



## **Learn how to be profitable: LEVEL TO LEVEL TRADING**

*I know where I'm getting out before I get in. - Bruce Kovner*

### **Dear Reader,**

The aim of this eBook guide is to make you profitable by using level to level trading. If you take the time to read this slowly, you will master it after practicing it a few times. Remember to read the references in the links if you are not familiar with it.

My aim after the release of this article is to provide cost free and open to use best trading guides which can be used practically to trade, make the money and also beat the market at times.

I somehow feel inspired by Dr.K who chooses to change the world by giving away all of his knowledge, free of cost, because he really cares for people. Free education, at least, should be easily available.

References- AL Brookes, Trader Mayne, DonAlt, Warren Buffet

### **Trading- Level to Level.**

By the end of this tutorial, you will be able to identify what levels are and how to trade them. I will repeat the following over and over again.

1. Levels trading is the most important AND LOGICAL system in the traditional trading system. 100X more important than chart patterns, divergences, indicators etc.

2. If you do not understand a concept, simply slow down, read it again or read the references. It is okay to not understand things in one go but stick around and you WILL understand. Remember this. Read it a few times and slowly all doubt will be removed.

Every profitable trading strategy factors in using Support & Resistance (S/R) or simply, horizontal levels correctly. Levels help us make a roadmap of the market. Levels combined with other indicators give an entry but levels are the trigger.

What are levels? These aren't just the lines on a chart but a representation of the areas where the market would like to enter or has already decided to enter. Support and resistances are formed since the market decides to sell/buy at those levels and create a S/R pressure.

***If we had to represent Levels on a chart, we could assume that the below chart which shows the Limit orders, shows the levels of interest or the S/R of the chart. The lines below the current price shows the buy orders and the lines above show the sell order. P.S. This is for illustration only and volumes don't necessarily form S/R, as Market Makers place spoofing orders to deceive the market very often. 90% of orders on small caps are all fake orders.***



One thing to understand before we get to charting is that each level must be thought of as a zones and not one single line.

Therefore, you can use HTF charts like the monthly/weekly to form a bias and trading plans but it's difficult to take a DAY TRADE off a weekly level as it is not an exact horizontal line but a zone, a small zone on the weekly TF might be a large zone on the 4-hour TF.

### What exactly is support and resistance?

In the next few pages, I have given a tip on how to arrange your lines.

Most people draw horizontal levels on a chart and think support and resistance are just actual lines that provide support and resistance.

Support/Resistance is made up of bids/asks (long/short positions) and contrary to popular belief, they do not get stronger with time. In fact they get weaker with time as orders lying at those levels get filled with multiple touches over time.

Longing support and shorting resistance every time as you don't have exact entries and exact invalidation for stop loss placement won't work all

the time.

What does this mean? Before entering a trade you need to calculate position size and exactly where to place the stop loss. If you follow the above strategy, you'll not be able to do that.



Never blindly long support and short resistance. Below you'll learn everything there is to trading levels, for now understand what goes on behind the scenes and how a level becomes significant.

We will rather focus on playing the support/resistance flip on our levels. THIS is where your discipline as a trader will get tested. One thing deeply rooted while trading should be to never blindly place limit orders when trading from the same side. What this means is we should never blindly long a level that has acted as support previously as vice versa.

Drawing levels based on Footprint data will be learnt later (P.S. it's not necessary)

For now remember that they are created due to passive liquidity (limit orders that you can see on the order book and market orders that are executed instantly, most used by retail).

