

Trader Education Tutorial

Reversal-Day Trend-Reversal Trade-Entry Strategy

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By Steve Griffiths

Once a market has reached the Price and Time targets for a trend reversal and the pattern structure appears complete, a daily trend reversal strategy may be used to enter the market. One of these daily reversal entry strategies is the Reversal Day.

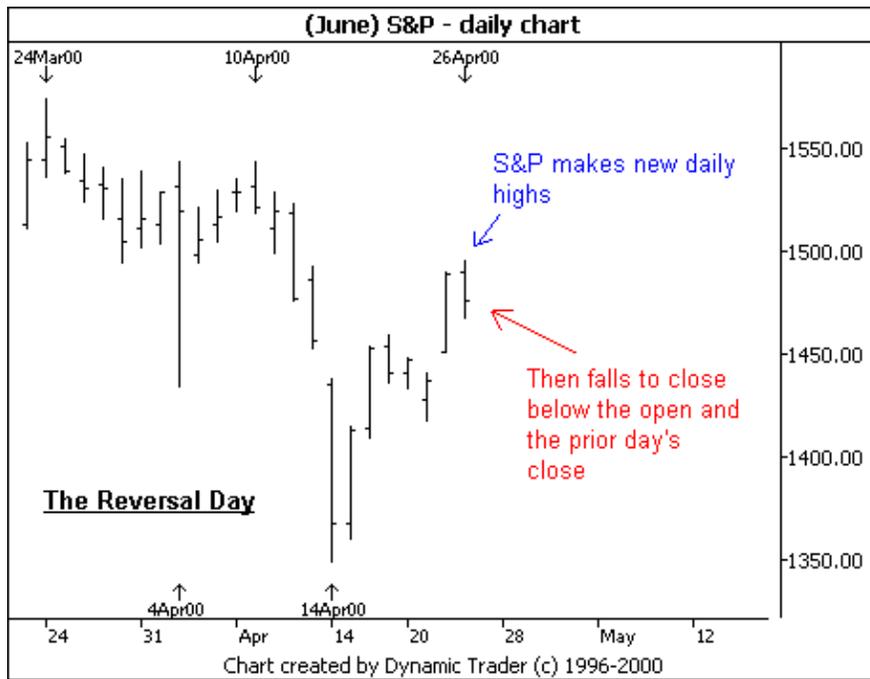
A recent example is on the (June) S&P, where the last high on Apr 26 terminated with a Reversal Day.

First we must review the Price, Time and Pattern position of the S&P as it approached the Apr 26 high. From the Dynamic Trader Daily Report on Apr 25, it was concluded that the S&P was in a position to complete an ABC Wave 4 corrective high, and therefore subscribers were recommended to look for a reversal pattern to enter the market on the short side the next day. In a section below, I will show how the Dynamic Trader software was used to identify the Price, Time and Pattern position of the set-up in more detail.

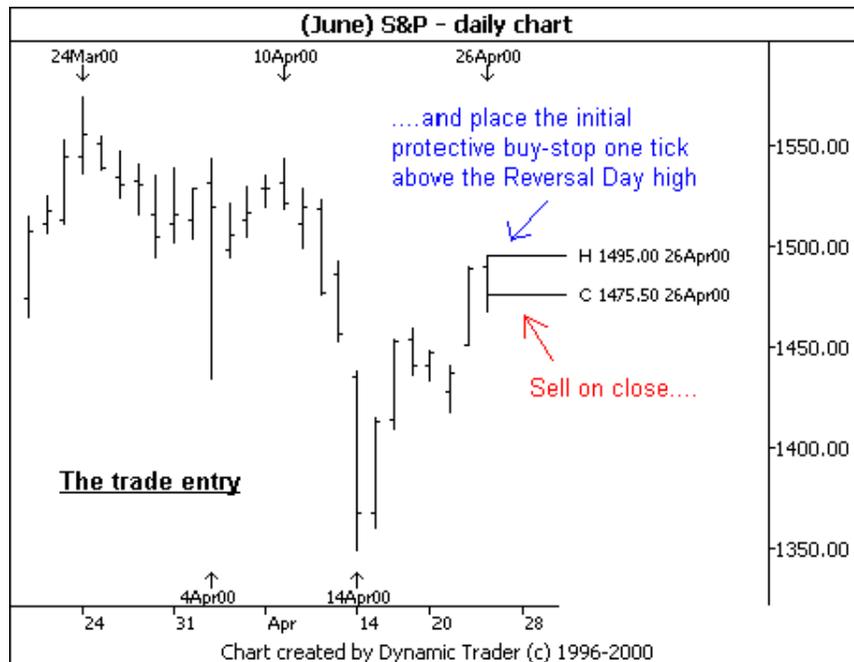
A Reversal Day top for the termination of a bull trend (reverse for a bear trend), is a day where a market makes a new daily high and then closes below both the current day's open and the prior day's close. It is therefore where the trend to new highs was unable to continue, resulting in a sell off into the close. This is weak market behaviour

