Trading reversal patterns

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Simon Brown JustOneLap.com/MasterClass/

TRADING MasterClass

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Boot Camp sessions

Videos are online at JustOneLap.com/bootcamp/

- # 1 Getting Started in Trading
- # 2 Margin / Leverage / Exposure
- # 3 A Trading Plan
- #4 Global Trading
- # 5 Managing Share Events
- # 6 Busting Market Myths
- #7 New Years trading resolutions
- #8 Trading the news flow
- #9 FX and index trading
- # 10 Psychology of trading
- # 11 Fundamentals & technicals
- # 12 Managing risk





Trading Master Class

Previous → CFD Trading plan
JustOneLap.com/masterclass/

- Two parts
 - · Live, this evening
 - Second session
 - Live follow up
 - Webcast only
 - 5th October 1pm
 - » justonelap.com/events/





Next Master Class

http://www.JustOneLap.com/events/

TRADING MasterClass

Next session(s)



- 11th October 6pm (IG and webcast)
 - Binary options
 - Follow up webcast 18th October 1pm
- 1st November 6pm (IG and webcast)
 - Trend lines
 - Follow up webcast 17th November 1pm

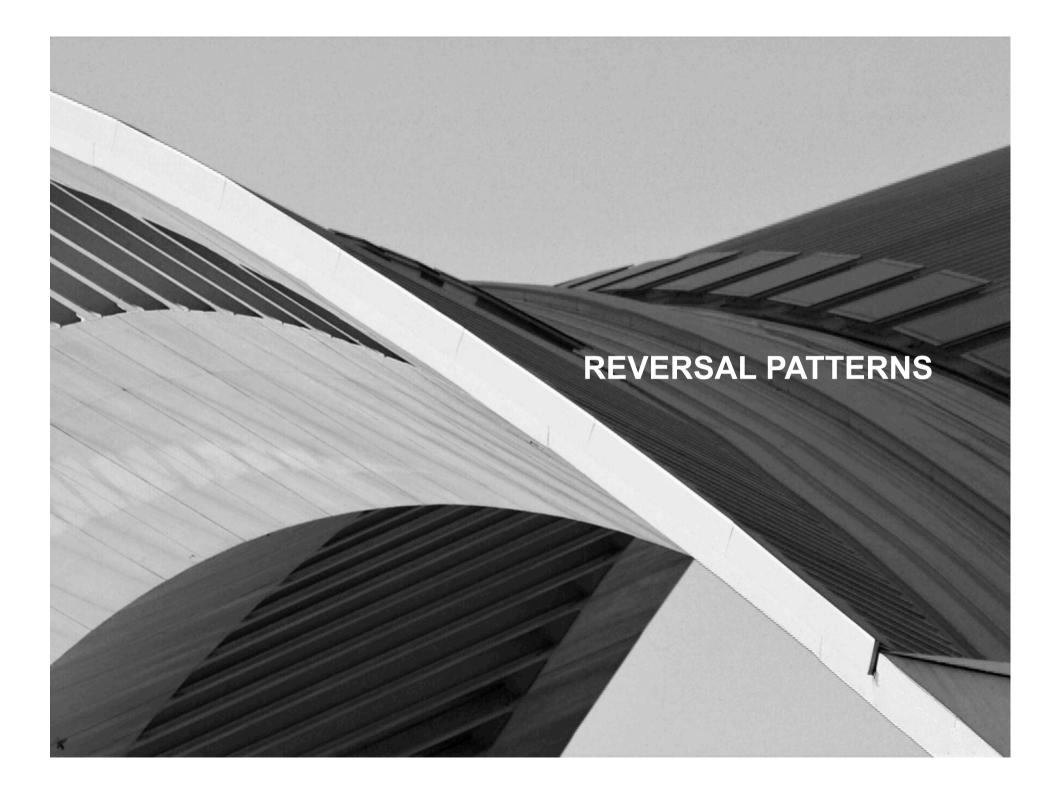


Rules based trading system

Laws too gentle are seldom obeyed; too severe, seldom executed.

