Intra-Day Trading Techniques

With

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Four Styles of Trading

Types of Trading: Core; Swing; Guerrilla; Day

Which fall into:

Two Broad Trading Categories: Wealth; Income
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Intra-day Trading Defined

**What is Intra-day Trading?**

1) A style that covers a holding period of **several minutes to hours**.

2) Three forms of Intra-day Trading: **Scalping**, Momentum Day

3) This style of trading has become **widely accepted recently**.

4) Day Traders use **5- & 15-Min. charts** to make entries and exits.

5) Day Trading is best used on **active**, highly **liquid** stocks.

6) Day Traders try to capture smaller gains with **minimal dollar risk**.

7) Day Trading is a style of trading that **May not be suitable for ALL!!**
Psychological Trading Requirements

Confidence

Patience

Discipline

HOW

Subjective analysis must be reduced or eliminated.

A systematic objective method of interpretation is needed.

This builds a thought process which builds Confidence.

Discipline

Patience

Becomes Your Job!
Tools of the Pristine Day Trader

**Charting Tools:** 5-, 15- & 60-Min. Intra-day charts displayed in Candlestick form. Color coded volume.

**Technical Tools:** 20- & 200-period ‘simple’ moving averages.

**A Price Pattern:** The Pristine Buy & Sell Setup.
Intra-day Charting

The 15-MIN. Chart

200-Period MA

20-Period MA

Candlesticks

Color Coded Volume

Intraday (Right) KLAC - KLA-TENCOR CORP (15-Min) Bar Volume MA (P=200) MA (P=20)

9/05 9/06
The Battle between Bulls and Bears

Determining Who Won The Battle

Bears Win

Bulls Win
Six Candle Concepts

- Changing of the Guard™ - COG
- Wide Range Body - WRB
- Narrow Range Body – NR
- Narrowing Range Bodies - NRB
- Topping Tail - TT
- Bottoming Tail - BT

All give traders the same message.

The probability of the current trend changing is increasing.

A high probability opportunity may exist to trade.
Pristine Buy & Sell Setup Facts:

- The setup can be traded in all time frames.
- It is a set of bars that occurs in a detailed formation.
- This combination of bars is a segment or smaller part of the overall pattern.
- It offers high probability with low risk.
The Pristine Buy and Sell Setup

Each new bar opens in the area of the prior bar’s close and also closes above/below its opening price until a reversal of that occurs.

The setup is complete after a reversal candle has formed.
This is **NOT** what we are looking for!

These bars overlap each other and do not have the predictability we are looking for.
Congestion patterns are whippy and unpredictable. Recognized by overlapping candles and multiple failures in both directions.
**Simple Moving Averages**

- **Long** positions are favored when prices are *Above* their 20-MA on a 60-Min. chart. Entry points are found on 5- or 15-Min. charts.

- **Short** positions are considered when prices are *Below* their 20-MA on a 60-Min. chart. Entry points are found on 5- or 15-Min charts.

- **Short** positions are considered when prices are extended *Above* the 20-MA on a 60-Min. but *Below* their 20-MA on the 5-Min. chart.

- **Long** positions are considered when prices are extended *Below* the 20-MA on a 60-Min. but *Above* their 20-MA on the 5-Min. chart.
Moving Average Guidelines

The 60-MIN. Chart

When Prices rise Above the 20-MA.
Favor Long Trades.

When Prices decline Below the 20-MA.
Favor Short Trades.

Long Term Intra-Day

200-MA

20-MA
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Moving Average Guidelines

Extended Bearish Trend

Prices move above 20-MA.

20-MA

200-MA

60-Min. Chart

5-Min. Chart

Prices move above 20-MA.
Candlestick Concepts
Candlestick Concepts

Ask yourself, “What does the current candle tell you about the prevailing trend?” Note: A trend = 3-5 bars moving in the same direction.

Each candle will give us information that either confirms or contradicts that trend.

