

4 Great Entries & Market Direction Indicators



By Kevin J. Davey

Today's Agenda

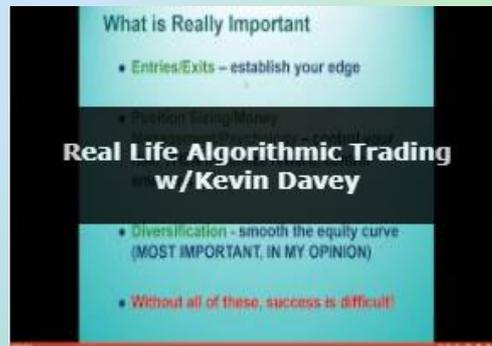
- Who Am I?
- 4 Simple Entry Indicators
- How To Turn Them Into Strategies
- Questions and Answers



Today Will Be Great!

- My Previous Webinars

2nd most popular in last 7 months



Viewed by nearly 6,000 traders

- Today's webinar will be more of the same!

Disclaimer

U.S. Government Required Disclaimer - Commodity Futures Trading Commission states: Futures and Options trading has large potential rewards, but also large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the futures and options markets. Don't trade with money you can't afford to lose. This is neither a solicitation nor an offer to Buy/Sell futures, stocks or options on the same. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed in this document. The past performance of any trading system or methodology is not necessarily indicative of future results.

CFTC RULE 4.41 - HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.

Who Am I?

- **FULL TIME FUTURES TRADER**
- Part time writer, consultant, mentor, speaker
- 25+ years trading experience



Who Am I?



Algo Q&A

ALGORITHMIC TRADING

Have a question about system or algo trading? Kevin J. Davey has over 25 years of system trading experience. Davey is a full-time trader, and he also teaches and consults via his Strategy Factory online workshop (<http://kjtradingsystems.com>). He is the author of several bestselling trading books, including *Building Winning Algorithmic Trading Systems* and *Introduction To Algo Trading*. Send your questions or topic suggestions to Kevin Davey at kdavey@kjtradingsystems.com. Selected questions will appear in a future issue of S&C.



Kevin Davey

DISCRETIONARY VS. ALGORITHMIC TRADING

I currently trade in a discretionary manner using price action and trendlines. I

your rules tell you to buy a hanging man candlestick pattern, five years from now those rules would also tell you to buy a hanging man pattern.

traders we are continually taught “past performance is not indicative of future results.” Imagine you had this choice: Strategy A has 10 years of profitable

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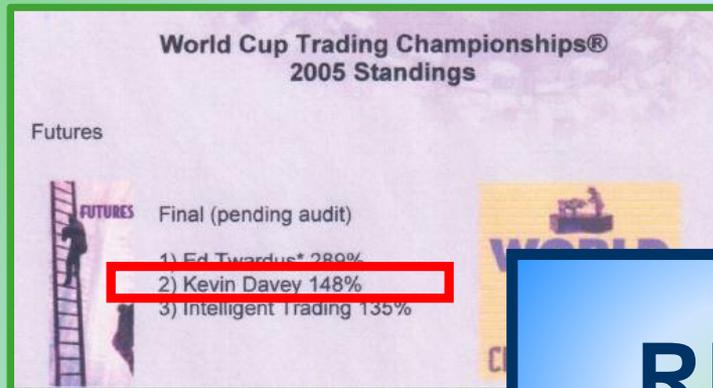
Who Am I - Trader

World Cup Trading Championships®
2005 Standings

Futures

Final (pending audit)

- 1) Ed Twardus* 289%
- 2) Kevin Davey 148%
- 3) Intelligent Trading 135%



+148%

**REAL
MONEY!**

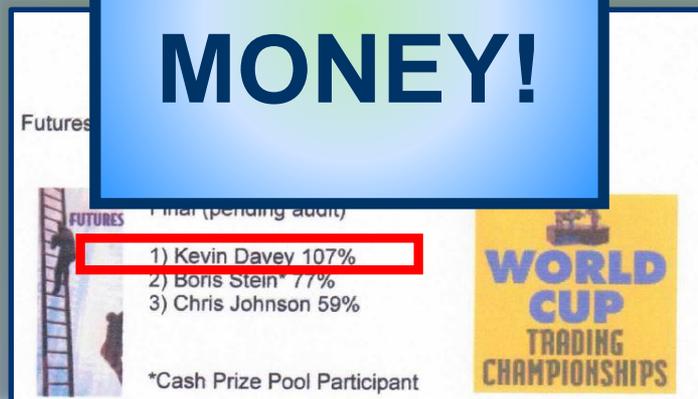
+107%

Futures

Final (pending audit)

- 1) Kevin Davey 107%
- 2) Boris Stein* 77%
- 3) Chris Johnson 59%

*Cash Prize Pool Participant



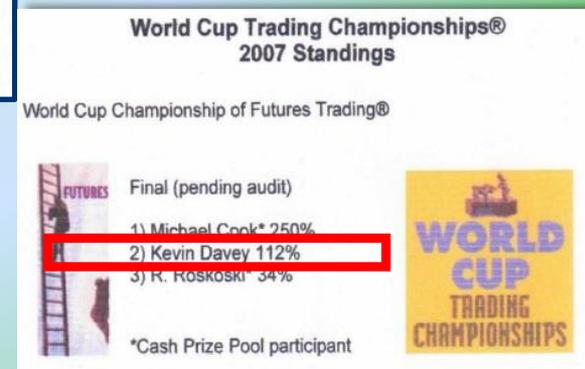
World Cup Trading Championships®
2007 Standings

World Cup Championship of Futures Trading®

Final (pending audit)

- 1) Michael Cook* 250%
- 2) Kevin Davey 112%
- 3) R. ROSKOSKI* 34%

*Cash Prize Pool participant



+112%

Teacher Of Champions



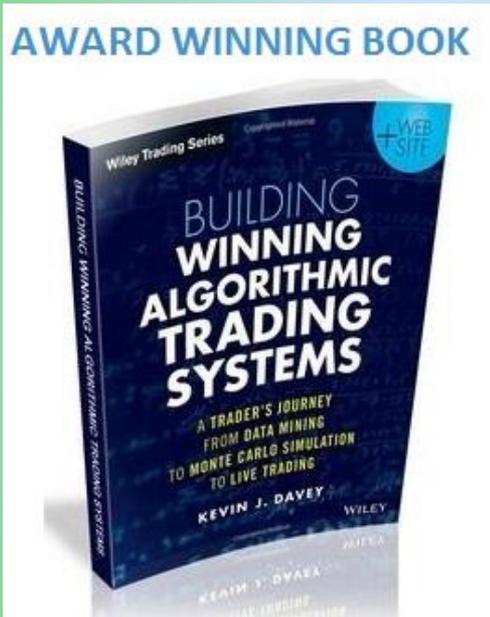
- 2017 winner
+217%



- 2018 Winner
+258%

Trading Book Author

- Available At Amazon



Wiley Finance Publishing



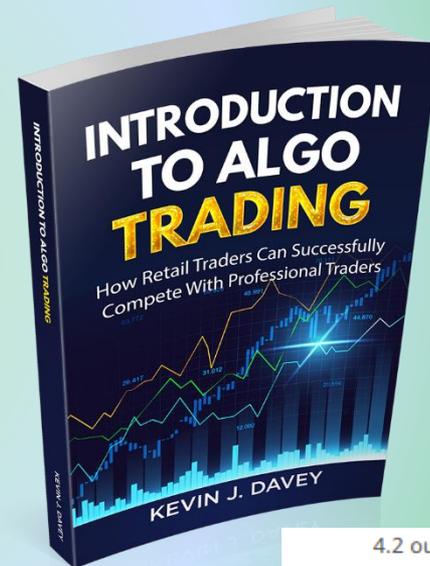
105 customer reviews



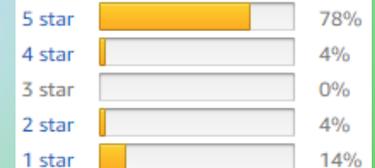
2014 Trading Book Of The Year -
Traderplanet.com STAR Award



