LEVEL TO LEVEL TRADING

By Emperor BTC

Forget the News, Trade the Levels- Dalai Nakamoto

Dear Friends,

The aim of this tutorial is to make you master level to level trading. If you read this slowly and with time, you would have mastered 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 tutorials which can be used practically to trade, make the money and also beat the market at times.

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

The tutorials will get better in terms of formatting, graphics as I have 3 interns now who work tirelessly to correct my spellings and find examples.

P.S. I was late in publishing this tutorial as I had a cancer scare recently. It was horrifying and anxious experience of many tests, waiting, a lot of emotions. I am to finally get a surgical biopsy to know the fate.

Please share the doc if you like it and take care.

Love,

EmperorBTC

References- AL Brookes, Bob Volman, Trader Dante, Martin Pring

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, classical divergences 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. Reading it a few times and slowly will remove all doubts.

Almost 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 are not simply 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 heat map 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 heatmaps don't necessarily form S/R, as Market Makers place spoofing orders to deceive the market very often. 90% of orders on most

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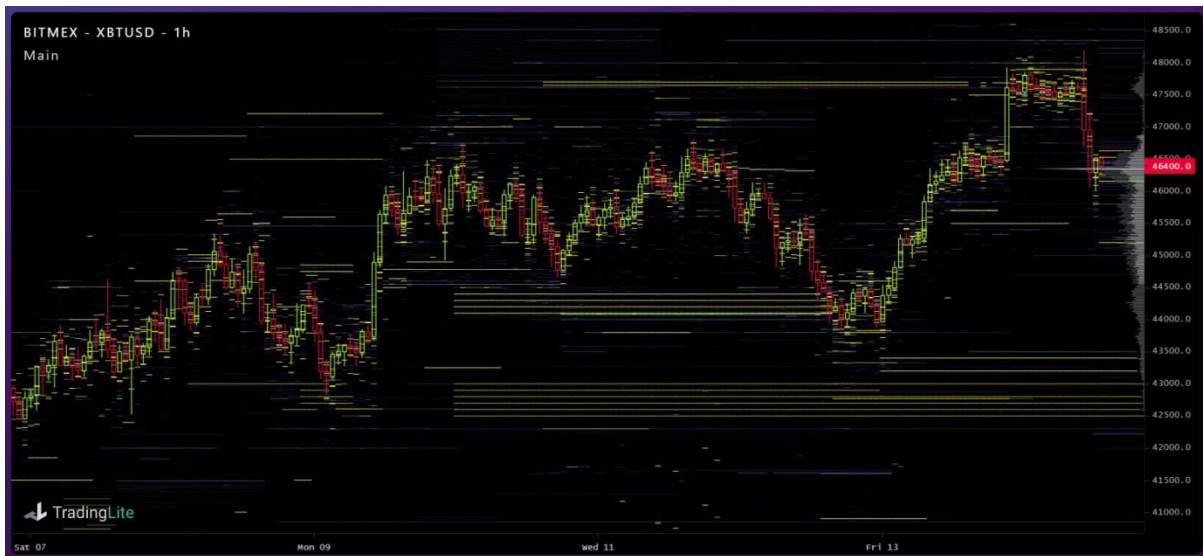
One thing to understand before we get to charting is that each level must be thought of as a zones and not one single line.

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.

Link to position sizing and risk management tutorial: https://bit.ly/2WjqQqk

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).

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 1- Colour code your lines.

