The Basics

[The Basics](#)

[Dissecting the market (The Basics)](#)

- [1. The importance of order in the analysis.](#)
- [2. Price moves in Waves.](#)

[Bar 1: The Forgotten](#)

[Bar 2: Two to Tango](#)

[Three to Swing: Waves, Support & Resistance Levels, S&R Zones, and Trendlines (Continuation)](#)

- [Real Example of S&R Zones](#)

[Bar 4: The Invisible Line and Points of Control.](#)

- [Points of control can be defined as any price or price range that hasn't been tested in the next consecutive bars. They can be the ultimate top or bottom in a chart (strongest points of control), a Support or Resistance Levels in a swing (normal points of control) or more commonly, areas between consecutive bars in a wave (mini points of control).](#)
- [The Invisible Line](#)

[Bar 5 and 6: Mastering price analysis in real time](#)

Dissecting the market (The Basics)

" More than a recipe book, the first collection Dissecting the market in a few bars (The Basics) defines the fundamental elements behind price analysis. These are my core trading principles, all trading analysis and decisions are derived from them.
Trading is just a probability game based on pattern recognition

If every potential trade is a probability game, the job for a trader/scalper is not forecast the future but to minimize risk using every available tool to find the best available scenario.

1. The importance of order in the analysis.

In mathematics the order of the factors doesn't changes the result (5 x 8 = 40 and 8 x 5 = 40). However, when trading the order of analysis change everything.

a. If you only focus in how to pull the trigger (timing i.e LT rainbow, Stoch Crossover, MA Crosses, CCI, etc ,etc ,etc) you can have some results especially in trendy markets, but you are doom to fail in the long run.

b. If you only focus in direction you will have 95% hit rate but only in your head cause u will end up getting stopped out every single time, full of loses because whipsaws or caught with million doubts every time a S/R or trendline is touch or broken.

But before analysing DIRECTION, TIMING and MOMENTUM...

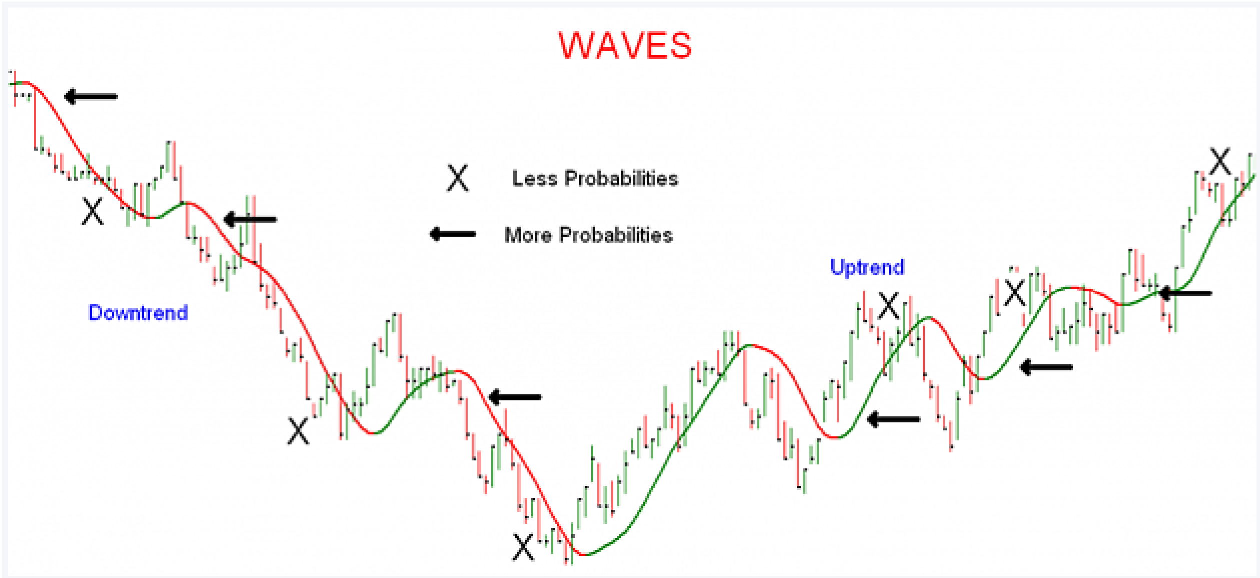
2. Price moves in Waves.

Regardless of the instrument and timeframe and despite of the market direction or its condition (in a trend or in a range) markets always move in waves. That's why the Elliott Wave Theory and its followers. But we scalpers [traders] are not interested in counting waves or forecasting the next possible move but in minimizing the probabilities of a bad trade.

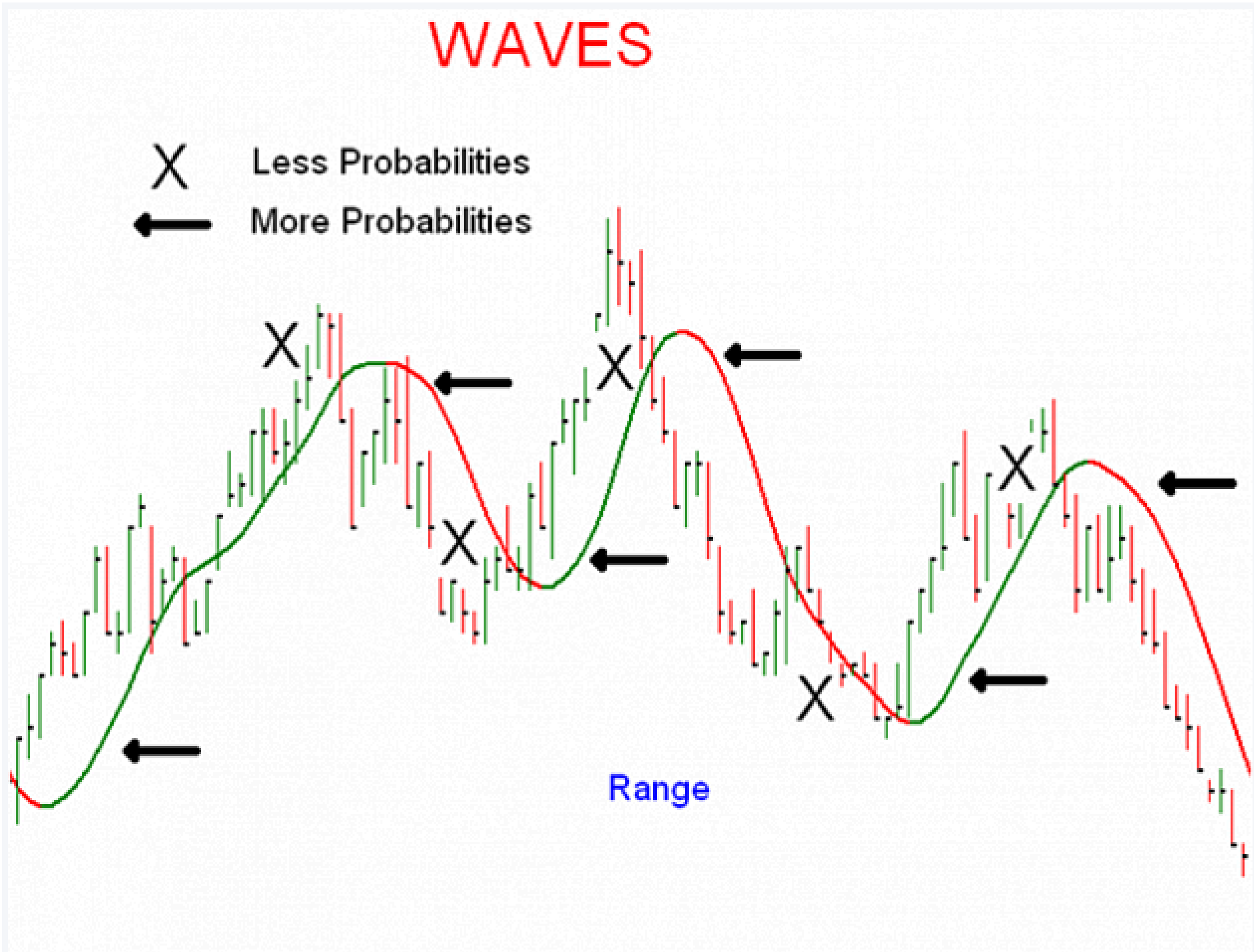
a.What we don't know about waves:

