

Trader Education Tutorial

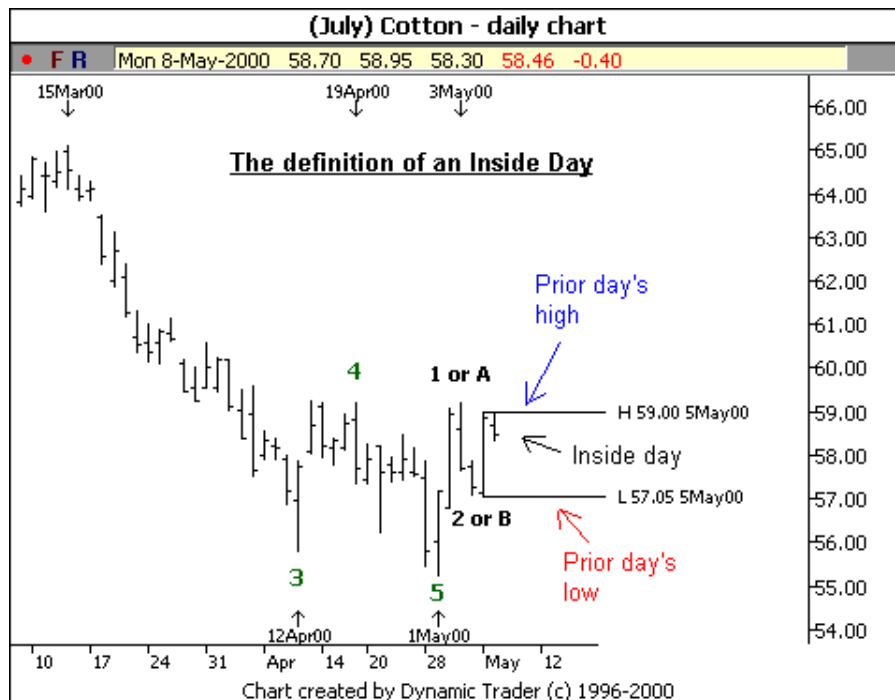
Inside Day Trend Continuation Trade Entry Strategy

Over the last two weeks, I have discussed two trend-reversal trade entry techniques – reversal-day and reversal-confirmation-day. Trades may also be entered with an acceptable initial capital exposure, once a new trend is already established. These are called trend-continuation trades, as they are designed to enter a trend in the direction of the new, established trend. This tutorial will teach the inside-day trade-entry strategy.

An *inside day* is defined as a day where the high of the day is lower than the high of the prior day and the low of the day is higher than the low of the prior day. In other words the day's trading range is contained within the price range of the prior day.

DT Chart Trade Set-Up Studies

The cotton chart below shows an inside day on May 8, the last bar on the chart.



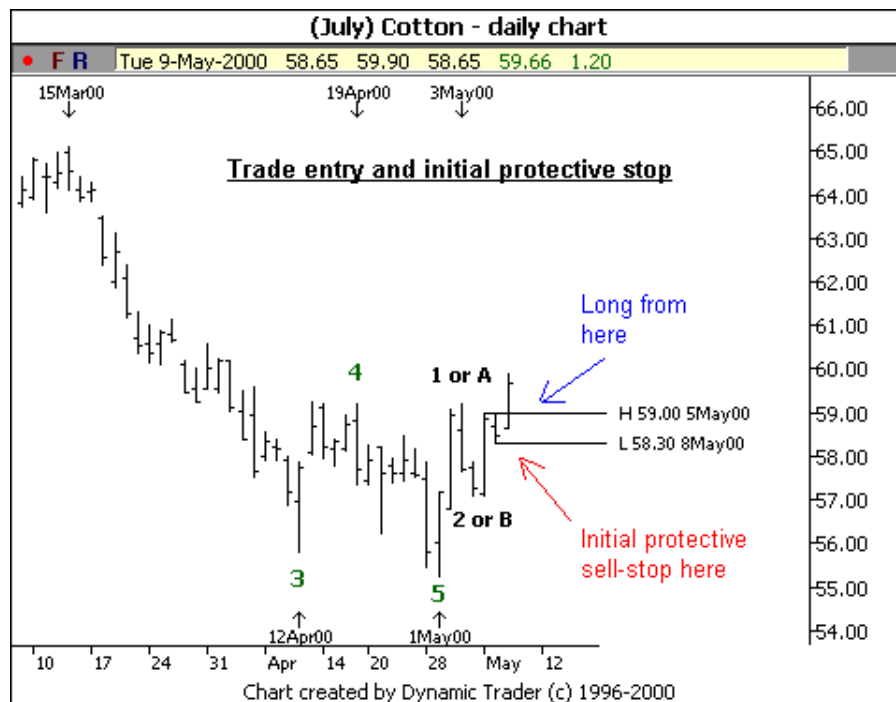
An inside-day is a day of indecision, a day when traders pause to take breath before re-establishing the original trend. Inside days can also be found at market turns, but for the purpose of this tutorial, I am only considering an inside day for a *trend continuation* trade set-up.

Usually the direction of the breakout from the day prior to the inside-day is the direction the trend will continue. Once the prior day's range has been exceeded, the market will usually not return to exceed the price range of the inside day itself.

Inside day trade entry Set-Up

1. As this is a *trend continuation* set-up, we are looking to only enter *in the direction* of the main trend. Therefore we must already have an opinion of the direction of the main trend.
2. To enter a long position (reverse for a short position), as long as the low of the day prior to the inside-day has not been exceeded, on the day following the inside day, place an order to buy one tick above the high of the day prior to the inside day.
3. If filled, the protective sell-stop (protective buy-stop for a short trade) is placed one tick below *the lower* of the inside day itself or the low of the day of entry.