2016 Trading Book Of The Year -
Traderplanet.com STAR Award

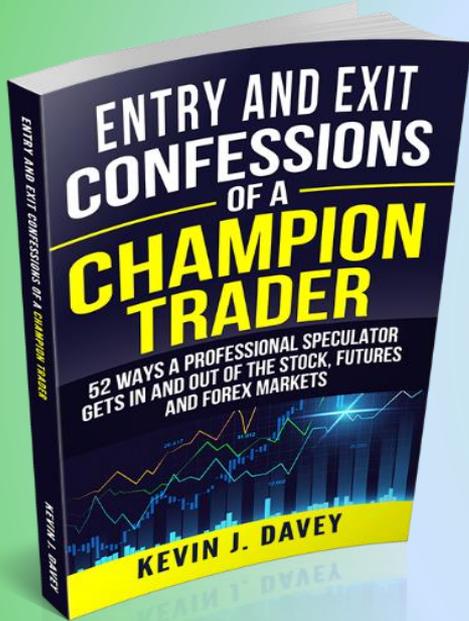


4.2 out of 5 stars

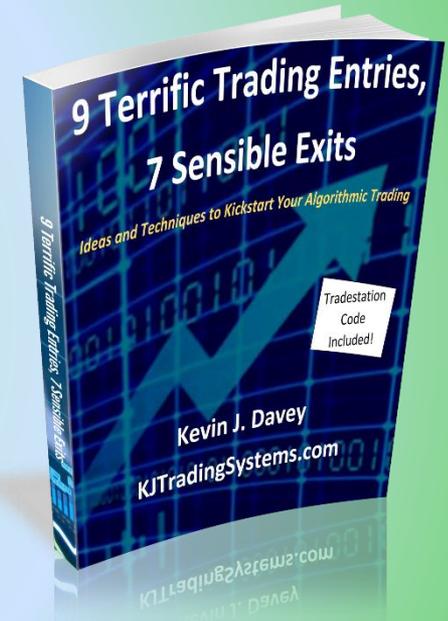


Trading Book Author

- Available At Amazon



- FREE at my website



- All Today's Indicators Based on Entries From These Books

kjtradingsystems.com

Stick Around!

- At End Of Today's Session, I'll be giving away 3 autographed "Trading Packs"

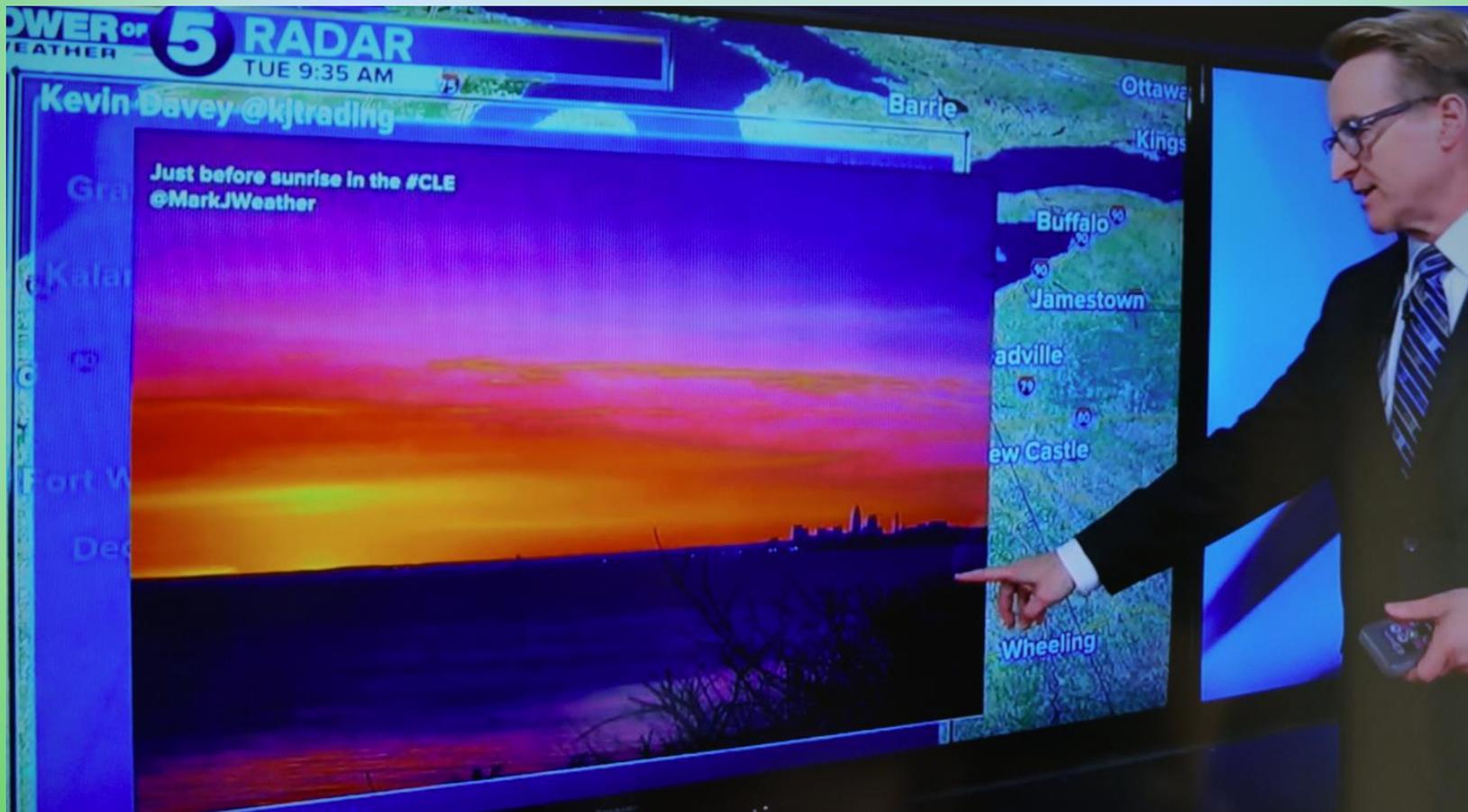


- But You Have To Pay Attention!

kjtradingsystems.com

Springtime on Lake Erie, Ohio

From my backyard - Sunrise a few weeks ago...



Let's Get Rollin'

- **4 Solid Entries and Creating Market Indicators**
- **How To Turn Them Into Strategies**
- **Next Steps**
- **Questions and Answers**

Trading – Getting Tougher!



