

## The Trend Line Break and 100 Line Cross Trading Pattern

By gb007

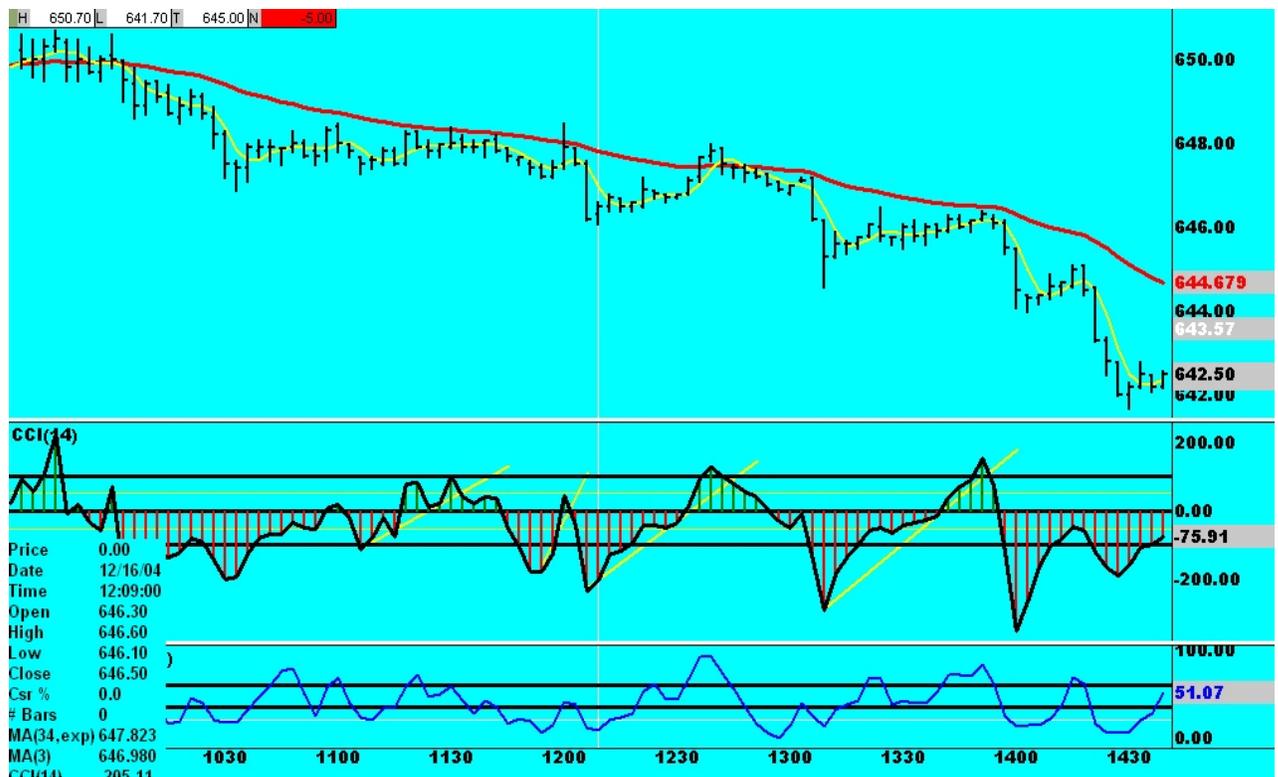
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What I want to talk about today is what a TLB is, what it looks like, and how you use it. Basically, a TLB is nothing but a Zero Line Reject that went past the 100 line in the opposite direction, and therefore since the 100 line is such a strong support and resistance line, we put some requirements on it that we don't have for the ZLR. One is that it has to break the trend line and two, it has to come back through the 100 line.

I will start with a definition of the TLB-100. The TLB-100 is essentially a Zero Line Reject that went too far. Instead of stopping short of the 100 line, and hooking like a ZLR does, it continued on past the 100 line. We all know that the 100 line is a great support and resistance line and therefore we have to have some way to see if we have a change in direction or if it has just gone a little too far and then comes back and continue with the trend.

