

## Anek's Holy Grail v 1.0 or AHG for short.

“Good working strategy for day-trading, principles can be applied to most time periods and instruments”

“By only adding to winning positions and mastering a simple working strategy with solid discipline”

“This strategy works in most trending markets and time frames”

### Life before AHG



### Disclaimer

All reasonable steps and due diligence have been taken in preparing this document. However, it may contain ideas that are not appropriate to you or your style of trading, so perform your own research and draw your own conclusions. By itself, this document will not enhance your trading performance, nor will it prevent you from incurring losses. Any losses that are incurred are the sole responsibility of each trader. Under no circumstances will the authors accept any liability for loss.

### Acknowledgement

ET Member Anekdoten:

For providing the framework to a simple but highly effective trading methodology “AHG”.  
The principle trading strategy summarized herein.

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**STEP 1 - Determine the Trend - (Up, down, sideways)**

- Determine if there is a MEANINGFUL TREND present, (There are two types.)

- Positive Uptrend = higher highs, higher lows
- Downtrend = lower highs, lower lows
- The ones you should ignore (for now) because they require greater skill to consistently profit from or simply, the sideways ones:
  - Congestion/Indecision = higher lows, lower highs (Symmetric Triangle formations)
  - Consolidation = horizontal lows/highs
  - ***(Further explanation in additional patterns section)***
- As you gain more experience you can profit from;
  - Consolidation by fading support/resistance
  - Symmetric triangles (HL LH) because they tend to give birth to POWERFUL new trends
  - ***For now stick to the meaningful trends. (Uptrend and Downtrend)***

**Note:** (HH's and LL's are defined by **CLOSE**, not wick for trend determination)

## **STEP 2 - Once A Trend Has Been Determined How to Play It (entry)**

If a MEANINGFUL TREND (uptrend or downtrend) has been found we need a logical entry.

### **Uptrend**

- BUY on a pullback and be nimble with your target.
- Take advantage of minor WEAKNESS in a STRONG TREND to get a good fill.
- Target can be whatever you feel comfortable with, it is entirely up to you and only in time will you master this. A few examples as follows:
  - 50% Fib retracement from the recent High to Low swing
  - few ticks below previous resistance
  - measured move up
  - You could trail the stop to ride those breakouts, all very discretionary.
    - *(Stop? Whatever would make it a lower low aka a CHANGE of trend)*
- Uptrend channel: Two higher lows, two higher highs
- [uptrend.trendline.jpg](#) - sample of using a trend line with an uptrend. They are VERY subjective

### **Downtrend (the evil twin)**

- SELL (Short) on a pop up and again be nimble with our target.
- Take advantage of minor STRENGTH in a WEAK TREND to get a good fill.
- Target can be whatever you feel comfortable with, it is entirely up to you and only in time will you master this. A few examples as follows:
  - 50% Fib retracement from the recent Low to High swing
  - few ticks below above previous support
  - measured move down
  - You could trail the stop to ride those breakdowns, all very discretionary.
    - *(Stop? Whatever would make it a higher high aka a CHANGE of trend.)*
- Downtrend channel: Two lower highs and two lower lows

When looking for entry, say a long or even re-entry, you want strength to return in the pullback and when that happens, make sure price did not violate the current highs and lows.

Never go against the trend. When the trend is strong buy a pullback. When the trend is weak short a pop up. The market can not be predicted consistently and consistency is what we want, so be smart about this. No exceptions!!!

If STOPPED OUT, meaning, a CHANGE of a trend, stay ON THE SIDELINES until a NEW MEANINGFUL TREND is defined and we take our stop like responsible traders.

REVERSALS are the enemy, they stop us out. Luckily, they are not very common which is exactly why this strategy works. Some days will be filled with them and sadly I don't know how to overcome this. On days like this, you will lose money.

*A lower low without a lower high is not the same as a lower low with a lower high.... and a higher low without a higher high is not an uptrend.*

### Change of Trend

- Trend must go from a downtrend to an uptrend or vice versa. (2 HH's 2 HL's or 2 LL's 2LH's)
- The exception is if one of the two swings is a double bottom or a double top but the next swing must be a HH/HL or LL/LH.
- If nothing of that kind, then you stay out and let a clear trend develop.
- Trend line breaks are usually more aggressive when the last high was not a higher high, especially if it was a LOWER high.
- The steeper a trend line the higher chances of a TL break, they simply have much higher chances of losing control of the trend

Never call a top, never call a bottom, it is IMPOSSIBLE to predict accurately on a consistent basis therefore the best approach is to examine what is happening NOW, attempt to profit from possible volatility and situate yourself in a strategic place, with patience and conviction.

- A bottom is never confirmed until you see higher lows \*and\* higher highs, with a subsequent low that is also a higher low hinting towards yet another new, higher high.

### The Trend Update (11-20-07)

- The statement exists for a reason. *"the trend is your friend"*
- Many of you seem to be playing G.I. Joe with your own capital thinking that you have predictive abilities that will make a trend change on a consistently basis before it actually does. Here is a tip, YOU DO NOT!
- Here is a simple AHG rule that is simple but it does not seem to be very clear.
- Unless a **confirmed reversal formation** has completed you do not trade against the trend, ever. Not even as a fun scalp because the odds will be against you, you want odds in your favor.
- I never ever do it unless I see multiple confirmations supporting the stunt and that's taking into consideration that I'm fairly adept at reading the tape
  - *\*You should make it a post it note and stick it in your monitor\**

### Trend lines

- As many as you need to determine the current trend. (Hand placed preferred)
- 45 ° trend lines are extremely useful. If you don't have complete pivots to guide you, anticipate the second pivot point by projecting a 45 ° trend line.
  - You will be amazed at the number of times price rebounds on them \*if\* there is a trend.
  - When an engulfing signal forms around there an opportunity for low risk potential rewards usually presents itself.
  - Once the second pivot forms, you no longer need estimate readjust it.
- When a new uptrend with no strong reversal formation forms, be careful assuming steep uptrend lines, anything above 45 degrees can be suspicious. Just a rule of thumb.
- When I see a trend line break I don't actually call a new trend unless a swing in the direction of the so called new trend forms on the other side.

### Pivots

- Are both subjective and objective, that's where skill and experience comes into place.
- The pivots plotted by the software are quick areas of reference but not necessarily written in stone as they have fixed parameters that might work for some scenarios and not for others.

### Frequency

- Use frequency displacement or wave length to gauge one pivot from the other.
  - Confluence in distance helps.

### Channels

If price is trading in a channel, for the sake of argument, let's say a downtrend channel; expect it to bounce up and down with a bearish tendency. Now, to ensure your stops are small, even in a downtrend you want to short high, and in an uptrend you want to buy low, this is where the trend lines of the channel help. This is not the same with formations, a solid confirmed reversal formation is quite alright for entering at the lows but this is not the case of channels. That is why I suggest the trend line channels usage as guidance. The formations price will form at the extremes do tell good info, so make sure you pay attention. In yesterday's case the downtrend channel formed a bear flag as it broke the channel to the downside, I was almost certain price was ready to fall, but it failed miserably. Naturally I took my small stop and realized that price was not ready to go to lower lows because if a confirmed bear flag failed, which is one of the most reliable formations for downside, the failure should be applied accordingly. The subsequent move was higher lows from the bear flag pattern until it finally broke out of the channel. However, that was predictable. As explained in the past, failures are sometimes as powerful as or even more powerful than patterns themselves.

Notice that during rectangle consolidation, where price is bouncing off support and resistance there is no predominant side to choose between the two, in this case, look at the whole day and choose the side that has been winning all day long, if no clear definition, simply stay out and wait for better setups or wait for a confirmed breakout that aligns with the predominant intraday trend.

### Fibonacci Retracement Lines (Anek's favorite)

- 50% from last swing low/high provides an excellent entry point. Problem is sometimes the trend is so strong it won't even give you your wish and you miss the fill.
- Used to **predict targets not trends**, for the trend you have price.

### **STEP 3 – Indicators**

#### **Only TA tools for required for trading**

- Highs
- Lows
- Double Tops
- Double Bottoms
- Time and Sales
- Trend lines
- Support/Resistance

**There are some useful for strength / weakness references, entries and exits. Examples as follows:**

#### **UPDATE: Official List of Allowed Indicators for AHG (12-01-07)**

- Support and Resistance visual aids (TRO indicators are excellent)
- Trend lines, better if hand placed.
- Horizontal Lines
- Highs and Lows visual aids
- Volume based bars, tick based bars
- Time and sales (tape reading)
- Paint bars to accentuate price action
- Candlesticks to find extra confirmations
- Market internals, optional (useless to me, maybe I don't how to use them)
- Zig Zag indicators to enhance patterns
- Fibonacci Retracement percentages
  - 50% is the best kept secret in trading
- AHG E-motion (Dynamic HOD/LOD retracement)
- Modified HA bars (3 colors and advanced algorithm) used on OHLC bars
  - Provided used as intended with the tips provided when originally introduced. (see appendix)
- Anek's Paint bars

*(Catalog of .eld files and paint bar code to be found in appendix*

***Anything else unless it's a derivative to enhance any of the above without adding lag to it is probably a waste of time.***

### **Tape Reading**

Tape reading takes time, more so than reading price action on the chart. (11-23-07)

For some basic ideas filter your time and sales window to highlight market buying and selling (that means AT MARKET) mostly because this is a sign of requiring speed before precision. When price is at key areas on the chart, say support, resistance, trend lines, wedges contracting, anything meaningful watch the tape very carefully.

In fact today, when price broke out of the symmetric triangle all I did was read the tape, was not even looking at the chart. I could tell most of the pressure was on buying, the anxiety to sell did not start until it really fell, not even on the retracement. That was just free fills for the longs. All very very telling. See price can go down as the buying pressure increases, it is possible and that's how you use time and sales to get killer entries.

Eventually you will start noticing when price is going down how it is bought on the way down and how aggressively or if the pressure continues, are the sizes increasing on the way down, is the market buying outnumbering the market selling is it the selling. All these details are very telling but this is all happening live and very fast so will take lots of practice. It does not matter if it's buying or short covering, why would a short cover? Because he thinks price is going higher now right?

I can't teach you tape reading, this one you must do on your own, it is without a doubt the most powerful thing out there but your eyes will get very tired until it starts making sense as it happens. Not trying to discourage you just warning you that this one takes an effort and a lot of screen time but it's the absolute trampoline to the next level.

- Forget Level II Level III and Level IV. Unless a trade happened the information can be deceiving.
- “Out of bid/ask range large size transactions” indicates that traders are getting stopped out or wanting to get in or out in a hurry.
  - Let me put it this way, on the tape, who's panicking? Who's desperate to get in or get out? The trend of panic inside the tape is it balanced or is it favoring a specific side....
  - Remember short covering is buying...
- You must watch the tape at critical points not just when a sporadic below bid or above ask shows up.
  - Highlight the following:
    - **Above Ask**
    - **Below Bid**
- When looking for "below bid" and "above ask" at critical points keep in mind the cumulative numbers between them.
  - (as translated by iluv2trade from Anek's e-mail) (11-27-07)
  - add the above ask transactions (buys)
  - add the below bid transactions (sells)
  - Compare the numbers to see which side is winning...
    - Note: useful at critical points, may be useful / may not be at others

### Time and Sales - Filtered

Watching the tape for big orders, feel tape can be better read with less distraction when I only paying attention to the big orders and exclude the little people.

- Sample of how clear price action was filtered on tape - [tape.jpg](#)
- To eliminate noise suggested settings
  - $NQ \geq 75$  (50)
  - $ER2 \geq 50$
  - $ES \geq 250$
  - $YM \geq 40$
- lesser car sizes in the tape = noise

**Avoid the following technical indicators:** [death.to.cci.jpg](#)

- **Any indicator that is not 100% based on price action.**
- Divergence never found to be very reliable so stopped looking for it.
- **Stochastics: (not recommended for AHG)**
  - A cross can be a powerful tool when you are looking for an entry in a strong trend. (5,3,3)
- **Bollinger Bands: (not recommended for AHG)**
  - (Volatility indicator only, everything else it's not that hot)
  - With 2.5 Standard Deviation. (2.0 gets hit far too often and distracts with noise)
  - When price is continuously hitting a band, pay attention. It's trying to tell you which side is stronger. If you are having difficulty identifying the current trend or suspect a reversal, the price hugging a particular band can provide great info as to where momentum is headed,
- **MACD: (Not recommended for AHG)**
  - Extremely slow, late entry by 3-4 bars, leaving profits behind on entries and exits.
  - Its divergences signals are good approximately 50% of time, random, and useless.
  - It is nothing but the derivative of two LAGGING indicators (Moving Averages).
  - Better off learning CCI, in fact you are better off with price action alone, no stochastic either.

**Technical indicators are lagging in nature, as they only indicate past performance.**

- Price action is all that is needed and when using tick/share charts, volume indicators are unnecessary.
- Volume indicators provide little information.
- Time and Sales is invaluable and provides all the volume information needed. This is widely known as reading the tape. (screen time)
- Don't complicate things, it all comes down to what is big volume doing, buying or selling.

#### **STEP 4 - Money Management**

- **CAPITAL PRESERVATION** – Highest priority!!!
- **DO NOT AVERAGE DOWN** unless attempting to get fills for your intended car size, never surpassing it.
- Advanced money management technique, an average up approach is highly recommended.
  - *see advanced section,, until then, use the same car size on every play*
- **Winners and Losers.**
  - There are only five possible outcomes in trading:
    - Big Losses (*Stay away from the first one and the rest will EMBRACE you.*)
    - Small losses
    - Big Winners
    - Small Winners
    - Break even
  - AHG attempts to accomplish
    - Small wins
    - Small losses
    - Breakeven trades
    - Letting winners run (big wins)

### **STEP 5 - Discipline**

Trading is not for the irresponsible. Break the rules and you will eventually lose big, period. Trading will forgive you if you were wrong on a play even several plays; it will not forgive or tolerate stupidity.

### **STEP 6 - Chart Types**

Long bars are evil, highly recommend tick/share charts, provide ability to split the data and examine it with care. For the YM recommend 75 or 89 tick charts. This differs greatly from one instrument to the other, the greater the volume/activity it has, the greater the ticks size you will need. Adjust tick/share volume depending on how current day is developing. If low volume day, may even go down to 150, 100. etc... Adjust for best view and what you are most comfortable with.

Tick and volume bars, you need to be able to kill the possible long bars in time based charts that hide what could be important to observe; at least as a scalper.

Volume Bars suggested settings: (adjust for low volume)

- ES = 2500/5000 – 50-100K (anchor)
- ER2 = 750/1000 – 75K (anchor) [610 tick]
- NQ = 1000/1500 – 10K (anchor)

- Note: Tradestation does not display Volume bars correctly
  - Anek not concerned, been using TS for a while now. Would rather use tick charts than learning a whole new platform at this point
  - Anek does not like time based charts, other than for Anchor reference

### **Higher time frames / Anchor Charts**

- Use two charts, one for a clear understanding of the main trend, if any, and one for low risk good reward entry.
- Help determine the big picture or major trend. Always trade in the direction of the big picture and to be aware of possible of key levels that can and will produce congestion.
- Higher time frames also help alert if the breakout or breakdown was meaningful enough to merit averaging up on retracement.
- Dual confirmation
- There is no correct chart frame, whatever fits your risk/style/goals. Anchor 4x base chart is good
- Example of what is referred to as a Multi Day Chart.
  - Notice current wick high on last bar, reason decided to take profits around that area.
  - It has "yet" to break out/down.
  - Interesting thing is that I think the key to the market (all e-minis) lies on this chart right here.
  - The 2205 and 2160 areas are extremely important in the next development phase.
  - Learn to recognize the bearish hemisphere from the bullish one and what's the line in the sand.
  - Remember, the NASDAQ is leading.
  - It is extremely important, always, at all times, be aware of the big picture, without it, you would not know how far your good trades can go.
  - [multi.day.jpg](#) higher time frame - [nevermind.jpg](#) primary and anchor chart
- I use two anchor charts, one regularly and one I examine late at night.
- The regular one is 610 ticks, and the other 2500 ticks.

### Candlesticks

- [candlestick quick reference guide - 001.pdf](#) - [candlestick.pdf](#) (reference)
- Provide one more confirmation, not a signal.
- Important candlestick formations for AHG:
  - Hammers at the very end of a downtrend with wicks piercing support
  - Shooting stars at the very top signaling that bulls got trapped.
  - Both preferably with good volume.
- Additional attention given to:
  - Doji, as they mark indecision, particularly at S/R areas
  - Engulfing patterns.
  - *(The rest not cared for)*
- For instance, say a bar pierces through trend line support and closes as a hammer. to see a tick below the lowest area of the bar that closed before shorting is preferred.

### Heikin Ashi Bars (from Investopedia)

"A type of candlestick chart that shares many characteristics with standard candlestick charts, but differs because of the values used to create each bar. Instead of using the open-high-low-close (OHLC) bars like standard candlestick charts, the Heikin-Ashi technique uses a modified formula:

**Close** = (Open + High + Low + Close)/4  
**Open** = [Open (previous bar) + Close (previous bar)]/2  
**High** = Max (High, Open, Close)  
**Low** = Min (Low, Open, Close)

The Heikin-Ashi technique is used by technical traders to identify a given trend more easily. Hollow candles with no lower shadows are used to signal a strong uptrend, while filled candles with no higher shadow are used to identify a strong downtrend.

- Solid uptrend with superb momentum let the Heikin Ashi bars guide you (for runners not for entries).
- Then the exit is second nature. If you stick to that simple strategy you will obtain some monstrous wins whenever the opportunity presents itself if you happen to be in the trade or spot an entry.
- Don't use Heiken Ashi (HA) bars for entry, only for exit. HA bars for entries are counter productive.
  - (They go red when you should be going long)
- HA bars help the runners; the best trades always tend to work from the start causing very little heat.

*(This technique should be used in combination with standard candlestick charts or other indicators)*

### Closing Bars

- Closing bars (not wicks) are used for confirmation when breaking support or resistance. [closeisall.jpg](#)
- The close is important because not every trader uses the same chart type
- For additional confirmation, the closing bar TYPE matters as well.
- Breaking of support
  - Bearish indicators: Big red body or gravestone (*not a hammer, long legged doji or dragonfly*)
- Breaking of resistance
  - Bullish indicators: strong green body, nothing indecisive (short body, long wicks)
- You can apply this to support, resistance, trend lines, symmetric triangles, etc.
- To bring some clarity to price action discussions AHG will refer to the following as:
  - Bars closing above previous bar high are referenced as **Strong Bars**
  - Bars closing below previous bar low are referenced as **Weak Bars**.
    - If in a downtrend, you want to find the weak bars in the pop ups.
    - If in an uptrend, you want to find the strong bars in the retracement.
    - Strong and Weak bars used as entries for retracement and as alerts when scaling out or getting back in.
  - A strong bar or a weak bar is basically an "engulfing" signal.

### The Close of the bar (amendment)

- Someone posted about why the close of a bar is of no importance when we all use different charts and chart types during intraday trading so in theory it is only relevant to you and not to the next guy.
- Discussion with another trader took this further with new concepts and philosophies.
  - Example: if you have a stop at say 2100 and price hits 2100.25 but closes at 2198.00 the stop does not care where price closed, it got hit.
- In the end the highs and lows are the King and the Queen.
- There is a lot to be learned from this alone.

### Chart Analysis (AHG official color code for chart notation/analysis)

- Red = Short
- Green = Long
- White = Exit

- Yellow = Point of interest

## **ENTRY AND EXIT SIGNALS**

### **Entry signals**

- **Trend line breaks**, a tick means nothing, a close below or above the tick is what matters.
  - Sample for an uptrend line in jeopardy.
    1. Was the last high a higher high?
    2. Was the last high a double top?
    3. Was the last high a lower high?
  - On top of that you want bars closing below the trend line + 1 tick below the breakdown's bar low, this give you the signal assuming 2 or 3, definitely not 1. - [the.one.tick.jpg](#)
  - If the case is 1, I would not short it, I will simply wait for the higher low to get back in, regardless of the "TL Break" which in this case it's more like noise since TL's are not infallible. If it does break, then so be it, but coming from a higher high you don't want to short that unless a swing low is created first.
- Dual confirmation: When you see a bar closing above or below Support or Resistance stay alert but the signal will come when the bar's high or low is pushed by one tick. This is known as dual confirmation or as I like to call it, the **magic tick**
- The magic tick is a HH or LL by 1 tick off any point of interest. (12-02-02)
  - For instance, say there is an uptrend and a bar closes below the uptrend line. Did a tick ever go below the low of the closing bar? If so, that's the magic tick.
  - It's a technique I learned from Suri, in his recent H and S example you can see how Suri waits for it.
  - I adopt the magic tick in all of my trading.
  - He does not call it the magic tick, that's how I call it and with good reason because it's one of the most powerful techniques in my arsenal.
  - Not necessary to wait for it; anticipate it with a limit order. If the magic tick happens then it happens as I you are filled.
  - If the next tick after the bar closes is the magic tick then you can hope for a limit fill or go market, your choice.
  - Do not enter trade unless
  - Never chase!!!
  - Additional example in appendix
  - For additional information reference "How to Trade Chart Patterns like a Pro" Suri Duddella
- Strategic entries, very important. This allows your stops to be smaller AND your targets wider. Unfortunately, be prepared MENTALLY to miss extremely good trades that refuse to give you a good fill because well, they had no plans on stopping for you!
- Multiple confirmations on entries are the key to accuracy nevertheless this game is not about being right but about making money.
- **Trend line pierced with a body that closed** (not a wick but body) and nothing but higher lows. Falling knives rarely make higher lows, when they do; it's most possibly a reversal.
- Engulfing bars after close, good to go...
- When looking for entry, say a long or even re-entry, you want strength to return in the pullback and when that happens make sure price did not violate the current highs and lows.
- A Trend line is not considered broken unless a contrarian swing below or above the trend line is seen.
  - For instance if an uptrend, a swing low BELOW the trend line.

○ Trendlines are just guidance, sometimes they are not respected, otherwise it would be too easy.

- **Visual reference: AHG set-up chart - [ahg setup ver 2.2.jpg](#) (Rn86)**

### **Entry on retracement**

When looking for a retracement in a clear uptrend you also want some sort of strength confirmation to avoid buying a falling knife or a retracement that is not yet complete. -- (Obviously, reverse for shorts)

In order to facilitate this task, suggest waiting for a bar closing above previous bar high as a sign of strength and a bar closing below previous bar low as a sign of weakness. Again, everything with the trend.

- Is there a trend? – “**Yes**”
- What is the trend? – “**It's long**”
- Is it retracing? – “**Yes**”
- Has it printed a bar closing above previous bar high (strength) after retracing considerably without breaking major support or pivot swing? – “**Yes**”
- Stop placement? -- **A few ticks below the strong bar should do**
  - *(You can always re-enter in case of noise or fake.)*
  - *(Remember; small stops, as it is not about being right but about making money)*
- Price action is used to increase the odds when looking for an entry during retracement.

## Stops

- Protect capital with small losses and break even trades while adjusting stops in your favor, never against it. *(Never loosen a stop)*
- Initial stop placed at time of trade for security reasons. **ALWAYS!**
  - Upon fill, adjust stops strategically base on support/resistance and/or complacency levels.
  - If trade reverses you, take your small loss and move on.
- Placing at break even is just a common saying, using the lows of previous bars is much more astute.
- Stop placement needs to be strategic for whatever reason but strategic, not some fixed number.
  - Be aware of previous pivot high/low areas and place strategic stops accordingly
  - Consider placing stop below the low of last 2-3 bars (long) (reverse for short)
  - Price action always dictates stop placement
- Trailing stops: Use OSO orders, manually moving stop in the Matrix as price moves in your favor.
  - Basically auto places initial stop(s) and target(s) based on predetermined fixed values.
  - **There is no better trailing stop, this is much more precise than a fixed # stop because it's based on recent lows or highs.**
- Use Heikin Ashi to adjust trailing stops/targets or otherwise known as riding the winners.

*If you are having trouble with the runners/stops consider moving stop to low or high of the last 2-3 bars (depending on volatility and/or how fast your chart of choice is) once price has left the initial S/R area, which is usually where your initial stop should be. This will allow you to catch more runners than you can imagine using a mechanical way and prevents your emotions from taking profits too soon. Adjusting stops is more desirable than simply selling or covering. The idea is to be in control of your emotions while maintaining logic in check.*

- Stops on intraday swings are usually initial stop and/or break even, then starts to scale out.
  - Unless averaging up, then simply use pivot highs and lows for strategic points.
- Stops depend on the candle, the smaller the candle the bigger the stop.
  - Not sure if that makes sense but some room must be given.
- When your trade premise is correct your stop should be big enough to handle noise but not much else.
  - Volatility rules the market so some room must be given to your stop.
  - *(However, if your examination is correct, no need to use volatility as insurance)*
- Use small stops and possible multiple entries (failures) in comparison to a bigger stop because a second re-entry encompasses multiple confirmations which leads to greater probability than risking it all on just one confirmation and a big stop.
  - *(This stop management technique lowers your accuracy rate, but increases profits.)*

**Big Stops (Reason against for day trading)** (this applies to day trading not swing trading or investing)

- A big stop by definition indicates you are not sure of your entry signal
- A big stop promotes hoping and praying and not trading
- A big stop is gambling
- A big stop is for those refusing to take a loss, when losses are necessary in successful trading
- A big stop creates the illusion of higher accuracy but in the end it only results in a negative P/L
- A big stop prevents you from loading up because the drawdown can be monstrous
- A big stop is for those who fail to realize they can always get back in a trade
- Big stops are for the insecure, they make lazy traders over-trade

***\*\*Took a long time to learn this, hope it takes you only a fraction\*\****

**Exit suggestions (not inclusive)**

- Define profit targets, **(3:1 risk vs. reward ratio)** minimum
  - For training purposes suggest to trade with a 1:1 risk vs. reward ratio to **Force** you to trade well, then as you improve you can increase the reward;
- Every single play **\*MUST\*** have a target greater than the risk
  - but if price action says otherwise we take what we can.
- If long before last known resist area
- If short before last known support area
- If scaling out and trade happens to break out in your favor then watch the next time it makes a HH or a LL depending if you are short or long.
- HA bars help to determine VISUALLY in a quick manner if you should trail your stop because momentum is there.
- Learn to read momentum. Extremely powerful, when price is on fire and not looking back, there is no reason to leave the roller coaster, ride it until you see hesitation. Once again, price action, price has mood swings, behavior, and characteristics, learn to read them. It's very valuable.
- When price is close to HOD, look for a pullback to sell MOST below the HOD and leave a bit on the table for a possible run. When price is close to a LOD, look for a pop up, to short it back and cover around the LOD with again, a runner for home runs.

