

“Good trading is boring trading” (Richard Dennis) **by Emilio Tomasini www.toptrader-report.com**

My approach to trading is particular in the sense I do not trade discretionally, I employ trading systems both on an intraday and overnight basis, but for the most I do not place orders or follow the market minute by minute. My secretary or my partner do it. The psychological strenght you need to be a full time intraday trader does not belong to me and moreover during seven editions of the Top Trader Championship I organized I checked that it is quite impossible to become a full time intraday trader if you lack the necessary discipline and deep attention. In few words: intraday trading is a job for few people and not for the mass. And everyone should find a way to overcome his problems. My way was to develop an industry as far as 1) development of trading systems 2) test and evaluation 3) trading are concerned. At least 10 people contribute to this project (among them Enrico Malverti, Fabrizio Bocca, Vittorio Pinelli) and my job is to coordinate all the efforts. A simple question will arise: what I am doing in Aschaffenburg among good intraday discretionary traders ? This is not my place. Yes, the answer is partially correct. I did intraday trading for years in a discretionary way at the beginning and often I trade discretionally intraday too now but it would be false to say that the most money I did in the market is from intraday discretionary trading. So during the Futures Expo I will trade my intraday trading systems without discosing the code but only to show to the audience that “good trading with trading systems is always boring trading” like Richard Dennis quoted in a recent interview. I will trade the following trading systems:

M1 DAX 60 MINUTES
EM RANGE_1 DAX 60 MINUTES
M1 BUND60 MINUTES
EM RANGE_1 DOLLAR 60 MINUTES

All these systems are basically commercial ideas developed in an original way.

As far as discretionary trading I will present 2 methodologies that I was used to trade and that occasionally I trade on a semi – discretionary basis. The truth is that behind these methodologies you have some sound statistical bias so that even if they are not really proven with a stict code you are dancing on something sound. These 2 methodologies are Sequential and Sniper’s pattern.

Sequential in an intraday frame

During the final round in Aschaffenburg on June 6 2005 many participants asked about Sequential by Thomas Demark. I could not imagine that in Germany Sequential is pratically unknown and this maybe because the book written by Thomas Demark is not translated in German. Sequential is the techinque I used and I currently use to interpret the market also on an intraday basis. If I would be frank I do not know in detail how the Sequential works and I am particularly attracted only by its fonctionning in the reality of market. I was taught to use Sequential by Thomas Demark during a real time real money trading seminar in Milan in June 1998. Even in that occasion Thomas Demark gave me for free his indicators for Tradestation I always use indicators that we developed on our own in Italy since 1997. Furrhter on there are some news and references for those interested in the detail of Sequential.

The Setup part of this study is designed to identify the occurrence of the "Nines" of the Setup phase of Sequential. It analyzes the Nine side of Setup and plots Setup numbers above the highs or below the lows of each Setup bar. If a Setup fails, the numbers are erased. If the Setup is completed successfully, the numbers remain on the chart. Various inputs allow you to customize

the methodology to your own tastes. Note that according to Mr. DeMark's initial definitions of the various aspects to the entire Sequential method, Setup requires the occurrence of nine consecutive closes less than (for a Buy Setup) the close four bars earlier. With the numerous inputs available to you, the rules of the Setup phase can be adapted as a more personalized tool suitable to your style of trading.

The Countdown part of the study identifies the bars which constitute the "Thirteens" of the Countdown phase of Sequential. It displays the buy side of the Countdown and prints the Countdown numbers under the low of bars which satisfy the rules for the Countdown phase.

Countdown requires the precondition of Setup and Intersection (if required by input parameters) to begin the count. Once Setup is complete, the rules of Countdown require that the close must be less than the low two bars earlier for a pending buy signal. Once a total of 13 bars (not necessarily consecutive) that meet the Countdown requirement occur, a buy signal is possible. This study identifies the bars which meet the rules for the development of the Countdown phase and prints the Countdown numbers on the chart. During Buy Countdown, the program is also printing the Setup numbers for both Buy and Sell. The Setup numbers are placed closer to the bar and the Countdown numbers are placed below the Setup Numbers on the chart.