● Source: IASG.com

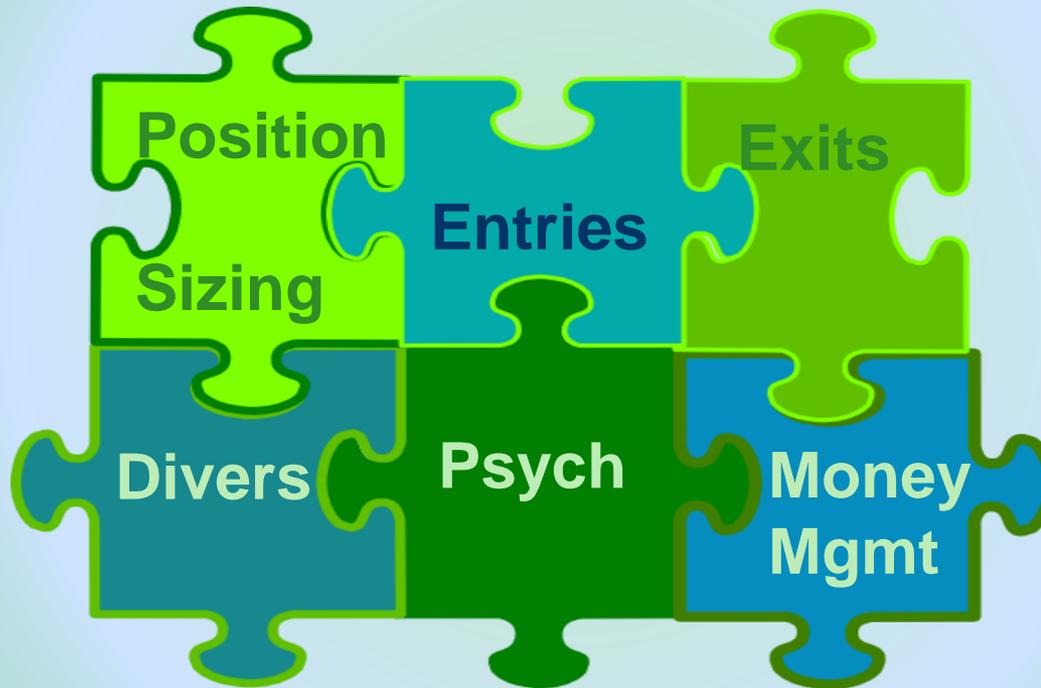
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Trading – Getting Tougher

- New Traders today are more sophisticated
- Better tools to analyze and trade
- **EVERY trader must constantly improve and evolve**
- Entries I share today can help...

But Entries only PART Of Puzzle

- Lot of Pieces To The Trading Puzzle!



Entries

- **Just To Be Perfectly Transparent...**
 - I am not original creator of these entries
 - I usually build off of the work of others
 - You don't have to create ideas from scratch to succeed!

Entry A – (Entry #2 from 9 Entries book)

- **With Trend Pullback**
 - **Long Indication: Long term momentum is up, but a shorter term momentum is down**
 - **Vice versa for short indication**
- **Whatever came more recently is direction you want to be**

Entry A



Entry A



Entry A

- **Tradestation Code:**

```
Input:entry2_sl(5), entry2_slx(20);  
// entry2_sl = short term trend length  
// entry2_slx = longer term trend length
```

```
Condition1 = c<c[entry2_sl] and c>c[entry2_slx] ;  
Condition2 = c>c[entry2_sl] and c<c[entry2_slx] ;
```

```
If condition1=False and condition2=False then  
condition1=condition1[1];
```

```
If condition1=False and condition2=False then  
condition2=condition2[1];
```

Entry A

- **Plain English Code:**

entry2_sl = short term trend length

entry2_slx = longer term trend length

LONG SIGNAL = if $\text{close} < \text{close } \textit{entry2_sl} \text{ bars ago}$ and $\text{close} > \text{close } \textit{entry2_slx} \text{ bars ago}$

SHORT SIGNAL = if $\text{close} > \text{close } \textit{entry2_sl} \text{ bars ago}$ and $\text{close} < \text{close } \textit{entry2_slx} \text{ bars ago}$

Entry B - (Entry #12, 52 Confessions book)

- **RSI with Moving Average**
- **Long Signal (vice versa for Shorts)**
 - **RSI below a threshold value** (> 100-threshold for short)
 - **AND**
 - **Close > moving average**
- **Whatever came more recently is direction you want to be**

Entry B



Entry B



Entry B

- **Tradestation Code:**

Var: RSILength(15); //RSI lookback period

Var: RSIThreshold(70); //RSI threshold

Var: XBars(15); //moving average lookback period

Condition1 = RSI(Close,RSILength)< RSIThreshold And Close > Average(Close,Xbars) ;

Condition2 = RSI(Close,RSILength)> 100-RSIThreshold And Close < Average(Close,Xbars) ;

If condition1=False and condition2=False then condition1=condition1[1];

If condition1=False and condition2=False then condition2=condition2[1];

Entry B

- **Plain English Code:**

RSILength= 15 //RSI lookback period

RSIThreshold=70 //RSI threshold

Xbars=15 //moving average lookback period

LONG SIGNAL = *RSI(Close of last $RSILength$ bars) < $RSIThreshold$*
And Close > Average of Close of last $Xbars$;

SHORT SIGNAL = *RSI(Close of last $RSILength$ bars) > 100- $RSIThreshold$*
And Close < Average of Close of last $Xbars$

Entry C - (Entry #5 from 9 Entries book)

