

Fractal Energy Trading Crypto MasterClass

Module Ten Fractal Energy Trading Examples

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Introduction to Fractal Energy Trading Examples

In this module I'll go over different examples of how we're going to spot markets that are setting up with a very specific market condition that we'll take advantage of using entry or exit strategies outlined further on in this program.

Again, the chart or instrument that I use for these examples does not matter; every price chart will show the same behavior. An uptrend is comprised of higher highs/higher lows regardless what drives it, and range expansion will always lead to range contraction, and vice versa.

The scenarios that we'll cover are:

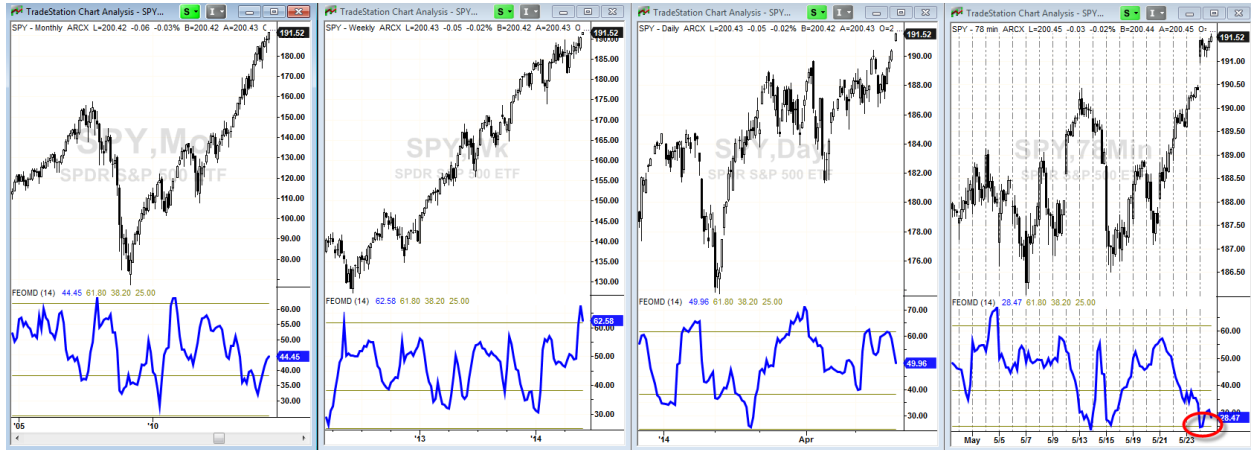
- **Uptrends into short-term consolidation**
- **Uptrends into short-term pullback exhaustion**
- **Uptrends into intermediate consolidation**
- **Short-term consolidation into resumption of the trend**
- **Intermediate consolidation into resumption of the trend**

Does this cover ALL of the scenarios that we're likely to see over the course of the next few years? Not likely, however I think that once you understand how to identify these scenarios in today's market, you'll quickly be able to adapt these into whatever state that your specific coin/token/asset is showing.

Uptrend into Short-Term Consolidation

This is a scenario that we'll see over and over again; an uptrend offers us a very slight pause before shaking off the temporary fatigue and resuming the former trend. Figure 1 shows this pattern happening on the fractal series:

