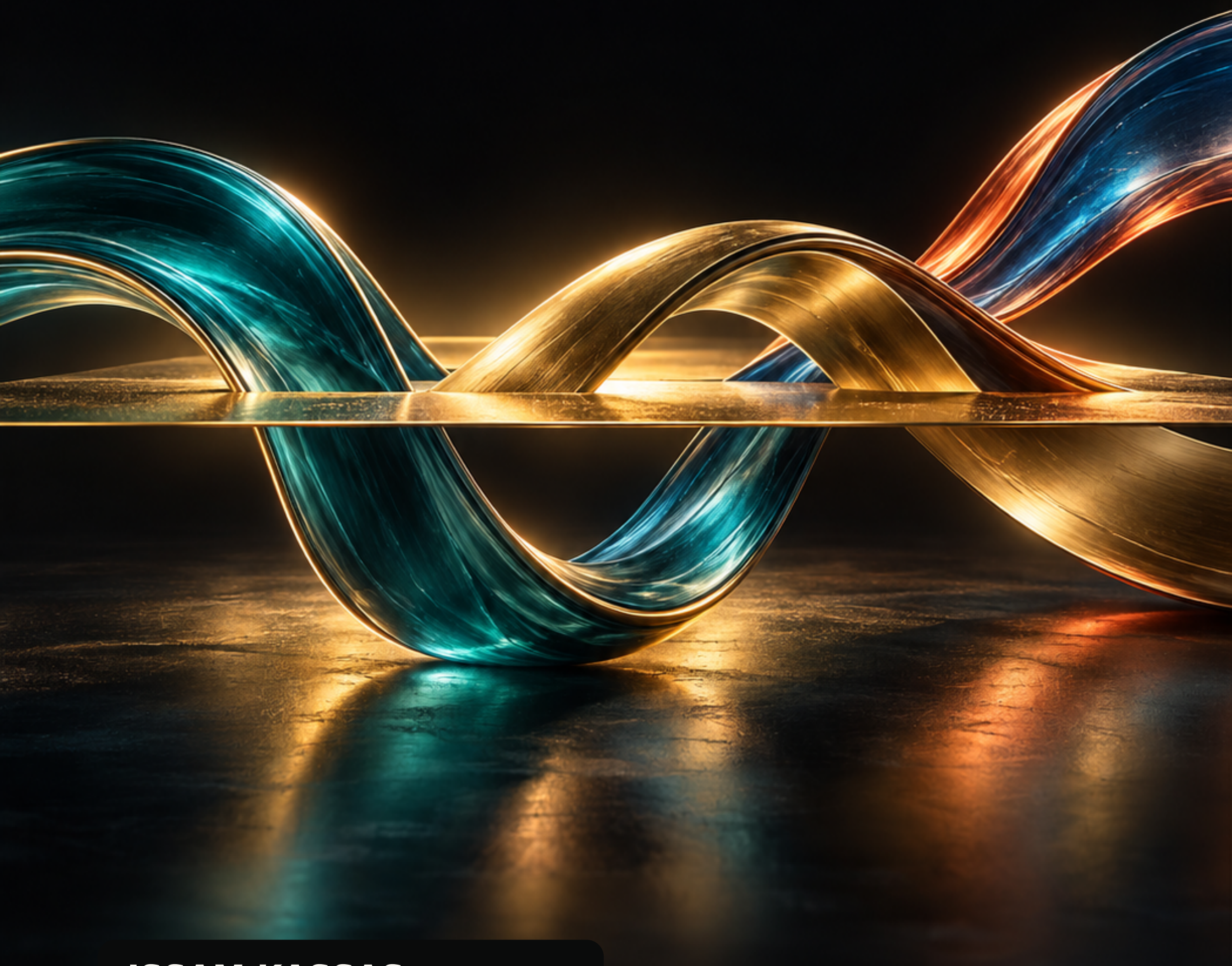
PREVIEW

Issam Algo

TRADING LIBRARY / VOLUME 06

LIQUIDITY SWEEPS AND FAILED BREAKOUTS

A Practical Illustrated Guide



ISSAM KASSAS

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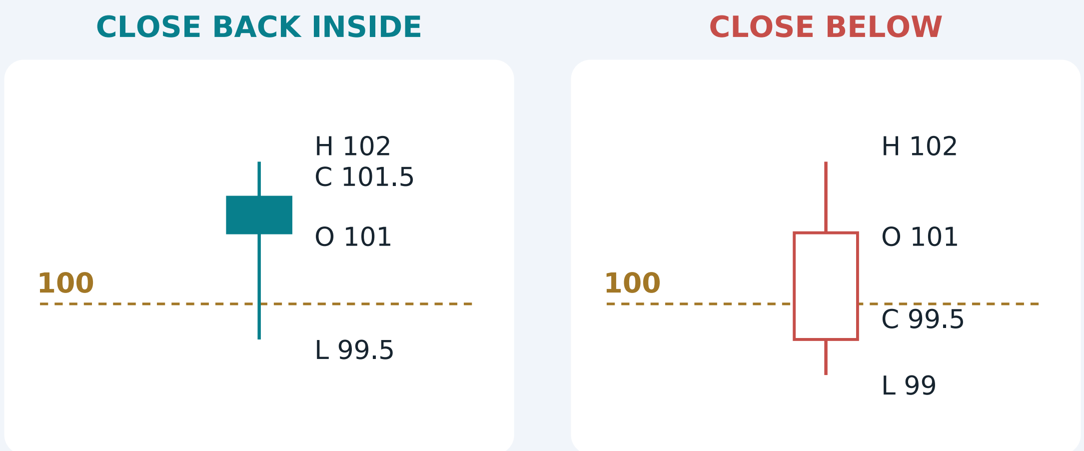
A wick crosses; a close decides the label

Each candle records an open, high, low and close over a chosen interval. The wick records an extreme. The closing price tells you where that interval finished, not where the next one will go.



Same reference; different closing position

ISSAM ALGO / FICTIONAL TEACHING CHART

O = open, H = high, L = low, C = close. Both candles trade below 100; their closes differ.

Read the candle only after its interval ends. A five-minute bar that briefly looks like a rejection can close below the level instead. An unfinished candle is not a completed signal.

In these charts, a touch is equality. A breach requires a price strictly beyond the level. Low = 100 only touches 100; low = 99.50 breaches it.

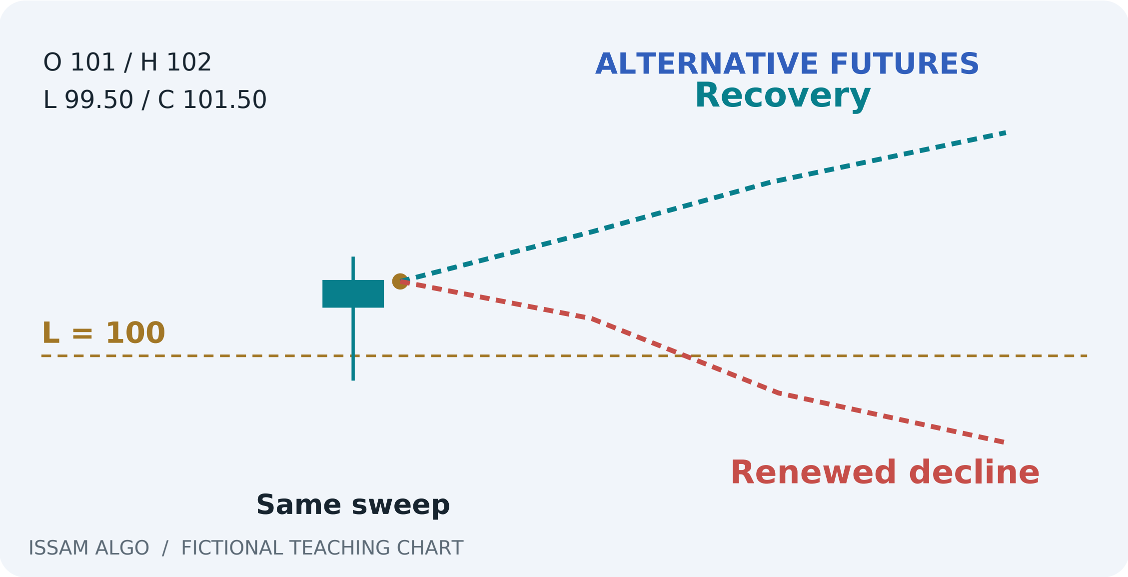
The filled body spans open to close. The thin wick spans low to high. These four values do not reveal the exact sequence of every trade inside the bar.

COMMON MISTAKE

Calling a low below a level a confirmed reversal before the candle closes.

The same sweep can lead to different futures

Both paths start with the same completed lower-sweep candle: open 101, high 102, low 99.50, close 101.50, with L = 100. At that close, the later candles are still unknown.



Identical information at the decision point; one later path rises and the other resumes falling.

A close back inside tells you the excursion did not persist to that close. It does not establish the strength or duration of the response.

A brief price move can trigger a stock stop and then reverse. FINRA also notes that activated sell stops can add pressure during sharp declines. [2] Both possibilities matter.

Keep the uncertainty visible in replay. Cover the next bars, write your rule-based decision, then reveal them. Do not call the starting candle “good” only because of what followed.

COMMON MISTAKE

Using the future recovery to claim that the sweep was obvious at the time.