- **Consecutive Closes and Percentiles**

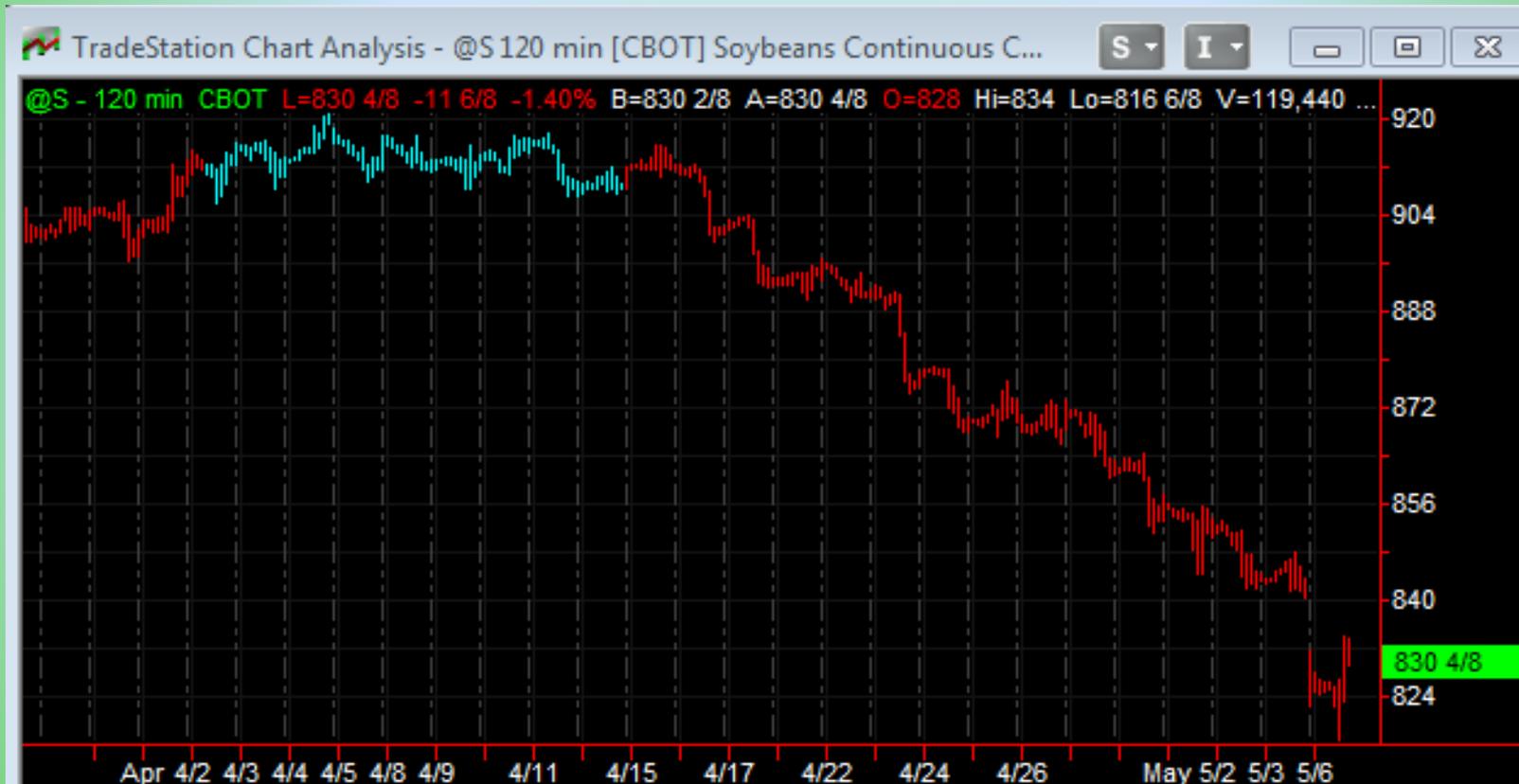


- **FOR LONG (opposite for Short)**

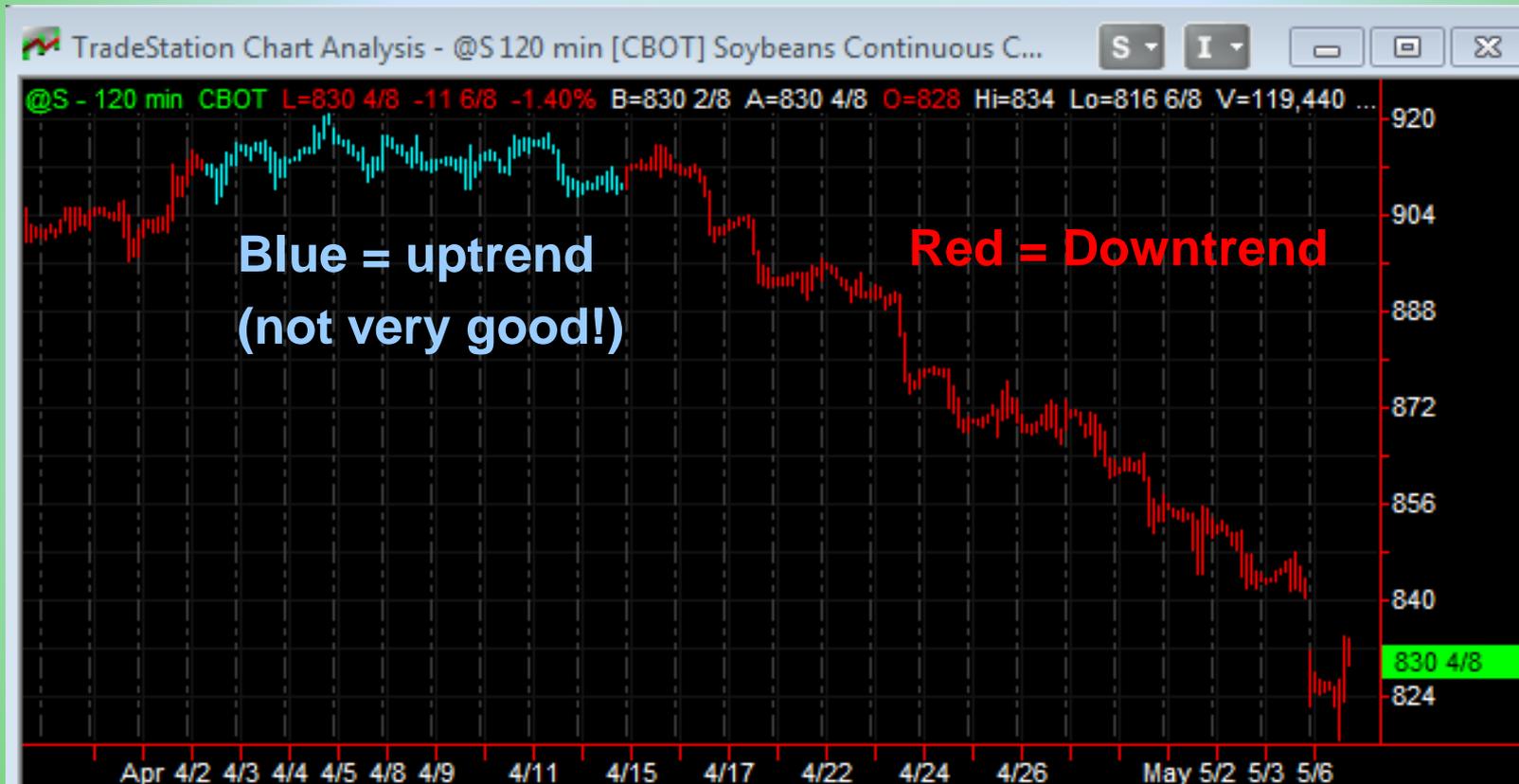
- Close > average close AND
- Close in lower 10% OR
- 3 consecutive lower closes

- **Whatever came more recently is direction you want to be**

Entry C



Entry C



Entry C

- **Tradestation:**

var: entry5_X(30), entry5_Y(15);

Condition11=close>average(close, entry5_X);

Condition12=close<Percentile(.10, Close, entry5_Y);

Condition13=close<close[1] and close[1]<close[2] and close[2]<close[3];

Condition4=close<average(close, entry5_X);

Condition5=close>Percentile(.90, Close, entry5_Y);

Condition6=close>close[1] and close[1]>close[2] and close[2]>close[3];

Condition1 = condition11 and (condition12 or condition13) ; //LONG

Condition2 = condition4 and (condition5 or condition6) ; //SHORT

If condition1=False and condition2=False then condition1=condition1[1];

If condition1=False and condition2=False then condition2=condition2[1];

Entry C

- **Plain English:**

entry5_X=30

entry5_Y=15

Condition11= $\text{close} > \text{average}(\text{close of last } \textit{entry5_X} \text{ bars}$

Condition12= $\text{close} < 10^{\text{th}} \text{ Percentile of Close of last } \textit{entry5_Y} \text{ bars}$

