

Free Tutorial

- How To Read Signals From A Chart -

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Introduction

See what happens when markets stop being polite and start printing messages for you what to do - buy or sell.

Attached Image (click to enlarge)

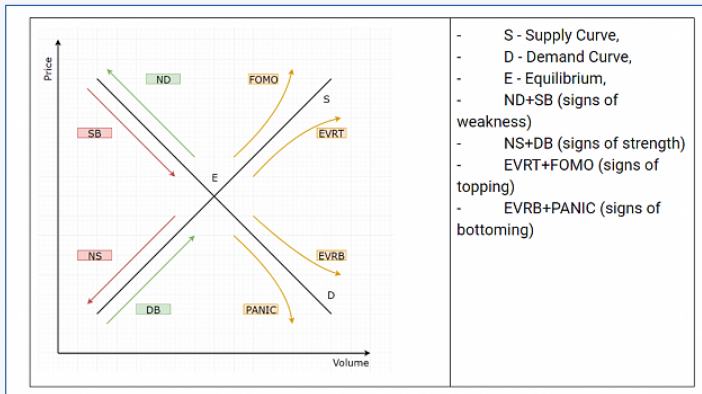


Does this look fantastic?

It can be real, if you'll master the Chart Language.

The Secret Key to hear messages from Chart - The Law of Supply and Demand

Attached Image (click to enlarge)



- S - Supply Curve,
- D - Demand Curve,
- E - Equilibrium,
- ND+SB (signs of weakness)
- NS+DB (signs of strength)
- EVRT+FOMO (signs of topping)
- EVRB+PANIC (signs of bottoming)

By Reading the Charts you will be work with Causes of Price Moves, instead of following lagging indicators. Deal directly with the inner working of markets. In the following posts, you will get Universal Instructions on how to interpret Price & Volume dynamics in order to find low-risk setup for trading in harmony with market character.

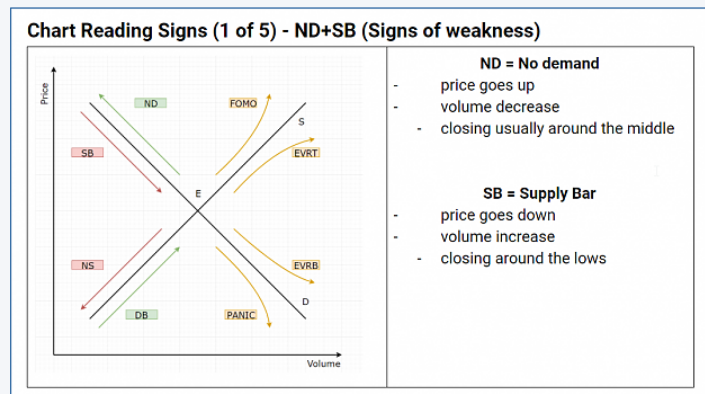
Chart Reading Concepts

- Chart Reading works well on every market / timeframe
- Chart Reading did work fine 100 years ago, it is working now, and it will work 100 years later, guaranteed.
- Chart Reading is not a simple Strategy like MA Crossover. Chart Reading is an approach to analyze market and build your own judgment. Great Trading ideas will arise as a consequence.
- Market moves made from waves. One bar/candle could consist of several waves. One wave could cover several bars.
- Read Chart from left to right, from slow timeframe to faster
- Failed Sign of Strength = Sign of Weakness. Failed Sign of Weakness = Sign of Strength.
- Markets are not effective. Current price is not equated to ideal Equilibrium. Current price made by bids and asks from live traders, and people tend to mistake.
- Chart never lie. Don't argue with Chart.
- If the situation is unclear - stay aside.
- The main goal of market - is to make losers of as many traders as possible

Ok. Let's start making you professional Chart Reader right now!
The journey begins with ND+SB.