I am going to start out today using the ER chart. This chart of the ER (3min Russell from 12/16/2004) has all the TLBs today.

Chart 1: 3 min ER from 12-16-04



**The first one we had today is a situation where the CCI-14 was below 100 and then the CCI started going up. We can draw a trend line there; it was a little tricky. You draw the trend line there and at about 11:30 it did hit and go past 100 and promptly reversed. When it reversed on the next bar, it came back off the 100 which is one of the conditions and then also broke the trend line. So, you had a short there on the ER at 647.90 and it proceeded to go right on down to a level of 647.20. That is just 7 ticks, but for most people that would have been a good trade.**

**The next potential TLB-100 we had started at about 11:54 and we started from below -100 and the CCI shot up but did not reach the +100. It turned into just a plain ZLR which is also a good trade, but was not a TLB-100 because it did not get above the +100.**

**The next one is a true TLB-100. It started from below 100 at about 12:09 and the CCI just continued it way up and kept going up until around 12:40 at which time it was over +100 having come from -100 and then started back down, crossing the +100 line on its way down. So it started from the -100, went up to over +100, and then came back through the +100 line. It also broke the trend line at 12:45. From that point you never took any heat. You shorted at market and I think you got one tick behind, and went from an entry of 647.40 all the way down to 644.60. 647.30 down to 644.60 is around a full three (3) point move. That was the 2<sup>nd</sup> TLB-100 for today.**

**The third TLB-100 started around 13:09 when the CCI was at about -292 I believe it was, so it was below -100. The CCI then just kept meandering up. You will notice in all these trades that I have been talking about, that the 34 ema is sloping down the entire time. On this screen I have the chart on my order entry machine so you don't see the angle of the 34 the way I usually look at it, but that 34 is pointed down.**

**This third trade then started at a low CCI of -292 around 13:09 and CCI just going up and up. We are still looking for shorts since we have not had 6 long bars yet. At 13:51 the CCI had broken through the +100 and flipped back down and at that time it only had 5 long bars on the CCI and on the 6<sup>th</sup> bar it broke through the trend line as well as breaking through the +100. So it was short at 646.10 and depending on how you played your stops and how many contracts you used, it was a great run. It was at least from 646.10 to 644.30. So if you had gotten nervous and gotten out you would have had almost two full points. If you had been playing multiple contracts and waited for a CCI hook, you would have actually gotten about the same thing.**

**Paul has just put up some of his charts that show the TLB-100s on today's Russell. They show the pattern more clearly than the chart I have on my lap top. Thank you Paul. I am sorry I had to use my lap top since my real charts are clearer on my regular desktop computer, but I do not have sound on it and so I could not use it in this presentation. Look at Paul's chart – at 12:51 it is very clear.**

Paul, thank you for your moderating today. I thought it was great, especially for the new traders. I listened all day today.

Chart 2: ER- 3 min ( Courtesy of Paul)



I am also going to put up a chart of the Euro for today and I'll show you the TLB-100s on that chart. (Please see chart on next page)

At about 9:30 there was a TLB starting off below -100 and reached above +100 at 10:05 taking 35 minutes. It quickly reversed. At 10:11 it came through the 100 line but didn't quite break the trend line. I took the trade anyway – CCI was below the trend line at the 7<sup>th</sup> bar started to print. That was sort of a borderline trade.

There was another trade starting at 11:44 below -100 and shot up in one bar above +100 and came back below +100 in 2 bars. It was a good trade.

There was another one again that started below the -100 at 12:14 and got almost to +100 but did not quite make it and came back through the trend line. I was anticipating it would make it above the +100 but it didn't make it. So that became a ZLR (although it is marked as a TLB on the chart) which got almost to +100. Did I take it? Yes, it was a good trade.

The other ZLR that wasn't a good trade because it printed more than 6 bars before it met the requirement. So there were 3 nice ones on the euro after 9:30.

Chart 3: ER 3min chart from 12/16/2004



This completes my discussion of the charts and I am going to answer some of your questions.

