FOREX MARKET ANALYSIS

Complete Study Program

MODULE 6

Trade Planning and Confluence

Where Every Tool From Modules 1–5 Becomes One Decision

Advanced Level | GBP/USD · EUR/USD · USD/JPY · XAU/USD | 15 Sections | 12 Diagrams

Top-Down Framework	**Entry and Invalidation**	**Risk and Sizing**	**Grading and Journal**

Confluence and Bias • Setup Zone • No-Trade Filter • Entry Trigger • Structural Invalidation
Stop Loss Rules • Free Trade Rule • Position Sizing • RR Mathematics • Trade Management
SMT Hard Filter • A/B/C Trade Grading • Pre-Trade Checklist • Journal Template • Four Sample Trades

Table of Contents

SECTION 1 What Is Confluence and Why It Matters

1. What Is Confluence and Why It Matters

Confluence is the alignment of multiple independent factors that all point to the same trade conclusion. A single reason to enter a trade is speculation. Five independent reasons that all agree is an edge. The difference between a professional trader and a consistent loser is not intelligence, access to information, or even chart-reading skill: it is whether they trade with one reason or five.

1.1 The Mathematics of Confluence

Imagine each analysis factor has a 60% probability of being correct independently. That is modest: better than a coin flip, but not impressive. Now stack them:

Number of Factors	Combined Probability	Real-World Meaning
1 factor at 60%	60%	Slightly better than a coin flip
2 factors at 60%	60% x 60% = 36% (if independent); but combined directional P is higher	Better edge when both agree
3 aligned factors	Approximately 65–70% accuracy	Consistently profitable territory
5 aligned factors	Approximately 75–80% accuracy	Professional-grade setup quality

The logic is not that each factor independently predicts success with a higher percentage: it is that multiple independent systems all agreeing significantly reduces the probability of being wrong.

1.2 What Confluence Is NOT

- It is NOT finding more reasons to confirm a trade you already want to take (confirmation bias)
- It is NOT using five indicators that all measure the same thing (RSI, Stochastic, MACD: all momentumm oscillators: do not give independent confirmation)
- It is NOT waiting for 10 factors to align before every trade (paralysis by analysis)
- It IS finding genuinely independent signals: macro direction (COT), structural bias (price action), entry precision (OB/FVG), timing (Kill Zone), and risk filter (SMT): five distinct categories

THE CORE PRINCIPLE

Every factor in your analysis should come from a DIFFERENT source of information. COT (positioning data) + Yield Spread (macro economics) + Market Structure (price action) + OB/FVG (institutional footprint) + Kill Zone (time) + SMT (cross-market confirmation). Six independent categories. That is genuine confluence.

SECTION 2 The Top-Down Timeframe Hierarchy

2. The Top-Down Timeframe Hierarchy

The timeframe hierarchy is the most fundamental structural rule in professional trading. Every analysis starts at the highest timeframe available and works downward: never the other way around. The purpose of each timeframe is different, and confusing which timeframe does which job is the single most common source of failed trades.

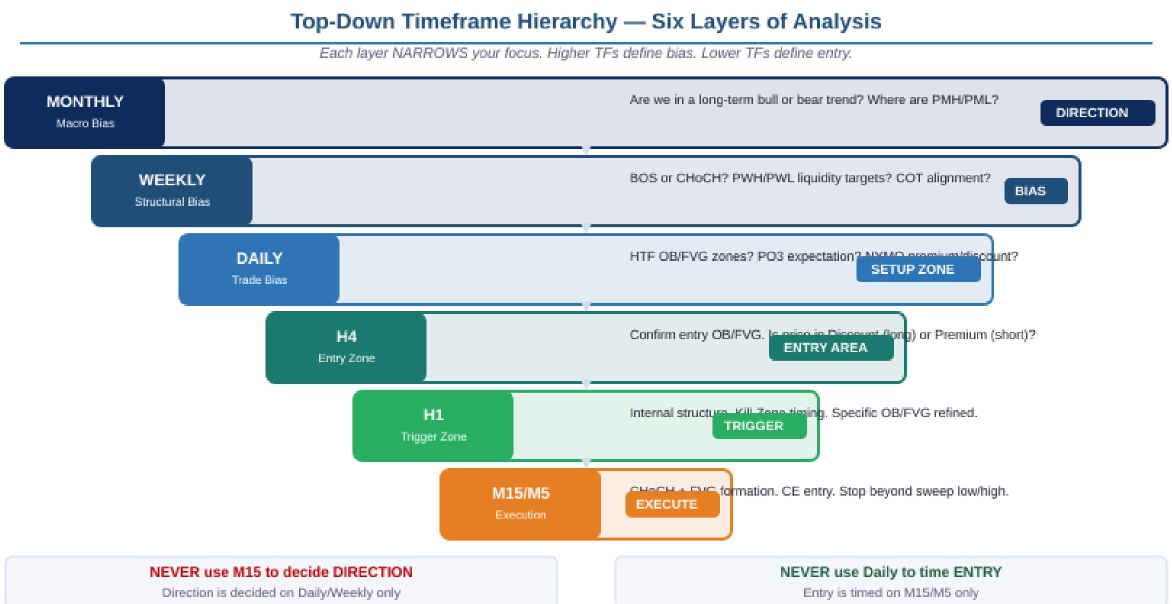

Fig 2.1: Top-Down Timeframe Hierarchy: Six Layers from Monthly Bias to M15 Execution

2.1 What Each Timeframe Does

Timeframe	Purpose	What You Identify	Never Use It For
Monthly	Macro Bias	Long-term trend, PMH/PML, macro premium/discount, quarterly bias	Entry decisions: too slow
Weekly	Structural Bias	BOS/CHoCH sequence, PWH/PWL, COT alignment, weekly PO3 expectation	Precise entry levels
Daily	Trade Bias	HTF OB/FVG zones, NYMO premium/discount, daily PO3, liquidity targets	Timing within the day
H4	Entry Zone	Confirm Daily bias, specific OB/FVG entry	Overall directional bias

Timeframe	Purpose	What You Identify	Never Use It For
		zone, refine premium/discount	
H1	Trigger Zone	Internal structure, Kill Zone timing, CHoCH formation area	Deciding whether to trade
M15 / M5	Execution	CHoCH confirmation, FVG creation, CE entry, stop placement	Direction or bias analysis

2.2 The Two Hard Rules

RULE 1

NEVER use M15 or M5 to decide DIRECTION. The M15 CHoCH that triggers your entry is a local signal withinthin a larger context. If the Daily is bearish and you see a bullish M15 CHoCH, that CHoCH is a retracement bounce: not a reversal. Direction is ONLY decided on Daily and Weekly.

RULE 2

NEVER use the Daily to time your entry. The Daily OB tells you WHERE the trade is; it does not telll you WHEN to enter. A Daily OB can take 3–5 days to react after price enters it. Drop to M15 for the trigger.

2.3 The Top-Down Analysis Flow: In Practice

Here is the exact sequence to run before every trade session:

- MONTHLY/WEEKLY (5 minutes): Is the trend clearly bullish, bearish, or ranging? What are the major liquidityquidity pools? What is the quarterly bias? If ranging at the macro level: reduce size on all trades this week.
- DAILY (5 minutes): Where is the most recent Daily OB and FVG? Is price currently in premium or discount? What is today's PO3 expectation based on weekly bias?
- H4 (5 minutes): Does H4 confirm the Daily bias? Where exactly is the H4 OB or FVG entry zone? Is price approaching it?
- H1 (3 minutes): Internal structure; is price forming a higher low (bullish setup) or lower high (bearish setup)? Which Kill Zone is approaching?
- M15/M5 (WAIT): Do not act here until the Kill Zone opens. Then watch for the Judas Swing sweep, the CHoCH, and the FVG formation. Enter at the CE.

SECTION 3 Building Your Directional Bias

3. Building Your Directional Bias: The Weighted Scoring System

Before looking at a single entry-level chart, every professional session begins with a clear, scored directional bias. The bias is not a feeling or an impression: it is a calculated score based on three independent factors. This process takes five minutes and prevents the single most destructive trading behaviour: entering trades in both directions on the same pair in the same session because you 'saw a setup.'

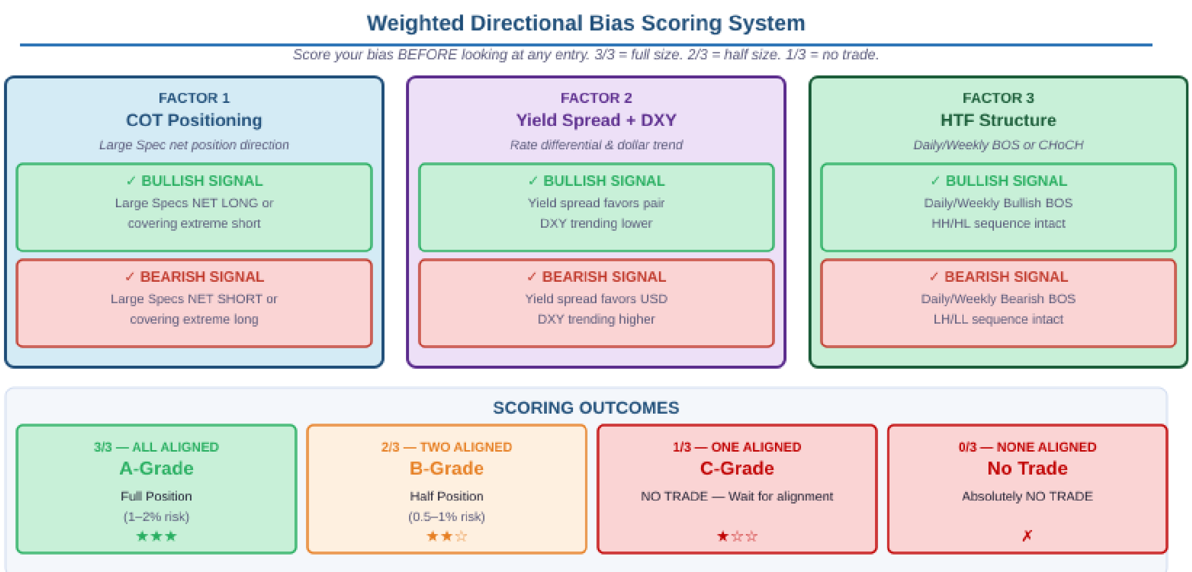

Fig 3.1: Weighted Directional Bias Scoring System: COT + Yield Spread + HTF Structure

3.1 The Three Factors and How to Score Them

Factor	What to Check	Bullish Signal (+1)	Bearish Signal (+1)
Factor 1: COT	Large Speculator NET position in futures. Check cftc.gov Friday evening.	Large Specs NET LONG or covering an extreme short position	Large Specs NET SHORT or building on extreme long position
Factor 2: Yield Spread	Relevant yield spread (UK Gilt vs US 10Y for GBP/USD). DXY trend.	Yield spread favours the base currency. DXY trending lower.	Yield spread favours USD. DXY trending higher.
Factor 3: HTF Structure	Daily and Weekly BOS/CHoCH sequence.	Daily/Weekly Bullish BOS confirmed. HH/HL sequence intact.	Daily/Weekly Bearish BOS confirmed. LH/LL sequence intact.

3.2 Scoring Outcomes and Position Sizing Rules

Score	Grade	Position Size	What It Means
3/3: All aligned	A-Grade	Full Size: 1 to 2% account risk	Maximum conviction. All three independent sources agree. This is the week to size up.
2/3: Two aligned	B-Grade	Half Size: 0.5 to 1% account risk	Good probability but not maximum. One factor is missing or neutral. Trade smaller.
1/3: One aligned	C-Grade	NO TRADE: sit out	One agreement is not a bias; it is a guess. Wait for at least 2/3 before entering any position.
0/3: None aligned	No Trade	Absolutely no trades this week	Market is in transition. No edge exists. Cash is a position; protect it.