Condition13= $\text{close} < \text{previous close and previous close} < \text{close 2 bars ago and close 2 bars ago} < \text{close 3 bars ago}$

Condition4= $\text{close} < \text{average close of last } \textit{entry5_X} \text{ bars}$

Condition5= $\text{close} > 90^{\text{th}} \text{ Percentile of Close of last } \textit{entry5_Y} \text{ bars}$

Condition6= $\text{close} > \text{previous close and previous close} > \text{close 2 bars ago and close 2 bars ago} > \text{close 3 bars ago}$

LONG SIGNAL = condition11 and (condition12 or condition13) ; //LONG

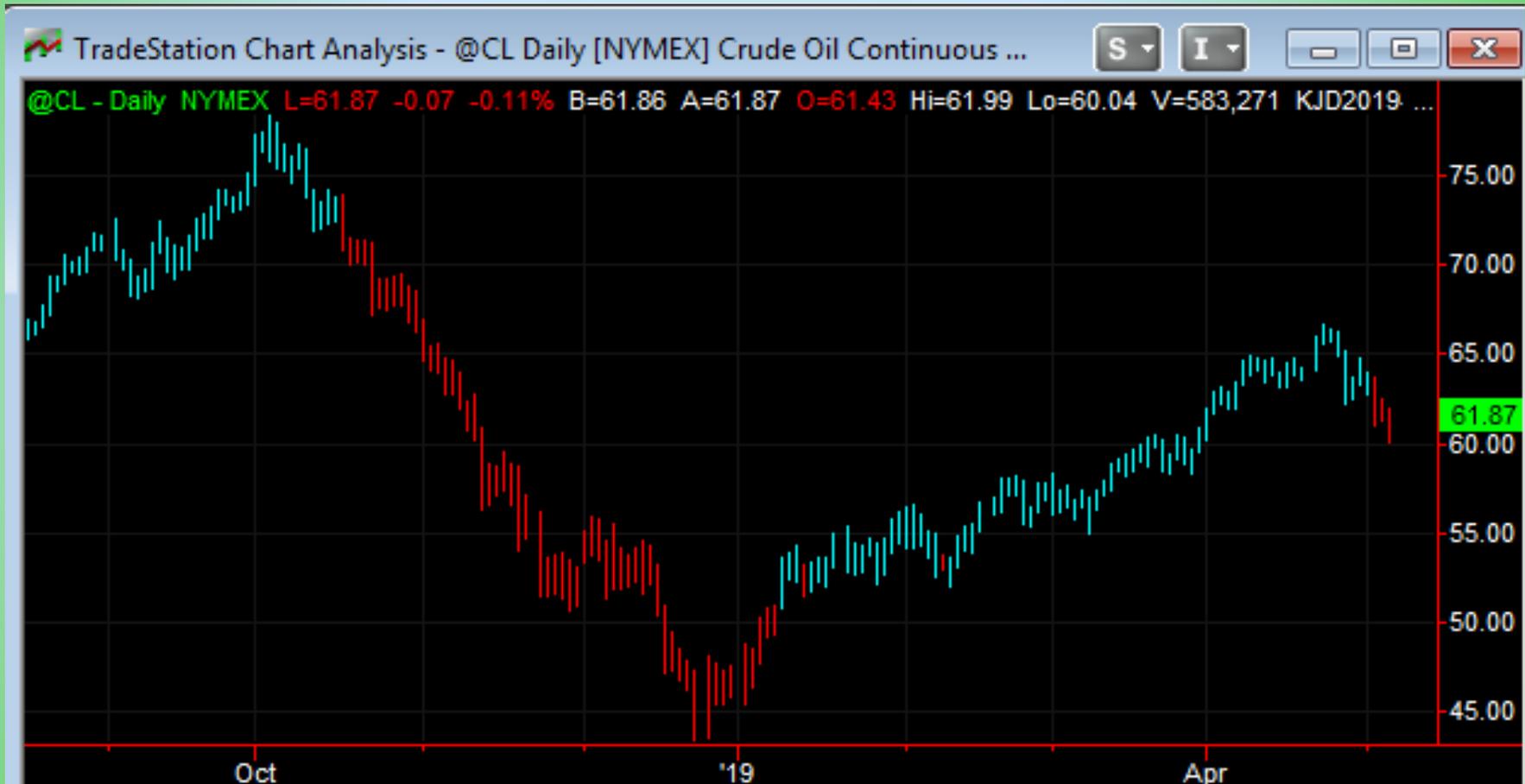
SHORT SIGNAL = condition4 and (condition5 or condition6) ; //SHORT

Entry D - (Entry #28 from 52 Confessions book)

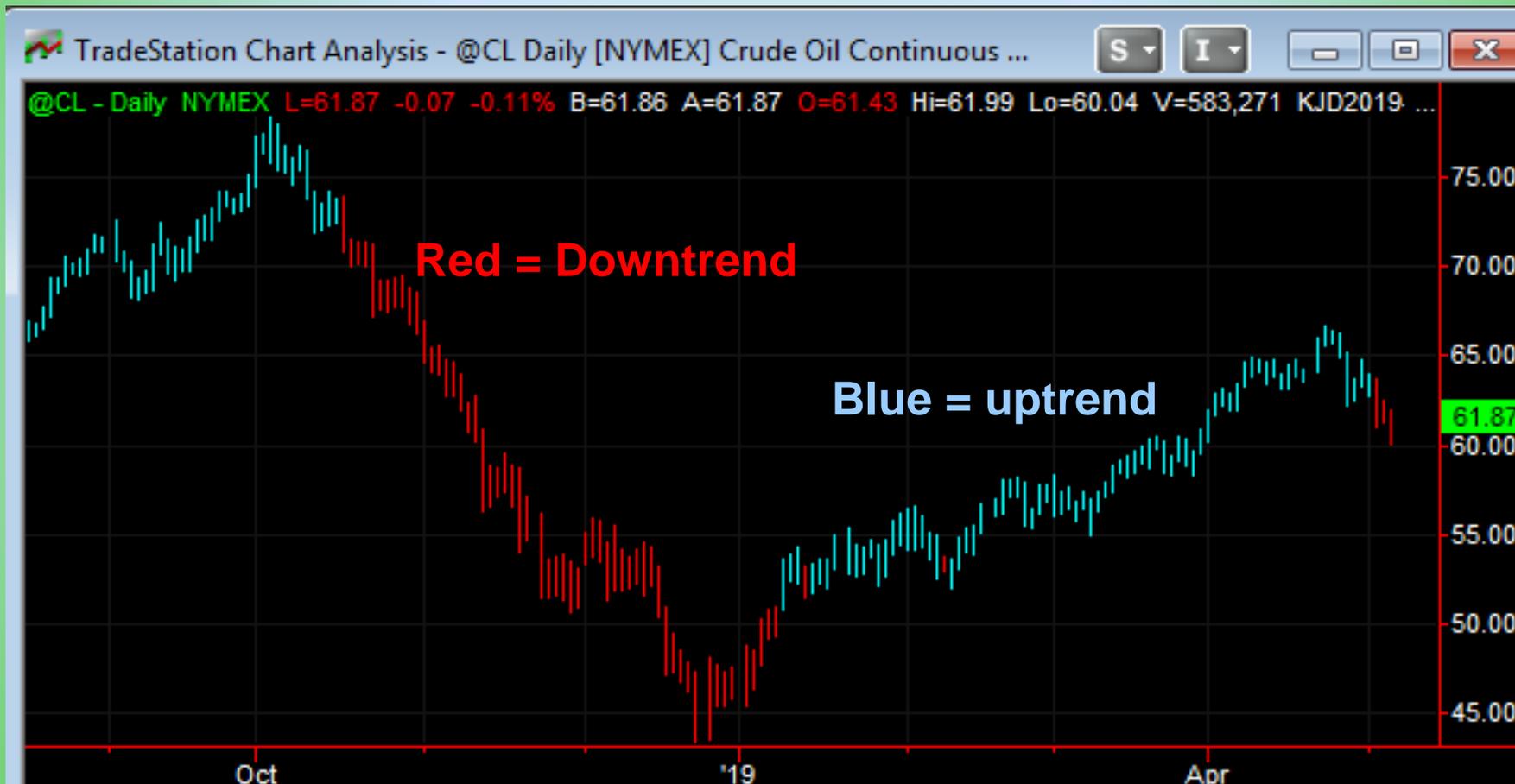
- Two Amigos – ADX and Momentum
 - ADX suggests trend
 - **AND**
 - Momentum going in your direction
- Hop on the direction of the moving train!