PROFILE	VOL	I A	DEPTH	KEY	PRICE	BID	SELL	BUY	ASK	L A	B %	TIME	PRICE	SIZE	
	1151.3158				3195.00	1151.3158						10:53:49	543	3190.00	2.6997
	1577.5228	426.2071			3194.00	1577.5228						10:53:44	532	3190.00	18.8496
	1577.5228				3193.00	1577.5228						10:53:39	481	3190.00	2.0453
	2831.5159	1253.9930			3192.00	1577.5228			1253.9930	-323.5298	44.0000	10:53:36	973	3190.00	0.9582
	2835.9013	4.3854			3191.00	1577.5228		4.3854	1258.3784	-319.1444	44.0000	10:53:34	454	3190.00	0.2325
	2861.1435	25.2422			3190.00	1607.1504		29.6276	1253.9930	-353.1574	44.0000	10:53:31	969	3190.00	1.6191
	3186.7111	325.5677		MOO	3189.00	1932.7181			1253.9930	-678.7251	39.0000	10:53:29	472	3190.00	0.0732
	2763.0298	423.6814			3188.00	1509.0367			1253.9930	-255.0437	45.0000	10:53:26	982	3190.00	3.1500
	2763.0298				3187.00	1509.0367			1253.9930	-255.0437	45.0000	10:53:22	178	3191.00	0.0678
	2763.0298			WVAP	3186.00	1509.0367			1253.9930	-255.0437	45.0000	10:53:19	177	3191.00	3.1780
	3465.3411	702.3113			3185.00	1867.1106			1598.2305	-268.8801	46.0000	10:53:17	378	3191.00	0.2221
	3775.6313	310.2982			3184.00	1867.1106			1988.5206	41.4100	51.0000	10:53:13	778	3191.00	0.1881
	3775.6313				3183.00	1867.1106			1988.5206	41.4100	51.0000	10:53:11	978	3191.00	0.7294
	3775.6313				3182.00	1867.1106			1988.5206	41.4100	51.0000				
	3775.6313				3181.00	1867.1106			1988.5206	41.4100	51.0000				
	4138.4427	362.8114		POC	3180.00	2229.9220			1988.5206	-321.4014	46.0000				
	4138.4427				3179.00	2229.9220			1988.5206	-321.4014	46.0000				
	3712.2356	426.2071			3178.00	1803.7150			1988.5206	104.8057	51.0000				
	3712.2356				3177.00	1803.7150			1988.5206	104.8057	51.0000				
	3712.2356				3176.00	1803.7150			1988.5206	104.8057	51.0000				
	2053.1058	1659.1298			3175.00	1398.5782			654.5276	-744.0505	32.0000				
	2053.1058				3174.00	1398.5782			654.5276	-744.0505	32.0000				
	2053.1058				3173.00	1398.5782			654.5276	-744.0505	32.0000				
	2053.1058				3172.00	1398.5782			654.5276	-744.0505	32.0000				
	2053.1058				3171.00	1398.5782			654.5276	-744.0505	32.0000				
	1730.6082	322.4976			3170.00	1076.0806			654.5276	-421.5530	38.0000				
	1730.6082				3169.00	1076.0806			654.5276	-421.5530	38.0000				
	1730.6082				3168.00	1076.0806			654.5276	-421.5530	38.0000				
	1730.6082				3167.00	1076.0806			654.5276	-421.5530	38.0000				
	1730.6082				3166.00	1076.0806			654.5276	-421.5530	38.0000				

For now, we'll use price action to draw out our horizontal levels, but it is important that you always think of our levels as areas of interest where bids are placed rather than simple lines.

