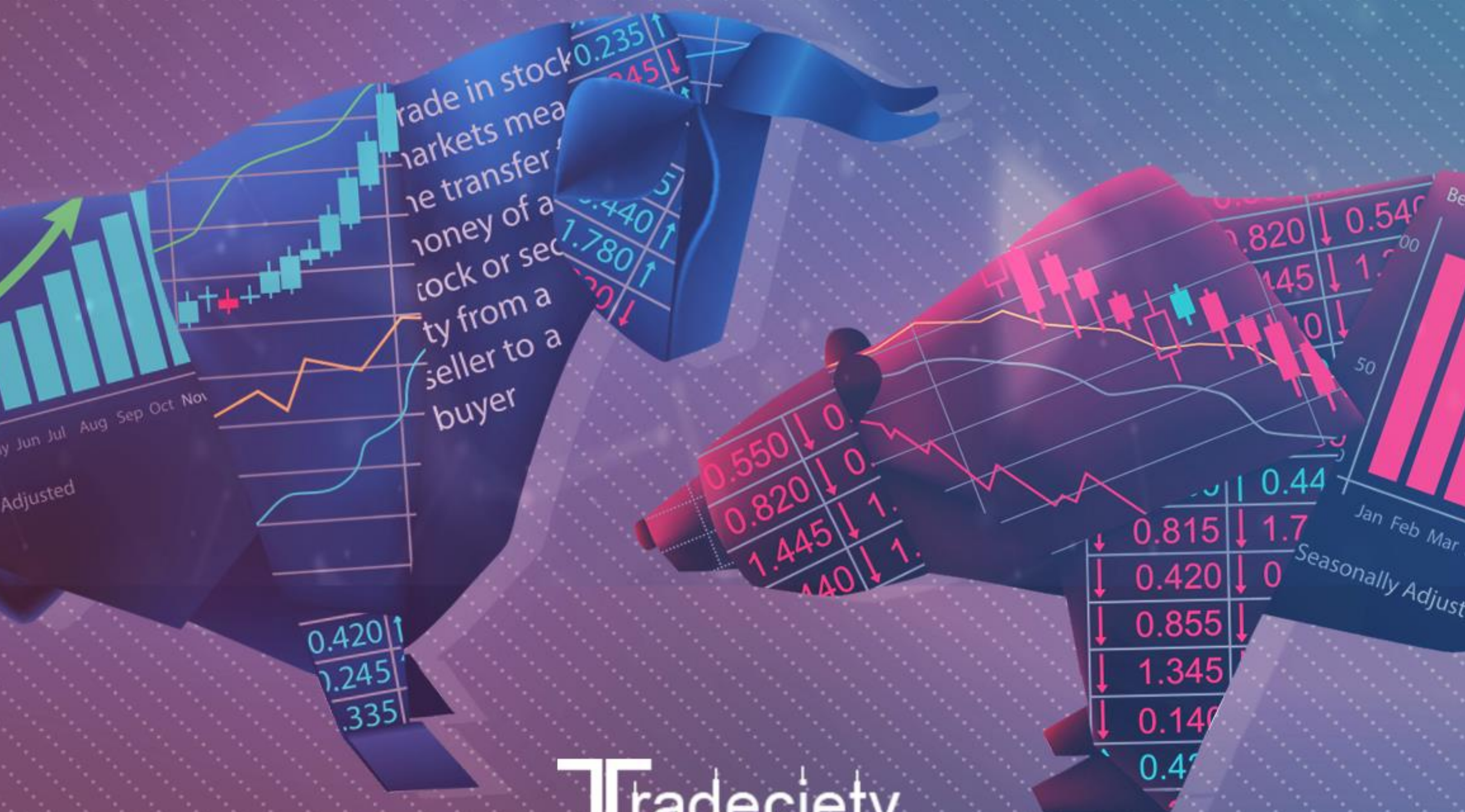
THE COMPREHENSIVE GUIDE TO

PRICE ACTION



Tradeciety

Trading Academy

Tradeciety's Price Action Guide

Welcome

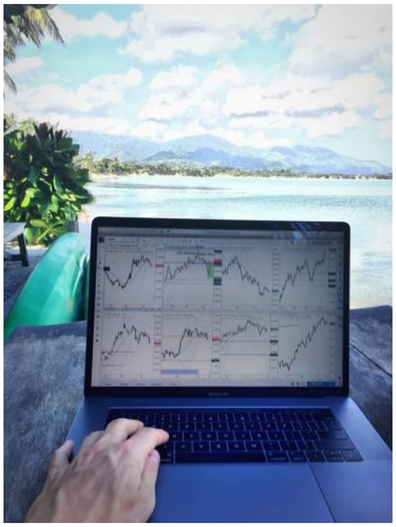
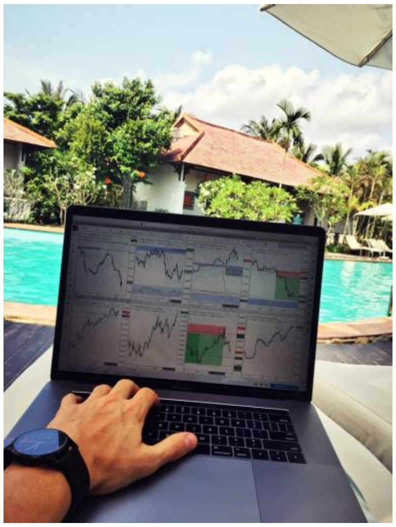
I am glad that you signed up for this free ebook about price action trading. My name is Rolf (right) and together with Moritz (left), the other guy behind **Tradeciety**, we trade Forex, futures and stocks, we travel the world and make money online.

With Tradeciety, we want to help traders achieve their dreams as well.

Our trading strategies use technical analysis, price action techniques and with this starter guide, you will learn the basics that will help you to get started with price action trading.

Who am I?

I am in my mid 30s and I have quit my corporate job a few years ago to trade, make money online and travel the world.
I have visited over 20 countries over the past years and I experienced things I never thought I would be doing.
Read more about me and Moritz story: ***Click here for our bio***


I snorkeled with sharks in Thailand, I played with monkeys in Bali, I parasailed over the island of Koh Samui, I drove a speedboat in the Italian sea, I climbed the Mount Fuji in Japan, I drove through the highlands of Vietnam on a

