

iMTF™: Simple Way to Trade



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Background

I was a retail trader that was able to turn into a professional trader. My background was engineering. Like most engineers, we are fascinated with the financial markets. We believe we can conquer it because we have an engineering mindset.

I learned all about the technical indicators and experimented with them. Furthermore, I had a coding background, so I even went as far as developing my own custom indicators. My charts became very complex with multiple indicators.

After losing all my money during the Internet “bubble” bust, I WAS about to give up on trading completely. However, my father told me “if I give up, I will set a habit of always giving up”. I did not want to be a “loser” so I became humble and began the journey to determine why I lost everything. I needed to know my mistakes in order to fix them. If I didn’t, I would keep on losing more and more money in the markets.

The mistakes I made are the COMMON mistakes of all retail traders. They are the reason why 98% of retail traders fail. What are the mistakes? Here they are in the most simplified form:

- **Complex:** Retail traders seek a system that wins 100%. This does not exist. A system may be winning but when some losing trades occur, we doubt the system and start the “repair” process. The “repair” process could be adding other indicator(s) or even trying a brand new trading system. *The trading plan needs to be simple where it can be executed very easily, and the steps become a natural habit.*
- **Money management:** When a retail trader starts to trade, they are taught fundamental and/or technical analysis. Not too many people are taught money management. If they do, they only talk about winning vs losing. Money management consists of two main parameters. Win/loss and reward/risk. The most important metric is reward/risk. You will lose! The key is how big. In order to achieve consistent profits, you have to win big and lose small. Believe it or not, you can lose a lot and still be consistently profitable if you have a 3:1 reward/risk. This means you risk \$1 to make \$3. If a retail trader does not incorporate money management, they are “gambling”. Here is a video that goes through why money management is important to achieve consistent profits: www.imtftade.com/moneymanagement
- **Emotions:** Many retail trader’s trade with emotions. By doing so, they are “gambling”. *Traders become emotional because they are not confident with their trading plan.* A trader should test their trading plan with the past. If it was successful in the past, then it has a high probability to be successful in the future. If it was not successful in the past, there is no way, it will be today! Also, by back testing, it allows the trader to create a habit of executing the trading plan with no emotions. So why don’t people back test their trading plan? Number one reason is that is time consuming since their trading plan is complex. It goes back to the first issue.

Now that you know the reason why retail traders fail; how do you solve them? The iMTF indicator is the answer. How?

Let us show you with actions instead of words. We will show you how to use the indicator to trade. *You can then take the knowledge we give you, scroll back, and test it against any instrument and any timeframe.* We have simplified trading where back testing is simple and does not take much time!

Step 1: Setup->When to Think About Buying or Selling

There are only 3 market situations:

- Price goes UP (Bull)
- Price goes Down (Bearish)
- Price goes sideways (Consolidate)

In these 3 situations, you can make money in 2 out of the 3 states: Bull & Bear. Therefore, if you don't complicate the process, you have a 66% (2/3) chance of winning.

So how do you recognize when an instrument is Bullish, Bearish, or Consolidating without complicating everything? The method needs to be easy and remove all the subjectivity that traders can create. Easiest way is with visual colors! 😊

Bullish (Green): Bet on the instrument going up.

When you see the chart background a **green color** then you can start to think the instrument is bullish and start to setup the **orders to buy**. **Figure 1** shows a chart example of where the instrument has a green shaded background for a certain time period. When the background green, the trader can place orders to enter. When the background goes back to white, the trader should have either entered the trade or canceled the trade.



Figure 1: Weekly chart of MasterCard, Bullish Setup

Bearish (Red): Bet on the instrument going down.

When you see the chart background is a **red color** then you can start to think the instrument is bearish and start to setup the **orders to Sell**. **Figure 2** shows a chart example of where the instrument has a red shaded background for a certain time period. When the background red, the trader can place orders to enter. When the background goes back to white, the trader should have either entered the trade or canceled the trade.



Figure 2: 240m chart of Dollar Futures, Bearish Setup

Step 2: Where to Place Orders

If Step 1 is successful, now it is time to place the orders. Remember, you can not control the market. All you can do is recognize an opportunity and then place the “traps” i.e. the orders. If the orders get filled, then the market is ready to go in your direction. If the orders do not get filled and the shaded area disappears (background goes to white), the orders should be canceled because the market is not ready.

NOTE: Orders can only exist in the shaded area.

There are two types of orders that can be executed. The first is the breakout order. It has a high probability of success but a higher risk. The second is a pull back order. It has a low probability of success but a lower risk. There is no perfect situation. It is a balance between risk and success.

Most retail traders are attracted to pull back trades because of the low risk. Even though the risk is low, the retail trader thinks that losing will not affect them psychology. I believed the same, but I was wrong! When you get two losing trades in a row, it will affect your confidence. Even if the loss is small, it still does.

Therefore, it is always recommended that retail traders master the breakout setup first. If you're worried about the risk, relax because the indicator has optimization built into it. Back test any instrument and any time frame (scroll backwards) with the rules we give you and you will see what is the worst you will lose when it is a losing trade. *In this document, we will discuss the breakout entry only.* The optimization document will discuss pull back trades.

Breakout: You want to enter in the same direction that price is going. You want price to stop, let you enter, and then you want price to continue in the same direction. This is the easiest order type. Below are the visual components on the charts that will tell the trader *where to place the orders*.

1. ● **Blue Dot:** Buy/Sell Order Entry. This will be a Buy Stop order type for the Green shaded area and Sell Stop order for the Red shaded area. Breakout Entries are Stop orders whereas Pull Back Entries are Limit orders.
2. ● **Green Dot:** Conditional Stop order (OCO order). Remember, this is not your risk when you enter the trade. This is risk at SETUP. The green dots move so when you enter the trade, the green dot will have moved, and your risk will be lower.

Furthermore, it is recommended to put a price alert at the green dot. We call this a “Cancel Alert”. You don’t want to keep on looking at the charts. If the trade enters, you will get an alert. If the trade setup becomes invalid, you will get an alert.

3. ■ **Blue Cross:** This is the location where you will exit some (“Preserve mode”) or all(Target) of your positions. Which one depends on money management.

Figure 3 shows a Bullish Breakout Example. **Figure 4** shows a Bearish Breakout Example.