### Mechanics in a concise manner

- Study highs and lows
- If a trend forms, examine entry opportunities.
- Once in a trade gauge S/R for stops/exits
- Ride the winners with the HA bars if the trade gets solid momentum.
- Rinse and repeat. *(Keep it simple be patient, wait for set-up.)*
- Find one and only one tool to help you find optimal entries.
- It is IMPERATIVE that you keep it simple or you will lose focus.
- When trend has been determined search for low risk opportunity to enter.
- Use Heikin Ashi to adjust trailing stops/targets (otherwise known as riding the winners.)
- Use trend lines to gauge the big picture and Fibonacci for prediction.  
*(Currently, not much else recommended.)*

When the system fails to produce profits it is probably because the market had no direction and nothing but reversals. When this happens you WILL have a losing day even if following the system, however, it will most likely fall in the small losses category and that is what it is all about.

### PRIORITY list - (In order of importance)

- **Discipline (above everything else)** - It makes no sense to develop a set of rules if you are not going to follow them. Nothing tops this.
- **Trend/Reversal/Chop Recognition** - The substance of the system. Must excel at trend/chop/reversal recognition. If you want to succeed with AHG learn to avoid calling absolute tops and bottoms.
- **Risk management / Prudent and intelligent stops** – Know trade can be entered with absolute certainty of success. You are taking a trade that appears that it will work. When wrong, which is a 50% probability, your stop should be prudent.
- **Entry refinement - Strategic entries** - very important. Allows stops to be smaller and targets wider. Unfortunately, be prepared MENTALLY to miss extremely good trades that refuse to give you a good fill because well, they had no plans on stopping for you!
- **Exit refinement** – Difference between good traders, great trader, and sometimes even master trader.

All of the above are extremely important, once the basics mastered, concentrate on #4 and #5. #5 makes the difference between profitability and abundance but it's last for a reason... *(#5 being the most difficult)* The swing high/low method works, and it works in all markets, as price is always oscillating, and therefore, is always trending.

**The hardest part of AHG is identifying the chop and staying on the sidelines, the rest is trading with the trend using small stops and letting the winners run purely on price action.**

## **Pattern Trading**

With a solid understanding of price action Pattern Trading is an extremely powerful technique. Learn to spot the following important pattern formations before you place a trade:

- Consolidation
- Uptrend's
- Downtrends
- Double tops
  - (one of the most powerful, if played correctly are by far the most rewarding and safe patterns)
- Double bottoms - [double.bottom.jpg](#)
  - (one of the most powerful, if played correctly are by far the most rewarding and safe patterns)
- Wedges
- Symmetric Triangles - [symm.png](#)
  - A favorite trading pattern, and one of the most powerful, they give birth to trends.
  - Requires two higher lows and two lower highs. (minimum)
  - Price gets trapped, when it finds a direction and escapes, you have a breakout and ride it.
  - A breakout with the trend has greater chances of success than one against it.
  - Rate of success is above 50% and their targets can be exponentially bigger than the stops.
  - Most powerful when close to LOD or HOD areas.
  - When price stalls, it's a sign of loss of momentum which could mean a reversal or congestion. (start looking for options)
  - The stop should be strategically placed below or above resistance.
  - If using 50% fib retracement area, watch the 61.8% area as stops, etc.
  - Wait patiently for formation, two different time frames increase chances of them developing.
  - One strategy play, place a buy stop and short stop outside of the triangle and wait for breakout.
- level 0 (Begin with recognition)
  - Consolidation - (No Trades in beginning, for advanced trading only).
    - No 2 lower highs, no 2 lower lows, stay put.
    - No 2 higher highs, no 2 higher lows, stay put
    - Sometimes the best trade is no trade
- Level 1 (Only on opportunity, no forcing no chasing)
  - Uptrend's
  - Downtrends
- Level 2 (Only with confirmation, no guessing, ride them aggressively)
  - Double tops
  - Double bottoms
- Level 3 (Only with confirmation ride them aggressively, target should be larger than your usual scalp)
  - Wedges
  - Symmetric Triangles
- Stay out of anything else for now

- Use trend lines at all times.

Initially concentrate on trading and mastering only 3-4 Patterns. Additional patterns should only be added once previous patterns mastered and then, preferably one at a time until mastered.

### **Successful Pattern's in order of preference**

- Double Tops / Double Bottoms
- Rectangle/Horizontal breakouts
- Flags
- Triangles
  - Triangle breakouts aligned with the side of the previous trend have a higher chance of success.
- Failed head and shoulders - [failed.head.and.shoulders.jpg](#)
  - Prefer break of right shoulder by a closing bar because they are more reliable.
  - Rarely take a head and shoulder neckline break unless it forms at the very top of the chart as they are only reliable in up trends.
  - Those that do form at the bottom tend to fail and you may enter in a more aggressive matter in comparison to a failure at the top.
  - The same is true for Inverse Head and Shoulders in downtrends.
  - Be more enthusiastic about the failures than the pattern themselves, especially if they form at the "wrong" places.

**Patience is required:** wait for patterns to develop, wait for an opportunity, look around you (s/r) aim (think of entry/stop/targets) then fire (execute).

## Additional Patterns:

### **Dragon Pattern – (advanced)**

- [dragon.jpg](#)
- [dragon.played.jpg](#) - how played....
- [watch.out.if.short.jpg](#) - Possible dragon formation (11-15-07)
- <http://www.trading-naked.com/JerrysDragonPattern.htm> (Piscuy)
- <http://www.traders-journal.com/files/nov2007.pdf> (11-30-07) **suriNotes**
  - Article on 'Dragons in the Markets' in Traders-Journal (Nov. 2007) magazine.

### **M and W patterns form during congestion, especially if scattered around the intraday.**

- The **M-top and W-bottom are common** (easy). [kindergarden.jpg](#)
  - Treat an M-top or a W-bottom as a reversal formation once the middle swing is taken by a closing bar
  - Very similar to double tops and double bottoms but require a bigger stop because the resistance area is not as obvious and the stop actually goes at the other side of the pattern due to their peaks not being identical, otherwise they would just be DT's and DB's.
  - The 1st target is the first major point of S/ R then price action based on trend lines, etc...
- **The M-bottom and W-top are extremely rare**
  - also another reversal signal if found at the extremes - [the.quest.jpg](#)
  - Incorporate Fibonacci ratio's in formation
  - Have similar trading opportunities as Head and Shoulder's formation's.
  - sometimes known as the Crown pattern. For detailed explanation:
    - Reference Suri Dudella's book, "Trading Chart Patterns Like the Pro's"
- **"M" Formation at the bottom (rare)** [m.bottom.jpg](#)
  - The M is completed after 3-swings; the two outer swings are higher than the middle swing.
  - You know how a head and shoulder has the middle swing higher than the outer ones? Well this is exactly the opposite.
- **"W" Formation at the top** [daily.es.jpg](#)
  - The W in the middle of a chart is possibly a continuation of the previous trend.
- In bull markets W-bottoms and Double top's chance of success increase dramatically.
  - In contrast in bear markets their effectiveness is reduced but not a great deal.
- In bear markets M-tops and Double top's chance of success increase dramatically.
  - In contrast in bull markets their effectiveness is reduced a great deal.
- **Anek's Solution to the M-bottom and-W top as posted:**
  - <http://www.elitetrader.com/vb/showt...440#post1634440> : (Thread cancelled)

*“I'm sure most of you are aware of the M-top and W-bottom formations. They represent reversals with small risk and decent rewards. Well, the fact that M-formations at the very bottom rarely form and W formations at the very top rarely form sparked the following idea”*  
*Search for the rarest patterns in trading and trade logically against them efficiently eliminating one of the possibilities.” “Why? Because when we have half of an extremely rare pattern formed we have a pretty good idea of where price will probably not go first when it's about to complete itself.”*

### **Consolidation and Congestion**

- When price reaches the HOD or the LOD congestion, hesitation is to be expected; examine it from the sidelines unless you are already in a trade and just managing your exit. (*Unfortunately, easier said than done because there is massive uncertainty at those areas.*)
- Congestion is when you see a HH and LL or HL and LH. i.e. Consolidation, Symmetric Triangles, etc. Uncertainty if you will.
- Learn to spot the chop, it will save you AND make you money. Chop kills and reverses us. No one is forcing you to trade as the market is always there.

### **Congestion at Extreme Areas vs. Reversals**

Make an effort to notice the difference between one and the other.

Usually when price develops a very strong move once it becomes exhausted, it must rest and consolidates. Mostly because traders are hesitant to jump in at such levels, they are potentially painful levels and no one wants to get burned. This is precisely when amateurs start calling reversals or opening positions after the fact, turning trading into hopes and fears. Please avoid this. This is when patience will serve you well.

Even though reversals are very much possible and offer great risk vs. reward this is exactly why we use and require confirmations. Without the confirmation it is simply, a gamble and good traders are not gamblers but predators.

Don't fall preys to congestion, congestion offer no hint except the fact that the previous trend is the strongest but it is also very much tired, at least for now. From a psychological perspective since you probably missed the whole initial move you feel frustrated and probably want to ride it all back down (or up) because the market moves in waves right ? plus you probably feel frustrated that all this happened right in your face. Well, that's understandable but make sure an actual good potential setup is developed before stepping into a train.

This is the time when we examine the surrounding support and resistant areas to see where price might be heading next after we get confirmation(s) so we can determine our logical targets and see if the risk involved in the trade merits opening a position when and if the time comes.

**Price turns for different reasons and not every reason is significant. -- (Please remember that)**

### **Difference between retracement and a possible reversal**

The difference between a retracement and a possible reversal in theory is a "bet", which is why it's hard for some people to trade this way, they see price going down, even if the support is not taken and they sh\*\* their pants, or worse they want to short a support that has yet to be broken.

One way to tell that helps is that retracement usually happen on lower volume where reversals usually start on increasing volume. If you using volume bars you will see them print very rapidly in comparison to when price action was calm.

### **Price Hesitation:**

There are many areas that will cause price to hesitate.

- Globex high
- Globex low
- Previous close
- Previous high
- Previous low
- Previous open
- Pivot point
- 15 min opening range
- 30 min opening range
- S1
- R1
- S2
- R2
- Weekly Pivot
- can go on forever -The question is, when do you stop cluttering your charts - let's stick to price
- If an area is important for whatever reason you will see it as support as resistance in your chart.
- Globex low and globex high can be an area of congestion, support or resistance. Yet, how is this different from any other congestion, support or resistance so treat it like any other. Pivots the same. Price action skills will prepare you for this, whatever it might be.

### **MONEY MANAGEMENT - Advanced**

Money management is very personal and many proper methods exist. Search deep within yourself to determine which style fits you best. Trading comfortably is important.

- AHG: **Scaling out and Averaging up**
- AHG: **Prefer Averaging up Method**
  - *(it is hard to beat once you get good at reading the market)*

**NOTE: Never increase position size greater than that which you can absorb a catastrophic event!**

- Never take positions greater than you can financially accept 100% loss (Maximum Risk)
- Do not rely solely on your stop, in the event of stop server failure, you must have a disaster preparation plan in place to hedge with alternate broker's if necessary

## Scaling out

Primarily helps the psychological factor as it may releases the pressure of securing profits, especially when trading multiple positions. **Yet, a simple strategic trailing stop accomplishes the same. Remember, you can always get back in a trade.**

Primary problem with scaling out is when stopped out before reaching first target; you lose on your full lot. *(However, if your first target has a good ratio in comparison to your stop, then by all means, scale out until your heart stops pounding.)*

When the play is going your way, scale out before clear "previous" known resistance and support. If there is nothing remotely resembling that, don't do it unless evidence of a possible reversal formation, then scale out and adjust stop accordingly.

- Confirm first target is AT THE VERY LEAST as big as stop.
- Then quickly move stop to breakeven and let it ride as much as possible until price loses momentum.
- Take profits BEFORE the next resistance (going long) and BEFORE the next support (going short.)
- You may leave a small portion of the trade ride for the home run.

## Scaling out position size:

- **Level 1 Novice (1/1)**
  - Initial entry 2-cars
  - close ½ position at initial profit target or approaching point of interest (S/R)
    - moving stop to protect profits at all times
  - close remaining position as normal
    - trailing stop (strategic or pre-defined)
    - approaching point of interest (discretionary or tightening stop)
- **Level 2 Advanced (1/1/1)**
  - Initial entry 3-cars (or nominal position size)
  - close first 1/3 position at initial profit target or approaching point of interest (S/R)
    - moving stop to protect profits at all times
  - close second 1/3 position at secondary profit target or approaching point of interest (S/R)
    - moving stop to protect profits at all times
  - close remaining position as normal (per trading plan) (often left for runners)
    - reaching final profit target
    - trailing stop (strategic or pre-defined)
    - approaching point of interest (discretionary or tightening stop)

## Averaging Up

With an averaging up approach one good day erases multiple losing days and then some.

Averaging up is only pertinent to those with good accuracy and a solid understanding of how the market and day trading works. Now, it is possibly the last step to good fortune as far as phases and stages.

The concept of only adding to a winning position is phenomenal because by definition it ensures that your trades are only about small losses, break evens and small to gigantic wins. Notice this is exactly how I suggest your money management results should be so it's highly compatible with AHG.

Nevertheless, you need to be able to handle, from a psychological perspective, a streak of small losses and break evens, in many cases watching small winners become small losses. This is the negative aspect of averaging up. The positive aspect is the monumental winners it can and will provide if you do it right.

When I average up, add to a winning position on retracement only if the major trend is intact and healthy always keeping a stop for ALL positions, this stop strategically placed at a definite change of a trend. As the trade keeps going in my favor, I keep adding to the position and adjusting the stop, the stop is the same for all brothers and sisters in the trade. As the trend develops the trend pivotal point obviously moves up as well.

When the trend ends, you take a small loss/break even on the last position ONLY or the last two depending on how flexible you were and all the initial add's collect massive returns, especially the original one.

It is the holy grail of money management systems BUT for seasoned traders not for someone who has just starting to get his/her feet wet with a new system.

Averaging up is probably the most important reason as to why I was attracted to future's leverage. In fact, I've reached 20x with this technique and knowing I had secured profits on 85% of the adds felt like I was the king of the world. In the ES I usually trade between 3-10 cars depending on the stop risk of the trade. I have yet to average up aggressively on ES since I'm fairly new to the contract but when I'm comfortable on a great run this number could go all the way up to 40-50, without giving too much info on my personal total leverage. When averaging up, at least on the YM, I have used full leverage on the account without a single ounce of fear because of secured profits on most of the additions. When you get a nice run the profits are nothing short of a monstrosity.

Obviously, if the trade does not go in your favor you don't even touch leverage or add to your position.

*(Very powerful strategy but requires complete dominance of your psychology.)*

### **Averaging Up Methodology and Results:**

Initial entry is minimal in size as no real evidence exists on how strong the new trend really is. Naturally this assures that if mistaken in the analysis, losses are very small.

Once strength develops, use retracement to further increase position always using the same stop (a change of a trend, a break of support/resistance) on every single addition.

As the trend keeps running, and new areas of S/R are marked, the stop is continually moved as the additions start piling into the play.

When I get lucky to catch a beast of a trend I might go as far as to using full leverage as I add positions on retracement but always securing profits on the vast majority of the additions. This gives me the freedom to trade monstrous contracts responsibly without an ounce of fear.

They say trading should be about small losses, break evens and small to huge winners, this is exactly what averaging up promotes. Needless to say on extremely choppy days you end up with multiple small losses. In the long run though, it's an indisputable winner as far as money management goes.

“When its clear resistance has become support or support became resistance you may consider averaging up. Momentum must be there, no exception. Approximately only 15% of trading days are heavy trending days so keep this into consideration, not every day is optimal for averaging up unless a potent reversal formation after massive exhaustion was spawned.”

- Averaging up example: [for.bk.png](#)
  - Enormous gain on the first
  - Gigantic gain on the second
  - Great gain on the third.
  - Small loss on the fourth.
- Averaging up example: [aup.jpg](#)
  - Question: why not start with 12-cars (per example) and move your stop accordingly as higher highs and higher lows are made?
  - Answer is naturally risk management. If you were wrong from the start you take a full stop on a full leveraged position, not exactly how we want to trade and protect our capital.

***(Only recommended for experienced traders who dominate to perfection these teachings.)***

### **Averaging Up approach for reversal formation at the LOD/HOD.** *(Non exclusive)*

- Study reversal formations very carefully.
  - Double Tops, Double Bottoms, M tops, W bottoms, V bottoms, Triple and Rectangles.
- Upon confirmation begin average up approach with a minimal position.
- Add on every possible pullback **before** the next major support or resistance area as soon as a strong/weak bar is evident once the retracement looks exhausted.
- Sell/Cover it all around the next significant support or resistance point or partial.
- If resistance becomes support or support becomes resistance you can begin all over again with your minimal position or can continue adding to what it is still in play provided that you have a change of a trend trailing stop protecting every add and of course, past profits.
- Confirmation is an insurance card, use it accordingly but make it a requirement for every move you make, whether it is entry or exit.
- Every trade should be an educated prediction and every addition should be an additional confirmation.
- The more confirmations the more your car size should increase because at first we never really know where price will go but as we get additional data supporting our original trade theory, the story starts revealing itself.
- As you well know this method promotes small losses and all kinds of winners from miniature to gigantic. It is no coincidence that it is chop proof because if you get no additional confirmations you stand on the sidelines with your small position. This method will also help you avoid calling tops and bottoms because in the back of your mind you don't want it to end, this can be a very powerful psychological asset.
- The absolute key to mega profitable consistent trading is having the skill to spot the birth of a new trend correctly and playing it responsibly with solid money management.

### **Averaging Up Position Size:**

- **Level 1: Novice (1/1/1)**
  - Initial entry 1-car (1x nominal position size)
  - With 1-car adds (equal position size)
  - Moving stop to protect profits at all times
- **Level 2: Advanced (2-1-2-1-2-1)**
  - Initial entry 2-cars (or 2x nominal position size)
  - adds alternated until stopped
  - moving stop to protect profits at all times
- **Level 3: Highly Advanced (2-1-3-2-4-3)**
  - **(Note: Not recommended most traders, highly advanced technique - high risk)**

- Initial entry 2x, adds alternated until stopped, moving stop to protect profits at all times
- **Pyramid technique (Note: Not part of AHG)**
  - (3/2/1) Never adding more than the original car size.
    - Initial position 3-cars, 2<sup>nd</sup> position add 2-cars, 3<sup>rd</sup> position add 1-car
  - *(Reverse pyramid can lose all profits with a small loss)*

## Tips

- **Risk management at all times.**
  - Protect your capital at all cost, protect your profits but be very greedy when you are right.
  - Never move your stops unless it is to secure profits.
  - Small losses are inevitable and very much required to succeed, large ones your doom.
- Order Execution, limit orders exclusively except market orders for emergency stops.
- Become an expert on price not on indicators; in fact use only bars, trend lines, support or resistance.
  - Go find your edge and do not fall prey to indicators
  - Find one and only one tool to help determine optimal entries.
  - It is IMPERATIVE that you keep it simple or you will lose focus.
  - Use trend lines to gauge the big picture and Fibonacci for prediction.
  - Always assume that support or resistance will hold or reject price, by **definition**.
  - Price is and always will be king. It speaks in highs and lows, listen to him, he owns the market.
- Develop the skill in analyzing momentum and the S/R surroundings as price is moving.
  - When it stops, why did it stop, should I wait, if so how long?
  - If it retraces, your stop better be there to secure your profits, not too tight, give it some room
- Learn about reversal patterns and look for them at major support and resistance areas.
- Price has a much easier time going through previously known areas
  - New territories should be treated with respect and only for examination.
- Never attempt to call bottoms or tops, just trade the trend.
- Try to stay out of breakout areas, the in between is far easier to trade because price will either go to support or resistance and in the middle they are clear and rarely unknown.
- Statistically speaking, trend patterns out number reversals
  - If the trend is up, buy low sell high, do not short if the trend is up.
  - If the trend is down, short high cover low, do not buy if the trend is down.
- Mornings are superior to the afternoons, and lunch can be a bit tricky.
- **Better to miss a good entry than force a bad one**
- **MASSIVE moves, uncertainty usually unfold. (powerful tip)**
- Screen time is at the thousands of hours.
- You will not beat this game unless you allow the runners to run
- Do not trade on FOMC and OEX , these trading days are reserved only for highly experienced traders

### **Futures over equities:**

- Traded equities for four years, they offer VERY little pros in comparison to futures
- From equities slowly drifted into SPY/QQQ and then finally futures
- Day trading 4-5 years to attain current level of proficiency
- Better liquidity
- Less games (electronic)
- More leverage
- Around the clock (kind of)
- No research involved
- Less slippage
- No short up tick rule
- Can day trade without 25k
- Easier taxation

### **ES over SPY (ETF):**

- The major difference between trading the ES and SPY (ETF) is flexibility,
- If swing trading and something catastrophic happens at 3AM in the morning. Futures give you the option to bail or solidify your position if you are on the right side. In equities or ETF's you would need to wait until pre-market opens to decide. They even give you the option to hedge if you got investments
- As a very aggressive averaging up trader when things go my way, and panic hits the market hard the massive leverage provided by futures allows me to keep averaging up if the trend continues. In SPY I would be limited to 4X, least last time I checked. That is priceless for my particular style of trading.

### **ES/NQ/ER2 (stopped trading YM due to CBOT issues)**

- Volume bars: (12-05-07) updated
  - **ES** = 2500/5000 -- 50K/100K (anchor)
  - **NQ** = 1000 -- 10k (anchor),
  - **ER2** = 750 (610 tick) -- 7500 (anchor)
- Volume bars work well, adjust accordingly for low volume “after hours”, etc...
- In terms of volume **ES>NQ>ER2>YM** (Besides no crappy CBOT and occasional liquidity problems)
- **ES** over **NQ**, due to **NQ**'s “commission premium” (currently prefer NQ...)

- **NQ** = \$20 point per contract
  - **ES** = \$50 point per contract
  - **ER2** = \$100 point per contract
  - **YM** = \$5 point per contract
- The DAX can and will lead the ES in the early mornings but remember that the chart at hand should always be enough. Still an extra bonus always helps

### **NQ Benefits**

- **NQ** is like **YM** with more volume (less slippage) and better moves for Anek's style.
- **NQ** is twice as liquid as the **YM**. It's no **ES**, but still the second most liquid e-mini of the four, including **ER2**.
- **NQ** is Trendy and explosive (works well with trendlines) compatible with AHG
- **NQ** is CME (not CBOT crap)
- **NQ Entry Charts**
  - 1000 volume bars and/or 233 ticks (base chart)
  - 610 tick for massive pattern detection (anchor chart)
  - 2500 tick for multi-day appreciation of the main trend's support/resistance areas.

### **After Hours Trading**

- Only recommended for more experienced traders
- Due to less liquidity when something is broken the effect is usually more drastic
- Stay with the trend, determine clear S/R and you go have so fun. Much less frustration.
- Requires MASSIVE patience though, sometimes it feels like they hit PAUSE at certain hours
- As patience is extremely important in waiting for the right setups, training in AH's can help develop patience and It also provides sufficient time to study the current scenarios.
- lower the chart frame to accommodate the low volume and remember that a chart is a chart
- AH margin higher and spreads wider
- Rarely fade an AH move because it can be extremely trendy when it is moving (at least not until DAX opens)
- Additional benefits: Trends quite well and less "fakes" are seen.
- **After hours trading: limit orders on entry, in AH this is a golden rule you don't break**

### **Frustration, Risk and the Acceptance of Small Losses**

Nothing works all the time, I think we can all agree with this. If you don't, time to adjust because nothing does.

With that in mind don't bet the house on any setup because we never know for sure if it's going to work or not. However, if your trading allows the runners to run, like AHG suggests, then a loser here and there

should not frustrate you, not only should the loss be relatively small compared to the winners but as I said numerous times they are necessary and inevitable in profitable trading, notice what I said, profitable trading.

Losing small is ok; don't be like the rookies who just hate to be wrong, the first sign of a real trader is when you see him/her losing quite often, albeit losing small. Why? Because it's not about being right but about making money.

## **Bias**

The best trader has no bias, he goes long or short without a single ounce of bias and his decision is 100% based on price action not on fundamentals, economic news or what Joe Guru X said the night before.

- Having no bias despite financial news is very hard to achieve but Nirvana for trading.
- A trader should trade both ways, long or short depending on what's the predominant trend,

## **Patience** Update (11-20-07)

- A good trade does not present itself every three minutes. When taking this into consideration you deduct that patience plays an extremely important role in trading.
- Not only is patience required to be the predator trader that you should be but it's also imperative for letting those good trades do their own work.
  - Not everything works in 15 seconds even after it has every characteristic of looking great.
- One of the hardest but most important things to do in trading is **sitting on your hands**.
  - If no obvious trend, sit on the sidelines, patience is rewarded in trading.
  - If price is chopping you will only trade for your broker.
  - Develop patience. If no play, no trade.
- Couple of things you can do to work on your patience.
  - Stretch your legs
  - Read book, preferably trading related
  - ET forums
  - Get a snack
  - Practice tape reading skills
  - Music, I personally have digital music streaming at all times (Anek)
  - I seriously advice against turning on Bloomberg or CNBC, this will give you a bias and screw with your trading. Those people there know nothing about trading.

## **The Best Trades**

- The best trades work from the start
- The best trades got multiple signal confirmations
- The best trades offer no heat
- The best trades require small stops
- The best trades follow your trading plan
- The best trades develop momentum and acceleration after your position is in, not before
- The best trades are simply when you are quick enough to spot the birth of a new trend without actually being a contrarian

Now, wouldn't you like most of your trades to be like that?

If so, shoot for the best trades and skip the rest.

