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2ND SKIES

TRADING WITH **PRICE ACTION CONTEXT**

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If you think this eBook is going to be about learning a price action setup, you're wrong. It'll be about something much more powerful.

For your future, for your learning process, and for your sanity, keep reading this eBook if you are not yet a consistently profitable trader.

Of all the free articles and videos on my [website](#), the most popular and commented ones are always on some specific setup or system.

Why?



Because almost all retail traders are on a relentless hunt for the **one system**, that edge which will turn your trading around.

That edge which will print money into your account day after day, week after week without much effort.

You've probably amassed dozens of patterns and systems, yet still aren't making money.

Does that sound familiar?

If so, don't worry – that was me 14 years ago.

But I think it points to a problem for those hunting through forums, websites and videos looking for your pot of gold.

All of your focus and energy has been on finding a 'system' or 'price action setup' that makes money.



But what is also going on is you want the market de-mystified.

You want trading to be simple and easy, i.e. thinking a simple, easy to trade system or price action setup will solve all your trading problems and help you understand the market.

Do you honestly think that, in a market, which has brought traders to its knees, crying, jumping out of windows after losing fortunes, one trade system or price action setup plus some good money management (and a little psychology) is all you need to be a profitable trader?

If that was the case, why isn't everyone doing it?

Why are banks spending thousands of dollars, and months, if not years on end, training their traders, when there is such a conveniently packaged solution available?

Good Trading Decisions Are Based Upon Context

If you want to find high probability trades, and skip those with a low probability of working out, you'll need to develop a core skill.

What is this skill you ask?

The core skill we're referring to is the ability to read '[Price Action Context](#)'.

Yes, Price Action **Context**.

First, in order to make things easier, let's define the word 'context'.

Context = understanding and approaching a situation based upon the 'context' (or environmental variables) around it.



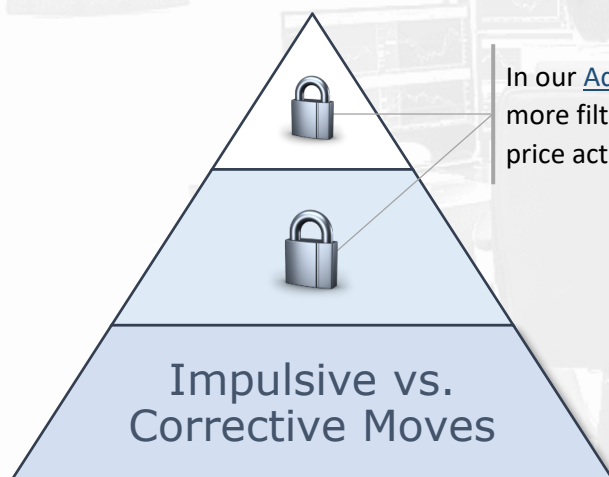
In price action, the 'context' is a way of describing the overall environment, and using that to help you trade with the underlying [order flow](#).

Price Action Pyramid

If I had to look at price action as a structure, it would be a pyramid, with the base being how price action is a reflection of order flow (particularly executed transactions).

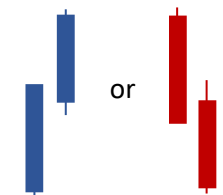
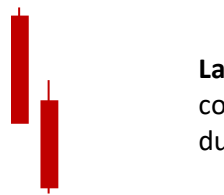
In our [Advanced Price Action Course](#), we have major 3 filters to understand price action context.

In this eBook, we'll only talk about 1 of these 3 filters which are impulsive and corrective moves and forms the base of the pyramid. On the following pages, we'll go through the characteristics of both impulsive and corrective moves in detail.

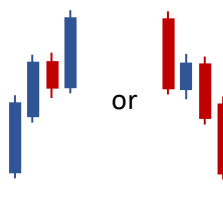



In our [Advanced Price Action Course](#) you get access to 2 more filters which are critical to be able to analyze the price action context on any instrument and time frame.



Impulsive Moves

1.  or 


Larger candles compared to other candles in the price action, communicating the force, speed and amount of order flow during that period of time.

2.  or 

Majority of bars are of same color, communicating that the order flow is imbalanced more towards one side, leading to a directional move.

