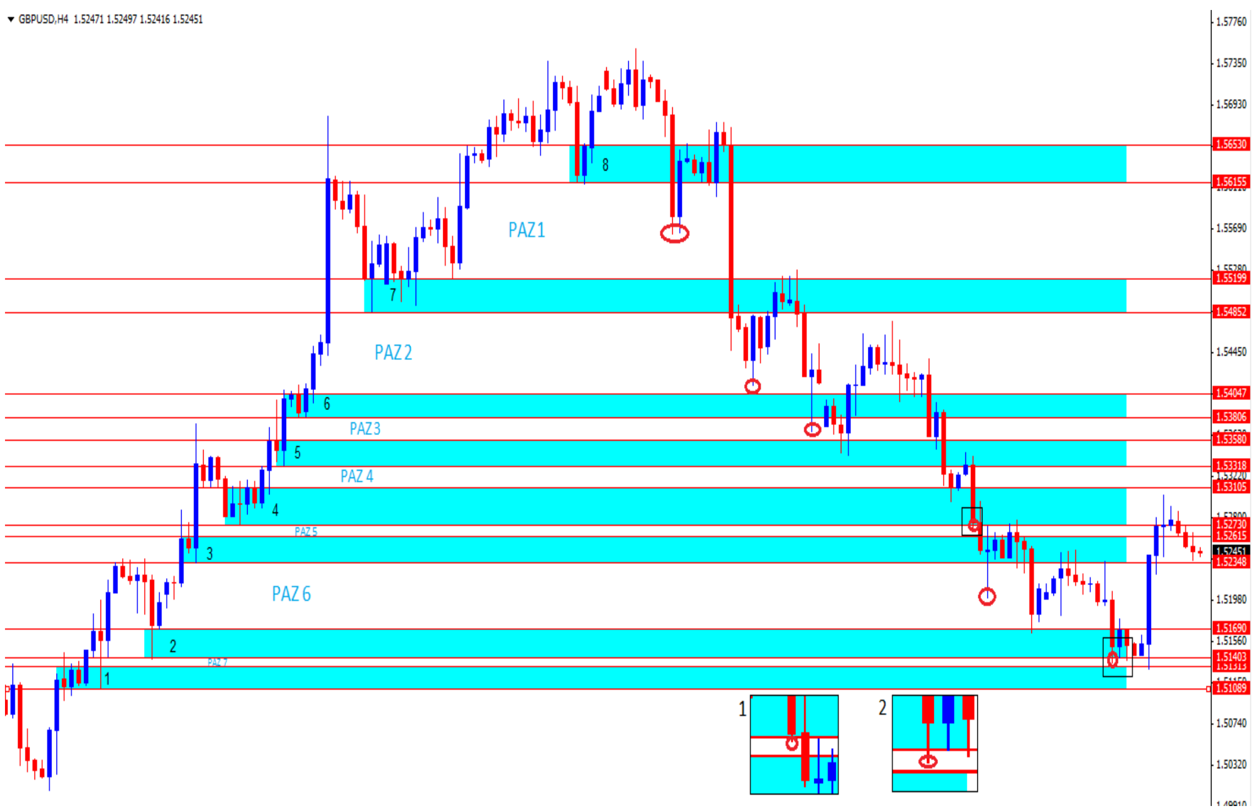
Every candle on the chart is part of a PAZ of one form or another and knowing where price is in relation to these zones gives us a massive edge on the markets. Up until now, we have been taught nearly everything we need to know to be successful traders, PAZs really are the last piece of the puzzle.

So let's get started!

So what is a Price Action Zone? A PAZ is exactly what it says; it's a zone on your charts that show a distinct type of Price Action! These distinct zones include poles, flags, stacked supply/demand and compression. Once we are able to accurately determine where these zones are, there is one rule. ***ONLY****trade the edges!*

One great type of PAZ is the space between two Failure to returns' (FTR), which is the space in which a flag forms; let's look into this a little further:



You can see in the above chart I have marked off 8 FTR's as price climbed up, between each one of these FTR we have a PAZ. So we have 7 PAZs. Simple as. Once price breaks into a PAZ (engulfs a FTR) we know it wants to go to the other side of the zone (the next FTR). So let's look what happens on the way back down.

$1• *FTR 8 gets engulfed, price has now gotten into PAZ 1. Price retraces then goes to FTR 7*

$1• *FTR 7 gets engulfed, price has now gotten into PAZ 2. Price retraces then goes to FTR 6*

$1• *FTR 6 gets engulfed, price has now gotten into PAZ 3. Price retraces then goes to FTR 5*

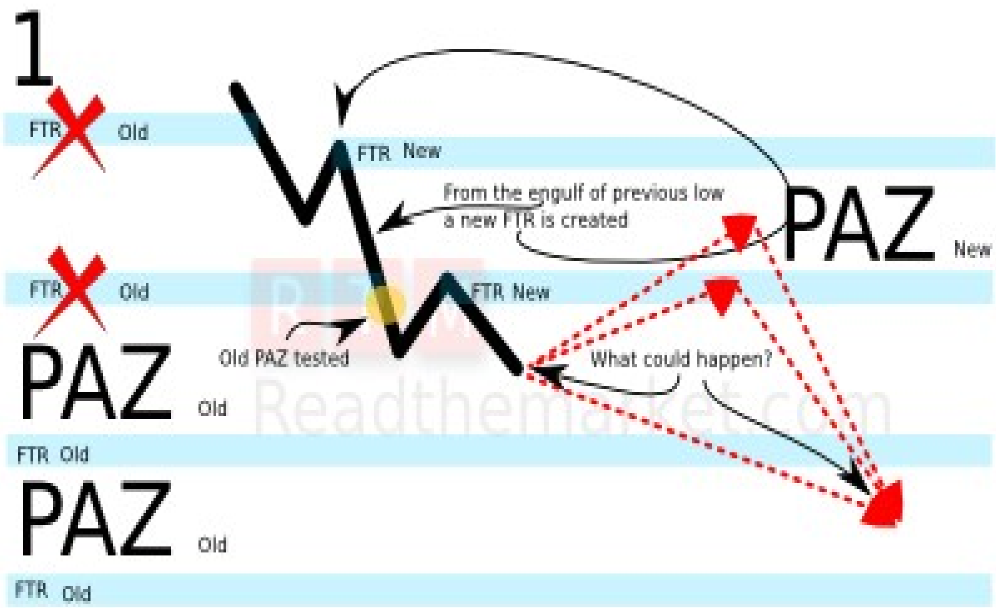
$1• *FTR 5 eventually gets engulfed and gets into PAZ 4 and follows through to engulf FTR 4 and FTR 3 and gets into PAZ 6. Price retraces before going to FTR 2*

$1• *FTR 2 gets engulfed (see insert 2). Price retraces then goes to FTR 1*

Now that you know where price wants to go, it is your job to enter on a retrace to target the other side of the PAZ (the next FTR), and we already know how to do this don't we? PA!

