5 Price Action Indicators: All Traders Should Know

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I've got to be honest, I'm NOT a fan of technical indicators.

Why?

Indicator don't tell you anything which can't be determined by looking at a plain old price chart, so they're not super helpful for trading.

But hold up - Not all indicators are useless...

Actually, some can be pretty handy.

Some can give you useful info for getting into or managing trades, and that can seriously help you make more cash.

Over the years, I've discovered a few of these useful indicators, and today, I'm going to spill the beans and share them with you.

With these 5 price action indicators, you'll have a clearer picture of when (and where) to adjust your stop, it'll be easier to anticipate where a price reversal might start, and you'll be able to stay in trades for 2x - 3x longer than before, plus other cool stuff...

These indicators will give you a serious advantage in your trading and will make things WAY easier for you.

Ready to dive in?

Let's kick things off with indicator #1...

Indicator #1: The Swing High/Low Patternsmart Indicator

Finding the correct swing highs and lows is a tough ask, particularly for new traders.

Identifying the right swing highs/lows is critical for identifying the direction of the trend, moving a stop loss, or setting a profit target. Sure, time and experience help, but what if you're just starting out?

How can you spot the correct highs and lows to see where the trend is heading?

Here's one way: **Use the Swing High/Low Patternsmart indicator.**

The toughest part about swing highs and lows is of course spotting them. The Patternsmart indicator takes care of this by marking the swings for you.

How does it do this?

The indicator checks how many candlesticks have formed since the high or low, and marks these with dotted lines. No more scratching your head trying to pick out which highs and lows really matter.

With the Patternsmart indicator, every swing high and low is displayed right there on the chart.

Cool, huh?

Just a heads up: the indicator isn't flawless.

The indicator doesn’t highlight EVERY swing high or low that forms.

Sometimes, it skips a few because of how it determines which highs and lows are swings. But most of the time, it highlights the correct lows and highs, so you should be good to go.

How To Use This Tool

The Patternsmart indicator automatically marks the swings, but it doesn't adjust the right swing highs and lows for every timeframe.

You'll have to tweak a few settings to get the right highs and lows for the timeframe you're trading off.

To do this:

Add the indicator to the chart by searching for 'Patternsmart' in the "Indicators" tab on Tradingview. Then, open the settings menu by right-clicking on one of the swing high/low lines.

This should help you set it up just the way you need!

In the "Inputs" tab, you'll see two options: "**Swing High Strength**" and "**Swing Low Strength**".

These options tweak how the indicator identifies the swing highs and lows.

If you're working with larger timeframes, you usually want a lower setting. Why? Because the highs and lows are more spread out. But for smaller timeframes, you want to increase the setting, somewhere between 1 and 5 is a good bet.

We're looking for smaller swings here, so we need to make the setting more sensitive.

Not sure what setting to go with?

Here's a quick guide:

- 1 – 5 Min – Use 7
- 15 Min – Use 7
- 1 hour/4 hour – Use 5
- Daily – Use 4

Indicator #2: Williams VIX Fix Bollinger Band Indicator

Next, let's talk about the "Williams VIX Fix Bollinger Band Indicator".

I know, I know…

It sounds like the kind of indicator you'd find in a long-buried forum thread about forex. But it’s a handy tool which can help you spot when the market is hitting its highest and lowest points.

Yes, it's a lagging indicator, but it's still super useful!

Here's how it looks:

What we're seeing here isn't 'volume', even if it looks like it.

The bars reveal the level of volatility in the market.

Instead of calculating volatility over a fixed period, like Bollinger Bands, the VIX indicator takes the current volatility from the lowest and highest points and stretches that out over 30 days - or any period you choose.

This data then gets displayed as bars.

These bars, with their size and colour, give us a peek into how crazy things are in the market.

But why would we even care about how wild the market is?

Here’s the reason:

Volatility is a primer for the overall mood in the market, revealing how greedy or fearful traders are about the current price.

The level of volatility increases right before major turnarounds because that's when traders are either scared stiff or super greedy about the current price action. This is why the biggest bars (which show high volatility, i.e., fear/greed) appear right before price reverses.

