22 WINNING STRATEGIES

MASTER EDGE TRUST

ONLINE TRADING

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A Few Words Before We Begin

In this ebook, we've compiled different trading strategies that have been refined over our 16-year journey in the markets. You'll find in- depth chart analyses for a variety of scenarios, different trading styles, and studies using various trading tools, equipping you to navigate diverse market conditions.

Remember, a thorough understanding is key before going all in. Start small and put your strategies to the test first!

I encourage you to experiment with different strategies from this ebook to discover your preferred approach. Different trading strategies resonate with different people; listen to yourself and find what works best for you.

Best Trading Resources

Over the last 16 years, we have read dozens of trading books and countless articles about trading strategies, trading psychology, and all other trading-related concepts.

If you are hungry for more trading knowledge, take a look at these trading books:

1. "Market Wizards" by Jack D. Schwager
2. "The Intelligent Investor" by Benjamin Graham
3. "A Beginner's Guide to Forex Trading" by Matthew Driver
4. "How to Make Money in Stocks" by William J. O'Neil
5. "Reminiscences of a Stock Operator" by Edwin Lefèvre
6. "Trading in the Zone" by Mark Douglas
7. "Technical Analysis of the Financial Markets" by John J. Murphy

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Given the inherent risks involved, you should only engage in these transactions if you fully understand the nature of the contracts and the contractual relationships involved. You must also be capable of accurately assessing your risk exposure. Trading in futures, options, forex, CFDs, stocks, cryptocurrencies, and similar financial instruments may not be suitable for everyone. It's crucial to evaluate whether trading aligns with your experience, goals, financial situation, and other pertinent factors.

Please note that past performance is not indicative of future results.

We would like to highlight some specific risks associated with trading financial instruments:

Before initiating transactions using an electronic system, thoroughly review the rules and provisions of the stock exchange offering the system, as well as the financial instruments you intend to trade and your broker's terms. Online trading carries inherent risks due to variations in system response times, access times, and market conditions, which are beyond your control. Be aware of these additional risks associated with electronic trading prior to executing investment transactions.

Trend Continuation with Multi-Timeframe #1

I started following the AUDNZD when I noticed the great trend structure. The price was in a long-lasting downtrend, followed by a much shorter and weaker bullish phase. The bullish correction wave also found resistance at a previous support level.

Such chart scenarios often provide interesting opportunities when the correction wave turns into the next trend-continuation wave. All we have to do is wait for the price to break into the bearish trend structure.

The break of the structure occurred when the price broke the trendline and also the swing low, marked by the white horizontal line. Prior to the breakout, there was also a so-called "lower bounce" which is a pressure-building pattern and it can often foreshadow a breakout scenario. Trend-following traders may take such a signal as a trend confirmation entry

The breakout led to the continuation of the bearish downtrend. As you can see, we just use very simple (yet effective) principles of trend and price analysis to understand the underlying trend dynamics.

If you have been looking for a trending approach, I suggest you start backtesting a similar strategy to evaluate its effectiveness and to learn about trending behavior.

Distribution Trend Continuation #2

I am giving you a price chart and you have to guess whether the price will go up or down next.

Of course, we cannot predict the next price move, but we can look for clues that signal to us whether a chart is more bullish or more bearish.
So here is the chart. What do you think? **Has the price a higher chance of going up or down next?**

Ok, let´s try to dissect and analyze the price chart together. What can we see here?

At the top, we can see that the price broke out of a long sideways phase. We call those phases **distribution** phases. During a distribution phase, there is a lot of buying and selling going on, but the price is in an overall **equilibrium**.

However, the longer the distribution, the more **meaningful** the following breakout typically is.

In this case, the price broke out to the downside, signaling a bearish **impulsive** trend wave, followed by the consolidation phase that we are seeing right now. The **consolidation** is much less volatile than the distribution. This shows that the "**battle** between the buyers and the sellers" is not as intense as during the distribution where you see much stronger volatility. This usually confirms that the prevailing trend structure (bearish) is not broken and there is a higher chance of seeing more bearish continuations.

A complete trend reversal takes longer than such short consolidations and also is more volatile.

However, at this point, it would be too early to get into a short trade just yet. As long as the price is still inside the consolidation, the market is still in a neutral phase. Overall, the chart looks more bearish than bullish **but** it would be too early to jump onto a trade.

In the next screenshot, the price broke out of the consolidation. The **breakout sequence** is also really important to analyze. A strong breakout sequence (a few strong red candles leading to the breakout) is a great bearish confirmation signal. Weak breakouts are typically not ideal.

At this point, the chart looks overwhelmingly bearish, and having a bullish bias would be not objective.

However, even if your chart analysis provides a super clear bearish short signal and you cannot find any bullish confluence factors, you still have to trade with a **stop loss** and apply reasonable **position sizing**. Even the best trade setups/signals can (and will) fail. In trading, we are dealing with uncertainties and we are playing **probabilities**. We don´t know in advance which trade will be a win and which will be a loss.

