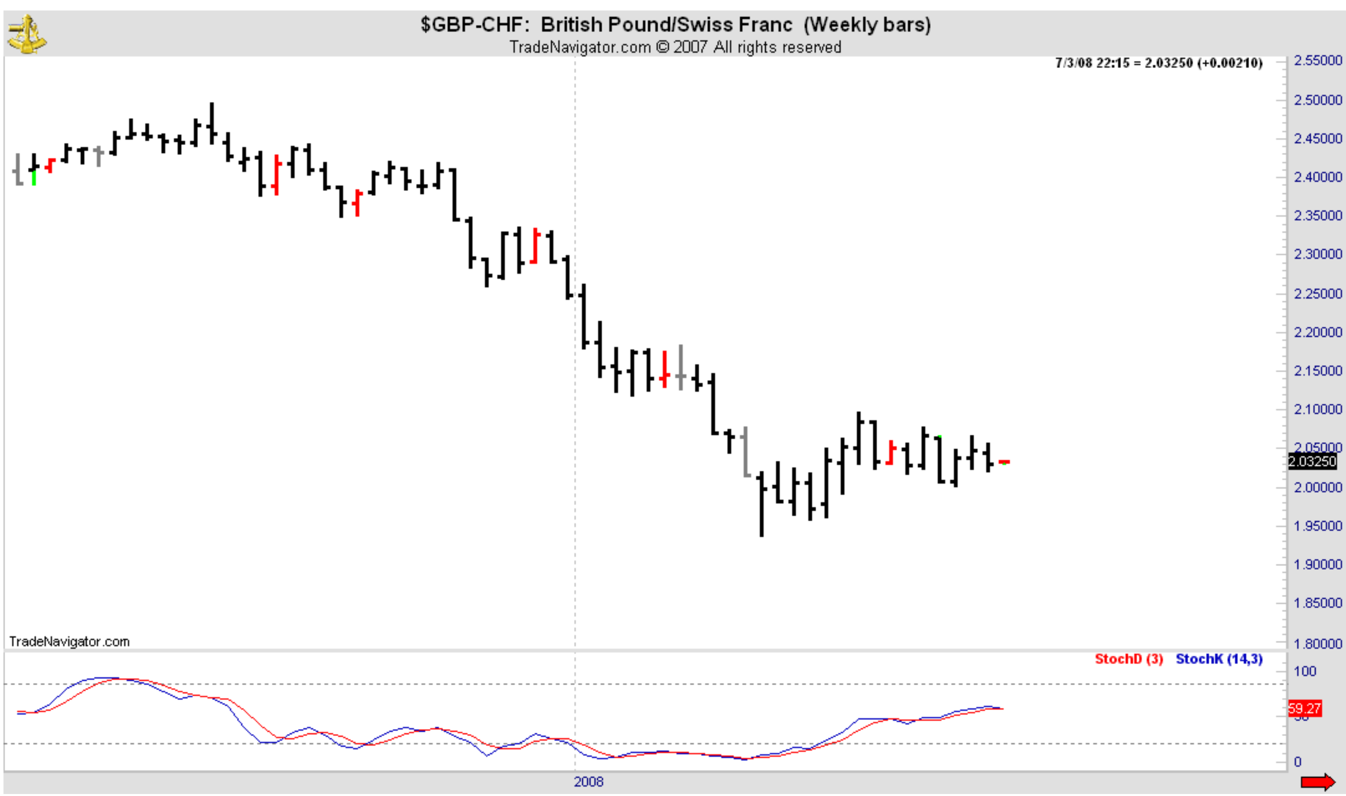
Trading Forex with Danielcode support and resistance

