

Journal Article 3

Price Action Zones (PAZ)

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General Information

- Knowing where price is in relation to price action zones is a great advantage that gives us an edge in the market.
- The moment you place a trade, Price Action Zones can be used in trade management. These zones help the trader to evaluate the probability of whether the price will hit the target profit.
- PAZ is a historical Failure to Return (FTR) or Flag Limit (FL) zone that distinct price action.
- The spaces within the zones are called free flow areas.
- To understand price action zones, it is of paramount importance to conceptualize the FTR and FL ideology.
- Price action zones can also be used for trend continuation trading.

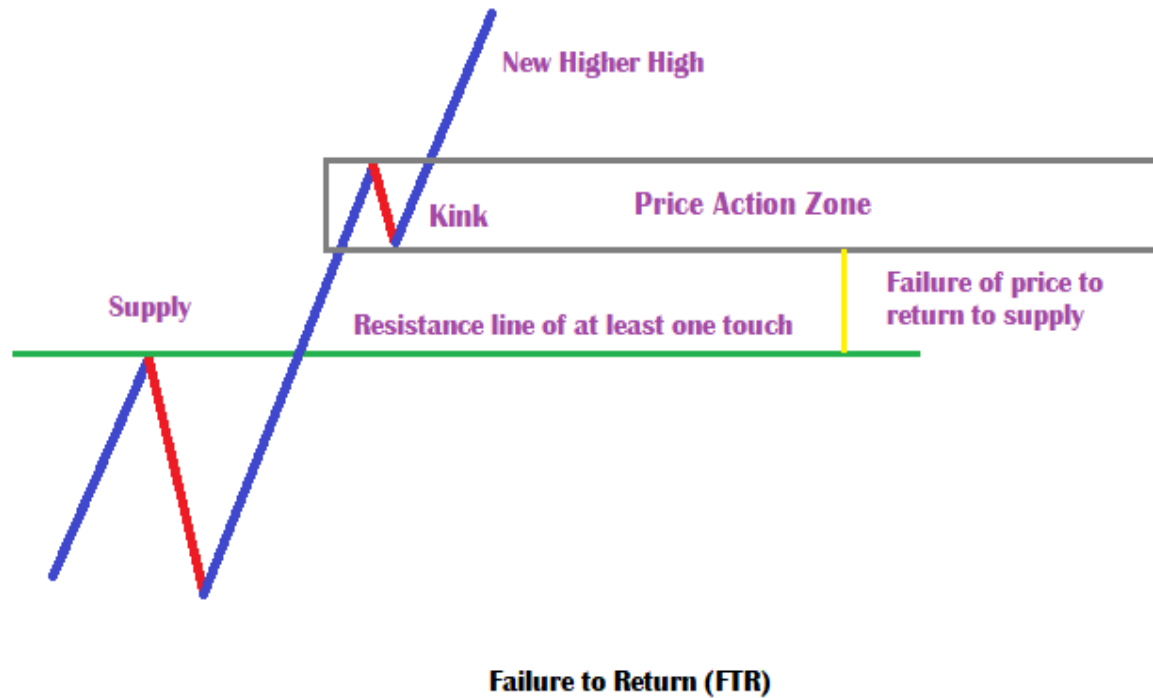
Definition of terms

- A kink is simply a reaction of price to the immediate historical resistance or support.
- An FTR occurs when price fails to engulf immediately the resistance line soon after breaking it.
- A flag limit occurs when price engulfs the resistance line immediately after the break of the resistance line.

Anatomy of FTR and FL

The difference between a Failure to Return (FTR) and Flag Limit (FL)

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Failure to Return (FTR) and Flag Limit (FL)

Failure to Return	Flag Limit
There should be a resistance line of at least one touch.	There should be a resistance line of at least one touch.
The price breaks the resistance line and fails to return to that particular line.	The price breaks the resistance line and returns and engulfs the line.
A kink is created above the resistance line.	A kink is created on the resistance line zone.
The price creates a higher high.	The price creates a higher high.