### **Conclusion of AHG Phase I** **(10-17-07)**

You will find many pieces of the puzzle on this chart. [phase.1.completion.jpg](#)

Please note the following AHG key elements at work:

- The engulfing paint bars for entries and exits when riding meaningful trends although plenty of examples are scattered in the journal in this area
- Unnecessary large stops, the option of re-entering
- Meaningful Patterns
- Pattern failures
- Reversal Pattern confirmation
- Trend lines at work to help you stay with the trend and knowing when it might be over
- The magic "tick" confirmation after the breakout closing bar when a pattern forms [the.one.tick.jpg](#)
- The powerful synergy between macro and micro charts, knowledge of key areas
- The complete elimination of lagging indicators
- Comparison of narrow range (yesterday) and wide (today), more volatility is good for traders
- Market E-Motion lines for measuring strength of the trend and possible targets plus areas of congestion, highly powerful stuff. A Swiss army knife, learn this tool well.

Screen time and practice should be the priority now along with avoiding the root of all evil, the chop.

## **AHG phase 1 continued due to popular demand (11-1-07)**

*Advanced techniques and discussions located in rear of Appendix*

### **Appendix "A" To AHG Phase I**

**Charts & Annotations** (see attached file for downloaded documents) (11-30-07) (hwk)

<http://www.4shared.com/dir/4772355/e2259420/sharing.html>

- Identified in chronological order starting with AHG chart-HK 001, etc...
- 1. (7-19-07) [07.19.07.jpg](#) - Green vertical denotes a long signal. Red short....
- 2. (7-19-07) [07.19.07-2.jpg](#) - main reasons as to why my signals switched from shorts to longs
- 3. (7-20-07) [workspace.png](#) - **Work space**
- 4. (7-20-07) [07.20.07.jpg](#) - trades
- 5. (8-27-07) [ready\\_for\\_monday.jpg](#) - **Work space**
- 6. (9-09-07) [nq.jpg](#) - **Workspace for NQ**
- 7. (7-20-07) [price.action.gif](#) - Price Action (ghkramer possibly)
- 8. (7-23-07) [07.23.07.png](#) – green long, red short, white change of trend
- 9. (7-23-07) [scalp.with.trend.png](#) - Advantage of scalping with the trend
- 10. (7-23-07) [new.chart.png](#) - took volume bars chart transition live.
  - After studying them for 5 months I think I will be able to read price action better this way
- 11. (7-23-07) [countertrend.png](#) - **Counter trending Trades, definitely not part of the system.**
  - "Support" gave it away.
  - notice how price rebounded off the previous "major" support on the previous up-wave. Now don't use this info to counter trade just yet but as extra info for your stops/targets/trails etc.
- 12. (7-24-07) [07.24.07.png](#) – trades of the day
- 13. (7-24-07) [cough.png](#) - congestion
- 14. (7-24-07) [scalp.with.trend.png](#) Advantage of scalping with the trend.
- 15. (7-25-07) [07.25.07.png](#) **Trend line breaks**
  - Note1: When a trend line is broken and the last high is a lower high it's safe to take a short on a pop up. Unfortunately, the pop up never occurred and I could not get my fill, but I was shooting for a good target there. Worked like a charm except could not capitalize due to lack of a pop up. The least you want to do when that happens is chase it.
  - Note2: Change of a trend. At this point you should see why. I took a short there, lost and took a full stop.
  - Note3: At the top see those higher high tops? Well as priced tanked I took a long when price stabilized and worked well. Not sure if it was the most optimal play (high stochs and all) but

took my quick profits little bit below resistance and said to myself take your break, your day is over.

- As always, vertical red lines shorts, vertical green lines long, with the trend, on the pullbacks/pop ups. Third short got stopped out. Fifth short BE trade. Rest did well. Longs did well.
  - Not so hard, just need to polish those skills of constantly examining the LL HH LH HL.
  - Last but not least maximum discipline at all times
16. (7-25-07) [07.25.07-2.png](#) Once again, trend line break on lower highs.
17. (7-25-07) [07.25.07-3.png](#) and the conclusion.
- The higher lows hinted it and the higher high confirmed it. Optimal cover point possibly the higher low formation but as you eat lunch and take the rest of the day off it's ok to say once in a while, WTF let's see if it can make a new HH, and well it did.
18. (7-26-07) [07.26.07-1.png](#) - Bearish trending day
19. (7-26-07) [07.26.07-2.png](#) - Highly more difficult session.
- In many cases due to reversals and congestion I got chopped to death
20. (7-27-07) [07-27-07.jpg](#)
- Went back to TICK charts for comparative reasons and cleaned some aspects of the chart. Using Pivot High/Low indicator from Tradestation to compare with S/R dots, so far I like my cleaner charts. (Sorry TRO)
21. (7-30-07) [07.30.07.png](#) - Most of the winners were trailed for a splendid day
22. (7-30-07) [symm.png](#) - **symmetric triangle**, LH's & HL's
- Price gets trapped, when it finds a direction and escapes, you got a breakout. Especially when close to LOD or HOD areas. In this case, it was below HOD and made a new one.
23. (7-31-07) [07.31.07.png](#) – **double top/double bottom** area led to chop suey
- signal to stay on the sidelines.
24. (8-01-07) [08.01.07.png](#) hints price gives us that might indicate a possible reversal or choppy move
25. (8-02-07) [08.02.07.png](#) - Circles identify chop evidence.
26. (8-03-07) [08.03.07.jpg](#) - Evidence of congestion in circles on, some winners, losers and grand slams...
27. (8-05-07) [es.daily.jpg](#) - study of daily ES chart to familiarize "new" territory.
28. (8-05-07) [es.test.jpg](#) - Hypothetical chart, arrow = short/long, yellow cross = stopped out
29. (8-06-07) [08.06.07.png](#) **complete transition from YM to ES**
30. (8-06-07) [changes.png](#) changes of trend, imperative to recognize this in real time
31. (8-07-07) [08.07.07.png](#) on annotations on chart
32. (8-08-07) [08.08.07.png](#) Not my kind of day, did not see ideal retracement in many good trends
33. (8-08-07) [comparison.png](#) ES 4999 share chart,
- pullback opportunities for average up money management (veteran traders only)
34. (8-08-07) [ttm.scalp.plus.ha.png](#) outcome of the system TMarket described yesterday
- White dot plots, if subsequent bars are same color (HA) of the pivot direction, take the signal.
  - Notice that the white dot ONLY plots after 3-4 bars have been completed, sometimes more.
  - Just a one day test, no conclusions yet. However, compared to AHG, pitiful so far. Using 5000 volume bars I would have killed that chart.
  - My only doubt is if the bar with the plot has to be of the desired color or only the following ones. I assumed it had to be.
35. (8-09-07) [sweet.afterhours.png](#) 500 share charts due to lower volume, sweet downtrend
36. (8-09-07) [zzzzz.png](#) - stopped out on remaining half based on HH
- Profits secured on 2.3<sup>rd</sup> of remaining positions, last add small loss
37. (8-09-07) [08.09.07.png](#) - 5000 shares chart for ES as suspected is my new girlfriend

38. (8-09-07) [spy.png](#) - Entry on SPY
39. (8-09-07) [entry.bonuses.png](#) entry tips to determine optimal areas
40. (8-09-07) [no.reason.png](#) - Last short still open. Why? Because there is still no reason to cover
41. (8-10-07) [ah.png](#)
- After massive consolidation around the LOWS in late night after hours, ES broke resistance and moved a few ticks up.
  - Expecting some rally after that extended congestion period I have elected to cover shorts and call it a day/night.
  - Forgot to mark the mini breakout out of consolidation at the end of the chart but should be obvious to notice.
  - Very pleased with this trade, good demonstration that when taking a position whether long or short there should be a reason for bailing. Since we don't call tops and bottoms we can't say "I think it had enough" because you never know, let price action decide.
  - This was a monster trade, approximately 13-14 full points
  - PS: Notice volume bar adjustment to make up for low AH activity.
42. (8-10-07) [ah2.png](#) - ES rallied to make HH's
- confirming that price action and the trend are your best odds in trading
43. (8-10-07) [es.jpg](#) - Woke up for a glass of water, saw a play and had to take it
44. (8-10-07) [symm.jpg](#) - Mr. Symm sends his regards.
45. (8-11-07) [aup.jpg](#) - **Averaging up illustration**
- You may ask why not start with 12 and move stop accordingly as HH's & HL's are made.
  - The answer is naturally risk management. If you were wrong from the start you take a full stop on a full leveraged position, not exactly how we want to trade and protect our capital.
  - Averaging up is great stuff.
46. (8-13-07) [for.reference.jpg](#) - some AH fun for further study
47. (8-13-07) [why.i.like.50.fibs.jpg](#) - **50% fib retracement**
- same consolidation from another angle. Can't get a better entry on this uptrend
48. (8-13-07) [08.13.07.jpg](#) some scalps today, mostly based on S/R, some worked well some did not
- once again symm triangles prove to be one of the best patterns in trading.
49. (8-13-07) [and.another.jpg](#)
50. (8-14-07) [08.14.07.jpg](#) What can I say. I love my system, I love to trade and I love days like today.
- I wish anyone struggling will simply read this journal because the feeling is just splendid and quite lucrative
  - Two symmetric triangles not annotated on chart played for additional gains, both worked great, as usual
51. (8-14-07) [symm1.jpg](#) - Here is the **Long Symm**, real easy to spot
52. (8-14-07) [symm2.jpg](#) - Here is the **Short Symm**, slightly harder to spot due to tight congestion.
- To be honest I'm not sure if this even qualifies.
  - You can see how the Long Symm was more obvious to detect.
  - Thought it had been an additional play but it's one of the shorts I took on the main chart was this one as well, so that leaves only the long symm as the extra play.
53. (8-14-07) [example.jpg](#) - play I took months ago in the YM.
- It worked out so well I took a screenshot and kept it for references.
  - Glad I did cause now I can show you guys.
54. (8-15-07) [08.15.07.jpg](#) - **Double top** - (short with average up entries)
- picture is worth a thousand words
55. (8-16-07) [it.ends.here.for.now.jpg](#) - stopped out based on the after hour bullish formation

56. (8-16-07) [price.action.jpg](#) – **Price action does not lie**
- It's not voodoo, it's logic, screen time and being prudent knowing that even though you are probably right after reaching the so call "I got it" stage, there are never guarantees; so you protect and preserve capital at all times.
  - Some patterns repeat over and over and over again, exploit them, master them, it might seem random, but it's not.
57. (8-16-07) [08.16.07.morning.jpg](#) chopped to death on the longs, kept buying the last wave
58. (8-16-07) [08.16.07.afternoon.jpg](#) Total 9 Winners 4 Losers 1 Break Even (1 grand slam)
59. (8-16-07) [price.action.jpg](#) - Price Action of a Strong and calm Uptrend.
- Why would a trader ever want to short something with such a formation?
60. (8-16-07) [why.jpg](#) - A trader friend just asked me why I did not keep the longs today
61. (8-16-07) [hammer.jpg](#)
- On the other hand, we got a possible hammer at the end of a downtrend on the daily chart.
  - Will be interesting to see how the 240 min downtrend channel reacts now. If price breaks that downtrend channel, along with the ES hammer, we could have some serious upside move, but imho it's too early to tell.
  - PS: BTW, the Hammer is green but my HA bars paint it red due to the downtrend.
62. (8-17-07) [ah.jpg](#) - chart of after hours up to 3:30 AM EST.
- Take a guess as to how difficult that is to trade with AHG.
  - Now look where price rebounded, that's even harder.
63. (8-17-07) [i.suck.jpg](#) - A day in the life.
- .....but I got the FUNNIEST screenshot for you ever!
64. (8-19-07) [just.now.jpg](#)
- Just now, once it bases, say 4-5 bars, when it breaks, tick tick tick cover, funny stuff.
  - It's important to wait for that base.
65. (8-20-07) [now.jpg](#) - ES right now, if you catch it, enjoy
66. (8-21-07) [session.jpg](#) - Today's session
- no matter how disciplined and focused you are it's really hard to get good setups out of it
67. (8-22-07) [ah.jpg](#) - Choppy day - Super trending after hours.
68. (8-22-07) [lovely.afterhours.jpg](#) - Time to change sleeping schedule for lovely after-hours.
- What a treat. Forming a wedge now.
69. (8-23-07) [dax.jpg](#) - Good stuff, I like it. (German Dax)
- Notice how 9:04 - 9:11 did not have a red bar signaling weakness so no "failed" short there.
70. (8-23-07) [es.morning.jpg](#) - Nothing but blood, very nice downtrend.
- To think after-hours were more bullish than Rodeo tournaments.
71. (8-23-07) [kindergarden.jpg](#) -Welcome to **Kindergarden....**
- Covered the shorts on trend reversal, rode the change of a trend to around 1467 while doing several averaging ups.
  - Very friendly day to trade. If you understand AHG and you lost money today then something really disturbing is going on with your trading. Can't get an easier day to trade.
72. (8-24-07) [afternoon.jpg](#) - Morning choppy but afternoon presented opportunities.
- Plenty of retracement in an uptrend and a symm.
73. (8-24-07) [afternoon2.jpg](#) - My indicator going from neg/0 to positive.
- Signaling the end of weakness, the return of strength, with of course, a minimal stop.
74. (8-26-07) [uptrend.trendline.jpg](#) - **trend line with an uptrend**. They are VERY subjective

75. (8-26-07) [price.action.jpg](#) - see how there are signs of less conviction in making new highs
76. (8-27-07) [ready.for.monday.jpg](#) - **Work station**
77. (8-27-07) [daily.jpg](#) - Interesting Daily ES Chart for Swing Traders.
- The bullish scenario is not complete but it's halfway there.
  - **Double Bottom** – Check
  - **Bullish hammer** at the bottom – Check
  - **Break of a Downtrend line** - Maybe, one body close above it is too premature.
  - Needs a higher high with or without a higher low then things might get interesting.
  - Has been a while since my indicator plotted two blues in a row, only one confirmed for now, current bar still open of course. A solid red body has not been since in over a week, check the micro price action, higher lows, higher lows.
  - 1492-1510 is an important area.
  - Needless to say I'm not touching swing trading with a 10 foot pole
  - Just not for me, I love my 3-10 tick stops just fine
78. (8-27-07) [08.27.07.jpg](#) - Anek's personal analysis for his records, posted in case it's helpful.
79. (8-27-07) [es.multi.day.jpg](#) - ES Multi Day analysis
- TL Test coming from a LOWER HIGH preceded by a double top.
80. (8-28-07) [downside.in.progress.jpg](#) - Saw a high probability short in AH....
81. (8-28-07) [time.for.bed.jpg](#) - And the outcome
- 
82. (8-28-07) [very.tricky.jpg](#) - Very tricky scenario that I'm posting for observation.
- Remember that to jump long, and most important after massive downside, you need 2 HH's and 2 HL's or a Double B followed by a HH and HL.
  - I think this situation is peculiar and merits discussion.
83. (8-28-07) [continuation.jpg](#)
- Needless to say, react to price when a **Double-B or a Double-T fails**. The action can be brutal, as it was this afternoon.
  - Even if the reversal fake out took your small stop the market gave you an even better opportunity after the scenario failed providing massive gains with very little effort.
  - This system protects you from big losses and encourages big wins.
  - Keep studying and learning. Don't let a small stop or a failed scenario get rid of your concentration. We are not shooting for accuracy but for disciplined reaction towards logical price movements.
  - Always readjust, always. Follow price like if it was a girl with a great ass, up and down, wherever "she" goes. Sorry ladies, not sure how to apply to the female point of view
84. (8-28-07) [failure.jpg](#) - Important lesson
- **Memorize this pattern**; it will pay for a vacation trip one of these days.
  - There is nothing in trading like a major failure giving birth to a new powerful trend or continuation.
85. (8-28-07) [08.29.07.jpg](#) - Prepare yourself psychologically for when a failure pattern, fails.
- When this happens you adapt FAST and you do not let go. Small loss, adapt, ride the new trend/winner to kingdom come
86. (9-03-07) [double.bottom.jpg](#) - **Double Bottoms simple explanation on how I play them**
- It is very important that you understand this is not a scalp this is a massive reversal type of intraday swing offering one of the best risk vs. rewards in trading. When you play one, don't shoot for 3 ticks - Reverse for Double Tops

87. (9-03-07) [trading.is.so.hard.jpg](#) - **DB another example with reverse**
- Q: Failed double top/bottom, how do you enter into reverse?
  - A: As soon as that support is taken, on the first retracement (not too long) wait for a sign of exhaustion, this will help you avoid some of the fake calls. Something like, breaks, pops, a micro lower low (assuming double bottom failure) and off you go. Use a trend line and highs/lows to guide, once again, be greedy, failure or not, these are not scalp types.
  - This can also be applied to failed head and shoulders and numerous other known patterns. Do not be afraid of small losses.
88. (9-04-07) [dont.tell.jpg](#) - **Double bottom entry**
- Enter when the middle swing is taken out by a close above the high bar.
  - However, these double bottoms are not at the LOD so it's up to the trader to get a crazy good entry at the support level and risk a few ticks or wait for confirmation of the breakout.
  - On a Double B that appears at the LOD I would definitely wait for confirmation as the trend is very strong, if it's at the LOD, you definitely want the HH/HL as confirmation.
  - In today's case, I would have definitely risked some ticks for a massive risk vs. reward play, which is btw, the right mindset.
  - As far as jumping long into a strong trend with fears of buying the top, that's definitely more logical than shorting it. Nevertheless I see where you are coming from and I will show you a small trick, just don't tell anyone
89. (9-05-07) [samples.jpg](#) - **Illustrates how DB's and DTs are supposed to be played.**
- Dominant trend is down and see double top, May take an aggressive short with a minimal stop as soon as it is around the resistance area.
  - However, if the dominant trend is up, don't play hero, wait for the swing low to be taken out by a bar closing below that point.
    - Aggressive play: Stop is a few ticks above it
    - Conservative play: Stop goes between resistance and entry
  - Riding it merits a separate discussion all together but here are a few ideas:
    - Draw a conservative trend line, unless broken, stay in
    - Scale out at support areas and trail stop accordingly
    - Add on retracement if the reversal develops into a strong trend
    - etc, this is an art actually.
    - If it fails, consider possible formation of a triple top
90. (9-08-07) [naked.jpg](#) - letting those winners run
- Trading with a well formed trend will help your accuracy but it also allows you to catch some good runners, if you don't ride the runners you are missing out on half of the advantage of this system.
91. (9-08-07) [same.jpg](#) - part of my winning formula
- Just got easier to spot visuals but at the end of the day price action however sliced or represented, is where the gold is.
92. (9-08-07) [holy.grail.gif](#) - Some of you need to memorize these two basic but imperative formations
93. (9-09-07) [nq.jpg](#) -Type charts to be used for **NQ (workspace)**
94. (9-11-07) [gimme.the.stout.jpg](#) - NQ analysis
95. (9-11-07) [stout.jpg](#)
96. (9-11-07) [advanced.scalping.jpg](#) - advanced scalping (not AHG, this is pure scaling)

- V bottoms draw a down trend line, when broken, scalp the price action and stay on the same side of momentum as long as momentum does not fade.
- 97. (9-11-07) [useful.jpg](#) - Coded some paint bars to accentuate price action.
  - Fairly simple stuff, have not tested it live but should be semi useful
- 98. (9-12-07) [kinder.jpg](#) - Way too extended, minimal retracement, 71.50 was more in line.
  - You need to let bulls sell and bears cover after such moves.
- 99. (9-12-07) [nq.jpg](#) - Morning was optimal
  - no heat, no losses, nothing but a sweet uptrend with obvious entries.
  - At this pace I don't see myself returning to ES but too early to tell.
- 100. (9-12-07) [nq.afternoon.jpg](#) - Symmetrical triangle with trend line break
- 101. (9-14-07) [fun.scalps.jpg](#) - Fun scalps on the NQ based on price action during brutally low volume
  - Momentum called targets
- 102. (9-14-07) [the.end.jpg](#) - Closed the last long...
- 103. (9-15-07) [price.action.sample.jpg](#) -Price action random NQ day
  - should help for stop placement logistics.
  
- 104. (9-15-07) [homework.09.15.07.jpg](#) - **Homework, stops and exits.**
  - Attached please find a random NQ chart.
  - It was fairly easy to mark the entries as it was a strong downtrend, so I took care of those. In my experience, when the indexes are displaying a strong downtrend, amateur traders tend to shy away and simply become paralyzed. I want to help you exploit such wonderful days instead of just standing still and looking in awe.
  - The exercise is to mark the stops and the exits on all entries and give **logical** explanations for each, no exception.
  - Assume no intraday swings and no averaging ups, strictly in and out protecting capital and milking the market.
  - **IMPORTANT NOTE:** Remember that your fill is somewhere on the bar following the entry as we value close more than open/high or low, no cheating.
  - **Answers to 9-15-07 Homework** answer can be found on "**faith**" below.
  - On a side note, the reason why I included it the long on "Confidence" is because there is a strong possibility I might have taken a quick long scalp there as a mistake.
  - The reasoning behind it is that a small mistake can't kill us, with discipline and confidence in price action, we are untouchable.
  - wins and the occasional monster play, your confidence will go from 0 to 60 in 2 seconds.
  - (9-15-07) [my anek chart analysis.png](#) (Techdoodle) **Answer to homework**
    - the stops and exits are redundant in style. I think that's a good thing because they become well defined rules.

- “Anek replies” Perfect analysis, the part you do not understand is me referring to a double bottom (against the trend) whose middle high swing was never taken by a closing bar.
- 105. (9-15-07) [price.action.pasta.jpg](#)
  - I took another random chart and produced a brain salad surgery on price action.
  - It has more info than you can possibly digest for a single chart but it would help if you make an effort to follow the logic.
  - AHG at an extremely micro level.
  - When I used to trade in public channels people used to ask me, how do you trade with such small stops, how do you do it, well this is it, no magic.
  - Small losses, small wins and the occasional monster play and your confidence goes from 0 to 60 in 2 seconds
- 106. (9-15-07) [confidence.jpg](#) - **Confidence**
  - Believing in your system and methodology is extremely important in trading.
  - Having the discipline, to accept the fact, that when we are wrong the OPTIMAL scenario is the quick stop, no questions asked.
  - In an effort to build your confidence here is a chart of nothing but losses.
- 107. (9-15-07) [faith.jpg](#) - **Faith**
  - You did not really think we could not profit from such a chart, right?
  - Winners make the losers look like ants
- 108. (9-16-07) [holy.grail.chair.jpg](#) - The infamous Holy Grail Chair....
- 109. (9-17-07) [morning.scalps.jpg](#) - Morning scalps before coffee...
- 110. (9-17-07) [morning.analysis.jpg](#) - **Readers, please tell me what I see that you guys don't.**
  - The previous move had extended downside, when that happens it is prudent to wait for a pop up then take the signal.
  
- 111. (9-19-07) [a.possibility.jpg](#) - **Possible AHG Addendum**
  - Bullish Scenario
  - Up swing (1HH, 1HL, required)
  - Confirmation bar closing above previous bar high (bright green paint bar) after the retracement while the most recent HL remains intact.
  - *Preferably not higher than half the distance between the last HL and the last HH.*
  - Target based on price action and next resistance or the very beginning of a conservative averaging up play for the possible upcoming uptrend. Ideally target **must** surpass the risk over the long run, unless price action says otherwise.
  - Stop below most recent HL.
  - **Open for discussion**, needs further examination.
  - A wise/experienced trader I know claims the best possible entries are found at the birth of new trends with the very first confirmation. Easier said than done, this could be a possibility.
  - Note: An uptrend requires 2HHs and 2HLs, this play anticipates it with minimal risk
  - Geometrically similar to 1-2-3 pattern, but the rules are a different story.
- 112. (9-19-07) [closeisall.jpg](#) - The importance of close and not a wick
- 113. (9-19-07) [live.play.jpg](#) - Live play on the NQ...
- 114. (9-19-07) [free.jpg](#) - NQ \*AHG\* Analysis
  - They don't teach you this in "Trading Academies"

- Just like a beautiful breeze of fresh air, the good stuff comes from the heart, and it's always free. Pun very much intended.
- 115. (9-20-07) [ahg setup ver 2.2.jpg](#) - **Visual reference AHG set-up chart (Rn86)**
- 116. (9-20-07) [nq.09.20.07.jpg](#) - AHG Analysis for NQ
  - Hard day to trade but as soon as the trend decided to show its face one trade made the day.
  - Sitting on your hands and taking small losses was absolutely quintessential today.
  - examine the Double B failure and how the element of surprise rewards traders.
  - Small losses
  - Break evens
  - Small wins
  - Great wins
  - ...only way to beat trading.
- 117. (9-21-07) [candy.jpg](#) - self explanatory
- 118. (9-22-07) [unity.jpg](#) - All in unity, all the pieces of the puzzles combined at last
- 119. (9-24-07) [too.easy.jpg](#) - self explanatory
- 120. (9-24-07) [serious.jpg](#) - Gloves are off, trading all indexes at once.
  - Double top, symmetric triangle break down. Another easy play
- 121. (9-25-07) [increase.accuracy.jpg](#) - **Increase Accuracy**
  - By now you should know I'm a fan of closing bars to get some kind of confirmation when breaking support or resistance.
  - I will extend this a bit further, the closing bar TYPE matters.
  - You can apply this to support, resistance, trend lines, symmetric triangles, etc.
- 122. (9-25-07) [flexibility.jpg](#) - Be flexible and adapt.
- 123. (9-26-07) [dragon.jpg](#) - **Dragon Pattern**
- 124. (9-26-07) [dragon.played.jpg](#) - **How Dragon Pattern played**
  
- 125. (9-27-07) [scalping.jpg](#) - **Bad trading day**
  - Some patterns failed today, the day was very brutal but that's quite alright because the stops are nothing to cry home about. I think today was one of the ugliest trading days in a long time.
  - However, there are always scalping opportunities.
  - The paint bars I use are a close above previous high and a close below previous low. Well, when you combine this with Trend line support or resistance you get a nice scalping system because the stop is very small and the reward is quite high.
  - Attached please find some of the scalps I did today on the NQ. Many worked great on ER2 and ES as well and at one point I had the same play on all three indexes at the same time, felt funny, but good stuff, minimal risk, great reward, just like I like it.
  - I don't think I had one fail today
- 126. (9-27-07) [er2.scalps.jpg](#) - ER2 Scalps: Few, but real gems.
- 127. (9-27-07) [es.scalps.jpg](#) - ES Scalps
- 128. (9-28-07) [er2.short.jpg](#) - ER2 shorts
- 129. (10-02-07) [nq.10.02.07.jpg](#) - and they say ET does not have useful strategies pfttt...
  - If in a downtrend, you want to find the weak bars in the pop ups.
  - If in an uptrend, you want to find the strong bars in the retracement.