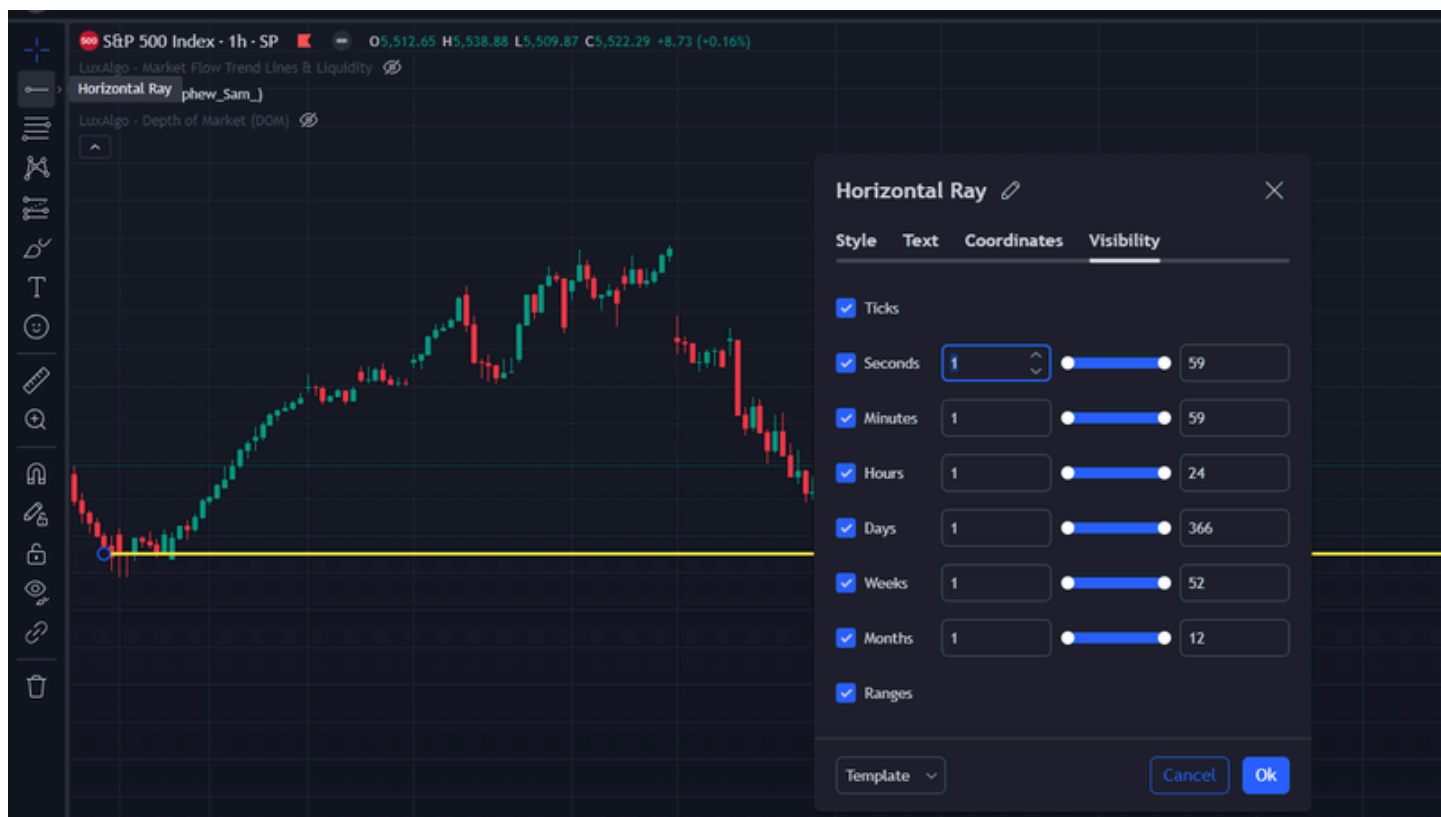
Tip - Color code your lines/rays.

Try to color code your lines and use a different thickness for the same.

You can use Yellow for weekly. Red for Daily and Green for Hourly etc. OR if you don't like the colors, simply right click and label your lines as such.

REMEMBER each level must be visible on TFs lower and equal to. For example, a daily level must be visible on the hourly time frame, 4 hourly and daily charts but not on the weekly chart.

Let's say you are trading the weekly charts, then there is no point in having the millions of hourly levels visible on it.



## A Request.

Our aim is to bring knowledge in an easy and digestible form to everyone who wants to learn how to trade.

We will always and forever keep the trading guides free as it should be. We want to have a community that supports and helps each other in the markets.

If you would like to support the work and the endeavor of sharing this knowledge, you can do it for free by using the following link to make an account on Pattern Prime if you would like to trade there:

How to decide the importance of a level? The importance of a horizontal level is decided by.

- Number of touches
- Duration of time since the level has been in play
- Nature of reaction: If price reacts violently to a level (large percentage swings in price caused at that level).

- Trends: Pro traders look at their levels from right to left and not in a left to right manner. The levels where price has reacted recently is much more important than what price did at a level years ago.

First, zoom out to see the individual candles and wicks clearly but include as many candles as possible on the chart.