Figure 1



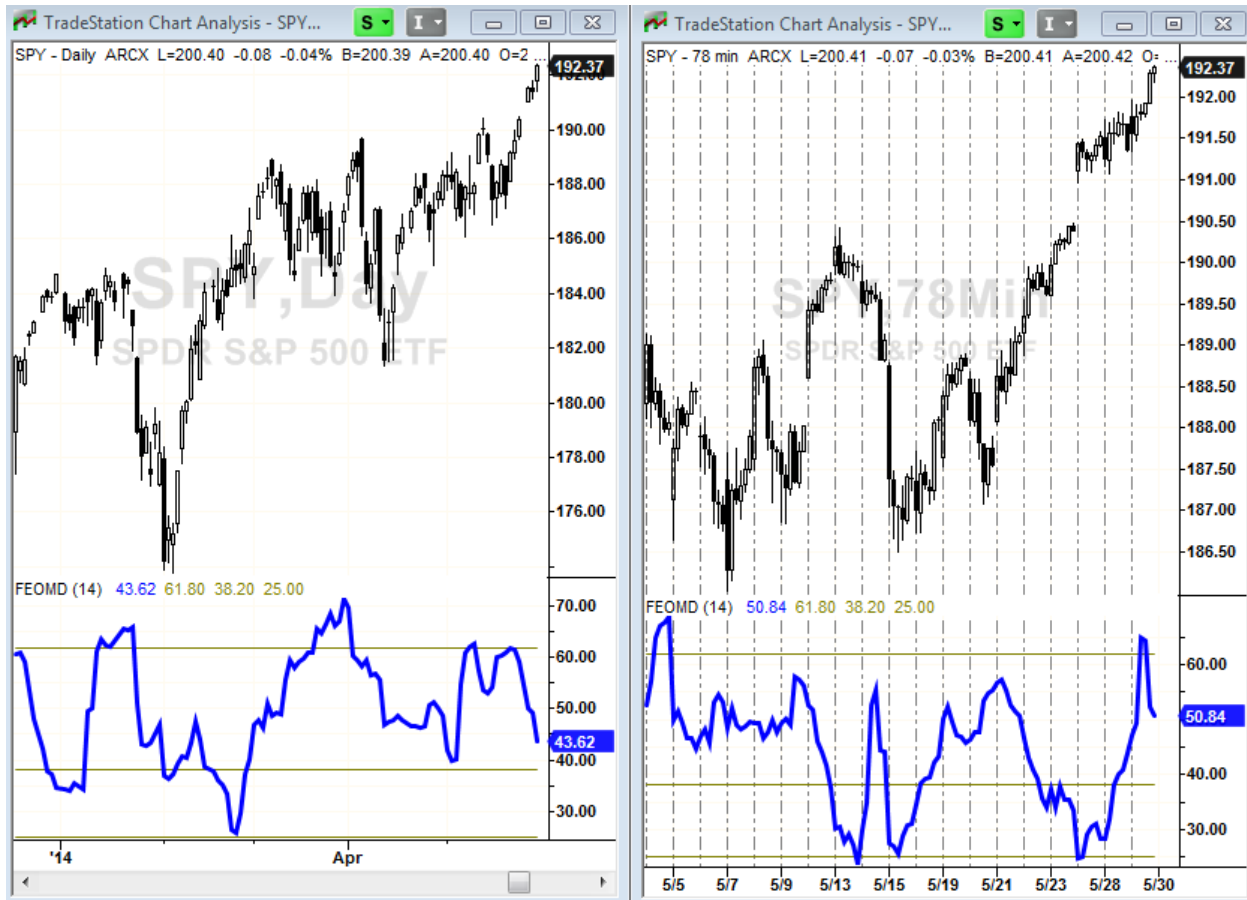
Notice that ALL charts in this fractal series are showing strong uptrends with higher highs/higher lows. In addition, all timeframes are showing potential energy to trend with the LONE EXCEPTION being the 78 minute chart on the right; in fact, I've outlined the condition where the 78 minute chart fell into a very temporary exhaustion level of "25" or lower as measured by the Choppiness Index.

From this point in the pattern, we now only care about the Daily and 78 minute charts; since this is a forecasted short-term pattern we don't care about the larger signals of the Monthly/Weekly charts...although they do give us a "context" for the overall trend, which is that it's a very strong trend that we're seeing play out with tons of potential energy at all timeframes. This colors our expectations for the short-term consolidation....that it will be just that, SHORT.

Note also the other occurrences where the 78 minute chart energy fell to 25 or below, just a few days prior to the signal we're going to analyze; note how it abruptly halted those trends on that chart...first an uptrend that was reversed, and then a downtrend that was reversed. When the price is in the middle of a choppy consolidation pattern, the 78 minute energy can be a valuable timing signal of when a short-term trend has outlived its purpose.

Now let's focus on the Daily/78 minute charts and fast-forward to two days later from the signal circled in red, via Figure 2:

Figure 2



Remember our analogy of the family vacation, where the youngest child surrenders to nature and forces Dad to make a stop at the first rest area? This is exactly that scenario being played out in the markets.

In only two days, the 78 minute trend has been “recharged” to well over the 61.8 level, and the trend is off and running again.

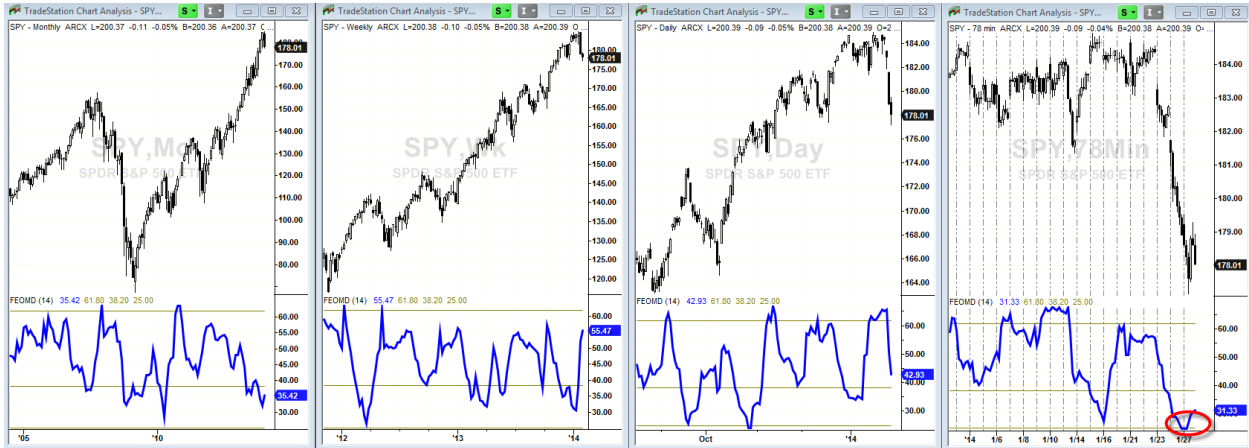
The amount of time that the 78 minute trend will consolidate during a trend...is going to be dependent on how much inertia that the larger timeframes are pulling with. In this scenario, we can see that all of the higher timeframes had ample energy to keep the trend going.

