

TRADE

SIGNAL

SETUPS

The following document will show all my preferred trade setups that I patiently wait for each and every day.

It will include the Trend Trade in both directions, the W & M patterns in both directions, the Trend Reversal Trade in both directions, and the ABCD retrace.

Keep in mind during live trading it is not always as simple as following rules 1,2,3 ect.. Each trade has its own personality and we have to adjust to it in some cases.

This rule based document is intended to explain the most critical and preferred steps to follow.

Let's Begin

LONG TREND TRADE

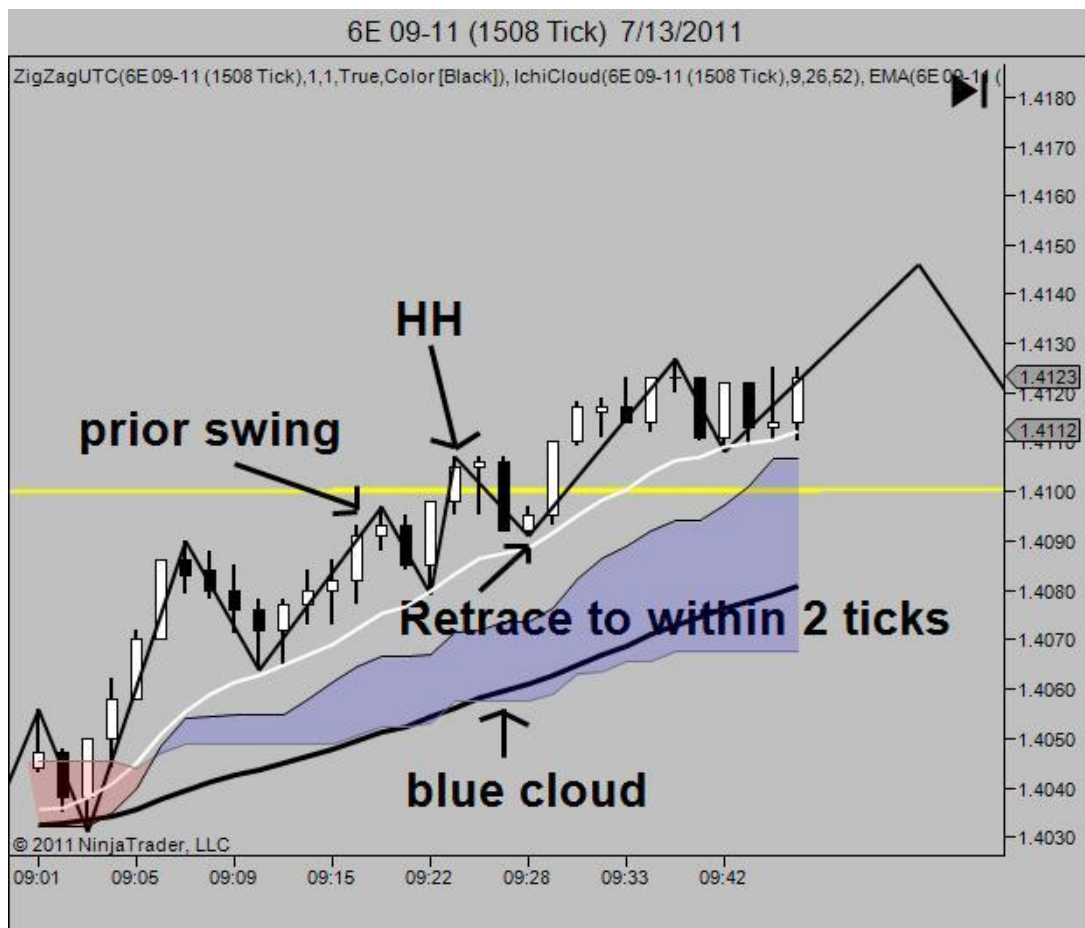
1508 CHART

- 1. PRIOR ZigZag swing MUST be a HH, candles have CLOSED above prior swing**
- 2. Price is trading above the cloud, preferably blue**
- 3. Price retraces within 2 ticks to either the 13MA, 50MA, or top of cloud without making a LL**

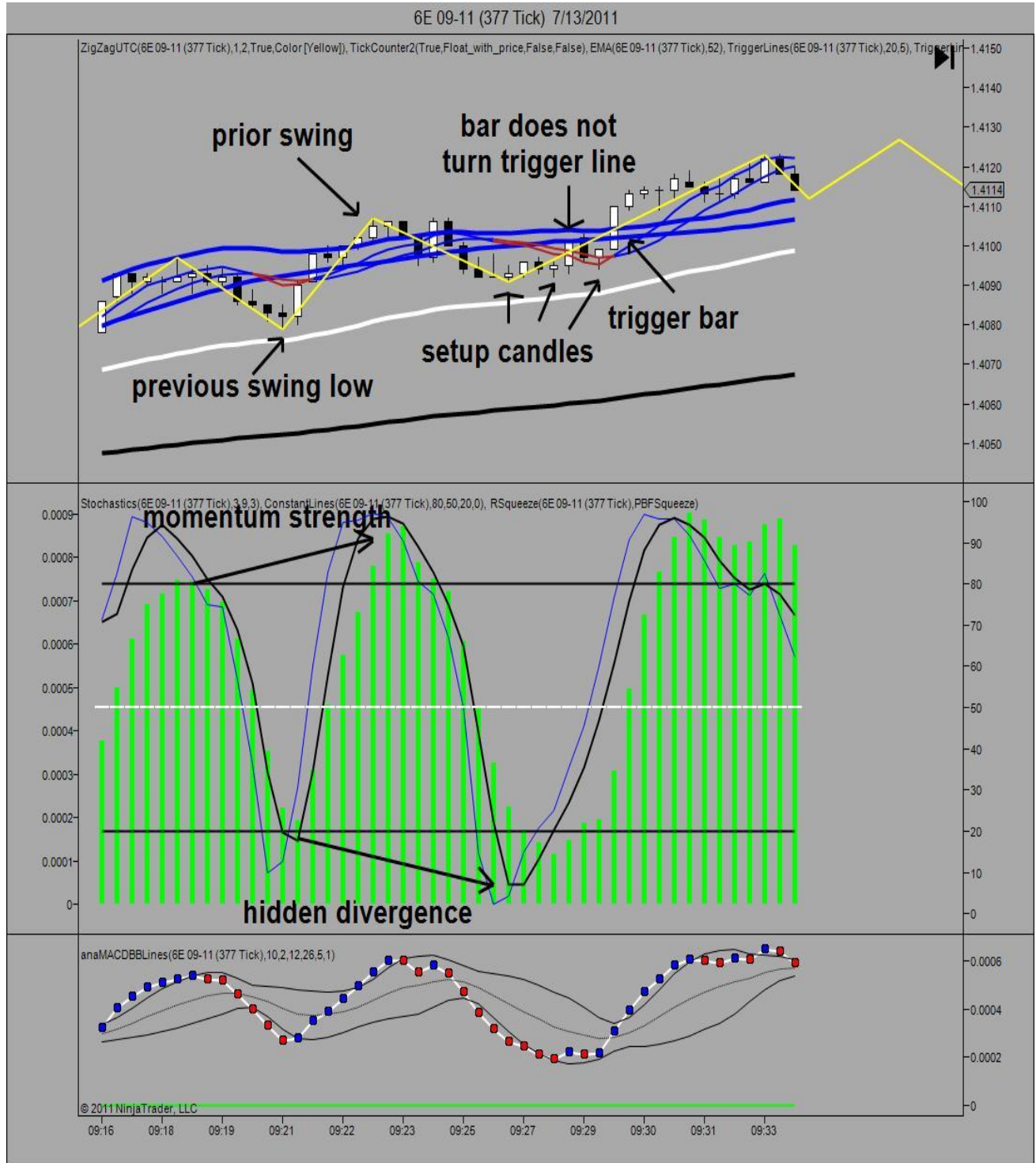
377 CHART

- 1. Check momentum on prior swing high, you want to see strength on the previous high**
- 2. Check prior swing low you want the retrace not to make a LL. If it does price MUST form a double bottom or a Head & Shoulders formation coupled with a Stochastics divergence**
- 3. If price does not make a LL during the retrace you want a hidden divergence on Stochastics**