An illustration of how I would draw the levels on a weekly chart, arrows show you my reasons of marking it. Before you start to get overwhelmed with all the levels, just mark all of them out first. Note the 4 points which make a level important.

Which levels to keep on your chart after this process? The ones which you want to trade off.

Which levels do you mark out?

Just look for simple support and resistance points on the chart using the importance roadmap.



Daily levels marked out on the same chart as above. Daily chart also seems to respect the weekly levels we marked out in the first chart (this is a sign that you're doing this right). Always keep in mind to look right to left while marking your levels.

There can be 100 levels drawn on this chart. Here's how to further reason the drawing and importance of your levels:



\*USD/GBP 1W chart, opened 8/21/2024\*

**Important - Please study the chart above and the commentary and see how a level loses its importance as market moves and starts trading in that region. Level support is not so important as a price starts trading there for a while.**

How to refine your levels for trading?

Many traders are very profitable trading level to level but it's not as simple as throwing your lines on a chart to buy support and sell resistance.

Level tuning: It's as simple as one important saying, "Recent price action is the best price action."

Example:



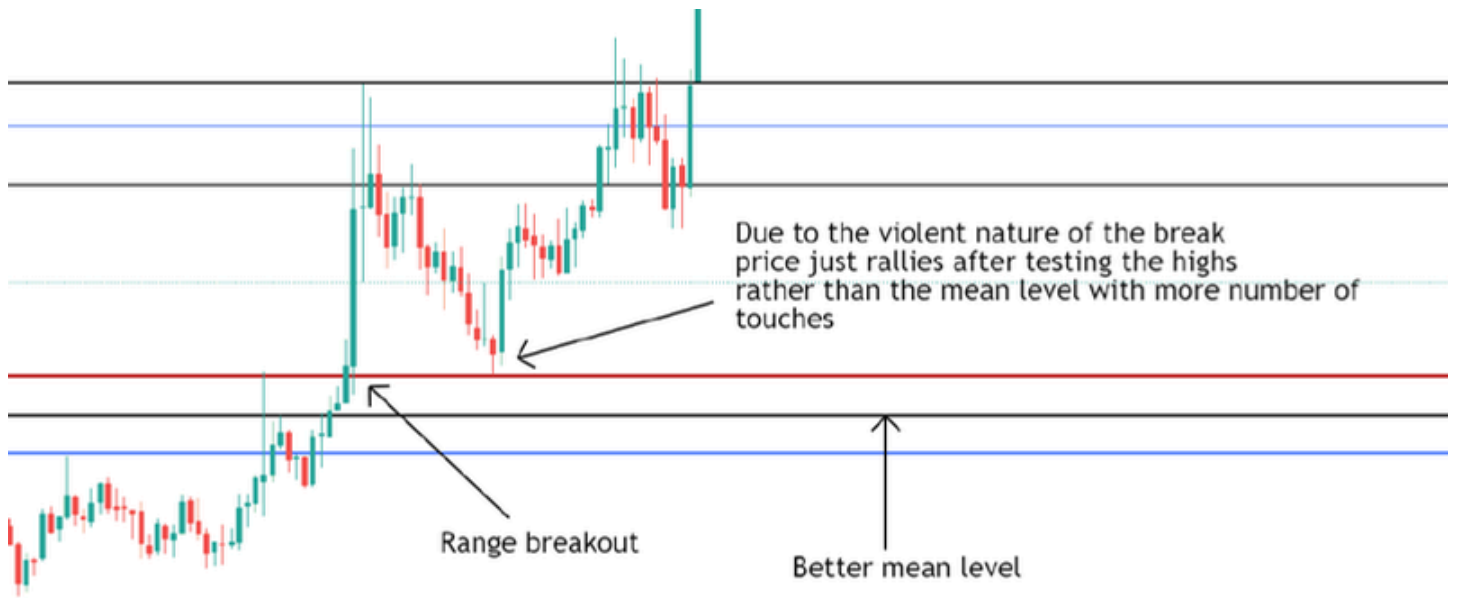
You must pick a final level (non-dashed line) close to the middle of the zone. Just go for any one with most touches.