As we’ll see when we go to apply this 78 minute consolidation, we’ll need to have a VERY short-term strategy queued up and ready to execute. Notice that to take advantage of this consolidation, you’d have to set up the trade right as it gapped and exhausted the 78 minute chart. Dawdling even a few hours would cause you to lose significant edge.

Uptrend into Short-Term Pullback Exhaustion

This scenario is going to be one of the more attractive setups that we're likely to see. This is a great example of a "short term pullback within a longer-term trend." Notice in Figure 3 how all major timeframes are showing a strong uptrend, although we're definitely seeing the daily chart pull back:

Figure 3



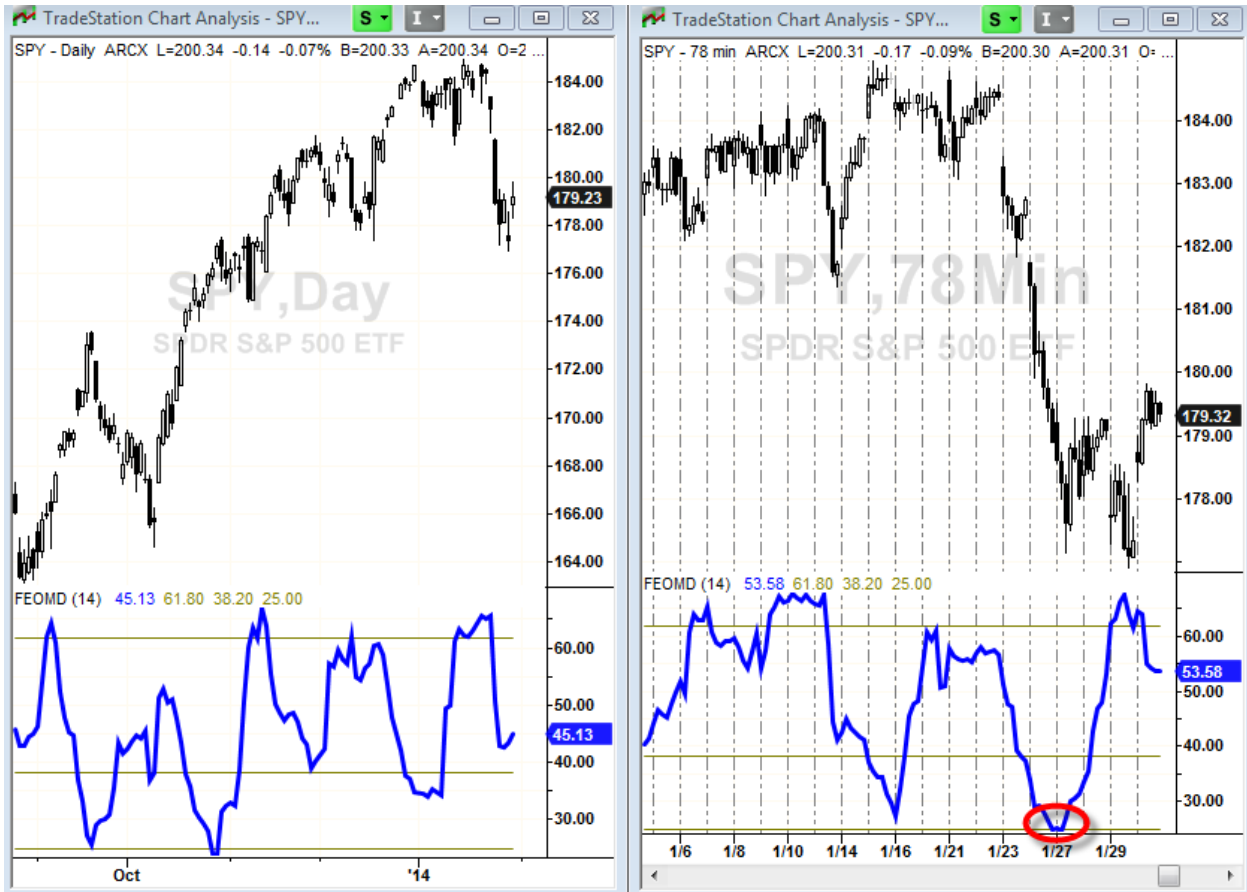
The Monthly chart really shows the "context" of this pullback, that it's nothing but a quick retracement in the midst of a very strong trend. Even the Weekly chart is showing that this is a normal dip. In the live market, however, a three-day pullback like this is creating panic from those who have just gone long, like the rest of the investing Herd. This is why all of the media "noise" makes this one hard to see.

