ULTIMATE GUIDE TO PRICE ACTION TRADING

A simple trading strategy to profit in bull and bear markets—without indicators

RAYNER TEO

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DEDICATION

This guide is dedicated to all traders out there, young and old. You are awesome and I'll see you on the battlefield.

The information contained in this guide is for informational purposes only.

I am not a financial advisor.

Any legal or financial advice I give is my opinion based on my own experience. You should always seek the advice of a professional before acting on something I have published or recommended.

Please understand that there are some links contained in this guide that I may benefit from financially.

Users of this guide are advised to do their own due diligence when it comes to making business decisions and all information, products, and services that have been provided should be independently verified by your own qualified professionals.

By reading this guide, you agree that I and my company is not responsible for the success or failure of your business decisions relating to any information presented in this guide.

ABOUT THE AUTHOR

You've probably found your way to this guide from my website, or maybe a friend passed it along to you. Either way, I'm happy you're here.

I created this guide because I feel that every trader should learn how to read the price action of the markets.

By learning how to read price action, you can better time your entries, reduce your risk, and improve your trading performance.

Tradingwithrayner and this guide are my way of giving back, for all the fortunate things that had happened to me.

This guide lays the foundation to price action trading. It is not a "system" and definitely not a "get-rich-quick" scheme.

I've given you a trading strategy as well just to get you started. If it can help just one person get closer to being a consistently profitable trader, then the months I've spent writing this trading guide will be totally worth it.

To all my subscribers, followers and friends out there, old and new, thank you for the gift of support. I only hope this trading guide can begin to repay you for all the time and attention you've given me. Here's to you and your continued success!

Rayner Teo

YOU'RE PROBABLY WONDERING:

"What is Price Action Trading?"

Price action trading is a methodology that relies on historical prices (open, high, low, and close) to help you make better trading decisions.

Unlike indicators, fundamentals, or algorithms… price action tells you what the market is doing — and not what you think it should do.

Now, this isn't the Holy Grail. But, if you devote time to learning price action trading, you'll trade with cleaner charts, and can pinpoint your entries & exits with better precision.

Here's what you'll discover:

- The truth about Support and Resistance that nobody tells you
- Market behaviour secrets: How the market really moves
- The secret to reading Candlestick Patterns — How to time your trading entries with deadly accuracy
- Candlestick patterns cheat sheet: How to understand any candlestick pattern without memorizing a single one
- The M.A.E Trading Formula (A simple Price Action Trading system anyone can learn)

Are you ready?

Then let's get started…

THE TRUTH ABOUT SUPPORT AND RESISTANCE NOBODY TELLS YOU

First, let's define what's Support and Resistance so we're all on the same page.

Support – A horizontal area on your chart where you can expect buyers to push the price higher.

Resistance – A horizontal area on your chart where you can expect sellers to push the price lower.

Here are a few examples...

SUPPORT AND RESISTANCE ON EUR/USD DAILY:

SUPPORT ON (USD/CAD):

RESISTANCE ON (GBP/JPY):

Also:

Support and Resistance can swap roles.

This means when Support breaks it can become Resistance. And when Resistance breaks it can become Support.

An example...

PREVIOUS SUPPORT TURNS RESISTANCE ON (GBP/AUD):

PREVIOUS RESISTANCES TURNS SUPPORT ON (NZD/USD):

But why does it happen?

Because when the price breaks Support, traders who are long are losing money and in the “red’.

So, when the price rallies back to Support, this group of traders can now get out of their losing trade at breakeven — and that induces selling pressure.

And that’s not all because traders who missed the breakout will want to short the markets which increases the selling pressure. And that’s why when Support breaks it tends to become Resistance. Make sense? Now you’re probably wondering...

"BUT HOW DO I DRAW SUPPORT AND RESISTANCE ON MY CHARTS?"

That's a good question.

So, here are the guidelines I use...