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### Questions and Answers

#### Questions on the TLB-100 Trade

**Question:** Am you only looking short because price is below the 34 ema?

**Answer:** It is not so much because price is below the 34 ema, but because the 34 is pointing down. The 34 is primarily for direction only. Price is only relative to the 34. I really don't suggest most people use that.

**Question:** Please confirm where the TLB-100 starts?

**Answer:** To get a TLB-100, it must always start from below -100 or above +100. It must then cross the 100 in the opposite direction, and subsequently come back through.

**Question:** Would you clarify where the TLB pattern starts and ends?

**Answer:** The TLB-100 starts at one 100 line and goes to the opposite 100 line and then comes back through it. The 100 line is the only thing that counts.

**Question:** Do you wait to short when both the TLB and 100 cross happen?

**Answer:** I wait for both. When the CCI goes through one of the 100 lines, that is a pretty powerful move and you have to make sure it is not just a temporary move (as shown by the recross in the opposite direction) and does not just keep on going

**Question:** Do you enter at the cross of the TLB and the close of the bar?

**Answer:** Yes.

**Question:** Is your entry at the TLB cross or the zero line cross?

**Answer:** Once it has come back through the 100s, the minute it crosses the trend line that is the trigger.

**Question:** If the CCI goes well past 100 before hooking, so you are at a High from Extreme, then no TLB-100 trade?

**Answer:** I will take them. I don't care if they go to 250, as long as they come back through the 100 before the 7<sup>th</sup> bar starts to print.

**Question:** If the CCI gets to 200, is the TLB still valid

**Answer:** Yes. As long the 100 cross occurs before the 7<sup>th</sup> bar starts to print

**Question:** If CCI crosses +/- 200 does it invalidate the TLB rules?

**Answer:** No that is fine as long as the CCI crosses back below the 100 line and crosses the trend line before the end of the close of the 6<sup>th</sup> bar.

**Question:** Are the exit rules you use in the TLB-100 trades the same as Classic CCI?

**Answer:** Yes the exit rules are the same as Classic CCI, or if I hit my objective. If I hit my objective, I will get out.

**Question:** If the peak is at 100 but CCI does not go above the 100 line and come back through it is it OK to take the trade?

**Answer:** Sure. It is a ZLR at that point and I love ZLRs that approach the 100 line. They often do much better than the ZLRs that only approach the zero line. I love ZLRs that get close to the 100.

**Question:** When considering the TLB-100, does it make a difference how close or far away price is to the 34 ema?

**Answer:** That is a very good question. It is very true that the best TLB-100 trades occur when price is closing in on the 34 ema. If price is away from the 34 I will take the trade, but I really do like it better if price is closer to the 34.

**Question:** Is the angle of the 34 ema important for this pattern?

**Answer:** The angle of the 34 ema is a requisite for this trade. Yes, that is correct. I've used my laptop to show this rather than my usual trading charts. On my big trading charts, that 34 ema would be on a very good slope

**Question:** Any specific degree of slope on the 34?

**Answer:** I usually tell people that I like a 30 degree slope. I also qualify that because the TLB has a tendency to flatten out just before an entry. So if the TLB has been sloping nicely, then flattens out for 2-3 bars – that is OK. If the flattening extends as long as 5 or 6 bars I will not take the trade.

**Question:** Would you describe your requirements for 34 ema slope?

**Answer:** I tell new traders that I like a 30 degree slope on the 34 ema. If I had my regular charts up, you would see that they have close to a 30 degree slope. Keep in mind, on the entry bar of a CCI signal, the 34 has a tendency to flatten out. If it is flattened out only a little bit for only 1 or 2 bars, I can ignore it. If that flattening out extends to 5 or 6 bars, then I consider it is not tradable at that point and it is a choppy market.