Think of this scenario; you're walking down the hallway and you have a rubber band around your wrist. Somehow this rubber band gets tangled around a door knob that you walked by but you don't immediately notice and you keep walking. That rubber band will stretch out....and eventually snap back in the direction that you're walking, won't it?

This is what we'll expect to see when we see this signal; the price should quickly "snap back" to a degree, and at the VERY LEAST forming a "lower high."

Let's ignore the monthly and weekly charts as in the last example, and see how this plays out a couple of days later in Figure 4:

Figure 4



We're now showing the chart three days later after the signal in red. Notice how the price on the 78 minute chart actually did "snap back" counter to the downtrend, until it built up enough energy to release to the downside again two days later!

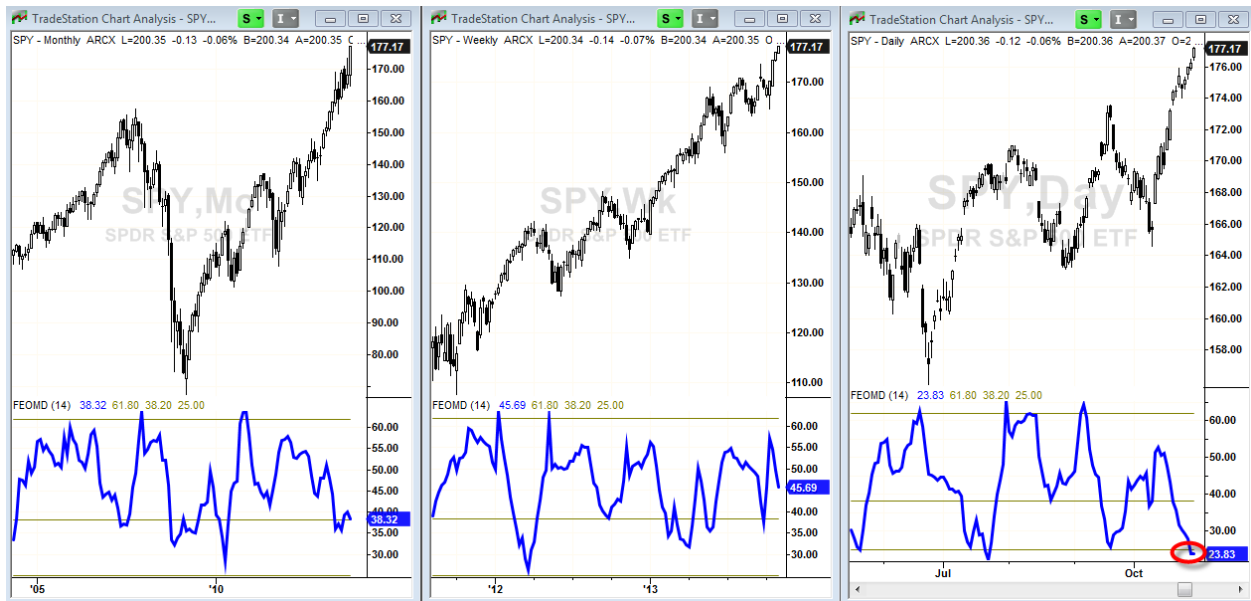
We can also see how the daily chart actually ended up printing a "lower low" compared to a recent swing low, thus increasing the probability that any "high" in the short term might end up being a "lower high."

We'll see that this setup will be useful for finding very short-term, quick pullbacks in the direction of the main trend...but we can also see that we need to be aggressive on the trade entry and exit....not overstaying our welcome.

Uptrend into Intermediate Consolidation

This scenario is going to be useful to us to identify situations where we can increase the probability of success for one of our shorter-term setups...or we can also use this as a longer-term setup. Notice that in Figure 5, we are only focusing on the monthly/weekly/daily chart series:

Figure 5

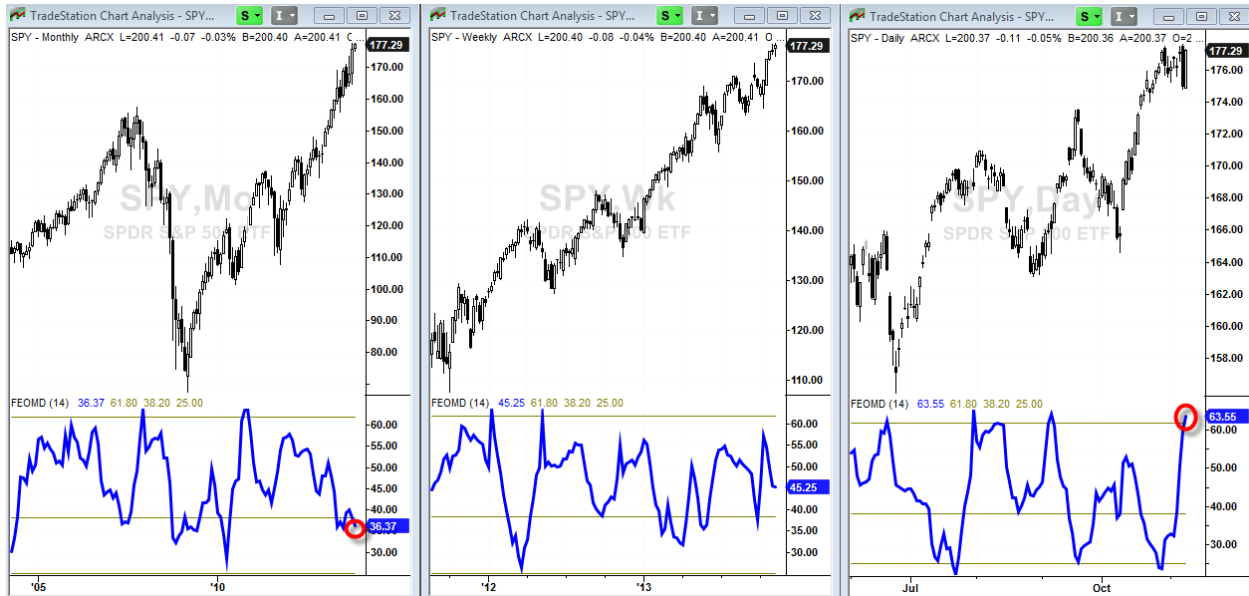


The reason for this is that with a larger “signal” like the daily chart showing an exhaustion signal below 25, the 78 minute (or any other intraday timeframe) signals become less important, especially if they are congruent with our daily signal. In this case we have a strong uptrend on all three timeframes with at least marginal energy available on the monthly and weekly charts, so we would expect the trend to resume at some point once the daily “exhaustion” clears.

Somewhat clouding the issue here is that the monthly chart (left) is near to exhaustion, which might cause either 1) the consolidation at this level to be longer than expected, or 2) that the subsequent breakout from this level will be truncated.

As we move to Figure 6, we can see the outcome of this signal after eight trading days:

Figure 6



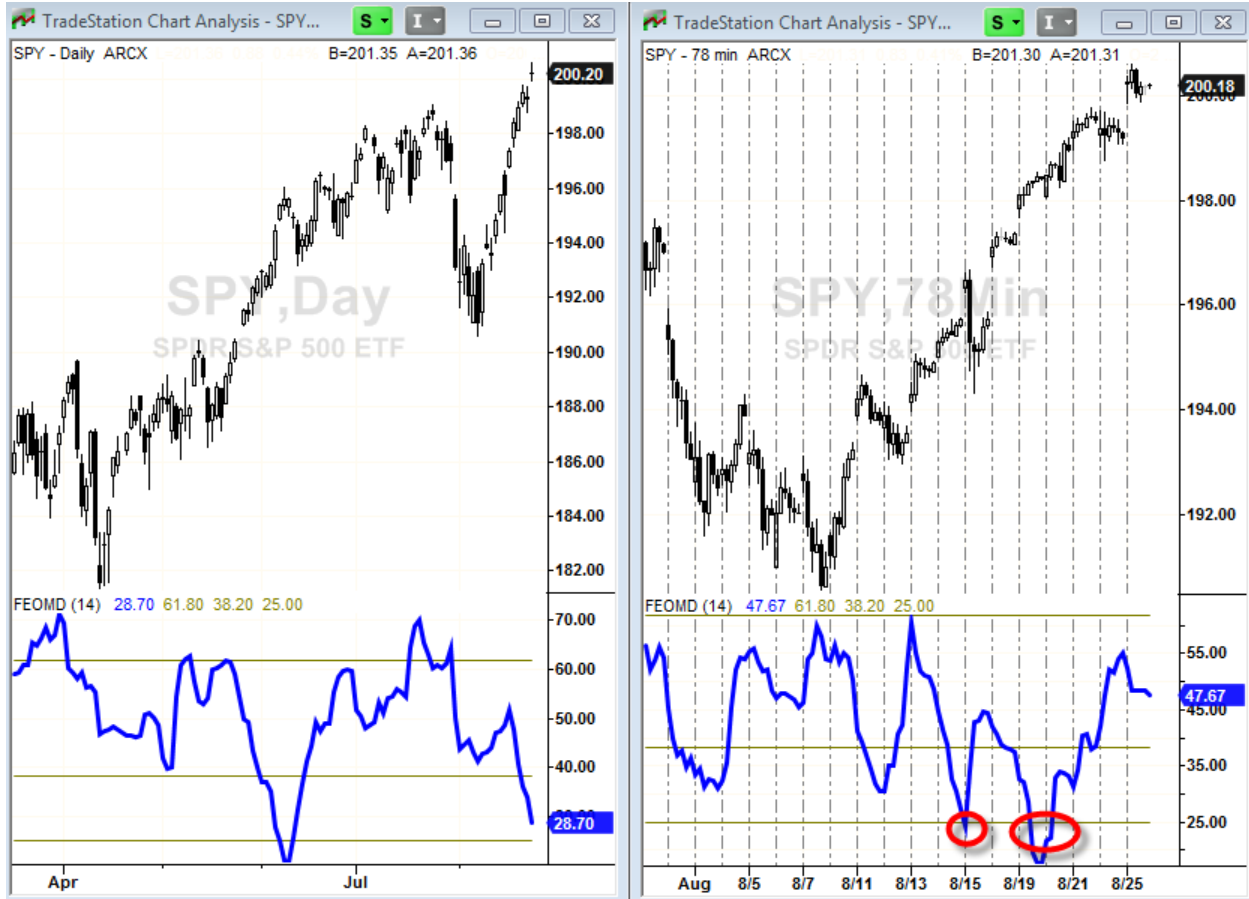
We were able to anticipate an intermediate consolidation in the trend by identifying the extreme exhaustion signal on the daily chart. We can also see the high likelihood that this chart will break higher from this level and continue the trend, although we do need to note the impaired level of energy on the monthly chart which is now technically into the “exhaustion” level. This does not mean that we’ll see an immediate reversal or failure, but it’s something that we’ll consider if we look to remain in this trend.

