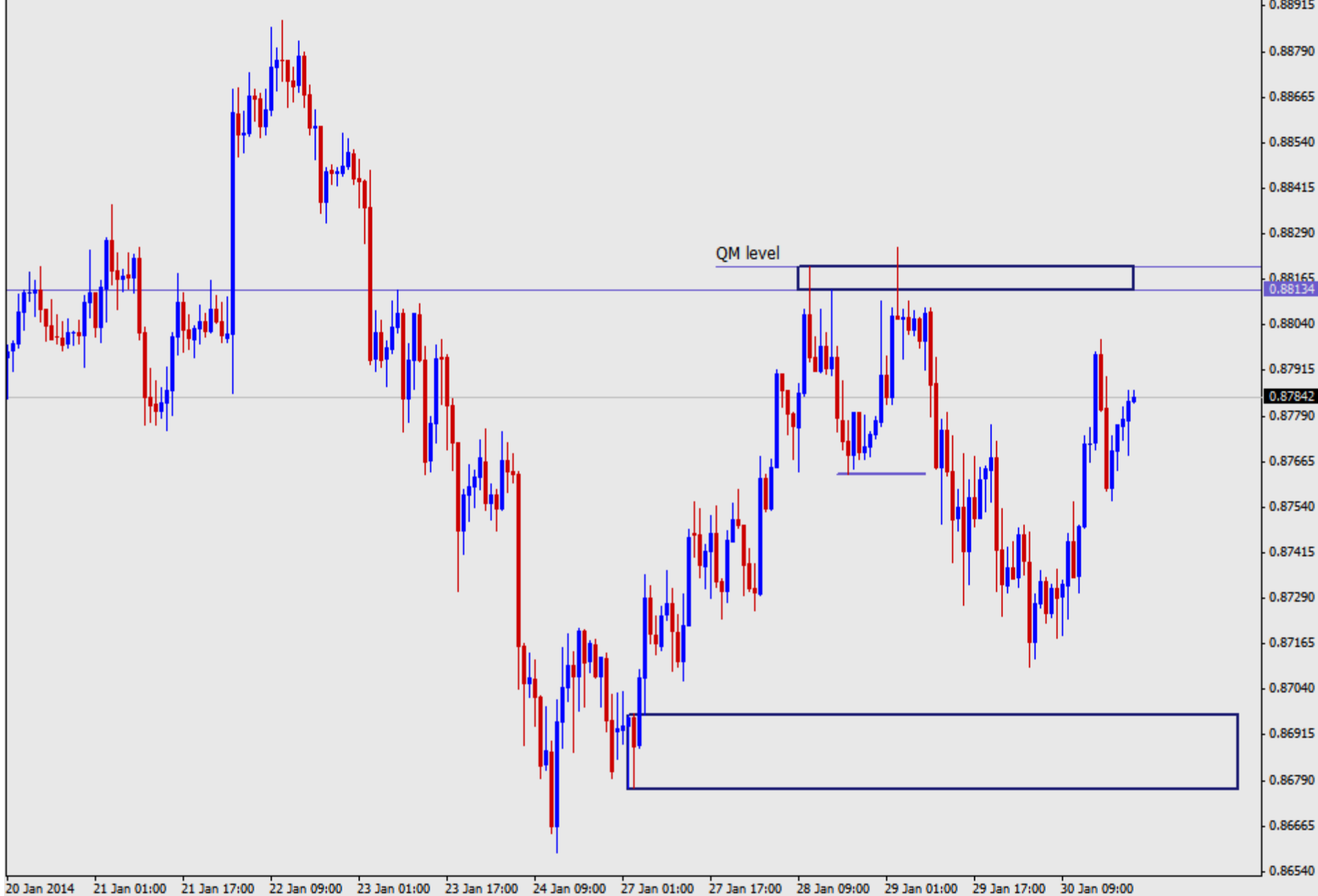
▼ AUDUSD,H4 0.87766 0.87780 0.87542 0.87611

A:CEPHTR



▼ AUDUSD,H1 0.87830 0.87860 0.87827 0.87842

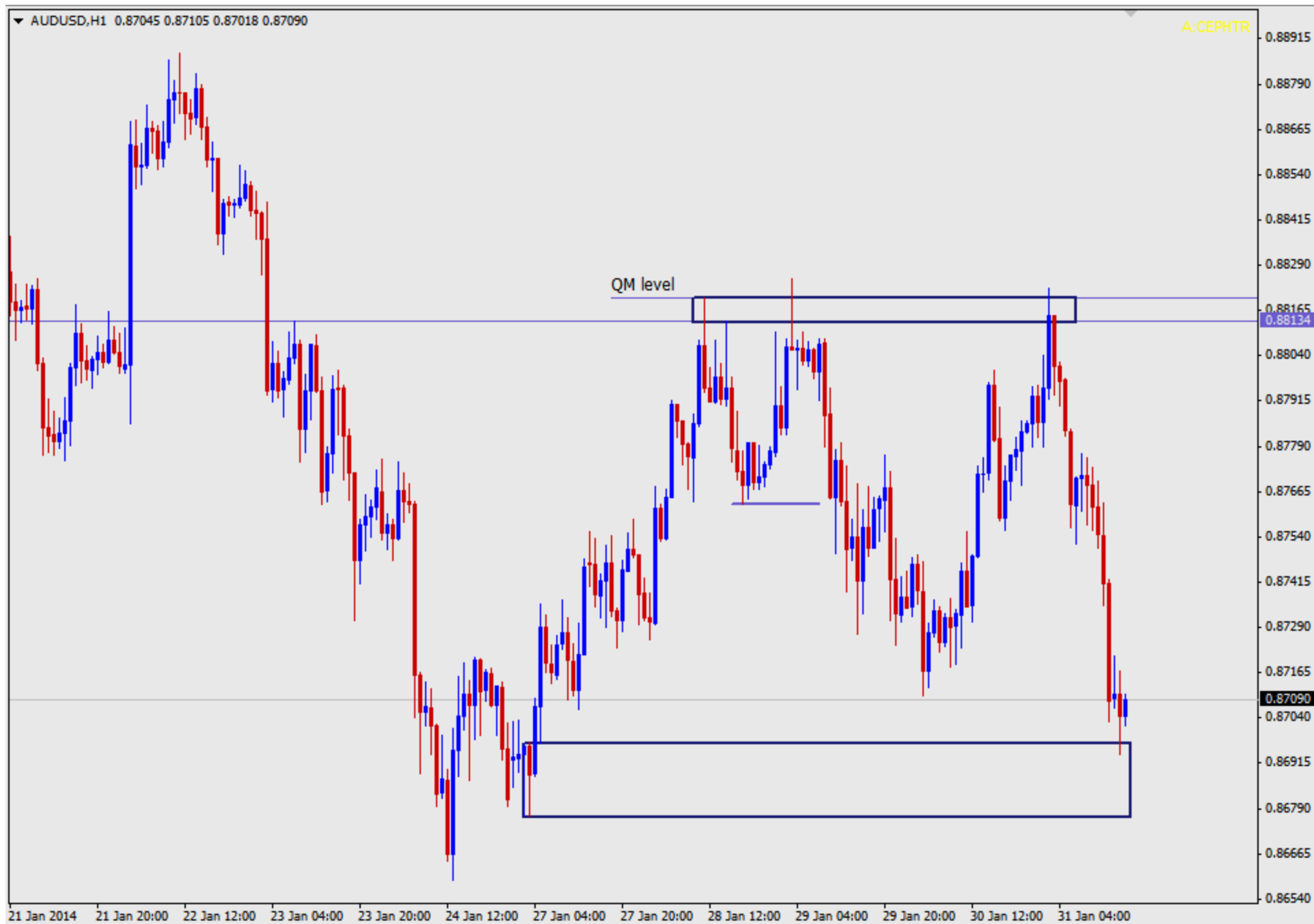
A:CEPHTR



▼ AUDUSD,H1 0.87045 0.87105 0.87018 0.87090

A:CEPHTR

QM level

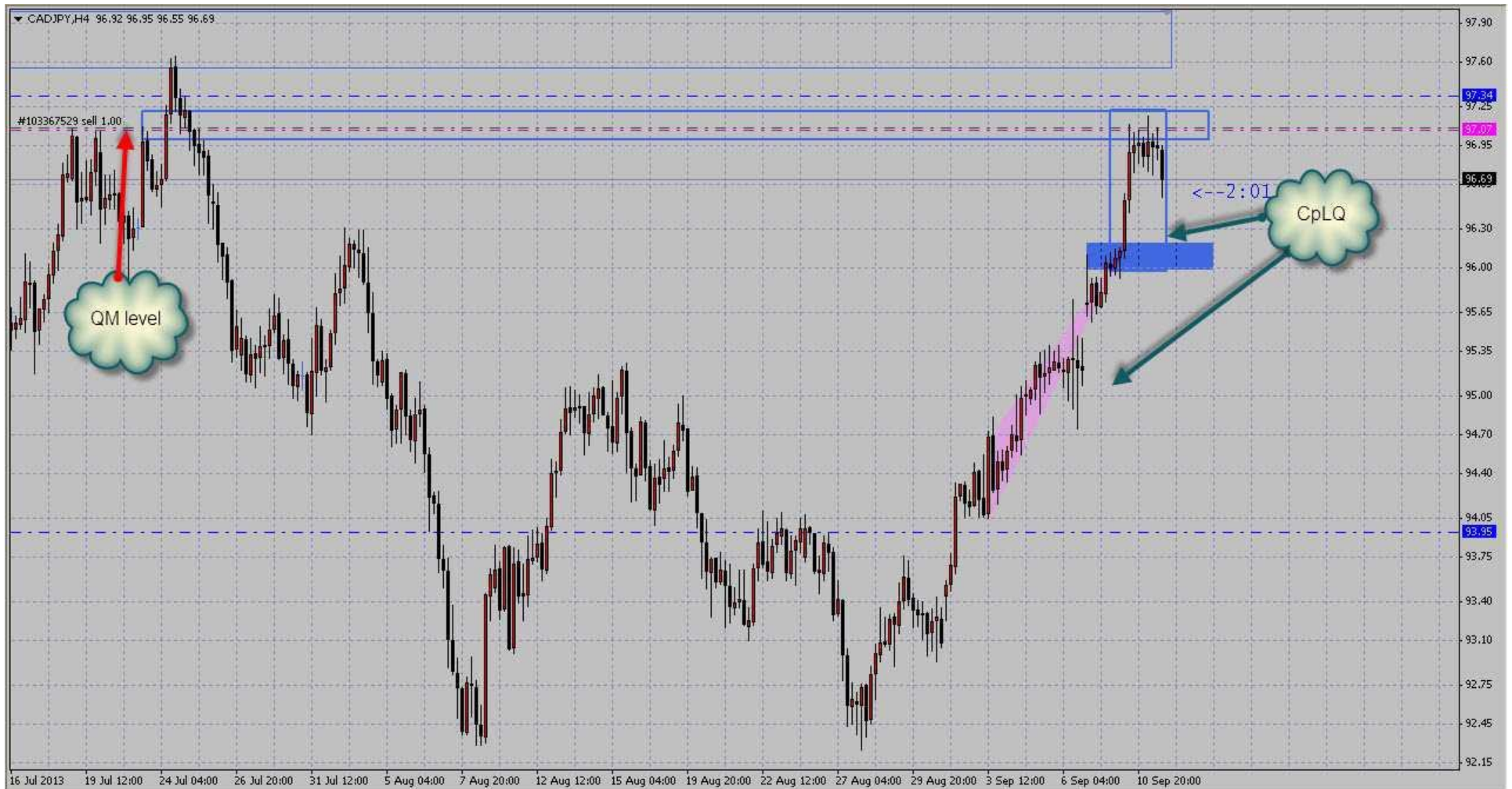


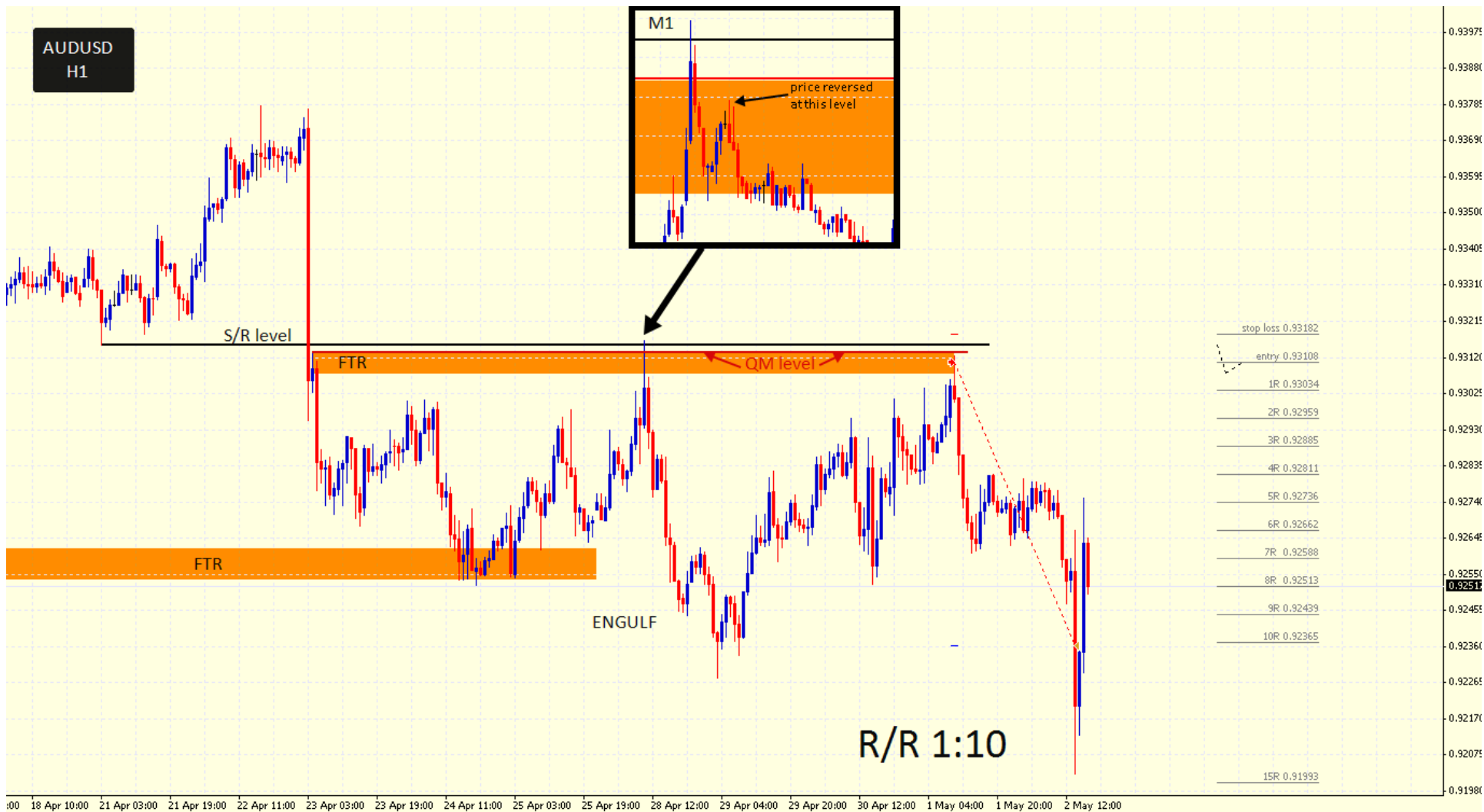
USDJPY,H1 97.100 97.122 97.088 97.120

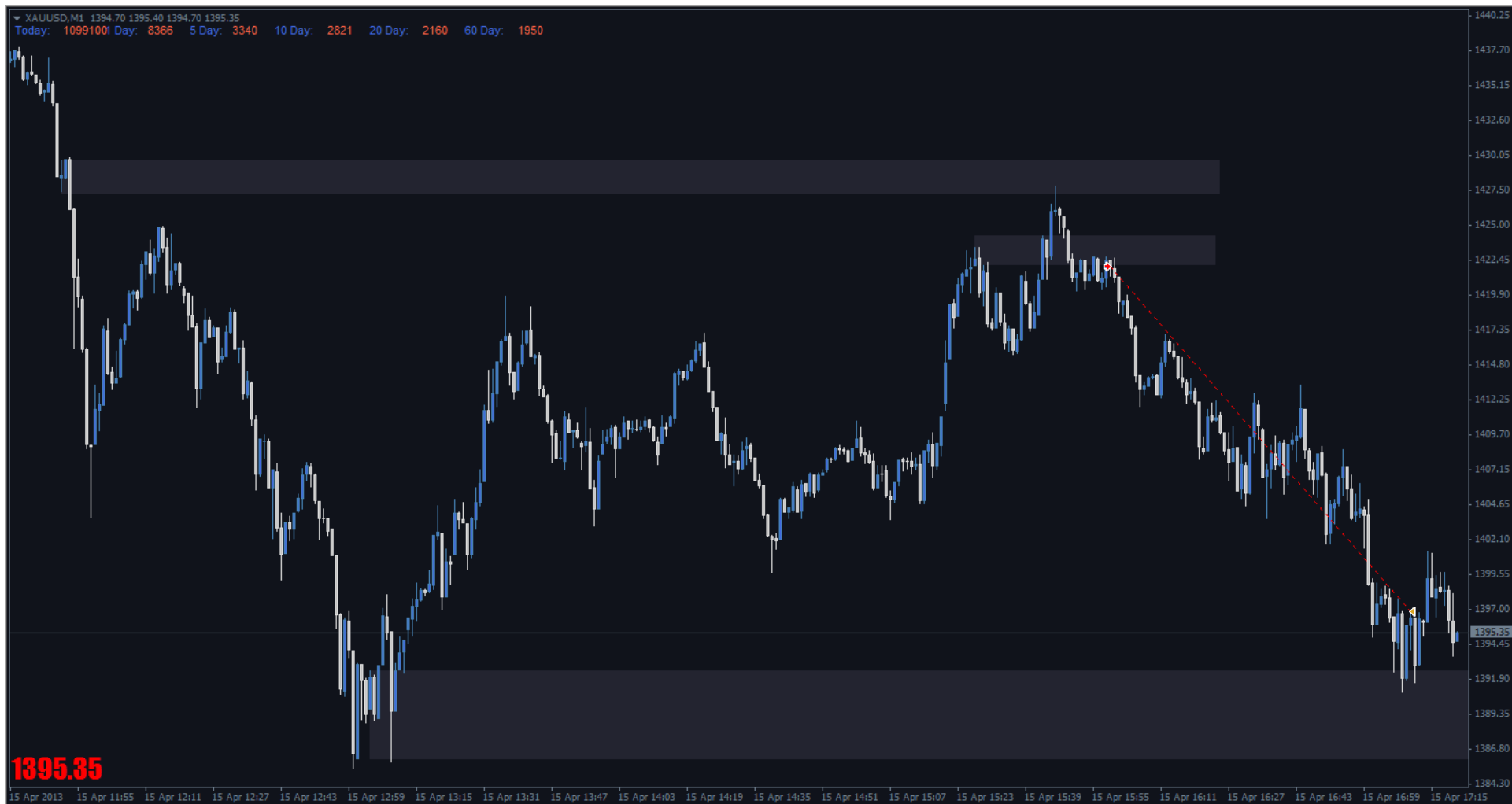
Spread: 1.7 pips

97.120

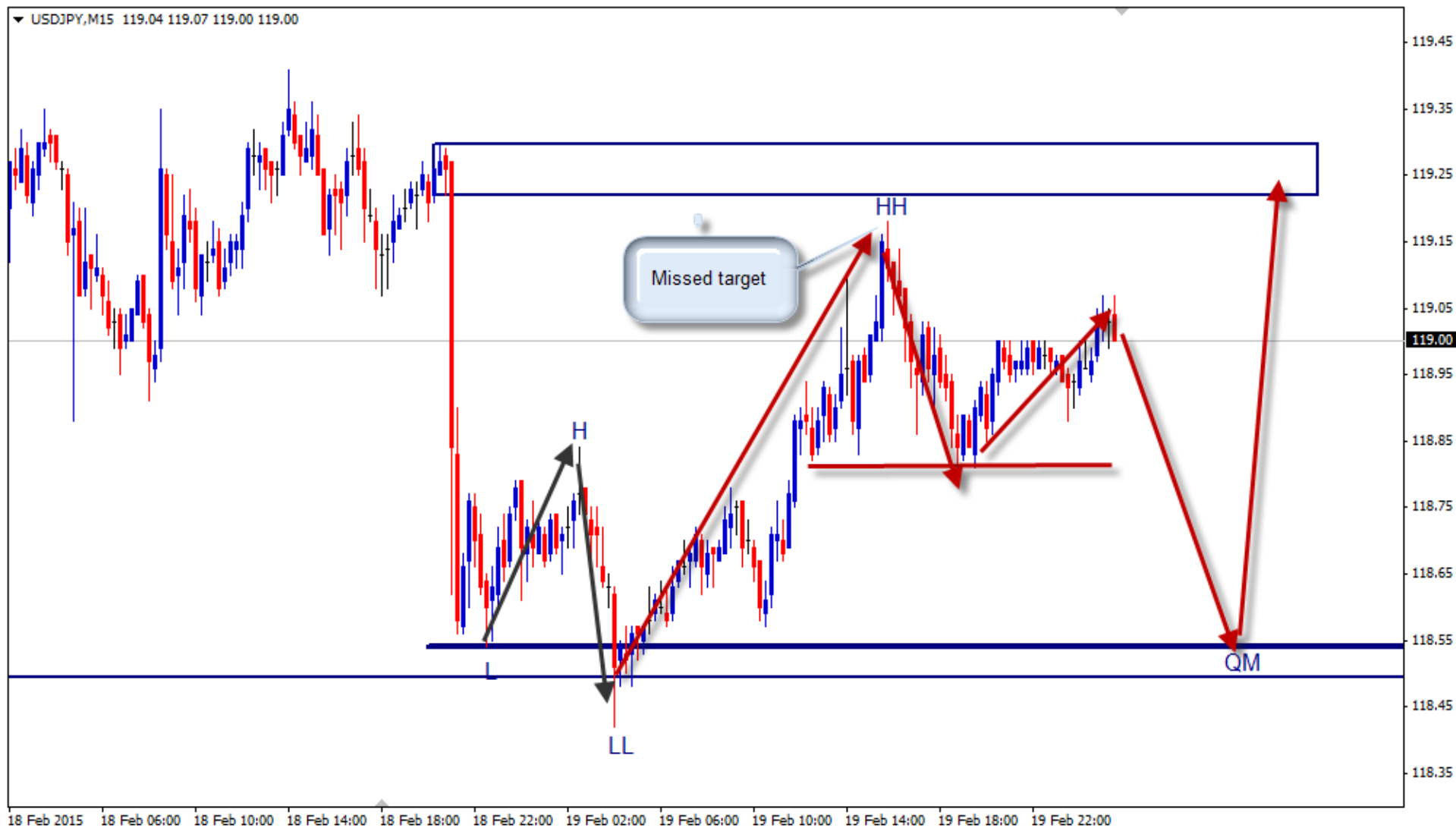








QM with flag limit entry example above



Ok so made some comments in the Flag Limit homework thread.

[Flag Limit homework Post # 395](#)

But Harry had already responded, (post #394) but he used the words "Faked" and QM in the same sentence.
I think we know where this is going....

So I had to look at the chart for my study on FO's and QM's,
Although to be honest I'm not finished with my Flags and FTR study and the chart posted below is just speculation. The study on FO's and QM's will need to be done based on price history, approach and reaction and not speculation!



More Homework

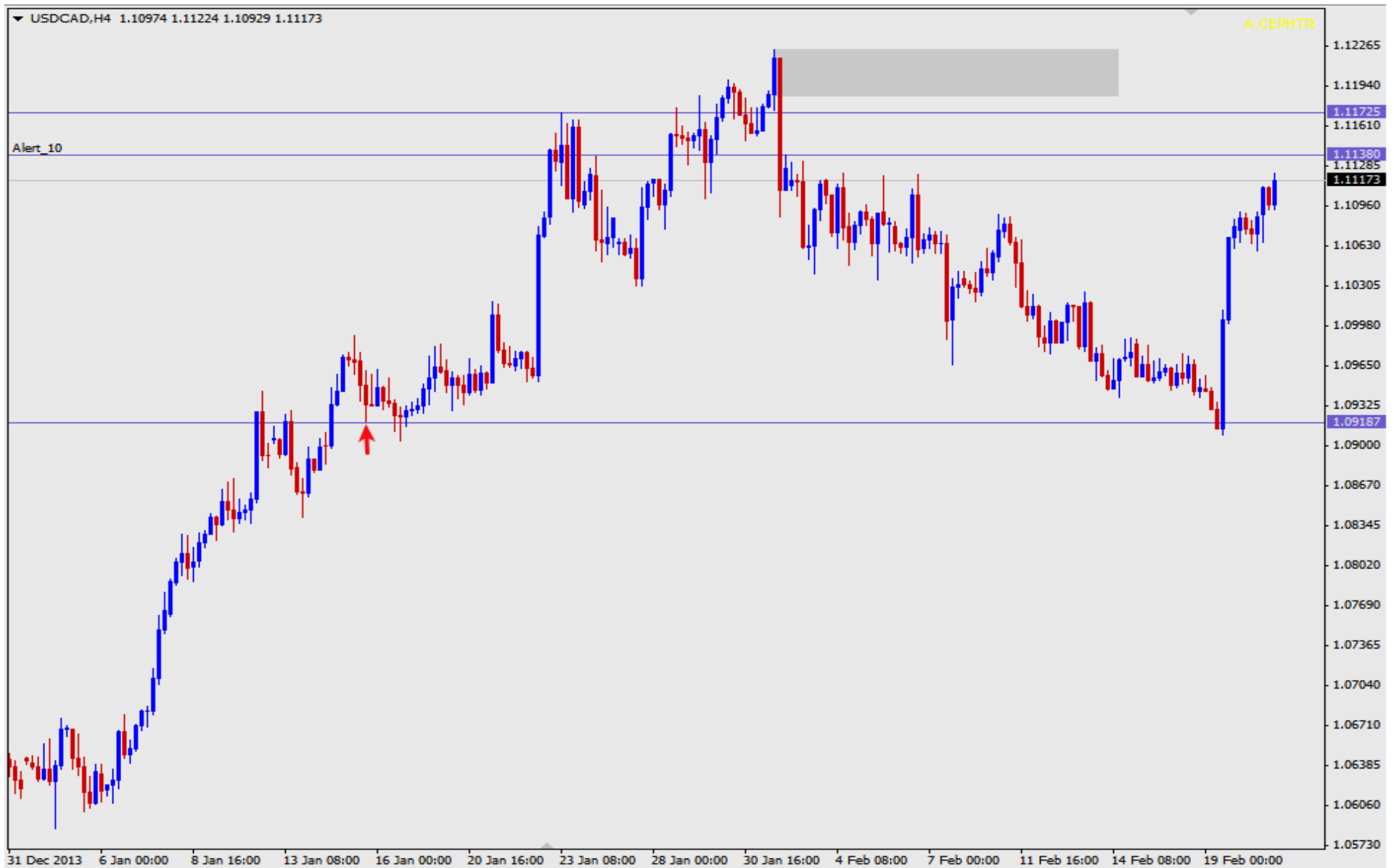
The QM's are haunting me I can't get away from them.



When I read my last post from last night I realized that I mentioned "see how price FO the small flag to the left". But then I didn't mark up the FL on the chart. So here's the revised chart with the FL indicated.



n2forex, for me it is ok if the right shoulder exceeds the left shoulder, but you can verify this for yourself. Below is how I see the QM.



I saw your post earlier but couldn't post until now. (very frustrating)
Drew up the chart for my QM study.

QM to QM on the USACAD



SEURUSD (Daily) 3/8/2010 - 8/20/2010

\$EURUSD Daily 000

BarTimer(\$EURUSD (Daily)), DTPivots(\$EURUSD (Daily),Daily,DailyBars,0,0,0,20)

This was also a Sunday open - price may well have been higher

True S

SR flip

QM
LL
L
H
HH
Could have taken this QM on the touch off the Daily but the SL would have been close to 250 pips to be under the lows. Better to zoom in to a smaller TF and observe price to pinpoint the entry.

SEURUSD (240 Min) 7/5/2010

\$EURUSD 240 Min 000

BarTimer(\$EURUSD (240 Min)), DTPivots(\$EURUSD (240 Min),Daily,DailyBars,0,0,0,20)

Engulf

On the 4H we get a nice HL with a hammer before price explodes higher. With this entry the SL would have been around 60 pips.

It shows the importance of approach to a level.
Yes, the QM did work, in a way - pips were there to be taken



Ifmyante wrote:

gilben wrote:

Pardon moi,

But isn't this QM totally failed?

If it's a Monthly QM, then you might able to get some H4 or H1 pips.

The qm entry point is perfect, but reaction is important

What reaction PA do you see after the level?

IF: let me know if I understand you correctly.

It was needed to abort the short position because it was CP-ing down to fresh demand?

So that trade would necessarily had to fail.