You still get 4 clean touches with the final pick. The exact middle is not important, don't let the imperfection of it upset you.

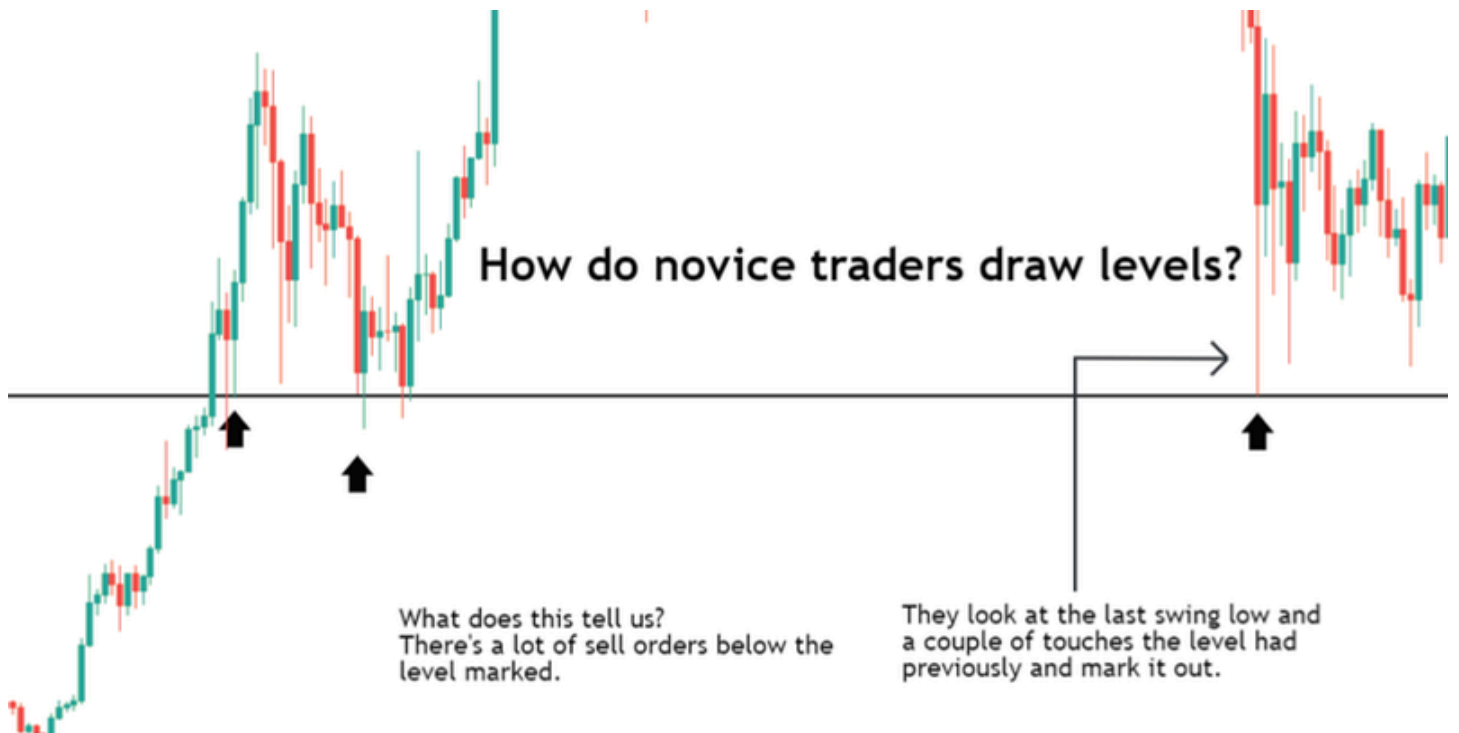
Remember how you we discussed order flow earlier? S/R flips are just orders being placed and mitigated. When we get to trading these levels, you'll learn to think of S/R as zones and not pitch perfect lines.

When should you not use the mean of the "zone" that we discussed? When price breaks out violently from a range.