motorbike, all while making money on my laptop in the most exotic places all around the world.
Why am I telling you this? Not because I want to impress you, but to show you what Forex and the financial markets can do. Are you ready to get going?

What Is Price Action?

Let's get started and let me introduce you to the wonderful world of price action trading and help you become a better trader.

Price action is a way of trading where the trader focuses on the price information on your charts exclusively and keeps his charts usually very "clean" and uncluttered. ***Keep it simple*** is the slogan most price action traders use and a price action trader focuses on what's important: price!

In this ebook you will learn the basics of price action trading, we will introduce the 3 best candlestick and chart patterns and show you how to trade them. At the end, we give you a few advanced tips on how to take your trading to the next level.

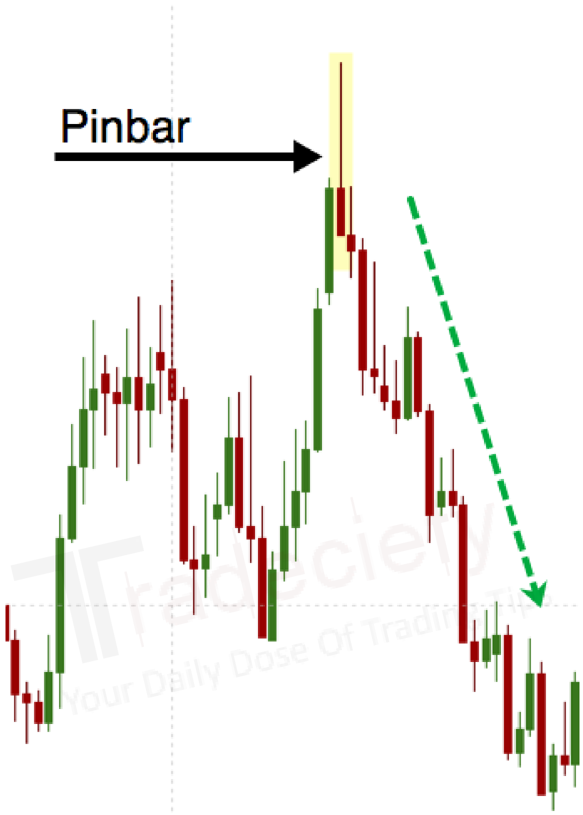
Candlesticks vs. Chart patterns

When talking about price action, traders either mean single "candlesticks" signals or multi-candlestick "chart patterns". Both look at pure price action and try to understand what the market is doing and whether buyers or sellers are in control by analyzing price action. Let's first look at the 3 most common and reliable candlestick patterns:

Top 3 Candlestick Patterns

#1 The Pinbar

Without a doubt, pinbars are the most popular candlesticks out there. A pinbar is a candlestick with a long wick (also sometimes called *shadow*) and a small body into the opposite direction. The screenshot below shows a pinbar where the long wick points to the upside and the close is at the bottom:



When you see a pinbar it usually means that the market has a high chance of turning around because it is a rejection and trend reversal signal.
In the example on the next page you see a pinbar with a long wick to the upside and then a candle close at the very low just before the market reversed.
Just looking at price action and what this candlestick tells us, we can see that price tried to move higher but there were not enough buyers to keep price up and the sellers afterward completely reversed the price action.

Classic price action suggests that the entry is just after the pinbar has formed. And here are a few more important tips about pinbars:

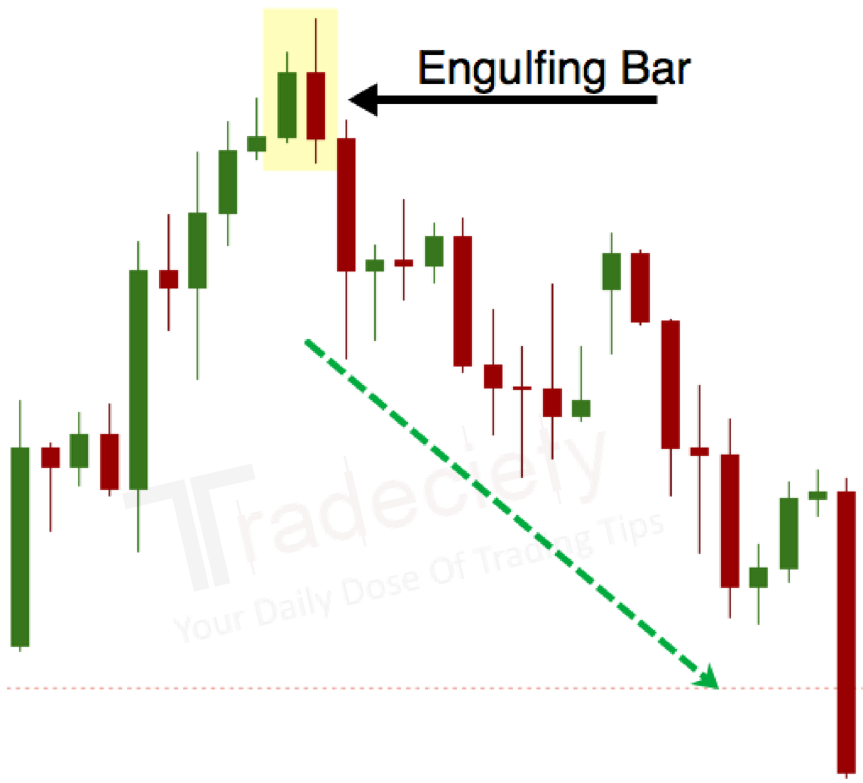
- The longer the wick, the stronger usually the signal
- The best pinbars have only one wick to the upside and then close at the complete opposite, not leaving a second wick
- A good pinbar is usually larger than the past price action and candlesticks
- When pinbars occur at support or resistance levels, the signal is often stronger:


Support
Levels
Pinbars

#2 Engulfing Bar

The engulfing bar is my personal favorite and I use it a lot in my own trading strategy as an entry signal.

