

ZONE FADE SETUP

Cheat Sheet

- 1. Definition:** Entering against the immediate price action at a Key Support/Resistance Zone expecting a large move off the Zone.
- 2. Ideal Market Environment:** Valid in all market environments, but works even better in higher volume and higher volatility environments which can provide larger profit targets.
- 3. Why It Works:** It attracts market participants across multiple time-frames including the larger time-frame market participants (*institutions*) which creates the potential for bigger moves.
- 4. Ideal Conditions:** At least one of the following is required but the more confluence, the higher the odds of the setup working in your favor.
 - a. Larger Time-frame Key Support/Resistance Zone
 - b. In direction of the Larger Time-frame Bias (*especially when there is complete multiple time-frame alignment*).
 - c. Big disconnect or divergence on the NYSE Advance/Decline, but the Larger Time-frame market structure and context always take precedence. In situations where the Advance/Decline disconnect/divergence conflicts with the Larger Time-frame market structure, ignore the Advance/Decline disconnect/divergence.
- 5. Conditions when the setup should be skipped:**
 - a. Trend days against the direction of the setup
 - b. Following the break of a larger time-frame balance area, if the directional move is just starting (which can usually lead to a trend day).

- 6. Target:** The next Key Support/Resistance Zone or 3-to-1 Reward-to-Risk
- 7. Stop:** Place stop-loss 1 to 2 points beyond the Support/Resistance Zone
- 8. Execution Mindset:** Aggressive. Your mantra should be *“I need to get filled because this trade setup has major Edge.”*
- 9. Entry Rule:** You can technically enter anywhere in the Zone but most of the time you should enter at the beginning of the Zone or even 1-2 ticks ahead of it to guarantee entry, since this setup has big reward potential and high odds.
- 10. Mechanics of Entry:** Place a resting limit order at the beginning of the Zone or even 1 to 2 ticks ahead of it, as long as the Entry has potential to provide a minimum of 2-to-1 Reward-to-Risk (*ideally 3-to-1 Reward-to-Risk*).
- 11. Stop Management:** The stop-loss can be tightened under the following conditions:
 - a. The market balances at the Zone and breaks out of that balance/range in favor of your trade. In that scenario, the stop-loss can be moved to 1 tick below the Low of the balance/range for Longs or 1 tick above the High of the balance/range for Shorts.
 - b. The market puts in a sharp V reversal. Stop-loss can be moved to 1 tick below the swing Low for Longs or 1 tick above the swing high for Shorts.