The One More Thing

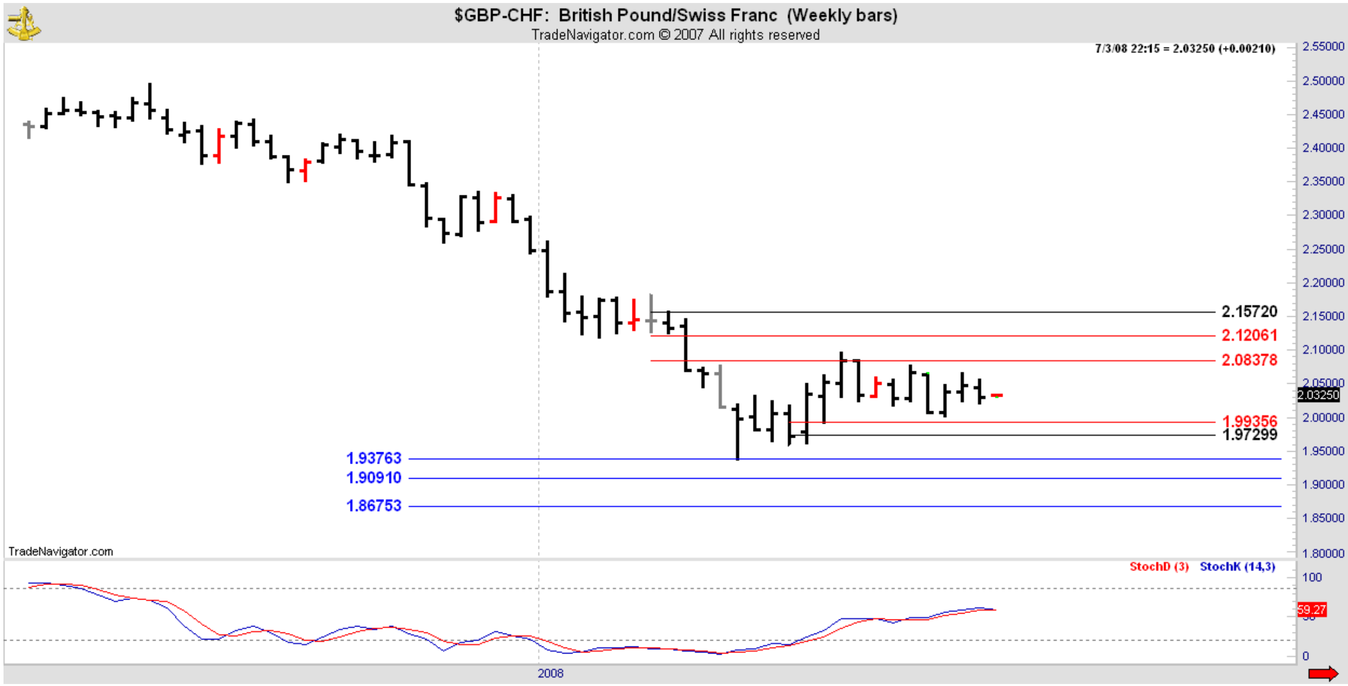
Traders use all sorts of tools to trade forex. Some use patterns, some studies and indicators and some proprietary programs. All of these methods work some of the time and none work all of the time so traders are always in search of the "one more thing" that will add reliability and precision to their entries. For 15 years I wondered why markets turned where they did. I knew about fibs and other range extension techniques and of course retracements, but nothing I could find in my searches gave me certainty or precision and so I searched until I found one more thing. The Danielcode is that "one more thing". It is to the best of my knowledge the only totally new form of market analysis in a generation. It works on all markets in all time frames which is why I say that markets are ruled by the Danielcode.

By creating a number sequence that markets know but others do not see, it not only adds that level of certainty that is missing from traditional analysis but because it is new and relatively unknown, it provides you with market information that others do not have. Whenever you know something that the market at large does not, you have an edge. And that is the difference between being with the crowd and being ahead. The Danielcode creates a series of proprietary numbers in a sequence that runs from zero to infinity. The number sequence is dynamic in that it is created from market structures. Every turn that creates a swing high or low also creates a new Danielcode (DC) sequence. Markets know and react to these numbers. Sometimes the reaction is a mere vibration, sometimes it is a turn. We can use standard analytical tools to determine which reaction we are likely to get.