Upon completion of the nine bar Setup low, it is not uncommon to witness a short term bottom or even a price reversal. Unless the market is in a freefall or in a short term correction within a strong trend, this short term price "hiccup" is just a reprieve in the trend and the decline should resume.

Buy signals can not be generated until the successful completion of Countdown. Optionally, Countdown can not begin until Intersection occurs. Remember, Intersection is the final validation process required to complete the Setup phase of Sequential. Once Setup with Intersection has been completed and the full 13 bar count for Countdown (which normally requires 15 to 30 bars to develop) has evolved. then a valid buy signal can be generated.

	TD Setup	TD Countdown
Duration	9 price bars	Unlimited
Buy signal	9 consecutive price bar closes that are less than the close 4 price bars earlier	13 price bars where each close is less than or equal to the low 2 price bars earlier
Perfection - buy	The low of either price bar 8 or 9 must be less than the lows of both price bars 6 and 7	The low of price bar 13 must be less than or equal to the close of price bar 8
Sell signal	9 consecutive price bar closes that are greater than the close 4 price bars earlier	13 price bars where each close is greater than or equal to the low 2 price bars earlier
Perfection - sell	The high of either price bar 8 or 9 must be greater than the highs of both price bars 6 and 7	The high of price bar 13 must be greater than or equal to the close of price bar 8

Table 1.

REFERENCES

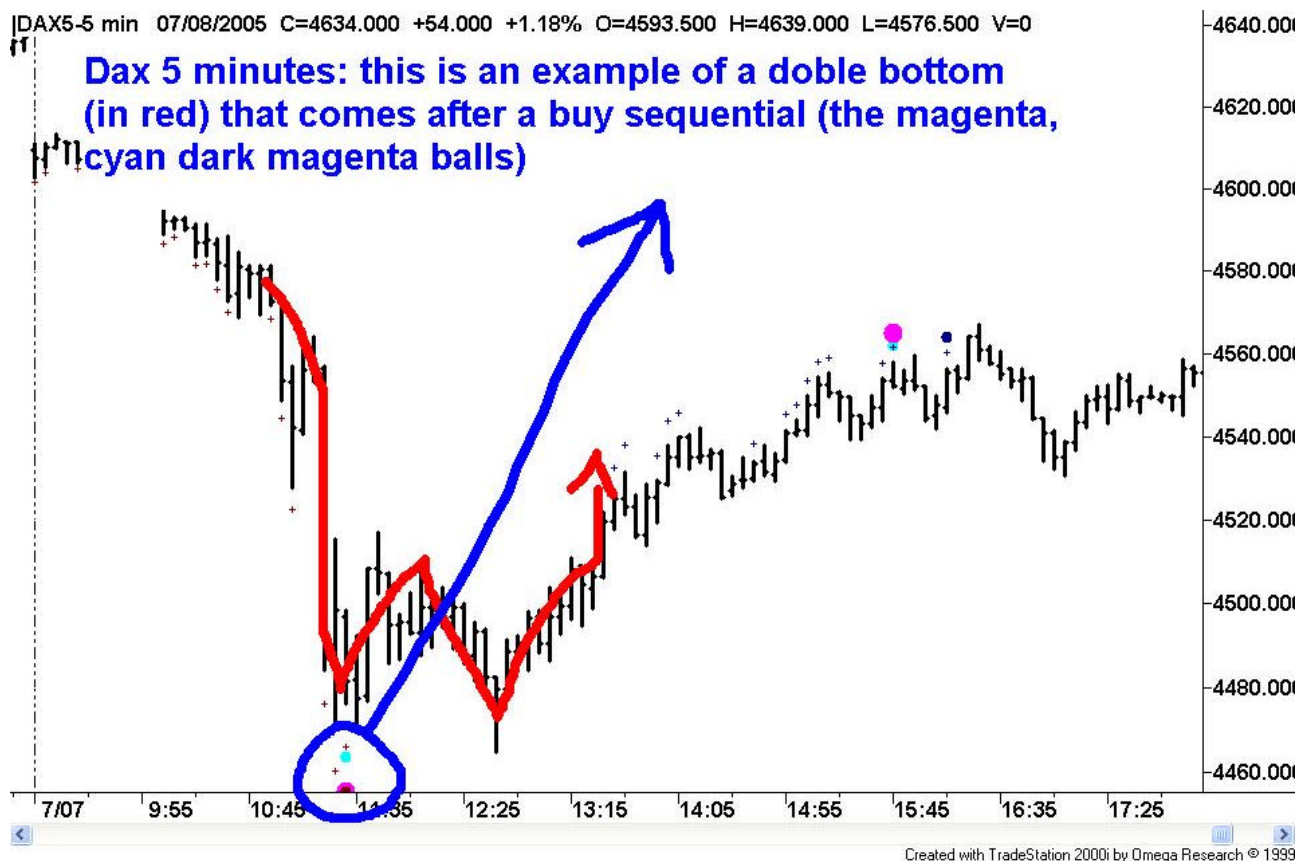
<http://www.futuresmag.com/library/daytrade97/day10.html>