Hi rcmacf ! as far as I undrstand
This are only assumptions by this moment, please correct me if I am wrong, some of these say the same but expressed in a different angle

Situation = Assumption
Image 1 :



1.-A PAZ is tested for the first time and bounces back to previos FTR or PAZ = We expect price to retest it, and touch or engulf next FTR
2.-A FTR is engulfed= there is no longer SD here, We expect our next FTR to be touched or engulfed, redraw if needed (only if price changes trend)
3.- A new FTR is created = We redraw a new FTR and PAZ

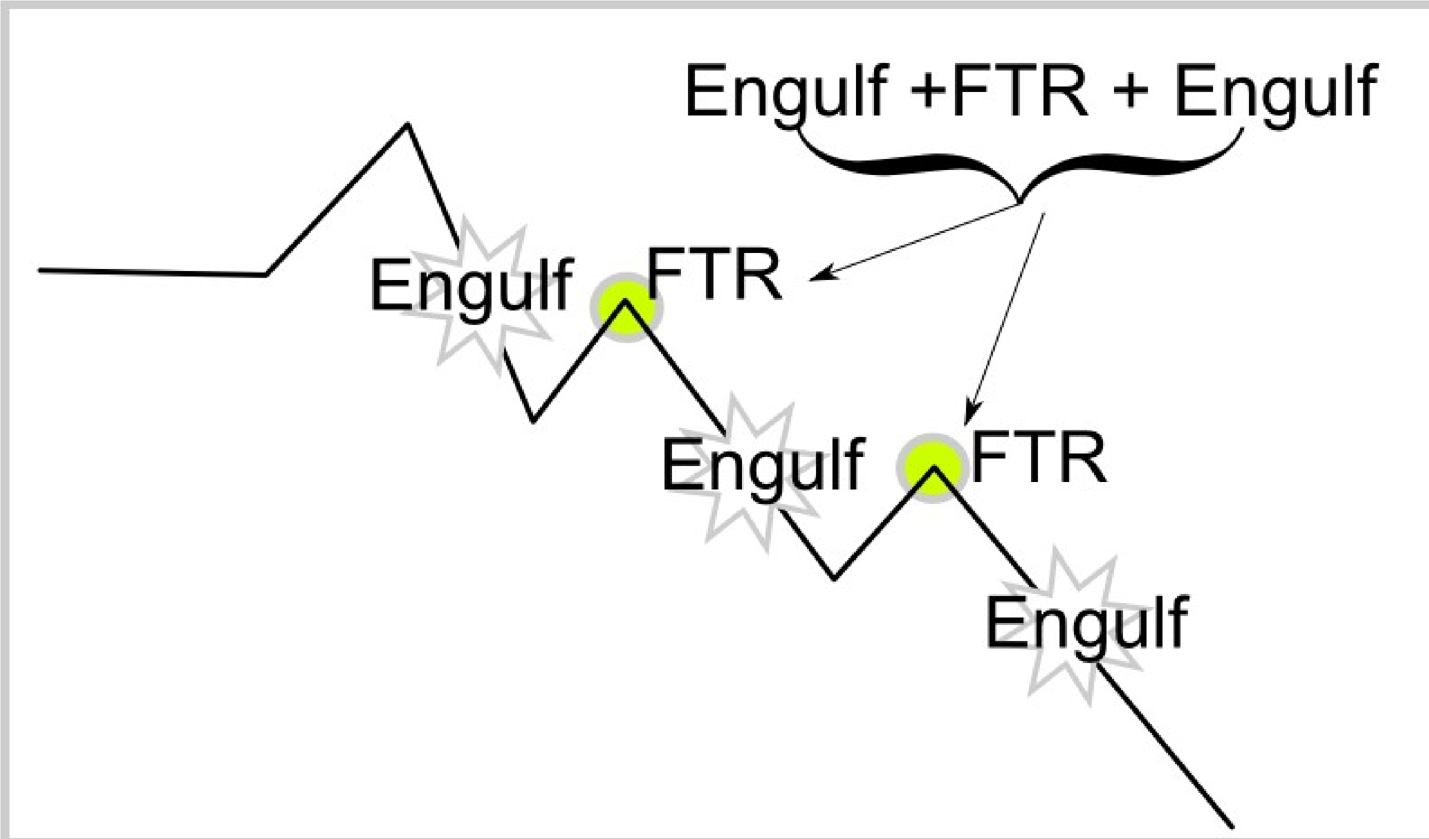
____
image 2:

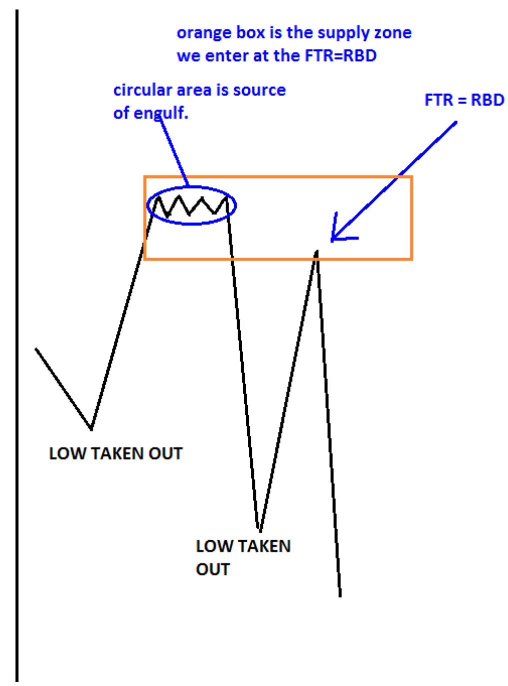
4.-A FTR is touched, = We wait for reaction , PA, basically engulfing or bouncing and finally images 3 and 4:

5.- Another way to read a trend is by price crossing between PAZ. (doesnt apply when a PAZ has just been engulfed/broken and retested)

When price moves down through our PAZ's we create new FTRs on the way through, these FTRs in-turn create new PAZs, it is these new zones that can be traded on the way back up, hyoga seems to have highlighted this in his diagrams.

