Twitter Thread by Killer Trader ■■

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Thread on sideways market:

Sideways price action or consolidation is a phase where institutional players are silently building their positions transacting in smaller quantities.

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What we need to understand is that big players have huge amounts of money and one major disadvantage of having such large cap is that they cannot transact in big quantities without being spotted (aka volumes)

In order to minimize this disadvantage to an extent, they will begin building their positions with many smaller blocks of orders to look like multiple small players and to not alert other market participants much.

This kind of price action does not result in major market moves since moving markets requires aggressive buying/selling at market prices.

Instead it results in a sideways price action.

When their positions are built, aggressive activity begins which results in markets moving in a trend. First positions are built slowly and then markets are moved aggressively in the favorable direction to get profitable.

When markets are in a strong trend, there will not be much time to enter large positions since prices move quite fast. Hence, this process.

When you see sideways action, do not think of it as boring but remind yourself that market is preparing itself for the next leg of move.

As a retail trader, best approach is to not get caught in this area and wait for the sideways range to be broken to get to know the direction of the trend.

For clarity, even within the consolidation zone, a retail trader can know the areas where highest volumes are transacted by institutions using "Volume Profile" and see how price action is at those clusters.

Trading decisions can be taken when price BO/BD such areas of VP.

Institutions can hide anything but not their volumes. It will emerge sooner than later.

Hope you found it useful. If yes, please Re-tweet for max reach.

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