In the example on (July) Cotton:



In this example, the trend was considered up off the last Wave 2 or B low of May 5. Therefore we are looking for opportunities to enter the market on the long side. On Monday May 8, an inside day appeared. Hence on May 9 we would place a order to enter a long trade one tick above the prior day's high (May 5) of 59.00. The order would be a 59.05 buy-stop. If filled, the protective sell-stop would be placed at 58.25, one tick below the inside day low of 58.30. The initial capital exposure is just \$400 per contract.

Once the inside-day set-up conditions were met, the entry price and initial protective stop is *completely objective*.

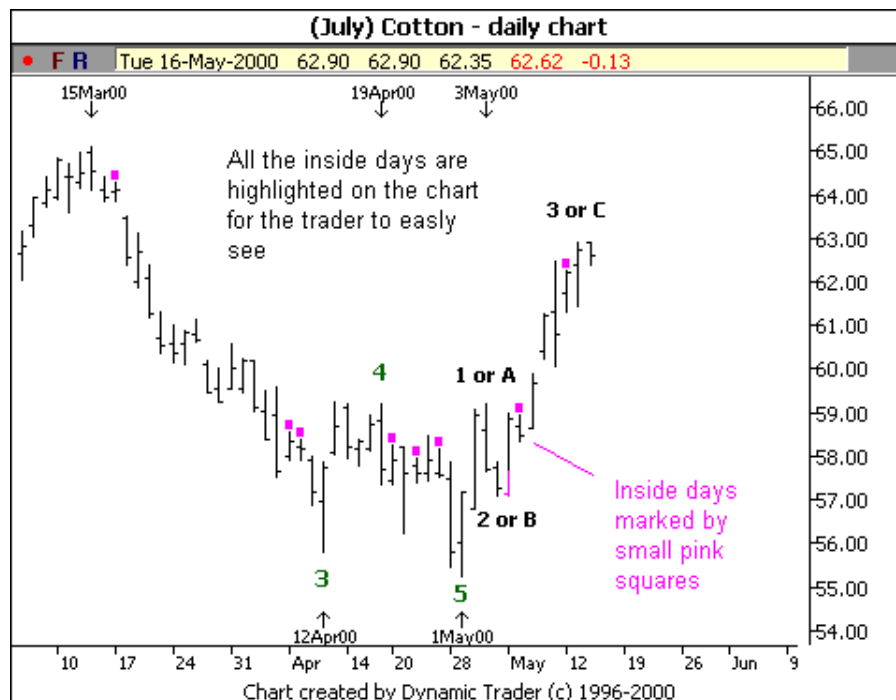
Lessons Learned

An inside day is one of the trend-continuation entry strategies that can be used to enter a trade with an acceptable initial capital exposure, once a new trend is already underway. There is a high-probability the trend will continue in the direction of the inside-day breakout. The entry price and initial capital exposure are completely objective. Once you have an opinion of the direction of the trend, the inside-day trade-entry strategy is completely objective.

Dynamic Trader Identifies Inside-Day Set-Ups

The Dynamic Trader software includes several routines that help the trader identify inside days very quickly and easily. The DT Trading Course that is included with the software program teaches in more detail the use of the inside day set-up.

Dynamic Trader's Study Scan will identify any inside-day on a chart.



Here we can see all the inside days are marked by a small pink square above the inside-day bar so they are easily identified by the user.

DT's Daily Trade Scanner

Inside-days may also be identified with Dynamic Trader's Daily Trade Scanner. The Daily Trade Scanner allows the trader to scan an entire portfolio for any of nineteen different set-ups which will quickly alert the trader to a short list of the markets that have met the conditions of the set-ups. An inside day is one of the trade set-ups that can be included in the scan results.

No.	Chart Name	Study	Close	Change	High/Buy Ref.	Low/Sell Ref.
1	COMEX SILVER SI0500 D	IB/NR	502.0	1.4	509.0	499.5
2	S&P 500 INDEX SP0600 D	IB/NR	1430.00	-9.00	1446.00	1408.00
3	BRITISH POUND BP0600 D	IB/NR	1.5330	0.0052	1.5408	1.5250
4	SWISS FRANC SF0600 D	IB/NR	0.5814	0.0006	0.5855	0.5773
5	MINI S&P 500 ES0600 D	IB/NR	1430.00	-9.00	1446.00	1406.00
6	COTTON #2 CT0700 D	IB/NR	58.46	-0.40	59.00	57.05
7	COFFEE KC0700 D	IB/NR	100.15	0.45	100.80	98.35
8	COMEX SILVER SI0700 D	IB/NR	506.5	1.2	517.0	503.5

Cotton is one of the inside days found on May 8

The scan results include the set-up levels for the trade

The screen shot above of the Daily Trade Scan shows the results for a scan looking for any inside-days on May 8 for all markets in a portfolio. Cotton made an inside-day on May 8 and is one of the markets highlighted. This is one of the many unique features and routines found in the Dynamic Trader software program which allows traders to concentrate their time on analyzing the markets rather than searching through endless charts.

The “IB/NR” is for “Inside-Bar/Narrow Range.” The DT user may require an additional condition that the inside-day must be the narrowest range day of the last X number of days before the day is highlighted. The narrow-range/inside-day set-up is also one of the set-ups described in the book, “Street Smarts”.

Dynamic Trader Is A Total Learning Experience

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.