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

You can use Red for weekly. Blue for Daily and Green for Hourly etc and remember it as RBG. OR if you don't like the colours, 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.
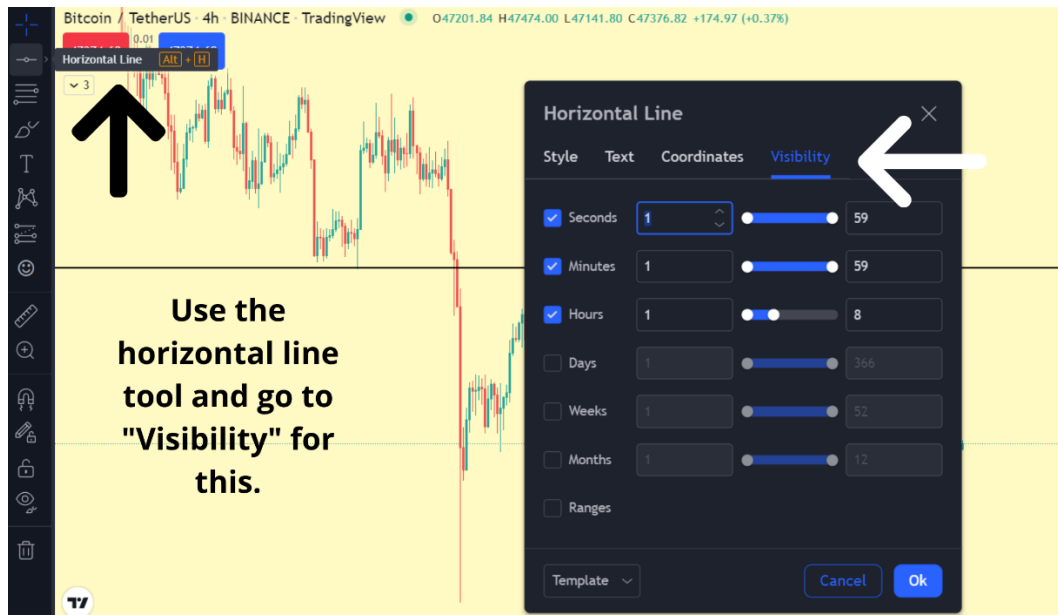
Before we move further, you need to have a decent understanding of support/resistance. If not, use this: https://t.me/EmperorbtcTA/18

A request-

My aim is to bring the best knowledge that I have the in best and easiest form to everyone who wants to learn trading.

I will always and forever keep the trading tutorials free as it should be. There is no shilling, no advertising in this community.

If you would like to support the work and the endeavor of sharing trading knowledge, you can support for free by using the following Link to make an account on Bybit if you would like to trade there.

Link- https://partner.bybit.com/b/TradingBitcoin

We will also have a trading competition there in 2 months.

Those who already have an account can also participate by signing up via this link. This helps in keeping the tutorials in the best quality and free.

Thank you. Love you all.

Tip 2- Use Object Tree as explained here-
https://www.youtube.com/watch?v=RxyIIh9IChk

How to decide the importance of a level?
The importance of a horizontal level is decided by. Dante explained it as

- 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.
- Recency: 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 that 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.
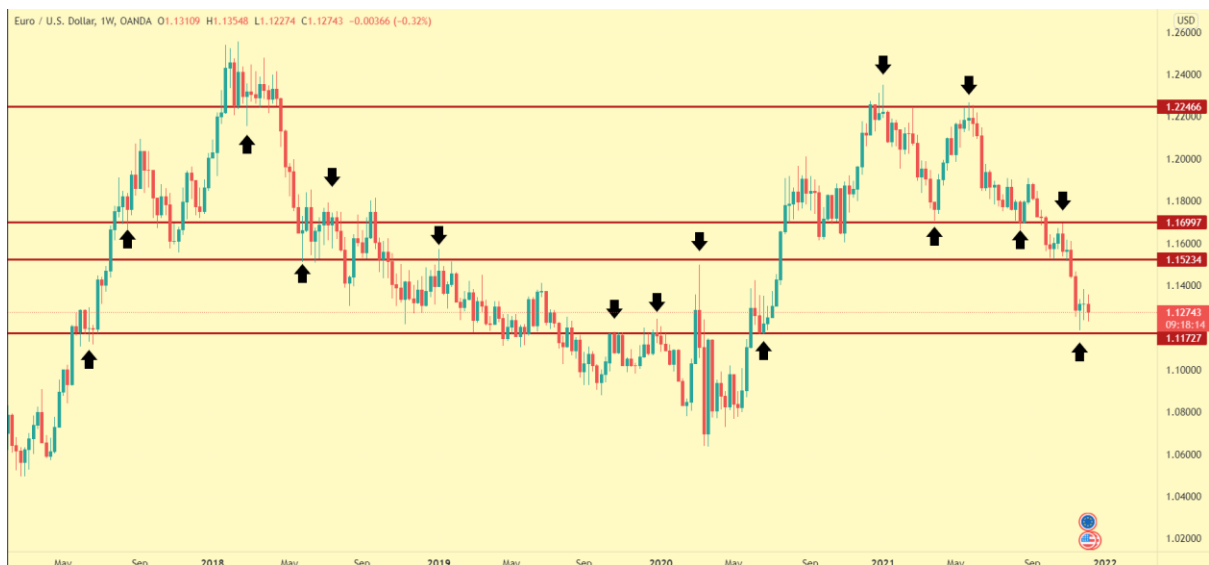