Let's look at the weekly chart of GBP-CHF. We can see that this market was in a long term downtrend from July 2007. What we need to know as traders is when will that down leg end and what will its subsequent price movements be. This chart is mute on those points. We simply have no plane of reference to measure it against. We can see the slow stoch getting stuck on oversold from January to April 2008 but that doesn't tell us much.



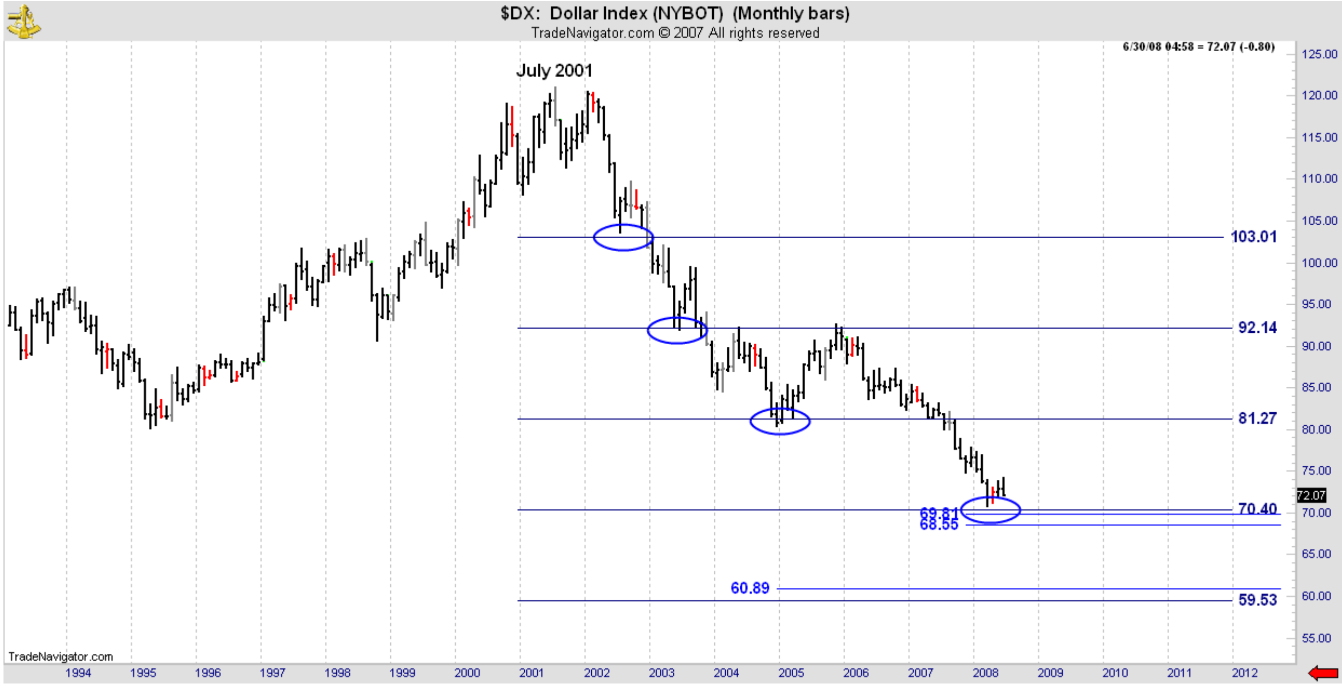
Now let's add the Daniel number sequences to this chart. Now we are creating something that our brains can recognise. We have 3 possible downside targets in blue (DC extensions of the range), and 3 upside targets in red and black which are DC retracement targets.



These DC numbers are not fibs. The Daniel ratios created from market structures are unique and unknown to the market at large. There are some DC ratios that are quite close to the standard fibs but they are not the dominant ratios that markets use.

