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Chapter 1 : Price action trading - Wikipedia

Praise for Trading Price Action Reversals "Al Brooks has written a book every day trader should read. Onall levels, he has kept trading simple, straightforward, andapproachable.

You can help by adding to it. July A price action trader generally sets great store in human fallibility and the tendency for traders in the market to behave as a crowd. Many traders would simply buy the stock, but then every time that it fell to the low of its trading range, would become disheartened and lose faith in their prediction and sell. That is a simple example from Livermore from the s. Several strategies use these levels as a means to plot out where to secure profit or place a Stop Loss. These levels are purely the result of human behavior as they interpret said levels to be important. Two attempts rule[edit] One key observation of price action traders is that the market often revisits price levels where it reversed or consolidated. If the market reverses at a certain level, then on returning to that level, the trader expects the market to either carry on past the reversal point or to reverse again. The trader takes no action until the market has done one or the other. It is considered to bring higher probability trade entries, once this point has passed and the market is either continuing or reversing again. The traders do not take the first opportunity but rather wait for a second entry to make their trade. For instance the second attempt by bears to force the market down to new lows represents, if it fails, a double bottom and the point at which many bears will abandon their bearish opinions and start buying, joining the bulls and generating a strong move upwards. Trapped traders[edit] "Trapped traders" is a common price action term referring to traders who have entered the market on weak signals, or before signals were triggered, or without waiting for confirmation and who find themselves in losing positions because the market turns against them. It is assumed that the trapped traders will be forced to exit the market and if in sufficient numbers, this will cause the market to accelerate away from them, thus providing an opportunity for the more patient traders to benefit from their duress. It can also scare traders out of a good trade. The phrase "the stops were run" refers to the execution of these stop orders. All trapped trader strategies are essentially variations of Brooks pioneering work. This concept of a trend is one of the primary concepts in technical analysis. A trend is either up or down and for the complete neophyte observing a market, an upwards trend can be described simply as a period of time over which the price has moved up. An upwards trend is also known as a bull trend, or a rally. A bear trend or downwards trend or sell-off or crash is where the market moves downwards. The definition is as simple as the analysis is varied and complex. The assumption is of serial correlation, i. A trading range where the market turns around at the ceiling and the floor to stay within an explicit price band. A range is not so easily defined, but is in most cases what exists when there is no discernible trend. It is defined by its floor and its ceiling, which are always subject to debate. A range can also be referred to as a horizontal channel. OHLC bar or candlestick[edit] Brief explanation of bar and candlestick terminology: This is also known in Japanese Candlestick terminology as a Doji. Japanese Candlesticks show demand with more precision and only a Doji is a Doji, whereas a price action trader might consider a bar with a small body to be a range bar. If one expanded the time frame and looked at the price movement during that bar, it would appear as a range. Trend bar[edit] There are bull trend bars and bear trend bars - bars with bodies - where the market has actually ended the bar with a net change from the beginning of the bar. Bull trend bar[edit] In a bull trend bar, the price has trended from the open up to the close. Bear trend bar[edit] The bear trend bar is the opposite. Trend bars are often referred to for short as bull bars or bear bars. In a downwards market, a bear trend bar is a "with trend bear" bar. Climactic exhaustion bar[edit] This is a with-trend BAB whose unusually large body signals that in a bull trend the last buyers have entered the market and therefore if there are now only sellers, the market will reverse. The opposite holds for a bear trend. Shaved bar[edit] A shaved bar is a trend bar that is all body and has no tails. A partially shaved bar has a shaved top no upper tail or a shaved bottom no lower tail. Inside bar[edit] An "inside bar" is a bar which is smaller and within the high to low range of the prior bar, i. Its relative position can be at the top, the middle or the bottom of the prior bar. There is no universal definition imposing a rule that the highs of the inside bar and the prior bar cannot be the same, equally for the lows. If both the highs and the lows are the same, it is harder to define it as an inside bar, yet reasons exist why it might be interpreted so. Outside bar[edit] An outside bar is larger than the prior bar and totally overlaps it. Its high is higher than the previous high, and its low is lower than the previous low. The same imprecision in its definition as for inside bars above is often seen in interpretations of this type of bar. The context in which they appear is all-important in their interpretation. The outside bar after the maximum price marked with an arrow is a failure to restart the trend and a signal for a sizable retrace. Primarily price action traders will avoid or ignore outside bars, especially in the middle of trading ranges in which position they are considered meaningless. When an outside bar appears in a retrace of a strong trend, rather than acting as a range bar, it does show strong trending tendencies. For instance, a bear outside bar in the retrace of a bull trend is a good signal that the retrace will continue further. This is explained by the way the outside bar forms, since it begins building in real time as a potential bull bar that is extending above the previous bar, which would encourage many traders to enter a bullish trade to profit from a continuation of the old bull trend. When the market reverses and the potential for a bull bar disappears, it leaves the bullish traders trapped in a bad trade. If the price action traders have other reasons to be bearish in addition to this action, they will be waiting for this situation and will take the opportunity to make money going short where the trapped bulls have their protective stops positioned. If the reversal in the outside bar was quick, then many bearish traders will be as surprised as the bulls and the result will provide extra impetus to the market as they all seek to sell after the outside bar has closed. The