The Great Price Action Trading Guide

How to Make Profits in Bull & Bear Markets Without Using Indicators

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About the Author – Andrew Arms

You might have heard of this great price action trading guide through a number of my educational trading funnels. Whatever the case may be, however you got here, I am pleased that you showed up, because right now I want to teach you all about price action trading, so you can become profitable and successful.

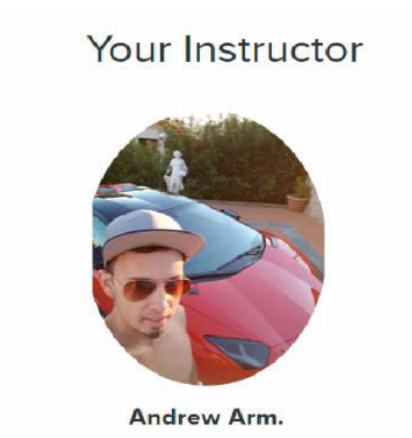
My name is Andrew Arms, and I have dedicated much of my life to becoming a successful trader. I have been in the business for many years, and yes, I have made my fare share of mistakes over those years.

However, because I have made these mistakes, I have also learned what needs to be done and what not to do. I have made all of the big mistakes, I have learned from them, and I have corrected my trading techniques to ensure the maximum level of reward coupled with minimal risk.

Sure, making money for myself is great, but it's really not that satisfying, especially when I look around me and see that so many beginner traders, and even seasoned traders, are not successful or profitable. It hurts my heart to see traders suffering huge and continuous losses.

This is why I am here today, to share all of my knowledge with you, so you and everybody else out there can become profitable traders just like me. Today, I want to provide you with an in depth guide on price action trading, and more than that, I want to teach you a solid trading strategy so you can make consistent gains and stop losing money.

To all of my followers out there, I am forever grateful for your unending and unwavering support. It means the world to me that I have so many followers who rely on me to teach you how to avoid risk, how to trade, and how to make money. As a thank you for all of your love and support, I want to teach you all of the secrets that I know, secrets that will hopefully take your trading game to the next level.



What is Price Action Trading?

The first thing that you might be wondering is what exactly price action trading is. Price action trading is a type of trading which utilizes historical prices, the opens and closes, the highs and lows, to help traders make informed and profitable trading decisions.

Keep in mind that price action tells you what the market is doing at this very moment, not what you think it should or will do. It doesn't rely on things like algorithms, fundamentals, or indicators.

Of course, price action trading is not totally foolproof and it's not a sure-fire way to make profits every single time. However, if you manage to master price action trading, you will be able to enter and exit trades with all the precision of a smart bomb, and your charts will look much cleaner too.

Here is what you will learn in The Great Price Action Trading Guide

- The secrets behind support and resistance.
- How the market moves and features of its behavior.
- How to read candlestick patterns to enter and exit trades with great accuracy.

- How to understand any and every candlestick without having to memorize anything.
- The M.A.E Trading Formula – An easy price action trading strategy for everybody.

If you want to learn everything there is to know about price action trading, and you are ready to take things to the next level, then let's start our journey!

The Secrets of Support & Resistance

The first thing that you need to know before we start talking about price action trading is what support and resistance is. So, let's go over a quick definition of each.

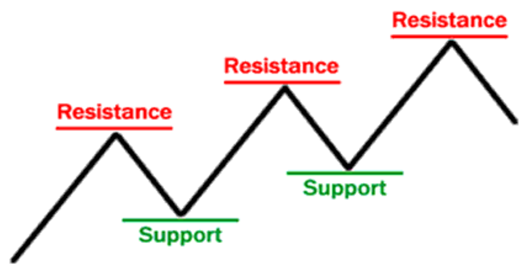
<u>Support</u>

This is the horizontal area of a chart where buyers can be expected to push prices in an upward direction.