i.The exact beginning or end of a wave
ii.The potential height of the next wave

b.What we know:
i. Where we have less probabilities for a successful trade regardless of the direction or condition of the market



c. <u>Have u ever wonder why you end up trading the death lows or highs in a trend</u>



Your analysis might be right, the direction, condition and timing might be good but you are playing a low probability trade because you are forecasting that next wave is going to be a lot deeper than the previous one when statistically this is not true.

3. The first factor for a scalper trader is to understand in which part of a wave is the market.

Not using a statistical method but using common sense (sadly the least common of the senses). Before you analyse trend S/R lines, Direction, Timing, Momentum and despite the drawdowns, etc a trader should ask himself in which part of the wave is the market.

The only rule of thumb is the later you enter a new wave the less probabilities you will have to be successful.... "

Bar 1: The Forgotten

A single bar is the first and one of the main pieces of information in a chart and is usually forgotten or overseen by Indicators, S/R zones, Volume, Fibs, News, etc filtering the noise of a single bar. But a sound analysis of that noise in key areas can have a huge impact in market direction analysis and sometimes can make the difference between a good or a bad trade.

We can spend days defining each potential 1 bar formation (e.g. doji, hammer, hanging man, etc) but the important issue is understanding the core implications for any 1 bar formation. The 4 cases in Figure 1 cover all potential formation (all other cases derive from them). The obvious static analysis is:

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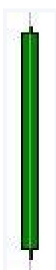

- A bull bar opens on the lows and closes on the highs. Buyers were in control in all or most prices covered in that bar

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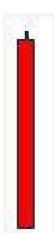


- A bear bar opens on the highs and closes on the lows. Sellers were in control in all or most prices covered in that bar

Attached Image

- In a bullish bar buyers managed to control the lows and the close but at some points (the highs and below the open) sellers were in control.

Attached Image

- In a bearish bar sellers managed to control the highs and the close but at some points (the lows and above the open) buyers were in control.

Every time we introduce a piece of static information in a chart we are adding many new variables to the equation.Some are clearly seen in a chart, others are hidden because of the static nature of an ex-post chart. In this case:

1. A closed bar only identifies in absolute terms where buyers or sellers were in control. We don't know if the buyers/sellers in those areas were strong enough relative to the market participants (e.g. volume). In other words, in a bear bar we can see that sellers were stronger in all or most prices in that bar but we don't know, for example, that this was because of lack of buying interest (too high to continue = the start of a retracement in an uptrend) or because there were a genuine new selling pressure (the continuation of a downtrend or a top in resistance) or because liquidity disappeared and even small sell trades can push the market to the extremes (news, consolidation after a major break, etc)
2. The other important hidden issue is that in a static 1 bar we don't know what was the flow of trades in that particular bar. For example in a bullish bar we don't know if buyers first push to the highs and after that sellers took control but they couldn't get rid of the buyers on the lows (more bullish signal) or if sellers first push to the lows but buyers took control but they were overpowered by the selling on the highs and barely could close above the open (a more bearish signal).

Paying attention to this information in areas of potential trades or in the analysis of macro direction will definitively help a trader to stay in the right side of a trade. It will be clearer when more bars added to the analysis.

Bar 2: Two to Tango

A second bar adds a lot of depth in the analysis but before analyzing its implication is important to remember that there are many variables in a consistent and sustainable trading plan: the most important are timeframe, risk, market liquidity & volatility and capital.

All of them have their unique implications, yet they all are mutually interdependent. The success or the failure of a trading plan is given by how consistent these unique implications and their interrelations are in your own trading plan. Finding the equilibrium between those is the key for trading successfully and consistently.

However, these interrelations must never interfere or blur basic price analysis; on the contrary they are adaptive variables that have to be used to facilitate trading. As in any chart, the longer the timeframe (or a widely use timeframe) the stronger its implications. Nevertheless, with the cases in figure 2) we can outline the key implications that are applicable for any chart.

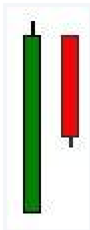
As you can see for example in 2a), sellers took control from the close of the 1st bar. The early **buyers** on the opening of the 1st bar are the stronger. We don't know if they are long-term positions, swing traders, day traders or scalpers. But 100% sure there are in profits (or out with profits) even after the second bear bar. On the other hand, the late buyers (**we don't know who they are**) on the close of the 1st bar are in red.

Additionally is clear that weaker long hands (scalpers, small daytraders, amateurs, etc) are betting on a break of the previous high to be in profits and every tick down can trigger their stops especially if price break the law of the 1st bull bar. The same analysis can be done for the sellers.

The early **sellers** on the opening of the 2nd bar are the stronger and a break of 1st bar lows will confirm the move down. We don't know if they are long-term positions, swing traders, day traders or scalpers. But 100% sure there are in profits at the close of the 2nd bar. On the other hand, most of the weak sellers on the 1st bull bar are out and a break of the 1st bar high will almost 100% confirms their defeat. However the break hasn't happened yet.

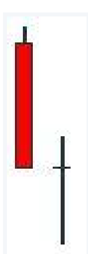
Good to know but what do we do with this information? Is there any way to define these implications in a coherent, objective framework to use them for price analysis? Yes, with only two bars and ceteris paribus (with all other things being constant) there are core notions (mini points of control, when is too late to take a trade, and price breaks) that are relevant for any chart in any timeframe. Lets check them for the 4 main cases:

Case 2a)



- The stronger buyers at the open of the 1st bar have a **wall** protecting them. This make the open/low of the 1st bar a **mini point of control.** As long as price is trading above these levels bulls will be in control. A tick below will put buyers underwater, weaker hands will start covering their position with a loss and new potential breakout sellers may appear.
- Sellers need to break the bulls in every single price on the 1st bar range to take control. In this case, and although sellers were dominating in the 2nd bar, the outlook is still bullish. If the sellers that weren't taking profits (and betting on the top/reversal or pullback) on the 2nd bar fail to take over the bulls (break the wall), they will stoke the move up when they cover their positions. This make the open/high of the second bar the second mini point of control. A tick above will confirm the move up and force the bears to cover and new potential buyers may appear.
- This case is a clear setup for potential longs. The closer to the 1st point of control (open/low of the 1st bar) you go long the smaller the stops and the higher the potential targets for profits but because the move is not confirmed until a break of the 2nd point of control (open/high of the 2nd bar) there is also greater chances that price can fail to continue the move up.

