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Hi there! Volatile week, and volatile changes to Leverage Trader. @Khy covers analysis twice a week and me(@Pineapple) will keep going with this educational publication type which is moved to wednesdays instead of mondays. This educational release will continue to teach you the things I know, have experienced myself and have learned, wrapped up in one publication once per week. Last week we looked at Push to Fill market making and liquidity hunting, important topic which also is very big. This week we will dive into stop-losses and where these should be placed to avoid being stop-loss hunted all the time. This topic sort of builds upon what we covered in the last educational release.

Stop loss placement and fakeouts

How do you know the zone you are longing is the bottom? You don't, but you hopefully got a short from higher up to hedge you in case that position goes against you. Something that tends to happen with Bitcoin is that it's almost always a fakeout to the bottom before a pump or a fakeout to the topside before a dump. These almost always happen, and you have probably spotted them yourself on these "bart" patterns. I'm an example below.

A rule of thumb is, place your SL over/below two levels to the left. This means. If you got three peaks/levels; 150, 140, 130 coming down and you want to short 130. You then place your SL, not above 140, but 150. Above TWO levels to the left.

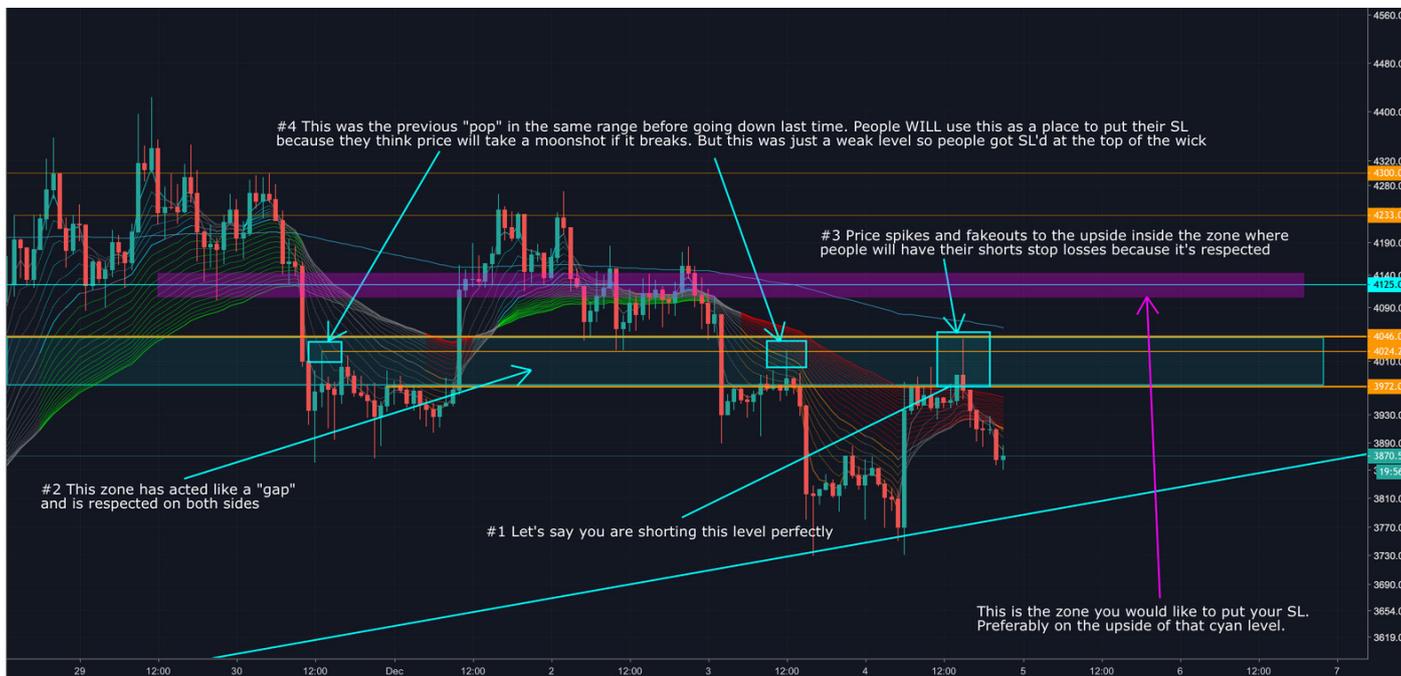
A rule of thumb is; If we reject a level, we will most likely take a leg down to a lower low before coming up again (or higher high, depending on what direction the price is moving). It's all about the liquidity which I've been mentioning many times. Market makers need liquidity to fill their big orders, stop losses mean liquidity. Market makers don't want to buy at the level you buy; they want to buy a little lower and place their profitable SL in the zone you are long. This is why you shouldn't do high leverage on other than scalps on Bitcoin. Stay with 5x to 10x so you got some room for fakeouts and place your SL outside of the risky range. If you are too highly leveraged or got your SL too tight, you could be stop-lossed on a fakeout in the wrong direction to create liquidity before the price eventually moves in the right direction.





