

Trading

And Smart Investing

My Opinions Only

Everything I say or have written in the following slides are my opinions only. I do not give trading nor investing advice. I do not recommend any stocks nor futures nor any other financial instrument that you should purchase or sell short, now nor into the future.

Our Members

- Tom Sprunger
- Steve Wright
- Charles Powell
- Jim Harrison
- And others

Credits

- Tom Sprunger
- Trade Guider VSA, Richard D. Wyckoff
- Pristine
- The University of Hard Knocks

Market Structure

- Pivots
- Symmetry of Swings
- Impulse and Corrective Moves
- Time
- Psychology:
 - The fear of missing a trade...
 - The fear of losses...

Types of Trading/Investing

- Price moving from support to resistance in disequilibrium
- Congestion in equilibrium
- Discretionary
- Mechanical
- Part Discretionary and part mechanical *

Types of Trading/Investing

- Congestion: Buying the lows and shorting the highs.
- Trend trading:
 - a. Buying Breakouts/BD.
 - b. Buying the Pull backs after a B/O. Or shorting the pull backs after a B/D.

Defining Trends

- This is your belief system along with experience and research.
- Swings of higher highs and lows.
- Consecutive Periods/Price Bars, such as three consecutive higher highs and higher lows.
- Moving averages
- Least Square Channels
- Channels; i.e., drawn with trend lines.
- The 5 year old method: Is it going up from the left to the right or it is going down! Or, does it look like a toad in a blender. DUH!

Time Periods

- A minimum of two and three is better.
- For our purposes today, the Focus time period will be the daily, and its higher time period will be the weekly.
- Entry can be on the daily or one lower time period, hourly. Remember however, the lower you go in time periods from your Focus time period (Daily) the more noise there will be and the result is higher risk of failure.
- To avoid confusion, I will use the term “Trading Time Period” for our Focus time period.

The Key

The Key however, is to know 'your' trading time period. This must be spelled out in your trading plan.

In other words, your opportunity is dictated by your traded time period...Not your entry time period... IF that entry time period is lower than your traded time period.

Your Key Focus

- Is to always ask yourself, what does your Trading time period (Daily) price action mean on its first higher time period (Weekly)????
- In other words, what is the trend (your definition of a trend) and position of the market on the Weekly?
- Therefore, where does this LTP Daily reside within that HTP Weekly trend and position?

The Holy Grail

- Having a “Written” Trading Plan..that does not mean written on your forehead, but on paper, where you can touch it, feel it, live with it and sleep with it!
- This plan must come from your own research so that your belief system will follow it.
- Trading with the trend of your HTP.
- Taking profits in a consistent manner.
- Proper Money Management.

Trading is an Art

- I will present my ideas to you, but that does not mean that you can use my strategy. Only you can determine what is right for you.
- You must define the trend as you see it. This should be described in great detail.
- I use the 20 ema and 50 ema to help me see the momentum. They are only a guide or quick look.
- Next I use market structure and pivots which overrules the moving averages.
- My style of trading is buying pull backs within a trend as I define that trend on a specific time period.

What Structure is there to the Left?

- Is it a Sign of Strength? (SOS)
- Is it a Sign of Weakness? (SOW)
- What happens to the left of current price action; i.e., the Background (BG), will be of tremendous value for your bias as to your directional or non-directional bias.

Definitions

- A No Demand bar and a Test occurs on low volume, narrow spread and closing toward the middle. Likewise, supply is coming in with a narrow spread on very high volume and demand is coming in with a narrow spread on very high volume.
- The location of those bars is what distinguishes their definition and importance.

The Close and Volume are very important

You Must observe the relative changes in volume and the close within the range of the bar.

High volume is professional activity where low volume is also important as it shows no professional activity.

Definition for my price bars

A down close bar is GREEN. Which means, that I am looking to BUY or take profits on my short positions.

An up close bar is RED. Which means, that I am looking to SHORT or take profits on my long positions.

Duh..what did he say???? Rub your head and pat your tummy!!!

Chart Example

(SPY - SPDR TRUST;1,D) Dynamic,0:00-24:00

Sometimes, I cannot clearly observe a SOW nor SOS. Therefore, what I am looking for is a Test at a prior low and likewise, a No Demand bar at a prior high.