We did have a QM trade there which worked out perfectly - just not exactly where you drew it



The proof of the pudding's in the eating 🍷



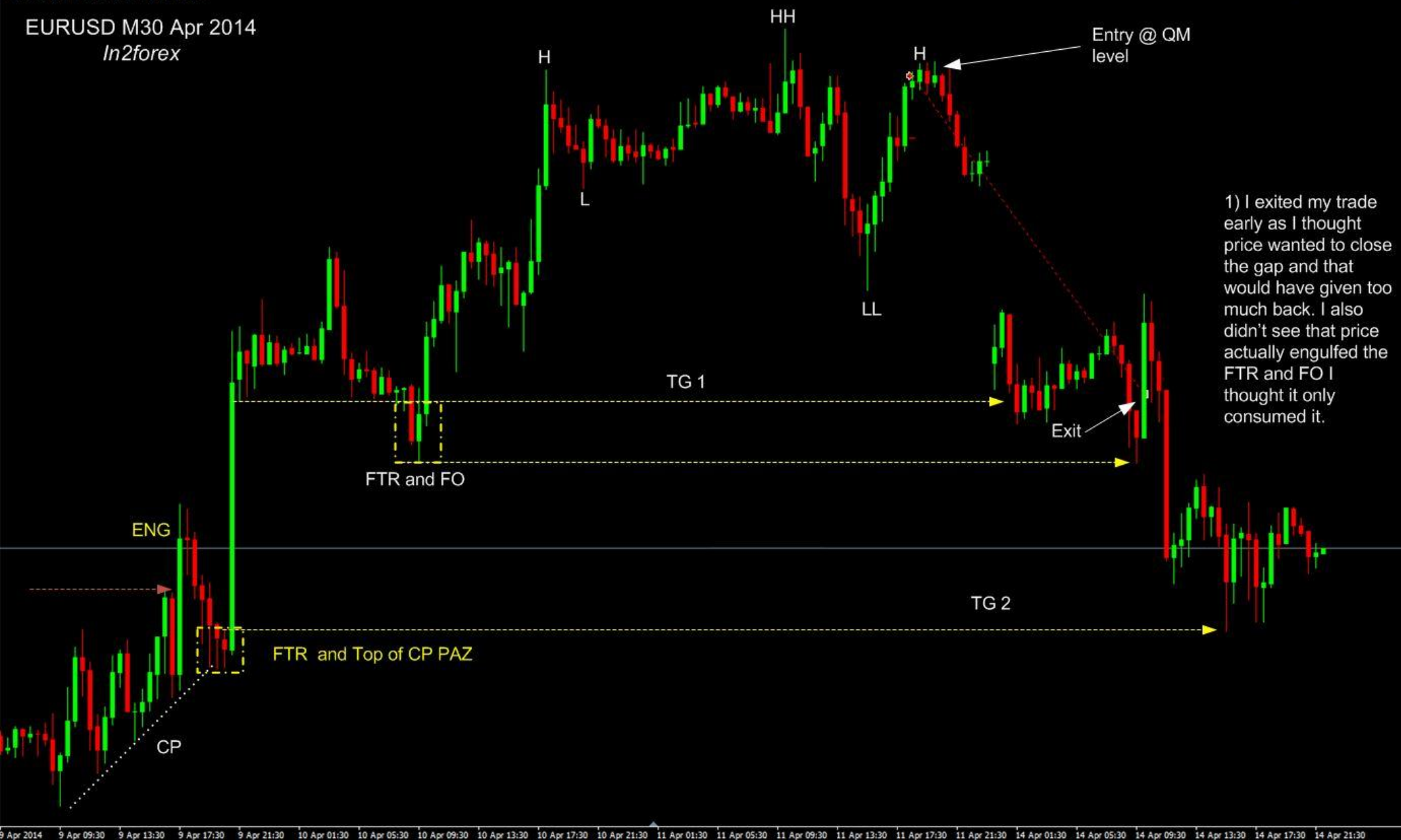
Ok Trade from Friday

1) Entry QM formed at H4 Supply, entered at QM Level.

2) Exit early, I didn't have time to watch PA through the morning, I thought price might go back up to close the gap. I didn't want to give anything back, so I exited. Price would have hit my second TG.



EURUSD M30 Apr 2014 In2forex



1) I exited my trade early as I thought price wanted to close the gap and that would have given too much back. I also didn't see that price actually engulfed the FTR and FO I thought it only consumed it.

The Diamond

The diamond is one of the most deceptive price structures there is in the market.

It catches both buyers and sellers alike, and can fill massive orders for the big guys.

At Supply, it involves an engulf South, fakeout North, and reversal South - vice versa at Demand

Since a picture tells a thousand words, here are some charts



Aside:
See this QM? We'd
all love to get in on
this

Massive orders are then
placed to shoot price up. This
certainly spooks all sellers.
Once it engulfs the high,
sellers may very well close
their shorts.
Breakout traders will also
begin to buy

readthemarket.com



This is one reason why you should know exactly where to place your stops, and have the faith in the zone to leave your stops there

Ok a slight deviation from my study on QM's.
I decided to try looking for some QM's that failed to see if I could identify a diamond pattern.
Here is my first one.



Diamond or not.
Not in my opinion.



Here is one on a HTF.

projectsagana wrote:

So diamonds are failed QMs. Just because I can draw a diamond at tops or bottom, don't mean they are the real diamonds. Just like in QMs, price must make QM and instead of dropping at the QM level, it makes another HH then drops. Is that correct?

Thanks

correct on the sequence you described. 🙌

finding a diamond is not about fitting lines around price at all, this is not a drawing class. 🤔

do like "in2forex" examples above marking your highs and lows sequence, its a good practice



I found this diamond on the USDJPY M30.

IF indicates that the diamond is one of the most deceptive price structures in the market.

I have posted 2 charts, the first is just a markup of the diamond itself, what is interesting to me is that after the diamond plays out it literally shoots through 2 flags and eventually reacts to the 3rd flag.



In my second chart lets look at the PA from a retail traders point of view.

- Beautiful pin bar at demand this is the reaction retail wants to see so they buy and put their stops just below the low. IT allow them some grace.
- Then IT force price down with vengeance, many retail traders get spooked and close there buy orders only to realize it was a mistake price has turned and is moving up so the buy again, once again putting their stop below the Low.
- Retail is happy we have engulfed up but before they can blink IT forces price down this time engulfing the low and picking up all the retail stops.
- We are now at the lower demand level and retail is thinking, ok price should react to this level and once again they buy putting their stops below the new low. IT allows them to enjoy the moment and price moves up, a slight retrace as expected and then the engulf of the H.

- e) At this point retail is really happy they are already spending their profits. But wait IT is waiting and once again they force price down.
- f) Retail is still holding on expecting price to bounce off the fresh demand at the QM level. But IT knows this and they push price through this level to take out all the remaining retail stops set at the new low, loading up their orders, and now they can push price up and away.

Scary stuff 😬

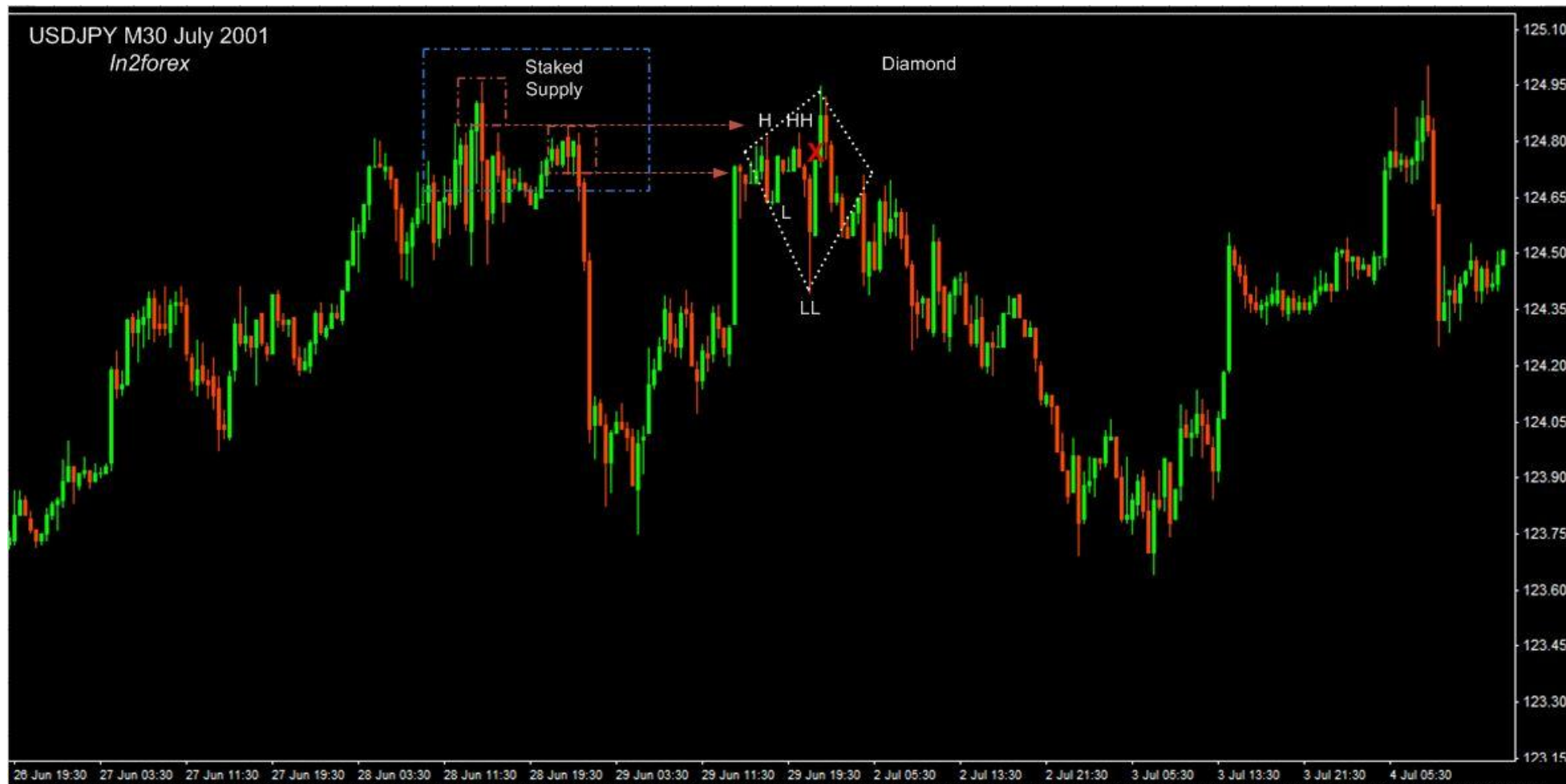
Note how aggressive the move down are only IT can move price like this.



Another diamond not a great one.

Once again 2 charts.

first up the diamond structure as I see it.



Second up IT VS Retail (IT always win)

a) After a strong pole up to supply, Retail is thinking this is going to change direction soon. S/D traders are looking at the zone waiting for confirmation of a reaction to the zone. IT move price down, IT may have caught some of Retail but many will be waiting for confirmation. Price compressors up to b.

b) IT push price down, many Retail believe this is the reaction to the zone and start selling placing their stops either above the supply zone or above the left hand high.

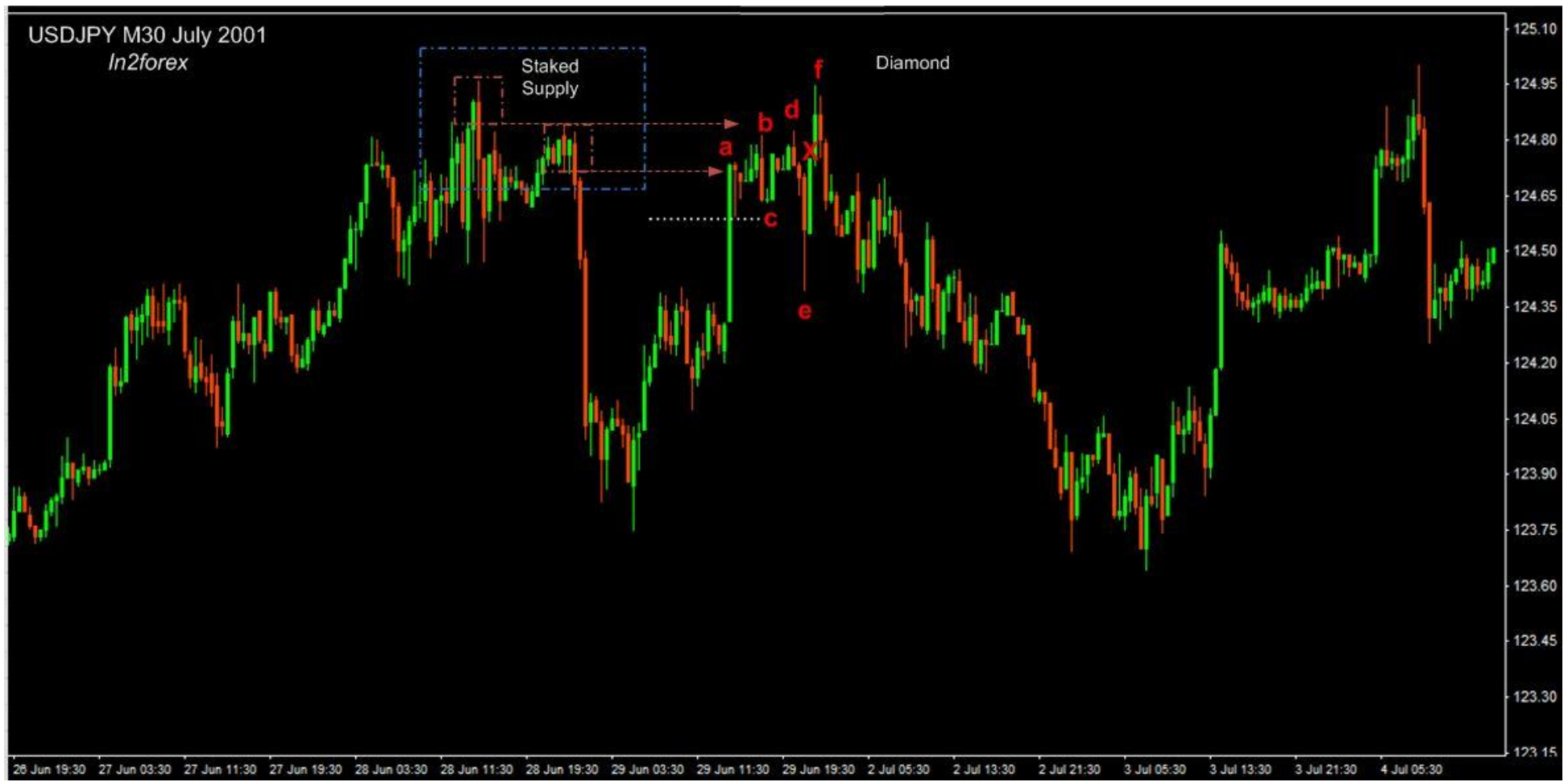
c) IT change price direction and push price up, spooking some of the Retail traders to close their sell orders. The fact that price didn't engulf the white line has retail thinking price could be going higher, so they start buying placing stops below c. IT is selling against them on the move up. Price moves up to creates a new high at d. It's looking good for Retail.

d) Kaboom IT starts strong selling. Retail that bought in the up move realize they were wrong this is the reaction they were expecting from the zone. So they close their buy orders and start selling helping price drop, they place their stops above the high at d. OR move their stops to follow price down.

e) IT change price direction and push price up aggressively.

f) Retail WTF they just sit and watch as their stops get hit, they are completely confused! IT has done the damage and now can move price down after filling their huge orders.

Once again look how aggressive the moves are from IT

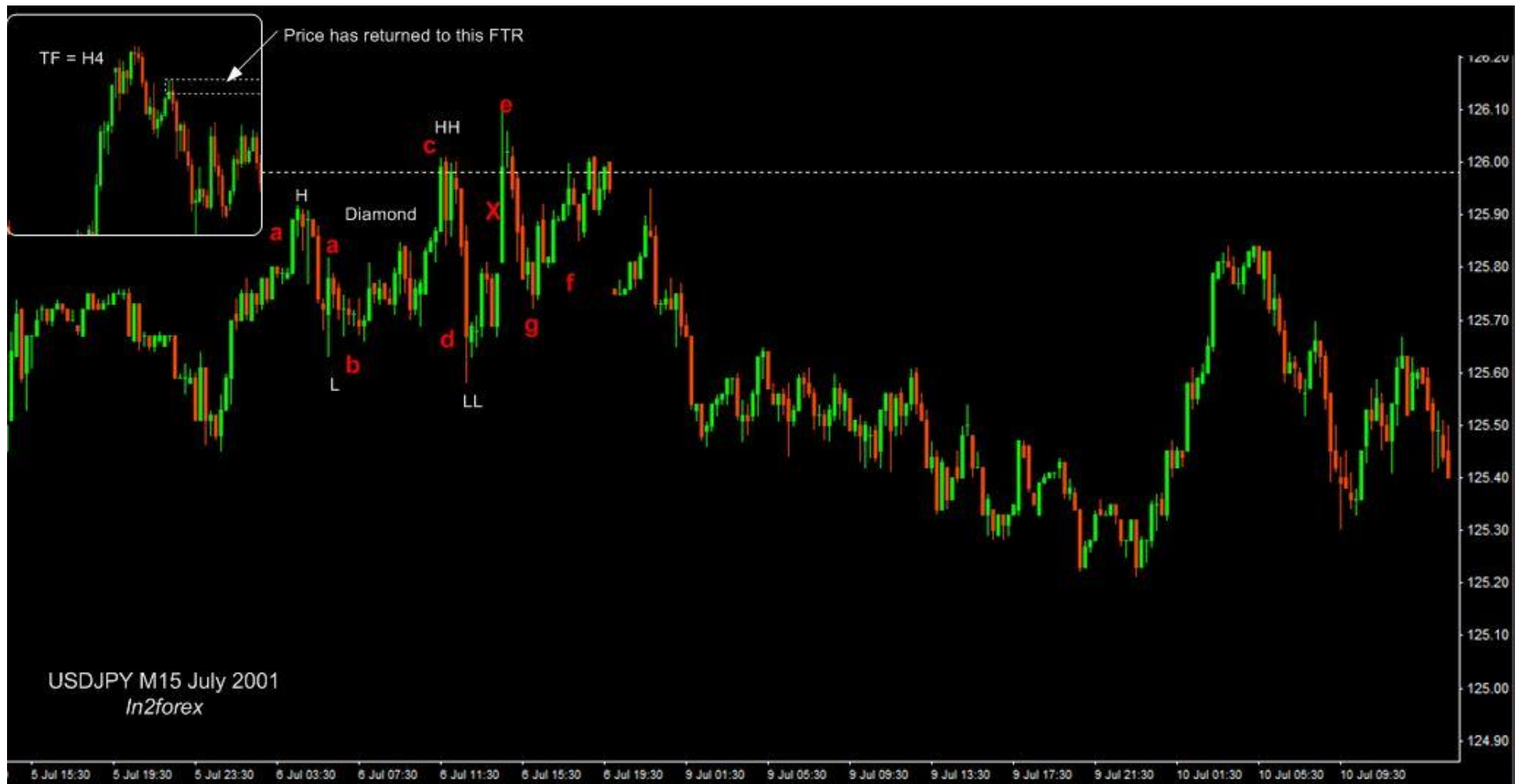


Another diamond - reaction to a nice FTR.

and in the diamond we can see a CAN CAN.(well I think it's a can can).



Ok I'll try put on my IT hat in this example.
This is an exercise at looking at a diamond and trying to explain what IT is thinking.



Prelude
I know that at the SUPPLY area above (above the white line) a lot of traders will be prepared to invest some money. It's a good liquidity area, I also know that I'm

going to turn price at that level, but I've got a lot of sell orders to fill and I can't fill them all at once. I need to entice traders to buy so I can sell against them.

a) So I start buying hard with a short burst just enough buy orders to get retail traders following me, they think this is the last push up to SUPPLY, I've got my first load of buy orders I can sell against and I start filling my orders, I've got a lot of them so price starts to fall.

b) I need more sell orders so I buy pushing price up just enough to entice retail traders to follow me. I mean the move at (a) was just a retracement wasn't it. I push price up and then sell against the excess buy orders making sure I clear all the orders at demand on the way up (compression). I've accumulated a good number of sell orders in this process, and the sell orders I have are in greater numbers than the buy orders I used to move price.

c) Ok it's time to mess with these traders, I know lots will buy the break of the high at (a), So I start buying hard but immediately sell against the buying spree (price drops). Strong buy again, retail think this is going higher, I start filling my sell orders and I keep adding more and more.

d) Price drops like a brick. Ahh look the suckers think this is the reaction to the supply zone and are joining me selling and placing their stops above the new high. I could use those stops very effectively, and if I buy now I can still make a small profit on my buy orders when I close them at the fake out level. So I start to buy, slowly at first I must make it look like price is going higher. Buy hard to push price up and as retail try to follow me I sell against their buy orders making sure I'm clearing all the orders left at fresh demand (d).

e) Time to create havoc. I buy hard, It's aggressive, some retail want in and start following me, others have sell orders which risk being stopped out price breaks the high, more buy orders from retail as they chase the break, other retail stops are hit, sell, sell, sell, against all these orders. In the process I've also closed my buy orders I took at (d) with a small profit, I don't need them on my books.

f) There are going to be some buy orders left at the flag (g) I need to consume these and open the path down. I start buying using the orders left at the flag (g) to assist me, buy up in a burst, and sell against the retail traders that try following me. I know I have tiered out retail by now and I have enough orders filled, I just make sure to clear any final sell orders left at SUPPLY (e) using them to start the move down.

Another diamond chart & a Can Can for good measure.



Another Diamond, great reaction to the FL on the left

D. M15. cell: 15. scale: 98%

EURUSD M15 Apr 2003
In2forex



Another one.

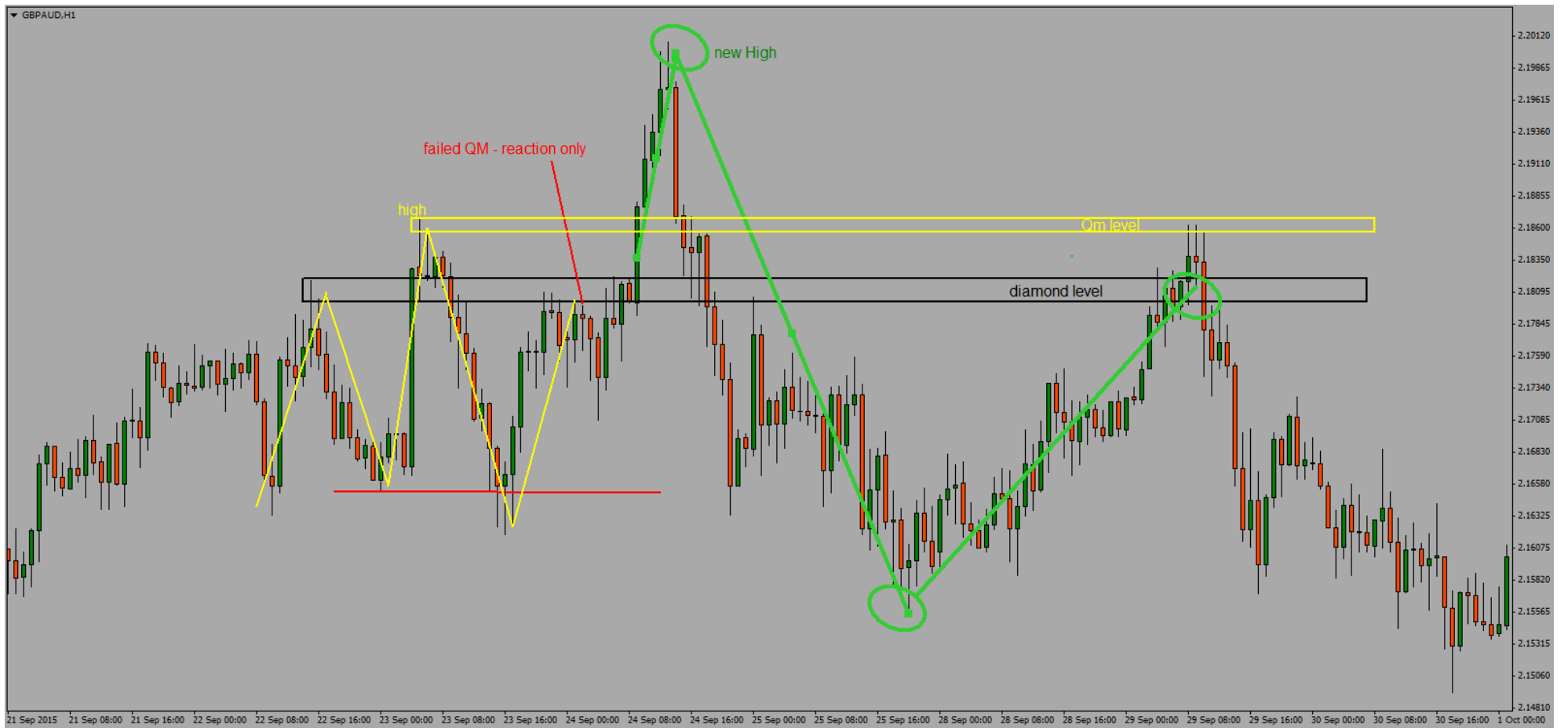
This diamond forms on the HTF.

Note how PA reacts on the FTB to the FTR's on the left before making the last move to the higher SUPPLY.



Ok my last diamond for this homework run.
Also included a Can Can.





The CanCan

Very often price will move into, or even better, break out of a zone with strong momentum, creating a pole.

Usually a pole will have a flag on top, gathering orders for price to advance.

But if the flag breaks back into the pole, this is a significant turn in value.

A CanCan can often occur at such an event.

Price moves hard, flags briefly, and moves back quickly with a [Liquidity Spike](#). This liquidity spike will mean there may very well be orders left to be filled at the edge of the flag, so you'll very often see [compression](#) back towards it, with extra orders being hidden, so that when price hits the cap, it can shoot back through the compression and on to the base of the pole.

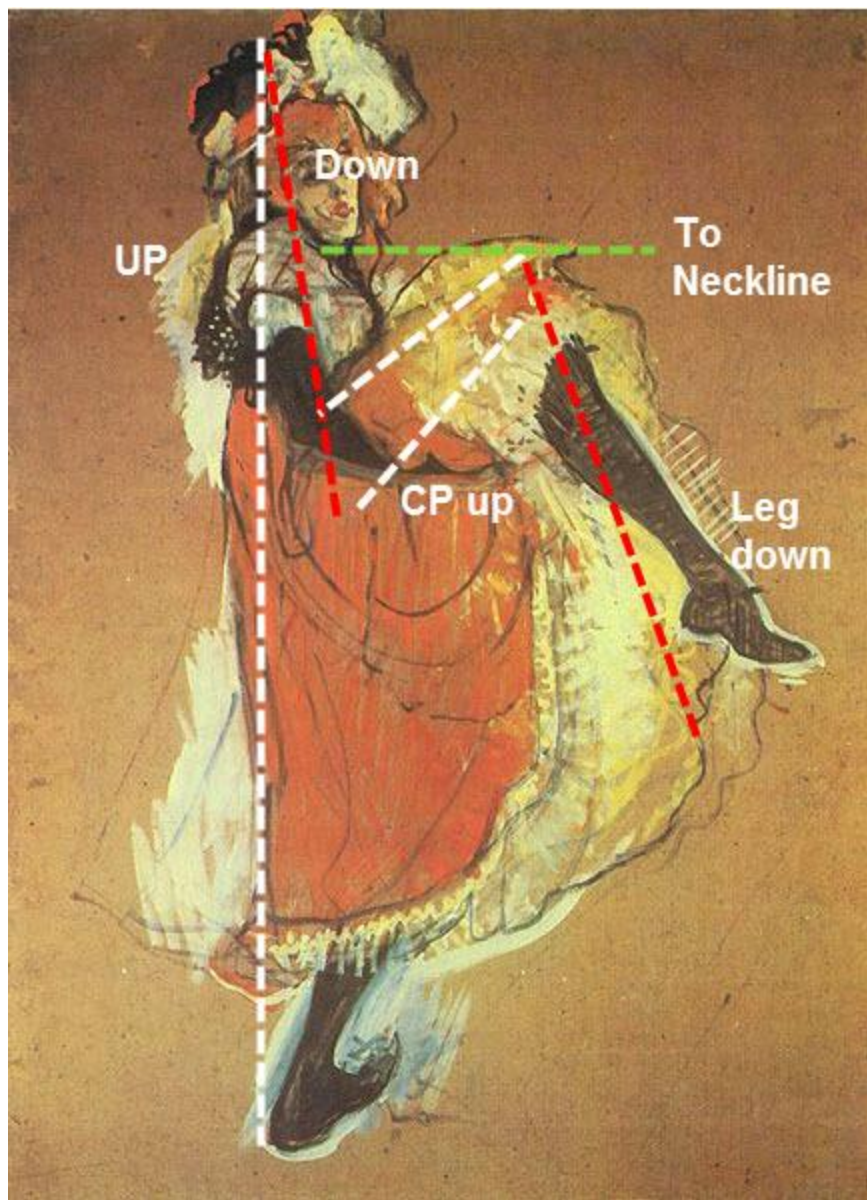
Here's an example



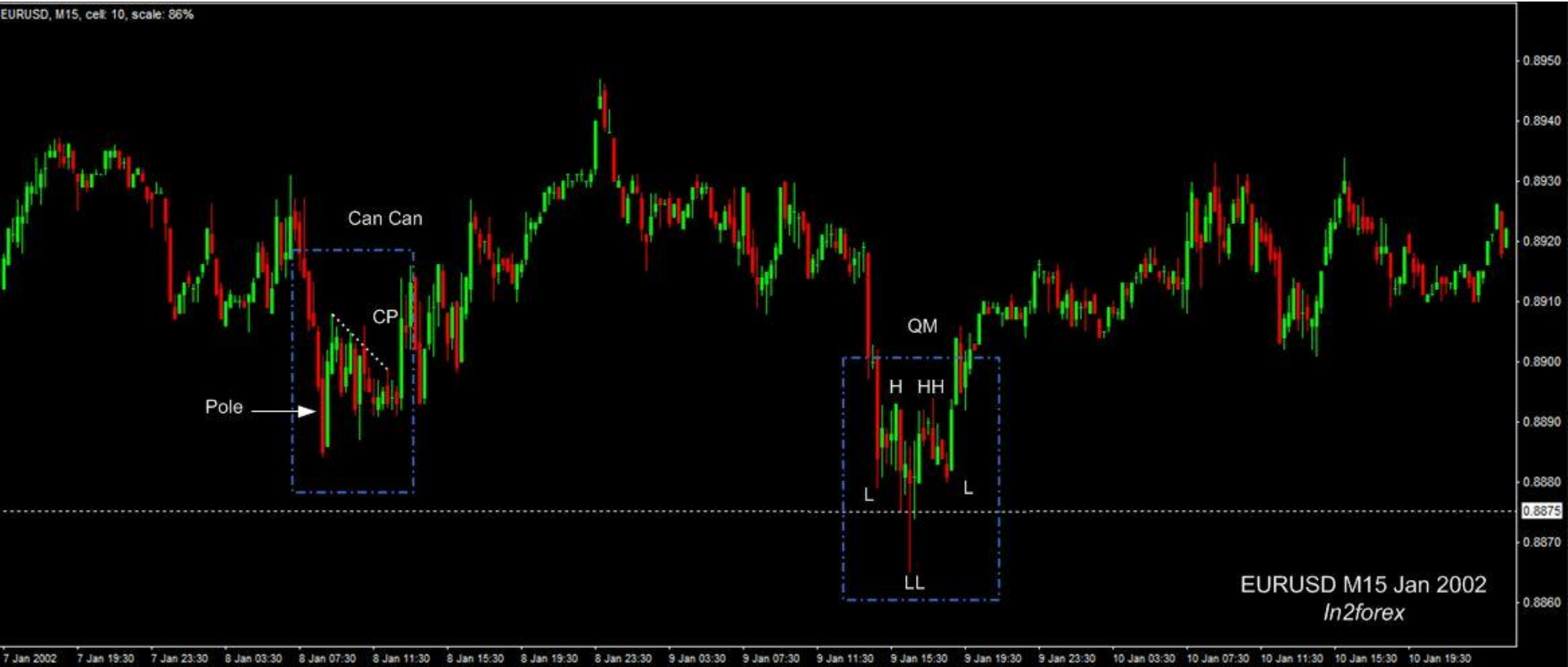
and another



and here's why it's called a cancan. Thanks Henri



A Can Can and QM.