We can usually expect to see about a one-two week “reaction” when we see the daily chart hit this level of energy. Remember, it can recharge in any combination of the three different methods that we discussed....sideways as in this case, an outright pullback, or the slow upside grind.

Short-Term Consolidation into Trend Resumption

We're likely to see this signal quite frequently in the midst of a strong trend; again, in Figure 7 we don't even need to zoom out to the monthly and weekly charts because this is such a short-term signal. What we'll see is a larger-term trend kick into gear, as we can see on the daily chart:

Figure 7



In the midst of that daily trend, we'll see the 78 minute chart exhaust itself in very brief periods, as we can see outlined in red. This brief pause might allow us to outline a price area where we can join this trend once the 78 minute chart recharges.

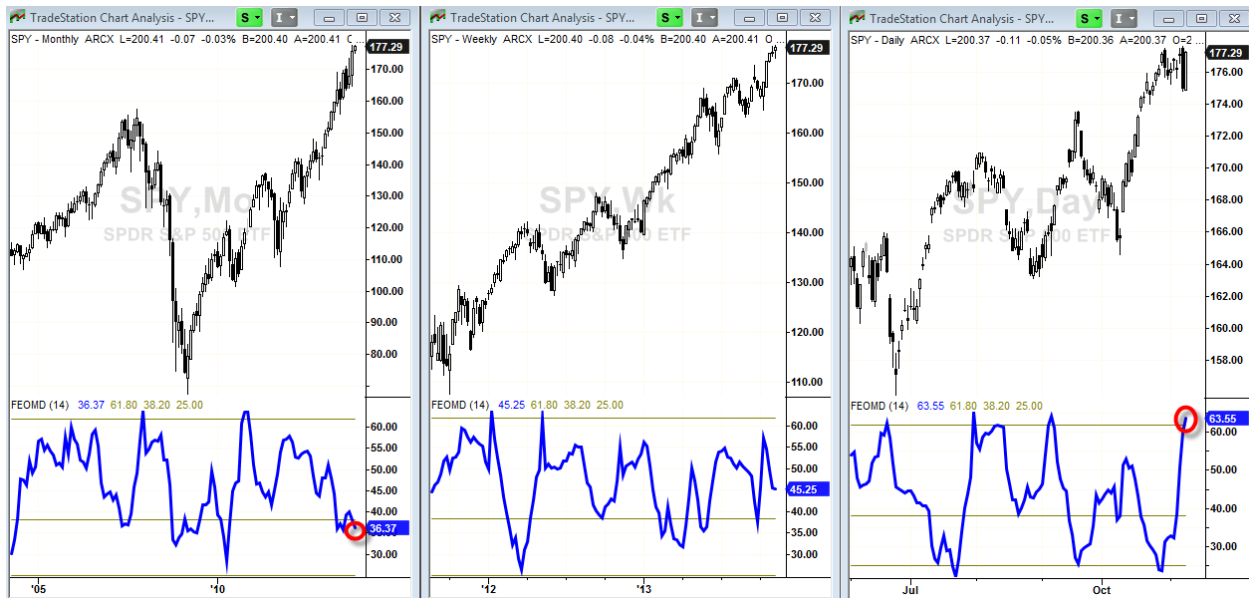
There is a limit to everything, however, as we can see where this chart stops...the daily chart is showing potential exhaustion so we would expect to see an intermediate consolidation very soon. It's important that we keep our "landscape" in mind whenever we enter or monitor a position.

Intermediate Consolidation into Trend Resumption

These will be some of our most explosive opportunities due to the amount of “power” that is coiled up and ready to explode from an intermediate consolidation, assuming that the monthly/weekly charts have sufficient energy.