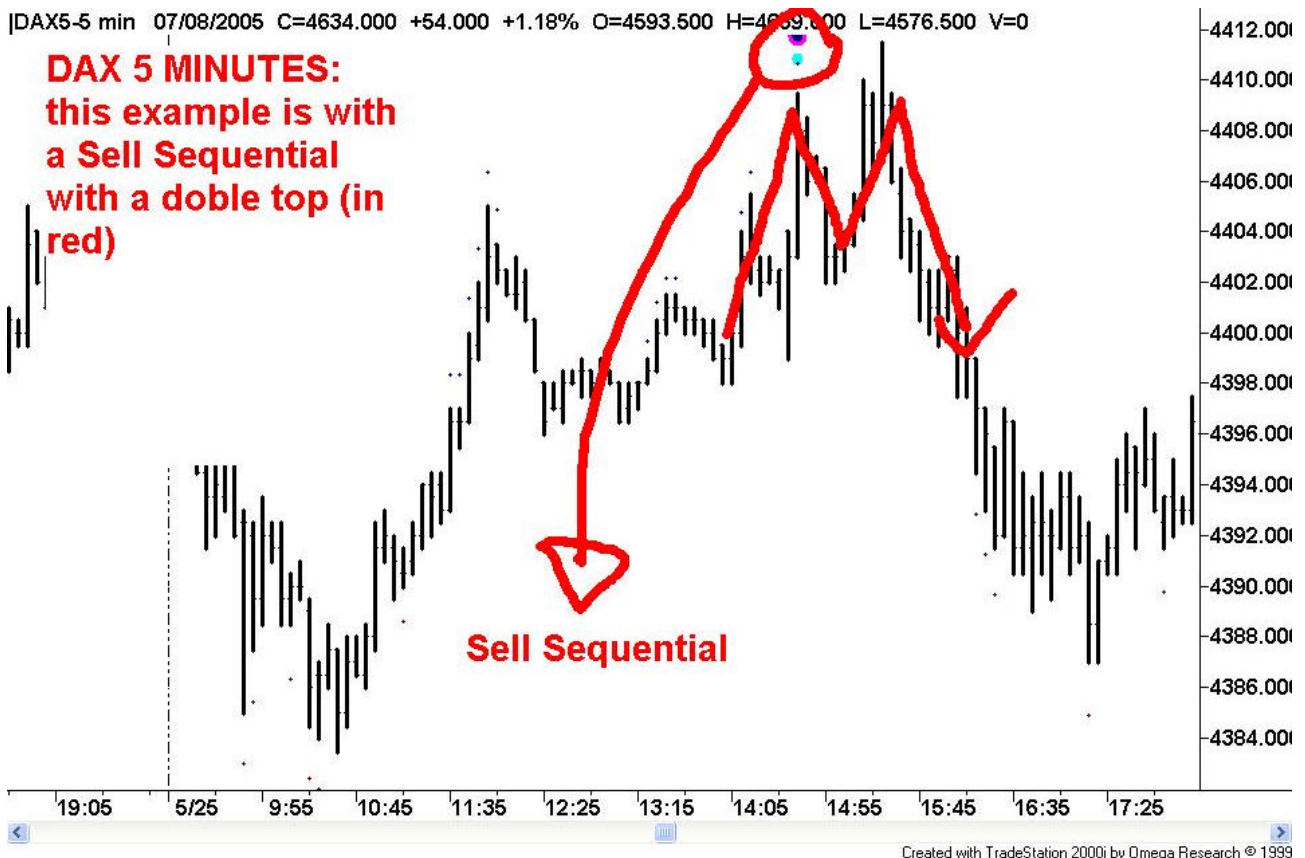
<http://www.technicalanalyst.co.uk/demark.pdf>

