

Mastering Price Action and Trade Setups In Today's Markets



By

PATs Trading

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INTRODUCTION

Before delving into this trading system and the techniques involved, I think it is important that I discuss a few things that I think are critically important to making money day trading equity index futures.

First of all, you should already have a basic understanding of what a futures contract is and how futures are traded. There are many books and any number of free web sites that will explain this to you in better detail than I can, so I will ask you to do that home work on your own before moving forward with your studies of this manual. Also, these techniques will work on any chart, in any market and on any time frame, so you can use them to trade stocks, bonds, futures, forex or any other market. However, I prefer and recommend the ES (S&P Mini Futures), because of the liquidity, available leverage, low day trader margins and low cost commissions.

Secondly, this book is about learning how to easily trade from pure price action. You will not need to learn how to use any fancy indicators or even look at more than one chart or screen at a time. While it will probably seem very different from any previous trading lessons you might have taken, you will find that all you need to trade profitably is one chart and the ability to draw trend lines and horizontal lines. Nothing more is needed and anything else is discouraged, as it will only distract you from what you really need to know and see to make money.

If you don't remember anything else in this introduction, please remember what I am about to tell you, as I think it is the key to early trading success. I believe that most new day traders come to this business with thoughts of getting rich quickly, and in my opinion, that is why and where most of them quickly fail. What this book is going to teach you is not a get rich quick scheme, but rather a way to make a living. It will show you how to extract a daily salary that will eventually make you rich if you stick with the program.

If you day trade the S&P mini futures (ES), the regular open is at 8:30 AM CST, and the regular close is at 3:15 PM CST. Taking those hours as a starting point, even if you trade all day, your working hours will consist of a six hour and 15 minute day. The techniques that I am going to show you will allow you to start small and work your way into any size daily salary that you care to make, with only the size of your ambition and your trading account balance as limiting factors. The ES actually trades 23.75 hours per day, 5 days a week. It opens around 5:00 PM CST on Sundays and trades through 3:15 PM CST on Fridays, although it closes for 15 minutes every day between 3:15 PM and 3:30 PM CST. However, trading after 3:15 PM CST is considered "after hours" trading. The after hours volume is much thinner and the moves are very slow and methodical most of the time. If you don't mind trading in a style that is similar to watching paint dry, you can trade almost 24 hours per day in the Index futures markets. Price action is the same in the after hours; it just moves slower and usually has less volume. If you choose to trade the

Indexes in after hours, just understand that the thinner volume can create more exaggerated moves.

Most new traders would consider making \$100 per day as a failure, yet most failed traders probably easily made \$100 on many of the trades they took before allowing that winner to turn into a losing trade. If you make only \$100 per day, with approximately 240 trading days per year, then you are on your way to making \$24,000.00 per year as your own boss, from your own home, with no products to sell, no clients to call upon and no employees to manage or deal with at any time. Trading futures has been called the “one perfect business,” and I have to agree with that description.

What this book is going to show you is how to extract a daily profit goal from the futures or any other market with minimal risk, minimal market exposure and only a small start up account. When day trading stocks, you need a “minimum” trading account that is over 25K, plus you are limited on your ability to go short, and you are also limited on the number of shares you can buy or sell in many stocks.

When trading ES equity futures, I will introduce you to a broker where you can trade a single contract with only \$500 margin, and less than \$4.00 per round turn (A round turn is one complete open and close of a futures contract). At \$12.50 profit per tick in the ES, you can actually make a trading profit if you only make one tick of profit on a trade. There are no large trading minimums, although there will be account minimums. While we recommend starting with an account of at least \$5,000.00, you can get started with as

little as \$2,000.00 with some brokers. With a \$500 margin requirement per contract, a two thousand dollar account would allow you to easily trade one contract, leaving you with \$1500 for trading capital purposes. Starting off you will only trade one or two contracts at a time, so \$2,000.00 is feasible, it just won't give you much room for error while learning.

The best part about trading futures is that there are no special rules to follow when shorting the market, so you can go short or long at any time you desire. Even better, I will show you how you can trade on a simulator for free, using the same charts and live data feed that you will trade from with real money, so you can actually learn and practice the real deal for free without putting your money on the line until you have proven you can trade with a profit.

I recommend chart trading using Ninja Trader charting, as you can trade directly from your charts with your orders right there on the chart, making it very simple to drag those orders around to change your stops, profit targets and even entry points. If you don't already have Ninja Trader charts, you can find them at many different brokers, and almost all of them will set you up with the software for free while you learn, along with a free simulator account. If you want to find out more about Ninja Trader, then follow this [link](#).

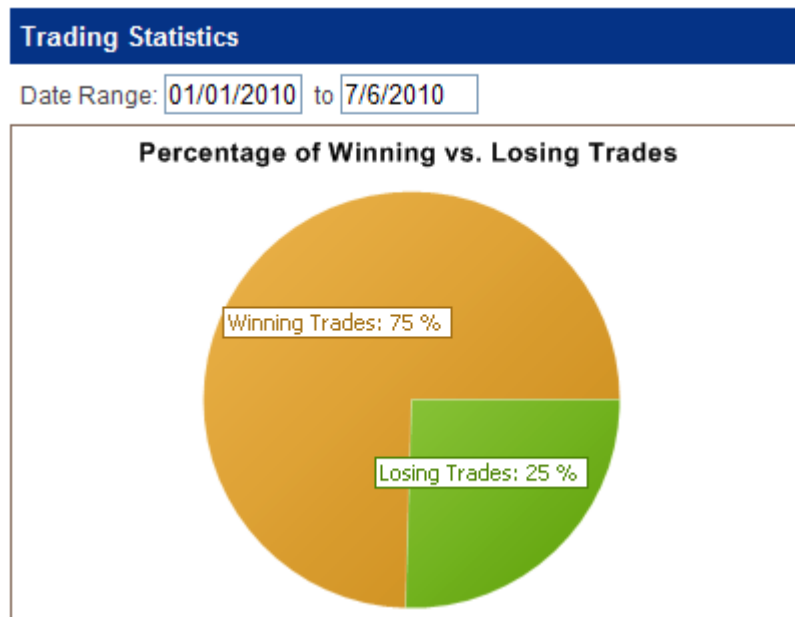
The techniques you are going to learn in this manual will have you trading with a maximum safety stop of 8 ticks (ES = \$12.50 per tick), so the most you can lose on any

single trade is \$100.00 per contract, but often times, you will be able to enter with a smaller safety stop. Best of all, your profit goal will be only 4 ticks of profit per trade, so you will be out of the market on each trade after only 4 ticks. If you trade only one contract at a time, and you can net 2 winning trades per day, you will be earning approximately \$24K per year. If you are patient and wait on the best set ups that I am going to teach you, there will be anywhere from 8 to 15 set ups per day. Rather than taking more trades and increasing your risk to the market, this book will teach you how to increase your contracts so that you still only have to take 2 to 4 of the best trades each day.

If you trade 5 contracts at a time, and net two “4-tick” winning trades per day, then your salary will increase to \$500.00 per day, or \$120K per year. Move up to 10 contracts per trade, and you are making close to a quarter of a million dollars per year on only a couple of one point net trades per day. Earning \$250K per year taking only two points per day is a very achievable goal. Remember, two points is only eight simple ticks in your favor in the ES.

Think of it in terms of a championship baseball team. Some teams win with power hitting, where they hit a lot of long balls out of the park. However, some of the best teams win by simply hitting a lot of base hits and moving the base runners around the diamond. We will make money by hitting those same base hits, with an occasional out of the park grand slam as well. The techniques this book will show you have consistently shown a winning

percentage of over 70%, and I'm getting a win percentage of over 80% for 2011. There will always be losing trades, but once you master this system, you will have far more winners than losers. I will also show you how to hold onto some contracts for more than 4 ticks, and many of those single trades will earn you as much as five or six scalp trades. Below is the winning percentage from my trading account since January 1, 2010. This is actually skewed slightly, as I have many winning scalp trades where I keep a runner that gets stopped out at break even, and the statistics actually count the break even portion as a losing trade, so my account is probably getting a winning percentage that is well over 80%. This screen shot is directly from my personal trading account where I am using the techniques in this book to trade on a daily basis.



In the end, the point I am trying to get across to you is that trading is a business and you have to treat it like a business.

Come to work every day and extract your salary, and then go home. Some days will be better than others, but if you can meet a daily goal of only 2 winning trades, trading only one contract at a time, you will be earning approximately \$24,000.00 per year. Best of all, you can work when you want, and take off when you feel like it. Even if you trade every trading day of the year, you will still have approximately 120 days per year to do as you please. You can set your own hours and never work nights or weekends unless you so choose. Your longest days won't be much more than 6 hours, and on many days you can be done in an hour or less. Don't plan on getting rich quickly, as that will just slow your progress and probably even end your trading days very quickly. Instead, set a small profit target and work to hit it every single day, and stop trading live once you are successful in meeting that daily goal. If you still want to trade, just switch to the simulator mode so that you can continue to hone your skills without putting your daily profits back at risk.

Compare what I am proposing to any job where you are making an hourly salary of even \$15.00 per hour. How many hours will you have to work to earn \$100.00? I'll do the math for you to keep it simple. You will have to work a bit less than a seven hour day, and the work will probably be much more demanding and possibly even mundane versus sitting at a computer screen in the privacy of your own home. You never know what your boss may be like or require of you, and if you have to deal with customers, your workday as a laborer for someone else can be a hectic one, and often times even a depressing one.

This technique is not hard, but it will take hard work and a lot of screen time on your part to become successful at it. Like any new business venture, you must invest your time, energy and money in order to make a profit. And like any other start up business, you will probably not make a profit starting on day one. You will have to build upon each day until the profits start coming and eventually increasing.

Just remember the most important rule is that you must set a daily profit goal and once you reach it, close shop for the day or at least quit trading live with your real trading capital. Most importantly, keep your goal reasonable and easy to reach. Start with a daily goal of \$50 or \$100 and don't increase it until you can easily make that every day for many weeks or even months. Then, simply increase your contracts and keep doing what you were doing when you made your \$100 per day goal. Treat it like a job with a daily goal that you must reach, that is reasonable for your skill level, and you will find that you can make a living trading futures extracting only small amounts at a time.

It is my hope and prayer that this book will give you a new lease on your financial future. If you master these techniques, you will always have a job and you will never have to worry about lay offs or poor economic conditions. You can work when you want and wherever you want (you can trade from anywhere in the world where you have a reliable internet connection and your lap top), with no one to tell you any differently. The best part is there will always be an unlimited number of customers (buyers and

sellers) to meet your trading demands. This business can and will provide a secure future for you if you can master it.

*But you shall remember the Lord your God, for it is he who is giving you power to make wealth, that he may confirm his covenant, which he swore to your fathers. **Deuteronomy 8:18***

What Do We Mean When We Say “Price Action?”

There really is no clear and easy definition of “price action trading.” This statement could mean different things to different traders, but in the broadest sense, this manual will consider price action trading to be the aspect of trading from clean charts without the use of broad based indicators or any special and expensive trading programs. A price action trader must learn to spot the trend and then the formations that consistently appear on his or her chart over and over, while also using independent analysis to determine when to enter and when to exit the market.

Most trading systems are mechanical and leave the trader with very little room to deviate from the rules in order to keep the system intact and working as designed. When trading price action, the trader is able to study charts and look for the re-occurring patterns and set-ups that are there on every trading chart. Once a trader masters price action, they can transfer that knowledge to any market and any chart and it will work just as well!

The most important rule in trading price action is to be able to look at a chart and determine if the market is making higher highs and higher lows, and if so, understand that the market is in an up-trend. If the market is making lower highs and lower lows, then the market is currently in a downtrend. Understanding this is the key to all the rest, so if this doesn't make sense, read it over and over again until you understand it. Below is an example of a chart that is marked with these values. I also drew trend lines to help

you see the trend that goes with the waves of higher highs and higher lows, or lower highs and lower lows.



The market can actually do three different things, and your first job is to determine which of the three it is currently doing, and then to act accordingly based on the rules that you will learn in this manual.

The market can trend upwards, it can trend downwards, and it can chop around in a trading range. This manual will teach you specific rules on how to determine what prices are doing, and then how to trade based on these price movements.

Once you understand how to determine the price action trend, it is then time to start learning to watch for the price action patterns that will occur on a regular basis. If you can find only one pattern and trade it over and over, you can

make a living trading the ES. However, there are many patterns, and once you master one, you can move on to another one which will increase your number of daily trades.

The best way to find these patterns is to study your chart at the end of each trading day. You should study the trades you took during the day to see where you made good decisions and also where you made bad decisions. Try to understand why a profitable trade worked, and why a losing trade failed. The information you gain from this review will be priceless.

In addition to the analysis of your trades, you should mark all of the other patterns and set ups that worked, and look for patterns that you will come to recognize that work over and over every day. This daily chart review will do more for your trading and learning curve than any other endeavor in my opinion; so do not underestimate the importance of doing these reviews at the end of every trading day.

One of the few real indicators we believe in for chart trading is a 21 bar EMA. Most of your best entries will occur in a trend and during a pull back to the 21 bar EMA. Study those areas closely and look for the set up patterns that work consistently. As you continue your study of this manual, we will introduce you to other rules and strategies for the proper way to trade using price action.

It is also important that you realize that each and every bar can tell you something when it comes to price action

trading. If the current bar opens higher than the previous bar, and then closes lower than the previous bar, then that bar is a bearish reversal bar, and it will take precedence over the previous bar, even if the previous bar was exceptionally bullish. I recommend that you use Japanese Candlesticks, but not because they offer any special patterns in and of themselves, but simply because they allow you to easily tell if a bar was a bullish or bearish bar at only a glance. Learn to spot how these bars look when combined with the patterns that you recognize as reoccurring ones.

One of the best ways to actually describe price action trading is to understand that prices and price movements create footprints of the trades that are made by all of the market participants as a whole.

When you learn to read and understand these footprints or tracks, you will begin to understand why prices are doing what they are doing, and what they are likely to do next. Just like a tracker learns to identify and track his prey by the footprints it leaves, and the trail it creates as it moves forward, a price action trader also learns to identify his or her trades and the direction prices are likely to go based on the footprints that are left as prices print to a chart.

If you truly want to become a great trader, then you need to learn to read the language of the charts so that you can understand what prices are telling you. If you listen closely and learn the language, the big prize (prices) will tell you what it is doing and where prices are most likely to go next.

Some Basic Trading Rules

- Remember, we must treat trading like a job or business, so our main goal is to take a salary from the markets. We are not trying to “get rich quickly!”
- We recommend trading with only one chart, and preferably that is a 2000 tick chart, a 10,000 volume chart or a 5-minute chart. There is no need to watch multiple charts or multiple monitors. Everything we need to trade profitably is on our one trading chart. If you are looking to trade longer term, these rules will work exactly the same on a daily, weekly or monthly chart. Just remember though, if you trade a higher time frame, you will need to adjust your safety stops and profit targets accordingly.
- We only trade with the trend and we **never** counter trend trade until there has been a significant break of a major trend line. Even then, we should still be looking for a re-test of the high or low before we counter trend trade.
- We won't need any special indicators other than a 21 bar EMA, some trend lines and some support/resistance lines. Anything more than this and you will simply distract yourself from what you need to see.
- We want to insure that we buy low and sell high. While this seems like common sense, buying high and selling low or selling low and buying high is why most traders lose money in the markets.

- Prices are either trending or in a trading range. Decide which one and trade the trend or range according to the rules you will learn in this book.
- Do NOT over trade. You should look to take 2 to 5 of the best set ups per day. This means you will need the discipline to sit and force yourself to stay out of the market for long stretches of time on occasion. While this is difficult, it is what you must condition yourself to do every trading day. With time, you may want to take every trade set up you see, but in the beginning, strive for no more than 2 to 5 of the early set ups you see.
- We prefer to take second entries. You will learn more about second entries as you study this book.
- Our main objective on every trade is to take 4 ticks of profit. If you can afford to trade only one contract, then you are looking to take 4 ticks and exit the market on each and every trade. If you can trade two or more contracts, look to take the majority of them off at 4 ticks, and then move your safety stop to break even on the other contract(s). This will allow you to take more of the move if the market will give it to you. This also eliminates all risk on the trade once you have exited the market with one contract and 4 ticks of profit.
- Do not listen or watch the news while trading, as it will not give you any clear direction as to where prices are going. Be aware of when major news will be released,

because you can and will get whipsawed on most occasions, but don't let the news influence your trading. Trade only based on what the price action is telling you and forget everything else.

- Trade what you see, and not what you think!
- **IMPORTANT:** The market moves in twos, and it does this over and over all day. When the market attempts to do something twice and fails, it will usually do the opposite. This is where second entries become important. These failed moves also create traps, which usually create rapid moves in the opposite direction. These are great profit opportunities for us to get our four ticks very quickly.
- Determine the type of day as quickly as possible, and then trade accordingly. On trend days, look to take all 2nd entries with trend. On range days, look to fade every new high and low for the day and watch for double tops and double bottoms and fade them. While fading highs and lows on range days may seem like counter trend trading, it is not, and you will learn the difference as you study this manual. Fade or fading simply means you should enter in the opposite direction.
- **Never counter trend trade** during a trending market.

Understanding the Importance of the Trend

One of the reasons many new traders lose money day trading is because they cannot break the desire to counter trend trade, or to try and pick tops and bottoms. Unless prices are in what I would describe as a “trading range” type day, it is very unwise to try and pick tops and bottoms. Generally, when a market looks poised to change direction, that is often times the best point to get back on board with the longer-term trend.

The best entries come just as the market trend seems to be failing and finally ending. The with trend entry looks like the last thing you would want to do, and this is when most of your weak hands are sucked into the wrong side of the market, just as it is making a low in a bull trend pull back, or making a high in a bear trend pull back. It is uncanny as to how often this set up will fool even experienced traders that should know better.

Thinking back on your own trading, how many times have you watched a strong market making new highs, and then suddenly it starts to struggle to move higher? It then makes a nice leg down, before turning up again, only to stall with a lower high. It looks like the trend is changing, and the market is now looking very bearish. You tell yourself that now is the time to enter counter trend, so you set your orders and enter the market short, feeling certain that you have outsmarted everyone else and are getting in on a trend reversal with perfect timing.

Some times you may get a few ticks of movement in the right direction after entering, but if not almost immediately, then soon thereafter, the market suddenly hits a brick wall and starts rising again. What just looked so bearish is now looking very strong again and within a few bars, the market is racing to another new high and you are stopped out with a loss. If this sounds familiar, then know and understand that it happens to many traders, including experienced traders that really should know better. In fact, there are many teachers that teach as their main entry tool the old one, two, three top or bottom formation. That entry technique is designed to do one thing and that's pick tops and bottoms, and 90% of the time, those patterns fail and end up losers. Yes, if you can actually catch one, they do pay off well, but in the end, they are losing strategies and it pains me that people even teach that stuff! That strategy is a direct path to destruction, so don't fall for it.

I am going to share with you what I believe is the proper way to try and determine when a market really is rolling over and when and why you should stay with the trend in most cases. The first thing that you absolutely must see happen before ever considering a counter trend trade is the break of an important trend line. It should also be a convincing break of the trend line and not just a few ticks through it. The bar must close through the trend line and not above it in an up trend, or below it in a down trend. Until you see that convincing break of a trend line, you should always be looking to take with trend entries on pullbacks.

Even when you see a convincing break of a trend line, you will most always see prices attempt to test the previous high or low, so even a convincing break of a trend line should first have you looking for another with trend entry. Prices like to re-test important highs and lows, so remind yourself of that every time you are considering a counter trend trade. The hardest part of this piece of the puzzle is trying to determine when the pull back is done and when the move to re-test will begin. While there is no right or wrong answer, as every move is different, just know and understand that a re-test of the previous high or low point is very likely before you will get any new trend in the opposite direction.

Once you get a convincing break of that all important trend line, the general rule of thumb is that prices will try and do one of two things. We already know from our previous discussion that prices will almost always try and re-test the previous market high or low, but there are usually two different scenarios that you must watch for to occur. One, Prices will either go on to make yet another new extreme before reversing, or two, they could make a lower high/low in a failed re-test. If prices go on to make a new extreme, you should see at least a two legged correction after doing so unless the trend is simply too strong and prices resume the original trend. On the other hand, if prices make a lower high in an up trend or a higher low in a down trend, then you should see at a minimum, at least one more counter trend leg. This will actually be a two-legged correction, but the pull back off the high or low point actually creates leg one.

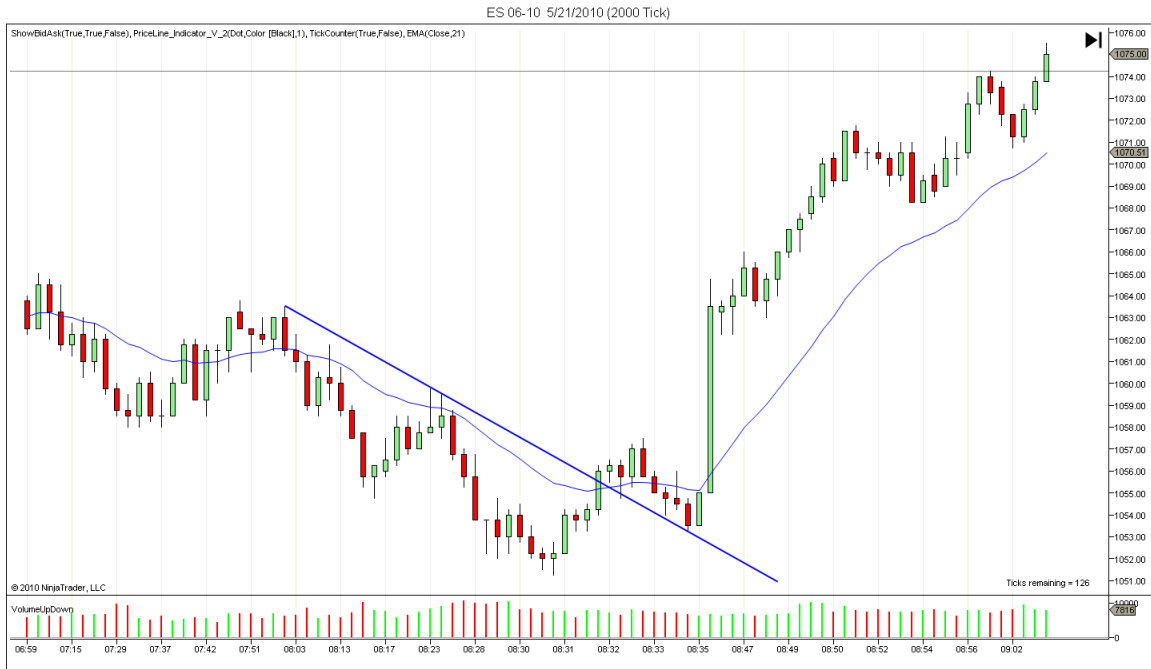
In addition to the trend line tool, there is one other rule I use to help keep myself on the right side of the market. That rule is based on where prices are in relation to a 21 bar EMA. If most of your price bars are above the EMA, then that is generally a clue that you should be looking for longs. If prices are mostly below the EMA, then that is a clue that you should mostly be looking for shorts. Place a 21 bar EMA on your chart and go back and study the past price action. Notice that most of your best entries are almost always somewhere in very close approximation to the 21 bar EMA. As with any rule, nothing is written in stone when trading, but you will find this to be a common theme in the ES.

Following this one simple rule with the 21 bar EMA, you can usually keep yourself on the right side of a trade. The one time this rule fails most often is when prices are in a trading range. Trading range days will see prices moving from one side of the EMA to the other more often. Look at a few charts and see what happens with the EMA in most strong trends. Prices will stay on the side of the EMA with the trend, and the EMA will serve as a good indicator as to when to actually enter the trade as well, since many pull-back's will stall at or near the 21 bar EMA.

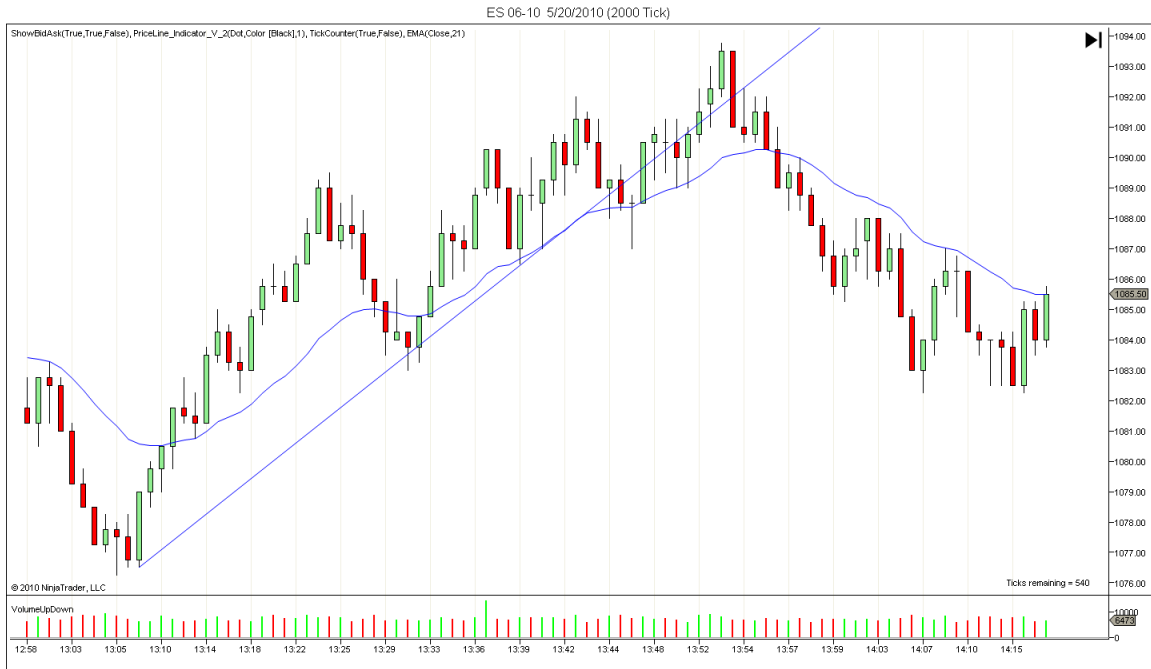
What you should now understand from our discussion is that you should only be looking for with-trend entries until there has been a convincing break of an important trend line. Even after that convincing trend line break, you should still be expecting a re-test of the prior high or low,

so still no counter trend trades until after that happens. Unless you are experiencing a choppy and non-trending day, you can improve your trading considerably by simply eliminating all counter trend trading. By taking only with trend entries on strong trending days, you can improve your bottom line and reduce your losing trades.

Assuming that prices are in a down trend, and then start to pull back and eventually close outside the down sloping trend line, you should expect to see one of two scenarios. Prices will most often attempt to re-test the previous low after the break of the trend line. On some occasions, prices will make a higher low and the trend will then turn up. You should expect a minimum of at least one leg up, which will actually be a two legged correction, because leg one was created prior to the pull back to a higher low. Below is an example of a higher low re-test of the previous low after a break of the trend line. Prices had been trending down for a couple of hours, but suddenly found a bottom and immediately reversed into a strong rally.



In the second scenario, you will find that after breaking the trend line, that prices will turn back for a re-test of the previous extreme, but then actually make a higher high in an up-trend or a lower low in a down-trend before the trend reverses. In these cases, you can expect at least a two-legged reversal, and maybe much more. Note that many times the higher high/lower low re-test will consist of a two-legged move to the new extreme. Notice the example below and how prices broke the trend line, and then made two legs up to a new high before reversing the trend.



The most important thing to remember from this chapter is that you do not take counter trend trades until after the break of an important trend line, and even then, you should still look for one more move to re-test that new high. This re-test may go on to make a new extreme, or it could fall short of the prior extreme, so you must still be careful when taking a counter trend trade. My preference is to see the re-test of the extreme, and even then, wait for prices to move through to the opposite side of the EMA before taking an entry with the new and opposite trend.

Take the time to study some charts and see what happens at these major lows and highs. See if this theory does not hold up in most cases. Staying with the trend, and following these simple rules will usually keep you on the right side of the market, and most importantly, you will be a happier and wealthier trader.

How to Find the Trend Line

I am often asked what the best technique is for finding my trend lines. First, I will say that you can get major and minor trend lines. A major trend line is one that holds for a couple of days or even longer. Each time prices pull back to that line, it turns prices again. If you find a trend line that and it holds for a couple of days, it's possible it might hold for many days, so pay attention to it.

However, if prices are trending, there are also major trend lines for the day, with minor trend lines also appearing at some point during the day. 75% of the time, I find the main trend line for the new trading day off the first two swings of the overnight trend and I use that for my trend line rules. I also occasionally get a good trend line off the first two swings that occur after the regular trading session open at 8:30 AM CST.

Finding and understanding trend lines is an art form and you will get better at it after time, but I can say that they are VERY important, so do not lose sight of them at any time in your trading. That should be your first goal when you arrive each morning. Find your trend lines and expect something important to happen when prices revisit them during the day. Once a trend line is no longer any good or no longer holding prices, remove it so that you do not clutter up your chart with too many lines. I have done some videos on trend lines and support/resistance lines. Be sure to view that video by visiting this [LINK](#).

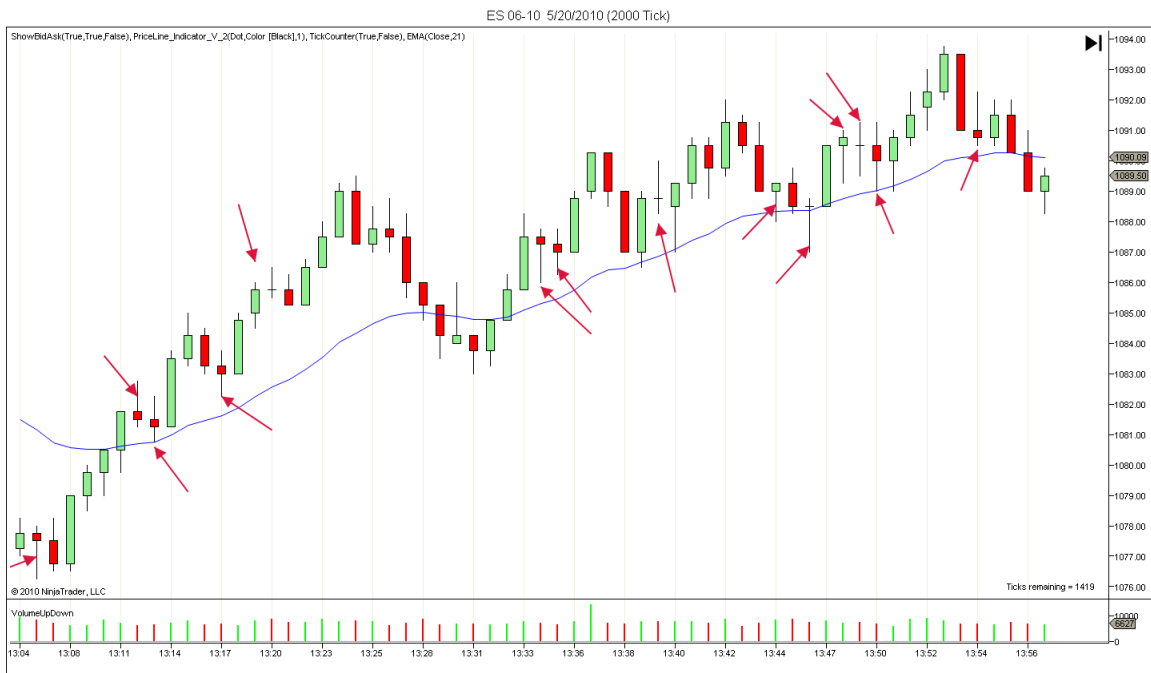
How to Handle Trading Ranges or Consolidation

Trading breakouts from congestion or trading ranges is one of the trickiest parts of trading, particularly when it comes to trading the futures indexes. One reason this area of trading is so difficult is because human nature tells us that we should be getting short when prices are trading downward, and that we should be getting long when prices are trading upwards. Unfortunately, what seems natural is what will often get you into trouble when trading the markets. What I am about to show you may open your eyes to a better understanding of exactly how to go about trading breakout's profitably. Master this portion of the trading game, while also conditioning yourself to trade only with the trend, and you will be one step ahead of 90% of all traders.

Congestion areas and trading range areas are nothing more than an area where the bulls and bears are in near equilibrium. Neither side has control, so the market no longer trends in any one direction. These areas can be as small as a few ticks, up to several points wide depending on what time frame chart you are currently viewing. For the sake of a mental picture, let's assume we are looking at a 2000 tick intra-day trading chart, which is somewhat similar to a 5 minute trading chart. I prefer tick charts to time charts for the simple reason that I believe that I can see more details in the price action. Open a five-minute chart and then open a 2000 tick chart and compare them. Notice the additional details you can see in the price action

of the tick chart. It is the additional details in the tick charts that make them my preferred trading chart.

Any time you start to see overlapping bars, particularly if any of them are what I call a [doji](#), then prices are in congestion or equilibrium. If you are unfamiliar with a [doji](#) candlestick, then follow one of these links and you can read about [doji's](#) to get a better understanding of them. Don't worry about how they may describe to trade them, as that is irrelevant. The link is only necessary if you don't understand what a doji is, which in actuality, it is nothing more than a one bar trading range. I take the description a step further as well. When trading, any bar that has a very small body in relation to it's overall size, I classify the bar as a doji. Below are some examples of bars I would call a doji.



Whenever you see three or more overlapping bars, and one of them is a doji, then you are most likely seeing an area of congestion or equilibrium. The bulls and bears are fighting it out and neither is winning the battle at the moment. A good general rule of thumb is that when you see congestion or a trading range, expect prices to eventually break out in the same direction in which they moved into the congestion. As always, this is not written in stone, but know and understand that there is a high probability that this is likely to happen. What usually happens with multiple bar trading ranges is that prices will fail out one or both sides on one or more attempts before they will start trending again.

One of my most important trading rules is that a trader should NEVER buy or sell the break out of a trading range. Learning how to handle trading ranges following these rules will improve your trading more than any other technique or strategy I know. Make sure you read this section over and over until you understand it and you will quickly become a better trader.

The reason for these trading range rules is that most trading range breakouts fail at least once, if not more than once, before prices will truly start trending again. Remember, a trading range is nothing more than a temporary point of equilibrium in the market. If prices move too far to the bottom of the range, the buyers tend to swamp the sellers, and prices move back up. When prices move near the top of the range, the sellers swamp the buyers and prices start to move down again.

At some point, enough buyers or sellers will join in to push the market slightly higher than the previous high, or slightly lower than the previous low, and this will usually create a failed break out. These failed break outs, by a single tick to a point or two, are very common in the ES and the other mini indexes. One of the most common entry traps will occur when enough buyers or sellers join in to actually push prices out of the trading range with a very strong bullish bar, or a very strong bearish bar. Even then, it is very likely that the break out will fail first, and prices will pull back again. The point I'm trying to make here is that most trading range breakouts, no matter how weak or strong they look, will fail the first time out in most cases. This will happen in very small trading ranges and even in very large trading ranges, so pay close attention to even 3 or 4 overlapping bars.

Nothing is ever written in stone when it comes to trading, so occasionally, you will get a break out that never checks up and simply moves strongly in the direction of the break out. It is my opinion that this is the exception though, rather than the rule. A strong break out will happen only often enough to keep you trying to perfect it, and your trading account funds will more than likely be reduced while trying to figure out how to make it work in your favor. At the very least, you will usually be forced to ride out a pull back with a much bigger stop than you would prefer in order to survive the trade.

Now that we have discussed what happens with most trading ranges, let's talk about how to beat or outsmart other traders when it comes trading these formations. If the overall trading day is simply a larger trading range type day, then it is usually best to fade all breakouts. On the other hand, if the day is a trending day, at some point, prices are likely to break out with the larger trend, but again, we don't enter during the break out. The smart entry will be to wait on the break out to fail and start to pull back. Once the pull back begins to lose momentum, we will look to join in if prices turn back with trend again. This is known as a breakout pullback entry, and this strategy is the optimum way to enter a trading range breakout if you want to get on board in the direction of the actual breakout.

By using this strategy, you will occasionally miss a strong break of a trading range, so don't let that entice you to join in when you see it happening, as it will only happen often enough to keep you joining in on a losing entry strategy. Most trading range breakouts will give you a pull back opportunity to join in later, and if not, the worst that can happen is that you will miss a rare profit opportunity. It's my opinion that you will lose more money taking first time breakouts than you will ever make trading them, because most will fail shortly after prices break out of the range.

I feel it is important that we discuss a few additional nuances of trading ranges and congestion areas as well. In most cases, trading ranges will normally begin trending at some point in the same direction that they were moving in when they moved into the trading range. That doesn't

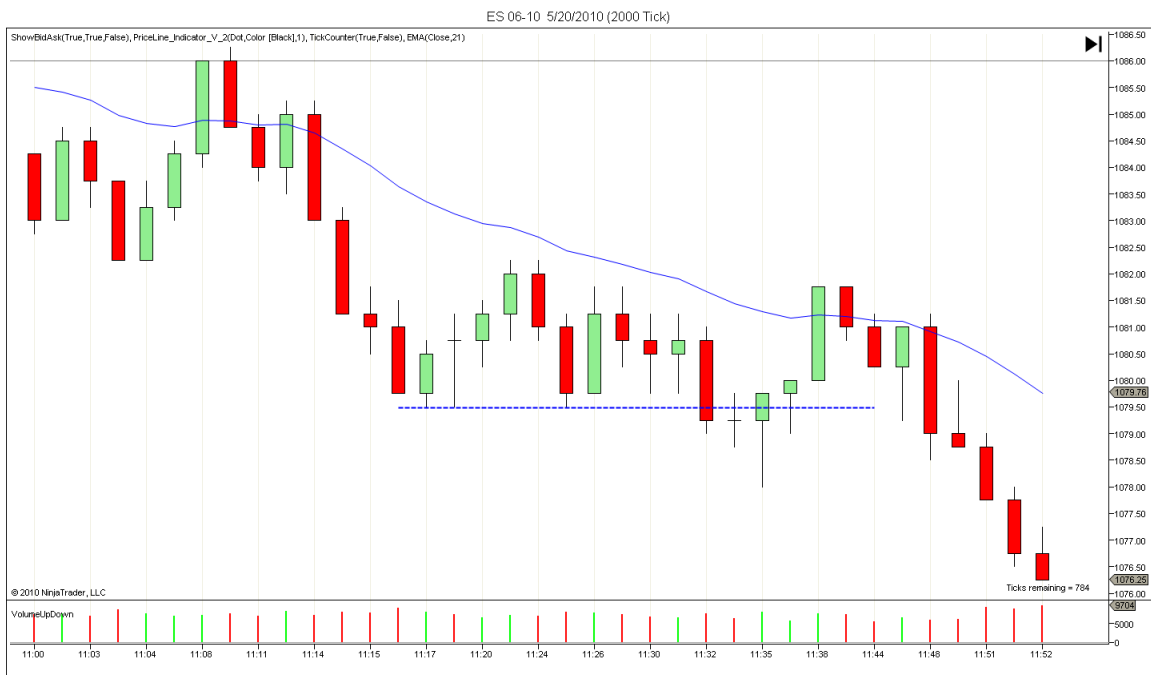
mean that prices will always resume trending in the same direction, but that is the more common theme. So, based on this theory, be particularly on guard when prices break out counter trend, as this is most likely going to become a great opportunity to simply fade the break out.

The ES is famous for failed breakouts with trend, which immediately go to the other side of the range, and fail out that side as well, before prices start back moving with the original trend. Stop running is rampant around these trading ranges, and it is best to avoid most entries until prices offer a failed breakout opportunity, or a breakout pull back entry.

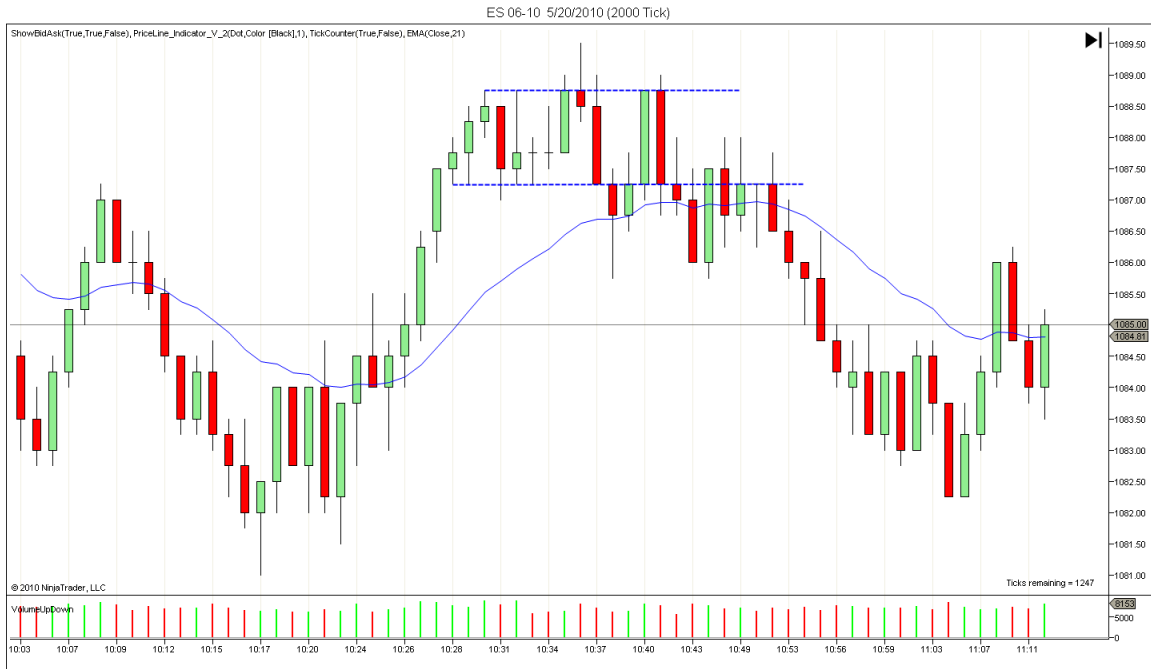
Now that you hopefully have a better understanding of trading ranges, I will go into a few more details of exactly how to handle them. There are really only three acceptable entry options for trading these equilibrium areas. One is to wait for a very small doji at one side or the other, then fade that small bar looking to exit at the other side of the trading range. Two is to wait for the break out to fail, and then fade the break out. The third option is to wait for the break out to fail and then pull back. If that pull back fails, then you can jump back on in the direction of the break out when prices reverse and the fade fails. I call these third type entries “breakout pullback entries”. I suggest that you look for the break out failures to normally be counter trend. The key to these failed breaks is that they run safety stops so they trap out many traders, while also enticing new traders to join the break out, and that actually traps traders into the wrong side of a market that quickly reverses on

them. If prices break out with trend, then it is more likely that the break out will fail, but then turn into a break out pull back entry with trend.

Below is a good example of a trading range that formed in a downtrend. Notice all the overlapping bars and several doji candlesticks as well. Prices actually managed to break out the bottom of the range with trend first, but then quickly failed. Prices then moved back to the other side of the range, and the trade reversed again, making this a break out pull back short entry with trend.

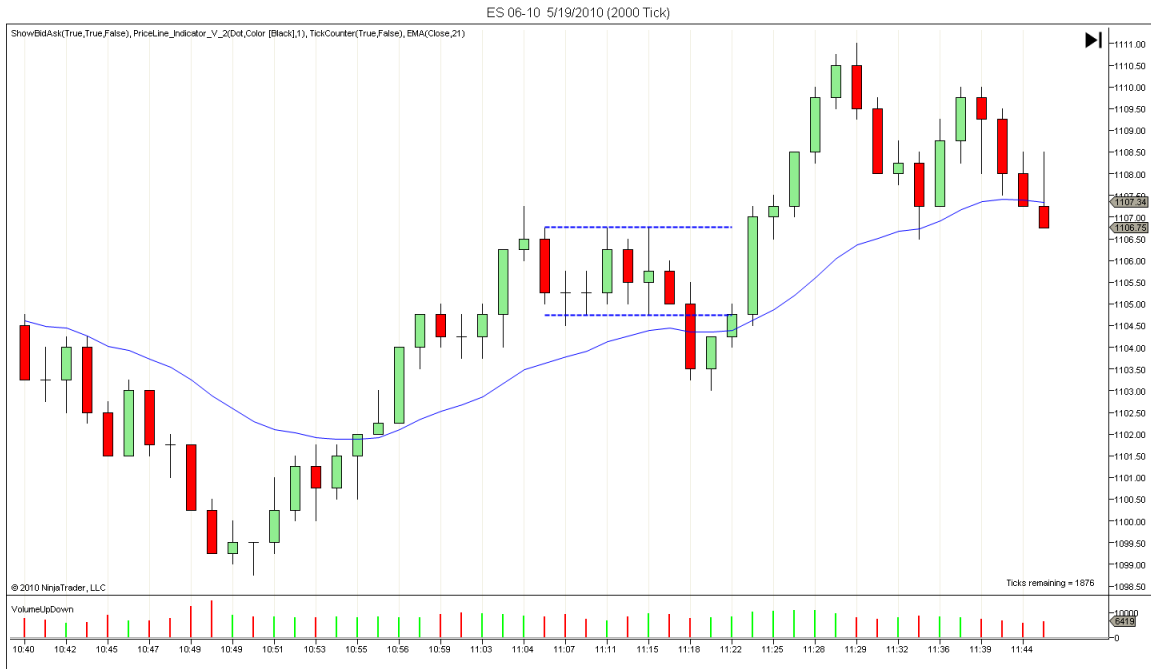


Below is another example. This one failed out both sides more than once. The final break higher was a one tick failed break out, only to then break out to the downside with-trend and chop around for several bars before continuing on downward again.



Finally, below is one more example. In this case, prices failed counter-trend out the bottom, only to immediately reverse and move back with-trend. Anyone that entered short on that breakout got trapped at what turned out to be the lowest point of the market for the remainder of that day. If you had entered the market short on that breakout, you would have found yourself in a losing trade, or else you had to ride out a 12 point draw down that went well into the next trading day.

I don't know about you, but I don't care to be sitting on a twelve-point draw down, and I certainly don't want to carry a losing trade into the next trading day hoping that it will come back again. If you were smart and faded the break out, you caught the low of the day from that point and you could have taken up to 12 points out of the market before the trend turned back down again.



The most important thing to remember about this chapter is that these breakouts almost always attempt to reverse in the ES, so entering on a break out of trading range is usually a losing trade unless you are willing to gamble, with a large stop, that prices won't succeed in going further in the other direction. If you trade these ranges using the strategy as described in this manual, you will reduce the number of losing trades in which you get trapped at the low or high of the day, which is what will happen many times when you trade a breakout area.

Now that you are armed with enough information to have a better understanding of what is going on around these equilibrium formations, there really are only a few basic rules to remember when trading them. One, you must never take the original break out. Two, either fade the break out, or wait on a break out pull back before entering. Thirdly, you can also fade small bars, especially dojis, if

they are at the far side of the range. Also, on range days, if prices are making a new daily high or daily low, that is a great place to fade the trade. Almost every new daily high or low will fail on range days.

If you start with these basic entry rules regarding congestion or trading ranges, and study what happens closely going forward, you can improve your trading results tremendously. Remember, a trading range can be anything from 3 or 4 bars to an entire days range of 10 points or more. Review a few intra-day trading charts and see if you don't agree that most breakouts fail at least once!

Trading Second Entries

If you are not already familiar with second entry trades, then you are missing out on some of the best entry opportunities available in trading. Second entries are an important part of price action trading, and they work in any market and on all time frames. I prefer trading tick or volume charts, and these entries work on them just as well as they do on any time based chart. You should look for second entries on daily, weekly and monthly charts as well, because you can find them there too.

If you do not already know what a second entry is, then you are probably scratching your head and wondering exactly what I am talking about. Before attempting to describe a second entry, I will discuss some of the theory behind why they tend to work so well. If you have been trading for any length of time, then you are probably already aware of the fact that the market tends to move in pairs. In other words, prices will make one leg, then have a pull back, and normally make a second leg that is somewhat equal in length as the first leg.

These moves in “two’s” happen over and over all day long and on different time levels. If you need proof, just go study a few charts in depth, and I think you will then agree with me that the market does indeed move in two’s over and over. Now that you know and understand that this is a natural part of any price movement in the markets, the next thing you should understand is that whenever the market tries to do something twice and then fails, it is likely to

succeed in moving much further in the other direction. This is what makes second entry opportunities work so well in my opinion.

Describing a second entry is not easy, but I'm going to try and put it in very simple terms so that you can grasp this entry technique. When trading second entries, you are looking to take them "with trend," or at major turning points. There are actually many other clues that you must also look for when trading turning points in the markets, and we discussed that more thoroughly in the section on staying with the trend. Basically, you should never counter trend trade until there has been a convincing break of a trend line, and even then, only after a re-test of the high or low of the trend. After all, it is the traders that are fishing for tops and bottoms that actually contribute to what makes second entries work so well.

If the market is trending upwards, every time a new high is created, even if only by one tick, then the count must start over. Let's assume that prices just made a new high, and now they are pulling back with several bars that are making lower highs and lower lows. At some point, the pullback will stall, and you will have a bar that will tick higher than the previous bar. This tick higher is the first attempt for prices to start back with the original upward trend. This is your first entry or the first time that prices moved higher after the start of the pull back. Prices could rocket on up from here and continue the original trend, but if they fail to make a new high, and then pull back again and start moving counter trend again, we would then start watching

for a second entry, or a second chance for the trend to start moving upwards again.

If the second pull back stalls as well, and prices are able to again tick one tick higher than the previous bar, then that constitutes the second entry, or a second chance to get back on board with the upward trend. This really is all there is to a second entry, but they work extremely well for a couple of reasons. First of all, if you get a second entry long, that means that the market obviously tried to go down twice and failed, so the odds are in your favor that prices will now succeed in going in the other direction. You are probably very familiar with double bottoms and double tops, and that is why they tend to work so well, and this is a similar type entry, with the exception that the two pull backs do not have to necessarily form an equal double bottom or double top.

Secondly, when the market starts a second pull back, many traders are assuming that the trend is ending, and they are jumping on counter trend, looking to try and catch a top or bottom. When their counter trend entries quickly fail, and the market starts back with the larger trend, then these traders are trapped on the wrong side of the trade, and they quickly start covering their entries in an effort to limit their losses, and their exit orders give the market extra fuel and pushes prices even further in the direction of the original trend.

Below is a visual example of a second entry. Notice that prices made a new high in an up-trend, than started pulling

back. The break above the blue line was the first bar to try and re-establish the trend upwards, and that is the First Entry. After the first entry, prices started moving down again, but we are now watching and waiting on a possible second entry, which came with a tick above the red line. Notice too that the bar was a bullish bar, and that it occurred near the 21 bar EMA, which is where many of the best Second Entry opportunities will form.



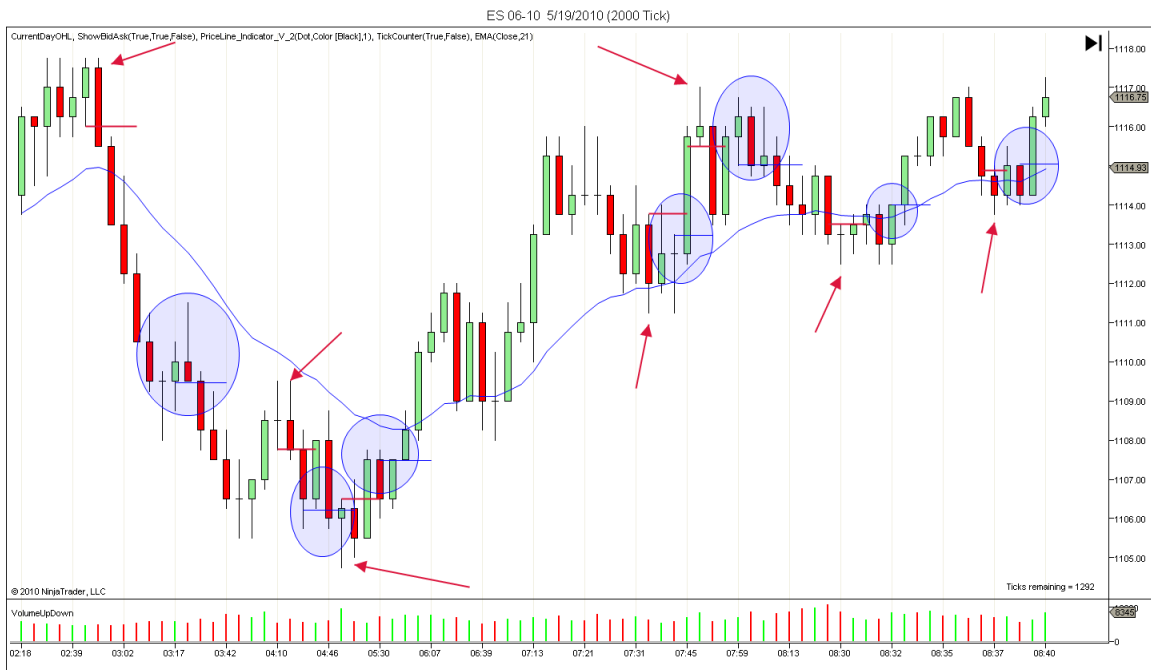
Most trends will go further than you will ever expect, so trying to pick tops and bottoms is a very risky trade, and that's why second entries work so well. Too many gamblers are trying to pick a top or bottom, justifying it with the fact that they can get out with only a small loss if they are wrong. By staying with the trend, you will be taking their free gifts and adding them to your trading account. One of the best places to find second entries is on a pull back that stalls near a 21 bar EMA. I normally trade a 2000 tick chart, and one of the few things you will find on my chart is a 21 bar EMA, and that is where most of the best second entries usually form on my trading chart.

The most important part of the count when looking for second entries is to remember that you start the count over on every new high in an up trend, and every new low in a down trend. **NOTE:** The new high does not have to be a new high or low for the day, just a new high for the current swing. In other words, prices might make a new high for the day, then trend down for a few swings, but then start trending upwards again. Each swing to a new high or low starts the count over again.

You must always start the count over, even if the new high or low was only by a tick or two. If you are trading a downtrend, just reverse the process as I described it above for second entry longs. I normally use a stop order to enter these trades, and I place that order one tick above or below

my signal bar once I start looking for a second entry. If the trend is up, I prefer to see a completed bullish bar as my signal bar before placing my entry order to go long. If prices don't tick up and stop me in by the completion of the next bar, I just move the entry stop down to one tick above it, and I keep doing this until I am eventually stopped into the market, or until I feel the market may have gone too far to warrant a long entry any longer.

Below are some examples of second entries. I did not necessarily mark second entries you would want to take. I simply marked them here as examples so that you could see several of them on one chart. The arrow notes the starting count point, and then the red line notes the first entry, and the blue line in the circled area notes the second entry. Notice too that you can have a second entry off the high side, only to get another one immediately off the low side going in the other direction, or vice versa.



Get out your favorite trading charts and study them closely. Mark the second entries and learn to spot them on your charts. Once you get an eye for what they look like after-the-fact, then you can start to watch for them in real time. By adding second entries to your trading, you will give yourself a slight edge over most other traders. I actually speak to many long-term traders that often do not know or understand what a second entry is and why they tend to work so well. Go study some charts today and learn this technique so that you can add it to your trading arsenal.

Again, there are two ingredients to second entries that make them work extremely well. One, they create traps that trap traders on the wrong side of the market and when they start to question their entry and realize that they were wrong and begin to exit, it helps drive prices further in your direction. Secondly, these second entries runs stops on weak traders already on the right side of the market. These weak hands also think the market is reversing, so they exit and get fooled or trapped out of their trades only to see the market start moving in their original trade direction again, so they start chasing the market in trying to re-enter, and this adds additional fuel and pushes prices even further in your direction. Either way, these entries create traps, and these traps are our key to quick profits!

I have recently added a video to youtube that will give you a clearer understanding of how the counts work and how to find your second entries. You can find that video by following this [LINK](#). Second entries are an important

trading tool, so make sure you study this part of the manual closely and that you watch the video until you get a full understanding of what the pattern looks like and why it is so important.

UNDERSTANDING TRAPS

If you are not familiar with traps and how to trade them, then you are missing out on one of the best scalping entries available in any market. Traps occur often and the name is a very good descriptor of what actually takes place. There are many reasons why traps occur, and there are several different ways to approach them. What actually occurs with these traps is that multiple traders will enter a trade at the same location, which is usually a tick above or below a previous bar or key price level. However, immediately upon ticking higher or lower, the market will instantly reverse, trapping those traders who entered on the tick higher or lower on the wrong side of the trade. When the trapped traders realize that they have been duped, they begin exiting on the break of the previous bar. This mass exodus adds fuel to the move and very quickly, the market will surge forward for a couple of points or more.

When you see a trap setting up, you want to have a market “stop” order in place exactly where the trapped traders will be exiting. As the duped traders all begin to exit, your order will be executed and you will be swept into the trade with the exiting orders and the move will generally be swift and sudden, making it very easy for you to scalp a point or more before the surge starts to lose momentum. My preferred way to trade these traps is to scalp out with four ticks on one or more contracts, and then move my stop to break even on one or more additional contracts, just in case the move continues even further.

It is difficult to easily describe these traps in writing, but I will do my best to give you a good mental picture of how these traps will look. I will follow up this section with some chart examples to help you better understand what they look like.

Most often, these set ups will occur as a failed break above or below some price level by only a tick or two, then quickly reverse. One good example is a failed break by a tick or two of a small congestion area, which is nothing more than several overlapping bars. This type is well documented in the section on how to trade breakouts, so go back and review that area if necessary. Be particularly on alert if the failed break is counter trend. If you see a small congestion area in an upward trending market, and suddenly prices have a one or two tick failed break lower out of the congestion, then that is very likely to act as a trap, as there are many unsuspecting traders that will enter the market on these break outs only to become immediately trapped on the wrong side of the market.

Another good trap may occur in a pull back. Assume the market is trending downward and prices suddenly start pulling back. At some point the pull back will stall, and then start moving back with the original trend again, only to quickly stall and start back up a second time. If the second attempt to reverse suddenly fails after prices tick higher than a previous bar, there will be many traders that will be trapped to the long side of a declining market. Most of them will be quick to exit as soon as prices start moving down and take out the low of the bar in which they entered

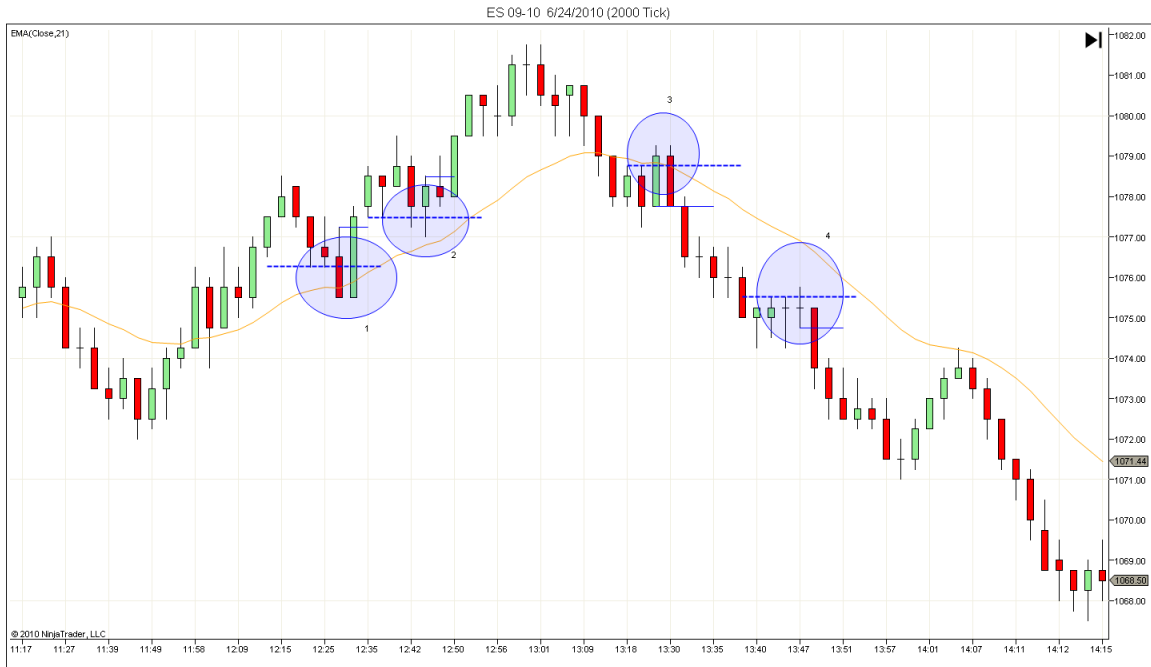
on. Their exit orders will be within a few ticks of the low of that bar, and that is exactly where we want to have our entry stop order. These trades often move very fast, so you often times need to have your order in place early, anticipating a possible trap. If the trap does not occur, simply cancel the order. By having it in place ahead of time, you assure that you don't get left behind when prices surge lower.

The two examples just given will produce some of the best traps, but there are other trap set-ups as well. What you must be aware of with prices on any chart is that it usually moves in twos or pairs. Price action or price moves like to attempt things twice before giving up, and that's why traps work so well. Most everyone is aware of double tops and double bottoms, and what is actually happening at a double top is that prices try twice to go higher and fail. Simply reverse this for a double bottom. The market will try twice to go lower and fail both times at the same level, and then suddenly reverse the trend. Whenever the market tries to do something twice but fails, it will usually succeed in doing the opposite. Traps are very similar to double tops and double bottoms, with the exception of the fact that the tops or bottoms are not equal to the tick. The right side can be a few ticks higher, or a few ticks lower, but the formation will still work much the same as a true double top or double bottom.

When these traps occur counter trend, the sudden reversal back with the original trend is often times swift or very violent as the trapped traders realize that they were tricked

and that the original trend is starting back up again. It's the same principle of everyone heading for the door at once, and the mass exit creates a vortex that drops or rises quickly depending on which way the market is moving. Study some of your charts each day and look for these traps until you can learn to spot them. You will find most of them during pullbacks to the 21 bar EMA in a trending market. Once you get a good feel for what they look like, you can start watching for them in real time. If you learn to spot and trade these formations, you will forever change the way you look at a price chart. Most importantly, you can improve your bottom line by only trading a couple of these each day.

Below is a chart with 4 examples of some decent traps. Notice how in each case prices suddenly surged forward as the trapped traders realized that they made a mistake in entering counter trend. As they exit and other smart traders enter, the market moves quickly onward in the direction of the trend and you can profit quickly from these moves. Note that you would place your entry stop one tick above or below the blue lines, as that is where the exit orders will lie for the trapped traders. Note that the break of the larger dashed line is the trap, and the break of the smaller bar is where you would have your entry stop order waiting.



Trade 1: During a pull back to the EMA, prices went into a small trading range and prices then dropped below the small double bottom matching lows. Counter trend traders entered short on that drop thinking that they were going to catch a top. However, they quickly found that they were trapped on the wrong side of the market.

Trade 2: Another pull back to the EMA. Again, there were several overlapping bars, and when prices fell below the matching lows, many traders entered short there, but were quickly trapped and as the market moved higher, they begin exiting and new longs begin entering, so your trade quickly met it's scalping goal.

Trade 3: Prices moved strongly off the high and through the EMA. Most traders were still looking for another long entry here, and even some smart traders might have gotten trapped on this one. If so, the smart move was to reverse

when it was obvious this was a trap. Because of the overlapping bars here, it was unwise to take a break out of any type, and if you follow the rules as we outlined in the break out section, you would not get trapped on this trade. The best ES traders were waiting on this trap and it made them a quick profit.

Trade 4: The trend was obviously down now, and this was another small trading range. If we get a break out counter trend, which is what happened, we fade it. The one tick higher here trapped longs, and we simply transfer their money to our account when we enter where they exit with a loss.

Our Entry Strategy

As a full time futures trader, this is our favorite technique for entering a trade in the Mini S&P (ES) here at PATs. This strategy works day after day, and is so simple, that anyone should be able to understand it and put it into action in a very short period of time. There is an entire industry built around the idea that trading is difficult, when in reality, trading only needs to be simplified. Discipline and a simple but workable strategy are all you need to make money in the markets. In this manual you will find a simple but effective trading plan. If you stay disciplined by following the rules you learned in this manual, and use this strategy, you can and will become a profitable trader.

The best part about price action trading is that it works in all markets and on any time frame. If you take a monthly chart and a one-minute chart, and remove the labels from them, you will not be able to tell at a later date which one was the smaller time frame, and which one was the longer time frame. They will simply look the same. A chart is a chart, and price action looks the same on any of them.

Before going into the details, I will start by telling you a little about how I trade. This will help you to better understand what I'm attempting to do overall. I would describe myself as a swing trader, but I always scalp out a portion of my trade after four ticks, and then immediately move my stop to break even on the remainder of my contracts, hoping to get more profits on the swing portion of the trade, or the "runners" as I call them.

The best part about this strategy is that you improve your overall winning odds by always scalping out a portion of your trade up front and then moving your stop to break even on the remainder. Regardless of what happens after a successful scalp, you are guaranteed to make a profit on the trade. How many times have you had a trade that was in the money, only to watch it turn into a loser? If you are like most traders who are struggling to become profitable, it happens quite often. This “scalp and run” technique will eliminate that problem or at least reduce it for you considerably.

You should start by trading a minimum of two contracts. Scalp out at four ticks on the first one, then move the stop to break even (BE) on the other one and see if you can get additional profits on it. This strategy will work using even a single contract, but as you can afford to trade more contracts, you will want to do so. If you can only afford to trade one contract, then simply scalp out at four ticks on every trade.

If the market is really choppy, you may want to scalp out on all of your contracts at 4 ticks, but by doing so, you may risk missing out on a big move. I normally start with an eight-tick safety stop on all trades, but I will modify and tighten that quickly. The bar that sets up your entry is called your “signal bar,” and the bar that you actually enter the market on is called your “entry bar.” As soon as your entry bar is complete, I suggest that you tighten your stop up to two ticks below that entry bar. By doing so, you will

keep your losses small, while improving your money management.

You must also trade with a broker that gives you reasonable commissions to trade this style. If you are currently paying more than \$4.00 per round turn in the ES, contact me and I will tell you where and how you can get these low commissions (Less than \$4.00 per RT) and \$500.00 day trading margins.

The best way to use this strategy is to take every single set up each day until you meet your daily profit target, because cherry picking your trades will actually lead to a lower winning percentage. However, if you take only 3 or 4 of these scalp trades each day using this strategy, you can easily average \$300.00 to \$500.00 per day in profits trading only two contracts. The best part is that the volume is sufficient in the ES to trade many more contracts. Once you are consistently profitable, you should not look to take more trades, but simply add more contracts.

The reason we go for only four ticks is because scalping for four ticks is a very common trade for many professional traders in the ES market, so you can spot many moves that will go approximately 4 to 6 ticks before stalling. I normally start with an eight-tick safety stop when trading, but it's best if you can have your stop 1 to 3 ticks above or below the swing you are entering on. Start with eight ticks for your safety stop and then tighten it up as soon as your entry bar is complete. I try to always tighten my stop as soon as the bar that I entered on completes. Never give

more than 6 to 8 ticks on any loss, especially if you are concentrating solely on scalping. The one sure road to disaster is to move or loosen your stop and take a big loss. This is where discipline comes into play. Stay disciplined and learn to like a small loss, as it will help insure your survival when trading.

If I enter a trade with 2 contracts, but determine that I should try and swing part of the trade, I will start by scalping out at 4 ticks on one of my contracts, then immediately move my stop to breakeven on the rest and see if I can get two to five points on the remainder. Many times I will get stopped out at breakeven on the runner, but when I do catch a good move, the swing portion of my trade will make me much more profit than many scalp trades combined, so it's the best of both worlds.

I will normally use my special target technique to determine where I should try and take profits on any swing trades. Occasionally I will simply trail a safety stop and use that to tell me when to exit, but I still like to have a target more times than not, because a target will often times get you out at the very top or bottom of the swing, instead of giving back a portion of your profits by using a trailing stop. If you are interested in a great technique for determining targets in any market, go [HERE](#). Note that the targets manual is now included at no charge when you purchase the Price Action Manual.

You will have to determine which exit technique works best for your personality and work with what you feel most

comfortable using, as all of us are different. Whatever strategy you use for your exit, if it works for you and helps you to stay confident in your trading, it will ultimately help you to be a better and more profitable trader.

Now that you have a brief understanding of how we will trade, I'll go into more details on how we will enter.

Setting Up Your Trading Chart

I am a big believer in using tick charts, because they allow you to better see the price action. Every thing I do in my trading revolves around price action, as it's the one true indicator of where prices have been, and where they are most likely to go. Therefore, I will usually suggest that when setting up your charts, you always start with a 2000-tick chart. I also don't believe in trading with anything more than this one chart. You will not need multiple monitors with different charts, nor will you need any indicators other than a 21 bar EMA. If you don't have access to intra-day tick charts, go with a 10,000 volume-chart or a 5-minute chart. **NOTE:** A 5-minute chart will not give you as clear of a picture for the price action, so use it only if you don't have access to the other two options.

Also, do **NOT** try and trade with a chart that is smaller than these time frames. Yes, smaller time frames will give you more entries, but you will have a lot more losers too! We have perfected this strategy and we have found that we have the best success with the three charts I just mentioned, so stick with them. You will be a happier and more profitable trader by doing so.

Based on these requirements, your first step is to build a clean 2000-tick trading chart, with nothing more than a 21 bar EMA. Take everything else off of your chart and leave it off. Below is what my chart looks like. Notice the simplicity and how easy it is to see the price action. That's all you need to make money trading any market. Anything

else with the exception of trend lines and support/resistance lines and you are just creating a distraction to your trading.



Our strategies will also work in the overnight hours, but we find that we prefer trading regular market hours. I also suggest that you be very careful about entering during the first 5 minutes after the regular market, and then stop trading around 2:30 PM CST, as the market can be more emotional at the open and close.

One thing that happens very frequently at the open is for prices to start moving in one direction and trap many traders, before quickly reversing. While nothing is written in stone, the first move at the open is usually reversed within the next 5 minutes, so be aware of this and learn to profit from it when you see it happening. Many times you can catch this first reversal and take a few points and meet

your trading goal for the entire day before the first 30 minutes has passed.

Putting It All Together

- Your first step is to determine if prices are in an up-trend, downtrend or trading range. Note where prices are in relation to being above or below the 21 bar EMA. Just remember that you must follow our trading range rules if prices are in a trading range and not trending. Your EMA will usually be flat if the market is not trending, so it's a good clue.
- If most of the price bars (this means the majority of all bars during the last hour) are above the 21 bar EMA and/or the EMA is pointing up, then prices are probably in an up-trend and you should try and place your trend line on your chart and only look for buy set ups until the market makes a convincing break of that trend line, and then you must still watch for prices to try and re-test the high.
- If most (this means the majority of all bars during the last hour) of your bars are below the 21 bar EMA and/or the EMA is pointing down, and you can get a good down trending trend line, then prices are in a downtrend and you should only look to sell.
- This simple rule with the EMA and trend lines will usually put you on right side of the trade, which is a very important trading rule.
- If you determine that the trend is up and most of the price bars are above the EMA and your trend line,

then every time prices pull back to the EMA, you should look for a possible buy set up. Second entries are preferable, but in a strongly trending market, you can take any with trend entry during a pull back. Watch for counter trend traps that will offer you a great with trend entry while also giving you a quick profit and a perfect entry as the upward trend re-establishes itself.

- If you determine that the trend is down and most of the price bars are below the EMA, then every time prices pull back to touch the EMA, you should look for an entry set up. Again, we prefer second entries, but if the downtrend is strong, you can take any with trend entry during a pull back. Watch for counter trend traps that will give you a quick profit and a perfect entry as the downward trend re-establishes itself.
- Our entries will always be with a stop order, one tick above the signal bar for longs, and one tick below the signal bar for shorts. We prefer to enter on stops like this so that we only enter the trade if prices are moving in our direction. Many times you will get a signal bar and place your order, only to watch prices fail to trigger your stop, and simply turn and go further in the other direction. If this happens, we cancel our order and start looking for a new entry signal. Using stops insures that we enter a trade only if prices are moving in our desired direction.

- Once your entry stop order is executed, immediately enter a target limit order four ticks above/below your entry level and a safety stop 6 to 8 ticks above/below your entry point. Once you have your safety stop and exit order in place, just wait until one is executed, then make sure you cancel the other one! If you are trading two or more contracts, tighten the stop to break even, or break even plus one tick on the remaining contract(s).
- If you are trading multiple contracts and you are using runners, determine a target and then place your limit exit order a tick or two prior to your estimated target to insure that a limit order gets filled. I will usually tighten my stop on the way up as well to lock in profits. Just don't get your stop too close if you don't want to get stopped out before reaching the target.
- We trade with Ninja Trader and we also use Ninja's automated strategies, so all of our stops and targets are entered automatically here at PATs. The stops on our runners also move to break even automatically as soon as our profit target of four ticks is triggered. These auto strategies make it much easier and quicker, and sometimes you do need to be quick or you miss out. We suggest you use automated strategies if your software allows for them.
- We do manually move our limit profit target orders around for the runners, and we usually manually move our trailing stops on our runners if we use those as

well. Using the automated strategies for moving those particular orders usually does not work well, because you need to use the price action to determine the placement of those orders and not mechanically chosen locations.

The best entries for entering with trend are usually very near the 21 bar EMA. One thing that traders must always be aware of is where prices are in relation to the 21 bar EMA. The further away from the EMA that prices get in a trend, the more appealing an entry becomes. Just remember, if prices are far away from the EMA, even if all of the bars are very bullish in a bull trend, or very bearish in a bear trend, the higher the odds that you will get a pull back very soon. Taking those entries far away from the EMA can and will work, but they fail soon after entering in most cases. The 21 bar EMA is somewhat like a magnet, and it is always pulling prices back towards it when they get too far away. Therefore, we prefer to always enter on a pull back unless there is a runaway trend that continues on for long periods of time. If you get one of those run away trend days, you can enter almost anywhere with a sufficient stop and still make money.

If you use Ninja Trader software or any other software that has automated strategies, then I **HIGHLY** recommend that you use those strategies. When trading the ES, the orders are executed on a first in, first out basis, meaning that the first orders into the queue are the first orders to get executed as prices hit that particular price level. The sooner you are in the queue with your target limit orders,

the sooner you can get out of the trade without having prices trade through your order. Using an automated strategy will improve your exits if you use them, but they are not required to use this strategy.

Your exit won't really matter if prices tick through your limit orders either, but if prices are having a hard time getting through that price level, then the first in, first out rule comes into play. By using an automated strategy, your limit target orders will go in instantly as soon as your entry order is executed. This auto entry can really help when getting your order into the queue. If you have to enter your orders manually, then you are going to fall further back into the queue, and that could make it harder for you to get your profit limit order filled without prices actually trading through your order.

Many times, my profit limit order will be executed without having to tick through the order simply because my profit target orders are early in the queue due to the quickness of my automated strategy. Also, prices will sometimes thrust quickly for a couple of points, only to immediately fall back again. If you are entering your trades manually, you probably won't be able to get your limit exit order in place quickly enough and you may miss out on a quick and easy profit. This may seem trivial at first, but the automated strategies will easily pay for themselves if you trade using these techniques.

That's really all there is to our overall entry and exit techniques. It is a simple but great money making strategy.

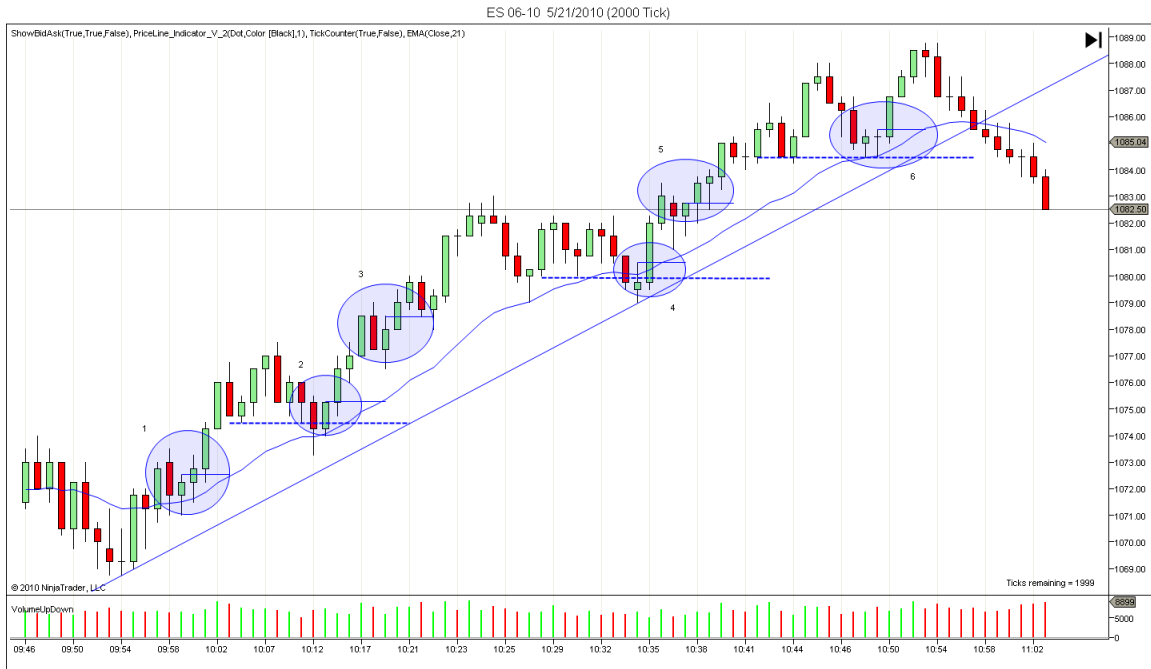
New or unprofitable traders always think you need some magical formula to make money in the markets, and they end up complicating their trading process, while losing most of their trading capital to smart traders who are using a simple trading system such as this to make good money every single trading day. When it comes to trading, **simple is better!**

Below is a recent intra-day chart in the ES. I have circled every entry I see using only the techniques I have discussed in this manual. There are six entries noted during this one-hour period of this trading day. All of the scalps were easy targets, and most would have given you a runner for at least a couple of points if not more. I'll describe each trade and why you would enter.

- 1) This was a second entry long with the trend, in a pull back to the EMA. Notice that prices moved back above the EMA and then pulled back before reversing to the long side again. The move below the EMA trapped a lot of shorts looking for another leg down, and this fueled the move up at the 2nd entry long.
- 2) This was a failed break lower in a small trading range. It was also a pull back to the EMA in an up-trend. Note also that there was a previous green bar, and although it did not tick higher, it was a relatively bullish bar. This works almost the same as a second entry, as that was the first attempt to go higher, and the actual entry was the second attempt to go higher.

There are actually two legs down here, so two tries to go lower and both failed at the EMA. The runner here would have given you 5 to 7 points.

- 3) This was a break out pull back long in an up-trend. As expected, the break out tried to reverse, but the reversal failed and it turned into a breakout pullback long entry.
- 4) Another failed break out. This break out was counter trend, and we expect those to fail in most occasions, especially in a strong trend like this, so we fade it and enter at what was a low for the next 10 points of movement. There was also a pull back to the EMA and trend line.
- 5) Another breakout pullback long entry. As expected, the break out tried to reverse, but this was a strong trend, so we would be on the look out for a break out pull back, rather than fading the break out. This was another easy scalp, and the runner would have given you an easy 5 points.
- 6) This really acted as a break out pull back, but it was also a double/triple bottom at the EMA in a strong up-trend.



Notice that after trade # 6, prices fell convincingly below the EMA. You can't see the rest of the chart, but prices did try and re-test the high, but actually made a lower high and then turned into a nice down trend. As you can also see, there was no false entry or anything that would tempt you to enter when prices pulled back to the EMA and trend line, so you would not yet be looking for any longs or shorts.

Our entry techniques actually force you to do several things that are ideal for learning to be a profitable trader.

1. They almost force you to trade only with the trend.
2. We only enter on pullbacks in a trending market, so you are no longer trading breakouts and buying high and selling low.
3. If prices are in a trading range, we don't buy or sell the break out. We either fade the break out, or we wait on a break out pull back entry.

4. You will be entering where most weak hands are exiting.
5. You are doing the ideal thing... buying low and selling high or selling high and buying low.

Study each of the entries on the chart very closely and cover up the price action forward of that entry. What you will notice is that almost every time, it appears that the trend is faltering and that prices are about to turn over and start a new downtrend. This brings the counter trend traders and weak hands into the market looking to get short, and when prices suddenly turn back with the bigger trend, it forces them to cover and it actually fuels the move even higher. The failed breaks lower also run safety stops and trap out traders that were already long. These same traders then chase the market higher trying to get back on board and give it even more fuel. If you learn nothing else from this manual, understand that it does not pay to counter trend trade, or enter on trading range breakouts.

Finally, using our entry techniques is going to take some getting used to in the beginning, so I suggest you trade it on the simulator until you get comfortable buying and selling into pull backs which will feel very much like the wrong thing to do in the beginning. If you have never done it before, it will feel very strange and you will be very uneasy with it. Most new traders think it is best to buy high when prices are rising and sell low when prices are dropping, but that's why most of them lose. Learn to trust the pull back entries and study as many charts as you can so that you can

prove to yourself that it puts the odds on your side by using it.

What you will discover with time is that after reaching your four-tick scalp target, prices will then pull back and take your breakeven stops on your runners 50+% of the time. However, on those occasions where prices don't take your safety stop on the swing portion, you can make a very large profit, and many times you can even catch the start of a new trend. This will allow you to make as much on one swing trade, using only a contract or two, as you would on a dozen scalp trades.

If you are only able to trade two contracts, you might alter our strategy a bit and move the entire trade to break even, and go for two or three points for your target. It really depends on what your goals are and how confident you are in the current trend. As an example, if your entry point is 1200.00, as soon as prices reach 1201.25 and you exit the first contract, you would move your safety stop to 1199.0 on your runner. What you are effectively doing here is using your profits on your winning contract to insure that the overall trade cannot turn into a losing trade. You are actually using your profits on contract one as your stop point on contract two, so if you get stopped out on contract two, the trade becomes a breakeven only trade. What this does is reduce your risk in the trade to zero once you get only 5 ticks in your original direction, but at the same time, you are giving the trade a bit more room to work in your favor.

There are many ways to manage your trades once you enter, but I have shown you how I like to manage my trades. The key point here is that our main are of concern with this manual is to show you how to find the best entry points. Entering at the right place at the right time is the first step and if you get that part right, it's much easier to figure out the rest of it by using what fits your trading personality the best.

Some traders are a better fit to be scalpers, and you may want to scalp out of every trade in full each time. Other traders are better fit for swing trading, so you may want to keep runners on each trade, and you might even want to try and swing trade every contract you trade. That's viable, and I'm only showing you the way I prefer to manage the trade once I enter. Just understand that when and where you enter using our techniques is not negotiable. The negotiable part is how you manage the trade once you enter.

Final Thoughts

You now have in your hands a very powerful and successful trading technique. The rules are very simple, so they make it easy for you to determine the trend and on which side of the market you should be entering. This technique will work in many markets, although we mainly trade it in the ES. If you decide to trade it in some other market, do your home work and trade it on the simulator first to get a feel for that particular market, as every market has small and slightly different tendencies. Just remember though, price action is price action and it works the same in every market.

Remember to trade what you are seeing on your chart, following the rules we have given you. The market is either trending or in a trading range. If prices are in a trading range, sit tight until there is a break out or a small bar at one of the extremes, and then follow the rules as we outlined them. If prices are trending, be patient and wait on a pull back and then watch for an entry using our pullback second entry techniques. If the market is in a run away trend, take every with trend entry pullback. Never try and counter trend trade when the market is trending. You will simply lose money in most cases. At the very least, you will win only often enough to keep you working on solutions for what is only a losing strategy.

Do not watch or listen to the news, no matter how tempting, as it will only give you a bias that will interfere with your trading. We don't care **why** the market is doing

what it is doing. We only care about what it is doing and how we need to react in order to profit from it. Even if you know the news and what is going to be released ahead of time, you will not know how the market will react. The market may shoot off like a rocket to bullish news, but many times, it will fall like a rock. I don't know why it does this and I don't care. All that really matters is being on the right side of the move. I do believe that it is very important for you to know when news is going to be released, as the market can move very quickly and be very volatile when important news is released. I use a news guard, which is simply software that notifies me with an alert five minutes before any important news item is being released. That helps me to exit if I am already in a trade, and it alerts me not to enter any new trades until after the news is released.

Also, know and understand that even when the market is very volatile and moving extremely fast, that price action is still valid. The problem is that it will be moving far too quickly for you to make proper decisions. In addition, the moves will be exaggerated, so you will probably get stopped out, even if you are on the right side of the market.

Becoming a profitable trader is learning to be patient while waiting on the best set ups. We want to trade like a predator, and predators learn to be stealthy, while lying in wait of their prey. If we jump at every noise or every movement, we will never catch our big prey when it does come along. Remind yourself of this often when you are tempted to take a trade prior to the right set up.

The biggest temptation will be to take a trade when prices are in congestion or a trading range. Remember to wait on the break out or the chance to fade one of the extremes, and you will increase your odds exponentially. Get antsy and take a trade when you should be sitting on your hands in congestion and you will only end up on the losing end of a trade. More importantly, you will probably also miss the correct set up when it does come along because you will be on the wrong side of the market hoping and praying it works out in your favor. Remember to trade like a predator and sit silently and patiently and only strike when the time is right and you will be a better trader.

Trading is really not that difficult. There are any number of different trading plans that are proven to make money, and you could even give most of them away for free, and people would still not be able to use them to trade profitably because they will not have the discipline to trade them properly. Discipline is so important that we should probably write an additional manual on that portion alone.

What you have in your hands right now is all the information that you will ever need to trade profitably in any market. Read this manual over and over until you understand every portion of it, and then put it to work using extreme discipline and you can and will make money. If you trade these rules without discipline and break them even only occasionally, you will most likely be giving your trading funds to me or some other trader that is sticking to the plan and not deviating from it. Remember, when

trading, we want to be the predator, not the prey. The line between profits and losses is so thin and narrow, that it only takes one or two minor mistakes to put you in the losing column each day, so do not underestimate the importance of discipline when it comes to trading this strategy.

If you have questions or need clarification on any of this, we are here to help you. Simply drop us a note with your questions or comments at the e-mail address below and we will get back to you as quickly as possible. We do not take phone calls or talk via skype or anything, as we are full time traders so we are busy trading during regular market hours. However, we will always do our best to answer every question sent to us by e-mail, so feel free to send them to us when and if you have them.

If you have never traded profitably before, make sure that you don't go directly to trading the markets live with this or any strategy. Start on the simulator and prove that you can trade your strategy on a simulator first for many consecutive weeks or months. If you can do that, and you simply transfer that knowledge to your live trading, you can and will make money. Even if you can do it profitably on the simulator, it does not mean you will do it right away trading live. Trading with real money will prompt you to do different things, so keep this in mind.

One of the most important things that we recommend is that you study your trading chart at the end of each day. Make sure you mark all of your trades that were taken during the day and review each one. Try and determine

what you did right on your winning trades, and what you did wrong on your losing trades. Once that review is over, go through all of the price action again and try and determine what set ups you missed. Then try and determine why those set ups worked and what would have clued you into taking the set up in real time trading.

By doing this every single trading day, you will slowly condition yourself to what is working and what is not working, while also learning to spot re-occurring set ups. As you learn to spot these quickly after the fact, you will slowly start to see them in real time as well. Once you can spot the set ups in real time, you will then become a profitable trader. This daily chart review is one of the quickest and best ways to learn to trade price action, so do not dismiss the importance of it.

You now have in your hands a proven trading strategy that will work in any market. With time and study, you can learn these techniques. The hard part will be learning to control your emotions, so you may want to find some good books on trading discipline and study them as well.

We also offer a free daily chart review that will aid you in learning our price action methods. If you would like to subscribe to our YouTube channel so that you can be notified each day when we upload a new video, please visit the [PATs YouTube channel](#) and subscribe today. We normally do a chart lesson afternoon after the regular market closes. You should compare your entries to ours as

we discuss them in our videos, and then try and determine where you went wrong, and where you went right.

Finally, we now also include an additional PDF file that is titled “Daily Chart Review.” The Daily Chart Review PDF is a compilation of our old chart studies that were combined from all of our original chart lessons. At one time, we did all of our chart lessons via email, so we took all of those old lessons and combined them into a single PDF file, so be sure to use that PDF to study along with the videos on our YouTube channel.

Thanks and good luck with your trading!

PATs

The Price Action Trading Team

info@priceactiontradingsystem.com

PriceActionTradingSystem.com

PATs Scalping Techniques & Swing Trade Bonus

<http://www.priceactiontradingsystem.com/>

As a full time futures trader, these are two of my favorite technique for trading the Mini S&P (ES). While the entry process will be identical, I will show you two separate ways to use this strategy to easily build your trading account. These systems work day after day, and are so simple, that anyone should be able to understand them and put them into action in a very short period of time. These strategies are very powerful moneymakers in our trading office, and they have been well proven over an extended period of time. There is an entire industry built around the idea that trading is difficult, when in reality, trading only needs to be simplified. Discipline and a simple but workable strategy are all you need to make money in the markets. In this manual you will find a simple but effective trading plan that if combined with discipline, will help you to become a profitable trader.

Before going into the details, I will start by telling you a little about how I trade. This will help you to better understand what I'm attempting to do overall. I would not describe myself as always being a scalper, nor would I describe my style as always being a swing trader. I do both, but regardless of which entry type I am attempting, my first objective is to always scalp out at least a portion of my trade, and then move my stop to breakeven on the remainder of the trade, hoping to get more profits on the swing portion of the trade, or the "runners" as I call them.

The best part about this strategy is that you improve your overall winning odds by always scalping out a portion of your trade up front and then moving your stop to break even on the remainder. Regardless of what happens after a successful scalp, you are guaranteed to make a profit on the trade. How many times have you had a winning trade only to watch it turn into a loser? If you are like most traders who are struggling to become profitable, it happens quite often. This technique will eliminate that problem or at least reduce it for you considerably.

Let me start by saying that I trade multiple contracts, but that doesn't mean you can't make money with this strategy trading only single contracts. This strategy will work using even a single contract, but as you can afford to trade more contracts, you will want to do so. Regardless of how many contracts you can trade, you will find that you can make some really great profits each day taking only small scalps. It's a really simple technique, and don't let my examples with more contracts influence your thinking if you can only trade a single contract in the beginning.

When I'm purely scalping, I will trade somewhere between 3 and 5 contracts, and simply scalp out two to four ticks on the entire trade. Using my entry rules, you can get anywhere from 8 to 20 entries each day, and each 5 contract trade will net you approximately \$120.00 to \$250.00 before commissions. Best of all, your winning percentages will be above 95%. I normally use a 6 to 8 tick safety stop on these trades,

but will modify and tighten that quickly if I feel like the trade is faltering on me. You must also trade with a broker that gives you reasonable commissions to trade this style. If you are currently paying more than \$4.00 per round turn in the ES, contact me and I will tell you where and how you can get these low commissions (Less than \$4.00 per RT) and \$500.00 day trading margins.

The best way to use this strategy is to take every single set up each day until you meet your daily profit target, because cherry picking your trades will actually lead to a lower winning percentage. However, if you take only 3 or 4 of these scalp trades each day using this strategy, you can easily average \$500.00+ per day in profits. The best part is that the volume is sufficient in the ES to trade even more contracts. I suggest keeping your total contracts on a single trade to below 50 contracts though, as you do not want your orders to “stick out” or be an aberration on the price ladder. Sticking to 50 or fewer contracts per trade will keep you well below the radar.

When I am trying to catch a bigger move and I decide to swing trade, I will still scalp out a portion of my trade. Scalping for four ticks is a very common trade for many professional traders in the ES market, so you can spot many moves that will go approximately 6 ticks before stalling. I normally use an 8 tick safety stop when swing trading, but it’s best if you can have your stop 1 to 3 ticks above or below the swing you are entering on. Using my entry technique, it will be difficult to determine where to place your stop most times, so start with 6 to 8 ticks for your safety stop and then tighten it up as soon as you can. As with all of my trades, I am quick to tighten my stop when necessary. Never give more than 8 ticks on any loss, especially if you are concentrating solely on scalping. The one sure road to disaster is to move or loosen your stop and take a big loss. This is where discipline comes into play. Stay disciplined and learn to like a small loss, as it will help insure your survival when trading.

If I enter a trade with 5 contracts, but determine that I should try and swing part of the trade, I will start by scalping out at 4 ticks on one half to two thirds of my contracts, then immediately move my stop to breakeven on the rest and see if I can get two to five points on the remainder. Many times I will get stopped out at breakeven on the remainder, but when I do catch a good move, the swing portion of my trade will make me much more profit than many scalp trades combined, so it’s the best of both worlds.

I will normally use my special target technique to determine where I should try and take profits on any swing trades. Occasionally I will simply trail a safety stop and use that to tell me when to exit, but I still like to have a target more times than not, because a target will often times get you out at the very top or bottom of the swing, instead of giving back a portion of your profits by using a trailing stop. If you are interested in a great technique for determining targets in any market, go [HERE](#).

You will have to determine which exit technique works best for your personality and work with what you feel most comfortable using, as all of us are different. Whatever

strategy you use for your exit, if it works for you and helps you to stay confident in your trading, it will ultimately help you to be a better and more profitable trader.

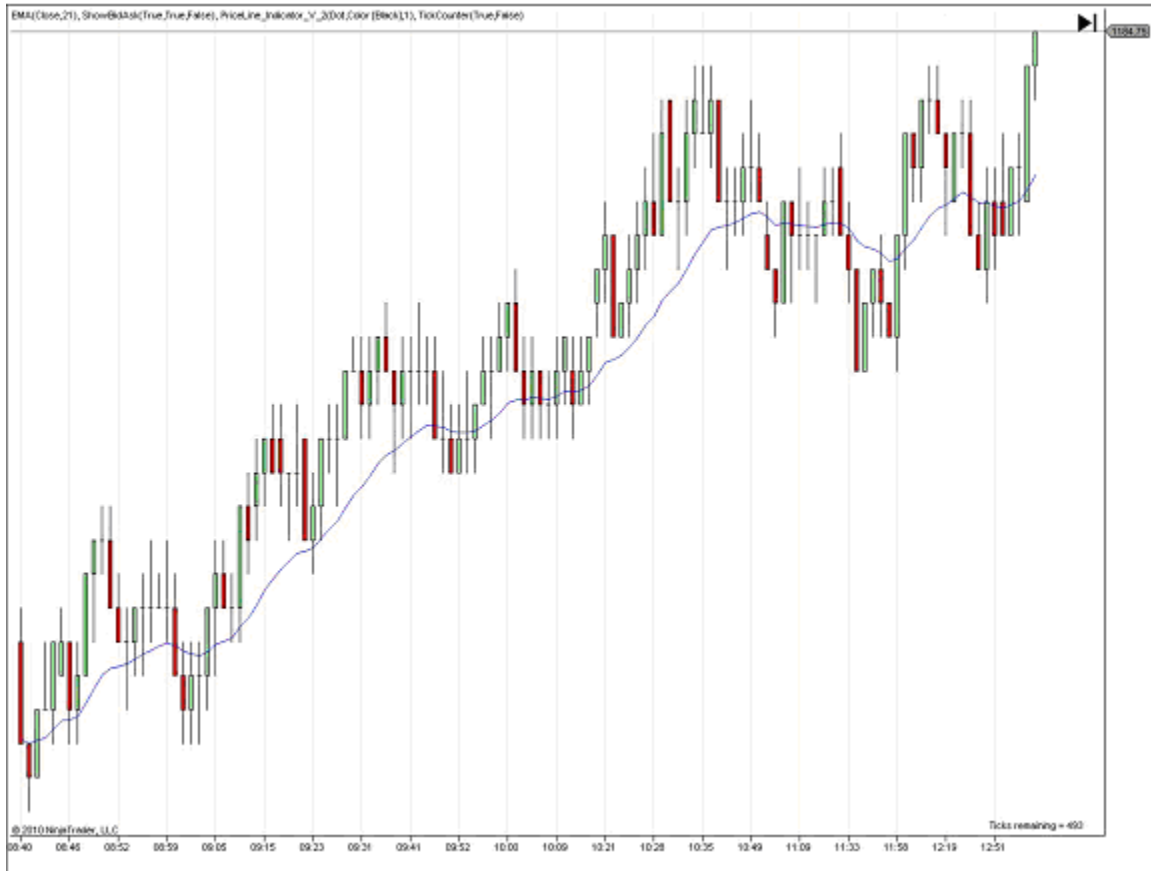
Now that you have a brief understanding of the difference between what I call a scalp and a swing trade, I'll go into more details on how to trade each one.

Setting Up Your Trading Chart

I am a big believer in using tick charts, because they allow you to better see the price action. Every thing I do in my trading revolves around price action, as it's the one true indicator of where prices have been, and where they are most likely to go. Therefore, I will usually suggest that when setting up your charts, you always start with a 2000-tick chart. I also don't believe in trading with anything more than this one chart. You will not need multiple monitors with different charts, nor will you need any indicators other than a 21 bar EMA. If you don't have access to intra-day tick charts, go with a 10,000-volume chart or a 5-minute chart. **NOTE:** A 5-minute chart will not give you as many set-ups, so use it only if you don't have access to the other two options.

Also, do **NOT** try and trade with a chart that is smaller than these time frames. Yes, smaller time frames will give you more entries, but you will have a lot more losers too! We have perfected this strategy and we have found that we have the best success with the three charts I just mentioned, so stick with them. You will be a happier and more profitable trader by doing so.

Based on these requirements, your first step is to build a clean 2000-tick trading chart, with nothing more than a 21 bar EMA. Take everything else off of your chart and leave it off. Below is what my chart looks like. Notice the simplicity and how easy it is to see the price action. That's all you need to make money trading any market. Anything else and you are just creating a distraction to your trading.



Step One, Determine Type of Day

The first thing we must do before attempting to scalp the ES is to determine what type of day we are experiencing and then act accordingly. If the market is choppy, and in a trading range, we only want to enter trades using **strategy one**. Strategy one is to buy and sell strong support and resistance areas such as the Square of Nine lines and the highs and lows of trading ranges. These work best on choppy trading range type days.

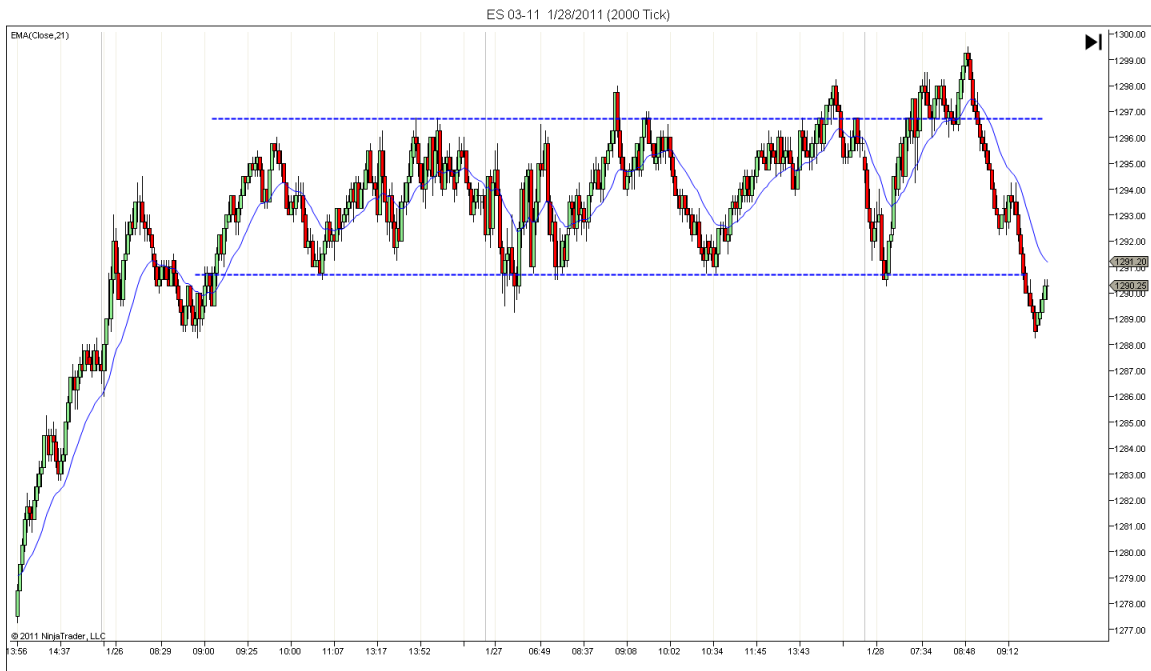
A trading range may be anywhere from a point or two from top to bottom, and as much as 5 to 7 points from top to bottom. If the range is much larger than 7 points, then there is probably enough room from top to bottom to consider the move from the high to the low a small trend, and then it is OK to use strategy two, but understand that you should skip any and all strategy two entries if prices are coming off the high or low of the trading range.

The best trading days are strong trending days, and on these days we only want to trade **strategy two**! Strong trend days are also when we definitely want to try and hold onto a

portion of our trade with at least one breakeven runner because we may leave a lot of money on the table by only scalping out with 4 ticks on these types of days.

I have attached two charts below. Notice that the first one two consecutive days of a trading range type day. The second chart is a trend type day. Learn to spot the type of day and then begin trading from there based on the type of day you are seeing. Also understand that the day can change at any time, so be prepared to switch strategies if necessary.

Here is a trading range day. This is actually two days worth in the ES. Notice how easy it would be to scalp the highs and lows of this range with little risk. However, scalping the EMA would be much more difficult, so we stick to **strategy one** on range days like this.



Now, take a look below at a trend day. Notice how clear the trend is and how easy it would be to scalp every pull back to the EMA. On trending days like this, we scalp the pullbacks to the EMAs using **strategy two** and we do not use strategy one.



Let's recap this to make sure it is clear, because determining the type of trading day is the first step in using the two strategies to make money. If you don't get this portion, read it over and over until you do, because if you get the "type" of trading day wrong, then you are likely to use an incorrect strategy and set yourself up for a losing trading day.

You should first determine if the market is in a range or if it is trending. **If the market is ranging, use strategy one**, which is buying and selling the Square of Nine lines and buying and selling the highs and lows of the trading range.

If the market is trending, then you will want to use strategy two, which is buying and selling pullbacks to the EMA in a trending market. When the market is trending, you should still be aware of the Square of Nine lines, because they will often turn a trend on a dime, but do not buy them blindly or you will pay a steep price.

Scalp Strategy One

My all time favorite scalp is to use the Gann Square of Nine support and resistance points. If you trade with Ninja Trader software, you can go to the NT support forum and download an indicator that will automatically plot these lines on your chart each day. The indicator is found [HERE](#). One word of warning with this Ninja Trader indicator: After about an hour of time, the indicator will cause your charts to lag, so rather than place the indicator on your chart and leave it there each day, I simply add the indicator each morning, then use the "Horizontal Line" tool to place horizontal lines over the square of nine lines, and then I remove the indicator. It takes about 5 minutes to do this each morning, but it is well worth your time.

Once you place the lines on your chart, what you will find is that they act as strong support and resistance levels. I honestly do not understand the math or the theory that goes behind these lines, but I can tell you that these lines are pure magic when it comes to acting as support and resistance. Gann was obviously a very brilliant man, and I for one am glad that he shared this information with the trading world. In addition to acting as strong support and resistance lines, they also act as magnets. Prices will work towards these lines, and once they reach them, the lines will then act as support and resistance and repel prices.

Even in a strong trending market, you may still get a bounce or trend reversal at these lines. It's uncanny as to how often prices will turn exactly on the lines, to the tick. Other times it will go past the line a few ticks, or stop short of the line by a few ticks. If prices turn and move strongly in the opposite direction prior to reaching the line, then that is most likely a sign of a changing trend direction, so be aware of that fact. Just don't get suckered in on a pull back. Make sure that the price action is strong in the new direction and not just a pull back with the trend. You don't want to buy too early in a strong down trend, and you don't want to sell too soon in a strong up trend. One word of caution on this technique: If the market is trending **strongly**, whether up or down, it is best to wait and enter only on a strong reversal bar that reverses at the square of 9 line and enter one tick above or below that reversal bar, depending on direction.

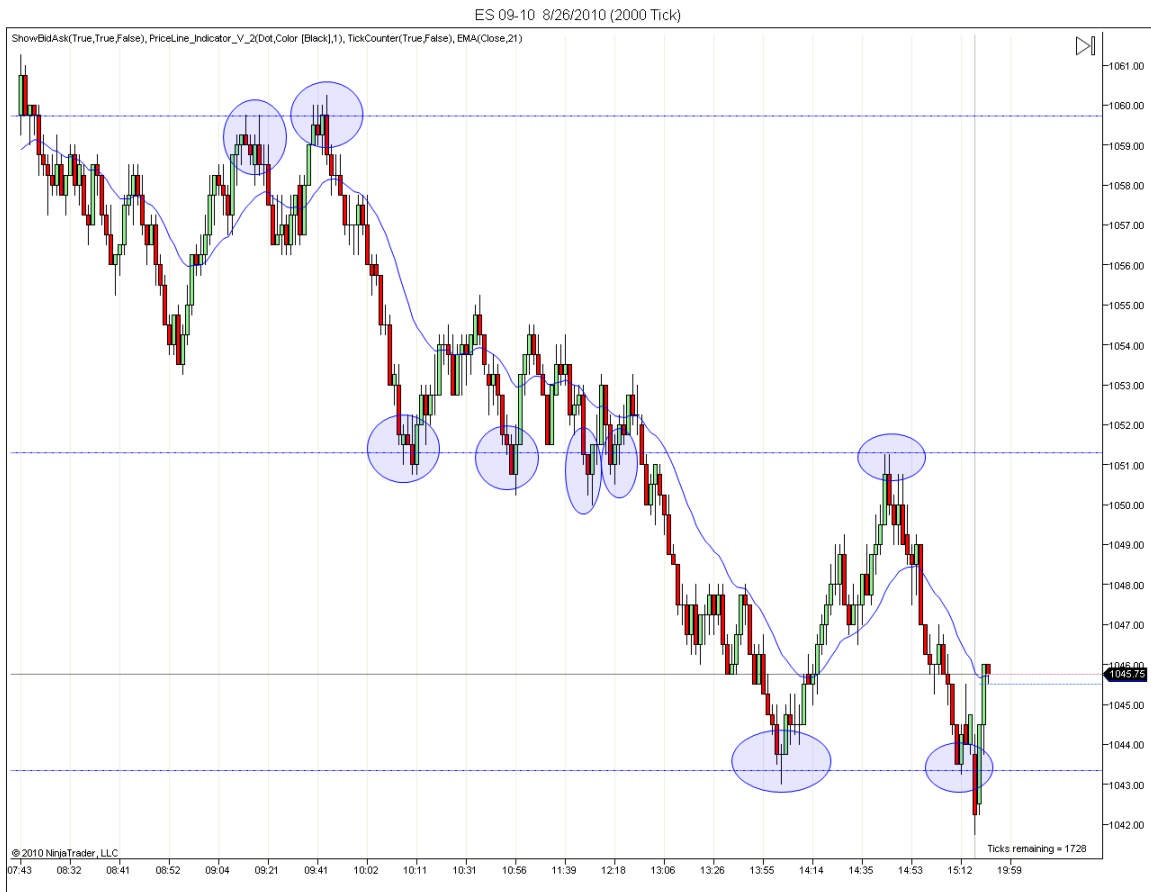
A strong reversal bar is not simply a bar that stalls at the square of 9 line, so make sure you understand that fact. If the trend is down, a strong reversal bar would have a large green body or a large tail, with a green body that closes on or is within a tick or two of the high of the bar, and there would not be much overlap with any other bars. If the trend is up, a strong reversal bar will have a red body, or a large tail and a red body that closes within a tick or two of the low, and not much overlap with other bars.

If prices are falling and moving towards one of your square of nine lines, then go ahead and place a buy limit order one tick above the square of nine line and wait patiently. If you place the order directly on the line, many times it will not get filled, as prices must tick through a limit order in most cases in order to fill it. If prices are rising and moving towards a square of nine line, then place a limit sell order one tick below the line and again, wait patiently.

Once your order is executed, immediately place a protective exit stop 8 ticks away from your entry price. I would also then add a limit profit order 4 to 8 ticks away. I like to go for 8 ticks, but I will move my stop and keep it one tick above or below the previous bar as it closes to insure I don't let a winner back up and turn into a loser. If you can trade multiple contracts, scalp out on part of the trade at 4 ticks, and move your stop to break even on the rest and let it run.

Most of the time you can get two or more points off these bounces, but in the beginning, just go for 4 ticks on one contract until you get a feel for the set up and how prices react around these lines. It is very rare that prices will **not** bounce at these lines. I do not have

specific percentages, but I would say prices will bounce enough to give you 4 ticks eight out of ten times, and it will give you two or more points 7 of 10 times. As an example, there were nine trades today using this method, and all nine were winners. None went past the line more than 5 ticks, and all got a minimum of a two-point bounce. If you traded only one contract each time, that's \$1800.00 in profits before commissions today, trading only one contract at a time. Below is a chart with the set ups marked so that you can see what it looks like.



The exciting part here is that I did not cherry pick this chart. This was from my trading chart today. This is a very typical day, although some days will have more touches than others. Notice too that three of the entries got eight points each, so if you let them run, those three trades alone could have made you as much as 24 points or \$1200.00 trading only one contract on three trades. The idea is to look for a scalp though, so don't get greedy and allow a winner to turn into a loser. If you want to go for more than two points, trade two contracts and use one as a runner with the stop at break even after you exit the first contract. Otherwise, make sure you use a trailing stop at the very least.

If you traded nothing but this set up using only one contract each time, you can make a very good living scalping in the ES. I am sure you can use this technique in other markets as well, although we only use in the ES for now. We recommend that you only trade this

technique in the regular trading hours, and we also recommend that you do not take any trades after 2:40 PM CST, as the market gets too emotional near the 3:00 PM hour.

Here is a link to the [Gann Square of Nine indicator for Ninja Trader 6.5](#). There are two versions, and we use NT Version 6.5.1000.1. Be sure to remember that you can not leave this indicator on your chart at all times, because it will slow your charts considerably. Just place the indicator on the chart, then use your “horizontal line” tool and place those horizontal lines over the Gann lines. Then remove the indicator so that it doesn’t cause chart problems for you. You can then come back each morning and double check the lines again before you start trading.

As stated previously, this technique works best when the market is not trending, but rather in a trading range. However, the strong support or resistance areas that make up a trading range may often not include a Square of Nine line, but that support and resistance area is important all the same. When prices are in a trading range, you can scalp off the high and low side of the trading range using the same entry techniques of shorting below a bearish bar off the high of a range, and buying above a bullish bar off the low of the trading range.

There are some traders that actually prefer to trade only these trading range patterns, as they are very predictable in what the price action will do. Even if you get a break out of the range, the break out is likely to fail, trapping traders on the wrong side of the market, and then prices will quickly move back to the other side of the range again, so never buy break outs of these ranges. They are pure sucker entries and only inexperienced and non-profitable traders dare to try and enter on these breakouts.

Scalp Strategy Two

When you see how simple this next strategy is, you are going to wonder why you have not tried it before? It’s really a very simple technique, but best of all, it works over and over with very few failures. You will only want to use this technique during regular trading hours (8:30 AM to 3:15 PM CST). It will probably work in the overnight hours, but many of the nuances that make this system work will be missing in the overnight market, so the risk is much higher. I also suggest that you wait until about 15 minutes after the market open to start trading, and then stop trading around 2:30 PM CST, as the market can be more emotional at the open and close.

- The first step is to determine if prices are trending and if so, in which direction. Are prices above or below the 21 bar EMA? Prices must be trending, although it doesn’t have to be a strong trend. Just remember that you should not trade if prices are in a trading range and not trending. Your EMA will usually be flat if the market is not trending or in a tight trading range, so it’s a good clue.

- If most of the price bars are above the 21 bar EMA and/or the EMA is pointing up, then prices are likely in an up-trend and you will only look to buy.
- If most of your bars are below the 21 bar EMA and/or the EMA is pointing down, then prices are likely in a downtrend and you should only look to sell.
- This simple rule with the EMA will almost **guarantee** that you are trading with the larger trend and it will keep you on the right side of the trade, which is a very important trading rule.
- Once you determine the trend, place your trend line on the chart and then trade with that trend as long as prices have **not broken the trend line**. Even after the first trend line break, prices will generally try and retest the high or low again and often times will actually make a new high or low, before the trend will reverse. Once the trend line break and retest is complete, then do not attempt to buy or sell the EMA any longer until a new trend is established.
- If you determine that the trend is up and most of the price bars are above the EMA, then every time prices pull back to touch the EMA, you should have a buy limit order sitting there ready to buy.
- If you determine that the trend is down and most of the price bars are below the EMA, then every time prices pull back to touch the EMA, you should have a sell limit order sitting in place ready to sell the market.
- Once your order is executed, immediately enter a target limit order four ticks above/below your entry level and a safety stop 6 to 8 ticks above/below your entry point. Once you have your safety stop and exit order in place, just wait until one is executed, then make sure you cancel the other one!

The hardest part of this strategy will be determining exactly where to enter the trade. Your goal should be to enter as close to the EMA as you can. Since you are using a limit order to enter the market, prices will usually have to trade through the order price to execute your order. Because of this, you will need to place your order a tick or two before reaching the EMA to insure you get filled.

You want to be conservative and not buy or sell too soon, but you don't want to miss the stronger moves either, so this means your entry timing can be critical to your success at this strategy. On 90% of these trades, a less than perfect entry will not harm you, so don't be too concerned about the entry point right now. Just know and understand that you want to enter as close to the EMA as possible without missing the bounce.

You will have to practice this entry to get really good at it, and you will probably miss a few trades because you will misjudge where prices are going to bounce. Many times prices will touch your limit order, but not trade through it, so your buy or sell order never

gets executed before prices bounce and take off again. Those strong moves will give you heartburn as you watch prices easily and quickly meet your profit target, but it is better to be conservative and miss a trade or two than to get in too early.

UPDATE: Many traders have found that placing blind orders in front of the market is simply too difficult, so we have updated this technique with another entry technique that we feel is better suited for less experienced traders. We suggest that you use this entry technique until you get a better feel for how the market reacts around the 21 bar EMA.

Everything will remain the same with the exception of when you will enter a trade. Rather than try to guesstimate where to enter the market, wait until a bar actually touches the 21 bar EMA. Once you see a bar touch the 21 bar EMA during a pull back, wait for it to complete. Once you get a touch of the EMA during pull back in a trending market, you can then go long one tick above the first trend bar that is with trend. In other words, if you are looking to go long, you can only go long above a bullish bar. If you are looking to go short, you can only short below a bearish bar. Once you have a completed bar that meets this criteria, you can then place a buy or sell order one tick above or below the bar that is a trend bar in your entry direction.

Obviously you will place your stop entry order one tick above the bar if the market is in an up trend, and one tick below the bar if the market is in a downtrend. Everything else remains the same with the trade technique. If prices simply race through the EMA without bouncing, then I suggest you skip the entry and wait for another one, as the trend could be changing.

It is important to remember that if you are going long, your bar should have a bullish close, and if you are going short, your bar should have a bearish close. I use Japanese candlesticks for this very reason, as it is very easy to get a quick visual of the bar closing due to the coloring of the bars. As soon as your entry order is triggered, place a safety stop 1 or 2 ticks above/below the bar you entered above or below, but this should never be more than 8 ticks unless you plan to go for at least 8 ticks on your profit target.

If you use Ninja Trader software or any other software that has automated strategies, then I **HIGHLY** recommend that you use those strategies. When trading the ES, the orders are executed on a first in, first out basis, meaning that the first orders into the queue are the first orders to get executed as prices hit that particular price level. The sooner you are in the queue, the sooner you can get out of the trade without having prices trade through your limit order. Using an automated strategy will improve your exits if you use them, but they are not required to use this strategy.

Your exit won't really matter if prices tick through your limit orders either, but if prices are having a hard time getting through that price level, then the first in, first out rule comes into play. By using an automated strategy, your limit target orders will go in instantly as soon as your entry order is executed. This auto entry can really help when getting your order into the queue. If you have to enter your orders manually, then you are

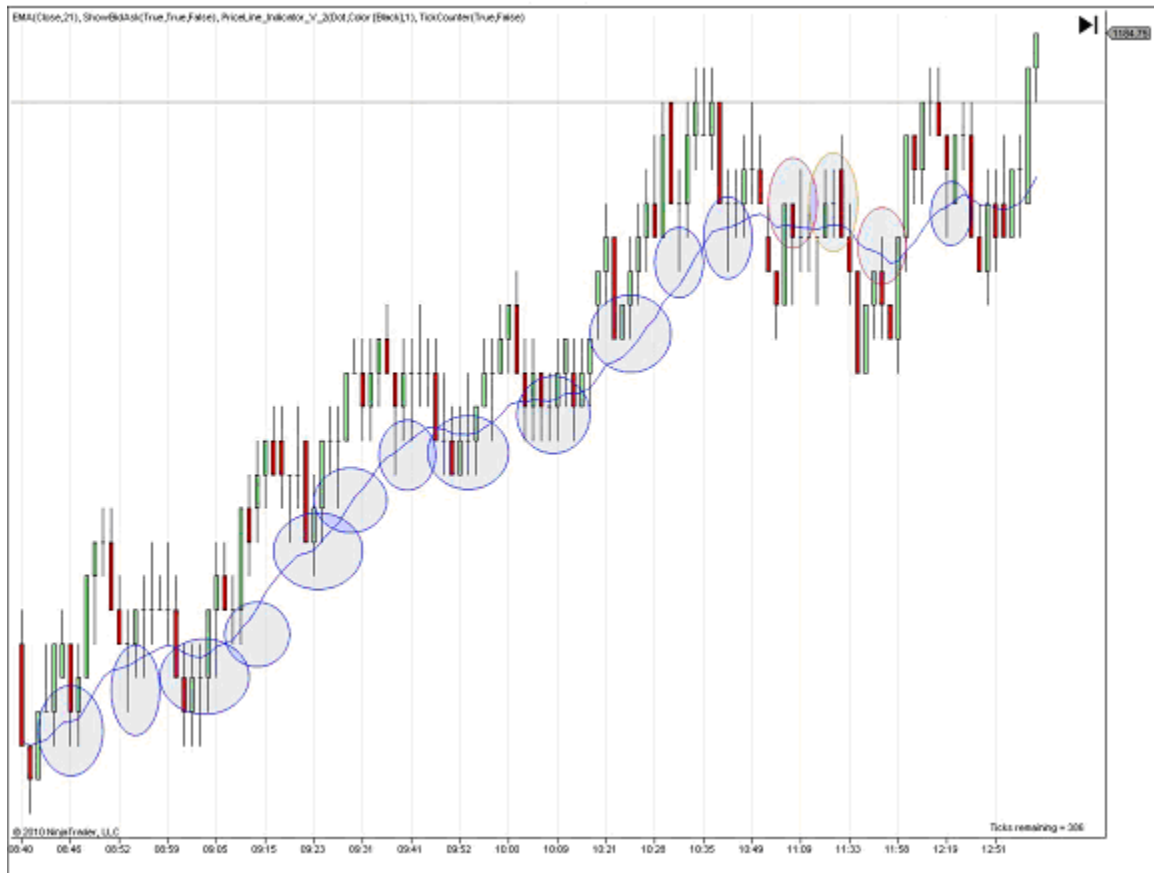
going to fall further back into the queue, and that could make it harder for you to get your profit order filled without prices actually trading through your order.

Many times, my profit limit order will be executed without having to tick through the order simply because my profit target orders are early in the queue due to the quickness of my automated strategy. This may seem trivial at first, but the automated strategies will easily pay for themselves if you trade using this technique.

That's really all there is to this strategy. It's a simple but great money making strategy. New or unprofitable traders always think you need some magical formula to make money in the markets, and they end up complicating their trading process, while losing most of their trading capital to smart traders who are using a simple trading system such as this to make good money every single trading day. When it comes to trading, **simple is Better!**

Below is a recent intra-day chart in the ES. I have circled every entry using this technique, and as you can see, every single one was a winner. There were 15 entries on this one chart alone. If you traded only one contract at a time and scalped only two ticks, then you would have made 30 ticks for the day, or \$375.00, with no losing trades! If you had allowed even one of the entries to swing, you could have easily doubled or tripled your profits for the day.

Notice too that while this is a trending day, it was still choppy. Don't let these choppy trend days fool you, as they are still strong trends. Most bull trends will have prices starting in the lower left corner of your chart and steadily moving higher and to the upper right side of your screen. Bear trends will do the same in reverse, starting in the top left corner and moving towards the bottom right side of your screen. Range days will have prices going back and forth from high to low and the EMA will be flat, or look like a roller coaster, rather than pointing up like this trend day is doing, or down like a bear trend will look.



Below is a bear trend day. Look how the EMA is pointing down consistently!



Going back to the bull trend chart. Notice that all of the **BLUE** circles were buys. Notice that two of the circles are **RED**. In the case of those two trades, prices had moved below the EMA. It was best to skip those entries and not counter trend trade, but if you want to be a cowboy, you would want to short when prices came back up to the EMA on those two trades. There is also one **ORANGE** circle. The EMA was flat at that time and this is really a trending market that has moved into a trading range, so it was definitely worth skipping that particular entry rather than take another long entry there.

Notice that even if you bought two ticks above the EMA (basically a tick or two too early) every time, you still never had more than 2 or 3 ticks of draw down. Most of the trades took no more than one or two ticks of heat, and I see only one that looks like it took about 3 ticks, maybe 4, depending on where you entered. If you were using a 6 or 8 tick safety stop, your stops were never really even threatened. I also did not cherry pick this chart. I pulled today's trading chart, so it was just a blind pull.

This entry technique forces you to do several things that are ideal for learning to be a profitable trader.

1. It forces you to trade only with the trend.
2. It forces you to buy on pull backs only, so you are no longer trading break outs and buying high and selling low.
3. You are entering where most weak hands are exiting.
4. You are doing the ideal thing... buying low and selling high.

Study each of the entries on the chart very closely and cover up the price action forward of that entry. What you will notice is that almost every time, it appears that the trend is faltering and that prices are about to turn over and start a new downtrend. This brings the counter trend traders and weak hands into the market looking to get short, and when prices suddenly turn back with the bigger trend, it forces them to cover and it actually fuels the move even higher. If you learn nothing else from this manual, understand that it does not pay to counter trend trade.

Finally, using this entry technique is going to take some getting used to in the beginning, so I suggest you trade it on the simulator until you get comfortable buying into a down move and selling into an up move. Learn to trust it though and study as many charts as you can so that you can prove to yourself that it puts the odds on your side by using it.

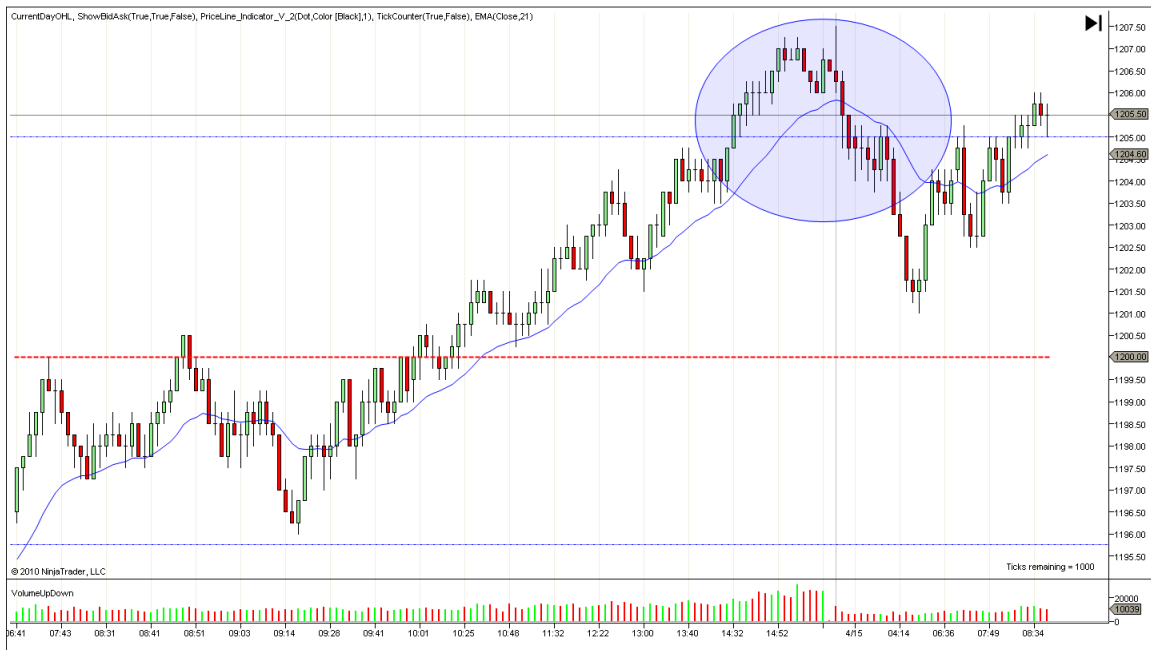
Combination Scalp/Swing Trade Entry

You will use the exact same entry technique for this strategy as you do with the pure scalp strategy. As discussed above, this entry technique will force you to enter the market at key times, giving you an edge over most other traders. Again, as with the pure scalp technique, you can modify the entry by waiting on the first bar to touch the EMA during a

pull back, and then simply place your stop entry order one tick above or below the bar that touches the EMA.

The ideal time to try and place a swing trade is when the trend is changing. Your first clue that the trend is “really” rolling over will be when you have your first pull back that is strong enough to get through the 21 bar EMA and close on the other side of it. Prices should not only move to the other side of the EMA, but they must do so convincingly, by moving through the EMA by at least a point or so further. A few ticks through the EMA are not good enough. Prices must close on the other side of the EMA and be at least 4+ ticks away. The further prices can move away from the EMA after getting through it, the stronger and more valid the pattern. Prices should also make a lower low than the previous pull back if prices have been trending upwards, and prices should make a higher high if they have been trending down previously.

Below is a good example of this set up. Notice how the trend was up strongly, but then suddenly, prices were able to convincingly move through the EMA and close well below it. When prices made their first pull back to the EMA after having first closed well below it, you would have been able to use the scalp entry technique to get into a short trade at the very high of the pull back. It was an easy 4 point swing down to the low, and if you had trailed a stop just above the high of each bar as it completed, you would have stayed with this trend to only a few ticks from the bottom, and the swing portion of this trade alone would have made you \$200 on only a single contract.



Once you enter a trade with the intentions of swinging some portion of the trade, you will change your exit strategy considerably.

- Once your limit order is executed and you are now in the market, immediately place a limit profit target at 4 to 6 ticks away for one half to three quarters of your contracts, and another profit target for the remainder at some other predetermined profit level using your best target strategy. I suggest starting with four ticks for your first target in the beginning, and also scalping out on the majority of your contracts, while leaving only one or two contracts to try and catch the bigger moves. By swinging only a small number of contracts, you will improve your win percentages, which will be important until you get more experience with this strategy. If you had used our target profit technique on the trade example above, you could have gotten out at the very bottom, and actually gotten almost every single tick of this entire leg.
- Once your limit profit orders are entered, then place a safety stop 6 to 8 ticks above/below your entry level.
- As discussed earlier, an automated strategy is beneficial, so use it if you have one.
- Now we simply wait patiently for prices to take out our first profit target, which is 4 to 6 ticks. As soon as you reach the first profit target, move your safety stop to break even on the remaining contracts. Even if you have a profit target on the swing portion of the trade, I still suggest that you tighten your stop to lock in profits as prices move in your favor. This is particularly important for less experienced traders. Just don't tighten your safety stop too quickly or too tightly, as this might stop you out of the trade too soon.

What you will discover with time is that prices will come back and get your breakeven stops 25% to 50% of the time. However, on those occasions where prices don't take your safety stop on the swing portion, you can make a very large profit, and many times you can even catch the start of a new trend. This will allow you to make as much on one swing trade, using only a contract or two, as you would on a dozen or more scalp trades.

Final Thoughts

A word of caution: There are some occasions where you will not want to enter on a pull back to the EMA. If prices have already pulled back to the EMA and bounced, but then immediately pull back again, without having made a new high in an up trend, or a new low in a downtrend, then the risk is greater that you might not get a big enough bounce, so be suspect of those entries until you get more experience trading this style.

Also, even if prices are trending, if prices are actually in a larger trading range (say 5 to 10 points), and they have moved to the far side of the trading range, which actually puts them near the high or low of major support or resistance on a bigger time frame, then you might be better off to skip any pull back entry to the EMA, because you would be getting

long at the top of a trading range, or getting short at the bottom of a trading range, and that is the wrong thing to do.

Finally, and this one is really important as well. If prices are in a strong downtrend or up-trend, and they make a new high or low **for the day**, then don't take the next pull back to the EMA. The reason for this is because when prices make a new high or low for the day, there is generally a two legged correction at a minimum, even if the trend is going to continue. This is a well-known price action result, and while the trade may still work on most occasions, it's not worth the risk coming off that new high or low of the day.

This entry technique fails very rarely to get a 3 or 4 tick bounce, but when they do fail, these are the instances where it will usually occur, so be aware of it and simply study as many charts as you can get your hands on, as that will help you to better see the technique in action.

You now have in your hands two very powerful and successful entry techniques. The rules are very simple, so they make it very easy for you to determine the trend and on which side of the market you should be entering. These techniques will work in many markets, although we only trade them in the ES. If you decide to trade them in some other market, do your home work and trade it on the simulator first to get a feel for how the entry works in that particular market, as every market has small but different tendencies.

I actually recommend that you trade this technique on the simulator at first to get a feel for the techniques. Prove to yourself that it works before trading it live. If you see it working, you will gain confidence, and that will help you when you go live. Never start trading a new set up live unless you are already an experienced trader and have a good understanding of how price action moves in the market you are trading.

If you have questions or need clarification on any of this, we are here to help you. Simply drop us a note with your questions or comments at the e-mail address below and we will get back to you as quickly as possible.

Finally, if you would truly like to learn price action and understand why these set ups work, while also learning many other optimal trading set ups, then you need our [Price Action Trading Manual](#). In that manual you will learn the basics of price action. Most importantly, you will understand why prices are doing what they are doing, and where they are most likely headed next. Price Action is the closest thing you will find to the Holy Grail in trading, and we would not trade any other way here at PATs. If you are interested in our price action manual, follow this [link](#) for more information.

Thanks and good luck!

Mack
info@priceactiontradingsystem.com

PriceActionTradingSystem.com

Finding Targets

<http://www.priceactiontradingsystem.com/>

Introduction

This is one of my favorite tools that I have in my trading arsenal. It is very simple to implement and it will give you a very accurate target in only a few clicks of your mouse if you are using most any of today's current trading platforms.

This technique works in any market, on most any time frame, and it requires no special calculation or difficult rules to follow. I have used this technique for years to easily and quickly get an accurate target for most any swing trade. I hope that it will serve you as well as it has served me.

One thing that I must clarify is that you should not use this method as an actual trading strategy. It is designed to give you an accurate assessment of where prices are likely headed, but it is not designed to determine entry points. In other words it is a tool to help you determine where prices are going, but it is not designed to help you to know when and where to enter the market. You should use this tool to supplement and help improve your current trading strategy.

This technique, like all of our techniques here at Price Action Trading Systems, is very simple, yet also very powerful in its ability to help you find accurate price targets. I can assure you that if you take a few moments to study the method, and then put it into action, it will quickly become one of your favorite tools as well. Best of all, it will consistently give you a very accurate price target. Lastly, when prices do fail to meet a target, it will give you additional information on what might be expected in that market in the near term.

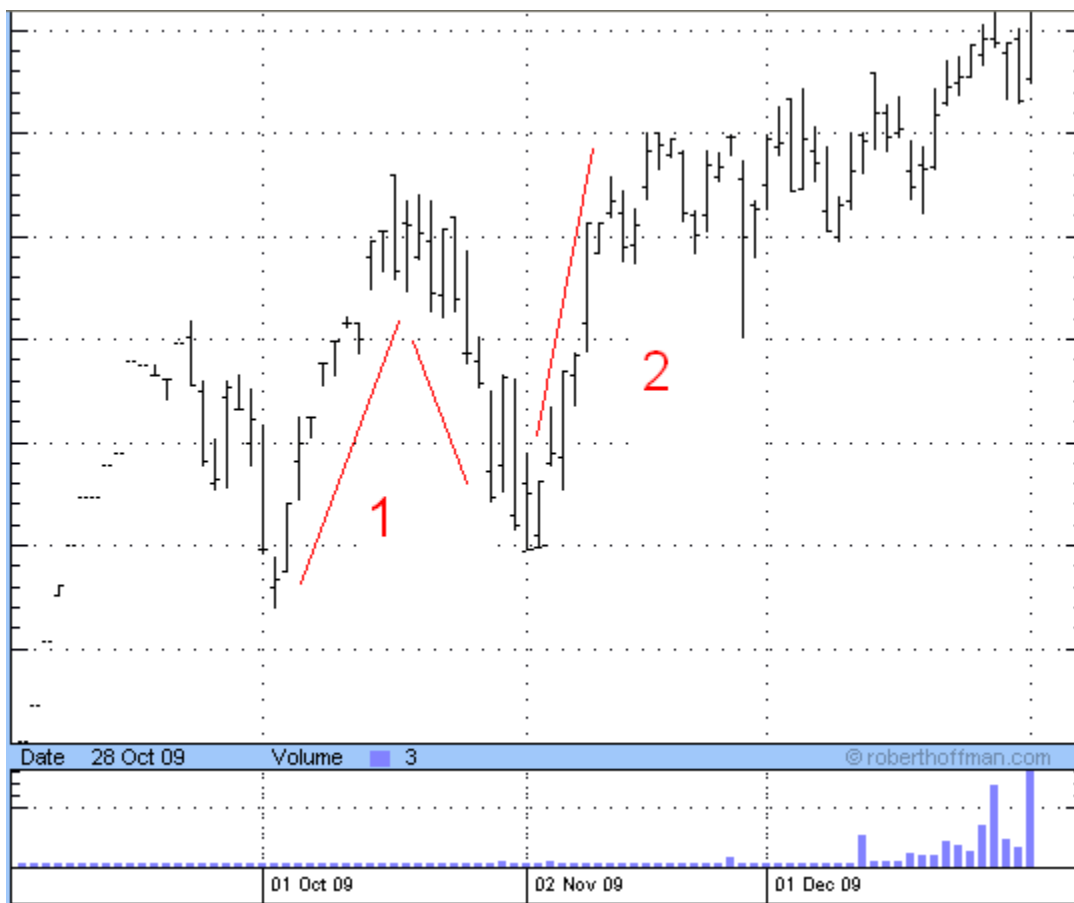
Market Cycles

The first thing you need to understand is that all markets move in cycles. There are large cycles based on monthly and weekly moves, and within those cycles there are daily and hourly cycles, and within those daily and hourly cycles there are yet smaller cycles, so basically there are cycles

within all cycles. These cycles can get as large as multi year cycles and as small as several bars in a cycle.

The most important thing you need to understand about cycles is that these cycles move in twos, and most times, these two moves are equal and opposite in length. Over and over you will see the first leg of a move, then a pull back or counter trend move, then the second leg of the move, which is usually equal and opposite of the first move. It is these cycles with equal and opposite moves that allow us to determine accurate targets.

Below is an example of one cycle. It has leg one, then a pull back, then leg two.



Always look for two moves, with the second move being equal in length and time as the first move. If you count the bars in move 1, you will see that there were eleven bars. Now count the bars in move two and see how many

there were? There were eleven bars in move two as well, and the actual distance each move went in price was almost exact.

If you are trading time based charts, in most cases, the time will be very close to being equal as well, so you not only know where prices are likely to go, you will also have a very good idea of when they should arrive there.

Another thing that is common is that you may see two equal legs that will actually make up one larger leg. In other words, leg one will have two equal and opposite legs, but leg two will only consist of one move, but that one move in leg two will be equal in length and time as the two legs that made up leg one.

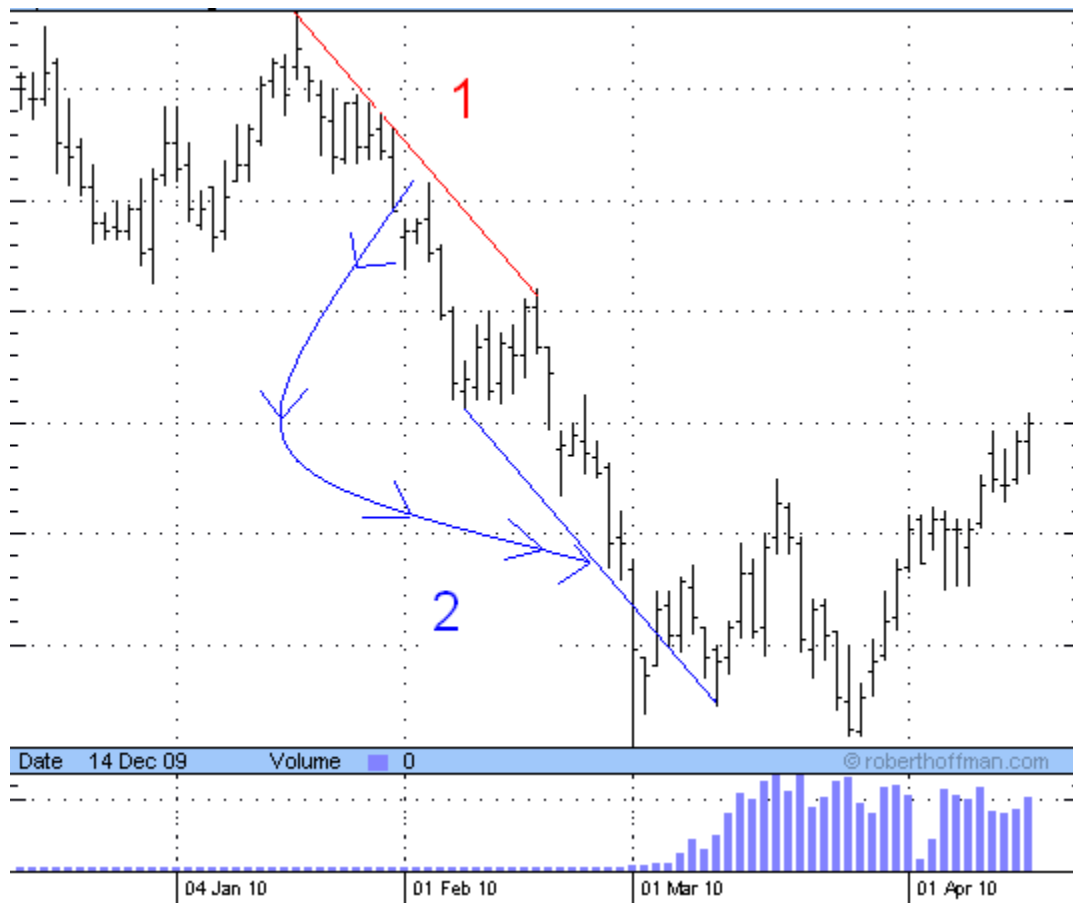
Don't let this complicate this for you, but it's worth knowing so that you don't get confused when a leg seems longer than you expected.

Finding Targets

Now that you understand the basics of a cycle and that the market moves in twos over and over all day, you should now have a small clue as to how we are going to find our targets.

We will use the first leg of a cycle to determine what we should expect in the second move, or the second leg of the cycle. You should expect these cycles to meet their target every time without fail. On the few occasions when the market does not reach a target by some great distance, that will alert you to expect a much bigger move in the opposite direction.

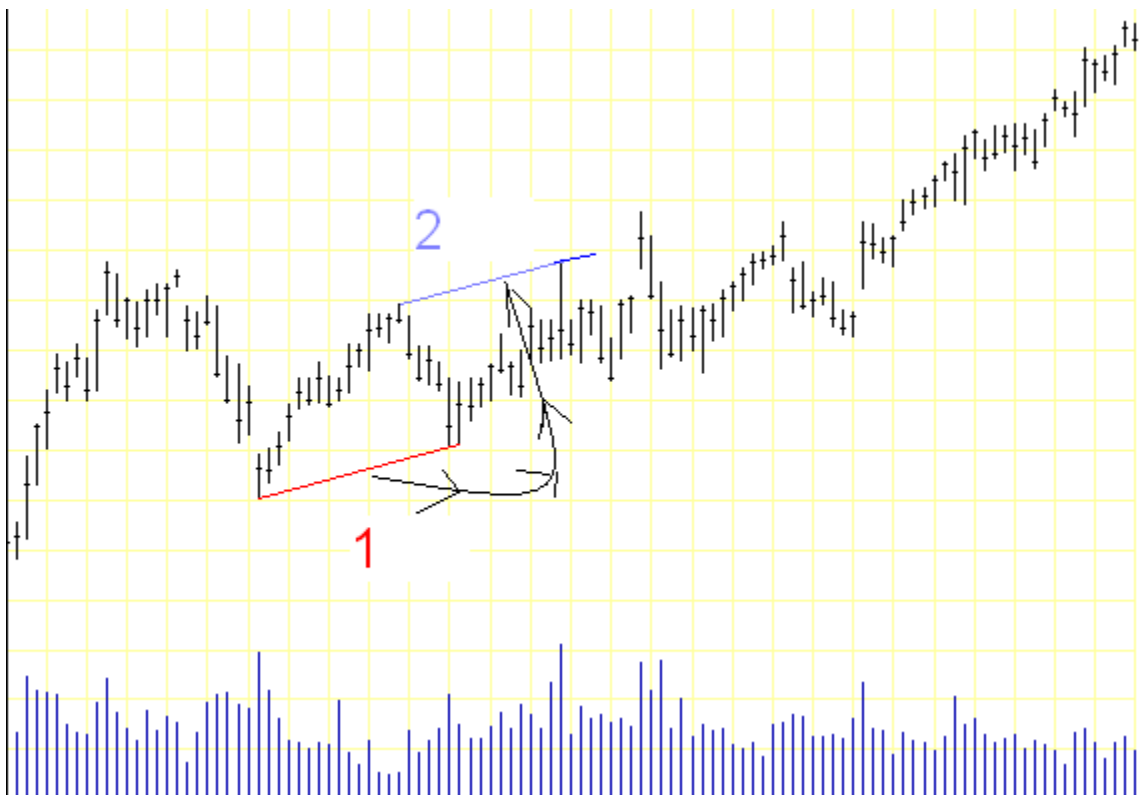
Below is an example of this in action. The Red line is leg one, and the blue line is leg two. We drew a line from the high of the first leg, to the high of the pull back at end of the first leg (the red line). We then copied that line exactly. In other words we created a line of the exact length and angle, and then drug it to the bottom of leg one (the blue line). Where the blue line or copied line ends is the target for the second leg for both the price and time. Notice that even though this move actually went lower than expected, prices still managed to meet that target to almost the exact tick and exact time.



You will see this kind of accuracy over and over again in every market and we will use this to help us find our profit targets. There are a few rules that you should follow when drawing your lines though.

1. You should **not** draw your line on the first leg through any other price bars. Prices could actually touch the line, but they should not be protruding through. If they are protruding through the line, then your evaluation of the leg is suspect.
2. You should not use this technique on swings that have less than 5 to 8 price bars, as the cycle is generally too small to get an accurate target.
3. When you drag your copied line to anchor it at the end of move one, you must make sure that you anchor it at the correct location, which is the very lowest point of move one in a downtrend as shown in the previous example above, or to the very highest point of move one in an uptrend.

4. These targets are most accurate when you are using them with trend. In other words, if the trend is down, your measurement of leg one should always be on the top side of the price action, and your copied line and target should always be anchored on the bottom of the price action. If you attempt to take a measurement off the lower side of a leg in a downtrend, and then copy it and move it to the top, you may still get a good estimation for the next leg, but it will not be nearly as accurate.
5. This will work just the opposite in an uptrend. In an uptrend you will want to get your measurement of leg one from the bottom side of the price action, then copy that line and move and anchor it at the top of the move for leg one. Where the end of that line is located will be the price target and the expected time you will reach that same target. Doing the opposite in an uptrend may give you a good estimation of the next target, but it will not be as accurate. Below is an example of a measurement in an uptrend.



As you can see from this example, it was another very accurate target, although this is also a good example of a market that was stronger than expected, as prices got to the line early, and then over shot it by a few ticks later. We will talk about what this means a bit later.

I did not cherry pick these charts to find the examples either. I simply pulled a random chart and did the measurement each time. All three charts so far came from different markets as well. The first chart came from the ES, the second from the British Pound and this last chart is a McDonald's stock chart, so you can clearly see that it works in any market as well.

Just remember that you want to use this tool mainly with the trend. While it will often give an accurate target using it counter trend, it will not be nearly as reliable.

Occasionally prices will reach a target early and sometimes even a bit late, and less frequently they will not make the target at all. These differences will give you additional and very important information all the same.

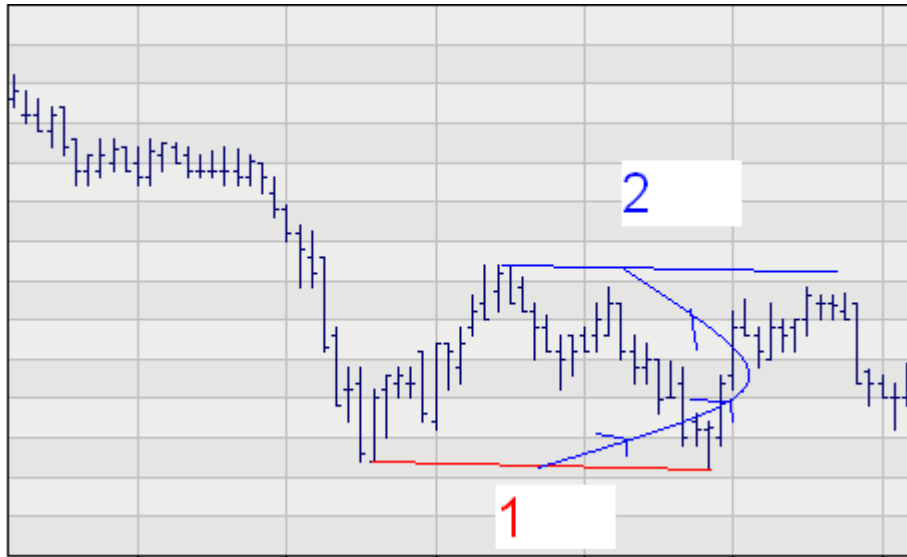
1. If prices are in an uptrend and they fall short of the target, this often indicates that the cycle is weaker than expected and the trend could change if prices take out the previous low swing.
2. If prices are in a downtrend and they fall short of the target, this often indicates that the cycle is weak and that the trend could change if prices take out the previous high swing.
3. If prices over shoot a target in an uptrend or get there early, then the market is possibly stronger due to a larger cycle being more dominant. You may want to consider holding longer if a target is over shot like this. Reverse this for a down trend.
4. The time target is usually much more accurate than the price target, so pay close attention to the time factor if you are trading any time based charts using this technique.