**Question:** How do you evaluate the slope business?

**Answer:** I eyeball the chart as I have considerable experience doing that. If you have a problem with that, get a protractor or a carpenter's angle tool and put it up on your screen until you learn to recognize the slope. It's the only way I know how to do it. I know everyone's ema is going to be different based on the price scale they are using and size of the chart. The idea is to see a definite trend – whether it is 28 degrees or 34 degrees doesn't make any difference

**Question:** Do you have any tricks for evaluation of the 34 ema?

**Answer:** I have a little trick for some of you that have trouble with the 34 ema slope. Get yourself a protractor and cut a 3 X 5 card with a 30 degree angle and then hold the card up to your screen to see if you recognize a 30 degree slope. You want to remember that the key point is to be able to see a trend designated by the 34 ema – not to be able to tell precisely what degree slope the 34 is.

**Question:** Is it correct that the correct slope on the 34 ema on a chart would be 4:00 on your screen for a down trend and 2:00 for an uptrend?

**Answer:** Yes, the 4:00 direction for a downtrend and 2:00 for an uptrend would fit the 30 degrees slope on the 34 ema

Here is another little trick if you don't want to cut 3X5 cards for a 30 degree measurement on your screen. Just take your cross hairs on your 34 and you can guess the angle pretty well just doing that.

**Question:** I suggest we use the 25 lsma the same way you use the 3 ema to measure the accelerating 34.

**Answer:** I don't use the 25 lsma so I don't know how it acts and reacts, so I really cannot comment on that. Knowing what the lsma is, I suspect that if you have a 25 lsma on there that you would get the same kind of information that I get on the 34 ema, in terms of rate of acceleration

**Question:** As the signal is taken above the zero line as a short, is this considered a with the trend signal?

**Answer:** There is nothing wrong with taking a ZLR above the zero line. As a matter of fact, I like them from above the zero line better. As far as the TLB-100 goes, if it is taken with the direction of the 34 ema i.e. with the trend, then I think it is the best trade a beginner can take.

**Question:** What do you do when you decide to do a ZLR with no TLB and not wait for the bump and trend line?

**Answer:** On a ZLR I have no requirements other than it hooks and is with the trend (34 ema). I don't care about trend lines or anything. As long as it is with the trend and the CCI-14 hooks within +/- 50, then I will take it.

**Question:** Have you noticed that the slope of the TLBs is not as steep as the ZLR because of the pullback of prices to the ema?

**Answer:** No – there were several today of only 1 bar long on the euro today?

**Question:** What is the yellow moving average on your chart?

**Answer:** That is a 3 period moving average. I don't really use it in the trade It is there because it is a quick way for me to see if the 34 ema is accelerating. If the yellow 3 moving average starts to move away from the 34 ema I know that the 34 is accelerating without having to measure it. It is not used for trading. The exact MA is not that important since what I use it for is to indicate whether the rate of change on the 34 ema is increasing or decreasing.

**Question:** What is the yellow line and how do you use it?

**Answer:** The yellow line is a fast ema (3 period ema) and it's only purpose is to let me know if the slope of the 34 ema rate of change is increasing or decreasing. If the yellow line pulls away from the 34ema I know that the rate of change on the 34 is increasing. That is the only purpose for it being there.

**Question:** You said 7 bars before CCI breaks through the trend line or the 100 line or is it both?

**Answer:** It is both. It has to break through both the 100 line AND the trend line before the 7<sup>th</sup> bar starts to print. There are 2 requirements that have to be met

**Question:** Can you repeat the 7<sup>th</sup> bar rule?

**Answer:** Yes. You must enter the TLB-100 before the 7<sup>th</sup> bar STARTS to print. Once the 7<sup>th</sup> bar starts to print, the TLB trade is negated

**Question:** Do you mean the beginning of the 7<sup>th</sup> bar or the end of 7<sup>th</sup> bar printing?

**Answer:** The criterion is the START of the 7<sup>th</sup> bar printing. Alternatively you can say the limit is the end of the 6<sup>th</sup> bar. Once the 6<sup>th</sup> bar closes, it is all over.

**Question:** It sounds like the 6<sup>th</sup> bar rule of the TLB-100 is a modification of Woodie's six bar rule for trend change?

