

5 Pillars of Active Trend Trading



*Timing is More Important
than Price. ~ W.D. Gann*

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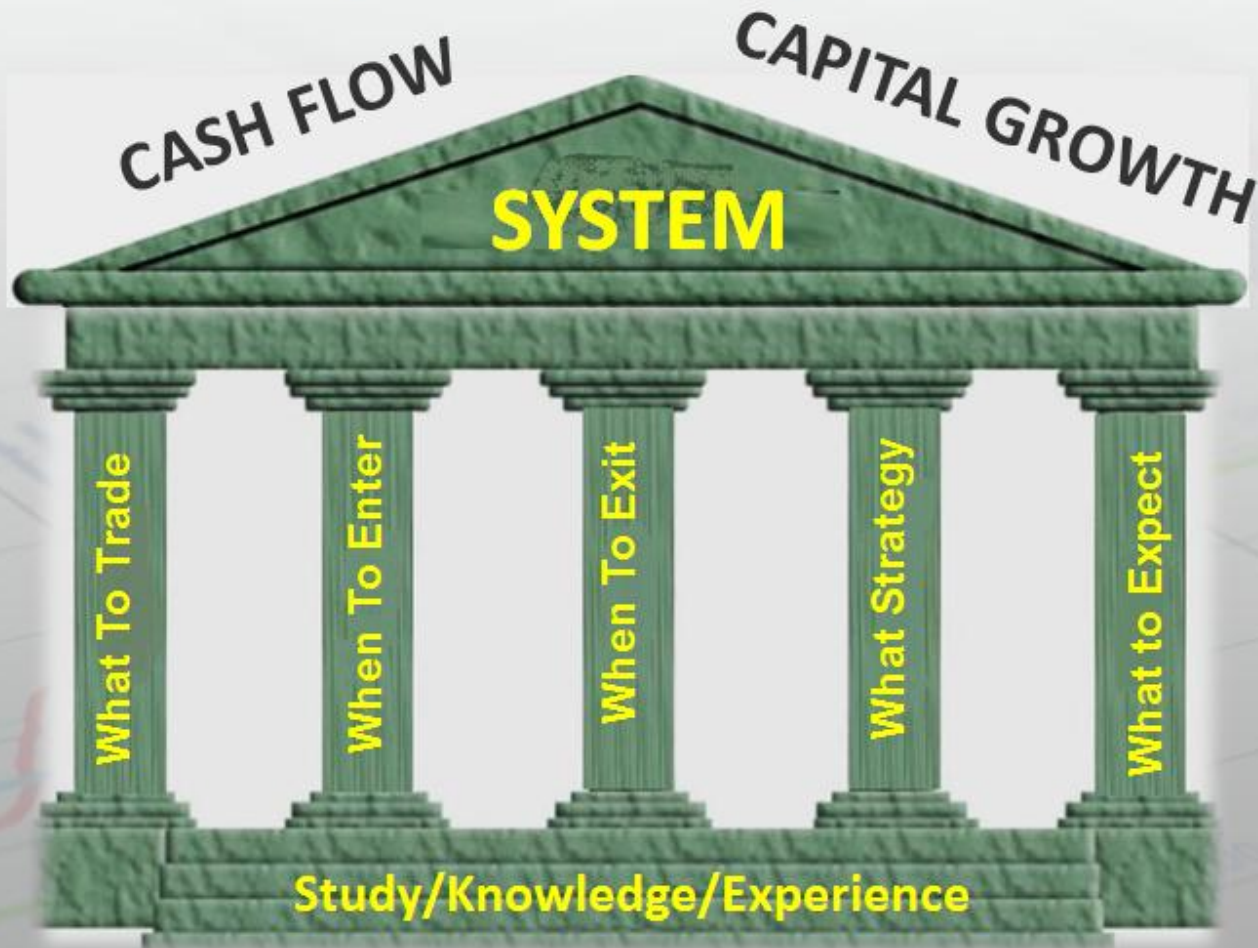
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All Materials presented are for training purposes only . Traders should paper trade any new method prior to risk of personal capital.

5 Pillars of Active Trend Trading

System to Campaign



Pillar 2 & 3

Sound Trading Systems tell us:

1. When To Enter
2. When To Exit

Each of these Pillars should have the following characteristics:

- A. Have **Estimated Objective** entry/exit Action Points
- B. Be Planned For

Pillar 2 & 3

When to Enter & Exit falls into these categories

1. **Trend Line Breaks**
2. **Moving Average Breakouts**
3. Support & Resistance Bounces/Failures (Up or Down)
4. Candlestick Reversal Patterns

Exits: When to exit requires more decisions, and appear to more challenging. Entries are one time events, exits require more strategy

- Partial Profit Exits
- Full Profit Exits (No Such Thing)
- Loss Exits

Pillar 2 & 3

Modeling Bullish Trades on the SPY from 2004 through 2013 with all triggers allowed with the exception of trend line breaks showed the following.