Let’s go back to an old friend from Figure 6: (now Figure 8)

Figure 8

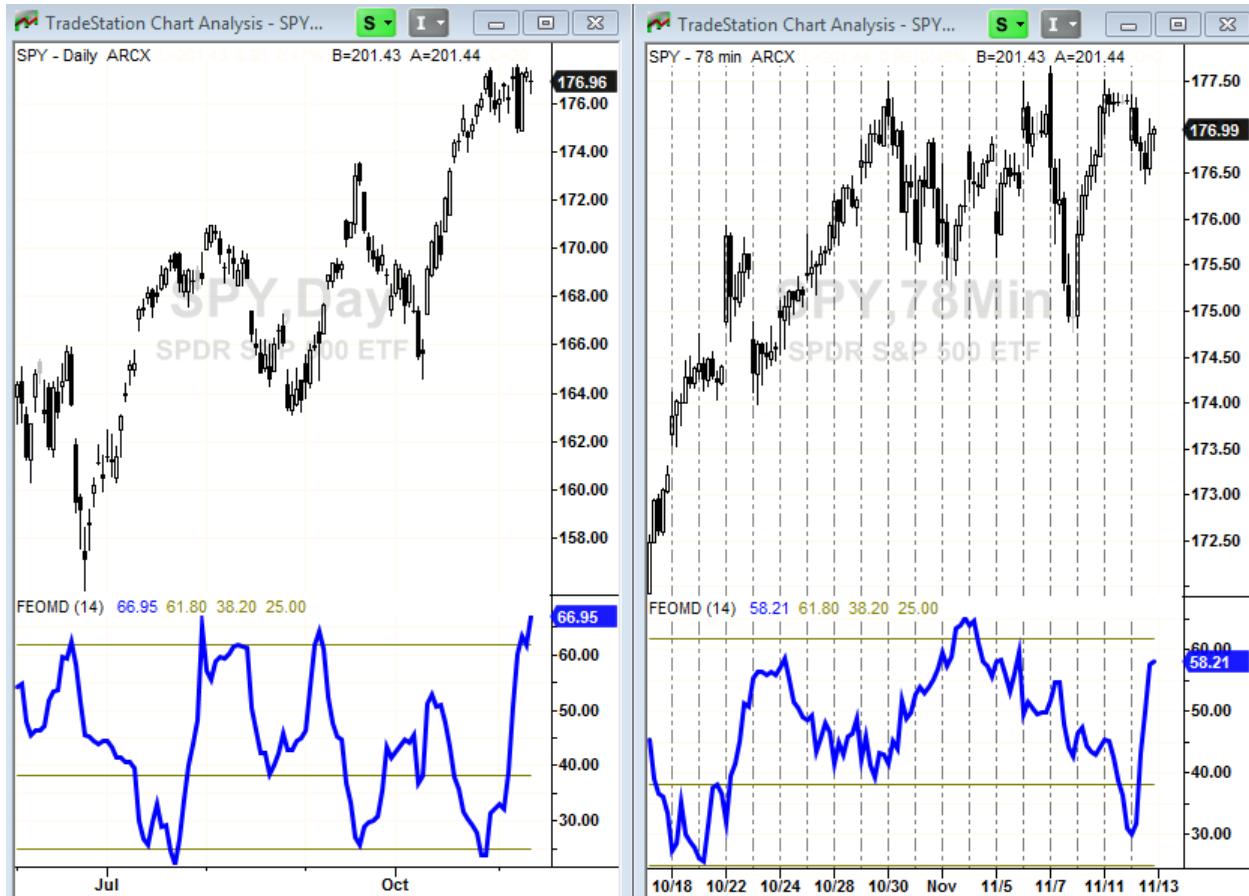


This was the scenario where we had intermediate-term exhaustion and we advised that if we were playing some kind of trade that took advantage of that consolidation, we might not want to stick around any longer because the daily chart is now hyper-charged to go along with at least a reasonable amount of energy at the weekly chart, and “some” energy left at the monthly level. So...we might see a breakout from this level but it might not go forever due to the fatigued monthly chart energy.

Now if we did want to look for this breakout from the consolidation into trend resumption, what are the things that we’d need to look for? Same as always, price action and energy. We do have the energy at the daily chart to support the breakout, but didn’t we say earlier that the price can break **either way** when a chart is charged up? This is where we need to zoom in to the 78 minute chart (or other intraday timeframe below the daily chart) to understand what’s happening with the price “beneath the surface.” Recall that “reversals start from the inside-out” so if this pattern is going to break out to the upside we’ll see the shorter-timeframe 78 minute chart starting that process first.