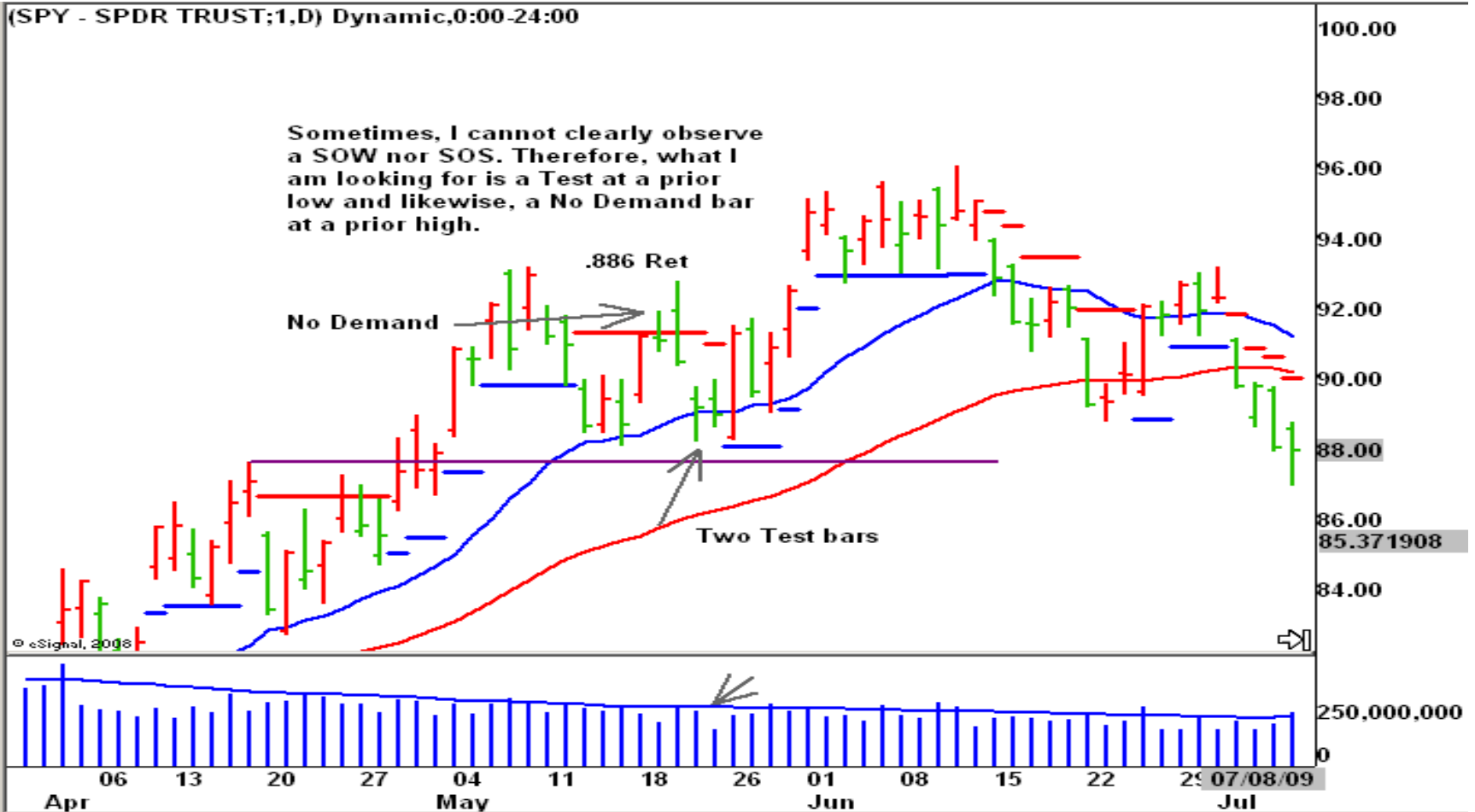


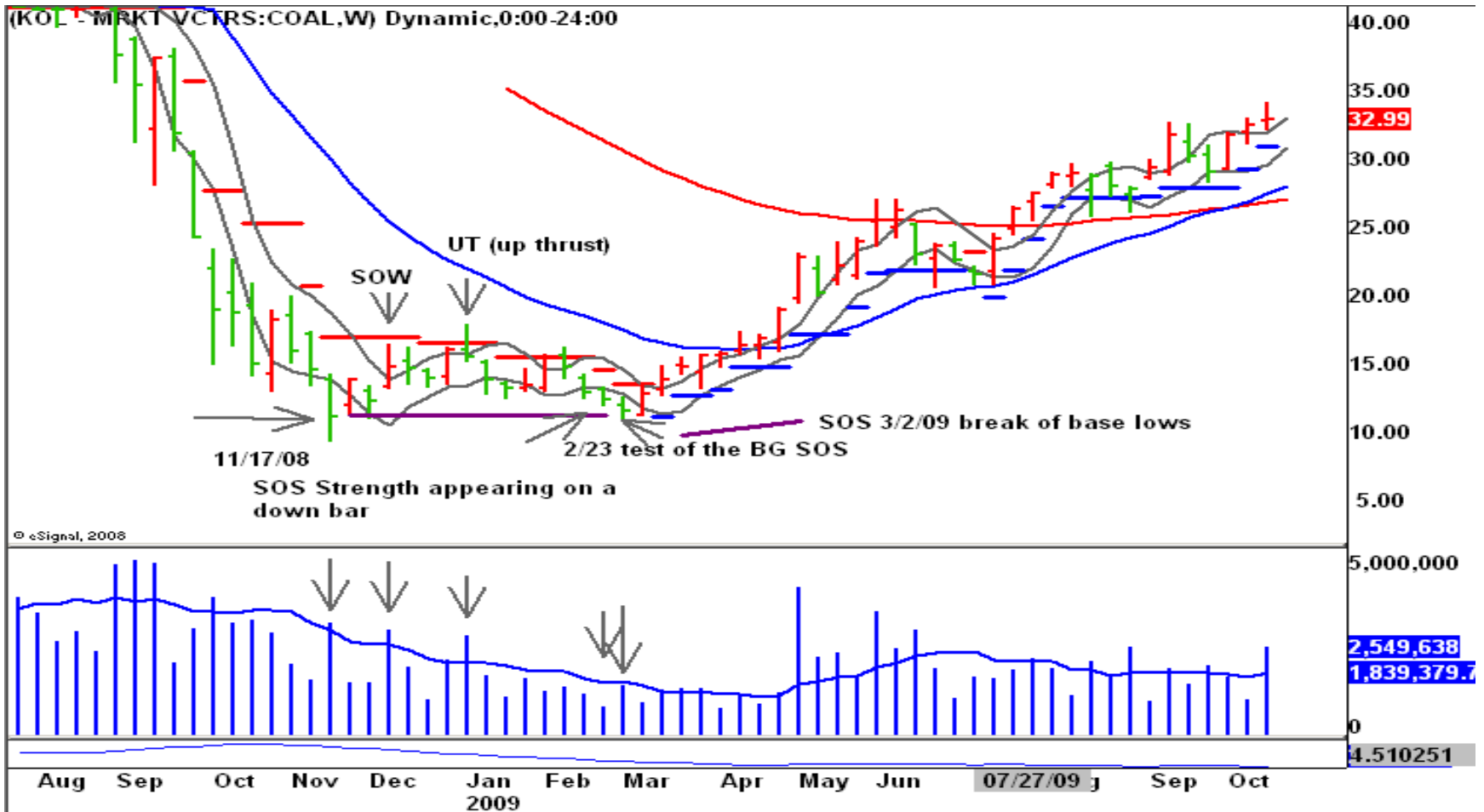
Chart Examples

- See KOL Weekly prior down trend then going into CA Dec 2008 to April 2009.
- Show Daily in this time period with the Weekly 20 ema turning flat to up in March to April 2009 and the Daily 20 X its 50 ema during that time.
- Use the 20 and 50 ema's to assist you in seeing the Cause and Effect of a campaign.