Entry D



Entry D



Entry D

- **Tradestation:**

vars: ADXLength(14), lookback(20);

Condition1 = ADX(ADXLength)>20 and close>close[lookback] ;

Condition2 = ADX(ADXLength)>20 and close<close[lookback] ;

*If condition1=False and condition2=False then
condition1=condition1[1];*

*If condition1=False and condition2=False then
condition2=condition2[1];*

Entry D

- **Plain English:**

ADXLength=14

Lookback=20

LONG SIGNAL = $ADX(\text{of last } ADXLength \text{ bars}) > 20$ and $\text{close} > \text{close of last } lookback \text{ bars}$

SHORT SIGNAL = $ADX(\text{of last } ADXLength \text{ bars}) > 20$ and $\text{close} < \text{close of last } lookback \text{ bars}$

Bonus

- Add A+B+C+D together...



4 Entry Indicators

- **These 4 simple indicators can help you understand the market direction**
- **Should be combined with each other, or with other rules/filters, or standalone**
- **Should be combined with sensible exits**
- **These can get you started, but there is a LOT more to do!**

Building a Strategy With These

- **Test for long time period (5-10 years), include out of sample or walkforward test**
- **Try different markets, bar sizes**
- **Try a variety of your favorite biases**
- **Keep It Simple**

Typical Trading “Process”



Typical Trading “Process”

Get Entries, Exits

➤ Relatively Easy (Ideas Are EVERYWHERE)

Create Strategies

➤ Hard (Must Program)

Test & Evaluate

➤ Really HARD (tons of pitfalls)

Automate Strategies

➤ Relatively Easy (most software)

Create Trading Business

➤ Really HARD (putting it all together!)

Typical Trading “Process”

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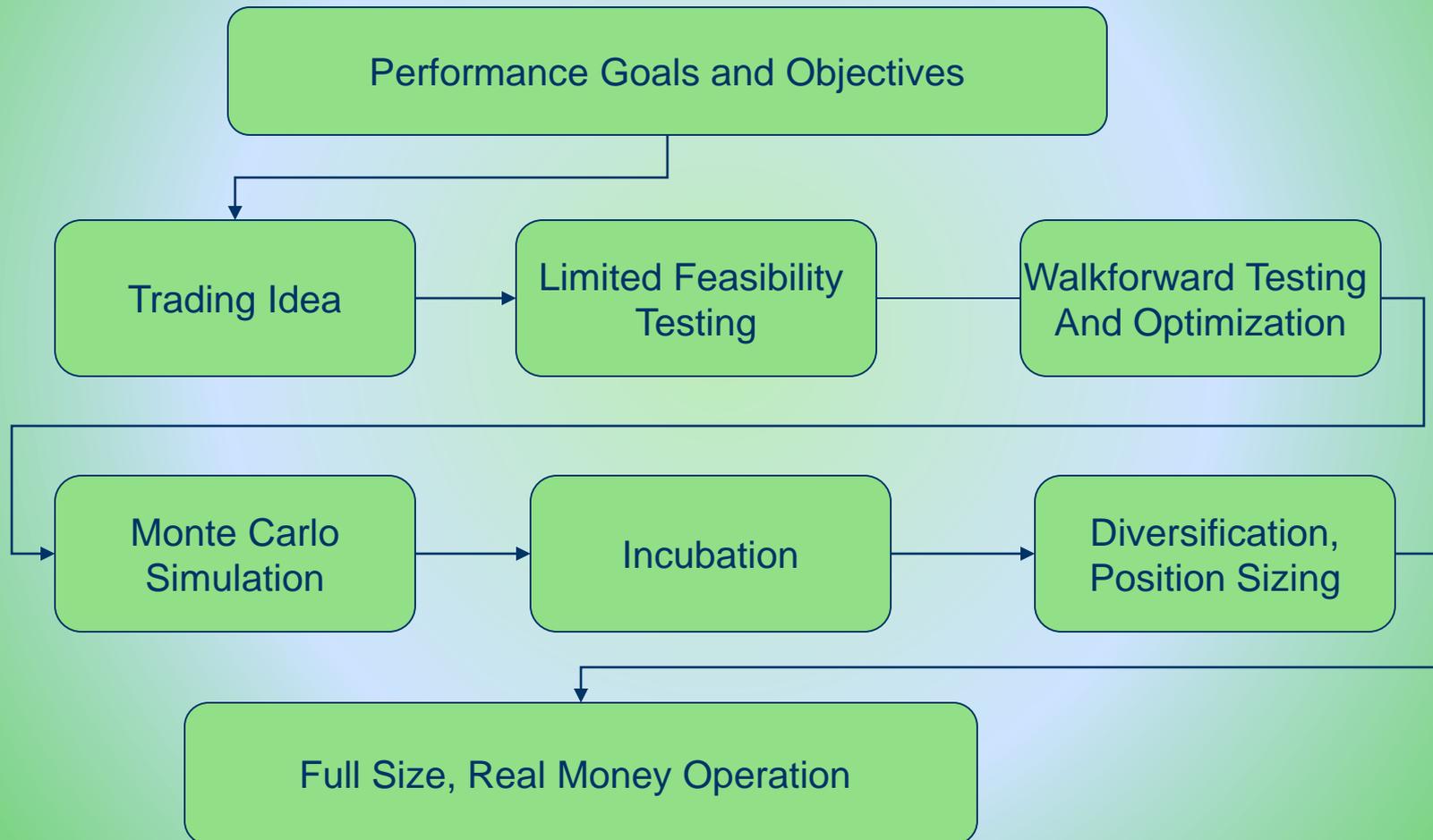
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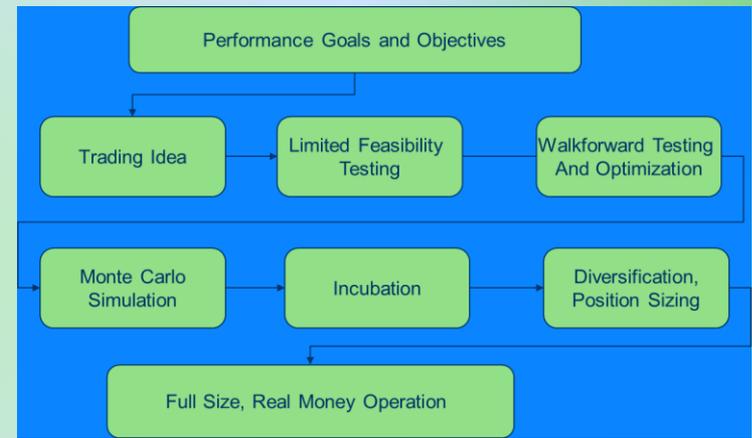
Create Trading Business

