

" master your setup, master your self "

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This document was written by Goinglite. It was written approximately in 2001/2 and posted on the Talkstox forum with continual updates. That forum no longer exists. This document is a summation and clarification of the trading techniques taught by Woodie at that time as seen through the eyes of Goinglite, a student of CCI at the time.

Goinglite still posts charts daily on <http://charts.dacharts.com/> and is still using CCI (as of March 2005)

When this document was written the concept of trading CCI without price was not taught. Since this document was written the methodology has changed. Many additional CCI methods have been added and dropped.

The strength of Woodie's sharings of how he trades CCI, in my opinion, has always been enhanced and expanded by the contributions of those that have studied his methodology and added there own insight and additions to Woodies original CCI methodology. Resulting in, the teacher teaching the student and the student teaching the teacher.

CCI and Turbo CCI Tips and Nuances by GOINGLITE

I. The Main Stuff.

1. Woodie's Setup.

- a. Very simple 3min and 5min Charts with just the CCI and No Premarket Data (No "All Sessions").
 - a1. Note: "All Sessions" charts also work well.
 - b. The CCI's Setting is: 14 period, HLC/3.
 - c. The Turbo CCI's Setting is: 6 period HLC/3
 - c. The 3 Min Chart Should only show 25 to 30 Price Bars.
 - d. The 5 Min Chart Should only show 25 to 30 Price Bars.

2. The CCI in General.

- a. The CCI can be used as a trading system in and of itself.
- b. The CCI works well with Other Indicators.
- c. The CCI works well with Other Systems of Trading.
- d. The CCI works well with Futures and Stocks.

3. The Main Charts.

- a. 3 Min Chart used for Setups.
- b. 5 Min Chart used for the "Bigger Picture".
 - b1. Sometimes the 5 Min Chart can provide confirmation for the setups on the 3 Min Chart.
 - b2. Also, the 5 Min Chart can be used for Setups.

4. The Turbo CCI.

- a. Shows Divergences that The CCI may miss.
- b. When The Turbo CCI Crosses The CCI, it's often an early "Trend Change" warning.
- c. When both The CCI and The Turbo CCI Diverge together, The Turbo CCI will often signal 1 to 2 bars earlier.
- d. Can draw a trendline from a Peak/Valley of The CCI to a Peak/Valley of The Turbo CCI.
- e. Can draw trendlines on The Turbo CCI, alone.
- f. The Turbo CCI can often show an overbought/oversold condition not seen by The CCI. (Such as The Turbo CCI Slingshot.)

5. To Determine the Trend on The CCI.

- a. On The CCI, The Zero Line is the Dividing Point between the Uptrend and the Downtrend.
- b. When The CCI is Below The Zero Line for at least 5 or More price bars, look to go Short. Exception would be Divergences.
- c. When The CCI is Above The Zero Line for at least 5 or More price bars, look to go Long. Exception would be Divergences.

6. A CCI Warning.

- a. The CCI Indicator measures Momentum.
 - a1. The Greater the angle of the CCI line, the greater the momentum.
 - b. Be careful if the CCI line is "Flat". A Flatten CCI line means NO Momentum.
 - b1. Trying to enter a setup with a "flat" CCI Line will increase your chances of getting stopped out.

7. The CCI Retracement Principle.

- a. The CCI will often do an approx. 50% Retracement of it's last move.
- b. CCI 50% Retracements can be important areas for Support and Resistance.
- c. CCI 50% Retracements can confirm certain CCI Setups.
- d. I look for Zero Line plays to be a part of a 50% Retracement of the last CCI move.

8. The 5 Strongest CCI Setups.

- a. Regular and Reverse Divergences. (The Most Powerful Setups.)
- b. Trendline Breaks With The Trend.
- c. A Zero Line Cross & Trendline Break Combo. (Trend and/or Divergence Helps, but not a factor)
- d. Zero Line Bounce/Re-Cross & Trendline Break Combo With The Trend. (Very Powerful)
- e. Horizontal Trendline Breaks. (High Percentage Plays.)

9. Definitions of Divergences.

- a. Regular Divergence is basically for Counter Trend Trades.
- b. The basic rules for Regular Divergence are as follows:
 - b1. To go Long, The Price makes a Lower Low, The CCI makes a Higher Low.
 - b2. To go Short, The Price makes a Higher High, The CCI makes a Lower High.
- c. Reverse Divergence is the opposite of Regular Divergence.
 - c1. Regular Divergence is usually for counter-trend Plays. Reverse Divergence is usually for Trend Continuation.
- d. The basic rules for Reverse Divergence are as follows:
 - d1. To go Short, The Price makes a Lower High, but The CCI makes a Higher High.
 - d2. To go Long, The Price makes a Higher Low, but The CCI makes a Lower Low.

10. Reverse Divergence.

- a. Reverse Divergences are for Trend Continuation Setups.
- b. Reverse Divergences are more reliable than "Against The Trend" Regular Divergences.

- c. On Reverse Divergences, use Trendline Breaks for Entries.
- d. On Reverse Divergences, the Zero Line can be a point of entry.

