

High Probability Trading Triggers for Entering Trading Positions

By: John L. Person

www.nationalfutures.com

Presented by: Townsend Analytics, Ltd.



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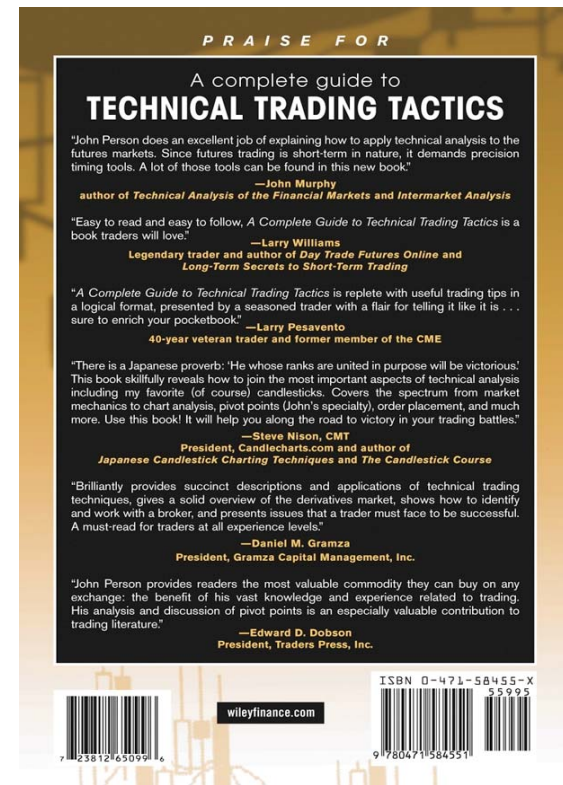
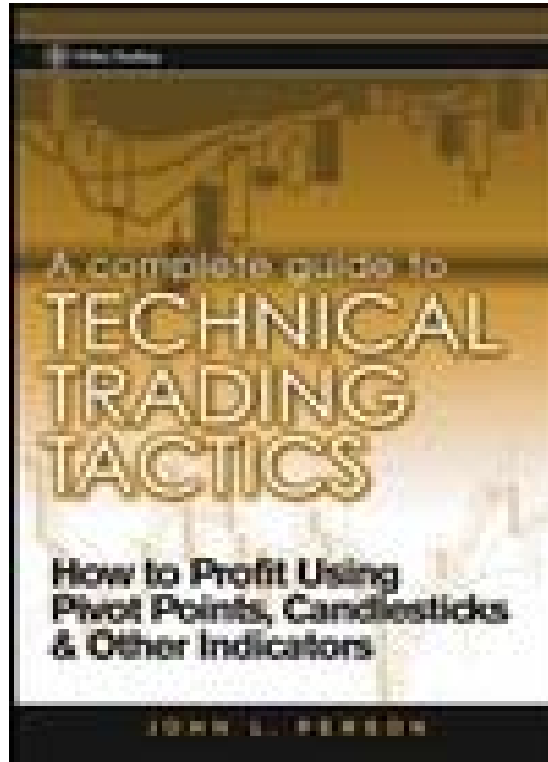
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Seminar Outline: High Probability Trading Triggers

- **Pattern Identification**
- **Construction of Candle Charts**
- **Top Reversal Patterns**
- **Pivot Point Analysis**
- **Pivot Point Moving Average Concept**
- **Filtering Method for Pivot Numbers**
- **HCD Trade Set-ups**
- **LCD Trade Set-ups**
- **Explanation of Confluence**

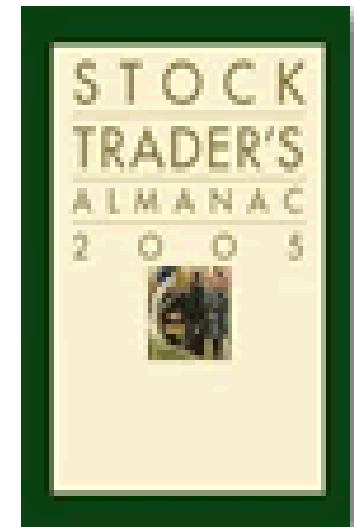


Practice what you Preach

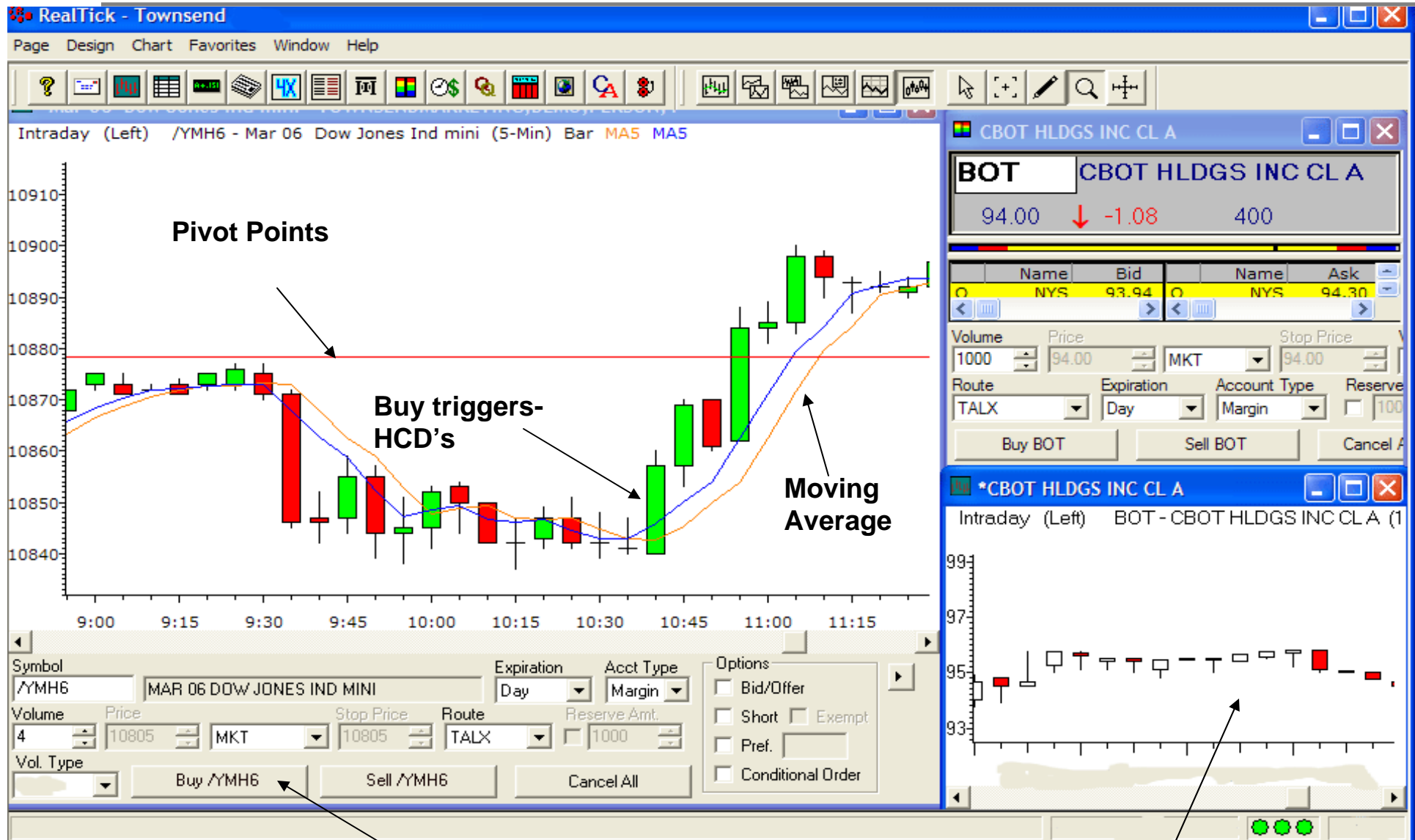


Recognized by Industry Leaders

- **Stock Traders Almanac**
Lists this Book as one
of the Top Ten
Investment Books for
2005!



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Order entry

Stock Watch

Introduction- Quote by Jesse Livermore

- ***“All through time, people have basically acted the same way in the stock and commodity markets as a result of greed, fear, ignorance, and hope: **that is why the formations and patterns recur on a constant basis.** The patterns the traders and technicians observe are simply the reflections of human emotional behavior”.***

Recurring Patterns- Bearish Wedge



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Recurring Patterns- Results of The Bearish Wedge

Intraday (Left) /YMZ5 - Dec 05 Dow Jones Ind mini (5-Min) Bar MA5 MA5



Introduction- Quote by Jesse Livermore

- ***“There is nothing new on Wall Street or in stock speculation. What has happened in the past will happen again and again, and again.***
- ***This is because human nature does not change, and it is human emotion that always gets in the way of human intelligence. Of this I am sure”***

Trading with Rules & Systems help Control Emotions

- Techniques to Conquer Emotional Interference
- Use a system or a set of Trading Rules.
- Write the Rules Down and Post on your computer.
- Before you enter the trade check your rule list.
- Set a stop objective, weigh the risk/reward level.

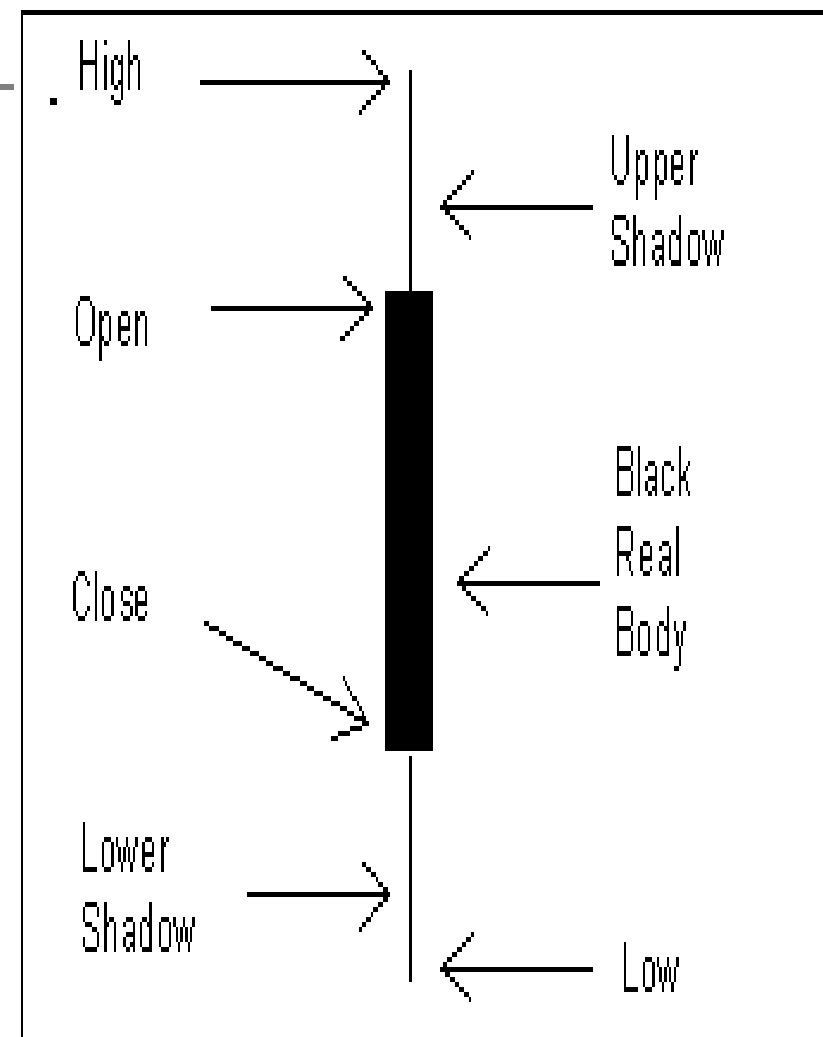
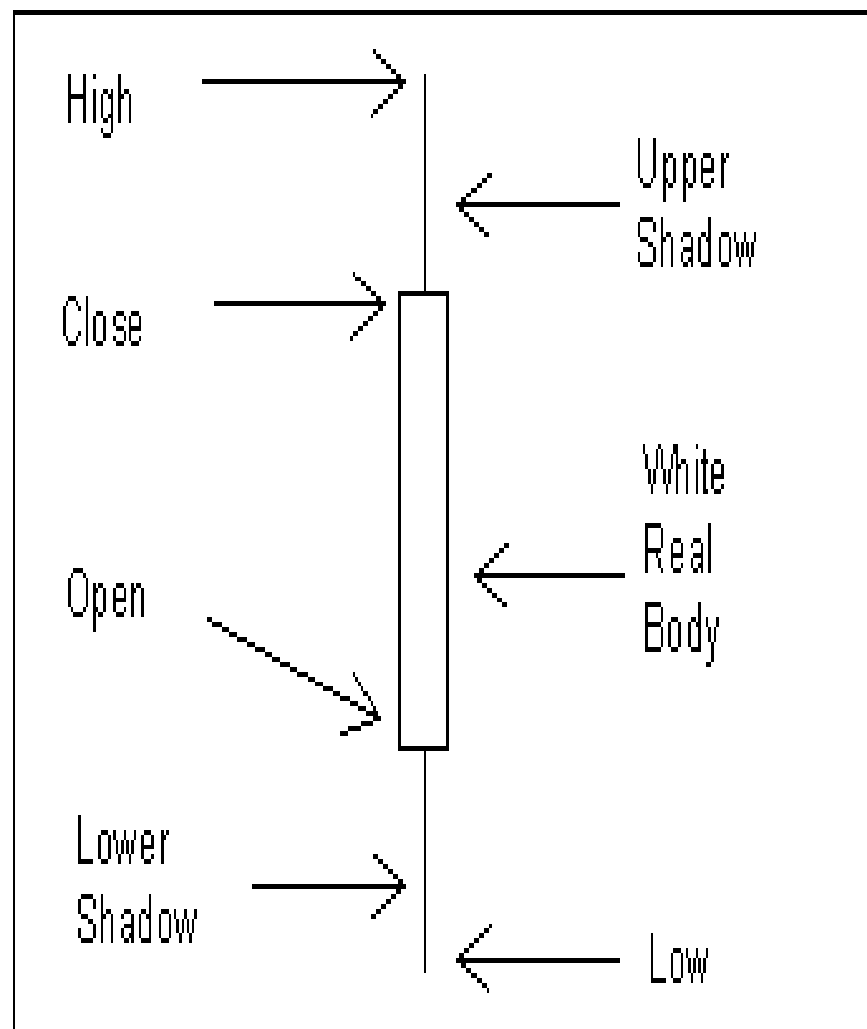
Stops can be based on a percentage factor, a Price Level, a Time factor, a conditional change factor (i.e.. SCO's).