On the (June) S&P example the initial criteria required for a Reversal Day is shown in the chart below.

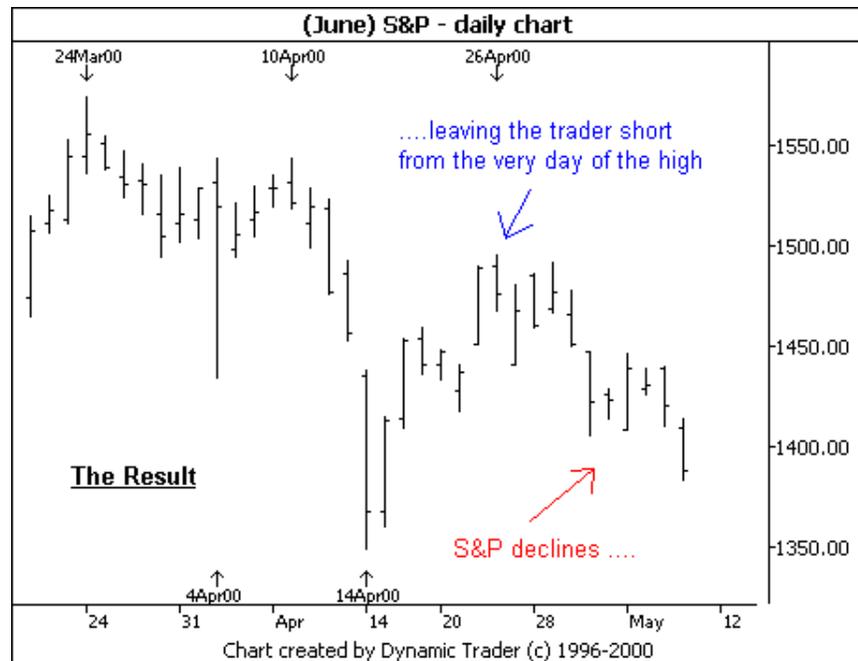
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Once these initial criteria have been met, the actual trade entry is to sell on the close and place the initial protective buy-stop one tick above the Reversal Day high.



The reversal day entry placed you in this trade on the *very day* of a potential market high!



Trend reversal trade entry strategies are designed to enter a new trade either at or very near the top or bottom of a trend, and as such are only applicable at Price, Time and Pattern coincidences that signal a potential trend termination. Reversal Days frequently appear in the middle of a strong move (for example a Wave 3), but should not be acted on unless Price, Time and Pattern signal a possible trend termination.