3.3 Writing the Bias Statement

After scoring, write a single sentence that expresses your bias. This sentence is the filter for every trade you consider this week. If a setup contradicts this sentence: skip it, regardless of how good it looks technically.

- Example A (3/3 Bullish GBP/USD): 'I am bullish GBP/USD this week; Large Specs covering extreme shortt, UK/US yield spread widening, Daily Bullish BOS on Tuesday. Full size long setups only.'
- Example B (2/3 Bearish EUR/USD): 'Mildly bearish EUR/USD; ECB dovish pivot expected, DXY range supportort holding, but COT not at extreme. Half size shorts only. No longs.'
- Example C (1/3 Neutral USD/JPY): 'No clear bias on USD/JPY; BoJ uncertainty, yield spread compressedd, structure ranging. No trades until 2/3 alignment.'

> **BIAS LOCK RULE**
> Once your bias is written, it does not change until the next COT report (Friday). Mid-week, you may see a setup that looks like it argues against your bias. Do NOT change your bias mid-week based on a single chart signal. Reassess every Friday with fresh COT data.

SECTION 4 Identifying the Setup Zone and Environment Filter

4. Identifying the Setup Zone and the No-Trade Filter

Once your directional bias is confirmed, the next task is to identify WHERE on the chart the trade could form. This is the Setup Zone: the specific price area where multiple confluence factors stack on top of each other. Finding the Setup Zone is not the same as entering a trade: it is marking the area you will watch when the Kill Zone opens.

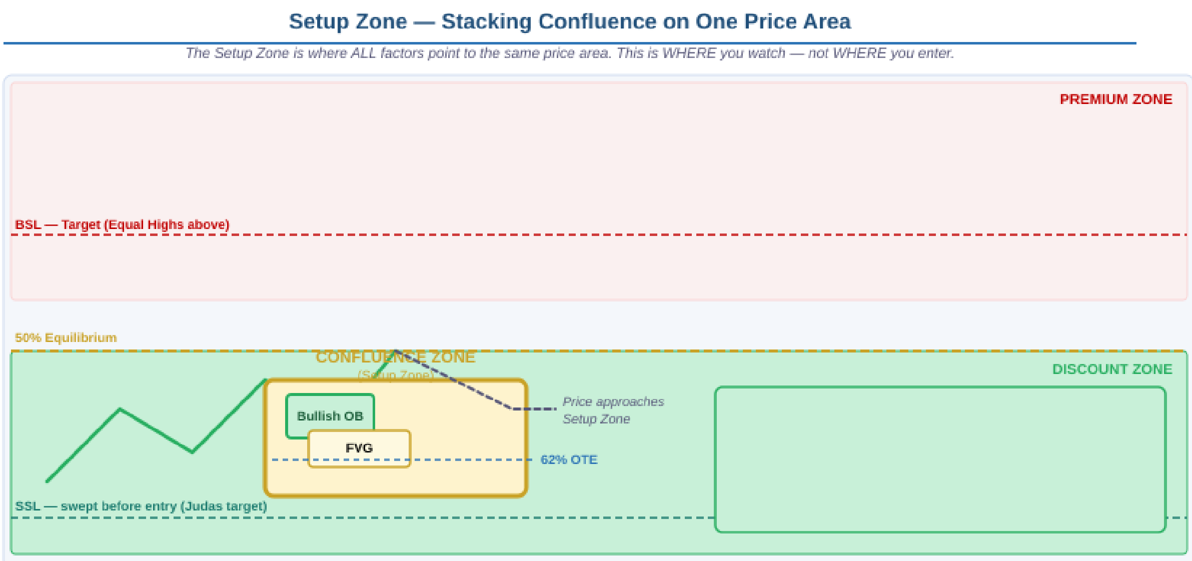

Fig 4.1: Setup Zone Identification: Stacking OB, FVG, OTE, Liquidity and Premium/Discount

4.1 What Makes a Valid Setup Zone

A Setup Zone must contain at least three of the following five elements stacked at the same price area:

Element	What It Looks Like	Why It Matters
Premium / Discount	Price below 50% of dealing range (for longs) or above 50% (for shorts)	Entering against institutional distribution tendency
Order Block (OB)	Fresh, unmitigated Bullish or Bearish OB at this price level	Unfilled institutional orders resting here
Fair Value Gap (FVG)	Imbalance zone overlapping with or adjacent to the OB	Price drawn to fill imbalance; acts as precise entry zone
OTE Zone (62–79%)	The Fibonacci OTE zone of the most recent significant swing	Deep enough retracement for smart money to re-accumulate

Element	What It Looks Like	Why It Matters
Liquidity Swept Below/Above	SSL swept before a long entry, BSL swept before a short entry	Smart money has hunted stops; the Judas Swing has completed

4.2 The No-Trade Environment Filter

Before marking any Setup Zone, run the environment filter. A technically perfect Setup Zone in the wrong environment has near-zero probability of clean execution. This filter is a hard gate: if any condition fails, there is no trade regardless of how beautiful the confluence looks.

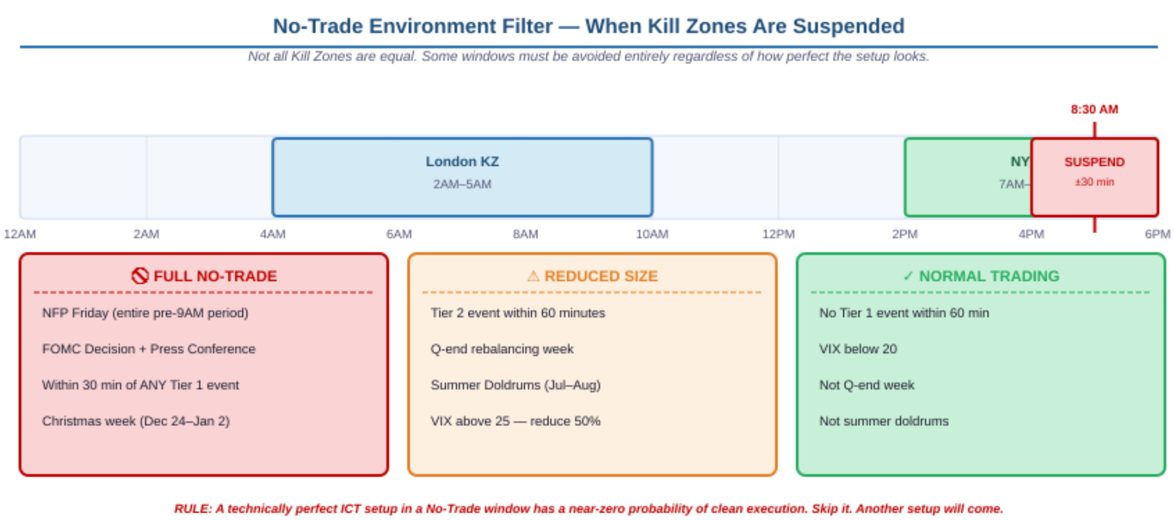

Fig 4.2: No-Trade Environment Filter: Suspended, Reduced and Normal Trading Windows

Condition	Check	Action if Failed
Tier 1 event within 30 min	Check forexfactory.com before every session	Close all positions, do not enter any new trades
NFP Friday pre-9 AM	Is it the first Friday of the month?	No new entries before 9:00 AM EST on NFP Friday
FOMC window	Rate decision at 2:00 PM + press conference at 2:30 PM EST	No trades from 1:30 PM to 4:00 PM EST on FOMC days
VIX above 25	Check VIX level on any charting platform	Trade at 50% normal position size; widen stops by 25%
Q-end rebalancing week	Last 3–5 trading days of Mar/Jun/Sep/Dec	Trade with awareness: do not add new positions late in the week
Summer Doldrums	July and August	Reduce all sizes by 50%. Only A-grade setups.
Christmas / Holiday week	Dec 24 – Jan 2	No trades. Zero exceptions.

HARD RULE

If a Tier 1 news event is scheduled within 30 minutes of your intended entry: DO NOT ENTER. The spread widens, slippage is severe, and the initial price spike is frequently a Judas Swing that will reverse. Wait for the post-data FVG instead: that is the real trade.

SECTION 5 Timing the Entry: Kill Zones and PO3

5. Timing the Entry: Kill Zones and the AMD Cycle

Knowing WHERE the trade will form is only half the equation. The other half is knowing WHEN. In ICT methodology, time is not secondary to price: it is equally important. A setup that forms outside a Kill Zone has significantly lower probability than the identical setup forming during one. This section covers how to combine Kill Zone timing with the Power of 3 AMD cycle to identify the optimal entry window.

5.1 Kill Zone Priority for Each Instrument

Instrument	Primary Kill Zone	Secondary Kill Zone	Expected Sequence
EUR/USD	London KZ (2–5 AM EST)	NY KZ (7–10 AM EST)	Judas Swing at London open → retracement into OB/FVG → distribution during NY
GBP/USD	London KZ (2–5 AM EST)	NY KZ (7–10 AM EST)	Same as EUR/USD but larger pip swings: 15–25 pip Judas Swings are common
USD/JPY	NY KZ (7–10 AM EST)	NY PM (1:30–4 PM EST)	Most reliable setups occur at 8:30 AM EST US data releases
XAU/USD	London KZ + NY KZ	Both windows equally	Gold's largest daily moves occur at NY open: especially on US data days

5.2 Combining PO3 with Kill Zone Timing

Every trading day follows the Power of 3 AMD cycle. Understanding which phase the market is in when your Kill Zone opens tells you whether you are about to enter the Manipulation phase (do not trade: wait for it to complete) or the Distribution phase (the real trade).

- Asian session closes: Mark the Asian High and Asian Low. These are the Manipulation targets for the London Kill Zone.
- London Kill Zone opens (2 AM EST): The Judas Swing occurs. Price spikes toward the Asian High or Low: this is MANIPULATION. Do NOT trade the spike.
- After the Judas Swing reverses (typically 2:30–4:00 AM): The real directional move begins: DISTRIBUTION. The FVG formed by the reversal candle is your entry.
- New York Kill Zone (7–10 AM EST): If no clean London entry, the NY open provides a second AMD cycle. The 8:30 AM data release often acts as the Manipulation spike.

PATIENCE RULE

The most common timing mistake: entering DURING the Judas Swing rather than AFTER it. If price is moving fast at the Kill Zone open and breaking obvious levels: WAIT. The real entry comes on the retracement after the manipulation completes. The reward for patience is a better entry price and a tighter stop.

SECTION 6 Entry Trigger and Structural Invalidation

6. The Entry Trigger and Structural Invalidation

The entry trigger is the specific, rule-based signal that confirms the trade is valid and ready for execution. It is not 'price entered the OB.' It is not 'the setup looks good.' It is a precise sequence of market events that tells you smart money has positioned and the move is beginning. Without a confirmed trigger, there is no trade.

6.1 The Three-Step Trigger Sequence

- CHoCH on M15 or M5: Price breaks above the most recent Lower High (bullish) or below the most recent Higher Low (bearish) WITHIN the setup zone. This is the change of character that signals smart money has positioned.
- FVG Created by the displacement: The CHoCH candle or the impulse following it leaves a Fair Value Gap. This gap is the entry zone.
- CE Entry on retracement: Price retraces back into the FVG. Enter at the CE (midpoint) of the FVG. Stop loss goes beyond the swept liquidity level that preceded the CHoCH.