Long or Expanding range candles tell us volatility is high or momentum is increasing.

Short or Narrowing range candles tell us volatility is low or momentum is decreasing.
Changing of the Guard Bar - COG

A **Bullish COG** is defined as three or more consecutive red bars followed by a green bar.

A **Bearish COG** is defined as three or more consecutive green bars followed by a red bar.

Pristine Tip: While there are different variations, the message is always the same! A reversal in momentum has occurred!
Narrowing Range Bars - NRB

A series of bars in which the difference between the highs and lows is Narrowing.

Pristine Tip: While there are different variations, the message is always the same! A slowing in momentum is occurring!
Narrow Range Bodies - NR

Bars in which the body of the candle is small relative to the overall length of the candle. They may have Tails on either side of the body.

Pristine Tip: While there are different variations, the message is always the same! A slowing in momentum has occurred!
Topping Tail Bars - TT

Bars in which prices had been higher, then supply forced prices lower into the lower part of the bars range.

Pristine Tip: While there are different variations, the message is always the same! Distribution has occurred!
Bottoming Tail Bars - BT

Bars in which prices had been lower, then demand forced prices higher into the upper part of the bars range.

Pristine Tip: While there are different variations, the message is always the same! Accumulation has occurred!
Wide Range Bar - WRB

A Bar in which the Candle Body is relatively wide compared to the most recent bars.

A Wide Range Bar after a period low volatility ignites momentum in that direction.

A Wide Range Bar after an extended advance or decline typically happens near the end of a move. An NR or NRB will signal the turn.
Candlestick Concepts

COGs
- Dark Cloud Cover
- Piercing Pattern
- Bullish Engulfing
- Bearish Engulfing
- Counter Attack Lines
- Thrusting Lines

Diagram:
- NB
- NRB
- COGs
- WRB
- BT
Candlestick Concepts

Narrow Range Bodies & Bars
- Long Legged Doji
- Inverted Hammer
- Shooting Star
- Hangman
- Harami
- DOJI

NBs
TT
WRB
BT
COG
Moving Average Concepts
The relationship between MAs and/or the relationship between Price and MAs serve as:

- An Overbought / Oversold Indicator
- A Bullish / Bearish Divergence Indicator
- A Guide to price Support & Resistance
- A Tool to help anticipate where a reversal may occur
- A Risk – Reward Indicator
- A Relative Strength Indicator
Moving Average Concepts

An Overbought / Oversold Indicator

As the 20- and 200-MAs move farther apart, the odds of a reversal increase.

As prices move farther away from the 20-MA odds of a reversal increase.
A COG after a new high or new low accompanied by a smaller distance between price and the 20-MA signals a slowing in Momentum and a Divergence.
Moving Average Concepts

A Guide to Support & Resistance

Looking to the left of an MA should point toward an area of support or resistance.

Price Resistance

Look to the Left

Price Support

A Moving Avg. is a tool that helps the trader anticipate where to enter positions or take profits.
Anticipate Entry/Exit and Risk/Reward

As prices move further from an MA, odds of a reversal increase.

RISK is below COG

Potential Reward

Distance between MAs

Anticipated Exit

RISK is below COG

Anticipated Entry

TIP: The correction from the first point of resistance increases the odds that this point will be overcome.
Moving Average Concepts

A Relative Strength Indicator

Comparing the MAs of a stock or index to another will tell us which is stronger.
Retracement Concepts
Retracement levels are used to measure the **STRENGTH** or **WEAKNESS** of a move **Counter** to the **Prevailing** trend.

The Retracement levels are a percentage measurement between significant highs and lows.

The Retracement levels we are concerned with are **40, 50 and 60%**

Retracement levels alone are not enough to consider entering a position. A Pristine setup is also needed.

Learn to see retracement levels without drawing them. When trading, analysis must be done quickly.
After a 40% Retracement, the trend is still considered positive.

The trend should continue in the original direction.