Let's look at a monthly chart with the DC sequence on it. This is the Dollar Index DX. From the 2001 high the DC sequence gave us 5 price levels running from 103 to 59. A multi month rally ensued from the 4 price levels that have been reached so far.

This chart with its call for at least an intermediate low at 70.40 was published six weeks before the low came in on 17th March in an award winning publication in US. Similar calls for turns in Gold, Silver, Rice, Corn and Oil have also been made this year in the face of huge publicity and critical comment. All the turns were accurate to a few ticks. Not points; ticks. In DX the March low was 70.70 just 30 pips from the DC forecast. Not bad as a target from a monthly chart!



The Daniel number sequence works exactly the same on all time frames. One of its qualities that will help us utilise this tool for trading is that it is relatively precise. Whilst all market turns come at a DC number, the vast majority of them come from just a few sequences that repeat on all pairs so we are able to forecast the support and resistance that will become forex turning points better than 85% of the time.

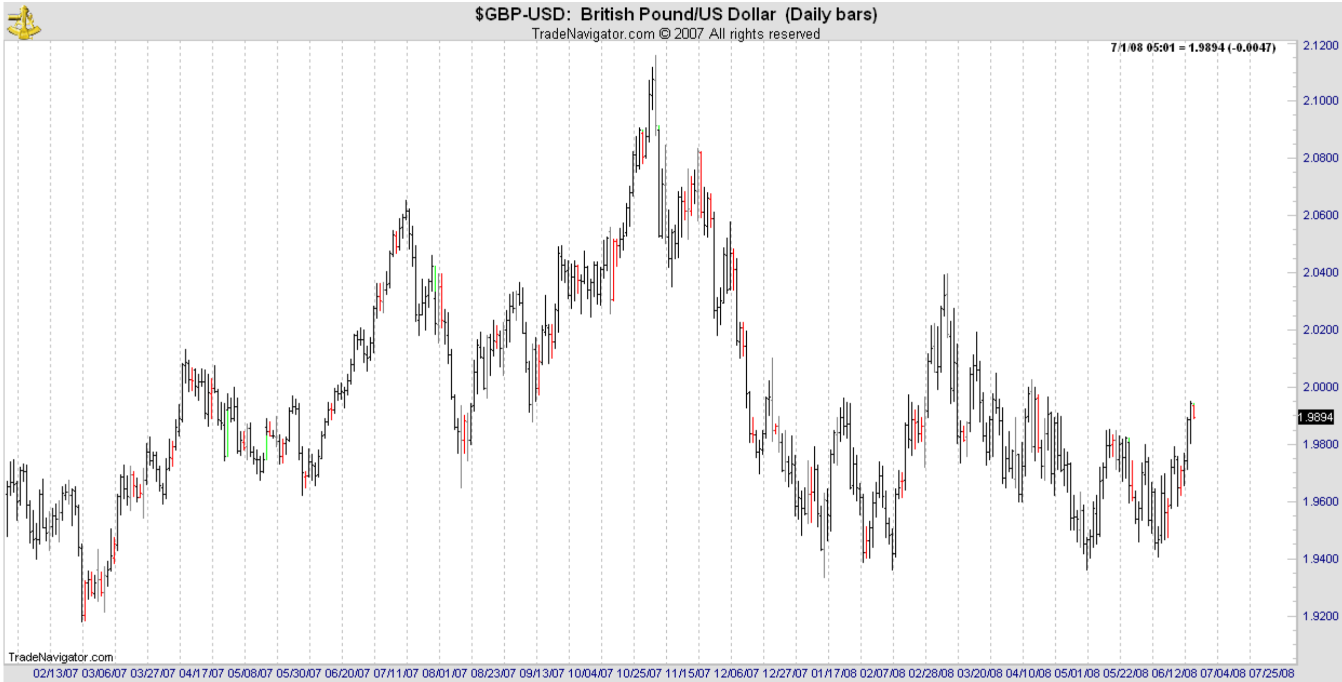
Forex markets complete their DC recognition usually by making a daily high or low at the DC number or within 40 pips of it. This enables us to create a definition of a "setup" bar which will be the precursor to a change in trend on whatever pair we are considering.