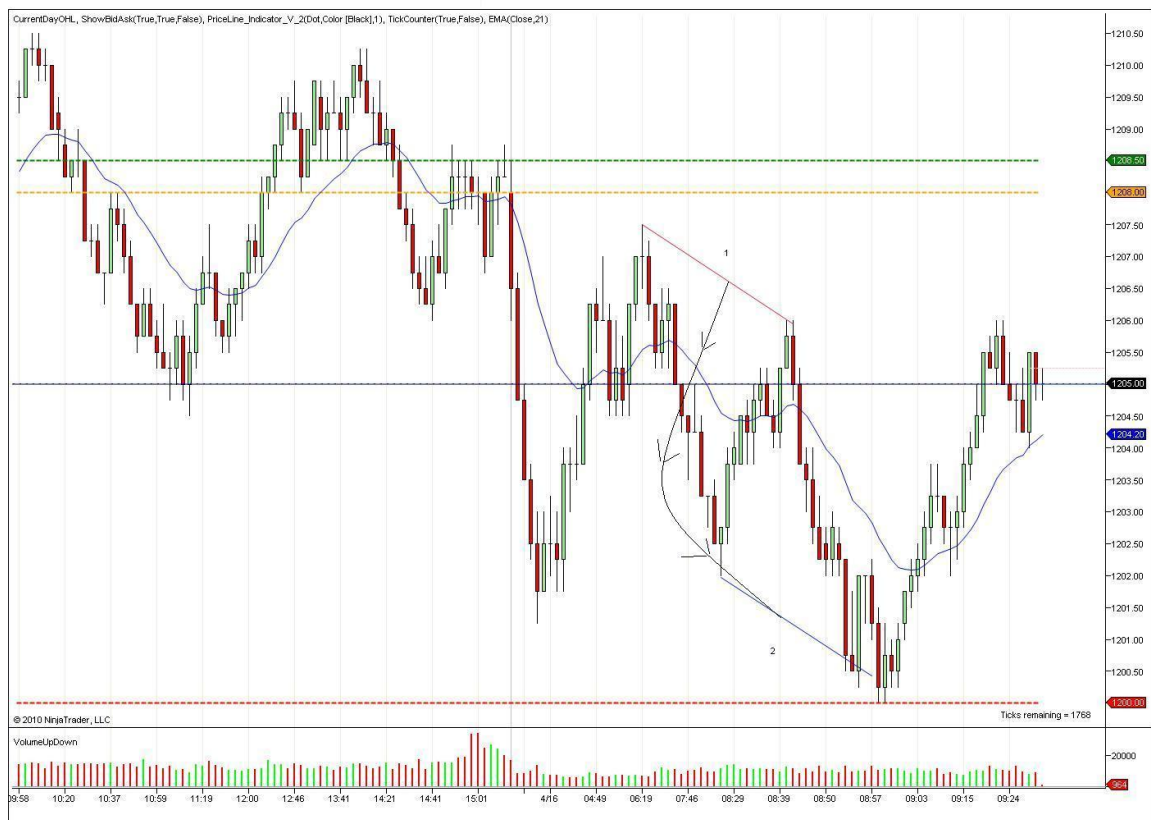
This really is all there is to this technique and you will find it to be very accurate when trying to determine your profit targets. I will normally place

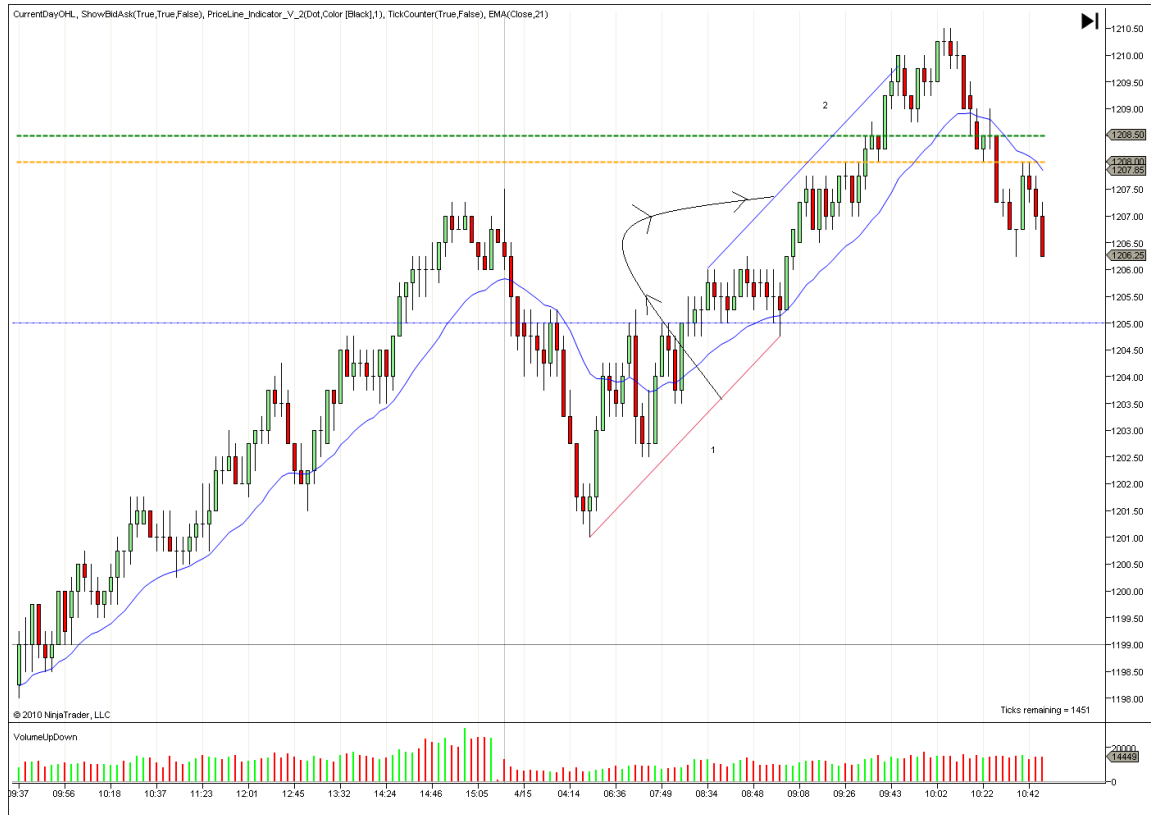
my limit exit orders a tick or two shy of my expected target to insure I get filled on a limit order if I'm using this tool to find my target goals.

Remember, you should use your other trading strategies to actually tell you when and where to enter the market and use this technique to find your possible targets only.

Below are a couple of more examples.







If you have any questions about how to use this technique, please don't hesitate to drop us an email. We will try and respond to all questions as quickly as possible.

Please be sure to share your experiences with us when using this tool, as we like to hear back as to how things are going for you.

Good trades!

The Price Action Trading Team

<http://www.priceactiontradingsystem.com/>

Mini S&P (ES) Proven Trading System, Break the Losing Cycle

PriceActionTradingSystem.com

Introduction

If you are currently unsuccessful in trading the ES or any other market for that matter, then you are most likely still getting long at the tops and short near or at the bottoms. Regardless of the time frame you trade, this is the most common reason most traders lose. Rather than buying highs and selling lows, you should be doing just the opposite. However, doing so goes against human nature, so most traders cannot break the cycle and they continue to lose money trading. Remember this statement and repeat it often, because it is the key to making money trading the markets. **Buy low and sell high!** When you are tempted to chase or buy into in a rallying market, repeat those words out loudly. When you are tempted to chase or sell into a bear move, repeat those words out loudly again.

How many times have you seen an upward trending market, and it just continues to move along without you, so you finally decide to jump in and buy so that you don't continue to miss out on the move. No sooner than you buy, prices start backing up. They do so slowly at first, and then just as quickly, the market is racing in the opposite direction and eventually your safety stop is hit and you are taken out with a loss. To add insult to injury, no sooner than your safety stop is hit; prices suddenly zoom higher again and eventually go much higher than your original entry point. If you are like many traders, this happens to you regularly. What you must do is learn to enter where you usually exit, and exit where you usually enter, or in other words, **buy low and sell high**. Yes, it's hard to do, but I'm going to show you a trading plan that will help you end this losing cycle. Following this one rule will change your trading results exponentially when you learn to perfect it.

What I am going to show you is a trading technique that will force you to buy low and sell high (without being a counter-trend trader), and this will help you to become a profitable trader. While this system is designed to trade daily ES charts, you can tweak it to trade any time frame or market you like. If you read this material and put it aside and ignore it, or fail to implement it, you will most likely continue to lose money in the markets. However, if you implement this system, follow the rules diligently and trust that it will work, you will be forced to buy low and sell high, and if you combine that with proper timing, you will make money and you will effectively break the losing cycle.

Don't just take my word for it though. Put it to work in simulation mode and watch it work and prove itself in real time. There are other systems that will make money in the markets, but I can assure you, this one will work as well, if not better, than any other system out there, and most will cost you thousands of dollars more to learn than this one. All it takes is time, trust, determination, and the ability to follow the system rules

properly. If you commit yourself to follow this strategy and its simple rules, you can become a profitable trader.

I call this system the “**Envelope**”. All you need to implement it is a blank chart with candlesticks or bars, but I recommend candlesticks because they make the entries easier to see. This is a matter of opinion and taste though, so go with what works best for you. There is only one indicator that you will need to implement the “**Envelope Indicator**.” Do NOT put anything else on your chart. The envelope is not really an indicator, but I call it that for convenience. I do not really believe in indicators, and I trade only with a blank chart using nothing more than the envelope, an EMA, and true price action. Anything else on your chart is a distraction and is probably costing you money by prompting you to enter bad trades. Clean up your charts and take off everything else, and add only the “envelope” indicator.

Once you learn to trade with price action, especially how to buy low and sell high, you may no longer even need the envelope, as I trade without it now myself. Occasionally, when looking at a market I am less familiar with, I will add the envelope, tweak it, and use it only until I get a feel for that market. However, having said that, the ES is one of the best markets to trade for the moves, liquidity and leverage. I can trade day trade the ES with \$400 margins and commissions that are under \$4.00 per contract, so I can make money on a single tick in the ES with very little of my trading capital going towards margin. That makes the Mini S&P a very good choice as a trading market.

The indicator that places the envelope around the price action is named “Vegas Tunnel” and was originally shown to me by another trader, so I cannot take credit for developing it. What I can tell you is that the indicator helps you to determine when the market has possibly gone too far in one direction, based on statistical deviations.

When you combine this envelope with the proper price action set ups, which I will show you, it forces you to buy low and sell high, but only when the timing has the highest probability for success. The indicator must be tweaked for each individual market, so don’t blindly use the ES settings for other markets, because it probably won’t fit the price action in the other markets.

I have spent countless hours tweaking the settings, so they are already optimal for the Mini S&P time frames that I will talk about shortly. All you will need to do is import the indicator and then insure that the settings for the fib lines are entered correctly. These settings are designed for a daily ES chart. I prefer the 2000 tick chart for day trading and recommend it because it allows you to better see the price action for intraday trading.

There are actually two separate strategies for trading the Envelope System. **Strategy One** is the best strategy for new traders or traders who continue to lose on a regular basis. Unfortunately, strategy one will not offer you a lot of trades. What it will offer you is a high probability set up for making money. Remember, trading is not about taking a lot of trades to fuel our egos and need for excitement. If that is your goal, find another

adrenaline junky hobby, because this one will cost you a fortune! You are better off taking fewer trades and simply increasing your contracts, rather than taking more trades. If you think taking fewer trades is too boring for your style, then re-evaluate why you are trading. Your goal should be only about making money!

Strategy Two will offer you many more trades, but it will add much more risk, which is not what you want to do when you are trying to become profitable in this business. However, strategy two is still a high probability entry system, so if more trading is what you must have, then add strategy two into your daily trading plan as well. Just don't overlook the value of strategy one though. Continue to watch for that set up every single day.

In addition to the two daily strategies, you can also use this system to day trade the markets as well. You will simply need to tweak the outer fib band settings to match a daily chart.

Setting Up the Envelope

- 1) Step one is to import the envelope into Ninja Trader, so go ahead and open up your trading software and import the indicator named "Vegas Tunnel". You don't need to unzip it, as Ninja Trader will extract it directly from the zipped folder.
- 2) Once you import the indicator, open one of the charts listed earlier and make sure that you remove everything else from the chart first. You should have a blank chart with nothing but price action. Anything more and you will just be distracted from the job at hand. Once you have a clean chart, add the "Vegas Tunnel" indicator, which will place the *envelopes* around your price action on the chart.
- 3) You must change the parameters of the indicator as follows for the ES daily chart:
 - EMA1 = 21
 - EMA2 = 21
 - FibLevel1 = 34
 - FibLevel2 = 55
 - FibLevel3 = 89
 - FibLevel4 = 144

NOTE: The numbers above will not work for intra-day ES charts. If you want to day trade Intraday charts, you will need to use the numbers below on a 2000 tick, 10,000 volume or 5 Minute chart.

- EMA1 = 21
- EMA2 = 21
- FibLevel1 = 5
- FibLevel2 = 8
- FibLevel3 = 13
- FibLevel4 = 21

- 4) Once you have changed the parameters as described, add the indicator to your charts. If set up properly, you should see a moving average line in the center with 4 bands on each side of the moving average. While these are essentially EMA's, they are based on Fib numbers. If you don't know what Fib numbers are, I won't go into that here. Simply google it and you can find more than you will ever want to know about them. Below is a picture of what your chart should look like if things are set up properly. Ignore the circles and arrows for now, but know that those are great entry points.



Implementing System 1

This should be your number one trading strategy for now if you are consistently losing in the markets. Start with this system first and once you begin to get used to selling high and buying low, then you can work on System 2.

1. Now that you have the envelope with the correct settings, you are ready to trade and are now waiting on prices to move to the outer bands. You will see prices bounce back and forth between the bands inside the envelope, but we won't get interested in a trade until prices reach the outer three bands. The second band out from the center (green band) will offer many good set ups, but the farthest brown band will give you the best opportunity, although many less trades. Also, we want prices to not just touch these two bands; we want prices to trade through

them. **IMPORTANT: Prices should at least touch the bands. Getting close is often not good enough.**

2. You will not just arbitrarily take a trade when prices reach these bands, so be patient. When prices do get there, you want to wait for the price action to also tell you it's time to enter the market. I recommend using candlesticks, because they give a quick and simple visual picture of what's going on with prices. Here is a link to a site where you can learn about [Japanese candlesticks](#). You will be looking for a bullish candle set up to go long, or a bearish candle set up before going short, along with a sign that the market is losing steam. Waiting on a reversal pattern is the safest and best entry in most cases. (Note: the blue circles on the chart above show two reversal patterns). Until you see a good reversal pattern, don't assume that the current move is over. You want the move to see a loss of momentum. Once you see a reversal pattern with reversal candles, that is when you will look to enter the trade.
3. The best entries are the ones where prices move rapidly or almost straight up or down to the outer bands like the example in the above chart. If prices are grinding up very slowly with lots of small weak looking bars, be wary of entering too soon, as that type of move will be longer lasting than a spike or straight up move.
4. Again, waiting on a reversal pattern is always preferable, especially for less experienced traders. As you get better at this, you can learn to enter at the very high or lows with limit orders simply sitting in place waiting on prices to arrive. What exactly is a reversal pattern you ask? A reversal pattern means that there has already been one small move in the direction of your entry that has appeared to be a failure. Don't take that first entry. Wait on that first entry to fail and for prices to turn back with the larger trend. If within a few bars (1 to 5 bars), prices reverse back against the bigger trend again without making a new extreme, that is where you will enter. This is the reversal pattern or 2nd entry as I like to call them. They are simply a second chance to take a reversal entry at a high or low extreme. Waiting on 2nd entries will improve your winning odds. Here is a [link](#) to a website that explains 2nd entries. Also, below is a chart with several 2nd entry examples circled. The circles do not necessarily indicate places you would enter a trade. They are just examples of 2nd entries. The red arrows indicate the first entry, while the blue arrow indicates where the second entry would occur.



5. Example: If you are watching prices rally to the outer band, then wait on a bearish bar with a bearish pattern to complete first. If you are trading intraday charts, ***Waiting on the pattern to complete first is VERY IMPORTANT!!!*** Many times a bar will look very bearish while forming, but just prior to closing, the momentum will come back and the bar will end up closing as a bullish bar, so don't get trapped by trying to sneak into a trade early when day trading. If you are catching the top or bottom, you will have plenty of time to enter and make a profit. Wait on the bar/pattern to complete, and if it does end bearish, place a sell entry stop one tick below it, so you only get swept into the trade if the momentum continues in your favor. Just reverse this procedure for catching bottoms. ***I'll place some examples of good reversal patterns at the end of this document. Study them diligently.***
6. Once your entry order is triggered, immediately place a safety stop 1 to 3 ticks above the high or low of the pattern in which you entered. If the entry bar/pattern is very large, then you may want to wait on a better entry, as you don't want to use a safety stop that is too large for your account. Money management is an important part of trading, so always keep that in mind. Being conservative is better until you begin to have more success. At the very least, use a more conservative stop, although placing your safety stop above the pattern highs for short trades or below the pattern lows for long trades is preferable.
7. In the beginning, you may only want to trade one contract, and if so, your profit target goal is a move back to the center line/EMA or middle of the envelope. I

recommend that you place a limit buy or sell order that is placed a few ticks from reaching the center line, as you will usually get a bounce upon reaching it, so give yourself room to be able to fill a limit order. Prices normally have to trade through a limit order to be filled, so this part is important.

8. If you can trade more than one contract, then take 50% of your trade off at the center line/EMA and then move your safety stop to at least breakeven on the remainder and see if prices will continue on to the next band. As prices continue to move in your favor, make sure you continue to move your safety stop to lock in more profit. You can either set another limit profit order at a target of your choice, or you can just keep tightening your stop and let the market decide when you exit. There are actually merits to both techniques, so go with what works best for you. If you want a great tool for determining targets when trading, go to [this link](#).
9. Once profits are taken, and you are flat the market, then simply wait for the entire process to set up again.
10. If your safety stop is hit before your profit target, then you should try another entry when you see the momentum waning a second time (prices must still be at the outer two bands as well).
11. If you get stopped out twice in a row (which is rare, but not impossible, if you are reading the patterns correctly). If stopped out for a loss twice in a row, then the market may be in a runaway bull or bear, so just step back and wait on the move to prove itself as being over before trying to enter again.

Implementing System 2

System Two is designed to teach you to buy low and sell high in a trending market. Most traders lose when joining with the trend because they are buying high and selling low, and inevitably, even if they get the trend right, their timing is off, and they buy the low of the day, or sell the high of the day for the next hour or two, and usually get stopped out just as the trend resumes again.

When trying to enter with the trend, you MUST wait on the pullbacks, and not join the trend on the breakouts. Trading breakouts is a losing strategy. If you continue to trade breakouts, you will win only often enough to keep you trading them. However, the majority of the time, I will simply transfer the money from your account, right into my account, because I will probably be fading those break outs, and then re-entering with the trend on the pull back, where you will be exiting as your protective stop is being hit.

Even on trending days, most breakouts will at least pull back to retest the former sup/res areas where prices were having difficulty breaching. Wait on this pull back, and if the pull back stalls and price turns back with the trend again, this is when you would want to join in and get on board. Never have an entry stop sitting above or below a trading range,

because most times, the entry will fail and you will take a loss, just as the strong hands are entering.

Remember, Strategy Two is for “TRENDING” markets, so make sure that is what you have and not a range day with some extended moves in both directions. A strong trend will usually see prices continuing in the same direction for extended time periods.

1. You should already have the envelope set up and ready to go on your charts. If not, refer back to the section on **Setting up the Envelope**.
2. Before using this trading strategy, you must insure that prices are trending. This means that the chart is either rising across your screen from left to right, or falling across your screen from left to right. More importantly, the middle EMA of the envelope should be moving up for a rally, or down for a bear trend. Rallies should be making higher lows on every pull back, while drops should be making lower highs on every pull back.
3. Once you feel comfortable that prices are trending, wait on a pull back to the center line EMA of the envelope. Once prices have at least touched the EMA, you should then begin looking for an entry to get back on with the trend. If prices are rallying and then pull back to the center line EMA, look for a bullish bar at or near this area and place your entry stop just above it.
4. If prices are in a bear trend, do the opposite. Wait on prices to pull back to the centerline EMA and then watch for a bearish bar or bearish pattern.
5. Once you see your set up, just place your entry stop and wait for the trend to begin again and sweep you into the trade with the momentum. If your entry stop is triggered, immediately place a safety stop 1 to 3 ticks below the low of the pull back. **NOTE:** Once you decide on a safety stop placement, **NEVER** move it. If you give your trades more room, you will usually only give away more of your money. If you are wrong, take your hit and look for another opportunity to make it back on the next trade.
6. Your first target should be the next band if trading more than one contract. Once you reach that goal, take profit on 50% and then move your stop to BE on the rest. If you catch the right move, you will get much more out of your runner(s), but if you are wrong, you at least still make a profit on every trade that moves to the next band. Once you get better at it, you can go for more profit on every trade.
7. If you do catch a runner or if you decide you want to go for more profits, then you need to determine a target or at least tighten your stop as the market moves in your favor. Do not let a winning trade turn into a loser. If you need help determining a swing target, go [HERE](#).

What this system does is force you to buy low and sell high at a high probability area. Even if the trend is turning, you will almost always get a bounce at this center EMA. It will feel strange at first, because it is going against what you have instinctively done wrong for so long. However, this is exactly what you must do to make money trading the markets, so force yourself to take them simulator until you can prove to yourself that it works.

Final Thoughts

As with any system, there will be losing trades. However, if you are following the rules, your losses will be small and controlled, and your winners will be much bigger and more common. Best of all, you are forcing yourself to buy low and sell high, which will improve your winning odds. If anyone offers to sell or even give you a trading system, and they tell you there are no losers, don't believe it, because even the best traders have losing trades.

That's really all there is to these two strategies. It seems very easy and it really won't be that complicated if you follow the rules. However, it will still take hard work and effort on your part to learn it and force yourself to trust the entries. After all, it's human nature to follow the crowd, and in this system, you are selling when weak hands are buying, and buying when weak hands are selling. Your biggest hurdle will be sticking to the rules. They are proven and have been tweaked to find the sweet spot already. If you insist, you can probably tweak it some to fit your trading style, but wait until you are profitable first, or you may never break the losing cycle. Prove to yourself the basic system is sound by trading it on a simulator first.

Many often ask why I am selling this system if it's so profitable. For one, it wouldn't matter if I gave it away to the entire trading population, as it wouldn't change the markets in any way. Most of what you will find here is out there on the Internet already and is free to anyone that wants to pull it all together. What I have done is trade it live with real money, tweaking the formula's a bit to find what works, while adding some of my own techniques to it. I'm passing along that hard work to you for a nominal fee. All you have to do is follow the steps and rules of this tried and true system and you can profit from mine and other's hard work.

Most traders will never actually implement the system to find out if it really works, and those that do implement it won't be large enough traders to make a difference. The institutional traders drive the market, and when institutions buy or sell, retail traders like you and me will not be able to get in their way. What we want to do is trade off of their momentum and their moves, so never forget that!

I also love trading and people and I enjoying teaching and helping others, so this is my opportunity to give back something to the trading world. It is my hope and prayer that this manual will change your trading and your life for the better. Trust the information and work on it until you can do it profitably on a daily basis. If you can master it, you will never have to worry about a job or lay offs. You won't have to worry about the

economy, housing market or anything of that nature. You can work when you want and take off when you want and enjoy a great life. I hope it comes to fruition for you!

If you need assistance or if you have questions, feel free to drop me a note at the following address:

kenfuturetrader@live.com

Reversal Patterns

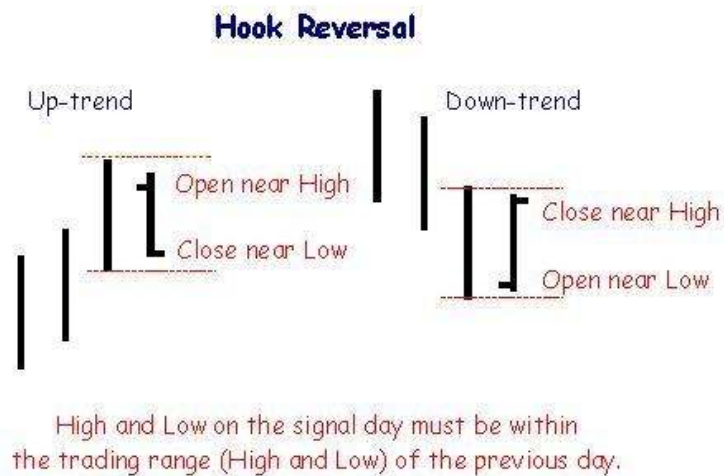
Waiting on a good reversal pattern using Strategy One is very important to this trading system, because the one thing we do not want to do is counter trend trade, which is simply a technique of trying to pick tops and bottoms, which is very difficult to do. It is the combination of using the indicator, which is showing you when prices move into areas which are statistically “far” outside of the normal range, and even then, waiting on a price action set up that gives you additional information that not only are prices way outside normal parameters, we also now have a high probability price action pattern setting up that helps confirm the move is weakening and may turn.

Study the patterns on the next couple of pages and learn to spot these set-ups in real time. I recommend that your first step be to sim trade this plan for a while before going live so that you get some real time experience timing the turns and entries properly, as it is easy to get fooled at the tops and bottoms. Again, contact me via my e-mail address if you have problems or questions.

Closing Price Reversal



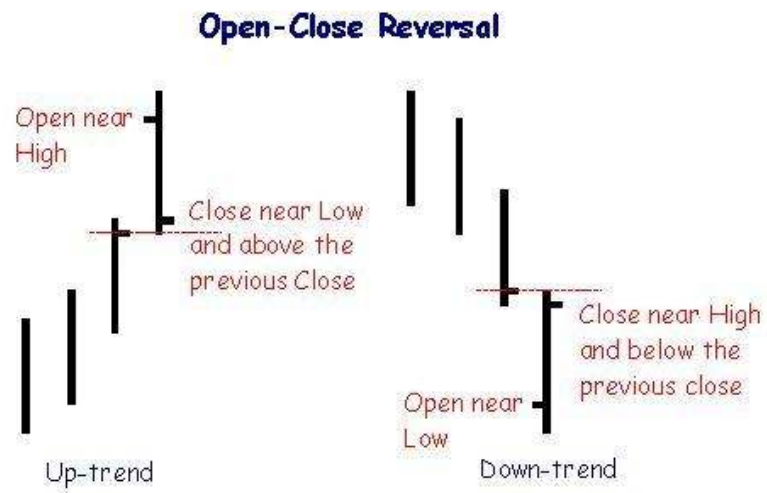
Hook Reversal



Island Reversal



This is a potent signal when it follows after a strong trend.



Recommended Brokers

Your best bet for trading daily charts with decent commissions is Interactive Brokers, but if you want to day trade, I will start by recommending [AMP](#) Futures as my #1 choice. I trade with [AMP](#) myself, and I like their customer service, margins and commission structure. If you sign up with AMP Futures, tell them that you are a member of the SANUK (pronounced SAW-NOOK) trading group and that you want the commission structure for the group. This will give you \$400 or \$500 day trading commissions, depending on which data provider you go with. It will also get you either \$4.20 or \$3.80 commissions per round turn. Just remember though, AMP offers the discounted margins for day trading only, so if you stay with any trade overnight, you don't get the discounted margins and you must have enough cash in your account for full commissions.

CQG data provider using Ninja Trader software is my choice with AMP, and that gives me \$3.80 commissions and \$400 day trading margins. If you go with Zen-Fire using Ninja Trader software, you will get \$400 day trader margins, but pay \$4.20 per round turn. I tried both data providers, and although Zen-Fire claims their data is the best, I could not tell any difference, so I changed over to CQG.

If you go with Ninja Trader software and you don't ask for CQG as the data provider, AMP will probably give you Zen-Fire, so make sure you tell them which one you prefer. You can also use any other data provider or broker as long as they provide daily data for Ninja Trader.

Disclaimer: I get nothing in return for recommending [AMP Futures](#). I do not work for them, nor do I get any kick backs for sending them business. The only benefit for me is that the more SANUK members we have trading with them, the better deals we can strike with them on commissions, so there is power in numbers.

Here are some other brokers that offer similar margins and commissions. Just click on the name and it will take you to their websites. All of these offer the opportunity to download and sim (simulate) trade on their software. This is the closest thing you can get to live trading, as you will be doing things exactly the same, using the same live data feed. The only difference is your orders will go to a simulated server, rather than the exchange servers and the money will not be real.

[Mirus Futures](#)

[Infinity Futures](#)

Closing Words

Finally, if you would truly like to learn price action and understand why these set ups work, while also learning many other optimal trading set ups, then you need our [Price](#)

[Action Trading Manual](#). In that manual you will learn the basics of price action. Most importantly, you will understand why prices are doing what they are doing, and where they are most likely headed next. Price Action is the closest thing you will find to the Holy Grail in trading, and we would not trade any other way here at PATs. If you are interested in our price action manual, follow this [link](#) for more information.

<http://www.priceactiontradingsystem.com/>

Remember, if you are not familiar with price action entries, some of these set ups may not make sense to you. We encourage you to study price action or even go to our site and buy our manual on price action trading, as it will be well worth your investment.

All of our entries are based on a few common things. 1) We prefer to take 2nd entries. 2) All of the marked entries are expected to move a minimum of 6 ticks, in which case, we plan to scalp out with 4 ticks on most of our contracts, then move our stop to BE on the remaining contracts with the hopes of catching a bigger trend. Therefore, our goal is a minimum of 4 ticks profit on each trade we mark. One tick is needed when our stop entry is triggered, and one extra tick is used to make certain a limit order of 4 ticks is filled, which requires a 6-tick move to make that happen. 3) All of our entries are based on using stop entries, placing them one tick above or below the entry bar.

Once you understand those basics, the rest will come to you in time and with more study of price action. We will number each trade and then give some details of the entry and why we would take that trade. The blue lines mark the entry point, so a break above them in an up trend or below them in a downtrend would trigger your stop entry. There are obviously other entries on the chart, but we will mark the obvious ones that were good entries. It's much easier to see these "after the fact". Your goal is to learn to spot them in real time! Remember, every trade entry is based on the expectation of a 6-tick move, or we would not mark it. Blue circles are long trades and red circles are short trades. We never enter a new trade after 2:30 PM CST.

Thanks,

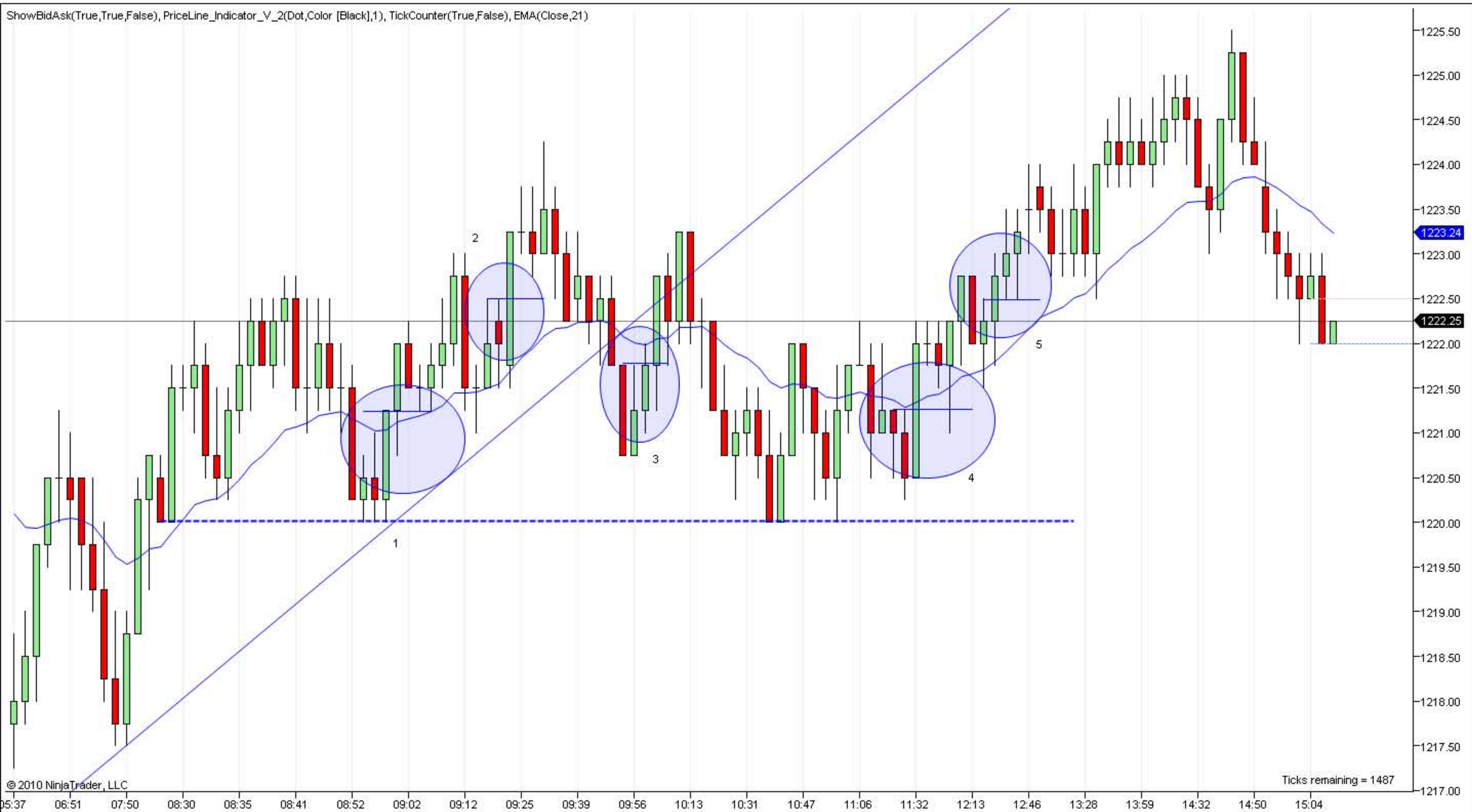
Mack

www.priceactiontradingsystem.com

Below are a few key rules when trading. Remember these rules and you will already be off to a good start.

- Never counter trend trade. Always use trend lines and watch the 21 bar EMA too. If prices are above the 21 bar EMA in an up trend, look to buy in most cases. If prices are below the 21 bar EMA in a down trend, look to sell in most cases. Try to follow this rule, no matter how good the set up looks to counter trend trade. Counter trend trading will break your account, don't do it. It's only safe to counter trend trade when prices have first broken a trend line and then had a re-test of the previous high or low, and then you should still wait on a second entry to be certain.
- Never buy/sell break outs. Look to fade them on range days, and wait for a pull back on trending days that reverses after pulling back to test the break out area. Most all break outs try and reverse in the ES, so you must avoid taking the original break out.
- Use no more than a 2-point stop in most cases, and do NOT move them. If you are wrong, take your hit and look to make it up on the next trade. Moving your stop will end your trading days very quickly and is the worst habit you can form, unless of course you are tightening it, which will actually improve your money management! :)

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trading range day, and prices spent the majority of the day chopping between the high resistance area and the low support area. While most people will find this to be a difficult trading day, and get chopped to pieces, if you know and understand our price action rules, it was a rather easy day to make money.

1) This was a break out pull back long entry. While it's not all seen on this chart, there was a break of the down sloping trend line from the over night session that made a small two legged move to a new low and a successful retest, and then prices started trending upwards. Notice that we had the support of both the EMA and the previous resistance area. Once prices break through a resistance area, that area will begin acting as support if prices are going to move higher. You can reverse this for a break through support.

2) This was a two-legged pull back to the EMA in an up trend, so it's also a 2nd entry long during a pull back to the EMA. This is our bread and butter trade, and like the majority of them, it was a great entry.

3) This was 2nd entry short after a failed break above a double top with a nice bearish reversal bar to go short below. If it were not for the failed breakout pull back long at the high, I would not have marked this trade because you would be entering so close to the EMA. As you can see, the EMA still caused prices to stall a moment before moving lower, but there was no pull back that broke above a previous bar, so no reason to get shaken out of this short and it was an easy move down once prices broke below the doji. Because of the failed break out pull back long, there would be trapped longs that would exit if prices broke through the EMA.

Notice that all of our entries today were simply fades at the high or low of the trading range and all worked. Trade 7 was only good for a scalp, but usually you can look for prices to move to the other side of the trading range at a minimum.

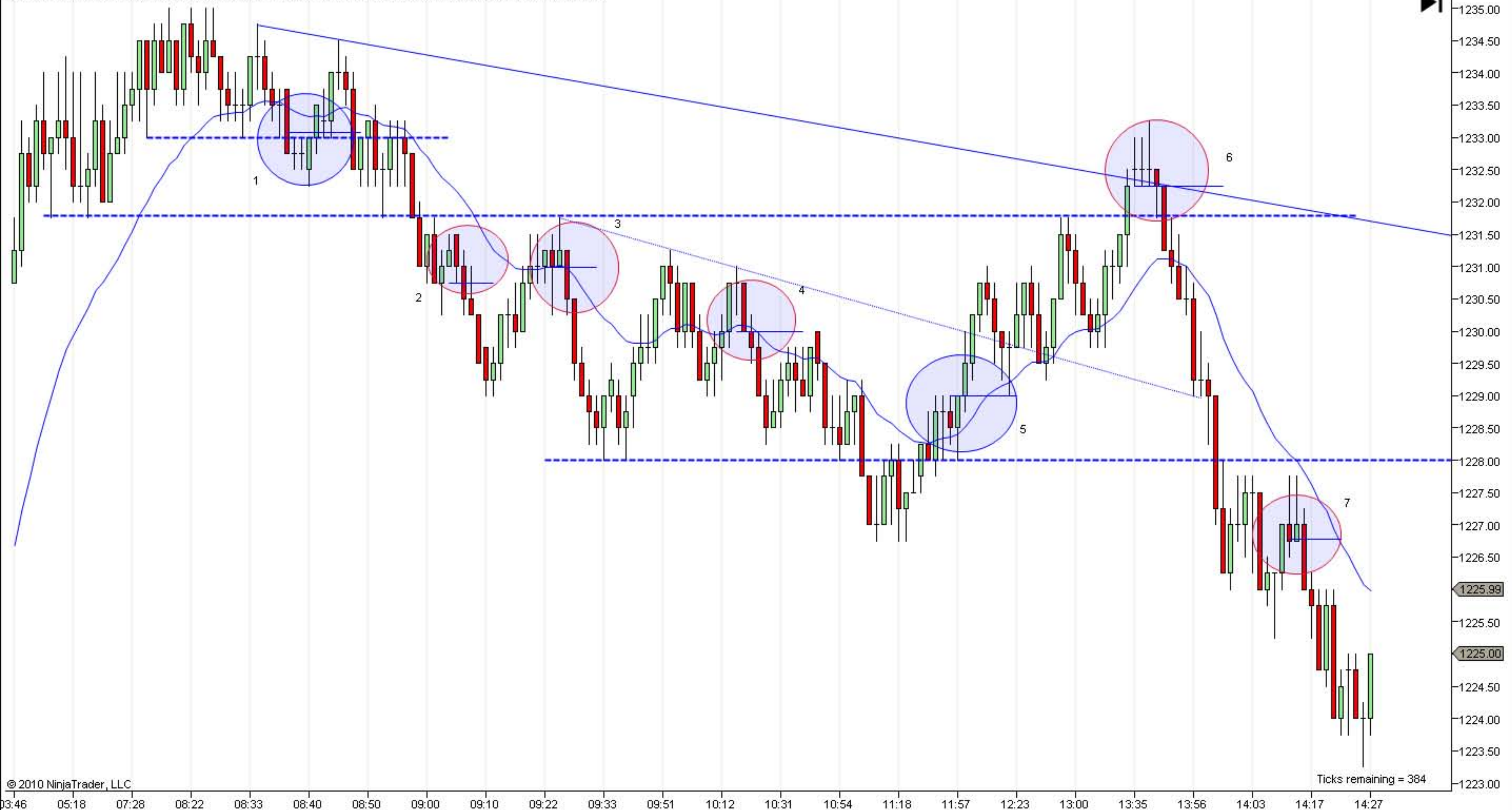
4) This was another 2nd entry long at the low end of the trading range. We did enter above a doji in this instance, but it was a 2nd entry, and it was at the low side of the trading range. You could have waited to enter above the next bar which had a bullish close, but the 2nd entry was OK in this instance, particularly since there was a failed break lower, because that trapped shorts in and longs out.

5) This was another 2nd entry short off the high side of the trading range. Again, you could have waited to go short below the next bearish bar, but since this is a trading range, you can go short on a 2nd entry above or below a doji if it is close to the support or resistance area.

6) This was another key/strategic entry, and it got you long at the low of the day. If you didn't let them shake you out of this trade, then you were long from almost the low of the day, and any runners could have been worth as many as 5+ points depending on where you exited.

7) This is another fade of the high side of the trading range. If you were still long, you could not enter here, but I actually reversed my long trade and went short for an additional scalp here. If I would have thought about it, and made a better note of the stop run back near trade 6, I probably would have stayed long and not reversed, because once you see that stop run, there is a high likelihood that prices will not come back to the low side again, but will try and go higher, and that's exactly what happened. This has been the pattern almost daily lately, and it could continue on next week, so remember this key point.

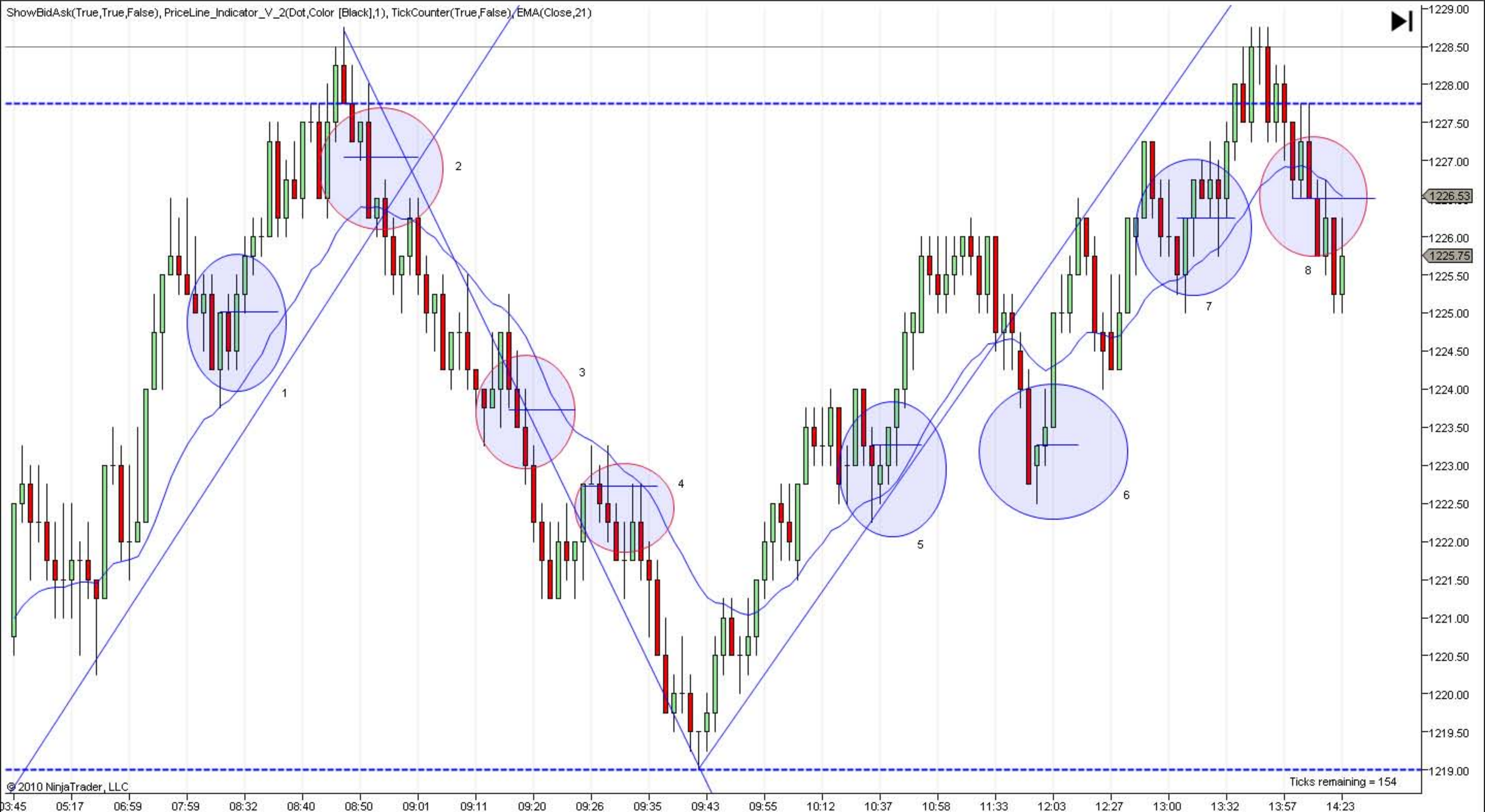
ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. While we did have a mid day trading range again today, we at least had some movement for a change. I would describe today as a trending day, but there was still a choppy trading range type pattern for much of the late morning and early afternoon. If you understand our price action rules, this should not have been a challenge for you though.

- 1) This was a 2nd entry long, but more importantly, it was a fade of a failed break lower below a strong support area which was the low of a small trading range. There was a nice bullish reversal bar to go long above right at the support area, so it was a nice set up for a quick and easy scalp.
- 2) This was a break out pull back short, following two tries to go higher after prices broke below the large double bottom support area. Remember, when prices attempt to do something twice and fail, they are likely to succeed in doing the opposite.
- 3) This was 2nd entry short coming off a double top. The former support area is now acting as resistance. This was also a two legged pull back to the EMA in what was now an obvious downward trend.
- 4) This was another 2nd entry short following a bounce off the minor trend line during a pull back in a down trend.
- 5) This was a 2nd entry long, following a failed 2nd entry short, but again, it was also a failed break below a strong support area with triple matching lows. The failed break lower, and the failed 2nd entry short trapped traders on the short side, so it was a quick and easy ride up to a scalper's profit.
- 6) This was the entry of the day, and if you caught it, you got short at the high of the afternoon before the selling picked up again. This was a failed break above the strong resistance area, but it was also a failed break above the down sloping trend line, and when prices reversed, there were lot's of trapped longs that had to start exiting as the market moved lower. If you caught this entry, any runners were easily safe and worth as many as 10 points.
- 7) There were multiple reasons to take this short. First, this was a two-legged pull back to the EMA after a strong leg down, so there is likely to be a 2nd leg down. In addition, it was a failed 2nd entry long, coming off the high, so there were trapped longs that got caught trying to pick a bottom, and they will exit quickly when they realize they are wrong. This was also a break out pull back short.

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trading range day, but it was a 10 points range, so there was enough trending within the range to do nicely today. If you break it down, the first part of the day was a down trend, and that was followed by an up trend that lasted the remainder of the afternoon. Notice that you can still draw your trend lines and use them to tell you when the trend is likely over.

1) This was a 2nd entry long during a pull back to the EMA in an up-trend. This is our bread and butter trade, and like most of them, it worked out well. Notice that there was also a nice bullish reversal bar to go long above here. You should have gotten 2 or 3 points out any runners as well, and if you were paying close attention, you could have simply had a target order near the strong resistance point around 1227.75 and take your profits on the runner at the very top.

2) This was a second entry short, following a failed break above a double top and strong resistance area. A more aggressive trader might have gone short below the bearish reversal bar at the high, but the smart trade is to wait on a 2nd entry since price are trending up going into this pattern. There was also a failed break out pull back long just prior to this entry, so there were trapped longs from the two moves higher that both failed and reversed. Notice how strong the move was after prices turned lower at our entry point.

3) This was 2nd entry short after a pull back to the EMA and trend line. There was also a very nice bearish reversal bar to go short below. This is our favorite two-legged pull back to the EMA again, and like most of them, it was another excellent entry point. This was also a break out pull back short.

4) This is a repeat pattern to trade 3. Another two-legged pull back to the EMA in a down trend. It was also a 2nd entry short and a break out pullback short.

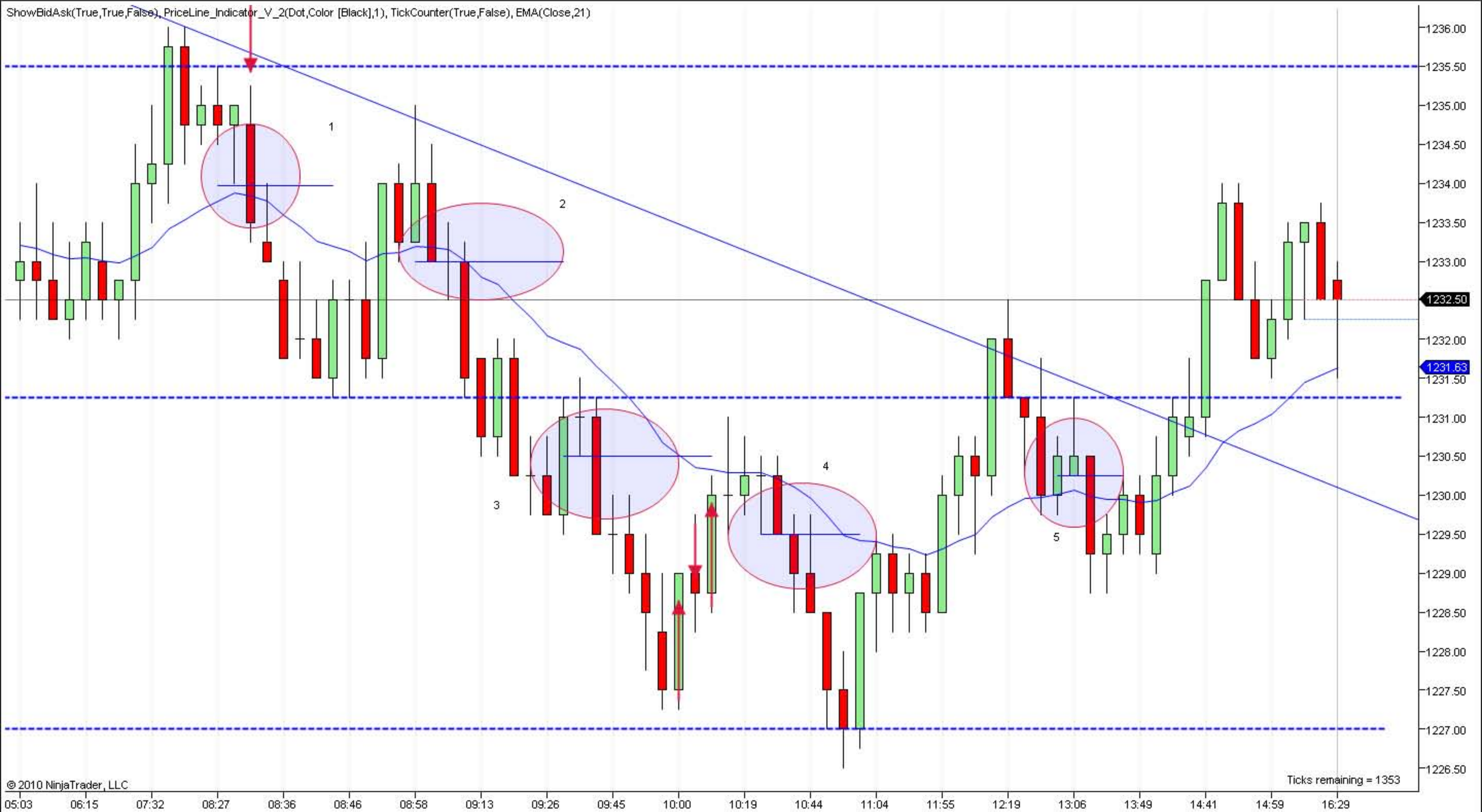
5) This was a 2nd entry long during a pull back to the EMA in an up-trend. Prices had bounced off the previous support area and the trend had reversed. Notice that there was a trend line break back near trade 3, and then two legs down to a new low, which is a perfect re-test pattern, so we were expecting a possible reversal.

6) This was a key/strategic entry point, and it got you long at the low of the afternoon. This was a two-legged pull back to the EMA in an up-trend, although it was on a lower time frame. There was a nice bullish reversal bar to go long above that bounced off the former double bottom and strong support area. This was the first break of the trend line too, so we would expect at least a retest of the trend line and probably the previous high, but more importantly, we wouldn't get fooled to the short side, even though that was a very bearish move down. These moves are common stop runs that happen late morning or early afternoon almost daily. These stop runs create traps, trapping counter trend trades into the market, and trapping out those on the right side of the market by taking out their stops.

7) This was a break out pull back long, during a two-legged pull back to the EMA. The two legs were on a smaller time frame, but make sure you can see it so that you can condition yourself to know what they look like when they occur. There was also a failed 2nd entry short that created the nice bullish reversal bar that bounced off the EMA, so there were trapped shorts here and they quickly pushed the market to a new high for the day as they exited where we entered.

8) Prices formed a double top as they attempted to break higher and failed once again at the same resistance area. There was a two-legged pull back to the EMA and a break higher that failed, trapping longs, and when prices reversed, there was a nice bearish reversal bar for us to go short below. There was a break of the trend line back near trade 6, so we were looking for a possible top again.

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trading range day, with prices trending downward very weakly for most of the morning, then trending upward just as weakly in the afternoon. It was a very lethargic day without any conviction in either direction, and there were very few decent entries. However, if you understand price action rules, there was still a chance to make money today.

1) This entry was a fade of a failed 2nd entry long, right at the open of the regular trading hours this morning. I noted the 2nd entry low with an arrow, and when it immediately turned down and went lower, that was a great long trap, and if you took the short entry, you were short from the high of the day and any runners could have earned as much as 7 points. There was no reason to go long right there due to the fact that there were 6 overlapping bars by that time, and at least 4 of them were dojis. The final bullish looking doji was an enticing long set up, but the fact that this was a small trading range made it too dangerous to go long there, and if you took the 2nd entry long there, well, you know what happened afterwards.

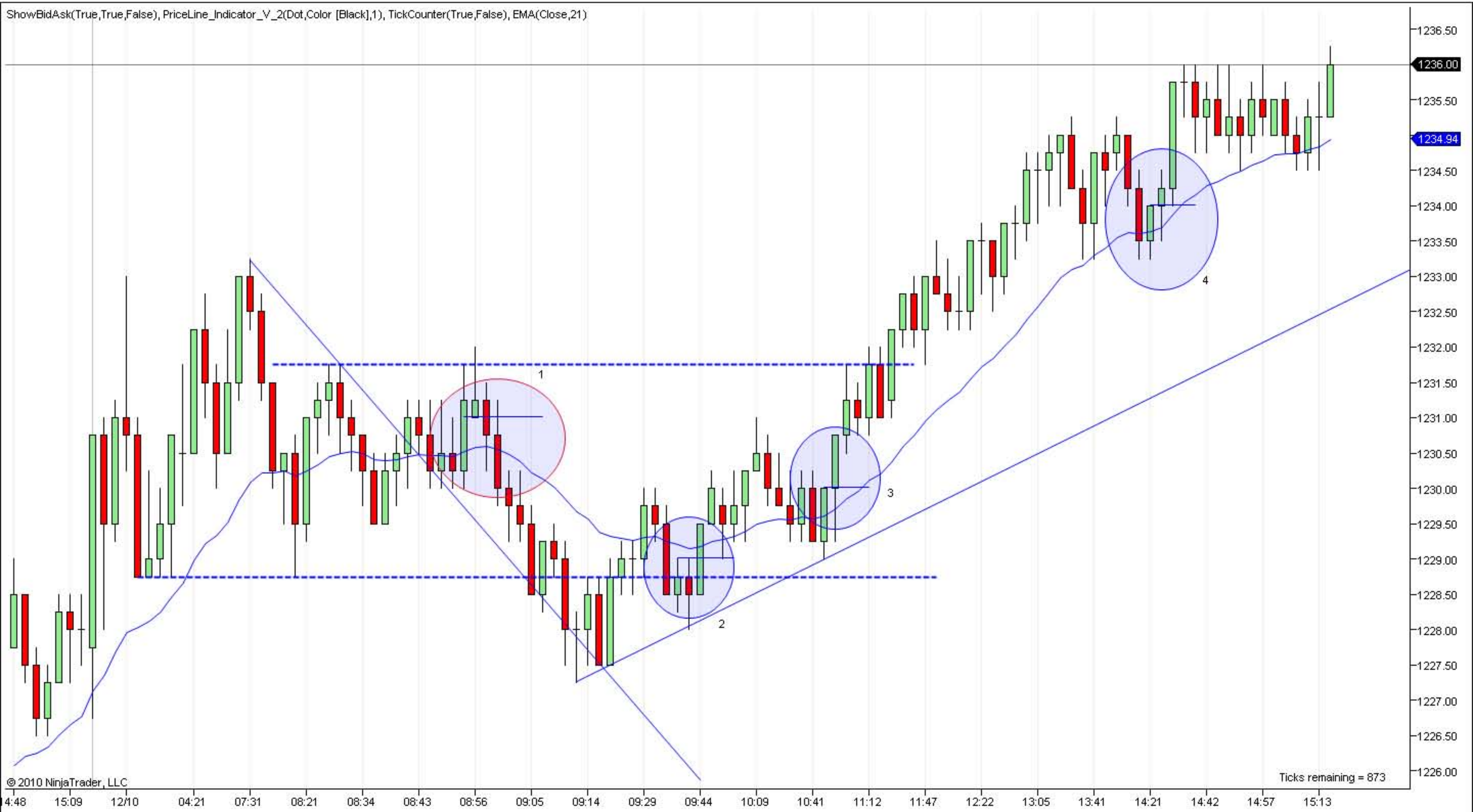
2) This was a 2nd entry short during a pull back to the EMA and trend line with a great bearish reversal bar to go short below. Again, any runners were easily safe and worth as many as 6 points.

3) This was a break out pull back short entry. You had to go short below a doji, but in this instance, it was OK because the doji was at a strong resistance area during a pull back with the trend.

4) Notice that this was a two-legged pull back to the EMA in a downtrend, and that is our favorite entry. Just in case you are having a hard time seeing the two legs, the first leg is the large green bar, then the pull back, which is the red doji bar, and then the 2nd leg up, which is the next green bar. I noted this with the arrows to clarify it for you. If you went to a slightly shorter time frame, you would clearly see the two legs. Notice that we waited for a red bar to go short, as there were several overlapping bars, so it would not be wise to go short directly below a doji in this instance.

5) This was a 2nd entry short, but even more important, it was following a failed 2nd entry long, so there were trapped longs here. This was a great long trap, but here are a couple of reasons to help you NOT get trapped on the long side here. One is that this was the first real break of the trend line, and that alone was enough reason not to go long right here. However, prices had just failed out the high side of the resistance area, and there was not enough room to reach a scalper's profit before reaching the resistance area again, so it was too risky to try and go long right here. This is easy to see with the trend line and resistance lines drawn, but if you did not have them drawn, then it would probably look like a great long entry. This is actually a repeat pattern to trade 1.

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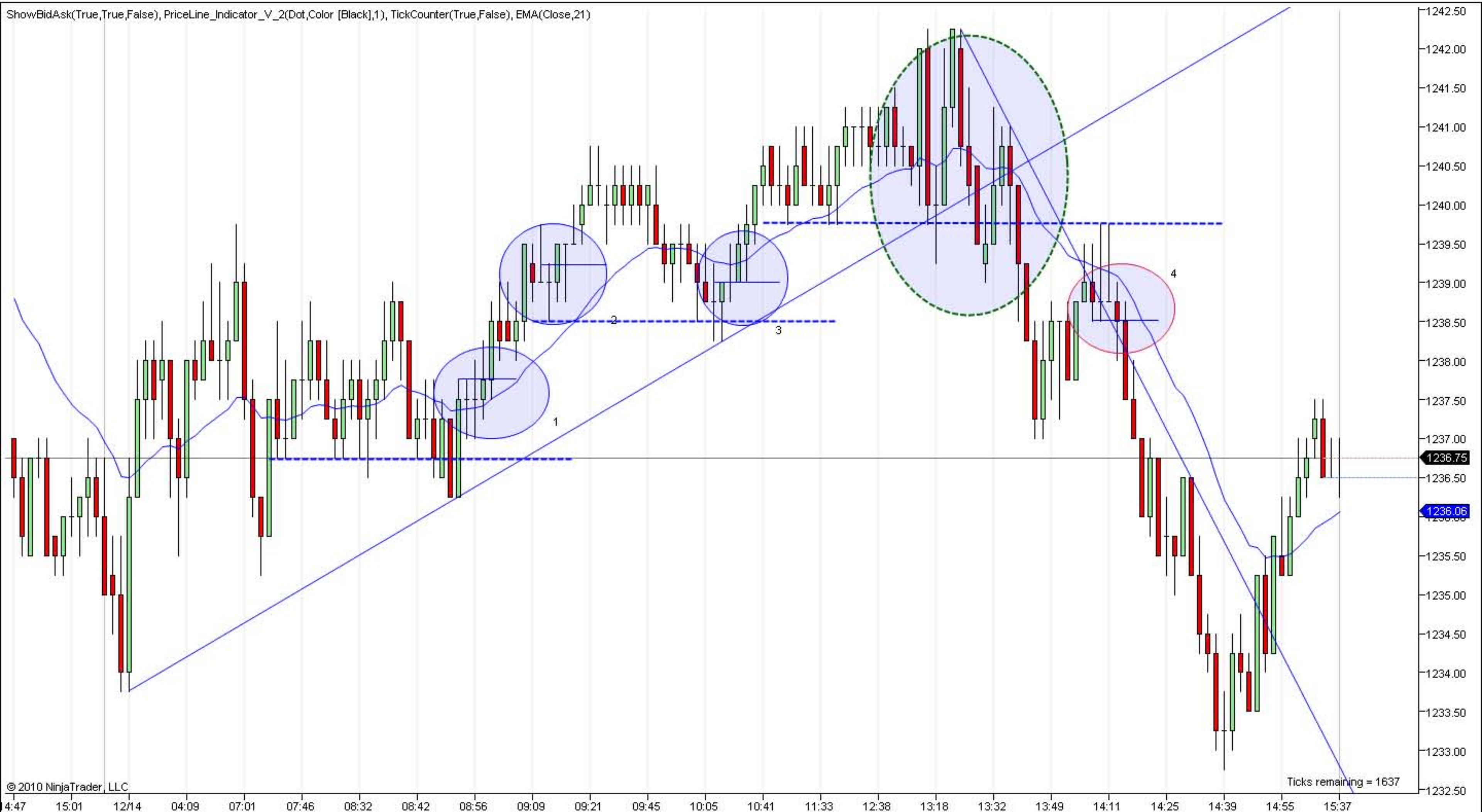


Daily Comment: Here is today's chart lesson for the ES. Today opened in a trading range and failed out the low side before going into a choppy but upward trend for the remainder of the day. There were limited entries and it was a quite day overall.

- 1) This was also a failed break above the small double top matching highs, so there were trapped longs that got fooled on the one tick failed break higher than immediately reversed prices.
- 2) This was a 2nd entry long following a failed break below the double bottom matching lows. The trend was up prior to this break lower, so the odds are still great that any successful break out will go higher.
- 3) This was a two-legged pull back to the EMA and trend line, which is our bread and butter trade. Like always, it was a quick move up for an easy scalp. Any runners would be easily safe on this entry, and depending on where you exited, they were worth as many as 5+ points.
- 4) This was another 2nd entry long during a two-legged pull back to the EMA in an upward trending market. It was good for an easy scalp, but not much more.

While the market trended up most of the day, there were no safe entries that meet our trading rules between trades 3 and 4, so it made for a dull trading day overall.

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was another trading range day, with prices trending upward in a choppy move for most of the morning, then trending down in a rather strong sell off after the FOMC announcement was made. Make sure you are not in the market on big news announcements, because you risk the chance that you will get whip-sawed, and it can happen very fast and move very far in only a few moments, so best to be on the sidelines. There were not many entries today, but if you understand price action rules, there was a chance to make some good money today.

1) This entry was a 2nd entry long, following a failed 2nd entry short during a two legged pullback to the EMA in an up-trend. There was also a failed break lower below the strong support area, so there were trapped shorts on both the failed 2nd entry and the failed break lower. The failed break also trapped former longs out, and they will start coming back in if and when prices go higher, so the trap usually sees a quick reversal like this one did. Any runners were easily safe here and good for as many as 4+ points.

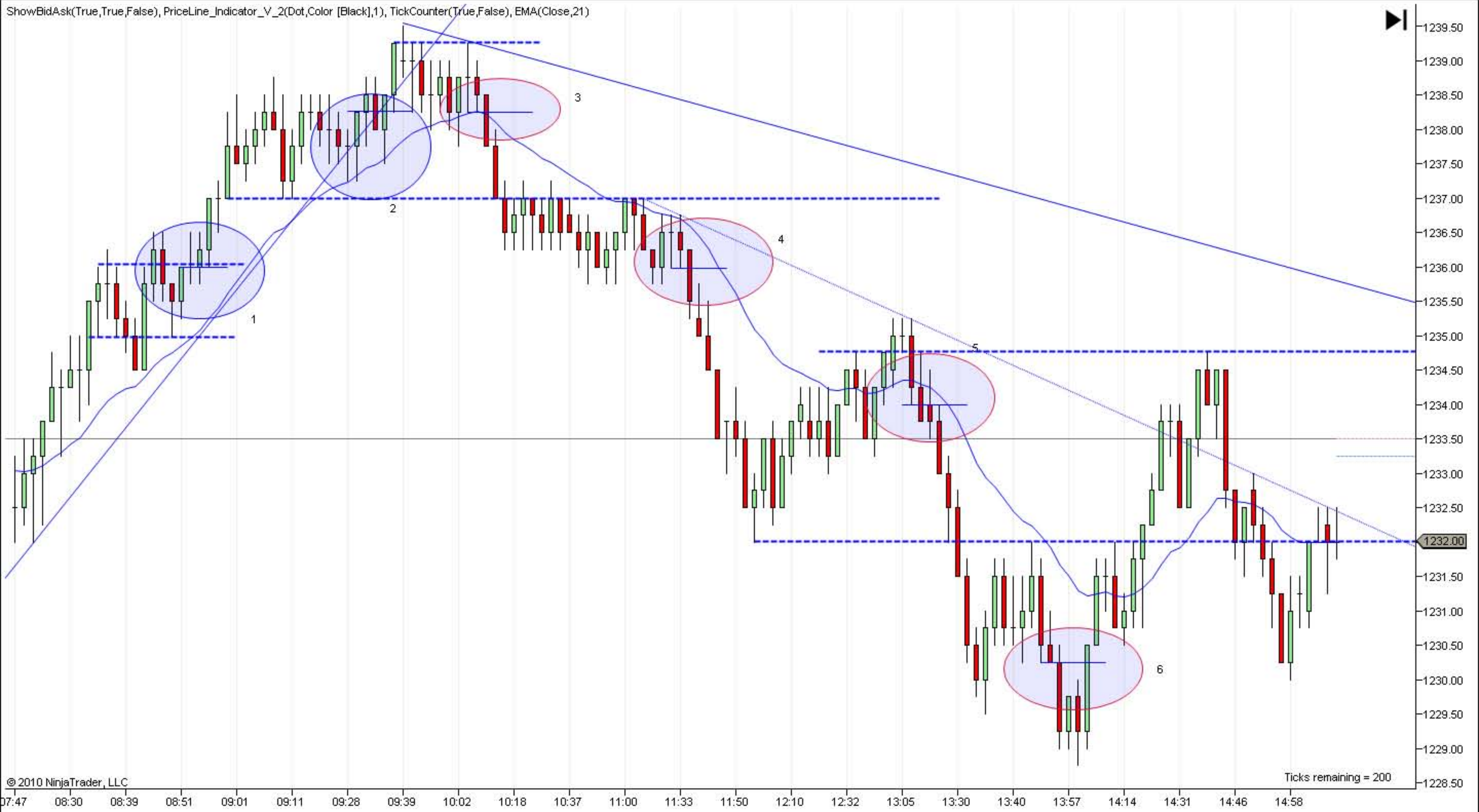
2) This was a break out pull back long, but just as important, there was a failed 2nd entry short, following the first break out pull back attempt that failed, so there were trapped shorts that got fooled thinking they outsmarted the longs.

3) This was a failed break below a double bottom during a pull back to the EMA in an up-trend. There was a perfect bounce off the trend line with a nice bullish reversal bar to go long above. This was basically a two legged pull back to the EMA and trend line in an up trend, and that is our favorite entry.

Notice the area in the green circle. That was the result of the FOMC news announcement, and while there was a nice set up or two in there, it all happened so fast that it's not worth the risk to try and determine what's going on. My rule is to be flat during big news announcements, and to then come back into the market when prices have settled down again.

4) This was a 2nd entry short during a pull back to the EMA in a downtrend. It was also a break out pull back short. This was a perfect entry, and any runners were easily safe and worth as many as 5+ points.

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Overall, today was another trading range day, but prices did trend well enough to have several great entries today. If you understand price action rules, there was ample opportunity to make money today.

1) This entry was a break out pull back long. All of the up-trends lately have been very choppy, and normally I don't like to enter so close to the top, but if you do not, you will not get another opportunity to enter most of the upward moves, because they all seem to look like this lately. This set up is close enough to a two-legged pull back to the EMA that it acts the same. Notice that I did at least wait for a bullish bar to go long above.

When you see a choppy upward moving trend like this, they can be very deceiving, as they appear to be weak, but sometimes, they will chop upwards like this with small bars and lots of small trading ranges for multiple hours and even days. You must be careful entering trends close to the highs, but choppy ones that are steep like this and that remain above the EMA are usually OK to enter when prices are near the top.

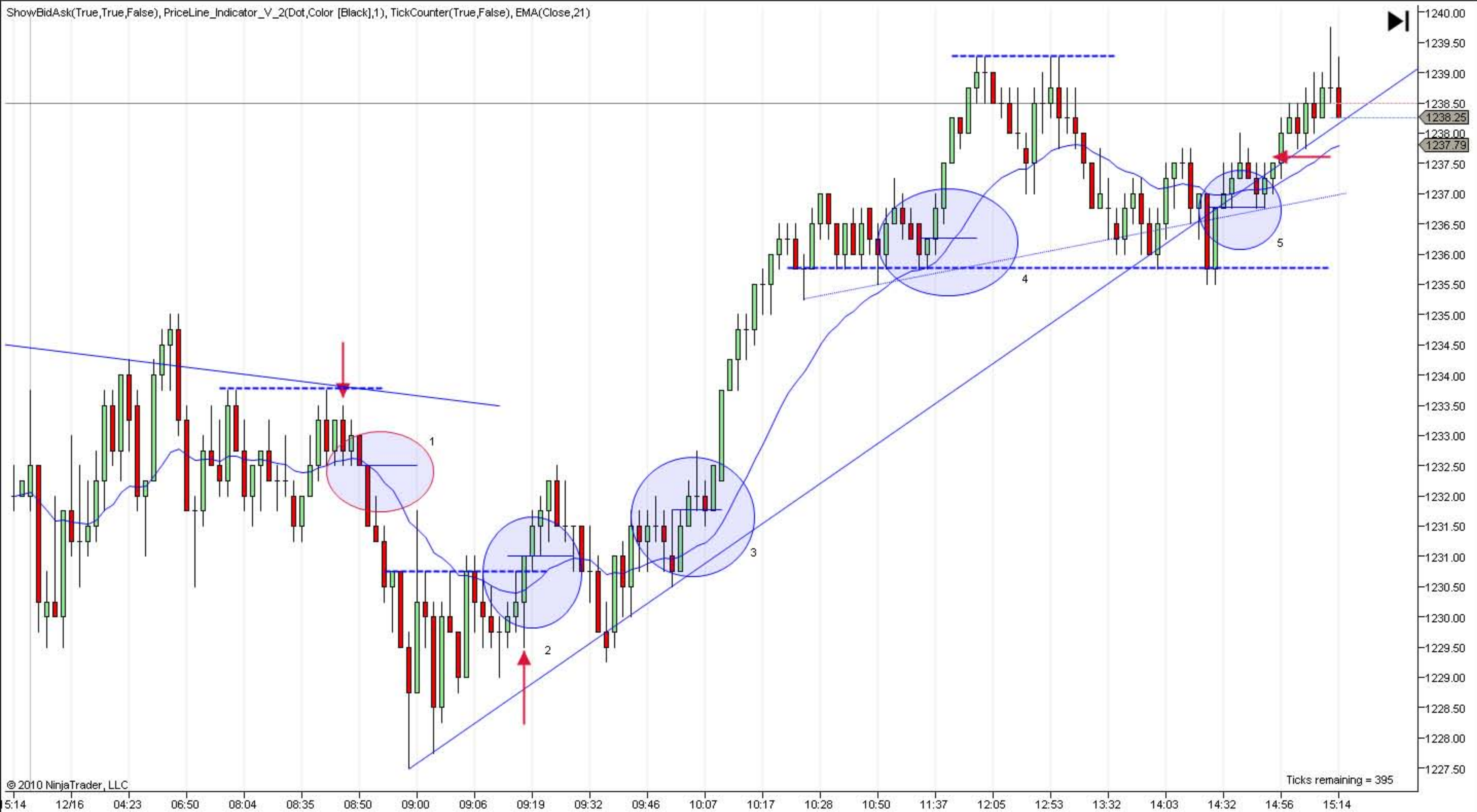
2) This was another 2nd entry long during a pull back to the EMA and trend line with a nice bullish reversal bar to go long above. It's possible you could have gotten shook out of this trade, but in the end, it was still good for a scalper's profit. Once again, the entry was very close to the top, which I normally do not like, but as I said earlier, that seems to be the norm lately on longs.

3) There was a break of the trend line back near trade two, and then two very small legs up to a new high. While the two legs were very small, it still fits the pattern for a trend line break and a successful two-legged move to a new high. When prices then formed a double top, it was worth the risk to enter short, as this was now looking to at least be a trading range, and prices were likely to test the low of the range again down at 1237.0. This turned out to be the high of the day, and if you caught this entry, you were short from the high of the day, and any runners were worth as many as 9 points depending on where you exited.

4) This was a 2nd entry short, coming off a double top at a former support area that was now acting as resistance. This was another key entry point, and prices sold off steeply from here. Any runners were safe again and worth as many as 7 points. This was also another two legged pull back to the EMA in a trending market, and that is our bread and butter entry.

5) This was a pull back to the EMA and trend line after a steep sell off from trade 4. With a leg that bearish, the odds are high that there will be another equal leg down. When prices bounced directly off the trend line to the exact tick, and then left a nice bearish reversal bar to go short below, this was a great place to enter short, and it was another quick drop for 5 points or so.

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(21)



Daily Comment: Here is today's chart lesson for the ES. Today was a reversal day. The market has been in a choppy downtrend the past three days, but bottomed out in the early morning today and then trended up the rest of the day.

The number of entries lately continues to be limited. Where we used to average 8 to 12 entries per day, we are only averaging 4 to 6 lately. Limited entries like this will often force you to become impatient and force a bad trade. Do not let that happen, as that is what causes losses. Be patient and know that we simply are not getting a lot of entries lately.

1) We had just had the first break of the trend line during the over night, so we should not be looking for longs just yet, as we are waiting on a re-test. There was also a failed 2nd entry long right at the trend line and a double top located there as well, so multiple resistance areas. The failed 2nd entry long at the trend line (noted by an arrow) trapped shorts, and it was a quick ride down to a new low from this entry. The low made around 9:00 AM CST completed 2 legs down and a successful retest with a new low, so the market could rally now. Any runners were good for up to 4 points depending on where you exited.

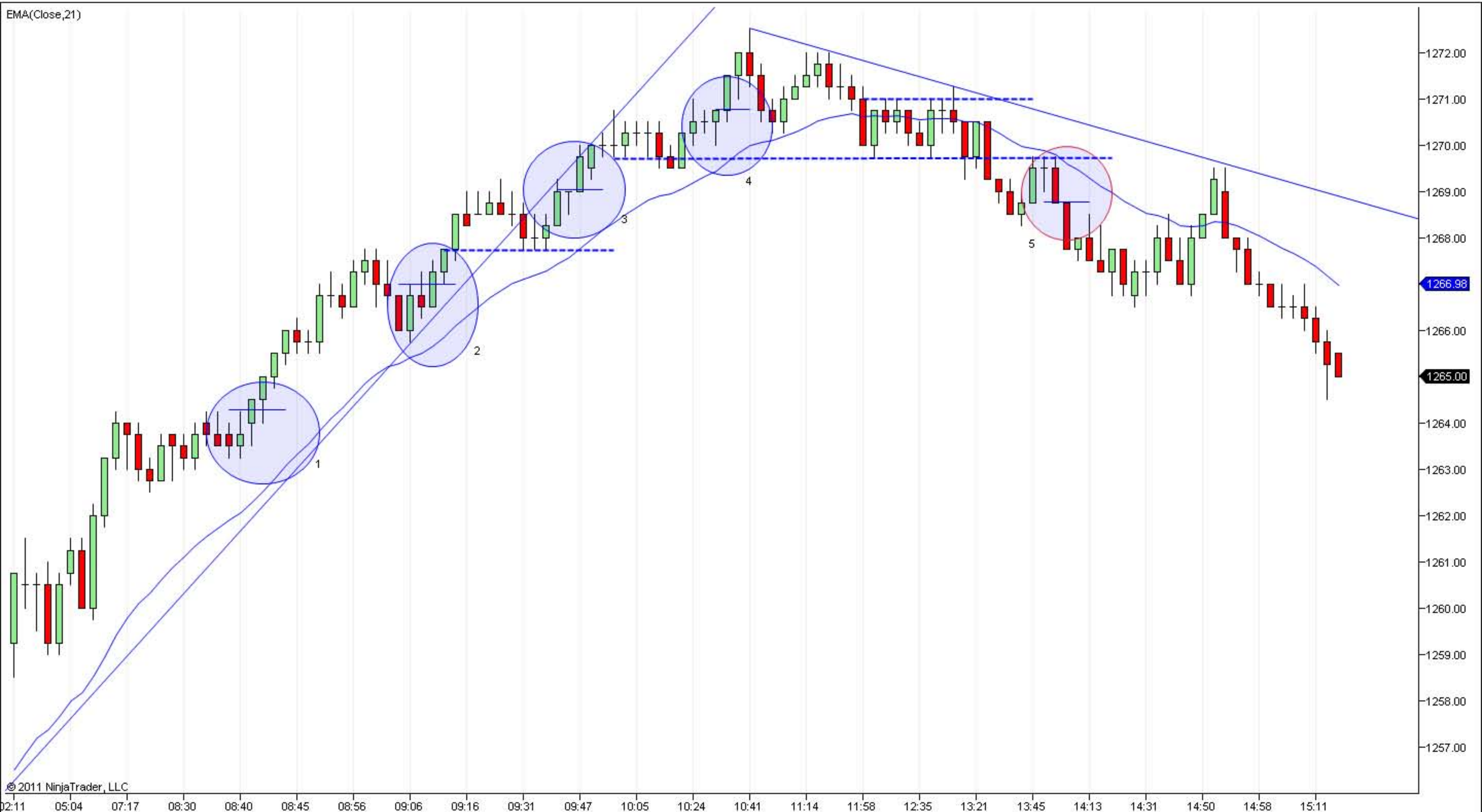
2) This was a break out pull back long, but more important, it was a fade of a failed 2nd entry short that trapped shorts, with a nice bullish reversal bar to go long above. Notice that I waited on the bullish reversal bar to close before placing my order, because many times, these bars will look very bullish, but then collapse right before the bar closes trapping longs. You will see the opposite happen with bearish reversal bars too, so always wait on the bar to close before entering an order.

3) This was a 2nd entry long after a perfect bounce off the new upward sloping trend line. There was also a failed 2nd entry short just prior to this entry that trapped longs (noted by arrow) that were not watching the new trend line. This one was tricky because they tried to shake out the longs before taking the market straight up for almost 5 points. Even if you moved your stop up below the entry bar, you still should have survived this one tick pull back. Any runners were easily safe as well, and worth as many as 7 points.

4) This was a break out pull back long that bounced right off the EMA and the strong support area, so there were multiple forms of support here. It was also a chance to go long off the low of what was a small trading range. This is also as good as a two legged pull back to the EMA, and it would look much better on a larger time frame. Notice that that market tried to go lower three different times out of the trading range, and each time, it made a higher low, so this tells you the shorts were losing steam on each attempt.

5) This was a fade of a failed break lower below a strong support area and a failed break of two trend lines. The bullish reversal bar coming off the two failed breaks lower made this a great long as we would expect prices to retest the high before selling off. If you did not enter long here, you would normally enter above the bar where I placed the red arrow. Even though it was a good trade, I would not recommend taking that entry today, as it was well past the 2:30 PM cut off time, which violates one of our trading rules.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Even though the market closed up today, it was basically almost unchanged from the regular open, and most of the movement came during the overnight session, which has been typical lately. I was hoping that the first trading day of the New Year would have a bit more volatility, but it was not to be, and the daily entries remain limited thus far.

We typically average 10 to 12 good set ups per day, but over the past month or more, we are seeing only 5 or 6 entries each day, with lower volume, so trading is less than spectacular right now. However, if you understand price action rules, there was still a chance to make money today.

1) This was a 2nd entry long with trend. Prices had been strong during the over night session, so we were likely to see more upward movement. This was also close enough to a break out pull back pattern to act like one. Remember, the markets are not perfect, so if something looks like a tradable pattern that we look for, then it will likely trade just like that pattern. Also note that any break even runners were safe here, and good for as many as 8 points, so this one trade could have gotten you most of your profits today.

2) This was a simple pull back to the EMA. When the market consists of lot's of tiny bars like today, even with some dojis, yet prices continue to trend up, that is actually a strong market, although it won't appear to be strong. In those cases, you must enter trades much closer to the high or low, and you will often times have to take the first entries, as you simply will not get a 2nd entry opportunity. Again, any runners were safe and good for several points.

3) This was another 2nd entry, with very little room to profit before the break out area, but the trend was up, and the pull backs were small, with lot's of small bars, so it was actually a strong market, so we must take these 2nd entries, even though they are not the best set ups. Notice that it was the first break of the trend line too, so we know that we should still be looking for longs at this point.

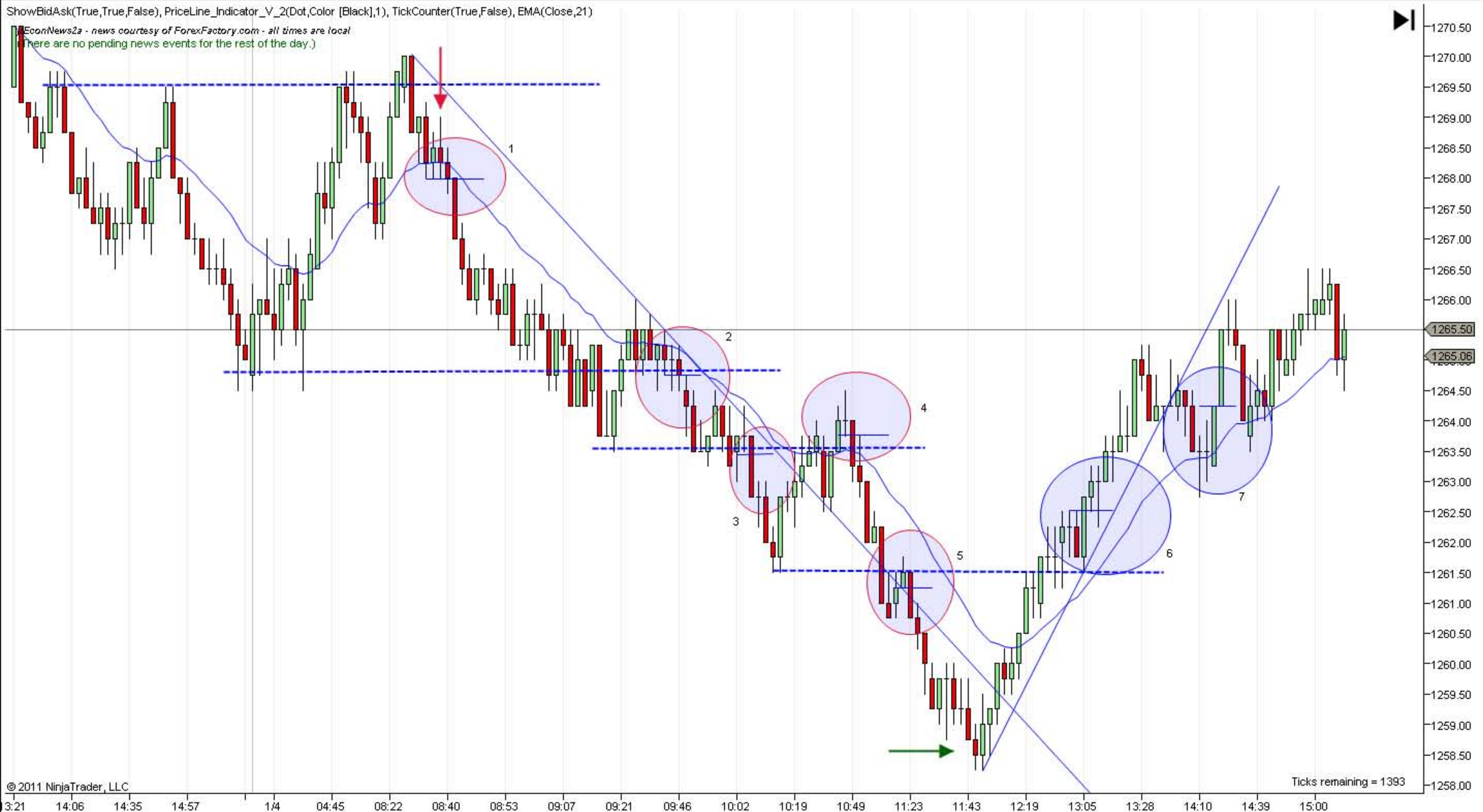
4) This was a repeat pattern and was almost exactly like trade 3, and also very similar to trade 1. Once you see a pattern during the day, you will often see that identical pattern again, and often multiple times, so keep this in mind. This was basically a break out pull back long, but it also acted as a 2nd entry. There was trend line break back near trade 3, and with this being a 2nd leg up after that trend line break, we now know that a correction should come at a minimum, but maybe even a trend reversal.

5) This was a break out pull back short, with a nice bearish bar to go short below. You could have gone short below the doji since this was a pull back in what was not looking like a down trend, but it was best to wait on a bearish bar.

Again, there were other entries today, and I only marked the obvious entries that were solid price action set ups that fall within our trading rules.

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)

EconNews2a - news courtesy of ForexFactory.com - all times are local
There are no pending news events for the rest of the day.)



Daily Comment: Here is today's chart lesson for the ES. We finally got some decent movement in the ES today, and while the entries were below average, there were more than we have had in recent weeks. Best of all, there was actually some trending without prices being stuck in a small trading range.

If you understand price action rules and followed them properly today, there were really no surprises at all, and you could have made money on both the move down, and the move back up, where the market closed almost unchanged from yesterday.

1) This was a great set up, and if you got short here, you were short from almost the high of the day, and any runners were easily safe and worth as many as 9+ points, making this one trade a very profitable one.

This was a 2nd entry short, following a failed 2nd entry long (noted by arrow), and also a failed break above a strong resistance area where prices have been turned back several previous times (the dotted line). There was no reason to take the 2nd entry long with prices having just failed out the high side of a triple top resistance area, and you also would have had to go long above a doji with several overlapping bars, which is against our rules.

2) This was a 2nd entry short during a pull back to the EMA and trend. This is our bread and butter trade. You would not have wanted to take the 2nd entry short, because of the overlapping bars, but once the 2nd entry long failed, going short right at the trend line and EMA was almost a sure thing for at least a scalper's profit. This was also a break out pull back short. Unfortunately, prices came back and got the runner on this one, so no runners off this entry.

3) This was another break out pull back short. The previous break out a few bars earlier was only by a tick and there were several overlapping bars and a doji by then, so when prices tried to rally again, and failed right at the EMA and trend line, this was basically another two legged pull back to the EMA and trend line in a down trend. You will see prices do this often (attempt to break out and reverse but fail), and since there was no break of the trend line yet, a break out pull back short was likely to be the final pattern and it was an easy scalper's profit, although no runner again.

There were actually two attempts to go higher that both failed at the trend line. Remember our rules. Anytime the market attempts to do something twice and fails, especially when counter trend, it is likely to succeed in doing the opposite. In this case, the market tried to go higher twice and failed, so another short was a high probability set up.

4) While prices did break the trend line here, we know that we should not look for a long entry until prices have attempted a retest of the low. Based on this rule, when prices tried twice to go higher than the EMA and failed, we should have been ready to short here, as we know there is a high likelihood that prices will make a new low on a retest before there is any meaningful correction. In fact, in the majority of retests, there are two legs to a new low before there is a correction.

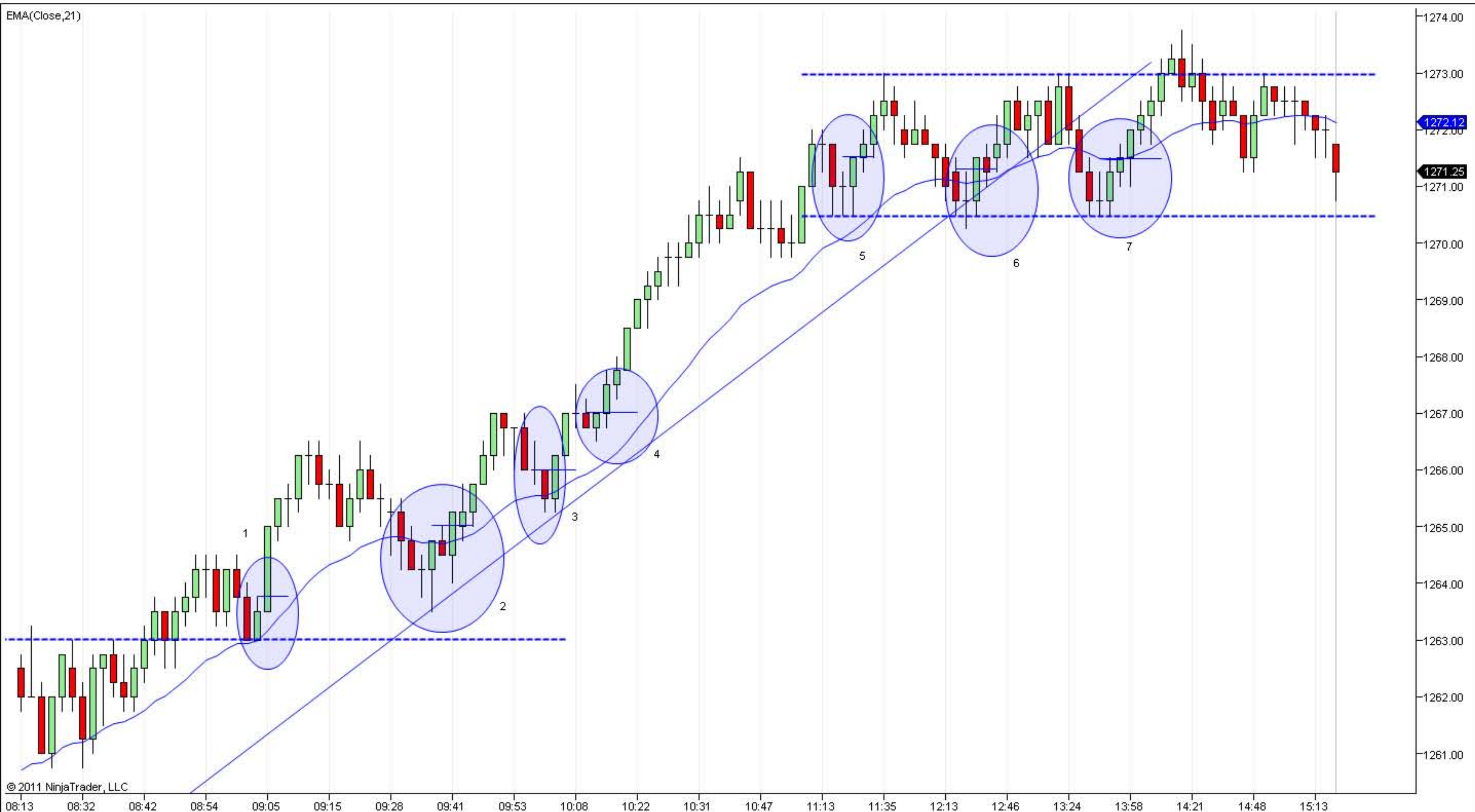
5) This was a 2nd entry short coming off the last new high, but more important, it was following a failed 2nd entry long off that high, so there were trapped longs here. It was also a break out pull back short in what was a weak market for the moment. Because there were trapped longs trying to pick a bottom, this was likely to be a quick move down to another new low, and it was. The reason is because the trapped longs start exiting where we enter when they realize they are too early, so as they exit, they drive our entry down to a quick profit.

6) Remember, there was a trend line break back near trade 4, and we now had two legs down to a new low, so there was a high likelihood that we would see at least a two legged rally that lasts for an hour or more, and there is always a chance that the trend will reverse, so no more shorts without a strong set up. The final failed break lower noted by the green arrow was a classic trap. Notice all the overlapping bars prior to that break lower. No way we will short below a trading range like that after the trend line break, as any break lower without a failed break higher first is likely to end in a loss. Anyone that went short there was trapped at the very low of the day, and that's not a place we every want to be.

Entry #6 was a long following a 2nd failed attempt to go lower during a pull back to the trend line. This is basically a two-legged pull back to the trend line in what was now an upward trending market. Remember, any time the market fails twice on a counter-trend move, it is likely to succeed in going much further in the opposite direction. Notice the perfect bounce off the trend line, and then the bar closed on it's high as well. This entry was also a break out pull back long

7) This was another of our favorite entries, which is a two-legged pull back to the EMA in a trending market. This was the first break of the up-sloping trend line too, so prices are likely to retest the high before there will be any correction, so we know to be looking for longs here, and not shorts. You could have gone long above the doji since it formed near a support area, but it is almost always best to wait on a bullish bar first. If you went long above the first doji, it is possible you would have gotten nervous and gotten shaken out of your trade when the next bar closed as a doji as well.

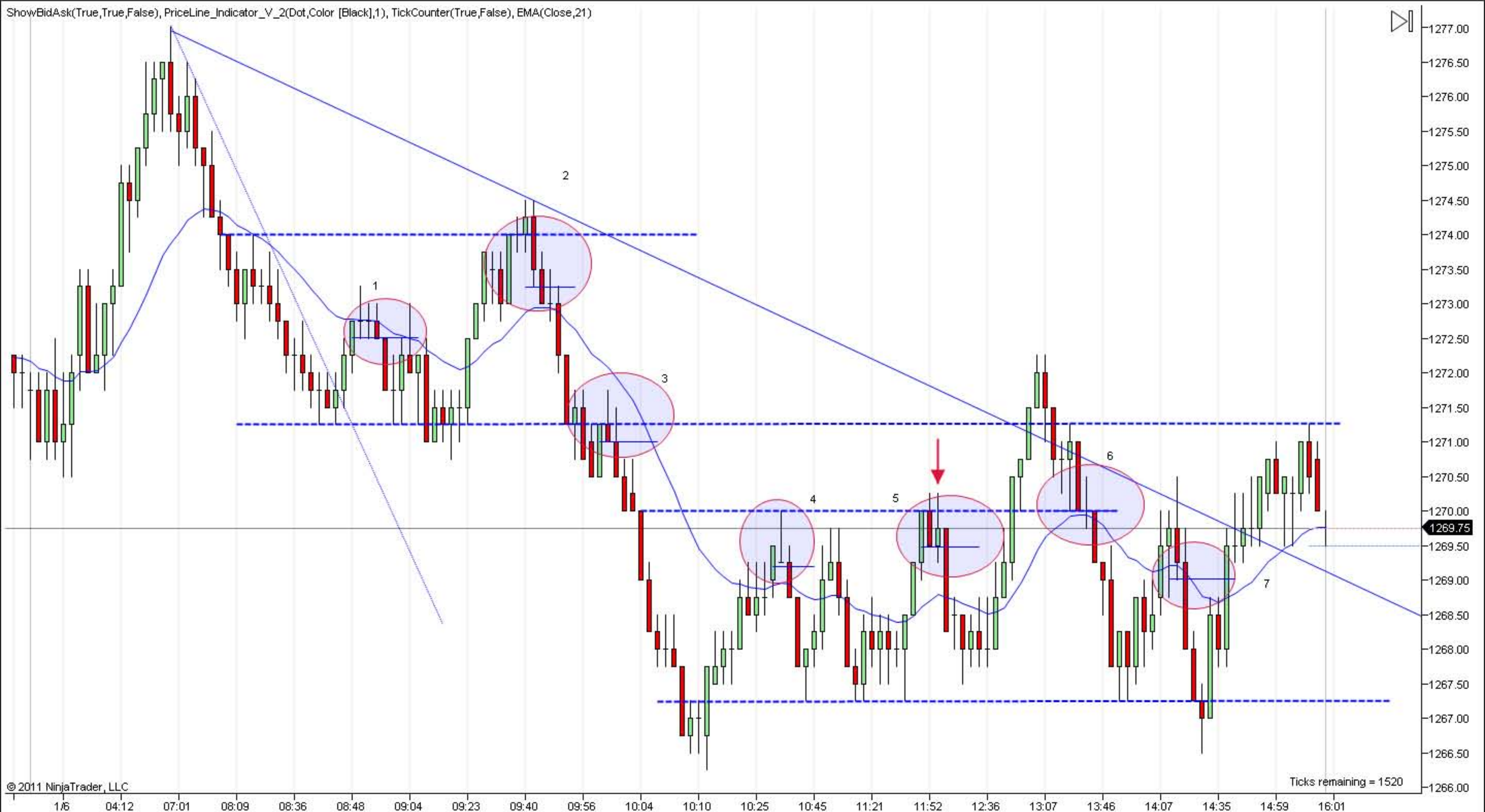
EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trend day from the very open. When you have a day like this, you should be thinking long on every pull back to the EMA. Notice today's chart and what happened on every pull back to the EMA. If you waited until then and bought each time, you would have had no losing trades, and lots of profits. This is pure price action at its best and the kind of day we live for as a day trader! If you know and understand our price action rules and you follow them diligently, these kinds of trading days are pure profit and very easy to trade.

- 1) This was a break out pull back long, but it was also a 2nd entry long during a two legged pull back to the EMA, which is our bread and butter trade. This was a quick scalp, and while a runner could have made as much as 2+ points, if you didn't exit, prices did pull back and take out the break-even stops.
- 2) This was a 2nd entry long, following a failed 2nd entry short right at the trend line. The failed 2nd entry short trapped shorts, and when prices reversed quickly to the long side, this was the perfect place to enter long, and it was a quick move up to a scalper's profit. Again, no runners, but you could have gotten a couple of points out of the runners if you exited just above the break out area, which is a likely place for prices to start pulling back, since we know most break outs always pull back.
- 3) This was a break out pull back long entry as well, but it was also a 2nd entry long during a pull back to the EMA and trend line. The best part about this entry is prices were unable to take out the break even runners, and any runners were good for as many as 7 points depending on where you exited.
- 4) Another small breakout pull back long in an upward trending market. Inexperienced traders are constantly looking for a top, and every time they enter short and prices reverse, they begin exiting the short trades, and that is what drives our trades to a quick scalper's profit. Until there is a break of the trend line, there is no reason to look for a short. Keep buying the pullbacks and you will make money. Again, there was no pull back after entry here, so if you entered here, it was straight up for 4+ points before there was even a minor pull back, so your runners were safe too, and worth as many as 6 points or so.
- 5) Yet another breakout pull back long. This one was good for a scalp only, as prices went into a trading range after this point. Every pull back is simply a chance to buy until there is a break of the trend line, and even then, you can expect prices to try and retest the top before any significant correction may occur. Notice how prices are staying above the EMA and rarely even making it back to the trend line. That is a strong trend!
- 6) Another two-legged pull back to the EMA in a strong trending market, which is nothing more than a great 2nd entry. This is our bread and butter trade, and while it was good for a scalp only, it was a quick and easy trade. It was OK to enter above a doji, because it formed at a low during a pull back, and it was also at a strong resistance area coming off a double bottom. If you wanted, you could have waited and gone long above the next bullish bar, but in a case like this, it was OK to go long above a doji.
- 7) This was a repeat trade to trade 6, and simply a fade off the low side of the trading range. Prices have bounced off this level twice before, and prices are very likely to test the high side again, so this is a low risk entry. It was also the first break of the trend line, so we know there is likely to be a retest and a new high before we get a real correction. Notice that this was not a 2nd entry, so it was better to wait on a bullish bar this time, although it would not have broken our rules to go long above the doji again since it was a small one at a strong support area.

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was another good trading day. There was a nice sell off early, followed by a trading range that was wide enough to make money off either side, although I only marked short trades, because a smart trader trades with the trend, and does not counter trend trade, particularly if there has been no trend line break. If you understand price action rules, there was ample opportunity to make some great profits today!

1) This entry was a 2nd entry short during a pull back to the EMA in a market that was trending down strongly. This was the first break of the steeper trend line, so a retest of the low is likely before any rally. Notice how steep the dotted trend line is though. Most extended trends have about a 45 degree angle, so one this steep is likely to be only a temporary or a short term trend, before a rally and a pull back to create an angle that is closer to 45 degrees. All trend lines tend to follow the same price action rules though, so treat one this steep just like any other.

Wait for a break, and then a retest before looking for any longs. Notice that after the trend line break there was a two-legged move to a new low, and then a correction that went much higher than the previous pullbacks. There was enough room to scalper out before reaching the low, and prices were likely to make a new low on the retest, so this was a reasonable short, and while it was good for only a scalp, it was still a great entry.

2) This was a 2nd entry short during a pull back to the trend line with a great bearish reversal bar to go short below. There was a failed 2nd entry long just prior to this entry as well, so we also had trapped longs here. This was also a failed break above the double top matching highs during a pull back, so there were multiple reasons to go short here. Any runners were easily safe and worth as many as 7 points, and the move was very fast and steep with very little correction, so it was a great entry.

3) This was a break out pull back, 2nd entry short with another nice bearish reversal bar to go short below. Again, your runners were safe and worth as many as 5 points. After such a bearish move down on the first trend line, you would expect a possible 2nd leg that was equal in length, so for that reason, you would be looking for more possible downside movement.

4) This was another 2nd entry short during a pull back to the EMA in a down trend. The doji that opened on it's low and closed on the low as well is very much like a bearish reversal bar, and with this reversal appearing during a two legged pull back to the EMA, it is a must enter trade since there has been no trend line break. This was another quick and easy scalp, but no runners this time.

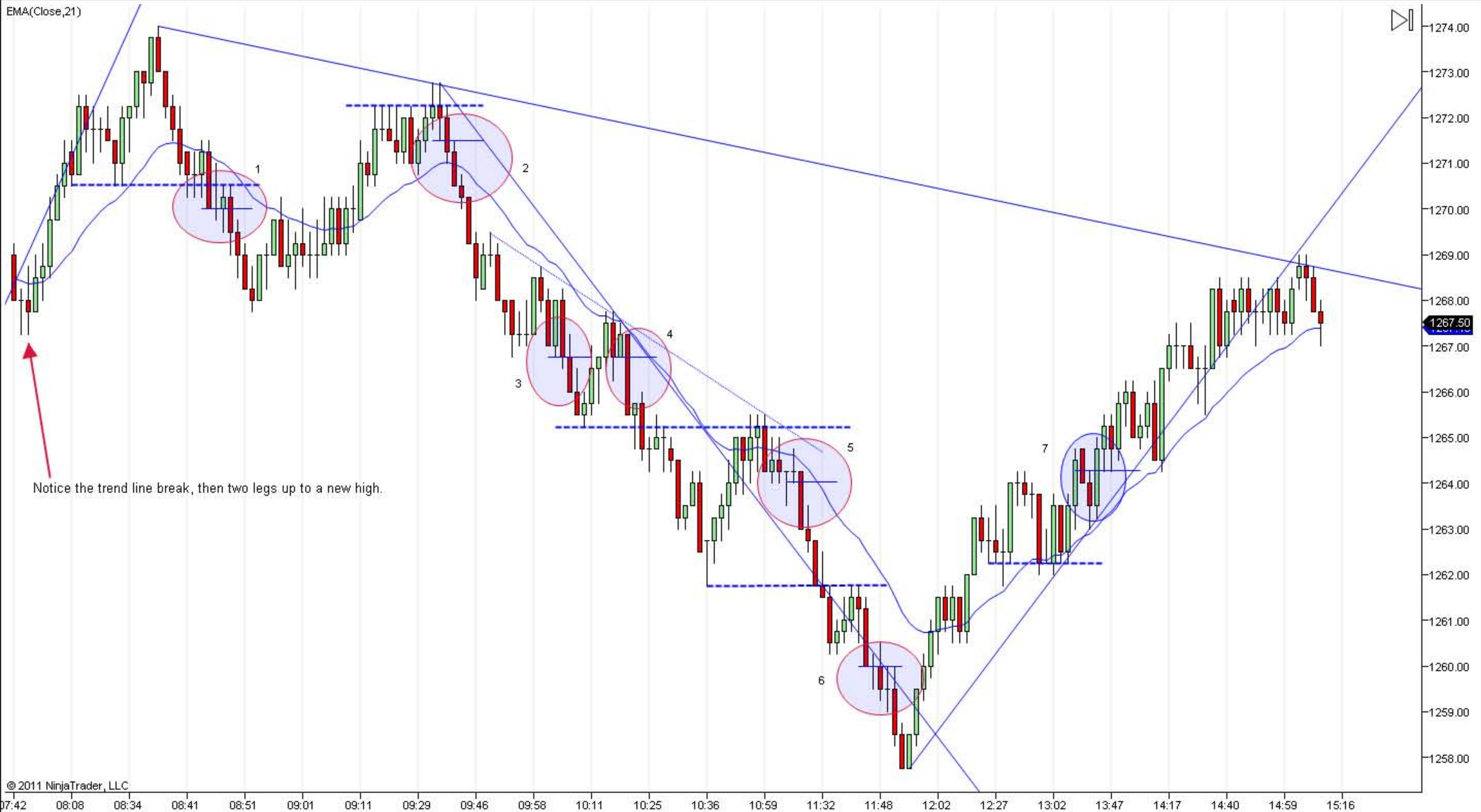
5) While this one is a little more difficult to see, it is nothing more than a 2nd entry short off a double top in a down trend. The bar just below the arrow was also a 2nd attempt to go higher at what was a double top, which also created a small two bar matching high double top. Remember, when the market attempts to do something twice and fails, particularly when attempting it counter trend, it is very likely to succeed in going for at least a scalper's profit in the other direction. The two tries to go higher, along with the fact that this was a 2nd entry, made this a very high probability scalp.

6) This was a 2nd entry short during a pull back to the trend line. This was also a failed break above the high of the triple top trading range. In reality, this was also the first time the market could gain enough strength to test the break out that occurred back near trade 3, and even if prices are going higher, they are likely to find resistance at this point. With this being the first break of the trend line as well, we know not to be looking for a long here for that reason as well.

7) Since we were unable to get a new low after the trend line break, coupled with the fact that most re-tests consist of a two-legged move to a new low, this two-legged pull back to the EMA was worth the risk to try and scalp out another short, with the possibility that prices may go even lower. There was also a nice bearish reversal bar to go short below, so that gave you another reason to enter short here. Notice that the bearish reversal bar turned right at the trend line as well, so that was another clue prices were going lower from here and would probably test the low support area again at a minimum. While you can see it on this chart, this was a 2nd entry short during a two-legged pull back to the EMA in a down trend, and that is our bread and butter trade that makes us more money than any other entry!

Many times, I will place an exit order for my runner a tick or two off a strong support area and go ahead and take that profit, just in case the low holds again, and by doing that, I didn't lose my runner at break even on this trade, and I also get more than 4 ticks from it. This is something I suggest you refrain from until you get more experience with how price action works, because occasionally, prices will break through and go for many points lower like it did at trade 3, and you don't want to miss those kinds of moves.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trading range day overall, but there was enough movement in both directions to make money, with the best move of the day being a late morning sell off that filled the overnight gap to the tick. However, prices reversed quickly after filling that gap and then closed almost unchanged from the regular market open. If you understand price action rules and followed them diligently, there was plenty of opportunity to make money today. It seems there is no room for error lately though, so make sure that you do not break the rules, are you are likely to find yourself sitting on a loss.

1) This was a 2nd entry long during a pull back to the EMA in an up trend. This was an easy scalp, although prices did not follow through as expected after such a bullish move up in the overnight session, so no runners here.

2) Prices spent the first hour this morning in a two point trading range, so not much movement at all so far today. Notice that prices did pull back and break the trend line, so after a re-test, some type of correction is likely. However, we know that we are still looking for longs until we get a retest of the previous high. This was a break out pull back long, so there were trapped shorts that entered short looking for a failed break higher. We know not to go short before a retest though, so we should not get trapped short here.

3) Notice the successful retest with a new high, and now prices are trying to sell off. We were able to get a new downward sloping trend line going, and this was basically a failed break above that trend line. Notice that we waited on a 2nd entry, but there was also a nice bearish reversal bar to go short below, so this was a perfect set up. If you took it, you were short from almost the high of the day, coming off what was also a double top, so there were several reasons to be looking for a short set up. Any runners were easily safe and worth as many as 7 points, depending on where you exited.

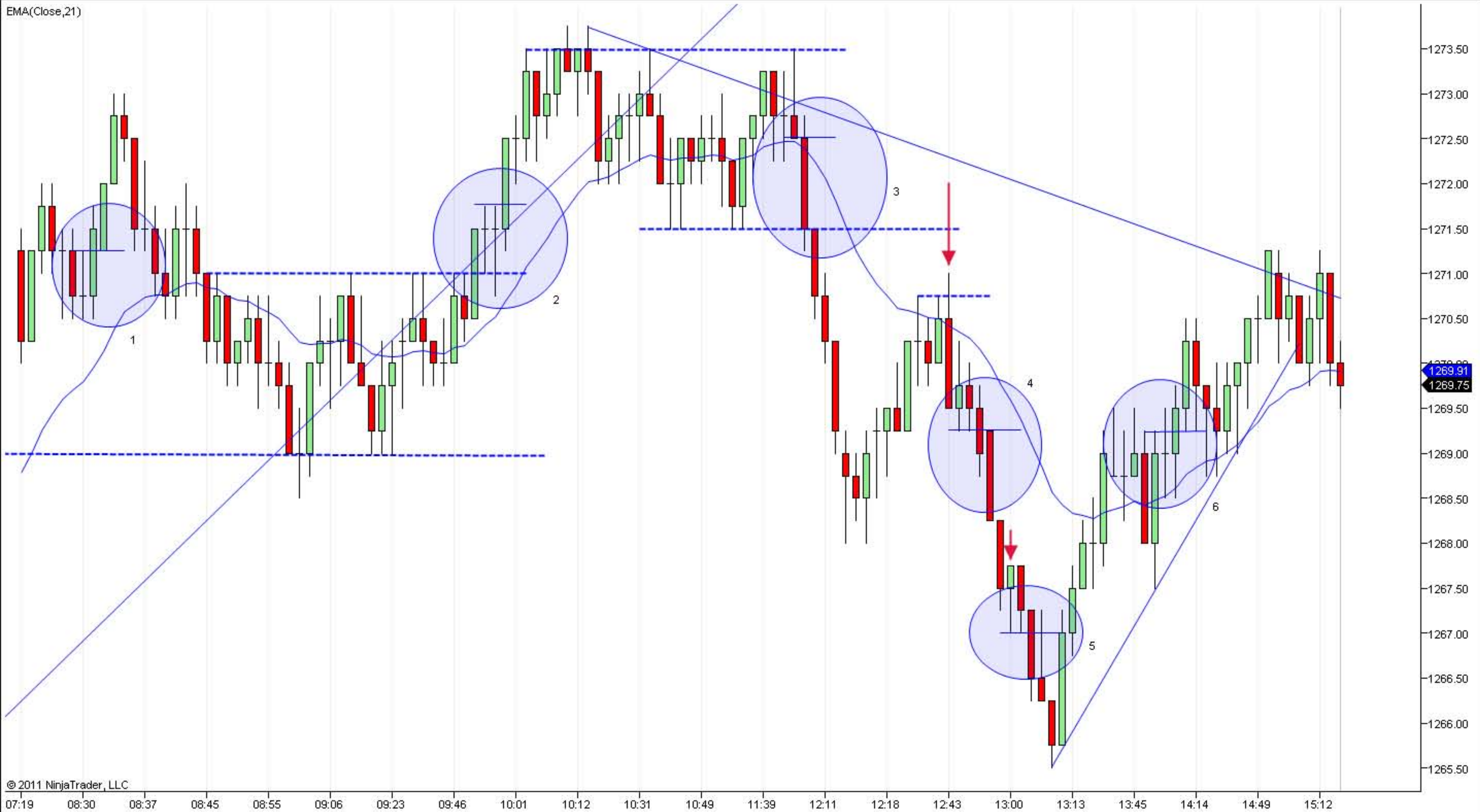
4) Normally after a strong bearish move down like the one after entry 3, you can expect a 2nd and equal leg, and that's exactly what we got today. This was a 2nd entry short, during a two-legged pull back to the EMA. Notice the failed break above the small double top matching highs, and then a nice bearish reversal bar to go short below. You could have gone short directly below the bearish reversal bar (noted by arrow), but if not, you definitely should have gone short as noted, as this was a 2nd entry. This pattern was actually a small double top that acted as a long trap, because prices were able to tick above the double top by a single tick, which is where weak longs try to join in the move. Your runners were good for almost 3 points, and you might have had an exit order for your runner at a measured point that would make this leg equal to the first leg down. By doing so, you would have exited at the very low with 3 points on your runner.

5) This was a breakout pull back short. It's preferable to see prices tick above the green bar (noted by an arrow) and fail first, but sometimes prices will be too weak, and they cannot create the trap we prefer. This entry was good for only a scalp, and prices reversed for the day immediately upon filling the over night gap. That gap was filled to the tick at 1265.50. This two legged pattern that moved down to fill the gap was enough movement alone to make you plenty of money today, and all three entries on this pattern were easily entered if you were drawing your trend lines and following our price action rules.

6) This was a failed 2nd entry short that reversed, creating a 2nd entry long. There was no reason to go short here with 5 overlapping bars by the time the 2nd entry short triggered. You also would have had to go short below a bar with a green body, following a nice bullish bounce off the new low. While it was not clear that it was a trend line break for certain, there was a break back near trade 3, and we did have two legs down to a new low, so we needed to be on the look out for a possible reversal all the same. Even the long entry was tricky, and if you didn't take it, that's OK, because it was a small trading range. However, going long above the bullish reversal bar and failed 2nd entry short was a solid long set up, and if you didn't let them shake you out when it looked as if it was going to fail, this was still good for a scalper's profit and more.

Today was a good example of why you must stick to the rules. Although it was hard to believe the market would reverse so quickly off the low near trade 5, prices still followed our price action rules as expected. There was a break of the trend line near trade 3, quickly followed by two legs down to a new low, then prices reversed. Trusting that reversal was hard, but it worked all the same. Trade two was another one that seemed destined to fail, but if you trusted the entry, it worked too. The point I am trying to make is this: don't question a good set up, regardless of how hard it is to believe that it will work. If the set falls within our rules and the pattern is there, take it and in most cases, it will be a successful trade!

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was another very good trading day, and while the market closed down by only a couple of points, there was a nice trend down, and then a nice recovery rally in the afternoon giving us plenty of movement in which to make money. If you understand our price action rules, there was plenty of movement in which you could make money today.

1) Notice the arrow over at the far left of the chart. There was a break of the up sloping trend line, and then a two-legged move to a new high, which should then give us an extended two-legged correction at a minimum, so I was looking for a possible short set up due to that trend line break and subsequent two-legged retest with a new high. This was a 2nd entry short, after a fairly bearish leg down from the successful retest, so a second and equal leg down was very likely. When the 2nd entry triggered below the very bearish bar, this was a chance to get short near the high of the day. This was also a breakout pull back short as well. Even though this was an easy scalp, this was not the start of a new trend yet, so no runners here.

2) This was a 2nd entry short following a failed break above the small trading range, and a failed 2nd entry long, so there were trapped longs here. You enter this trade expecting a scalp, but hoping that it might get you short at the high of the day, which it did. This was an easy scalp, and any runners were short from almost the high of the day and worth as many as 15 points. This is the perfect entry and we live to catch these kinds of trades with a break-even runner!

3) This was a breakout pull back short, but it was also a 2nd entry short during a pull back to the EMA in a down trend (our bread and butter entry). The failed 2nd entry long trapped more long traders trying to pick a bottom, so when prices turned down again, it was a great place to get short. No runners on this entry though.

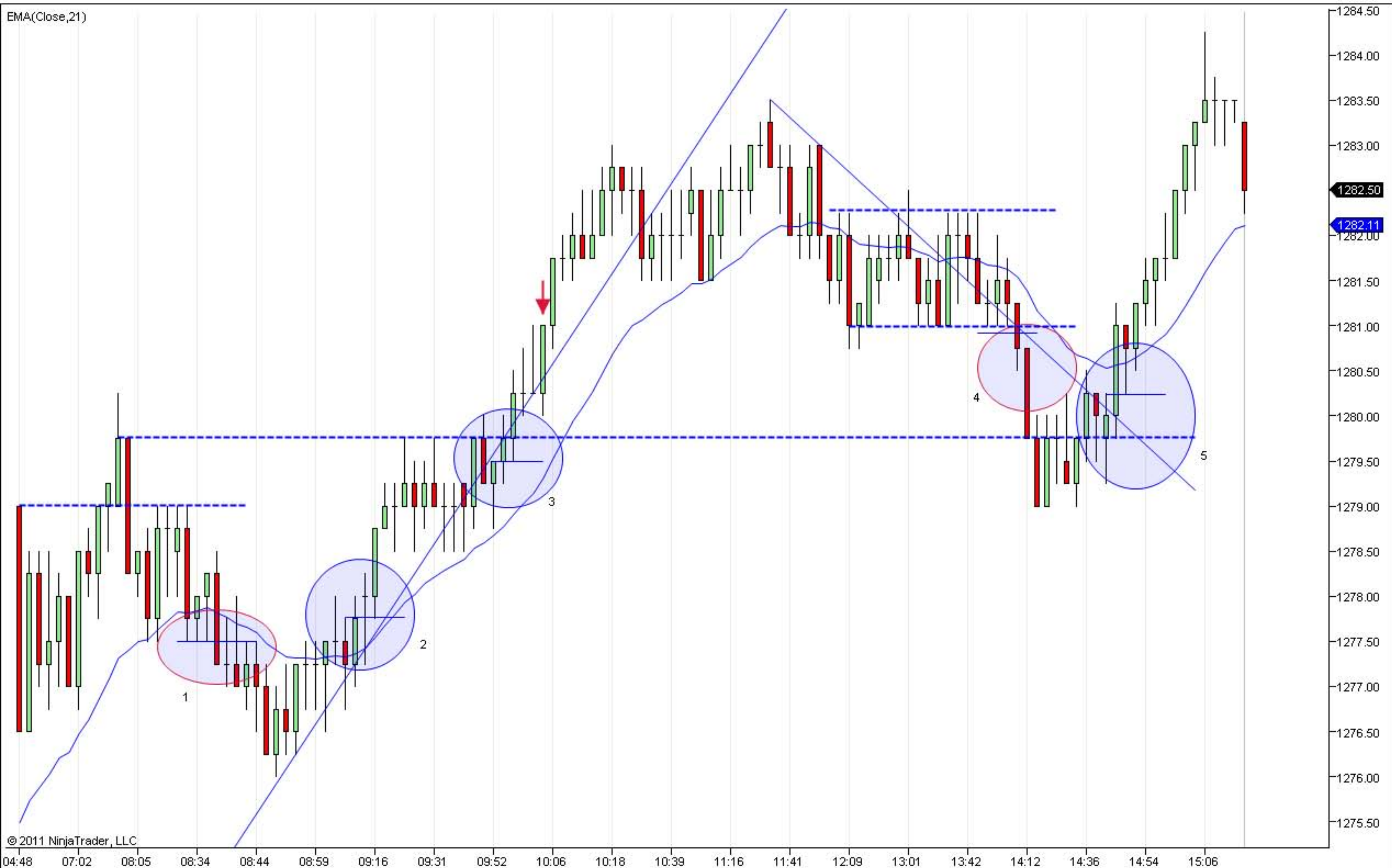
4) This is another 2nd entry short during a two-legged pull back to the EMA, and we know that this entry makes us more money than any other, so we must take them all if there has been no break of the trend line yet. Notice that this was the first pull back that even reached the EMA, so the market is weak, and this pull back is likely to set the trend line for us as well, although there was a secondary trend line that formed that was not as steep. Any runners were worth as many as 9 points.

5) This was another 2nd entry short following a failed 2nd entry long during a pull back to the EMA, so this is a must take entry! This was also a double top and a break out pull back that tried to re-test the former support area which held as resistance a 2nd time, and when the market attempts something twice and fails, it is likely to succeed in going much further in the opposite direction. Notice the break of the main trend line here, and then the two legs down to a new low, and then the market reversed. Exactly what we expect from our price action rules! Runners were safe here too and worth about 6 points.

6) This was a break out pull back short when we were expecting another possible leg down in a very weak market. Normally we would not go short at the very low, but this was a very bearish bar, in a very bearish market following a very bearish leg down, so a 2nd leg down was a high probability. Notice that there were trapped longs in the breakout pull back as well, and we would expect them to exit when prices quickly turned lower on them again in such a weak market.

7) This was a breakout pull back long in what was now an upward trending market (market is now making higher highs and higher lows). The breakout pull back reversed right at the trend line, so this confirmed the trend line with a 2nd touch that held to the tick. While it was an easy scalp, prices did come back and get the breakeven runner, so no additional profits if you did not scalp out all the way on this trade.

EMA(21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trend day, with a typical trading range or two-legged correction during the late morning through the early afternoon. The correction/pull back was basically a re-test of the break out of the 1279.75 area, and you can see that once that area held, prices resumed the up trend. If you understand price action rules, there were no real surprises today. While the entries were limited, there were some great moves all the same.

1) This was a fade of a failed 2nd entry long and a failed break out higher. This was a counter trend trade, but the failed 2nd entry long created a nice trap. It was good for a scalp only, so no runner here. If you didn't take this entry because it appeared to be a counter trend entry, that's OK and not a bad move at all!

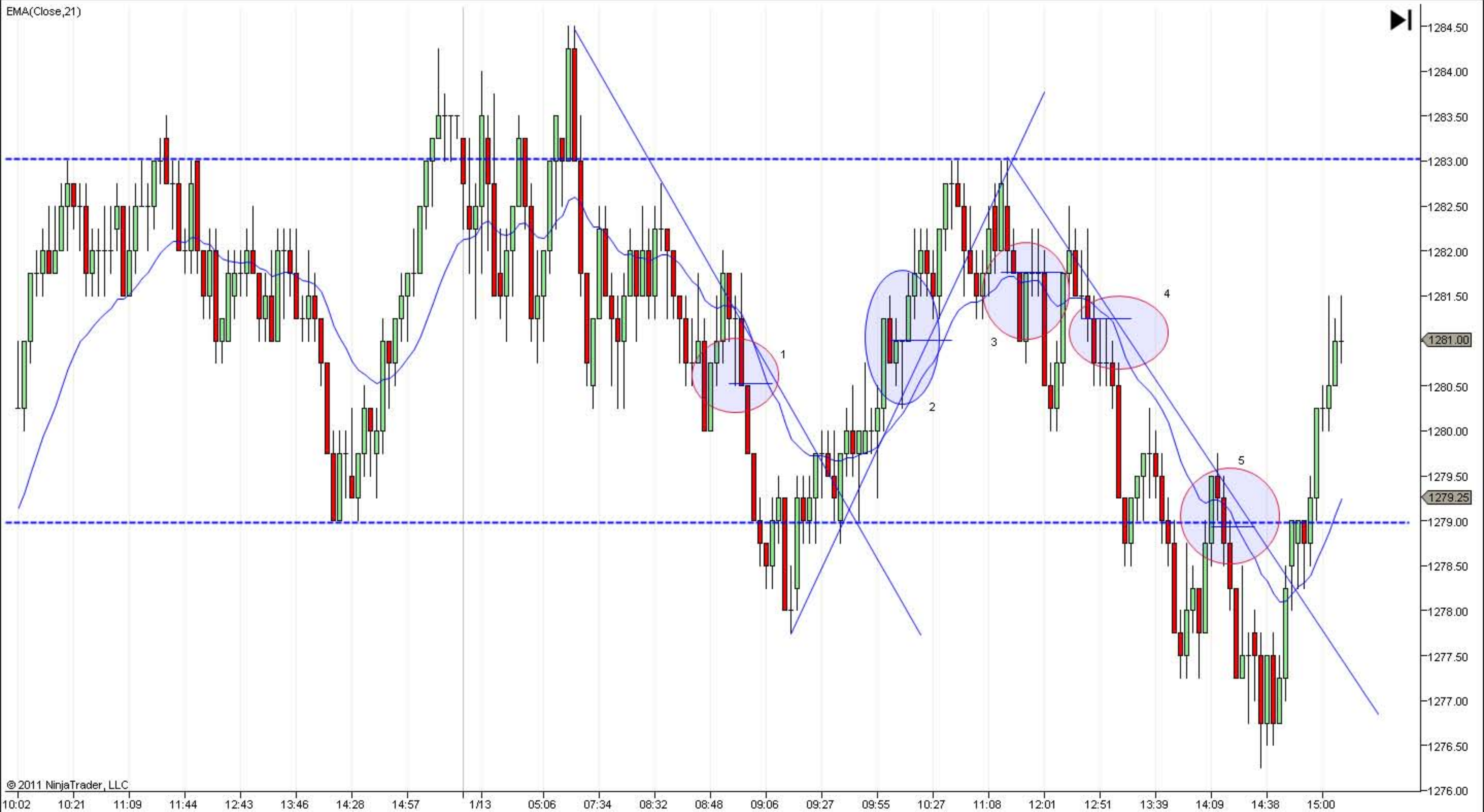
2) This was a break out pull back long, but it was also a fade of a failed 2nd entry short during a pull back to the trend line. Any runners were easily safe and worth as many as 3+ points. The short trap serves two purposes for our benefit. It traps in shorts that must exit when they realize they are on the wrong side of the trade. It also traps out weak longs that exit on the trigger of the 2nd entry short, because they are afraid a double top is forming, add fuel to the buying when they start re-entering when they realize their mistake of exiting their long trades. These two buying surges are what push our trade to a new high and a scalper's profit.

3) This was a repeat pattern to trade 2. Remember, any time you see a pattern once, it may repeat again later in the day or even multiple times. We did get a bar or two that closed outside the trend line here, so any new high could result in a correction or reversal. However, we know not to get tricked going short here because there has been no new high yet, so even though a short trend could start from here, it's not a high probability entry, even with a 2nd entry short. It's more likely to be a trap, and it was! If you missed this entry, there was another chance to go long 5 bars later just above the bar with the arrow. I did not mark it as another trade, because you should have gotten long here, but if you missed this entry, you were OK entering there as it was a legitimate breakout pull back long as well.

4) This was a little tricky, but it worked like a break out pull back short. Patterns are not always perfect, but if something looks like a typical pattern, it is likely to act as one. Notice that this was also a 2nd entry short, coming off a double top as well, so that gave it additional merit as a short entry. When prices bounced off the support area and turned up a 3rd time, many traders thought this was a failed 2nd entry short, but we know better than to go long as this is a trading range with multiple overlapping bars and doji's, so no reason for us to get trapped long here. Notice on the trap and move higher on the triple bottom that prices could not reach the other side of the range again before turning back down. This is a sign of weakness and the trap is significant as well. Even though there was no real break out, this is close enough to being a break out pull back that it will most often act like one, as there will be trapped longs that got suckered into entering long and they will exit when prices go lower, and that trap will drive us to a quick scalper's profit. We are also looking for a 2nd leg down and a possible test of the break out level around 1279.75, so that was a likely target with enough room to scalp out easily.

5) This is another repeat pattern to trades 2 and 3. Notice the failed 2nd entry short, as that is important. This was also a break out pull back long, with a fade of the failed 2nd entry during a pull back to the EMA, which is normally a great entry. The reason that 2nd entry short was not a good entry here was the fact that this was a trading range with 7 overlapping bars and multiple doji's, and you would have to go short below a doji in order to take the 2nd entry. By being patient and waiting on the right pattern, you would not get trapped short here and you would be prepared to fade the failed 2nd entry. This one was almost straight up for 4+ points before the close as well, so it was a great entry. Notice how strong that move up was as well, that was because there were so many shorts that thought they were entering a new down trend, and they had to exit when they found they were wrong. Once prices broke higher above the EMA, all the long that had exited too early now want back in so that they don't miss out, so that adds additional fuel to the trade.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Overall volume continues to be very low the last few days in the ES, so this makes the trading that much more difficult. Scalping using our price action rules is about the only way you can or will make money in this kind of a market environment, but even then, if you are not studying your charts closely to find the major support and resistance areas, and then drawing your lines, you will still get fooled in all of the chop.

Remember our rules of staying out of choppy trading ranges, and waiting on the traps that meet our other rules before attempting to enter, otherwise, you will find yourself trapped on the wrong side more times than not. Prices have been in a 4 to 5 point trading range for the past couple of days, and I have this range outlined on my chart. Every attempt to break higher or lower has failed, so make note of this range and trade it accordingly until proven otherwise.

Also, while the trend lines are not quite as clear as a trending market, you can still use the short-term trend lines to help keep you on the right side of the current movement. Even though this is a trading range day, it was actually a large two-legged pattern with two equal size legs down. If you are having trouble seeing the two legs, look at the trend lines and follow them and they will outline the pattern for you.

One thing I like to do on choppy days like this is to try and not anticipate 2nd entries, but rather wait on 2nd entries to fail, and then fade them if they are coming off the high or low of a trading range, or when the failed 2nd entry is counter trend. In other words, let the other traders go first and make the mistakes, and then you enter where they must exit. This may cause you to miss an entry, but no trade is a good trade many times on days like this.

1) This was easily one of the better entries of the day, and if you caught this one, you could have made a nice days trade on this entry alone. We normally find our starting trend line each day by starting with the low or high swings from the overnight, so the trend line was clearly in place a few minutes after the regular market open. Prices did break the trend line on this pull back, but we know our rules state that we need a retest before we look for a long. Based on that rule, when the 2nd entry long failed and prices immediately reversed, we would want to take the 2nd entry short with the trend, knowing it will likely be a quick move down due to the trapped longs. If you took this entry, it was straight down for 2+ points.

Knowing that there is a strong support area at 1279.0, I will usually set my runners to exit at that level, because prices are likely to bounce there. By following that strategy, any runners were worth \$100+ each. Otherwise, prices rebounded and took out your runners at breakeven.

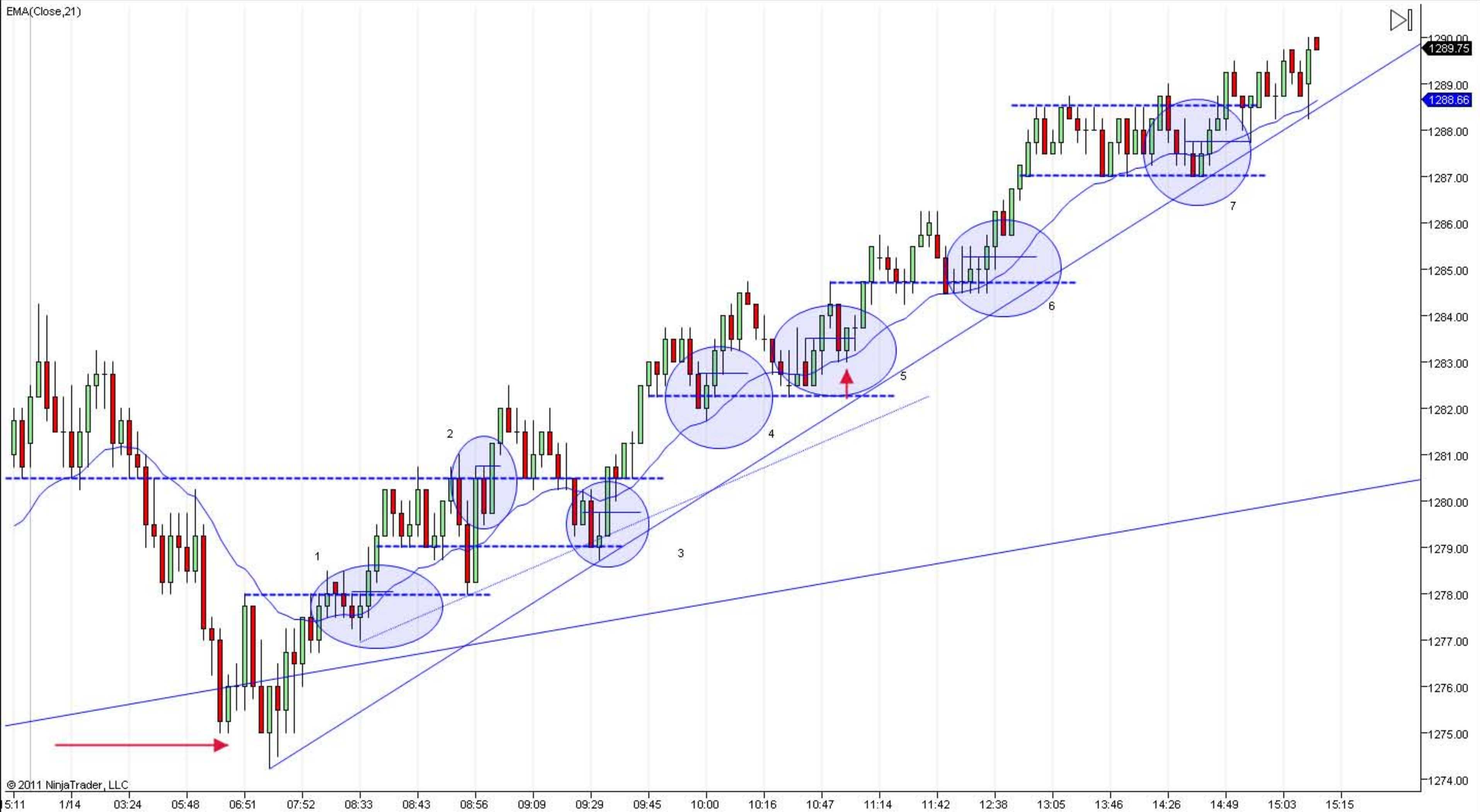
2) This was a break out pull back long coming off a reversal at the low end of the trading range. Prices bounced off the trend line and the EMA, and while you had to go long above a doji looking bar, it was still a reversal type bar because prices sold off but then were able to still close on the very high, so that with the fact that prices bounced off the trend line and EMA gave this entry enough merit to take it. Prices are likely to at least test the high side of the trading range, so there was plenty of room to the upside here and the strong bullish bar 3 bars earlier was a show that the bulls were willing to buy again now. With low volume like we are seeing lately, we are just not getting nearly enough nice, clean entries, so you really have to read the price action that much closer and look at the overall picture and go with the current trend, which is up in this case. Notice too that my trend line has stems poking through, which you normally will not see. Occasionally, your trend line will be along the bodies, rather than the stems when prices are very choppy like this. When in a trading range or choppy area, draw the trend lines so that they best fit.

3) This was a 2nd entry short, coming off a double top, at the upper level of the trading range, which is a strong resistance area. You had to ride out a bit of a pull back, but when you have chop like this, a 3-tick pull back is acceptable, even if it does break above your entry bar. When prices are very choppy, you simply have to give the trade a bit of room to work or else skip the trade. If you can get in close to the high or low of a trading range, the best place for the stop is just above or below those high and low levels.

4) This was a repeat pattern to trade 1. Notice the failed 2nd entry long, and then a reversal back down that created a long trap. It was another 2+ points down, and if you set your exit order at the support area, you would have gotten your 2 points easily.

5) This was one of the only clear two-legged pullbacks to the EMA and trend line with trend all day. It was also a breakout pull back, 2nd entry short, and it was the second time that we broke through the support area, so there was a chance prices could go much lower here. While that was not the case, it was still our bread and butter entry and it was a quick and easy scalp!

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a great trend day. Although prices looked choppy, they continued to move higher all day and remained above the EMA for almost the entire day. This is actually a very strong type of trend, and once you recognize it, you should buy every pull back to the EMA and then give yourself a sufficient stop, as prices are very likely to go higher, even if they run the stops first. Because of the small and choppy patterns, it does not look like a strong trend, but this is how most strong trends will look, and many traders are not experienced enough to recognize it. Price action rules were very simple today, and if you followed them, you had many opportunities to make money.

1) This entry was a little tricky, because it was a long entry during a pull back in what had been a downward trending market during the over night session. However, notice the failed break to a new low at the long term upward sloping trend line that has been holding prices for several days now. That failed break lower (noted by the arrow) immediately reversed. This is what I refer to as a "failed final flag." Prices broke below a trend line and a former low and immediately reversed, and then made a new high before having any real pull back. Most failed flags will come at the end of a trend, thus the term "failed final flag."

This entry was actually a fade of a failed 2nd entry short that turned out to be a break out pull back, 2nd entry long. While I don't talk about it much because it takes a special eye to watch for it, you will often find that the first move of the regular open will fail, and give you a great trap entry that is usually good for an easy scalp at minimum, so this was actually a fade of the open move too. No runners here unfortunately.

2) This was a breakout pull back, 2nd entry long during a pull back to the EMA with a great bullish reversal bar to go long above. Normally I would not recommend this entry either, but the failed break down and out of the small trading range trapped shorts, so with a 2nd entry to go with it, this was likely to yield a quick and easy scalp, and it did. No runners survived here either, and with so much chop and so many overlapping bars, that was very likely to be the case.

3) The pull back here off the failed break out was a retest of the support area that was breached just below trade 2, and when it held a 4th time, the rally was now imminent if prices could get above the high made so far in the regular market (1282.50). This was also a pull back to what turned out to be a minor trend line, and when it held a 3rd time, prices were at least likely to test the previous high just above trade 2. While it was not clear at the time, this turned out to be the swing that set our main trend line for the day. Most important of all, this was a 2nd entry long during a two legged pull back to the EMA and trend line, which is our favorite entry, and if you entered here, you were long at the key low of the day, which is the entry we always hope to catch.

Your breakeven runners were easily safe here and good for as many as 10 points depending on where you exited. If you can catch this one key trade every day, you can make all the money you need on this single entry alone. There is at least one key entry like this almost every day, and it is usually at a key support or resistance area that appears will be broken, but either holds, or you get a failed final flag, and this traps many traders out, but more importantly, traps many traders into the wrong side of the market at the low or high point of the day, and they must exit when they realize prices are not going to come back any time soon.

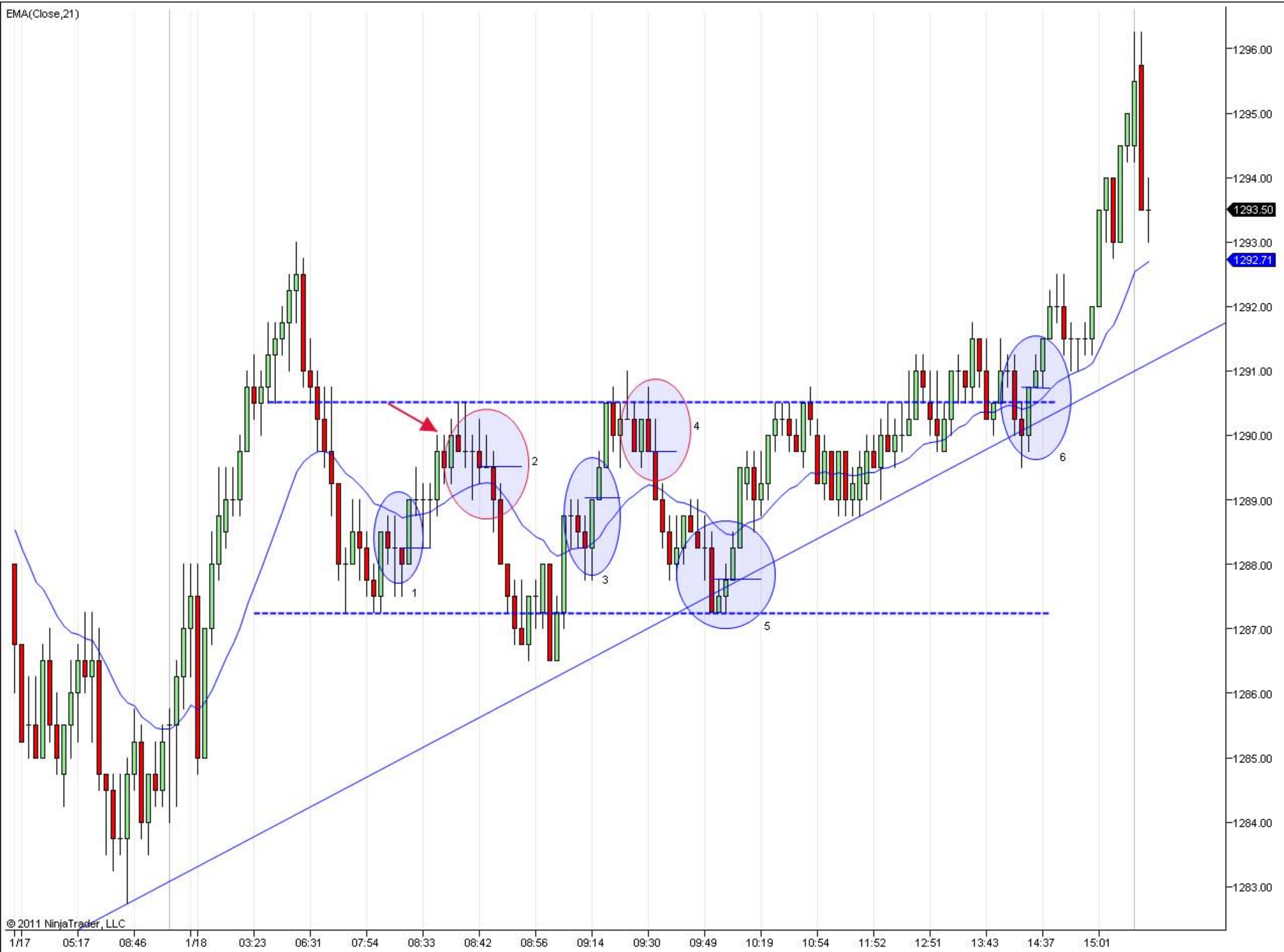
4) This was a breakout pull back, 2nd entry long during a pull back to the EMA in what was now most certainly a trending market, and this is our bread and butter entry. Like usual, it was an easy scalp, although no runners this time.

5) This was a 2nd entry long during a two-legged pull back to the EMA in a trending market. If you didn't enter here, you definitely should have entered 4 bars later when the 2nd entry short failed (you would enter above the bar noted by the arrow). That failed short trapped the counter trend traders who thought for certain that they had just caught a double top. The trend was up though, and this is why we don't count trend trade, because they are more likely to fail and the trend resume, and this is where we make all our money. Runners were safe this time too and they were good for as many as 6 points. Remember, we don't always want to enter above a doji with overlapping bars, but the trend was clearly up now, and any pull back was likely to fail, so the risk was still well worth taking this entry.

6) This is simply a repeat pattern to trade 1 and 5. Remember, when you see a pattern once, it is likely to occur again, so be watching for it. This is nothing more than a two-legged pull back to the EMA in a trending market. This is our bread and butter trade, and they fail very rarely, and on strong trend days like this, the failure rate is very, very low!

7) This was another repeat pattern to trades 1, 5 and 6. Even if you got trapped by entering too early during what turned out to be a small trading range, a 6-tick stop was more than sufficient to keep you safely in the trade. This was a 2nd entry long off a double bottom during the first pull back to the trend line since early morning, so a test of that line was likely before prices would move higher. This was very close to our 2:30 PM cut off time, but entering here was also very likely to yield another scalp, so it was worth it if you took it.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. While the trend continued to move up today, most of the price action was within a 5 point trading range. This was a difficult day to make money, but if you know and understand our price action rules, you should have been able to stay on the right side of the market and still make money today.

1) This was a fade of the opening move, which started to the down side at the regular 8:30 AM CST opening today. The most important thing here was that there was a failed 2nd entry short that trapped shorts who were expecting a 2nd leg down off the last high. I too was looking for that 2nd leg down, but I also know that our rules tell us not to enter in a trading range, particularly coming off a small double bottom, so I waited and was able to catch this failed 2nd entry short and go long here. No runners here, but it was good for a scalper's profit, which most failed 2nd entries will yield.

2) This was a 2nd entry short during a pull back to retest the break out below 1290. With such a bearish leg down, and prices this far away from the trend line, another leg down was very likely. This was an easy scalp, and depending on where you exited, it was good for around 3 points or so. There was also a failed break above the small two bar double top matching highs that is noted by an arrow.

3) This was a double bottom pull back long. It was also a 2nd entry long coming off the double bottom, which is simply a different name for a double bottom pull back long. When prices failed below the previous double bottom and then formed another double bottom, prices were most likely to go back and test the high again, and that's exactly what happened. No runners here, but this was another easy scalp.

4) It was obvious by this time that prices were in a trading range and struggling to find direction. The overall trend was still up, but if you got any reversal entry signals near the low or high of the trading range, they should be good entries for at least a scalp. This was another 2nd entry short near the previous resistance area, and another failed break higher. This was basically a repeat pattern to trade 2, and we know that once we see a pattern during the day, it is likely to show up again later during the same trading day.

5) This was another reversal near the low of the trading range, but it was also the first pull back to the trend line since yesterday, and with no break of that trend line thus far, we should be looking for longs with the correct set up. We should have already been prepared for a likely bounce at the low of the range, but when prices offered this small inside bar with a green body, it gave us a nice small bar to enter long above very close to the low with a bounce off the trend line.

You hear me talk about key entry areas often, and this is where you normally find them, somewhere near a strong support or resistance area with a chance to join the current trend. If you got long here, your runners were easily safe and worth as many as 9 points before the close. Even if you chose to exit at the high of the range, there was still a nice 3 points to be had on this entry.

6) This was a break out pull back, 2nd entry long following another bounce off the trend line. There was actually a failed 2nd entry short that you could fade here as well, knowing that there were trapped shorts now. You may be asking why no 2nd entry short here, but the trend line was still holding, and while we did get a slight break of it earlier, there was still no retest of the high yet, and with prices being so close to the trend line, there was not enough room to exit with a profit if you went short there. If you got fooled into going short here, you definitely should have exited or reversed when prices turned higher off the trend line again

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a great trading day with a strong down trend that lasted the entire day. Any time you see a trend like this, you should take every set up during any pull back to the EMA or trend line. Even if you have to force yourself, take the entry and do not counter trend trade no matter how good the set up may look.

I get a lot of questions about trend lines, so notice there are two trend lines on my chart today. You could have drawn one off the high (the lighter line) or drawn one off the lower swings like my darker line, which is the trend line I used. Either way, you got the same results with a break of the trend line in the exact same location right at trade 5.

It doesn't hurt to draw a trend line every time you get two swings, as that will help insure that you don't miss one. Just remove the ones that don't look right so that you don't clutter up your chart with too many lines and miss the entries.

If you followed our price action rules today, there was no way you could not make money. It just doesn't get much better than today's action, and these are the days we live for as a day trader.

1) This was a 2nd entry short coming off the high of a pull back to the EMA in what was a strong down trend already. This was also a breakout pull back short with prices retesting the break out of the small trading range. You could have gone short 3 bars earlier below the bearish reversal bar that reversed prices right at the EMA, but it was a questionable set up with all the overlapping dojis, so it was better to wait on a 2nd entry off the new high. There was also a failed 2nd entry long that trapped unsuspecting longs right at the EMA. Any runners were safe here and worth as many as 14 points!

2) This was a 2nd entry short off the high side during a pull back to the EMA, but it was also a fade of the failed 2nd entry long. This was nothing more than a two-legged pull back to the EMA in a downtrend, and we know that those are our biggest money making entries and we try and take them all. Runners were safe here too, and good for as many as 12 points.

3) This was another two-legged pull back to the EMA in a strong down trend. The two legs are not easily seen on this chart, but the small doji in the middle of the move was the pull back, and if you went to a smaller chart size, you would easily see the two legs. We don't look at more than one chart though, so we must learn to spot these set ups on our current trading chart. Notice too that there was a failed 2nd entry long that reversed after one tick higher, and that was a second reason to take this trade. While it was a fairly easy scalp, our break even runners did not survive here.

4) This entry was a little tricky, but if you study the set up as marked, it should become clear to you. Prices were in a choppy trading range, and we are expecting failed patterns to the high side, so that we can fade them. Notice that there was a 2nd entry long off the high of this pull back to the EMA, and when it immediately failed, there were once again trapped longs that thought they had outsmarted everyone by going long on the 2nd entry long. On a trend day like this, most every counter trend entry will fail, and turn into a great with trend entry, just like this one did. Do NOT counter trend trade, especially on strong trend days like this when there has been no break of a trend line yet. This was an easy scalp, but if you did not exit on the break out of the small trading range near 1279, then you lost any runners here.

5) This was a 2nd entry short during the first pull back that could make it to the trend line. Notice that prices actually closed above the EMA and that there was space between the EMA and the last couple of bars. That is a sign that the trend is weakening. Go back and look at every pull back swing, and notice how the counter trend traders are able to push prices further into the EMA each time until they finally push prices higher than the EMA. The EMA acts like a trend line, so even if you get your trend lines messed up, you can still use the EMA as a barometer as well. This was the first break above the EMA and the first break of any kind for the trend line, so no longs just yet. We know we must wait on a retest of the low first before looking for any longs, and quite possibly, that retest will consist of two swings to a new low.

6) This was a break out pull back short. Notice that there was a previous small break out pull back a few bars earlier too. You will often times see the first break out pull back fail, but if the failure quickly fails, there will be trapped longs, so go short again, or long if it happens during an up trend.

7) Going short now is getting riskier, but with a nice bearish reversal bar so close to the EMA, it was likely to be good for a scalp, and it was. You could have taken another short on the next pull back too, but prices were now getting choppy and the bulls were getting more aggressive fading every new low in the hopes of catching the bottom of the trend now that there was a trend line break and two clear legs down to a new low. Eventually the bulls will win out, so every new swing down becomes more risky at this point and it was best to call it a day with this last quick scalp.