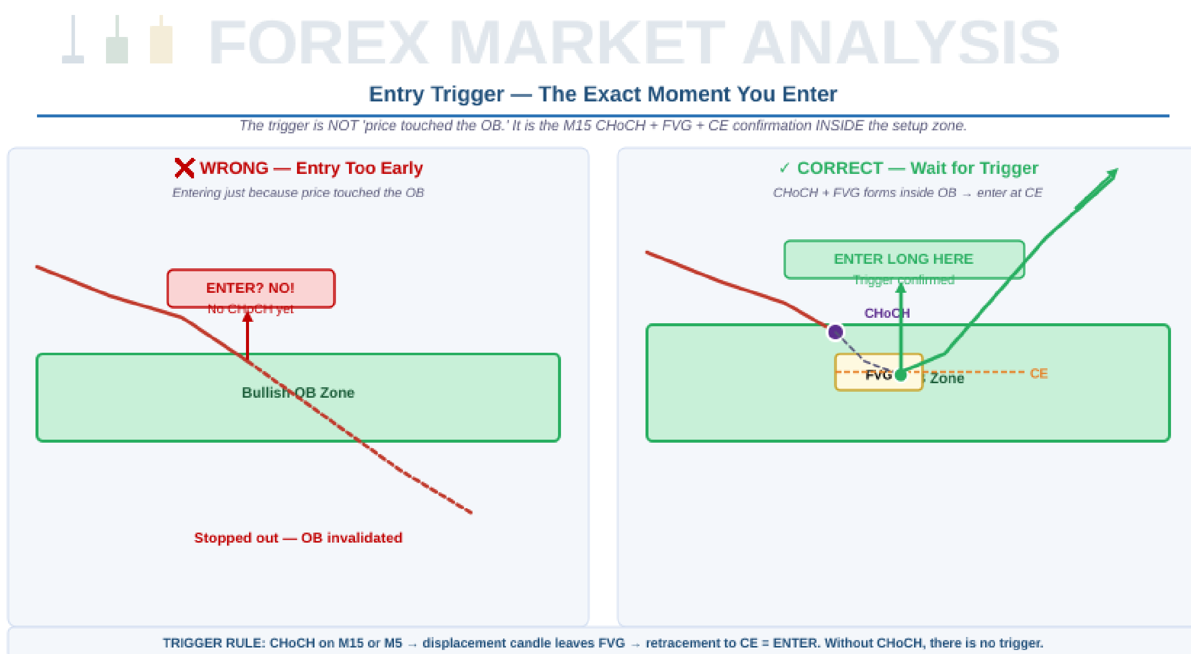

Fig 6.1: Entry Trigger: Wrong Early Entry vs Correct CHoCH + FVG + CE Confirmation

> **TRIGGER RULE**
> No CHoCH: no trigger. No FVG: no trigger. No retracement to CE: no trigger. All three must be presentsent before any entry is placed. If price blasts through the OB without giving a retracement, the opportunity was missed: do not chase. Another setup will come.

6.2 Structural Invalidation: When the Trade Idea Is Dead

Every trade has two types of exits: the stop loss (price has moved against you) and the structural invalidation (the trade IDEA is wrong). Professional traders distinguish between these. A stop loss is a mechanical safety net. Structural invalidation is an intellectual recognition that the premise of the trade has been disproved.

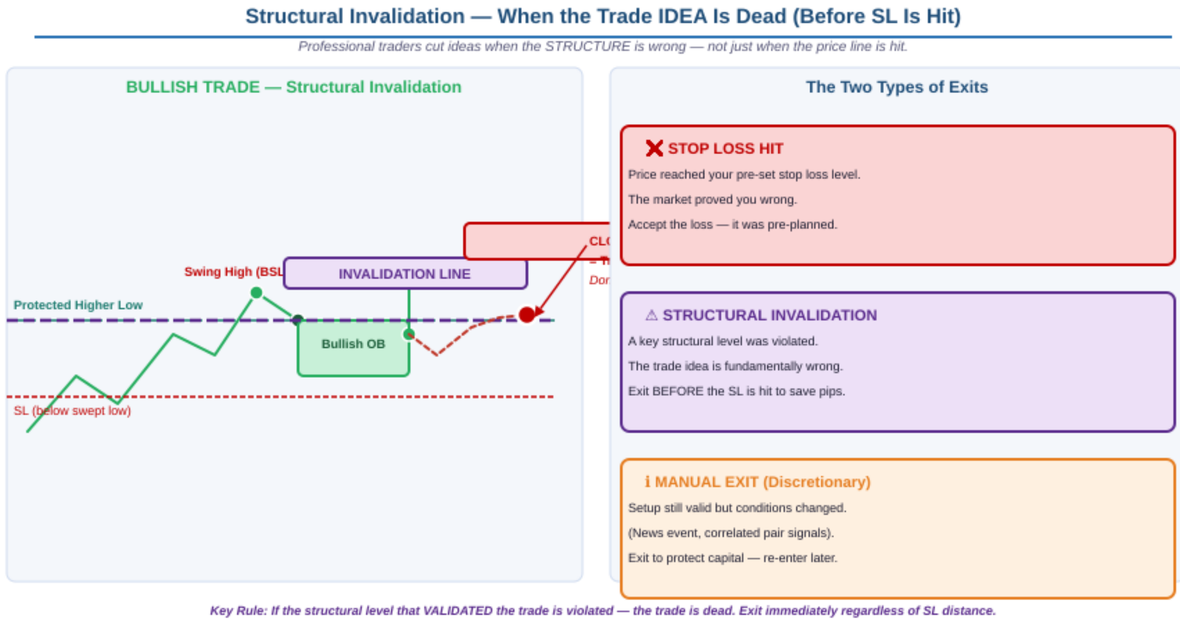

Fig 6.2: Structural Invalidation: When the Trade Idea Is Dead Before the Stop Is Hit

How to Identify the Structural Invalidation Level

- Identify the swing that VALIDATED your trade: For a bullish setup, the Judas Swing low that was swept is the validating event. The Higher Low that formed after the sweep is the structural anchor.
- The invalidation level is a CLOSE below that Higher Low (for longs) or a CLOSE above that Lower High (for shorts): Not a wick, not a brief spike: a candle BODY close.
- If this level is violated: the bullish CHoCH is negated, the trade premise is gone. EXIT immediately: do not wait for the stop loss.
- Reset: After the structural invalidation, wait for a new setup to form. Do not re-enter the same trade without a full new analysis cycle.

Trade Direction	Structural Invalidation Event	What It Tells You
LONG (Bullish)	Candle body CLOSES below the Higher Low that formed after the Judas Swing SSL sweep	The bullish CHoCH has been negated. Smart money did not commit. The thesis is wrong.
SHORT (Bearish)	Candle body CLOSES above the Lower High that formed after the Judas Swing BSL sweep	The bearish CHoCH has been negated. The bearish thesis is wrong. Exit and reassess.

Trade Direction	Structural Invalidation Event	What It Tells You
Either direction	Price returns to sweep the same liquidity level twice with no displacement	The setup has lost its momentum. Smart money is not driving this move. Exit.

CUTTING EARLY

Structural invalidation often triggers 5–15 pips before the stop loss. Cutting the trade here saves those pips AND protects your psychology: a loss cut early feels like a decision; a stop loss hit feels like a failure. Professional traders CUT ideas, not just positions.

SECTION 7 **Stop Loss Placement**

7. Stop Loss Placement: Professional Rules

Stop loss placement is one of the most misunderstood skills in trading. Most retail traders place stops at arbitrary distances (20 pips, 50 pips) or at round numbers that happen to be nearby. Professional stop placement is structural: it is placed at the level that, if broken, tells you the trade premise is invalid.

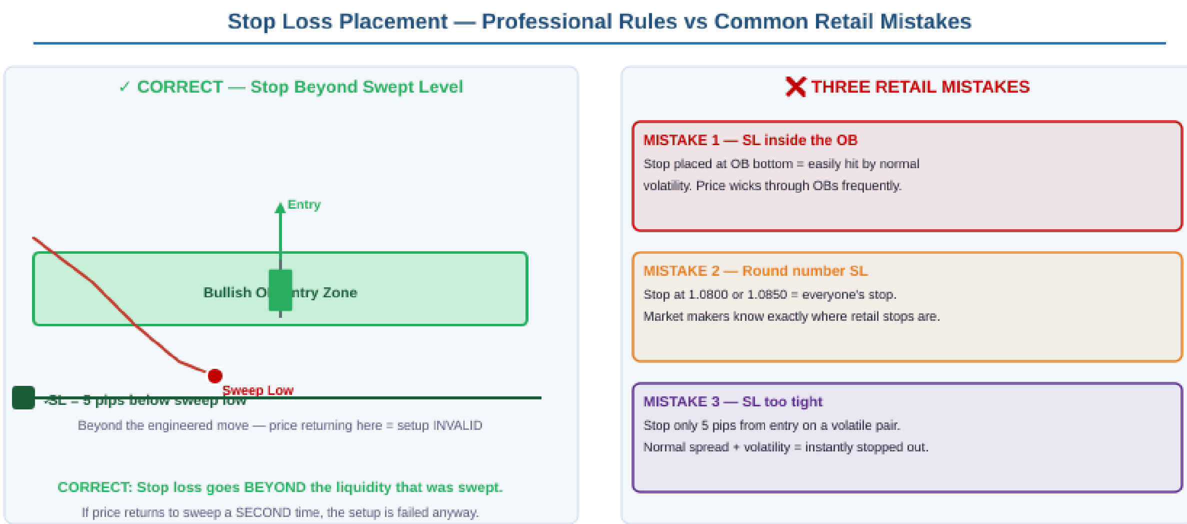

Fig 7.1: Stop Loss Placement: Correct Method vs Three Common Retail Mistakes

7.1 The ICT Stop Loss Rule

In ICT methodology, the stop loss is placed BEYOND the swept liquidity level that preceded the entry. This is the Judas Swing low (for longs) or the Judas Swing high (for shorts): with a 3–7 pip buffer beyond the extreme.

- For a LONG trade: Stop goes 3–7 pips below the SSL sweep low. If price returns to sweep this level a second time, the setup has failed regardless of anything else.
- For a SHORT trade: Stop goes 3–7 pips above the BSL sweep high. A return to this level means the manipulation was not the Judas Swing: the real move was upward.
- Buffer size varies by instrument: EUR/USD = 3–5 pips. GBP/USD = 5–8 pips. USD/JPY = 5–8 pips. XAU/USD = $3–$8.

7.2 The Three Retail Mistakes

Mistake	What Traders Do	Why It Fails
SL inside the OB	Placing SL at the bottom of the Bullish OB body	OBs are frequently wicked through before reacting. Inside SL = stopped out before trade actually begins.
Round number SL	Placing SL at 1.0800, 1.0850, 145.00, $1900	Round numbers are where everyone's stops are. Market makers know exactly where they are. You are placing your stop where you will be swept.
Too-tight SL	Stop only 5 pips from entry on GBP/USD	Normal spread on GBP/USD at London open is 1–2 pips. 5 pips of volatility = instant stop. SL must be beyond the structural extreme.

7.3 ATR as a Volatility Check

The Average True Range (ATR) tells you the average daily range of an instrument over a period. A stop loss smaller than 50% of the ATR(14) on the entry timeframe is almost certainly too tight.

- EUR/USD Daily ATR(14): approximately 70–100 pips. M15 ATR(14): approximately 6–12 pips. Minimum M15 stop: 6+ pips.
- GBP/USD Daily ATR(14): approximately 90–130 pips. M15 ATR(14): approximately 8–15 pips. Minimum M15 stop: 8+ pips.
- USD/JPY Daily ATR(14): approximately 80–120 pips. M15 ATR(14): approximately 7–13 pips.
- XAU/USD Daily ATR(14): approximately $25–$45. M15 ATR(14): approximately $3–$8. Minimum stop: $5+.

SECTION 8 Take Profit Strategy and the Free Trade Rule

8. Take Profit Strategy and The Free Trade Rule

Take profit strategy is not just about where price is going; it is about how you manage the trade positionsychologically so you can hold winning positions long enough to capture the full move. The Free Trade Rule is the most powerful single mechanism for solving the most common problem in trading: cutting winners too early.