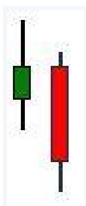
Case 2b)



- The stronger sellers at the open of the 1st bar have a wall protecting them. Buyers need to break the bears in every single price on the 1st bar range to

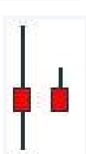
take control. In this case they already failed to break the mini point of control(open/high of the 1st bar).
- The 2nd bar confirmed the move down. However, buyers overwhelm the sellers at the lows closing the bar at the breakpoint (low/close of the 1st bar) meaning that sellers on the break that didn't take profits are not in profits anymore and every tick above the close of the 2nd bar (and especially the high of the 2nd bar) will add pressure on them to cover positions or trigger short stops (especially weaker hands).
- In this case bears are in full control and it's too late to get in the train.

Case 2c)



- In 2c) we already knew that buyers managed to control the lows and the close of the 1st bar but at some points (the highs and below the open) sellers were in control. Because of the static nature of an ex-post chart we didn't know the exact flow of action in that bar. Adding a second bar make the picture clearer.
- The second bar shows, that the sellers on the high of the 1st bar were strong. They broke the wall protecting the bulls on the opening of the 1st bar triggering stops and new selling and every tick down will add a lot of pressure to the bulls that are still in. Also the 2nd bar broke and closed below the mini point of control (open/low area of the 1st bar).
- Now, the strong sellers have a wall protecting them. Buyers need to break the bears in every single price on the 2nd bar range (and the highs of the 1st bar) to regain control. As long as the second mini point of control(open/highs of the 2nd bar) is holding bears will be in control.
- In this case bears are taking control. There are potential setups for shorts forming but it need a better entry because it's too risky to get in at the close of the 2nd bar (you don't want to be one of the weak hands that get shaking out before the moves continue)

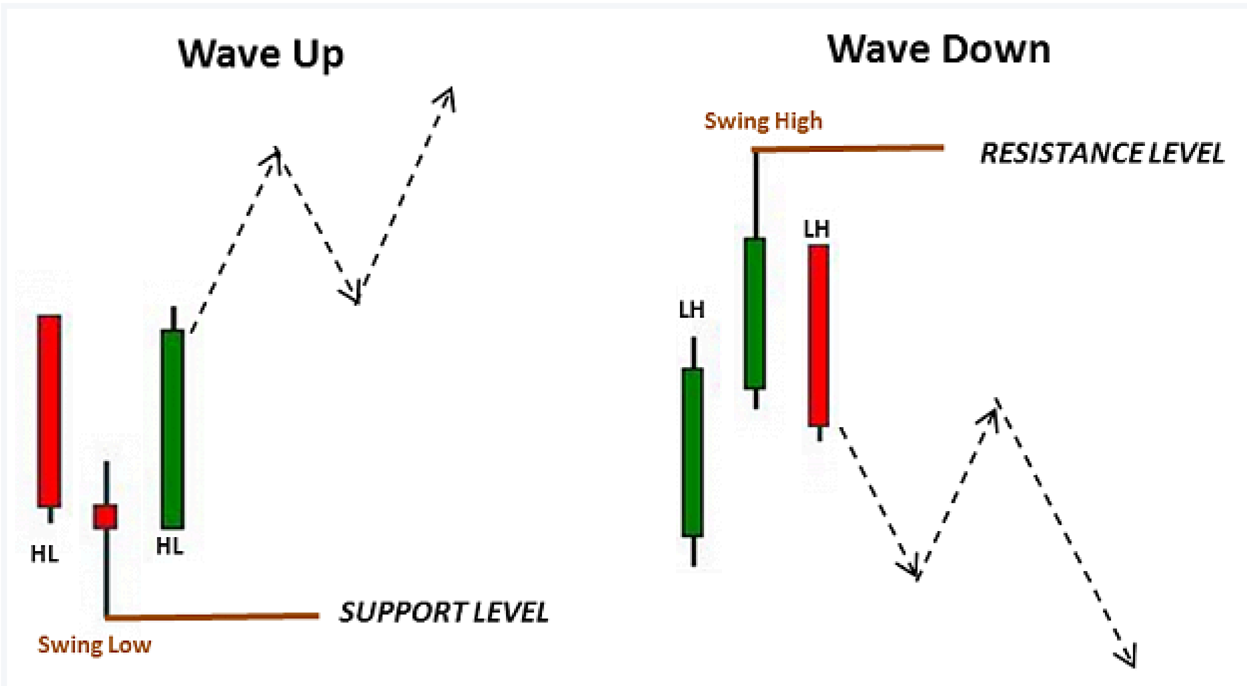
Case 2d)



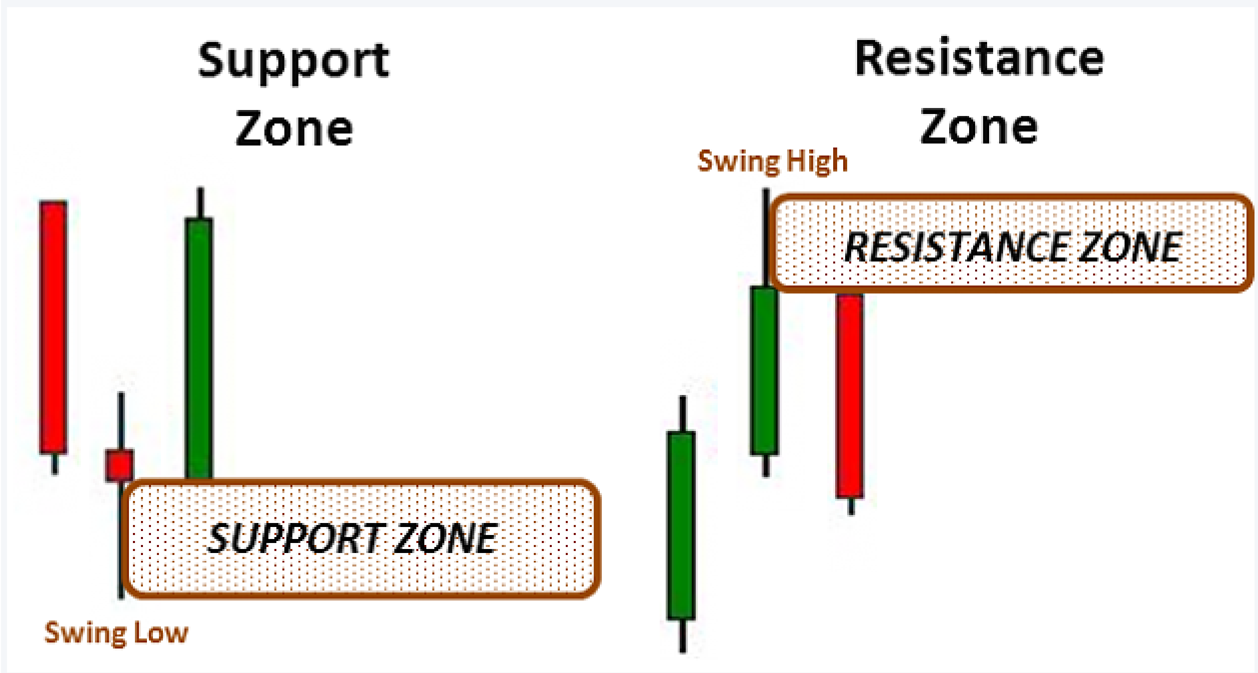
- In the 1st bar on 2d) sellers managed to control the highs and the close but at some points (the lows and above the open) buyers were in control. The second bar shows that sellers are still in control. Buyers couldn't break the 1st mini point of control (high/open area of the 1st bar). The wall protecting the sellers is still holding (but it was already breach by the buyers on the 1st bar).
- In this case bears are in control. This case is still a good setup for potential shorts. . The closer to the 1st point of control (open/high of the 1st bar) you go short the smaller the stops and the higher the potential targets for profits but because the move is not confirmed until a break of the 2nd point of control (close/low of the 2nd bar) there is also greater chances that price can fail to continue the move down. In this case the break of the 2nd looks imminent.