Benjamin Franklin





Reversal patterns

- Reversal trades = HIGH RISK
 - Mostly trend continues
 - Or consolidate
- Weekly charts best
 - Intra-day charts
 - Aggressive stops





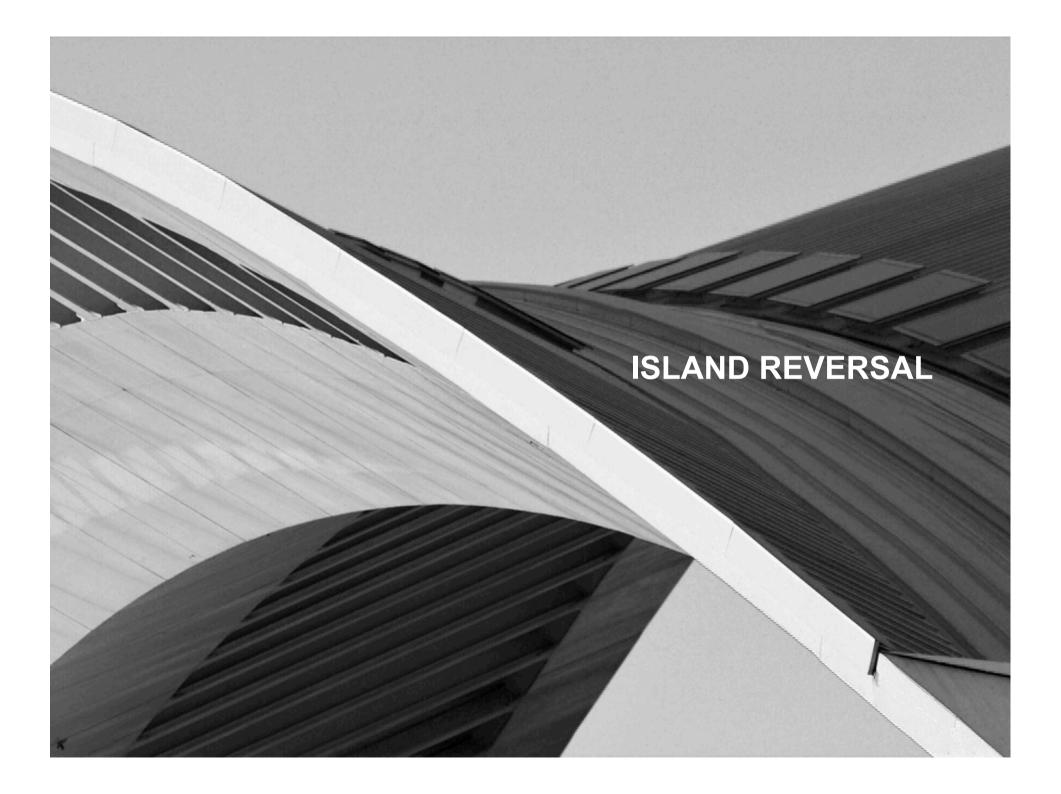
System rules

- Indices, currencies, stocks
- Long and short trades
 - Albeit shorts = higher risk
- 2% risk per trade
 - Boot Camp video # 2 Margin/Leverage/Exposure
- Max portfolio gearing = guaranteed stops
 - Boot Camp video # 12 Managing risk
- One step entry system
- Exit at stop loss
 - #PerfectTrade

Time frames

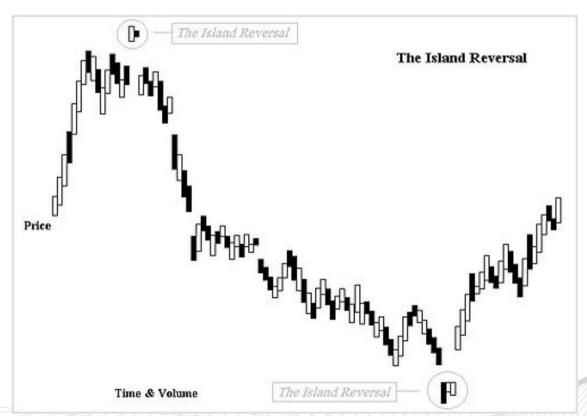
- Works in almost any time frame
 - 5 minute weekly charts
- Longer time frame = stronger signal
 - Trade it on weekly
 - Use it as trigger with added confirmation
 - Higher highs
 - Indicator confirming etc.





