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TRADING NAKED

Master your setup. Master your Self

the interpretation and application of price action concepts



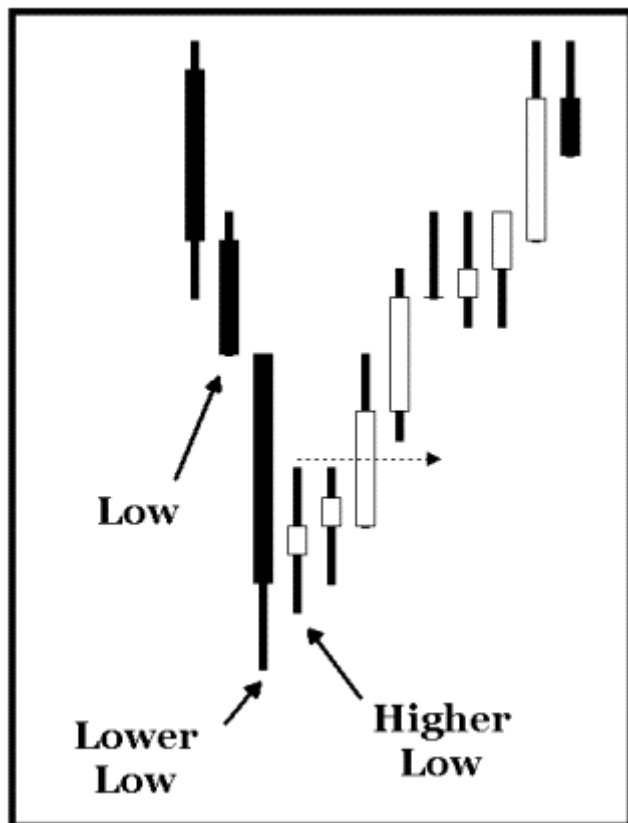
This is an introductory chapter from a book called "The Enthios.com Guide to Fibonacci and Beyond"

Everything in nature is made up of building blocks. Just as the universe is made up of atoms, so the market is made up of basic units called *Market Structures*. And just as there are two basic part to an atoms - protons and electrons - so in the market there are two types of structures, Market Structure High and Market Structure Low. Most price movement in the market can be defined in terms of MSL's and MSH's, and the ranges that are found in-between them. Likewise, everything you find at **enthios.com** is, for the most part, defined in terms of MSL's, MSH's, and the building block that they form together, 1-2-3 Reversals.

Market Structure Low (MSL)

A Market Structure Low (MSL) is the first sign of a potential reversal in prices from a downtrend to an up trend. It is usually made up of three price bars (or candles): A low, a lower low, and then a higher low. The "Low" is measured from the actual low of the candle, not the closing price. Ideally, as shown in Figure1, the Low and Lower Low will both be "down" bars (where the closing price is lower than the open price), whereas the third bar, the Higher Low, will be an up bar.

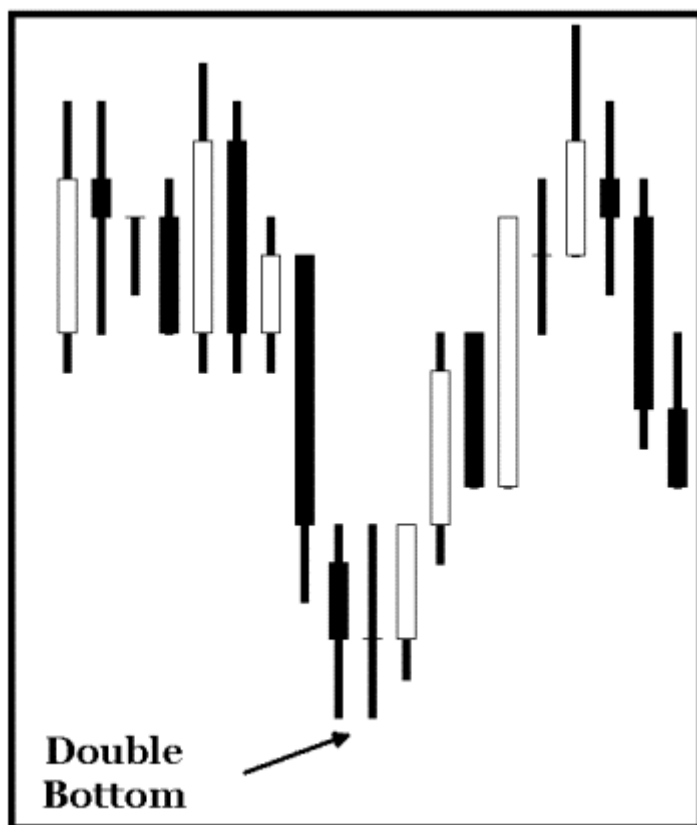
FIGURE 1 - MSL



The MSL is actually *triggered* when prices subsequently move above the high of the third candle, as shown by the dotted line. Of course, it is dangerous to enter a long trade simply on the trigger of a MSL. But this book is filled with ample opportunities to use the MSL and MSH as triggers for different trades.

A MSL can also be made up of two bars or candles when they both have the same low. This is known as a *double bottom*, as shown in **Figure 2**. Again, ideally the first bar of the double bottom will be a down bar, and the second will be an up bar. In this example, the second is a *doji* (open and close were the same), which is neutral.