130. (10-02-07) [the.quest.jpg](#) - **M-bottom and W-top**
131. (10-03-07) [m.bottom.jpg](#) - **M-Bottom**, rare as 90 year old virgins
132. (10-03-07) [daily.es.jpg](#) - **W-top**
133. (10-03-07) [price.action.commentary.10.03.07.jpg](#)
- Strength quality of the swings, listen to price action
134. (10-03-07) - [kindergarden.jpg](#) - **W-bottoms and M-tops**, look how simple this was
135. (10-04-07) - [es.morning.jpg](#) - ES morning
- price has a tendency to jump from one key area to the next without much problem. The real observation should be done when it is actually \*at\* a key area.
  - Some people use Pivots I like to be more precise and use support and resistance areas instead.
136. (10-06-07) - [teach.yourself.ahg.in.24.hours.jpg](#) - **Teach Yourself AHG in 24 hours**
137. (10-07-07) - [the.one.tick.jpg](#) - **Magic tick**
- Notice how the double top had a close below the middle swing but not tick low after that.
  - Now, notice how the Head and Shoulders had the close below neckline and then a tick on the next bar below the closing breakdown bar.
  - That tick increases accuracy.
  - That one tip I owe to Suri Duddella.
138. (10-07-07) - [alpha.performance.jpg](#) - Why Anek uses “silly indicators” (**P&L**)
- The simple answer is, I've been trying for quite a while now to trap price action in some sort of algorithmic way to mimic a fraction of my hand trading in automation so I can increase my P/L potential. Greed is good, right?
  - this has been an on going project for quite some time and it is still a work in progress. Not even in the alpha stages.
  - Here is a taste of the progress on the ER2 with 6 months past data, can't go any further on TS using tick charts, unless I buy extra data.
  - Commission and slippage is accounted for in the results. Every trade has three exit points so the car size is set as its minimum, 3. I have not implemented averaging up into it yet.
139. (10-07-07) [curve.jpg](#) - Posted as illustration of automation progress.
- Not selling, not sharing just answering why toying with personal indicators all this time
- 
140. (10-08-07) [nq.10.08.07.jpg](#) - Easiest chart I've seen in a very, very long time
- Not a single losing trade, not one, nothing, nada, zero.
  - Hard rules on the chart implemented for your viewing pleasure.
  - I'm sorry to say, if you are not killing it at this point on days like this, you are definitely not getting it and I recommend re-evaluation of the concept.
141. (10-08-07) <http://www.elitetrader.com/vb/showt...440#post1634440>
- **Solution to the M bottom and W top finally posted on this thread:**
142. (10-09-07) [nq.10.09.07.jpg](#) - Chart trades
143. (10-09-07) [10.09.07.jpg](#) - (daily P&L)
144. (10-10-07) [failed.head.and.shoulders.jpg](#) - **Know your patterns**
- **Anek's favorite patterns to trade is not the Head and Shoulder itself but a failed one**
145. (10-13-07) [triangle.jpg](#) - **bullish Triangle breakout**
- dramatic example as this one makes a trend reversal. Price action also gave it away.
146. (10-13-07) [ym.triangle.jpg](#) - The mighty one...
147. (10-13-07) [fib.illustration.1.jpg](#) - Brain candy

148. (10-13-07) [fib.illustration.2.jpg](#) - To some the 61.80% is 23.60%
- clarification “bad habit of drawing them always in the same direction”
  - Typo on chart, loss = lost
149. (10-13-07) [fib.illustration.3.jpg](#) - The **Fibonacci illustration for the conclusion of the analysis.**
- I close the chapter with the elusive question one more time. **Coincidence ?**
  - My personal humble opinion... NO WAY ! (Anek)
150. (10-15-07) [destroyed.jpg](#) - Remember the mid line indicator project
- check the resistant points today
  - 2175 was the 50% fibs -- 2167 was the 61.80%
  - Price tried to reverse hard in those areas but couldn't take the mid point between LOD and the daily mid point. Coincidence ?
151. (10-15-07) [retracement.gif](#) - Here is why 2175 and 2167 were significant in the NQ today
152. (10-15-07) [could.not.resist.jpg](#) - Could not resist posting the AH up tick move
153. (10-16-07) [nq.long.swing.jpg](#) - if wrong, small loss, if on right side potentially monstrous play
154. (10-16-07) [thoughts.jpg](#) - Please take a moment of your time to examine this chart.
- Slice and dice it anyway you like. Some might know what it is some might be surprised
  - possible post your comments on the journal (10-16-07 for reader posts)
  - Reversal formation was the multi year low on the weekly chart years ago.
  - Clear W formation whose mid swing was taken out by a closing bar at the absolute lows.
  - Now a major swing high has been accomplished, we need resistance to become support, this has yet to happen.
  - The near term signal will be a breakout to the upside outside the current triangle on the multi day charts.
  - I started way early based on an inverse head and shoulder on the daily charts (sadly not as early as that W shows) and have been adding ever since, kids future if you will (Anek)
  - The point of the exercise is that we must be aware of the big picture in the instrument we trade and that does not just mean the daily chart
155. (10-16-07) [multi.day.jpg](#) - **Multi Day Chart example**
- Notice the current wick high on that last bar, reason I decided to take profits around that area.
  - It has "yet" to break out/down.
  - Interesting thing is that I think the key to the market (all e-minis) lies on this chart right here.
  - The 2205 and 2160 areas are extremely important in the next development phase.
  - Learn to recognize the bearish hemisphere from the bullish one and what's the line in the sand.
  - Remember, the Nasdaq is leading.
  - It is extremely important, always, at all times, be aware of the big picture, without it, you would not know how far your good trades can go.
156. (10-17-07) [nevermind.jpg](#) - **Importance of Anchor Charts**
- On the multi day chart NQ 5000 share bars, 60ish support trend line was holding.
  - On the 1000 a W formation right on that area at the LOD.
  - W formation at major support? What does that spell ?\_Dual confirmation.

- Targets using the Market E-motion line.
- 157. (10-17-07) [phase.1.completion.jpg](#) - **Conclusion of Phase I**
  - You will find many pieces of the puzzle on this chart.
- 158. (11-01-07) [nq.11.01.07.jpg](#) - NQ Analysis
  - Carnage day for the indexes, particularly YM. NQ was very stubborn confirming once again that tech is the strongest sector right now. Still, it felt the selling pressure and touched the double bottom created on Halloween during fed day, a bottom I was expecting as target with a greedy smile when I saw that panic emerge during the afternoon.
  - NQ is the instrument I've been concentrating on lately, particularly because I feel extremely comfortable with it so will limit me to NQ analysis, for now.
  - IMHO the indexes, like in boxing, were saved by the bell at 4PM because in the afternoon the momentum was there. Surprisingly it did not continue in the after-hours of the night. Possibly waiting for an Asian response, most probable the job news of Friday morning.
  - Quite an easy day to trade for the AHG system. As always stops are small, usually based on ticks above/below entry bars with a possibility of re-entry on a stop out assuming the trend is intact to avoid big losses.
  - **Being aware of the all meaningful support and resistance areas of the bigger picture (bigger chart) is not only a plus but a very strong ally in trading, even day trading.** It allows you see how much you can press it, like today and that elusive 2210 at the end when you were supposed to cover.
  - Attached please find positive opportunities that were found intraday. Some potential entries that resulted on small losses were omitted for the sake of simplicity. As you know by now, small losses are a necessity in trading and they should not scare you at all. Its big losses you want to shy away from. Accept them as a trading expense, like commission, will help you keep your peace of mind. No one blew up from a day of multiple small losses. Needless to say, AHG gave you the possibility of many, many winners today, including some home runs, as it gave me and for that, I'm thankful.
- 159. (11-01-07) [tape.jpg](#) - **Filtered time and sales**
  - Experimenting with only watching the tape for big orders, feel I can read the tape much better and with less distraction when I only pay attention to the big orders and exclude the little people. After all, the small car lots are just noise.
  - Here is a sample of how clear price action was on the filtered tape today.
- 160. (11-02-07) [nq.update.jpg](#) - conclusion to the overnight swing
- 161. (11-02-07) [nq.w.from.hell.jpg](#) - small chart
- 162. (11-02-07) [nq.big.jpg](#) -big chart (reference with small chart)
  - Absolutely brutal, lovely, sexy, you name it dual confirmation from bigger chart which had the very same formation so you could easily average up on the extra subsequent confirmations.
- 163. (11-02-07) [nq.11.02.07.jpg](#) – NQ analysis
  - Amazing day with only two losses, a minimal one in NQ trying to catch the falling knife without confirmation like a rookie and the same play on ES were I gave up 2 points for lack of discipline and thinking I am omnipotent to call a bottom in a strong downtrend, a foolish thing to do.
  - The good news is the winners were in the double digits and one incredible home run that made my day shine. Couple of averaging up plays on retracement during strong trend that elevated profits a bit.

- Needless to say, I will try to learn from the two dumb mistakes so I can further improve my trading. Trading is a learning process that never ends.
- Once again, NQ continues to reward me very nicely and days like this confirm that I'm in the right instrument doing the right things.
- Notice that after 2-3 waves the odds of working will decrease exponentially.
- 164. (11-02-07) [nq.week.analysis.11.02.07.jpg](#)
  - My study conclusion shows a bullish Nasdaq despite weakness in the other indexes.
  - chart analysis of some recent swings or overnight plays taken and key areas identifying the bull move confirmation including subsequent confirmations of next resistance barriers along with support areas that could indicate upcoming consolidation or a change of a trend.
  - There is something else important on that chart that I did not mention, waiting to see who's first (readers posts 11-03-07)
  - Answer: The possible inverse h and s and the triangle at the edge were the missing patterns in the chart.
  - However, just like H and S work better at the very tops, Inverse H and S work better at bottoms, so its position is not optimal. The rest is still valid.
- 165. (11-03-07) [nq.chart.jpg](#) - That's how I like them
- 166. (11-03-07) [nq.inverse.h.and.s.jpg](#) - from the daily chart.
  - Anek prefers the head of the inverse head and shoulders to mark the absolute lowest point
- 167. (11-03-07) [both.good.jpg](#) - comparison of tick/volume charts look great for AHG and NQ.
- 168. (11-03-07) [nq.daily.jpg](#) – NQ daily
- 169. (11-03-07) [es.daily.jpg](#) – ES daily
- 170. (11-04-07) [w.failure.jpg](#) - **Nothing works all the time Part I**
  - W formation after volume exhaustion with a magic tick that failed miserably. My favorite setup.
  - Do not let it frustrate you, this stuff happens, you take your moderate stop and move on as the next great trade perhaps is just around the corner.
- 171. (11-04-07) [w.success.jpg](#) - **Nothing works all the time Part II**
  - Yep, literally around the corner
- 172. (11-04-07) [es.240.min.jpg](#) - Lot of indecision in ES at the moment
  - multi day 240 min chart with a quick analysis.
- 173. (11-05-07) [nq.open.jpg](#) - good morning right off the bat...
- 174. (11-05-07) [no.magic.tick.jpg](#) - **No magic tick**
- 175. (11-05-07) [nq.zoom.out.jpg](#) - **A symmetric triangle** NQ (11-05-07)
  - If experienced, play the extremes accordingly, otherwise wait for official breakout which could take a few days, not necessarily today
- 176. (11-05-07) [nq.symm.jpg](#) - **Symm Action** as expected by the extremes it is now at the low point.
  - Looking for reversal formations around here. **No buying unless one solid one forms and confirms to prevent the purchase of a falling knife.**
  - The point is price is at support, the reversal formation is now missing.
  - Targets can be APEX and other extreme depending on greed and balls.
- 177. (11-05-07) [nq.11.05.07.jpg](#)
  - Most of the trades were documented here before the chart so they should come at no surprise.
  - The first W had support from the 2500 tick chart multi day trend line

- The short was coming off the symmetric triangle that, I think, is still valid on the 2500 tick chart (multi day) and the plan was to short the resist area and go long on the support one.
- For some reason I did not think the market was ready to come out of the symm today and looks like I got my wish on that.
- The short symm resistance was based on head and shoulders confirmation.
- The long symm support was based on W formation confirmation.
- Not included because it serves no purpose a minor loss on 1st unit only that worked like crap because once again I think I'm superman when I'm just a regular geek.
- 178. (11-06-07) [short.possibility.jpg](#) - Short possibility of intraday swing.
- 179. (11-06-07) [anchor.chart.jpg](#) - **Anchor Chart**
  - As reference, notice how the TL of the anchor chart was never broken.
- 180. (11-06-07) [bigger.chart.jpg](#) - Bigger Chart
- 181. (11-06-07) [nq.610.jpg](#) - Another easy day
  - Easy short based on double top with complete confirmation.
  - Easy long based on W formation with complete confirmation.
  - The short I got good
  - The long I missed due to dentist appointment and he kicked my butt.
  - Attached 610 tick chart for ref but the long at zoom in level say 233 had a W formation reversal.
- 182. (11-06-07) [nq.11.06.07.jpg](#) - daily comments or the chart itself.
  - Special Note: Between 12:55 and 14:00 you can see a very extended upside move. This is probably why that middle swing got taken. I'm referring to the spook area. Worth noticing that when the move is over extended an out of the ordinary retracement is possible. Noticing this after the fact.
- 183. (11-07-07) [tl.test.jpg](#) - NQ LOD = Multi Day TL test - That's where the double bottom formed.
- 184. (11-07-07) [tl.test2.jpg](#) - TL Test Part II - Little different now.
  - This is the multiple confirmations i speak of. I prefer confluence.
  - **Confluence** is when multiple charts agree, multi signals agree, and so forth. It's like everything flowing together, this is what gives you accuracy.
- 185. (11-14-07) [chocolate.cake.jpg](#) - Intraday Swing Sample
- 186. (11-14-07) [michell.ryan.jpg](#) - **Michelle Ryan** true holy grail.
- 187. (11-15-07) [nq.11.15.07.jpg](#) - Let the market be, don't push it.
- 188. (11-15-07) [watch.out.if.short.jpg](#) - potential massive Dragon formation NQ multi day charts
  - If this monster roars it will create one of the greatest short squeezes in the history of tech so pay very good attention to that trend line.
  - Read about the pattern and make sure you split entries on both confirmations should it ever develop.
  - Should it confirm, be very greedy.
  - Note: At this point it is incomplete
- 189. (11-17-07) [things.that.make.yuo.go.hmmmmm.jpg](#) – **potential dragon**
- 190. (11-18-07) [tl.swings.jpg](#) - screenshot included personal price action tool
  - tool smoothes out the action so you can see how those highs and lows develop
  - name of the game is not to catch it all but a good chunk with minimal risk/good reward.
- 191. (11-18-07) [stop.the.ad.jpg](#) - Entries and exits based on tool and trend lines
- 192. (11-19-07) [easy.after.breakfast.jpg](#) - **Double confirmation.**
  - TL test + strong bar = Cashing otherwise small loss.

- Learn this setup well.
- 193. (11-19-07) [before.lunch.jpg](#) - Double confirmation before lunch.
- 194. (11-19-07) [w.jpg](#) W hat's up
- 195. (11-19-07) [nq.11.19.07.jpg](#) - **Channels**
  - When a channel forms you should only take trades with the direction on the channel.
  - Preferably when you see double confirmation.
  - If a downtrend channel, bearish formations (weak bars) at the resistant downtrend line.
  - If an uptrend channel, bullish formations (strong bars) at the supportive uptrend line.
  - You will notice that if price wants to break out of the channel it will most probably won't form the strong or weak bars that you need to enter the trade. This is a security measure, use it wisely.
  - You should not trade against the trend unless the opposite end of the channel confirms as a W or M formation. These are low accuracy but very good reward trades so completely optional.
  - This is very simple yet a money maker
  - PS: Don't forget to watch the filtered time and sales for even extra confirmations
- 196. (11-19-07) [work.in.progress.jpg](#) - will share when finished. Sneak preview.
- 197. (11-19-07) [more.jpg](#) - bit more action with them attached. Still need to get rid of a few bugs.
- 198. (11-20-07) [chart.jpg](#)
  - After the double top every bearish engulfing bar at the downtrend resistance line is producing money
- 199. (11-20-07) [ahg.power.dots.jpg](#) (locate: source code or eld if available)
  - The HA bars are good for those that have problems letting the winners run. They are definitely not for entries as they can be a little slow. This is why i suggested the combination.
  - My stuff is much faster for entries, in fact there is nothing faster as far as I'm concerned. Price action is king, make no mistake about that.
  - Part of a winning algorithm I use in auto trade is based on that.
  - Here is a sample of how powerful this stuff can be.
- 200. (11-20-07) [goog.jpg](#) - Anek's Price action Power dots applied to Goog
- 201. (11-22-07) [ha.the.anek.way.jpg](#) - **HA the Anek way**
- 202. (11-23-07) [black.friday.jpg](#) – DTOP “who knew this crap day could be so giving”
- 203. (11-23-07) [have.a.great.week.end.gif](#) - have a great weekend all
- 204. (11-23-07) [symm.jpg](#) - you must be aware of the high/low pivots, not just trust a TL penetration
  - especially with no trend because the real key are those pivots.
  - Think about it, a TL broke momentarily but what was the previous trend that made such break meaningful ? There was no trend!
  - A higher high or a lower low is what really counts with triangles because inside they are structured as higher lows and lower highs.
  - All I'm saying is the triangle was composed of congestion, lower highs and higher lows when something **out of the ordinary formed** like say a higher high or a lower low officially confirming that the congestion is over, then you had **the signal to look for an entry**.
  - There is more than meets the eye on the above comment, give it a good solid thought.
- 205. (11-23-07) [piscuy.trade.jpg](#) - Here is what I consider a **classic Piscuy trade/setup**. (Anek)
- 206. (11-26-07) [es.jpg](#) - Well, hello hello, what do we have here my friends....Roar!
  - that's a double confirmation I see.
  - Would need a triple, anyone knows what the triple would be ?

- Monday close above the downtrend line
  - Tuesday any tick above Monday's HOD
  - start looking for a long entry for a swing.
  - Even with the third confirmation, there is no guarantee that the market will reverse, but the risk vs. reward is worth taking it.
207. (11-26-07) [muahahahah.jpg](#) - **Morning NQ Dragon!**
208. (11-26-07) [possible.jpg](#) – multi-day anchor
209. (11-26-07) [scalping.jpg](#) - took one against the trend and NOT surprisingly it was my only failure.
210. (11-26-07) [lunch.jpg](#) – Lunch. Trend changed, TL Broke, bla bla bla
- See how simple this can be if you just follow the simple rules?
211. (11-26-07) [we going higher.jpg](#) - **The tape said higher....**
- Red background in T&S = below the bid
  - Blue background in T&S = above the bid
212. (11-26-07) [we going lower.jpg](#) - **The tape said lower...**
213. (11-26-07) [more.jpg](#) – took a break...but the tape said, free money on the table, grab it.
214. (11-26-07) [for.santa.jpg](#) - Thank you, Santa needs it.
215. (11-26-07) [anchor.jpg](#) - **Remember the Anchor Chart?**
- Don't forget, TL breaks coming off a lower high....bla bla
216. (11-26-07) [frequency.jpg](#) - **Frequency Sample**
217. (11-27-07) [bug.jpg](#) Possible bug (referring to iluv's paintbar)
- was already green, only toggles if a weak bar appears (iluv2trade response)
  - if you set seeall = true, you can see all the Strong/Weak (iluv2trade response)
218. (11-27-07) [giveme.your.sister.jpg](#) - Tape said lower....
219. (11-27-07) [sample.jpg](#) – first signal
220. (11-27-07) [sample.ii.jpg](#) – second signal
221. (11-27-07) [w.marks.the.end.for.me.jpg](#) - Last signal, W marking a possible end.
- If you don't get this, I'm not sure what to say, but at this point, it's second nature to me
222. (11-27-07) [addictive.free.money.jpg](#) - What can I say
223. (11-27-07) [modhapb.zip](#) – **Modified HA bars**
224. (11-27-07) [sample.screenshot.jpg](#) - Use on OHLC Bars not candles. Tips:
- Blue body at the low of the bar, strong uptrend
  - Red body at the high of the bar, strong downtrend.
  - Small body in the middle "color not that important" might signify trend fading, the smaller the more indecision.
  - Yellow indicates possible transition or pause. Multiple yellows highly possible trend change.
  - Notice how color rarely changes without a yellow in between.
  - Piscuy is the resident expert on these bars, he bled the market using them for a long time. For more info, he's the guy to go to.
225. (11-27-07) [ah.scalp.jpg](#) - a little AH ES scalp.
226. (11-27-07) [another.ah.scalp.jpg](#) - Another ES AH Scalp using **Piscuy's scalping style.**
227. (11-27-07) [nq.afternoon.jpg](#) - comments of NQ's afternoon session.
- There was a particular move that stunned me a bit
228. (11-27-07) [es.ah.jpg](#) - Nice little reversal on the ES/AH....

- Don't let AH intimidate you, just lower the chart frame to accommodate the low volume and remember that a chart is a chart.
- If no real AH exp, watching is free, it can get slow as molasses.
- 229. (11-27-07) [yeah.baby.jpg](#) - ES has momentum, Obligatory scale out at Resistance (now)
- 230. (11-28-07) [nq.11.28.07.jpg](#) Preservation of capital and testicles, more details on chart.
  - Based on AHG rules, the 2nd DB leg blue bar would have been the starting point but I froze, was not even going to trade today.
- 231. (11-28-07) [what.a.day.jpg](#) – what a day. It's not about being right!!!
- 232. (12-04-07) [sometimes.png](#) - Sometimes I see a play that merits entering a solid position.
  - Can you name all the confirmations of the play in the chart ?
  - The Quintuple Confirmations
  - Uptrend/Retracement
  - Trend line support
  - Market Emotion support
  - Last swing high was a higher high
  - Bullish 123 (elaborated)
    - As price was retracing...
    - The lows of the bars were all lower lows.
    - Suddenly at the trendline, market emotion etc, the last lower low was created.
    - The next bar's low was actually a higher low.
    - When bar closed, price broke high of the previous bar, creating a magic tick.
    - Conclusion, a bullish 123
- 233. (12-04-07) [nq.png](#) - Suri HA Bars, Lines are Market Emotion, HOD and LOD are invisible.
- 234. (12-13-07) [beauty.jpg](#) - **Bat**
- 235. (12-15-07) [thoughts.welcome.jpg](#) – **Paint bars**
  - Not sure what's wrong with me but I can't find any set of paintbars that please me so proceeded to code my own using a proprietary algorithm
  - Most of you know I've tried them all but they just are not delivering, that includes HAs, Suris, Engulfing, etc. I want more, always more.
  - They were created with ABCs in mind.
    - Bright Red = Lower Low
    - Dark Blue = Higher High
    - Dark Red = A low
    - White/Cyan = A high
  - Comparison not just to the previous bar but X# bars back arrayed into a comparison formula.
- 236. (12-19-07) [sample.jpg](#) – **Paint bars continued**
  - I have been using Paint bars with a setting of 3 in 610 tick charts on all e-minis.
  - Working great, how it should look on 610. Say hello to the Dragon
- 237. (12-15-07) [nq.thu.jpg](#) - screenshot of NQ's
  - Input appreciated, particularly comparison to HA/Suri bars etc
- 238. (12-15-07) [nq.thu.sensitive.jpg](#) - Same chart but a little more sensitive.
- 239. (12-15-07) [nq.thu.very.sensitive.jpg](#) - Same chart very sensitive.
- 240. (12-15-07) [after.jpg](#) (reference Bbox post)
  - Bright blue is just a high (while still predominantly downtrending)
  - Bright red though, that's definitely a lower low in the trend.
- 241. (12-15-07) [bull.flag.jpg](#) – **Bull flag**

242. (12-21-07) [perfect.synergy.jpg](#) – Perfect Synergy **Bullish 123 and exit Indicators/Paint bars**

(Tradestation)

• **Market Emotion indicator**

- [marketemotion.zip](#) - [marketemotionsample.jpg](#) (jashanno) – (10-15-07)
- “Dynamic Fib retracement” HOD/LOD midpoint project
- If the high is above the high of the previous day produces yellow line.
- If the low of the day is below the low of the previous day produces purple line.
- If you change any of the variables to inputs then the user can choose the color or style at will.  
For instance: Input : HodColor(DefaultValue); - (Anek)
- [emotion.txt](#) - text files for emotion indicator. - (Bbox trader) (12-01-07)

• **Modified HA Bars – (11-27-07) (Anek) Official AHG Enhancement (12-01-07)**

- [modhapb.zip](#) - [sample.screenshot.jpg](#)
- **Use on OHLC Bars not candles. Tips as follows:**
- Blue body at the low of the bar, strong uptrend
- Red body at the high of the bar, strong downtrend.
- Small body in the middle "color not that important" might signify trend fading, the smaller the more indecision.
- Yellow indicates a possible transition or pause. Multiple yellows highly possible trend change.
- Notice how color rarely changes without a yellow in between.
- Used for exits, not entries (too slow)
- Piscuy is the resident expert on these bars, for more info, he's the guy to go to.
  - length of the blue, red, or yellow paintbar explained:
    - <http://www.investopedia.com/article.../04/092204.asp>
- [modha2.txt](#) - text for the modHA2 paint bars. (12-01-07) (Bbox trader)
- [function.modha2.txt](#) -required "function" used in the paint bar code.

• **Modified HA Bars – (Surinotes) (11-27-07) “awaiting Anek’s evaluation per post 12-01-07**

- [https://www.tradestation.com/Discus...&Topic\\_ID=70844](https://www.tradestation.com/Discus...&Topic_ID=70844)
- suri.HACandles code also posted here: [suri\\_hacandles.txt](#) - [espatterns1.gif](#) –
- [nq.png](#) – Anek chart using SuriHA. Lines are Market Emotion, HOD and LOD are invisible.
- HA and Outlined Candles are very effective in showing the Patterns and Trends.