Entry Action Point Triggers	Occurance	% of Occurrence
Close Above 8 day EMA	83	49%
Bounce From Support or Moving Average	46	27%
Confirmed Candlestick Reversal Pattern	39	23%
Total Action Point Triggers	167	

Exit Action Point Triggers	Occurance	% of Occurrence
Confirmed Candlestick Reversal Pattern	73	44%
Close Below 8 day EMA (Uptrend & Downtrend Rules Apply)	66	40%
Met Profit Target & Reversed	26	15%
Total Action Point Triggers	166	

Summary Model Results Available at: <http://activetrendtrading.com/expectations/>

Pillar 3--Exits

Entries are one time events

Exits require more strategy, planning and patience

Greater “Pucker” Factor

More Emotional and with Impulsive Temptations

Like getting out of a relationship

Types of Exits

- Partial Profit Exits (T1)
- Full Profit Exits (No Such Thing)
- Time Exits
- Loss Exits
- “Line in the Sand” Exits! -7% from purchase price

Pillar 3 Exits

Trend Line Break Exits: Probably the easiest but least total objective

1. **Trend susceptible to the artist and the canvas!**
2. **Best when used with supporting clues**
3. **End of Day Exit**

How Much breakout? 10¢, 20¢, 50¢, \$1.00 depends on the entity being traded

Once new downtrend is established, can use to enter bearish trades

Trend Line Break Exit Examples TNA



Trend Line Break Exit Examples TNA



Exit Order Set Up 3-10-14

1. Estimate Value of trend line at "A"
2. Determine Trigger Price by subtract Trigger Value
3. Determine Position Size to Close

The trend line at "A" is Approximately 81.79

Trigger Value = 25¢

Trigger Price = 81.54

End of Day if Price is below 81.54 sell to close

Shares: ?

Stop Loss: ?

Profit Target: ?

Time for conditional order: ?

Each trader must determine these last four based on their risk tolerance and account size.

Trend Line Break Exit Examples TNA



Exit Order Set Up (what Happens)

1. Next Day Closes below 81.54
2. Close Position

If you are not around just before the Close, place a conditional order that will sell the position on a close below the Trigger Price.

The trend line at "A" is Approximately 81.79

Trigger Value = 25¢

Trigger Price = 81.54

End of Day if Price is below 81.54 sell to close

Shares: ?

Stop Loss: ?

Profit Target: ?

Time for conditional order: ?

Each trader must determine these last four based on their risk tolerance and account size.

8 day EMA Exit TNA

8 day EMA Exit Set Up 3-11-14

Better Exit if: In other words its worth waiting

1. Old Trend has been broken
2. Retesting Resistance—Confirming Clue

The Order Set Up

1. Close Below 8 day EMA at "A"
2. Determine Trigger Price by Subtract Trigger Value
3. Determine Position Size
4. Place Conditional Order To Sell Position GTC

Day **Low** at "A" is Approximately 80.28

Trigger Value = 20¢

Trigger Price = 80.08

Place Conditional Order: If At or Below 80.08 close at market

Risk: Gap Down below Stop Loss

Shares: ?

Stop Loss: ?

Profit Target: ?

Time for conditional order: ?

Each trader must determine these last four based on their risk tolerance and account size.



Support & Candlestick Exit Set Ups 1

What is Resistance:

1. Define Yours

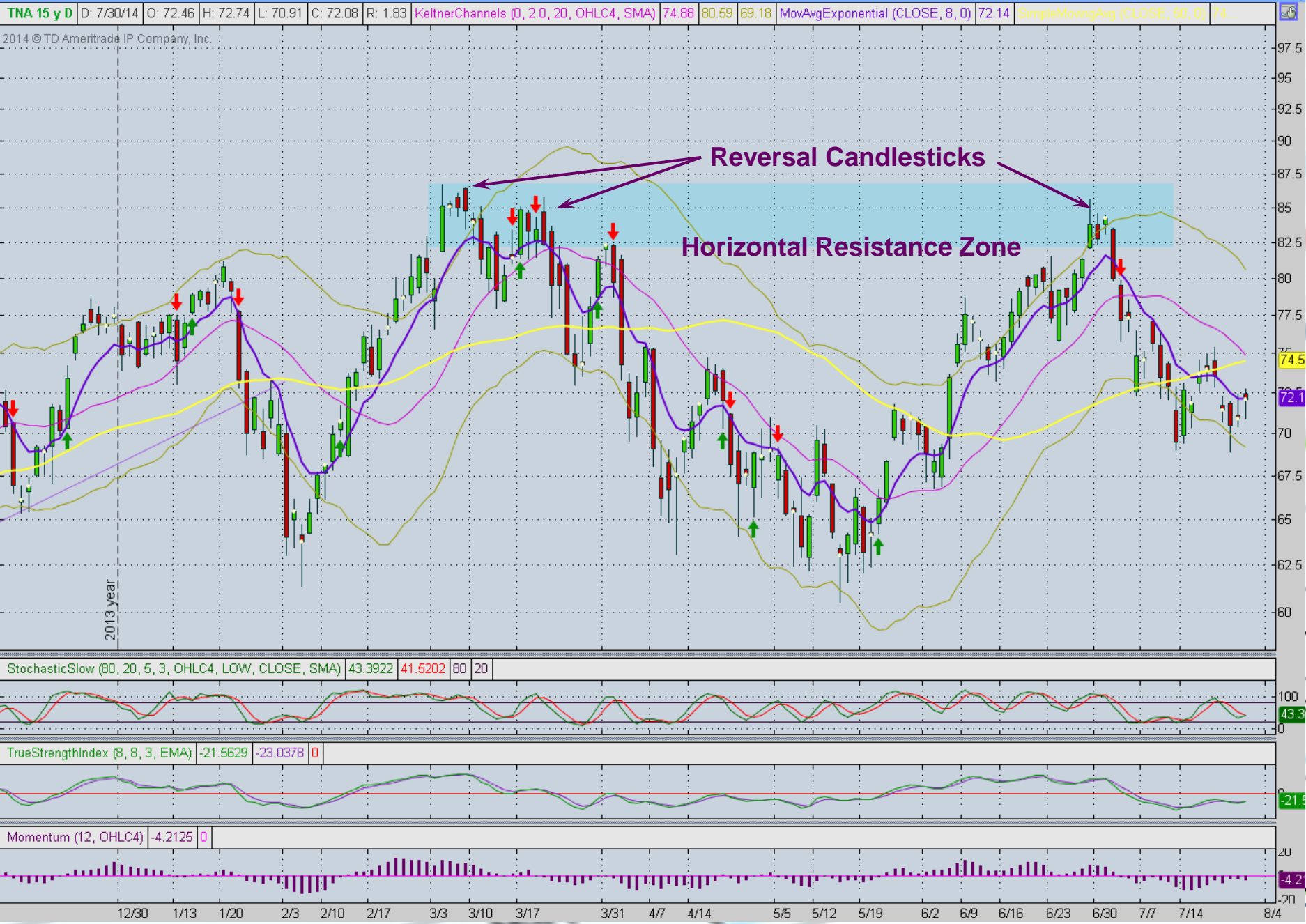
- Horizontal
- Moving Averages
- Keltner Channels (covered in Keltner Channel Presentation)

2. Establish Trigger Rules

- How Much to add 10¢, 20¢, 50¢, \$1.00 depends on the entity being traded
- Close on Candlestick Signal
- Close on Confirmation

Notice there is consistency here between the triggers. Once you choose stick with the choice and refine slowly

Support & Candlestick Set Ups 1



Candlestick Exists TNA



Candlestick Exit Set Ups 1

Better Exit if: In other words its worth waiting

1. Well Defined Support/Resistance
2. Retesting Support/Resistance

The Order Set Up

1. Identify Reversal Candlestick Pattern
2. Exit on Signal or
3. Exit on Confirmation
4. Determine Stop Loss
5. Determine Profit Target

Bottom of Resistance Zone at "A" is 82.00

Trigger Value = 25¢

Trigger Price = 81.75

Set Conditional Order to close position BELOW 81.75

Bearish Entries TNA



Resistance/Moving Average Bearish Entry Set Ups

Better Entry if: In other words its worth waiting

1. Moving Average Moving in Direction of Trend
2. Retesting MA Break Down
3. Sell Bounce not Fade

The Order Set Up

1. Estimate a value below defined Moving Average
2. Determine Trigger Price by subtracting Trigger Value
3. Determine Stop Limit Range
4. Determine Position Size
5. Determine Stop Loss
6. Determine Profit Target

Shares: ?