**Answer:** You are correct. It is Woodie's 6 bar rule for trend. The TLB has to be completed before the end of the 6<sup>th</sup> bar and the 7<sup>th</sup> bar starts to print.

**Question:** What do I do if I make the trade before the 7<sup>th</sup> bar and then the 7<sup>th</sup> bar prints?

**Answer:** I can't take the trade unless the 100 has been broken on the way back and the trend line has been broken also before the 7<sup>th</sup> bar prints, so it would not make any difference. The 7<sup>th</sup> bar has no bearing once the 2 conditions of the trade have been met (coming back through 100 and breaking the trend line).

**Question:** Are these usually borderline 5 to 6 bars almost going to a counter trend trade?

**Answer:** Yes. Most the time they are. This all has to happen before the 7<sup>th</sup> bar starts to print. I would say more than half the time you are up to the 5<sup>th</sup> or 6<sup>th</sup> bar Before the CCI breaks back through the 100 line and the trend line. Once in awhile you will get one that is 1-2 bars long, but not often. We did have some of those on the Euro today.

**Question:** If you take a TLB-100 as a short and the CCI doesn't cross the zero line before the 6<sup>th</sup> bar, and therefore the trade is now long, do you stay in the trade if the CCI is still heading down?

**Answer:** Let me make sure I understand. I don't think I understand your question. The zero line has nothing to do with the TLB-100 trade. Because it has to break a trend line and come back through the 100, the CCI is always heading down in a short trade. I can't picture the situation

**Question:** What would have kept you in the short at around 13:05 when the CCI hooked against you?

**Answer:** Really nothing. It was time to get out when the CCI hooked against me. You will notice that it was not that long later when we got another one. You got to do it again at even a better price than where we got out. When the CCI tells you to get out, it is time to get out

**Question:** Can you give entry price and stop on the last trade?

**Answer:** Yes, hang on a minute. The entry price on that last TLB-100 which occurred at 13:54 .....We entered at 646.10 and my stop was at 646.50. So I had a 4 tick risk on that trade. For that 4 tick risk, I had the opportunity to pull out 20 ticks. So my risk to reward ratio on that trade was a possible loss of 4 ticks and I had the opportunity to take up to 20 ticks. As a matter of fact when the CCI hooked and closed at 644.30 it was worth 18 ticks. You got 18 ticks before the hook on the CCI-14.

**Question:** You mentioned after getting a better price after CCI hooks up through the ZL? What would get you in again?

**Answer:** If you will recall, there was another TLB-100 right after that one. I covered for around 16 to 17 ticks and then just a few bars later we got to take another TLB-100 that ran beautifully. That one was pretty straight forward

**Question:** Would you have taken the ZLR signal short around 8:59 if you had not been in the market.

**Answer:** No. The CCI signal closed below the -100 line and that is not a valid signal to me

**Question:** Did you have any concerns on the 3<sup>rd</sup> TLB-100 today?

**Answer:** On the 3<sup>rd</sup> trade, I was real cautious because it had pierced the 34 which I say I don't use; but I can't help noticing it, but more importantly the 34 had started to flatten out. However, it did not flatten out but for 3 bars and 3 bars is not enough to keep me out of the trade.

**Question:** Did the 2<sup>nd</sup> TLB-100 trade bother you since price breached the 34 line for a couple of bars just before entry?

**Answer:** Nope. I am not using the 34 relative to price. I use it only for direction. Price can penetrate the 34 without changing the slope of the 34 and that does not bother me at all. The 34 for me is only used for direction

**Question:** Was the 11:30 TLB valid?

**Answer:** Yes it was. It occurred before the 7<sup>th</sup> bar started to print. They are OK if they occur before the 7<sup>th</sup> bar starts to print. It is good up to the end of the 6<sup>th</sup> bar.

**Question:** Was the 9:30 TLB a valid buy?

**Answer:** You caught me on that one. I did not see that one. Yes it is valid. If I had seen it, I would have taken it. The reason I didn't catch it is that I normally don't look too hard before the first 30 minutes of trading, but yes that 9:30 TLB was a valid signal. I don't normally like to trade in the morning

**Question:** What was your target on the last trade?

**Answer:** It was 1.2 today. In reality, in all those trades, I would have been out at 1.2. I was just indicating how far the trade actually ran.