Island reversal

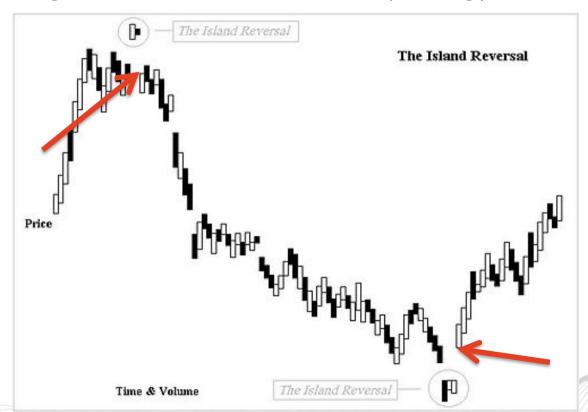
- Very rare
- Worst reversal pattern? (Thomas Bulkowski)
 - Weekly chart





Island reversal

- Entry = on reversal after second gap
- Stop = middle of gap
 - Trail stop higher below recent lows (if long)

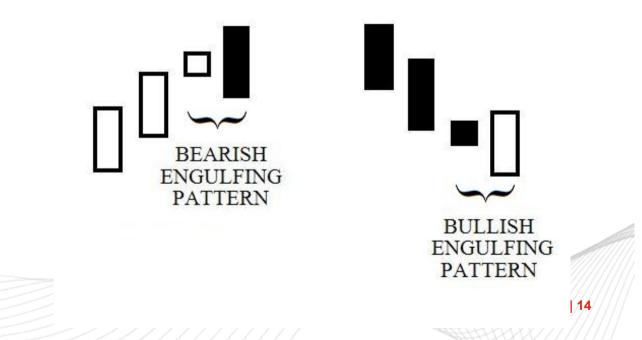






Engulfing candle

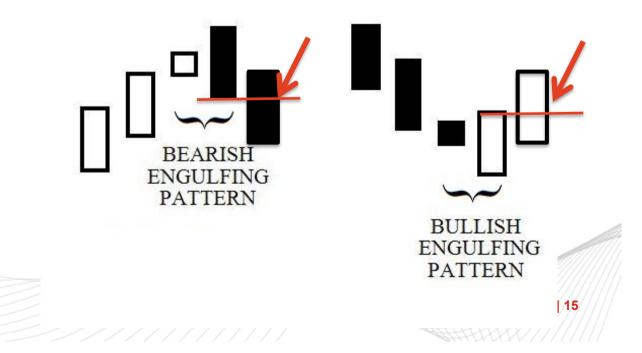
- Very strong pattern
 - Any time frame
- Can be used on its own
 - I trade it in direction of trend





Engulfing candle

- Trend direction first
 - 7 EMA > 21 EMA = trend up, longs only
 - 21 EMA > 7 EMA = trend down, shorts only
- Enter on next candle if price higher / lower
- Stop mid way engulfing candle, trail behind