<u>Resistance</u>

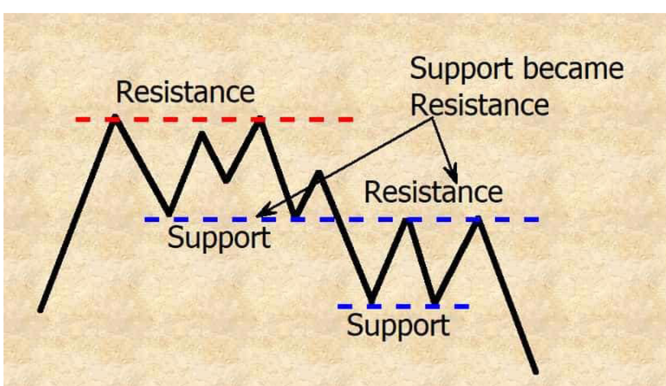
This is the horizontal area of a chart where sellers can be expected to push prices in a downward direction.

Support & Resistance



What's also important to know that both support and resistance can change roles, or in other words, support can break, thus effectively becoming resistance, and on the flipside, when resistance breaks, it becomes support.

Support & Resistance Turns



You're now probably wondering why support and resistance turns happen. This happens because when price breaks through a support line, traders are in the red because they are losing money.

Therefore, when the price moves back to a level of support, traders can get out of the red at the breakeven point, which then leads to greater selling pressure.

Moreover, traders who missed that breakout will then be tempted to open short positions, which in turn creates even more selling pressure. Therefore, when support breaks, it usually always becomes resistance.

How to Draw Support & Resistance on Charts

Here I have some very simple steps for you on how to draw lines of support and resistance on your charts.

- Make sure to zoom your charts out to at least 200 bars.

- Insert the most obvious levels of support and resistance. If you need to guess or estimate, then they are not important enough.

- Make sure to adjust the levels in order to get the most touches, or in other words, so the candle bodies and wicks hit the most points of support and resistance.

Let’s move on.

Dynamic Support & Resistance

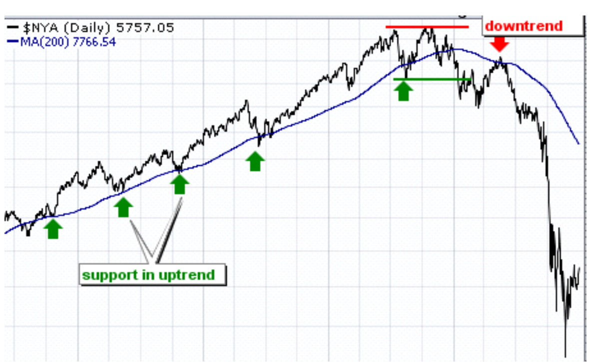
As defined by classic technical analysis, both support and resistance consist of horizontal areas on a chart. This is important to remember if a market is showing a weak trend or is within a range.

However, this type of analysis does not work so well in markets that are strongly trending, and if this is the case, you need to turn to dynamic support and resistance.

So, what is dynamic?

Dynamic support and resistance is when the levels move with a price instead of standing still or being static.

As an example, the 20 period MA or moving average can work as a form of dynamic support in a trending market. The 50 period moving average can act as dynamic resistance in a trending market.



Remember that support and resistance can also be in the form of trend lines or trend channels.

Features of Market Behavior: How it Moves

One of the most important things to know about the market is that it itself is dynamic, not static, or in other words, it is always on the move and changing.

The market can be in a downtrend, in an uptrend, in a range, it can have low or high volatility, and so much more. Yet, if you take a deep breath and look closely, you will notice that the market is usually always in one of four specific stages. These 4 stages include the following.

- Accumulation
- Advancing
- Distribution
- Declining

Let me explain this in greater detail right now.