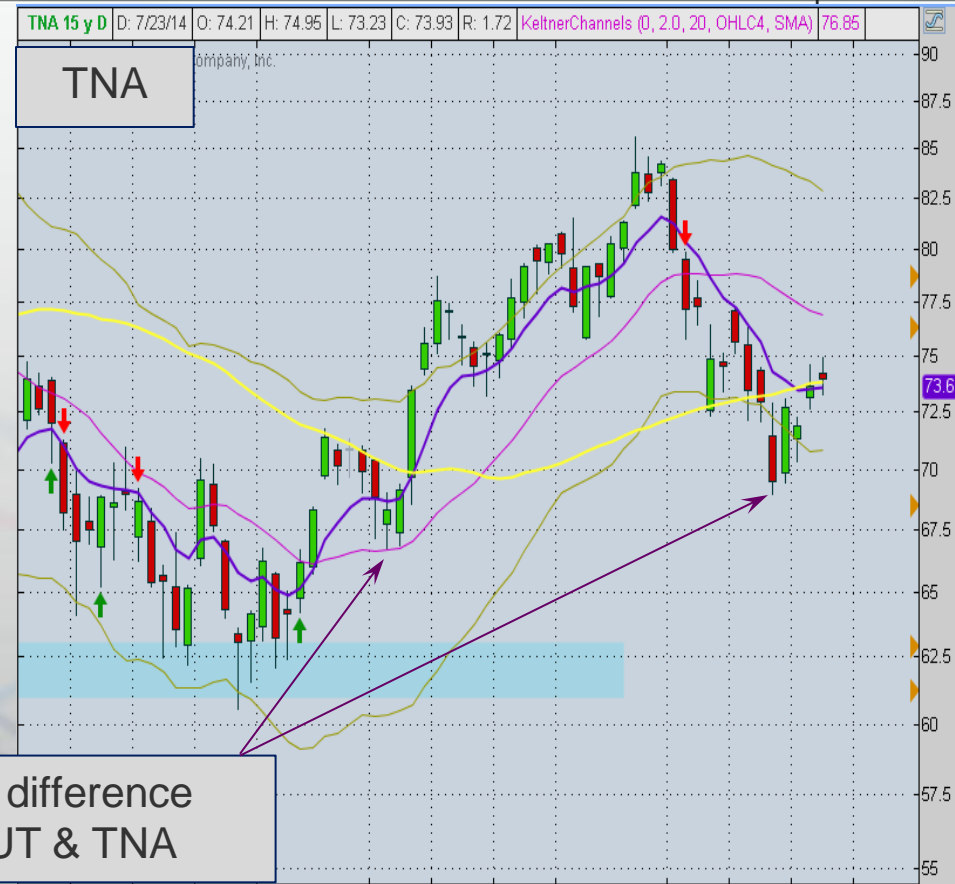
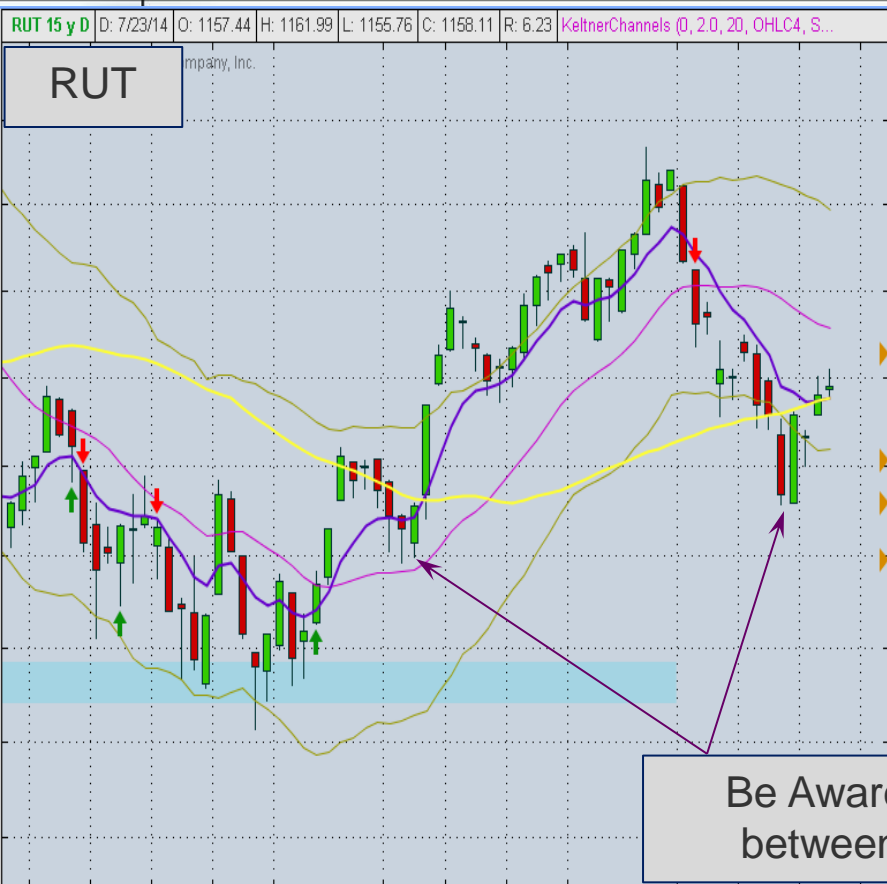
Stop Loss: ?