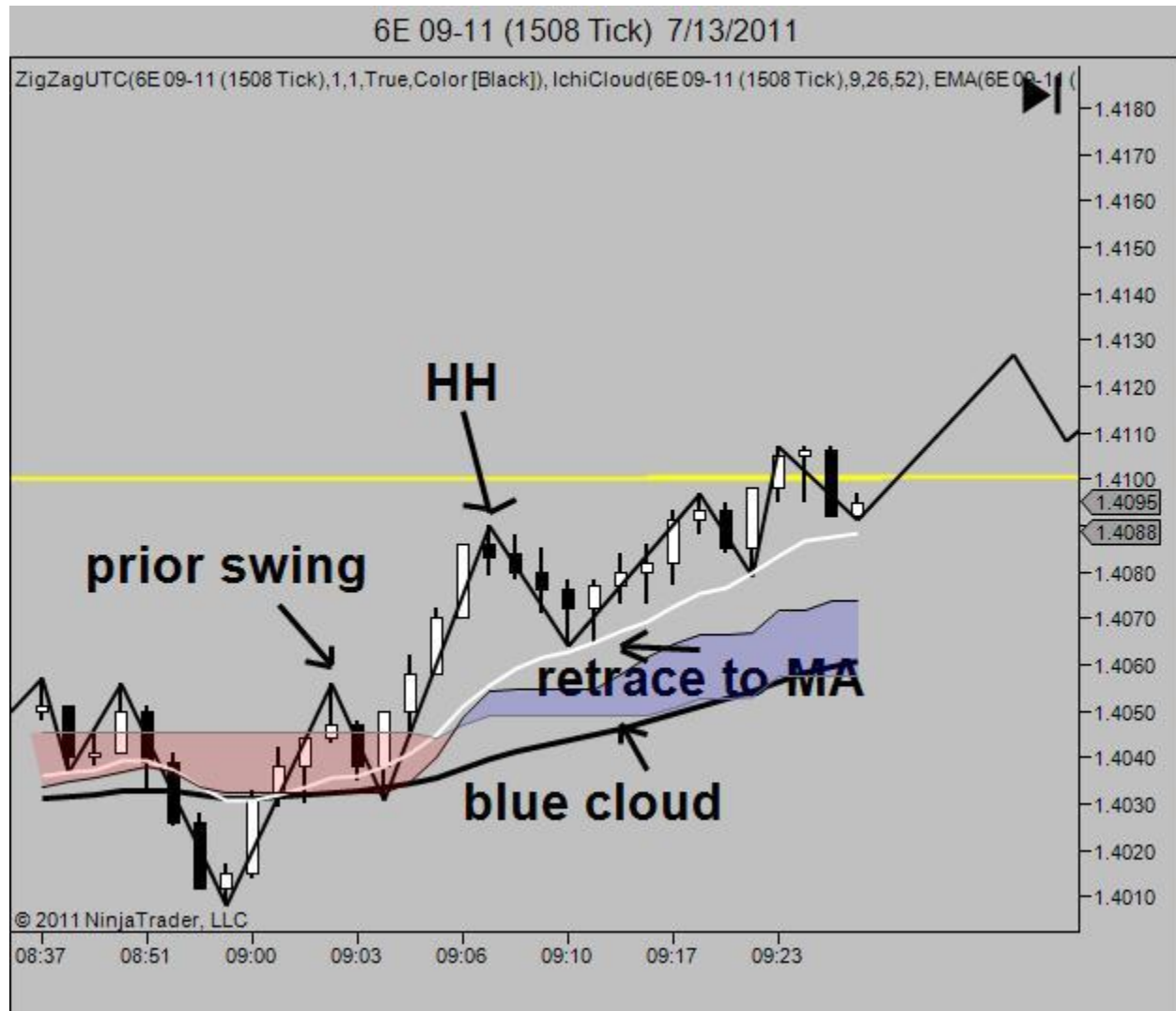
4. Trigger bar on the entry **MUST** close above the high of a prior Doji, spinning top, or hammer bar
5. Trigger bar **MUST** cause the bottom small trigger line to show an intent to turn back up
6. Stochastics must hook up from **BELOW** the 50 line



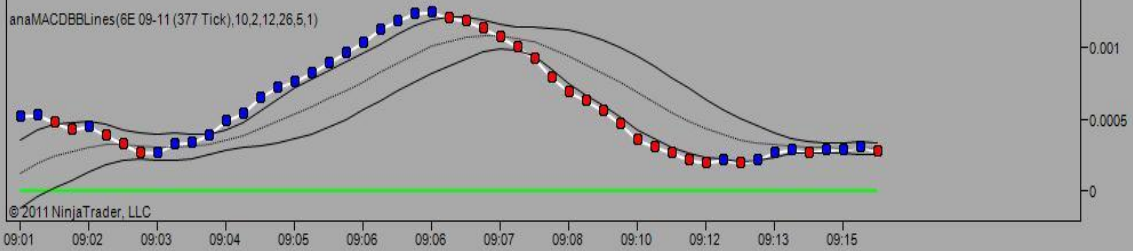
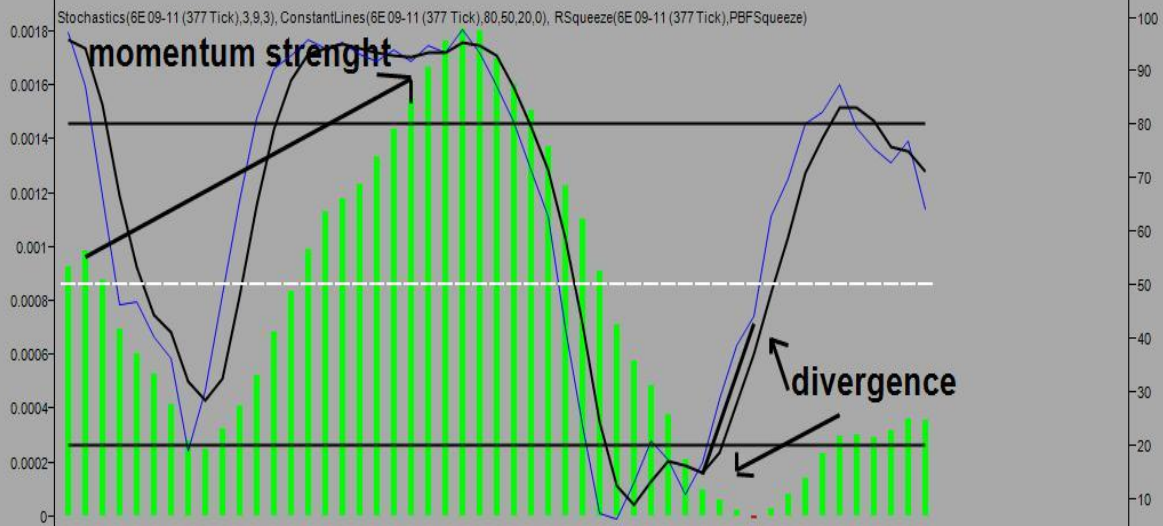
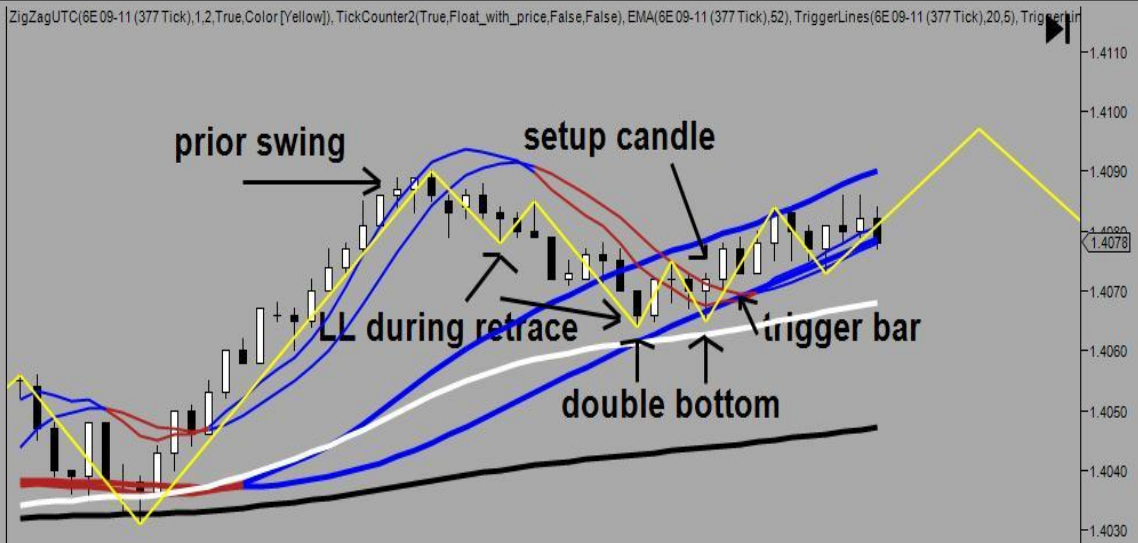
377 chart long entry