Trend

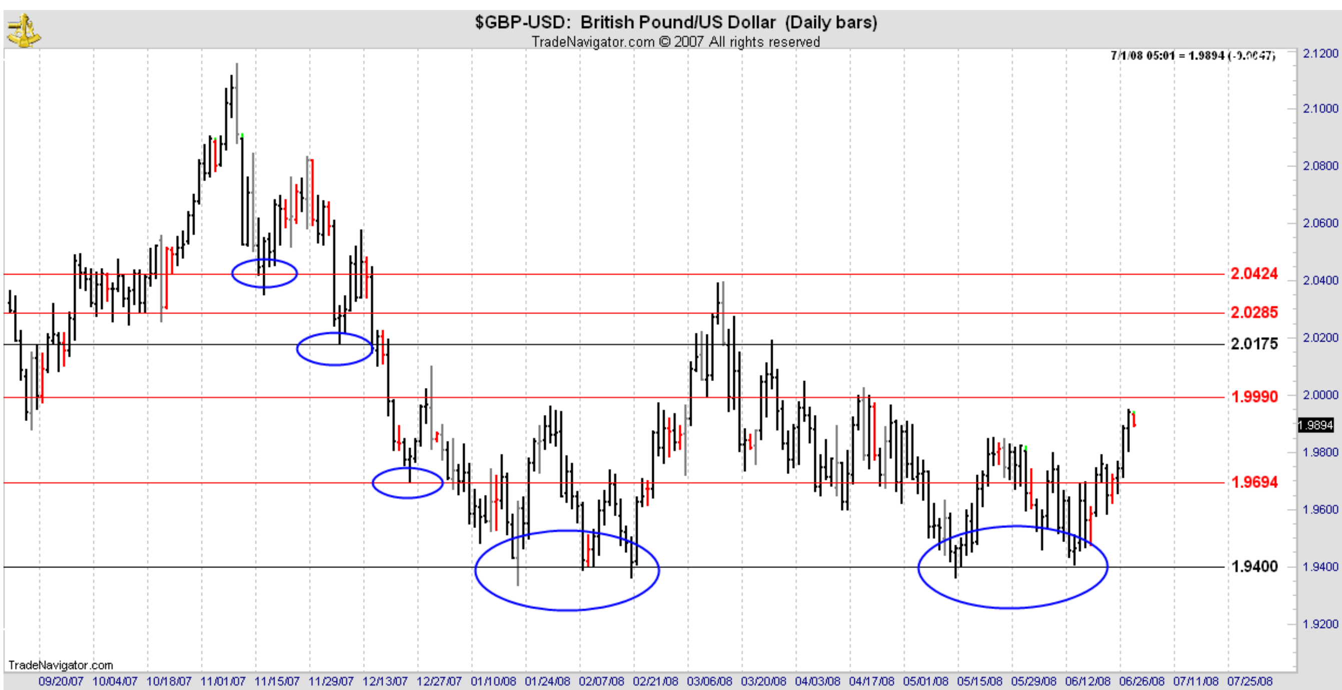
We can never talk about trend without qualifying the time frame. An up trend on a daily chart may not give you the correct trend on a weekly chart let alone a monthly. For practical purposes we use the next highest time frame to define trend. As I trade primarily from a daily chart, this means that I am cognizant of the weekly trend. If there is a strong trend in place then only trades in the direction of that trend will be considered. If the weekly chart is consolidating then I will take DC trades both ways.

Danielcode Charts

Let's construct a Daniel number chart, swing by swing to show you what this secret code will reveal. Here is a trader's favourite, GBP-USD around its March 2007 high. Let's assume that we are trading this market from somewhere near the 2007 high. In its present form there are no clues to future price action.