Terms and Conditions for PAZ (Sell Setup)

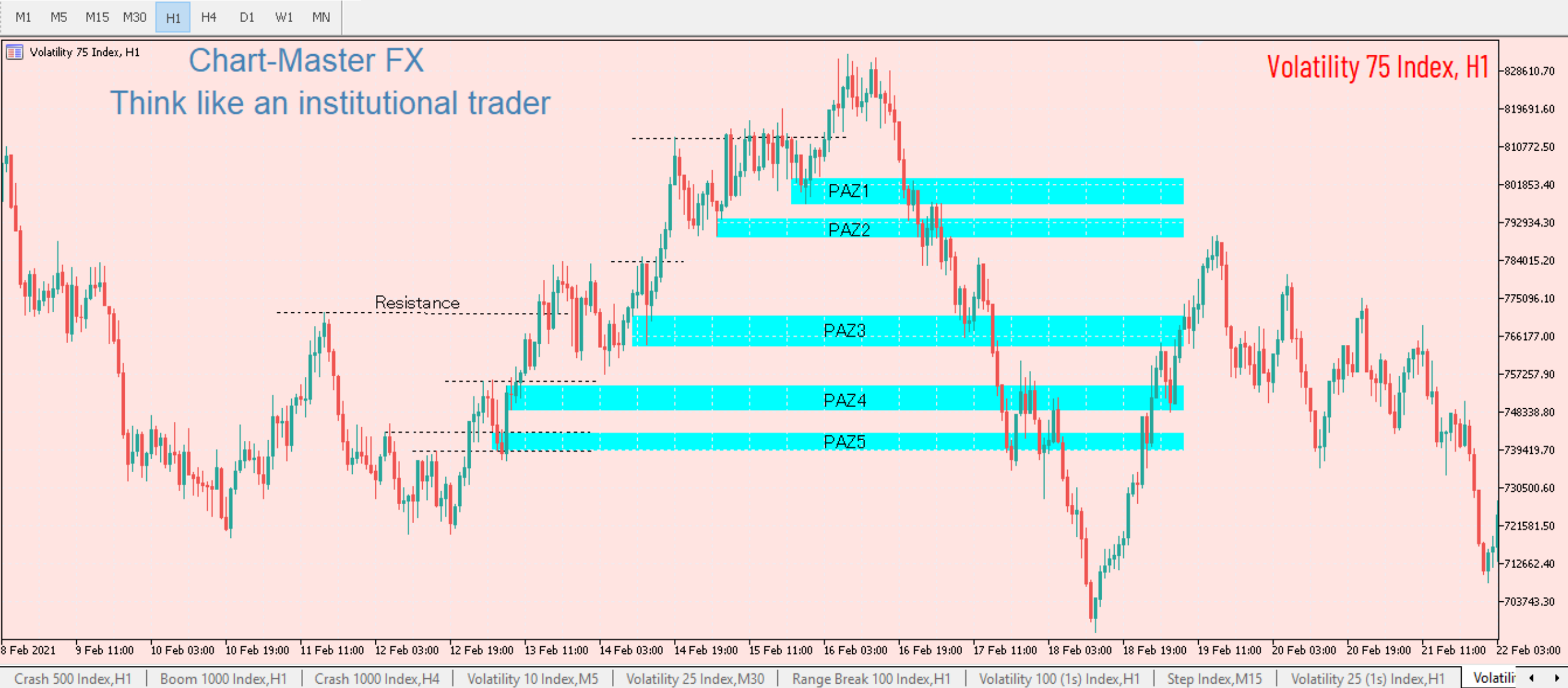
- Mark the Higher highs or Lower Lows of supply and demand.
- Draw the resistance and support lines from the HHs and LLs.
- Identify the FTRs and FLs.
- Draw the price action zones extending to the right side.
- Assess the behaviour of the price when it comes back again to the marked zones.
- Once the price breaks into a PAZ (engulfing an FTR or FL), it gives an sign that the price wants to go to the next zone. Hence, the expectation will be to see price continuing with the downtrend.

Chart Examples



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Example 1



Example 2