Example with 377 chart making a LL during retrace



6E 09-11 (377 Tick) 7/13/2011



SHORT TREND TRADE

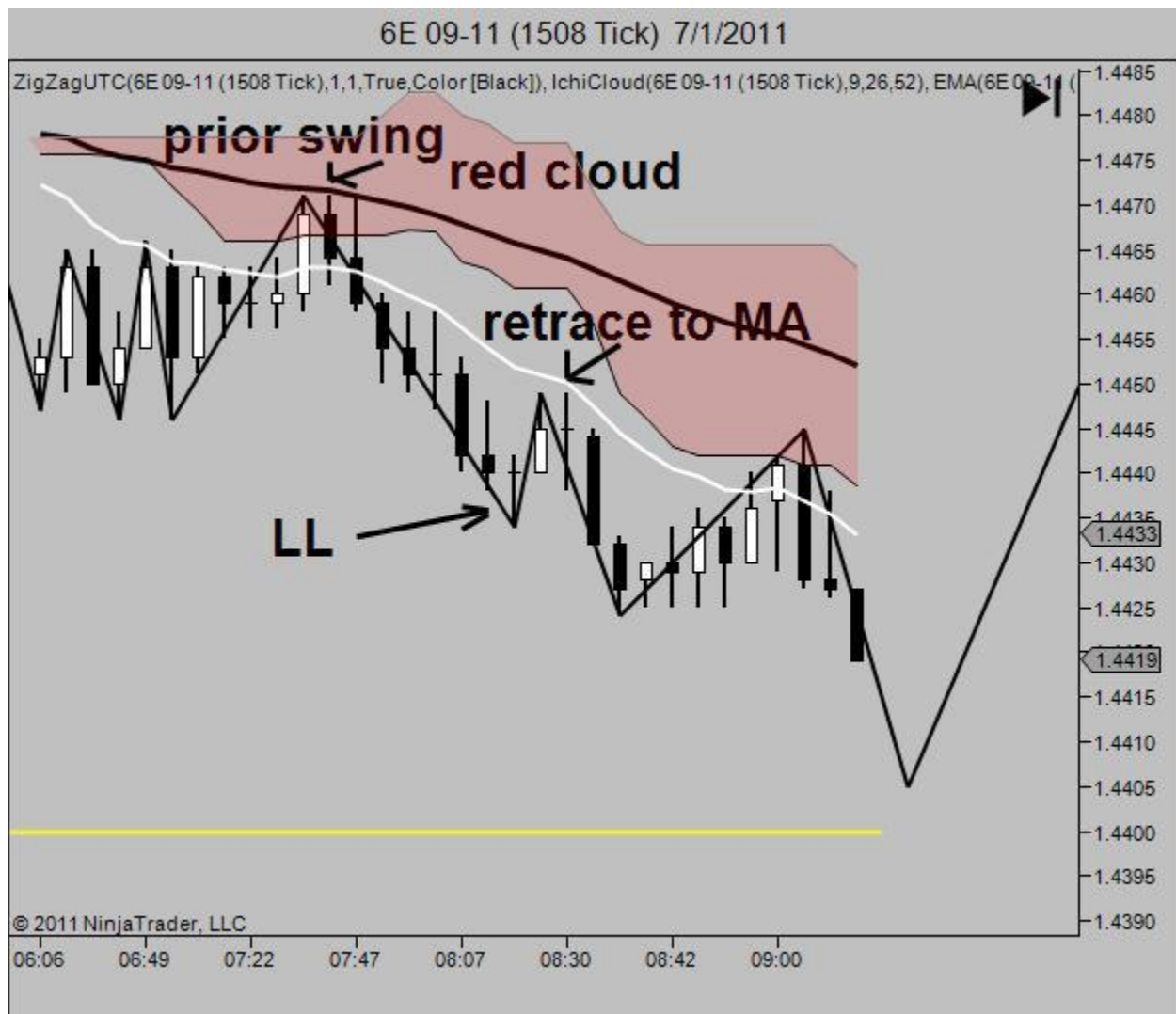
1508 CHART

- 1. PRIOR ZigZag swing MUST be a LL, candles have CLOSED below prior swing**
- 2. Price is trading below the cloud, preferably red**
- 3. Price retrace within 2 ticks to either the 13MA,50MA or bottom of cloud without making a HH**

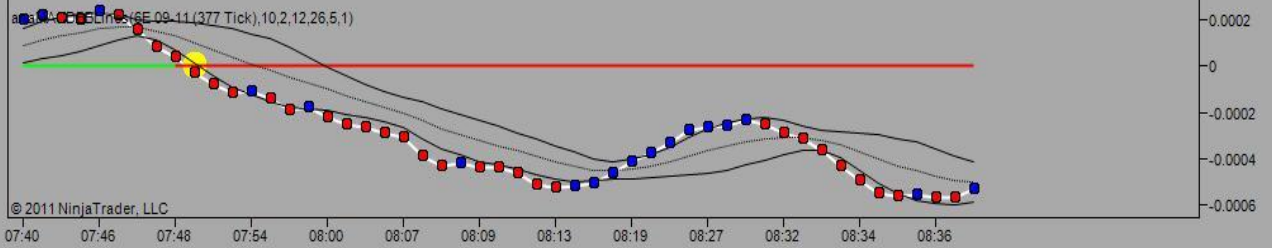
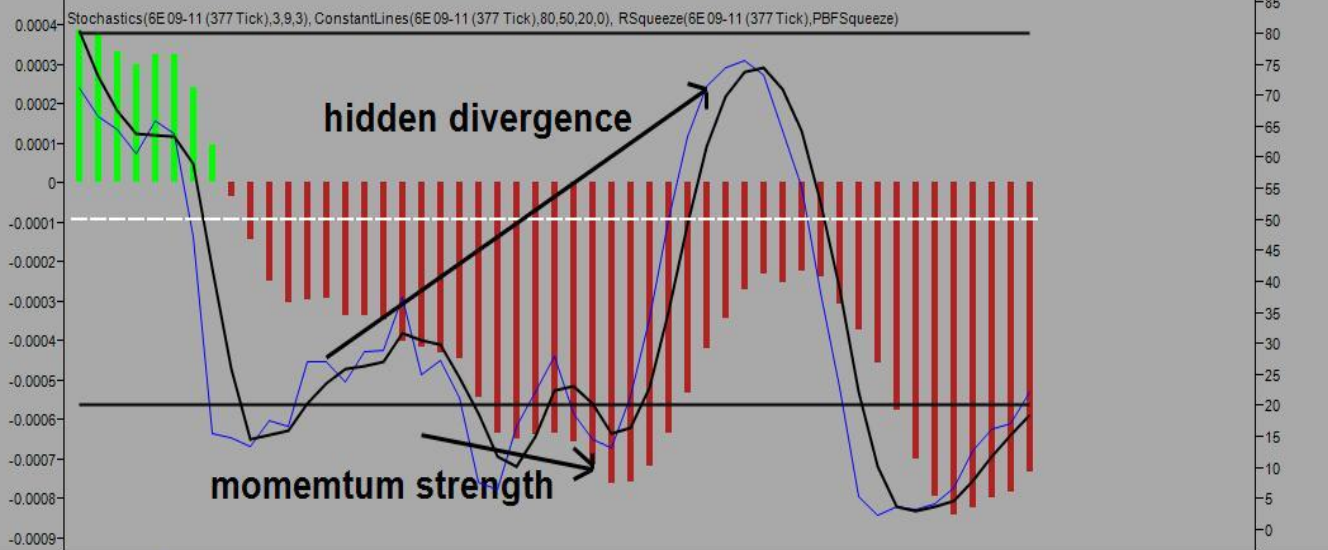
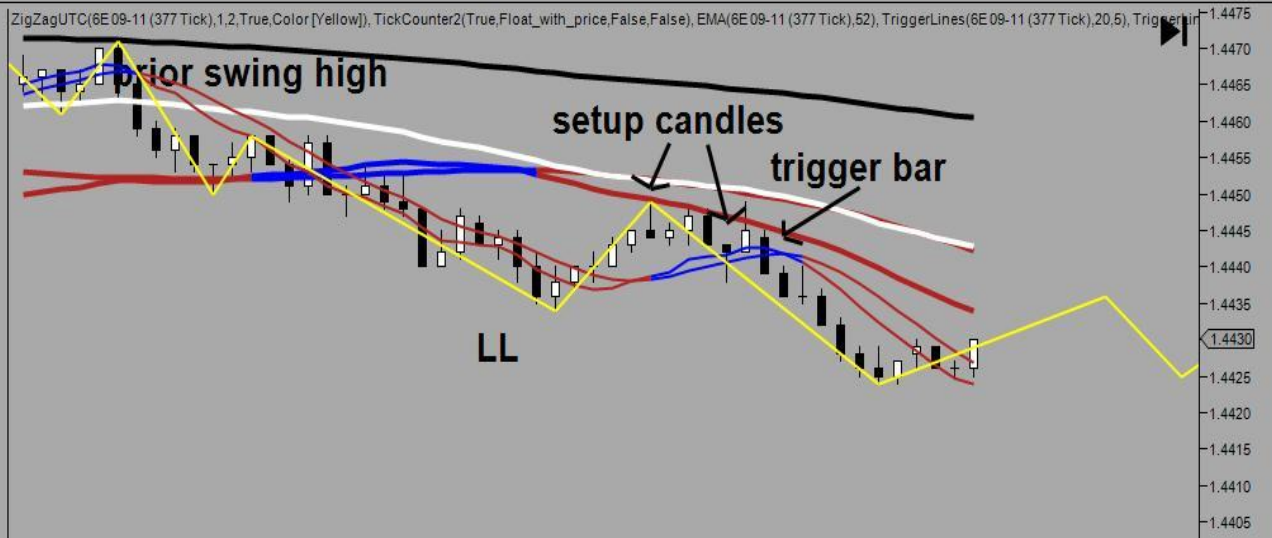
377 CHART

