TD Line Qualifiers and potential filters

I recently took a look again at the September 2006 issue of Currency Trader Magazine, and studied a little further the article on TD supply and demand lines. I know many have already read it here, but I think it calls for some looking into as possible filters using price, without the use of any lagging indicators such as MAs and whatnot.

They outlined first what most of us in this forum already know: how to draw TD points. With level a level one point having one low (or high) candle on each of the TD point, level two having two candles on each side of the TD point, etc.

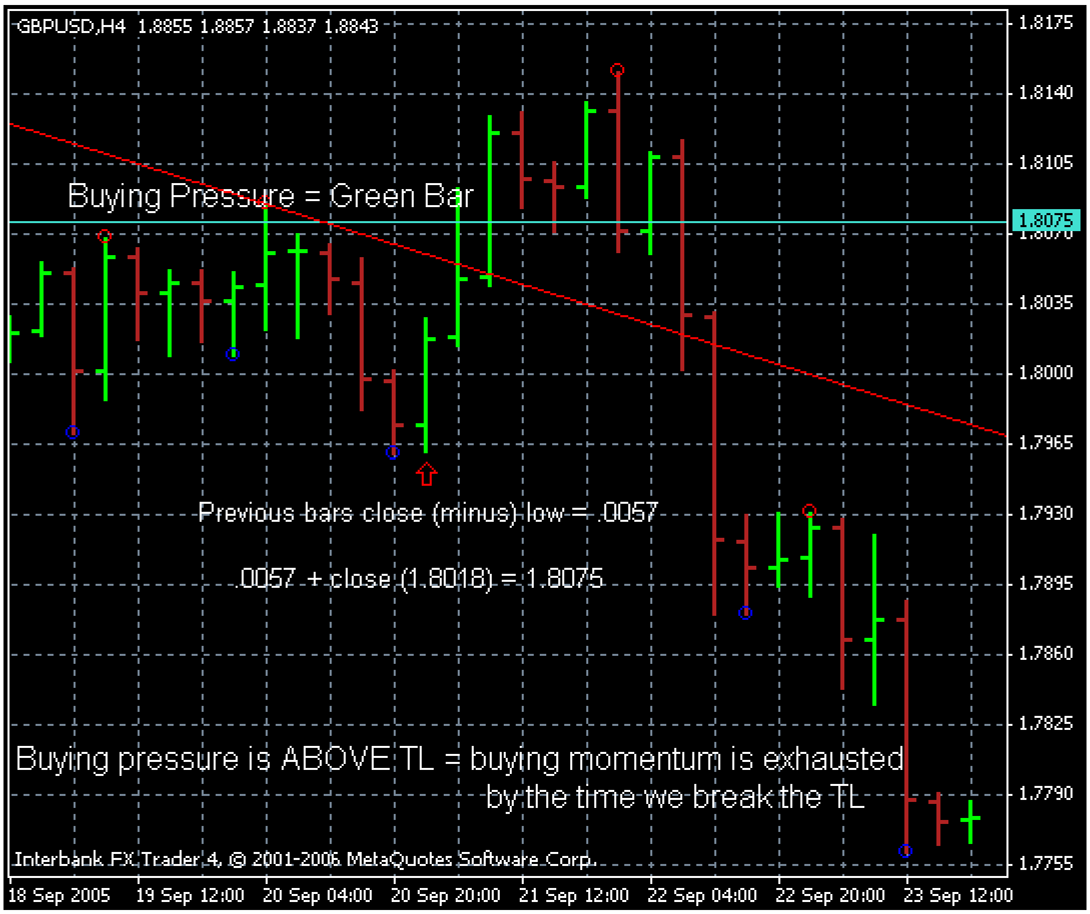
They then introduce "TD Line Qualifiers", with four different parameters to qualify a trendline breakout. In the article they state, "If any of the four qualifiers are true, the trendline break is valid." Following are the four qualifiers for a supply line breakout and (hopefully) accurate examples of each one.

> Qualifier 1: "The price bar prior to an upside breakout must be a down close."
> Qualifier 2: "The current price bar's open must be greater than both the current TD Supply Line and the previous price bar's close and must then trade at least one tick higher (than the high – I gather)."
> Qualifier 3: "The previous price bar's close plus the previous bar's "buying pressure" must be below the current price bar's TD Supply Line price level. (The calculations for this are explained in the example for Qualifier 3 below)."
> Qualifier 4: "The current price bar's open must be above both the previous two price bars' closes, and the current price bar's TD Supply Line must be above the previous price bar's high."