EMA(Close,21)



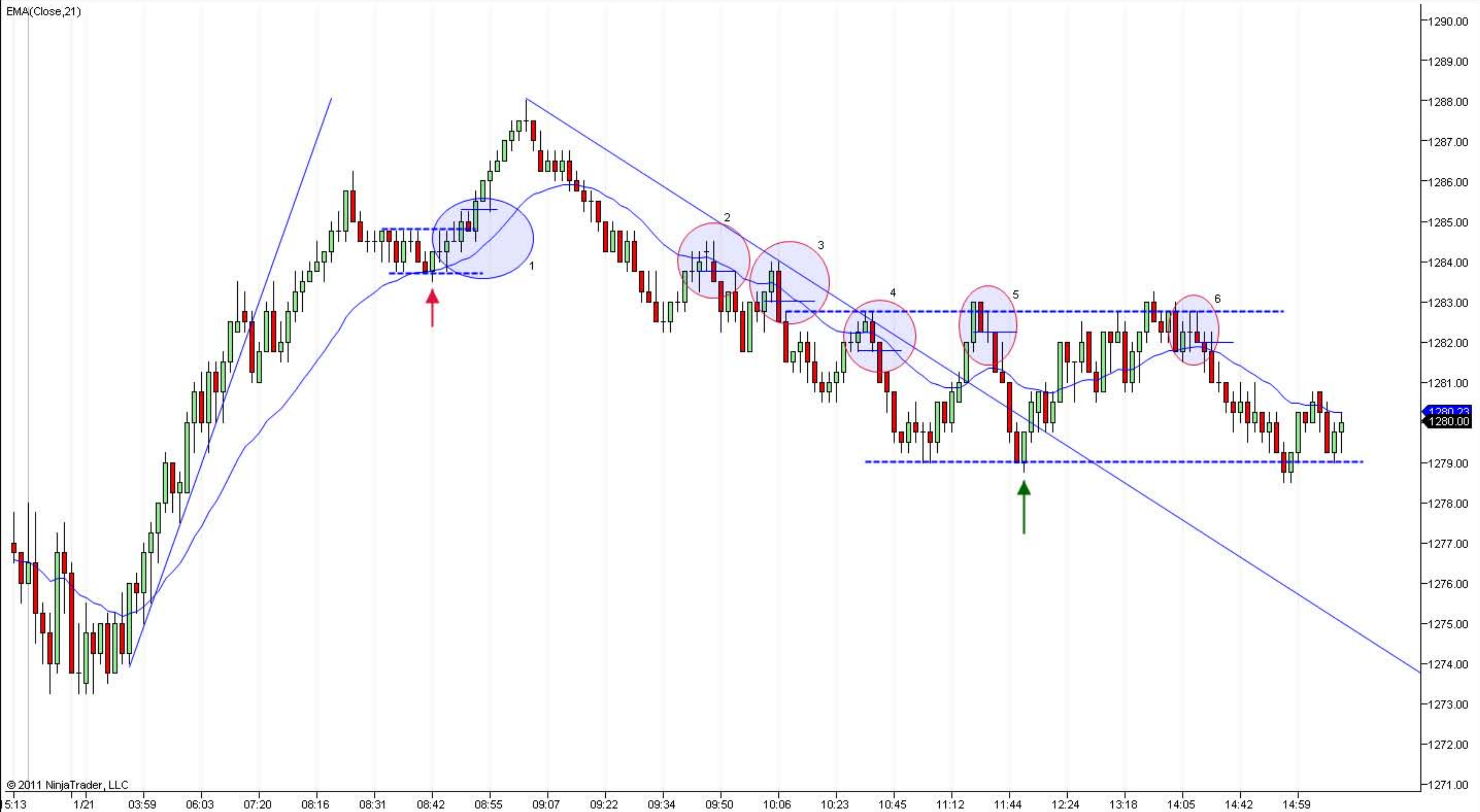
Daily Comment: Here is today's chart lesson for the ES. Today was a reversal type trading range day. Prices had been trending down below a multi-day trend line that was broken and reversed by the end of the trading day today. While I did mark the best entries, there are no comments with today's chart due to a problem with our computers after the market closed today. However, if you understand price action rules, there was still a chance to make money today.

Again, there were other entries today, and I only marked the obvious entries that were solid price action set ups that fall within our trading rules.

Below are a few key rules when trading. Remember these rules and you will already be off to a good start.

- Never counter trend trade. Always use trend lines and watch the 21 bar EMA too. If prices are above the 21 bar EMA in an up trend, look to buy in most cases. If prices are below the 21 bar EMA in a down trend, look to sell in most cases. Try to follow this rule, no matter how good the set up looks to counter trend trade. Counter trend trading will break your account, don't do it. It's only safe to counter trend trade when prices have first broken a trend line and then had a re-test of the previous high or low, and then you should still wait on a second entry to be certain.
- Never buy/sell break outs. Look to fade them on range days, and wait for a pull back on trending days that reverses after pulling back to test the break out area. Most all break outs try and reverse in the ES, so you must avoid taking the original break out.
- Use no more than a 2-point stop in most cases, and do NOT move them. If you are wrong, take your hit and look to make it up on the next trade. Moving your stop will end your trading days very quickly and is the worst habit you can form, unless of course you are tightening it, which will actually improve your money management!

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. The rally that began yesterday completed a second and equal leg up in the overnight and early part of the regular open this morning, only to reverse and trend down for the majority of the morning before going into a trading range during the afternoon. The start of the second leg from yesterday's rally during the overnight was extremely steep, and trends that steep don't last long, and when they reverse, they are usually strong moves down as well, and we saw that in the price action during the first hour of the regular morning trading this morning.

If you understand our price action rules, there were not really any surprises today, and you would have wanted to stay short for most of the day. Notice that once the steep overnight up-trend was broken, there were two legs up to a new high, and then the reversal came just as quickly and it was mostly down hill after that point.

1) This was a break out pull back, 2nd entry long. Notice how prices broke out the lower side first and failed, creating a double bottom. Prices then broke out the top and created a nice break out pull back, 2nd entry long. Prices tried to go lower 3 different times after the failed break lower that is noted by the arrow. Remember our rules, prices will usually break out and fail counter trend, and then create a break out pull back and continue on with the original trend, and this time was no different.

The two failed breaks lower, following the failed break out to the short side trapped more shorts each time, and when the break out pull back long triggered, those trapped shorts had to exit and they drove prices to a quick new high. Notice that there are two almost perfectly measured legs up to that new high following the trend line break, so any further longs from this point would be very questionable without a good set up, and that never happened.

2) Unfortunately, there was no good short set up during the large drop off the new high/retest, so we just had to watch that leg down. Never chase the market, because you are likely to get trapped on the wrong side. Yes, you will occasionally miss a move like this, but in the end, you will be a better and richer trader, because moves like this are rare.

This was the first chance to join the new down trend with relatively little risk. The first leg was long and steep, so there was likely to be a second leg of similar length. This was a 2nd entry short during a pull back to the EMA after a very steep sell off and a new swing low. This is also a breakout pull back retest of the small double bottom over near trade 1.

3) This was a repeat pattern to trade 2, which is a 2nd entry short during a pull back to the EMA in a down trending market. This entry is also another break out pull back short, so more than one reason to go short here.

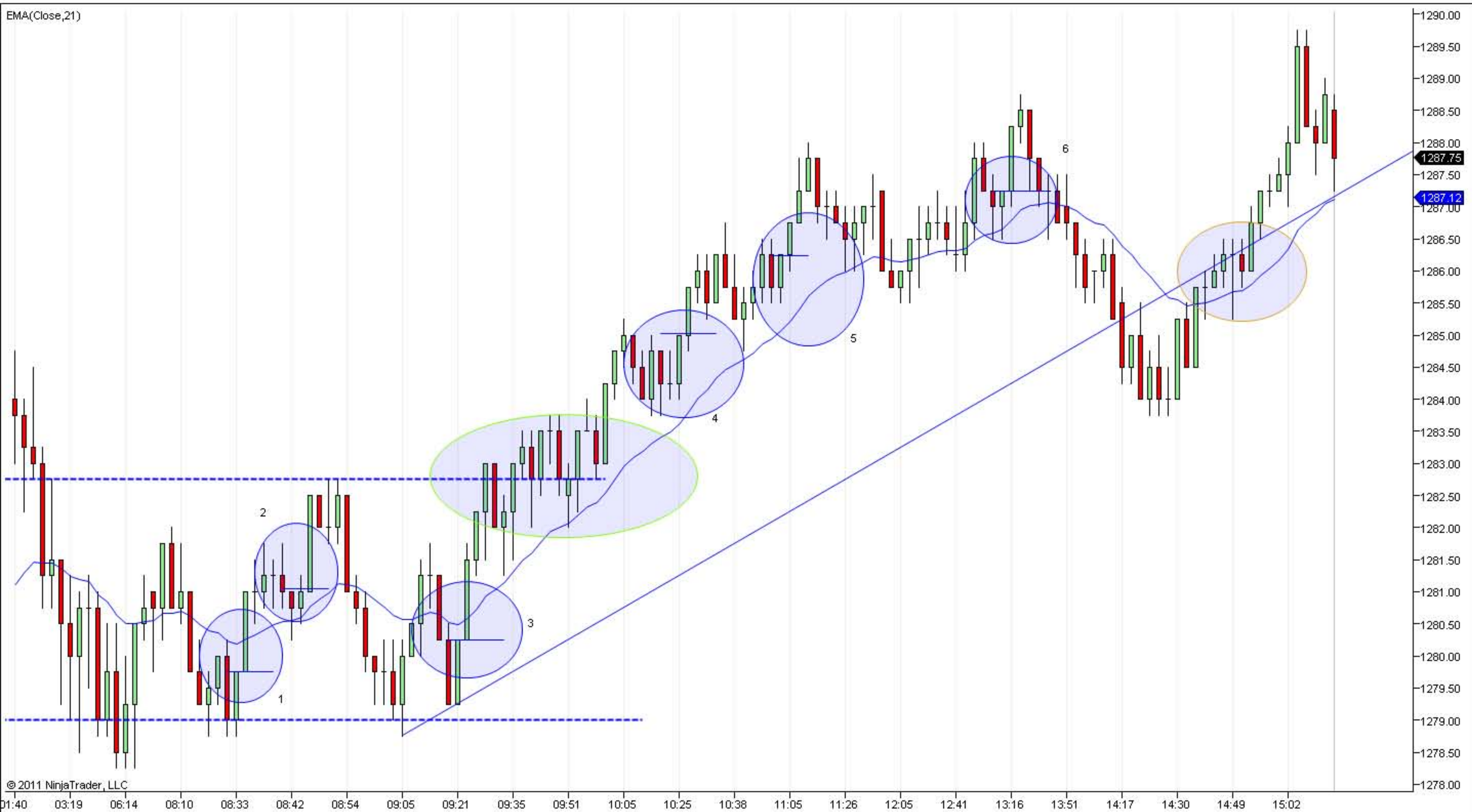
4) While this one is a little bit trickier to see, it's another two-legged pull back to the EMA and trend line, and that is our number one money making entry. Note that the two legs were created by the small doji, and if you were to look at this pattern on a smaller time frame, you would be able to clearly see those two legs. We must learn to spot those on this chart though, as our rules say it is distracting to look at more than one trading chart. If you learn to see it all on a single chart by also considering the smaller patterns and larger patterns, you will become a better trader and a less distracted trader.

5) This was the first break of the trend line during a pull back, so we know not to be looking for any longs here. When the double top formed and then gave you a nice bearish bar, going short below it was a low risk entry, as we know prices are most likely to test the low again, and that's exactly what happened.

6) By the time this entry set up, this was looking very much like a trading range, so we should be able to trade it like one. Prices were a little choppy, so no reason to enter until the failed 2nd entry long turned and offered this perfect 2nd entry short with trapped longs. We also know that prices are very likely to test the other side of the trading range, so that should be our near term target, and while there were no long runners, if you exited any runners at the low side of the range, the trade was good for about 3 points.

If you recognize a trading range, it's OK to take the longs off the low side as well, but it was hard to see that this was going to be a trading range until the double bottom set up at the green arrow. By the time we got another chance to buy the low side, it was too close to the close and past our 2:30 PM.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today started out as a continuation of the trading range from last Friday, but later broke out higher and trended up for the remainder of the day. Other than the area in the green circle, the trading was straight forward following our price action rules with no real surprises. When you get so many overlapping bars like you had inside the green circle, it's best to wait for clarity, and that soon came again when prices finally started trending higher again. If you understand our price action rules, there was ample opportunity to make money today.

1) This was a 2nd entry long coming off a double bottom at the low of the trading range. This was the 6th consecutive time that prices had bounced off this support area, so the odds were strong that it would hold again. When you got a chance to go long here off a 2nd entry, it was likely to yield at least a scalper's profit. If you were thinking ahead here you should have considered that prices would like stall near the high of the trading range again, so that was a nice place to take profit on your runners. If so, they were worth close to 3 points.

2) This was a two-legged pull back to the EMA after a nice couple of bullish bars up off the low of the trading range. That makes this a 2nd entry long during a pull back to the EMA and that is our favorite entry. This was also a double bottom pull-back long as well. This was an easy scalp, but no runners here.

3) This was another 2nd entry long when prices bounced a 7th time off the low side of the trading range. These are low risk entries, and you are able to use a close stop if you are wrong, so once you recognize a trading range, it is best to trade it with a good set up every time. Again, if you were thinking ahead, you would look to hold all or at least some runners, and look to exit at the high of the trading range again. If you did that, it was another quick and easy 2.5 - 3 points of profit. If you held any runners past that point, you were long from the low of the day and those runners would have been worth as many as almost 10 points.

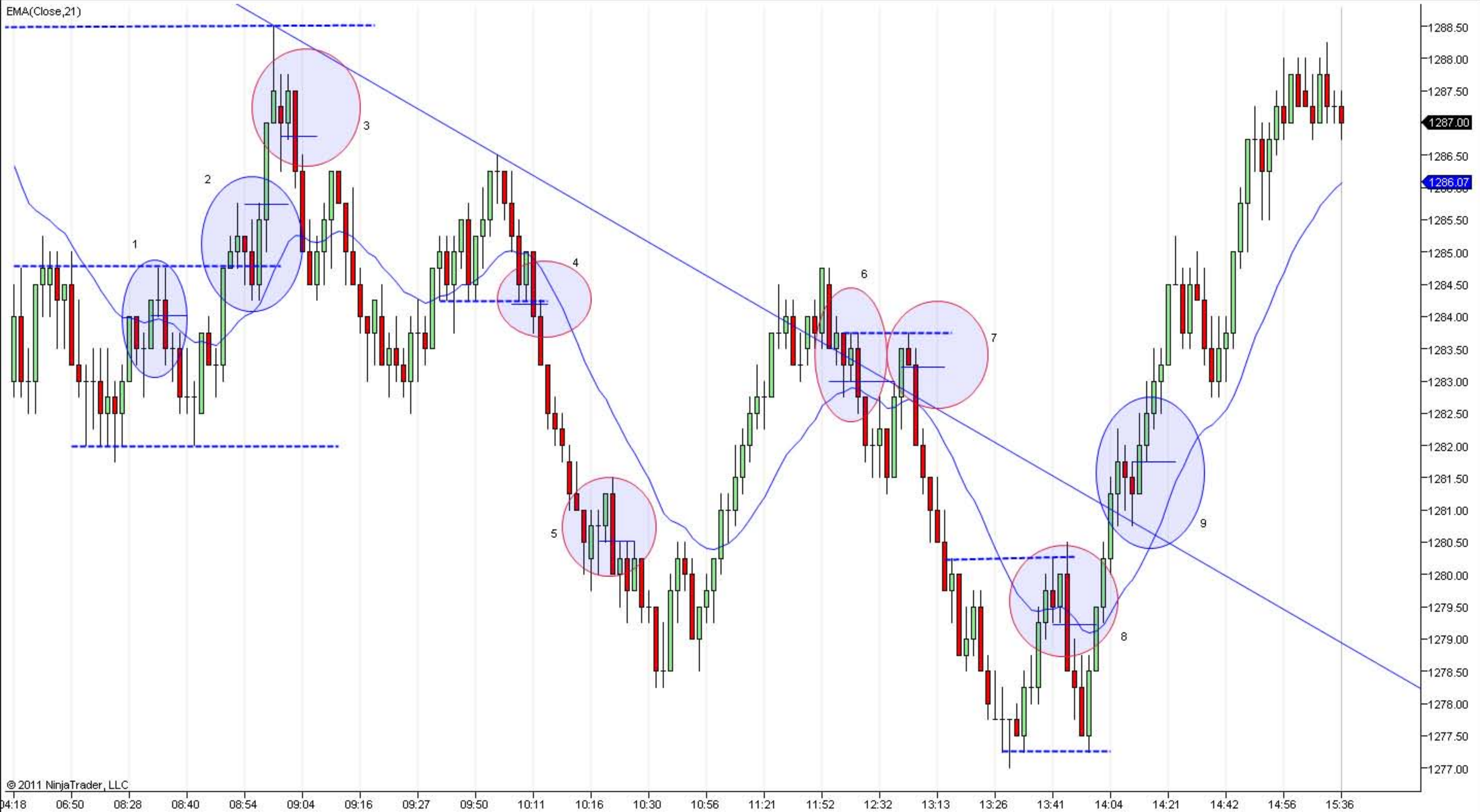
4) This was a break out pull back, 2nd entry long. While prices struggled to break above the trading range, you could see that each pull back was getting weaker and each move up was going a tad bit further. This is a sign that the bears are giving up and the bulls are pushing harder, so a break out pull back long enter was likely to be a good one.

5) This was a repeat pattern to trade 4, which is just another 2nd entry long and a break out pull back long. We know to watch for these as when a pattern appears once, it's likely to appear again later in the day and maybe even multiple times.

6) This was another breakout pull back long. This was also a failed double top pattern, with a failed 2nd entry short off the double top that trapped short traders. When the pattern reversed, the trapped traders quickly pushed us up to a nice scalper's profit, although there would be no runners on this trade.

Notice that prices went on to break the trend line, before turning up again and making a new high on a retest attempt, just as our price action rules suggest the pattern should play out. I did not mark the 2nd entry long (noted by the gold circle) that went on to a new high because it was so close to the market close that it was just too risky to enter.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a down trending day, with a late afternoon reversal. We had a small pull back at the open that offered a couple of entries to the up side, but after that, it was mostly down hill for the remainder of the day. If you understand our price action rules, there were no surprises today and plenty of opportunities to make money.

1) Prices were in a small trading range at the open, but the trend had been down, so any opportunity to get short off the high of the trading range was likely to be a good entry. This was a 2nd entry short during a pull back to the EMA in a down trending market, and we know that this entry is almost always good for at least a scalper's profit, and today was no different. This is our favorite entry and it makes us a lot of money.

2) Notice the double bottom that set up this long entry. While the trend had been down, we now had a double bottom, and prices were forming a breakout pull back long with a nice bullish bar to go long above. It is likely we will get a 2nd leg up here that was equal to the first leg. If you measure the two legs, you will find them very close to being equal in length. While the rally was not be, this was still an easy scalp.

3) This was a 2nd entry short, coming off a double top, during a pull back in a downtrend. The consumer confidence numbers came out at 9:00 AM this morning, and while they were very favorable, the market was simply not through selling off, and prices turned down offering us a "key" entry point. There are a couple of these key entries every trading day and if you catch them, they are usually the only trade you need to make a nice daily profit. If you managed to get short here, you would have been short from the high of the day, and the two-legged move off this double top was worth 4 points.

4) This was another key entry point today and it was almost straight down for 6 points from here. This was another 2nd entry short, coming off a pull back to the trend line. This test of the trend line held to the tick confirming that we did indeed have a good trend line in place, so any short set up off this trend line is likely to be good for at least a scalper's profit, but this one moved quickly down and should have made you at least 4+ points at a minimum. This was also a break out pull back short with prices breaking below the small double bottom. Even though prices did not quite break below the double bottom, this was close enough to act as a break out pull back short, as patterns are rarely perfect. If you see something that looks and acts like a pattern, it will likely trade like that pattern.

5) This was another breakout pull back short. While this one was only good for a scalper's profit, it was still a relatively easy trade. When this entry reversed after reaching a scalper's profit, it was best to wait for more price action before looking for any more shorts, as a pull back was now over due and very likely to come soon.

6) This was the first break of the trend line today, so we know there is likely to be a retest of the low before any meaningful rally will take place, so we know not to be looking for longs just yet. This entry was a 2nd entry short coming off another double top and a one tick failed break above the former high that created a long trap. When the 2nd entry short triggered, the trapped longs begin exiting there and it was a quick move down to a scalper's profit, although no runners on this trade.

7) Prices tried to go higher one last time, but quickly failed, and this was another key entry, and it was straight down again for 6 points before there was any real pull back, so if you caught this entry, you once again caught a "key" entry point today. This was a breakout pull back short that formed a double top right at the trend line, when we expecting prices to possible test the low again.

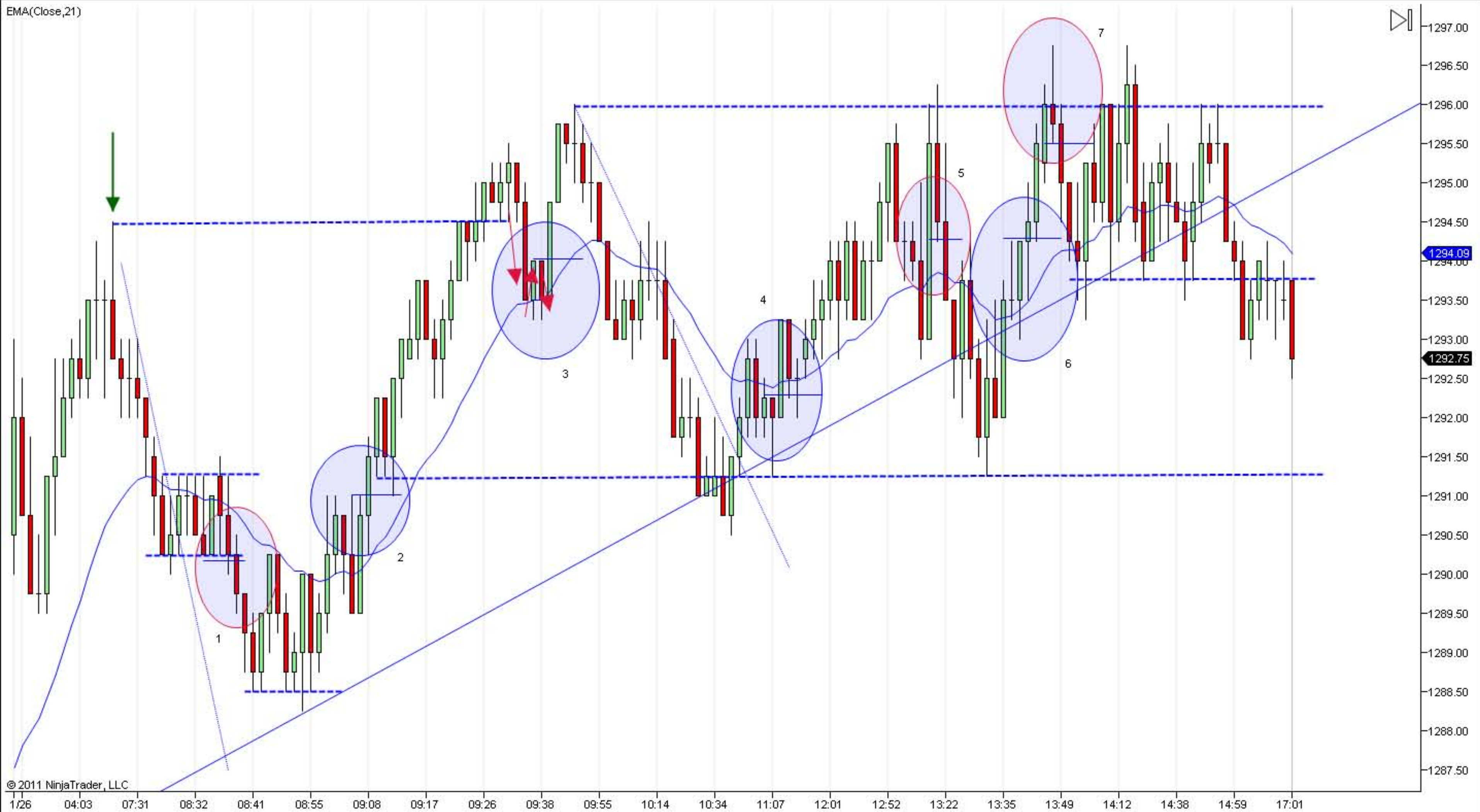
8) This was a 2nd entry short during a pull back to the EMA in a down trend, and that is our favorite pattern. There was also a failed break above the small double top that trapped longs, so it was basically a repeat pattern to trade 7, but with the added benefit of the trapped longs. It was a quick move down to a scalper's profit, but no runners here as prices found support at the previous low and formed a double bottom.

9) With such a bullish move off a double bottom that formed after a trend line break and a new low on a retest, we would expect another leg up of equal length, and maybe even a trend reversal. This was a 2nd entry long coming off a strong reversal and a double bottom, so a long here was high probability entry for at least a scalp. This was another key entry point and if you caught it, any runners were easily safe and worth as many as 6 points before the market closed today.

I have been trading both the ES and the 6E lately, as the currencies tend to trend extremely well, even when the ES is chopping around. While I don't recommend any new traders attempt to watch more than one market, I did want to include a copy of the 6E chart from today so that you can see that the price action rules work the same way. Notice the break of the trend line (both the down trend and the uptrend) and how prices still had a retest of the low before the trend changed.

Notice how bearish the move down looked when the up sloping trend line was broken. However, notice that prices still climbed back and completed a nice two-legged move to a new high. Price action works in all markets, and while each market may have some slight nuances that make them a bit different; our price action rules still work the same way.

EMA(21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trending trading range day, with prices trending upward for most of the morning, then moving into a trending trading range in the afternoon. You really could have sold most every reversal bar off the high around 1296.0, but because the trend was up and the trend line continued to hold, I felt it was too risky to short once the range began to narrow after 1:30 PM CST. If you understand our price action rules, there were no real surprises today and your best bet was to continue to stick with the trend and buy the pullbacks all day long.

1) This entry was a fade of a failed 2nd entry long and a failed break higher out of the small trading range. The failed 2nd entry long, which was also a failed one tick break out of the trading range trapped a lot of long traders, and when prices immediately reversed, we would want to enter where the trapped longs would exit, which was one tick below the low of the trading range. With such a strong bearish leg down off the high noted by the green arrow, it was likely that we would see a 2nd leg down (remember, the market moves in two's), so we should be anticipating a long trap that would push prices lower for the 2nd leg down.

2) This was a breakout pull back long, but since it was coming off a double bottom, it is also a double bottom pull back long. There was also a nice bullish reversal bar to go long above. The best part about this entry is that your break even runners were safe here and worth as many as 5 points very quickly, so this one entry could have made you all of your profits for the day if you played it properly.

3) This was a break out pull back long entry as well, but in addition, it was a two-legged pull back to the EMA in an up trend, and those are our favorite with trend entries that make us lot's of money every day. The two legs might be a little tricky to see, but notice that the first leg down was the long red bar, and the pull back was the green bar next to it, then another red bar, which was the next leg down. A break above the two matching highs was a 2nd entry, and while it's hard to see here without experience, if you were to go to a smaller time frame chart, you would easily see two separate legs and the 2nd entry. I tried to note the three moves with arrows to help you see them.

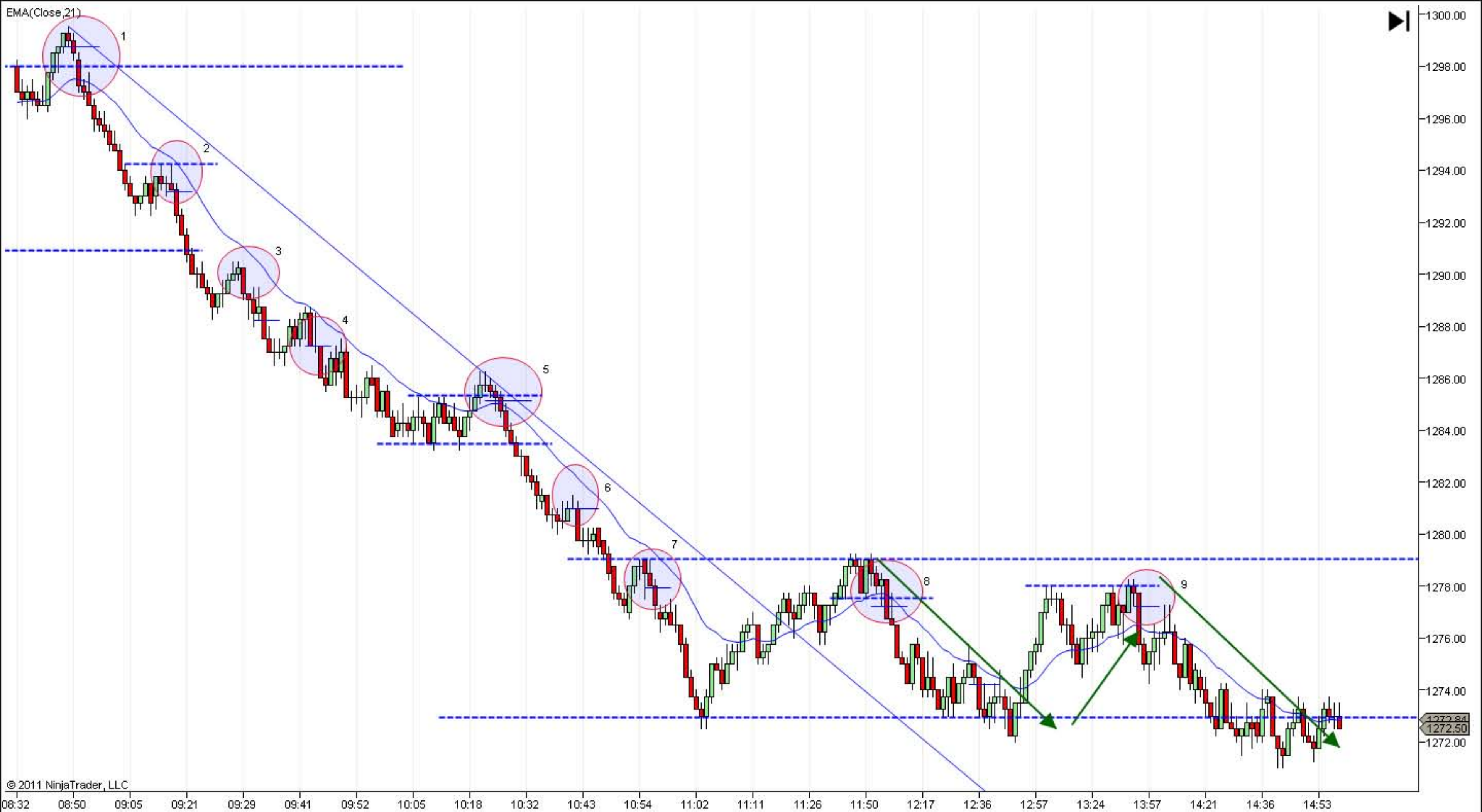
4) This was a 2nd entry long after two consecutive bounces off the trend line, so these two bounces confirmed the trend line for us. Even though there was a small break of the trend line, we know that a retest of the high is more likely than any real sell off, so we are looking for longs here; not shorts! The first bounce was rather bullish too, and then there was a small two-legged pull back that came back to the trend line that held again, so we would expect more price action to the high side from here. Your breakeven runners would have been safe too and worth 3+ points.

5) This was a failed break above the double top with a strong bearish reversal bar to go short below. When you see these reversal type bars at key highs, you will usually want to go short if prices can tick below them, which they did in this case. It was a quick 2+ points down, but no runners here.

6) When prices bounced at 1291.25 again, it was then fairly obvious that this might be a trading range. It was best to wait on a 2nd entry before going long though, and it came a few bars later. There was actually a bullish reversal bar to go long above as well, and that gave the long entry additional merit. Notice that the reversal bar ticked lower first, and that also trapped some shorts that were looking for more down action, but most trend line breaks have two legs to a new high, and we would not want to go short below that doji either, so no reason to be looking for a short there. By staying on the sidelines, we would be free to see the trap and reversal bar so that we could go long here.

7) This was a repeat pattern to trade 5. This was simply another failed break above the high of the trading range, with another nice bearish reversal bar to go short below. There was still enough room to scalp out before the trend line, so there was enough room to assume that this short set up would easily reach a scalper's profit.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a very strong trend day, and although prices did consolidate some in the afternoon by going into a trading range, prices still managed to close the day on the very lowest tick of the day. Most of you should have been done with your trading early today if you are stopping when you make your daily goal. This was a very easy trading day and if you understand price action rules, there was no reason not to make money, even if you got tricked into going long and lost on the failed break higher in the morning. There were simply too many chances to go short with a strong trend and make money today. NEVER counter trend trade on a day like this! If you followed our price action rules, you could have made a month's worth of profits in a single day today with relative ease and little risk.

1) Prices had been in a 6 to 7 point trading range for two consecutive days, but broke above that level just after the open this morning only to immediately fail and start a strong down trend from that point. This is a perfect example of why we do not trade breakouts. If you got fooled here, you were long from the high of the day with no chance for prices to ever return for you by the days end. This was a fade of a failed break higher above a multi-day resistance level that has proven to be very strong. If you didn't enter here, you definitely should have taken the 2nd entry short 4 bars later. The best part about this trade is any runners were easily safe and worth as many as 27 points by the days end.

2) This was a 2nd entry short off a double top during a pull back to the EMA. That was a very bearish leg off the high and there was still plenty of room to profit before reaching the low side of the trading range. This is our favorite entry and it was another key entry for the day. Again, any runners were easily safe and worth as many as 20+ points.

3) This was a breakout pull back short entry. Notice that a small double top formed during the pull back, giving this entry additional merit. It's also a two-legged pull back to the EMA in a trending market, and that is our number one entry. While the two legs are difficult to see on this chart, they are there and would be easy to see if you went to a smaller time frame. Learn to spot them on this chart though, as looking at multiple charts is too confusing and will keep you out of good trades that you should be taking.

4) This was another breakout pull back, 2nd entry short, but it was also another two-legged pull back to the EMA in a trending market.

5) This was a failed break above a double top in a downtrend. Remember, prices are most likely to fail on any counter trend breakout and trap you on the wrong side of the market before prices move on with the original trend. By knowing that rule, you should not have gotten trapped, but instead been ready to take advantage of the trap! This is actually a repeat pattern to trade 1 and it was another key entry point, as any runners were easily safe and worth as many as 14 points.

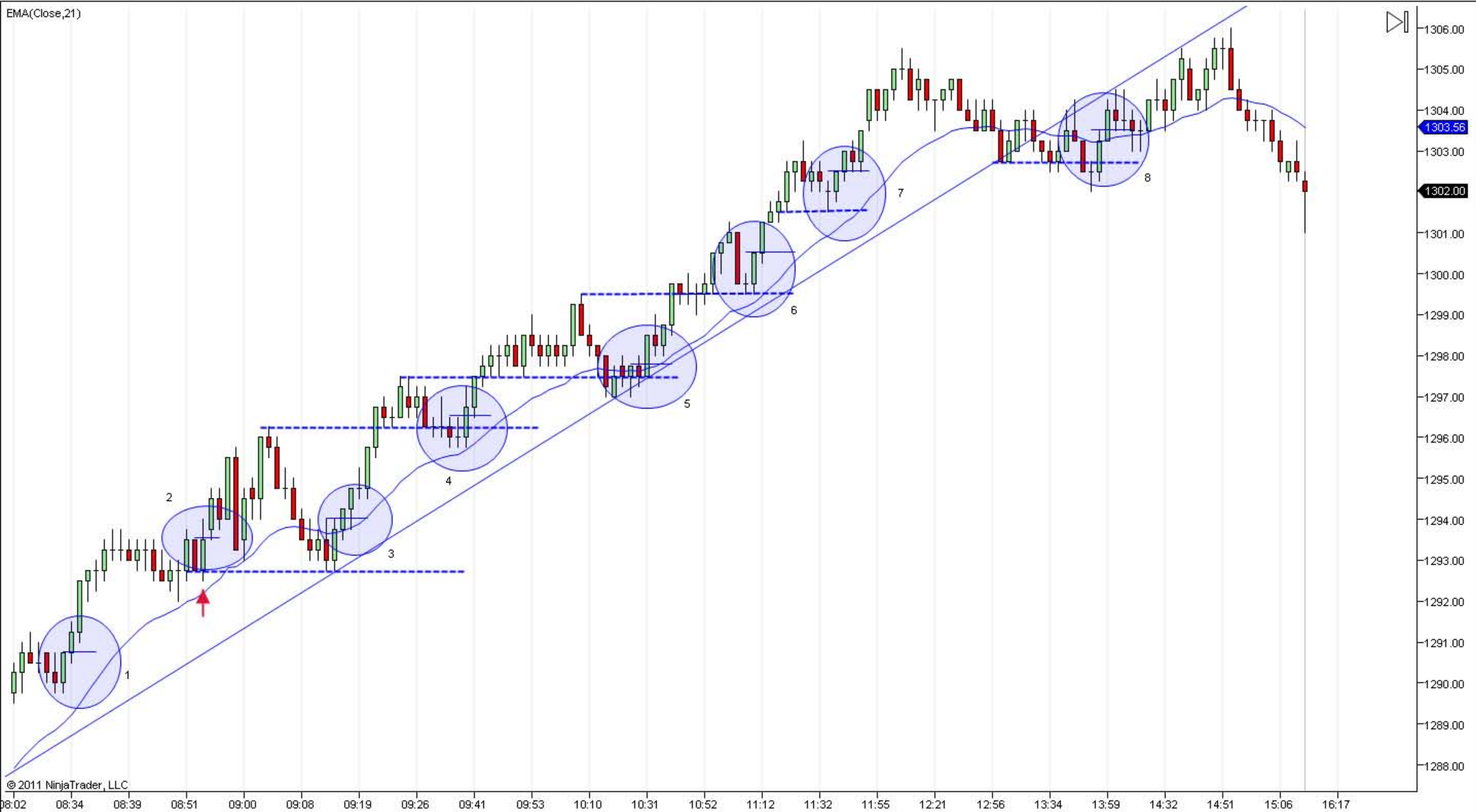
6) The market was very weak by this point and the last of the bulls and longs were throwing in the towel. Notice how weak the pullbacks are at this point. This was actually a two-legged pull back to the EMA and is a repeat pattern to trades 2 and 4. Runners were safe again and worth multiple points.

7) Another repeat pattern to trades 2, 4 and 6 and your runners were safe again too.

8) This was a failed break above the double top, but it was also a breakout pull back short on a break below the small trading range that formed at the high near the larger double top. It was also a 2nd entry short off the right side of the small double top trading range. Runners were safe again here too! Remember, this was the first break of the trend line, so we know not to be looking for longs, but instead looking for a retest of the low, and therefore short entries. Notice that prices actually had two legs down to a new low and the legs were of equal size. I noted the two legs with green arrows to help you see them. These are classic price action rules working out exactly as we would expect.

9) This is a repeat pattern to trades 1, 5 and even trade 8. No runners this time though.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a strong trend from the very first bar at the regular market open. These are the kind of days we live for as day traders. Once you realize you are in a strong trend day, you can usually buy every pull back to the EMA and/or Trend Line and then just hang on tight. While there are some occasional counter-trend trades that will work out for a scalp on trend days, it is best to skip them and try and hold onto any runners for maximum gain with the trend. There were many other entries today that would have worked, but like always, I noted only the best entries that follow our price action rules.

There were absolutely no surprises today and if you understand our price action rules, you should have made a lot of money buying the pullbacks and sticking with the trend.

1) This entry was a break out pull back long, but it was also a form of a two-legged pull back to the EMA in an upward trending market. The entry was very close to the former high, so without a failed 2nd entry short, it was probably best to skip this entry. However, the market did attempt to go short twice, and that failed 2nd entry short right at the open trapped shorts, and when prices turned higher, it was a quick move up to a scalper's profit. Best of all, any break even runners were easily safe and worth as many as 14 points if you stayed with the trend all day.

2) This was really just a repeat pattern to trade 1. Notice the trap that ticked one tick lower, but then immediately failed with prices reversing and going higher. I noted the trap with an arrow. You will see these traps over and over on strong trend days, so watch for them and take advantage of them when you spot them.

3) This was a 2nd entry long during a pull back to the EMA in an up trending market. This pull back set the trend line for the day as well. This is basically a two-legged pull back to the EMA in a trending market, and that is our favorite entry that makes us more money than any other pattern. This was also a double bottom, and double bottoms in a bullish trending market are almost always good for at least a scalp. Any runners were easily safe again here and worth as many as 11 points.

4) This is a repeat pattern to trades 1 and 2. Remember, when you see a pattern once during the day, it is likely that it will appear additional times, so watch for repeat patterns and take them when you see them. This is just a 2nd entry long during a two-legged pull back to the EMA in a trending market.

5) This is another repeat pattern to trade 3. Notice the trap, which was a failed 2nd entry short right at the trend line, which then created a nice 2nd entry long. Any runners were safe here too, and worth multiple points.

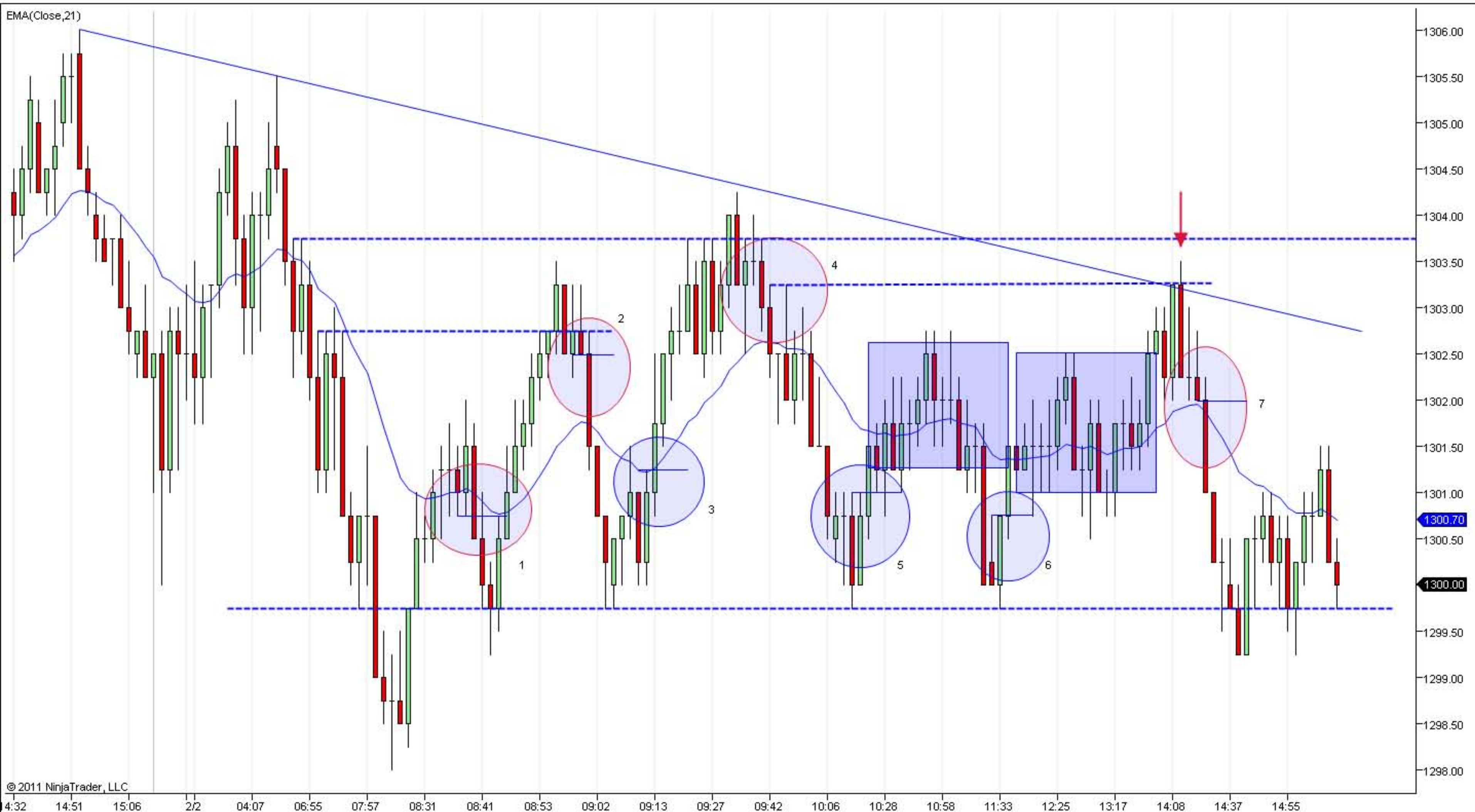
6) This is a break out pull back long. It was now obvious that today was a strong trend day, so most traders were now trying to buy every pull back, so the pull backs are getting smaller and the moves up are getting stronger each time as more traders are starting to give up on shorts and start going long. You could have even gone long above the small doji just before the bar where I marked the entry, but it is always smart to wait on a trend bar that close with trend before entering.

7) Another repeat pattern to trades 1, 2 and 4, which is simply a two-legged pull back to the EMA in a trending market, which also makes this a 2nd entry long. It's not so clear that this is a 2nd entry, but if you went to a smaller time frame, you would easily see the two legs down and the 2nd entry long. We must learn to spot these on our current trading chart though, because it is better to watch only a single chart. Watching multiple charts will confuse you and distract you in most cases, so try and learn to trade and spot all patterns on a single chart.

8) We finally got a break of the trend line here, but we know that we still need a retest of the high before any real correction will take place, so we are NOT yet looking for shorts. We simply need to wait on the right set up for another long with the expectations that prices are most likely going to test the former high and very likely make a new high before the correction begins. This was a failed break lower below the support area. The safer play is usually to also wait on a 2nd entry, and that came 5 bars later, but when you have a trend this strong for the entire day, any price action set up that is with trend is likely to be good for at least a scalp. For that reason, it was OK to go long here above this bullish bar. You could have even gone long above the doji, but it's always best to wait on a trend bar that closes with the overall trend.

Notice that prices did indeed follow our rules by pushing up to a new high before beginning a larger sell off into the close of the market. These are the kind of days we like to see as a trader, and the sooner you learn to spot them and enter only "with trend," the quicker you will begin to make money as a trader.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a very choppy trading range type of day. There was a trend line in play that was holding prices, but there was also a strong support area around 1299.75, and prices did nothing more than bounce between these two areas today.

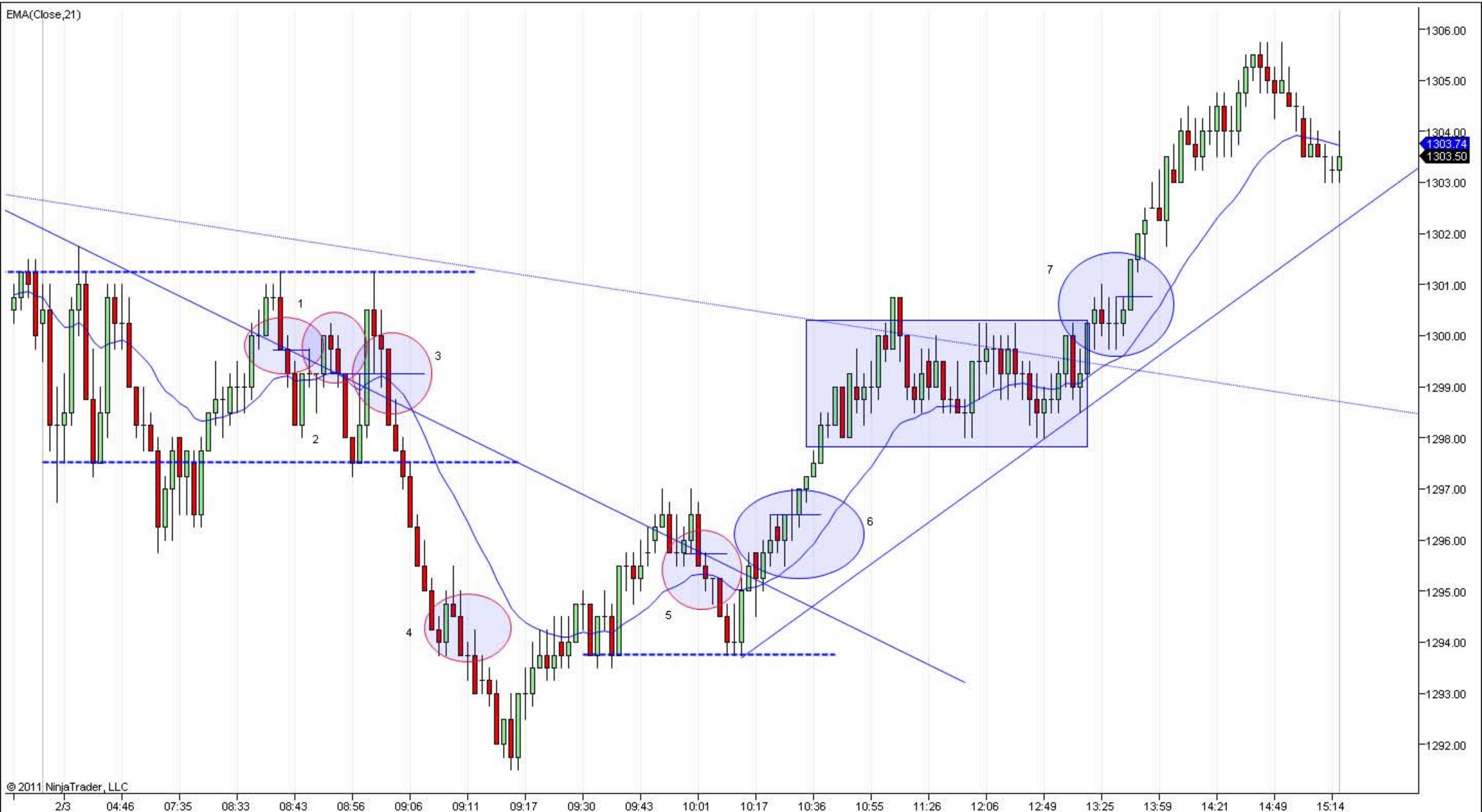
If you are a trend or swing trader, you probably lost a lot of money today trading. However, if you understand our price action rules, there were really no surprises today and there was ample opportunity to make money.

- 1) This was a 2nd entry short during a pull back to the EMA in a trending market, and that is our number one money-making pattern. While it was good for a scalp only, it was a quick and easy entry.
- 2) This was another 2nd entry short after a larger two-legged pull back in what was a downtrend still at this point. This is actually a small double top and a lower high after two measured legs up. It was also a failed break higher above the double top, so there are likely to be trapped longs here too.
- 3) This was the second time prices bounced near the 1300 area, and when prices made a higher low and then reversed into this 2nd entry long, prices were likely to succeed in at least testing the previous high, and maybe even the trend line. This was an easy scalp with another 4 points or so available on any runners.
- 4) Prices tested the trend line again and then reversed. On the second attempt to go higher, prices failed after a single tick and turned down creating a nice 2nd entry short off the trend line retest. Now prices are likely to at least test the 1300 low again, so that should be our first target. This was another easy scalp, but you were likely to have lost your runners here. If you didn't lose the runners, they were good for about 3 points or so.
- 5) This was a repeat pattern to trade 3. When prices touched the 1300 area and immediately reversed again, it was now more than obvious that this was a trading range, with a downward sloping trend line. We should now buy every touch of the 1300 area if it reverses prices and we should sell any touch of the trend line if we get a reversal of prices. Notice too that we had a very nice bullish reversal bar to go long above here. Our minimum target should be the previous high, and maybe even the trend line. Again, this was a relatively easy scalp, but prices got really choppy and struggled to get above the last swing high.
- 6) This was a repeat pattern to trades 3 and 5. Prices bounced off the support area to the tick, and left us another strong bullish reversal bar to go long above. It took a little work to get our scalp here, but knowing how strong the support area below has been, keeping your stops there is probably well worth the risk. If you held through the scalp, prices still came back to get the breakeven runners, so unless you held strong, probably no runners on this trade. With two lower highs, it would be best to scalp out in full on this trade, but should definitely not give your runners any more than a break even stop, as we want to insure that we hold onto any profits from our scalp and not give them back on a day like this.
- 7) Once again, prices reversed upon testing the trend line. This was a 2nd entry short, but it was also a failed break above the double top as well. There would be nothing wrong with going short two bars earlier just below the strong bearish reversal bar (noted by arrow), but with 5 or so overlapping bars, it's always best to wait on an additional reason to enter the trade, such as a 2nd entry.

Notice the two blue rectangle areas I added to the chart. When you get that much overlap with at least one doji candle, it is best not to take any entries, even 2nd entries. Prices are just too choppy with too many overlapping bars to risk an entry. What is likely to happen is that prices will fail out one or both sides before finding a trend. Notice that they finally broke higher out the top, but immediately reversed trapping longs and then it was a fast move down to the low side of the range again.

Finally, while it was after our 2:30 PM CST entry point, prices still managed to bounce off the support area near 1300. When you see a strong support or resistance area that turns prices multiple times, you must learn to take those bounces when you get a good reversal set up, as they are very likely to yield a scalper's profit, but many times you will catch the low or high of the day by entering there.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a reversal day. Prices have been trending downward for two days now, and then had a somewhat climatic sell off during the first hour of trading today, only to reverse and trade higher for the remainder of the day. Prices could be just forming a larger overall trading range, so we need follow through buying tomorrow to confirm that this was indeed a reversal formation.

There were not a lot of entries today, but the entries that were available were some good ones and any runners should have made you multiple points with relative ease. Notice that the reversal did not occur until prices broke the steeper trend line from the over night session and then sold off to a new low. The sell off to a new low during the retest was enough to convince most traders that the low was in and that reversed prices. While today was a little more difficult to read than most days, there were no real surprises and prices followed the usual price action rules.

1) Even though the overall trend has been down, prices were in a 5 point trading range for most of the night. If you remember our lesson from yesterday, you should have been prepared to buy and sell any bounces off the highs and lows of this range. Prices tested the high of the range just after the regular market open, and immediately reversed, giving you a great bearish reversal bar to go short below. This was also the first break of our overnight trend line, so we know not to be looking for longs just yet (the lighter color trend line is the trend from yesterday). While this entry was only good for a scalp, that was to be expected, as it is likely that the low of the range will turn prices.

2) This was a 2nd entry short, following a failed 2nd entry long. Prices tested the trend line and failed a 2nd time. We know that our price action rules tell us to expect a retest of the low before any major rally, so no reason to get tricked into trying to go long here. This was another easy scalp, but no runners.

3) This is just a repeat pattern to trade 1. Prices reversed off the high side of the range to the tick. While the signal bar was not as bearish as the previous one, it still closed with a bear body, so any break below it is likely to send prices to the other end of the range. The best part about this entry is that any runners were easily safe this time, and you were short from almost the high of the day. Those runners were easily worth 5 to 8 points depending on where you exited.

4) A move down that is as bearish as that leg is very likely to have a second leg, and we know that most trend line breaks will see a two-legged move to a new extreme on a retest, so that was two reasons to expect another leg down. This was a breakout pull back short and the second leg down on a retest of the low after a trend line break. This was also a 2nd entry short, coming off of a double top. While this leg was not nearly as strong as the first leg down, it was still an easy scalp.

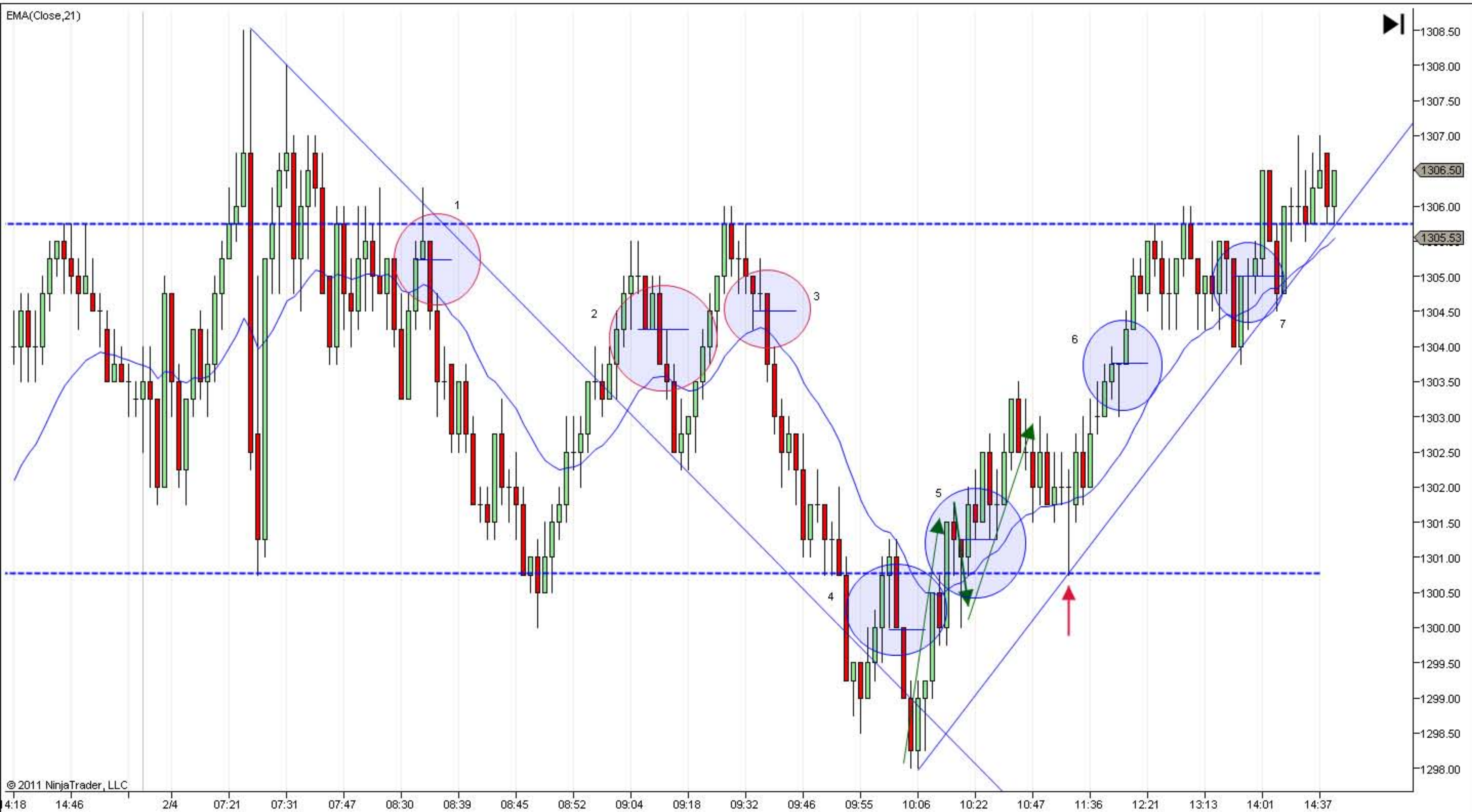
5) This was a repeat pattern to trade 3, which was a 2nd entry short, coming off a double top. It looks like the bears were trying to turn prices at the trend line again, hoping to get another bearish leg down like the move off trade 3. Most double tops in a bear trend will yield at least a scalper's profit, so this was another easy entry and a quick move down for a scalper's profit. This was also a retest of the breakout of the trading range as well, so that was another reason to go short when prices failed to go higher two times at that point.

6) Instead of a new bearish leg down, prices formed a double bottom and bounced higher. When the 2nd entry short failed, coming off the double bottom, that set up an opportunity to take advantage of the trapped bears. We want to enter where they are exiting, and their buy orders to exit will drive our buy order to enter to a quick scalper's profit. The best part about this entry was the fact that any runners were easily safe and worth as many as 9+ points depending on where you exited. If you caught only trade 3 and 6 today, you would have had a chance to make several relatively easy points on only a single contract by simply staying with the runners and then exiting on the first pull back.

7) This was a break out pull back long. This was also a repeat pattern to trade 6, as this was a fade of a failed 2nd entry short, coming off a double bottom. Even though there were already a couple of tests of our trend line to prove it, there was no reason to enter any long or short trades inside that blue rectangle. There were simply too many overlapping bars and many dojis. By waiting on a breakout pull back entry, we were taking the high probability trade and not risking getting caught inside the trading range.

Notice that we didn't buy or sell the extremes of that range in the blue rectangle either. There was not enough room to profit between each entry unless you sold the extremes on a blind entry, and while that can be a profitable strategy, it is a risky strategy and it does not meet our price action entry rules.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trading range day, with prices trending downward in the early morning, but then reversing and trending upward after a trend line break and successful retest with a new low. It was not a great trading day overall, but if you understand our price action rules, there were plenty of chances to make money today.

1) While I don't mention it often, those of you that study the daily chart review are familiar with me discussing a fade of the opening move. Many times the opening move will be counter trend, and it traps a lot of early traders on the wrong side of the market, only to see prices quickly reverse. Today was one of those days, but if you had your trend line on your chart, it was easy to see that this was a likely place to see prices reverse, and not a place to be looking for longs. Prices made a double top too, right at what has been a strong resistance area, so this was a fade of an opening move right at the trend line with prices coming off a double top, so the trade was likely to yield at least a scalper's profit. This was a quick and easy move down, and any runners were safe and worth as many as 5 points depending on where you exited.

2) This was the first break of the trend line, and prices made a two bar double top very near the resistance area, so taking this 2nd entry short is a high probability scalp, and while there were no runners here, it was an easy scalper's profit.

3) This was a fade of a failed 2nd entry long, so there were trapped longs that would start exiting when prices reversed. While I did not allow them to trick me into a losing trade, I got tricked into thinking that prices may go higher from here, but there was no decent long entry, so no reason to go long. Turns out this was nothing but a long trap, and it was a fast move back to the other side of the trading range, with prices doing just what you would expect after a trend line break: A retest of the low with at least two legs down to a new low. Upon completing that price action pattern, prices immediately reversed into an up trend. This is one of those key entry points, where price action fools lots of traders and traps them in on the wrong side of the market, and then quickly reverses. If you got short here, it was a fast and relatively easy move down, and any runners were worth as many as 6 points.

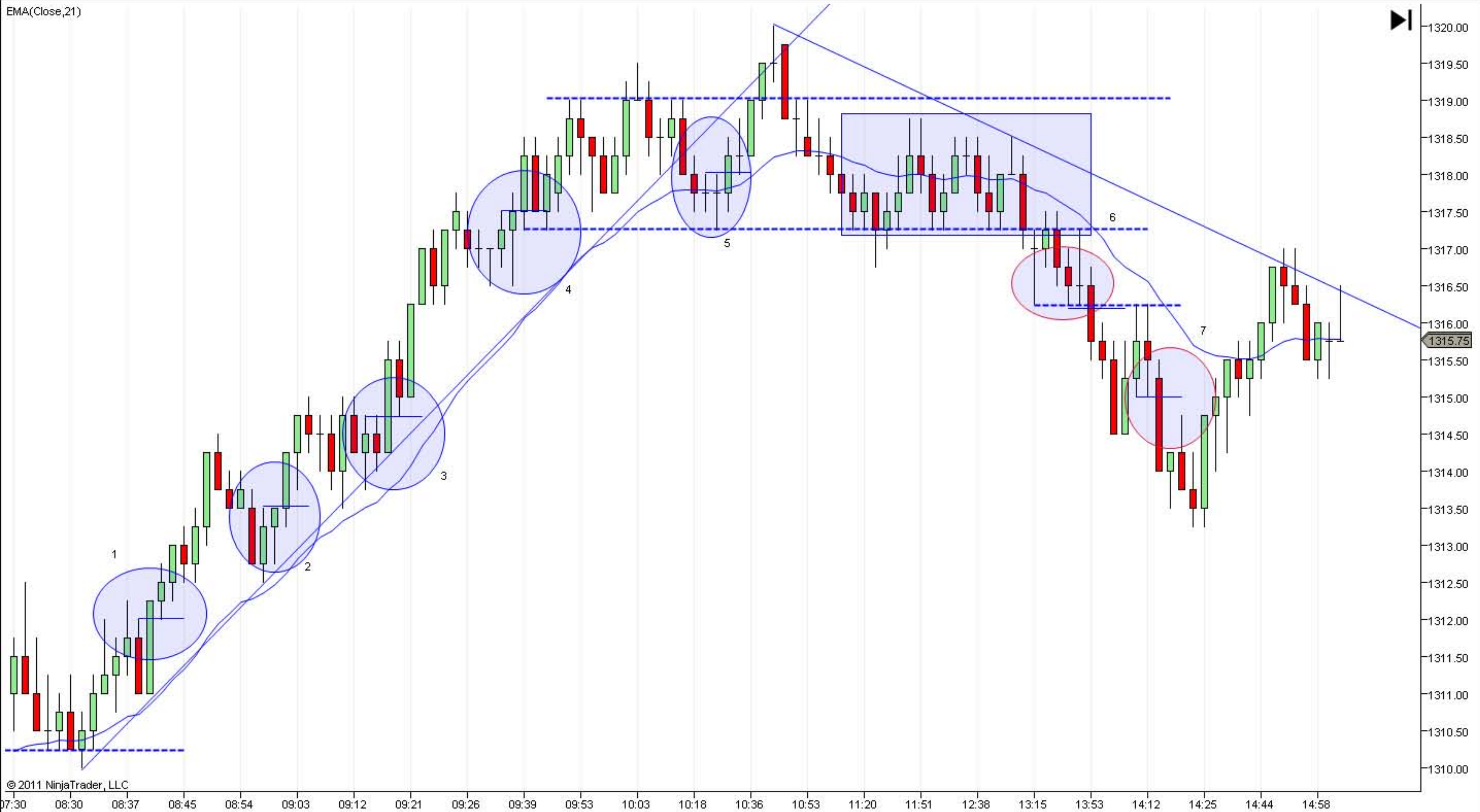
4) This was a break out pull back short during a pull back to the EMA after a strong leg down. While there were no runners here, it was another very easy scalp with no heat at all.

5) There were a couple of things to take notice of on this entry. First, there was a trend line break, with two legs down to a new low, so we should be expecting a possible correction for that reason alone. However, prices were also able to climb back into the trading range, and when the range low held again, with prices also back above the EMA, we were likely to get at least a measured leg up on a two-legged move. I noted the two legs with green arrows to help you see them. If you measure them, you will see that they are almost a perfect measured move. No runners here, but another profitable scalp.

6) By now, it was obvious that the low of the range had held again, so our minimum goal is the top of the trading range. All we need is a good entry and if there is still enough room to profit before reaching the high, we can take the long. This was a break out pull back long, but it was also a 2nd entry long off the retest of the low side of the trading range noted by the red around. No runners this time either, but it was a quick and easy scalp.

7) This was a 2nd entry long during a pull back to the EMA and trend line. While we were really close to the high of the range, we had an up trend in place and the trend line reversed prices and left us a nice bullish reversal bar to go long above on a 2nd entry. The failed 2nd entry short off the high of the range also trapped shorts, so we know that they will start exiting if they realize they are trapped. When prices reversed, it was a quick move up to another scalper's profit, although no runners here either.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Prices trended up for most of the morning, then went into a trading range before finally selling off in the afternoon. Notice how prices followed the trend line up all morning, finally broke it, then had a small two legged move up to a new high on the retest before having a bigger correction. If you know and understand our price action rules, there should not have been any surprises today. In fact, the trend was so easy to trade on the way up that you should have made most of your profits before 10:00 AM today.

1) The key to this entry was the failed 2nd entry short that immediately reversed trapping shorts. Prices made a double bottom during a two-legged pull back to the EMA, and went higher, trying to reverse on two separate tries only to fail. When the 2nd entry short failed, we know there would be trapped shorts now, and we want to enter where they will exit. It was a fairly quick move up to a scalper's profit, but best of all, any runners were safe and worth as many as 8 points depending on where you exited.

2) This was a 2nd entry long following a two-legged pull back to the EMA in an upward trending market. This was also a break out pull back long. No runners this time, but it was a quick and easy scalper's profit.

3) This was yet another two legged pull back to the EMA and trend line. Notice that prices bounced off the trend line two separate times, so with three bounces off the trend line, there was plenty of confirmation that the trend line was in the right place. This was another key entry, as any runners were safe and worth as many as 5 points.

4) This is a repeat pattern to trades 1 and 3. Notice that there was another failed 2nd entry short, so once again, the shorts got trapped trying to pick a top, and we want enter where they exit. This one took a bit to work out, but if you didn't let them shake you out, it was good for another scalper's profit. Notice that as long as you kept your stop below the entry and signal bar, the trade worked out easily.

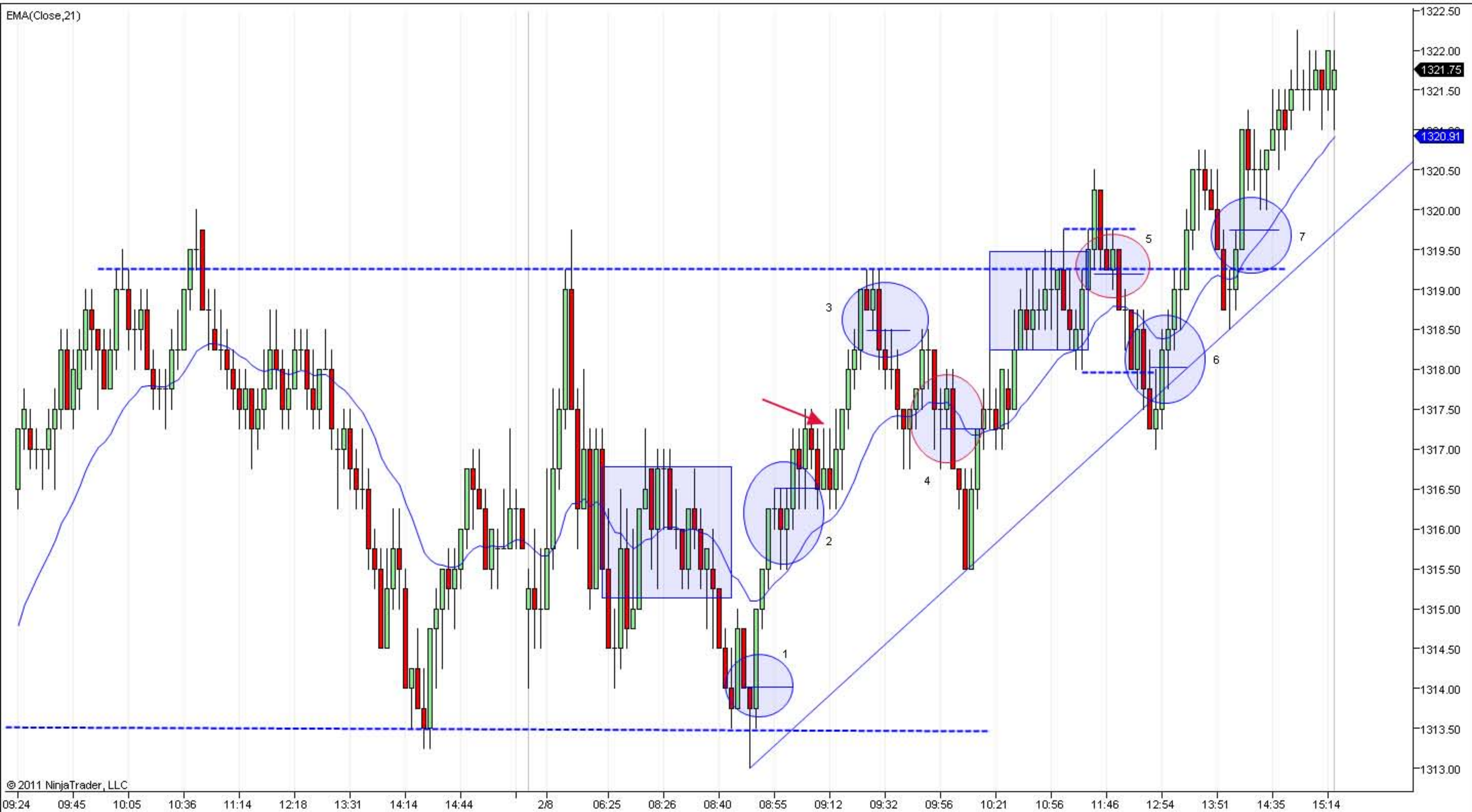
5) This was a 2nd entry long during a pull back to the EMA. It was also a double bottom. This was the first real break of the trend line all morning, so no reason to be looking for any shorts yet. When prices bounced here forming a double bottom, while also giving you a 2nd entry long just above the EMA, it was a chance to get long at the low of a strong support area. Even though this was looking like a trading range (which it was), there was still room to scalp out easily before reaching the high again, when we are expecting a new high due to the fact that we need a retest before any real correction.

Notice all the overlapping bars and dojis in the rectangle box. That is enough reason to skip any trades there and wait on a failed break out or a break out pull back to enter.

6) When the fade of the break out failed, that was actually a failed 2nd entry long, and there would be trapped longs that thought they were getting long at the low of a trading range, but they failed to take into account the trend line break and the new high, but even more importantly than that, they failed to realize that there were still multiple overlapping bars and a doji here, so no reason to go long. By being patient, that left you open to go short when the 2nd entry long failed and created a break out pull back short with a 2nd entry to boot. It was a quick move down to a scalper's profit, although no runners here either. There was one additional clue that the break out might come to the low side as well. Notice how each pull back in the trading range (inside the rectangle box) was a little weaker. That was a price action sign that the bulls were losing control and that the bears were gaining strength.

7) This was another breakout pull back short. Many times you will see these back to back when the trend is struggling to change (from up trend to down trend in this case). Trade 6 actually created a small double bottom before prices broke through, so it would not be uncommon for prices to test that break out area once again. When it held, it was another quick move down to a scalper's profit.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a range day, although prices spent most of the day trending upward. If you recognized the range and traded the day as such, it was really a standard trading day without the benefit of many runners.

On days like this, what you will notice is that after every new high, (usually after any larger two-legged move) there will be a reversal. . If you understand our price action rules, it was not a difficult day, although if you go look at the results of most average traders, you will find that they did not fare well today because of all the reversals. Learn the price action rules and then learn to spot the patterns on a chart and you are miles ahead of most traders.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was basically a double bottom with a failed break lower, so that makes it even stronger than a double bottom in most cases because there will be trapped shorts on the failed break lower. This was a former double bottom, so this was a likely place to expect a bounce, and when prices reversed, it was a strong move back to the top of the trading range. Any runners were safe on this entry and worth as many as 5 points depending on where you exited.

2) This was a 2nd entry long coming off a double bottom and failed break below the low of the trading range. This is also a double-bottom pull back long. Prices went into a small trading range just after entry, but as long as you kept your stop just below the entry bar after it closed, you would have survived this trade, while also keeping a very tight stop. If you didn't enter here, you had another chance to enter on the break out pull back long 7 bars later and noted by the arrow.

3) This was actually a small three bar double top right at the high of the trading range. Notice the green bar sandwiched between the two red bars. That was a 2nd attempt to go higher that failed at the high of the trading range, so when prices broke below the green bar, that created a double top and signaled that the market had tried to go higher twice failing both times. When the market attempts something twice and fails, it is likely to succeed in doing the opposite. That rule coupled with the fact that we were shorting at the high of a trading range gave us a low risk short that was very likely to yield at least a scalper's profit.

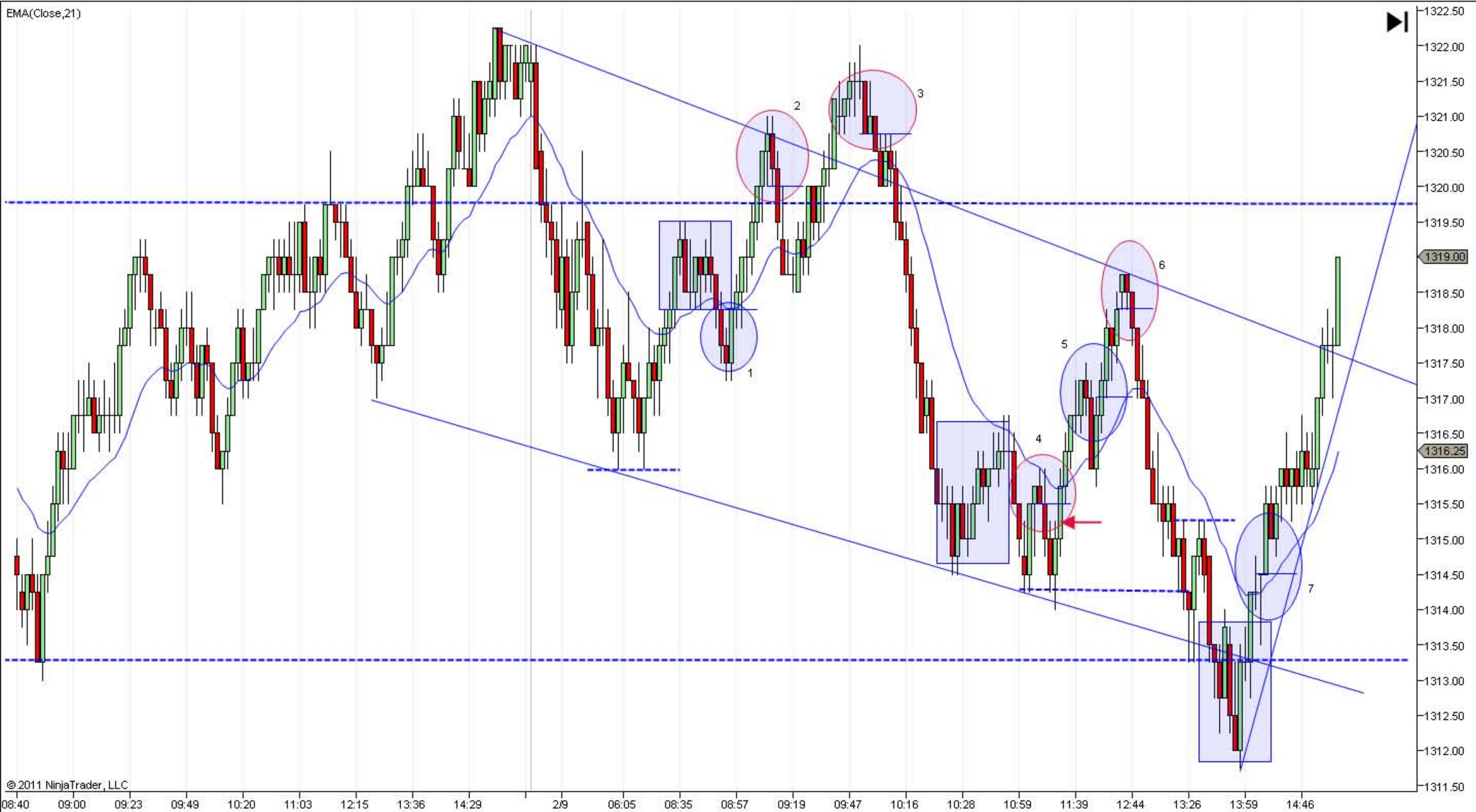
4) This was a nice trap that fooled the longs who thought that prices were now in an up trend. This is why I am always encouraging you to draw your lines at the strong support and resistance areas. If you had your lines in place as I do on my chart, it is relatively easy to see that prices are ranging. If you did not draw your lines or if you do not understand price action rules, then it would be easy to get fooled here. There was absolutely no reason to go long on that 2nd entry long this close to the high of the range, so when it immediately failed and prices reversed, that created a 2nd entry short off the low with a perfect long trap, and we want to enter where the trapped longs will exit. If you did that, this was very easy and very quick move down to a scalper's profit.

5) This was a failed break above the high of the trading range. On a range day, the first break out has a very high likelihood of failing, as many traders are expecting prices to reverse on any break above the high of the trading range. Again, the small green bar sandwiched in between the two red bars was a 2nd attempt to go higher than failed, so this was really a 2nd entry short after a failed break above a small double top, and a failed break above the high of the trading range. It was another easy scalp as are most failed breaks outside a strong support or resistance area of a trading range.

6) Prices turned right at the trend line, and even though they did push through slightly, this was still good enough to be a 2nd bounce off the line, so that confirmed we had a good trend line in place. Also, with the break higher outside of the trading range, and two higher swing lows now in place off a trend line, it is obvious that the bulls are getting stronger and the bears are weakening. There was enough room to scalp out before reaching the high even if you waited on another bullish bar before entering, so this was a great entry point, and one of the "key" set ups that we usually get each day. This was also a failed break below a double bottom and a trend line. Any runners were safe here too, so if you held on, they were worth about 4 points or so. Notice that a great place to exit would have been just prior to the previous high, as prices are very likely to reverse again there since it's a range day, plus you know prices will likely test the break out of the range too before moving higher.

7) This pull back to the EMA was the test of the break out area. When prices pulled back and tested the break out and the trend line (which held to the tick), this set up a great breakout pull back long during a pull back to the EMA and trend line. This trade was so quick and fast that you were likely out in moments, but unfortunately, they did come back and get the breakeven runners.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was more of the same from yesterday, with prices chopping around in the same general range area as yesterday. However the overall slant was a ranging down trend today, where yesterday it was a ranging upward trend.

1) This was a 2nd entry long coming off a double bottom, so this overall pattern is also a double bottom, pull back long, which is a very strong pattern. Notice that there is plenty of room to scalp out a profit before reaching the trend line and the previous high, along with the previous high of the range. With a move that strong off the double bottom, there is a very strong possibility that you will get a second and equal leg up (a measured move). If you measure the first leg, you will find that the second leg is an equal distance or measured move. Remember, we are always looking for things to occur in two's. Notice too that the 2nd entry short off the small double top failed to reach a scalper's profit, so this is also a fade of a failed 2nd entry short, so we know there will be trapped shorts to help drive our trade to a profit. No runners here though.

2) This was a 2nd entry short coming off test of the trend line which held, so this is a failed break higher after a nice two legged correction off the double bottom. This entry was only good for a scalp, but it's a relatively safe entry with prices bouncing off the trend line for at least a scalper's profit.

3) This was another failed attempt to break above the trend line. There has been no retest of the low yet, so we know not to be looking for any longs, but rather we want to wait on a good short set up. While it's hard to see here, this is also a 2nd entry short, so that was enough reason to short this reversal set up on the failed break higher. If you were more conservative and wanted to wait for a better set up, you still could have shorted 4 bars later below the three matching lows, as that entry would be a failed 2nd entry long on a smaller time frame chart. This is one of those "key" entries I'm always talking about. If you entered at either place, it was a quick move straight down for 6 points, and this one entry could have made you a nice profit for the day.

You will find these key entries at major support and resistance areas, and part of the reason they work so well is that they fool a lot of weaker traders and they get trapped on the wrong side of the market at major highs and lows, so they start exiting and driving prices quickly in the opposite direction. They also then begin to chase the new trend to get back in on the correct side adding further fuel to the fire. You can verify this by simply looking at how strong the sell off was after what was looking like a great up trend to the untrained eye that wasn't using trend lines and support/resistance lines.

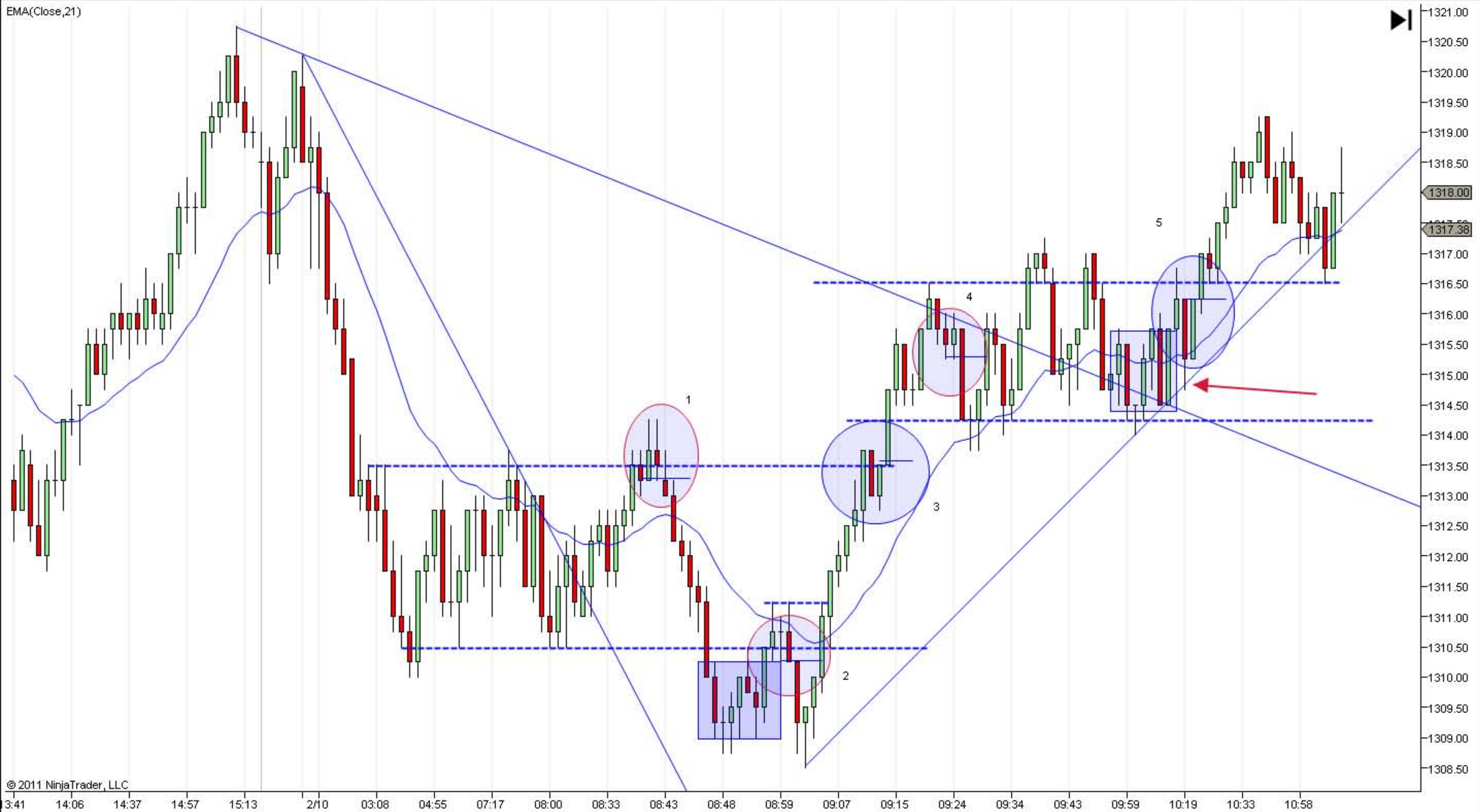
4) This was a 2nd entry short off the high during a pull back to the EMA after a very strong leg down. This was an easy scalp, but there was a strong trend channel line off the lows of every move down that was reversing prices. You actually could have reversed to the low side just above the bullish reversal bar where the red arrow is located, but it's always best to wait on a 2nd entry after such a bearish move down, so that's why I did not mark this set up.

5) This was a repeat pattern to trade 1. This is a double bottom pull back long after a failed break below a double bottom pattern near right at the trend channel line. The small break below the left side of the double bottom makes the double bottom even stronger, because it traps weak shorts that are trying to trade breakouts, and they drive the market quickly higher.

6) This is a repeat pattern to trade two. Notice the two equal legs up to test the trend line again. Prices basically turned right at the trend line, and after that strong sell off from trade 3, you should still be considering that we need another equal leg down. Another leg down would also give us two legs down to a new low after the trend line break. This was yet another "key" entry and it was straight down for another 6 points. Before I understood these set ups, I used to wonder why prices would suddenly just reverse from one strong pattern to another, but if you understand our price action rules, you will understand why prices do what they do and you will learn to anticipate these moves in advance.

7) There were multiple reasons to expect a reversal here. First, we had the break of the down trend-line, then two measured legs down to a new low. That almost always set ups a reversal that will give you two legs up at a minimum, if not a new trend. We also had a failed break below the trend channel line and the bottom of the trading range from yesterday, which was a strong support area. The final key to entering here is that there was a failed 2nd entry short, that tricked the weak hands into shooting for another short at what was likely to be at least a temporary bottom for the day. When this entry reversed, we would be ready to go long where all the trapped shorts will now have to exit. By doing so, it was an easy move up for at least 4 or 5 points.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Due to the big snow storm here and the fact that we "Southerner's" don't know how to drive in snow, nor do the cities or counties clear the streets, I was late getting here today, and I am leaving early. Therefore, this will be a short and sweet lesson today.

As of Noon CST, this appears to be a ranging day, but the range is trending up and if the trend continues higher, this might turn out to be a reversal day. It's still a bit early to tell, and we will need to see follow through buying tomorrow to confirm that the break lower this morning was a failure and that prices are going to go much higher.

1) This was a failed break higher out of a trading range, and this was also the first break above the steeper trend line, so we are still expecting a likely retest of the low again. This was a great trap, and you can see how all the trapped longs started exiting and quickly drove prices down to a new low. This is one of those "key" entries we are looking for each day and they almost always show up at strong support or resistance areas like this. This is a 2nd entry short too, and it was a quick ride down that was good for as many as 4 points.

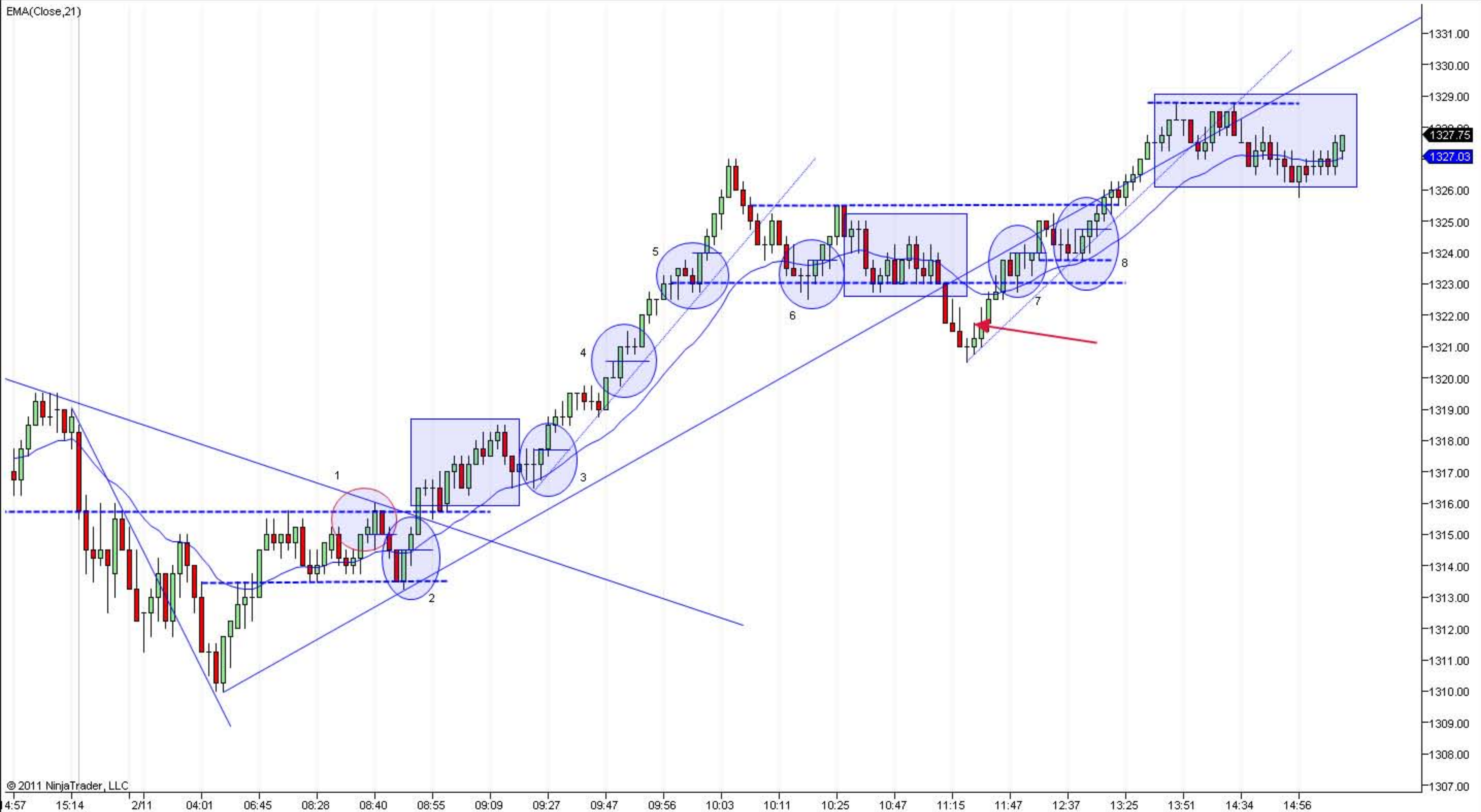
2) This was a 2nd entry short, coming off a double top during a pull back to the EMA. While it was an easy scalp, the quick reversal after breaking lower by only a tick was a failed final flag, and we now had two legs down to a new low after the trend line break, so there is a good chance we could see a rally now. It was also a failed break lower out of the low side of what had been a 4+ hour trading range. This was also a failed break out pull back short, although it's hard to call it a failure when it was good enough to reach a scalper's profit.

3) This was a 2nd entry long after a very strong bullish move up off a new low. This is also a breakout pull back long, and a double bottom pull back long, so many reasons to go long right here. We would expect a 2nd leg up at a minimum after such a bullish move off the new low.

4) Since there had been no third touch of this trend line yet to verify it's validity, it was hard to know what might happen here. However, when prices reversed here quickly, and then offered a 2nd entry short as well, it was hard not to take a short here. The 2nd entry was the key, and while there were no runners, it was an easy move down to a scalper's profit.

5) Prices had now been in another hour long trading range, and this was a break out pull back long and it was coming off a double bottom as well. We also just had a third bounce off the trend line, so that validated it, giving the entry additional merit. Notice too that the bounce off the line noted by an arrow was a failed 2nd entry short, so we know there are likely to be trapped shorts here too. You could have waited an gone long two bars later too, as that was a repeat pattern to trade 3. We know that once a pattern occurs once in the day, it will often repeat itself again later in the trading day, so we always watch for repeat patterns and similar set ups to occur.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a great trending day, with the usual late morning trading range that normally creates a trap before the trend continues on into the afternoon. This is more typical of how the market reacts in normal times. When you see a trend day where the bars are very small like today, yet the trend continues to creep up, that is a strong trend, even though it does not appear to be because of the small choppy bars. However, notice how the trend continues to climb higher all day.

Even though there was a trading range in the late morning, once the trend started back up again, it was another strong trend with lots of small choppy bars that just keep climbing higher. When you see these kinds of trends, just keep buying as long as prices are staying above the trend line.

Since many of you are asking about trend lines, I'm also drawing more of the minor and major ones and leaving them in place to help you see how I do things. The darker trend lines are the main trend lines and the lighter ones are usually secondary or minor trend lines.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) Prices opened this morning inside a tight trading range that had been going on for several hours. The rules say to watch for failed breakouts and breakout pull backs, but they also tell us that the most likely direction prices will break out successfully is in the same direction in which they came from before going into the range, and that was up in this case.

However, there was also an overhead trend line and when prices stalled there to the tick while also offering a 2nd entry short off the failed break higher, this was a good place to go short, and it was likely to yield at least a scalper's profit, which it did. We need to be prepared for a possible bounce off the low though too, which is exactly what happened.

2) When prices reversed off the low of the range and left us a very nice bullish reversal bar with enough room to scalp out again before reaching the high, we should have re-entered here to the long side expecting at least a scalp, but since this was a failed break lower, this might be one of our "key" entry points and a major low for the day. We don't know that yet, but this is where these kinds of entries show up, and if you took this entry, you were long from the low of the day and any runners were easily safe and good for as many as 12 or more points depending on where you exited. A single runner here could net you \$600 or maybe even more for the day.

3) This was a breakout pullback, 2nd entry long during a pull back to the EMA in an upward trending market. A key factor to this entry was the fact that there was a failed 2nd entry short right at the EMA that created a double bottom while also trapping shorts. When prices turned higher, we would want to enter where the trapped shorts will exit. By going long here, we caught another great entry and any runners were easily safe and worth as many as 8+ points.

4) This was another small breakout pullback long, but again, it had a nice trap to give it extra bullish significance. Notice that prices ticked down and below the small doji first before bouncing off the trend line and turning higher, and that tick lower trapped the counter trend traders trying to catch a top. When prices turned up again, we want to enter and take advantage of the trap. While prices hesitated a moment, they never really pulled back again, and this was another excellent entry with runners that were good for 6 points or so. Notice that there was a bounce off the trend line to the tick too, which is most always a great place to enter.

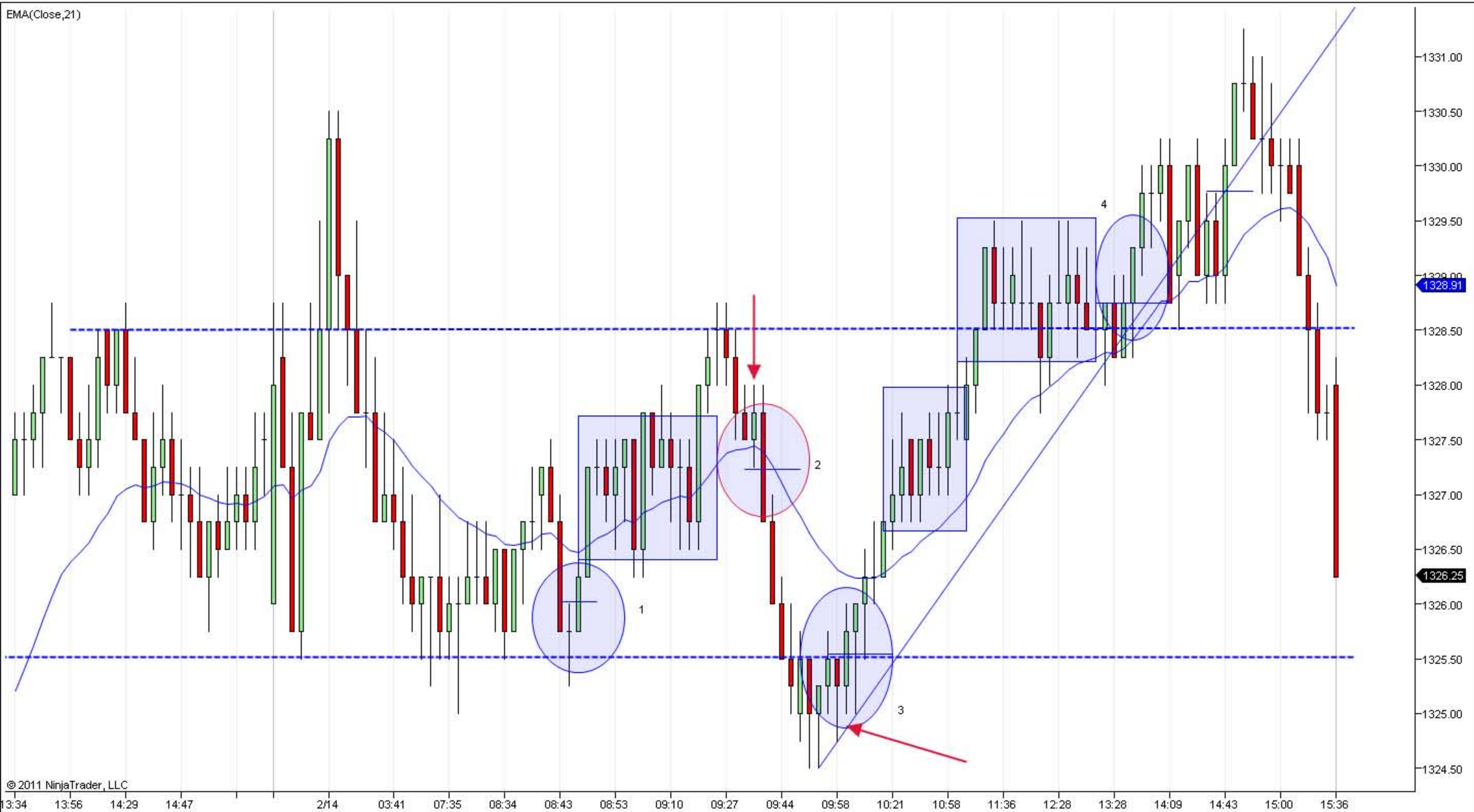
5) This was a repeat pattern to trade 4, so it was another small breakout pullback long entry. Notice too that this was the 3rd test of the trend line that held to the tick, so this adds confidence that we are entering during a bounce off a valid trend line, which is almost always a good trade.

6) This was a 2nd entry long during a pull back to the EMA in a trending market, and that is our money maker and is almost always good for at least a scalper's profit. While there were no runners on this trade, as expected, it was an easy scalp. Notice that this was a 2nd entry long coming off the high and off the low two, so it was a double/double if you understand the counts.

7) After trade 6, it appeared that prices were going into another trading range. In actuality, this is a two-legged pull back and correction in a trending market, but you could have found this entry by using either our trading range rules, or our trend line rules, because the failed break down and out of the trading range was also the first break of the up sloping trend line. An aggressive trader would probably go long above the first bullish bar after the break out (noted by the arrow), but it's always best to wait on a 2nd entry which is where the entry is marked for this trade. This entry stalled momentarily, but prices had seen small choppy type bars all morning, so it was best to hang on and keep your stop below the entry bar until there was some separation. If you did this, you were safe and this was good for a scalper's profit, although no runners here.

8) This one was a little tricky because of the overlapping bars, but notice that prices tried to go lower twice, creating a failed 2nd entry short right at the EMA. There was also a reversal off the EMA and the trend line that formed a small double bottom. On most days, I would skip this trade, but on a strong trend day and with so many bullish reasons to enter, this entry was worth taking. At the very least, you could have entered one tick above the next bar when it closed on its high. This was another "key entry point" where the shorts had now been tricked into going short on 4 separate attempts with small traps, and when prices turned up yet again, the shorts finally gave up and started covering and the upward trend resumed with more of the same strong trend with small choppy bars. In reality, the trend had begun to the up side again on the failed break lower, and it was actually confirmed when a second, 2nd entry short in a row failed.

EMA(21)



Daily Comment: Here is today's chart lesson for the ES. Today was a range day, although prices spent most of the day trending upward very weakly. There were not many entries and the overall movement was so weak that there were not a lot of chances to make money. There were two key entries in the early morning off each side of the range, and if you caught them, any runners were easily safe at the other side of the range.

If you watch any of the other markets, they were very choppy too, and the 6E chart actually looks eerily similar to the ES chart. Overall, it just was not a good day for movement and volatility, which is what we need in order to make money.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was The first bounce off the lower end of the range after the regular market open, giving us a chance to go long very close to the low on a failed 2nd entry short, but it was also a double bottom pullback long. The 2nd entry short was actually good for a scalp, but the fact that prices reversed again at the bottom on a failed break below the trading range would likely yield enough movement to reach a scalper's profit and very possible that prices would reach the other side of the range as well. No runners here, but the entry was good for a scalper's profit.

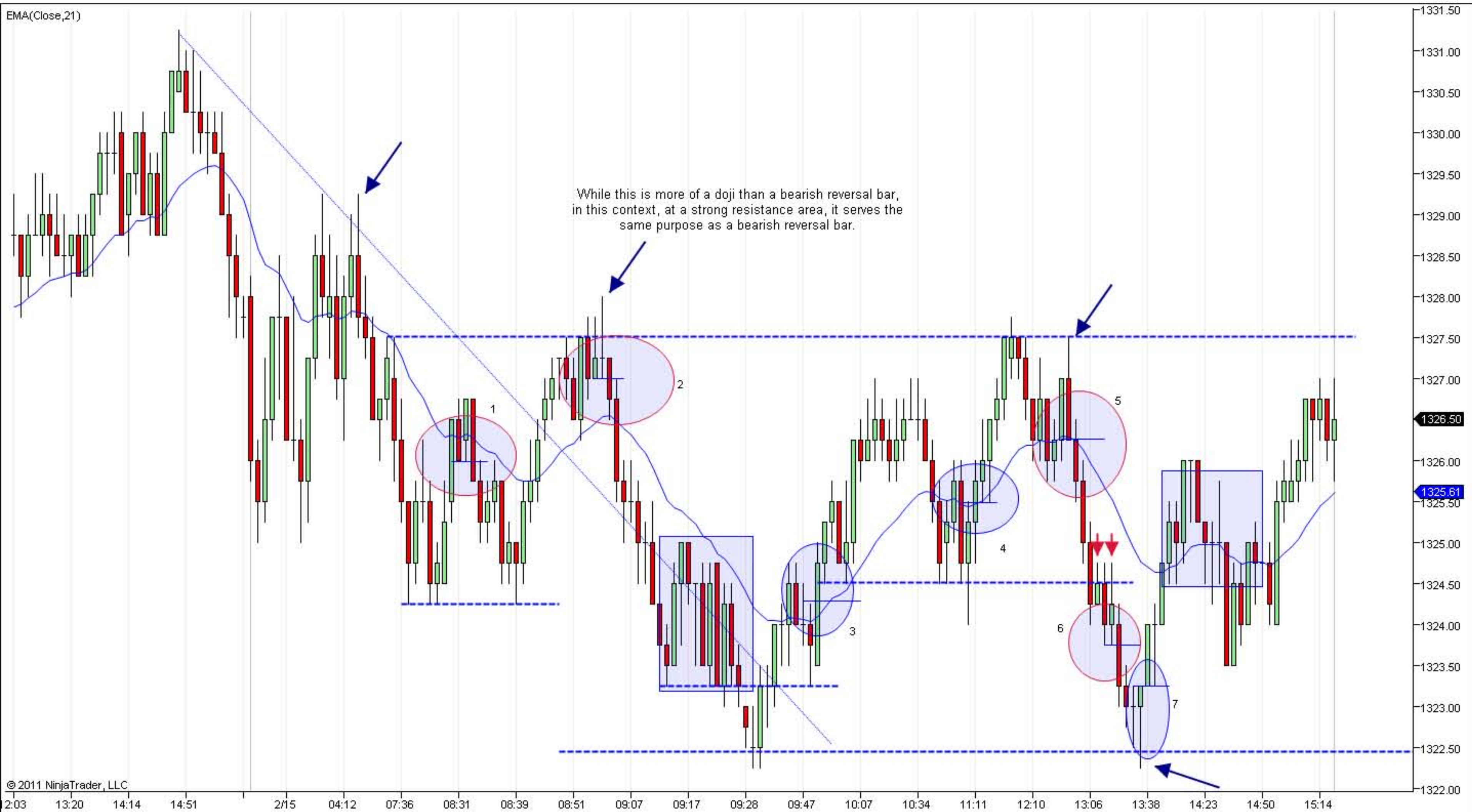
2) This was a chance to go short on a variant of a 2nd entry short off the high of the trading range. Notice the small bar with the bullish body (noted by an arrow). That was a 2nd try to go higher, so if prices break below it, then we are looking at a 2nd entry short on a smaller time frame, and we are very likely to see a scalper's profit, and probably even a run to the other side of the range.

3) This is another failed attempt to break lower and out of the trading range. Notice that there was a failed breakout pullback short, and when it failed and reversed, it trapped shorts and created a nice 2nd entry long with trapped shorts that will have to exit. I marked the tick lower that created the trap with another arrow. There was no reason to go short there, as there were 6 overlapping bars by the time the breakout pullback short triggered, plus there was not enough room to scalp out before reaching the low either. Also, notice how far away prices are from the EMA on that short entry. This is simply a terrible place to go short, and by recognizing that and sitting tight, you would be prepared to go long on the trap for an easy scalp and your runners would have been good to at least the other side of the range, and depending on where you exited, good for as many as 5 points, which is a lot of a day like today.

4) This was a fade of a failed 2nd entry short near the high of the range. There was a 2nd entry short coming off a double top, but this was a tight trading range with many overlapping bars and multiple doji's, so again, not a place that you want to enter without a great trap. All of the bars were above the EMA and the high side of the trading range and the trend line too, and with prices having failed on a break out the low side of the range, this was a good clue to be thinking that prices were going to try and break higher, or at least test the high of the last failed break higher during the overnight session.

When the 2nd entry short coming off the double top failed and prices also reversed right at the trend line, that was a chance to get long at the low side of the small trading range, just above a bullish reversal bar. While it took time for the trade to work, prices never backs up below the signal bar or entry bar, so you should have been safe to make the scalper's profit, although no runners here.

EMA(Close,21)



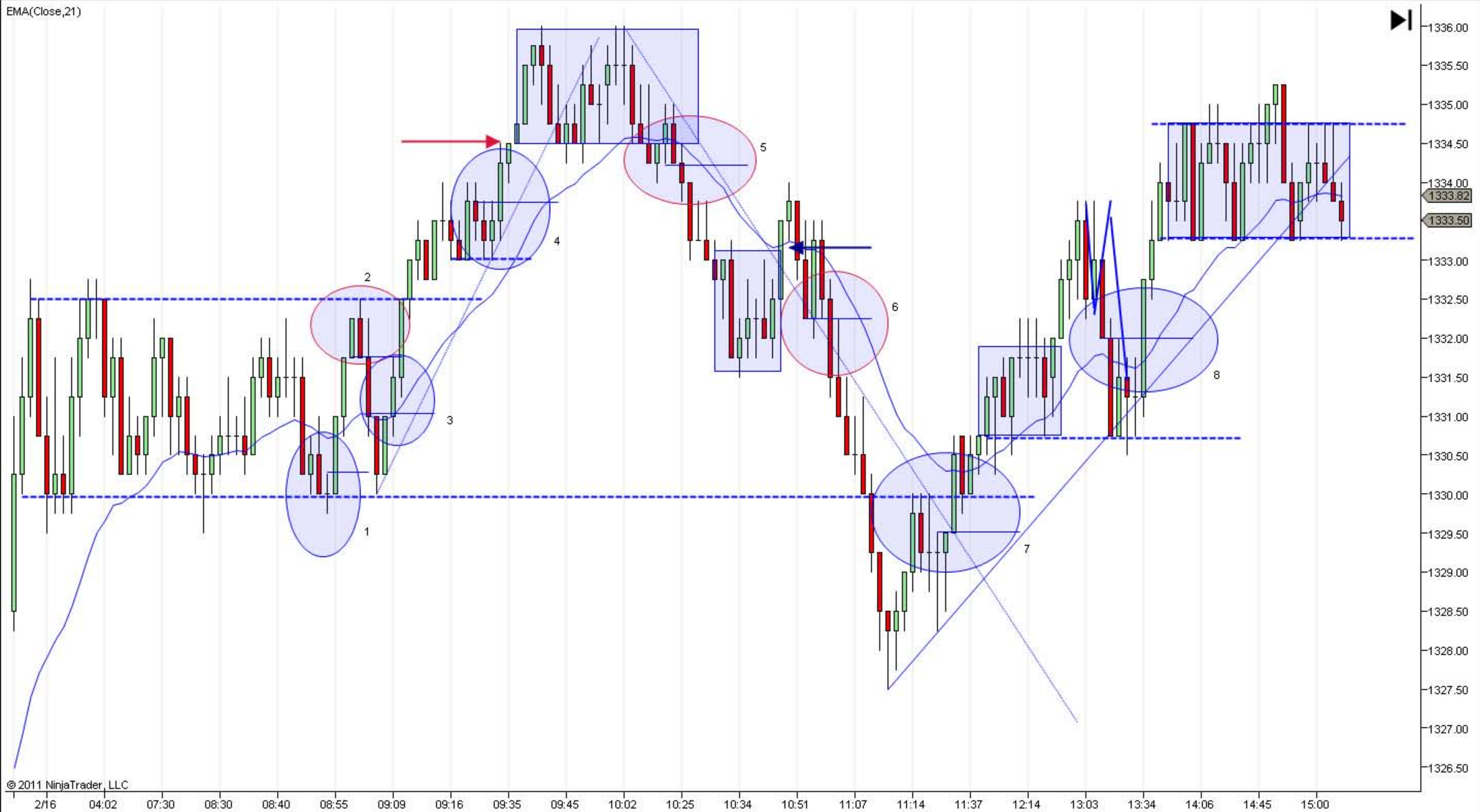
Daily Comment: Here is today's chart lesson for the ES. Today was yet another range day. There was a slight downward bias through the overnight session, but once that trend line was broken and a new low put in, there was absolutely no bias for the remainder of the day. Without any bias, it's a bit easier buying and selling the extremes, because there is an even stronger likelihood that prices are going to test the other side of the range if they can not break outside the highs or lows before reversing.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

- 1) This was a 2nd entry short during a pull back to the EMA in a down trend right at the open of the regular trading hours. This is our favorite entry and it makes us more money than any other pattern or entry that we have in our arsenal. While prices tried to reverse, they could never tick higher than our entry bar, so as long as you kept your stop above the signal bar, and then moved it to one tick above the entry bar as taught in our manual, you would have survived for a profitable scalp. 2nd entries at the EMA rarely fail if there has been no trend line break yet.
- 2) This was a 2nd entry short after a failed 2nd entry long. There are going to be trapped longs that thought the trend was reversing when prices broke higher after the bounce off the EMA. However, by following our rules, we understand that this was the first break of our trend line, so there is no reason to be looking for a long here just yet. We know that we need a retest of the low first, and that retest is likely to consist of two legs down as well.
- 3) This was a failed break lower, and a failed final flag after prices had two legs down to a new low following the trend line break. We would already be on the look out for a possible reversal pattern based on our price action trend line rules, and when prices tested the small double bottom break out level and then immediately reversed, this created a 2nd entry long, and there will likely be a 2nd measured leg up at a minimum. Turns out there were three measured legs up before there was a bigger pull back. Measure the 3 legs and you will see that all three are of equal length.
- 4) This was a 2nd entry long after a failed break lower below the double bottom that trapped shorts. Notice the big bullish reversal bar after the breakout failed. This was a great chance to get long, and while there was no real follow through buying, it was still an easy scalp. Remember, when prices try and do something twice, particularly if counter trend, then they are likely to succeed in continuing further in the direction of the trend. While this was no strong trend, prices were making higher highs and higher lows at this point (that is an up trend), so the trend was up. When prices failed to go lower after breaking through the double bottom and trapping shorts, we would expect to at least score another scalp off the reversal pattern.
- 5) This was a failed 2nd entry long that reversed immediately upon reaching the high of the double top (which turned out to be the high of the trading range). When prices immediately reversed offering us a chance to enter on a 2nd entry below a strong bearish reversal bar, this was a great place to go short. This was probably the best entry of the day, as most traders were now able to see a definite pattern. There were also a lot of trapped longs now that were not smart enough to wait on a breakout before entering a trade. Most of the smarter traders now understood that prices were likely in a trading range or at least at a strong resistance area, so the next logical move was going to be lower. If you caught this entry, you were short from the high of the day and it was straight down to the previous low of the day, which immediately bounced, confirming that this was indeed a trading range.
- 6) This was a breakout pullback short, but the key to entering here was that there were two tries to go higher (notice the two green doji looking bars noted by the arrows. That's the two tries to go higher) after breaking below the double bottom, and the trend was down, so prices are now likely to at least test the former low of the day, and that would give us enough room to scalp out with little problem in case prices bounced again.
- 7) When prices reached the low of the day again and immediately bounced creating a double bottom, along with a nice bullish reversal bar, any break above that bullish bar would likely send prices back to the EMA at a minimum, so going long off the low of what was now a very obvious "trading range" was a great entry. Most double tops and double bottom that occur at strong support or resistance areas will usually be good for at least a scalper's profit. You can't see it on this chart, but if you go back a couple of days, prices had bounced at this same level multiple times in that last couple of days, so it was an obvious place to watch for a possible bounce and a chance to get long if the circumstances are right. Usually we like to see a 2nd entry, but a strong bullish reversal bar is usually just as good.

In case you are not familiar with bullish and bearish reversal bars, I noted a few of them on this chart with a blue arrow so you could see how prices reacted around them when they show up at strong sup/res areas. Normally these work best when they tick past the previous bar at least one tick, but then reverse and close on their opposite end. As an example, a bearish reversal bar will tick higher than the previous bar first, but then reverse and close on or very near its low. If they close below the low of the same bar that it previously ticked above, that's an even stronger reversal. Simply reverse this example for bullish reversal bars.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was another range day, although prices did have some better short-term trends within the daily range. Notice that I drew my trend lines, even though they were still short term trends, and the price action rules regarding trend lines still held true.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a 2nd entry long coming off the very low of the trading range. There was also a very small bar in which you could go long above that was right at the strong support area. Small dojis at the extreme of a pull back are usually the only place it's OK to enter above a doji. This is a good entry because you can enter at a strong support area with a small stop with a high likelihood of at least achieving a scalper's profit. No runners here.

2) This is simply a short below a bearish reversal bar at the high of the trading range. This range had been going on for many hours now, so a bearish reversal bar off the high is likely to yield at least a scalp, and there is a strong chance prices will go to the other side of the range.

3) This was simply another opportunity to get long off the low of the trading range. This is really another strong reversal bar, even though it's an inside bar, because prices opened on the very low of the bar at a VERY strong support area and then closed on the high. Normally it's not smart to enter above or below inside bars, but this one came in a much different context, which made it a strong entry point (similar to our doji rule). Most everyone, even weak traders could now recognize this was a trading range, and everyone was trading it accordingly. If you caught this entry, this was one of those "key" entry points, as any runners were easily safe and worth as many as 5 points depending on where you exited.

4) This was a breakout pullback long, but it was also a 2nd entry long following a failed 2nd entry short, coming off a double bottom. Because of the failed 2nd entry short, there will be trapped shorts to drive us quickly to a new high if prices break higher again. Remember our Rules. Prices traded up into this trading range, so the likely successful breakout will come to the up side and that's what happened here.

Notice that the entry bar came off the trend line too, so that was somewhat of a confirmation that the trend line (which started off the first two bars of the low) was valid. If you didn't feel comfortable entering here because it was a small trading range, you could and should have entered on the 2nd entry long off the double bottom that came two bars later and noted by the arrow. The break above the two matching highs is the trigger for the 2nd entry long off the small double bottom.

5) Notice how prices broke the trend line, then went into a trading range with lot's of overlapping bars and dojis. There was actually a 2nd entry long, but after the trend line break, there would be no reason to go long above that doji, as any break higher would likely fail and reverse. Prices could not even make a new high though, and reversed off the double top. Again, there were just too many overlapping bars and dojis to enter inside that range, so no reason to fade the failed 2nd entry long either. Our best bet is to wait for a breakout, and with a trendline break, followed by a double top, this breakout pullback short was a good entry point. Notice too that there is a nice bearish bar to go short below as well, plus it was a 2nd entry short coming off a double top, so multiple reasons to go short here.

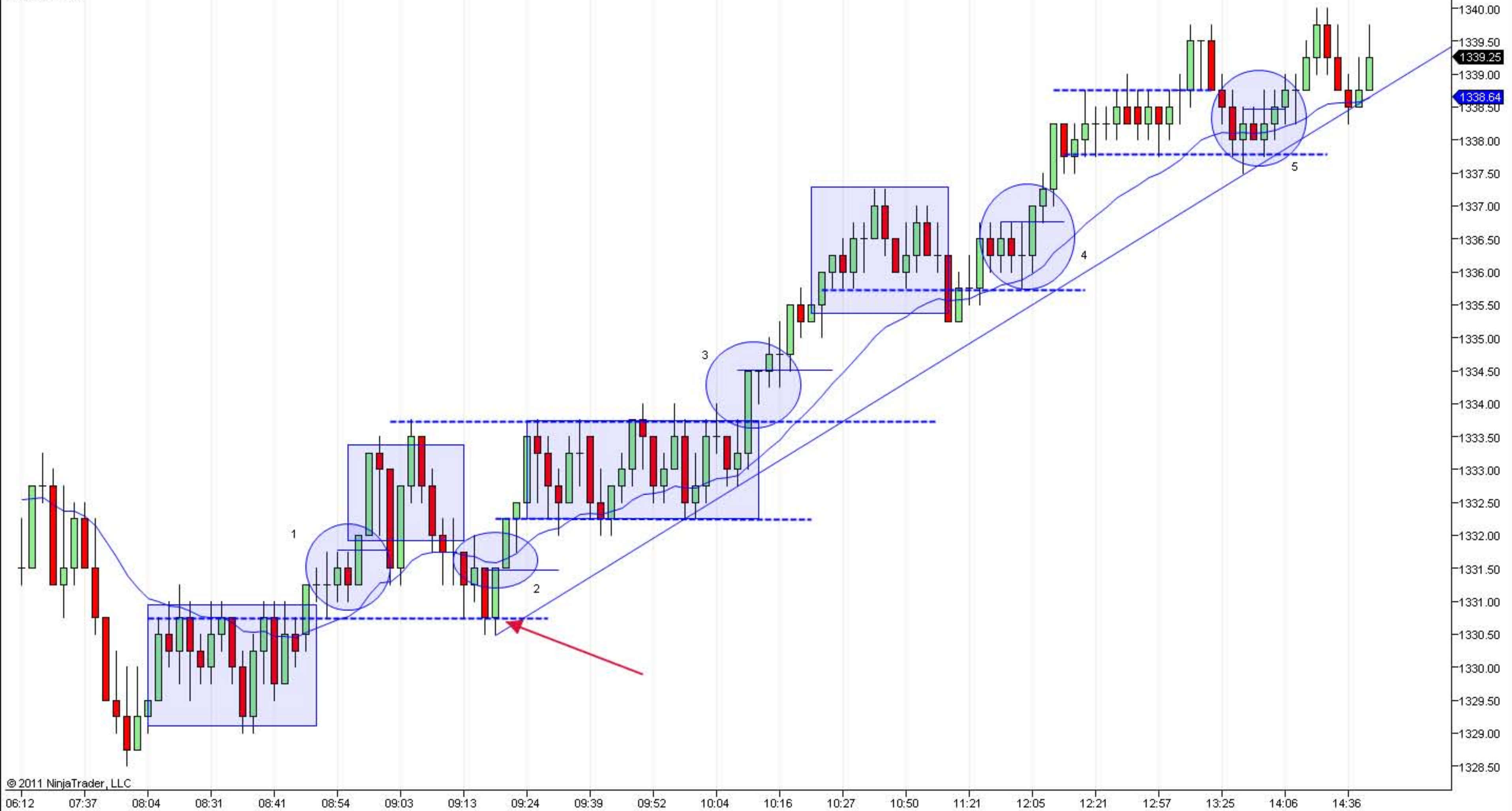
6) This was a 2nd entry short off the high during a pull back to the EMA in what was expected to be at least a two-legged correction after the up sloping trend-line break and retest of the high that did not make a new high. With a leg down that bearish off a double top, there is likely to be a 2nd leg down. Even though prices already broke the down-sloping trend line, we know a retest attempt of the low is very likely.

You could have taken the 2nd entry short off the low which came 3 bars earlier and noted by the blue arrow, but with the trend line break and three bullish bars up, it's best to wait for a show of bearishness first, so we wait on a the 2nd entry off the high. Notice how strong the move was down from there, as the best traders were all waiting for this 2nd entry to confirm the next leg down. If you caught this move, it was straight down for almost 5 points, so another great entry for us.

7) This entry was a failed break lower below the low of the strong support area and the former low side of the trading range. This was actually a 2nd entry long off the low of the failed break lower. We had a break of the down-sloping trend line back near trade 6, followed by a large two-legged move down to a new low, so a failed breakout is a strong possibility and we need to be prepared for one if it sets up. Due to the strong move down from trade 6, it's best to wait on a show of bullishness before entering, so we wait on a 2nd entry off the low. Notice that we got a nice bullish bar to go long above too. This was another "key" entry, exactly where you expect to find one at this time of the day (at a failed break below a strong support area). If you caught this entry, any runners were easily safe and worth as many as 5 points.

8) This one was a little tricky, but it was still a great with trend entry during a pull back to the new trend line and EMA. The key to this entry was the bounce at the trend line, but also the failed break lower that created a trap. After the one tick failed break lower, any break above the next bar would send those trapped shorts scurrying to exit, and you can see how the market blasted higher when they started exiting. You could have entered just above the doji, but the best entry was above the previous bar with the green body rather than risk a one-tick trap by entering above that doji. This was also a variant of a 2nd entry by the fact that it was a two-legged pullback to the EMA. The two legs back are not so evident on this chart, and we don't look at multiple charts, but if you went to a smaller chart, the 2nd entry would be very clear. I noted the two legs with lines to help you see them. You must learn to spot these on your single trading chart.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a trend day. The trend started out rather choppy, but the market continued to chop upwards until it finally began to trend a little stronger. Notice that the market is making higher highs and higher lows, while the EMA is also pointed up all day. That is a good sign that prices are trending up if you are having trouble seeing or distinguishing the trend or type of day.

There were not many entries today, but most of the runners easily survived giving you multiple points on each of them, so you still had ample opportunity to make some good money today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a breakout pullback long coming out of the congestion area just below. The market really began making higher lows right after the regular market open, and while prices are not making new highs each time, each pullback was high, so that was a sign that the sellers were losing steam. We still don't want to buy the breakout though, so the smart move is wait on the breakout pullback long to enter.

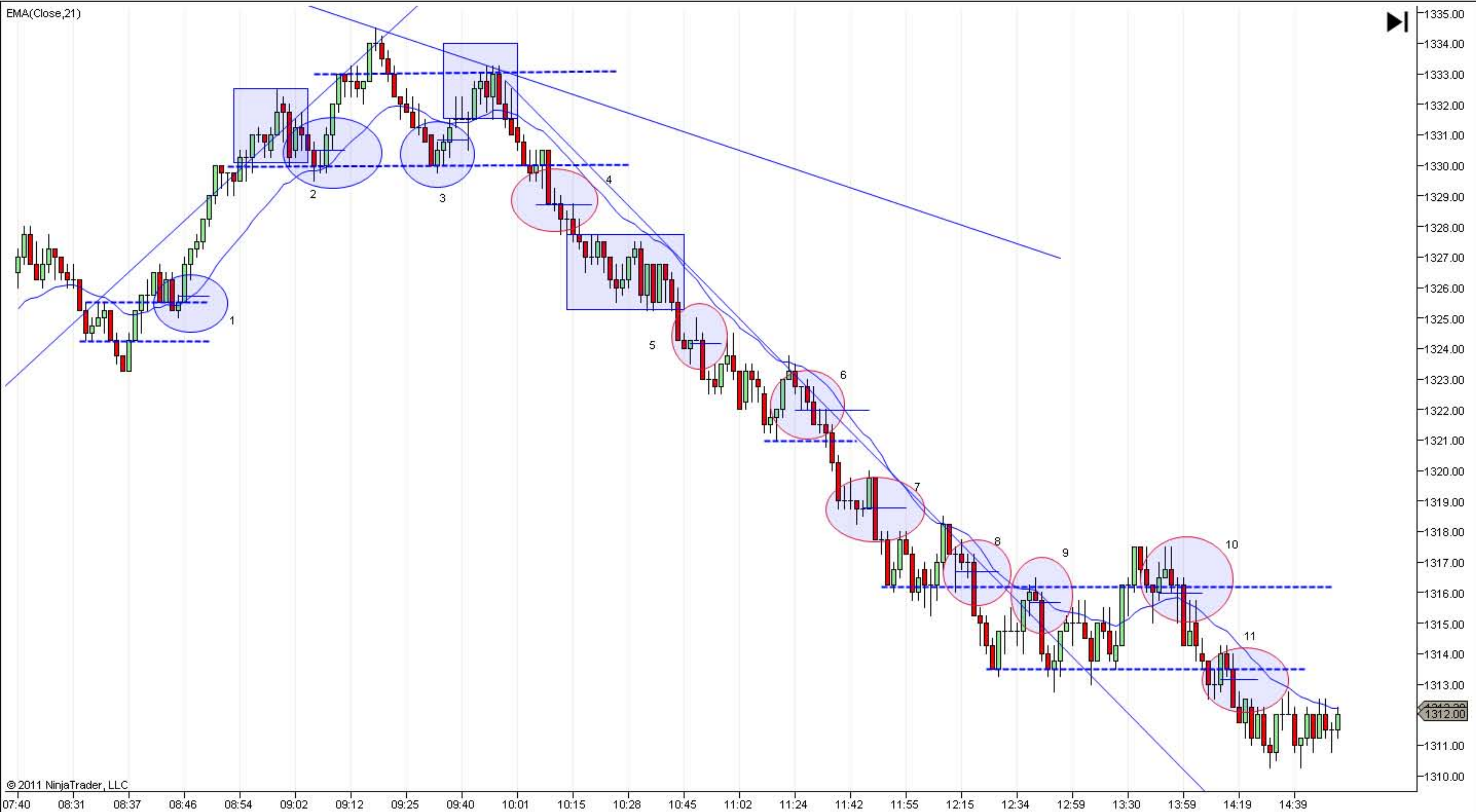
2) This was a 2nd entry long on another attempt of the market to go lower. When prices tested the breakout area and it held a 2nd time, it was a quick move up to test the high area again. This was a 2nd entry long during a pullback in what was an upward trending market so far. Notice that there was also a failed 2nd entry short that trapped shorts just prior to the 2nd entry long triggering (noted by arrow). There was also a one tick failed break below the double bottom on the failed 2nd entry, so there were going to be trapped shorts here and you can see that based on how quickly the market moved up to the high side again. Your runners were safe here and worth as many as 9+ points depending on where you exited.

3) This was actually a small three bar double top right at the high of the trading range. Notice the green bar sandwiched between the two red bars. That was a 2nd attempt to go higher that failed at the high of the trading range, so when prices broke below the green bar, that created a double top and signaled that the market had tried to go higher twice failing both times. When the market attempts something twice and fails, it is likely to succeed in doing the opposite. That rule coupled with the fact that we were shorting at the high of a trading range gave us a low risk short that was very likely to yield at least a scalper's profit. Any runners were safe here too and worth multiple points.

4) This was a 2nd entry long off the low side following a two-legged pullback to the EMA in an up trend and a failed break below the double bottom. You could have gone long 7 bars earlier, but that entry was coming out of the choppy area, so it was better to wait on a 2nd entry off the low side. Either entry worked, but there was no pullback or heat on the entry as I marked it. Again, any runners were safe and worth multiple points.

5) This was a repeat trade to entry # 4. Remember, once you see a pattern once during the day, it is likely to repeat one or more times during the day. Notice that there was a failed tick below the double bottom again, followed by the 2nd entry long. The tick lower reversed immediately at the trend line and created a bullish reversal bar to go long above. This entry took a bit to take off, but your stop was never really threatened, as prices were unable to take out the low of any previous bar after entry. This entry was also a breakout pullback, 2nd entry long.

EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a mostly trending day, but it started out with a small up-trend that went into a trading range, but once prices broke out of that small range, the trend was down rather steeply the remainder of the afternoon. The volatility was there today, and that's what we wait for as day traders. There were some nice setups on the way up, and then plenty of EASY with-trend set ups on the way down.

The key was to try and stay short once it was clear we were headed down. Even if your timing was off in the downtrend, it was rather easy to hang on with a small stop and still make money. If you stuck to the price action rules and entered as we teach, you should have been short at the key areas and it was rather easy to make money and catch some runners too!

While I didn't mark every short entry, once you realized that prices were in a strong trend, you must take every with-trend entry on any pullback to the EMA and/or trend line, and then give yourself a sufficient stop and just wait on the trade to work out. It's important that you recognize a strong trend when doing this though, and this trend is a good example of what one looks like.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

The key was to try and stay short once it was clear we were headed down. Even if your timing was off in the downtrend, it was rather easy to hang on with a small stop and still make money. If you stuck to the price action rules and entered as we teach, you should have been short at the key areas and it was rather easy to make money and catch some runners too!

While I didn't mark every entry, once you realize that prices are in a strong trend like the sell off today, you will usually want to take a with-trend entry on any pullback to the EMA and/or trend line, and then give yourself a sufficient stop and just wait on the trade to work out. It's important that you recognize a strong trend when doing this though, and this trend is a good example of a strong trend.

1) This was 2nd entry long following a failed break lower that trapped shorts. Notice that this was the first break of the overnight trend line, and the break lower tricked a lot of weak shorts into thinking prices were headed lower. This is also a breakout pullback long following a small two-legged pullback to the EMA on a breakout pullback long, so lot's of reasons to be thinking long here. Notice how prices exploded up here, and that was due to the trapped shorts exiting and more longs chasing the market to get long.

2) This was another 2nd entry long during a two-legged pullback to the EMA in an up-trending market. This was also now looking very much like a trading range, so this was a chance to go long above a very small bar near the low of the range. You could have waited to go long above the next bar that was more bullish, but it's OK to go long above a small doji when it's at the low or high side of a trading range.

3) This was another 2nd entry long following a bounce off the low side of what was now a strong support area of a trading range. There was plenty of room to scalp out before reaching the high side, so this was a low risk entry.

4) This was a breakout pullback short, with a very bearish bar that opened on it's high and closed on it's low, so the entire bar consisted of nothing but selling. This was also a 2nd entry short, coming out of the small congestion area that formed near the high of the trading range. This as a key entry point, and if you caught this short, you were short from very near the high of the day and any runners would have been good for as many as 19 points!

5) This was another breakout pullback short in what was now a down trending market. No runners here, but an easy scalp.

6) This was a 2nd entry short during a pullback to the EMA and trend line in a steep down trend. The one tick failed 2nd entry long likely trapped some longs, and that is exactly where we want to enter to take advantage of their problem. Notice the steep sell off again once prices broke lower. Again, the trapped longs are exiting and new shorts that missed out are chasing the market lower, and this pushes our entry quickly lower. Again, any runners were easily safe here and worth as many as 12 points.

7) There was a failed 2nd entry long here, so another long trap for the counter trend traders. This was a also a very weak attempt at a pullback after prices broke lower again, but the market was too weak to even pull back to test the breakout area. By now, it's very obvious that this is a strong sell off, so look for anything that looks like a with-trend entry at the EMA or trend line.

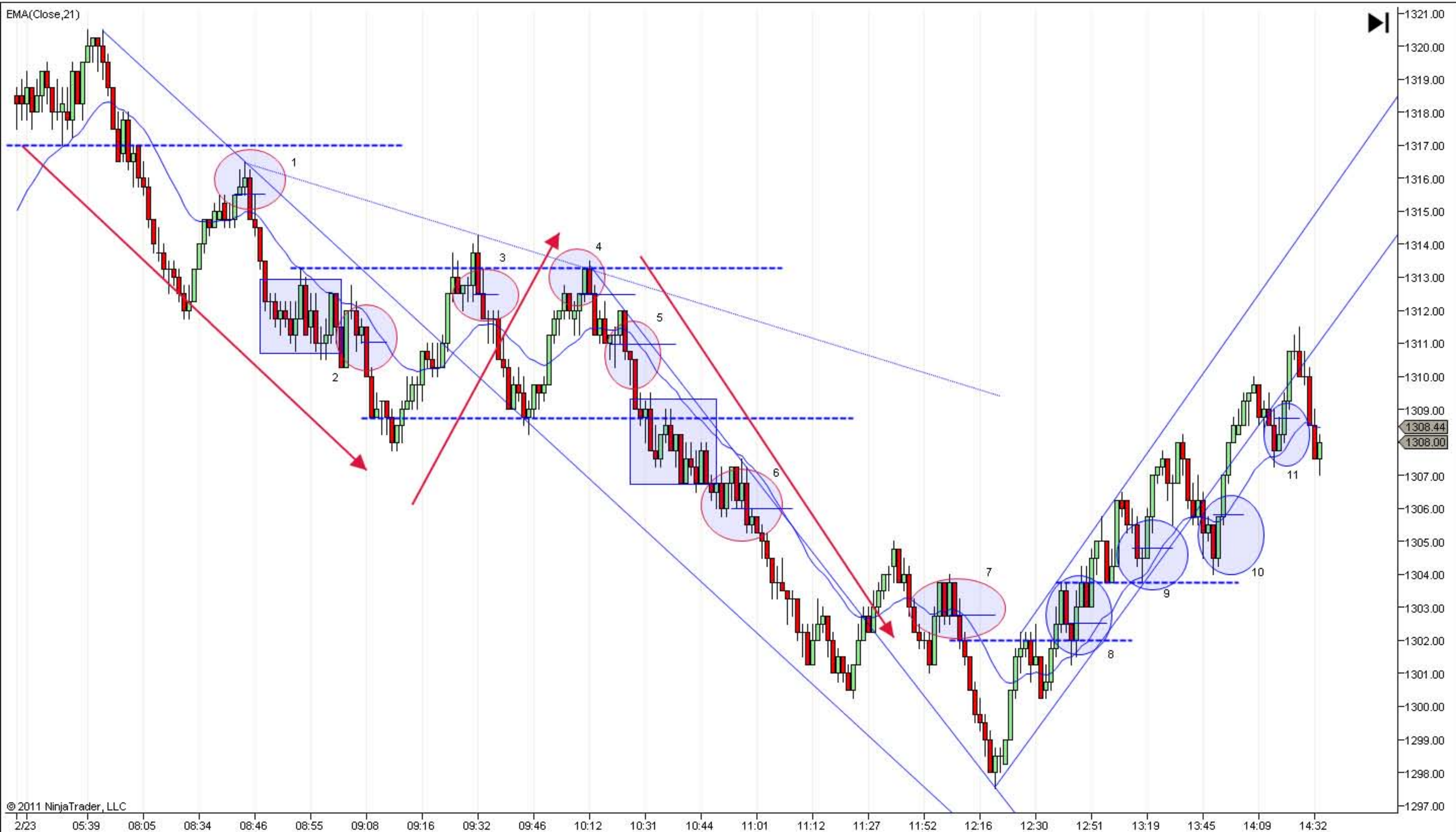
8) This was another 2nd entry short during a pullback to the EMA and trend line. This was a bit of a small trading range, but the trend is down and strongly, so a 2nd entry off a pullback to the EMA is a high probability short, especially with the failed 2nd entry long that likely trapped longs near the high of the pull back.

9) Yet another 2nd entry short during a pullback to the EMA and trend line. This was a nice small bearish reversal bar too. This was also a breakout pullback short, so there were several reasons to go short on this entry.

10) The sell off had been steep and it was extended, and prices were now finally breaking the trend line, but more importantly, you should have recognized that prices were now in a small trading range. This was a failed break out of the trading range that offered a 2nd entry short, along with a nice bearish bar to enter below at the high of a trading range in a strong downtrend. Since this was the first real break of the downward sloping trend line, we should be expecting prices to try and form a new low as well.

11) This was another breakout pullback short, which was actually the start of the 2nd leg down to a new low, so you must be very hesitant to take any new shorts after this point without a great set up. It turned out that this trade took us into the 2:30 PM CST hour (out cut off time for new trades), so that took care of any thoughts on additional trades and ended our trading day.

EMA(Close,21)



Daily Comment: Today was another volatile day, and that's what we want as day traders: plenty of movement. There were many entries today due to the fact that the market was volatile with lots of additional movement. Hopefully we will have more days like this in the near future, as they have been sorely missed over the past few trading months. The initial down trend today was strong, but prices went into a trading range for about an hour and a half before making a 2nd and equal move down. I used the red arrows to help you see the two measured legs down. If you measure them, you will see that they are almost equal in length to the tick.

Today's chart is a great example of what happens on a trend line break when you don't get a new low during the retest. Notice that on the first trend line break near trade 3, prices made a higher low on the retest, and then a 2nd leg up, before then selling off again making a 2nd and equal leg down. Most of the time there will be two legs down to a new low, or at least a new low on a retest, but when you don't get a new low, you will normally see a two legged correction (the first leg up that broke the trend line is leg 1), followed by the trend continuing on down again, and that's what happened today.

Notice that there is a trend line on the 2nd leg down of the overall downtrend, followed by a break of it, then two legs down to a new low, at which time, the market started rallying. The second trend line break retest made two legs down to a new low, so at that point, you would be looking or at least you would be aware that a possible correction of some larger magnitude was now coming.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a 2nd entry short during a pull back to the EMA after a very bearish leg down. This pullback was an attempt to retest the breakout area from about 5:30 AM CST. When prices could not get any higher on the 2nd entry long, the market reversed and quickly sold off again. The 2nd entry long was actually a failed break higher and a failed 2nd entry, so there would be trapped longs that would start exiting quickly and drive us to a quick profit on the short side. If you caught this entry, you were short from the high of the trading day, and it was a long and profitable ride down for as many as 17 points depending on where you exited. Even if you exited at the low of the trading range area, it was worth 7 points or more.

2) This was a breakout pullback, 2nd entry short. You could have gone short below the doji at the EMA (that was the 1st entry), but if you didn't enter there, you definitely should have entered here on the 2nd entry.

3) This was actually a repeat pattern to trade 1. Any time you see a pattern during the day, watch for that same pattern to repeat one or more times during the day. This was another failed break higher, but more importantly, it was the first break of the trend line, so we know not to be getting interested in any longs without a retest first.

4) This is actually another repeat pattern to trades 1 & 3. It was another failed break higher out of a very small trading range, and it was right at the high of what was shaping up to be a larger trading range. Notice the one tick trap when prices ticked one tick above the bullish green bar, but then immediately reversed, trapping weak long traders who bought the high. This was another key entry point, and any runners were easily safe and you were short again from a major high point for the day, which was the top of the trading range. Any runners were worth as many as 14 points.

5) This was a 2nd entry short off the top of the trading range, but notice that there was a failed 2nd entry long that quickly reversed into this 2nd entry short, and that trapped a lot of longs thinking the trend was up now. Our minimum target would be the low side of the trading range on this entry, but it was worth a lot more if you kept any runners.

6) You had to be paying attention on this entry because prices were coming out of a tight congestion area at the low of a trading range. This was actually another repeat pattern, but this time to trade #2. The failed 2nd entry long that reversed right at the EMA and trend line trapped longs. When those longs started exiting right where we want to enter, it was another strong move down. Any runners were safe again and worth multiple points.

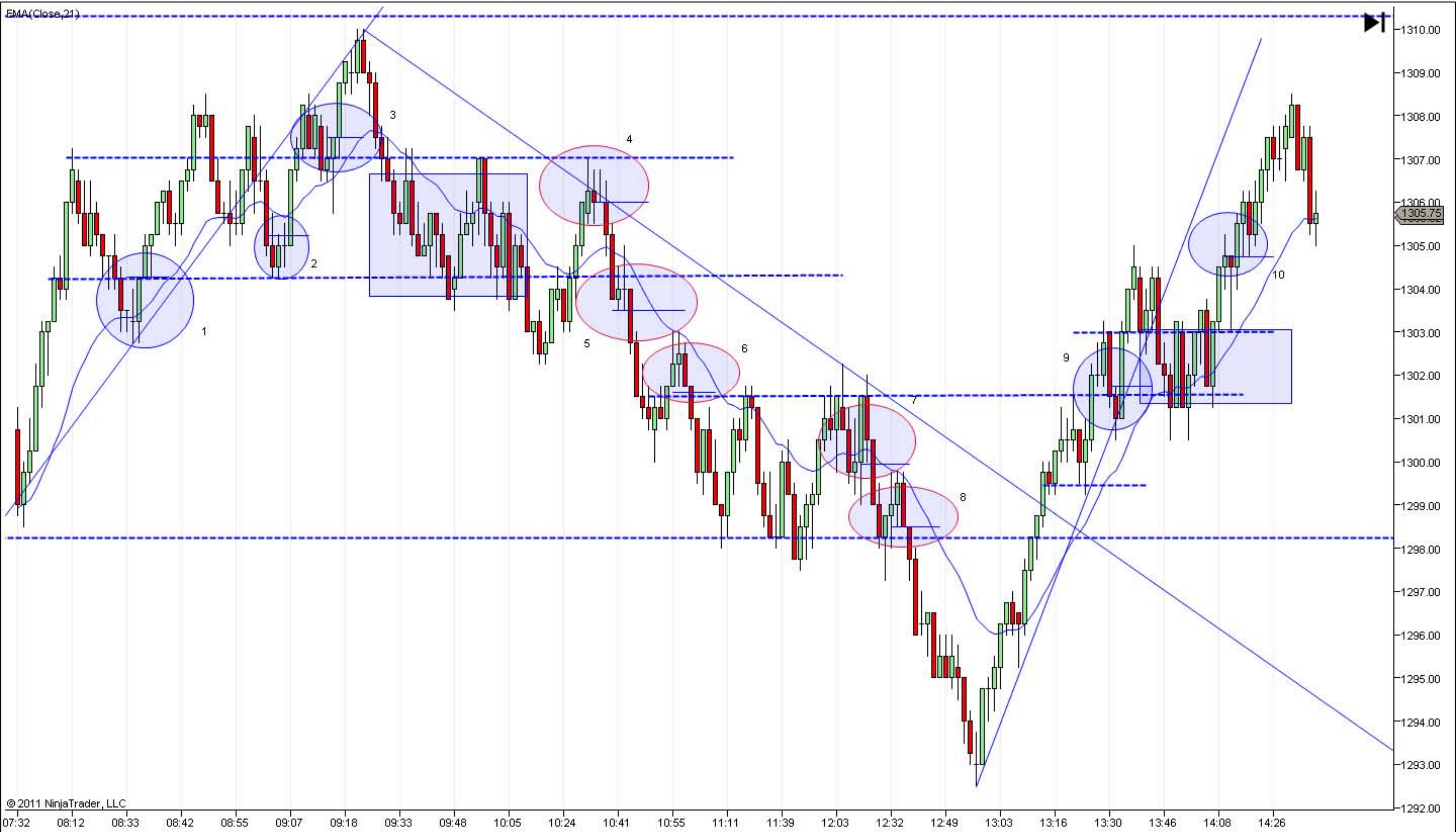
7) With this being the first break of the new trend line on the 2nd leg down, we know that we should expect a retest of the low before looking for longs. This particular re-test was what we see most often, which is a two-legged move down to a new low. Upon completing that 2nd leg down to a new low, the market reversed and corrected for most of the remainder of the trading day. This was a 2nd entry short, but there was also a failed 2nd entry long here that easily trapped many longs, and you can see how strong the sell off was when prices reversed. It was really straight down for about 5 points.

8) After two trend line breaks and two new lows, particularly on a two-legged move to a new low on the last trend line break, we should have been expecting a possible correction of some type at this point. This was a breakout pull back long, and once prices turned higher here, it was obvious to most experienced traders that a larger correction, if not a new trend, was now in progress. Any runners were safe here and worth multiple points.

9) This was a double bottom that formed right at the EMA during an upward trending market. Notice that the candles are now all above the EMA and the market is making higher highs and higher lows. The EMA is pointed up strongly as well. When prices tried to go lower here at the EMA and failed, we know that our rules tell us prices are now likely to succeed in going much further in the opposite direction, so this was an excellent entry point. No runners this time unfortunately.

10) This was the first break of the trend line and the first time prices could get below the EMA, so we know a retest is going to occur before we will look for any shorts. This was a 2nd entry long with a nice bullish bar that reversed off a low and closed on its high, so a great bar to go long above. Your runners were safe here too and worth several points at a minimum.

11) With a trend line break and a new high in place, we have to be skeptical of any additional longs, but if a good pattern presents itself, we must take it. This was a two-legged pull back to the EMA in an upward trending market, and that is our bread and butter entry and it rarely ever fails. We also know that most re-tests have two legs up to a new high/low, so an additional leg up was not out of the question and likely to occur. Notice what happened after this 2nd leg up to a new high though! The market immediately began a larger correction at that point, and that is what we were expecting because of the trend line break back near trade 10.



Daily Comment: Here is today's chart lesson for the ES. Today started out in a trading range, which made it tricky because we had been in a nice steep up trend during the over night session. If you stayed with the trend line rules, that would have kept you on the right side until the sell off or correction came. The volatility continues to be high, so there is lot's of movement, but you have to understand and recognize ranges and when the trend changes and stick to the price action rules. These kinds of days are extremely difficult for most traders, particularly trend traders. However, if you know and understand price action, volatile days like today are what we live for as they give us a great chance to earn a profit.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a 2nd entry long during a two-legged pullback to the EMA. This is our bread and butter trade, and it worked great like most all of them do. Very few of these entries fail when you are following the price action rules.

2) This was actually another two-legged pullback to the EMA, so it's a 2nd entry long during a pullback in an upward trending market. This is also a bounce at a support area. This was the first break of the trend line, so we know that we are still looking for longs. Notice the two-legged move to a new high and then the bigger correction. This is exactly what our price action rules say is most likely to occur, so no surprises here at all.

3) This was a 2nd entry long coming off the low when we are looking for two legs up. This is also a breakout pullback long with a nice bullish reversal bar to go long above. Notice too that it was a two-legged pullback to the EMA, so lot's of small, but subtle reasons to enter long here.

4) This was a 2nd entry short, coming off a triple top, at the high of the trading range. This was one of those key entries we get each day and if you caught this short, your runners were easily safe and worth as many as 14 points or so.

5) This was a breakout pullback short with an added bonus of a trap. There were obviously many traders that were looking to fade the breakout of the range again here, but when prices ticked higher and then immediately reversed, this was an obvious trap, and you can see how prices broke strongly to the downside as the longs through in the towel and new shorts entered into the market as well. This is also a 2nd entry short, coming off the high, but the trap was the key piece that made this a really good entry.

6) This is our bread and butter entry again: A two-legged pullback to the EMA in a trending market, making it a 2nd entry short at the EMA. These fail very rarely and I'm always making it a point to explain how important this particular pattern is to our trading. They are out MONEY trade and we should take them all if they fit the rules.