same sort of situation also holds true in reverse for retracements of bear trends. Small bar[edit] As with all price action formations, small bars must be viewed in context. A quiet trading period, e. In general, small bars are a display of the lack of enthusiasm from either side of the market. A small bar can also just represent a pause in buying or selling activity as either side waits to see if the opposing market forces come back into play. Alternatively small bars may represent a lack of conviction on the part of those driving the market in one direction, therefore signalling a reversal. As such, small bars can be interpreted to mean opposite things to opposing traders, but small bars are taken less as signals on their own, rather as a part of a larger setup involving any number of other price action observations. For instance in some situations a small bar can be interpreted as a pause, an opportunity to enter with the market direction, and in other situations a pause can be seen as a sign of weakness and so a clue that a reversal is likely. One instance where small bars are taken as signals is in a trend where they appear in a pull-back. They signal the end of the pull-back and hence an opportunity to enter a trade with the trend. Most often these are small bars. An iii formation - 3 consecutive inside bars. Price action traders who are unsure of market direction but sure of further movement - an opinion gleaned from other price action - would place an entry to buy above an ii or an iii and simultaneously an entry to sell below it, and would look for the market to break out of the price range of the pattern. A typical setup using the ii pattern is outlined by Brooks. The small inside bars are attributed to the buying and the selling pressure equalling out. The entry stop order would be placed one tick on the countertrend side of the first bar of the ii and the protective stop would be placed one tick beyond the first bar on the opposite side. In its idealised form, a trend will consist of trending higher highs or lower lows and in a rally, the higher highs alternate with higher lows as the market moves up, and in a sell-off the sequence of lower highs forming the trendline alternating with lower lows forms as the market falls. A swing in a rally is a period of gain ending at a higher high aka swing high , followed by a pull-back ending at a higher low higher than the start of the swing. The opposite applies in sell-offs, each swing having a swing low at the lowest point. Frequently price action traders will look for two or three swings in a standard trend. A trend need not have any pushes but it is usual. The higher highs, higher lows, lower highs and lower lows can only be identified after the next bar has closed. A more risk-seeking trader would view the trend as established even after only one swing high or swing low. At the start of what a trader is hoping is a bull trend, after the first higher low, a trend line can be drawn from the low at the start of the trend to the higher low and then extended. When the market moves across this trend line, it has generated a trend line break for the trader, who is given several considerations from this point on. If the market moved with a particular rhythm to-and-fro from the trend line with regularity, the trader will give the trend line added weight. Any significant trend line that sees a significant trend line break represents a shift in the balance of the market and is interpreted as the first sign that the countertrend traders are able to assert some control. The alternative scenario on resumption of the trend is that it picks up strength and requires a new trend line, in this instance with a steeper gradient, which is worth mentioning for sake of completeness and to note that it is not a situation that presents new opportunities, just higher rewards on existing ones for the with-trend trader. If the trend line was broken by a strong move, it is considered likely that it killed the trend and the retrace to this level is a second opportunity to enter a countertrend position. However, in trending markets, trend line breaks fail more often than not and set up with-trend entries. The psychology of the average trader tends to inhibit with-trend entries because the trader must "buy high", which is counter to the clichee for profitable trading "buy high, sell low". In-between trend line break-outs or swing highs and swing lows, price action traders watch for signs of strength in potential trends that are developing, which in the stock market index futures are with-trend gaps, discernible swings, large counter-trend bars counter-intuitively , an absence of significant trend channel line overshoots, a lack of climax bars, few profitable counter-trend trades, small pull-backs, sideways corrections after trend line breaks, no consecutive sequence of closes on the wrong side of the moving average, shaved with-trend bars. In the stock market indices, large trend days tend to display few signs of emotional trading with an absence of large bars and overshoots and this is put down to the effect of large institutions putting considerable quantities of their orders onto algorithm programs. This section needs expansion with: July Many of the strongest trends start in the middle of the day after a reversal or a break-out from a trading range. Price action traders or in fact any traders can enter the market in what appears to be a run-away rally or sell-off, but price action trading involves waiting for an entry point with reduced risk - pull-backs, or better, pull-backs that turn into failed trend line break-outs. As stated the market often only offers seemingly weak-looking entries during strong phases but price action traders will take these rather than make indiscriminate entries. Without practice and experience enough to recognise the weaker signals, traders will wait, even if it turns out that they miss a large move. Trend Channel[edit] A trend or price channel can be created by plotting a pair of trend channel lines on either side of the market - the first trend channel line is the trend line, plus a parallel return line on the other side. Trading with the break-out only has a good probability of profit when the break-out bar is above average size, and an entry is taken only on confirmation of the break-out. The confirmation would be given when a pull-back from the break-out is over without the pull-back having retraced to the return line, so invalidating the plotted channel lines. A Brooks-style entry using a stop order one tick above or below the bar will require swift action from the trader [19] and any delay will result in slippage especially on short time-frames. Microtrend line[edit] If a trend line is plotted on the lower lows or the higher highs of a trend over a longer trend, a microtrend line is plotted when all or almost all of the highs or lows line up in a short multi-bar period.