1. Zoom out your charts (at least 200 bars for me)
2. Draw the most obvious levels (if you need to second guess, then it's not an important level)
3. Adjust your levels to get the most number of "touches" (it can be body or wick)

Now, if you want a full training on how to draw Support and Resistance, then check out this video below...

Next...

DYNAMIC SUPPORT AND RESISTANCE

According to Classical Technical Analysis, Support and Resistance are horizontal areas on your chart.

This is useful when the market is in a range or weak trend.

But in strong trending markets, it won't work well and that's where you need to rely on dynamic Support and Resistance.

What the heck is dynamic?

It means Support and Resistance "move along" with the price instead of being static.

For example:

The 20-period Moving Average can act as dynamic Support in strong trending market...

Or the 50-period Moving Average can act as dynamic Resistance in a healthy trend...

Pro Tip:

Dynamic Support & Resistance can also be in the form of Trendline or Trend Channel.

MARKET BEHAVIOUR SECRETS: HOW THE MARKET REALLY MOVES…

Here's the deal:

The markets are always changing (I'm sure you'd realize this by now).

It can be in an uptrend, downtrend, range, low volatility, high volatility, etc.

But, if you take a step back and look at the big picture, you'd realize the market tends to be in 1 of 4 stages…

1. Accumulation
2. Advancing
3. Distribution
4. Declining

I'll explain…

STAGE #1: THE ACCUMULATION STAGE

The Accumulation Stage occurs after a decline in price, and it looks like a range market in a downtrend.

Here are the things to look for:

- Occurs after the price have fallen over the last 5 months or more (on Daily timeframe)
- It looks like a range market with obvious Support and Resistance areas — in a downtrend
- The 200-day Moving Average is flattening out
- The price whips back and forth around the 200-day Moving Average

Here's an example…

And when the price breaks out of Resistance in an Accumulation stage, that's where it moves into the Advancing Stage...

STAGE #2: THE ADVANCING STAGE

The Advancing Stage is an uptrend with a series of higher highs and lows.

Here are the things to look for:

- Occurs after the price breaks out of Resistance in an Accumulation stage
- You see a series of higher highs and lows
- The price is above the 200-day Moving Average
- The 200-day Moving Average is starting to point higher

Here's what I mean...

Now here's the thing...

No market goes up forever. It eventually gets "tired" and that's where it enters stage 3...

STAGE #3: THE DISTRIBUTION STAGE

The Distribution Stage occurs after a rise in price, and it looks like a range market in an uptrend.

Here are the things to look for:

- Occurs after the price have risen over the last 5 months or more (on Daily timeframe)
- It looks like a range market with obvious Support and Resistance areas — in an uptrend
- The 200-day Moving Average is flattening out
- The price whips back and forth around the 200-day Moving Average

It looks something like this...

At this point, the market is still in equilibrium with both buyers and sellers on equal footing.

However, the tide is turned if the price breaks below Support and that's where we enter the final stage...

STAGE #4: THE DECLINING STAGE

The Declining Stage is a downtrend with a series of lower highs and lows.

Here are the things to look for:

- Occurs after the price breaks out of Support in a Distribution stage
- You see a series of lower highs and lows
- The price is below the 200-day Moving Average
- The 200-day Moving Average is starting to point lower

An example...

And if you have any trouble trying to identify the direction of the trend, then go watch this training...

Now you might be thinking...

"WHAT'S THE POINT OF LEARNING THE 4 STAGES OF THE MARKET?"

Here's the thing:

If you can recognize the current stage of the market, then you can adopt the appropriate trading strategy to trade it.

Here's how...

If the market is in an Advancing Stage, then you want to be a buyer (not a seller).

This means you can look to buy breakouts or pullbacks.

An example:

Or...

If the market is in a Distribution stage, then you know there's a huge potential downside if the price breaks below Support.

This means you can look to short the breakdown of Support or wait for the breakdown to occur, then sell on the pullback.