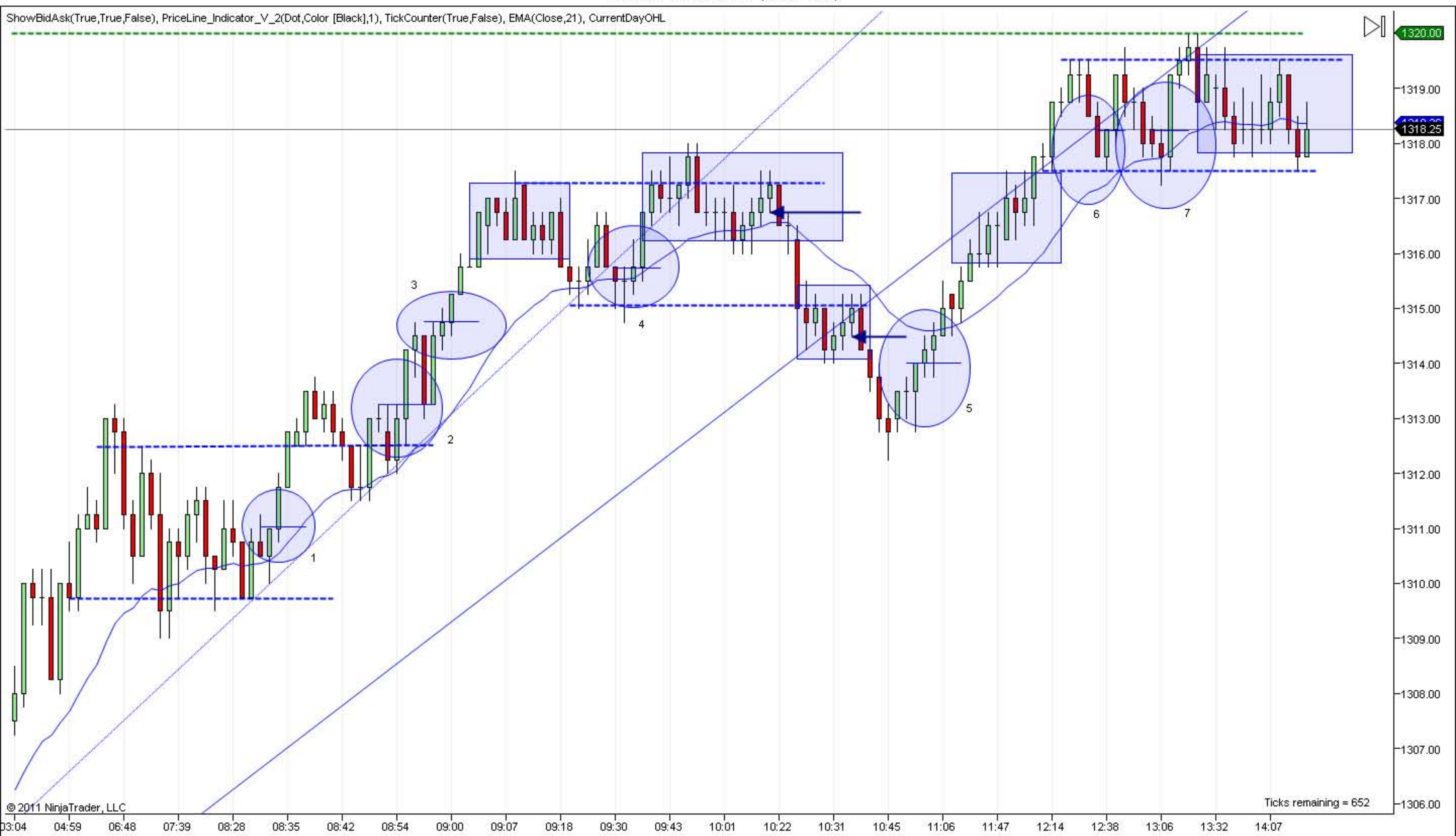
7) This was a 2nd entry short, coming off the high side of the trading range with a nice bearish reversal bar and a 2nd entry long that failed, trapping longs on the wrong side. This was another excellent entry, and it was a quick ride down to the low side of the range with the help of the trapped long traders that got fooled going long at the high of a trading range.

8) This entry was a breakout pullback short. The trend was still down and prices had just bounced off the trend line again. Notice that we had a nice bearish bar to go low below that had just come off a pullback to the EMA as well.

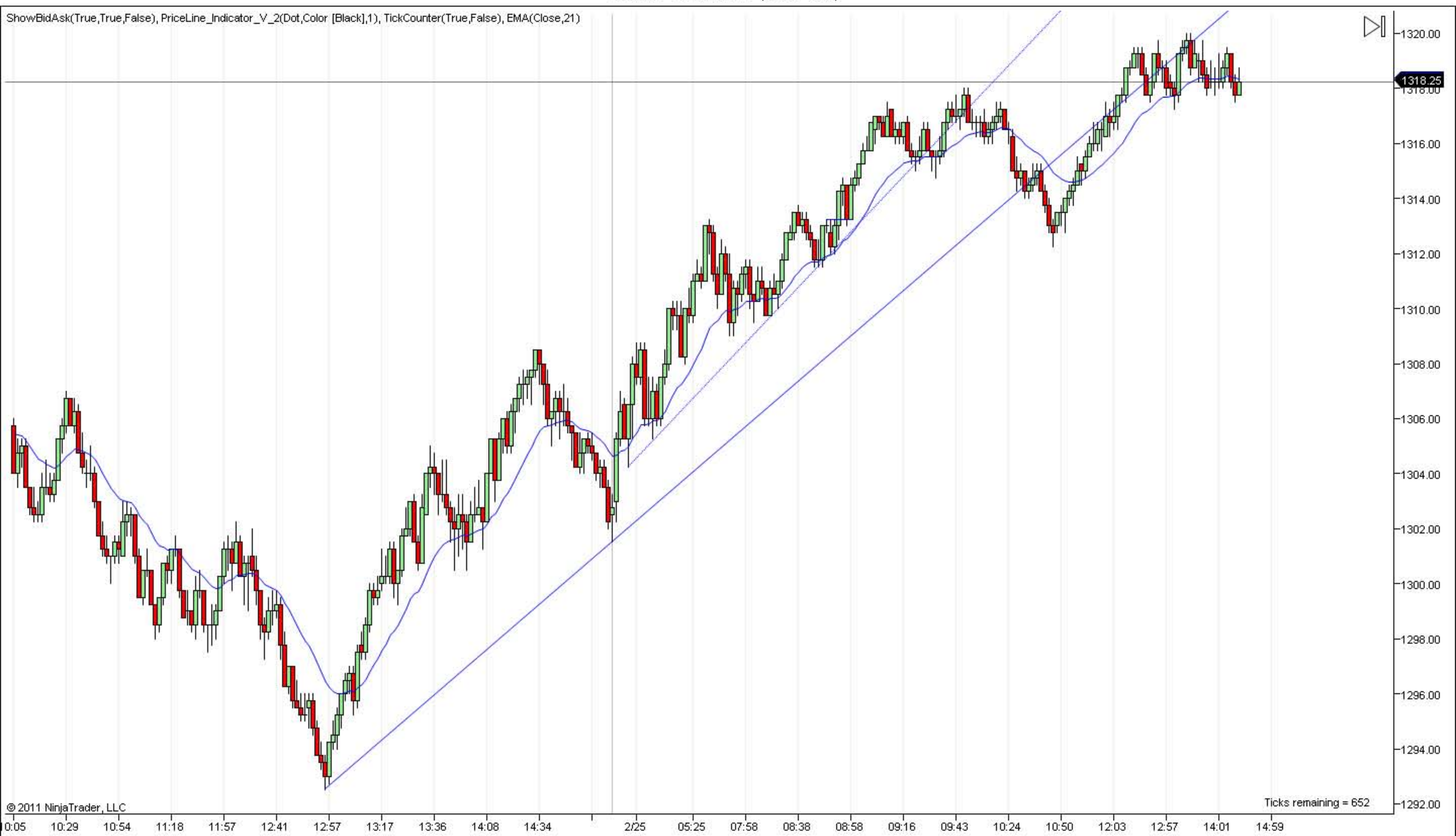
9) The trend was up now, and this was a breakout pullback long. Notice that prices reversed right at the trend line for the third time confirming it yet again. The move up off the low reversal was strong, and there was no break of the trend line yet, so any valid long was a good entry.

10) This was another breakout pullback long in what was an up trend. Prices did break the trend line, which was steep as well, but we know that we will usually get two legs up to a new high. This pattern was also a double bottom pullback long, so more than one reason to go long here. You actually could have entered 3 bars earlier above that bullish reversal bar that was a failed 2nd entry short, but there were so many overlapping bars that it was better to wait on a breakout pullback long before entering.

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ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. I'm going to attach two charts today. One will give you the bigger picture so that you can see how I had my trend lines drawn. The trend was definitely up, although prices spent most of the day ranging. There were not a lot of entries today either. It was just one of those slow but meandering Friday trends that just did not have a lot of strength. Most of the movement came in two legs, with the rest of the day spent in small 2 to 3 point ranges.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a 2nd entry long after a 3rd or 4th bounce off the strong support area, but this time, the steeper and shorter term trend line was there to give the bounce the extra strength it needed to break up and out of this trading range. When prices start ranging, but are above the trend line, it is usually best to wait on that touch of the trend line to make sure you will get a nice bounce before entering. With the 2nd entry and the fact that we had a nice bullish reversal bar to go long above, this was the ideal entry spot. Your runners were safe too, and worth as many as 9+ points depending on where you exited.

2) This was a 2nd entry long on another pullback to the EMA and trend line in an upward trending market. This was also a breakout pullback, 2nd entry long with the trend. Regardless, the two-legged pullback to the EMA pattern is our bread and butter trade and it makes us a lot of money. This time was no different, and although there were no runners here, the scalp was quick and easy with no heat.

3) The first breakout was not that strong, so prices came back and tried to reverse, only to create another breakout pullback long entry. This is common when the market is choppy or in a choppy range area. In the end, it's simply another breakout pullback long.

4) Prices were actually in a small trading range here with several overlapping bars and dojis. When they ticked lower and failed out the low side and created a double bottom with trapped shorts, particularly since it was right near the steeper trend line and EMA, it was a low risk entry and it worked out well once it took off.

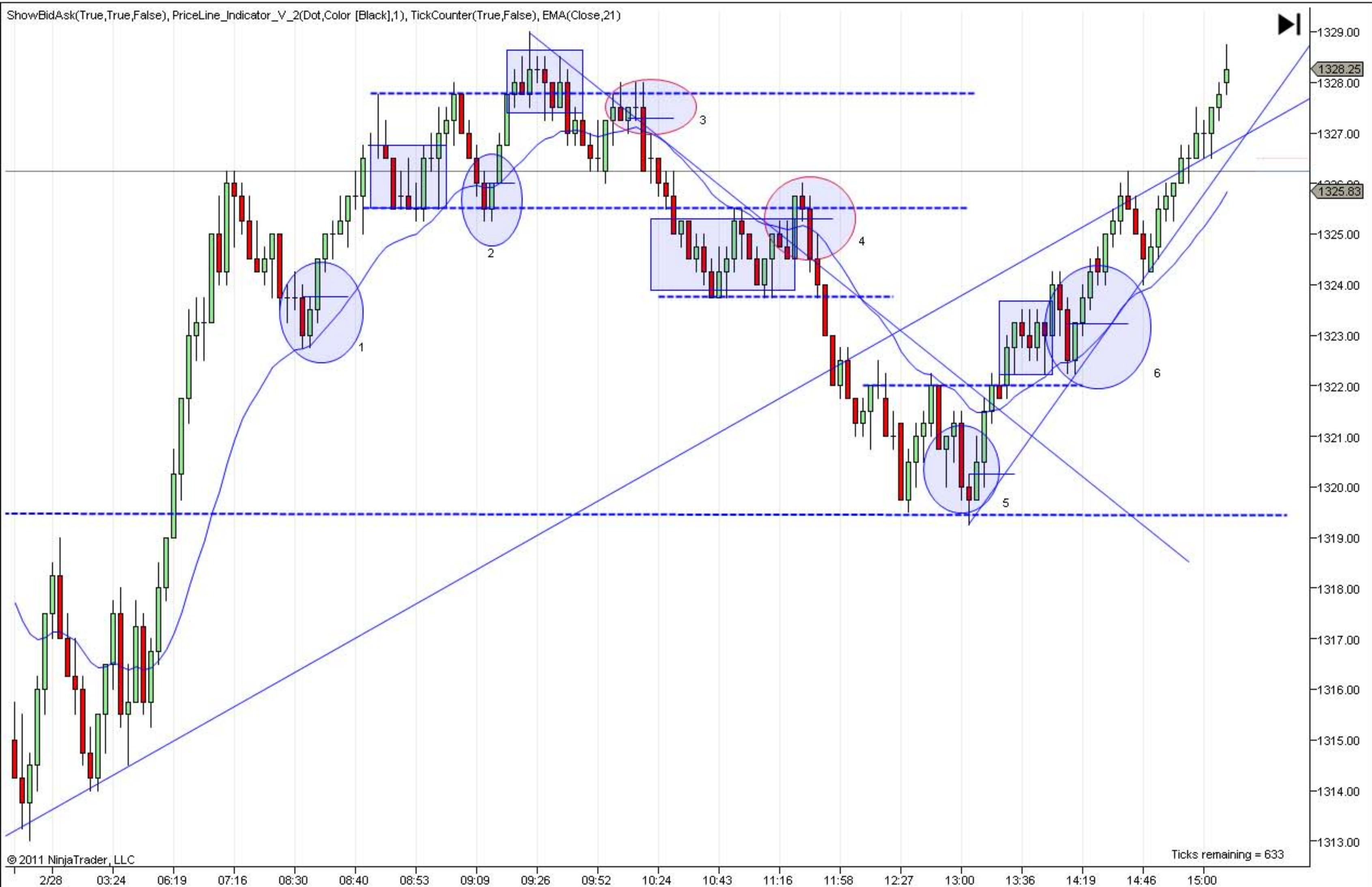
There were a couple of reasonable shorts between trades 4 and 5, but there was a two day trend line that had not been broken yet, so taking any shorts until that time was risky. I noted (with blue arrows) two possible shorts that were long traps that were reasonable shorts for a scalp only, if you saw them, but it was best to be on the sidelines waiting for the rally to pick up again.

5) This was a 2nd entry long with a beautiful bullish reversal bar to go long above. Many traders thought the trend was down now, so they were looking for shorts, and a short that sets up that far away from the EMA is very likely to fail and reverse on you, even if the trend is down. Since this was the first break of a two-day trend line, many smart traders were ready to go long with the right set up, and this was it. This entire pullback was a typical late morning stop run that will happen very often in the ES. These stop runs trap out long traders, but also trap in weak traders that are counter trend trading. Those weak shorts have to exit and the trapped out longs have to re-enter, so they also begin to chase the market higher. The exiting shorts and new longs quickly push the market to a new high. This is one of those key entries we have every day and if you caught it, it was an easy ride up for 6 points before there was any real pull back at all.

6) This was a breakout pullback long, following a very bullish move up, so it's very likely to yield a scalper's profit at a minimum.

7) This was a 2nd entry long following a two-legged pullback to the EMA in an up trending market. We usually see two legs up to a new high on most retest attempts, so even if the trend is ending, a good set up with trend is worth the risk. This is our money trade (2nd entry long with the trend), and with it coming off a double bottom that went one tick lower, we know that there will likely be trapped shorts as well, so that gives the trade additional merit. Look how prices exploded up from there. While there were no runners, it was another quick and easy scalper's profit with little or no heat!

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Daily Comment: Here is today's chart lesson for the ES. Today was a range day, although there was a nice trend down, followed by another nice trend back up to test the high of the day. There was actually a longer-term trend line that was broken, and then a successful retest to a new high. If you didn't have this trend line in place, it would have been easy to get fooled at the low before the rally to the retest took place. Even if you had just started your trend line off the low of the overnight, you still should have gotten this same trend line.

Notice too that this late morning correction was nothing more than a breakout pullback long from the break above the previous strong resistance area at 1319.50. Prices will almost always pull back to test former strong sup/res areas, so that was a good target to be eyeing during this larger pull back today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a 2nd entry long after a two-legged pullback to the EMA after a huge bullish leg up. There was actually a false break higher about two bars earlier, but the set up there was not a good one. Prices were too close to the EMA not to wait on a touch of it first, and you have to go long after several overlapping bars and a doji, so not a great set up. This pattern is two equal legs back to the EMA, but the second leg itself consisted of two legs, so it's possible you could have gotten fooled and shaken out of this one with a loss. All the same, it's a two-legged pullback to the EMA in an up trending market, and that's our favorite entry.

2) This was another two-legged pull back to the EMA in an up trend, but prices were actually now in a larger trading range, and with this small reversal bar near the low of the trading range and at the EMA, prices were likely to at least test the high of the trading range again.

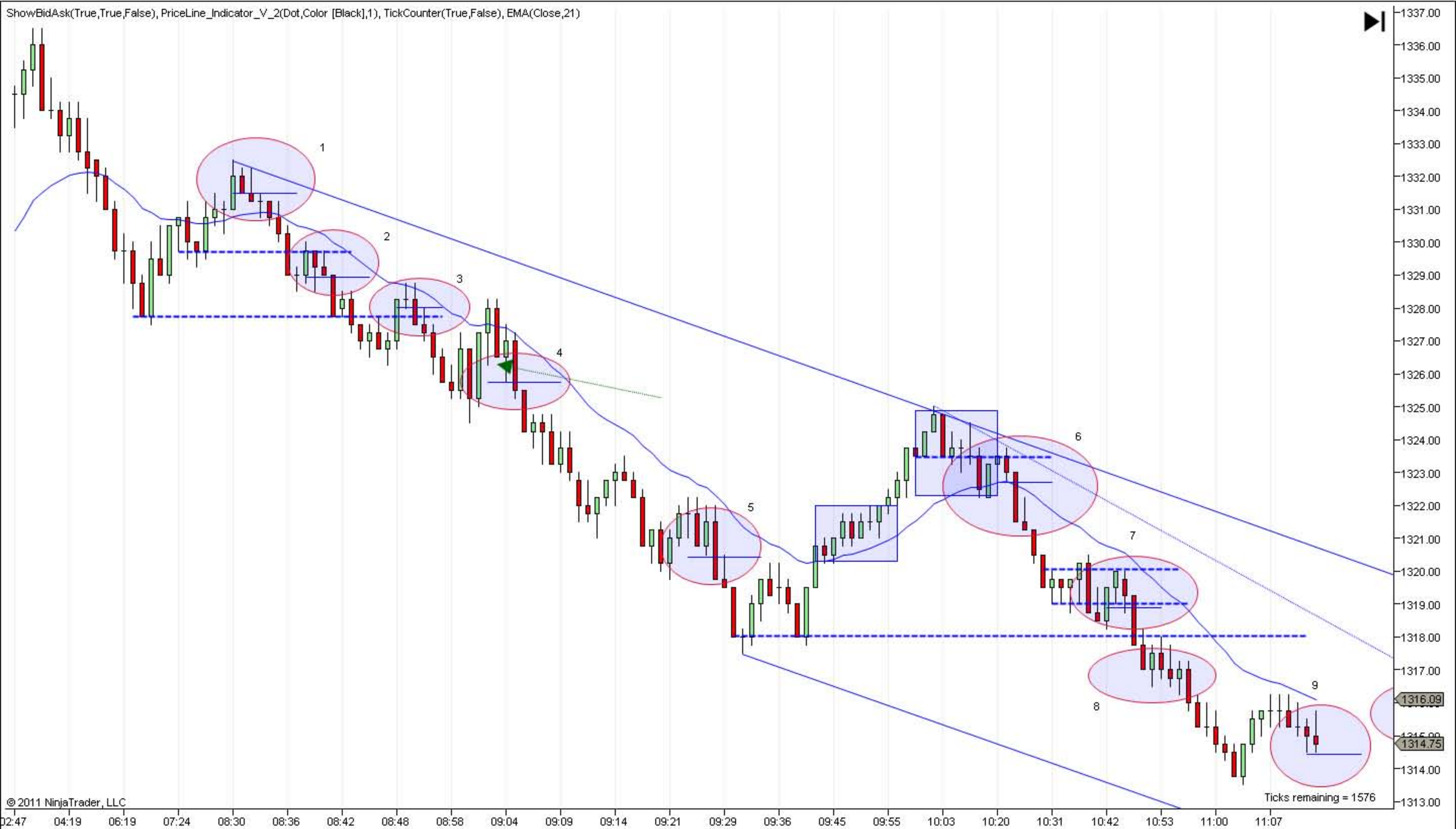
3) This was another failed 2nd entry long that trapped long traders, but also a failed breakout pullback long, right at the top of the trading range where you would expect a possible failure. It was actually a 2nd entry short off the low that just came from below the EMA. Prices were definitely in a trading range now and this was also a small breakout pullback short from the small congestion that formed at the high of the day, so while tricky, there were several reasons to look for a short here.

4) This entry was almost a repeat pattern to trade 3. It's a failed break higher right at the high of what was another small trading range with a small bearish bar to go short below. There was plenty of room to scalp out before reaching the other side of the range, and if you caught this entry, any runners were easily safe and worth multiple points.

5) Even though there were a couple of opportunities to scalp out a successful trade during this small range, with this being the first break of the longer term trend line, I felt it was best to wait on a long entry. This pull back was also the breakout pullback from the break higher from the overnight rally, which was never tested previously, so a bounce here was likely, even if only enough to reach a scalper's profit. When this double bottom set up with a failed break lower that also trapped shorts, this 2nd entry long was a chance to try and get long at the low of the day, and that's exactly what this turned out to be. This was one of those key entries and any runners were easily safe and worth multiple points.

6) This was a breakout pullback long, but there was also a failed 2nd entry short here that trapped shorts, and it was a nice move up from here. This higher swing confirmed the new trend and while it was too late in the day to take any more longs, your runners would have been safe here and you could have ridden them out to the close of the day and a new high.

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ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a spectacular trading day in the ES and it's one of those rare trends that we wish we could get every single day. Today was a bear trend day from the very open, and it's also one of those trends that begin off the 8:30 AM CST regular open that you hear me talk about occasionally. Normally you will get your trend line off the first two swings of the overnight, but occasionally, it will start off the regular open like it did today, so be aware of that.

On days like this, you have take every set up that comes at the EMA or trend line, and if you did that, there were so many set ups it's doubtful you could take them all. Literally, every pullback was a chance to go short as soon as you got a set up. Rather than discuss every pull back, I'm simply going to go over the first 8 trades, then give you a full shot of my chart so you can see every set up that I circled. Each one is a good set up at the EMA, trend line or both. If you had taken any set up at the EMA or trend line today, it was a winner with very little stress or effort.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a two-legged pull back to the EMA in a downward trending market. Notice that each leg actually consists of two legs, so based on the count on our chart, this is a 4th entry short. We don't look at multiple charts, so it's always wise to learn to spot the big picture on our current trading chart, and if you can do that, it's a little easier to see that this was a 2nd entry short on a larger time frame in a down trending market, and that is our bread and butter entry. If you caught this entry, you were short from the high of the day and any runners were easily safe and worth as many as 25 points depending on where you exited.

2) This was a small breakout pullback, 2nd entry short. This is actually a small two-legged pullback to the EMA, but the market was so weak, this is all it could muster up for a pullback. With fairly bearish leg down after the regular open, you would expect at least a 2nd leg, so with this 2nd entry short with the trend, along with the fact that there was room to scalp out before reaching the previous low, it was worth the risk to enter short here.

3) This another breakout pullback short during a pullback to the EMA in a downtrend. This is really a repeat pattern to trade 2, and any time you see a pattern once during the day, it is likely to repeat one or more times during the same trading day.

4) This is another two-legged pullback to the EMA in a downward trending market, so it's close enough to the pattern to be a 2nd entry off the low side of the market (that entry is marked by the green arrow). Since the previous break lower was a failed one, it was better to wait on a 2nd entry off the high though. Even if you took the first entry, it was still a good entry and would have worked out, but any time you are unsure, it's usually best to wait and see if you will get a 2nd entry off the pullback side of the trade. 2nd entries with trend fail very rarely, and are almost always a good trade.

5) This is a repeat pattern to trade 4. It's a 2nd entry short off the high side of the pullback following a failed break lower. On a normal day, this entry might be questionable, but with such a strong trend, every pullback to the EMA that offers a good set up is worth taking.

6) This is a fade of a failed 2nd entry long, but it's a repeat pattern to trades 2 and 3. Most traders thought the downtrend was over, but if you had your trend line in place and drawn off the first two bars from the regular open, you would have known better than to go long here. This was also a break lower out of the small trading range where there were quite a few overlapping bars and dojis too, so another reason not to be looking for any longs right now. The break lower out of the congestion area also makes this a breakout pullback short, with trapped longs off the 2nd entry long that failed. Notice how strong the sell off was from here as all the trapped longs realized the downtrend was not over and they all begin exiting. This was another key entry point and your runners would have been safe and worth a lot of extra points!

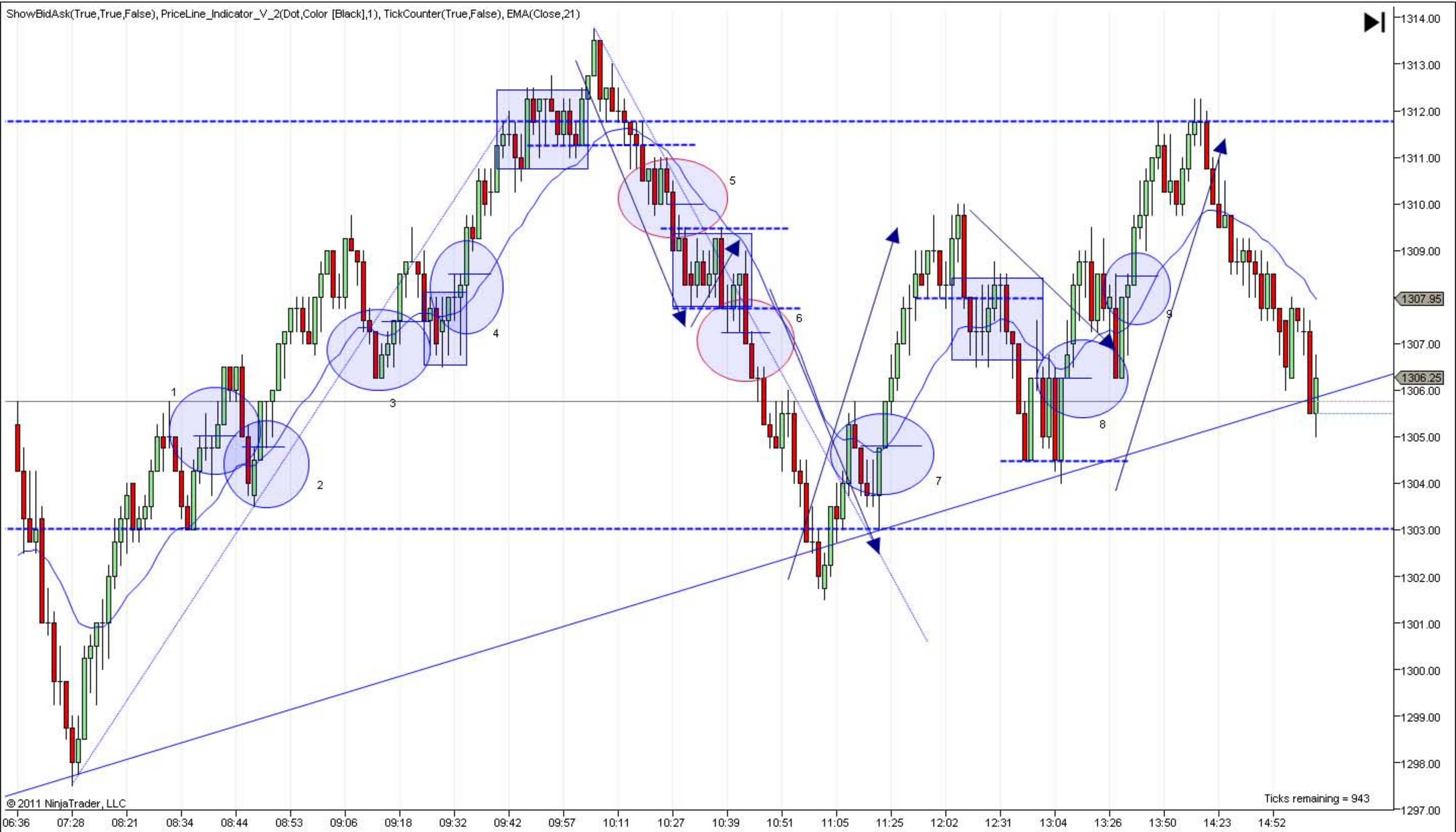
7) This is another repeat pattern, this time it was a repeat of trades 2, 3 and 6. Again, any runners were easily safe and worth multiple points. Every time it appears that there is a failed break lower, the counter trend traders are coming in and buying, and every time they are simply setting themselves up for the with trend traders to take their hard earned money, and this is what we are trying to take advantage of by staying with the trend. Runners are safe here too.

8) This is the same pattern yet again. Most of the counter trend traders are getting smarter now, but simply because they can't take the pain any longer, so the failed breakout that usually has more strength is barely even noticeable this time, as there are no many traders still willing to enter against this strong trend, so the market quickly sells off again to another new low. Again, your runners are easily safe!

9) Another 2nd entry short during a pullback to the EMA in a strong downtrend. This is our bread and butter pattern, and once again, it serves us well for another easy scalp. No runners this time.

Again, there were many other entries today, and I did not mark the rest of them due to the fact that they are all simply with trend entries during a pullback to the EMA or trend line. It is very obvious by now that this is a very strong trend, so take every good set up during any pullback to the EMA and trend line until you have met your trading goal or one of them fails on you.

ShowBidAsk(True,True,False), PriceLine_Indicator_V_2(Dot,Color [Black],1), TickCounter(True,False), EMA(Close,21)



Daily Comment: Here is today's chart lesson for the ES. Today was a range day, although prices spent most of the day trending upward following the trend line off the two lowest swings of the overnight session.

With the exception of the sell off between 10:00 AM and 11:00 AM, it was best to look for longs, as the overall trend was up. You can usually get an idea of when a short-term trend is ending if you make sure you are drawing your trend lines. Notice that both short-term trends had a break of the trend line, and then a retest before the trend reversed. Make sure you use trend lines on these short-term trends during range days.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a 2nd entry long coming off a double bottom during a pullback to the EMA. You could have gone long two bars earlier, but because prices were coming off a double top during this pullback, it was better to wait on a 2nd entry. Notice too that this is a fade of a failed 2nd entry short off the double top, so there was likely to be trapped shorts to help push us up to a scalper's profit.

2) This is a breakout pullback long, but it's also a double bottom pullback long. The key was the reversal of the pullback right at a touch of the short-term trend line, which was off the first two bars of this trend. When prices tested the trend line and immediately reversed, that confirmed the trend line and it also gave us a nice bullish reversal type bar to go long above. This was one of those key entry points, which usually occur during a pullback to the EMA or trend line, or failed breaks out of trading ranges. Any runners were easily safe and worth multiple points depending on where you exited.

3) This was the first break of our trend line, so we know we are not looking for shorts just yet, not without a retest of the high first. The first two bars were green, so it was OK to go long above them, but it was better to wait and see if we got a better bullish bar, or a 2nd entry. We actually got both, but when this third bar in a row closed bullish and higher, it was a good long entry if prices could break above it's high.

4) This was the 2nd entry and the lower risk entry that I talked about just above in trade 3. By the time the 2nd entry triggered though, there were too many overlapping bars and dojis, so it was best to sit tight and see if a trap would not set up first. Prices then tried to go lower on a 2nd entry short, and immediately failed and reversed back up again, creating a 2nd entry long off the low here, but it also gave us a nice bullish reversal bar to go long above. This was another key entry, as the counter trend traders that were not aware of price action rules thought that they had caught the top. We know however that a retest with a new high is more likely, and by being patient and staying with the trend, it was another nice ride up for any runners that were worth several more points for us.

5) This was a breakout pullback short after a failed break higher at a strong resistance area that turned out to be the upper side of the days trading range. This was also a fade of a 2nd entry long that failed and trapped long traders. Remember, we had a break of our short-term trend line, so a correction of a larger magnitude is now probable.

6) This is another breakout pullback short after a pullback to the EMA, but it's also a 2nd entry short coming off the small double top. Notice that there was a failed 2nd entry short inside the small congestion area, but it's too risky to go short at the very low of the trading range with that many overlapping bars, so it's best to wait on a breakout pullback, and this was it with a very nice bearish reversal bar coming off the EMA.

7) This was a 2nd entry long coming after a 2nd bounce off the trend line and a failed break below the support of the larger trading range. You had the trend line and the trading range support area both below you, and with this strong of a bullish reversal bar, there would be trapped shorts here to help push us to a scalper's profit. This turned out to be another key entry and it was a nice ride up for about 5 points.

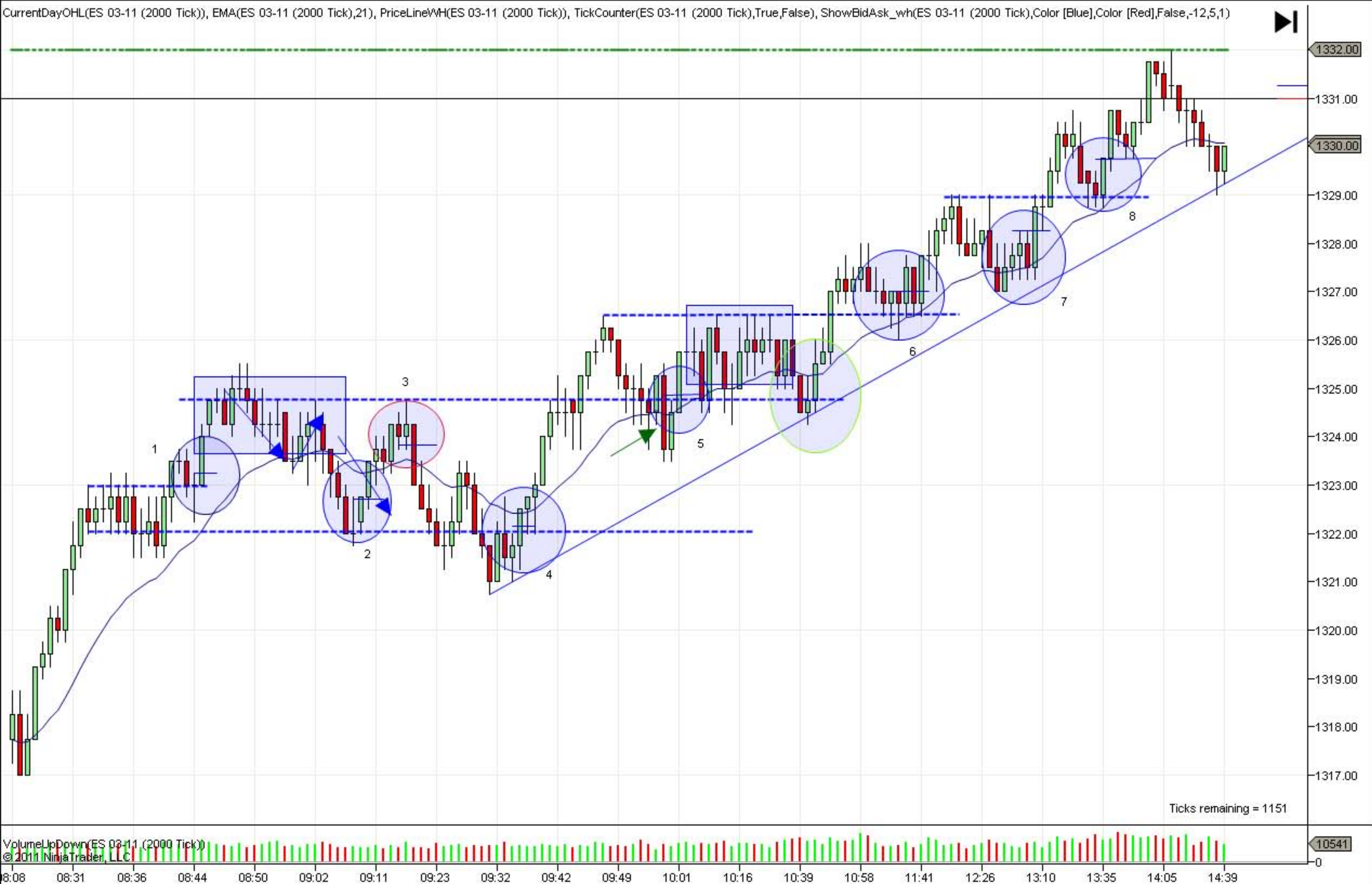
8) Yet another touch of the trend line with an immediate reversal bar that gave us an excellent chance to get long again. There was a failed 2nd entry short, coming off a pullback to the EMA, so we know there are trapped shorts here, and they quickly pushed our entry up to another scalper's profit. Notice that there were two legs down to this low as well, so now we should expect two legs up, with a strong possibility that prices will at least test the high of the range again.

9) This was a 2nd entry long during a pullback to the EMA. This entire move up should most likely be an equal leg to the first leg up. If you measure the two legs, you will see that they are almost equal if not exact. I used some blue arrows to help you see the two legs. Remember, the market moves in two's, so we are always looking for two legs, and then a correction and maybe even a reversal, particularly on range type days.

Again, there were other entries today, and I only marked the obvious entries that were solid price action set ups that fall within our trading rules.

ES 03-11 (2000 Tick) 3/3/2011

CurrentDayOHL(ES 03-11 (2000 Tick)), EMA(ES 03-11 (2000 Tick),21), PriceLineWH(ES 03-11 (2000 Tick)), TickCounter(ES 03-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 03-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



VolumeUpDown(ES 03-11 (2000 Tick))
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Daily Comment: Here is today's chart lesson for the ES. While today started out a little slow with prices being range bound, there was really a nice rally following the failed break out the lower side of the range around 9:30 AM CST, which is right around trade 4.

Many rallies will start on a failed break like this. Prices traded up into this trading range, so the bias was for prices to fail out the low side and break out successfully to the long side. These are basic price action rules and we must be aware of them if, but most importantly, we have to be willing to take a chance and enter when the set up presents itself. The best traders are ready to enter to the long side at the break out, while weak and inexperienced traders want to be trying to get short there, and they simply get trapped on the wrong side of the market at a key low or high price level.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a breakout pullback long during a pullback to the EMA in an upward trending market. Prices had gone into a small range after a nice rally up. Notice that prices failed out the low side first (counter trend), but succeeded on the breakout at the top (with trend), which is the bias out price action rules teach us to watch for. This was also a 2nd entry off the double bottom where prices failed out the bottom of the small range, so that makes this a double bottom, pullback long entry as well.

2) After two legs back to test the low side of the range, prices bounced again, and offered a 2nd entry long at the low of a strong support point. Notice the two legs down, but notice too there were two legs in the first leg, so that makes this a 2nd entry long off the high on a larger time frame, and that is important, so learn to spot these moves. I used some arrows to help you see the two larger legs in case you are having trouble with that. Remember, the market moves in two, and that's what 2nd entries are really all about. Fading the 2nd leg, expecting two legs in the opposite direction now.

3) Now after two legs up, prices reversed off the high side of the range. The likely target is the other (lower) side of the range, so that is also a good target for any runners. This was a 2nd entry short off a double top, so a scalper's profit is very likely.

4) Again, notice the two legs down to this failed break out. Since there were two cleaner and more bearish legs down off a double bottom, fading the break out was questionable, and it was better to wait on a 2nd entry long off the low side, because that would also give us some trapped longs if it was to set up. When prices ticked lower and immediately reversed up again, we now had trapped shorts at a significant low for the day. This final low was also a perfect retest of the break above the double top from earlier in the morning, which is a good place to be watching for a possible reversal, so more than one reason to be watching for a break higher here. This was one of those key entry points, and if you caught it, you were long from almost the low of the day, and any runners were easily safe and worth as many as 10 points depending on where you exited.

5) This is a repeat pattern to trade 4, but at the top of the range now. This was another two-legged move back to the EMA, and was a breakout pullback long. This is a good example of something worth noting as well. Normally the best reversals are after the market attempts something twice and fails, and when that happens, prices usually succeed in going much further in the opposite direction. Notice that there was a 2nd entry long counting down off the top, but also notice, that prices never really attempted a 2nd entry short until the tick lower that I marked with the green arrow. The best 2nd entries will have two pushes lower with a higher point in between (reverse that for longs). There were other reasons not to go long earlier as well, as both the 1st and 2nd entry longs off the high side count were going long above a doji with no bullish strength in any of the bars yet. When considering a 2nd entry, you want to usually see a show of strength in your entry direction on the first entry before considering the 2nd entry, unless prices are in a strong trend. Notice that by waiting and not taking that first 2nd entry long, there was a one tick failed break lower off the double bottom, so that gave us two tries to go lower that also trapped shorts! No runners this time, but it was an easy scalp.

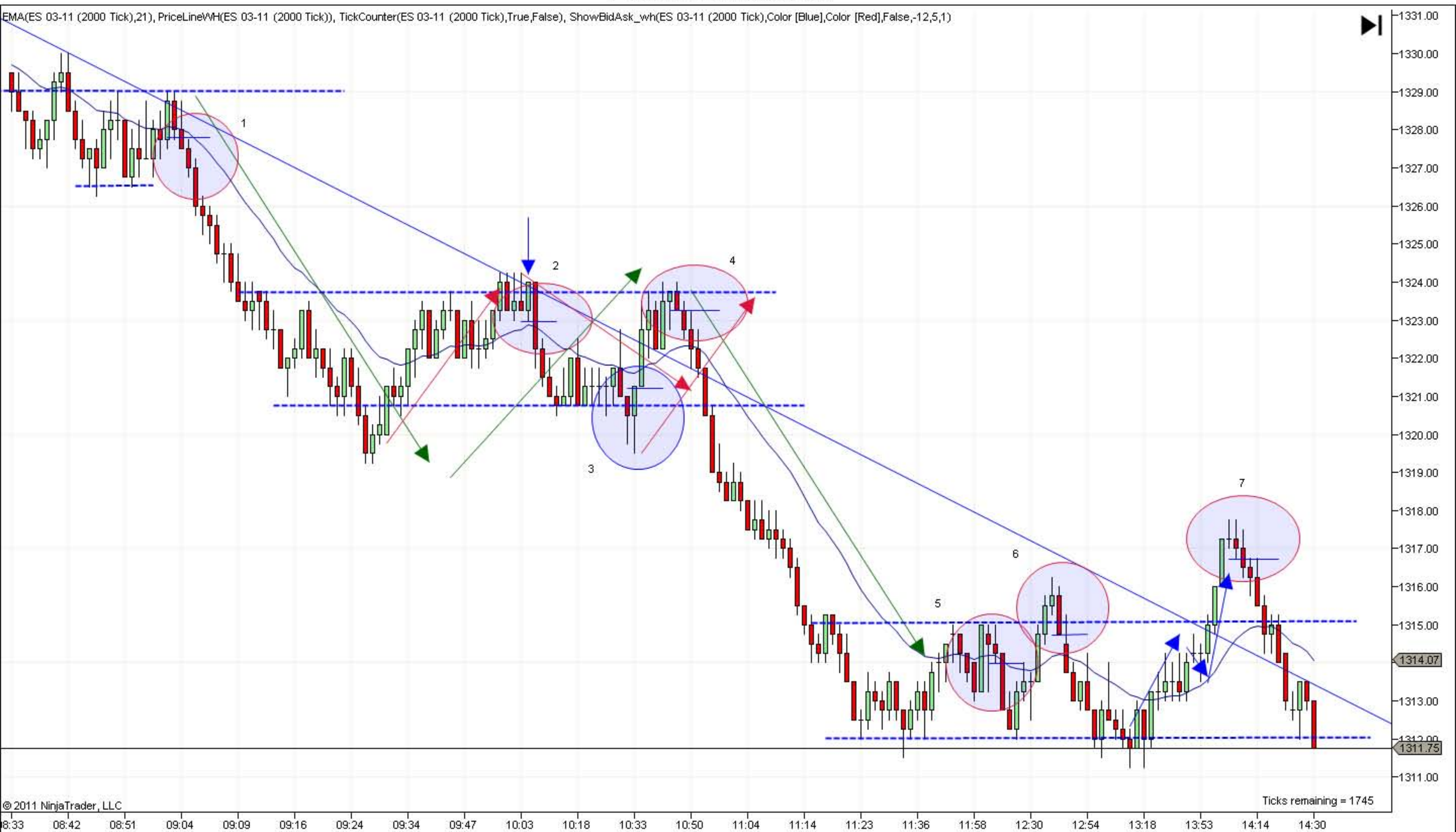
Notice the green circle. That was a possible long and if you took it, it was OK because prices created a double bottom there, with a bounce off the trend line. The only issue with the entry was you had to go long above a doji that was too tall to allow you to scalp out with 4 ticks before reaching the high of the trading range, and there is always a possibility that prices will stall or reverse at the top of the range. Again, this entry was OK, but I was hesitant to take this trade today myself because of these reasons, so I skipped it.

6) This is another two-legged pull back to the EMA in an upward trending market, and this is our favorite entry. It was also a failed break below the small double bottom, so there are possible trapped shorts. This one took a moment to follow through (so probably not many shorts were fooled), but the entry never really took much heat either. It was actually a 2nd entry long off the low as well.

7) This is a repeat pattern to trade 6, and it was simply another two-legged pullback to the EMA in an upward trending market. By waiting for another bullish bar to enter, we got another attempt to go low that failed, so a break above that small two bar matching high gave us a 2nd entry off the low with two failed tries to go lower, and that gives the long more merit. It's also fairly obvious by now that we are in an upward trending market, so we should take every good strong pattern during pullbacks.

8) This was a breakout pullback long with a nice bullish bar to go long above. The longs were getting really confident in the trend now, and when that happens, a correction is probably not far behind, so don't chase the market higher if you miss an entry like this. There was a 2nd entry long a few bars higher, but it was so close to the double top that it was a risky entry. The trade worked out to the tick for a scalper's profit, but the bulls had to work really hard to squeeze out that last tick, and then the market sold off back to the trend line.

EMA(ES 03-11 (2000 Tick),21), PriceLineWH(ES 03-11 (2000 Tick)), TickCounter(ES 03-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 03-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Today was another nice trend day with a strong sell off that reversed late in the day taking back a large portion of the move down. There were not a lot of entries today, but that was because most of the moves were so prolonged with little or not pullbacks. The ES is slowly becoming the market of choice for traders again, and that is nice to see.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a double top during a downward trending market, but what made this a nice entry was the fact that it was a failed 2nd entry long coming off a double bottom, so there were lots of trapped longs here and when prices reversed at the double top, a minimum expectation is a scalper's profit, but since prices trended down into this small congestion area, the bias will be for a downside breakout and when prices broke lower, there never really checked up at all, and it was a strong move down with any runners being worth many points depending on where you chose to exit.

2) This was a 2nd entry short off another double top, but this was also a failed break higher above the larger double top, so there would be trapped traders if prices can turn lower. Notice that the 2nd entry triggered a bar earlier (a break below the bar just under the arrow was the 2nd entry trigger), but there were 4 overlapping bars, so it was not a good entry. Notice too that prices reversed and tried to go higher closing with a bullish bar. That was basically two tries, or two legs that tried to break above the trend line that failed, so if prices can turn back down and break lower, they are now likely to succeed in going much lower, so this was a trap of sorts right at the down sloping trend line, and it was a quick move down to a scalper's profit.

3) This was a fade of a failed break lower below the low of the trading range. With a nice bullish reversal bar like this one, prices were likely to go back and test the high of the trading range at a minimum. The trapped shorts will have to exit on a break above this bar, and that should drive prices up rather quickly, which is exactly what happened here. When you see "strong" bullish or bearish reversal bars at the highs and lows of trading ranges, they are almost sure bets for at least a scalp.

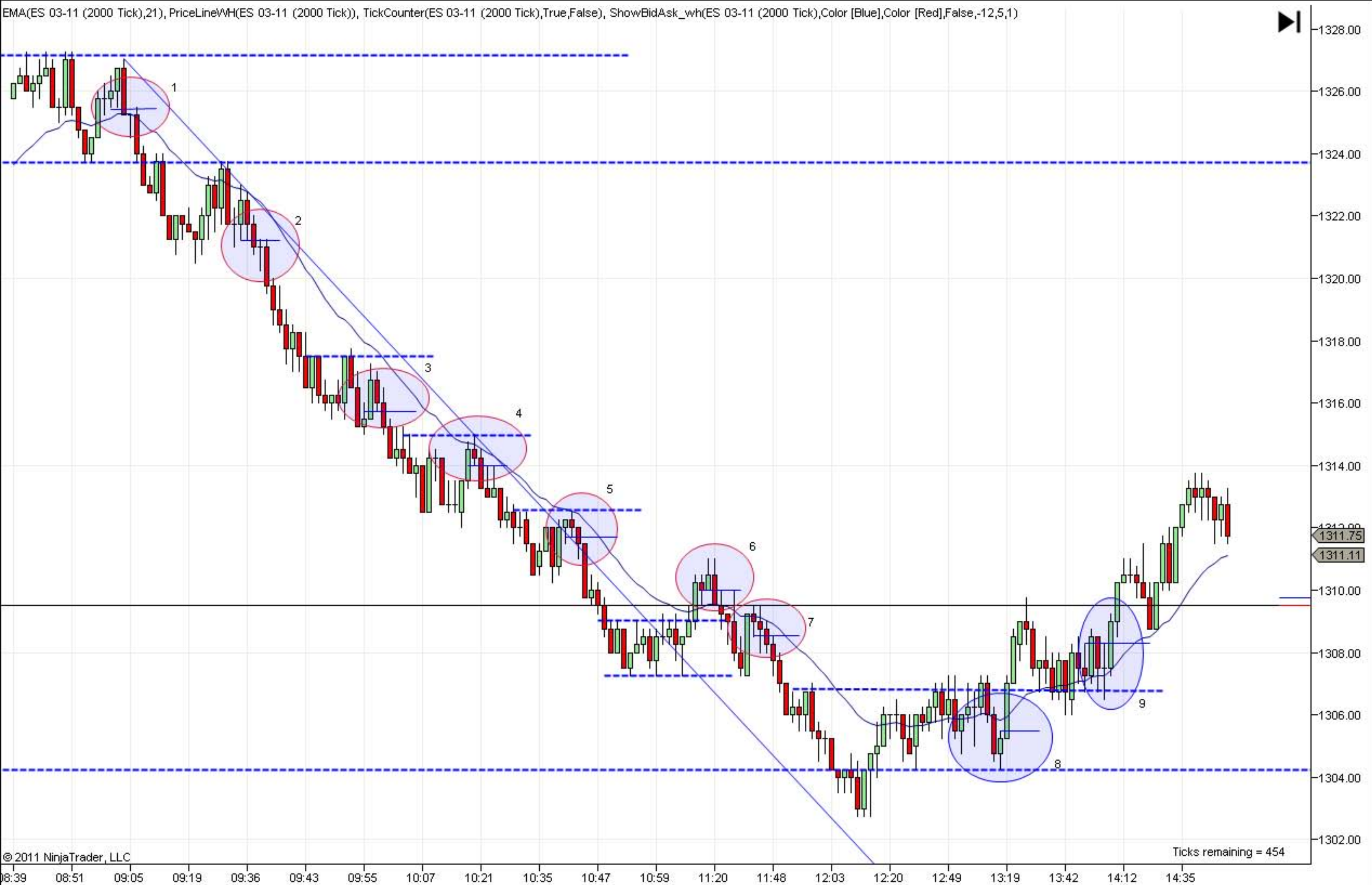
4) This was another reversal at the high of the trading range, and it's a repeat pattern to trades 1 and 2 as well. Remember, prices traded down into this range on a very bearish move, so the bias is for a failed break higher and a successful break lower. The move down once it breaks out of this range is likely to be a measured move compared to the first leg down, and it was VERY close. I used green arrows to highlight the two-legged move so that you could easily see it. Notice too that the trading range is a larger two-legged move (noted by red arrows), so that was another clue to be looking for a reversal. Remember, the market moves in twos, and we are always looking for two moves so that we know a move is over and another move about to start. This was a 2nd entry short, following a 2nd failed break higher that likely trapped more longs. If you missed this entry, you likely missed most of this move, because there was no real breakout pullback short to enter on when prices broke below the trading range. Any runners were easily safe and worth about 10 or 11 points before there was any real pullback to scare you out of the trade.

5) This was 2nd entry short off a double top at the high of what was looking like another trading range. A double top during a pullback in a bear, or a double bottom during a pullback in a bull is usually good for at least a scalper's profit, and this entry was no different.

6) This was the first real break higher above the trading range, so it is most likely going to fail, and when we got such a nice bearish bar to go short below, it was worth the risk to try and ride this market lower, as most re-tests consist of two legs, so there is a chance we could get another strong move lower like the first two legs down. Turns out it was an easy ride down to the bottom, but no big runners here unfortunately.

7) This was a 2nd entry short, and it was a bit tricky too, because the move up looked very bullish. The key was there were two legs up, and it was also a break out of the trading range, so prices are most likely going to come back and test the break out area. Again, I noted the two legs with blue arrows to help you see it. If you want to catch moves like this, you have to watch for the subtle price action clues like this, and understand what prices are likely to do. There were probably many long traders that chased the market higher on that break out of the trading range, and you can see that they were all punished by smart traders that understand price action fading that break higher. This was a quick and easy move down for 5 points if you were paying attention.

EMA(ES 03-11 (2000 Tick),21), PriceLineWH(ES 03-11 (2000 Tick)), TickCounter(ES 03-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 03-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Today was a strong trend day early, but the trend line was broken late morning, and after a retest with a new low, the market moved higher into the close. The ES is coming to life again, and I traded it alone today. Seems everyone has now lost interest in the Euro and moved over to the ES and oil. I was tempted to take a few trades in oil as well, but decided to stick to the ES since it has been moving so well lately.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a 2nd entry short with a lower high coming off a triple top. The previous move down made a lower low, and the move back up made a lower high, so the sellers were getting stronger and the buyers were losing steam. With a 2nd entry short very close to a triple top, there was a good chance prices would at least test the low again, and that gave us enough room to scalp out, and this entry was likely to reach a scalper's profit at a minimum. It turns out that this was a chance to get short at the high of the day almost, and any runners were worth a lot of points depending on where you exited.

2) This was a repeat pattern to trade 1. Remember to always watch for patterns to repeat during the day, as this is very common. This was a 2nd entry short, coming off a double top that made a lower high again. Runners were safe this time too, and they were worth a lot of points!

3) Again, this is simple a repeat pattern to trades 1 and 2. Notice the double top, then the pull back to test it again that made the lower high. Once prices broke lower, it was off to the downside again. Runners were safe this time too, and worth many points!

4) This was close enough to be another repeat pattern, but regardless, it's a two-legged pullback to the EMA in a strong downtrend and that is our favorite entry. This one was good for an easy scalp, and any runners were worth multiple points too. By this time, it's obvious that this is a strong down trend, and you should sell every pullback until there is a trend line break.

5) This is almost an exact repeat pattern to trade 4, which is simply a two-legged pullback to the EMA in a downtrend, and that's our big money maker. It was another easy no-brainer entry and your runners were safe again too and worth many points.

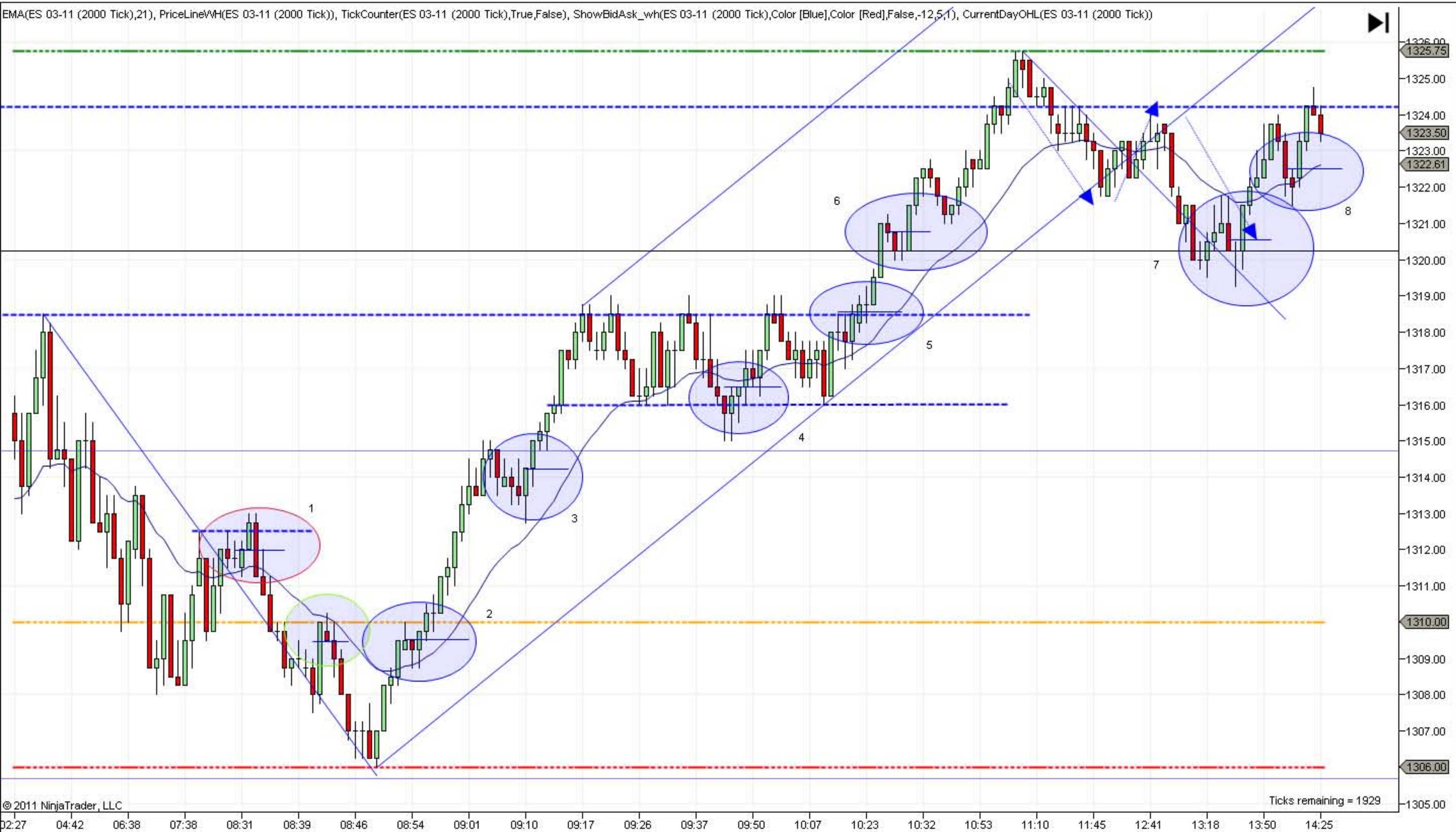
6) Prices went into a small trading range after selling off from trade 5. Our price action rules tell us that the bias will be for prices to fail out the high side of the small range, so if that happens, we want to fade it and go short on any reversal. This is a 2nd entry short and fade of a failed break higher out of the small trading range. The missed our breakeven runners by a single tick, so any runners were worth several points depending on where you exited. Since prices did break the trend line here, covering your runners after two clear legs down is probably a smart move.

7) This entry was a 2nd entry short, following a failed 2nd entry long that surely trapped longs trying to catch a bottom after the big sell off. I was tempted to buy that break above the large bullish bar myself, but I knew there was no new low in yet, so the odds of prices reversing were not good, so by sitting idle, I was able to take advantage of the trapped longs when they had to reverse on the one tick failed break higher. This was another quick move lower and any runners were safe again this time too and worth several points at a minimum.

8) Notice that we now had a trend line break followed by a successful retest with two legs lower to a new low for the day. There is a long term and strong support area at 1304.25, so when prices broke below there and reversed, that was a good indication that prices were now probably going try and work higher from this level, so we need to be very careful about any new shorts, while also waiting for a good setup before attempting to go long as well. This was a double bottom with a nice reversal type bar to go long above that first broke lower out of the small congestion area and failed, immediately reversing back to the long side. This was one of those key entry points that trapped shorts at almost the low of the day before reversing. If you caught it, your runners were safe and could have been worth many points depending on where you exited.

9) This was a breakout pullback long that tried to go lower twice and failed. We know that once the market attempts to do something twice, especially when counter trend, and fails, it's very likely to succeed in going much further in the opposite direction. The market was not trending up, so when prices had a failed 2nd entry short, this entry was a fade of that failed 2nd entry, and there will likely be trapped shorts that were not paying attention to the trend line break and the fact that prices are now making higher highs and higher lows. Notice that most of the bars in this small trading range are all above the EMA, as that is a strong clue as to where prices are likely headed.... Which is up. Most every runner was a survivor today, and this one was too, so hopefully you got several points from it if you caught the entry.

EMA(ES 03-11 (2000 Tick),21), PriceLine\WH(ES 03-11 (2000 Tick)), TickCounter(ES 03-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 03-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1), CurrentDayOHL(ES 03-11 (2000 Tick))



Daily Comment: Here is today's chart lesson for the ES. Today was another trend day, and it was a continuation of the rally that started yesterday. There was a small downtrend in the overnight that completed its pattern just after the open, and it was mostly uphill after that with the exception of the two-legged correction that occurred in the late morning, early afternoon.

Notice that prices broke the down slopping trend line right at the open, then completed two legs down to a new low where prices abruptly reversed and begin a new and very strong trend to the upside.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was this first break of the trend line from the overnight session, so we must expect a retest attempt first, before looking for any longs. A lot of unfortunate traders got trapped here because they don't understand price action rules. This entry was a failed break above the small double top and it immediately trapped longs at the high of this pullback. When prices immediately reversed, going short was likely to yield at least a scalper's profit, but as you can see, any runners could have made you several points depending on where you exited.

Notice the green circle. If you went short there, that was OK, but that trade was questionable because of the failed break lower that reversed so quickly and closed with a very bullish bar. This was really a small trading range and there was enough room to scalp out again before reaching the low, so it was OK if you took it, but I did not like it and I think it was a risky entry based on what had just occurred. Even though prices did go lower, you can see that they immediately reversed and went into a strong rally from that point. You do not want to get trapped at a point like this, so that's why I did not mark this trade, but only made mention of it. If you got trapped short anywhere in here, you were trapped at the low of the day, and that's a place you never want to be!

2) We had the trend line break, and then two clear legs down to a new low, so when prices reversed sharply on the 2nd failed break lower, most traders were now in agreement that the down trend was over. This was a 2nd entry long, following a nice bullish leg up that went right on through the EMA. The small pullback was merely a test of the EMA on a pullback, so when prices reversed to the upside again, this was a great place to join the rally. Any runners were easily safe and worth a lot of points.

3) This was a 2nd entry long following a small two-legged pullback to the EMA in an up trend, which is our favorite moneymaker. This entry was no different, and it was off to the races once again. Runners were easily safe and worth several points, and if you didn't exit on the pull back, they were good for a lot of extra points.

4) This was a short trap, and it was a great place to get long with a nice bullish reversal bar to go long above. Prices actually got a little over done to the upside, and that's a good example of why you don't want to chase the market higher. Just when you think prices are never going to slow down, that's exactly when you will get trapped at a high or low point, so it was best to be patient and wait on a correction of some kind before looking for any new longs. Prices went into a trading range here, but what they were really trying to do was pull back and test the break out area back near trade 3. When they broke below the small double bottom, which turned out to be the low of the trading range, that trapped a lot of shorts that were looking for prices to go lower, and we want to enter where they will exit their losing trades. This entry hesitated a moment, but if you hung on, it was another easy scalp, although no runners this time. Prices were likely to at least test the high of the range, which is what happened.

5) This was a 2nd entry long, coming off a higher low, following a failed break lower. It was also a breakout pullback long, so more than one reason to go long here. The bias on this trading range was for prices to fail out the low side and succeed on a break out the high side. It took some work getting through this level, as it was a very strong resistance area, but once prices broke through, there was a nice continuation of the rally, which is what you would expect based on our price action rules. If you missed this entry, you could have gone long two bars later just above the small doji, as that was another form of a small breakout pullback long. Normally you must be careful of entering above or below a doji, but in this case, it was simply a hesitation bar, as prices completed a very small breakout pullback test. Any runners were easily safe and worth multiple points.

6) This was another small hesitation, as prices were trying again to test the break out area, since the previous tests were not very convincing. This market was strong though, and the breakout reversed quickly and ran higher. Any runners were safe again. On strong trend days like this, your runners can make you a lot of money, so don't be too quick to exit them.

7) This entire two-legged correction was the final attempt for prices to try and come back and retest the breakout. Regardless of how strong a market you might see, prices will eventually retest most breakout areas, even if it happens on another day. This is a typical late morning/early afternoon correction that will run stops and trap shorts in, and longs out. The best clue of when to enter was the fact that there were two almost equal legs of correction, and even though the retest was not successful, the market was too strong, and traders were eager to get long again. This was a failed break lower following a two-legged pullback in a bull. This is really a double bottom, and the fact that it ticked slightly lower makes it stronger, because that traps shorts. If you didn't go long above the doji, you definitely should have entered above the next bar when it closed on its high. Notice too that this entire correction and failed break lower is a repeat of the reversal from this morning. Prices broke the trend line, made two legs lower, where the 2nd leg broke lower and immediately reversed, sending prices quickly higher.

8) This was a 2nd entry long on a pullback to retest the EMA. It was also a double bottom pullback long. With a move that strong to the upside after a failed break lower, you would expect another leg up here, and it's likely to be an equal leg up. This was an easy scalp, but the follow through buying was not successful, but that's why we scalp out and go to break even on our runners. Even though we were looking for another measured leg up, there is another strong resistance area at 1324.25, so you had to be careful taking any new longs too close to that point.



Daily Comment: Here is today's chart lesson for the ES. Today was a range day, but the early part of the day had some great short-term trends that offered a great opportunity to make money. The latter part of the day saw prices go into a much tighter trading range, but again, if you sold the high or bought the low following our price action rules, you could still scalp out a point or two on those moves.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This entry was a little tricky because you had to go short out of a trading range (which is rarely a good idea). The key was the fact that prices were in a downtrend and had not yet broken any trend lines, so the bias was still strongly down. Also, prices tried to go higher twice and failed creating a double top right at the EMA and Trend Line, so there would likely be trapped longs on the failed 2nd entry long. Without that trap and reversal off the trend line/EMA, going short here would be very questionable. The failed 2nd entry that created the trap and double top made it OK if you wanted to risk it, and you can see it was a nice move down. If you didn't take it, that's OK too, because a missed trade is better than a losing trade. Whenever you are in doubt, skipping the entry is the best call.

2) We had a failed breakout higher here, along with a failed 2nd entry long. This was the first break of the trend line, so a retest is very likely, so we are looking for shorts still, and not longs, so no reason to get trapped long at a spot like this. The best plan was to wait on that break higher, as it was likely to fail and set up a with-trend short. This was a 2nd entry short and you could have entered below the doji, but it's almost always better to enter with a trend bar in your entry direction. This one stalled momentarily, but as long as your stop was above the signal or entry bar, you were safe and it was good for an easy scalp.

3) By the time prices broke lower, it was obvious that prices were in a small trading range, and the move down on the retest turned out to be a failed break lower out of that small range. When prices tested the double bottom and reversed before reaching it, that was a strong signal that the downtrend was likely over. The nice reversal bar was a great bar to go long above. This was also a 2nd entry long off the high side and a double bottom pullback long entry and if you caught it, it was a quick move up as the new shorts quickly started exiting realizing that the down move was now over. Unfortunately, prices pulled back and took the breakeven runners.

4) This was a 2nd entry long off the triple bottom, with another nice reversal bar to go long above. This is also close enough to be a breakout pullback long entry when prices broke above the top of the small trading range and pulled back, before quickly reversing and heading up again. If you caught this entry, it was straight up for 5+ points.

5) This was another tricky entry, because it appeared the trend was up, but in actuality, prices were simply range bound. The key to this entry was the failed 2nd entry long that trapped longs thinking that they were getting long on a pullback to the EMA. Any time prices break above a key resistance area, they will almost always come back and test it. Usually this will occur on the same day, but if not, the next day or so unless the market goes into a runaway trend. Based on this rule, you would have to question if this pullback was coming back to at least test the breakout area back near trade 4. Also, prices were in a small trading range, and when they broke lower, this entry turned into a breakout pullback short with trapped longs that were thinking the trend was still up. This trade does not really begin with traders expecting to go short, but most smart traders know not to go long and get trapped in that trading range, and by sitting idle, you are ready to go short when the 2nd entry long fails and traps long traders. We enter where they exit and while this one hesitated momentarily, your stops were still safe and it was a big move down from here with little or no pullback. Any runners were good for multiple points if you caught it.

6) There was a failed break lower below the low of the trading range (noted by the Green arrow) and then a choppy reversal. Prices were too choppy to risk and entry coming off that failed break lower, but once they got above the EMA and went sideways, a failed break lower that quickly reversed would be a good signal to go long. There was also a small break of the down-sloping trend line on the last move down, and prices made a quick new low, just below the previous low for a successful retest and then reversed. This is the one time it was OK to go long above a doji, because it was a small bar near the low of a strong support area that reversed and closed almost on its high. If you wanted, you could have waited on the next bar as it closed bullish, but in this case, going long above the doji was OK. This was one of those key entry points and any runners were easily safe and worth a lot of points depending on where you exited.

7) There were multiple reasons to take this long entry. It was a breakout pullback, 2nd entry long first, but it was also a failed 2nd entry short that trapped many shorts that thought they had outsmarted the longs when prices broke higher and failed on the 1st entry. This was another entry where we were not necessarily looking for a long, but we were not entering short on that 2nd entry because of all the overlapping bars and dojis. By being patient (and smart), we were ready to strike and go long when the shorts got trapped. Notice how prices exploded higher from that point as the shorts started exiting and the smart longs started buying. Runners were safe again and worth 5+ points or so.

Notice the green circle. That is almost a repeat pattern to trade 7, and it served as a weak breakout pullback long in a strong trend. Prices ticked higher above a very bullish bar, and immediately reversed, bringing the shorts into the market looking for a top. When prices immediately reversed back up after suckering the shorts into the trade, it was OK to take this long if you saw it, but it's not a great entry either. The odds were high that prices would at least test the former high, but the set up is just not as good as we would like it, so for that reason, I only mentioned this entry and did not mark it as a sure thing.

8) On range days, prices will normally reverse on any new high or low for the day, and be worth at least a scalp, and likely a lot more. Notice how prices reversed off the low of the day down at the green arrow, and now they would likely do the same on this new high of

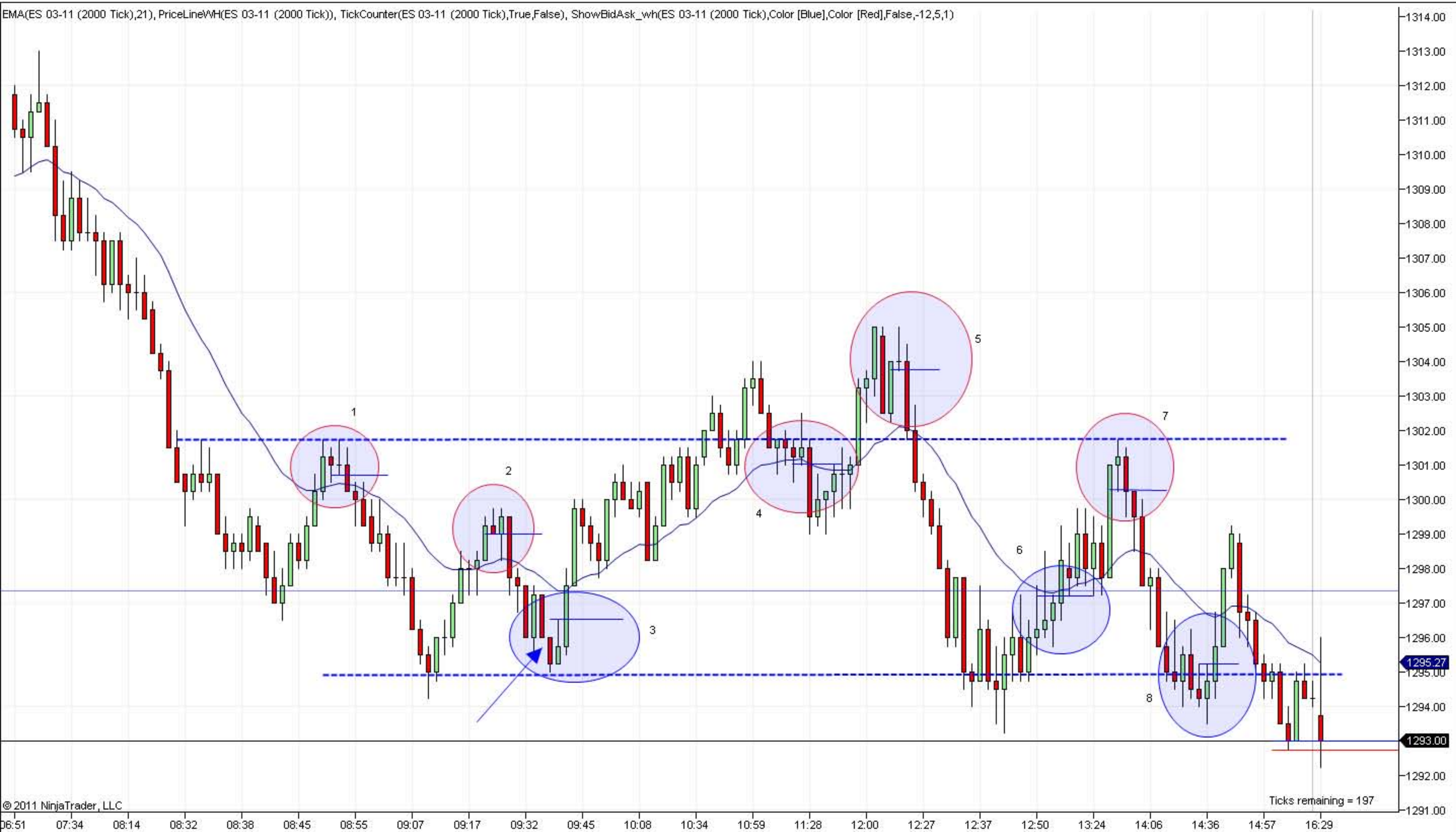
the day. It was better to wait on a 2nd entry off the new high to be sure though. If you took the first entry, it was a good entry, but a 2nd entry is always a better trade at a spot like this. While we didn't catch a key entry, it was an easy move down for a almost 3 points.

9) This was simply a fade of the high of the newer and smaller trading range. The likely target will be the other side of the range. By this point, you should have had most of your points in the bag, but if not, fading the high and low of a range like this is usually good for at least a scalp if not more.

10) This was a fade of the low side of the range. Again, this is one of the few areas it's OK to go long above a doji. Going long here is a chance to get short at the very low of a trading range, and on a failed break, there are likely trapped shorts, and if prices start going higher, those shorts will begin to exit and drive our trade to a quick scalper's profit. Notice how prices quickly moved higher once they broke above the small doji. You also had the support of the trend line here, so more than one support structure in this case too.

11) This is a repeat pattern to trade 9 and another chance to fade the high of the trading range, which was painfully obvious at this point. The likely goal is the low side of the range again, and it was an easy move down. These kinds of ranges, which usually chop up most traders, are actually very easy to trade if you concentrate on fading the highs and lows, rather than looking to go short or long out of them. If you follow our price action rules on all trading ranges, you will find that they are great money making patterns, when most traders lose money in them getting chopped up. There were a couple of other opportunities to fade the high and low still, but it was late in the day and best to stop trading at this point.

EMA(ES 03-11 (2000 Tick),21), PriceLineWH(ES 03-11 (2000 Tick)), TickCounter(ES 03-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 03-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



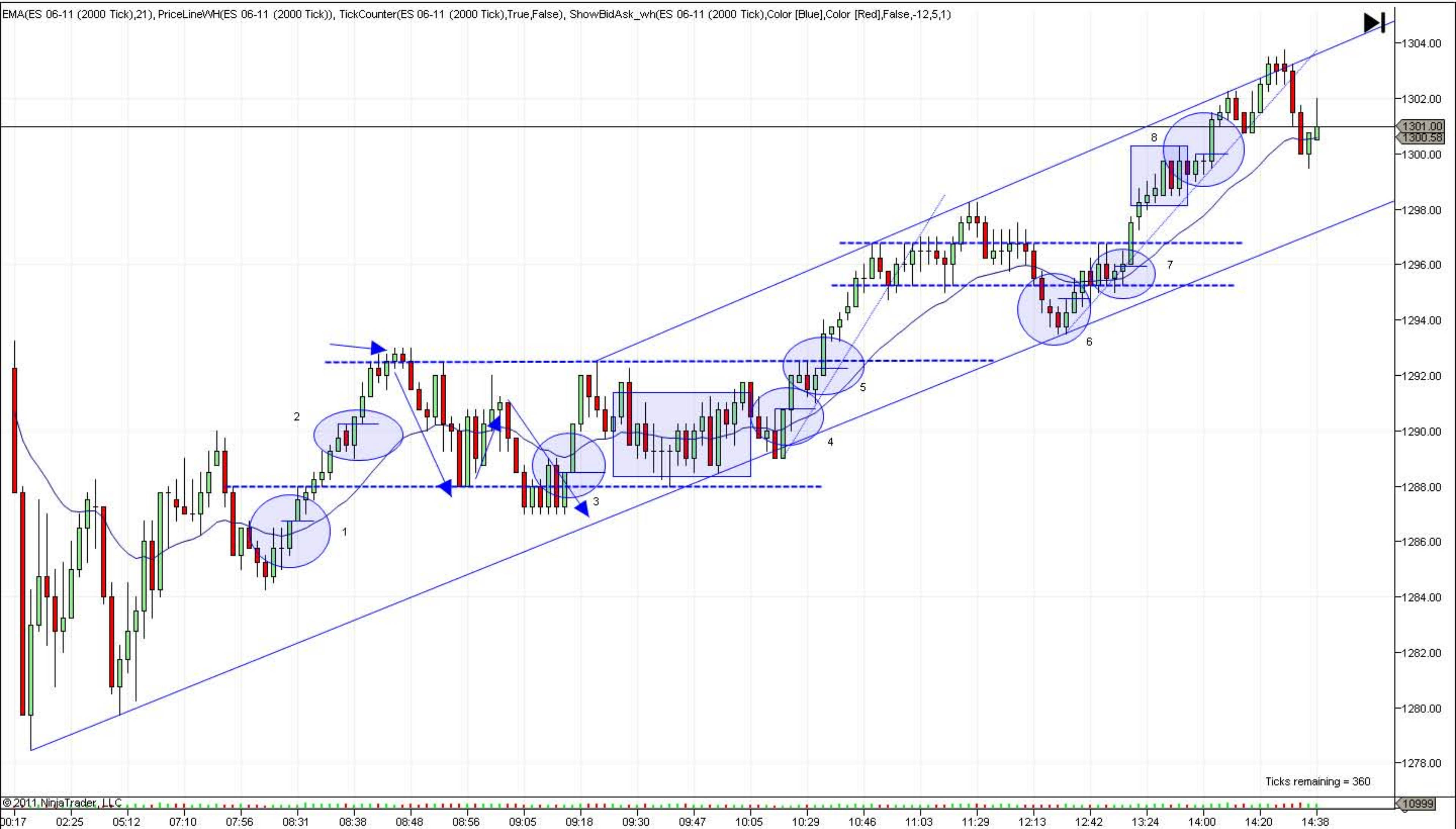
Daily Comment: Here is today's chart lesson for the ES. Today was another range day, but there were not really any extended moves today, so it was choppy with many reversals during the day. If you found the high and low of the channel as I have it marked, and you followed our price action rules, there was still a chance to make some money today.

The trend was down coming into this range, so the overall bias was to the short side, and the best entries were off the highs of the range, although there were a couple of long entries that worked out well.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

- 1) This was really a two-legged pullback to the EMA in what was still a downtrend at the time of entry. Notice that there was a small double top, as well as, an extended double top as well. The small 3 bar double top was a failed break higher that likely trapped some longs who thought they were getting long before the market rallied higher. Their mistake was our chance to get short at the EMA in a pullback, and while it was slow and methodical, there was a nice move down to a new low.
- 2) This was another small double top after two legs back to the EMA in a downtrend. A small reversal bar that forms at a high or low point is usually good for at least a scalp. If you missed this entry, you could have still gone short just below the entry bar for this trade once it completed. The signal bar looked as though it was going to trap shorts and go higher, but it could never tick higher and trigger any long stops, so when prices reversed and moved lower, that was another good short signal.
- 3) Even though this low is technically a double bottom, the fact that prices could not reach the former low showed that buyers were strong and willing to buy at this level. There was also a failed 2nd entry short at the arrow that very likely trapped a lot of shorts. We wouldn't want to go long above a bearish bar though, so we had to wait on a bar that had a more bullish slant or even a 2nd entry. While this signal bar had a stem, it did close with a green body and it also had a higher high and a higher low than the previous bar as well, so if prices could break above it's high, the trapped shorts would likely start exiting, and we would want to go long where they will exit, as their exit stops will help drive our trade higher and into profit. This turned out to be the low side of the trading range and a great long entry. Any runners were easily safe and worth as many as 8 points depending on where you exited.
- 4) There was a double top located at the 1302.0 level, and the move up off the low was very slow and choppy, so the bulls were not aggressive. If prices reversed in this area, it's likely this would turn into a failed break higher, but since prices did go higher, we need a 2nd entry short before entering to the short side of the market. This was a 2nd entry short, but it was off the heels of a failed 2nd entry long, so there will be trapped traders that will need to exit below this signal bar, and that's where we enter. No runners this time, but it was a quick and easy scalp.
- 5) This was another failed break higher, but again, we would not want to risk a short here without a 2nd entry. When prices formed a double top, and then offered us a 2nd entry too, any break below this signal bar would like send the longs scurrying to cover. You would expect prices to at least try and pull back to test the high of the trading range, but this was one of those bonus entries that was a key entry point for the day. This short entry never checked up until it reached the low side of the range, so any runners were easily safe and worth 8+ points depending on where you exited.
- 6) This was a failed break out the low side of the trading range. Again, on a failed break lower, we need either a strong reversal bar or a 2nd entry, and since prices were really choppy here with so many overlapping bars, it was best to wait and see if there would be a breakout pullback entry on one side or the other. This was indeed a breakout pullback long entry, with a nice bullish reversal bar to go long above. There was no reason to go short on that failed break lower either, because the strong support area was just below and you would have had to go short below a doji with a small green body, which still gives it a slightly bullish slant. Even though this move ended up testing the high of the range, prices came back and got our runners, so not runners on this entry.
- 7) This short entry set up on a two-legged pullback to the high side of the range, where prices stalled exactly to the tick on the high side. We had a lower low in place on the previous failed break lower, and if prices turned back down here, we would also have a lower high in place, so any short here was likely to reach at least a scalper's profit, and possibly even go to the other side of the range or further. Whenever you see a huge bar like the large bullish bar I noted with a red arrow, if you can get a small inside bar or a small reversal bar near it's high, such as a reversal bar or a doji, a break below it is likely to send prices back to test at least the low of the large bar. Large bars like this one almost always turn into congestion areas unless they are following previous large bars in a strong trend.
- 8) This long entry really triggered after our 2:30 PM CST cut off for new trades, but I thought I would mark it all the same since it was right at the cut off. This was yet another opportunity to buy the low side of the range after a failed break lower. This is a 2nd entry long, with a nice short trap, and a nice bullish reversal type bar to go long above. It was a quick and easy move up once prices broke higher.

EMA(ES 06-11 (2000 Tick),21), PriceLineVH(ES 06-11 (2000 Tick)), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Finally, after several consecutive days of choppy range days, we finally had some nice movement. The day started off with a bang, only to see prices go into a four-point range that lasted for about 2 hours, but once prices broke higher, things got interesting. The market continued to march higher right into the 2:30 PM CST cut off for any new trades.

There were no real surprises today, with prices following our price action rules exactly as taught. Notice that both the large and small trading ranges each had failed breaks out the lower side before the trend started to move higher again. If you don't understand price action and the rules that go along with it, you are missing out on the best trading strategy available.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a 2nd entry long during a pullback to the EMA in an upward trending market. I drew today's trend line off of the first two swings of the overnight, so the trend was very easy to find today. You could have gone long a tick earlier here just above the double top matching highs, but because of the inside doji, that made it questionable. When the marked entry bar closed on it's very high, going long above it would indicate additional strength, and that's where I decided to take this entry myself. This entry was good for 6 points or so before there was any kind of real pull back.

2) This was a breakout pullback long, and the move up to this point was very strong, so this small pullback was nothing more than a pause bar and the market was likely to go higher if it broke above this level. This was another easy two points of profit if you exited after the final failed break higher noted by the blue arrow. You could have shorted below that small bar that broke higher and failed, as prices were likely to pull back and test the breakout area. However, after a move up that strong, it was not worth the risk of trying to counter trend trade here really, so I did not mark it.

3) This was a 2nd entry long after a two-legged correction. This was also a failed break below the small double bottom matching lows. In reality, this correction was nothing more than a pullback to test the break out area and to clean up any break even stops from the entry back at trade 1 where the sharp rally begin. Notice that prices got those break-even stops to the tick and then blasted higher. You will see that happen a lot, as there are no freebies in the market (especially the ES) without a trap first.

4) This was a bout the 4th time that prices tested the trend line and immediately turned prices so the trend line was easily confirmed by now. With a bullish bar that opened on it's low and close on it's high after bouncing off the trend line, any break above it would likely send prices to the high side of the range at a minimum, which was just enough to exit with a scalper's profit.

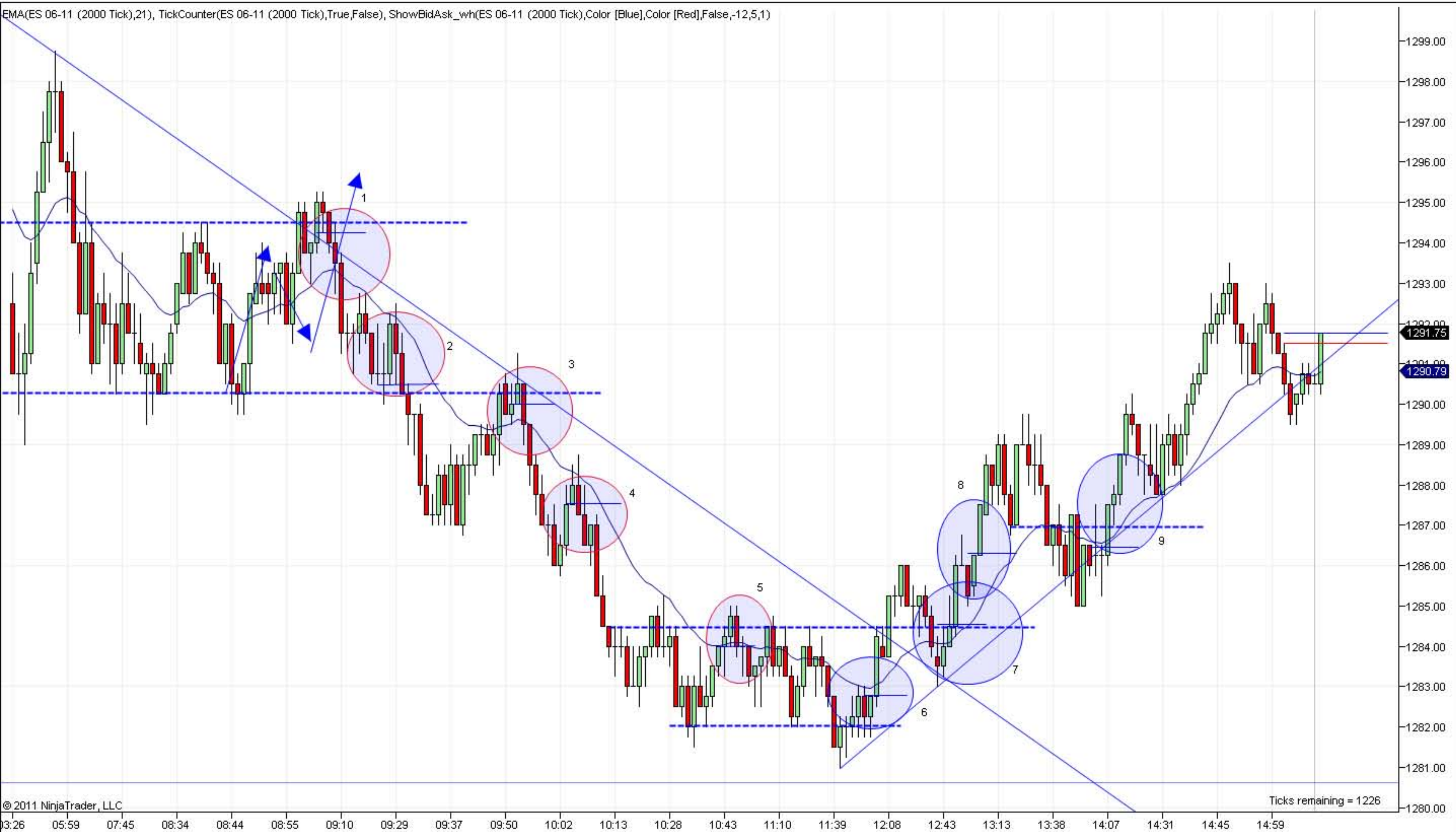
5) This was effectively a breakout pullback long. The market is seldom perfect, so when it tests a high, even if it doesn't break through, and then pulls back slightly before reversing again, that is good enough to call it a breakout pullback long entry. Notice too that the pull back was just enough to snag the breakeven stops on the entry from trade 4. By design, the market cleaned out the early entries that were trying to get a freebie with the breakeven stops, and then took off again. This type of pattern serves two purposes and is a good sign the market may go much higher. First, it takes out any weak longs or scalper's like us that are trying to catch a runner. It also traps in shorts that are trying to get short off the high side of the trading range. When prices reverse and start higher, the market will gain additional strength as the trapped shorts start exiting, and the trapped out longs begin to chase the market to get long again. Notice how prices exploded up and out of this range without being able to pull back and fail too. This was because of the trap that the breakout pullback entry created.

6) Prices went into another small trading range here, but all this really was is an efficient market that is pulling back to test the former breakout area of the former trading range. As stated previously, the market will almost always come back and test and important breakout area, even if it takes a few days to do so. Notice the two-legged pullback that stalled at the trend line again, and to the tick as well. Prices reversed immediately and gave us a nice bullish bar to get long above. This was also a failed break lower out of the low side of the new trading range, and our rules tell us this breakout is likely to fail in an upward trending market and turn into a key entry point. This was an easy scalp, but again, no runners, as prices pulled back and took them.

7) This is a repeat pattern to trade 5, and it's simply another breakout pullback long that trapped shorts in and longs out and you can see the results of the trap as prices exploded higher again without being able to pull back and test the break out area. This was also a 2nd entry long after a two-legged pull back to the trend line off the last high.

8) This was a 2nd entry long after the market attempted to pull back and test the breakout area. There were several overlapping bars by the time the breakout pullback entry triggered, so it was better to wait on a 2nd entry, which this was. Notice too that it was about the 3rd or 4th bounce off the short term/minor trend line I drew to try and find this new trend.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)

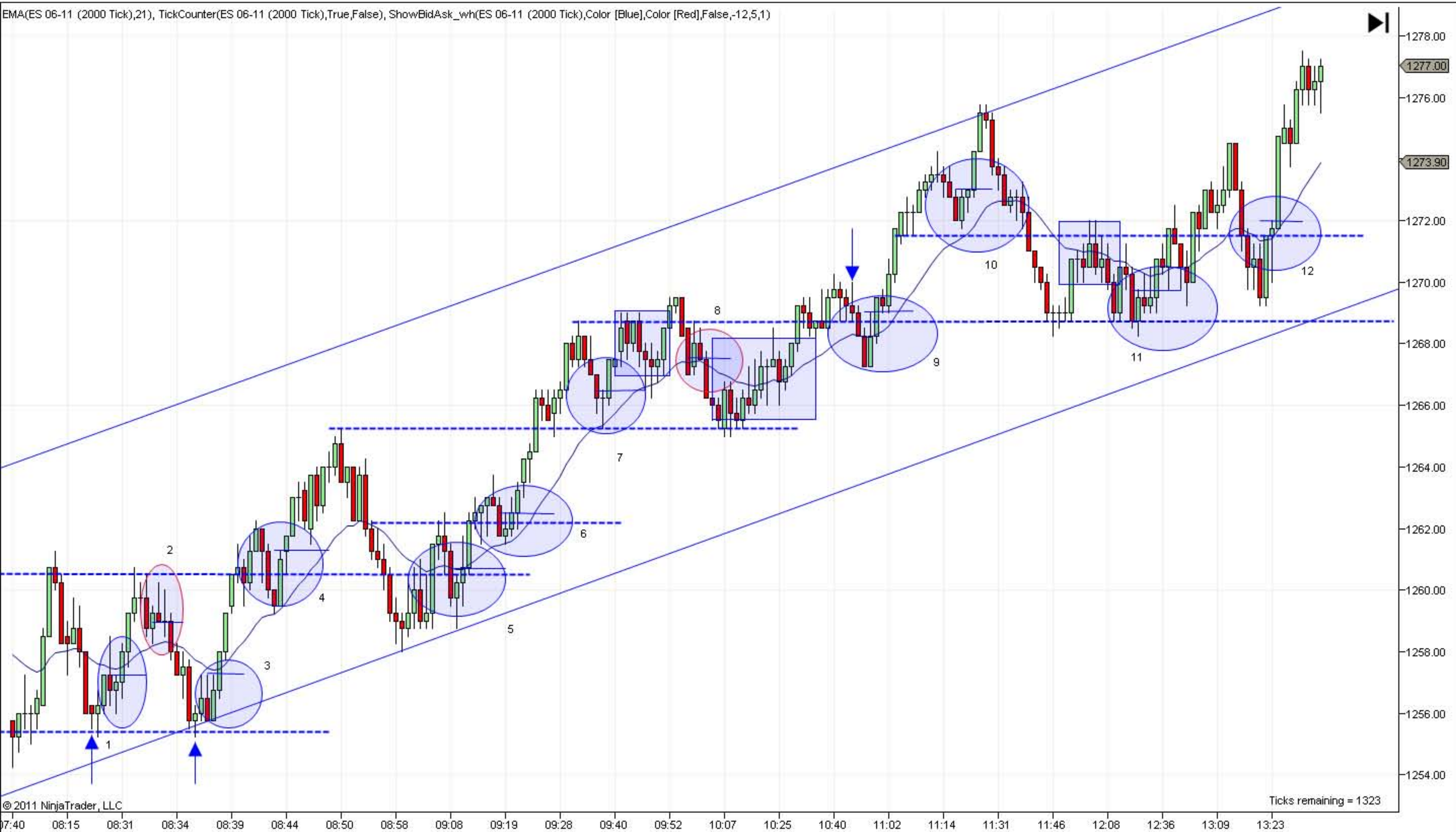


Daily Comment: Here is today's chart lesson for the ES. Today started out in a down trend that continued from the overnight session, but there was a break of the down sloping trend line, followed by a retest with a new low, and then a reversal that trended up into the close.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

- 1) This was a failed break above both the trend line and that small trading range high. If you look closely, you will see that there were two legs up that led to this reversal as well. I highlighted those two legs with arrows to help you see them. There was no prior break of a trend line, so no reason at all to be thinking about longs right here. Notice too that there was a failed breakout pullback long that immediately reversed, so this was a great long trap and by going short, we were able to enter at a key level for the day. Any runners were easily safe and worth multiple points.
- 2) This was a breakout pullback short, but the real key to the entry here was the failed 2nd entry long that reversed right at the EMA trapping longs. We want to enter where those trapped longs will exit and their exit orders quickly pushed our entry down to an easy scalper's profit plus some if you were on your toes.
- 3) This pullback was nothing more than a test of the breakout of the trading range from the overnight session. There was a very high likelihood of a test of the previous low on any reversal here, but in the end, it turned out to be another key entry point, as any runners were easily safe and worth multiple points depending on where you exited.
- 4) This was another breakout pullback short, but it was also a 2nd entry short, coming off the failed break above the trend line back at trade 3. The move down off the failed break around trade 3 consisted of many bearish bars, so a measured move down is likely on the next leg. If you measure the two legs, you will see that they are very close to the same length.
- 5) This was a 2nd entry short, but it was also a failed break out the high side of what was not looking like a trading range. It was good enough to be a double top in a downtrend as well, and those are almost always good for a scalp at a minimum. I would not have risked this entry without it being a 2nd entry though.
- 6) This was a failed break out the low side of the trading range, with a 2nd entry that triggered above a nice bullish reversal type bar. We had a couple of breaks of the trend line, with at least two legs down to a new low, so this small trading range here at the low of the day could be setting up a reversal. There was enough room to scalp out easily before reaching the high of the trading range, so this was a great low risk entry. Unfortunately, prices were able to pull back and take the breakeven runners, so we missed out on catching almost the low of the day by a single tick.
- 7) Prices tried to reverse on the break above the small trading range, but once prices came back and tested the old trend line and then reversed, that was a good sign that a possible bottom was in. Normally you would want to enter a breakout pullback on the bounce higher off the range, but there were too many overlapping bars and doji's to enter there, so most of your seasoned traders obviously skipped it waiting on a 2nd entry that came here. This was a 2nd entry long on a bounce off the down sloping trend line.
- 8) This was another attempt to turn the market back down that failed and trapped more shorts, so it's just another breakout pullback long entry. The market was clearly going higher from here, and this was a great short trap that exploded up when prices reversed back in the long direction.
- 9) Prices tried to break below the trend line and failed twice, and we know that our rules tell us that two failures is likely to lead to a successful move in the opposite direction. This was also a failed breakout pullback short, so there were likely to be a lot of trapped shorts here. Normally entering above a doji is not a great idea, but this was at the very low with the trend line just below and a 2nd entry long following a short trap. As you can, when prices broke higher, they quickly moved to a new high as the trapped shorts begin exiting.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Prices opened this morning in a tight 5 point trading range, so our range rules were in place early, but once prices broke out of this range, it was an upward trend for the remainder of the day, although prices continued to go into short term ranges at each consecutive higher trading level.

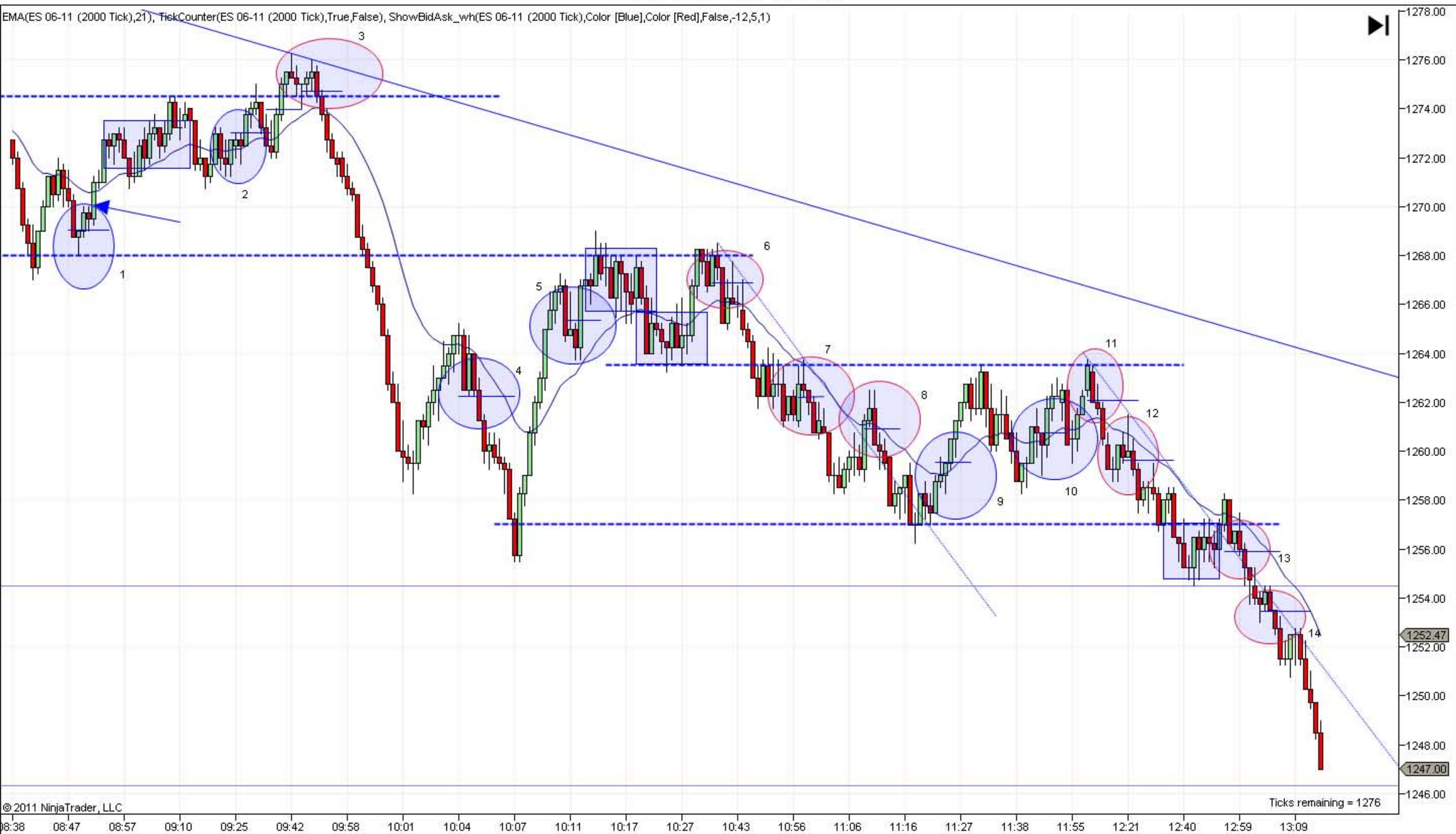
Remember our trading range rules and trade these ranges accordingly if there is enough room. The bias for a successful break out of a trading range is in the direction that prices were trading when they entered the range, so keep this in mind and attempt to enter following that bias.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

- 1) This was a 2nd entry long after a bounce off the low side of the trading range. This bounce was also a slightly higher low, so the buyers were a little stronger and the sellers a bit weaker on this trip down. You could have entered just above the small doji at the low (noted by an arrow), but it's always better to wait on a more bullish bar or a 2nd entry, so I marked the 2nd entry on this trade.
- 2) This is just a mirror opposite entry to trade 1. This was a 2nd entry short after a bounce off the high side of the trading range. This was clearly a range by this point, so buying and selling the high and low side with a proper price action set up is a good move.
- 3) This was another 2nd entry long after a bounce off the low side of the trading range. Again, you could have entered above the small doji I noted by the arrow, but as stated before, it's always best to wait on a 2nd entry if you can get one. This was the final test of the low of the range before prices broke higher, so it was a key entry point. Any runners were safe from almost the low of the trading day, so they were worth a lot of points for the day depending on where you might have exited.
- 4) This was a breakout pullback long with prices bouncing off the EMA and offering a nice bullish bar to go long above. The last move up off the low of the trading range was very bullish with all strong bullish bars closing on their high, so the odds were high that there would be a 2nd leg up if prices broke higher. There was also plenty of room to scalp out before reaching the last resistance area around 1263.0.
- 5) After two tries to go lower that both bounced off the up sloping trend line, we now had a great confirmation that our trend line was valid. This was also a nice bullish reversal type bar on the bounce off the trend line, so it was a great bar to go long above if prices could break above it's high. This was one of those key entries, and any runners were easily safe and worth many points. This was basically where the new trend took off, so if you caught it, your runners should have paid off handsomely for you.
- 6) This was a breakout pullback long, following a failed 2nd entry short. It was actually a form of a two-legged pullback to the EMA as well, and that is our favorite with trend entry pattern. The failed reversal off the breakout higher trapped shorts trying to catch a reversal, but we know the trend is up based on our trend line, and while that short set up was tempting, it is always best to wait on a 2nd entry, which never came this time. Instead, prices formed a double bottom on a pullback to the EMA, so that's a with trend set up and it was a key entry point, with any runners never being challenged and worth multiple points depending on where you chose to exit them.
- 7) This was a breakout pullback long that once again bounced off the EMA, creating a double bottom right at the breakout area. Prices will almost always attempt to retest breakout areas on a pullback, so when prices tested this area twice and failed both times, that was a strong clue that they would likely succeed in going back at least to test the former high, so it was an easy scalper's profit, although no runners survived this entry.
- 8) Prices tried to go higher twice and failed both times right at the breakout point, so with two attempts to go higher that failed, prices will now likely test the low side again. It was better to wait on a 2nd entry though, and when the breakout pullback long triggered, and instantly failed with prices reversing down again, that was a great place to take the 2nd entry short, as there would not likely be trapped longs that would need to exit. Those exiting longs pushed our entry down to a quick scalper's profit.
- 9) This was a breakout pullback long, but we needed a bar with a bullish slant to go long here. You could have actually taken the short that triggered 3 bars earlier (entry was just below the bar with the arrow), but prices were mostly above the EMA and the high side of the trading range now, so a short was a little more risky than I prefer, but it worked all the same and if you took it, it was not a wrong or bad entry. This was basically a 2nd entry long during a pullback to the EMA when prices were now making higher highs and higher lows again. Runners were easily safe here and worth several points.
- 10) The move up after the breakout at trade 8 was another very bullish move, with several bullish bars and virtually no bearish bars at all, so the odds are high that the market will attempt another leg and a test of the last high. Since there is plenty of room to scalp out before the high, and with 2 bullish bars in a row, a long here was likely to yield a scalper's profit and maybe more. While this break higher failed, it was still worth 2+ easy points.
- 11) This was another double bottom formation in an upward trending market. This was also a failed break lower with a nice bullish reversal type bar to go long above. This complete double bottom pattern was simply another attempt to test the breakout area, and when it held twice, the rules say that prices are likely to succeed in going in the opposite direction, so a break above the bullish bar is likely to yield another nice trade. While it was an easy scalp, we did not catch a runner on this entry.
- 12) This was a breakout pullback long coming off a higher high on a pullback to the EMA. We needed a nice bullish bar to go long above here though, but by the time it showed up, there were several overlapping bars, so it was better to wait on the next bar and see if it was bullish with a close above the overlapping bars. Notice that prices broke above the first bullish bar and traded lower again, before reversing and closing almost on the high. That was the same thing as a breakout pullback long set up, so a break above that breakout bar (noted by an arrow) was a good entry and you can see prices exploded up from that point. This turned out to be another key entry point, and any runners were worth 10+ points depending on where you exited.

There were actually other entries today, but we were running out of chart room, so I only marked the obvious entries that were solid price action set ups that fall within our trading rules through about 1:30 PM CST.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Today was quite a day in the ES. I have said it several times lately, but it deserves repeating: The ES is slowly becoming the market of choice to trade again. There was so much movement today, and most every trend lasted long enough to get some piece of it. The overall direction was down today, but there were several corrections that were strong and good for multiple points as well.

I marked about 14 trades today, but there were many, many more. I only marked the best and most obvious price action setups through 1:00 PM CST due to the limited room on my chart. The trend was simply too large and too long to get it all on a single chart, so be aware that there were lots of other good entries that are not marked.

1) There was a strong support area around 1268.0 that had turned prices multiple times in the overnight session, so when prices bounced there just after the 8:30 AM CST regular market open, a good 2nd entry long was likely to be good for at least a scalp if not much more. This was a 2nd entry long following a failed break lower below the strong support at 1268.0. There was also a nice bullish reversal type bar that closed on its high that you could go long above. If you missed this entry, there was another chance to enter two bars later, at one tick above the small double top matching lows noted by the arrow. This entry is simply a 2nd entry long following a failed break lower in a trading range. Runners were easily safe here and worth as many as 7 points depending on where you exited.

2) This was a 2nd entry long of the low count, following a failed 2nd entry short, so there would be trapped shorts here, with enough room to easily scalp out before reaching the high again. Prices were very choppy, but still making higher highs and higher lows for the most part. If you didn't take this entry, that's OK, but the failed 2nd entry short was the key for me, so I did take it and it was an easy scalp as the trapped shorts exited when prices went higher driving my entry to a quick profit. There was an easy two points available off this trap, although no runners.

3) This was a small double top that turned into a failed break higher out of the trading range. The first target is likely to be the other side of the range, but if you caught this entry, it was worth much, much more. This was actually a 2nd entry short following a failed break higher that trapped longs. This is one of those key entries that we try and catch each day and any runners were easily worth 15 points before there was a break above the first bar. This is a rare move, and the kind we hope to catch each day. I have to admit that I missed this entry myself, and I hate I did, as there simply was no safe way to enter and I had to watch this one move all the way down without me!

4) After a move down that bearish, there is likely to be a test of the low, and maybe even a measured move, so a good set up on a pullback to the EMA is likely to be a great short entry. This was a 2nd entry short, coming off the high of this pullback. As you would expect, prices easily tested the low creating a new low and it was good for about 6+ points as well.

5) As fast as the move down was, this rebound was just as fast. There was never even a real test of the break out area around 1268.0, and this pullback was simply that test, which will almost always come in the same trading day. A move that bullish will have buyers eager to join in on a pullback to the EMA. As with the set up on the way down at trade 4, prices will likely at least test the high and probably even the break out area at 1268.0, but maybe make a measured move. As it turned out there was no measured move this time either, but it was a good for 3+ points. This pullback was actually a two-legged pullback to the EMA, and that's one of our favorite entries.

6) This was a repeat pattern to trade 3. Prices made a small double top on a failed break higher. The trend is down now, so we are looking for counter trend traps. This was actually a small trading range, but the reality is this was nothing more than a pullback to test the breakout area at 1268.0 that was the former resistance area. When prices tried to go higher here and failed, that was the first clue that prices would likely go lower. This was a 2nd entry short following a one tick failed break higher that created the double top with trapped longs. No runners unfortunately on this one, but you could have re-entered 3 bars later and continued to ride this one down with a runner from that point.

7) This is a breakout pullback, 2nd entry short. It is also simply a two-legged pullback to the EMA in a downtrend, and that is our favorite entry. Unfortunately, prices came back for the runners again. You could have re-entered 4 bars later and gotten the rest of the move if you got stopped out on your runner.

8) This is another 2nd entry short following a two-legged pullback to the EMA in a downtrend. Two-legged pullbacks to the EMA in a trending market rarely fail to reach at least a scalper's profit, and they are our number one money making entry, so do not take them lightly.

9) Prices stalled on the final attempt to go lower and reversed on a 2nd entry long. The 2nd entry long was not a great set up, so it was best to wait on another entry and be patient. When the 2nd entry short failed on the pullback to the EMA, that was a great short trap and a chance to get long off the failed break lower. This was an easy scalp that was good for 3 points before prices turned down again.

10) Prices were still making higher highs and higher lows, so there was a good chance prices would test the high again, and maybe even make a measured move up equal to the previous leg up. This was an easy scalp, but prices failed to go higher very quickly, and it was soon obvious this was just another trading range for now.

11) So far today, every attempt to break higher above any strong resistance point has failed, creating a great short entry, so by now, we should be aware that this is a strong possibility. This is really a repeat type entry to trades 3 and 6, and when prices broke higher by a single tick and reversed, this was likely to be another double/triple top with trapped longs. It was too risky to go short just below the

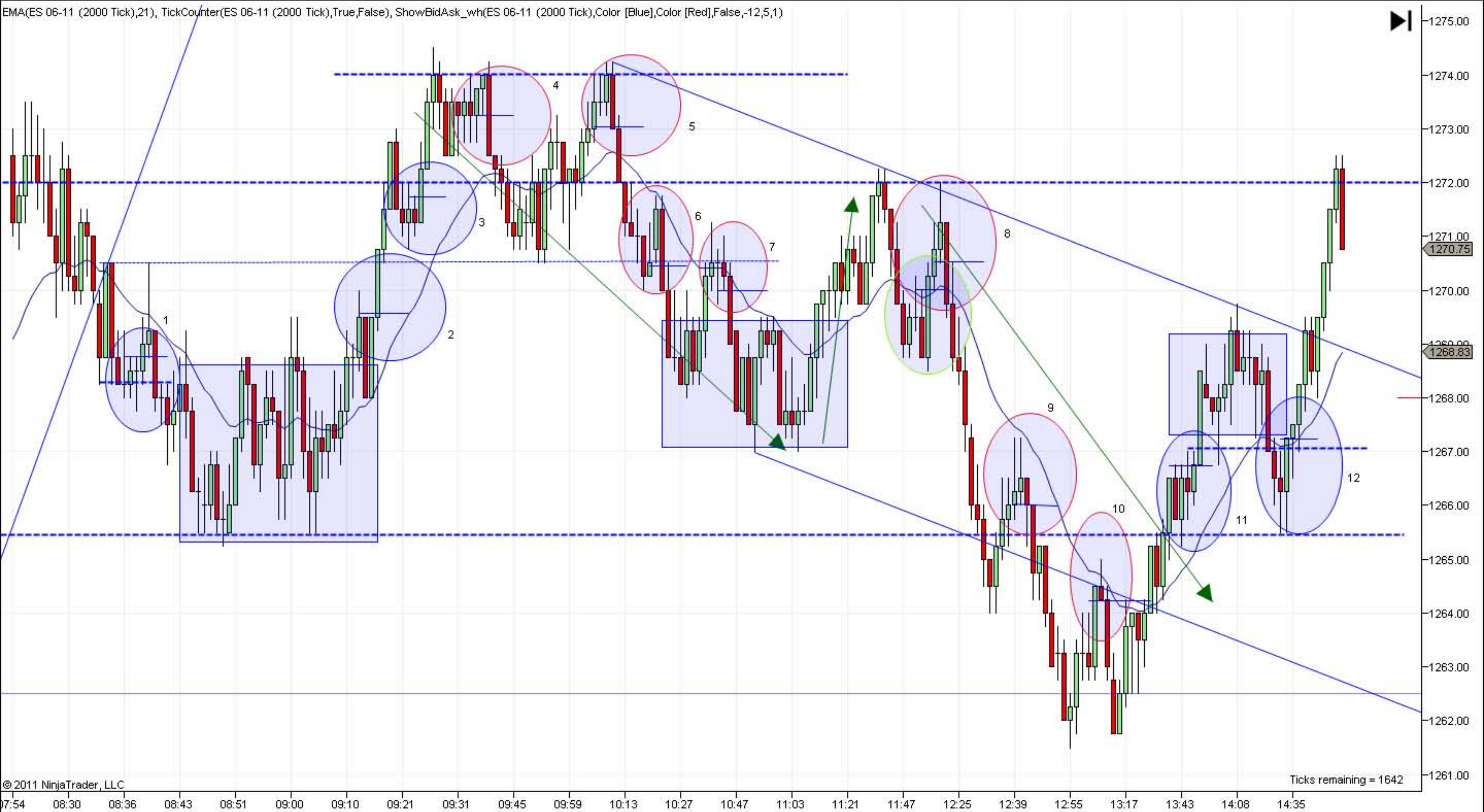
bullish bar, but when the reversal bar closed on it's low, any break below it was a good one. This was an easy 3 point move, but no big runners unfortunately.

12) This was a 2nd entry short off the failed break higher that was again worth a couple of points, but no large runners. Prices were very likely to at least test, but probably bounce at the strong resistance point. Prices could always reverse there as well, so going short at this point, you would need to keep in mind the likelihood of a bounce and be prepared for it by covering most of your position on any failure to go lower.

13) This was a breakout pullback, 2nd entry short. Not only was it a two-legged pullback to the EMA, there was also the added bonus of prices trying to go higher out of this small congestion area on a breakout pullback long that failed, trapping longs. When prices immediately reversed giving you a 2nd entry short off the low and the high, it was a great set up. Any runners were easily safe and worth as many as 10+ points.

14) This was another small breakout pullback short. Notice that there was a failed 2nd entry long and it trapped early longs trying to counter trend trade, and when prices turned lower, the last of the longs gave up and it was a strong move down again. Any runners were easily safe here too and worth 9+ points.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Today was a range day overall. Notice that there was a nice trend upward in the overnight, but prices broke that trend line just prior to the regular market open at 8:30 AM CST trading downward shortly before reversing up for the expected re-test of the former high. After putting in a new high, there was a protracted two-legged correction, which is what you would expect at a minimum after a trend line break and a successful retest with a new high.

Once that two-legged correction was over, prices started trending higher again. The entire two-legged correction was nothing more than a larger trading range really, so you could have traded the highs and lows of the range as well. I noted the large two-legged correction with green arrows to help you find it.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was the first break of the trend line, so you should be expecting a reversal, rather than looking for more shorts. This was a failed 2nd entry short, that also ticked lower and failed on a break below the small double bottom, so a reversal was likely to good for at least a scalp, and maybe this would be the low before prices take off higher for the retest of the former high. Unfortunately, this one was good for a scalp only, as prices were not yet ready to reverse. The failed tick lower, and the failed 2nd entry low were the key to this long, and without those two factors, it was not a very good entry. I took it myself based on the reasons I mentioned, so I thought it was worth marking.

2) Even though it appeared prices were going to break higher several times out of the small trading range inside the blue rectangle, this entire area was nothing more than a trading range, so we have to handle it using our trading range rules. We are expecting a retest, but a breakout pullback long is the only way we would enter long out of this range. This was a breakout pullback long entry, but there was a failed 2nd entry short just prior to this entry that trapped shorts, so there was an added bonus of having trapped shorts that would need to exit on a reversal long here. Notice how sharp this move up was off that trap! This entry was worth three points straight up, and I made most of my profits for the day on this single trade alone. Any runners were safe and worth 4+ points.

3) This was just another breakout pullback long. Even though prices didn't break higher than the previous high just yet, this was close enough to act just like a breakout pullback long. The move up had four consecutive bullish bars that all closed on or very near their high, so the market was showing some great strength, and it's likely that there would be a 2nd leg up and a new high before any additional correction would occur. This was a 2+ point move up as well, but no runners this time.

4) This was a nice trap that fooled the longs that thought prices were going higher. We had a strong trend line break earlier, so any retest with a new high could very possibly reverse the market. I was not looking for a short here really, but when you get a failed 2nd entry long at a new high on a retest that reverses, going short is likely to yield at least a scalper's profit off the exit of the trapped longs. This was a 2nd entry short, following a failed 2nd entry long that trapped longs at the very high.

5) This was another attempt to probe or test the high, but the sellers overwhelmed the buyers once again creating a triple top. This was a 2nd entry short off the previous low as well. The reversal bar opened on it's high and closed on its actual low, leaving you a nice bearish bar to go short below off a triple top. This trade is very likely to yield at least a scalper's profit if not more. There was a three point drop before any pullback, but any runners were easily safe leaving you short from the high of the day.

6) This was a breakout pullback short, but it was also a 2nd entry short during a pullback to the EMA after a very bearish leg down. This was another very easy scalp that was worth 2+ points, but no runners this time.

7) This was another attempt to test the breakout area from trade 6, but prices failed to go higher twice, and then offered a nice 2nd entry short off the high of the pullback. This was yet another easy 2+ point move.

8) This was a double top at what now looked like the high area of a trading range. There was a possible trend line here as well, and when prices bounced and turned lower the second time, that confirmed the trend line was valid. The double top would likely yield at least a scalper's profit, and in this case, it a steep drop that yielded 6+ points before there was even a single bar that could tick higher than the previous bar. Depending on where you exited your runners, they could have been worth as many as 10 points.

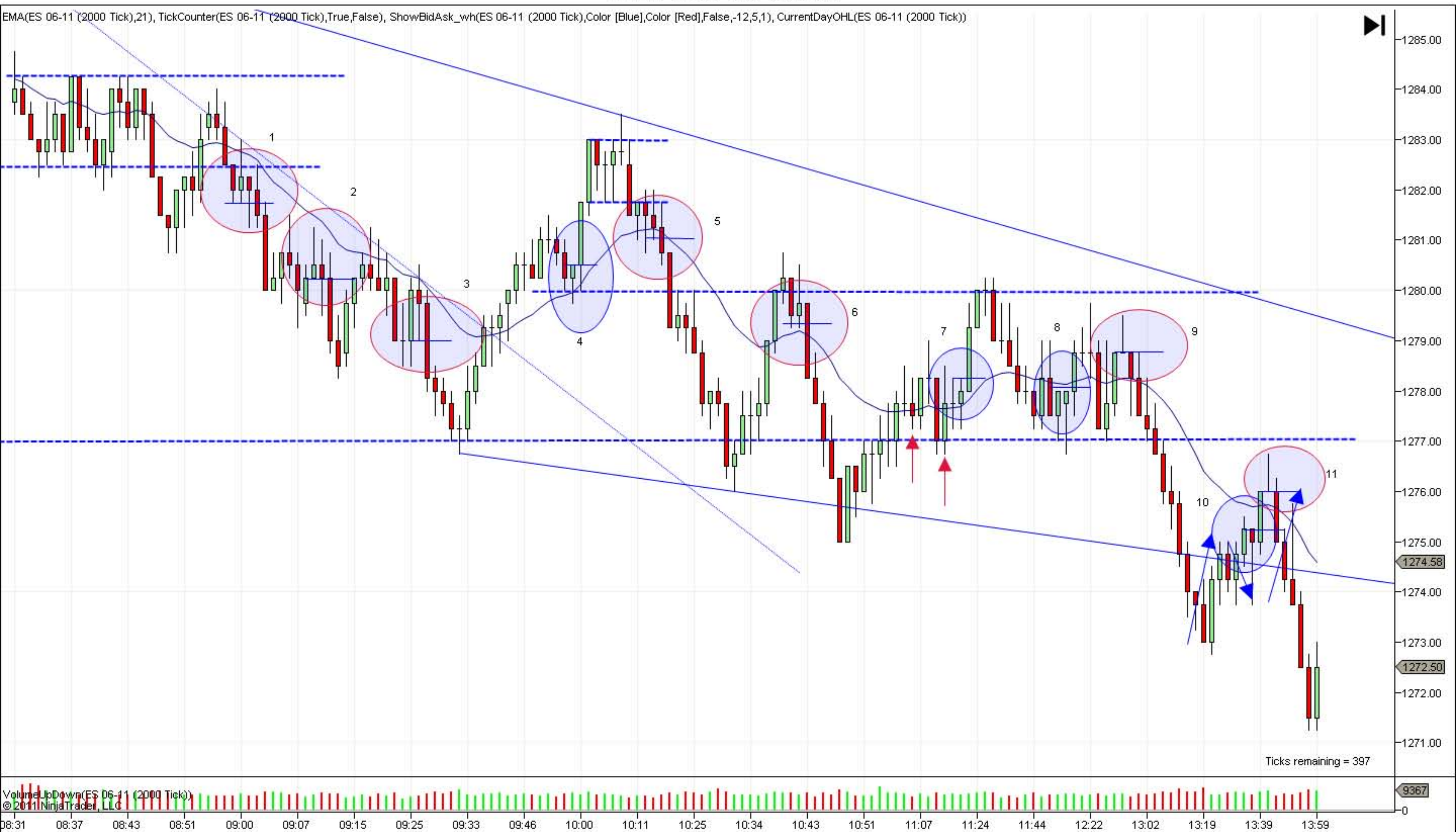
9) The leg down off trade 8 was very strong and very bearish, so it will likely lead to a second leg down. This was a breakout pullback short, but it was also a 2nd entry short off a pull back to the EMA when we are looking for another possible leg. Remember, the market moves in two's, and that's the reason 2nd entries work so well.

10) This was a two-legged pullback to the EMA in a down trend. While it would be much easier to see on a smaller time frame, this is actually a 2nd entry short following a two-legged pullback to the EMA in a trending market, and that is our favorite money maker. As with every move down off this high, there was an easy 2+ points to be made off this entry, but this turned out to be the low, so no runners this time.

11) This was a reversal off the failed break below the low side of the trading range. Notice that prices traded up and through the low side of the range, but then pulled back to test that breakout area. When that line held and prices reversed with a nice bullish reversal type bar to go long above, this was a good point to get long, as there would be trapped shorts that would have to exit on a break higher. This was a 2 point move up, but no runners this time.

12) This pull back was another chance for prices to test the breakout area again, and prices held for the 2nd time. This time it held to the tick on two separate bars, and any time prices attempt something twice, particularly on a test of an important price level and fails, it's very likely to succeed in doing the opposite. The 2nd bar was a nice bullish reversal type bar that closed on it's high. A break above that bullish bar was a 2nd entry long. This was also a failed break lower out of the small trading range, so the long entry was a fade of a failed break lower as well, so multiple reasons to go long here. This was one of those "key" entry levels, as any runners were easily safe and worth as many as 5 points.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1), CurrentDayOHL(ES 06-11 (2000 Tick))



VolumeUpDown(ES 06-11 (2000 Tick))
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1274.58

1272.50

9367

Daily Comment: Here is today's chart lesson for the ES. Today was trending range day. While prices spent most of the day ranging, the range had a downward bias and prices continued to work lower for most of the day. 1277.0 proved to be a very strong support area, so there were a few chances to buy on a bounce off that level. Otherwise, most entries today were shorts.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

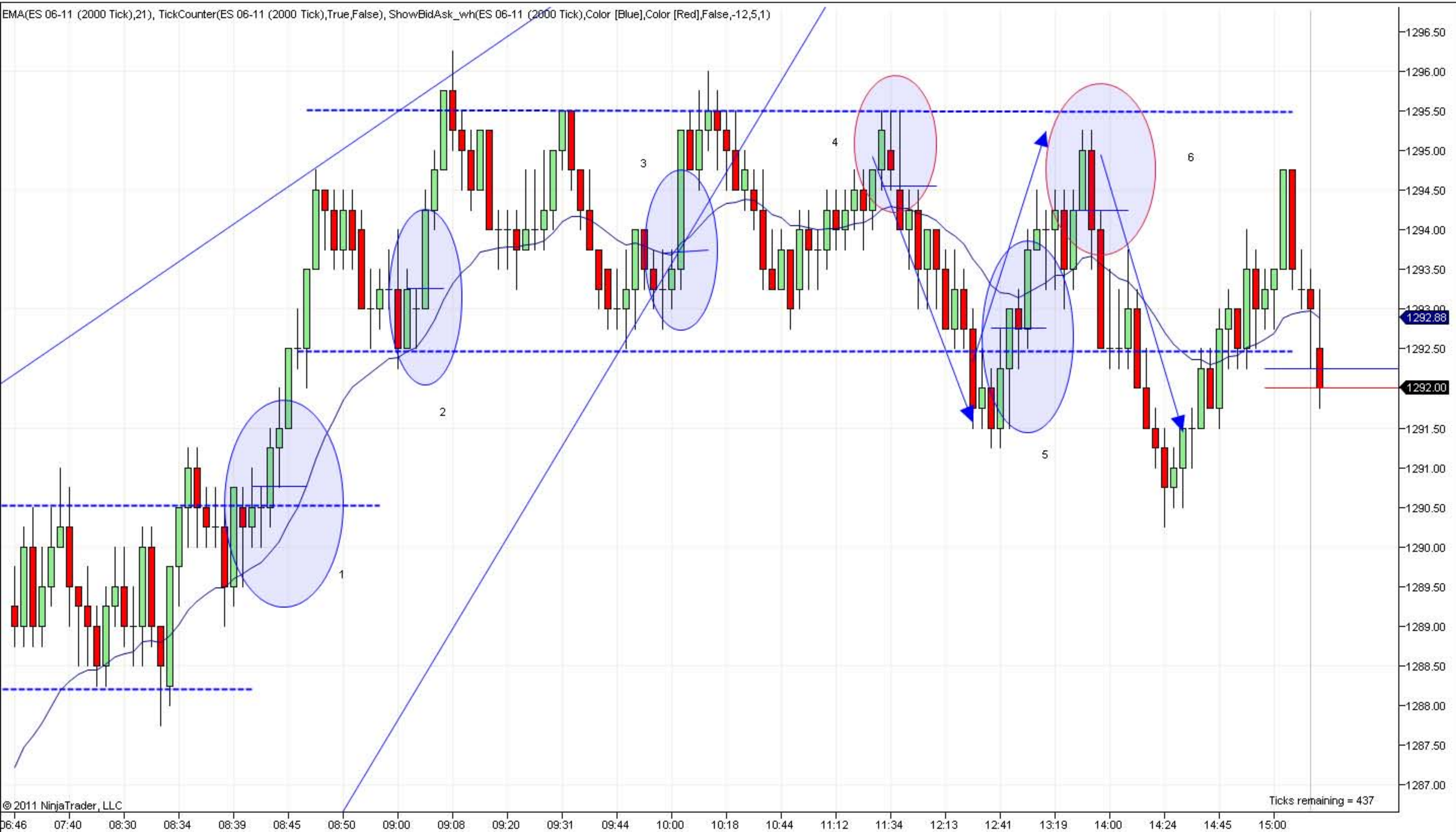
- 1) Prices spent most of the overnight session in an up trend, but there was a break of the trend line and a retest with a lower high by the time the regular session opened up at 8:30 AM CST. Prices were very choppy at the open and within a few minutes it was obvious that prices were in a trading range, and there were no decent setups until 30 minutes or so after the open. This was a breakout pullback short in what was obviously a downtrend at the moment. This was actually a two-legged pullback to the EMA after a break lower. When prices could not quite reach the high side of the range again, that was a sign of weakness. It was best to wait on a 2nd entry though, and that came two bars later with a failed 2nd entry long that also trapped long traders. No runners here unfortunately.
- 2) This was another breakout pullback type entry, but it was really nothing more than a two-legged pullback to the EMA. Notice that there were two tries to go higher that both failed, so the odds are high that prices will succeed in at least a scalper's profit to the down side. Again, no runners here, but it was an easy scalp.
- 3) This was a 2nd entry short after two more attempts to break above the trend line. This is another failed 2nd entry long that trapped longs before reversing into a 2nd entry short. As you can see, the trapped longs begin exiting and pushed out short to a quick scalper's profit. So far, the market has been very choppy, and none of our runners have survived, but with three scalps in the bag, we have a total of three points on relatively quick and easy entries.
- 4) The market tried multiple times to reverse the trend on a bounce off the 1277.0 area, and this one was the most successful, although this was the first real break of the trend line. You have to be careful taking a long on the first break of a down sloping trend line, because there is likely to be a retest. However, even though the first leg up consisted of small bars, they were mostly all bullish and the bounce went well above the EMA too, so there is likely to be a 2nd leg up before any reversal attempt. This was a 2nd entry long following that bullish bounce that also followed a failed break lower. This was also a failed break lower below the small trading range that formed just above the EMA, so this is a small double bottom formation during a pullback as well, with a nice bullish reversal type bar that bounced higher off the EMA to go long above. This was a very quick move as the shorts started exiting thinking the downtrend was over. While there were no runners here, this move was easily worth 2+ points giving me most of my profits for the day thus far.
- 5) As expected, after two legs up, the market was heading back for the expected retest that normally comes after a trend line break. If you were paying attention, you should have seen that prices went into a small trading range after breaking higher from trade 4. Notice the 4 overlapping bars with a couple of dojis (I placed the range inside the blue bars to help you see it). You trade this small range like any other range, so when prices broke higher out of it and reversed, you could have gone short right there, but it's always better to wait for a 2nd entry or a more bearish bar. This was a 2nd entry short following the failed break higher, but it was also a breakout pullback short. This was one of those key entry points, and any runners were easily safe and worth as many as 5 points before there was any kind of correction.
- 6) Bulls tried to reverse the market again at 1277.0 on this retest that created a new low. The move down from trade 5 was rather bearish though, and most retests will usually consist of two legs as well, so when prices broke above the small double top here and immediately failed on a 2nd entry long, there would very likely be trapped longs that would drive us to a new low if we take the 2nd entry short here. This was a 2nd entry short following a failed 2nd entry long that broke above a double top and immediately failed. This was another key entry and again, it was straight down for 4 points before any kind of correction started.
- 7) After a trend line break and two legs down to a new low on a successful retest, we would expect at least a two-legged correction that should last an hour or more, and maybe even a trend reversal. Even though it was a weak attempt to reverse, the market was still able to complete the expected two-legged reversal. Normally we would like to enter a bit lower near the final failed break lower, but there was just not a great set up. This entry was turned out to be a short trap, but it was also a 2nd entry long when we are expecting a second leg up from here. It was a quick and easy scalp, but not runners this time. The key to this long was really the two tries to go lower and back below the EMA that both failed (I noted them with red arrows). That's really a failed 2nd entry short type pattern, and there would likely be trapped longs here to drive our long entry to a scalper's profit.
- 8) Prices bounced off the 1277.0 support area again following a failed 2nd entry short. This time we got a nice bullish reversal type bar to go long above too, and it was a quick move up to a scalper's profit, but again, no runners. This is really looking like a trading range now, so we need to switch gears and be thinking range rules at this point. This was a 2nd entry long following a failed 2nd entry short at a strong support area that had already reversed prices several times.
- 9) When prices tried to go higher here twice, and both times the new high was lower than the last, with no prices closing anywhere near the high of the trading range, that was a signal/clue that the longs are losing steam and the bears are getting more aggressive. Remember our rules.... If the market attempts something twice and fails, it's like to succeed in doing the opposite. Here the market attempted to reach the high of the range twice and failed. There was enough room to scalp out to the short side before reaching the strong support again, so this is a great chance to go short. A scalp is very likely, but because the market failed to go higher twice, there is a strong

possibility that prices may break and go much lower now. This move was straight down for 5+ points, and any runners were safe and possibly worth as many as 8 or 9 points depending on where you exited.

10) This was another opportunity to take advantage of trapped shorts. Notice that there was a failed 2nd entry short here, and when it reversed quickly and broke higher, we want to go long where those trapped shorts will have to exit, as their exit orders will help push us up to a scalper's profit. This is a good example of why we scalp out first too, as you could not have gotten even one more tick without this trade turning down again. This entry was good for exactly 6 ticks, which is what we need to safely scalp out 4 ticks on a stop entry and limit exit.

11) The interesting thing about trade 10 and the short trap is that it was only a set up for a long trap if you did not scalp out per our trading rules. This entire pullback was actually nothing more than a retest of the breakout area back at 1277.0. We know that most breakouts get tested soon after the break in most cases, and this pullback was nothing more than that retest of the breakout area. It's usually too difficult for most traders to switch gears this quickly, so if you missed this one, that's OK. Just learn to think ahead and be open to counter trend traps that have no other expectation other than to scalp a quick 4 ticks in the ES. While it's a little difficult to see on this chart, this entire move up is simply a two-legged correction, and if you were thinking ahead and expecting the retest and a possible reversal there, you could have quickly gone short again here, expecting at least a scalper's profit, and maybe even more if the sell off was to continue. While it was a quick move down to a profitable scalp, prices did pull back and take the breakeven stops before dropping further.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_why(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



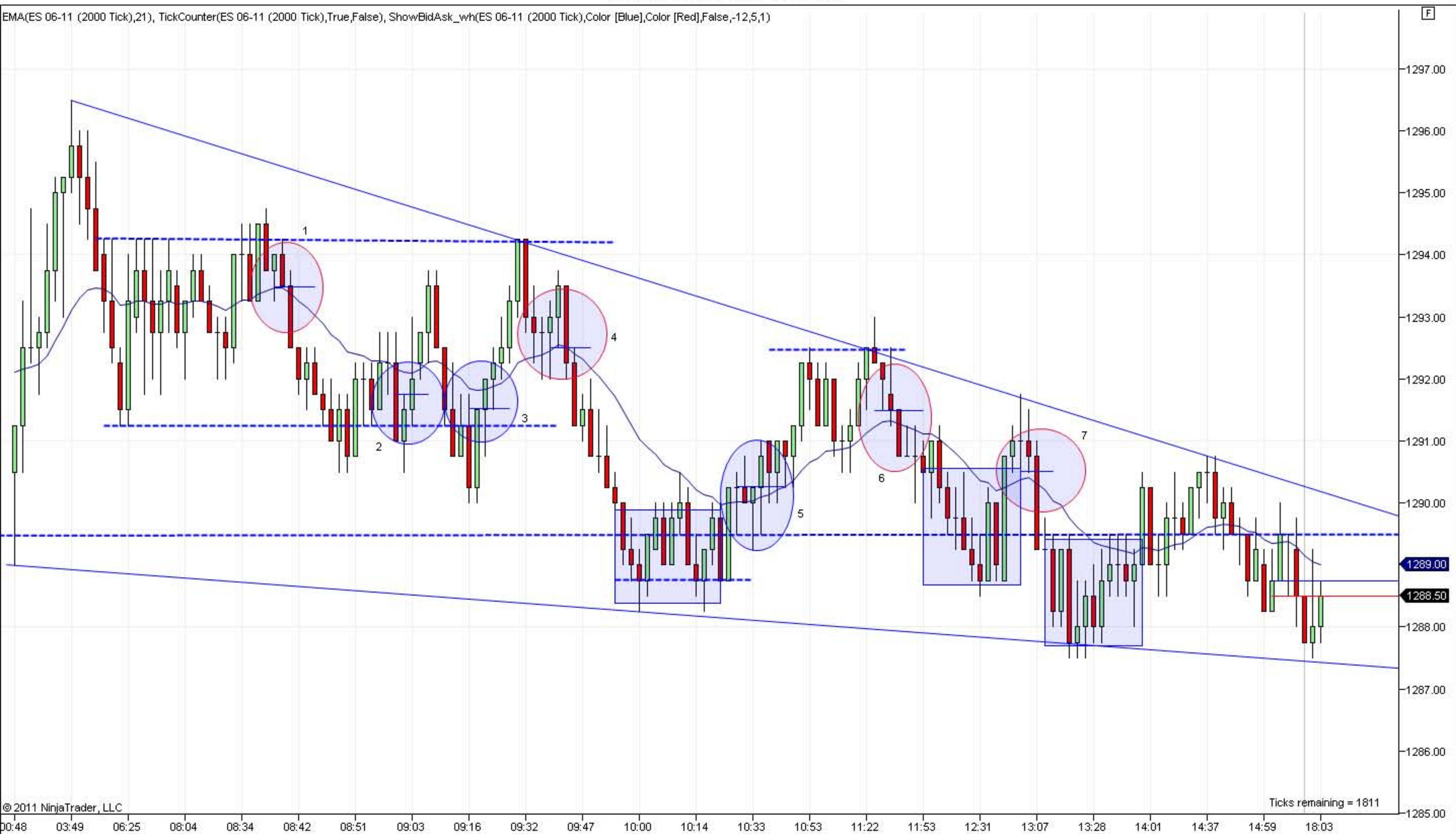
Daily Comment: Here is today's chart lesson for the ES. Today was a range day. Overall it was a very slow day with very few entries. Most all of today's entries were set ups on bounces off each side of the range. If you know and understand our price action rules, it was a fairly straight forward trading day, with only a few entries that were good for a point or two.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

- 1) This was a 2nd entry long coming off a pullback to the EMA. It was also a breakout pullback, 2nd entry long as well. This was really the best move of the day, and if you caught it, any runners were worth as many as 7 points depending on where you exited.
- 2) This was a 2nd entry long coming off a two-legged pullback to the EMA in an upward trending market. This is our favorite set up and it was an easy two point move.
- 3) This was a 2nd entry long following another two-legged pullback to the EMA. This was a double bottom that formed right at the overnight trend line as well. This formation was really starting to look like a trading range now, so we need to be thinking of buying and selling the bounces off the high and the low if there is enough room to scalp out.
- 4) This was a 2nd entry short following a bounce off the high side of the trading range. This was another two point move, but it took quite a while to follow through. With prices being so choppy, I thought it was best to simply scalp out of this trade with 4 ticks. If you patient and held on, it was good for two points though.
- 5) This was a failed break out the low side of the range. It's best to wait on a bullish bar or a 2nd entry long. The bias for this break out the bottom was for it to fail since prices traded up into this range. Also, the first breakout of a range almost always fails, regardless of which side it appears. Going long here was a chance to get long above a bar with a bullish close, and you could enter just off the low of the range, so there is a strong likelihood that you will at least get a scalp out of this entry. The entire move was good for two points, but again, when it got choppy after a full point move, I went ahead and took my point and closed the trade.
- 6) When this move did not quite make the high of the range again after the break out, that's a sign that some of the longs were giving up. A turn back down here would be a 2nd entry short on a lower high, which is likely to yield an easy scalp, but maybe prices will break lower again, so you might even consider hanging on for some extra here if it plays out right. As it worked out, prices could not quite get back to the breakeven stops, and this entry was good for 3+ points depending on where you exited.

Notice too that our price action trend line rules played out perfectly today. There was a break of the trend line near trade 3, followed by two attempts to make a new high on a retest. When that retest failed a 2nd time, there was a two legged correction before prices recovered and traded back inside the trading range. Even if you didn't see the trend line or the trading range, if you saw either one play out, you had a chance to enter using the price action rules and make money. I noted the two-legged correction off the retest with blue arrows to help you see it.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Today was another range day, although prices trended downward the entire day. I would actually describe today as a trending trading range day with a downward bias.

Days like this are tough and to be successful to must find the trend and any strong sup/res areas in order to find where the best entries are located, as the price action was trading on both sides of the EMA almost all day. In reality what was happening is that on every new low, the buyers were trying to reverse the market and put in a low for the day. Each time, all they were able to do is create a temporary correction that simply set up another sell opportunity at the trend line.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a nice 2nd entry short following a failed break above the high of a tight trading range that formed in the overnight and early portion of the regular market open. You could have entered below the reversal bar two bars earlier, but it's always best to wait on a 2nd entry. By waiting, the tick upwards actually trapped longs, and when prices turned down immediately, those trapped longs start exiting and help push our entry to a quick profit. This was an easy 2+ point move.

2) This was a failed break out the low side of the trading range. Again, by waiting on a 2nd entry long off the double bottom that formed, we got a great reversal bar to go long above. Almost all double bottoms on a failed break lower or at a strong support area are good for a scalper's profit. This was an easy scalp, but if you tried to get much more, you risked giving it all back, only to see the market spike down and back up again.

3) This was another failed break below the low of the trading range and below the small double bottom. When prices immediately reversed leaving us a strong bullish bar to go long above, it was likely prices would at least reach a scalper's profit if not more. In this case, prices were able to move up all the way to the high of the trading range again. The high this time also set the trend line for the day, which was an important clue of where to enter on future shorts.

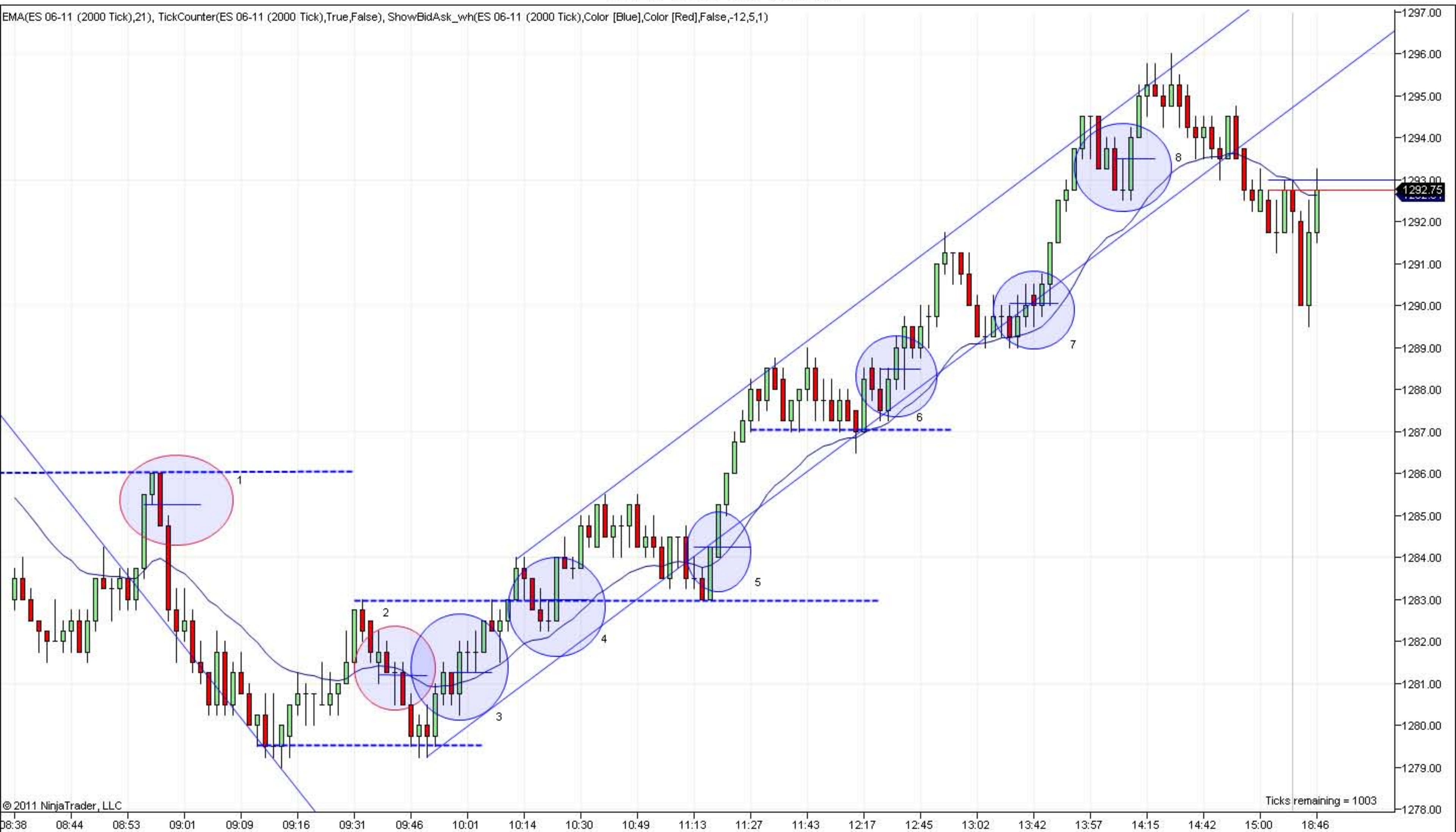
4) This was really a repeat pattern to trade 1. Remember that once you see a pattern set up, it is likely to occur one or more times again during the same trading day. This was a 2nd entry short, coming off the high side of the trading range. The move up off the failed break out was rather strong looking, so you really needed a 2nd entry to go short here this time, even though the reversal off the high had a very bearish looking bar. There was also a failed 2nd entry long here that set up a great long trap. With a bullish move off the failed break out that went all the way to the high of the range, most traders were looking for a second leg up, including myself. However, you had to go long above a doji to take this long entry. There were actually several overlapping bars with more than one doji that you had to go long above, and prices did just turn down off the high of a trading range, so going long here was very risky. By being patient and waiting on a better entry, you would have seen this trap and been ready for it. This was probably the best entry of the trading day, and any runners were safe and worth as many as 4 points.

5) This was a breakout pullback long. Prices tried to go lower here twice and failed, creating a double bottom. This one was tricky and you could have gone long above the reversal bar off the double bottom. If you did enter there, you had to take a tick or two of heat, but the trade still should have worked out for you. There was really too much overlap of the last few bars at the double bottom for a safe entry, so I did not mark it. By waiting, we got a better entry on this breakout pullback long. There was actually a failed 2nd entry short that quickly reversed offering us a chance to enter long on the breakout pullback that would also have trapped shorts. It still took this trade a bit to move forward, but as long as you followed our stop rules, your stop was safe and this was good for a scalp and maybe more if you held longer.

6) While the resistance area was the trend line time, this was still a repeat pattern to trades 1 and 4. Prices were still making lower highs and lower lows and the trend line had not yet been broken, so there was no reason to go long here on the failed break above this small double top. Again, you could have gone short below the reversal bar that set up on the failed break above both the trend line and the double top, but I always stress that it's better to wait on a 2nd entry to be safe. You give up a few ticks doing this sometimes, but you also save yourself from getting trapped on the wrong side of a reversing market. This was a simple scalp off the long trap, but unfortunately, there were no runners this time.

7) The trend line was now confirmed, so when prices turned down off it again, it was very likely to yield at least a scalper's profit. This turned out to be a great entry, as bulls thought they finally found the bottom this time, but like all counter trend entries, they usually only set up "great" with-trend entries if you are patient. This was another easy 2+ points move. If you were watching the lows and were aware of the lower trend line that had been holding prices, you could have been prepared to exit this trade on a bounce off that line.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Today was a reversal day with a nice long trend for the majority of the day. Prices move up most of the day in a perfect channel, and if you drew your lines on both sides of it, it was very clear where to expect to enter, and then very clear as to where you should likely exit (when prices touched the high side of the channel).