For a full review of the Thomas Demark techniques

<http://www.tomdemark.com/Ind%20Index/>

What I like of the Sequential in an intraday basis is that the market is supposed to turn up or down on that specified bar of the sequential so that you will buy (in case of an upward Sequential) on the high of that bar and stop loss is under the low. You will risk only the High – Low distance. Reality is quite different: since I am particularly risk averse I will try to catch the move AFTER the signal occurred and overall after some other graphical confirmation will show me that the signal is good.





THE SNIPER'S PATTERN

The logic of this pattern is derived from experience and the numerous strategies on swing trading. The most known strategy of this kind is the "1-2-3 hook" by Joe Ross depicted in the publications "Trading by the Minute" and "Trading by the book". Even if this strategy has collected during the years the widest recognition among traders, and myself I was an enthusiastic lover of it up some years ago, nobody, as far as my experience is concerned, has so far programmed a system that can transform the famous hook in a profitable trading systems statistically proven. This failure and the sad fact that I met during the years many successful traders applying it in real money trading brought me in 2002 to study some changes to the official hook methodology. The question was: why "hooks" have not been so far successfully programmed but there are some traders that look at those Joe Ross patterns in order to make money on the markets? The clue was given by the candlestick "three white soldiers" pattern a fellow of mine has included in his winning trading systems. If the "three white soldiers" pattern is useful in making money what is the link in between it and the "hook"? Reading an Italian books on pattern (not translated in German and English) I found a very useful pattern that is similar to the "three black crows", the symmetrical contrarian pattern of the "three white soldiers". What I understood was that a hook to be successful needs 1) a well defined trend 2) volatility, that is the 3 bars should have highs not overlapping much the following lows for the bull pattern and the lows not overlapping too much the following highs for the bear pattern. From this idea stems the Sniper's pattern. What I was taught at the Infantry School many years ago is that snipers's job is to wait a lot of time to should just few bullets. The sniper waits a lot to shoot to still targets, at the heart, and after a round of not more then 3 bullets he disappears as soon as he can in order not to be spotted by the ennemy. After that he starts again in a new position to wait for targets. I will be frank: I dislike the most to sit in front of the screen all the day long watching the market. My attention fades away after some hours and my character is prone to systematic trading because only with systematic trading I can delegate the trade execution and I can avoid sitting in front of the screen, I can read after having place my trades, litening music, working, doing whatever

I want. To a kind of fellow like me the snipers' pattern is genial: you just trade after an explosion in prices, you wait for a retracement, and then you enter the market in the direction of the main trend. Stop. If there are no major moves, and over all after the first wave takes place, you can really make another job.

Is this a discretionary strategy ? Partially. If you program it, with some particular nuances I will not tell you, you can have a sloping upward equity line. Not a final trading systems, but something that proves a positive statistical bias in this methodology.

SNIPERS' UP

- 1) 3 rising highs and rising lows bars with every low that does not overlap more than 50% of the previous bars
- 2) all the close must be higher than open
- 3) these 3 bars could be found in a period of maximum 5 bars, so you can have not consecutive 3 higher highs bars
- 4) the difference in between the highest high and lowest low should be at least 5% for daily bars and 0.0001 for intraday bars (depending on how often you prefer to trade)
- 5) after 1)-2)-3) 4) you should have 1 or 2 bars the has a negative close
- 6) You buy at the highest highs of the last 7 bars
- 7) The buy order is good for 5-10 days.