11. Regular Divergence.

- a. Regular Divergences are for "Against The Trend" Setups.
- b. Regular Divergences usually have the +/- 133 line Touch/Cross for entries. (Woodie uses The +/- 120 Line for Divergence Entries.)
- c. On Regular Divergence, you can use Trendline Breaks.
- d. On Regular Divergence, you can use the Zero Line as a point of entry.
- e. Trading against the Trend can be risky. Lock in Profits. Use good money management.

12. Divergences.

- a. To find reliable Regular Divergences, you should look for 3 to 10 Price Bars.
- b. To find reliable Reverse Divergences, you should look for 3 to 15 Price Bars.
- c. During The Opening Range ("Day Session Charts"), You can use data from The Previous day to Spot Reverse and Regular Divergences.

13. The CCI Zero line.

- a. The CCI Zero Line is the strongest point of Support/Resistance. (I use a "Zero Line Zone" between The +/-33 Lines.)
- b. The CCI Zero Line is also The Trickiest Area to Trade from. It can be a rich source of "Fakeouts".
- c. I like Zero Line Setups that SHOW DIVERGENCE, Trendline Break, and are part of a 50% Retracement of The last CCI Move.
- d. Trendline Breaks with The Trend, that are close to The Zero Line, are The Most Important Trendline Plays.
- e. An entry can be made off of a Zero Line bounce, cross or re-cross With The Trend.
- f. An entry can be made off of a Zero Line bounce, cross or re-cross with Reverse Divergence.
- g. The Zero Line can sometimes be a point of entry for Regular Divergence.
- h. You can also "add" to your position on a Zero Line Cross.

14. The +/- 100 Lines.

- a. When The CCI gets Above +100, The Market is becoming Overbought.
- b. When The CCI gets Below -100, The Market is becoming Oversold.
- c. The +/- 100 Lines are often entry points for Regular Divergence. (The +/- 133 Lines are a Better Entry Point.)

15. Trading CCI Trendline Breaks.

- a. Because CCI Trendlines show Support and Resistance, they can be a rich source of Fakeouts.
- b. I like to draw CCI Trendlines starting from at least the +/- 100 Line.
- c. Can draw a trendline from a Peak/Valley of The CCI to a Peak/Valley of The Turbo CCI.
- d. Can draw trendlines on The Turbo CCI, alone.
- e. I like trendlines that are part of a CCI divergence and/or a 50% Retracement of the Last CCI Move.
- f. The longer The Trendline, The Better.
- g. I look for Trendline Breaks With The Trend.
- h. Trendline Breaks with The Trend, that are close to The Zero Line, are The Most Important Trendline Plays.
- i. Trendline Breaks can be done, with The Trend, without Divergence.
- j. Trendline Breaks can be done, with the Trend, with Reverse Divergence. (Very Powerful)
- k. Trendline Breaks can be done, against The Trend, with Regular Divergence.
- l. Trendline Breaks can be part of a Zero Line Cross, Zero Line Re-Cross, or Zero Line Bounce Combo.
- m. On the CCI, during the opening range ("Day Session" Charts), you can draw trendlines using the CCI "peaks" or "valleys" from the previous day.

16. Horizontal Trendline Breaks.

- a. To go Long, you look for Horizontal Peaks to draw your Trendlines.
 - a1. The Horizontal Peaks can be anywhere.
 - a2. Can draw a Horizontal Trendline off of 2 Peaks, but 3 peaks are better.
 - a3. The Horizontal Peaks can be at a slight angle. However, the more Horizontal, the Better.
 - a4. Your entry is on The Break of the Horizontal Trendline.

- a5. Can be done with or without Divergence.
- a6. I like to see Horizontal Trendlines close to The Zero Line.
- a7. High percentage play.

- b. To go Short, you look for Horizontal Valleys to draw your trendlines.
- b1. The Horizontal Valleys can be anywhere.
- b2. Can draw a Horizontal Trendline off of 2 Valleys, but 3 Valleys are better.
- b3. The Horizontal Valleys can be at a slight angle. However, the more Horizontal, the Better.
- b4. Your entry is on The Break of the Horizontal Trendline.
- b5. Can be done with or without Divergence.
- b6. I like to see Horizontal Trendlines close to The Zero Line.
- b7. High percentage play.

17. The CCI Extreme +/- 200 or higher Hook.

- a. On CCI Extreme Hooks, watch out for the Regular Divergence Trap.
- a1. On Regular Divergence, an Extreme Hook may only indicate that the market is slowing down, but has not Reversed yet.
- a2. In other words, just because the CCI Hooked, doesn't mean that the Price has to Hook.
- b. Will have to use other indicators to filter Extreme Trades.
- c. I also like CCI Extreme Hooks off of Reverse Divergence.
- d. An Extreme CCI hook, off of a strong Regular Divergence, doesn't need a Filter.

18. Turbo CCI Slingshot.

- a. The Basic Setup is when The CCI goes to The Zero Line or "Zero Line Zone" while The Turbo CCI runs to The +/- 100 Line.
- b. The Trigger is when The Turbo CCI and The CCI "hooks".
- c. On this Setup I like to see Divergence, 50% Retracement of The Last CCI Move, and if possible, a Trendline Break.

19. My Favorite CCI Setups.

- a. The Touch or Cross of The +/- 133 Line with Reverse or Regular Divergence.

- b. The Turbo CCI Slingshot with at least Divergence, and a 50% Retracement of The Last CCI Move.