

SCEPTRE TRADING
A COURSE IN DAY AND SWING TRADING
STOCK PRICE CHARACTERISTICS AND TRADING TECHNIQUES

INTRODUCTION

- Overview of where we're going this week during the course
- Why use technical analysis to trade – price bar charts and candlestick charts
- What about mathematical indicators ex. stochastics etc.
- Fibonacci retracements, projections etc.
- NASDAQ vs. NYSE pro's and con's...also QQQ, SPY and DIA
- Review of order routing systems
- Review of the computer screen "layout" and each individual window
- "State of the (dis)Union" discussion of current market characteristics and participants...and how it has changed and evolved over the past few years

PRINCIPLES OF STOCK PRICE MOVEMENT

PRICE WAVES – NATURE OF STOCK MOVEMENT INTRADAY AND DAILY

- Individual stocks and indices
- Action/reaction
- High velocity move
- Strong trending with small, quick pullbacks
- Particular stocks that make a new intraday high/low and immediately have a strong pullback
- Steady grind down – minimal or no bounces
- Further and faster the move, the longer the "resting period" (consolidation) needed before resumption of move in initial direction (or possible reversal)
- Random choppiness vs. more "regularity" of sideways movement where support and resistance areas serve as potential halting points
- "Time of Day" reversals and continuations
- Concept of scaling in and out of trades based on philosophy behind price waves

TRADING WITH DAILY AND INTRADAY RELATIVE STRENGTH (RS)

- Daily and intraday relative strength defined
- How to compare charts of stocks to their index to assess RS
- Which index to use for comparison
- RS with gaps
- RS with a downtrending market that reverses direction
- RS with an uptrending market that reverses direction
- Review blue softback manual "RS" section – walk through chart examples

- 1-day RS setup and how to trade it
- Pairing RS with other techniques to increase success rate of trades
- Using a “new high/new low” ticker to trade RS for day and swing trading
- Finding RS trades during the day using greatest percent (or dollar) gainers and decliners on the session
- Other filters described (ex. Trade Ideas with parameters)

SECTOR AWARENESS

- Where the bigger \$\$ is flowing in or out
- Directional price persistency
- Entries: breakouts, pullbacks (usually easier) and stocks that haven’t moved yet
- How to use daily and intraday charts of sectors
- Ticker shows new intraday highs/lows on sector index symbols
- Where to find sector lists of component stocks

CHART PATTERNS AND TRADE SETUPS

CONSOLIDATION PATTERNS FOR INTRADAY BREAKOUTS (C/B’s)

- A focus on directional trading (vs. counter trend trading covered later)
- Ideal setup and dynamics behind why it works – who is involved and how
- Real-world appearance in today’s market – variations...flag/pennant/wedge/coil appearance
- Wedge appearance – especially within first hour of session
- How the C/B appears across different stocks
- “Boxy” or scattershot appearance on 5 minute chart (usually on lower priced stocks) – typically poor trading candidates
- A low risk entry point for market to tell me I’m right or wrong
- How to use the “wiggle” (mental trailing stop) to exit
- Playing C/B’s in the channel
- Where to enter: thru intraday high/low, near high/low in anticipation, first pullback (initial wiggle) after breakout
- Scaling into the trade
- Pairing C/B with “relative strength” (or weakness)
- Matching chart with Level 2 quote screen – also measures initial risk
- Short selling is more difficult – how to enter short on a C/B setup

MORNING GAPS

- Fading gaps – looking for them to “close”
- Trading gaps that “hold” – where and when to enter in the direction of the gap
- Pre-market scanning for stocks that are going to gap on the open

SWING TRADES - DAILY BAR CHART SETUPS

- 1-day relative strength (partially covered under intraday relative strength)
- Wide Range days
- Close near high or low of daily congestion – potential breakout next day
- Flag/pennant/wedge/coil “type” continuation patterns in a trend
- Multi-day pullbacks in a trend (typically 3 to 5 days) – role of volume
- Narrow Range days, Inside days and Outside Reversal type days
- Trading reactions and penetrations of support and resistance on the daily chart (also double/triple tops and bottoms) – role of volume
- Trading 50 and 200 day simple moving average reactions and penetrations
- Yearly highs and lows (or x number of week high or low)
- Reversal type daily bars and multi-day reversal patterns, especially after a multi-day run up or down in price – role of volume
- Awareness of daily congestion vs. price swinging activity on daily chart (cyclical in nature) – is the stock in a “trader friendly” mode or not – when to trade and when to back off
- News and Event trading – the dangers

MORE ON TRADE ENTRY & ORDER TYPES (Routing, Mkt., Lmt. etc.)

- Q&A

HOW AND WHERE TO EXIT TRADES (Routing, Mkt., Lmt. etc.)

- Q&A

CONFLUENCE: SYNTHESIS OF TRADING TECHNIQUES WITH THE INDEX

INDEX

- Tracking the indices on multiple time frames
- Which index to use in your analysis
- Beware the first 15 to 20 minutes of a trading session
- The morning move, mid-day “dead zone” and afternoon move – what to expect
- Understanding the difference between intraday trend vs. immediate direction
- High velocity price moves
- Support and resistance at earlier price swings, the sessions current high and low as well as the high and low of the prior trading day(s)
- Revisiting “Time of Day” reversals and continuations

COUNTER TREND TRADING (“FADING”)

- Dangers of randomly attempting to pick tops and bottoms
- Trading the reaction off stock's prior support and resistance areas
- Price swings on 5-minute chart and importance of prior day(s) high and low
- Awareness of the daily chart when daytrading
- Potentially fading off the 50 or 200 day simple moving averages
- Using "windows" (a price range) to scale into a counter trend trade
- Where to take a loss and how to manage and exit with a profit

SYNTHESIS

- Confluence = increased odds of good trade entry and exit
- Always know the current trend/direction of the index on each time frame
- Is the market trending or range-bound on both the daily and intraday charts
- Monitoring current market "character" – volume, erratic spikes vs. directional follow-through of both the index and individual stocks
- Know when trading during earnings season or during the summer doldrums
- Trading a "basket" of stocks (or "specializing") – get to know "price personality"

PAIRS AND ARBITRAGE TRADING

- Arbs vs. Deals vs. Pairs
- Apples-to-apples – determining the deal/pairs "multiplier" and charting the spread
- Typical patterns to look for in the spread charts
- Risks and Hazards

TRADING IS A BUSINESS

TRADE ANALYSIS

- Keep a daily trading log – what components to list and track for each trade
- Review trading log at end of each trading session, the good/bad/ugly – what to do different the next day
- Tracking your trades in individual stocks over time (days and weeks)
- Tracking your "time of day" performance
- Some specific trading stats to monitor – how many losing trades in a row, # of profitable vs. # of unprofitable trades, more trades than normal (overtrading?), are most of your profitable trades smaller than usual etc.

MONEY MANAGEMENT

- Basic money management strategy
- Assessing risk/reward ratio per trade
- "Layering" into multiple trades

- Scaling into/out of stocks from a risk management perspective

THE MOST IMPORTANT ISSUES TO YOUR POTENTIAL SUCCESS

PSYCHOLOGY & DISCIPLINE OF TRADING!!

Readings and discussions addressing real-world trading from years of experience

SUMMARY