This pattern works both on intraday and daily basis on futures and stocks

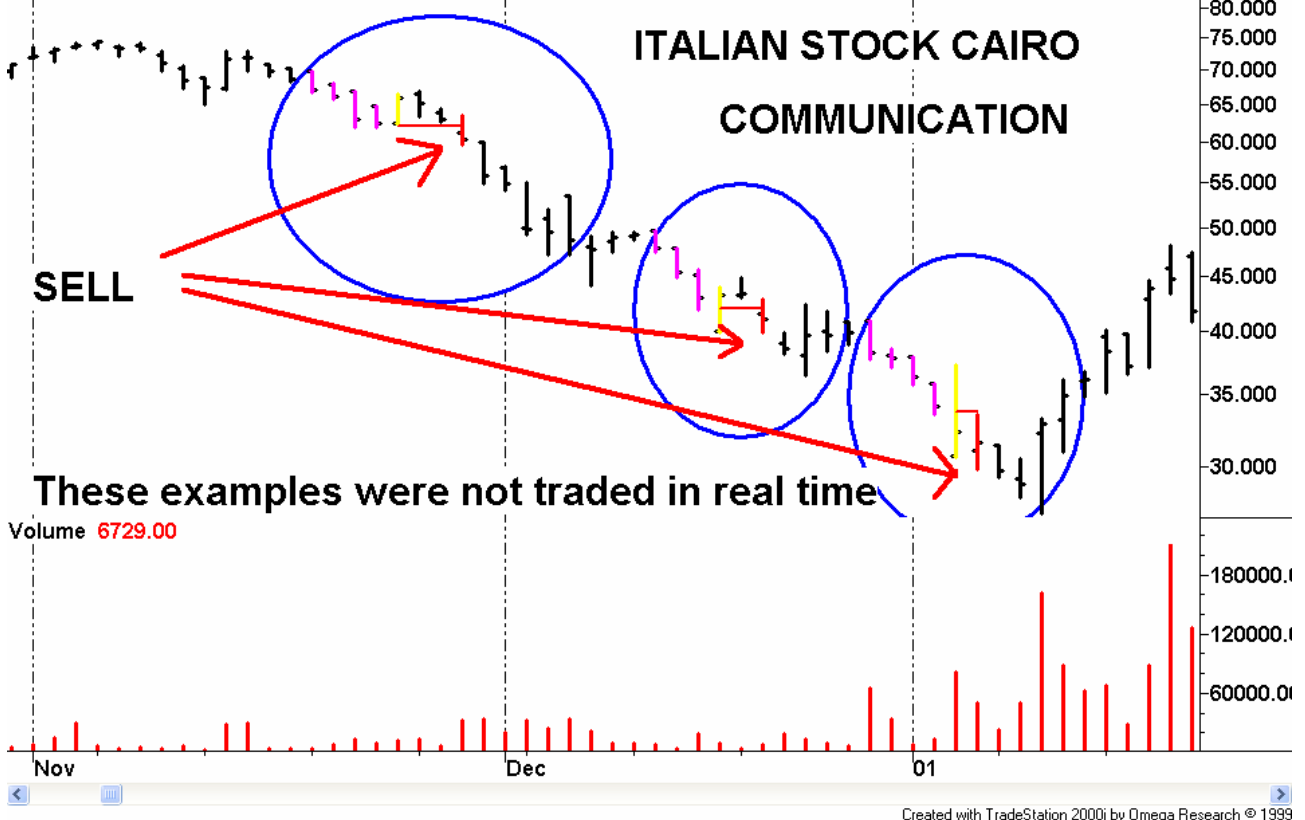
ITAAUT-Daily 08/17/2005 C=20.750 -.070 -0.34% O=20.870 H=20.870 L=20.600 V=1507575

ITALIAN STOCK AUTO TRADE:

this is an example of real trading
on www.toptrader.report.com



ITACAI-Daily 08/17/2005 C=46.090 +.090 +0.20% O=46.000 H=46.200 L=46.000 V=6729



|DAXF-60 min 08/12/2005 C=4934.500 -25.500 -0.51% O=4979.500 H=4982.500 L=4927.500 V=0