Now once you've understood the 4 stages of the market, then you'll know which Price Action Trading strategies to use in a given market condition — and you'll never be "lost" again.

THE SECRET TO READING CANDLESTICK PATTERNS — HOW TO TIME YOUR TRADING ENTRIES WITH DEADLY ACCURACY

At this point:

You've learned the big picture of Price Action Trading.

You know where to enter your trades (Support and Resistance) and what you should do in different market conditions (the 4 stages of the market).

But there's still one part of the puzzle missing, and that's **when to enter a trade.**

So, that's where candlestick patterns come into play.

Let's dive in...

WHAT IS A CANDLESTICK PATTERN AND HOW DOES IT WORK?

A candlestick pattern has 4 data points:

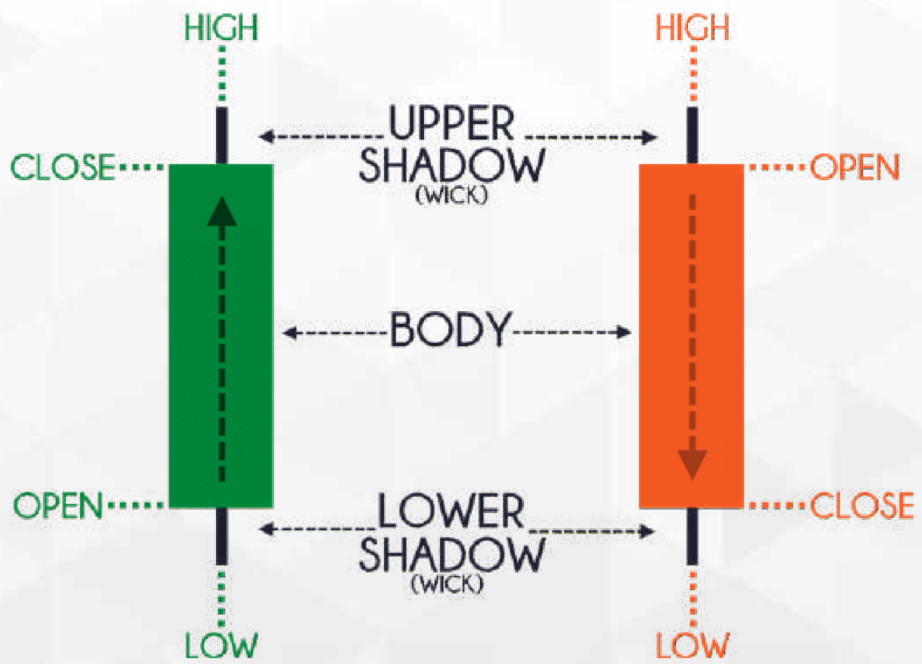
Open – The opening price

High – The highest price over a fixed time period

Low – The lowest price over a fixed time period

Close – The closing price

Here's what I mean:



For a Bullish candle, the open is always below the close.

And for a Bearish candle, the open is always above the close.

Next, you'll learn a few powerful candlestick patterns to help you better time your entries...

- Hammer
- Shooting Star
- Bullish Engulfing Pattern
- Bearish Engulfing Pattern

I'll explain...

HAMMER

A Hammer is a (1-candle) bullish reversal pattern that forms after a decline in price.

Here's how to recognize it:

- Little to no upper shadow
- The price closes at the top ¼ of the range
- The lower shadow is about 2 or 3 times the length of the body

And this is what a Hammer means...

1. When the market opens, the sellers took control and pushed price lower
2. At the selling climax, huge buying pressure stepped in and pushed price higher
3. The buying pressure is so strong that it closed above the opening price

In short, a hammer is a bullish reversal candlestick pattern that shows rejection of lower prices.

Now, just because you see a Hammer doesn't mean the trend will reverse immediately.

You'll need more "confirmation" to increase the odds of the trade working out and I'll cover that in detail later.

Moving on...