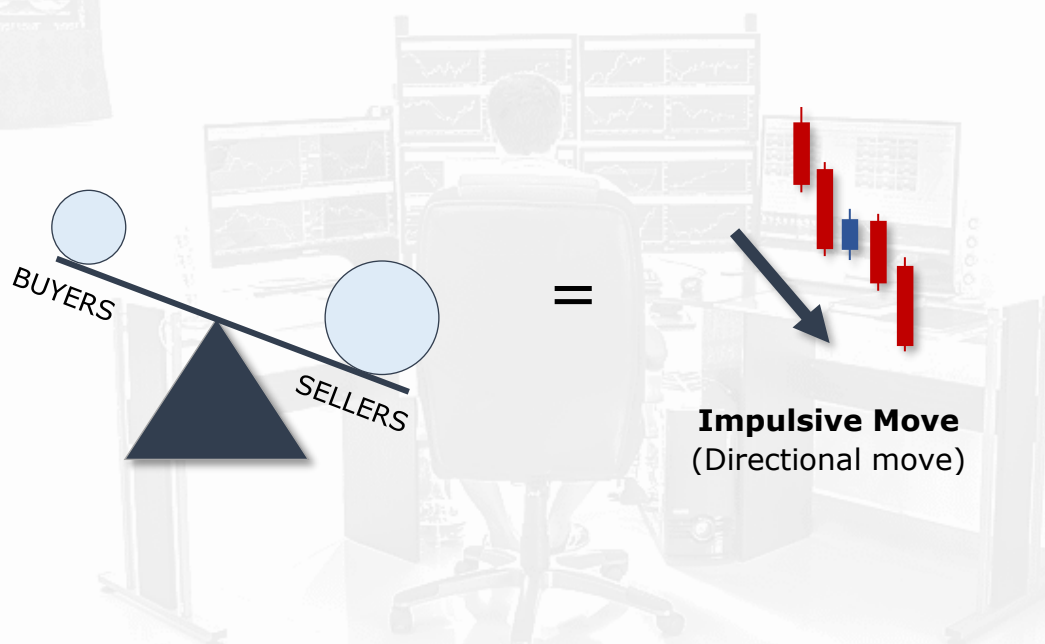
3.  or 

Candles often close towards the direction of the move, communicating little or no pressure from the other side of the market.

4. 

In our [Advanced Price Action Course](#) we also talk about a 4th component to impulsive moves which helps you to determine the momentum/strength of such a move.

During impulsive moves, the order flow is relatively 'imbalanced', meaning it's dominant towards one side (buying/selling) which causes strong directional moves.



Below is an example of an impulsive move:



Impulsive moves are critical to understanding price action context because they communicate a strong 'imbalance' in the order flow of the market.

The more 'imbalanced' the order flow is to one side, the stronger the directional move will likely be.

Impulsive moves communicate critical things to you about your current/potential trades, such as:

- 1) Who's in control of the market (bulls/bears)
- 2) If a move/trend is more likely to continue
- 3) If there is a potential breakout

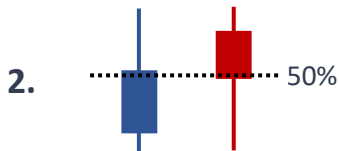
And more...

By learning about impulsive moves, you can make critical trading decisions to increase your potential profit.

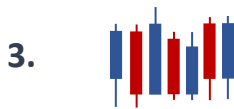
Corrective Moves



Smaller candles compared to other candles in the price action, communicating reduced force/speed and a greater balance in the order flow during applicable period of time.



Candles close towards the middle, communicating lack of conviction from both sides of the market.