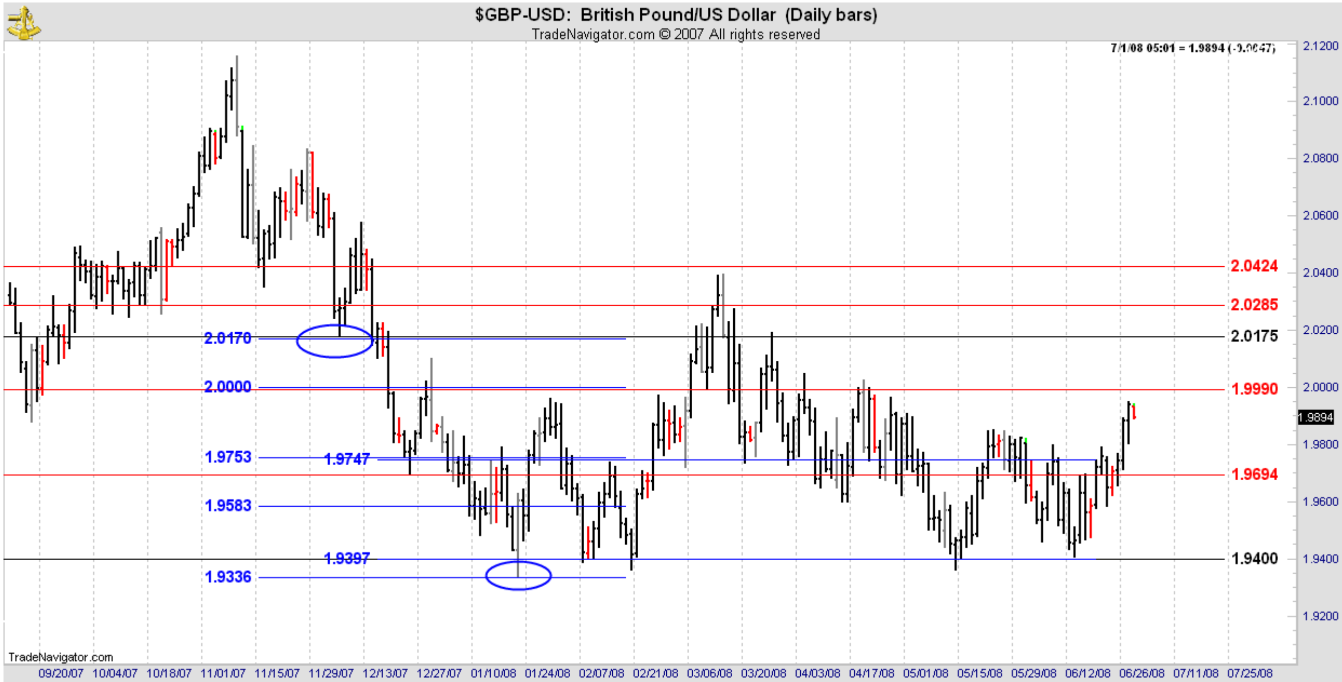


The first thing we do is place the proprietary Daniel sequence retracements on the chart. We get 6 DC price levels none of which will be familiar to you except the black number at 2.0175 which is the 50% retracement of the prior major swing. These DC price targets are created simultaneously from the mathematical matrix embedded in the market structure around the March high. As market action unfolds we see that the market reacts at 4 of the DC price levels and ignores 2. Because these price levels are within the old swing they are called retracement levels.

