

Let The Market Lead You To Profits!

Too often, traders get anxious to “find” a trade when the market is consolidating or trading in a tight range. One popular method is to buy or sell a break out of these trading ranges, but experienced traders know that just buying a break above or selling a break below a trading range often leaves them long or short on a false breakout and price then moves right back into the trading range.

Instead of anticipating where the market is going, let the market tell you where it's going! Let it break out on one side or the other and then show you that there are additional follow through buyers or sellers before you take a position. Don't worry about “missing the move!” Trust me, there are always quality entries in the direction of the break out once you've seen the follow through buyers or sellers, if you are patient and know what to look for. Here's a quick example:



What other choices do you have to play this opportunity?

Continuing from our discussion yesterday, experienced traders know that just buying a break above or selling a break below a trading range often leaves them long or short on a false breakout, and price then moves right back into the trading range.

Why not just buy the breakout? Too often, these breakouts become one- or two-bar spikes above or below the tight ranges. In fact, you can see several false breakouts above and below this range have already happened. Instead, let price show you there are additional buyers once it breaks out to the upside, or additional sellers once it breaks out to the downside. Then, use simple market structure to find a quality entry once you are certain there are indeed additional buyers or sellers present in the direction of the breakout. Let me show you visually what I mean:



Once price broke well above the trading range, you can see it left a series of higher highs. To find a quality entry, I simply connected the tops of the higher highs, which gave me a sloping line that carries the “vibration,” or frequency of price, as it moves forward in space. Then, I simply added a line with the same slope drawn from the low of the first significant pullback. Now you simply enter a long position the next time price tests the lower up-sloping line, with a stop below the first significant pullback.

Price showed a nice change of behavior by breaking out above the trading range, and then it gave further confirmation by showing a series of higher highs. That was the sign that gave us confidence that there are buyers above the trading range. Once there was a change in behavior and confirmation of further buyers, it was quite easy to identify a high-probability entry area and then get long.

Remember: Let the market lead YOU to the profits!

I wish you good trading,

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