These notions are especially useful if you using a longer timeframes for your direction or S/R levels. In fast single timeframes analysing where are the mini points of control, who is controlling or losing control and where not to get in a trade are definitively key pieces of information that can exponentially increase your W% and improve your profit/loss ratio.

Three to Swing: Waves, Support & Resistance Levels, S&R Zones, and Trendlines (Continuation)



4. Support and Resistance Zones ...



- In general if you have a setup to get in a trade, and price is trading inside this zone, you may have a very good entry given the reduced risk of placing your stop. On the other hand, if you are already in a trade and you are using multiple timeframes and price enters in this zone you may consider closing your position or at least banking some profits.

Nonetheless, and probably the more important information you can have with S/R zones is filtering a fake Break or anticipating a valid Break when you are using a longer timeframe for direction.

- For example in the case of a **fake break** of a swing high, price can breach the swing high but if that bar **CLOSED BELOW** the resistance zone is a FAKE Break (happens every day).
- On the contrary if price breach the swing high and closed **INSIDE** the resistance zone the break would most of the time be **imminent** (happens occasionally and only when markets are "behaving" especially outside of major news or the opening and close of the markets),
- Of course if it closed ABOVE the swing high the **break is already confirmed** (happens every day especially when the move is driven by fundamental reasons or when there is change of trend direction).

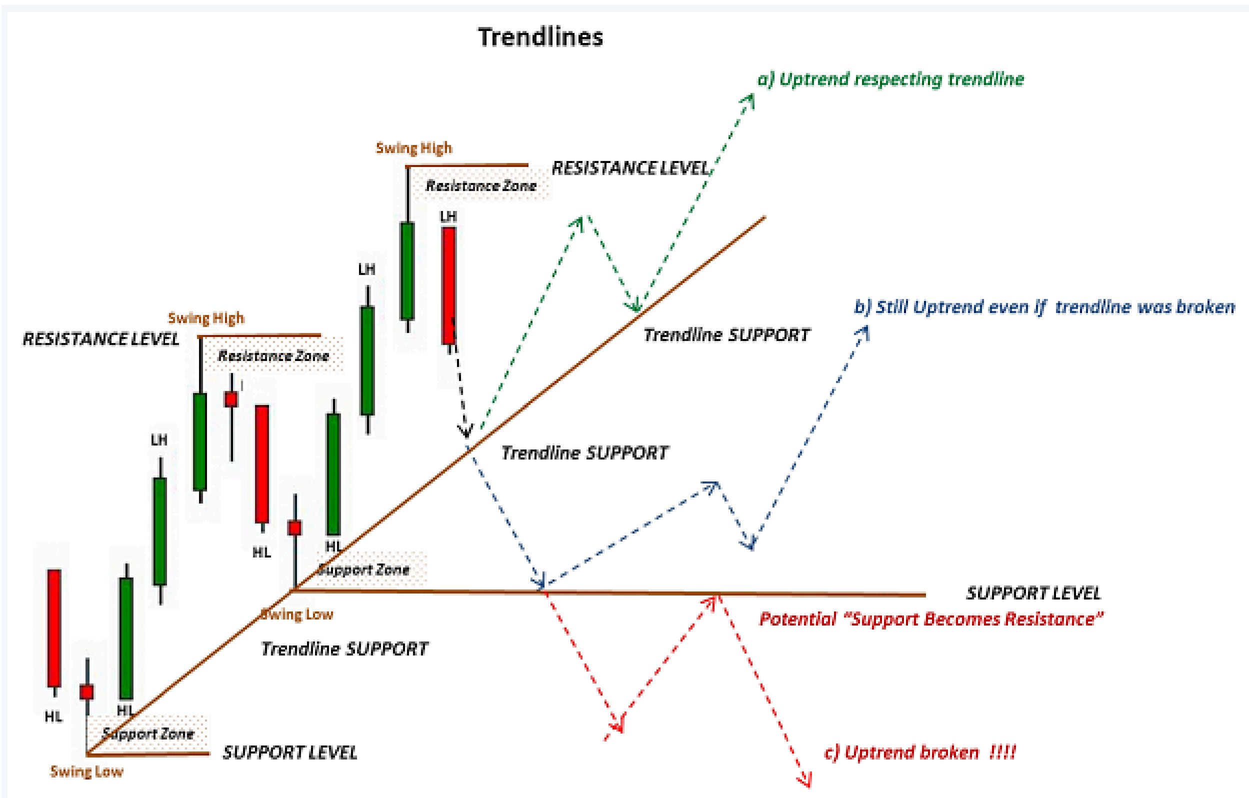
Some very important notes on S/R zones:

1. The timeframe is key. S&R zones are worthless if you are trading very fast charts because of the tiny range. Also the most widely used and longer the timeframe the more important these levels become.

2. Recognizing a fake, imminent or confirmed break in a second timeframe is not a reason to take a trade. Triggers are completely independent of this analysis.
3. If you are using a single timeframe, S&R zones may be lagging most of time and will only serve to confirm a trade you already in or exit a trade when you confirm a false break.
4. Don't confuse S/R zones with S/R levels. The latter are more important for price analysis because they will define if prices are making HH/HL/LL or LH.

5. Trendlines

While S&R levels give you a horizontal perspective, trendlines give a more vertical approach. For trend lines you connect 2 swings (in the case of the chart 2 swing Lows).