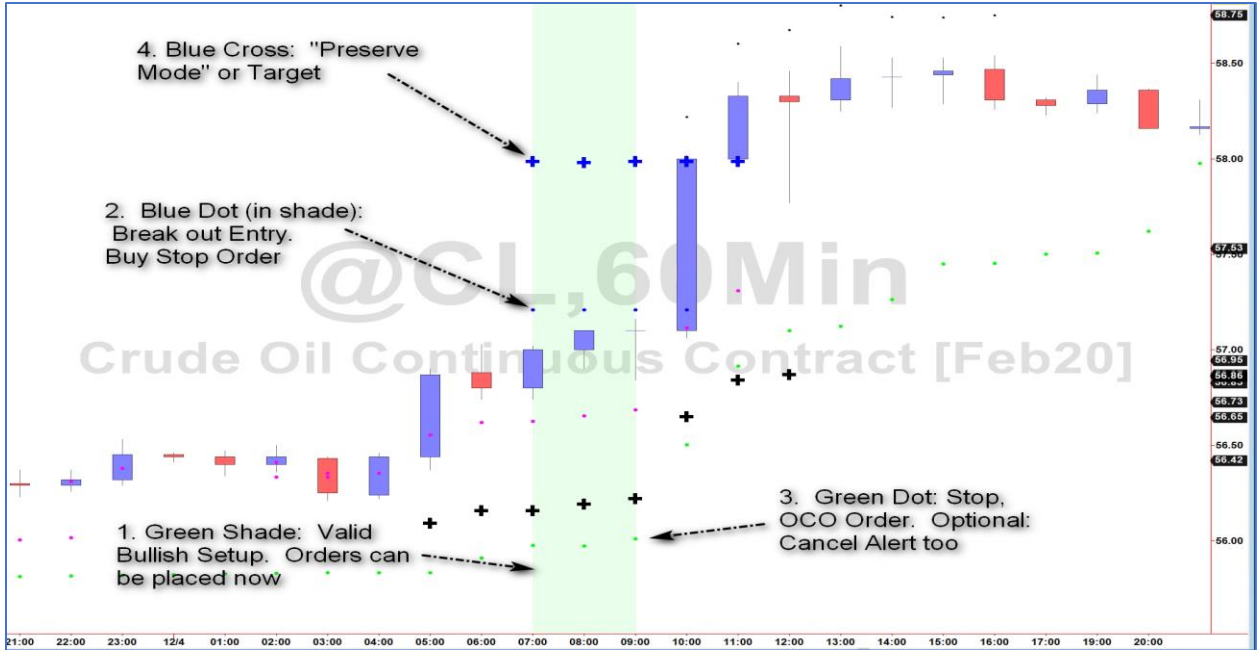


Figure 3: 60m chart of Crude Oil Futures, Bullish Setup with Orders

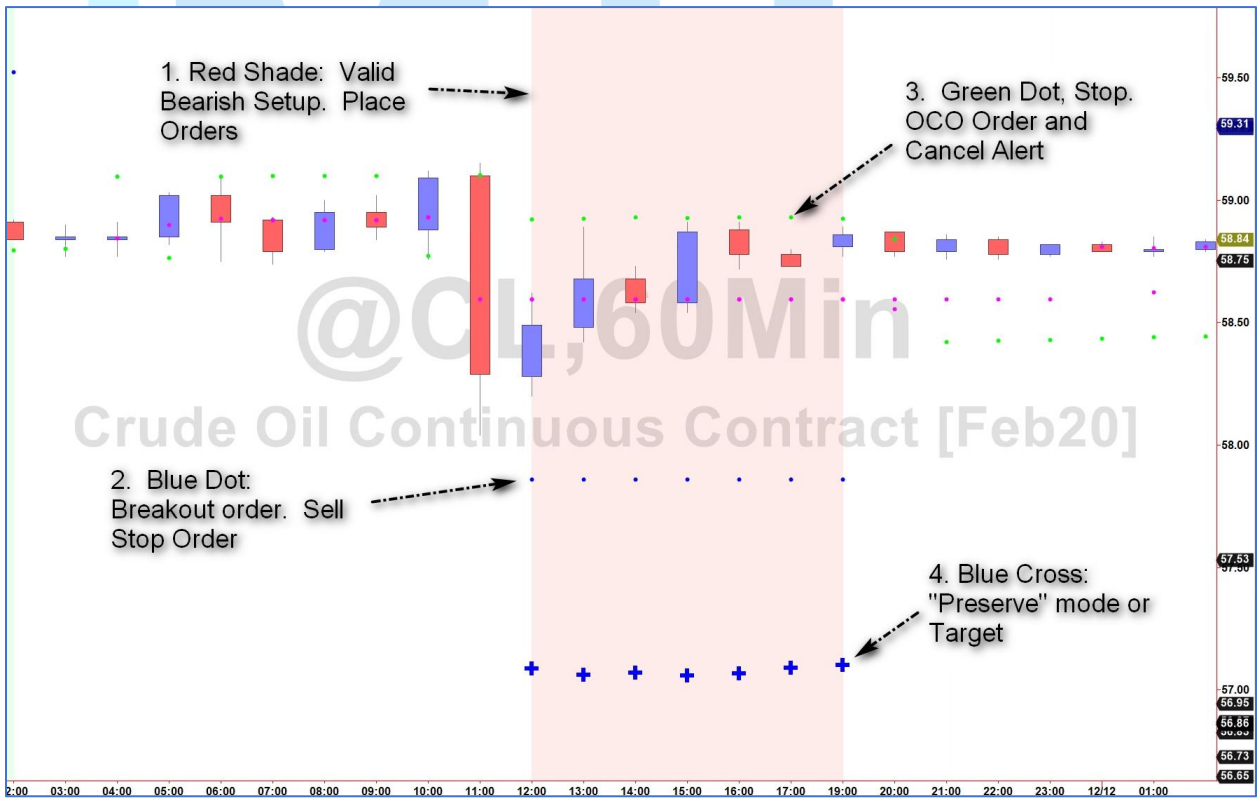


Figure 4a: 60m chart of @CL, Crude Oil, Bearish Setup with Orders

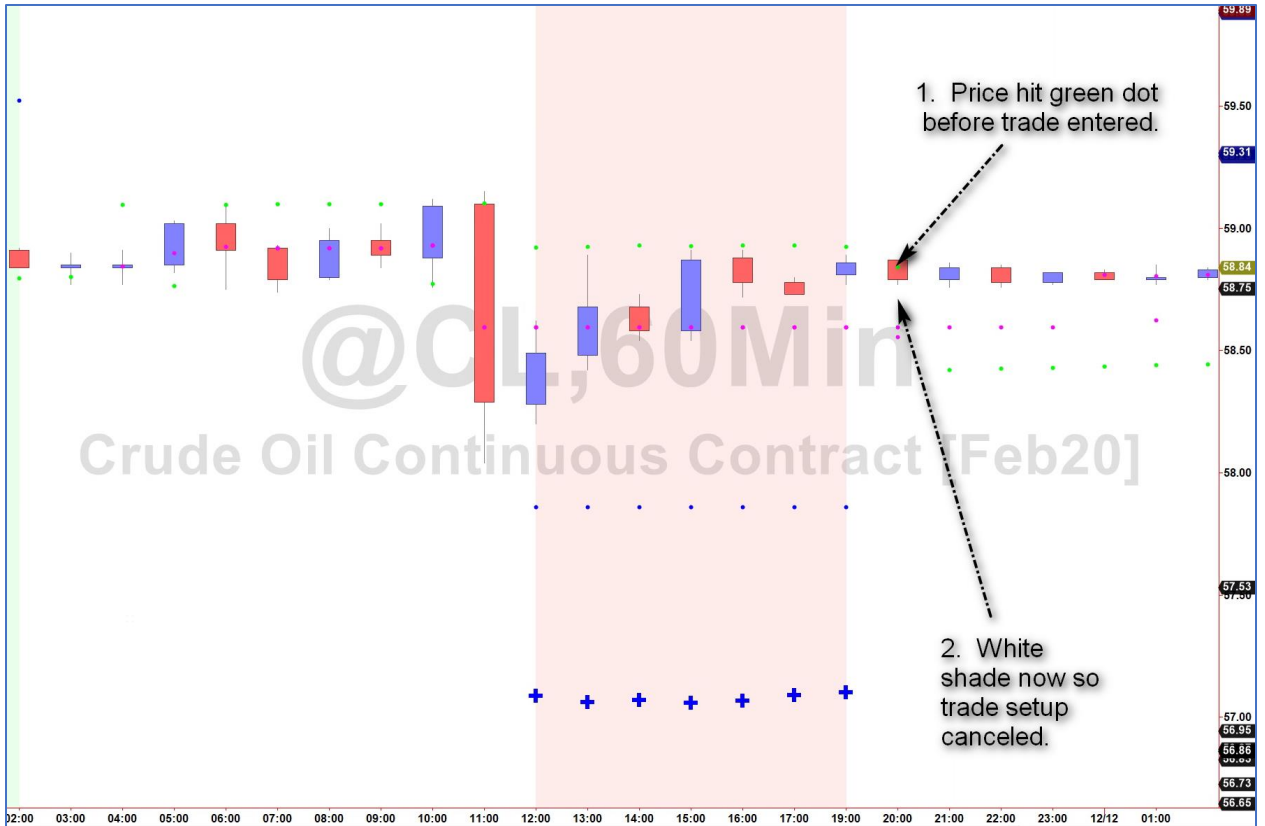


Figure 4b: 60m chart of @cl, Crude Oil, Cancel alert triggered

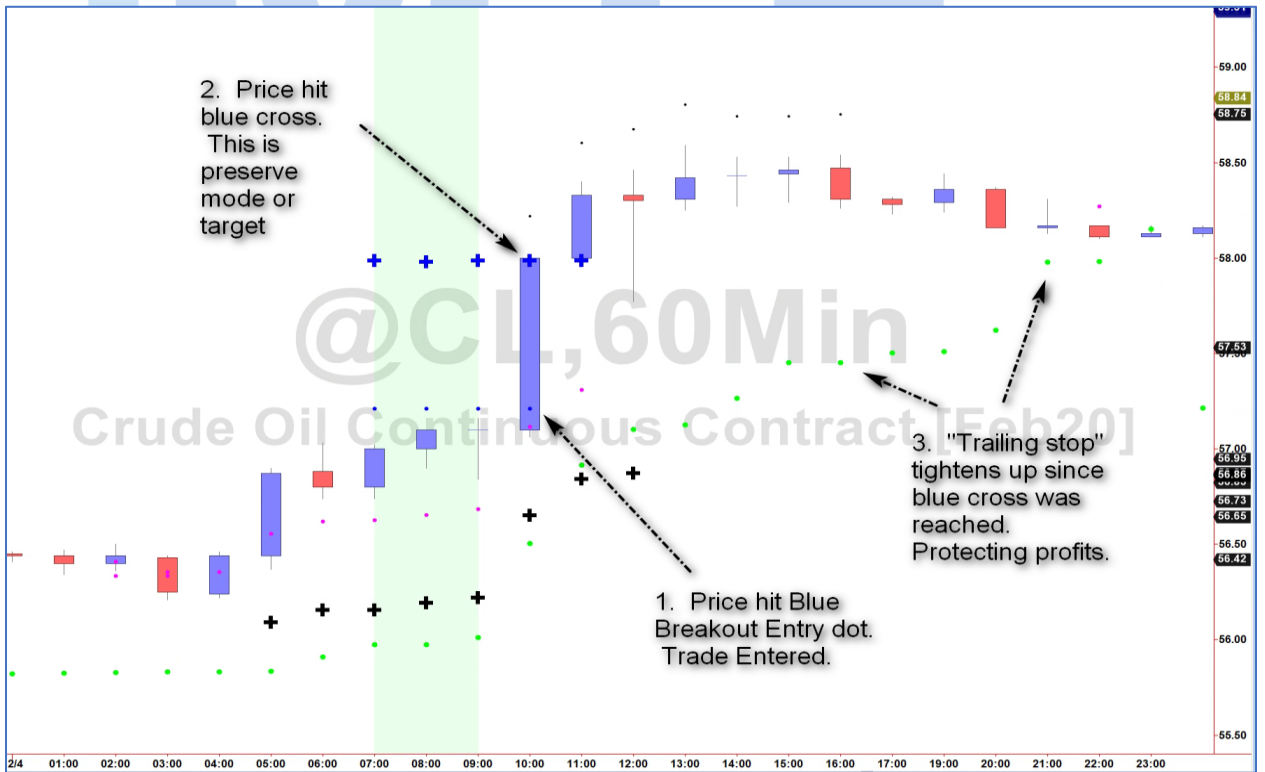




Figure 4c: 60m chart of @cl, crude oil, Second Setup Trade Entered.

Step 3: Trade Entry Confirmed

The breakout entry has a huge risk but a high probability of success. Due to the huge risk, we want to add some extra rules, so we don't lose at maximum risk. We will have 2 entry rules.



1. Entry Bar Confirmation:

This is the bar when trade was entered.

-  Blue Cross: Good Entry, Stay in the trade
-  Aqua Cross: Bad Entry, Exit the trade

2. 2nd Entry Bar Confirmation:

2nd Bar after you enter the trade. If the Entry Bar Confirmation failed (#1), you don't need to look at the 2nd bar because you exited the trade already.

-  Blue Cross: Good Entry, Stay in the trade (Figure 9)
-  Aqua Cross: Caution is needed. All traders should exit the trade. A pull back CAN possible occur. Aggressive traders can look to re-enter the trade depending on the pull back that occurred.

Here are some examples of different situations that can occur:

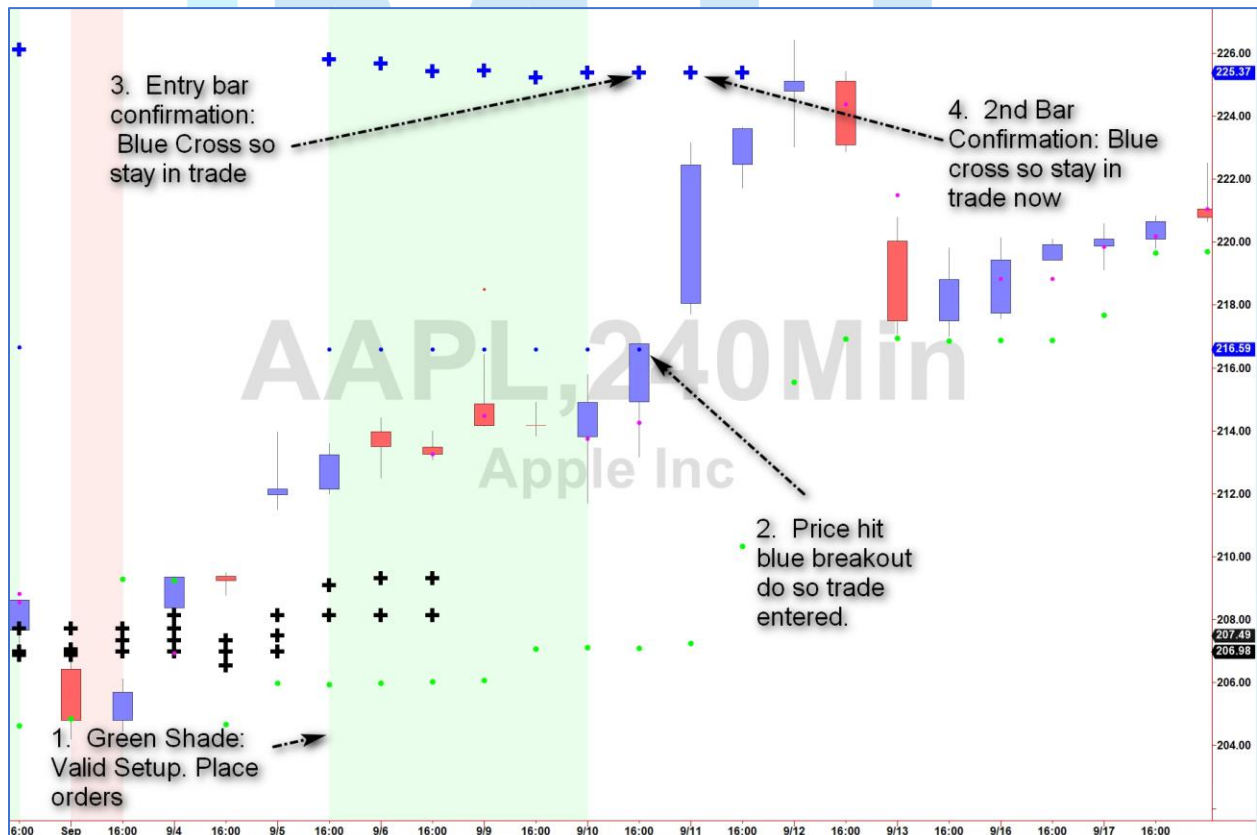


Figure 5: 240m chart of AAPL Stock, Bullish Trade passed both Entry Rules

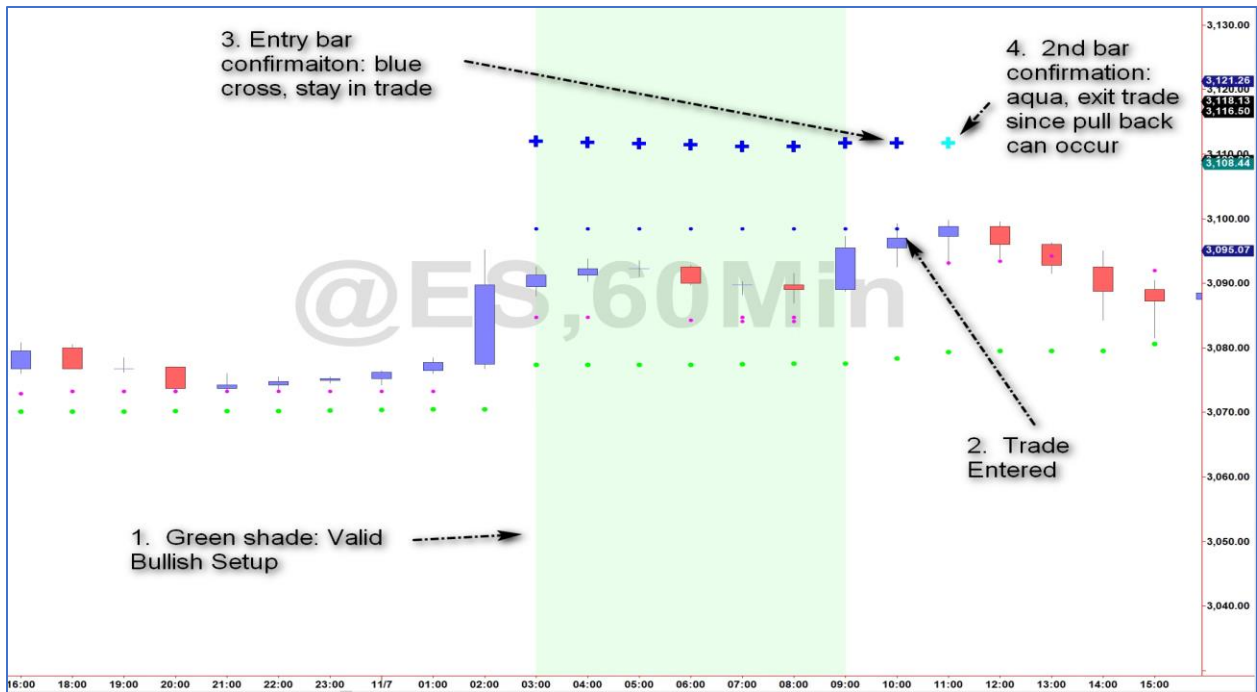


Figure 6: 60m chart of E-Mini Sp500 Futures, Bullish Trade failed 2nd Entry Rule. Trade Did not continue



Figure 7: 240m chart of GBPUSD, Bearish Trade 2nd failed 2nd Entry Rule. Trade Did continue

Step 4: Trade Management

Once the 2 entry rules have passed, all you have to do is manage the trade. This is easy. The green dots are your “trailing stop”. When the green dots change in value, change your stop. Continue to do this until you exit the trade for maximum profit or minimum loss. **(Figure 8)**

You can add some money management rules during the trade management stage. It is **recommended** when you get to the blue cross that you exit a % of your position. We call this “**preserve mode**”, i.e. you are preserving your profits and avoiding going “round trip”. Most traders are profitable in their trades. However, they can not keep the profits.

Also, some traders will also use a “tighter” stop or change their stop to break even until price hits the green dots during “preserve mode”.



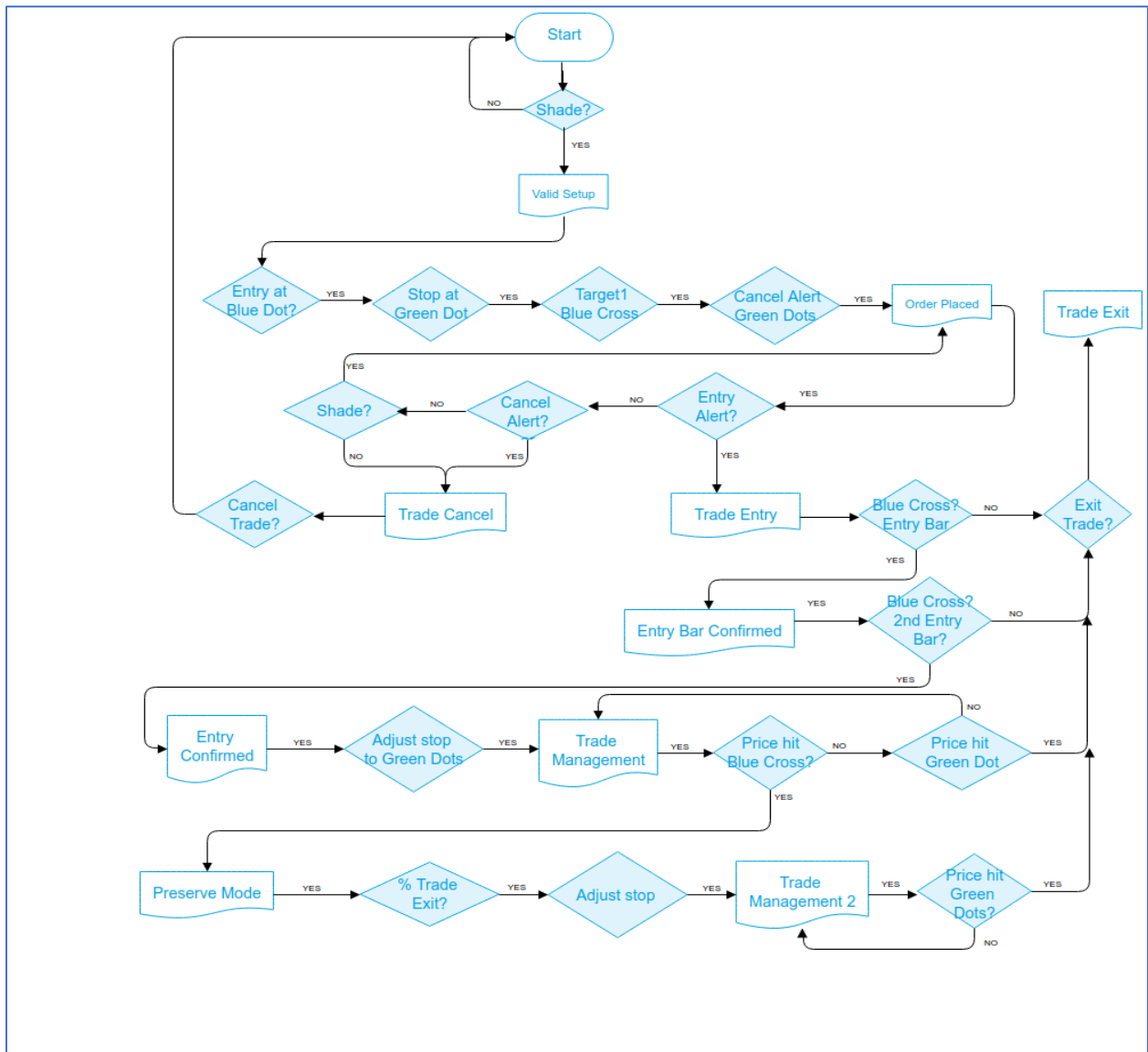
Figure 8a: Daily chart of TIF Stock, Bearish Trade Exit when price hits green dots with tighten stop option



Figure 8b: Daily chart of TIF Stock, Bearish Trade Exit when price hits green dots with no tighten stop option



Trade Flow Diagram



Conclusion:

As mentioned earlier, this is the first of the documentation for the **iMTF™** indicator. The second manual deals with optimization. “Optimization” is a tricky subject. Why?

As more optimization rules are applied, less trades will be found. The goal of optimization is to reduce the losing trades and keep the big winners. Some winning trades will also be eliminated.

A second document manual is available. Please contact us when ready.

If you have any questions, you can email us at info@eiicapital.com.



Installation of the Indicator in Tradestation

This section applies only for Tradestation.