In case there's a violent break of a range high level, price is more likely to dip only slightly to retest the highs and fly off from the highs rather than the mean. Same concept for the range breakdowns.

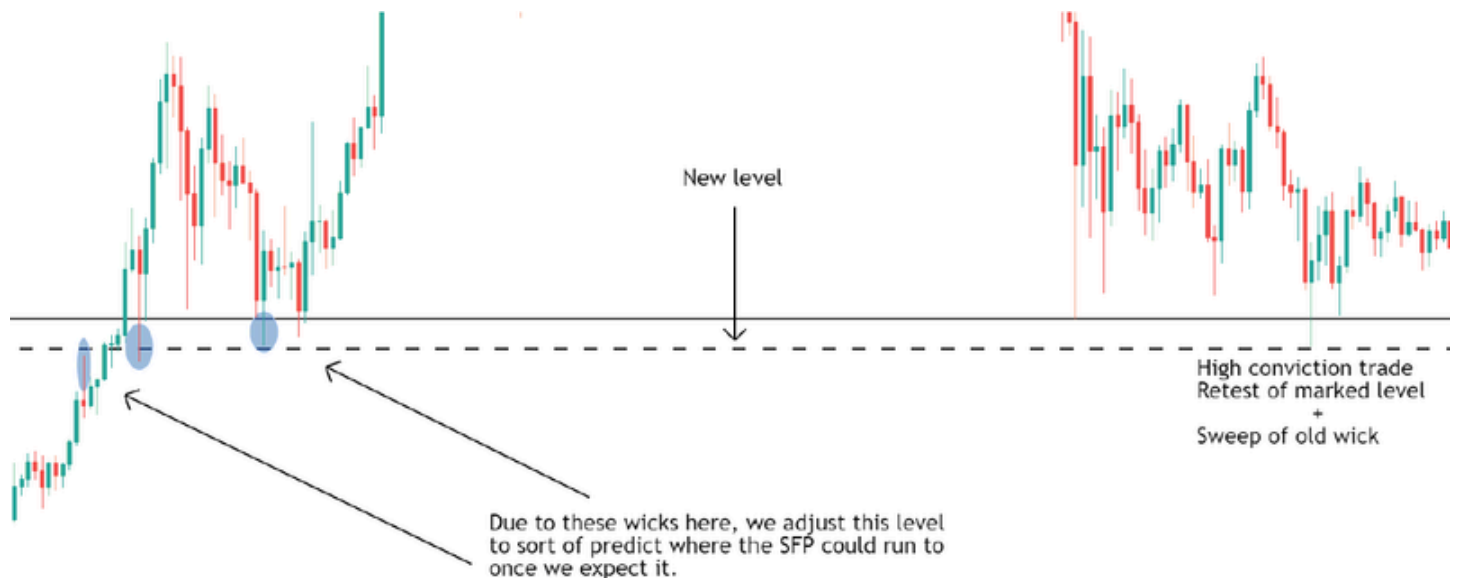


One final tweak example of how to use slight adjustments to fix up your levels.



A level such as this screams liquidity grab on the retest. Why? Simply because there's a lot of sell orders (stop losses on longs + breakout traders looking to short price losing this level).

This means a Swing Failure Pattern will probably form here to trap them, how and why do you tweak this level then?



As with any strategy, drawing levels is a skill but also an art. It needs to be refined with time and practice. The more you trade, you automatically understand certain tweaks needed to refine your levels.

No one can teach you how to EXACTLY tweak your levels. You will get front ran; you will get scam wicked but keep following this system and keep reviewing your trades and you will definitely be a master.

Takeaways:

Before we dive deeper into using strategies based on levels drawn. You want to practice your levels first as areas of interest, areas where price reacts and nail them down first.

Your best judge is always the market, best feedback is always price action, remember this.

You should be able to:

- Identify zones
- Mark level at mean of zone/tweak it as discussed for most touches

Recent price action is the best price action. Look right to left and fix your levels as per what you expect price to do upon reaching them. Cannot stress this enough.

Taking trades once your levels are refined:

Any kind of knowledge about price action is not enough to make you consistently profitable.