- 1. Check momentum on prior swing, you want to see strength on the previous low**
- 2. Check prior swing high you want the retrace not to make a HH. If it does price MUST form a double top or a Head and Shoulders formation coupled with a Stochastic divergence**
- 3. If price does not make a HH during the retrace you want a hidden divergence on Stochastics**

4. Trigger bar on the entry **MUST** close below the low of a Doji, spinning top, or hammer bar
5. Trigger bar **MUST** cause the top small trigger line to show an intent to turn back down
6. Stochastics must hook down from above the 50 line



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Long W pattern trade

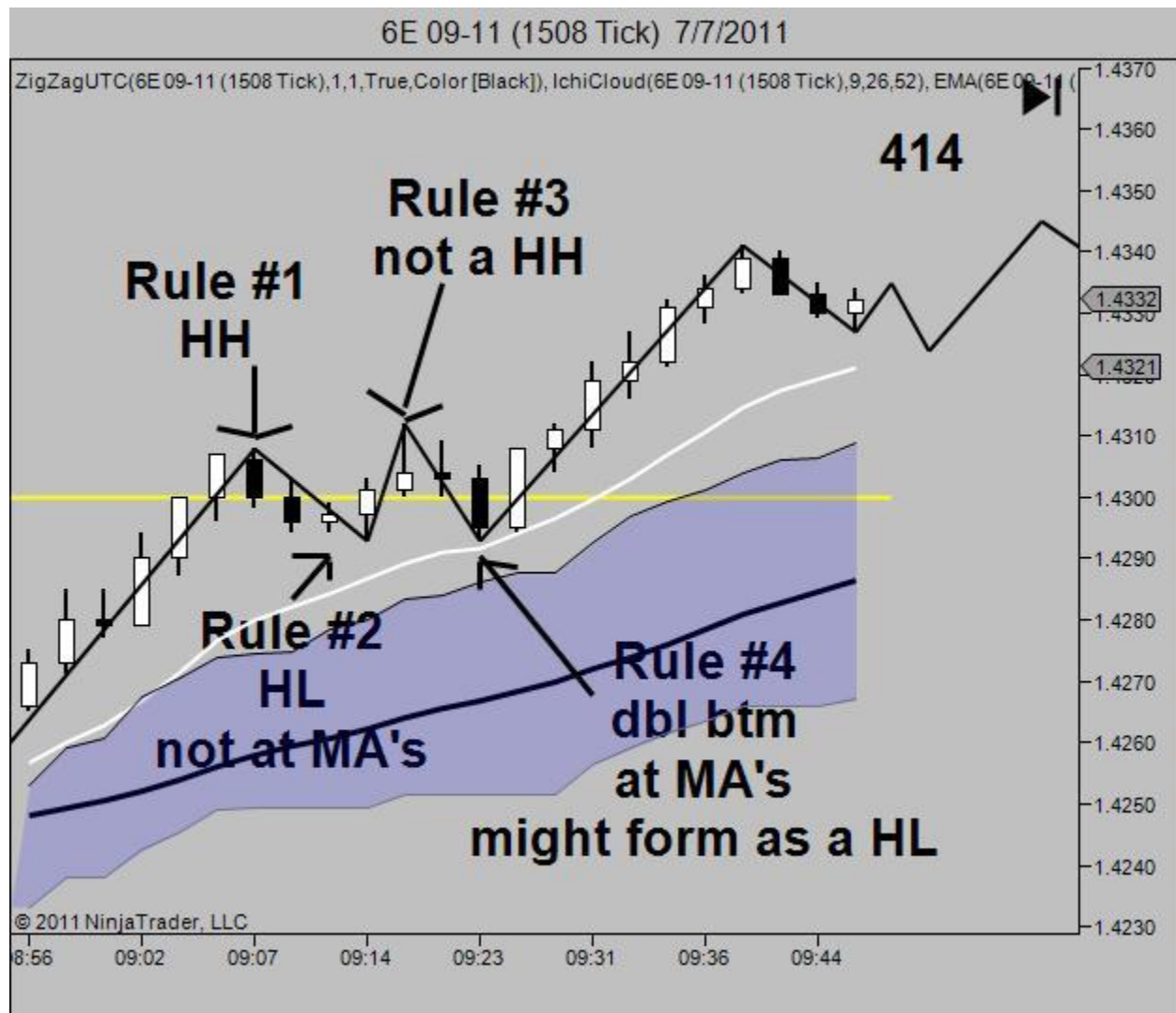
This is a trade that can only be considered in a STRONG uptrend.

1508 CHART

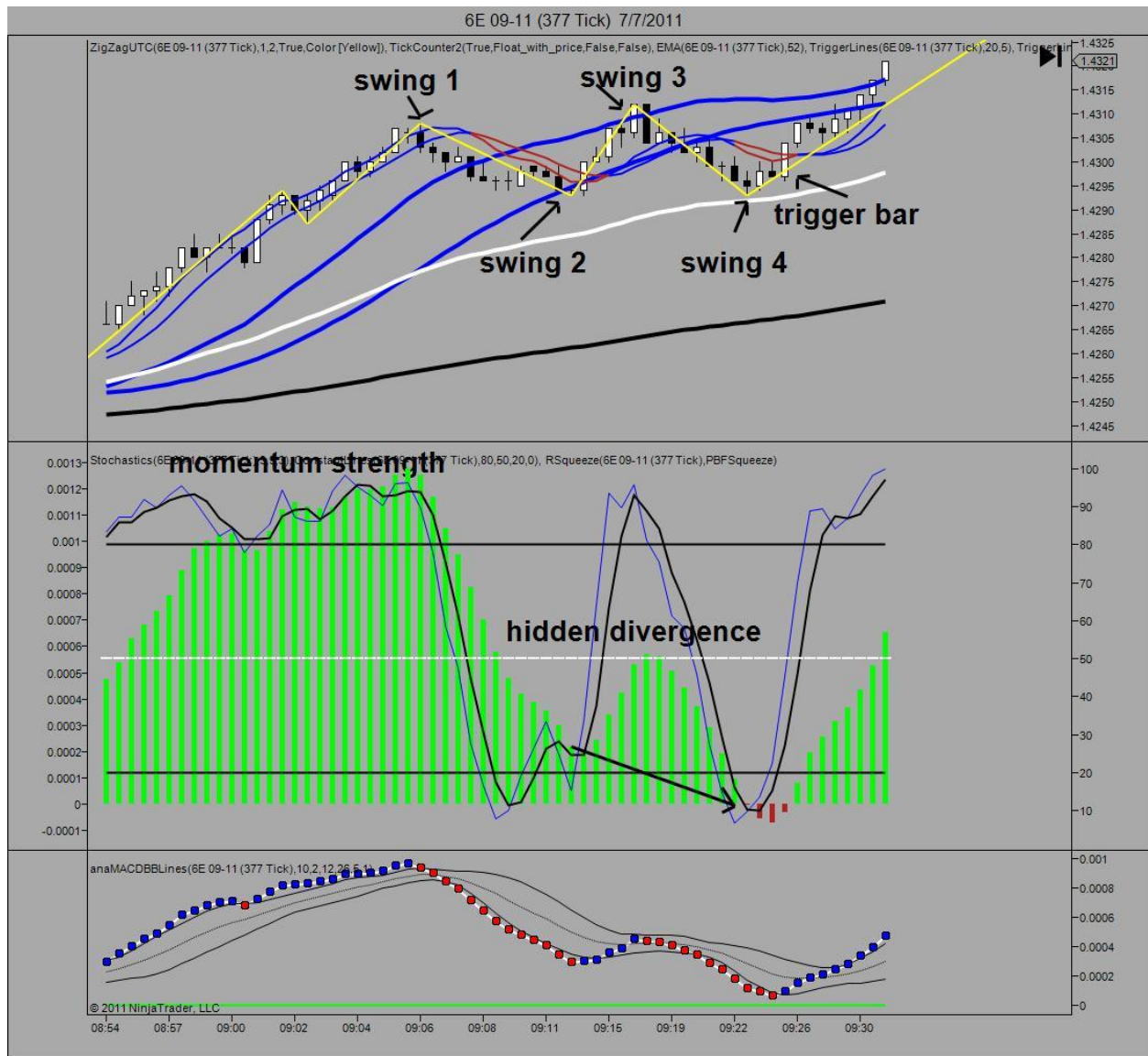
- 1. The 1st leg MUST be a HH**
- 2. The 2nd leg MUST be a HL or double bottom but generally it will not reach the MA's**
- 3. The 3rd leg MUST NOT make a HH**
- 4. The 4th leg MUST make either a double bottom, hence the letter "W" look or may form a HL, hence the "Lazy W" pattern. Either is valid**
- 5. The 4th leg MUST be within 2 ticks of the MA's or the top of the cloud**
- 6. This pattern MUST form without a candle closing below the 50 MA**