**Question:** If your stop is above the entry bar or recent high, and is greater than a certain number of ticks you will not take the trade?

**Answer:** In these trades, the TLB-100, you rarely take any heat if they are good. I will usually put the stop above the entry bar or 4-5 ticks away from my entry. If I had to use a 10-12 tick stop, I would pass on the trade.

This 2 to 1 ratio is very important in terms of winning dollars versus losing dollars

**Question:** Once you enter the TLB or ZLR and the CCI goes flat or reverses do you continue to hold the 5 tick stop or whatever your original stop was?

**Answer:** If the CCI hooks on me at the zero line, or the CCI goes flat for 2 or 3 bars I will exit because the momentum has stopped going for me.

**Question:** Will you comment on the shape of ZLRs – some good, some not so good? How about the ZLRs at 12:24 and 13:07 on the ER chart?

**Answer:** I don't know if I took them not. I don't like them. Instead of making a nice V they kind of went flat. I tend not to take ZLRs unless they point down immediately for me

**Question:** With a ZLR do you have to cross the zero line after the reversal before entering?

**Answer:** No. I will take a ZLR and any ZLR hook. I like it to be at least +/- 50 so we have a little room to run.

**Question:** Do you take trades other than the ZLR and the TLB-100?

**Answers:** The vast majority of my trading is 2 trades -- The TLB-100 and the ZLR with the trend. However, I will take counter trend trades; the ghost for example if it is more than 20 ticks away from the 34 ema and there are ghosts and VTs which occur with the 34 trend and since they are trend trades to me, I will also take those. In fact we had a couple of those today.

**Question:** Is this correct? (Floodgate): GB, are these your basic trend line rules: 1) Trade only with the trend of the 34 EMA and with a slope of at least 30 degrees, 2) Trend must extend from the +/- 100 to the +/- 100 minimum, and 3) the TLB must be executed no later than the end of the 6th bar, any others?

**Answer:** Anyone who wants to look at Floodgates 17:13 post – that's it. You might want to add one thing; that it has to come back across the 2<sup>nd</sup> 100 line and cross the trend line

**Question:** Do you draw trend lines on the turbo?

**Answer:** I don't draw trend lines on the turbo. I use them with CCI only.

**Question:** How do you draw a trend line on a 1 bar move?

**Answer:** You draw your trend line from the -100 point on CCI to +100. It only moved one bar, but it met the conditions of moving from -100 to +100 even though it was within only 1 bar. In this instance it looks just like the CCI line

**Question:** Are there a minimum number of touches for the trend line?

**Answer:** Really one touch after the point of origin. You have a beginning point at the last print below -100 or above +100 and after that 1<sup>st</sup> point, then you need another point to draw the line, so you need a total of 2 touches at least to draw the trend line

**Question:** Does the TLB-100 work as well on daily charts?

**Answer:** Yes, on the daily charts, the TLB-100 works just as well as it does on a 3 min. Chart. Same terminology. I love to see a TLB for an option trade

**Question:** What other contracts and time frames do you like to use this set up on?

**Answer:** I use it on everything. Today, we used it on the ER, the euro, and the YM. I think the YM didn't work as well as it only had one TLB-100 today. By the way, there are days where you are watching 3 or 4 contracts and you will only see one or two of these the entire day. That usually means it is a choppy day . Today we I think we had 9 or 10 and if you have 9 or 10 of these trades with a 90% win rate, then you have had a very good day. Between Paul's moderating and the way the markets acted today, I hope you all had a very good day. Today was a trader's paradise.

**Question:** Do you have a higher level of confidence in the TLB trades than you do with regular ZLRs?

**Answer:** I lump the TLB-100s and ZLRs together when I do my data base. There are people like hotcomm-Ed who separate them for analysis purposes. They insist that they run close to 90% successful trades. My own observation is that they probably are close to 90%. – as long as they are done with the 34 ema trend.