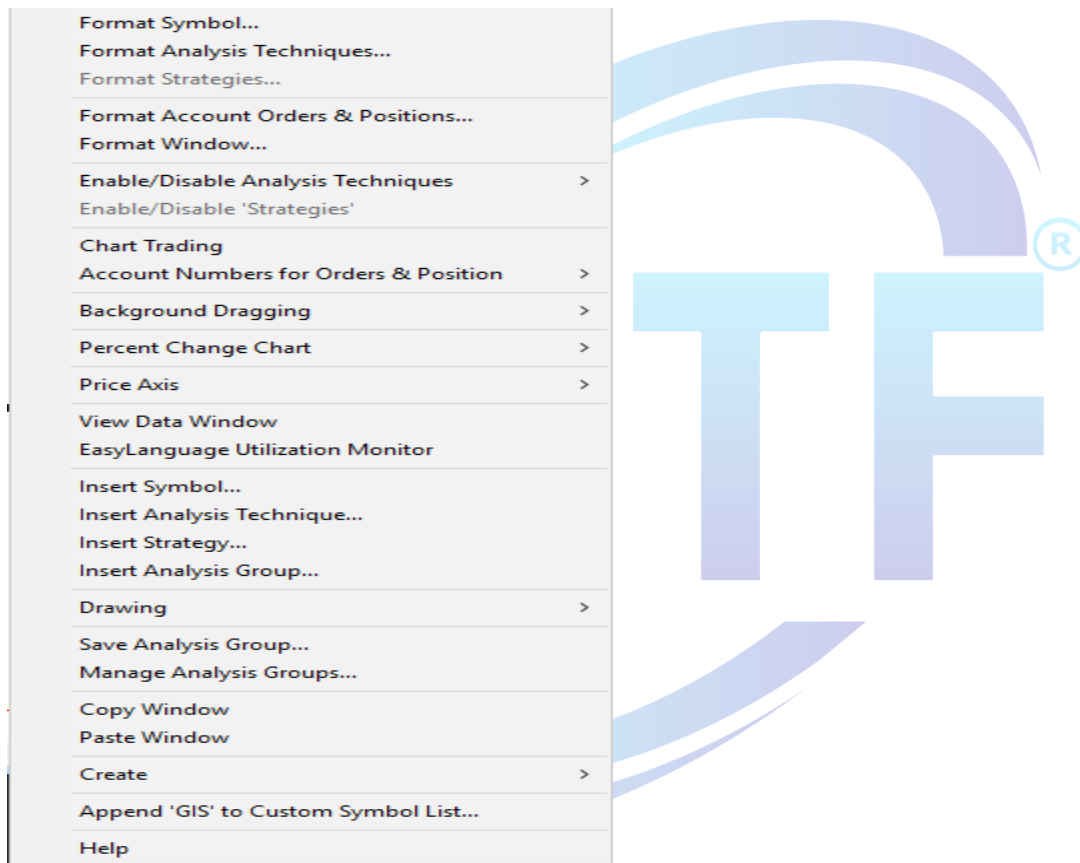
The indicator is available in the Tradestation Appstore ONLY.

Here are the steps to Add the Indicator:

NOTE: The indicator can only be used on charts. It is not available in Radarscreen, etc.

Step 1: Add Indicators

Right mouse click on the background of the chart and a menu option will appear as follows. Click on the option "Insert Analysis Technique".



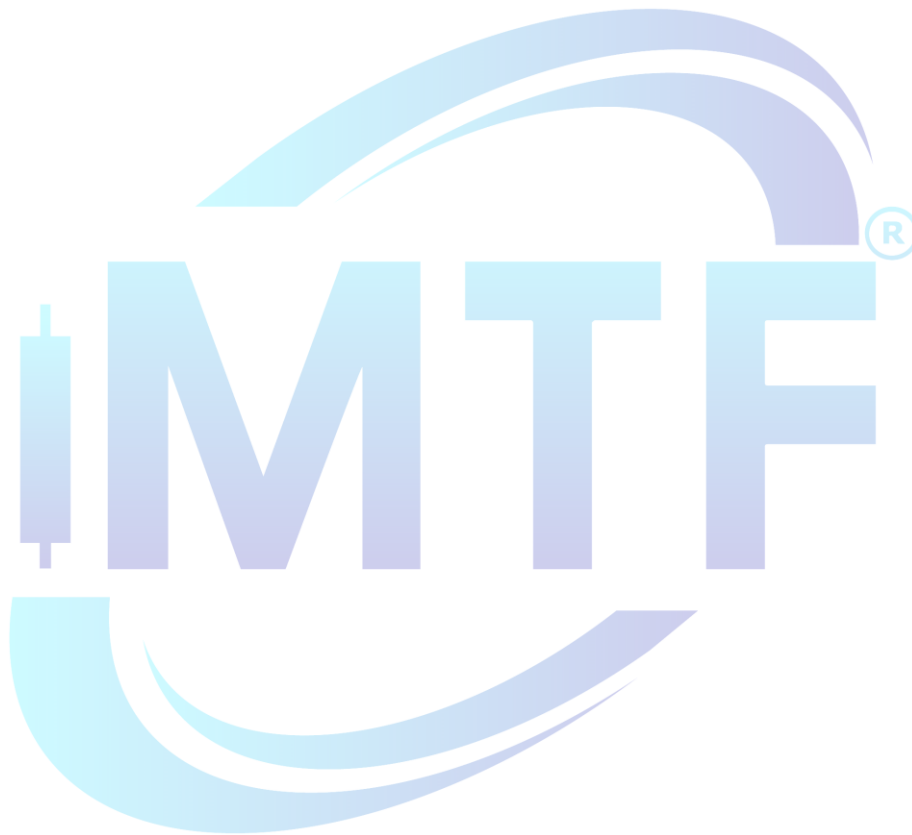
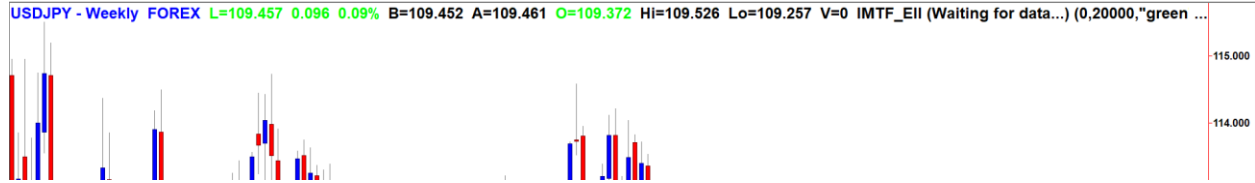
Step 2: Choose Indicator

Scroll down until you see the indicator like "IMTF_EI1". Once you have found it, high light it and click <OK>. It does a little time to load the indicator based on how many historical bars are configured.

If you can not find it, please contact Tradestation. If you have made the purchase through the Tradestation Appstore, it should appear.

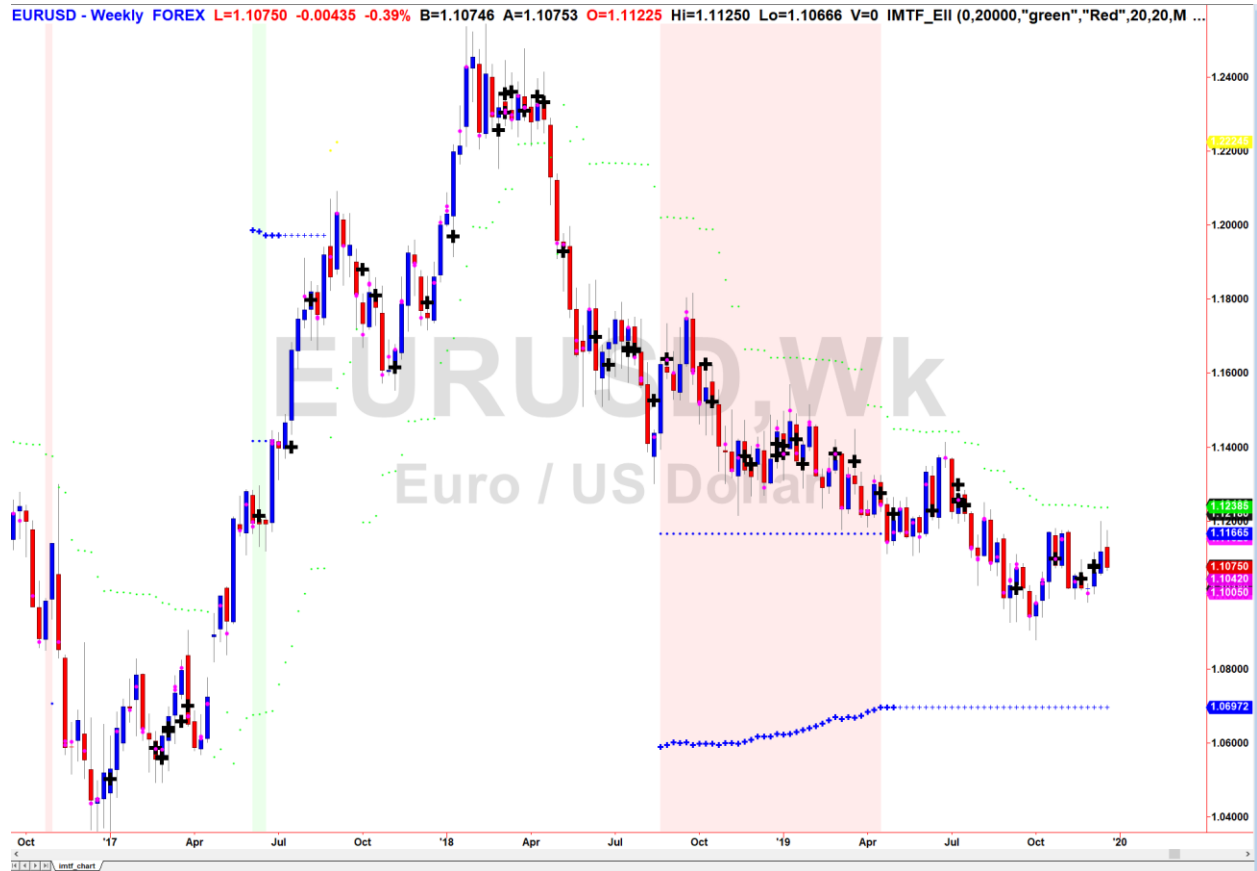
Step 4: Loading Data

It does a little time to load the indicator based on how many historical bars. If you look at the title of the indicator on the chart, it will tell you when it is still loading i.e. "Waiting for data". Once done, the chart will be loaded. **PLEASE NOTE: Minimum of 500 bars are needed for the indicator to work.**



Step 3: Workspace

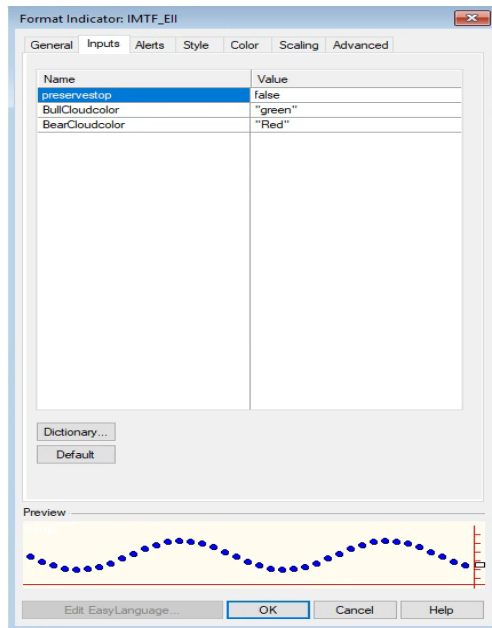
In order to help avoid having to format all the visual objects, we have provided a workspace called `imtf_chart`. It been setup to load 500 bars and format the parameters so all the visual objects are configured.