Profit Target: ?

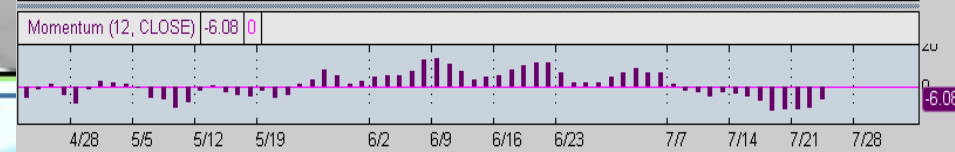
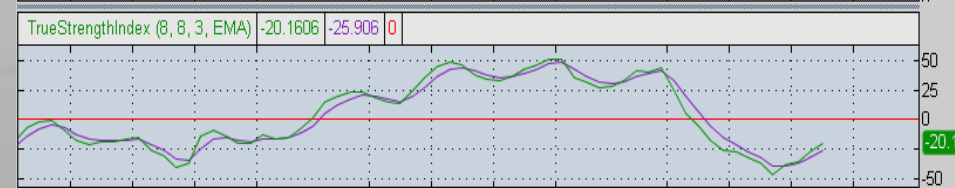
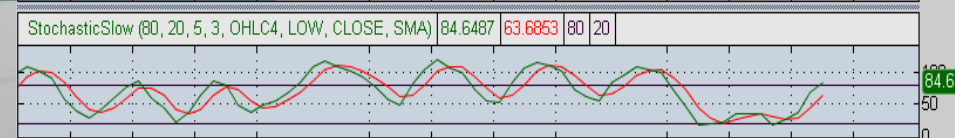
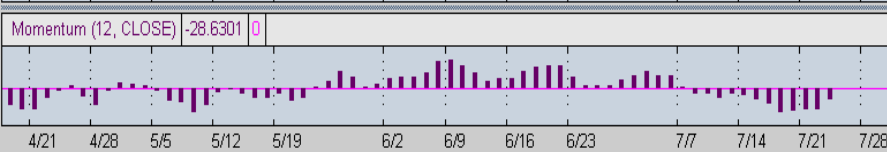
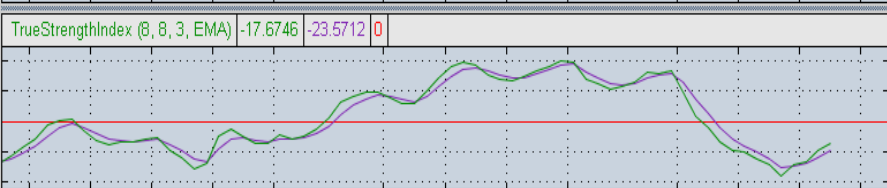
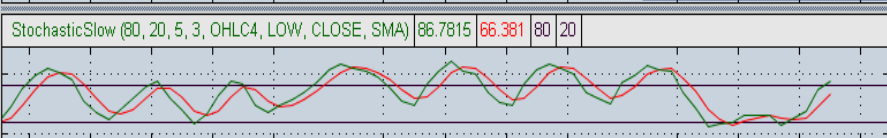
Time for conditional order: ?

Each trader must determine these last four based on their risk tolerance and account size.

TNA TIPS



Be Aware of difference
between RUT & TNA



Summary

- ✓ Four Major Exit Signals For Long Trades
- ✓ Entries for Short Trades after confirmed downtrend
- ✓ Estimated Objectiveness
- ✓ Decide and Then Be Consistent
- ✓ Monitor & Refine