- If You are trading based on a Signal or Trigger **NEVER** take action on **ANTICIPATING** the signal.

Trading with Rules & Systems help Control Emotions

- When trading, your mind can play tricks on You.
- Trading market Signals by define set of rules do not play tricks.
- When a signal says Buy: then Buy.
- When a signal says sell: then Sell.
- People who Guess to make money, are better at guessing on how to loose money.
- Lets go over a high probability trading system based on trading rules using Pivot Point Analysis and Candle Charts.

Trading Using Candlestick Charting



Candlestick Characteristics

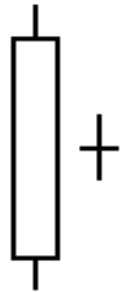
- Relationship between Open and Close: the real body.
- Real body color's.
- Shadows and correlations to candle body.
- Size of shadows.
- Range or length of the candle.
- Candles help give us immediate identification of the markets current environment and the market participant's acceptance or rejection or a support or resistance level in a clear visual manner.

Candle Patterns To Know

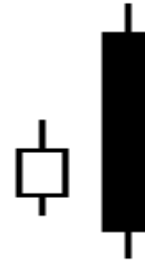
Evening Doji Star



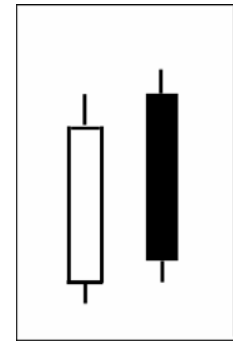
Harami Doji Cross



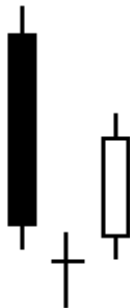
Bearish Engulfing



Dark Cloud



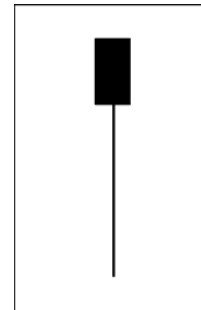
Morning Doji Star



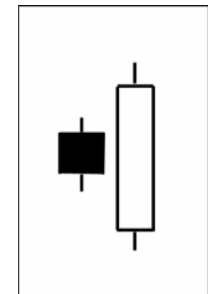
Bullish Piercing



Hammer



Bullish Engulfing



Pivot Point Analysis

- Most technical analysis is derived from mathematical calculations developed centuries ago.
- The common denominators used are the open, high, low, and the **close**. This is the data used for plotting bar charts and candlesticks.



Pivot Point Analysis

- The **close** is the Most important element of the four common denominators.
- It is the period for which all indicator values are assigned.
- All forms of analysis and indicators (except Volume & Open Interest) are determined by the **closing** time period.

Pivot Point Analysis

- Pivot Points are a **mathematical model** & is used to project ranges & trade break outs.
- Daily, Weekly & Monthly Time frames can be Calculated.
- They act as a leading price indicator for traders.
- The pivot point number is the high, low, **close** added up and then divided by three.
- $\text{Pivot point} = (H+L+C)/3$.

Pivot Point Analysis

- There are two resistance targets and two support targets.
- **Pivot Point** analysis, unlike Fibonacci studies, relies on **specific time frames** for analysis.
- The calculations will give you the high the low or both for a given trading session.
- The same principle goes for the Weekly and Monthly calculations.

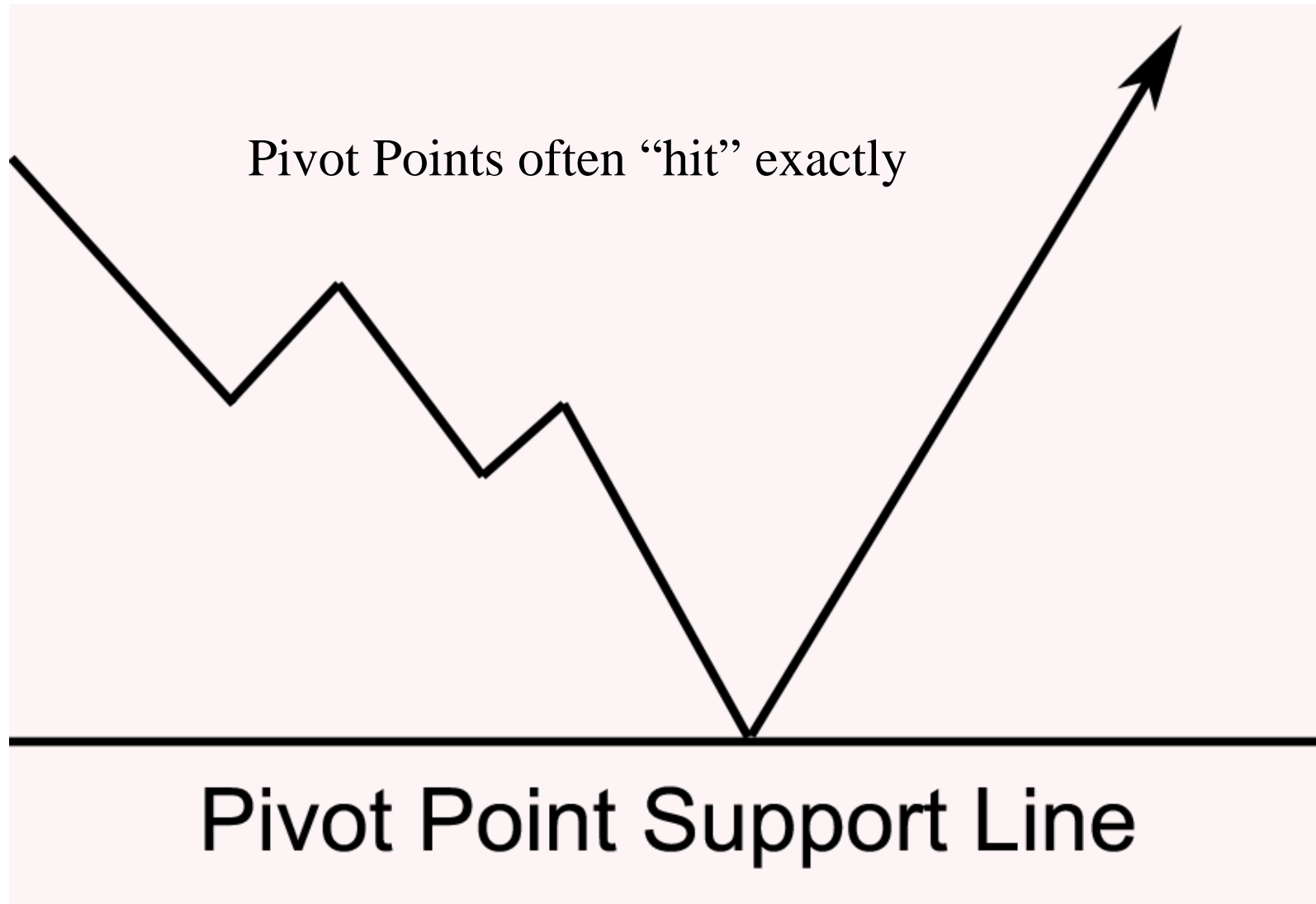
Pivot Point Analysis

- Here is the mathematical formula where P = pivot point; C = close; H = high; and L = low
- The pivot point number is the high, low and close added together and then divided by three. $P = (H + L + C) / 3 = \text{pivot point}$
- Now for the first resistance level take the pivot point number times two and then subtract the low. $(P \times 2) - L = \text{resistance 1}$
- For the second resistance, take the pivot point number add the high and then subtract the low. $P + H - L = \text{resistance 2}$
- For the first support take the pivot point number times two and then subtract the high. $(P \times 2) - h = \text{support 1}$
- For the second support, take the pivot point number subtract the high and then add the low. $P - H + L = \text{support 2}$