BULLISH ENGULFING PATTERN

A Bullish Engulfing Pattern is a (2-candle) bullish reversal candlestick pattern that forms after a decline in price.

Here's how to recognize it:

- The first candle has a bearish close
- The body of the second candle completely "covers" the body of the first candle (without taking into consideration the shadow)
- The second candle closes bullish

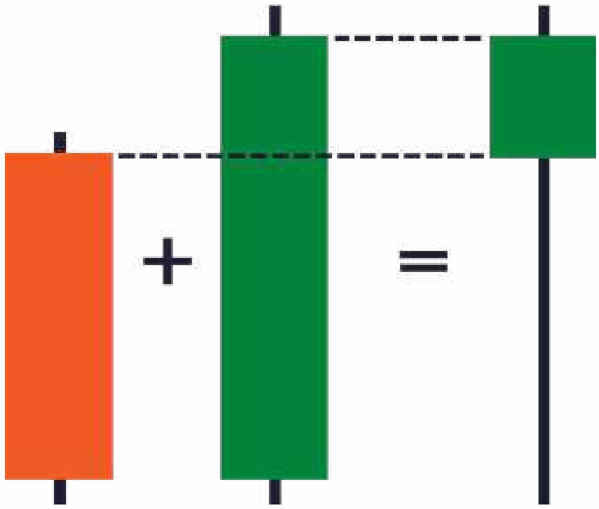
And this is what a Bullish Engulfing Pattern means...

1. On the first candle, the sellers are in control as they closed lower for the period
2. On the second candle, strong buying pressure stepped in and closed above the previous candle's high — which tells you the buyers have won the battle for now

In essence, a Bullish Engulfing Pattern tells you the buyers have overwhelmed the sellers and are now in control.

And lastly, a Hammer is usually a Bullish Engulfing Pattern on the lower timeframe because of the way candlesticks are formed on multiple timeframes.

Here's what I mean:



Make sense?

SHOOTING STAR

A Shooting Star is a (1-candle) bearish reversal pattern that forms after an advance in price.

(The opposite of a Shooting Star is Hammer.)

Here's how to recognize it:

- Little to no lower shadow
- The price closes at the bottom ¼ of the range
- The upper shadow is about 2 or 3 times the length of the body

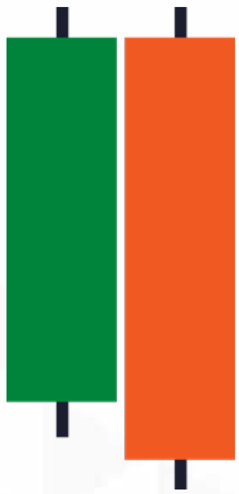
And this is what a Shooting Star means...

1. When the market opens, the buyers took control and pushed price higher
2. At the buying climax, huge selling pressure stepped in and pushed price lower
3. The selling pressure is so strong that it closed below the opening price

In short, a Shooting Star is a bearish reversal candlestick pattern that shows rejection of higher prices.

And lastly...

BEARISH ENGULFING PATTERN



A Bearish Engulfing Pattern is a (2-candle) bearish reversal candlestick pattern that forms after an advance in price.

Here's how to recognize it:

- The first candle has a bullish close
- The body of the second candle completely "covers" the body of the first candle (without taking into consideration the shadow)
- The second candle closes bearish

And this is what a Bearish Engulfing Pattern means...

1. On the first candle, the buyers are in control as they closed higher for the period
2. On the second candle, strong selling pressure stepped in and closed below the previous candle's low — which tells you the sellers have won the battle for now

In essence, a Bearish Engulfing Pattern tells you the sellers have overwhelmed the buyers and are now in control.

NOW...

What you've just learned are some of the most powerful reversal candlestick patterns.

But they are not the only ones out there.

In fact, there are many variations that it's impossible to cover all in one guide.

But the good news is, you don't need to memorize candlestick patterns to understand what the market is telling you.

Here's how...