8.1 Take Profit Levels: Where to Set Them

ICT take profit targets are always set at the next significant liquidity pool in the direction of the trade. Not at a Fibonacci extension, not at a round number, and not at a fixed pip count.

TP Level	What It Targets	Strategy
TP1: Conservative	Nearest liquidity pool: PDH/PDL, Equal Highs/Lows within 50 pips	Close 50% of position here. Move SL to breakeven immediately after TP1 is hit.
TP2: Full Target	Next significant liquidity pool: PWH/PWL, major swing high/low	Hold remaining 50% for the full move. Stop is now at breakeven; risk-free.
TP3: Extended (optional)	Major HTF level: PMH/PML, yearly pivot, major structural extreme	Only hold this if the trade is clearly running with momentum and no resistance

8.2 The Free Trade Rule

The Free Trade Rule is the mechanism that eliminates the anxiety of holding a winning trade. Its logic is simple: once TP1 is hit and the stop is moved to breakeven, the worst possible outcome on the remaining position is breaking even: you cannot lose money on the trade. This psychological shift from 'I could lose to SL' to 'I cannot lose' allows you to hold TP2 with full confidence.

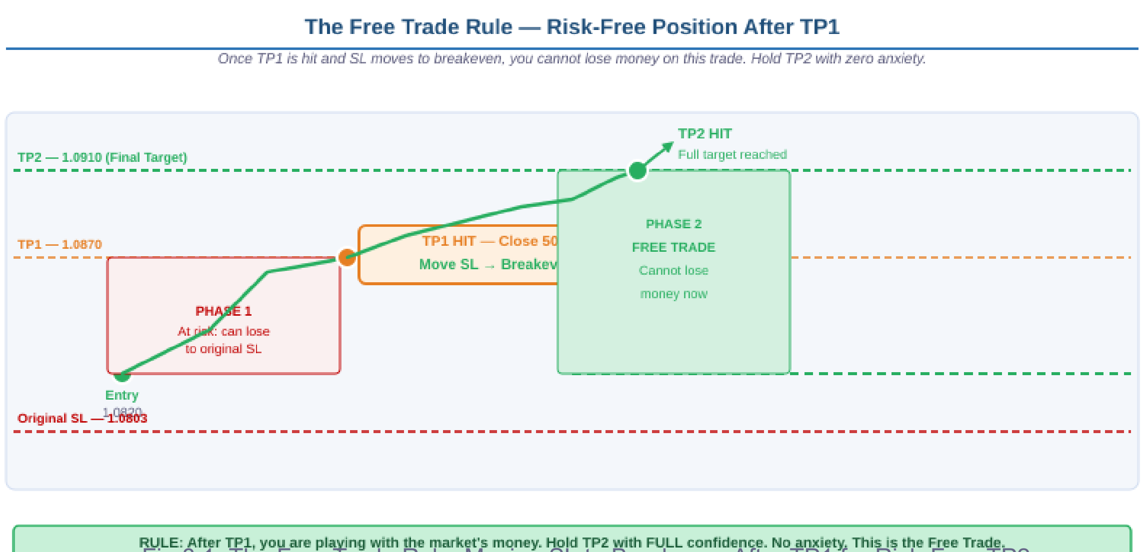

Fig 8.1: The Free Trade Rule: Moving SL to Breakeven After TP1 for Risk-Free TP2

The Three-Step Free Trade Sequence:

- Price reaches TP1 level: Close exactly 50% of your position. Do not negotiate with yourself; 50% closeoses, exactly, the moment TP1 price is reached.
- Immediately move SL to Breakeven: The stop loss moves from its original position (beyond the sweep low) to the entry price the moment TP1 is hit. No delay.
- Hold TP2 with zero anxiety: You are now in Phase 2 of the trade, the Free Trade. If price reverses and hits BE, you break even on the full trade. If price reaches TP2, you make the full profit on the remaining 50%.

> **THE FREE TRADE RULE**
> The Free Trade Rule solves the single most common trading problem: 'I always cut my winners too early'y.' You cut early because you fear giving back the profit. The Free Trade Rule removes that fear: the 50% profit from TP1 is already locked in. The remaining 50% cannot hurt you. Hold it.

8.3 Scaled Exit Example: EUR/USD Long

- Entry: 1.0820 (CE of M15 FVG). Full position: 0.5 lots.
- Stop Loss: 1.0803 (below Judas Swing low). Risk: 17 pips = $85.
- TP1: 1.0870 (PDH, nearest liquidity pool). RR: 2.94:1. On TP1 hit: close 0.25 lots (50%) = +50 pips = $125 profit. Move SL to 1.0820 (BE).
- TP2: 1.0910 (Equal Highs, next BSL pool). RR on remaining: 5.3:1. 0.25 lots = +90 pips = $225 profit.
- Worst case after TP1: price reverses to BE. Result = +$125 (TP1 profit only). Cannot lose original $85 risk.
- Best case (both TPs hit): $125 + $225 = $350 total. On $85 risk. Overall RR = 4.1:1.

SECTION 9 Risk/Reward and Position Sizing

9. Risk/Reward and Position Sizing

Risk/reward ratio and position sizing are the two most mathematically important concepts in all of trading. They determine whether a trader is profitable over time regardless of how good or bad their entries are. A trader with average entries but excellent risk management will outperform a trader with excellent entries but poor risk management every single time, over a large enough sample size.

9.1 The Risk/Reward Ratio

The risk/reward (RR) ratio expresses the potential profit relative to the potential loss on a single trade. A 3:1 RR means you stand to gain $300 for every $100 you risk.

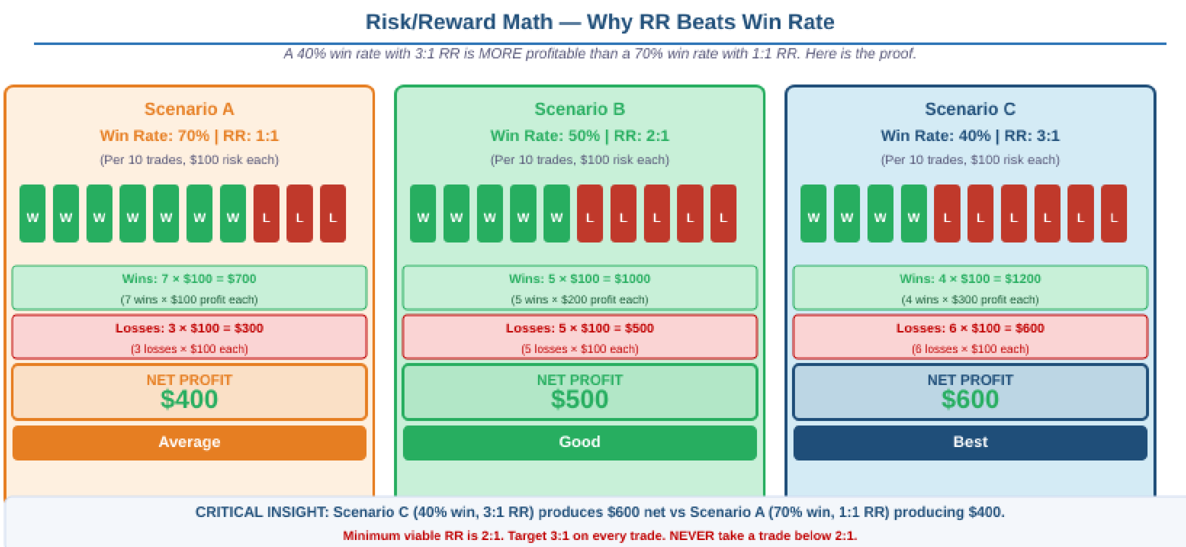

Fig 9.2: Risk/Reward Mathematics: Why 40% Win Rate at 3:1 Beats 70% Win Rate at 1:1

The table above proves mathematically that a 40% win rate at 3:1 RR ($600 net over 10 trades) outperforms a 70% win rate at 1:1 RR ($400 net). This is the most important table in this module. Understand it deeply before trading with real money.

9.2 Minimum RR Rules

Grade	Minimum RR	Reasoning
A-Grade setup	3:1 or better	Full position size demands maximum RR. If you cannot get 3:1 on an A-grade, reconsider the entry level.

Grade	Minimum RR	Reasoning
B-Grade setup	2:1 or better	Half size with 2:1 = positive expectation if win rate is reasonable.
Below 2:1	DISQUALIFIER: no trade	No setup, regardless of how good it looks, is worth taking below 2:1 RR.

9.3 Position Sizing: The Lot Size Formula

Position sizing is the most neglected risk management skill. Most beginners pick an arbitrary lot size (0.1 lots, 0.5 lots) without calculating how much of their account is at risk. This leads to one large loss destroying multiple previous small wins.

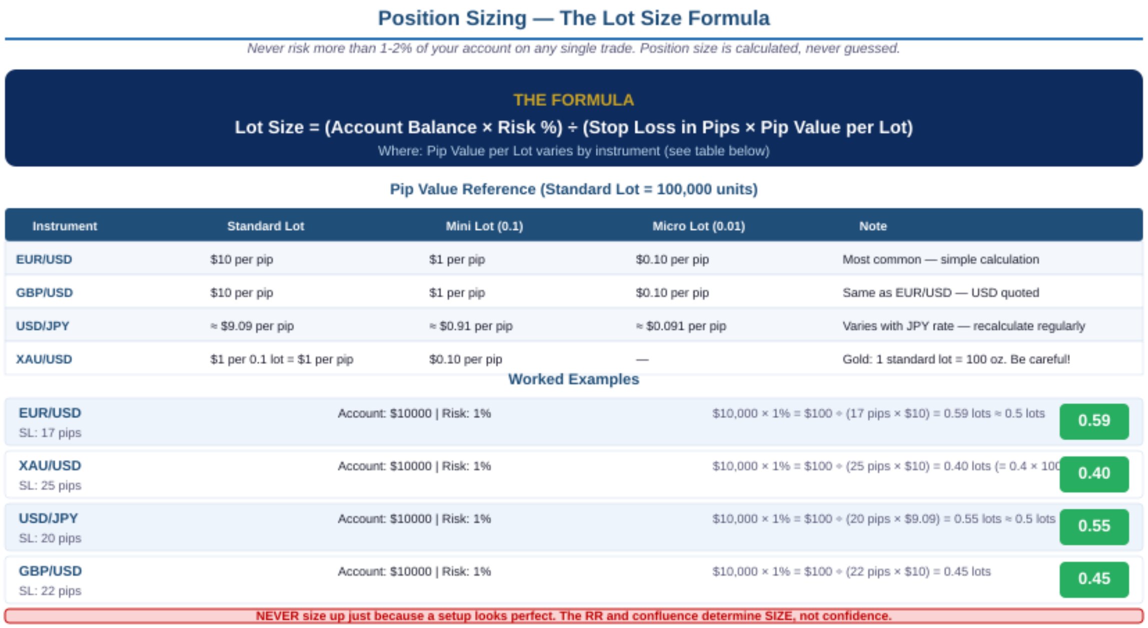

Fig 9.1: Position Sizing Formula: Lot Size Calculation for All Four Instruments

The Formula:

Lot Size = (Account Balance × Risk %) ÷ (Stop Loss in Pips × Pip Value per Lot)

Worked Example: Full Calculation:

Input	Value
Account Balance	$10,000
Risk Percentage	1% per trade
Dollar Risk	$10,000 × 1% = $100
Instrument	GBP/USD

Input	Value
Stop Loss Distance	22 pips (below swept low)
Pip Value (Standard Lot)	$10 per pip for GBP/USD
Calculation	$100 ÷ (22 pips × $10) = $100 ÷ $220 = 0.45 lots
Position Size	0.45 lots (round to 0.4 lots for clean sizing)
Maximum loss	0.45 lots × 22 pips × $10 = $99 ≈ 1% of account

9.4 Risk Percentage Guidelines by Account Stage

Stage	Max Risk per Trade	Reasoning
Learning (under 6 months)	0.25–0.5% per trade	Preserving capital while learning. A 20-trade losing streak loses only 5–10% of account.
Developing (6–18 months)	0.5–1% per trade	Consistent positive results over 50+ trades before increasing.
Consistent (18+ months)	1–2% per trade	Only after proven profitability over 6+ months with positive expectation.
Never exceed	2% per trade on any trade	Even the best setup can fail. No single trade should threaten your account.