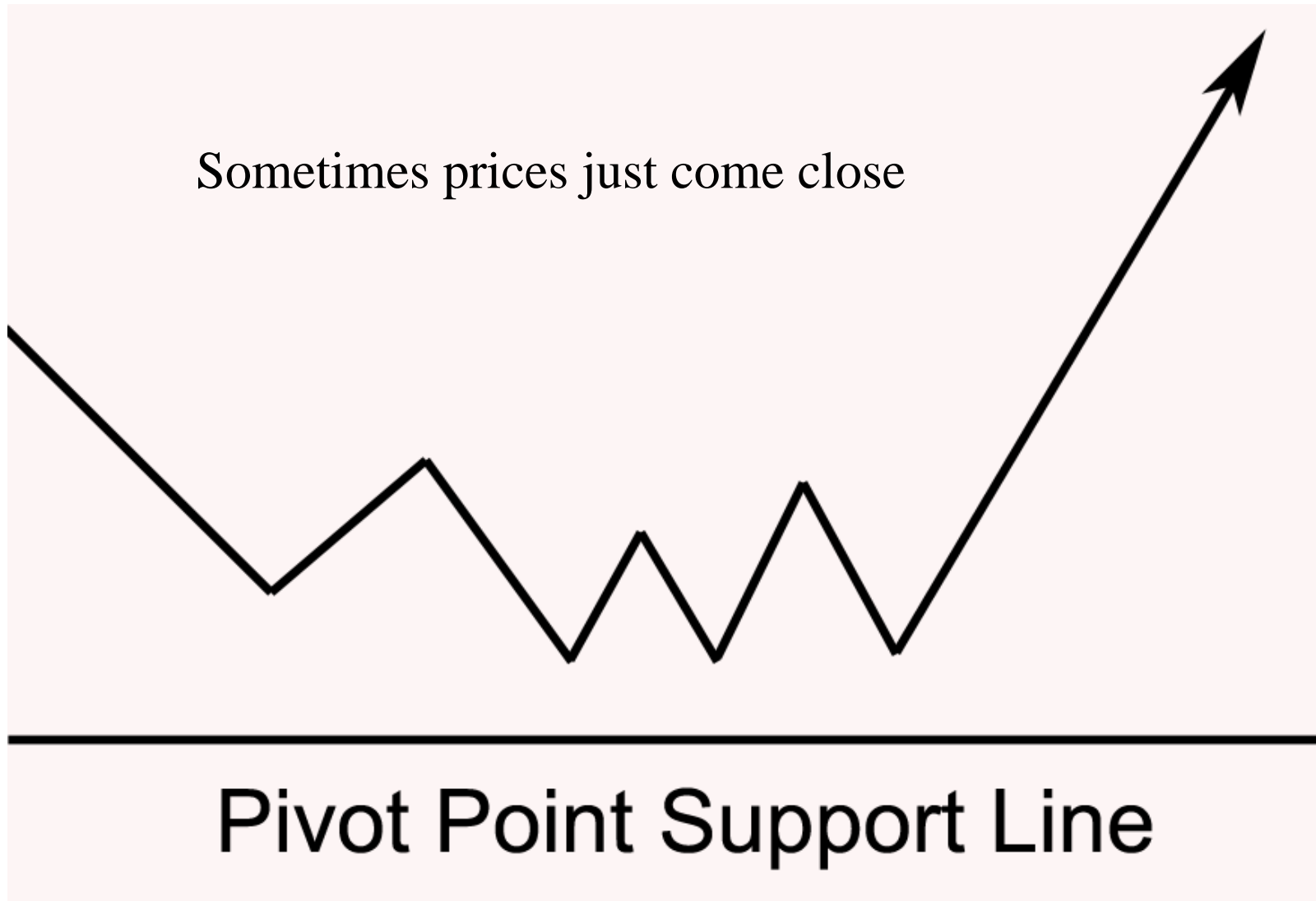
Pivot Point Analysis

- **Some analysts use this calculation for R-3 and S-3**
- **Resistance 3 =
High + 2 x's (Pivot - Low)**
- **Support 3 =
Low - 2 x's (High - Pivot)**

Pivot Point Support Holds Exactly

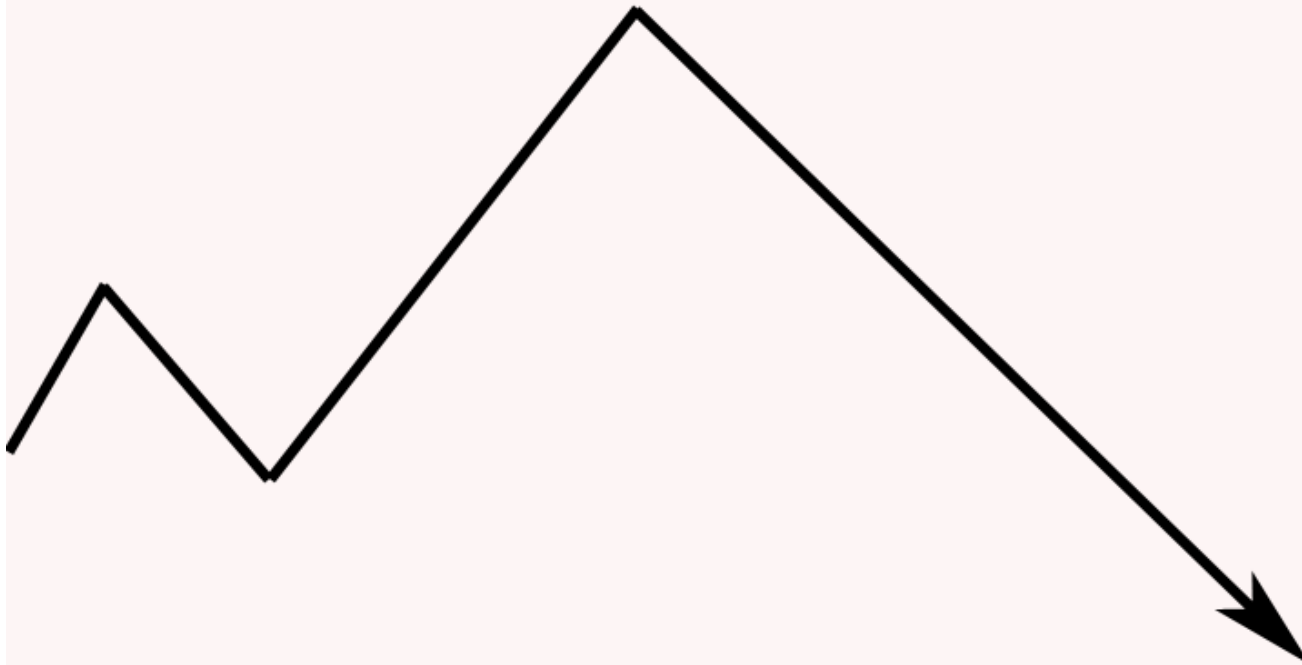


Pivot Point Support Is Tested



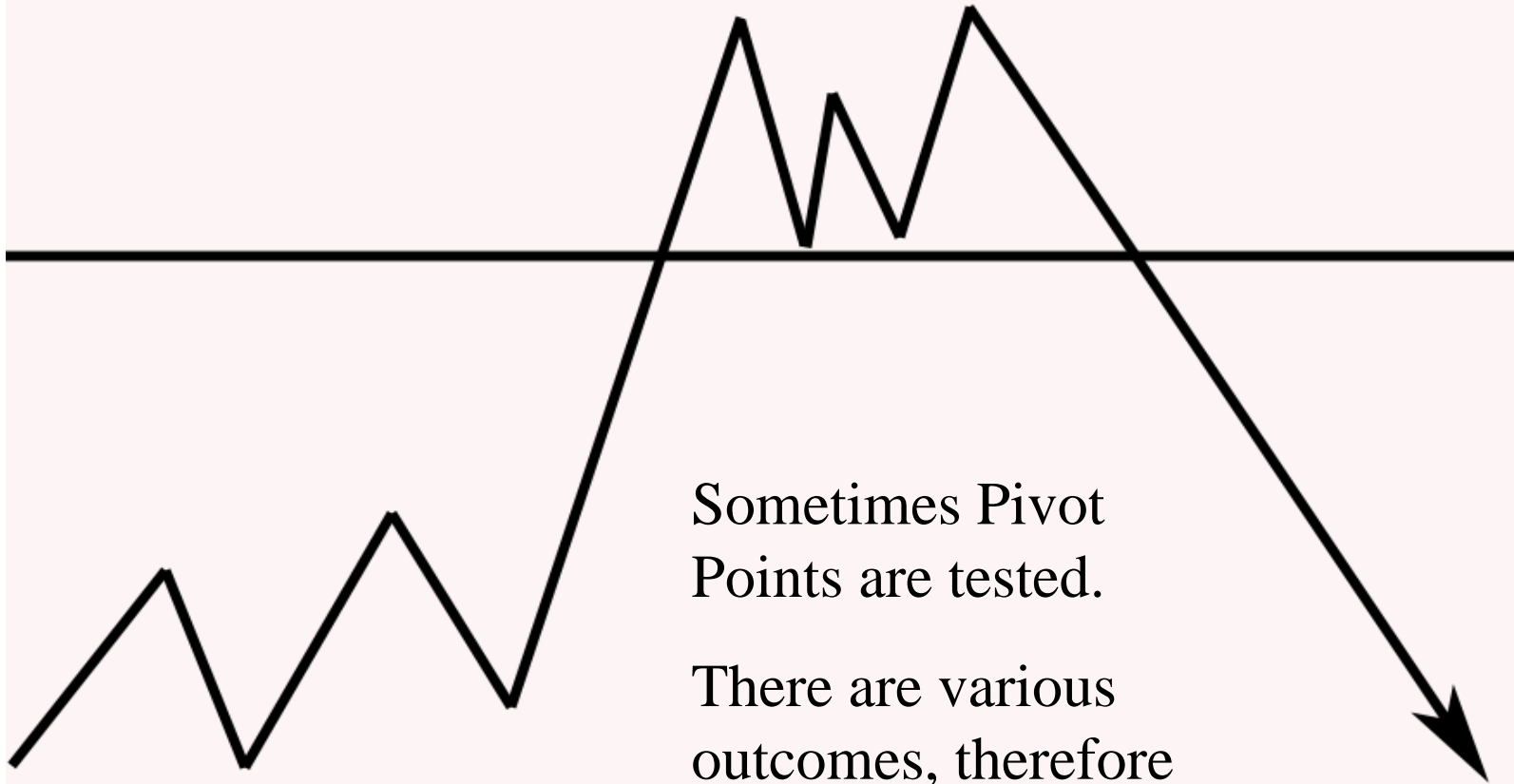
Pivot Point Resistance Comes close

Pivot Point Resistance Line



Pivot Point Resistance is Tested

Pivot Point Resistance Line



Sometimes Pivot Points are tested.

There are various outcomes, therefore they are to be used as a guide.

Choose Correct Support/Resistance Points

- There are three market conditions
 - Bullish
 - Bearish
 - Neutral
- How can we filter out unnecessary data using Pivot Point Analysis and how do we determine market condition?

Choose Correct Support/Resistance Points

Market Direction Trends



**Higher Highs =
uptrend**



**Lower Lows =
downtrend**



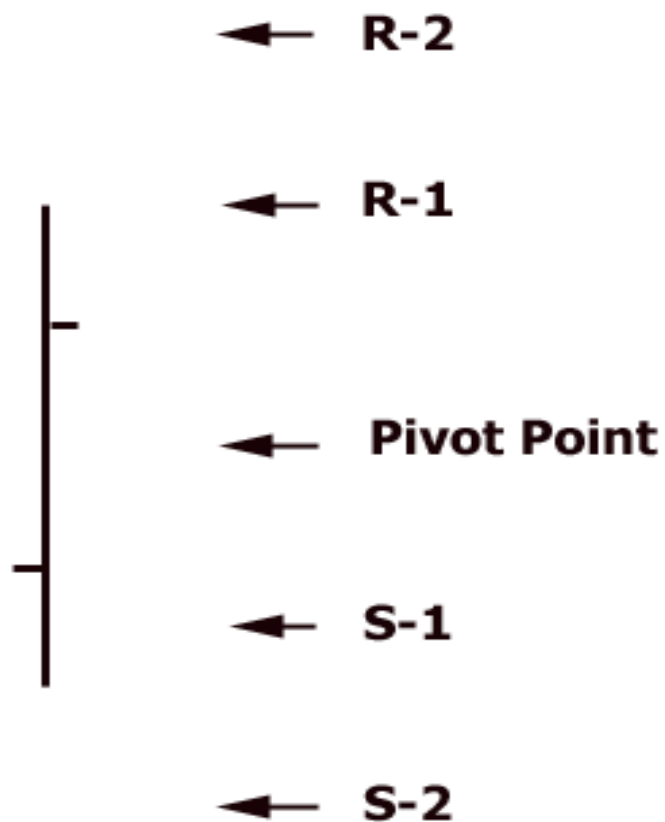
**Sideways =
Choppy market**



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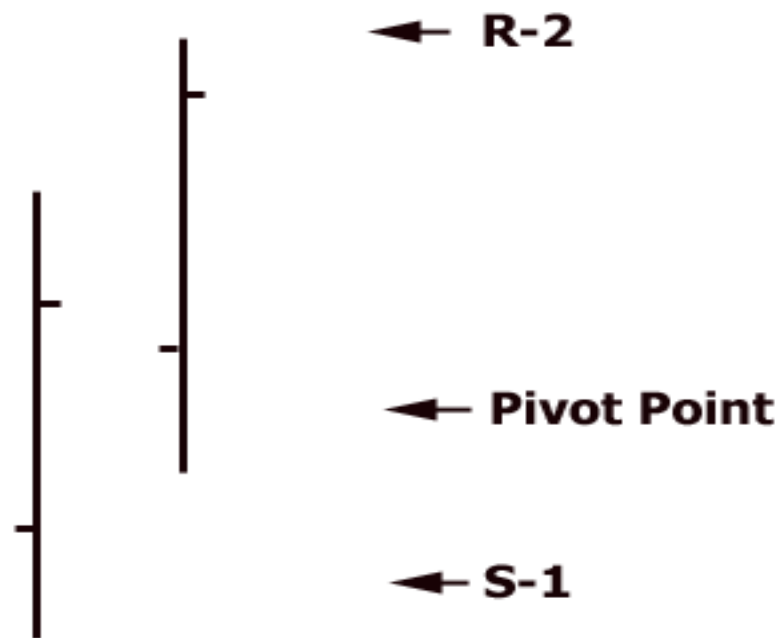
Choose Correct Support/Resistance Points

