New trading rules:

Rule 1: Assume you are wrong until proven correct.

- Lose small
- Lose fast

Rule 2: Press your winner without exception

- Let winners run
- Add size when and where appropriate

Exits: Are either price action points on a chart, a zone or an opposite entry signal

Rule 1 Explanation and execution. (assumes all long entries, reverse for shorts)

Lose small :Enter with a single lot, place stop below the previous swing. Once price proves we have made a correct trade, then and only then will we start looking for add on locations.

Lose fast: This means price should stay within the confines of the high and low of the entry bar as well as the previous support. This provides a range of support for the trade. If price goes below this level, then we should exit the trade and look for a re-entry later.The stop is below the previous swing. This DOES NOT mean we need to let it get hit. Its just there for a worst case scenario. The expectation is that price should go our direction fairly soon after entry. Its ok if it searches for more support but not below two prior bars.

Entering small means we always lose with our smallest position on.

Rule 2 Explanation and execution:

Explanation: We use rule to to enable our winners to be both longer and bigger than our losers.

Execution:
All add on locations must be at a higher price than original entry. Under no circumstances shall an add on be executed at a worse price. This ensures we are adding only to a winner and not a potential loser. Ideally, the first position has enough profit to ensure the trade is profitable if the added position results in a stop out.

Add on criteria are:

- A break out of the entry level. Enter on confirmed break out. This means at the close of the bar that breaks the level. If this bar is very large, then wait for a pull back.
- A pull back to the MA. This can be taken at the close of the pull back bar if it touches the MA, or the break of the blue bar that reverses from the pulback.
- A break above the last swing high.

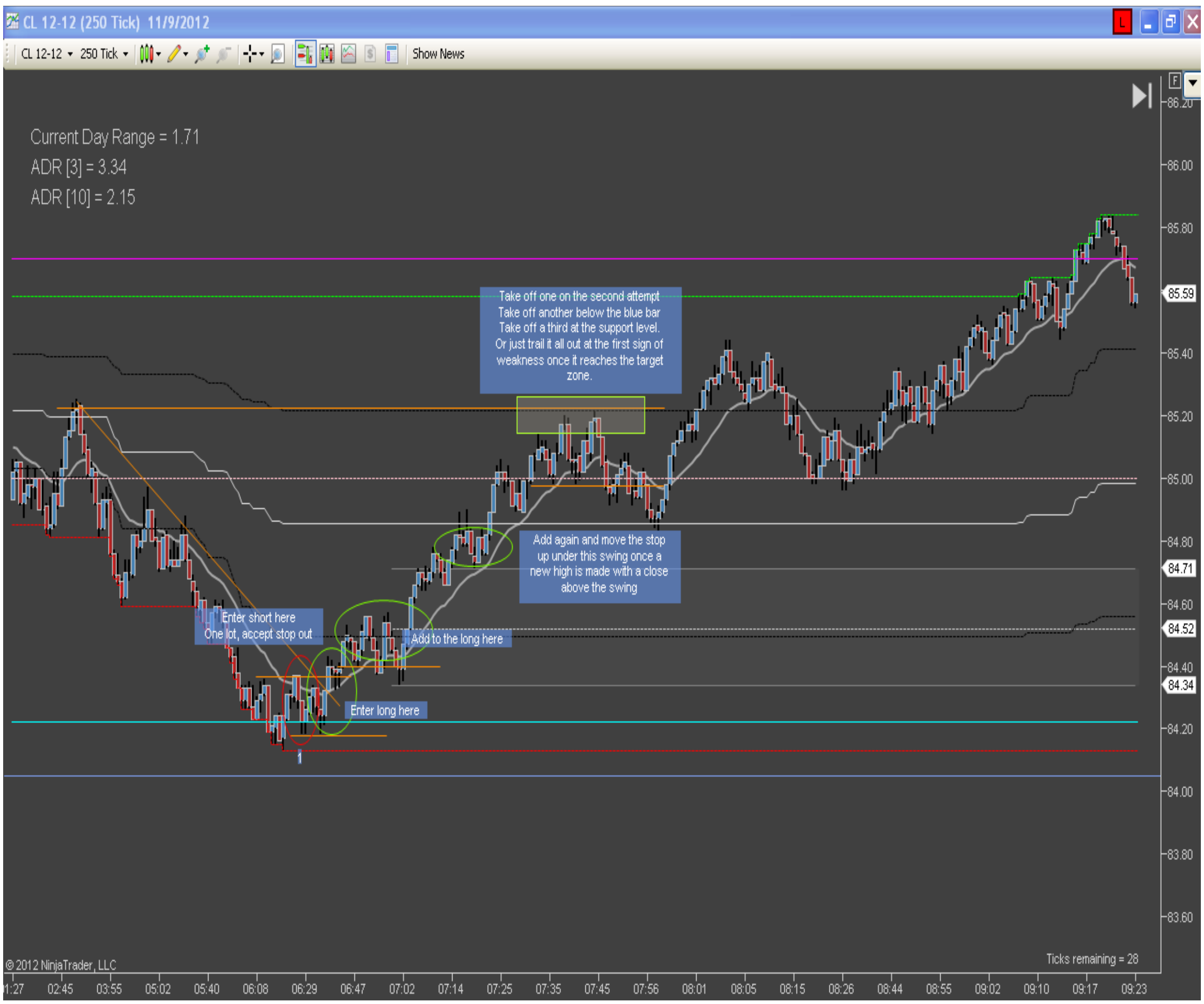
Exits:

Using a price zone consisting of previous resistance or perhaps some multiple of risk, place targets staggered slightly below the zone, in the middle of the zone and slightly above the zone.

If price goes through the first target with strong momentum, start looking for reasons to extend the other two targets. Move the second one to the top of the zone. If this gets hit quickly, be sure to extend the last target out and then continue to manage it using price action.

If price cannot make it through the target zone, then take the last target off using a best effort method. In other words, whatever looks good in terms of exit strategy at that point.

The chart below has good examples of the rules.



Results of scaling vs scaling out on the above chart.

Scale out. This is the actual results from Friday.

First trade was a break even based on my fear the move was over to the short side. I was right but failed to capitalize on the longs.

Instead I reversed position twice, both times losing about $450+/- a bit. All three of these trades were with my max entry size of 3 lots. Now down about $800.

I then entered long, took two scale out positions and let the last one run. This trade made about $700 as I did get in the long a bit late.

A perfectly executed trade sequence here being long at the first signal, exiting at the 2 scales and trailing out at exactly the same place I did produced right at $1000.

However a perfectly executed scale in would have produced $1500 entering at the same location with a single lot, scaling in at the second green circle using the rules I listed above and then again at the 3rd green circle, profit would have been in the $1500-1700 range.

Basically finishing the trade with three lots on instead of one lot.

The added benefit would have been that the three screw ups at the beginning would have been a net loss of around $300+/-. So a net swing of say $1200.00 instead of being down a couple of hundred dollars.

I then got short again and was stopped out. Again with three lots. This was a legit trade that failed. No complaints about how I executed but again, the loss would have been on one lot instead of three with no real chance to add another lot.

Of course, there is always the chance the last add in stops out for a loss. However, by adding the bulk of the position in the middle of the move and a smaller lot size on the third add, you can minimize the damage done by the last one stopping out if you are winning on the first two positions.