POSITION SIZING RULE

Calculate your lot size before every single trade. Never enter without calculating. A trade with the correct direction, correct entry, and correct stop loss can still be catastrophic if sized incorrectly. A 20-pip SL at 5 lots on a $10,000 account is a 100% account wipe if all go wrong. Calculate first. Always.

SECTION 10 Trade Management: After You Are In

10. Trade Management: After You Are In

The moment you enter a trade, the analysis phase is over. Trade management begins. The primary objective of trade management is to protect capital first and maximise profit second. Most beginners do this in reverse: they try to maximise profit and barely think about protection. The result is a series of large losses interspersed with small wins.

10.1 The Trailing Stop: Using ICT Structure

In ICT methodology, the trailing stop moves with the structure of the trade: not by a fixed pip amount. As the trade moves in your favour, each new Higher Low (for longs) or Lower High (for shorts) provides the new stop loss level.

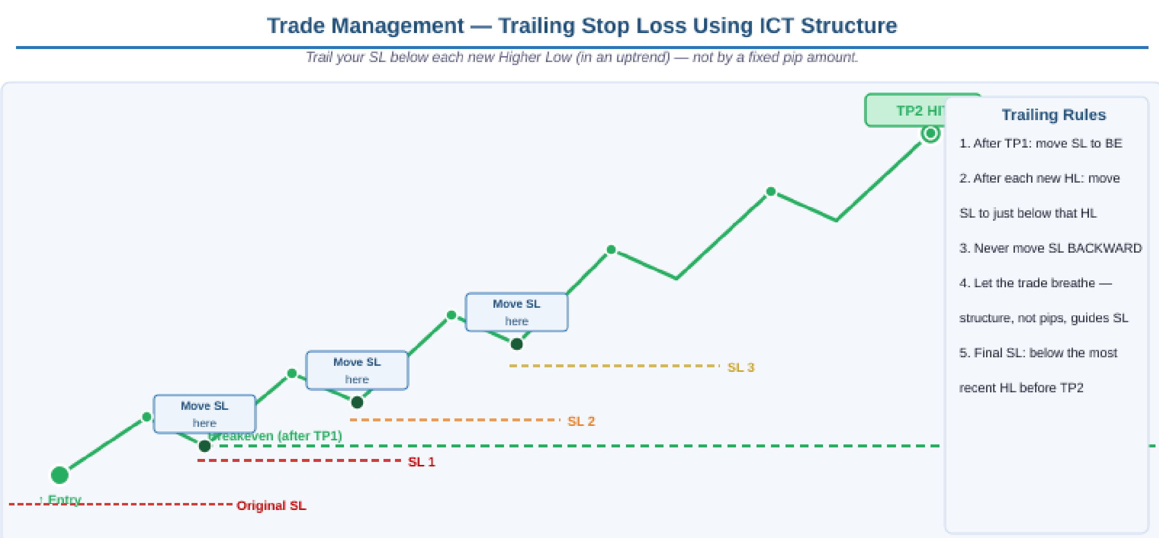

Fig 10.1: Trade Management: Trailing Stop Loss Using ICT Higher Low Structure

Trailing Stop Rules:

- After TP1: Move SL immediately to Breakeven. This is non-negotiable; it happens the moment TP1 is hitit.
- After each new confirmed Higher Low (long): Move SL to 3–5 pips below that Higher Low. The HL must be confirmed: not just a candle body, but a clear swing low with a higher close on the following candle.
- Never move SL backward: If you have trailed to a HL that is now 40 pips from price, do not move the SL back SL back down because 'price needs room.' The trailing SL is a ratchet: it only moves in the direction of the trade.

- Final SL: The stop at the most recent HL before TP2 is hit. If price reverses from the HL and takes out out the trailing stop, you exit with profit: the trail has protected gains.

10.2 When to Cut a Trade Early: Three Scenarios

Scenario	What You See	Action
Structural invalidation	Protected HL closes below (long) or LH closes above (short)	EXIT immediately; idea is dead. Do not wait for SL.
Adverse SMT divergence	EUR/USD long; GBP/USD starts making lower highs while EUR/USD is still rising	Tighten SL or exit 50%; something is wrong with the directional move.
Pre-news window	Tier 1 event in 15 minutes and trade is in profit	Take partial profit or full exit. Do not hold through Tier 1 data in profit; data can reverse 100 pipsips.

10.3 What Does NOT Invalidate a Trade

- Price retracing 50% of the move after entry: Normal; do not panic. If SL and structural invalidationn level are intact, hold.
- A bearish candlestick pattern forming mid-trade: Individual candle patterns do not override the trade plan.
- A news headline that sounds scary but is not Tier 1: Do not exit on noise. Tier 2 and Tier 3 events are already in the trade plan.
- The trade being in small drawdown after 2 hours: ICT setups can take time to develop. Patience within the plan is a skill.

TRADE MANAGEMENT MINDSET

Once in a trade: your only jobs are (1) manage the stop loss using structure, (2) execute the TP1/Free Trade Rule at the right level, and (3) monitor for genuine invalidation signals. Anything else is noise. Do not stare at the screen. Check every 30 minutes during the Kill Zone, then step away.

SECTION 11 **Multi-Instrument Confluence and the SMT Hard Rule**

11. Multi-Instrument Confluence and the SMT Hard Rule

No currency pair exists in isolation. EUR/USD is affected by DXY. GBP/USD is correlated with EUR/USD. USD/JPY inversely correlates with Gold. Every trade you take gains or loses credibility based on what correlated instruments are doing at the same time. Multi-instrument confluence is the professional's final filter before execution.

11.1 SMT Divergence as a HARD VETO

Smart Money Technique (SMT) Divergence was covered in depth in Module 4. In the context of trade planning, it operates as a hard veto rule: not merely a factor that reduces confidence, but a condition that CANCELS the trade entirely if it signals against you.

SMT Reading	Trade Decision
SMT CONFIRMS your trade (correlated pair also shows same directional signal)	PROCEED: add 1 point to confluence score. Highest conviction.
SMT NEUTRAL (correlated pair not giving a clear signal either way)	PROCEED with normal position size; no SMT bonus, no penalty.
SMT DIVERGES AGAINST your trade (correlated pair showing opposite signal)	HARD VETO: DO NOT ENTER. No exceptions. The divergence reveals that one market is being manipulated and you cannot determine which one in real time.

SMT HARD RULE

If EUR/USD makes a new lower low (bullish SMT setup) BUT GBP/USD is ALSO making lower lows and confirmingrming the bearish move: there is no SMT divergence. Do not invent divergence. The rule only applies when the correlated pair genuinely fails to confirm an extreme. When in doubt, wait for clarity.

11.2 Using All Four Instruments Together

When trading any of the four instruments, the other three provide context signals:

Your Instrument	Check This First	What You Are Looking For
EUR/USD	GBP/USD for SMT confirmation	Are they moving together or diverging? Divergence = manipulation signal.

Your Instrument	Check This First	What You Are Looking For
GBP/USD	EUR/USD for SMT (GBP often leads)	GBP/USD frequently shows the SMT divergence BEFORE EUR/USD; it is the leading indicator.
USD/JPY	XAU/USD (inverse) for SMT	Gold and JPY often both strengthen when USD weakens. Inverse divergence = USD move confirmation.
XAU/USD	USD/JPY (inverse) and DXY	DXY direction is the primary macro filter for all gold trades. Check DXY before every gold entry.

11.3 The Risk Sentiment Quick Check

Before any trade on any instrument, run a 30-second sentiment check:

- VIX: Above 25? Reduce all sizes. Above 30? Only A-grade setups at half size.
- S&P 500 direction: Sharply falling? Risk-off. USD/JPY may fall (carry unwind). Gold may spike.
- DXY: Is it breaking above or below a key level today? All USD pairs will be affected.
- Gold and DXY moving in same direction? Systemic stress signal; reduce ALL positions by 50%.

SECTION 12 **Pre-Trade Checklist and Trade Grading**

12. The Master Pre-Trade Checklist and Trade Grading System

The pre-trade checklist is the document you use before every single trade, without exception. It is designed so that a tired, stressed, or distracted trader can follow it without thinking. Each item is a binary YES or NO. If any item is NO in a category marked as mandatory, the trade does not happen. The checklist takes 90 seconds. Use it every time.

MASTER PRE-TRADE CHECKLIST: YES / NO ONLY		
STEP 1: MARKET STRUCTURE AND BIAS		
[ ]	Weekly structure is BULLISH or BEARISH (not ranging)	BOS confirmed on Daily or Weekly
[ ]	Bias score is 2/3 or 3/3	COT + Yield Spread + Structure aligned
[ ]	I can state my bias in one sentence	e.g. 'Bullish GBP/USD: BoE hawkish + yield spread + Daily HH/HL'
STEP 2: ENVIRONMENT FILTER		
[ ]	No Tier 1 event within 30 minutes of entry	Check calendar FIRST: hard stop
[ ]	Not NFP Friday before 9:00 AM EST	No exceptions
[ ]	Not FOMC decision or press conference window	Hard no-trade zone
[ ]	VIX below 25 OR position sized at 50% if above	Risk adjustment applied
[ ]	Not Q-end rebalancing week OR trading with awareness	Last 3–5 days of Mar/Jun/Sep/Dec
STEP 3: PREMIUM / DISCOUNT		
[ ]	For LONGS: entry is in DISCOUNT zone (below 50% / NYMO)	Never buy in premium
[ ]	For SHORTS: entry is in PREMIUM zone (above 50% / NYMO)	Never sell in discount
STEP 4: LIQUIDITY		
[ ]	Liquidity has been swept BEFORE my entry	Judas Swing / SSL or BSL sweep occurred
[ ]	I know the target liquidity pool above (long) or below (short)	PDH / EQH / PWH or PDL / EQL / PWL
STEP 5: ENTRY ZONE		
[ ]	A fresh OB or FVG exists at my entry zone	Not previously mitigated through
[ ]	Entry zone is at or within the 62–79% OTE zone	Fibonacci retracement confirmed
[ ]	Kill Zone is active or about to open	London 2–5 AM or NY 7–10 AM EST

STEP 6: TRIGGER CONFIRMATION		
[ ]	CHoCH confirmed on M15 or M5 BEFORE entry	Not entering on touch; waiting for CHoCH
[ ]	FVG formed by the displacement after CHoCH	CE calculated and entry placed there
STEP 7: SMT HARD FILTER		
[ ]	SMT check completed on correlated pair	EUR/USD vs GBP/USD or XAU/USD vs USD/JPY
[ ]	SMT is NOT diverging AGAINST my trade direction	If SMT vetoes: NO TRADE, no exceptions
STEP 8: RISK MANAGEMENT		
[ ]	Stop loss is placed beyond the swept liquidity level	Not inside the OB or at a round number
[ ]	Structural invalidation level identified and noted	The level that kills the idea before SL
[ ]	Position size CALCULATED using the formula	Account × Risk% ÷ (SL pips × pip value)
[ ]	RR ratio is 2:1 or better to TP1	No trade below 2:1. No exceptions.
[ ]	Trade grade assigned (A / B / C)	C-grade = no trade regardless of how good it looks