Bullish Pivot Point Filter



Choose Correct Support/Resistance Points

Bullish Pivot Point Filter



**A higher high and higher low forms
Bullish Trend**

Lining Up Pivot Points

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
1	John L Person, CTA																		
2	Commodity		Target Key No		Bullish Target		Bearish Target		Market		Previous Range			Pivot					
3	Symbol	Month	Resistance	Support	High	Low	High	Low	Direction		High	Low	Settle						
4	S&P 500	MARCH	1290.00	1219.25	1320.75	1219.25	1290.00	1179.25	Bullish	1233.39	1280.75	1210.00	1259.25	1250.00					
5	DOW	MARCH	11130.33	10549.33	11373.67	10549.33	11130.33	10211.67	Bullish	10620.56	11036	10455	10887	10792.67					
6	NASDAQ	MARCH	1760.00	1608.00	1828.50	1608.00	1760.00	1524.50	Bullish	1627.17	1745.00	1593.00	1691.50	1670.00					
7	Russell	MARCH	701.47	654.07	720.43	654.07	701.47	625.63	Bullish	665.41	692.00	644.60	682.50	670.03					
8	BONDS	MARCH	113 19/32	110 8/32	115 5/32	110 8/32	113 19/32	108 15/32	Bearish	114 20/32	113 12/32	110 1/32	112 1/32	111 26/32					
9	T-NOTES	MARCH	109 17/32	107 13/32	110 16/32	107 13/32	109 17/32	106 8/32	Bearish	109 10/32	109 12/32	107 8/32	108 17/32	108 12/32					
10	YEN	DEC.	0.8547	0.8270	0.8730	0.8270	0.8547	0.8176	Bearish	0.8732	0.8635	0.8358	0.8365	0.8453					
11	Euro	DEC.	120.60	116.05	123.15	116.05	120.60	114.05	Bearish	120.57	121.16	116.61	118.04	118.60					
12	Crude	JAN.	61.56	54.40	65.80	54.40	61.56	51.48	Bearish	62.35	62.88	55.72	57.32	58.64					
13	Gold	FEB.	516.93	470.23	535.17	470.23	516.93	441.77	Bullish	474.11	506.7	460	498.7	488.47					
14	Silver	MARCH	874.00	776.50	909.50	776.50	874.00	714.50	Bullish	769.63	847.5	750.00	838.5	812.00					
15	Soybeans	MARCH	601.17	542.17	636.08	542.17	601.17	518.08	Bearish	589.36	612.00	553	566.25	577.08					
16	SPOT FOREX																		
17	YEN/US-FX	SPOT	121.04	117.46	122.29	117.46	121.04	115.13	Bullish	115.33	119.95	116.37	119.80	118.71					
18	EC/US-FX	SPOT	120.36	115.89	122.84	115.89	120.36	113.90	Bearish	120.20	120.85	116.38	117.88	118.37					
19	BP/US-FX	SPOT	177.10	169.63	181.26	169.63	177.10	166.32	Bearish	176.49	177.95	170.48	172.94	173.79					



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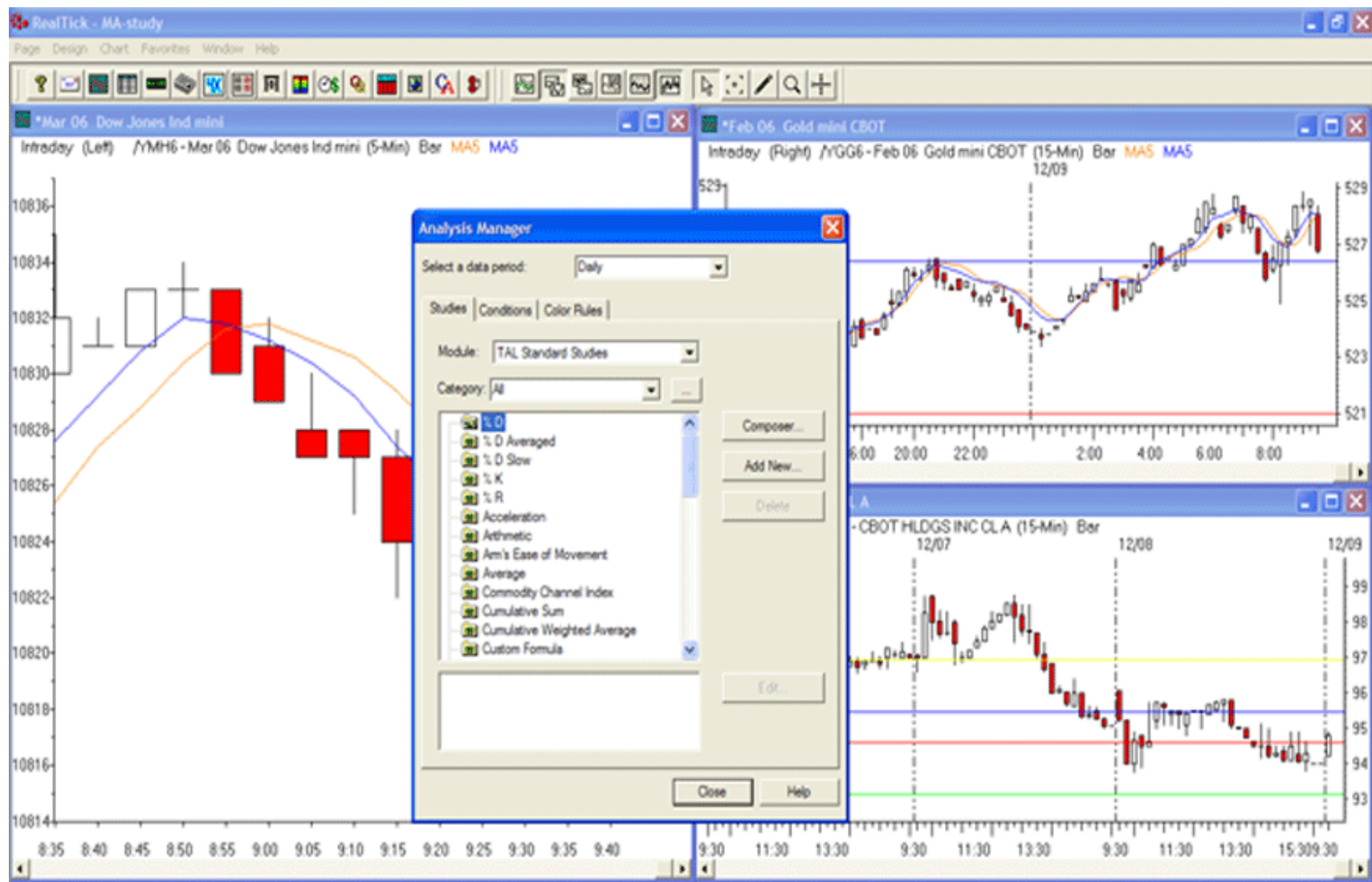
Moving Averages – Pivot Points

- The Pivot Point itself can act as a moving average.
- It also provides confirmation of triggers and exits by price action ***closing*** above or below the moving average pivot line.
- Using the Pivot Point and the average of the pivot point gives a clearer reflection of price and price direction.

Double Crossover Confirmations

- When we introduce a time or a conditional moving average component such as a two period or five simple M/A on a closing basis, we can help filter out trade signals and expand the illumination of the actual trade trigger.
- When price hits at or near a Pivot resistance or support we can help time the entry.