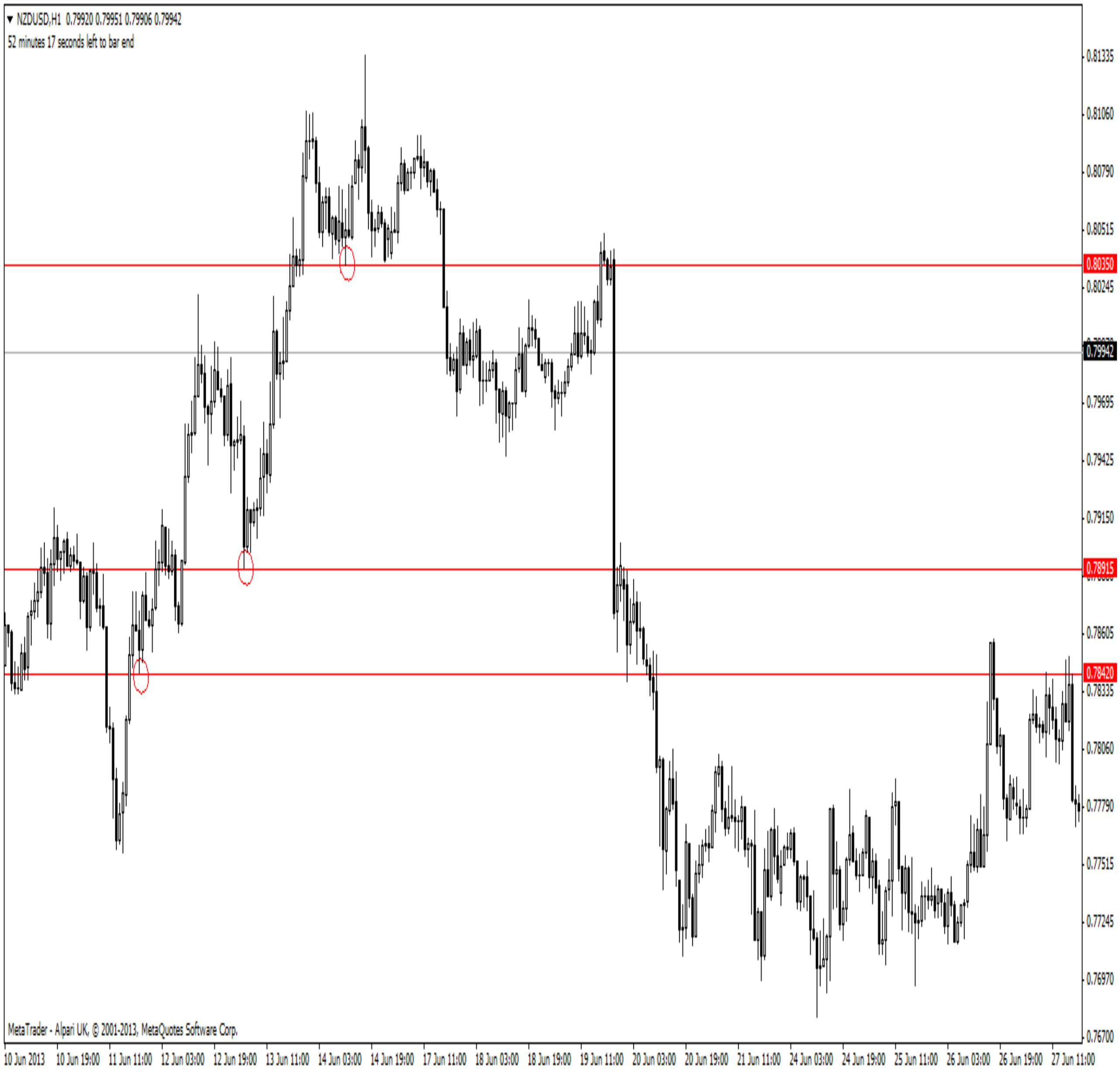
Each FTR is simply drawn as your would draw a supply/demand level. The levels that aren't exactly clear in this TF are more distinguishable on LTF's. I really hope all this makes sense.



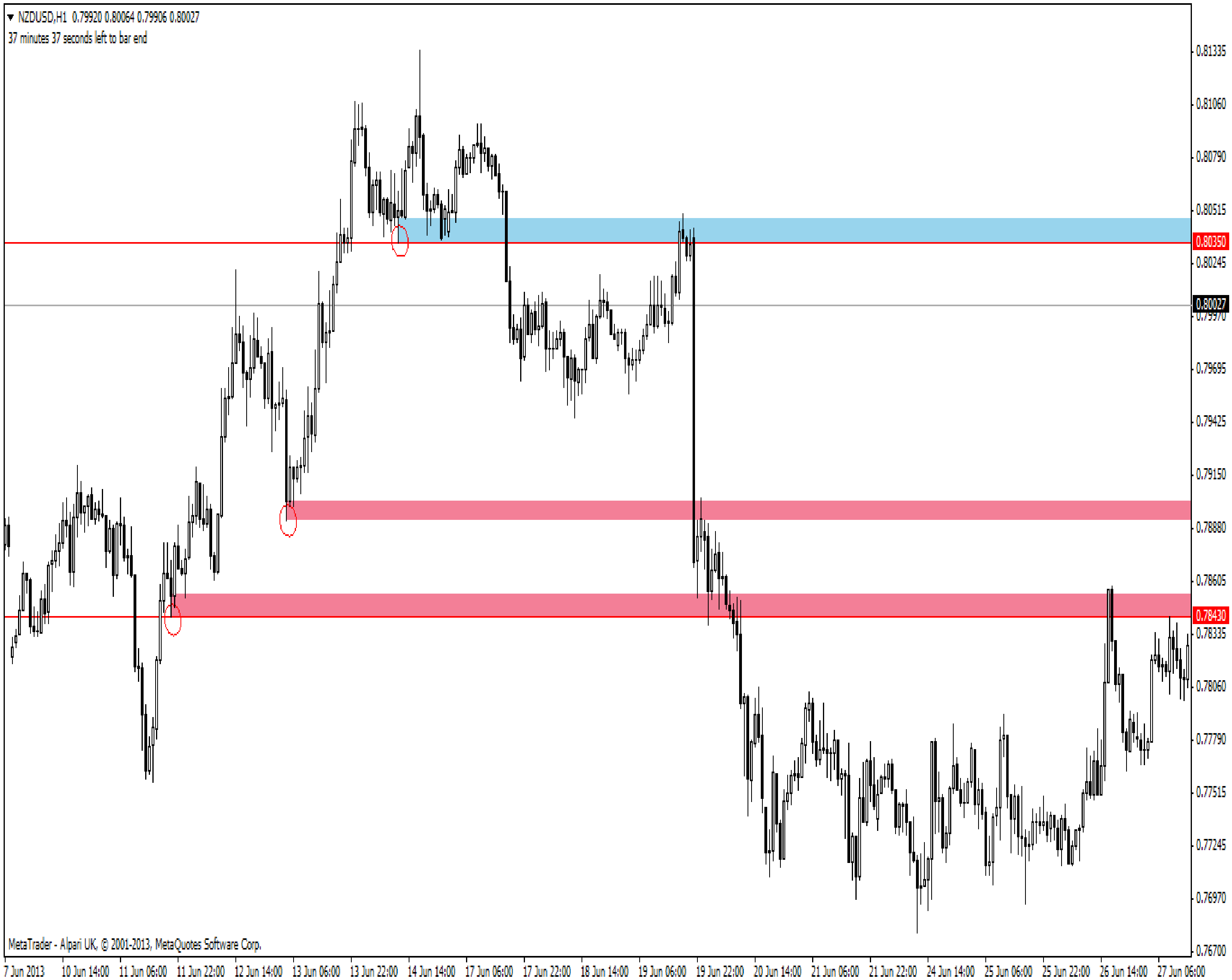


Here's how I am marking in the PAZs, based on my current understanding. I'm leaving out cpPAZ until I've got a handle on the FTR PAZ. I'm using the same chart area as above, so we've consistency. Peds, am I getting there?

1. First I mark in the FTRs I see. These I take to be an engulf (a new high in this case) showing intent to go higher, then the fail to go lower. It does not become a true FTR until price then moves higher than the initial higher high. So, for example, z does not qualify as an FTR as y is a few pips lower than x. (it is a cpPAZ edge, but I'm not going near those yet). I've used a little red ellipse to show the tips of the FTRs.



2. I then mark in the demand zones (or supply if moving down) which the FTRs represent. My indi marks those created above current price blue, and those below as pink). These are going to become the targets on the way down - the FTB to the FTR, essentially.