An illustration of how I would draw the levels on a weekly chart, arrows show you my reasons of marking it. Before you start to get overwhelmed with all the levels, just mark all of them out first. Note the 4 points which make a level important.

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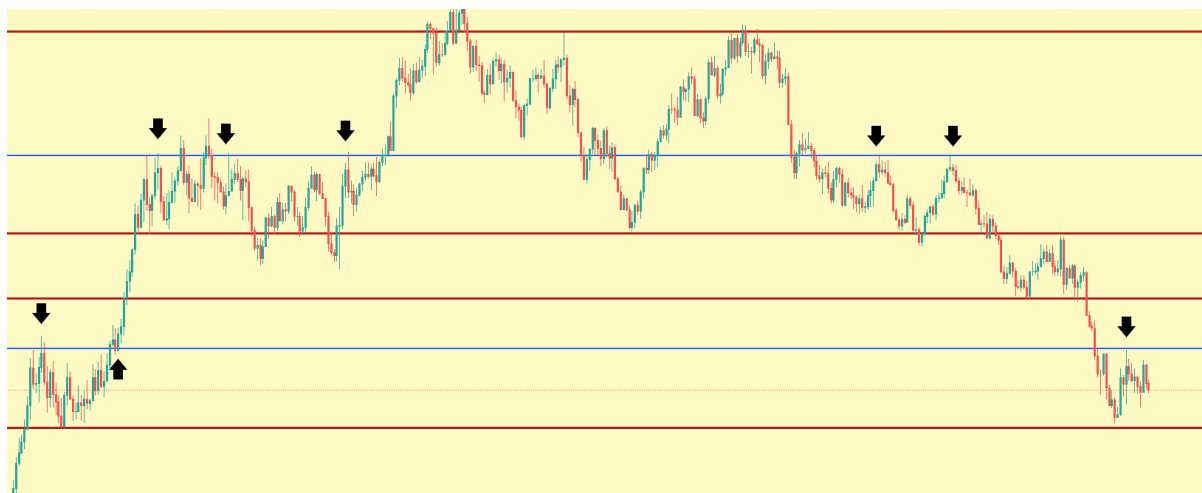
Daily levels marked out on the same chart as above. Daily chart also seems to respect the weekly levels we marked out in the first chart (this is a sign that you're doing this right). Always keep in mind to look right to left while marking your levels.

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

Perfect tests historically

But price found resistance below it several times without touching it.

Recent price action shows that L1 is disregarded by price quite often. This is why it loses relevance.

Why would I remove or tweak level L1?

NOTE: A levels importance is judged from right to left. Recent price action is most important.

L1

DASHUSDT 1H chart, just open 7 Sep 2021 1H chart and zoom out

IMPORTANT- Please study the chart above and the commentary and see how a level losses it's importance as market moves and starts trading it that region. Level L1 is not not important 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:

New level to match the highs

Slightly tweaking it may not make a difference on the zoomed out chart, but it can make a huge difference in your trades to slightly change your levels to match immediate and recent support/resistance