Customize Settings is simple Using RealTick

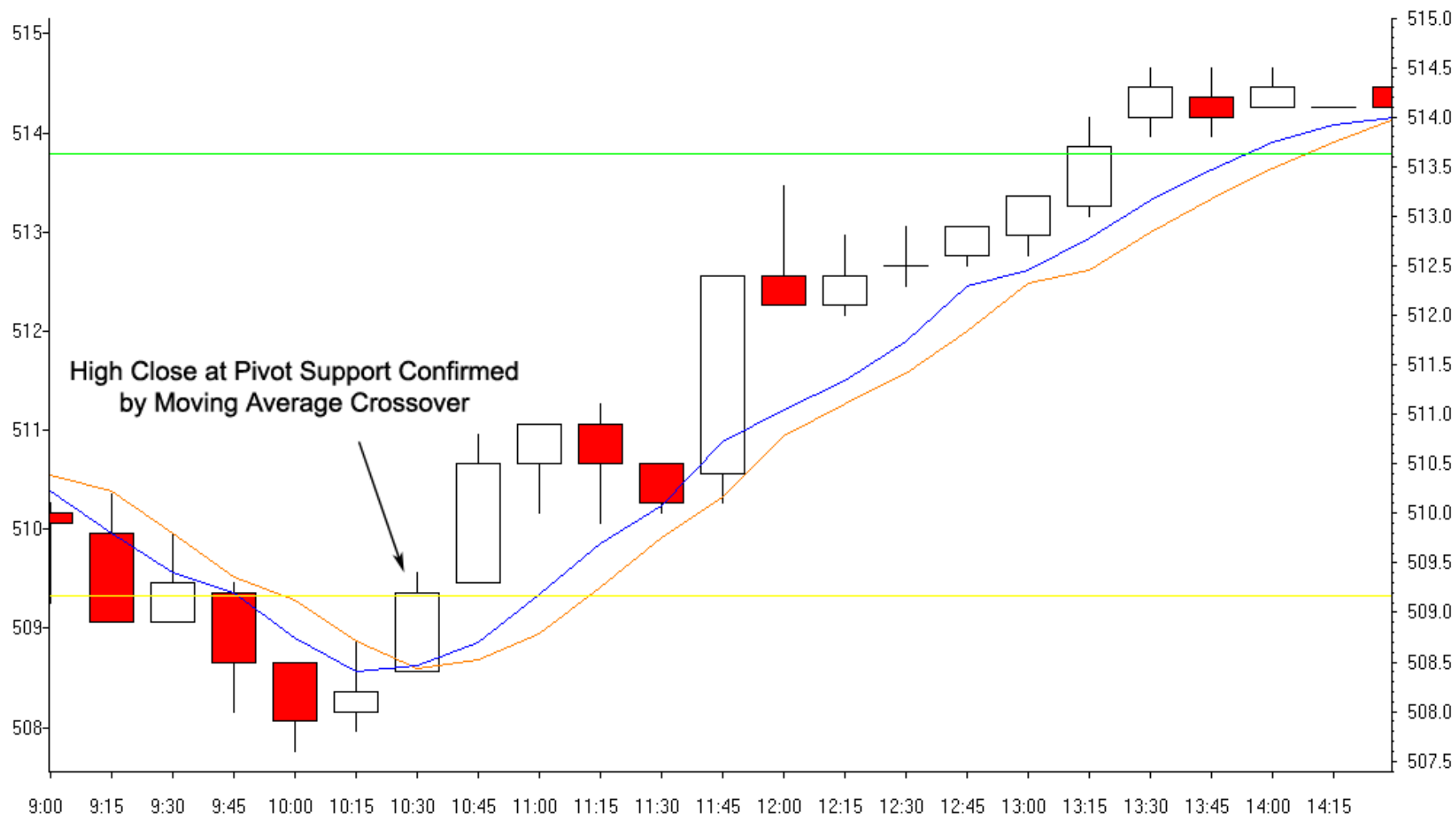


Moving Average Crossover Rules

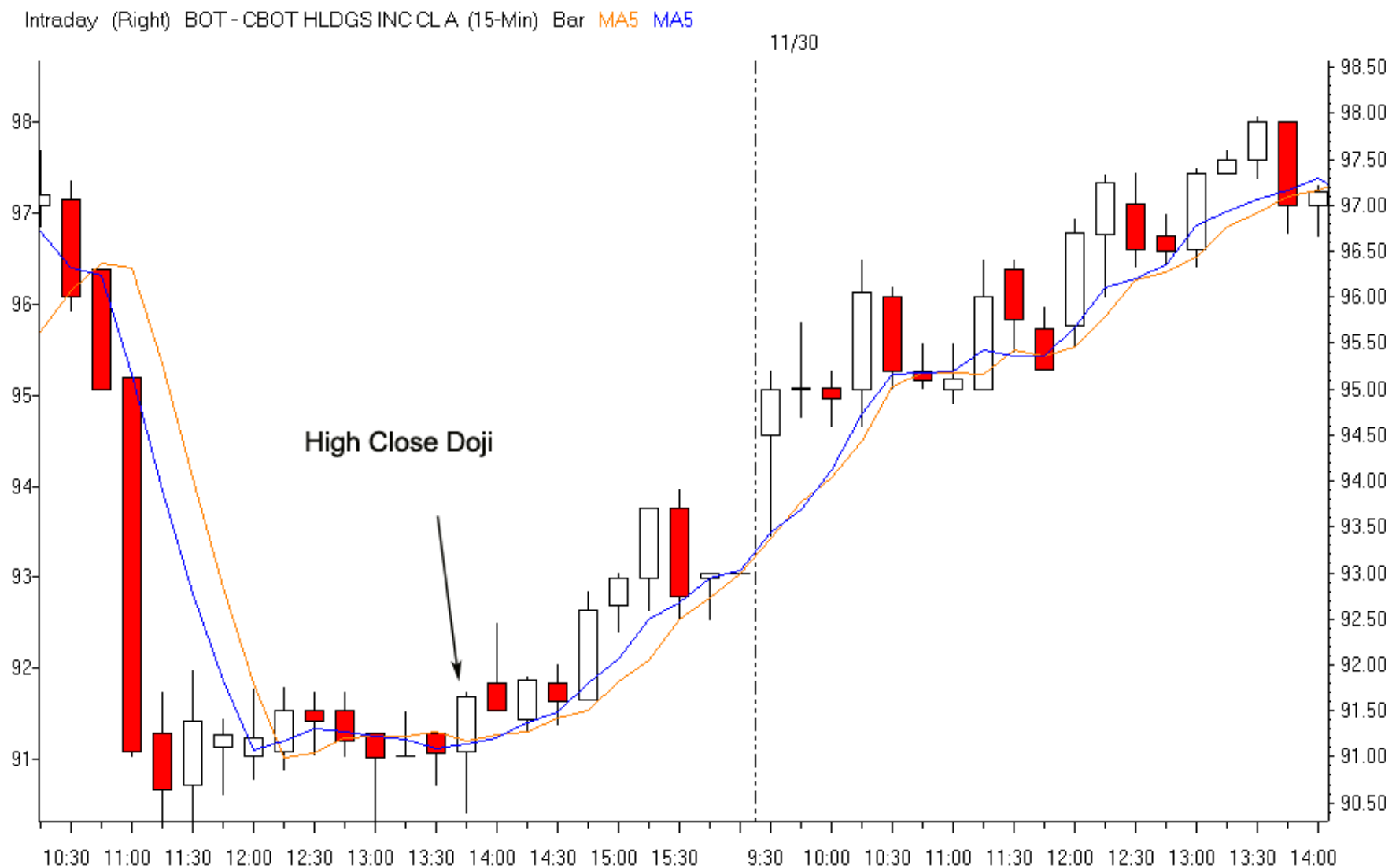
- When price hits at or near Pivot Point support watch for confirmation on trigger entry.
 - 1.) Higher Closing High (HCD)
 - 2.) Moving averages cross
 - 3.) Closes above both M/A Lines