Chart Reading Signs (1 of 5) - ND+SB (Signs of weakness)

Attached Image (click to enlarge)



ND - or No Demand - is a Lack of Buyers. Usually, ND appears on Charts in form of up-bars, not wide spread/range, closing in the middle, exhausting of volume. Stock/coin/whatever is overvalued. Expect decline

SB - or Supply Bar - is a Pressure of Sellers. Usually, SB appears on Charts in form of down-bars with closing on lows, spread/range increases, and volume slightly above average. SB confirms previous ND.

Transition from ND to SB means Bearish Change in Character (Bearish Cha Cha).

Attached Image (click to enlarge)



Green arrows - ND. Red arrows - SB (here and in following charts of current chapter). Chart warns you - "sudden" bad news are coming. BTW, the green bar before Bad News - also ND.

ND means attempt of buyers (demand of bad quality) to push price higher. But volume is low (lower than volume on previous bars). SB (supply of good quality) confirms that attempt was failed.

Attached Image (click to enlarge)



ND+SB is the Classical sign of the bearish character of the market. It means, Equilibrium goes down and sellers chase it by pushing current price down.

ND has more weight during existing Down-trend. During Up-Trend, ND could produce only minor pullback (see chart below)

Attached Image (click to enlarge)



ND around resistance line is a clue, it tells resistance will hold and reject price down (see chart below).

Attached Image (click to enlarge)



The inability of price to bounce up from support line (such as former resistance) - is a bearish sign. Market can not bounce on ND (see chart below).

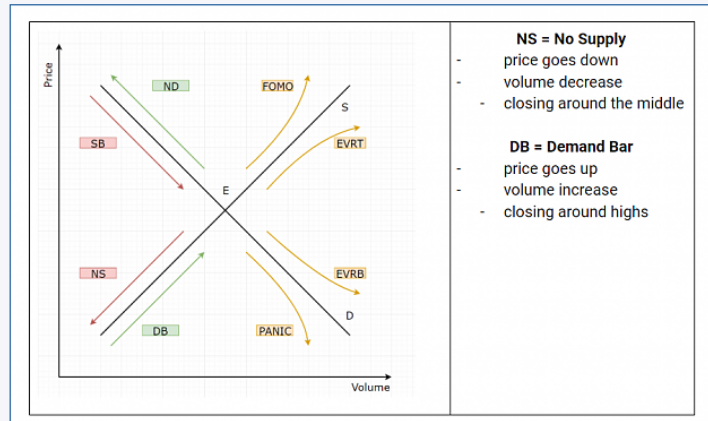
Attached Image (click to enlarge)



Let's go further.
More talking charts are coming.

Chart Reading Signs (2 of 5) - NS+DB (Signs of strength)

Attached Image (click to enlarge)



NS - or No Supply - is a Lack of Sellers. Usually, NS appears on Charts in form of down-bars, not wide spread/range, closing in the middle, exhausting of volume. Stock/coin/whatever is undervalued. Expect advance.

DB - or Demand Bar - is a Pressure of Buyers. Usually, DB appears on Charts in form of up-bars with closing on highs, spread/range increases, and volume slightly above average. DB confirms previous NS.

The transition from NS to DB means Bullish Change in Character (Bullish Cha Cha).

Attached Image (click to enlarge)



Green arrows - DB. Red arrows - NS (here and in the following charts of the current chapter).

NS often can be found before breakouts. Professionals see on charts, price is ready to breakout. The following up-bar on increasing volume (DB) confirms the strong character of the market (example on the chart below).

Attached Image (click to enlarge)



Remember the bitcoin big bottom on Jan-Mar/2018? Chart gave signals of exhausting of selling pressure (see chart below).

Attached Image (click to enlarge)



Chart warns you from following fake breakdowns of support line (chart below)

Attached Image (click to enlarge)



Look, the supply disappeared within 1h after breakdown of the support line. Then you get signs of the Genuine Bullish character of the market.