Here is a Can Can that formed within the QM setup.



PS: Just looking at it again it isn't great CP there is some untested demand in it, oh well.

Some more Can Can homework.



More Homework



Another chart



Another one

Chart 1 = Can Can formation



Chart 2 = Zoomed out the Can Can forms part of the FO bringing the QM into play.

GBPUSD, H4, cell: 60, scale: 100%



GBPUSD H4 Feb 2001
In2forex

Next Can Can example

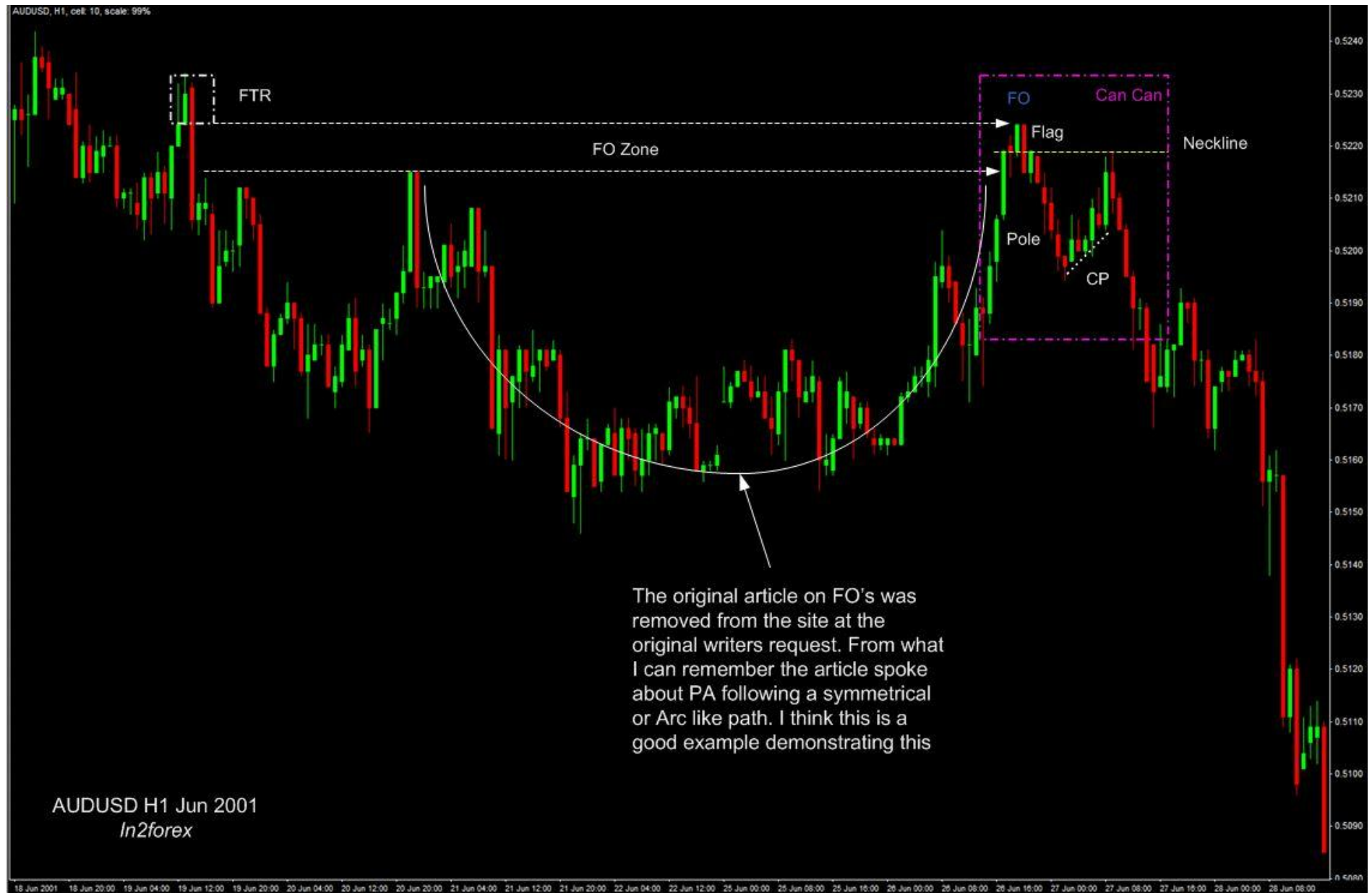
Please comment if any of these are wrong or bad examples.



Another Can Can example.

This also shows a great FO zone, price returns Fakes Out, drops and then compresses up to the neckline of the Can Can which is also the FO level.

The arc like path of PA is something I remember from the original FO article.



Today was a bit of a WTF day.

After the confusion of the weekend and some small glitches with the site, I decided to continue my homework on Can Can's. So I check on my last post just to make sure what I had done. (Not a great Can Can, but a nice flag limit. 🤖)

This post was meant to be about a Can Can and the zone it reacted too. But when I looked back in history at the zone I started seeing other things and the post has become something else. Fake Outs, Engulfs, Flags, QM's and compression. A bit of "WTF".

I also see Spongy's back, Warren has gone nuts, and Dr Swing is in the "swing of things". 🤖

This is such a great place.

Enough BS.....here's the charts





Ok let's go back to the Can Can

Chart 1



Chart 2

Price returns to the level, remember price has already visited this level before this is the 2nd or 3rd time back (depending on where you drew the box). So one would expect it to be weak. But IT know this so they turn price pushing it down creating a level they can FO later. As price moves down many traders are selling putting their stops just above the FO level. IT return price to this level and FO the break creating the can can as shown



Chart 3



Chart 4
Another FO level is setup by IT. First the engulf then the FO.

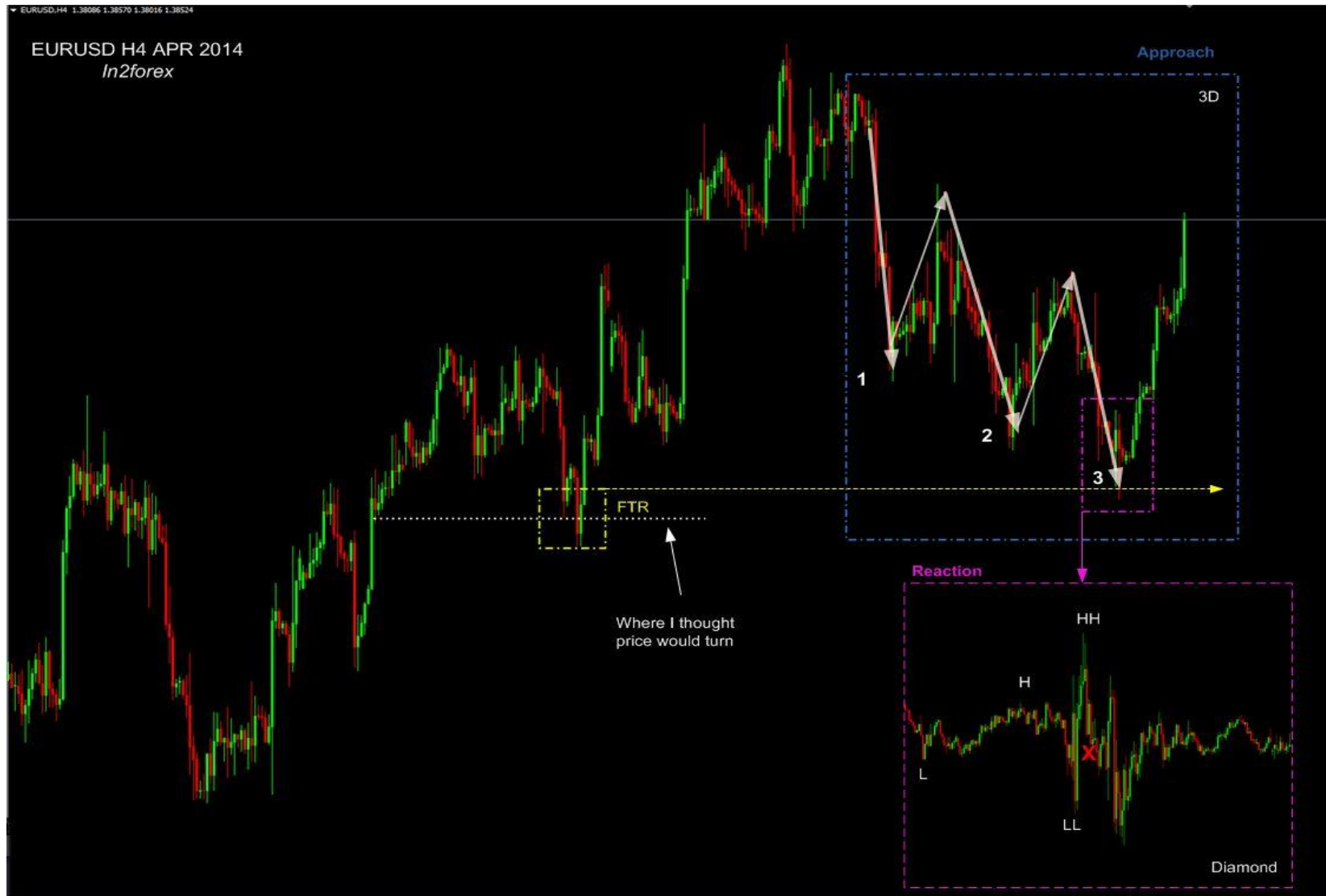


Chart 5
A HTF Can Can



Now Some Important post by some master trader

I have been watching the current EURUSD chart, trying to get a more live feel for the market.
I had marked where I expected price to turn in the FTR *White line".
It just didn't go that low.
I nice 3Drive and diamond as I see it.



saw this CPAZ trade on GU.
I didn't trade it as I wasn't by my PC this morning.



Would have hit my target, but this post is more about watching PA to take you out of a trade.

Hi All

It was an up and down week for me, I wasn't really concentrating as my mind was focusing on other things.

I saw Pedini post a trade in his journal at a recently formed Can Can on the AU.

Pendini took the perfect entry, I was sleeping when that entry formed but I got a second bite at the cherry based on a CPaz setup.

I believe a good trade is not only juggled on ones entry but the exit is even more important.

The following series of charts shows my entry and exit. I'm happy with my entry but my exit!! The less said the better. 🗿😂🗿

Chart 1 the overview of the Can Can.



Chart 2 shows my entry based on a CPaz setup



Chart 3 shows the overview of my exit

AUDUSD M15 Jun 2014
In2forex

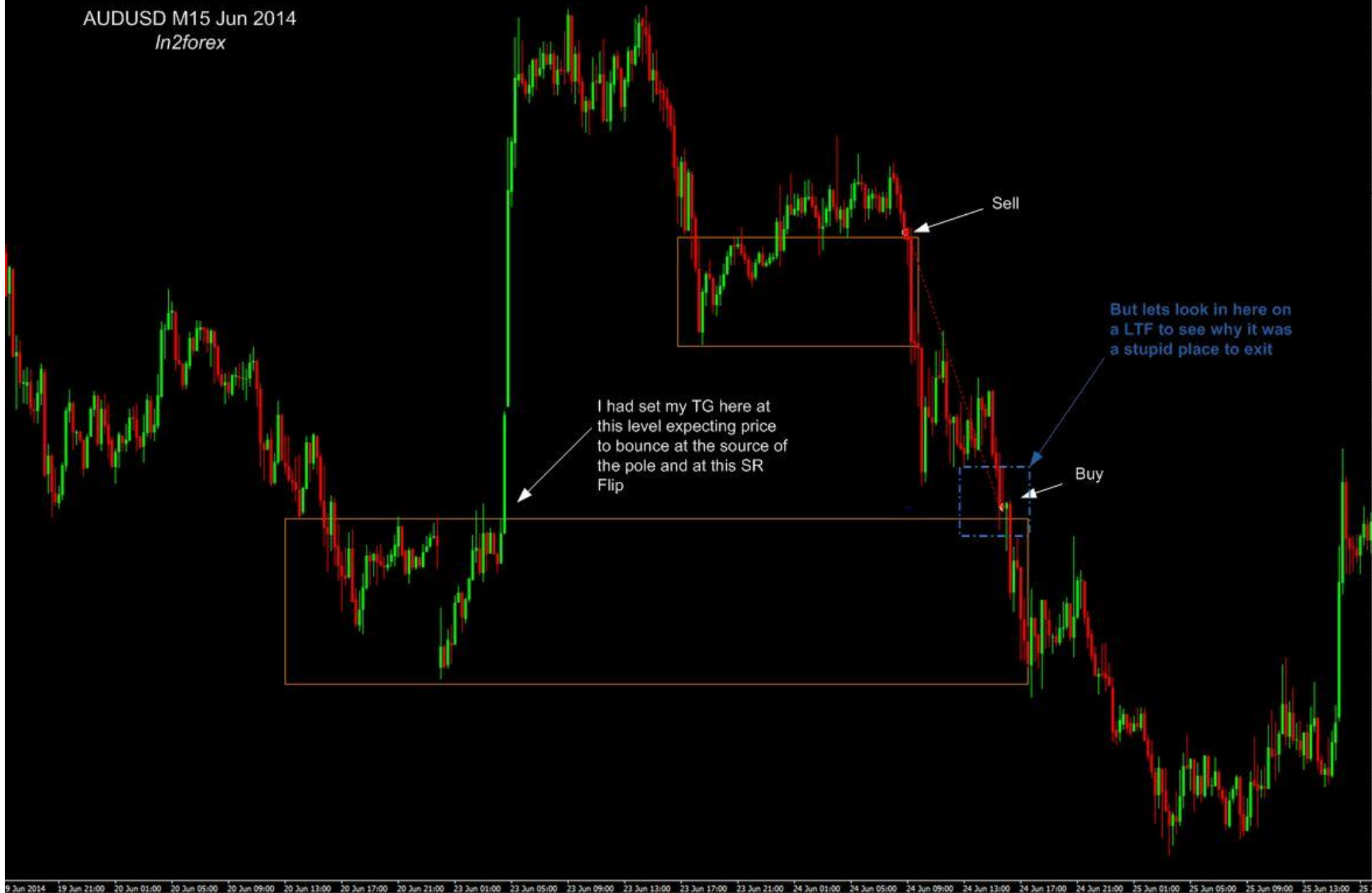
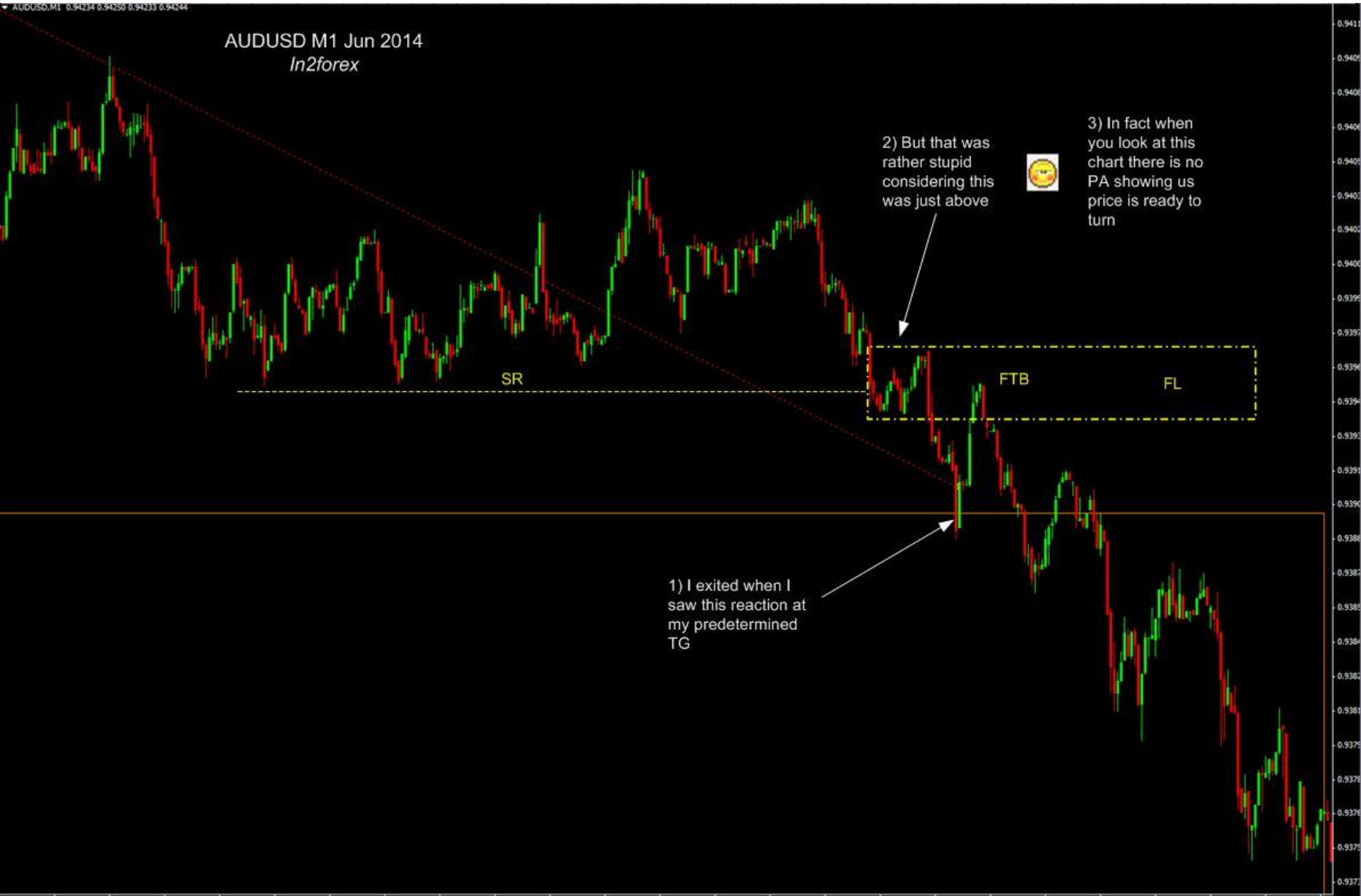


Chart 4 shows the dirty detail of a bad exit.



Post by Benhur:

Mainly 2 things made the change for me

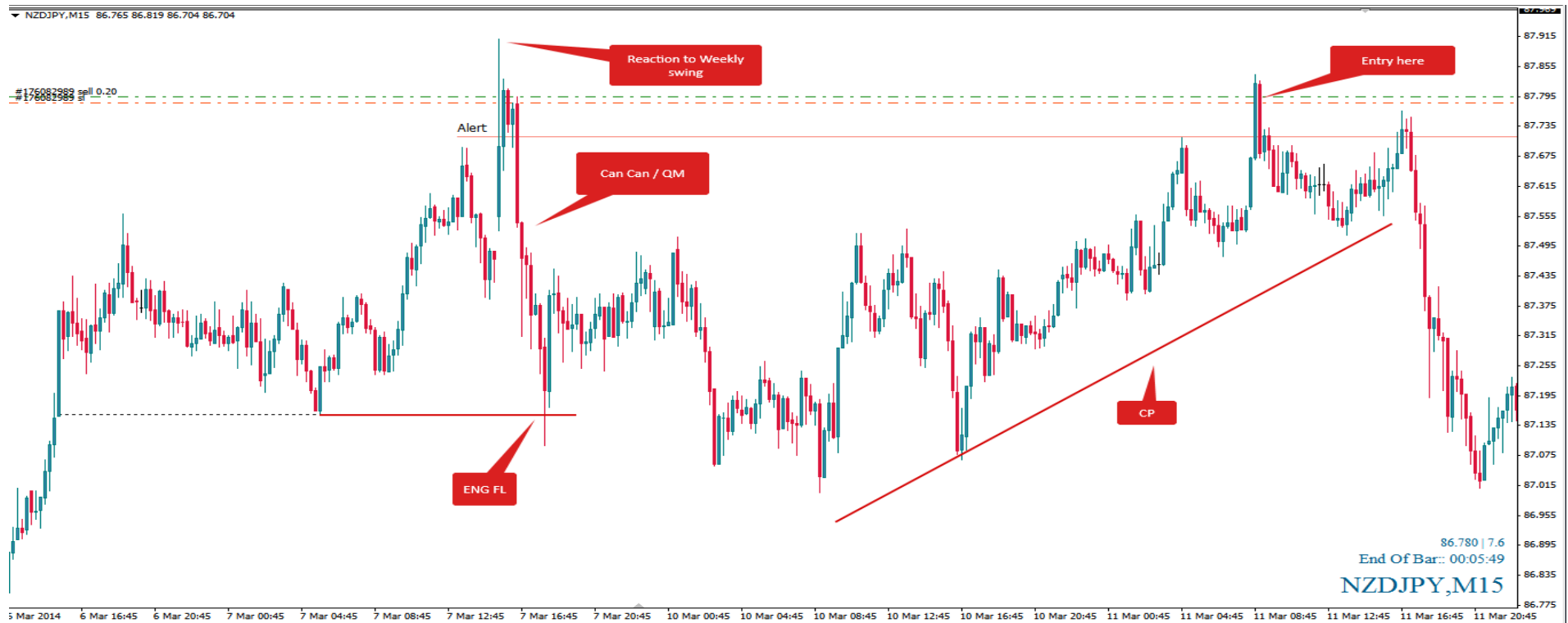
- 1] Simplify the levels of interest analysis: meaning stick to one or two types of structures to define levels
- 2] take the most extreme levels of HTF (H4 and up). with HTF reaction always provide some pips, to allow you lock into profit as quick, even if the trade do not turn to be a swing.

The structures I use most is Quasimodo.

Yes you are absolutely on track with the HTF reasoning.

The confirmation for the Weekly level to short, was the LTF Can Can / QM price action.

I think we both have similar analysis, I care mostly about LTF confirmation of HTF levels.



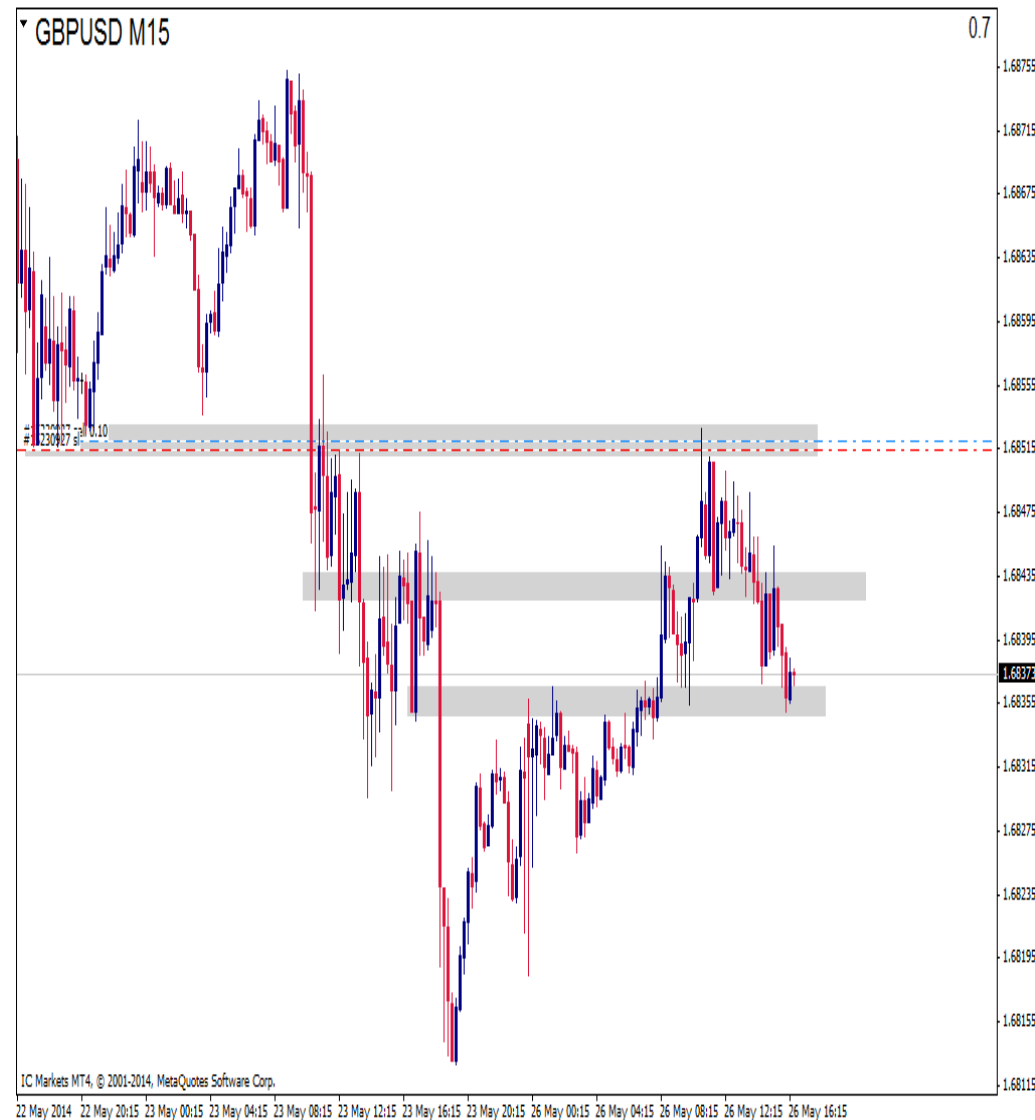
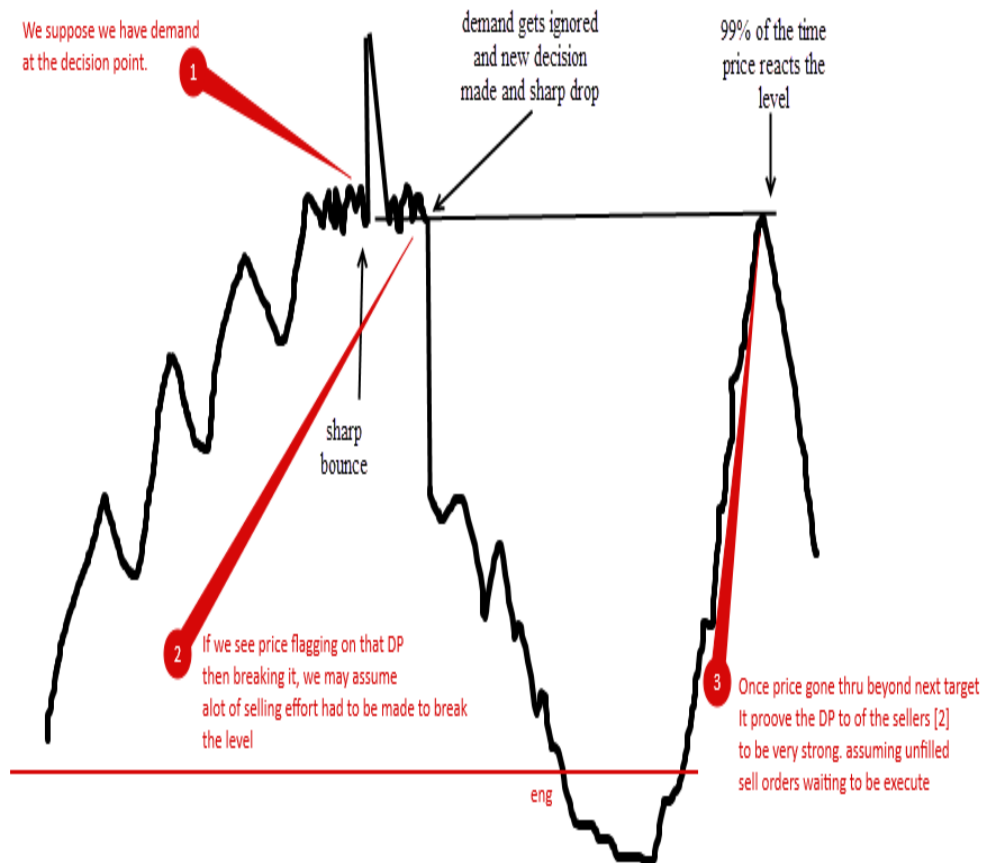
I don't think there is such thing of over trading, your enthusiasm for this profession will win eventually, and you will be benefited with the best job on earth only few can do.

My break was when I started trading HTF levels with LTF confirmation. taking only most extreme levels has so many advantages.

1. first your risk is very low, and so the time it take for conviction of the trade success potential.
2. with the extremes, most of the time you have the privileged to profit from minor reactions. so your winning and gain experience is much greater.
3. at the extremes your psychology state is very comfortable. you don't sweat while trading, and you learn to just hate any minor drawdown.

Here is how I see things about your scenario. And YES, this is a very powerful scenario.

Hi Benhur. I was drawing horizontal line at every turn and looking left. This this I saw 99% of the time at every turn. What is your comment on this ?



benhur wrote:

Learn and practice FL. knowing which FL is significant is the break thru needed to understand proper engulf as confirmation. Remember the logic. If a significant level is swapped - it is a confirmation.

Thanks Ben. Do you mean the FL at swap level should get engulfed ?