The next screenshot shows the outcome. The price continued the trend sequence of impulsive > consolidation > impulsive wave throughout the whole trend. Small consolidations and strong impulsive trend periods show an unbroken trend structure.

Liquidity Run #3

The chart below shows the EUR/GBP on the daily timeframe at the beginning of the week. The double-wick pattern above the green resistance area is a great signal on the higher timeframe. The two long wicks shooting through the resistance show a large interest in the currency pair and a temporary failure to continue the bullish move.

The wicks are not enough to just jump into a trade right away but they are a good enough signal to start your trade planning on the lower timeframe.

On the 1H, the price showed a perfect **liquidity run** pattern. What is a liquidity run? Here are some key components of the liquidity run:

- The double top shows the first failure to advance higher.
- The break of structure signals a lower low. This is the first time in the trend that the market was able to break a previous low.
- The price moved back above the white line marking the low. A lot of traders will have their stop-loss orders in the blue zone. Those traders are now starting to feel very uncomfortable and are squeezed out of their breakout short trades.
- The strong red candle signals a strong shift in sentiment at the stop zone. The stronger such a reaction to the stop zone, the better the signal typically is.

After the liquidity run, the downtrend unfolded. The liquidity run with the higher timeframe double-wick exhaustion are great complementary signals. They often (not always) foreshadow new trending markets.

Range Trading with Multi-Timeframe #4

Let´s start on the higher timeframe and we can find a lot of great insights about the price action here:

- The **Double Top** marks the high point of the range. When the price fails to clear a high, the sentiment turns slightly bearish. But there is more...
- Next is the **Liquidity Grab**. A Liquidity Grab is a fakeout pattern. This pattern shows the rejection of the bullish attempt to take out the highs. Another bearish signal.
- Then there is the **Break of Structure** which signals that the price is now able to break into fresh lows. At this point, it is time to go to the lower timeframe.

On the lower timeframe, we can see the breakout trend wave. However, one thing is important to observe here:

Although there is a breakout, the pre-breakout trend wave is extremely bearish. The traders who decide to just sell the breakout at this point are **chasing the price**. This is generally considered bad practice. The longer a pre-breakout trend wave is going on, the higher the chance of a pullback. So the best thing here is to wait for the next signal...

Waiting was certainly the right decision. Although, in this example, the breakout could have provided a small winner, this is not always the case and a pullback can also occur much sooner. Now, the price has arrived back at the breakout level and we can wait for support to turn into resistance. To get an even better entry signal potentially, we can go to an even lower timeframe to observe the price action there.

The lower timeframe shows this amazing Momentum Buildup pattern. The price has built a natural support level and is really sticking to the level. This shows that there is a lot of selling interest that is keeping the price that close to the level; the buyers cannot get the price higher from there anymore. A breakout could signal the start of the next trend wave.
That way, the trader would not chase the price but enter relatively early in the new trend wave; a much better entry scenario compared to the first one above.

And voila. The final outcome. Of course, this will not work out all the time but nothing in trading works 100%. However, this top-down approach can be a great foundation for a trading strategy.

Breakout Trading with Patterns #5

The screenshot below shows the higher timeframe and we can identify a few important signals here:

- The **long-term trend** has been bullish and the market has been rising. Once you identify the overall trend direction, it helps you with trade selection because you typically want to trade into the long-term trend.
- The market has recently pushed into a **resistance** level at the top (blue zone). So although long trades might seem to make more sense in this market, you do not want to trade just underneath a major resistance. This is a mistake many traders make and they forget to check their higher timeframes for import support and resistance levels.

With that in mind, we can go to a lower timeframe to analyze micro price action.

On the lower timeframe, we can identify a **contraction** pattern. The price has been contracting in the **triangle**. This indicates that both parties (buyers and sellers) are currently agreeing on the price.

You want to **avoid** trading during such sideways contractions because the market is not going anywhere. As traders we want to find momentum and we need markets that are moving in order to realize winners that are large enough.

As long as the price is in such a sideways contraction, traders shouldn´t do anything and just wait patiently.

Sooner or later, there will be a breakout from the contraction. The breakouts out of tight sideways consolidations often occur with great force, making them ideal trend signals. At that point, the odds for more bullishness might be higher and a high momentum breakout often foreshadows more momentum.

After the high momentum breakout, the price would have kept trending higher significantly. And although this will, of course, not work all the time (nothing does in trading), looking for narrow sideways consolidations below major resistance levels in a trending market could be a great foundation to build a trading strategy around.

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Day Trading with the Daily Session Flow #6

I explain how to **improve your day trading** by mastering the daily sessions.