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Chapter 2 : Brooks Price Action - Book

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The truth is that Online Traders Expo is a quarterly seminar circuit that specializes in promoting and selling trading products. There is no vetting of trading educators or the products being sold. Al Brooks also receives a tremendous amount of press from Futures Magazine. In fact, he publishes a daily blog post on Futures Magazine where he provides a post-market summary of the daily price action. Al Brooks states repeatedly that he is a full-time professional day trader. But can provide nothing to the audience that establishes a baseline reference to measure his trading performance. But with Al Brooks, there is absolutely zero reference material that describes what this actually means. Not once did we witness a live trade. Furthermore, we never witnessed a live or a simulated trading DOM on display inside of the live day trading room. All that is offered are verbal suggestions, pretzel logic, and ambiguous side-speak. Attempting to verify performance TradingSchools. Unfortunately, this is not possible. Al Brooks refused, at all levels to disclose whether he was trading, or had ever taken any live trades. Finally, in one last desperate attempt, TradingSchools. Org reached out to Al Brooks directly and notified him that a review was pending. We asked for some sort of performance summary. His response was that by disclosing his individual trading performance, that he would be committing a criminal act or would be in violation of securities laws. Is showing a record of trades a criminal act? Org, in the past two years, has written extensively about trading educators. Not once have we ever witnessed a trading educator getting into trouble for being honest with consumers. In fact, we have been closely involved in both the criminal and civil prosecution of over a dozen fraudulently promoted trading educators and trading systems. There is nothing illegal with showing a trading record. However, it is fraudulent to show a trading record that has been falsified for marketing purposes. Perhaps this is the reason why Al Brooks does not publish a trading record? Of course, trading educators like Al Brooks will attempt to obfuscate and confuse this point. This is pure nonsense. Securities regulators love disclosure. The more the better. Perhaps Al Brooks should contact world champion trader Kevin Davey about his published track record. Kevin has been selling trading system since before Jesus walked the earth, and has never had a problem with a securities regulator. Huge red flag or butt plug. Does a lack of a track record automatically disqualify? Does Al Brooks lack of a track record mean that he is a scam artist? Or a con man? In my opinion, it does not. The massive amount of promotions, videos, books, seminars and courses simply paint a picture of what Al Brooks truly isâ€¦he is a just another trading promoter. Al keeps his promotional efforts clean and tidy. But the reality is he is just an average guy out selling the dream to the unwashed masses. Al Brooks is certainly not going to qualify as one of TradingSchools worst educators. The real problem with Al Brooks Trading educators all seem to occupy a particular niche. What exactly does that mean? Quite simply, from Al Brooks perspective, he claims that he can look at just about any 5-minute bar, and from these tiny bits of information, he can consistently predict the future. What does an Al Brooks prediction look like? Indecision bars signalling continuation of reversal points. Making these weird, highly indigestible, utterly confusing references to things that apparently only he can see. The entire trading room is meant to be a lesson in confusing terminology, innuendo, and twisted statements. Everything is meant to lead the consumer back to the reference material, in other words, if you buy the book specifically on Trends, then you will understand what I am saying. And after you buy the book on Reversals, then you understand this. And after buy the book on Ranges, then you can understand the ranges terminology. And if the books are not enough, then you need to purchase the hour course that ties it all together. On and on it goes, until finally the disgruntled and dismayed start writing to TradingSchools. Org and complaining and are pissed off about wasting time and money. No scientific evidence Thankfully, multiple readers sent me copies of Al Brooks trading books. Although the books are stuffed full of perfect chart examples, there is absolutely no backtested evidence that any of his chart patterns are valid. Everything he writes is subjective and pure opinion. But you have to keep paying, and buying and watching in and endless loop of hope. The problem with Al Brooks always circles back to square one. Does this guy even trade? Does he even have a trading account? Has he ever had any success whatsoever? All he has to do is release information on his own personal trading performance, and this would be the final verdict. But Al Brooks will not do this. Nobody is allowed to peak behind the curtain of the Wizard of Oz for a reason. My own opinion On a typical trading day, Al Brooks will make an average of about 25 trading suggestions. They are suggestions, and nothing more. There are no exact entry points, or stops, or profit targets. Everything is left to the imagination of the viewer. And the imagination of the viewer is where the con is played out. Al Brooks is a palm reader. With his nerdy demeanor, he holds your palm and starts pointing to lines that supposedly tell the future. He suggests that a straight line here, with a squiggly line over here, and a strange line there means that something amazing could happen to you at any moment. Never does he take out his own palm and tell you what is happening with him, its always about playing into the imagination of his audience. He is an eye doctor, and he can see things really well, and his daughter is going to an Ivy League college which means that he is successful and can afford such a thing. And that since Futures Magazine publishes his articles that they have witnessed his grandeur and endorse his predictive abilities. But the sad and simple truth is that Al Brooks has no trading record. He is just a simple little man projecting something that he is not. He is not a successful trader. Just another vendor, selling the dream. Of course, I would love to be wrong. And it would be so incredibly easy to prove me wrong, by releasing a performance record, but Al Brooks knows that he can never do this. Sorry for yet another negative review. There are plenty of Al Brooks fans out there, and they are going to be pissed off that I am calling him a charlatan.