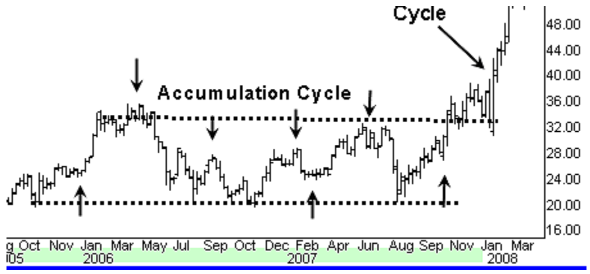
Stage #1 – Accumulation

You will notice that the accumulation stage follows a decline in price, and in a downtrend, it looks a whole lot like a range market.

Here are aspects to keep an eye out for.

- When using a daily timeframe, the accumulation stage follows a fall in prices over a period of 5 months at the least.
- When in a downtrend, it looks a lot like a range market with clearly defined areas of support and resistance.
- You will see the 200 day moving average beginning to flatten.

- The price will move back and forth along that 200 day moving average line.

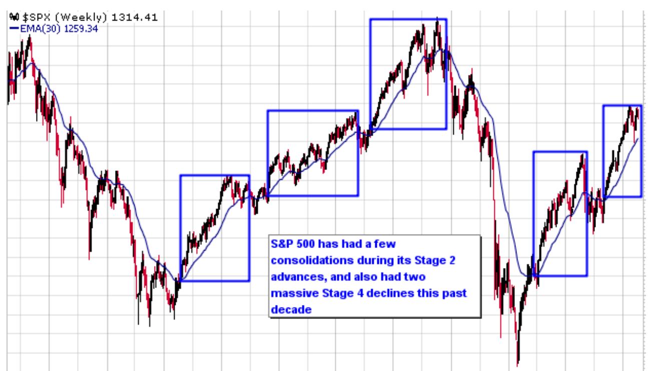


Stage #2: The Advance

In the advancing stage of the market, you will notice that there are a series of highs and lows featured in an uptrend.

Here are the factors to keep an eye out for.

- The advancing stage follows after a price break out of resistance within the accumulation stage.
- You will notice various highs and lows.
- The price will be above the 200 day moving average line.
- The 200 day moving average line is starting to go higher and higher.

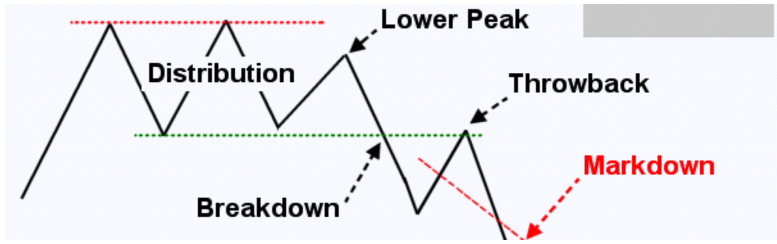


Stage #3: Distribution

The distribution stage follows a rise in price and it usually always looks like a range market in an uptrend.

Here are the factors to keep an eye out for.

- This stage follows a steady rise in price over a period of 5 months at the very least, when using daily timeframes.
- It appears like a range market during an uptrend, a range market that features clear areas of support and resistance.
- You will notice a flattening out of the 200 day moving average line.
- The price will move back and forth around the 200 day moving average line.

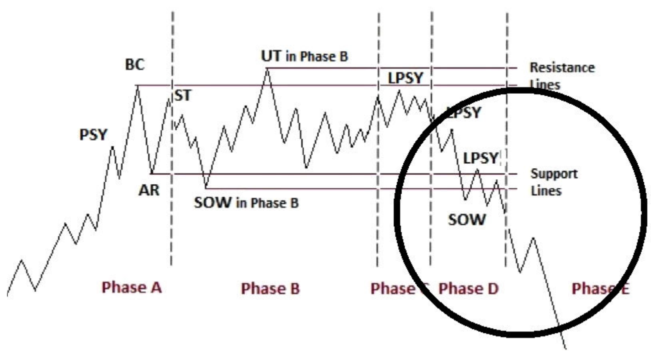


Stage #4: The Decline

The decline stage consists of a downtrend with various lows and highs.

Here are the factors to keep an eye out for.

