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Directional Bias Explained - Thread

1. What is DB?
- explicit expectation of a direction in the market
- probability enhancer; longs superior success rate in bullish DB, shorts superior success rate in bearish DB
- helps improve target selection & trade management (confluent with DB)

2. Constant vs. Situational DB
Constant DB = trading system virtually always offers a
directional preference (deriving price from moving average)
Situational DB = ts only offers a directional bias under specific circumstances (price decisively closes below a daily support)

3. Affect of DB on Trade Selection & Trade Management
- long when DB bullish; short when DB bearish
- disallow all trades against DB unless there are extremely unusual circumstances (sig. news, tremendous R:R)
- helps silence intraday noise
- adjust TP when DB is strong

4. Affect of DB II
A. Target should be derived from high time frame charts (not intraday)
B. Intraday trouble areas (ITA) still useful for trade management (adjusting stop loss etc.)
C. ITA anticipated to fail as DB unfolds
D. broken ITA provides excellent compounding opp.

5. Tools to derive DB
- moving average crossover
- price relative to moving average/ trend tools

--> all work best in trending conditions, otherwise might provide false signals
--> no perfect tool
--> clear understanding of price action and market structure vital to success

6. Market Structure (will make own thread eventually)
HTF shifts in market structure often cause trending environments & set clear DB bias

- formation of higher high (HH) --> bullish DB (buy dips)
- formation of lower low (LL) --> bearish DB (sell rallies)

7. Support/ Resistance Structure Break
- price breaking sig. resistance or support offers clear DB
--> price closing below HTF support/ above HTF resistance
- bias forms ONCE structure is broken
- price under no obligation to retest
- Clear Break: momentum > retracement entry

8. Support/ Resistance Structure Flip Failure
--> Broken Support anticipated to act as resistance
--> Broken Resistance anticipated to act as support

- broken S failing to act as resistance = bullish DB
- broken resistance failing to act as support = bearish DB

Summary:
1. good trading system offers a DB
2. great benefits of trading with HTF bias
3. TS offers either constant or situational DB
4. Indicators/trend tools offer DB (no magic indicator)
5. basic price action stuff works very well (market structure, R/S continuation, etc.)