CANDLESTICK PATTERNS CHEAT SHEET: HOW TO UNDERSTAND ANY CANDLESTICK PATTERN WITHOUT MEMORIZING A SINGLE ONE

To understand any candlestick patterns, you only need to know 2 things...

1. Where did the price close relative to the range?
2. What's the size of the pattern relative to the other candlestick patterns?

Let me explain...

1. WHERE DID THE PRICE CLOSE RELATIVE TO THE RANGE?

This question lets you know who's in control momentarily.

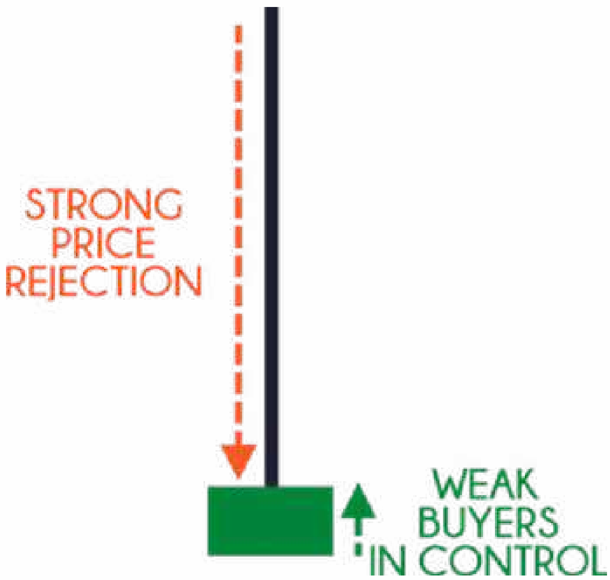
Look at this candlestick pattern...

Let me ask you...

Who's in control?

Well, the price closed the near highs of the range so this tells you the buyers are in control.

Now, look at this candlestick pattern...



Who's in control?

Although it's a bullish candle the sellers are actually the ones in control.

Why?

Because the price closed near the lows of the range and it shows you rejection of higher prices.

So remember, if you want to know who's in control, ask yourself...

Where did the price close relative to the range?

Next...

2. WHAT'S THE SIZE OF THE PATTERN RELATIVE TO THE OTHER CANDLESTICK PATTERNS?

This question lets you know if there's any strength (or conviction) behind the move.

What you want to do is compare the size of the current candle to the earlier candles.

If the current candle is much larger (like 2 times or more), it tells you there's strength behind the move.

Here's an example...

And if there's no strength behind the move, the size of the current candle is about the same size as the earlier ones.

An example...

Does it make sense?

Great!

Now you have what it takes to read any candlestick pattern without memorizing a single one.

THE M.A.E. TRADING FORMULA (A SIMPLE PRICE ACTION TRADING SYSTEM ANYONE CAN LEARN)

At this point:

You've learned the essentials of Price Action Trading (Support & Resistance, Market Structure and Candlestick Patterns).

Now, let's use this knowledge to find high probability trading setups — consistently and profitably.

Introducing to you, The M.A.E. Trading Formula, a proprietary trading technique I've developed to help traders get results, fast.

Here's how it works...

1. Market structure
2. Area of value
3. Entry trigger

I'll explain...

#1: MARKET STRUCTURE

Now, I know it can be daunting to be looking at a blank chart.

Because you don't know what to do.

Should you buy, sell, or stay out?

That's why the first thing to do is identify the market structure as it tells you **what** to do.

So ask yourself:

"Is the market in an uptrend, downtrend, or range?"

(In other words, identify the current stage of the market.)

Once you can identify the market structure, then you'll trade along the path of least resistance.

For example:

If the market is in an uptrend, you look to buy only.

If the market is in a downtrend, you look to sell only.

If the market is in a range, you can buy and sell.

Next...

#2: AREA OF VALUE

Now, identifying the market structure alone isn't enough.

Because you also need to know **where** to enter your trade.

Now you're wondering:

"There are so many places to enter a trade. Which one should I choose?"