- The decline stage follows after the price breaks out of support during the distribution phase.
- You will notice various highs and lows.
- You will notice that the price is below the 200 day moving average line.
- You will notice that the 200 day moving average line is starting to point down.



Why It's Important to Know The 4 Market Stages

The reason why you need to be able to identify which of these 4 stages the market is in, is because knowing this will allow you to modify the way you trade in order to make the most profitable choices.

For example, if the market is currently in the stage of advance, you want to be on the buyer side of things, and here you can look to place buys on both pullbacks and breakouts.

On the other hand, if the market is in the stage of distribution, then there's a big possible downside in the event that the price breaks below the support level.

Therefore, you can open positions which short the support or breakdown, or you could also wait for a breakdown to happen, thus placing a sell on the pullback.

Now that you know what the 4 market stages are, and why they are important, you can then figure out which of the many price action trading methods to use for the given market situation. It's super important because it will prevent you from not knowing what kind of position to open.

The Secrets of Candlestick Patterns – Reading Patterns to Time Entries with Great Accuracy

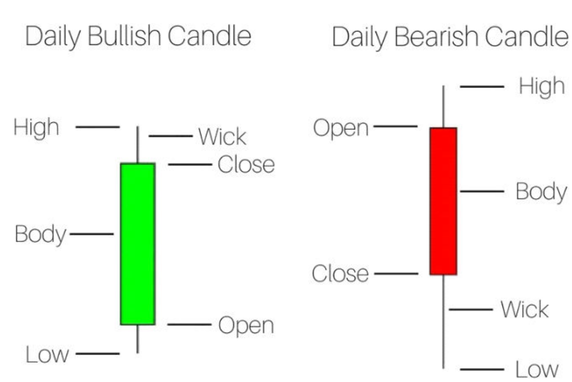
By now, you should know what price action trading is, how it works, and you should be familiar with the 4 market stages. However, there is more to price action trading than the few things I have covered here so far.

At this point, you should be familiar with what support and resistance is, and you should know how to react in each of the 4 market stages. Yet, there is still one important aspect that I have not covered, and that's how to enter a trade the right way, and to do this, we will be using candlestick patterns.

What's A Candlestick?

A candlestick is a type of pattern that displays 4 different things, otherwise known as data points. So, what does a candlestick show you?

- The opening price
- The highest price over a certain timeframe
- The lowest price over a certain timeframe
- The closing price

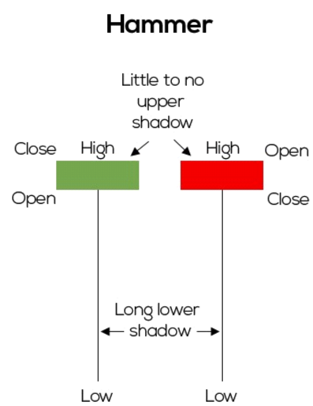


An important thing to remember here is that with bullish candles, the open price is always below the closing price, and when it comes to bearish candles, the closing price is always lower than the opening price.

Now that you know what candlesticks are, I want to go through some examples of the most common candlestick patterns that you might come across. These include the following 4 candlestick patterns.

- The Hammer
- The Shooting Star
- Bullish Engulfing
- Bearish Engulfing

The Hammer



A hammer candlestick pattern features 1 candle and it is a bullish reversal pattern that follows a decline in price. Here is how to spot a hammer candlestick pattern.

- It has almost none or no upper shadow.
- The price will close within the top quarter of the range.
- The lower shadow of the candle is approximately 2 to 3 times as long as the body.

Here is what it means when you see a hammer candlestick pattern.

- At the time of the market open, sellers took control and started to push the price down.
- When the selling climax occurred, lots of pressure from the buyers pushed the price up.
- The pressure from the buyers is so powerful that the price closed above the opening price.