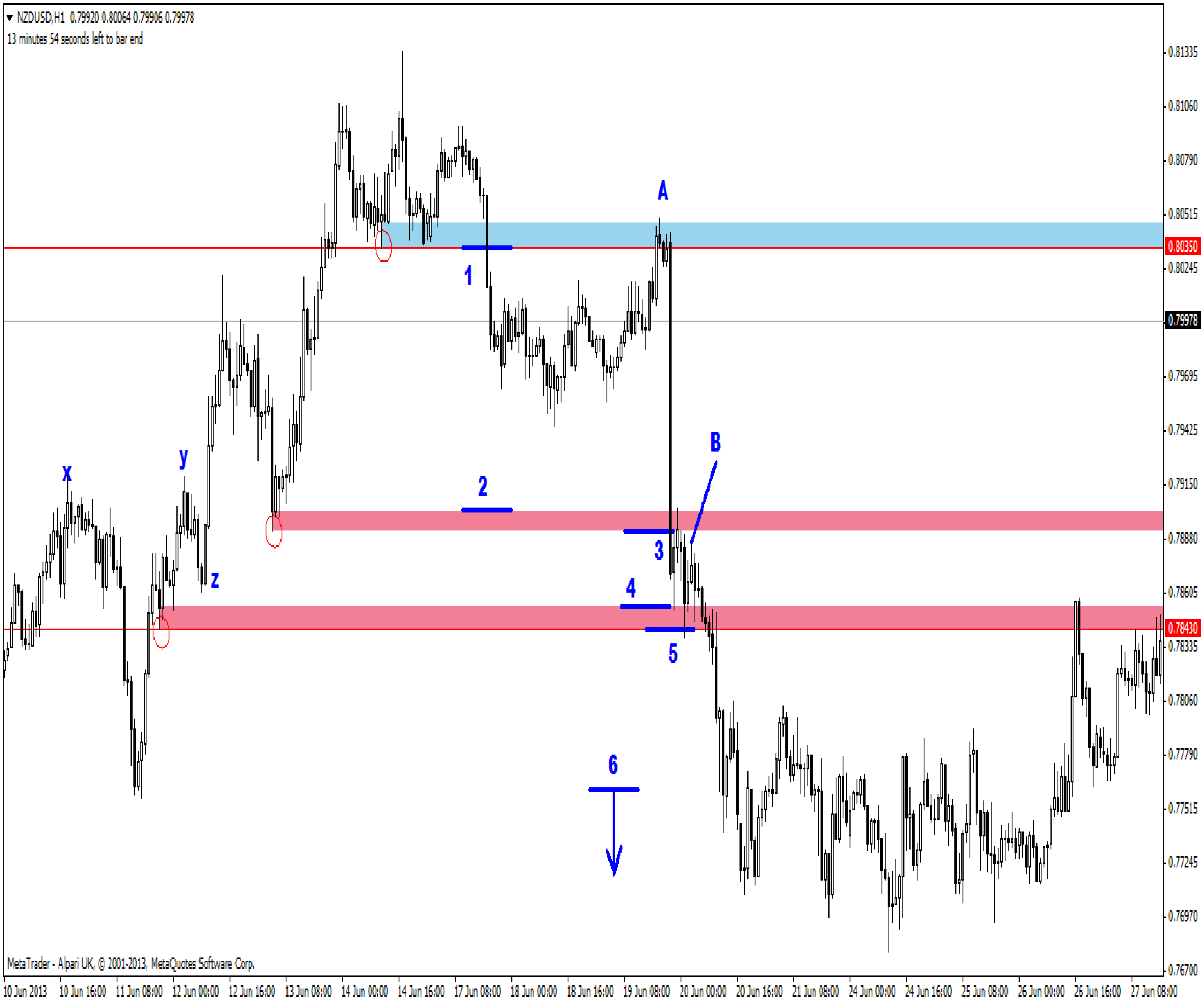


3. Then it's a case of watching what price does:

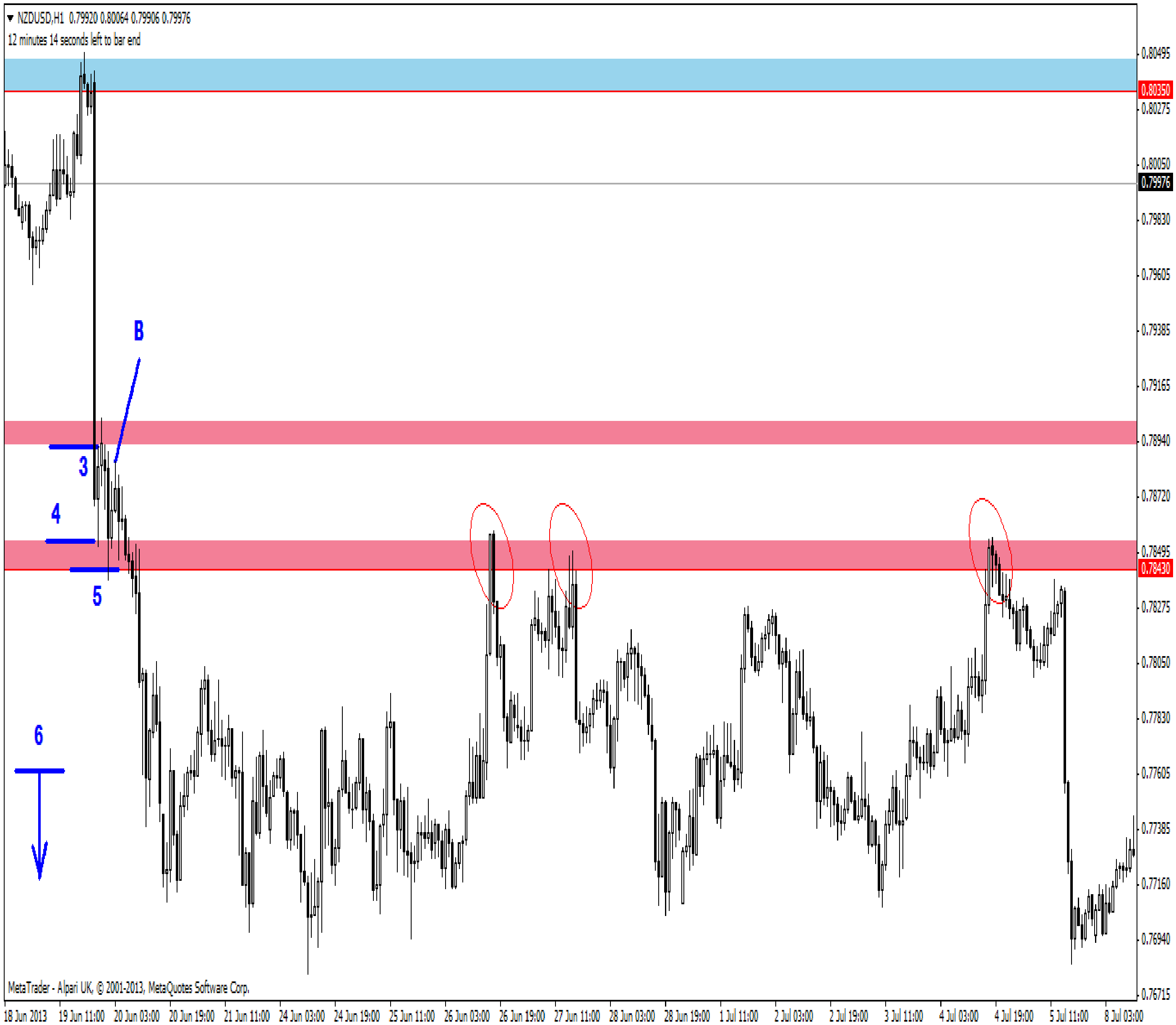
The engulf at 1 means expect price to go to 2 (engulf 1 also engulfs an FL to the left of the top elipse, and should have you primed and ready for point A to happen - it is ignored demand becoming supply - an SR flip).