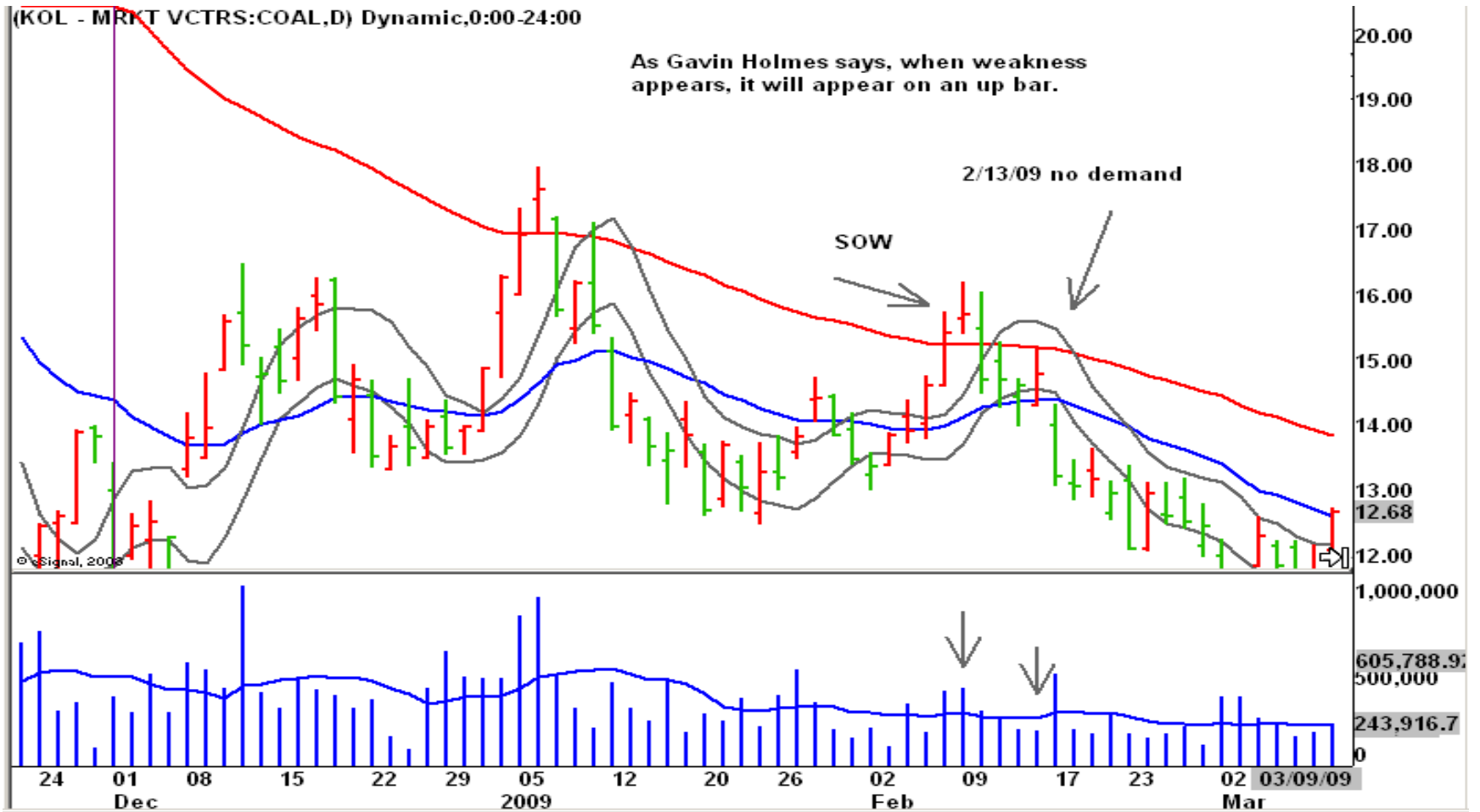
The Devil is in the details

- No Demand bar on 2/13/09 daily, after a SOW into Weekly R.
- Weekly 3/2/09 breaks a bottom, as does the Daily on 3/2/09 on higher than average volume. Next bar, is an up bar. Effort vs. Result. Daily Test bars on 3/5 and 3/6. Another Test on 3/17.
- 3/30, 3/31 and 4/1 are tests of the b/o support. Note 3/31 highs taking out the previous day high of 3/30. That was by design to get you long only to be stopped out on 4/1.
- 4/7 and 4/8 are normal tests of the gap up. See the Weekly 3/30 ratio blue line. A good example of the question: What does the LTP daily price action mean or define on the HTP Weekly? Notice the position of the Daily 20 and 50 ema's.
- 5/15 is another Test. The result is the 5/18 gap up. This is by design to lock out the new buyers and to lock in the shorts.
- Weekly Supply comes in on 6/1 and 6/8 which defines a 2X top on the Daily.
- 6/19 is just the opposite of a Test..this is a No Demand bar.