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was the first break of the trend line, so we know a retest is likely, so we are looking for shorts. Notice how strong the move up was, but that was nothing more than the big players making it look like prices were going higher so that they could sell into the negative housing data that was to come out at 9:00 AM CST. Prices had turned at this same level before, so this was a likely place for the turn back down to occur. The small bar that formed just after the large bullish bar was a good place to go short. A larger than normal bar like this usually sets up a trading range at a minimum, so a scalp is likely, and maybe more. In this case, prices dived right into the housing news, and it was an easy ride down for 6 points or so.

2) Most retests consist of two legs, so when prices made a lower high followed by a 2nd entry short, there was plenty of room to scalp out before the former low, and if we get lucky, we could get a measured leg down to another new low. Turns out a scalp was all we got on this entry, and when prices made a slightly higher low, that was the end of the down trend and it was up from that point forward. This is a good example of why we always scalp out and go to break even on a runner. In case the trend ends, we want to have some profit and not have to risk getting caught at the low of the day. If you entered here and didn't scalp out, you were in trouble, and if you held hoping prices would come back some day, then you held a loser and probably had a big loss today. This is why I always scalp out and hold a runner at break even. That way, I get the best of both worlds with less risk.

3) This was a 2nd entry long coming off a higher low on a 2nd leg down on a second retest attempt. Remember, when the market attempts something twice and fails, it will likely succeed in going much further in the other direction. When prices made the higher low: that was a sign that buyers were getting stronger and braver and the shorts were getting weaker and more nervous. It's unfortunate that prices came back and got the runners here, but it was an easy scalp.

4) This was a breakout pullback long. The market was making higher highs and higher lows after a trend line break and retest, so this is now an up trend. We are thinking long on pullbacks until proven wrong.

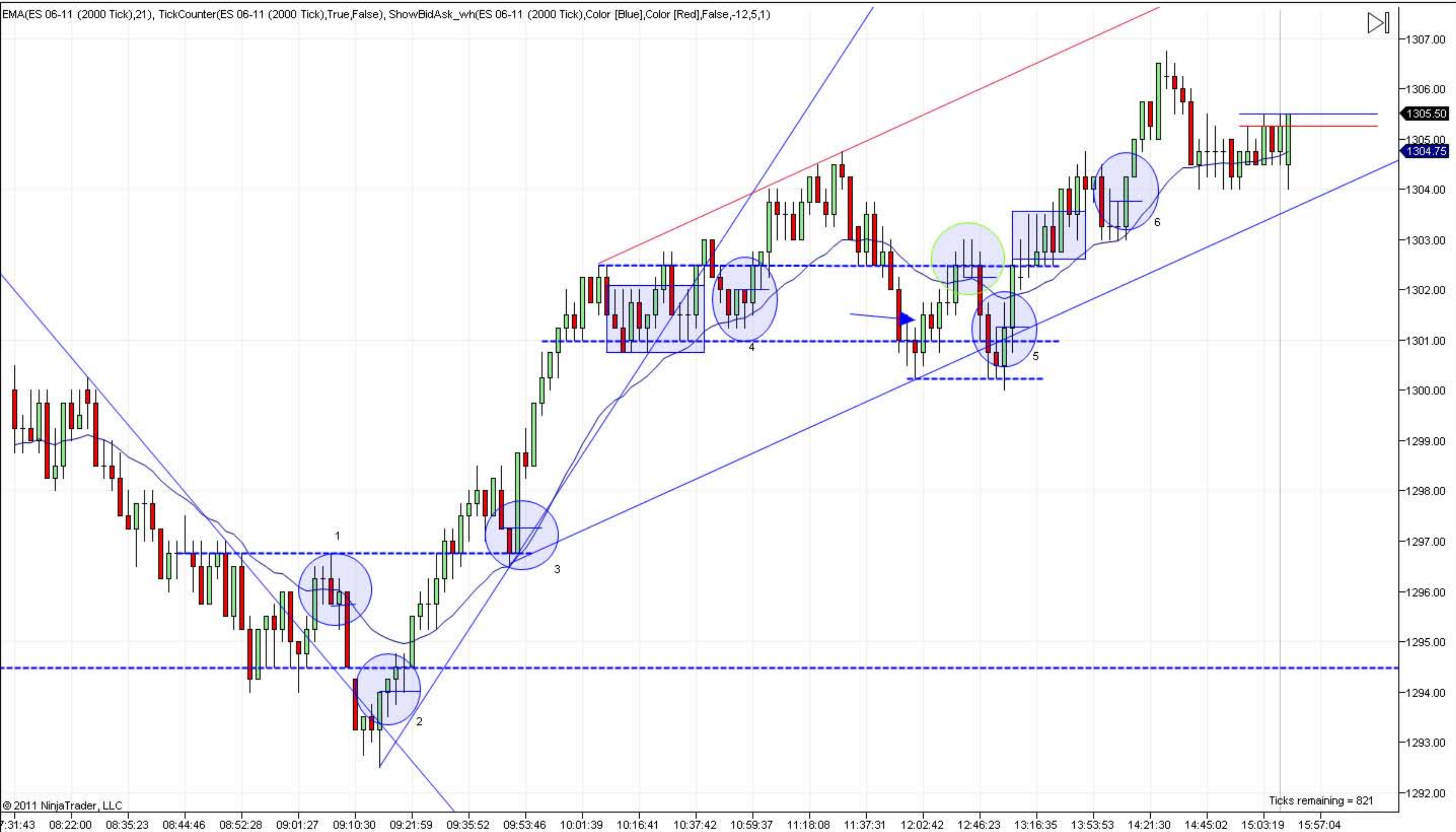
5) This pullback was simply a 2nd test of the breakout area from the double top formed near trades 2 and 4. When prices bounced at that level a 2nd time, leaving a nice bullish bar to go long above, this was a chance to get long at a key point. Any time the market attempts something twice and fails, it's likely to do the opposite in a much bigger way. This was a great entry and any runners were easily safe this time and worth as many as 10+ points on what was an easily distinguishable up-trend.

6) This was a 2nd entry long following a failed break lower. If you look closely, you can also see that it is a two-legged pull back to the EMA in an up-trend, and that is our favorite entry. My runner survived this by a tick as well, and it was worth almost 3 points.

7) This was a 2nd entry long, following a failed 2nd entry short after one of the biggest pullbacks of the up-trend until this point. That bearish leg down suckered in longs that were trying to pick a top, and when the 2nd entry short failed and reversed, those shorts had to exit and you can see that once it was clear prices were going higher, they really exploded up. This is what makes counter trend traps so nice! These patterns trap longs out that exit thinking the trend is over, and they trap shorts in who are trying to catch a top. The shorts have to exit to limit their losses, and the longs have to buy back in at higher prices and it makes prices explode quickly in the direction of the trend.

8) This was another small two-legged correction. Prices were very strong on that last leg up, so a test of the high is very likely. While this did turn out to be the final leg up, it was still good for a couple of points.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Today was very similar to Wednesday's trading. The regular market trading opened to a downward trending pattern from the overnight session, but quickly reversed and went into a strong upward trend. The initial surge was strong, but prices went into a range in the late morning. When prices failed to break lower at the 1301.0 support area, the rally picked up steam again and continued into the late afternoon.

There were not a lot of entries today, but most of them were key entries that made a lot of points with little risk.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was the first time prices were able to break the downward sloping trend line, so no reason to think long just yet. This was actually a 2nd entry short during a two-legged pullback to the EMA and that is our favorite money making pattern. This was a 2+ point move, so an easy scalp and hopefully some additional ticks on runners.

2) This was a great reversal on a retest following a trend line break. Even if this did not turn out to be the low of the day, the fact that prices reversed so quickly off the failed 2nd entry short, following a trend line break, made this a great opportunity to pick up at least a scalp. The strong bullish reversal bar gave it additional merit, as this is what rejection of prices looks like at a strong sup/res point. If you caught this reversal, it turned out that this was the low of the day and any runners were easily safe and worth a LOT of points.

3) This was a breakout pullback, 2nd entry long. This is also a two-legged pullback to the EMA after a strong move off a low that was most likely a reversal of the market from bearish to bullish. This is a great entry, and there is a strong likelihood of a 2nd leg up that will be equal in length to the first let up. If you measure them, you will find that they are almost two perfectly equal legs of 6 points. Any runners were safe here too and worth more than 4 points before a single bar could tick lower.

4) This was a breakout pullback long. The trading range was too tight here to try and fade either side safely, so it was best to wait on a breakout lower to fade or for a breakout pullback entry. Prices broke out the high side first, and that set up a nice breakout pullback long entry. Notice that the sellers got weaker on every pullback of this trading range (each pullback was higher). That was a good sign the breakout pullback long entry would likely be successful. Buyers were gaining strength, and sellers were losing strength on each attempt to go higher and lower. This was an easy 2+ point move up.

Notice the green circle. If you took a short off that two-legged pullback to the EMA, then it was a good trade and was OK. However, we were still in an up trend here most likely, so I felt it was a risky entry.

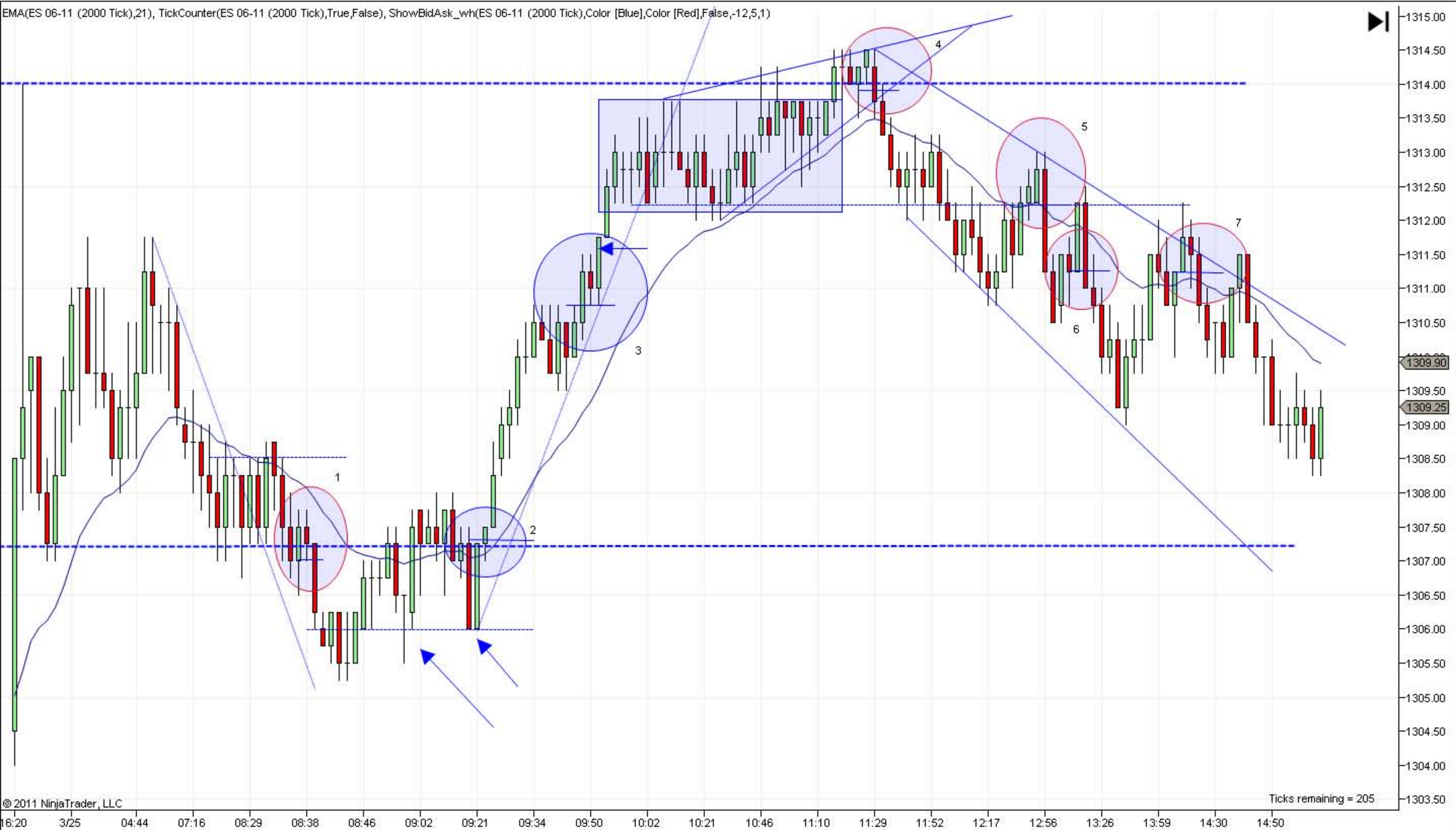
5) The first trend line off the early morning bear to bull reversal was very steep, so it was unlikely that prices would be able to sustain that momentum all day. It was more likely that there would be an early afternoon trap that would trap shorts in and longs out, and then the rally would start up again on a less steep trend.

Here is a small trick that I will show you. I was able to find the flatter trend line in advance, before the first touch by doing the following: I drew the line across the top of the trend first (the red line). I then cloned or copied the line and drug it down to the previous low swing point. You can reverse this for down trends occasionally too. While this does not always work out, it does work often enough to give it merit. By doing this, I was able to expect a possible reversal in this area. When prices bounced off the line to the tick, I knew then that it was likely to be a valid trend line.

This was a 2nd entry long, following a 1 tick failed break below a double bottom that was also a strong support level, but that also had a trend line that had held prices twice. Even if the trend line was not there, you should have found this entry through the support line following our trading range rules. You could have even taken the first entry noted by the arrow where prices bounced off the trend line the first time if you wanted, but it is usually best to wait on a 2nd entry. The one tick failed break lower below the double bottom actually trapped shorts in and longs out, so that gave the trade a lot of upward potential. As it turns out, this was a key afternoon entry, and it was all up hill from here. Any runners were worth several extra points.

6) This was a 2nd entry long following a two legged pullback to the EMA in an upward trending market. This is a high probability pattern, and it was an easy entry like most always. It was another easy 2+ point move depending on where you exited.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Here is today's chart lesson for the ES. Today was a range day. Prices spent the entire trading day within a 9-point range. Notice that if you used your trend lines, it was still possible to easily determine what side of the market you should be entering trades.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) When the regular market 8:30 AM CST market opened, prices were in small trading range, but having entered that range on a sharp move down. Notice that prices broke out of the trend line and tried to go higher, but quickly failed and reversed, so this was a failed break out of the trading range and above the down sloping trend line too. It was too close to the low to enter safely though, so we waited on a breakout pullback short opportunity. This entry was an easy scalp, but no runners. This break downward turned out to be a failed final flag, and after a few tries to go lower, the sellers gave up and the market rallied strongly.

2) Notice that after the break lower reversed and turned back up, there were then two subsequent attempts to take the market lower again, and both failed. I noted these failures with blue arrows. When the market attempts something twice and fails, it's very likely to succeed in doing the opposite. This was a 2nd entry long, following what was actually a failed 2nd entry short, so there would likely be trapped shorts to help drive this trade to a quick profit if it triggered. Notice too that both tries to go lower ended in higher lows, so that was a strong clue that the sellers were losing steam. Any runners were easily safe here and worth about 6 points before there was any break of the trend line.

3) This is actually a small congestion area that consisted of a two-legged pullback. After a move that strong off the low, a second leg is likely. If you didn't feel comfortable entering here, you could have entered 3 bars later on the small breakout pullback long (noted by arrow). That second hesitation there really confirmed the trend line too, so you definitely should have entered long there if you missed this entry. Runners were safe again and worth 2 to 4 points depending on where you exited.

4) Notice that there was a break of the trend line after two measured legs up off the morning low. After the two legs up, the market went choppy, broke the trend line, and then completed a small two-legged retest with a new high. This two-legged retest was actually a wedge type pattern, which is a reversal pattern when found at highs and lows. When prices broke above the high on a 3rd push up and failed, that created a 2nd entry short off a double top, and it was a great place to get short. This entry might be hard to see without my chart and all of the proper lines, so if you missed it, that's OK, as there were several other opportunities to get short once the market had proved further that the rally was over. This was one of those key reversals at a major high point, and it trapped weak longs, so when it reversed, it was a nice ride down. Any runners were easily safe and worth as many as 5+ points.

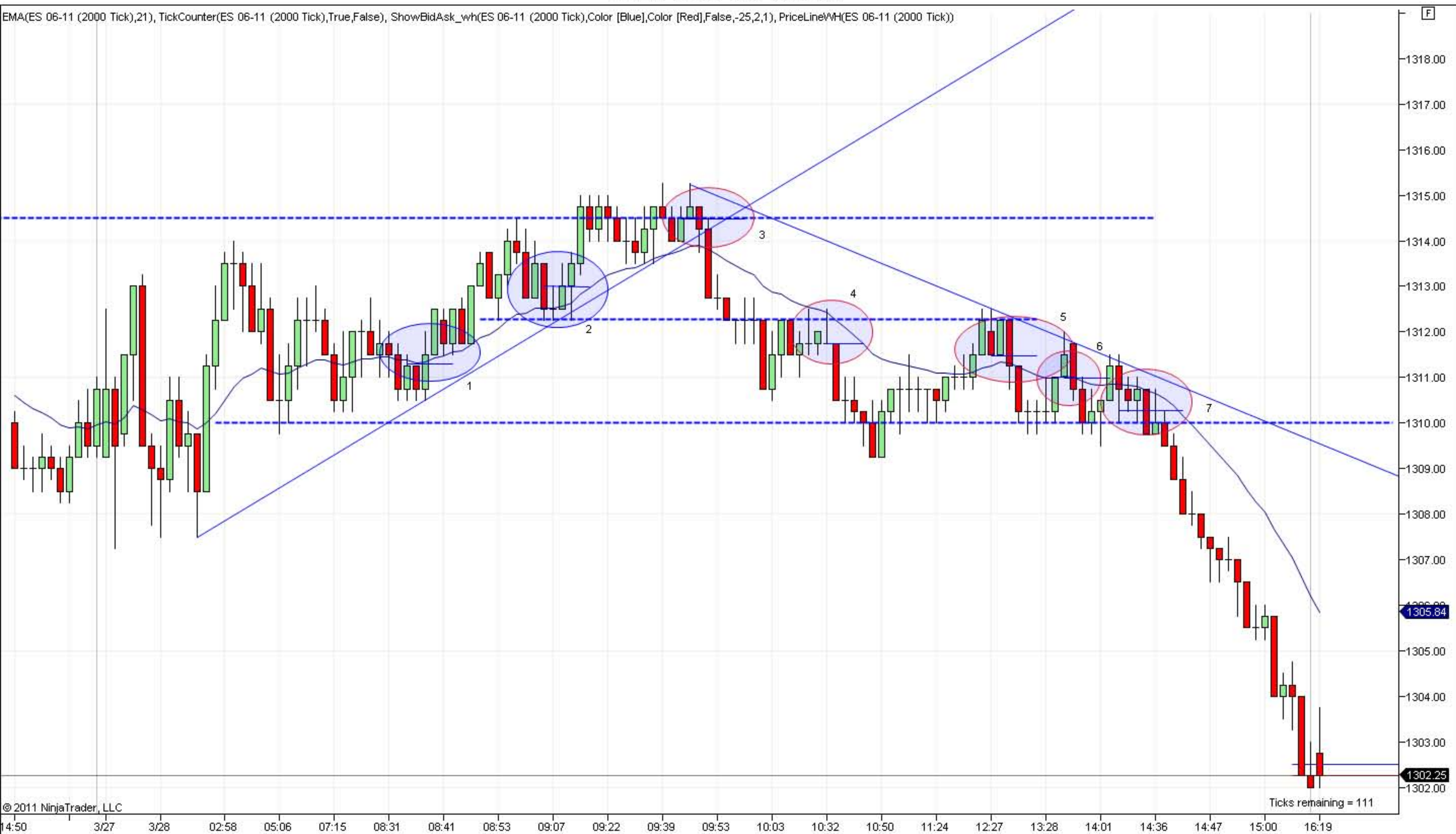
Notice too that even if you went long on the first couple of moves lower after the trend line break, there was still a chance to enter long and scalp out if you entered only at the low of the small range. It was really too choppy to risk a long, but if you took one, it should have still worked out for a scalper's profit.

5) This was a 2nd entry short following a two-legged pullback to the EMA in a market that was now making lower highs and lower lows. This was also a breakout pullback short off the strong support area that formed around 1312.25. Two-legged corrections during pullbacks to the EMA are our favorite entries, and we have to take them all. This was an easy scalp, but no runners this time.

6) This was another two-legged pullback to the EMA. It was also a test of both the trend line and a re-test of the former support point at 1312.25 that is now acting as resistance. This was another easy scalp but no runners here.

7) This was another re-test of the resistance area at 1312.25. Remember, two attempts to test something that fail will send prices further in the opposite direction in most cases. There was also a failed 2nd entry long here, so there were trapped longs too. This was a quick and easy scalp, and was really the last trade of the day before getting past our 2:30 PM CST cut off time for taking new trades. No runners here unfortunately.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_ww(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), PriceLineWH(ES 06-11 (2000 Tick))



Daily Comment: Here is today's chart lesson for the ES. Today was a range day for the most part, but there was a huge sell off that occurred during the last 20 minutes of the day. It was actually very close to our 2:30 PM CST cut off, but it was such a great move, it was definitely worth taking it if you did.

This was a really frustrating day, because the market was so quite and so range bound that I'm guessing many traders quit trading early today. If you were patient and hung around long enough to take that last entry down, it was all worth the effort. If you did not take it, it was likely a very slow and unremarkable trading day for you.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a failed 2nd entry short that created a short trap. Notice that both of the last lows was higher, so that was a clue that the buyers were gaining strength and that the sellers were weakening. While this one did not take off quickly, it did give you a good entry point that was good for a scalper's profit. Any runners should have been safe and good for 2+ points.

2) This was a two-legged pullback to the EMA in a market that was making higher highs and higher lows. It was not a strong trend, but it was an upward trending market all the same. No runners this time, but it was good for a scalper's profit. It's possible you could have gotten shaken out of this one with a small loss, but it was worth holding your stop below the signal bar and giving this one a little room. This was also a breakout pullback long.

3) This was a failed 2nd entry long that reversed off a double top creating a 2nd entry short. While I was expecting only a scalp out of this entry, it turned out to be the high of the day. This is a good example of why you should always try and hold a runner. If you caught this entry, any runners were easily worth about 4 or 5 points, but could have been worth about 15 points if you held until the end of the day.

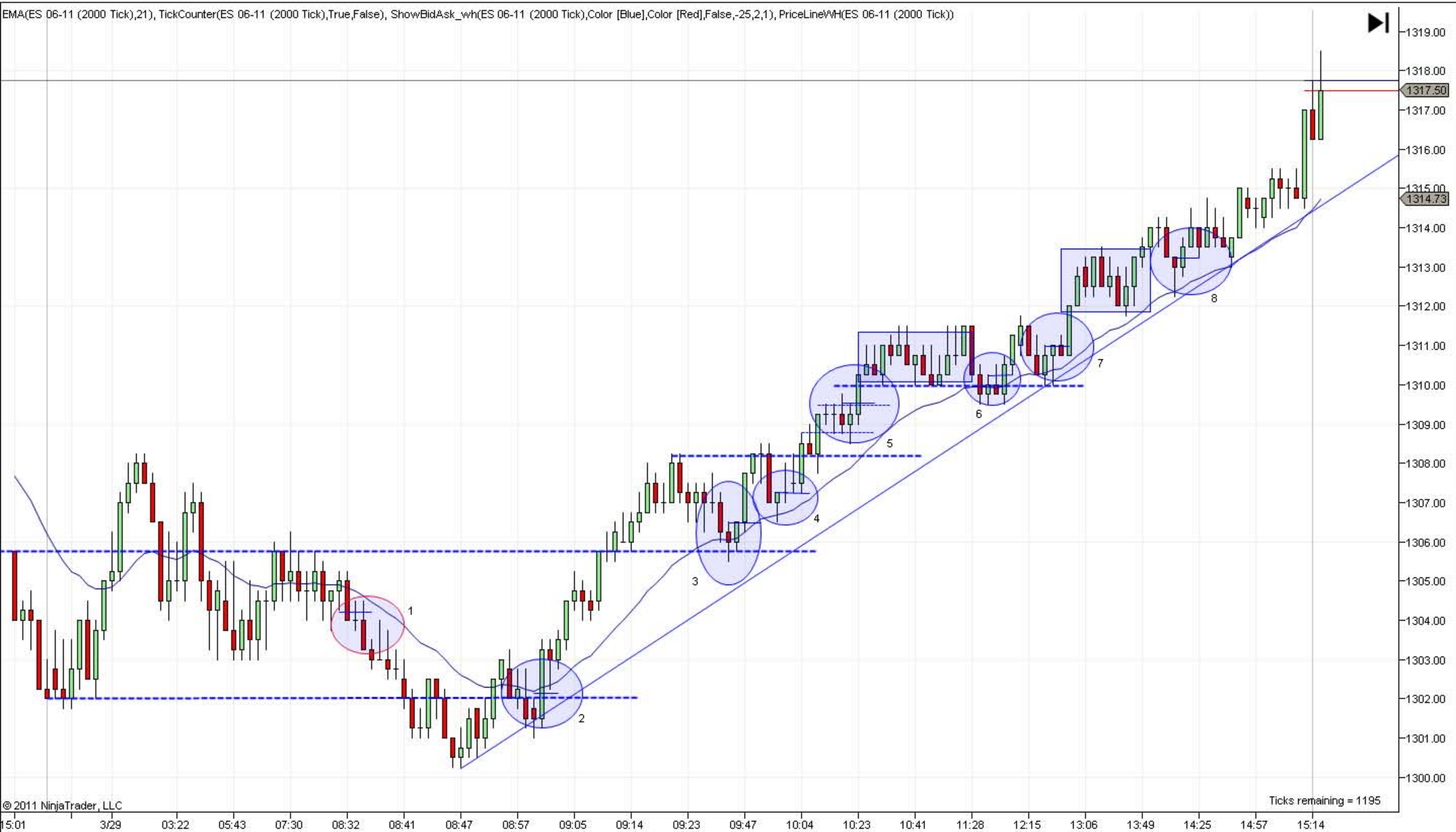
4) This was a two-legged pullback to the EMA after a nice bearish leg down off a double top, so that also makes it a 2nd entry short during a pull back to the EMA, and that is our favorite entry. At the very least, we should probably see another leg down, so this is one we should take every time. There were several overlapping bars here, so that made the entry sketchy, but at the last minute, there was a 2nd entry long that failed, and reversed into a nice 2nd entry short with trapped longs. This one was good for a scalper's profit only before prices pulled back and took out the stops on any runners.

5) This was a 2nd entry short off a double top. This was a 2nd attempt to test the breakout area at 1312.25, and it held both time, so it's now acting as resistance. Remember, any time the market attempts something twice and fails, it is likely to succeed in doing the opposite, so this was a great place to go short again. Too bad there were no runners here, as that would have given us a great opportunity for a free ride down on the sell off, but there are rarely in free rides in trading, so this one was good for a scalper's profit only. This swing set the trend line for the down trend as well.

6) This was a 2nd test of the trend line before prices turned lower again. This was really a 2nd entry short and a breakout pullback short too. It was an easy scalp, but again, prices could not quite push low enough to sell off. It was looking as if the day was going to end inside the larger trading range at this point.

7) This was a 2nd entry short, and the last three attempts to go higher all failed, creating a higher low, so the bulls were losing strength and the bears were getting more aggressive. This one was tough to enter, but the set up was there, and if you took it, you were rewarded nicely, as the market finally broke lower and sold off in a big way. The entry was just prior to our 2:30 PM CST cut off rule for new trades, but it did trigger in time. Any runners were easily safe and worth as many as 8 points by the close!

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), PriceLineWH(ES 06-11 (2000 Tick))



Daily Comment: Here is today's chart lesson for the ES. Today was a strong trend day from almost the open. The market opened in a trading range, failed on a break lower, and then quickly reversed making a low of the day within the first 20 minutes of the opening of the regular market.

This reversal was strong and the trend was strong all day, although it does not look strong because of all the small bars and the choppy way it trended. This type of trend day will fool you, as it is actually a very strong trend. The market was so strong today that it closed on the highest tick of the day! When you see a choppy but consistent trend like this, whether up or down, once you recognize it, enter with a big enough stop to keep you out of the noise, and just hang on. The best bet is to just hang onto your runners until the trend changes (in an up trend, a trend change would be when the market begins making lower highs and lower lows).

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) This was a fade of a failed 2nd entry long in a down trend. The market was coming down off the high side of the range, and looked like it was poised to break higher at the open. However, the 2nd entry long only trapped longs on the wrong side, and this gave a great short entry that was good for an easy scalp. It's possible your runners survived, and if so, they were good for a couple of points or more.

2) This was a 2nd entry long after two tries to go lower below the trading range low that both failed. It doesn't look like it on this chart, but the lowest swing bounced really quickly, and then made a higher high. That is a strong clue that this could be a failed final swing down. When the next leg down quickly reversed and created a higher low, that was a good place to go long, and while a scalp is very likely, if this turns out to be the low of the day, then you are getting long at a key location. This turned out to be the low of the day and any runners were safe and worth as many as 15 points depending on where you exited.

3) This was a breakout pullback long, but it was also a 2nd entry long following a two-legged pullback to the EMA after a very strong move off a new low that was now looking like a major reversal point for the day. This was an easy scalp, but no runners this time.

4) This was another breakout pullback long. Any runners were safe this time and worth as many as 10 points on if you held to the close. This actually turned out to be a small trading range itself, but notice how each pullback made a higher low. That's a trending market, and it shows the bulls are getting stronger too.

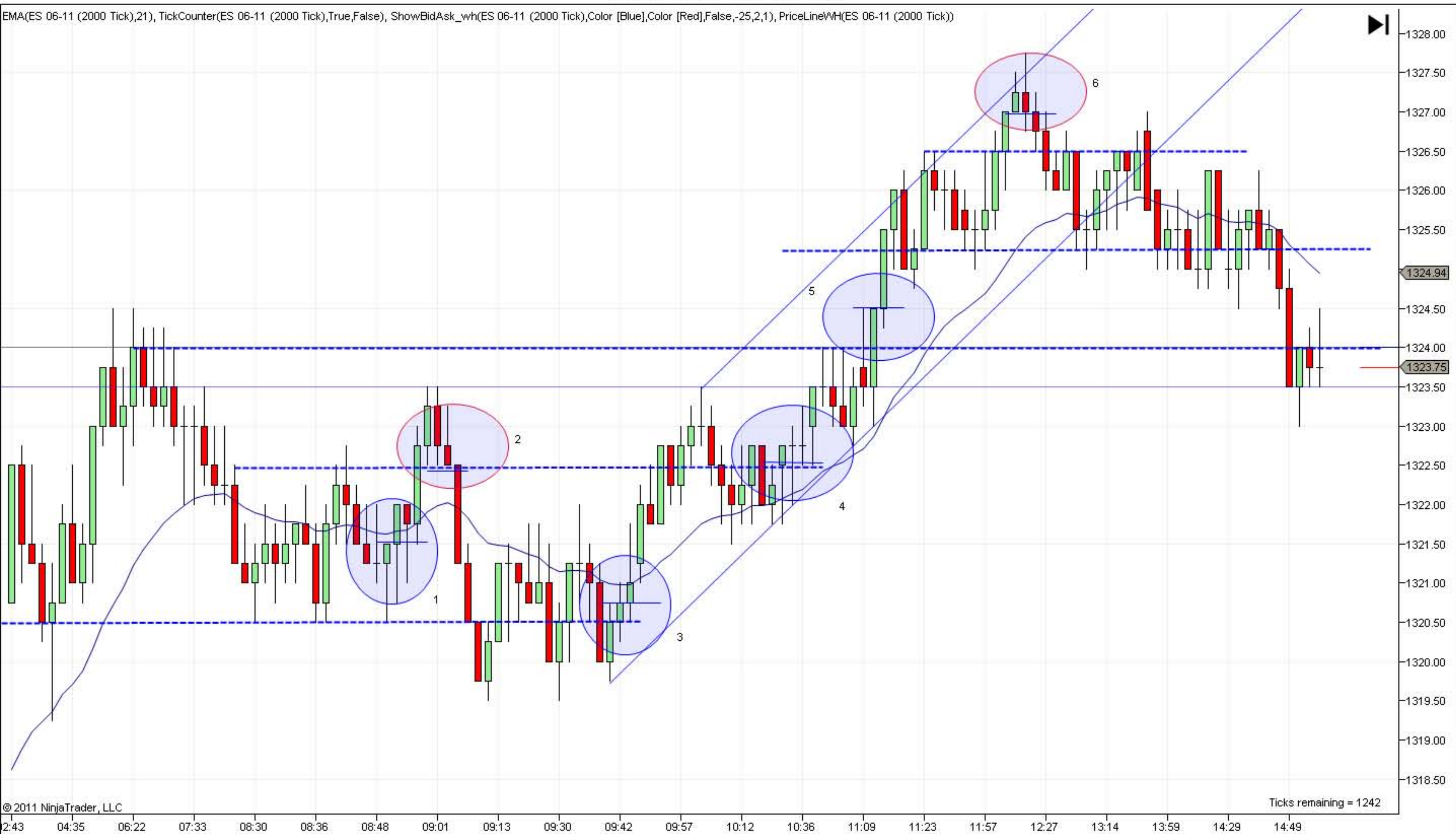
5) This was yet another small breakout pullback long. This was also a very small 5 bar trading range. Prices failed out the top, then failed out the bottom before heading higher. This was an easy scalp, but no runners this time.

6) This was a two-legged pullback to the EMA in an upward trending market. It was also a one tick failed break below a double bottom. This was another easy scalp, but again, no runner.

7) This was a breakout pullback long after another bounce off both the EMA and the trend line. This time, your runners were easily safe and worth as many as 6 points depending on when and where you exited them.

8) This was another breakout pullback long. It was a repeat pattern to several other entries that were available almost all day. This one tried to shake the longs out by stalling after 5 ticks, but if you held your ground, which you should after seeing the choppy trend up all day, it was still good for a scalper's profit.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), PriceLineWH(ES 06-11 (2000 Tick))



Daily Comment: Here is today's chart lesson for the ES. Today was mostly a range day, but the key to today's price action was that prices broke out the low side of the range and failed, giving a trend that was upward as prices moved up and out the high side of the range, where they again failed and came back to test the break out area.

While today was not what I would call a trend day, the bias was up and there was a minor trend to the upside as prices were working off the low of the range up to the high side of the range. This is why it's important to always draw your trend lines, because there may be trends within the ranges. It will be interesting to see if the resistance now acts as support, or if prices will continue to sell off from here.

It was not a great trading day, as there were not many entries, and not many runners either. However, if you understand our price action rules, there was more than an ample opportunity to make money today with relatively few surprises.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) The larger range actually collapsed into a smaller range by the time the regular market opening came today. Prices tried to go lower twice and failed, creating a triple bottom. When the reversal bar formed on the third bounce off the low at 1320.50, it was worth the risk to enter long there with the expectation that the triple bottom would yield at least a scalper's profit. However, there is always the chance that we can catch the low of the day too, so we want to hold a runner here. Notice that the triple low was also following a higher high, so that have the triple bottom additional merit as well. This was an easy scalp, but no runners here.

2) This was a failed break higher above the double top of the smaller trading range. The market was very choppy, so there is a good chance a fade of this breakout will yield a scalper profit, and could even lead to a break lower. This entry was good for 2+ points, but no runners.

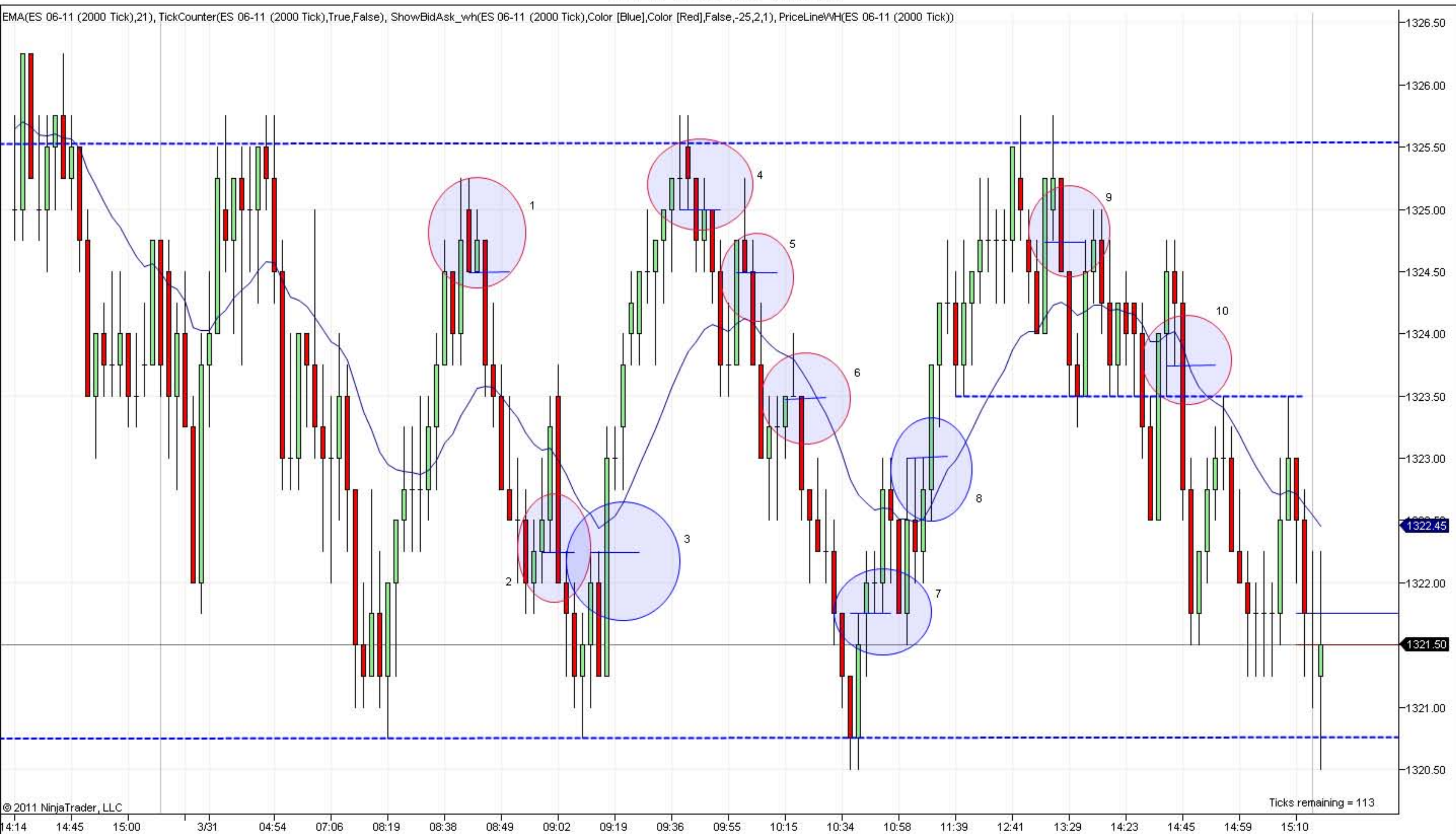
3) After finally breaking lower below the support area at 1320.50, prices tried to go lower two additional times, with the third attempt making a higher high. This was really a repeat pattern to trade 1. Remember, repeat patterns occur each day and if one was a good entry, the next one will most likely be a good entry as well. When prices attempt something twice and fail, they usually succeed in doing the opposite, so this was a great chance to fade a failed 2nd entry low with trapped shorts at a strong support area. It was an easy scalp, but our runners were finally safe too, and better yet, they were safe from almost the low of the day and worth as many as 8 points depending on where you exited. This is why we always hold runners!

4) This was a 2nd entry long following a failed 2nd entry short that bounced off the EMA. No runners this time, but it was good for a scalper's profit. The market continued to be very choppy, but the fact that prices could not go lower again was a good sign that they might go higher.

5) This was a breakout pullback long. Notice that the breakout failed, and prices turned down quickly, but by the time the reversal bar closed, it was just a doji, and with the market making higher highs and higher lows now, it would be too risky to go short below that doji without a 2nd entry or a better bearish bar. By sitting tight and not risking a short here, we were ready to take advantage of the quick reversal on a bounce off the trend line that very likely trapped shorts who thought the breakout was going to fail and reverse lower again. This was a very quick and easy scalp as prices exploded upwards, but unfortunately, prices pulled back and took our runners.

6) This was a great long trap, but if you were closely watching the price action, you would see that this was a third push up to a new high that failed at the upper trend channel line. There was no reason to go long here this far from the EMA, so when prices ticked higher above the small bar, that trapped weak longs that don't understand price action. Remember, prices almost always come back and test a breakout area, particularly ones that were acting as strong resistance, so there is a chance prices could pull all the way back to the breakout area, but at a minimum, they will likely pull back to the EMA and/or trend line. This was another easy scalp, but again, no runners.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), PriceLineWH(ES 06-11 (2000 Tick))



Daily Comment: Here is today's chart lesson for the ES. Today was another lethargic trading range day in the ES. Just a couple of weeks ago I was bragging that the ES was now becoming the market of choice again, so I guess I got ahead of myself thinking it was back again, as there is just no general direction as of late.

One thing for certain though, if you know and understand our price action rules, and you apply the range rules to these types of days, there is some easy money to still be made. The entries were limited, but if you entered on either side of the range, it was a sure thing that you could ride it back to the other side, although you did have to be patient and tough out the choppy volatility.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or overlapping bars to enter safely.

1) Prices made a new low just after 8:00 AM CST this morning and then bounced. Notice that there was a two-legged correction (this is hard to see without a trained eye, but I noted it with arrows). Notice that the two legs are almost equal measured legs as well. If you go to a smaller time frame, you would easily see the two legs, with a failed final breakout that reversed the market back to the down side. This was a strong resistance area, so when prices broke higher and then failed, this was a sure sign that prices were likely going lower. We don't know that it's a trading range just yet, but it's looking similar to one already. This was a great short and your runners were safe for a couple of extra points too.

2) This was a 2nd entry short following a lower low and a lower high, so a trip to test the previous low is likely, and a measured move is possible. This was an easy scalp, but the previous low held on the test, so no runners here.

3) This was a 2nd entry long coming off a double bottom. Even though the legs were not equal, we had two legs down off the high. The double bottom gives us a high likelihood of at least a scalp off this entry, but there is a strong chance that prices will actually go all the way back to test this high again, so it's important to hang onto a runner. The runners were indeed safe on this entry and worth almost 6 points. If you missed this entry, you could have entered two bars later above the double top matching highs noted by the green circle.

4) Prices found resistance again and formed a double top at 1325.75. This was a 2nd entry short coming off a double top, so it's a high probability scalp, and since this is looking very much like a range, prices could go all the way down to test the low again. This was an easy scalp, but no runners this time.

5) This was a 2nd entry short off the high or double top, so a measured leg down if our minimum target, but prices will very likely attempt to test the previous low or double bottom, so we want to hold a runner if this entry triggers. This was an easy scalp and any runners were safe and worth as many just about 4 points.

6) This is a breakout pullback short, when we are already expecting prices to likely test the double bottom low again. This was another easy scalp, and our runners were safe this time too and worth about 3 points.

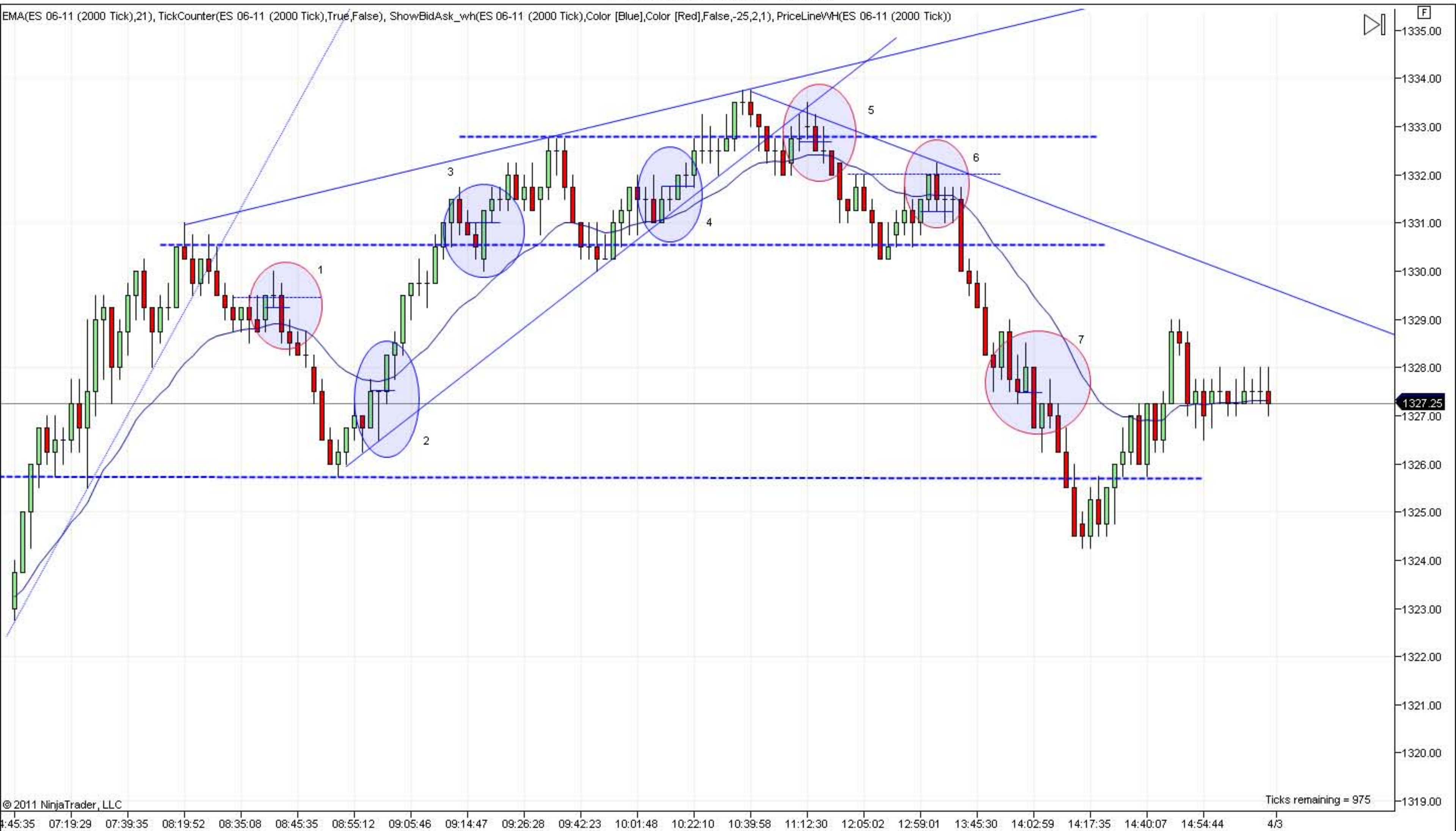
7) When prices ticked one tick lower and reversed with a very bullish bar, it was now very evident that prices were in a large trading range. A scalp is almost a given, but as with all trading ranges, there is a strong likelihood that prices will actually go all the way back and test the high of the range again. The one tick failed break lower trapped shorts that don't understand how to trade breakouts, so we have those trapped traders to help push us higher as well. Normally I would recommend waiting on a bullish bar before entering long, but with the trap, the weakest shorts will start entering just above the high of the bar that ticked lower and failed, so it was OK to enter here when also knowing that 1320.75 is a very strong support area. We could also enter here with a very small stop, so that keeps the risk very low. If this bar was larger, we would probably be better off waiting on another bar or better entry because the stop would then be much larger making this a riskier entry.

8) This was a 2nd entry long following a one tick failed break below the previous double bottom, so that actually makes this a triple bottom. The fact that this is a 2nd entry just gives the entry additional merit, as even the more conservative traders will go long here and the aggressive longs will probably add on to their current trades. You can see how prices explode up quickly here too, as the shorts begin to exit as prices moved higher. Any runners were easily safe here and worth as many as 3 points.

9) There is little doubt that this is a trading range now, and the fact that prices gave us a small double top at the former and larger resistance area only further confirmed that fact. A scalp is almost a sure thing, but we need to hold a runner here, just in case prices collapse to the low side of range. This was an easy scalp, but no runners unfortunately.

10) The bulls tried really hard to keep prices moving higher, but they could not do it, and prices just got stuck here momentarily in another smaller trading range. When prices broke lower, that only set up a breakout pullback short. This was another easy scalp, but again, prices came back and took out our runners, so no additional ticks this time. Notice that the failed breakout that pulled back to set up the breakout pullback short was actually a failed 2nd entry long, as it did not reach a scalper's profit. That very likely trapped some longs, so that gave this short additional merit. Notice how strongly prices broke lower too, so that's a good indication that longs were indeed trapped and their exiting pushed the market quickly lower.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wwh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), PriceLineWH(ES 06-11 (2000 Tick))



Daily Comment: Here is today's chart lesson for the ES. Today was another slow and lethargic day in the ES, and it was really a range type day overall. There was enough movement or trend in both directions to make money, but you had to enter and be patient to the long side, because it was very slow and choppy all the way up. The sell off down to the low had some momentum and was the best opportunity to make money today.

Look closely at the triangular pattern that formed during the morning session. This is a 3-push wedge pattern that is often found at tops and bottoms. I talked about this same pattern a few days back, and this one worked the same way. Learn to spot this pattern and you will better recognize that it's a reversal type pattern and that could alert you as to when to expect prices to turn.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) There were a couple of reasons to consider this short. First, it was a failed 2nd entry long that immediately reversed trapping longs. Secondly, it was a failed break higher above the small trading range that formed right at the EMA. With two reasons to go short here, there is a good chance we could get a measured leg down, and maybe a move all the way down to the previous support area. This was an easy 3-point move and any runners were easily safe.

2) This entry was very similar to trade 1 except in complete reverse. Prices triggered a 2nd entry short, and immediately reversed, so there would be trapped shorts here that would exit if prices went higher. This was a news related reversal, and it happened really fast, so if you were not paying attention, you might have missed it. Any runners were easily safe and worth as many as 6+ points. There was no reason to go short on the 2nd entry because you had to go short below a very bullish bar, after prices had just bounced off a former support area. You would need a better set up than this to look for a short at a strong support area that had now turned prices 3 times.

3) This was a breakout pullback long. There was some positive news out this morning that reversed the market to the long side, and the momentum was still strong at this point. This trade looked as if it was going to fail, and it's possible you got shook out of it. However, if you hung on, it still reached a scalper's profit, but no runners.

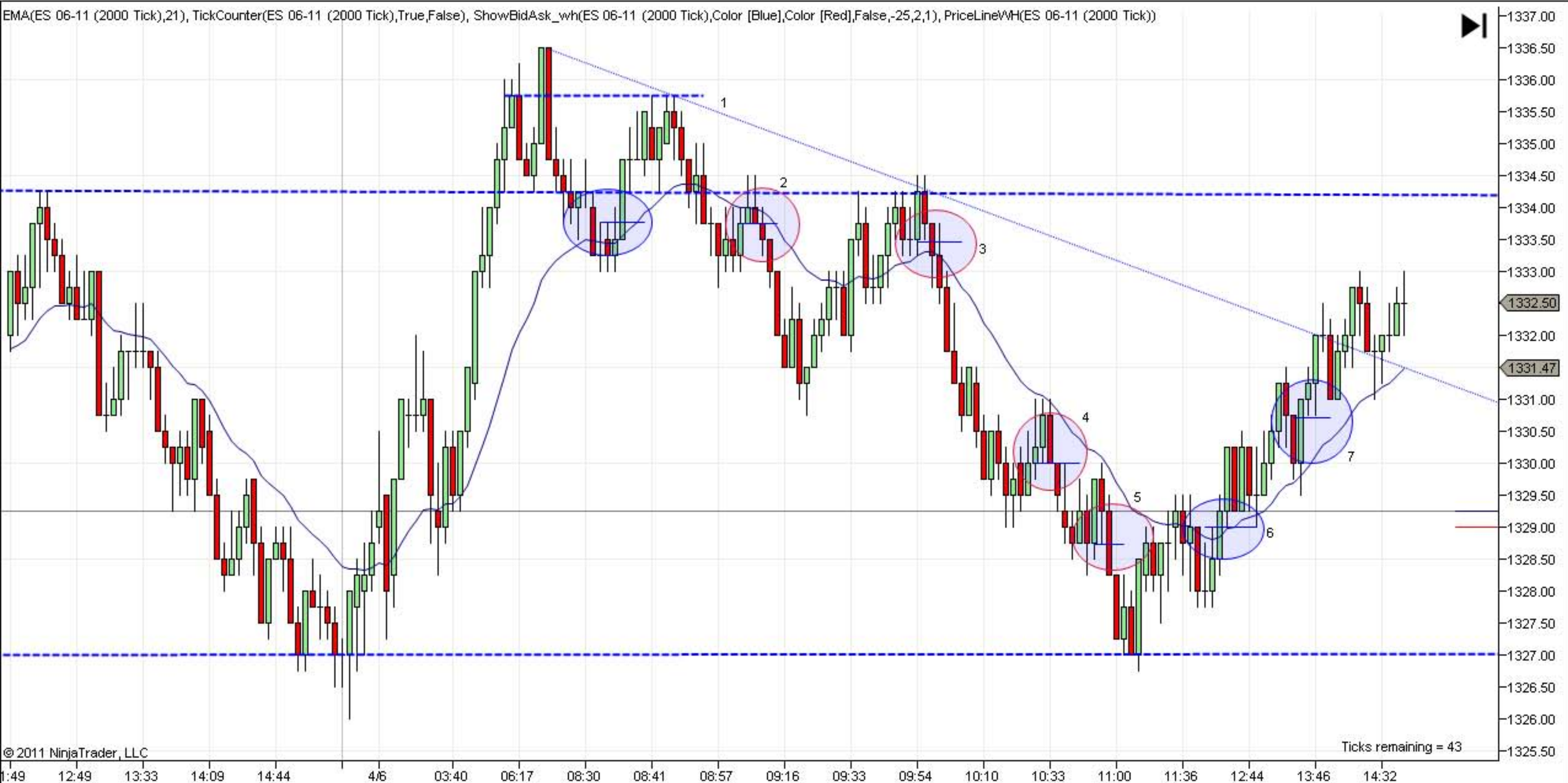
4) This was a 2nd entry long after another bounce off the trend line. The trend line had several touches by this time, all confirming that the line was valid, so taking a bounce off of it was a low risk long entry. Like the last entry, it was slow and choppy, but prices continued to chop upwards. No runners this time.

5) This is another entry where there was more than one reason to enter short. It's possible that you missed one or the other, but if you saw either one, it was enough reason to enter short here. First, there was the wedge pattern that had just completed a third push up. The wedge was so narrow that prices would have to break out to one side or the other soon, and the most likely direction for this pattern is downwards since it formed at a high. There was also a trading range in place now too, and this was a 2nd entry short following two tries to break higher that both failed. Remember our rule: Any time the market attempts to do something twice and fails, it will likely succeed in going much further in the opposite direction. Regardless of which pattern you recognized here, this was a 2nd entry short at a high point. The lower high after the trend line break should give us at least a measured leg down, but maybe even more. Runners were safe this time too, so depending on where you exited; the runners could have been worth as many as 8-points.

6) This was a 2nd entry short during a two-legged pullback to the EMA in a down trending market. It was also a breakout pullback short, and a failed break higher above a small double top. This was a bounce off the trend line too, so that gave it some additional merit as well. This was one of the best entries of the day, as your runners were easily safe and it was a quick and easy move down for about 7-points.

7) This was a fade of a failed 2nd entry long. It was also a breakout pullback short. There was a strong likelihood that prices would probably try and test the low again, so we should be looking for a reason to enter short. A failed 2nd entry long would likely trap some longs, so a fade of that long trap in a market selling off should yield a scalp at a minimum. This one was tricky, because it tried to reverse one tick early and become a failed final break lower, but that tick higher only trapped more longs, and when that long entry failed too, the bulls relented and prices sold on off to a new low. If you didn't get shook out of this trade, your runners were safe and worth 2+ points. If you didn't see this entry, don't sweat it, because it was not an easy set up to see. It's not uncommon for a breakout pullback entry to trigger a couple of times like this following a strong move down.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), PriceLineWH(ES 06-11 (2000 Tick))



Daily Comment: Here is today's chart lesson for the ES. Today was a trending trading range day. Prices continue to be stuck in a large trading range, and today prices simply trended downward from the high of the range to the low of the range where prices bounced again.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) The rally off the low side of the range during the overnight session was very strong, and I thought we were probably going to continue up in the regular session, but this is a good example of why we simply follow the price action and don't try and guess where prices might go. This was a tough long entry because it was so close to the top of the trading range. However, we also know that most two-legged pullbacks to the EMA in a trending market are a sure thing for at least a scalp, and this one was no different. This was a 2nd entry long following the two-legged pullback to the EMA and it was good for an easy scalp, but there were no runners here.

2) This was a breakout pullback short, but it was also a fade of a retest of the high of the trading range that failed and turned prices lower again. Notice too that this was a two-legged pullback to the EMA, as well as a failed break above the small double top that formed right at the EMA, so there were multiple reasons to go short here. The real kicker was the failed 2nd entry long that reversed and trapped longs. You had to look closely to see this one, but this entry had all the makings of a long trap, and you can see how quickly it sold off to a new low once it triggered. No big runners, but if you were tightening your stop after every completed bar going down, your runners were worth 5 ticks as well.

3) This is a repeat pattern to trade 2, but just slightly larger. The fact that this one turned right at the trend line confirmed the trend line, even if only a minor one in a trading range. This was a 2nd attempt to break out of the trading range, and any time the market attempts something twice and fails, it is likely to succeed in doing the opposite. This was another great long trap, as many traders obviously thought that prices were going to go higher from here. Even though the short was not clear right away, there was no reason to be looking for a long here due to all the overlapping bars, the strong resistance line just above and a possible trend line too. By sitting tight, we were ready to take advantage of the 2nd entry long that immediately reversed trapping long traders. Notice how this set up a really good sell off as the trapped longs started exiting and the new shorts begin chasing the market down. Any runners were safe here and worth between 3 and 6+ points depending on where you exited.

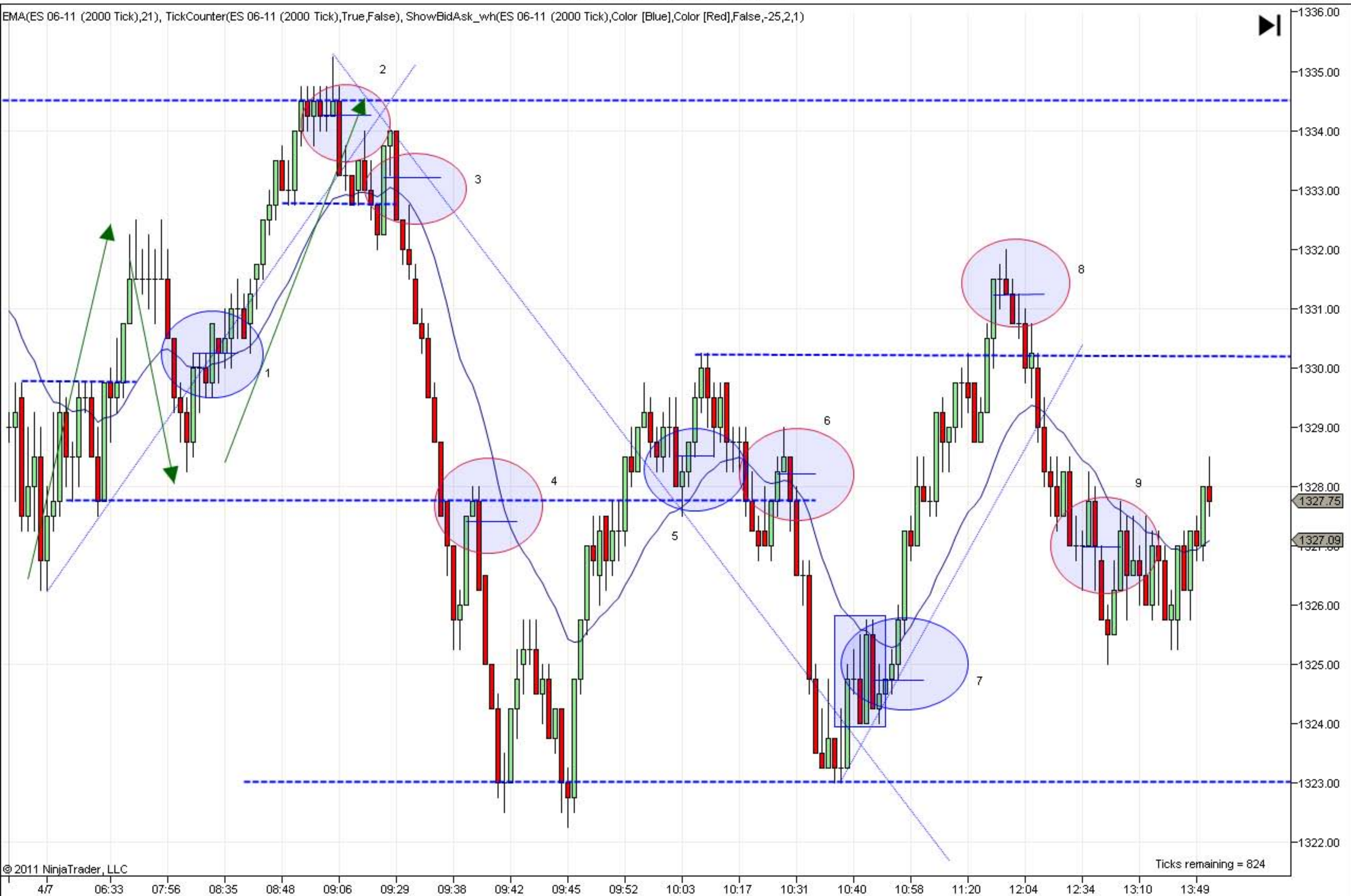
4) This is another two-legged pullback to the EMA in a downward trending market. It is also a breakout pullback, 2nd entry short, so there was more than one reason to go short here. No runners this time though.

5) This is a repeat pattern to trade 4, which is a breakout pullback short, but just as important, a two-legged pullback to the EMA in a down trend. There was enough room to scalp out before the low, so this was a low risk entry and it was another quick and easy scalp, but no runners this time either. With the low of the trading range just below, it is often wise just to scalp out in full or at least have a target for your runners near the previous low as prices are likely to at least bounce, and the market may even reverse.

6) This is a fade of a failed 2nd entry short that reversed trapping shorts. With so many overlapping bars and the fact that prices had just bounced off the low of the trading range, it was too risky to go short below a doji, so no decent short set up here. Normally we would not be looking for a long here either, but the fact that the 2nd entry short failed, there will likely be trapped shorts that will drive us to a quick profit, and the trend could also be reversing back to the long side. Most traps are good for at least a scalp, and this one was no different. No runners here though.

7) When prices bounced off the low of the trading range and started making higher highs and higher lows, the first target is the trend line. This was a breakout pullback long during a pullback to the EMA. The next resistance point is the trend line, and there is enough room to reach a scalp by that time, so this is a great long opportunity. As expected, it was an easy scalp, but not runners here either.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Here is today's chart lesson for the ES. Today was a tough trading day with no sense of direction at all. Overall, this was just another range day, but prices went from being bullish, to bearish, and back to bullish in the blink of an eye, making it very difficult to know exactly what was likely to happen in the long run. The best bet was to watch for traps or 2nd entries and fade (take an entry in the opposite direction) any new highs or lows.

On range days like this with multiple strong reversals, you should fade any break of a major support or resistance area. Those fades will almost always be good for at least a scalper's profit, but many times, your runners will be worth many points if you catch one. If you understand price action, you would at least be prepared to take the best entries today (the failed breaks of the strong sup/res points), and even if you only caught one or two of them, the runners would have made you a lot of points.

1) This was a 2nd entry long on a reversal at the trend line. It was also a breakout pullback long as well. We needed a bullish bar to go long above to make this a decent entry, but if you entered above the previous bar, it was still a 2nd entry long, but it's always best to wait on trend bar in the direction of your entry. While this one took a moment to play out, prices eventually took off and any runners were safe too and worth as many as 4 Points before reaching the strong resistance area at 1334.50 which was a double top.

2) This was a failed break above the former double top that was located at 1334.50. There were two measured legs up, so on a larger time frame, this would be a great 2nd entry short as well. We only watch a single chart, so we need to learn to spot the patterns that are forming on smaller and larger time frames. I marked the two legs with green arrows to help you see the pattern. There was a break of the trend line and a successful retest as well, so that was another clue that prices might sell off. No runners this time, but it was a quick scalp.

3) This was a breakout pullback short. If you faded the break lower, then you got trapped before prices could take you out of the long trade. If you got trapped, you would have exited where this short is marked, so you still should have gotten out with a tick of profit, but if you reversed, you got short at a key point and any runners were easily safe and worth as many as 10 points. The reason there is no long here is that there was not enough room to the long side to profit by the time we got a good bar to go long above. So, going short here was also a fade of a failed 2nd entry long, so we know there are trapped longs that will start exiting and drive our entry to a quick profit.

4) This is a breakout pullback short. With a move down that bearish, any pullback is very likely to set up another with trend entry, and this was another fast ride down, and any runners were safe and worth 5 points or so depending on where you exited.

5) This was a two-legged pullback to the EMA after a very bullish bounce off a double bottom with trapped shorts. The double bottom actually went slightly lower, and we know that these are stronger double bottoms than an equal bottom, because the move lower tricked the shorts and trapped them at the very low. Two-legged pullbacks are our favorite entries, and that makes this a 2nd entry long as well. No runners this time, but it was another easy scalper's profit.

6) With a sell off that was as strong as the one that we just had, a retest is very likely at some point, so we needed to be thinking retest on the break above the trend line before looking for any longs. This was a 2nd entry short on a breakout pullback short. This is actually a repeat pattern to trade 3, so if you recognized it, you should have been ready to go short here. If you faded the break out, and moved your stop up below the low of each bar going up, you still should have made a tick or two off the long, as turned out to be another failed 2nd entry long. This one actually reversed into a 2nd entry short. This was another key entry point, and any runners were easily worth 5 points.

7) This was a 2nd entry long following a bounce off the strong support area, making this a double bottom pullback long. The key was the failed 2nd entry short that immediately reversed into a 2nd entry long. You would not want to take the 2nd entry short because there were multiple overlapping bars and doji's and there was not much room before reaching the strong support area again, so it was not a good set up.

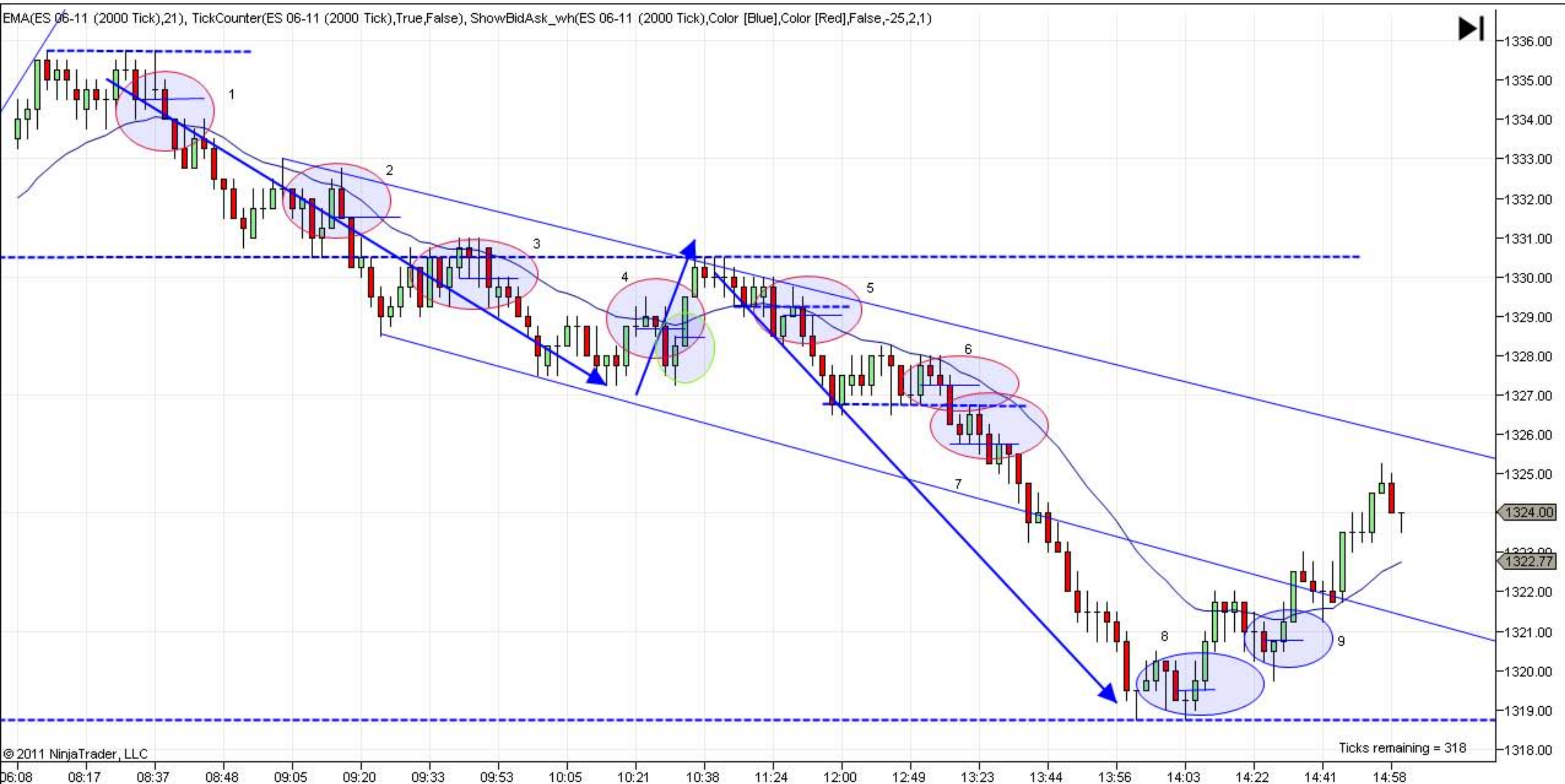
By waiting on the trap, we got another key entry and any runners were safe again here and worth about 6 or 7 points. I often get questions as to how I knew there would be a trap? The answer is simple. I didn't know there would be a trap, but I knew not to go short, so when prices triggered the short, I immediately placed my order above the last closed bar knowing that if prices reversed and ticked higher, it would be a failed 2nd entry short.

Prices actually did not break above that bar, so I moved my order down another tick above the next bar when it closed. Once prices ticked higher there, I was long and look how the market exploded upwards as the trapped shorts started exiting. The key point is I did not know what was going to happen, but I was thinking ahead and anticipated what could happen and I simply placed my order there and waited. If it didn't trigger after a bar or two, I simply cancel it. My long entry could have failed too, and prices could have then gone lower again, and if so, I would have had my stop below the signal bar and would have lost 3 or 4 ticks, but failures that turn into traps rarely fail to at least reach a scalper's profit. It's a calculated risk with the odds on my side, and that's all we can ask for when trading.

8) This is a failed break above the double top with a nice bearish reversal type bar to go short below. Notice how long prices had been away from the EMA too, and that is a clue that a pull back is probably coming soon. It was rather clear by now that this was a range day, so you fade any new highs or lows that break above or below key areas. This was another key entry point, and our runners were off the races once again and worth as many as 6 points depending on where you exited the trade.

9) This was a breakout pullback short, but it was also a form of a two-legged pullback to the EMA, which is our break and butter entry. Notice that it's another fade of a failed 2nd entry long too! You wouldn't go long here after prices had just failed on a break higher on a range day. There is a strong chance that prices are headed back to the low again. This was another easy scalp, but no runners here, and prices could not go lower either in the end. Remember our bias, but remember too that nothing is ever written in stone, so don't fight or argue with prices, as you will lose if you do.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: One thing is certain in trading. The longer prices stay stuck in a range, the harder they trend when they break out. Today was a good example of that. Prices have been mired in a range for a long time, and we finally got a strong trend today. Notice that this entire move down was simply a large two-legged move.

Also, notice the channel lines that I drew. I found the channel lines by drawing the lower line first, then copying it and moving it up to the high side. This is what you call a spike and channel day (prices spiked down off the double top high and went into a trending channel), but that is irrelevant in the end. What matters is the lower line helped me to find the upper trend line and gave me a good idea as to where prices were likely to turn down again.

Notice too that the sell off was so strong this afternoon that prices actually overshot the lower channel line significantly. Look how long and how far prices were away from the EMA. When you see that, you know that once the market finds support, it will likely take back a large portion of the move, as this sell off was way over done. You don't want to start counter trend trading, but if you see a good reversal pattern, you need to take it.

1) This was a fade of a failed 2nd entry long that created a triple top pattern. The failed 2nd entry long trapped longs and a fade of a failed 2nd entry is usually good for a quick and easy scalp at a minimum. If you were paying attention and caught this entry, your runners were safe and you were short from the very high of what turned out to be a strong bear day for the majority of the day. This is one of those key entries that make us a LOT of money with little or no risk! We were out with a scalper's profit and our runners at break even in a blink, so within moments, this was a free trade and the profit potential was HUGE.

2) This was close enough to be a repeat pattern to trade 1. The market tried to go higher twice and failed both times at the EMA, so that makes it a two-legged pullback to the EMA in a down trend, and that is our bread and butter entry. Like all of them, it was an easy scalp, but our runners were safe here and worth several points at a minimum and a whole lot more if you were aggressive and held your stop at break even long enough.

3) This was a breakout pullback short, but it is also an almost perfect repeat pattern to trade 1, with a small bonus. The bonus was the fact that prices actually broke above the double top on the 2nd entry long, so when it failed this time, there were additional trapped longs to help push prices down to another new low. Runners were worth extra ticks too, depending on how you managed the stops on them.

4) This was a failed break above the small double top during a pullback to the EMA. Notice that this was a similar pattern to trade 2 as well. This was also a two-legged pullback to the EMA in a down trend, so it's likely to yield at least a scalp, and that's all we got. If you tried to get even one tick more, you got trapped short here for a bit.

Notice the green circle. When prices went down a bounced strongly off a double bottom at this previous strong support area at 1327.75, it was OK to reverse long here if you did, as this was a 2nd entry long coming off a double bottom following a higher high on the failed break higher, so this was also a double bottom pullback long entry coming off a strong support area. I did not mark this trade as a usual trade because it was a counter trend trade, and I don't like to teach these entries to new students. All the same, I made note of it in case you did see it and take it. If you did, it was a good entry.

Notice too, that by using the previous two low swings, I was able to copy that line and find a logical place where prices "MIGHT" turn down again, and that worked out almost perfectly, although you need a good set up to the short side before risking a short entry. Notice too that the move up was two legs, so that was another clue that prices might turn down in that area.

5) This was a breakout pullback short, after another attempt to go higher that was held in check by the trend line. This touch actually confirmed the line an additional time, so a short here was a low risk entry with prices likely to at least test the low of the range again that we seemed to be forming here.

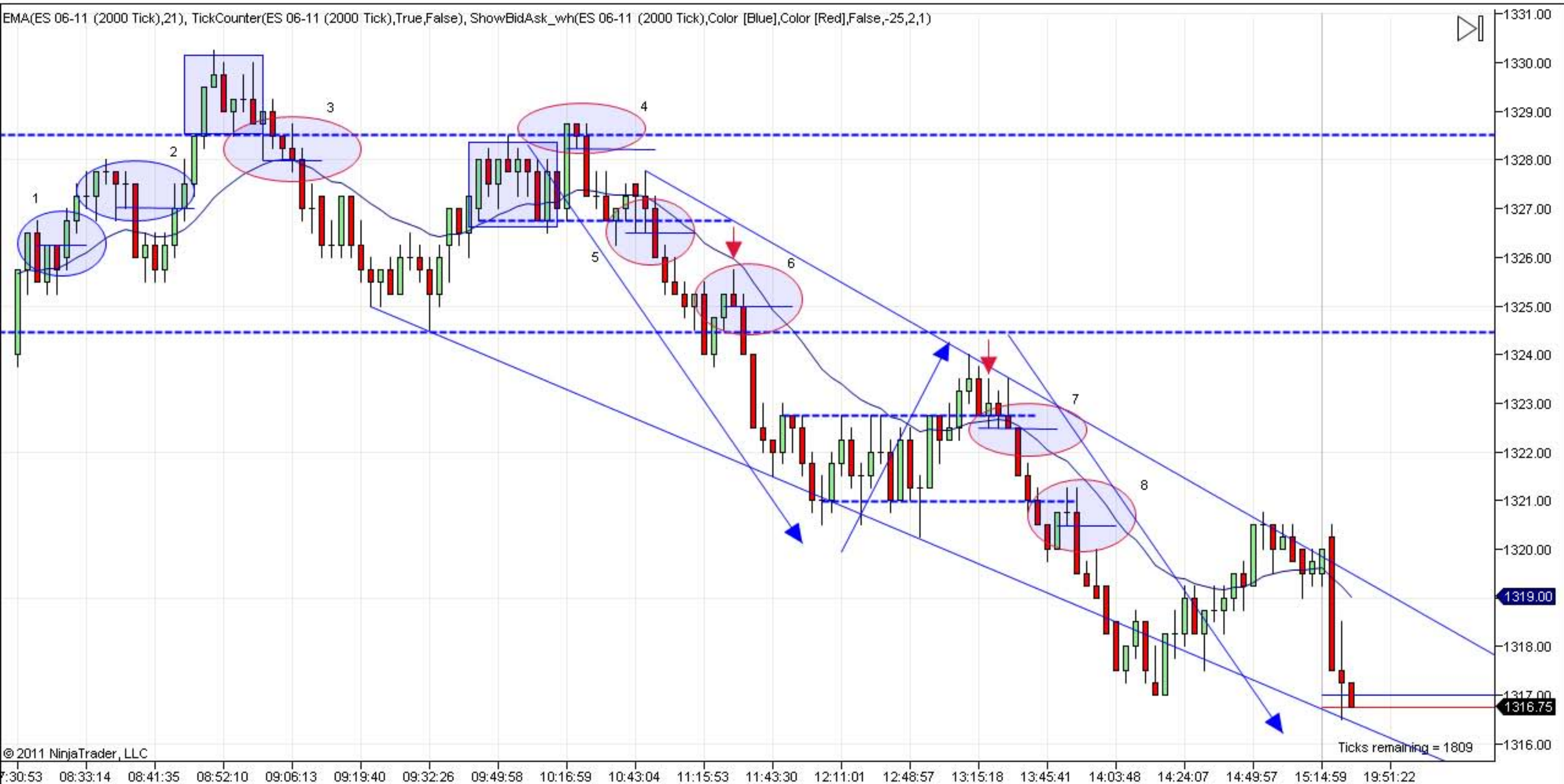
6) Do you notice anything familiar here? This is a repeat pattern to trades 1, 2 and 3 all over again. Once you see a pattern once, you need to be on the alert that it might set up again. If a pattern works once during the day, it will likely perform the same each and every time it shows up. This was a failed 2nd entry long that trapped lows right at the EMA once again. It was also another two-legged pullback to the EMA, and we know those are almost always good for at least a scalp. It turns out that this was the best move of the day, as your runners were easily safe and worth about 8 points or so.

7) If you missed trade 6, this was your chance to join in with little risk. This is a breakout pullback short, and from here it was off the races with your runners, which were worth 7 points or so depending on where you exited. The bias is for prices to bounce at the lower trend channel line, but that bounce failed as you can see, and prices just kept going lower. The way you should handle this with your stops on your runners is to place your stop one tick above the bar that touched the line, then start moving it down to one tick above each new bar as it completes. If you did that, you could have ridden this move down and exited 4 ticks from the very low of the move.

8) As I discussed earlier, a move this long and far cannot sustain itself for long, so by now, we should be looking for a bounce at the next support area, which was around 1319.0. We don't want to buy the first reversal, but rather we need to wait on a strong price action set up. This was about as good as you could ask for, as there was a failed 2nd entry short, with prices very far away from the EMA. Most failed 2nd entries are good for at least a scalp, but on a move down like this, you might catch a major low. While this was a quick and easy scalp, they managed to run the break even stops on our runners to the exact tick before prices went higher.

9) This is another repeat pattern to trade 4. This is a double bottom pullback long entry. If you look closely, you can see that this pullback was a two-legged move, so it was a 2nd entry long on a smaller time frame. Our runners were safe and good for several points on this one.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today started off as a range day, but once prices failed out the top twice, the bears took over and there was a nice two-legged sell off that gave us a couple of key entry points with strong and quick movements down. There were not a lot of entries today, but if you understand our price action rules, there were no real surprises and it was fairly straight forward trading today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This first trade was tricky since it was so close to the open. Unless you were already trading or paying close attention, it's very possible you missed this entry. Notice that prices had just failed out the low side of the trading range, and then a 2nd entry short triggered, but immediately failed and reversed, trapping shorts. That gave us a chance to enter long after a failed break lower and a failed 2nd entry short. The key was the failed 2nd entry short, as that normally traps a lot of shorts that will help push our trade to a quick scalper's profit. Since the trade took a bit to follow through, it appears that not as many shorts were trapped as I would have expected, but that's why I don't mark a lot entries right at the regular session opening, because the market is very emotional and subject to one or more reversals that trap traders on the wrong side of the market. This one worked out and was good for a scalp, but nothing more.

2) This was a 2nd entry short following a two-legged correction off the failed break lower. Prices were making a lower high here following the lower low on the break lower, so that gave the impression that prices were likely headed lower, and with a 2nd entry short setting up, it was worth the risk to go short off this lower high. While the trade was a quick and easy scalp, that was all we got from it and prices quickly reversed and headed higher with no runners here either. You actually could have reversed and gone long here following the short scalp, but since this is the middle of a trading range, it's just not a great set up, so I did not mark the long entry.

3) This was a great long trap on a failed break out the high side of the trading range. Notice that there was a 2nd entry long that triggered and immediately failed. There was no reason to go long above a small bearish bar right at the top of a trading range, so the smart thing to do was place an order to go short immediately after the 2nd entry long triggered. Do we know that prices will trade down? No, but we do know that if the 2nd entry long fails and prices turn lower, that there will be trapped longs looking for a long entry off the pullback to the EMA. By thinking ahead and placing our short order here, we got a quick and easy entry that moved very quickly to a scalper's profit. However, this time we also got a runner, and the likely target is the other side of the range. Any runners were worth up to 3 points depending on where you exited.

4) This was another failed break above the high of the trading range. Prices actually got caught in a small congestion area right at the high of the range here, so no way we go long out of congestion at a strong resistance area. Notice all of the overlapping bars prior to prices breaking higher. Our best bet is to look for a failed break out of any congestion or range and fade it. This was a really good set up because of the nice bullish looking trend bar that broke higher. A bar like that is usually just setting up a range, or it will be part of a current range, and when the small inside bearish bar forms near the high of the breakout bar, that is a great short set up if prices break lower below it, which they did. At a minimum, prices will usually move back down to the low of the range or congestion, and the bar was large enough that this movement alone would be enough to reach a scalp. This was a nice long trap, and it was a quick and easy ride to a scalper's profit. Best of all, our runners were easily safe and we were short from near the very high of the day. This was one of those key entries, and our runners were worth as many as 11 points depending on where you exited.

5) This was a breakout pullback short, but it was also a 2nd entry short following the failed break out the high side of the congestion and trading range. Prices will likely go to the low side of the large range, so a breakout pullback short, with a 2nd entry is a strong set up and it was another easy trade. Our runners were safe again here too, and they were worth up to 9 points.

6) This was another breakout pullback short, but it was also during a pullback to the EMA on a 2nd entry long. The failed 2nd entry long trapped additional longs, so this was a great short entry and you can see how quickly prices dropped from here. I'm often asked how I knew that the long would fail and the short would succeed. The answer is: I didn't know. What I did know is that there was not a good bounce on the failed break lower (notice all the overlapping bars), so the market is weak, and the overlapping bars indicate acceptance of prices at this level and not rejection. I felt that if the failed breakout that reversed long did not follow through, that it would probably turn into a good breakout pullback short, but again, that's just my best guess based on what's transpiring, so I place my short order and wait to see if it is triggered. If it doesn't trigger, then I may change my mind and start looking for a long again. However, if it does trigger my short, my safety stop goes just above the signal bar (noted by the red arrow), and if I get trapped short and prices reverse, I only lose a couple of ticks at most. In this case, the breakout pullback short was the correct read on the market and look how quickly prices plunged to a new low. This was an easy scalp, and our runners were worth a lot more! We never know what prices will do, so we calculate the risks, place our orders and wait to see what happens. If wrong, we get stopped out with a small loss and maybe we even reverse to take advantage of any traps.

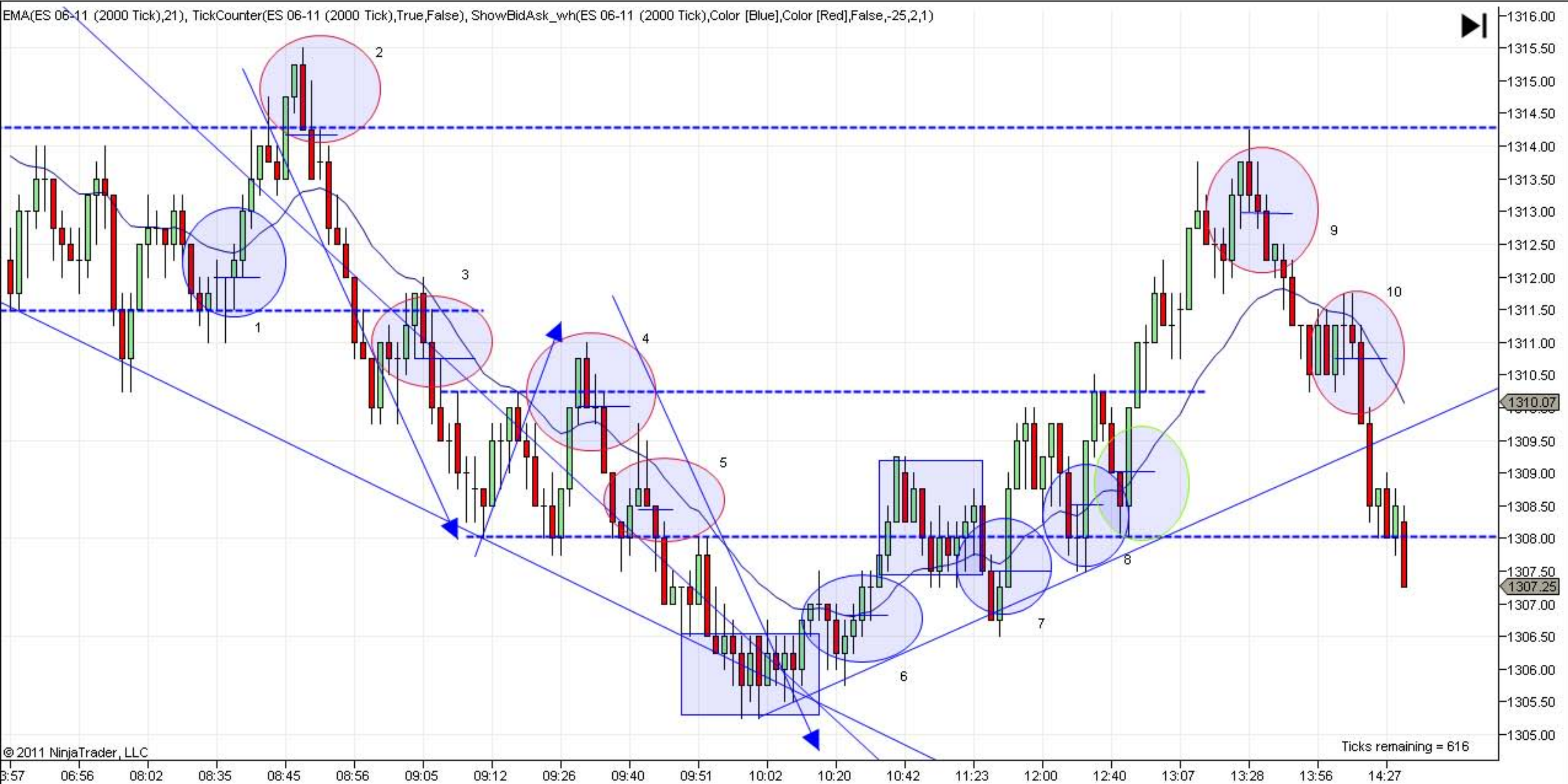
7) After breaking lower out of the larger trading range from trade 6, prices simply went into a smaller and tighter range at this much lower price level. After forming this smaller and tighter range, prices failed out the lower side first, but that was more predictable because we had a trend line working off the lower side of this trend, and it had held multiple times, so it was proven to be valid multiple times already. After failing out the low side, prices moved back to the top and then failed out the high side, triggering a failed breakout pullback long that immediately reversed, trapping longs on the high side of the range. The trend has been down most of the morning, so no reason to try and get long off the high side of a trading range. It was better to sit tight and wait for more price action before going long, or to wait on a failed break higher that would turn into a 2nd entry short.

Again, I have no idea what prices are going to do, but I know the rules and I know that this is not a good place to go long, so I place my short order after the breakout pullback long triggers, and I wait to see if the long fails and the short triggers. At this point, we don't have any idea what prices will do, but we have to anticipate and think ahead a bit. As you can see, the short did trigger and I am short from another key entry on the day and it was an easy move down, with our runners easily surviving and making us multiple points. Yes, I could have been wrong on the break lower, and if so, I would be out with a small loss because my stop goes just above the signal bar, and since the signal bar was an inside bar, my stop goes above the previous bar (noted by red arrow) until the entry bar closes, and then I slide my safety stop down to one tick above the entry bar (in this case, the signal bar is equal to entry bar, so you don't move the stop).

8) This is a repeat pattern to trades 5 and 6, and it's just another breakout pullback short. Remember, once a pattern sets up once during the day, it is likely to occur again, and it will almost always play out the same way too, so watch closely for repeat patterns and trade them the same each time. The trend is down now and that should be relatively easy to determine, as the market continues to make lower lows, so a breakout pullback short is a high probability here. Notice too how bearish the last move down was. The bears are getting stronger and the bulls are starting to give up on reversing the market, so that is another short clue here. This is another quick move down, and our runners are safe again too and worth several points.

Make sure that you take notice of the larger picture. There were two legs down today, and I highlighted them with blue arrows to help you see them. One of our most important rules is that the market moves in twos, so we should always be looking for these two legs on a larger and smaller picture to help us determine where prices might be headed next.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was a range day overall, but there was a weak reversal of yesterday's trend line followed by a late morning attempt to reverse the down trend that ended the day basically as a range day. There was a nice down trend in the morning, and then an uptrend in the late morning, early afternoon. At the end of the day though, prices closed near the low of the trading range.

Notice that the early morning price action was still dominated by yesterday's trend line. Prices broke that trend line right after the open and then completed two legs down to a new low and then reversed, exactly as price action rules would suggest. While today was much harder to see, the pattern was valid all the same. Some days are just easier to spot the price action set ups than today's action. Prices actually formed a 3 push wedge pattern as well, and that pattern is generally found at tops or bottoms and a reversal of some type soon follows.

1) This was a great early morning trap on a bounce off the low side of the trading range right at the regular session open. That makes this a 2nd entry long on a fade of a failed 2nd entry short that trapped shorts right at the strong support area around 1311.50. Again, several of you will ask me how I knew it would reverse here, and the answer is the same as always "I did not know." The key was there was no good short entry here, so by sitting idle, I was able to take advantage of the short trap. Yes, long off the short trap could have failed too, and if so, I would probably just exit, but it did not fail. Most traps do not fail and are good for at least a scalper's profit. By sticking to the rules and not entering below a doji with 4 overlapping bars (that makes it a small congestion area and we do not enter in congestion without a trap) right at the strong support area, I was able to take advantage of those traders that were not as smart and who got trapped at a key low area in a trading range. Runners were easily safe and likely worth 2 to 3 points as well.

2) This was a 2nd entry short following a failed break out the high side of the range, but also a failed break above the trend line. There was a small break of the major trend line right at the overnight session open, but that was not a good enough break to reverse the market and was likely only a stop run and long trap. Most all breaks out of trading ranges fail, and with a strong leg down like the one we had in the overnight session, there is likely to be a successful retest of the low that formed on that move down. This was the key short entry of the morning, and it got us short at almost the high of the day at this point. Any runners were easily safe and worth about 10 points or so depending on where you exited.

3) This was a breakout pullback short entry, but it was also a two-legged pullback to the EMA in what is still a downward trending market overall. A two-legged pullback to the EMA in a downtrend is our favorite entry and it is our bread and butter pattern that makes us a lot of money, and they fail very, very rarely.

4) This is nothing more than a repeat pattern to trade 2. Notice that this was a failed break higher above a double top/trading range. The likely target is the other side of the range which is 1308.0. If you see the market starting to bounce at 1308, it's probably best to cover all your runners there, and if so, the runners on this trade were still worth 2 or 3 points. If you didn't exit, then the break ever runners were stopped out this time. This pattern is also a larger version of a two-legged pullback to the EMA, so keep that in mind as well, although the previous two notations were the main reason for entering this short trade.

5) This was a breakout pullback short, but it was also a 2nd entry short following the failed break out the high side of the trading range. This was an easy scalp, and while it seemed unlikely, the runners were safe here and worth about 3 points if you exited when prices went into the small congestion area at the low. There were other clues to exit there as well on any bounce, as there was a break below the lower side trend line, which was bouncing prices all the way down this morning.

6) This was a breakout pullback long, but it was also a double bottom pullback long, so there was more than one reason to take this long entry. We also had a trend line break and two legs down to a new low (I noted the two legs with blue arrows to help you see them), and that is likely to at least reverse the trend into some kind of extended correction and maybe even a trend reversal. The bounce here was also a 2nd bounce off the possible trend line, so this confirmed that the trend line had some validity. A test of the former breakout at 1308.0 would be our first target if the trade triggers and follows through. This was an easy scalp, but no runners this time.

7) This was a two-legged pullback to the trend line, so it was a 2nd entry long on a slightly higher time frame. It was also a 2nd attempt to test the break higher out of the trading range back around 1306.75. There was also a failed 2nd entry long that created a long trap and reversed into a 2nd entry short, but that reversal did not reach a scalper's profit and then turned up again at the trend line (the market had likely reversed into an uptrend trend now), and you had to enter that 2nd entry short below a doji with about 6 overlapping bars, so it was a horrible short entry, so no reason to go short there at all, even with a trap since there was not room to scalp out before reaching the low and the trend line. A failed failure is rare, and is usually good for a very quick scalp and possibly more. You can see how the market exploded up when the 2nd entry short failed and reversed back up. Some of you are scratching your head and asking how I knew prices would reverse up here, and like always, I did NOT know. I just knew I didn't want to go short there, and by not going short, I could enter on this reversal due to all of the other reasons I mentioned for going long. If I'm wrong, I exit below the signal bar and take my

small loss, and in some cases, I may even reverse on the safety stop. As you can see though, this trade was in the money and I was out with a profit without taking a single tick of heat in only a few moments. Traps work well like that, and they are a great money maker for quick scalps.

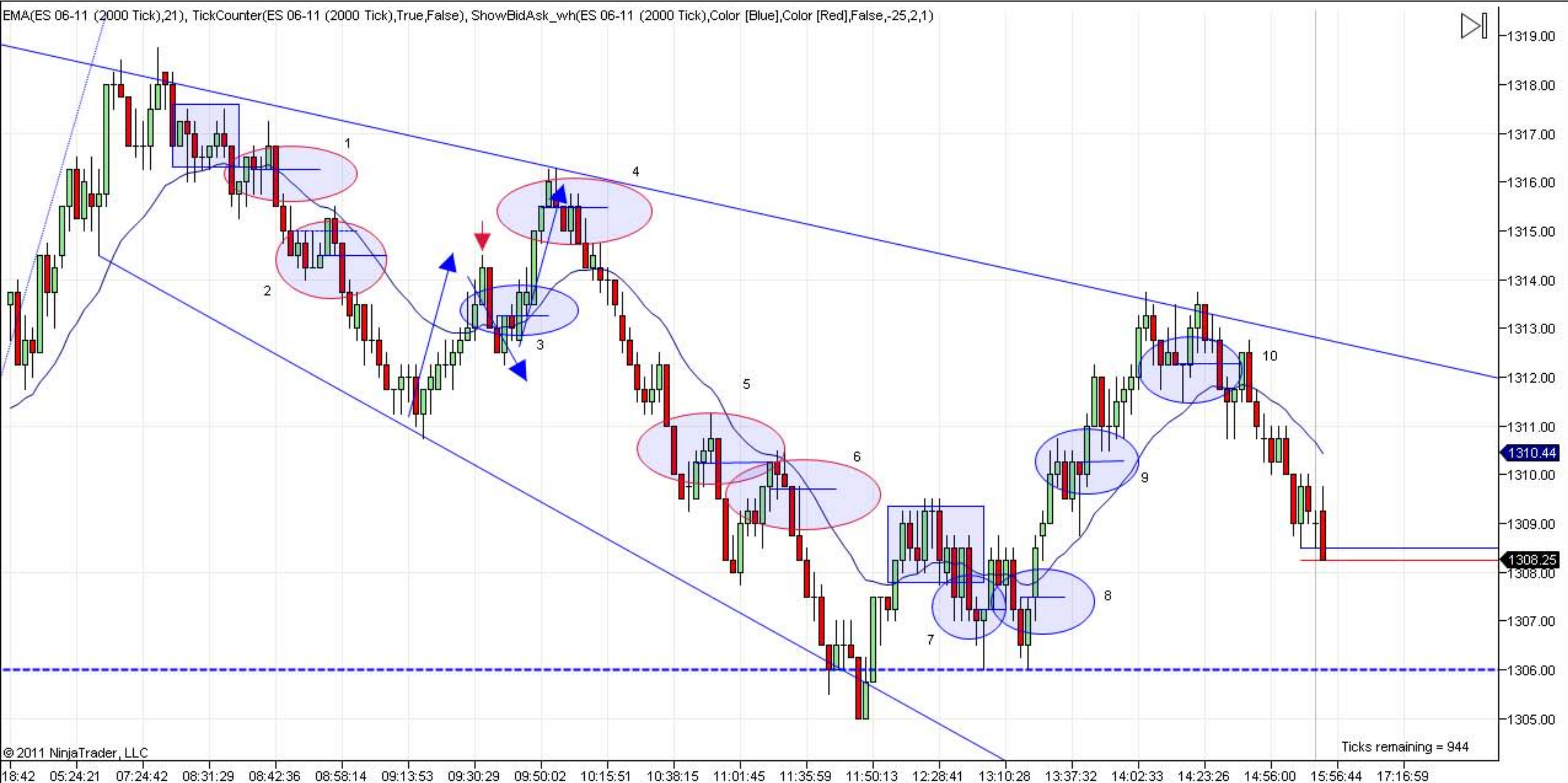
8) This was another two-legged pullback to the EMA and trend line in what was now an upward trending market. This is our bread and butter entry as I describe almost every day, and like most of them, it was easy money.

Note the green circle. That is a breakout pullback long, and it was a key entry, as your runners here would have made a lot of quick points. If you took this entry, that was a good long trade, but I did not mark it because it was a little risky. It was better here to wait on a 2nd entry, but we never got that opportunity, as the bulls bought strongly as they now felt the market was ready to go higher and it certainly did.

9) Notice the 3 quick pushes higher where each push was weaker than the last, with the last push reversing down right at the former strong resistance point at 1314.25. That was a great reversal bar following a 3 push pattern that is found at highs and lows, so this was worth the risk to enter short here. It was a key entry and your runners were easily safe and worth 5 or 6 points.

10) This was a two-legged pullback to the EMA following a strong leg down, but it was also a small congestion area so that could have fooled you and scared you away from going short here. Notice too though... there was a one tick failed break out the high side of the congestion, so with a good bear trend bar, we could fade the failed break knowing that prices were likely to form a 2nd leg down. Notice that all the bars were below the EMA too, so that's another short clue. There was a doji that formed first, so that was not a good bar to enter below, although the more bearish double top matching high formed before prices could even tick below the doji, so that bearish bar was a decent bar to short below and there was room before reaching the trend line to scalp out as well, so it was a reasonable short risk even though it may not have looked like it at first glance. Any runners should have been good for 2 or 3 points here.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



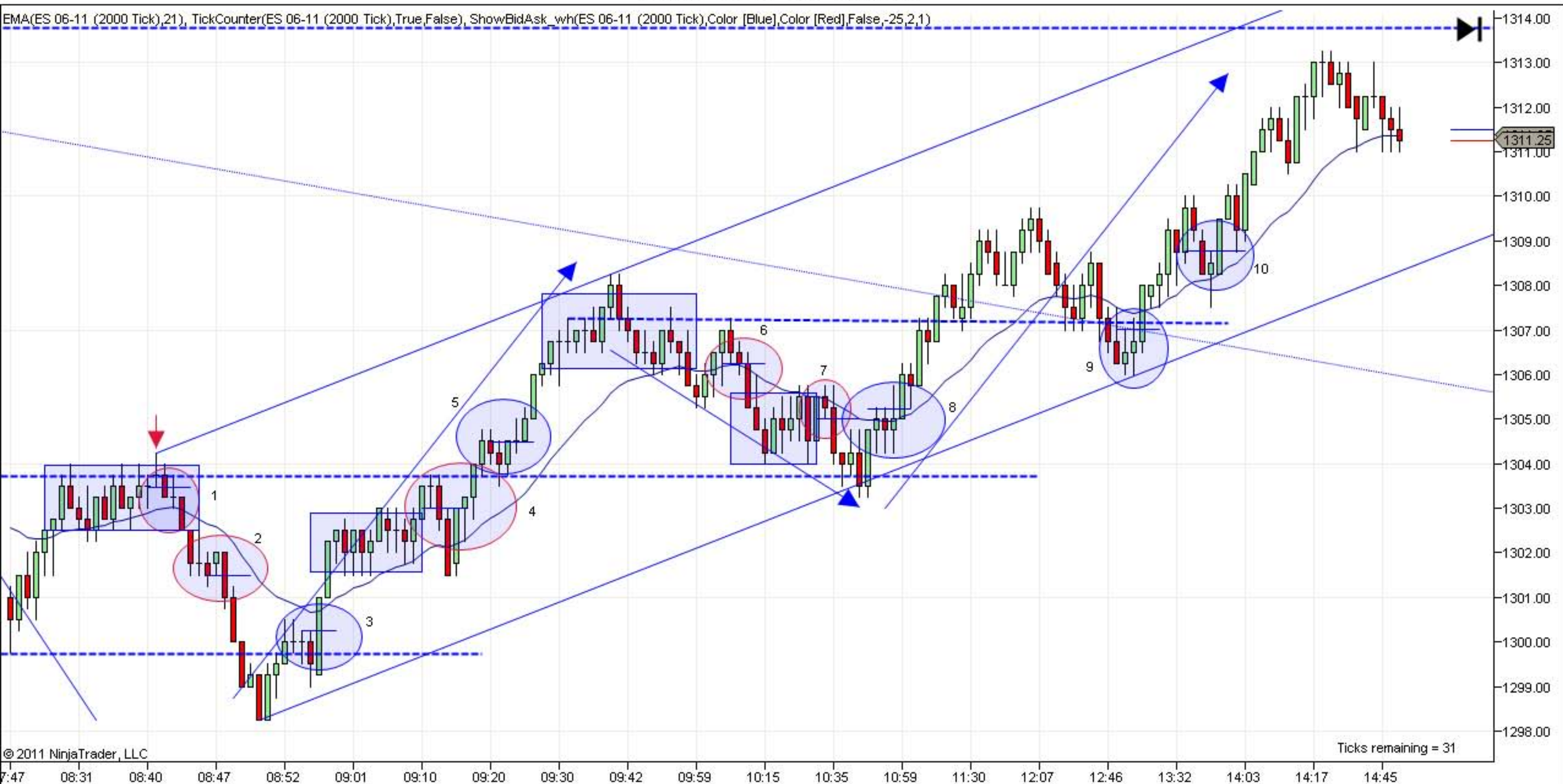
Daily Comment: Today was a trending range day. There is a multi-day trend line that is still holding on the high side and prices continue to trend downward off that line, but there is also a strong support area located near 1306.0 that continues to act as a strong floor for prices.

The overall pattern that formed today is an expanding wedge. The trend line off the high side should be a given since it has been holding for several days, and if you drew your trend line on the low side off the first two swings, you would have found the late morning likely reversal area. Notice that I did not mark any long entries off that reversal until there was a clear long pattern though.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a nice long trap on what was also a breakout pullback short right after the regular session opening. Notice that the 2nd entry long trapped longs, and when prices quickly reversed down, we want to enter where those trapped longs will start exiting, and their exit orders will help drive our short to a quick scalper's profit. This was an excellent entry and any runners were safe and worth 4 or 5 points depending on where you exited.
- 2) This is a classic two-legged pullback to the EMA, and this is our bread and butter pattern that rarely fails. Notice too that this was a small congestion area, and there was a failed break out the high side with a continuation of the trend out the low side, which closely follows our standard price action rules.
- 3) This was a fade of a failed 2nd entry short, that reversed after moving only 5 ticks. Any time a 2nd entry with trend fails, it's usually a great pattern to fade, as there will very likely be trapped traders that will exit on the reversal. Most of the shorts must have had their stops above the swing high where I placed the red arrow, as you can see the trade did not take off strongly until that point. The reason it rocketed off from there is because the safety stops for the shorts were triggered at that point, pushing us to an easy scalp and more on our runners. Any runners were good for 2 plus points.
- 4) If you are staying on the alert for two-legged patterns, then you should have easily seen this two-legged move that stalled right at the multi-day trend line. This was an excellent short opportunity, because it allowed you to go short off a well proven trend line, following two clear legs up off a new low. That two-legged pattern makes this a nice 2nd entry short at a key resistance area. This is one of those key entries we must watch for each day, as your runners were easily safe and worth as many as 10 points with very little pull back on any of the small corrections on the way down. I noted the two legs with blue arrows in case you cannot see them.
- 5) This was a breakout pullback short, but it was also a fade of a failed 2nd entry long coming off the high back at trade 4. The early bulls got trapped here, and when prices turned down again, they would be quick to exit, and you can see how quickly this trade moved down with two very large bear trend bars. No runners here unfortunately.
- 6) This is our bread and butter trade again, which is nothing more than a two-legged pullback to the EMA in a trending market. The move down has been strong, so a two-legged pullback gives us a nice 2nd entry short right at the EMA. Our runners were safe here too and worth around 4 points or so. If you had found the lower trend line off the low swings, you could have been prepared to expect a possible reversal when prices breached that trend line and quickly turned up.
- 7) 1306.0 has been holding prices for a while now, so when prices immediately bounced on this touch, we got a nice 2nd entry long pattern with a bullish reversal type bar to go long above. This was a quick and easy scalp, but prices pullback back and ran the stops before the market began to move higher. This is common, and you may see prices pull back and run stops one or more times before prices finally reverse.
- 8) When prices bounced at the 1306.0 level again to the tick, it created a nice double bottom with a bullish bar to go long above. The double bottom created a higher high, and there are likely to be trapped shorts on this move down again as well. You know for certain after the fact that there were trapped shorts based on how strongly and how quickly prices rocketed upwards off this double bottom. That small move down was a classic ES trap and it serves two purposes. It traps shorts in and it traps longs out. When prices quickly reverse, the shorts have to exit, and the longs that got stopped out realize they were right the first time, and they start chasing the market higher in an effort to get long again. This double whammy of buying quickly pushes the market higher, and by entering on the reversal, our trade is quickly pushed to a scalper's profit, and hopefully more on the runners. As luck would have it, this was such a strong trap that our runners were indeed safe and they were worth as many as 5 points.
- 9) This was another one our bread and butter, two-legged pullbacks to the EMA in a trending market. These entries are so predictable that it is rare that we do not want to take one. As with most of these patterns, it was another quick and easy scalp with little or no heat. Unfortunately, prices came back for the break even stops this time, so no runners here.
- 10) This was yet another two-legged pullback to the EMA in a trending market. Notice that prices were very close to the down sloping trend line, so if you didn't enter long here for that reason, it was OK. However, this pattern is so strong, it's usually worth the risk, and since there was enough room to scalp out without having to take out the former high, I felt it was a reasonable entry, and as expected, it was good for just enough to reach a scalper's profit before prices turned down again.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was a trend day. The regular session opened with prices in a trading range. Prices failed out the high side first, then failed out the low side only to reverse and see prices rally through the rest of the day.

1) This was a nice long trap on what was a failed break out the high side of a small congestion area that formed at the high of a larger trading range. This was the first viable entry after the regular session open and it was one of those great entries that feel very scary to enter, yet it puts us into the market on the right side at a key price just prior to a great move. This was a failed break out the high side of both a small congestion and a larger trading range. That tick higher trapped longs, and when prices turned down, you can see where prices exploded downward. These are the price action entries and rules that you must learn if you want to catch these kinds of surprise moves. I always am asked how I knew that prices would go lower from here. The answer is: I did not know, but I know and understand price action rules, and those rules tell me I cannot enter on a break out of a range or congestion. I either fade the breakout, or I wait on a breakout pullback. In this case, there was enough room to scalp out before reaching the low, so it's a no brainer short. If I'm wrong, I lose a tick or two at most, as my stop goes above the signal bar, which is where I placed the red arrow. In this case, I had an easy scalp, but best of all, my runners were easily safe and worth as many as 5 points depending on where I exited.

2) This is a breakout pullback short, but it's also a 2nd entry short in what had been a down trend for the most part prior to going into this trading range. The odds are high that we are going to the low side of the range, so that's my first target on any runners. This was another easy 3 point move!

3) This was a 2nd entry long following a failed break out the low side of the larger trading range. We were too close to the strong support area at 1299.75 to go short below an inside doji bar, so by sitting tight and skipping the breakout pullback short that just did not have a great set up, we are flat with a chance to go long on 2nd entry with trapped shorts who don't realize this is not a good place to be entering a short trade. This was another key entry and look how the trapped shorts started exiting and how quickly prices exploded higher. Again, this was a scary place to enter long if you don't understand price action rules and how to apply them to a chart. By taking this long though, we were long from a key area that turned out to be the low of the day in a nice rally. Any runners here could have been worth as many as 13 points.

4) This was another chance to go short off the high of the trading range. There was also a 2nd reason to take this short, and without it, I would probably not mark this entry. The 2nd reason was the failed break out the high side of the small congestion area inside the blue rectangle. Again, notice the nice bullish bar that broke higher out of that congestion. That is nothing more than a mirage/trick to trap longs and then quickly run their stops and scare them out of the market. We want to take advantage of these traps, as they are almost always good for at least a scalper's profit, but sometimes, we catch key entries and make a lot of money on our runners. In this case, this was just a trap with a stop run to scare out longs and to trap in a few more shorts before carrying the market much higher. We never know what will happen, but if you understand our trading rules, you know what to look for and how to spot these traps, and what is likely to happen at a bare minimum.

5) This was a breakout pullback long, and this is how you want to enter a break out of a range. Almost all breakouts fail, even if only temporarily, so for that reason, we wait on a breakout pullback to enter if we think the breakout will continue on further. The move up to this point was all bullish bars and the market was now making higher highs and higher lows, so without a good short set up, there was no reason to be thinking shorts yet, which would leave us flat and available to take this long when it set up and triggered. Did I know in advance that prices would go higher? NO, but I place my order one tick above the green bar when it closes.... Just in case, and if prices tick higher, my order will be executed. If prices don't go higher, I'm not in the trade. We NEVER know for certain what prices will do, but we know the price action rules and we prepare our orders. If we are wrong, we take a small stop. If we are right for at least 4 ticks, then we are out with a small profit, and we then have a runner(s) that has a break even stop, so we then have zero risk in the trade after that point. Sometimes price will pull back and get our runners, and sometimes they will not. When they don't, those runners can make us a LOT of money.

6) This was a failed 2nd entry long that turned into a breakout pullback short. 1307.0 was acting as strong resistance now, and with a 2nd failed attempt to go above that level, we know there is now a strong likelihood that prices will go further in the opposite direction. Any time the market attempts something twice and fails, it is likely to succeed in doing the opposite. It would have been very easy to get trapped long prior to this short following the two legs back to the EMA, and if you did get trapped long there, if you followed our stop rules and moved your stop up to one tick below the entry bar once it completed, the long was a breakeven trade at worst, and you would have made it all back on the short. That long was not a good entry for a couple of reasons, but some of you might have been trapped there, and even a good trader could get tricked on that entry, so that's why I felt it was worth mentioning.

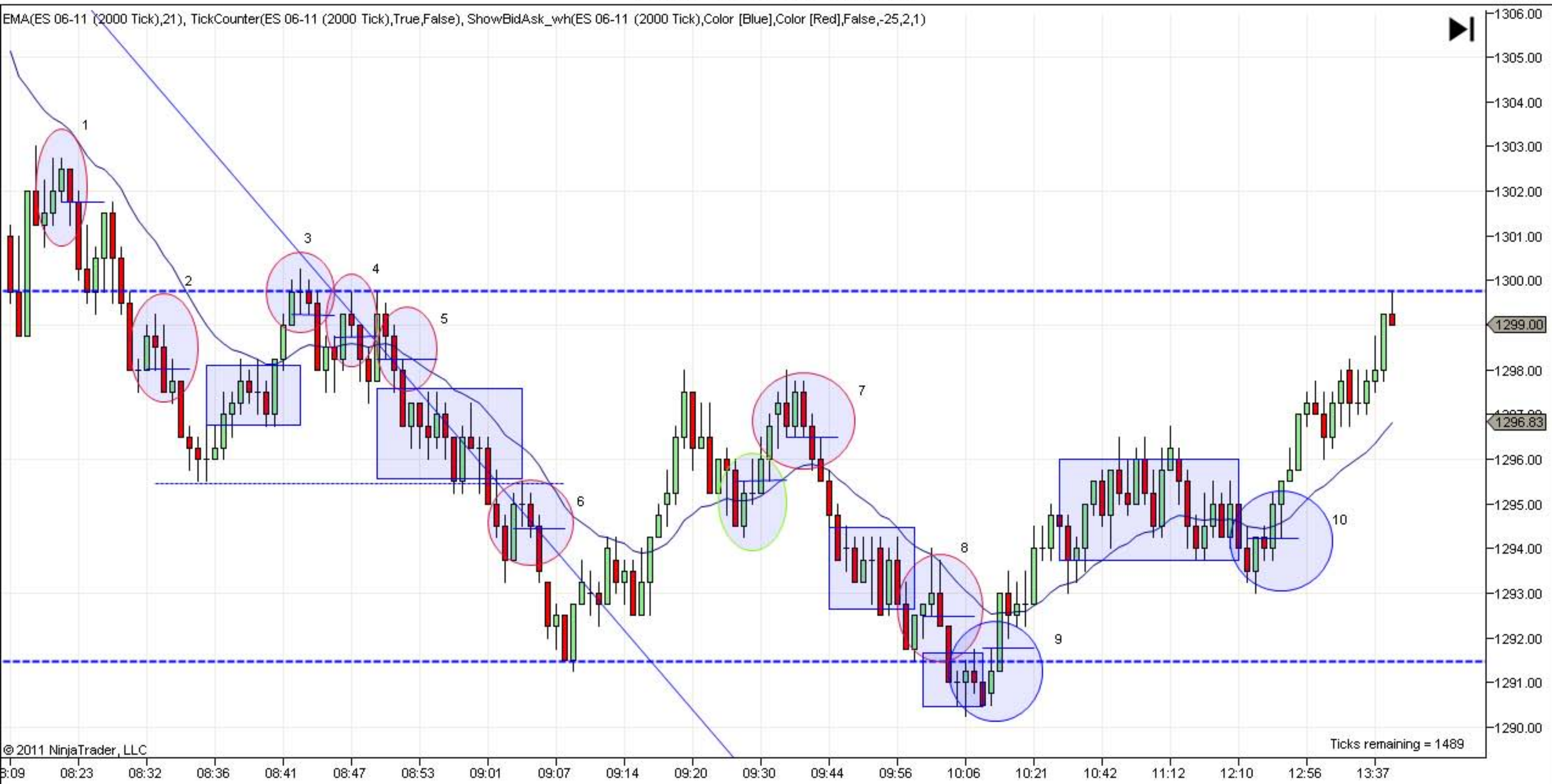
7) This was a fade of a failed 2nd entry long. This was another small congestion area, and we certainly don't want to get trapped taking a long entry out the high side, so by sitting idle, we are prepared to take this short and there will likely be trapped long that are not as smart as we are, so that gives the trade some extra merit to the short side. This was an easy scalp, but unfortunately, no runners here. This entire pullback was nothing more than a 2nd attempt to test the breakout area of the morning trading range. Remember, when the market attempts something twice and fails, it's likely to succeed in doing the opposite, so after two tests of the former resistance area that is now acting as support, the market is likely going higher from this level.

8) This was a 2nd entry long following two failed tries to go lower and a failed 2nd attempt to go below the former resistance area that is now acting as support. That makes this a 2nd entry long on a failed break below a strong resistance area as well. While this one took a little time to take off, it never took a lot of heat and our runners were actually safe here too and worth as many as 7+ points.

9) This was one of our bread and butter set ups: A two-legged pullback to the EMA and/or trend line. That makes this a 2nd entry long on a bounce off the up sloping trend line as well. This was the 3rd touch of the trend line that turned prices, so that confirmed the trend line and gave us additional confidence to enter this trade. I was expecting prices to attempt to go higher due to the fact that a two-legged measured move on the day would give us a target somewhere North of 1312.0. Do I know prices are going there for certain? NO, but that's my target until proven differently based on measuring the first leg up.

10) This was a breakout pullback long with a nice reversal type bar that closed above the EMA. It was also a nice 2nd entry long on a larger time frame chart, and we must learn to spot those on our single trading chart.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today traded mostly like a range day, although there was a strong sell off early following a break of the steep overnight trend line. That trend line break was followed by two legs down to a new low, and then the market reversed and traded up for the remainder of the day. There were no real surprises with this typical price action pattern at all, and if you took advantage of the early sell off, you should have had the opportunity to make a lot of points in the first 30 minutes of the regular trading session.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a failed 2nd entry long, but it was also a weak, two-legged pullback to the EMA in a downtrend. A two-legged pullback pattern to the EMA and/or trend line in a trending market makes us more money than any other pattern, so make sure you learn this set up over all others, as it rarely fails!

2) This was a breakout pullback short in a weak market. While you can't really see all the previous price action due to a lack of room today, there was a steep leg down prior to this one, and a 2nd measured leg was likely, so there was still a lot of room to the downside if prices set up properly, and a breakout pullback short is usually a good entry if the market is selling off like it was so far this morning. Remember, the market moves in two's, so we should always look for two legs and most of the time, the legs will be of equal length.

3) This was a two-legged pullback to the trend line. As we discussed already, this is a great pattern, and this one was relatively easy to spot. Like most every time, this was another easy entry and easy profits for us. Most inexperienced traders were looking for counter trend trades since this two-legged move looked a bit bullish, but as you can see, all that this did was trap them on the wrong side before there was additional heavy selling. There was no break of the trend line yet, and this was the first touch of it in several hours, so more downward action is the bias for now.

4) This was a 2nd entry short after a two-legged pullback to the EMA. This was another low risk and easy scalp, but so far this morning, we have not had any strong runners. Just a lot of quick and easy scalps that add up faster than you think they will.

5) This was one of those key entries we hope to catch each day and if you were paying attention, this one was not hard to see coming. There was a strong resistance area at 1299.75 and this was also the first break of the trend line of any kind, so there were multiple resistance barriers that would keep you from thinking long here. The final key here was that there was a failed 2nd entry long that trapped longs that thought they were catching a bottom in a strong sell off. This is why we don't counter trend trade. Since this was the first break of the trend line, we know not to be looking for any longs just yet. By sitting idle, we were flat when the 2nd entry long failed and turned down offering us a chance to profit off the mistake made by eager counter trend traders. Any runners were finally safe on this entry too, and they were worth as many as 7 points depending on where you exited.

6) This was another breakout pullback short, and it was a fast and quick 3 point move, so it was another chance to make some fast points on a very quick move.

Notice the green circle. If you took a long there, it was not a bad entry, because it was a 2nd entry long during a two-legged pullback to the EMA. However, the sell off had been steep and strong so far, so it would not be out of the question for more downward action, so it was better to skip this entry and wait for more price action to prove the trend had indeed changed.

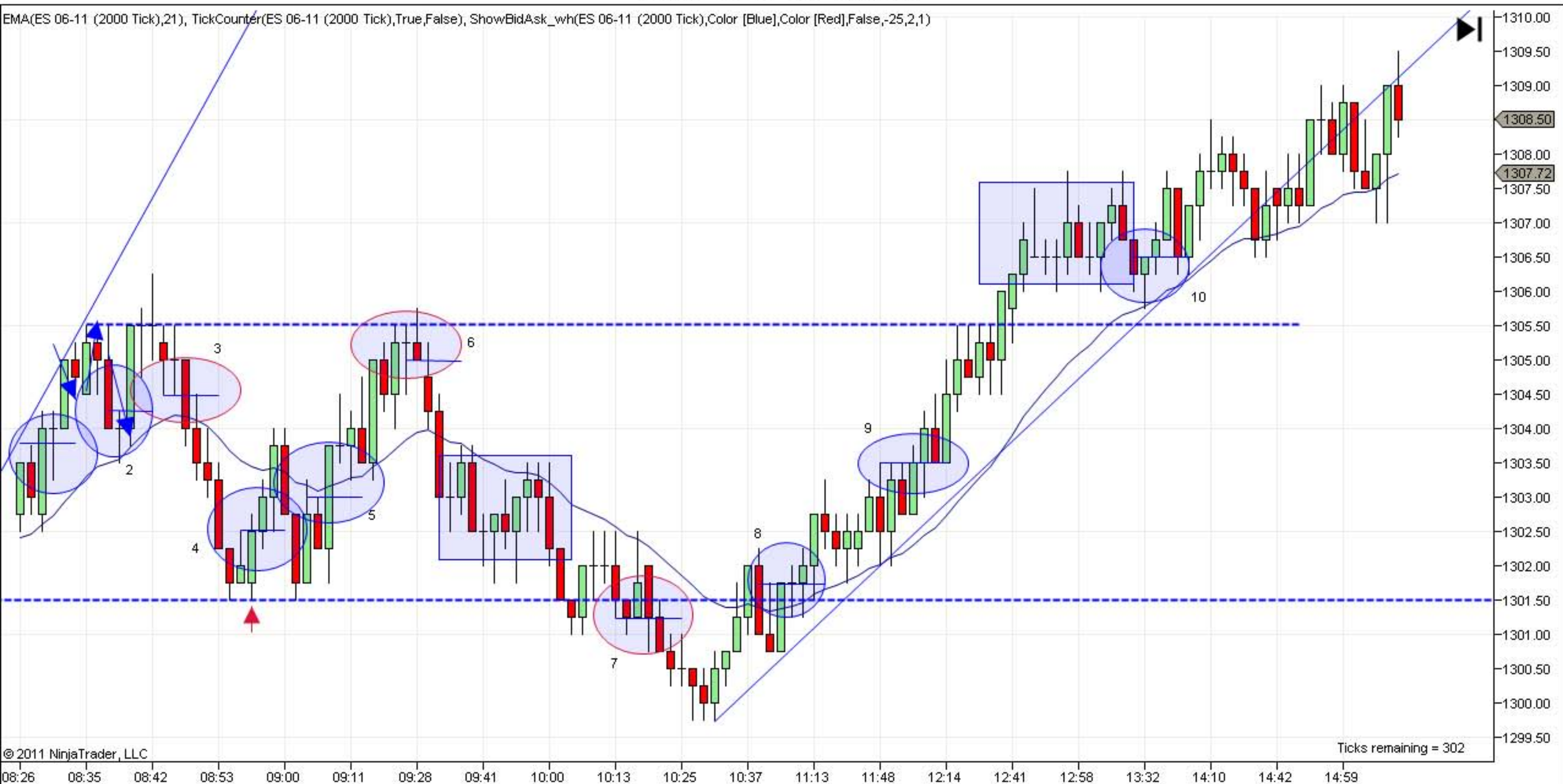
7) This was a 2nd entry short coming off a double top. There are likely to be a lot of trapped longs who once again were a little early on the rally. I was starting to think the trend had changed myself, but there was no other long set up except for the one noted in the green circle, and I did not take it for the reasons noted. Because I was flat, I was able to capitalize on this 2nd entry short off the double top. This was another key entry that caught a lot of longs off guard and you can see how they begin to exit when prices broke lower. Any runners were easily safe and worth as many as 6 points.

8) This is just a variation of a breakout pullback short. Even though prices didn't break lower, the pattern is close enough to act as a breakout pullback short. This is really a failed 2nd entry long too, and when the turn higher reversed right at the EMA, that was a great place to look for a short that would probably be worth at least a scalp, and maybe more. This was another easy 2 point move that turned out to be the low of the day. If you notice, we now had two "clear and easily visible" legs down to a new low after the trend line break, so taking any more shorts from here would be questionable without a great set up.

9) Once prices broke lower below the double bottom, they immediately stalled and set up a breakout pullback short pattern, but there were several overlapping bars and dojis by the time the short triggered, so it was not a good set up. When going low at the low of the day, we need a good pattern, and this simply was not one. When the breakout pullback short immediately failed and reversed, that was two tries to go lower that both failed, and the reversal set up a nice 2nd entry long at a major low. A scalp is very likely here, but there is also the chance that this might be the low of the day, and it turns out that was exactly what this was.... The low of the day.

10) From 10:30 AM CST through Noon, the market just chopped around in a 3 point range. This was a 2nd entry long coming off a failed break out the low side of that tight range with a nice bullish reversal type bar to go long above. The fact that there was a failed 2nd entry short also meant there were trapped shorts here, and you can see how fast prices exploded up when prices reversed forcing those shorts to cover.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)

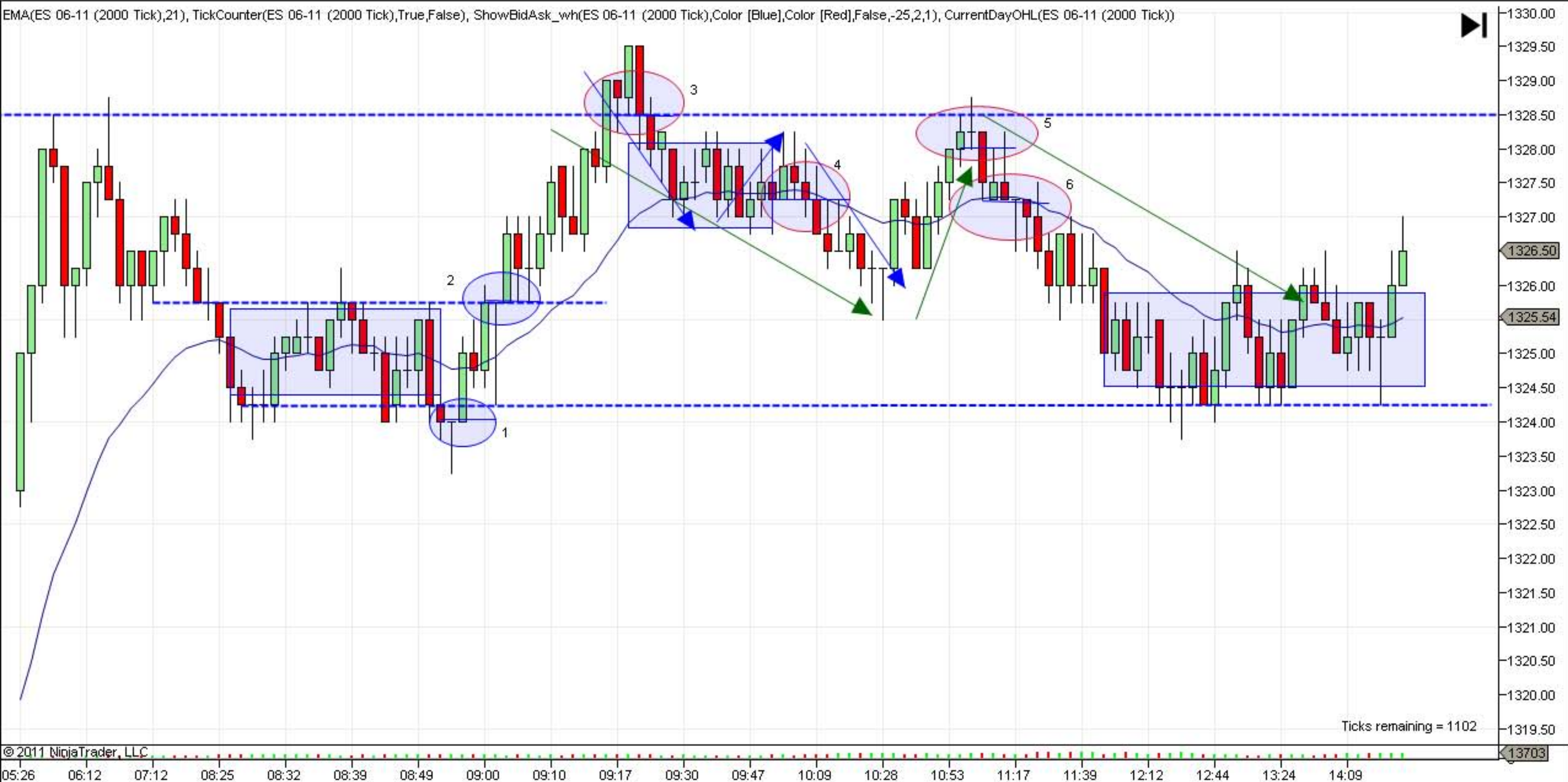


Daily Comment: Today started out as a range type day, but by late morning the failed break lower turned into an uptrend that continued into the close.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a two legged pullback to the EMA in an upward trending market, but the real key was that there was a short trap. When prices broke lower on a 2nd entry short and then quickly failed right at the EMA and reversed higher, that was a great short trap, so we want to go long if the reversal bar breaks above the other side of the last candle. There was no reason to go short here at all, so being prepared for the trap was the best bet, and if you placed your long order, just in case, you were quickly rewarded with your first scalp of the day. No runners here unfortunately.
- 2) This was a breakout pullback long with a small doji to go long above on a bounce off the EMA. There is actually another small two-legged pullback to the EMA here, and we know that is our bread and butter trade. I marked the two legs with blue arrows to help you see them. If you went to a smaller time frame chart, these two legs would be very evident, but we must learn to see them on this chart without having to look at multiple charts.
- 3) When prices tried to push higher a 3rd time and failed, this was a great place to fade that breakout. The market had tried to go higher here and failed, so it is now likely to succeed in going further to the down side. This was a 2nd entry short as well, but again, it's not clear unless you go to a smaller time frame. All the same, this was a 2nd entry short on a failed break out the high side of multiple overlapping bars. No big runners here, but there were a couple of very easy points to make here.
- 4) This was almost the exact opposite of the high side of the range. Notice the two tries to go lower (noted by red arrow) that trapped shorts right at the low. When prices reversed, we want to have a long order hanging just above the last bar so that if prices break above it, we are swept into a long trade right where all the shorts will be exiting, and their exit orders will help push us to a profit. That trap also makes this a 2nd entry long off the low with trapped shorts, which is usually good for at least a scalper's profit.
- 5) This was a double bottom pullback long entry, but notice that there was another failed 2nd entry short that turned even higher than the last trap back at trade 4, so the buyers are getting stronger and sellers are getting weaker. That makes this a 2nd entry long following a failed 2nd entry short that trapped short traders right at the bottom again. This was an easy scalp, but again, no runners! ☹ The good part is that we made money regardless of what happened to our runners. ☺
- 6) This was another failed break out the high side of what was now looking like a trading range type day, with a nice bearish reversal bar that trapped longs at the very high. This is also now a very broad double top, and those are usually worth at least a scalper's profit, and often times more. Finally, we caught a runner too and it was worth as many as many as 5 points depending on where you exited.
- 7) This was a 2nd entry short coming off a small double top that formed right at the EMA. Notice that there was also a failed 2nd entry long that trapped shorts creating the small double top. There was not a good long entry here because you had to go long above a bar with a bearish body to go long. Even if you got fooled here, you should have reversed when the market reversed turning this into a breakout pullback, 2nd entry short with trapped longs. A similar set up had worked twice on the previous low, but there were a couple of clues that might have kept you out of this long. One was the fact that there were too many overlapping bars with several of them being dojis. The other clue was that prices did not quiet test the previous low, so there was still room to drop a few ticks more. This could also be a sign that the buyers are getting stronger except for the fact of all the overlapping bars and dojis. They were a sign of non conviction by either side, so it was best just to sit tight and wait on a trap, which came to the up side setting up this short entry. This was an easy scalp, but no runners this time either.
- 8) This was a 2nd entry long following a failed break out the lower side of the trading range. Notice that we had a nice bullish bar to go long above this time, along with a failed breakout pullback short that trapped shorts. Usually these entries will give you a great runner, but it didn't happen this time.
- 9) This was the best entry of the day, although it didn't look particularly strong at the time it was setting up. Notice that it is a two-legged pullback to the EMA, but even better, there was a failed 2nd entry short that trapped shorts again. This is a repeat pattern to trade 1, and we should have had our entry order hanging above the bar that created the failed 2nd entry short, just in case it failed and prices reversed. While it didn't look like a great entry, this was the best one of the day. Our runners were actually safe this time and worth as many as 5 points if you held into the close of the day.
- 10) This one might have shaken you out at break even, but it was a good entry all the same, and if you held through the small pullback, it would have made you some money. It was a failed break lower with a nice bullish reversal bar to go long above. If you kept your stop below the signal or entry bar, it was a profitable trade, but if you tightened it up after the signal bar, you would have been stopped out at breakeven, so either way, there should not have been any damage on this trade. It was eventually good for a scalper's profit, but prices then came back for the break even stops again. There are just not many freebies in the ES (particularly on choppy range type days), as it is such an efficient market that constantly comes back to shake out the weak traders. However, when you do catch a runner, it can pay off handsomely.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), CurrentDayOHL(ES 06-11 (2000 Tick))



Ticks remaining = 1102

Daily Comment: Today was a range day. The entire days range was only about 5 points, and that range seemed to narrow as the day moved forward. There were very few decent entries, and I basically gave up and called it a day by 1:00 PM CST.

This is an important piece, so make note of it. If prices are not moving and very choppy, sometimes the best move is no move, as you can't lose money if you are not trading. Unfortunately, I did not make my trading goal today, but all the same, I still made money and I did not have a losing day because I chose not to risk entry in a stagnant market with no movement.

The problem was that the market moved so strongly in the overnight, that it was over done by the time the regular market opened. Prices appear to be digesting the overnight move and that usually translates into a trading range of some kind. We will see what happens tomorrow.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) The regular session opened with prices stuck in a 2 point trading range and it was almost 9:00 AM CST before we got our first decent entry, which was a fade of the break lower out of the small range. This was a 2nd entry long counting off the high side of the small range, but the key was it was a chance to enter at the very low of the range, so we finally had enough room to scalp out before reaching the high. This was a quick and easy scalp, but no runners.

2) This was a breakout pullback long, but the key was the chance to take a 2nd entry long following a failed 2nd entry short, so there were trapped shorts to help drive price on up and out of the trading range. This time we did catch a runner, and it was worth 2 or 3 points depending on how you managed it.

3) This was a fade of a failed break out the high side of the range. No runners here either, although it was a fairly easy scalp. This was a breakout pullback short, but the main reason we entered here was because of the failed 2nd entry long following the fade of the failed break lower that quickly reversed, giving us a 2nd entry short on a breakout pullback short. That might sound confusing, but if you try and visualize it on the chart, it should become clear.

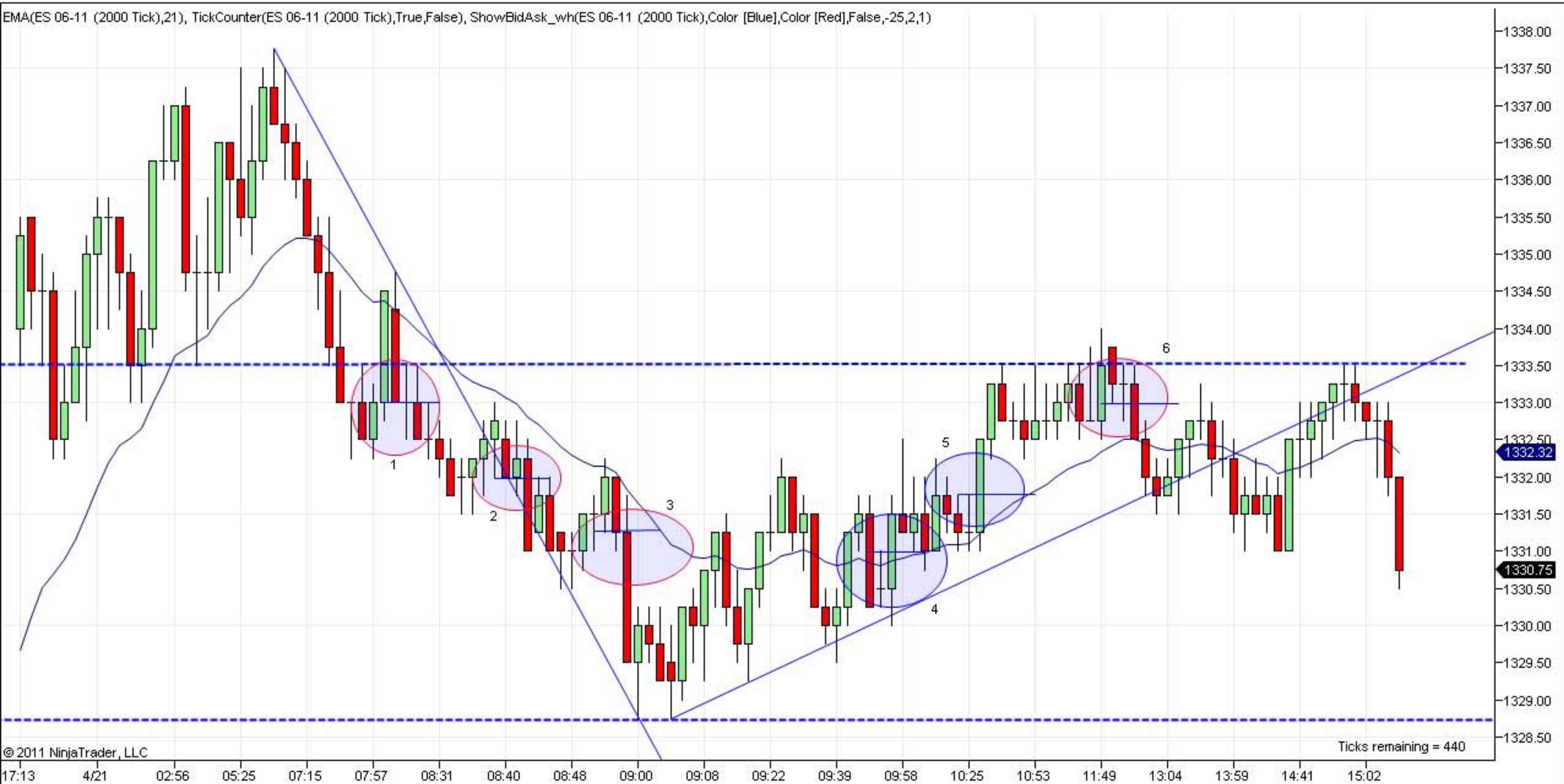
4) This was a breakout pullback short, but the main reason we entered here was because of the failed 2nd entry long following the fade of the failed break lower that quickly reversed, giving us a 2nd entry short on a breakout pullback short. That might sound confusing, but if you try and visualize it on the chart, it should become clear. Here's a walk through: Prices broke lower and failed, and turned up, only to turn down a 2nd time, making the pattern a breakout pullback short. That failed quickly too, and turned up, creating a 2nd entry long on a failed break lower. However, that 2nd entry long failed and trapped longs giving us a 2nd entry short with trapped longs to help push prices on down this time. If you notice, this was a two-legged pattern (noted by blue arrows), and that first leg gave you a minimum target to shoot for. Notice too that those two legs were simply the first leg of a larger two-legged pattern that gave us a two legs off the high of the range down to the low of the range.

5) This was a chance to fade the high of the range again. With a small doji, our risk would be small and with it being this late in the morning, the day was definitely a range day at this point, so we needed to be trading like it's a range day until prices prove differently. This overall pattern is really a double top too, and most double tops are good for at least a scalper's profit. If you hung onto any runners, they were safe this time and worth a few points before reaching the low again. If you catch a runner at the high or low of a trading range, the best move is to usually set your target for the other side of the range, as it is very likely prices will turn there. Occasionally you will miss a bigger move, but more times than not, you will exit at the high or low.

6) If you didn't enter off the high, you definitely should have taken this 2nd entry short, as there were very likely trapped longs on the single tick higher that failed and turned down creating this 2nd entry short off the double top at the high of a trading range.

ES 06-11 (2000 Tick) 4/21/2011

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



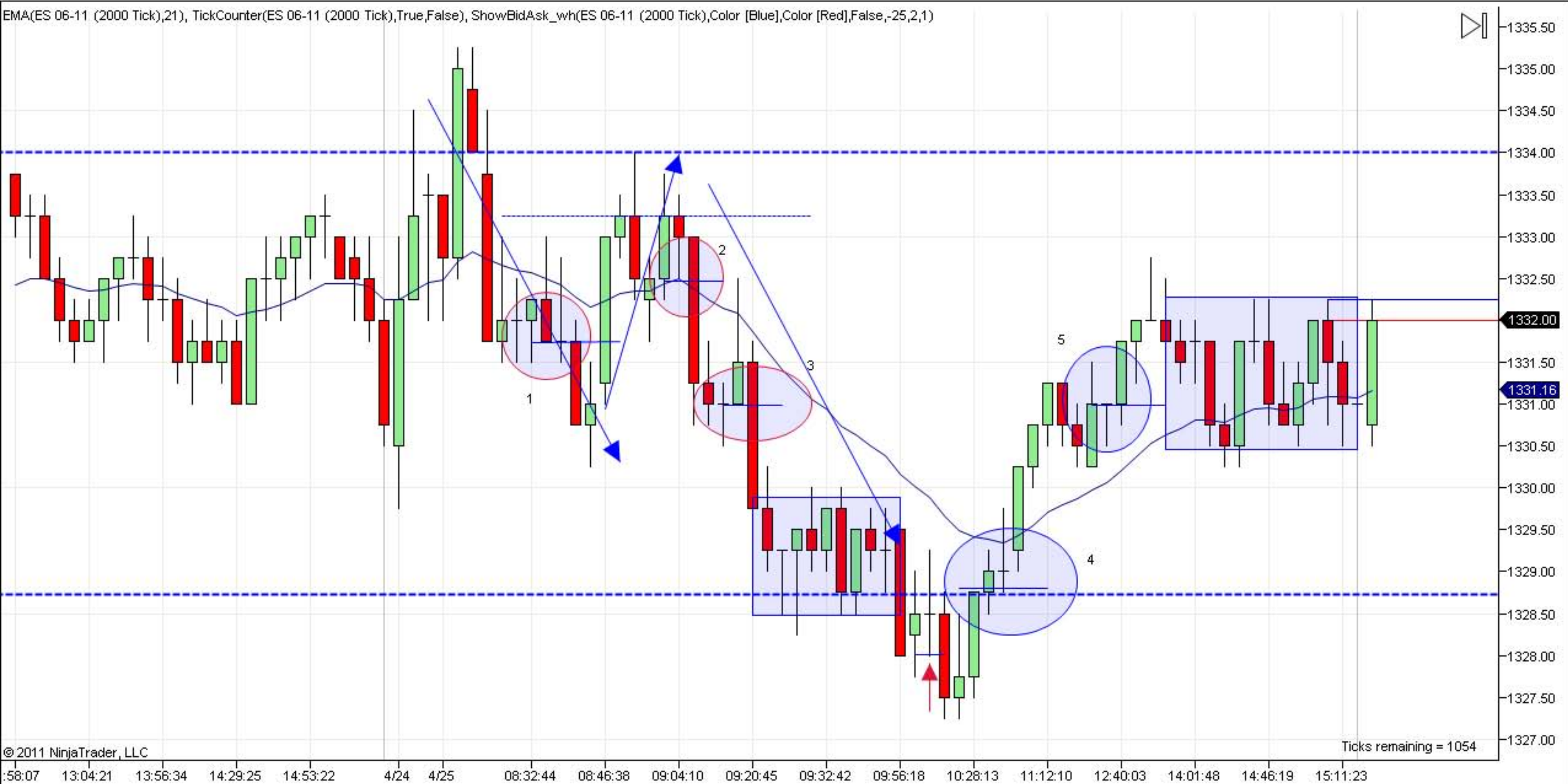
Daily Comment: Today was a slow range type day with very low volume. With the markets being closed tomorrow for Good Friday, most traders probably took off early today if they didn't take the entire day off. Usually on day's like this, it's best to just take off early as well and get some time away from the markets to recharge a bit.

Our next lesson will be on Monday since the markets are closed on Friday. I hope everyone enjoys the extended holiday weekend!

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a breakout pullback short right after the regular session open. Unfortunately, prices bounced immediately after reaching a scalper's profit, so no runners on this one.
- 2) This was a two-legged pullback to the EMA in a trending market. This one was a little harder to see, so I marked the two legs with arrows. If you went to a smaller chart, it would be very evident that there were two legs, but we must learn to spot these moves on a single chart, because it's too distracting to try and watch multiple charts. This is our bread and butter pattern, and like most of them, it was probably the best move of the day. No big runners here though.
- 3) This was a double bottom pullback long, but it was also a failed 2nd entry short, so there would be trapped shorts to help drive our long up to a quick scalp. No runners here either.
- 4) Prices made a double top following two legs up in a choppy market. A double top in a down trend is likely to lead to a scalp at a bare minimum, and maybe more, so they are usually worth taking if there are other reasons to enter the trade as well. On a larger time frame, this was a clear two legged move, so that gave us enough reason to fade the double top. It was another easy scalp, but again, no runners.
- 5) This was a 2nd entry long off the low, and there was yet another failed 2nd entry short that likely trapped more shorts. This one was good for exactly enough to scalp out again but not one more tick! There was simply not enough volume or momentum to drive the market in any one direction for very long.
- 6) This was a small two-legged pullback to the EMA after a breakout, so it was a breakout pullback long entry as well. If you played this one correctly, you might have gotten a bit more than a point on any runners if you were hanging onto them. When prices are this slow and choppy, I will often times just scalp out in full every time until something starts to move again. Doing so will cause you to miss a move on occasion, but on slow days with low volume in the ES, it will usually make you more money just to scalp out in full on every trade.
- 7) This was a fade of the failed break above the small triple top. Once you get a small congestion area with this many overlapping bars and multiple dojis, any breakout is likely to fail and be good for at least a scalp.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was a very slow and lethargic day with little or no volume and only a handful of average set ups. Most of the big guys that actually move the markets must have taken an extended Holiday here in the US.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short following a failed break higher. Notice the two legs up, which was a good indication that we needed two legs down. This one was good for exactly 6 ticks, which is what we need to reach a scalper's profit, and not a tick more. No runners either!

2) This was a 2nd entry short following a failed 2nd entry long. Notice that prices touched the former high and turned down instantly, confirming that the resistance area around 1334.0 was still strong. This was also a failed break above the small double top, but the key was the failed 2nd entry long. So far, this was a range day, and taking a 2nd entry long that close to the high was very suspect, so it was best to skip the long and see if we couldn't get a long trap to fade. By sitting patiently, the short entry set up perfectly. It was an easy scalper's profit, but again, prices were so choppy that prices bounced and took the break even stops almost instantly on our runners.