Step 4: Input Parameters

There are 3 input parameters. They are as follows:

- **Preservestop:** If this option is set to “true” then when price hits the “Preserve mode” Blue crosses, the green stops will “tighten”. This is done so a trader does not go “round trip”. If the option is set to “false”, the green dot will not “tighten”.
- **BullCloudcolor:** Default is set to green. This controls the color of the Bullish shade.
- **BearCloudcolor:** Default is set to red. This controls the color of the Bearish shade.

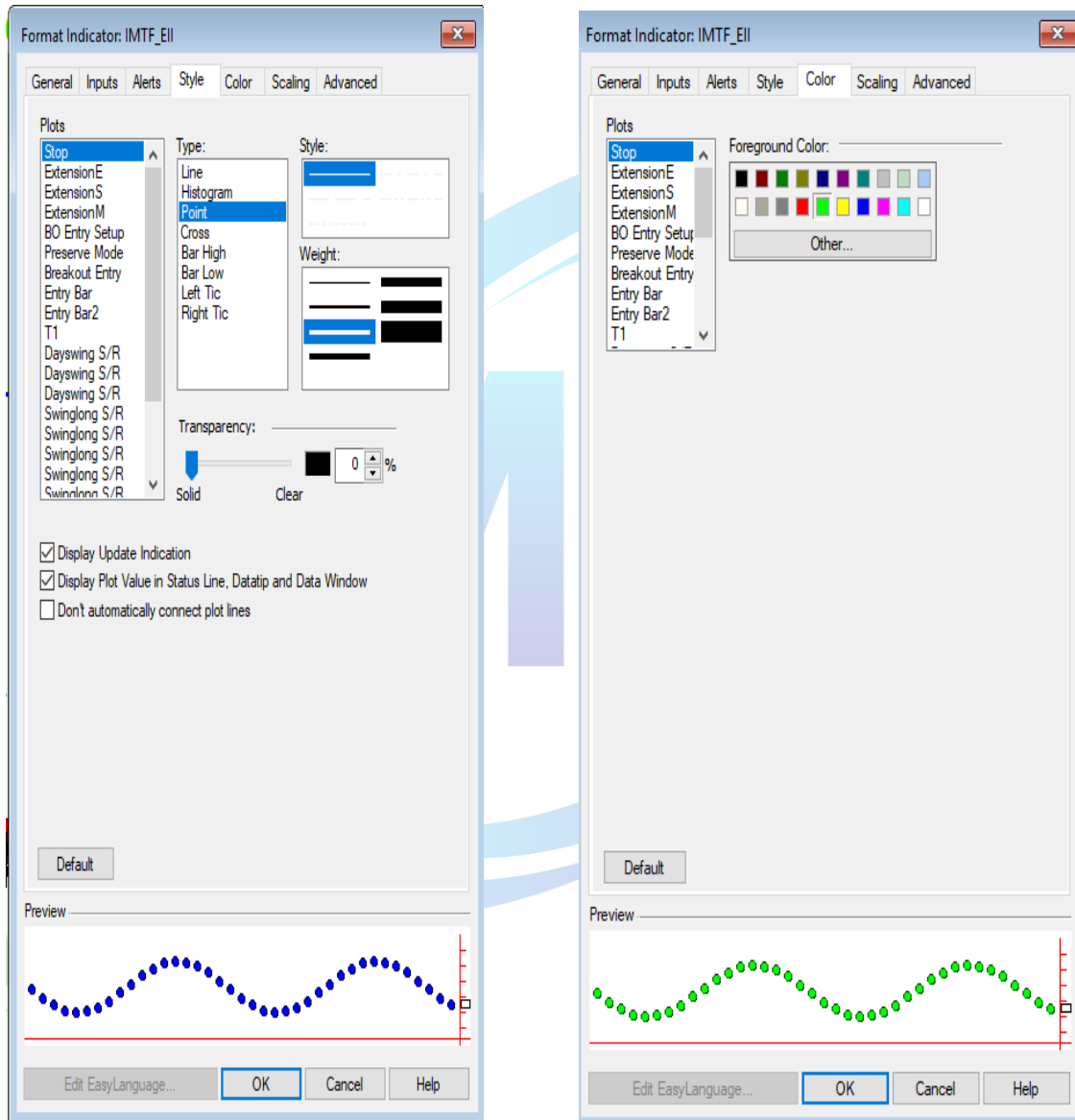


Step 5: Parameter Configuration

There are multiple parameters for the indicators. Here is the default configuration that should be set. If you load the workspace, this step DOES not need to be done. In formatting the indicator, two tabs will be configured. They are the "Style" and the "Color". Once you format the indicator, the window show look like the following:

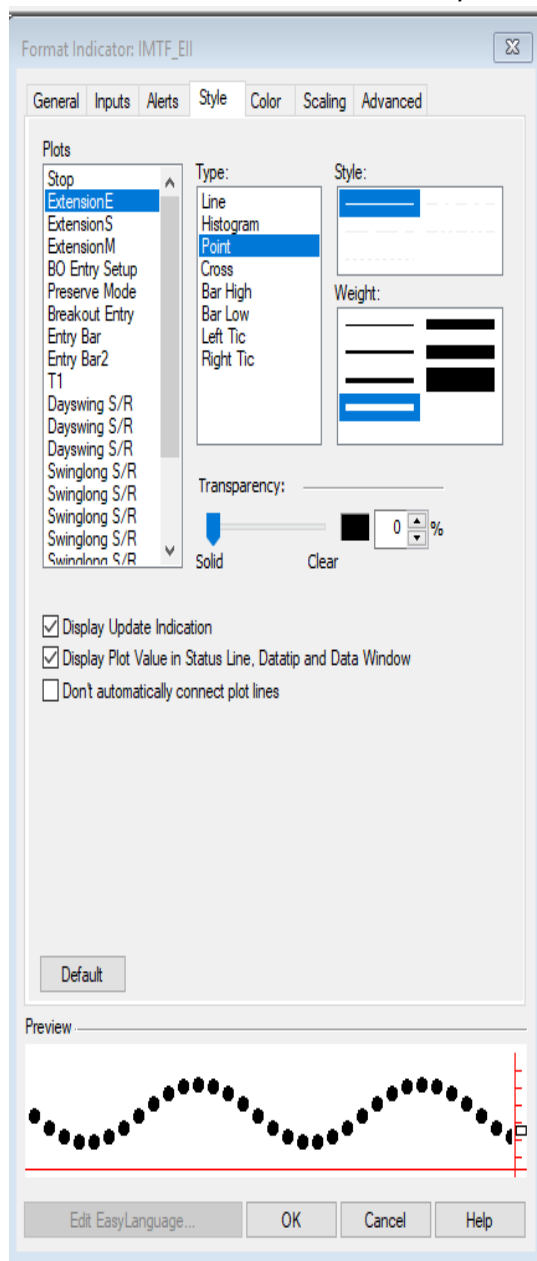
a. Stop

This is the green dot that is the Initial stop and once the trade enters, it is the trailing stop.



b. Extension

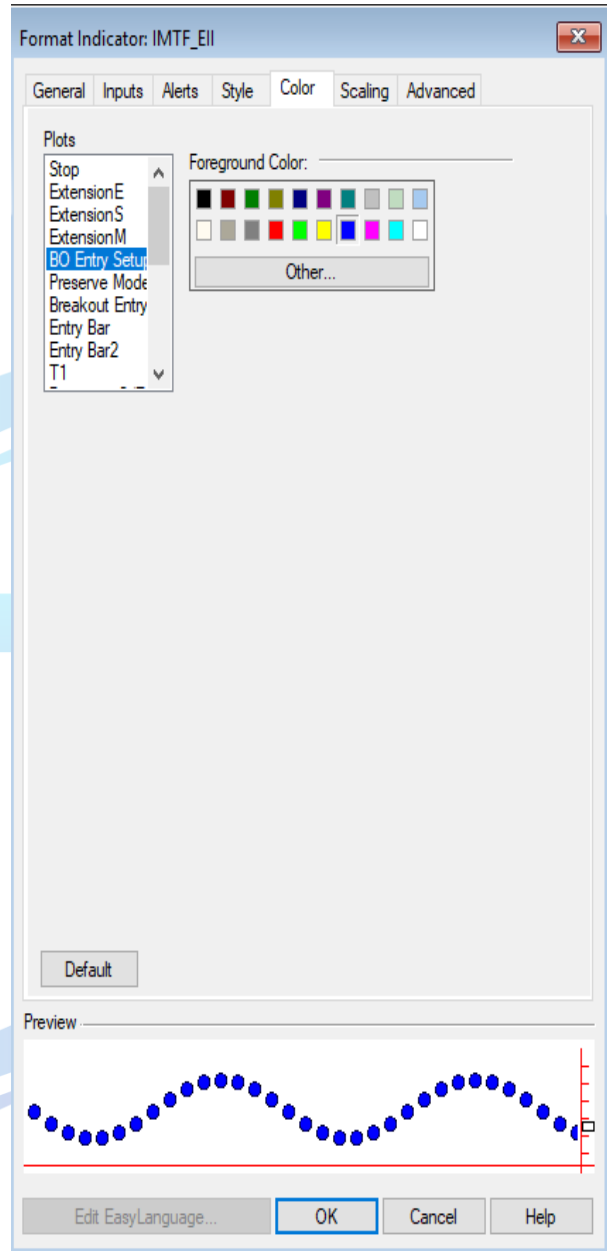
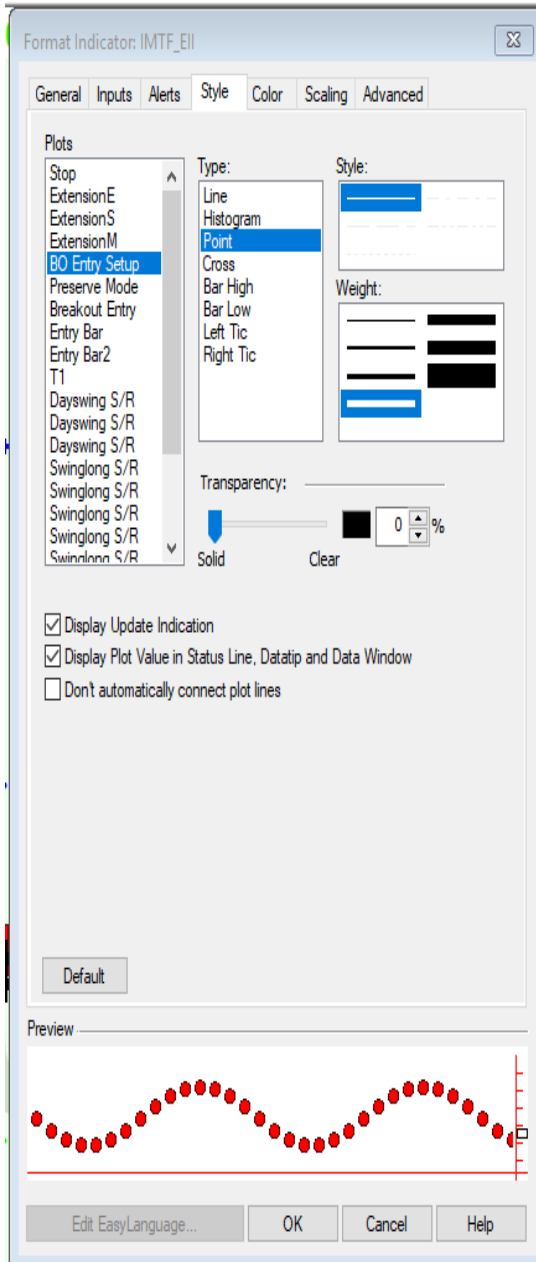
There are three over extensions. They are as follows with the specific colors:



- ExtensionE: Extreme: Black -> Exit the trade
- ExtensionS: Short Term: Red -> Go to lower time frame and manage the trade
- ExtensionM: Medium: Yellow -> Go to “preserve mode”

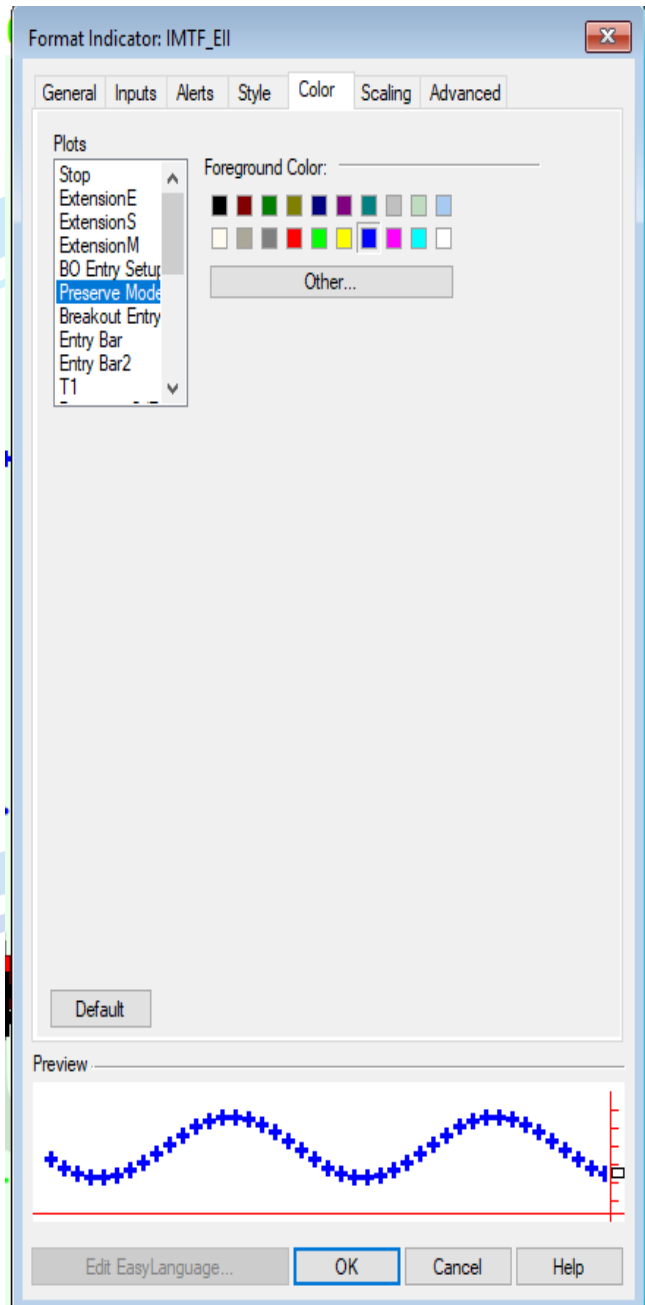
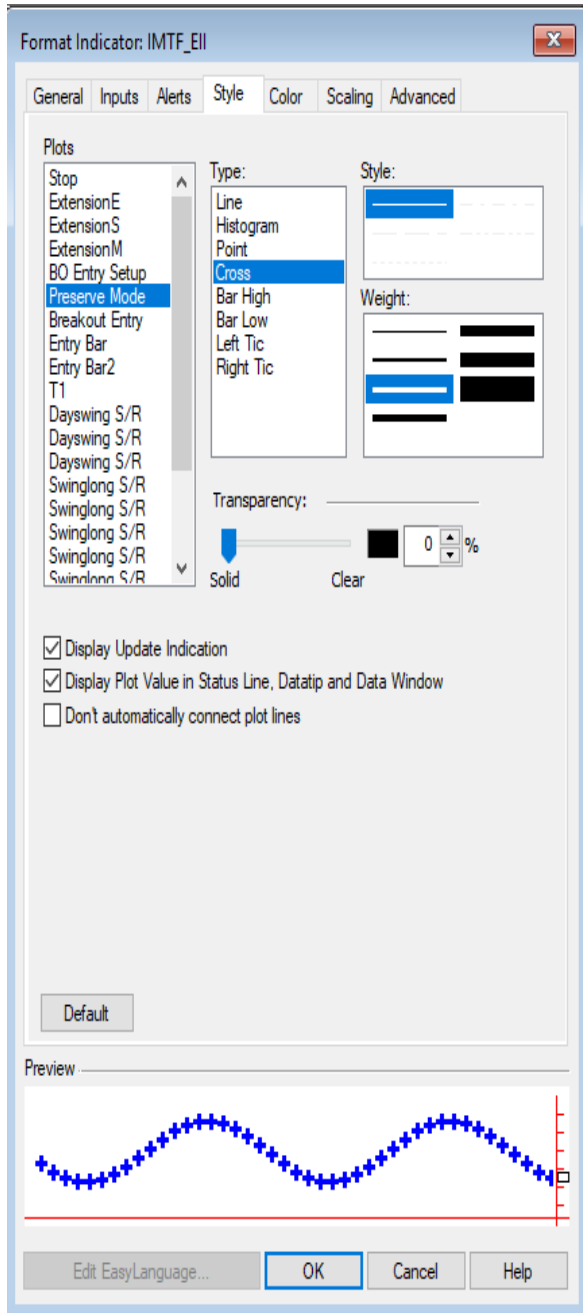
c. BO Entry Setup

This is the blue dot in the shaded area that which is the location of the breakout entry.



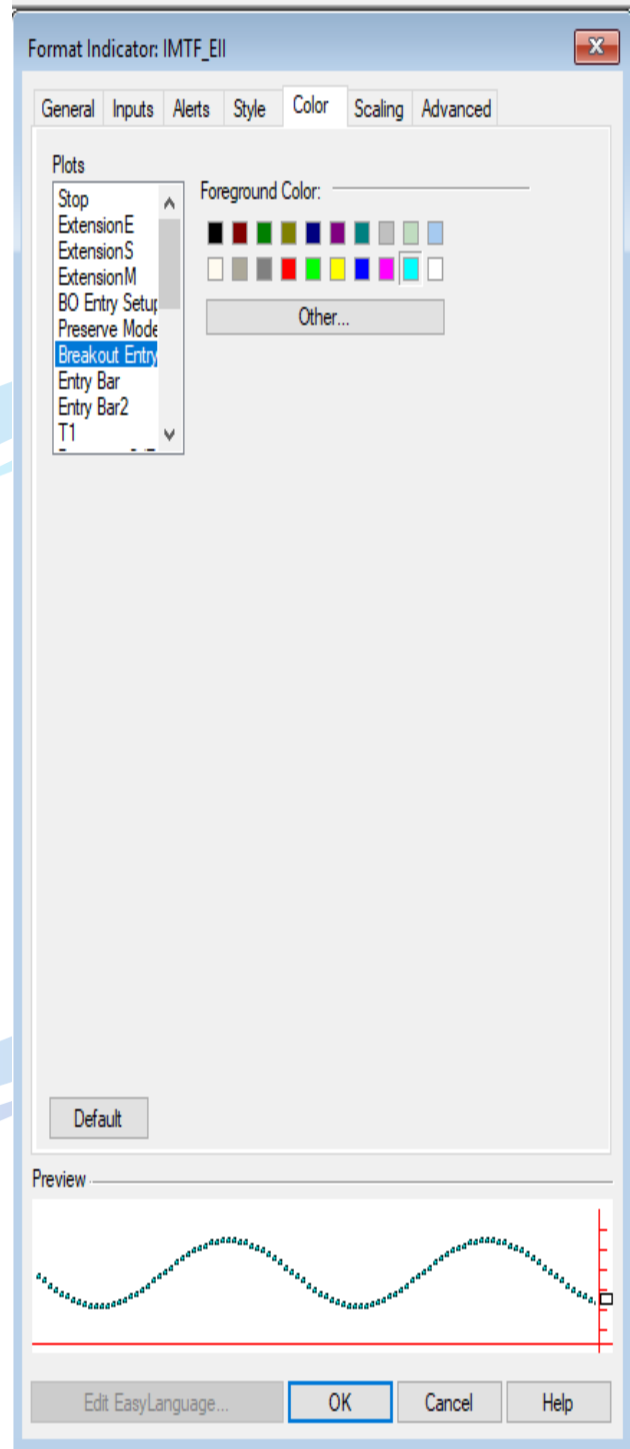
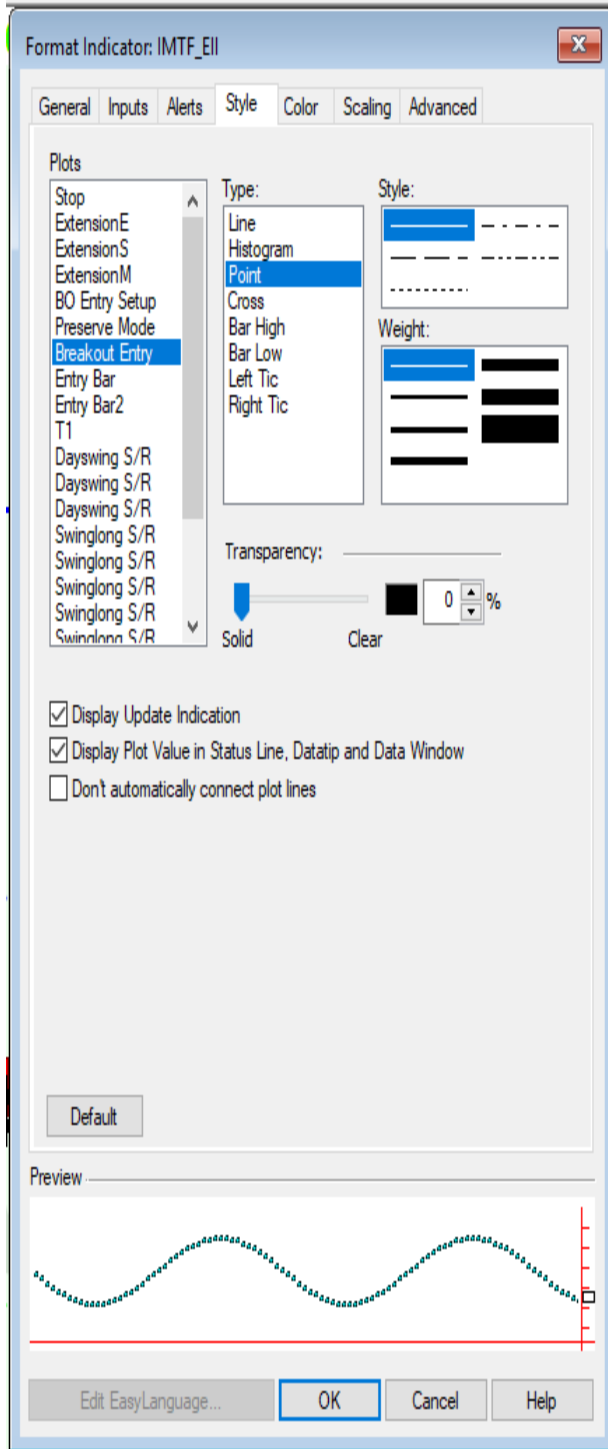
d. Preserve Mode/Target