377 CHART

To prevent over repetition, the setup required to take this trade on the 377 chart are EXACTLY the same as a Long Trend Trade covered in the previous examples. You MUST have the same setup on the 377 per the rules for the trend trade, the only difference is how the pattern formed on the 1508 chart



377 chart on the W pattern



Short M Top pattern

This is a trade that can only be considered in a Strong Downtrend

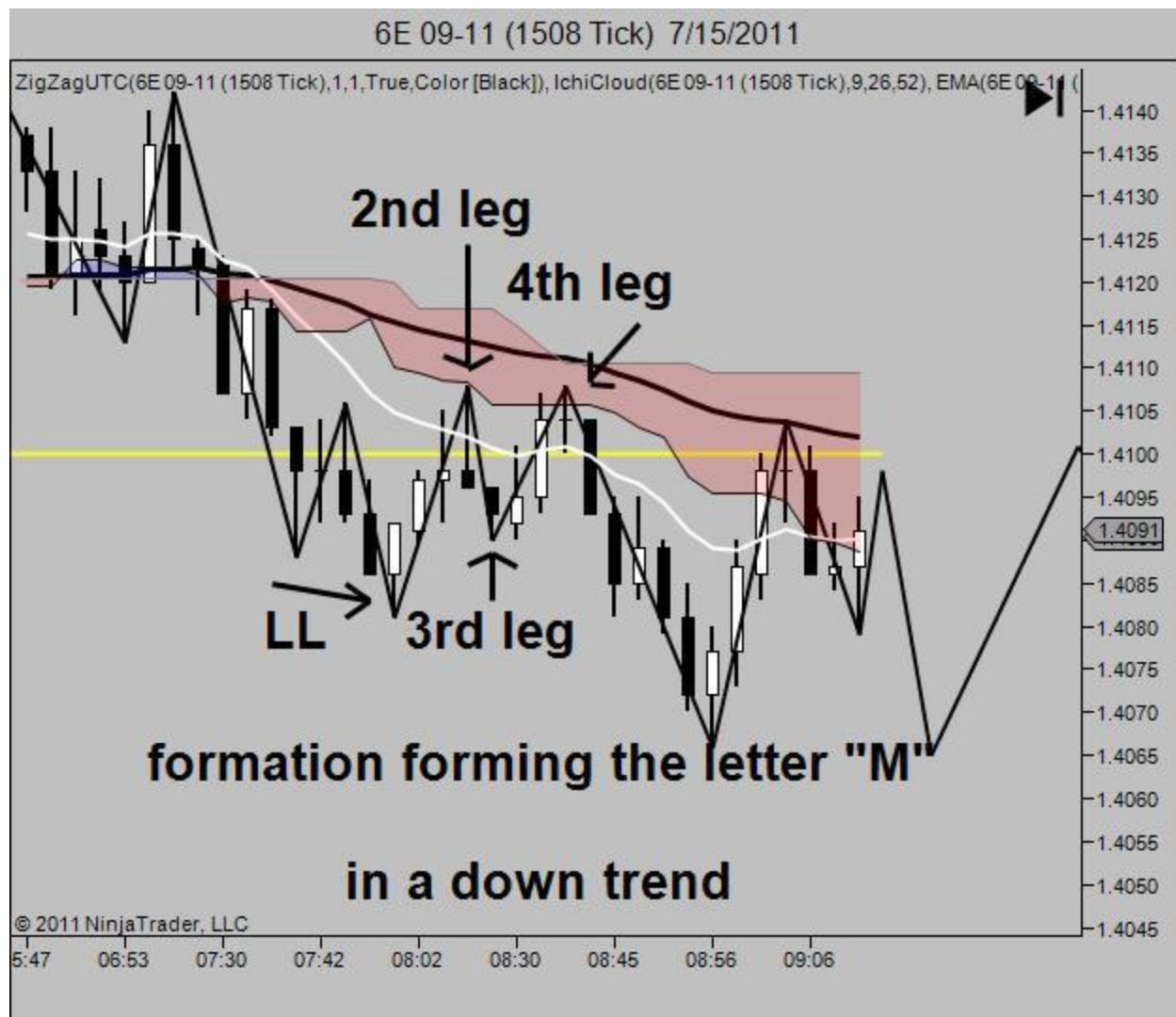
1508 CHART

- 1. The 1st leg MUST be a LL**
- 2. The 2nd leg MUST be a LH or double top, but generally will not reach the MA'S**
- 3. The 3rd leg MUST not make a LL**
- 4. The 4th leg MUST make a double top, hence the letter "M" look or may form a LH, hence the "Lazy M" pattern. Either is valid**
- 5. The 4th leg MUST be within 2 ticks of the MA's or bottom of the cloud**

6. This pattern MUST form and complete without a close above the 50MA

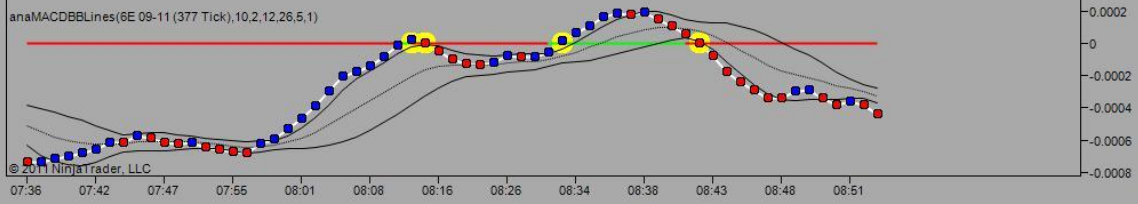
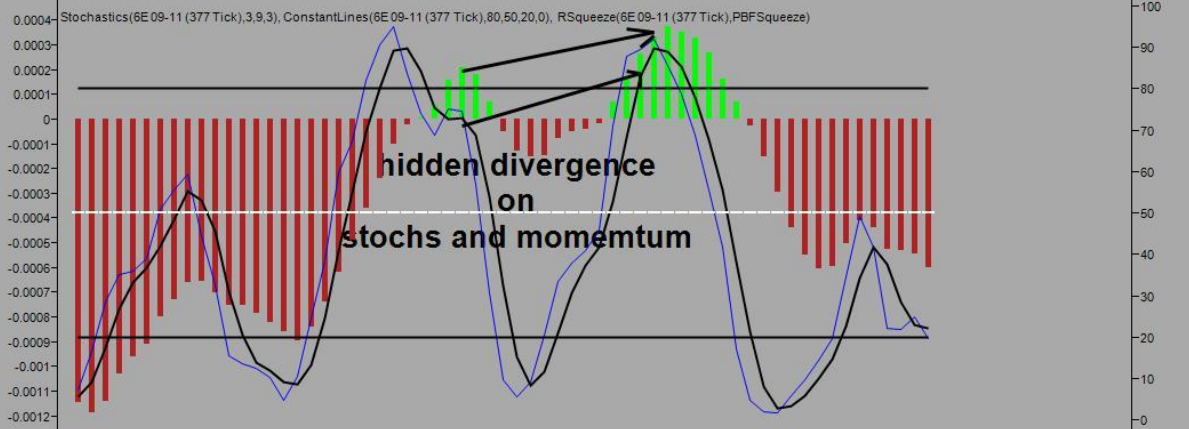
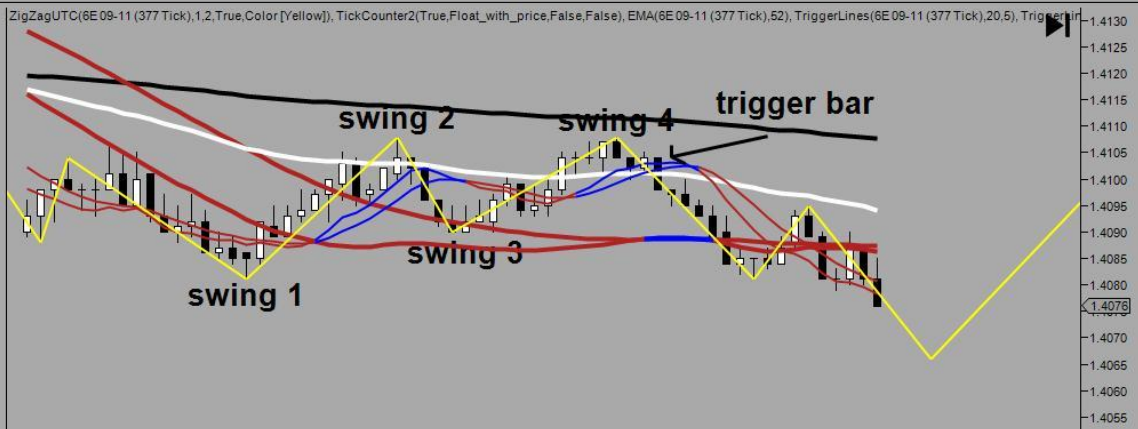
377 CHART