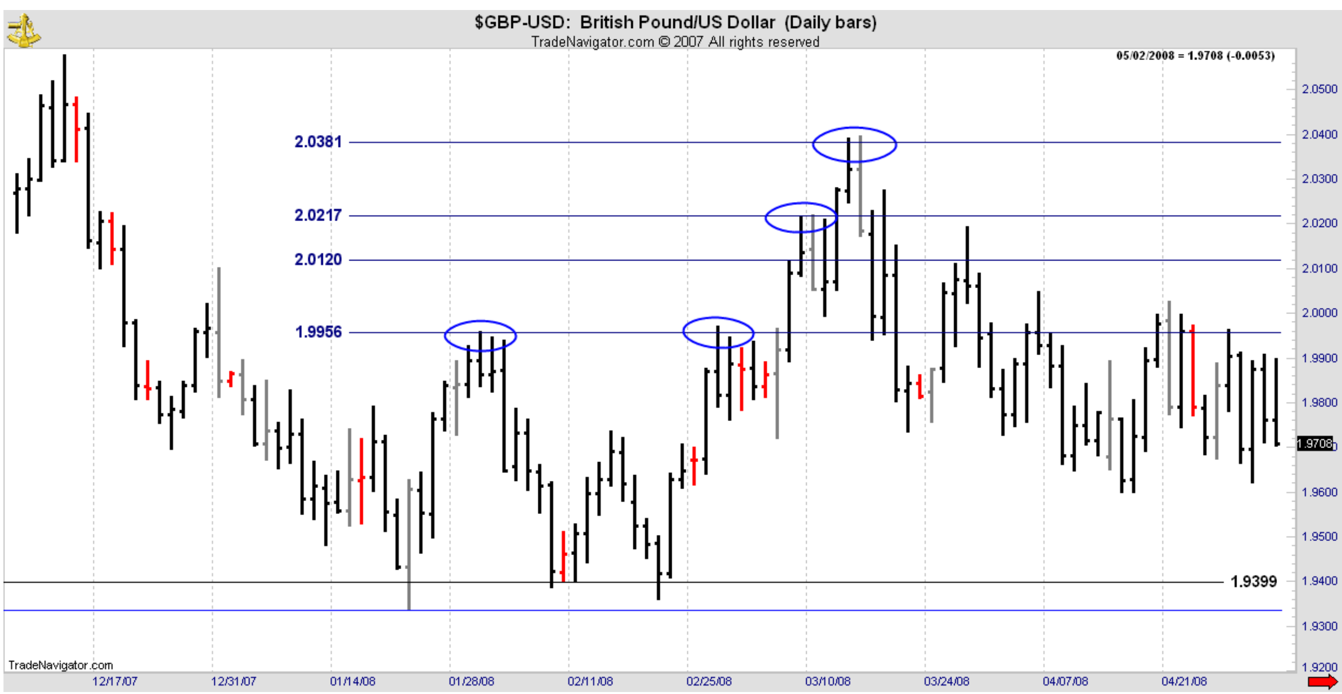


We can also create extension DC price levels from the same price structure. The extension levels are in blue to distinguish them from the retracement levels but they are all valid DC numbers where we expect price to react. Let's do that now. We get another 7 DC target price levels, 2 of which are essentially the same number so we have 6 price levels to focus on. The market recognises and reacts to 2 of these numbers including the final low that comes at 1.9336 on 01/22. The DC number was 1.9336 accurate to the tick!! Notice how the market went on recognising the 1.9400 number, the last level of DC support, in the old range on 5 separate occasions right up to June.

