

Issam Algo

TRADING LIBRARY / VOLUME 03

PRICE ACTION TRADING

A Practical Illustrated Guide



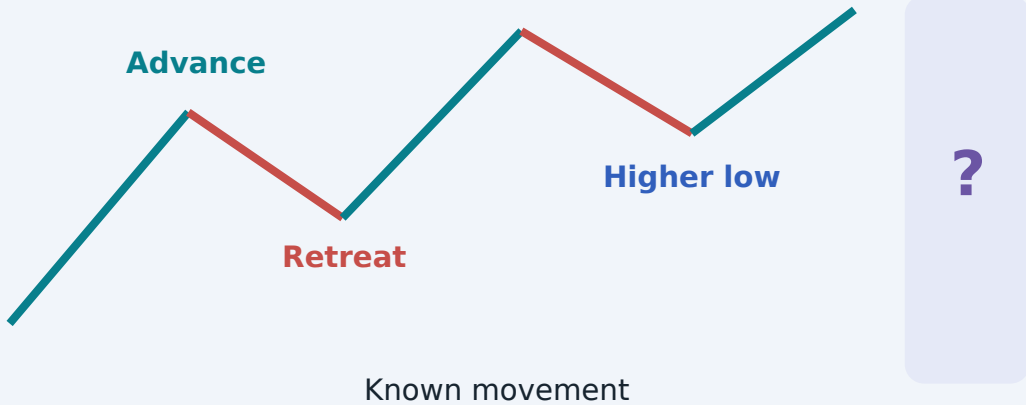
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Price action is a sequence

A candle is one observation. Price action connects observations: where price came from, how it moved, and what happened when it reached an earlier turning area. Start with description before prediction.

OBSERVE THE SEQUENCE



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Read left to right: advance, retreat, then a fresh advance. The next move remains unknown.

Describe: price rose, pulled back without returning to its starting point, then rose again. This is visible evidence.

Interpret carefully: the sequence may support a continuation idea. It cannot identify who traded, explain every motive or guarantee another rise.

Use three questions throughout this book: Where is price? How is it behaving? What would make my idea wrong? A neat pattern is only the beginning.

COMMON MISTAKE

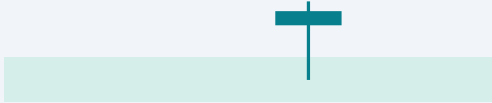
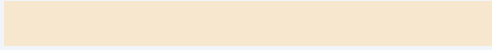
Giving a pattern a confident story before checking its location and invalidation.

Location gives a candle meaning

Support is an area where declines previously met resistance to further falling. Resistance is an area where advances previously struggled. These are chart observations and interpretations, not walls that must hold. [2]

AT SUPPORT

Resistance



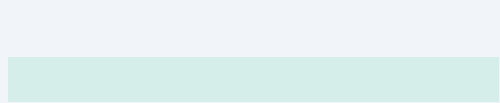
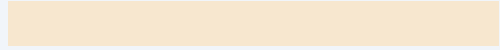
Support

Same shape; different location

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IN THE MIDDLE

Resistance



Support

Same shape; different location

The same rejection-shaped candle appears at the range floor and in the middle. Its location changes the question.

Mark a narrow zone around a cluster of prior turns before inspecting the next response. Keep the boundaries fixed while assessing that response.

A lower wick near prior support is worth observing; a similar wick in the middle gives less information about the range boundary. Neither is an entry by itself.

A broken resistance area can later act as support, but that role reversal is a possibility to test, not an automatic outcome. [2]

COMMON MISTAKE

Moving a zone after every candle until the historical picture looks perfect.