• **Anek’s Paint bars (9-12-07)**

- [anek.paintbars.eld.zip](#) If a TS User:
- Make positive bars Dark Green
- Make negative bars Dark Red
- Neutral White
- Add my paint bars, make CL bright red and CH bright green
- or your desired colors of course.

- Should help with price action.

• **Anek's Paint bars (12-17-07) (not official AHG enhancement) reference post for complete details**

- [hl.paintbar.eld.zip](#) -AHG Paintbars Project for Tradestation
- No open code as one of the functions is from a friend and he wishes to keep it protected.
- Input value should range between 2 and 5, I prefer 5. (12-17-07)
- To intensify the research I will not post tips on how to use them as there is a lot of hidden value in them
- Paint bars with a setting of 3 in 610 tick charts on all e-minis, working great. (12-19-07)

• **Price Action Indicator (9-05-07) (Anek)**

- [price.action.eld.zip](#) - [price.action.jpg](#)
- Higher Highs
- Higher Lows
- Lower Highs
- Lower Lows
- Double Bottoms
- Double Tops
- Due to the TS way of doing things, the HL, etc. markers get attached to the first bar in the minute in which the HL occurs. So, on lower tic charts, the markets are charted way off the actual bar which creates the marker. Sometimes increasing the left and right strength (10-25) helps to align the marks better.
- [price\\_action.txt](#) - text file (Bbox trader) (12-05-07)
  - Cut and paste it into a new indicator window and then verify.
  - The HH, HL markings do not work well on lower timeframe charts because the marking will appear on the bar at the start of the minute the marking was generated by the price action. So if it is marking a HH and a bar that is at the 45th second, the marking will appear over the first bar of that minute.

• **Dynamic Support and Resistance (8-15-07) (Anek)(TRO)**

- [tro dynamic sr.zip](#) - not an indicator. Simply application for marking the swing highs and lows.
- [dynamic\\_sr.txt](#) (Bbox trader) (12-07-07)
  - There a few variation from The Rumped one, but the attached text file has the code for the TS indicator

- **Three Bar Reversal Paintbar** [\\_3bar.reversal.paintbar.eld.zip](#) (11-24-07) (Anek)
  - Using high or low not close
  - Three Bar Reversal Paintbar Code:

```

input : upcolor(green), dncolor(red);
var : threebarup(false), threebardown(false), okplot(false), color(0);
threebarup = false; threebardown = false; okplot = false;
If h > h[1] and h > h[2] and h > h[3] then
threebarup = true;
If l < l[1] and l < l[2] and l < l[3] then
threebardown = true;
if threebarup or threebardown then
okplot = true;
If Okplot then
    Begin
    if threebarup then
    color = upcolor
else
    if threebardown then
    color = dncolor;
PlotPB (high, low, "PB", color);
End;

```

- **Three Bar Reversal Paintbar** - [\\_3bar.reversal.paintbar.use.close.eld.zip](#) (11-24-07) (Anek)
  - using close not high or low - [3barpaintbars.jpg](#)
- **Three Bar Reversal Paintbar** – Modified (iluv2trade)
- [3bar.anek.mod.zip](#) (iluv2trade) (11-26-07)
  - tried to get JD's version ELD - didn't seem to work, signals not too great so I tweaked Anek's 3bar and added the option to just see reversals...
  - [aneks\\_reversals.png](#) reversal signals, based on Anek's 3bar paintbars... (11-26-07) (iluv)
  - see posts (11-26-07) (11-27-07) for code and instructions
  - You did a great job with the mod, good improvement to the original engulfing bars. "Anek"

**Note:** *Anek only uses the ModHA, the 3 bar reversal he easily spot's visually.*

### Additional Trade station indicators:

- [www.kreslik.com](http://www.kreslik.com) (TRO stuff is good) “The Rumpled One” – Trade station (.eld)
  - <http://www.elitetrader.com/vb/showt...=6&pagenumber=5>
- **Heiken Ashi** - [ha.bars.eld.zip](#) (7-25-07) / [ha.zip](#) (8-15-07)
- **LRE – Linear regression envelope** (code posted 11-02-07)
  - [lre.zip](#) - [lre.jpg](#) -
  - You can load multiple instances of the ELD at once with different lengths to obtain a Linear Regression Envelope for the immediate trend and a medium one. (more than two is overkill)
- **Count Down utility** - (reference 9-17-07 if difficulties)
  - [count.down.eld.zip](#) - [count.sample.jpg](#)
  - displays real time how many cars are left for the current bar to close right next to the active bar
- **Strong/Weak Bar indicators** - [s.bars.zip](#) (Bbox trader) (10-10-07)
- **Aneks Power Dots** - [ahg.power.dots.jpg](#) (locate: source code or eld if available) (11-20-07)
- **AHG Bars - Price action paint bars** (11-03-07)
  - in the early stages of development (Anek)
  - [ahg.bars.jpg](#) - Comparison between AHG Paint bars (Beta) and Heikin Ashi bars.
- **Information indicator** - [info.zip](#) - [info.pic.jpg](#) - (Bugsbunny) (10-16-07)
  - Displays timer countdown, LOD, HOD, current and last bars HL & close
  - Determine when bars are finishing, need not click on the bar to determine H/L etc..
- **Hull Moving Average for TS** - [jthma.zip](#) - usually superior to SMA/EMA etc. Anek (8-08-07)
  - This one changes color too based on slope.
  - I believe the Zero Line Input would be the displacement/offset input that Alpine speaks of for this technique, one that I'm still unaware of
  - This better be good as adding indicators to my trading sounds like a kick in the balls but if it's for the better, I'll take the hit, ouch!
  - This is only a test, not a modification.
- **TMF (Money Flow Indicator) removed from AHG**, No advantage found (11-20-07)

## (Ninja Trader)

- **Market Emotion indicator** - [marketemotion.zip](#) - (JtraderK8) (10-15-07)
- **Modified HA Bars** -- - (foxthorn) (12-01-07)
  - [modha2\\_v1.zip](#) - translation based on the code provided by Bbox trader (12-01-07)
  - [mkdha2-pic1.jpg](#) - Sample image showing ModHA2 in Ninja...
- **Anek's Paint bars** - [anekbarpaint.zip](#) - (screenstruck) (9-27-07)
  - Here is an export you can import in.
  - you can import it by File > Utilities > Import NinjaScript to open the Import NinjaScript dialog window
  - change the code bar colors to suit and recompile.
- **Anek's Paint bars (Code)** - [anekpaintbars.png](#) - (screenstruck) (9-27-07)
  - Create an empty indicator, confirm it calculates on bar close, copy and paste the following:
  - protected override void OnBarUpdate()

```
{
if(CurrentBar < 2)
return;
if (Close[0] == Open[0])
BarColor = Color.Yellow;
else if (Close[0] > High[1])
BarColor = Color.DarkSeaGreen;
else if (Close[0] < Low[1])
BarColor = Color.Red;
else if (Close[0] > Open[0])
BarColor = Color.DarkGreen;
else if (Close[0] < Open[0])
BarColor = Color.Maroon;
}
```
- **Three Bar Reversal** [3barreversal.zip](#) - [nq 12-07 10\\_5\\_2007 \(1500 volume\).jpg](#) (screenstruck)
  - (10-05-07)
  - for those who use **stealth traders 3 bar reversal** and use ninja.
  - Marks once the 4th or 5th bar is above or below the 3rd bar. Obviously there is some lag.
- **Three Bar Reversal Paintbar** [threebarreversalpaintv3.zip](#) (11-29-07) (foxthorn)
  - (11-27-07 & 11-28-07 posted indicator superceded)
  - 3 bar reversal paint bars (translated from code posted on page 727)
  - Option of turning on/off reversal painting and revert to Anek style strong/weak bar painting.

- Can also select to show all reversals or just those following an opposite reversal.
- Also options for colors... the default colors are a bit crazy so adjust as you like.

- **Bar time volume** - [barrateindicator.zip](#) (notam) (11-11-07)

- provides a "time volume" in seconds for each bar in NinjaTrader.
- It takes the current bar time minus the previous bar time and converts it to seconds.
- So, slow bars are tall, fast bars are short.

**(Ensign)**

<ul style="list-style-type: none"> <li>● <b>Market Emotion indicator</b></li> </ul>
---

- |   |
|---|
| <ul style="list-style-type: none"> <li>○ <a href="#">market_emotion_indicator_for_ensign.png</a> - <a href="#">market_e_motion_ind_pic.gif</a> (opm8) (10-15-07)</li> <li>○ Change colors as desired</li> </ul> |
|---|

- **123 Pivot**

- [vq170190-04.png](#) - 1-2-3 pivot, blue = long, yellow = short. (JDConner) (11-24-07)
- [vq170190-06.png](#) (code) (11-25-07)

- **Three-bar break**

- <http://www.ensignsupport.com/email/1297.mhtml> (opm8) (11-25-07)
- The vertical green line is the buy bar. The pink line is the sell bar.
- Note that you don't even have to type it in as it's available for download as "1297-3Bars" in the Q&A Template section of Internet Services/Download tab.

## (Amibroker)

- **Market Emotion indicator (25%, 50% & 75%)**
  - [marketemotionindicator.amibroker.zip](#) (swingnifty) (10-15-07)
  - [market emotion weekly.zip](#) (mark1) (12-07-07)
    - market emotion code for amibroker, you can find either the AFL file and the text file inside the zipped folder Thanks Mr. X
  - [market\\_emotion\\_rth.zip](#) [market\\_emotion\\_rth.txt](#) (mark1) (12-10-07)
    - Market Emotion levels calculating only Regular Trading Hours (the old one calculates the 24hrs range levels) [AFL and text code]
- **Modified HA Bars – (mark1) (12-02-07)**
  - [mod ah bars v.1.txt](#) – (author prefers to remain anonymous)
  - the modified HA bars code looks back “n” of bars to calculate the new bars, Anek uses a “6” n-period. These are user selectable from 2 to 10 by changing the parameter
- **123 Pivot - [123 pivot.zip](#) - [explanation.png](#) (11-25-07) (mark1)**
  - The same code as posted by JD Conner, translated for Amibroker (see post for rules)
- **Anek Three Bar Reversal Paintbar (mark1) (11-25-07)**
  - [bars reversal.zip](#) - [3 bar reversal.png](#)
  - [123 pivot.txt](#) – text
  - [my pivot123 rules.txt](#)
- **Anek Three Bar Reversal Paintbar code as modified by iluv2trade (mark1) (11-27-07)**
  - ```
SetChartOptions(0,chartShowArrows|chartShowDates); _N(Title = StrFormat("{NAME}} -
{INTERVAL}} {DATE}} Open %g, Hi %g, Lo %g, Close %g (%.1f%%) {VALUES}}",
O, H, L, C, SelectedValue( ROC( C, 1 ) ) ); reversalL=C > Ref(H,-1)AND(H > Ref(H,-2) OR
H > Ref(C,-2))AND (H > Ref(H,-3) OR H > Ref(C,-3)); reversalH=C < Ref(L,-1)AND(L <
Ref(L,-2) OR L < Ref(C,-2)) AND (L < Ref(L,-3) OR L < Ref(C,-3)); reversalL =
ExRem(reversalL,reversalH); reversalH = ExRem(reversalH,reversalL); //Uncomment if you
want to plot the arrows //PlotShapes( reversalH*shapeUpArrow,colorBlue);
//PlotShapes( reversalL*shapeDownArrow,colorYellow); //Comment if you don't want to color the bars paint = Iif(C>O,
colorGreen, colorRed); paint = Iif(reversalL, colorBlue, paint); paint = Iif(reversalH,
colorYellow, paint); Plot(C, "Close", paint, styleNoTitle | GetPriceStyle());
```

- Same colors used in the pivot formula: blue candle signals up reversal, yellow candle signals down reversal.
  - The "colored" bar is the signal bar (you don't need a confirmation from the following bar as in ST 123 pivot), depending on how you want to use the signal, say you have a colored reversal long, you can enter at the close of the colored bar or you can wait and see if the next bar forms a Higher High than the colored bar and enter 1 tick above the high of the colored bar, say the following bar doesn't form a Higher High you might discard the signal.
- **Code for Amibroker, Henkin Ashi plus mark's reversal points (nt24) (11-29-07)**
    - Corrected copy

```

_SECTION_BEGIN("HEIKIN ASHI");

//---- heikin ashi
HaClose = (O+H+L+C)/4;
HaOpen = AMA( Ref( HaClose, -1 ), 0.3 );
HaHigh = Max( H, Max( HaClose, HaOpen ) );
HaLow = Min( L, Min( HaClose, HaOpen ) );
xDiff = (HaHigh - HaLow) * Iif(StrFind(Name(),"JPY"),100,10000);
barcolor = Iif(HaClose >= HaOpen,colorBlue,colorRed);

// Code from Mark1 starts here
reversalL=C > Ref(H,-1)AND(H > Ref(H,-2) OR H > Ref(C,-2))AND (H > Ref(H,-3) OR H > Ref(C,-3));
reversalH=C < Ref(L,-1)AND(L < Ref(L,-2) OR L < Ref(C,-2)) AND (L < Ref(L,-3) OR L < Ref(C,-3));
reversalL = ExRem(reversalL,reversalH);
reversalH = ExRem(reversalH,reversalL);
barcolor = Iif(reversalL, colorWhite, barcolor);
barcolor = Iif(reversalH, colorYellow, barcolor);
// Code from Mark1 ends here

PlotOHLC( HaOpen, HaHigh, HaLow, HaClose, "", barcolor, styleCandle );
_SECTION_END();

```

### Questions on advanced technique:

1. Say your small stop on a long entry (long based on perhaps 2 closes above a resistance level) with the stop at perhaps the low of the last 2 bars. When you re-enter the long do you again wait for 2 more closes above the last highs, or just look for one more?
2. Something that I think confuses many reading this thread is the various application of stops. Some support leaving a stop say a half point past the last swing until it gets moved up to a new s/r level or gets hit. Others suggest placing the initial stop halfway between entry and the last swing. Using "small stops" with the idea of a possible re-entry sounds good until you wind up in a whipsaw. How do you avoid that? I guess that is the real concern behind my first question. By the way, thanks again for everything.

### Anek's Reply:

If I get stopped out on the first entry, as long as **support is still supporting**, I would be willing to re-enter on the first evidence of strength returning to the play. Most definitely, I will not let one quick stop kill my concentration but limit my losses I must, averaging down I will not, ever. Usually the second attempt works very smoothly, no surprise there as they say the first wave is always for the newbie's while the smart money sits back waiting for some real confirmation. Remember, **it's never about the best fill but about the best feel**. And by feel I mean numerous confirmations, what you actually feel means nothing to the market as you are an atom and the market is the universe.

Obviously you don't go nuts and just buy the next drop because if it's dropping its doing so for a reason. It is **your duty as a responsible trader** to determine if the price drop is profit taking or a possible change of direction, car size on time and sales is useful in this area.

The idea of an even "better fill" is dangerous so make sure you are not fooled into such actions.

However, if a sign of **strength returning** is present that's another story. Obviously, if support is broken, It's time to look at the big picture again and re-evaluate.... and by broken I assume by now you know I mean a solid bar closing below it.

Notice, there is a huge difference between doing this and averaging down because as you re-evaluate the scenario you have already limited your losses. Contrary to averaging down where you keep losing on every tick against you regardless if there is strength returning or not. Frankly, a real dangerous way to trade but since the accuracy is high; traders keep choosing this so called money management "tactic". No offense but this is simply, stupidity.

The fact of the matter is that when you are **correct** in your evaluation of price action, a great deal of the plays will take almost no heat because you have and must look at all angles before entering a play. After-all, this is your hard earned money. I would rather waste it on stouts or my kids than some on some random dude at the other side of my trade or worse, the broker. That's what I look when entering a trade, very little heat, if any, and a pleasant ride to the next level. Naturally, I don't always get this but this is what I shoot for. The whipsaw you speak of is easy to avoid because unless strength is found you stay on the sidelines. You do not go back in, **just because it is, supposedly, a better fill**, you go back in when price action gives you the green light.

It's hard to get multiple strength conditions without price actually following. If the chop is present there wont be much strength to notice right so don't let this scare you. Feel free to study the charts and confirm my findings, in fact I encourage it.

When support is broken by wicks, that could possibly just be other trader's stops hitting at market, don't let those wicks fool you, the close is everything, always. In fact a **close + 1 tick at the extreme of the closing bar is even safer**, that's a strong tip I just gave you, use it. Why do you think hammers at support with piercing wicks are so powerful? Clear sign of exhaustion. Once again, the hammer alone is not enough, multiple confirmations at all times. Why? Because no one thing works by itself.

If you wait for a retracement and then for strength to return if strength is really returning why on earth would you need a big stop, it's supposed to be strength at or near support right ?

Some traders claim large stops are required due to noise or volatility I say it is their ineptitude to read price action correctly. Not claiming super-trader here, took me a while to learn and accept this. I've said it in the past and I will say it again and again, you beat this game with small losses and all kinds of winners. Great accuracy is a bonus and something that comes much later, the real key here is riding those wild runners remembering that price rarely goes up without retracing and that re-entering a trade is not only an option but a powerful one. **An option that can be applied even when things are going well.**

One more thing, if you do re-enter a second time because the play is still very much valid you better be prepared to ride this one to a displacement bigger than the original one, assuming the fill was actually, a "better" one. After-all, it is still the same swing.

Lot of opinions in this department, choose what you feel comfortable with but most important what works best for your style and psychology. I can tell you what works for me but what works for you might be something completely different.

Yes, the size of the stop varies depending on how many ticks below previous bar or bars I allow the stop to take. Anything remotely out of the ordinary and that would be something I'm not interested in taking because I trade to win big and lose small as much as I can. It sounds crazy but some of my best plays are when **I buy right at support levels or short right at resistant areas, fortunately they also require the smallest stops, food for thought.** In fact a dear friend and fellow trader only trades like that, is he effective? You better believe it, is his accuracy rate high, absolutely not but he knows when it's time to pick support and when it's time to pick resistance and his stops are based on confirmation not exact numbers, except for his emergency stop of course. I like to do something similar but I always require my confirmation no matter how close to support or resistance the entry is. Obviously, today was not an optimal day to be shorting resistance but that's easy to determine if you are a student of price action.

I might seem like a nice guy, and I think I am, but when I'm in the battlefield fighting other traders I'm the meanest mofo you can imagine, I protect my capital like my children and when I'm right I want as much as I can without neglecting any angles. I like to think I'm taking money from institutions and that no institution is taking money from me.

To conclude my friend, Risk Management is your best ally.

### **Additional Questions:**

**Question:** How can you tell the **difference from a retracement and a possible reversal?**

**Answer:** In theory it's a "bet", which is why it's hard for some people to trade this way, they see price going down, even if the support is not taken and they sh\*\* their pants, or worse they want to short a support that has yet to be broken.

One way to tell that helps is that retracement usually happen on lower volume where reversals usually start on increasing volume. If you using volume bars you will see them print very rapidly in comparison to when price action was calm.

**Question:** Assuming a strong trend and during the retracement I'd like to enter, **what volume indicator should I use to determine the trend will likely continue?**

**Answer:**

- Trend lines, the more the better.
- Support/Resistant Pivots
- Time and sales
- Custom Price Action (learn to code Easy Language), sometimes you must create these yourself.
- Everything else will place you at a disadvantage due to lag.
- Do not give up on price action, highs and lows is all you really need.

**Question:** **What volume indicator to clarify where the retracement will lead to?**

**Answer:** Use the "printing speed" of the volume bars, also time and sales to see how hard those cars are being sold/bought and last but not least consider a small 3-5 min chart, in a small corner, with a regular volume indicator. Nothing too distracting but visible enough for confirmation. Study it before depending on it, some cannot make sense out of volume and will claim it is useless when in reality it's the trader him/herself. I don't depend much on it but on KEY areas it can be very revealing.

**Question:** Time and Sales info you are referring to is that on a DOM (depth of market)?

**Answer:** Actually the T&S and the DOM are separate data items (at least on TS, but some of the software does integrate the two.)

**Question:** Is there anyway to take these **bigger picture excellent DB setups with reduced risk** (similar to small risk in 1000 volume chart)? (11-01-07)

**Answer:** There are different ways to play this.

The bigger the chart, the bigger the stop but the bigger the target, so technically you play them the same way, just adjusting car size to make up for the higher risk.

Typically when I see something interesting in the big charts I look for a harmonic entry on the smaller chart to reduce risk even further.

Remember that reversal formations on meaningful support and resistance areas are extremely powerful and this is exactly where many pros milk it the most.

Good trader friend says the little people watch the small charts while the big boys the big charts. We can get an edge while watching both, at least I think so.

However, this requires the greatest patience as these special setups don't come very often.

**Question: Scaling out of DB's** (11-02-07)

**Answer:** It all depends on what kind of DB we are talking about but I don't like those close targets of yours, I prefer price action to guide me as to when I exit. There are many types:

- Massive formation at the LOD after heavy downside
- A little shit refusing to give up on support
- A "W" in the middle of the trend signifying congestion of the current trend....etc.

Assuming a massive one, then the answer is to be very greedy because price is severely oversold (a term I hate) and it has a very good chance of being a trend reversal.

Use a very flexible trend line to guide you and watch how price makes higher swings, and ride it for as much as you can. Ideally I want my first target to be at the very least as big as the reversal formation. After that do not exit until the trend line breaks and be aware of any upcoming major resistance points or psychological areas (NQ's 2250 comes to mind).

If it forms on a massive support area of the big charts, treat it like the Dragon Pattern once you see the two legs at support and downtrend line break enter then add on the swing high confirmation a second unit. This feels like Deja Vu because it is exactly how I played the Double Bottom on FOMC day at the 2210

area.

Once again be very aware as to where that DB formed and how significant the area is, this sentence alone will make you a lot of money as you get more experienced.

**Question: Trading the TL breaks.** Often you enter this trade after 1LL and 1LH as opposed to 2 swings. What criteria determine when to take this trade and when to avoid it? (11-04-07)

**Answer:** Price travels through recently visited areas much more smoothly and swiftly (between support and resistance) than when approaching new uncharted territories.

It is only when it reaches a significant support or resistance area that it has important decisions to make. Until that happens it can go anywhere because it knows the "neighborhood" well. It is familiar with its surroundings.

As screen time and trading skill improves you will start noticing several characteristics in price. Characteristics that will enhance your scalping skills and increase your targets.

For instance even if price is falling hard there is a very good chance the very first test of support will hold very well. Yet the second will probably have less chance. If the second holds as well as the first then a potent pattern like a double bottom forms, and potent for a reason. Needless to say the point is that certain quirks about price are picked up over time and when you know some of these you tend to create your own intrepid plays and break a few rules.

An up swing is just that one swing, an uptrend requires two.

Think of support and resistance as a barrier made of wood. The more times you push it the greater the chance of breaking but just kissing it won't do it. Support by definition is meant to support, reverse for resistance and even though the trend is your friend you don't actually know if the trend will be strong enough to break the wood until it actually does.

In my experience the stronger the support and the stronger the resistance the lesser the chances of breaking in one test and the more times it will need to be hit to be broken.

In fact, only consider support broken when that support becomes resistance or when that resistance becomes support. Learn to identify the chop and noise, they drain our profits.

Anyway, I deviated quite a bit from your original question but the fact is screen time allows you to cut corners here and there and when you can finally form an edge from those quirks it is only logical to exploit it.

**Question: Reason prefer tick/volume charts over time charts**

**Answer:** Many things can happen in say a 1 minute bar, especially if the bar happens to be very long.

- When using tick or volume bars especially a small size you can dissect this info and draw patterns of support and resistance compared to the long bar where I just have open close high and low. That to me is little info, I need more, I need to see what happened inside that bar. Which were the points of interest, the points of buying, selling, where the real pressure occurred? The more info the better.
- In the end, it's a matter of choice. Nevertheless, I'm a much better trader when using tick/volume charts so if you cannot see the advantage I guess there really is no reason to switch. To me it's the difference between night and day.

**Question: What factors do you take into considerations when anticipating W or M?**

**Answer:** Well first of all, the trend was down.

- Before that my W reversal long attempt had failed miserably and retraced quite abruptly, which is unlikely for a good W.
- Means there are sellers on the look out.
- On top of that a bearish engulfing formed at the second top and if you notice, the mid swing was not a higher low.
- Last but not least big size market orders started flying on the tape quite rapidly and that just did it for me.
- I use Time and Sales in NQ with a filter to show 50+ size orders only (used to be 75) and pay very close attention to the rhythm of market orders. Very powerful stuff, highly recommend it.

**Question: Why is the magic tick so important? Doesn't seem to act as confirmation for you if you are already in the trade.**

**Answer:** Incorrect, I'm not in the trade until I know what the magic tick is and until I get filled.

- On top of that, if I'm already in a trade, it can be my stop, so still useful even if in a trade.
- However....A more detailed example:
- There is a double top.
- The mid swing low is 2000.00
- A bar closes below 2000.00 at 1999.00
- Now I know what the magic tick is.
- The magic tick becomes 1998.75
- The new bar can hit the magic tick, filling me and giving me the signal simulatenously or it can go higher, never giving me the signal or the fill or it can go higher and then go back down giving me the fill or it can go straight down never giving me the fill.
- Conclusion, don't mess with the magic tick

**Question: Do you use a stop limit with a limit 1-2 tick to ensure a fill (talking bout NQ , no need for it with ES) or is you limit price equal to your stop price (the one that triggers the limit)?**

**Answer:** Depends on the dominant trend of the day. Most of the time the magic tick will get filled, many times you will even take heat on a good play. No real reason to increase risk.

**Question: If 90% of day traders fail, how is it that chart patterns are so consistent?**

**Answer:** Good question. It's not the patterns, it's the traders.

- Lack of optimal execution.
- Lack of discipline.
- Lack of money management.
- Lack of experience.
- Some patterns are also more reliable than others. For instance, I'm not a big fan of Head and Shoulders, but I love Head and Shoulders failures, all this comes through screen time. By the time the screen time is there, the newbie blew up and called it quits.

**Question: How do you manage to sell 1/4th or 1/3rd of the trade using the Dom in TS?**

**Answer:** Start with OSO and drag the limit orders up and down.

- You can make OSO produce multiple targets per car or lots.
  - This area is very discretionary.

