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Special Report – using the larger degree trend when Day-Trading

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August 7 2007

In this special report I would like to look at a good example from yesterday in the ES (S&P emini) that shows how to use the larger degree charts to give an indication of the larger degree trend and therefore which way to orient your short-term trades during the day.

As you all know, the colour of the STF gives the direction of the larger degree trend, red for bearish, black for flat and blue for bullish. However, like all trend indicators it will always lag slightly in and around larger degree turns in the market. To get round this we can use the WPT (Wave Price Targets) and DP (Decision Point) routines to “project in advance” future support and resistance zones. We can use these to gauge support and resistance coming in “at the time”, therefore allowing us to very often nail the exact turn “as it is coming in”.

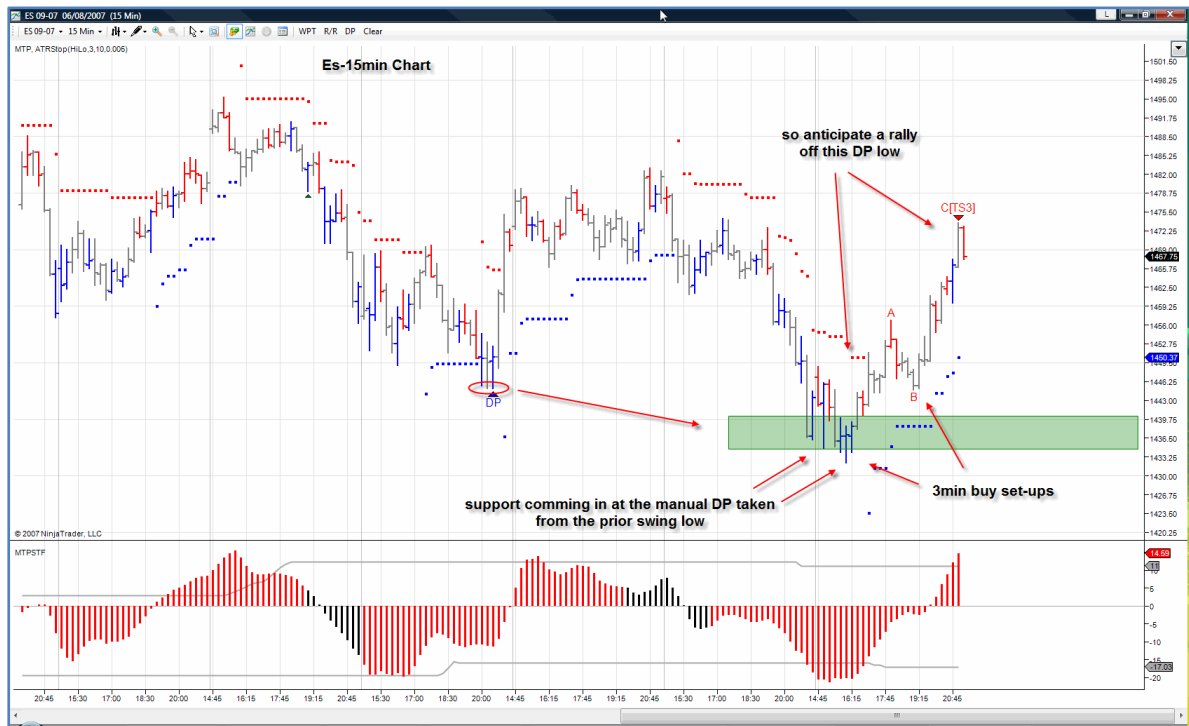
In MTPredictor we have made this as simple as possible, especially with the new DP (decision point) level, where all you need to do is perform one simple mouse click from the prior high or low to gauge the current support or resistance zones to be aware of.

One problem many Day-Traders struggle with is the ability to “be aware of” the larger degree position of the market, It is all too easy for amateur day-trader to just focus on the very short term charts and as such lose sight of where they are in the larger degree picture. This is why I suggest every so often throughout the day, and in particular, before the day starts, to check the larger degree charts for larger-degree support/resistance zones.

Let’s take a look at what I mean on the 15min Charts on the ES from yesterday (Aug 6).

Please see the chart on the next page

15min ES chart:



As you can see from the chart above, as the market was opening yesterday it was “in the area of” the DP support zone taken from the prior low. As such, this was an area where support could come in. But more importantly, “if” support started to come in at this level then you should have been anticipating a good rally from this support zone on this 15min time frame.