Below you see the EUR/USD 5 min timeframe and the colored boxes show the different trading sessions (Asia, London, New York). Let´s go through this chart step by step:

1. The day prior, the market trended lower and the price had a bearish phase during the **New York** session. We focus on the **New York low** (1) going forward.
2. On the next day, the Asian session traded around the last New York low, but the price was not able to continue the downtrend. This is a sign of **weakness**.
3. During the following London session, the **price rejected the Asian low** and continued to push into the Asian high (2).
4. The price finally broke and **retested the Asian high** (3) and started the uptrend. It is important to note that the breakout occurred early at the New York Open. **Early breakouts in a new session may carry more weight.**
5. By analyzing the price action around session highs and lows, we can learn a lot about the underlying market forces.

Now, let´s focus on another interesting case study from this week. In the screenshot below, we can see that the price broke the **Asian high** during the London session (1).

The price came back to **retest the Asian high** now as support (1). The price was already in an uptrend during the London session and after the breakout, you typically look for **trend continuations during New York**.

The trend indeed continued during the following New York session. The signal of the continuation was the break of the London high (2).

In general, I would recommend paying attention to session highs and lows to observe how the price reacts around such key levels. They are important reference points and as traders, we can learn a lot about the trend dynamic.

Breakout with Dirty Retest #7

This is a recent **Gold** chart and we can clearly see that the price has been in a long downtrend. Throughout the trend, the market only made **lower highs (LH)**and never violated this important trend structure.

As long as the lower high structure is in place, the downtrend is confirmed.

After the last lower high, the market entered a longer-than-usual sideways phase. We call those **accumulations**. Such long sideways periods are often a sign that the market has a lower chance of continuing the prevailing trend direction. The two sides (buyers and sellers) are now agreeing on the low price and there is no need for the price to fall lower.

We can also see that the market, for the first time, **broke a lower high**. This important change in trend structure is a signal that often foreshadows a trend reversal. But it is not enough to just jump into a long trade without further confirmation.

Shortly after the breakout, the price moved back into the accumulation pattern. We call this a **liquidity run**. Some traders refer to it as a **stop run** because this is where you expect a large cluster of stop loss orders from the early breakout long traders.

Now, we have to carefully observe the price action during the liquidity run. We need to see a strong bullish rebound. The stronger the bullish reaction, the better the signal.

The market reacted strongly after the liquidity run and the price moved back above the breakout high.

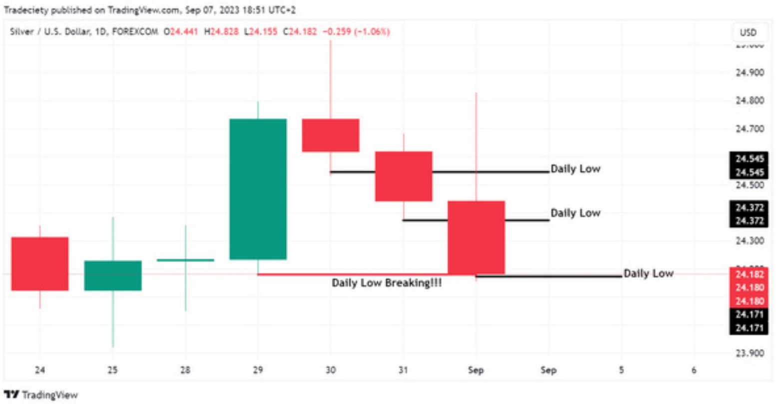
In technical analysis, this pattern is called the **1-2-3 pattern**. It is a great breakout pattern that you will be able to observe across different markets and also on all timeframes. When the 1-2-3 pattern is formed, a trend reversal is often occurring.

Day Trading with the Daily Candle #8

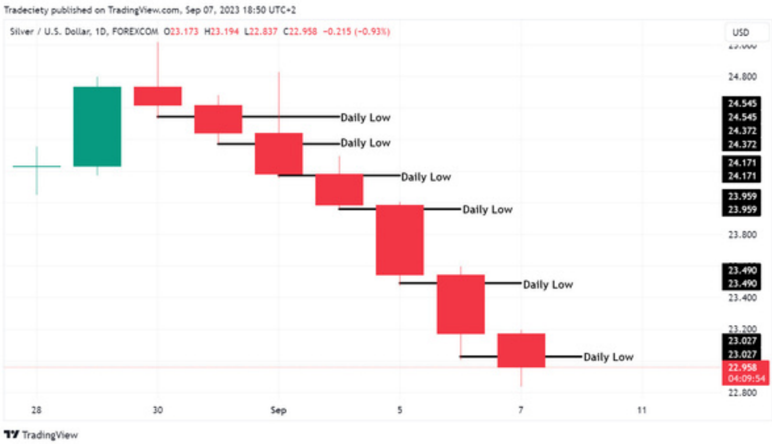
I want to focus on some important trend trading concepts and I show you how a simple feature can help traders understand trends much better. We will also do this with a multi timeframe approach.