An engulfing bar formation consists of 2 candlesticks: a first smaller one and then a larger second one where the second candle completely 'engulfs' the first one. Usually, the second candle goes into the opposite direction as the first one. Below you see that the first candle is bullish (green) and the larger engulfing one is bearish (red):



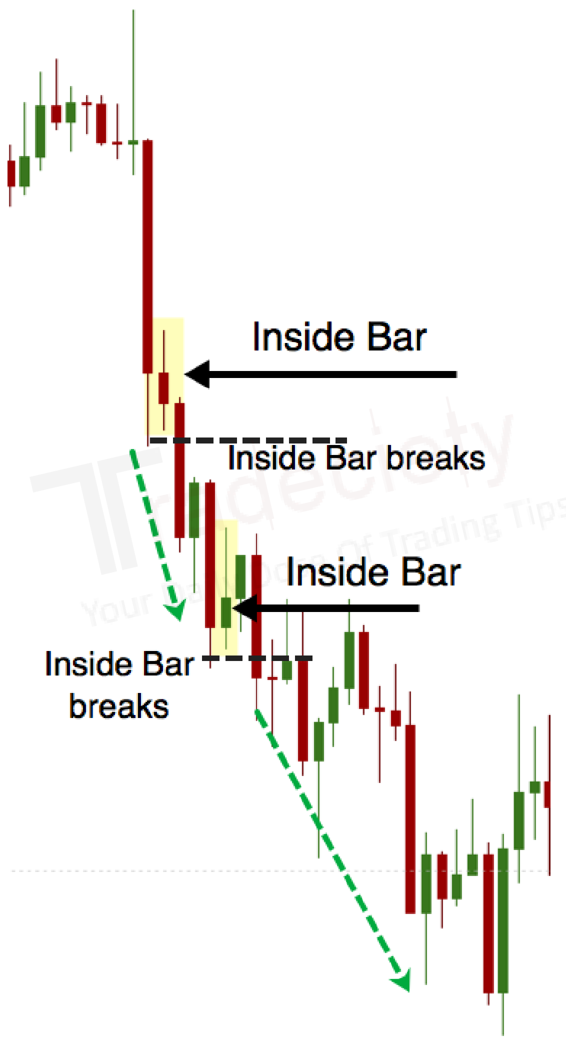
Engulfing bars show momentum or price action strength.

Excurse: When traders talk about momentum they mean a strong move into one direction. Trading with the direction of the momentum usually results into much better trades.

The next image shows a situation where an engulfing candle occurred after a long trend and it foreshadowed the end of the trend when momentum was turning. In my trading, I always look for engulfing patterns together with my other signals.
In the scenario below you also see an engulfing bar with a long wick like a pinbar. This is a double-signal and has even more power. You can see that price action trading is more than just remembering candlestick formations; it's a way of reading what is happening on your charts.

#3 Inside Bar

Inside bars are very common and they are essentially the opposite of the engulfing bar. The first bar is larger than the second one and the smaller candle completely falls into the range of the larger one.
The image below shows a scenario with two inside bar patterns during a downtrend.
In this example, the inside bar is a trend continuation pattern where the market briefly pauses. The signal on the inside bar happens when price "breaks" the inside bar on the next candle. In the example below, the two short signals were given when price moved below the inside bar:



The inside bar shows a pause in momentum and the traders are trying to make up their mind. Furthermore, inside bars are a phase where the "smart money" is accumulating new positions and trying to plan the next move.

Excurse: "Smart money" usually means the bigger players in the financial markets which are usually banks, hedge funds and other larger investors.

Inside bars are either trend continuation or trend reversal bars and the signal depends on the direction of the candle that breaks out of the inside bar next. Most traders make the mistake of entering too early on an inside bar but the real signal happens only once the third candle is formed and shows the next move.
The example below shows an inside bar as a trend reversal pattern. After an uptrend, we suddenly see two small inside bars and then suddenly breaks out to the downside:

Chart Patterns

Candlesticks are great signals and it's important to know how to read them, but complete chart patterns can be even more reliable because they include more information. Chart patterns usually consist of multiple candlesticks and below I have put together my favorite patterns that we use in our trading strategies as well:

#1 Head and Shoulders

My absolute favorite pattern is the Head and Shoulders because it describes price action nicely and it tells a trader a lot about what is going on. The Head and Shoulders has four parts: the left shoulder, the head, the right shoulder and the neckline. The image below shows the individual parts:

As you can see, the head shows a higher high (which is a trend-following signal). The right shoulder shows a lower high which then indicates a potential shift in direction: when price makes lower highs, it means that there are not as many buyers anymore. The break of the neckline is then the final signal where price reverses into the downside. The entry signal on the head and shoulders occurs once the neckline is broken.