This is a view you could give to flag limit, trade opportunitie, low risk / high reward

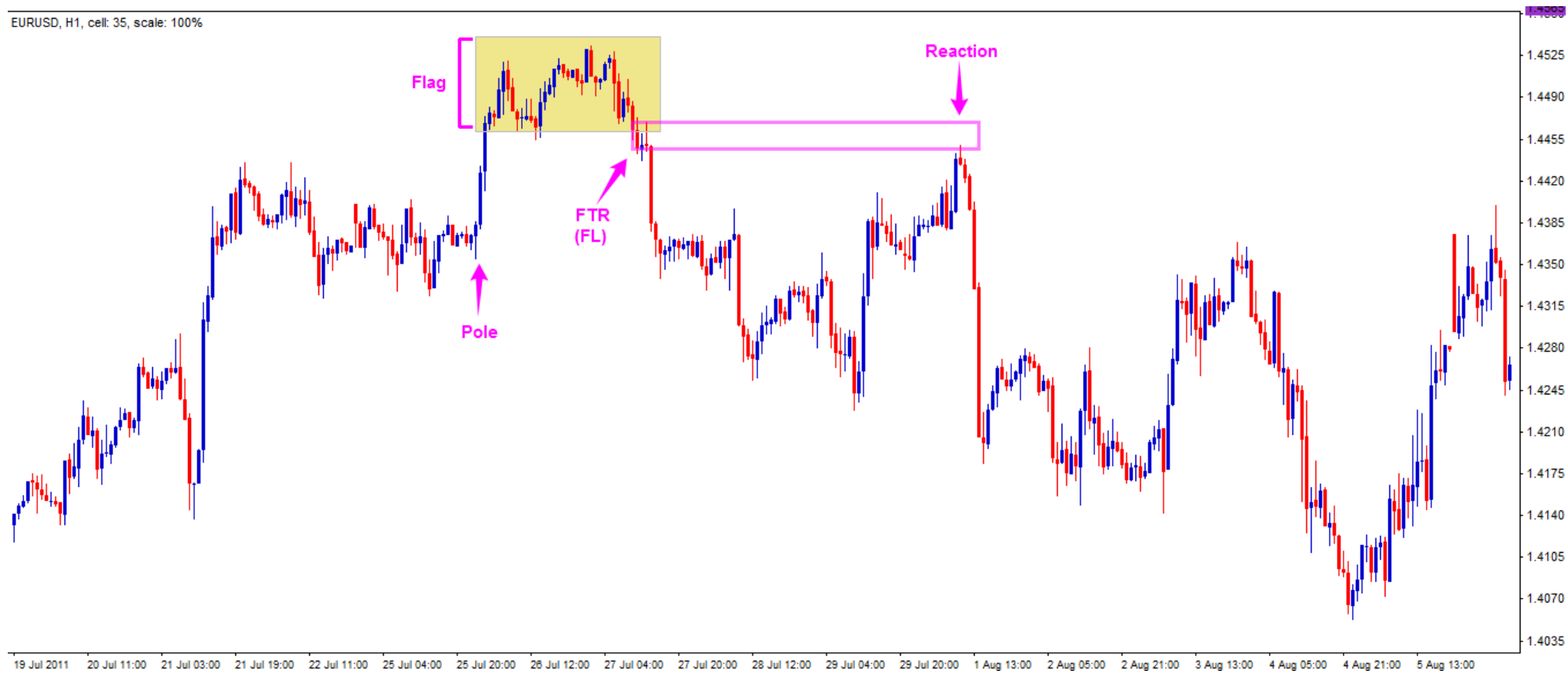


Reading through the FL thread, I saw the following [chart by Aaron](#) and the price structure just jumped off the screen and smacked me in nose!. Aaron's chart is below.

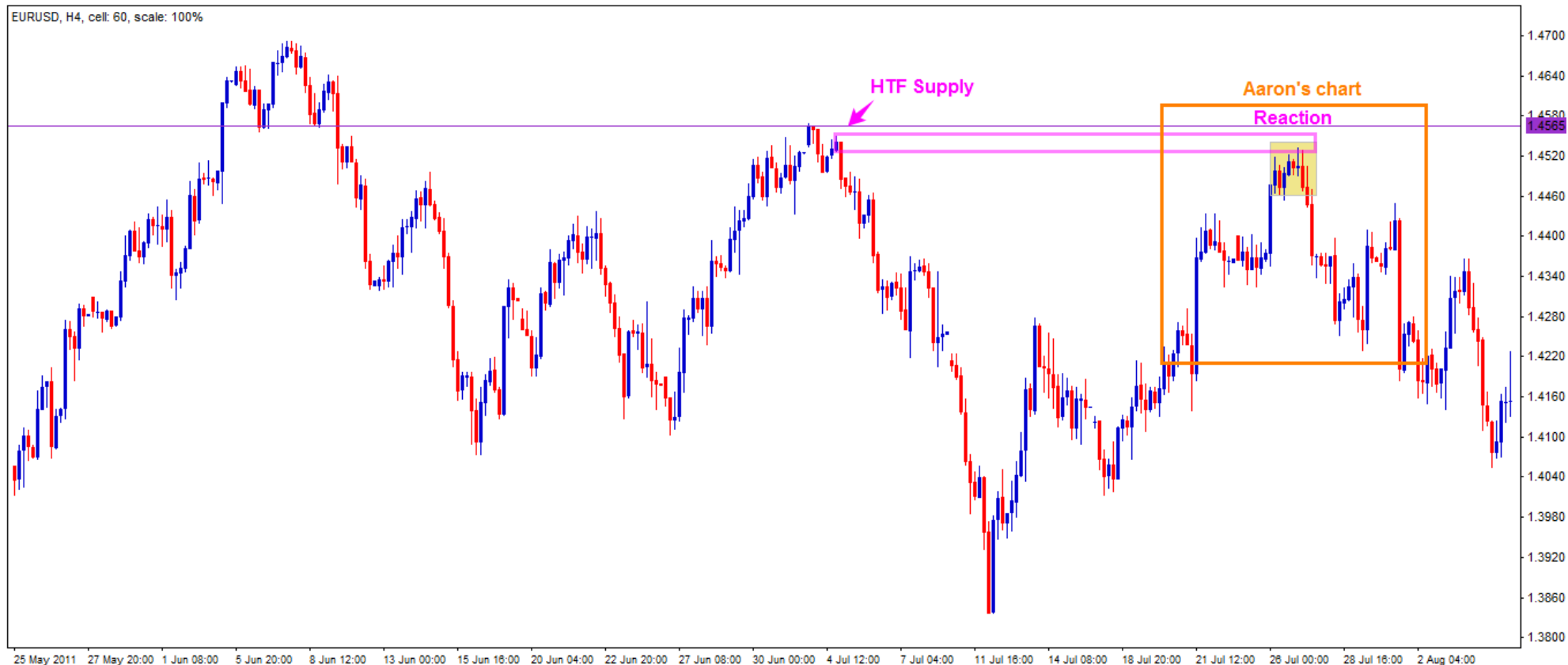


I was so taken by it I had to go look it up in Forex Tester (FT).

EURUSD, H1, cell: 35, scale: 100%

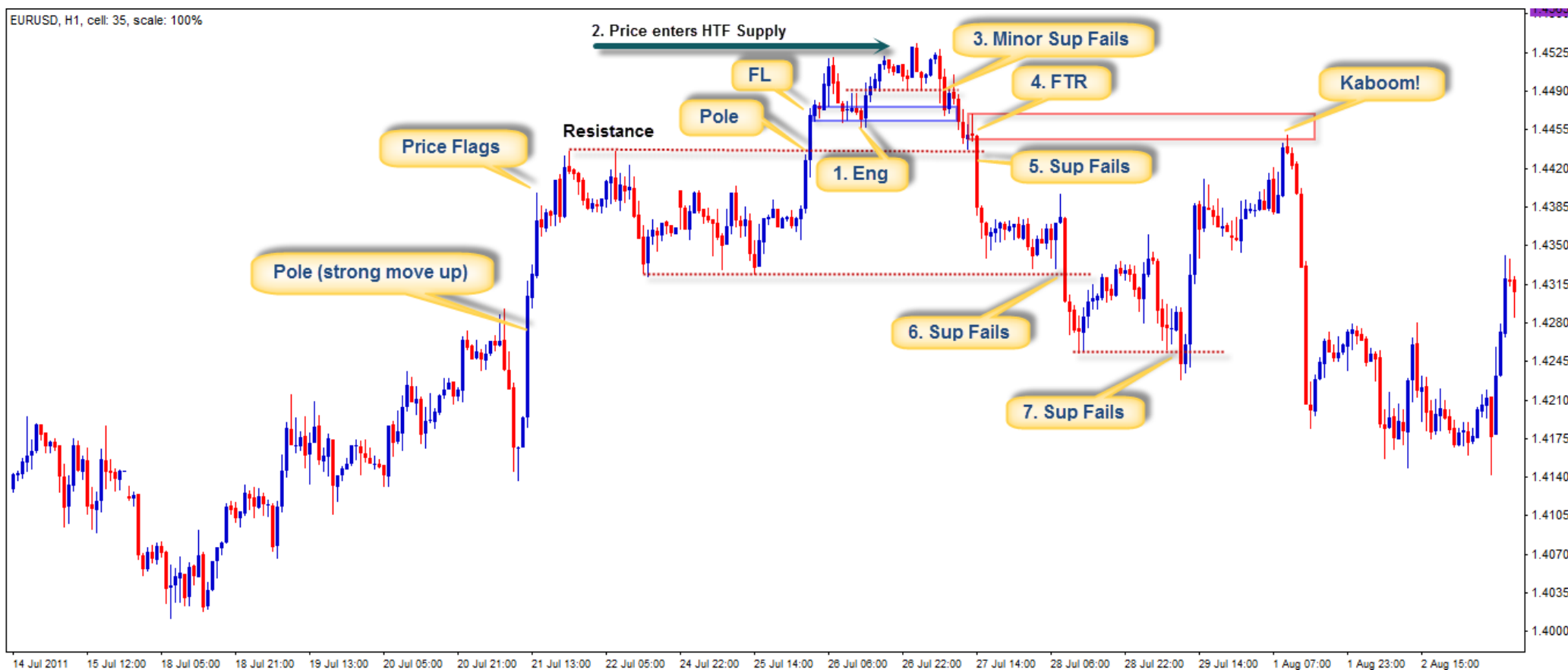


When I found it in FT, it came as no surprise to see that this structure occurred at HTF Supply. In fact, I would have been surprised it wasn't.



Apart from being at lovely HTF Supply, this is the anatomy of brilliant FTR (FL) trade on the FTB.

1. FL engulfs coming into HFT supply. Good first sign of reversal.
2. Price rises into the HTF Supply and reacts.
3. A minor S/R flip is created but the support fails to hold.
4. Price comes back to a clean S/R flip level that looks like it should hold (Resistance turns Support). But instead, an FTR is created.
5. The Support level fails.
6. The next Support level fails.
7. The next Support level fails.
8. Price then returns to the FTR and Kaboom!



Some factors that are important (besides being in HTF Support which is important and besides the Engulf marked at 1).

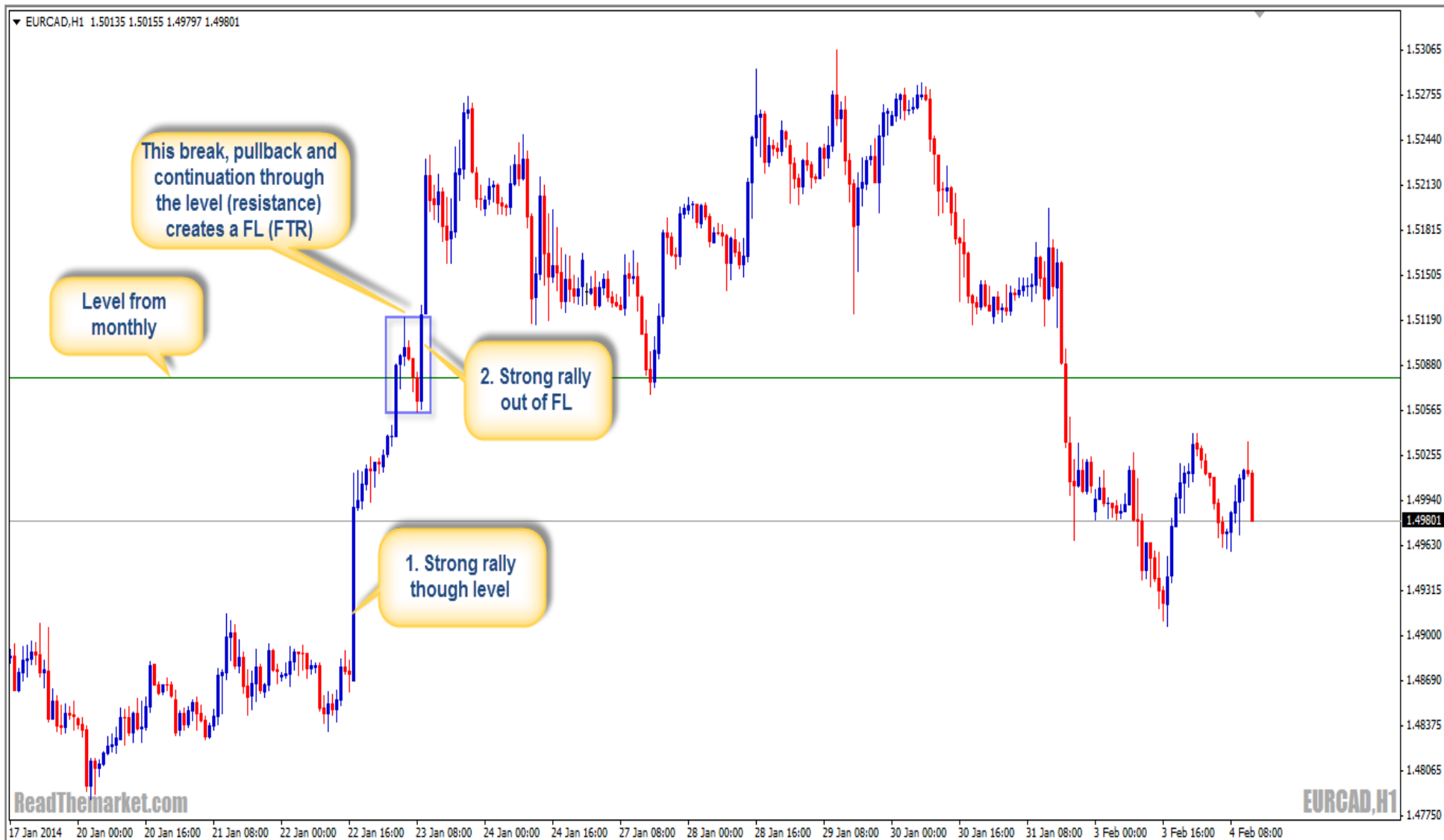
1. The HTF Supply was strong enough to break 4 Support levels in a row before any significant demand was found.
2. Each Support level was broken with a decent bear candle with a strong close well below the level.
3. Price ran away HARD from the FTR, from a S/R Flip level that would normally hold and attract buyers (buyers stops being hit).

In my previous post where I say "Some factors that are important (besides being in HTF [Support](#)..." should be "Some factors that are important (besides being in HTF [Supply](#))"...

In this post I look at using a [1 minute](#) chart to enter a trade based on a [monthly chart level](#) setup...



EURCAD,H1 1.50135 1.50155 1.49797 1.49801



▼ EURCAD,H1 1.50135 1.50155 1.49699 1.49761

240 pip move

DBR
shows
demand

Lets look
in here on
1min chart

ReadTheMarket.com

EURCAD,H1

17 Jan 14 20 Jan 00:00 20 Jan 16:00 21 Jan 08:00 22 Jan 00:00 22 Jan 16:00 23 Jan 08:00 24 Jan 00:00 24 Jan 16:00 27 Jan 08:00 28 Jan 00:00 28 Jan 16:00 29 Jan 08:00 30 Jan 00:00 30 Jan 16:00 31 Jan 08:00 3 Feb 00:00 3 Feb 16:00 4 Feb 08:00

1.53065
1.52755
1.52440
1.52130
1.51815
1.51505
1.51190
1.50880
1.50565
1.50255
1.49940
1.49761
1.49630
1.49315
1.49000
1.48690
1.48375
1.48065
1.47750

EURCAD,M1 1.49856 1.49861 1.49854 1.49857



ReadThemarket.com

EURCAD,M1

▼ EURCAD,M1 1.49769 1.49833 1.49768 1.49830

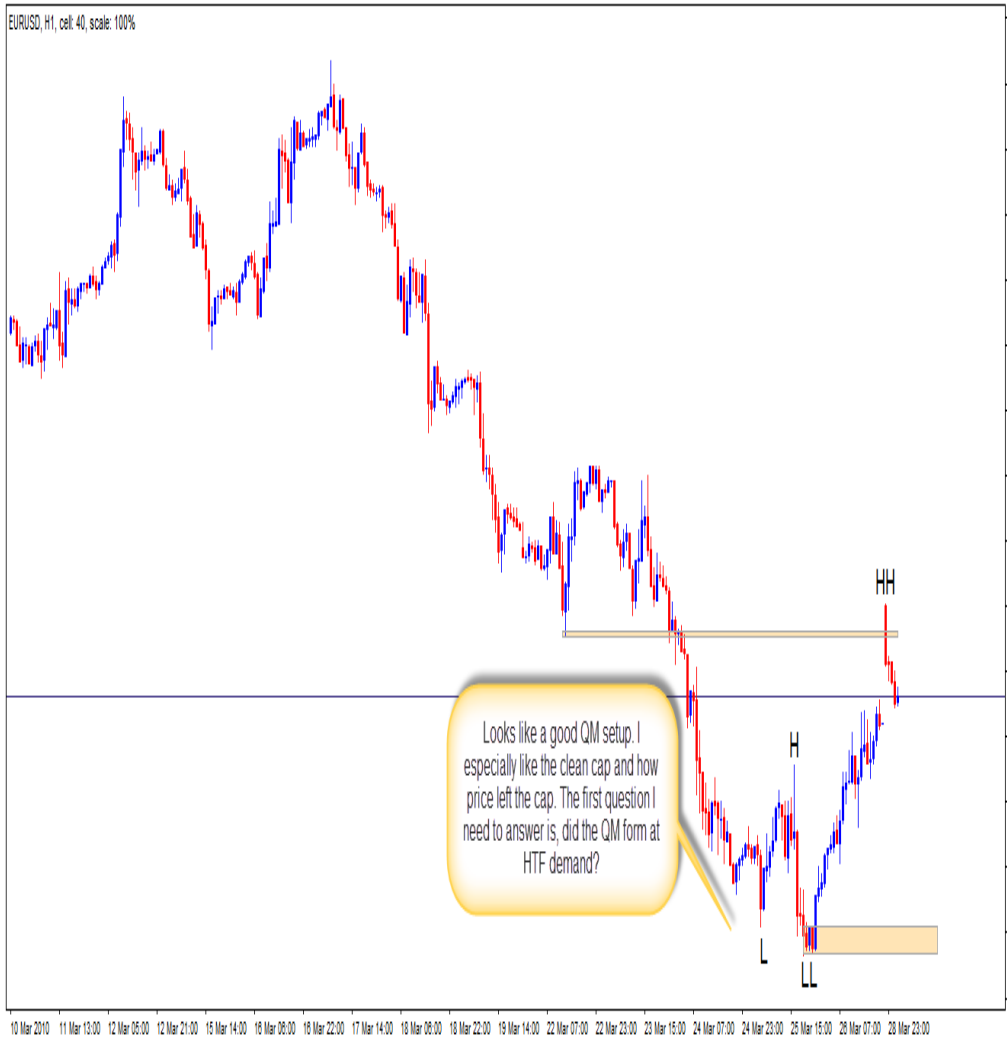


EURCAD,M5 1.49954 1.49954 1.49942 1.49945

And this is how it looks
on the 5 min chart



I will continue to the process... but will not be posting each trade as it is time consuming.



EURUSD, Daily, cell: 175, scale: 100%



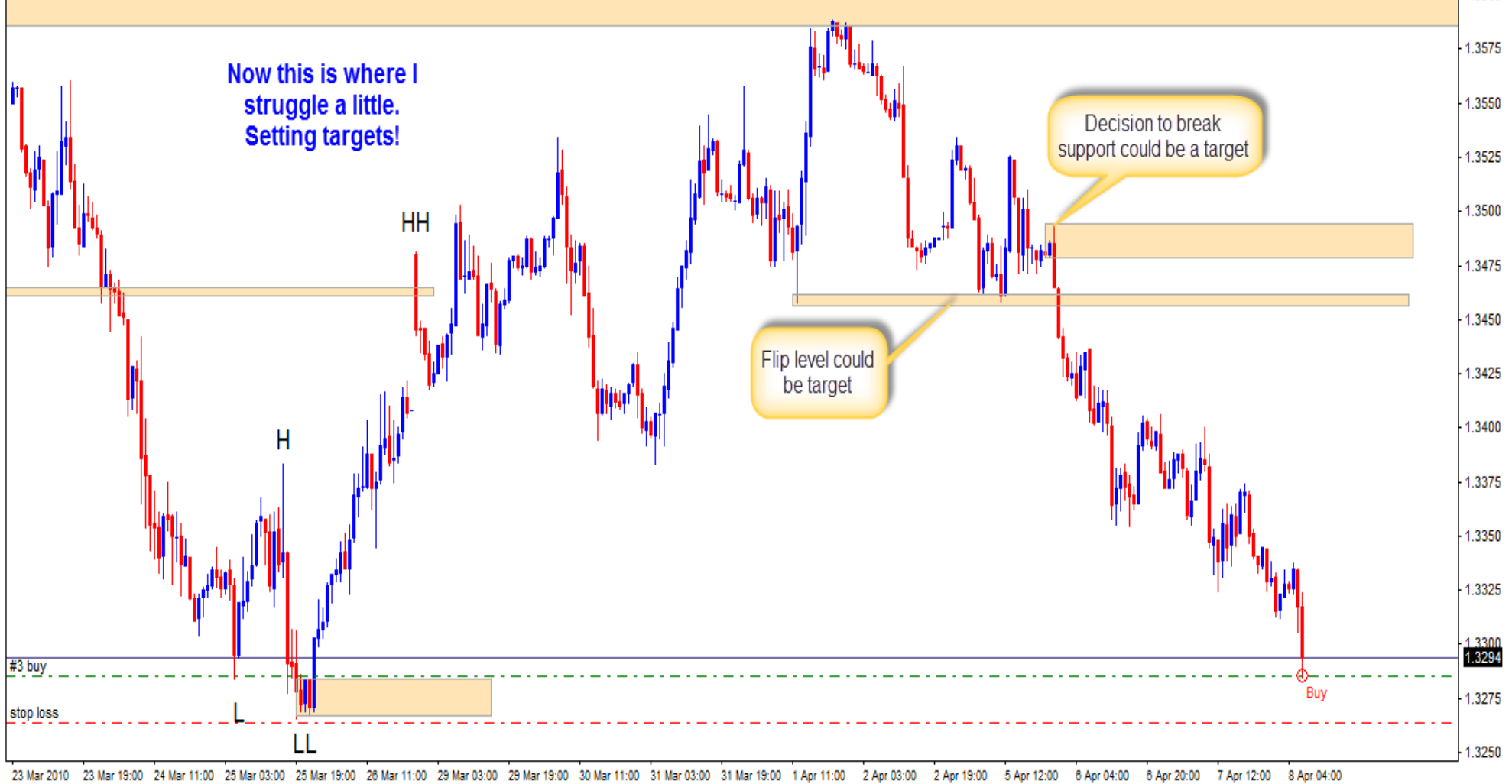
EURUSD, H1, cell: 25, scale: 100%



EURUSD, H1, cell: 25, scale: 100%



EURUSD, H1, cell: 25, scale: 100%



EURUSD, H4, cell: 50, scale: 100%

I am not sure, so I
am going to see
how it plays out.

FL (FTR) on H4
could be target

Reaction to FL

#3 buy
stop loss

Buy

2 Feb 2010 4 Feb 20:00 9 Feb 08:00 12 Feb 00:00 16 Feb 12:00 19 Feb 04:00 23 Feb 16:00 26 Feb 08:00 2 Mar 20:00 5 Mar 12:00 10 Mar 00:00 12 Mar 16:00 17 Mar 04:00 19 Mar 20:00 24 Mar 08:00 28 Mar 20:00 31 Mar 12:00 5 Apr 00:00 7 Apr 16:00

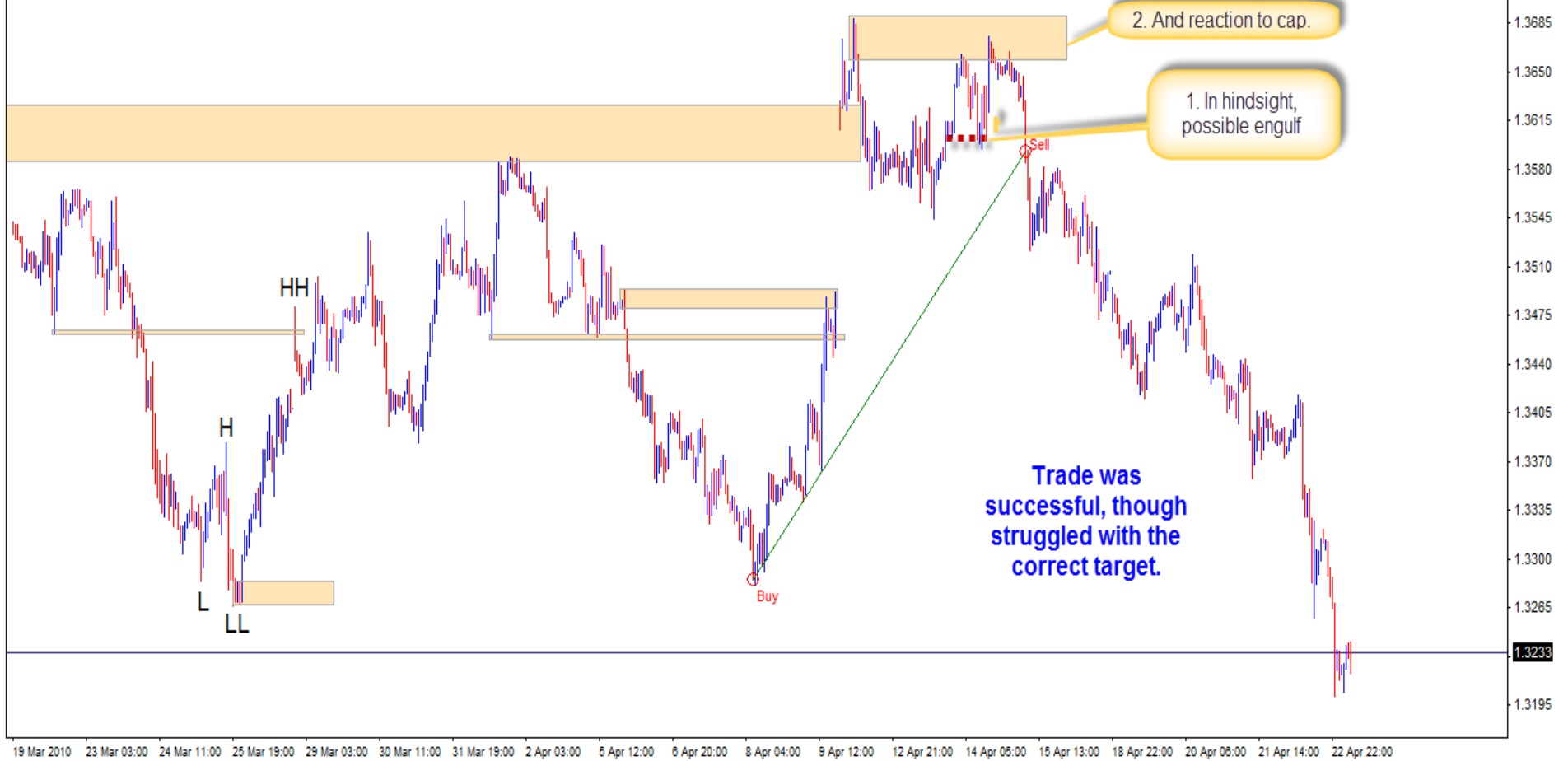
1.4050
1.4000
1.3950
1.3900
1.3850
1.3800
1.3750
1.3700
1.3646
1.3600
1.3550
1.3500
1.3450
1.3400
1.3350
1.3294
1.3250





I was stopped out, but fast forwarded the price just to see what happened.

EURUSD, H1, cell: 35, scale: 100%



Bastards!

Oh boy, this could be a long post!

I just had an insight, but after I sat back and thought about it, I realised I ALREADY knew this. But something registered at a much deeper level and more profoundly within my consciousness.