High Close Trigger near Pivot Support

Intraday (Right) /YGG6 - Feb 06 Gold mini CBOT (15-Min) Bar MA5 MA5

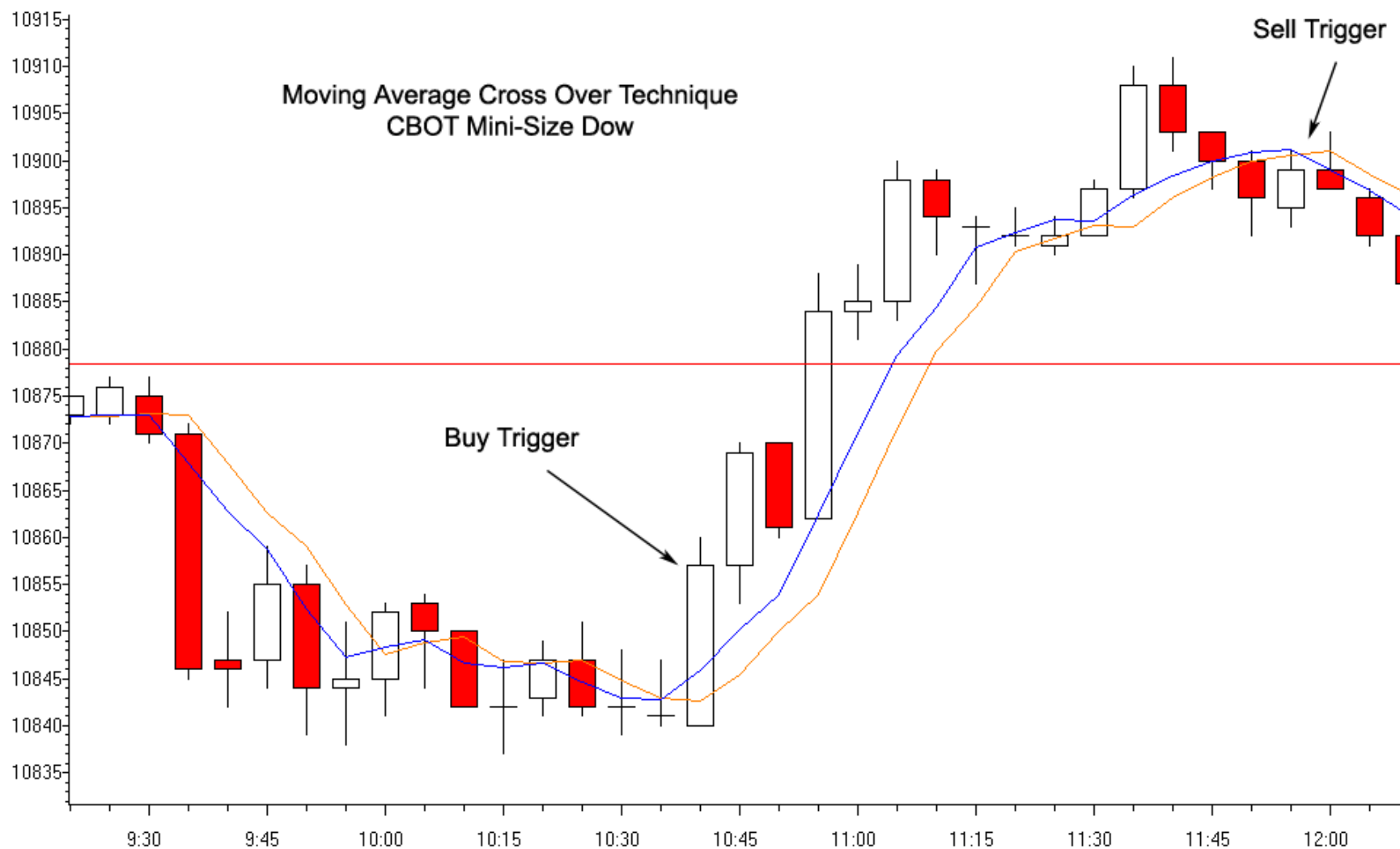


High Close Trigger near Pivot Support



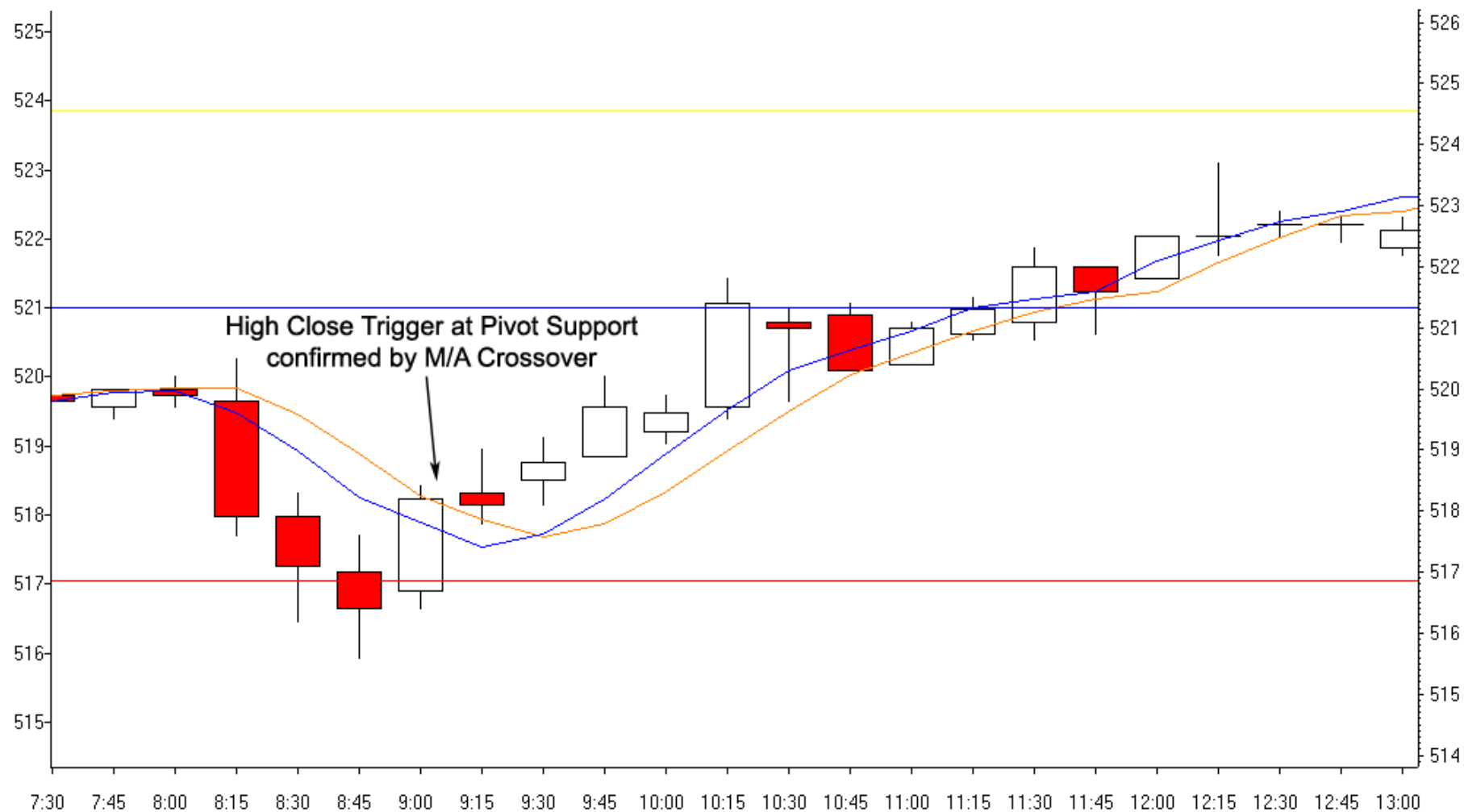
High Close Trigger near Pivot Support

Intraday (Left) /YMH6 - Mar 06 Dow Jones Ind mini (5-Min) Bar MA5 MA5



High Close Trigger near Pivot Support

Intraday (Right) /YGG6 - Feb 06 Gold mini CBOT (15-Min) Bar MA5 MA5

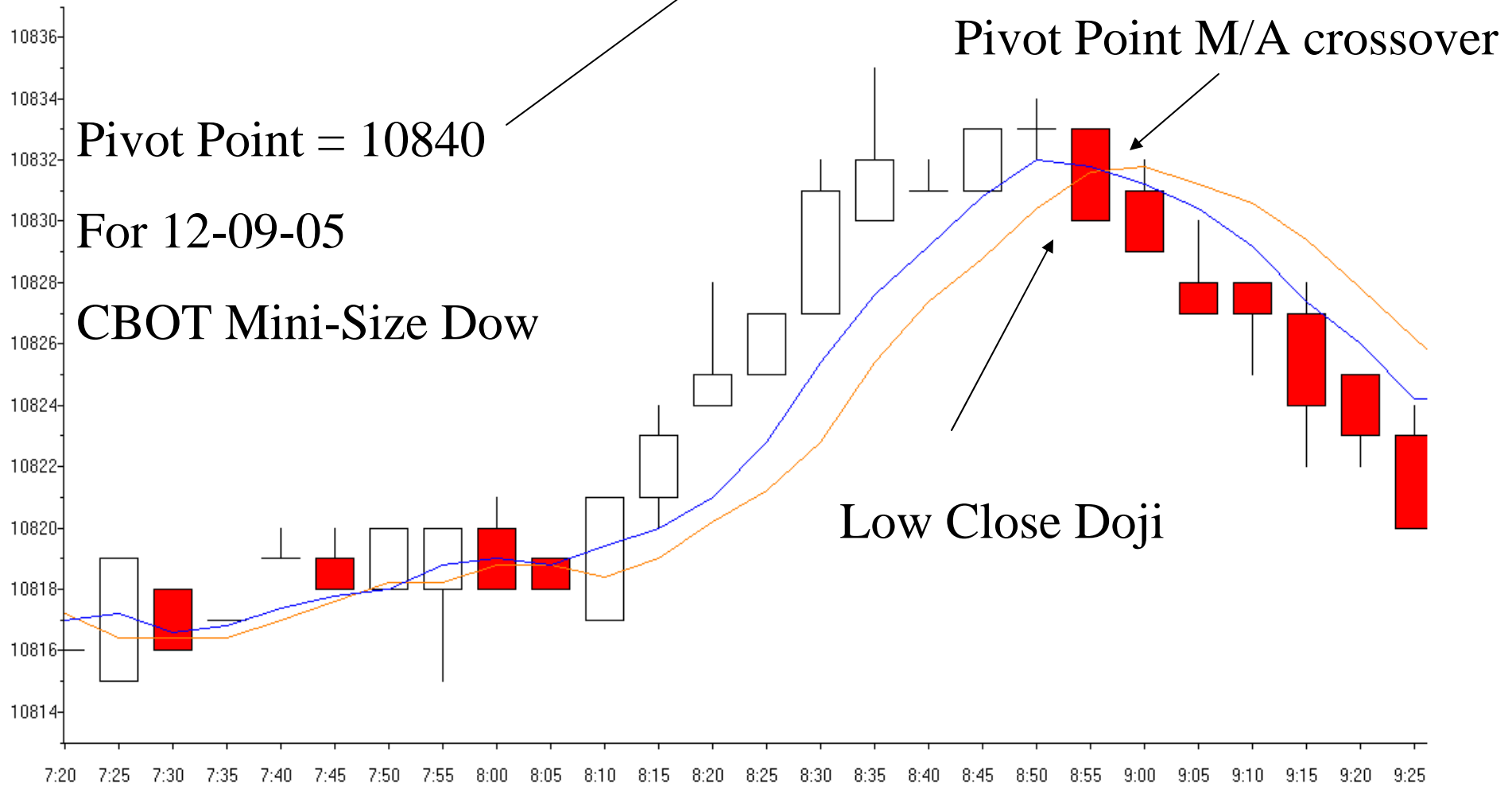


Rules: Low Close Doji Trigger Confirmed by Pivot Resistance

- LCD confirmed by M/A crossover at Pivot Point Resistance.
 - When price hit at or near Pivot Point resistance watch for confirmation on trigger entry.
- 1.) Lower Closing Low (LCD)
 - 2.) Moving averages cross
 - 3.) Closes BELOW both M/A Lines.

Low Close Doji Sell Trigger Near Pivot Resistance

Intraday (Left) /YM6 - Mar 06 Dow Jones Ind mini (5-Min) Bar MA5 MA5

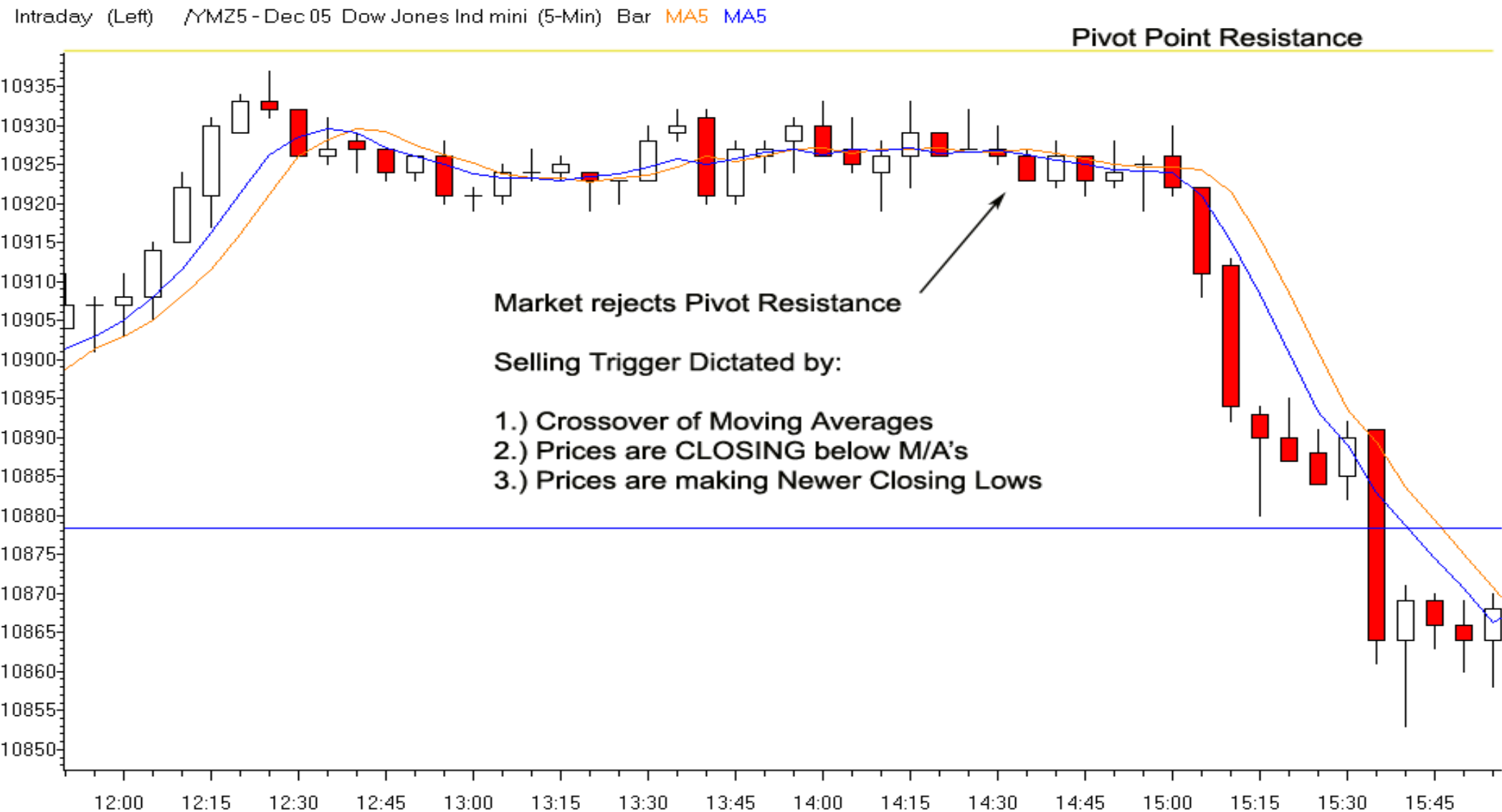


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Low Close Doji Trigger Near Pivot Resistance



Low Close Doji Trigger Confirmed by Pivot Resistance



Do Pivots Work for All Markets?

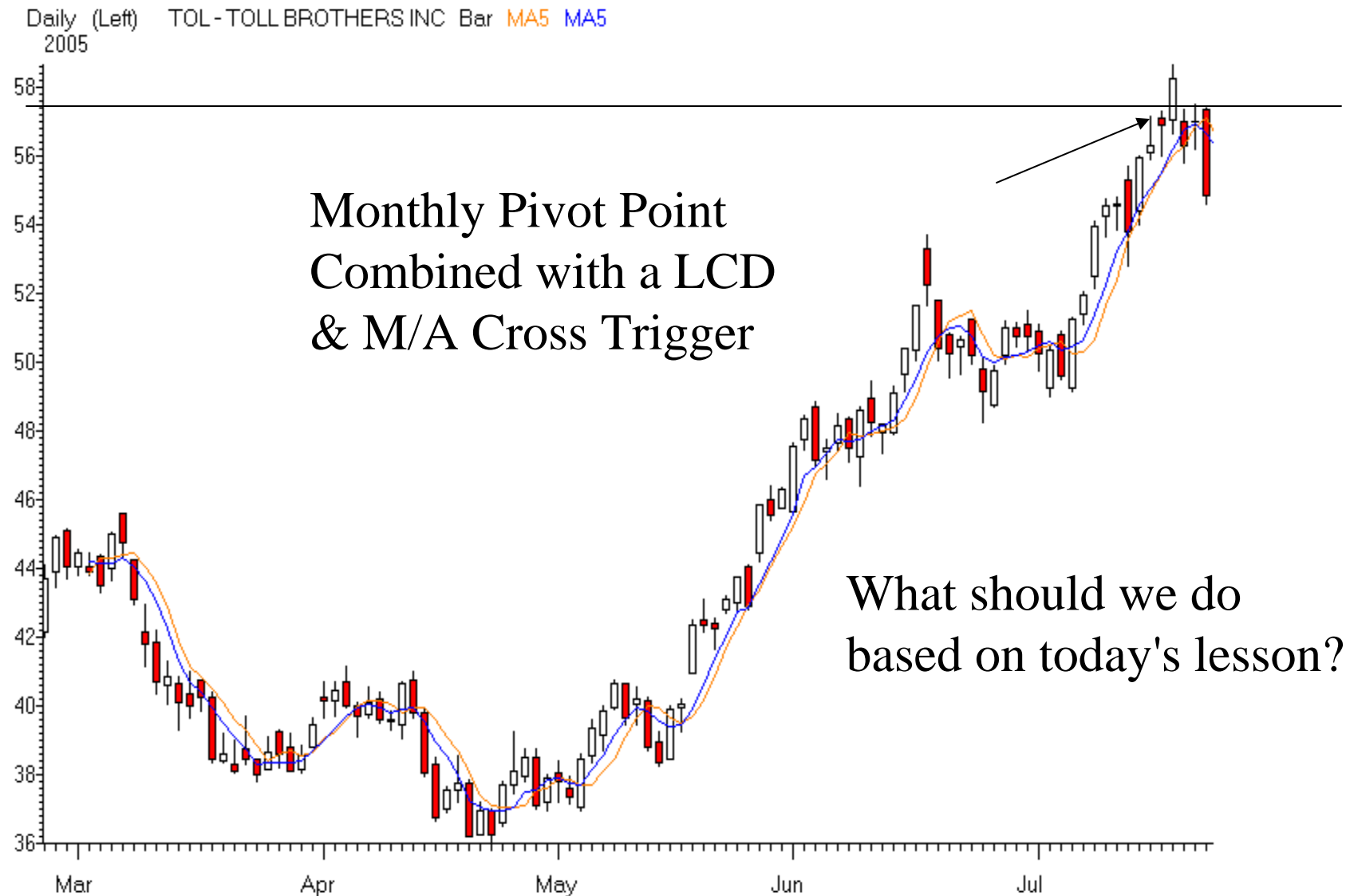
- You and I have seen the results from **Commodity Futures** and **Stock Index futures**.
- We have seen **Intra-Day** as well as **swing** and **position trading accuracy**.
- How about **Stocks** Can this technique be applied to **individual Stock trading**?