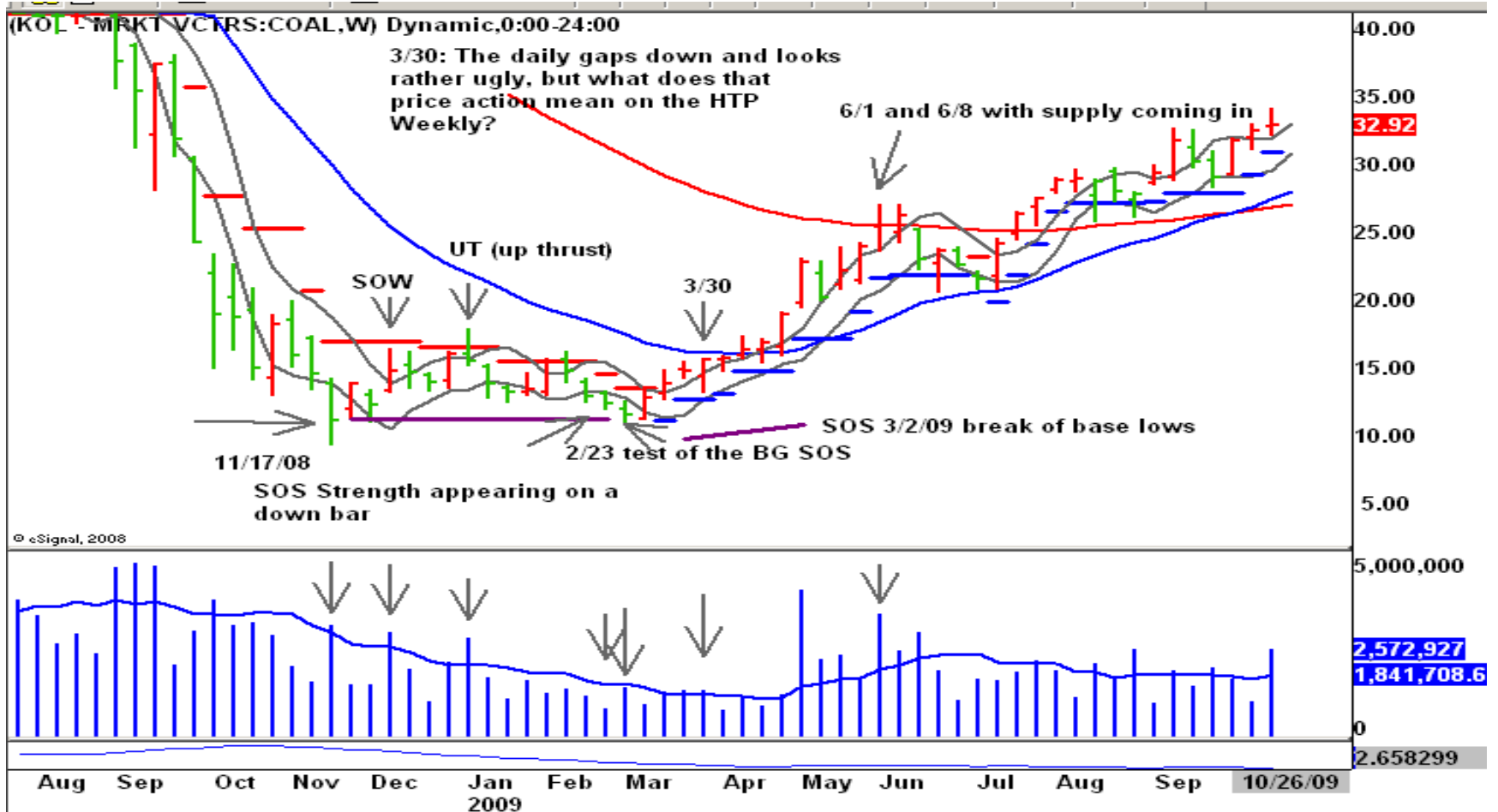
KOL Weekly



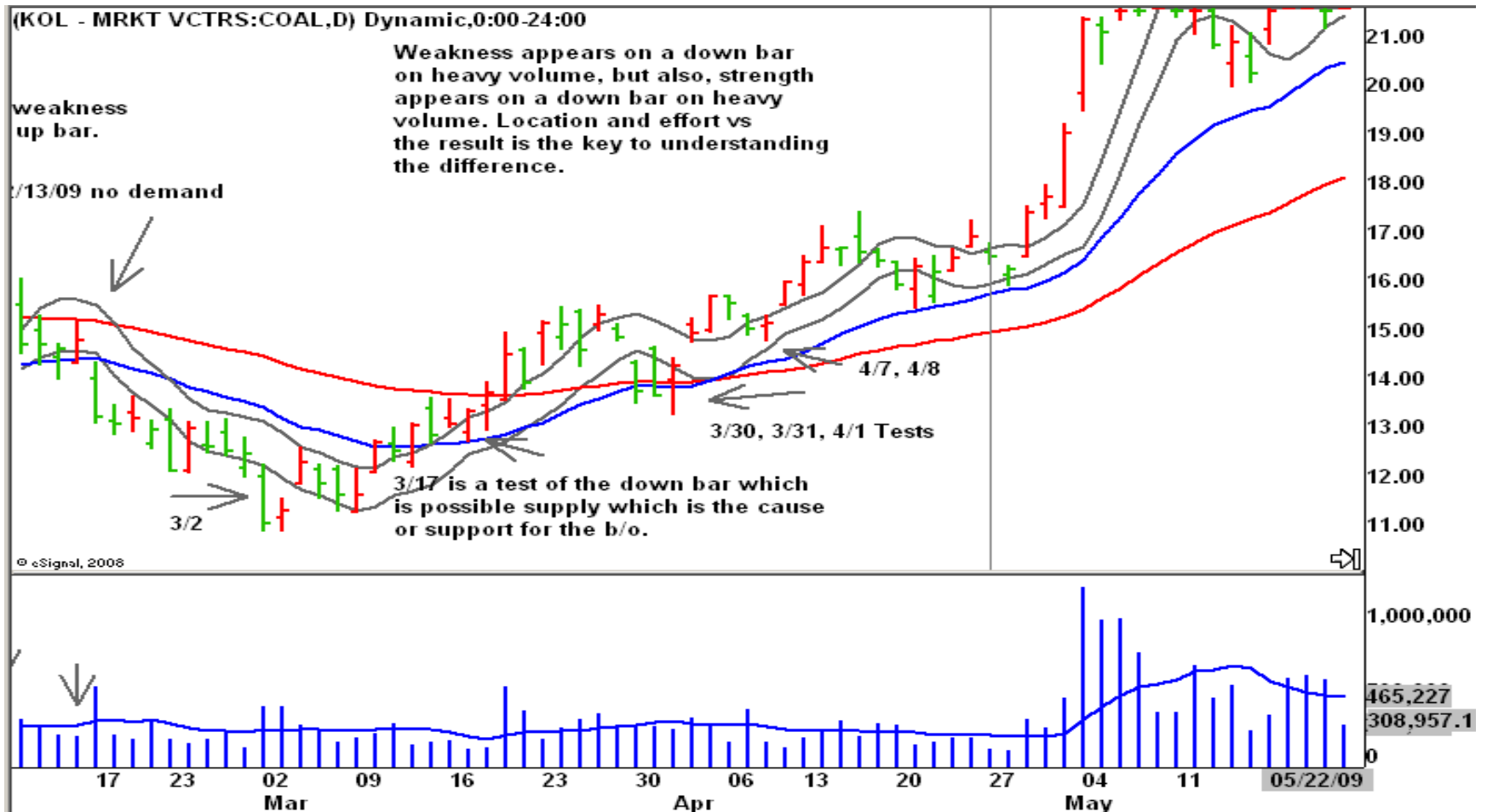
KOL Daily