To be able to achieve that, you need to form a strategy, a system that you stick to regardless of what your feelings are. Then you need to backtest it and track your success rate over time. Taking 2:1 R setups with a 50% success rate is enough to be a trading legend, remember that.

Using the knowledge of levels we now have, we will trade the following scenarios.



3 touch levels can automatically be assumed to provide us with at least a short-term S/R flip to mitigate orders.

These are very effective if traded properly; enter on the first touch of the level from the other side. Place limit orders for entries.

You always hear that you need to have multiple plans for every single pair. We'll learn about another strategy on the same chart with a different plan.

2) 2 touch level or a level already flipped and tested as resistance/support:



When trading levels such as L1, you want to have multiple confluence factors:

- Daily bias (Most of what we do is against trend, but you want to fade LTF trend and follow HTF trend)
- Fib levels, I draw my fibs between the Daily swing highs and lows (extremes). You want your levels to align with the 0.382, 0.5 and 0.618 to add confluence to setups.

3) One touch, you normally don't want to trade levels like these unless there's very high confluence. You can even use the RSI & MACD for confluence here

Important clarification:.



Targets and stop/trade management:

One thing to keep in mind is that you want to look at different TFs and draw out your levels as described. Your fibs should be drawn from daily swing highs to lows (and vice-versa), not the smaller TFs. But your execution TF where you take your trade must be pre-defined (1 hour for me) and should give you a clear trade idea.

Once you get good at drawing levels, EVERY LEVEL you draw, price will have a reaction there. Don't trade them all, in trading, patience makes perfect. Trade levels where you think you can catch a decent swing as the charts will show you.

**Trade entry** can be at any level. I've categorized those entries into 3 sections each with their own requirements to actually enter a position.



Stop placement can be any level above the weekly level, here if the 4-hour level above if flipped to support means our idea for an SFP/Rejection at the weekly level is completely wrong. Thus, you exit the trade when your idea for entering is invalid. Target is always first trouble area (FTA) which could be the lower 4 hour level, but final target was at blue daily level. If price would have found support at that level, we would have gotten out while in profit. Normally you want to scale out from trades at different areas where price could bounce and keep some part of the position running (on shorts of course).

Price goes much lower than the blue daily level as target, we get out regardless for a great 4.8R trade, once you're at target, get out, take profits, no emotions.

NOTE: There's no specific way for price to "reach" your level. If price rallies into a level where you want to short, just short, violent price rally into your level means more people are trapped in the process.

This style of trading is very profitable, but you need to practice drawing those levels and have conviction. Don't be scared if price slams into your level, "trading the trend" on LTFs means nothing.