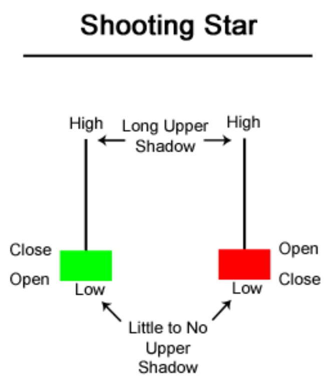
To sum it all up, the hammer candlestick is a bullish candlestick that indicates a reversal and the rejection of lower prices.

However, keep in mind that coming across a hammer candlestick is not a sure-fire indication of a reversal.

If you want to increase your chances of opening a profitable position, you will want more solid confirmation, something I will go over a bit later on down the road.

For now, let's move on to the next candlestick pattern, the shooting Star

The Shooting Star



Next comes the shooting star candlestick pattern. The shooting star consists of 1 candle, and this is a bearish reversal pattern that follows an advance in price. The shooting star, technically speaking, is the exact opposite of the hammer candlestick.

Here is how you can tell if there is a shooting star.

- If the upper shadow is small or non-existent.
- If the price closes in the bottom quarter of the range.
- If the upper shadow is about 2 to 3 times as long as the body.

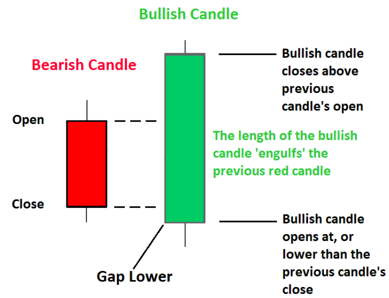
Here is what a shooting star candlestick pattern means.

- It means that at the market open, the buyers took control and pushed the price upwards.
- Then, at the buying climax, pressure from the sellers pushed the price down.
- Due to extreme selling pressure, the price closed below the price at market open.

To sum it up, the shooting star candlestick is a pattern which indicates a bearish reversal.

Let's move on to the next candlestick pattern.

Bullish Engulfing



The bullish engulfing candle is another common one you may see, and this pattern consists of two candles. This is a bullish reversal candlestick pattern that follows after a price decline.

Here is how you can tell if there is a bullish engulfing candlestick pattern.

- The first of the two candles features a bearish price close.
- The body of the second candle engulfs or covers the first candle, its body, but it may not cover the entire shadow.
- The second of the two candles is bullish in nature.

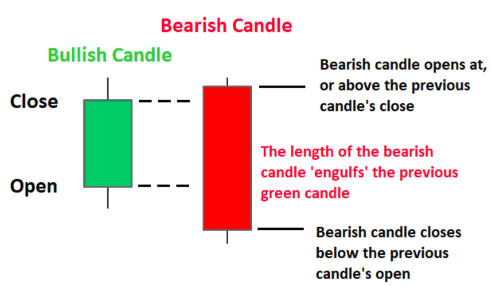
If you see a bullish engulfing candlestick pattern, this is what it means.

- It means that, when it comes to the first candle, that the sellers were in control because they closed at a lower level.
- However, for the second candle, you see that strong pressure from the buyers caused the price to close above the high of the first candle. This indicates that the pressure from the buyers is stronger than that of the sellers.

To sum it up, a bullish engulfing candlestick pattern indicates that buying pressure has overtaken pressure from the sellers.

Let's move on to the fourth and final candlestick pattern that I want to cover today.

Bearish Engulfing



Just like bullish engulfing, the bearish engulfing candlestick pattern consists of two candlesticks. This is a bearish reversal pattern that follows a price advance. This is the opposite of the bullish engulfing pattern.

Here is how to recognize a bearish engulfing candlestick pattern.

- The first candle features a bullish close.
- The second candle, its body, complete covers the body of the first candle, and may or may not also cover its shadow.
- The second candle features a bearish close.

So, what does a bearish engulfing pattern indicate?

- When it comes to the first candle, it means that the buyers were in control because they closed high in that period.
- However, for the second candle, the pressure from the sellers was stronger and caused the price to move below the low of the first candle. This indicates that selling pressure is stronger than buying pressure.