Well, you want to trade from an area of value so you can buy low and sell high.

For example:

- Support and Resistance
- Respected Moving Average
- Trendline
- Etc.

Next...

#3: ENTRY TRIGGER

At this point:

You know what to do (identify market structure) and where to enter (area of value).

Now the final part of the equation is to know **when** to enter.

Personally, I like to enter when the market has shown signals of reversal — thus confirming my bias.

This can be in the form of reversal price patterns like:

- Hammer
- Shooting Star
- Bullish Engulfing Pattern
- Bearish Engulfing pattern
- Etc.

Let me share with you a few examples of The M.A.E. Formula in action…

GBP/USD DAILY: IDENTIFY THE MARKET STRUCTURE

GBP/USD DAILY: WAIT FOR THE PRICE TO REACH AN AREA OF VALUE

GBP/USD DAILY: ENTER ON A VALID ENTRY TRIGGER

Another example...

T-BOND 4-HOUR: IDENTIFY THE MARKET STRUCTURE

T-BOND 4-HOUR: WAIT FOR THE PRICE TO APPROACH AN AREA OF VALUE

T-BOND 4-HOUR: ENTER ON A VALID ENTRY TRIGGER

Can you see how everything fits together now?

BONUS: HOW TO IDENTIFY STRENGTH AND WEAKNESS IN THE MARKETS SO YOU DON'T GET CAUGHT ON THE WRONG SIDE OF THE MOVE

Here's the thing:

The market doesn't move in one straight line.

Instead, it goes…

Up and down, up and down, up and down, right? (Something like that)

And you can classify this "up and down" pattern into:

- Trending move
- Retracement move

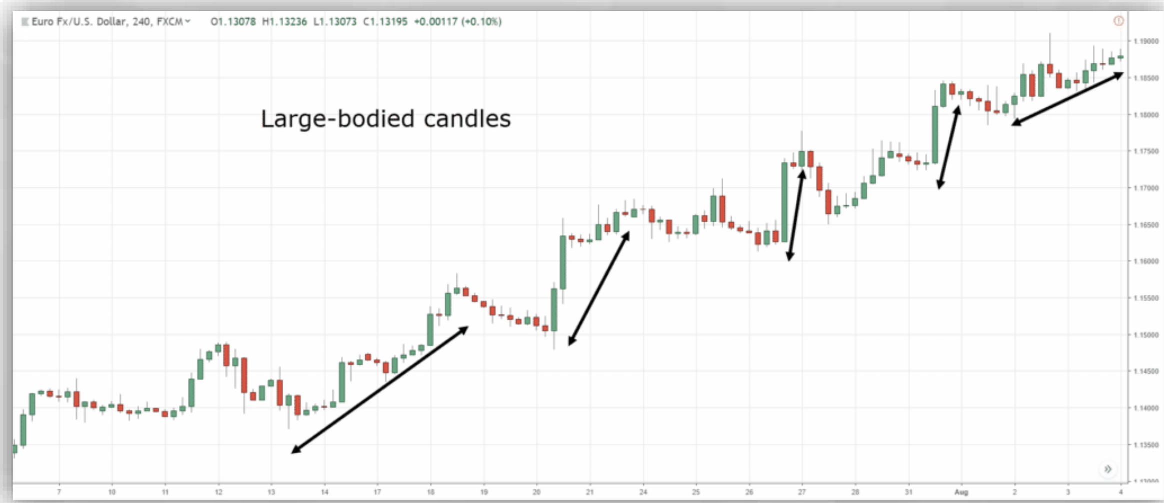
This is important, so let me explain…

TRENDING MOVE

A trending move is the "stronger" leg of the trend.

You'll notice larger bodied candles that move in the direction of the trend.

An example:



RETRACEMENT MOVE

A retracement move is the "weaker leg of the trend.

You'll notice small bodied candles that move against the trend (otherwise known as counter-trend).

An example:

You might be wondering:

"Why is this important?"