My Process - Strategy Factory[®]

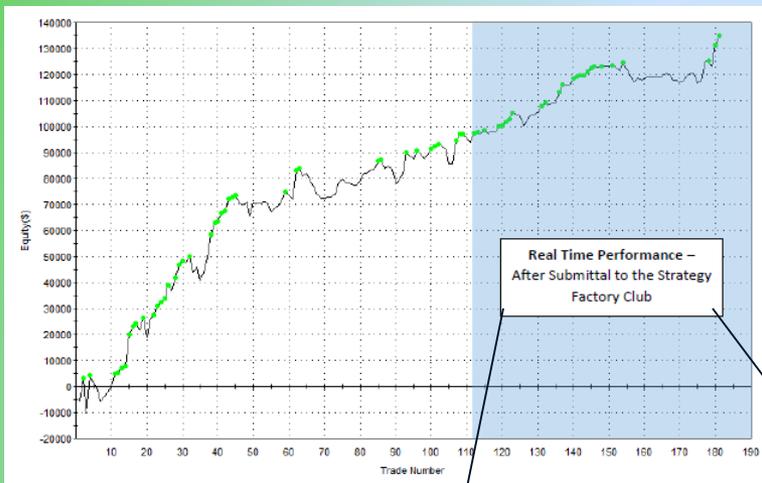


Workshop- Strategy Factory®

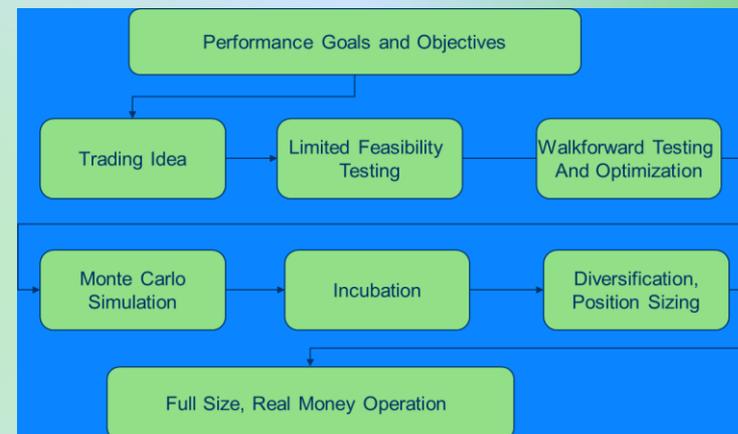
- 30+ Hours of Videos
- All Day Live Class
- Personal E-mail Support From Me
- Fully Coded Strategies
- Private Trader Forum
- Membership In Strategy Factory Club



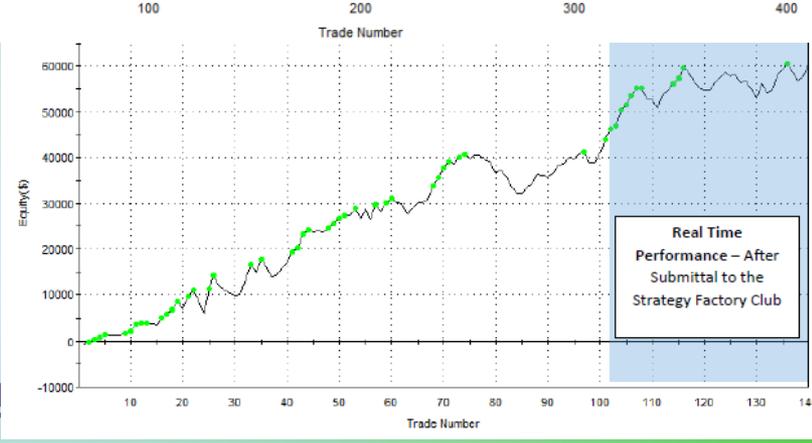
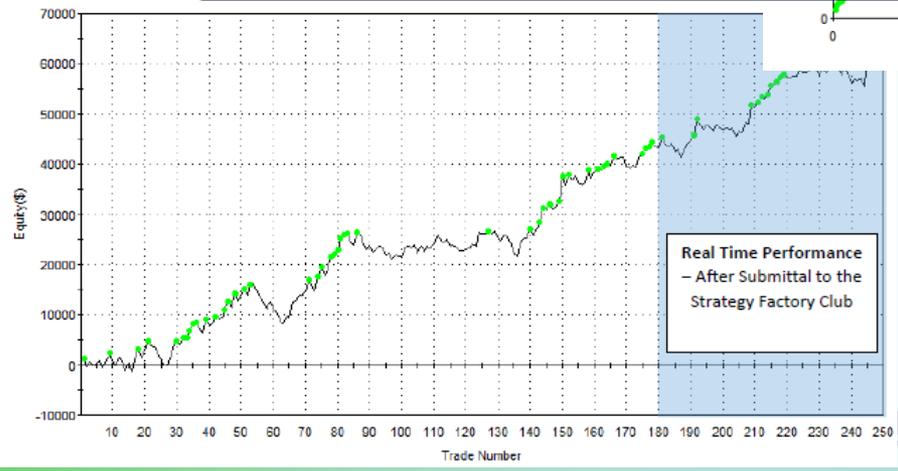
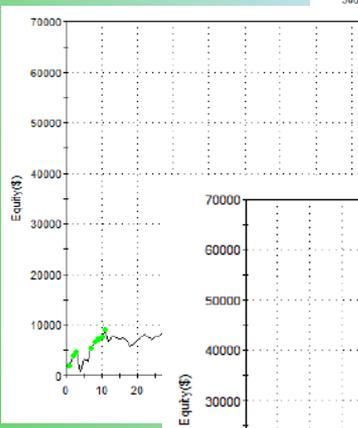
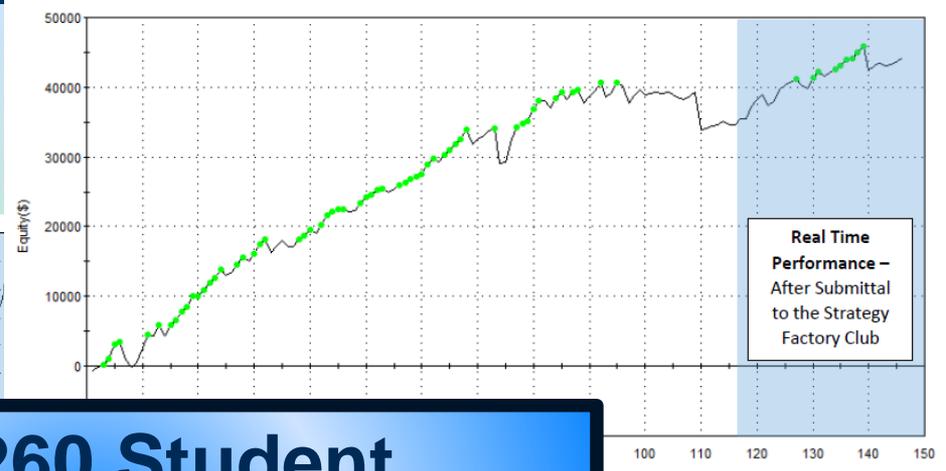
The Strategy Factory[®] Club



