

Price Action Training: Trend Analysis, Key Levels, Chart Patterns, and Candlesticks

Price Action analyzes **price movement** without the use of **indicators**. It focuses on raw price **behavior to provide** a clear, unfiltered market view.



Price Action Trading Strategy in Technical Analysis

What is Price Action?

Price action refers to the movement of an asset's price over time. In this approach, traders make decisions based on **trend analysis**, **key levels**, **chart patterns**, and **candlestick** formations.

The goal of Price Action is to understand market behavior without relying on indicators such as moving averages or oscillators.

Understanding **market structure** through price action allows traders to analyze the logic and **patterns behind price movements**. This analytical style can be applied across all markets—including **Forex Market**, **stocks**, **commodities**, and **crypto**; It's also usable in any **timeframe**.

Key Concepts in Price Action Strategy

Common concepts in price action include:

- ◆ **Support and resistance**
- ◆ **Trends**
- ◆ **Trendlines and price channels**
- ◆ **Candlestick patterns**
- ◆ **Chart patterns**
- ◆ **Breakouts**
- ◆ **Reversals and retracements**
- ◆ **Volume and volatility**

Support and Resistance

Support and resistance are foundational in price action. **Support** is a level where buying pressure increases and prevents **further price** decline.

Conversely, resistance is where selling pressure rises, blocking further price increases. A breakout or reversal at these levels **may signal continuation** or a **trend change**.

Resistance



Buying and selling pressure at key support and resistance zones in a price action strategy

Trends

Recognizing trends helps traders align with the market direction. In an **uptrend**, prices make higher highs and higher lows. In a **downtrend**, they form lower highs and lower lows. Identifying **swing highs** and **swing lows** is essential for **trend detection**.



Using higher highs and lower lows to identify trends in price action trading

Trendlines and Price Channels

A **trendline** connects multiple swing **highs or lows** to show overall market direction. When two parallel lines are drawn around price movement, a **price channel** is formed. Traders use these to find **buy/sell** zones and **analyze breakouts**.

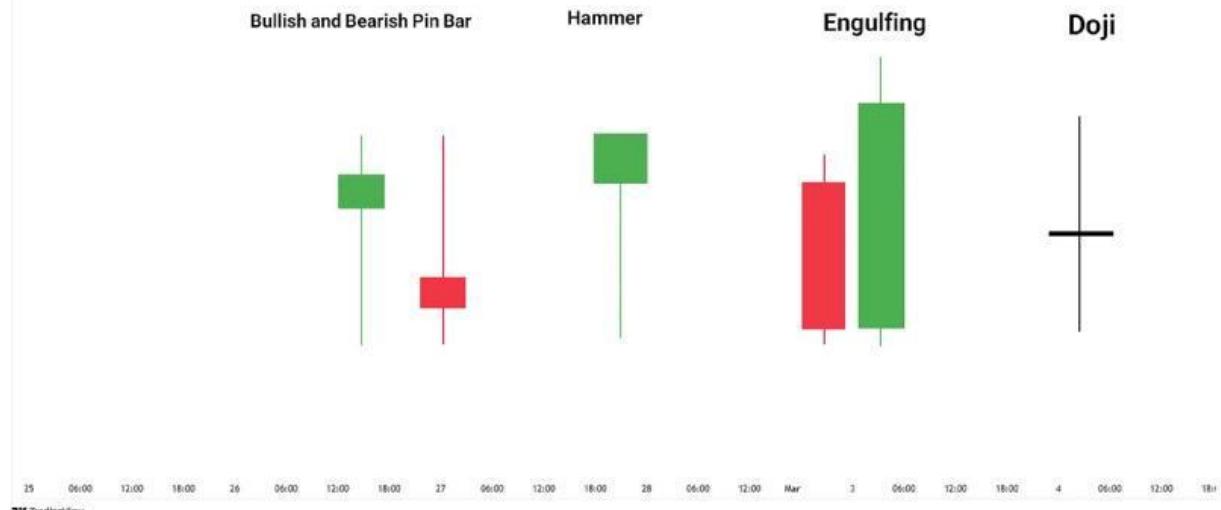


How to draw trendlines and channels correctly in a price action strategy

Candlestick Patterns

Candlesticks provide insight into market sentiment. Common candlestick patterns in price action:

- ◆ **Pin bar, hammer, shooting star:** Candles with **long wicks** and small bodies, signaling rejection from price levels;
- ◆ **Engulfing pattern:** A candle fully **engulfs** the previous one, indicating a shift in buying/selling pressure;
- ◆ **Doji:** A candle with a **small body** reflecting market indecision.