**Question:** Do you have a win percent stat on this?

**Answer:** I don't keep that data separately myself. Hotcomm-Ed does keep this data and says the win rate is close to 90%. That would also be my observation. I think it would be close to 90%.

**Question:** Did you short all of the trades you discussed today?

**Answer:** Yes! I shorted them all.

**Question:** What is the indicator at the bottom of the chart?

**Answer:** The indicator at the bottom of the screen is essentially the turbo. I have modified it slightly --- I have smoothed it a little bit. Just call it the turbo It looks a little different from yours, but it will hit the peaks up and down at the same time as yours does.

**Question:** What do you use the bottom turbo for?

**Answer:** I use it only as an early warning; it has no bearing on my entries. It is there and when it peaks out I really look at the CCI-14. The CCI-14 is my decision basis. I don't care too much what the turbo is doing but I do get a level of comfort if the turbo is also telling me to sell at the same time the CCI-14 does

**Question:** What is the blue line in the chart below the CCI indicator?

**Answer:** That is my version of the turbo. For the purpose of the charts that most people will be looking at they would be using the turbo. It is just used as an early warning. That is all that it is used for.

**Question:** What is the time frame of the ER chart?

**Answer:** 3 Minutes

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### General Trading and Charting Questions

**Question:** When do you enter a trade?

**Answer:** I usually enter the trade 15 to 30 seconds before the bar closes. I do not recommend that for newer traders. Wait for the bar close, because you can get hurt on those

**Question:** Do you wait for the bar to close to take the trade?

**Answer:** I try to wait for the bar close to enter, but I guess I am kind of aggressive and I don't always wait. It is not unusual for me to go in 20-30 seconds before the bar closes.

**Question:** Do you choose the market to trade based on the direction of the 34 ema?

**Answer:** You better believe it. That is why I have 4 charts up. If one chart has a flat 34 and one has a 34 ema with a nice trend. I am going to trade the one with a good trend. That is why I use 4 charts up during the day. I want to be able to trade during the day, but I want to trade a market that is trending

**Question:** How often do you miss an entry by putting in a limit entry that is several ticks above the current price (assuming a short position)?

**Answer:** Quite often. I really don't care. I know that during the course of the day that I am always looking at 4 products and I know that I will get 10 or 15 trades most days, looking at those 4 products, that meet my criteria

I really don't care if 3 or 4 or 5 get away from me. That is more than enough trading for me. I will get 4-6 trades per day per product. That is all I care about. I don't care about the ones I miss. I only care about the ones I take. What I really care about is that 2:1 dollar win vs. dollar loss ratio. I am very adamant about that and very adamant about having a high win rate. If you have a high win rate and a high dollar win to dollar loss ratio, you are going to do fine regardless of how bad you screw up during the day.

**Question:** If you get an entry signal in a logical place but the stop loss is too far away, can't you place your limit order where it also gives you the logical stop loss?

**Answer:** Yes. That is what I do. I put in my limit order at a place where the stop loss is acceptable to me and sometimes I get filled and sometime I don't get filled. I don't care. If I get filled, I want it on my conditions that I am going to have a stop that gives me a potential win of \$2.00 and a potential loss of \$1.00. That is absolutely right.

**Question:** As the trade moves in your favor, do you move your stops to the high or low of the previous bar?

**Answer:** Generally No. If I do that, I will get stopped out prematurely and I won't get my 2:1 dollar win to dollar loss ratio. Once I have my stop in at 4 or 5 ticks, then only one of two things is going to happen. Either I am going to lose 4 or 5 ticks or I am going to make 10 to 15 ticks. Those are the parameters I work in.

**Question:** If I had an entry that required too large a stop, couldn't I use a limit order at a level where the stop loss risk was acceptable or follow through on it if I get filled – depending on the CCI?

**Answer:** My answer is NO. I don't believe in putting in an arbitrary stop number. If I can't find a logical place to place a stop, then I don't want that trade. For me personally, just saying I am going to use 5 tick stops on everything today, is bad trading. As I see it, I want a reasonable, logical place to put my stop. In other words, I want my stop at some point where the market actually has to change directions, even for only a short period of time, before I am stopped out.