FIGURE 2: DOUBLE BOTTOM MSL

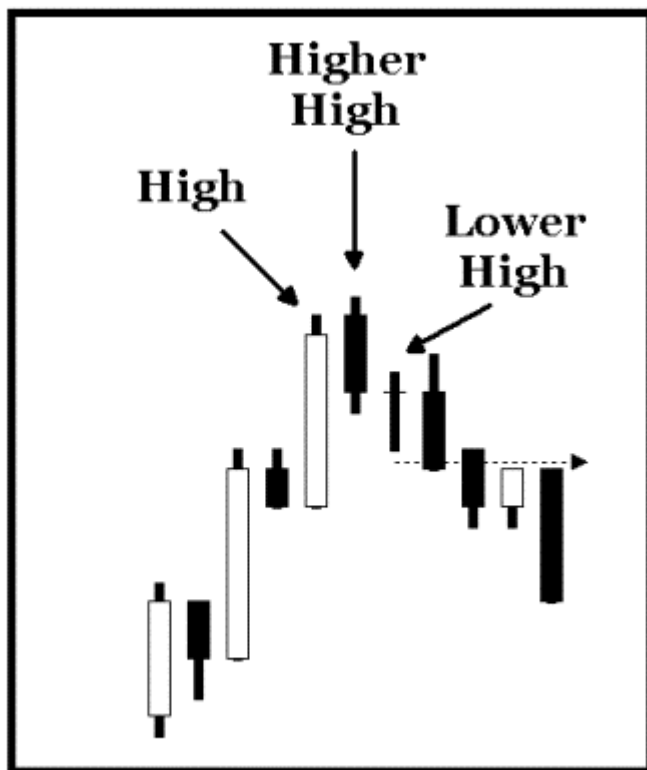


Market Structure High (MSH)

The opposite of a MSL is a Market Structure High (MSH). It is the first sign of a potential reversal in prices. A MSH is usually made up of three price bars (or candles): A high, a higher high, and then a lower high. The "High" is measured from the actual high of the bar, not the closing price.

Again, the MSH is triggered short when prices move below the low of the third bar in the MSH pattern.

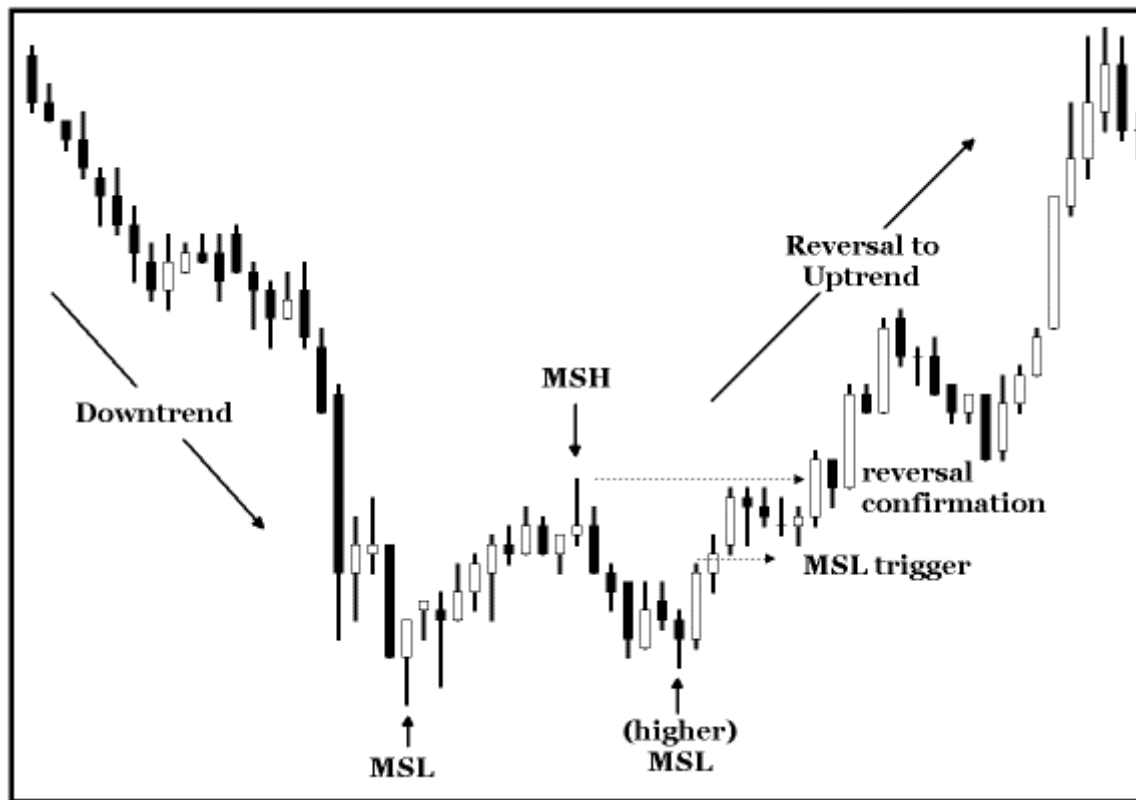
FIGURE 3: MSH



1-2-3 Reversal Patterns

The next important building block is made up of MSL's and MSH's. Just as a MSL is the first sign of a potential reversal in prices, the combination of a MSL, a MSH, then a MSL that is higher than the first one, is a confirmation pattern that a down trend has reversed into an up trend. This is illustrated in **Figure 4**.

FIGURE 4: UPSIDE 1-2-3 REVERSAL



Note that the MSL trigger on the higher MSL is the first point of entry for a reversal trade, however the reversal is not confirmed until prices move above the high of the previous MSH.

The difference between a MSH and a Swing High

Some of my trading friend have pointed out that a MSH is exactly the same as a Swing High. That probably is the case. Certainly every swing high is made up of a MSH at its apex. However there are some instances where a MSH is not a swing high.

expect miracles, they are everywhere..... God is good all the time

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 Colombia Costa.Rica Cocos.(Keeling).Islands Cote.D'Ivoire.(Ivory.Coast) Czech.Republic Croatia.(Hrvatska) Cyprus
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