Again to avoid needless repetition in order to take this trade all rules must be met per the Short Trend Trade discussed earlier. All rules per the Short Trend Trade must be met for entry on this pattern



377 chart showing this trade

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Long Trend Reversal Trade

This is a very aggressive trade and is not recommended for beginners. I suggest you trade trend trades before moving to this one

The purpose of this trade is to attempt to capture a profit from trend traders closing their trades as the market attempts to change direction.

Obviously if trend traders do not close their positions which this trade depends on the setup will fail very quickly

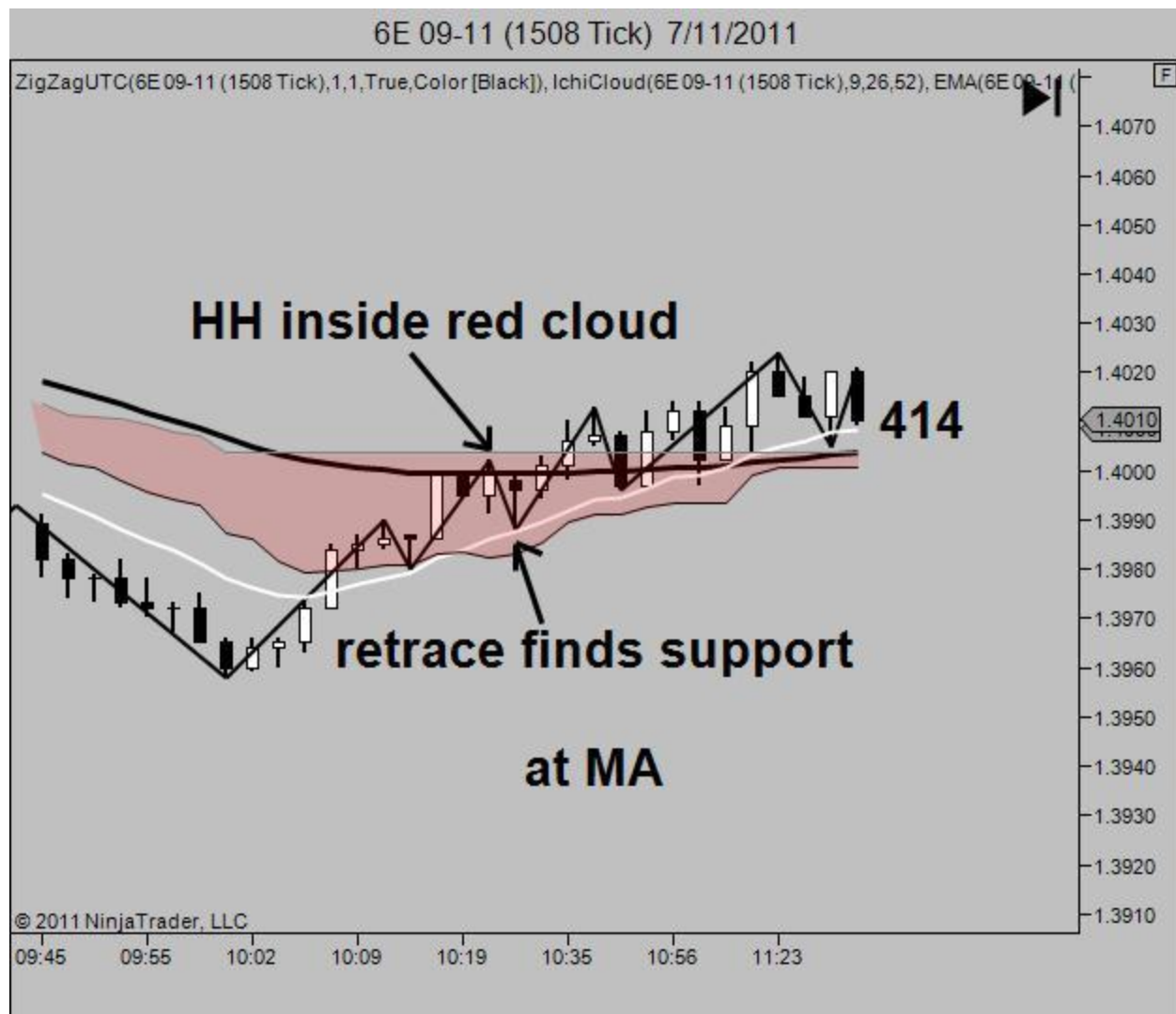
1508 CHART

- 1. Price MUST form a HH swing inside a red cloud**
- 2. You MUST wait for a retrace that is confirmed by the ZigZag turning back down.**
- 3. The retrace when confirmed MUST retrace back to an MA or the bottom edge of the cloud. NO candle can CLOSE below the cloud**
- 4. If price finds support and is rejected at the MA or cloud refer to the 377 chart for entry**

377 CHART

- 1. Big Trigger Lines must support this trade, they MUST be BLUE and WIDE SPREAD apart**
- 2. All other rules are EXACTLY the same as the Long Trend Trade**

See 1508 chart below for trade setup



You will see as is usually the case you are considering a trade right into the 50MA. That is why these trades must work immediately. This trades success depends on traders that were short covering their positions which in turn drives price up

377 Chart setup on this trade



Short Trend Reversal Trade

Again caution on this trade it is a very aggressive trade for the advanced trader who is familiar with the more simple trades