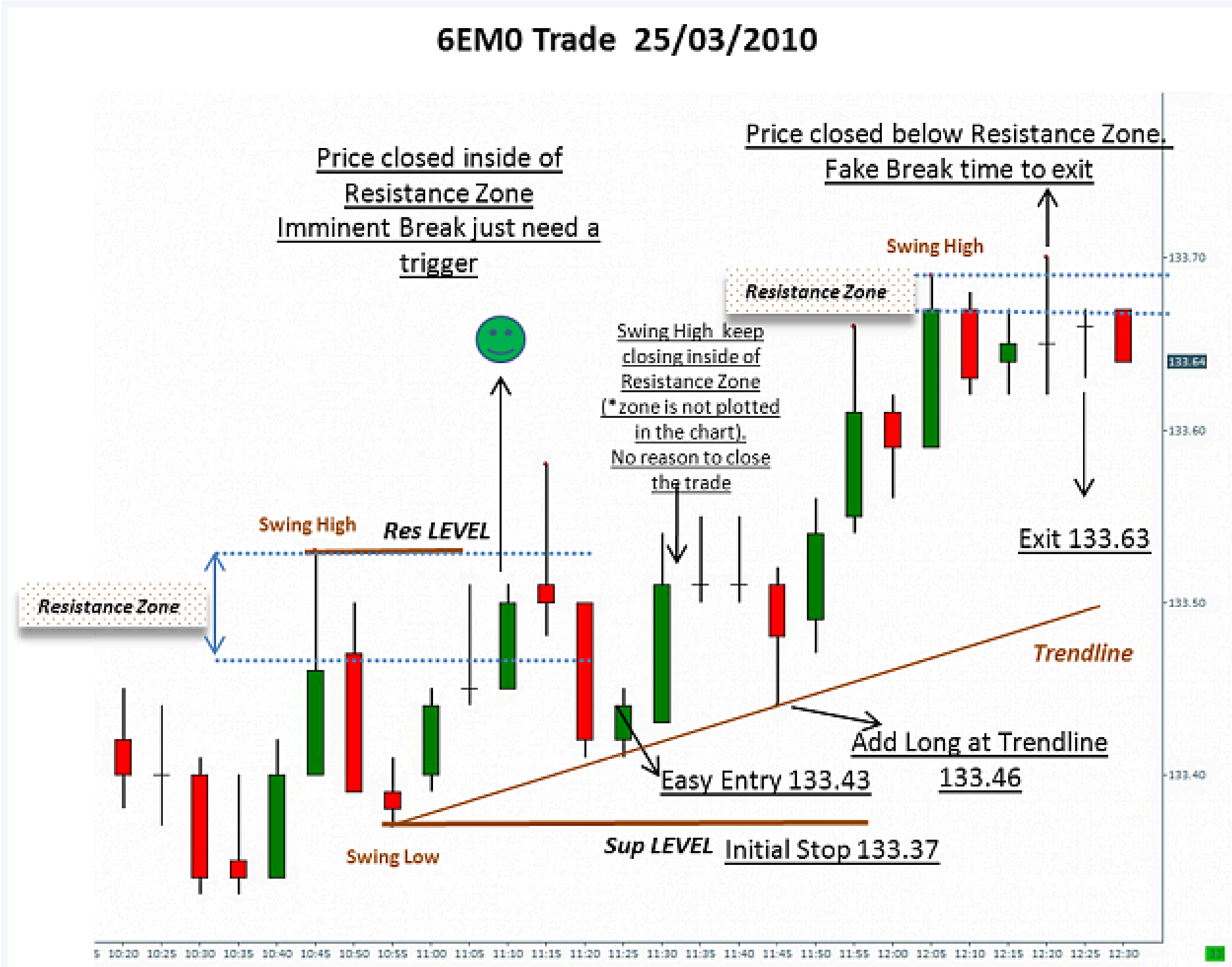
I know these are basic concept but in these very essential notions you can find the roots of most problems in this analysis.

- For example, based only in this chart you may think to go long in the next test of that trendline [case a] (which is valid idea) but price can go but not break the Horizontal Support level, breaking the trendline and still be a valid long setup [case b].

- In other words the valid setup for longs is because price is making HH and HL!!! ; And not because the trendline is broken you should start looking for shorts, not until you have new swings pointing to a different scenario!!!! [case c].
- The second fundamental trendline analysis issue is defining the relation between swings and timeframe. Here is when everything gets messed up:
- All swings in your current timeframe will be reflected in a lower timeframe but NOT ALL swings from your current timeframe will reflect on a higher timeframe.
- This means that you can connect an “unlimited” numbers of swings but you need to recognize which swings correspond to your current timeframe and which one are from a higher timeframe. In other words if you connect a major swing to a small swing you may end up with an INVALID trendline.

Real Example of S&R Zones

While writing this post, I fortunately came across with this excellent trade on the euro (6EM0) (and excellent case of S/R zones in action in an imminent break). Today GMT+1:



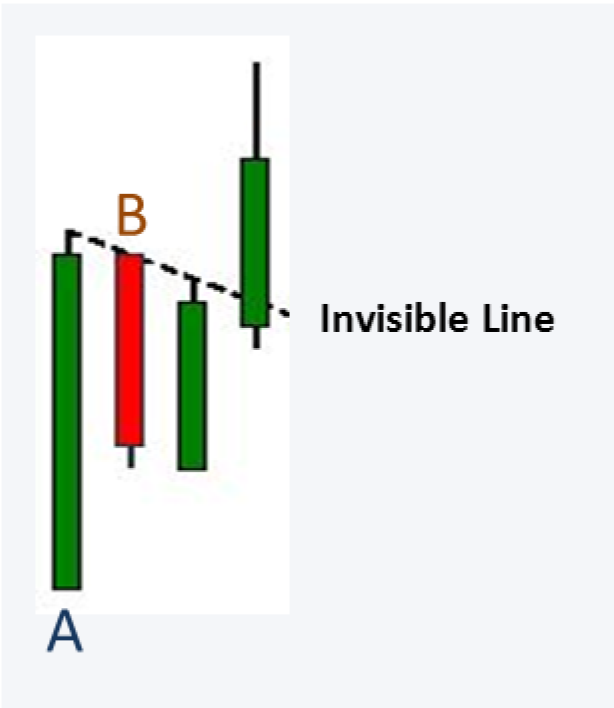
Give it a try. Apply these 5 basic notions in any chart without indicators. You will be surprise with the results. Of course new questions will arise like how do you pull the trigger? Or how do you deal with choppy conditions? (Remember that choppy is not ranging … ranging is as tradable as any trend). How do you define a good target? Is it worth using a second longer timeframe? Are the instrument, timeframe and time giving enough room (true range) for entries and exits? .

Despite these questions I can guarantee if you master these 5 core notions you will have solved most of the direction issues in the analysis (AND WITHOUT INDICATORS !!!) and you can then focus in the more micro technicalities such as how to pull the trigger.

Bar 4: The Invisible Line and Points of Control.

The 5 macro notions in price analysis (**Swings, Waves, Support & Resistance Levels, S&R Zones, and Trendlines**) were defined in the previous post. All the following notions are built upon those principles and they will only add depth in the analysis. They shouldn't be interpreted (used) outside of this context.

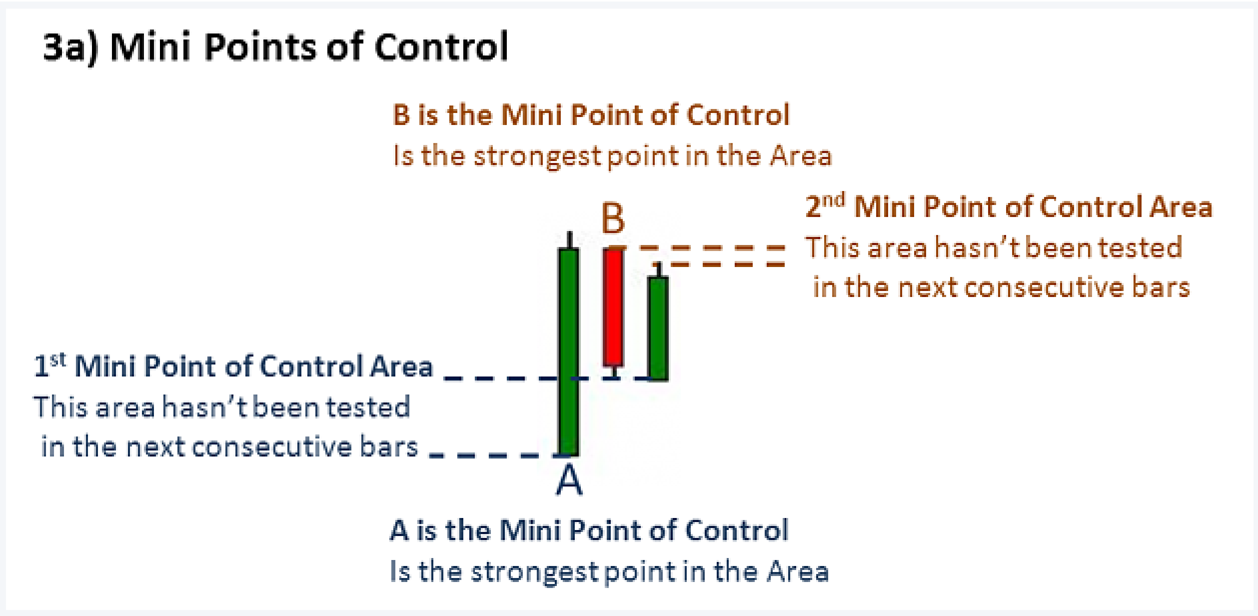
Adding a 4th Bar in the original example will clarify the notion of mini points of control that I mentioned before. It will also give a very powerful visual aid to recognize what is the market doing right now and ,particularly important, will give us the first hint to develop a price based trigger. But before that let's define in more detail what points of control are.