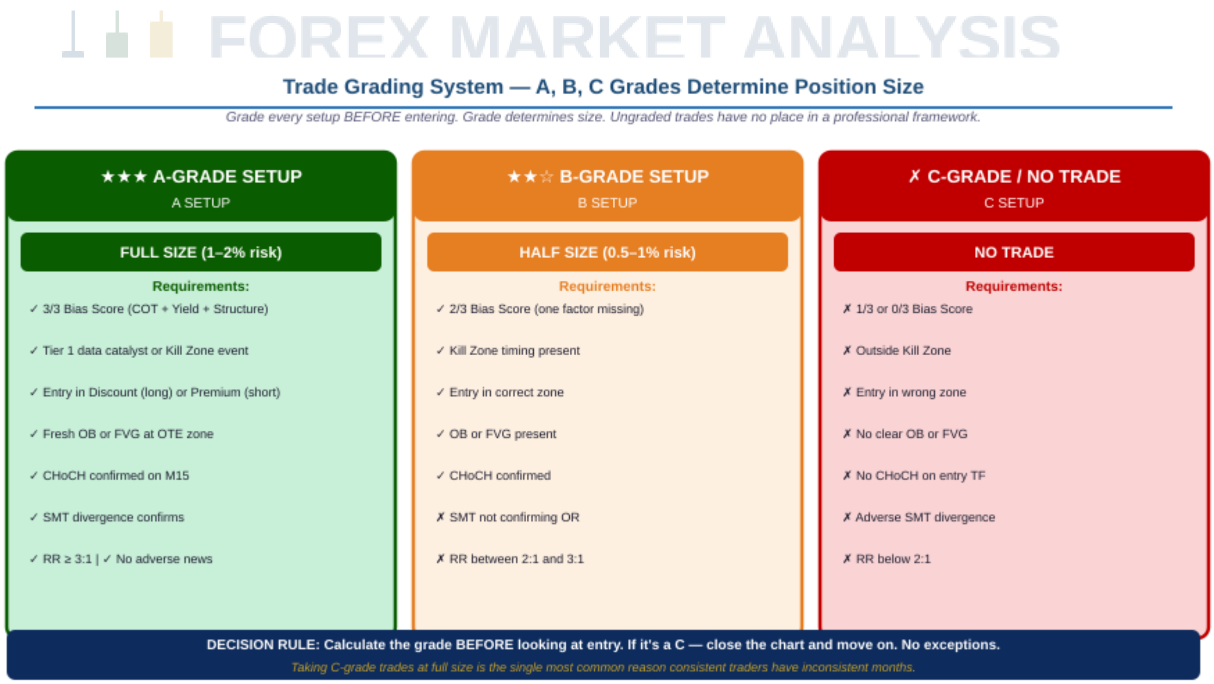

Fig 12.1: Trade Grading System: A, B and C Grade Criteria with Position Size Rules

12.1 The A/B/C Trade Grading Summary

Grade	Position Size	Requirements	Monthly Focus
A	Full (1–2% risk)	3/3 bias + Kill Zone + Discount/Premium + Fresh OB/FVG + CHoCH + SMT confirms + RR ≥ 3:1	Take every A-grade setup. These build the account.
B	Half (0.5–1% risk)	2/3 bias + Kill Zone + Zone correct + OB or FVG present + CHoCH + SMT neutral + RR ≥ 2:1	Take selectively; only when no A-grade is available.
C	NO TRADE	1/3 or lower bias OR SMT veto OR below 2:1 RR OR outside Kill Zone	Skip entirely. Looking at C-grades is a waste of time.

THE GRADING DISCIPLINE

Every month, calculate what percentage of your trades were A-grade, B-grade, and C-grade. A professional trader takes 70%+ A-grade trades. If you are taking more than 20% B-grade trades, you are being impatient. If you are taking any C-grade trades, you have a discipline problem. The journal tracks this: use it.

SECTION 13 **Trade Journalling**

13. Trade Journalling: The Most Underused Edge in Trading

The trade journal is the only tool that tells you the truth about your trading. Win rates, average RRR, grade distribution, best instruments, worst times of day: none of this is knowable without a journal. A trader without a journal is guessing at their own weaknesses. A trader with a detailed journal knows exactly what to improve and can measure whether the improvement is working.

13.1 The Journal Template

Use this template for every trade, filled in immediately before and after each trade closes. Do not fill it in from memory hours later.

TRADE JOURNAL ENTRY	
Date & Time	Instrument: Session: London / NY / PM
Trade Direction	LONG / SHORT Grade: A / B / C
PRE-TRADE ANALYSIS	
HTF Bias (D/W)	Bullish / Bearish: Reason: Score: ___ /3
COT Reading	Large Specs NET: Extreme? Y/N Direction:
Yield Spread	Spread favours: Widening / Narrowing / Flat
HTF Structure	BOS / CHoCH / Ranging Last major swing: High / Low
Premium / Discount	Premium / Discount / Neutral NYMO: Current Price:
Liquidity Context	BSL above at: SSL below at: Target:
SETUP DETAILS	
OB / FVG Level	Type: OB / FVG / BPR Level: Timeframe:
OTE Zone	62–79% zone between: and: CE at:
Kill Zone	London / NY / PM Event on calendar? Y/N Event:
No-Trade Filter	Tier 1 within 30 min? Y/N VIX: Q-end week? Y/N Summer? Y/N
ENTRY & RISK	
Entry Price	Entry: Trigger: CHoCH+FVG / OB Mitigation / Other:
Stop Loss	SL Price: Pips to SL: Type: Structural / Fixed
Invalidation Level	If price closes , idea is structurally dead; EXIT before SL
Position Size	Account: $ Risk %: Lot Size: $ at risk:
SMT Check	EUR/GBP or XAU/JPY confirms? Y/N Details:
RR Ratio	TP1: (RR: :1) TP2: (RR: :1)
OUTCOME	

Result	Win / Loss / Break-even P&L: $ Pips:
TP1 Hit?	Yes / No SL moved to BE? Yes / No TP2 Hit? Yes / No
Exit Reason	TP reached / SL hit / Structural invalidation / Manual / News
REVIEW (Complete after trade closes)	
What went right	
What went wrong	
Was the grade correct?	Was this truly an A/B grade or did I force it? Honest assessment:
Screenshots taken	HTF Context (D/W): Y/N Setup Zone (H4/H1): Y/N Entry (M15/M5): Y/N
Improvement note	One thing I will do differently next time:

13.2 The Three Screenshot Rule

Every trade journal entry must include three screenshots, taken at the time of the trade, not reconstructedstructed after. This is non-negotiable because a trade that looks obvious in hindsight often looked ambiguous in real time. The screenshots capture that reality.

Screenshot	Timeframe	What to Capture
Screenshot 1: HTF Context	Daily or Weekly	The overall trend, the liquidity pools, the dealing range, and the reason for the directional bias. This is the 'why I was in this trade' screenshot.
Screenshot 2: Setup Zone	H4 or H1	The OB, FVG, OTE zone, and the price approaching the setup area. Taken before entry.
Screenshot 3: Entry and Exit	M15 or M5	The CHoCH, the FVG, the CE entry, stop loss level, and the eventual outcome. Taken after the trade closes.

THE MOST IMPORTANT SCREENSHOT

Screenshot 1 (HTF Context) is the most important and the most commonly skipped. Most traders only screenshot their M1 entry. A month later, when they review their journal, they have no idea why they were in the trade. The HTF context screenshot is the memory of the trade. Never skip it.

13.3 Weekly Journal Review Protocol

Every Sunday evening, before running the new week's bias analysis, spend 20–30 minutes reviewing the past week's trades. Use these five questions:

- What was my A/B/C grade distribution this week? Was I disciplined or impatient?
- Did I follow the checklist on every trade, or did I skip steps? Which steps?
- What was my average actual RR vs planned RR? Am I cutting winners too early?
- Were there any structural invalidation events I caught early? Any I missed?
- What is the single most important thing I can improve next week? Write it down.

13.4 Monthly Performance Metrics

Track these metrics monthly. Review them quarterly to identify trends:

- Win rate percentage (wins ÷ total trades)
- Average RR on winning trades
- Average RR on losing trades (should be below 1:1; you should never lose more than you planned)
- A/B/C grade distribution
- Performance by instrument (which pair makes money, which loses?)
- Performance by Kill Zone (London vs NY vs PM; where is the edge?)
- Drawdown: maximum consecutive losses and maximum account drawdown percentage

SECTION 14 Four Sample Trade Setups

14. Four Sample Trade Setups: Full Framework Applied

The following four trade setups each demonstrate the complete top-down framework applied to a specific instrument. Each setup follows the same process: bias → environment filter → setup zone → trigger → invalidation → risk management → outcome. Study the process, not the result.

14.1 EUR/USD Long: London Kill Zone

Step	Detail
Bias Score	3/3 Bullish; Large Specs covering extreme EUR short (COT), US-EU yield spread narrowing (EUR advantage)age building), Daily Bullish BOS on Tuesday confirmed.
Environment Filter	No Tier 1 events scheduled at London open. VIX at 14 (calm). Not Q-end week. All clear.
HTF Context	Daily: Bullish BOS sequence, HH/HL intact. Daily FVG between 1.0835–1.0855. Price retracing after Tuesday BOS. NYMO at 1.0840: current price 1.0820 = Discount.
Setup Zone	H4: Bullish OB at 1.0818–1.0825 (last bearish H4 candle before Tuesday's BOS). Coincides with 69% OTE of the recent swing. FVG overlapping at 1.0820–1.0830. SSL below at 1.0808 (Equal Lows from 3 days).
Kill Zone	London Kill Zone. Expected AMD: Asian range 1.0818–1.0842. Judas Swing: drop below Asian Low (1.0818) to sweep SSL at 1.0808.
Trigger	London opens. Price drops to 1.0806 sweeping SSL (Judas Swing). M15 Bullish CHoCH forms at 1.0815. Displacement candle leaves M15 FVG: 1.0810–1.0820. CE at 1.0815.
SMT Check	GBP/USD: makes Higher Low at London open when EUR/USD makes lower low. Bullish SMT divergence confirmed. A-grade upgrade.
Entry	Buy at CE: 1.0815. Grade: A.
Stop Loss	1.0800 (5 pips below SSL sweep low at 1.0806). Distance: 15 pips.
Invalidation Level	Close below 1.0806 (the Judas Swing low) = idea is structurally dead. Exit before SL.
Position Size	$10,000 account, 1% risk = $100. $100 ÷ (15 pips × $10) = 0.67 lots (use 0.6 lots).
TP1	PDH at 1.0865 = 50 pips. RR = 3.3:1. Close 0.3 lots (+$150). Move SL to BE (1.0815).
TP2	BSL above Equal Highs at 1.0910 = 95 pips. RR on remaining = 6.3:1. Close 0.3 lots (+$285).
Total P&L	$150 + $285 = $435 on $100 risk. Overall RR = 4.35:1. A-grade result.

