TRADING PRICE ACTION TRENDS

Technical Analysis of Price Charts Bar by Bar for the Serious Trader

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TECHNICAL ANALYSIS OF PRICE CHARTS
BAR BY BAR FOR THE SERIOUS TRADER

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John Wiley & Sons, Inc.
I would like to dedicate this book to my wonderfully kind daughter, Tess Brooks, who sees life as filled with opportunities and seeks them out around the world without hesitation. She is a bold, original thinker and a doer, and fills her life with the dreams that the rest of us have but are too afraid to pursue.
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Acknowledgments

My primary goal is to present a series of comprehensive books on price action that addresses the greatest concern among readers, which was how difficult my earlier book, *Reading Price Charts Bar by Bar*, was to read. I am deeply appreciative of all of the constructive comments that readers have provided and those from the participants in my daily live webinars. Many of these comments were incredibly insightful, and I have incorporated them in this current edition. I am also thankful to all of the traders who have been in my live trading room, because they have given me the opportunity to say things repeatedly until I could clearly articulate what I am seeing and doing. They have also asked many questions that have helped me find the words to communicate more effectively, and I have put those words into these books.

I would like to give a special thank-you to Victor Brancale, who spent long hours proofreading the manuscripts and providing hundreds of very helpful edits and suggestions, and to Robert Gjerde, who built and administers my website and has given me candid feedback on the chat room and the website. Finally, I want to thank Ginger Szala, the Group Editorial Director of *Futures* magazine, for giving me ongoing opportunities to publish articles and speak in webinars, and for regularly giving me very helpful advice on how to become more involved with the trading community.
List of Terms Used in This Book

All of these terms are defined in a practical way to be helpful to traders and not necessarily in the theoretical way often described by technicians.

**always in**  If you have to be in the market at all times, either long or short, this is whatever your current position is (always in long or always in short). If at any time you are forced to decide between initiating a long or a short trade and are confident in your choice, then the market is in always-in mode at that moment. Almost all of these trades require a spike in the direction of the trend before traders will have confidence.

**barbwire**  A trading range of three or more bars that largely overlap and one or more is a doji. It is a type of tight trading range with prominent tails and often relatively large bars.

**bar pullback**  In an upswing, a bar pullback is a bar with a low below the low of the prior bar. In a downswing, it is a bar with a high above that of the prior bar.

**bear reversal**  A change in trend from up to down (a bear trend).

**blown account**  An account that your losses have reduced below the minimum margin requirements set by your broker, and you will not be allowed to place a trade unless you deposit more money.

**breakout**  The high or low of the current bar extends beyond some prior price of significance such as a swing high or low, the high or low of any prior bar, a trend line, or a trend channel.

**breakout bar (or bar breakout)**  A bar that creates a breakout. It is usually a strong trend bar.

**breakout mode**  A setup where a breakout in either direction should have follow-through.

**breakout pullback**  A small pullback of one to about five bars that occurs within a few bars after a breakout. Since you see it as a pullback, you are expecting the