The engulf at 3 means expect price to go to 4

The engulf at 5 means expect price to go to 6, whichever PAZ edge that leads to next. If you were sharp, you could maybe get in at B.



And see how the influence continues..



Hi Myst. There certainly is a lot to consider when looking for a good entry. Firstly your H1 and M15 level really join up to be the same, but from a broader view of your question I understand this may not also be the case. Unfortunately the question you have put forward does not have a specific answer. What I can tell you however is this...

Too many traders, even those who have picked a great entry get killed because they have an unrealistic target. One may pick a level on an M15 chart (which isn't aligned with a HTF level) and try to target a level on the H4 or D which is going to get the a zillion pips and to their surprise they get stopped out when they may have been able to take 20 or 30 pips if they were realistic and targeted a m15 zone instead. The ONLY thing that will tell us what level is going to bring us down through to another level after an engulf is PA alone.

Lets say price makes its way back up to your marked out M15/H1 level at 71ish (which also seems to have some nice history). Price starts to form some wicks which tells us selling is happening, and we manage to enter with PA at a nice QM. Now realistically price can very much make its way back down to the next ftr, which also happens to be the start of a compression PAZ. But, we have to ensure that PA is supporting the move down. If we drop from the m15 level and start forming some nice supply on the way to our target, then great, we can hold. But, if some supply gets engulfed north on the way down before the tg is reached we may want to exit at an appropriate level and bank some pips.

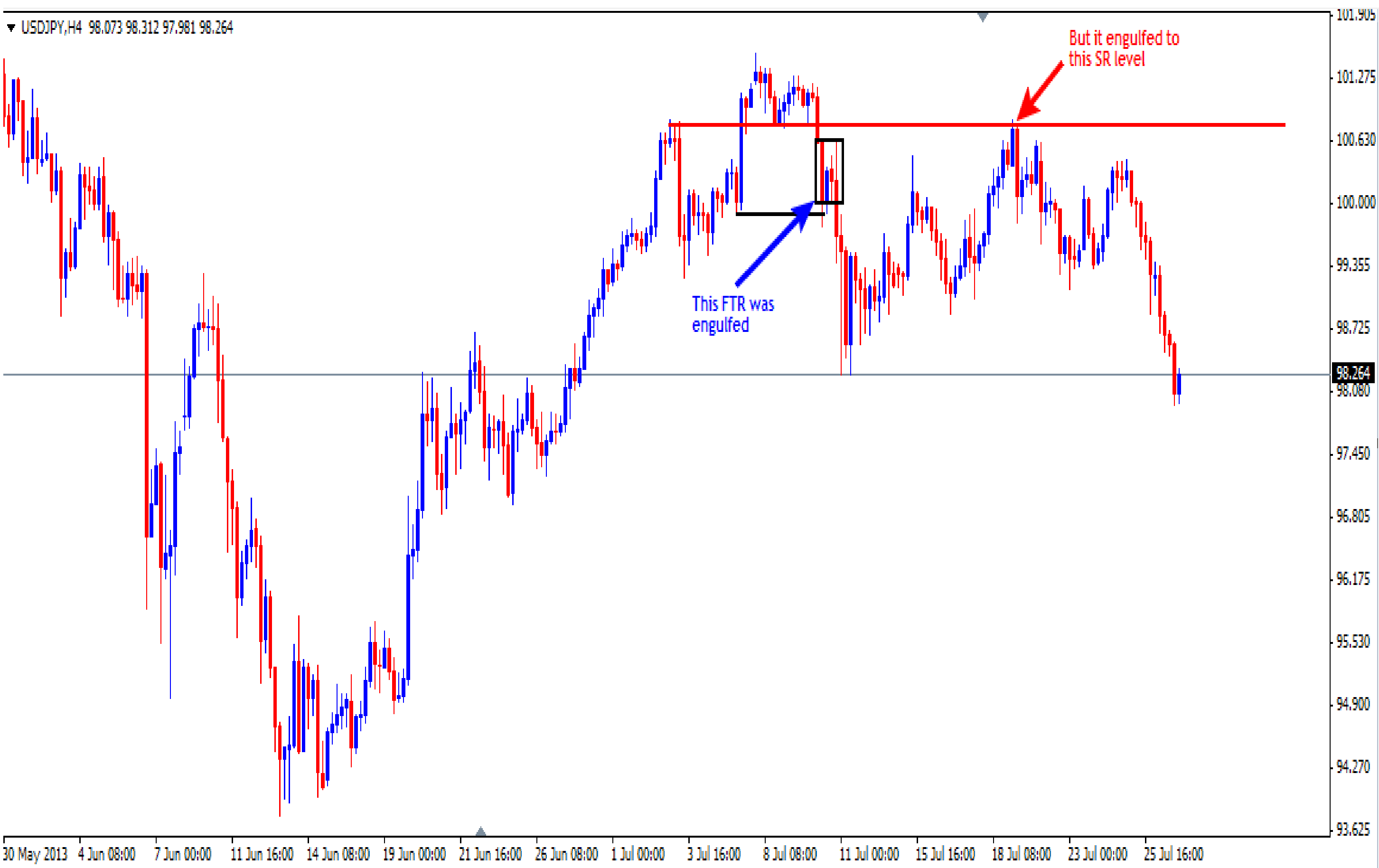
So to sum it up, we have to look for appropriate PA at each potential level to give us an opportunity to go short. If we don't get it at the first M15 zone, then the next level seems to be a nice cap and QM on the daily that we can wait for.

I can post some charts if need be, but I hope I have summed it up. Hiya Myst,

I understand where you are coming from. To be completely honest with you, when I take a touch trade, it generally means I am being lazy! I also accept it is not going to be as high a probability compared to waiting for PA. Also when I take a TT I usually only do so with a very tight stop and a really good profit margin which was the case in that AU short in post 309. But conformation is always better.

As for my own trade management - I am still getting used to "letting my winner run" which at the moment is the most important obstacle to get past for me. What I like to do is monitor my trades on a lower time frame as they come to supply/demand levels and then see if any flags get engulfed in the opposite direction, this way I can get out with some pips before price turns too far back. I also place a very big emphasis on SR levels, for example, if there is a very nice flip just above a flag I will let price engulf and react to the flip before I made a decision on exiting. They will very often hold price.

Here is an chart example for the last statement:



I'm still learning some of this stuff, so please take it with a grain of salt!