So the question you should all be asking yourselves now is what would a good rally on the 15min Charts mean to the short-term trades on the 3 and 5min charts that you were actually trading ?

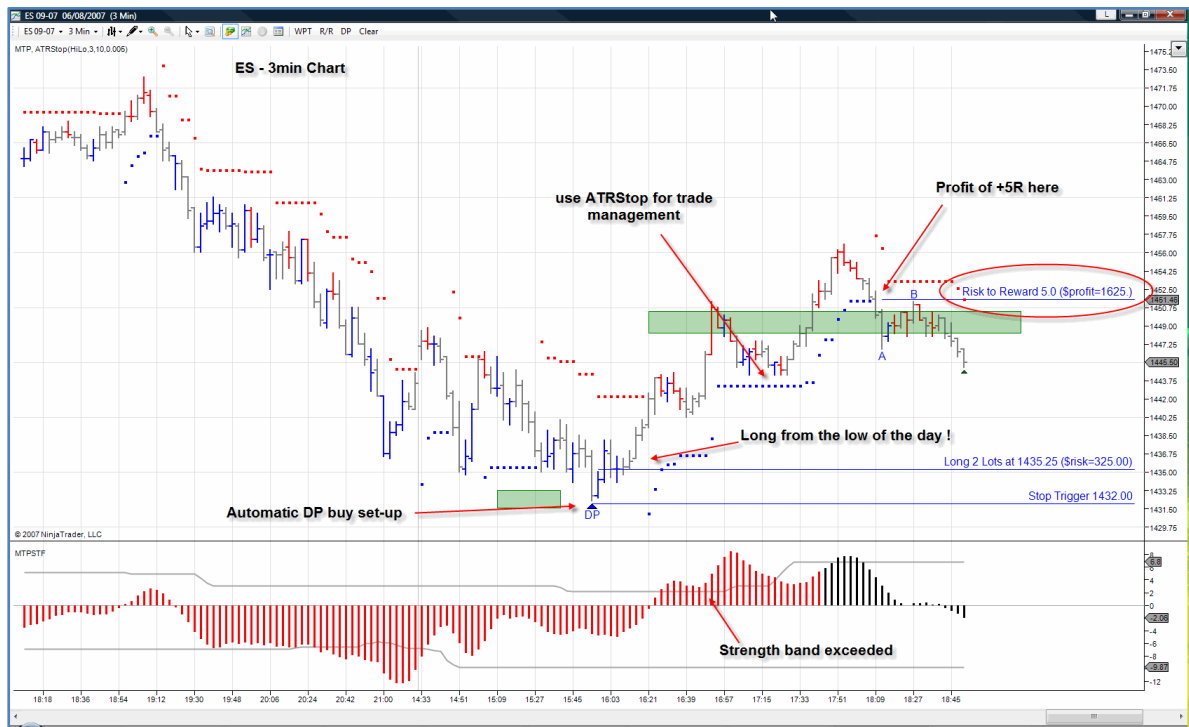
In other words, with a rally anticipated on the 15min charts what trades had the best probability of success on the 3 and 5min charts ? Longs or Shorts ?

Exactly, the Longs....

As you can see, this was not hard to do or hard to work out, just a bit of common sense, but the trader must have been looking at the larger degree 15min chart to spot this in the first place. And this is where this mini tutorial comes in, just reminding you all to, every so often, check the position of the larger degree charts with respect to larger degree support/resistance areas and then have these in mind when you are focusing on just your very short term charts.

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OK, let's now take a quick look at the automatic trades on the 3min ES from yesterday with this larger degree 15min picture in mind.



As you can see, the day started well with an automatic DP buy set-up. As this was in the area of the larger degree 15min DP zone, this was a good set-up to consider.