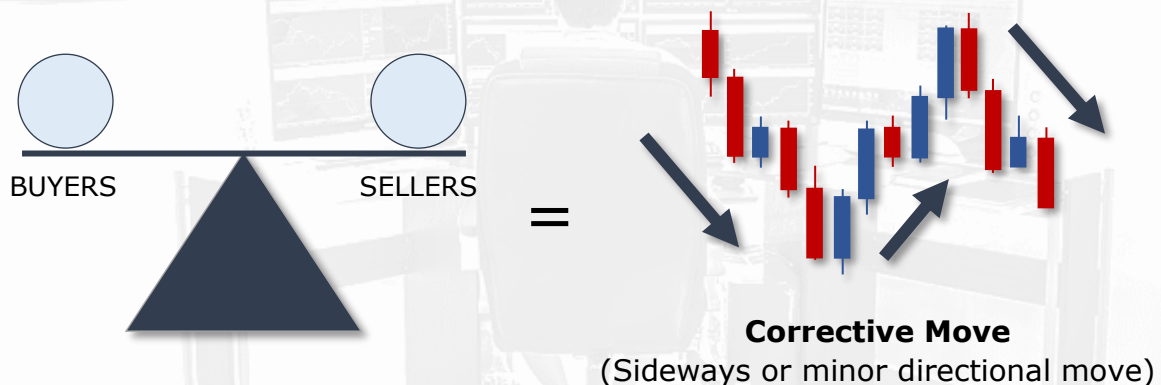


Greater mix of bullish/bearish candles (mixed color), communicating that the order flow is balanced (bullish and bearish order flow being equally strong) and there is no clear direction.

Corrective moves are also critical to understanding price action context because they communicate a relative 'balance' in the order flow.

If there is a relative even number of buyers and sellers (buying/selling in relative equal amounts), the price action and market won't move much up or down.

For a directional move to happen in the markets, an 'imbalance' between the buyers and sellers is required.



Below is an example of a corrective move:

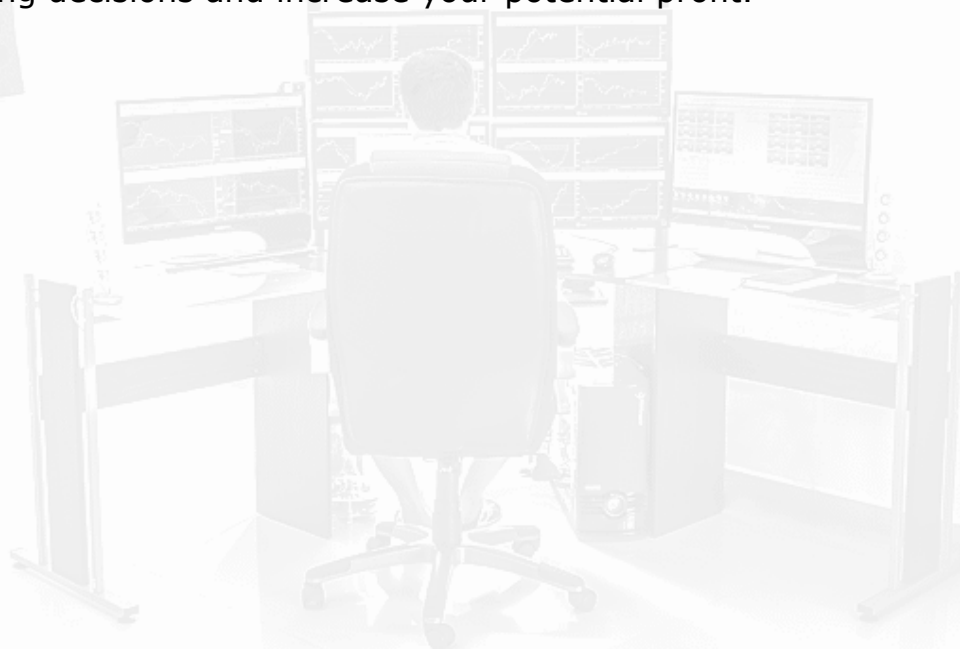


As you can see, corrective moves are also critical to understanding price action context because they give you important information about your trades and price action, such as:

- 1) When the market is taking a pause (likely to range)
- 2) When it is more conducive to play both sides of the market
- 3) When you need to be more patient with your trades
- 4) Potential trade locations

And more...

Learning how to spot and read corrective moves, enables you to optimize your trading decisions and increase your potential profit.



Using Impulsive and Corrective Moves to Discover the Price Action Context

Now that we understand the basics of impulsive and corrective moves, we can use them to discover the price action context of the market.

As a general rule, an impulsive move (the majority of the time) is followed by a corrective move.

For example, a with-trend impulsive move, followed by a corrective move, is more likely to be followed by another with-trend impulsive move than the opposite (counter-trend).

Here are two good examples showing such impulsive/corrective sequences.

Example 1



Example 2



"You don't need a 1-2 bar candlestick pattern to know if the market is bullish or bearish – just determine the overall 'context', and trade with the impulsive and corrective structure as much as possible."

Now, what do impulsive and corrective moves teach us about price action context?

They give us an underlying sense of what the dominant order flow is.

If you see a potential trend in place, along with a good series of impulsive and corrective moves, then you can feel confident the order flow is imbalanced towards the bullish side (bullish PA context), and thus you should be looking to buy more often than sell.