Attached Image (click to enlarge)

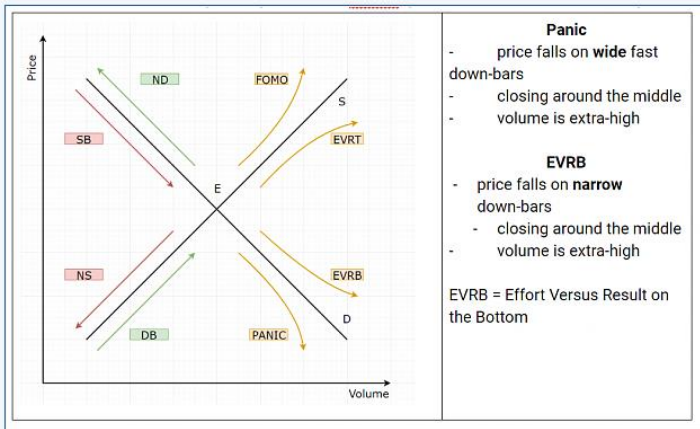


The chart above is similar to the previous one. Compare them. You see, the bottoming can form in an endless number of variations, but the concept of NS and DB remains the same. You can rely on them.

Next, we will continue with Panic+EVRB

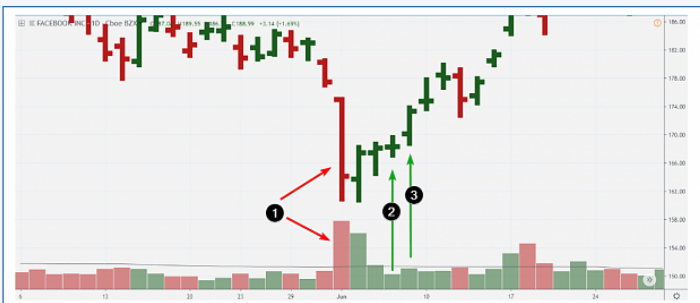
Chart Reading Signs (3 of 5): Panic + EVRB (Signs of Hidden Strength)

Attached Image (click to enlarge)



When a lot of small traders start mass selling, "big guys" get the opportunity to accumulate at the best prices stocks/coins/contracts/whatever.

Attached Image (click to enlarge)



- 1 Panic Selling bar usually accompanies with "Bad News" in media. If this huge fearful bar was really bearish, why the next two bars closed higher?
- 2 Indecision bar. Demand and Supply perfectly balanced
- 3 Demand bar. The win of buyers was predetermined by Extremely-high volume on wide Panic bar (Hidden Strength).

Attached Image (click to enlarge)



1. Vertical red arrow - Panic bar (I plot a Zone from it)
2. Oops. Can you see it? 2 arrows depict NS-wave. Supply Pressure 'suddenly' disappeared after Panic Selling. Actually, pounds transferred from small fearful retail traders to professional pockets. Not surprisingly, the bullish move developed after Panic+NS sequence.

Ok, you are reaching 50% if this Tutorial. Now, introducing EVRB.

Think if Volume = measure of Effort to push price, and Price Progress = Result of the effort. Let's see how this logic will help you to identify changes in market behavior before they will become obvious for the masses.

Attached Image (click to enlarge)



1) here is EVRB. Compare this red bar with the previous bar. Both down, but the progress of decline stalled (worse result), amid volume increase (efforts spent). This is a sign of professional wall of Buy-Limits orders. "Big guys" meet the flow of sellers.
 2) So, after big News-day (closing on the highs) - market demonstrated its bullish intention. It can be seen by NS+DB sequences (3+4 and 5+6).
 So, it was a story of upward reversal from 1.1 round number. And story was started by EVRB.

Attached Image (click to enlarge)



1 - ND, 2 - SB, 3 - ND, 4 - SB.
 5 and 6 - both EVRBs. Note price stalled its falling. Professionals fix profits from positions while late bears join decline. These two EVRBs (Hidden Strength) predetermined a start of minor upward 50% correction within an existing major downtrend.