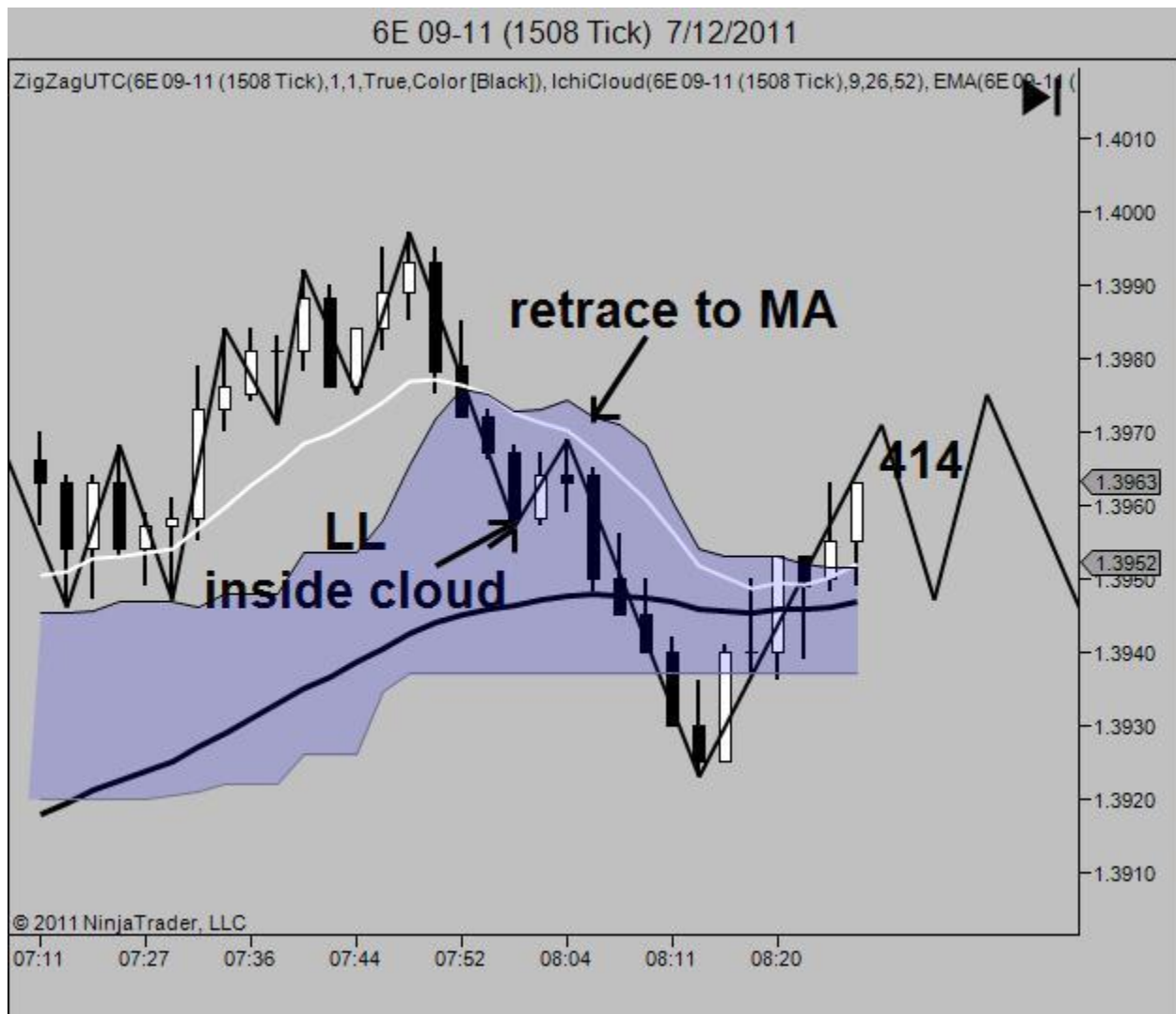
1508 Chart

- 1. Price MUST form a LL swing inside a blue cloud**
- 2. You MUST wait for a retrace that is confirmed by the ZigZag turning back up**
- 3. The retrace when confirmed MUST retrace back to an MA or the top edge of the Cloud. NO candle can close above the Cloud**
- 4. If price finds resistance and is rejected at the MA or Cloud refer to the 377 chart for entry**

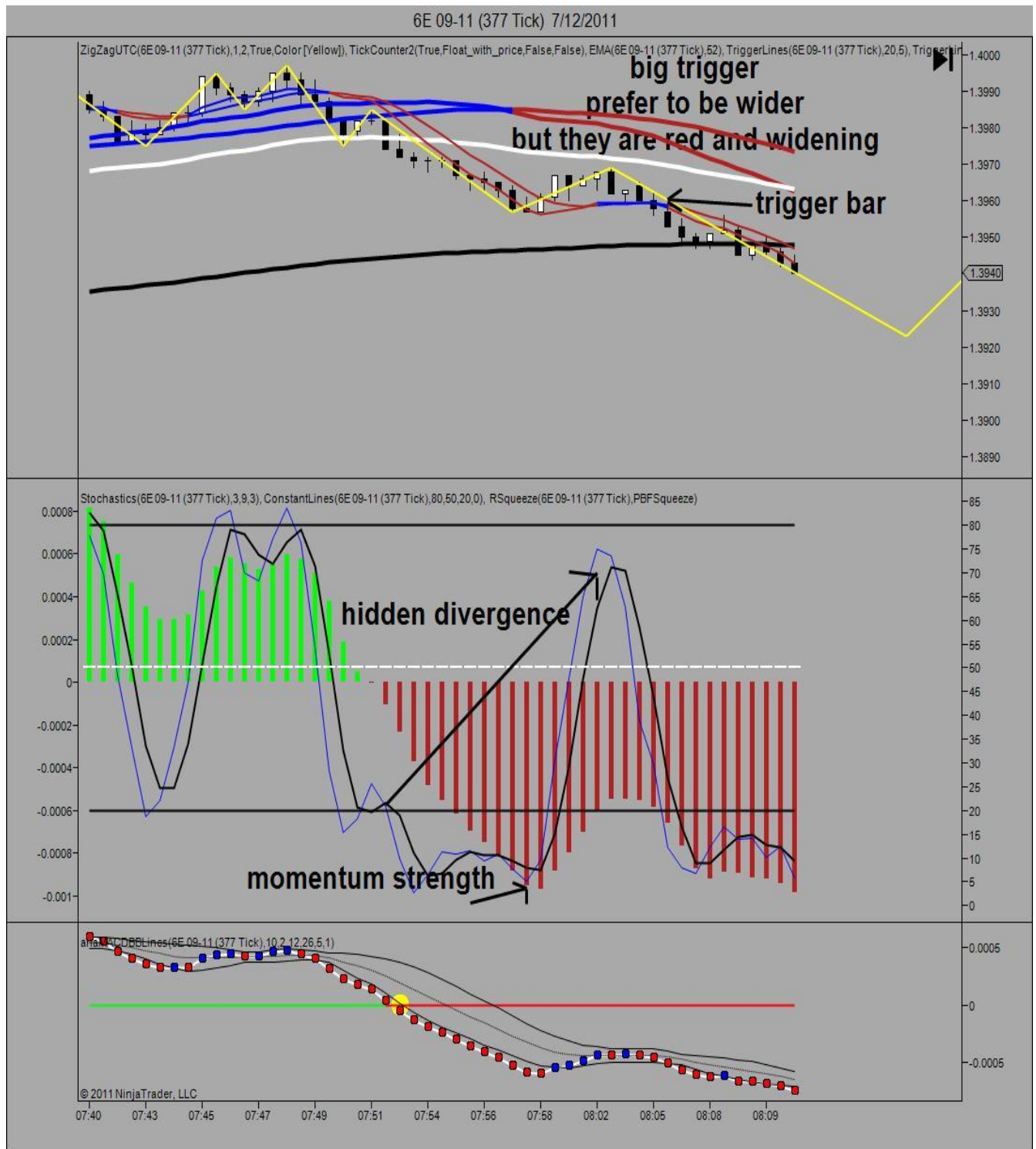
377 Chart

1. Big Trigger lines must support this trade, they **MUST** be RED and **WIDE SPREAD** apart
2. All other rules for entry are **EXACTLY** the same as the Short Trend Trade

see here the 1508 setup



377 chart on trade signal



ABCD RETRACE

This is a pattern you will not see often. It mainly will occur in a very STRONG trend. When it does occur it is a very strong trend continuation signal that rarely fails to make a HH or LL

In this example I will show a short trade as these trades not occurring often are hard to find examples of in the historical data. The pattern for a long trade would be exactly the same just upside down