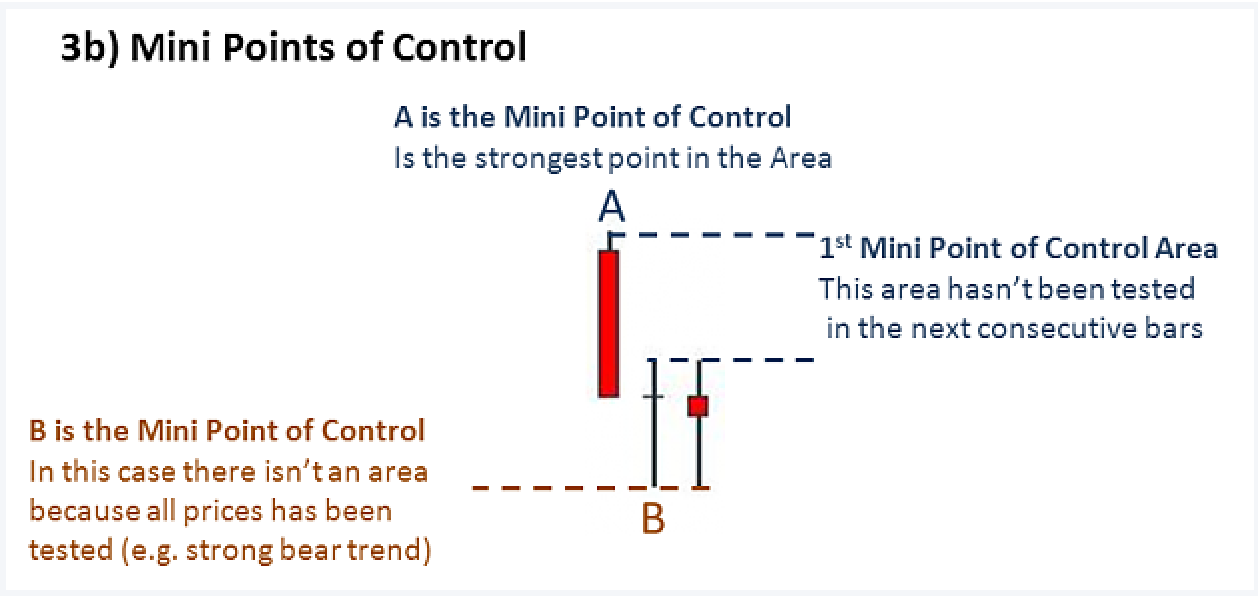


Points of control can be defined as any price or price range that hasn't been tested in the next consecutive bars. They can be the ultimate top or bottom in a chart (strongest points of control), a Support or Resistance Levels in a swing (normal points of control) or more commonly, areas between consecutive bars in a wave (mini points of control).

With just an ex-post chart (after the fact) and with only few bars we dont know why this happened (e.g. Point A in Fig. 3a. because of lack of selling interest or strong buying at those levels or the opposite on Point A in Fig. 3b.) but in general:

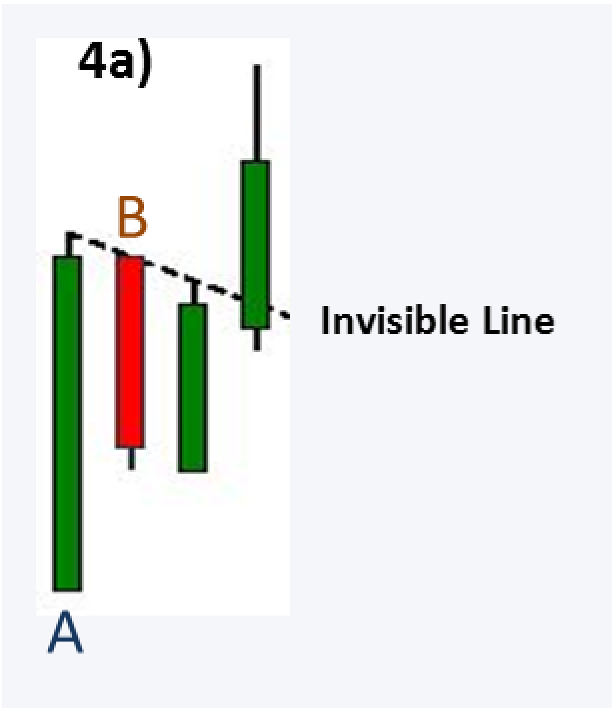
- As long as price is trading above/below these levels bulls/bears will be in control.
- The wider the mini area of control the strongest the trend but also the deeper the potential pullback/retracement. As you can clearly see the mini points of control A in both Figures are a lot wider than the mini points of control B sending a clear message to who is in control (bulls in fig. 3a. and bears in fig 3b.)





The Invisible Line

Going back to the original example (Fig 4a)



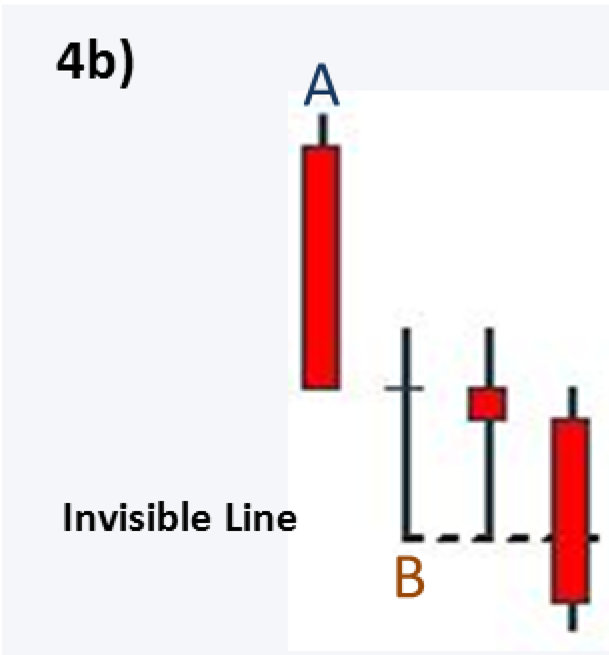
- We knew that there were stronger (smarter/early) buyers at the open of the 1st bar and there is a wall protecting them. After the close of the 3rd bar, sellers couldn't break the bulls in every single price on the 1st bar range to take control, making the open/low of the 1st bar a mini point of control (Point A).
- We also knew that although sellers were dominating in the 2nd bar, there were almost wiped-out by the buyers on the 3rd bar leaving only a few sellers still holding in profits and making the open/high of the second bar the second mini point of control (Point B). The 4th bar confirmed the bears failure to take over the bulls stoking the move up when they covered their positions and attracting new breakout buyers.
- Finally, we knew after the 2nd bar that we had a clear setup for potential longs and the closer to the 1st point of control (Point A) you go long the smaller the stops and the higher the potential targets for profits but because the move was not confirmed until a break of the 2nd point of control (Point B) there was also greater chances that price can fail to continue moving up. **Here is where the invisible line comes to play.**

If you connect with an invisible line (the dotted line in the chart) the Highs/Lows (depending on the case) of consecutive bars you can establish a visual aid of where and when a particular point of control is going to be broken. In the case of fig 4a) you can plot that line joining the highs of the 1st, 2nd (**Point B!!!!**) and 3rd bar and you can clearly recognize how after a few ticks in the 4th bar that line was broken (and not coming back!!!) and the move up was confirmed.