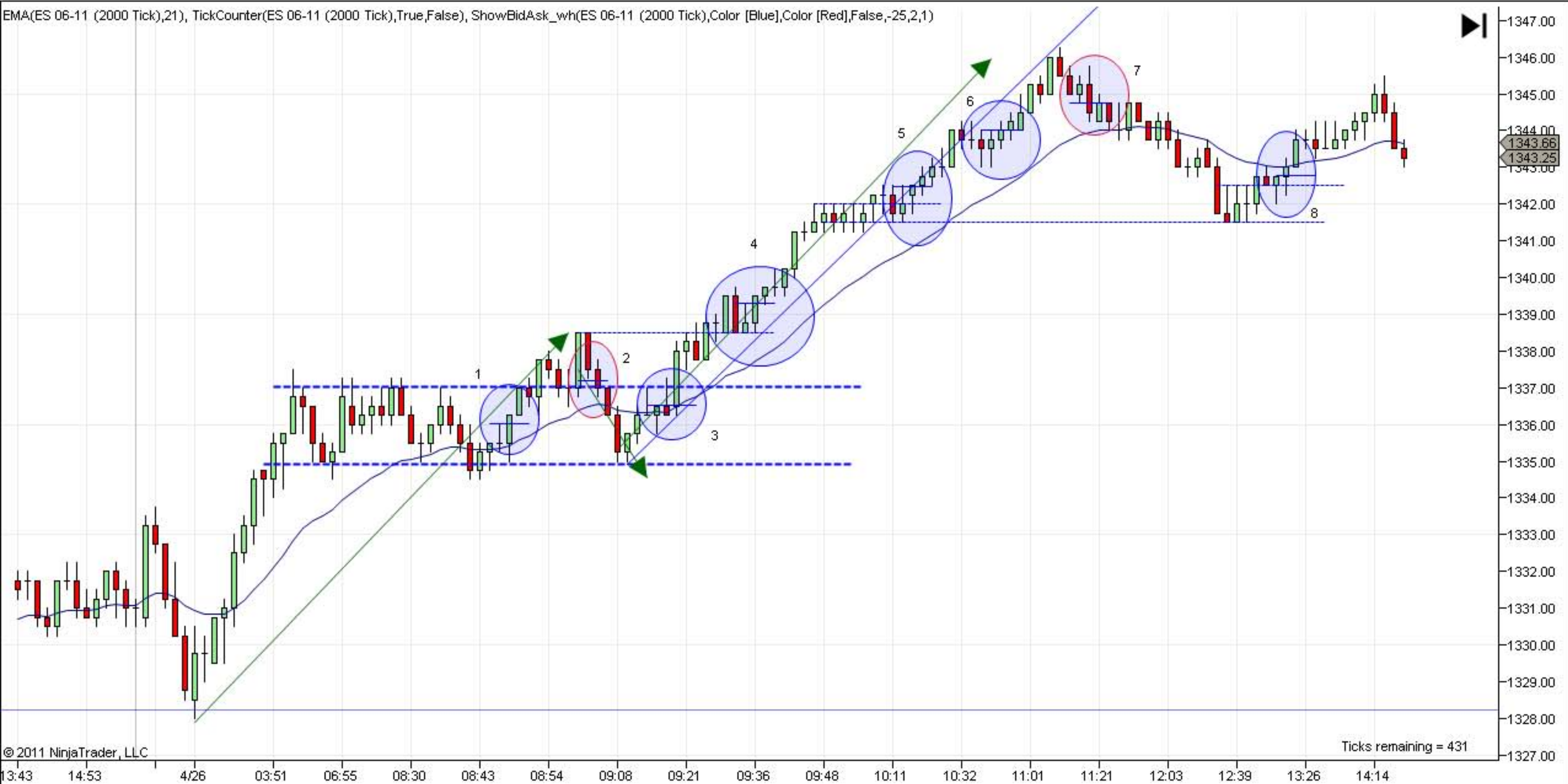
3) This pattern was close enough to a breakout pullback short to act like one. The key was that prices were below the EMA and pulling back. This was actually a failed 2nd entry long counting off the high side, so that gave the short some additional merit as well. We would expect that this move down would give us a measured move compared to the first two legs. On a larger time frame, this would be a larger two-legged move, and we should know by now how important it is to watch for measured moves. I marked the two legs with blue arrows to help you see it on this chart. This was a quick move down to another scalper's profit, and if you managed the trade closely, you could have gotten a couple of points or so off the runners.

4) Prices stalled and made a double bottom near the former support area at 1328.75. There was too much overlap and too many doji's to take an entry here though, as prices simply formed a small congestion area. Prices were eventually able to break lower creating a short trap, and to enter in a congestion area, we must have a trap or breakout pullback entry. There was actually a breakout pullback short with a 2nd entry that failed, and that gave us the short trap that we needed in order to take a long trade here. The first reversal bar ended as a doji though, and that's not a strong enough bar to enter long above. The 2nd bar ended with a shaved high and was one tick higher than the previous doji, so any break above it would be a strong signal for a long, and while the trade took a moment to take off, once prices moved above the EMA, they moved rather strongly. I noted the trigger for the failed 2nd entry short on the breakout pullback that turned into a trap with a red arrow to help you see it.

5) While it is a little difficult to see on this chart, this was a two-legged pullback to the EMA following a very bullish leg up to a higher high after a failed break lower. Two-legged pullbacks to the EMA and/or trend line are our bread and butter set ups, and this one worked well like most of them do. This was also a very small breakout pullback long. There was a 2nd entry long two bars prior, but you would have had to go long above a doji with a bearish body, and that's not a great entry if prices have not pulled back to touch the EMA yet, so that's why I did not mark that entry. It would have worked, but it was just too risky of a trade. No runners here unfortunately either, but it was a quick and easy scalp.

ES 06-11 (2000 Tick) 4/26/2011

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_why(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



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Ticks remaining = 431

Daily Comment: Today opened in a trading range, but there was a strong bullish move up in the overnight, so there was a high likelihood that there would be a 2nd leg up. If you measure the first leg (I used green arrows to help you see the two legs), you can see that while not as steep and fast, that there were indeed two measured legs up to a new high before there was a correction. Notice too that if you drew your trend line on the second leg up, that there was a break of that trend line, followed by a retest with two legs up to a new high, and then a correction, just as our price action rules suggest. If you are trading without understanding price action and our price action rules/patterns, you are at a distinct disadvantage in the markets.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry long coming off a double bottom at the low of a trading range. The first target would be the high side of the range. There was a failed 2nd entry short that likely trapped shorts here, so that gave some additional merit to the long. There would be no reason to go short on that 2nd entry short since prices were so close to the low of the trading range. Also, you had to go short coming off a double bottom and below a doji with several overlapping bars, so it was a horrible place to be looking for a short. By waiting, we got this nice short trap, and it was an easy ride up for a quick scalper's profit. If you exited on the reversal at the high, you could have gotten a few extra ticks on any runners, otherwise you got stopped out on them.

2) This was a fade of a breakout pullback long. This was a similar entry to the previous short, just reversed off the high side. Again, it was not a good long, because there were several overlapping bars and you had to enter long above a doji at the high of a trading range, and that's a terrible entry. So, by sitting idle, we were prepared to go short when the breakout pullback long entry failed. It was a quick and easy ride to the low side of the range again. No runners here though.

3) This was a 2nd entry long after a higher low at the bottom of the trading range. That also makes this a breakout pullback long, which is a strong set up. Prices were a little close to the high of the range on this entry, but there was still a lot of room to the previous high, and that pattern also makes this a breakout pullback long, so there were multiple reasons to enter long here. This was one of those key entries we hope to catch each day, as our runners were easily safe and worth as many as 9+ points depending on where you exited.

4) This was another small breakout pullback long entry. Prices formed a small double top with the previous high, and most every extreme is retested before prices move forward, so a breakout pullback entry was simply a continuation pattern, as we are expecting prices to "possibly" create a second leg up that is similar in length to the earlier leg in the overnight session. The trend is getting stronger and our runners were safe here too and worth several points.

5) At this point, this is a relatively strong move, even though it does not appear that way. Any time you see prices continuing to move higher with lots of small bars and dojis without a pullback of any real significance, that is actually a strong trend. This is a small breakout pullback long. Remember, regardless of how big the trading range might be, we still follow our range rules, and this was a clear breakout pullback long entry. Notice that there was a break of the trend line here, and even though it was not a strong one, we must be careful to watch for a reversal after a retest, particularly if that retest consists of two legs up to a new high. Our runners were safe here too and worth several additional points.

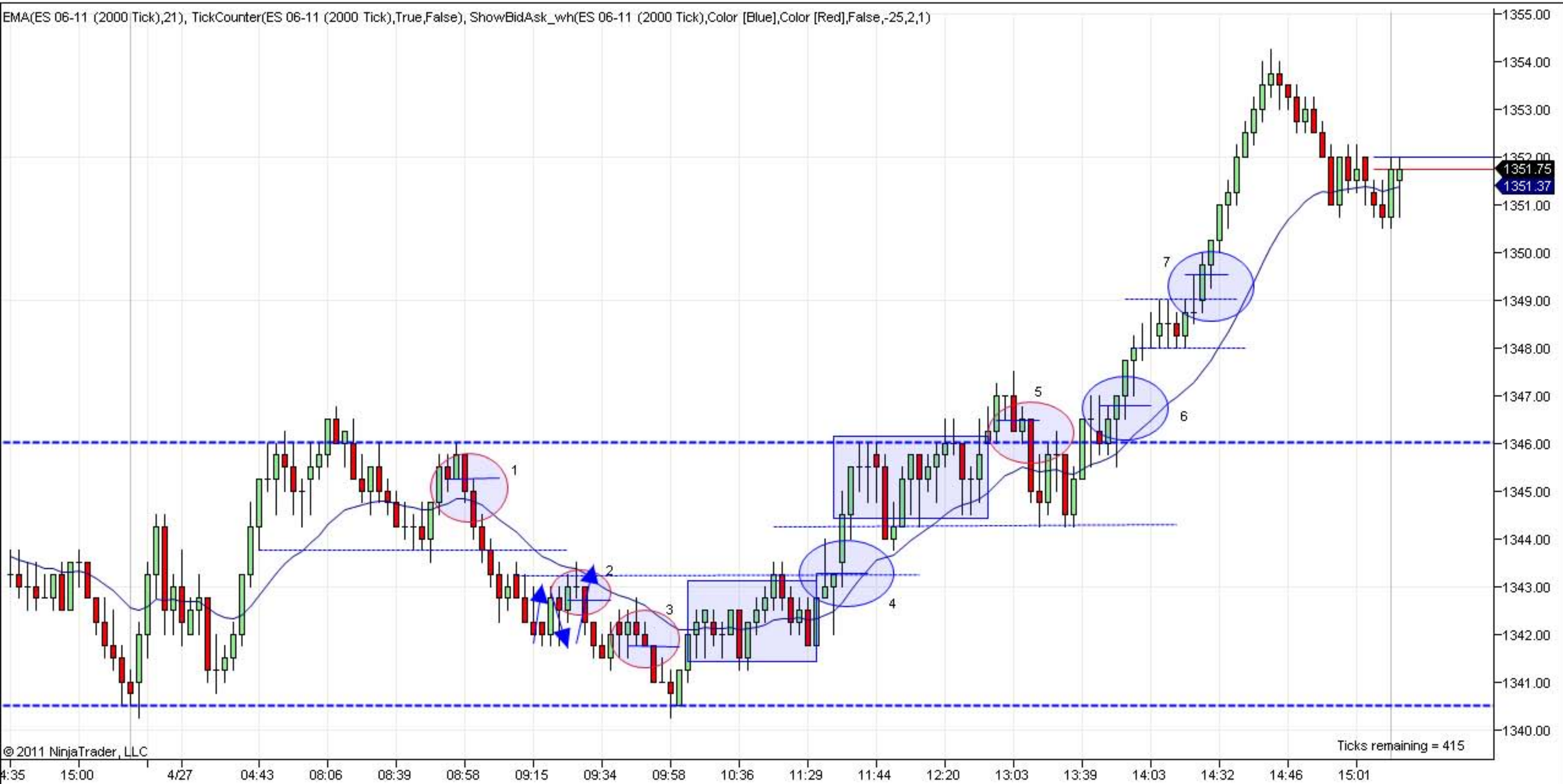
6) This was a 2nd entry long following the breakout pullback long back at trade 5. A second leg up is common in the ES on a retest and the trend has been strong with only minor pullbacks, so when prices pulled back and created a double bottom, that was good enough to risk another long. We need to be thinking about a possible reversal on a measured move though, especially with this being a 2nd leg up on a retest following a trend line break. If you were nimble and staying open to the possibility of a possible reversal, any runners could have been good for a couple of points here too.

7) After a trend line break and two equal legs up to a new high that was slightly higher than a measured move, a 2nd entry short would likely be an easy scalp, and it's always possible we could catch the high. This 2nd entry took a few minutes to follow through, but our stops were never in jeopardy and if you followed our stop placement rules, and any runners would have been safe too and worth about 2 or 3 points.

8) This was a repeat pattern to trade 1. This was a 2nd entry long coming off a double bottom. This was also a small breakout pullback long coming out of the small congestion that formed at the low of the double bottom. Just like trade 1, there was no reason to go short here, so by staying on the sidelines, we were ready to go long and capitalize on the trapped shorts that thought the small doji off the EMA was a good short, and in most cases it might have been, but not here coming out of a small congestion area off a double bottom. Normally a scalp is about all this is likely yield, but in this case, the runners were safe and worth a couple of points depending on where you exited.

ES 06-11 (2000 Tick) 4/27/2011

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)

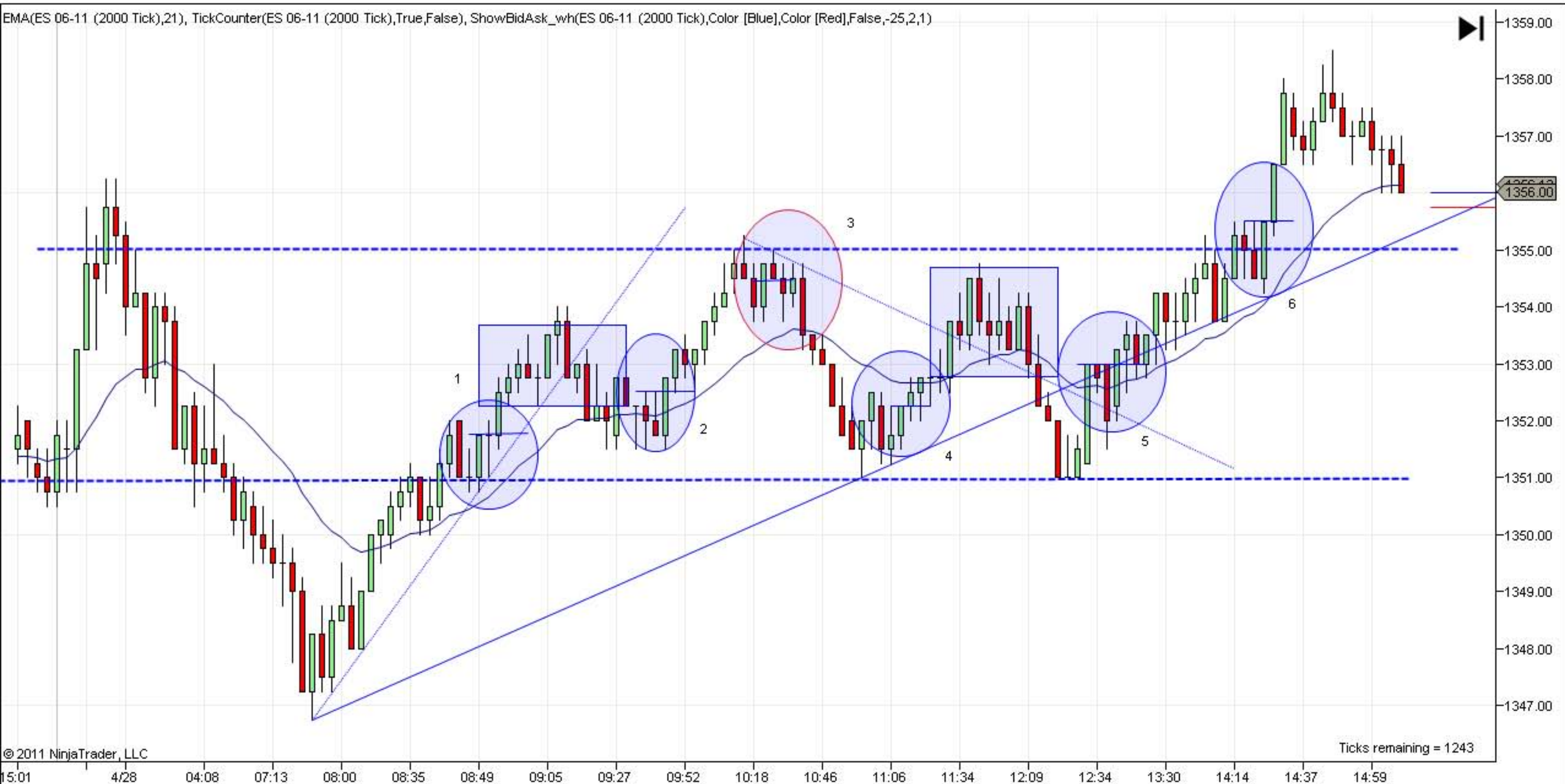


Daily Comment: Today opened in a trading range again, but after the FOMC rate announcement, prices turned up and eventually broke higher and trended upward rather strongly. It's generally smart to be flat when news like this is announced, and if you notice the first rectangle, you will see how the market had no direction for about an hour and a half as traders waited patiently on the news.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a short off the high side of the trading range. Notice that prices formed a small double top at a lower high than the previous failed breakout, as that was a good sign that the bulls were losing ground. There was also a small inside bar and when prices broke above it and immediately reversed on a one tick failed break higher, that was a great long trap, so we want to have our order sitting just below the low side of that bar, knowing that the longs would start exiting on a break lower there. This was a great long trap, and the exiting longs pushed our entry to a quick profit. The best part was our runners were easily safe here and worth almost 5 points by the time they reached the low side of the range again.
- 2) This was a two-legged pullback to the EMA following a strong bearish move down. It was another small double top that formed during a pullback too, so that gave it additional merit as well. I noted the two legs back with arrows to help you see it. You need to learn to spot this pattern, and even though it's not easy to see if you don't know what to look for, if you went to a smaller chart, you could clearly see the two legs. A two-legged pullback to the EMA is our favorite chart pattern and it rarely fails if all the rules are met, so it makes us a lot of easy money. No runners here though.
- 3) This was a repeat pattern to trade 2, which is another small two-legged pullback to the EMA in a down trend. This was also a small breakout pullback short, so there were multiple reasons to take this short entry. This was an easy scalp, but the low of the larger range was just below, so scalping out in full is sometimes the best move, although occasionally the low may not hold and you will give up a nice runner. More times than not, price will bounce, even if just temporary, so I normally just scalp out in these cases.
- 4) This was a breakout pullback long following a failed 2nd entry short, so there would be trapped shorts to help push our entry to a quick profit. This was right after the news, so the pattern formed quickly and you had to be ready and thinking fast. Notice that prices were bouncing off the low of the trading range, and the likely thing they will do is go back to the high of the range at a minimum. There would also be no reason to go short there below the long doji with a green body, as that is not a good set up. Our runners were safe here and if you held on through the consolidation area at the high of the range as the bulls slow wore down the bears who were trying to revere prices off the high again, it would have paid off handsomely for as many as 10+ points.
- 5) This is repeat pattern to trade 1. Notice that prices ticked higher above the small inside bar, trapping longs that don't know how price action works. When prices immediately turned back down, we enter where they must exit. This was an easy scalp, but no runners this time.
- 6) This was a double bottom pullback long, but it was also a fade of a failed 2nd entry short that trapped shorts when prices ticked lower and immediately reversed. Notice that even though prices were in a tight range near the high of a larger trading range, most of the bars were all above the EMA, and the EMA is pointing upwards, so that is a sign that the bulls are taking control of the market. This was one of those key entries as our runners were safe and worth as many as 7+ points before there was a single bar that ticked lower than the previous bar, so this was easy money.
- 7) This was a tricky entry, and it was not easy to see at all. However, this is a small breakout pullback long in what was now an uptrend. Notice that there was a small trading range with a double top. Prices broke above it, and then pulled back. Because the breakout and pullback was all within one bar, it left a doji, which is normally not a good bar to go long above. However, this was still a breakout pullback long, and the markets are never perfect, so if a good pattern looks close, it's likely to follow through just the same. If you missed this one, that's OK, because it was difficult to see and trust, but if you took it, it was a great entry, and it was straight up from here for 4+ points.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was a trading range day, although prices trended up for most of the day, so I would categorize it as a trending trading range day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a breakout pullback long that set up shortly after the regular session open. There was a break lower out of the trading range during the overnight, but prices moved strongly back into the range and when they pulled back to the EMA, trend line and support area at 1351.0 and could not go lower, entering on the breakout pullback long was a good set up. Notice that the bullish reversal bar turned immediately after touching the short term trend line, so this gave the entry additional merit. This was an easy scalp and prices moved higher for a couple of points, but if you did not exit on the pullback, any runners were stopped out.

2) This was a 2nd entry long coming off the low of a pullback to the EMA. There was actually a 2nd entry long off the high, but there were so many overlapping bars that it was not a great entry. It was better to wait and see if prices were going to go lower first. This long entry was actually a fade of a failed 2nd entry short that formed a double bottom. Any time the market tries to do something twice and fails, it's likely to succeed in doing the opposite, so when the 2nd entry long triggered, that is where we want to enter, as that's where the trapped shorts will begin to exit and we will use their exit momentum to drive our trade higher. The fact that prices moved up strongly after that trigger is evidence that there were indeed trapped shorts. This was another 2 point move, but if you did not exit on the pullback any runners were stopped out yet again.

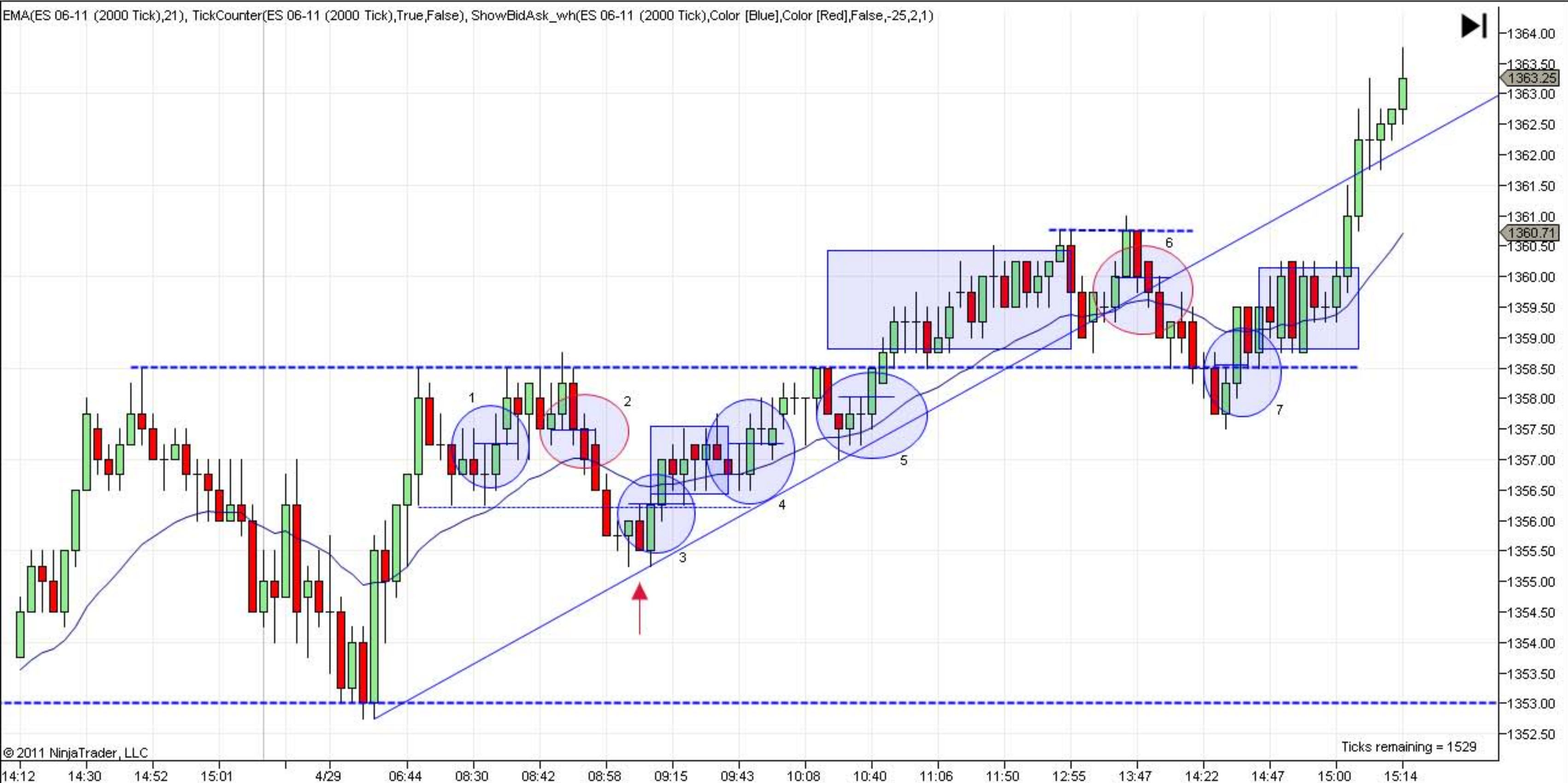
3) This was a 2nd entry short coming off a new high in a trading range. On trading range days, most new highs or lows will become reversals, so the best entries will normally be fades on any new high or low during a trading day. This one took a bit to follow through, but any runners were safe and worth up to 3 points if you exited at the low of the trading range again.

4) This was a 2nd entry long after a bounce off the low of the trading range. You could have waited to go long above the next bar since this one was a type of a doji, but when prices turned off the trend line here, that confirmed that the trend line was likely valid. With both the trend line and the strong support both at this level, this was a low risk long.

5) This was a repeat pattern to trade 5. Any time you see a repeat pattern during the same day, it is usually a great trade. When it is a 2nd entry and coming off a double bottom like this, that makes is a great entry. This turned out to be the best entry of the day, and any runners were safe and easily worth at least 5 points depending on where you exited.

6) This was breakout pullback long. The strong bullish reversal bar was a good clue that prices were going higher. The bounce off the trend line was also another clue. This was another easy because many shorts entered on the 2nd entry short thinking that prices would turn lower again. When prices turned higher, that trapped the shorts and their exit orders pushed this entry to a quick profit.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was a trend day, but it was very slow and choppy all the way up. Prices continued to climb all day though and closed on almost of the high of the day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a two-legged pullback to the EMA after a very bullish leg up, and that makes this a 2nd entry long as well. This is our bread and butter trade and it rarely fails. It also makes us more money than any other pattern. This one had to work to get the final tick, but if you held on, it was another winner. On choppy days like this, you have to give every trade a little room. It's best to keep your stop below the signal bar on days like this and not tighten it unless it is to take profit. No runners here though.

2) This was a one tick failed break higher above a double top. This is almost like free money when prices are choppy like this. That single tick higher stopped in longs and stopped out shorts, so when prices turned back down, the longs start exiting and the shorts realize they made a mistake and they start chasing the market lower. This was a quick and easy scalp, and if you exited when the double bottom formed, you could have made a couple of points or so on any runners.

3) This was a failed break lower below the double bottom, but it was also a failed 2nd entry short that reversed and turned into a 2nd entry long. There were likely trapped shorts from both the breakout lower and the failed 2nd entry. There was a very bullish move up during the overnight, so a second leg was likely at a minimum. Also, as I stated earlier, on choppy days like this, fading breakouts is almost a sure thing if the set up meets our rules. This was basically a repeat pattern to trade 1, and you had to be patient and wait on prices to grind higher here as well. No runners though and until prices start trending better, it's doubtful there will be any runners on a choppy day like this.

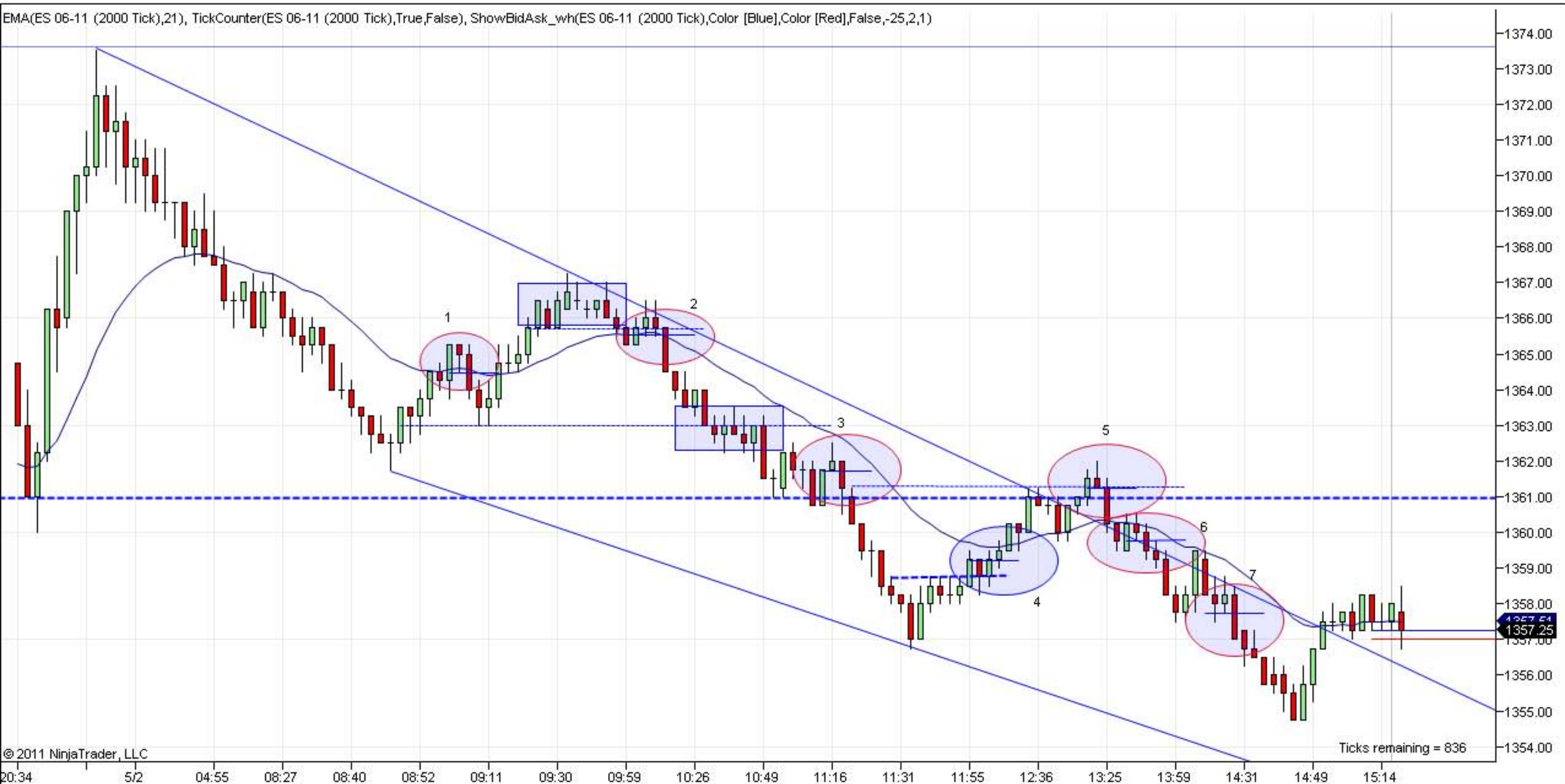
4) Notice that this is a fade of another failed 2nd entry short. The bias is to the upside even though prices are ranging now, so we need to expect prices to try and test the high of the range again. The short trap should yield us another scalp, but just as with the other entries, we have to give the entry some room by leaving our stop below the signal bar. The bars are small anyway, so staying below the signal bar is reasonable on most of these entries.

5) One rule we learn in price action trading is that most reversal patterns fail, and eventually turn into "with-trend" entries. That is why we don't counter trend trade and that's also why we look to enter on pullbacks to the EMA and trend line. When prices turned down at the high of the range, many traders expected that prices were going lower again. However, notice that on the last bounce, prices made a much higher high (noted by the red arrow), and then prices have continued to trend upward making higher highs and higher lows. Notice too that prices closed higher on this move up than any previous move up. Prior to this move up, there were only stems at this level. All of these are price action clues that buyers are getting stronger. When prices bounced off our trend line again to the tick, that was a strong confirmation that the trend line was valid, and a turn back up here was close enough to call this pattern a possible breakout pullback long. We needed a 2nd entry long, and this was a variant of that pattern. I call it a variant because you would have to go to the smaller chart to see this is a 2nd entry long, and if you looked at a smaller chart, you would see that it is indeed a 2nd entry long and it would be easy to see. This is one of those key entries too.... Our runners were easily safe this time and if you held them long enough, they were worth as many as 3 points before prices failed on a break higher and turned down again. That failed break higher would have been a strong clue to exit.

6) This was failed break higher out of a large area with many overlapping bars and dojis. There was actually a one tick failed break higher 6 bars prior to this failed break, so that's two tries to go higher that both failed trapping longs at the high tick of the day. Any time the market attempts to do something twice and fails, it's likely to succeed in doing the opposite. In addition, we have the benefit of trapped longs here, so a short is almost a sure thing for at least a scalper's profit. Turns out it was worth a bit more, but they got our runners after reaching the scalp, so it's doubtful you would get any of the next leg. It's possible you might have gotten tricked into going long here, but you had to go long above a doji that was also an inside bar, and it was the third overlapping bar in a row, so this is small congestion area and a terrible set up to go long.

7) This was a 2nd entry long on the first break of the trend line. We know our rules tell us that the first break of a trend line has us still waiting for a long set up, as there will likely be a retest that often consists of two legs. This was also a failed break lower below a double bottom, so there are going to be trapped shorts here that thought the break above the double top was failing. Remember our rule we mentioned earlier. Most reversals fail and turn into great "with-trend" entries, and the trend, while very choppy and slow, has been up all night and all day. This entire pullback was nothing more than a retest of the break above the double top, and when it held again, that was two attempts to go lower that failed, so that gives the trade more merit to the long side as well. This entry was right at the 2:30 PM CST cut off, but it was a great set up, so it was worth taking.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was a nice and welcomed trend day. If you got your trend line right after the early pullback that ended around 9:30 AM CST, then it was relatively easy to find the best selling points on the way down today. If you understand price action trading, there were no real surprises today and by staying with the trend, you would have made some good money. There were not a lot of entries, but the ones that did set up were quality entries with some great runners, so the opportunity to make money was still very good today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short during a pullback to the EMA in a trending market. Pullbacks to the EMA and trend line during a trending market are our bread and butter set ups and they make us more money than any other entry. We didn't get a runner on this one, but like most of them, it was a sure thing for an easy scalper's profit.

2) There were multiple reasons to take this short and it turned out to be one of those key entries of the day. It was a failed 2nd entry long that trapped longs, but it was also the third attempt to break above the trend line that was set off the first swing high. This was also a small breakout pullback short. Notice the double bottom and all the overlapping bars and dojis. That alone was a good enough reason not to try and go long here. When the 2nd entry long failed and turned prices lower, this became a 2nd entry short with trapped longs, and you can see how strongly prices sold off from this point as the trapped longs being to exit and the shorts begin to also chase the market lower. This was an easy scalp, but our runners were easily safe at almost the high of the day, and depending on where you exited them, they were worth about 10 points.

3) This was a breakout pullback short that set up right at the EMA during a pullback. Notice that there was a 2nd entry long that immediately failed and created a small double top the EMA. That is a great sell signal, and this was another key entry where our runners were safe and worth 5 to 7 points depending on where you exited. This is basically a two-legged pullback to the EMA in a downtrend as well. It was close to a strong support area around 1361.0 though, but the breakout pullback set up the additional reason we needed to go short here and you can see it was another great entry.

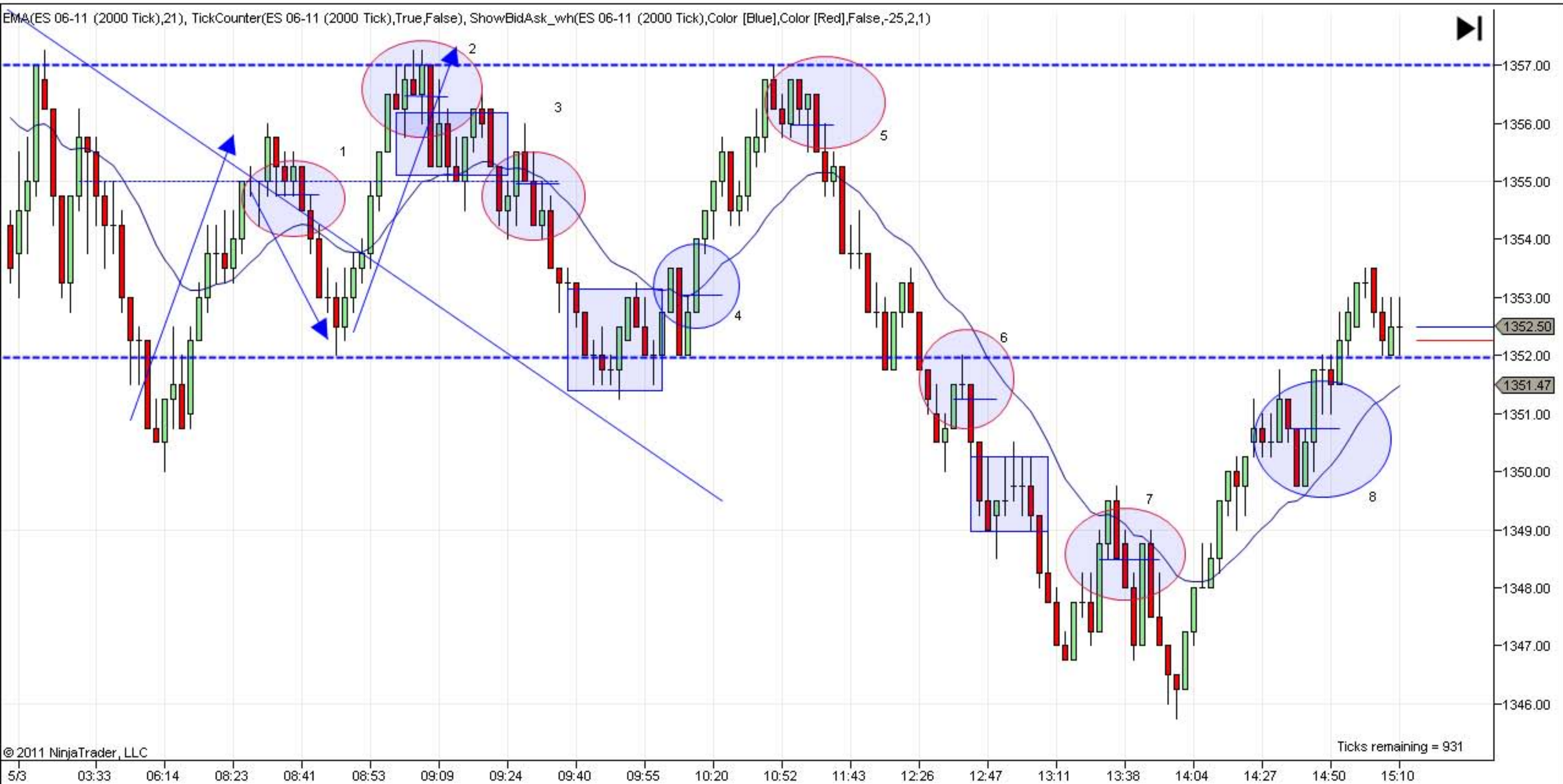
4) If you did not take this entry, that's OK since it's a form of a counter trend trade, but normally you will get a retest of any breakout area that has any significance, and 1361.0 has been a key area for a couple of trading days now, so it was not surprising that prices wanted to probe that area after breaking through. There was no short set up here, so by sitting idle, we would be prepared to take advantage of the trapped shorts that faded the break above the small double top here at the EMA. When that breakout turned into a breakout pullback long, it was worth the risk to enter long with the likelihood that prices would pull back and test the breakout area and the trend line. This was an easy scalp and you likely got a couple of points out of any runners if you exited them after reaching the breakout area or trend line.

5) Notice that this was the first break of the trend line, and we know that our rules tell us the likely scenario is that prices must first complete a retest of the low before there will be any significant rally. This was a failed break of the trend line and a failed new high that quickly reversed, and there will likely be many trapped longs that don't understand price action, so they will have to exit with a loss as prices start selling off again. There was a nice reversal bar after the failed break higher, so that was a great place to go short. This was another key entry and our runners were safe again too and easily worth about 6 points.

6) This was a 2nd entry short, so if you missed the first entry or wanted to add on, this was a great opportunity to enter. This was a quick and easy scalp, but no runners this time unfortunately. This was a form of a breakout pullback short due to the fact that prices formed a small congestion area while attempting to break higher above the 1361.0 area.

7) This entry came right at our 2:30 PM CST cut off period, but it actually triggered before the deadline and it was a 2nd entry short during a pullback to the EMA in a trending market. We still had no new low yet after the trend line break, and most retests in the ES will consist of two legs down to a new low, so we were looking for another possible leg down anyway. This move was good for 2+ points before prices reversed. With it being so close to the end of the day and with this being a new low, it was best to exit your runners on any reversal bar, and if you did that, you likely got 1.5 to 2 points from them on this entry.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was a continuation of the down trend from yesterday, although prices spent most of the day consolidating in a trading range between 1351.50 and 1357.0. Prices broke lower in the afternoon, but traded back up into the range by the close at 3:15 PM CST. Prices traded down into this range, so the bias will be for them to break lower (which is what happened), although you must also remember that nothing is ever written in stone when trading. If you know and understand price action, this was a great trading day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short during a pullback to the trend line in a trending market. There was actually a failed break above the small double top that had formed and a failed break above the trend line that was carrying over from yesterday as well. It's hard to see on this chart, but there was one other short clue here too. There are two tries to go higher here that failed, so that is two attempts to go higher, and when the market attempts something twice and fails, it's likely to succeed at doing the opposite. The second attempt never ticked higher, but if notice the green bar following the two bearish bars, then you should see the pattern. If you went to a smaller time frame, you could more easily see the two tries. This was an easy 2+ point move, but if you didn't exit your runners on the higher low, they were stopped out at break even.

2) This was a 2nd entry short with a nice bearish reversal bar to go short below coming off a double bottom. 1357.0 was a support area from the day before, and now it's acting as resistance. This was the 2nd attempt to test this resistance area that held, and a double top in a down trend is almost always good for at least a scalp. Notice too, there were now two measured legs up to a double top.

3) This was a fade of a 2nd entry long that failed and reversed, giving us a very nice bearish reversal type bar to go short below. The 2nd entry long trapped longs and they would have to start exiting if prices broke below this reversal bar. This is also a breakout pullback short, as prices went into a small trading range just prior to the 2nd entry long triggering. The 5 overlapping bars was enough reason not to go long here, but if you got fooled, once you see prices turn lower again with such a strong reversal type bar, it's best to just exit the trade. This was an easy scalp and any runners were worth as much as 3+ points depending on where you exited.

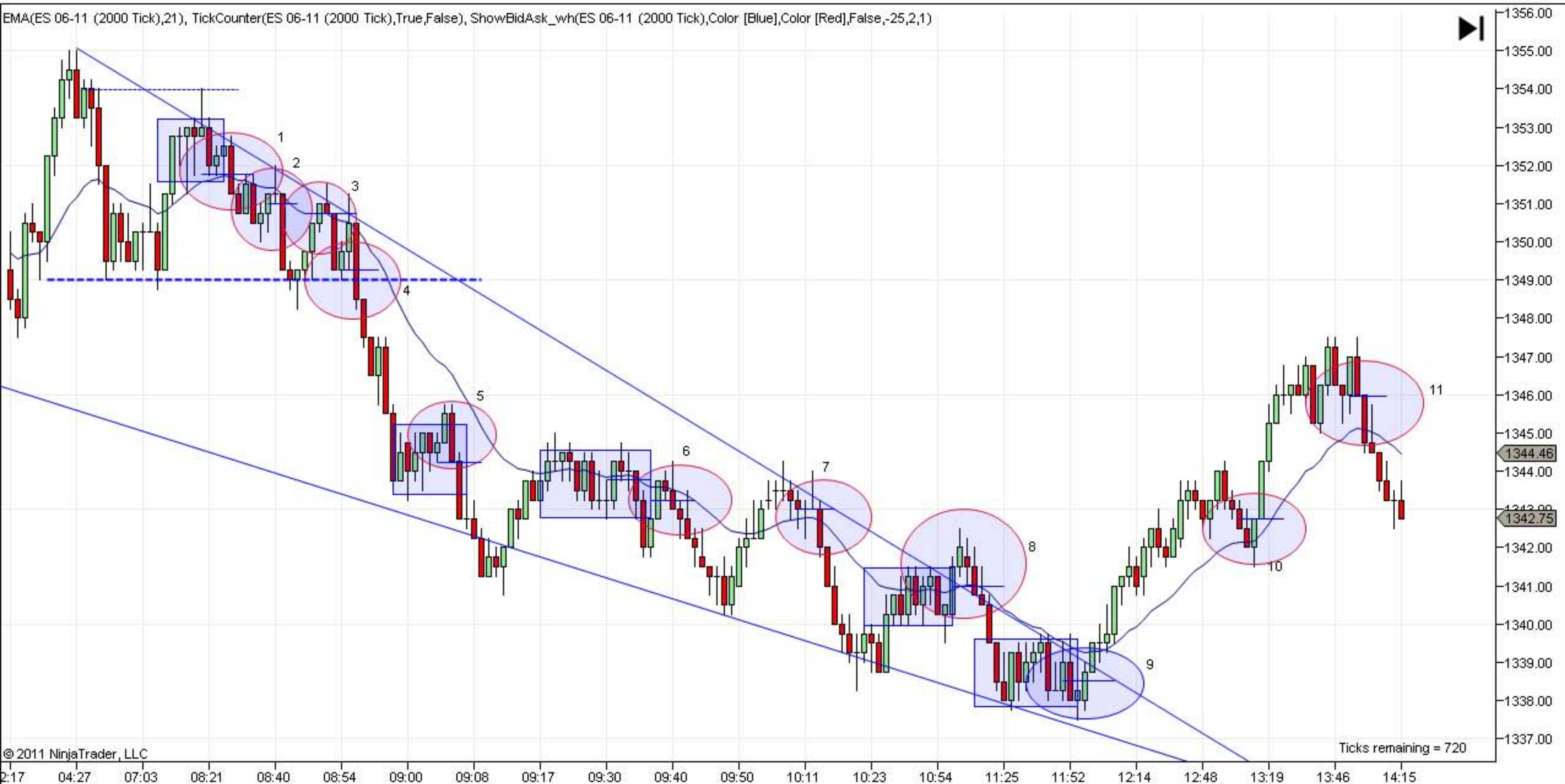
4) This is a breakout pullback long, but it's also a double bottom pullback long. When the double bottom formed right at the support area again, we just needed a good pattern to set up in order to go long. There was a 2nd entry long 3 bars prior, but you had to go long above a doji with multiple overlapping bars, so it was not a good long set up. Once we realized this was a small congestion or trading range, we needed a breakout pullback long, and this turned out to be another strong long, with our first target likely being the high of the range. Our runners were easily safe and if you held to the high of the range, you got most all of the move for about 4 points.

5) This is a 2nd entry short off the high of the trading range again. The 2nd entry is off the count from the new high or the high side of this move up. This was another key entry with any runners being safe and worth as many as 10+ points. This is basically a double top on the current move up and it was also a broader triple top, so it's fairly obvious that this former support area is not a resistance point. A real key here is that this was the 2nd time that prices tested this area and failed, and any time the market attempts something twice and fails, it's likely to succeed in doing the opposite.

6) This was a breakout pullback short during a pullback to the EMA. If you are going to enter on a breakout, this is the only way to safely enter, as most breakouts will fail, even if only a temporary failure, so it's not worth the risk of trying to ride out a pullback only to watch prices move all the way back against you to the other side of the range, or even worse, reverse into a trend in the opposite direction. By entering on a breakout pullback, you increase your odds of catching a successful breakout.

7) This is a perfect two-legged pullback to the EMA in a steeply dropping market. Notice the two clear legs and the nice reversal bar that you could go low beneath. This is also a 2nd entry short, so there are multiple reasons to take this short. This is our favorite set up pattern and it makes us a lot of easy money. Like always, this was a quick and easy scalp, although there were no runners this time.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was a great trend day and if you concentrated on selling the trend line and the EMA, it was a very good day with many good entries.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was 2nd entry short following a failed break higher out of a small congestion area. This pattern is close enough to serve as a double top as well. Notice too that this was a fade of a failed 2nd entry long, so there were trapped traders on both the failed break higher and the failed 2nd entry long. This one was a little slow to follow through, but our stops were never really in jeopardy. Unfortunately, there were no runners here.

2) This was a breakout pullback short. You can see some capitulation on this move as the bulls finally got tired of the traps. This was a very fast and bearish drop lower. Notice the reversal came right at the trend line too, so this was a 2nd validation that the trend line was indeed holding prices. A likely place to expect a possible reversal was at the former triple bottom, so you might exit most if not all of your runners if prices break higher above any bar after reaching that point. If you didn't exit your runners on a bounce, they were stopped out.

3) This is really just another breakout pullback short that turned down right at the trend line again. Even though prices are breaking above this trend line, notice that they were never able to close above it even one time. That indicates that there is heavy selling at this trend line and that it is likely being seen by many other traders as well. This was another easy scalp, but so far, the support at 1349.0 is very strong and still holding. Here is a clue that it might not hold though. Notice how each pullback is making lower highs and trending down. That is a sure sign that the buyers are getting weaker while the sellers are getting stronger.

4) This was a 2nd entry short following a failed breakout, so it could also be called a breakout pullback, 2nd entry short. Normally we would not go short below a bar with that large of a green body, but because it was a 2nd entry and because everything was pointing to a breakout with lower prices, it was worth the risk. Notice that prices once again were turned down at the trend line and EMA, and that's where our best entries almost always set up. This was the move we were waiting for too, as prices quickly dropped lower and our runners were easily safe this time. Those runners should have easily been worth at least 4 points, but if you stayed with the trade, they could have been worth as many as 10+ points on the day.

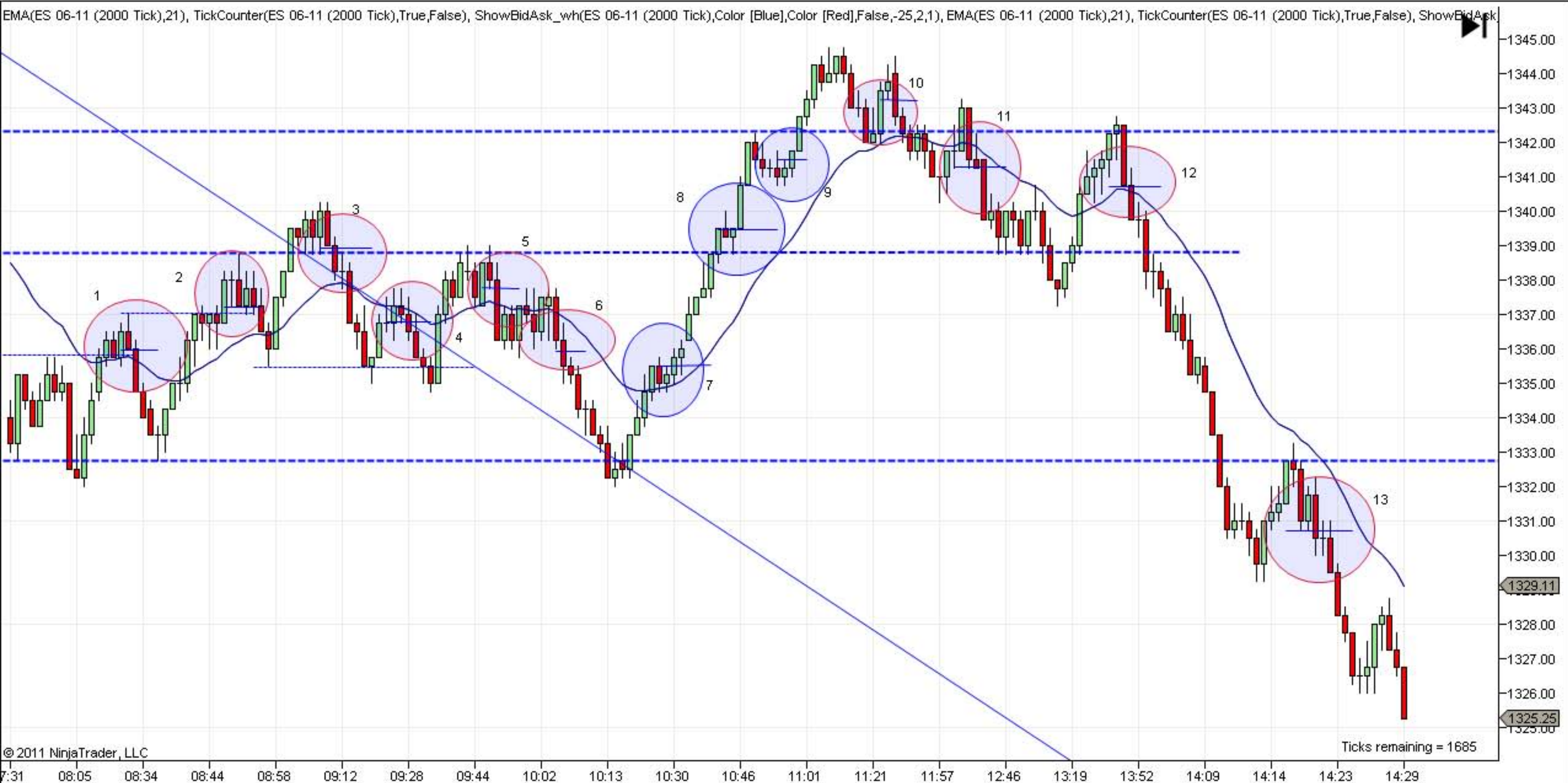
5) This is a 2nd entry short following a two legged pullback to the EMA. This is also a failed break out of a trading range. This is our bread and butter set up and it makes us more money than any other pattern.

6) This was a breakout pullback short during a pullback to the EMA. If you are going to enter on a breakout, this is the only way to safely enter, as most breakouts will fail, even if only a temporary failure, so it's not worth the risk of trying to ride out a pullback only to watch prices move all the way back against you to the other side of the range, or even worse, reverse into a trend in the opposite direction. By entering on a breakout pullback, you increase your odds of catching a successful breakout.

7) This is a 2nd entry short following a failed 2nd entry long right at the trend line. This is where you will get some of the best entries, and you can see how quickly this one sold off. Almost every one of these last few entries was good for 3 points or so before there was any pullback.

8) This was a fade of a failed break above the trend line. This was the first time prices closed above the trend line all day, so a retest is likely. This is also a fade of a failed break above the small trading range that formed right below the trend line.

8 – 10) There were 3 additional strong set ups from lunch onward, but I just got a phone call and must leave early today to take care of some personal business, so no time to complete the rest for today. Nothing serious really, but I must leave so I'm out of time today. If you have any questions on these 3 trades, feel free to message me and I will explain it to you later.



Daily Comment: There was a big rally in the dollar today that affected most every other market, prompting a large sell off in most of the futures products. Even though the ES did eventually have a big sell off too, it was not nearly as big as you might expect.

Prices were in a steep downtrend overnight, but went into a trading range after the regular market open at 8:30 AM CST open. Notice that there was eventually a trend line break, with two legs down to a double bottom, but we never got a new low. Most traders saw this as a failed retest and started buying creating a strong rally that was in stark contrast to most futures markets. Turns out this rally was nothing more than an attempt to retest the breakout area from the overnight, and fill the gap that was also created from the regular market open. Once the gap was filled and the breakout area had a retest that held, the sell off was then strong and almost straight down for 16 points.

This was a great trading day with many entries. This week has seen a revival of the ES somewhat, so maybe we will see this type of movement continue. Without volatility, it's almost impossible to make money as a day trader, so even though these kinds of moves may scare you a bit, they create great opportunities to make us money!

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was 2nd entry short during a pullback to the EMA in a steep sell off. This entry occurred right at the regular market open, so it's possible you missed it. This could also be classified as a failed break above the small double top during a down trend, and double tops in a down trend, particularly when they form at the EMA or trend line is usually a great entry. This was an easy 3 point move, but if you didn't exit on the bounce near the double bottom, your runners would have been stopped out.

2) This was a repeat pattern to trade 1. Remember to be on the alert for patterns to repeat, as they are usually easy money. If a pattern reacts one way during the day, it will often show up additional times with the same or very similar outcome each time. Both trades 1 and 2 gave us great bearish reversal type bars following failed breaks above a double top. No runners here though.

3) While you normally won't see repeat patterns 3 times in a row, it did happen today. This was another failed break above a double top with a bearish reversal type bar to go short below. There was a small congestion area that could have kept you out of this trade, but because it was a repeat pattern and because it was also a failed break above the trend line, there were enough reasons to take the trade if you saw it. If you missed it, then it's always better to miss a trade than to get trapped on the wrong side of the market. This entry was good for around 4 points, and if you failed to exit any runners on the bounce, you got a 2nd opportunity to get out with around 4 points before prices bounced again.

4) This was a 2nd entry short during a two-legged pullback to the EMA and the trend line. This could also be classified as a breakout pullback short as well. This was an easy scalp, but no runners. It's now fairly obvious that prices are in some kind of a range, so we need to be thinking range rules until proven differently.

5) This is another 2nd entry short following a double top in what has been a down trend, which is also now forming some type of range. A double top in a down trend or range is almost always good for scalp at a minimum, so they are high percentage entries. This was a very quick and easy scalp, but because the market is ranging, no runners survived here.

6) This is another small congestion area and normally you must be very careful entering in congestion. If you skipped this trade, then you did not do the wrong thing, even though it turned out to be a great entry. Because there was a failed 2nd entry long that formed another double top in what is really a market that is struggling to complete a retest (which means the market is attempting to work lower after a trend line break), particularly when there are many double top repeat patterns, this one was worth the risk of an entry. If you took it, it paid off well too and prices dropped over 4 points before there was a bounce or correction. The failed 2nd entry trapped longs who were not aware of the retest tendency in the ES. Many times when the market is struggling to move in a direction that is the most likely, it will back up and trap weak traders, knowing that they will take the bait and enter counter trend. Any time you see a one tick trap, that is what is likely happening. Once they trap the weak players, the momentum of those exiting traders will push prices on through the support or resistance area where prices had previously been struggling to move through.

7) While it was a little more difficult to understand why traders were so eager to buy the ES today, in hindsight, it is easily understandable, so mark this one for your long term memory, as you will likely see it many times over in the future. If you notice, there was a gap down in the chart from the overnight session to the regular market open (you may have trouble seeing this if you are using an extended hours chart, but it's there). It is very rare that this gap will not be filled within a few hours, and if not then, within a day or so. When the retest immediately bounced and created a double top, that was obviously enough to satisfy the shorts that the longs were going to attempt to fill the overnight gap, and prices took off

rather strongly. The move up was rather bullish and it went right on through the EMA with only a pause bar before triggering a 2nd entry long. This was a 2nd entry long coming off a double bottom following a trend line break and a two-legged move down on the retest. If you caught this, it was a remarkable move and any runners were easily safe and worth as many as 9 points depending on where you exited.

8) This was a breakout pullback long in a strong bull move. Once everyone understood prices were going higher, the market just kept on going and there was very little pullback at all. Runners were safe here too and worth another 5 points or so.

9) This was a 2nd entry long following a two-legged pullback in a very strong bull move. This was another easy 2 point move with no stop run on the runners here either. This was a very odd move for such a broad sell off in most of the other markets, but this is also a good example of why we don't argue with the price action. Just trade what you see and trust the patterns and you should make money on most trading days.

10) After such a strong move up, it is hard to suddenly believe that the market could sell off again. As I stated above though, this is why we must learn to read the price action patterns and trust them and our rules. A double top alone so far away from the EMA is usually enough reason to sell, but there really was no show of bearishness yet at all, so by waiting on a better reversal pattern, we insure we are not counter trend trading. This was a 2nd entry short coming off a double top in a move that was way over done to the upside. We had also just filled the gap, so that was another reason that some of the bulls would now begin exiting. When prices ticked above the doji and failed immediately, that was likely a trap, so we should place an entry over one tick below the doji, knowing that the longs would have to exit there if price went lower. Those exiting longs quickly pushed us to a scalper's profit and almost 3 points more before prices bounce. If you took the 2nd entry long on the bounce off the EMA, it was good for a scalper's profit, but after such a bearish leg down following a double top, you would need a bullish bar to go long, and we had two overlapping bars with the signal bar being a doji, and that's not a good set up at all. If you took it, you were OK, but I would not recommend this pattern as it's too risky.

11) This set up was similar to trade 10. If you took the long, it was good for a scalper's profit as well, but there were so many overlapping bars following a reversal type pattern after the gap was filled, it was best to sit tight and see if we might get another long trap. Prices created a very bullish bar when they broke above the doji, but then immediately reversed. We could not go short below such a bullish bar, but when the reversal bar close on it's low, we could go short below it, and once prices broke lower, it was a nice move down as more longs finally begin to exit their long trades. Any runners could have been worth as many as 5 points.

12) This is a 2nd entry short again, with a huge bearish bar to go short below. It was too risky to go short below the doji at the top of this turn, but if you placed your order just below the bearish bar, you were rewarded in a great big way! The entry dropped 11 points before there was even a hint of a possible correction. Depending on where you exited, your runners could have been worth as many as 16 points.

13) This was a 2nd entry short following a failed 2nd entry long. That long trapped the early longs that thought they were going to ride prices higher after such a strong sell off. This is what we want and why we don't counter trend trade. By being patient and staying with the trend, we were rewarded well. After a bearish move down like this one, a 2nd leg is very possible and very likely. Again, any runners were safe and worth another 5 points.



Daily Comment: Today started as a range day, but after a failed break higher, prices turned down and trended down for the remainder of the day. There were lots of small congestion areas that served as traps, but the overall trend was down for most of the day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short coming off a double top. You could have gone short below the doji since this was a 2nd entry and a double top, but it was best to wait for a bearish bar. This one might have been tough after such a strong move up off the double bottom, but a double bottom or double top is usually good for at least a scalp. Any runners were worth 4 or 5 points if you exited near the double bottom or anywhere within the congestion area that formed at the low of the range.

2) This was a 2nd entry long following a failed break out of a trading range and a small congestion area that formed at the low of the larger range. The best part about catching these type of entries is that they get you long at lows or short at highs. If you get lucky and catch them and a runner, they can be big money makers. In this case, the runners were safe and worth as many as 8 points depending on where you exited.

3) This was a 2nd entry long coming off a double bottom. This was also a two-legged pullback to the EMA with a failed 2nd entry short, so there will likely be trapped traders to help push prices higher when and if our long triggers. This whole area is a small congestion area and we should get a break out with a leg up equal to the first leg up into this range. I used arrows to show you the two-legged move, and it was close to a perfect measured move. Depending on where you exited, any runners were worth 4+ points.

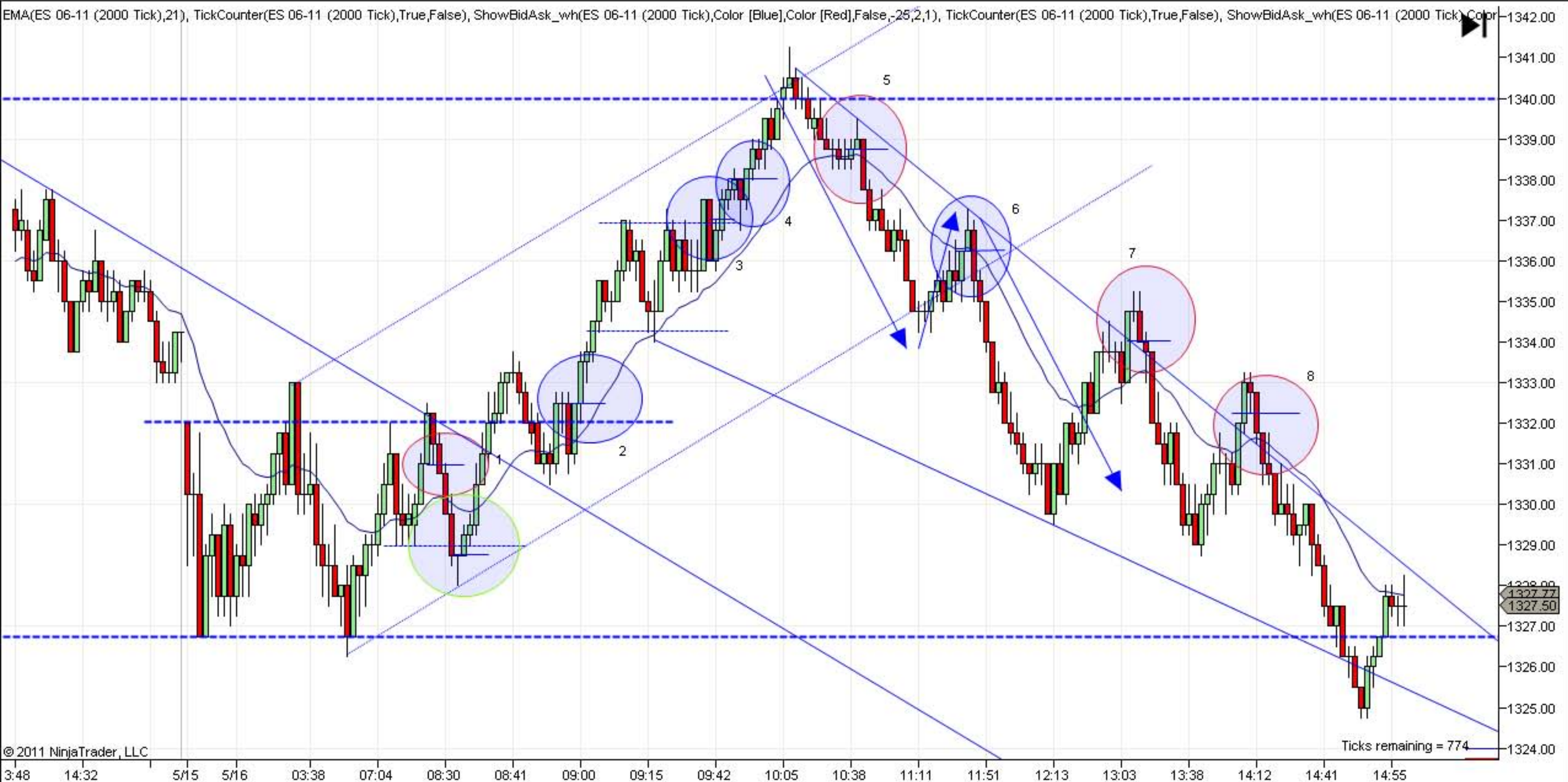
4) Prices were able to break above the high of the range this time, but as most breakouts do in the ES, it quickly reversed. There were too many overlapping bars for a good entry off the breakout, so it was best to wait for more price action. After turning lower, we finally got this breakout pullback short on the breakout of the small congestion area. This was a quick and easy scalp, but no runners here.

5) This was a fade of a failed 2nd entry long. Notice the overlapping bars and dojis: That was a sure sign not to go long here, and as you might expect, it turned into a long trap. Notice too that it turned off the trend line to the exact tick, so that confirmed the trend line was valid. This is still a very nervous market, so it's important not to get trapped by taking a questionable entry.

6) This is a 2nd entry short following a two-legged pullback to the EMA and a break below the strong support line. There was actually an entry 3 bars earlier, but it was so close to the support area that it was better to wait and see if a long trap might set up first. Notice that a 2nd entry long triggered and immediately reversed, so this was a chance to get short below a small reversal bar at the high of a congestion area with trapped longs to drive prices lower quickly, which is an ideal entry. It took prices a bit to work through the support area, but our stops were never triggered and once they worked lower, it was off to the races lower. This was a quick 5 point move before we had any bounce. If you held onto the runners during the pullback, they were safe by a single point, but I probably would have exited on the 2nd entry long after such an easy 5 point move.

7) This was a 2nd entry short following two tries to go higher that reversed quickly trapping longs. This pullback was simply the retest of the breakout area of the morning trading range, which is typical of what prices will do, even in a strong sell off. Once prices attempted to go higher twice at the former support and failed, that is two tries to go higher and two tries to test the support area that both failed, and when the market attempts something twice and fails both times, it's likely to succeed in doing the opposite. You could have entered two bars earlier, but that bar was too bullish to be shorting below, even with the trap. This was another easy scalp, but no runners here.

8) This was a 2nd entry short following a large two legged pullback to the trend line in a bear trend. Notice how choppy this looks, but if you back out and look at it as a larger picture, it's a two-legged pullback to the trend line and that is one of our key entry patterns. I used arrows to help you see the two legs again in case you can't see it. This was one of the best entries of the day as our runners were easily safe and worth as many as 7 points in a very short time without any real attempt at a reversal by the bulls.



Daily Comment: There was a strong down trend line that was broken around 9:00 AM CST, but we know a retest is likely before any real rally will transpire. While it was a rather large pullback, prices were simply retesting the former breakout area at 1340.0 before attempting a retest of the low, but by the time the day was over, the retest was indeed successful.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was 2nd entry short following two failed attempts to go higher above the previous high with prices turning down right at the longer term trend line as well. This was a congestion area that had been holding prices all night, so taking a 2nd entry short on a failed break higher would normally be good for at least a scalp, and maybe even more. This was an easy scalp, but no big runners.

Notice the green circle, as that is a double bottom pullback long, as well as, a failed break below a double bottom. It's also a higher low following a double bottom, but it's a difficult trade for most to see or trust. This is a riskier entry, but it's a great set up, so if you took it, that's OK. I didn't mark it because the first few bars of the reversal were not very strong and prices were below the EMA and trend line. However, there is still plenty of room to scalp out before reaching the trend line or former high making it a reasonable set up so I felt I needed to make note of it.

2) This was a breakout pullback, 2nd entry long following a failed 2nd entry short at the high of a trading range. There was no reason to go short below a doji that was an inside bar, so by being patient, we get to take advantage of the trap that set up. You can see how quickly prices shot up once they broke higher above the green bullish bar. That's where the shorts started exiting, and we want to use their exit orders to drive us to a new high. If you did manage to get trapped, you have to close this trade or reverse to long on that break higher; as most traps are good for at least a scalp, and usually much more! This was one of those key entries we hope to catch each day as our runners were easily safe and worth as many as 7 to 8 points. Without the failed 2nd entry short, we would not take a long here, so be clear on that point.

3) This was another breakout pullback long. This one was tricky because prices tried to pull back before reaching a scalper's profit. If you followed our rules and kept your stop below the signal bar, and then moved it to below the entry bar once it completed, you would have still survived this pullback. If you continued to tighten your stop, you still should have made a tick or two at a minimum. If you held on though, this was another great entry and your runners would be safe and worth several more points.

4) Prices were able to break above the high of the range this time, but as most breakouts do in the ES, it quickly reversed. There were too many overlapping bars for a good entry off the breakout, so it was best to wait for more price action. After turning lower, we finally got this breakout pullback short on the breakout of the small congestion area. This was a quick and easy scalp, but no runners here. This was an easy 3 point move, although no big runners this time.

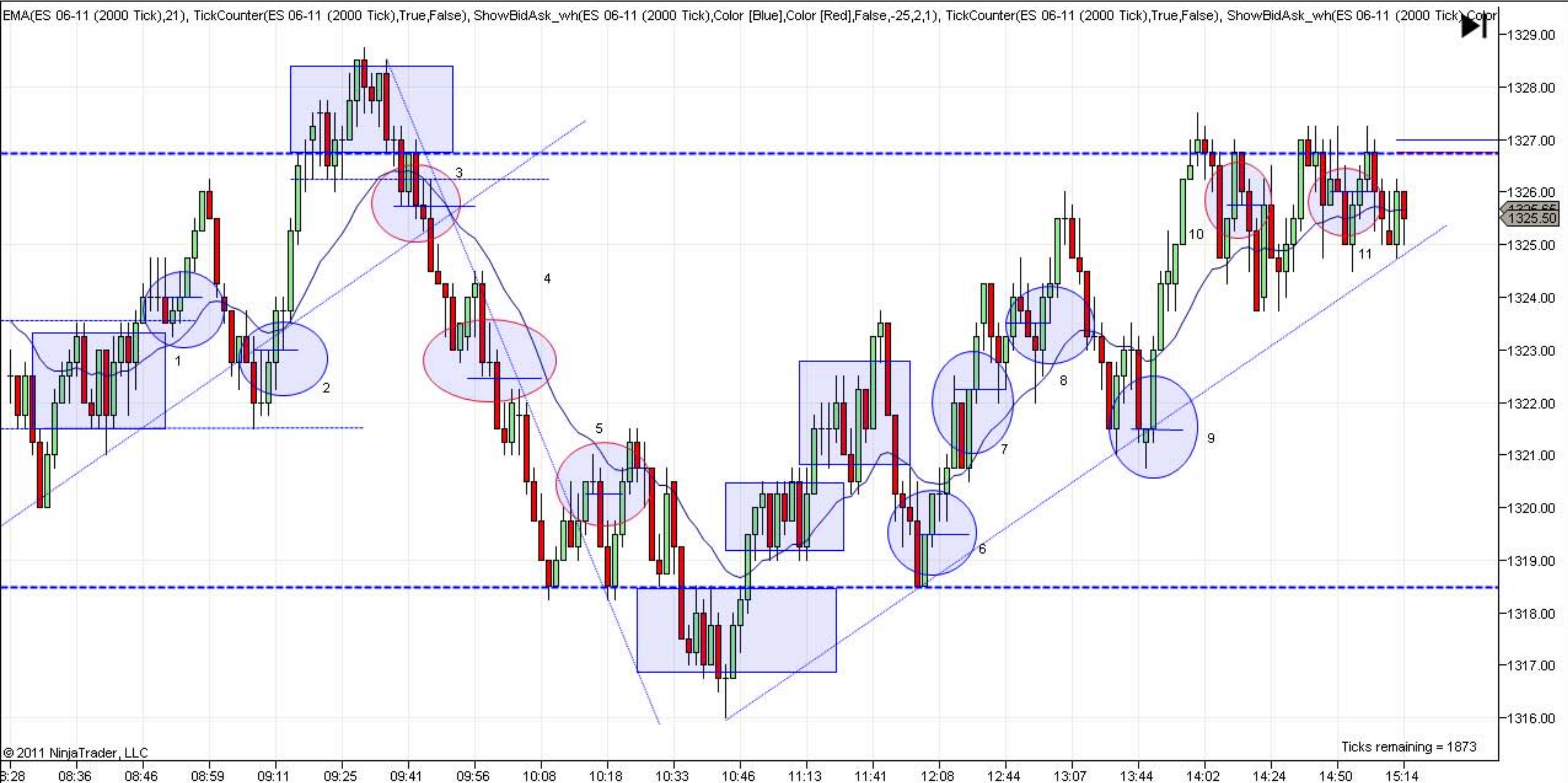
5) 1340.0 has been a key area for some time now. It has acted as support whenever prices are above it and resistance whenever prices are below it. It actually turned prices lower on Friday as well, so this is basically a broad double top, and those are usually good for at least a scalp and maybe much more. The trend had been up so far, but with prices coming off a double top and with them being so far away from the trend line, there was plenty of room to go short if the right set up comes along. With a trend down as strong as this one had been, a retest is very likely, even if it doesn't come today.

Notice that prices went into a small congestion area with multiple overlapping bars and dojis. When prices broke higher here on a 2nd entry long and immediately failed coming out of that congestion area, it was a great long trap with the next support area being about two points lower. This was a great long trap to fade with both a 2nd entry short and a failed break out of the small congestion area. Notice how bearish the next bar was! This is a sure sign that the bulls were trapped and they were exiting rapidly. Any runners were easily safe here and it was 3+ points down to the trend line where prices were likely to try and bounce.

6) This was a tricky one because of the up-sloping trend line. Normally you would expect a retest of the high, but prices were coming off a double top, and there was still the need to retest the double bottom after the early morning trend line break that had much more merit than this morning rally. This move down was a perfect two-legged measured move down, and if you caught it, it was a super entry. Any runners were safe and worth as many as 6+ points as prices quickly moved lower to complete the 2nd leg of this move.

7) This was a failed break above the down sloping trend line. It would be too risky to go short below the small doji, but if you took it, it was a fade of a failed break out of congestion and a failed break above the trend line, so there was more than one reason to go short there. However, it's always best to wait for a trend bar in your direction if you don't have a 2nd entry as well, which we did not in this case. Even though we waited on the bearish bar, this was still a great entry and it was off to races again for another 5 points or so depending on where you exited with your runners.

8) This was somewhat of a repeat pattern to trade 7, but this time, we also had a 2nd entry. Remember that patterns repeat and often end with the same result, particularly if they are with trend. There is still plenty of room before reaching the double bottom, but more importantly, there is plenty of room to scalp out before reaching the previous swing low, so a short here has plenty of room to work with to the short side. While there is no guarantee of a retest, the fact that prices had not tested the low yet made any rally very suspect here, and it turns out it was nothing more than another trap before prices were quickly moving lower. Runners were easily safe and worth multiple points!



Daily Comment: Today was a typical range day in the ES. There was a nice down trend in the early morning, and while there was a trend back to the high side, it was very choppy, so you have to pick your entries very carefully. You often had to enter when it seems counter intuitive to do so! This is when it is the hardest to trust the price action, but this is also where and when you catch the best moves. It's a matter of learning the strategy, and then trusting and taking the set up when it presents itself.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a breakout pullback long, but notice the small congestion area at the top of the larger congestion area. When prices ticked lower and then turned higher again, that trapped shorts who did not understand how prices act when in congestion. By sitting idle, we were able to take advantage of the trapped shorts and it was a quick and easy move up.

2) This was a 2nd entry long coming off a double bottom at an area that had already turned prices multiple times. The trend had been up since just after 8:00 AM CST, with the market making higher highs and higher lows. In addition, this was the first break of the minor trend line, and while retests are not as reliable during small temporary trends, they often still follow through as with any trend, particularly in the ES.

3) This was a breakout pullback short following a failed 2nd entry long and a failed break above the high of the trading range. When the 2nd entry failed by a single tick and turned down again, any break below the previous bar would trigger a breakout pullback short. This was a great entry and your runners should have been safe and worth multiple points.

4) This is simply a reversal off the trend line coming off the high of the trading range. The first leg down was rather bearish, so a 2nd one is likely. With the large bearish reversal bar, a single tick past it would very likely continue the down trend. This was an easy scalp, but it's likely you lost your runner here.

5) This was a 2nd entry short following a two legged pullback to the EMA in a down trend. This is our bread and butter pattern and it rarely fails. This is also a small break out of a congestion area, so there was more than one reason to go short here. This was an easy scalp, but no big runners unfortunately.

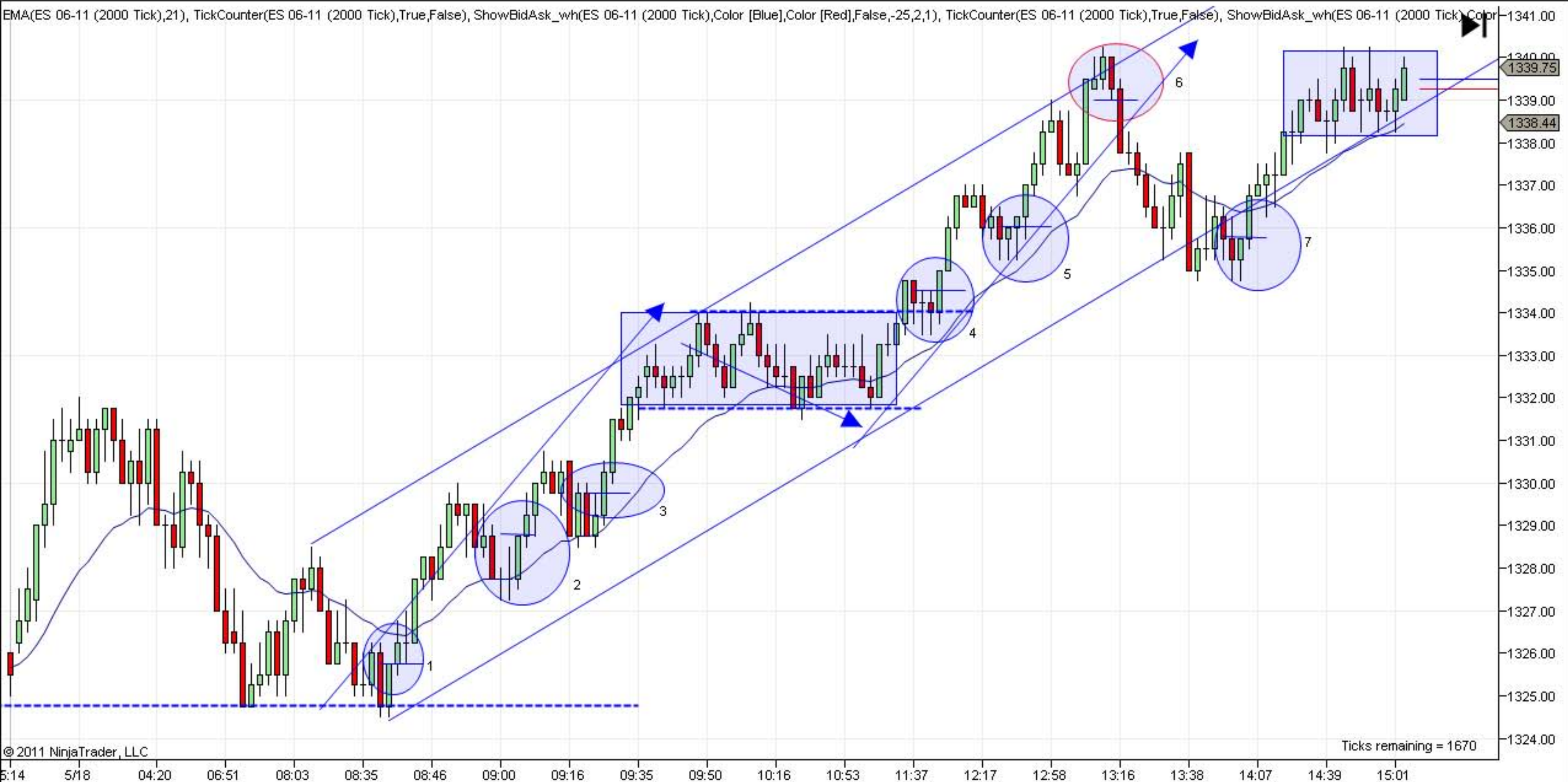
6) There was a nice two-legged up move off the failed break at the low side of the range, but it was so choppy there really wasn't a solid entry. In those cases, you if you decide to enter, you have to give the trade some room to work, and that adds more risk. This was a 2nd entry long on a bounce off the low side of the trading range. This is one of those entries that is hard to trust, but it's also the ones that reward us the best if we can see them and force ourselves to trust them and just enter the trade. Any runners were safe and worth as many as 6 points depending on where you exited.

7) If you missed trade 6, you definitely should have entered here. There was a short trap just above the EMA, and you can see how quickly prices shot up from there. If you were long from trade 6, this was a great place to add on as well. This was a 2nd entry long coming off the low. No runners on this entry unfortunately, but it was an easy scalp and more before prices turned down.

8) This was basically a two-legged pullback to the EMA in a choppy market. Notice that it is also a form of a breakout pullback long and it's coming off a double bottom that formed at the EMA. These moves are designed to trap out longs and trap in shorts in order to drive the market to a new high and you can see that it does indeed work. Once the market moves to a new high, the smart traders are exiting with their profit as new weak longs come in trying to buy breakouts, and the smart traders simply stop buying or start reversing and the market quickly drops and runs all of the longs out with a loss. The best traders are shorting these moves, but that is for more experienced traders, so we don't show those trades often on the chart study.

9) This is another 2nd entry long during a pullback to the temporary trend line. This is a repeat pattern to trade 2 as well. This is actually a double bottom, but the small break lower on the right side makes it even stronger than a regular double bottom, because that traps more weak shorts that are now trying to short the market in an uptrend. Look how strong the move up was from here after what looked like a very bearish move down. This is simply how the smart traders manipulate the market and trap inexperienced traders and use their exit orders to move the market in their direction. Traps are ideal entries and often lead to some explosive moves, so learn to spot them. That is one of the reasons 2nd entries work so well too, because they trap weak traders looking to counter trend trade.

10 – 11) These are two identical set ups, and if you skipped these, that's OK, because this was a large congestion area, and entries in congestion are always suspect and apt to fail and trap you on the wrong side. Notice that both entries are 2nd entry shorts off the high of the trading range, and a 2nd entry off a strong resistance or support area is almost always a great entry for at least a scalper's profit. There was actually a 3rd one of these a few bars later, but it was after our 2:30 PM CST cut off for new trades, so I didn't mark it.



Daily Comment: Today was a trend day although it was a choppy one. There was also a late morning trading range that took some time to work through as the market consolidated the new high. It was really hard to find any trend line today, so here's a trick on how I found this one, and as you can see, it did indeed turn prices when they touched it. When you are having trouble finding a trend line, you can sometimes draw a trend line off the high side, then copy it and drag it to the low side. This doesn't always work, but it will sometimes do the trick.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a double bottom with a single tick break lower at a very strong support area that has been turning prices back into yesterday's trading day. The single tick lower followed by a quick bullish reversal type bar made this a great set up. There would be trapped traders on the failed break lower, and most double bottoms are good for at least a scalper's profit and often times much more. In this case, it turned out to be the low of the day. Any runners were worth as many as 14 points.

2) This was two-legged pullback to the EMA following a double bottom at a strong support area. That makes this a double bottom pullback long, but it's also a breakout pullback long as well, so there were multiple reasons to go long here. This is a 2nd entry long on a smaller time frame as well, so you actually could have gone long two bars earlier just above the tiny doji. Entering above or below a doji is most often a bad idea except in rare set ups, but this is one of them. By waiting for a nice bullish bar, you get a less risky entry here, but notice that they came back and got the break even stops on the later entry, and if you had taken the entry above the doji, your runners would have been safe and worth a lot of points. There is usually a price to pay for taking the less risky entries, and there are often big rewards for taking the riskier trades. Until you are a seasoned trader though, it's always best to error on the side of lower risk!

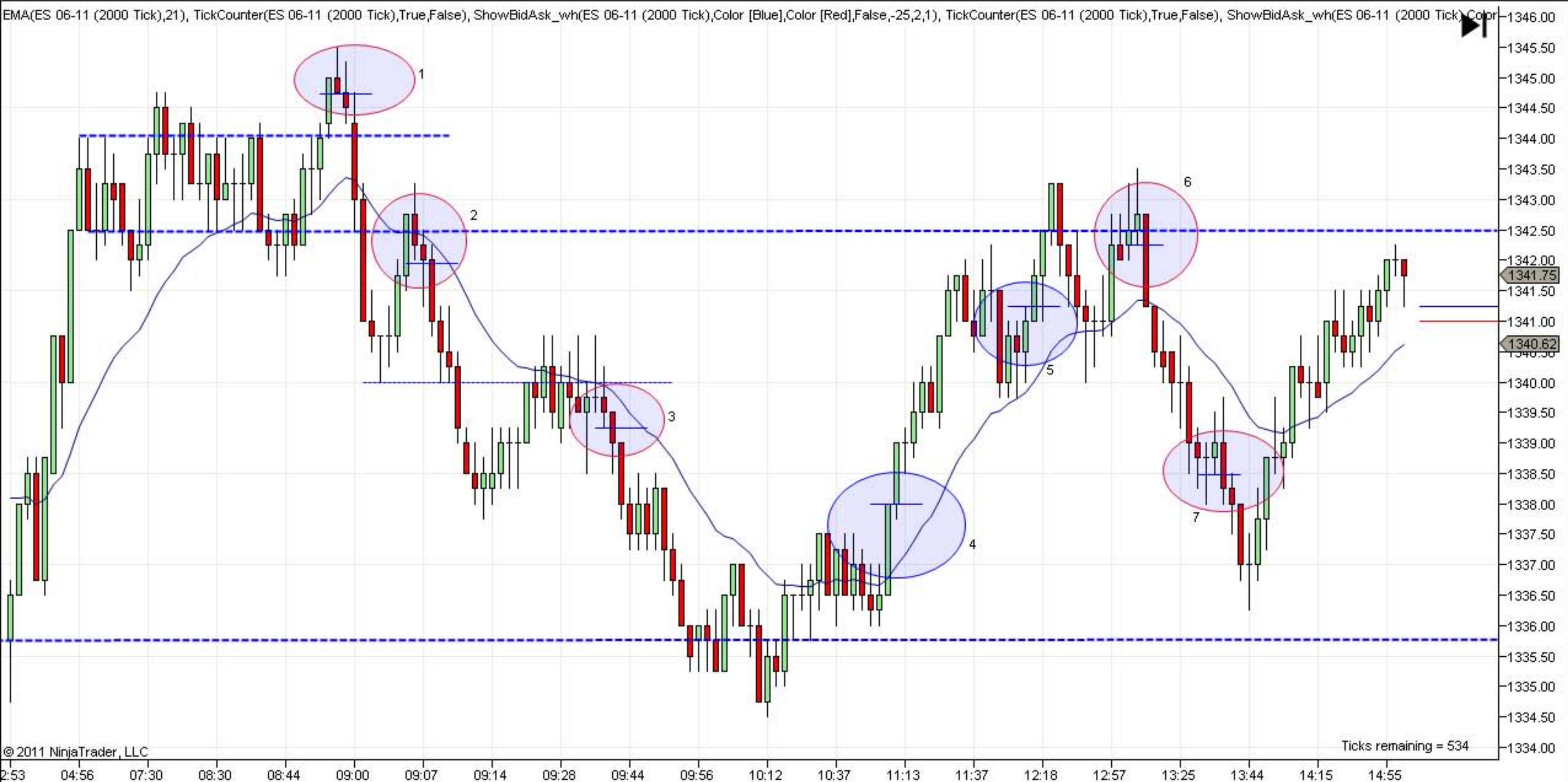
3) This is another small breakout pullback long entry. This is a very similar set up to trade 2, so it's basically a repeat pattern, and repeat patterns tend to have similar outcomes, so watch for them and take them when you see them. Normally, with so many overlapping bars, this would not be a good entry, but it is a two-legged pullback to the EMA, and more importantly, there was a double bottom trap that was essentially a failed 2nd entry short. Because of the trap there would very likely be many trapped shorts here. Notice how prices exploded higher when they turned back up. That's a sure sign that there were trapped traders that had to start exiting, and that pushes the market quickly higher.

4) This is break out pullback long. Prices went into a small trading range that lasted about an hour and a half, before finally breaking higher. Remember, we never take the breakout, as that is too risky and will usually lead to a loss. It's better to fade the breakout on range days and wait for a possible breakout pullback on trend days. This was another great entry and any runners were safe and worth multiple points.

5) This was another two-legged pullback to the EMA in a trending market, and while it's hard to see on this chart, if you went to a smaller time frame, you would clearly see two legs. We don't watch multiple charts though, so we have to learn to spot these on our trading chart. The trend was getting stronger now and a measured move from this morning's first leg is a likely target. I marked the two legs with arrows to help you see them.

6) Notice that there were two final attempts to break above the trend channel line to the high side and both failed turning prices lower. Any time the market attempts something twice and fails, it's likely to succeed in doing the opposite. This was a counter trend trade in a trending market, but this is one of the few times it is OK to counter trend trade. Notice that there were 3 small pushes up that each made a lower high. That is a small wedge type pattern and those are often found at highs and lows, so that was another clue the upward trend was exhausting. Notice how prices moved downward and bounced to the tick off the lower trend line that had never been confirmed, but that was derived by simply copying the upper trend line or trend channel line as it is often called, because this is essentially a channel that prices are trending upward and inside. What started out as an expectation for a scalp gave us a runner than ran for almost 4 points.

7) This was a 2nd entry long off a double bottom that was also a failed break below the trend line on a trending day. We should expect a retest of that high, and when we quickly got a double bottom and a bullish reversal bar with a 2nd entry, that was a great place to try and get long. This was another great entry and your runners were worth as many as 4 points as prices slowly climbed higher into the close.



Daily Comment: Today was a choppy trading range day. There were limited entries, although several of them were strong moves. Simply following our break out and trend rules, with the understanding that this was a range day, it's not as difficult as it might seem to make money.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) Prices were in a tight two point trading range for most of the early morning pre trading hours before finally breaking out to the high side. This was a failed break out above the high of a trading range with a great bearish reversal bar to go short below. This was one of those great entries and prices quickly dropped lower with any runners being safe and worth as many as 10 points.

2) This was 2nd entry short, but it's also a breakout pullback short. Once prices broke lower below the previous low, it was likely that prices would make a 2nd leg down. If you measure the two legs you will see that they are almost a perfect measured move down. Any runners were safe again too, so this was another great entry.

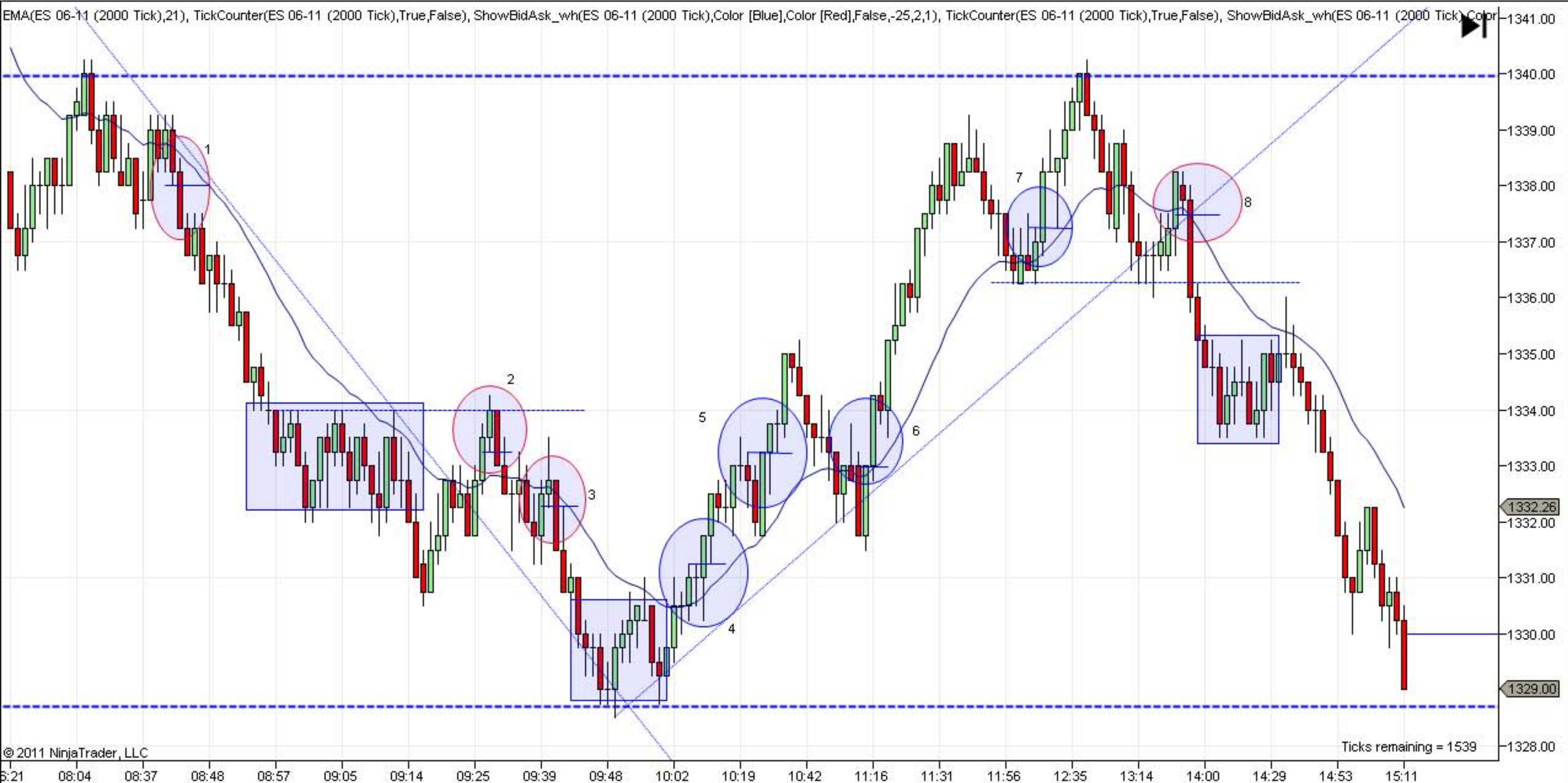
3) This turned into a small congestion area, but notice that most all the bars are below the EMA and most of the stems are all on the high side with none of the bars every closing above the EMA. This is actually a breakout pullback short on a failed 2nd entry long. Runners were safe this time too and worth as many as 4 points depending on where you exited.

4) This was a double bottom pullback long, but it was also a breakout pullback long on a 2nd entry. It was too risky to go long on the original 2nd entry trigger because of all the overlapping bars, so we needed to wait on a bullish bar. This bar was a bit long, but notice how strong it was. Prices opened on the low and closed on the high tick, so it was a very strong move by the bulls. Normally a bar this long would be questionable, but because it was owned from open to close by the bulls, it was worth the risk that a measured move on the first leg was coming at a minimum, but as you can see, the bullish move continued much higher than that.

5) This was a two-legged pullback to the EMA in an upward trend. That makes this a form of a 2nd entry long, although the pattern was not perfect. Patterns are rarely perfect, and if it is close and looks like one of our patterns, it will likely act like one of our patterns. A two-legged pullback to the EMA is one of our favorite patterns and it makes us more money than any other pattern! Take them when you see them if the set up meets our criteria. Notice that I waited on a more bullish bar before going long though, as the previous bar was a doji with a red/bearish body.

6) This was basically a double top with the single tick higher that adds an additional element of trapped longs to a double top or double bottom. That single tick higher trapped longs, and once prices turned lower, it was off to the races as all the new and weak longs started exiting their bad entry. Any runners were easily safe and good for about 3 to 6 points!

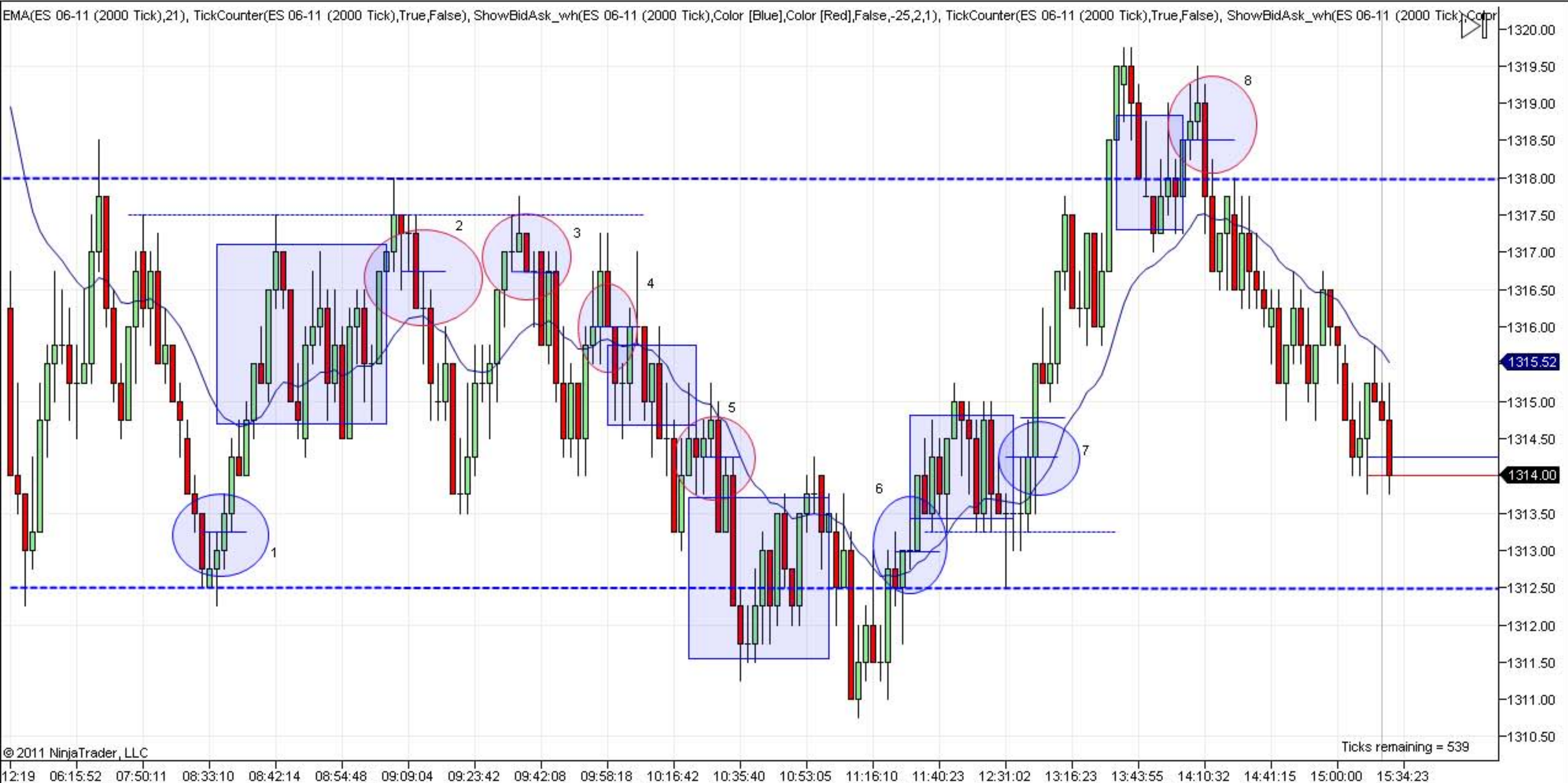
7) This was a fade of a failed 2nd entry long but it was also a pullback to the EMA, even though a very weak one. When prices can't even make it back to the EMA, that is a sure sign of weakness in a down move. We would expect prices to try and reach the low side of the larger range again, especially when prices were so bearish off the top, but the market often does unexpected things, and this was one of those times. Although prices trended higher into the close, there was no strong entry, and it was better to just sit on the side lines and call it a day. This turned out to be a very easy scalp, but the reversal would have taken out any runners that you held on through the pullback.



Daily Comment: Today was another choppy range day, although there was enough room for prices to trend well from one side to the other. 1340.0 has been a key price area for many days now, and the low side of the range around 1329.0 has also been a key swing point, so keep a close eye on these areas in future days as well.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a fade of a failed 2nd entry long during a pullback to the EMA and trend line in a down trend. This was a great set up and if you took it, you were rewarded well as prices fell quickly and any runners were worth as many as 10 points or so.
- 2) This a failed break above the high side of a small congestion area, but it was also a failed break above a strong downward sloping trend line. Notice that there was a two-legged correction, so that makes this a 2nd entry short following the failed breakouts. This was the first break of the trend line too, so a retest is likely before any real rally will occur.
- 3) This was a fade of a failed 2nd entry long that trapped longs trying to pick a bottom in a down trend. Notice that there are several overlapping bars and a few doji's here, so that's a congestion area, and we don't want to be going long out of a congestion area without a short trap. Instead, there was a long trap, and since this was a down trend, that was our desired entry direction. This was a 3+ point move, although no large runners this time.
- 4) This was a breakout pullback long, but it's also a failed 2nd entry short coming off a double bottom at another key sup/res area that has been in place for many days now. That makes this a breakout pullback long with trapped shorts. No long term runners here, but you should have been above to get at least 2+ points on them.
- 5) This was a two-legged pullback to the EMA with a great bullish reversal bar to go long above. When you see a bar open on the low and close on the high, that's a bullish sign as the bulls controlled the bar from the open right into the close. This was also a small double bottom right at the EMA, so there were many reasons to like this trade to the upside. While there were no runners, it was an easy scalper's profit.
- 6) There are rarely in free trades in the ES, as it is one of the most efficient markets we can trade. Once we understand what prices are attempting to do though, it's not that difficult to anticipate. What looked like a great short and a great place to place your long stops just below the former double bottom was nothing more than an opportunity for smart traders to set a trap and take away any free ride the former longs were attempting to get. By pushing prices lower just below the former double bottom, that trapped in shorts who thought a break lower there meant prices were going much lower, and it trapped out longs that had their stops there thinking they were in a safe place. Once that trap was sprung, look how prices blasted higher! That's a sure sign that this was indeed a nice trap, and the trapped shorts must exit while the trapped out longs realize they made a mistake and start chasing the market trying to buy back again. This quickly takes us to a scalper's profit, but more importantly, it allows us to get a runner going with little chance prices are coming back again in the short term. If you caught this entry, it was 7 points to the 1340.0 area again, where prices have turned down so many times in the past.
- 7) This was a 2nd entry long with a failed 2nd entry short right at the EMA in what is now an upward trend, even if only a temporary one. This is also a double bottom at the EMA and that is usually good for at least a scalp. No runners this time though.
- 8) With prices coming off the 1340 area almost immediately, and with prices tight wiring the trend line, a failed 2nd entry long would be likely to yield us at least a scalp. This was also a breakout pullback short on the break lower of the double bottom. This was another key entry and your runners easily safe with a likely target of at least the low of the trading range again, which was 7 points or so before the market closed.



Daily Comment: Today was another choppy range day, and the range was much smaller today than the last few trading range days. If you stuck to our price action rules and traded each side of the range, there was still a chance to make money today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a fade of a double bottom after a two-legged move down to the previous low swing. A double bottom with a nice bullish reversal bar like this is almost always good for at least a scalp, and many time, much more. In this case, it was an easy scalper's profit, but any runners were good for 4 or more points depending on where you exited.

2) This was a 2nd entry short following a failed break above a double top. It was fairly obvious that prices were in a range by this time, and on range days we try and fade any new highs or lows and any bounces of the extremes of the range. This was another easy 3 points or so, but no big runners.

3) This was another fade of the break above the double top, but this was also a lower high and a 2nd entry short. This was another easy scalp, but no runners this time either.

4) This was a 2nd entry short off the previous high and this time we had a lower high than the previous two swing highs, so that was a sign that the bulls were getting weaker. This was another easy scalp, but when prices pulled back yet again after a quick scalper's profit, it was getting too choppy to enter in this area any longer.

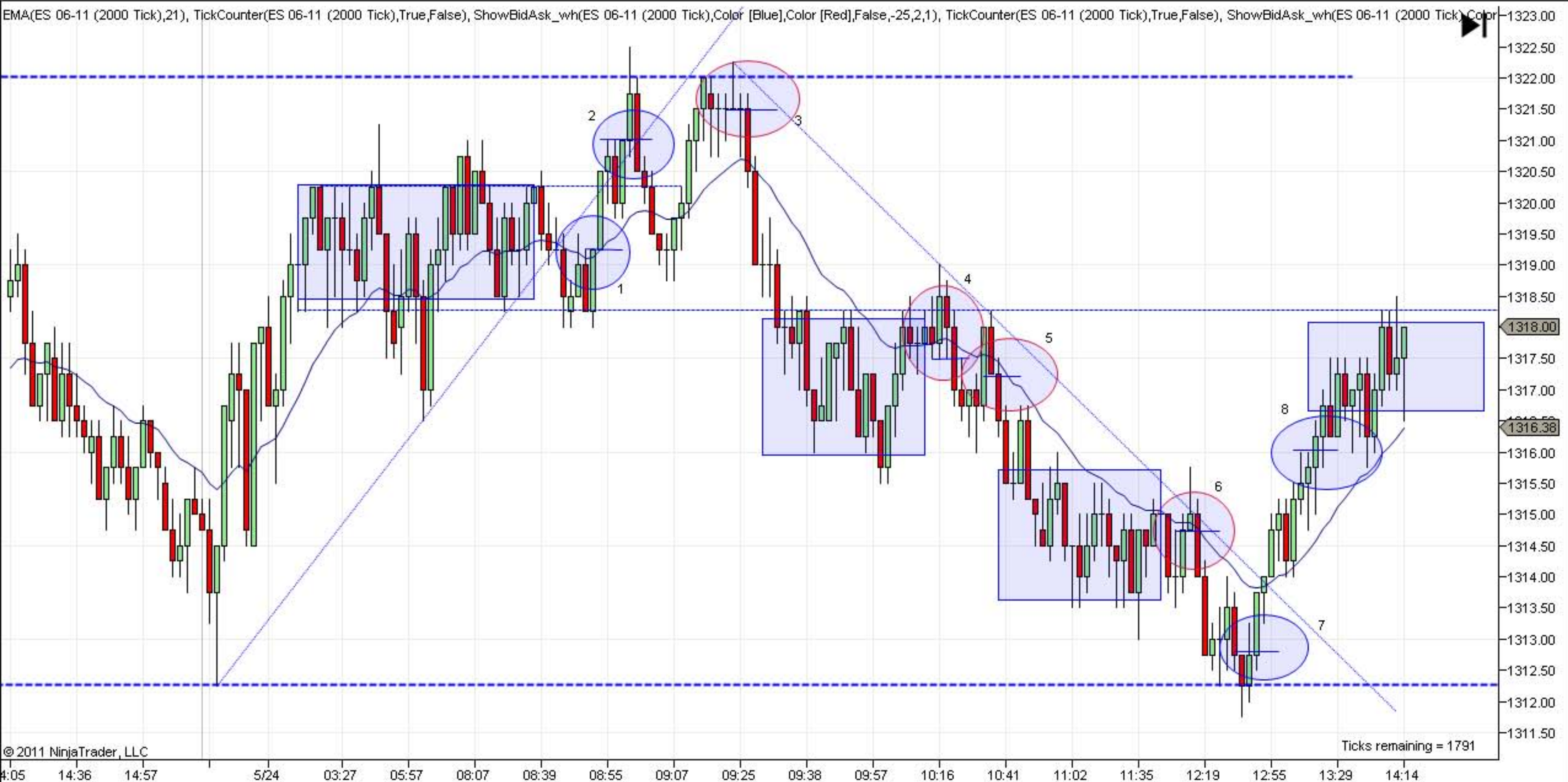
5) This was a two-legged pullback to the EMA that formed a double top right at the EMA. This is our favorite pattern and with the formation of the double top as well, that gave the trade extra credit. Notice that this was a failed 2nd entry and it was also a form of a breakout pullback short, so there were many reasons to like this entry to the down side. This was an easy scalp and with the trap, prices were able to push lower below the previous double bottom.

6) Notice that there was a 2nd entry short that failed with this nice bullish reversal type bar to go long above. There was also a failed break lower here, there were likely trapped shorts on both the failed break lower and the failed 2nd entry short. This entry was good for a scalper's profit, but no runners this time and prices actually went into another small congestion area.

7) This was a 2nd entry long with a failed 2nd entry short right at the EMA, but notice that a double bottom also formed and prices were able break below that double bottom, only to reverse back up into a 2nd entry long. That makes this a two-legged pullback to the EMA and a double bottom pullback long as well. The likely target is the higher side of the range, but because this was a failed break lower, prices could continue even higher. Any runners were easily safe here and worth as many as 5 points before prices turned back down again.

8) This is the same trade as trade 6, only it's in reverse at the high side of the range. Notice that prices broke higher, only to turn down and then trigger a 2nd entry long. That 2nd entry long and the failed break higher both trapped longs and you can see how quickly prices dropped lower when prices finally turned down and the longs begin to exit. This trade was worth as many as 4 points depending on where you exited.

ES 06-11 (2000 Tick) 5/24/2011



Daily Comment: Today was another choppy range day, although the range was large enough today to give us enough movement in both directions. If you stuck to our price action rules and followed our patterns, there was plenty of opportunity to make money today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry long coming off a double bottom and a failed 2nd entry short. There was enough room to scalp out before reaching the high, but because prices had held at this level multiple times, there is always the chance that prices will break higher. While there were no large runners here, it was an easy 3 point move.

2) On a trading range day, it's usually best to fade all new highs and all new lows, while also watching for double tops and double bottoms at key sup/res areas. This was a failed break higher out of a smaller trading range, but prices also formed a broader double top, so this was a great place to try and get short. This was an easy 2 point move, but no serious runners this time.

3) This was the 3rd time prices tried to go higher here, and this time there was a failed 2nd entry long that reversed back down right at the strong resistance area and double top. The failed break higher and the failed 2nd entry long both trapped longs at a strategic spot giving us a great place to go short. This time our runners were easily safe and depending on where you exited, they were worth as many as 9 points.

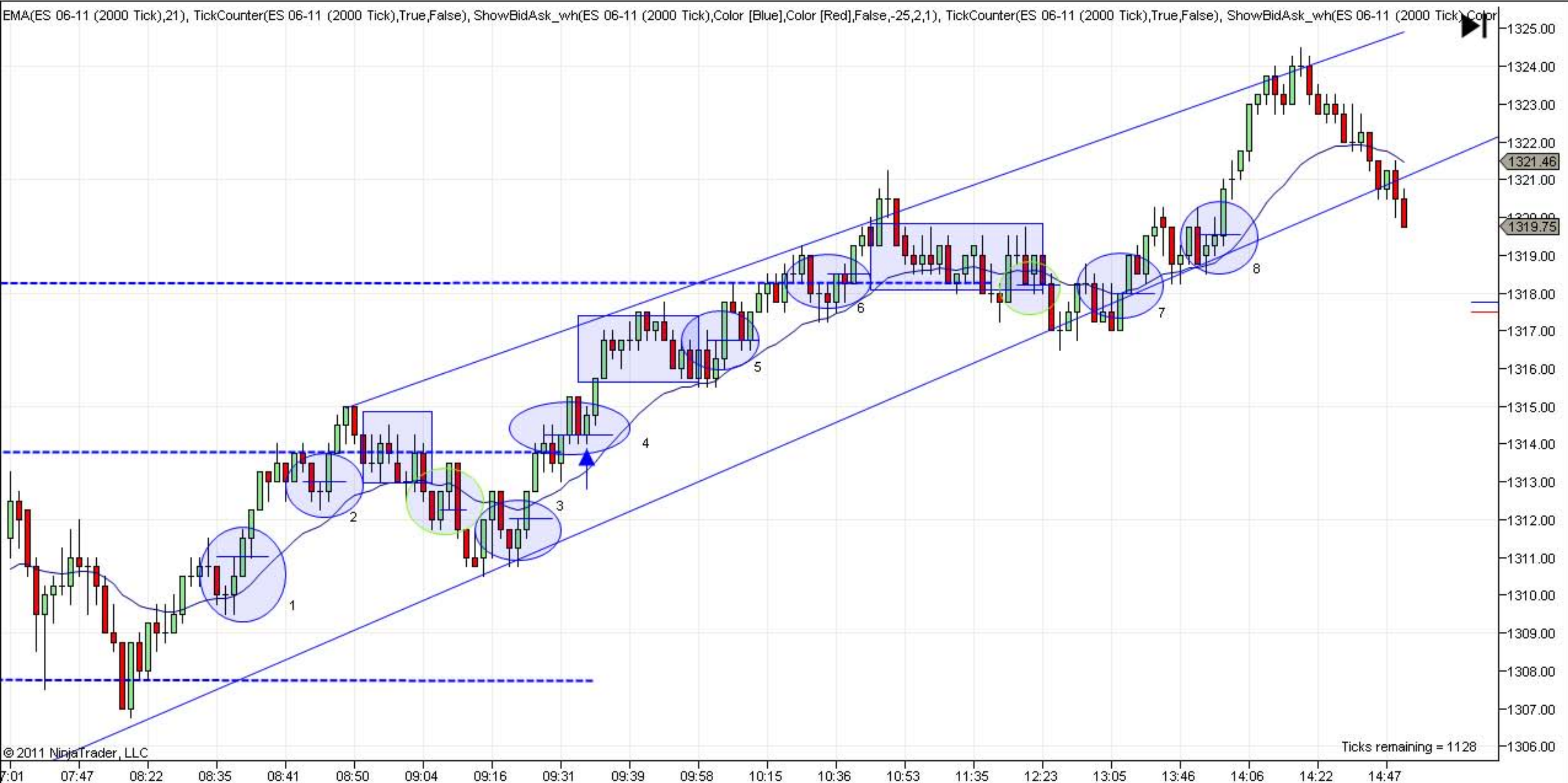
4) This was another failed 2nd entry long, but it is also another failed break higher, and that is usually good for at least a scalp on range days. It's actually a very similar or repeat pattern to trade # 2, and most repeat patterns end with a similar outcome. This was a quick scalp, but no runners on this one.

5) This was a 2nd entry short off the new high on the failed break higher. Notice the nice reversal bar that turned down right at the trend line, confirming that it was indeed in play. This was another strong entry and your runners were easily safe and worth as many as 5 points before the market rallied again.

6) This is another repeat pattern to trades 3 and 4. Any time you see a pattern set up once, it is not uncommon to see it again one or more times during the day, and when you do see it, it will usually end with a similar outcome. This was the first break of the minor trend line as well, so there is likely to be a retest with a new low, although that will be a good place to look for a long on a range day like this.

7) This was a 2nd entry long with a failed 2nd entry short right at the previous support area, making this a double bottom with a tick or two lower that likely trapped new shorts on both that failed break lower and the failed 2nd entry short. Remember, on range days, fading new highs and lows is usually a great trade, and this one was no different. This got you long at the low and any runners were easily safe and worth as many as 5 points depending on where you exited.

8) This was a fade of a failed 2nd entry short. We had just come off the low of the trading range and prices were now above the EMA, so when the 2nd entry short failed, a fade of that set up is usually good for at least a scalper's profit, because there will be trapped shorts that must exit if prices turn higher. That also makes this pattern close enough to be a breakout pullback long as well. Unfortunately, this one was good for a scalper's profit as prices quickly pulled back and took out our runners.



Daily Comment: Today was a trend day: finally! On trend days, we should look to buy pullbacks to the EMA and trend line once it is established. There was a rather strong sell off late afternoon, but it was well past the 2:30 PM CST cut off for new trades, and it was also predictable in advance after the strong move up that shot through the upper trend channel line. Notice what happened both times prices broke through the upper trend channel line! Each time, prices corrected until they reached the lower line where the trend resumed. This is common and it's why we teach you not to counter trend trade on trend days.

Notice that there are two green circled trades that are not numbered. I circled them because they were OK to enter if you took them, but on trend days, it's best to concentrate on with-trend entries and ignore the counter trend trades. Those are two identical breakout pullback short entries, so the second trade was a repeat trade as well.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry long coming off a failed break below a double bottom. The 1307 area was strong support, so it was likely prices would attempt to at least test the high resistance again, and there was plenty of room to scalp out before that point, so this was a great entry. This was a 4 point move, but no big runners this time as prices did manage to pull back and take them out.

2) This was a 2nd entry long and a fade of a failed 2nd entry short and a fade of a failed break below the small double bottom. That makes this a breakout pullback, 2nd entry long as well. The two traps gave this entry merit because there would very likely be trapped shorts trying to pick a bottom, and these traps often give an entry just enough momentum to break above or below a strong sup/res area. You can see how quickly prices pushed higher here, so that was a sure sign that there were trapped shorts who had to exit.

3) This was a 2nd entry long coming off a double bottom that bounced right off the trend line twice. This is a perfect long set up with plenty of room to go long with enough room to scalp out before reaching the high again. This is one of those key entries, as your runners were easily safe this time and worth as many 12 points depending on where you exited.

4) This was a failed 2nd entry short that reversed trapping shorts. Prices struggled to get through the previous high, but even if you tightened your stops, they should have survived making this another great entry. Any break even runners would have been safe as well and worth as many as 9 points depending on where you exited. If you missed this entry, you could have still entered or even added on 3 bars later on the breakout pullback long which would have triggered on a break above the bar noted by the blue arrow.

5) This was a 2nd entry long during a pullback to the EMA. This was basically a two-legged pullback to the EMA in an uptrend, but it was also a failed break lower below the small double bottom that formed right at the EMA. Most of your best entries with the trend will form right at the EMA or the trend line. This was an easy scalp, but no runners this time.

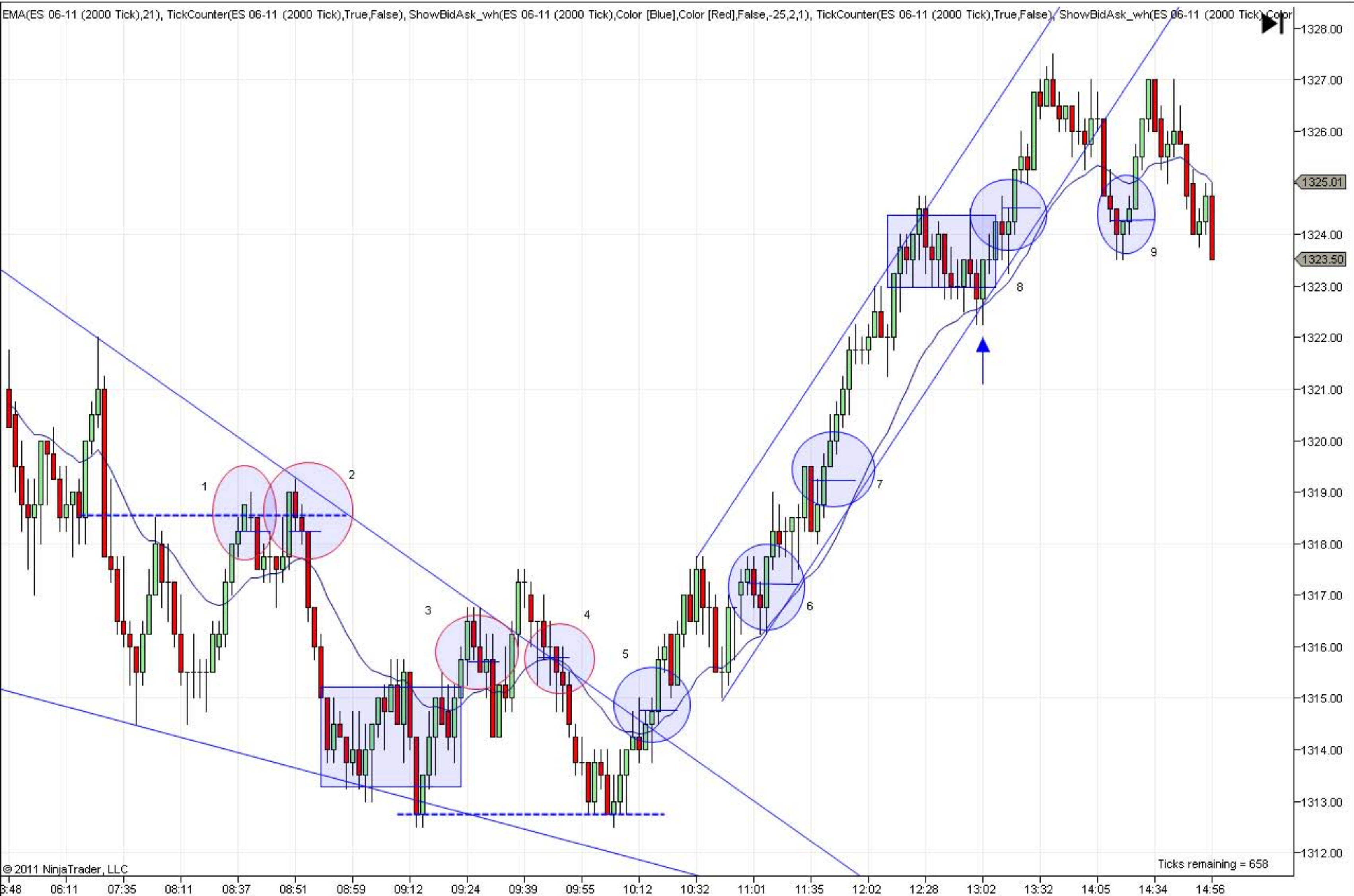
6) This was a breakout pullback long in what was now obviously an upward trending market. It's choppy with lots of small bars, so it doesn't look strong, but it's an uptrend all the same. This was an easy scalp, but no big runners this time.

7) This was a fade of a failed 2nd entry short that set up right at the trend line, where you would expect a great set up to occur. Remember, this was the first real attempt at a break of the trend line, so a retest is likely before any real sell off, so we are still looking for longs on the right set up.

8) This is simply a two-legged pull back to the EMA and trend line once again, and this is our bread and butter trade that makes us more money than any other pattern on trend days. There is no doubt that a lot of shorts got fooled here, and if you were one of them, you needed to reverse back to the long side as soon as prices turned higher again.

I got long here and boy was it hard to trust the pattern, but I know the rules and I hung tight and look at the pay off for doing so! It was straight up for 5 points and that's how most of your best entries work. Shorts get sucked into the market thinking the uptrend is over, and the set up will usually be at the EMA, trend line or some strong sup/res area, and once the trap is set, prices take off quickly in the opposite direction. The trap serves two purposes. First, it traps in shorts that have to exit when prices reverse, and their exit orders push the market higher. Secondly, it traps out weak longs, and once they realize that they were right the first time, they begin chasing the market higher trying to re-enter again, and that just adds additional fuel to drive the market higher.

For a long time, I would scratch my head when a bearish or bullish market would suddenly turn on a dime and just rocket in the other direction. It was so confusing and I could not understand why a market that was looking so bearish was now looking so bullish or vice versa. Now that I understand price action, I get it and understand what is going on and I try and join in rather than get trapped on the wrong side or left out of the move.



Daily Comment: Today started as a down trend day, but prices reversed after a trend line break and retest that resulted in a double bottom. Prices then rallied the remainder of the day. This was another good trading day with plenty of opportunities to make money.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short during a pullback. It was also a failed break above a double top. This one was a little tricky since prices did not quite make it back to the trend line yet, but most failed break's higher result in at least a scalp, and this one did as well.

2) Once prices get as close to a trend line or other magnet like the EMA, the best set ups will bounce off those key areas, so when prices pushed higher one additional time and turned off the trend line to the tick, this was a great place to try and get short. This was an excellent entry and if you caught it, which you should have, it was an easy ride down to the other side of the trend. This was a 5+ point move down with little or no hesitation at all.

3) This was a 2nd entry short following a two-legged pullback to the trend line. Prices turned down at the line once again, so going short here was a freebie almost. This was also a failed break above a small double top as well. While this was an easy scalp, there were no big runners this time.

4) This was the first successful break of the trend line, so any good short set up should likely send prices lower again on a retest of the low. This was a 2nd entry short following the failed break higher above the trend line, but there was also a very nice bearish reversal bar to go short below. This was about a 3 point move down to the previous low where prices reversed creating a double bottom.

5) This was a 2nd entry long coming off a double bottom after a trend line break. Notice too that there was a failed 2nd entry short just prior to this long entry that quickly reversed trapping shorts. The trapped shorts should make this entry good for at least a scalper's profit, but there is also the chance we might be catching the low of the day, so trying to hang onto a runner or two here is important.

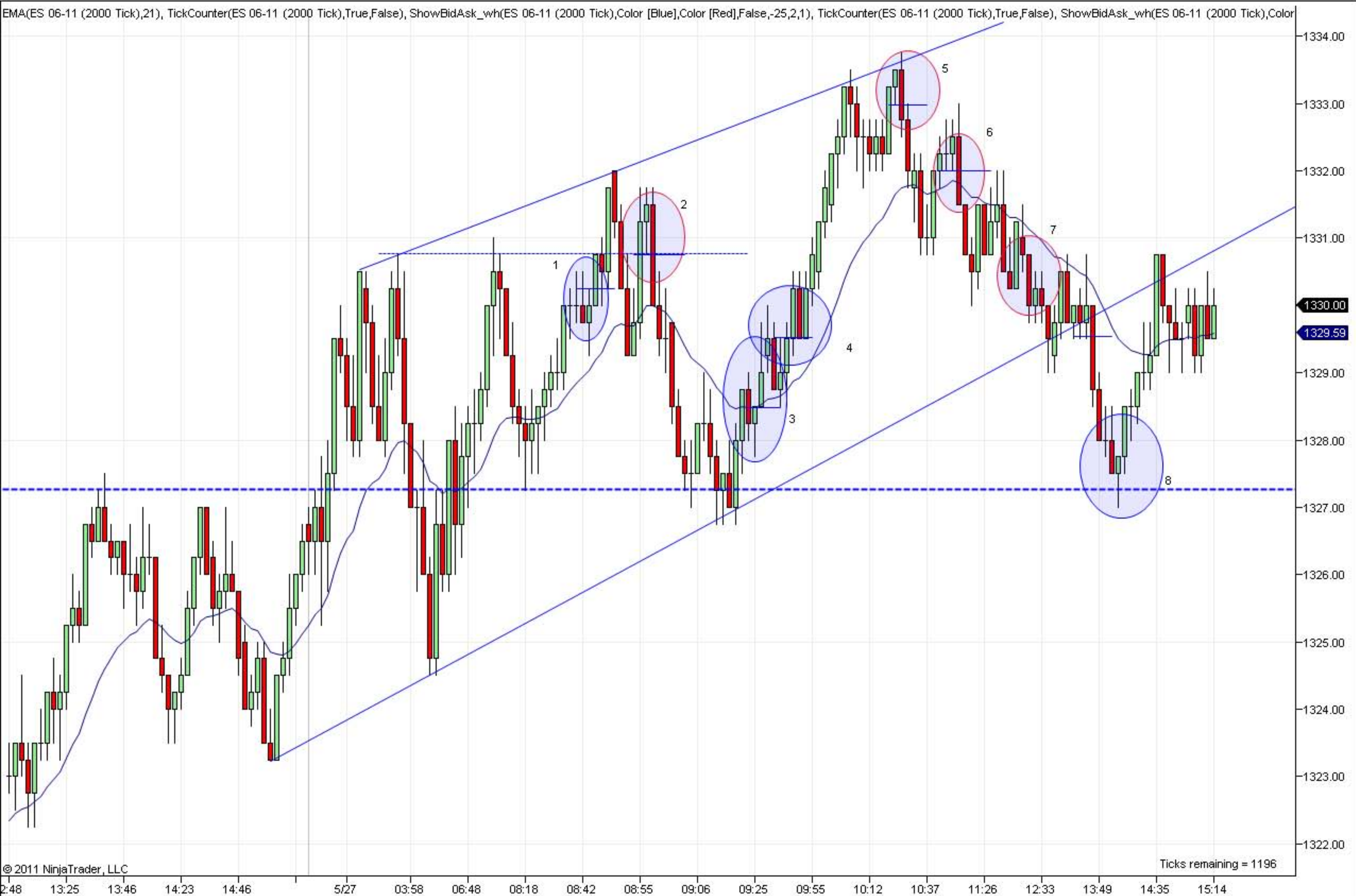
6) This was a 2nd entry long following a two-legged pullback to the EMA and a failed 2nd entry short. Going long here would be suspect without the trap because it was so close to the previous high, but the trap helped push prices quickly to a scalper's profit, but no runners this time.

7) This was breakout pullback long, but it was also a fade of another failed 2nd entry short. The trend was definitely up now, and this was one of those key entries that caught the shorts off guard and attracted more longs who kept pushing prices higher as the new buyers came rushing in. Any runners were easily safe this time and worth as many as 8 points or so.

8) This was a very tricky congestion area with lots of overlapping bars. First off though, prices are in an uptrend that appears to be getting stronger and everything has been above the EMA for several hours, so no reason at all to be thinking shorts at this point. You need to be thinking long, and this was a 2nd entry long following a failed break lower out of the trading range. You could have actually gone long 4 bars earlier on a break above the bullish reversal bar just above the blue arrow. If you did go long there, you could have added on here, but when the 2nd entry long appeared here at trade 8, that was a great place to go long or add on again. This was a rather easy 3 point move.

9) This was the first break of the trend line in what had been a very strong upward trending channel. This was also the first break below the EMA all day and those are usually entries with the trend that are an easy scalp at a minimum. We know prices are likely to try and retest the high, so we are still looking for longs. The entry was really a variant of a 2nd entry long because on a higher time frame, this was indeed a 2nd entry long. You need to learn to spot these on your single trading chart though, as we do not watch multiple time frames due to the fact that it will confuse you and take your eye off of what is most important. This was another easy scalp, and if you were quick to exit on the reversal, your runners should have been worth about 1.5 points.

For a long time, I would scratch my head when a bearish or bullish market would suddenly turn on a dime and just rocket in the other direction. It was so confusing and I could not understand why a market that was looking so bearish was now looking so bullish or vice versa. Now that I understand price action, I get it and understand what is going on and I try and join in rather than get trapped on the wrong side or left out of the move.

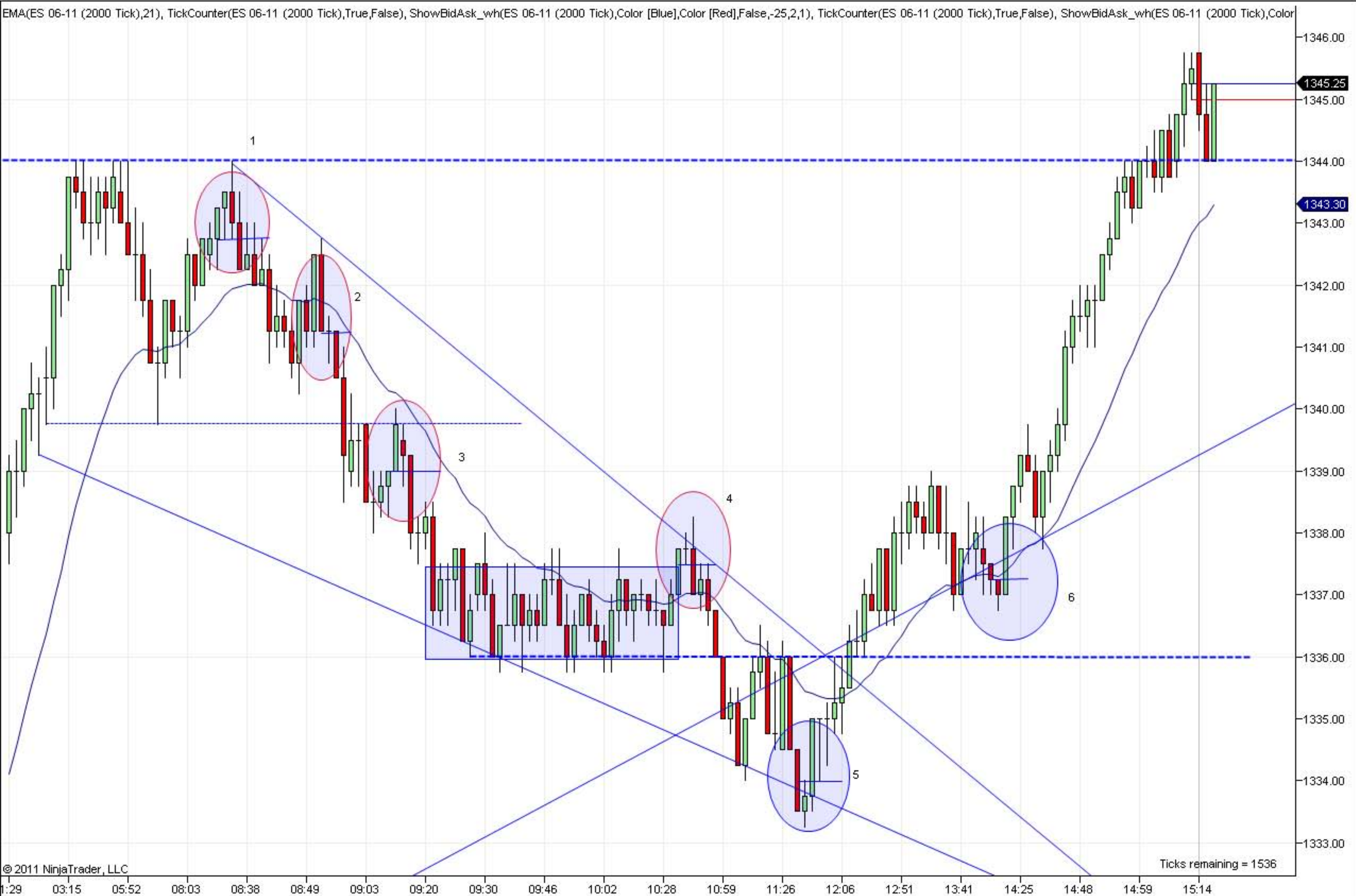


Daily Comment: Today was a trading range type day overall, although the trend was up until mid morning, where it then trended down into the close. This was a typical pre-holiday type day with very low volume and little movement. There were still opportunities to make money today, although no real trend in which to catch the big runners.

There will be no lesson on Monday as our office will be closed for Memorial Day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a a fade of a failed 2nd entry short. Notice that the circled area is basically a small congestion area, which is just a very small range. Prices broke out the low side of the range and then reversed, so that makes this a fade of a failed break lower as well, and since prices were trending upward, the likely breakout will be to the upside. This was an easy scalp and if you were paying attention to the upper side trend line, then it was rather easy to have a reasonable target to exit any runners as well.
- 2) This was a 2nd entry short off a failed break higher and a turn after a perfect touch of the upper trend line. There is plenty of room to scalp out before reaching the small double bottom, but there is always a chance that prices will try and retest the previous low at 1327.25 or even the upward sloping trend line. This was an easy 3+ points on any runners too if you exited at the low or at the trend line.
- 3) This was a 2nd entry long coming off a double bottom that formed right at the trend line and the former resistance area at 1327.25 that is now acting as support. This was a key area to try and get long and this was an easy scalp, although prices did come back and take out the runners here.
- 4) Usually when a strong move is coming, prices will run the stops a few times to shake out the weak traders and to trap in more traders on the wrong side of the market. This was one of those areas. This was a fade of a failed 2nd entry short, and when prices turned higher again, we want to go long where the trapped traders will exit if we are flat or if we got taken out on the previous pullback. This was probably the best move of the day, and any runners were worth as many as 4 points depending on where you exited.
- 5) This was a double-top right at the upper trend line and better yet, it actually ticked higher than the previous high by one tick and immediately failed, trapping long traders at the high tick of the day. This was an excellent place to go short, and while it was a very easy scalp, it was unfortunate that prices pulled back and took out any runners.
- 6) This was a 2nd entry short coming off the double top. This is also a breakout pullback short and a double top pullback short entry, so there were multiple reasons to go short here. The likely target is the lower trend line, but no runners here if you moved your stop to break even.
- 7) This was basically a two-legged pullback to the EMA in a downtrending market, and that is one of our favorite entries. That makes this a 2nd entry short during a pullback to the EMA too. There was still room to easily scalp out before reaching the lower trend line, so a scalper's profit is a high probability. The market is really choppy during this move down, so no runners on any of these entries.
- 8) This was another chance to buy the low support area @ 1327.25. It was late on a lethargic pre-holiday Friday, but this was a great reversal bar at a key support area with a nice bullish reversal type bar to go long above. This was an easy scalp and if you held any runners, they were worth a couple of points maybe before the close.



Daily Comment: While today looked more like a range day than anything, it was actually a continuation of a trend from last week. There was trend that began last Thursday and we had a very small break of that trend line on the lows today, followed by prices reversing back into the upward trend and going on to make a new high.

There were not many entries today due to the low volume, but if you caught either the trend down or up, there was an excellent chance to make money today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short coming off a double top. This entry is usually good for at least a scalper's profit, but as you can see, occasionally it will lead to a much bigger move like it did today. There were no big runners on this entry, but it was an easy scalper's profit all the same.

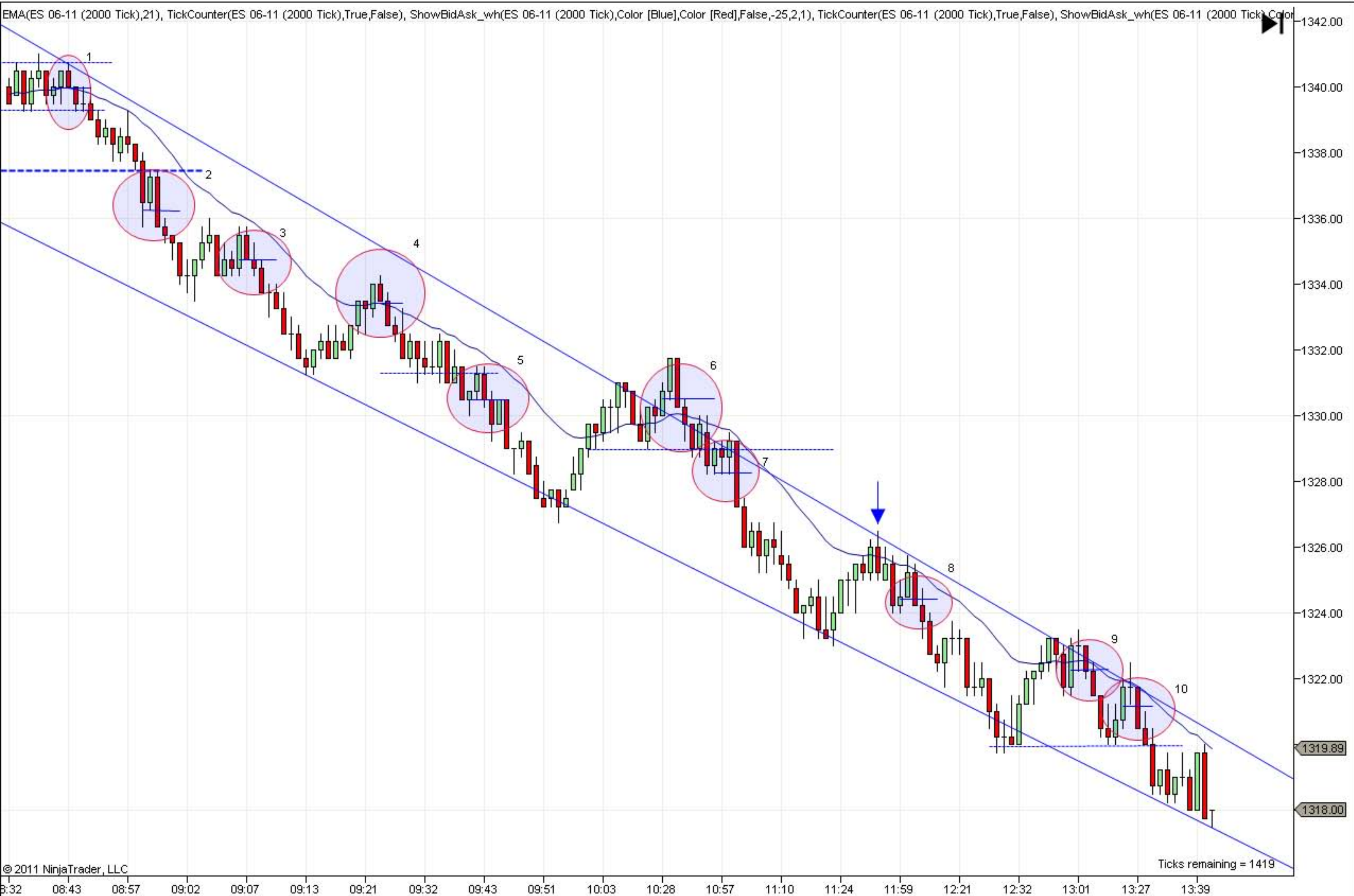
2) This was a double top pullback short. If you look closely, you will see a two-legged pullback to the trend line with a nice bearish reversal bar to go short below. This is also a fade of a failed break out the high side of a small congestion area. Your runners were safe this time too and worth as many as 7+ points depending on where you exited.

3) This was a breakout pullback short, but it was also a failed 2nd entry long as well. While there were no large profits on the runners, they were still worth about 3 points if you exited after prices bounced at 1336.0.

4) Notice that prices turned back down here right at the trend line again, confirming that the line had some validity. In reality, this is a good trend line, but it's also just a temporary line that is holding prices as they pull back to test a longer term upsloping trend line. This was a failed break higher above a trend line and a failed break up and out of a tight two point trading range. Both breaks likely trapped longs, and you can see that once prices broke lower, they quickly dropped to a new low. This was a nice 4 point move.

5) Prices were actually in a wedge during this correction on a pullback to test the up sloping trend line, and if you found the two trend lines on either side, it was rather obvious when to buy or when to sell. There were many reasons to risk going long right here and if you took the entry, it was one of those key entry locations that pays off handsomely. First it was a failed break lower below the upsloping trend line, but it was also a failed break below the lower trend line on the downsloping trend. That trend line has bounced prices 3 times previously, so this is a 4th bounce.

6) This was a 2nd entry long coming off a double bottom that formed right at the EMA and upsloping trend line. This is also a breakout pullback long and a fade of a failed 2nd entry short, so there will likely be trapped shorts.



Daily Comment: Today was a great trend day. These are the days we wait on as day traders. Notice the trend lines on either side of the price action and how well they held prices. While it's best to only take with trend entries on strong trend days, you could have sold any time prices reached the high side and simply bought any time they touched the low side of the range, and this continued all day long. I only marked the first 10 trades for lack of room on the chart, but there were plenty of additional trades in the afternoon just like these first 10!

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short following a failed break above the high of the small congestion area. That makes this a fade of a failed 2nd entry long as well, so we know there are likely to be trapped longs. If you managed to get trapped long here, this was a great place to reverse. The highlight of this entry is that it got you short at the start of the day and your runners were safe and depending on where you exited, they could have been worth as many as 28 points. A single runner off this entry today could have netted you as much as \$1400.00!

2) This was a breakout pullback short. No big runners this time, but this was an easy 2+ point move down.

3) This was a two-legged pullback to the EMA which also makes it a failed 2nd entry long that reversed into a 2nd entry short. This is a great set up and this pattern makes us a lot of money since they fail very rarely. While it was a close call, our runners managed to survive by a single tick, and it was almost 20 points to the low of the day, so these were some big winners as well.

4) This was another 2nd entry short following a two-legged pullback to the EMA in a down trending market. This is also a breakout pullback short, as prices almost always come back to test a former breakout area again before continuing on in the direction of the bigger trend.

5) This is another breakout pullback short in a downward trending market. This was an easy 3+ point move, although prices did manage to pull back and eventually get our runners.

6) This was a 2nd entry short following a pullback to the trend line. Notice that prices broke the trend line here, but there was no follow through buying in what turned out to be nothing more than a long trap. Getting short here was a no brainer since a retest is almost a given after a strong move down like this. Any runners were easily safe and worth as many as 18 points. If you managed to get fooled going long on the 2nd entry long, then you were still able to scalp out, but there is no reason to be looking for a long since this was the first break of the trend line.

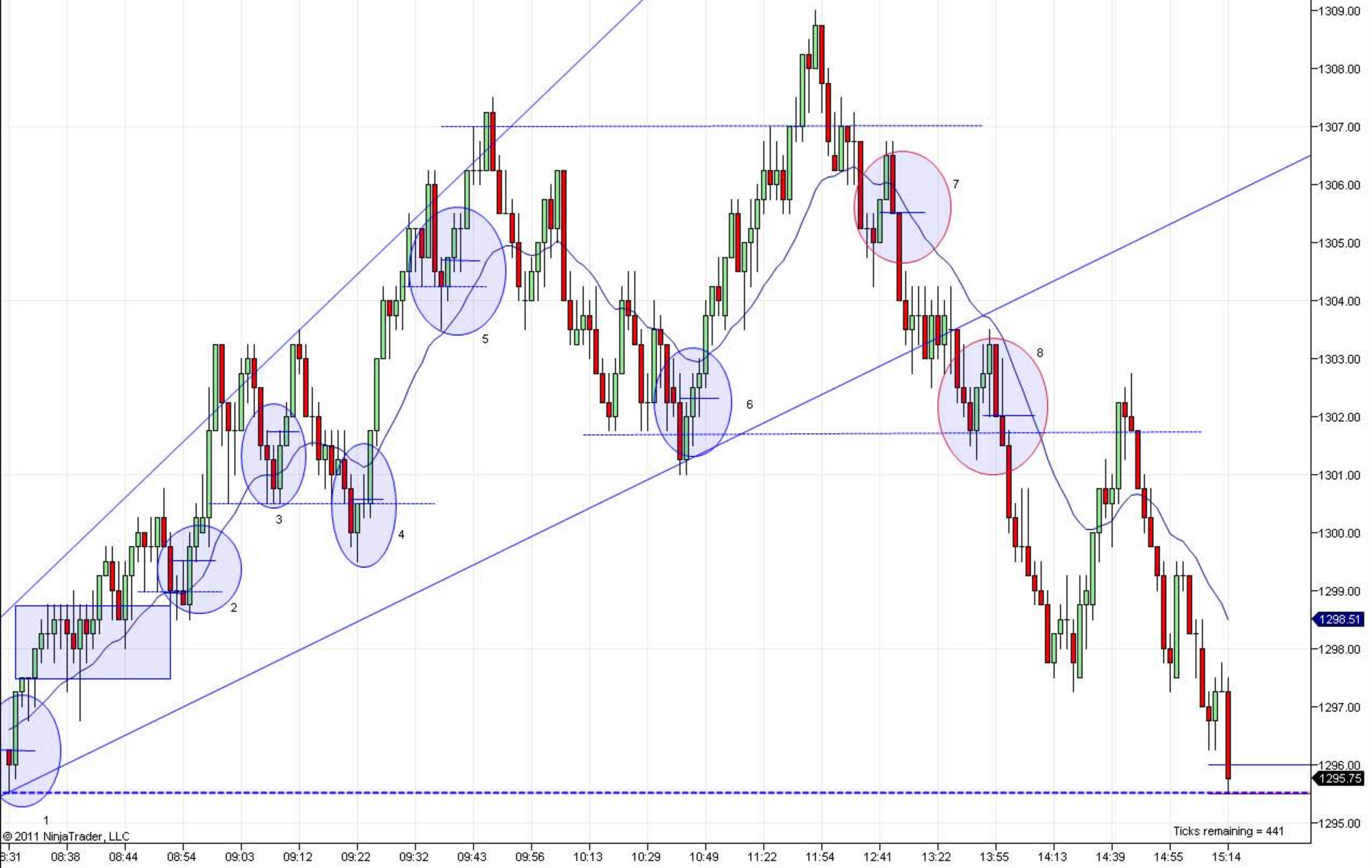
7) This was another great long trap, and this is a great example of why we don't attempt to count trend trade on trend days. There was a failed 2nd entry long that was also a failed break up and out of the small congestion area. That break higher by a single tick that immediately turned down again trapped long traders, and we want to enter short where the trapped longs will have to exit, which is one tick below the small congestion area. This was another key entry and any runners were easily safe and worth as many as 18 points.