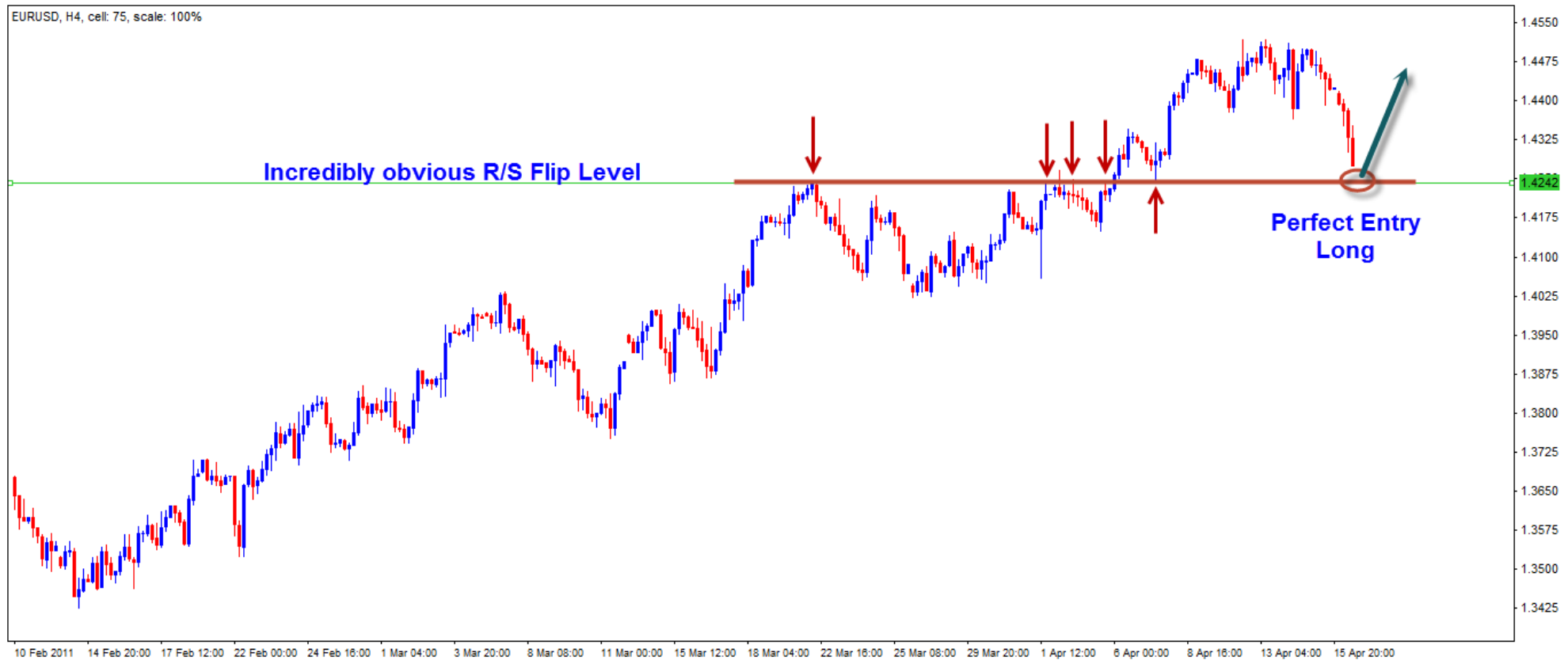
For a brief moment, I felt like I had entered to mind of the ITs and their sneaky tricks, and knew it HAS to happen like this to fill THEIR orders...

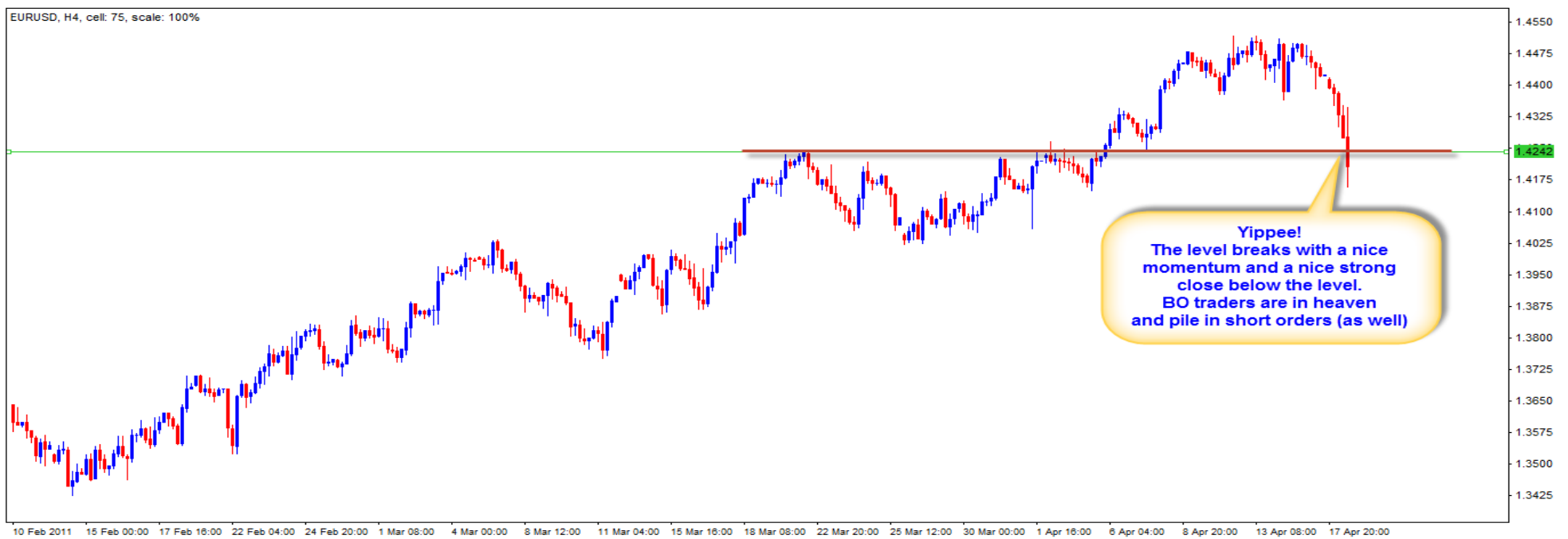
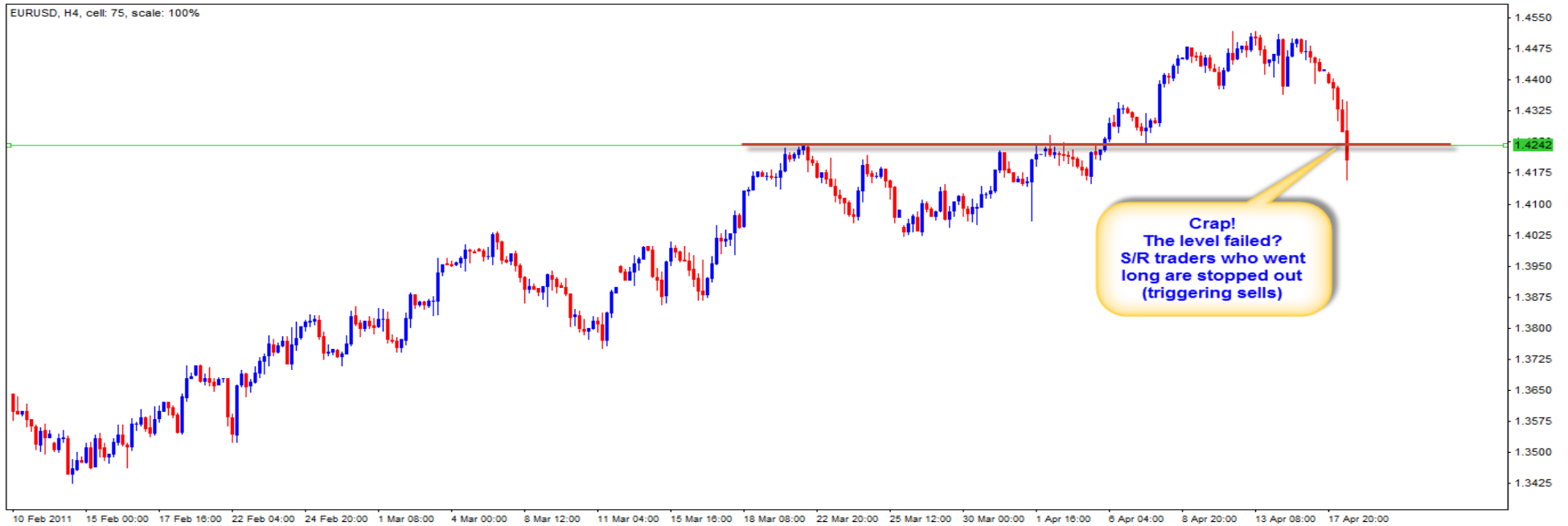
I saw NO chaos, only cleverly crafted yet incredibly simple tricks to fill their orders.

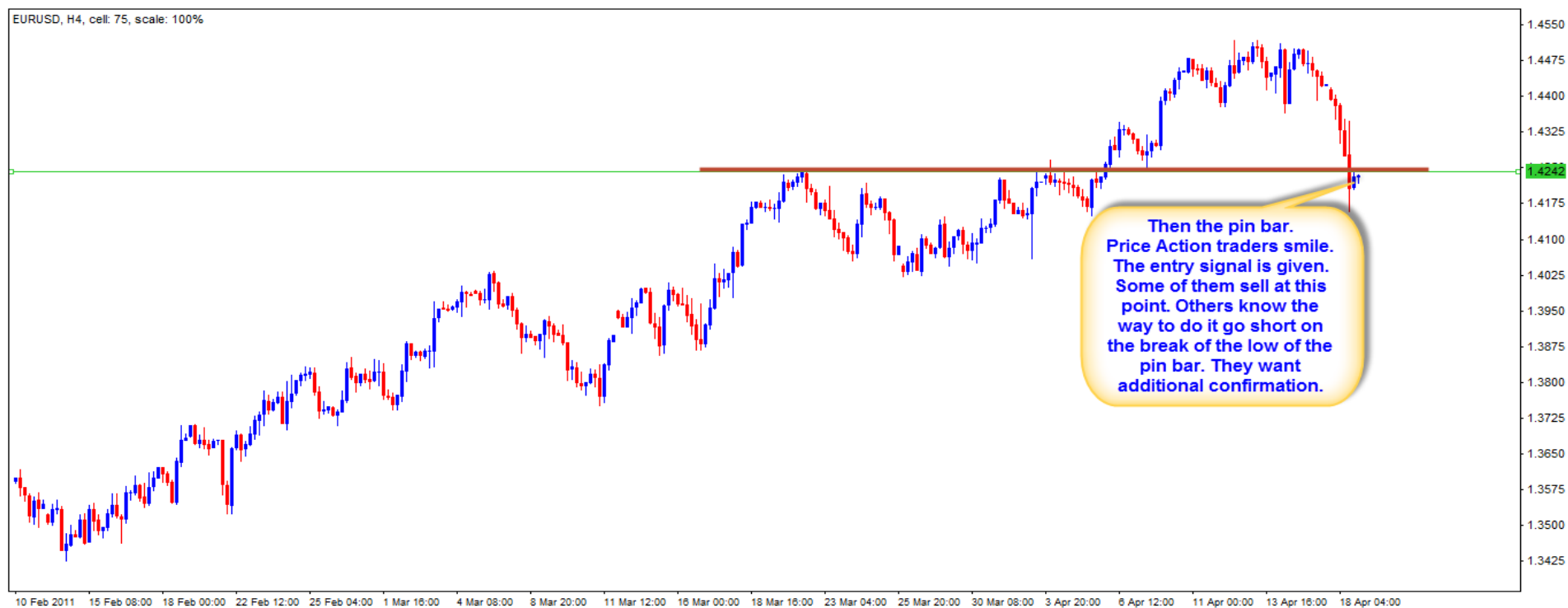
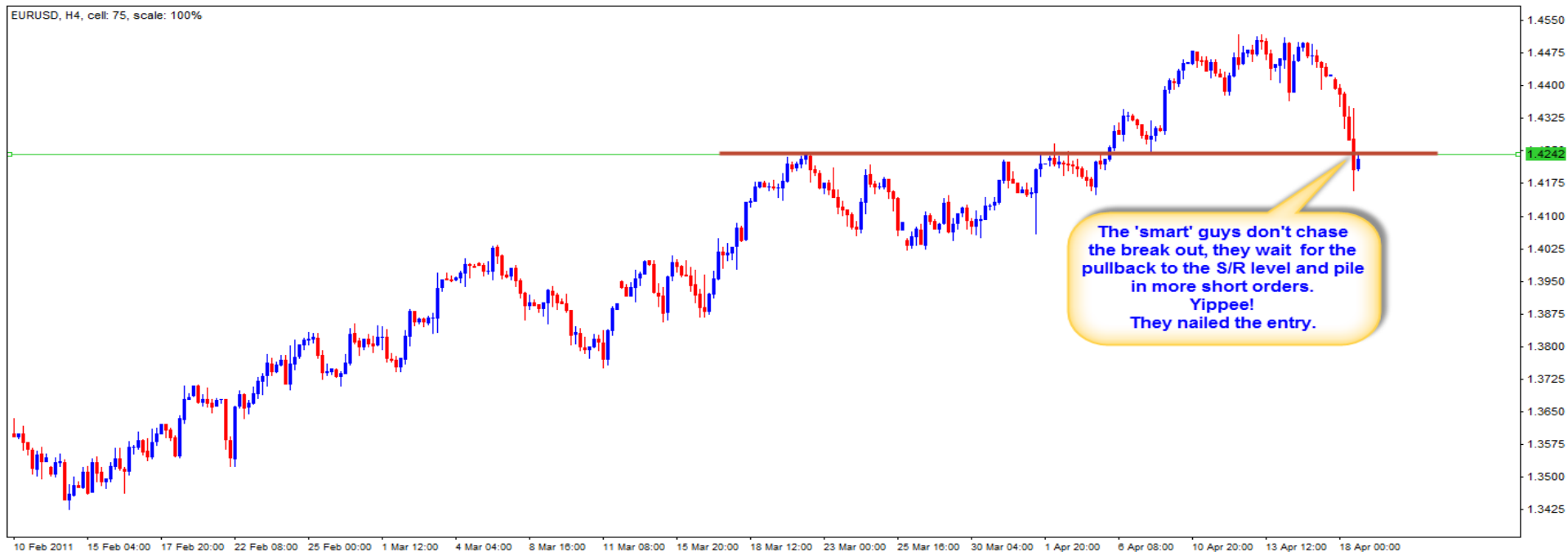
In the video on decision points, IF tells us it's OUR job to look at every significant turn in the market and understand why it happened.

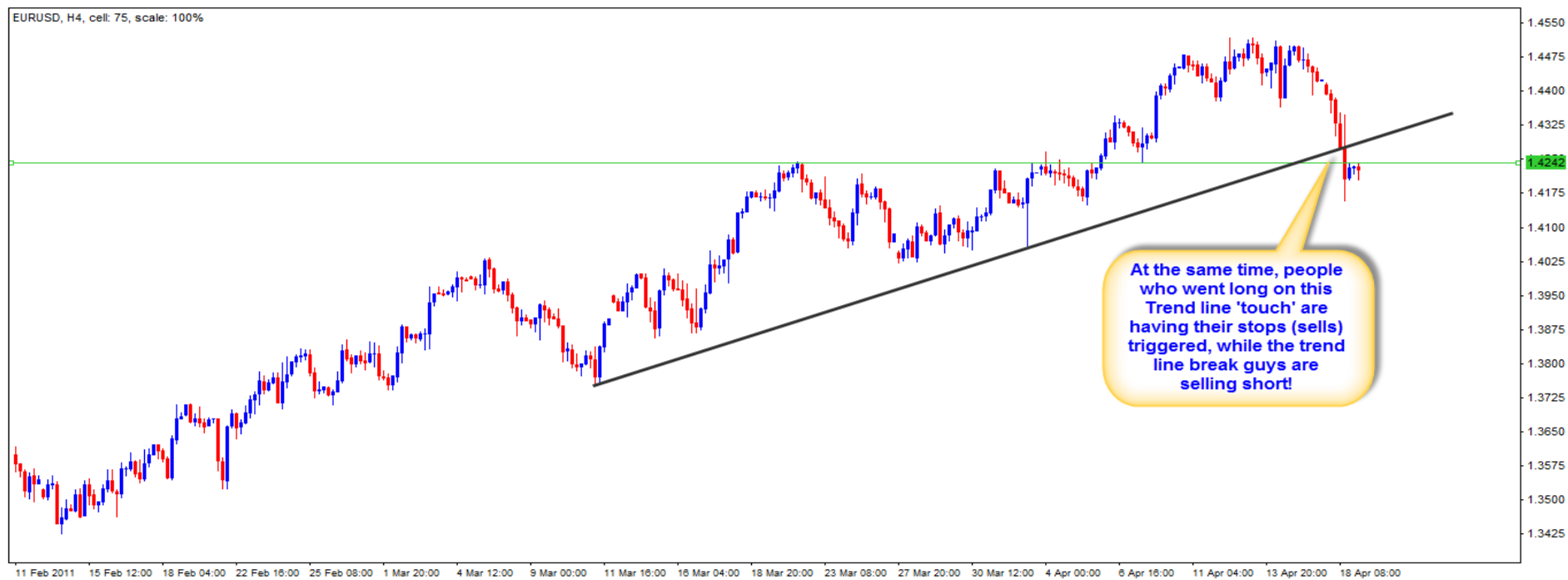
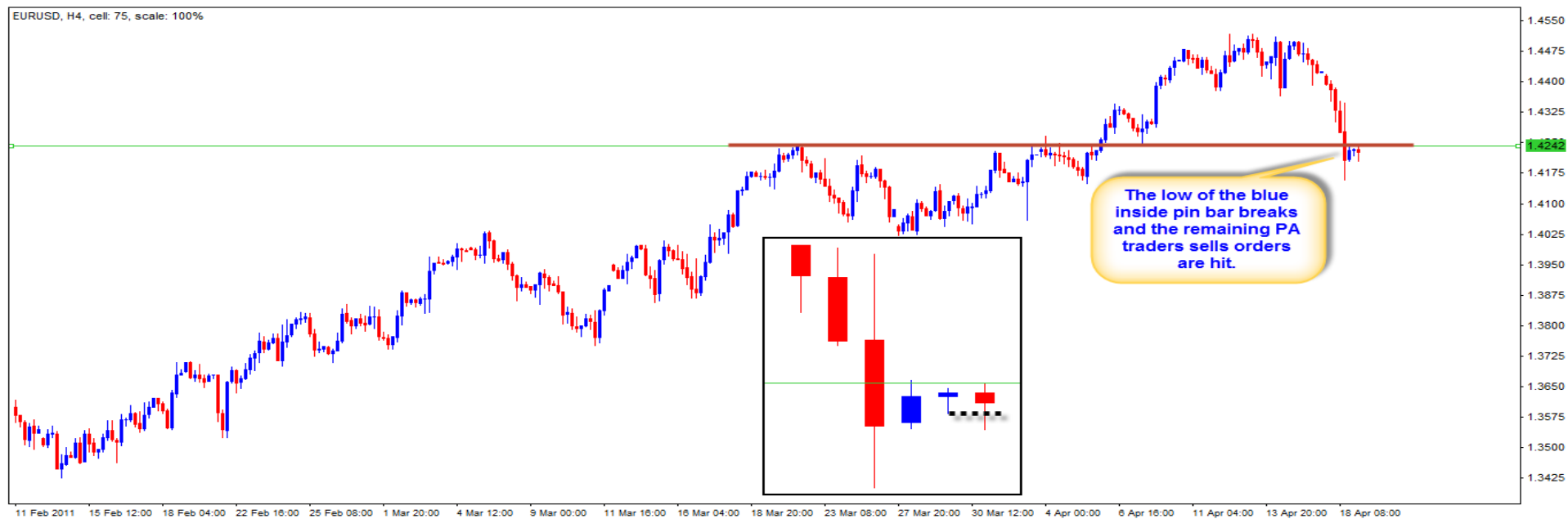
I was doing this... sitting in contemplation, and then it happened.

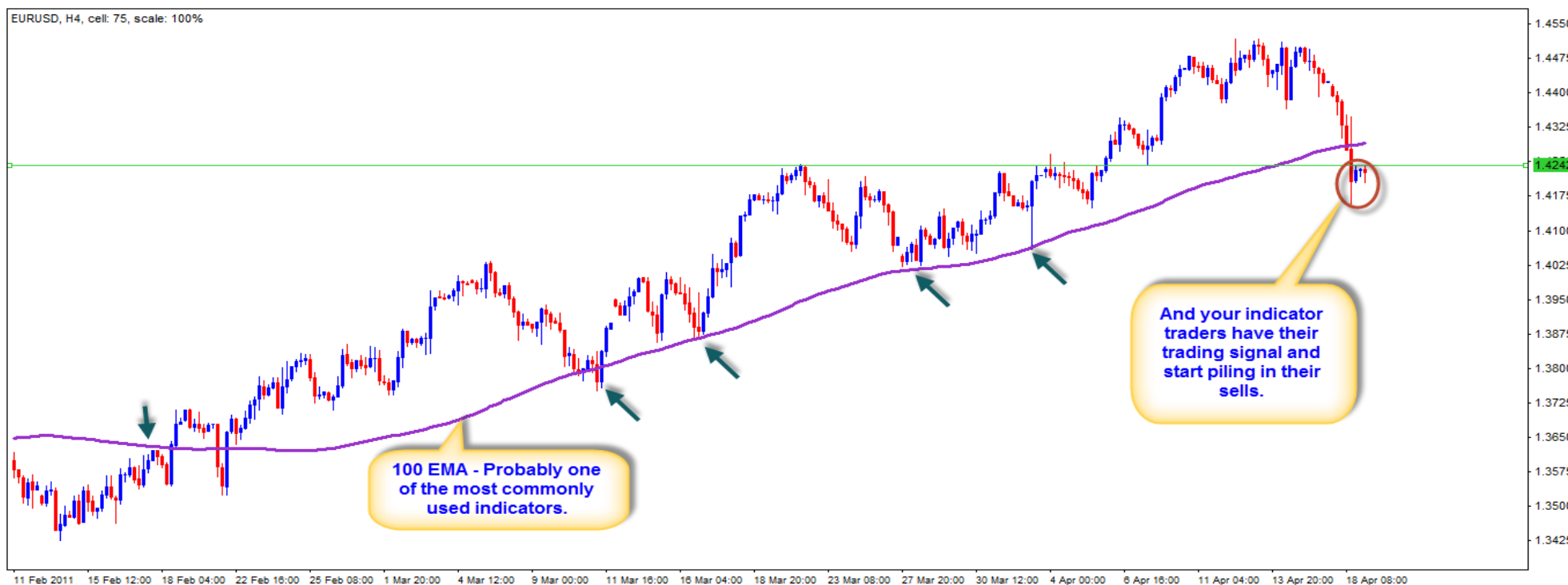
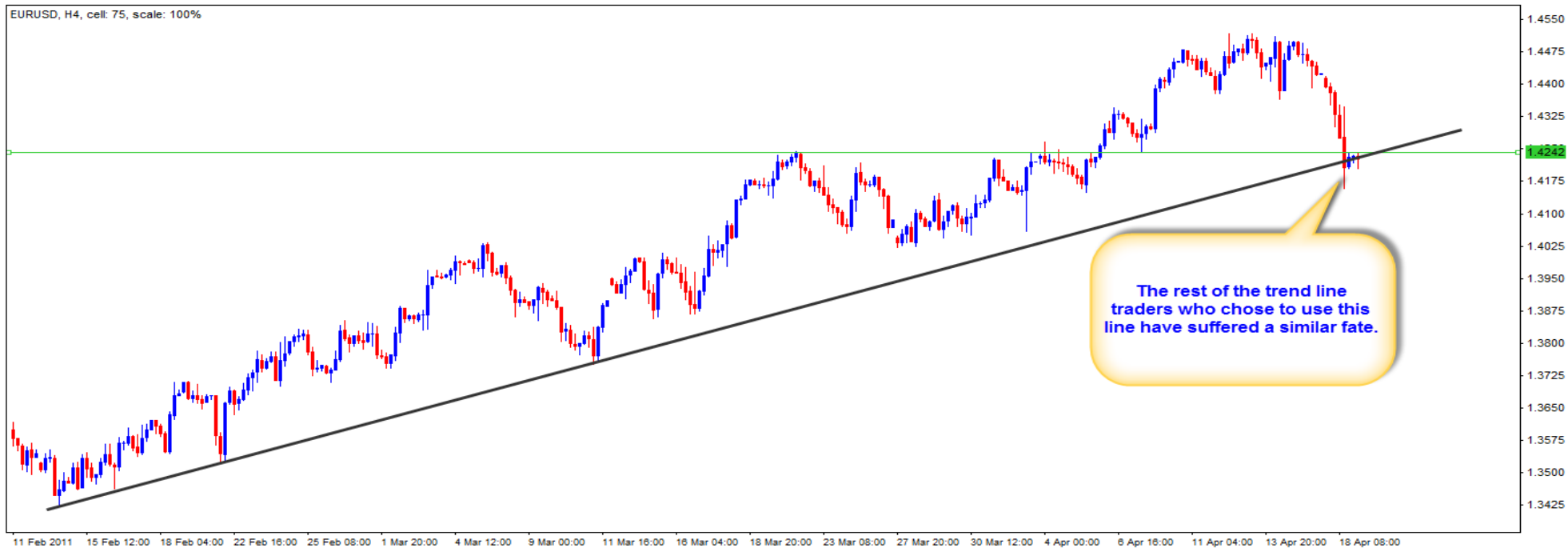
Please bear with me... I was looking at this level... on a 4hr chart.

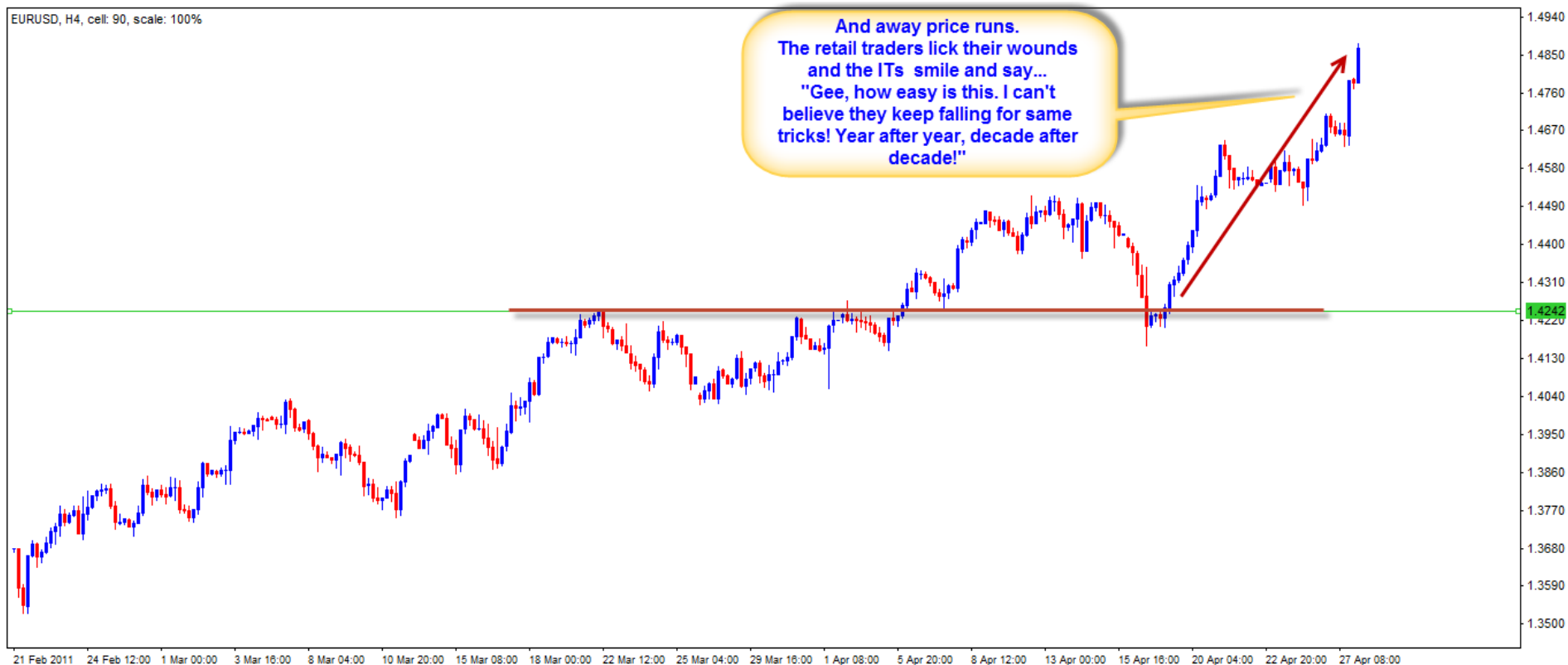
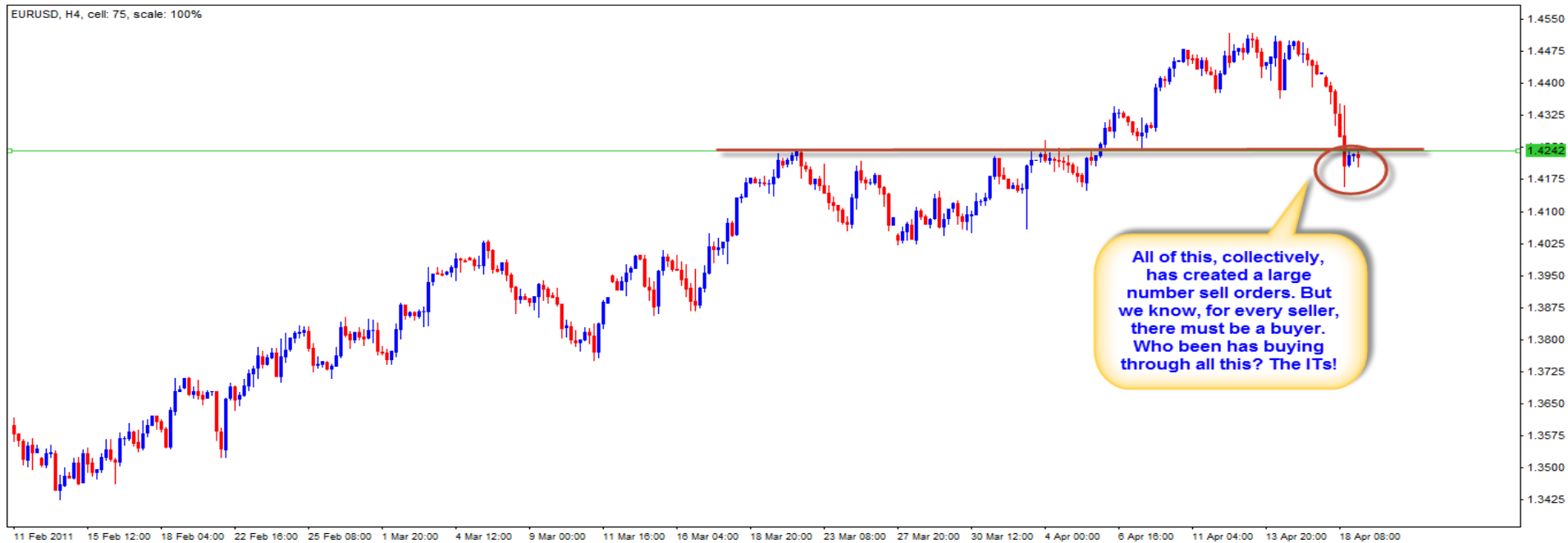












EURUSD, Daily, cell: 270, scale: 100%

I have changed
to Daily

Now, what should we
instead be doing?