To sum it up, the bearish engulfing candlestick pattern tells you that the selling pressure has overtaken the buying pressure.

Keep in mind that al 4 of the candlestick patterns that I have just explained are all reversal patterns. However, they are not the only candlestick patterns out there, and in fact, there are dozens and dozens of them.

I can't possibly go over all of them today, but when it comes to price action trading, the four candlestick patterns covered today are the most important ones for you to know.

That said, you don't actually have to memorize all of these confusing candlestick patterns to get a good idea of what the market is doing and what it is telling you.

I will explain this in the following section.

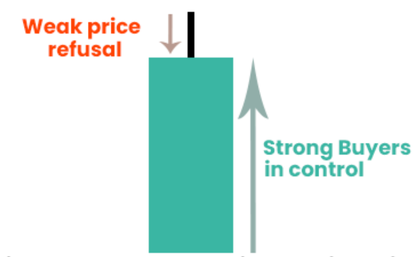
Understanding Candlestick Patterns Without Memorization

When it comes down to the meat and potatoes of it all, there are really only 2 things that you need to be familiar with in order to understand candlestick patterns.

- You need to know where the price closed in relation the overall range.
- You need to know the size of the candlestick pattern in relation to the size of the other patterns.

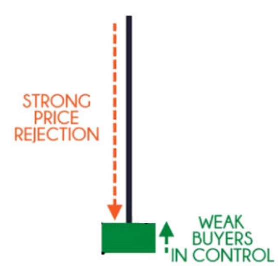
1. Where Did The Price Close In Relation To The Range?

Let's take a look at this candlestick right here.



Here, we want to know who is in control. As you can see, the closing price is near the high of the range, and therefore, the buyers are in control.

Let's take a look at the opposite case. Here, look at the candle below.



So, who is in control here? Well, although this candle is technically bullish in nature, it's the sellers who are the ones driving. If you notice, you can tell that the closing price was near the range low. It indicates a rejection of the high prices.

Always remember to analyze where the price closed in relation to the range.

2. What's The Size Of the Pattern Compared To The Others?

This is a question you always want to ask because it indicates how strong the move is. Here, what you need to do is to compare how large the candle is compared to previous candles.

If the candle is much bigger than the previous candle, two times larger or more, you know that it is a strong move. On the other hand, if the current candle is about the same size as the previous ones, then the move is not very strong.

Folks, this is all you need to analyze any candlestick pattern and to know what they mean. Simply ask where the price closed in relation to the range and analyze how large current candlesticks are when compared to previous ones.

The M.A.E Trading Strategy – So Easy to Learn!

By now, you should be very familiar with price action trading essentials, support and resistance, candlestick patterns, and the 4 stages of the market too.

However, these aspects on their own are not much use if you cannot formulate them into a coherent trading strategy, something that I am here to show you how to do right now. Let's take these 3 different aspects that we have learned about and combine them into a powerful and profitable trading strategy.

The strategy I am talking about is the M.A.E trading strategy, a very new way of trading that has not been seen by many people, but here I want to introduce you to it.

The reason why this is called the M.A.E trading strategy is because it consists of the 3 following aspects.

- **M**arket Structure
- **A**rea of Value
- **E**ntry Trigger

Let me explain each of these in some detail right now.

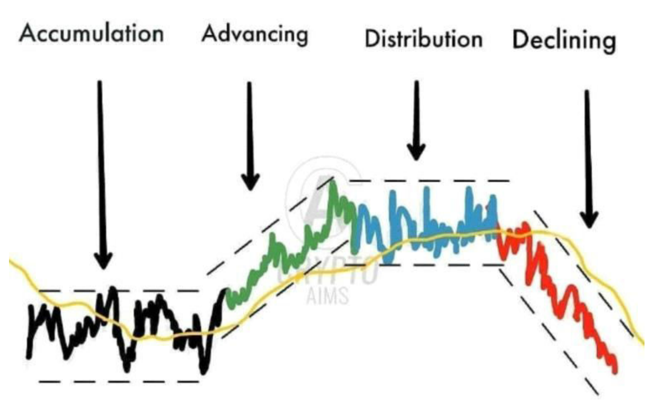
Market Structure

The fact of the matter is that deciding whether to stay out of the picture altogether, to buy, or to sell can be very intimidating, especially if you are looking at a blank chart with nothing on it. Knowing what to do is quite the challenge.