Because in a healthy trend, you'll expect to see a trending move followed by a retracement move.

But when the trend is getting weak, the retracement move no longer has small bodied candles, but larger ones.

This tells you opposing pressure is stepping in.

Here's what I mean...

And when you combine this with another technique I'm about to show you, you can pinpoint market turning points with deadly accuracy.

Read on, I'll tell you more...

BONUS: HOW TO "PREDICT" MARKET TURNING POINTS WITH DEADLY ACCURACY

Let me ask you...

Would you like to be able to "predict" market turning points — and spot trading opportunities with low risk and huge returns?

Well, nothing works all the time. But the technique I'm about to show you works well for me.

Here's how...

1. Wait for the price to reach key market structure on the higher timeframe (like Support & Resistance, Trendline, etc.)
2. Wait for the trending move to get "weak" by having smaller bodied candles
3. Wait for the retracement move to get "strong" by having larger bodied candles
4. Enter on the break of structure

Let me give you an example...

NZD/CAD DAILY:

On the Daily timeframe, the price is at Resistance area and has a confluence of a downward Trendline. The price could reverse lower so let's look for a shorting opportunity on the lower timeframe.

NZD/CAD 8-HOUR:

On the 8-hour timeframe, the selling pressure is coming in as you notice the candles of the retracement moves getting bigger (a sign of strength from the sellers).

Also, the buying pressure is getting weak as the candles of the trending moves get smaller. One possible entry technique is to go short when the price breaks and close below Support.

I know this can be complex for new traders, so here's another example...

NZD/USD DAILY:

On the Daily timeframe, the price is at previous Support turned Resistance.

The price could reverse lower so let's look for a shorting opportunity on the lower timeframe.

NZD/USD 4-HOUR:

On the 4-hour timeframe, the selling pressure is getting stronger as the candles of the retracement moves get larger.

Also, the buying pressure is getting weak as the candles of the trending moves get smaller. If you want to trade this setup, you could go short on the break of Support.

This is powerful stuff, right?

FINAL WORDS FROM RAYNER

Congratulations! If you have made it to this point, you definitely have the price action trading spirit in you. I know I've provided you with a lot to think about in this guide, but you now have the knowledge to take the information and apply it to your trading. Here are a few final thoughts I'd like to share with you before I finish up.

HOW MUCH YOU SUCCEED IS ALL UP TO YOU

The thing about trading is that it doesn't care about your educational background.

You can be a first-class honors graduate or a school dropout, but if you fail to follow the rules of the market, it will take your money, regardless of your status and background.

But if you follow the rules of the market, then how much you can make is entirely up to you. You can trade 0.1 lot, 1 lot, or 10 lots, and your profits and losses are just a matter of a few more zeros behind.

ROME WASN'T BUILT IN A DAY

Trading is like learning a new skill. You need to be willing to put in time and effort to be proficient in it. There are countless lessons to learn from the markets and every mistake you learn is a step closer to profitable trading.

Most degree graduates spent 3 years in school studying. What about a trader acquiring a skill that could feed him or her for life? Don't think about the money just yet. Just focus on doing the right things one step at a time.

Some take 10 years before being profitable whereas some never figure it out and eventually give up. If you really want it bad enough, then persevere on and always look at the big picture: the chance to one day be a consistently profitable trader.

DON'T BE AFRAID TO ASK FOR HELP

There is absolutely no reason why you shouldn't ask for help when you need it. Many people, including myself, are happy to help people out. You'd be surprised. If you never ask, you will never know, right?

THANK YOU SO MUCH!

I hope you've enjoyed this guide as much as I loved writing it for you. I can't thank you enough for your continued support for TradingwithRayner and everything I do.

Now if you've enjoyed this trading guide, then I'm sure you'll love Pro Traders Edge.

This is where you get access to my market insights, weekly trade alerts, backtest research lab, private trading community, and much more.

Cheers,

Rayner Teo