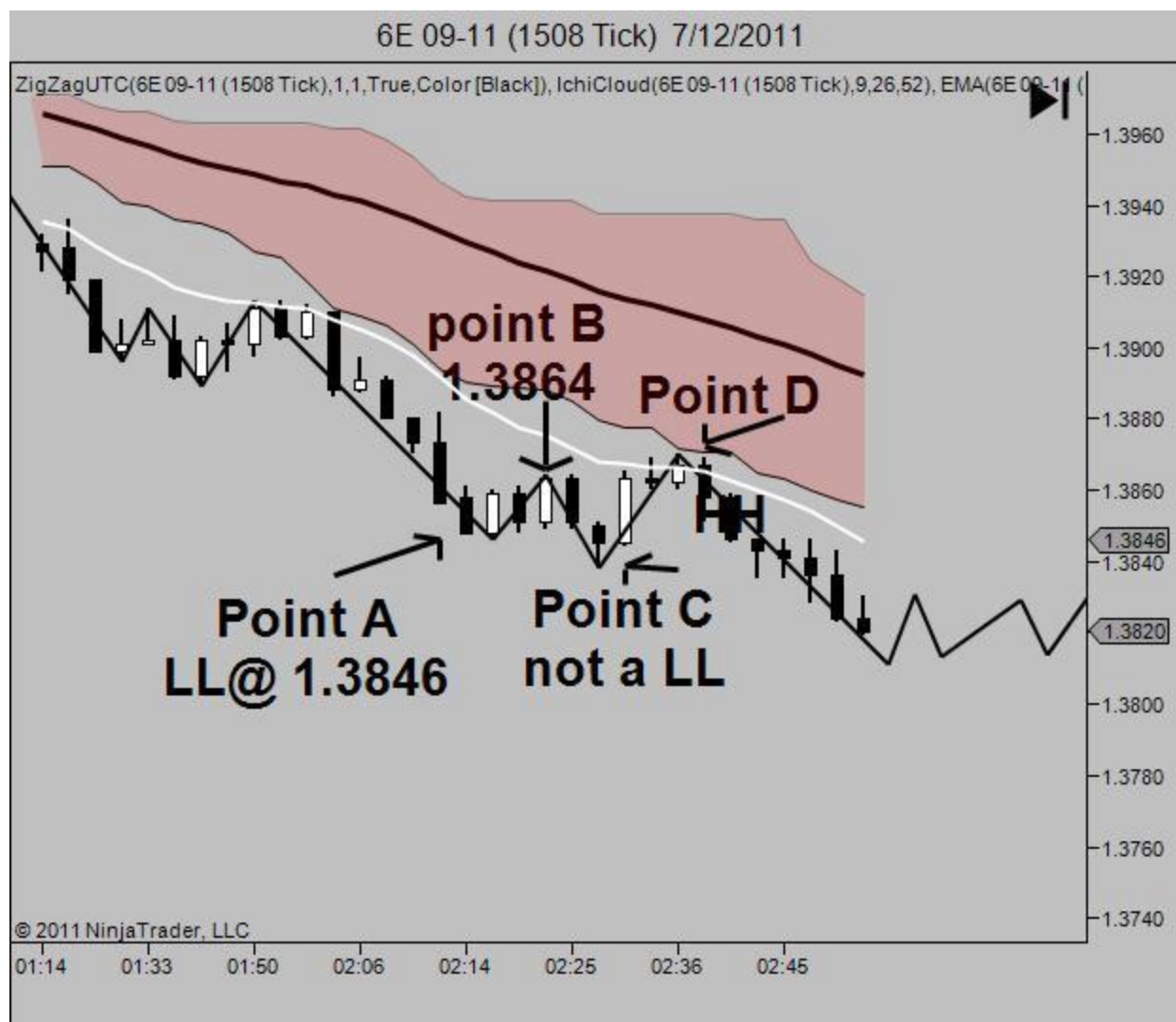
1508 CHART

- 1. The 1st leg MUST be a LL, HH for a long**
- 2. The 2nd leg MUST be a LH, HL for a long**
- 3. The 3rd leg MUST NOT make a LL, HH for a long**
- 4. The 4th leg MUST be a HH, LL for a long**

apply a letter for each step ABCD

- 5. The 4th leg MUST find support at the MA's or cloud, or find resistance at the MA'S or cloud for a short**
- 6. Calculate the PRICE difference between points A&B, round the difference to the next higher even number if necessary. Divide that number by 2 and add it to point B, or subtract it from Point B for a long. NO 1508 candle can CLOSE above the calculated number or the setup is void, below it for a long**

Let's first look at the 1508 chart for further understanding



look at Point A it is a LL at 1.3846

Look at Point B it is a LH at 1.3864

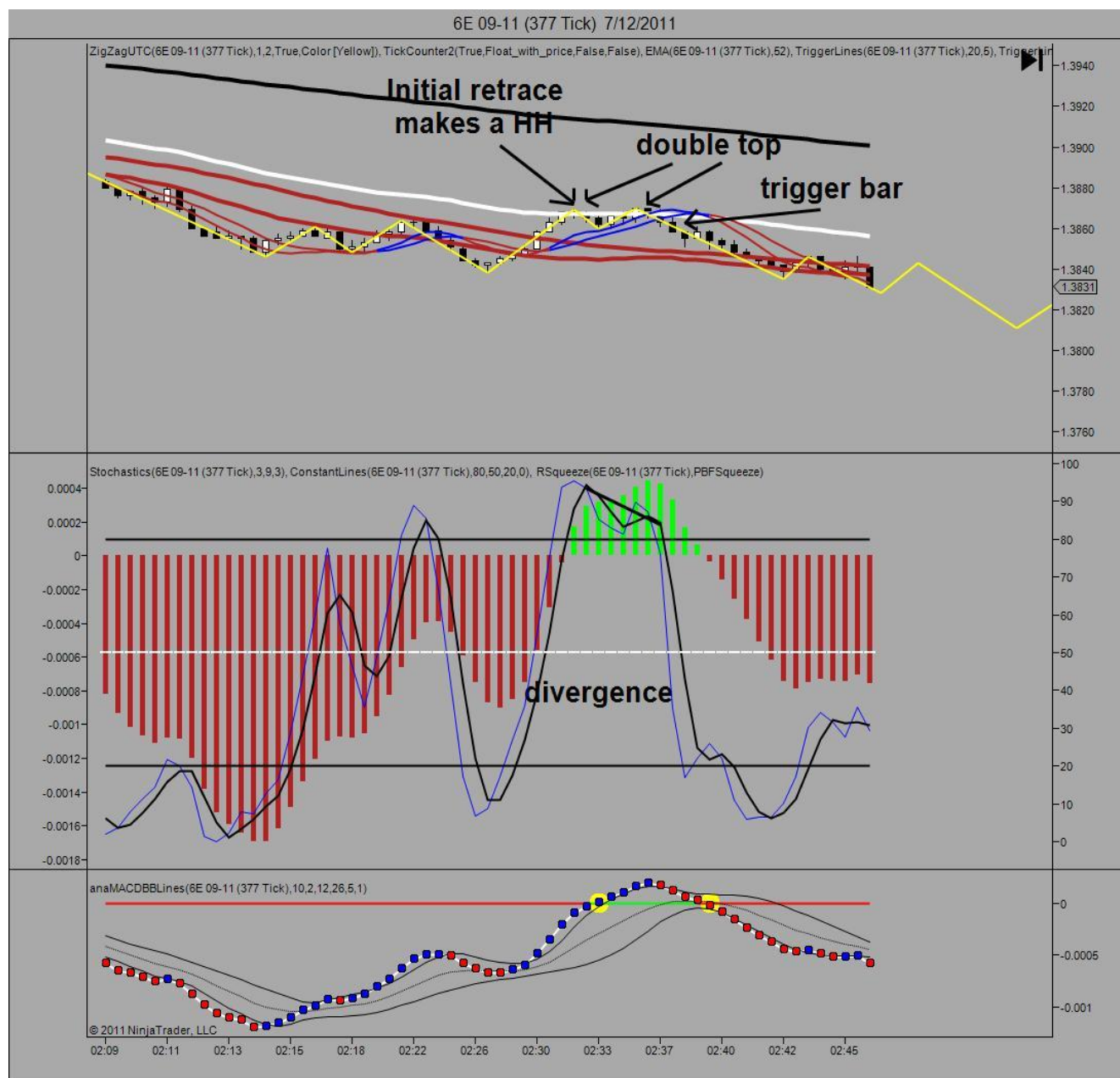
We have to wait and make sure Point C does not make a LL - it does not as NO candle CLOSES below 1.3846

When it fails to make a LL take the difference between A&B 18 ticks, right divide by 2 = 9, add 9 to point B =

1.3873, right - NO candle into Point D closes above 1.3873

refer to the 377 chart and see if a short trades triggers per the Short Trend Trade rules, as you see NO ENTRY RULES ever change regardless of the 1508 pattern. The 377 Trend trade rules apply to every pattern with the exception of the Trend Reversal Trade when the Big Trigger Lines become part of the rules.

On the next page we look at the 377 chart and the trade entry on the ABCD



1. initial retrace makes a HH, Stochastic goes higher so no entry there
2. 2nd push up forms a double top with a standard divergence on Stochastics
3. Entry candle appears 2 bars later

Traders,

These are the main setups that I look for every day and I don't trade until I get one of them.

You don't need more indicators, you don't need different time frames - you need to know these patterns and understand them - then you need discipline and patience to wait for them to form

Study this document, open your charts, take 1 trade setup at a time and find them - you will find that when you wait, followed by the correct setup on the 377 you will have enough winning trades at the end of each week to support your needs. Isn't that why we trade

For those who have been in my room on a consistent basis there is another trade I take. I did not include it in this document because I can't find a way to logically explain it in text. It is the trade that you have heard me talk about where price breaks below/above the cloud and forms a LH/HL without making a LL/HH first. I will

have to cover this trade in the room and let you see it as it forms

In the mean time I tried to finish this document so you would have it as quickly as possible before we meet again. Study it and be familiar with these setups when you join the trading room

Good Trading,

Charles