When fear and greed are off the charts, the banks have a golden opportunity to take the market the other way, either to make money (when there's a reversal), or to take profits or close out existing trades by causing a retracement/consolidation.

In short: The VIX provides us a hint on when price might reverse/consolidation/re-trace by measuring how fearful or greedy traders are feeling.

Now the million-dollar question: How can we use this in our trading?

Let's find out...

How To Use This Tool

I'm still figuring out the Williams VIX Fix Indicator, so I don't have all the answers just yet. However, from the little time I've spent with it, it seems like this tool is very handy for confirming when and where a retracement or reversal is kicking off.

But don't take my word for it, check it out yourself...

Just before the retracements and reversals above started, multiple big bars appeared on the VIX. Large candlesticks started forming on the chart, too, which meant traders were either very scared or greedy about what's coming next.

Since this gave the banks a powerful reason to enter the market, a change in price direction was pretty much on the cards.

And that's exactly what we saw happening.

So, is that it then?

We just wait for the bars to turn green and then ride the wave in the other direction?

Well, not so fast...

While the Williams VIX indicator is handy in giving us a heads-up about a possible change in price direction, it's not foolproof if used on its own. We need to use the VIX alongside other techniques, or in other words:

Look for confluence.

My advice:

Watch for a sudden spike in the big bars when price enters or nears a supply or demand zone.

Supply and demand zones are hotspots created when banks enter significant buy or sell positions. But here's the thing - banks can only enter these positions when there's massive trading activity.

When does that usually happen?

When traders are either extremely fearful or becoming super greedy about the future price direction, giving the banks bucket loads of orders to buy or sell with.

By connecting the dots then, we get a strong idea of when/where the price might reverse.

The VIX shows us if the banks are keen on making price reverse (hence the big bars). The supply and demand zones give us the spot WHERE price might reverse.

Here's an example...

Before price entered the demand zone above, the volatility was shooting up - hence the big bars on the VIX. This meant traders were becoming more and more convinced price would continue falling.

Since most traders are now entering short, the banks have heaps of sell orders they can use execute their own actions.

In this case, the banks took profits off open short trades.

What happens when they take profits?

Price reverses and starts rising, putting the shorts underwater and causing many to close their trades at a loss. This creates a retracement the banks can now use to enter more sell trades.

Pretty sneaky, right?

That, my friends, is the Williams VIX Fix Indicator in action.

This indicator works best with supply and demand zones, but can also be used alongside other important technical points - Support and Resistance levels, Big Round Numbers, Fibonacci Retracements - all work great, too.

Why not give it a try yourself and see what suits you best?

Indicator #3: Heiken Ashi Candlesticks

Any pro trader will tell you:

Knowing when and where to take profits can be the difference between a great trade and a bad one.

In my time trading, I've never found a consistent way to take profits at the right time. I've tried using Support and Resistance Levels, big round numbers, different indicator signals… nothing worked!

But a couple of years ago, I found something which gave strong results…

Enter, the **Heiken Ashi chart**.

If you're new to the Heiken Ashi chart, you might be asking yourself, "What's the big deal?"

Especially since it looks almost exactly like a regular candlestick chart.

But here's the thing:

The special thing about Heiken Ashi lies in what it's showing you.

Like a regular candlestick chart, the Heiken Ashi chart displays the price.

But, instead of showing the standard market price, it shows the average price.

The chart calculates the average price, which turns each candle bullish or bearish depending on whether the average price increased or decreased during that time period in the market.

Compared to a normal candlestick chart, the Heiken Ashi appears much smoother with more bullish/bearish candles showing the trend.

Here's a quick comparison...

Here’s a normal candlestick chart.

And here's the same slice of action, but seen on the Heiken Ashi chart.

Notice how many of the candles on the regular candlestick chart appear the opposite type on the Heiken Ashi?

This is because, on average, price didn't close bullish or bearish on those candles. The real price did, which is why the candles are the opposite type on the candlestick chart. But the average price didn’t, so the Heiken Ashi candles remained the same colour.