Watch: **Head & Shoulders step by step guide**

#2 Break and Retest

Support and resistance are very important concepts and they show price levels of major importance.

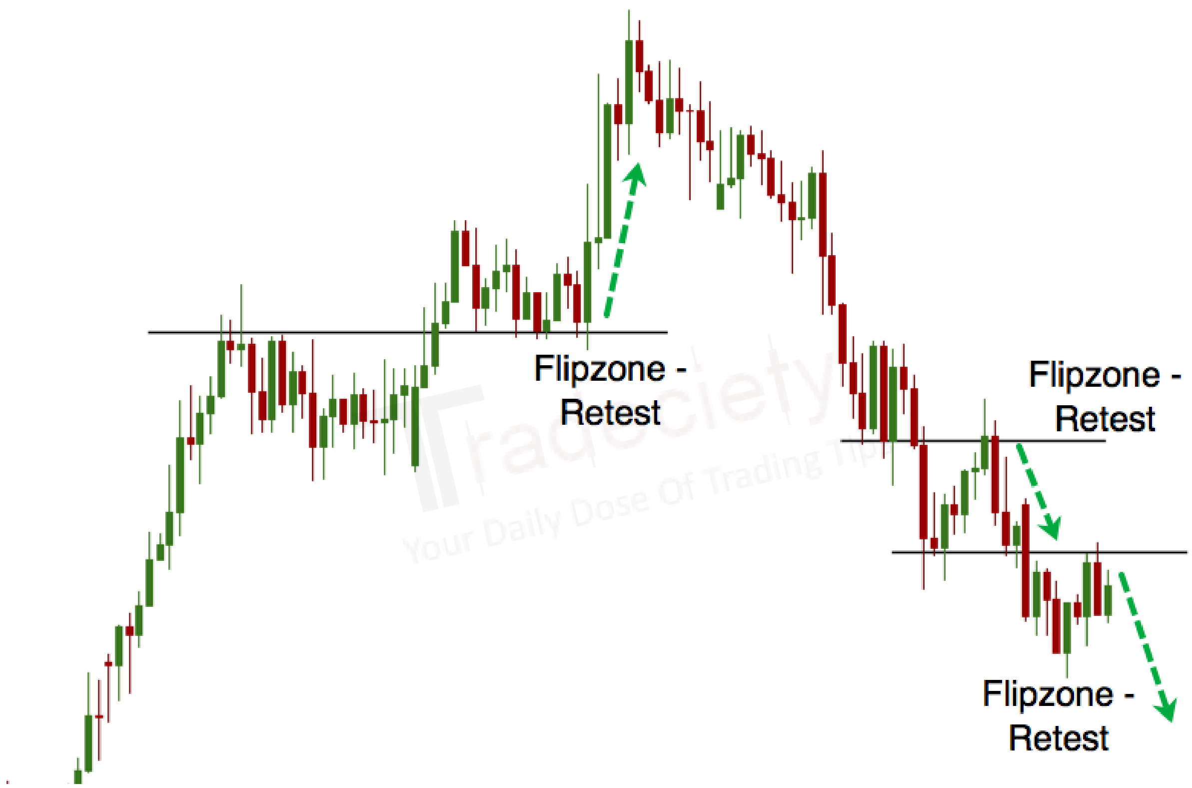
Watch: **Support and resistance trading tips**

Most traders make the mistake of entering immediately on the break of a support and resistance area. What then often happens is that price reverses and those traders lose their trade. This is called a failed breakout or a fakeout. How often did you lose money on a trade with a GREAT support or resistance level? Exactly, when something looks too good to be true, it usually is.

The smart money knows that all the amateur traders trade support and resistance the same way and use that to their advantage.

Instead of making such an amateur mistake, you can trade the retest of such a support and resistance level where you wait for price to come back and retest the area.

In the next image you can see two examples of a retest. First, price makes a support or resistance level and then when the level is broken, price comes back and shows the retest. The retest signal is a signal that we also use in our pro trading area with a few more signals and tips.