Obviously if you didn't pull the trigger on time the invisible line will tell you YOU ARE TOO LATE, YOU MISSED THE TRAIN, COME BACK LATER

The second very important piece of information with an invisible line is given by its SLOPE. The slope of this invisible line will most of time tell you if you are in the wrong side of the market in the current wave, the strength of a trend and pullbacks and if the move is overextended (overbought in an uptrend) without indicators !!!! (e.g. in an uptrend the invisible line instead of sloping down or horizontal has a steep slope up). These cases will be clearer when more bars are introduced in the analysis.

The same analysis goes for Fig 4b).



- We knew that stronger (smarter, early) sellers at the open of the 1st bar had a wall protecting them. After the close of the 3rd bar, sellers couldn't break the bulls in every single price on the 1st bar range to take control, making the open/high of the 1st bar a mini point of control (Point A) and leaving a very wide mini point of control area untested.
- In the 2nd bar the move down was confirmed. However, by the close of the 2nd bar, we also knew that buyers overwhelm the sellers at the lows closing the bar at the break point (low/close of the 1st bar) leaving the sellers on the break of the 1st bar that didnt take profits uncovered (especially weaker hands may have started covering shorts if price would have moved above the high of the 2nd bar). But this didn't happen and by the close of the 3rd bar all prices of the 2nd bar range were tested making the open/low of the second bar the second mini point of control (Point B).
- Finally, we knew after the 3rd bar that bears were in full control and it was too late to get in the train. Nevertheless, if we introduce the invisible line joining the consecutive lows of the 2nd, (**Point B!!!!**) and 3rd bar, we can clearly recognize that after holding for a while, the bulls gave up and the line was broken and the move down was confirmed.

Remember that the slope of this invisible line will most of time tell you if you are in the wrong side of the market in the current wave, the strength of a trend and pullbacks and if the move is overextended (oversold in a downtrend) without indicators !!!! (e.g. in an downtrend the invisible line instead of sloping up or horizontal has a steep slope down).

Therefore, pay particular attention in this case to the slope of this line (horizontal in a downtrend) in comparison with the previous case (sloping down in an uptrend) and try to find what the market is telling you. (Hint: Starting move, continuation move or potential reversal)
Some very important notes on Invisible Lines:

1. Always respect the order in the analysis (**3 Essential notions in price analysis**). These lines are only worth if you already have defined the current direction (e.g. wave analysis HH, HL, etc) and you are in the right side of the market.
2. So **NEVER EVER** go against the current direction. If you go crazy plotting invisible lines connecting every single consecutive High or Low you are going to have a very poor profit/loss ratio and your broker will end up making more money than you (if you make any). Remember this is a visual aid to recognize what is the market doing right now, and a first useful hint to develop a price based trigger.
3. In other words, you only draw these lines on the side that is controlling the current move. In case 4a) we only draw a line on the highs because bulls are in control and in 4b) on the lows because bears were in control.
4. Always check if the instrument and timeframe are giving you enough room (true range) to apply this notion. If you are trading very fast charts or tiny range instruments, your analysis can be right but it may be impossible to implement in practice.

The final use of these lines are to add a fast, objective and efficient tool to evaluate any chart without getting lost in translation with indicators.

Try it. Open any chart, find the last 2 or 3 swings, define what are they signaling (HH, HL, LL, LH), check the last bars on the current wave and plot the invisible line connecting the highs or lows (depending on the direction you see in the swings). If you can't establish [in the first minutes you see the chart] the current direction and where in the current wave the market is, just close everything and come back later, the market is in choppy mode....

Bar 5 and 6: Mastering price analysis in real time

"Execute the basics; master the basics...when you master and execute the basics, the rest comes naturally

Yes all these notions make sense and look great in an ex-post chart. The problem is applying them in a live chart. Sound like a clich but its true, only trading (screen time) day after day like in any other activity will make the process natural. No mentor, guru, blog or book can give you a shortcut to proficiency. Therefore, the only think I can aim is to establish some basic notions in price analysis that can at least set a potential pathway to follow; but **at the end successful trading is a personal journey that cannot be canned in a recipe book.**

There is only one last thing left in this collection: bullish and bearish traps. But before that I will add a 5th and 6th bar in the analysis to talk a little about the types of charts and wrap up the notions defined before.

Attached Image

Time charts have a unique feature over all other form of charts: the obvious control of time. Controlling the frequency in which each bar is formed it is very helpful, it allows to have a time reference to make decisions, it tells a trader when to watch the screen, when its too late to entry and when to get ready to pull the trigger among other things.

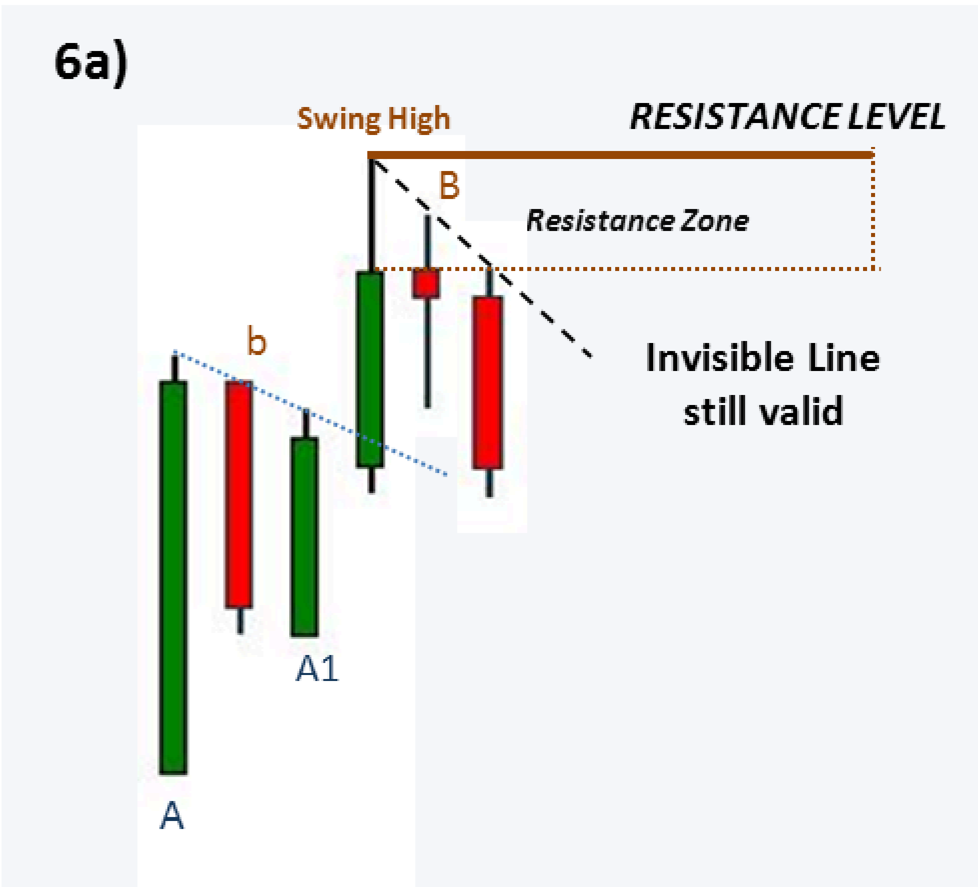
These characteristics are especially important if you are scalping or trading fast timeframes. However and as you probably know,there is always a tradeoff when trading: in this case, bouncy charts, more whipsaws, lots of choppy(because of the nature of time charts, bars are plotted regardless of volume size or # trades) and missing some trades (most of them if you are using a bad time chart for your instrument) because of the size of the trigger bar can make a very bad entry.