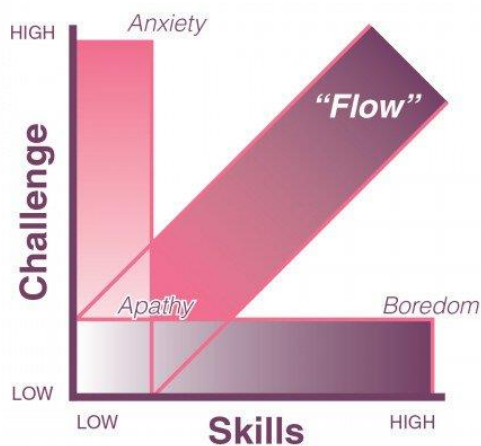
Passive vs. Active Learning

To be sitting there passively, waiting for days on end for a specific 1-2 bar candlestick pattern to show up at the exact right location is trading in *passive mode* and flat out boring.

If you only can find a few setups per week, I would strongly advise you to look into what the ability to read price action in real time can do for your trading.

There are massive amounts of trading opportunities to be found on a daily basis on all time frames, just waiting to be traded by you.

Not only will waiting for specific 1-2 bar candlestick patterns render you passive and bored, it will actually interfere with your [learning process](#).



Sitting on your hands, waiting passively, is no active learning, and active learning is what you need. In active learning, you are engaging your resources, your current level of knowledge and applying it.

In passive learning, you are not engaging any of your knowledge and seeing how it works in real time, learning from the feedback loop called the markets.

If you are sitting on the sidelines for days on end, just waiting for a candlestick pattern to form at your favorite location, you're wasting your time. You could be learning, trying, studying, and participating in the market instead, which is what facilitates learning.

Bottom line is...

...if there is a strong trend in place, why are you waiting for a specific pattern at a specific area, when the overall order flow is already bullish?

Why are you waiting for something that may or may not materialize when you instead can learn to read the price action context, attack the bullish trend, using multiple tools at your disposal which in turn lets you profit from the overall bullish order flow?

"Get into that trend, in line with the price action context and make some money."

One tool we use to determine the price action context are the impulsive and corrective moves discussed in this eBook.

The most favorable situation is when you are trading in the direction of the impulsive moves (not against them) because you're trading with the dominant order flow in the market. It also means you can make money faster because impulsive moves travel farther and faster than corrective moves.

Hopefully, now you can see how price action context, can help you to find more and better trade setups, increase your profit potential and at the same time increase the quality of your learning process.

Want To Learn More About Price Action Context?

While impulsive and corrective moves are a crucial part to determining price action context, they are only one tool in the tool-kit our students use to achieve this.

We have two other key factors to determine price action context and in which direction the dominant order flow in the market is imbalanced towards.

To learn more about these two, plus much more, like reversal patterns and ways to increase the accuracy of your entry locations, check out our [Advanced Price Action Course](#), where we teach you higher-, lower- and multiple time frame context with clear rules to understanding them. In fact, our entire 1st section of lessons is dedicated specifically towards understanding price action context.

To get access to these lessons within minutes, click on Advanced Price Action Course link on the next page.

Inside the course, you'll also learn how to read other critical (or more advanced) price action structures and find more [trade setups](#).

"Price action context is a skill that works on any instrument, time frame and in any environment."

If you're currently learning/trading a price action strategy or approach that only works on specific time frames or instruments, then it's a limited strategy that doesn't really understand price action or price action context.

If you instead want to learn how to read the markets in real time, find more and better trade opportunities, increase your profit potential and at the same time boost the quality of your learning process, make sure to check out our [Advanced Price Action \(APA\) course here](#).

Kind regards,

Chris Capre

Founder of 2ndSkiesForex



Chris Capre's Advanced Price Action Course

Your Complete A-Z Training on Price Action, Trading Psychology & Risk Management

- Learn the Most Important Skill - Trading Price Action
- Trade On Any Instrument, Time Frame or Environment
- Increase Your Confidence, Discipline & Consistency



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Links to references and further study

▶ [2nd Skies Forex Website](#)

▶ [Webinar : Price Action Context](#)

▶ [Video: Price Action – Order Flow And Transitions](#)

▶ [Live Trade Examples](#)

▶ [Article: Your Brain, Trading And Finding "The Zone"](#)

▶ [Advanced Traders Mindset Course](#)