Flipzone -
Retest
Flipzone -
Retest
Flipzone -
Retest

#3 Bull Traps

How often did you experience a situation where a trade looked so obvious but then immediately reversed on you and you had to realize that you were, once again, entering at a very wrong spot?
A bull trap occurs when traders take a long position and then have price reverse and move lower very sharply.
The long-positioned trader is trapped and this pattern often follows a very similar rhythm of luring traders into "obvious" long trades, followed by a sudden move against the traders.
Bull traps often happen around previous highs where it looks as if the price is continuing the rally. Especially amateur traders often tend to enter too early around such key levels. It's especially dangerous if price rallies for a bit in their favor ad the trapped traders feel too comfortable and too attached to their trade. When price then reverses, they hold on to their loss too long and/or add to their existing position. As price keeps moving against them, the loss becomes larger and larger until it hurts so much that trapped traders are forced out of their trades – this accelerates the reversal even further.

Bull trap orderflow – What really happens

To fully understand the dynamics of the bull trap and then to use this information to our advantage, we have to look at the orderflow and the thought process behind a bull trap. Here are the individual phases:

1) Prelude: a long sell-off where people missed profit opportunities and/or are becoming too greedy and want more.

2) Price then sets up a new trend wave that lures people into entering new positions. It looks like the price is starting a new trend wave by breaking the previous lows.

3) Price goes a little in the favor of those 'trapped' traders, creating a feeling of confidence and security.

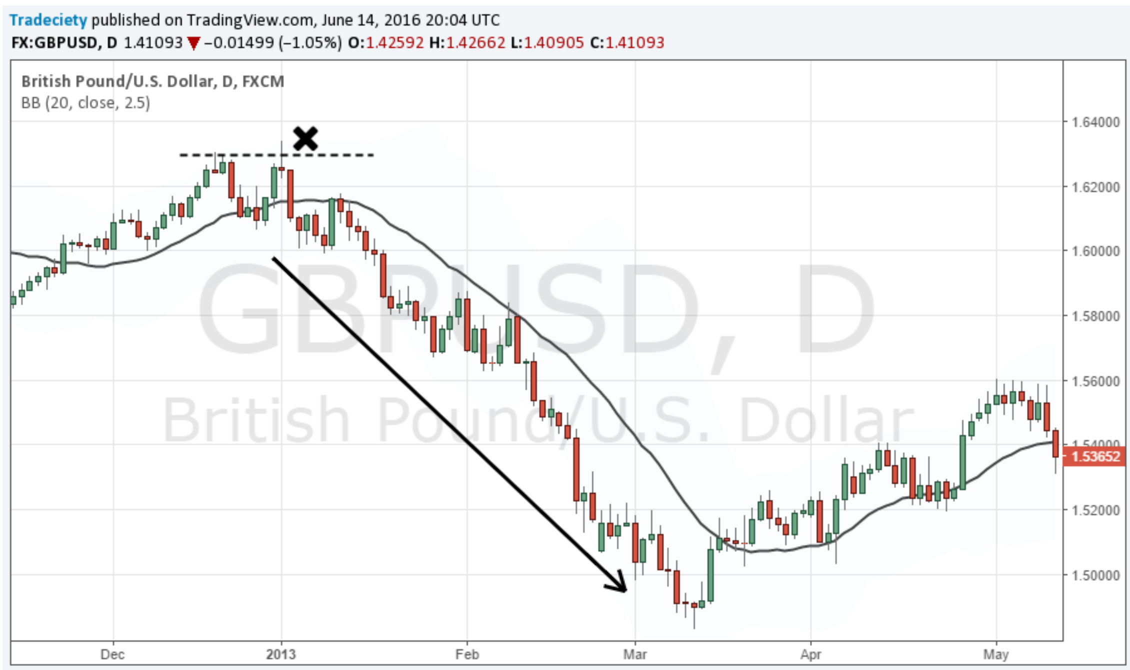
4) Price reverses to the upside. People in disbelieve hold on to their trades that are suddenly turning into a loss. Others add to their loss, hoping to average down.
The professionals are the ones who are aggressively buying and the amateurs are still happily selling, hoping that price turns again.

5) Price rallies further and the trapped short traders are now facing huge losses. Most are forced out of their long trades which means that they have to buy which accelerates the rally.
You can see, the bull or bear trap is more than just a pattern, but it's a way of visualizing and understanding how the average trader approaches the markets and why the professionals usually always win.

Double top squeeze

This is the most classic pattern where you have two swing points where the second swing penetrates the prior high and then immediately gets rejected.