Blue : Daily levels
Black : 4 hour levels
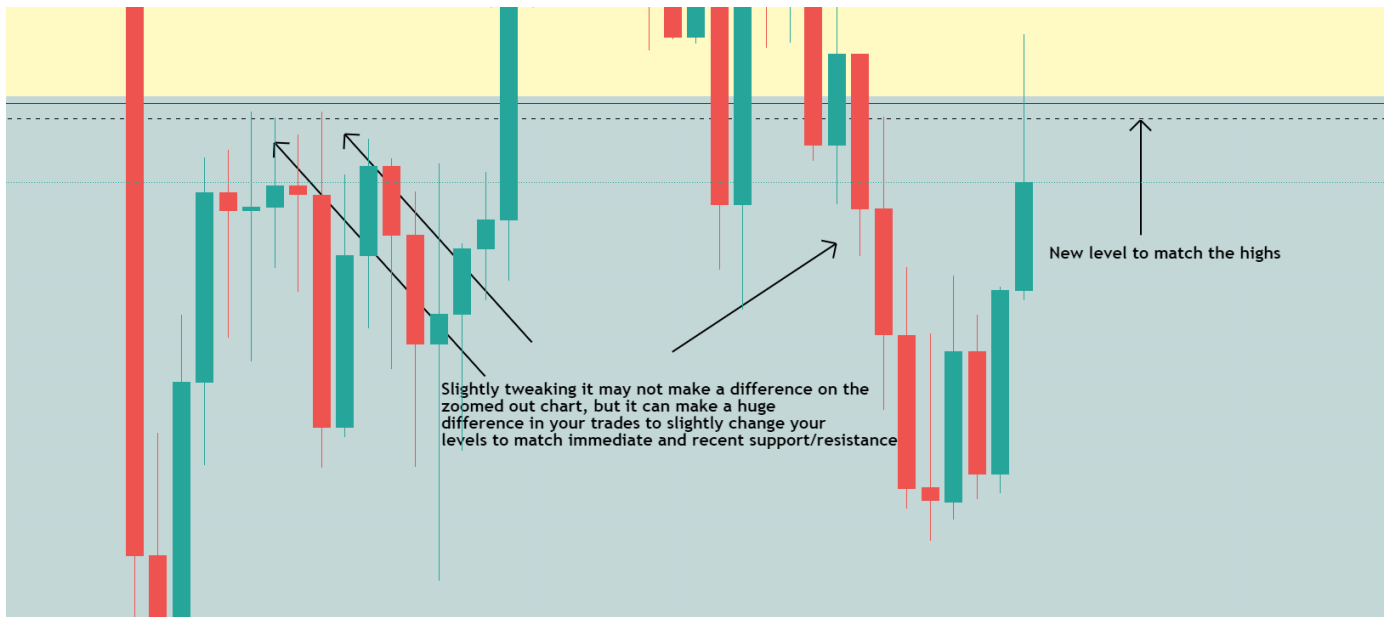
A zoomed out 4 hour chart with levels marked out, Let's assume you're looking for a trade in the blue box. When you're confused about where to place your level. Don't end up with "analysis-paralysis" and place your level in the middle of the zone you're looking at, with the most touches.

Example of tweaking levels using this middle of the zone concept is:

It is obvious you want a level between the 2 dashed lines. These scenarios are slightly tricky.

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 orderflow 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.