Below, you see the Daily chart from Silver at the end of last week. We can find a few important price and trend developments here:

- The last 3 daily candles are all red and each candle broke the daily low of the candle
- But what is more important is how the price behaves around the daily highs. The first and third red candle have long wicks to the upside. Those can be viewed as rejection wicks and confirm the bearish momentum when the bullishness gets rejected.
- Also, the third red candle is making a run at the daily lows of the large green candle. A break would confirm a more significant bearish trend shift and typically leads to more selling over the next days.



After the long green candle was taken out, the bearish trend accelerated and the bearish momentum increased. After the break of the green candle, the new daily candles have almost no wick to the upside anymore - a strong bearish signal. As long as this is the case, the bearish trend is confirmed.



On the 15 min timeframe, we can observe an interesting price behavior: when the price breaks a previous daily low, the price comes back to the daily low and then retests it as resistance on the following day. Such retests of daily low as resistance are great potential entry points for trend-following traders on the lower timeframes.

If you can identify such a retest early on in the day, it might foreshadow the trend direction for the rest of the day.

Although the observations may sound simplistic, keeping an eye on the daily candles can be a huge help for traders on the lower timeframes.

I would recommend scanning your daily timeframe to look for confirmed trending candles where the price keeps pushing into new lows (in the case of a downtrend) or into new highs (in the case of an uptrend). When you can identify 3 bearish/bullish candles in a row, a trend might be confirmed.

You can then use that information to look for Support & Resistance flips as your trigger points on the lower timeframes. Not always will a support turn into resistance but when it occurs, trend traders may be able to benefit from the higher timeframe momentum confirmation.

Supply Zone with Breakout Trading #9

We start our analysis on the higher timeframe as always. Every chart study should always start on your higher timeframe.

On the weekly timeframe, we can see some great confluence: a strong pinbar rejection into a supply zone and at a previous swing point. Although this is not a direct sell signal, it gives us enough reasons to go into the coming week with a bearish bias and start looking for short trades on the lower timeframes.

On the 30-minute timeframe we didn’t have to wait too long for a short setup. Let´s go over all the confluence factors we can see here:

1. Looking at the green and red channels (Daily high low), we can see that the price **never** touched the green line (Daily high) and kept pushing into the daily low. This is a strong bearish trend confirmation.
2. The price also made a **false breakout**. The breakout was followed by strong bearish candles, showing a large bearish interest.
3. The price action before the breakout is also worth noting: pre-breakout, the price **accelerated** from the previous resistance. Such a pre-breakout sequence can often foreshadow a high probability trend continuation.

After the breakout, the price continued its downtrend. The price fell a lot in a short amount of time. This is a common behavior after a previous sideways consolidation. During consolidations, a lot of pressure builds in the price, and after a breakout, this pressure is often released, resulting in strong movements.

Here are the most important takeaways from this chart study:

- Always start your analysis on the higher timeframe.
- On the higher timeframe, map out the most important Supply/Demand zones and support/resistance level.
- Wait for the price to show you a reaction at this higher timeframe zones.
- On the lower timeframe, wait until you see a strong setup in line with the higher timeframe bias.
- Make sure you have multiple confluence factors confirming your trade idea.
- Apply a consistent approach and follow the same principles for all your trades.

Trend Reversal Trading #10

We start the analysis on the 1H timeframe and we analyze the **trend structure**: the price is in a downtrend, making lower lows and lower highs. We see one higher low but this is not enough to call it a reversal.

Then, the price forms a strong breakout candle (we call this **displacement**) and the price breaks into a higher high. This is a strong bullish sign. But it is **not** the right time to buy just yet.

A few candles later, we can identify a 1H **FVG (Fair Value Gap)** on the 1H timeframe. This is the context we have been waiting for. Now we are going to a lower timeframe to find the optimal trade entry.

In the 5-minute timeframe, the price is in a strong uptrend after the long breakout sequence we observed on the 1H. A lot of traders would be **chasing** such breakouts and then run into serious trouble when the **inevitable pullback**is coming. We are going to use the pullback to our advantage.

Shortly after, the price **pulled back significantly** and reached the 1H FVG. A lot of pullback traders will use this as an **entry point** for their trend-following trades.

The price moved higher after hitting the 1H FVG and then on the way up created a **new 5-minute FVG**.

On the **pullback** into the 5-minute FVG, traders may choose to take a secondary entry into the bullish trend direction.

Eventually, the price went into both targets, advancing the trend higher.

Demand Zone Trading with Pullbacks #11

On the timeframe below, we start with our analysis and we see a **bullish engulfing candle** that is confirming a **fakeout**. The price first broke the last low and then shot higher for the fakeout.

When we zoom out, we can see that the fakeout is happening right at a previous **demand zone**. This is a great **long-term confluence**. Looking for signals around important structures is a good trading plan.

The screenshot below shows the lower timeframe. The long breakout candle (**displacement**) is the higher timeframe engulfing candle. We do not want to chase breakouts so we have to wait for a better entry signal.