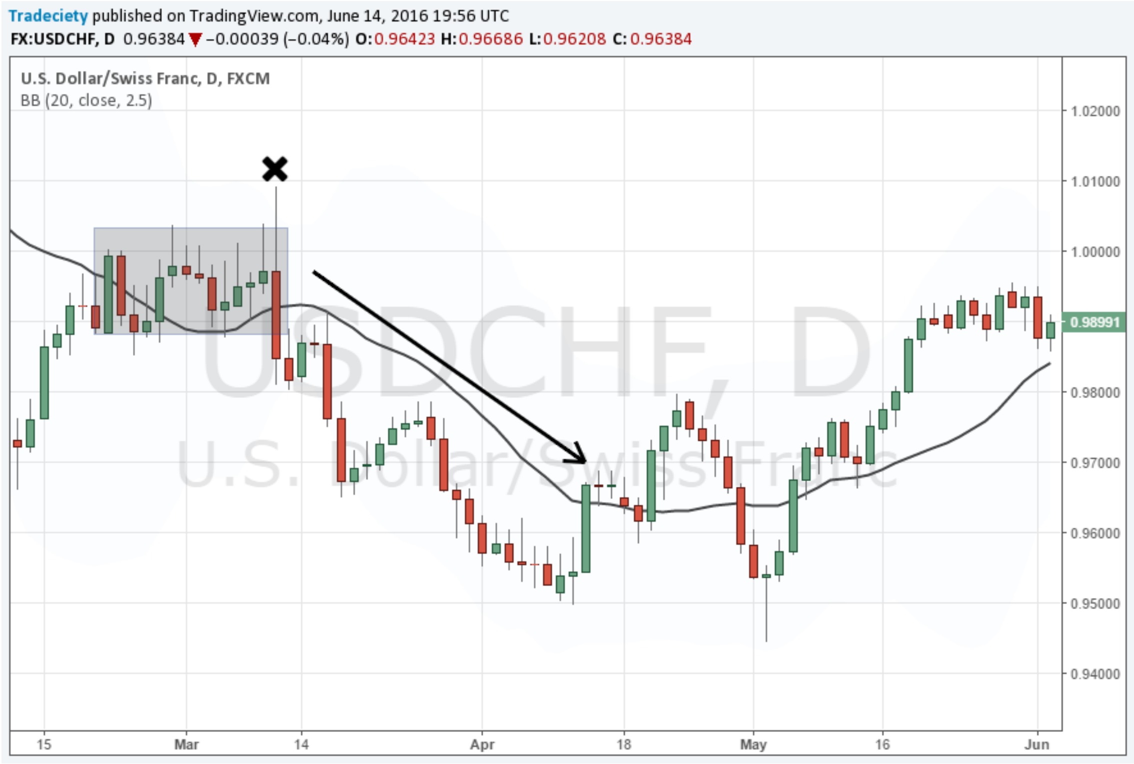
The second failed breakout attempt is a clear signal that the market doesn't have the power to start a new trend. The following selling-momentum is creating a new downward trend.



Engulfing bar squeeze – Range squeeze

The engulfing bar and range squeezes are not commonly discussed but they happen frequently. After a tight range or a slow trend, price suddenly makes a violent move and many orders will get triggered by the spike.

This type of squeeze works so well because it works in the complete opposite way how most losing trades think and you can exploit their weaknesses.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FX:USDCHF, D 0.96384 ▼ −0.00039 (−0.04%) O:0.96423 H:0.96686 L:0.96208 C:0.96384
U.S. Dollar/Swiss Franc, D, FXCM
BB (20, close, 2.5)
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U.S. Dollar/Swiss Franc
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Final words

You made it through. Well done.

By now you have a good understanding of some of the most important price action techniques and tools. Of course, this won't probably be enough to suddenly become a professional and super profitable trader, but it's a good start!

So, what's next?

To get a professional trading strategy with step by explanations, weekly setups and daily mentoring with a growing community, check our pro Forex course:

Click: Tradeciety Pro Forex Course

In there, you will learn our two trading strategies from start to finish. We explain how to find entries, show you the best signals, explain how to set stops and targets and in our private community you will get our best setups every Sunday. Plus, we interact in the community daily and help traders, discuss charts and review your trades.

And if you got questions, reach me day and night at: Rolf@tradeciety.com