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Chapter 3 : Al Brooks Trading - Trading calendrierdelascience.com

Make money trading price action. Brooks Trading Course, 36 hours, 53 videos, excellent reviews, great value, only $ Al Brooks, trader 30 years, bestselling author.

In daily chart analysis updates. Although authors of trading books make little money from the books, I personally loved trying to articulate what I see and do every day. Wiley has since released my comprehensive, , word, three volume set: I wrote the first book in about a month with the goal of simply writing a book as a project. My goal is now different and I wrote the follow-up series of books in a way that is much easier for readers and much more helpful to traders. Speaking every day has helped me a great deal as have all of the comments I have received from readers of the book and attendees in the daily webinars. I have since released the Brooks Trading Course , which is 53 videos 27 hours long and has the latest information on price action trading. Although I personally do better with videos than books, they cover the same material, but are organized differently. The books have more words and the videos have many more charts, and the most of the charts are newer. I have had many emails from people who have both and everyone has preferred the videos, but I think it is a personal matter. Also, I created the videos two years after the books and I believe that I developed ways to more clearly explain many of the concepts. To get a better idea about whether you might find the video trading course helpful, you should look at some of the Sample Videos. I feel as if all of this is a group project and we share the common goal of having resources available videos, books, and articles on price action trading that are comprehensive and relatively easy to understand. I am very happy with how the videos and books have turned out. I told Wiley that I want the books to be in a larger format, about 7. They have again put all of the charts on their website in a format that will allow readers to zoom in as needed. These videos and books provide a very detailed analysis of how markets work and how to trade them, and I think that they will help traders learn how to trade profitably. Every tick on every chart is important and sometimes even the smallest movements portend large swings. There are buyers and sellers above and below every bar, and the key to successful trading is knowing when one side is likely stronger. The edge is always going to be small in trading because there are smart people who believe the exact opposite of you. However, by understanding price action trading, traders can find many examples on every chart, whether it is an intraday or daily chart, where there is a mathematical advantage to buying or selling. I enjoy sharing my experience, and hope that others might find it helpful. While I find it entertaining to post here and I enjoy helping other traders learn how to trade, I may not continue it indefinitely. The members of the site have contracted with me to provide a daily webinar on a month-to-month basis. See this thread for more details on the history of this website. I enjoy writing and in addition to the trading book and articles, I have published about 30 scientific articles during my days as an ophthalmologist.

Chapter 4 : BAR BY BAR -- Al Brooks | Elite Trader

A detailed guide to profiting from trend reversals using thetechnical analysis of price action The key to being a successful trader is finding a system thatworks and sticking with it. Author Al Brooks has done just that.

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AL BROOKS is a technical analysis contributor for Futures magazine and an independent day trader. His approach to reading price charts was devel-oped over two decades in which he changed careers from ophthalmology to trading.

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Chapter 8 : Brooks Price Action - Home

Trading Opening Breakouts and Reversals Al Brooks gave a presentation with calendrierdelascience.com using a broad selection of slides from the #48 Trading the Open video series in the How to trade price action.