**Real Time Performance –
After Submittal to the Strategy
Factory Club**



Student Strategies- Strategy Factory®



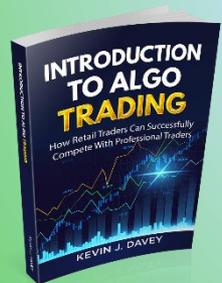
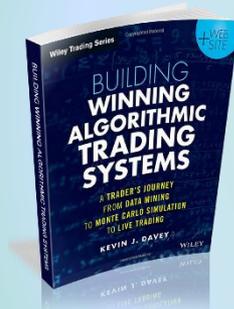
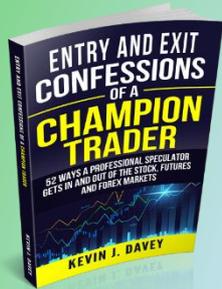
Over 260 Student Strategies Have Passed Live Performance Test

Summary

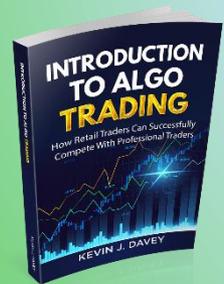
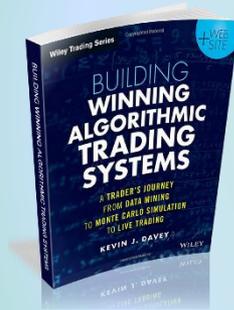
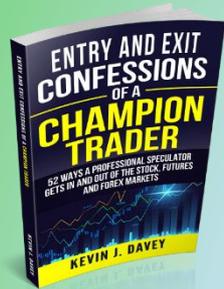
- **4 Nice, Simple Entries**
- **Use Entries to See Direction, Create Strategies**
- **Test & Evaluate Strategies Correctly**
- **Put Everything Together, Build Trading Business**

Giveaway

- Autographed Book Pack Giveaway – 4th Person to Answer Correctly:



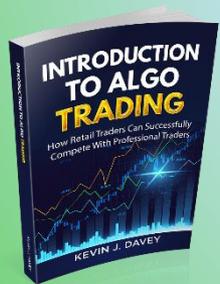
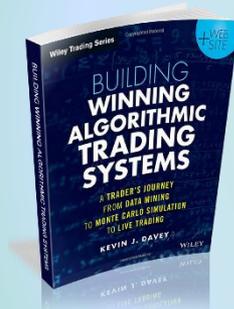
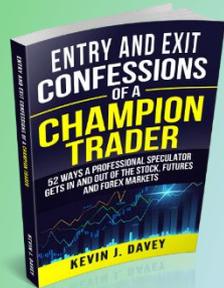
Giveaway



- Autographed Book Pack Giveaway – 4th Person to Answer Correctly:

What is most important?
Entries, Exits, Position Sizing

Giveaway

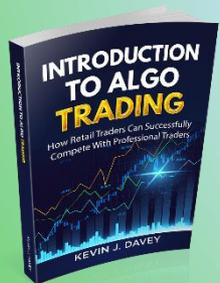
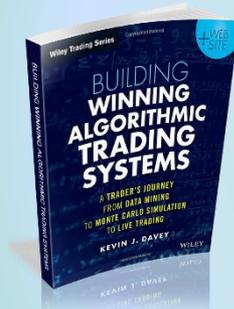
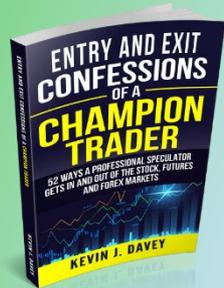


- Autographed Book Pack Giveaway – 4th Person to Answer Correctly:

What is most important?
Entries, Exits, Position Sizing

TRICK: They ALL Are!

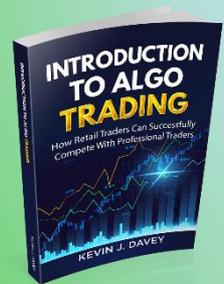
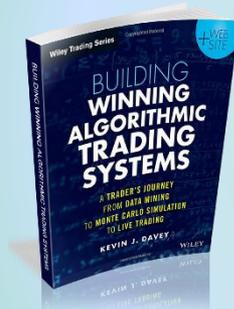
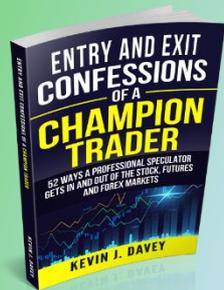
Giveaway



- Autographed Book Pack Giveaway – 3rd Person to Answer Correctly:

What did all entries I show have in common?

Giveaway

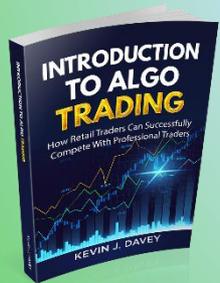
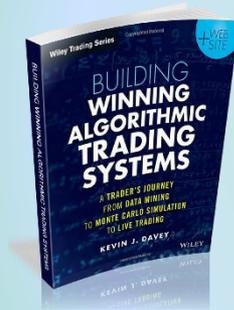
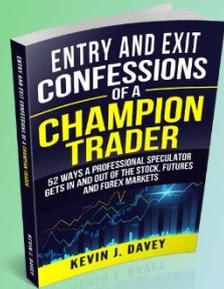


- Autographed Book Pack Giveaway – 3rd Person to Answer Correctly:

What did all entries I show have in common?

Simple, easy to understand, can add them together

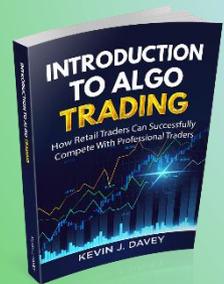
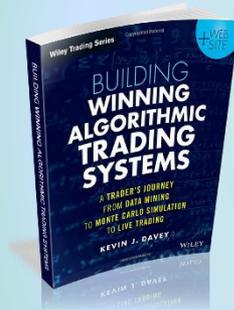
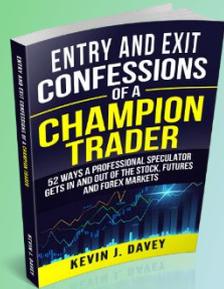
Giveaway



- Autographed Book Pack Giveaway – 2nd Person to Answer Correctly:

What Are the Hardest Parts of Algo Trading? (just name one)

Giveaway



- Autographed Book Pack Giveaway – 2nd Person to Answer Correctly:

What Are the Hardest Parts of Algo Trading? (just name one)

Testing and Evaluating Strategies
Building a Trading Business

Questions



E-mail me at:

kdavey@kjtradingsystems.com

kjtradingsystems.com