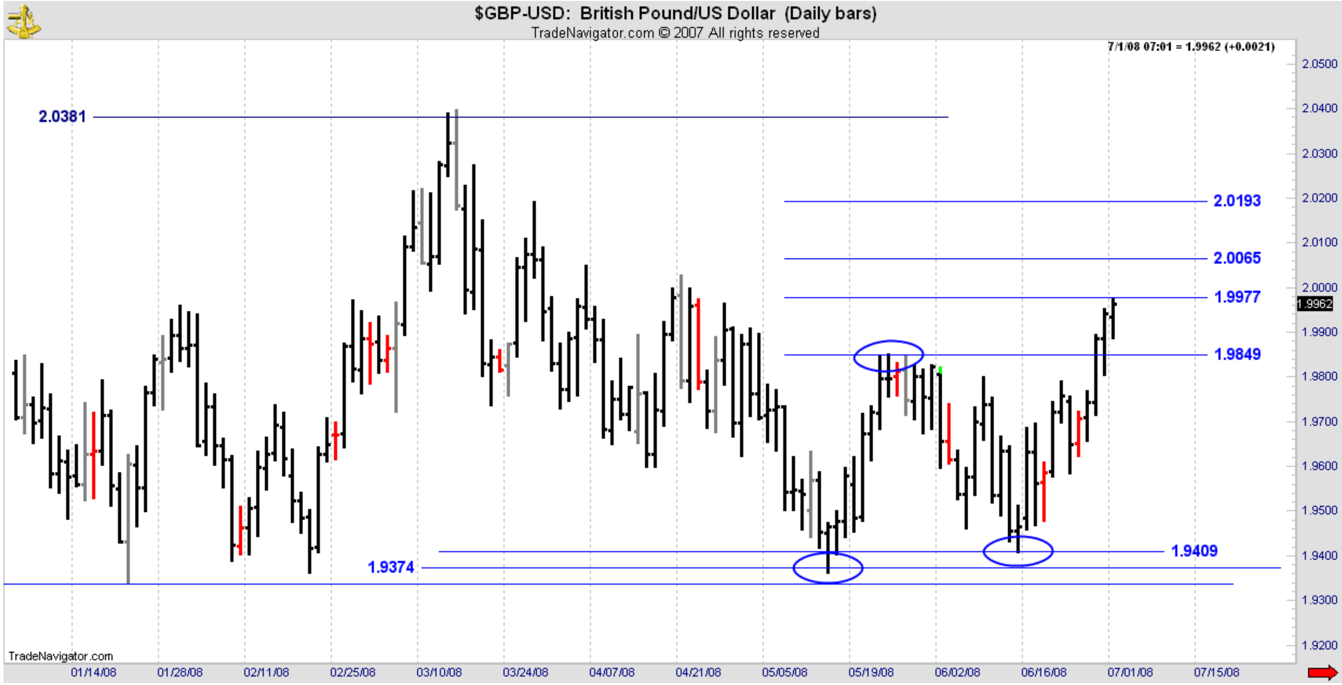
Thinkers will see this as proof of my statement that the Danielcode creates price levels that markets know but others do not see!



Having found our low in January, we can start to concern ourselves with the rest of the chart's price action. We create new DC price targets from the matrix around the March low and get 4 DC targets. These targets give us every swing high up to the final high as the market rallies to 2.0398 in March just 24 pips from the DC target then rolls over and goes back to test the old DC support.



From 39 daily bars between the January low and the March high we have identified every important swing with precision. In the same way the DC numbers find the 05/14 low accurate to 12 pips; the 05/23 minor high accurate to 4 pips and the 06/13 low accurate to 1 pip!



Nothing in the Danielcode tells us which numbers will provide temporary or terminal support or resistance. So we will have a sequence of numbers from which we have to select the numbers which will become operative. For this we use conventional charting tools but the tight requirements for a valid setup will rule out over 84% of daily bars as potential turns.

Now for the first time you can see where those amazing turns will be. For the first time the secret price levels that control all markets are revealed.

How often does this happen you ask? All the time, on all markets. I cover 16 forex pairs at the Danielcode Online and they all turn at their DC numbers. Always!

Future knowledge of high probability market turning points is arguably the most important information any trader can aspire to as the precision of a valid setup bar in the DC universe speaks to time as well as price.

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"The fox knows many things, but the hedgehog knows one big thing. A Hedgehog Concept is not a goal, intention or strategy to be the best. It is an understanding of what you can be best at. The distinction is absolutely crucial".

Isaiah Berlin, The Hedgehog and the Fox