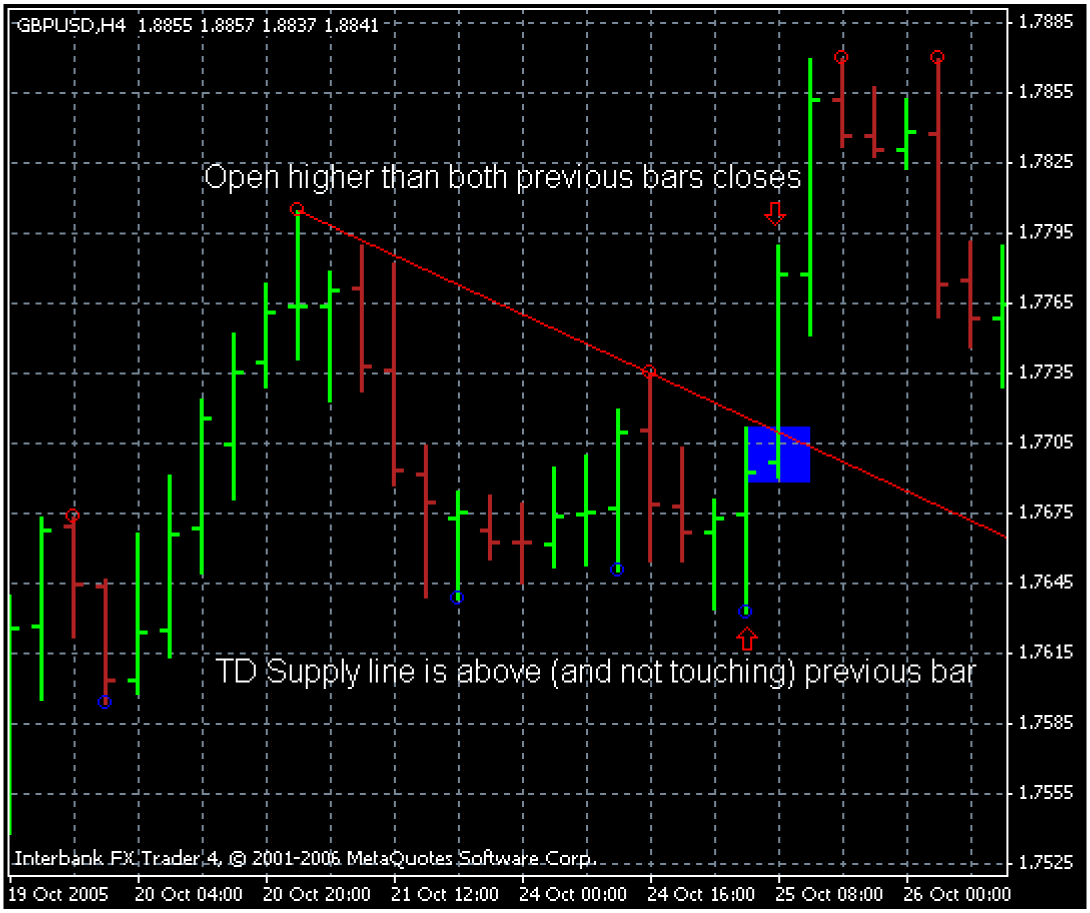
Qualifier 1: The breakout bar was preceded by a down close bar.

Qualifier 2: This is much like what we are currently using with the Mouteki method with a couple slight differences. We currently don't require the current bar's open to be greater than the previous bar's close, and we don't require it to trade at least one tick higher than the previous high (possibly a good filter).

Qualifier 3: First, we need to know how to calculate the “buying pressure” of the previous bar. It’s quite simple: We take the low of a bar and the close of the bar. Say it closed at 1.8559 and the low was 1.8531. We take the difference, and add that to the close. 1.8559-1.8531 = .0028. 1.8559 + .0028 = 1.8587. So we have 1.8587 as our “buying pressure” value. If our “buying pressure” value is **above** the trendline, then we do not take the trade, as, theoretically, the buying momentum has been “exhausted before the penetration of a TD line.” Similarly, if the buying pressure is below the TL, then watch for an opportunity of a trendline break.



Qualifier 4: The open of the bar that breaks the TL is higher than both previous bars' closes. The TL is also above (and not touching) the previous bars' high.



Also outlined in the article are early exit techniques if the trade is going against you, which Mouteki does not address:

> "Exit if the bar after the breakout bar opens below the breakout price level."
> "Exit of the bar after the breakout bar opens below the close of the breakout bar and closes below the breakout price level."
> "Exit if the bar after the breakout bar fails to exceed the high of the breakout price bar."

These are all supply line breaks, the opposite can be used for demand line breaks.

Anyway, I thought I would whip this up and see what can become of this in terms of additional filters and possible entry/exit techniques that can be used in conjunction with the outline that we currently have of the Mouteki method. Also I wanted to provide an outline for those who have not read the article so that they can get caught up and voice their opinion on what might work, or might not work.
All of the quotes are taken from the article in Currency Trader Magazine (Sep 06).