The price continues higher first, leaving a new **demand zone (order block)** on the lower timeframe. We can use this demand zone for pullback trading if the price retraces there.

Shortly after, the price is pulled into the demand zone and shows a price rejection for the **entry**. For traders seeking trades there, the stop loss is typically placed below the swing point.

The **bullish trend** really got started after the demand zone pullback and the price traded higher.

Trend-Following with Fakeout #12

I have 2 trading strategies for you in this week´s newsletter. Let´s get right into it. The first strategy is a so-called **liquidity run**. In a trending market, we look for the highest high and then we wait for exhaustion. **Exhaustion** exists when the price tries to break above the highest high but fails to do so. This is our first clue that this trend might be slowing down.

Next, we have to wait for a **break of structure**. A break of structure exists when the price makes a lower low. This is usually not something you can see in a healthy uptrend. A lower low marks the starting point of a bearish trend.

This is a classic breakout strategy and traders may get into such positions right at the break of structure.

For **target placement**, we can keep it simple as well. We look for the most recent swing lows on the left.

The liquidity run is considered a trend **reversal approach** because you are going against the previous bullish trend. But, at the same time, you are trying to capture the **new downtrend** that is just getting started.

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Trend-Following with Pullback #13

First, we find an existing trending market that is still making higher highs and higher lows. In a bullish trend, you ideally wait for a **pullback** to avoid chasing the price.

When we look deeper into the price action, we can see that this pullback has reached a **Fair Value Gap (FVG)** and it finding support there. Pullbacks into FVGs may provide higher probability scenarios.

The entry is a breakout entry when the price is exiting the last consolidation. In this case, this comes with a **momentum shift** with a large **displacement** candle.

The bullish trend is then continued. Make sure to look for liquidity runs and exhaustion as we have learned from our first example, as those could be signs of an upcoming trend reversal.

Avoid False Breakouts #14

This is a **super classic pattern** and many traders will jump on this short breakout here and trade it right away. But if you have been struggling with those kinds of setups, there is a better way.

Let´s put us in the shoes of the breakout short traders here for a moment...

Where will the short breakout traders will have their stop loss? Usually, the stops will be clustered right above the breakout area. We call this area the **Stop Zone**. This is a high liquidity area where a lot of orders are clustered...

Instead of trading the initial breakout, it may be beneficial to wait for the price to **move back into the stop zone** and look for a trading opportunity there. But we don´t go short just because the price is in the stop zone!

Typically, the **Stop Run** entry happens after a strong selling candle in the stop zone. So you´d have to wait for a large bearish candle to confirm the momentum is shifting bearish again.

When you look closely, there were a few **strong selling candles in the stop zone**. Those can be used for Stop Run trading. And afterward, the price completely turned and continued the downtrend that was already hinted on the initial breakout.

Reversal Fakeout Trading #15

Below we see the so-called **Triple Tap** pattern which is made up of three consecutive higher highs in an uptrend but each high shows a lot of weakness. The price is barely able to break the previous high.

This is **NOT** the sign of a healthy uptrend and can often foreshadow a **trend reversal**.

The signal of the Triple Tap is given when the price breaks the last swing low. In the screenshot below, it is marked as the **Break of Structure**. This signals that the price is now making a **lower low** which is the tipping point that turns a market bearish.

If you missed the initial breakout, you may often get a second chance. But **do not chase** breakouts if you missed it.

In the screenshot below, the price entered a consolidation and then showed a **Pullback Fakeout**. The price attempted to break out higher but immediately failed. In the context of a downtrend, this is often the sign of a bearish continuation.

And we can see that the price indeed trended lower after the pullback fakeout.
It all started with the Triple Tap that signaled a weak bullish market and then led to two interesting bearish opportunities.

FVG Trend Trading #16

Although this strategy is traditionally traded on the lower timeframes, you can find the same patterns across all timeframes.

The first thing you are looking for is a **fakeout** in a trending market. Ideally, the fakeout happens with **strong reversing momentum**. In the example below, after the bullish breakout, the market immediately reversed lower with strong selling. This is a great starting point.

Next, we want to wait for a **market structure shift (MSS)** which is confirmed when the price is making the **first lower low**. This signals a trend change. But, we don´t want to chase the price and we wait for a better entry.

We need a **FVG** for our trade timing. The price gives us a great **FVG** on the breakout that we can work with. Now it is all about waiting for the price to get back to the **FVG**.

The **trading plan** is simple: you wait for the price to get back to the FVG. Sometimes, the price will not pull back enough and you are going to miss some opportunities. But this is OK. It is much better, long-term, to wait for the FVG because it gives you a great **RRR** for your trades.