8) This was a 2nd entry short coming off another turn at the trend line. Every touch of the trend line is simply a chance to get short. There was actually an entry a few bars earlier on a tick below the candle noted by the blue arrow, but there were several overlapping bars making it a less than perfect entry. It still would have worked out even if you tightened your stop to one tick above the entry bar once it completed, but it would have made you squirm a little before the down trend resumed. Runners would have survived either entry and been worth 13 points or so.

9) This was a 2nd entry short during a pullback to the EMA and trend line. Notice the single tick failed break higher out of the small congestion area that formed right at the trend line. That makes this a fade of a failed 2nd entry long as well. This was another easy scalp and any runners were safe too and good for another 11 points or so.

10) It should have been very obvious by this point that this was a strong down trend. Prices had been trending down since the open, and here was another chance to get short on a touch of the down sloping trend line. This was a 2nd entry short off the high, but it was also close enough to call and act as a breakout pullback short. This was another easy entry and again, any runners were easily safe and worth as many as 10 points.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color



Daily Comment: Today was what I would typically label as a range day, because prices closed almost in the same location that they opened at the start of the regular trading session today. However, prices did indeed trend up until about lunch time today, before they quickly sold off again. If you understand price action and how to spot the trend and the sup/res areas, then there were many chances to make money today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry long following a failed break lower out of the congestion area or trading range that had been holding prices for the previous hour or so. Notice that we waited on a 2nd entry, but just as important, there was plenty of room to scalp out before reaching the previous high, which is always important when fading failed breaks out of trading ranges. This was one of those key entries, as your runners would have been safe here and worth as many as 13 points depending on where you exited.

2) This was a failed break below a small double bottom in an upward trending market. Notice that prices broke lower and failed twice before reversing, so that was key to this entry. Any time the market tries to do something twice and fails, it's likely to succeed in doing the opposite. When the failure is counter trend, that makes it even better, because we are looking for reasons to join the trend during pull backs. Notice too, there was plenty of room to scalp out before reaching the high again, and that's a key piece of the puzzle on an entry like this. No runners here.

3) This was a 2nd entry long following a two-legged pullback to the EMA in a trending market. That makes this a double bottom that formed right at the EMA, and those are usually good for at least a scalper's profit at a minimum. Two-legged pullbacks to the EMA in a trending market are one of our prime set ups, and they fail very, very rarely. When you see one, it's almost always worth the risk to enter with the trend. No runners this time though.

4) This was another key entry in a trending market. This was a fade of a failed break below a double bottom in an upward trending market. When you see these set ups, you must force yourself to take them because they have most everyone fooled and they are really nothing more than traps. These set ups trap out long traders that are on the right side because it runs their stops, but it also traps in short traders who think the market is reversing. You can see that this was indeed the case when you see how strong the market surged upward. That's a sure sign that the trap served its purpose, and our job is to not get fooled, but to join in and fade the failed break out. The shorts have to cover their losses, so they start buying and the trapped out longs realized they got out at the wrong place and they chase the market higher trying to get back on board. If you caught this entry, it was straight up for 6+ points before there was any real correction.

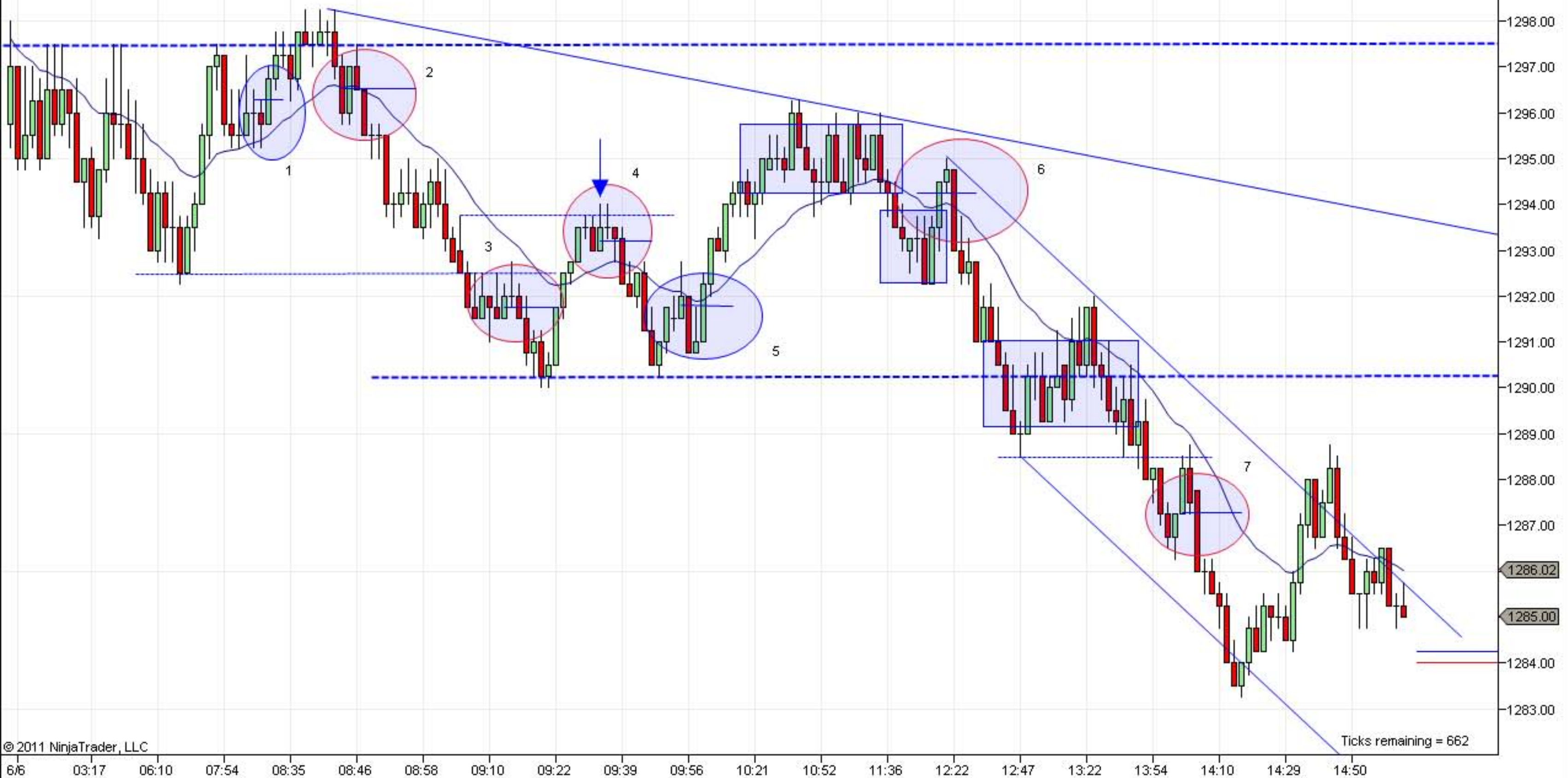
5) This is another double bottom that formed right at the EMA in an upward trending market. Notice too that it was a failed break below another smaller double bottom that was basically a small trading range, so this is another fade of a failed break lower where shorts were too early again in their attempt to catch a top. Again, notice that there is plenty of room to scalp out before reaching the high, so this was a fairly low risk entry.

6) This was a repeat pattern to trade 1 and 4, and when you see a pattern work once, it's likely to work the same way if it occurs again later in the day. This was also the first test of the trend line for over 2 hours, so when prices touched the line and immediately reversed up, that was another reason to like this long. This was basically a 2nd entry long following a failed break below a triple bottom and on a bounce off a trend line. These three identical traps were all the best entries of the day, so you can see that even though they happened over and over today, they worked well every single time. Any runners were easily safe here and worth as many as 6+ points again depending on where you exited.

7) This was a 2nd entry short following a failed break above a double top. There was a nice bearish reversal bar to go short below as well. The likely target will be the trend line again, and maybe even the previous low near trade 6. As it turned out, this was the high of the day and any runners were easily safe. Depending on where you exited them, they could have been worth as many as 11 points. Fading failed breaks is one of the best set ups there are in the ES, because they set up most of the reversals or big moves in this market. Failed breaks are hard to trust though because the market is making new highs or lows on these breakouts, but in order to trade successfully, you must learn to see them and force yourself to enter and these key locations!

8) This was a breakout pullback short, and while it's very difficult to see on this chart, this was a two-legged pullback to the EMA in a down trending market. On a smaller time frame, the two legs was be clearly visible, making this a 2nd entry short as well. A lot of traders were trying to buy this low hoping for a double bottom, but when the double bottom failed to reach a scalper's profit before reversing, that was a sign of weakness, and a reversal made it a breakout pullback short in a down trending market, so there were multiple reasons to think short right here. This was an easy 5 points move down.

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today started out as a range type day, but prices begin to sell off in the late morning and the down trend continued into the close. Overall I would characterize today's action as a downtrend, but you had to follow range rules early on to find the best entries. The volume continues to be lower than normal, so not as many entries today as some other days.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry long following a bullish move up off a failed break lower out of congestion. Notice that there was a small trap on a failed 2nd entry short right at the EMA. Since there was enough room to scalp out prior to reaching the high again, plus the fact that this was a 2nd entry, this was a low risk entry and it was an easy scalp, although no runners on this one.

2) This was a 2nd entry short following a failed break above a triple top. This was a great entry because it was an easy scalp, but any runners were also safe and good for about 6 points or more depending on where you exited. Remember, we want to buy low and sell high, so we are always looking for reasons to enter at strong sup/res areas when prices are ranging like they were during this set up.

3) This was basically a two-legged pullback to the EMA, but it was also a breakout pullback short, with a failed 2nd entry long, so there were multiple reasons to go short here. Notice too that there was a one tick failed break higher above the 3 matching top highs that formed in this small congestion area. Without the long trap, this entry would be very suspect, but due to the trap, it was worth the risk that it would at least reach a scalper's profit. No runners here.

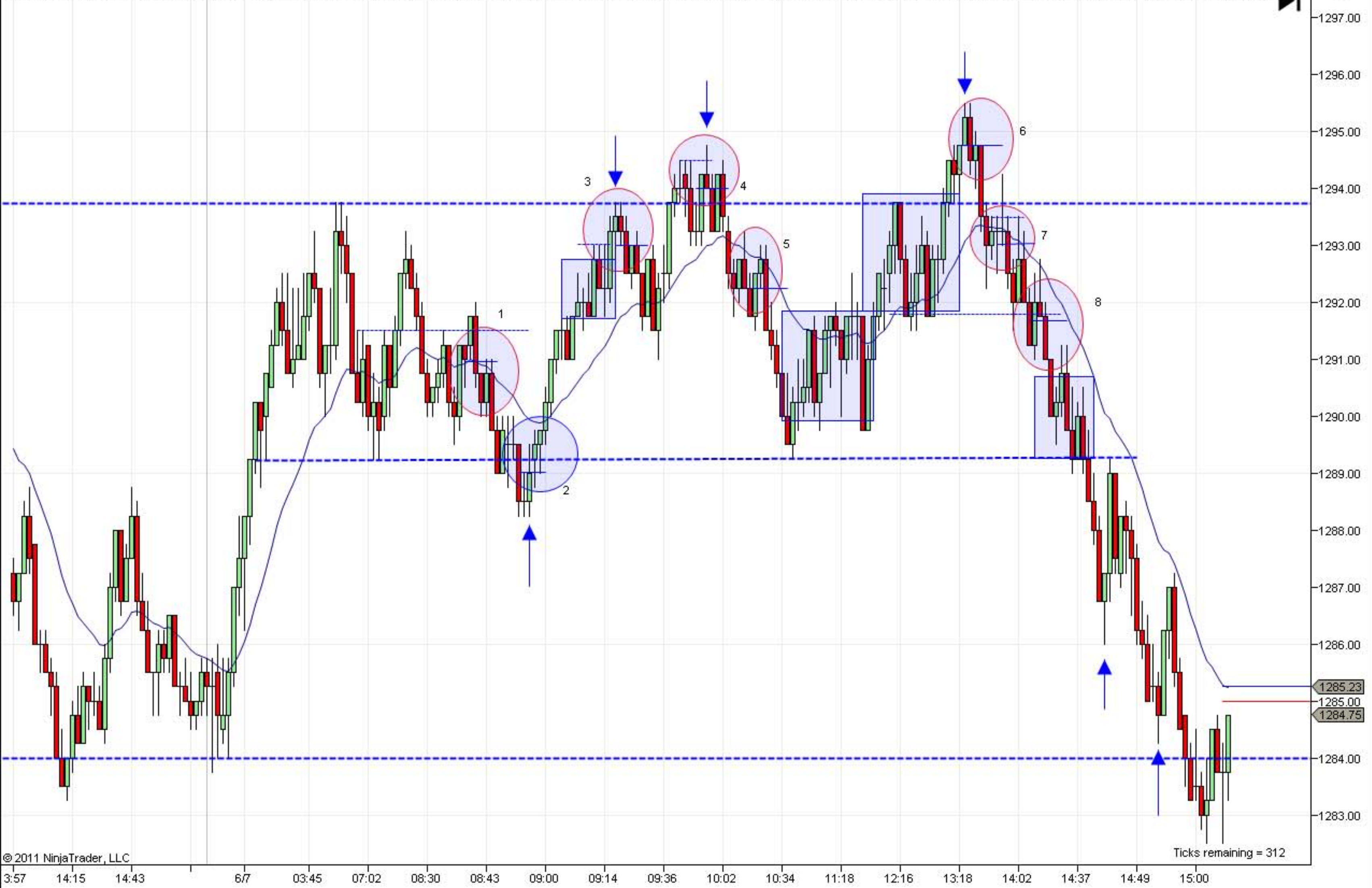
4) This was a 2nd entry short following another failed break above a double top. There was also a failed 2nd entry long noted by the blue arrow, and this likely trapped some longs that were looking for another leg up. This was an easy 3 point move back to test the low again, although no large runners.

5) This was a 2nd entry long coming off a double bottom. The failed 2nd entry low likely trapped shorts, but there was no reason to go short here with so little room before reaching the double bottom. When the 2nd entry short failed and reversed back up, that was our chance to take advantage of the trapped shorts, and you can see how quickly prices shot up as the trapped traders begin exiting to cover their losses. Any runners were worth as many as 4 points depending on where you exited.

6) This was a breakout pullback short and really a 2nd entry short as well. This was another key entry as any runners were easily safe and worth almost 10 points. If you got short here, this was basically the high of the afternoon and it was downhill from here.

7) This was a breakout pullback short, and a repeat pattern to trade 6. This was another fast drop and any runners were worth as many as 4 points depending on where you exited. Notice that if you drew your trend lines on both sides of the price action, you knew exactly where to exit when prices reached the low side of the range. That lower trend line is an exact replica of the upper trend line. I simply copied it and moved it down

EMA(ES 06-11 (2000 Tick),21), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1), TickCounter(ES 06-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 06-11 (2000 Tick),Color [Blue],Color [Red],False,-25,2,1)



Daily Comment: Today was similar to Monday's price action in that the majority of the day was spent with prices stuck in a 5 points range. Prices finally broke to a new high around 1:30 PM CST and then sold off to make a new low for the day. On a day that most traders will find very difficult to trade because of the lack of a trend, it is actually very easy to trade and make money if you understand price action and our price action rules.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a fade of a failed 2nd entry long. The 2nd entry long actually reached a scalper's profit, but the fact that prices could not follow through on a break above the somewhat strong resistance area made it a failed breakout to the high side, so even though it did reach a scalper's profit, this was a failed break higher. Notice that this was the 3rd lower high in a row too, all strong signs that prices were going to push lower to test the low again. No big runners here, but this was an easy 2+ point move down.

2) This was a 2nd entry long following a failed break below the double bottom. 1289.25 was to become the low side of the trading range, and as choppy as prices were so far this morning, it was shaping up to be a range type day, and we want to fade all new swing highs and swing lows on range days as long as prices continue to range. This was a great entry, as any runners were easily safe this time and worth about 6 points if you exited at the high of the range.

3) This was a fade of a double top and failed break above a three bar matching high. Any time you get a double top or double bottom, particularly when prices are ranging, those patterns are good for at least a scalp at a minimum. We didn't catch a runner this time, but it was still a fairly easy scalp.

4) This was a fade of a failed break higher and a failed 2nd entry long right at the very high of the day. Prices were so choppy that there was a very high likelihood that we would see at least a scalper's profit here, and maybe we can catch the high of the day. This one took a few minutes to follow through, but prices had been choppy all day, so keeping your stop above the entry bar is the safest bet rather than tightening above/below the entry bar once it completes. Runners were easily safe here and worth 4 or 5 points if you exited at the low again.

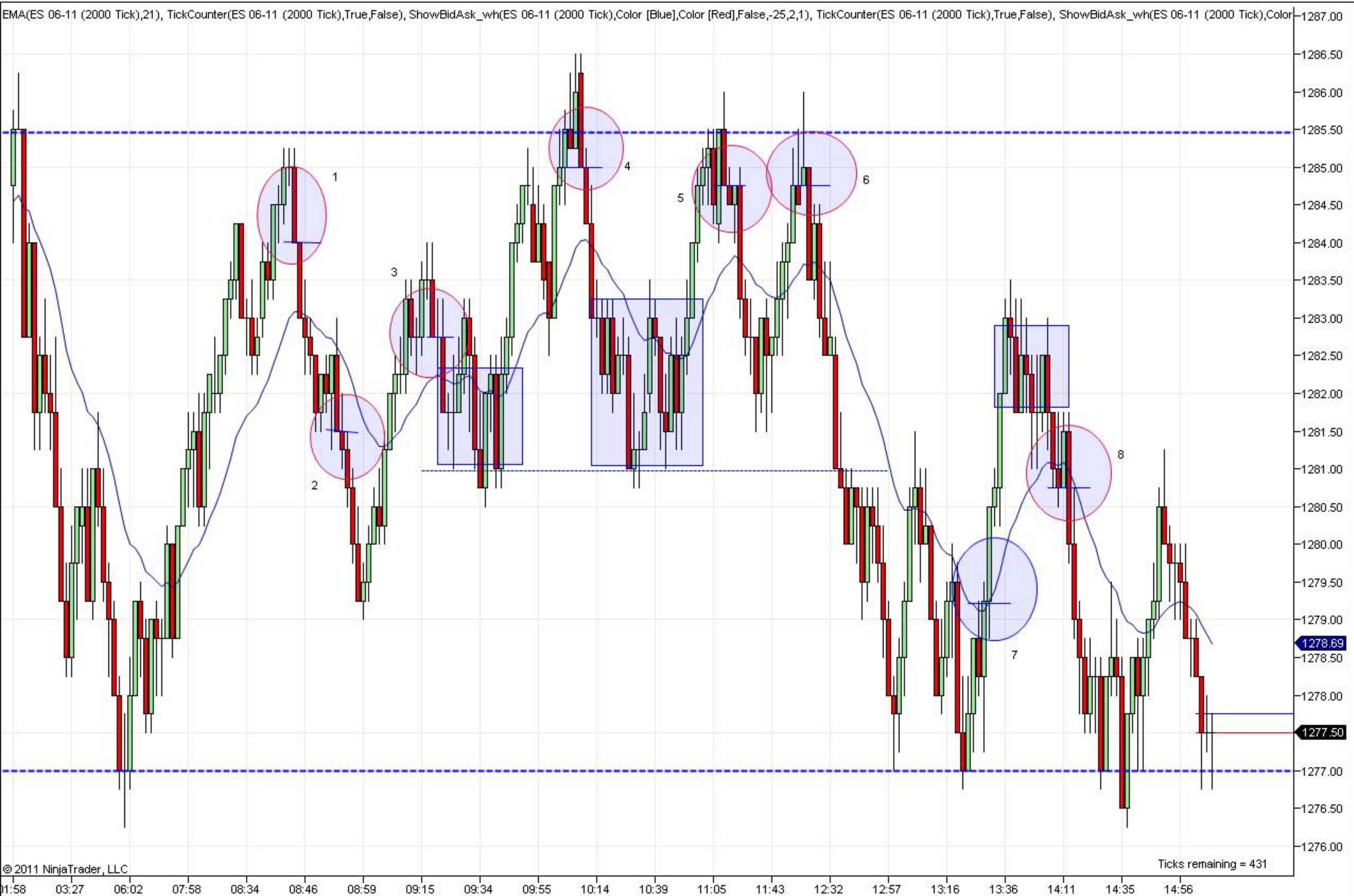
5) Prices tried to go higher here at the EMA twice and failed, and that makes this a double top at the EMA when we are expecting prices to move to the low side of the range as well. This is actually a two-legged pullback to the EMA as well, and that is one of our favorite entries that make us more money than any other entry. This was an easy 3 point move to the low side of the range.

Even though there was a strong chance prices would bounce here at the low again since this was looking like a strong trading range, there just was not a safe place to enter without buying the lows blindly, which is usually not a good strategy. Because of this, we had to watch prices climb to the top of the range again without us.

6) This is clearly a trading range at this point, and we know that it is usually a great entry to fade new highs and lows on range days, so going short here was a great move. Prices were well away from the EMA on a choppy range day, so we know that they are very likely to snap back to the EMA any time. If you caught this entry, it was the trade of the day. Notice that our runners were safe here and it was 6 point just to the low side of the range, but prices didn't stop there this time, and it was another 6 points down to the next support area, so your runners could have been worth as many as 12 points here.

7) This was a 2nd entry short following a failed break higher out of the small congestion area that formed just below the EMA, so this is another two-legged pullback after a big move off the new high on a range day. This was an easy scalp, but no runners off this entry.

8) This was a breakout pullback short when we are looking for prices to at least test the low side of the range again, so there is plenty of room for prices to move to the down side. Any runners were safe this time too, so if you entered here, there is a chance you could have ridden out the move all the way down to the 1283.0 area, which was about 8+ point lower!



Daily Comment: Today was more of the same with prices stuck in a 10 point range. The early morning saw prices stay within a 5 point range, but like Monday and Tuesday, prices sold off in the afternoon. These types of days are really fairly easy trading days if you learn to recognize them and trade them according to our range rules. Even though this is a trading range, the bias is stronger to the down side. Notice how the majority of the entries were shorts.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a failed break higher very near the top of the range just after the regular market open. Any time you get a strong reversal bar without a lot of overlap at the high or low of a trading range, that is usually a great place to enter. In this case, we went short on a strong reversal bar and it was a key entry point, as any runners were easily safe and worth as many as 5 points depending on where you exited.

2) This was a small two-legged pullback to the EMA following a fairly bearish leg down. This was followed by a large bearish reversal bar, so it was an excellent bar to go short below with the expectation that prices may go back and test the low of the range again. No large runners, but this was an easy 2+ point move down.

3) This was a failed break above a double top with another large bearish reversal bar to get short below. There is lot's of two-sided trading already, so a range day is looking like a strong possibility already, so we are trading it as such. The failed break higher was also a failed 2nd entry long, so the failed break higher and the failed 2nd entry likely trapped a lot of longs. This was an easy scalp, but no runners here as prices went into a congestion area .

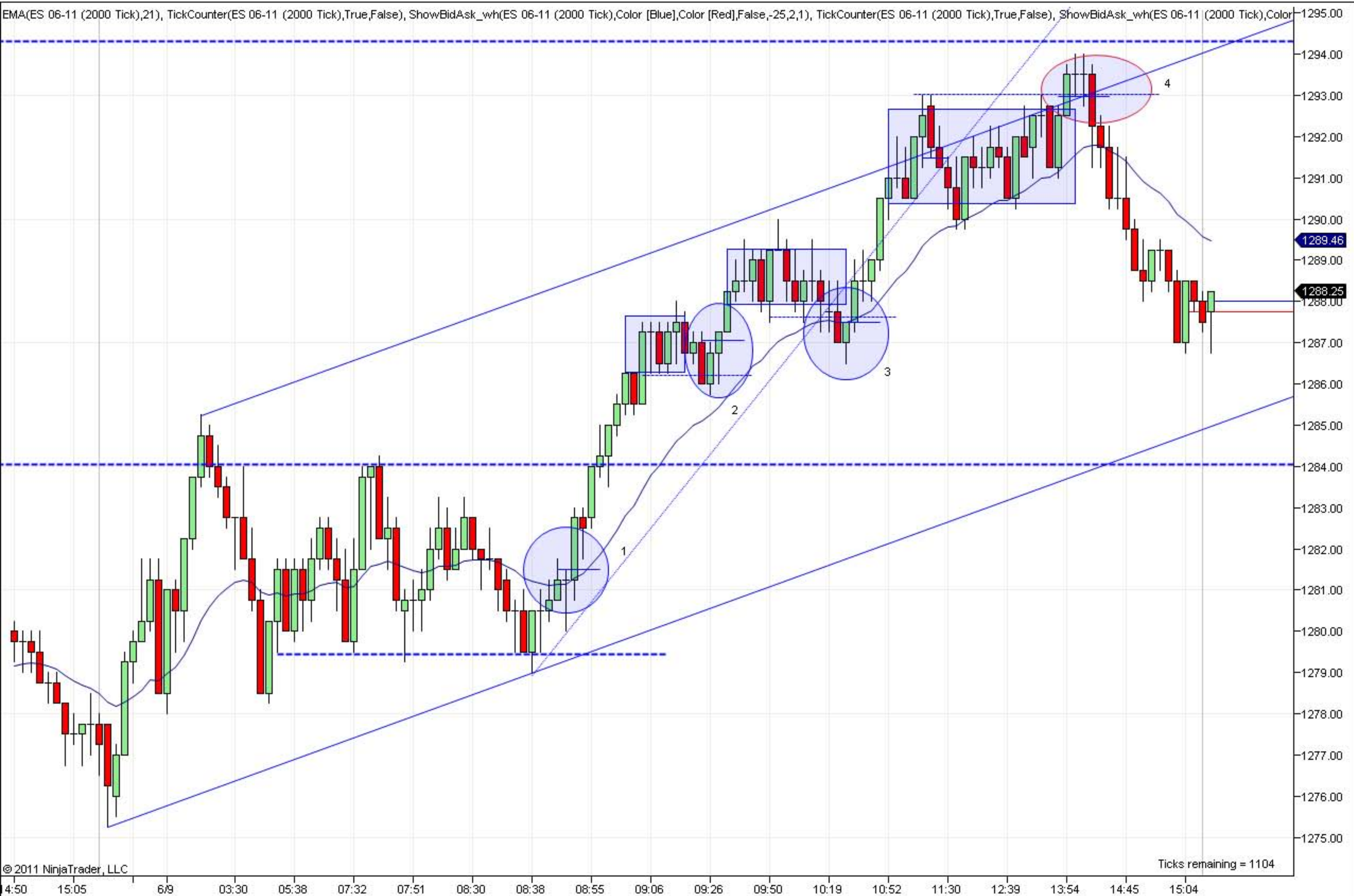
4) This was a fade of a failed break higher above the high of a double top, but notice again the large bearish reversal bar that we had to go short below. Every move to this level is being met with heavy selling. This was a great entry and it was straight down to test the previous low before there was any serious bounce, so your runners should have been worth at least 3 to 4 points.

5) This was another failed break above the top of the range with yet another nice bearish reversal bar to get short below. This one took a few minutes to follow through, but it was still an easy move for 3 points. Notice the large stem and how none of these bars could close as high as the previous swing bars closed. That's a sign that the buyers are getting weaker and the sellers are getting stronger.

6) Prices tried a 2nd time to go higher, and while they were able to create a perfect double top here, prices could not close as high as the last lower swing bars did, so the buyers are getting weaker still. While this entry bar did have a single tick of green body, it was still a very weak bar that likely trapped a lot of longs thinking that prices were going to break higher this time up. Unfortunately, the runners did not survive, and if they had, it was straight down for about 10 points!

7) This was a fade of a failed attempt for prices to go lower two times, so that also makes it a 2nd entry long following a one tick failed break lower and a double bottom with trapped shorts. Notice how prices quickly reversed and blasted higher following the one tick failed break lower. That single tick lower trapped out longs and trapped in new shorts, and those trapped traders will exit on the 2nd entry long reversal. That's what makes prices explode or down off these strong sup/res areas. The trapped shorts must exit quickly to reduce their losses and the trapped out traders that were on the wrong side but got stopped out must now re-enter and they chase the market higher trying to get back on board. This was an easy 4 point move up.

8) This was a breakout pullback short, but it was also a failed break higher above the triple top that was now forming the high side of a tighter range or congestion area. This was another easy 4 point move straight down to the low of the range again.



Daily Comment: Today was more of the same with prices stuck in a 10 point range. The early morning saw prices stay within a 5 point range, but like Monday and Tuesday, prices sold off in the afternoon. These types of days are really fairly easy trading days if you learn to recognize them and trade them according to our range rules. Even though this is a trading range, the bias is stronger to the down side. Notice how the majority of the entries were shorts.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a failed break higher very near the top of the range just after the regular market open. Any time you get a strong reversal bar without a lot of overlap at the high or low of a trading range, that is usually a great place to enter. In this case, we went short on a strong reversal bar and it was a key entry point, as any runners were easily safe and worth as many as 5 points depending on where you exited.

2) This was a small two-legged pullback to the EMA following a fairly bearish leg down. This was followed by a large bearish reversal bar, so it was an excellent bar to go short below with the expectation that prices may go back and test the low of the range again. No large runners, but this was an easy 2+ point move down.

3) This was a failed break above a double top with another large bearish reversal bar to get short below. There is lot's of two-sided trading already, so a range day is looking like a strong possibility already, so we are trading it as such. The failed break higher was also a failed 2nd entry long, so the failed break higher and the failed 2nd entry likely trapped a lot of longs. This was an easy scalp, but no runners here as prices went into a congestion area .

4) This was a fade of a failed break higher above the high of a double top, but notice again the large bearish reversal bar that we had to go short below. Every move to this level is being met with heavy selling. This was a great entry and it was straight down to test the previous low before there was any serious bounce, so your runners should have been worth at least 3 to 4 points.

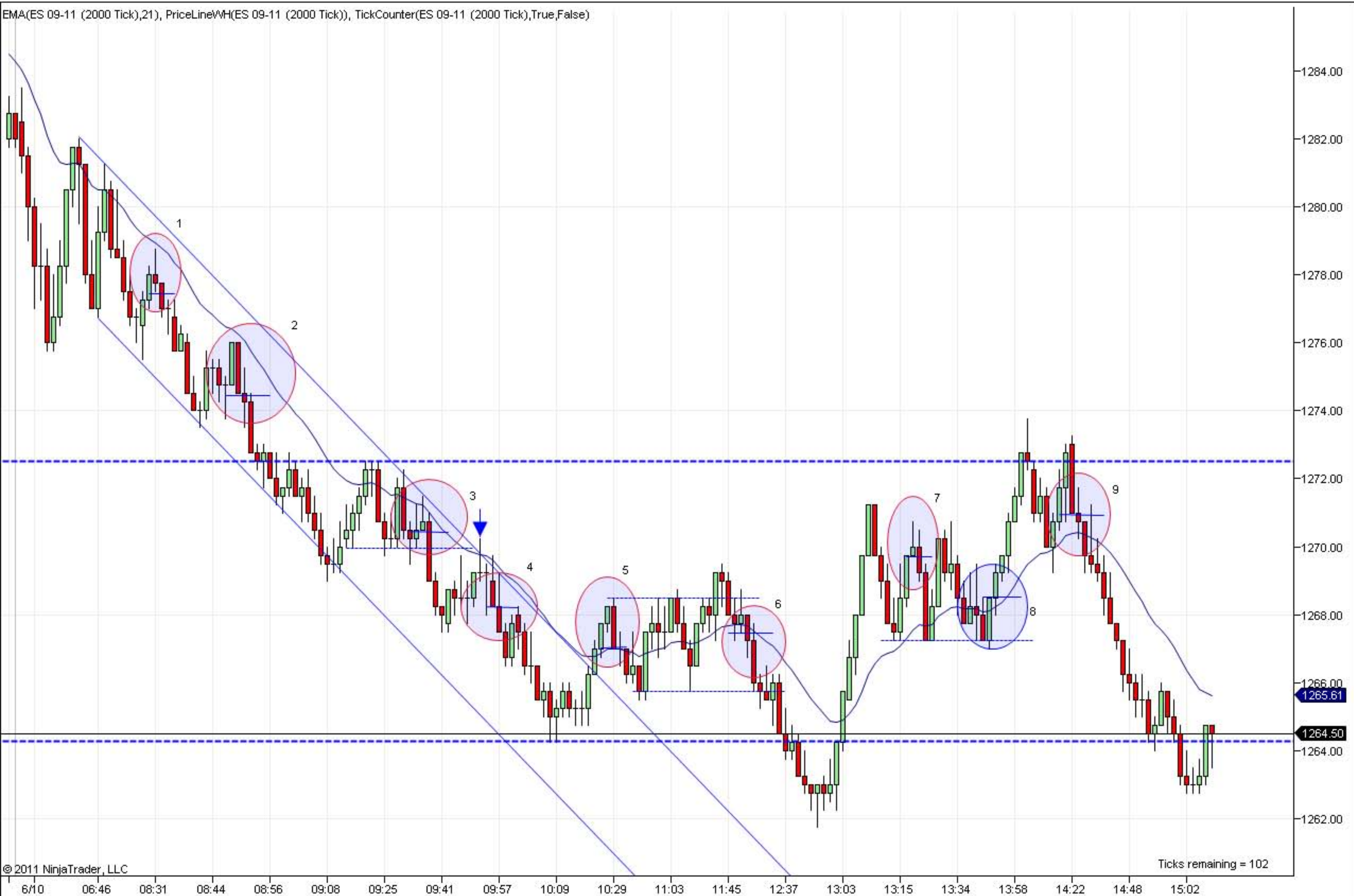
5) This was another failed break above the top of the range with yet another nice bearish reversal bar to get short below. This one took a few minutes to follow through, but it was still an easy move for 3 points. Notice the large stem and how none of these bars could close as high as the previous swing bars closed. That's a sign that the buyers are getting weaker and the sellers are getting stronger.

6) Prices tried a 2nd time to go higher, and while they were able to create a perfect double top here, prices could not close as high as the last lower swing bars did, so the buyers are getting weaker still. While this entry bar did have a single tick of green body, it was still a very weak bar that likely trapped a lot of longs thinking that prices were going to break higher this time up. Unfortunately, the runners did not survive, and if they had, it was straight down for about 10 points!

7) This was a fade of a failed attempt for prices to go lower two times, so that also makes it a 2nd entry long following a one tick failed break lower and a double bottom with trapped shorts. Notice how prices quickly reversed and blasted higher following the one tick failed break lower. That single tick lower trapped out longs and trapped in new shorts, and those trapped traders will exit on the 2nd entry long reversal. That's what makes prices explode or down off these strong sup/res areas. The trapped shorts must exit quickly to reduce their losses and the trapped out traders that were on the wrong side but got stopped out must now re-enter and they chase the market higher trying to get back on board. This was an easy 4 point move up.

8) This was a breakout pullback short, but it was also a failed break higher above the triple top that was now forming the high side of a tighter range or congestion area. This was another easy 4 point move straight down to the low of the range again.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False)



Daily Comment: Today was a range day, although the trend was down early and the overall bias was to the down side. Notice that all but one of my entries were shorts, even though there were some nice opportunities to go long and make money. By staying with the bias though, we improve our odds tremendously.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a breakout pullback short that set up right at the regular session opening this morning. There was a nice reversal bar right at the EMA to go short below and it was an easy move down to a new low. The best part was that this got your short at the very high of the day and any runners were good for as many as 13 points depending on where you exited.

2) This is a two-legged pullback to the EMA in a down trend, so that makes it a 2nd entry short following a pullback to the EMA in a trending market and that is our favorite pattern that makes us more money than any other set up. Any runners were safe on this entry too, so they could have been worth as many as 12 points.

3) This was a breakout pullback short, but it was also a fade of a failed 2nd entry long that failed after two attempts to break above the down sloping trend line. This was an easy scalp, but no runners this time.

4) This was a 2nd entry short following a two-legged pullback to the EMA in a down trending market. You could have gone short two bars earlier on a break below the doji noted by the blue arrow, but with so many overlapping bars and dojis that had formed during this pullback, it was better to wait on a more bearish bar or a 2nd entry, and we got both on this entry. This was another easy scalp, but no runners this time.

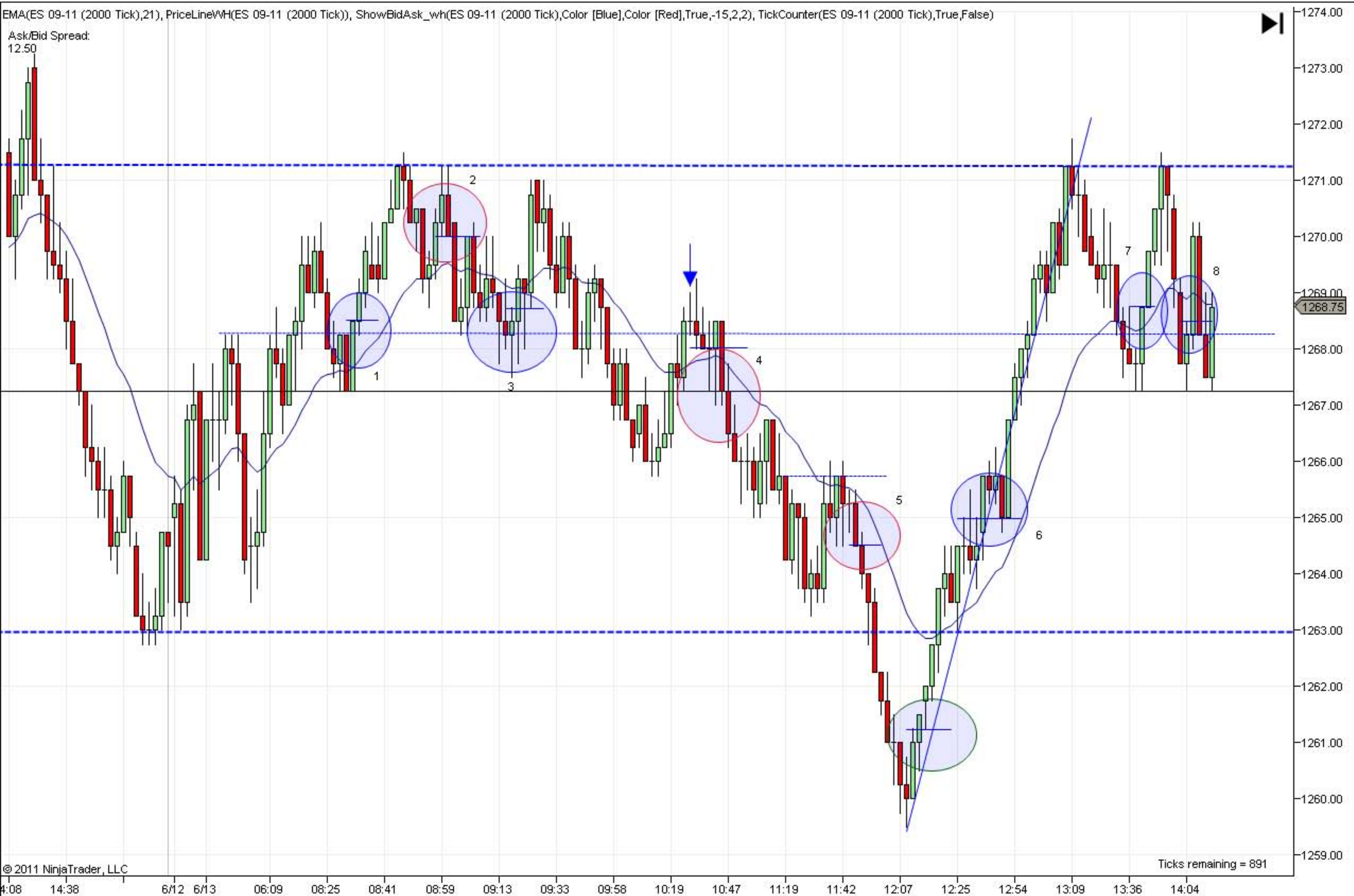
5) This was a 2nd entry short on another pullback. This was the first break of the trend line, so we know a retest is very likely at some point. The bounce higher here was rather bullish, so it was best to wait on a bearish bar before entering, so that's why we entered where we did and not on the trigger of the 2nd entry which came on the break below the previous bar. This entry was good for just enough to reach a scalper's profit and no runners this time.

6) By the time prices reached this entry, it was rather obvious that this was another small trading range or congestion area. By following our range rules, we waited on a counter trend break higher and then we faded it. Since there were a couple of overlapping bars here, it was best to wait on a 2nd entry short, which this entry was. This was another key entry as prices dropped quickly to a new low on the retest and any runners were safe and worth as many as 5 points depending on where you exited.

7) This was another 2nd entry short on a lower high following a failed break above the top of the tighter trading range which contained trades 5 and 6. This was another easy scalp, but no runners, as prices simply went into another trading range.

8) This was a 2nd entry long following a one tick failed break lower below the double bottom and the bottom of the new trading range. That failed break lower trapped shorts in and longs out, so both will be buying and driving our entry higher. This was an easy 5 point move back to the high of the trading range where prices quickly stalled again.

9) This was a 2nd entry short coming off a double top at the high of a trading range. There was also a nice bearish reversal bar to go short below giving the trade some additional merit. There was plenty of room to scalp out before reaching the previous low, so this was a low risk entry. The only problem here is that you missed out on a great 8 point move down with your runners if you tightened your stop after scalping out!



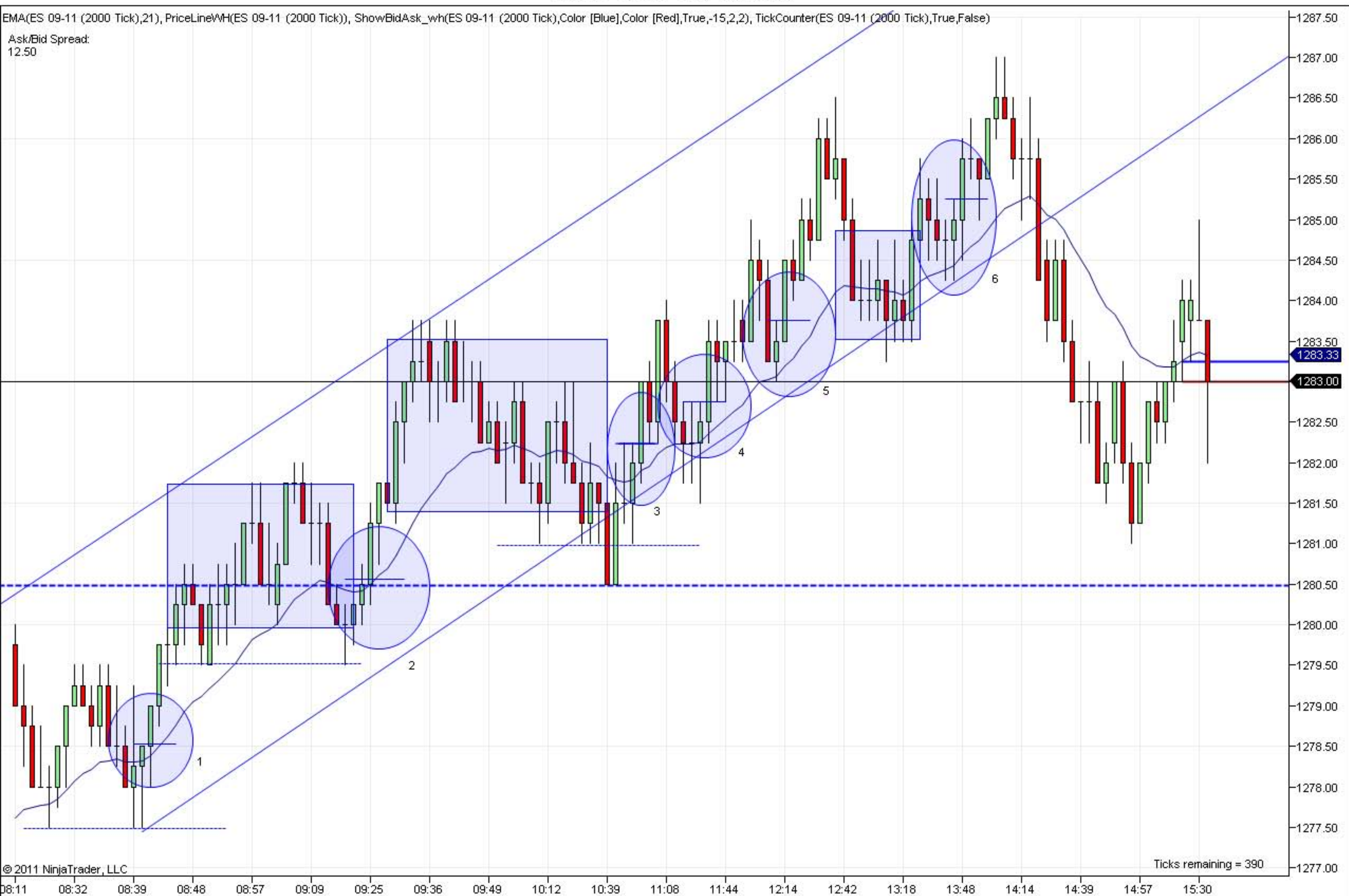
Daily Comment: Today was another range day with prices stuck mostly within an 8 point range. The early trading hours saw prices stay in a 4 point range through mid morning. Once prices broke lower they worked downward until there was a failed break below Friday's double bottom where prices quickly rebounded and traded strongly back up to the high side of the range.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a great long following a pullback to the EMA in what was a breakout pullback long. Notice that the market tried to go lower at the EMA twice creating a double bottom right at the EMA. With the double bottom, breakout pullback long pattern and a nice bullish bar to go long above, this was a great place to go long. This was an easy 3 point move.
 - 2) This was a 2nd entry short coming off a double top that formed at the strong resistance area that was also there on Friday. Any time you see a double top or double bottom at a strong sup/res area, it's usually good for at least a scalp. No runners here, but it was an easy scalper's profit.
 - 3) Notice that prices tried to go lower here below 1268.25 two times and failed. This was also a slightly higher low than the pullback that occurred near trade 2, and the bars were unable to close anywhere near that previous low, so that was a sign that the bulls were stronger for now. When prices reverse and closed higher on the second attempt to go lower, going long above that bar was a great fade of the failed break lower. This one took a few minutes to follow through, but it was an easy 2 point move. If you didn't enter here, there was a 2nd entry long one bar later. Prices are very choppy here, so no large runners on any of the first three entries.
 - 4) This was a 2nd entry short following a two-legged pullback to the EMA, but it was also a breakout pullback short. You could have gone short below the previous small doji noted by the blue arrow, but it's always best to wait on a bar with a bearish slant, so we waited. This one took a few minutes to follow through to a scalper's profit, but it worked out, even if you tightened your stop to just above the entry bar once it closed. Any runners were easily safe on this one and worth as many as 9 points depending on where you exited on them.
 - 5) This was simply a pullback to the EMA in a downward biased market. Notice the double top right at the EMA... the market tried to break higher there two times in a row and failed both times before turning lower. This was also a form of a breakout pullback short. This was one of the best moves of the day up until this point, as your runners were easily safe and worth as many as 5 points.
- Notice the green circle. This was a fade of a failed break lower below the double bottom from last Friday's trading. If you missed this one, that's OK, because it's very hard to trust and entry like this when prices are selling off, but as you can see, this is one of the best trades of the day. I actually took this trade, but I was only expecting prices to likely pull back to test the breakout below the double bottom, but this is why we hold runners, as you just never know. This was an easy V bottom reversal, and any runners were easily safe and worth about 10 points without any real correction at all! This is why we look to fade new lows and highs on range days, because they often turn into huge reversals.
- 6) This was a fade of a failed 2nd entry short. This trade was a scary one because we had to get long near the former resistance area, but when the 2nd entry short failed, there were lot's of trapped short who figured prices had gone too far too fast on the reversal. Even if you tightened your stop to one tick below the entry bar once it closed, you should have been safe and then it was off the races for another 7 points on any runners.
 - 7) This was another 2nd entry long following the first pullback to the EMA since the reversal way back at the low of the trading range. Again, you could have gone long above the small doji, but it was better to wait on a bar with a bullish slant before entering. This was another easy 2+ point move, but no large runners this time!
 - 8) This was a 2nd entry long coming off a double bottom. Remember, most double bottoms that form counter trend are almost always good for at least a scalper's profit. This one was no different, as it was a quick and easy scalp. No runners this time either though.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],True,-15,2,2), TickCounter(ES 09-11 (2000 Tick),True,False)

Ask/Bid Spread:
12.50



Daily Comment: Today was a trend day, although it was a low volume choppy trend. Notice that the market continued to make higher highs and higher lows most of the day, and that is a trend, no matter how strong or weak it may look. There was a larger correction in the afternoon, and one of the clues that it was coming was the fact that the last two swings higher could not reach the upper trend line, nor could they go much higher above the previous swing before there was a larger correction.

The volume continues to be low in the ES as of late and this has really reduced the size of the moves and the number of entries. As always, it will come back again at some point, but it is what it is, so if you are not patient, you can and will get tricked into entering too early. Learn to be patient and enter at the key locations, which are key support and resistance areas.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a set up on a pullback to the EMA. It's a larger two legged pullback following a bullish leg up, but the key was that it was a 2nd entry long off a double bottom that formed right at the EMA. Remember, two-legged pullbacks are our favorite entry, and this one had a strong double bottom with a 2nd entry to go with it. This was a key entry with any runners easily being safe, so if you were holding runners, they were safe from the low of the day and worth as many as 8+ points.

2) After breaking to a new high above 1280.50, prices then went into a trading range of about 2.5 points, and this was a chance to get long off the low of that range. You could have gone long above the doji, but it is usually better to wait on a more bullish bar, so I marked the entry above the next bar that had a bullish slant to it. This was an easy 2+ point move, but those runners were stopped out if you held through the entire pullback off the new high.

3) I was able to bind the lower trend line by drawing the upper trend line first, and then copying it and dragging it down to the low side. At this point, we did not know if the lower line was in play because it had not yet been confirmed, but when the double bottom formed right at the line and then the break lower immediately reversed higher, that was a good sign. Notice that prices then tried to go lower a 2nd time, but could not close below the line before reversing higher again. That was two tries to go lower below the trend line that failed, so there are likely trapped shorts here too. That makes this a 2nd entry long following a failed break below both the trend line and the double bottom. This was another easy scalp, but no runners this time.

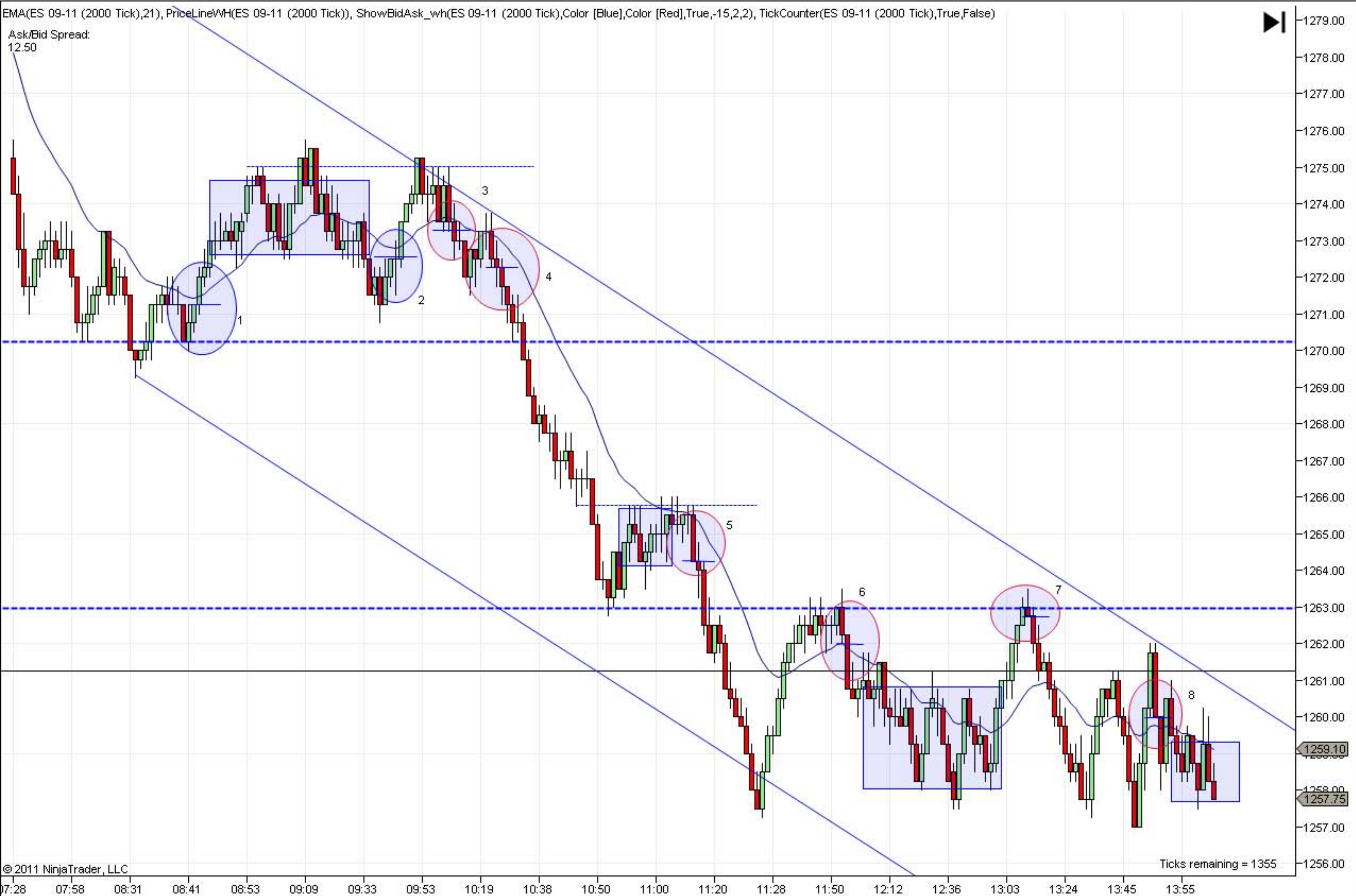
4) This was a breakout pullback long that stalled right at the trend line once again. This bounce confirmed that the trend line was very much in play, and there was also a failed 2nd entry short, so when prices reversed, this was the time to go long by fading the failures to the low side and joining the trend to the upside. No runners this time either unfortunately.

5) The entry long off this pullback was nothing more than an additional attempt to test the breakout area. The first breakout was only by a tick, and most breakouts require a test of the actual original high or low after the break out, and if that retest holds, then prices will likely continue on in the direction of the break out. IN this case, prices came back and tested the break out holding right at the EMA, so when they reversed higher again, we want to go long there. Again, this was a very easy multiple point scalp, but no large runners as prices came back and took them out again.

6) This was a form of a breakout pullback long as well based on the small congestion area that formed on this pullback to the EMA and trend line. This was also a 2nd entry long and prices bounced off the trend line once again, so there were multiple reasons to go long here. While this was good for a scalper's profit, the move up this time turned out to be the high of the day, and any runners were quickly stopped out before prices moved lower.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],True,-15,2,2), TickCounter(ES 09-11 (2000 Tick),True,False)

Ask/Bid Spread:
12.50



Daily Comment: Even though it started out slow, today was a great trend day, and if you were short when the sell off began, it was a great ride. These are the kind of trends we wait on, as they give us a great chance to make a lot of money. I only marked the first 8 or so trades, as there was not enough room to put all of today's entry on a chart and still have enough room to make them easy enough to see.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) 1270.25 was a strong resistance area prior to yesterday's rally, so when prices pulled back to this area this morning, and that resistance area held, it was now acting as support, and that's what we watch for and what we expect prices to do. Prices constantly probe support and resistance and if it holds, prices reverse and move in the opposite direction until they find more support or resistance. Most of your best moves will come by looking to fade these important and strong support/resistance areas. Trade 1 was a 2nd entry long following a failed break below the 1270.25 support area. These failed breaks normally trap the breakout traders, which are far more traders than you can imagine, and it's mostly small account retail traders who are overall losers.

Every time I see another trading guru or trading plan that is based on entering on breakouts, I simply shake my head and wonder how they continue to trade in that manner. Yes, some breakouts take off and never look back, but it happens only enough to keep you trying to enter that way, and all the while, you are simply trying to perfect a losing strategy. This was a great long entry and any runners were safe too and worth as many as 4 points.

2) This was a breakout pullback short that failed, but it was also a 2nd entry long following a failed break below the small triple bottom trading range. There were too many overlapping bars and short on the breakout pullback short entry, so by sitting idle, when it broke higher, that was a great short trap, and by entering where the trapped traders will exit, it was an easy move up for about 2+ points. It's difficult waiting almost an hour to take your second trade, but that's what we need to do when prices are stuck in a range.

3) The down sloping trend line was found by drawing my trend line off the first two swings down after yesterday's high, and when prices touched that line again this morning and it held, that was confirmation that the trend line was still in play. Prices went into congestion, but notice that there was a failed 2nd entry long right at the line that immediately turned lower again. Because of that failed 2nd entry long right at the trend line, we could safely enter short here, as there were multiple reasons to go short, including the trap. While this entry did not take off for a large runner, it was still an easy scalp.

4) This was the trade of the day, and it's simply a two-legged pullback to the trend line and EMA. It's also a breakout pullback short with prices breaking lower out of the small congestion that formed right at the trend line above trade 3. If you were wise enough to catch this entry, you were short just prior to the large sell off that dropped for 9 points before there was any kind of real correction. These kind of entries will normally form near strong sup/res areas and at major trend lines.

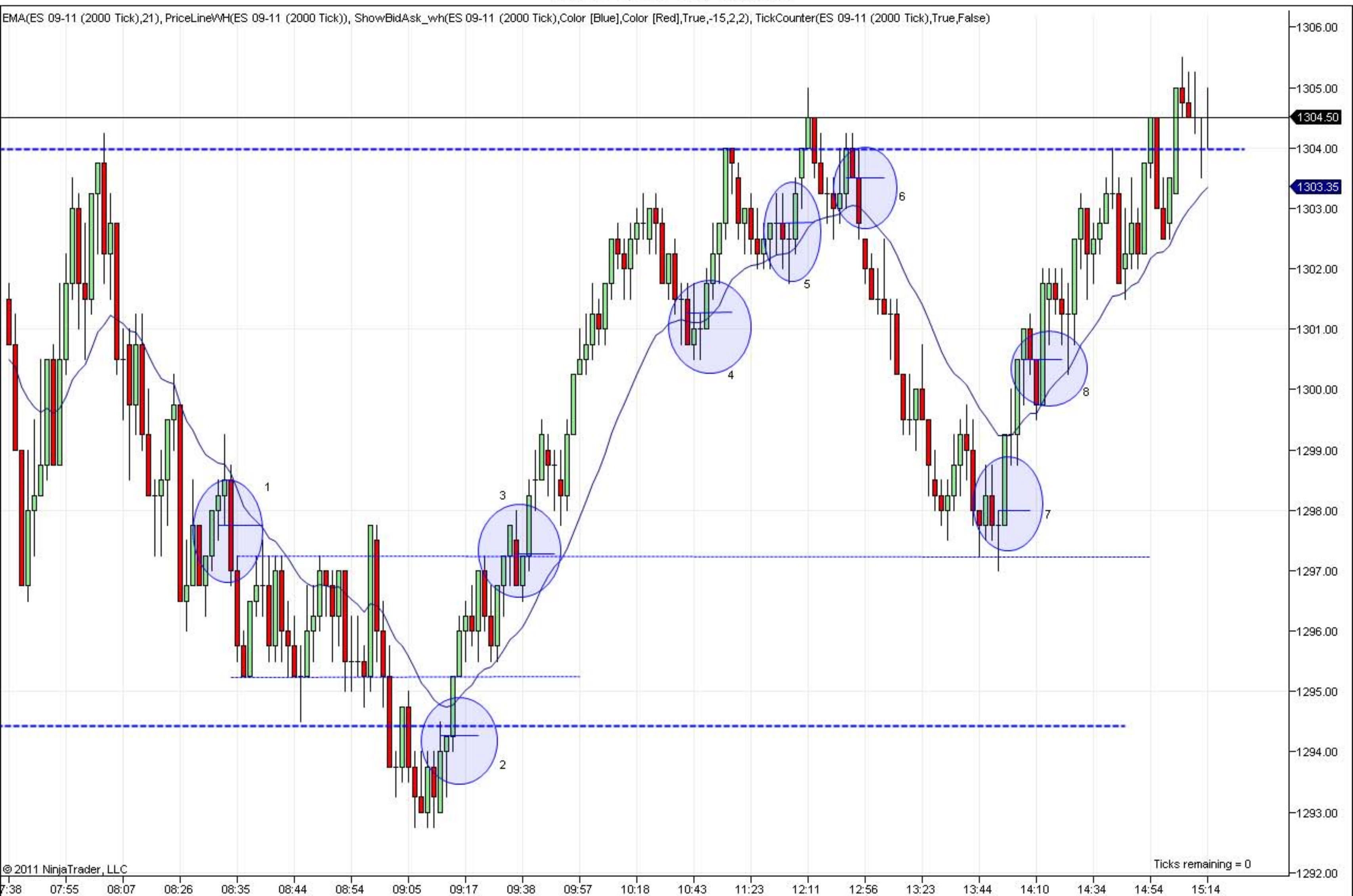
5) This was a repeat pattern to trade 3. Notice that prices tried to go higher out of the congestion area, and failed twice, creating a failed 2nd entry long right at the EMA, exactly where you would expect another great short to set up after such a strong sell off. It was better to wait on a bearish bar to enter, but there was still plenty of room to scalp out before reaching the previous low, so entering this trade as marked was relatively low risk. The signal bar here is actually a strong bearish reversal bar, so going short below it is a great move, especially with the trapped longs. Our runners were safe again here too and worth another 7 points or so before the reversal at the lower trend line. I got the low trend line by simply copying the upper trend line and moving it to the low side of the price action. You actually could have gone long on that failed break through lower trend line, but on a strong trend day like this, I don't recommend counter trend trading, and you can notice that even though there were some more long set ups today, I only marked the short set ups, and they were actually the best entries as well.

6) 1263.0 was a strong support area over the past few trading days, and prices bounced there on the way down back near trade 5. As we talked about earlier though, once prices broke through to the low side, now prices at this level are acting as resistance, so we should look to short on pullbacks to this area until it no longer holds. Trade 6 was a repeat entry to trades 3 and 5, as it was another failed 2nd entry long right at the resistance area. This was an easy short, but our runners did not survive this time.

7) This was another reversal right at the resistance area of 1263.0 on a bearish day. There was also a nice reversal bar to go short below. This was another key entry, as our runners were safe and worth about 5 points.

8) This was a breakout pullback short, but it was also another reversal right at the trend line, so going short below the large bearish bar should be good for at least a scalp. While there were no large runners, it was an easy scalp!

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],True,-15,2,2), TickCounter(ES 09-11 (2000 Tick),True,False)

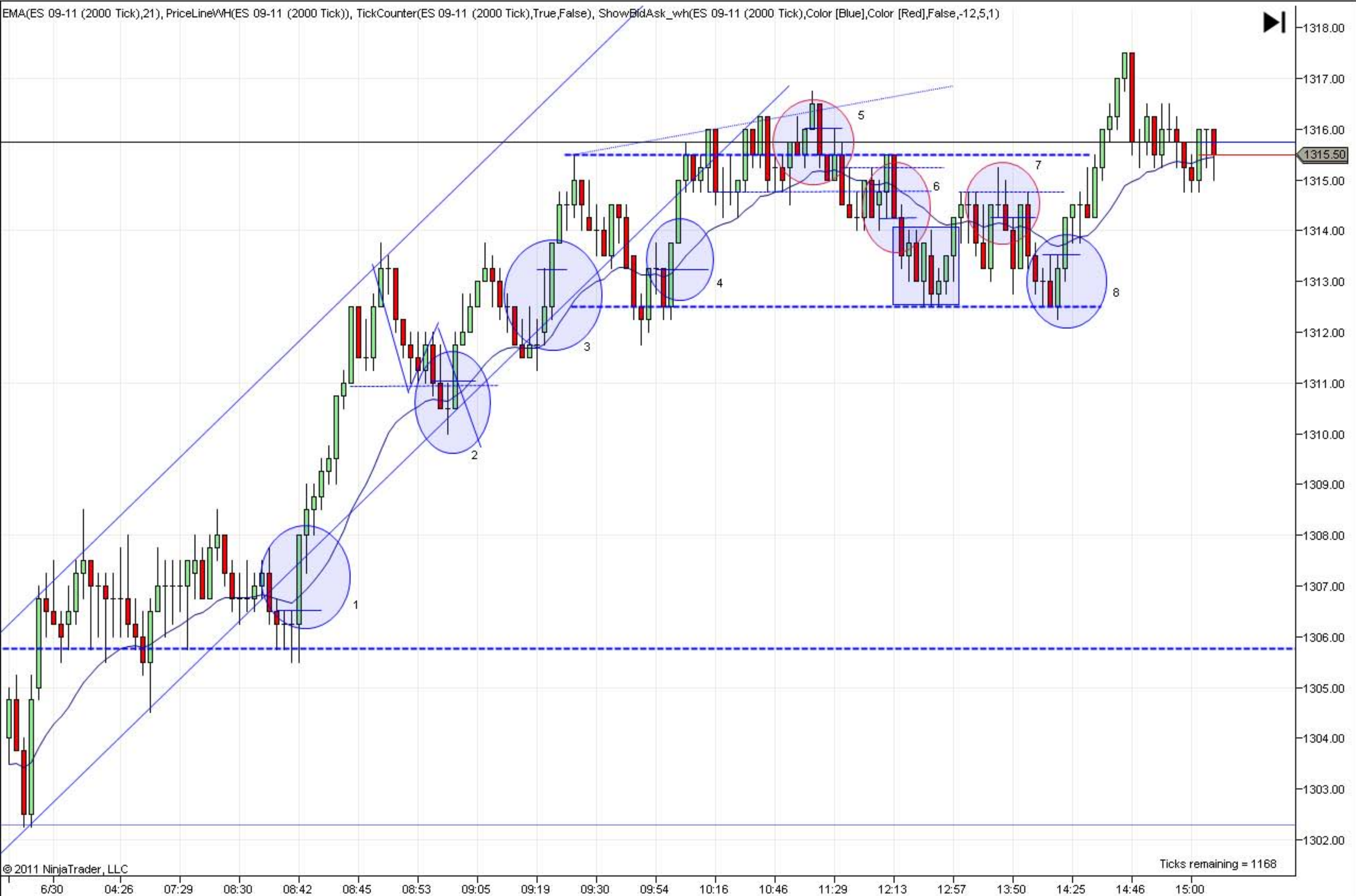


Daily Comment: Today started out rather slowly, but was followed by a nice rally. Overall, today was a range day, but the movement was good enough to pick up several points if you were able to see the set ups.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was one of our break and butter set ups. It was a 2nd entry short during a pullback to the EMA in a downward trending market, so that makes this a two-legged pullback to the EMA in a trending market, and that pattern is one of our most successful set ups. Unfortunately, prices went into a 30 minute trading range after that, so you had to be patient before another decent entry set up.
- 2) This was a 2nd entry long following a failed break below a larger double bottom. Notice that prices tried to go lower two times on the failed break lower, creating another small double bottom. That double bottom was followed by a 2nd entry long, that was technically a double bottom pullback long entry as well, so there were multiple reasons to take this long entry, and it was a great one. Any runners were easily safe and worth as many as 10+ points depending on where you exited.
- 3) This was a breakout pullback long entry. Usually when you see a strong move following a failed breakout, there will be a 2nd leg at a minimum, and often times even two legs, so it was very possible that prices would go much higher here, and you can see that's what happened. Notice that there was a triple bottom at the EMA just below this set up, and you actually could have gone long 4 bars earlier(just above the blue arrow), but because prices were so close to the strong resistance area, it was better to wait on a breakout pullback entry. This was also a 2nd entry long off the small triple bottom noted by the arrow.
- 4) This was a fade of a failed break lower, but it was also a 2nd entry long following a two-legged pullback to the EMA in a trending market. There were a lot of trapped shorts here, and you can see that by how strongly prices shot upwards after the one tick failed break lower below the double bottom. Your runners would have been safe here and worth as many as 8 points depending on your exit point.
- 5) This was a repeat pattern to trade 4. There was actually a 2nd entry long that triggered a couple of bars earlier, but there were just too many overlapping bars at the point, but when this 2nd entry short failed and turned higher at the EMA, that trap, along with the one tick failed break lower below the double bottom trapped a lot of short traders, so we should expect at least a scalper's profit out of any long entry, and as always, maybe a lot more. In this case it was an easy two point move, but no big runners this time.
- 6) This was a great 2nd entry short following a failed break higher above a strong resistance area. There was a nice bearish bar to go short below as well, with plenty of room to scalp out before reaching the previous support area at 1302.0. Turns out this was a key entry point, which most strong sup/res areas are, and prices quickly fell about 6+ points, and any runners were easily safe, so you should have picked up some easy points off this entry.
- 7) Remember, prices like to test breakout areas, and there was only a very weak test of the 1297.0 area when prices broke higher earlier in the day. This was a retest of that area, and when it held again, that was two attempts to go lower at that important level that held, and when the market attempts something twice and fails, it's likely to succeed in going further in the opposite direction. There were other reasons to go long here as well though. This is a failed break lower below a double bottom type formation, and it's also a 2nd entry long coming off the pullback to the EMA. This was another key entry point, and any runners were easily safe and worth 5+ points.
- 8) This was a breakout pullback long, but it was also a 2nd entry long following the failed break lower below the small double bottom. It was also a breakout pullback long with prices pulling back to the EMA and then reversing. This was an easy scalp, but no runners this time. The remainder of the day was too choppy prior to reaching our 2:30 PM CST cut off for new trades.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Today started out with a strong bullish move right at the open, but the rally quickly fizzled and it was nothing more than a 4 to 5 point range for the remainder of the day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) Prices were still trading in a channel from yesterday, and although the majority of the overnight session was nothing more than a congestion area, the channel and upward trend were still in play, and the break lower just at the open was a great short trap and a great place to enter long. This was a 2nd entry long, but it was also the 5th consecutive time prices tried to go lower below the 1306 area. When prices broke lower and quickly reversed again, that was a chance to enter the trade at a key low point, and if you caught this entry, it was a really good one. It was 7 points straight up before there was any kind of correction that amounted to anything. Any runners were easily safe here and depending on where you exited, they could have been worth as many as 9 points or so. It only takes one good entry like this to make more money in one day than most make in a week and maybe even a month.

2) This was a two-legged pullback to the EMA and trend line following a very bullish move up. I noted the two legs with the blue lines to help you see it. That would also make this a variant of a 2nd entry, because on a smaller time frame, there would be two clear legs and a clear second entry. We must learn to spot these on our current trading chart though. You could have waited and gone long above the big bullish bar, but with prices bouncing off the trend line, and this being a failed break lower below a double bottom and a trend line, a reversal here would have a lot of trapped shorts exiting their trades, and that's why prices exploded higher so quickly. This was an easy 3+ point move, but no big runners off this entry.

3) This was a 2nd entry long off the low, but it was also another bounce off the trend line that has been holding for two days now. If you went long a bar earlier that was OK since there was another failed break lower below a double bottom and the trend line, but there was some congestion there, so waiting on the break of this bullish bar was the safer play this time. This was another easy 3 point move.

4) This was a nice double bottom following two attempts to go lower below the EMA that failed. Any time you get a double bottom or double top that forms counter trend, it will usually be good for at least a scalp. When the market attempts something twice and fails, it will usually move much further in the opposite direction. This was also a 2nd entry long off the low side, so there were several reasons that this was a great place to go long. Any runners were safe here and worth at least 3 points depending on where you exited.

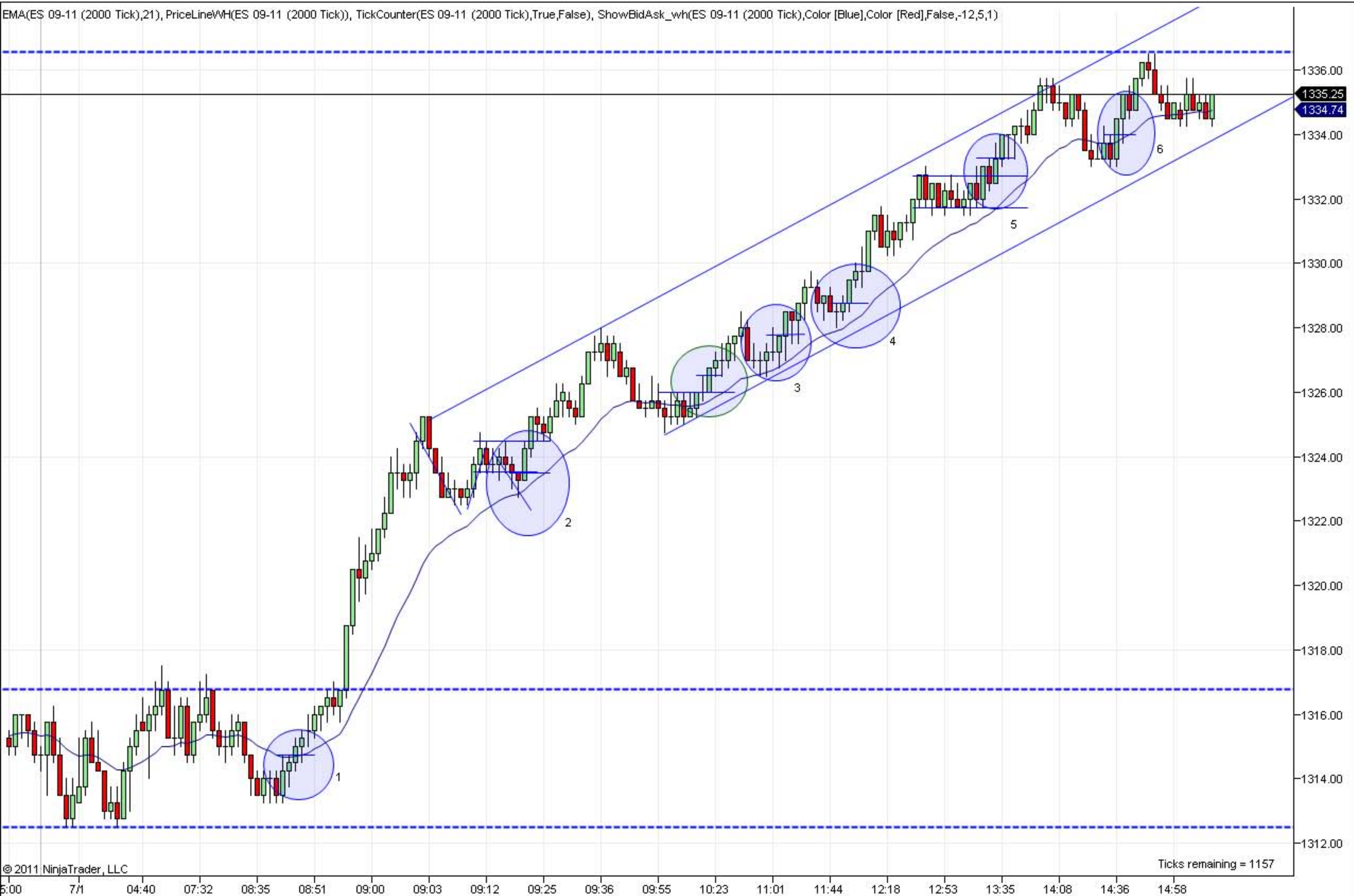
5) This was a fade of a failed 2nd entry long and a failed break above the small double top. This entry hesitated a moment, but that is not unusual on an entry like this and if you held on, prices continued to move lower. Any runners would have been safe and worth up to several points depending on where you exited.

6) This was a repeat type entry to trade 5. Notice the small double top that formed, and then the failed 2nd entry long. It's possible you could get tricked on entering long here, but if you notice, by the time a decent entry bar formed, there were just too many overlapping bars and dojis, and that is nothing more than a congestion/range area, and a break out of a range is likely to fail, even if only temporarily. This was really a breakout pullback short as well, but the key on this entry was that it was a failed 2nd entry long and most importantly, a failed break higher out of the small congestion area. Many times you may want to just skip an entry in this congestion all together, but as you can see, this was a great short if you saw it. There were no large runners here, but it was a quick and easy scalper's profit, which is our main goal when prices are choppy like this afternoon.

7) This is a very similar set up to trades 5 and 6. It's a failed 2nd entry long coming out of congestion, so it's another repeat pattern and it's very likely to have the same outcome as the other two patterns, and as you can see, it was another easy scalp. Again, if you did not see or take this trade, don't sweat it, because these are tricky and take much more time to learn to spot. Whenever you see 3 or more overlapping bars and one is a doji, be very suspect of a possible trap.

8) This was a repeat trade to trade 1, and another key trap that lead to a nice 4+ point move. Notice the one tick failed break below the double bottom that immediately reversed and closed as a bullish bar. That's a great pattern, and it's very similar to what happened back at trade 1. You will see these traps often, and they are nothing more than set ups that serve to trap in shorts, and trap out longs. The trapped shorts have to buy their losing trades back and the trapped out longs realize they are wrong and they chase the market higher trying to buy back into the market. This buying frenzy pushes the market quickly higher and gives us a quick and easy profit. Any runners were easily safe here and worth 3+ points.

EMA(ES 09-11 (2000 Tick),21), PriceLine\WH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Today was a great trend day, and these are the kind of days we dream about. Once it's clear that the trend is strong like it was today, you can often take any with trend entry, but certainly, any decent 2nd entry is almost a sure thing, so make sure you trust the trend and enter on days like this when you see the set ups.

There were not a lot of entries today, but the ones that did set up were very strong. Notice that the trend was a channel and I actually got the lower trend line by copying the one off the highs after the 9:30 AM CST swing high formed. When it's difficult to find a trend line, that often translates to the fact that the trend is strong.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry long coming off the high count, but it was also a breakout pullback long coming out of the small 5 or 6 bar congestion area. Notice too that this is a double bottom pullback long entry as well, and those are found at turning points or important bottoms in many cases, so that was the first clue that today might be an upward trending day. If you caught this entry, you could have made a lot of money within the first 30 minutes of the trading day, as any runners were easily safe and it was straight up for 10 points before the market really attempted any real correction.

2) This was a two-legged pullback to the EMA and trend line following a very bullish move up. We had a very similar set up yesterday after a bullish move up at the open, so if you remembered yesterday's lesson, you were probably aware that this was an identical set up today. On a larger chart, this was be a very clear 2nd entry long following two legs back to the EMA. This is also a failed 2nd entry short and a failed break out of the small congestion area of 5 or 6 bars. Any runners were safe this time too, and depending on where you exited, they were worth 12 points or so.

Notice the green circle. If you went long there, then that was a good entry, but I did not mark it because it was very difficult to see and it is always suspect going long coming out of a small congestion area without a failed break lower first. However, this is a breakout pullback long entry, and it was during a trending day, so it was worth the risk and if you took it, it paid off well.

3) This was another 2nd entry long following a failed 2nd entry short during a pullback to the EMA and trend line. The trend is up and it's rather evident by this time, so we are looking for reasons to get long. Unfortunately, prices very likely took out any runners this time by a single tick, but it was an easy scalp all the same.

4) This was a 2nd entry long following a failed 2nd entry short, but it was also a very small two-legged pullback to the EMA in a trending market, and that is our favorite entry. Any runners were safe again and worth as much as 7+ points.

5) This was another breakout pullback long. At this point, any long set up is likely to be a good one, as the trend is evident and strong, and prices just keep climbing higher, so look for reasons to get on board. This was an easy 2+ point move, but prices did pull back and take out our runners this time.

6) This was a 2nd entry long off a double bottom following a two-legged pullback to the EMA. There was not a decent signal bar when the 2nd entry long off the high triggered, so it was best to wait on a stronger set up. Once the double bottom formed, followed by a 2nd entry long, that was a great place to get long. You could have waited for a stronger bar even after the double bottom, but on a trend day like today, a double bottom is normally a great set up for at least a scalp.

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Daily Comment: Today started out with a strong bullish move right at the open, but the rally quickly fizzled and it was nothing more than a 4 to 5 point range for the remainder of the day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) Prices were still trading in a channel from yesterday, and although the majority of the overnight session was nothing more than a congestion area, the channel and upward trend were still in play, and the break lower just at the open was a great short trap and a great place to enter long. This was a 2nd entry long, but it was also the 5th consecutive time prices tried to go lower below the 1306 area. When prices broke lower and quickly reversed again, that was a chance to enter the trade at a key low point, and if you caught this entry, it was a really good one. It was 7 points straight up before there was any kind of correction that amounted to anything. Any runners were easily safe here and depending on where you exited, they could have been worth as many as 9 points or so. It only takes one good entry like this to make more money in one day than most make in a week and maybe even a month.

2) This was a two-legged pullback to the EMA and trend line following a very bullish move up. I noted the two legs with the blue lines to help you see it. That would also make this a variant of a 2nd entry, because on a smaller time frame, there would be two clear legs and a clear second entry. We must learn to spot these on our current trading chart though. You could have waited and gone long above the big bullish bar, but with prices bouncing off the trend line, and this being a failed break lower below a double bottom and a trend line, a reversal here would have a lot of trapped shorts exiting their trades, and that's why prices exploded higher so quickly. This was an easy 3+ point move, but no big runners off this entry.

3) This was a 2nd entry long off the low, but it was also another bounce off the trend line that has been holding for two days now. If you went long a bar earlier that was OK since there was another failed break lower below a double bottom and the trend line, but there was some congestion there, so waiting on the break of this bullish bar was the safer play this time. This was another easy 3 point move.

4) This was a nice double bottom following two attempts to go lower below the EMA that failed. Any time you get a double bottom or double top that forms counter trend, it will usually be good for at least a scalp. When the market attempts something twice and fails, it will usually move much further in the opposite direction. This was also a 2nd entry long off the low side, so there were several reasons that this was a great place to go long. Any runners were safe here and worth at least 3 points depending on where you exited.

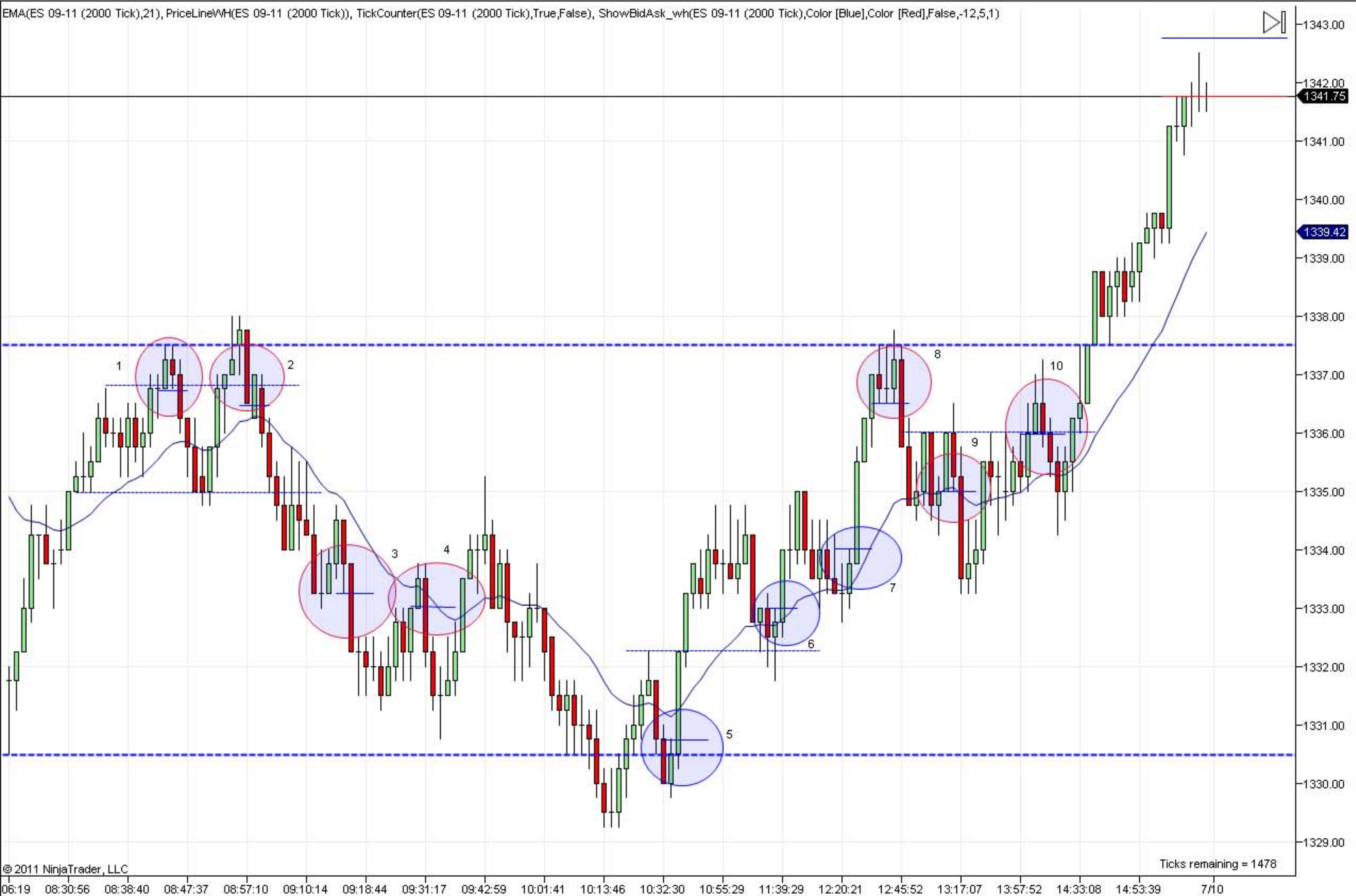
5) This was a fade of a failed 2nd entry long and a failed break above the small double top. This entry hesitated a moment, but that is not unusual on an entry like this and if you held on, prices continued to move lower. Any runners would have been safe and worth up to several points depending on where you exited.

6) This was a repeat type entry to trade 5. Notice the small double top that formed, and then the failed 2nd entry long. It's possible you could get tricked on entering long here, but if you notice, by the time a decent entry bar formed, there were just too many overlapping bars and dojis, and that is nothing more than a congestion/range area, and a break out of a range is likely to fail, even if only temporarily. This was really a breakout pullback short as well, but the key on this entry was that it was a failed 2nd entry long and most importantly, a failed break higher out of the small congestion area. Many times you may want to just skip an entry in this congestion all together, but as you can see, this was a great short if you saw it. There were no large runners here, but it was a quick and easy scalper's profit, which is our main goal when prices are choppy like this afternoon.

7) This is a very similar set up to trades 5 and 6. It's a failed 2nd entry long coming out of congestion, so it's another repeat pattern and it's very likely to have the same outcome as the other two patterns, and as you can see, it was another easy scalp. Again, if you did not see or take this trade, don't sweat it, because these are tricky and take much more time to learn to spot. Whenever you see 3 or more overlapping bars and one is a doji, be very suspect of a possible trap.

8) This was a repeat trade to trade 1, and another key trap that lead to a nice 4+ point move. Notice the one tick failed break below the double bottom that immediately reversed and closed as a bullish bar. That's a great pattern, and it's very similar to what happened back at trade 1. You will see these traps often, and they are nothing more than set ups that serve to trap in shorts, and trap out longs. The trapped shorts have to buy their losing trades back and the trapped out longs realize they are wrong and they chase the market higher trying to buy back into the market. This buying frenzy pushes the market quickly higher and gives us a quick and easy profit. Any runners were easily safe here and worth 3+ points.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Today was another range day with prices falling back inside the same range from Monday and Tuesday of this week. Prices rallied higher near the close in an attempt to fill the overnight gap most likely, but the general tone of the day was that of a trading range and if you traded in that manner, fading the breaks out of congestion, then you likely did very well today.

There were actually several other possible entries today, but I only marked the best 10 set ups. I was actually well over my trading goal by Noon today, so don't underestimate that ability to make money on range days, as they can be some of the best trading days available if you don't mind scalping out and re-entering multiple times.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) Prices went into a small congestion area just before the regular market open and chopped around for 10+ bars before finally breaking higher and immediately reversing. Any time prices break out of a congestion or trading range in the ES, there is a high probability that they are going to reverse back into that range for at least a scalper's profit, so when prices turned back down here, fading or entering short against that high break is likely to lead to a scalper's profit at a minimum, and maybe more. This same price area had already turned prices down again several times, so there's a strong chance the same outcome will occur this time as well. This was an easy scalp, but no runners on this one.

2) This was simply another chance to get short off the strong resistance area at 1375.25. The first two bars were both indecision bars, but we needed to see a sign of bearishness before attempting to go short, and when the next bar opened on its high and closed on its new with a lower low than the previous bar, a break below it would signal further bearishness, so it was a great place to get short. Remember, we try to sell high and buy low, and that's what failed breaks out of congestion and trading ranges allows you: A chance to buy low or sell high at a point where prices have other reasons to reverse as well! This was one of those key entries too, because our runners were easily safe and worth 5 to 7 points depending on where you exited.

3) This was a fade of a failed 2nd entry long, so there were trapped longs here, but it was also a breakout pullback short entry during a pullback to the EMA, so there were several reasons to look for a short here. No large runners this time, but it was another quick and easy move to a scalper's profit.

4) This was a two-legged pullback to the EMA in a down trend, and that is one of our favorite entries. These entries fail very rarely and this one was no different in that it was an easy scalper's profit. Unfortunately, no runners on this one though.

5) This was the 2nd time that prices tried to go lower below the strong support area at 1330.50, and it failed both times. Any time the market attempts something twice and fails, it's very likely to succeed in doing the opposite, so this was a low risk place to buy low hoping for a rally. Most of your key entries are going to come at strong support and resistance areas, and this was just another example of that. If you caught this entry your runners were easily safe and worth anywhere from 7 to 10+ points depending on where you exited the trade.

6) This was a breakout pullback long following a strong leg up to a new swing high, but it was also a failed break lower out of the small congestion area that formed around 1335.0. If you look closely, you should also see that prices tried to go lower at this level twice, failing both times, so that makes this a small double bottom with a short trap to boot. If you went to a smaller time frame this pattern would be much easier to see, but we must learn to see everything on a single chart. That makes this a 2nd entry long too, so there were lots of reasons to be thinking long here. This was another easy scalp, but no runners this time.

7) This is a simple two-legged pullback to the EMA in a market that was trending higher. It's also a breakout pullback, 2nd entry long, so again, there were multiple reasons to think long here. This was an easy 4 point move, but if you held your runners through the full pull back, you were stopped out at break even on them.

8) This was another reversal at a key price, and another chance to sell high. Normally we would need to wait for a bar with a bearish slant, but notice the one tick failed break higher, making that a failed break out of a small congestion area, so you could now go short here if you realized what was going on with prices. The one tick trap pulled in a lot of longs, which is evident by how hard the market sold off on the next two bars, which was due to the fact that the trapped longs started exiting driving the market lower. There were no big runners on this one though.

9) This was another fade of a 2nd entry long and a fade of the break above the small double top that had just formed. We were coming off the high of the range, so we are expecting prices to try and move to the low side now, and even though that did not happen in the end, that was the bias, and there was no really good long set up, other than the fact that there was a 2nd entry long that triggered, but by the time that triggered, there were a lot of overlapping bars and two dojis, so it was not a great set up. If you did manage to get trapped to the long side, you had to exit here when the market went lower.

10) This was another failed break higher out of a congestion area, but prices also reversed off the high side of the range again, with a lower high than the previous high, so that was a bearish sign. This was a 2nd entry short counting off the low as well. It turns out it was an easy scalp, but prices reversed before going lower making this a breakout pullback long. You could have gone long, but it was after our 2:30 PM CST cut off for new trades, so I did not mark the long entry.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Today was a trend day with several great entries. Although prices were trending, they were still choppy and range bound often, but if you stuck to our price action entry rules, you should have caught most of the best moves making this a very good trading day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) Prices opened the regular session this morning in a small 3 point range, but there was a large sell off in the overnight session, so the overall bias was still down. There really wasn't a decent entry until prices broke out the high side of the range, where they quickly failed and reversed. This offered us the chance to fade the breakout and go short at the very high of the range. This swing also gave us our trend for the day. I was able to clone this trend line and move it to the low side of the price action giving us our lower trend line as well. This was one of those key entry points we hope to catch each day and if you did manage to get short here, you were short from the high of the day and your runners were easily safe and worth up to 14 points or more depending on where you exited.

2) This was a breakout pullback short during a pullback to the EMA. It was also a failed 2nd entry long, so there were likely to be some trapped longs here as well to help drive our short to a quick profit. You could have gone short below the previous bar here too, but it was a doji, so it was better to wait for a stronger bear bar. Runners were safe again here too, so this was another big entry that was very profitable depending on where you exited your runners.

3) This was another fade of a failed break out of the small congestion area, but if you look closely, you should be able to see the two-legged pullback to the EMA in a trending market as well, and this is one of our most successful patterns. Our runners were safe here too and it was about a 4 point drop before prices were able to rally again. If you caught one or more of the first three entries, you could easily be sitting on several points of profit before 10:00 AM CST trading only a single contract.

4) This was another failed break higher above a double top in a small congestion area that was also sitting at a strong resistance area that had already turned prices 4 or 5 times previously. This was an easy scalp, but no big runners this time.

5) Prices tried to go higher above the 1320 area, but only managed to stay range bound within a 2 point range for about an hour before prices broke higher by a single tick and then immediately reversed again offering us another chance to get short on a failed break higher at a strong resistance area. This was another easy scalp, but no runners on this entry.

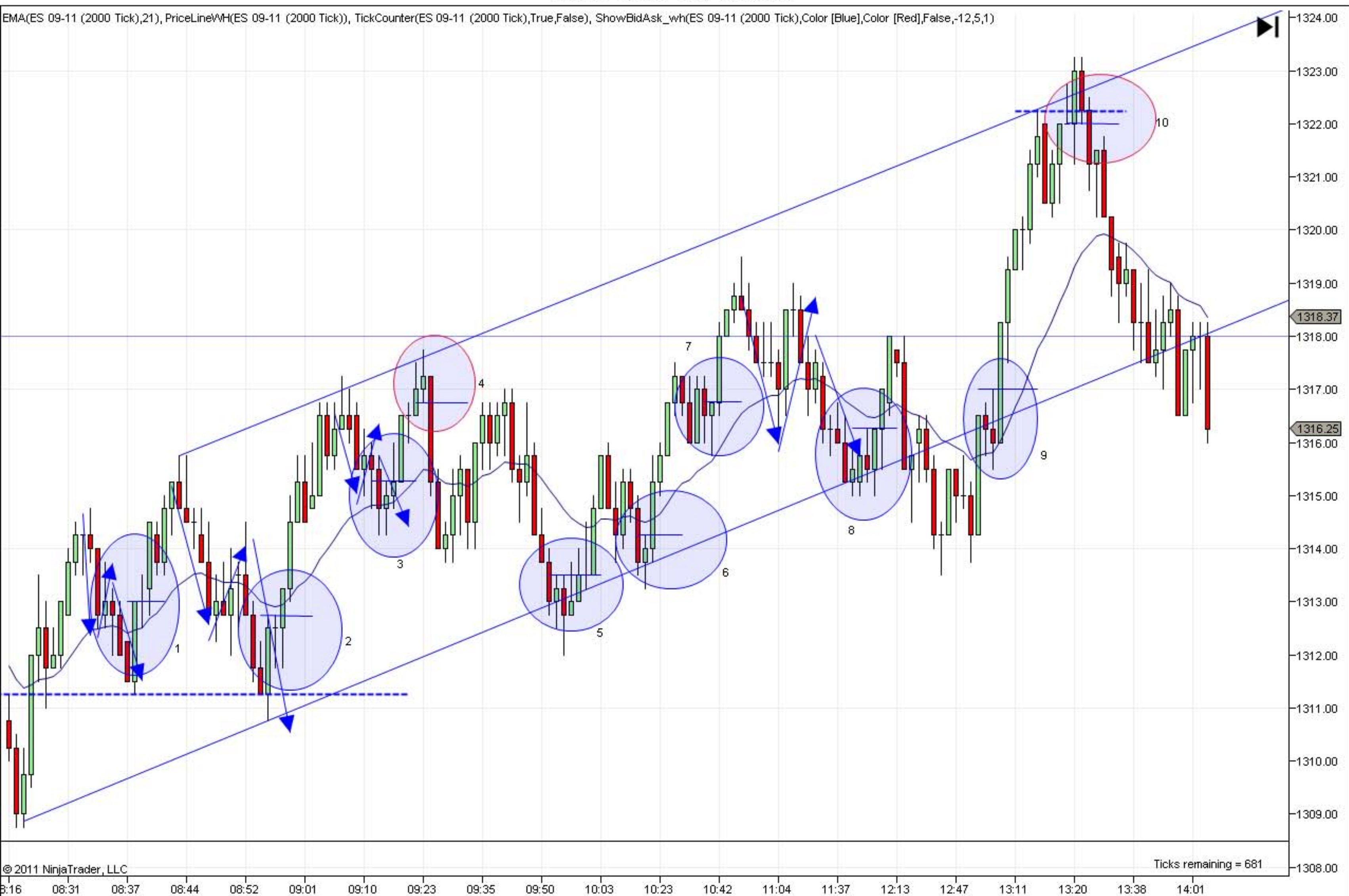
6) This was a breakout pullback, 2nd entry short. Normally we don't need a 2nd entry to go short on a breakout pullback in a trending market, but by the time we got a nice bearish bar to go short below, there was not much room to enter and scalp out before reaching the low again, so by waiting we got a 2nd entry opportunity. That also makes this a failed 2nd entry long as well, so there will probably be some trapped longs here, and you can see how prices quickly dropped lower once the 2nd entry short triggered. This was another easy scalp, but our break even runners got stopped out this time unfortunately.

7) This was just another small breakout pullback short set up. Often times the market will try and reverse a couple of times in a row on a breakout, yet fail to muster up any momentum and that was the case here. There was still plenty of room to profit before reaching the former low, so going short here was a low risk entry and it was a quick drop of about 3 points, but our runners did not survive unfortunately.

8) This was simply a two-legged pullback during another retest of the breakout area around 1318.0, and when the double top formed right near the trend line, that was a great place to go short on a 2nd entry. Remember, whenever the market attempts or tests something twice and fails, it will usually succeed in moving much further in the opposite direction. Our runners were safe this time too and worth up to 4 points depending on where you exited.

9) This was another breakout pullback, 2nd entry short. The market was dropping again, so we are looking for pullback opportunities to get short. With this being both a breakout pullback short and a 2nd entry during a pullback to the EMA, there were enough reasons to go short here. The signal bar was not a strong one, but it did have a one tick trap above it and some red body, so the fact that it was a 2nd entry as well gave us enough reason to risk the short. It was actually a quick and easy scalp, but no runners on this one.

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Daily Comment: Today was another trend day, although it was much choppier than Monday's price action. I actually prefer the choppy price action because it makes it much easier to scalp in and out of the market for quick 4 tick trades.

Today's action was all contained in a nice channel and if you were able to spot the channel, it was relatively easy to see some of the best entry points today. I was able to find the upper trend channel by simply copying the lower trend line and then dragging the copied line to the top of the price action. This gave me the trend channel by about 9:00 AM this morning, and once you had the channel lines in place, it was easy to see where you should look to buy or sell.

1) Prices opened the regular session this morning having rallied for most of the overnight session, so the trend was clearly up, although we don't know if it is going to continue to push higher yet at this point. This was actually a two-legged pullback following two pushes up, so this is a two-legged pullback to the EMA in an upward biased market and a 2nd entry long. Notice too that there was a small double bottom created on the pullback as well, and double bottoms and double tops that form on pullbacks are almost always good for at least a scalp. It was best to wait on a bullish bar before going long though, so that's why I did not mark the entry above the previous bar where the 2nd entry originally triggered. I used arrows to help you see the two-legged correction.

2) This was another two-legged pullback in a trending market. Notice that prices immediately reversed when they tested the double bottom again, and any time the market attempts something twice and fails, it will usually succeed in going much further in the opposite direction. This was an excellent entry point with a nice bullish reversal bar to go long above. Any runners were good for as many as 5 points depending on where you exited them.

3) This was another two-legged pullback to the EMA in a market that was slowly trending higher. In order to help you see the two legs, I used arrows again. That makes this a 2nd entry long on a smaller time frame, and if you can not see that, then you need to learn to spot both smaller and larger moves on our current chart. No large runners on this time though.

4) This was the third reversal off the upper trend line, so the line was pretty much confirmed as being legitimate after this touch. This should lead to at least a scalp, and maybe a move all the way down to the lower side of the channel. In this case, it was an easy scalp since the market quickly dropped about 3 points, but prices came all the way back to take out our runners. There are not many freebies in the ES, but that is what I like about it too.... It's predictable.

5) This was a 2nd entry long following a bounce off the lower side of the channel. Notice too that prices tried to go lower there twice, failing both times, so that was a good signal that prices would go higher. Two failed attempts usually lead to a larger move in the opposite direction. This was another easy scalp, but no runners here either.

6) This was another two-legged move back to the trend line, and when the trend line or lower channel line bounced prices again and offered a chance to get long with a 2nd entry as well, this was a really good set up. Notice that this time our runners were safe too and good for as many as 5 points depending on where you exited the trade.

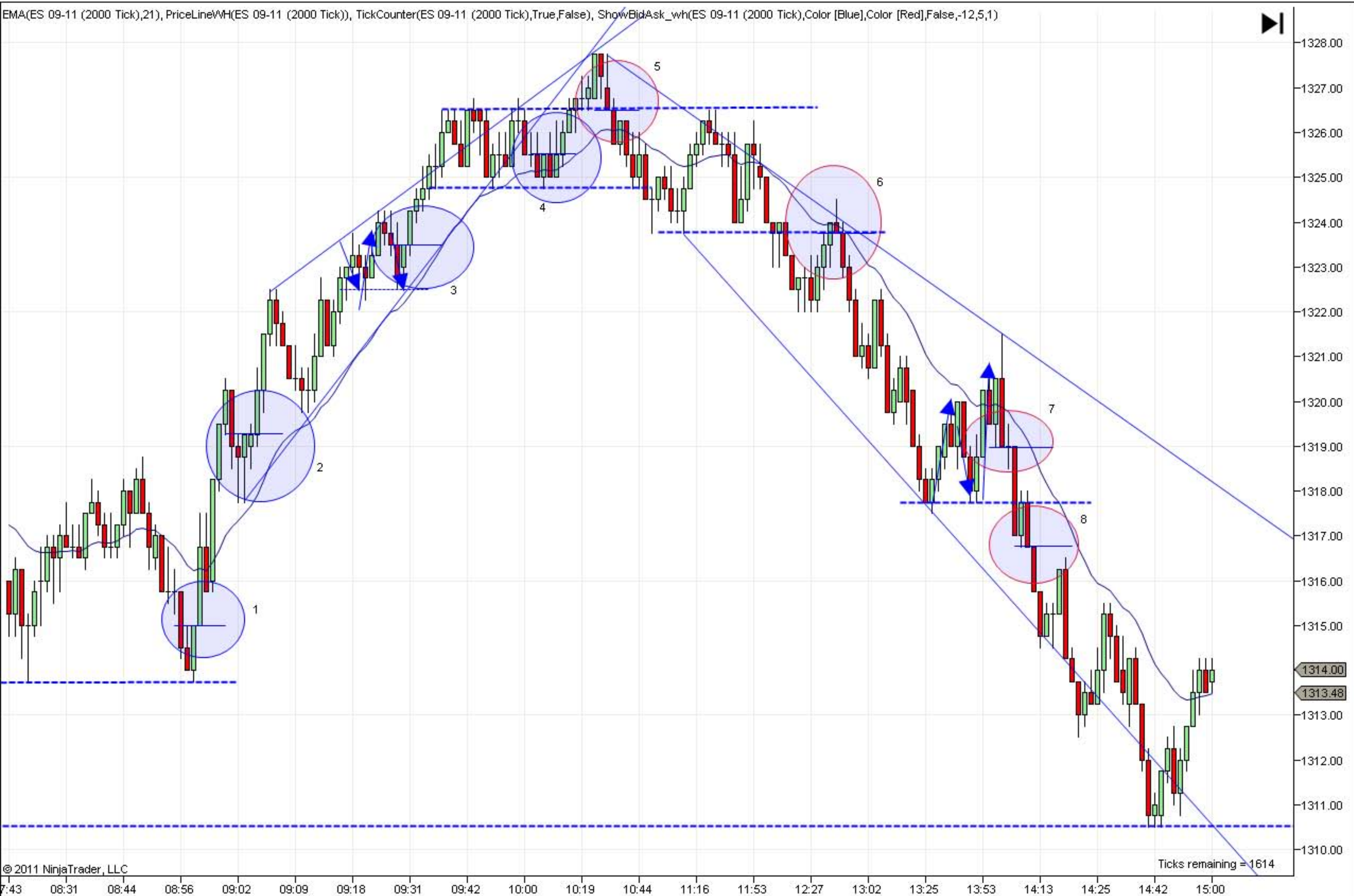
7) This was nothing more than another two-legged pullback to the EMA in a trending market. There were several of these today, but on any day, these patterns fail very rarely and are almost always good for at least a scalp. This was a form of a breakout pullback long, but it was also a one tick failed break out the low side of a small congestion area, so there were multiple reason to be thinking long here.

8) This is yet another two-legged pullback to the trend line that reversed prices following two tries to break below the trend line again (that makes this a double bottom too). This is really a repeat pattern to trade 5, and when a pattern sets up once in the day, if you see it again, it is likely to yield the very same results, so pay close attention to repeat patterns. This was another easy scalp, but with prices reversing off the high before reaching the upper trend line, that was a bearish sign, so it should not have been a complete surprise that prices could not go higher and were finally above to make a convincing break of the trend line. This was an easy scalp, but obviously no runners this time.

9) Even though prices broke the trend line following trade 8, we know that there is likely to be a retest of the high before there is any real sell off. You could have actually gone long three bars earlier just above the bar above the green arrow, but that was such a bearish bar that it was better to wait on a stronger set up. Trade 9 was actually a fade of a failed 2nd entry short, so there were likely to be some trapped shorts here thinking that the trend was over. We know and understand price action though, and when that 2nd entry short quickly reversed and turned higher, we want to go long where all the shorts will exit. You can tell there were a lot of trapped shorts by how strongly and quickly the market rocketed higher. This is because the shorts all start buying their shorts back, and new longs also start chasing the market higher in an effort to get on board with what is obviously a resumption of the uptrend. This was the best move of the day and any runners were worth an easy 6 points or so depending on where you exited the trade.

10) This was a failed break higher out of the small congestion that formed right at the upper trend channel line. It was also a failed break above the trend channel line with a nice reversal bar to go short below. This was a very easy scalp, but unfortunately, prices pulled back and got our break even stops on the runners. If you held any runners with a tighter stop, this trade was worth a lot more! If you were conservative and only took the reversals off the trend lines today, there were approximately 5 easy trades that were worth at least 2 points each, so learn to find the trend lines and spot the trend channel lines on your charts, as they are likely great entry locations.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



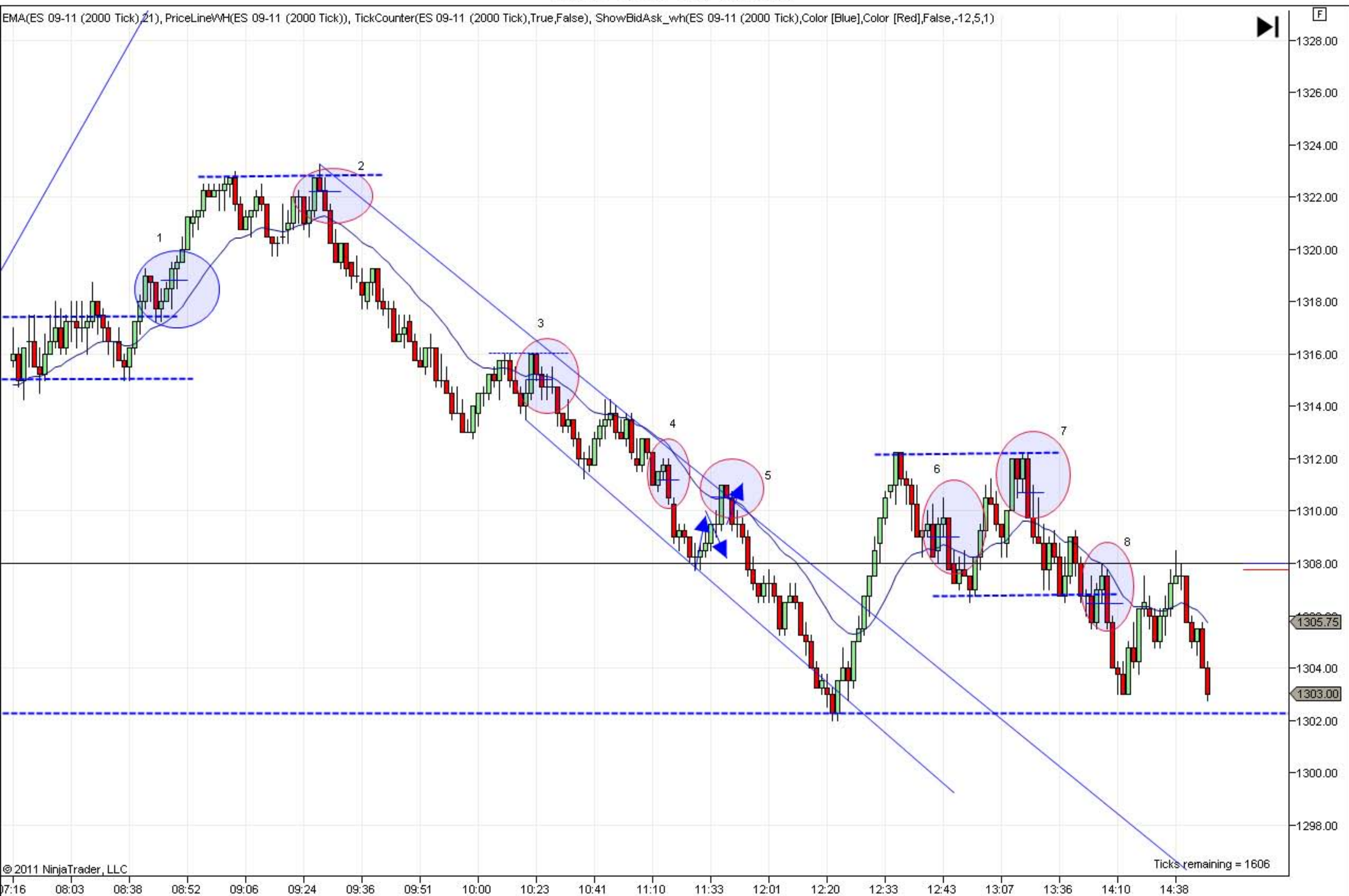
Daily Comment: The market rallied early today after Bernanke's speech, and the trend was strong until about 9:30 AM CST where it went into a trading range. Notice how prices broke out the high side of that range and failed, where it then immediately reversed into a down trend from that point forward. That is a typical price action in and around a trading range, and that's why we don't buy or sell break outs.

There was another clue that is worth mentioning in regards to that reversal. Notice that prices were forming a wedge type pattern as the trend worked higher. That is a classic reversal type pattern, so if you noticed the wedge, then you had that clue that would have alerted you of a possible trend reversal at some point in the day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a great reversal set up off a double bottom, making this a triple bottom with a great reversal bar to go long above. This was one of those key set ups that we try and catch every day, as our runners were easily safe and worth about 12+ points.
- 2) This was a breakout pullback long, but it was a 2nd entry long as well. The market came racing to life as soon as Bernanke's thoughts were announced, and if you didn't catch the original entry at trade 1, which could have been difficult if you were not already anticipating a bounce off the double bottom, then you definitely should have entered here. Our runners survived here by a single tick and were worth as many as 8 points depending on where you exited.
- 3) This was basically a two-legged pullback to the EMA in a trending market. It was also a double bottom that formed right at the EMA in a trending market, so there were multiple reasons to consider going long here. This was another key entry point with our runners being easily safe and worth about 4 points.
- 4) This was the third reversal off the support that formed at 1324.75. Notice the small reversal bar that we had to go long above as well. This was also the first break of the trend line, and with prices being stuck in a trading range, there was a strong chance prices would at least test the high side of the range again coming off a triple bottom. This was an easy scalp, but no big runners this time, and the market reversed upon making a new high.
- 5) This was a fade of a failed break out of the trading range. We also had just made a new high after a trend line break on a wedge pattern, which happens to be a reversal type pattern when found at highs and lows. While this was an easy scalp, our runners did not make it this time.
- 6) This was a breakout pullback short during a pullback to the EMA. There was a nice bearish reversal bar to go short below with a stem sticking above the EMA and prices closing just below the EMA, so this was a great set up bar to short below if prices broke lower. This was another key entry with our runners easily surviving and being worth 13+ points.
- 7) The market was really weak at this point, and this was one of our favorite patterns: A two-legged pullback to the EMA and/or trend line. When prices touched the trend line and immediately reversed, that left us a large bearish reversal bar to go short below as well. Once price broke below that bar that was a bearish sign and it was off to the races to the low side again. Once again our runners were easily safe and worth about 10 points or so.
- 8) This was a breakout pullback short in a weak market. This was a quick and easy scalp, but unfortunately, prices pulled back and got our runners this time!

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Daily Comment: The market looked like it was going to rally strongly again at the open today, only to quickly fizzle and reverse into a strong down trend dropping 20 points in about 2 hours, where prices bounced and remained range bound the remainder of the trading day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a breakout pullback long and a 2nd entry long after a strong move up off the 1315 support area. There were multiple bounces off that support area, so this was a great place to enter. If you look closely, you will see that the market tried to reverse off the high twice, failing both times, so there was a failed 2nd entry short that quickly turned into a 2nd entry long on a breakout pullback entry, so this was an great short trap. If you entered here, your runners were safe and worth as many as 5 points.

2) This was a failed 2nd entry long that formed a double top with a nice reversal bar to go short below. It was also a 2nd entry short. The one tick failed break higher above the left side of the double top is a long trap too, because many longs likely got trapped trying to buy the break higher. This is one of those key entries that is usually found at extreme sup/res areas. If you caught this move, you were short from the very high of the day and it was 20 points almost straight down before there was any real rally. These types of entries are really not that hard to catch if you will concentrate on the important sup/res areas and trust the price action set ups when they present themselves.

3) This was another double top in a pullback to the EMA following a strong move down. Most strong moves are going to have some form of a retest attempt, so we are looking for a reason to go short. Double tops and double bottoms are almost always good for at least a scalp, and when they occur in strong trends, they are often worth a lot more than a scalp. This entry took a moment to work lower, but even if you tightened your stop to just above the entry bar when it completed, your stop was not triggered. This was another key entry point and any runners were safe here too and worth as many as 13 points. If you only caught this trade or trade 2 today, you could have made a lot of money on only a single runner.

4) This was a breakout pullback short. The move was good for about 3 points, but any runners held at breakeven were taken out this time.

5) This was a 2nd attempt to pull back and retest the breakout area @ 1311.25, and prices quickly failed and turned down again after reaching the EMA and trend line. It's really hard to see here, but this is a two-legged pullback to the EMA/trend line in a trending market too, and that is one of our favorite patterns! This was another key entry too, as prices dropped quickly and our runners were easily safe again and worth about 8 points.

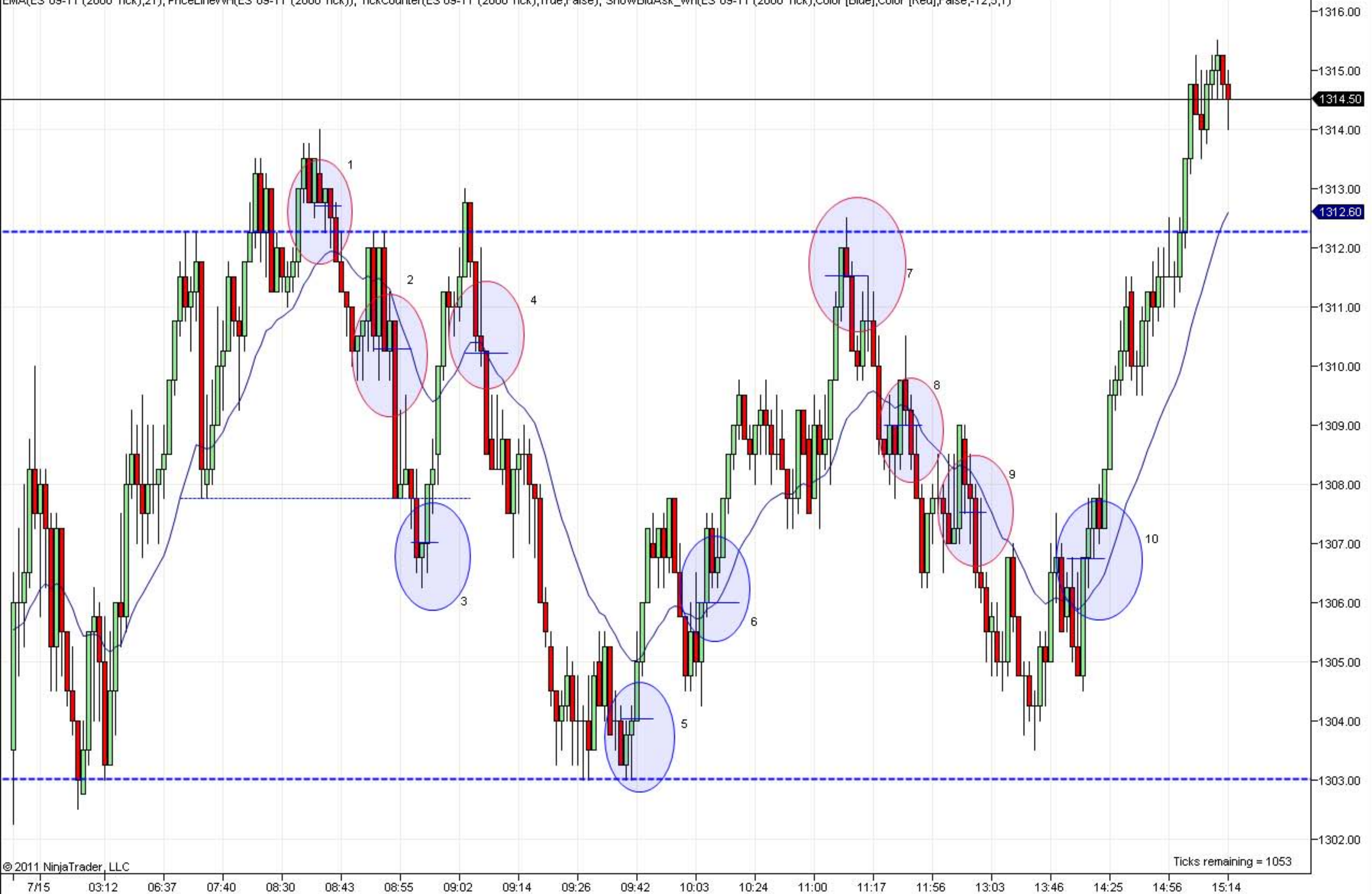
6) This was a great long trap, and my guess is many of you probably got trapped here or were at least thinking long, even if you didn't take the set up. This is how you avoid these traps. Yes, occasionally you will miss a good set up, but better to miss a trade than to get trapped, right? First of all, this was the first real break of the trend line, and even though it was a strong one, it's very likely prices will still pull back and test the former low before there will be any real reversal. Extremes in a strong trend are almost always tested again.

Secondly, by the time the 2nd entry long triggered, there were four overlapping bars, with two of them being dojis, so that makes this a small congestion area or small trading range, and we don't enter in these areas without a trap of some kind. When prices broke higher on the 2nd entry long and quickly reversed, that was a long trap and a great place to get short for at least a scalp in most cases. Unfortunately, no big runners on this entry, but we did have another easy scalp.

7) This was another double top, and there were two attempts to break above the former high and both failed. Remember, when the market attempts something twice and fails, it's likely to succeed in moving much further in the opposite direction. This was also a 2nd entry short, following two legs up to the double top. If you didn't get short here, you definitely should have entered below the next bar. Unfortunately, our runners got stopped out here.

8) This was a breakout pullback short following a failed 2nd entry long which probably trapped some longs that were expecting prices to go higher on a failed break lower. Notice there were three overlapping bars with one being a doji, so not a good place to enter without a trap, and by sitting idle, we were ready to go short off the long trap. This was another easy 4 point move.

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Daily Comment: Prices remained range bound again today. If you saw the range from yesterday, you should have already had your lines in place and had a good idea of where prices were likely to turn today. I love these kinds of days because they are so predictable and easy to trade. If you do not yet know and understand our price action rules for trading ranges, you are missing out on some of the best trading techniques available.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a fade of a failed breakout pullback long. There was no reason to be looking for a long here, as we were at the top of the trading range from the previous trading day, but there were also too many overlapping bars to be thinking long at the high of a trading range. When prices ticked higher and immediately reversed closed with a bearish reversal type bar, that was a great place to go short. This was a quick and easy short, and our runners were easily safe and worth about 6 points depending on where you exited the trade.

2) This one was tricky because there were several overlapping bars, but if you were observant, there were several important reasons that going short here was worth the risk. This was actually a two-legged pullback to the EMA after a strongly bearish leg down to a new low at the top of a trading range. See if you can spot the two legs. Also, prices tested the top of the range two times and failed both times, and any time the market attempts something twice and fails, it's likely to succeed in going much further in the opposite direction. This was another 6 point move down before prices reversed.

3) This was a failed break lower below a double bottom following two larger legs down. If you went to a larger time frame, you could see that this was a 2nd entry long on the failed break lower as well. There was also a small bullish reversal type bar to go long above, and it was straight up from there for another 6 points.

4) This was another chance to get short following a third attempt to go higher at the top of the trading range that failed. The first bearish bar was an inside bar, so it was not a great short, so we needed to wait for a better entry. That came when prices reversed off the EMA, ticked one tick higher than the next bearish bar, only to fail and immediately reverse and break lower again. That one tick failed break higher trapped longs and gave us a chance to go short where most longs would now have to cover. You can see how quickly the market dropped lower again here. Any runners were easily safe as well and it was 7 points down before there was any hint at a reversal.

5) This was a breakout pullback long, but it's also a double bottom that formed at the low of the trading range. Double bottoms are almost always good for at least a scalp when the set up in the right locations, but since this one formed at a strong support area, there is always the chance to catch a bigger move than just a scalp. This was an easy 3 point move to a new high, but if you held any break even runners, prices came back just enough to take them out, so that was disappointing.

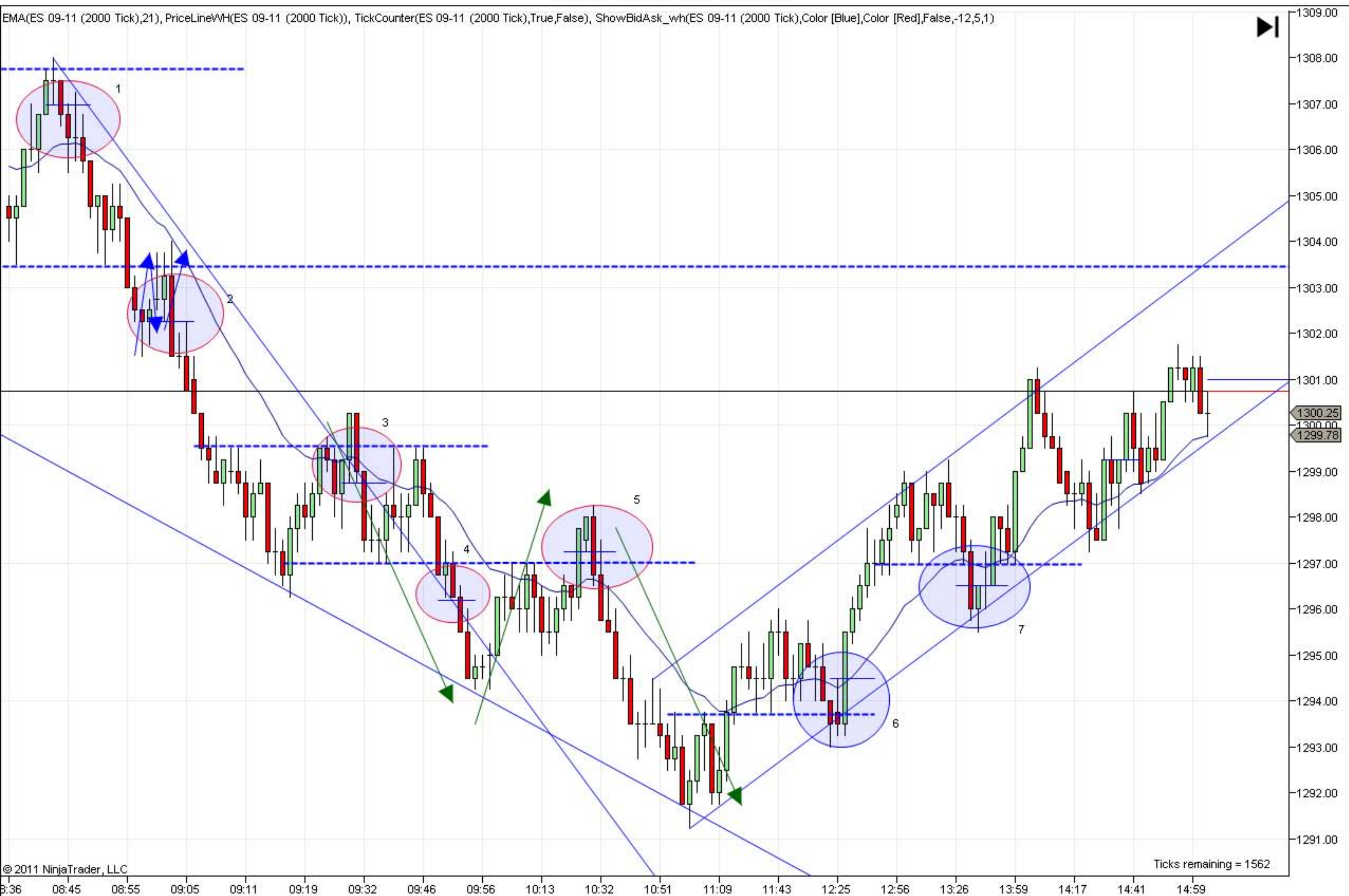
6) This was a double bottom pullback long entry, but it is also simply breakout pullback long coming off a double bottom that formed at the low of the trading range. This is also a 2nd entry long following a failed 2nd entry short during a pullback to the EMA, so this was a nice short trap. This was an easy scalp, but unfortunately, no runners this time.

7) This was another easy reversal set up right at the high of the range, and it was a very predictable turn, with a great reversal type bar to go short below. This was a quick and easy scalp, but no runners this time either. The market was very choppy today, so there were very few moves that went for more than a few points without backing up again. The good thing about this type of action is that it's predictable and you can scalp in and out easily and quickly when prices move to any previous extreme.

8 and 9) These are identical trades in that they are both two-legged pullbacks to the EMA when we are expecting prices to try and move to the low side of the range again. This is one of our favorite set ups, and both were quick and easy scalps, but trade 9 was also good for some extra points on any runners if you held them.

10) This was a breakout pullback long, but it was also a 2nd entry long following a two-legged correction that reversed as a higher low. This was a key entry for the day on a trap, and it was straight up from here for 8 points. This is why we continue to hold runners when they often get stopped out, because a single runner can make us a lot of cash!

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Daily Comment: Prices spent most of the morning trending down in a wedge shaped pattern, only to reverse around 11:00 AM CST and trend upwards into the close. Both trends were choppy with prices congesting often, but both stayed within their confined trend channels and reversed consistently at our trend lines. If you found the proper trend lines, it was rather obvious as to where the reversals were going to occur.

Notice the trend line off the first two swings, then notice the break of it near trade 3, followed by two equal legs down to a new low. That is a common theme in the ES, and once it was in place (a break of the trend line, followed by a retest that consists of two legs to a new extreme). Once that retest was complete, the market reversed and started a new trend.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) Prices opened the regular session at the high of what had been a multiple hour trading range during the overnight session. When the small doji formed at the very high of the trading range, any break below it would be a 2nd entry, so it was worth the risk to short here, knowing that prices had turned at this level several times previously. This is one of the few situations where going short below a doji is acceptable. This was a 2nd entry short at the high of a trading range where prices were starting to stall once again. This was an easy and quick scalp, but no runners on this one.

2) This was a breakout pullback short at the low of the trading range, but it was also a two-legged pullback to the EMA and a 2nd entry short, and that is one of our favorite patterns that makes us a lot of quick and easy money. This time we hit a key entry too, as our runners were easily safe and worth 10+ points depending on where we exited the trade. I noted the two legs with arrows to help you spot it. Notice too that prices broke above the small double top matching highs by a single tick, then turned down to the tick after touching and confirming our trend line.

3) This was a failed break above a double top and out of a small congestion area that had just formed right at the trend line. It's possible you got short 3 bars earlier, and if so, it appeared that prices were going to go higher here. That early move higher was the first break of the trend line though, so we know we should not be looking for longs just yet. If you got short early and hung on, it was still a winner. Otherwise, you likely exited with only a couple of ticks profit or maybe even a couple of ticks of loss. However, when prices quickly reversed on the break higher; that made this a great place to get short (the top of a trading range). This was a quick and easy scalp due to the trapped longs, but no big runners this time.

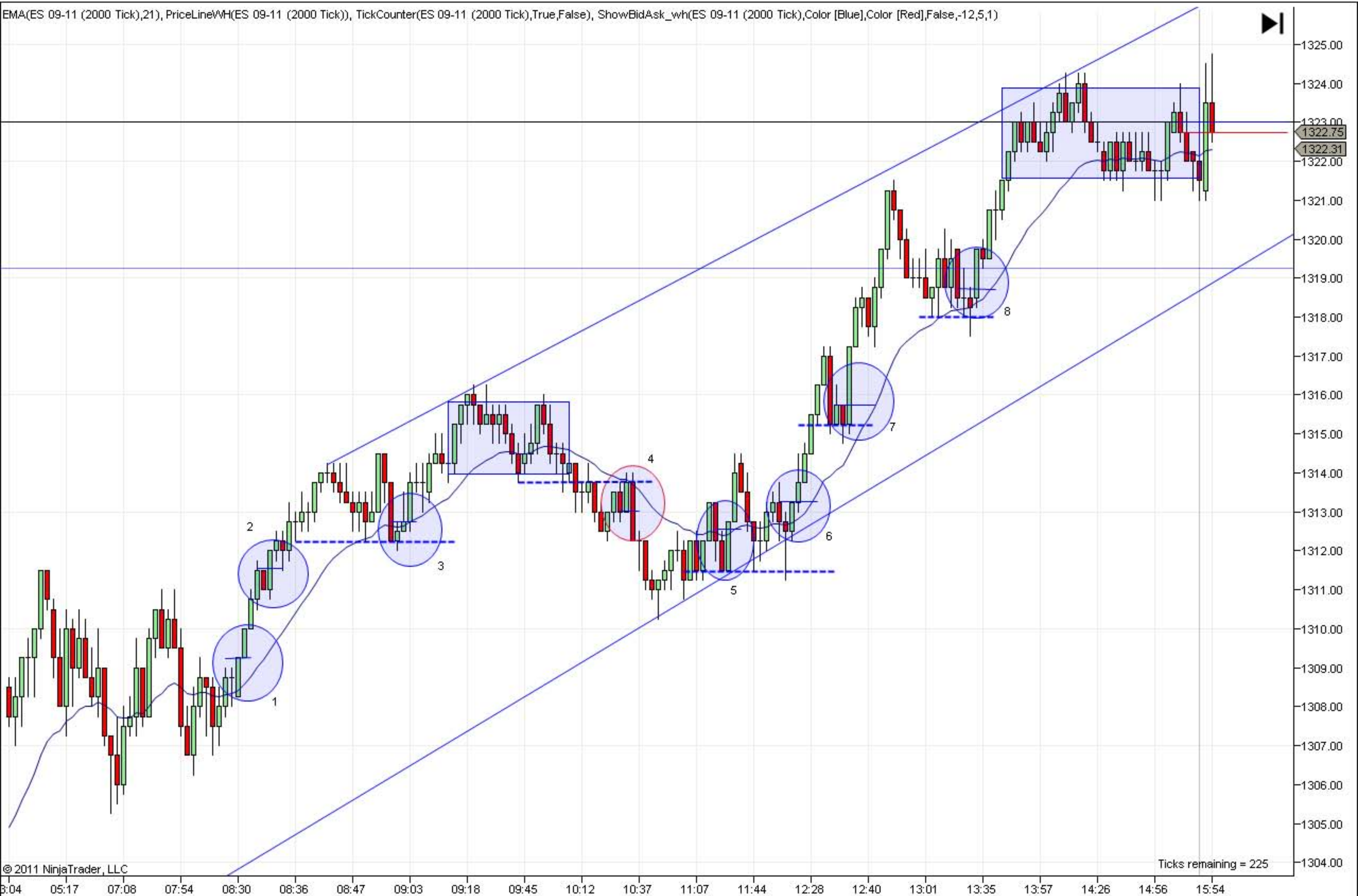
4) This was a breakout pullback short, and it was another easy and quick move down for almost two points, but prices quickly reversed taking out our break even runners. If you went to a smaller chart, you would also see that this is two-legged move down, and both legs are equal moves. No big runners here though.

5) This was a repeat pattern to trade 3. Any time a pattern works once, if it shows up later in the day, it's very likely to yield the same results as the first pattern. This was really just another two-legged correction in a down trend, and on a larger time frame, it was a clear 2nd entry short on a break higher out of a small congestion area.

6) We had our first break of the trend line back near trade 3, and that was followed by a two-legged retest with a new low, so when prices started working higher here, we are now looking for a possible reason to go long. This was a failed break lower below a small congestion area/trading range, but there was also the new trend line and prices held there, so another push up is very likely. Price also attempted to go lower at the trend line two times and failed, and when the market attempts something twice and fails, it's likely to succeed in going much further in the opposite direction. This was a key entry point with any runners being worth as many as 7 points.

7) This was a repeat pattern to trade 6, with another reversal right at the trend line. Our runners just barely survived the pull back here and were worth about 5 points depending on where you exited the trade.

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Daily Comment: Today was a trend day that accelerated as the day moved forward. Any time you see prices moving or trending with lot's of small bars and doji's, that's usually a strong trend even though it won't look strong because of the overlapping bars and doji's. All the same it's still a strong trend. What made today slightly tricky was the fact that from 9:30 AM CST to 10:30 AM, CST, prices were in a pullback. If you drew the trend line off the reversal from yesterday afternoon though, you would have been prepared to start looking for longs again when prices finally pulled back to that line. This was a large channel, but with trend lines in place, it was not that difficult to anticipate turning points.

I'm often asked about trend lines and how I find them, and truthfully, the answer is through experience. I normally find the daily trend line off the first two swings of the overnight and occasionally from the previous day like I did today. I also sometimes find a trend line off the high side of prices if I cannot find it easily on the low side. I then copy that line off the high side and move it to the low side of prices. Most importantly, I keep checking and rechecking my lines until I find a proven trend line that is verified by 3 or more touches. It's an art almost, and often I can find more than one trend line, but almost always, they both give you the same results, but the most obvious ones are usually the best ones because everyone else sees them too!

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This long was a little tricky, so if you missed it, no big deal. However, notice that there was a 2nd entry long just prior to the regular market open, and there were also two failed attempts to go lower just prior to the regular open. Both of the two tries to go lower made higher highs as well, so the market is trying to go higher and any time the market attempts something twice and it fails, prices are then likely to succeed in doing the opposite, and in this case, that was move higher. This was a great entry if you caught it and it was a strong move up for about 7 points before the market had any real correction, and our runners were easily safe here, so it was a great opportunity to make a nice profit right off the open.

2) This was a nice short trap that was also a breakout pullback long in what was a very strong opening for the regular session. Prices ticked lower below the small red inside bar, and immediately reversed trapping those shorts that thought the breakout was going to reverse and go lower. This was another easy scalp, but no runners this time.

3) This was a failed break below a double bottom in a trending market, so this is a great place to "buy low." This was a quick and easy scalp due to the trapped longs, but no runners this time.

4) This was a breakout pullback short, and it was another easy and quick move down for almost three points, but prices quickly reversed once reaching the trend line.

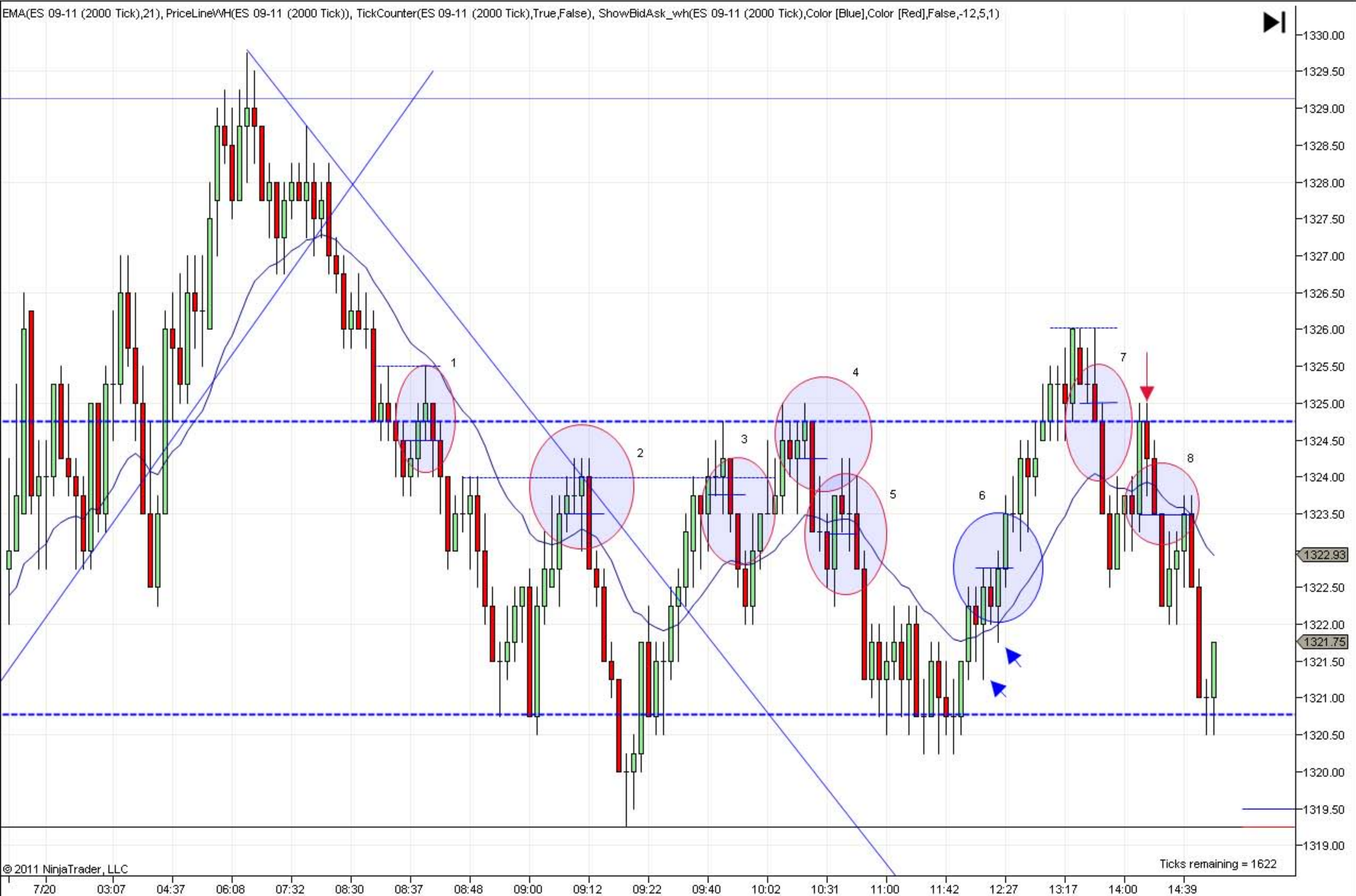
5) This was a breakout pullback long after prices had bounced 3 separate times off the trend line. This easily confirmed that the trend line was valid, so we are looking for a chance to get long off of it. This was an easy scalp, but no runners this time. This was also a fade of a failed 2nd entry short coming off the EMA, so there were likely to be trapped shorts that had not yet realized the uptrend was resuming again.

6) This was a 2nd entry long following a two-legged pullback to the EMA/Trend Line. Notice too that there was a one tick failed break lower below a double bottom and prices immediately reversed and closed almost back at the high of the bar. That bounce was fast and in only a few moments prices had reversed and were moving higher. If you saw this happen in real time, then you know how quickly this reversal was, and that is what rejection looks like. When you see rejection of prices at key support/resistance points, you have to be quick to enter if the set up is there, or you are likely to miss a great trade. As you can see, this was a key entry point and prices quickly exploded higher after this point. Any runners were easily safe too and worth as many as 10+ points.

7) This was a very close to a repeat pattern to trade 2, but it was also a two-legged pullback to the EMA in a trending market. Lastly, it was a one tick failed break lower below a small support area. This was another very quick scalp and our runners were safe again here too and worth multiple points!

8) This is simply a larger two-legged pull back to the EMA in what is now a strongly trending market again. Notice the failed break lower below the double bottom as well. Again, it was a strong move higher from this point and our runners were safe here too and worth several points!

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Daily Comment: Today was a range day from the open to the close with prices remaining in a 7 point range. Prices actually opened in a down trend only to find support near the 1320 area and then prices just bounced between the highs and the lows of the range for the remainder of the day. While it's difficult to catch any large runners on a day when the market does not move, range days like this are still very easy days in which to scalp in and out of the market if you understand and follow our price action rules.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a fade of a double top that formed at the EMA during a pullback in what was a downward trending market at the time. This is also a breakout pullback short set up. This was a good 4 point move down to the lows where prices found another double bottom and bounced. Most double tops and double bottoms, especially when forming counter trend, reach at least a scalper's profit and many times much more.

2) This was simply another double top that formed at the EMA and trend line, with the bonus of a one tick failed break higher above both the double top and the trend line, which likely trapped weak longs that don't understand how price action works. This was also a 2nd entry short. If you missed going short here because of the doji, then you definitely should have still entered two bars later below the large bearish bar, as it was obvious that the bears were still in charge and prices were likely going lower.

3) This was a 2nd entry short at the double top again, making it a triple top now. Again, we had a tick or two move higher than immediately reversed trapping longs again. Notice how quickly prices dropped by 6 ticks, giving us an easy scalp off the failed break higher. Notice too that there were two attempts to go higher at the high that both failed. When prices broke above the triple top and immediately reversed lower, this was a great place to get short. The reversal bar actually closed as a doji, so it appeared as if the short was going to fail, but when the next bar opened, it began moving lower immediately and closed as a bearish bar with a new low. This was an easy scalp, but no runners on this trade. Remember too, we had a down trend going and this was the first real break of the trend line, so a retest of the low is likely at a minimum, so that contributed to our reasoning for looking for shorts on both this trade and trade #4.

4) This was a 2nd entry short (counting off the low) and a double top at the strong resistance area once again. This time we got a clean double top, so that's likely to yield at least a scalp, which it did. However, our runners were stopped out quickly on this one. Notice how strong that break lower was off the double top. That's a sure sign that there were trapped longs that had to exit, and that's why the market drops so quickly and easily, because the selling quickly escalates as the longs start selling out their long positions.

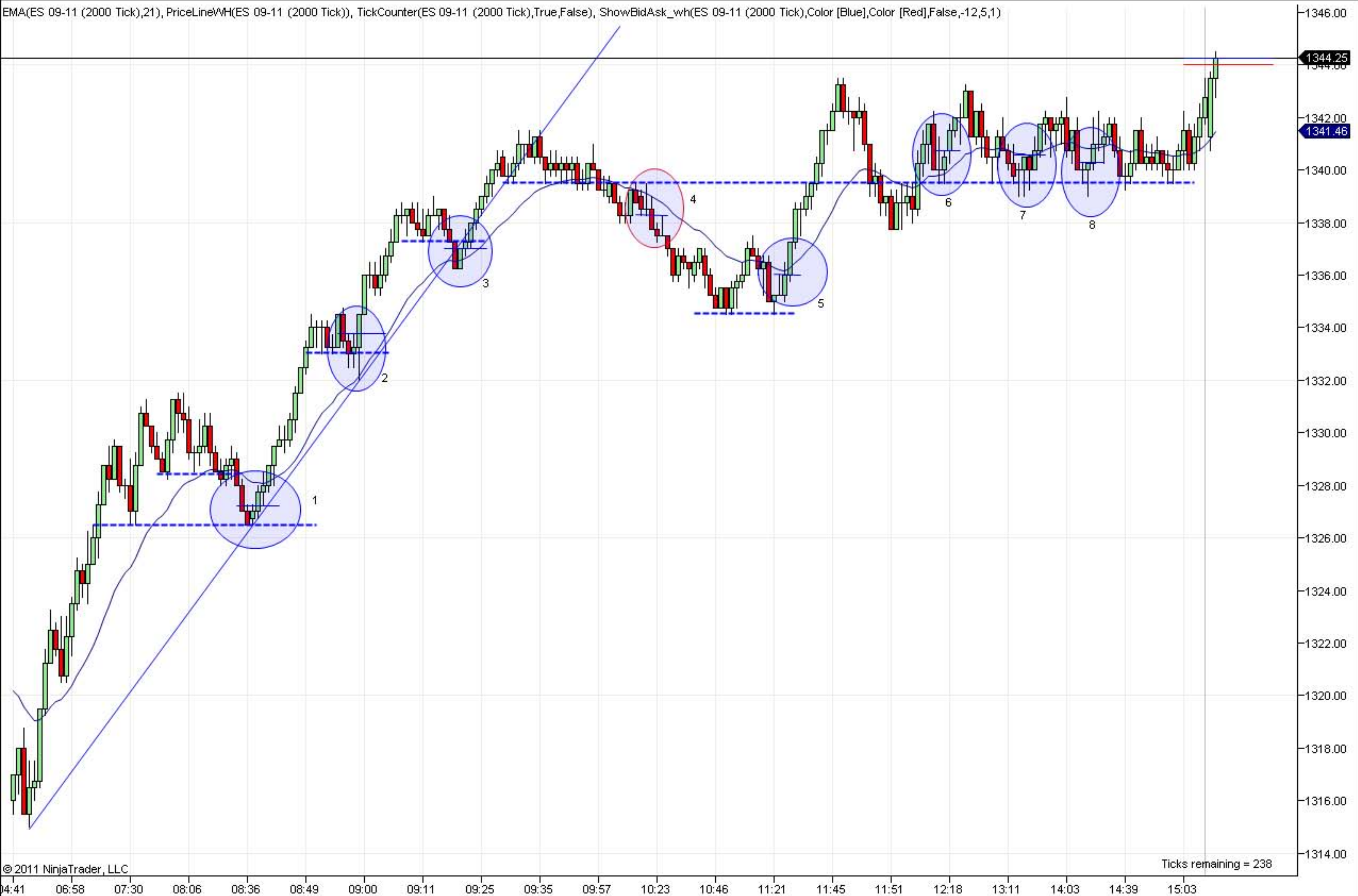
5) This was a 2nd entry short coming off a double top and a much broader triple top. It took this trade a few minutes to get moving, but once prices broke lower, it was off to the races to the low side of the range again. This was about a 3 point move down before prices rallied.

6) Prices bounced off the low side of the range again, but were stuck in a 2 point congestion area for a while before the buyers finally came back strongly again. Normally we want to catch the bounce off the low, but there were just too many overlapping bars for a decent entry down there, so we had to wait for a better pattern which finally came in the form of a breakout pullback long. Notice that there were two tries to go lower that both failed, trapping shorts, so that gave this trade a huge lift higher once it triggered. I noted the failed 2nd entry short and two tries to go low with arrows. Our runners were safe here and worth a couple of extra points too.

7) This was another reversal at the high of the trading range, and while price did push slightly higher this time, it was nothing more than a failed break higher. There was absolutely no reason to be thinking long here with all the overlapping bars and the fact that prices were so far from the EMA, but going short was questionable too until we got the huge bearish reversal bar off a double top. This was a very quick move down to a scalper's profit, but any runners were stopped out rather quickly too!

8) This was a 2nd entry short following a reversal on a failed 2nd attempt to go higher above the high of the trading range. This was also another smaller double top that formed at a strong resistance area. The first bar (below the red arrow) had a red body, but it had a long stem too and was an inside bar, so it was better to wait on a more bearish bar before entering short, so that's why we waited an additional bar before entering. This was another easy scalp, but no runners here either!