Monthly Pivot Points Predict Tops

- **Trading Data for Toll Brothers from June help predict the high for July using Pivot Points.**
- **R-2 = 58.12.**
- **Actual High 58.67!**

Nationalfutures.com Pivot Calculator		
In order to use the Pivot Calculator, enter the values for Market High, Low and Close and press the Submit button, for a second calculation press the Reset button.		
Market High	<input type="text" value="53.72"/>	
Market Low	<input type="text" value="45.64"/>	
Market Close	<input type="text" value="50.77"/>	
		<input type="button" value="Submit"/> <input type="button" value="Reset"/>
R1	<input type="text" value="54.44"/>	
R2	<input type="text" value="58.12"/>	
Pivot Point	<input type="text" value="50.04"/>	
S1	<input type="text" value="46.36"/>	
S2	<input type="text" value="41.96"/>	
Nationalfutures.com Pivot Calculator is the property of John Person Inc.® Copyright 2005 All rights reserve written by M. Person.		

Monthly Pivot Points Predict Tops



Monthly Pivot Points Predict Tops

Daily (Left) TOL - TOLL BROTHERS INC Bar MA5 MA5



Monthly Pivot Points Predict Tops

Trading Data for Retailer American Eagle Outfitters.

Notice the projected R-2 High is
35.07.

R-1 was 32.86,

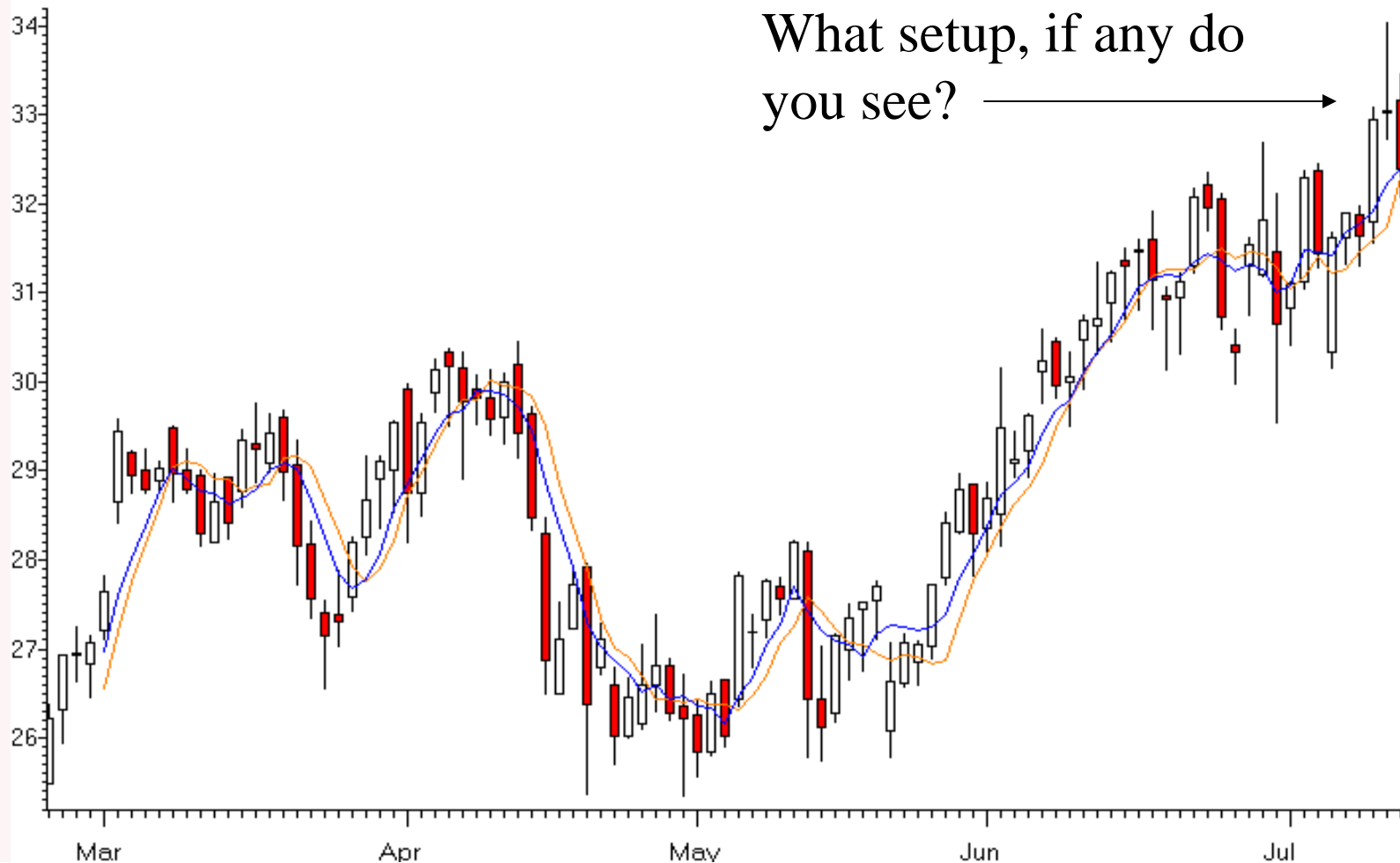
The midpoint was 34.01.

The actual high was 34.04.

Nationalfutures.com Pivot Calculator		
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Market Low	<input type="text" value="28.08"/>	
Market Close	<input type="text" value="30.64"/>	
		<input type="button" value="Submit"/> <input type="button" value="Reset"/>
R1	<input type="text" value="32.86"/>	
R2	<input type="text" value="35.07"/>	
Pivot Point	<input type="text" value="30.47"/>	
S1	<input type="text" value="28.26"/>	
S2	<input type="text" value="25.87"/>	
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Monthly Pivot Points Predict Tops

Daily (Left) AEOS - AMERICAN EAGLE OUTFITTERS NEW Bar MA5 MA5



Monthly Pivot Points Predict Tops



Confluences of Various time Frames

- **There are 4 weeks in every month.**
- **There are 5 days in every week**
- **Usually, one day within a week of a month a high will be established and one day will mark a low.**
- **The market will close between those points. That is the range.**
- **The more confluences of different time frames that line up with Pivot Point Calculation values near or at a specific price level, gives a stronger certainty for a market reaction off of that support or resistance level.**