Kangaroo tail

- More than a morning star or hammer
- Needs large tail





Kangaroo tail

- Enter candle after kangaroo tail
 - If above previous candle close



Mid way down tail

Trail up below lows



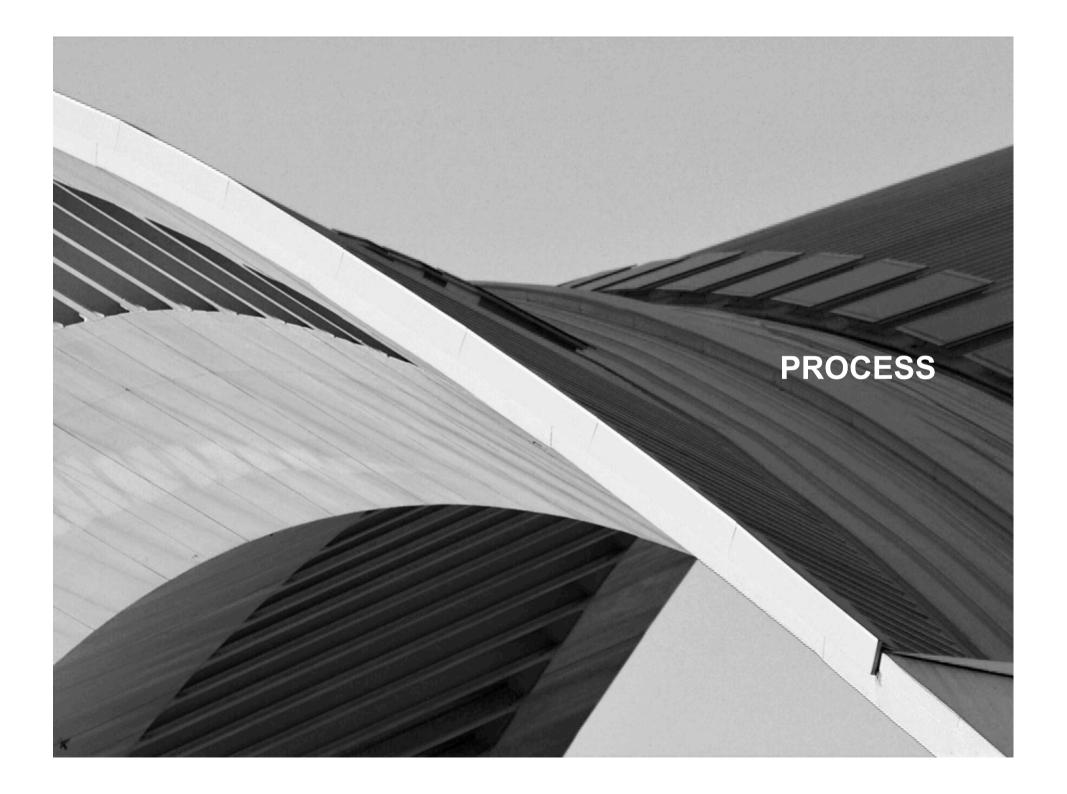












Process

- Alerts
 - Not possible
 - Eye balling chart
- Stops
 - Can enter into system at set trail below
 - Intra-day / day trading
 - » Sit at desk and day trade
 - End of day / week
 - » Evening / weekend set ups



#PerfectTrade

- Did you get a signal?
- Did you enter on confirmation?
- Was position size correct?
- Was stop loss set as per system?
- Was trade monitored correctly?
- Did you adjust stop loss correctly?
- Did you exit as per system (stop loss or target)?







Start trading, gentle

- Reversal patterns are high risk
 - Trends tend to continue
- Trail stops higher
 - Exit on stop (not target)



Risks

- Reversals
- Misreading pattern
 - Forcing the trade
- Bad entries
 - Discipline
- Bad exits
 - Discipline
- Trader risk
 - #PerfectTrade





Next steps

- Have a plan
 - Trade the plan
 - This IS a plan

Video # 7 New Years trading resolutions
JustOneLap.com/bootcamp/

- Demo account
 - For as long as it takes
 - Cash account, start small
- Next webcast
 - Bring your charts & questions

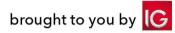


Next Master Class

http://www.ig.com/za/seminars

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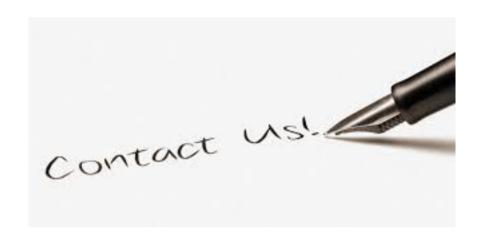
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