In my opinion, the higher the timeframe the less impact these bad factors your trading plan will have. Again, the fundamentalist (long term traders) and investors are right and thats why, ceteris paribus, trading daily, weekly or monthly charts are by far the best option from a technical perspective.

Sometimes time charts can be poor for trading analysis but good enough as 2nd timeframe trigger when using multiple timeframes in slow charts. In general as a rough reference (it depends on the instrument) common used time charts are better for direction and volume/tick charts can be more useful for triggers. Yet at the end it doesnt make much difference if you dont have a consistent trading plan, a winner/loser is a winner/loser regardless of the chart type.

As you can see in fig 6a) again the bears took control from the highs of the 4th bar testing a good range of the buyers in that bar. By the end of the 5th bar buyers appeared and manage to push price up a few ticks below the open but they were overpowered again by sellers on the 6th bar.

Attached Image



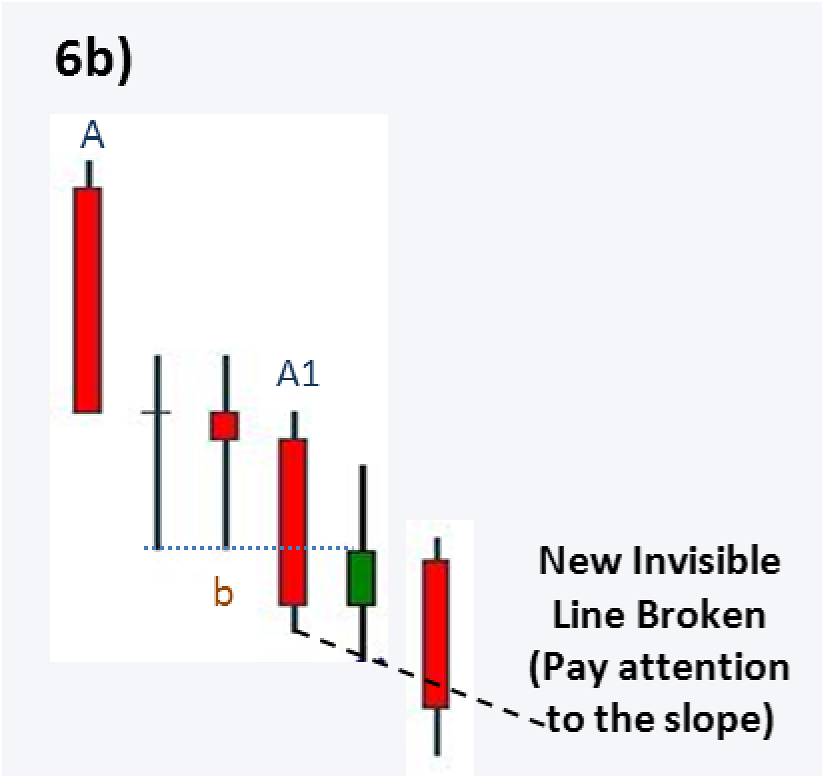
In any case, the analysis in order of importance will go like this:

- The most important issue with these bars is the formation of the 1st swing high(bars 3 and 5 highs are lower that bar 4 high). This marks the **beginning of the wave down**.
- In that swing we plot a horizontal bar and we have the Resistance level.

- The area between the high of the swing bar, the close of the swing bar and more important the open of the next bar after the swing define the resistance zone.
- The mini point of control A is stronger than ever. The wall protecting the strong (early/smarter) buyers on the open of the 1st bar not only resisted the sellers on the 2nd bar, but know they have a new round of buyers protecting them in bars 3rd and 4th.
- Now there is a new mini point of control A1 because the price range between the open/low of the 3rd bar and the open/low of the 4th bar hasnt been tested in the next consecutive bars.
- Its important to remember that we dont know if the new buyers in bars 3rd and 4th are long-term positions, swing traders, day traders or scalpers. But we know that there are stronger buyers holding from bar 1 and therefore these are not the ones who initiated the move up (continuation buyers). By the close of bar 6th we also know 100% sure that all buyers in point A and A1 are in profits.
- Obviously, every time the move extends, buyers will start taking profits and adjusting the stops to protect profits. For example, scalpers will be mostly out already, day traders and swing traders (depending on timeframe of course) will be probably out, or scaling out and adjusting stops to higher levels. In other words, only if buyers in point A are big enough and have a longer perspective this point will hold for a long time (for long term traders, these bars are just noise. Assuming that point A represent real buying pressure, they can afford to see price chop around for a long time or even retrace back to the A area).
- Bar 4th broke the mini point of control b. Now there is also a new mini point of control B because the price range between the high of the 4th bar and the high of the 5th bar hasnt been tested yet.
- We can also plot a new invisible line that is still sloping downwards in an uptrend connecting the consecutive highs of bar 4th and 5th. As you can see the 6th bar not only couldnt break this line but sellers in this bar broke almost all the buyers in the 4th bar (which is a nice visual indication of where were the weaker bulls in that last wave up compare this with the sellers on the 2nd bar). Bears are in control since the beginning of the wave down (as we expect in any a wave down sellers control wave direction)
- After 6 bars the move up is intact but now there is a new wave down against the tide. Is time to get ready for when the next wave up is forming to get in the first HH and HL high probability setup.

In the case of fig 6b), these bars only keep warning us that the move is overextending.

Attached Image



- There is no new swings, S&R levels and therefore no new S/R zones
- The mini point of control A is stronger than ever. The wall protecting the strong (early/smarter) sellers on the open of the 1st bar have a new round of sellers protecting them in bars 3rd 4rd and 6th.
- Now there is a new mini point of control A1 because the price range between the open/high of the 4rd bar and the high of the 5th bar hasnt been tested in the next consecutive bars.
- Bar 4th also broke the mini point of control b. This time there isnt a new mini point of control (B) forming because all prices have been tested by bar 5th. This is the first clear warning that new selling is evaporating and the move can stall or bottom.
- If we plot a new invisible line connecting the consecutive lows of bar 4th and 5th (the lows because bears are in control) this time we have a 2nd important warning that the move is overextending and its definitively too late to get in: An invisible line sloping downwards in a downtrend. The move down on the 6th bar was almost impossible to catch because of the risk in placing the stop and the big range that was required to break the invisible line.
- After 6th bars sellers are in full control and there is not much to do.

I can go forever analyzing an ex-post chart bar by bar but thats not my point. I only wanted to show you a pseudo rational approach that can help you analyzing the basic price notions in any live chart. Before moving to live charts I am going to add one more bar in the next and last post in this collection to define the last basic notion: bears and bulls traps...

TBC