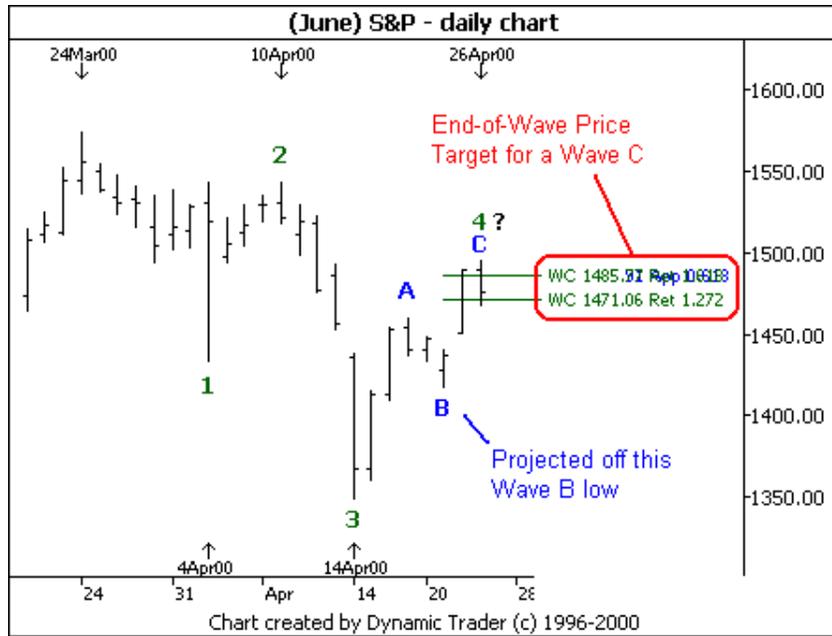
Lessons Learned

Once **Price**, **Time** and **Pattern** coincide, a market is in a position for a trend reversal. We then use trend reversal trade entry strategies to enter a new trade and place our protective stops. One of the high-probability daily reversal signals is the Reversal Day. Like all of our trade-entry signals, both the entry price and the initial protective stop-loss are completely objective.

Dynamic Trader and Trend Reversal Trade Strategies

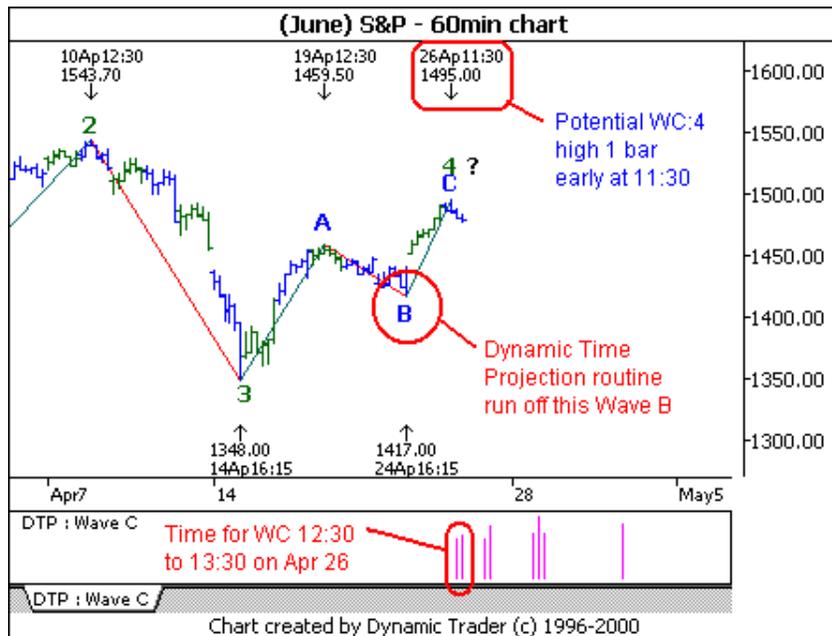
The Dynamic Trader software includes several unique routines that project the high probability targets for trend reversals for almost all market conditions. The DT Trading Course that is included with the software program teaches high-probability trend reversal and trend continuation trading strategies

The chart below shows the End-of-Wave-C price targets that were projected in advance and prepared traders for the termination of the ABC Wave 4 correction form the Apr 14 low.



On Apr 26 the S&P was in a Price and Pattern position for the corrective rally off the Apr 14 low to terminate. Next we need to look at the time position.

The 60min chart below shows the Dynamic Time Projection routine results for the Wave C Time targets that were projected, in advance, off the Wave B low on Apr 24.



April 26 was also a Time target for the potential termination of an ABC correction off the Apr 14 low.

Once a market reaches the Price, Time and Pattern for a potential change in trend, trend reversal trade entry strategies are used to enter the market and place the protective stop. The Reversal Day taught in the above tutorial is one of these entry patterns.

The Dynamic Trading approach to analysis and trading strategies is both comprehensive and logical. The Dynamic Trader package includes a comprehensive trading course plus a subscription to the Dynamic Trader Report. It is the most complete and unique technical analysis software and trading course available to the public.