<u>DIAGNOSTIC DAY TRADE PLAN-STEP BY STEP RULES</u>: Updated 11-12-14

<u>LONG/BUY TRADE RULES</u>:

- FIRST TIME that the price hits the Green Entry- Enter as soon as price hits the level. You may use a limit order to enter on futures forex, or a stop trigger to fire off a limit order if trading on binaries or spreads. Optional: If entering a long trade when the market is falling, you may enter early in case the market bounces back before touching the entry line. You will give up or miss out on a few ticks (max 5 ticks). Don't try this when the market is going up. If the market is going up, the trade will be entered normally if its going to work, so in an up trending market just use the entry price no early entry. NOTE: this will let you get some great entries that you may miss otherwise. *The early entry technique won't make you take any additional losing trades you would not have taken by waiting so it is worth it.*
- Set a stop order and a take profit order using levels on chart – If trading futures/forex may use an OCO order
- If Stop or Profit Target is hit close the remaining open order
- Conservative Profit Target is 5 ticks from the Target goal (to lock in profits early)
- It is optional to shoot for next level profit target goal. If in multiple contracts may decide to try for further targets. Should trail your stop. Could use directional indicator such as MVP, Sar, or Moving Average. Or could use MVP line on Diagnostic Charts.
- IF you hit 50% of your profit target (or within a few ticks of 50%) move your stop to breakeven
- If trade does not have momentum, exit the trade. Momentum is defined as one of 2 conditions BEING met:
    - If by the third bar AFTER the bar you entered, one of the bars breaks the high of the entry bar, then stay in the trade. So if bar 1,2, or 3 breaks the high of entry bar then stay in the trade
    - If the second bar after the entry bar breaks the high of first bar after the entry bar then stay in the trade **http://screencast.com/t/I3XYcVjQ9OI**

  If at least one of these 2 conditions do not happen, then momentum has not been confirmed, move stop to breakeven if already in profit, or exit for small loss.

RE Entry Rules also known as an Entry Level *Reset*:

- To take a second Long Trade at the same entry level point that has already been hit previously in the day the following MUST occur:
    - A bar must close with the high below the entry price level. This is the "reset" confirming a re entry is possible. You may now set up to enter at this level again.
    - Set up for another entry, if entry level hit, follow all the steps above under Long Trade Rules.

Additional Tips:

- Use caution later in trading day, choppy days, if a trade is taking hours to move, or just oscillating around settlement for an extended period of time, and right at Pit open and close and around news.
- Know when to stop for the day! If you are up 5% for the day, do you want to risk giving it back?
- If you're in a long trade and have not hit a stop yet do not enter a short trade in the case the long stop and short entry crossover. Either exit or let the stop exit the trade for you before entering the short.
- Be sure to look at and read the Trading Plan Notes located at the top of your chart, for additional pertinent information and Market Commentary to help trade each of the entries.

SHORT/SELL TRADE RULES exact opposite of Long Rules:

- FIRST TIME that the price hits the Red Entry- Enter as soon as price hits the level. You may use a limit order to enter on futures forex, or a stop trigger to fire off a limit order if trading on binaries or spreads. Optional: If entering a short trade when the market is rising, you may enter early in case the market bounces back before touching the entry line. You will give up or miss out on a few ticks (max 5 ticks). Don't try this when the market is going down. If the market is going down, the trade will be entered normally if its going to work, so in a down trending market just use the entry price no early entry. NOTE: this will let you get some great entries that you may miss otherwise. *The early entry technique* ***won't make you take any additional losing trades you would not have taken by waiting so it is worth it.***
- Set a stop order and a take profit order using levels on chart – If trading futures/forex may use an OCO order
- If a Stop or a Profit Target is hit close the remaining open order
- Conservative Profit Target is 5 ticks from the Target goal (to lock in profits early)
- It is optional to shoot for next level profit target goal. If in multiple contracts may decide to try for further targets. Should trail your stop. Could use directional indicator such as MVP, Sar, or Moving Average. Or could use MVP line on Diagnostic Charts.
- IF you hit 50% of your profit target (within a few ticks of 50% or more) move your stop to breakeven
- If trade does not have momentum, exit the trade. Momentum is defined as one of 2 conditions BEING met:
  - If by the third bar AFTER the bar you entered, one of the bars breaks the low of the entry bar, then stay in the trade. So if bar 1,2, or 3 after the entry bar breaks the low of the entry bar stay in the trade.
  - If the second bar after the entry bar breaks the low of first bar after the entry bar then stay in the trade

  If at least one of these 2 conditions do not happen, then momentum has not been confirmed, move stop to breakeven if already in profit, or exit for small loss.

RE Entry Rules also known as an Entry Level *Reset*:

- To take a second Short Trade at the same entry level point that has already been hit previously in the day the following MUST occur:
  - A bar must close with the low above the entry price level. This is the "reset" confirming a re entry is possible. You may now set up to enter at this level again.
  - Set up for another entry, if entry level hit, follow all the steps above under Short Trade Rules.

Additional Tips:

- Use caution later in trading day, choppy days, if a trade is taking hours to move, or just oscillating around settlement for an extended period of time, and right at Pit open and close and around news.
- Know when to stop for the day! If you are up 5% for the day, do you want to risk giving it back?
- If you're in a short trade and have not hit a stop yet do not enter a long trade in the case the short stop and long entry crossover. Either exit or let the stop exit the trade for you before entering the long trade.
- Be sure to look at and read the Trading Plan Notes located at the top of your chart, for additional pertinent information and Market Commentary to help trade each of the entries.