Trade Entry Set-Ups With Time Bands and Indicator

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There are two important parts to a successful trade:

1. Low-risk, low-capital exposure trade-entry set-up.
2. Exit strategy.

Low-Risk, Low-Capital Exposure Trade-Entry Set-Up

The trade entry and initial protective stop-loss strategy should be completely objective. Once the decision is made to make either a trend reversal or trend continuation trade, the entry conditions and initial protective stop-loss should be completely objective.

This tutorial is going to describe one trend-reversal trade entry technique that may be used on any time frame data. Next month's tutorial will follow-up and describe the exit strategy for this trading approach.

This trading strategy uses Time Band projections to determine the high-probability time to enter a trend reversal trade. Last month's tutorial (Time Bands - Sept. 1999) described the Time Band approach in detail. You may want to review that tutorial before continuing as I will not explain how the Time Bands are developed for any market and any time frame in this tutorial. The Sept. Time Band tutorial may be downloaded from the Traders Education Tutorial archives.

This Time Band/Indicator Trade Set-Up approach is very similar to the cycles/oscillator approach taught by Walt Bressert. For more information on Walt and his services, go to www.waltbressert.com.

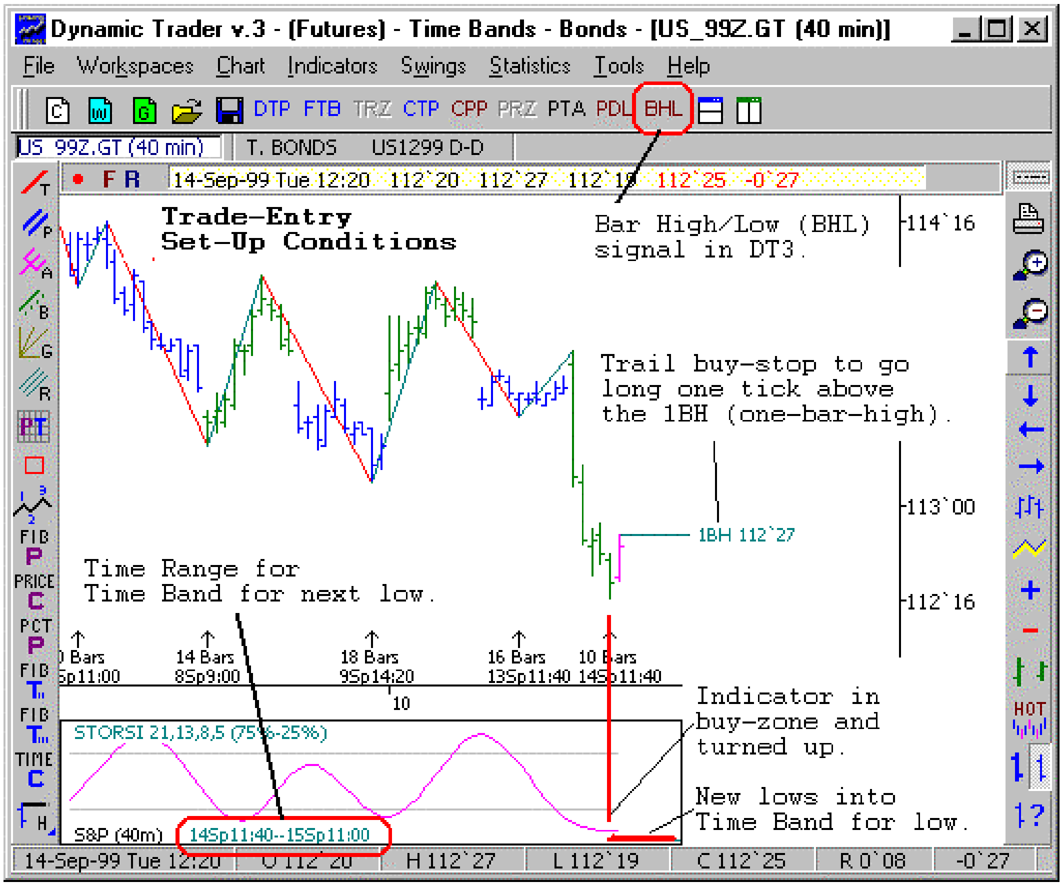
Trade Set-Up Conditions

Two conditions must be met before a market is in a position to consider a trade. These are called the "trade-entry set-up conditions." They are not the trade entry trigger to initiate a trade but just the initial conditions that must be met before a trade is even considered.

For a potential trend-reversal entry for a long position:

1. The market must be making a new low into the date range of a Time Band.
2. The indicator must be in the "Buy-Zone."
3. The indicator must turn up.

The chart below is bond 40-minute data and shows a recent set-up when bonds had met the all of the initial conditions for a trade-entry set-up. Once the initial conditions are met, a buy-stop to enter a long position is trailed one tick-above the one-bar-high (1BH) where inside-days are ignored.



Time Band / Indicator Trade Entry Rules

1. The three trade-entry set-up conditions must be met.
2. Trail a buy-stop to go long one tick above the one-bar-high (1BH).
3. If a long trade is elected, place the initial protective sell-stop one tick below the recent low.

Three bars after the three set-up conditions were made, a long entry was made on the buy-stop one tick above the 1DH as shown on the chart below.

Objective Trade-Entry Set-ups and Controlled Capital Exposure

The Time Band / Indicator Set-up is a logical and totally objective approach to trade entry and initial capital exposure. The capital exposure is well defined and relatively small so if a trade is not successful, the loss is acceptable. This approach is also an excellent trend-continuation set-up to enter on the minor corrections after a trend is established.

Time Band / Indicator Trade Strategy and Multiple Time Frame Trading

As with every other trading technique, the trader should first complete the analysis and trend position of the larger degree trend and make the trade execution on the smaller degree trend. For an example of how to use the daily data for the initial set-up conditions and the intraday data for the trade execution, click here to go to this month's Dynamic Trader Software example page which includes a comprehensive example of the routines in Dynamic Trader Version 3.0 that make the Time Band / Indicator set-up easy.