We can see this process starting in Figure 9:

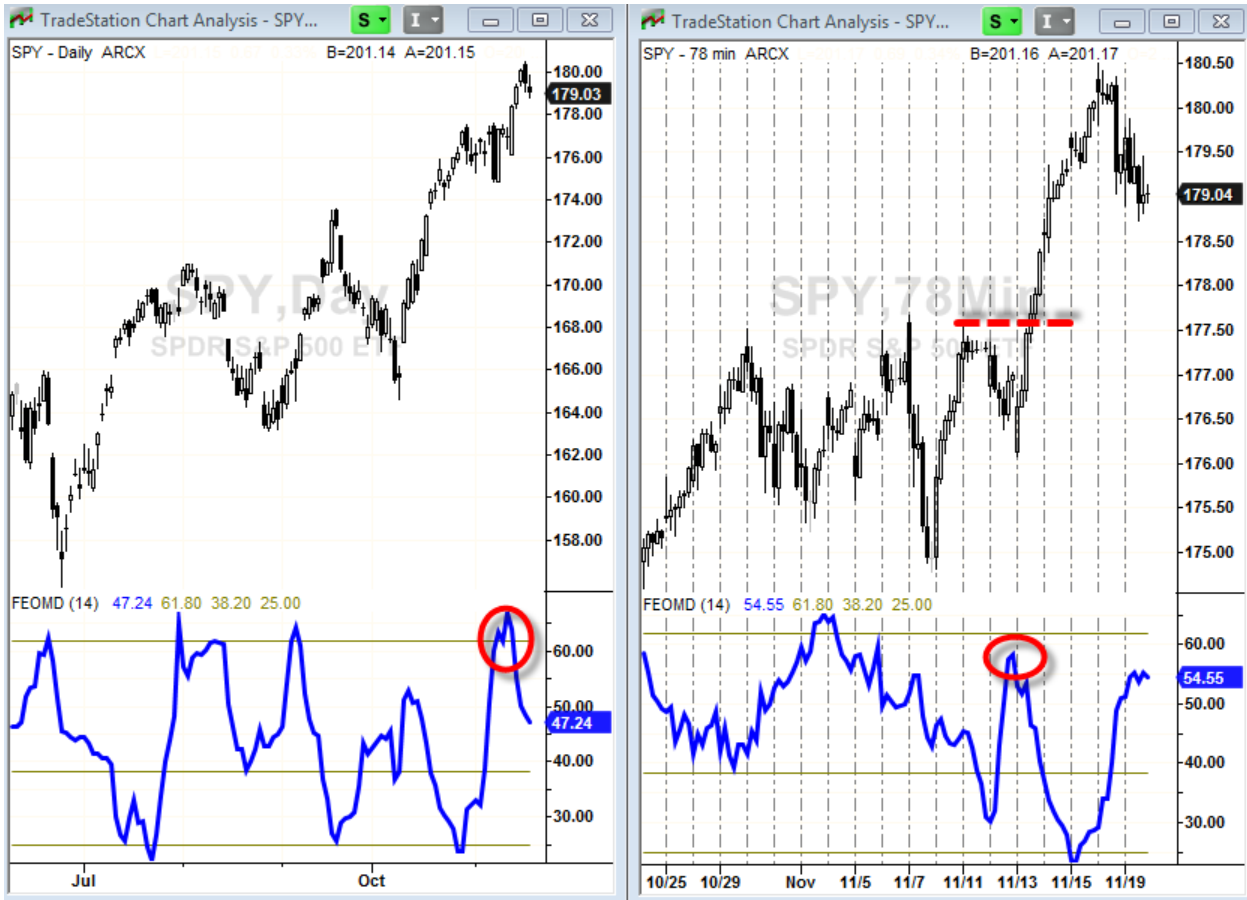
Figure 9



On the 78 minute chart, we see the price bouncing from the bottom into a “lower high on 11/11, which by itself does not signify an uptrend reversal...on November 12th the price pulls into a “higher low” which is good...so all that price has to do is to break out above the 177.5 level on a subsequent session and we’ll see the 78 minute chart in a confirmed uptrend which will “pull up” the daily chart.

A couple of days later we can see how this consolidation/resumption turned out, in Figure 10:

Figure 10



Note how it was helpful to see high energy levels on both the daily and 78 minute chart, and once the price got above that red-dashed breakout level it was on a tear. This shows how we can use “price action” and “energy” to help us spot a very valuable breakout, just when everyone else had given up on it due to being stopped out on the false breakouts that tried to happen before the chart was fully recharged again.

These are the types of high-probability conditions that we want to take a ride on!

Summary - Market Energy & Trends

For the examples in this module, I used “extreme” values of <25 or >61.8 at the various timeframes to show either “fully charged” or “completely exhausted” conditions that were prime for our setups. Will we see perfect setups that do not quite reach these extremes? Of course. We’ll see perfect setups that pull down to an energy level of “26” or consolidate up to “59” before exploding into a move. That’s OK, the market’s not going to check with us for our permission before it starts to move.

With experience we’ll learn to judge the situations where the signal is “good enough” for us to trade against. Until that point, continue to put the odds in your favor by insisting on extreme values, and wave goodbye to those setups that are not perfect.

And as we mentioned before, these are just five of an almost infinite number of different setups that we’ll see in a live, moving market....however we need to at least grab a toe-hold to get moving, and we’ll do so with the highest-probability setups out of the gate.

Homework and Next Steps

Please complete the following tasks before moving to the next module:

- Watch the associated video for this module.
- Set up your price charts and “energies” and look through at least two different charts, identifying at least 5 setups on the 5 separate scenarios for each chart.
- Do you see any repeating patterns in the markets that are not covered by these five scenarios?