We are aware of this significant
barrier and know that this is
the playground (level) where
the ITs play their sneaky
games. We are smart, we know
their tricks, and we are on the
look out for their clues which
reveal what they are up to.

Note, this is the same
level/place we have
been looking at, just
on the Daily chart.

15 Jul 2007 27 Sep 00:00 11 Dec 00:00 25 Feb 00:00 9 May 00:00 23 Jul 00:00 6 Oct 00:00 19 Dec 00:00 5 Mar 00:00 19 May 00:00 2 Aug 00:00 15 Oct 00:00 30 Dec 00:00 15 Mar 00:00 30 May 00:00 12 Aug 00:00 25 Oct 00:00 9 Jan 00:00 24 Mar 00:00

1.6200
1.5930
1.5660
1.5390
1.5120
1.4850
1.4580
1.4310
1.4242
1.4040
1.3770
1.3500
1.3230
1.2960
1.2690
1.2420
1.2150
1.1880

EURUSD, H4, cell: 75, scale: 100%

Now back
to H4

This is the level shown on
the Daily in the previous
chart, and we are
prepared and waiting.

1. We see
the engulf

2. Then the
follow through

3. We have read the FTR
article in Marketpedia, done
our homework and read IFs
Journal. We know this is the
deepest part of the pullback
and a beautiful FTR.

10 Feb 2011 14 Feb 20:00 17 Feb 12:00 22 Feb 00:00 24 Feb 16:00 1 Mar 04:00 3 Mar 20:00 8 Mar 08:00 11 Mar 00:00 15 Mar 12:00 18 Mar 04:00 22 Mar 16:00 25 Mar 08:00 29 Mar 20:00 1 Apr 12:00 6 Apr 00:00 8 Apr 16:00 13 Apr 04:00 15 Apr 20:00

1.4550
1.4475
1.4400
1.4325
1.4242
1.4175
1.4100
1.4025
1.3950
1.3875
1.3800
1.3725
1.3650
1.3575
1.3500
1.3425

EURUSD, H1, cell: 30, scale: 100%

H1 Chart

1. We drop down to the H1 for a closer look.

3. We understand exactly why the FTR happened where it did and know what to expect when price returns to the FTR.

2. Because we have done our homework, we know that ignored supply becomes demand.

4. We are fully prepared for when price returns.

31 Mar 11:00 31 Mar 20:00 1 Apr 12:00 4 Apr 05:00 4 Apr 21:00 5 Apr 13:00 6 Apr 05:00 6 Apr 21:00 7 Apr 13:00 8 Apr 05:00 10 Apr 22:00 11 Apr 14:00 12 Apr 06:00 12 Apr 22:00 13 Apr 14:00 14 Apr 06:00 14 Apr 22:00 15 Apr 14:00 18 Apr 07:00

EURUSD, H4, cell: 75, scale: 100%

Now back to the H4

1. We have our FTR marked out on the H1

2. And we know ahead of time that this is our FO zone, back to the FTR. It's not an engulf signal, it's a FO. The real engulf signal has already been given. When price enters here, while the untrained are bewildered and confused, we KNOW this is what HAS to happen, what has been ALREADY been planned ahead of time. We KNOW its how the ITs play THEIR game to generate enough sell orders for them to buy against. When price enters the zone, while others panic, we are calm and smile.

10 Feb 11:00 14 Feb 20:00 17 Feb 12:00 22 Feb 00:00 24 Feb 16:00 1 Mar 04:00 3 Mar 20:00 8 Mar 08:00 11 Mar 00:00 15 Mar 12:00 18 Mar 04:00 22 Mar 16:00 25 Mar 08:00 29 Mar 20:00 1 Apr 12:00 6 Apr 00:00 8 Apr 16:00 13 Apr 04:00 15 Apr 20:00

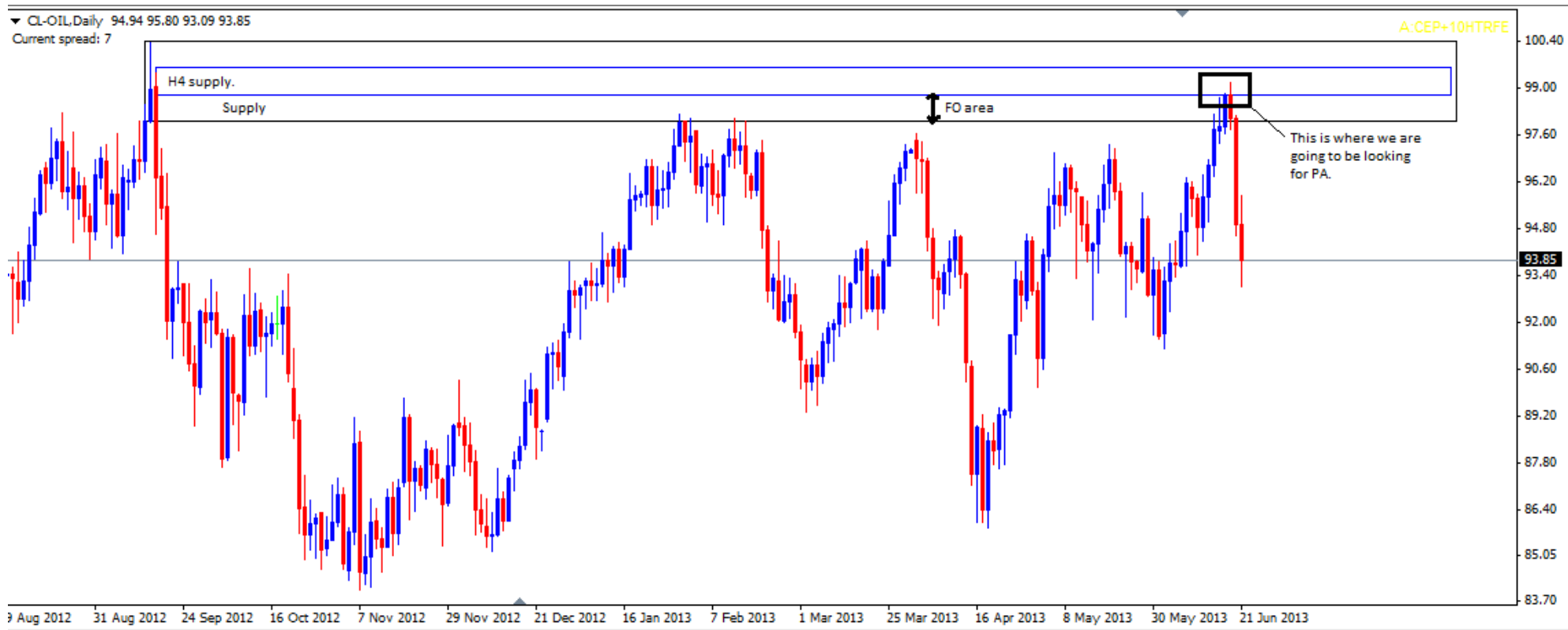
EURUSD, H4, cell: 90, scale: 100%



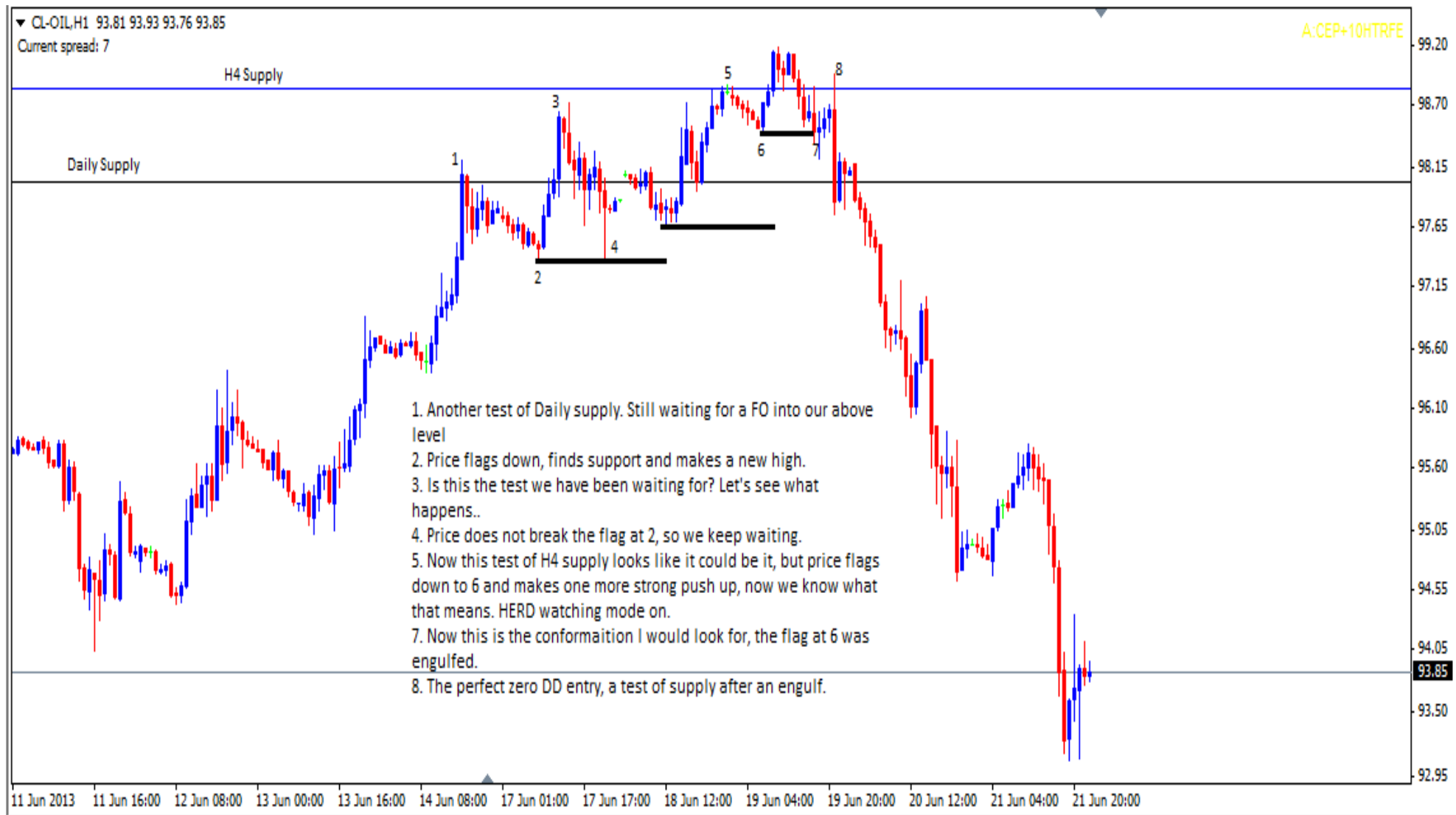
Pedini post :

Most of you cruising around this site probably hear "watch for PA" quite a lot. I know it confused me when I was starting out. This is one thing I will look at to see if a Zone is going to work:

Following is the Daily. You can see pretty easily that price is trading off a nice level of supply. Just above there is some really nice H4 supply in the blue box. Immediately we know there is nice a potential to FO, and this should be noted in taking any trades around the highs. You can see that price did FO and got into our H4 supply level. This is where we drop down in time frames and look for PA.

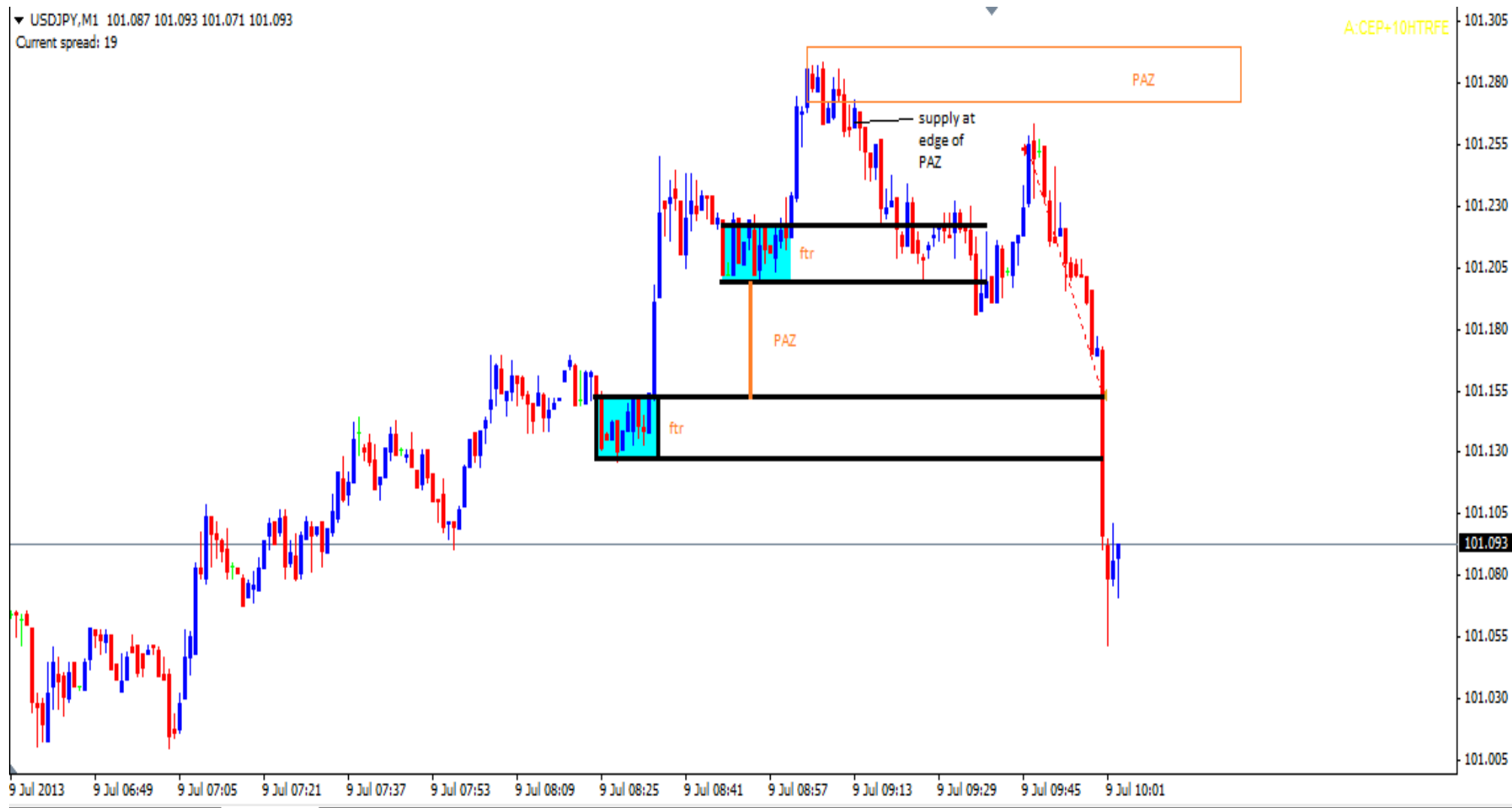


Following is a H1 chart. One thing I will do when watching PA, is look for an engulf of a flag. If I am at a level on a HTF I won't go too low because it can get a little messy.

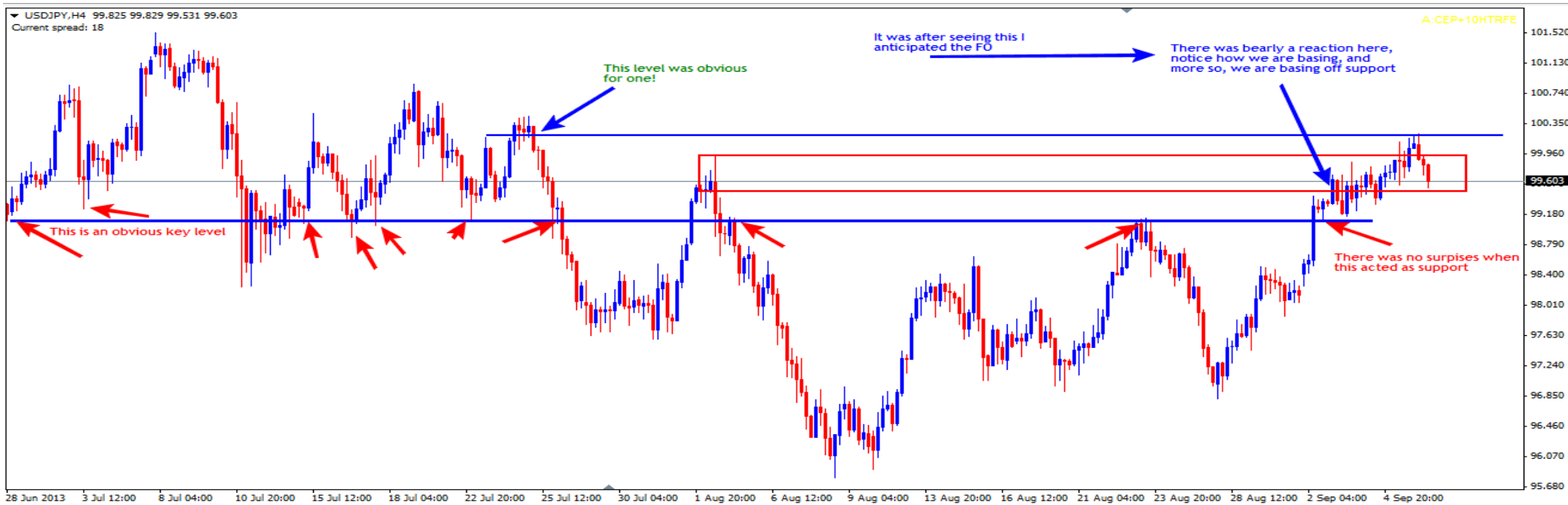


Now, if this was a TT at H4 supply our stop would have been 90 odd pips, trade taken waiting for conformation on H1 30 odd pips. This is only 1 of many ways looking at PA. Hope this is of some help

It is obvious I could have taken this one much further, the entry was okay at least. (PAZ trade)



Here is my reasoning hoto. Remember, it is important to look to the past, but never ignore what current PA is telling you.



Let me explain my approach called "**TIME**" including how to draw horizontal lines based HTF candle closes.

(1) Top-down analysis

"Entry based on LTF PA @ HTF SD - High Probability"

I believe your trades should be based on LTF PA at HTF SD in order to increase your win rate. Do intraday traders need to check monthly charts? I think yes. Monthly/Weekly/Daily zones are too wide for intraday traders (like me) to hide SL. Then how to use HTF SD?

Take a look at the current monthly chart of EURJPY.



(2) Impactful patterns

Try to find strong impactful patterns like "Bull/Bear Traps", "Whipsaw Engulfing", "Spike Base", "Quasimodo", and so on.

You can see two bull traps on EJ 30M.



(3) Momentum analysis

▼ EURJPY,M30



(4) Engulf

Need to check bullish/bearish engulfing before pulling the trigger.

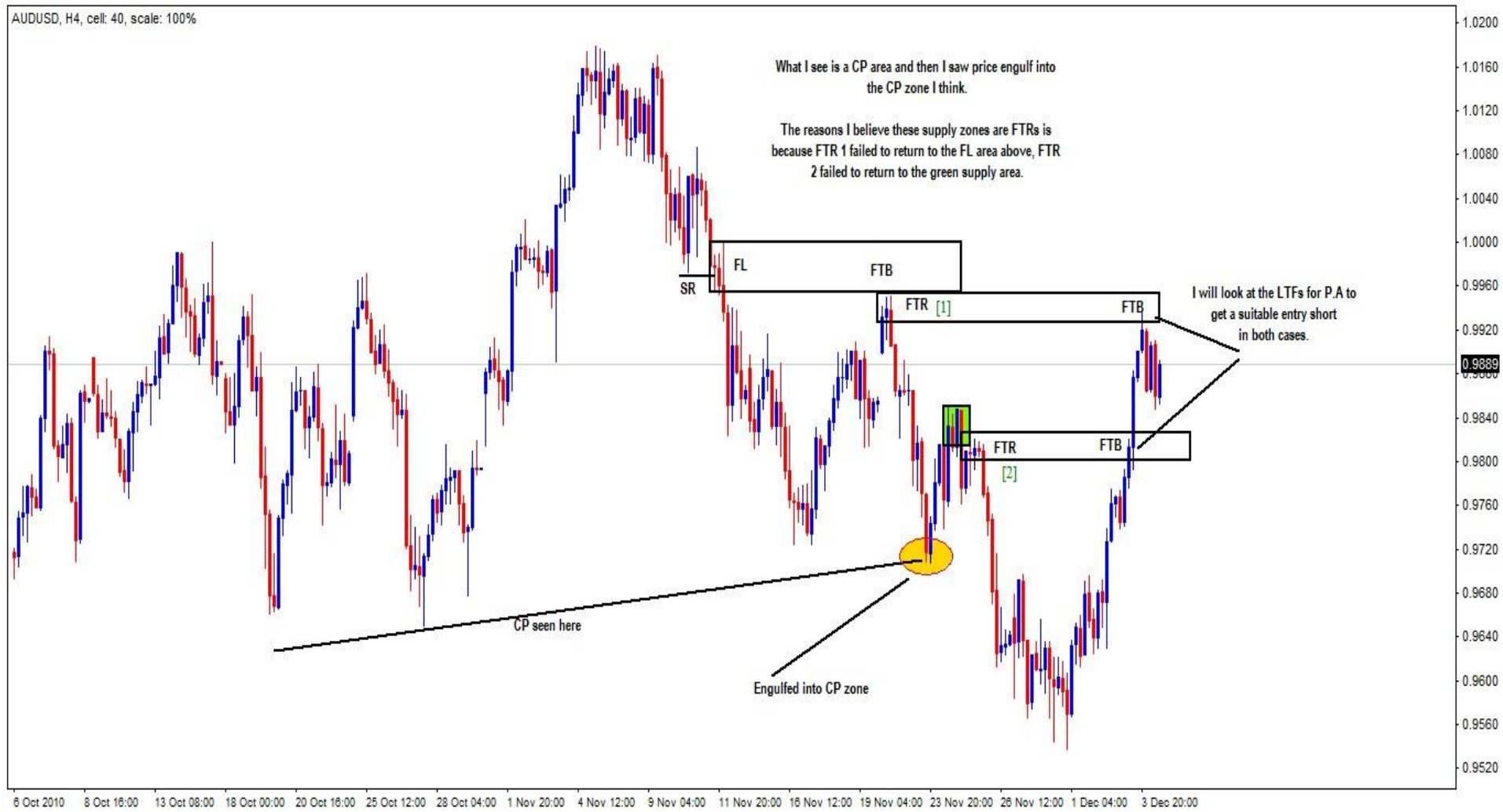
(Bearish engulfing in the EJ case was made too quick to get in. I couldn't catch it. I took UJ short instead. 😊)



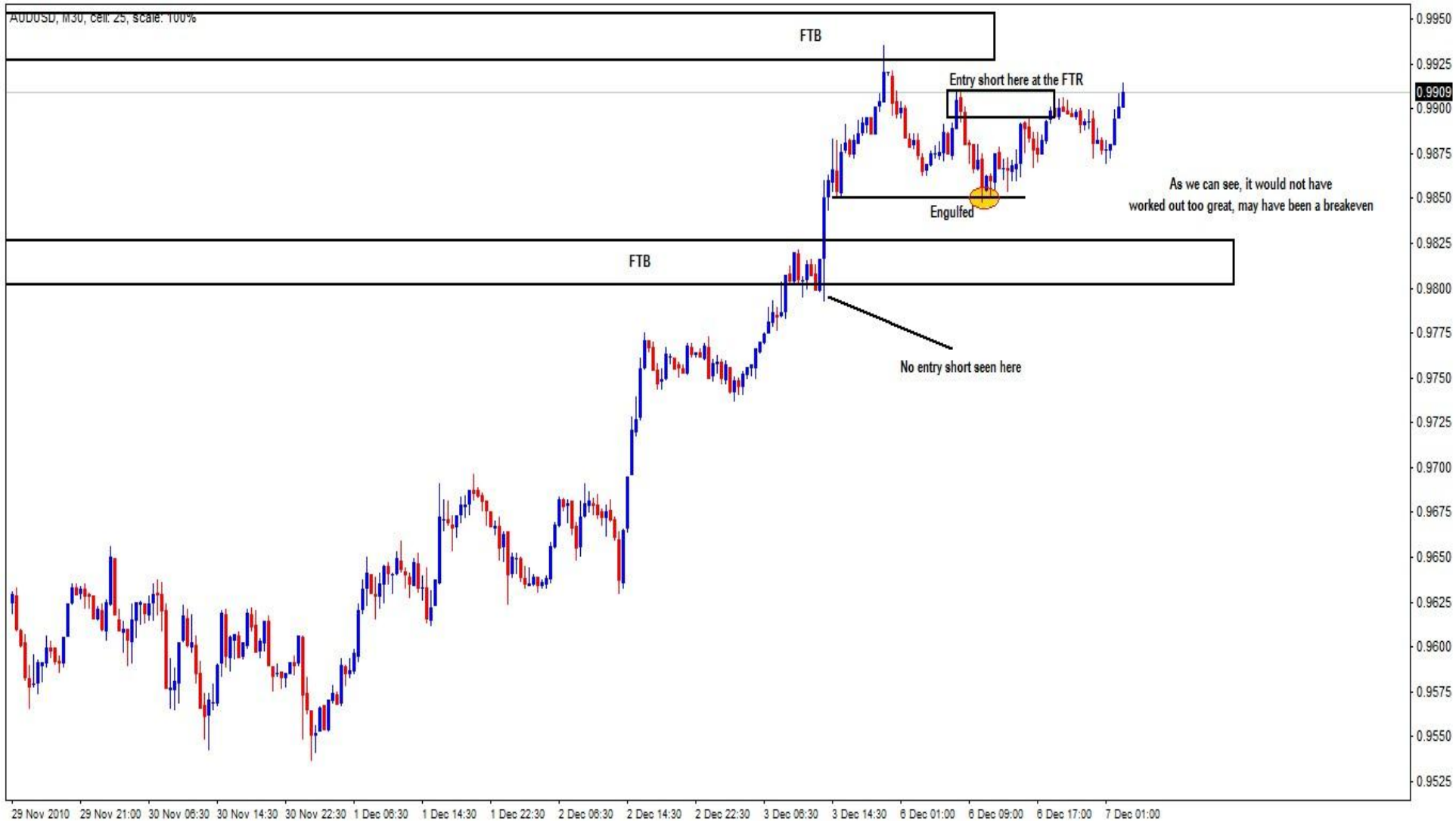
One more example of my TIME approach.

[Attached Images \(click to enlarge\)](#)





AUDUSD, m30, Cell: 25, Scale: 100%





Next chart is a combination of the Daily TF, 2hr, 1hr and 15 minute TF

AUDUSD, Daily, cell: 105, scale: 100%



AUDUSD, H2, cell: 35, scale: 100%



AUDUSD, H2, cell: 30, scale: 100%

FTB



AUDUSD, H1, cell: 20, scale: 100%

FTB

1.0160

1.0140

1.0132

1.0120

1.0100

1.0080

1.0060

1.0040

1.0020

1.0000

0.9980

0.9960

0.9940

0.9920

0.9900

0.9880

0.9840

0.9820

SR

FL

FTB

The hourly I would have wanted to see this FL engulfed first before deciding to short anywhere, but as of now, it has been respected

10 Dec 2010 13 Dec 00:00 13 Dec 16:00 14 Dec 08:00 15 Dec 00:00 15 Dec 16:00 16 Dec 08:00 17 Dec 00:00 17 Dec 16:00 20 Dec 10:00 21 Dec 02:00 21 Dec 18:00 22 Dec 10:00 23 Dec 02:00 23 Dec 18:00 24 Dec 10:00 27 Dec 04:00 27 Dec 20:00 28 Dec 12:00 29 Dec 04:00

AUDUSD, M15, cell: 10, scale: 100%



I have these charts on file and it is one I open and read daily, it is collected from different members on this forum, and it is things that really seemed to click with me, I am sure there are many others...But this is a good read.



You just have to know that a compression itself is a PAZ (Price Action Zone)

Then you have to look where its decision was made to break it (e.g by liq spike) - you can also refer to it as decision point.

Look at your chart at the first liq spike from that cp. We tested it one time after the break, but then created a nice bullish momentum bar which broke this "FTR"





USDCAD:M1 1.01869 1.01872 1.01869 1.01872
2021 20:45 Alert triggered: USDCAD@1.01871, 27 pips from Trendline 33853.





Very good question, with answers which are well worth remembering





Hi Buddy, "I understand that an engulf involves price making a lower low on reaction to Supply, or higher high on reaction to Demand" - This can be correct, but it certainly is not always correct, actually most of the time it isn't correct. You need to find the important engulfs of flags, it is when these happen that an engulf becomes meaningful. Simply making a higher high or lower low will not show you any intent.

Also understand that an engulf will achieve the same thing as a FO (in terms of retailer trading behaviour) but it is the signal that price wants to go to the next important level in the direction of the engulf. A FO is simply a ploy to trap traders once the signal engulf has already happened.