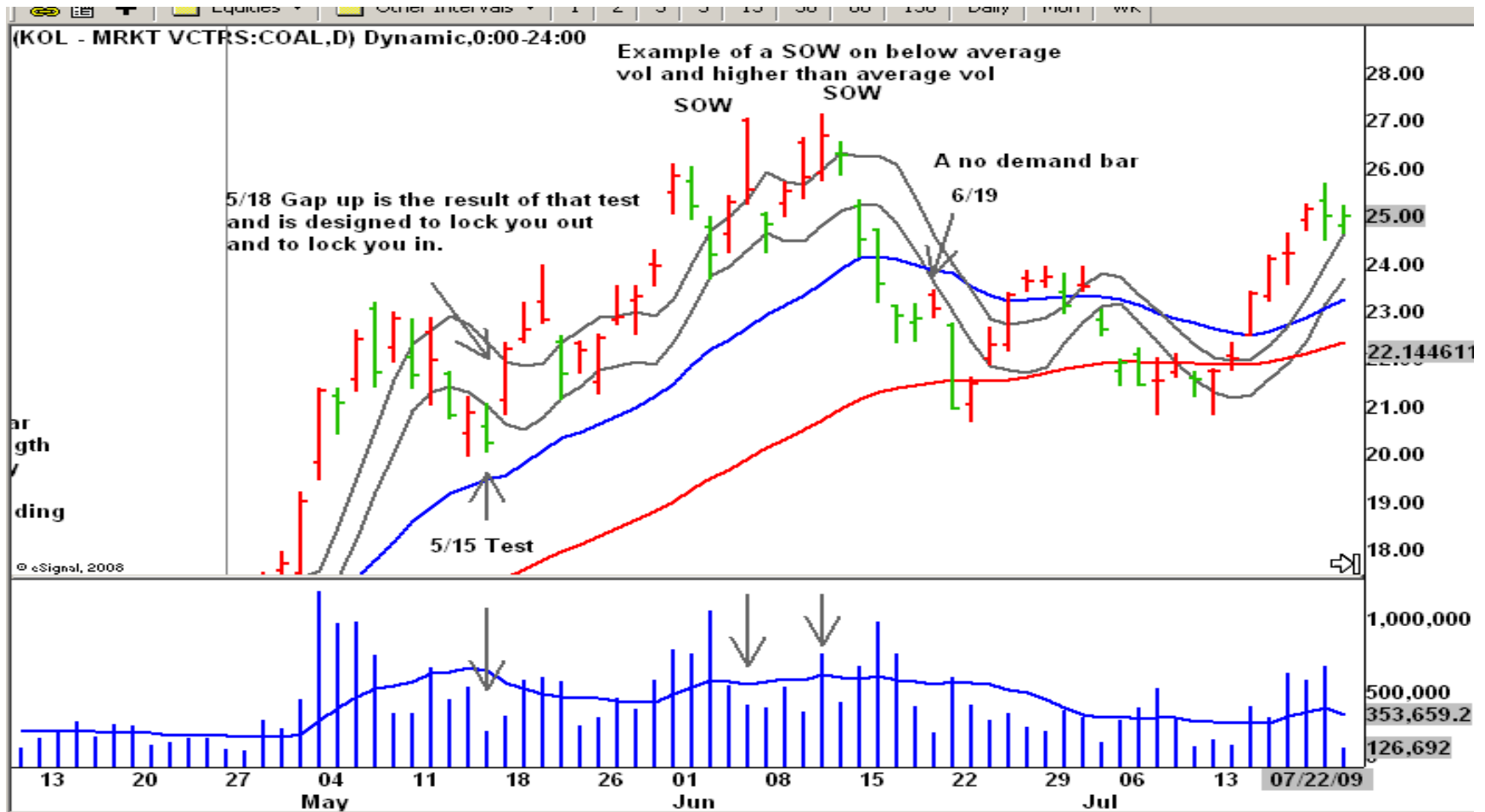
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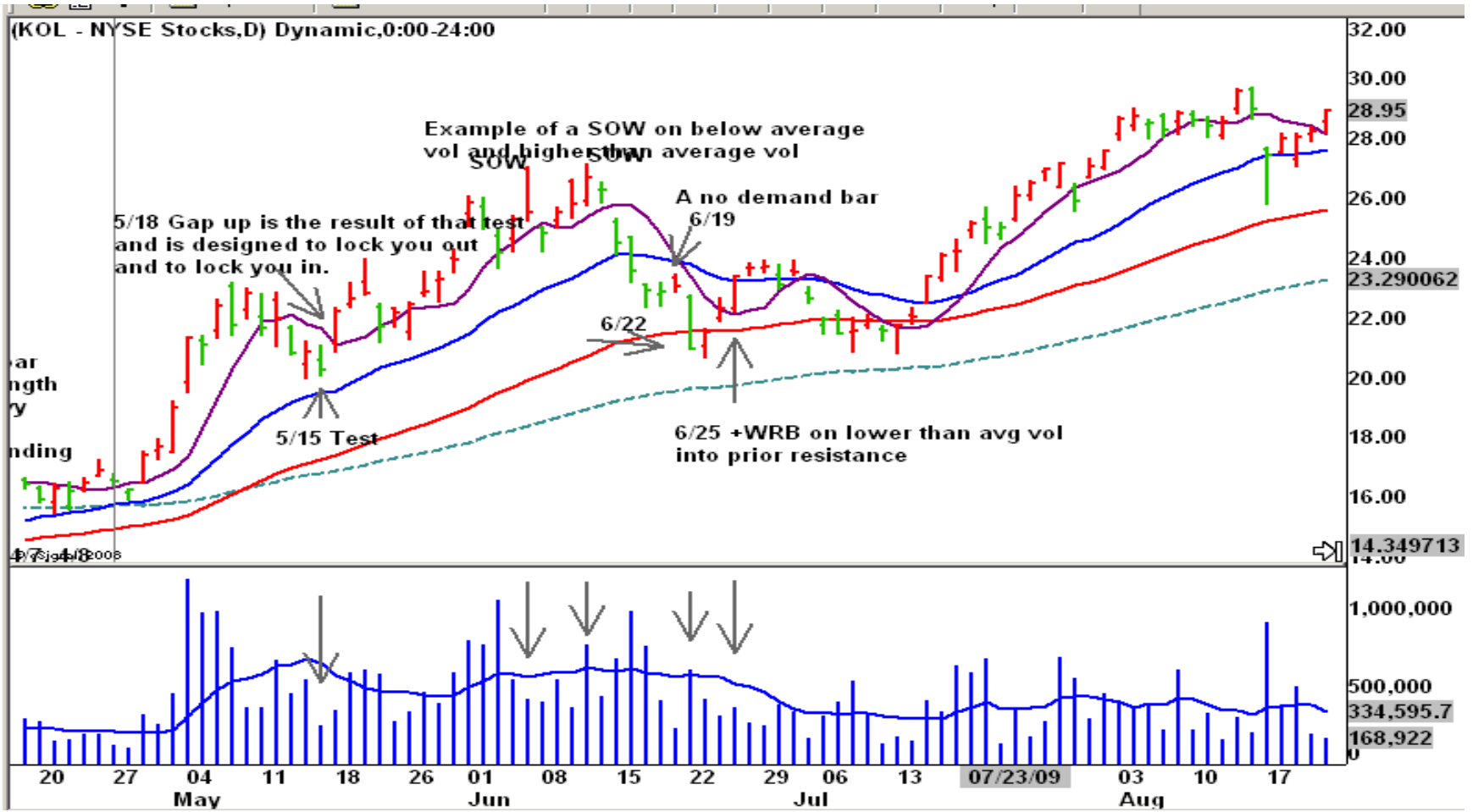
KOL Daily