This is the blue cross where price should at minimum. This can be a target, or it can be “preserve mode”. Preserve mode is where the user will take a % of their positions off. They also may “tighten” the stop. This can be chosen from the input parameter.



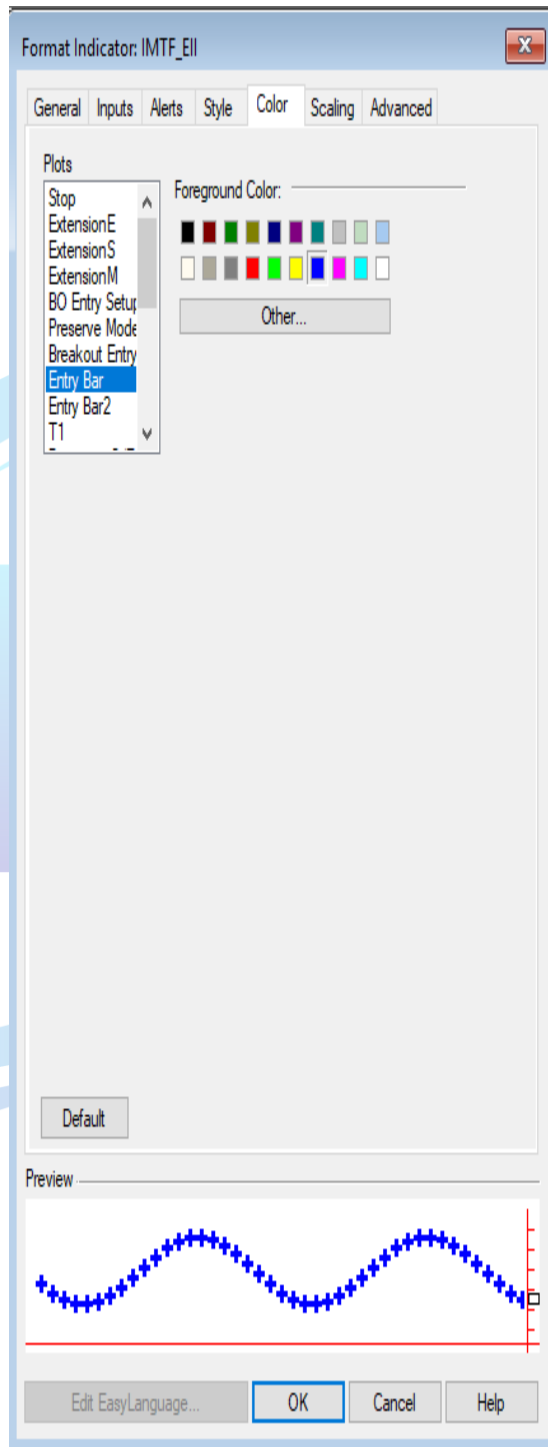
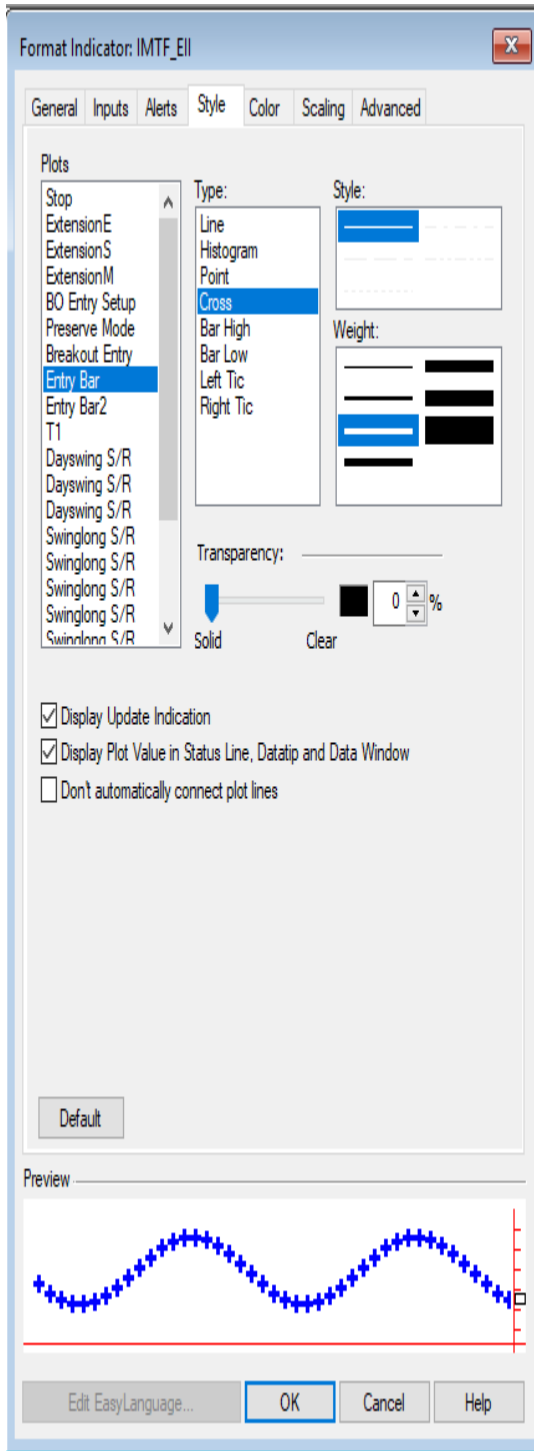
e. Breakout Entry

This is the blue dot when the trade has entered. This is price the breakout trade was entered.



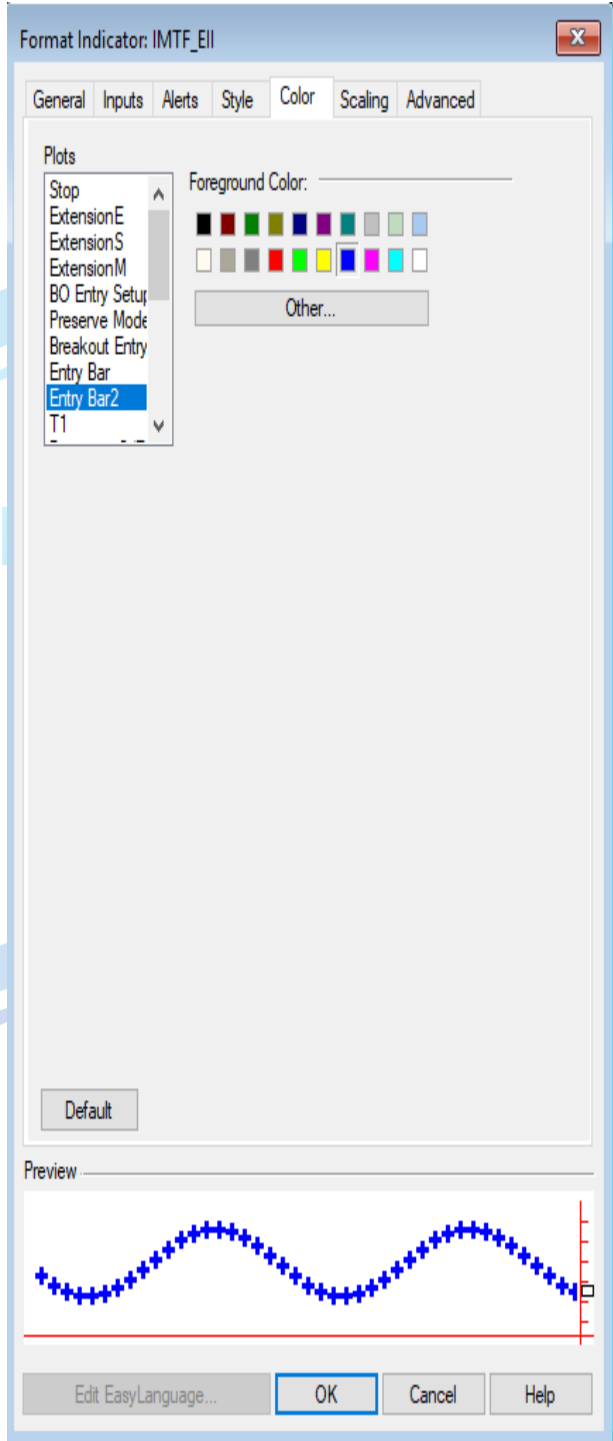
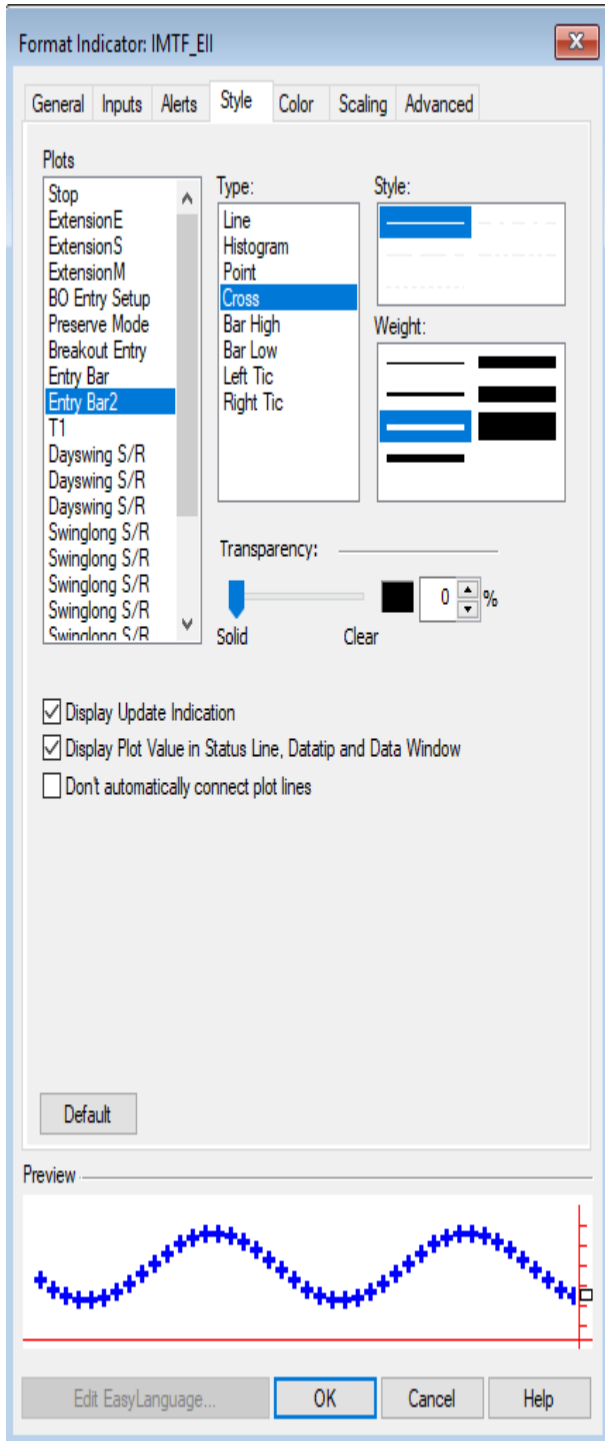
f. Entry Bar