However, if you manage to identify the structure of the market, this can help tell you exactly what you need to do. An important aspect here is to determine if the market is in a range, showing an uptrend, or a downtrend.

Simply put, the first thing you need to do to execute this strategy is to identify in which stage the market is in (remember the 4 market stages I covered earlier). Once you do this, you can then find the easiest way to make your trades with the least risk.

Remember that if the market is trending upwards, you want to buy, and if the market is trending in a downward direction, you want to sell. Finally, if the market is showing a range, you can either buy or sell.



Let's move on and talk about the area of value.

Area of Value

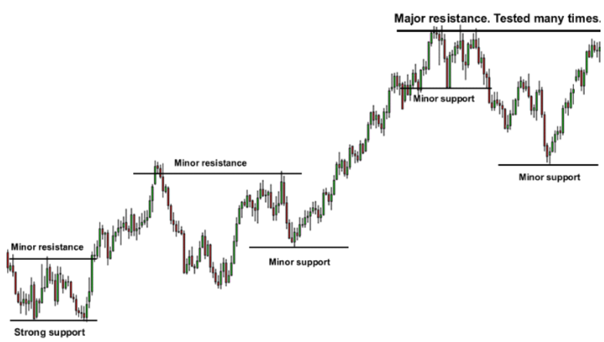
The next thing that you need to be able to identify is the area of value, and it's because the market structure alone is not enough to determine where to enter trades.

Yes, that is what I want to cover now, where to enter into a trading position.

The fact of the matter is that finding the right spot to enter a trade can also be very difficult, especially for a newbie trader. The thing with trading is that you always want to buy low and sell high, AKA, the area of value.

Areas of value that can indicate where the right place to enter a trade is include the following.

- Respected Moving Averages
- Support & Resistance
- Trendlines
- AND MORE



Let's move on and talk about the final piece of the puzzle, the entry trigger.

Entry Trigger

Now that you know how to identify the structure of the market and where to enter a trade, the last piece of the puzzle is to know when you can enter into a trade. I love entering the market when it is showing strong signs of reversing.

Remember those reversal candlestick patterns I talked about earlier? I covered the hammer, the shooting star, the bullish engulfing, and the bearish engulfing patterns. This is where those candlestick patterns come into play.

Identifying Market Strengths & Weaknesses

Something else that I need to convey to you is that markets never just move in straight lines. Trading would be super easy if it did, but it doesn't. The market fluctuates and is cyclical in nature, constantly moving up and down, back and forth.

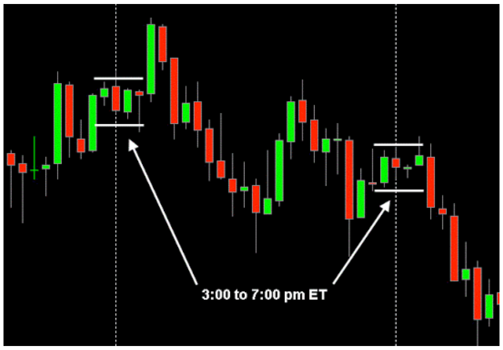
There are two ways that you can classify this cyclical nature as.

- You can classify it as a retracement move.
- You can classify it as a trending move.

A Retracement Move

A retracement move is the weaker part of a trend, and here you will notice that the candles has small bodies and that they move against the trend. This can also be called a counter trend. So, why is this important?

Well, because when there is a strong trend, you can expect to see a trend followed by a retracement. However, if the trend is weak, the retracement move will display large candles as opposed to small candles. This indicates that pressure from the opposing side is having an affect on the market.



