

Building a read, and what it does not give you

A READ

A read is a single written view of a chart: what has happened, what it suggests about where orders sit, what you would do, and the price at which you were wrong. Confluence - several tools agreeing - feels like strength and usually is not, because correlated tools computed from the same prices are not independent evidence. A read's quality is judged by whether it could be wrong, not by how many things agree.

Eight lessons of tools. This one puts them into a single view, and is honest about what that view is worth.

What a read contains

What has happened, described so someone could check it. Not "bullish" - the sequence of swings, on a stated timeframe. Where the orders likely sit. Which levels are visible to most participants, where stops are probably clustered. What you would do, and at what price. The level at which the read was wrong.

Write all four. The fourth is the one that gets left out, and leaving it out is what turns a read into an opinion.

Confluence, honestly

Confluence is the idea that several tools pointing the same way is stronger than one. Sometimes true, usually oversold.

Lesson six covered why: RSI, stochastics and MACD are computed from the same closes, so their agreement is close to one measurement repeated. Adding correlated tools inflates confidence without adding evidence, which is precisely the error module 4 identified in correlated positions.

Genuine confluence needs sources that are actually independent. A level visible on the daily, a scheduled economic release, and a positioning report are three different kinds of information. Three oscillators are one kind, three times.

Timeframe alignment

Traders commonly check whether a higher timeframe agrees with the one they are trading. The reasoning survives scrutiny for the reason lesson eight gave: a daily level is watched by more participants than a five-minute one, so its orders are deeper.

That is a statement about which levels matter more, not a rule that a trade must have three timeframes agreeing. Waiting for perfect alignment mostly means waiting.

What the read does not give you

It does not tell you what will happen. Nothing in the last nine lessons does, and any tool that appeared to was borrowing its authority from the number of people watching it.

It does not tell you how much to risk. That is module 4's job, and it is deliberately separate: a read that feels strong must not be allowed to change position size, because confidence is not an input the arithmetic accepts.

It does not improve with more tools. Past a small number, additional indicators mostly add correlated agreement and the feeling of rigour.

What it does give you

A structured decision under uncertainty, with a defined cost if it is wrong. That is genuinely valuable and it is a smaller claim than the one most trading education makes.

It also gives you something to review. A read with a written invalidation level can be checked afterwards: was the level right, did you honour it, was the reasoning sound independently of the outcome. A read without one cannot be reviewed, because there is nothing to compare against.

Where this leaves you

You can now read a chart the way other traders read it, name the patterns they name, and follow the reasoning. You also know which parts of that have evidence behind them and which are convention.

Both halves matter. The first lets you participate. The second stops you mistaking a shared vocabulary for a method that predicts.

Check your understanding

1. Which is genuine confluence?

- a. RSI, stochastics and MACD all reading oversold
- b. A widely watched daily level, a scheduled release, and a positioning report
- c. The same pattern appearing on three timeframes

Answer: b. Independence is what makes agreement informative. Three oscillators computed from the same closes are one kind of information repeated; the second option is three different kinds.

2. A read looks unusually strong. What must not change?

- a. The position size
- b. The timeframe being traded
- c. The invalidation level

Answer: a. Size comes from the risk arithmetic in module 4, which takes account size and stop distance as inputs. Confidence is not one of them, and letting a read raise size is how one wrong view does the damage of several.

3. What can you do with a read that carries a written invalidation level, that you cannot do without one?

- a. Trade it in larger size
- b. Review it afterwards against something specific
- c. Hold it through news releases

Answer: b. A written level makes the read checkable after the fact: whether the level was sensible, whether you honoured it, whether the reasoning held up independently of the outcome. Without it there is nothing to compare against.