Example:
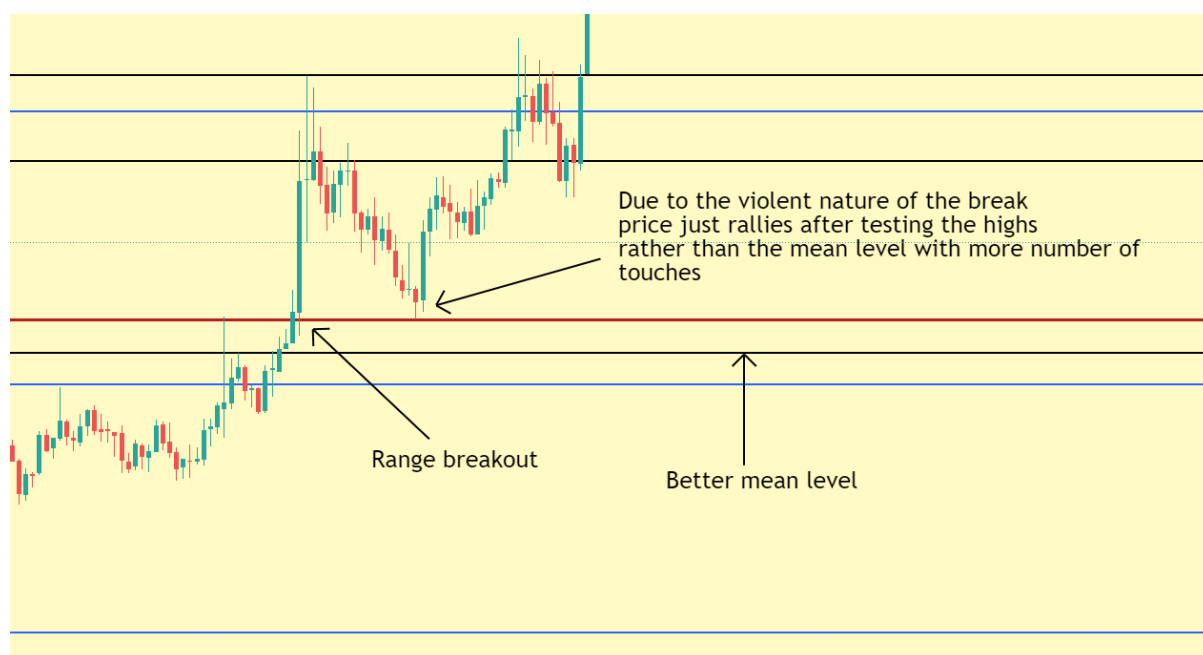
One final tweak example of how to use slight adjustments to fix up your levels.
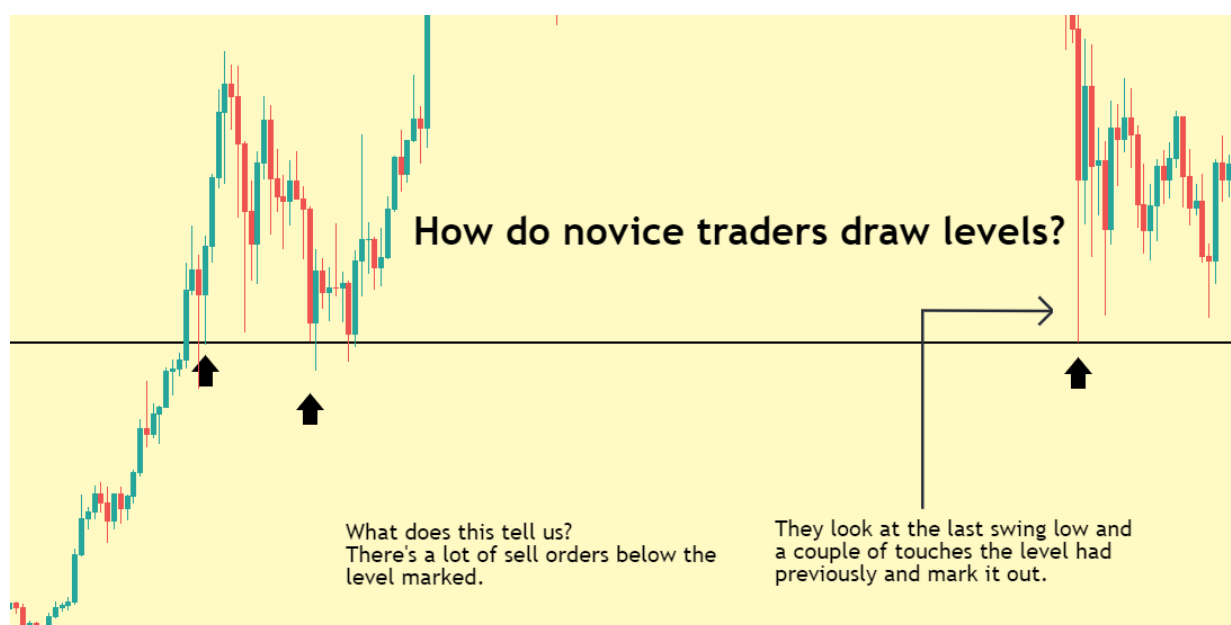
A level such as this screams liquidity grab on the retest. Why? Simply because there's a lot of **sell orders** (stop losses on longs + breakout traders looking to short price losing this level).