A Trending Move

A trending move is the stronger or more pronounced leg of the trend. Here you will notice candles with large bodies that move in the same direction as the trend.

Now that you know about trending moves and retracement moves, you can combine this information wit the next method that I am about to teach you, in order to find where the market turns with great accuracy, therefore allowing you to find the best trading setups.

Accurately Predicting Market Turning Points

The whole point of this exercise is to help you find and predict market turning points, so you can find the best trading positions that feature relatively low levels of risk compared to high rewards.

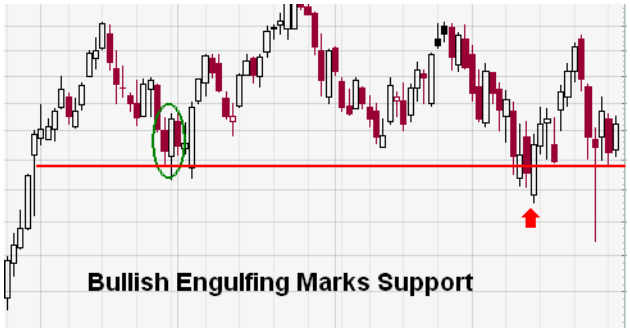
Keep in mind that there is no single trading strategy or method that works 100% of the time. However, the method I am about to discuss is very accurate and it usually always works for me. Here is what you need to do.

- When using a higher timeframe, wait until the price reaches a key market structure, such as a trendline or an area of support or resistance.

- Then, you want to wait for a weaker trending move that features candles with small bodies.

- You then want to wait for a strong retracement move that features candles with large bodies,

- Then you can enter a trade when the structure breaks.



Key Points

- When using a daily timeframe, if the price meets a resistance area and is confluent with a downward trend, the price could reverse and go even lower, thus producing an opportunity to short.

- When using a short 8 hour timeframe, if you notice the candles getting bigger and if they indicate a retracement move, it shows seller strength, thus providing a good opportunity to enter a short trade as the price breaks and then closes below the support line.

- When using a 4 hour timeframe, you might notice that the candles of retracement get longer, thus indicating strong selling pressure, and thus providing you with an opportunity to enter a short trade when the support breaks.

Andrew's Concluding Remarks

If you managed to make it all the way through The Great Price Action Trading Guide, let me say that I am extremely proud of you. Not many people have what it takes to make it all the way through such an in depth guide, and if you have made it to this point, you should definitely give yourself a round of applause.

Yes, I have provided you with a plethora of information, and while some of it might be a bit confusing, I am confident that if you study this guide closely, and if you read through it a few times, that you will be able to put all of this knowledge to good use. There are a few final thoughts that I want to shoot your way, so bare with me before we call it a day.

Success is in the Palm of Your Hand

At this point, your success is all up to you. Remember that you don't need a degree in economics or business to be successful in the world of trading. As long as you follow the rules, steps, and tips that I have outlined today, you should be able to find success in no time at all. Also, remember that you choose how much you want to trade. If you want less risk, adjust your lot sizes accordingly.

Don't Give Up

Moreover, a point that I do need to hammer home before we call it a day is that you probably won't see success the first time you trade after reading this guide. Remember, it takes time and practice to become a successful trader.

To use an old adage, if at first you don't succeed, try, try, and try again. Some people take a long time to see success, and personally, it even took me a few years to get on the right track. The point here is that you should not give up if the going is tough. Tough it out, keep trying, and eventually you will see bigtime gains.

Always Ask for Help When Needed

The final thought that I want to leave you with today is that if you need help, always feel free to ask for it. There is no shame in asking for help, especially when your hard earned money is on the line. If you need more help, I would recommend following me on YouTube (Andrew's Trading Channel), or you could even join my world class trading school, the Income Mentor Box Day Trading Academy.

If you need Help in Trading, Please email Andrew directly:

askandrewstradingchannel@gmail.com