**Question: Anek, can you elaborate on the bullish 123** 12-04-07 10:56 PM

**Answer:** As price was retracing...

- The lows of the bars were all lower lows.
- Suddenly at the trendline, market emotion etc, the last lower low was created.
- The next bar's low was actually a higher low.
- When the bar closed, price broke the high of the previous bar, creating a magic tick.
- Conclusion, a bullish 123.

**Question: Definition of Heat**

**Answer:** Heat is when the trade is going against you whether its from the start or after a minor gain. The best trades always work with minor heat because it means the confluence was so great many saw it for different reasons so the pile of buyers or sellers all line up and the pressure in price is seen immediately that's why you want confluence.

**Question:** Journal Program does Anek use

**Answer:** Just 2 charts with notes morning/afternoon

## **Individual Study**

### **What leads price to congestion? (11/18/07) – Work assignment**

- I could tell you my experience but don't think it would do much good. This is something that you need to see for yourself
- As an exercise to improve your trading take a few hours to study the past few weeks in your instrument of choice and try to notice any peculiarities that prevented price from forming a trend.
- Make sure the backtracking is done with an anchor chart.
- I assure you, the effort will not go to waste as this is an area you do not want to trade. This patience, this discipline is imperative for your trading.
- If you really want to take it to the next level, say by increasing car size, then you must improve your accuracy and this is how you do it, by becoming an expert at spotting the chop and even a greater expert by doing what needs to be done around that time. Which is sitting on your hands, stretching your legs anything but trading when there is a lack of a trend?
- Polishing your skills in congestion/consolidation detection can make the difference between good and greatness. Better yet, try to anticipate it. Anticipation will give you an edge.
- Please post your conclusions in the journal so everyone can benefit from everyone.

### **Decisively Broken Areas**

Trading noise and volatility can make you see things that are not really happening.

For instance, in order to determine when a point of interest is broken you need to ask yourself the following questions.

- How meaningful is this point?
  - Your anchor chart should be able to tell you. Remember your entry chart has many areas that are unknown to the anchor chart. You must learn what is meaningful and what it is not.
- What kind of price action developed after this event?

I'll give you two examples.

- If price has been bouncing off a downtrend resistance line in order to consider this area broken, price at the very least, must create an up swing ABOVE the resistance area. Anything else is suspicious. Price simply passing through this is not enough; this is stop hunting, nothing else, unless the above forms.

- If price has "broken" support a downswing below support must be created and that previous support must become resistance. Anything else is suspicious as well. Price simply passing through this is not enough; this is stop hunting, nothing else, unless the above forms.

Ever heard traders say, "OMG the Dow lost 13000?" This is newbie talk; nothing is lost until the battlefield has blood scars on it. Just because a scared bull ran away does not mean the bears won the battle.

**A combination of both answers should be your guidance.**

### **Trend line Swings:**

[tl.swings.jpg](#) Following screenshots to aid in 11-18-07 work assignment:

Screenshot includes one of Anek's price action tools to smooth out the action so you can see how those highs and lows develop. (This is just a representation to aid Anek with the highs and lows visuals and filter some of the noise so he doesn't have to calculate the micro level constantly.

It's not just buy the blue and sell the red. That is only done with the trend and confirming you have the correct trend line backing you up. If those align, it's a money machine but then again that is what AHG teaches here so no real big deal. Perhaps with the blue and red dots it becomes obvious to the naked eye, but in the end AHG is the engine providing those profits.

Tool is used to prevent the constant measuring of highs and lows. You can't be faster than price but whatever you do with price you instructed the computer to do so because she can do it faster.

### **Journal Readers conclusions:**

[er2anekcokescomments.jpg](#) – cokes annotations which Anek replied "Perfect"

### **Suggestion for the AHG followers (12-03-07)**

- When the trend is up
  - Try a successful Piscuy 123 as an entry after a retracement.
- When the trend is down
  - Try a failed Piscuy 123 as an entry after a pop up.
- Ignore failed 123s when the trend is up and successful 123s when the trend is down.
- Let me know if you see what I see and if possible post chart analysis of the above.

## **Profile – Anek**

- 30+ years of age
- Married, two children with third child on the way, (Teen age and 6-year old daughters) (11-15-07)
  - 11-15-07 announcement of good news! Wife is with child
- Resides in Punta del Este, Uruguay, 3-blocks from beach [beach.jpg](#)
- Lived many years in US, maintains a residence in Florida and the Caribbean
- Recently sold residence in London
- Summer time visits the lower US, Europe or the Caribbean
- Cosmopolitan lifestyle, has visited most every country in the world
- [me.jpg](#) – Musician “in Vegas”
- [anek.jpg](#) – Musician “performing”
- [stout.jpg](#) – favorite beverage
- [michell.ryan.jpg](#) - favorite fantasy
- Trading History
  - Started with equities (4-5 years)
  - Transitioned to QQQ – SPY then to futures
  - 192% profit YTD 2007
    - 4-5 years day-trading to attain this level of proficiency
- Conducted intensive studies and back testing on automation without success.
  - Not deterred until reaches his goal. Successful scalping automation is in a different league
- 12th consecutive month of strictly e-mini trading (YM, ER2 and ES) will be marked on 12-10-07
  - Undecided if transitioning to ES or NQ
  - Definitely not to ER2 with the upcoming transition from CME to ICE.
- (8-06-07) - transitioned from YM to ES
  - YM to ES transition was a stunning 32% increase performance margin
- (9-08-07) - Studied NQ in great detail, Noticed it's quite trending nature and explosive breakouts.
  - Cons: bang for the buck in comparison to ES as far as commission
  - Pros: Trendy breakouts/breakdowns
- (9-09-07) - anticipates commission premium to be compensated by the brutal breakouts/downs.
  - Noticed a peculiarity of the NQ that is very compatible with AHG and non AHG setups
  - Previously traded the Qs on a daily basis a long time ago, should be familiar territory.
  - Does not miss equities.
  - To leave ES performance must increase by a minimum of 20%
  - Transitioned to NQ

### **Recommended Reading List - (Anek)**

- Trading in the Zone by Douglas
- Trading Chart Patterns by Suri Duddella
- Tape Reading and Market Tactics by Wyckoff
  - Only book read on tape reading by Anek
  - OK, nothing out of the ordinary.
  - Tape reading is hard to teach, you don't read a book, you just do it until it works.
- Ross Hook
  - [http://www.trade2win.com/traderpedia/Ross\\_Hook](http://www.trade2win.com/traderpedia/Ross_Hook) - Tip of week 8-23-07
  - Highly recommended and it's nothing but Price Action.
  - Q: Ross Hook used as confirmation signal A: Yes Anek makes an effort to.

### **Additional Recommended Reading (HWK)**

- Trading For A Living – Dr. Alexander Elder
- Technical Analysis of the Financial Markets, *John J. Murphy*
- Encyclopedia of Chart Patterns, *Thomas M. Bulkowski*
- Japanese Candlestick Charting Techniques, *Steve Nison*
- The Candlestick Course – Steve Nison
- [candlestick quick reference guide - 001.pdf](#) (10-08-07) (HWK)
- [candlestick.pdf](#) (10-08-07) (HWK)

### **Additional Reading**

- [day traders bible.pdf](#) –tape reading manual by Richard Wyckoff (cgar) (11-24-07)
- [linda bradford raschke - tape reading.pdf](#) - article on tape reading (iluv2trade) (11-24-07)
  - Linda Bradford Raschke summarizes some of Wyckoff's work, including it....
- <http://www.elitetrader.com/vb/showthread.php?s=&threadid=99283&perpage=40&pagenumber=120>
  - post referencing some tape reading tips (12-01-07) (timokrates)
- AHG additional notes - [ahg-notes.pdf](#) (Swingnifty) (10-08-07)

## **Additional links**

- <http://www.elitetrader.com/vb/showt...threadid=111667> – Link HK trading plan project
- <http://www.elitetrader.com/vb/showt...116#post1691116> – Link HK desk top
- [www.surinotes.com](http://www.surinotes.com) - Suri Duddella website

## **Additional utilities**

- Chat room - [ahg irc setup instructions.doc](#) (12-16-07) (iluv2trade)
  - <http://elitetrader.com/vb/attachmen...&postid=1716099>
  - detailed graphic instructions to setup AHG channel on IRC using the Hydra client.
  - The last instruction has tips on using Hydra.
- Charting annotation software - <http://www.faststone.org/FSCaptureDetail.htm>
- Chart posting host website – [www.imageshack.us](http://www.imageshack.us)
- Large data file host website - [www.4shared.com](http://www.4shared.com)
- Pattern recognition software - [www.stockfetcher.com](http://www.stockfetcher.com) (10-02-07) (Bbox trader)
- Create bold text in forum posts:
  - Place text between {b} and {/b} but use the square brackets, [ ]
  - You can also change the size of text using size= number tags (Jax

## **ET Members to Research**

[Stealth Trader](#)

[NihabaAshi](#)

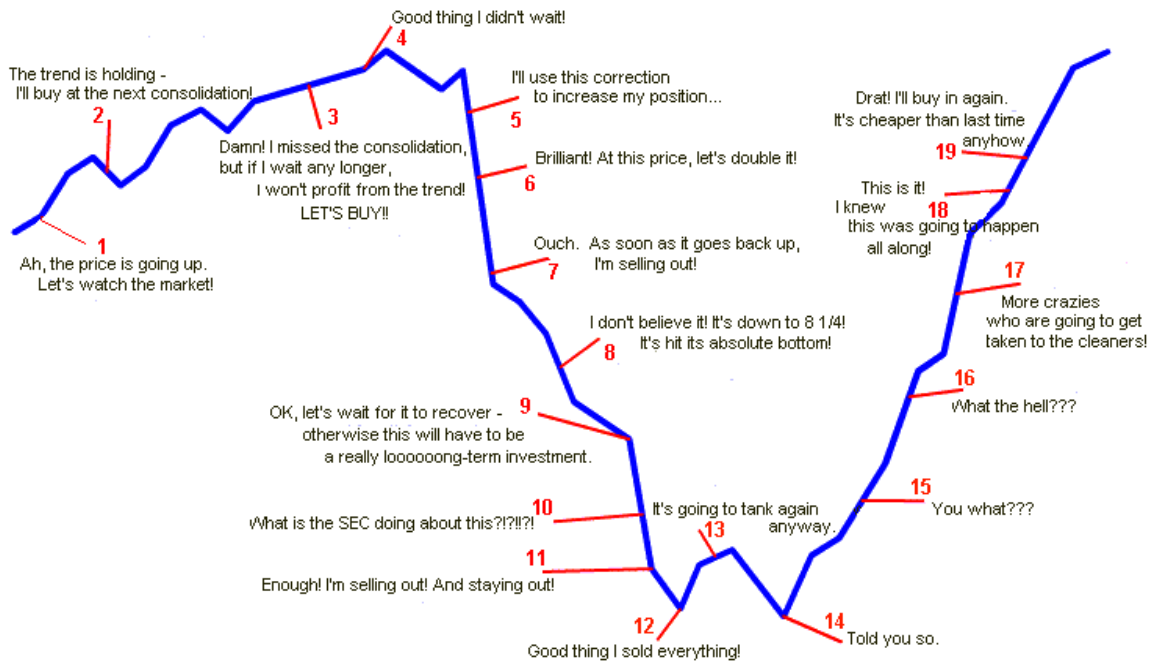
[ProfLogic](#)

[OldTrader](#)

[HolyGrail](#)

[Piscuy](#)

**At this point, you should have a completely different view of the following graph**



Trader's Journal <http://www.elitetrader.com/vb/attach...=&postid=464215> (12-09-07) (mark1)

### The Key to Success

**Is adding to winning positions, mastering a simple working strategy, solid discipline  
and of course...**



### **SCREEN TIME!!!**

"If you are right, take the humble side -- you will help the other fellow.

If you are wrong, take the humble side -- and you will help yourself."

### **Appendix "B" To AHG Phase I**

#### **Piscuy Notes**

08-23-07 09:24 PM

**Working from home** is not as easy as it may seem. Yes, you don't have to commute to work, you don't have to dress, you can watch TV while you work, but there is a downside. **This downside can be controlled a bit with discipline.** Too many cannot handle working from home, instead of waking up at 9:30 to be at the market open they get up at noon. So a good idea is to get up and dress even if casually as if you're going to work.

This comes even before one. Worry about getting to know yourself. I have always said that **anyone can learn the necessary technical analysis for trading in a day.** You can gain some experience in what you learned in that day in a couple of months. **Getting control of yourself and your emotions can take a lifetime and this is where most fail.** It's not easy but interestingly it can also change your life not only you're trading. Therefore invest a lot of time in yourselves because you have NOTHING to lose and a lot to gain.

**Find your own trading path.** What works for Mr. Anek might not work for you. Why? Well, perhaps his style of trading may be too fast for your personality, or you may be too impatient because it takes too long for trades to develop. Please do not take it as if I am saying it does not work. I can assure you that a method this simple works and works wonders. The beauty of technical analysis is that it works in all time frames. If Anek trades 233 or 610 tick it's because it suits his personality. Find what suits yours!!! Take from any good traders you find what serves your trading style best and develop your own trading style.

08-24-07 07:54 AM

Another tip for those who are trying to make it. This one comes with a certain contradiction but I am sure more than one of the experienced traders will agree. Even though one of the perks of trading is the amount of money you can make, **you will start to make it when you stop worrying about making money.** I know this is a contradiction but it has its truths.

Thinking in terms of money blinds you from your setups, your entries your exits. Instead of focusing on the amount of money you make why not view it in points? Or even better (when you have a certain track record) don't keep track at all. Trading is a game to an extent, a game of calculated risk. The more calculated your risk the better you do, the more of a game it is the better you do as well.

Try this little experiment to view first hand what I am talking about. You all know a kid around you who owns play station or a similar console. Ask them what is their record on a game. Offer them 100 dollars if they break it while you watch them. If not 100 dollars something they desire (a bike, a game or whatever). This new dimension in their game (prize) adds pressure and this added pressure takes away from their abilities to play (Trade). Even more, tell them that for each attempt they don't make it to new records you will take away 100 dollars. Even more pressure. I am sure few would earn the initial 100 dollars after a few trials.

09-11-07 06:59 PM

**Patience is the name of the game.** The best traders are those who know when to stay out. **Do you ever see any impatient predators in nature?** Those who are patient get to eat and hunt tomorrow!!!!

09-11-07 07:03 PM

Stop worrying about the trades you miss because you will always miss trades. Learn to worry about the next trade and only the next trade, for that is the only important one. The next trade has not a thing to do with the ones you took or the ones you missed before it.

09-11-07 07:06 PM Agree with Piscuy in all aspects. – (Anek)

09-11-07 07:20 PM

There is a thousand right and probably ten thousand wrong ways to do this as I have stated before. I am also a price trader. For me, keeping too many watches or watching too many things at once takes away from my trading for the simple reason that you always get conflicting signals. I like to keep it as simple as I can. I love using analogies so I'll use one to illustrate this.

Think of the market as a car. Price being the speed at which you drive. Speed increases and decreases as necessary. Think of how many factors affect speed and your ability to change it. Tire pressure, asphalt temperature, type of tires, capacity of the brake system, horsepower, inclination on the road, etc. etc. Do you really need to know the number of all those factors in order to stop or accelerate the car? The more numbers you need to process the slower the reaction time.

Please note that I am not saying that it is impossible, I am sure that there are plenty out there who can do it, I am just saying that I cannot do it and encourage you to try, hopefully it works for you, then trading becomes just like driving, second nature without having to watch the tire pressure or the octane on the gasoline to measure horsepower, you will just press your accelerator or your brakes accordingly without any hesitation.

09-11-07 08:07 PM - I just found out who Piscuy is. (Anek)

He's actually my partner in trading, did not have a clue until now.

He is not so much a trend follower, more like a scalper who likes to squeeze every possible drop out of those bars with minimal risk.

Anything he says regarding price action, pay a great deal of attention.

He is a master at breaking the market's ass in a day to day basis yet I've never seen him take a stop bigger than 1.5 points.

09-11-07 09:57 PM

When entering a trade it is always important to have a reason for an entry, being this a break of a major or minor support, resistance, trend line, or pattern like a wedge or an ascending triangle. Review your trades and try to find the reason for taking it and evaluate the validity of that reason. I know it is easier to do it after the fact but constant practice after the fact helps you develop enough insight to trade efficiently. You won't always be right but it will help in the long run. As for exits, don't expect anything out of a trade cause that gives you a bias, watch what the stock is doing and if its not doing what its supposed to do get out, and if you find yourself wishing praying or hoping run out cause your already wrong. You will have retracement but don't let a retracement become a loser. You will have to adjust this to the time frame you are trading and the risk tolerance you and your account have. If you're not comfortable with a trade, get out and look for another one. A re-entry is usually cheaper than a loss.

09-13-07 04:01 AM

Small losses are normal, necessary, and definitely part of **SUCCESSFUL** trading. (Anek)

I could not have said it better. – (Piscuy)

09-13-07 04:07 AM

Think of averaging down as wishing, praying or hoping. As Anek has said, averaging down is a common mistake, and it is the emotional desire of being right in the long run. Keeping your losses small is paramount in this business, averaging down is doing exactly the opposite. If you ever find yourself wishing, praying or hoping run out of a trade cause you will get bit.

Have a limit and stick to it no matter what, in the long run that is capital conservation and without capital you cannot trade, so if you blow up your account game over. Learning takes time so use the minimum you can to go over your learning curve. Unfortunately not all of us have an unlimited account when it comes to starting out in trading so take good care of your money. Discipline as it has been stated before is VERY important. You cannot avoid losses but keep them to a minimum.

09-13-07 12:13 PM

**Question:** The biggest thing I struggle with is how far a trade must go in your favor before you move your stop to breakeven. For example, today I entered a trade in the ES that went plus 2.5 in my favor. My stop, based on s/r was below my entry by a 1/2 point. Do you let the trade go in your favor this much and still take a loss by waiting for your original stop being taken out? I took 3 ticks profit (exited on a trend line break), but in the process gave back 1.75 pts.

**Answer:** How about scaling out? When you're scaling out you are sacrificing possible future profits for the certainty of locking current profits. Using your example you had 2.5 in your favor, let's say you lock in 1/3 or 1/2 of your profits and let the last half run for more. Two things can happen, you lock in 2.5, best case scenario it keeps running and you lock in more profits on the second half and worst case scenario you get to close out the rest of the position at break even. The overall trade should end up profitable and you got the best of both worlds, you locked in profits and you also allowed letting the profits run.

Also consider exiting a trade completely if your reason for entering it no longer exists. Let's say you entered it because of your expectation that a trend line break would give a good move, if it breaks the trend line and it does not do what you expected you can close it and start looking for your next trade.

09-13-07 04:35 PM

**Question:** Basically does anyone have some sort of companion tool, or something extra different than the price and volume?

**Answer:** I'll have you do a little exercise so that you answer for yourself why so many focus on price, price, price. Yes, oscillators can give some entries; yes macd can give some entries. Now what happens when they diverge? Most of the indicators I know have divergences. Also keep in mind that if you find the need to use an indicator (I can't stop anyone from trying) use it as reference, but ALWAYS base your trade on price action.

I am not using any indicators and like everyone else I did at one time. If I had to choose one to use I would go with CCI. Although you would have to learn how to use it and the quirks it has. While you use indicators you will always sooner or later get a conflicting signal, so then you come to the dilemma of which to trust. When you're trading with price things are or things are not. It is going up or not, it's going down or not. Everyone enters a trade with the expectancy that it will do something, if it is not doing what it's supposed to do exit the trade and look for the next one. Trade with reason; exit with reason, conserve capital and in the end profits will come.

**Additional response:** I am not sure what your doing or how you have your charts setup. As I have always said, what works for one may not work for another so find your own style. In that spirit, I can help you with ideas that work for me and hope they work for you as well or better.

I use multiple time frames at a time. Start out with the chart you normally use and add an exact chart but double the time frame. This will help you see the "bigger picture" with added supports, resistances, trend

lines, etc. etc. which will help you manage your trade a bit better.

Also as a side note, you say you were hoping to find a tool to assist in increasing probability... you can spend a lifetime looking for that "edge" and yet you may never find the answer. **Become an expert in finding high probability setups even if you find a single wedge a day become an expert at that and you will have an edge that 90 % of the population wish they had.** That is why focusing on price action helps a lot of traders step to the next level and eventually becoming successful.

09-14-07 08:36 AM

**Question:** What is **the difference between a good and a bad trade** for you people?

**Answer:** I decided to bring the subject up especially for the good and bad assignment many newbie's give to trades. **A good trade is that trade that is executed according to the plan,** parameters or rules established by the trader. **A bad trade is that which is executed deviating from the plan,** parameters or rules established by the trader. If you notice (as others have answered) a good or bad trade has nothing to do with profit or loss. In this business we are working against human nature in some aspects. It is a business in which you have to accept very fast that you are wrong. It is against human nature to like to be wrong. We as traders have to accept our mistake very fast and many times a day (depending on trading style). This is why it is important to assign the correct value of good and bad to a trade. When we do something bad we blame ourselves, get angry, get frustrated or just gets our spirits down. In this line of work in which the psychology of the executer has so much to do with the result obtained, being angry, frustrated or with our spirits down is detrimental to our goal. Be happy to take a stop if it is a stop if you took the trade for the right reasons (setup, etc.) and it did not work. They will never work all the time, so the right mind set regarding those that do not work is very very important.

09-14-07 02:48 PM

It is a slow day. Be sure that if you are staring to get bored to get up from your computer and take a walk or something. **Boredom can have you see things like are not there.**

09-15-07 02:20 AM

**Comment:** The problem with me is that I'm not really psychologically suited for trading.

**Reply:** **Don't be rigid. Take what the market gives you,** if you're expecting a point and momentum dies at one tick before the point you will give back your profit. **Our job as traders is to adapt to what the market gives you and maximize that to our abilities.** If it gives you three ticks take three, if it gives you one take one. If you're expecting one point with one point stop, you will probably take your one point stop many, many times. Think about it, and hope you find the right solution for your style of trading.

09-15-07 02:42 AM

**If I could give you some advice and if your using your indicators as well, focus on price and use indicators as reference.** In time you will get rid of the indicators overall. This is a business of trusting yourself and your system. When you get to trust yourself and your system you will take the trades and play your odds. Hopefully in time you will see the value of price action and the probabilities it gives you, till then use the indicators as reference but always trade price action.

09-17-07 12:16 AM

**Preparing for the unexpected - The best trader has no bias (Anek)**

**To expand a bit on this, a method to eliminate bias is to always be on the look for your next short and long entry.** If you are flat (no open trades) you should know what points of interest (there should be two,

one for long and one for short) you can find on the chart. **In them evaluate your risk and reward and take your trade according to your plan.** You can usually see your entry with enough time before the move happens and if you don't catch it, don't follow it. Let it go and look for your next two points of interest, the next trade is just around the corner. (Piscuy)

09-17-07 12:34 AM

I am going to talk a bit about a **subject that is not often discussed but I believe to be of colossal importance in trading.** That is why the title of this post is trading and life.

Trading is a very demanding job, no doubt about it. **Therefore it is very important to be at ease in your life with most things that go around in your everyday life.** I always have a saying that if I am not feeling 90 % I won't trade that day. It may be a cold, family troubles, breakup with the girlfriend, you are under slept, hungover or anything that takes away from our abilities to trade.

As you know by now trading is about discipline, but not only when you are sitting in front of the screen. It takes time, and in the beginning it takes effort but as they say after 21 days anything becomes a habit.

Life has a funny way of surprising us when we least expect it so don't let it affect your trading. **If you are not feeling good, don't trade.** The market will always be open tomorrow or if it's a Friday it will be open on Monday.

Don't loose sight of why we want to trade and succeed at it. I am sure the most appealing fact in it is the idea of the life we want. The freedom to have the things we desire, the ability to work without having a boss, employees etc. etc. You are trading to live and not living to trade. It's not about money, its not about ego, it is about life and how we want to live it. As time goes by and you improve your trading you will be forced to look within and evaluate yourselves and your emotions. That is the only way to learn to control them (note that I did not say ELIMINATE). It is a journey, not an easy one but a very rewarding one. You will get the life you want but in return you have to get to know yourself. That is where trading can even improve everyday life.

**NOTE: 09-18-07 12:00 PM (Anek)**

**Technique: Different than that of AHG**

I vouch for Piscuy as a great scalper, I know his method well and he is at the top of the game.

However, his methods and mine differ a bit so make sure you know this before hand to avoid confusion.

With that said, there is a LOT to learn from him.

Some say scalping the ES on a daily basis for double digits is impossible.

I say they have not met Piscuy.

09-18-07 11:17 AM

**Scalping** [scalps.png](#)

Anek and he told me you guys would enjoy seeing **how I make my scalps.** In the spirit of helping I will try to post some trades with as much detail as I can.

**Here I detailed the three trades** I have seen this morning on the NQ. **The first trade and the second trades**

are shorts. The third one is a long. As I was making the Chart a fourth trade developed and triggered but left it without drawing to see if some of you can see it. Included in this first chart I put the key to the lines that I will be using. The yellow line is trend lines, the red dotted line is the stop for the trade if taken, it is the point where you are certain you're reasoning for taking the trade did not work therefore you are WRONG, close the trade and look for the next one. The cyan solid line is the break point for entry. My entries are usually the point where the line is drawn (Support/Resistance) plus one tick.

As you can see, the risk in each trade I take I try to keep to a minimum, the potential is maximized trade by trade on its current characteristics.

As a side note, Scalping is much more demanding than swing trading, you have to make decisions to enter and exit the trade in less than a heartbeat therefore it is not for everyone. The concepts presented here work on different time frames so if scalping is not for you adjust it for a time frame that you are comfortable with.

I sincerely hope that these examples are of use to all those who are trying to learn, also that the chart is clear enough for understanding.

09-18-07 11:58 AM

**Question:** What do you base your exits on?

**Answer:** Loss of momentum. Think of it this way. If you have lots of buyers in a long trade, you will see price move fairly fast, time and sales will blow by. There is an imbalance between buyers and sellers that drives price up. In order for price to go down, that imbalance has to go thru a midpoint, and then go to the other side for the imbalance again. Think of the analogy of a pendulum. When the pendulum is in the middle, price kind of stalls, time and sales slows down and then price starts to reverse. That is reason enough for me to exit. I know it is a lot of things to watch for, but with time and practice it comes naturally.