This is the entry bar confirmation cross. If blue then the trader stays in the trade. If aqua then the trader will exit the trade.



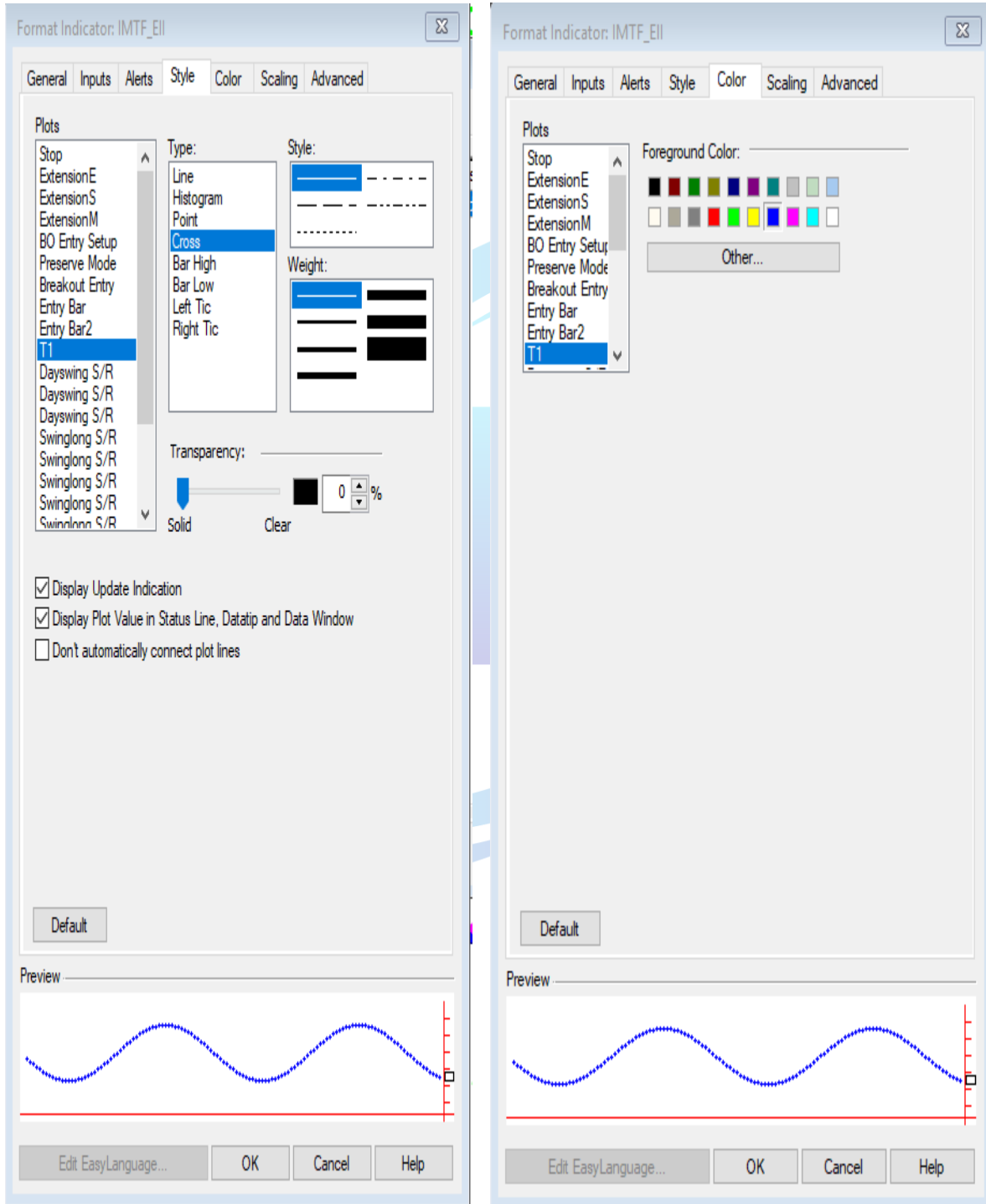
g. Entry Bar 2

This is the 2nd entry bar confirmation cross. If blue then the trader stays in the trade. If aqua then the trader will exit the trade because a pull back CAN occur.



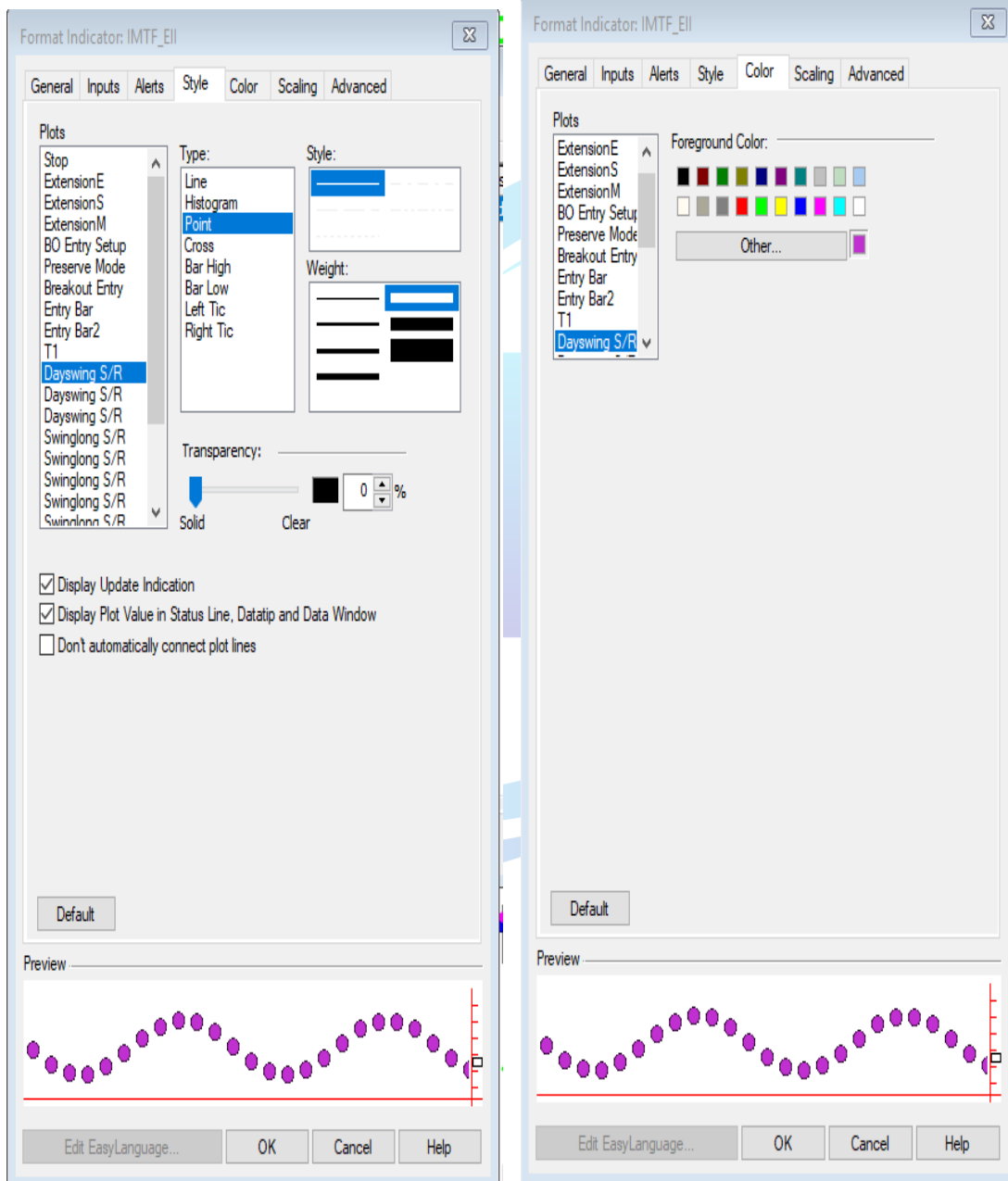
h. T1

Once the trade has entered, the “preserve mode”/target crosses are extended and now called T1.



i. Dayswing S/R

There are 3 parameters for the different combinations. The purple dot represents when the day traders and swing traders are thinking of the same support/resistance level.



j. Swinglong S/R

There are 9 parameters for the different combinations. The black cross represents when the swing traders and long term traders are thinking of the same support/resistance level.