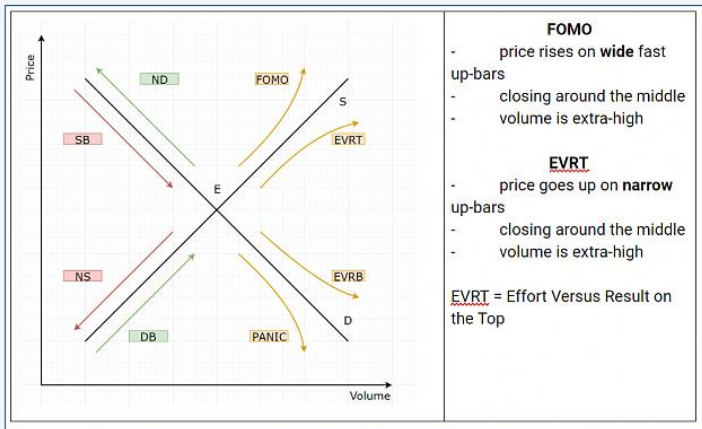
Attached Image (click to enlarge)



During major up-trend (1), minor signs of hidden strength help you to understand how professional bulls overcome levels of resistance.
 Note on particular chart above, NS (3) and DB (4) appeared after EVRB (2). By this sequence, chart sent you a message - professionals successfully removed a portions of floating supply from market levels and up-trend is going to resume (5) to breakout through resistance more easily.

Chart Reading Signs (4 of 5): FOMO + EVRT (Signs of Hidden Weakness)

Attached Image (click to enlarge)



When lot of small public traders feel Euphoria and rush into market to buy everything (like Bitcoin in December of 2017), "big guys" get opportunity to unload their longs and distribute their stocks /coins /contracts /whatever at the best prices on market highs. Here is FOMO Euphoria from GBPUSD market (follow black arrows)

Attached Image (click to enlarge)



Extra-high volume amid wide range, closing far from highs. Probably, some bullish news for GBP was released those days. But if that bar did represent real strength, why price declined under its low on the next 2 bars?

People think: high volume on up-bars is strong signal. True for DB (normal increase of volume on up-bars). False for FOMO and EVRT (abnormal increase of volume on up-bars). Professionals use buying rush from public in order to close huge longs. That is why FOMO is a sign of Hidden Weakness amid overall happiness. Now, let's study the EVRT. Suppose, the volume on up-bars mean the quantity of Effort. And price progress = Result.

Attached Image (click to enlarge)



On picture above, the first marked up-bar has big progress. But the progress gradually diminished on the very next up-bar. However, the Effort remains high (volume 2 times higher than average). It means, the buying wave encountered the wall of Sell-Limits orders from Professionals. In other words, "Smart Money" are not interested in buying because they know 0.3\$ per coin is too expensive, and some bad news are coming. Here is another chart from crypto industry, it has built quite similar pattern.

Attached Image (click to enlarge)



1. Study three upbars. The first one attracted breakout buyers. The following two are ERVTs. They tell that hard supply met buyers. This is an early bearish indication.
2. Here is confirmation in form of ND+SB arch
3. Manipulative SLKT movement (will be observed in the next chapter) before decline.

While majority follows buy-signals from lagging indicators, Chart readers watch for shorting.

The next chart shows the simple EVRT example from AUDNZD market.

Attached Image (click to enlarge)



Arrow points at EVRT bar. Compare the volumes (efforts) and bullish progress (results) on EVRT bar with the previous one. Bulls pushed price higher easily on the previous bar. But EVRT shows that upmove met heavy Supply Zone around 1.08. It can be seen by small progress (narrowing bar) amid big volume. What does it mean? Professional SELL-limits cover the flow of BUY-market orders from novice traders.

The next example from USDJPY market has a Christmas feeling.

Attached Image (click to enlarge)



14/Dec (1st arrow) was extremely-strong up-bar after long bullish run. This is FOMO sign - a Culmination of up-wave. Not surprisingly, subsequent arrows show ND+SB sequences (bearish behavior).