To understand liquidity you need to understand levels, supports, and resistances. Liquidity always happens between levels of resistance in liquidity zones/liquidity pools. This is places usually above previous tops/wicks etc where people want to place their SLs.

Personally, I don't do all my SL at one place but split it up into 2 or 3 orders depending on position size.



The levels on the chart above were all drawn using 1h candles, so they are 1h levels. I like to use 1h levels when dealing with local tops because it's more accurate. However ALWAYS remember to draw 1W, 1D and 4h candles first as these are stronger.

As for the explanation of the chart; John Doe tries to short BTC at the \$3970 level. He got filled immediately and the price is looking to go down. His SL is placed upon the top of the previous top-wick from last time we entered this zone a couple days back. Suddenly volume picks up, price spikes past his SL and John is out of his trade. Price dumps and starts to downtrend.

What happened is that John placed his SL above the 1st zone to the left. If he had set his SL above the second zone to the left, he would be safe from being SL'd and been in profit. We've all probably been SL-hunted a couple of times, and for many different reasons. Sometimes this technique works, because you are safe from fakeouts, but sometimes the price just spikes, goes haywire for some reason and you SL hits no matter what. But it's all about minimizing the number of SLs on fakeouts.

This technique for SL placement works well for mid-term swing holding. If you are scalping, you'd want to maybe have a resting 50/100x limit order right below the level which fakeout could reach, and the market SL right above it. This way you have a great risk-reward with the SL placed just a couple USD away.

For scalps: If your order fills, great. If it skips your order, better luck next time!

If you want an interactive version of that chart for peaking around and studying, @tag me and I'll pass it over.



BTC FRACTAL

Khy discovered some interesting points today while peaking around on the long-term charts trying to find the point of reversal, and whether or not it is at this current price level. I drew it onto a chart to make it more visually apparent. This might seem like a lot at the beginning with tops, reversals, three bear-markets, ATHs etc. However, I'll walk you through it.



The first market cycle reached an ATH of about \$30 before entering bear-market. After 546 days we had our first halving happening 28th of November 2012. After the halving, it took 364 days to reach a new ATH at \$1170. We then entered a bear-market and bottomed out 546 days before the next halving which happened 11th of July 2012. 525 days after the halving we reached the current ATH at 19k.

The point of this chart is looking at the number of days which is repeating itself. It's almost always about one year / 355 days or 546 days. A question now is, will this market cycle bottom out 546 days before the next halving which is happening in may 2020? If we were to bottom out in this 3k range this week, it would have made the downtrend from 19k lasting precisely 365 days, and it will match up with 546 days until the next halving.

Note this is all charted using 1W candles so give or take a few days from the actual tops or bottoms.

This is all pure speculation, open for discussion, and not a call of some sort. If you' got any other ideas with fractals like this, tag us in the chat and we'll take a look! More brainpower makes it easier to find the bottom.



Conclusion

That's the end of this weeks publication. The market has been exciting for a while now, but we have seemed to have stabilized in this 3k range for now and sneaking into 4k every now and then. I'm still accumulating BTC by doing swings and trading the bottom to the top range with both longs and shorts. As always take a look in the pinned messages in the chat to see if you have missed anything exciting. See you in the chats!