Peds

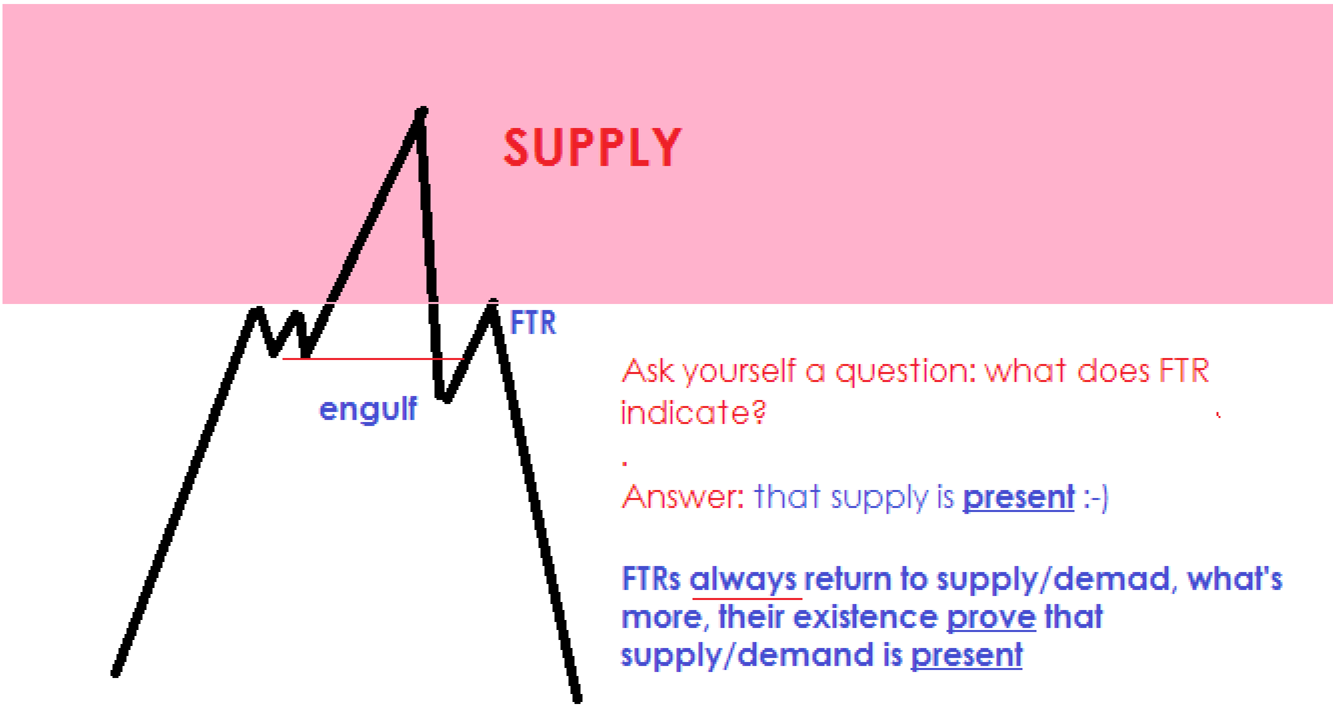
xyogi,

I feel it is important to clarify a few things here:

1: FTR is not an alternative to SD trading, no no! It's enhancement! /

2: the name "Failure to Return" does not stand for "failure to return to supply/demand". Far from it!!! What it means is "failure to return and make another HH or LL" or "Failure to continue in the original direction".

Thus, your comment regarding FTR C is irrelevant: FTR ALWAYS RETURNS TO SUPPLY/DEMAND, what's more, the existence of FTR itself proves that Suppy/ ´Demand is present. (see the diagram) If it was not, no FTR could be made, the price would simply continue in the original direction. Does it make sense? It think this is very important.



But not always the Suppy / demand is so apparent in the chart as in FTR C example . In the FTR C scenario, the price engulfed the last demand of the down leg, but failed to continue in the direction of the down leg: there was strong demand for the instrument. The demand was much stronger than the supply. Who can be the source of such a big demand? Yeah, the big guys were hungry

Another interesting thing: there was an early indication that price would want to reverse... look at the FTB to FTR B... can u see it?

3: As far as I know, the term "FTR" is unique for RTM, however, the concept is universal. For example, some traders outside RTM call it "hook".

Les_Paul

Hi Paul,

Great !. Excellent explanation.

I re read your explanation many times and meditated on that(yes that is yogis path).
Whatever i thought i tried to put on the diagram attached.Please look at this.

Can you see A, this is a valid FTR because it has engulfed another FTR on the leg up. Now my question on this

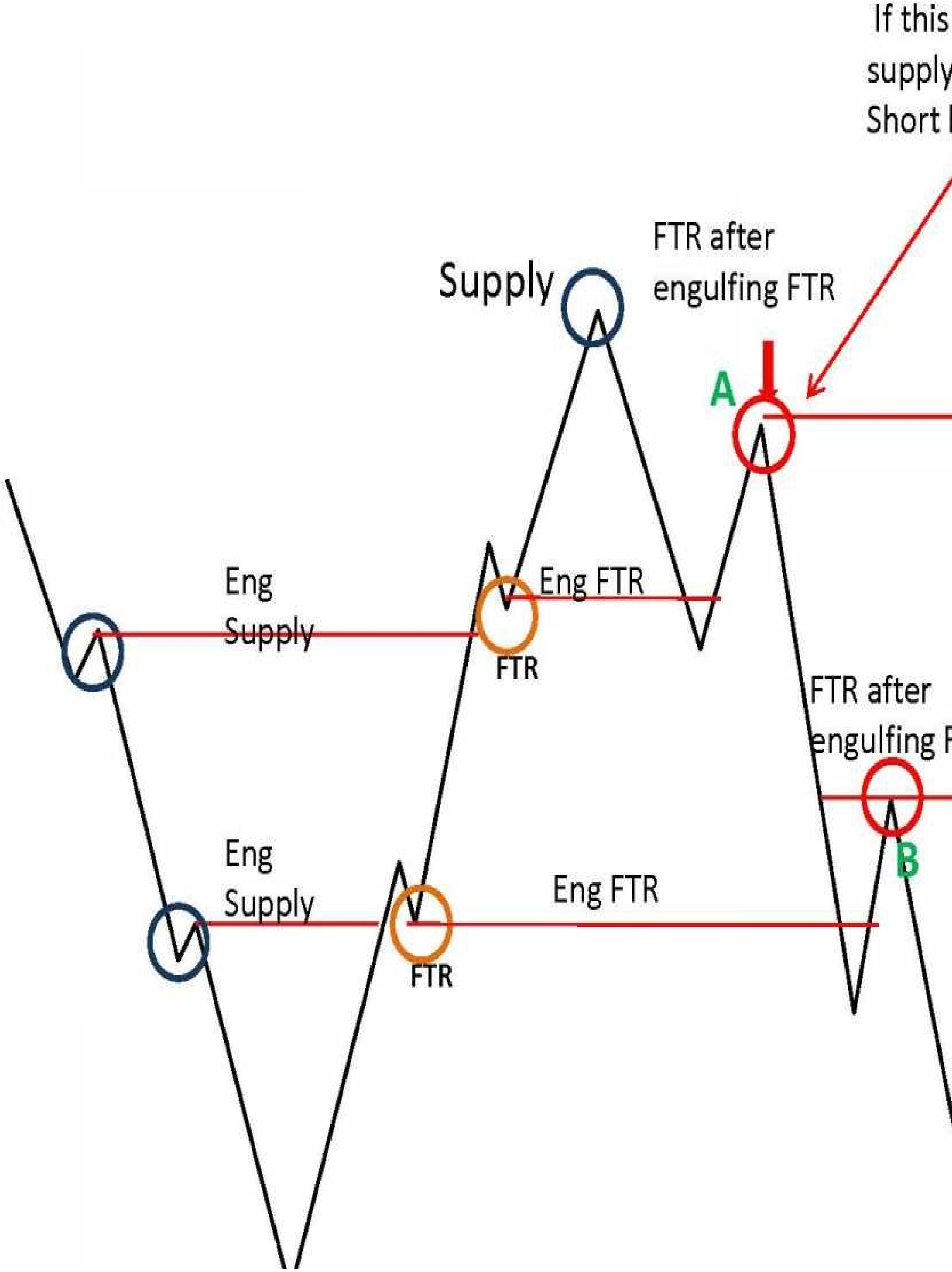
1.To become a valid FTR to trade, it should engulf another FTR, not just demand/supply??.