This gives you a clearer idea of what the current trend is.

So, we've understood how the Heiken Ashi works, but how do we use it to make money?

Let's take a look…

How To Take Profits With Heiken Ashi

You might be scratching your head, thinking, "How do we make money with this Heiken Ashi if it doesn't give clear signals like other indicators?"

Well, here's the cool part…

The Heiken Ashi chart isn't just giving signals - **it IS the signal itself!**

The chart is basically saying:

"Hey, you might want to grab some profits when the candle colours change."

Remember: The Heiken Ashi shows the average price. It's not the exact price, but a smoothened-out version. This means the candle colours stay the same for longer, helping us see the trend more clearly.

When the candles do switch colour, it hints a new trend or a large price movement might be on its way.

So, here's how you use the Heiken Ashi:

Just wait for the candle colours to change...

When they change, it's time to grab some profits because it means the average price has changed – hence, there's a strong chance price will start moving in the other direction.

Sounds easy, right?

But here's the catch: Only take profits after you see AT LEAST FIVE candles of the opposite colour form consecutively, like five bull candles during a drop.

One candle isn't enough; you must wait for more to appear.

Also, don't take all your profits as soon as the candles change.

Just move your stops closer to price - the 'volatility stop' (I'll explain this later) works well for this. Three candles might show a counter-move, but not aa full-on reversal; it could just be a small pullback or a pause.

By taking only some of your profits, you can stay in the trend longer and make more profits from your trades.

Indicator #4: Volume Profile

You'll need the Pro or Pro+ version of Tradingview to get your hands on this next tool. But, if you know how to use it - especially those volume junkies out there - it's totally worth the price.

We're talking about volume profile here.

It shows volume, but not in usual way...

Instead of showing bars in a graph at the bottom, volume profile displays them horizontally on the right side of the chart.

Weird, huh?

But there's a reason for this shift.

It all boils down to what these bars represent:

The bars don't represent candle volume but PRICE volume.

The volume profile bars show how much volume came in at each price, not from specific candlesticks. You're seeing the total amount of volume around that price from all candles currently visible on your screen.

This is why the bars appear horizontal, not vertical, with each representing a different price range.

Did you notice the bars are green and red?

Volume profile also reveals if the volume came from buying (green) or selling (red), so you can see what other traders were doing around that price.

In short: Volume profile is like the super-powered version of the regular volume tool.

By looking at the volume at each price instead of individual candles, you can easily determine where the key levels are in the market as well as asses the current buying/selling strength.

How To Use Volume Profile

You can find the volume profile tool under the indicators tab, below "My Scripts" at the bottom. But, there's a catch - it's a paid tool.

You'll need a Pro account with Tradingview to use it.

But don't fret - you can try a 30-day free trial first to see if it suits you.

Here's the best part: **You don't need to be a volume expert to use this tool - I'm certainly not, and I manage just fine.**

You just need to know the basics of what the bars show and how that relates to the price level.

For example, big bars mean high volume - simple, right?

This shows there was heaps of activity around that price, meaning it's probably important in the market. On the other hand, small bars indicate not much is happening at that price, so traders probably don't believe it's very important.

There are several ways you can use the volume profile tool to help you with your trading.

One of the simplest: To help identify Support and Resistance areas.

Support and resistance levels mostly develop from banks buying and selling.

The banks execute an action (like placing trades, taking profits, closing trades), and that causes a price reversal, which creates a level. On the graph, this shows as a period of high volume – or low volume, in some cases.

High volume usually means a strong level of support or resistance exists.

Take the price action below, for example…

See how I've marked three high volume clusters with support and resistance?

These clusters show significant volume came into the market at and around those prices. Who could cause such high volume? Banks, of course. Banks decided to do execute positions at those prices.

That resulted in a period of high volume and a support and resistance level formed.

Now, let's see what happens when price returns...

Every level triggers a bounce or a reversal, showing the high volume was caused by the bank's buying or selling at those prices.