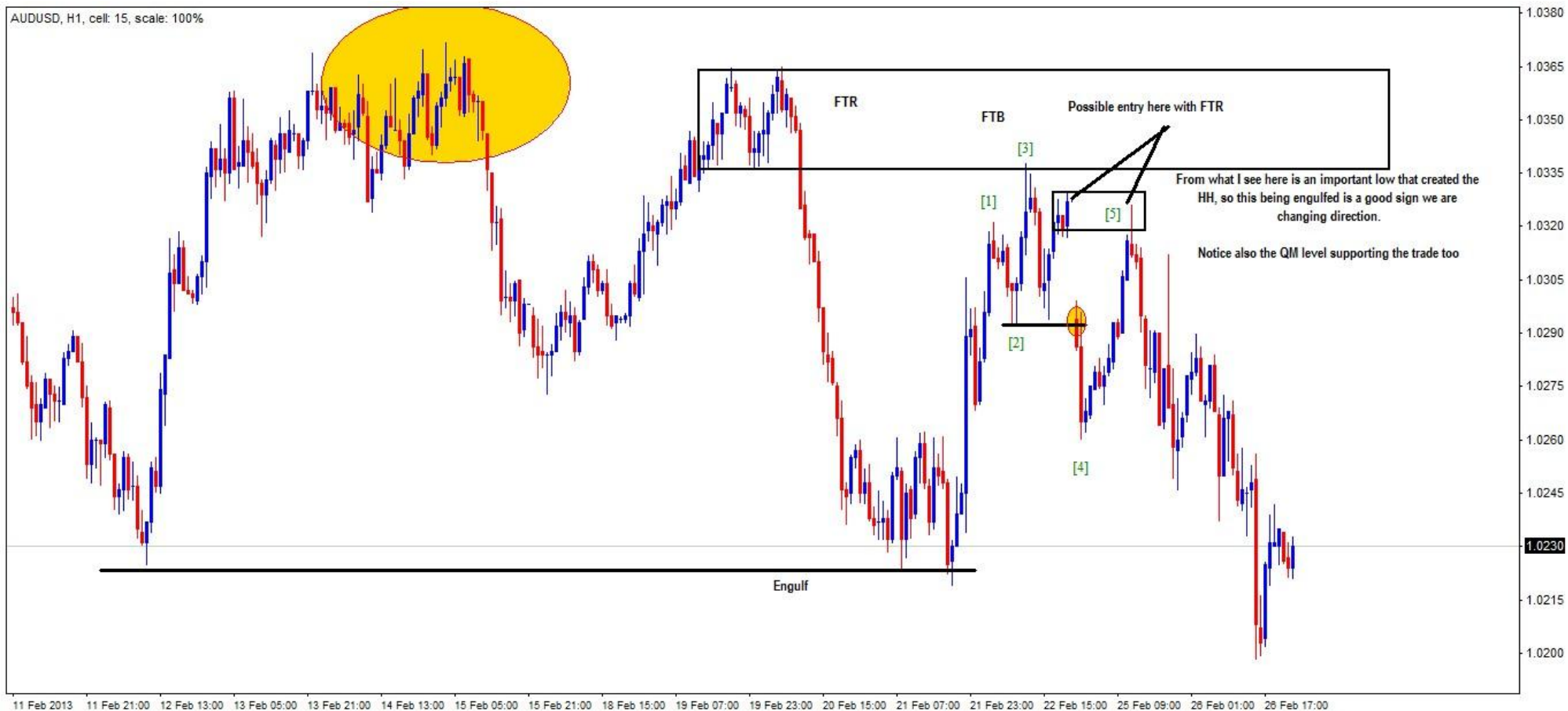
Study up on flag limits, there has been some very good posting on them recently, understanding the FL and the engulfs of the FL's along with a HTF analysis and you will be able to tell the FO from the Engulf.

Sorry if that was a little bit of a mouthful,
Peds

Here is another chart I just saw whilst looking on the tester.



AUDUSD, H1, cell: 15, scale: 100%



I now mostly trade the HTFs for a longer term hold and using the LTFs for entries, but sometimes I will scalp the LTFs. On Friday I spotted a scalp setup, and as I often do, I took screenshots at various intervals just to see how price played out. I have annotated the screenshots with my thinking at that time. You will not see any trades on the chart as I use it for analysis only and my scalping is done with a spread betting broker.

I am posting these charts as I believe this is the essence of what RTM teaches at its simplest. I have kept annotations to a minimum as I have difficulty reading cluttered charts and the real message can get lost to the reader. I shall return to this post should I ever stray from the path.

The chart below is what first caught my attention:



This was my plan:

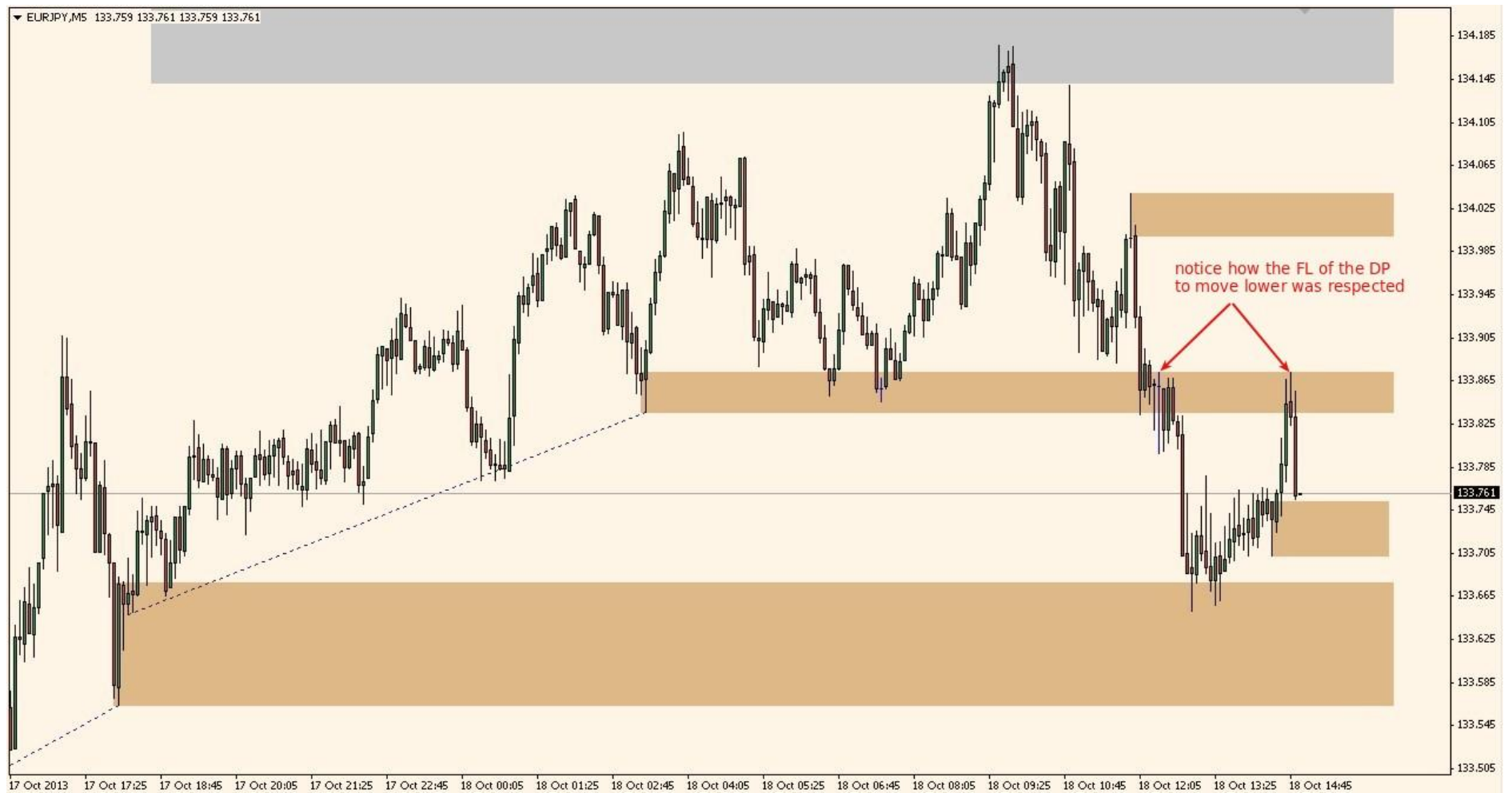


and this is what price decided to do:



As you can see in the chart above price decided not to come to me this time, but by now I was in tune with this pair.

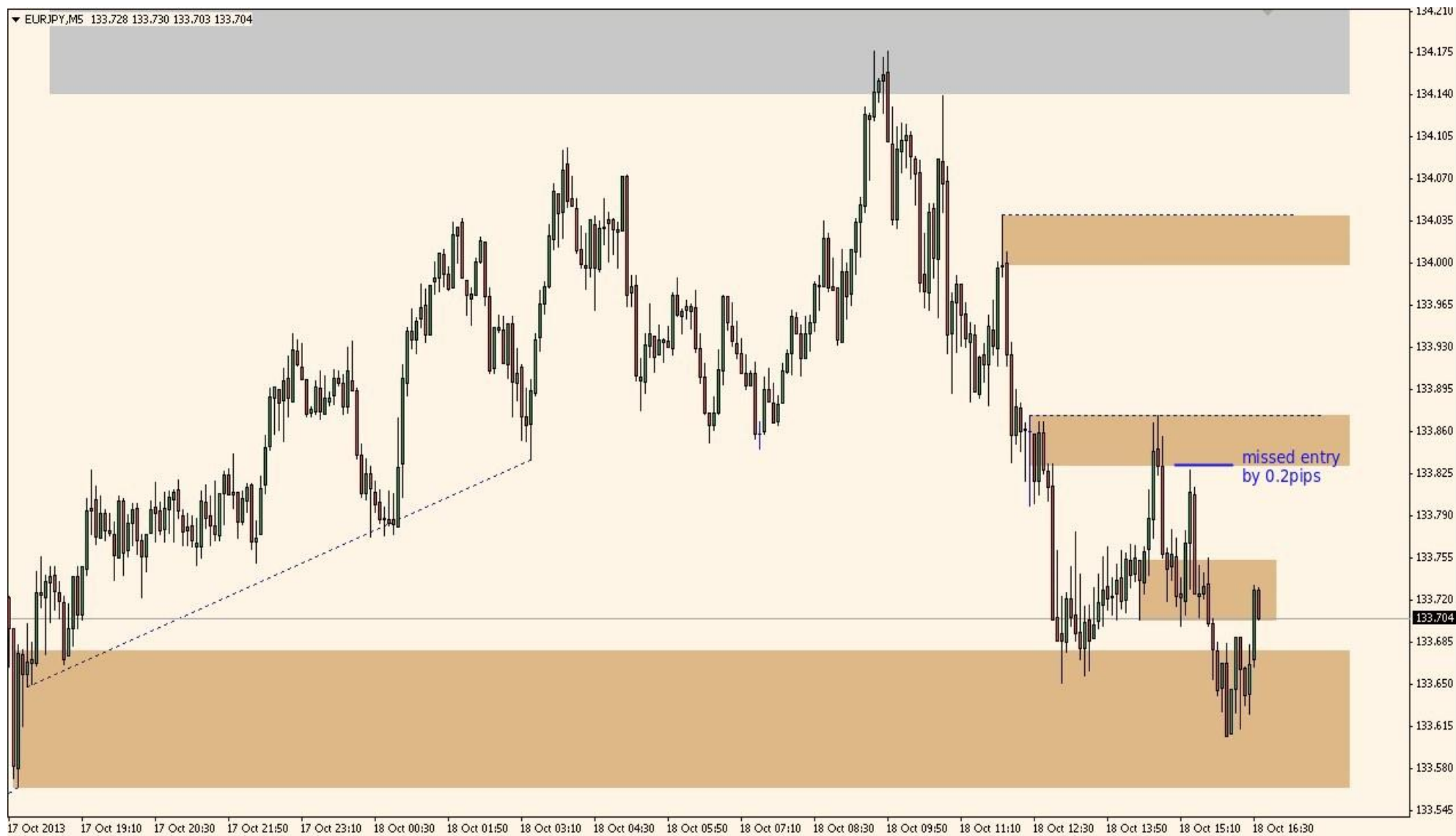
I waited:



I saw this as an opportunity but the R:R was not to my liking:

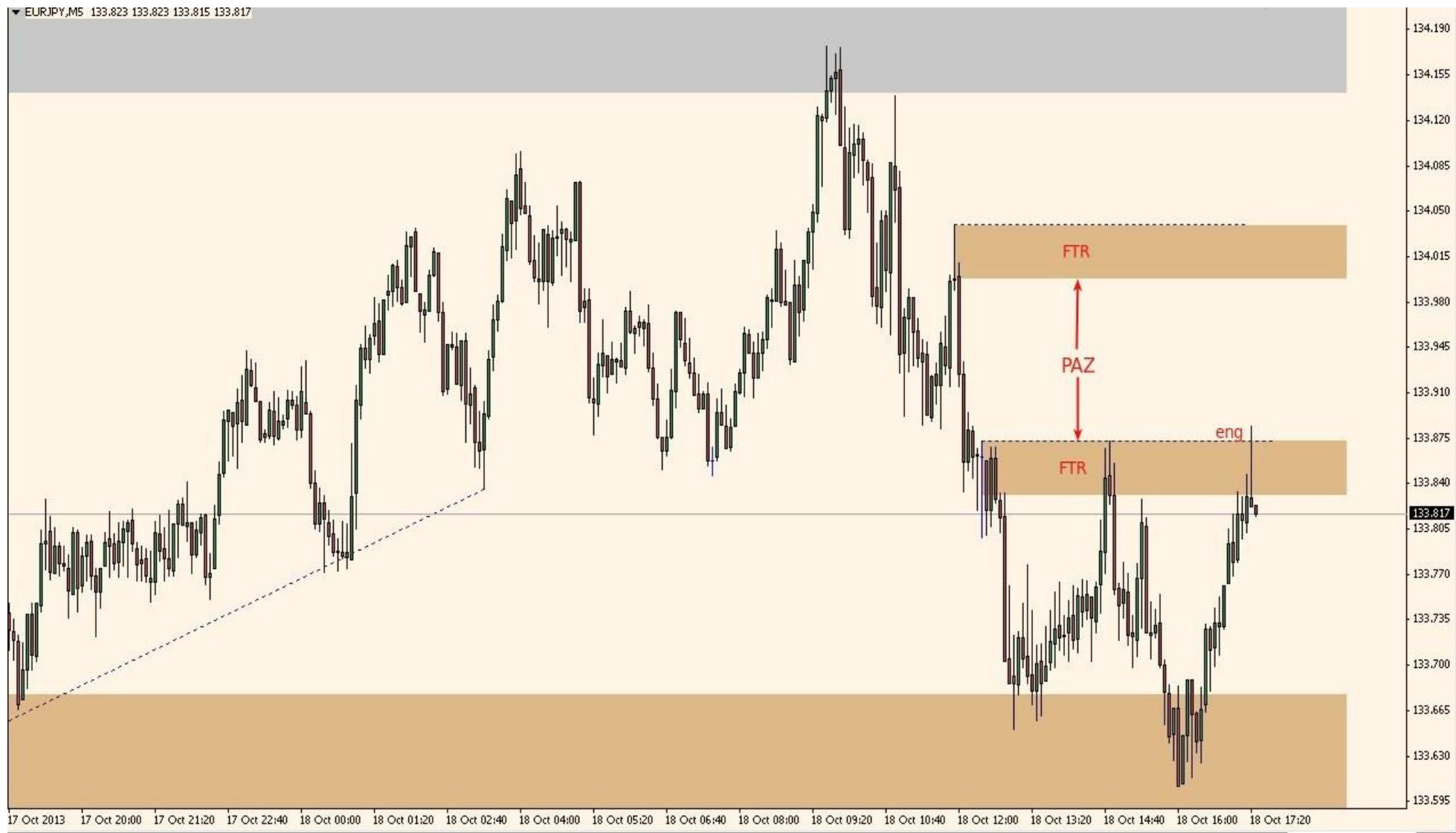


... so I waited.

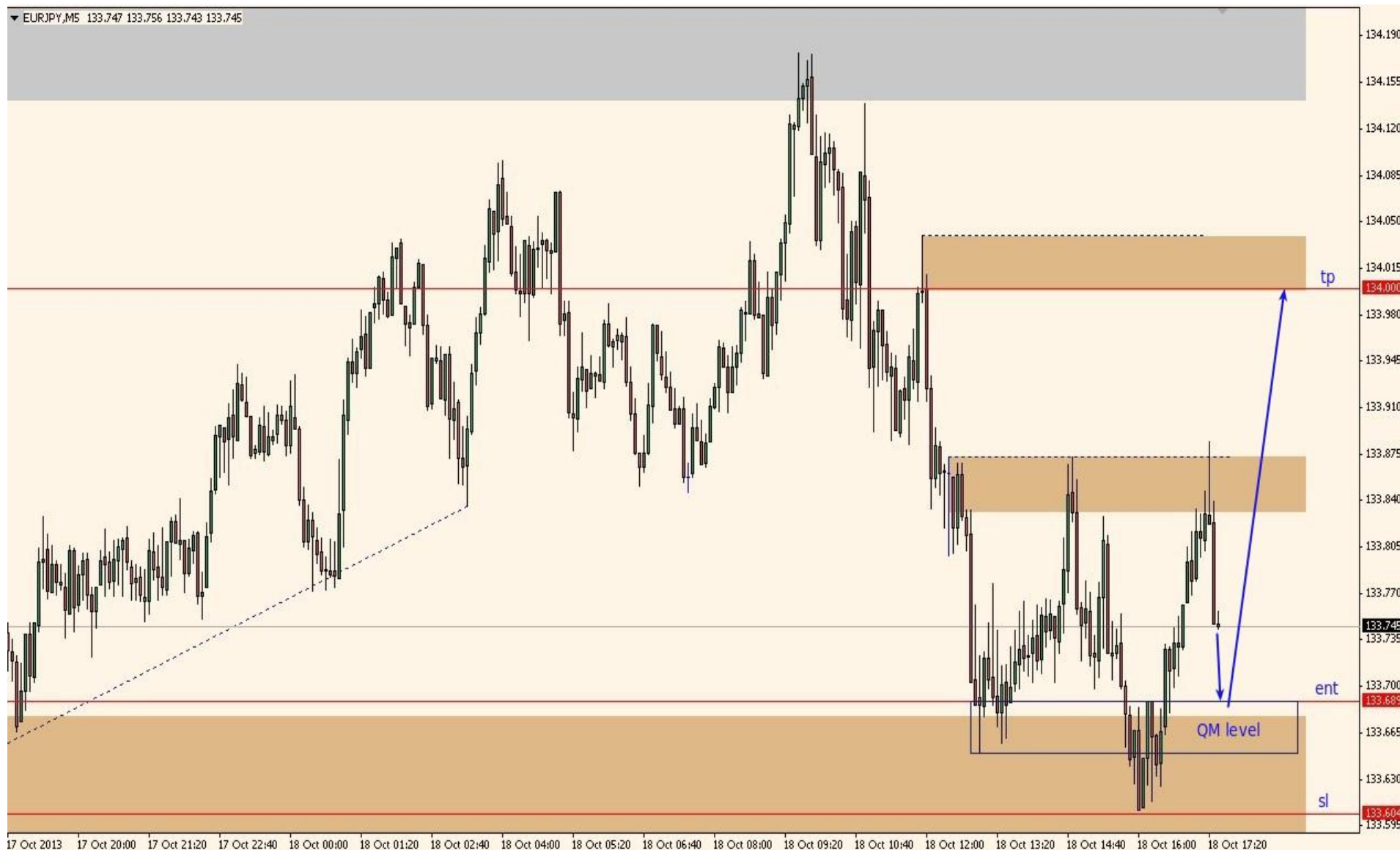


I may have missed the entry anyway if I had got too greedy on the entry..... and I waited.

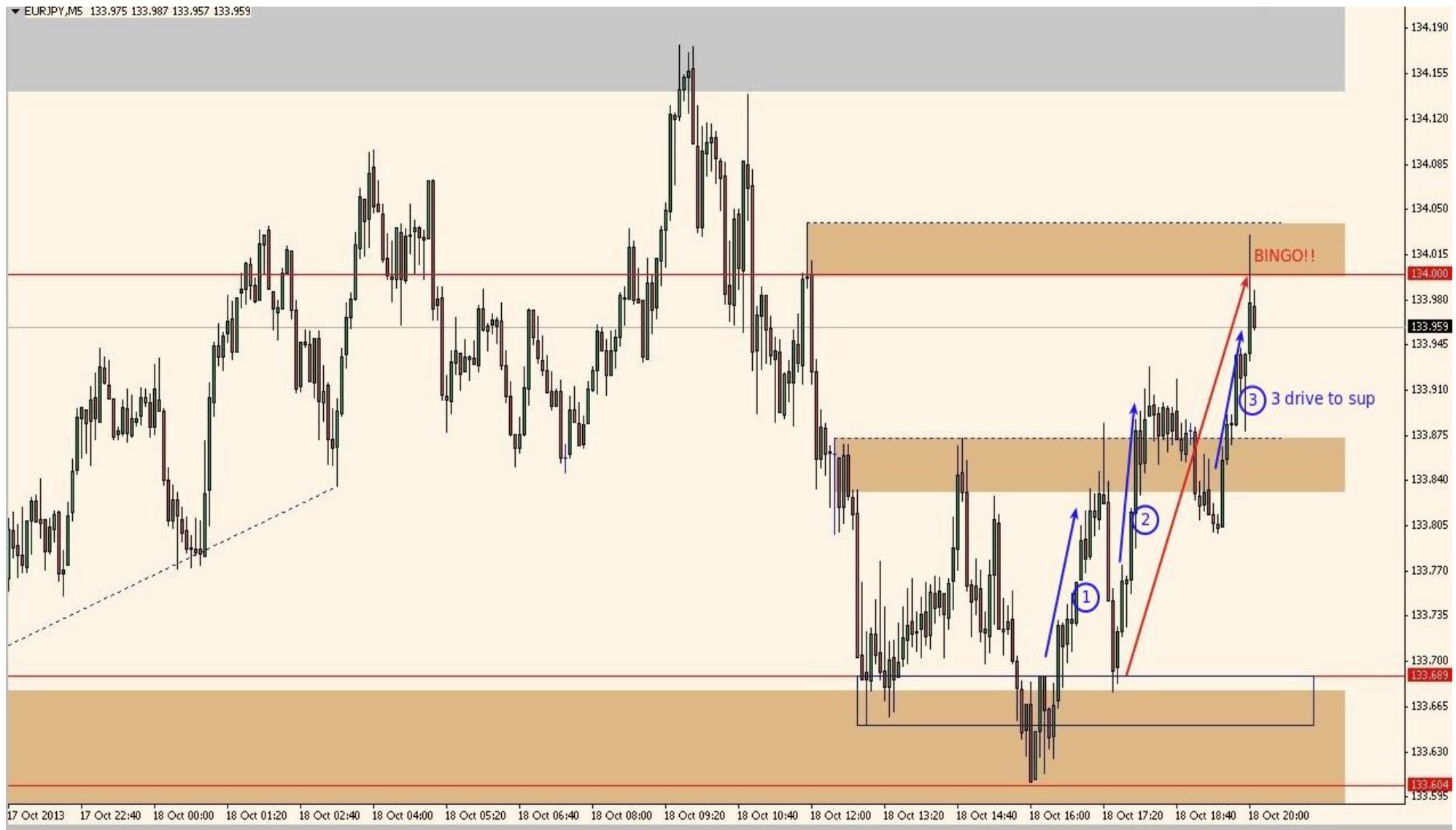
HAH! HAH! what a beautiful sight!:



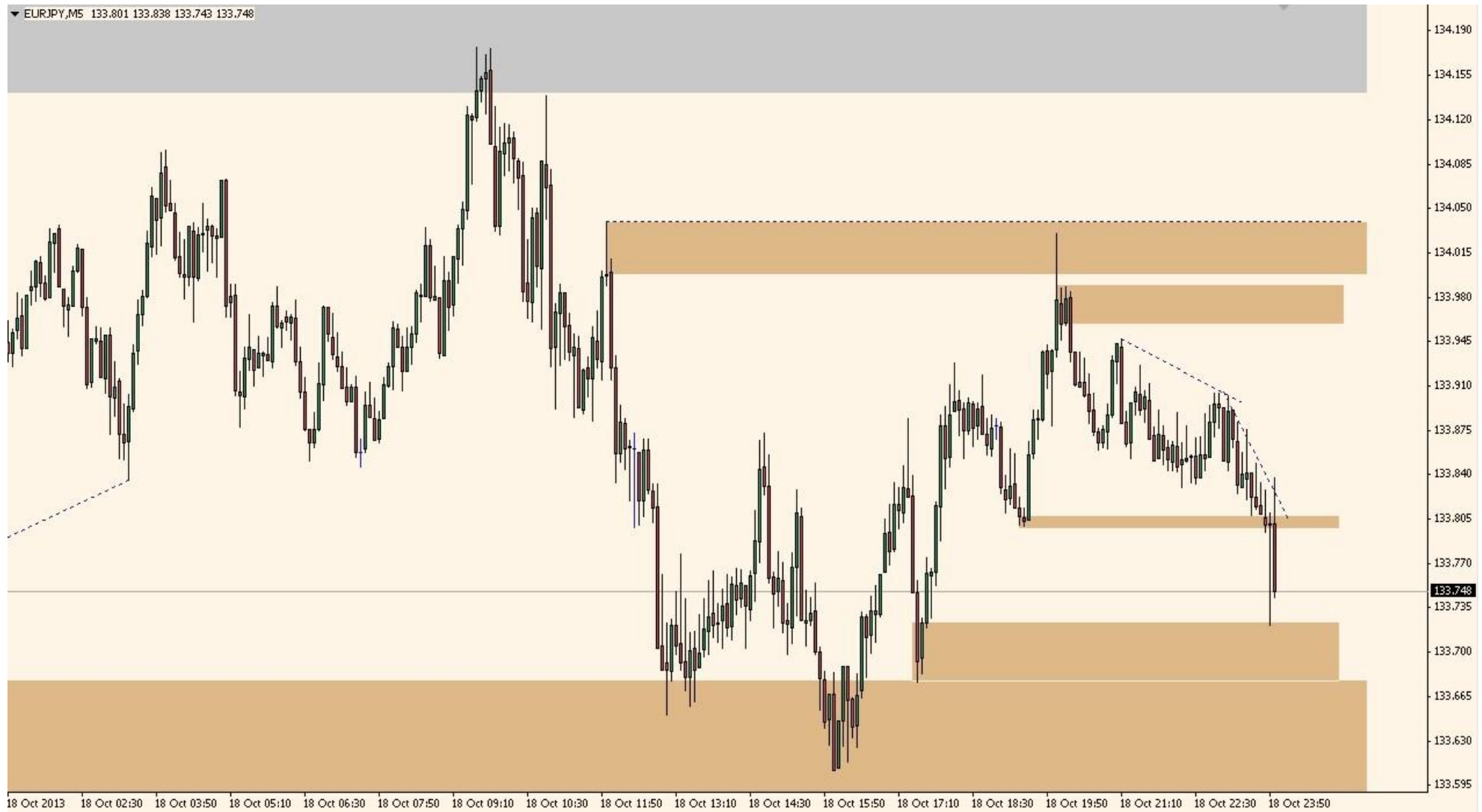
... and now for the plan:



What does price do this time?:



For me the 3 drive also made this supply good for a short, but I don't trade that way:



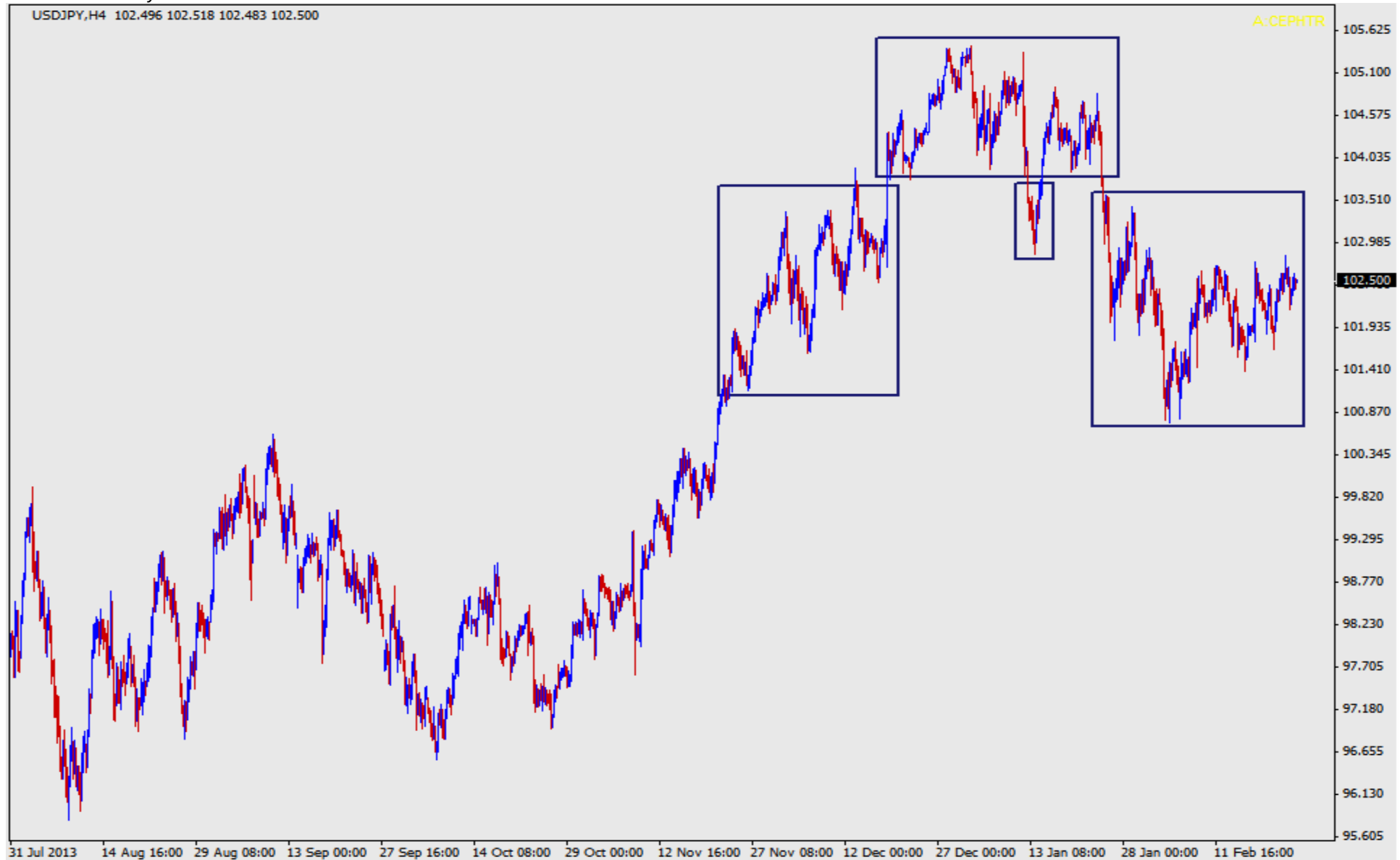
Would I plan for a long down here 🤔

Ok, this post is an insight into one method of how I try to find my trade opps.