**Question:** Can you explain how to keep your stop loss to .30 to .50?

**Answer:** If I get a signal on CCI to buy or sell and the closing bar or entry requires me to have a large stop, say 12 or 13 ticks; then I will not take the trade. What I will do is figure out what my logical stop will be ..... Say, quite often on a bar that is a short, it is usually the high of the bar that triggered. What I will do is put in a limit order to sell but that limit order will be about 50 cents from where I am going to put my stop. What that means is that I will miss a lot of trades, that is OK because I know that I will get as many trades as I want during the day. If I can't have a trade that limits me to a 5 tick risk, then they can keep the trade, since I don't want it. It is a very simple philosophy.

**Question:** When the 34 is at a very steep run, you may not get a pull back until the run is over. What do you do when the 34 is very steep?

**Answer:** That is a good question and something we have not taught in this room. If it is apparent that we have a large trend going on I will do one of two things. I will break my stop rule and take a bigger stop OR I will wait for a pull back to the previous bar, say at some point where I can put in a reasonable stop of say, 6-7 ticks. I don't want to suggest that to new traders. That is something you learn after you have traded for a long time. That is where trading experience comes in. At that point, it is not CCI; it is not the 34 ema; it is not the lsma. It is just a lot of years of practice to know when you can sell a pull back without any signal what so ever.

**Question:** Can you describe the criteria behind your regular ZLR trades? Mine keep turning into shamus.

**Answer:** If you have the Sidewinder and use that, you will improve your win rate and keep from getting caught in shamus. I don't know if you have the Sidewinder yet or not. It does work.

**Question:** Will you explain your rule for 34 "Kiss and Retreat"?

**Answer:** If price gets to the 34 and runs away from it – buy it or sell it depending on the trend direction of the 34. I don't try to encourage new traders to do that. You will see me do that, but I don't recommend it for newer traders.

**Question:** Can you tell me which euro chart you use

**Answer:** I use a 24 hour euro trade because the euro is trading most of the night. The chart today was beautiful with many good trades today.

**Comment:** On the euro you need to be on 24 hr time template and run it around the clock because your trades start around 2:00 in the morning and it's real trading so you need a 24 hr chart to pick up all those signals

**Question:** Is there a way to gauge the strength of the run?

**Answer:** No there really isn't that I know of. I get out when it hits my objective or when I get a CCI signal to exit. There is no way I have ever figured out how to tell what the strength of the run is.

**Question:** What are the other products that you trade?

**Answer:** I will trade almost anything; recently, that has been the YM, the Euro, the ER and the Bonds. Those are the 4 contracts I have been trading most this week.

**Question:** Do you use only 1 chart per product?

**Answer:** Yes, I use only one chart per product. My trading charts are quite large LCDs. I have the charts overlaid so I can look at ½ screen or expand it to a full screen.

**Question:** What do you think of tick charts?

**Answer:** There are only a finite number of moves in the market each day. The type of charts that you use will not change that number of moves. There will only be so many moves during the day. I personally don't think it makes a bit of difference what you use.

**Question:** What time period charts do you trade?

**Answer:** I trade 3 minute charts on all products except the YM where I use 5 minutes

**Question:** Do you suggest any further filters for a possible choppy day?

**Answer:** Quite honestly I prefer not to trade on choppy days. If I don't have a trend on the 34, I am content to walk away. Scalping works, and I used to do it, but I just don't like to do it any more. If I don't get a trend, I will go do something else.

**Question:** What time templates do you use on your charts?

**Answer:** I use 8:20 to 1615 for time on the YM, On the ER I don't start until 9:30. I use the 8:20 start time for the YM because that is when the pit opens. That is not same situation for the ER

**Question:** Where can we get the CCI rules?

**Answer:** Go the [www.woodiescciclub.com](http://www.woodiescciclub.com) and you will find a lot of material there.

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