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

New level

Due to these wicks here, we adjust this level to sort of predict where the SFP could run to once we expect it.
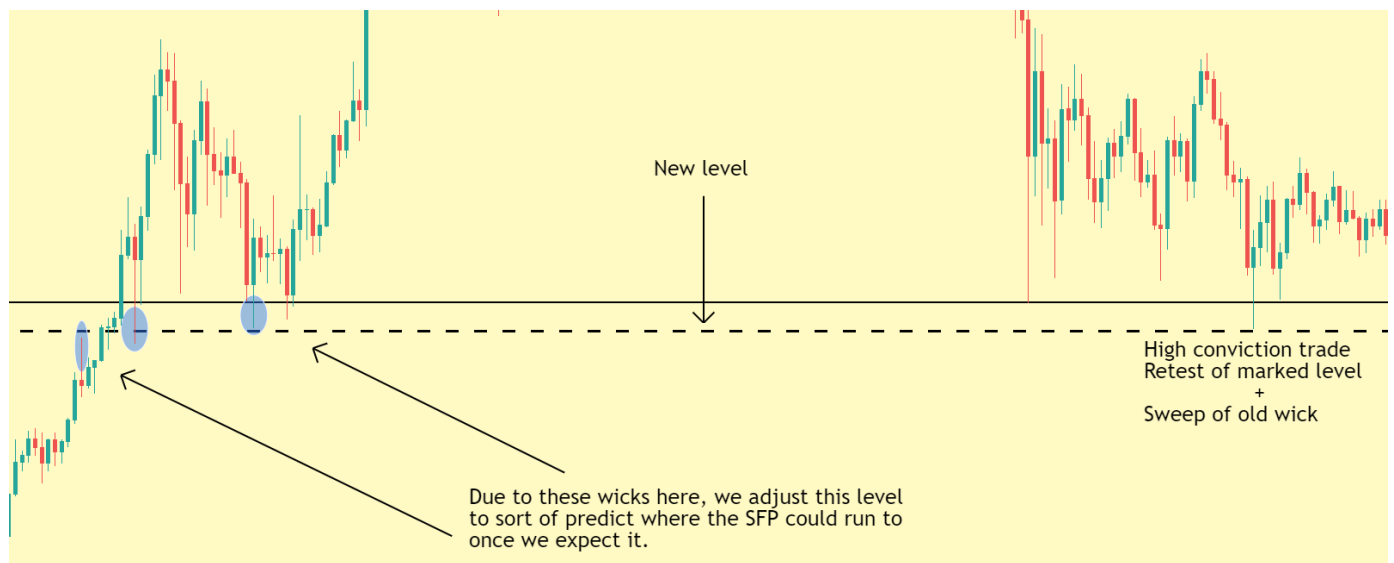
High conviction trade
Retest of marked level
+
Sweep of old wick

Keeping in mind the SFP tutorial, once you are waiting for one to form, this is how you decide till where the SFP wick could go to.

Link to read it in case you haven't: https://t.me

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.

<u>Taking trades once your levels are refined:</u>

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.

1) 3 touch level:

MSB: Market Structure Break

Large bounces from support every time.

3 touch level

1) Assume price moves up and breaks LTF structure. Moves as path drawn.

2) All traders in the market will be desperate to get long. Everyone wants to trade with the trend.

3) We will be the one to zoom out.

Limit short the strong former support tested 3 times and play the S/R flip or SFP at L2.

MSB

L2

3 touch levels can automatically be assumed to provide us with at least a short-term S/R flip to mitigate orders as you have learnt in the order flow basics tutorial. Link: twitter/EmperorBTC

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:

Level Description

SHORT

Even with 3 touches, it would still be a TWO TOUCH level.
Reason: We would short the inverse of the previous support and there are 2 touches with the level as support.