2. Now point A is an FTR and also FTB to supply above , so we short sell here. But D is a FTB to FTR -A , and we short again.
Is that correct?. If correct , my question is , point A already consumed the supply above, point D is in fact 2TB to the supply (i agree it is FTB to FTR, but overall picture tells me it has reached the supply that has been already touched.

As a S/D traders , 2TB is a less probability trade. Can you shed some light on this.

3.Now lets say if C engulfed B we should know market is going to reverse right?.

Again thanks very much.



If this
supply
Short
FTR after
engulfing FTR
Supply
A
Eng
Supply
Eng FTR
FTR
FTR after
engulfing
B
Eng
Supply
Eng FTR
FTR

Hiya Fxyogi. From your diagram it really seems you are getting your head around the FTR quite nicely. Well done.

In reference to your questions,

1. Remember that a FTR is in itself supply or demand. So yes, to be considered a ftr it must first break a high or low or supply/demand.

2. Now this is an interesting question. Point A FTR does not necessarily have to be a test of another level, price may very well not make it to a level of supply/demand before it fails to return. But even if it does reach a supply or demand level it is still a FTR. If you read about and study how compression forms you will see that it is exactly that.

Supply/demand traders consider the second time back less probable, but we are moving much further than simple Supply/demand traders.

3. This is correct, but only to the next ftr. Also consider where price can retrace to before it advances to the next FTR, and also why.

Hope this is of some help.