Multi Timeframe with Smart Money #17

For this strategy, we are starting on the Daily timeframe as our **Higher Timeframe**. Here we determine the **trend direction (bearish)** and we also look for other **confirmation**. In this case, we see that the price is pulling back into a **FVG**. This is great because we want to participate in the downtrend and a **pullback** usually offers a better RRR.

We go to a lower timeframe and here we see another **fakeout**. A fakeout is a great sign that a trend might be losing momentum. It is too early to jump into a trade just yet but the confluence with the higher timeframe direction is what we are looking for.

There may have been a few entry **opportunities** in the screenshot below by waiting for pullbacks into FVGs - try to see if you can find the FVG that the market left on the bearish moves.
If you missed all pullbacks, the final opportunity exists on the **breakout**.

Typically, traders first **target** the last low. However, we know that we are trading **with the higher timeframe trend** and, therefore, might be able to stretch our target. But this has to be done with caution and we don´t want to be too greedy.

Simple Order Block Trading #18

Here we see that the price is trading back into a strong **order block**. The order block is the origin of the strong bullish movement. I would recommend that you start your trading preparation by marking all major order blocks on your charts and then carefully observe the price action around those.

After hitting the order block, the price started **reversing**. How you determine the **entry** is a personal preference and there are many options. You could wait for a **break and retest** of a previous swing high. Other traders will prefer to trade the **breakout** directly.

In this example, the price would have also **retested** the breakout level before shooting higher. A reasonable first **target** could have been the **FVG** that the market created on the bearish move. Alternatively, targeting the **previous high**may have been another viable option.

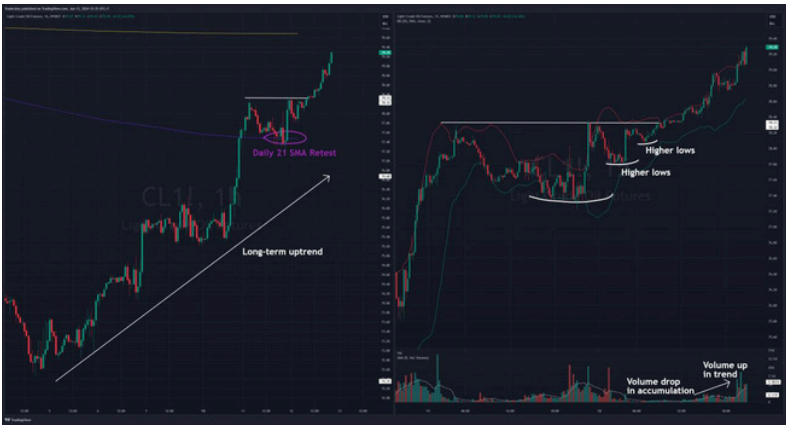
Cup and Handle Breakout #19

Higher timeframe on the left:

- The price is in a long-term bullish trend which sets the bias to bullish!
- The price successfully broke the Daily 21 SMA and retested from above as support. This signal gives us confidence that the bulls are in total control

Lower timeframe on the right:

- The price formation we see is a Cup and Handle which is a strong bullish accumulation pattern
- The price started making higher lows after the Daily 21 SMA retest
- Underneath the Cup and Handle resistance, the price started consolidating in a very tight space - this is often foreshadowing a breakout
- The volume dried up during the last phase of the Cup and Handle - this is a good sign that the accumulation is really happening
- On the breakout, the volume spiked and then keept going up as the bullish trend continued - volume confirmation is key for trend-following



In trading, it is all about being selective and practicing patience. If you can spot 2-3 great opportunities a week, that is all that it takes for long-term success.

Head & Shoulders Continuation #20

As with any good chart analysis, we start on the higher timeframe. In this case, we see the Daily timeframe on the left. There are a few important points to consider here:

1. The chart is in a recent bearish downtrend. During the last 3 weeks, we saw strong bearish candles pushing lower. This tells us already that we mostly want to look for short continuation trades.

2. The price just broke out of a head and shoulders pattern. A breakout is a good continuation signal.

3. Finally, we see a daily inside candle after a strong bearish candle. I love seeing inside candles after a strong breakout. Daily inside candles often provide great patterns on the lower timeframe. On the lower timeframe on the right, we see another long-stretched head and shoulders pattern. Such patterns on the lower timeframe are just great because they provide clear entry points; in this case, after a breakout through the neckline.

Shortly after, the breakout occurred on the lower timeframe - I circled the area in blue on the right. On the breakout, we even see a break and retest pattern of the neckline. Such retests are my favorite way to get into trades. The trend then easily continued lower, continuing the bearish trend we confirmed previously.

The most important takeaway for me here is that you always trade in the direction of the higher timeframe and a higher timeframe analysis is the first step in your trade planning. It makes your life as a trader so much easier.

Cup and Handle Trend Following #21

Higher Timeframe Analysis (2H Chart)

The higher timeframe (2H chart) of GBPNZD illustrates a pronounced bullish trend. This trend is characterized by a series of higher highs and higher lows, indicating strong upward momentum.