LONG

We want to trade the inverse as always. Here, we take this as a ONE TOUCH level even if it is important. We need very high confluence to long it.
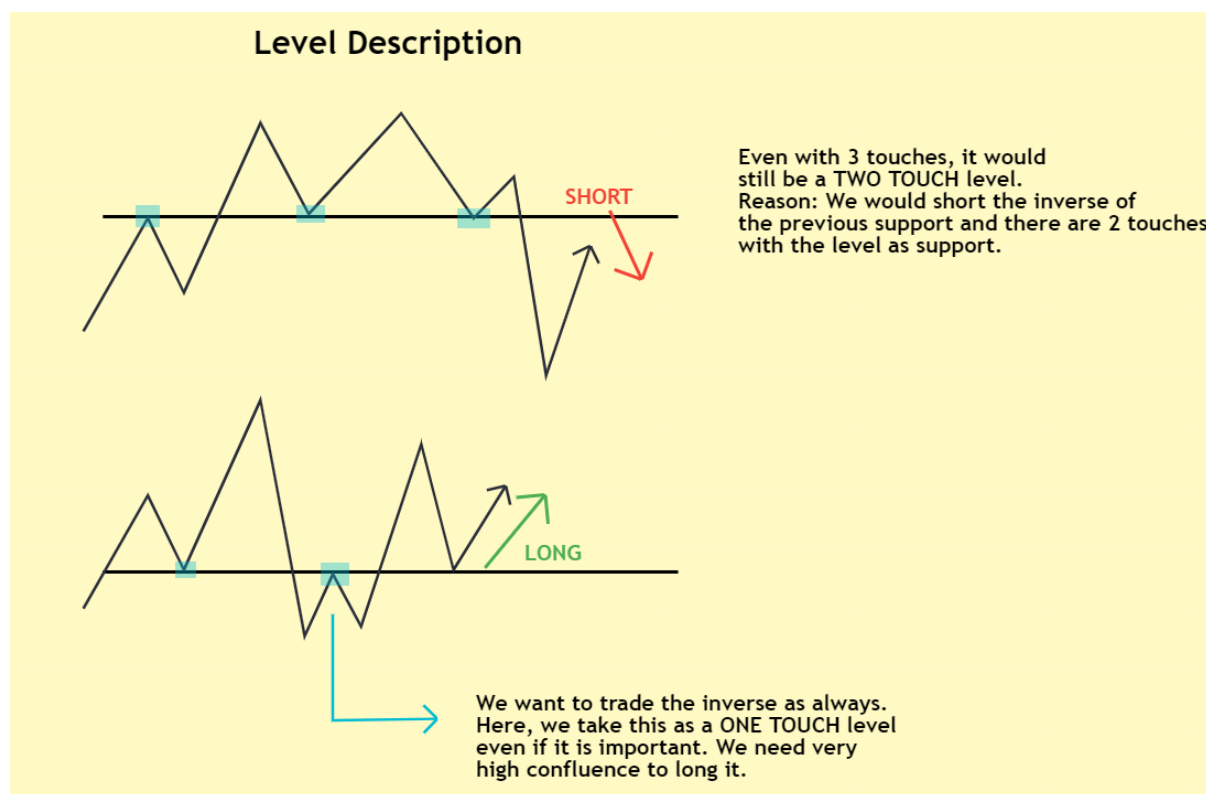
Targets and stop/trade management:

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.

We expect a daily SFP at this weekly level.
Where does the SFP wick go to?
Ans: The golden 3 touch line.

We place a short as soon as price reverses from our 3 touch line.

3 TOUCH LINE

3.01 (7.92%) 750

18.46 ~ 83.056
4.81

Macro, price is just in a big range.

4H MSB

14.47 (38.07%) 2201.83

Short sighted traders see a 4H MSB
They think trend is bullish and go long.

LINKUSDT chart 11 Nov 4H

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 in 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.

Weekly level already tested twice as support. That is why we don't expect it to give a bounce immediately.