Pretty cool, right?

Just remember, we're using the **'Visible Range Volume Profile'** tool.

You can find it in the “Indicators” tab.

The tool displays the volume based on all the candles visible on the screen at that price. If you zoom in or out, the bars change to include the volume on any new candles shown.

For best results, set the tool to zoom level 3 and adjust the row size to 80.

You can do this by heading to the settings menu, changing the row size, and then zooming out three times from the default view. This will let you check the volume without including 'dead volume' – volume from old candles with no significance.

Indicator #5: Volatility Stop

What's worse – closing a winning trade too early because you moved the stop too close, or losing a massive win because you didn't move the stop close enough?

Knowing when and where to move our stops is a challenge, even for expert traders.

We've come a long way, but the old saying "move your stop each time a new swing low or high forms" still applies. Despite its age, it's a strategy banks often use to make money from us – *ever heard of stop runs?*

We need a new method to determine when and where to place our stop.

It should limit our risk and be easy to use.

And I think I've found it...

It's called a **Volatility Stop**.

The Volatility Stop helps you determine when the trend might be changing. Plus, it's handy for deciding when and where to move your stop loss.

The Volatility Stop is based on two indicators: The ATR and the EMA.

Using some fancy math, it combines the ATR – which shows the volatility – with the EMA – a trend indicator. The result is a volatility adjusted picture of the current trend, as shown by the dots.

Seeing price break these is usually a signal the trend could be changing, but that's not the way we're using the tool today.

Why is the volatility stop such a great tool for moving our stops?

Because it doesn't just look at price, but also considers how volatile the market is. This gives you a more precise view of the trend, so you can keep your stop loss closer to the price.

How many times after you've entered a trade, has price suddenly jumped up or down without forming a new swing high or low for you to move your stop to?

Happens all the time, right?

And often, price reverses soon after, wiping out your profit.

But with the volatility stop, this rarely happens because your stop loss moves as the market and trend change. It's not stuck at a recent swing high or low until a new one forms.

Instead, it moves with price - keeping you safe from small price jumps and helping you secure more consistent profits.

How To Use The Volatility Stop

The volatility stop is a common tool, so you can find it on most trading platforms like MT4 and other charting sites.

On Tradingview, you'll find this tool in the "**Indicators**" menu.

It's hiding under the "Built In's" tab, not the custom indicators tab like most other tools we've looked at today.