The price has then formed a sideways range which is normal trend behavior. As a trend-continuation trader, it is important to carefully analyze range markets because they often offer great trading opportunities. I consider myself a trend trader and I always scan my charts for ranges to wait for potential trend continuation breakouts.

The last leg inside the range is extremely bullish and the price moved from the lower support back to the resistance with strong momentum. As the price reaches the resistance, it is time to go to the lower timeframe.

Lower Timeframe Analysis (5min Chart) Zooming into the lower timeframe (5min chart), the bullish narrative continues. The chart shows a classic "Cup and Handle" pattern, which is **the best** bullish continuation pattern. The formation begins with a rounded bottom (the "Cup") followed by a consolidation phase (the "Handle").

As the handle forms, a period of pre-breakout **contraction** is observed, where the price tightens before the breakout. The tighter the contraction, the better the overall pattern quality.
The breakout occurs early in the NZD session which is a great confirmation sign – early session breakouts are more likely to succeed.
The trend then continued higher during the session, providing a great example of the power of multi-timeframe analysis.

Multi Timeframe Resistance Breakout #22

Higher timeframe: important price level Always start your analysis on the higher timeframe!

When we zoom out here, we can see that
the price is trading into an all-time high. Whenever the price is reaching weekly, monthly, yearly, or all-time highs/lows, you MUST mark them on your charts because the price is likely going to respond in some way when it gets there.

Lower timeframe: patterns

We do NOT want to trade the first reaction right at the all time high, but we are waiting for a price reaction first. We want to see if the level is holding as resistance, in which case we'd look for short opportunities.

However, the price didn't stop at the level and we saw a clean breakout. This is a strong bullish sign and we then look for trend continuations. Here we see that, after the breakout, the price formed an ascending triangle pattern. The ascending triangle is among the best trend continuation patterns.

Many traders make the mistake of jumping into a trade as soon as the price hits the level which is a big mistake. Here, we waited to see the reaction. After the confirmed breakout, we know that the market is overall bullish so we look for bullish continuation patterns.

The result

After the breakout from the ascending triangle, the trend continued. This is the perfect example for a great multi timeframe trade. Let's recap the approach:

- Find a level on your HTF and wait for the price to get to it
- Do not trade the initial touch but wait for a breakout or reversal from the level
- On the lower timeframe, look for a pattern after the initial reaction to the level

5 Best Trading Tips From The Number 1 Trading Book

One of my favorite trading books is "Come into my trading room" by Alexander Elder. I think it is a must-read for every aspiring trader.

In this newsletter, I have a quick overview of five of the most important points made in the book:

#1 The three M´s: Mind, Method, Money

Mind: Emotional control is the key to making good trading decisions that are based on your trading rules and not done impulsively.

Method: Having a trading method with tested trading rules that a trader is sticking to religiously allows the trader to trade with an edge and consistency.

Money: Money management and particularly position sizing are crucial for trading success. Traders without a proper position sizing strategy see wild swings in their trading accounts and have a lot of volatility in their results.

#2 System Development

The most successful traders that I have seen are the ones who developed their own trading system. Or, they have taken an existing trading strategy and then tweaked it to make it their own. Having a trading system that makes total sense to you and where you fully understand all the components also leads to more confidence in your trading.

#3 Triple Screen Trading System

A good trading plan consists of a multi-layered chart analysis. You start your analysis with a long-term view to understand the overall trend dynamic; then go to a medium-term timeframe where you look for key levels, structures, price patterns, and obstacles; and on the lowest timeframe, you create your trading plan and look for trade entries.

#4 Risk Management

Making sure that you are able to effectively take losses and stay focused for the next trade.

#5 Continuous Improvement

The best traders are always looking for ways to improve their trading and their edge. The best way to do this is by going over your trading journal.

A good trading journal like edgewonk tells you everything that you need to know when it comes to improving your trading: when do you lose the most, what is your best-performing setup, how often do you break your trading rules and how much money does it cost, what your best trade management approach is, and many other aspects.

Final words

I hope you found something helpful in the five points that you can use in your own trading. Start small and do not overwhelm yourself, though. You do not have to change your whole trading at once. Identify one area in your trading that you have neglected and then start there.

Making one change every week or month will lead to great progress over time.

My favorite trading quote

"If you personalize losses, you can't trade." - Bruce Kovner

What this quote means to me:

It emphasizes the importance of maintaining emotional detachment and objectivity in trading decisions.

When Kovner says "personalize losses," he's talking about the tendency for traders to emotionally tie their **self-worth** or identity to the outcome of their trades. When a trade results in a loss, they may see it as a **personal failure** or as a reflection of their competence. This can result in a negative emotional reaction, such as fear, anger, or frustration.
However, losses in trading are **inevitable** and are simply a part of the process. If a trader lets these losses affect them emotionally, they may start making decisions based on these emotions, rather than on careful analysis and strategy. This is problematic because emotion-based trading

can lead to impulsive decisions, over-trading, or holding onto a losing trade in the hopes it will turn around, all of which can result in greater losses.