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Daily Comment: Today the market trended into the Noon hour and then went into a tight trading range. Although most traders will struggle with the trend trying to sell the highs, yet getting it wrong, they will also struggle with the ranges getting trapped by entering short at the lows and long at the highs. If you understand price action, the trends become much easier to trade and the ranges become easy money.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a fade of a failed break below a double bottom that actually became a larger double bottom. Prices were very likely to pullback from our entry point to at least test the previous break below the first double bottom, so that move alone would give us enough room to scalp out, but if the double bottom holds, we could get much more out of the trade. It turns out this was one of our daily "key" entry points, and most key turning points come at important sup/res areas. Our runners were easily safe and worth as many as 15+ points in less than an hour.

2) This was really nothing more than a two-legged pullback to the EMA in a trending market, and that's one of our favorite patterns that makes us more money than any other set up. This was also a failed break lower out of a congestion area and a perfect turn off our trend line confirming that the line was indeed valid! Runners were safe here too and worth another 7+ points.

3) This was a repeat pattern to trade 2 in every way. Any time you see a pattern work once during the day, if it occurs again, it's very likely to have the same outcome. This was another 4 point move.

4) This was a breakout pullback short, but it was a fade of a failed 2nd entry long that created a small double-top on a retest of the breakout area. While it's very small, this is simply a two-legged pullback to the EMA in what is now a small downtrend, with a 2nd entry short following a failed 2nd entry long that likely trapped long traders. This was another 4 point move down before there was any real correction.

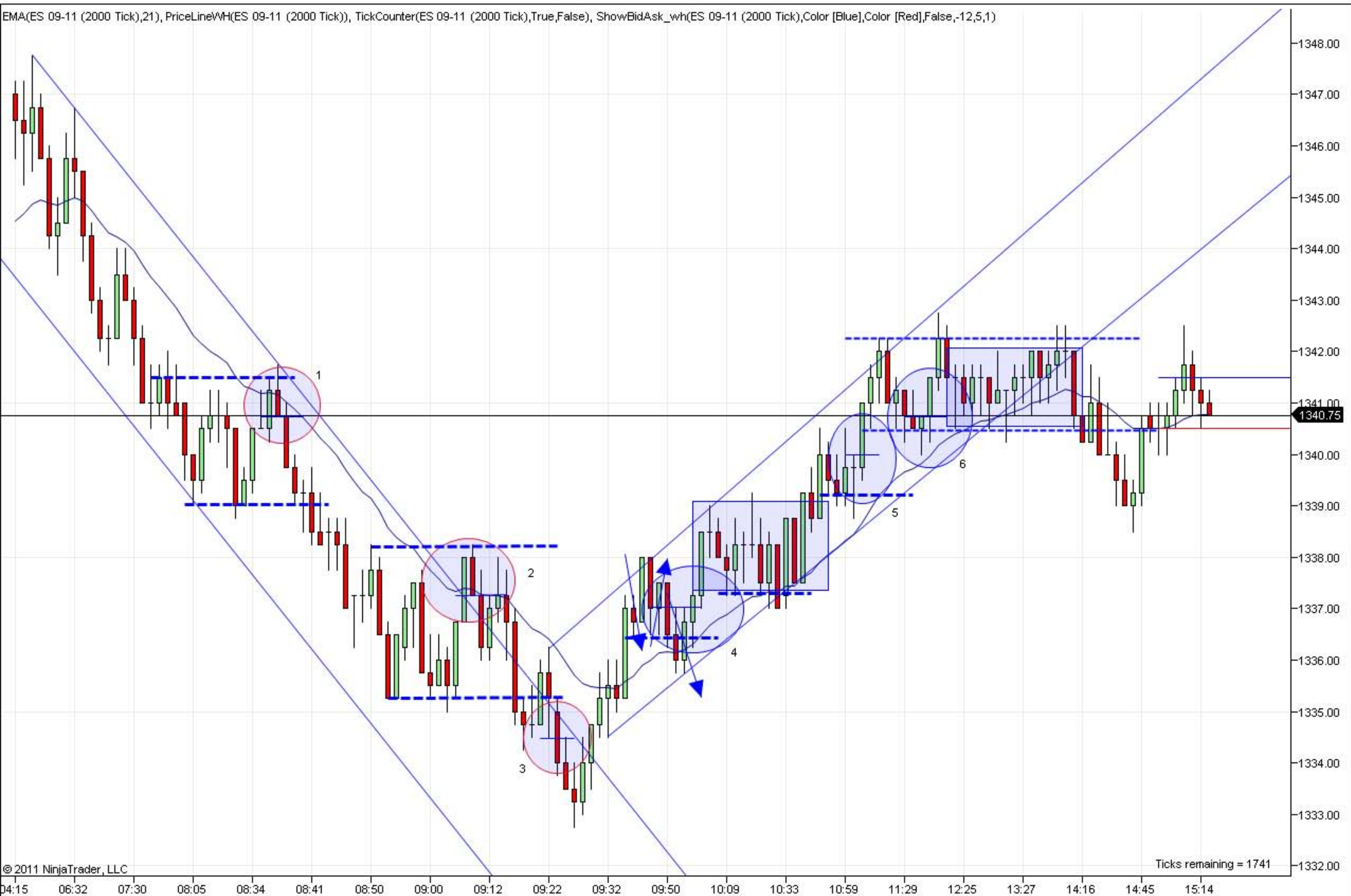
5) This was a great 2nd entry long coming off a double bottom that was nothing more than a re-test of the breakout area back near trade 2. Breakout areas almost always get re-tested, even in strong trends like today. This one was a good one because there was also a trap. Notice the one tick failed break lower that immediately reversed turning into a 2nd entry long. This was another of those key entry points that we hope to catch. Prices raced higher from here and any runners were worth an easy 7 points.

6) This was a 2nd entry long following a failed 2nd entry short with prices pulling back to the EMA. The trend was still up at this point, so we are still looking for long set ups. We had a trend line break with a new high on a retest, but most new highs after a retest in the ES have two legs, so I was actually expecting another leg up at this point. However, prices simply became range bound after this, but there were several nice 2nd entry longs off the low of the range.

7) This was a 2nd entry long following a one tick failed break below a double bottom. Notice too that there were two attempts to go lower below the double bottom and both failed, so prices are likely to yield at least a scalp in the other direction if the 2nd entry triggers. No runners on this trade or the next one.

8) This was a repeat trade to trade # 7, which was a two-legged pullback to test the low of the range again, making this another 2nd entry long off a strong support area. There were also some opportunities to sell the highs of the range too, but the support area was much clearer and the trend has been up, so any break out is biased to the high side for a likely successful breakout at this point.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)

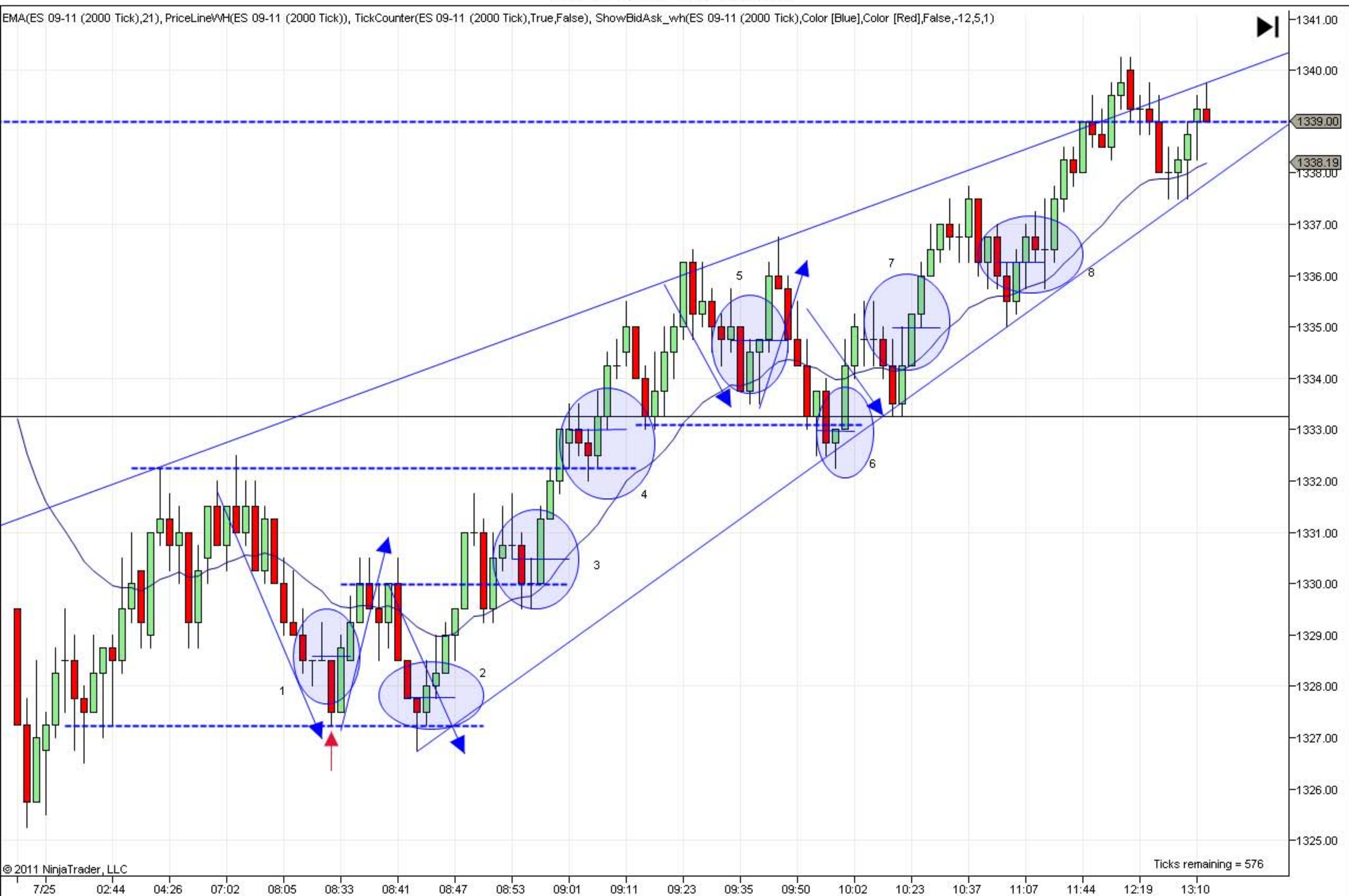


Daily Comment: Today was a very slow and low volume day with only a few decent entries. Notice that there was a down trend in which the trend line was broken, followed by two legs down to a new low and then a reversal. I would describe today as a range type day overall, but prices were trending down until we got a reversal pattern and then they traded up until the volume dried up around lunch time.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a fade off a double top during a pullback to the EMA and Trend Line in a downward trending market. This is a form of a two-legged pullback as well, and that's one of our favorite patterns. This was a great entry and our runners were worth multiple points.
- 2) This was simply a repeat pattern to trade #1. This one hesitated at 4 ticks, so it's possible you were not able to exit prior to the pullback. I was actually able to get filled on my limit order without prices having to tick through my exit order, but you do not always get that lucky. That is one of the advantages of using automated strategies, as my exit order was entered immediately upon the execution of my stop entry order, so I was early in the queue with my exit order. The longer it takes you to enter an exit limit order, the further back in the queue your exit order will be, and occasionally that can be a factor in a trade. Orders are actually filled on a first in, first out order in the ES. As long as you kept your stop above the double top on this trade, it was a mute point anyway, as you would have survived the small pullback.
- 3) This was a breakout pullback short during a pullback to the EMA. The previous bar was too bullish to enter below, so we needed to wait on some sign of bearishness before entering short here. While there was some stem on this entry bar, it was still a form of a bearish reversal bar and a break below it was indicate further weakness. No runners this time.
- 4) This was a two-legged pullback to the EMA after a strong move up to a new swing high. We had also had a trend line break and successful two-legged retest with a new low, so a reversal was likely now. I used arrows to help you see the two legs back, although if you were to look at a smaller time frame, the two legs would be very clear, and that makes this a 2nd entry long as well.
- 5) This was yet another two legged pullback to the EMA on a breakout pullback long entry. There was also a failed break below the small support area that had formed, making this a fade of a failed break lower as well. Prices were slowly chopping higher now and trading in a channel. I found the lower trend line by finding the upper side first, then copying it and moving it to the low side of the price action, and as you can see, that created a channel and gave us a great picture of where we would need to be looking for longs.
- 6) This was another two-legged pullback to the EMA in an uptrend, making it a 2nd entry long. Notice that there was a failed 2nd entry short and a failed break below the double bottom too. There were likely trapped shorts on the failed breaks lower to help push us higher when prices reversed. Lastly there was a bullish reversal type bar to go long above following the failed break lower.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Today was another slow and low volume day, but it was still a choppy uptrend for the majority of the day. This is a wedge type pattern, which often become reversal patterns, so be aware of that fact. There was a huge overnight gap when the regular session opened at 8:30 AM CST, and prices spent most of the day working higher in an effort to fill the overnight gap that was left when the regular session opened.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a reversal off a previous support area creating a broader double bottom. Note that there were three overlapping bars and two were reversal dojis that went nowhere, so this was a small congestion area forming at the low of a strong support area. When the next bar broke lower (noted by small red arrow), and immediately reversed, that was a chance to get long off a double bottom. Most double bottoms and tops normally will give you at least a scalper's profit, and this one was no different, although no large runners. Your best entries will normally be at strong support/resistance areas like this, as most people are distracted by the move up or down and are thinking of joining the current move, when you should be thinking possible reversal and entering in the opposite direction.

2) This was a 2nd entry long coming off a double bottom that had already turned prices a couple of times previously. Notice that this is both a 2nd entry long off the small double top, but is also a 2nd entry long on a bigger picture, which I marked with arrows in case you need help seeing that pattern. Remember, the key behind second entries is to try and find two-legged moves that will see prices reverse and attempt at least two legs in the opposite direction. This was one of those key entries that gave us an easy runner, so we were long from only a few ticks from the low of the day, and if we held on, those runners were worth 12 points or so.

3) This was a 2nd entry long following two legs back to the EMA. There was also a failed 2nd entry short that created a higher high, so there were likely to be trapped shorts here, and that's what we are counting on to push our trade higher if prices can indeed reverse. This was a form of a breakout pullback long too. It looked like prices were setting up a reversal off the double top, but that didn't happen, and prices went higher. Any runners were worth 5 points or so.

4) This was a breakout pullback long. Prices are making higher highs and higher lows now and continuing to work higher. This was an easy scalp, but no runners this time.

5) This was simply another two-legged pullback to the EMA in a trending market. This is our number one money making pattern and it rarely fails to reach at least a scalper's profit, and many times, much more.

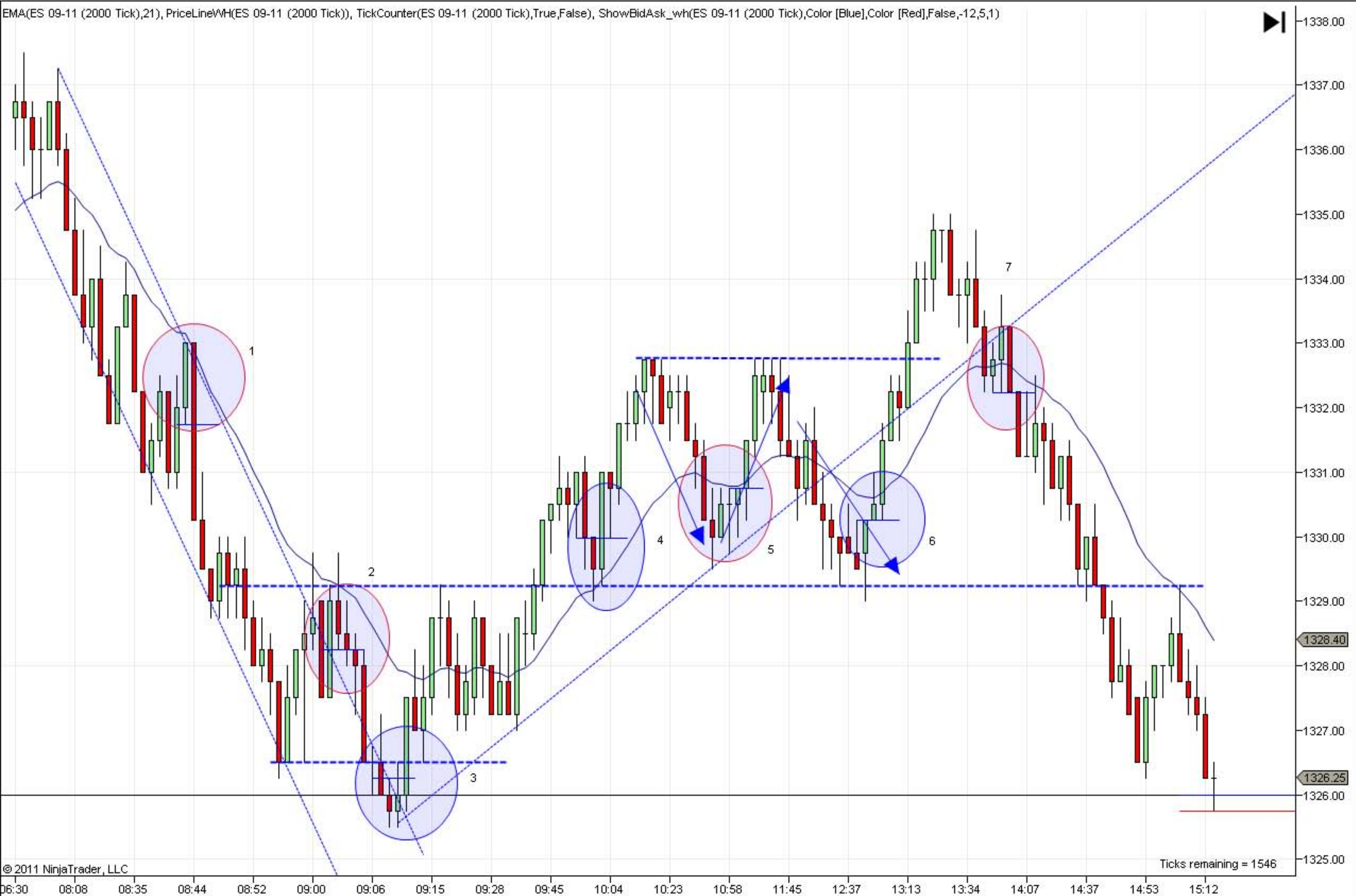
6) This was a two-legged pullback to the trend line in an uptrend, making it a 2nd entry long on a larger time frame. Again, I noted the two legs with arrows to help you see them. There was also a failed break below double bottom that reversed quickly leaving us a bullish reversal type bar to go long. This was an easy scalp, but no runners here.

7) This was a 2nd entry long coming off the failed break lower. The previous low back at 6 was a possible swing that set our trend line, and when prices bounced off that line here, that was confirmation that the trend line was indeed in play. This move was good for nearly 3 points, but again, prices pulled back and took out our runners.

8) This was a breakout pullback, 2nd entry long following a 3rd reversal and bounce off our trend line. If you didn't get long here, you definitely should have gone long 3 bars later when prices pulled back temporarily only to push higher once again, as that then became a 2nd entry long off the low, and an additional attempt to break lower again, and any time the market attempts something twice and fails, it's likely to succeed in doing the opposite.

There were some additional set ups after trade 8, but the volume continued to dwindle and things slowed down considerably, and it's my experience that it's not worth risking trades late in the day when volume and movement is slow.

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Daily Comment: The volume continues to be low in the ES, but even so, there was still enough movement to get a couple of money making trends. Even on short term trends like today, you can usually still find the trend line and follow our trend line rules for retests.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a classic two-legged pullback to the EMA in a market that was making lower highs and lower lows. That's makes this a 2nd entry short with a reversal off the EMA. This was a great entry and prices dropped quickly with our runners easily surviving for as many as 6+ points.
- 2) This was a 2nd entry short coming off a double top during a pullback to the EMA and trend line. Prices were able to break above our suspected trend line here, so any new low could see a reversal so we must be thinking in those terms on any new shorts. This was another easy short, but no large runners on this trade.
- 3) This was a 2nd entry long following a failed break below the double bottom and a failed breakout pullback short, that was also a failed 2nd entry short. This is where our best trades will almost always occur, because so many weak hands enter at these breakout areas and get trapped on the wrong side of the market. Unfortunately we didn't catch any big runner, but it was a quick and easy scalper's profit here.
- 4) This was a breakout pullback, 2nd entry long. Prices are making higher highs and higher lows now and continuing to work higher. This was an easy scalp, but no runners this time either, as the market has just not had the volume to generate any sustained move for very long recently.
- 5) Notice on this entry that prices attempted to go lower twice, bouncing right at the trend line both times. Remember our rule... any time the market attempts something twice and fails, it's likely to succeed in going much further in the opposite direction, so this gave us an excellent entry point at the low of a pullback that tested the trend line two separated times reversing prices both times.
- 6) This was a two-legged pullback in an uptrend, making it a 2nd entry long on a larger time frame. I noted the two legs with arrows to help you see them. There was also a double bottom that formed on a retest of the previous breakout of the 1329.25. The market had now tested that level three times, and was quickly followed by a strong bullish reversal bar to go long above. This was one of those key entries, as prices moved quickly higher for about 5 points before reversing again.
- 7) This was a fade of a failed 2nd entry long coming off a failed break higher above a double top and after a trend line break and a successful two-legged move to a new high. The previous low back at trade #6 broke our trend line, so we should be expecting a possible reversal after any successful retest. This was yet another key entry with our runners going for around 6 points.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Finally, a strong trend day with plenty of volume. These are the kind of days where we get a chance to make money with multiple strong runners, so when you get this kind of day, take advantage of it!

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a classic two-legged pullback to the EMA in a market that was trending downward strongly. That's makes this a 2nd entry short on a reversal off the EMA, which is one of our favorite patterns. This was a key entry point, as any runners were easily safe from the high of the day and depending on where you exited, they were worth as many as 22 points. That's \$1100 per contract on any runners!

2) This was another 2nd entry short coming off a double top during a pullback to the EMA, making it another two-legged pullback to the EMA in a strongly trending market. Our runners were safe this time too and good for another 19+ points each.

3) This was the 3rd consecutive two-legged pullback to the EMA in a trending market, making it another 2nd entry short during a pullback to the EMA. This is where your best trades will almost always occur on trending days, compared to most of our better trades being failed breakouts on range type days. Our runners were safe this time too and again worth a lot of points depending on where you exited them.

4) This was yet another pullback to the EMA, and while it did not consist of two legs, there was a double top that formed right at the EMA, making it a 2nd entry short off a double top during a pullback to the EMA in a trending market. This was an easy scalp, but no runners this time.

There were actually a few other entries between trades 1 and 4, but with the textbook entries off the EMA and our runners surviving almost every time, there was no need to take additional entries, although it's usually wise to look for any reason to enter with trend on a strong trend like the one we had this morning.

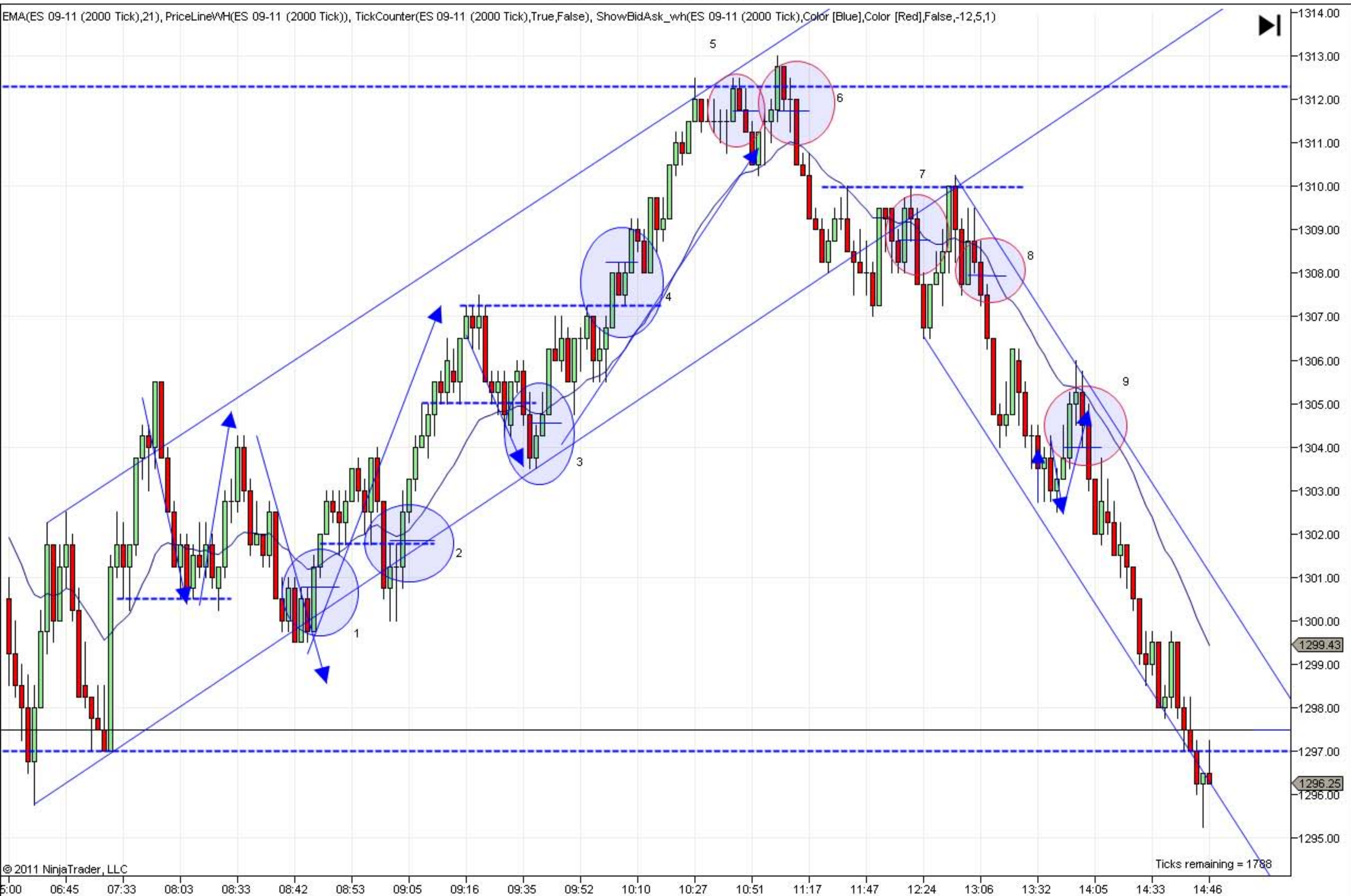
5) Normally you will not find a good counter trend entry like this right at a trend line on a strong trend day. However, this one was special, so it was worth mentioning. Notice how bullish the move up off the double bottom was, with prices moving strongly straight up in a single move. When you see a move that is that strong, the odds of a 2nd leg are very good. Another clue was the small two legged pullback to the EMA after the strong move up to a new high. That's a two-legged pullback to the EMA and they are almost always good for a scalp. However, there was also a small short trap (noted by the red arrow) that quickly reversed into this long trade. Even though we got a measured move in comparison to the first leg off the double bottom, the second leg consisted of two legs, and the small correction between them took out our runners, so all we got was an easy scalp out of this entry.

6) Prices were just too choppy to make it worth any entries from 10:30 AM until about 1:00 PM unless you were simply fading the highs and lows of the trading range, but with such a great day by 10:30 AM, it's normally not worth it to trade during any congestion or consolidation phase like this. Trade #6 is a breakout pullback short, but there is also a small two-legged pullback to the EMA, making this another great 2nd entry short set up at the EMA in a trending market. No large runners here unfortunately.

7) This was a 2nd entry short coming off a double top on a 2nd attempt to test the resistance area @ 1311.50. Any time the market attempts something twice and fails, it's likely to succeed in moving much further in the opposite direction, and this is a great example of those odds when a strong trend is in progress as well. Prices dived quickly and any runners were easily safe here and worth as many as 11 points.

8) This was a triple top and a failed break above a double top, but more importantly, it's a two-legged pullback to the EMA in a trending market, making it a great 2nd entry short in one of our favorite patterns. Again, our runners were safe here too and worth multiple points.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: While today saw some strong movement to the upside early on, prices reversed and took all of it back by the close today, making this nothing more than a nice daily trading range of about 15 points. However, there was enough movement in both directions to get a great tradable trend both on the way up, and on the way back down. If you know and understand our price action rules, it was a great trading day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) 1300.0 is a key area for the S&P and it is one of those psychological even numbers that become important in a market, although that alone is not enough reason to take an entry in either direction. However, if you find a price action reason to enter at one of these areas, that gives the number additional merit and that was the case this morning. The 1300 level actually held yesterday afternoon, and although prices worked below that in the overnight session, they were back above that level by the regular market open today. When prices pulled back to that level again with an almost perfect two-legged pattern and then reversed higher right at the suspected trend line, that was a great place to get long. It was a failed break lower below the double bottom as well, so that gave us more than one reason to enter long here. Unfortunately, prices pulled back and got our runners on this one.

2) This was a failed break below a double bottom that reversed right at the trend line again. Notice that it was a higher low than the previous low as well, so the bears were weaker and the buyers were stronger this time back. With the failed break below both the double bottom and the trend line, there would very likely be trapped shorts here to help drive us to at least a scalper's profit. This was one of those key entries that happen at a strong sup/res area, this support area being a trend line. This was an easy scalp and any runners were worth as many as 11 points depending on where you exited.

3) This was the 2nd entry long following a two-legged pullback to the trend line that bounced to the tick. Notice too that there was a second reason to go long here, as there was also a failed break below the double bottom that formed that gave us an additional reason to enter long. This was an easy scalp, but no runners on this entry.

4) This was a breakout pullback long. The leg up off the low around trade 2 was very strong, so another equal leg up is a strong possibility. It took this one a few minutes to follow through, and prices did come back and take our runners as well, but all the same, it was another easy scalp.

5) 1312.25 was former resistance on a double top during yesterday's trading, so when a double top formed at that same area, it was a great place to get short. Price had also slightly broken above the upper trend line now and a double top or bottom at an important sup/res area is almost always good for at least a scalp at a minimum. In this case, we got just enough to make an easy scalp, but no runners.

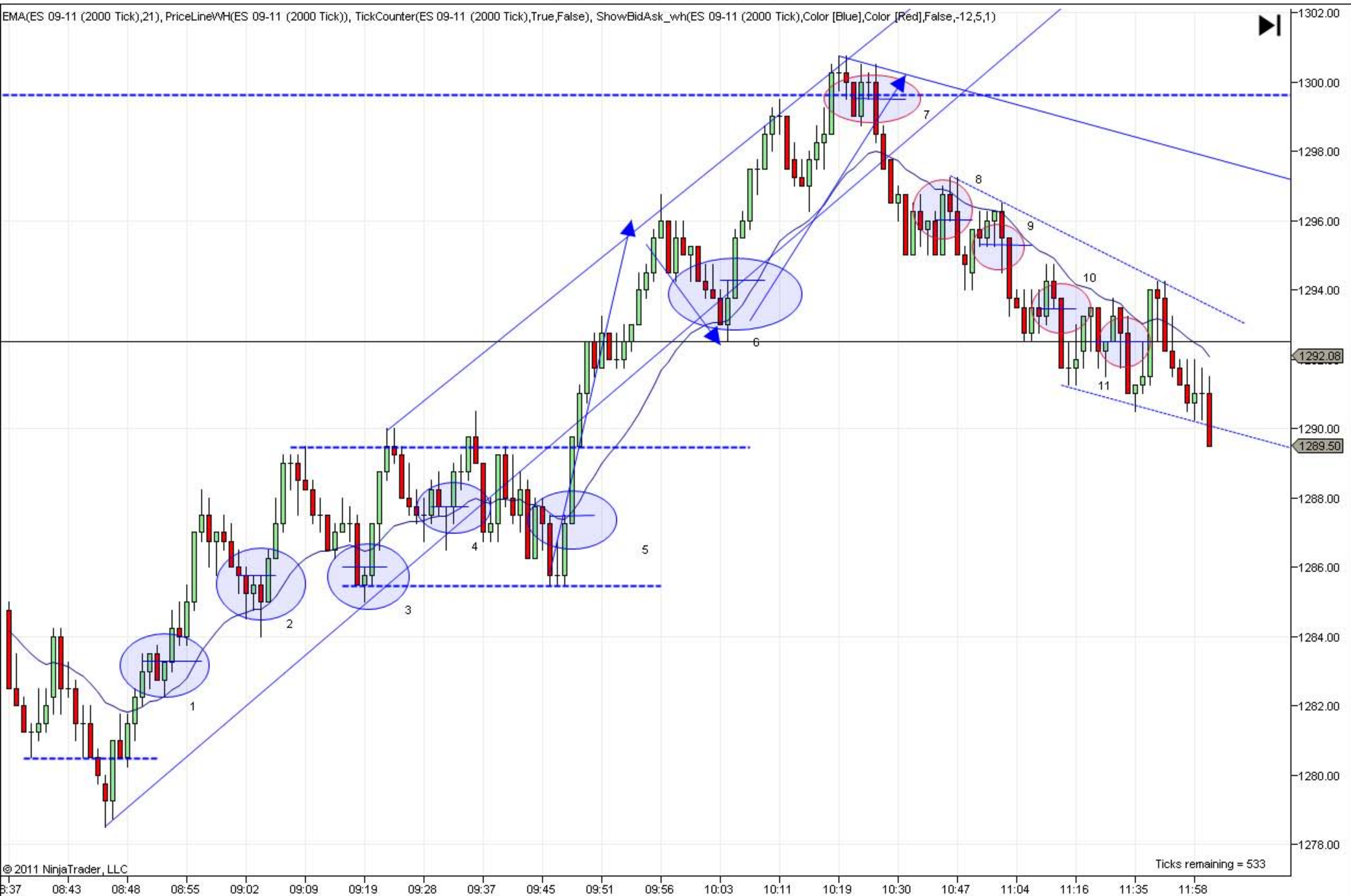
6) With the small double top that formed today at 1312.50, we now had a double top on today's chart, but we also had a much broader double top that had now turned prices lower here on multiple occasions, so when prices broke above the double top and immediately reversed, that was a great place to get short. This was another key entry at an important sup/res point, and if you caught it, any runners were good for as many as 16 points! If you are not taking fade entries at key break out areas you are missing some of the best opportunities in trading. If you don't take any other fades, at least take the ones like we had at the low and high of the range today (the ones at the stronger sup/res areas) if you get a set up, because those are very low risk and the reward is often very big with the ability to use a very small stop.

7) This was a two-legged pullback to the EMA that formed a double top, which makes it a nice second entry short at the EMA. We know that most double tops/bottoms will reach at least a scalper's profit, so we want to take most of them if there is a decent set up to go with it. In this case, a scalper's profit is all we got though, as our runners were quickly taken out.

8) This was a 2nd entry short following a failed break above a double top. This is also a repeat pattern to trade 6, except we got a 2nd entry on this one. You could have entered short 3 bars earlier, but that bar had a large tail on it and that made the set up a little suspect, so there was nothing wrong with waiting for a better set up, which came quickly with this 2nd entry. If you got short here, this was yet another key entry as prices raced quickly lower and any runners were worth as many as 13 points! Our runners really paid off well today!

9) This was a pullback to the EMA and trend line in what was now a falling market. I was expecting that prices would at least pullback and test 1300 again if this was going to be a range day, which is how it was shaping up. This is a good as a double top, but it's also a form of a two-legged pullback as well. It was a little too risky to enter below the doji that turned right at the suspected trend line, but when prices tested the line again on the next bar and turned lower, a break below that low would be a bearish sign, so that was a good place to enter with enough room to scalp out before reaching the low again. Unfortunately, no runners this time though, as prices bounced quickly and took out those stops.

EMA(ES 09-11 (2000 Tick),21), PriceLineVH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Today was another great trading day with multiple entries and plenty of opportunities to make money. Today was eerily similar to the last few trading days in that the market rallied strongly early only to sell off again later in the day. There were easily a dozen good trades before 10:30 AM CST today, but due to the limited chart space, I only marked the best 11 trades that occurred through lunch today. If you know and understand our price action rules, there is no reason you should not make an enormous amount of money on days like this.

Notice that there was a trend line off the first two "low" bars of the overnight that set the trend line for the morning. There was a break of that trend line at trade 5, followed by two measured legs up to a new high, and then a reversal. You need to learn to see the bigger and smaller pictures on a chart to notice these things at times, as the two legs are not smooth straight legs. They consist of a swing or two up in each leg.

Lastly, notice that prices turned right at the 1300.0 area which was acting as support the previous few days, but now is acting as resistance, so that was a very strong clue as to a possible reversal in that area. Support on the way up, often becomes resistance on the way down and vice versa.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a fade of a failed 2nd entry short after a failed break below a double bottom. Notice how prices went well above the EMA, followed by a small pullback to the EMA that bounced the 2nd entry short leaving us a small reversal type bar that closed on it's high to go long above. This was a quick and easy scalp, and while it looked doubtful at first, our runners actually survived by a tick here, and they were worth as many as 6 to 17 points depending on where you exited them.

2) This was actually a two-legged pullback to the EMA in what was now a rallying market. There was also a small double bottom with the right side going slightly lower and then reversing, trapping shorts at the EMA. In addition, this was a breakout pullback, with prices retesting the breakout area twice and failing both times, and when prices attempt something twice and fail, they are likely to succeed in going much further in the opposite direction. This was an easy 3+ point move, but no runners here.

3) This was another two legged pullback, but this one came all the way back to the trend line, reversing on it to the tick, making it a 2nd entry long. This was another easy 3 point move, but again, no runners.

4) This is just another simple two-legged pullback to the EMA and trend line, with prices attempting to break lower below the EMA and trend line twice and failing. This was an easy scalp, but no runners here.

5) This was a fade off the low of a broad double bottom in which prices attempted to below a 3rd time, so we now had two attempts to go lower below a previous pivot point that failed, and that will likely send prices much higher. We got a nice reversal bar off the double bottom to go long above, but it was also a 2nd entry long, so we had a lot of reasons to be thinking long here. This was one of those key areas we look for to enter, and it was off to the races higher from here. Any runners were easily safe here and worth as many as 13 points.

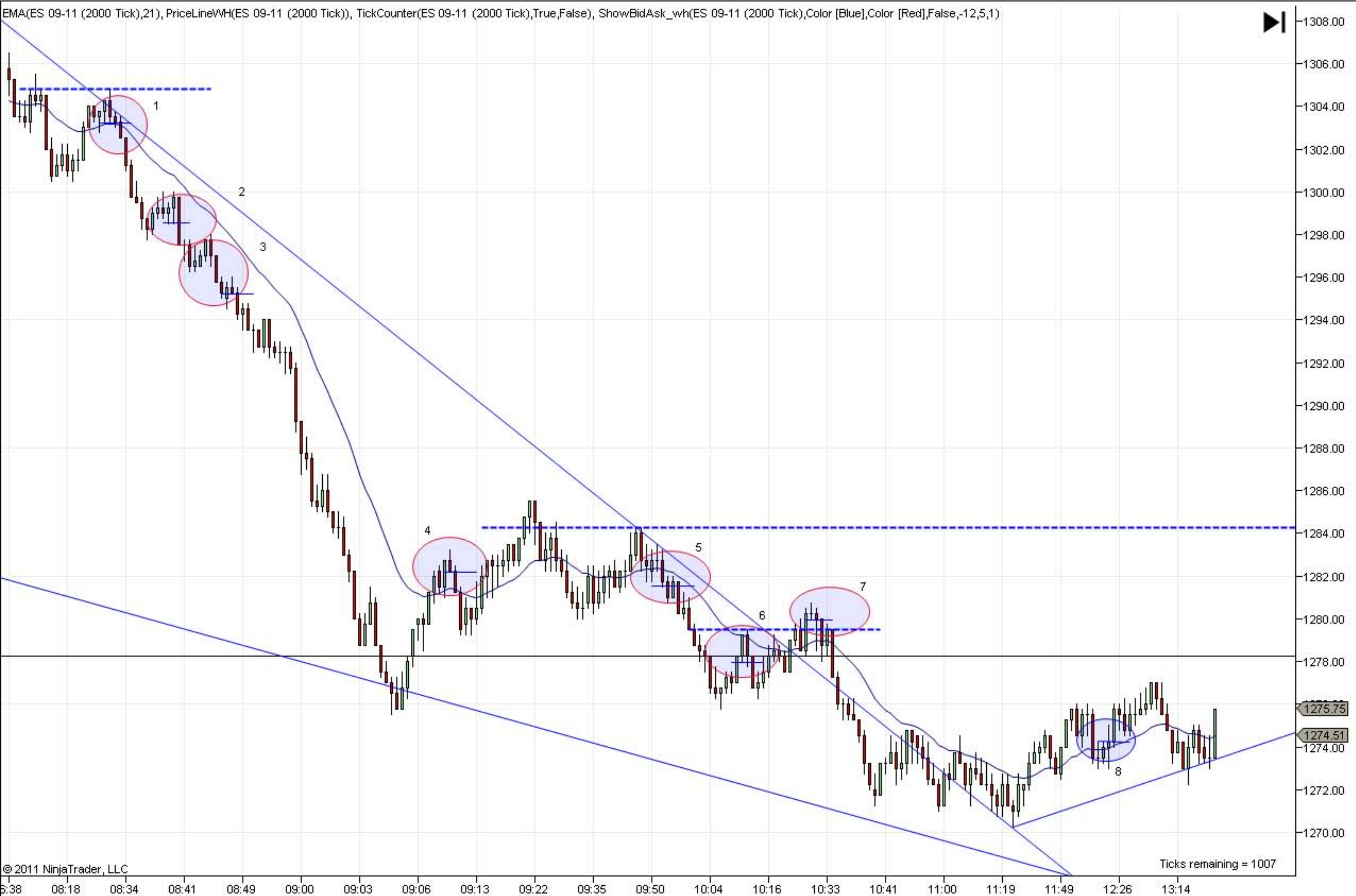
6) This was another two-legged pullback to the EMA in a trending market, but this one was much harder to see and takes some experience for most traders. Regardless, when the market is strong, most all pullbacks to the EMA will be a great entry, and this one was no different. In case you can't see the two legs, here is a hint. It would be very clear if you go to a smaller chart, but what you have is two legs down to the EMA and the first leg down actually has two legs within it. Can you see it? If not, go to a small chart and see if you can find it. Our runners were safe here and worth 6+ points.

7) Remember that we talked about the importance of the 1300 area in yesterday's lesson and the fact that 1300 was acting as support for us most of the day. Yesterday's support is likely to act as resistance on the way back up to test it today, so when we got a nice long trap and a reversal set up at that level, it was likely to be good for at least a scalp, and maybe more. Notice that there was a 2nd entry long, but it happened well before prices ever pulled back to the EMA or trend line, so that made it suspect. When prices quickly reversed, that trapped weak longs and those trapped longs had to start exiting and you can see how that quickly drove the market lower. If you caught this entry, it was straight down for about 5 points, but our runners were also easily safe and worth as many as 10 points depending on where you exited the trade.

8 - 11) All four of these entries are nothing more than two legged pullbacks to the EMA in a downward trending market. Notice that the market is making lower lows and lower highs and all of the bars are now below the EMA and turning on any pullback to test it again. While there are no big runners on most of these, all are quick and easy scalps and that's why we call this our bread and butter pattern. It works very well with very few failures and we make a lot of our money off these set ups. If you missed any of these, go back and see if you can see the two legs back each time, as that is the key to these set ups.

ES 09-11 (2000 Tick) 8/1/2011

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Daily Comment: Today was an interesting trading day that started out with a bang. If you got short early, you were likely done with your trading well before 9:00 AM CST today. Prices actually spent a large portion of the day in a trading range, but with such a strong sell off early, some consolidation after that is not to be unexpected.

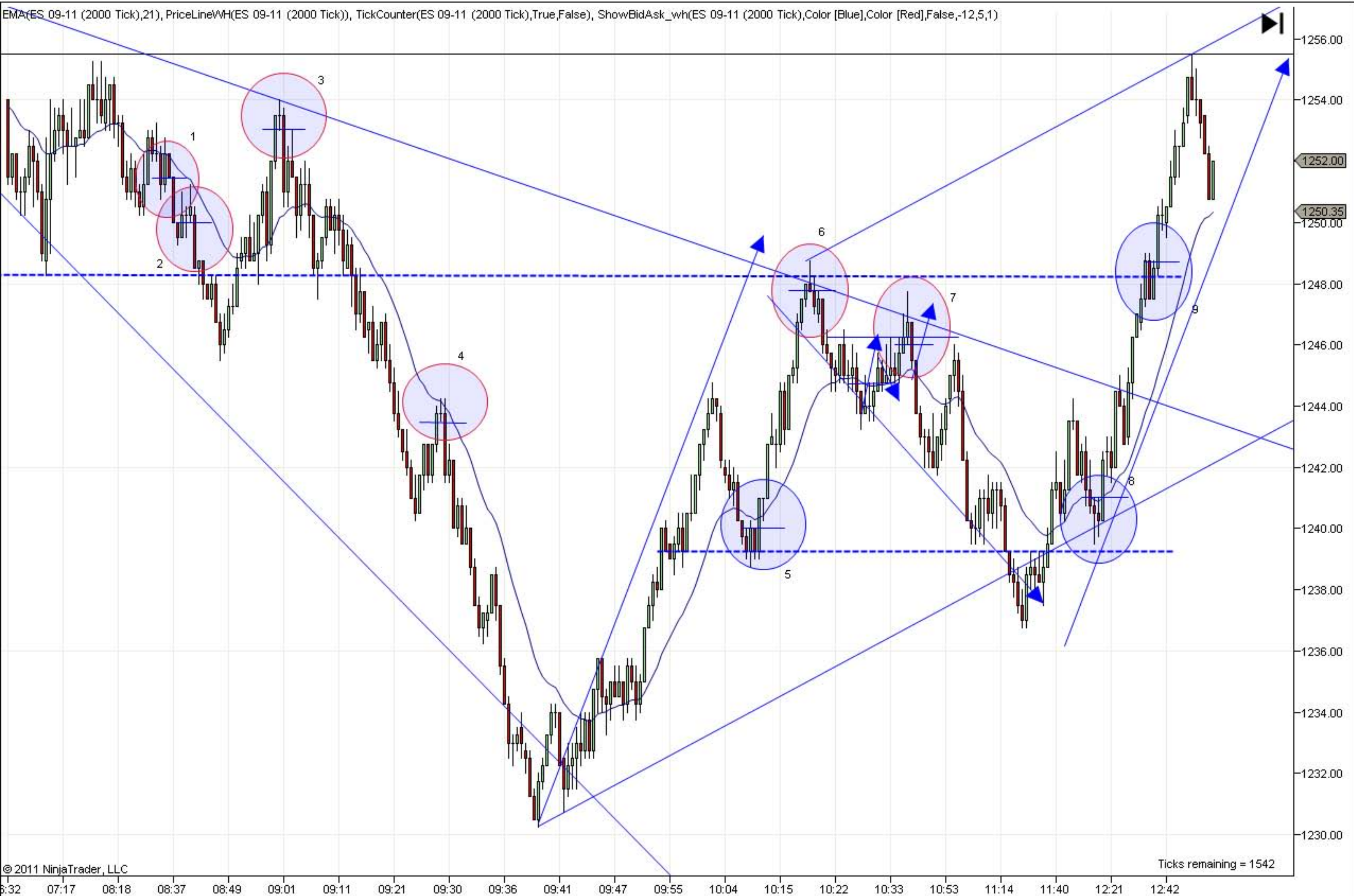
I actually marked the best 8 trades of the day today, but there were other obvious trades that could have been taken that would have been winners on the day.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a 2nd entry short coming off a double top and a small break out the high side of small congestion area that had formed at the EMA. This was a perfect trap during a pullback to the EMA and if you managed to catch this trade, it was easy sailing. Best of all, our runners were never challenged and they ended up being worth 20+ points with little or any pullback at all! A single trade like this was worth over \$1200 per contract.
 - 2) This was actually a two-legged pullback to the EMA in a trending market, and like trade #1, prices found a small double top and then turned down again, giving us a great 2nd entry short. This is also a breakout pullback short entry. This was another excellent opportunity to get short, because any runners were safe here too and they were worth about 25 points with ease.
 - 3) This was another small breakout pullback short and it was really about the last decent chance to get short before the huge sell off took place. Unfortunately, our runners did not survive on this one if you had them a break even. It was an easy scalper's profit, but by waiting until now to get short, you would have missed all of the nice sell off unless you chose to enter again, but there really was no safe place to enter without taking a lot of risk.
 - 4) This one was tricky and while there was a small tick lower that was good enough to be considered a 2nd entry short, prices had just sold off extremely hard, so a decent two legs of correction was likely, and this looked more like a breakout pullback long setting up than a market that was about to turn back down. However, when prices ticked higher on a breakout pullback long entry and immediately reversed back down, that was a great long trap, and it should be good for at least a scalper's profit, and we might even get lucky and find prices racing lower again. Unfortunately, this one was good for a scalp only and our runners were quickly taken out.
- If you got tricked into entering early on the short side here, don't let that bother you, as it takes experience to recognize some of this stuff. If you used a two point stop, you survived all the same anyway, but just barely. Just remember this... the market was too weak to be looking for a long and a good short had just not set up yet, so it's best to wait and be patient. If you were patient, then you were able to catch this trap and take advantage of it. Even though there were two leg's back to the EMA, prices got above that EMA and on the pullback of the first leg, prices ended in a doji, so there was no show of strength by the bears just yet. The market was overdone to the low side most likely, so best to just sit and wait for a trap that is almost sure to come soon.
- 5) This was a 2nd entry short following two attempts to go higher above the trend line that both turned on it to the tick. That's two tries to break higher above the trend line that failed, so prices are likely to succeed in going much further in the opposite direction, which is down. Notice that I waited for a more bearish bar before entering short since there were several overlapping bars and going short below a doji with overlapping bars is always suspect. Unfortunately, it was likely your runners were stopped out here.
 - 6) This was a breakout pullback short, but it was also another small two-legged pullback to the EMA in a market that was trending down again after a touch of the trend line. This was another easy scalp, but no runners here either. It was hard to see at this point, but prices were digesting the large sell off from the morning.
 - 7) This was a fade of a failed break above a double top and trend line. This was the first time all morning that prices were above to close outside the trend line, so we know that a retest is likely, so we just need to wait on the right set up. This is a repeat pattern to trade #4, as it appeared that a breakout pullback long was going to set up, but it quickly failed, trapped longs at the high near the EMA. This was a very quick and easy scalp, but no runners here either! ☹
 - 8) This was a two-legged pullback to the EMA, but more importantly, there were two tries to go lower below the EMA that quickly failed reversing prices higher again, so this was a small double bottom right at the EMA. There was a trend line break and a successful retest with a new low with more than one leg down, so a reversal was now possible. The short trap was the key to this one, and it was an easy scalp, but no runners of any magnitude here.

There were other trades today, but these were the best of the best prior to Noon. Most of you should have met your daily goal and been finished up by 9:00 AM today. Either way, it was another great trading day!

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Daily Comment: Today was a reversal type day. The market has been selling off strongly for the last several trading days, but prices finally found support after a sharp selloff this morning, and it was off to the races to the upside. The volatility has exploded recently, but that's also what makes us the most money. Without volatility, the market is slow, sluggish and choppy.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short during a pullback to the EMA, so this makes this a form of a two-legged pullback to the EMA as well. There was actually a failed 2nd entry long that likely trapped some long traders, so that pushed prices quickly lower and to a scalper's profit for us. No runners here though.

2) This is just another small two-legged pullback to the EMA in a down trending market. That makes this another 2nd entry short, but it would be much more obvious and easier to see on a smaller chart. This time our runners were good for about 5 points depending on where you exited the trade.

3) This was a chance to get short on a pullback to the trend line, and notice how prices turned on it to the tick validating that the trend line had some validity. The tiny doji right at the high was a very low risk short, as our stop could go a few ticks above it for a very low risk entry. The drop on this one occurred quickly, and I was out of the scalp in a matter of seconds. Unfortunately, prices pulled back and took out my stop on my runners.

4) This a text book two-legged pullback to the EMA in what was now a strongly trending market. This was a key entry with another small doji to go short below, so the risk was very small on our safety stop. Any runners were easily safe this time and worth as many as 13 points in a matter of minutes.

5) This was a nice measured double legged move back to the EMA. (Can you see the two legs?) Notice that prices tried to go lower twice but failed both times, creating a nice double bottom in what was now a market making higher highs and higher lows. This was one of those key entries off a strong support area (double bottom) and any runners were safe and worth about 9 points or so with little or no correction.

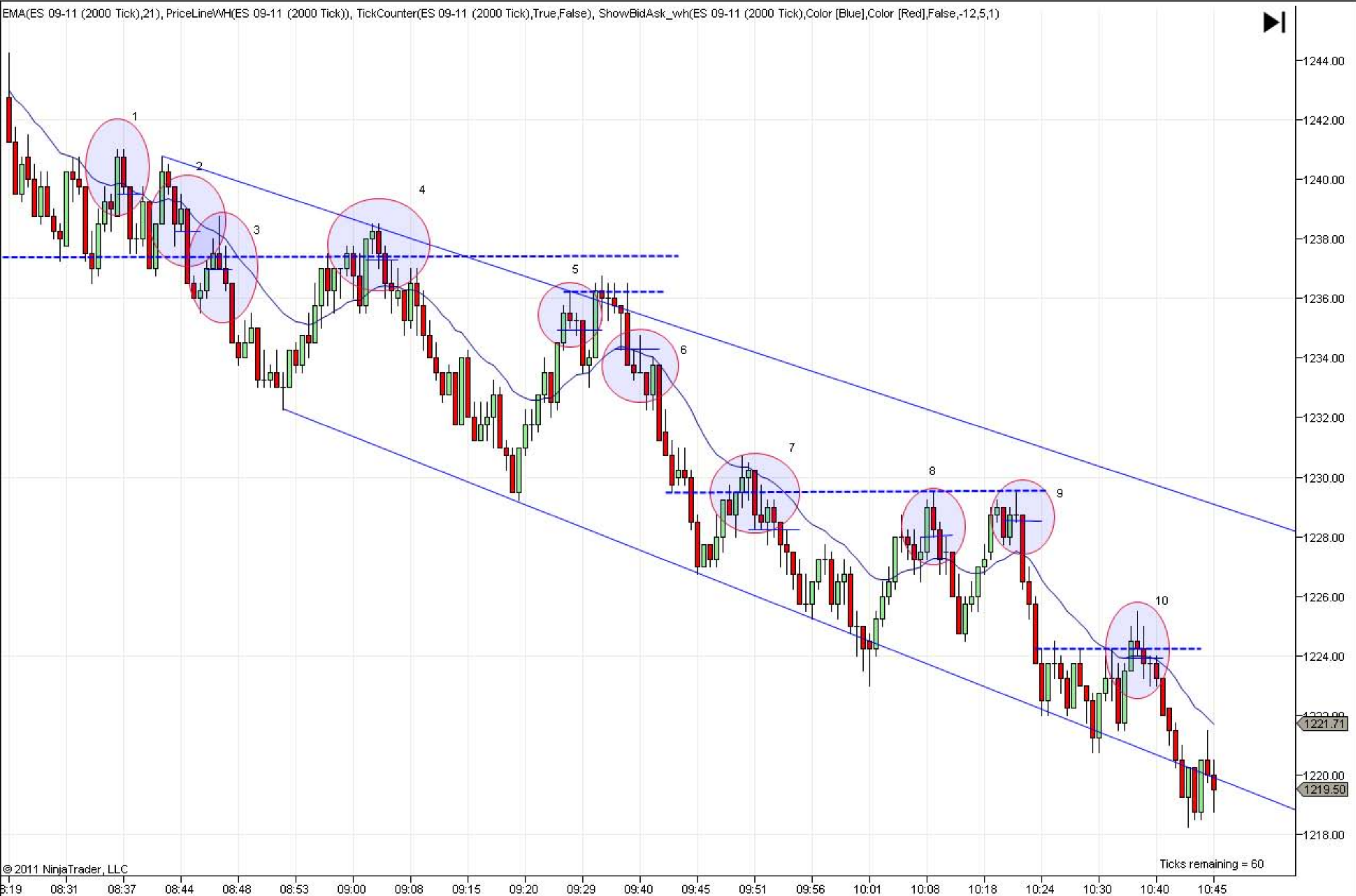
6) While this looked like a new trend to the upside at this point, this move up was simply a correction of prices in a strongly oversold market. Prices were coming back to test both the trend line and the previous support area near 1250 that was now acting as resistance. When prices turned right at the trend line after such a strong move up, this was a great place to go short. It takes nerves to enter here in a strong market, but that's what we must condition ourselves to be able to do. This was an easy scalp and our runners were worth several points as well.

7) This was a 2nd attempt to test the previous support area, yet prices could not even close anywhere near the last high, so the move up is now losing strength. Notice that this is a failed break above the small double top that immediately reversed turning lower. This was a quick and easy 4 point drop, but prices came back and took out our runners if you didn't cover them on the bounce. Notice too that this was a two-legged move, so that was another clue that a turn down might be coming here.

8) This was another two-legged pullback to the EMA and trend line. There was also a failed break below the small double bottom that formed at the EMA, and then prices reversed higher. This was also further confirmation that the new up sloping trend line was now in play to some degree as well. This was another key entry that tested both the support area that had formed at 1239.0 and the up sloping trend line, and when that support held, prices were now going to go test the next resistance area. Any runners were safe here by a single tick and it was straight up for 14 points with little or no pullback to stop us out at all. These are the kinds of runners we dream about!! Notice where prices turned down again, and to the exact tick too. I found that upper trend line by copying the lower trend line and then carrying it up to the last high, so that target could have been found as early as 10:20 AM CST this morning. Did we know prices were going there for certain? No, but when they got there and turned down to the tick, that was a good sign that it was a great place to exit our runners.

9) This was the only other place where you could try and enter to the upside safely. This was a breakout pullback long set up, and while it was hard to enter here after such a strong move up already, when the volatility is like it has been lately, it's worth the risk. Even here your runners were worth over 6 points. Notice also that if you measure the first leg up on the original reversal, this next leg is almost a perfect measured move, so on a larger time frame, that is two legs up to a new high, so another reason to look for this as a possible target and exit location. I used some arrows to help you see the large two-legged move.

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Daily Comment: Today was a bear trend day from the open, and while it was a slow burn, it was a brutal one day sell off. If you don't own stocks and you like to trade futures, it was a beautiful thing, as it gave us a great opportunity to make easy money today. I was done today by 11:00 AM CST and due to space requirements, I will only list the best 10 trades of the morning. Understand though, that there were probably 25 to 30 easy "with trend" entries today that would have made you money if you traded them.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short during a pullback to the EMA, making this a 2nd entry short during a pullback to the EMA. This is our bread and butter trade, and it works best when the market is trending like it has the past few days. There were enough of these set ups by Noon today to make you plenty of money, so make sure you understand the power of this set up. No runners this time though.

2) This was a 2nd entry short right at the EMA. Notice how the last swing high was lower than the previous one, and that is a sign that the buyers are getting weaker, so combining that with a 2nd entry gives us a decent short off the EMA. Another important thought on this trade is that there needs to be enough room to scalp out before reaching the double bottom that was in place. If you can't squeeze 4 ticks out before reaching that bottom, it's best to skip the trade. In this case, there was just enough room, but prices went on through anyway before bouncing again. No runners here either.

3) This was a breakout pullback short with a great bearish reversal bar right off the EMA. Remember in a trending market, your best entries will normally be at the EMA. The turn may come early or even late on occasions, so we need to pay close attention to the price action and not just buy and sell the EMA blindly in most cases. Our runners were good for about 4 points, but if you didn't exit on the bounce, then they were stopped out.

4) I discuss often how support later becomes resistance and how resistance later becomes support once prices are able to successfully breach those important areas. Also, when strong support is breached, prices will almost always come back soon after and test the support. If it holds, that support area will now become resistance. Reverse this for resistance that turns into support. When prices pullback back and tested the support area here and formed a double top, that was a good sign, but prices actually were able to break higher, but immediately after doing so, they reversed and sold off strongly again. This was simply a failed break higher above a small double top that formed at a former support area that was likely to act as resistance now. This was a quick and easy scalp, but again, no big runners!

5) This was another two-legged pullback, but this one turned at the trend line rather than the EMA. This was a really easy two-legs to see and you should have had a trend line off those first couple of swings, just in case, and when prices met that trend line and turned down to the tick offering a nice reversal bar to go short below, this was your chance for an easy entry. While it was a quick scalp, we didn't catch a runner here either.

6) This was a nice double top with an additional test that quickly reversed quickly to the down side. We know the trend line is valid here with 3 touches, so going long here was a real long shot and a poor place to enter. Remember, our goal is to buy low and sell high, and going long here is buying high at a strong resistance area that is proven (the trend line and the double top). When prices tested the double top and turned down instantly, this was a great place to short. This was another quick and easy scalp, but again, we did not get a runner. Even though the trend was down strongly, the volatility was much smaller, so there just were not many long moves without some pullback each time.

7) This was a 2nd entry short following a two-legged pullback to the EMA. You could have gone short a bar earlier, but it was a doji and an inside bar, and those can be tricky areas where traps are found, so it was best to wait on a bearish bar. Our runners were good for about 5 points this time, but if you held for more, they were stopped out.

8) This was another 2nd entry short, and a really just another two-legged pullback to the EMA. It was also a chance to get short off a double top that formed at the former support area, making this resistance now. This was another easy scalp, but no large runners here.

9) This was a third test of the resistance area, and once again, it held reversing prices. Even better, we got a 2nd entry short on a failed break higher above the last swing high 3 bars earlier. This was also the entry we have been waiting on, because this time our runners were easily safe! Depending on where you exited them, they were worth as many as 16 points or more!

10) This was another two-legged pullback to the EMA in a trending market, so yet another bread and butter entry that netted us an easy scalper's profit. Notice too that there was a failed break above the EMA and the small double top, so this is a failed break higher that quickly reversed offering us a great entry at a strong resistance area. While I was expecting a scalp only on this one, our runners were easily safe and good for another 12 points or so. You never know when a runner will survive, and it's impossible to catch them when you try and guess on them, so it's best to save a runner on every entry, as eventually, you will catch some of these monster moves!

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Daily Comment: Today was a wild day and a good example of what happens when a market moves too far too fast. The corrections are just as violent as the original move, and if you don't act fast, you will give back all your profits. Due to the high volatility and volume, there is just not enough room to show the entire days movement, so I am only going to list the first 9 or 10 trades each day until things get back to normal.

Several of you have asked me about staying with our trades longer in market conditions like today, and the answer to that is "maybe." The reason I say only maybe is because the reversals can come quickly and be just as violent, and maybe even stronger, than the original moves. Today was a great example of that. The market sold off 30 points rather quickly after the regular open, but then took every point of that back, plus a few more, in even less time.

Always try and squeeze what you can out of your runners, but don't get greedy or you will likely regret it.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry short coming off a double top right after the 8:30 AM CST regular market opening. The failed 2nd entry long trapped weak longs and when prices turned down, this was a great entry. If you caught it, you were short from the high of the day at the time and any runners were easily safe and worth over 30 points. This was the trade of the year and if you understand price action, it was easily spotted.

2) This was a breakout pullback short, and if you missed the first entry, this was a gift to get on board here with easy runners once again. This is really a 2nd entry short coming off the double top as well, so a 2nd leg down of equal length is a strong possibility. In this case, we got around 30 points if we rode out the entire drop.

3) This was a the first real pullback after the sharp selloff, so there is a strong possibility that prices will at least test the low again after a pullback to the EMA. Notice the two legs I marked with the arrows. On a slightly larger chart, there would be a clear two legs. Notice too that I waited to short below the stronger bear bar, although going short below the prior bar would have been acceptable with the small trap that occurred when the last bar ticked higher and immediately failed.

4) If you were drawing your trend lines, this entry should have been obvious, but without it, you likely got trapped on the long side with the rest of the weak longs that thought the market was going higher. This is nothing more than a fade of a failed break higher above a trend line. This was an easy scalp, but unfortunately, our runners didn't survive on this entry.

5) This was a 2nd entry short on a two-legged pullback to the EMA in a trending market, and that's our favorite entry. Like most of these, it was an easy scalp, but again, no runners.

6) This is another small two-legged pullback to the EMA in a trending market, and it was another easy scalp. Hopefully you can see the power of this entry in a trending market. These set ups fail very rarely to get at least a scalper's profit, and often times, they give you much more. When you see them, pay very close attention to them.

7) It turns out that the small two-legged pullback to the EMA at trade #6 was simply the first leg of a slightly larger two-legged move. On a larger scale, that makes this another 2nd entry short. This time, our runners were safe too and it was an easy ride down for 14 points. If you were brave enough to hang on during the sharp rally, the entry was good for about 25 points!

8) This was a breakout pullback short and our runners were safe here too and worth about 10 points. The market was still very weak at this point, so we are looking to take most every opportunity to get short.

9) This was yet another two-legged pullback and 2nd entry short off the EMA. As usual, it was an easy entry that was good for 3+ points.

10) This was another chance to get short off a test of the trend line. While it is scary to go short into a move this strong, you have to realize too that the farther prices go in one direction, the harder they will usually fall when they do turn down. With a nice bearish reversal type bar like this one that turned right at the trend line, it was a pretty safe bet that prices were going to at least pull back to the EMA. This was another very easy scalp, but unfortunately, no runners this time.

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Daily Comment: With the downgrade of the US debt on Friday after the market close, it was a sure thing that today would bring some kind of fireworks for traders. As expected, the market did not disappoint. What looked like a strong rally early was nothing more than a bull trap and the market was 40 points lower by the end of the first hour of trading. If you got caught up in the excitement, it's likely you got whipsawed on more than one occasion today. However, if you know and understand price action and you follow our trading rules, it's likely you had a great trading day and were done with your trading within the first hour or two of trading today.

Like I have the last few trading days, I am only going to list the first 10 trades or so, as there just is not enough room to easily show more than that without making the chart so large that you can't see the trades. There were obviously many more trades today, but these are the best of the best through the 10:00 AM CST hour. These are rare times that will likely not last forever. We live to see the type of volatility that we have witnessed the past week or so. Enjoy it while it's here, as this is a great opportunity to make money.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

1) This was a 2nd entry long following a third bounce off a double bottom. Notice that the 2nd entry triggered out of the overlapping bars, but there was a small breakout pullback long, but even then, you still had to go long above a small doji, so you must wait on a stronger bull bar which came on the next bar. A break above that bar would likely mean the market was strong and there was still a lot of room back up the last swing high, so there was plenty of room to scalp out. Turns out this was a very strong move and any runners were easily safe for 10+ points depending on where you exited.

2) This was a 2nd entry short following a two-legged pullback. This is also a breakout pullback short, following two legs back to the breakout area, but on a larger picture, this was a failed break higher out of what was an overnight trading range too. Any runners were safe here by a single tick, and if you rode out the trading range that formed following this short and didn't tighten your stop, it's possible these runners were worth 80 points or more.

3) This was another 2nd entry short following a pullback to the EMA. This is also another form of a breakout pullback short. This was a quick and easy move for 5 points, but no large runners this time.

4) This is a classic two-legged pullback to the EMA during what is not a trending market to the downside. This was another quick and easy 5+ point move, but if you held for more, you got stopped out at break even on any runners.

5) This was a two-legged pullback to the trend line, and notice how prices turned on it to the tick. This is also a double top formation at the trend line, and the move down was fast for a scalper's profit, but no runners on this entry.

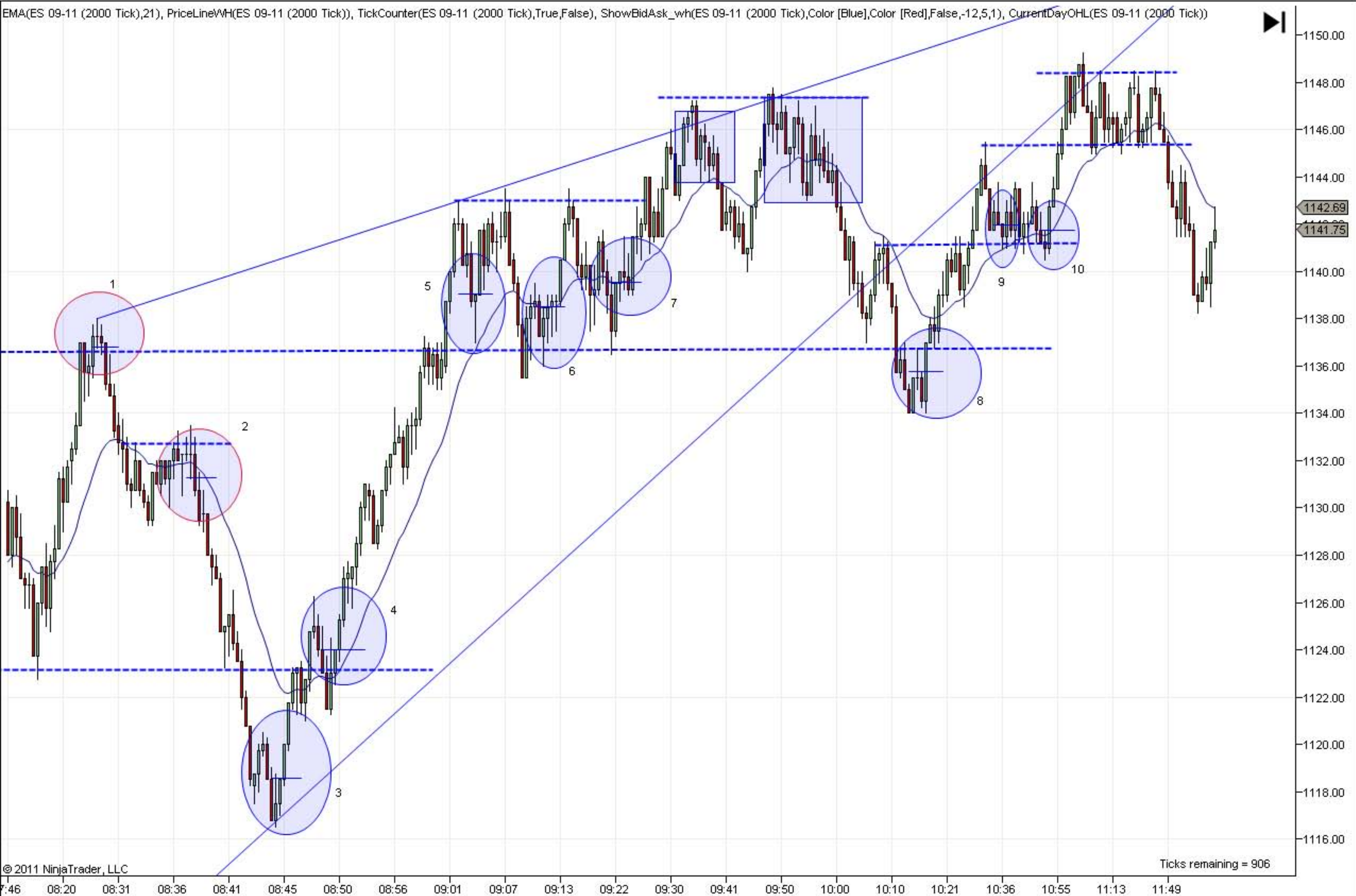
6) This is a simple breakout pullback short. The market was selling off strongly now, and the small break above the bullish bar that bounced off the low of the trading range likely trapped long who were looking for a bounce here. This was a key short enter, as our runners survived by only a single tick, but that allowed us a great opportunity to ride them down for as many as 15 points.

7) This is another two-legged pullback to the EMA, but it's also another shot at testing the breakout area around 1163.0. The market was just too weak here though and prices could not even get back to the EMA, much less the breakout area. This was an easy scalp, but no runners here.

8) This was just another two-legged pullback to the EMA in a trending market. On many days, this entry would be suspect, but this is a weak market in a very strong sell off, so with a 2nd entry forming on a two-legged pullback, it's worth the risk to enter here. As you can see, it was a very quick and easy move to a scalper's profit, but there were no runners on this one.

9) This was yet another two-legged pullback and 2nd entry short off the EMA. There was a failed 2nd entry long too, so there would likely be some trapped longs trying to pick a bottom after the large sell off. Prices were likely to test the lower trend line before any rally would occur though. I found the lower trend line by copying the upper one and then dragging that copy down to the low side of the price action. Notice where prices bounced! If you are watching for these trend lines and attempting to find them, this one could have been in place by 8:40 AM CST, a full hour before prices bounced here!

10) Notice that this was the first time prices could break the trend line this morning, and after a sell off that strong, it's extremely likely that prices are going to come back and test that low again before any rally begins. Regardless, the move up was over 18 points without a single pullback to the EMA, so the market was getting well over done to the upside. Notice how prices finally turned right at the original break out area that was never tested up near 1168.0. That reversal at that level was a good sign that prices were now at least going to pull back to the EMA now. Remember, when prices break through a strong sup/res area, they almost always come back and test that area at some point soon thereafter. Notice how there was no retest of the 1168.0 area this morning when prices just fell right through that level. This was the retest, and once it was in place, it was off to the races to the downside again. The best part of this entry is that any runners were easily safe this time and worth as many as 50+ points!



Daily Comment: Today was another wild day in the markets, and the rally that occurred during the last hour and a half of trading has to be one of the biggest I can ever remember. Literally, within 20 minutes of the FOMC announcement, the ES sold off a whopping 50 points only to reverse and trade 80 points higher before the close! These types of moves are great if you are on the right side of them, but they are not for the light hearted or small accounts. A single leg can wipe out a small account in a matter of minutes, so you must be quick to exit when prices start moving against you.

Monday's trading saw the fourth largest volume day ever in the markets, and today will likely eclipse that number in my opinion. Due to the size of these moves and the overall volume, it's just too difficult to cover the entire day, so as I have the past few days, I will only show the best 10 or so trades of the morning, starting at the open. If you know and understand price action, there is a chance to make your normal goal in a trade or two. If you are able to do that, it might be best to just close up and go home, because the temptation to go back in could be costly if you get caught in one of the violent reversals which are sure to continue over the next few days at a minimum. Enjoy this volatility while you can, but at the same time, be quick on the trigger and do not get greedy!

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

Before getting started on any trades, I would like to point out this morning's trend line and how well our trend line rules worked. I drew the trend line off the first two swings of the low of the overnight session today. Notice that trade #3 bounced right off that line confirming it, so from the point forward, we are thinking long, and even though there are many shorts that you could have taken, your best bet is to stay with the trend until that trend line is broken.

Notice that the trend line finally was broken near trade #8, and then there were two legs up to a new high, followed by a new down trend. That down trend had a trend line break, and then two HUGE legs down to a new low and then the strong reversal that closed 80 points higher today. Do not lose focus of how important the trend lines are and how they can alert you to some of the best moves, as trade 3 was a key entry that could have made you a lot of money today.

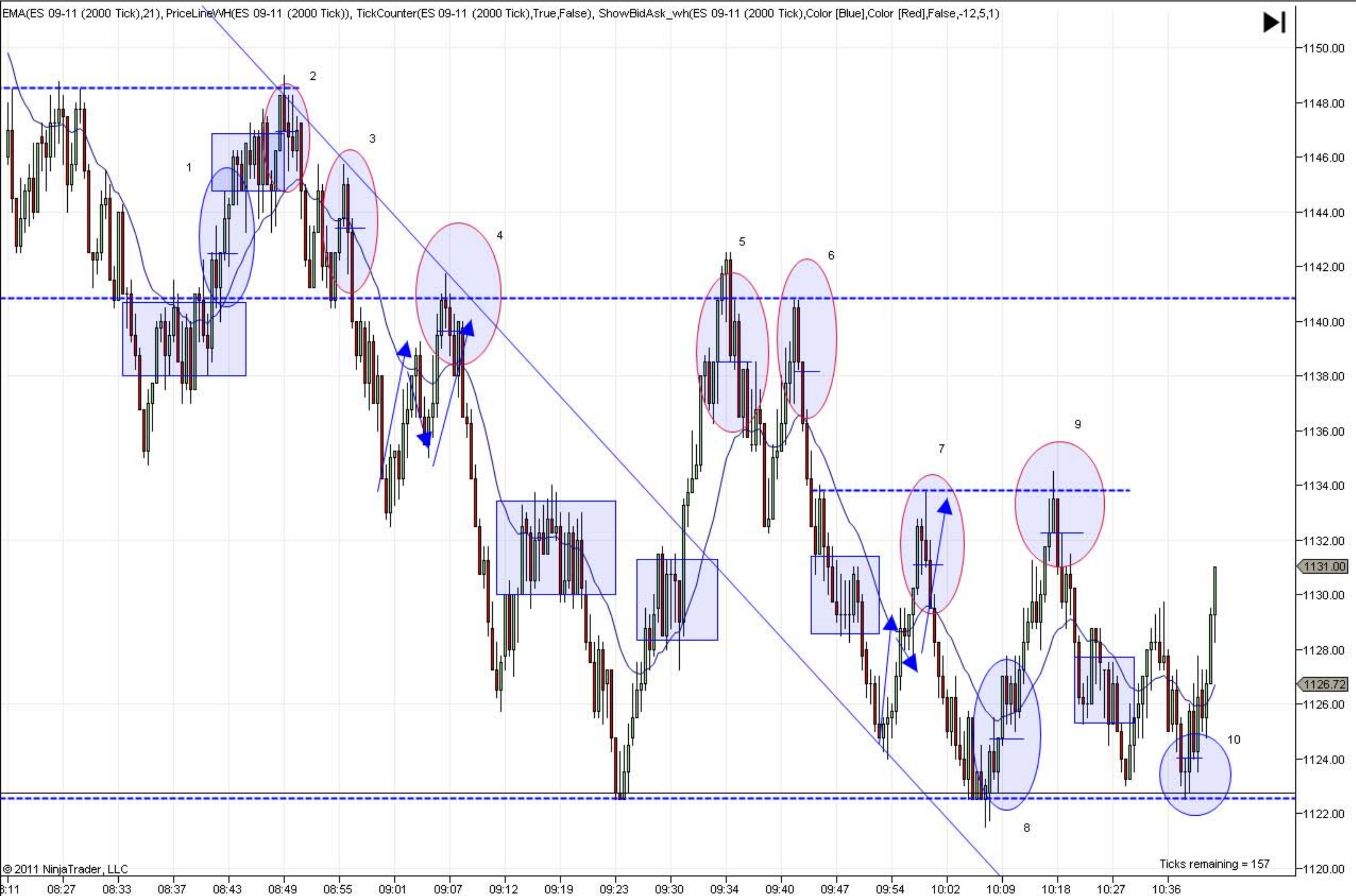
- 1) Even though the trend was up from the overnight, prices were stuck in a 12 point trading range during the last few hours of the overnight session. When prices tested the high of that range and created a double top right at the 8:30 AM CST regular session open, that was a great place to go short. The move up to that point was well overdone, and prices were far, far away from the EMA, so a pull back of a few bars at a minimum are very likely here. When prices broke higher and immediately reversed, this was a great short. We are thinking scalp here first, but if prices only go back to the EMA, that's still a multi-point move, so the odds are on our side. This was a key short entry right at the open. If your runners survived, they were worth 20 points within a matter of minutes!
- 2) This one was tricky, but there was no reason to be thinking long here, so by being patient and sitting tight, we could take advantage of this trap when prices created a small double top during a pullback to the EMA. Most double tops and double bottoms are usually good for at least a scalp, especially when there is a trap like this one. That single tick higher above the left side of the DT trapped longs and when prices turned back down, that was a great place to think short. That's also two separate tries to go above a strong resistance area that failed, and when the market attempts something twice and fails, it's likely to succeed in going much further in the opposite direction. You could have even waited a bar later to enter, but the trap was set, so we want to take advantage of it's momentum. This was another easy trade and any runners were worth as many as 16 points here too, so if you caught only the first two trades today and held only a single runner, you had the possibility of making 35+ points in the first 20 minutes of trading. These are special times, so enjoy them while you can, but you must also respect them for the damage they can do to your account if you are wrong and don't exit.
- 3) This was a retest of our trend line and a third touch that immediately reversed, so it was a confirmation that our line was indeed valid. This a failed break below the larger double bottom back near 1123.0, but it's a failed break lower below the last low by only a few ticks, so there will likely be a lot of trapped shorts that will start exiting on a pullback. We should also be expecting a possible retest of the breakout back near 1123.0. Notice how brisk the move back up was on that retest, and in this case, it did not hold, so for now, this is a failed break lower and that 1123.0 area will sill act as support most likely. Any runners were safe here and worth 30 points or so.
- 4) This was a 2nd entry long coming off a double bottom that formed near the sup/res area at 1123.0. that's two attempts to go lower and both held, so this is still support for now, and with two tests that both held, we are likely going higher to test the next resistance area. This was another beautiful entry with our runners easily being safe and going for as many as 20+ points!
- 5) This is a breakout pullback long that held at the former resistance area, so now that area is acting as support. In addition, the trend is still up, and this is just a simple two-legged pullback to the EMA in a trending market, and that's our favorite money maker. This was another easy scalp, but no large runners this time.
- 6) Prices came back and tested the breakout area (former resistance area) two more times, making a small triple bottom there, so as you would expect, prices went higher to test the next resistance area, which held yet again. I didn't mark a short there though because it was counter trend. A good price action trader likely would have gone short both times prices came of that high though!

- 7) Prices bounced here again off what is now clearly support. Notice that there were two equal type legs back to test this area, so this is a form of a 2nd entry long to boot. This was another easy scalp, but no runners here unfortunately.
- 8) This was another attempt to go lower at the sup/res area of 1137.0 . This was actually a failed break lower, and when prices tried to go lower twice creating the small double bottom, that was a great place to get long. This was the first break of the trend line, so a retest of the high is likely before any meaningful sell will occur. We simply need a good reason to go long. Not only was this two failed tries to go lower, notice how far away from the EMA it occurred. Our first goal is back to the EMA, but if we get lucky, this failed break might turn out to be a major low. As expected, it was an easy scalp, but any runners were safe too and worth as many as 13 points.
- 9) This was another two-legged pullback to the EMA in a market that was now making higher highs and higher lows again. This one was another quick scalp, but nothing more as prices went into a congestion area here.
- 10) Notice that once again, what was resistance (a double top @ 1141.0) is now being tested for support. When prices tested it a 3rd time and actually broke slightly lower, that was a great short trap, and our minimum goal is back to the high side, but this time, the trap was too strong and the support had held several times, so more bulls join in and it's straight up for 7 point on any runners. Notice that after this, prices were then testing resistance again, when finally held and then we start testing support on the way down until we finally find one that holds.

Testing of support and resistance is really the basis of price movements. Prices are constantly testing support/resistance areas and if they hold, we are going to the next sup/res area to test it. If they fail, we are still going to test the next area, only we are going in the opposite direction. Prices do this all day long, but that's why so many key entries come at key sup/res areas, because that's where our big turns or reversals are likely to occur.

There were MANY other trades today, but these were the best of the best going into late morning.

EMA(ES 09-11 (2000 Tick),21), PriceLine/WH(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: While the market closed lower today, the overall price action was more of a trading range, with prices ranging from 1122.0 to 1140.0 for most of the day. Prices eventually broke higher out of the range and failed, only to later break out the low side of the range and fail there as well. If you understand price action, this was a good trading day without the dramatic reversals that might have caught many people off guard the last few days.

Again, I only noted the best 10 trades of the morning session. There were many more trades that were good set ups both early and late. If you only took these 10, you should have made some really good profits by 11:00 AM CST today.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

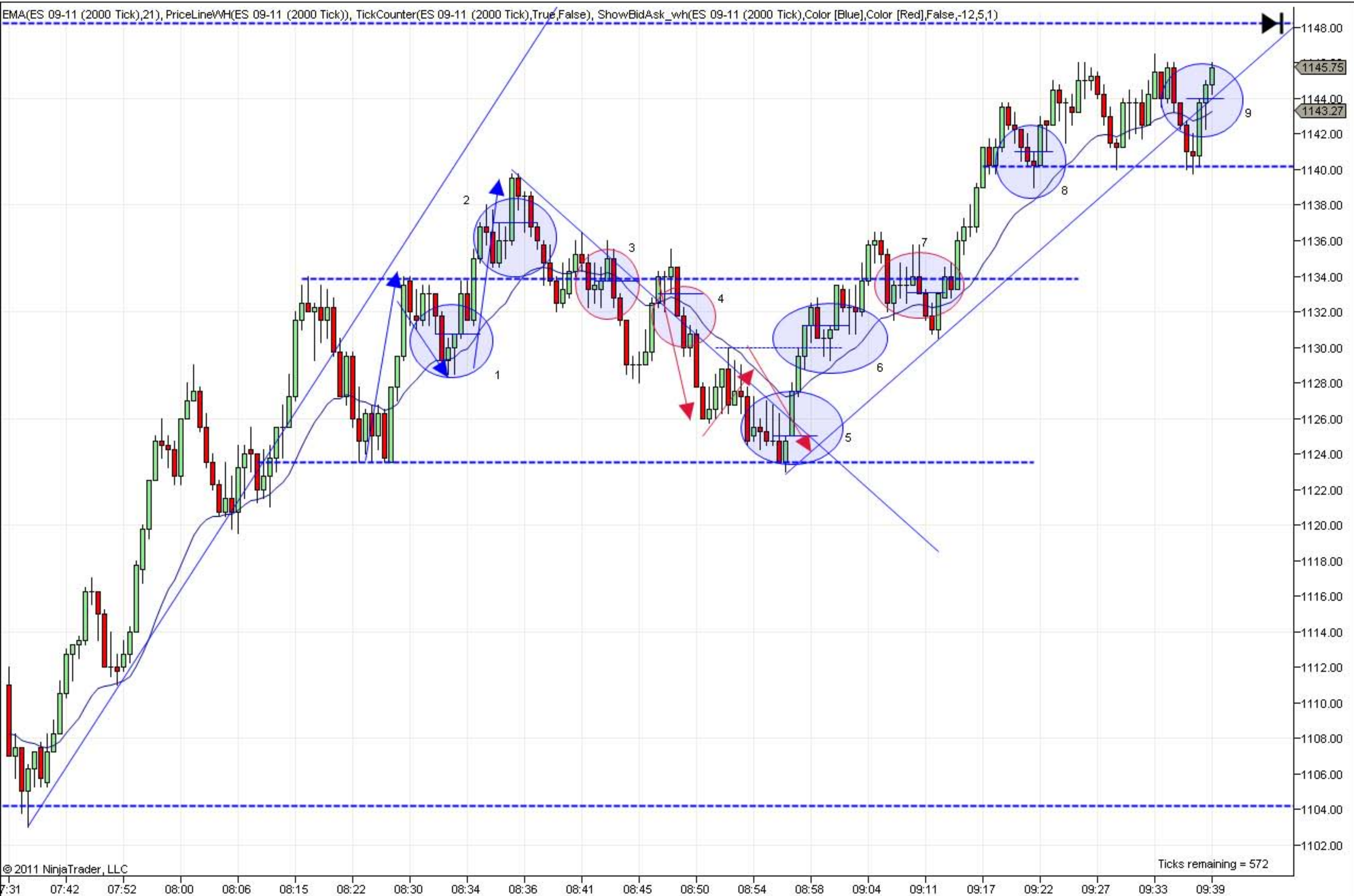
Before getting started on any trades, I would like to point out that I drew the trend line off the first two swings of the high of the overnight session today. Notice that trade 2, 3 and 4 bounced right off that line confirming it, so from that point forward, we are thinking short, and even though there are many decent long entries that you could have taken, your best bet is to stay with the larger trend, which was down.

- 1) This was a breakout pullback long with a great bullish reversal bar to go long above. Notice too how prices got above the EMA, then pulled back to test it, only to go higher. You will see prices act the same way off of the EMA as it does when it breaks above or below support and resistance areas. If prices are below the EMA and break above, they will usually come back to test that area and if it then acts like support, prices will likely move higher. This was a quick and easy scalp, but no large runners this time.
- 2) The trend was down from the overnight and if you drew a trend line off the first two swings then you should have been prepared for trades 2, 3 and 4. This was not only a strong reversal bar off the trend line, it was also a one tick failed break above a double top, so there was more than one reason to go short here. Unfortunately, we did not catch a runner here.
- 3) This was a retest of the trend line again, and when prices formed a double top right at the trend line and then reversed, this was a great place to go short. Most DTs that form against the trend are great with trend entries, and they are usually good for a minimum of a scalp in almost any scenario. If you were lucky enough to keep a runner here, this was an even better trade, as prices dropped quickly for 10 points.
- 4) This was a text book two-legged pullback to the trend line, and again, prices turned on that line to the tick. It's doubtful your runners survived this time and that's too bad because the move down was worth close to 15 points.
- 5) This was simply another double top. Prices did break the trend line, but we know a retest is likely before any successful reversal happens. Even though prices came off the low rather strongly, we still need to look for a place to enter short. The further prices move without a correction, generally, the stronger the correction, so we just need to wait on a good set up. When prices reached the previous high near trade 4, they had been away from the EMA for a long time, and the huge reversal bar was a perfect example of how the market snaps back to the EMA just as violently when the correction comes after a move that is overdone. This was another quick and easy scalp, but no runners this time either.
- 6) This was another failed attempt to go higher above 1141.0, and when that level held again, and this time with a lower high. The lower high was a good sign that the buyers were losing strength and the sellers were gaining strength. Finally, we caught a great entry here and our runners were easily safe and worth about 15 points here.
- 7) This was another two-legged move up that formed a double top. There was a great bearish reversal bar to signal the double top was strongly in play here, and if you went short one tick below that reversal bar, it was another fast move down, and any runners were worth about 9 points in only a few minutes of time.
- 8) This was a 2nd entry long coming off a double bottom. There was a bonus on this double bottom in that prices broke a few ticks lower before reversing. That failed break lower makes the double bottom stronger because there are now trapped shorts at the low of the trading day thus far. You could have gone long 3 bars earlier just above the reversal bar noted by the red arrow, but it's usually best to wait on a 2nd entry in a falling market. This was an easy scalp, but we didn't pull off any runners on this one unfortunately.
- 9) This was a failed break above a double top that trapped long traders, so a scalper's profit is likely and maybe more. Your runners should have been safe here too and that made them worth as many as 10 points depending on where you exited.
- 10) This is just another bounce off the low side of the trading range again. Notice that prices ticked a tick or two below the previous swing low again, so again, there will be some trapped shorts. 1122.50 has now turned prices multiple times, so a small bounce at a minimum is a high probability. This was another easy scalp, but prices pulled back and took out our runners on this one!

Notice how relevant the testing of support and resistance was today! Prices are constantly testing support/resistance areas and if they hold, we are going to the next sup/res area to test it. If they fail, we are still going to test the next area, only we are going in the opposite direction. Prices do this all day long, but on range days like today, it's much easier to see and recognize.

There were MANY other trades today, but these were the best of the best going into late morning.

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Daily Comment: Today started slowly, but the rally turned out to be quite impressive by day's end. The volume and volatility continues to be much higher than normal, so there is plenty of movement to make money. There was a reversal of prices to the upside around 7:30 AM CST today, followed by prices going into a small trading range, but once prices broke higher out of that range, the rally just continued to march forward.

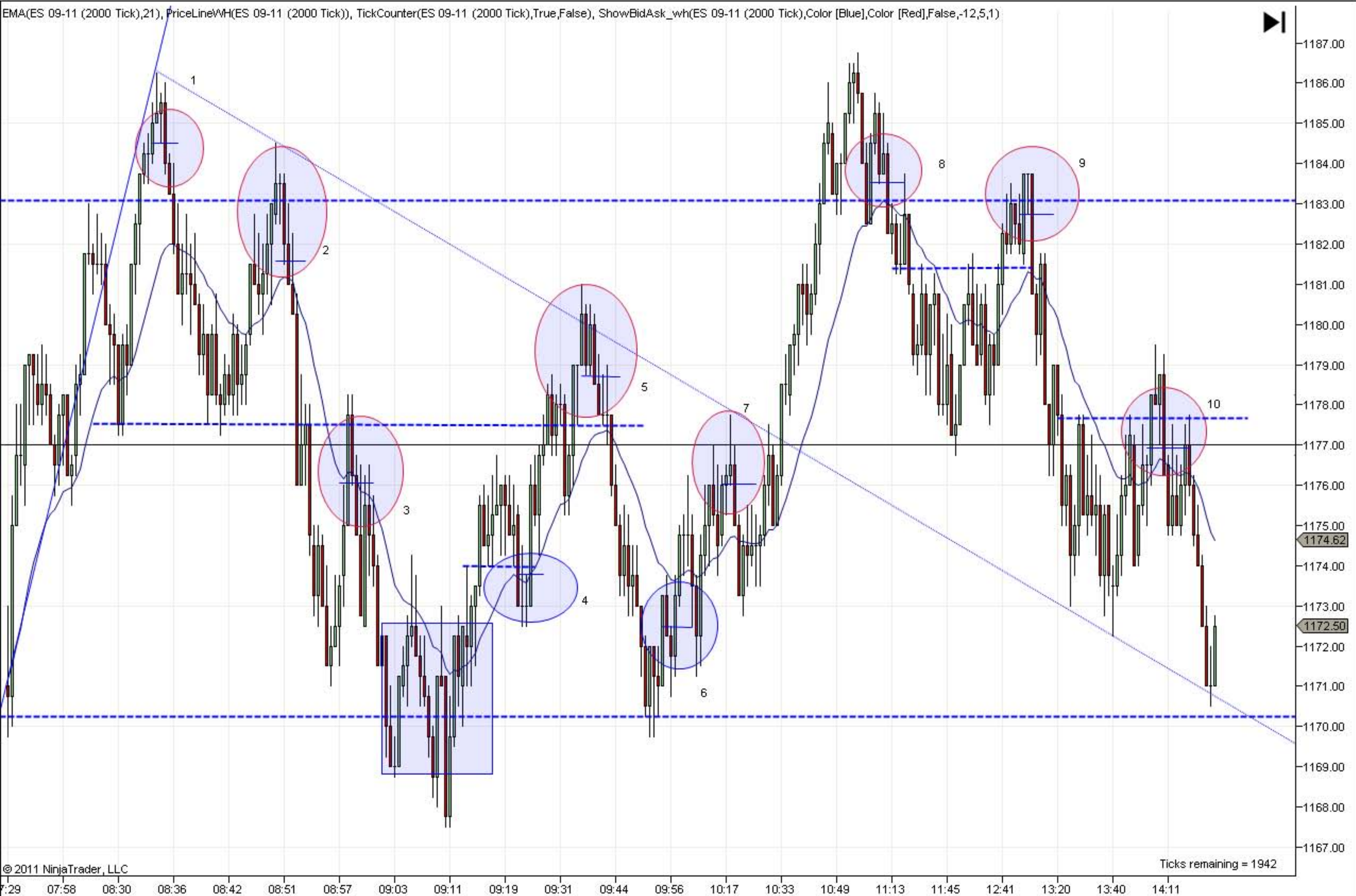
There continues to be so many entries that there is not enough room to show them all, so I only noted the best 9 or 10 trades of the morning session. There were many more trades that were good set ups both early and late. If you only took these 9, you should have made your profit goal before 10:00 AM CST today.

I often get questions about trend lines, and how I draw mine. Normally you can find the trend off the first two swings of the overnight, or the first two swings of the change in trend. I tried to show enough of my chart today so that you can see how I drew my trend line this morning. As is usually the case, my first trend line was drawn off the first two swings of the low on the reversal to an uptrend that started around 7:30 AM. If prices had still been in a down trend, I would have likely found the trend off the first two swings of the overnight high.

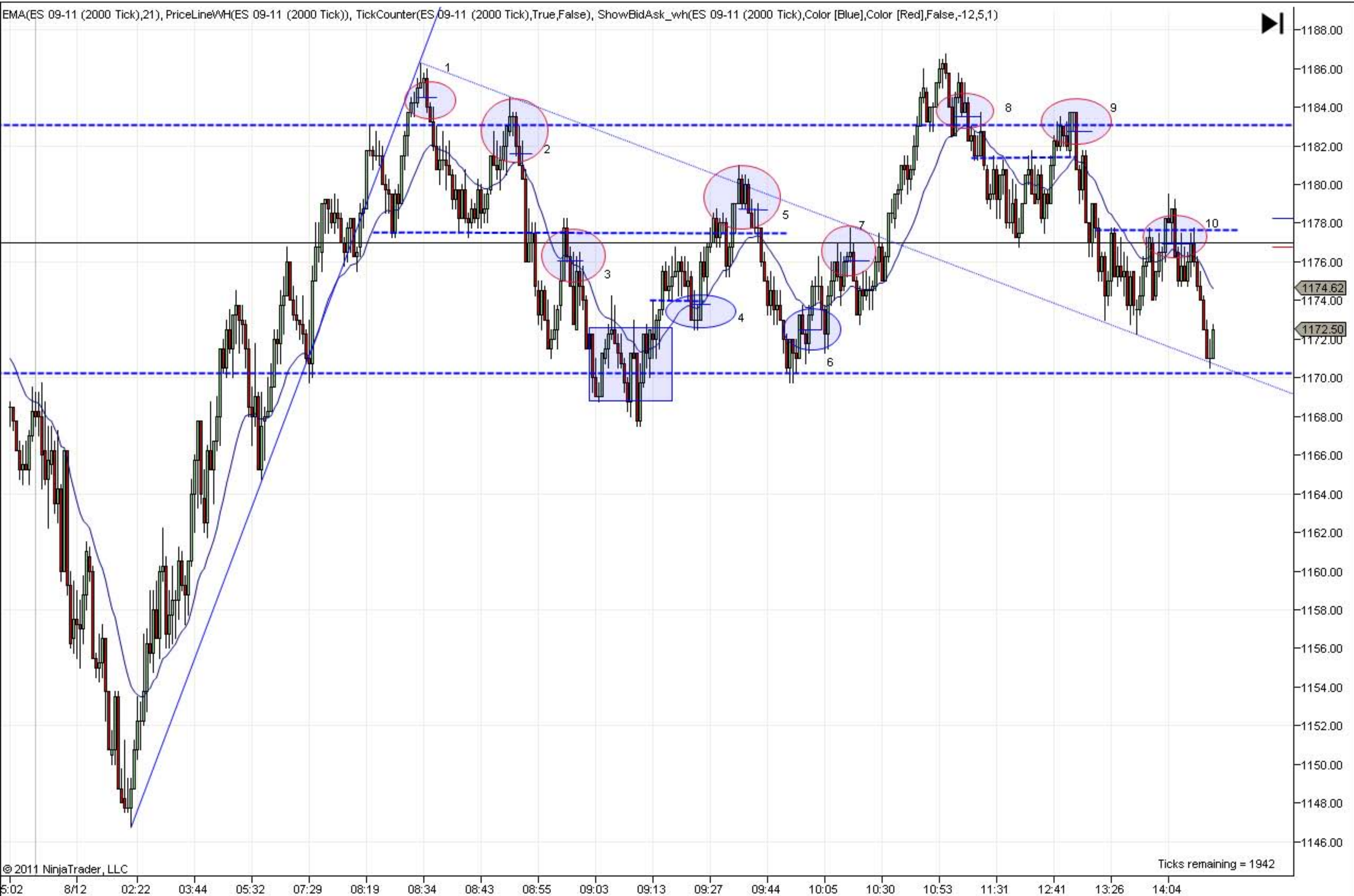
- 1) This was a 2nd entry long during a two-legged pullback to the EMA in an upward trending market. At this point, there was no way to know that a trading range would form, and this looked like a continuation pattern to the current upward trend. We did get a break of the trend line, but most retests consist of two legs up to a new high. If you notice, that's exactly what we got, and then a small down trend started. I outlined the two legs up to a new high that ended the successful retest of this trend. At this point in time, this was nothing more than a two-legged pullback to the EMA in a trending market, and those are almost always a great trade and good for at least a scalper's profit. This was a quick and easy scalp, but no runners here.
- 2) This was a breakout pullback long. While it turned out to be a failed final flag that reversed prices to the downside, it was still a very quick and easy scalp.
- 3) This was a 2nd entry short off a double top that formed on a pullback to the trend line. The trend line was not a sure thing yet, but when prices turned here, that was two tests of the trend line that held, so prices are likely going to go much further to the downside. This was an easy 5 point move that took only a few minutes to complete.
- 4) There was a break of the trend line here, but prices are still likely to go lower again on a retest before the rally would begin again. This was also another attempt to test the resistance around 1134.0 that has been holding prices down, and once again, it held, so this is also a failed break higher above that price level. It doesn't look it, but this was a 10 point move lower for our runners before prices bounced off the double bottom, so it was a very profitable move for us. Make sure you notice that after breaking the trend line here, there were two legs down that made a new low by a single tick, and then prices started higher again.
- 5) There was a small double bottom just prior to the 8:30 AM CST regular market open at the 1123.50 price level and prices held here again, making a much broader double bottom. Notice that there was then a small one tick failed break lower that immediately reversed closing higher as a bullish bar. This single tick lower likely trapped shorts in and trapped out many longs that thought the rally was over and that prices were going lower from here. This is one of those key long entries that got us long at an important point. Any runners were easily safe here and depending on where you exited, a single runner could have been worth as many as 50+ points by days end!
- 6) This was a 2nd entry long off the low, but it was also a breakout pullback long, so there were a couple of reasons for going long here. There was still plenty of room to easily scalp out before reaching the high again, so it was a small risk trade that netted a quick and easy scalper's profit, although we did not catch any runners on this entry.
- 7) This was 2nd entry short following a failed break higher again. 1134.0 was acting as a strong resistance area, and prices held here once again. You could have actually taken a short 6 bars earlier on the original break higher that failed, but there were two overlapping bars, so it was a higher risk entry at that point, and be waiting on a 2nd entry, we should reduce our risk considerably. This was another quick and easy scalp, but no runners here.
- 8) This was a typical breakout pullback long in a trending market. It was also a small failed break lower below the small double bottom matching lows a few bars earlier on a pullback to the EMA. This was another easy scalp, but so far, we haven't caught many runners today.
- 9) 1140.0 had now become a strong support area, and when prices tested this area a 4th time and bounced, it was a good place to go long. Again, we need to have enough room to scalp out before reaching the high, but that was not an issue. It was best to wait on a bullish candle, but you could have gone long above the previous candle since this was a proven support area. Our minimum target is the high resistance area around 1146.0. If you waited on the bullish bar, then no runners here, but if you took the entry a bar earlier, then your runners were safe and worth a LOT of points. While you reduce your risk by waiting on better entries, there is usually a price to be paid. By taking the riskier entries, if you are right, your runners are more likely to survive the pullbacks to take out stops, while the less risky entries will have fewer runners that survive, so it is a give and take issue.

There were MANY other trades today, but these were the best of the best going into late morning.

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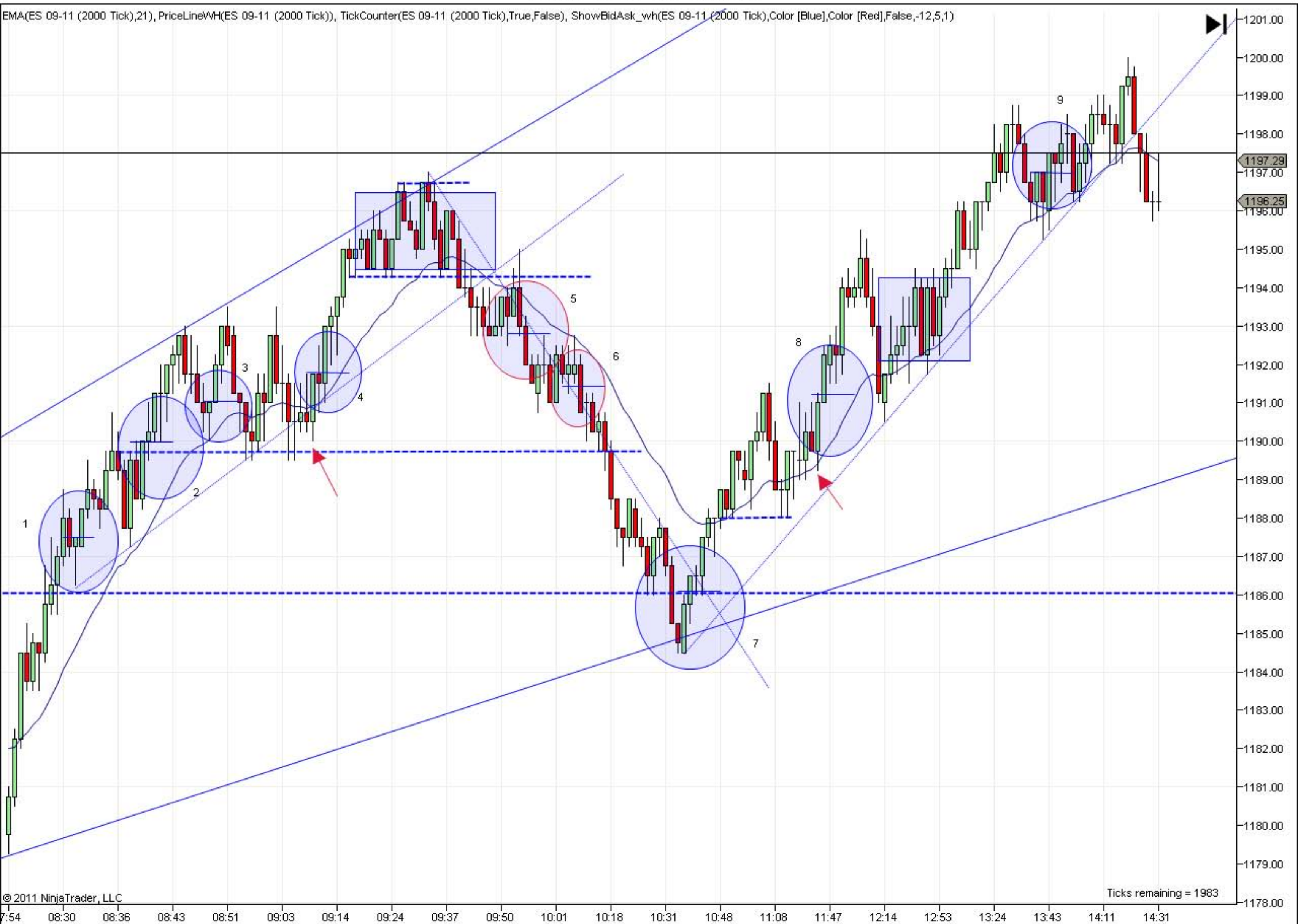


Daily Comment: Today was a trading range day, and although the market closed higher on the day, most of that move came in the overnight, while the regular session saw prices stuck in a 15 point range. To be honest, this was a welcome return to normalcy for me, as the trading became more predictable, and I had one of my best days of the week today! If you know and understand our range rules, today was a great trading day!

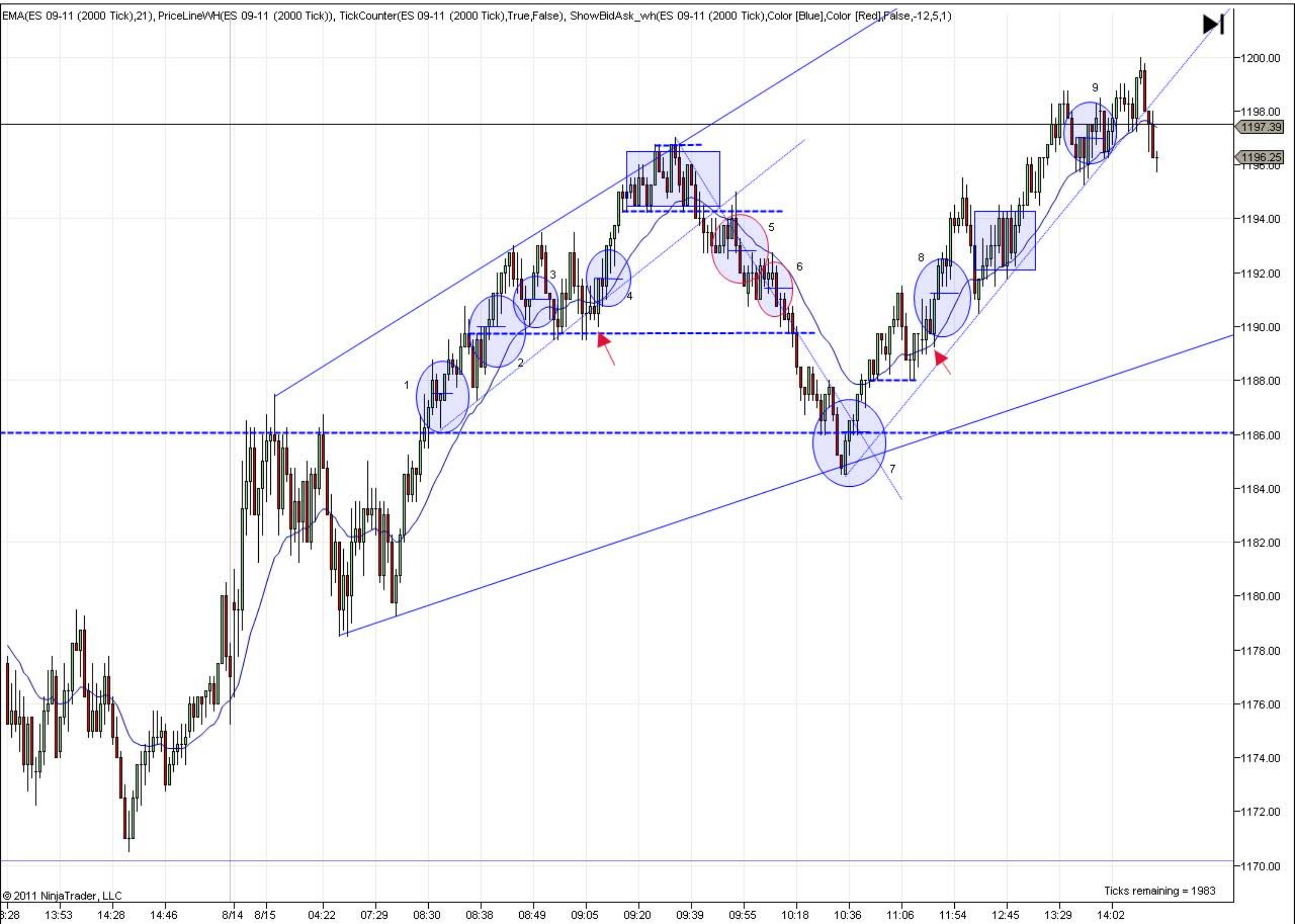
Also, starting today, I'm going to attach two separate charts: one that shows the trade set ups, but I'm also going to back out so that you can see the bigger picture and how I draw my trend lines, since that seems to be an important part that some of you are struggling to grasp.

- 1) This was a failed break above a large double top. What looked like a market that was about to run away turned out to be nothing more than a market that was over done to the upside. There are a few clues other than the fact that prices broke above a large double top. First, there were two tries to go higher at the very high near 1186.0, so there is a smaller near term double top as well, but when prices tried to go above 1186.0 a 2nd time, that was a long trap. Prices were just too far away from the EMA to be thinking long here, and most strong resistance areas are almost always tested before prices go too far past them, so the odds were high that prices would at least pull back to test the double top at a minimum. With the trapped longs that would need to exit quickly, that would help drive prices down for us. Another clue was the fact that prices had broken the up sloping trend line several times and were now testing that line from the underside. This was a great short entry with trapped longs and it was an easy move down with our runners being worth as much as 7 points depending on where you exited.
- 2) This was an easy to spot two-legged move back up to test the double top again, with prices making a lower low this time. You could have even gone short below the previous bar, but it was an inside doji, so it was best to wait on a better signal bar. In this case, by waiting on the lower entry, you actually came out better, because your runners survived this entry, where they did not survive the entry below the doji. Usually you will be rewarded for the riskier entry, but in this case, it was just the opposite. If you did make it with a runner, it was a great trade that was worth about 14 points depending on where you exited.
- 3) This was a 2nd entry short following a two-legged pullback to the EMA. As with most all two-legged pullbacks to the EMA, this was a quick and easy scalp. This was also a breakout pullback short, so there were multiple reasons to be thinking short right here. No big runners on this entry though.
- 4) This was the exact opposite trade for all the same reasons to trade #3. It's a breakout pullback long, but it's also a two legged pullback to the EMA, following a failed break below the double bottom on the low side of the range. There was also a small congestion area that formed on the breakout here, and with so many overlapping bars, a break out of it is likely to see a reversal back into the congestion, so that was also enough reason to go long here. Turns out our runners are safe by a single tick here and worth as many as 7 points.
- 5) Again, there are multiple reasons to go short on this entry. First, it's a failed break above a double top, but the main reason I liked this short was the two attempts to go above the trend line that failed. When the second attempt failed, that's two tries to go higher above the trend line that failed. Any time the market attempts something twice and fails, it's likely to succeed in going much further in the opposite direction, and in this case, that was all the way down to test the lower support again. Unfortunately, prices pulled back and took out our runners fairly quickly, so you missed a lot of this move if you did not re-enter.
- 6) This was a retest of the low support area again, and when it made a higher low, that made this pattern a double bottom, pullback long entry. The first bounce had so many overlapping bars that it was too risky to enter right off the low, so by waiting, we got a 2nd entry long which reduced our risk. That makes this a breakout pullback long too, so again, you could find several reasons for taking the trade, and that only increases the likelihood of a profitable trade. The original move was good for about 4 points, but if you did not exit, any runners were stopped out.
- 7) This was another test of the trend line off the highs that turned prices down quickly once again. This was a quick and easy short that undoubtedly trapped many longs. There were no runners here though, as prices turned higher after most of the trapped longs had exited.
- 8) This was a 2nd entry short after another double top and another failed break above the stronger resistance area at 1183.0. This one was a good for a quick scalp, but nothing more, as prices snapped back and took out the break even stops rather quickly.
- 9) This pullback was a retest of the 1183.0 resistance. Remember, most all important sup/res areas are re-tested. When prices attempted to go higher here twice and failed, that's a great place to go short. This is just a repeat trade to trade #2. This was a great entry in that our runners were easily safe this time and worth 12+ points if you rode the trend back to the low side of the range again.
- 10) This was a failed break above the high of a double top. Once again, there was a nice long trap on what appeared to be a breakout pullback long entry, and when prices turned lower immediately, that was a great long trap. If you understand price action, you would know that going long here was rather risky, but if you managed to get trapped to the long side here, reversing on your stop below the long entry signal bar would have recouped any losses you might have had. It's possible you could have gone short a bar prior, but if so, keeping your stop one tick above the high of that signal bar would have kept you alive and in the short trade to profit. Going short there would have also given you a runner that was good for 7 points on the ride down to the low of the range.

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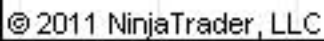


Daily Comment: Today was a trend day and overall, volatility and volume was much lower. Today felt like a normal day in the ES with prices trending upwards for most of the day without all of the crazy moves and reversals we have had in the last week or two. Notice how prices failed to get very far away from the EMA, and also how almost any pullback to the EMA from either side was generally a great place to join in the current trend.

Notice too that if you drew your trend line off the first two lows of the overnight that it would have given you a long signal that was the best entry of the day (trade #7).

- 1) This was a breakout pullback long just after the regular session open. The heavy blue line was the previous double top and when prices broke through that double top, they quickly pulled back in an attempt to test it and now it acted as support with a nice reversal type bar to go long above. This was a quick and easy scalp, but no runners.
- 2) This was a 2nd entry long following a one tick failed break lower that trapped shorts. This is close enough to qualify as a two-legged pullback to the EMA in a trending market, so going long here was a no-brainer really. Again, this was another simple scalp, but no runners here.
- 3) The market was clearly trending higher at this point, and this was a small two-legged pullback to the EMA with a small reversal bar that turned right off the EMA. This was another quick and easy scalp, but again, no runners.
- 4) This was a 2nd entry long following another one tick lower that trapped shorts. Notice that there was a double bottom, and then this pullback that created a higher high (noted by red arrow). That tick lower trapped shorts creating a double bottom pullback long entry. The first goal is back to test the high of the small range, but in this case, prices went on through and much higher. This time our runners were safe and worth as many as 5 points depending on where you exited.
- 5) This was a breakout pullback short, but it was also a small two-legged pullback to the EMA and a failed break above a small double top, so there were several reasons to go short here. We also had a double top and a trap back up at the high when prices broke through the upper trend line and failed. Normally when that trap occurs at the high trend line, prices are going to trend back in the opposite direction until they test the support area again, which happened to be both the trend line and the former double top that had acted as support once prices broke through.
- 6) This is a repeat trade to trade # 6. The bulls were fighting hard to continue the uptrend, so prices are moving very slowly and are very choppy. All the same, prices are still making lower highs and lower lows now, so this is still a down trend. When the small double top formed right at the EMA on two tries to go higher, this was a logical place to go short. It's possible that the overlapping bars scared you out of this one, but the small one tick trap that created the double top was two failed attempts to go higher and two tests of the previous support area that held, and whenever the market attempts something twice and fails, it's likely to succeed in going much further in the opposite direction. Two failed tests of the former support makes this resistance now, and it was another easy scalp, but no runners here.
- 7) This was the trade of the day and if you had your trend line in place off the first two swings of the overnight, you would have been ready are at least expecting a possible bounce at this point. Notice how prices failed to close outside the trend line and then closed with a strongly bullish reversal bar. Going long above that bar is likely to yield us a move back to the EMA, but maybe more. In this case, our runners were easily safe and worth as many as 15 points depending on where you exited. Even if you didn't have your trend line in place, it was still a failed attempt to break below the support area which was the former double top, so a failed break lower just gave this trade additional merit because there are likely weak longs that got trapped on the break lower, and they will begin to exit as prices move higher.
- 8) This was a repeat trade to trade #4. There was a double bottom followed by a pullback to test it that ticked one tick lower trapping shorts, and then prices shot higher again. Without that trap, this would not be a great entry, but with the trap, we know a break higher will likely hit the safety stops and drive us to a quick profit. This was a quick 4 point move due to the exiting shorts covering with long buys, but if you held for more, your runners were eventually stopped out. Notice too, that I did not go long until the reversal bar with the trap closed with a higher high and prices then were able to break above that bar as well. That was another small piece of the puzzle that was needed to take this long.
- 9) This was a two-legged pullback to the EMA and Trend line that bounce to the tick off the line. This is also a breakout pullback long after prices broke to a new high on the day and then pullback back to test the breakout area, the EMA and the trend line. While it was a little slow to take off, it still reached a scalper's profit before any new bar broke lower, so even if you tightened your stop all the way up to below the entry bar, you still survived this trade for another scalper's profit.



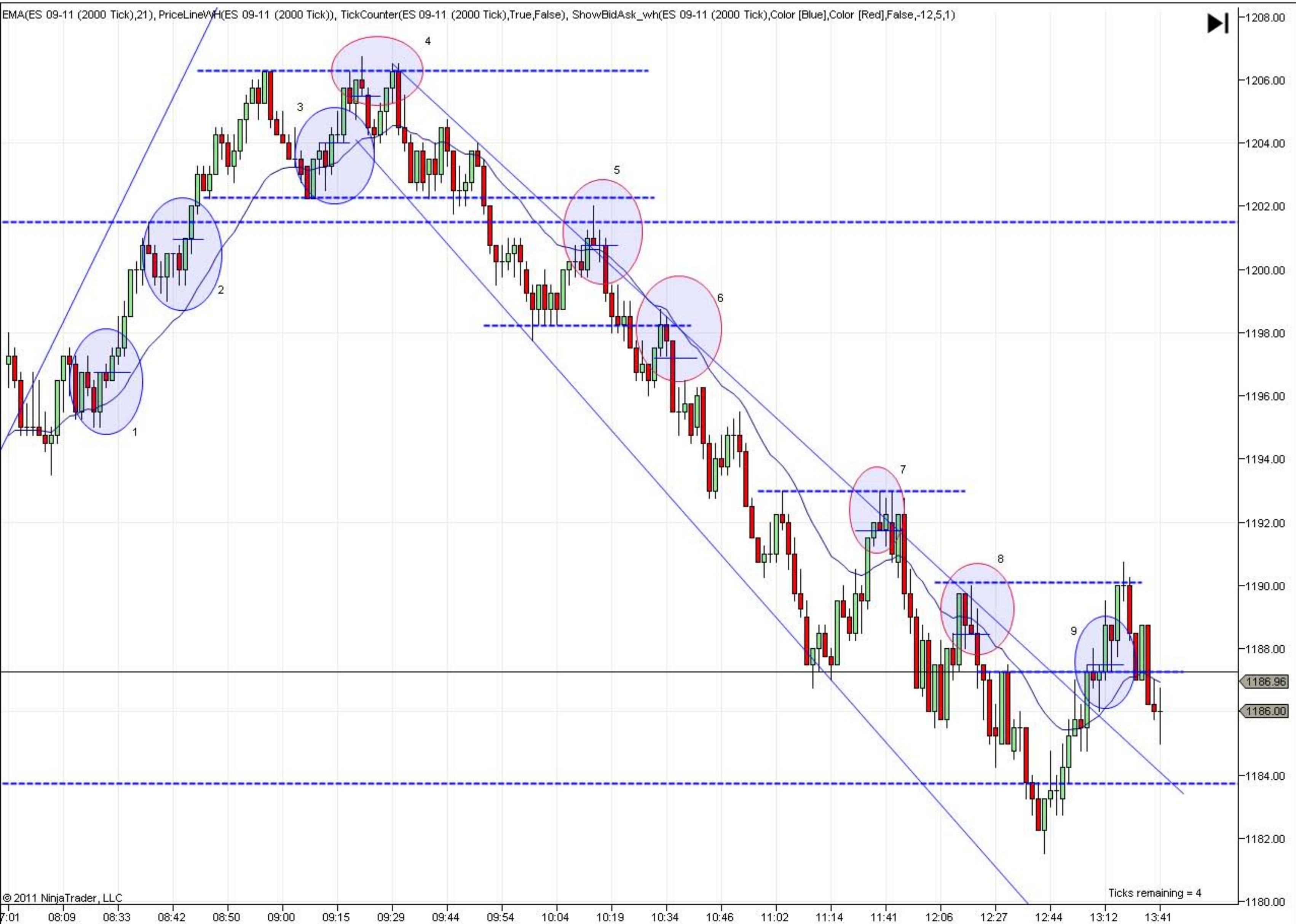


Daily Comment: Today was another range day with prices ranging inside the same highs and lows as it did on Monday. Prices trended up for most of the morning before a news item created some additional volatility that saw the market trade down and test yesterday's lows by lunch time. If you were watching the highs and lows of yesterdays, the reversals could have been easily anticipated well in advance.

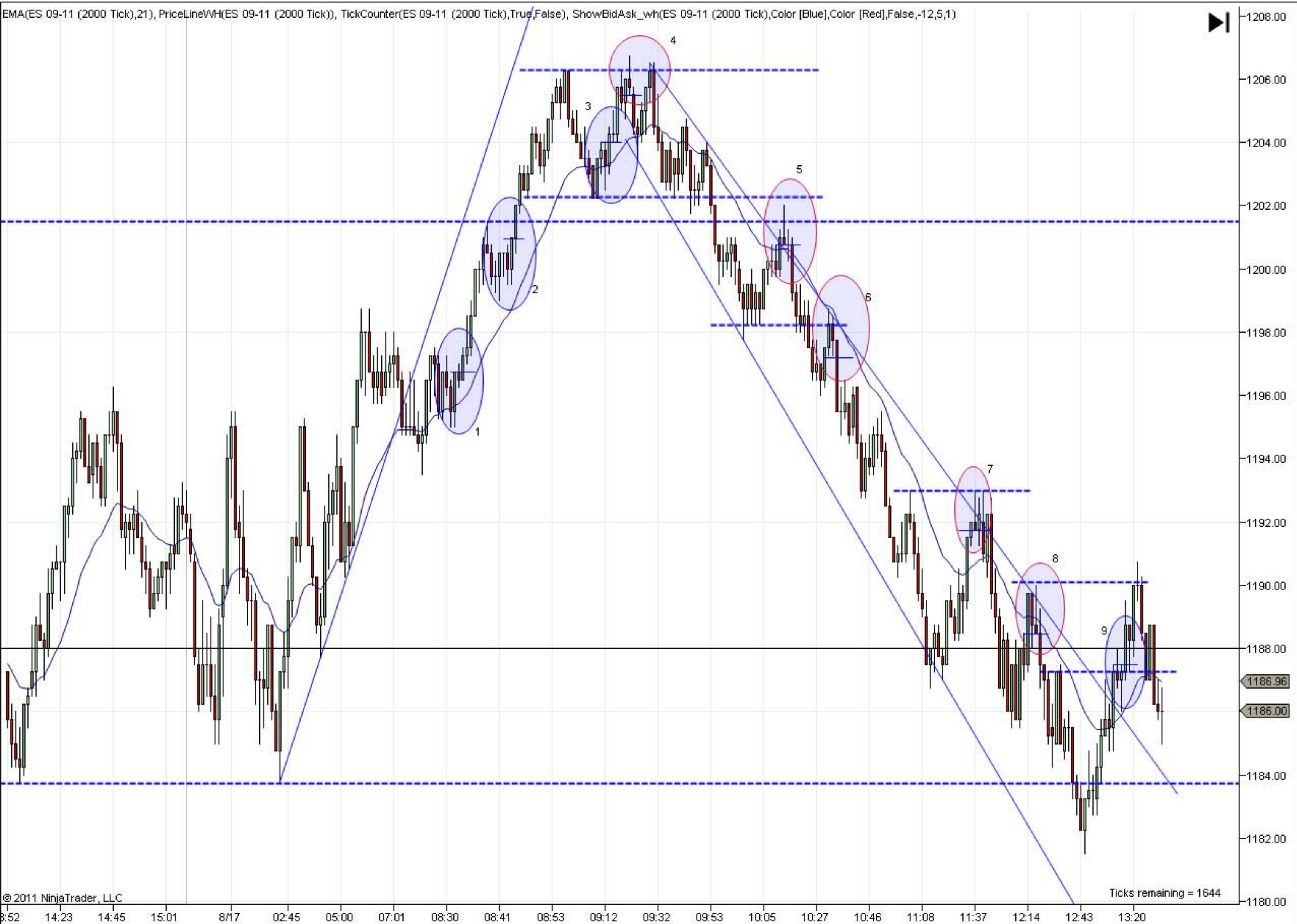
Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a 2nd entry long following a failed break below a double bottom that trapped shorts in and longs out. Notice how quickly prices took off to the upside. This was evidence that the trap was successful, and now the shorts were buying to cover their losses and the longs that got washed out are buying their longs back and chasing the market higher. This was a quick and easy 4 point move, although no large runners here.
- 2) This was another 2nd entry long that saw prices tick lower right at the previous small support area, only to test that level and immediately turn higher. Even though prices did break below the triple bottom, they quickly reversed, and then there were two additional tries to breach that support again that both held, and any time the market attempts something twice and fails, it's likely to succeed in going much further in the opposite direction. This is a great live market example of the "rinse and repeat" lesson that I sent out earlier today. Another key to this entry was that there was actually a third attempt to test the support area (noted by arrow), so this acted as a trap, giving us a 2nd entry long to enter on as well. No runners here though.
- 3) This was a two-legged pullback to the EMA in a market that was working higher and making higher highs and higher lows, but this was also a 2nd attempt to test the breakout area @ 1192.0. Two tests that both fail will normally send prices much further in the opposite direction, which was up in this case. This was another easy 4 point move, but with the market being so choppy all the way up, there wasn't much chance to catch any really large runners so far today.
- 4) Prices were struggling to go higher, so they were constantly probing both support and resistance so far. This was simply another attempt to pull back and test the 1192.0 area, and once again, it held creating a broader double bottom with a nice bullish reversal bar that opened on its low and closed on its high to go long above. This was another quick and easy scalp with no runners.
- 5) If you were paying attention to the high from yesterday, this short trade would have been very easy to anticipate. There were several other reasons to like this trade too though, and when you get multiple reasons to enter, that makes the trade even better. Normally I might wait for a 2nd entry to enter, but this move up was created off a news items from Europe, and any gains or losses off those types of fast moves are almost always recovered rather quickly. However, notice that this was a double top at the high of yesterday's range and there were also two perfect measured legs up to this new high. On a larger chart, those two legs would give you a nice 2nd entry short off the double top that just formed. There was also the fact that there was an overhead trend line that an exact copy of the lower trend line that was create and placed across the upper swings to give us a channel. This gave an additional reason to expect resistance at this level. Last of all, there was a nice bearish reversal bar to go short below and most major double tops and double bottoms will yield at least a scalper's profit. This turned out to be the trade of the day as any runners were easily worth 20+ points if you were smart enough to exit at the low of the range where a bounce, even if only temporary, was likely to occur!
- 6) This was a nice double top on a retest of the 1192.0 area that had acted as both support and resistance so far today. With prices testing it from the underside, you would expect at least a bounce or two lower, even if prices were going to go higher in the end. When prices tested that area and immediately reversed with a great bearish reversal bar to go short below, this was a no brainer. We also just had a two-legged pullback to the EMA as well, but there was never a good signal bar that set up, and then there were just too many overlapping bars, so a failed break higher would be our best opportunity if prices were going lower. If you look closely here, you will see that prices did in fact tick higher on the retest of the 1192.0 area, so this was also a failed break higher out of the small congestion area that formed right at the EMA. This was another key entry with runners worth multiple points!
- 7) This was a 2nd entry short and a breakout pullback short on another test of the trend line that was now holding prices in a down trend. Notice that there was a failed 2nd entry long that met resistance right at the trend line and turned prices down again. That trapped longs thinking this was going to be a failed break lower, but with the trend line and EMA still consistently above all of the bars, going long there was a bad choice, as the entry only became a great trap that allowed us to get short just before the next big move down. This was another key entry with runners that easily ran for 7 points or so before reaching the low of the trading range.
- 8) This short was one of those that was questionable since prices had just failed on a break below the overnight low. However, it was still a nice two legged move back to the EMA and trend line in a steeply trending market, so there is a good chance prices will at least test the support area again, and most two-legged pullbacks to the EMA in a trend are almost always good for a scalp at a minimum. This move was good for just enough to reach our scalper's profit, but that was all and prices quickly bounced higher again.
- 9) This one was tricky, but prices were coming off a failed break lower below the 1180.0 support area and they had also tried to go lower two additional times after testing the support area, only to make higher highs both times. When prices held twice at the EMA creating a small double bottom with a strong bullish reversal bar that closed on it's high, going long above that bar was a low risk entry point. It's hard to see, but there is a small W pattern right there at the EMA, and that's a great reversal pattern at a strong support area, which is usually what you will find on a pullback to the EMA. This was another quick scalp with runners that were good for 7 or 8 points on the way up to test 1192.0 again.

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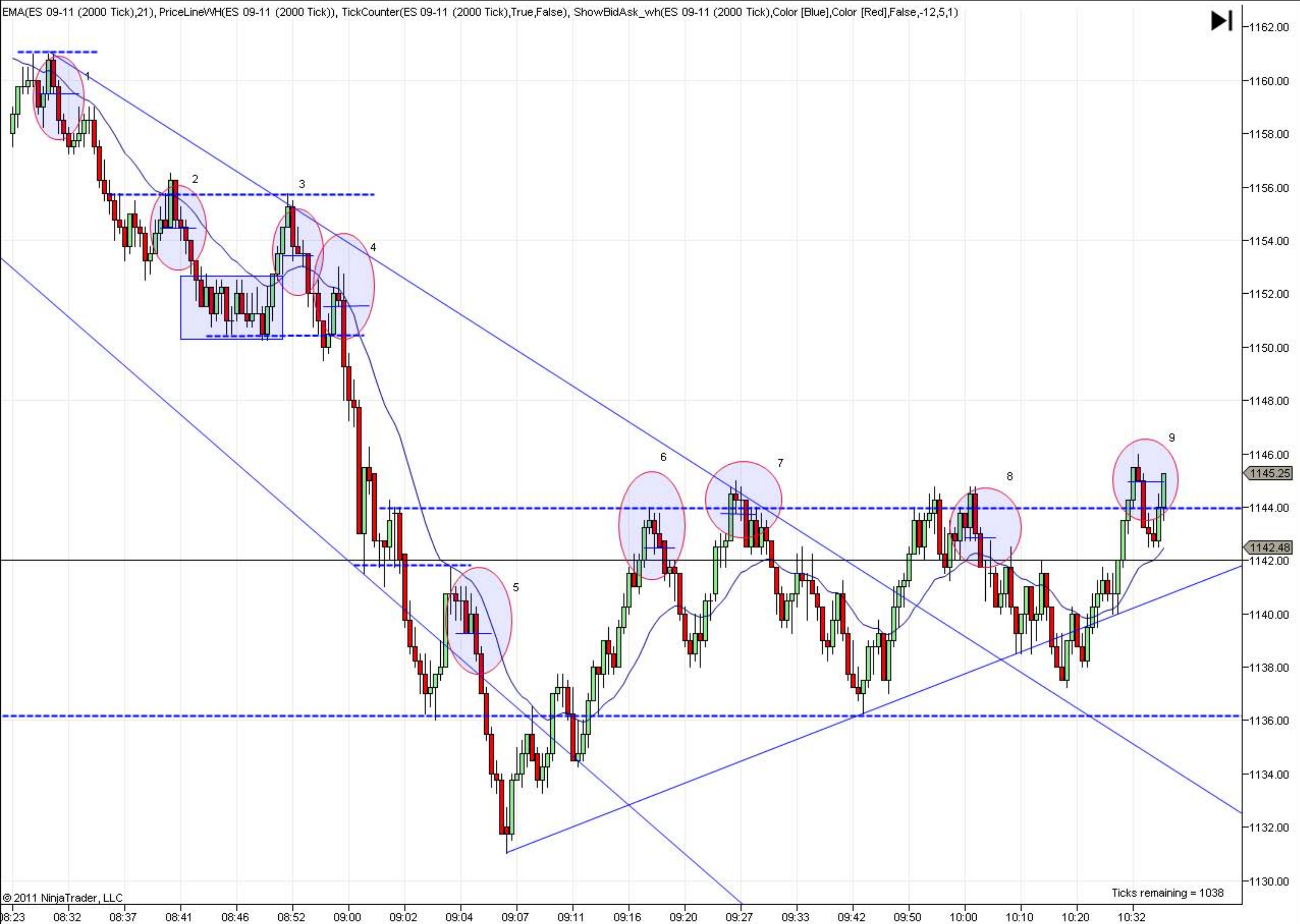


Daily Comment: Even though there was a nice trend up early, followed by an even better trend to the downside later, prices still remain range bound between 1180 and just above 1200. Prices were actually able to break a few points higher today, only to become range bound at the highs for about an hour before finally selling off and heading lower again. If you followed our price action trading rules today, it was a fairly easy trading day, with the volatility and volume being back in what I would describe as “normal ranges” again.

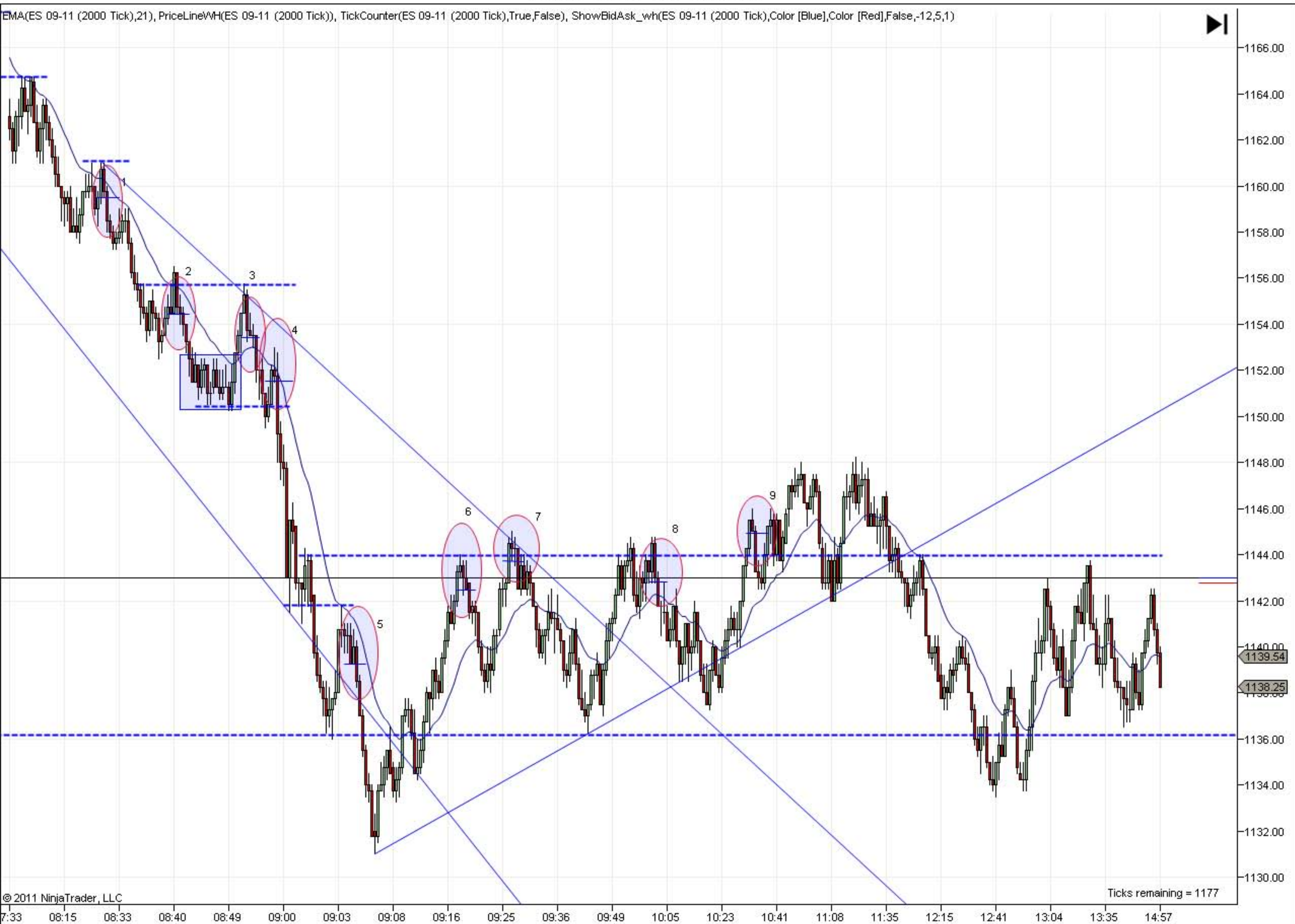
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- 1) This was a classic two-legged pullback to the EMA. This is our bread and butter patter, because it makes us more money than any other pattern. Unfortunately, no runners on this entry.
- 2) Even though this pattern did not quite make it back to the EMA, it is still a repeat pattern to trade #1, which is two legs back to the EMA in a trending market. This time we did get a runner, and it was worth as many as 6 points if you exited off the double top when it formed.
- 3) This was a 2nd entry long counting off the low bounce at the double bottom. It was a little risky entering long right off the low since there was no sign of bullishness just yet. However, when prices turned down a 2nd time only to immediately fail and turn higher, that was a great place to enter. This was an easy scalp that was good for several points if you exited off the double top.
- 4) When prices broke above the double top by a tick or two and immediately reversed, that was a great long trap that should be good for at least a scalp. Traps are usually good for at least a scalp, but they will often times lead to a couple of additional legs as well. In this case, a new down trend actually began. No runners though.
- 5) Prices were now back inside the trading range from the past two days, and even though prices got a few points higher early, the fact that the resistance area (1201.50) could not continue to hold as support was telling. Now prices have just tested that resistance area again from underneath and it's held again, so that indicates that for now at least, the resistance area at 1201.50 is still in play. We also had a possible trend line running through this area, and that appears to have held as well with prices failing to make any meaningful movement outside that trend line. This is a small two-legged pullback to the EMA as well, so that was in play too! As you can see, this was a key entry for the day and the trade was worth about 20 points if you exited near the double bottom that formed off the overnight low. Prices managed to break below that double bottom, but only momentarily before they bounced and went higher again.
- 6) This was a breakout pullback short, but prices also turned off the trend line to the tick, further validating that this trend line we had drawn was indeed valid for now. This was another great entry point with our runners being worth close to 16 points.
- 7) This was another test of the trend line that held, but notice too that a double top formed right here at the trend line as well. Normally a DT will yield at least a scalp, but often much more. No runners this time, as prices bounced immediately after reaching a scalper's profit and took out our stops on any runners.
- 8) This was yet another two-legged pullback to the EMA in a trending market. Notice the small one tick failed break higher above the small double top matching highs. That tick served as a small trap, so when prices turned lower, this was our favorite pattern with a possible trap as a bonus. This was a nice 7 point move down to the low and if you were watching the double bottom from the overnight, you should have been thinking about exiting any runners this trade or any of the former trades at that level.
- 9) This was a breakout pullback long following a failed break lower below the double bottom and several new higher low and higher high swings. Prices are likely to find their strongest resistance at the last swing high near trade 8, so there is a lot of room to scalp out between this entry and that swing high. Notice too how the bars had switched from mostly red to now mostly green following the reversal at the double bottom. That's a sign that the buyers had come in stronger at this level.

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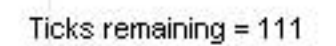


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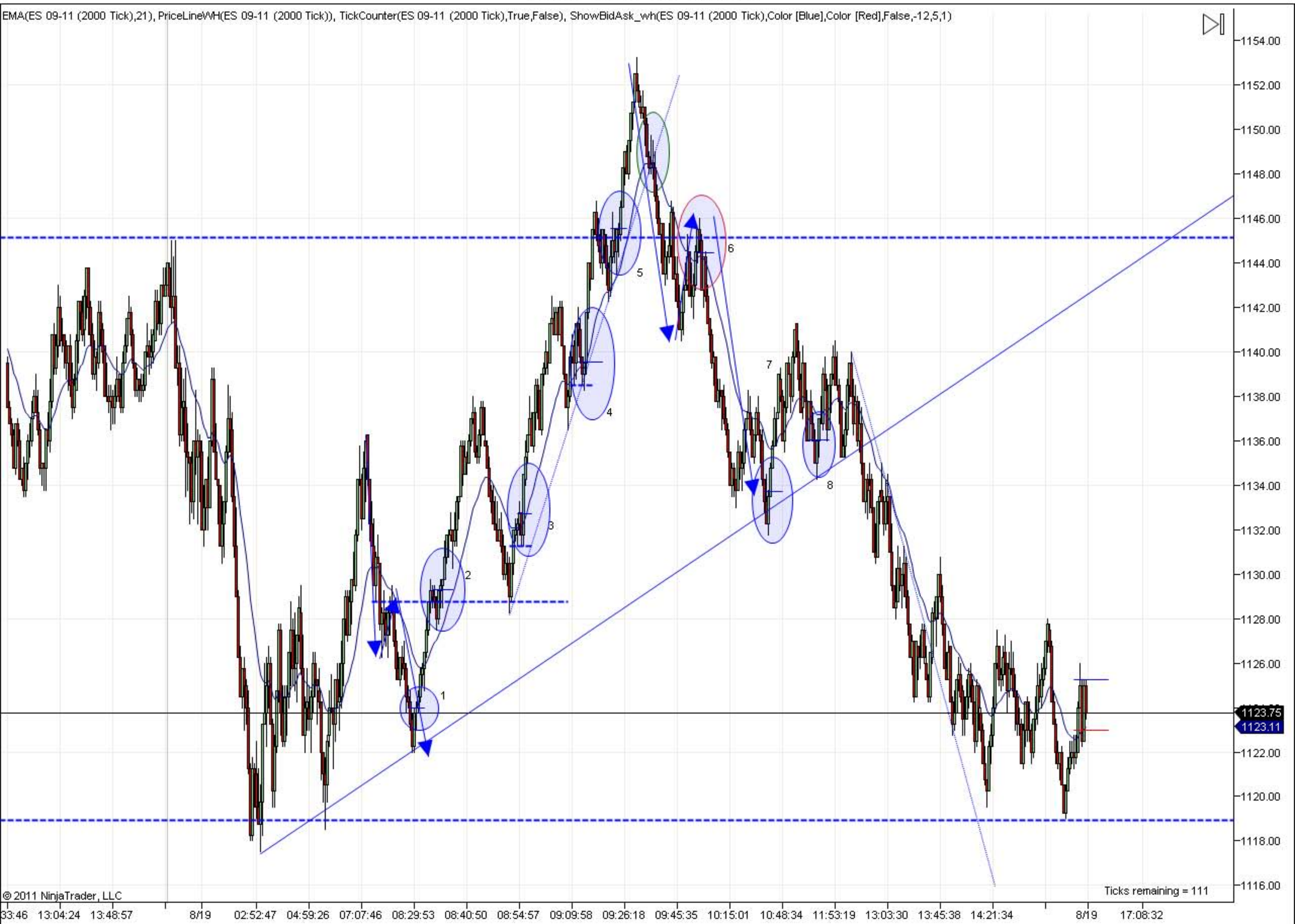
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There were other trades today, but these were the best of the best.



EMA(ES 09-11 (2000 Tick),21), PriceLineVW(ES 09-11 (2000 Tick)), TickCounter(ES 09-11 (2000 Tick),True,False), ShowBidAsk_wh(ES 09-11 (2000 Tick),Color [Blue],Color [Red],False,-12,5,1)



Daily Comment: Today's lesson will be a bit abbreviated due to a lack of time. My son has a football game today and it's on the road, so I will be leaving early to travel to his game. Today was a range day again, but there was a nice trend up, followed by another nice trend back down to test the lows. These make great trading days if you are using trend lines to help determine when the trend has changed.

Any areas highlighted by the rectangles are now in place to show areas where there was too much congestion or too many overlapping bars to enter safely.

- 1) This was a bounce off the trend line that was found off the first two lows of the overnight session. If you were paying attention, you should have seen the two-legged move back down to the trend line that reversed right after the regular market open. Prices took off right out of the gate, and if you had your trend lines in place, this was rather easy to spot with a large bullish reversal bar to go long above. Again, on a larger time frame, this was a 2nd entry too, due to the two-legged move. This was a great entry and our runners were safe as well and worth 30 points.
- 2) This was a breakout pullback long, but it was following a failed 2nd entry short, so there were likely trapped shorts here that thought the market had gone too far too fast. With a move that strong off the trend line, it was still a long way up to the last swing high, so there was still a lot of room to profit. This was another great entry with our runners surviving and being worth as many as 10 points.
- 3) This was a very similar pattern to trade 2. Notice that prices had just pulled back to test the breakout area again, and when prices held and moved higher, that was a good sign that they were going to make another leg up. When the 2nd entry short triggered and immediately failed and trapped shorts, that trap propelled prices quickly higher again and we want to go along for the ride. Again our runners were safe and worth somewhere around 20 points each.
- 4) This was a third test of our newer and steeper trend line, which is what I would call a minor trend line. On a larger chart, this would be a 2nd entry long set up. Notice that there was a small double bottom that formed right at the trend line, and then prices ticked a single tick lower and then immediately reversed. That was another great trap and a bounce off the trend line at the same time with a nice little reversal type bar to go long above. Again, you can easily see that the trap served it's purpose as prices exploded upwards when the shorts realized they were too early and the weak longs realized they were duped and have to start buying back while chasing the market higher. Runners were safe here too and worth 13+ points depending on where you exited.
- 5) By now it should be obvious that this market is strong and actually getting stronger, so don't try to pick tops and just keep buying pullbacks to the EMA and or trend line until one fails or until there is no set up. This was a 2nd entry long follow two more tests of the trend line that held to the tick. There was another nice bullish reversal bar to go long above following that second test of the trend line, and again, the market exploded higher with our runners being safe and worth as many as 7 points.
- 6) Take note of the green circle just above this trade. That was the next pullback to the EMA, but we didn't want to take that trade, and I wanted to point out why in case some of you got tricked there. Notice that even though prices bounced off the EMA, they never gave us a bullish bar to enter above, so we wait. By waiting, we were duped, and prices quickly moved lower and went well below the EMA. This is a good sign that "maybe" the uptrend is ending. Notice how all the other trades off the EMA or trend line had good set ups, but this is what a bad set up looks like.

Trade #6 was actually a two-legged pullback to the EMA with prices coming back to test the resistance area at 1145.0. When prices held and turned lower, that was a great 2nd entry short. While it was a quick and easy scalp, no runners this time. At this point, it was not completely evident that the trend had turned, but it was starting to look that way. This two legged correction is likely to be the center of a larger move, so now is a good time to measure the first leg and find a target for the next leg should prices go lower.

- 7) This was a failed break lower that turned right at the trend line. Even though we had two measured legs down, we came up short of the trend line, and prices are not likely to go higher without reaching that line after getting this close. This is actually a 2nd entry long as well, and there was a great bullish reversal bar to go long above. That failed break lower below the last low and the small break below the trend line were both short traps, and you can see that was likely the case by how strongly prices shot up off that trend line. Any runners were worth as many as 7 points depending on where you exited.
- 8) This was simply another test of the trend line that held. Prices were trying to go higher but struggling and at this point, the trend line is still holding. A bullish reversal bar that turns at the tick is usually a good place to go long, and while we didn't go much higher, it was still an easy 4 point move that netted us a scalper's profit and maybe more if you exited quickly enough on your runners.