Note, it was Christmas time. Holidays distort a vision of price/volume patterns on charts. Nevertheless, the Law of Demand and Supply works forever, even during Christmas days.

Chart Reading Signs (5 of 5): SLKs + Traps (Signs of Manipulations)

Previously, we discussed about "natural signs". I call them natural, because they based on the Universal Law of Supply and Demand. Here is the chapter of "UN-natural signs". The Law of Demand becomes powerless when encountering market manipulations. Okay, someone can say, markets are regulated. I am not so naive about fair rules for the biggest-money game in the World.

Remember the Concept 10. The main goal of market - is to make losers of as many traders as possible.

Well, what is SLKs+Traps? SLKs = SLKT or SLKB.

SLKT - Stop Loss Killing on the Top. It aimed to:

- Kill SLs on Sellers
- Mislead Buyers, Lock them in Trap, Trap for Bulls

As a rule, it appears in form of wide up-bars, touching new highs, closing in the middle. Usually, SLKT appears before/during decline. This is why we have interpret it as a warning/confirming sign of Weakness.

SLKB - Stop Loss Killing on the Bottom. It aimed to:

- Kill SLs on Buyers
- Mislead Sellers, Lock them in Trap, Trap for bears

As a rule, it appears in form of wide down-bars, touching new lows, closing in the middle. Usually SLKT appears before/during strong rally. This is why we have interpret it as a warning/confirming sign of Strength.

Here is typical SLKB, example from Bitcoin market.

Attached Image (click to enlarge)



Someone can say - "oh, this is crypto. It is badly regulated". Well, just search "Flash Crash" in Google Pictures. You'll see a lot of similar charts from traditional markets. Google doesn't lie).

Here is SLKT example from Tesla stock market. We have ND high on background. Look, what did happen next:

Attached Image (click to enlarge)



1. SLKT above ND high. S-wave followed after SLKT-1.
2. SLKT above the high of the previous 3 days. Another S-wave followed after SLKT-2.

The next example (chart below) shows double SLK strikes:

1. SLKB. Note, how easily manipulators can move price down in order to trigger SLs under the multi-day lows.
2. SLKT. Just several ticks of penetration - and mission completed.
3. Not surprisingly, we got ND+SB (Bearish Cha Cha) after SLKT.

Attached Image (click to enlarge)



SLK strikes into the zones of congestions of SLs:

- fresh minor extremums (they read it in popular books)
- round numbers (people tends to think they are safe haven)

The following example came from EURUSD market.

Attached Image (click to enlarge)



It shows the SLKB under round number 1.1. Do you spot an idea how you can join up-trend? Right - when a big portion of minor buyers are stopping out. Whoa! You've achieved the last chart #25! Great, thanks for your interest.

Here are two manipulations on crude oil market: SLKB (the first arrow) and SLKT (the second one). They did happen amid some news event in major media.

Attached Image (click to enlarge)



Congratulations, you are completed all charts in this Tutorial. What is next?

Conclusions. How to Use

Now let's make some summary.

How to judge up-bars

- low-volume - weakness (ND - No Demand)
- normal increase in volume - strength (DB, Demand Pressure)
- extremely high-volume - hidden weakness (FOMO or EVRT. Maybe SLKT)

How to judge down-bars

- low-volume - strength (NS - No Supply)
- normal increase in volume - weakness (SB, Supply Pressure)
- extremely high-volume - hidden strength (Panic or EVRB. Maybe SLKB)

You have become familiar with Chart Reading Signs:

- Signs of Weakness: ND, SB, EVRT, FOMO, SLKT
- Signs of Strength: NS, DB, EVRB, PANIC, SLKB

They are - like the Letters. Now you have to train to combine them into words in order to read the Stories from Charts.

How to Develop your Chart Reading skills:

- Study the charts as hard/often as possible.
- Follow this thread (I will post here many examples soon)
- Feel free to ask me anything here (in thread) or in PM

Thanks for your interest in this Tutorial. Like if you like)