09-18-07 12:15 PM -- Chart Settings:

- ES 2500 share and 5000 share bars.
- NQ 100/1500 share and 2500 share bars.

09-18-07 12:31 PM

**Question:** do you wait for a close above /below support or resistance?

**Answer:** I don't. Many do wait for it for confirmation. Remember this is scalping so you're out quicker than it takes to sneeze. I am comfortable taking trades without confirmation, if you are not comfortable then wait for your confirmation.

09-18-07 04:43 PM [fomcday1.png](#)

This is a small review of possible trades to be taken after the FOMC announcement. Although as it has been stated before trading momentum on such big events is not easy and not recommendable for inexperienced traders. Getting fills is harder on these types of events and it can easily blow off any stops. So the risk is higher but as you see on this chart the reward is higher as well.

If you see closely you will find the area of the trades I posted in the morning and it looks kind of insignificant. The moves after the FOMC were really good and the two I am detailing here give multiple entries.

For the ongoing learning process of those who are interested I did not put stops on purpose so that you guys can figure them out. Where and why would you select your stop? Although as I have said on FOMC days fills are hard, a chart is a chart, so for learning purposes it serves us well.

09-18-07 04:49 PM [first move after fomc.png](#)

First Move After FOMC

09-18-07 04:47 PM [second move after fomc.png](#)

Second Move after FOMC

09-19-07 12:46 AM

**Question:** Are those entries "fractal" entries?

**Answer:** They are based on supports and resistances. For me personally the exit happens when I am not longer comfortable holding the position. If it's a big position, I may exit half or one third. What makes me uncomfortable? A tough support or resistance that is getting closer, loss of momentum, a trend line that it has not been able to break, news coming out soon, etc... My reason for entering a trade is to capture profits, if I believe I cannot capture any more profits or am risking the profits I already have I close the position. I know my answer in this term is a big ambiguous but its not because I don't want to give you an answer, it is simply the best way I can explain it. Exit when you no longer have a valid reason for being in the trade, whatever it may be.

09-19-07 01:02 AM

**Question:** How do you know when to get out?

**Answer:** I guess a general answer like the one I just gave will not solve your problem. Why don't you share with us your rationale behind the taking of a trade? Let's discuss your reasoning and perhaps we can find a way that you don't have such a hard time with entries and exits like those. The more specific and substantial your questions the better help you will get from me and from everyone on this thread. The trades I detailed are just based on support and resistance, trend lines, double tops, etc. There is no magic behind it. Fractals are a geometric pattern that is repeated at ever smaller scales to produce irregular shapes and surfaces that cannot be represented by classical geometry. If you ask me too complex to figure out fractals for day trading, may work on larger time frames but I don't trade them. I like to keep trading simple.

09-20-07 02:04 PM

**Question:** Possible to get one explosive consolidation formation inside another?

**Answer:** Remember that there are people watching the markets in a whole wide range of time frames. Some watch it on a weekly basis, others monthly, daily, hourly, minute and even ticks. Yes you can have

a formation within a formation and another one inside it. It all depends on which time frame you are seeing it. You may not even see a wedge that people in the daily are watching, but they are not able to see a consolidation that goes on in the 1500 share chart.

In my experience, the higher the time frame of the formation the higher the probability it has to work, and usually the more players in it.

09-22-07 01:40 AM

**Question:** but has anybody tried it on a longer time/ greater share number?

**Answer:** A chart is a chart no matter what time frame you trade it. Same rules apply, although it would have larger risk and reward. It works.

09-27-07 02:12 PM

**Question: What are your rules for B.B?**

**Answer:** [bollinger bands.png](#) Let me start by saying that I do not use Bollinger Bands but that is personal preference. Some people use them and use them effectively.

The bands are used in several ways; they are used for plays detailing double bottoms/tops. For this you need to have a double bottom very close to the lower band (both bottoms on or near to it) and the entry signal is given when it crosses over the middle band.

The squeeze is another play that you can take advantage of, for this what you do is watch for contraction of the bands. They measure volatility so when they tighten volatility is low therefore you can expect it to increase soon.

Exits with the opposite band are also something I used them for. What you do is in an up move you follow the opposite band (the one price is not hugging) and watch for a change of direction in it, this tells you the move is over.

I am attaching a chart with the squeeze and the exit using the opposite band.

"I am a bit skeptical since the rules for using them are very simple, and although I am a firm believer in KISS principle, the rules for using them are almost primitive."

The fact that a tool is simple is not a detriment to its utility. Trend lines are a perfect example of that. Don't think that simplicity means un-useful and most importantly don't ever think that a tool that is complex is more useful.

11-16-07 12:45 PM <http://www.trading-naked.com/JerrysDragonPattern.htm>

This might illustrate to you what they mean by dragon. I personally don't use it unless it is on long term charts. The problem with short term charts is that you don't have time to think if it's a dragon, a turtle, a mouse or whatever. Some much simpler patterns in short term

11-16-07 01:26 PM

There is no such thing as too many trades if you trade with reason. If you have a reason to enter, you have your detailed plan, you execute it as it was designed, then there is no such thing as too many trades. Overtrading is usually a term used for people who are not in control of their trading and trade without

**reason (valid signal).** That keeps them away from it. If you take every valid signal you get then it's a different story.

11-20-07 12:10 AM

Even though there are better methods out there I did very good scalping with the CCI for some time. If I had to pick one of the canned indicators CCI is the one I would go with. Like anything you have to take the time and effort to learn to use it.

11-20-07 03:31 PM –Does not trade the NQ much

11-22-07 09:18 PM

**The easiest way I have found to teach others to let the winners run without too much hassle is scaling out.** Some don't like it but in order to see how much you can improve, try taking out half or one third at your primary exit, then try to let run the rest and see how you feel with the confidence that you have some locked in profits.

I saved the charts from yesterday on the NQ, I'll post them a bit later. Some of the trades I took match with some of the ones you did take. Although there are some methods to enter those trades earlier and that is what I am going to try to teach. I am going to go by bits so be patient about it. I'll post the first step today in a while. Hope you and the others who requested me to post enjoy it.

11-22-07 09:21 PM

**Question:** **Have you tried using the HA charts**

**Answer:** **I have used HA bars for some time, and actually like them quite a bit.** There is a lot more to HA bar's than meets the eye. You sure you know how to use them correctly? It's much more than just colors.

11-24-07 02:09 PM [nq.zip](#) – **(Very informative post – study)** (Piscuy 123 pivot)

**I usually think of the market as trends within trends. With that in mind I usually scalp with at least two of such trends or three in mind.** This is a bit different than what Anek does with his anchor chart, this all happens within the same chart. I will try to explain by parts. If you guys have questions don't hesitate to

ask. Now be patient, the entries which I believe are the most important I will detail last.

As you guys know it is very, very important to have the right mind set. Most traders encounter trouble when they want to do everything at once, they want to scalp but not let profits on the table. They want to trade long term but are fearful to hold for long, etc. etc. So the right mind set is very, very important.

What is my mind set? I am first and foremost a scalper. Scalping allows me to control my trading environment and keeps my emotions at ease. So EVERY SINGLE TRADE I START starts out as a scalp. If and only if the trade opened up very nicely (had a good run off from the point where I opened it) then I turn the trade into something longer term.

The major trends are defined in the following five charts, which is what tells you one of two things. If you're taking a trade against it then you must be very careful and probably very quick. If you want to trade towards it then you even may build up on a position.

Now to the charts. The first five charts are descriptions of the major trends. Those are built in my case with simple trend lines. Out of the trend lines I drew that day there were very few I had to adjust. The charts NQ6 and NQ7 are the summary for the whole day with all the trend lines put up.

On NQ7 I added an indicator that shows pivots. I do not use it but did add it as a visual aid for those who have difficulties with the drawing of their trend lines. Also these pivots are what I look for in order to find entries and this is what I want to talk about today since they provide some of the best entries for scalping and that is what some of you wanted to learn.

The problem with the pivots indicators is that they plot after the fact, those white dots appear a couple of bars later since the indicator waits for a confirmation. After a while of watching how and where they appear you can anticipate where the pivots will happen and this is what we take advantage of. Think of the market as an ocean, the major trends are the tides; the smaller trends are the waves. If the tide is up you want to catch the valleys of the waves, if the tide is down you want to catch the crests of the waves. I'll give you an example of each of them with the entries I like at the pivots.

If we are in an uptrend, then we are looking for a valley for an entry. Now you need to find a bar that is the lowest bar of a long series of bars (there are some indicators that show you these events, I know TS has one called pivot high and pivot low). If the next bar fails to make a new low then this is the bar you pay attention to. I marked some on chart labeled NQ8. This bar that is marked is your signal bar. If you break the high of the bar by one tick, you go long; if you break the bottom of the bar by one tick then it is a failure. You can in fact play both the break of the bar to the upside and the downside. If you get good enough at this, the failures will provide you with some of the best entries you can get since a trend change starts with a failure. Charts NQ9 and NQ10 both are of the same signals. One with all the trend lines and one with just the entry points on the signals, if you break the top line of the bar you go long, the bottom line you go short. This has to happen within the first couple of bars otherwise the signal is not a good one. Out of the three signals one provides a small stop and the other two some nice profits.

11-24-07 03:14 PM

**Question #1:** Do you place your stop below (in case of longs) your signal bar or below the swing low?

**Question #2:** When the signal bar is a big range bar, like the one marked at about 12:00 in chart 9 or 10,

do you still take the trade at the high plus a tick in next bar, or do you pass this trade, or you adjust contract size? Or do you not wait for completion of signal bar and enter when it exceed a certain price?

**Answer:** There is really no formula and you need to adjust it to your own trading style and your own risk tolerance. So I'll answer your questions from the point of view of what I do not in terms of right and wrong.

1. My objective always is to have as small a stop as I can so I use that bar as my trigger/failure bar. The swing low may be a bit too far away and I may use the swing low as an entry (failure based) to the other side of my trade.

2. I usually take this trades, big bars mean big momentum, although sometimes it is short lived. I do adjust the stop though, I use the middle of the bar as a stop in this case. As I have said in the past, if a trade does not feel right don't take it. There are many different contexts in which you may take a trade. This trade I did take so I can tell you what I did. I adjusted the stop to 2011.00. I entered on the first bar that triggered the signal and after I saw no more momentum exited +1 tick. If the trade is not doing what it's supposed to do, I rather look for another one and let this one go. +1 tick -commissions it was a break even trade.

I will try to make some ES charts, have a preference of date and time frame? Another possibility is for you try to post the chart and we can go over what you think could have made good trading opportunities.

11-24-07 03:31 PM [piscuy.trade.jpg](#) (Anek) **(Box Trade)**

Here is what I consider a classic Piscuy trade/setup.

11-24-07 03:38 PM

Perfect!!!! Charting Poetry. I'll explain this kind of trades shortly, after they digest the pivots

11-26-07 08:10 PM (abbreviated response to mark1)

What time frame are you trading? That is extremely important since the lower the time frame the more trades it will generate. Just so you know, this is one of my trading methods. I trade what I am able to see, I take the opportunities as they come. In combination with other price patterns they give you the earliest entries. For example, a double top or bottom that is forming.

11-26-07 08:38 PM

I did not explain much about the exits since everyone views them differently. My exits most of the time are done in two parts. The first part a very short scalp with half the contracts. The second part is the part I try to max out. The fact that you have locked in profits allows you to psychologically be at ease the rest of

the trade. Even if it gives you a small pullback you can take some heat with comfort. I have also said that I exit when the reason for being in a trade no longer exists. I know this is a bit ambiguous but it will depend on the risk tolerance of each trader. I always keep in mind the low and the high of the last two to three candles. If the last three candles hit a resistance (what I call a flat top) then your probabilities in the trade have just changed, therefore that is reason enough for me to exit or to do a first scale. If you are not comfortable with scaling in half try thirds, although I find it easier to control half. I guess there is no definitive formula in terms of the exits and this is where trading as so many say is part formulas part art. ON the other hand, I believe you make your money when you buy; this method gives you precise and consistent entries. Like anything in life apply your own rules and considerations, make the method yours and adapt it to your trading and personality.

11-27-07 10:09 AM

**Question 1:** When you trade against the major trend on a quick scalp, how many points/ticks are you typically content with?

**Question 2:** What timeframe do you prefer?

**Question 3:** What is your average stop for this method? Or is it usually 1 tick above/below signal bar?

**Answer:** On the ER2 probably two or three ticks. Haven't traded the NQ that much but I would say on the NQ one point.

My time frame of preference is 250 shares on the ER2, 1000 on the NQ. I get out when I am not comfortable with a trade, I set a stop, If I reach my un-comfort level I'll move my stop and exit the trade wherever this may be. My stops most of the time are bigger than my target when I am scalping like this. I know many will argue about risk reward of the trade but I do not view trades like this. I view a trade in terms of the probability of its success not it risk reward ratio. You can have a kick ass risk reward ratio but if your probability is not there, it is a sinking ship.

11-27-07 10:15 AM

**Question:** When you begin exiting a trade do you bring stops to break even on remaining contracts?

**Answer:** Yes, I re-evaluate my stops whenever I scale out.

11-27-07 10:45 AM

**Comment:** (mark1) I am basically trading your scalp method with 1 contract and let the 2nd contract run by using the 3-reversal bar, they are both positive today. Excellent results using 2-cars

**Reply:** (Piscuy) It is a lot easier with two contracts than one. Having fun with this system? I am glad you gave it a good serious try. As I said before, it works pretty damn well.

11-27-07 03:22 PM

**Question:** Insights on HA bars

**Answer:** I had missed that post on your request for insights on the HA bars. So here comes a bit of information. HA bars modify the bars so first it's important to note that it will not match with candlesticks

or bars. With that said the modifications do a couple of things. If you're dealing with daily bars it will remove gaps. If you don't have gaps you can trade the trends a little bit easier. So HA give you trends. With that said HOW do they give trends? If you are in a strong uptrend the bodies of the bars should appear at the very bottom of the bar. If you're on a strong down trend then the body should be on the top of the bar. Also if you notice at reversal points you get very small bodies at the center of the bars. Let me know if you need examples cause I don't have the HA indicator on my computer anymore.

11-27-07 03:41 PM

**Question: (HA)** In other words, follow the wicks of the candles, they show you where the trend is going. Up wicks Uptrend, down wicks downtrend

**Answer:** I find it easier to focus on the position of the body, cause if it's not at the very bottom that means that it's losing strength

11-27-07 05:31 PM

**Modified HA Bars – [\\_modhapb.zip](#) (Anek)**

- Use on OHLC Bars not candles
- Blue body at the low of the bar, strong uptrend
- Red body at the high of the bar, strong downtrend.
- Small body in the middle "color not that important" might signify trend fading, the smaller the more indecision.
- Yellow indicates a possible transition or pause. Multiple yellows highly possible trend change.
- Notice how color rarely changes without a yellow in between.
- Piscuy is the resident expert on these bars; he bled the market using them for a long time. For more info, he's the guy to go to.

11-27-07 05:32 PM - [sample.screenshot.jpg](#) (Anek)

Modified HA Bars sample on the NQ daily

11-27-07 08:03 PM (response to Razor's question of current market action)

If the market changes you adapt. If it is trending you play trends, if it's ranging you play bounces.

Adaptation is what makes or kills a trader. Now I don't wonder about what tomorrow might be like, I know what I can do today and will worry about getting the most out of tomorrow when I get there. The market is dynamic, so should we be.

11-27-07 08:24 PM

**Question:** if one gets a solid grasp of the ideas in this thread should one be able to adapt to a change in market or will a whole new way of looking at things need to be adopted.....

**Answer:** Prices can do one of three things, go up, go down or go sideways. Also keep in mind that what looks like sideways in one time frame has trends in a smaller time frame. So yes you can adapt, and yes the same concepts apply. If you don't want to switch time frames, then you have one of two options, trade when it's trending or stay out when it's not trending.

A trend is defined by a series of higher highs and higher lows or lower highs and lower lows. Find the right time frame and you will find a trend. Go up a few time frames from your usual trading time frame and I am sure you will find sideways. So keep an open mind and adapt accordingly. At least that is what I do.

11-28-07 07:06 AM

**Question #1:** when you say you build a position, do you mean averaging down as long as you're with the trend?

**Question #2:** N8 has a lot more signal bars than NQ9,10... any reason other than 8 is a larger sample example?

**Question #3:** Entries, you use limit or mkt orders?

**Answer #1:** I never average down, if I am in a losing position I am usually out by the time you can average down. If you notice I usually enter full position and scale out, if opportunity allows I may re enter the trade with the portion I scaled out or one a bit bigger. This is not the norm in my case.

**Answer #2:** Not sure what you're talking about so mind explaining in further detail?

**Answer #3:** I do limits on entries market on exits. I always know where I want to get in, and I also know when its time to run out (market).

11-28-07 07:10 AM

**Question #1:** Do you enter limit orders above and below the signal bar?

**Question #2:** Do you always place OCO orders on both sides?

**Question #3:** Do you only use one chart to find entries and exits, no anchor charts?

**Question #4:** Do you use the tape as well?

**Answer:** I do not use OCO orders, after a while you get an idea of where it's going to go. I usually move the mouse from one value to the other on the matrix and when it gets close I send the order. I always enter on limit and Exit on market. In terms of money management why don't we do it the other way around, let's see what your ideas on money management are and we can discuss them. I believe you will learn more this way than if I just posted my trades.

I am mostly a scalper but some days I wake up in a swing trading mood, when I am swinging I do pay attention to a higher time frame chart. When I am scalping I usually don't do so. I have less time to be playing around with two charts. Yes, I do watch the tape, how fast it moves and the type of orders that go thru are valuable information.

11-28-07 02:00 PM (reply to mark1 comment's of only trading 1-car)

Scaling out works, I'll always insist on that one. Peace of mind is what you buy with the first scale out. Plus you have to get rid of greed in order to scale out and be happy. So it's a two fold benefit.

11-28-07 12:37 PM

**Question:** If you are looking long and your signal bar (i.e. a bar with a higher low) turns out to be a bearish bar - would u still go long if the high of that bearish signal bar were taken out by 1 tick by the next bar. Is it necessary that the signal bar be BOTH a bullish bar AND a bar with a higher low

**Answer:** I honestly don't pay attention to the open and the close but more to the high and the low of any bar. I use bars not candles so I never pay attention to it

11-28-07 04:24 PM

**Question:** Do you have an approximate limit of N-bars in a retrace before considered invalid and wait for another signal?

**Answer:** If I compare myself to how you're thinking you're thinking a whole lot more than I do. I just wait for my signal and take it when it pops up if it feels right (Trend, TS, etc. etc.). I don't have the time nor would I like to be counting bars. If it's a signal I am there if not I am waiting to get one. Patience is the name of the game when trading. So be patient and play your signals.

11-29-07 08:20 AM

**Question:** You mentioned that you have a 'negative' risk-reward-ratio. What is your maximum stop and do you mostly use support and resistance to place it? Or the high/low of the signal bar?

**Answer:** I don't always have a negative risk reward ratio; I guess the trade is whatever I see that has a good probability, although if the stop is too large for my liking I don't take the trade. I use s/r and the high and low of a previous bar as stops. If I don't like the price action I may exit halfway to my stop. Re read my first post on the pivots I believe it explains it well. .

11-29-07 10:10 AM

**Comment:** Tightening the stop if you loose confidence in a trade is something I never thought about.

**Reply:** If your stop is two points away as an example and you see a lot of orders coming in against you there is no reason to give away the whole two points if you are most than certain that it will get your stop. Get out and try to find another entry. It is a LOT cheaper to re enter than take the full stop in these cases.

11-29-07 01:05 PM

**Question:** do you trade the NQ at all?

**Answer:** Sometimes, but I mostly work on the ER and the ES. I do put my examples here on the NQ since it's what most people trade. My approach to the NQ? I am not sure I understand what you mean, but the only fact that I don't like about it is the price of the tick. With the other two with one tick I am already profitable since its double what commissions cost me. I guess it's more a thing of what you like or dislike.

11-29-07 02:46 PM

Tape reading is one of those things that take a lot of time to develop. So be patient and don't get frustrated.

11-29-07 08:28 PM

**Question #1:** What is your time frame on the ES?

**Question #2:** Do you only trade pivots, or do you trade a momentum scalp too?

**Answer #1:** Actually I prefer the ES and the ER2 not the NQ. On the ES I am trading bigger charts so that they are not that choppy on the slow days. Usually between 2 and 6 thousand share bars.

**Answer #2:** Definitely not only pivots. That is just a sample of a trading arsenal. As I have said before, I am flexible and try to trade whatever opportunities I see that I like, and it can be a variety of things.

11-29-07 08:33 PM

**Question #1:** How do you scale out? First portion on a fixed amount or both discretionary based on T&S, Trend lines and Support and Resistance in general?

**Question #2:** Do you move your stop after closing the first portion?

**Answer:** About my scaling out, I do it in two ways and they depend on what the market is doing and how it is behaving. In one instance I may set up an OSO so that it takes profit by itself on the first target, the second target I take out manually. This I do on slow days with not much range between signals. When I get enough movement then why limit my profits, I try to let them run as much as I can, both of them, take out the first part at the first sign of hesitation and the second part on a retrace of that first sign of hesitation or on another sign of hesitation. I am much stricter with my first exit; I am much more lenient with my second one. The reason is the following: On the second one I have locked in profits so I do not mind closing the second portion at break even, It was a free chance for a profit. This I think answers your last question in regards to my stop, yes I move my stop, and there is no point in my opinion in giving back profits you already locked in with the first half.

11-29-07 08:55 PM

**Question:** what is meant by the term "dragon?"

**Answer:** It is a price pattern. <http://www.trading-naked.com/JerrysDragonPattern.htm>

11-30-07 12:24 PM <http://www.traders-journal.com/files/nov2007.pdf> (Surinotes)

- Article on 'Dragons in the Markets' in Traders-Journal (Nov. 2007) magazine.

12-01-07 10:17 AM (Anek)

### **Official Enhancement to AHG**

- [\\_modhappb.zip](#) The modified HA bars (3 colors and advanced algorithm) used on OHLC bars are very good, provided they are used as intended with the tips provided when originally introduced [See post 11-27-07 05:31 PM]
- Advise non TS traders to have coders convert them to Ninja and other platforms.
- They now sit permanently on my charts.
- Thank you to Piscuy for introducing me to them a long time ago, too bad I just recently paid attention to his suggestion. -- These babies are valuable.

12-01-07 02:08 PM

**Question:** What is the length of the blue, red, or yellow paint bar dependent upon?

**Answer:** <http://www.investopedia.com/article.../04/092204.asp> "what you're looking for"

12-01-07 06:59 PM

- [\\_modha2\\_v1.zip](#) Ninja translation of the Mod HA Bars (foxthorn)
- [\\_mkdha2-pic1.jpg](#) Sample image showing ModHA2 in Ninja...

12-02-07 07:11 AM [\\_mod ah bars v.1.txt](#) (mark1)

- Amibroker code for the HA bars posted by Anek
- code looks back a N-bars to calculate the new bars
- Anek uses 6-N, these adjustable 2N-10N by changing the parameter, default 3N

12-03-07 12:12 PM

**Question #1:** Do you have a rule for what Exact price you place your limit entry order? Is it at the magic tick price, at the signal bar high, or discretionary based on market conditions?

**Question #2:** How many bars move away before you consider the target a missed?

**Answer:** Don't think in terms of absolutes. If I tell you 5 bars you will be counting and waiting 5 bars when perhaps bar 2 gave you enough reason to exit. Exit the trade when it does not feel right anymore. I don't have a particular number of bars.

12-03-07 12:19 PM

One of the toughest things for me to digest. But I agree. It is great to not have a bias.

12-03-07 12:42 PM [example short gif](#)

Example of a pivot to the short side trade on the NQ for this morning.

12-03-07 05:37 PM

**Question #1:** How do you find your swing areas where you expect pivots to happen?

**Question #2:** Do you use one chart exclusively, when you are trading?

**Question #3:** Do you only use the one entry scenario?

**Answer:** I don't have my charts on this computer but I'll explain how to see the failure. On the charts I posted on the first time I explained it and one I posted today of a play to the short side, there is usually two lines that mark one bar. One confirms the pivot, the other one is the failure.

I use mainly one chart for all my trades, which allows me to focus. I do use one larger time frame chart (usually 2-3 times larger) to view the general trend so that I may take long trades with caution on a down trend.

I do not use only one entry scenario, in fact I use quite a few but this is the only one I have disclosed here with my precise methods. There are others that are better for other market conditions and others for different time frames. I do follow patterns, not all of them but some work really nicely.

12-03-07 05:58 PM (Anek)

Here is a suggestion for the AHG followers.

- When the trend is up
  - Try a successful Piscuy 123 as an entry after a retracement.
- When the trend is down
  - Try a failed Piscuy 123 as an entry after a pop up.
- Ignore failed 123s when the trend is up and successful 123s when the trend is down.
- Let me know if you see what I see and if possible post chart analysis of the above.

12-03-07 08:01 PM

**Question:** Do you agree that a trading plan should be simple and not much longer than a few pages?

**Answer:** I think that most good plans should not take more than five minutes to explain. But that's just the way I like them. Why don't you focus on one scenario first, trade it over and over again till it becomes second nature. Then add a second, a third, etc. etc. I have always said that if you focus on some good

patterns like triangles and traded just that, you would most likely come ahead every day. It's when greed hits us that we want to try to trade anything and everything because of the feeling that we are losing money in every trade we don't take. We see the moves the market makes and the ones we missed. It does not matter what you miss, only those trades you can take matter.

12-07-07 01:03 AM [boxes.zip](#) (Box Trade)

I am going to try to explain about another of the setups I like a lot. I like it because it provides a small stop (usually) and some good moves afterwards. The problem with this setup is that it is a bit harder to define and has a few more variables to take into place, which means there is more discretion in the selection of the pattern.

The market represents buyers and sellers and their sentiment towards the price of the particular instrument you are trading. This sentiment is determined by the fear, greed and expectations of all its participants. So if you think in terms of an uptrend (just reverse for downtrend) if the instrument is moving swiftly it will keep bringing in buyers, after a while the perception of those buyers will be that it can't go up more, so the move either takes a small break or reverses. These CONGESTION areas are what we look for. Usually define a box with a lid (2 well defined lines) or just the lid (1 line). If you find just the lid the placement of the stop is a little bit more difficult therefore it requires a more discretionary approach.