We get a quickfire SFP at the range low We long with stop just below the wick.

Target: Obvious Daily level above
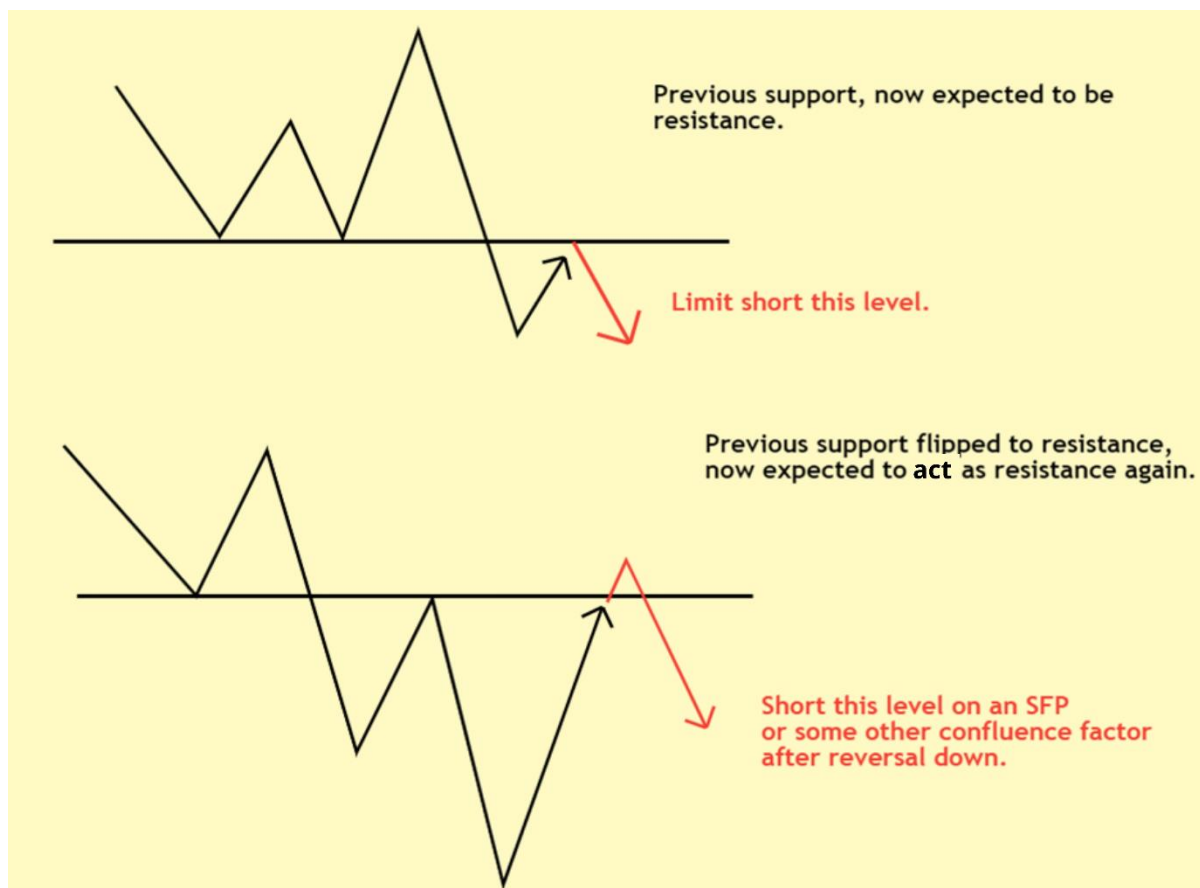
NEARUSDT chart 4th Dec

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.

Previous support, now expected to be resistance.

Limit short this level.

Previous support flipped to resistance, now expected to **act** as resistance again.

Short this level on an SFP or some other confluence factor after reversal down.

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. (Read my divergence content here.)

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

This brings us to the end of levels trading. I hope you understand levels a bit better now and will read the references to get better at understanding levels

Thank you for your time

See you soon with the further tutorials.

Remember, trade more, go slow, manage risk.

All the best.