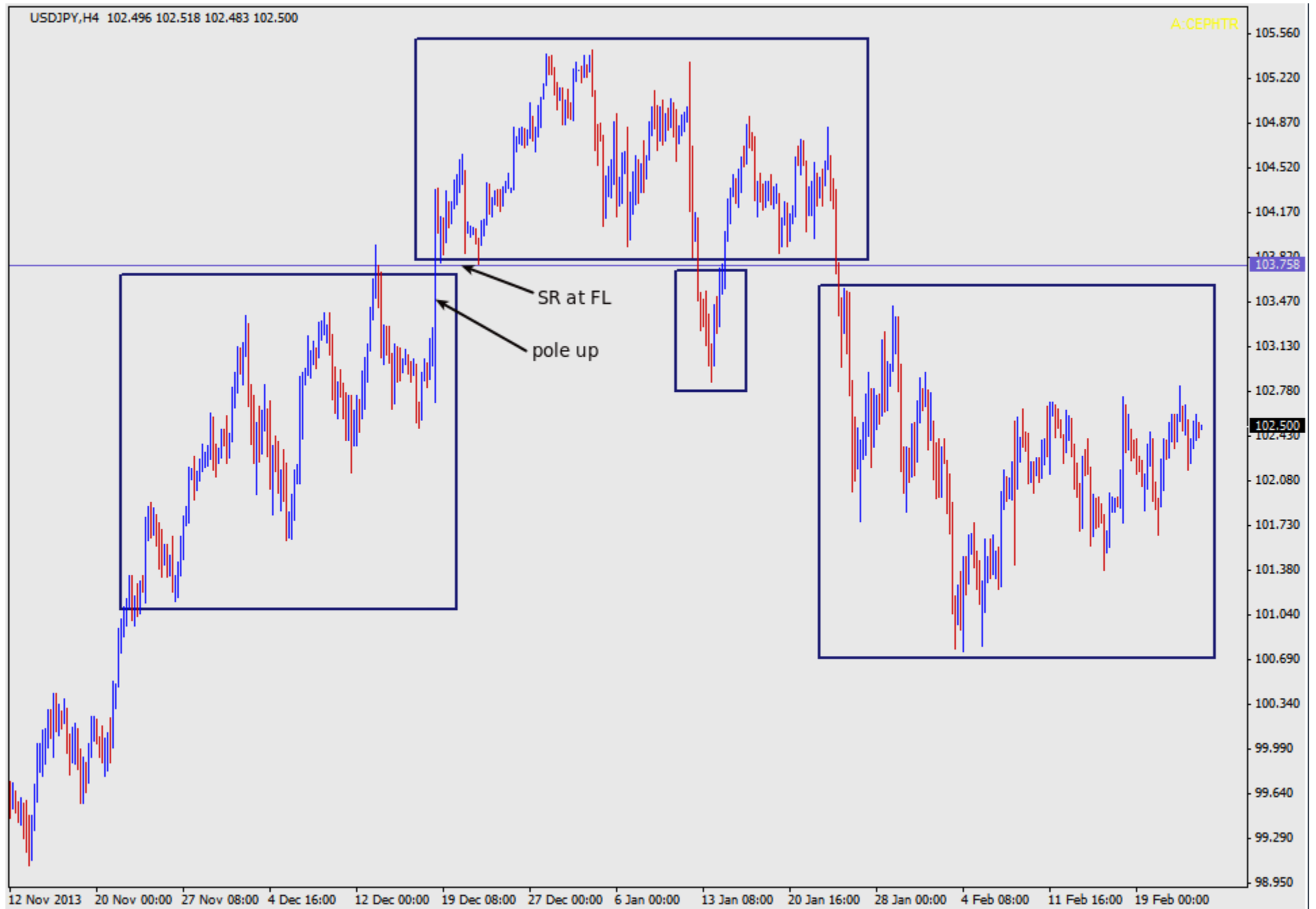
I read the charts to find zone engulfs rather than just DBR/RBD engulfs as this gives the desired R:R.

I see the charts in terms of Poles and Flags and I'm looking to the SR transition level between the PAZs. This trade level has to be an M1 SD zone 3-4 pips wide and providing an FO to the above/below FTR/FL. I then trade the return to this level, giving me a potentially massive R:R. Some pics below to paint this picture.

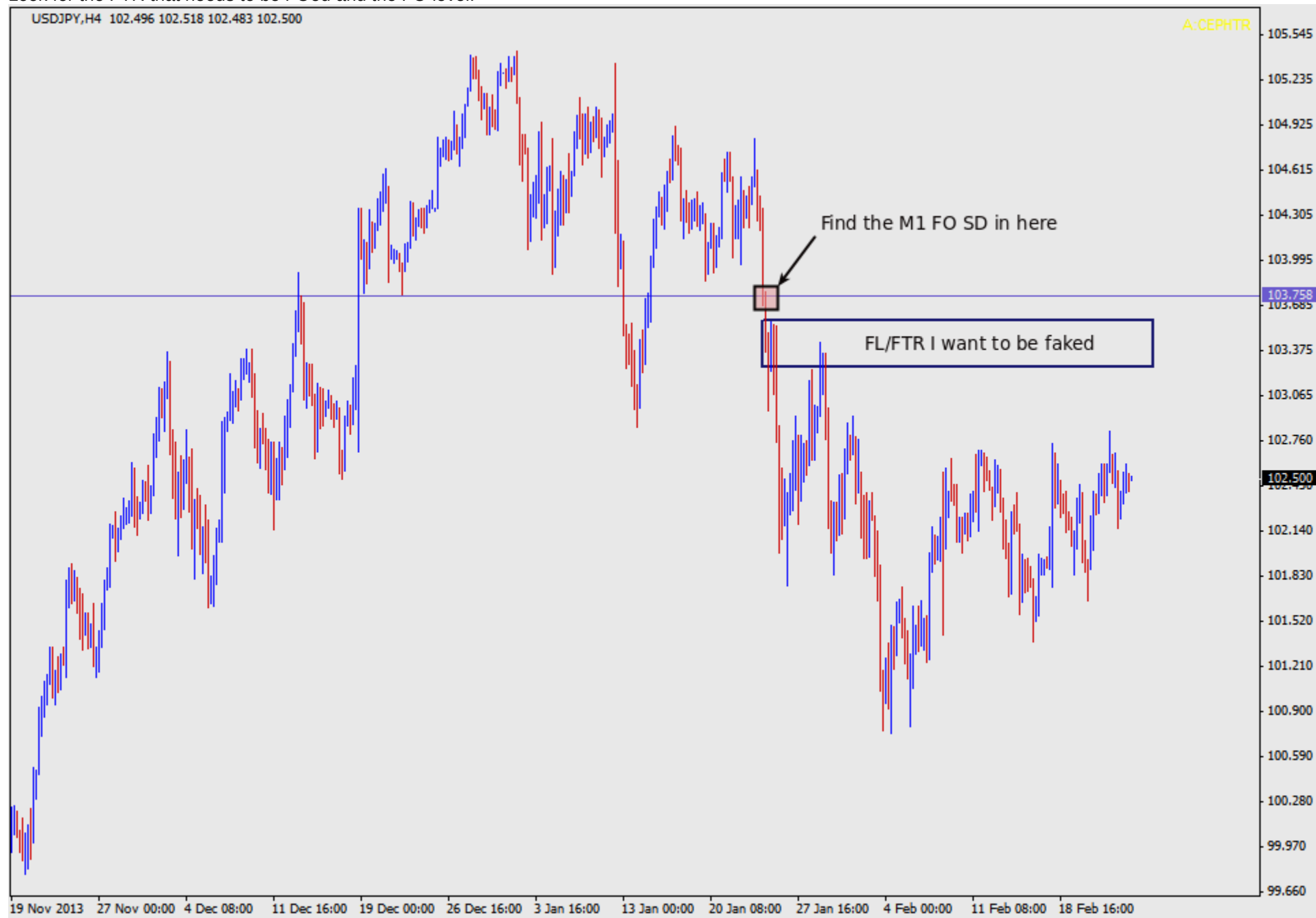
This would be my main view



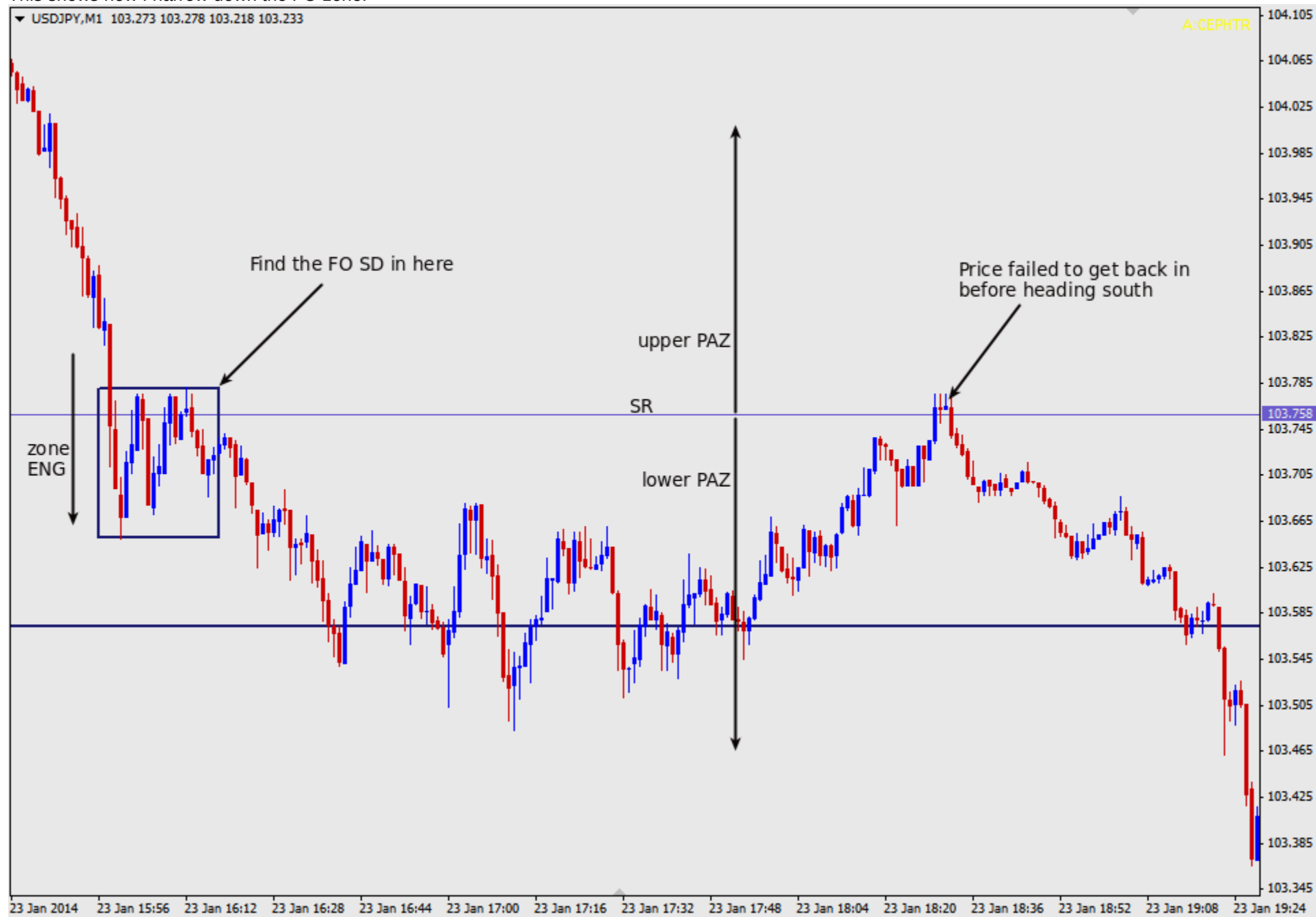
I then draw the SR level.



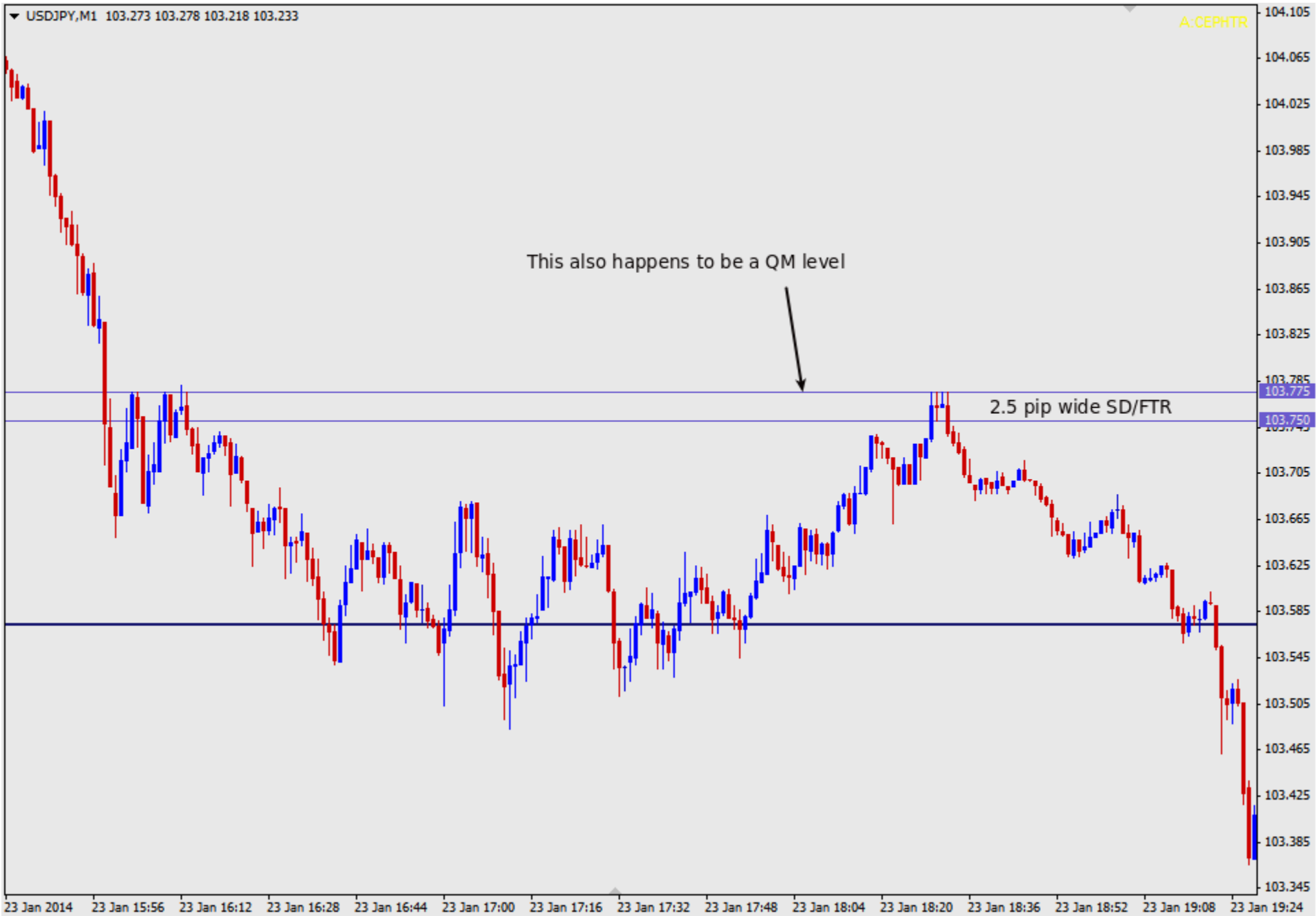
Look for the FTR that needs to be FOed and the FO level.



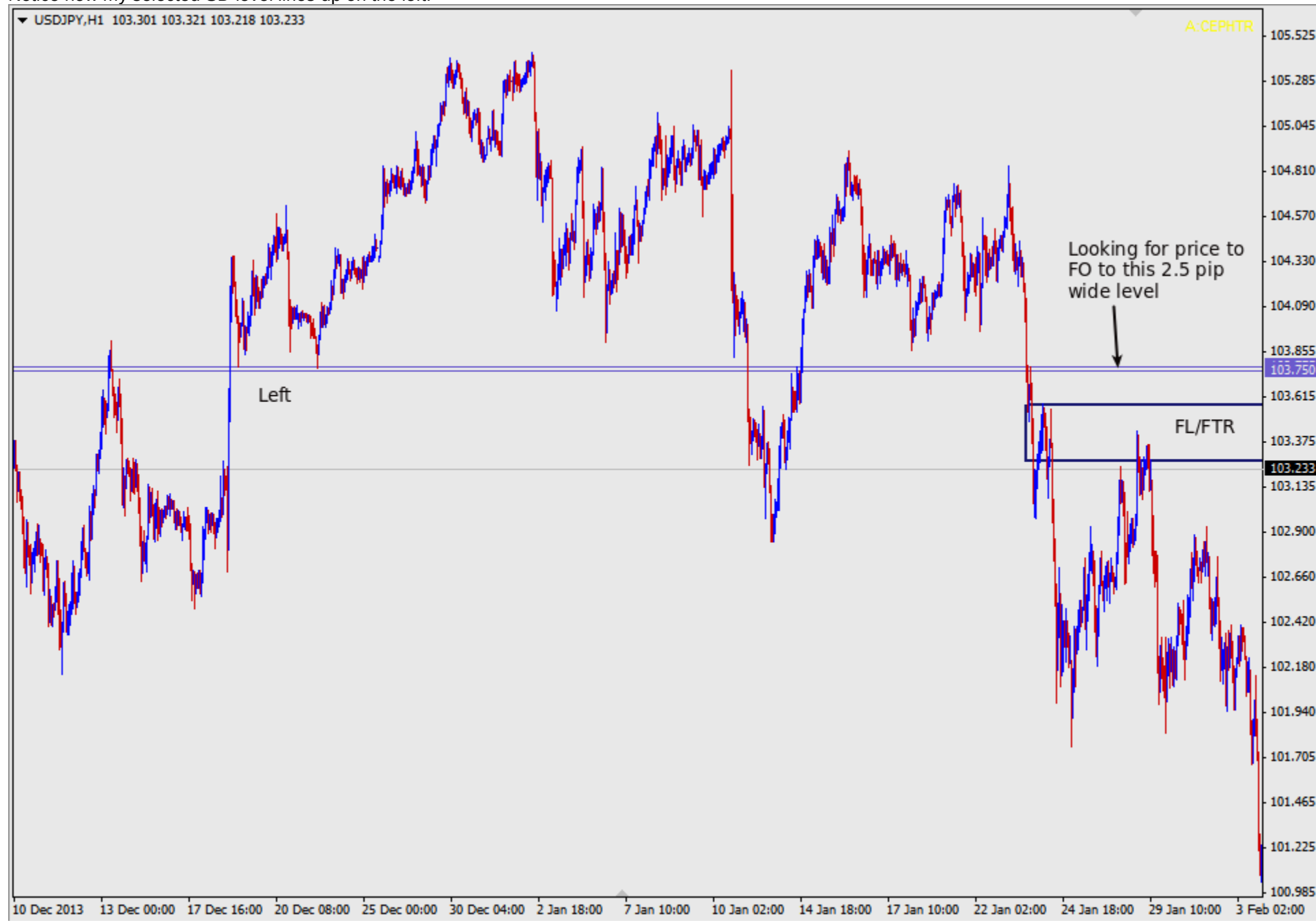
This shows how I narrow down the FO zone.



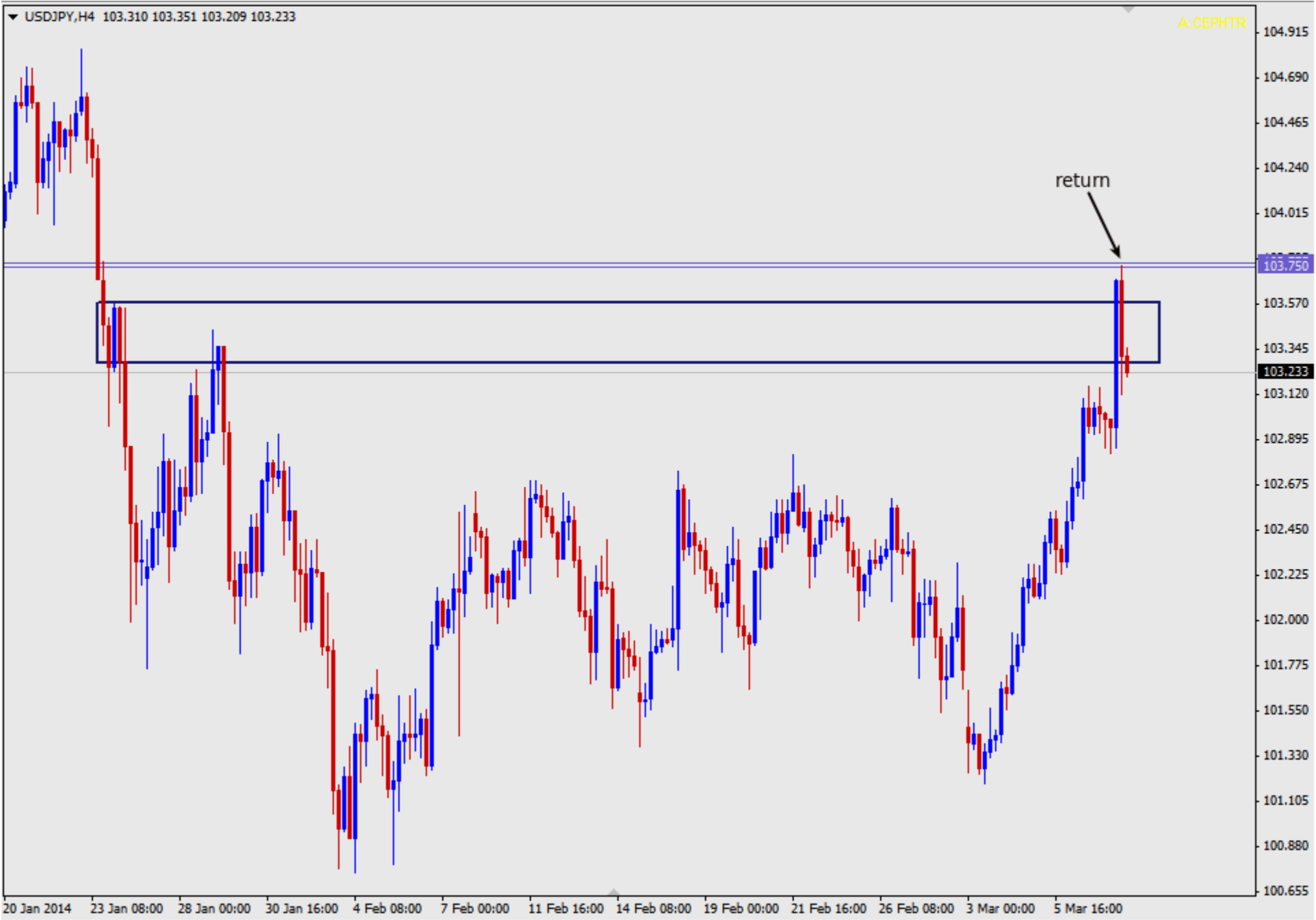
Trade level selected.

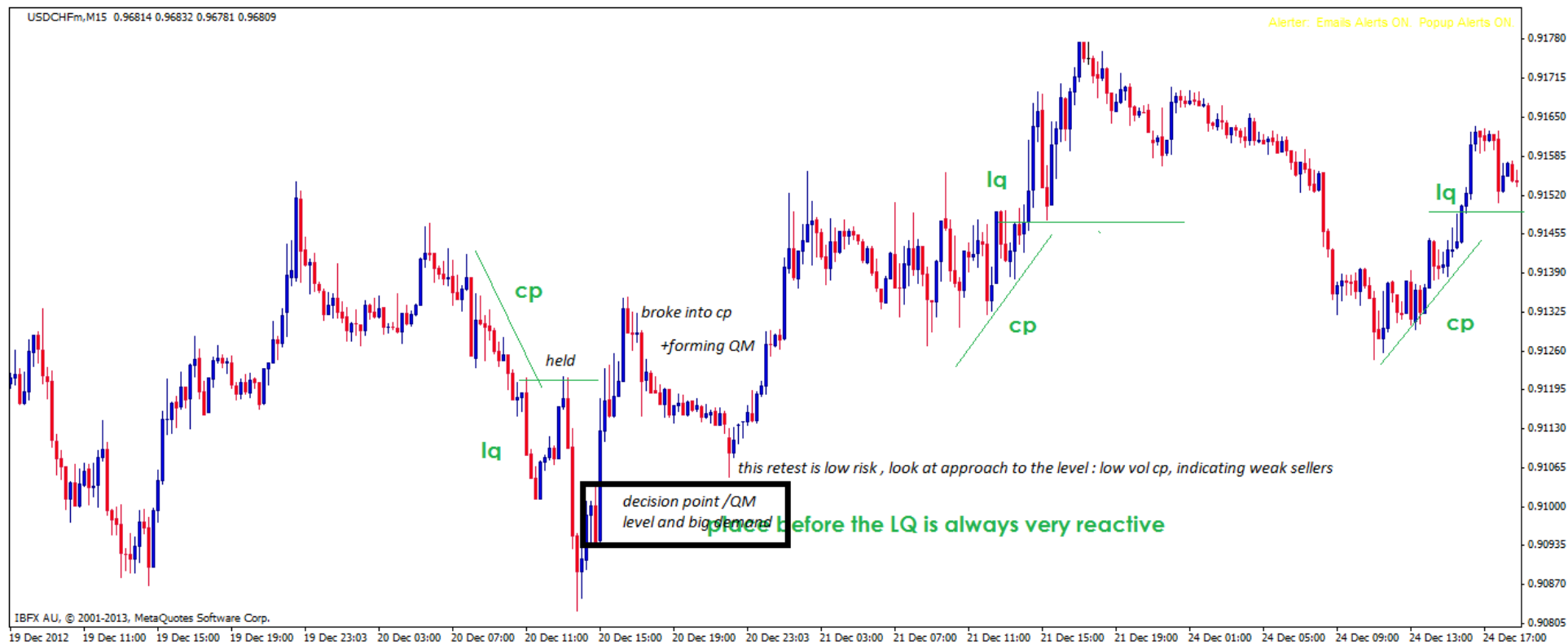


Notice how my selected SD level lines up on the left.



The return.





FL=FTR=Flag

its all the same and the charts are full of them. reaction at either end is highly probable 😊
 engulf of them is a reason to start scratching yourself (in most cases)

Hello! I would like to ask a question about compression :) Maybe not about CP itself but about proper naming.

See attached chart:

.08417 1.08369 1.08376



We know that the place marked as 1 is CP: price rises and tests DPs at the same time (clears demand).

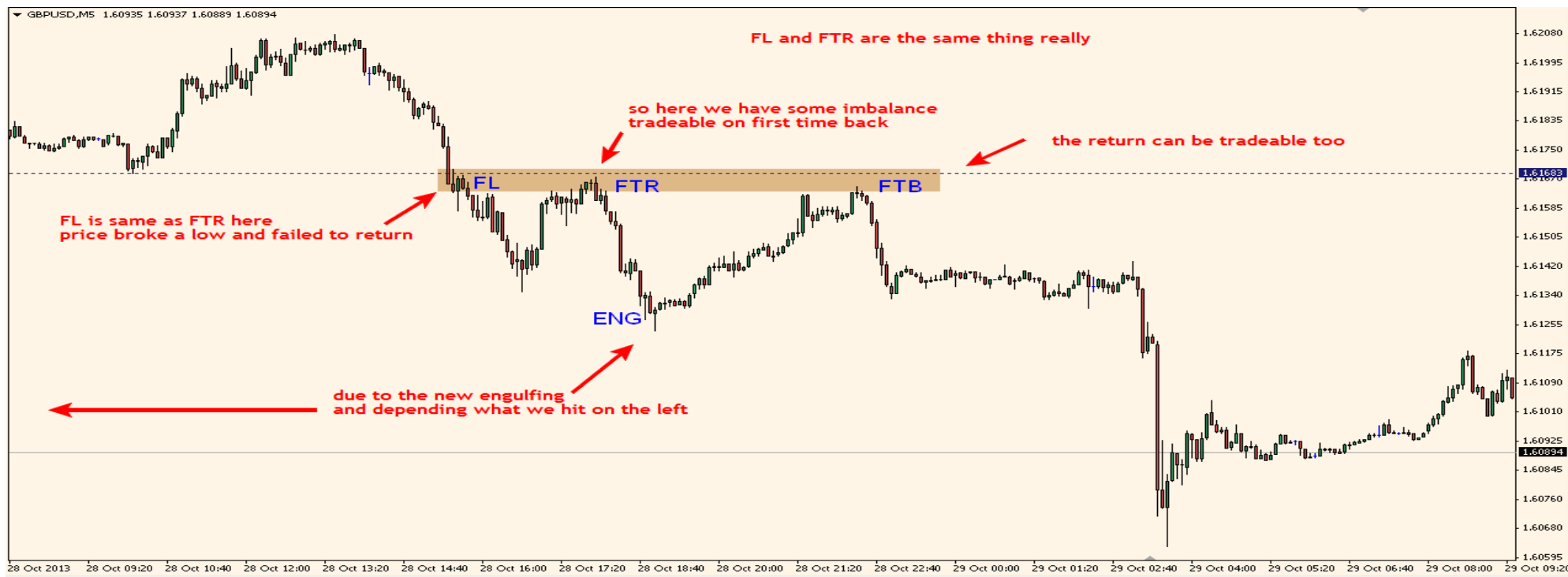
But I wonder if the place marked as 2 could be also called compression? Or should I call it just consumption?

The idea is similar: price is in demand and with time the pockets of demand residing below are cleared. Each time price visits the demand it makes lower highs. So I conclude that the demand is exhausting. When all the demand is consumed, price can fall easily.

EURUSDm.M5 1.29322 1.29348 1.29313 1.29345
0 minutes 1 seconds left to bar end

4h RBD/FTR





Some Chart that important for learning purpose ... so I attached it hare (chart by harry)