14.2 GBP/USD Short: New York Kill Zone

Step	Detail
Bias Score	2/3 Bearish; US/UK yield spread widening in USD favour (Factor 2 bearish), Daily Bearish BOS confirmedmed LH/LL (Factor 3 bearish). COT neutral: not at extreme (Factor 1 neutral).
Grade	B-Grade from the start; half size only.
Environment Filter	UK CPI released at 2:00 AM (beat forecast; GBP initially rallied). No further Tier 1 events until nextext day. VIX 16. Clear for NY session.
HTF Context	Daily: Bearish BOS, LH/LL sequence. Daily Bearish OB at 1.2750–1.2770 (last bullish Daily candle before the bearish impulse). Price rallied post-UK CPI into this OB zone.
Setup Zone	H4: Bearish OB at 1.2758–1.2768. FVG above: 1.2762–1.2775. OTE zone: 67% of recent bearish swing lands at 1.2760. Price is in Premium zone (above NYMO). BSL swept above PDH (1.2780) by the CPI spike.
Kill Zone	New York Kill Zone (7–10 AM EST). BSL sweep occurred at 2:30 AM London (CPI reaction). Retracement back into Bearish OB expected during NY session.
Trigger	NY opens. Price retraces to 1.2762 (inside Bearish OB). M15 Bearish CHoCH forms. Bearish M15 FVG: 1.2770–1.2778. CE at 1.2774.
SMT Check	EUR/USD: making lower high simultaneously. Bearish SMT confirms. Grade upgrades to A-grade; increasee to full size.
Entry	Sell at CE: 1.2774. Grade upgraded to A (SMT confirmation). Full size.
Stop Loss	1.2788 (above BSL sweep high at 1.2782 + 6 pip buffer). Distance: 14 pips.
Invalidation Level	Close above 1.2782 (BSL sweep high) = setup structurally invalid. Exit before SL.
TP1	PDL at 1.2720 = 54 pips. RR = 3.86:1. Close 50% (+profit). Move SL to BE.
TP2	Equal Lows (SSL) at 1.2665 = 109 pips. RR = 7.8:1 on remaining position.

14.3 USD/JPY Long: New York Kill Zone (8:30 AM Data)

Step	Detail
Bias Score	3/3 Bullish USD/JPY; US yields rising faster than Japan yields, spread widening (Factor 2). Daily BOSullish BOS (Factor 3). COT: Large Specs growing NET LONG JPY shorts = bullish USD/JPY (Factor 1).
Environment Filter	US NFP scheduled Friday 8:30 AM EST. Today is Wednesday; ADP at 8:15 AM EST (Tier 2). VIX 15. Tradeable plan: watch NY Kill Zone, be out 15 min before ADP.
Setup Zone	H4: Bullish OB at 148.20–148.45 (last bearish H4 candle before Monday's bullish BOS). FVG: 148.30–148.50. OTE 71% lands at 148.38. SSL below at 148.10 (Equal Lows from 2 days). NYMO: 148.55: current price 148.25 = Discount.
ADP Release (Tier 2)	ADP: 185K (vs forecast 170K) = mild USD beat. USD/JPY spikes to 149.10 then retraces. Spike created a a Bearish FVG above: potential future target. Retracement begins at 8:25 AM.

Step	Detail
Trigger	M15 CHoCH bullish at 148.40 after retracement. M15 FVG: 148.32–148.44. CE at 148.38. Kill Zone active (8:00–10:00 AM EST).
SMT Check	XAU/USD (inverse): Gold falling while USD/JPY rising; normal inverse relationship. No adverse divergencegence. Proceed.
Entry	Buy at CE: 148.38. Grade: A.
Stop Loss	148.05 (5 pips below SSL at 148.10). Distance: 33 pips.
Position Size	$10,000, 1% risk = $100. Pip value USD/JPY ≈ $9.09/pip. $100 ÷ (33 × $9.09) = 0.33 lots.
TP1	PDH at 149.20 = 82 pips. RR = 2.5:1. Close 50%. Move SL to BE.
TP2	BSL above Equal Highs at 149.85 = 147 pips. RR = 4.5:1.

14.4 XAU/USD (Gold) Long: London Kill Zone

Step	Detail
Bias Score	3/3 Bullish Gold; US real yields falling (Factor 2: nominal yields flat, PCE falling = real yield falling)alling). Daily Bullish BOS on gold (Factor 3). COT: Large Specs growing NET LONG gold futures (Factor 1).
Macro Check	DXY: Daily Bearish OB resistance holding. USD weakening = gold bullish. CME FedWatch: 65% probability of rate cut next meeting (dovish signal = gold bullish).
Environment Filter	No Tier 1 USD events today. VIX 13. Not Q-end. Full trading conditions.
Setup Zone	H4: Bullish OB at $1,918–$1,926 (last bearish H4 candle before the $45 rally that created a Bullish BOS). FVG overlapping: $1,920–$1,928. OTE 68% of recent swing = $1,922. SSL below at $1,908 (Equal Lows). Price in Discount (below NYMO $1,935).
Kill Zone	London Kill Zone (2–5 AM EST). Asian range: $1,918–$1,932. Judas Swing target: SSL at $1,908.
Trigger	London opens. Gold drops sharply to $1,905; sweeping SSL (Judas Swing). M15 Bullish CHoCH at $1,912. M15 FVG: $1,909–$1,918. CE at $1,913.
SMT Check	USD/JPY (inverse): makes a higher high when gold makes lower low at London open. Bullish Gold SMT divergence confirmed. A-grade confirmed.
Entry	Buy at CE: $1,913. Grade: A.
Stop Loss	$1,902 ($3 below SSL sweep at $1,905). Distance: $11 (110 pips).
Position Size	$10,000, 1% = $100. Gold pip value at 0.1 lots = $1/pip. $100 ÷ (110 × $1) = 0.91 lots. Use 0.9 lots.
Invalidation Level	Close below $1,905 (sweep low) = structurally invalid. Exit before SL.
TP1	PDH at $1,950 = $37 move. RR = 3.4:1. Close 0.45 lots (+$1,665... wait, recalc: 0.45 lots × 370 pips × $1/pip = $166.50). Move SL to BE.
TP2	BSL above Equal Highs at $1,975 = $62 move. RR = 5.6:1 on remaining 0.45 lots.

SECTION 15 **Common Confluence Mistakes**

15. Common Confluence Mistakes: The Five Most Costly Errors

Understanding the right process is only half the battle. The other half is avoiding the specific ways that process breaks down under pressure. These five mistakes are made by almost every trader at some point. The difference between a trader who learns from them and one who keeps repeating them is whether they are logged in the journal.

15.1 Mistake 1: Confirmation Bias

Definition: Looking for reasons to confirm a trade you already want to take, rather than running the process objectively.

- What it looks like: You decide EUR/USD is going up based on a chart pattern you like. You then selectivelytively check COT, yield spread, and structure: only remembering the ones that confirm your view and dismissing the ones that do not.
- Why it is dangerous: Confirmation bias masquerades as confluence. You have five factors that agree; but they agreed because you chose only the agreeing ones. The true probability of your trade is the same as if you had one factor.
- How to prevent it: Run the bias scoring process BEFORE looking at any entry-level chart. Score COT, yield spread, and structure independently, in that order. Write the score down. Only then look at H4/H1.

15.2 Mistake 2: Confluence Paralysis

Definition: Waiting for all possible factors to align simultaneously, resulting in no trades ever being taken.

- What it looks like: The trader requires 7/7 factors to align, SMT confirmation, a specific candlestick pattern, the moon phase, and then wonders why they have only taken 3 trades in two months.
- Why it is dangerous: A 3/3 bias score with a confirmed trigger is a sufficient edge. Over-filtering removes trades with genuine probability and produces under-trading, which is as harmful as over-trading.
- How to prevent it: Define your minimum standard clearly (A-grade = 5/5 checklist items + grade confirmed). Take every A-grade setup. Take selective B-grade setups. No more, no less.

15.3 Mistake 3: Ignoring Structural Invalidation

Definition: Knowing the invalidation level exists but not acting on it when it is hit, hoping the trade will 'come back.'

- What it looks like: Price closes below the protected Higher Low. You know this invalidates the trade. But the setup looked so good, and you are down only 8 pips. You wait. Price continues lower and hits the full stop loss.
- Why it is dangerous: Structural invalidation exists to save you from full stop losses. Every time you ignore it, you are paying 5–15 extra pips to 'hope.' Over a full year of trading, those pips become account-destroying.
- How to prevent it: Write the structural invalidation level in the journal BEFORE entering. When it is breached, the journal is your accountability partner. Close the trade.

15.4 Mistake 4: Trading Outside Kill Zones

Definition: Taking ICT setups that form outside the London or New York Kill Zone windows.

- What it looks like: A beautiful M15 CHoCH and FVG forms at 11:30 PM EST (Asian session). It ticks every other box. You enter.
- Why it is dangerous: The Asian session does not have the institutional order flow that validates ICT setups patterns. What looks like a CHoCH + FVG setup in the Asian session is frequently just noise in a low-liquidity environment: it will often retrace further or reverse completely before the real directional move begins at London open.
- How to prevent it: Add the Kill Zone filter as a hard rule on the checklist. If the Kill Zone checkboxox is NO, the trade does not happen. A setup that forms outside the Kill Zone is not a B-grade: it is a C-grade by definition.

15.5 Mistake 5: Chasing Missed Entries

Definition: Entering a trade after missing the optimal entry because price has already moved significantly in the expected direction.

- What it looks like: You identified the perfect A-grade setup in EUR/USD. The CE entry was at 1.0815. You were busy when the Kill Zone opened. You return to the screen to find price is now at 1.0860. You enter here anyway because 'the setup was valid.'
- Why it is dangerous: The RR of a chased entry is almost always below 2:1. The optimal entry at 1.0815 had 15 pips of risk to a clean SL. Entering at 1.0860 means either taking a 60-pip SL (disproportionate) or a 15-pip SL that is nowhere near a structural level.
- How to prevent it: A missed entry is not a loss. There will always be another setup. The rule is simpleple: if price has moved more than 50% of the planned trade distance without your entry, the trade is missed. Mark it in the journal as 'missed: would have been X pips.' Then move on.

> **THE FINAL RULE**
>
> Every mistake in this section comes down to one thing: breaking the process under emotional pressure. The checklist exists precisely for this moment: when you want to bend the rules because 'this one looks different.' It never looks different. Run the checklist. Follow the grade. Protect the process.

Module 6 Glossary: Trade Planning Terms

Term	Definition
A-Grade Setup	A trade scoring full marks on the bias (3/3), environment filter (clear), checklist (all Yes), and SMT (confirming). Maximum position size. Highest probability.
ATR	Average True Range. Measures average daily or session volatility. Used to ensure stop loss distances are appropriate for current market conditions.
B-Grade Setup	A trade scoring 2/3 on bias with all other checklist items met. Half position size. Good probability but not maximum.
Bias Score	The weighted 0–3 score combining COT positioning, yield spread direction, and HTF price structure. Determines trade direction and maximum position size.
Breakeven (BE)	Moving the stop loss to the exact entry price. The worst outcome is a break-even trade: no profit, no loss.
C-Grade Setup	A trade with 1/3 or lower bias, adverse SMT, below 2:1 RR, or outside Kill Zone. Not tradeable. Always skip.
Confluence	The alignment of multiple independent analysis factors all pointing to the same trade conclusion.
Confirmation Bias	The cognitive error of selectively seeking information that confirms a trade idea already formed, while ignoring contradicting signals.
Free Trade Rule	The mechanism of closing 50% of a position at TP1 and moving the stop to breakeven, making the remaining position risk-free.
Lot Size Formula	Lot Size = (Account Balance × Risk %) ÷ (SL in Pips × Pip Value per Lot). Calculates exact position size for any instrument.
No-Trade Filter	The set of environmental conditions (Tier 1 events, VIX level, Q-end, summer) that suspend trading regardless of setup quality.
Position Sizing	Calculating the exact lot size for each trade based on account balance, risk percentage, stop loss distance, and pip value.
Risk/Reward (RR)	The ratio of potential profit to potential loss on a trade. Minimum 2:1 for B-grade, 3:1 for A-grade.
Setup Zone	The specific price area on the chart where multiple confluence factors (OB, FVG, OTE, liquidity, premium/discount) stack together.
SMT Hard Veto	The rule that adverse SMT divergence cancels a trade entirely: regardless of all other factors. No exceptions.
Structural Invalidation	The specific price level (a protected swing high or low) whose violation proves the trade idea is wrong: used to exit before the stop loss.
Three Screenshot Rule	The requirement to capture three screenshots per trade: HTF context (Daily/Weekly), Setup Zone (H4/H1), and Entry/Exit (M15/M5).
Trailing Stop	Moving the stop loss to below each new Higher Low (long) or above each Lower High (short) as the trade progresses, locking in gains.