The lesson for regular traders is to view trading as a **business**, not as a measure of personal worth. Traders should adopt a **systematic** and disciplined approach, where both gains and losses are seen as the natural outcomes of trading. They should focus on their overall trading strategy and the long-term process, rather than getting emotionally attached to the outcome of individual trades.

Do This Every Week To Become A Successful Trader

How do you become better as a trader? What should you be working on? What is holding you back?

There are countless things that a trader could choose to work on to improve their trading. And many traders get lost or overwhelm themselves when it comes to working on their trading.

I want to propose a simple but HIGHLY effective way that might be able to help you bring more consistency into your trading progress and allow you to establish a better routine for your development as a trader.

At the end of each trading week, you have to answer three simple questions:

1. **What did I do well this week?**
2. **What was my biggest mistake?**
3. **What do I want to improve next week?**

The goal of the three questions is to focus on specific things that have happened in your last trading week and to identify one thing that you work on during the next week. But let me explain further.

For the first two questions, you go over the trades you took during the last week.

You identify one trade or one specific event that you are satisfied with. This could be closing a bad trade right after you notice a mistake, letting a winning trade run all the way to your target, being consistent with your risk management, or any other positive action that stands out. The goal is to bring awareness to your strengths and build a catalog of positive trading attributes. This is especially helpful for struggling traders. Many traders are too hard on themselves and by focusing on the positive, you can improve your mental game while finding your edge.

For the second question, you identify a mistake you made. Here, you want to find the biggest mistake that cost you the most, or that was hard on your mental capital. By identifying the biggest mistake, you are searching for the thing that, if you can fix it, will have a major impact on your trading performance. There is no point in getting lost in the details while you are making big mistakes. Many amateur traders try to fix all the little things in their trading, while a single big mistake wipes out all their progress.

And, finally, you come up with one thing that you want to focus on during your next week of trading. Ideally, this is derived from the big mistake that you identified in the previous question. Focusing on one thing at a time allows you to focus on the most important objective at hand and provides a clear path going forward.

While this sounds simple, if you keep repeating this process week after week, by the end of the year, you will end up with a super helpful list for your trading. The list includes:

- 50 positive trading habits/actions that are your strengths and could reveal your edge.
- 50 big mistakes. Most traders will notice that they don't have 50 unique and different mistakes, but certain themes will repeat.
- You will have worked on 50 problems and hopefully made progress on fixing them, putting you closer to becoming a professional trader.

I hope that you see the power of this approach. By making small but consistent progress over time, you should see a huge improvement in your trading over the course of a few months or a year.

It also provides a more structured and achievable process for your trading development and does not overwhelm you by trying to make everything work at the same time.

4 Great Trading Quotes

I also want to share 4 of my favorite quotes this week and I provide my thoughts on what the quotes mean to me in the context of trading:

"Losing isn't the issue. Fear of losing is"

The fear of losing can lead to irrational decision-making, such as exiting profitable trades too early, holding onto losing positions in the hope of a turnaround, or skipping valid trading signals entirely, which can stifle potential gains. The key is emotional resilience and risk management in trading. As a trader, you must accept losses as a natural part of the trading process and focus on long-term growth rather than short-term results.

"Making good trades is not hard. Not messing up in between good trades is what separates the pro from the amateur."

The key to successful trading is not just about making good trades, but more importantly, about maintaining discipline and consistency between these trades. The good trades usually jump out from the charts and are obvious; the real challenge lies in avoiding mistakes during the periods between these trades when the market is unclear and tries to lure you in. Patience, control, and strategic thinking during inactive periods are crucial, and a steady, disciplined approach over time, rather than sporadic success, is where you will find your edge.

"There is a difference between a point won by your opponent vs a point lost by you."

When looking at your last loss, ask yourself: <Did I make a mistake here and was the loss caused by my bad decision or did I do everything correctly and the trade just didn't work out?=
There is a huge difference between trades you lost because you screwed up and trades you lost but stuck to the plan. Many traders will then realize that their trading system is not the issue, but a lack of discipline and ability to execute the system is the real cause for their failure.

"The magic you are looking for is in the work you are avoiding."

This quote highlights a common pitfall in trading: the tendency to seek quick, effortless success while overlooking the essential hard work and diligence required. In the context of trading, "the magic" refers to the success and profits that traders often aspire to achieve. To me, the quote suggests that this success is not found in shortcuts or easy solutions, but rather in the rigorous, sometimes mundane aspects of trading that many might avoid. These include thorough market research, developing and testing strategies, continuous learning, updating your trading journal, and maintaining discipline. Essentially, the quote emphasizes that the key to achieving significant results in trading lies in embracing and committing to the challenging work that forms the foundation of successful trading practices.