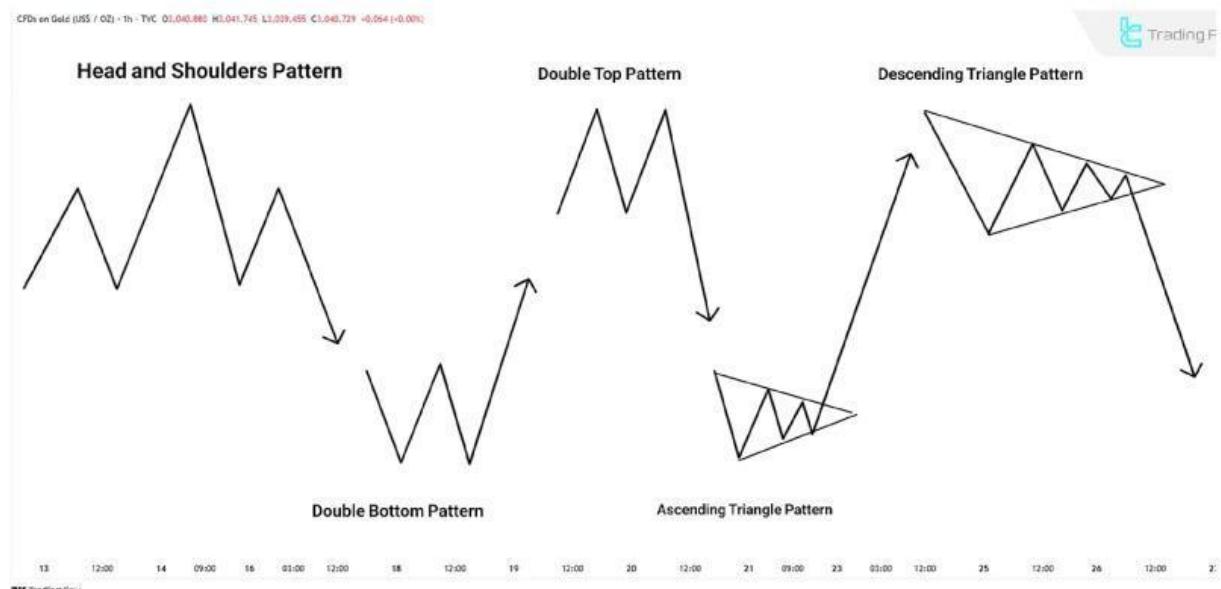


Common candlestick patterns in price action (Pin Bar, Hammer, Shooting Star, Engulfing Pattern, and Doji)

Chart Patterns

Common and practical chart patterns in price action include:

- ◆ **Head and Shoulders:** A reversal pattern signaling a shift from an **uptrend** to a **downtrend** or vice versa;
- ◆ **Double Top/Bottom:** Indicates a potential **trend reversal** when broken;
- ◆ **Triangles (ascending, descending, symmetrical):** Represent consolidation before a **breakout**.



Breakouts

A **breakout** occurs when the price moves beyond a **key level** or pattern. Breakouts with **high volume** typically indicate **strong market** momentum in that direction.

Reversals and Retracements

A **reversal** signals a complete change in market direction (e.g., from uptrend to downtrend), while a **retracement** is a temporary move against the prevailing trend. Fibonacci tools are commonly used to identify likely **retracement levels**.

Note: You can use the [Fibonacci calculator tool](#) from TradingFinder for accurate level calculation.

Volume and Volatility

Volume validates the strength of price movement. **Volatility** impacts the reliability and intensity of patterns. For instance, a **high volume** and volatility **breakout** is often more credible.

How to Use Price Action

Steps to use price action effectively:

1. Use a clean chart without indicators; **only candlesticks** or **price bars** should be visible;
2. Identify the **market structure** and determine whether the market is trending or ranging based on **swing highs/lows**;
3. Detect recurring patterns and reaction zones such as **support and resistance**;
4. Analyze how price behaves around these **key levels** to detect trend continuation or reversal signals;
5. Confirm with volume and volatility for **stronger signal**

Designing a Price Action Trading Strategy

Follow these five steps to create a price action strategy:

1. Choose one or more **candlestick** or **chart patterns** (e.g., pin bar at support/resistance zones);
2. Select an appropriate **trading timeframe**;
3. Ensure alignment of the pattern with the **overall market** direction;
4. Define **entry point**, **stop loss**, and **take profit** in advance;
5. Backtest the strategy using **historical**

Example Trade Using Price Action

In the scenario where a bullish pin bar forms at a **support level** within an uptrend, an entry is made **after the candle** closes.

The stop loss is placed just below the **candle's wick**, and the take profit is set near the next resistance level.



Executing a trade using price action with defined stop loss and target

Risk Management

Risk management is essential in all **technical strategies**. **Risk Management in Price**

Action:

- ◆ **Stop losses** are generally placed outside pattern boundaries;

- ◆ A risk/reward ratio of at **least 1:2** is recommended;
- ◆ **Position size** should align with account size and acceptable risk level.

Conclusion

Price action is a **market analysis** method focused on raw price behavior and recurring patterns. One of its key advantages is eliminating lag from indicators.

With price action, traders can identify **trends, locate support/resistance** zones, and **utilize patterns** like pin bars, head and shoulders, and triangles to determine entries and exits.

Sources:

1.our website link :

<https://tradingfinder.com/education/forex/what-is-price-action/>

2.all Education :

<https://tradingfinder.com/education/forex/>

3.TradingFinder Support Team (Telegram):

<https://t.me/TFLABS>



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