Module 6 Quiz: 20 Questions

Circle the correct answer. Answers and explanations on the final page.

Q1. A trader has a 3/3 bias score, a clean A-grade setup, and a 3:1 RR. However, the SMT check shows GBP/USD making a lower high while they want to go long EUR/USD (SMT adverse). What should they do?

A) Enter at half size: the other factors override the SMT
B) Skip the trade: SMT adverse divergence is a HARD VETO with no exceptions
C) Wait until the next day and re-check SMT
D) Enter full size: 3/3 bias outweighs SMT

Q2. NFP is scheduled for Friday 8:30 AM EST. A beautiful EUR/USD long setup forms at 8:00 AM with a confirmed M15 CHoCH and a fresh FVG. What is the correct action?

A) Enter immediately: the setup is A-grade and should not be missed
B) Enter at half size: the setup is good but news is nearby
C) DO NOT ENTER: Tier 1 event within 30 minutes triggers the No-Trade filter. Wait for the post-NFP FVG instead
D) Enter and place an extra-wide stop loss to survive the news spike

Q3. The lot size formula is: Lot Size = ?

A) Account Balance × Risk % × Pip Value
B) (Account Balance × Risk %) ÷ (Stop Loss in Pips × Pip Value per Lot)
C) Stop Loss in Pips × Account Balance
D) Risk % ÷ (Account Balance × Stop Loss)

Q4. A trader's account is $5,000. They risk 1%. Stop loss is 20 pips on EUR/USD (pip value $10). What is the correct lot size?

A) 0.50 lots
B) 0.25 lots
C) 1.00 lot
D) 0.10 lots

Q5. The structural invalidation for a LONG trade occurs when:

A) Price touches the stop loss level
B) A bearish candlestick pattern appears on the M15 chart
C) A candle BODY closes below the Higher Low that was formed after the SSL sweep (Judas Swing)
D) Price retraces 50% from entry

Q6. The Free Trade Rule states that after TP1 is hit, you should:

A) Close the entire position and take the profit
B) Close 50% of the position AND immediately move SL to breakeven on the remaining 50%
C) Move SL tighter by 10 pips to protect profit
D) Do nothing: let the full position run to TP2

Q7. A trader scores their bias at 1/3 (only HTF structure aligns, COT neutral, yield spread against). What should they do?

A) Take the trade at quarter size: 1/3 is still positive
B) Take the trade but use a wider stop loss for protection
C) NO TRADE: 1/3 is a C-grade. Sit out and wait for 2/3 alignment minimum
D) Trade the opposite direction since two factors suggest against

Q8. Which timeframe is used ONLY for execution (entry and stop placement) and NEVER for determining directional bias?

A) H4
B) H1
C) M15 and M5
D) Daily

Q9. The three screenshots required in every journal entry are:

A) Entry candle, stop loss level, take profit level
B) HTF Context (Daily/Weekly), Setup Zone (H4/H1), and Entry/Exit (M15/M5)
C) Pre-trade plan, during trade, post-trade outcome
D) COT chart, yield spread chart, and price chart

Q10. A trade has: 3/3 bias, Kill Zone timing, OB in Discount, CHoCH confirmed, SMT confirms. The RR to TP1 is 1.7:1. What grade is this trade?

A) A-grade: all other factors are perfect
B) B-grade: the RR reduces it by one grade
C) C-grade: RR below 2:1 is a DISQUALIFIER regardless of other factors
D) A-grade: RR of 1.7:1 is close enough to 2:1

Q11. A trader is in a long EUR/USD trade. Price has reached a new Higher Low and the trader has trailed the SL below it. Suddenly, the HL is broken by 2 pips on a wick but closes above it. What should the trader do?

A) Exit immediately: the HL was violated
B) Do nothing: the invalidation requires a candle BODY close below the HL, not just a wick
C) Move SL 10 pips lower to give the trade more room
D) Close half the position as a precaution

Q12. A beautiful GBP/USD short setup forms at 11:30 PM EST during the Asian session, outside any Kill Zone. Every other checklist item passes. What grade is this trade?

A) A-grade: all factors except timing are perfect
B) B-grade: the timing reduces it by one grade
C) C-grade: outside Kill Zone is a checklist failure. Kill Zone is mandatory.
D) A-grade: the Asian session is a valid trading window

Q13. A trader has a winning EUR/USD long trade. Price reaches TP1 (+50 pips). They move SL to BE. Price then rallies to TP2 (+90 pips) and they close the remaining 50%. What is their overall RR on the full trade if original risk was 15 pips?

A) 3.3:1
B) 6.0:1
C) 4.7:1 (blended: 50% at 3.3:1 and 50% at 6.0:1)
D) Cannot calculate without knowing position size

Q14. In the Weighted Bias Scoring system, a 2/3 score means:

A) Trade full size in the direction of the two aligning factors
B) Do not trade: only 3/3 justifies a trade
C) Trade at half position size (0.5–1% risk): valid edge but not maximum conviction
D) Trade in the direction of whichever two factors align

Q15. The primary purpose of tracking A/B/C grade distribution in the journal monthly is:

A) To determine which grade has the highest win rate
B) To identify whether the trader is being disciplined (70%+ A-grade) or impatient (too many B/C trades)
C) To calculate the average RR across all trade grades
D) To compare performance across different instruments

Q16. A trader misses the perfect EUR/USD entry at the CE of 1.0815. By the time they return to their screen, price is at 1.0860. The original RR was 3:1. What should they do?

A) Enter at 1.0860: the setup is still valid
B) Enter at 1.0860 but use a wider stop
C) Do NOT enter: the trade is missed. Moving more than 50% of the planned trade distance without entry = opportunity missed. Log it and move on.
D) Wait for price to retrace to 1.0840 and enter there

Q17. The Three Screenshot Rule requires the HTF Context screenshot because:

A) It is the most aesthetically interesting screenshot to review
B) Without it, a trader reviewing the journal a month later has no idea WHY they were in the trade: only that they were. The entry screenshot alone tells you nothing about the reasoning.
C) The Daily chart always shows the best entry level
D) The broker requires it for record-keeping

Q18. During the last week of September, a trader sees a B-grade USD/JPY setup. The setup passes all checklist items. Should they take it?

A) Yes: B-grade trades should always be taken

B) Yes at full size: September is historically active

C) With caution: last week of September is Q3-end rebalancing. Trade with awareness, do not add new positions late in the week, and do not add to positions.

D) No trades allowed in the last week of any quarter

Q19. A 40% win rate with 3:1 RR produces what net result over 10 trades with $100 risk each?

A) $200 net profit

B) $400 net profit

C) $600 net profit

D) Breakeven

Q20. A GBP/USD long trade is open and price is in profit by 35 pips. A UK political crisis news headline appears (not a scheduled Tier 1 event, just headline news). The setup structure is intact. What should the trader do?

A) Exit immediately: any news is dangerous

B) Continue managing the trade according to the plan. Unscheduled non-Tier-1 headlines are noise. Only exit if the structural invalidation level is hit or a Tier 1 event is now imminent.

C) Close 50% immediately as a precaution

D) Widen the stop loss by 20 pips to account for uncertainty

Quiz Answer Key

Q	Answer	Explanation
Q1	B	SMT adverse divergence is a HARD VETO in the trade planning framework. It cancels the trade entirely: no exceptions, no partial entries. The other factors do not override it.
Q2	C	Tier 1 event within 30 minutes triggers the No-Trade filter. This is a hard rule on the checklist. Enter the post-NFP FVG instead: that is the actual trade.
Q3	B	Lot Size = (Account Balance × Risk %) ÷ (Stop Loss in Pips × Pip Value per Lot). Dollar risk divided by total dollar value of the stop loss distance.
Q4	B	$5,000 × 1% = $50. $50 ÷ (20 pips × $10) = $50 ÷ $200 = 0.25 lots.
Q5	C	Structural invalidation = candle BODY closes below the HL formed after the Judas Swing SSL sweep (for longs). Not a wick, not touching the level: a body close.
Q6	B	The Free Trade Rule: close exactly 50% at TP1 AND immediately move SL to breakeven on the remaining 50%. Both actions happen simultaneously at TP1.
Q7	C	1/3 bias score = C-grade = NO TRADE. Minimum threshold for any trade is 2/3. Trading on 1/3 alignment is guessing, not trading with edge.
Q8	C	M15 and M5 are execution timeframes ONLY. Used for CHoCH, FVG, CE entry, and stop placement. NEVER used to determine whether to trade or which direction.
Q9	B	The Three Screenshot Rule: HTF Context (Daily/Weekly) for the 'why,' Setup Zone (H4/H1) for the 'where,' Entry/Exit (M15/M5) for the 'how.' Three distinct perspectives.
Q10	C	RR below 2:1 is a disqualifier on the checklist. It makes the last item NO, which is a C-grade regardless of all other factors. Never trade below 2:1 RR.
Q11	B	Structural invalidation requires a CANDLE BODY close below the HL: not a wick. A 2-pip wick through the level that closes above it is noise. The trade is still valid.
Q12	C	Kill Zone is a mandatory checklist item. Outside Kill Zone = checklist item fails = C-grade. The Asian session does not have the institutional flow to validate ICT patterns.
Q13	C	50% closed at 3.3:1 (50 ÷ 15), 50% closed at 6.0:1 (90 ÷ 15). Blended: (3.3 + 6.0) ÷ 2 = 4.65:1 ≈ 4.7:1 overall. The Free Trade Rule dramatically improves blended RR.
Q14	C	2/3 = B-grade = half position size (0.5–1% risk). Valid edge but not maximum conviction. Trade smaller to reflect the missing factor.
Q15	B	The A/B/C distribution reveals discipline. A professional should be 70%+ A-grade. More than 20% B-grade means impatience. Any C-grade means discipline failure.
Q16	C	If price has moved more than 50% of the planned trade distance without your entry, the trade is missed. Chasing at 1.0860 gives a worse RR and a structurally unsound stop. Log it and wait for the next setup.
Q17	B	The HTF screenshot captures WHY you were in the trade. Without it, the M15 entry screenshot is meaningless in review: you cannot reconstruct the reasoning. The HTF context IS the trade thesis.
Q18	C	Q-end rebalancing weeks (last week of Mar/Jun/Sep/Dec) require awareness, not avoidance. The filter says trade with awareness: do not add new positions late in the week, but existing setups in early week can proceed.

Q	Answer	Explanation
Q19	C	40% win rate over 10 trades = 4 wins × $300 profit (3:1 RR) = $1,200 gross. 6 losses × $100 = $600 gross loss. Net = $1,200 − $600 = $600 profit.
Q20	B	Unscheduled, non-Tier-1 news headlines are noise. The trade plan accounts for structural moves. Continue managing according to plan. Only exit if structural invalidation is hit, the setup genuinely fails, or an actual Tier 1 event now becomes imminent.

MODULE COMPLETION: Trade Planning and Confluence

Congratulations on completing Module 6: Trade Planning and Confluence.

Recommended quiz score before proceeding: 17/20 or higher.

If you scored below 15/20, review Sections 6 (structural invalidation), 9 (position sizing), 12 (checklist and grading), and 15 (common mistakes).

This module is the bridge between studying and trading. Every concept from Modules 1–5 now has a place in the process. Use the checklist on every trade. Keep the journal on every trade. Grade every setup before entry.

Next: Module 7: Risk Management and Trading Psychology

Next: Module 7: Risk Management and Trading Psychology

Forex Market Analysis: Complete Study Program | Module 6 of 7