If you define the box with horizontal lines it should be a box that covers but a few bars, it can usually be from two to about eight bars. One of the rules I put on myself is to allow each of the horizontal lines to be touched at least twice so that the sides of the box are really horizontal. When the range of the box is small (difference between the top line and the bottom line) it usually gives a small stop which is great for scalping. I don't like it too much when the range of the box is determined by long bars; it gets a bit harder in terms of the stop placement. For an entry and a stop I select one tick beyond any of the two horizontal lines, if its long one tick above the top line for entry and one tick below the low one for a stop. Reverse for shorts. Don't forget to take the trades within the context of the price action it is presented in, take risk measures according to your risk tolerance in each instance. Find examples attached (sample 1-5) with today's price action included on the NQ 1000 V (Sample6).

**Note: Anek made a post about two weeks ago in which he mentions a Piscuy trade and I replied to it that that was charting poetry, that is the perfect example of a box trade.**

In my opinion boxes are of a higher degree of difficulty but well worth the effort of learning to find them.

12-07-07 10:06 AM

**Question:** It is basically a break out of tight range strategy?

**Answer:** Tight range with peculiar characteristics.

12-10-07 07:06 AM

**Question #1:** Do you use a straddle order on both sides of the box?

**Question #2:** Do you place the order when both sides were hit twice?

**Answer:** I try to have no bias so can take the trade either way and enter the order manually. I enter the order once it's a valid setup for me and enter it in the direction I think will be the one with the highest probability of success

12-09-07 06:37 AM -- [Some frequent questions on 123](#)

- Post were stealth trader talks about his method on 10k ES Volume bars

<http://www.elitetrader.com/vb/showt...ht=#post1557661>

- Additional notes to follow in this appendix

12-09-07 12:07 PM (mark1) (Life before Anek and Piscuy)

- Old thread by DBPhoenix...hilarious TRADER'S JOURNAL - <http://www.elitetrader.com/vb/attach...=&postid=464215>

12-17-07 08:15 PM (bmwhendrix)

**Question:** [srgap.jpg](#) Request your thoughts on attached set-up. I like plays where support is broken and price returns to test it, or visa versa. When price does not make it all the way back, it seems to suggest enough pressure that a break out of the last low may be a good play. For myself I call them S/R gap failures. (bmwhendrix) [Chart 12/14/07, 1000V NQ]

**Answer Anek:** Piscuy trades this setup a lot. This is **not a setup I like to trade (Anek)**

**Answer Piscuy:** [bmwhendrix.gif](#)

Bmwhendrix and fellow traders:

Every single trend is a trend within a trend. Therefore you have to think in more dimensions than one. What you are seeing as support on this chart may be just one bar on another. In terms of what you are looking at on these charts is another example or an expanded way of viewing a 123. The fact that you are zoomed in allows you to do more with it than you would normally be able to. So if you think the way a downtrend works (this case what you posted on the chart) it moves down, retraces, moves down and retraces and will keep doing the same thing for as long as the trend is valid.

Now, the entry you marked on your charts is a very valid entry, this requires the confirmation of the break of the low of the last leg down. You can enter on the spot when you see price action starting to move in the direction of the original move. For this you can follow some simple rules. In the case of your chart, since you are using HA you can wait for a red bar, then on the next bar you can buy on the low +1 tick of that first red candle. This allows you to do three things, first you are aiming at catching the more of the move, and second you can also keep a smaller stop in most cases and third it will usually give you an earlier entry than the other method.

There are some people who dedicate their time to hunting for what they call the second wave. This is based on the idea that on the first move of any trend few will participate, once it retraces and confirms itself big boys will come in creating a bigger move and confirming the new trend. You would want to get in at the earliest possible stage of this "wave". This is how I play it when I spot one of these, adapt it to your risk tolerance and you might get a few points more.

12-17-07 08:14 PM - [123 patterns.png](#) (herberdotcom)

**Comment:**

- I was thinking about 123's and what they would look like at the atomic level, thinking that if price traces through a pattern as it makes a 123, maybe that same pattern could be tradable on a larger scale.
- It turns out 123's and AHG have been bedfellows for quite a while =]
- Bullish 123's trace out W's (and sometimes inverted H&S's,) and Bearish 123's trace out M's (and sometimes regular H&S's.)
- This is consistent with what Anek and Piscuy have said before, calling them mini-reversal patterns, but I thought it was interesting.
- Also interesting, the entry point on the pattern within the 123 matches the entry point on our charts as we play the 123

12-17-07 08:16 PM / 08:21 PM

**Response:**

- Herbert, excellent post and graph. Well done. (Anek)
- Herbert, right on. In fact I was just explaining this to BMW on a post I just uploaded. (Piscuy)

12-17-07 10:09 PM -- Reply to Piscuy's inquiry if found useful)

**Reply:** (BMW) Yes, I tend to make entries as you suggested on most trades with the 2nd bar after HA color change. On the support becoming resistance type trades I have been hesitant to enter them unless the pullback is almost 100%, for fear of getting stopped with small stops. I guess waiting for the confirmation of breaking to a new low carries a cost. The thing I am struggling with a bit is if that lack of a full return is in some way a measure of the trend strength, so that for example, forming a channel and exhibiting very little pullback would suggest a stronger trend to continue than one that exhibited a full pullback. I think I am chasing my tail on this one, but I'll obsess over it for a while longer I think.

**Response:** (Piscuy) If you are afraid of eating up a full stop, try starting up with half a position and add up another half on the break of the low, psychologically might be easier for you and a nice way of averaging out winners and losers.

12-17-07 12:38 AM [ttmsa.gif](#)

Lately I have been searching for a good auto trend line code but have not found anything worth keeping open in my screen. This got me thinking that there might be a good way to do it. After posting the pivot entry in which I used the .eld to mark pivots I started thinking that this might make a good auto trend line indicator. The problem with most of the auto trend line indicators that I have found is that you can make them more or less sensitive. This code for the TTM Scalper alert does not require any settings for sensitivity which makes it robust and interesting.

The real problem is that I have not been able to code the trend lines to make this work. It might be an interesting tool for all traders so this is a call for those with coding experience that would like to give it a try. Hopefully for all of our benefit someone manages to do it. I am attaching the code for the TTM Scalper alert and a Screen shot of how I am visualizing these trend lines. Let's see if it inspires someone.

12-17-07 12:43 AM -- [ttm scalper.zip](#)

This is the .eld that posts the white dots. TTM Scalper alert.

**Stealth Trader – Notes**

08-02-07 06:29 PM

I came across this thread last night and have been scanning through the posts. What you are doing is remarkably similar to my method. So much so, if I didn't know better, I'd say someone has been looking over my shoulder!

Main differences are I don't use any indicators, although I did spend years trying to prove their worth. I simply found I could trade better without them. In addition, I use regular OHLC bars set to constant volume data and monitor market internals for strength of trend. To me, HA distorts the price action, especially on reversal pattern bars, which is my mainstay for entries and stop placement.

All in all though, your method and mine are built on the same principle of HH/HL/LH/LL's. As such, I thought I would drop by and applaud you for sharing a very simple, yet quite lucrative style of extracting money out of the markets each day. I'm always amazed as to how few traders grasp the concept of price action being the closest thing to the holy grail they will ever encounter. People like you are far and few between, and those following your thread will be well served if they decide to follow the generous sharing of your wisdom. Well done, Sir!

08-03-07 09:12 AM

The swing high/low method works, and it works in all markets, as price is always oscillating, and therefore, is always trending. Of course, the earth-is-flat crowd will try and convince everyone that trend doesn't exist, so I'll thank them now for taking the other side of our trades and leave it at that.

08-03-07 06:08 PM [mv336809-13.png](#)

If you should be interested, here is a marked chart of what I was looking at today.

08-03-07 06:33 PM

I don't trade huge size, about 10 is my limit. I was trading the ER exclusively up until about three weeks ago, but the recent volatility within it was placing my stops too far out for my rules. One thing I might mention is to continuously compare different contracts with each other and trade the one that currently gives the best bang for the buck. Many people become married to a certain contract, when in reality, they can and do change in the way they trade.

I am not going to rain on Anek's thread. I just wanted to share what I am doing and how close his method is to mine. I've been involved in the markets close to 30 years, and he is the first here on ET that I believe actually has a clue. Of course, I am a bit biased! Nonetheless, listen to him, you will not regret it IF you are indeed serious about being one of the 5% that become successful in this business.

08-06-07 08:16 AM

**“Chop prior to trend reversal”**

I have studied this in depth and your thoughts are correct. Reversing almost always ends up getting stopped out at a loss, as directional momentum is fading at that point. Best to wait until price shows you once again which way it wants to go before re-entering.

08-06-07 08:53 AM

Note: TradeStation does not build constant volume charts correctly. Search "constant volume charts/bars" here on ET for more information.

For you tick users, also note that Globex began aggregating tick data some time ago, so you are not looking at true tick by tick data any longer. You should ask yourself which of that data you are willing to omit from your chart when using fast tick settings and are reading OCHL on each bar as your set up for entry/exit.

For those who asked about my volume chart, I first began using constant volume when Ensign implemented it into their program. I would switch back to tick charts and then compare them to the CV charts. In the end, I decided on CV and re-trained my brain to read them. At that point I didn't truly understand why I liked CV better, I just knew the price action seemed clearer to me. It wasn't until I later came across a "Proflogic" thread here on ET and learned that he was the moving force behind these volume bars and the reasoning that the light bulb went off.

To everyone, in my opinion, if your charting program doesn't offer true constant volume bars, I would use one that did. To not use a tool that is available for no other reason that "my charting doesn't provide it" is not a professional mindset. If you have used them and decided they were not for you, that is another matter, but I fail to see how that could be using an open mind. In summary, tick data is no longer valid, time charts were your grandfathers charts (what does time have to do with price intraday?), range bars do not show true price action, HA distorts price and goes against the theory of using price action as your set ups. No suggestions, just something for you to ponder, and as always, your mileage may vary. Do your own homework!

08-06-07 09:04 AM

#### **"When to exit"**

IMO, let price take you out; as long as price is making HH,HL, or vice versa, stay in the trade with stop placed slightly above the high bar of your entry swing H/L. At the next swing H/L place stop just above/below that swing and so on. The first conflicting swing is the exit. You will only get a slice out of the middle of the run with this method, but you will almost always catch those huge moves like we had Friday afternoon and get several good moves in between, depending on the range.

08-06-07 09:17 AM

#### **Function used to create the LL, LH, HH, HL notations on the chart.**

Those can be labeled using either pesavento patterns, auto trends, or DY0. A setting between 3-5 works well on the ES.

Note: that any labeling of swing highs and lows are going to be delayed AND (very important) the one being formed can change.

These labels are only good for looking back for S/R, not trade entries.

08-06-07 09:31 AM

### **Adding contracts over time:**

How many contracts one trades is a personal decision. My belief is to never trade more contracts than you are willing to risk assuming 100% loss. If you are trading 100 contracts on \$500 margin each, and your internet goes down or the computer crashes, and the market goes against you, and it will, Murphy's law guarantees it.....can you take the hit?

Do the math on how much leverage you are using on 300 contracts. I understand that everything is relative in theory, but trading huge size becomes more difficult from both a psychological and a money management issue. Compounding is the road to riches, diversifying is the path to keeping those riches.

08-06-07 09:47 AM

I've learned that 99% of the people are too willing to follow some self-proclaimed guru who either failed as a trader and now provides "guidance", designed some wiggly line on a chart and then wrote a book about it, or both. Anything other than price IMO is nothing more than voodoo. Anek is one of very few that seems to grasp that simple, yet powerful, concept.

I rarely, if ever become involved in these journal threads, simply because of the nonsense everyone wishes to cling to. Thinking logically seems to have gone by the way side, and I find myself having little patience with these voodoo chasers. Anek has chosen to share a solid approach to trading, and he should be commended for it. Few understand what he is perfecting, and even fewer share that knowledge once they discover it.

08-06-07 10:19 AM

The 10k cv chart is similar in nature to a 250 tick IB data chart.

My hard emergency stops for the ES placed with entry order is three points. Stop is then immediately set two ticks above/below high/low bar of swing point entered in normal market conditions.

08-06-07 10:53 AM

Once I realize we are in chop, shown by first conflicting swing, I then trade the range until that range is broken. Those are easy money trades with close stops. Personally, I like range bound days because of the excellent risk/reward factor and the fact that once the range is broken, the resulting move is typically a large one. I thought I posted this earlier, perhaps it was in another thread. If not, my apologies for not being more clear.

08-06-07 01:49 PM

I use a standard three bar reversal, which "usually" identifies a swing being made in progress.

Basically, what we have is three prior confirmed swings in the same direction. Current momentum and direction is then established and the set up is now on the table. A fourth swing is needed for entry and is 'assumed' to be in progress when a three bar reversal appears to be setting up. I then wait for the first bar out of that 3 bar pattern (fourth bar) to begin building and then breaks the third bar of the 3 bar pattern in the direction of the reversal pattern by one tick. At that instant I hit the ladder at the price approximate to the center of the third bar. If order is hit, I then move the stop down to two ticks above/below the center (high) bar of the three bar reversal pattern.

In summary, the entry signal is when the fourth or fifth bar gives a one tick break of the third bar of the 3 bar pattern in the direction of the reversal pattern, but actual buy/sell is placed from the middle of the third bar.

The only reason I have an initial 3.0 point stop set is because I use a ladder to place the trades which are preset to bracket buy/sell, stop, and target simultaneously. The 3.0 stop is nothing more than an emergency hard stop if the market turns before I get my bearings on the trade or have a computer failure (note, not all instruments accept preset global stops). A target is set at 3 points for no other reason than if price takes off and then abruptly reverses, I at least got a profit out of the trade, maybe. Rarely, if ever, is the preset stop/target ever left in place as it was placed once the trade is in progress.

I have enclosed an attachment of today's ES 10k CV chart from around 11:30 to 12:30. No cherry picking, just another average trading day as close to real time as I am able to do. This is the keys to the bank vault. I do this day in and day out and have nothing to prove, I am simply sharing what I have learned over the years as you caught me in a good mood! When I read thirty page threads on how it is impossible to net one point a day on the ES, and then they post charts with 20 different conflicting indicators on each one, all I can do is shake my head in disbelief.

One thing I might add is this method works on all time frames, day trade, swing trade, or long term. Price has no aversion to time. I notice some of you are using very fast charts. If you are struggling with this method, slow your charts down to allow your brain time to process the information. If you can't read a daily chart instantaneously, don't expect to be able to scalp successfully on a 1 minute chart. Learn to crawl before you walk, and then learn to run. This system, as simple as it is, takes a lot of screen time and concentration to master.

All right folks, this is Aneks thread and I don't wish to step on his toes. He is on the right track, for those who decide to follow him, the payoff should be well worth the effort. For the naysayers or those too lazy to put the screen time in, keep funding your account from your day job. Anek and I can always use the extra money!

08-06-07 01:59 PM [three bar break.jpg](#) 08-06-07 02:04 PM

Another quick point, if price moves in my direction 5-6 ticks (ES), I will then move the stop to BE +1. Note that I do get stopped out quite often, but rarely have a loss more than 2-3 points, which the numerous BE +1 more than make up for over the course of time.

Preservation of capital is the goal, profit is secondary.

08-06-07 02:20 PM

### **Has present volatility changed your normal pattern of trading?**

Yes, I was trading the ER2, but with this recent volatility, stops were having to be placed outside of my rule based targets, and or, I was getting my stops hit way too often. The ER2 was previously giving more bang for the buck, but the ES in this recent activity has been doing as well with better manageability.

I base my rules on \$10,000 for each contract regardless of what margins are being offered. The most I allow is 1.5% loss for the stop per contract. So to answer your question, if any trade, no matter what the instrument, doesn't allow these rules to be followed, I do not take the trade. If this becomes consistent, I look for something else to trade or stand aside.

Per your original question, my stops are never 4-6 points away from my entry. This is what confused me as to what you were asking. Hope this clears things up.

08-06-07 04:04 PM

**Chart: green bar with green dot / red down bar / another red down bar that breaks that previous down bar / green bar that breaks to the upside, in line with the trend. Any reason you didn't take that trade? It looks like your 123 bar reversal pattern.**

For all practical purposes here, bar 2 should have a higher high and a higher low than bars 1 and 3 to be valid. These will typically give you the best moves with minimal failures.

The area you are referring to was 1444.25 @ 11:25 EST for reference. Note how that 1444.25 area held four times, and once broken, the distance of the move to the upside and how the actual entry was quite a bit better.

Also, remember, it takes 3 confirmed swings in the same direction, and then the fourth is the setup and entry. So when questioning why a trade wasn't taken, ask yourself if the complete setup was there. Furthermore, we are not looking to take each and every scenario that "looks" like it might be a setup, we are only wanting to take the cream of the crop that history has shown to provide the best probabilities of success with minimal heat. A break of a three bar reversal where bar 2 has a higher high and higher low than 1 and 3 provides that best signal. There is no need to make twenty so-so trades a day when the market typically offers 3-5 great opportunities most trading days.

As a side note, market internals are a big part of what I look at during the day, and may cause me to only trade in one direction even though I have the 4 swings in the opposite direction. Yes, this method is quite discretionary, but the rules are quite clear and simple; trade in the direction of the trend.

08-07-07 09:21 AM

**Anek uses 500 Volume Bars for After hours. 10,000 Volume Bars for Market hours.**

I'm curious as to why you would want to use different chart settings. The whole purpose of using constant volume is to take out the variables, not add them back. Any sound reasoning for your decision? Just asking!

On another matter directed at no one in particular, if I may add, is to use one chart set for each instrument traded. I see people saying they use a longer term chart for trend, and then use another time frame for entries, and so on. As sound as this may be for long-term buy and holds, if you are closing your trades out each night, the longer term for trend has no meaning and will only confuse you. Think about this. The longer term chart could be showing a strong trend up, but TODAY'S market internals are 5 to 1 to the downside on high volume. Are you only going to scalp longs because the long term chart is trending up? I should hope not. When you trade short time frames intraday, you should only be concentrating on the here and now; the precise time you enter and the precise time you exit. All else is noise.

Chart settings, regardless of type, should be obtained based on length of time your trading plan calls for holding your positions. And for the purpose of this thread, trading from one chart, one chart setting, is paramount. In my opinion, of course!

08-07-07 03:17 PM (Anek's Response)

It helps me tremendously to be aware of potential massive areas of congestions/breakouts based on meaningful S/R in the multi day charts aka my anchor charts.

08-07-07 04:44 PM (Anek's comment)

So ST does not approve of my anchor charts and I don't approve of his market internals. Can you say, FIGHT!? -- Just kidding, peace and love.

08-07-07 04:44 PM

Hey, I never said I did not like your anchor charts!

Fact is, I am always conscience of where support and resistance lies. Difference is, I plot S/R levels from 15/60 minute charts onto my CV chart before each market day and then never look at the higher time frame again.

I do not change the speed of my intraday charts at all. I was simply questioning why you continually change the speed of the entry/exit chart depending on what day or time it is. Nothing more was intended.

All right, people. I just wanted to stop by and compare notes with Anek, and that we have done. You are in good hands with him. - st

08-07-07 04:53 PM (Anek)

ST, My bad, I probably misunderstood your earlier comments. Now noticed I used to do that with tick charts, which vary in comparison to fixed volume bars, have not done that with volume bars except for the eccentric reduction from 10,000 to 9999. ...oh and btw, agree with the speed principle.

08-28-07 08:46 AM (Stealth Trader)

If you are both using CV5000, note QT builds the bars correctly, TS does not. This will change the outlook somewhat. Also, different data providers can and do show different prints from time to time.

08-28-07 09:18 AM

Pleased to see there are actually a few people following your methodology and seeing the light so to speak. I also see many jumping from thread to thread on ET and other boards seeking answers about other methods and trying to follow anyone who is running a journal. To each there own, but I can assure those who are doing this there is no future in doing so. They need to pick their poison, and stick with it. If they don't have the discipline to master one tried and true method, trying to mix various others into the fold will only cause them to fail and cause you to spend precious time answering questions they have no intent of following. No disrespect to anyone intended, just an observation.

To piggyback on this post, I have received numerous PM's from this thread and others. Anek has laid out the plan in great detail. There's really not much else to add. As soon as Anek is weaned from those colored HA bars, candles, and indicators, he'll be a master guru! Seriously though, asking me what I think about hersey's method, or bubba's method, or why I don't trade a certain way, or what I think about a certain indicator, etc., etc. is counterproductive.

This is most likely one of the best threads to ever grace ET, if not the best. It is very difficult to post throughout the day and stay on top of your your game trading. I won't do it because it distracts me. As such, I wonder how many truly appreciate the effort Anek is putting forth sharing a very simple method to extract money from the markets on a daily basis, or are just here cruising through for the human interaction/BS session until the next journal comes along.

Enjoy the long weekend, rest up, get ready for the last quarter and the upcoming election year. I am not one to predict, but I would venture to say we have not seen the last of the volatility, will revisit the highs, make new highs with severe pullbacks, and as such, we will be pulling in quite a few days of 20-30 ES points or equivalent using HH/LL trends. Follow the money and the money will flow into your account, not out.

08-29-07 12:47 PM (Stealth Trader) (Anek) - discourse

## Additional Notes: Stealth Trader

- Money management is every bit as important as any trading method.
- ALWAYS use stops, and have a valid reason for their placement.
- Fixed stops are the tell-tale sign of amateurs. Act accordingly.
- Create a set of trading rules and adhere to them like a religion.
- Regular OHLC bars set to constant volume data and monitor market internals for strength of trend.
- Reversal pattern bars the mainstay for entries and stop placement.
- Example of Stealth Trader's set-ups
  - <http://img409.imageshack.us/img409/4338/stealthhhllswingsnapshozy2.jpg>

Price action is merely the relation of current price in relation to previous price, or modern day tape reading so to speak. You are using a chart to plot price in lieu of a tape. Compare the open and/or close of the current bar to where it is in relation to prior bars open and its close. Simply put, price action is the footprint of money. Reverse the words, price action is the action of price. Is that action up, down, or the same?

To expand, you can use a group or a series of previous price bars to establish price action. Swing highs and lows are price action. Higher highs, higher lows, lower highs, lower lows are all price action, as they show the relation of current price with that of previous price. You can compare the current bar with the previous bar, or the bars either side of a bar.

1. Learn to read price action and you can tell whether the market is trending up or trending down
2. Your entries, exits, and stops are all based upon the action of price. Nothing else matters.
3. Indicators are a derivative of price, typically the close, and therefore, are lagging in nature.
4. An indicator or two can be used to compliment or confirm what you are seeing in price, but not at the main setup for trade entries/exits
5. Trading is not the same as investing; know the difference.
6. Cross-over trading strategies are trend based and do not work. They are trend based and will kill you in periods of consolidation.
7. Other methods that work in consolidation will kill you in strong trending periods. There is no magical indicator that will tell you which market phase you are in. So how do you know which phase you are in you ask? Price action, pure and simple. Now, allow me to contradict what I just said. Price is always trending, this I know for fact, and don't let anyone ever tell you any different. Being I already said consolidation will kill any trend based method, how does consolidation exist if price is always trending? There lies the so-called secret to your success.
8. Learn to draw trend lines, how they are formed will teach you how to recognize swing points and how to use those swing points to identify the current and past trend.
9. Trend is shown by higher/lower highs and higher/lower lows.

## Swing/pivot points

Also identify support and resistance areas, and these areas can be identified by drawing either horizontal and/or trending lines along these points of interest. The first step is to learn how to identify these swing/pivot areas. The second step is to recognize which ones are of most importance. The third step is to know which of these areas will most likely hold or reject price and which ones will most likely be broken. Learn those three things and you will be well on your way to success.

## Trend lines

Are momentum indicators that can give a peek into the future. Many who claim to be traders never grasp that simple concept,

## The closest to the holy grail is pure price.

- Establishing where higher highs, lower highs, lower lows, and lower lows form allows you to quickly and easily identify current trend, momentum, an outlook of future price, trade entries which allow stops to be placed outside the noise yet close enough to entry to provide excellent risk to reward values, trade exits, projected size of next price move, etc.
- Using multiple indicators to try and grasp this same information will only result in lagging and conflicting data at best.
- Be content taking a small slice out of the middle, do not try to pick the top or bottom.

Example: (against the use of indicators)

As for moving averages, take a 3 minute ES chart and plot a 10 EMA and a 30 EMA. Ignore the MA's and draw your trend lines as you normally would. Mark where the MA's cross and where the trend lines are broken by price. Notice anything?

**Now, plot higher highs, higher lows, lower highs, and lower lows. After a succession of higher highs or vice versa, note when you first get a change of trend, i.e., a HH, HL, HH, HL, LH, HL or equivalent. Notice the LH is the first indication of a change of trend, but then is followed by another HL. This is usually the first sign of entering chop, but the MA's will still cross leading you into a bad trade.**

Price is the only thing that will consistently define trend, chop, and the range as it is happening.

Very few false signals created using this method.

As soon as you see consolidation begin, stand aside until the next swing either confirms it or not, and then trade the range rather than trend if it proves to be true. Once the range is broken, resume trading the trend, whichever direction that may be.

**It doesn't matter what the setting of the MA's are or the type, you simply cannot do that with MA's.**

That said, you can take a 21 Hull MA on a 8 minute chart, and it will give fairly accurate entries, but if you wait for the Hull to change direction for the exit, you will get beat up. Using the tick for exits works well. If your charting allows, paint the rising HMA green or blue and a falling HMA red for quick visual of the turns.

Another easy method is to use a 9 and an 18 SMA. When they cross, enter at the first pull back to the 18 with a tight stop just below the tail of the pullback. Low risk trade, but again, it won't identify chop until you've been stopped out a few times. Another variation of that setup is to use a 10 SMA with a 30WMA.

Once you see what price is doing in relation to the MA's, you can remove the MA's and trade without them. Just watch the swings and draw your lines. In time, you won't even need to draw the lines to see the action. It's amazingly simple, but damn hard to master. Your brain is always wanting to screw with you!

Understand what the MA's are telling you, and you will learn to see the same thing in price alone with a higher degree of accuracy.