Module 03 · Printable reference

Price Action Trading

Key concepts, worked examples and risk reminders. Use alongside the full free course.

026 Swing highs and lows

A swing high is a local peak relative to surrounding bars; a swing low is a local trough.

Example: Highs 101,105,103 mark 105 as a one-bar pivot.

Check: A two-right-bar pivot at 10:00 is confirmed when?

Answer: After the second later bar completes.

Caution: A pivot is confirmed only after the required future bars.

027 Trend identification

Rising highs and lows suggest an uptrend; falling highs and lows suggest a downtrend.

Example: Lows 95,99,104 and highs 100,106,110 indicate rising structure.

Check: Higher highs coexist with lower lows: is that an unambiguous uptrend?

Answer: No; the two components disagree and may indicate expanding volatility.

Caution: Trends depend on timeframe and can reverse.

028 Support zones

Support is an area where declines previously slowed or reversed.

Example: Repeated rebounds near 98–100 suggest a zone.

Check: Why is 98–100 more reproducible than drawing a new line after every bounce?

Answer: The predetermined interval can be tested without adjusting it to later outcomes.

Caution: A historical reaction does not guarantee future demand.

029 Resistance zones

Resistance is an area where advances previously slowed or reversed.

Example: Repeated stalls around 120–122 define an area.

Check: If resistance is 120–122 and price closes at 123, what is known?

Answer: It closed above the defined zone; whether the break will persist is unknown.

Caution: Treat zones as hypotheses, not fixed barriers.

030 Breakouts

A breakout is price moving beyond a defined range or level.

Example: A close at 123 after a 110–120 range is a candidate breakout.

Check: Why not include the breakout candle in the range used to detect its breakout?

Answer: It changes the reference using the very observation being evaluated.

Caution: Intrabar breaches may reverse before the close.

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031 False breakouts

A breach followed by return inside the range is a failed breakout under a chosen rule.

Example: Price trades at 123 but closes at 118 below resistance 120.

Check: Can a move be classified as failed before the return condition occurs?

Answer: No; that would use an outcome not yet known.

Caution: Only classify failure once the return condition occurs.

032 Pullbacks

A pullback is a temporary move against an existing trend.

Example: A rise 100 to 120 followed by decline to 114 illustrates a pullback.

Check: What would a move back to 100 represent in that example?

Answer: A 100% retracement of the impulse, not merely a shallow pullback.

Caution: A pullback may become a reversal.

033 Retests

A retest revisits a previously breached area.

Example: Price breaks 120, revisits 119–121, then moves away.

Check: Does a breakout that never revisits the boundary have a retest?

Answer: No; a retest requires a later interaction.

Caution: A retest can fail or never happen.

034 Trendlines

A trendline connects selected swing points to visualize slope.

Example: Lows at 100 and 106 six bars apart define a rising line.

Check: Lows 100 and 106 separated by six bars imply what slope?

Answer: 1 price unit per bar on a linear scale.

Caution: Choice of anchors is subjective; avoid hindsight fitting.

035 Channels

Parallel boundaries can frame a trending price corridor.

Example: A lower line rising from 100 to 110 and upper from 110 to 120 form a channel.

Check: What makes a price channel parallel?

Answer: Its two boundaries have equal slope.

Caution: Price may escape either side.

036 Inside bars

An inside bar has a high no higher and low no lower than the previous bar, depending on convention.

Example: Parent H=110 L=100; child H=108 L=102.

Check: Parent H=110,L=100; child H=110,L=102. Is it an inside bar?

Answer: Yes under an inclusive rule, no under a strict rule.

Caution: Compression does not specify direction.

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037 Outside bars

An outside bar exceeds the preceding range on both sides.

Example: Parent H=110 L=100; next H=112 L=98.

Check: Why can an outside bar complicate stop/target backtesting?

Answer: Both levels may be touched in one bar, with unknown intrabar ordering.

Caution: The bar can contain large two-sided movement and slippage.

038 Range trading

Range trading assumes boundaries remain meaningful until invalidated.

Example: A 100–110 range allows a hypothetical test of buying near 100.

Check: What invalidates the range premise under a close-beyond-edge rule?

Answer: A completed close outside the fixed range.

Caution: A genuine breakout can invalidate the premise.

039 Multi-timeframe context

Higher timeframes provide broader context while lower bars refine observations.

Example: A daily uptrend may contain a fifteen-minute decline.

Check: At 11 AM can you use today's final daily close?

Answer: No; that close is not yet known.

Caution: Avoid using unfinished higher-timeframe values in historical tests.

040 Trade invalidation

An invalidation level identifies where the original trade premise no longer holds.

Example: If a higher-low setup depends on 104 holding, a breach may invalidate it.

Check: If a stop is triggered at 104 but fills at 102, which price determines the realized exit?

Answer: 102, the executed price.

Caution: Stops can execute beyond the requested level.

Further reading

SEBI investor education: investor.sebi.gov.in · NSE: nseindia.com. References for background only; no endorsement or independent validation is implied.

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