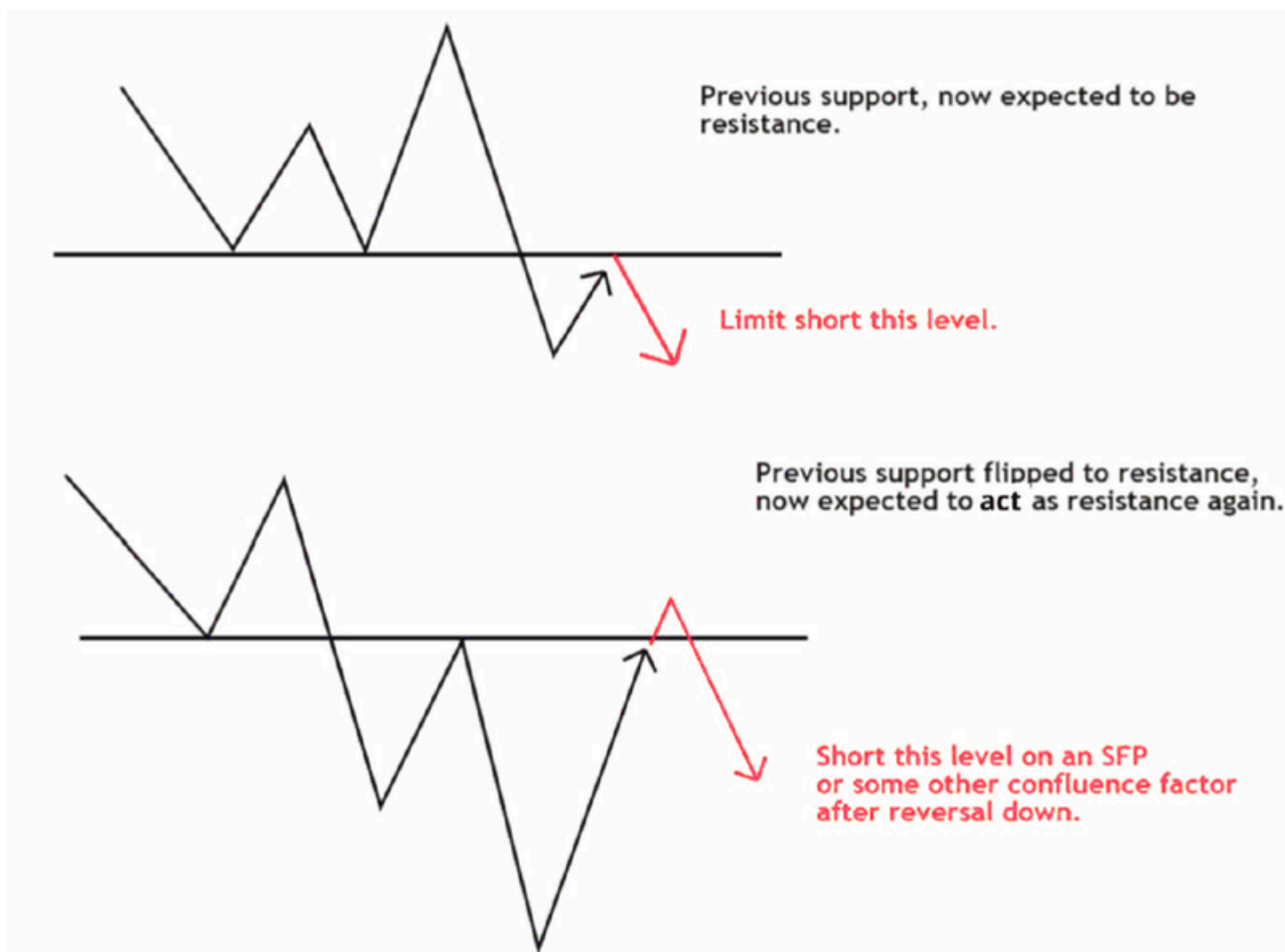
We mark out all the levels, even if the chart gets crowded.

You need to know all the trouble spots beforehand and manage your trade carefully if you want to trade levels like this.

NOTE: Once price moves over an important level, you can move your stop loss up to below that. If we form a new support, I want price to hold it before reaching target, that is how you manage longs.

### **Most important factor when trading levels:**

Place limit orders when trading levels which change roles. Wait for an SFP when trading levels where you expect a similar role as before.



Reasoning is simple, if a level has already behaved as support once, then everyone is expecting it to do the same again. Market makers will exploit that to run stops and you want to be on their side as always.

Now that is cleared, in ranging environments, sometimes a support/resistance will be held multiple times. A 3-touch level in the same role is the only time I use an indicator, the MACD.

For a level tested for the 3rd time, we first look for another SFP (it is fine if we don't get it). Regardless of that, we need a MACD divergence, even better if you have an RSI divergence as well. (Get the Forex Cypher TradingView Technical Indicator for an RSI + MACD divergence analysis)



Obvious target at important 4H level. Stop below SFP wicks on a lower time frame level.

NOTE: If a market is constantly moving to a level, it wants to obviously get through there. Some traders say that if price “holds” a level multiple times then it’s a great sign to bid the level, that makes zero sense.

Levels flipping as we discussed are areas to bid as they become stronger with touches. Levels with the same role on multiple touches get weaker and weaker.

Weaker level = Requires more confidence to take trades

Congratulations you have now mastered Levels. You are now ready to trade levels a bit better and I hope you will read the references and other educational materials to get better at understanding trading!

Thank you for your time!

**See you soon in our community!**