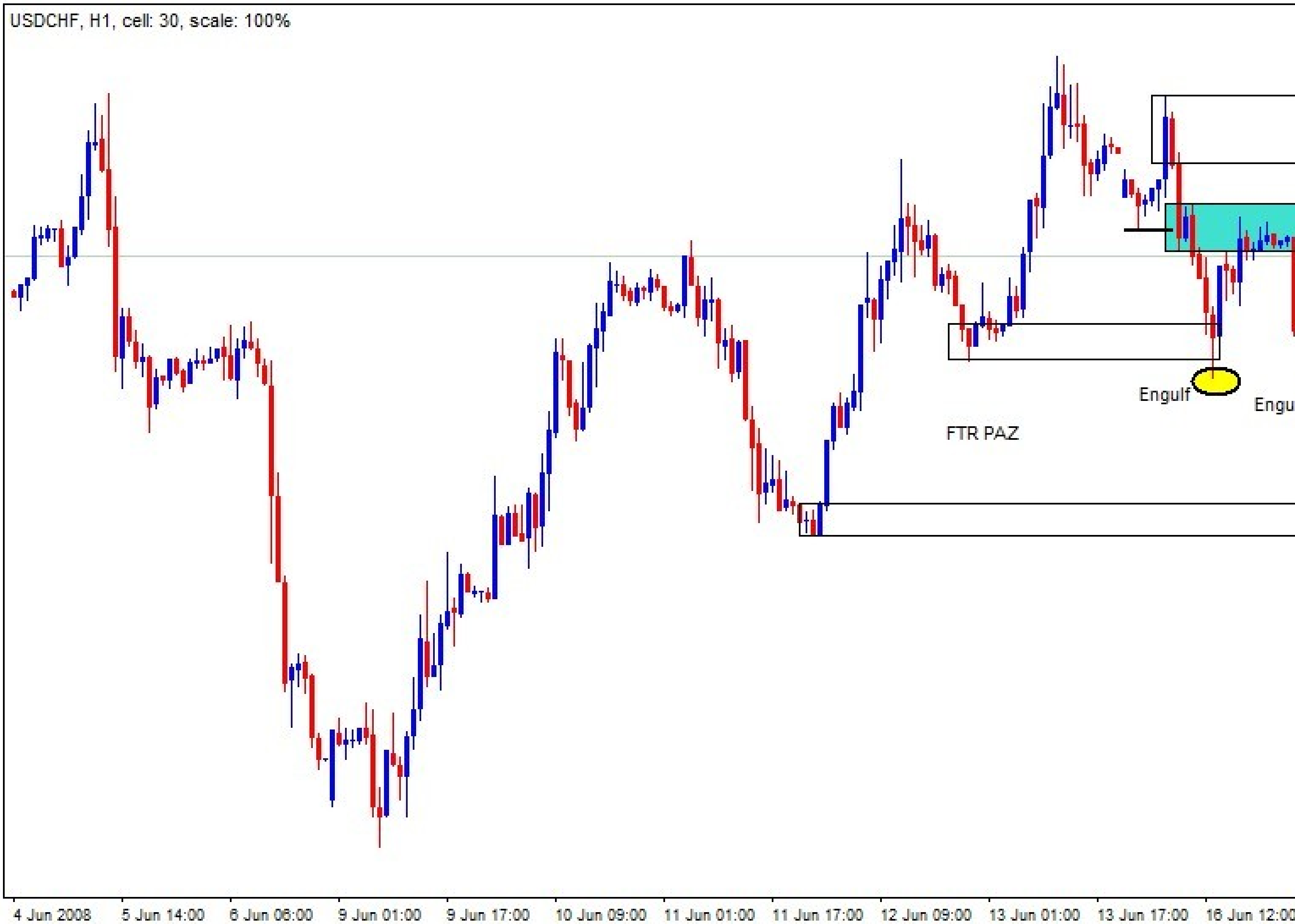
Peds

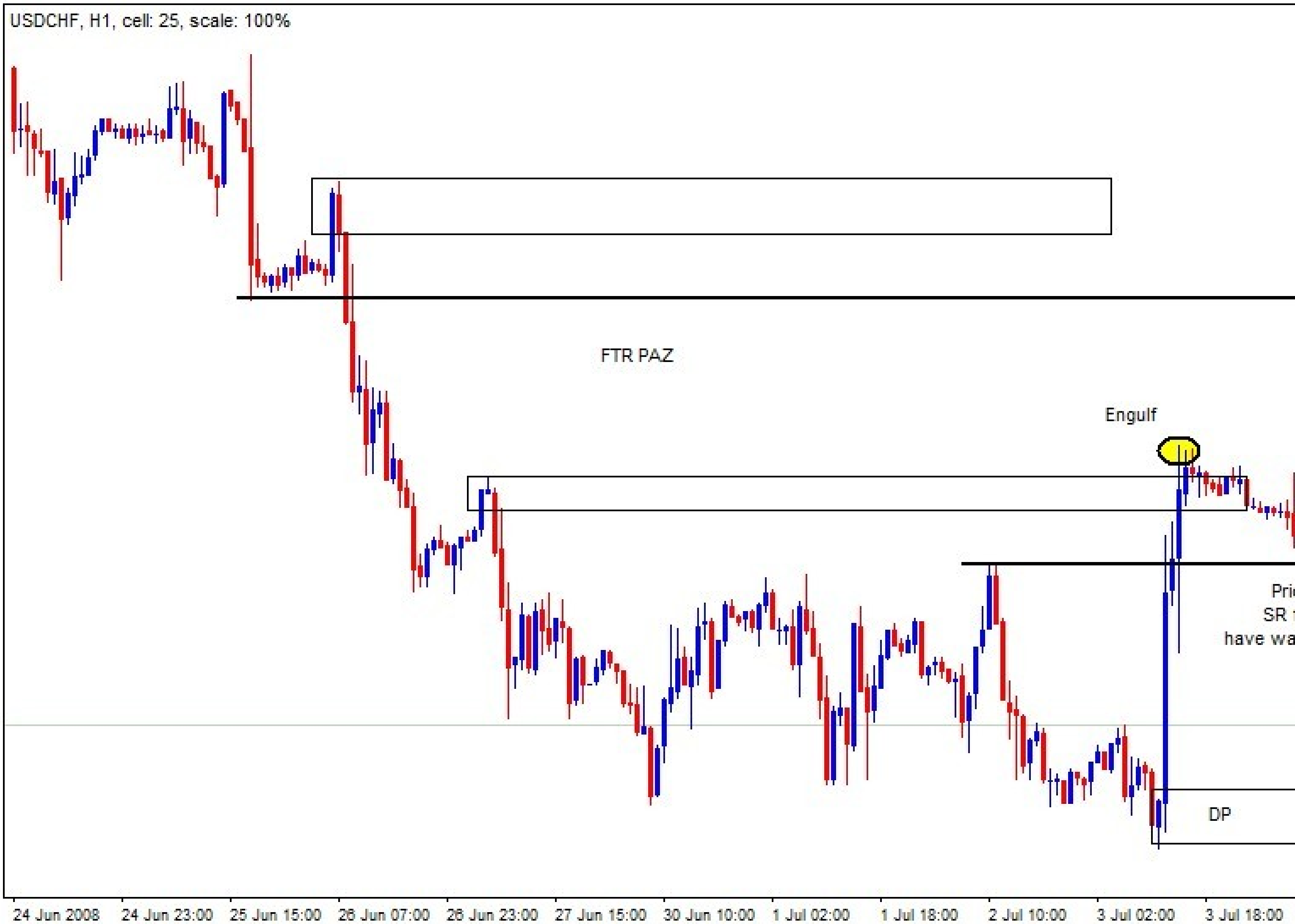
Hi Andy,

I don't know if you're a Sam Seiden fan, but I know I was and thought I found the holy grail in him, and I started live trading it with no success! I then thought to myself as you probably have, there MUST be something to give me a hint or a clue as to whether a SD - SR zone will hold or not, that is when I found RTM recommended by a freidn who also trades, it's a puzzle, but once you fit the pieces together, BOY, I bet that is a feeling so great that its unimaginable, that is my motivation, as I am sure it is yours too.

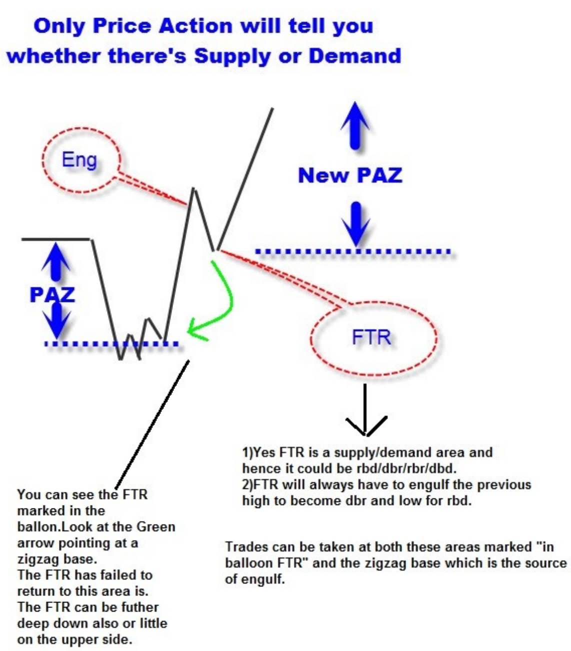
A few more examples:

USDCHF, H1, cell: 25, scale: 100%
FTR PA
19 May 2008
20 May 02:00
20 May 18:00
21 May 10:00
22 May 02:00
22 May 18:00
23 May 10:00
26 May 05:00
26 May 21:00
27 May 13:00
28 May 05:00

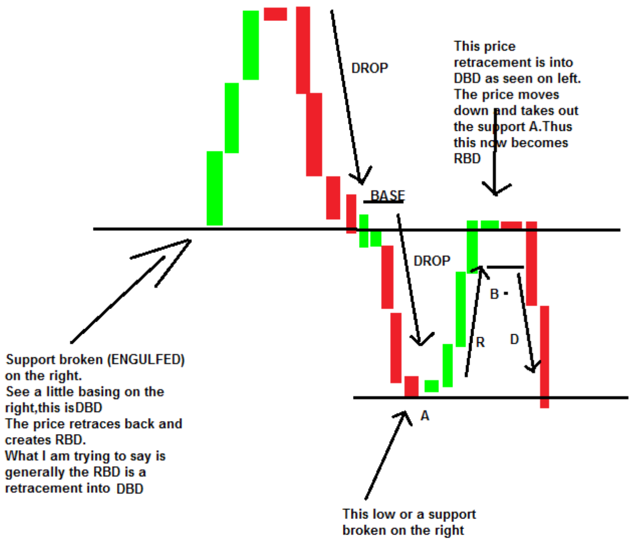

USDCHF, H1, cell: 30, scale: 100%
Engulf
Engu
FTR PAZ
4 Jun 2008
5 Jun 14:00
6 Jun 06:00
9 Jun 01:00
9 Jun 17:00
10 Jun 09:00
11 Jun 01:00
11 Jun 17:00
12 Jun 09:00
13 Jun 01:00
13 Jun 17:00
16 Jun 12:00


USDCHF, H1, cell: 25, scale: 100%
FTR PAZ
Engulf
DP
24 Jun 2008
24 Jun 23:00
25 Jun 15:00
26 Jun 07:00
26 Jun 23:00
27 Jun 15:00
30 Jun 10:00
1 Jul 02:00
1 Jul 18:00
2 Jul 10:00
3 Jul 02:00
3 Jul 18:00

DT


Only Price Action will tell you
whether there's Supply or Demand
Eng
New PAZ
PAZ
FTR
1)Yes FTR is a supply/demand area and
hence it could be rbd/dbr/rbr/dbd.
2)FTR will always have to engulf the previous
high to become dbr and low for rbd.
You can see the FTR
marked in the
ballon.Look at the Green
arrow pointing at a
zigzag base.
The FTR has failed to
return to this area is.
The FTR can be futher
deep down also or little
on the upper side.
Trades can be taken at both these areas marked "in
balloon FTR" and the zigzag base which is the source
of engulf.


Only Price Action will tell you
whether there's Supply or Demand
FTR
Eng
New PAZ
PAZ
PAZ
aswell.
FTR



DROP
This price retracement is into DBD as seen on left. The price moves down and takes out the support A.Thus this now becomes RBD
BASE
DROP
B
R
D
A
Support broken (ENGULFED) on the right.
See a little basing on the right,this isDBD
The price retraces back and creates RBD.
What I am trying to say is generally the RBD is a retracement into DBD
This low or a support broken on the right