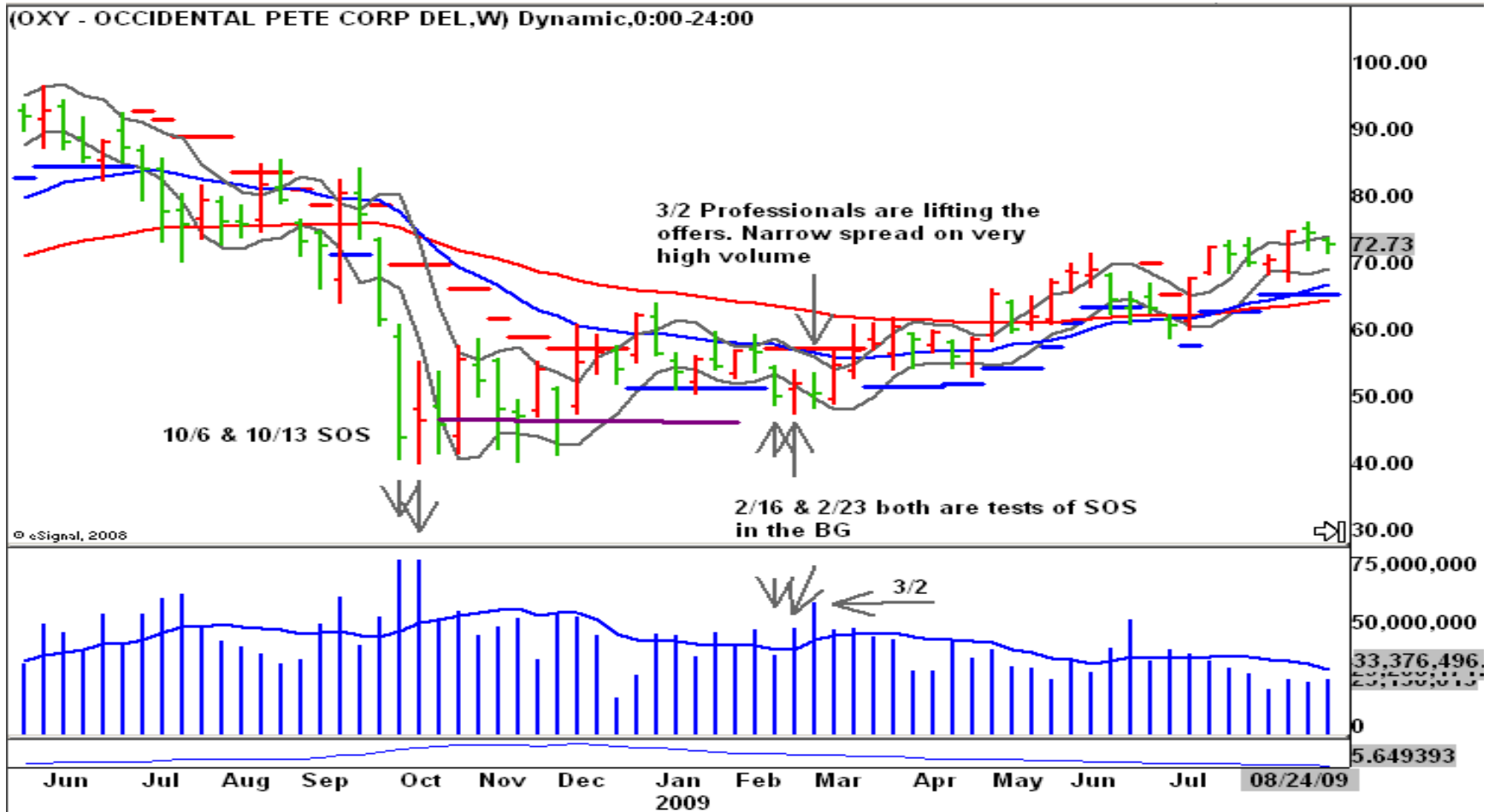
KOL Daily



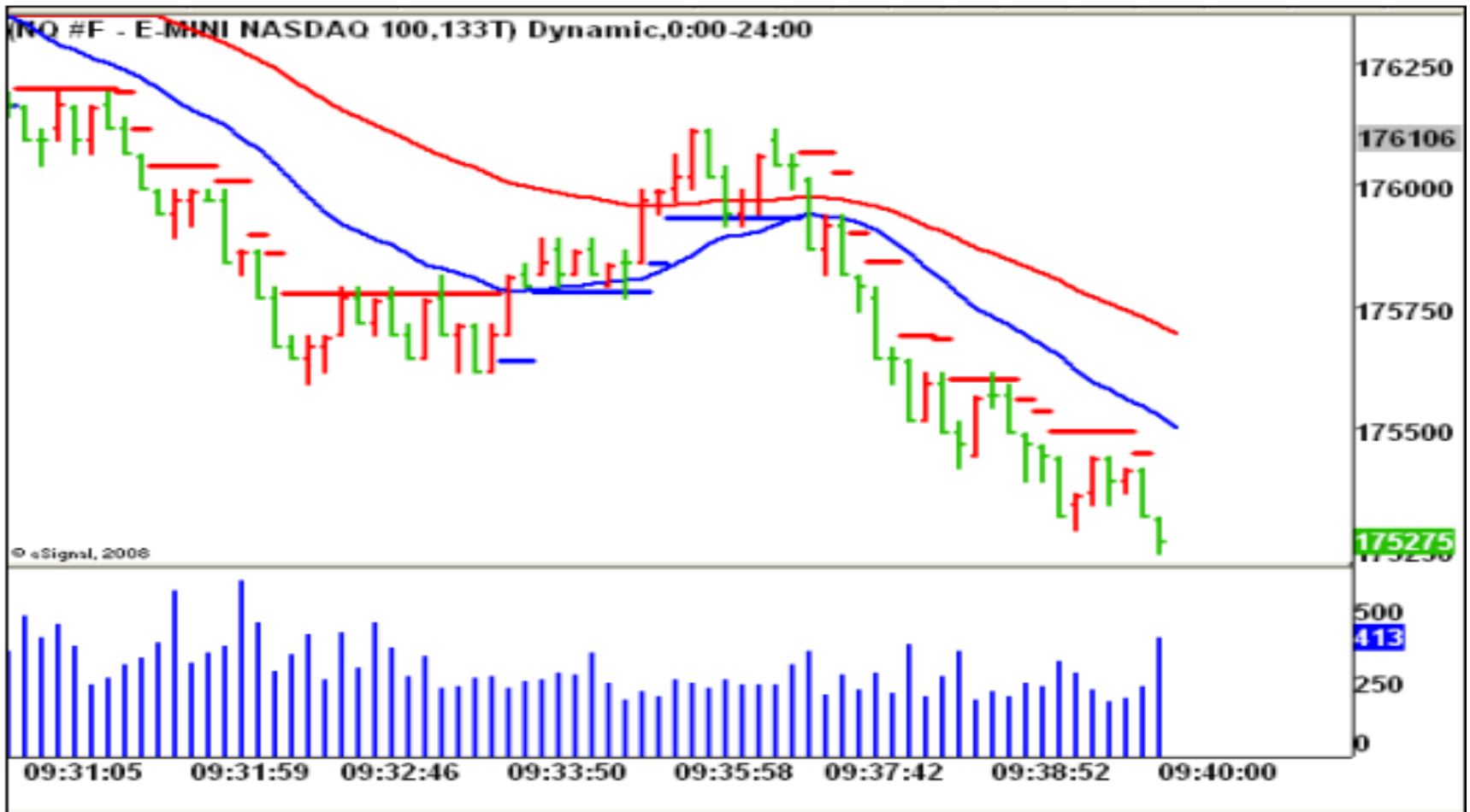
KOL Daily



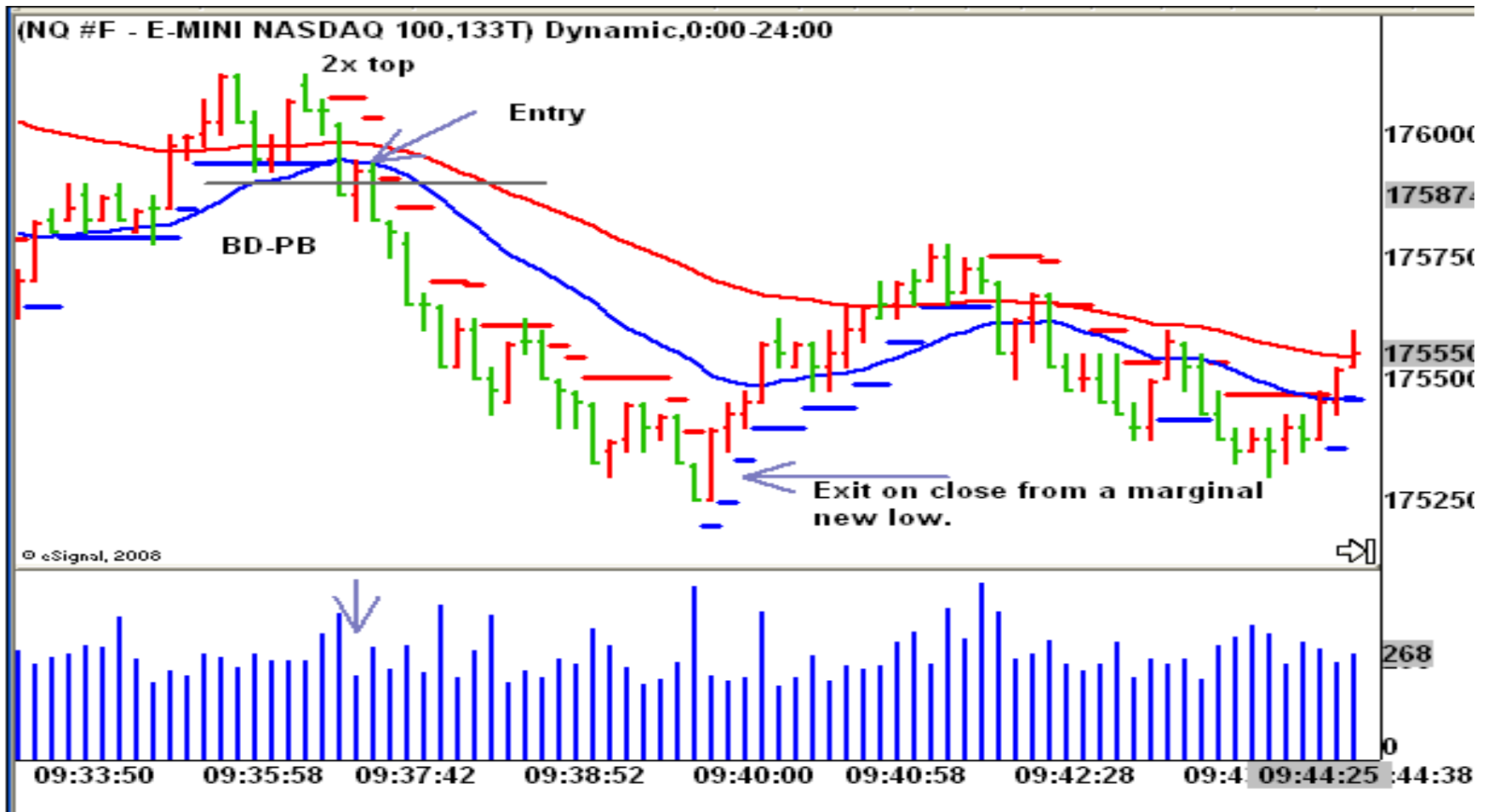
OXY Weekly



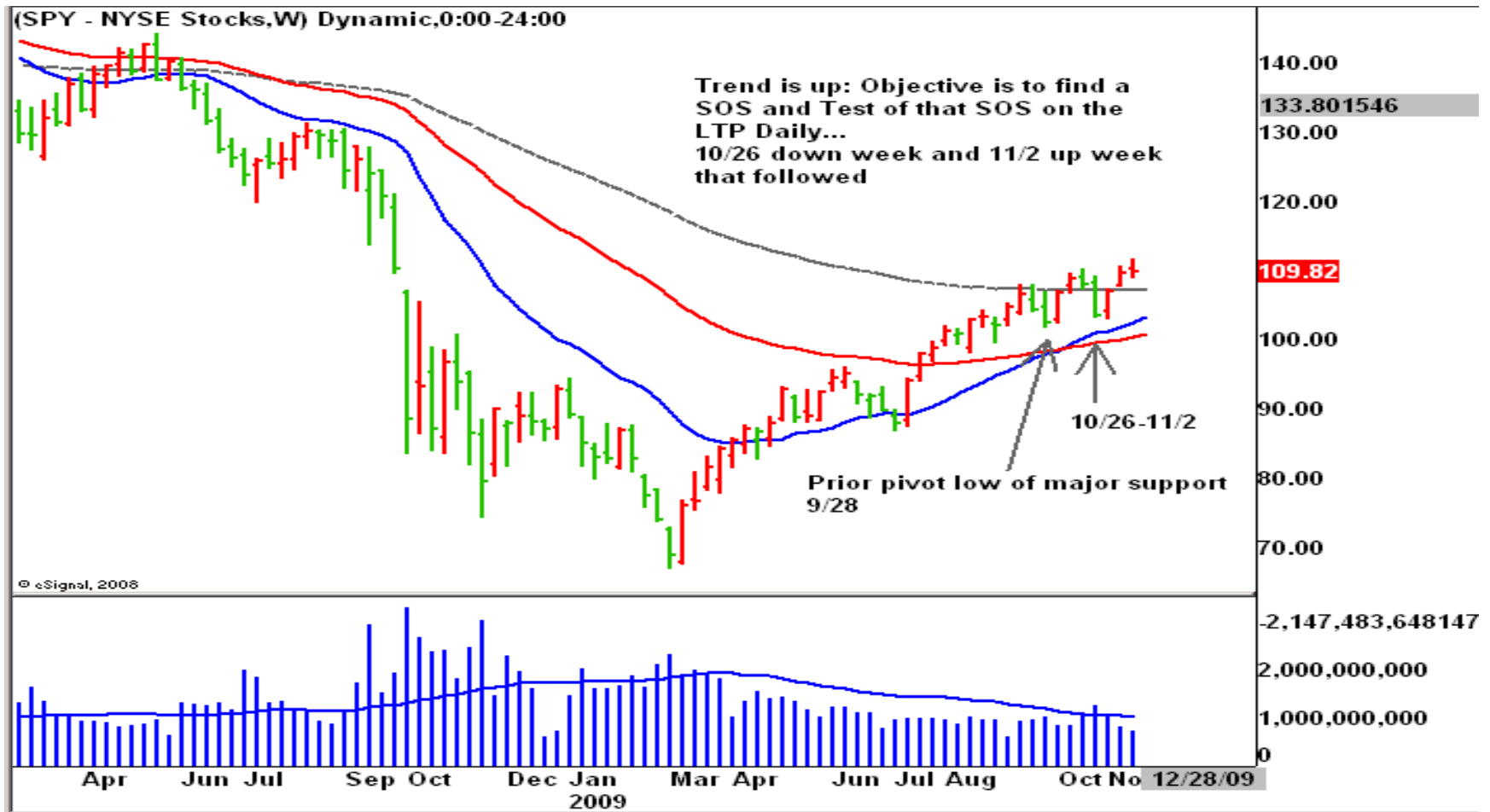
Bread and Butter Setup



Same chart with notes



A Purchase Campaign

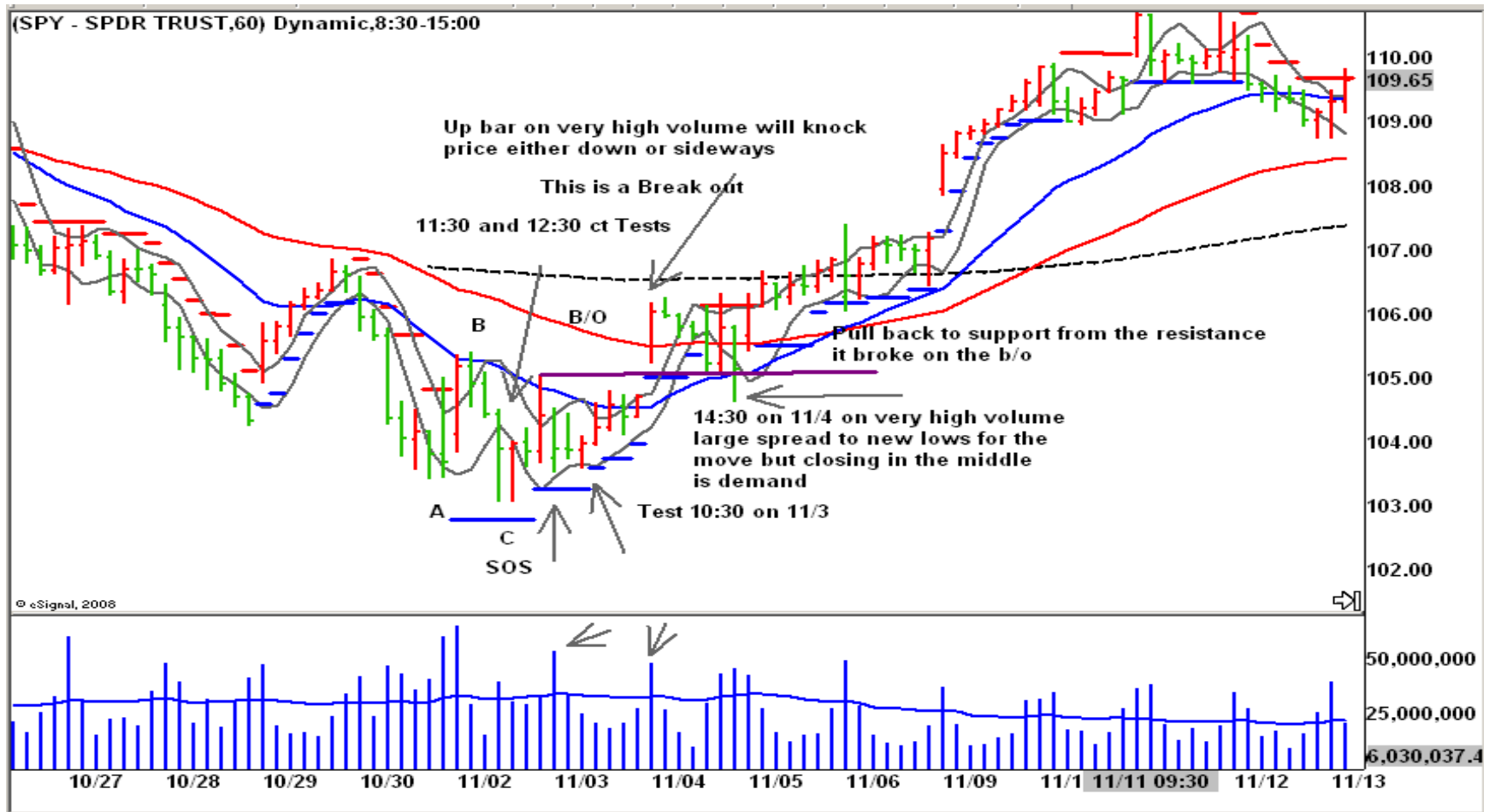


LTP Daily

(SPY - SPDR TRUST,D) Dynamic,0:00-24:00



Entry LTP Hourly



Keep in mind

- Keep in mind, that a No Demand bar and a Test occurs on low volume, narrow spread and closing toward the middle. Likewise, supply is coming in with a narrow spread on very high volume and demand is coming in with a narrow spread on very high volume.
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In Closing

In closing, you might consider the mindset of: When price goes up, look to either take profits and/or to short. When price goes down, look to either cover your short positions and/or to go long. Learning to pre-define profit target exits is very important. Not taking profits in a consistent manner will deplete your capital account.