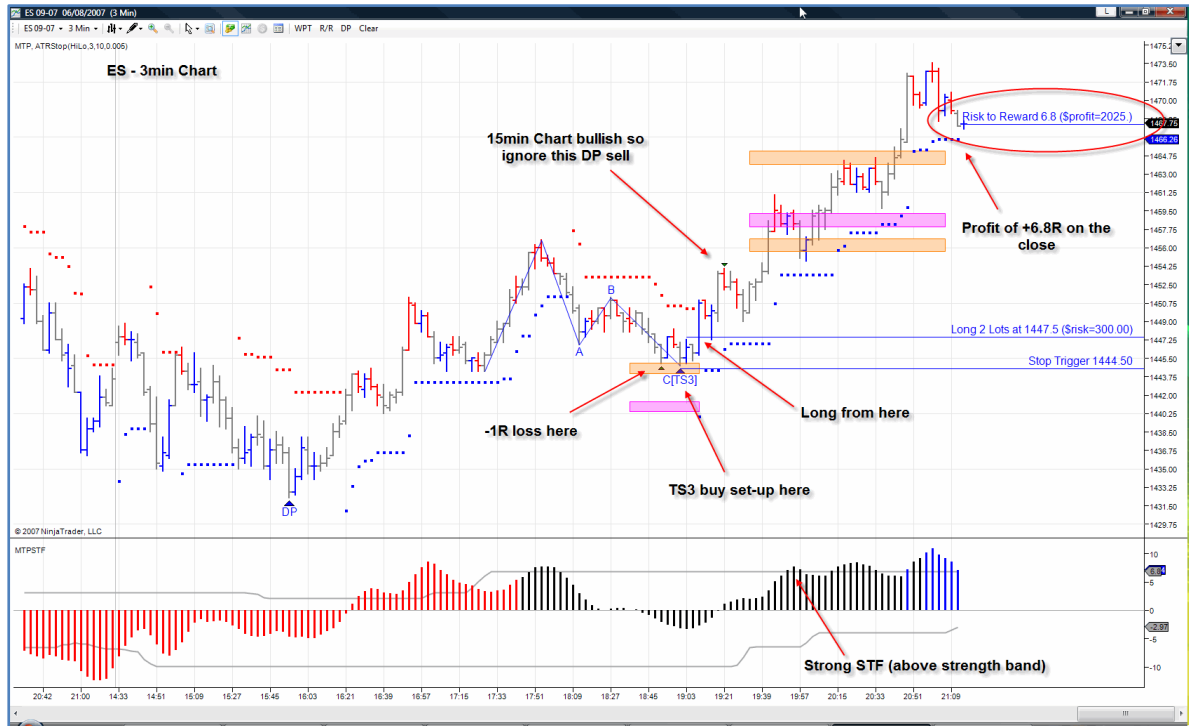
Even using the standard trade management guidelines, this was a brilliant trade. In particular can you see how the STF strength band was exceeded as the trade reached the first projected profit target. This was the cue to switch to using the ATRStop to “run” this long trade as far as possible.

As you can see, this would have held you long for a very nice +5R profit, or put another way, this would have turned an initial risk of approximately \$325 (2% risk on a \$20,000 account) into a profit of approximately \$1,625 (ignoring slippage and commission).

So far so good, and nothing to worry about so far, but let's take a look at what happened later in the day...

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Later we got a standard and automatic TS3 buy set-up:



Yes the first attempt at this TS3 low resulted in a small (-1R) loss, but this loss was kept small. Then a few bars later the actual low came in and the ES started to rally strongly. So far so good, especially when you put this in the context of a larger degree 15min rally anticipated.

However, the main question of the day arose as a DP sell set-up appeared at 2:20 EST.

So bearing in mind the larger degree 15min up trend what do you think would have been the sensible approach to this potential sell set-up? Exactly, ignore it and look to run your current long trade as far as possible with the ATRStop to take advantage of the larger degree (and stronger) up trend.

As you can see, this would have held you long until the end of the day where a profit of approximately +6.8R would have been made. Or put another way, another \$2,000 approximately (ignoring slippage and commission) to add to the \$1,600 from earlier.

This would have made a total of approximately \$3,200 profit for the day over 3 the long trades (\$1,600 profit, then a \$400 loss and then a \$2,000 profit) yesterday on your \$20,000 account. Which in my opinion would have been a very good result!

Even without looking at the larger degree 15min Charts, you should have made a profit yesterday on the 3min ES of approximately +4.5R using the standard trade management guidelines, taking *all* the automatic set-ups, which is a good profit. But this is not what these special mini tutorials are about, they are about helping the better and more advanced traders among you move to “the next level” and teach you how to maximise your profits and as such become better traders...

Using the larger degree 15min (and 60min) charts in this way does not always result in profits like this, nor are the 15min charts always this obvious or easy to use. However what I am saying in this special mini tutorial is that “when” you get a “clear and clean and obvious” picture on the larger degree charts then it is always a good idea to use them to help you orient your shorter term trades.

Normally the colour of the STF on the time frame you are trading will keep you “in the direction of” the larger degree trend, but, as we have seen here, you can also use DP and WPT support and resistance zones to help “fine tune” this larger degree trend in and around turning points “as they are unfolding”....

Thanks and good trading . . .

Steve Griffiths
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