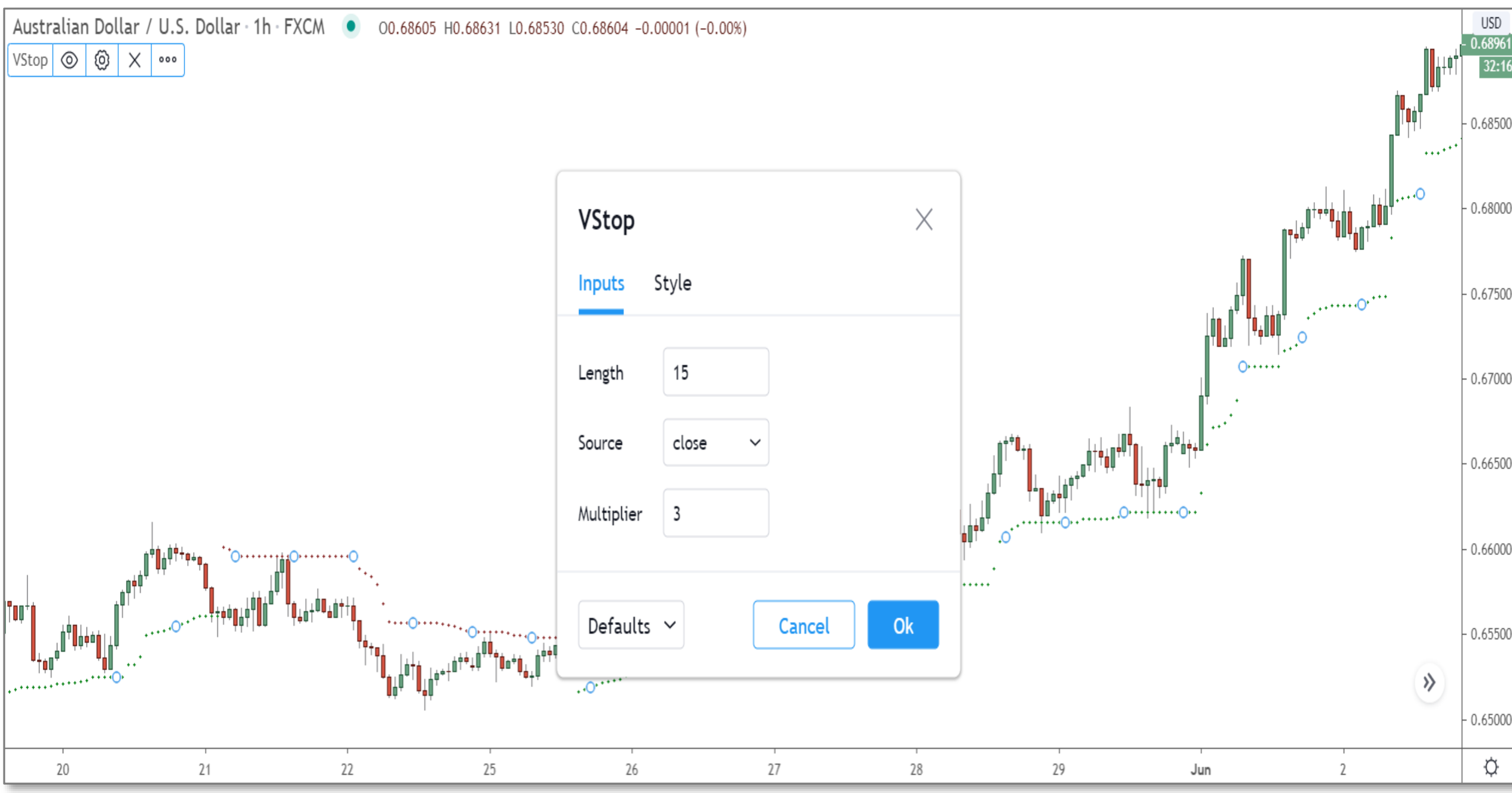
Just type "**Volatility**" into the search bar, and it will pop up in the menu.

Once you add the indicator to your chart, you need to tweak its settings.

By default, the tool isn't set up correctly; the dots appear too close to price. You need to adjust the settings, so the dots appear further away and don't mess with your stop losses.

Here's how to do that:

Right-click to open the settings menu, then select "**Settings**" from the drop-down list.



Next, find your way to the "**Inputs**" box in the menu.

Inside, change the "**Multiplier**" to 3 and adjust the "**Length**" according to the timeframe you're using:

- 5 Min – set Length to 20 (and Multiplier to 6)
- 15 Min – set Length to 20 (and Multiplier to 6)
- 30 Min – set Length to 20 (and Multiplier to 5)
- 1 Hour – set Length to 20
- 4 Hour – set Length to 5
- Daily – set Length to 2

Done?

Awesome! Now hit the "**Okay**" button.

You should see the dots on your chart move further away from each other.

Whenever a new dot appears, that's your cue to move your stop loss up or down. It's that simple!

Now you can reduce your risk and, at the same time, lock in more profit.

Cool, right?

Key point to remember: **Don't put your stop at the exact price of the dot.**

- If you're going long, keep your stop just BELOW the dot.
- If you're going short, keep your stop just ABOVE the dot.

Wait for the next dot to form, and then do the same again: Move your stop just above/below the new dot. This can save you from getting kicked out of your trade during news releases or market pullbacks and periods of consolidation.

The Bottom Line

Technical indicators aren't really my thing. But the five I've mentioned here are well worth checking out.

Give them a go, test them out, and see what you think.

I'll be sharing stuff on some trickier tools, like volume profile and the VIX indicator, real soon.

So, keep an eye out!