I do Suggest

- I do suggest you start out trading one hundred shares or one contract for the futures. Your goal is to be in the green 3 out of 5 days per week and green for 3 consecutive weeks with no outlier losses; i.e., no loss greater than your maximum loss per trade. If you have this outlier loss, then you have to start over on the 3 week count.
- What this exercise will teach you is how to survive. It will be “The” most important rule for your entire trading/investing lifetime. Once you have made this goal, then you can increase your size to 200 shares or two contracts. Same rule as above applies. Always live by this rule and you will be able to increase your size without fear, greed or hope.

For you Investors

- Just change the time periods from Days to Weeks and the Weeks to Months.

References and Stats

- References and Stats: “The Undeclared Secrets That Drive the Stock Market” by Tom Williams. This book comes from England:
- <http://books.global-investor.com/books/0885/Tom-Williams/The-Undeclared-Secrets-that-Drive-The-Stock-Market/>
- “Master the Markets” by TradeGuider
- And TradeGuider VSA Software and Education:
- <http://www.tradeguider.com/>

References and Stats

- Envelope: 5 SMA of the High and 5 SMA of the Low. Or can try a 3ma or 4ma.
- MA's 20 and 50 EMA's.
- Volume ma is a 30 SMA.
- Jeff Quinto of the CME: Three Videos. See CME Videos on this page:
 - 1. Developing your trading strategy.
 - 2. Building a trading plan.
 - 3. The why and how of using a trading simulator.
- <http://electronicfuturetrader.com/>
- Dave Steckler...
- <http://www.etfoundup.com/?p=955>
- <http://www.advancedtradingworkshop.com/FreeTrial.aspx>

And Now!

Just think of what you can do with Options.
Simply buying Calls and Puts!

Thank you and Good Luck in your financial
Freedom and Journey!!!

YOU Do have “Your” trading plan written
down on paper don’t you!!!!