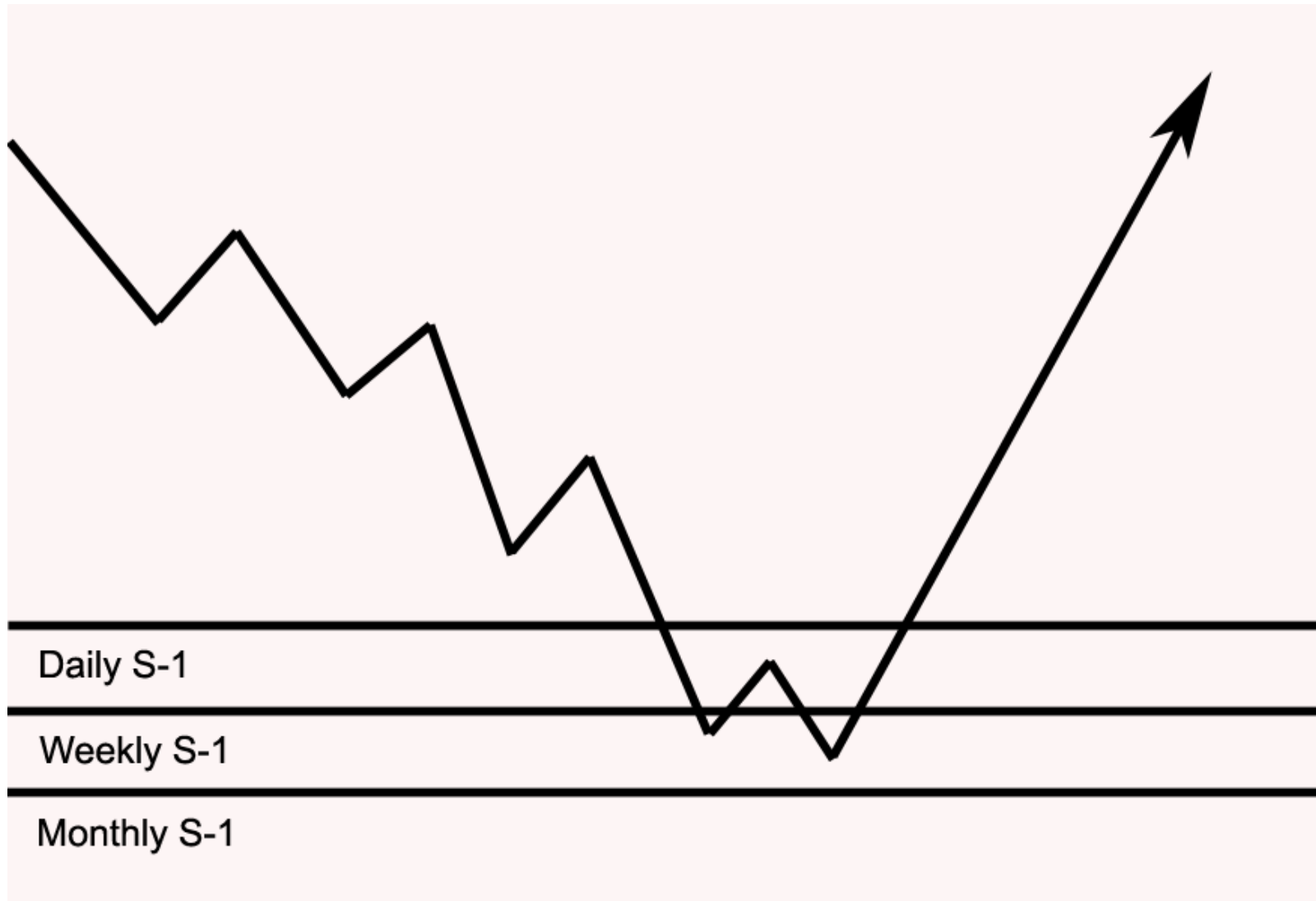


Confluences of Various time Frames

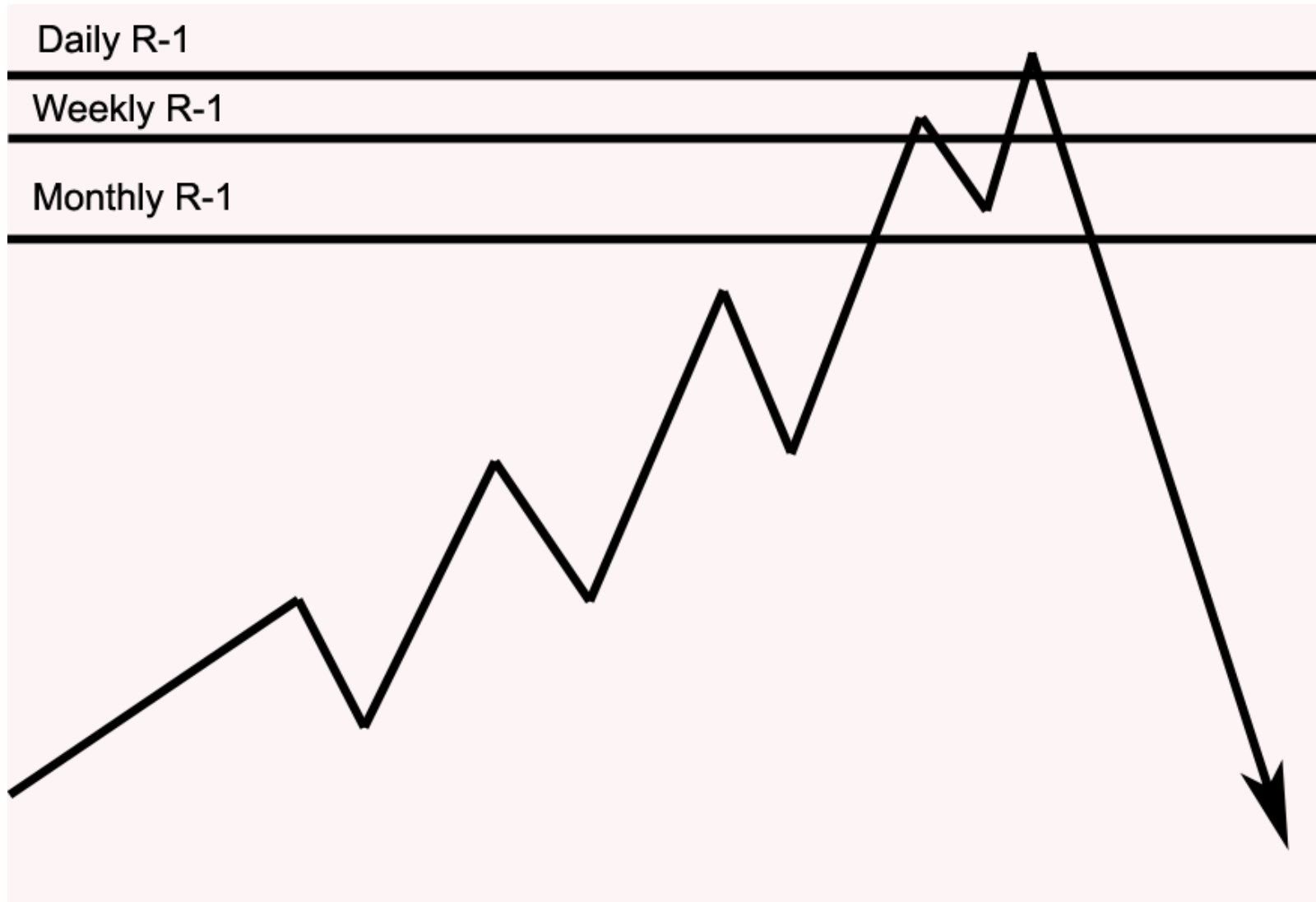
- This Concept was introduced as a featured cover article in the September 2004 Issue of Active Traders Magazine.



Confluence of Support Should be respected

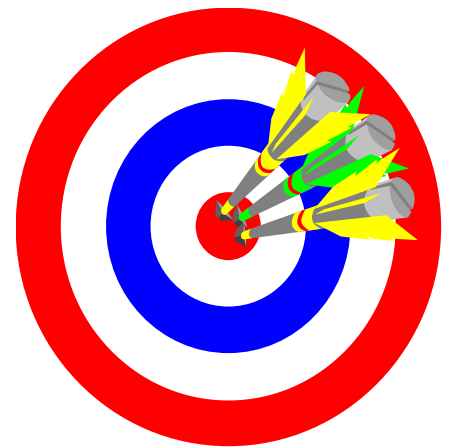


Confluence of Resistance Levels should be Respected

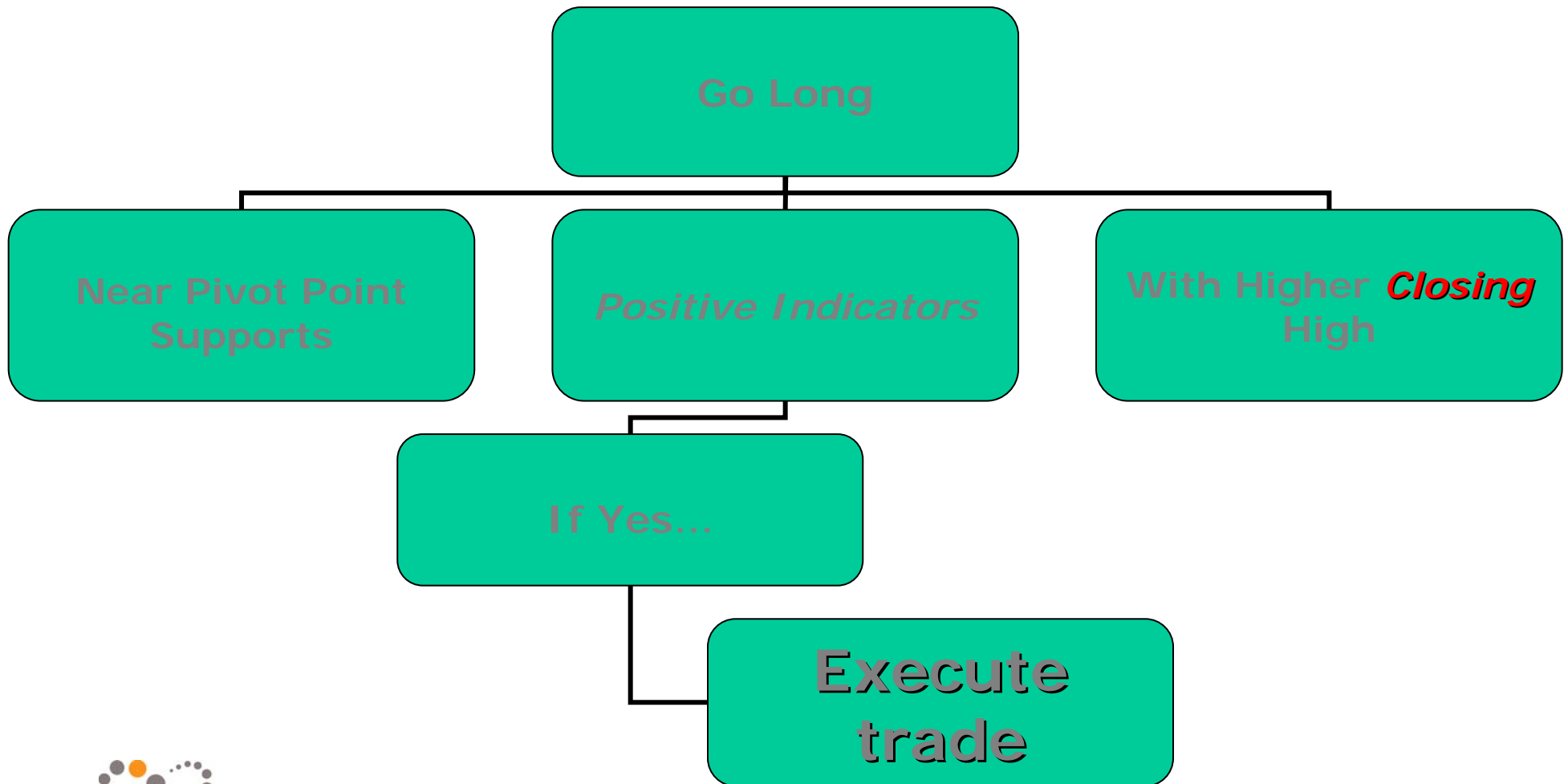


Confluences of Various time Frames

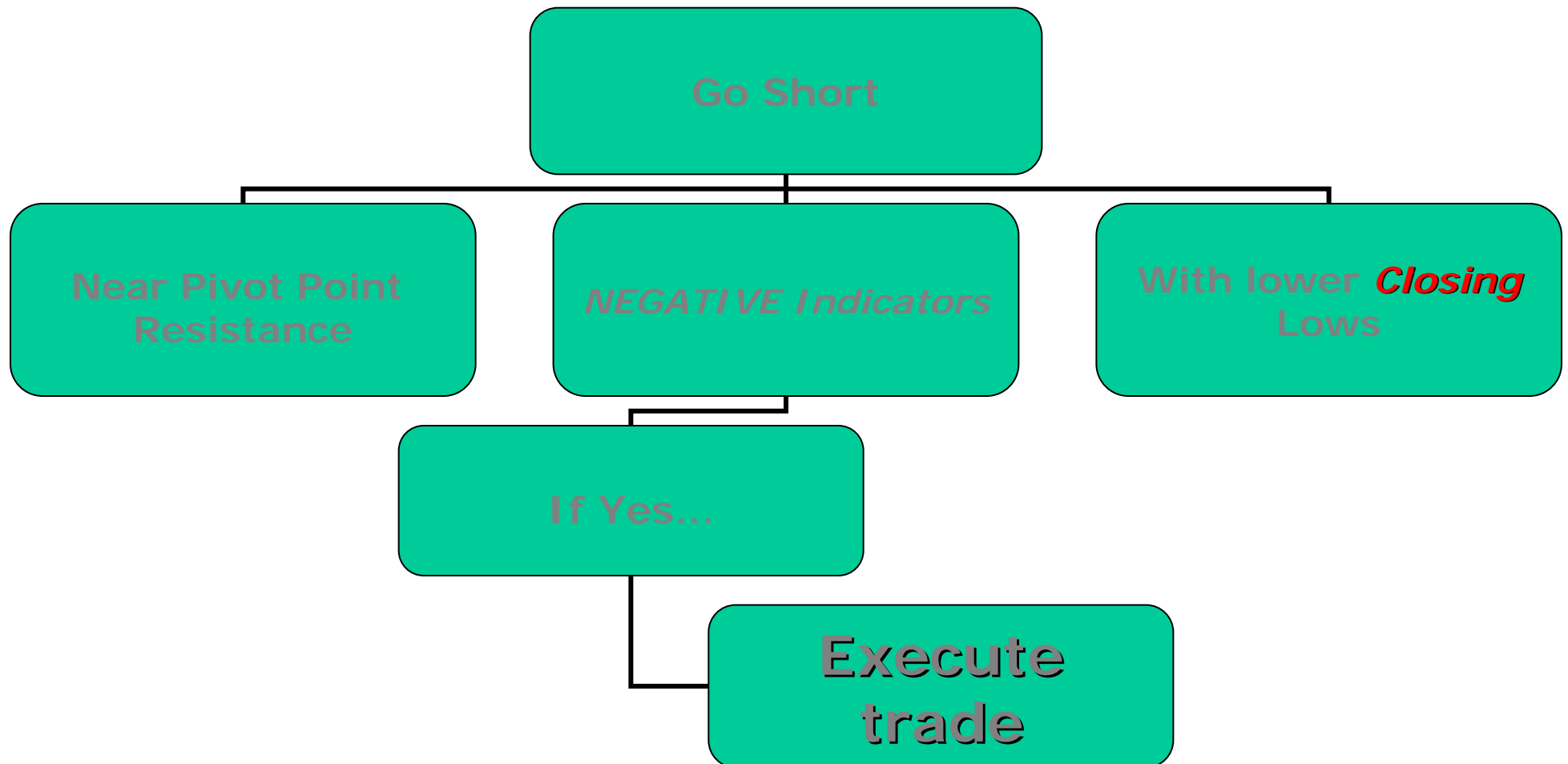
- The more Confluences or corroborating numbers adds to the significance of a specific target area.
- Pivot Calculations work to *TARGET* or pin point almost exact **times** and **prices** for trades in various markets and can be used to validate other analysis.
- There is always strength in “numbers”!



Summary: Trade Rules



Summary: Trade Rules



The End

- Questions and answers
- Email :
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- www.nationalfutures.com